

MIC COMMUNICATIONS NEWS

International Affairs Department, Telecommunications Bureau

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Minister TAKENAKA Delivers Speeches at World Economic Forum in Davos

Dr. TAKENAKA Heizo on January 28, 2006, participated in the "World Economic Forum Annual Meeting" held in Davos, Switzerland and discussed the world economy with opinion leaders, including ministers from major countries. During the five-day Forum, held from January 25 through 29, 2006, various sessions were convened.

Minister TAKENAKA participated in two sessions, "Finding Balance in the Global Economy" and "The Quiet Revolution of Jun'ichiro KOIZUMI." At these sessions, the Minister delivered speeches on the role of Japan in the global economy and on the structural reforms of the KOIZUMI Cabinet including the privatization of postal services in Japan. Through the Forum, the Minister increased the presence of Japan among the international community. The outline of the Forum is as follows:

Date and venue

January 27 through 29, 2006, in Davos

Minister TAKENAKA participated in the forum on January 28.

Participants and attendees of the forum

Governments, international organizations, research institutes,

private corporations from all over the world

Ministers and representatives from Japan other than Minister TAKENAKA:

Mr. Shoichi NAKAGAWA, Minister of Agriculture, Forestry and Fisheries, Mr. Toshihiro NIKAI, Minister of Economy, Trade and Industry, Rep. NAKAGAWA Hidenao, Chairman, Policy Research Council, Liberal Democratic Party, House of Representatives

Panelists of the two sessions

Finding Balance in the Global Economy

- Palaniappan Chidambaram, Minister of Finance of India
- Lawrence H. Summers, President, Harvard University, USA; Co-Chair of the Annual Meeting 2006
- Heizo Takenaka, Minister for Internal Affairs and Communica-

CONTENTS

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Minister TAKENAKA Delivers Speeches at World Economic Forum in Davos	1
Statistical Outlook of the Internet in Japan (2005) — Current status of the Internet as seen through 11 statistics	2
Usage Trends of Telecommunications in Traffic — FY2004 Reports on Traffic Data from Telecommunications Carriers	5
Rulemaking on Provisions for Ensuring Effectiveness of Foreign Capital Restrictions on Broadcasting — "Draft MIC Ordinance to Amend Part of 'Regulations for Procedure for Obtaining a Radio Station License'"	7

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**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.

- tions and for the Privatization of Postal Services of Japan
- John A. Thain, Chief Executive Officer, New York Stock Exchange, USA
 - Jean-Claude Trichet, President, European Central Bank, Frankfurt

Chaired by Martin Wolf, Associate Editor and Chief Economics Commentator, Financial Times, United Kingdom

The Quiet Revolution of Junichiro Koizumi

- Donald P. Kanak, Executive Vice-Chairman and Chief Operating Officer, American International Group (AIG), USA
- Robert M. Kimmitt, US Deputy Secretary of the Treasury
- Kakutaro Kitashiro, Chairman, Keizai Doyukai (Japan Association of Corporate Executives), Japan
- Hidenao Nakagawa, Chairman, Policy Research Council, Liberal Democratic Party, House of Repre-

- sentatives, Japan
- Heizo Takenaka, Minister for Internal Affairs and Communications and for the Privatization of Postal Services of Japan
 - No-ri Yamanoi, Editorial Cartoonist, Japan (Special guest)

Moderated by Hidetoshi Fujisawa, Director-General, General Bureau for the Americas, NHK Japan Broadcasting Corporation, USA

Summary of the Minister's speeches

- The privatization of postal services (Japan Post) would encourage the flow of money in the postal savings from the public sector to the marketplace. From the viewpoint of a balance between savings and investments, it is a significant step.
- The KOIZUMI Cabinet has been pursuing proactive reforms such as the privatization of postal servi-

ces, and reactive reforms such as disposal of massive amount of non-performing loans.

- Under such circumstances as the lowering of the savings ratio due to the decline in and aging of the Japanese population, it is necessary to make the government smaller.
- Henceforth, the structural reforms shall be accelerated, as has been the case in the recent past, such as rationalization of government-affiliated financial institutions and sale of state-owned assets.
- The Japanese economy could grow by approximately 2% on an annual real growth rate basis, or 5% on a nominal basis.

Web pages for further reference

[World Economic Forum Website](#)
[Session Summaries of the Forum in Davos](#)
 (World Economic Forum Website)

Statistical Outlook of the Internet in Japan (2005) — Current status of the Internet as seen through 11 statistics

Introduction

The Institute for Information and Communications Policy (IICP) is a research arm of MIC, specializing in comprehensive survey and research concerning information and communications policy. Since 2004, IICP has been successively collecting useful statistics related to the Internet and compiled the

“Statistical Outlook of the Internet of Japan” in order to understand the current status of the Internet, which has been becoming a social infrastructure, and recognize the development of and the trends in the Internet. It categorizes the features of the Internet into three fields, namely “Governance,” “Network Infrastructure” and “Security” in order to

make the entire picture of the Internet easier to grasp (see graph 1).

With the latest data collected in 2005, IICP has just revised and publicized the “Statistical Outlook of the Internet in Japan (Full version)” as well as the “Overview of the Internet in Japan (Summary version of the Outlook).”

