

Briefing for Journalists 2004

Survey on Actual Condition and Market Size of Electronic Commerce for 2003

(Information Economy Outlook 2004)

June 11, 2004

Ministry of Economy, Trade and Industry
Electronic Commerce Promotion Council of Japan (ECOM)
NTT Data Institute of Management Consulting, Inc.



Summary

Survey Outline

Current Status of Business - Business Electronic
Commerce (B-to-B EC)

Current Status of Business - Consumer
Electronic Commerce (B-to-C EC)

Outline of Survey on Actual Condition and Market Size of Electronic Commerce for 2003

Organizations that conducted the survey and background

- Survey jointly conducted by the Ministry of Economy, Trade and Industry, Electronic Commerce Promotion Council of Japan (ECOM), and NTT Data Institute of Management Consulting, Inc.
- The survey conducted this time is the 6th survey in a series of surveys on conditions and market size related to electronic commerce that have been conducted continuously from the 1st survey in 1998.

Coverage

- B-to-B EC (Business - Business Electronic Commerce) and B-to-C EC (Business - Consumer Electronic Commerce) in Japan
- Grasp the conditions and estimate the market size (transaction amount) during the period from January 2003 to December 2003.

Method of the survey and analysis

- Mail questionnaires and interviews with e-commerce operators, e-commerce support businesses, and other enterprises from various industry segments from January 2004 to May 2004
- With regard to B-to-B, an analysis was made based on the information gained from 908 effectively answered questionnaires (sales: 459, procurement: 449) and 143 interviews (field interview: 58, telephone/mail interview: 85).
- With regard to B-to-C, an analysis was made based on the information gained from 651 effectively answered questionnaires and 434 interviews (field interview: 43, telephone/mail interview: 391).
- In estimating the current market size, reference was also made to the information related to e-commerce from the Survey on Information Processing Conditions (B-to-B: 2,310 companies, B-to-C: 182 companies) and information which has become publicly known.

Characteristics of this survey

- Thorough accumulation of EC transaction amounts on an individual company basis based on the investigation of situations of individual companies
- Recognizing conventional EDI including VANs and leased lines in B-to-B EC as “EC in a broad sense” separately
- Thorough investigation of situations of B-to-C EC in local companies and small-scale firms

B-to-B EC: Summary of Survey Results

- The size of the B-to-B EC market expanded to 77.432 trillion yen in 2003, an increase of 67.2% from the previous year's 46.307 trillion yen.
 - The conventional segments of e-commerce such as Automotive, Electronics and Information-related Devices further expanded and still account for a large part.
 - The Insurance Service, Construction, Food, Iron/Non-ferrous Metals/Raw Materials segments more than quadrupled compared to the previous survey, with all segments having smaller differences in market ratio.
- The market size of "EC in a broad sense" including VANs and leased lines without using Internet technology reached 157.103 trillion yen on a proven basis.
- The estimated size of the e-marketplace market is worth 7.889 trillion yen in 2003.
 - The Electronics and Information-related Devices segment still accounts for a large part.
 - Currently, transactions at e-marketplaces represent about 10% of B-to-B EC.
- The size of the B-to-B EC market expanded to 77.435 trillion yen in 2003, or to about 9 times in size, from 8.62 trillion yen as of 1998 when the first survey on the size of the EC market was conducted, which has satisfied the goal of the e-Japan Priority Policy Program, to "largely surpass the market size of approximately 70 trillion yen."

B-to-C EC: Summary of Survey Results

- The size of the B-to-C EC market in 2003 reached 4.424 trillion yen, a substantial increase of 64.8% from the 2002 figure of 2.685 trillion yen.
 - Although not quite reaching the projection in the previous survey, the result represents a steady growth trend.
 - The segments of Various Services, Real Estate, Travel, Entertainment, etc. have grown significantly, contributing to the expansion of the EC market.
 - Meanwhile, growth appears to be stabilized for the segments of PC/Related Goods and Automotive in terms of value.
- The B-to-C market using mobile terminals expanded to 777 billion yen from the previous year's 321 billion yen.
 - The market has been increasing steadily just like last year because new contents for entertainment designed for cellular phones (ex. "Chaku-uta," songs to announce the arrival of mails, etc.) were supported by consumers, in addition to conventional "Chaku-melo," melodies to announce the arrival of mails.
 - In the merchandizing categories such as Books and Music, Hobbies/Sundries/Furniture, Clothing/Accessories, etc, mobile terminals became one of the established purchasing channels.
 - Internet voting for public tournaments using mobile terminals are newly captured this year.
- The size of the B-to-C EC market expanded to 4.424 trillion yen in 2003, or to about 69 times in size, from 64.5 billion yen as of 1998 when the first survey on the size of the EC market was conducted, which has satisfied the goal of the e-Japan Priority Policy Program, "largely surpass the market size of approximately 3 trillion yen."

