



## TELECOMMUNICATIONS MARKET SNAPSHOT: JAPAN

### Key Statistics

Population	126,804,433 (July 2010 est.)
GDP	\$4.338 trillion (2010 est.)
Per capita GDP	\$34,200 (2010 est.)
Main lines	48,427,000 (2008)
Teledensity	38% (2008)
Mobile subscribers	110,395,000 (2008)
Mobile penetration	86% (2008)
Internet users	95,978,992 (2008)
Internet penetration	75% (2008)
Broadband subscribers	30,107,328 (2008)
Spending on Telecom Equipment and Services	\$129,865.6 million (2010)
U.S. equipment exports to market	\$729,282.971 (2010)

Sources: CIA.gov, WB, USITC and Worldwide Black Book.

### Market Environment

#### *Overview*

Historically, Japan's telecommunications market has been relatively highly regulated. Over the past several years, the Government of Japan has shown a welcome recognition that obtaining the full economic benefits of a dynamic telecommunications sector requires vigorous competition and broad market participation. Through bilateral deregulation initiatives (U.S.-Japan Framework, the Enhanced Initiative on Deregulation, and the Regulatory Reform and Competition Policy Initiative) and through implementing its WTO commitments, Japan has taken several significant measures to foster a more pro-competitive regulatory regime in the telecommunications sector. However, much work remains to be done. In addition, given the rapid changes sweeping this sector, regulatory reform in telecommunications is a never-ending process.

#### *Network Operators*

Japan's local telecommunications service market has been dominated by the incumbent supplier, NTT, which still has at least a 70 percent share of the domestic market and controls 94 percent of the local loop. In mid-1999, NTT was restructured into two regional carriers (NTT East and West), one long-distance/international/data communications company (NTT Communications), and one mobile operator (NTT DoCoMo) under a single holding company. NTT East and West also offer Digital Subscriber Line (DSL) service and Fiber to the Home (FTTH) for Internet access. For wireline services, major New Common Carriers (NCCs) in Japan's market include Japan Telecom, KDDI, e-Access, and Softbank/Yahoo BB. The mobile carriers that compete with DoCoMo currently consists of Softbank Mobile (formerly Vodafone), KDDI/au, Willcom (PHS), eMobile and UQ Communications, an affiliate of KDDI

#### *Regulatory Framework*

The Ministry of Internal Affairs and Communications (MIC) formulates policy and regulates wire and radio-based services for domestic and international communications. It is also responsible for administering the Telecommunications Business Law (TBL) of April 1985 that governs telecommunications business, and the Radio Law for wireless communications. Reform in 1985 to partially privatize NTT and to allow competition in all telecommunications services marked an important stage in the process of sectoral liberalization. The TBL

distinguished between "Type I" and "Type II" carriers, with the former installing and operating their own telecommunications circuit facilities, and the latter providing services with the use of leased circuit facilities from Type I carriers.

Restrictions on foreign equity participation in all Type I carriers, except NTT and KDD, were eliminated with the implementation of the WTO Basic Telecom Agreement of 1997. Restrictions on foreign equity participation in KDD were lifted with the abolishment of the KDD Law in 1998. According to the NTT Law, foreign ownership restrictions remain on NTT and the Japanese government must also hold a minimum of one-third of NTT's stock. In 2005, the Finance Ministry reduced its total ownership from 41 percent to the legal requirement.

A service known as "My Line" (<<http://www.myline.org>>) was launched in May 2001 to allow customers to register their preferred telephone companies for local, inter-prefectural, intra-prefectural, and international services. The registered customers could make calls from their home phones without dialing the company's prefix. Currently 14 companies, including NTT East and West as well as foreign-owned carriers, participate in the My Line scheme. By April 2005, almost 47 million customers (approximately 82% of all fixed line customers) were registered.

In November 2001, through amendments to the TBL, the NTT Law, and others, Japan introduced "asymmetrical regulation." The carriers designated as "dominant carriers" with market power would be subject to regulations designed to eliminate anti-competitive behavior. For wireline services, NTT East and West were designated as dominant carriers, and for mobile services, NTT DoCoMo was designated as a dominant carrier. Japan also established a Telecommunications Business Dispute Settlement Commission.

By this time, it was generally recognized that the Type I and II categories were not flexible enough because many competing carriers combined their own networks with leased facilities. In 2003, the TBL was revised again to abolish the category system. Tariff requirements remained on the dominant carriers, but most other regulations apply to any "Telecommunications Business." Applications for launching a business with "small-scale" facilities are subject to a simplified notification process. (See Manual for Market Entry into Japanese Telecommunications Business <[http://www.soumu.go.jp/joho\\_tsusin/eng/regulatoryguidance.html](http://www.soumu.go.jp/joho_tsusin/eng/regulatoryguidance.html)> for details).

Under the new system, as of November 2004 the "registered telecommunications carriers" (i.e., those installing large-scale network facilities) and the "notified telecommunications carriers" (i.e., those using leased circuits or installing small-scale network facilities) were counted by MIC as 311 and 12,484 carriers, respectively.

#### *Market Potential*

Due to the popularity of mobile phones (which surpassed residential land lines in number of subscriptions from the year 2000) and the spread of Internet-based telephony - particularly via DSL services - voice traffic over regular phone lines has been steadily and rapidly declining in Japan. As a result, NTT began increasing their interconnection rates in April 2003, with approval from MIC. In April 2005, the method for calculating the rates was modified and a five-year phase-out of certain non-traffic sensitive (NTS) costs from the formula was launched, but the rates still increased by 15 percent. The costs of doing business as a competing carrier can thus be formidable.

