

The Actual State and Effect of Privatization in Japan

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1. Terminus and Characteristics of Privatization

Privatization and policies have been a worldwide prevalent action among public enterprises since the 80's. This trend has its main source in the fact that the former socialist countries have adopted the privatization as a policy indispensable for achieving a "market economy", in addition not only advanced (capitalist) countries but also developing countries have continuously applied it as an important policy. Privatization in advanced countries can be characterized by three points as follows:

1) The Frame of Public Enterprise and Method for Privatization

Privatization means that a public enterprise has been privatized to a private enterprise, which is subject to the influences of the frame and the management and administration system of the public enterprise. At the same time, however, the privatization decisively changes these factors.

Explaining in detail, the frame of each public enterprise, including the nationally owned and managed enterprises, public corporations, company type, and the like will conversely give influences upon the method for privatization itself. In other words, the privatization of a public enterprise that exceeds a size specified by the government is to be executed not by selling its assets but by selling its shares, which leads to the inevitability that any public enterprise has to be a company type. Because of this, privatization is easier and simpler in France and Italy where most of the national enterprises are of the company type.

Historically, in the world, the "frame" of national enterprise has been changing from the nationally owned and managed type strictly regulated by the government to the less regulated corporation type (equivalent to the chartered companies of Japan). One might say that Japan is also following this tendency of privatization (from public enterprise to chartered company).

Regarding the management and administration system of public enterprises, the employees of public enterprises and consumers in the U.K. and France have been allowed to join the executive board that makes final decisions such as the board of directors or the board of trustees. Any privatization dissolves this "employee participation". For the alternative plan, the ESOP (Employees Stock Ownership Plan) is adopted.

2) The Purpose of Privatization (the change from reformation of public enterprise to assurance of financial resources)

Privatization has changed its purpose from the reformation of public enterprises in the 1980s to the assurance of financial resources in the 1990s. In general, the aim of privatization varies depending on each nation and time.

Most privatization executed in the European nations in the '90s has had the sole aim of assuring financial resources. In short, the privatization for assuring financial resources carried out in the 1990s was merely a sell off of national properties, extraneous to the reformation of public enterprise. The target of the GDP ratio against deficit was forced on the European nations as a condition of the integration of the EU, therefore, the sell off revenue by privatization was indispensable for reducing the deficit. However, they have already privatized healthy public companies in many competitive businesses in the 1980s; thus, they have had to privatize their big businesses that are deeply related to "public utilities" which brings bigger sell off revenue. For example, businesses such as petroleum, aircraft/space, marine transportation, tobacco and steel are being targeted in France. Thus, the various aspects of privatization in the 1990s are attracting more and more attention.

3) Targets of Privatization (from competitive markets to natural monopolization)

In reaction to the trend towards privatization of public enterprises, which targeted only the businesses in the competitive markets during the 1980s but overreached to the "public services" after entering the 1990s, new movements to resist such privatization have arisen in each country. This results because each country has a different concept of "public services," which has been historically considered the field the nation must cover.

The privatization executed in the U.K. in the 1980s is described as "successful from the micro viewpoint; suspended from the macro viewpoint". Furthermore, it is believed that real success of privatization in the 1990s will depend on whether or not it will be able to continue the "privatization of public services" (the second step) after achieving "privatization of public enterprises." This is because

privatization in the U. K. has targeted only those enterprises easily privatized. (National enterprises with high achievements in the competitive markets cause less opposition.)

Currently, we have new questions to discuss as follows:

The targets of privatization have expanded from "competitive" markets in the '80s to "public services" including railroads, telecommunications and postal services in the 1990s. These are the public services indispensable to daily lives of people, and, should they be privatized, it will overthrow the idea common to the European countries that "the public utility = public enterprise." In other words, it is once again necessary to discuss how the border should be drawn between "public" and "private," and for which area the government should be responsible.

Even if the services remain as a national enterprise, it is also necessary to define its role clearly, including the form of nationalization, degree of governmental regulation, and the management and administration system. At this point, as already mentioned in this report, we should pay attention to the fact that the form of public enterprise has historically been changing from the "nationally owned and managed" type to the company form type, with its increased autonomy. In addition, it is necessary to find an effective system substitute for "employee participation" for the privatized enterprise.

Conversely, even completely private companies that are free from government control are being required to establish corporate governance including social responsibility and public information in each country. Additionally, it is universally recognized in the European countries, including the U.K., that a privatized company involved in the "public utility" should be properly regulated by the government.

On the other hand, new categories such as medical care, welfare and environmental protection are being propounded as new targets of regulation instead of the existing "public utilities."

2. Characteristics of Public Enterprise in Japan

1) The Frame of Public Enterprise in Japan

Public enterprise in Japan has now reached a time of reformation and privatization through the history of privatization: Nationalization and disposal by government after the Meiji Restoration (nationalization or privatization), Monopolization of production and distribution of Tobacco in the time of the Sino-Japanese War and the Russo-Japanese War, Establishment of National Yawata Iron Works, Nationalization of railroads (establishment of public enterprises and nationalization), Establishment of statutory companies during World War II (expansion and diversification of public enterprises), Dissolution and Reformation of public enterprises (privatization or downscale) after being defeated in World War II, and New establishment of public corporations and agencies during the high economic growth period.

In the point of view from the existing area of the public enterprise in Japan, the numbers of public enterprises have been increasing due to the new establishment of public corporations and agencies since 1955. However, the number of companies are still fewer than the number of companies that existed before/ during the Second World War. Furthermore, the number of companies are fewer than in Europe. In addition, there are almost no Japanese public enterprises operating directly overseas. It is also the case that there are no Japanese public enterprises related to the energy industries including electric power, gas and coal, and the manufacturing industries including automobile, steel, shipbuilding and such kinds.

These features have been reinforced by the following two matters. One is the existence of enterprises which are controlled by regulations executed by the government; i.e., the existence of public utility business including transportation, communications, water supply, and the energy industries including electric power, gas and such. The other one is the existence of government regulations which mainly concern entry into market, facility, quantum, area, pricing regulation, business improvement order and other regulations.

2) The Form of Public Enterprise and the Public Utilities

There are following kinds (frame) of public enterprises in Japan.

The public corporation is the most strongly related to the public benefit among chartered companies. Government financing totally covers the public corporation, and the budget and the settlement of account are under the control of the Diet. A government finance corporation and the bank are a financial institution which is totally covered by the government financing. A public service corporation has the biggest business scale which handles the public utility. On the other hand, an agency has a smaller business scale. The chartered company is a joint-stock corporation and the government holds the certain ratio of the shares.

