

16 Communications

Telecommunications Market

Japan's domestic telecommunications business was the monopoly of Nippon Telegraph and Telephone Public Corporation until April 1985, when NTT was privatized and Japan's telecommunications market was opened up to other companies. In July 1999 NTT was reorganized under a holding company, and that development has accelerated mergers and the entry of foreign capital into the domestic telecommunications industry, stimulating competition among telephone companies.

In October 2006, mobile number portability (MNP) was inaugurated, allowing users to switch providers without changing their phone numbers. KDDI's au has turned out to be the winner in the battle for capturing customers, capitalizing on the number portability; it won a net increase of 464,700 contracts, while NTT DoCoMo and SoftBank suffered a net loss of 345,000 and 117,400, respectively, between the start of the new service on October 24 and the end of the year.

As of March 2007, the number of cellular phone users reached 96.7 million. NTT DoCoMo held 54.4% of the market, KDDI 29.1%, and SoftBank 16.4%. Despite the setback in the number portability battle, NTT DoCoMo still has the largest share and boosted its total subscribers by 298,000 to 52.6 million. KDDI, however, won 530,000 new subscribers.

In February 1999 NTT DoCoMo started the mobile online service i-mode, which attracted great popularity. The number of subscribers to this and similar services reached 84.37 million in March 2007.

In October 2001 NTT DoCoMo launched the world's first third-generation mobile phone service, FOMA, which enables users to enjoy large-capacity and high-speed communication of text, music, and video. As of March 2007, there were 35.53 million subscribers to this service. The "one-segment broadcasting service" ("one seg" for short), which brings terrestrial digital broadcasts to mobile phones, was introduced in April 2006, enabling people on trains, for example, to enjoy digital TV programs in high definition.

The number of Internet users was 85.29 million at the end of 2005, up 7.3% from the previous year, according to the Ministry of Internal Affairs and Communications. As of the end of 2005, the ratio of broadband users of all households connected to the Internet was 65.0%, an increase of 3.0 percentage points over the previous year.

The size of Japan's business-to-business electronic commerce market as narrowly defined* was ¥140 trillion in 2005, while that of the United States was ¥92 trillion, according to a survey conducted by the Ministry of Economy, Trade and Industry, the Next Generation Electronic Commerce Promotion Council of Japan, and IDC Japan. These figures show that e-commerce in Japan is much more widespread than in the United States.

The government established the "Policy Roundtable for Realizing a Ubiquitous

Network Society,” in which discussion continued from March to December 2004, and adopted the “u-Japan Policy” in hopes of making Japan the world’s most advanced nation in information and communication technology by 2010.

* "Narrowly defined e-commerce" refers to Internet commerce.

Major Means of Communication Within Japan

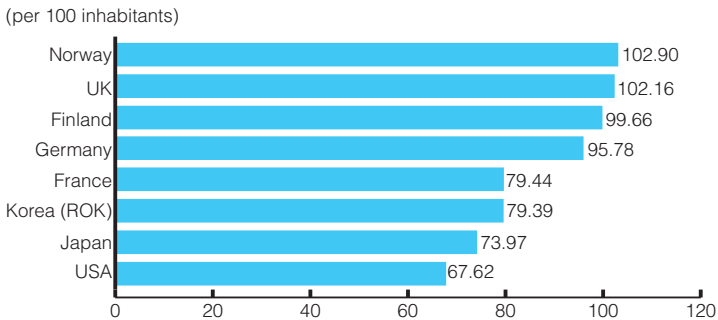
FY	Telephone (million subscribers)	Mail ^a (billion items)	Telegram (million items)	Pager (million subscribers)	Cellular phone (million subscribers)
1995	61.1	24.3	41.4	10.6	10.2
2000	52.3	26.1	31.1	1.4	60.9
2001	51.0	26.2	28.8	1.1	69.1
2002	51.2	25.7	27.2	1.0	75.7
2003	51.6	24.8	25.3	0.8	81.5
2004	51.6	23.5	21.8	0.6	87.0
2005	50.6	22.7	20.3	0.5	91.8

Source: Ministry of Internal Affairs and Communications.

Note: Figures for telephone, pager, and cellular phone subscribers are as of the end of the fiscal year.

