

July 20, 2006

## Results of Basic Survey of Telecommunications Industry for FY2005

The Ministry of Internal Affairs and Communications has summarized the results of the Basic Survey of the Telecommunications Industry (a statistical survey approved by the Minister for Internal Affairs and Communications) conducted in March 2006. For a summary, please refer to the attachment.

### [Major Findings]

- Actual sales for the fiscal year 2004 (FY2004) in the telecommunications business sector dropped 9.7% over the previous fiscal year, while sales in the commercial broadcasting and Internet-related service business sectors fell 1.5% and 10.7%, respectively. In contrast, sales for the cable TV business sector increased by 21.1%.
- The ratio of recurring profit to sales and labor productivity for the telecommunications industry were more than twice as high as their equivalent all-industry averages.
- As for most desired new business areas, IP telephony was quoted by the telecommunications and cable TV business sectors, while the commercial broadcasting business sector cited digital content. For the Internet-related service business sector, consulting was the most desired new business area.

### ○ [Survey Overview]

The Basic Survey of the Telecommunications Industry has been conducted since FY2002 in order to grasp the actual business situation and trends of the telecommunications industry. (Note that this survey was conducted from FY1994 through FY2001 as the "Fact-finding Survey of the Telecommunications Industry [Management Entity Financial Survey].")

\* It should be noted that sales figures reported here represent total sales figures of respondents in each respective market sector. Therefore, caution should be exercised when comparing sales figures over different years since the number of respondents may vary from year to year.

### [Businesses Covered]

- Telecommunications business sector: All telecommunications businesses with a record of registration (businesses having large-scale line equipment/facilities) or record of notification (businesses having no or only small-scale line equipment/facilities) capitalized at ¥30 million or more.
- Commercial broadcasting business sector: All commercial broadcasting businesses.
- Cable TV business sector: *Kabushiki-gaisha* (business entities incorporated under Japanese law) with 10,000 or more drop wire terminals.
- Internet-related service business sector: Server housing businesses, application service providers (ASPs) and other Internet-related businesses listed in the relevant industry directory.

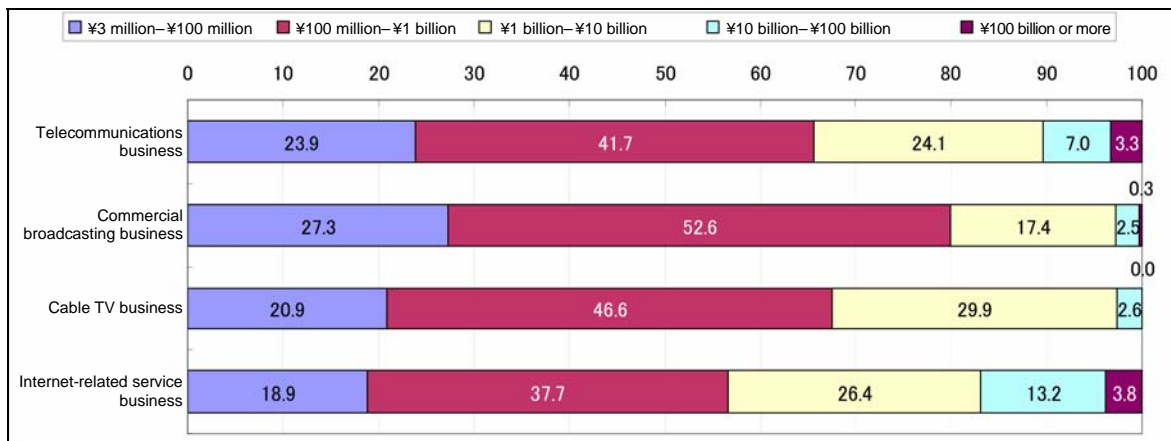
### [Response Rates]

Industry Sector	No. of Questionnaires sent	Responses	Response Rate (%)
Total telecommunications industry	1,748	1,176	67.3
Telecommunications business	946	557	58.9
Broadcasting business	802	619	77.2
Commercial broadcasting business	478	380	79.5
Cable TV business	324	239	73.8
Internet-related service business	336	98	29.2
Total	2,084	1,274	61.1

