

2. FIBER OPTICS

Electric Companies

As reported last time (Report No. 21), Tokyo Electric Power will enter the FTTH market in March 2002. 65 billion yen will be invested to provide the service in the 23 wards of Tokyo, Musashino and Mitaka by March 2006. Their goal is to install 70,000 lines by March 2003 and 300,000 lines by March 2006 and also to post profits on an annual basis and eliminate cumulative loss by 2008.

Other electric companies are also about to enter this market. Kyushu Telecommunication Network, a subsidiary of Kyushu Electric Power, will start an FTTH service in part of Fukuoka in April 2002 whereas Chugoku Electric Power is expected to launch a commercial service in April 2002. Both companies will be running a pilot program by the end of the year.

Pilot Programs of FTTH Service by Electric Companies

Electric Companies	Pilot Period	Pilot Area	Number of Participating Households	Launch of Commercial Service
Chubu Electric Power	October 2000 – September 2001	Mizuho Ward, Nagoya	1000 (incl. a wireless LAN pilot program)	To be determined by the end of 2001
Tokyo Electric Power, TTNNet	July – December 2001	Ota Ward, Tokyo	300	March 2002
Chugoku Electric Power	October 2001 – June 2002		130 (incl. a wireless LAN pilot program)	April 2002
Kansai Electric Power, K-Opticom	November 2001 – March 2002	Nishinomiya, Hyogo and Osaka	575	Targeting the spring of 2002
Kyushu Electric Power, Kyushu Telecommunication Network	December 2001 – March 2002	Part of Fukuoka	200	April 2002
KDDI	March – August 2002	Bunkyo and Shinjuku Wards, Tokyo, and Toyota, Aichi	500	Working on a business model for commercialization

(Nikkei Communications 10/15/2001)

Capitalizing on 600 transformer stations in the area, Tokyo Electric will strive to catch up with NTT regional companies and usen. Unlike the two competitors, Tokyo Electric wholesales FTTH service to other providers. The optimization of the ROI is the major reason why the company decided to wholesale, rather than retail, the service. The facilities can be more efficiently utilized by providing the service to multiple providers instead of

only their subsidiaries--SpeedNet and TTNet. Another advantage is the transfer of risk--the providers will take care of cumbersome marketing to end users.

Nevertheless, there is no guarantee that their business model will prove successful. eAccess and ACCA, which wholesale ADSL services to ISPs, have been steadily increasing the number of users, but their market shares are much smaller than that of NTT regional companies. In contrast, Yahoo! BB that sells Internet access and contents together is quickly catching up with NTT regional companies in market share.