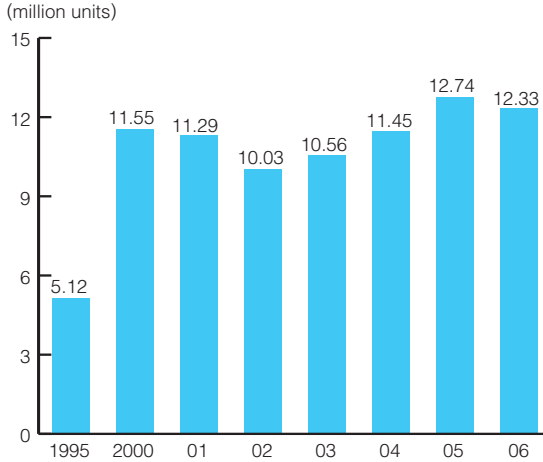
a. Regular domestic mail only.

Cellular Phone Subscribers per 100 Inhabitants by Country, 2005



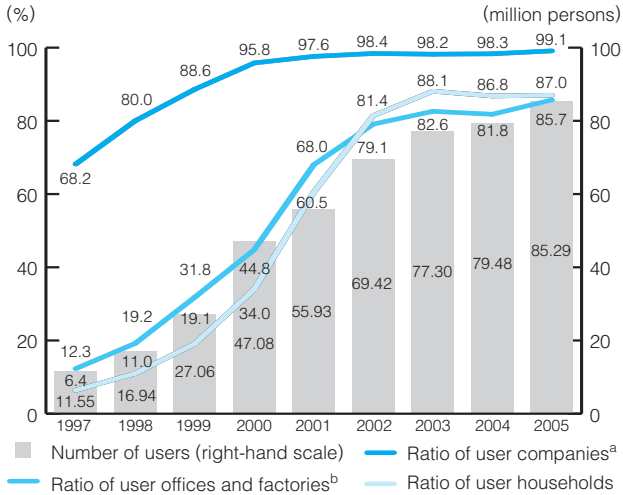
Source: International Telecommunication Union.

Domestic Personal Computer Sales



Source: Japan Electronics and Information Technology Industries Association.

Diffusion of the Internet in Japan



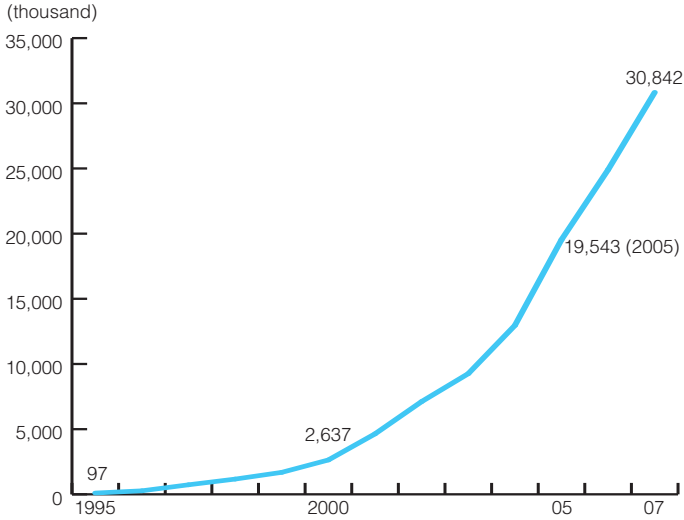
Source: Ministry of Internal Affairs and Communications.

Note: As of end of year.

a. Companies with 300 employees or more, excluding those in agriculture, forestry, fisheries, and mining.

b. Offices and factories with 5 employees or more, excluding those in posts and telecommunications.