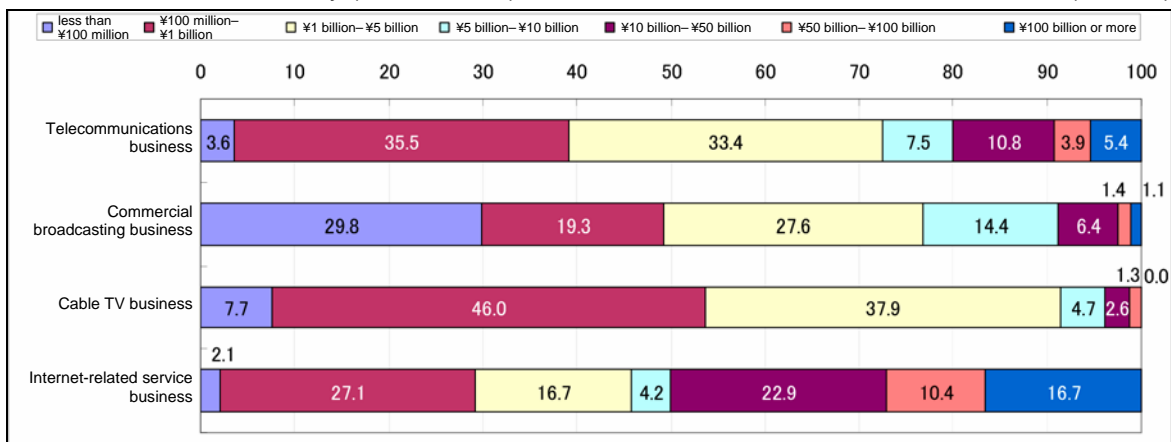
### 1. Industry Demographics

- The demographic configuration of the telecommunications industry is as follows:
  - In terms of capitalization, an estimated 40% to 50% fall into the range of ¥100 million to ¥1 billion.
  - In terms of annual sales, about 30% of the commercial broadcasting businesses report less than ¥100 million.
  - In terms of the number of employees, Internet-related service businesses generally employ large numbers of people.

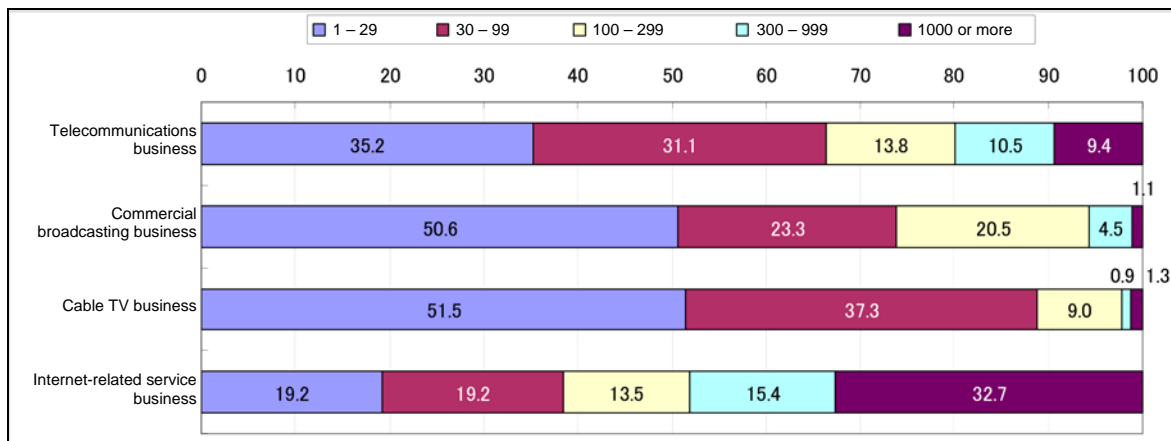
<Capitalization of telecommunications industry> (Unit: %)



<Sales of telecommunications industry (consolidated)> (Unit: %)



<No. of people employed within the telecommunications industry> (Unit: %)



Note: Because figures are rounded, totals may not always amount to 100%.

