Section 4

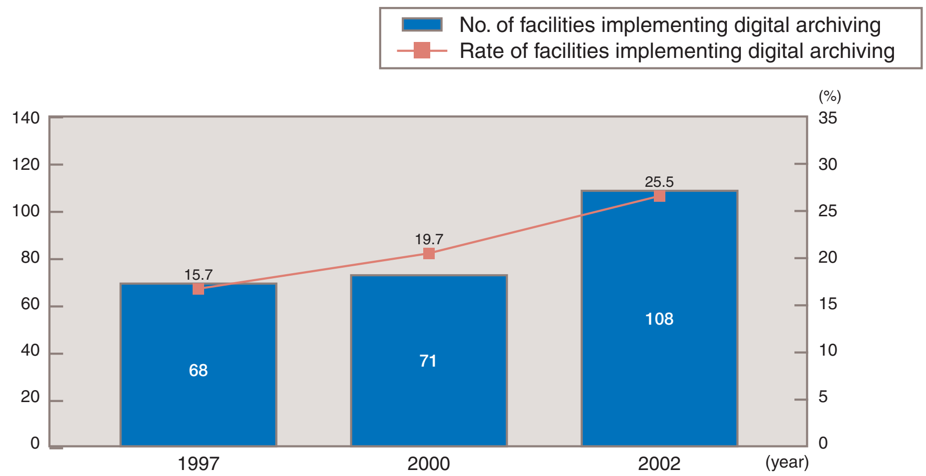
Developing Digital Network Culture and Distributing Contents

1. Significance of Information and Communications in Cultural Activities and in Sending Out Information to the World

A digital archive is a system to digitize and store the resources kept in museums, art galleries, public records offices, and libraries as well as other tangible and intangible cultural resources. The digitization process also makes it easy to repair, disclose, and allow network access to the cultural resources. The digital archives are playing a central function as the accumulation/dissemination bases of digital network culture. By developing digital archiving, it will be possible to realize "an environment that enables acquisition and use of information on various cultural assets, works of art, local culture, theatrical art, and historical materials including important public documents without geographical restrictions, responding to the heightening and diversification of citizens' lust for culture" (e-Japan Priority Policy Program-2002).

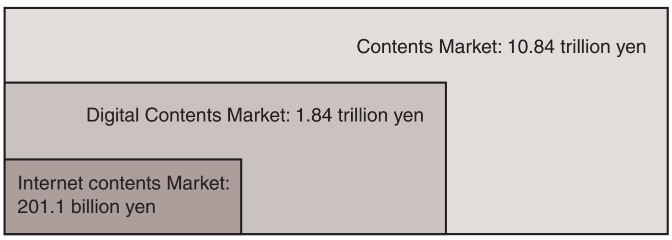
According to a survey by the Japan Digital Archives Association (JDAA), 108 of the major art galleries and museums nationwide have already started digital archiving as of the end of 2002, and the implementation rate has increased from 15.7% in 1997 to 25.5% (**Figure 1-38**).

Figure 1-38: Transitions in the Number and Rate of Facilities Implementing Digital Archiving



Sources: "Digital Archive White Paper 2001" and "Digital Archive White Paper 2003," Japan Digital Archives Association (JDAA).

Figure 1-39: Market Size of Content Business (FY 2001)



Source: "Survey on Content and Security."

2. Distribution of Attractive Contents on the Internet

(1) Market size of content business

The content market can be categorized into: [1] the content market including printed publications and movies/broadcasting; [2] the digital content market that only includes contents that are digitized; [3] and the Internet content market that only includes digital contents that are distributed on the Internet.

The market size of content business in fiscal 2001 was approximately 10.84 trillion yen, in which the digital content business market was approximately 1.84 trillion yen, and the Internet content market was approximately 201.1 billion yen (**Figure 1-39**). The digital content market accounted for about 17% of the overall content market and the Internet content market only accounted for about 2%.