Graph 1. List of statistical outlook of the Internet in Japan

Category		Outline headings	Outline statistic headings
Governance	1	The extent of Internet-related R&D in Japan.	State of investment in R&D
	2	Japan's technical strength relating to the Internet, and the extent of its contributions	State of patent registration
	3	The extent of Japan's contribution to the administration and operation of the Internet	Japan's level of contribution to standardization (number of Japanese authors in RFC for IETF and W3C)
	4	Number of assigned IP addresses to Japan and its usage	State of IP address assignment
Network Infrastructure	5	Number of Internet users and usage status in Japan	Internet usage state
	6	The scale of networks in Japan	Traffic
	7	The state of information flow between Japan and other countries	International traffic
	8	Volume of the contents available on Japan's networks	Content volume (Total volume of data stored on the web)
	9	Digital divide in usage	Internet usage gaps
Security	10	The degree of damage/disadvantage is caused through malicious or unwanted communications through the Internet	State of nuisance communications
	11	The ratio of Internet users adopting necessary prevention measures against attacks from outside	State of user vulnerability

Overview of the Internet in Japan

The "Overviews of the Internet in Japan" has illustrated the features of Japanese Internet in terms of three fields, namely "Governance", "Network Infrastructure" and "Security" with the data of eleven statistics (see graph 2).

Looking through these latest data, the current status of the Internet in Japan is as follows.

Governance

The fundamental approach in areas such as R&D grows steadily.

- R&D expenditure relating to the Internet accounts for 2.6 trillion yen, 15.3% of the total (an increase of 0.5% year on year)
- Registration of related patents reached 18,550 (an increase of 847 year on year. This is about 56% of the USA figure, and more than three times that for Europe.)
- IPv4 and IPv6 assignment

numbers are also increasing steadily.

Network Infrastructure

Even though there still remains a "digital divide" between age groups as well as geographical areas, the total number of users continues to increase.

- The number of users has reached 79.4 million. This accounts for 69.4% of the population over 6 years of age.
- 90.5% of those in their 30s are users. On the other hand, people over 60 make up 26.0% of users.

The volume of data communications is exploding.

- The total volume of broadband traffic has increased 1.5 fold in half a year.
- The data volume on the Web servers with JP domains stands at 13 terabytes, approximately equivalent to the information contained in four public libraries.

Security

The number of reported events that victimize users by nuisance communications increase. Accordingly, security measures against such communications are being adopted by businesses.

On the other hand, such measures are not being undertaken enough especially among households.

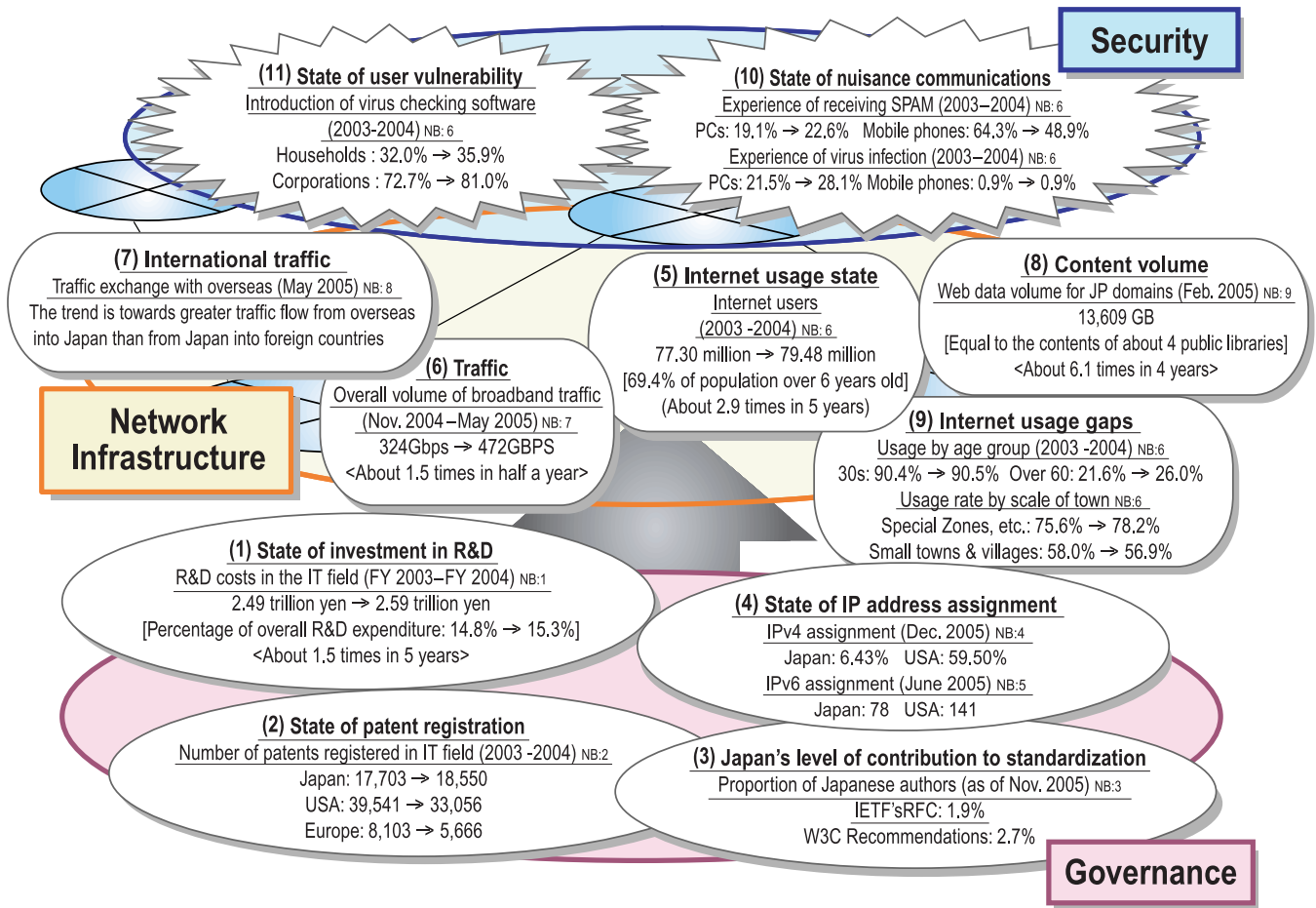
- Among PC users, 22.6% have received nuisance mail (SPAM) (up 3.5% year on year), and 28.1% have experienced viruses (up 6.6% year on year).
- 35.9% of households use virus checking software (up 3.9% year on year), and 81.0% of corporations do so (up 8.3% year on year).

