



Communications News

Vol. 18 No. 17
December 7, 2007

Biweekly Newsletter of the Ministry of Internal Affairs and Communications (MIC), Japan

ISSN 1349-7987

Please feel free to use the articles in this publication, with proper credits.

STATISTICS

Report on Economic Trends in the ICT Industry (2nd Quarter of 2007)

MIC has released its Report on Economic Trends in the ICT Industry for the second quarter of 2007.

Main points of trends in the ICT industry

Both production and shipments grew and business confidence remained unchanged at good. However, there was a slight

weakening of capital investment for the ICT industry. Trends towards increased ICT-related inventories and reduced ICT-related investment continued.

	Trend	Comment
Business Confidence in the ICT Industry	→	Overall trends remained unchanged at good. Future outlook is also good. However, there remains a large gap between large companies and small and medium-sized companies in the ICT industry.
State of Activity in the ICT Industry	↗	The ICT manufacturing industry continued to see growth in both production and shipments (Fig. 1). Even though inventories continue to grow, the rate of growth has slowed down. The trend is flat for the information and communications service industry.
Trends in Capital Investment in the ICT Industry	→	Capital investment for the ICT machinery and equipment industry grew, but the rate of growth has slowed down. Capital investment for the ICT industry was down (Fig. 2).
Employment Trends in the ICT Industry	↗	Growth has been maintained even though the rate of growth has slowed down. But, looking at the breakdown, employment in ICT-related manufacturing industry has declined.
Wage Trends in the ICT Industry	↗	There was growth in both the ICT machinery and equipment industry and in the ICT industry. The rate of growth was particularly large in the ICT machinery and equipment industry.
Trends in ICT-Related Consumption	↗	Even though the rate of growth overall is showing a diminishing trend, it is up year on year. The only decline is in fixed telephone communications charges.
Trends in ICT-Related Investment	↘	This has declined for 4 consecutive quarters and the rate of overall decline is expanding (Fig. 3). The reduction in order value for semiconductor manufacturing equipment is particularly large, with a figure lower than the sales value for the first time in 7 quarters.
Trends in ICT-Related Export and Import	→	There is a continuing downward trend from the previous quarter in the percentage of trade of ICT-related materials to total trade in all industries. Even though the value of trade is increasing, the rate of growth has declined.
Trends in ICT-Related Prices	↘	With the exception of some corporate information services, most consumer prices, corporate prices and corporate service prices continue on a decline.

CONTENTS

STATISTICS

Report on Economic Trends in the ICT Industry (2nd Quarter of 2007) 1

Disclosure of Quarterly Data concerning Competition Review in the Telecommunications Business Field 4

**International Policy Division,
International Affairs Department,
Telecommunications Bureau,
Ministry of Internal Affairs and
Communications (MIC)**
1-2, Kasumigaseki 2-chome, Chiy
odaku, Tokyo 100-8926, Japan
Fax: +81-3-5253-5924
Tel: +81-3-5253-5920

We welcome your comments via:
http://www.soumu.go.jp/joho_tsusin/eng/contact.html

MIC Communications News is available at:
http://www.soumu.go.jp/joho_tsusin/eng/newsletter.html

Presentation materials of MIC are available at:
http://www.soumu.go.jp/joho_tsusin/eng/presentation.html

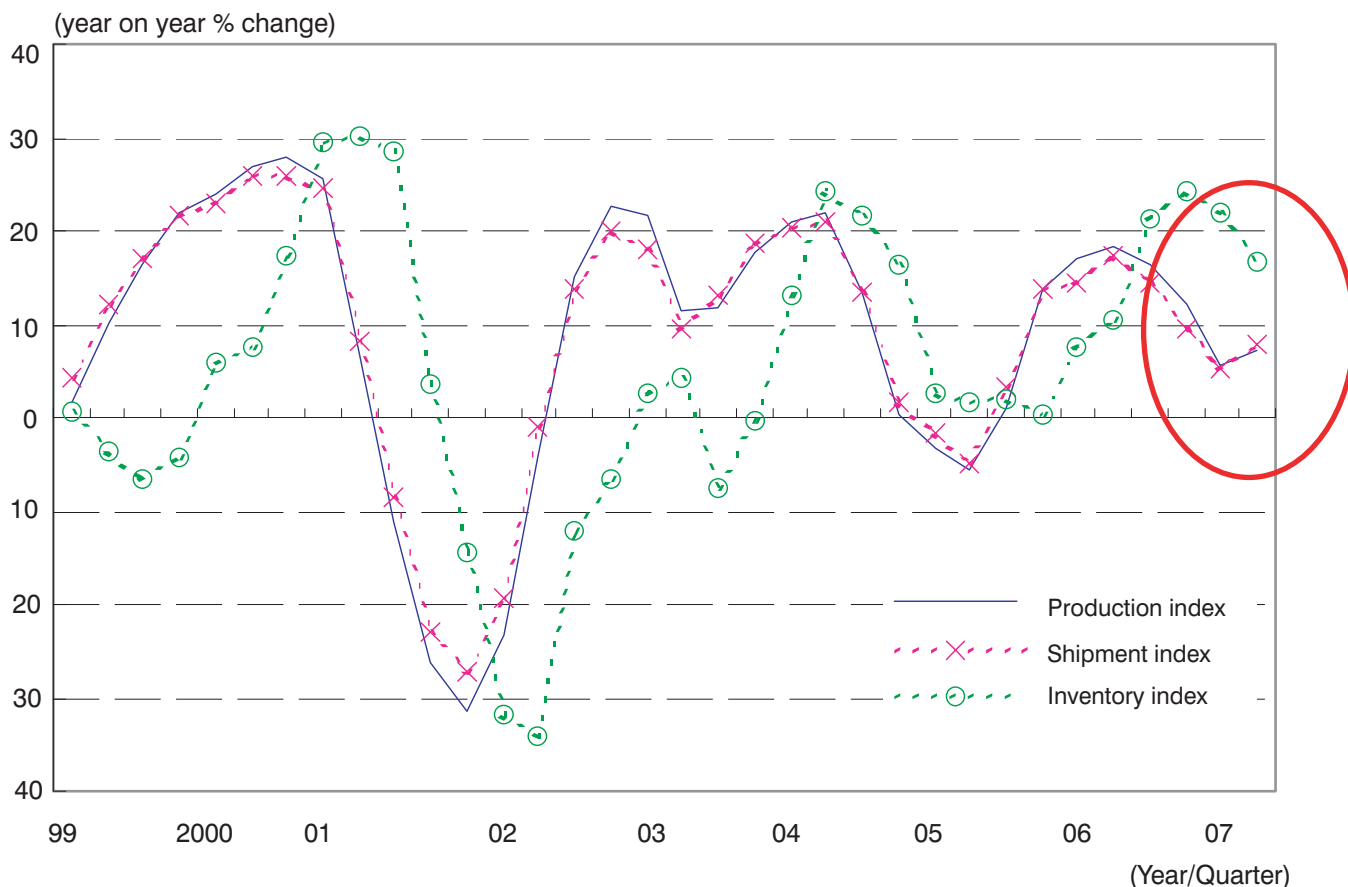
E-mail distribution of this newsletter is possible if desired.

NB: The upward arrows refer to "increase/upswing" and the downward arrows refer to "decrease/drop"

[Reference] Points to consider in 1st Quarter of 2007

Both production and shipments grew and business confidence remained unchanged at good. Employment was also on an upward trend. Trends towards increased ICT-related inventories and reduced ICT-related investment continued.

Figure 1: State of production, shipments and inventories for the ICT manufacturing industry (year on year)



NB: Produced by calculating the primary coefficient from the production, shipment and inventory indices for mining and manufacturing
Data: METI "Indices of Industrial Production"

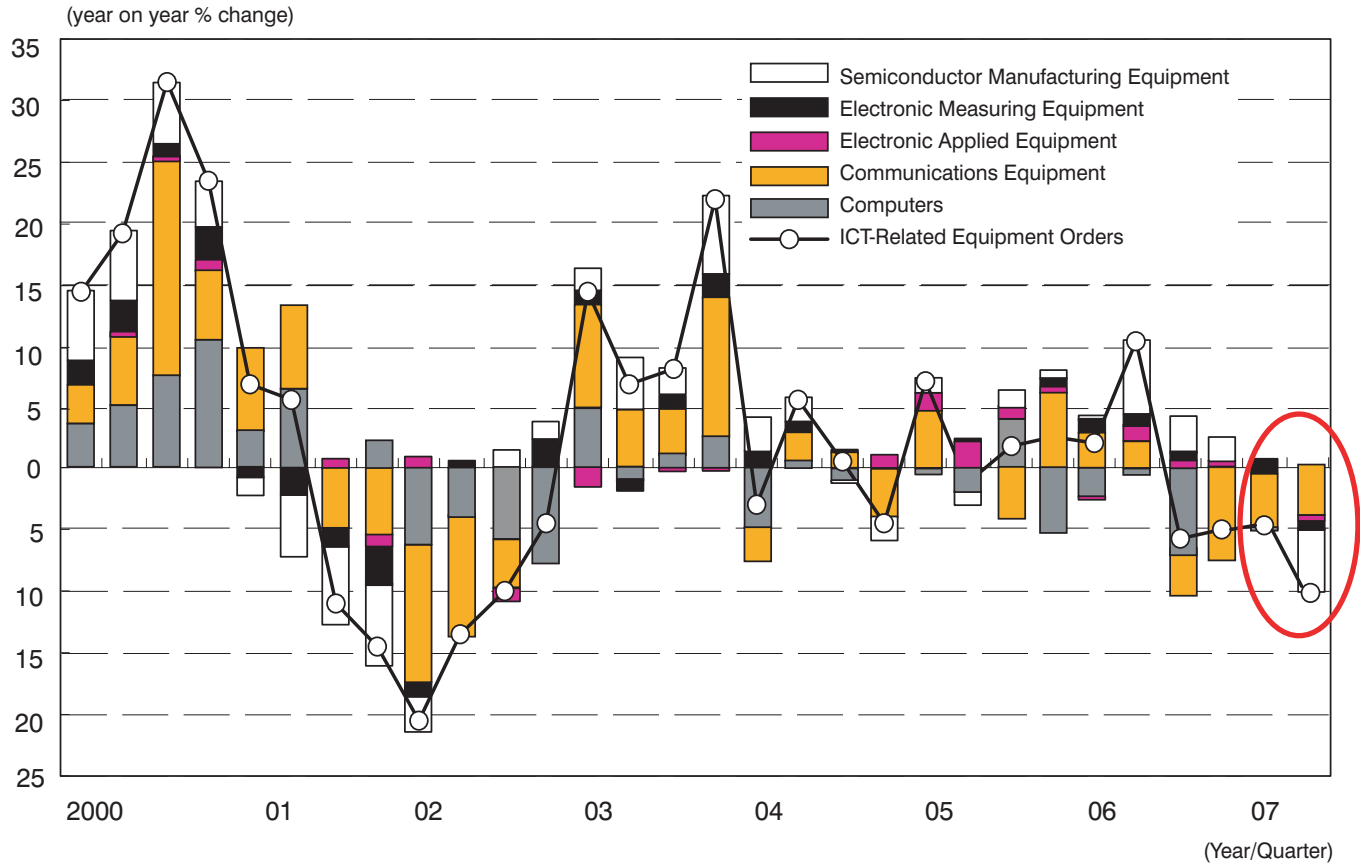
Figure 2: Trends in capital investment (Comparison of ICT-related industries and all industries)