## 2. Sales Trends

- Actual sales of the telecommunications business sector for FY2004 amounted to ¥14,576.7 billion, down 9.7% from the previous fiscal year.
- Actual sales of the commercial broadcasting business sector for FY2004 dropped 1.5% from the previous fiscal year to ¥2,537 billion. Actual sales of the cable TV business sector increase 21.1% over the previous fiscal period to ¥308.3 billion.
- Actual sales of the Internet-related service business sector for FY2004 amounted to ¥634.4 billion, representing a drop of 10.7% over the previous fiscal year.

### Breakdown of telecommunication industry sales by business sector

(Unit: ¥100 million, %)

Industry Sector	FY2003		FY2004		FY2005	
	Actual	Y/Y Change	Actual	Y/Y Change	Planned	Y/Y Change
Total telecommunications industry	196,386	(0.0)	180,888	(7.9)	184,696	2.1
Telecommunications business	161,403	(0.5)	<b>145,767</b>	<b>(9.7)</b>	149,573	2.6
Broadcasting business	34,983	2.2	35,121	0.4	35,123	0.0
Commercial broadcasting business	25,744	1.6	<b>25,370</b>	<b>(1.5)</b>	25,424	0.2
Cable TV business	2,545	16.0	<b>3,083</b>	<b>21.1</b>	3,355	8.8
Japan Broadcasting Corporation (NHK)	6,694	0.1	6,667	(0.4)	6,344	(4.9)
Internet-related service business (see separate table)	7,100	71.4	<b>6,344</b>	<b>(10.7)</b>	7,023	10.7
Total	9,082,369	0.0	9,248,521	1.8	—	—

Notes: The final total is taken from the total production amount (calendar year basis) reported in the “National Economic Accounting Annual Report” (published by the Cabinet Office’s General Research Institute for Economy and Society).

Figures for NHK are taken from the broadcaster’s “Business Report for FY2004” and “Business Report for FY2005.”

(For reference) Year-on-year change in sales (for businesses reporting in both years)

(Unit: ¥1 million, %)

Business sector	No. of businesses	Actual sales		
		FY2003	FY2004	Y/Y Change
Telecommunications business	276	14,630,882	13,786,684	(5.8)
Commercial broadcasting business	318	2,366,120	2,435,267	2.9
Cable TV business	194	195,938	196,470	0.3
Internet-related service business (see separate table)	35	459,161	507,290	10.5

### 3. Breakdown of Sales for FY2004

#### (1) Telecommunications Business Sector

- Actual sales of the telecommunications business sector for FY2004 were made up of voice transmissions (about 60%), data transmissions (about 20%), etc.
- The percentage of voice transmissions in total sales increased over the previous year; of particular interest is the significant increase in IP telephony, which was almost non-existent in the previous year.
- While total sales of total data transmissions remained virtually unchanged, there was a notable increase in Internet-based services such as ISP and ADSL.

#### Breakdown of sales of the telecommunications business sector

Line of business	Actual business (¥100 million)		Ratio (%)	
	FY2003	FY2004	FY2003	FY2004
Voice transmissions	100,901	96,333	<b>62.5</b>	<b>66.1</b>
IP telephony	25	1,037	<b>0.0</b>	<b>0.7</b>
Data transmissions	31,678	28,476	<b>19.6</b>	<b>19.5</b>
Internet-based services (ISP, ADSL, etc.)	6,693	12,296	<b>4.1</b>	<b>8.4</b>
IP-VAN	1,185	1,907	0.7	1.3
Wide-area Ethernet	649	1,203	0.4	0.8
Radio paging	21	14	0.0	0.0
Leased	9,843	8,318	6.1	5.7
Telegram	647	586	0.4	0.4
Other	14,221	7,558	8.8	5.2
Unidentified	4,091	4,482	2.5	3.1
Total telecommunications business	161,403	145,767	100.0	100.0

Note: The aggregated breakdown does not agree with the total as some data is not represented in the breakdown items.