NB: The “Statistical Outlook of the Internet in Japan” and the “Overview of the Internet in Japan” can be obtained from the website of

the Institute for Information and Communications Policy at:
<http://www.soumu.go.jp/iicp/chousakenkyu/seika/houkoku.html>

Graph 2

**Overview of the Internet in Japan
 –The Internet as seen through 11 statistics–**



NB 1: The Survey of Research and Development in Science and Technology
 NB 2: State of patent applications in 8 priority areas
 NB 3: The survey of research by Institute for Information and Communications Policy
 NB 4: BGP Routing Table Analysis Reports

NB 5: Compiled by MIC from RIPE/NCC
 NB 6: Study on Communication Usage Trend Survey
 NB 7&8: MIC documentation
 NB 9: Study by Institute for Information and Communications Policy

Usage Trends of Telecommunications in Traffic —FY2004 Reports on Traffic Data from Telecommunications Carriers

Based on the Rules for Reporting on Telecommunications Business (Ministerial Ordinance of MPT No. 46 of 1988), MIC requires telecommunications carriers to submit information concerning voice traffic data pertaining to telecommunications services. MIC has recently compiled the FY2004 voice traffic data and is now announcing it.

Details

Based on the Regulations for Reporting Telecommunications Business (MPT Ministerial ordinance No. 46, 1983), MIC requires telecommunications carriers to submit information concerning voice traffic data pertaining to telecommunications services. MIC has recently compiled the FY2004 voice traffic data and is now announcing it.

Purpose

In order to investigate through this study a framework for telecommunications services which are a vital part both of people's lives and socio-economic activities, it is essential to grasp usage trends based on data that is objective and reliable, and to announce this data, so as to deepen the understanding of telecommunications services among the country's users.

Outline

These materials comprise the compilation and analysis of usage status information for FY2004 (April 1, 2004, to March 31, 2005) on fixed line telephones, ISDN, cellular phones, PHS, IP telephony subscriptions and international communications as submitted by the old Type I telecommunications carriers based on the Rules for Reporting on Telecommunications Business.

Introduction

Purpose of statistics

In order to investigate a framework for telecommunications services which are a vital part both of people's lives and socio-economic activities, it is essential to grasp usage trends based on data that is objective and reliable.

Based on this point of views, MIC laid down the Rules for Reporting on Telecommunications Business (Ministerial Ordinance of MPT No. 46 of 1988) in 1988, and has required telecommunications carriers to submit information concerning voice traffic data, which

uses for purposes such as formulating telecommunications strategy. Also, the fact of releasing this data to users across the country contributes to deepening understanding of telecommunications services.

Carriers required to contribute

Information is compiled from the telecommunications carriers (85 companies) specified in the regulations in the ministerial announcement. In terms of breakdown, the figures are as shown below and include carriers active in more than one business.

- Domestic fixed line carriers: 38 companies
- Mobile (cellular) carriers: 23 companies
- IP telephony carriers: 28 companies
- International communications carriers: 17 companies

Concerning the partial change in compilation standards

In conjunction with the April 2004 amendment in the Rules for Reporting on Telecommunications Business, the following two changes have been made.

- i) Addition of information concerning IP telephony

The number of subscriptions and traffic for IP telephony has been added. IP telephony can be classified as being part of fixed line voice communications, but in order to secure the continuity of data, it has been put in a separate category from fixed line phones. Furthermore, FY2003 data for IP telephony has not been included as it was based on a survey that did not conform with the rules for reporting.
- ii) Expansion of scale of compilation for international communications traffic

With regard to international communications traffic, Type I telecommunications carriers that set

international phone rates have fulfilled their duty to report, but from now on, carriers that have put in place facilities and set up an interconnection agreement with foreign carriers have undertaken to report on traffic. As a result, traffic from the old Special Type II telecommunications carriers which had not been compiled in the past have been added. Since it is confusing to single out this traffic, there is a lack of continuity in the data.

Overall Trends

Number of subscriptions

- i) Fixed lines (subscriber lines and ISDN) continue to be on a downward trend (down 1.0% year on year).
- ii) Mobiles (cellular phones, PHS) shows a slowdown in the rate of increase in subscriber numbers, but numbers are still up (up 5.6% year on year).
- iii) IP telephony which was included for the first time this year totaled 8.3 million subscribers, accounting for 14% of fixed lines.

Trends in outgoing traffic

- i) Looking at overall domestic voice services, the number of communications was down 2.7% year on year, and the number of communications hours was down 10.1%.
- ii) From fixed lines, the number of communications was down 9.1%, and the number of communications hours showed a major drop of 19.3%.
- iii) From mobiles, the number of communications was up 1.6% but the number of communications hours was down 3.1%.
- iv) Calls from IP telephony accounted for 2.1% of all communications, and 3.7% of total communications hours.

