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STATISTICS

Quarterly Data concerning Competition Review in the Telecommunications Business Field

MIC compiled market share and other data for the fourth quarter of fiscal 2008 (ended March 31, 2009) as a part of its review of competition in the telecommunications business field. MIC has been conducting the Competition Review in the telecommunications business field since fiscal year 2003. One aspect of the review is the release of quarterly data concerning competition based on information provided by telecommunications businesses.

Main Points

1. Fixed Communications

(1) NTT East and NTT West had a combined 84.7% share (down 0.4 points from the prior quarter) of the total number of telephone subscriptions (comprising NTT subscriber telephones, dedicated-line telephones, OABJ-IP telephones, and CATV telephones). The downward trend of NTT East's and NTT West's share is continuing.

(2) NTT East and NTT West had a combined 38.9% share (up 1.5 points from the prior quarter and up 6.7 points year on year) of the total number of IP telephone numbers. Softbank BB's share was 20.2% (down 1.2 points from the prior quarter and down 5.6 points year on year), and the gap between the NTT carriers and Softbank BB is growing.

With respect to OABJ-IP telephone numbers, NTT East and NTT West had a 70.6% share, a slight decline of 0.3 points from the previous quarter, while KDDI increased its shares to 12.9% (up 0.4 points from the previous quarter).

2. Mobile Communications

In the mobile phone and PHS segment, NTT DoCoMo's share is declining gradually and was 48.7% (down 0.4 points from the prior quarter and down 1.0 points year on year). KDDI had a 27.5% share (down 0.2 points from the prior quarter), and SoftBank Mobile had a 18.4% share (up 0.3 points from the prior quarter). Thus, of the three mobile phone carriers, only SoftBank Mobile's share is increasing.

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

3. Internet Connections

(1) In the broadband segment (comprising DSL, FTTH, and CATV internet), NTT East and NTT West had a combined 49.8% share (up 0.6 points from the prior quarter and up 3.0 points year on year), continuing their increase.

(2) Among DSL subscriptions (nationwide), Softbank BB has a 38.4% share (up 0.2 points from the prior quarter), and NTT East and NTT West had a combined 35.7% share (down 0.3 points from the prior quarter), and thus, the gap between SoftBank BB and the NTT carriers is growing.

(3) In the FTTH (optical fiber) segment, NTT East and NTT West continued to increase their share with 74.1% of the market (up 0.4 points from the prior quarter and up 1.9 points year on year), while power utility carriers had an 11.1% share (up 0.1 points from the prior quarter and up 0.3 points year on

year) and KDDI had a 5.5% share (up 0.1 points from the prior quarter and down 0.3 points year on year).

By service type, the combined share of NTT East and NTT West continued to rise in the single-family home and business-use segment and the apartment building segment, reaching 78.7% share of the single-family home and business-use segment (up 0.1 points from the prior quarter) and 67.6% share of the apartment building segment (up 0.5 points from the prior quarter).

4. Network Services for Businesses

In the WAN service segment, the total number of subscriptions was 877,000 (up 5.8% from the prior half), of which the NTT group's share increased to 69.1% (up 0.1 points from the prior half).

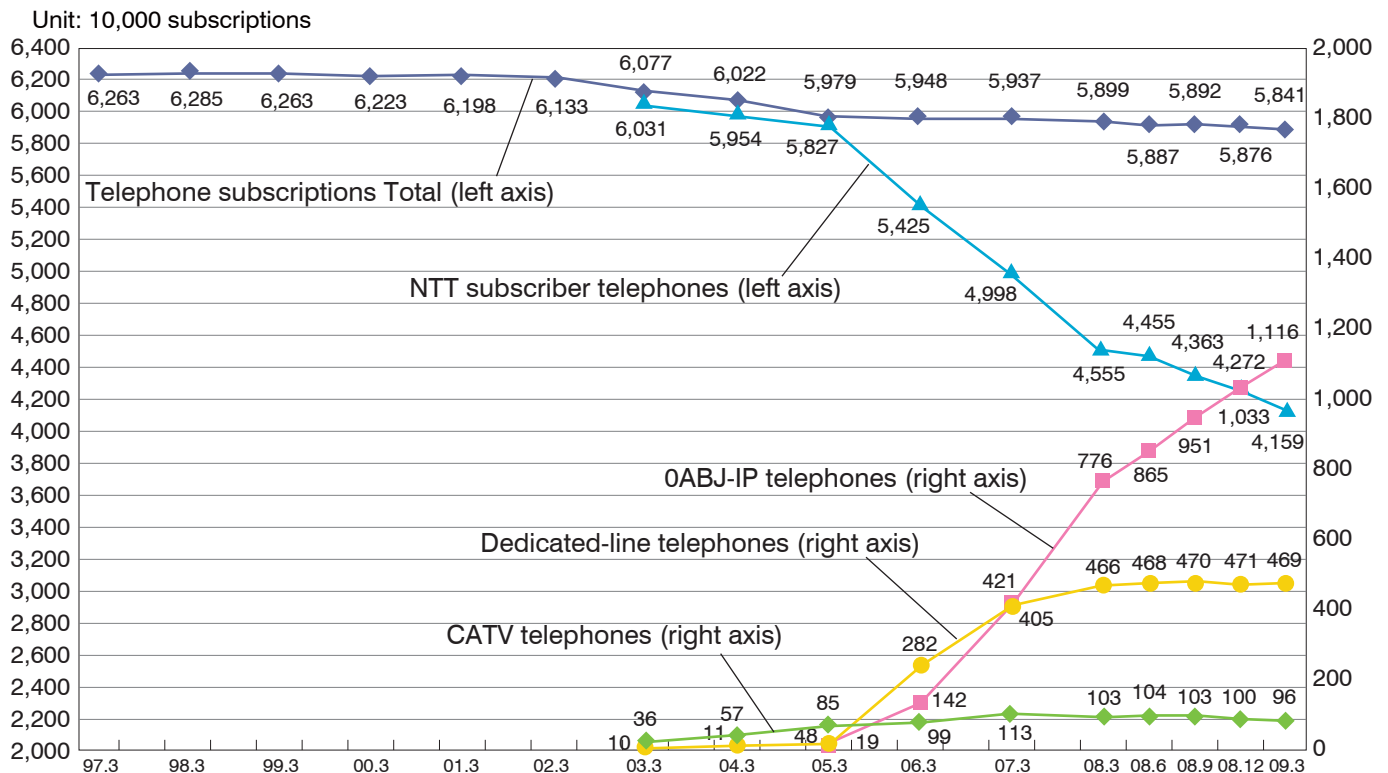
Fixed Communications

(1) Subscriber Telephone

•The total number of telephone subscriptions (comprising NTT subscriber telephones, dedicated-line telephones, 0ABJ-IP telephones, and CATV telephones) at the end of March 2009 was 58.41 million. Of this number, dedicated-line telephones fell to 4.69 million (down 0.4% from the prior quarter), but 0ABJ-IP telephones continued to increase, reaching 11.16 million (up 8.0% from the prior quarter).

•NTT East and NTT West's combined share of subscriber telephones (the total of NTT subscriber telephones and 0ABJ-IP telephones) continued to decline, falling to 84.7% (down 0.4 points from the prior quarter).

Total Number of Subscriber Telephones

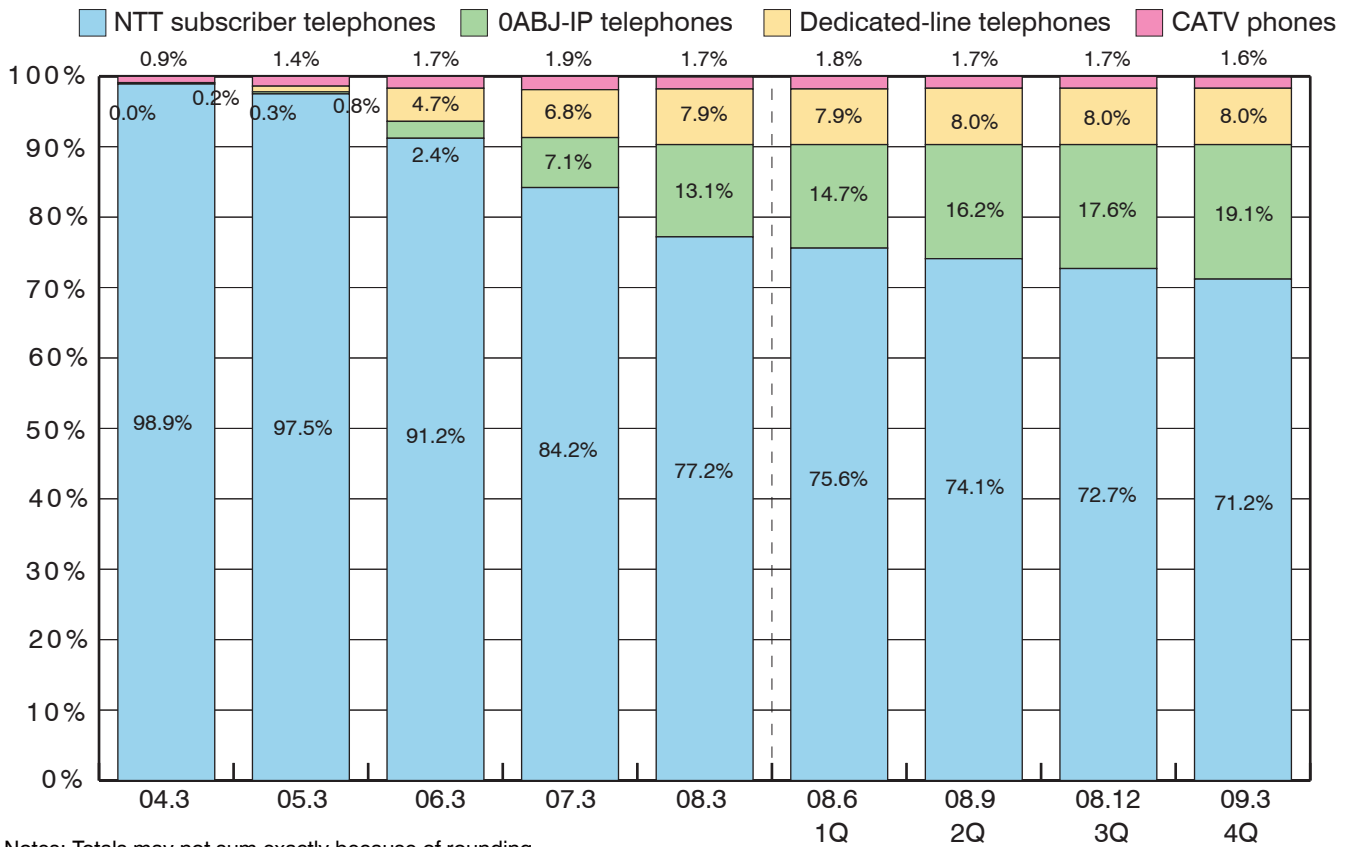


Note 1: Subscriber telephones includes NTT subscriber telephones (including ISDN), dedicated-line telephones (the total of dedicated-lines, new type dedicated-lines, and ISDN dedicated-lines), 0ABJ-IP telephones, and CATV telephones.

