

Section 2

Telecommunications Business

1. Telecommunications Carriers

At the end of fiscal 2002, the number of telecommunications carriers was 11,318 companies. The breakdown was 414 Type I carriers and 10,904 Type II carriers, with Type II carriers further divided into 115 Special Type II carriers (of which 109 companies were International Special Type II carriers) and 10,789 General Type II carriers. Among the telecommunications carriers, the number of those providing Internet connection services was 7,527 (an 11.7% increase over the previous year) at the end of fiscal 2002, showing a constant increase.

The telecommunications carriers made sales of 18.69 trillion yen (a 1.8% increase over the previous year) in fiscal 2001. Of this figure, 17.25 trillion yen was earned by Type I carriers (a 1.5% increase over the previous year) and 1.45 trillion yen by Type II carriers (a 5.2% increase over the previous year).

The share of new common carriers (NCC) in the overall frequency of long-distance communications (inter-prefectural communications) has come to dominate almost half of such communications, increasing from 37.3% in fiscal 1997 to 49.8% in fiscal 2001. At the same time, the share of NCCs in the overall frequency of local communications (intra-prefectural communications) increased from 10.9% in fiscal 1997 to 34.8% in fiscal 2001. Furthermore, the share of NCCs in the overall frequency of international communications expanded from 34.2% in fiscal 1997 to 55.9% in fiscal 2001, exceeding 50% for the first time. In this manner, competition is rapidly intensifying in the area of Japanese telecommunications business.

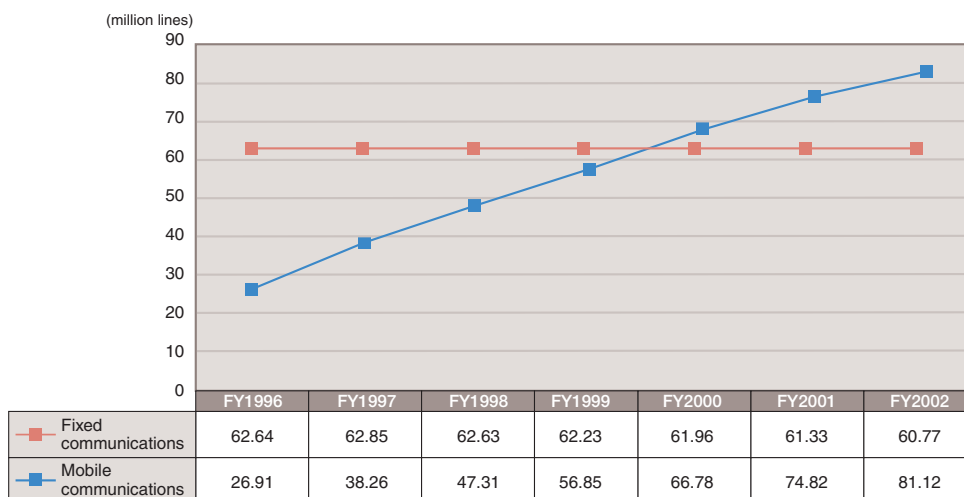
2. Telecommunications Services

Ever since the first launch of a subscriber telephone service in 1890, the telecommunications services in Japan have been increasingly diversifying with entry of NCCs in the local telephone service market and start of ISDN services, etc. In recent years, telecommunications services that support high-speed and large-capacity data communications, such as DSL, cable Internet, and IMT-2000, have been rapidly diffusing. In addition, IP telephone services using wireless LAN services and broadband circuits as access means began to be provided in full fledge in 2002. Services of calling to and from general subscriber telephones to IP telephones by using numbers starting with "050" are scheduled to be commenced by the end of 2003.

The total number of subscribers to subscriber telephone services was 51.16 million (a 0.3% increase over the previous year) at the end of fiscal 2002, increasing for the first time in six years. The number of subscribers to cell phone services was 75.66 million (a 9.5% increase over the previous year) at the end of fiscal 2002, indicating a slight slowdown in growth since fiscal 2001.

Comparing fixed-line communications (subscriber telephones and ISDN) and mobile communications (cell phones and PHS), the number of subscribers to mobile communications surpassed that to fixed-line communications in fiscal 2000, and the gap is continuing to widen (Figure 2-4).

Figure 2-4: Transitions in the Number of Subscribers to Fixed Communications and Mobile Communications



3. Telecommunications Rates

With respect to the level of telecommunications rates from 1995 to 2002, the “Corporate Service Price Index (CSPI; 1995 base)” of the Bank of Japan shows that both the rates for fixed-line communications and those for mobile communications made a larger drop than the overall average of the CSPI. The fall of rates is particularly notable for international telephone services (a 51.2 point decrease from 1995) in fixed-line communications, and cell phone services (a 50.9 point decrease from 1995) in mobile communications.