(Unit: 100 billion yen, %)

	2004	2005				2006				2007	
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
All companies	110.4	137.0	104.9	125.6	120.9	156.1	122.3	140.8	141.2	177.2	116.3
(year on year)	3.5	7.4	7.3	9.6	9.5	13.9	16.6	12.0	16.8	13.6	4.9
Manufacturing industries	36.1	44.3	35.5	46.1	41.9	53.0	40.5	49.5	48.4	59.7	45.3
(year on year)	8.4	8.1	19.8	18.7	16.1	19.6	14.1	7.3	15.4	12.7	11.7
Electrical machinery plus ICT equipment	8.1	9.7	7.8	9.3	8.0	11.2	9.8	12.2	9.7	12.8	10.5
(year on year)	16.0	3.2	2.1	8.5	1.7	15.2	25.1	31.2	21.7	15.1	7.6
Electrical machinery and equipment industry	3.2	4.6	3.3	3.7	3.2	4.5	3.8	5.3	4.0	4.9	4.3
(year on year)	5.0	5.1	1.6	2.2	0.4	0.9	13.4	41.8	24.9	8.7	14.4
ICT machinery and equipment industry	5.0	5.1	4.5	5.5	4.8	6.6	6.0	6.9	5.8	7.9	6.2
(year on year)	5.0	5.1	5.0	12.2	3.1	29.5	33.8	24.1	19.6	19.5	3.3
Non-manufacturing industries	74.3	92.7	69.4	79.5	79.0	103.1	81.7	91.3	92.8	117.6	71.0
(year on year)	1.3	7.1	1.8	5.0	6.3	11.2	17.9	14.8	17.5	14.1	13.1
Transport plus communications industries	17.0	25.9	13.0	18.5	19.4	27.8	15.3	23.1	21.7	34.5	15.7
(year on year)	1.2	22.8	1.8	4.2	14.6	7.3	17.8	24.4	11.5	24.2	2.8
ICT industry	8.6	12.0	8.0	10.8	11.9	14.6	9.0	13.7	13.4	16.7	8.7
(year on year)	8.6	12.0	1.8	1.9	38.5	21.9	12.7	26.3	12.7	14.2	3.0

NB: Changes in industrial classification from the Apr-Jun 2004 quarter
Data: MOF "Quarterly Report on Corporate Statistics"

Figure 3: ICT-related equipment orders



NB: The bar chart shows the level of contribution of ICT equipment related orders compared to the previous year. ICT equipment related orders are the total of computers, communications equipment, electronic applied equipment, electronic measuring instruments and semiconductor manufacturing equipment from machinery orders (private-sector demand excluding ships and electric power).

Data: Cabinet Office "Orders Received for Machinery"

STATISTICS

Disclosure of Quarterly Data concerning Competition Review in the Telecommunications Business Field

As a part of its competition review in the telecommunications business field, MIC has compiled the share data for the first quarter of FY2007 (as of the end of June 2007), and thus releases it.

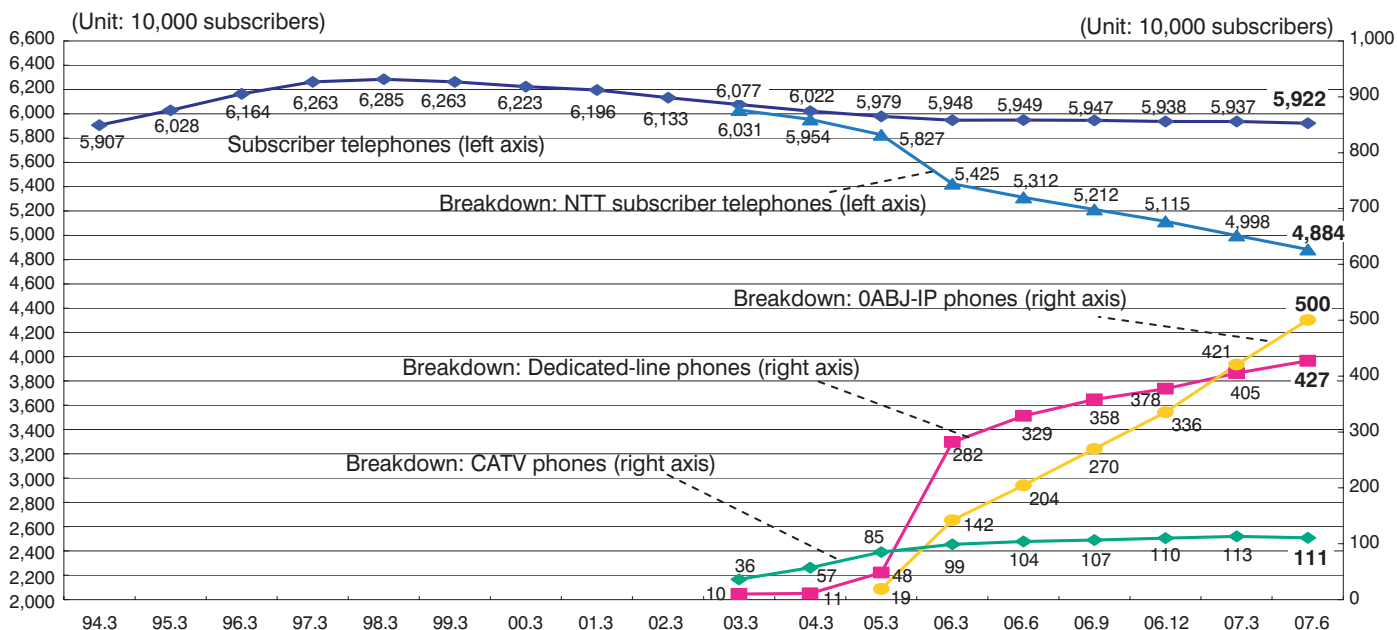
Fixed Communications (1) Subscriber Telephones

The total number of telephone subscribers (total of NTT subscribers, dedicated-line phones, 0ABJ-IP phones, and CATV phones) as of the end of June 2007 stood at 59.22 million.

This included 4.27 million dedicated-line phones (an increase of 5.4% year on year), 5.0 million 0ABJ-IP phones (an increase of 18.8% year on year. 0ABJ-IP phones have now become second to NTT subscriptions for fixed telephone services.

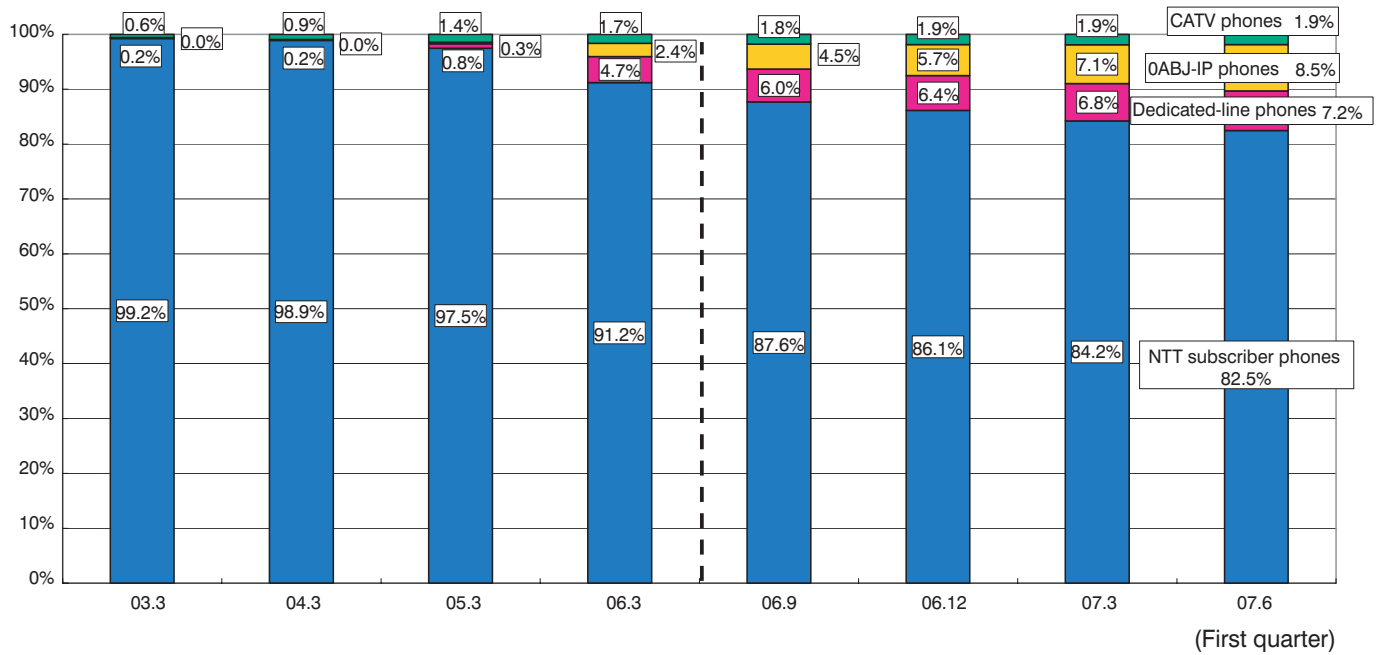
The share of the total of NTT East and West (total of NTT subscribers and 0ABJ-IP phones) stood at 88.8% as of the end of June 2007 (44.4% for NTT East, 44.4% for NTT West, a decline of 0.8% year on year), showing a small declining trend.