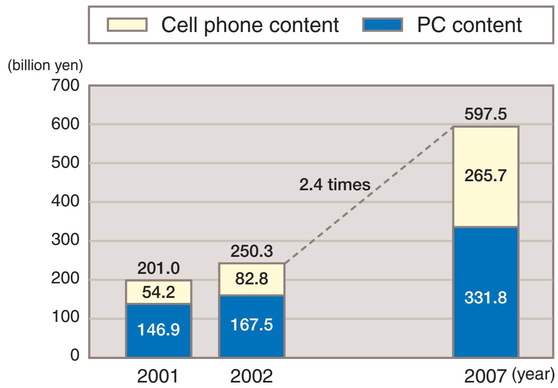
In 2002, the Internet content market expanded to 250.3 billion yen (a 24.5% increase over the previous year). This can further be broken down into the 167.5 billion yen market for PCs and the 82.8 billion yen market for cell phones. As for the types of contents, visual contents account for 19.5% of the total at 48.9 billion yen, music contents for 19.4% at 48.5 billion yen, and text contents for 61.1% at 152.9 billion yen. According to predictions by content providers, the size of the Internet content market is likely to become 597.5 billion yen in 2007, growing about 2.4 times in size in 2002. With regard to the types of contents, visual contents are estimated to grow by about 4.5 times to 217.8 billion yen, commanding a 36.5% share of overall contents (**Figure 1-40**).

(2) Current status of use of paid contents

(i) Status of use of paid contents

In 2002, the proportion of Internet users accessing from PCs who used paid Internet contents was only 9.9%, less than one-tenth (**Figure 1-41**). By type of circuit, the utilization rate by broadband users was 12.6%, while that by narrowband users was 8.7%, indicating that the utilization rate of paid contents is higher for broadband users (**Figure 1-42**). With regard to the types of contents used,

Figure 1-40: Transitions and Prediction of the Market Size of Internet Content Business



(billion yen)

		2001	2002	2007
PC	Visuals	13.6	25.2	119.4
	Music	3.9	5.6	25.8
	Text	129.4	136.7	186.6
	Total	146.9	137.5	331.8
Cell phone	Visuals	13.5	23.7	98.4
	Music	28.7	42.9	118.3
	Text	12.0	16.2	49.0
	Total	54.2	82.8	265.7
Total	Visuals	27.1	48.9	217.8
	Music	32.6	48.5	144.1
	Text	141.4	152.9	235.6
	Total	201.1	250.3	597.5

Source: "Survey on Content and Security."

Figure 1-41: Status of Use of Paid Internet Contents by Terminal (for the past one year)

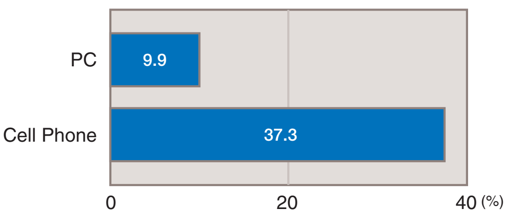
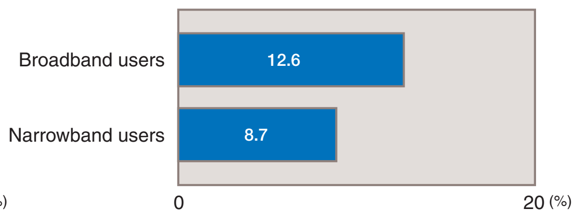


Figure 1-42: Status of Use of Paid Internet Contents by Circuit (for the past one year)



Source(Figures1-41&1-42): "Communications Usage Trend Survey in 2002,"MPHPT.

software accounted for 30.0% and music/visuals accounted for 22.7% (**Figure 1-43**). Meanwhile, the proportion of mobile Internet users who used paid Internet contents from cell phones was 37.3%. As for the types of contents used, games accounted for 81.2% and ringer melodies accounted for 50.8% (**Figures 1-41 and 1-44**).

(ii) Awareness of non-users of paid contents

For those who have never used paid contents from PCs, the top reason for non-use was "high fees" at 47.1%, followed by "lack of attractive contents" at 26.1%, and "unstable transmission" at 24.7% (**Figure 1-45**). Non-users of paid contents focus the most on the level of fees. Since only 17.8% of non-users gave "unwillingness to pay for Internet contents" as the reason, those who are determined to use free contents only are limited. Thus, a certain level of demand can be expected depending on the level of fees.

(iii) Reactions of content providers

When an awareness survey was also conducted to Internet content providers, the top factor given by the providers as inhibiting expansion of the Internet content market was the "lack of users' willingness to pay for contents" at 58.0%, followed by "lack of attractive contents" at 36.0% (**Figure 1-46**). Similar to non-users of Internet contents, providers also consider the fee level of the contents and the lack of attractive contents to be the principal factors. These factors were followed by the "trouble of acquiring copyright licenses" at 30.0%, "insufficient diffusion of broadband" at 26.0%, and "lack of established fee charging systems" at 22.0%.