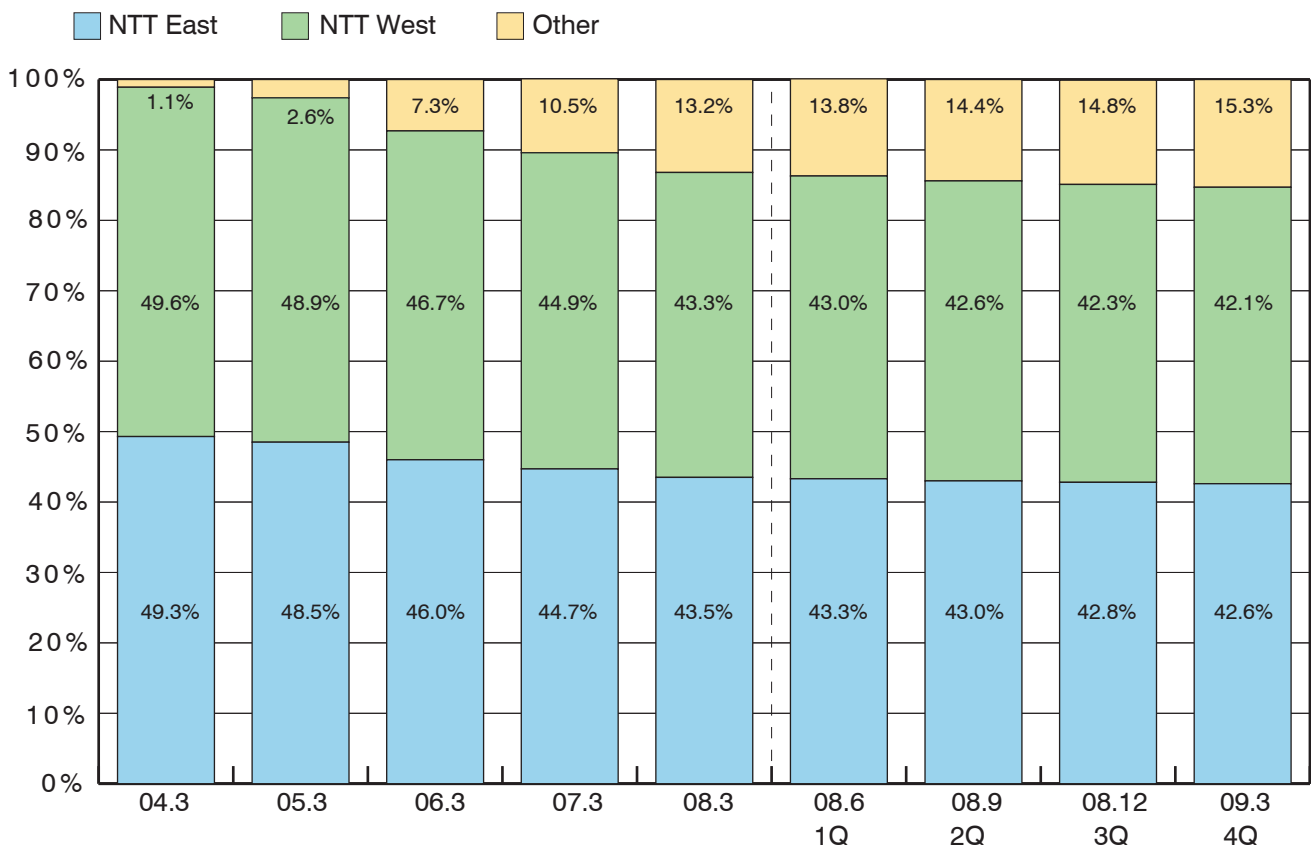
Note 2: 0ABJ-IP telephones are included in subscriber telephones since they can generally be used in place of NTT subscriber telephones, but information on them is also included on (2) IP Telephone as follows with regard to IP telephones.

Note 3: Totals may not sum exactly because of rounding.

Shares of Subscriber Telephone Service



NTT East's and NTT West's Shares of the Subscriber Telephone Segment



Note 1: NTT East's and NTT West's shares indicate the respective total of NTT subscriber telephones (including ISDN) and OABJ-IP telephones.
 Note 2: Totals may not sum exactly because of rounding.

(2) IP Telephones

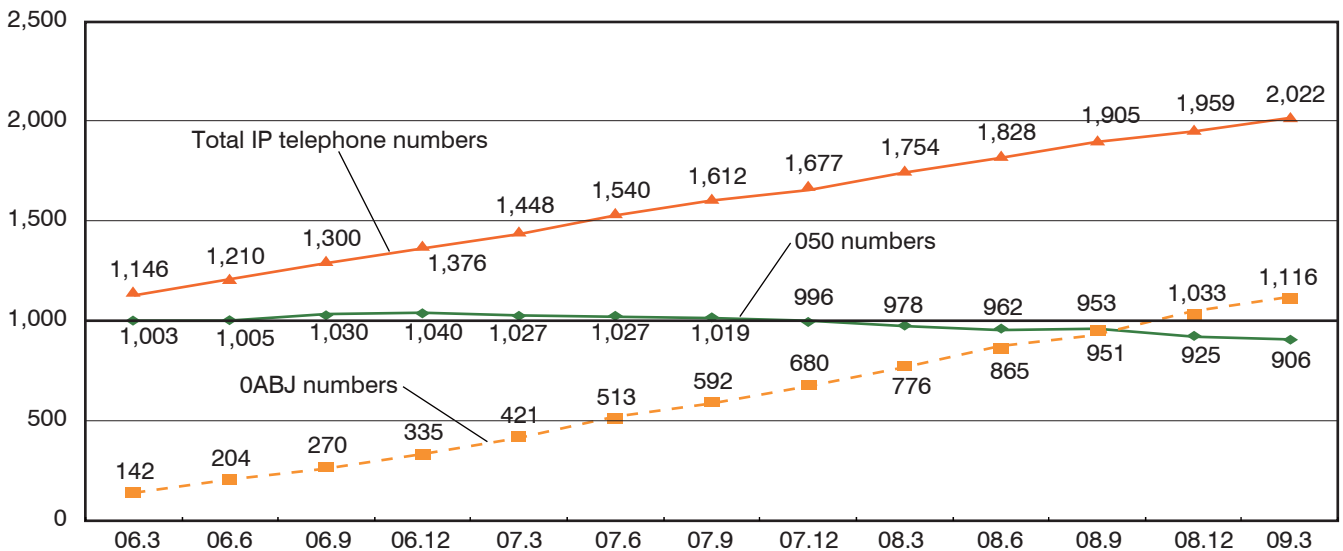
•The number of IP phone numbers in use reached 20.22 million (an increase of 3.2% from the prior quarter) as of the end of March 2009. Of this number, OABJ numbers continued to increase, reaching 11.16 million (up 8.0% from the prior quarter), while 050 numbers continued to decline,

falling to 9.06 million (down 2.1%).
 •With respect to shares of IP phone numbers, SoftBank BB fell to 20.2% (down 1.2 points from the prior quarter) and NTT Communications declined to 14.8% (down 0.7 points from the prior quarter), while NTT East and NTT West grew to 38.9% (up 1.5 points from the prior quarter and up 6.7 points year on year).

•In the OABJ number segment, NTT East's and NTT West's shares fell to 70.6% (down 0.3 points from the prior quarter), but KDDI, which has the second highest share, saw its share increase to 12.9% (up 0.4 points from the prior quarter).

Number of IP Telephone Numbers

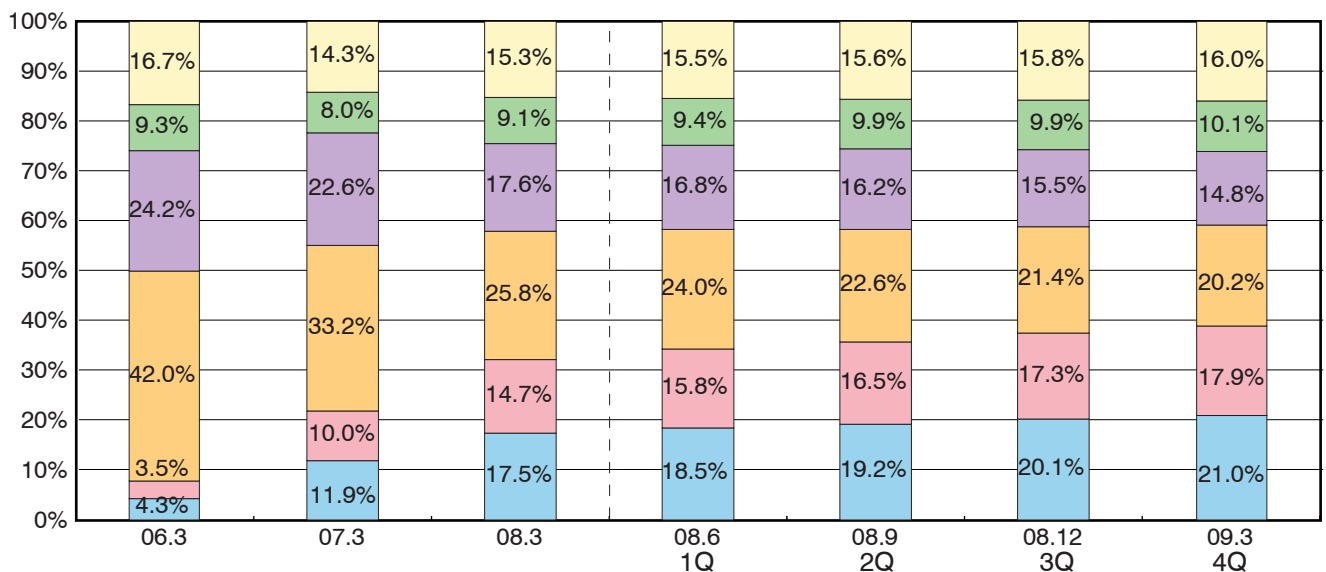
Unit: 10,000 numbers



Notes: Totals may not sum exactly because of rounding.

IP Telephone Number Shares by Carrier: Overall

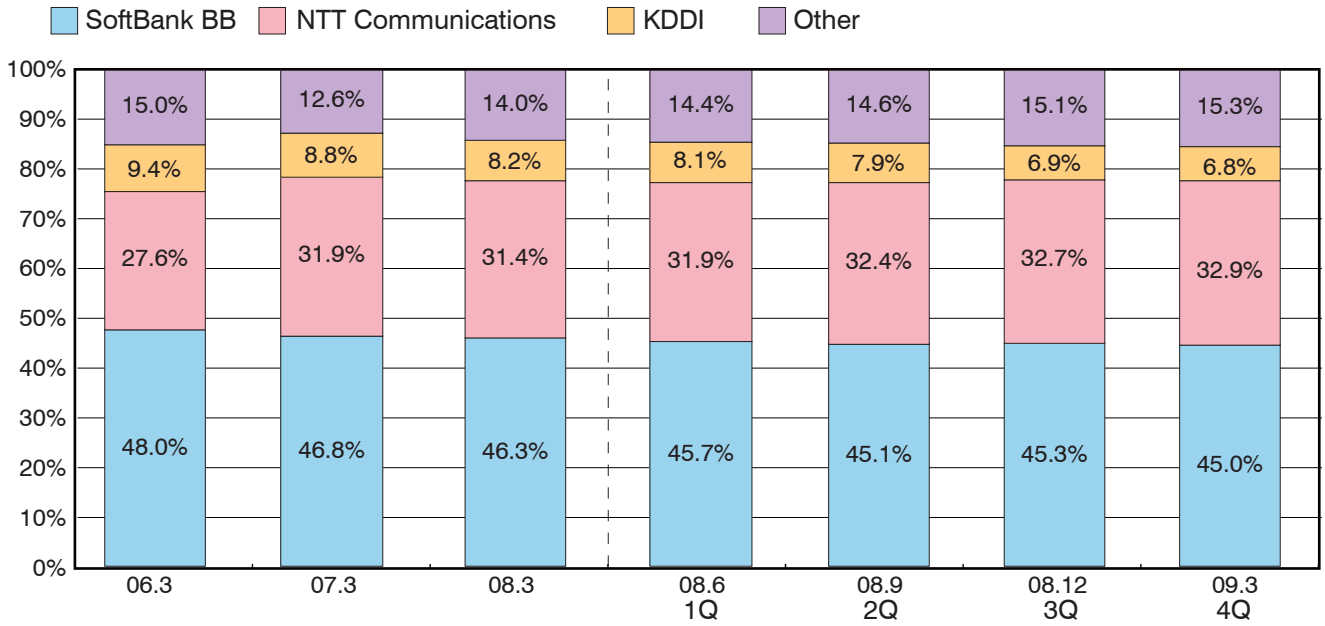
NTT East NTT West SoftBank BB NTT Communications KDDI Other



Note 1: Limited to subscribers with designated telephone numbers.

Note 2: Totals may not sum exactly because of rounding.