Trends in contract numbers for subscriber telephones

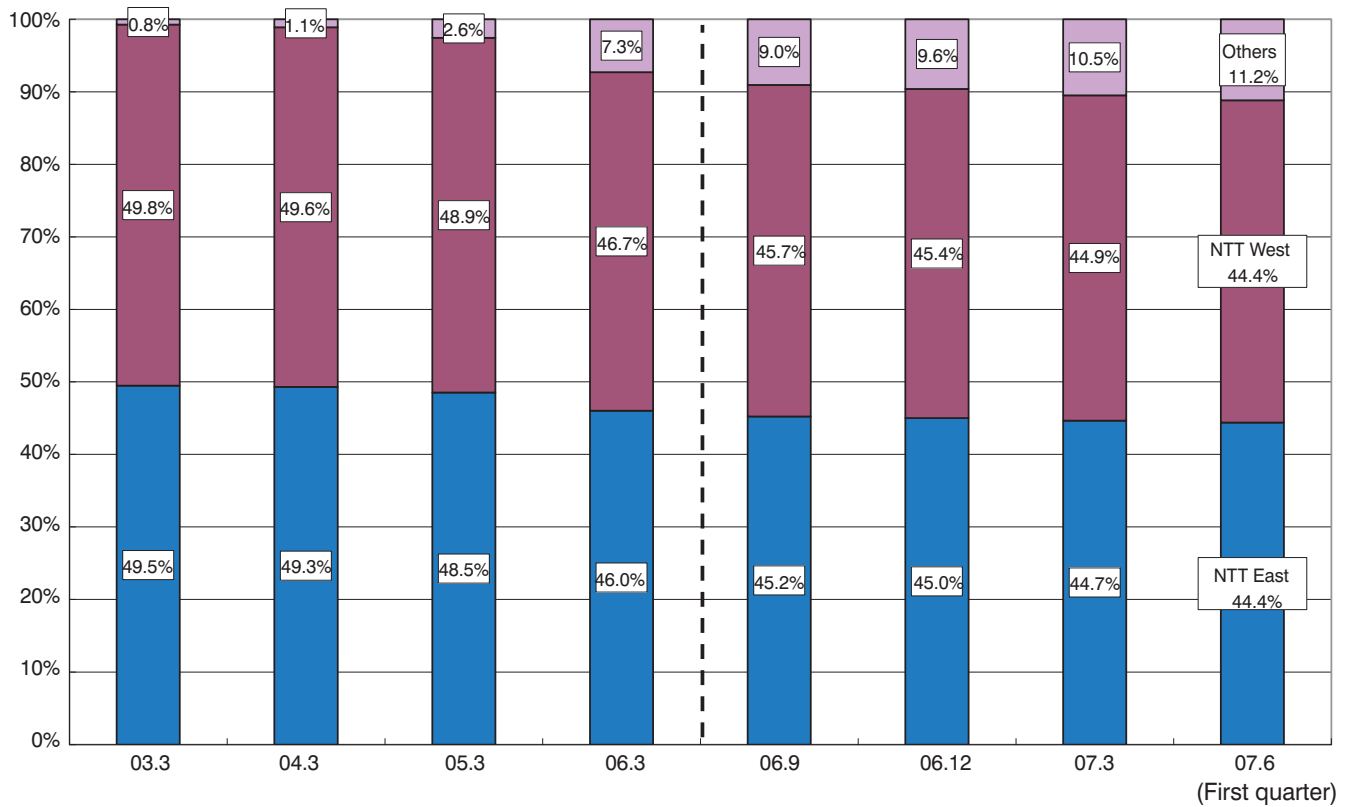


NB-1: Subscriber telephones includes NTT subscriber telephones (including ISDN), dedicated-line phones (total of dedicated-line, new type dedicated-line, and dedicated-line ISDN), 0ABJ-IP phones, and CATV phones.
 NB-2: 0ABJ-IP phones calculates subscribers from the numbers used.
 * 0ABJ-IP has been included in subscriber phones as, in many cases, NTT numbers can be used as they are for this service. 0ABJ-IP is also included in IP phones as shown in section (2).
 NB-3: Subscriber numbers are rounded off, so the total of the various figures may not add up.
 NB-4: There have been corrections to figures shown in the past.

Trends in subscriber telephones shares



Trends in NTT East and West share of contract numbers for subscriber telephones



NB: NTT East and West subscriber share is the total of the NTT subscriber phones (including ISDN) plus OABJ-IP phones

(2) IP phones

The number of IP phone numbers used reached 15.28 million (an increase of 5.5% year on year) as of the end of June 2007. The trend is upward, with the number of OAB-J numbers used reaching 5.0 million (an increase of 18.8% year on year). On the other hand, the number of 050 numbers in use was

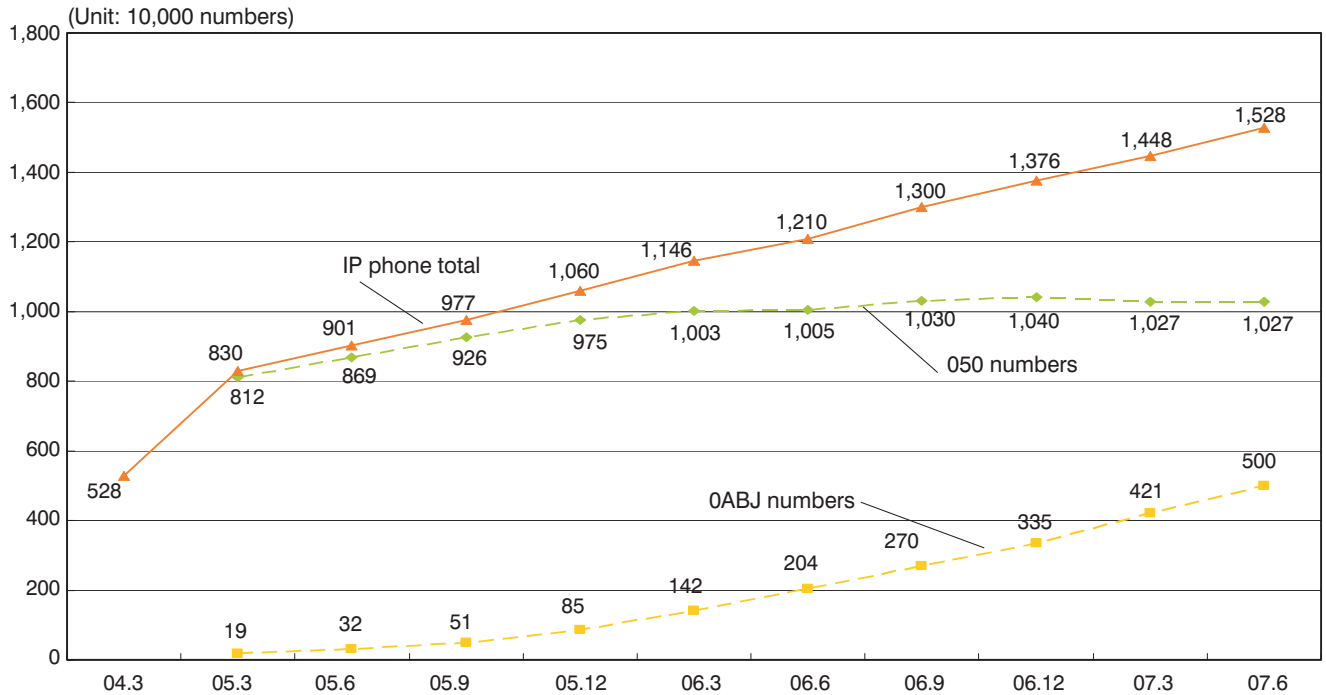
flat at 10.27 million.