The kinds (frame) of public enterprises show differences in the degrees of the regulation by government and the degrees of the independence about management for each corporation having special status.

On the other hand, the representatives of the public utilities in Japan are as follows: <Public Transportation> Railroad, Bus, Shipping, Aviation, <Public Communications> Postal, Telephone, Broadcasting, <Supply Service> Electricity, Gas, Water. The regulations of these public utilities are as follows: Patent concerning an establishment of enterprise, Regulations against expansion/transfer/suspension/abolition, Responsibility to response demands, Prohibition against unfair discriminatory treatment, Regulations against service standard/fares/accounts, Regulations against capital/issuing shares, Right to observation and investigation of the business, Regulations against a labor dispute, Supervising the safety.

The difference between a public enterprise and the regulation of public utilities is that the public enterprise is managed by government controls such as the appointment of board members, the Diet decisions about budget, and authorization by the minister in charge.

3. Characteristics of Privatization in Japan

Privatization in Japan has mainly been executed through the conversion of public corporations (ex-"Three Corporations") to the chartered corporations. It has been characterized by its focus on the QUANGOs (quasi-non-governmental organizations) and its review of targeted areas of governmental regulations linked with relaxing the regulations on public enterprises including telecommunications, railroads and power supply. In the case of reformation (division and privatization) of the National Railway Corporation (present JR), it aimed at not only dividing and reforming the national railroad into a chartered company but also relaxation of regulations affecting the entire transportation business including railroads. When the *Den-Den Kosha* (the Nippon Telegraph & Telephone Public Corporation, the present NTT) become a chartered company, the regulation of the telecommunications industry was relaxed (opened to private companies) which enabled power supply companies to enter the communications market, and the consequent regulatory relaxation of the electric power supply business was carried out.

After the *Rin-Cho* ("the 2nd Extraordinary Public Administration Council") submitted the report of the privatization of the three public corporations, the *Gyo-Kaku-Shin* ("the Administrative Reform Promotion Council"), submitted three reports. In fact, however, they have not brought about any results for the reformation of the other QUANGOs besides the three public corporations.

The present argument on the relaxation of regulation has its origin in the interim report of the "Economy Reformation Study Group" (so-called "*Hiraiwa* Study Group"), November 1993. The Report strongly favored the drastic relaxation of government regulations (abolition of economical regulations in principle) to cope with the change of the times, acceding to the "intention" of the *Rin-Cho* and the *Gyo-Kaku-Shin*. The content of the Report is characterized by targets for relaxation of regulations such as employment/labor, free competition, legislation and the like that have been newly added to such previous targets as finance/security and the public utility including information/communication, transportation and energy. In other words, a new task has been built into this report, while replacing the task of regulatory relaxation the *Rin-Cho* and the *Gyo-Kaku-Shin* could not accomplish: that is, preparing for planning to comply with the de-facto standards of the world under the trend of globalization and for taking measures to hurdle the long depression and hollowing out of domestic industries (reformation of industries and mobilization of labor force). The most remarkable point of the interim report is that it aims at a drastic regeneration for the first time in the fifty years since World War 2 by reviewing the Labor Standards Law to relax the regulation of working hours and accommodatingly construe the labor contract as well as reviewing the Antitrust Law to abolish its Section 9, "Prohibition of Establishing Absolute Holding Company."

4. The Actual State of Privatization in Japan <Chapter 1> Privatization of the *Den-Den Kosha* (the Nippon Telegraph & Telephone Public Corporation): its Characteristics and Economic Effect

1) The Liberalization of the Telecommunication Business in Japan/ Privatization of Nippon Telegraph & Telephone Public Corporation

The reformation and liberalization of the telecommunication industry started at the end of the '60s in America, then extended to the U.K. and Japan in the '80s, and finally spread throughout the world in the '90s. Currently most of the world's national telephone companies have been privatized.

In Japan, the *Den-Den Kosha* was privatized as NTT, a chartered company in 1985. At the same time the Public Telecommunication Law was changed to the Telecommunication Law, which meant the abolition of the "monopoly" held by the *Den-Den Kosha* based on the exemption clause of the Antitrust Law in order to open the market to private telecommunication companies. The discussions on the break-up of NTT continued for about ten years afterwards. It was not until the end of 1996 that the argument on the break-up was suddenly finalized. It is alleged that the conclusion was a compromise made by both supporters and non-supporters of the break-up by adopting a holding company style. This conclusion has left some questions unsettled such as the relationship between each company that was split up and how

much government regulation should be exerted. On the other hand this conclusion was spoken of as the first attempt to establish the holding company system in Japan and for the entry of NTT into the international communications industry.

After this conclusion, the following mergers were carried out to form three groups (each group expected to provide both domestic and international communication services): Japan Telecom with ITJ, Teleyaw Japan with KDD, and NTT with IDC. The futures of these groups are under much discussion, but in any case, it is obvious that this regeneration was motivated by the precedents set by the foreign telecommunication companies which took place rapidly.

Meanwhile, the privatization of the *Den-Den Kōsha* should be evaluated based the degree to which the purposes or intentions aimed at by the *Rin-Chō* ("the 2nd Extraordinary Public Administration Council") have been accomplished. The *Rin-Chō* insisted on the necessity of privatization not because the *Den-Den Kōsha* was in the red but rather because nongovernmental thinking and management would be desirable to meet the requirements of a so-called technetronic society.

2) Economic Effects of Privatization

(1) The Free Competition System, i.e. Liberalization of Telecommunication

The liberalization of the telecommunication business has produced many related enterprises. Currently, competition has intensified to such an extent that there are some companies that are losing money. Furthermore the monopoly of the local communication network held by NTT will inevitably continue even after the break-up, which will leave the problem of "fair competition" to be secured among companies. < Table > Furthermore the monopoly of the local communication network held by NTT will inevitably continue even after the break-up, which will leave the problem of "fair competition" to be secured among companies.

(2) The Sale of Shares, i.e. Contribution to Public Finances

The sale of the NTT shares has undergone changes: a feverish boom at the first sale in 1986 and the second sale in 1987, a wallflower at the 3rd sale in 1988 and a put-off at the fourth sale in 1989. This decline was explained in different ways, e.g. keen competition with new telecommunication companies (so-called "*New Den-Den*" Companies), rising social demand for reduction of telephone charges, decrease of earnings as a negative incentive for investors, or slighting shareholders by providing no handsome treatments such as a bonus issue or dividend increase. (British BT gave its shareholders a 10% bonus issue within the limits of 400 shares in the third year.) The split-up of NTT, however, was executed without taking any drastic measures, and, at present, there is no likelihood of its selling out the shares.