Comparison of NTT Group and NCC (New Common Carriers)

- i) On the fixed line side, both the

NTT Group and NCCs have seen a drop in traffic, but the share of NTT Group, which has seen the greater fall, has declined (to 61.8% of communications numbers and 65.5% of communications hours)

- ii) If IP telephony is added to fixed lines, NTT's share drops to 60.1% for communications numbers and 62.3% of communications hours.
- iii) For mobile phones, NTT DoCoMo has maintained its standing for the number of communications hours but has seen a drop in communications numbers whereas NCCs have seen an increase in both communications numbers and hours. NTT DoCoMo's share has fallen slightly (62.2% of communications numbers and 62.0% of communications hours)

NB: NTT Group refers to NTT East and West as well as NTT Communications.

Trends in Subscription Numbers

- i) Fixed lines (subscriber lines and ISDN) overall saw a 1.0% drop year on year in the number of subscribers to 59.61 million. Subscriber lines were almost flat at 51.63 million, but ISDN saw a 7.5% drop to 7.98 million.
- ii) Mobiles (cellular phones and PHS) overall saw a 5.6% increase year on year. Of this, cellular phones saw a slowdown in the rate of increase to 6.7% at 87.0 million units, but PHS saw a 12.8% drop to 4.48 million.
- iii) IP telephony totaled 8.3 million units, which accounts for 14% of the fixed-line total.

Number of Domestic Communications

- i) The overall number of communications totaled 126.5 billion calls, a drop of 2.7% year on year.

- ii) Calls from fixed lines were down 9.1% whereas calls from mobiles were up 1.6%. Within the mobiles, calls from cellular phones were up 2.5% and those from PHS were down 19.0%.

- iii) The breakdown of calls from fixed lines, mobiles and IP telephony was 55.6%, 42.3% and 2.1% respectively.

- iv) Calls from fixed lines to fixed lines accounted for 48.7% of the total. Calls from mobiles to mobiles accounted for 29.7%, and those from IP telephony to IP telephony for 0.3%.

Communications Hours for Domestic Communications

- i) Total communications hours totaled 4,673 million hours, a drop of 10.1% year on year.
- ii) Calls from fixed phones were down 19.3%; those from mobiles were down 3.1%. Within mobiles, calls from cellular phones were up 0.8% and those from PHS were down 31.7%.
- iii) The breakdown of calls from fixed lines, mobiles and IP telephony was 57.2%, 39.1% and 3.7% respectively.
- iv) Calls from fixed lines to fixed lines accounted for 51.9% of the total. Calls from mobiles to mobiles accounted for 28.3%, and those from IP telephony to IP telephony for 0.7%.

International Communications Traffic

- i) The total of outgoing and incoming calls was 1,104 million calls, with 5,546 communications hours.
- ii) Separating outgoing and incoming, outgoing calls totaled 627 million, with 3,425 million communications hours, whereas incoming calls totaled 477 million, with 2,121 million communications hours.

NB: Starting from FY2004 and in conjunction with the elimination of business partition for telecommuni-

cations carriers, the scope of carriers liable for reporting on international communications increased, making simple comparison with data from previous years impossible.

Traffic Share by Carrier

i) For domestic fixed lines (subscriber lines and ISDN), NTT's share, both for communications numbers and hours, has fallen across the board except for in-

ter- prefectural communications hours. The share is 61.9% of total communications numbers and 65.5% of total communications hours.

ii) For cellular phones, NTT DoCoMo's share is more or less flat both in the number of outgoing and incoming calls, and the number of hours.

iii) For international communications, KDDI's share has fallen

both for the number of outgoing calls and outgoing hours.

NB: NTT as referred to above includes NTT East and West, and NTT Communications, whereas NCCs are all carriers other than NTT. For cellular phones, NCCs are companies other than the nine NTT DoCoMo companies, and for international communications, NCCs are carriers other than KDDI.

Rulemaking on Provisions for Ensuring Effectiveness of Foreign Capital Restrictions on Broadcasting —“Draft MIC Ordinance to Amend Part of ‘Regulations for Procedure for Obtaining a Radio Station License’ ”

Upon enforcement of the “Law to Amend Part of the Radio Law and the Broadcast Law” (Law No. 107 of 2005), in order to ensure effectiveness of foreign capital restrictions on broadcasting, MIC developed a “Draft MIC Ordinance to Amend Part of ‘Regulations for Procedure for Obtaining a Radio Station License’ ” and invited public comments thereon during the period from December 27, 2005, through January 31, 2006. During the period, MIC received one comment. The comment and MIC's opinion thereto are available at the MIC website (using the Japanese language only). MIC will, taking the public comment into account,

On “MIC Ordinance to Amend Part of the Regulations for Enforcement of the Radio Law” and “MIC Ordinance to Amend Part of the Regulations for Enforcement of the Broadcast Law”

[In Relation to the “Law to Amend Part of the Radio Law and the Broadcast Law” (Law No. 107 of 2005)]

Necessity

In line with the “Law to Amend Part of the Radio Law and the Broadcast Law” (Law No. 107 of 2005), MIC will add the provisions concerning foreign capital restrictions to causes of disqualification for radio station licenses as to terrestrial broadcasting stations. Under the Law No. 107, the scope of indirect foreign capital is to be specified by the applicable MIC ordinance.