In terms of overall market share for IP phones as of the end of March 2007, SoftBank BB stood at 31.3% (a decline of 1.9% year on year), with NTT Communications at 21.6% (a decline of 1.0% year on year), both showing a downward trend. On the other hand, NTT East and West's

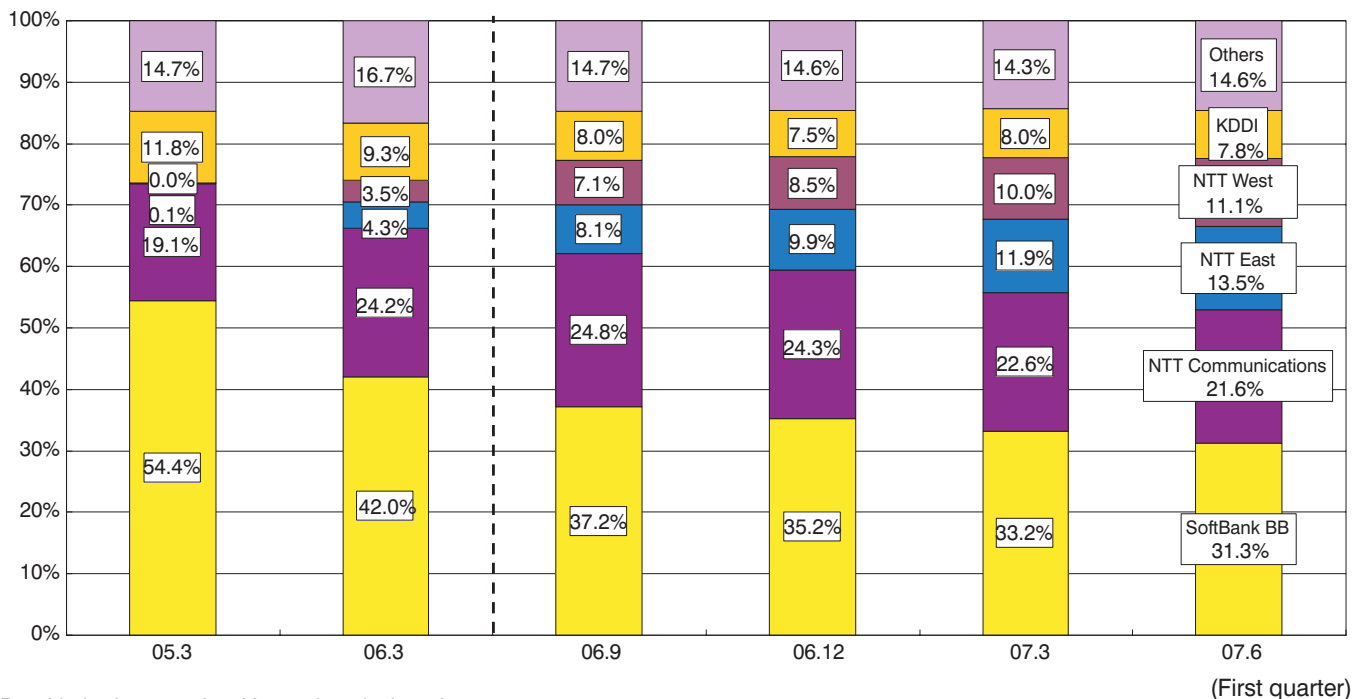
share stood at 24.6% (an increase of 2.6% year on year), giving it second place after SoftBank.

NTT East and West's share of OAB-J numbers stood at 75.3% as of the end of June 2007 (41.3% for NTT East and 34.0% for NTT West, showing a 1.4% decline year on year).

Trends in IP phone numbers in use



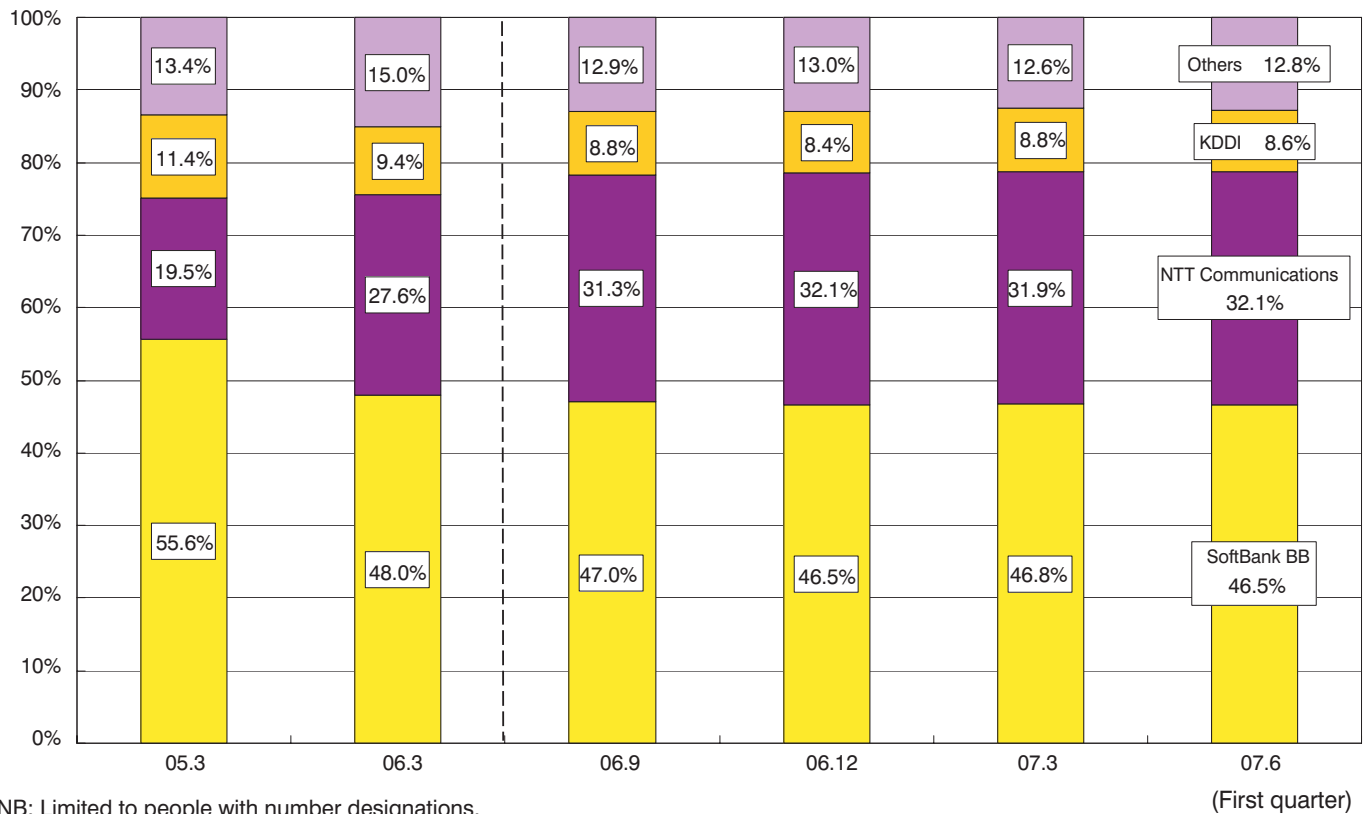
Trends in shares by carrier for IP phone numbers in use (overall)



NB-1: Limited to people with number designations.

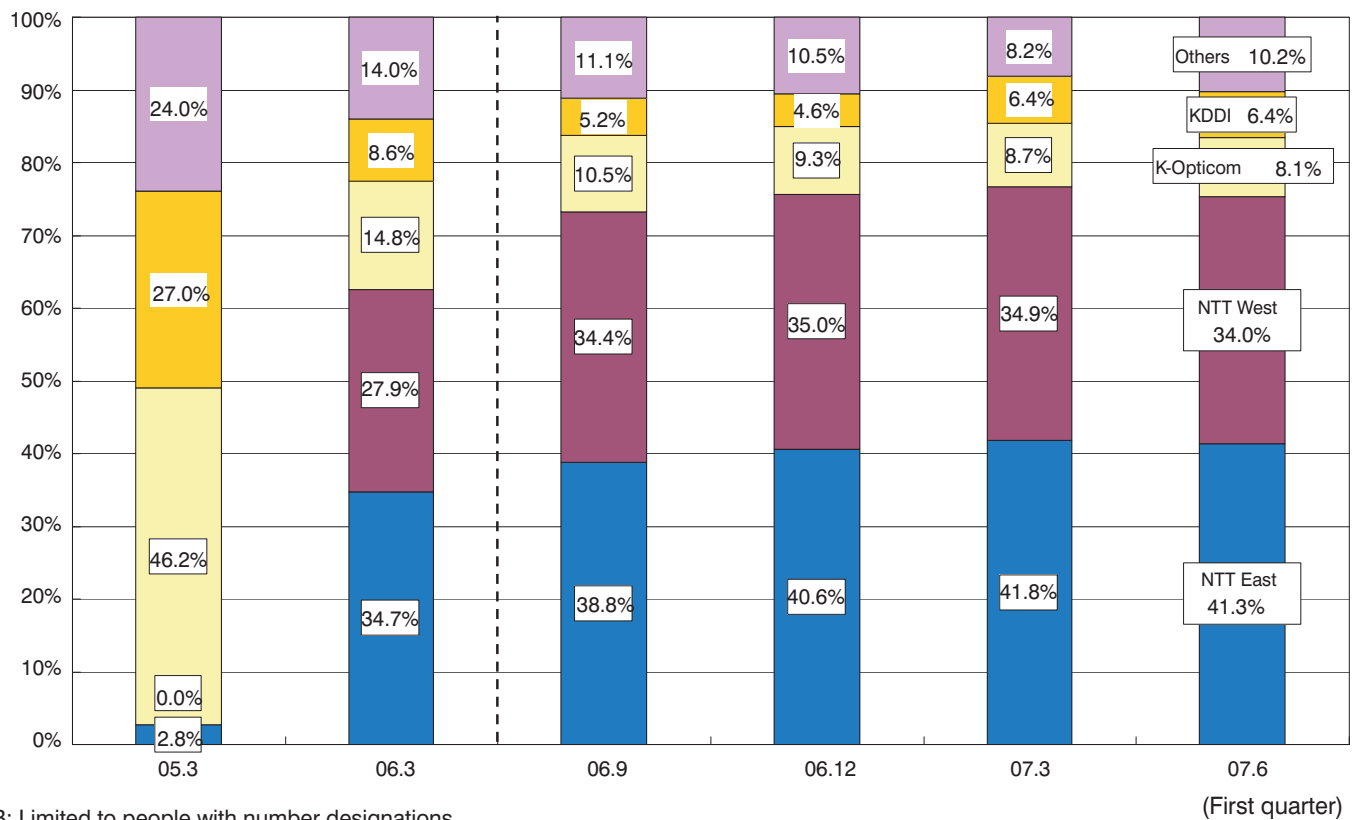
NB-2: Since some corrections have been added on for the end of March 2007 figures, share numbers may have changed from those previously announced.

