

FY 2005 Main Evaluation Results of the Landline Phone Market

1. Trends in FY2005: NTT East / West still has overwhelming share, but dedicated lines are also growing

- * Although it is gradually decreasing, the share of NTT East/West reached 94.1%, representing a still overwhelmingly dominant position. Various regulations for Type 1 Designated telecommunication facilities were applied.
- * New types of dedicated lines that utilize dry copper grew, which contributed to the total subscriptions of dedicated lines of 2.12 million (December 2005)
- * Thanks to the spread of FTTH services, OABJ type JP telephony subscription reached 850,000 (December 2005), and is still increasing.

2. Landline Phone Market (The portion of subscriber telephones)

2-1 The existence of market power: NTT East/ West holds the position in which it can exercise market power by itself.

- * NTT East / West continues to hold the market share of much more than 90%, with the share of metal line subscribers reaching almost 100%. It possesses indispensable facilities as well. It maintains overwhelming share in terms of equipments and services, and we judge that this position gives it the power to be able to influence the price settings, etc. by itself.

2-2 Exercising the market power: The possibility of NTT East / West to exercise the market power by itself is low, but there is a concern that it may influence the adjacent markets by taking advantage of its market power.

- * The competition rules concerning Type 1 Designated telecommunications facilities functioned effectively, containing the exercise of market power by NTT East / West.
- * Thanks to the new type of dedicated line telephones and OABJ type IP telephony, the competing carriers competed in terms of price and service although their total market share is minimal.

3. Relay telephones (The portion of the market for NTT subscriber telephones)

3-1 Existence of market power

i) Single: NTT East / West or NTT Communications holds the position in which it can exercise the market power by itself (excluding international calls).

- * The share of NTT East/West accounted for 75.0% for local calls, and 70.1% for long distance calls inside of a prefecture, and the share of NTT Communications accounted for 75.9% for long distance calls outside of a prefecture (both as of the end of March 2006). Both of them maintained more than 50% share in terms of communication volume. We judge that both are in the position that allows them to influence price settings, etc. by themselves. For example, they charge fees for switching services.
- * As for international calls, the share of NTT communications accounted for 63.5%, but in terms of communication volume, its share remained 2nd to KDDI.

ii) Cooperation: Multiple carriers are in the position to exercise power to control the market in cooperation

- * Only a few dominant players control the market. We judge that there is a possibility for the few dominant players in the market to coordinate their market power. (The share of the top 3 companies (the total of NTT East/West or NTT Communications, KDDI, Japan Telecom) accounted for 91.0% for local calls, 88.9% for long distance calls inside of a prefecture, and 94.3% for long distance calls outside of a prefecture, and 93.4% for international calls.)

3-2 Exercising the market power

Regardless of single or cooperation, the possibility of exercising the market power is low.

- * My-line's competitive pressure is strong since it is a system that allows selection of carriers other than contracted ones by attaching carrier identification numbers when calls are made.
- * 050 type IP telephony and softphones, which are less expensive than relay telephones, exist as competitive pressures.

FY 2005 Main Evaluation Results of the Landline Phone Market

4.050 type IP telephony (partial market relating to NTT subscriber telephones)

4-1 Existence of significant market power

i) Single: There is no carrier in a position to exercise market power by itself.

- BB Technology Corp., which has a 49.0% market share, is considered to be not in a position to influence prices, etc. by itself.

ii) Cooperation: Multiple carriers are in a position to cooperate in exercising market power.

- The market is oligopolistic, so there is a possibility of cooperation among carriers having top shares. (The combined market share of the top three carriers is 84.2%.)

4-2 Exercise of market power

Low possibility of exercising market power through collusion

- The service is generally considered an additional service to ADSL and other Internet access services, and there are discounted rates including free calls among subscribers to the same service. Therefore, incentive to cut the calling rate for 050 type IP telephony is low.

5. Future observations: Monitor the development of competition by substitution of dedicated lines and OABJ type IP telephony, etc. for NTT subscriber telephones, and substitution of 050 type IP telephony and softphones for relay telephones, etc.