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Definition of e-commerce

This survey adopts the same definition as in the past for e-commerce as commercial transactions using Internet technology, and the transaction amount related to purchase/sales orders is captured. With regard to B-to-C segments of automotive and real estate, the amount for activities that have clear contributions to sales is counted in.

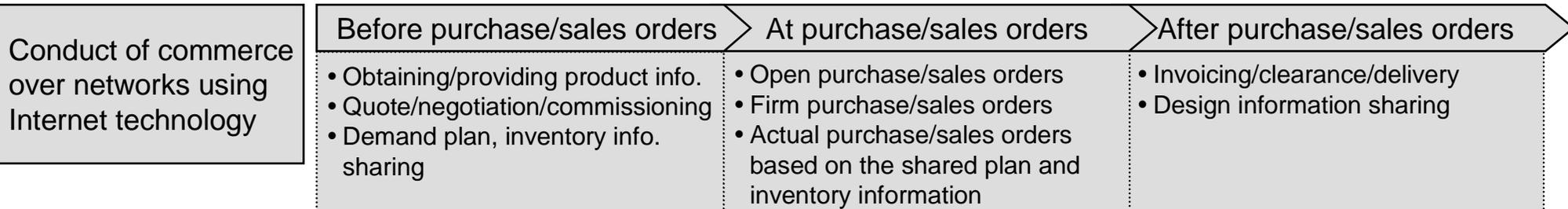
Definition of e-commerce in this survey

- *E-commerce represents the “conduct of commerce”^{*2} through computer network systems using Internet technology^{*1}, the transactional values of which can be identified^{*3}.*

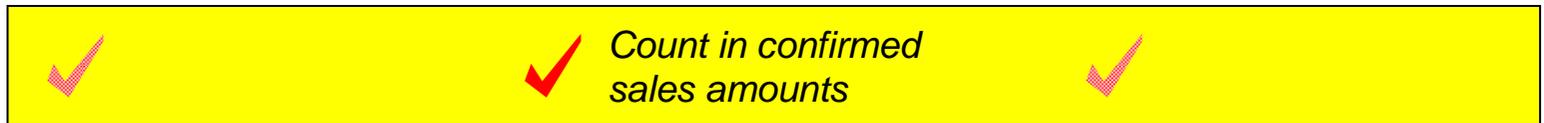
**1: “Internet technology” represents those using TCP/IP protocols. Network lines include the Internet, Internet VPN, and dedicated IP lines. (Purchase/sales orders made by exchanging irregular mails are excluded.)*

**2: “Conduct of commerce” represents the exchange of goods, services, information, and money between suppliers and buyers, associated with the commercial transfer of assets between economic units.*

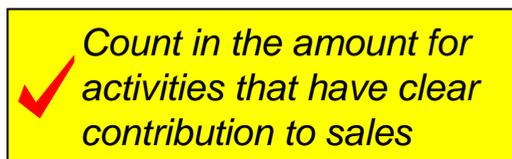
**3: Giving quotations, providing information, and other pre-order activities are included as “conduct of commerce,” as long as it is clearly identified that the conduct has led to purchase/sales orders.*



E-commerce with general order requirements



E-commerce in pre-order processes (B-to-C segments of automotive and real estate)



Explanatory note

✓ : Always count in ✓ : Count in as appropriate

Definition of e-commerce in a broad sense

In this survey, in addition to conventional EC, commercial transactions without using Internet technology are also defined as “E-Commerce (EC) in a broad sense” and the market size was estimated.

Definition of E-Commerce (EC) in a broad sense

E-commerce in a broad sense represents the “conduct of commerce” through computer network systems, the transactional values of which can be identified

- *Use of Internet technology is not required*
- *The same definition of “conduct of commerce” as conventional EC is applied*

Relationship between EC and “EC in a broad sense”

EC in a broad sense (using computer networks)

Non TCP/IP-based conventional EDI including VANs and dedicated lines is used

Non TCP/IP-based satellite communication, broadcasting and ISDN are used

EC
Networks using Internet technology (TCP/IP) are used

IP-VPN and industry-dedicated IP networks (JNX, etc.) are used

Public Internet (including Internet VPN) is used

Simple mail exchange is excluded.