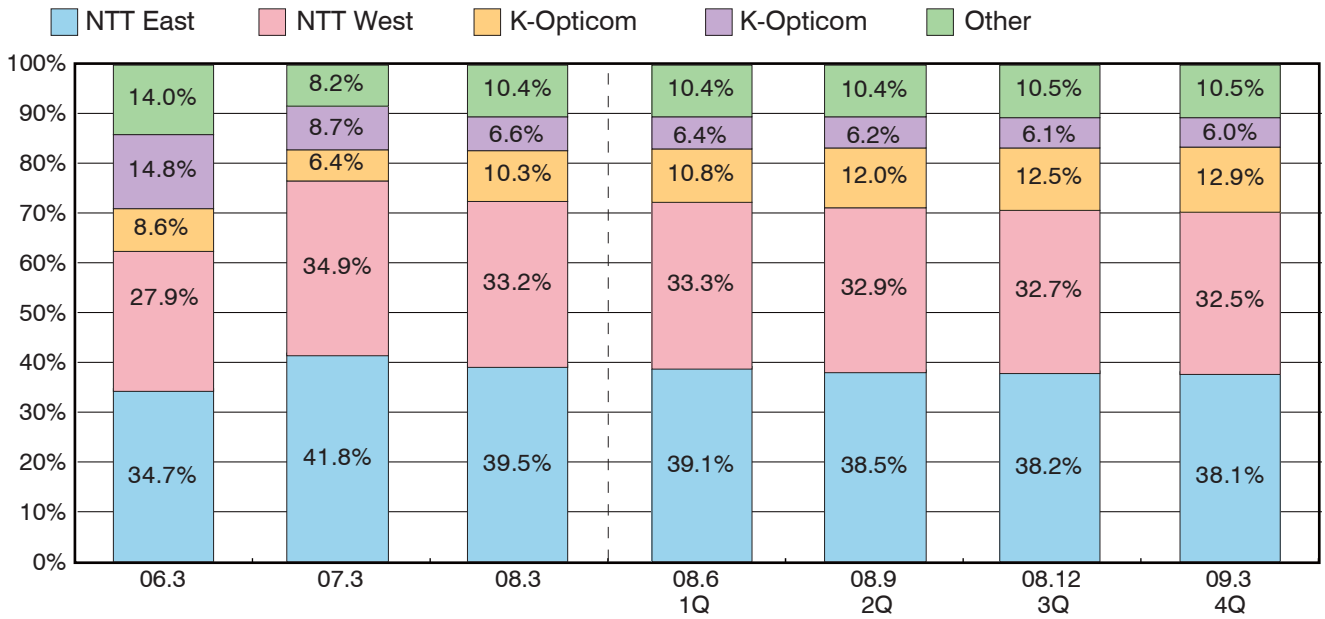
IP Telephone Number Shares by Carrier: 050 Numbers



Note 1: Limited to subscribers with designated telephone numbers.

Note 2: Totals may not sum exactly because of rounding.

IP Telephone Number Shares by Carrier: 0ABJ Numbers



Note 1: Limited to subscribers with designated telephone numbers.

Note 2: Totals may not sum exactly because of rounding.

Mobile Communications

•The total number of mobile telephone and PHS subscriptions increased slightly to 112.05 million as of the end of March 2009 (an increase of 1.5% from the prior quarter). The number of PHS

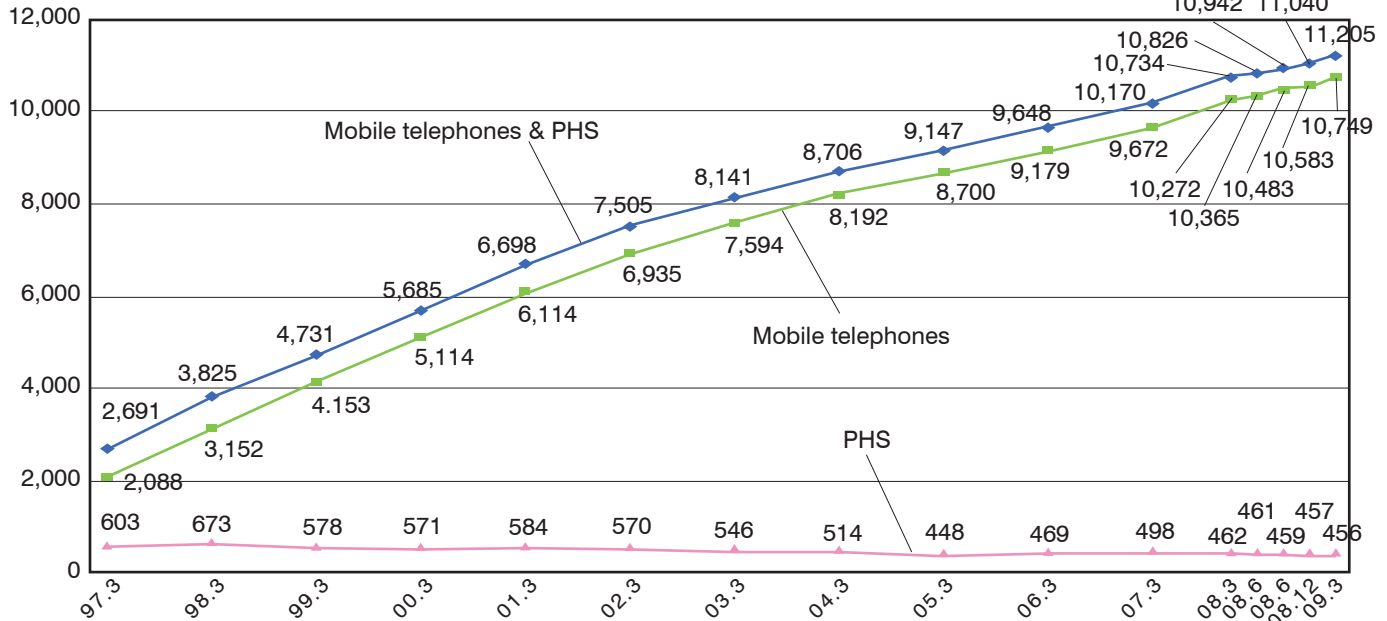
subscriptions fell slightly to 4.56 million (down 0.2% from the prior quarter).

•NTT DoCoMo's share was 48.7% (down 0.4 points from the prior quarter), and KDDI's share was 27.5% (down 0.2 points from the

prior quarter), with both showing slight declines, but SoftBank Mobile's share increased slightly to 18.4% (up 0.3 points from the prior quarter).

Mobile Telephone and PHS Subscriptions

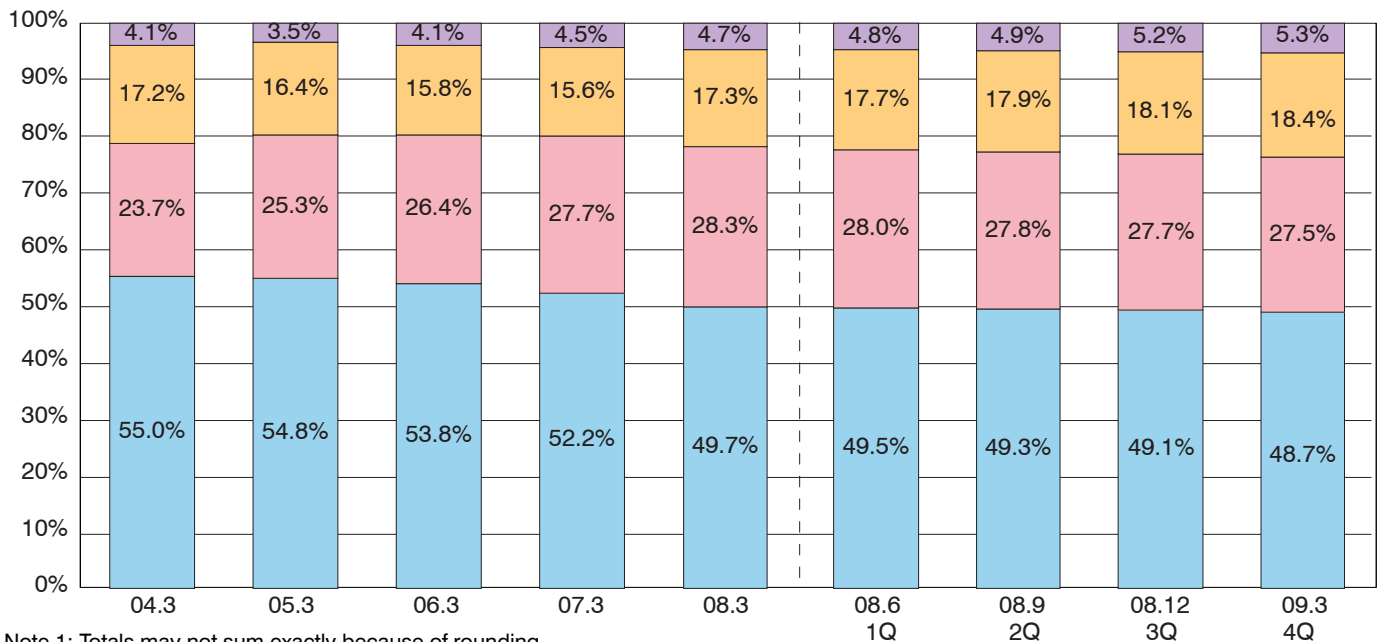
Unit: 10,000 subscriptions



Notes: Totals may not sum exactly because of rounding of the number of each type of subscription.

Mobile Telephone and PHS Subscription Shares by Carrier

■ NTT DoCoMo ■ KDDI ■ SoftBank Mobile ■ PHS and other carriers



Note 1: Totals may not sum exactly because of rounding.

Note 2: Through the end of March 2009, figures for NTT DoCoMo include PHS subscriptions.

Note 3: Tu-ka group companies merged with KDDI (au) on October 1, 2005.

Note 4: With respect to SoftBank Mobile, data through the end of September 2006 is for the former Vodafone.

Source: Telecommunications Carriers Association

Internet Connections

(1) Broadband Overall

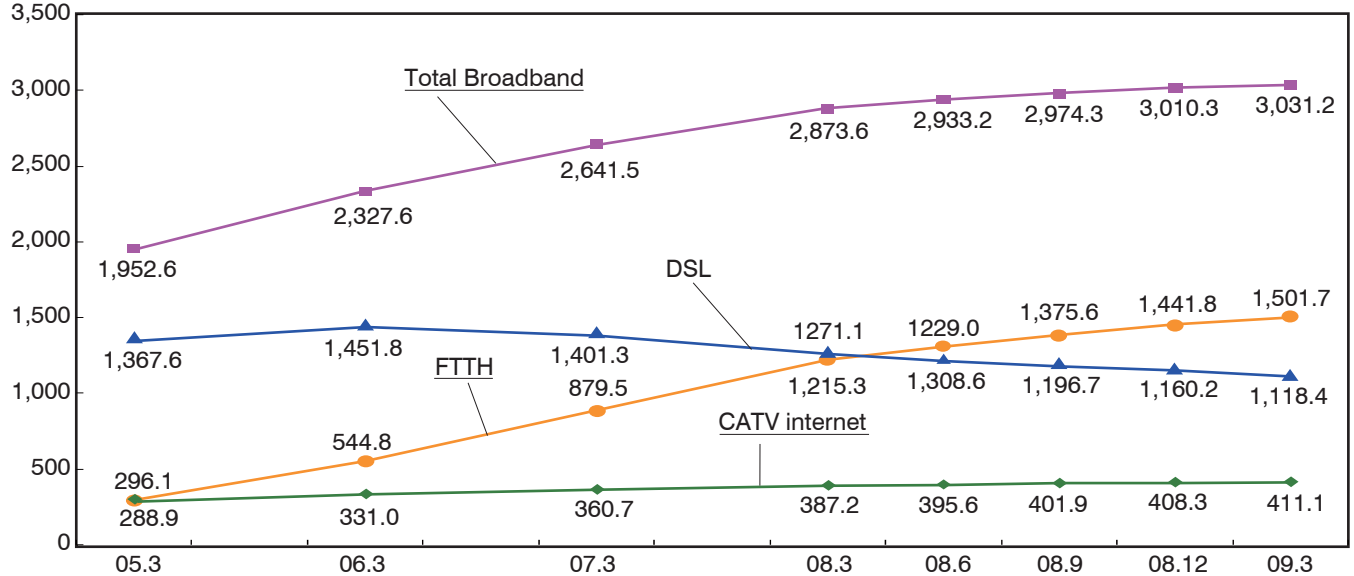
•The total number of broadband subscriptions was 30.312 million¹ as of the end of March 2009 (up 0.7% from the prior quarter).

•NTT East and NTT West's combined share continued to increase, reaching 49.8% (up 0.6 points from the prior quarter and up 3.0 points years on year). SoftBank group's share was 14.4% (down 0.6

points from the prior quarter), and eAccess's share was 5.7% (down 0.2 points from the prior quarter).