(3) The Improvement of Services after Liberalization/Privatization

Intensified competition in long distance communication has brought about a sharp reduction of charges. In addition, competition from mobile phones has brought about price reductions in both equipment and charge. In these aspects, competition has obviously led to improved consumer benefits. However, we should not disregard disadvantages due to competition such as rising local call charges and reducing pay phone and directory assistance services.

(4) The Privatization and Regulation of Foreign Capital

Japan has taken an attitude since the *Den-Den* reformation in 1985 that the investment of foreign capital should be regulated to secure "communication sovereignty." The diet of the day adopted the supplementary resolution that "the government shall secure the communication sovereignty of our country, ..contributing to the development of national economy and industries coping with international competition." The NTT Law, Article 4 prohibited ownership by foreigners (foreign corporations), and Article 11 of the New Telecommunication Business Law limited the shareholding ratio of foreigners (foreign corporations) in the 1st Class Telecommunication Business up to 1/3 of quorum. After considering the experiences of other countries, these regulations have since been relaxed or abolished: i.e. ownership by foreigners (foreign corporations) were allowed to the extent of 1/5 of quorum (the NTT Law, Article 6), and a disqualification clause applying to the telecommunication enterprise was amended by abolishing "the person who has no Japanese nationality," "foreign governments" and "foreign corporations" (Article 11, amended in 1997).

5. The Actual State of Privatization in Japan <Chapter 2> Privatization of the JNR(the Japan National Railroad): its Characteristics and Economic Effect

1) Railroad Privatization in Japan and its Results

European countries have adopted the "Up and Down Separation Method" to privatize their railroad businesses. "Up" means the train operations which are covered by private companies, and "Down" means the line designs and infrastructure by the government.

Unlike NTT's case, the privatization of JNR (Japan National Railroad) was carried out by breaking it up into six companies in 1987, resulting in JR East Japan, JR West Japan, JR Tokai, JR Hokkaido, JR Kyushu and JR Shikoku (JR Cargo and JNR Liquidation Company are excepted). According to the *Rin-Chō*, the privatization of JNR was required to cope with many questions including declining transportation demands, a vast deficit, pernicious political influence, wide-ranging and annoying interference by the

regulatory authority, lax management, low employee morale, too much demands on services from citizens and its excessive size. Thus, the *Rin-Cho* reported that JNR should be reformed as "a private company or equivalent by implementing the ideas and dynamics of a private company." Therefore, the results of the privatization of JNR should be evaluated by how effectively the above problems have been resolved.

2) Economic Effect by Privatization of the JNR(the Japan National Railroad)

(1) The "Cumulative deficit " of JNR before Privatization

First of all, we should review how effectively the "cumulative deficit" of JNR before privatization has been reduced, which is its most important problem. Originally it was announced that the total debt of JNR amounting to ¥37.1 trillion would be shared among JR (¥14.5 trillion), the JNR Settlement Company (¥22.7 trillion) and citizens (¥13.8 trillion). As Fig. 5 shows, however, the burden on the Liquidation Company has now swollen to ¥28 trillion (notwithstanding its having sold land in the past). Even if it will be possible to subtract ¥5 trillion, the estimated sales amount of the remained land and stocks, from this ¥28 trillion, the burden on citizens reaches to ¥23 trillion. It is said that this increase has various reasons, including bad timing, improper handling of the land sale, reduction of the subsidy from government, and political interference over the extension of the *Shin-Kan-Sen*, the bullet train lines. Whatever the reasons, we have to conclude that the JNR privatization has failed to solve the "cumulative deficit".

(2) The "Thinking and Management as a Private Company" of JR especially its Diversification.

As "the consolidated closing" shows, the present pace of diversification of JR is extremely slow. The comparison with *Kintetsu*, the private railway that has progressed the farthest with diversification, will make the difference from JR clear. There are many questions remains unadjusted between the railroad department as JR's main business and the diversified business departments.

(3) The Management state of JR companies after privatization.

Three JRs on the mainland are in good condition. But, the other three JRs on three islands and JR Cargo have been dull, which was expected before privatization. It is difficult to conclude that the total business results of the seven JRs have obviously improved, if compared to results under the same conditions before privatization.

(4) The Sale of JR Shares

JR East Japan and JR Tokai, both known as highly profitable companies, were expected to sell their shares in 1991, and JR West Japan in the next year. However, the burst of the bubble economy and the scandals of brokerage houses forced them to put off the sale. Finally JR East Japan was listed in October 1993, but it steeply declined after being listed. (The revenue was ¥932.2 billion by selling 1.92 million shares. The opening price was ¥600 thousand.) This prevented other JRs from listing themselves within the same year, and the share sale was not carried out in the following 1994 and 1995 due to the Great Kobe Earthquake. Ultimately the shares of JR West Japan were sold by changing the bid method. Nevertheless, 20% of the shares distributed to ordinary buyers were left in the basket. The number of shares actually sold was 1 million 365 thousand, and it brought revenues of ¥480 billion that was ¥200 billion less than the expected revenue before bidding.

6. The Latest Status of the Privatized Enterprises

1) NTT, Telecommunication

(1) The Sale of NTT Shares

The sale of NTT shares at the fourth sale which had been put-off was carried out. One million shares were sold in December 1998. Due to this sale, the share holding ratio was reduced from 65.6% to 59.1%. The redemption of NTT shares (80,000 shares, 48,000 shares holding by government) and the sale of 95,2000 shares are scheduled in 1999. If this plan is carried out successfully, the government share holding ratio will be down to 53% approx.

(2) The Break-up of NTT, Adopting Holding Company Style

The break-up of NTT and adopting holding company style was executed in July 1999. As has been discussed in the past, questions arose as to the group's organization: The share holding company NTT and the NTT East and West are chartered companies, and NTT communications is a private company. The first question is whether the actual operation of the regulation against the three chartered companies may tighten the regulation. The second question is that although NTT Communications is positioned as a private company, the NTT headquarters, a chartered company, controls NTT communications completely. Under this condition, is NTT communications the private company? The third question concerns the share holding ratio for NTT DoCoMo which is currently achieving a good result and is willing to be an independent company as they are planing the acquisition of foreign companies.