- In the fixed telephone service, as for subscribers, monitor the spread of substitution services for NTT subscriber telephones including new dedicated lines which have been increasing rapidly in number and OABJ type IP telephony which becomes available upon shifting to FTTH services. As for the calling part of fixed telephone services, building on the spread of IP, etc., monitor the diffusion of substitute services of 050 type IP telephony, softphone, etc. for relay telephone services.
- Outside of the fixed telephone service, while the number of fixed telephone contracts has been decreasing every year, there are substitute and complementary relations between fixed and mobile telephones, so monitor the development of integration and tie-up services for fixed and mobile telephones in connection with the progress of FMC as well as the substitute relationship with FTTH services. Also monitor the trend of mergers and tie-ups between communications and broadcasting as triple-play services unfold.
- As for NTT East/West's exercise of market power, continue to pay careful attention while applying proper competition policies, and monitor their behavior which could affect adjacent markets.

Main Evaluation Results of Interrelations with Adjacent Markets

1. There is a correlation between carrier preference in the fixed telephone market and that in the Internet access market.

- Looking at the usage of fixed telephone (subscription) and Internet access services, the ratio of users' selecting the FTTH or ISP service (surrogate variable of 050 type IP telephony) offered by the same carrier or group carrier as they selected for the fixed telephone is high.
- Looking at the usage of relay telephone and Internet access services, the ratio of users' selecting the ADSL or ISP service (surrogate variable of 050 type IP telephony) offered by the same carrier or group carrier as they selected for My Line service, etc. is high.
- This phenomenon also reflects corporate brand, pricing, marketing strategies, etc. so it is not an immediate problem in terms of competition. However, since NTT East/West have overwhelming shares in the fixed telephone market, it is necessary to pay attention to the possibility that they could use their market power in the fixed telephone market as leverage in the Internet access market, an adjacent market. (For example, observing points including through firewalls between the fixed telephone market and adjacent markets)

2. There is an interrelation between carrier preference in the fixed telephone market and that in the mobile communications market.

- Looking at the usage of fixed telephone (subscription) and cellular phone services, the ratio of users' selecting the cellular phone service offered by the same carrier or group carrier as they selected for the fixed telephone service such as selecting NTT East/West and NTT DoCoMo, and selecting KDDI and au, etc. is high.
- Looking at the usage of relay telephone and cellular phone services, the ratio of users' selecting the cellular phone service offered by the same carrier or group carrier as they selected for My Line or My Line Plus service is high.
- This phenomenon also reflects corporate brand, pricing, marketing strategies, etc. and so it is not an immediate problem. However, since the NTT Group has a large share in both the fixed telephone and cellular phone markets and has an advantage in the terms of facilities owning class I designated telecommunications facilities in the fixed telephone segment and class II designated telecommunications facilities in the mobile communications segment, it is necessary to monitor the influence of their market power in these markets over adjacent markets (leverage, etc.) and monitor the combined market power by multiple carriers. (For example, the extent to which joint operation by multiple market-dominant carriers should be allowed)

3. Monitor the interrelation among the fixed telephone, Internet access and mobile communications markets.

- The trend of selecting the same carrier or group carrier in different markets is also observed to some extent, for example, in the Internet access market and the mobile communications market.
- In connection with the switch to FTTH services and the development of FMC, triple-play, etc., it is important to closely analyze the interrelationship among the three markets of the fixed telephone, Internet access and mobile communications markets, and to oversee the possible abuse of market power held in the fixed telephone market in any adjacent markets and the existence of joint market power by multiple carriers. (For example, to make sure that other carriers or groups are treated without bias in bundling services)
- There is a possibility that the increased switching cost caused by stronger lock-in by the same carrier or group can reduce the benefit to users. For this reason, it is necessary to carefully grasp the market's competitive conditions to reflect proper development and application of competition policies.

FY 2005 Main Evaluation Results of the ADSL Market

1. Development of FY 2005: Active competition continued under access rules.

- Under the proper application of opening of NTT East/West's class I designated telecommunications facilities, competition with rival carriers remained active.
- The net increase in the number of ADSL contracts slowed down partly due to the expansion of FTTH services. Since the number of ADSL contracts with NTT East already decreased on a net basis, there was a possibility of a decrease on a net basis in the whole ADSL service segment as well.
- NTT East/West's share continued to increase gradually, and was the leader in western Japan. (39.1% nationwide, 38.5% in eastern Japan and 39.9% in western Japan)

2. Existence of significant market power

i) Single: NTT East/West are in a position to exercise market power independently.