Number of Broadband Subscriptions

Unit: 10,000 subscriptions



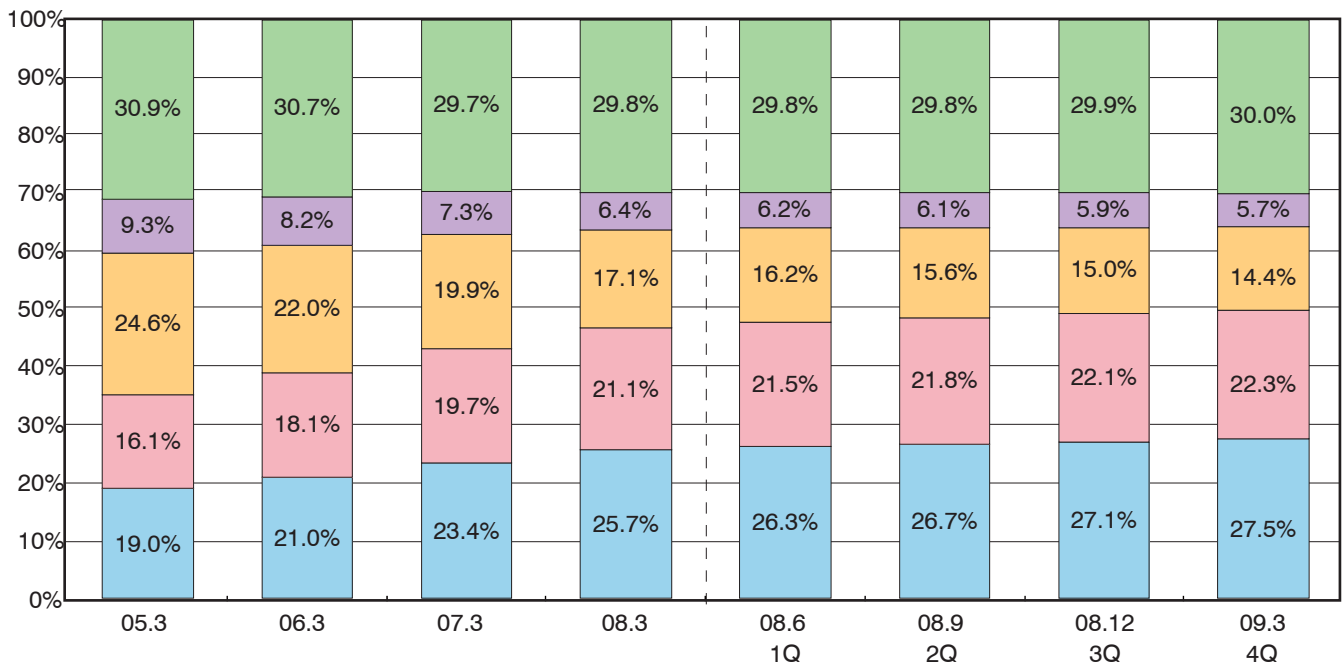
Note 1: FWA services and BWA services are not included, so the above data above differs from "Broadband Service Subscriber Trend (as of the end of March 2009)" released by MIC on June 19, 2009.

Note 2: Totals may not sum exactly because of rounding of the number of each type of subscription.

Note 3: Past data that has been corrected is indicated by underlining.

Broadband Subscription Shares by Carrier

NTT East NTT West SoftBank Group eAccess Other



Notes: Totals may not sum exactly because of rounding.

(2) DSL

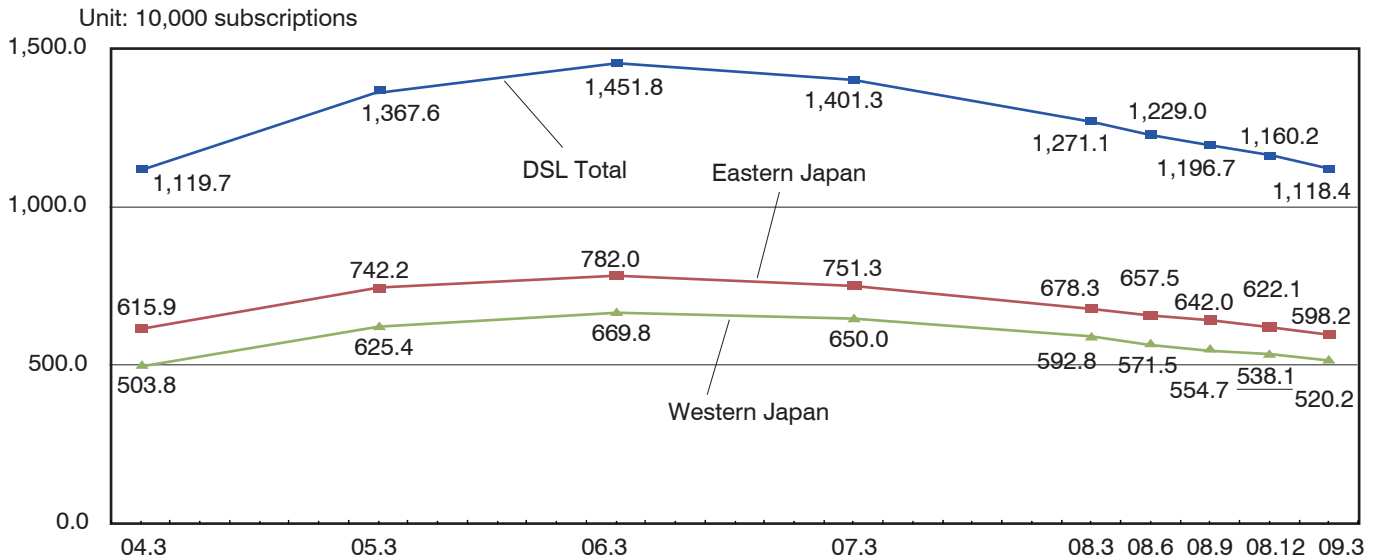
- The number of DSL subscriptions continued to fall moderately, dropping to 11.184 million as of the end of March 2009 (down 3.6% from the prior quarter).
- Nationwide, SoftBank BB's share stood at 38.4% (up 0.2 points from the prior quarter), while in second

place, NTT East and NTT West's combined share was 35.7% (down 0.3 points from the prior quarter and down 1.0 points year on year), and the gap between them continues to grow. eAccess's share was 15.5% (up 0.2 points from the prior quarter).

- Regionally, SoftBank BB had the

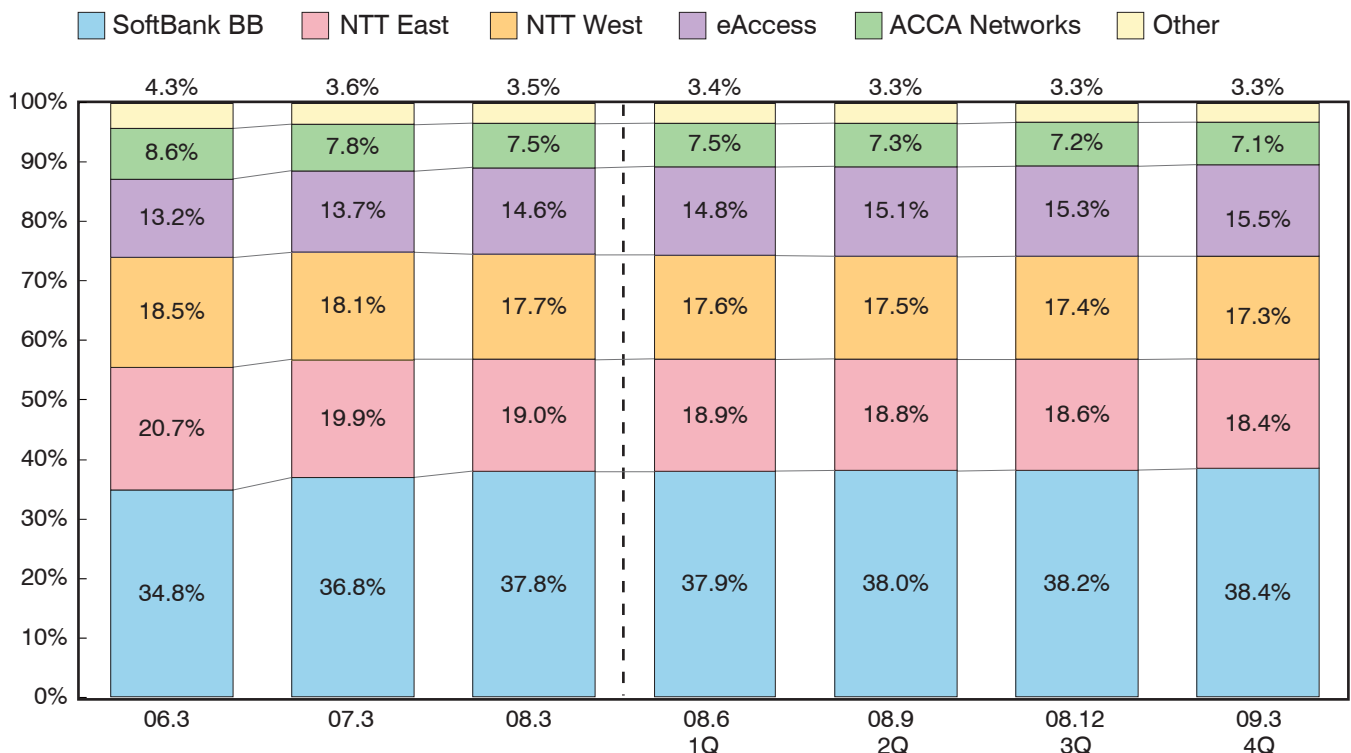
highest shares in both eastern Japan and western Japan, with a 36.4% share in eastern Japan (up 0.4 points from the prior quarter), and a 40.7% share in western Japan (up 0.1 points from the prior quarter).

Number of DSL Subscriptions



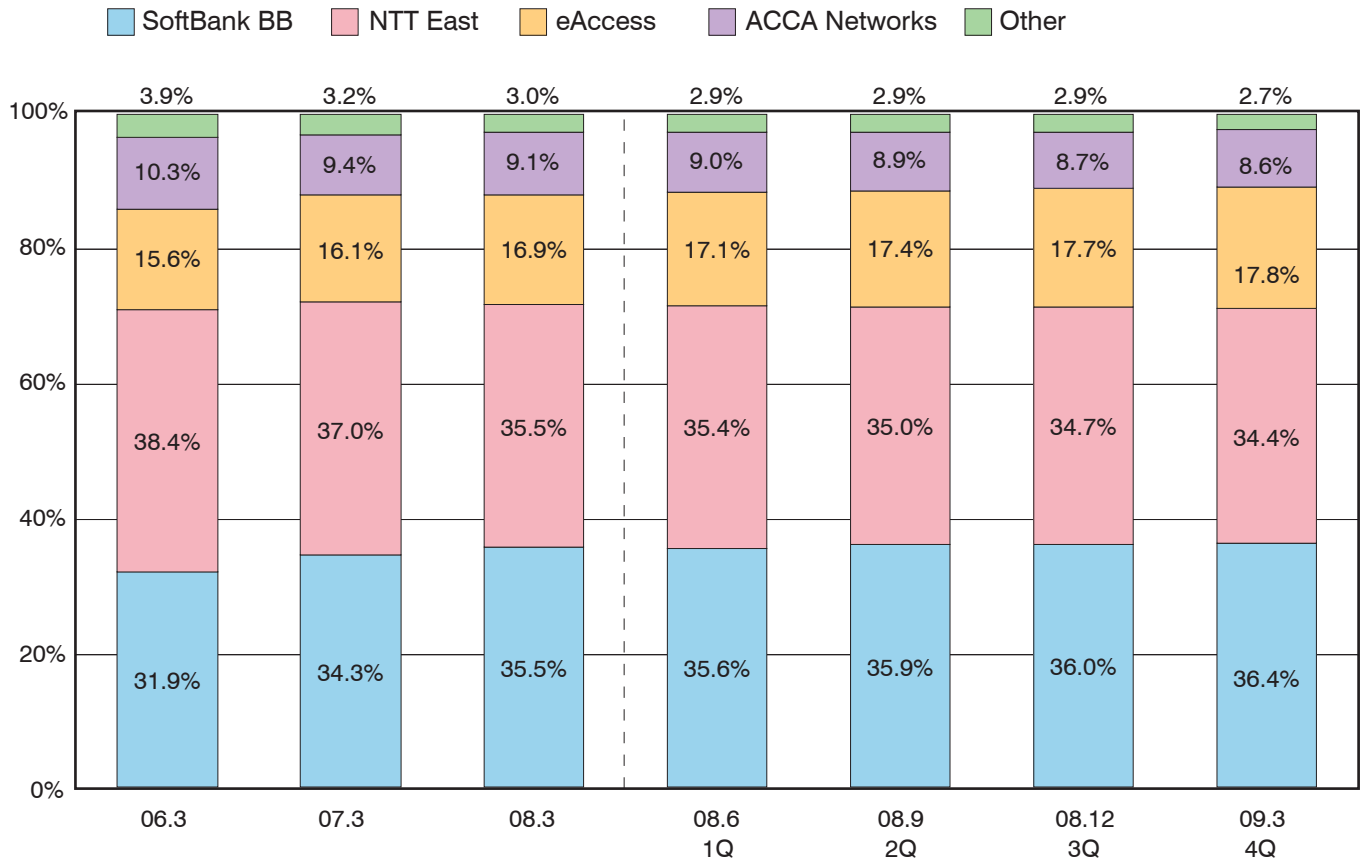
Note 1: Totals may not sum exactly because of rounding of the number of each type of subscription.
 Note 2: Past data that has been corrected is indicated by underlining.