(3) Reformation of Telecommunication

*Reorganization of International Telecommunications and the Acquisition of IDC

As a result of competition between NTT and C&W for the acquisition of IDC, C&W successfully bought IDC. After this, NTT and NTT DoCoMo are searching for affiliation with Euro-American companies.

*The problem concerning the connection charge

The negotiation for the reduction of the connection charge of a local call between the NTT and the U.S.A. for the purpose of dissolving the bad effect of monopolization of local calls by NTT as a condition of "Free competition".

Conversely, the NTT demands that the NTT West and East, which are responsible for the local call, to loosen the regulation.

2) Each JR company

The condition of JR after privatization is not favorable. There still remain many subjects to resolve.

(1) Settlement of JNR's liabilities after the privatization.

In autumn 1998, the liability settlement bill came into existence. The feature of this bill is to stop the expansion of the principle of the liability by clarifying the source of revenue for payment of the interest on debt and expense of pensions. For achieving the purpose mentioned here, 4 hundred billion yen from the general account will be paid for the payment of the principle of liability up to 23.5 trillion yen. However, the source of revenue for this payment which has been currently decided upon is part of the "Tobacco Special Tax" only. Therefore, it is unknown whether payment will be made in accordance with the payment plan explained here. (Nihon Keizai Shimbun, Inc. dated October 6, 1998)

(2) The position of JR in transportation

In accordance with the trends in domestic passenger transportation share by mode of transport (in passenger-kilometers) in the "Transport White Paper 1998", the percentage carried by JR has been reduced from 18.4% in 1993 to 17.5% in 1997. The percentage of private railway is also reduced from 11.3% in 1993 to 10.4% in 1997. The percentage of private passenger cars and light vehicles has increased. This apparently shows the progress of motorization.

7. The Latest Status of Privatization after 2000

1. Re-reorganization of NTT

After the US-Japan negotiation conducted in June, 2000, regarding the reduction of NTT connection fees, re-reorganization of NTT (i.e. NTT's holding company system) has been argued heatedly. NTT responded to consequent demands for connection fee reduction with a counterplan to relax regulations on the business area allotted to the two NTT local communication service corporations of the group, NTT East and NTT West, by amending the holding company law.

After the autumn of the year, related central councils of the government alternately presented report regarding the amendment of the holding company law.

First of all, the Council for Telecommunications set its project before NTT in November, 2000, including the adoption of what is called the regulation of dominant carriers, quick listing of the shares of NTT Communications, one of NTT's subsidiary companies, associated with the reduction of NTT's share ratio (currently 100%), and the reduction of the investment ratio of the NTT holding company at the NTT DoCoMo (currently 67%), another subsidiary company, by selling its shares in overseas markets. Subsequently in December, the Council presented its final finding that in case no further development of competition could be seen, the holding company should be abolished. In addition, the Regulation Reform Council also reported in December that the holding company should be abolished in order to promote competition within the NTT group. Actually these two findings insist on the abolition of the NTT holding company, aiming at promoting broader competition: competition within NTT subsidiary companies and that between the NTT group and outside telecommunications companies.

NTT is opposing the plan to abolish the holding company by presenting a three year management plan from 2001, which says that NTT will aim to promote "management that fully exploits advantages brought about by group management based on the holding company system".

With respect to this subject, this writer would like to cite two matters as follows:

The first is of governmental investment ratio to a privatized telecommunication enterprise. In Europe, for example, British Telecommunications (BT) is 0% government owned, Deutsche Telekom 57%, and France Telecom 63.3%. Under these circumstances, the present state of share possession by the Japanese government (currently 59.6%) must be paid attention to.

The second is of the holding company system. BT is also scheduled to adopt this holding company system. It appears that one of their purposes in adopting the system is easier financing by listing their shares. Conversely, BT's movements from now on must also be watched carefully in relation to arguments about the form of the NTT holding company of Japan.

Notwithstanding the fact that after having entered 2002 no remarkable moves pertaining to the holding company system have been seen, allow me to remark on two new moves relating to the communication business as follows:

First relates to the fact that the faltering businesses of the mobile phone and next-generation phone enterprises in Europe, including NTT DoCoMo, is mainly caused by massive "licensing fees" charged for entering this business in Europe, in addition to the sluggish demand for mobile phones. This deserves attention to the extent that European nations could obtain financial revenue not only by carrying out privatization but also by imposing the "licensing fee".

Second relates to the consolidation of a communication service company which belongs to the Tokyo Electric Power Company Group, and the IJ, the Internet service provider. This means that a group of electric power companies has become a counterforce against the NTT group, which may possibly lead to a final stage of reorganization of the Japanese communication industries.

2. Share Sellout by JR

The JR Law was amended in spring 2001, and three JR companies in Mainland Japan are to be fully privatized to 100%. Considering the fact, however, that the governmental authority to direct and order all JR companies has remained unchanged and that the current stock market is stagnant, the government cannot possibly sell out its stock in the short term.

According to the Transportation White Book 2000, "the share rate in transportation" of JR to private railway companies is: 17.0% in '98 and 16.9% in '99 for the JR and 10.3% in '98 and 10.1% in '99 for the private railway companies, both of which have declined.

Furthermore, the Transportation White Book 2002 also states that "the share rate for domestic passenger transportation (in passenger-kilometers)" shows that those rates leveled off in 2000 at 17.0% for the JR and 10.1% for private railway companies.

3. Privatization of Postal Services

The postal service, one of the existing four government enterprises, is scheduled to become a public corporation as "*Yu-sei Kosha* (literally Postal Corporation)" after 2003. Meanwhile, Jun'ichiro Koizumi, who is well known as an advocate of the privatization of postal services, became the Prime Minister of Japan. He originally had a concept regarding the privatization of postal service, similar to the current form of NTT having adopted the holding company system. The postal services, therefore, are attracted public attention to whether they will be privatized. In other words, public attention is focused on how the structural reform of the Koizumi Government will effect enterprises including the postal service enterprises.

In July, 2002, the Postal Service Structural Reform Law, which determined that postal services be transferred to "*Yu-sei Kosha*" after 2003, was voted through in the Diet. The future consequences resulting from this cannot be predicted.

In the U.K., Germany and France, postal services were shifted to forms of public corporation in the 90's, and subsequently to that of stock companies. It is considered that the reconstruction of Japanese postal service enterprises will have almost the same features as that of these European nations.

