

## Section 2

### Telecommunications Business

#### 1 Telecommunications carriers

There were 13,090 telecommunications carriers in Japan at the end of fiscal 2004. Operators providing Internet services totaled 9,111 at the end of fiscal 2004 (a 2.8% increase over the previous fiscal year).

#### 2 Telecommunications services

Ever since a subscriber telephone service was first introduced in 1890, Japan's telecommunications services have seen ongoing diversification such as the entry of NCCs into the local telephone business and the start of ISDN services. In recent years, the use of wireless LAN services and IP telephones using broadband lines has taken hold, following DSL, cable Internet, and IMT-2000, and there has been a rapid penetration of telecommunications services based on high-speed large-volume data transmission of images, voice, and the like.

The number of subscribers to subscription telephone services at the end of fiscal 2004 totaled 51.63 million (a 0.1% increase over the previous fiscal year). The assumable underlying factors are the shift of ISDN subscribers to subscription telephone services in line with the diffusion of ADSL and the spreading use of mobile phones.

When comparing fixed communications (subscription telephones and ISDN) and mobile communications (mobile phones and PHS), fixed communications remained on a slight downward trend as the previous fis-

cal year whereas the number of mobile communications subscriptions was on an upward trend, with the gap continuing to widen (Figure 2-2-1).

#### 3 Telecommunications rates

When comparing call rates to those in major cities worldwide based on the OECD model, the domestic call rate for residential customers lowered the most in Tokyo from fiscal 1996 to 2003 (Figure 2-2-2).

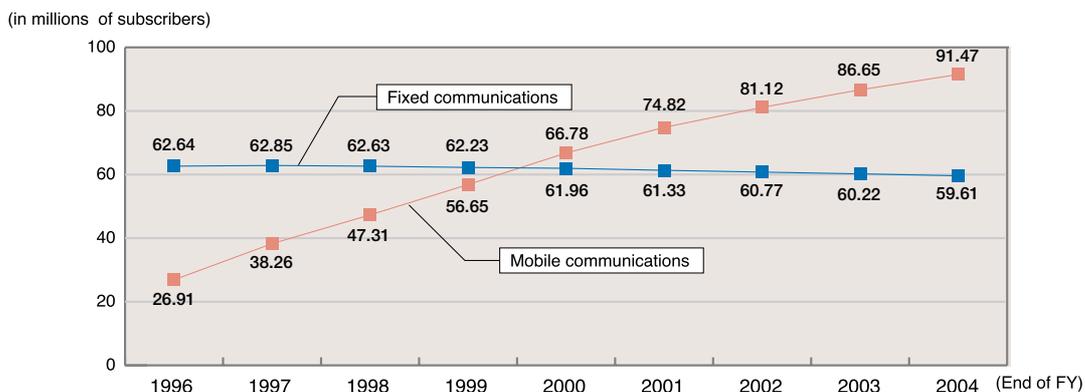
When comparing mobile phone rates to those in major cities worldwide based on the Tokyo model, the communication rate in Tokyo from fiscal 1996 to 2003 was at the lowest level compared to other cities (Figure 2-2-3).

#### 4 Status of use of telecommunications service

The total number of calls in Japan in fiscal 2003 was 130 billion (a 1.8% decrease from the previous fiscal year), and the total call time was 5.2 billion hours (a 9.6% decrease from the previous fiscal year), both showing continuing declines.

Looking at the figures by originating terminal, the number of calls made from mobile phones continued to rise at 50.44 billion (a 6.3% increase over the previous fiscal year), whereas the number of calls made from

**Figure 2-2-1 Transition in the number of subscribers to fixed communications and mobile communications**



Note: The percentages in brackets indicate changes over the previous year.

fixed line telephones and PHS both declined, at 77.44 billion (a 6.4% decrease from the previous fiscal year) and 2.13 billion (a 4.1% decrease from the previous fiscal year) respectively.