Trends in shares by carrier for IP phone numbers in use (050 numbers)



NB: Limited to people with number designations.

Trends in shares by carrier for IP phone numbers in use (0AB-J numbers)



NB: Limited to people with number designations.

Mobile communications

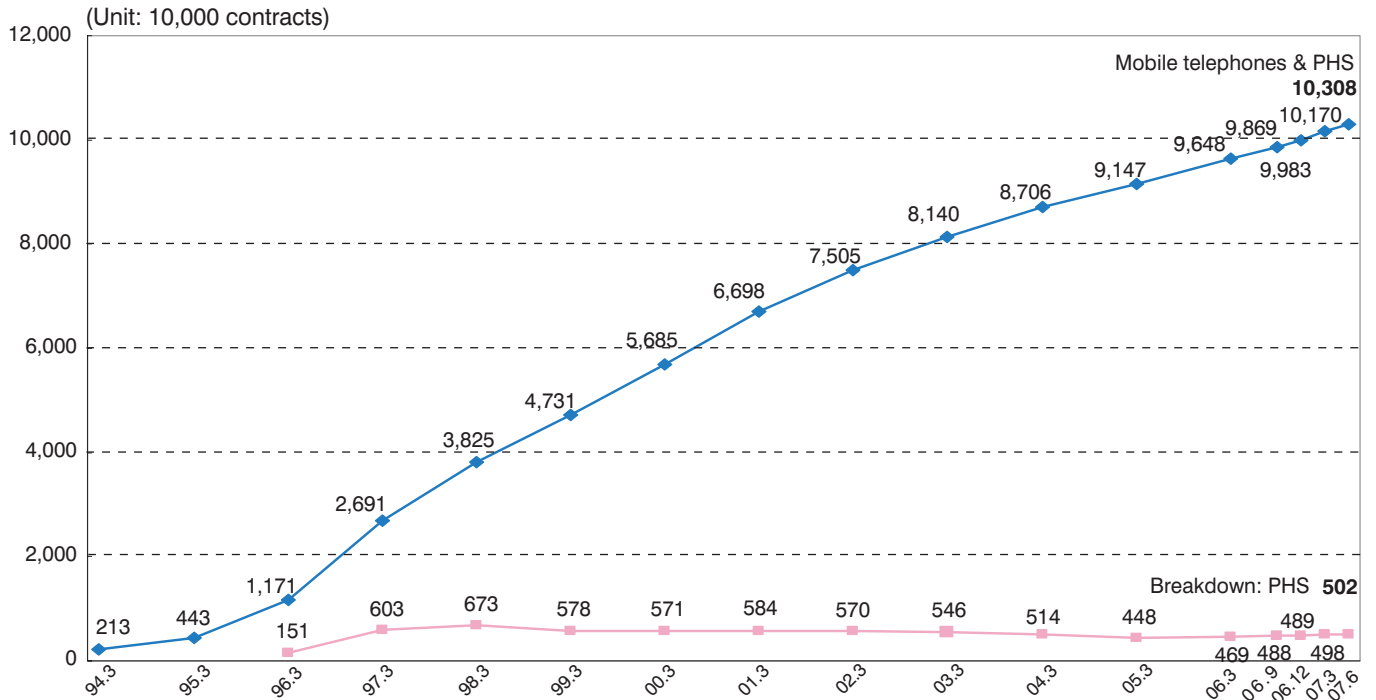
Combined subscriptions for mobile telephones and PHS rose slightly to 103.08 million (an increase of 1.4% year on year) as of the end of June 2007. PHS saw an increase of 40,000 to 5.02 million (an

increase of 1.8% year on year), topping the 5.0 million figure once more.

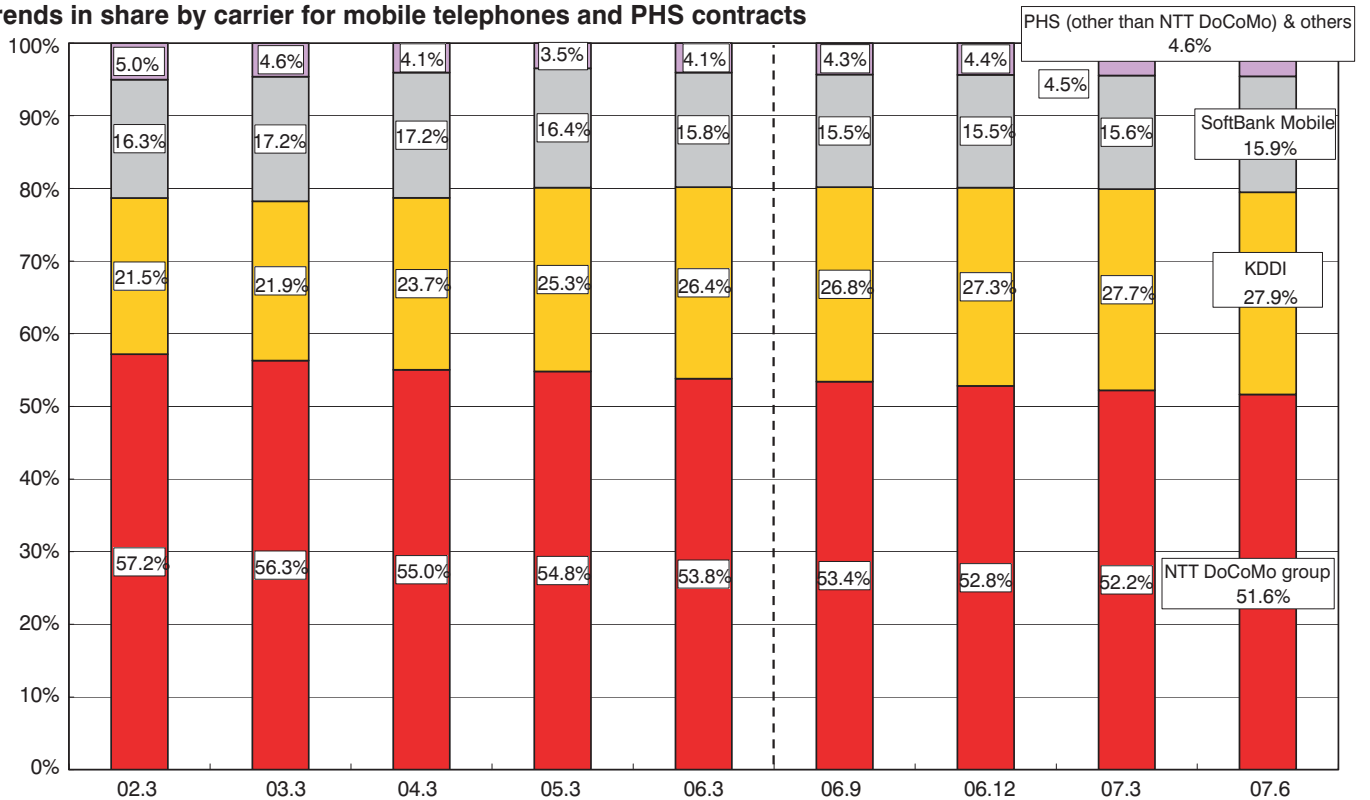
Market share for the NTT DoCoMo group stood at 51.6% (a decline of 0.6% year on year), with the au group's share at 27.9% (an

increase of 0.2% year on year), and SoftBank Mobile's share at 15.9% (an increase of 0.3% year on year), showing slight increases in markets share for the au group and SoftBank Mobile.

Trends in contract numbers for mobile telephones and PHS



Trends in share by carrier for mobile telephones and PHS contracts



(First quarter)

NB-1: PHS subscriptions are included in the NTT DoCoMo group figure.
 NB-2: The TU-KA group merged with KDDI (the au group) on October 1, 2005.
 NB-3: For SoftBank Mobile, data up to the end of September 2006 is from the old Vodafone.
 (Source: MIC and Telecommunications Carriers Association)

The Internet

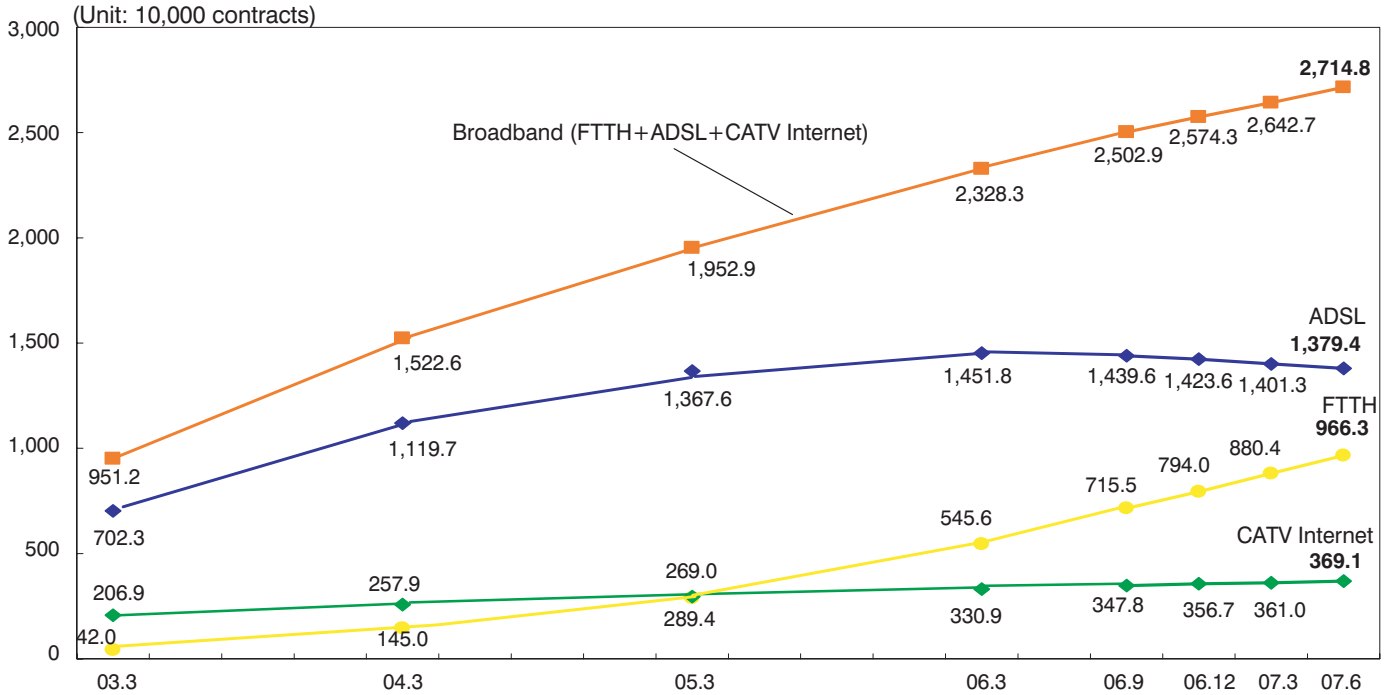
(1) Broadband overall

The total number of broadband subscriptions stood at 27.15 million (NB) as of the end of June 2007 (an increase of 2.7% year on year).