Thus, in accordance with the revised Radio Law and the revised Broadcast Law, MIC has to establish i) an “MIC Ordinance to Amend Part of the Regulations for Enforcement of the Radio Law” and ii) an “MIC Ordinance to Amend Part of the Regulations for Enforcement of the Broadcast Law,” respectively.

Outline of MIC Ordinances

“MIC Ordinance to Amend Part of the Regulations for Enforcement of the Radio Law” (MIC Ordinance No. 16 of 2006)

i) Ratio of voting rights to be specified by the applicable MIC ordinance, as indirect voting rights (Article 5 paragraph (4) item iii) of the Radio Law)

In accordance with the provisions of Article 5 paragraph (4) item iii) of the Radio Law, in addition to the ratio of direct voting rights possessed by a juridical person or organization, this MIC Ordinance is to specify the ratio of indirect voting rights to be calculated as the ratio of foreign capital. Specifically, as follows:

a) Principle [Article 6-3-2 paragraphs (1) and (2) of the Regulations for Enforcement of the Radio Law]

Where both of a “Ratio of ‘voting rights of a person (a foreign-affiliated juridical person under the Japanese Corporate Law) listed under Article 5 paragraph (4) item iii) a) of the Radio Law who occupies one-tenth or higher of voting rights of a licensee’ to ‘voting rights of a licensee’” (=A) and a “Ratio of ‘voting rights of a foreign juridical person, etc.’ to ‘voting rights of said foreign-affiliated juridical person’” (=B) are one-tenth or higher, the ratio of indirect voting rights shall be $A \times B$. However, where ratio B is higher than half the total voting rights, the ratio of indirect voting rights shall be ratio A.

Note: Where there are one A and plural Bs, and where one of Bs exceeds half the total voting rights, there is no need to calculate the rest of Bs.

[Reference]

One foreign juridical person, etc.

: a person who possesses one-tenth or more voting rights under Article 5 paragraph (4) item iii) a) of the Radio Law

↓ Ratio B (one-tenth or more voting rights)

A foreign-affiliated juridical person under the Japanese Corporate Law

: a person who possesses one-tenth or more voting rights under Article 5 paragraph (4) item iii) b) of the Radio Law

↓ Ratio A (one-tenth or more voting rights)

Licensee

b) Exemption 1 [Article 6-3-2 paragraph (3) of the Regulations for Enforcement of the Radio Law] (exemption in case of voting rights lower than one-tenth)

If Ratio A or Ratio B is lower than one-tenth, in the cases where there are plural Ratio As between both ends of Ratio A or Ratio B, a foreign juridical person, etc. can virtually control a li-

ensee. In order to prevent such cases, in cases where one foreign juridical person, etc. possesses voting rights of two or more juridical persons and/or organizations, when the calculation described in the preceding a) results in one-tenth or higher, the result shall be calculated in accordance with the calculation method in the preceding a).

[Reference]

One foreign juridical person, etc.

↓ Ratio B1 ↓ Ratio B2 (voting rights lower than one-tenth)

Juridical person or organization

Juridical person or organization

↓ Ratio A1 ↓ Ratio A2 (voting rights lower than one-tenth) → Exemption

Licensee

Note: In this case, even if Ratio A1 and Ratio A2 are lower than one-tenth, respectively, when $A1 \times B1 + A2 \times B2$ equals one-tenth or higher (*), the result shall be calculated in accordance with the calculation method in the preceding a). Upon calculation of said (*), other ratios (ratios of direct voting rights and voting rights of one-tenth x one-tenth) possessed by said one foreign juridical person, etc. shall not be added.

c) Exemption 2 [Article 6-3-2 paragraph (4) of the Regulations for Enforcement of the Radio Law] (Exemption in case of actual control)

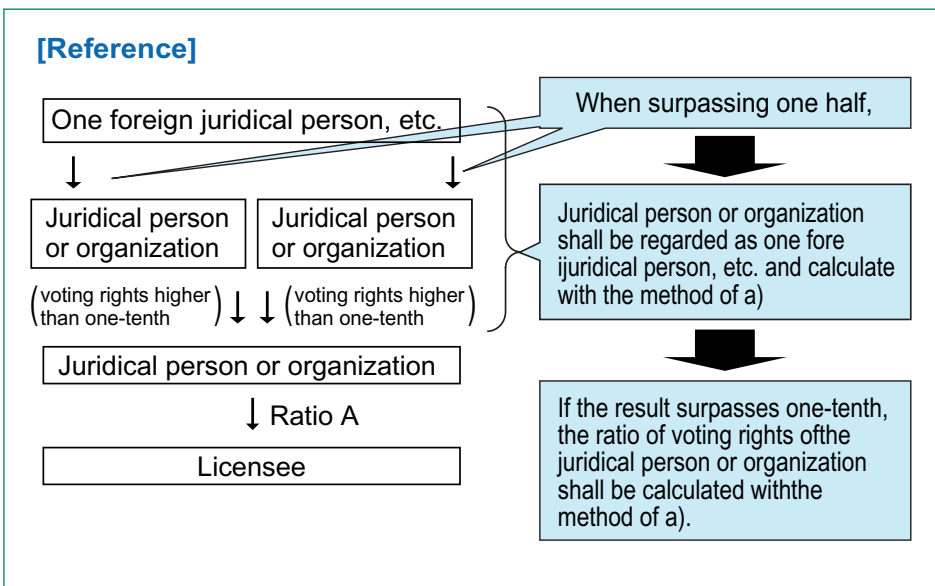
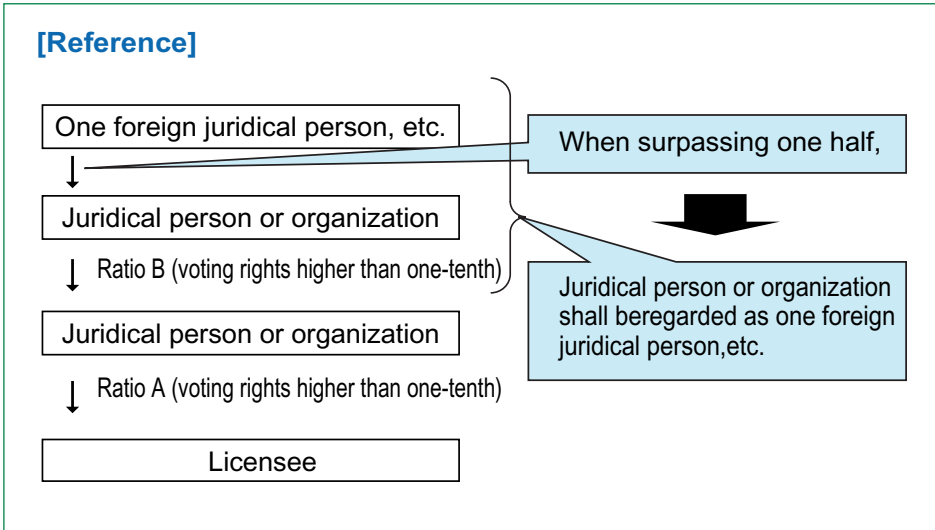
Even if one foreign juridical person, etc. does not directly possess voting rights of a for-