As for the call time by originating terminal, the total time of calls made from fixed line telephones continued to decline dramatically to 3.31 billion hours (a 17.0% decrease from the previous fiscal year), while that of calls made from mobile phones increased to 1.66 billion hours (a 3.8% increase over the previous fiscal year), and that of calls made from PHS significantly increased to 230 million hours (a 43.8% increase over the previous fiscal year).

### 5 Telecommunications networks

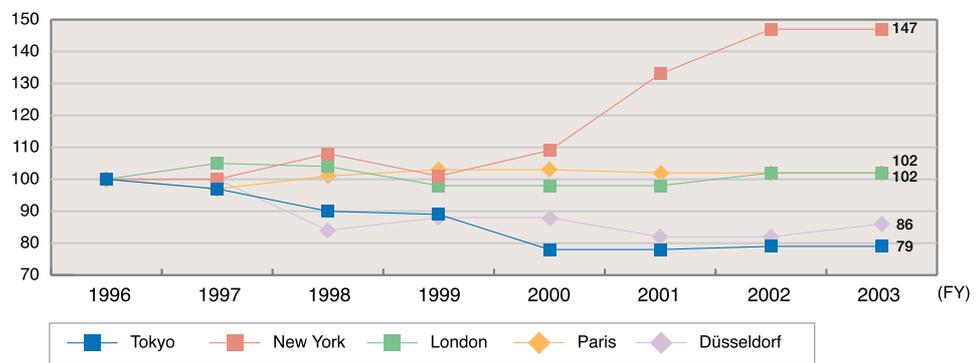
Installation of an optical fiber network nationwide had reached 84% by the end of fiscal 2004 (a four point increase over the previous fiscal year), including 95% of cities designated by cabinet ordinance and prefectural capitals (98% coverage in business areas—50% or more

of subscribers are businesses), and 88% of cities with populations of 100,000 or more (89% in business areas). Installation of the optical fiber network continues at a steady pace, and has reached 65% in other cities but there still remains a gap in the level of installations in major cities and other cities.

### 6 Complaints and inquiries on telecommunications services

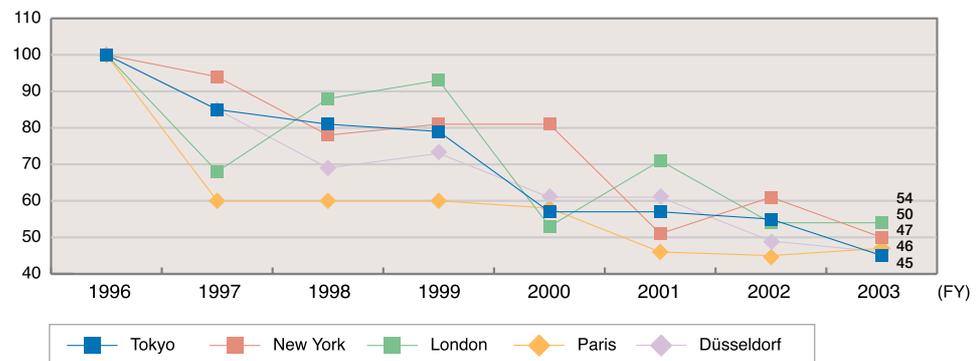
The National Consumer Affairs Center of Japan receives complaints and inquiries on consumption in general, such as on goods and services, from consumers, and handles them from a fair standpoint. The percentage of complaints and inquiries on information and communications to the total number of complaints and inquiries has been increasing every year. In fiscal 2004, the number of complaints and inquiries on information and communications totaled 1,077,336, about 1.8 times the fiscal 2003 figure.

**Figure 2-2-2 Transition in the domestic call rate for residential customers based on the OECD model (the value in fiscal 1996 was indexed at 100)**



\* Various discounts available in the respective cities were applied in calculating the rates.  
 \* The figure indicates the transition in rates in the local currency, so it is unaffected by exchange rate fluctuations.

**Figure 2-2-3 Transition in the mobile phone rate based on the Tokyo model (the value in fiscal 1996 was indexed at 100)**



\* The figure indicates the transition in rates in the local currency, so it is unaffected by exchange rate fluctuations.