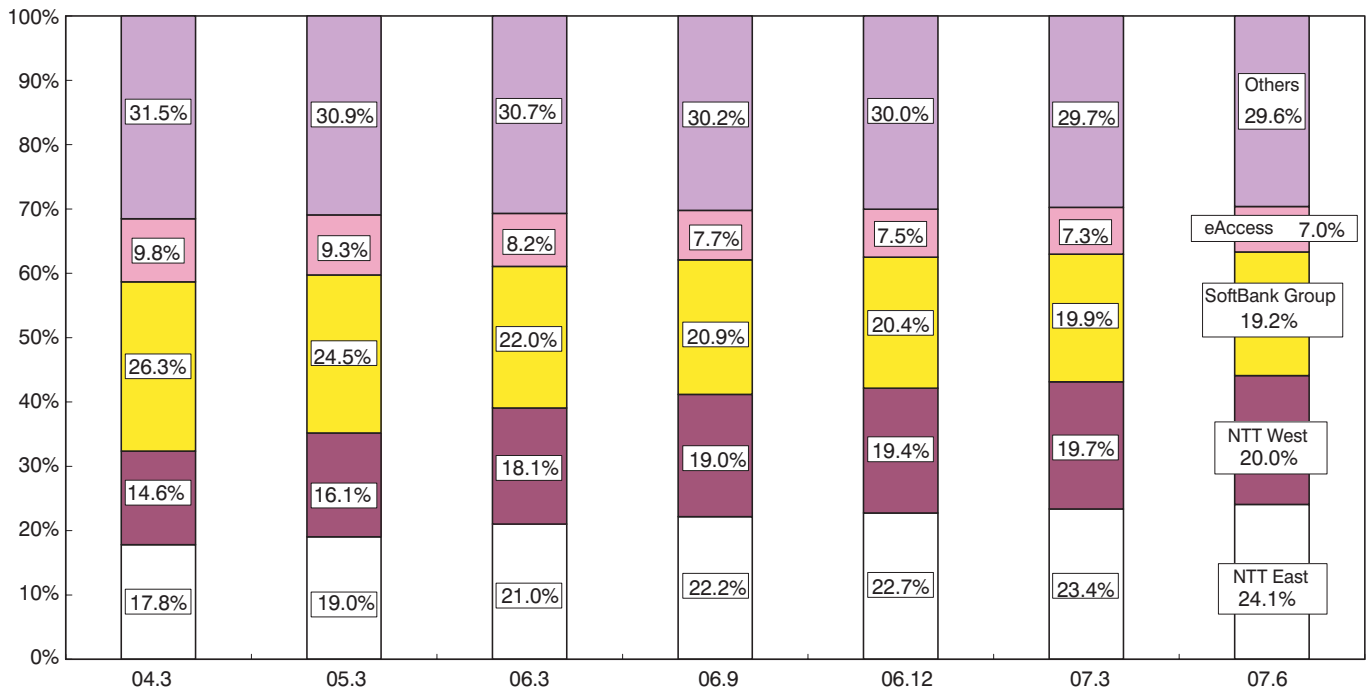
NTT East and West's combined share was 44.1% (24.1% for NTT East and 20.0% for NTT West, an increase of 1.0% year on year), showing an upward trend. On the other hand, the SoftBank

Group's share was at 19.2% (a decline of 0.7% year on year) and eAccess' share was 7.0% (a decline of 0.3% year on year), showing a downward trend.

Trends in broadband contract numbers



Trends in broadband contract share by carrier



NB: Differences with the figures published in MIC's "Number of Broadband Service Contracts, Etc. (as of the end of June, 2007)" (published on September 18, 2007) are due to FWA services not being included and also corrections in contract numbers subsequent to the publication date.

(2) DSL

The total number of DSL subscriber stood at 13.79 million as of the end of June 2007 (a decline of 1.6% year on year), showing a continuing downward trend.

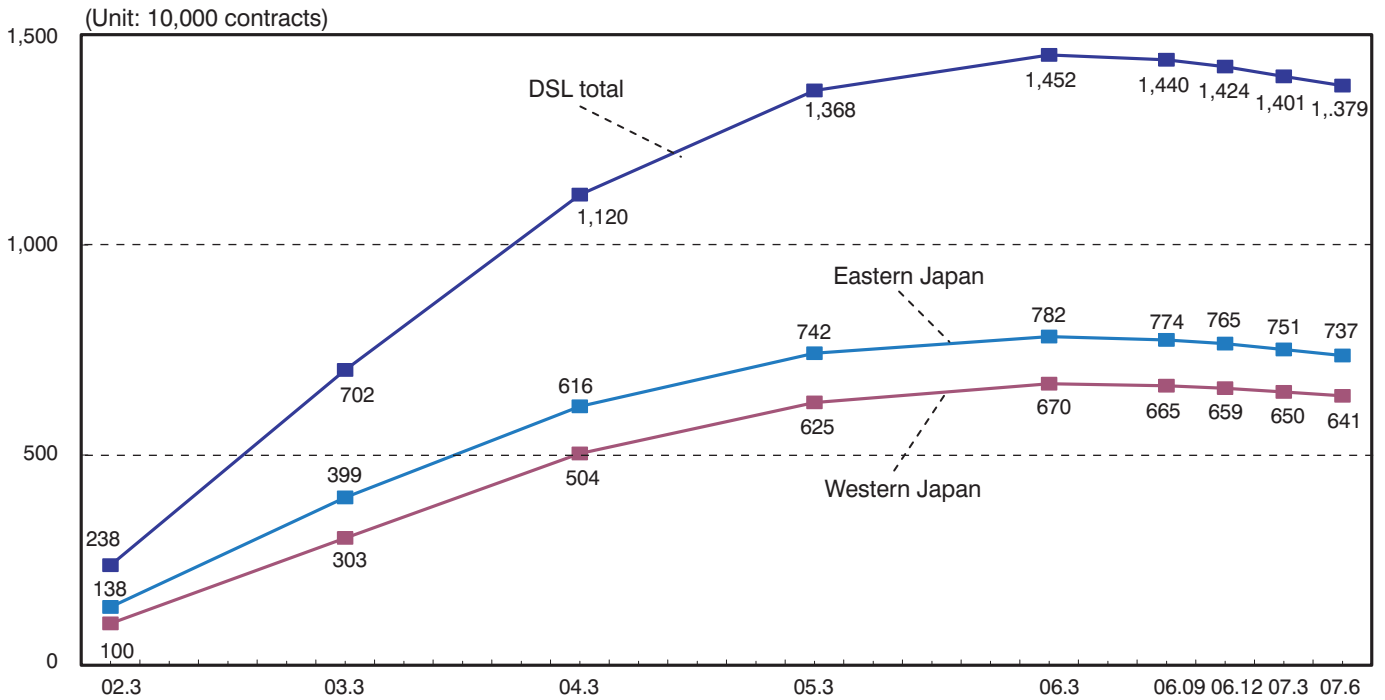
Looking at figures nationwide, NTT East and West's share stood at

37.7% (19.6% for NTT East and 18.1% for NTT West, a decline of 0.3% year on year), continuing the downward trend that started in the second quarter of fiscal year 2006. On the other hand, SoftBank BB's share stood at 37.2% (an increase of 0.4% year on year, and eAccess'