- NTT East/West and SOFTBANK BB compete for market share. (SOFTBANK BB' share is 34.6% nationwide, 31.6% in eastern Japan and 38.0% in western Japan.)
- However, because SOFTBANK BB's provision of services entirely relies on the opening of class I designated telecommunications facilities by NTT East/West, NTT East/West can exert influence over this rival carrier through procedures governing the use of essential facilities, etc. NTT East/West are, therefore, considered to be in a position to affect prices, etc. by themselves.

ii) Cooperation: Multiple carriers are in a position to cooperate in exercising market power.

- The market is oligopolistic, and so the top carriers in the market share are likely to cooperate. (The combined share of the top three carriers is 86.8% nationwide, 85.1% in eastern Japan and 88.3% in western Japan.)

3. Exercise of market power

i) Single: Low possibility of NTT East/West's exercising market power independently

- NTT East/West and competing carriers are actively competing in terms of price and services.
- The opening of class I designated telecommunications facilities constrains the exercise of market power by NTT East/West.

ii) Cooperation: Low possibility of multiple carriers' cooperating in exercising market power

- Active competition to gain share by cutting real prices, diversifying services, running campaigns to acquire subscribers, etc. by speeding up connections.
- Entry barriers are not so high under the access rules.
- It is difficult to raise prices because of stronger competing relations with FTTH services, particularly in urban areas.

4. Future observations: Monitor changes in the competition environment in connection with the shift from ADSL services to FTTH services.

- Pay attention to the possibility that, as the growth of the ADSL market is slowing down, a sharp increase of the share of a certain carrier or cooperative behavior by multiple carriers including implicit cooperation in pricing, etc. may occur.
- Pay attention to concerns about the influence over consumer interests by, for example, deterioration in the content or quality of current services in connection with the shift to FTTH services.
- Pay attention to the possibility that, with a full-scale shift from ADSL services to FTTH services, carriers which offer both ADSL and FTTH services, using their power in either market as "leverage," may affect the competition situation in the other market.

FY 2005 Main Evaluation Results of the FTTH Market

1.FY 2005 development: FTTH contracts increased in number and full-scale video services began.

- The number of FTTH contracts was 4.63 million as of the end of 2005. The number increased to 1.99 million contracts for housing complexes and to 2.64 million contracts for detached houses and companies.
- The provision of image transmission services utilizing high speed and large capacity became more active and competed with CATV broadcasting and satellite broadcasting.
- As rates for housing complexes in particular kept falling, competition with ADSL services and CATV Internet services progressed.
- There was a possibility of rate competition developing due to the provision of triple-play services.
- NTT East/West maintained higher shares in this market than in the ADSL market. (60.7% in the whole market, 43.9% in the segment for housing complexes and 73.2% in that for detached houses and business)

2.Housing complex market

(1) Existence of significant market power

i) Single: NTT East/West are in a position to exercise market power independently.

- NTT East/West accounted for more than 50% of each region's market share except in Kanto, Kinki, Chugoku and Kyushu. (67.0% in Hokkaido, 79.8% in Tohoku, 54.2% in Tokai, 97.4% in Hokuriku, 94.8% in Shikoku and 84.8% in Okinawa)
- In any region, NTT East/West are considered to be in a position to affect prices, etc. independently because competing carriers largely rely on NTT East/West's optical fiber which is an indispensable facility for their provision of services.

ii) Cooperation: Multiple carriers are in a position to cooperate in exercising market power.

- The market is highly oligopolistic, so there is a possibility of cooperation among carriers having top shares. (The combined market share of the top three carriers (NTT East/West, USEN and KDDI) was 71.2% nationwide. The share reached 70% to nearly 100% depending on the regional bloc.)

(2) Exercise of market power

i) Single: Low possibility of NTT East/West's exercising market power independently

- NTT East/West have the same rates in their service areas and apply the rates used in Kanto, Kinki and other competitive regions in monopolistic, geographical markets including the Hokuriku market.
- Although there is a possibility that NTT East/West will exert influence over the user service market using optical fiber and their influential power in doing business with service providers as leverage, the system for class I designated telecommunications facilities prevents them from being free to set business conditions.

ii) Cooperation: Low possibility of multiple carriers' cooperating in exercising market power

- As for the housing complex segment in which it is relatively easy to acquire subscribers, competition for more market share such as diversification of services, implementation of campaigns for new subscribers is very active.
- USEN, electric power companies and many other smaller operators have entered the market. (43 companies in total now exist.)
- As competitive pressures, there are ADSL services and CATV Internet services which are mostly cheaper than FTTH services.

