

Section 4

Postal Service

1. Finances of Postal Service

Postal services have been seeing a decline in earnings or difficulties in growth, and despite efforts to cut costs through a variety of measures to increase efficiency, deficits were recorded for three consecutive years, 62.5 billion yen in fiscal 1998, 55.3 billion yen in fiscal 1999, and 10.0 billion yen in fiscal 2000. However, the effects of the efficiency-boosting measures gradually became apparent as the deficit shrank each year, and in fiscal 2001, accounts returned into the black for the first time in four years.

In fiscal 2002, revenues decreased 1.8% from the previous fiscal year to 2.17 trillion yen, due to the stagnant economy, but costs could only be reduced by 0.4% to 2.19 trillion yen despite efficiency measure such as cutting the number of postal employees and an overall cut in expenses, resulting in the first deficit in the two years since fiscal 2000.

2. Volume of Postal Items

A total of 25.6 billion of domestic and international postal items was processed in fiscal 2003. Looking at the total volume of mail handled by country in fiscal

2002, Japan ranked second after the United States. However, in terms of per capita annual mail volume, Japan ranked 16th worldwide, accounting for about 31% of the volume in the United States.

3. Post Office Network

As of the end of fiscal 2003, 24,715 post offices (a 0.1% decrease from the previous fiscal year) offered mail-handling facilities. By type, there were 1,310 ordinary post offices, 18,935 special post offices (a decrease of 6 from the previous fiscal year), 4,470 postal agencies (a decrease of 31 from the previous fiscal year). Dividing ordinary and special post offices by collection and delivery and non-collection and delivery facilities, there were 4,792 collection and delivery post offices (a decrease of 31 from the previous fiscal year) and 15,453 non-collection and delivery post offices (an increase of 25 over the previous fiscal year).

4. Correspondence Delivery

In fiscal 2003, 41 companies entered the special correspondence delivery business, of which 37 were in operation by the end of April 2004.

Section 5

Contents

1. Status of Contents Usage

In 2003, 9.5% of people accessing the Internet via personal computers for-fee Internet contents. Those in their 20s were the largest age group, accounting for 12.1% of the total, with the percentage dropping in inverse proportion to the older age group. On the other hand, 36.2% of those accessing the Internet via mobile phones or PHS used for-fee Internet contents, accounting for a larger proportion than personal computer users. Of these, 49.5% were in their teens, showing that almost one in two in this age group accessing the Internet through mobile phones or PHS use for-fee Internet contents (**Figure 2-5-1**).

The contents used by those accessing the Internet via personal computers in 2003 include software at 28.0%, music at 21.3% and video at 19.7% (**Figure 2-5-2**). On the other hand, the contents used by those accessing via mobile phones and PHS include ringtones at 84.0%, wallpaper at 43.4% and music at 21.9% (**Figure 2-5-3**).

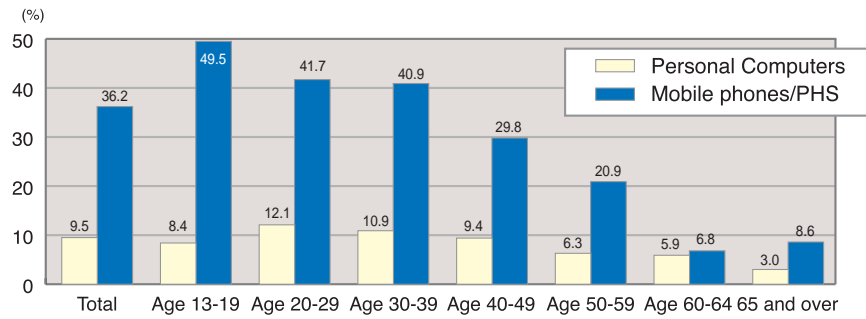
2. Contents Volume

Total Internet contents data volume as of February 2004 for .jp domains was 13,609GB, a 45-fold increase in the six years since February 1998. The total number of files reached 291.73 million, a 15-fold increase over six years.

3. Information Flow

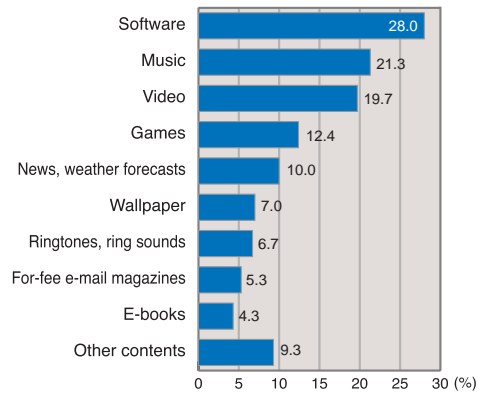
The MPHPT conducts “Census of Information Flow” to grasp in a comprehensive and quantitative way the volume of varied information flow that makes up the information environment. In the last 10 years (fiscal 1992 to fiscal 2002), the average growth rate was 28.4% for information supplied, 24.4% for information transmitted, 10.2% for selectable information, 8.7% for consumable information, and 17.8% for information consumed.

Figure 2-5-1 Usage Ratio of For-fee Internet Contents by Age Group*



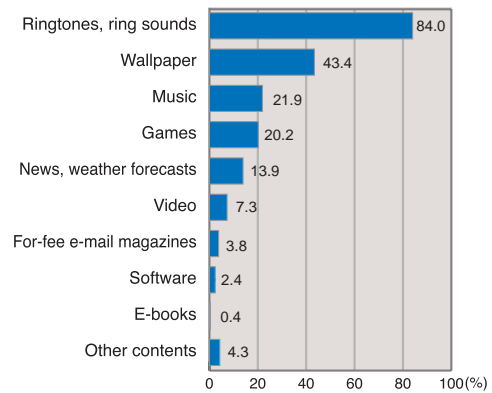
* For-fee Internet contents usage ratio by mobile phones/PHS Internet users

Figure 2-5-2 Breakdown of For-fee Contents by Internet Users from Personal Computer (multiple responses possible)*



* Percentage among users of for-fee Internet contents from personal computers

Figure 2-5-3 Breakdown of For-fee Contents by Internet Users from Mobile Phones/PHS (multiple responses possible)*



* Percentage among users of for-fee Internet contents from mobile phones and PHSs.

Source for Figures 2-5-1 to 2-5-3: Communications Usage Trend Survey in 2003, MPHPT