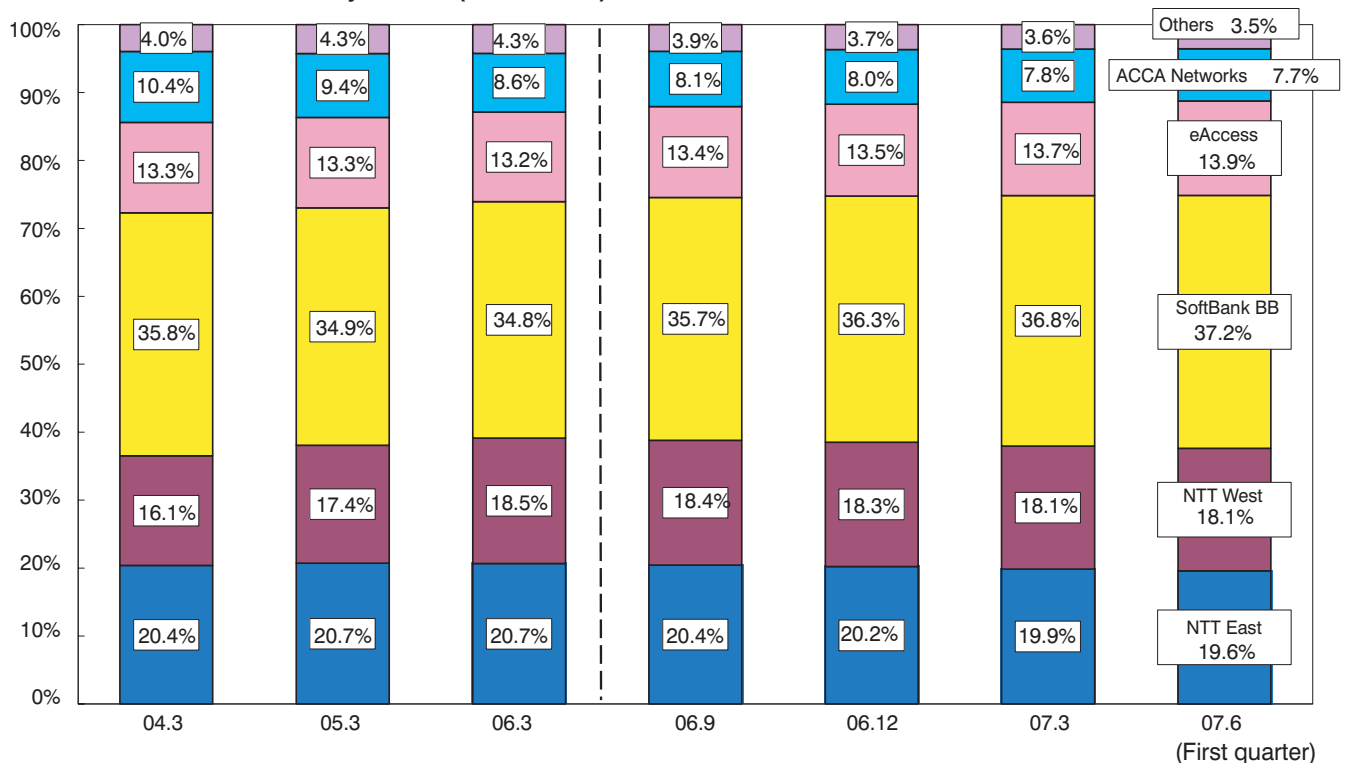
share stood at 13.9% (an increase of 0.2% year on year).

In Western Japan, SoftBank BB occupies the top position with a 40.0% share (an increase of 0.2% year on year).

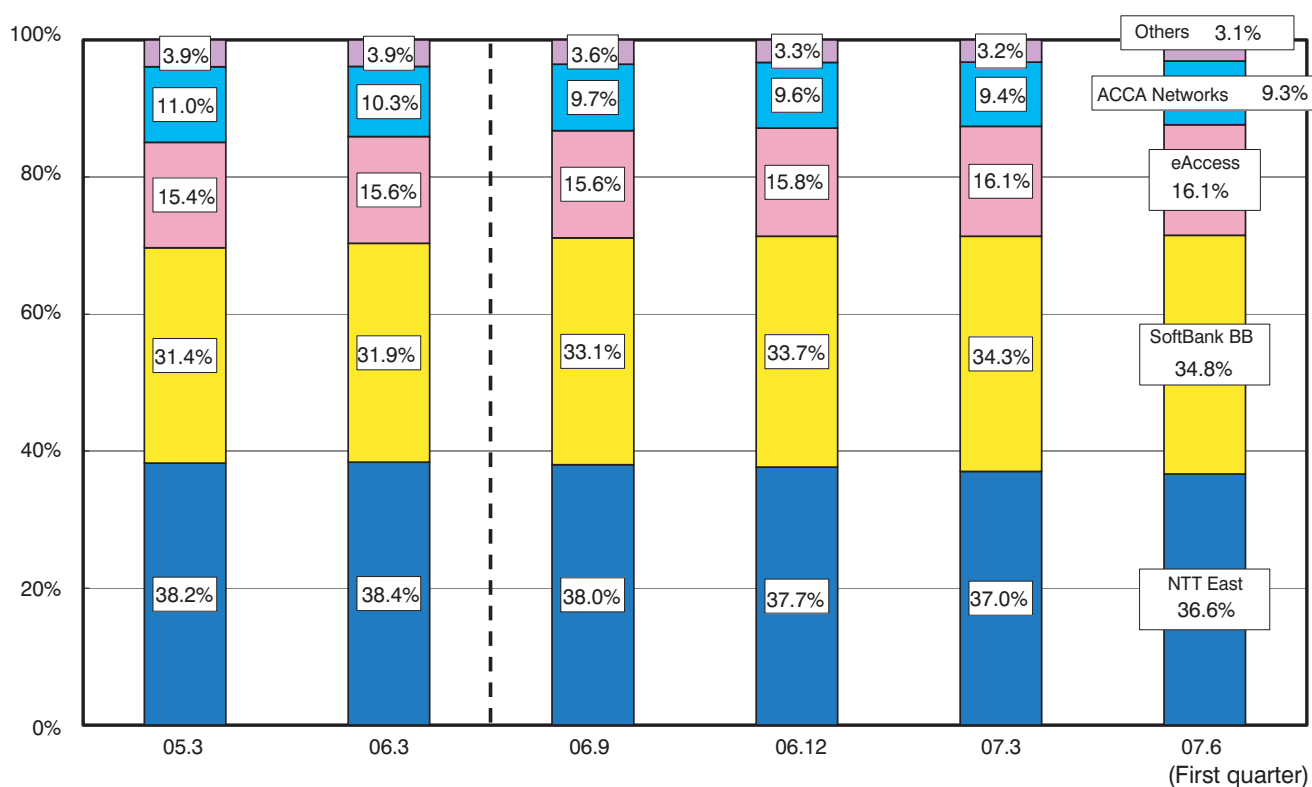
Trends in DSL contract numbers



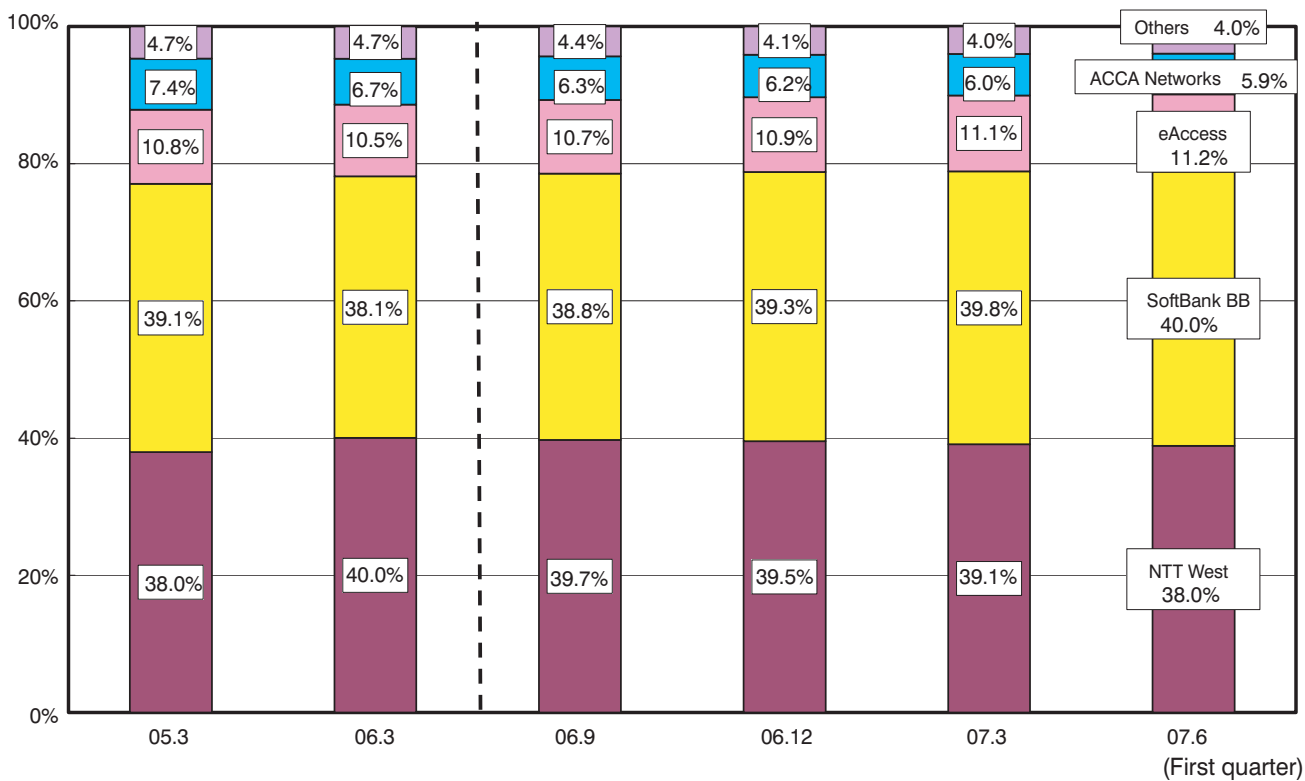
Trends in DSL contract share by carrier (nationwide)



Trends in DSL contract share by carrier (Eastern Japan)



Trends in DSL contract share by carrier (Western Japan)



(3) FTTH (Fiber To The Home)

The number of FTTH subscriptions stood at 9.663 million as of the end of June 2007 (an increase of 9.8% year on year)

