



Section 1

Telecommunications Business

1. Telecommunications market

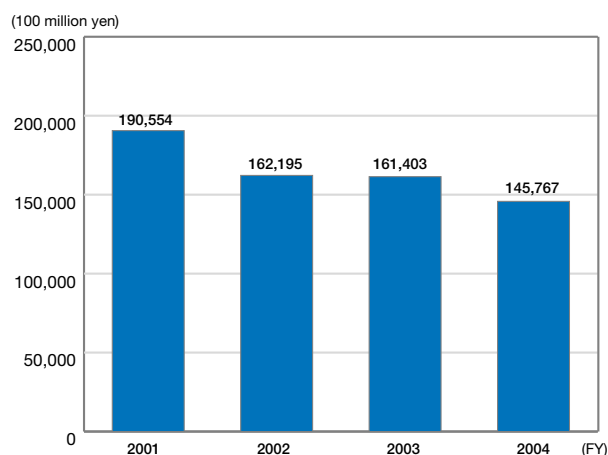
Sales of Japan's telecommunication business reached 14.5767 trillion yen in 2004 (a 9.7 decrease from the previous fiscal year) (**Graph 2-1**). Since the sales of mobile communications overtook that of fixed communications in 2001, mobile communications account for 60% of the total sales within the telecommunications business (**Graph 2-2**).

2. Telecommunications Service

The number of subscribers to fixed communications (subscription telephone and ISDN) shows a slight downward trend or has remained at the same level, whereas that of subscribers to IP phone and mobile communications (cellular phones and PHS) is on an upward trend.

At the end of fiscal year 2006, the number of mobile communications subscriptions (101.70 million subscriptions) became 1.8 times that of fixed communications subscriptions (55.15 million subscriptions). The total number for IP telephone use at the end of FY2006 was 14.33 million (**Graph 2-3**).

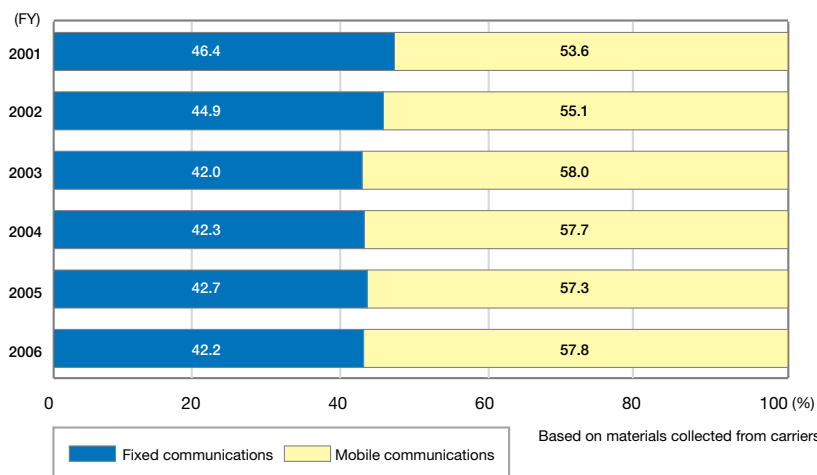
Graph 2-1 Changes in the sales of telecommunications business



* It should be noted that the sales are calculated by accumulating sales of all the respondents in that year, and the number of respondents varies in each year.

Based on "Basic Survey on Communications Industries," MIC

Graph 2-2 Sales ratio between fixed communications and mobile communications in major telecommunications carriers



Based on materials collected from carriers.

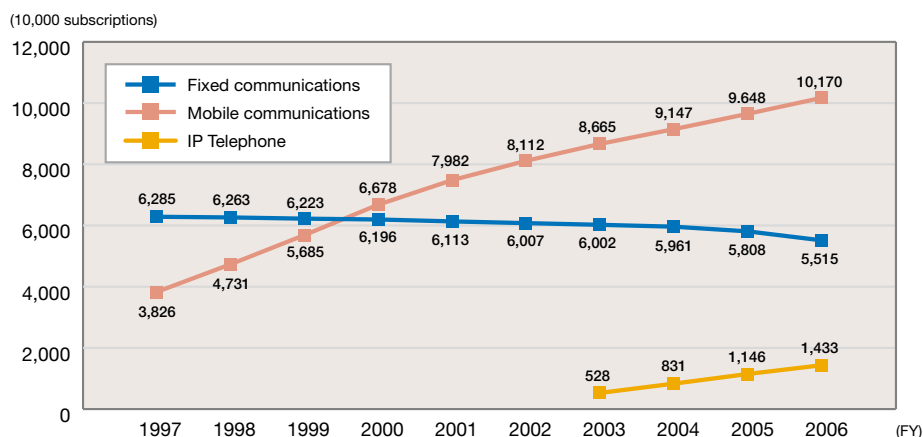
3. Status of use of telecommunications service

For fixed communications, total call time per day per subscription in FY2005 was 4 minutes, 47 seconds for subscription telephones, 16 minutes, 17 seconds for ISDN, and 3 minutes, 30 seconds for IP telephone. For mobile communications, it was 3 minutes, 12 seconds for cellular phones and 5 minutes, 5 seconds for PHS (Graph 2-4).

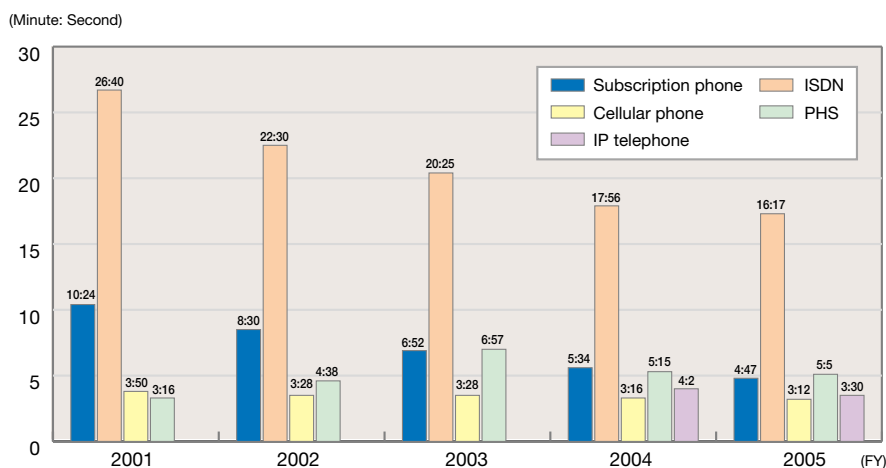
4. Telecommunications rate

The standard local call rate is approximately 8 yen per 3 minutes, a 20% decrease compared to the standard rate in 1985. For long distance calls, the rate lowered by one-tenth compared to that in 1985 (as of the end of March 2006). In practice, various fee structures and a wide selection of discount services make the standard even lower.

Graph 2-3
Changes in the number of subscriptions to fixed communications and mobile communications



Graph 2-4 Changes in the call time per day per subscription (unit: minute)



* The survey on IP telephone began in FY2004, and thus the Graphs for FY2003 or before do not include those for IP telephone.

Based on "Status of Domestic Use of Telecommunications in Terms of Traffic" MIC