DSL Subscription Shares by Carrier: Nationwide

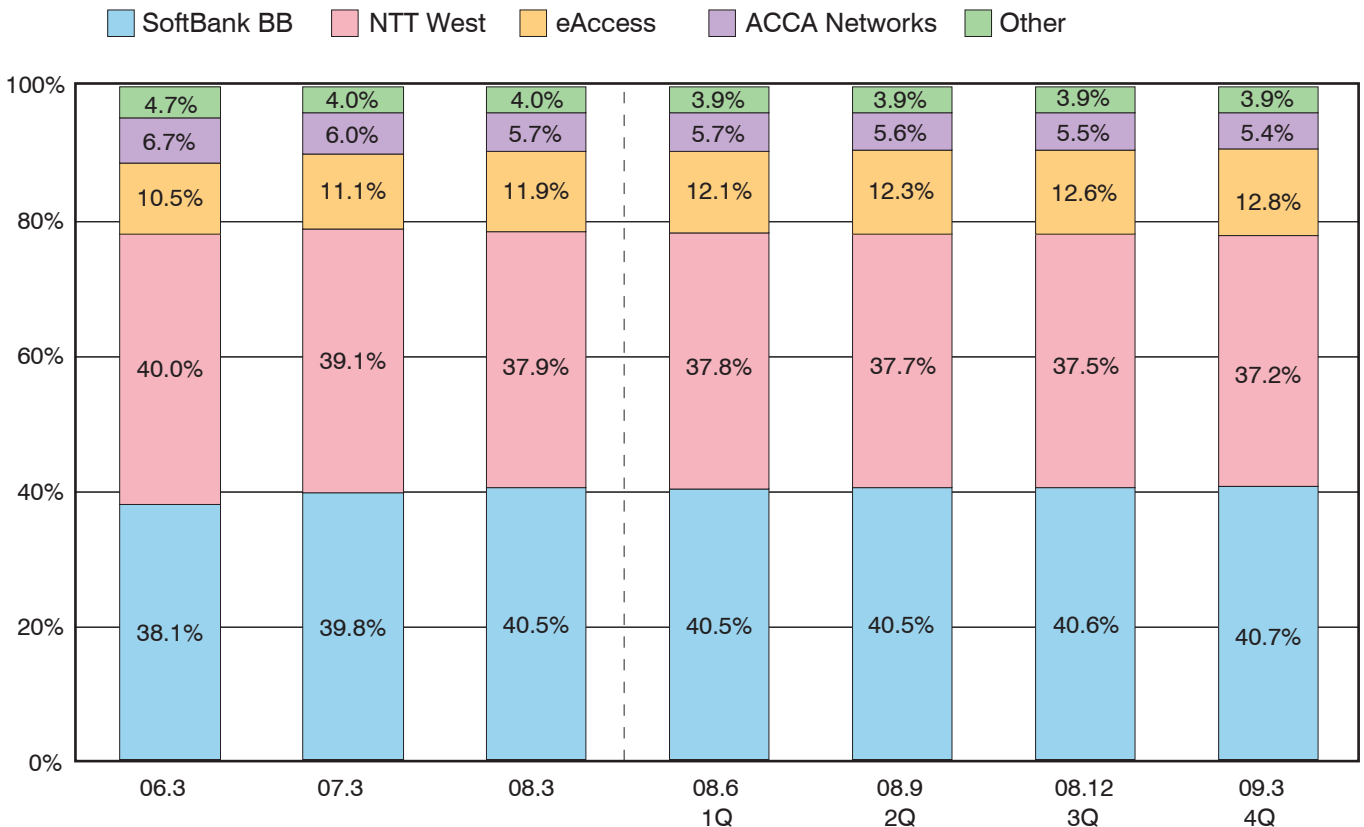


Notes: Totals may not sum exactly because of rounding.

DSL Subscription Shares by Carrier: Eastern Japan



DSL Subscription Shares by Carrier: Western Japan



(3) FTTH (Optical fiber)

- The number of FTTH subscriptions stood at 15.017 million yen as of the end of March 2009 (up 4.2% from the prior quarter).
- Overall, NTT East and NTT West's combined share continued to increase, reaching 74.1% (up 0.4

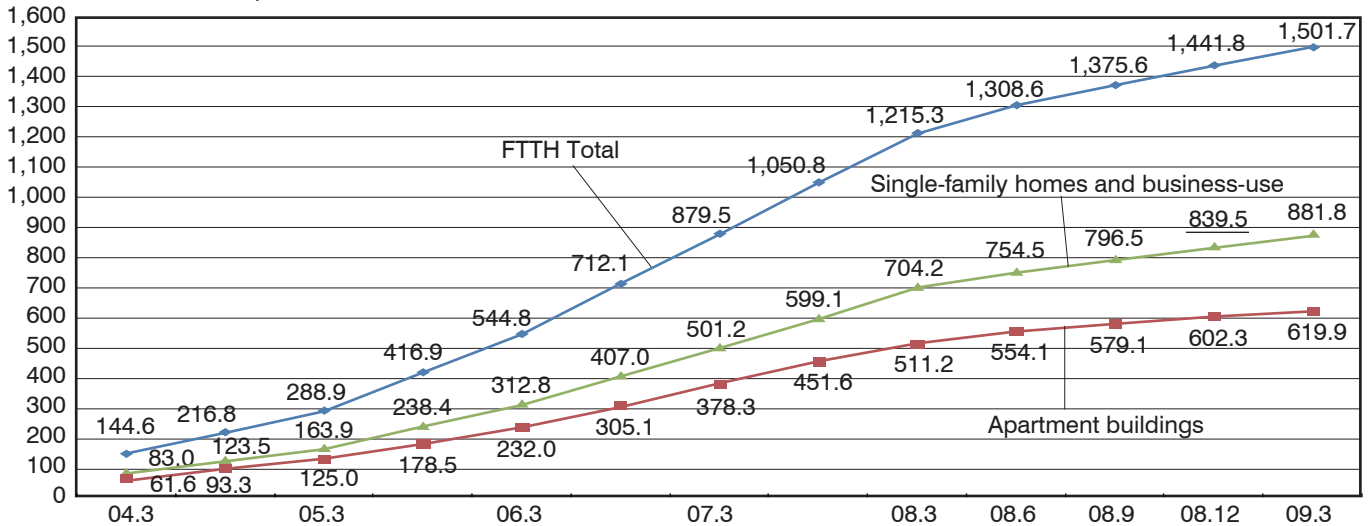
points from the prior quarter and up 1.9 points year on year). Power utility carriers has an 11.1% share (up 0.1 points from the prior quarter), and KDDI's share was 5.5% (up 0.1 points from the prior quarter).

- In the single-family home and business-use segment, NTT East

and NTT West has a combined share of 78.7% (up 0.1 points from the prior quarter and up 0.3 points year on year). In the apartment building segment, NTT East and NTT West's combined continued to rise, reaching 67.6% (up 0.5 points from the prior quarter and up 3.9 points year on year).

Number of FTTH Subscriptions

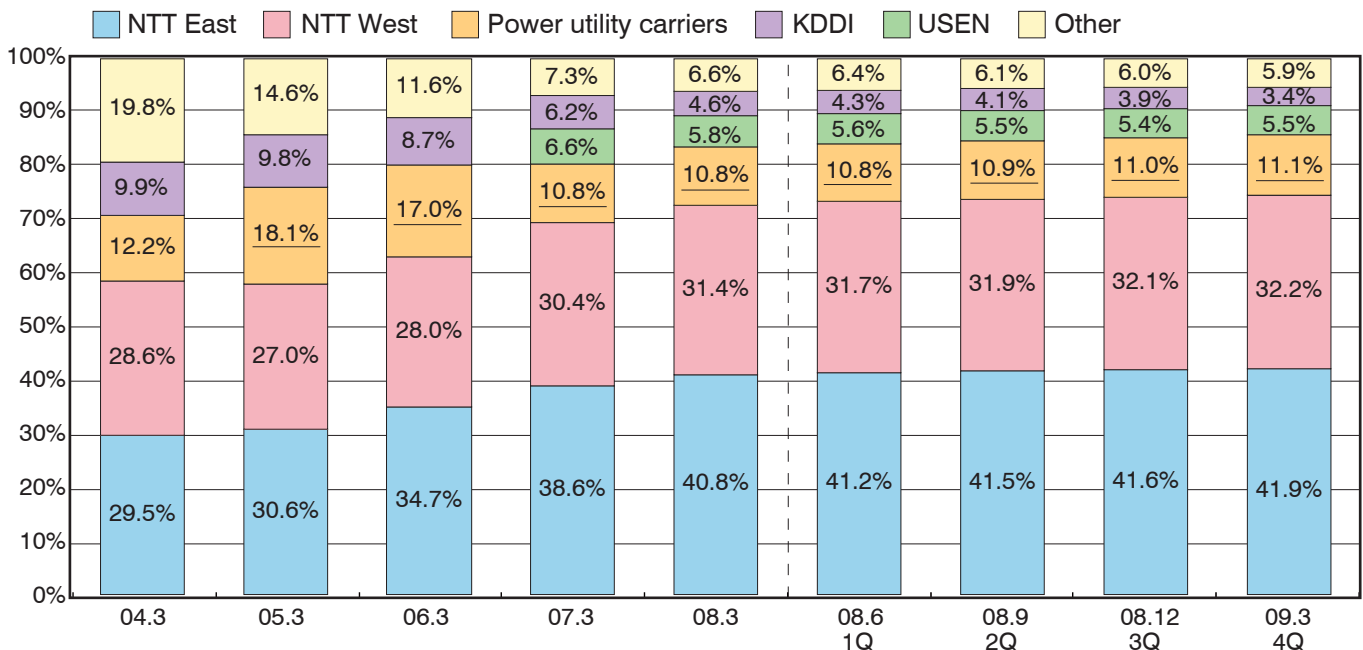
Unit: 10,000 subscriptions



Note 1: Totals may not sum exactly because of rounding.

Note 2: Past data that has been corrected is indicated by underlining.

FTTH Subscription Shares by Carrier: Overall



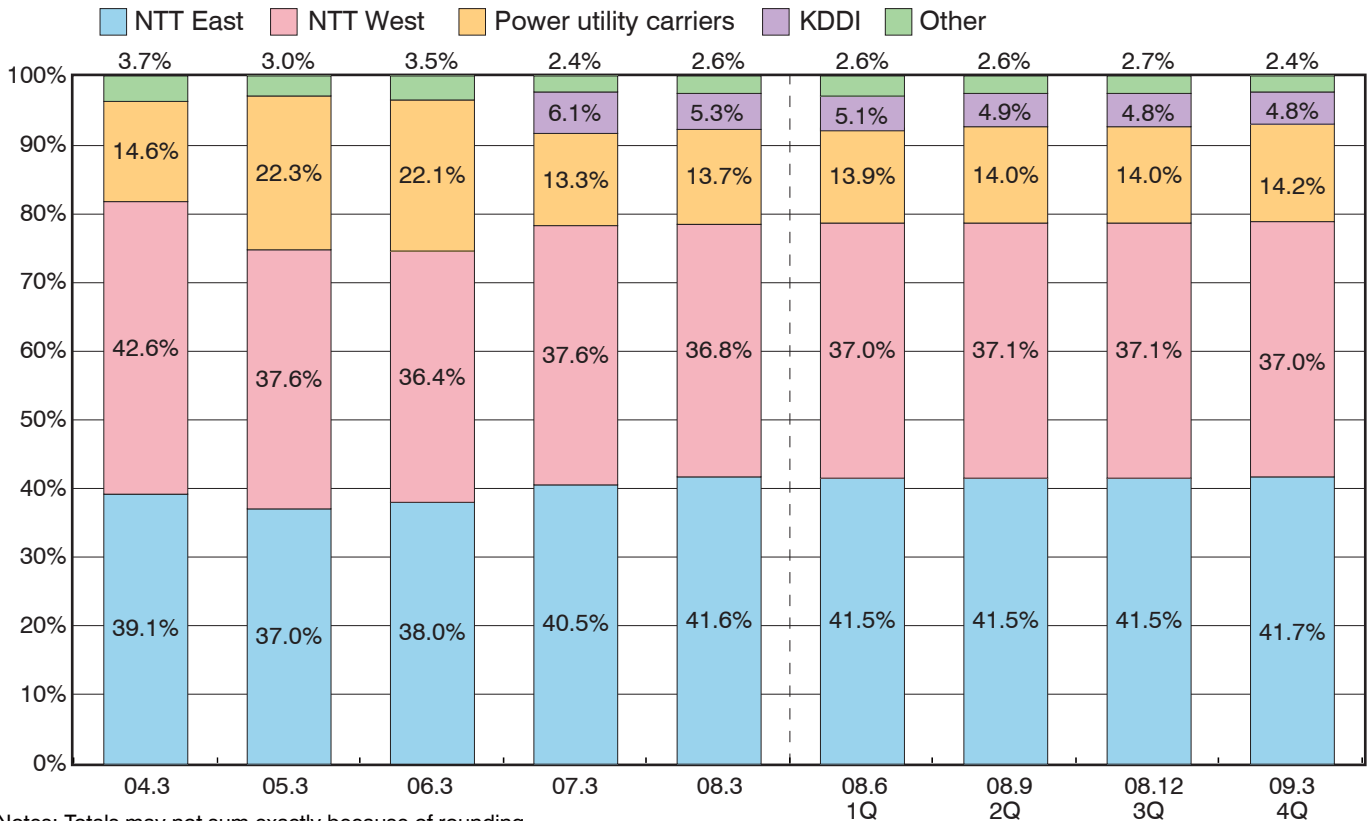
Note 1: Here and hereafter, in conjunction with the acquisition of Tokyo Electric Power Company's FTTH business by KDDI in January 2007, Tokyo Electric Power Company is not included in power utility carriers in the fourth quarter of fiscal year 2006 (ended March 2007) and thereafter.