foreign-affiliated juridical person under the Japanese Corporate Law, the foreign juridical person, etc. can virtually control a licensee by indirectly possessing voting rights of the licensee. In order to prevent such cases, with respect to a juridical person or

organization, voting rights of which one foreign juridical person, etc. possesses exceed one half of the total voting rights, when the calculation described in the preceding a) results in

one-tenth or higher, upon calculation of the preceding a) and b) such a juridical person or organization shall be dealt with as a foreign juridical person.

accordance with the principle of the preceding a), request share transfer and specify limited voting stocks, the licensee inquires in writing or via e-mails of shareholders, who may be objects (juridical persons or organizations possessing one-tenth or more voting rights of the licensee) of indirect voting rights calculation, about the ratio of foreign juridical person, etc. In spite of such efforts, when the licensee cannot calculate the ratio of indirect voting rights due to no reply from such shareholders, the licensee shall regard all voting rights of said shareholders as the ratio of indirect voting rights and calculate the ratio in accordance with the method of a).

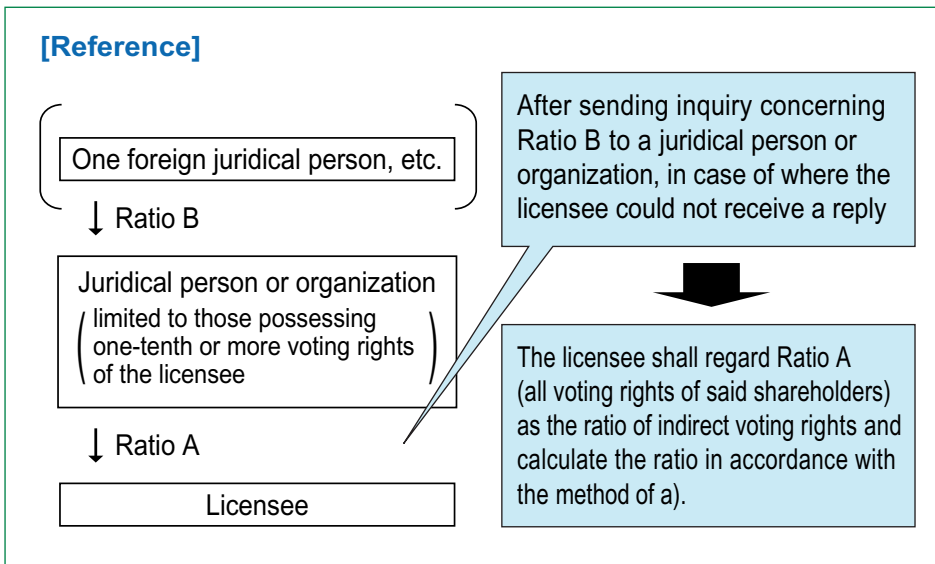


d) Exemption 3 [Article 6-3-2 paragraph (5) of the Regulations for Enforcement of the Radio Law] (Exemption in case of inquiry)

Upon calculation of a ratio of indirect voting rights pertaining to shareholders of a licensee, the cooperation from said shareholders is required. However, said shareholders have no legal obligation to report the

“ratio of voting rights of foreign juridical person, etc. to all of their voting rights” to the licensee. Where the licensee cannot obtain cooperation from shareholders, the licensee cannot calculate the ratio of indirect voting rights. In such a case, the licensee cannot judge whether share transfer shall be made or not, nor specify limited voting stocks.