Figure 1-43: Types of Internet Contents Accessed from PCs (multiple answers)

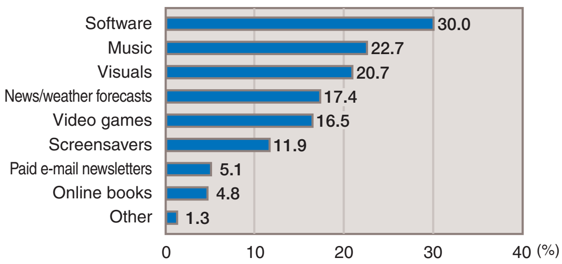
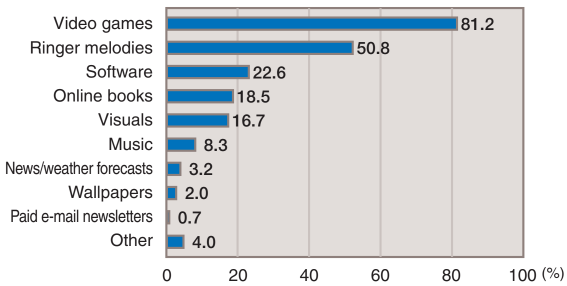
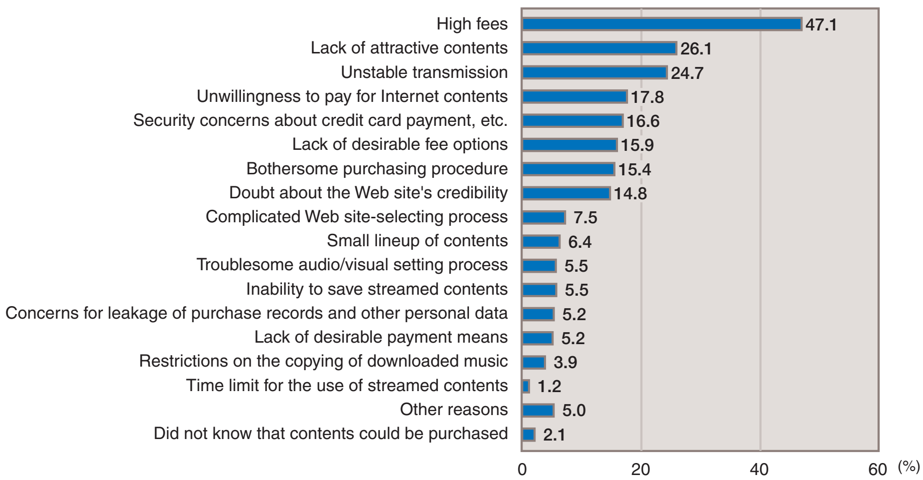


Figure 1-44: Types of Contents Accessed from Cell Phones (multiple answers)



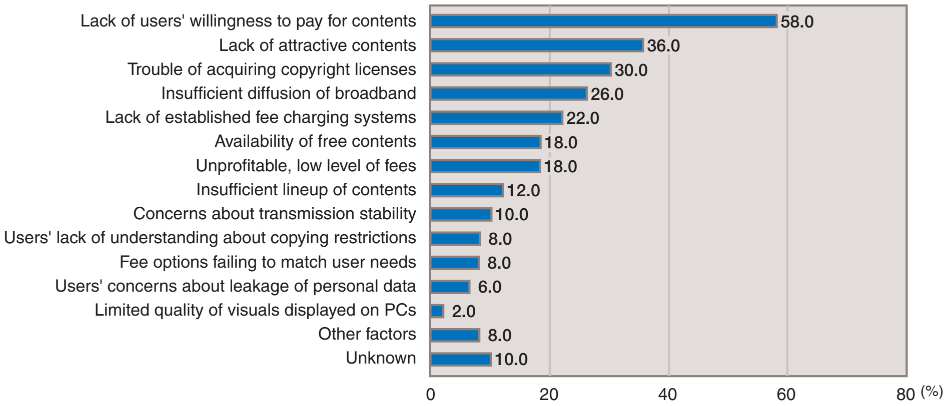
Source (Figures 1-43 & 1-44): "Communications Usage Trend Survey in 2002," MPHPT.

Figure 1-45: Reasons Given by Non-users of Paid Internet Contents for Non-use (up to three options)



Source: "Survey on Content and Security."

Figure 1-46: Factors Considered by Internet Content Providers to be Obstructing Expansion of the Internet Content Market (up to three options)



Source: "Survey on Content and Security."