Note 2: Family Net Japan's shares were transferred from Daikyo to TEPCO Systems Corporation and Poweredcom Inc. In August 2004, so its share was moved from Other category to Power utility carriers category as of the fourth quarter of fiscal year 2004 (ended March 31, 2005) and the data was corrected (indicated by underlining).

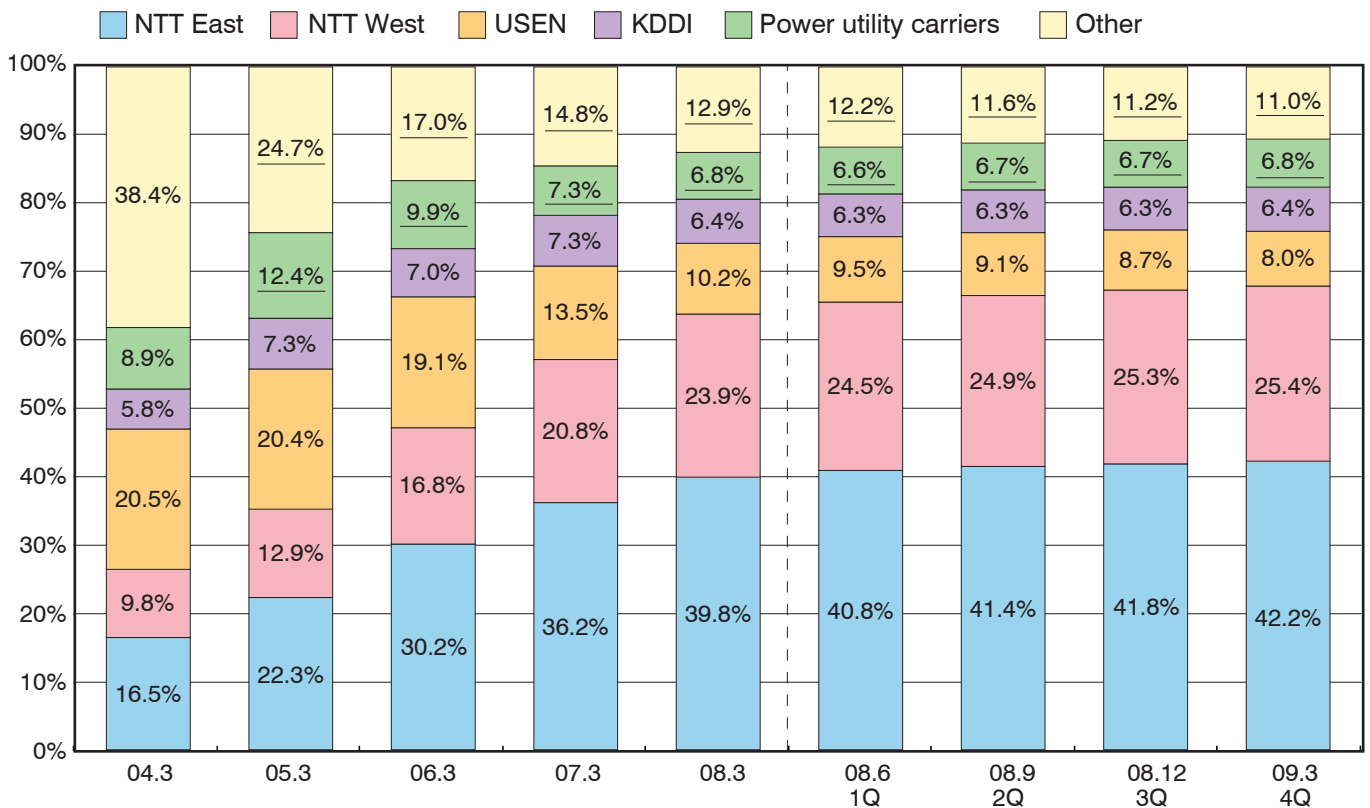
Note 3: Here and hereafter, Chubu Telecommunications is included in power utility carriers.

Note 4: Totals may not sum exactly because of rounding.

FTTH Subscription Shares by Carrier: Single-Family Homes and Business Use



FTTH Subscription Shares by Carrier: Apartment Buildings



Network Services for Businesses

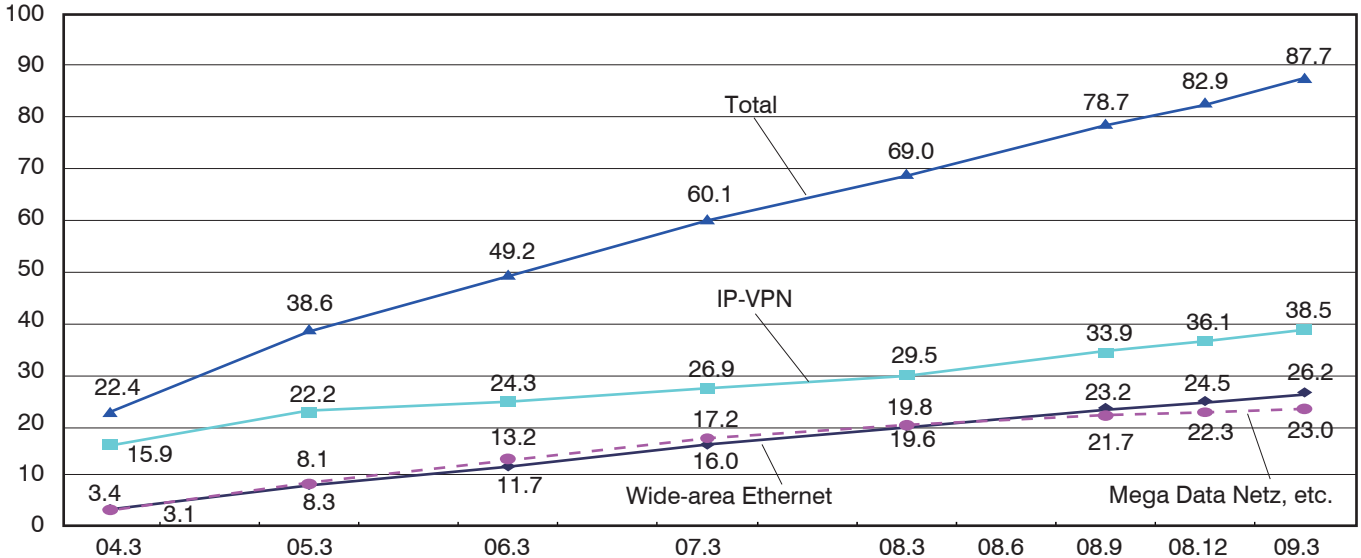
•The total number of subscriptions for WAN services (IP-VPN, wide-area Ethernet, and Mega Data Netz) stood at 877,000 as of the end of March 2009 (up 5.8% from the prior half). Wide-area Ethernet subscriptions increased

by 17,000 (up 6.9% from the prior half), Mega Data Netz subscriptions increased by 7,000 (up 3.1% from the prior half), and IP-VPN subscriptions increased by 24,000 (up 6.6% from the prior half), all showing moderate growth. •NTT East and NTT West's combined share fell slightly to

35.8% (down 0.3 points from the prior half), and NTT Communications's share was 25.0% (up 0.7% from the prior half), resulting in a total share for the NTT group as a whole of 69.1% (up 0.1 points from the prior half).

Number of WAN Service Subscriptions

Unit: 10,000 subscriptions

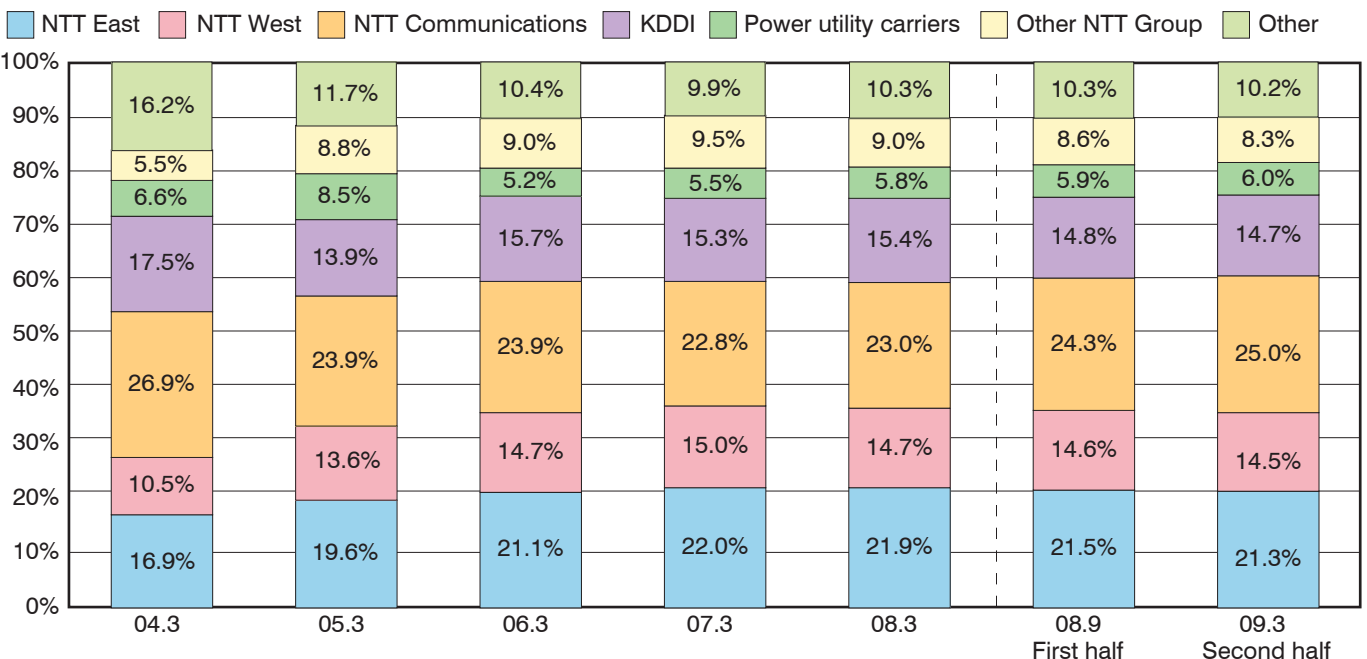


Note 1: Wide area networks (WAN) services refer to IP-VPN, wide-area Ethernet, and Mega Data Netz, etc. It does not include dedicated-lines, cell relays, or frame relays.

Note 2: Mega Data Netz, etc. refers to the FLET'S Office, FLET'S Office Wide, FLET'S Group Access (FLET'S Group), and Mega Data Netz services provided by NTT East and NTT West.

Note 3: All subscription numbers exclude international subscriptions.

WAN Service Terminal Lines by Carrier



Notes: KDDI figures for the fiscal year ended March 31, 2006 include data for the former Poweredcom Inc., which merged with KDDI in October 2005.

COUNCIL REPORT

Revisions of the Universal Service Fund System - An Outline of a Report by the Telecommunications Council and Amendments of Related Ministerial Ordinances concerning a Framework for the Universal Service Fund System -

Introduction

The Universal Service Fund System was established in June 2002, following the amendment of the Telecommunications Business Law in June 2001. Following this, with the revision that took place about two years after the system was established, full-scale operation started from fiscal year 2006.