3. Detached housing market

(1) Existence of significant market power

i) Single: NTT East/West are in a position to exercise market power independently.

- There are many regions nationwide in which NTT East/West have a market share of more than 73.3%. (94.3% in Hokkaido, 96.3% in Tohoku, 92.7% in Tokai, 96.9% in Hokuriku and 91.3% in Okinawa)
- The rate levels allow NTT East/West to make profits in the medium term unless NTT East/West are less productive than the electric power companies.
- In any region, NTT East/West are considered to be in a position to affect pricing, etc. independently because competing carriers largely rely on NTT East/West's optical fiber which is an indispensable facility for their provision of services.

ii) Cooperation: Multiple carriers are in a position to cooperate in exercising market power.

- The market is virtually a duopoly. The combined share of the two top-share carriers (NTT East/West and an electric power company) accounted for 96.0%. By region, it was 98.6% in Kinki and 94.4% in Kanto.)
- It would be relatively easy for the two carriers to cooperate in exercising market power.

(2) Existence of significant market power

i) Single: Low possibility of NTT East/West's exercising market power independently.

- There are no signs that NTT East/West are responding to diminished shares by pursuing a short-term surge in profit by raising rates, etc. while competing with electric power companies, etc.
- Although there is a possibility that NTT East/West will exert their influence over the user service market using optical fiber and their influential powers in doing business with service providers as leverage, the system for class I designated telecommunications facilities prevents them from being free to set business conditions.

ii) Cooperation: Low possibility of multiple carriers' cooperating in exercising market power

- Competition to acquire share by diversifying services, implementing campaigns to gain new subscribers, etc. is very active in Kanto, Kinki and other regions.
- As scale merit and network externality come into play easily and business profitability depends heavily on the number of subscribers, there is a tendency to give priority to gaining more share in the growth phase of the market. There is also an aspect of competition for leadership in connection with establishing the base of services offering great promise such as OABJ type IP telephony and image services which are offered together with FTTH services.
- As competitive pressures, there are ADSL services and CATV Internet services, the rates for which are lower than those for FTTH services.

4. Future observations: Monitor changes in the competition environment in connection with the shift to FTTH services.

- There is a pronounced tendency of an increase in NTT East/West's share (rising from 37.2% in September 2002, to 60.7% in December 2005, in the FTTH market as a whole). Monitor the possibility of NTT East/West's exercising market power including in the terms of facilities.
- Note the increasing possibility of exercising market power independently or cooperatively as the pressures of competition with ADSL services and CATV Internet services become weaker as the shift to FTTH services progresses.
- As relations with adjacent markets including the fixed telephone and cellular phone markets become stronger with the spread of OABJ type IP telephony services, triple-play services, FMC services, etc., it is necessary to monitor the possibility of the power in each market being used as leverage to acquire new FTTH customers.

FY 2005 Main Evaluation Results of the CATV Internet Market

1. FY 2005 development: The growth in the number of contracts continued, but at a slower pace.

- The number of CATV Internet contracts continued to rise, reaching 3.236 million as of the end of December 2005.
- With the market growing, the increase in the number of contracts is slowing down every year.

2. Existence of significant market power: CATV Internet service providers are in a position to exercise market power independently.

- CATV broadcasters, which offer CATV Internet services, mostly have a monopolistic position in their regions because their service areas are based on the unit of city, town, village or ward, etc. It is considered, therefore, that they are in a position to exercise market power independently in their own service area.

(* The market is a regional monopoly, so the existence or exercise of market power through cooperation need not be considered.)

3. Exercise of market power: Low possibility of a CATV Internet service provider's exercising market power alone.

- With ADSL's overwhelming presence and the notable rise of FTTH services (the number of FTTH contracts exceeded that of CATV Internet contracts by the end of June 2005), there are competitive pressures in broadband services. The regions in which only CATV Internet services are available are disappearing.
- Although CATV Internet is an additional service to CATV broadcasting services, the provision of image transmission services by FTTH is becoming more active and causing competition with CATV broadcasting itself, resulting in a great influence over the state of CATV Internet competition.
- In view of the above, it is considered that there is a low possibility of a CATV Internet service provider solely exerting its influence over prices, etc.

4. Future observations: Monitor changes in the competition environment in connection with the shift to FTTH services, the integration of communications and broadcasting, etc.