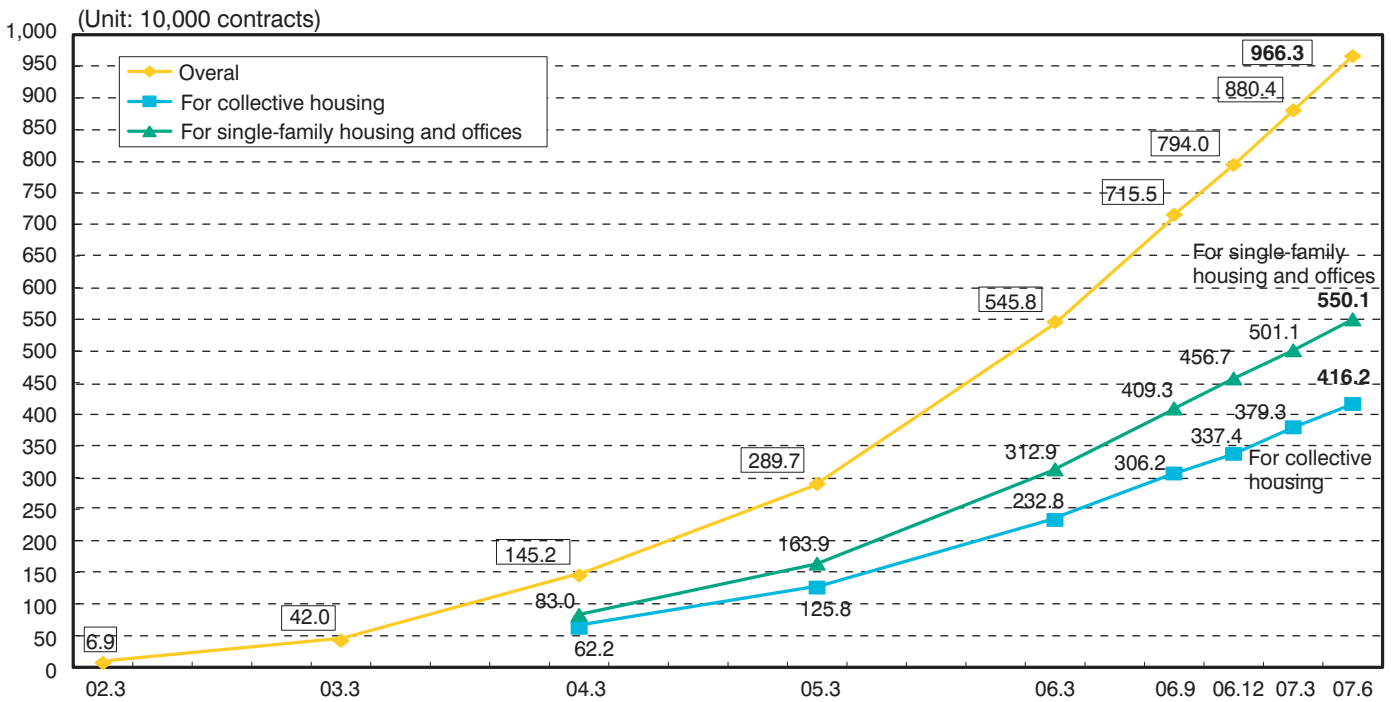
NTT East and West's combined share was 70.2% (39.7% for NTT East, and 30.5% for NTT West, an increase of 1.2% year on year), showing a continuing

upward trend while power utility group carriers* share stood at 10.1% (an increase of 0.1% year on year), and KDDI's share was 6.5% (a decline of 0.1% year on year).

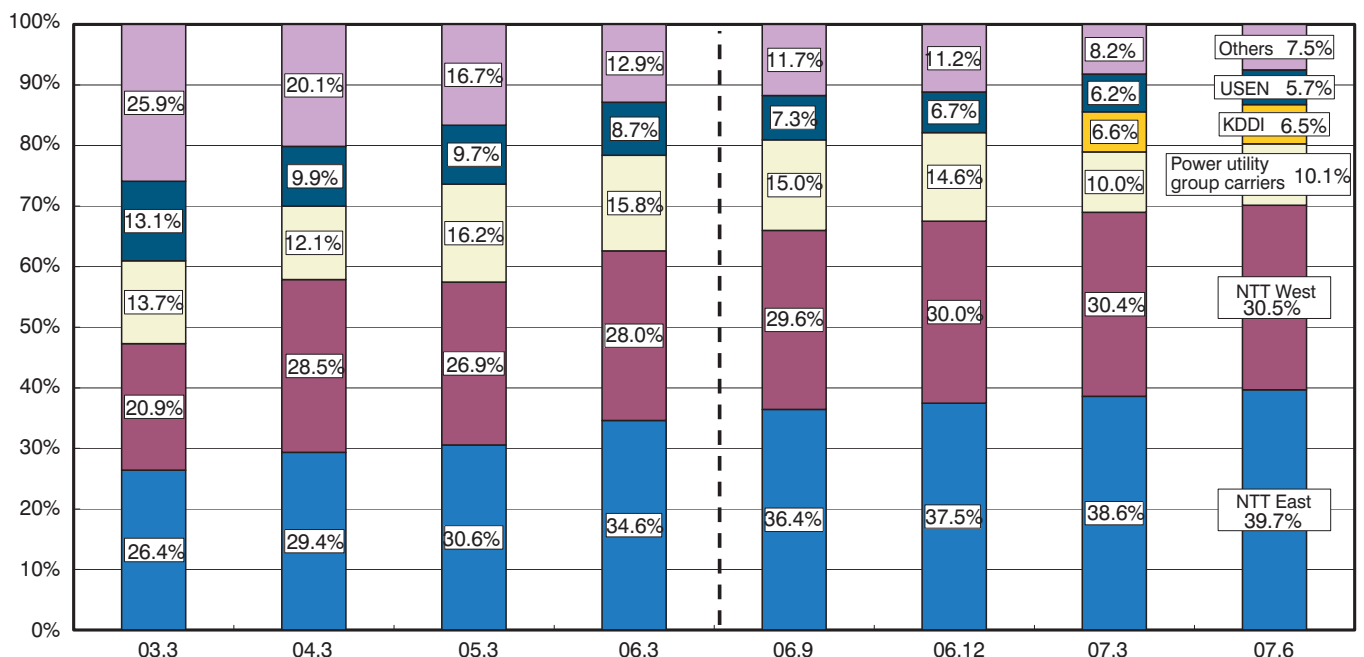
* In conjunction with KDDI's integration of Tokyo Electric Power Company (TEPCO) FTTH business, TEPCO is not included in the power utility group carriers from the fourth quarter of FY2006 and onward.

For single-family housing and offices, NTT East and West's share stood at 77.9% (40.9% for NTT East and 37.0% for NTT West, a decline of 0.2% year on year). For collective housing, NTT East and West's share stood at 59.8% (38.0% for NTT East, and 21.9% for NTT West, an increase of 2.9% year on year).

Trends in FTTH contract numbers

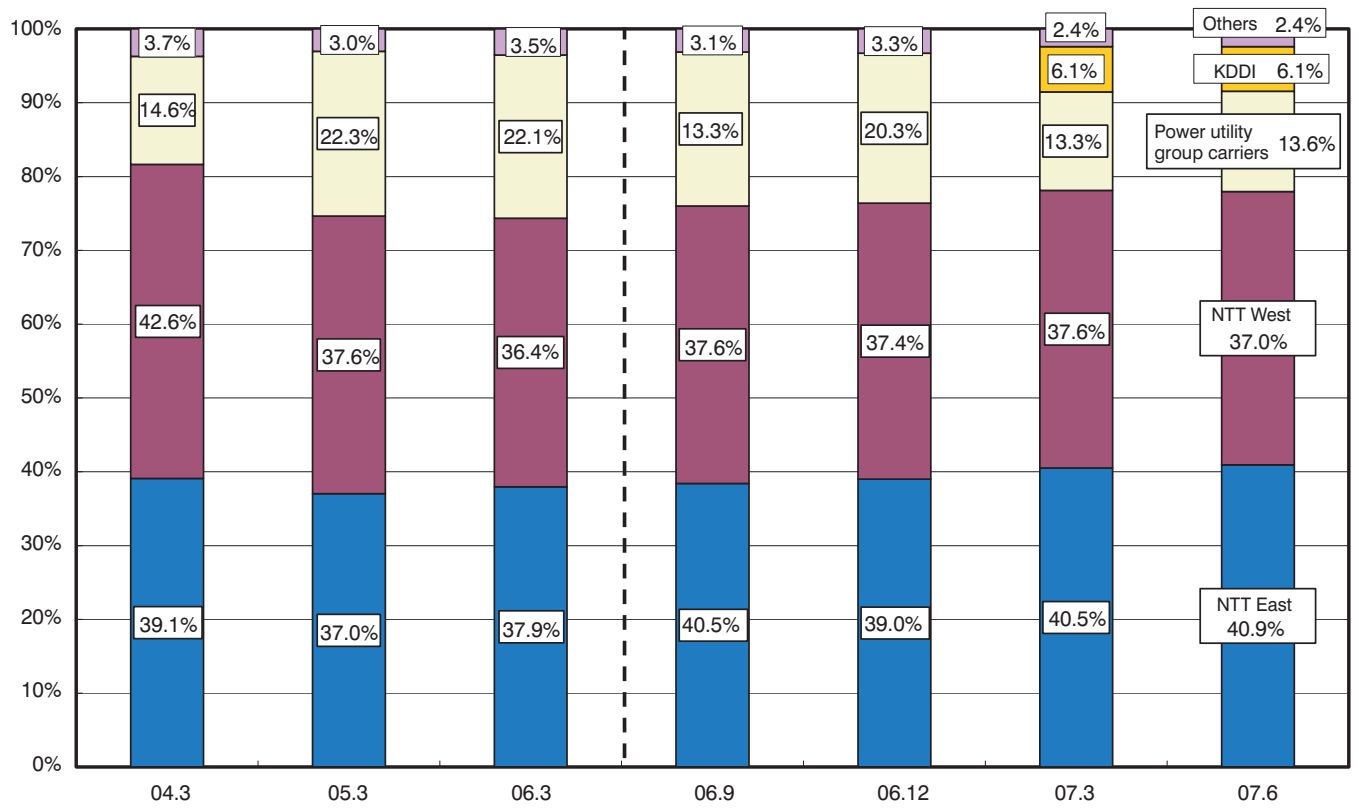


Trends in FTTH contract share by carrier (overall)



NB: In conjunction with KDDI's integration of Tokyo Electric Power Company (TEPCO) FTTH business in January 2007, TEPCO is not included in the power utility group carriers from the fourth quarter of FY2006 and onward.

Trends in FTTH contract share by carrier (single-family housing and offices)



Trends in FTTH contract share by carrier (collective housing)