Recently, a revision took place about three years after the system became operational, and an inquiry was made in April 2008 from the MIC Minister to the Telecommunications Council concerning a framework for the Universal Service Fund System, and a report received from the council in December 2008.

This document is an explanation of the outline of the report (see Figure 1), and also introduces related ministerial ordinances that were amended in May 2009.

Background to the Revisions

Following the introduction of the Universal Service Fund System, the environment that surrounds this system has been changing very rapidly and in a major way. On the one hand, there have been major increases in the shift to

broadband and the number of people subscribing to optical IP phones while on the other hand, there has been a fall in the number of subscribers to subscriber telephone services, clearly showing the influence of the migration from PSTN (Public Switched Telephone Networks - line switching network that are made up of exchanges), which is subscriber telephone networks, to IP networks.

With the existing system, building of the system took place while taking into consideration advances in competition in the PSTN-based telephone service market, but there is a need for addressing suitably this type of change in the market environment. In addition, the supplementary provisions of the Ministerial Ordinance for the Partial Amendment of the Telecommunications Business Law Enforcement Regulation require that the related regulations be revised about three years after the ministerial ordinance has been enforced, as a result of which the necessary measures are being taken.

Against this background, and with major changes in market conditions such as the penetration

of broadband services, MIC determined that there was a need for gradual revision of the Universal Service Fund System in the New Competition Promotion Program 2010 (announced in September 2006 and amended in October 2007). Taking into consideration the report from the Study Group on Future Images of the Universal Service Fund System (announced in December 2007), MIC submitted an inquiry to the Telecommunications Council in April 2008 concerning a revision of the system that would address the shift to IP, with a conclusion due by the end of the same year.

This is why, with regard to the revisions, along with taking into consideration changes in the environment surrounding the Universal Service Fund System, such as the penetration of OABJ-IP phones (referred to below as optical IP phones), and the actual operating performance of the system two years after being put in place, in order to address important issues appropriately, the council was asked to conduct an investigation into a total revision of the system.

Figure 1: Outline of the Telecommunications Council's report on a framework for the Universal Service Fund System (December 16, 2008)

Concerning revisions of the Universal Service Fund System in fiscal years 2009 to 2011

Scope of universal service

- Future handling of the subscriber phones, public phones and emergency calls that currently make up the scope of universal service
- Handling of optical IP phones and mobile phones that are growing rapidly



- It would be appropriate to continue including subscriber phones, public phones and emergency calls in the scope of universal service
- It is difficult to include optical IP phones and mobile phones within the scope of universal service from the point of view of cost and usage conditions. Attention should be paid to fee levels and usage trends ahead of the next revision.

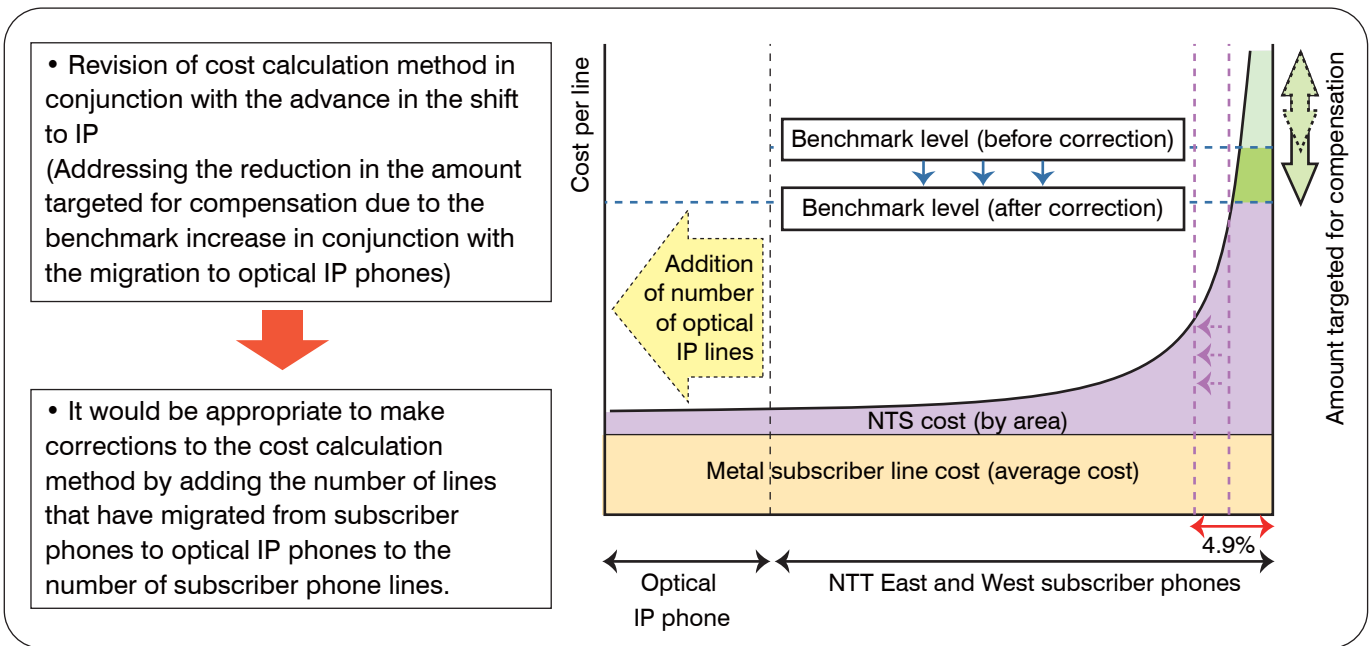
Methods for calculating cost and bearing the burden

- In the revision to the cost calculation method in the fiscal year 2007 revision, whether it is necessary to continue with the existing cost calculation method* which has been seen as an appropriate measure for some time, from the point of view of limiting the burden on the users.



- The standard framework until now has been to return the benchmark standard to average nationwide cost, but in an environment with ongoing burden on users, the current method is the most appropriate.

* At the same time as changing the benchmark standard from "nationwide average cost" to "nationwide average cost + twice the standard deviation," a gradual introduction of part of the NTS cost into the connection cost



Concerning a framework for the Universal Service Fund System post-early 2010s (organizing of issues)

- Organizing of directions and issues of the system that will contribute to the next revision that will take place after 2012, taking into consideration the state of penetration of optical IP phones and mobile phones



- With regard to a framework for the system after the start of the 2010s, while paying attention to the state of migration from PSTN networks to IP networks, issues will be handled after being divided into two steps of "post-early 2010s (stage 1)" and "post-early 2010s (stage 2)"

Topics for Revision Investigation

The report divided into two time periods, as shown below, the timeframe for the revision, from the point of view of planning for the stable operation of the Universal Service Fund System.

- I. The three-year period from fiscal year 2009 to fiscal year 2011
- II. Post early-2010s (After fiscal year 2012)

Period I will be for putting together the results of investigations into the three topics of (1) scope of universal service, (2) methods for calculating cost and bearing the

burden, and (3) operating the system. Period II will be for organizing directions and issues that will contribute to the next revision that will take place after 2012, taking into consideration the state of penetration of optical IP phones and mobile phones (see Figure 2).

Figure 2: Topics for investigation in the revision of the Universal Service Fund System

I. Concerning revisions of the Universal Service Fund System in fiscal years 2009 to 2011

(1) Scope of universal service

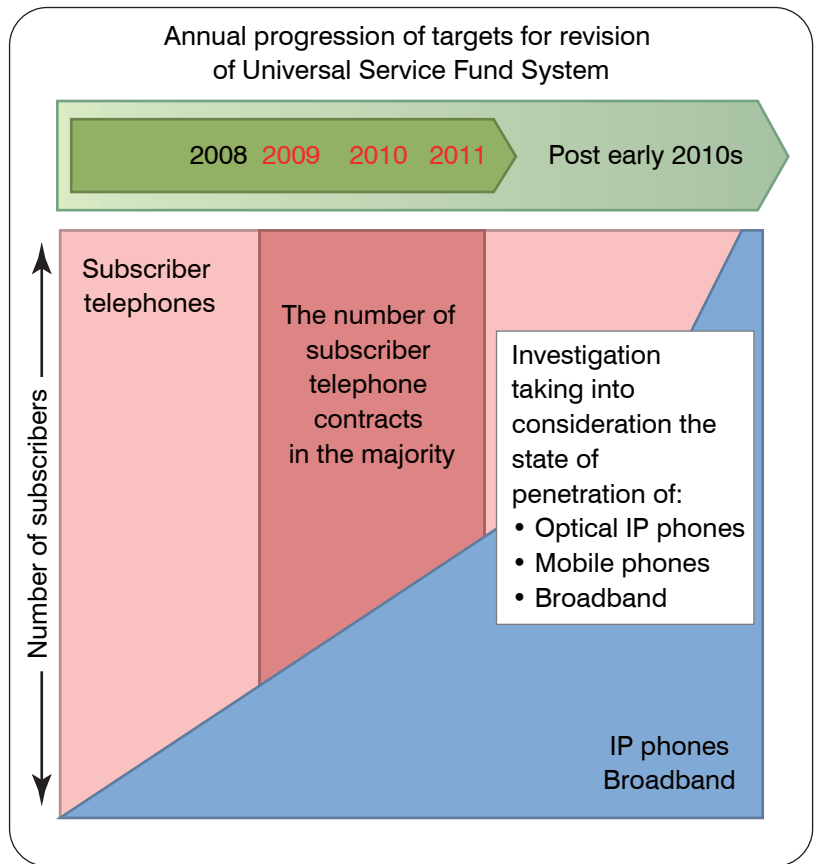
- The handling of subscriber phones which account for the majority of total users of fixed line voice telephones
- The handling of public telephones as an outdoor communications option against the background of the penetration of mobile phones

(2) Methods for calculating cost and bearing the burden

- In the fiscal year 2007 revision of the method used for calculating cost, whether it is necessary to continue with the existing cost calculation method* which has been seen as an appropriate measure for some time

* Benchmark: Nationwide average cost + 2σ
 Gradual introduction of cost between feeder points RT and GC into connection cost

- The scope of the operators who will bear the cost burden
 - Handling of relay operators
 - The necessity for a revision of the over 1 billion yen standard
- Revision of cost calculation method in conjunction with the advance of the shift to IP (Addressing the reduction in the amount targeted for compensation due to the benchmark increase in conjunction with the migration to optical IP phones)



(3) Operation of system etc.

- Information dissemination etc.
- Handling of basic charge

II. Concerning a framework for the Universal Service Fund System post-early 2010s (organizing of issues)

- Organizing of directions and issues of the system that will contribute to the next revision that will take place after 2012, taking into consideration the state of penetration of optical IP phones and mobile phones

The Scope of Universal Service

With regard to subscriber telephones, type 1 public telephones and emergency calls which currently make up the scope of universal service, investigations were conducted from the point of view of:

- (1) Subscriber telephones: the handling of subscriber telephones which make up the majority of fixed line voice telephones
- (2) Type 1 public telephones: The handling of type 1 public telephones against the background of ongoing penetration of mobile phones
- (3) Emergency calls: The handling of emergency calls which is important to the life of the people

The following results were obtained:

- (1) Subscriber telephones: Subscribers continue to account for the majority of all users of fixed voice telephones, and at the same time, with optical IP phones and mobile phones not being in a position to replace subscriber phones either in terms of penetration or rates, it would be appropriate to continue to provide universal service here.
- (2) Type 1 public telephones: In conjunction with the penetration of mobile phones, their role as a minimum outdoor communications option has been diminishing, but there is no outdoor option that can completely replace public telephones, including mobile phones, and there is a major outcry that they are necessary as a target for universal service, it would not be appropriate to remove them at this point in time from universal service.
- (3) Emergency calls: Their importance in the life of people could rise and would not diminish and they should continue to be included in universal service.

Methods for Calculating Cost and Bearing the Burden

With regard to the existing methods for calculating cost and bearing the burden in the Universal Service Fund System, the following two topics were picked up:

- (1) Issue of existing cost calculation method: At the fiscal year 2007 revision in the cost calculation method, whether it is necessary to continue the existing cost calculation method which has been in place for some time
- (2) Issue of existing method for bearing the burden: The scope of operators bearing the cost burden (handling of relay operators who fall outside the scope of operators who bear the cost burden/the necessity to revise the over 1 billion yen standard which is the scale standard for operators bearing the cost burden)

Investigations were conducted comparing the advantages and disadvantages of the various proposals for these, based on "the results of rough calculation of a forecast value of the amount targeted for compensation." The following results were obtained from the investigation:

- (1) The practice to date has been to return the benchmark level to nationwide average costs, but with the assumption in the 2007 revision of an ongoing user burden, and with the rough calculation results of each proposal taken into consideration, it was deemed appropriate to work towards controlling the user burden while continuing to grasp the effect on the connection cost level, as well as to continue to apply the existing method as the way to calculate and divide the burden of cost over the next three years, so as to maintain the stability of the system.
- (2) Relay operators also bear a set burden with the current method,

and fairness of burden distribution is being maintained. Also, the current status does not necessarily present the conditions for changing the standard, in view of the operators who fall under the 1 billion yen mark in profit.