- There is a clear move to handle broadcasting on telecommunications services through IP multicasting in the same way as cable broadcasting under the copyright law. Therefore, the spread of image transmission services including VOD service and Internet broadcasting must be monitored.
- Unlike ADSL, CATV Internet has advantages and independence by being bundled with broadcasting services. Nevertheless, concrete influences brought by the shift to FTTH services which allow image transmission services featuring high quality and multi-channel through broadcasting on telecommunications services, etc. to be used for CATV Internet must be monitored.
- FTTH service providers intend to offer triple-play services bundling OABJ type IP telephony and image transmission services. It is necessary to pay attention to changes in the competition environment caused by the triple-play services by FTTH service providers and those offered by CATV broadcasters.
- Monitor the move to ensure tie-ups and co-existence with carriers by providing access lines to use CATV cable networks as a basis for image distribution, etc.

FY 2005 Main Evaluation Results of the Mobile Communications Market

1. FY 2005 development: The shift from 2G to 3G continued and competition remained very active.

- The ratio of the number of 2G contracts to 3G contracts became almost 50:50 and the number of W-CDMA users surpassed that of cdma2000 1x users.
- NTT DoCoMo maintained a market share of more than half. The trend of au's growing share and Vodafone's diminishing share continued. In the PHS segment, Willcom's share increased.
- An agreement on the acquisition of Vodafone by SoftBank was reached. The new entry of two companies was determined.

2. Existence of significant market power

i) Single: NTT DoCoMo Group is in a position to exercise market power independently.

- NTT DoCoMo Group had a market share of 54.1%, a sales share of 55.5% in the cellular phone business in FY 2005 and an operating margin ratio of more than 18.39%, hence the situation remained almost unchanged from last year.
- There is a high cost of switching arising from the change of telephone numbers and various rate discounts, and raised rates would cause only limited user churn, so a dominant carrier can seize profit opportunities. Therefore, it is considered that NTT DoCoMo Group is in a position to affect prices, etc. independently.

ii) Cooperation: Multiple carriers are in a position to cooperate in exercising market power.

- The mobile communications market, in which the combined share of the top three companies was 96.1% as of the end of December 2005, remains highly oligopolistic.
- In such market conditions, there is a potential for the top share carriers to exercise market power through implicit cooperation, etc.

3. Exercise of significant market power

i) Single: The possibility that NTT DoCoMo Group will exercise market power independently is not so high.

- The critical mass of the mobile communications market is large for scale merit or network externality to work, so there is a strong incentive to increase market share.
- Interconnection obligation, prohibited acts and other regulations concerning class II designated telecommunications facilities come into play, constraining the exercise of market power by NTT DoCoMo Group.

ii) Cooperation: Concerns about multiple carriers' cooperating in exercising market power remain.

- Because the market is highly oligopolistic and has entry barriers and the operating margin ratio is relatively high, the formation and maintenance of market power easily happen in the first place.
 - Incumbents' business strategies and business models are similar, so carriers are homogeneous.
 - Complicated rate structures of cellular phones, etc. make it difficult to grasp rate levels.
- However, the above-mentioned concerns are being eased to some extent for the following reasons:
- In preparation for the introduction of the mobile number portability system and new entry, great efforts are being made to lock in existing users and compete for new users by adopting various rate discounts and a wide variety of services.
 - Business strategies and business models are diversifying such as MVNOs' entering the market in earnest and the introduction of platform services including electronic money and authentication functions.

4. Future observations: Monitor excessive competition for the lock-in and the development of competition across layers.

- Pay attention to concrete changes in the competition environment such as loss of consumer interest by the reinforcement of lock-in due to the introduction of mobile number portability and new entry and changes in the market shares.
- Monitor the possibility of exercising market power across layers such as official sites and other applications, and settlement and authentication.

FY 2005 Main Evaluation Results of Corporate Services

1. FY 2005 development: The shift from dedicated services to data communication services continued.

- * As for mainstream services used by companies, the shift from dedicated services to data communication services continued on both trunk lines and access networks.
- * The growth of the market for new WAN services representing data communication services was remarkable. (The number of lines increased from 490,000 in March 2005, to 550,000 in September 2005.)
- * The market for dedicated services kept diminishing in size. (The number of lines decreased from 630,000 in March 2004, to 610,000 in March 2005.)

2. Market for data communication services (new WAN services)

(1) Existence of significant market power: There is no carrier in a position to exercise market power alone.