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Table 1 Form of Public Enterprise in Japan

Administrative Enterprise...4 operating company, local public enterprise

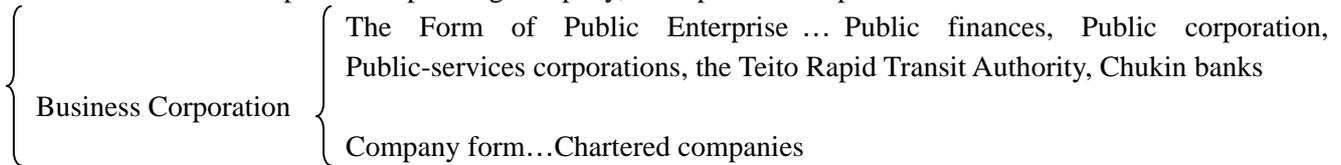
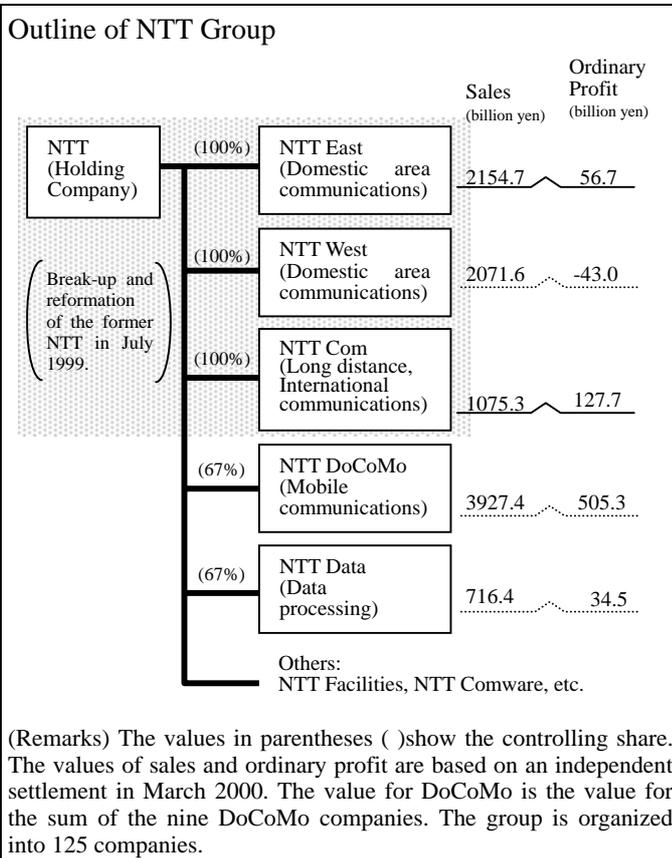


Table 2



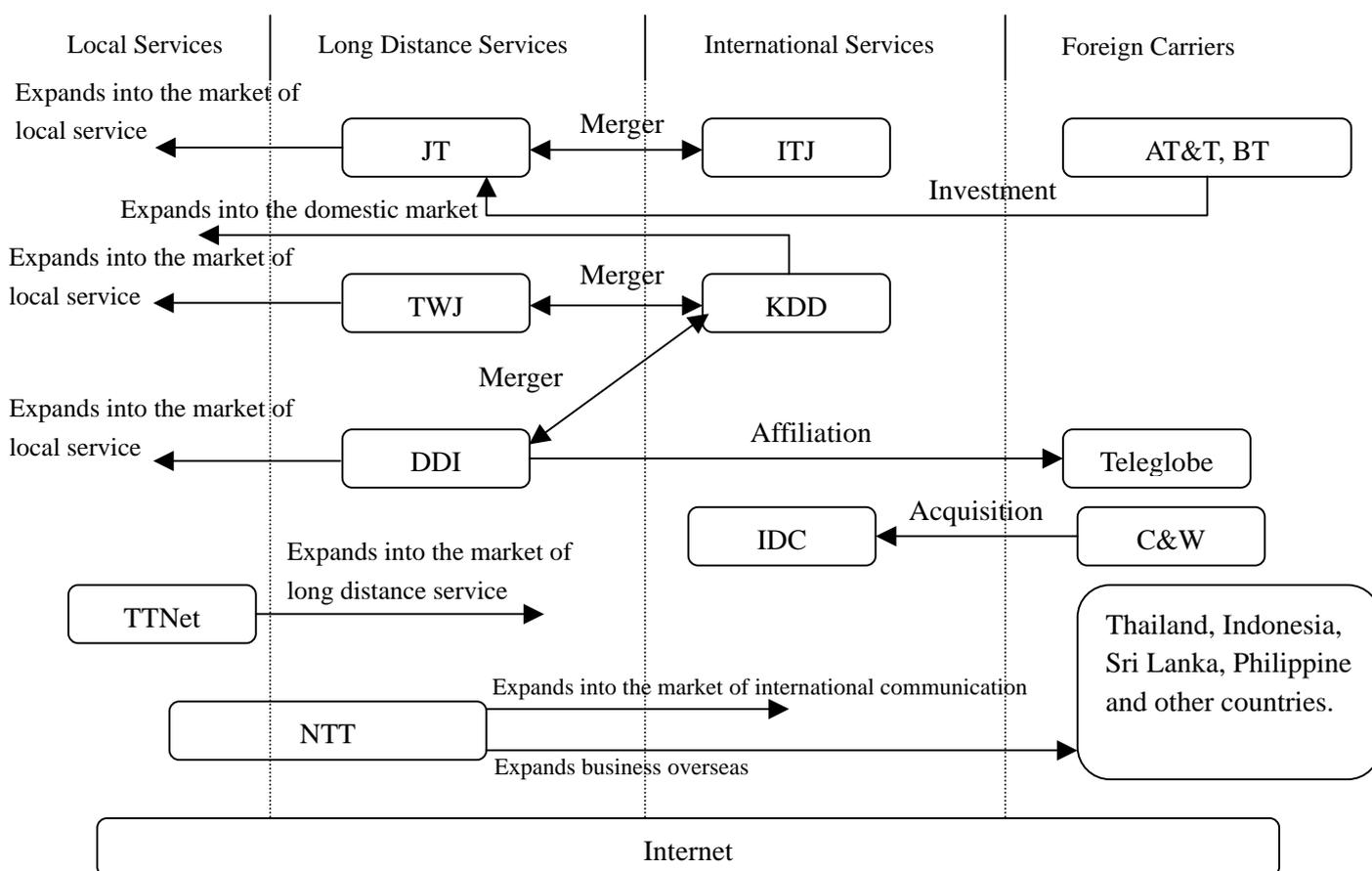
(Nihon Keizai Shimbun, Inc. dated June 1, 2000)