In addition, along with this, in terms of the issues that apply to the continuation over the next three years of the existing cost calculation method:

- (a) The reduction in the amount targeted for compensation that will occur in conjunction with the advance in the shift to IP.
- (b) The growing complexity of internal compensation in conjunction with the reduction in scope of operators (lines) to bear the cost burden of metal subscriber lines needed for the maintenance of universal service in high-cost areas.

are the elements, and along with noting the fear that it may become difficult for NTT East and West, who are the eligible telecommunications carriers, to maintain subscriber phones as universal service in high-cost areas, investigations were conducted on countermeasures for the two points mentioned above. The following results were obtained from the investigation:

- While continuing with the existing cost calculation method, it is a method for correction that looks ahead to future conditions (after fiscal year 2012), and also in terms of maintaining impartiality in terms of the advance of the shift to IP, it would be appropriate to make a correction in the cost calculation method that would add the number of lines that have migrated from subscriber phones to optical IP phones to the number of subscriber lines.

Operation of System

Based on the operating status of the current Universal Service Fund System, investigations were conducted on the following two points:

- (1) Information dissemination: Proper dissemination of information on the system to consumers and the like
- (2) Handling of basic fees: Handling of discrepancies in basic fees based on the division by class of exchange

The following results of investigation were obtained:

- (1) Information dissemination: The state (MIC), supporting organizations, the operators who bear the burden should all continue to strive, each from their own perspective, and from the point of view of protecting the consumer, to work for the dissemination of information on the Universal Service Fund System.
- (2) Handling of basic fees: As far as basic fees are concerned, appropriate measures should be taken, taking into consideration the report (November 2006) from the Telecommunications Council that requested ongoing investigations concerning a framework for a basic fee system to NTT East and West.

Organizing Issues for Investigation for a Framework for the System Post Early 2010s

In the process of the advance of the shift to broadband and IP, PSTN and IP networks will co-exist for quite some time, and it seems that the migration from PSTN to IP will continue so that, in the end, network migration will develop in such a way that there will be a complete switch over to IP networks. Taking this into consideration, attention should be given to the stages of migration from PSTN to IP networks within

the framework for the Universal Service Fund System post early 2010s.

These can be divided into two steps:

- A. Post early 2010s (Stage 1): The period from the moment when optical IP phone subscribers come to account for the majority of voice telephone users to the completion of the migration from PSTN to IP networks
- B. Post early 2010s (Stage 2): After migration from PSTN to IP networks is completed (an environment in which users can receive various and numerous broadband services such as FTTH and 4G)

In order to contribute to the next revision of the system which will occur after fiscal year 2012, the various issues were organized as shown below.

A:
Investigation topic (1): "Handling of optical IP phones"

-> Investigation of providing universal service for optical IP phones/Investigation of the necessity to acknowledge the removal of PSTN

Investigation topic (2): "Eligible telecommunications carriers"

-> Investigation of requirements and business area of eligible telecommunications carriers in the case of optical IP phones being classified within the scope of universal service

Investigation topic (3): "Methods for calculating costs and bearing the cost burden"

-> Investigation of methods for calculating cost and bearing cost burden in the case of optical IP phones being added to universal service

Investigation topic (4): "Handling of other services"

-> Investigation of mobile phones becoming part of universal service

B:

Investigation topic (1): "Introduction of the concept of universal access"

-> Investigation of the introduction of the concept of universal access/Investigation of requirements of universal access

Investigation topic (2): Eligible access operators

-> Investigation of selection method for eligible access operators/Investigation of handling of withdrawing eligible access operators

Investigation topic (3): "Methods for calculating costs and bearing cost burden"

-> Investigation of cost calculation methods/Investigation of cost burden bearing methods and scope of burden-bearing operators/Investigation taking into consideration a suitable scale of fund

Topics Ahead of the Next Revision

It is expected that the network environment and market environment that surround the Universal Service Fund System, such as the growing penetration of optical IP phones and mobile phones, will evolve and change even more harshly than has been the case to date. Consequently, in the report, in order to be able to smoothly set about the next revision that will investigate a system that will be appropriate for beyond fiscal year 2012, MIC is being asked, ahead of the time when the next revision will start, and with the cooperation of those involved, including eligible telecommunications carriers, to put in order various topics that will contribute to the points to be argued over the next revision, as shown below.

- (1) Putting in order of topics needed for the next investigation
- (a) Migration from PSTN to optical IP phones
 - (b) Provision of information to users and related operators
 - (c) Topics in case that optical IP phones are subject to universal service
 - (d) Topics in case that services with mobility are subject to universal service
 - (e) Topics ahead of investigating universal access

(2) Presenting the information needed for the next investigation
-> NTT East and West, which are eligible telecommunications carriers as well as promoting the migration to optical IP, are expected to be proactive in presenting an overview and information that will contribute to putting in order the topics mentioned above.

Furthermore, since the speed at which changes are taking place in the market environment is extremely high, the following opinion is also shown in the report.

1. If the conclusion is reached that the revised system will be no longer functional in three years, it will be necessary to rapidly investigate a framework for the system, without being bound by the planned time frame.

2. Looking at the big picture, such as the rapid developments in the market environment and technologies, and the conditions related to a framework for fee regulation and eligible telecommunications carrier management, it would be appropriate to work towards carrying out a revision that would be appropriate and timely for the administration, and so that operation could be maintained as specified by the system.

Amendment of Related Ministerial Ordinances, Taking the Report into Consideration

With regard to the "Partial amendment to the Rules for Calculating Methodologies of Subsidies and Contributions concerning the Provision of Universal Service" with amendments of related ministerial ordinances based on the report as its contents, an inquiry was submitted by the MIC Minister to the Telecommunications and Postal Services Council in January 2009, and a report was received from the council in March 2009. Having received this, the "Ordinance to partially amend of the Rules for Calculating Methodologies of Subsidies and Contribution concerning the Provision of Universal Service" (MIC Ministerial Ordinance No.48, 2009) (referred to below as "amended calculation rules") was announced and enacted on May 7, 2009.

A summary of this ministerial ordinance can be found below.

(1) Outline of amended contents

1. Correction of the number of analog subscriber lines with regard to calculating the universal service cost that is used when calculating the amount targeted for compensation for subscriber phones

(MIC Ministerial notice regulated in Article 18)

The calculation of the cost of universal service will be made by eligible telecommunications carriers at their facility management division and facility usage division. The cost will be calculated for each of the universal services. The cost of the facility management division will be calculated based on the results of sorting assets and expenses using the long-run incremental cost system, and in the order

communicated by the MIC Minister in the regulations in Article 18. The cost of the facility usage division will be calculated based on the cost of the facility usage division that was actually needed in the previous fiscal year, and based on Supplementary Schedule 10 as regulated in Article 19.

Consequently, with regard to the cost of the facility management division within the universal service cost that is used when calculating the amount targeted for compensation for subscriber phones, the analog subscriber lines that have migrated to optical IP phones will be notified, based on regulations in Article 18, that these lines are assumed, in calculations, to be currently used for providing subscriber phones.

2. Correction of the number of analog subscriber lines in calculating the amount targeted for compensation for subscriber phones

(Clause 8 of the supplementary provisions for amended calculation rules: Reading of Paragraph 1 of Clause 1 of Article 5)

With regard for a method for calculating the amount targeted for compensation for subscriber phones, for analog subscriber lines that have migrated to optical IP phones, calculation will take place on the assumption that said lines are currently being used for subscriber lines.

<(Reference) Calculation method for the amount targeted for compensation for subscriber phones>

(1) Calculation is done by determining high-cost areas (4.9% areas) from unit costs of subscriber lines that are calculated after correction of the number of analog subscriber lines, and estimating the cost

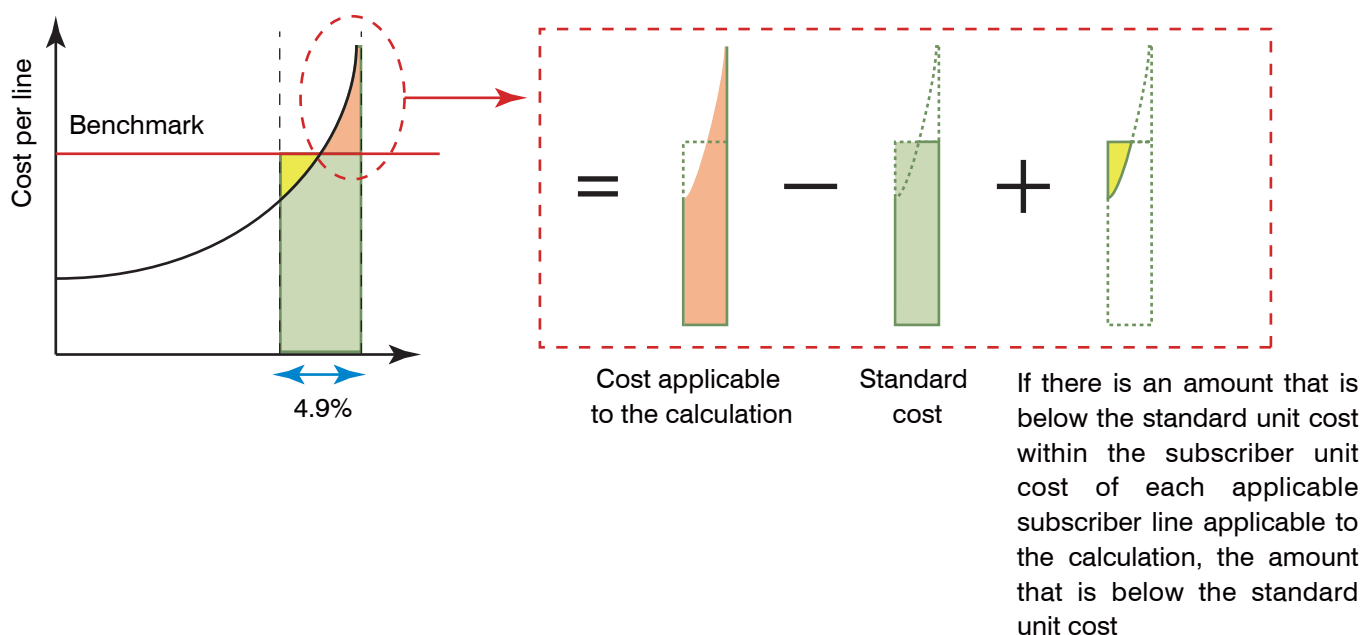
applicable to the calculation after correcting the number of analog subscriber lines.

(2) Calculation of standard unit cost (benchmark) and standard

cost after correction of the number of analog subscriber lines.

(3) Taking the difference between the cost applicable to the calculation in (1) and standard

cost in (2), if there is an amount that is lesser than the standard unit cost, it is added on.



3. In terms of documents to calculate the amount of subsidies, addition of items that eligible telecommunications carriers submit to support organizations

The amount of subsidies is calculated per eligible telecommunications carrier as the total of the amount targeted for compensation for subscriber phones, the amount targeted for compensation for emergency calls (the portion relating to subscriber phones) and the amount targeted for compensation relating to type 1 public phones. The calculation is made after subtracting from this total the estimated self-contribution amount (the amount that the eligible telecommunications carriers themselves bear as telecommunications providers) from the said eligible telecommunications carrier.

Clause 2 of Article 109 of the

Telecommunications Business Law states that eligible telecommunications carriers have an obligation to submit to support organizations the amounts of their costs and profits as documents to be used in estimating the amount of these subsidies. Addition is made with regard to the items for these submissions, as shown below.

Addition of "analog subscriber lines" and "subscriber line unit costs" for use when estimating the amount targeted for compensation for subscriber lines

(Clause 9 of the supplementary provisions for amended calculation rules)

In terms of documents for estimating the amount of subsidies, items are added that are necessary for the calculation of the amount targeted for compensation for

subscriber phones to the items regulated in Article 7 as the matter of submissions by eligible telecommunications carriers to support organizations.

4. Revision of system

Regulation is put in place for revision around three years after enforcement.

(Clause 2 of the supplementary provisions)

5. Other matters

The wording will be adjusted. (Amended calculation rules Paragraph 4 of Article 2, Paragraph 5 of Clause 2 of Article 15, Article 17, Article 21, and Supplementary Schedule 1)

(2) Date of enforcement

The date of enforcement will be the same as the date of public announcement.