## (2) Broadcasting Business Sector

- Actual sales of the commercial broadcasting business sector for FY2004 were mainly made up of terrestrial television broadcasting (about 80%), practically unchanged from the previous year.
- Actual sales of the cable TV business sector for FY2004 were made up of basic services (about 60%) and other services.

### Breakdown of sales of the commercial broadcasting business sector

Line of business	Actual business (¥100 million)		Ratio (%)	
	FY2003	FY2004	FY2003	FY2004
TV broadcasting (terrestrial)	20,278	20,756	<b>78.8</b>	<b>81.8</b>
Radio broadcasting (terrestrial)	1,836	1,608	7.1	6.3
Satellite broadcasting (BS, i.e., via direct broadcasting satellite)	774	856	3.0	3.4
Satellite broadcasting (CS, i.e., via communication satellite)	1,952	1,667	7.6	6.6
Television text broadcasting	42	26	0.2	0.1
Other	850	458	3.3	1.8
Unidentified	12	0	0.0	0.0
<b>Total commercial broadcasting business</b>	<b>25,744</b>	<b>25,370</b>	<b>100.0</b>	<b>100.0</b>

### Breakdown of sales of the cable TV business sector

Line of business	Actual business (¥100 million)		Ratio (%)	
	FY2003	FY2004	FY2003	FY2004
Basic services	1,684	1,780	<b>66.1</b>	<b>57.7</b>
Pay services	131	146	5.1	4.7
Re-broadcasting for bad reception areas	142	253	5.6	8.2
Other	459	265	18.0	8.6
Unidentified	129	638	5.1	20.7
<b>Total cable TV business</b>	<b>2,545</b>	<b>3,083</b>	<b>100.0</b>	<b>100.0</b>

#### 4. Management Indices

- The ratio of recurring profit to sales and labor productivity for the telecommunications industry were more than twice as high as their equivalent all-industry averages.

##### (1) Recurring profit to sales ratio

###### Average recurring profit to sales ratios by sector for FY2004

(Unit: %)

	Recurring profit to sales ratio
Total telecommunications industry	<b>7.7</b>
Telecommunications business	7.5
Broadcasting business	8.0
Commercial broadcasting business	8.4
Cable TV business	6.6
Internet-related service business	6.3
<b>Total</b>	<b>3.1</b>

- Notes: 1. Recurring profit to sales ratio = (recurring profit/sales) x 100  
 2. The final total is taken from the Ministry of Finance's "Corporation Statistical Survey Report."

##### (2) Ratio of value added, Labor productivity

###### Average value added ratios, etc. by sector for FY2004

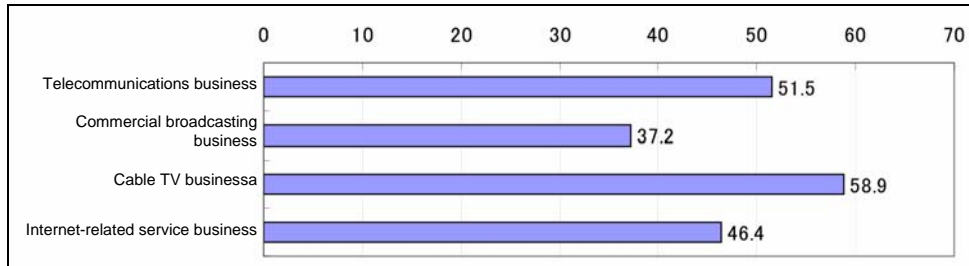
	Ratio of value added (%)	Labor productivity (¥10,000)
Total telecommunications industry	<b>21.2</b>	<b>1,493</b>
Telecommunications business	19.9	1,437
Broadcasting business	26.8	1,666
Commercial broadcasting business	25.1	2,038
Cable TV business	33.2	1,088
Internet-related service business	27.1	1,286
<b>Total</b>	<b>19.3</b>	<b>694</b>

- Notes: 1. Value added = labor cost + interest paid/discount charge + chattels/fixed property rents + tax and dues + net operating income  
 2. Ratio of value added = (value added/sales) x 100  
 3. Labor productivity = value added/no. of employees  
 4. The final total is taken from the Ministry of Finance's "Corporation Statistical Survey Report."