- * As the size of the market for new WAN services is expanding, competition to acquire share is becoming fierce and the market concentration continues to be relaxed.
- * The top three carriers in terms of market share (NTT East/West, NTT Communications and KDDI) respectively have sufficient competitiveness.
- * As the NTT Group's share reached 67.5%, it is considered that the Group is likely to cooperate.

(2) Exercise of market power: Low possibility of the exercise of market power through cooperation

- * The Mega Data Nets (PVC Menu) offered by NTT East/West, which is expanding remarkably, is based on the access charge system.
- * Dark Fiber, which is also used as a basis for providing corporate network services, is based on the access charge system as well.
- * Internet VPN services increased remarkably as one of the corporate network services and competition with new WAN services is very active, so it is considered to be difficult to raise rates.

3. Dedicated service market

(1) Existence of significant market power: NTT East/West are in a position to exercise market power.

- * If NTT East/West is considered as one company, its market share has reached 88.5%. Therefore, it is considered that NTT East/West are in a position to affect prices, etc. independently.

(2) Exercise of market power: Low possibility of NTT East/West's exercising market power

- * Dedicated services are subject to a price cap regulation.
- * As the size of the dedicated service market is diminishing, raising rates may accelerate customers' switching to data communication services.

4. Future observations: Monitor changes in the competition environment caused by the spread of services including IP telephony, centrex and mobile.

- * Pay attention to changes in the competition environment in the data communication service market and the dedicated service market in connection with the development of the spread and introduction of IP telephony, Internet VPN, centrex services, FMC services using mobile terminals, etc. for corporate use.
- * Monitor the possibility that the NTT Group will exercise market power because the Group's share is tending to grow in the corporate service market as well.

FY 2005 Main Evaluation Results (Migration Analysis)

1. Full-scale shift to FTTH services

- As for broadband, while the net increase in the numbers of ADSL contracts and CATV Internet contracts slowed down, the number of FTTH contracts grew sharply. The ratio of FTTH in broadband tended to rise.
- Out of all narrowband, ADSL, CATV Internet users, more than 30% intend to shift to FTTH services. Since 30% of those users who want to change cannot do so due to rates, absence of service provision, etc., more than roughly 60% wish to change to FTTH services.
- There is a strong desire to shift to FTTH services especially from narrowband and ADSL services.

2. Notable tendency to shift to NTT East/West's FTTH services

i) Strong tendency to shift from NTT East/West to NTT East/West

- As for users who have shifted from ADSL to FTTH, 67.9% of NTT East/West's ADSL users shifted to NTT East/West's FTTH services, while only 45.6% of ADSL users of non-NTT East/West shifted to FTTH services. There is a similar tendency among ISDN users as well.
- As for users who wish to shift to FTTH services in the future, 78.7% of NTT East/West's ADSL users wish to shift to NTT East/West's FTTH services. ADSL users of non-NTT East/West wishing to shift to FTTH services remained at 29.7%. There is a similar tendency among ISDN users as well.

ii) Nearly 50% of non-NTT East/West's users shifting to NTT East/West services

- 40% to just over 50% of CATV Internet users and dial-up users have shifted to NTT East/West's FTTH services.
- Around 45% of CATV Internet users and dial-up users wish to shift to FTTH services in the future.
- One of the reasons is assumed to be that there are few choices other than NTT East/West because the operators which users used before shifting to FTTH services do not always offer FTTH services.

iii) Shifting to FTTH services is a latent cause for boosting NTT East/West's shares

- 70% to 80% of NTT East/West's users have already shifted or wish to shift to NTT East/West's FTTH services.
- Nearly 50% of users of non-NTT East/West have already shifted or wish to shift to NTT East/West's FTTH services.
- With regard to actual shares of NTT East/West, ADSL accounts for 39.1% and FTTH for 60.7%. The shift to FTTH services is a latent cause for boosting NTT East/West's shares.

3. It is necessary to monitor changes in the competition environment in connection with the shift to FTTH to reflect them in competition policies.

- Regarding the reason why users changed operators when shifting to FTTH services, it was often the passive reason that existing line operators did not provide FTTH services. According to the development of facility competition or service competition, NTT East/West's competitive advantages will not always remain in the future. (For example, in the Kinki region, competition for FTTH services between electric power companies and NTT West is developing.)
- At present, the diffusion rate for OABJ type IP telephony which becomes available upon using FTTH service is not so high. However, because of a recent surge in the number of contracts, it is important to continue to monitor the relations between the FTTH market and the fixed telephone market.