Comparing the communication rates with those in major cities of other countries, the levels of rates of international telephone services, domestic leased circuit services, and cell phone services in Japan have all shown a steep or average fall from fiscal 1996 to fiscal 2001.

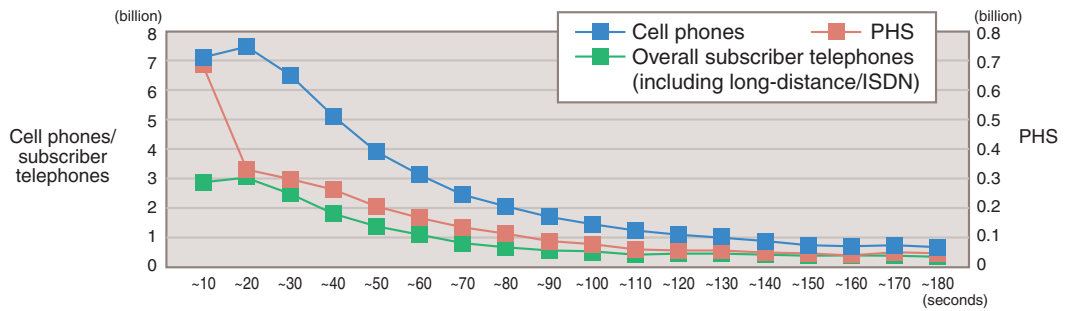
4. Status of Use of Telecommunications Media

In fiscal 2001, the total number of communications in Japan was 138.4 billion (a 4.4% decrease from the previous year) and the total communication time was 6.57 bil-

lion hours (a 6.5% decrease from the previous year), both turning to a decline. As for the number of communications by type of originating terminal, the number of communications originating from cell phones continued to be on an increase as in the previous year at 45.24 billion (a 3.2% increase over the previous year). On the other hand, the number of communications originating from fixed-line telephones declined to 90.53 billion (a 7.0% decrease from the previous year) and those originating from PHS declined to 2.62 billion (a 27.0% decrease from the previous year).

Looking at the distribution of the time consumed per communication, communications of 30 seconds or less accounted for about 50% of total cell phone communications, about 40% of total PHS communications, and about 30% of total subscriber telephone communications, commanding large proportions in all of these terminal types. It is notable that the proportion of communications that end within 10 seconds is overwhelmingly large in the case of PHS (Figure 2-5). One of the assumable reasons is the extensive use of text message communications, which require short communication time, in PHS communications.

Figure 2-5: Number of Communications by Length of Communication Time



Source: Based on “Status of Use of Communications in Japan Based on Traffic,” MPHPT.

Figure 2-6: Transitions in Optical Fiber Network Coverage by City Size

Category	End of FY	Coverage (%)									
		1994	1995	1996	1997	1998	1999	2000	2001	2002	
Government-designated cities, prefectural capitals, and cities of equivalent size	All areas	16	21	28	34	44	56	61	77	89	
	Major areas (business areas)	32	47	74	89	92	93	94	95	97	
Cities with a population of 100,000 or more	All areas	8	11	11	13	22	31	40	54	73	
	Major areas (business areas)	6	23	48	59	69	72	72	77	85	
Other cities		2	3	5	6	8	14	22	38	49	
Nationwide		10	13	16	19	27	36	43	59	72	

* “Major areas” indicates areas in which offices constitute 50% or more of the subscribers.

5. Telecommunications Networks

The optical fiber network coverage at the end of fiscal 2002 was 72% (a 13 point increase over the previous year) on a national average based on the concentration points of telecommunications carriers, showing steady progress. However, there are still gaps in coverage between urban areas and rural areas with the coverage in the government-designated cities, prefectural capitals, and cities of equivalent size being 89% (97% in business areas) and that in cities with a population of 100,000 or more being 73% (85% in business areas), while the coverage in other cities is only 49% (**Figure 2-6**).

6. Complaints and Inquiries on Telecommunications Services

The number of complaints and inquiries on information and communications received by the National Consumer Affairs Center of Japan in fiscal 2002 was 142,536, about 1.5 times more than in fiscal 2001. Among troubles related to information and communications, those related to the Internet are increasing remarkably. Frequently made complaints and inquiries are that one has received a bill for unaccountable information fees or international call fees or one has received equipment for a broadband service despite declining participation in a free trial campaign.