Table 3 Major issue about revision of NTT Law

	Expansion of the business area of NTT East and West	Provide telephone service for the same charge across Japan	Change of the management style to ensure the fair trade.
NTT	It is necessary to enter the businesses such as the mobile, long-distance, international, Internet and such to absorb the decrease in profit caused by the wide-range discount of connection charge. It is very difficult to absorb such decrease only by the management efforts.	Providing telephone service for the same charge across Japan is the cause of inefficiency of the management. It is necessary to clarify that NTT does not have a liability besides the basic telephone service.	To maintain the capital relations. To keep the 51% or higher of investment ratio for NTT DoCoMo.
Ministry of Posts and Telecommunications and new common-carrier	It is possible for NTT to enter the Internet service or such by efforts with the current status.	The NTT law does not require that all services have the same charge across Japan besides providing the telephone service for the same charge across Japan. However, we will review that only the NTT has a liability for the telephone service	The capital of each related company shall be completely divided for the purpose of abrogating the NTT law. The regulation shall be reinforced for maintaining fair trade.

(Nihon Keizai Shimbun, Inc. dated June 16, 2000)

Table 4
Trend of reorganization of the communications industry



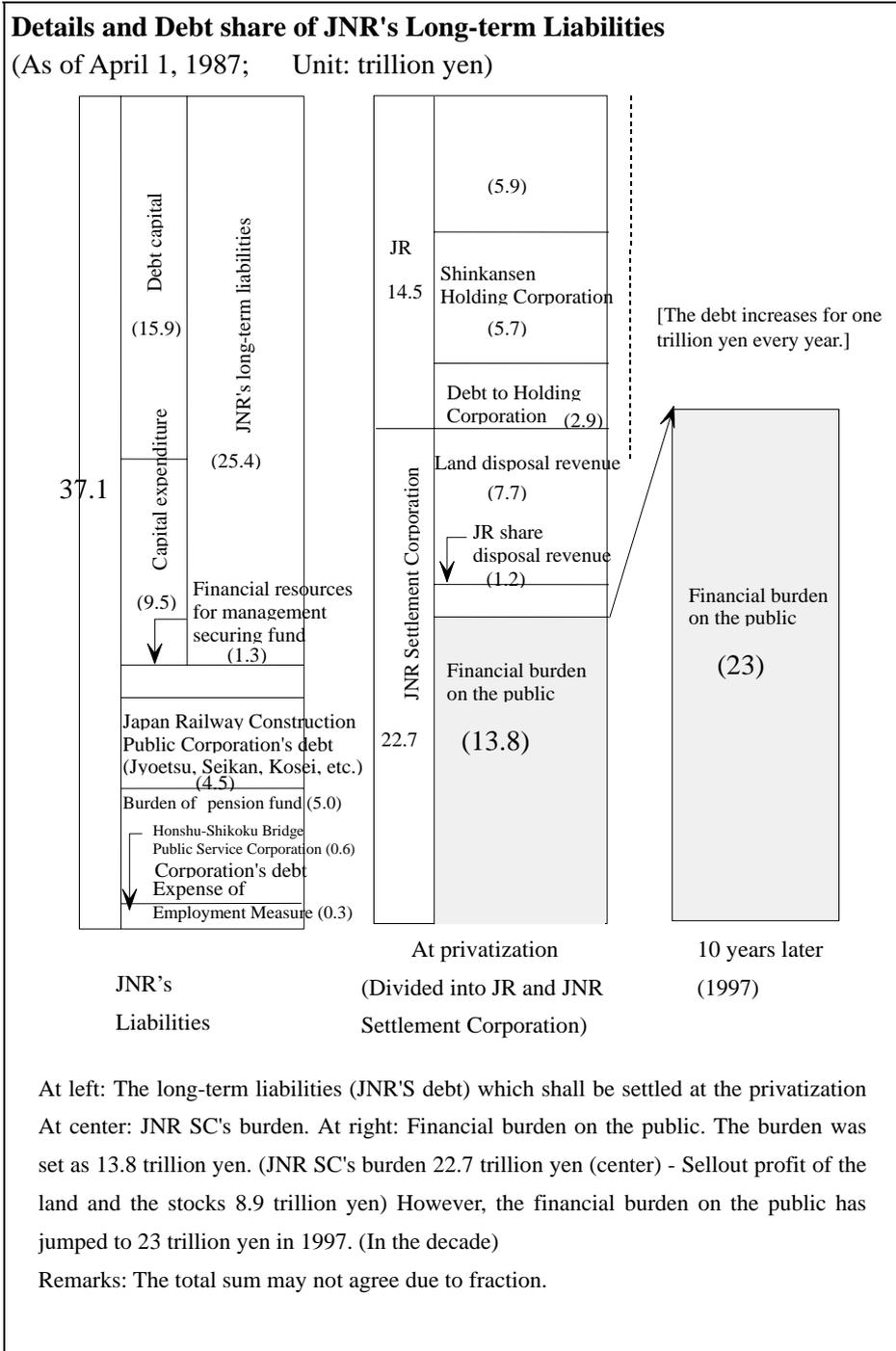
Note) New KDD that was established by a merger with TWJ and KDD is to conduct further merger with DDI and IDO.

Table 5 Governmental holding ratio for the major communications companies in the world

	NTT (Japan)	British Telecom (U.K.)	Telecom Germany (Germany)	Telecom France (France)
Issued Stocks	15,830 thousand stocks	6,470 million stocks	3,029 million stocks	1,024 million stocks
Stockholding Organization	The Ministry of Finance	(The Ministry of Finance)	The Ministry of Finance, Bank of Finance of German Reconstruction	Economic & Financing Department
Ratio of state-owned stocks	59.6%	None	57% approx.	63.6%
Ratio of state-owned stocks stipulated by laws	One-third or more	None	None	Majority

(Nihon Keizai Shimbun, Inc. dated June 30, 2000)