Thus, when the licensee, in



e) Note for Exemptions 1 and 2 [Article 6-3-2 paragraph (6) of the Regulations for Enforcement of the Radio Law]

Since the licensee, in fact, cannot grasp the real situation of Exemptions 1 and 2 as needed (or upon stock transfer), upon calculation (=upon stock each transfer of shareholders' list and actual shareholders' list) of the ratio of indirect voting rights, in usual, the licensee may not calculate indirect voting rights based upon the methods of Exemptions 1 and 2. With regard to those calculations, when the licensee comes to know the fact that can be used for calculation based upon the methods of Exemptions 1 and 2, the licensee shall report the results of such calculations to the Minister for Internal Affairs and Communications. In this case, the date of the report shall be regarded as made on the day of the report. Pursuant to the provisions of Article 52-8 paragraph (3) of the Broadcast Law, surpassing voting rights as clarified by said calculation shall be restricted.

ii) Ratio of "voting rights of foreign juridical person, etc." to a Japanese juridical person or organization whose voting rights shall be added

to the ratio of indirect voting rights (Article 5 paragraph (4) item iii) b) of the Radio Law)

[Article 6-3-3 of the Regulations for Enforcement of the Radio Law]

This specifies the scope of persons listed under Article 5 paragraph (4) item iii) b) of the Radio Law. As a matter of fact, since the scope is specified in the preceding article, the scope is to be specified as in the preceding article.

"MIC Ordinance to Amend Part of the Regulations for Enforcement of the Broadcast Law" (MIC Ordinance No. 17 of 2006)

i) Methods to enter or record shareholders in an actual shareholders' list (Article 52-8 paragraph (2) of the Broadcast Law)

With respect to entering or recording (stock transfer) in an actual shareholders' list, where surpassing the ratio of foreign capital if all names of requested shares are transferred, the licensee shall enter or record shareholders in accordance with the order of the following a) through c). Basically, those methods follow the cases of the Nippon Telegraph and Telephone Corporation Law. [Article 17-3-2 paragraph (1)]

a) With respect to shares possessed by persons who

are not the targets for foreign capital restrictions, all of such shares shall be entered. Specifically, with regard to persons under Article 5 paragraph (4) item iii) b) of the Radio Law possessing less than one-tenth of voting rights, all shares pertaining to voting rights shall be entered or recorded. However, in case where Article 6-3-2 paragraph (3) of the Regulations for Enforcement of the Radio Law (Exemption of less than one-tenth of voting rights) applies, since even a case of a ratio less than one-tenth of voting rights is regarded as a ratio of indirect voting rights, such shares shall be excluded from those shares to be entered or recorded.

b) With respect to shares possessed by persons whose shares are regarded as calculation targets of foreign capital restrictions, the licensee shall compare shares entered or recorded in previously noticed actual shareholders' list of the previous business year and shares as noticed, then enter or record whichever is less shares on a person-by-person basis. Thereby, however, when surpassing the ratio of foreign capital restrictions, the licensee shall enter or record such shares by lottery on a per-share basis.

The term "foreigners, etc." in Article 52-8 paragraph (1) of the Broadcast Law refers to persons under Article 5 paragraph (1) item i) through item iii) of the Radio Law and persons under paragraph (4) item iii) of the same article; and do not include juridical persons or organizations whose ratios of voting rights are calculated as ratios of indirect voting rights in accordance with the Exemption (Exemption in case of inquiry) under Article 6-3-2 paragraph (5) of the Regulations for Enforcement of the Ra-

dio Law among Exemptions of ratios of indirect voting rights. Thus, it is stipulated that “foreigners, etc.” in this case include juridical persons or organizations to whom the same paragraph shall apply. The same shall apply to the following relevant provisions. c)After entering or recording in accordance with a) and b), when the ratio of foreigners, etc. does not reach one-fifth after application of Article 17-3-3 paragraph (2) (recovery of limited voting stocks), shares that have not been entered or recorded shall be entered or recorded. In this case, the licensee shall enter or record such shares by lottery on a per-share basis.

ii) Shares to come to have voting rights (Article 52-8 paragraph (3) of

the Broadcast Law)
Pursuant to the provisions of Article 52-8 paragraph (3) of the Broadcast Law, voting rights are automatically restricted. Said automatically restricted shares are specified as follows. [Article 17-3-3 paragraph (1)]

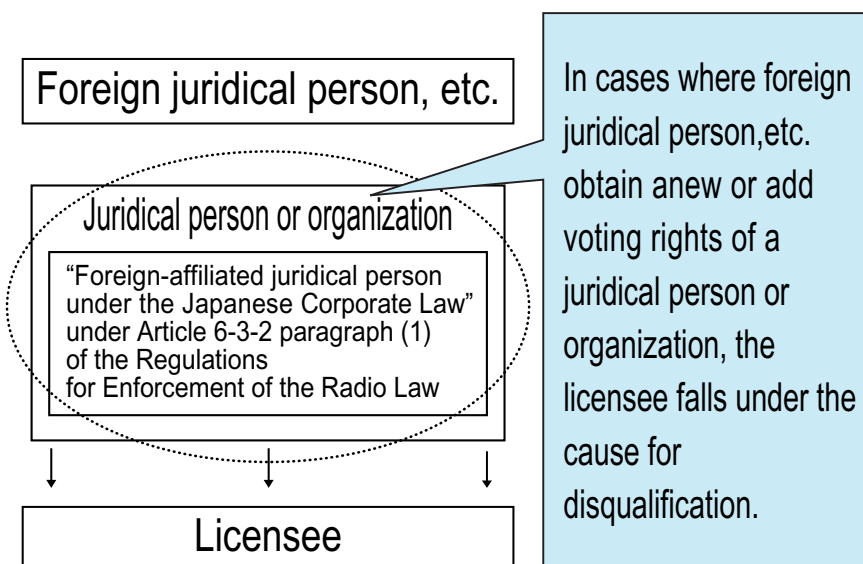
- a) When foreign juridical person, etc. obtain anew or add voting rights of a juridical person or organization who is being a shareholder of the licensee, if the ratio of the licensee exceeds the ratio of foreign capital restrictions, a portion of shares among said shares newly obtained or added, equivalent to voting rights exceeding the ratio of foreign capital restrictions, shall become limited voting stocks.