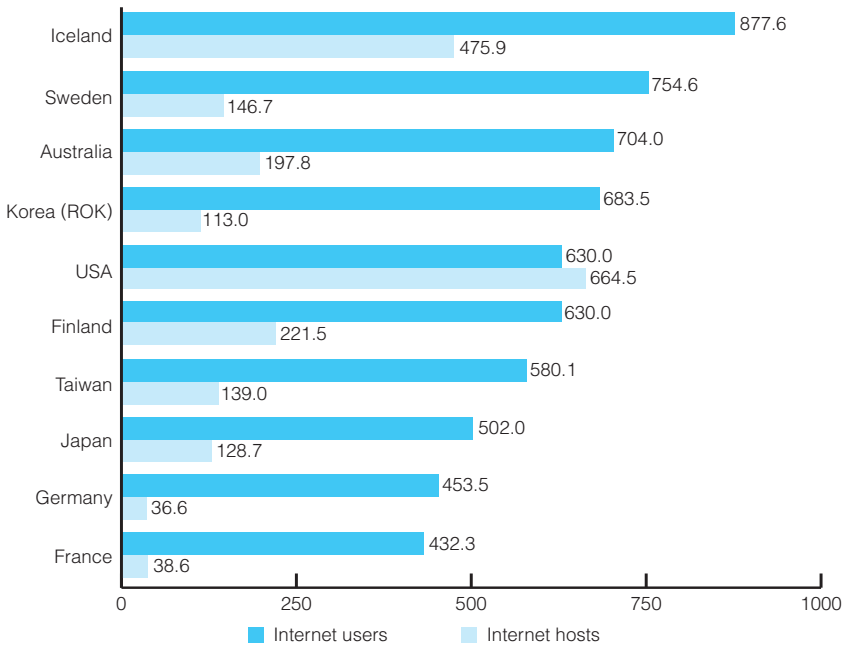
Internet Hosts in Japan



Source: Based on data from the Internet Systems Consortium (<http://www.isc.org/>).

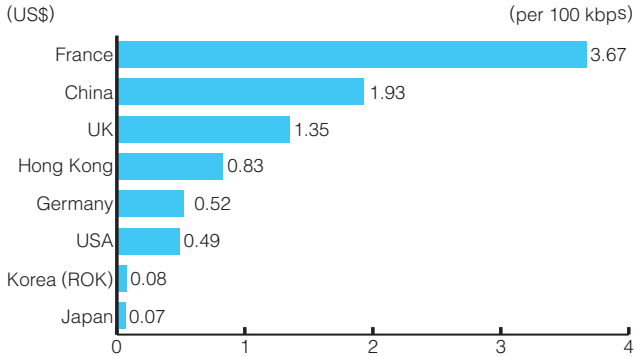
Note: Figures are as of January.

Internet Users and Hosts per 1,000 Inhabitants by Country, 2005



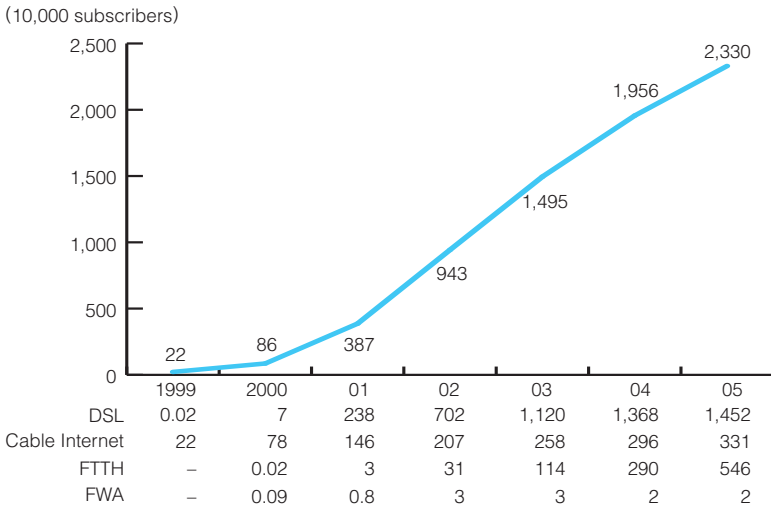
Source: International Telecommunication Union.

Broadband Fees in Major Countries, 2005



Source: International Telecommunication Union, *The Internet of Things*, 2005.

Trends in Broadband Subscribers



Source: Ministry of Internal Affairs and Communications, *Joho tsushin hakusho* (White Paper on Information and Communications), 2006.

Note: DSL = digital subscribers line; FTTH = fiber to the home; FWA = fixed wireless access. As of the end of March.

Broadband Subscribers in Major Countries

	Broadband subscribers (10,000)	Broadband subscribers per 100 inhabitants
USA	3,789	12.8
China	2,579	2.0
Japan	1,910	14.9
Korea (ROK)	1,192	24.9
Germany	691	8.4
France	675	11.2
UK	626	10.5
Canada	563	17.7
Taiwan	375	16.5

Source: Ministry of Internal Affairs and Communications.

Note: Figures are for 2004.