On the other hand, Japan has become a dynamic and vibrant market for broadband technologies and advanced wireless technologies. According to World Bank statistics, in 2008, Japan had the same depth of broadband penetration as the US, with 24 broadband subscribers per 100 inhabitants in both countries). As of March 2006, 5.4 million customers used high-speed Fiber to the Home (FTTH) for Internet access, gradually catching up on the 14.5 million DSL users. Meanwhile, cable Internet access increased slightly to 3.3 million users. By comparison, around 31 million internet users in Japan still use dialup connections. By the end of 2005, around 80 million mobile phone customers also had access to the Internet through services such as the popular "i-mode" provided by DoCoMo. LTE (also known as 4G or Super 3G) is the next development in the mobile market, which the three major Japanese mobile operators are planning to implement in 2011.

Japan was striving to be the first country in the world to launch third generation (3G) wireless services. In October 2001, NTT's wireless subsidiary NTT DoCoMo was the first to begin offering 3G services (dubbed "FOMA"). Currently, MIC has licensed four operators for 3G services - NTT DoCoMo, KDDI, Softbank Mobile and eMobile. NTT DoCoMo, Softbank Mobile and eMobile are using the W-CDMA standard, which Japanese companies co-developed with European vendors and operators. KDDI is using CDMA2000 technology developed by Qualcomm. As of the end of June 2010, Japan had over 113.716 million 3G subscribers. DoCoMo had over half of the 3G market, with 54.162 million customers followed by KDDI with 31.881 million. Softbank Mobile had garnered 22.573 million customers for its 3G service. NTT DoCoMo had a 48.0% share in the mobile market overall, while eMobile holds 2.2% and UQ Communications holds .2%. In a separate category, PHS is offered by NTT DoCoMo, Willcom, and Tohoku Intelligent Communication for a total of 4.8 million subscribers. Willcom, which offers a flat rate per month, continues to see strong subscriber growth while DoCoMo plans to completely shut down its PHS service in 2007. A new market entrant in the mobile sector, eMobile (owned by eAccess), received a license in 2005 for W-CDMA in the 1.7 GHz band and launched data services in 2007 followed by voice services in 2008. Since entering the sector in 2007, eMobile's subscriber base has increase rapidly.

## Telecom Trade Agreements

### WTO

Japan has made commitments covering both basic and value-added telecom services in the World Trade Organization (WTO). For a list of the country's commitments, go to [http://www.wto.org/english/tratop\\_e/serv\\_e/telecom\\_e/telecom\\_commit\\_exempt\\_list\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/telecom_e/telecom_commit_exempt_list_e.htm). Japan is also a signatory to the WTO Information Technology Agreement, which completely eliminates duties on a variety of information-communications technology products by January 2000.

### Regulatory authorities

Ministry of Internal Affairs and Communications (MIC)  
1-2, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo 100-8926 Japan  
International Affairs Department, Telecommunications Bureau  
Phone: +81-3-5253-5920  
Fax: +81-3-5253-5924  
[http://www.soumu.go.jp/joho\\_tsusin/eng/Resources/Manual/Entry-Manual/Chap9.html](http://www.soumu.go.jp/joho_tsusin/eng/Resources/Manual/Entry-Manual/Chap9.html)

### Approval Bodies

JATE (Japan Approvals Institute of Telecommunications Equipment)  
1-1-3 Toranomon, Minato-ku, Tokyo 105-001  
Phone: (81) 3 3591 4300  
Fax: (81) 3 3591 4355  
Note: JATE is the Government of Japan authorized institute to certify telecom terminal equipment which is connected with the PSTN (public switched telephone network).  
<http://www.jate.or.jp/english/>

Telecom Engineering Center TELEC  
5-7-2 Yashio, Shinagawa-ku  
Tokyo 140-0003  
Phone: (81) 3 3799 9033  
Fax: (81) 3 3799 9054  
Note: TELEC is the Japanese Government's authorized institute to certify radio equipment.  
[http://www.telec.or.jp/ENG/Index\\_e.htm](http://www.telec.or.jp/ENG/Index_e.htm)

### Additional Resources

NTT (Holding Company)  
International Procurement Office  
3-1, Ootemachi 2-Chome  
Chiyoda-ku, Tokyo 100-8116  
Phone: +81-3-5205-5285  
Fax: +81-3-5205-5289  
Procurement Information Web Site: <http://www.ntt.co.jp/ontime/index-e.html>

Communications and Information Network Association of Japan (CIAJ):  
Sankei Bldg., Annex, 1-7-2 Ohtemachi  
Chiyoda-ku Tokyo 100  
Phone: (81) 3 3231 3001  
Fax: (81) 3 3231-3110  
<http://www.ciaj.or.jp/>

Association of Radio Industries and Businesses (ARIB)  
Nittochi Bldg. 14F, 1-4-1, Kasumigaseki  
Chiyoda-ku, Tokyo 100-0013  
TEL: 81-3-5510-8590 FAX: 81-3-3592-1103  
<http://www.arib.or.jp/english/index.html>

Telecommunications Carriers Association (TCA)  
Address: Tokyo Sakurada Bldg., 4F, 1-1-3 Nishi-shinbashi  
Minato-ku, Tokyo 105  
Phone: 81-3-3502-0991; Fax: 81-3-3502-0992

<http://www.tca.or.jp/eng/menu/index.html>

Last updated February 25, 2011