The number of shares to be limited voting stocks is limited to a portion equivalent to a ratio of voting rights of said “foreign-affiliated juridical person under the Japanese Corporate Law” possessed by foreign juridical person, etc. Needless to say, limited voting stocks refer to a portion of voting rights of shares exceeding the ratio of foreign capital restrictions. Thus, this MIC Ordinance has no stipulation thereon.

b) After calculations under Article 6-3-2 paragraph (6) of the Regulations for Enforcement of the Radio Law, namely after calculations pursuant to Article 6-3-2 paragraph (3) (Exemption of voting rights less than one-tenth) and Article 6-3-2 paragraph (4) (Exemption in case of actual control), in cases where the ratio of voting rights of the licensee exceeds the ratio of foreign capital restrictions, a portion of shares concerning said calculations, equivalent to voting rights exceeding the ratio of foreign capital restrictions, shall become limited voting stocks. In accordance with the provisions of Article 6-3-2 paragraph (6), calculations under the provisions of paragraphs (3) and (4) shall be made not upon occurrence of such circumstances (upon obtaining anew or adding shares) falling under the provisions of Article 6-3-2 paragraph (6), but when the licensee comes to know such circumstances and reports to the Minister for Internal Affairs and Communications to that effect. Thus, such cases shall be stipulated aside from the preceding a). The calculation under paragraph (5) of the same article (Exemption in case of inquiry) shall be the case falling under a).

iii) Cases where limited voting

[Reference]



stocks come to have voting rights [Article 17-3-3 paragraph (2)]

In the following cases, within the scope where the ratio of foreign juridical person, etc. does not exceed one-fifth of all voting rights, shares whichever earlier become limited voting stocks shall become shares as having voting rights.

a) Cases where the ratio of foreign capital comes to less than one-fifth after foreigners, etc. (refer to i) a)) possessing voting rights of the licensee whose shares include limited voting stocks transfer shares.

This refers to cases of the transfer, etc. of shares relating to foreigners, etc. as entered or recorded in a shareholders' list.

b) Cases where even after transfer of names in an actual shareholders' list (after the procedures under i) a) to b)), the ratio of voting rights of foreign juridical person, etc. does not exceed one-fifth. The transfer of names in an actual shareholders' list shall be made following i). After entering or recording shares whichever is less in comparison with the current actual shareholders' list and notified shares prior to entering or recording all persons regarded as possessing notified shares, limited voting stocks shall become shares as having voting rights.

In these cases, this MIC Ordinance has no specific provisions on the relationship with persons whose shares are refused to transfer their names in accordance with the provisions of Article 52-8 paragraph (1) or paragraph (2) of the Broadcast Law. However, since the licensee judges upon request without making a list, etc. of shareholders who were refused to be entered or recorded, a concept of a chronological order does not occur and an actual shareholders'

list is to be dealt with following the procedures under i) c). Thus, this MIC Ordinance has no specific provisions.

iv) Revision of other provisions In addition to the above, the following rules will be revised:

a) Revising the article title of Article 17-3 [Article 17-3]

Along with changes in the positions of the provisions of Article 17-3 paragraphs (2) and (3), the article title of Article 17-3 shall be changed.

b) Notice on refusal of stock transfer [Article 17-3-4]

Upon refusing transfer of names in an actual shareholders' list, when resulting in cases where limited voting stocks occur and where limited voting stocks come to become shares as having voting rights, the licensee shall notify each shareholder, etc. to that effect.

Supplementary provisions

i) Date of enforcement [Paragraph (1) of the Supplementary Provisions]

This MIC Ordinance shall come into force on the day of enforcement the provisions listed under Article 1 item ii) of the Supplementary Provisions of the Law to Amend Part of the Radio Law and the Broadcast Law. (April 1, 2006)

ii) Limited voting stocks as of the day of enforcement [Paragraph (2) of the Supplementary Provisions]

In accordance with the provisions of Article 5 of the Supplementary Provisions of the Law to Amend Part of the Radio Law and the Broadcast Law, Paragraph (2) of the Supplementary Provisions provides for the applicable MIC Ordinance pursuant to the provisions to be read as otherwise, to which the provisions of Article 52-8 paragraph (3) of the Broadcast Law

shall be applied. Basically, upon the day of enforcement, in cases where the ratio of voting rights possessed by foreigners, etc. exceeds one-fifth of voting rights of the licensee, a portion of shares equivalent to those exceeding one-fifth among shares possessed or regarded as possessed by a foreign-affiliated juridical person under the Japanese Corporate Law, etc. shall be limited voting stocks. When two or more persons fall under such cases, shares to become limited voting stocks shall be distributed proportionally to them.

NB: Related documents below can be obtained from the MIC website ("Features":

http://www.soumu.go.jp/joho_tsusin/eng/features.html)

- On "MIC Ordinance to Amend Part of the Regulations for Enforcement of the Radio Law" — Article 6-3-2 and Article 6-3-3 — (Related to Article 5 paragraph (4) of the Radio Law) Article 6-3-2 and Article 6-3-3 — (Related to Article 5 paragraph (4) of the Radio Law)

- On "MIC Ordinance to Amend Part of the Regulations for Enforcement of the Broadcast Law"—from Article 17-3-2 and thereafter (Related to Article 52-8 paragraph (1)-(3) of the Broadcast Law)