## 5. Future Business Directions

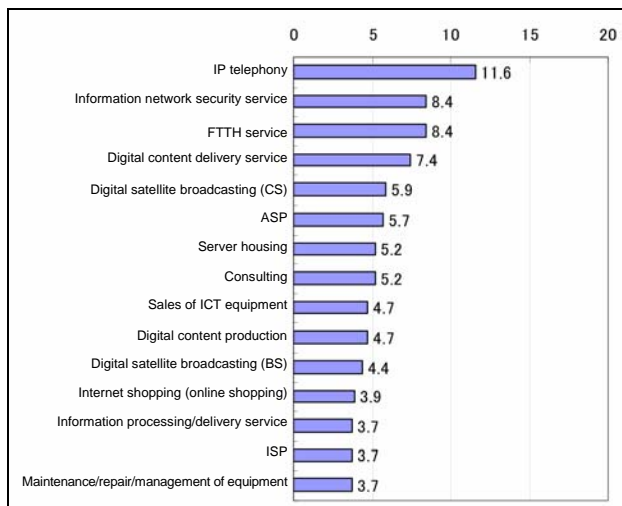
- The business sector most ambitious of future business growth is the cable TV business, followed by the telecommunications business.
- As for most desired new business areas, IP telephony was quoted by the telecommunications and cable TV business sectors, while the commercial broadcasting business sector cited digital content. For the Internet-related service business sector, consulting was the most desired new business area.

Ratio of respondents expressing their desire to pursue new business opportunities within one year (Unit: %)

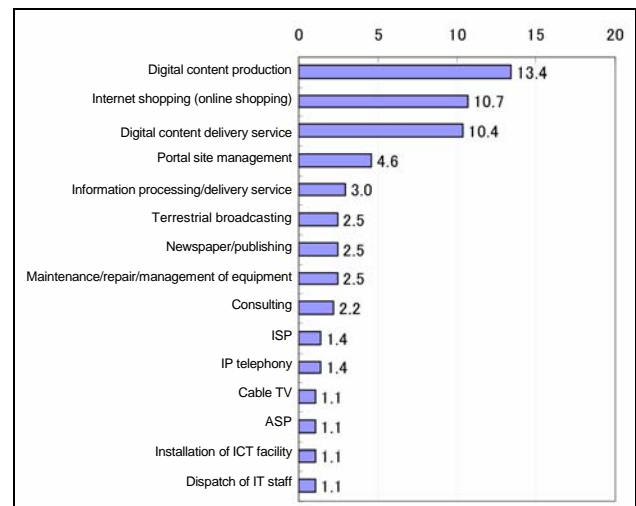


Business fields in which respondents wish to pursue opportunities within one year

(1) Telecommunications business (Unit: %)

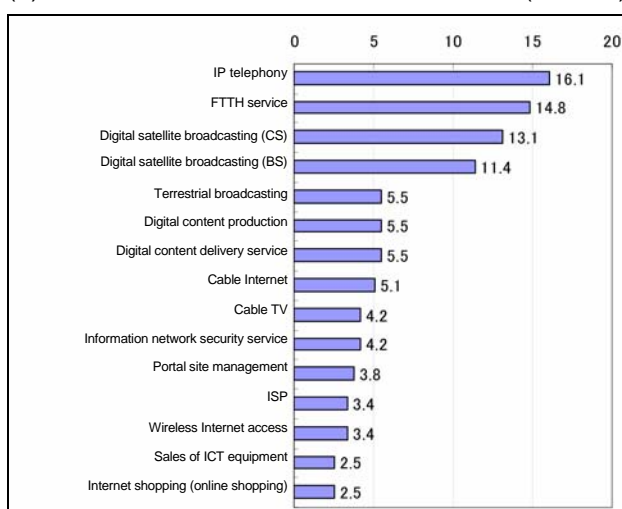


(2) Commercial broadcasting business (Unit: %)



Note: ICT: Information and communication technology

(3) Cable TV business (Unit: %)



(4) Internet-related service business (Unit: %)