Table 6

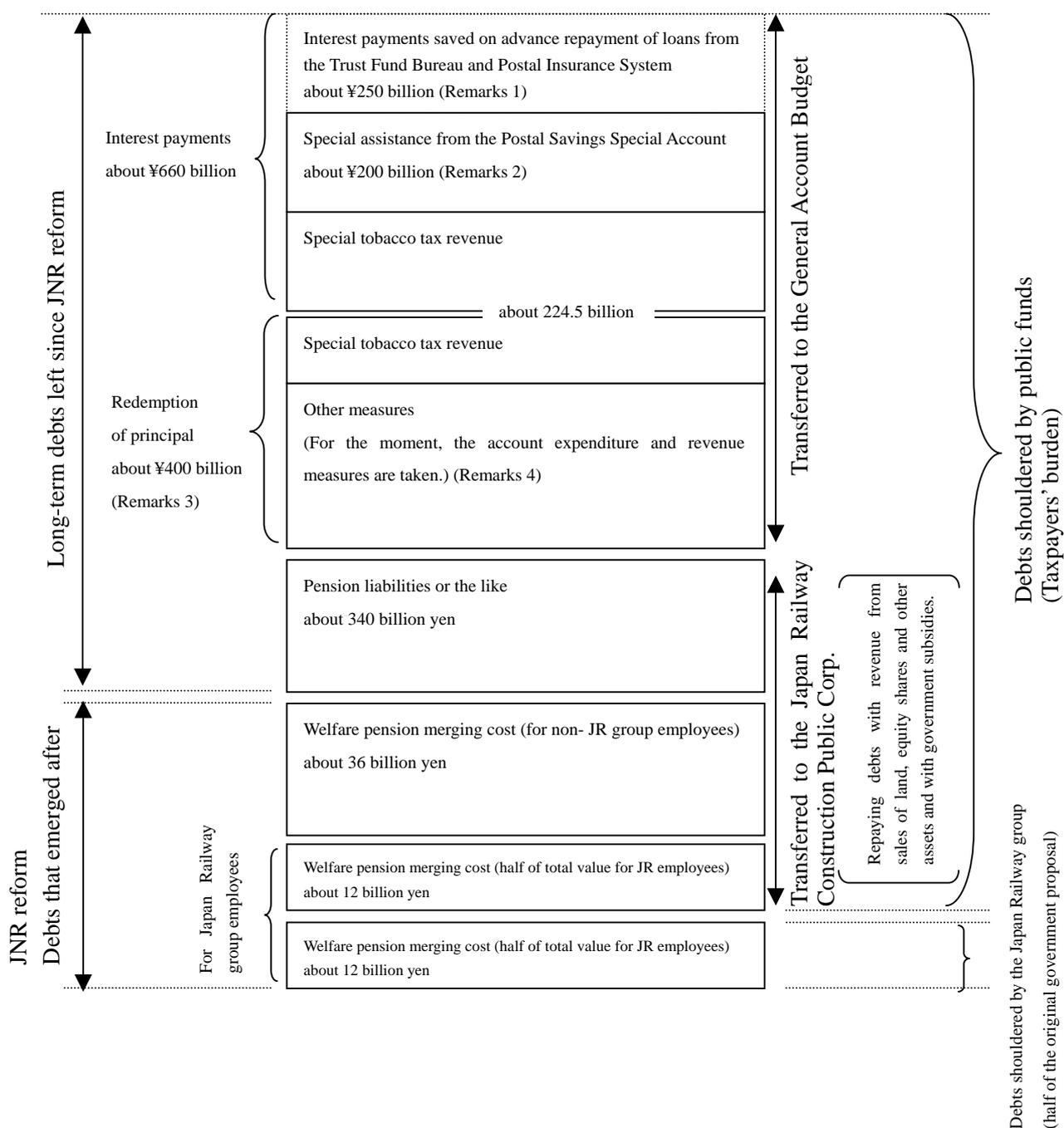


Rererence: "What should we do for JNR's debt" written by Yokota and published by Ryokufu Publishing, 1998

Table 7

Breakdown and Burden ratio of JNR Long-Term Debts (on an annual basis)

Total: ¥1,460 billion

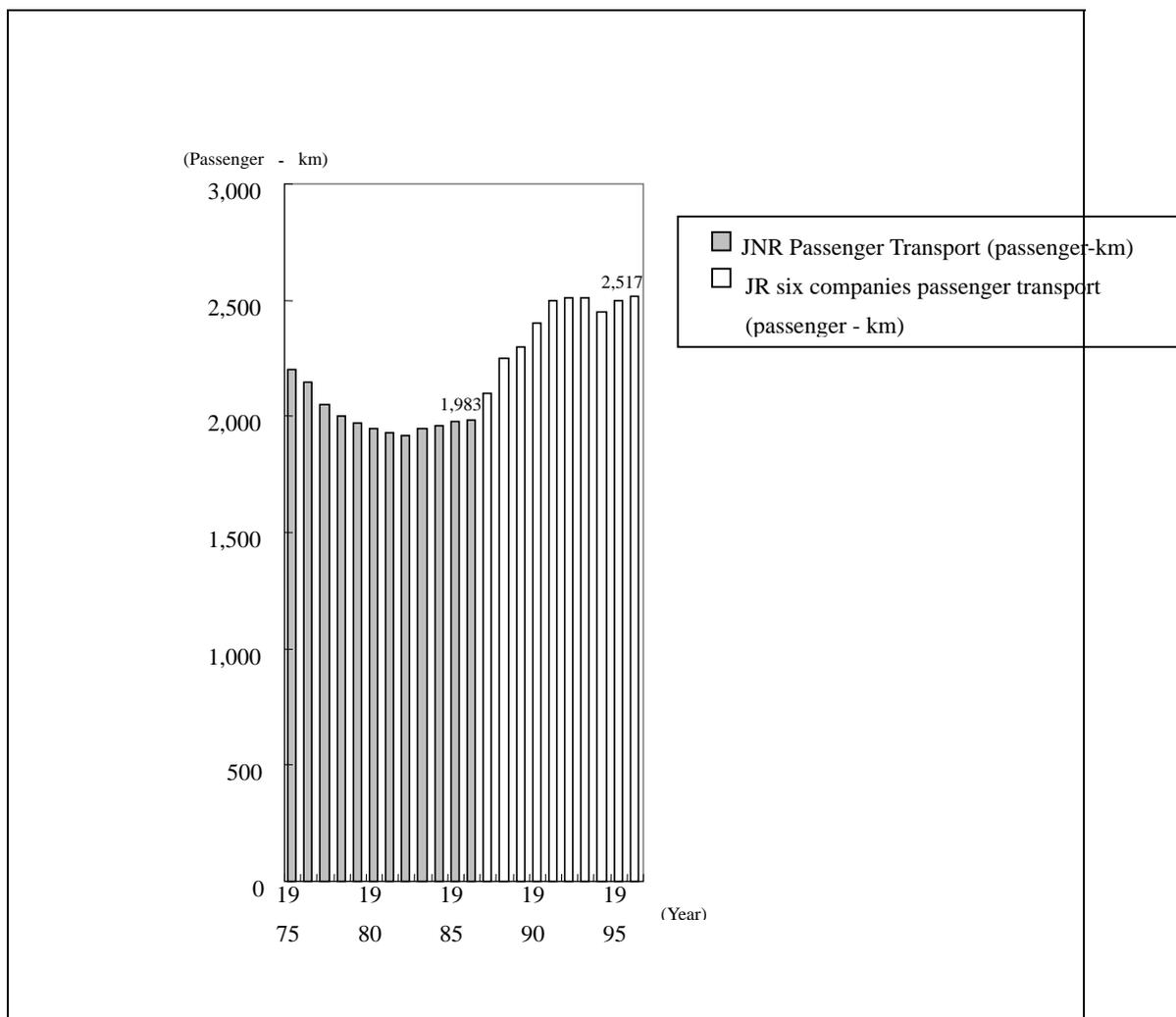


- (1) The initial year 1998, the amount is varied due to the timing and method of advance repayment of loans, and the interest rate.
- (2) For five years from FY 1998 to 2002.
- (3) The value mentioned here is the value required when the repayment is made for the interest-bearing debts (15.2 trillion yen) and interest-fee debts (8.3 trillion yen) in 60 years.
- (4) Eventually, a decline in the pension burden will provide funds in this category.

Table 8 Number of stocks and the sales result of each JR company (as of August 1999)

	Issued Stocks	Owned stocks by JNR Settlement Corporation	Stock holding percentage of JNR Settlement
JR-East	10 thousands stocks 400 (3,500 thousands stocks were sold in 1999)	10 thousands stocks 50	12.5 %
JR-West	200 (1,370 thousands stocks were sold in 1996)	63	31.5
JR-Tokai	224 (1,350 thousands stocks were sold in 1997)	89	39.7
JR-Hokkaido	18	ditto	100
JR-Shikoku	7	ditto	100
JR-Kyushu	32	ditto	100
JR-cargo	38	ditto	100
Total	919	297	32.3 %

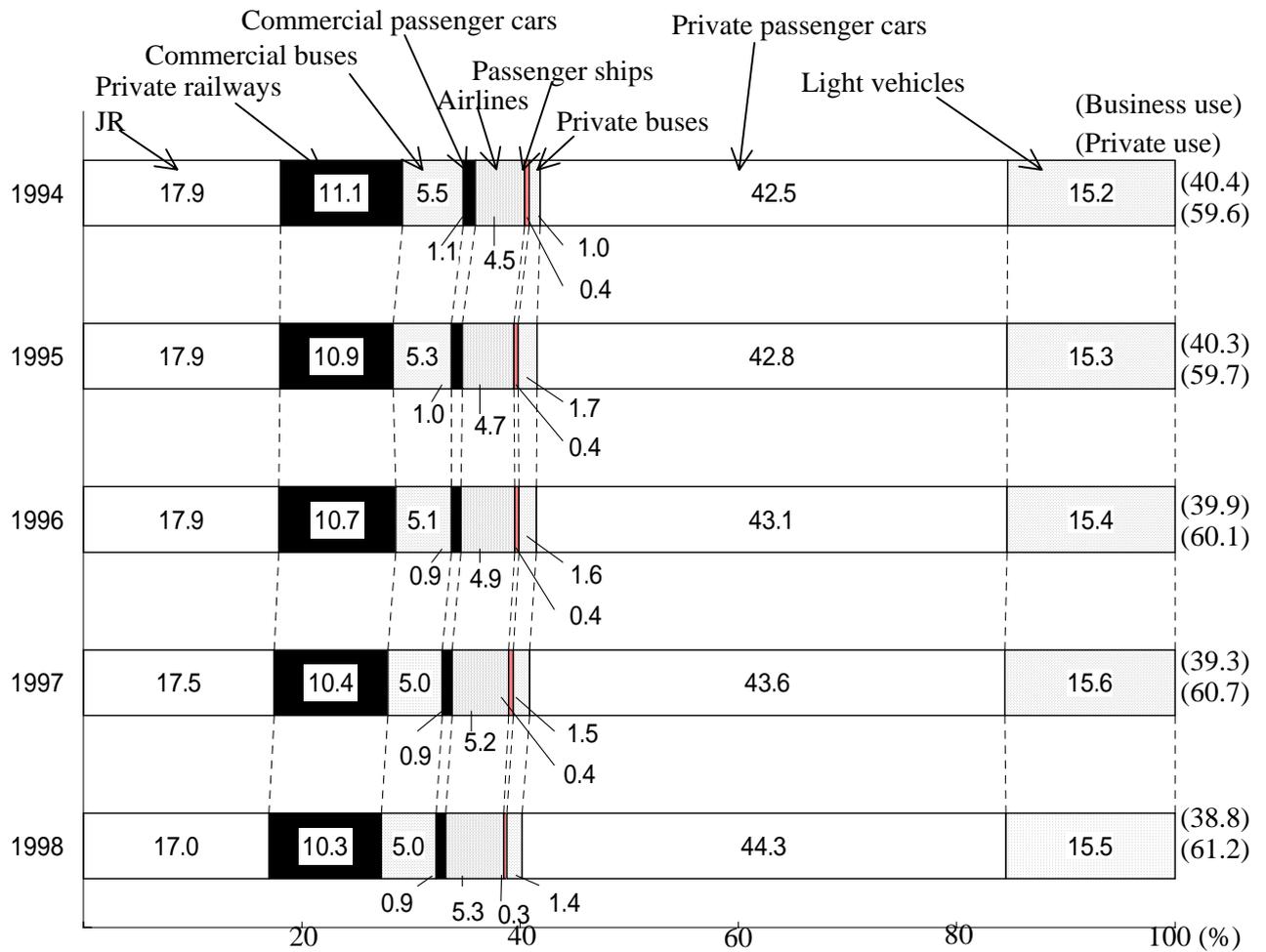
Table 9 Progress of JNR and JR six companies passenger transport



Reference : White Paper on Transportation 1997, 1999

Table 10

Trends in domestic passenger transportation share by mode of transport (in passenger-kilometers)



Note (1) Source: Ministry of Transport
 (2) Figures in percentage