Scope of the survey

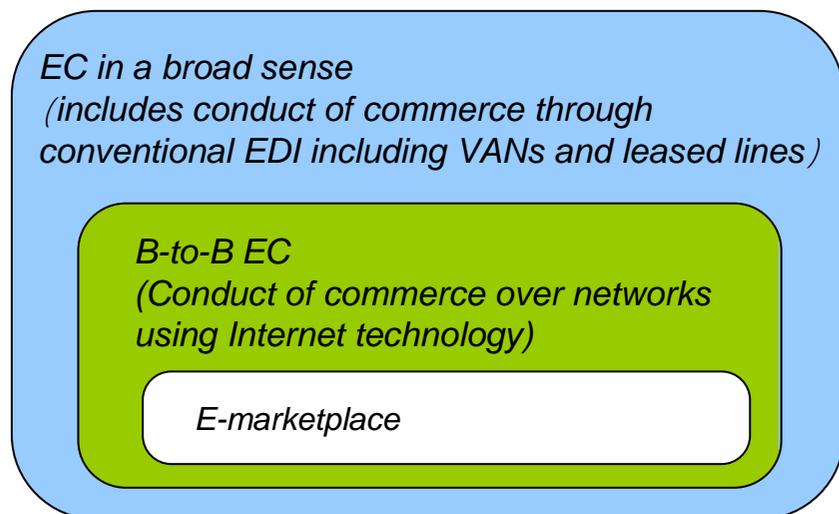
In B-to-B e-commerce, after newly defining “EC in a broad sense,” e-marketplaces were singled out in the same way as last year. In B-to-C, the segments of automotive, real estate and mobile e-commerce are singled out from among the entire segments.

B-to-B EC

B-to-B EC:

Businesses/government bodies pay businesses in exchange for commodities (goods, services, information, etc.)

- E-marketplace: B-to-B e-commerce on platforms used by multiple selling/buying enterprises (Detailed definition is provided later.)



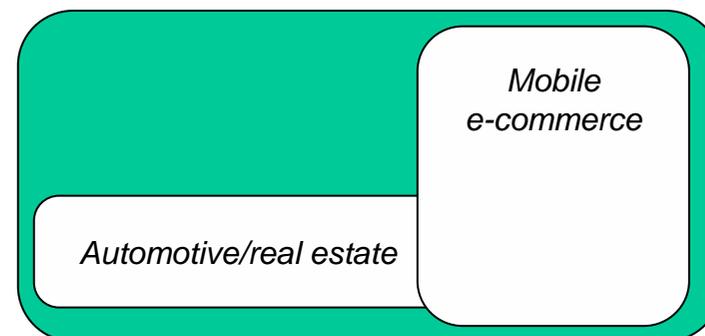
B-to-C EC

B-to-C EC:

Households pay businesses in exchange for commodities (goods, services, information, etc.)

- E-commerce involving pre-order stages (quotes, commissioning, etc.) for automotive, real estate, etc.
- Mobile e-commerce: B-to-C e-commerce using mobile terminals (Detailed definition is provided later.)

Overall B-to-C EC market (all goods and services)



Note 1: Of direct online sales of PCs, travel, etc., those which are deemed as household spending are figured into B-to-C in principle. PC sales and business travel spending are counted into B-to-B.

Note 2: Provision of information in pre-order stages on automotive (excluding automobile parts and car accessories) and real estate – requests for documents and quotation are made through the Internet. When they contribute to sales at real stores, count in the sales amounts confirmed.

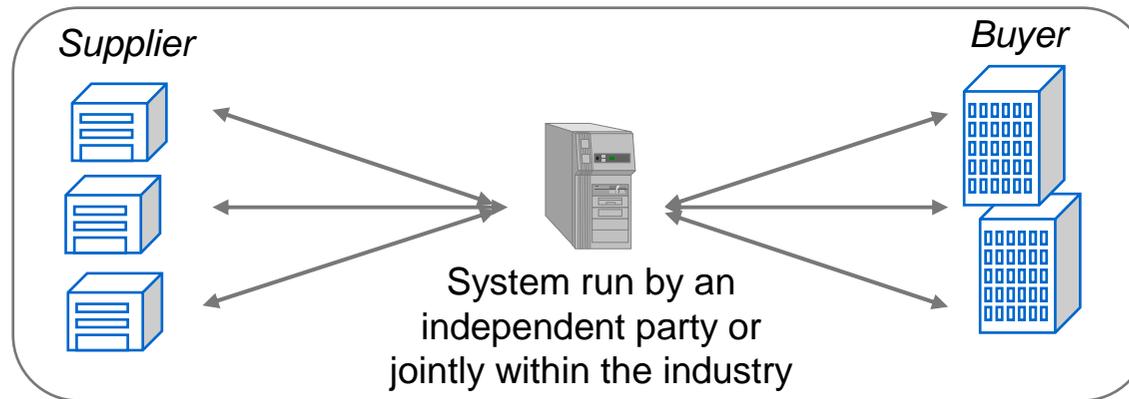
Definition of e-marketplace

In this survey, an e-marketplace is defined as a “common platform system for open electronic commerce, based on Internet technology, participated in by multiple buyers and suppliers.”

E-marketplace in this survey

M:N (e-marketplace)

Business platform shared among multiple buyers and suppliers for procurement and sales



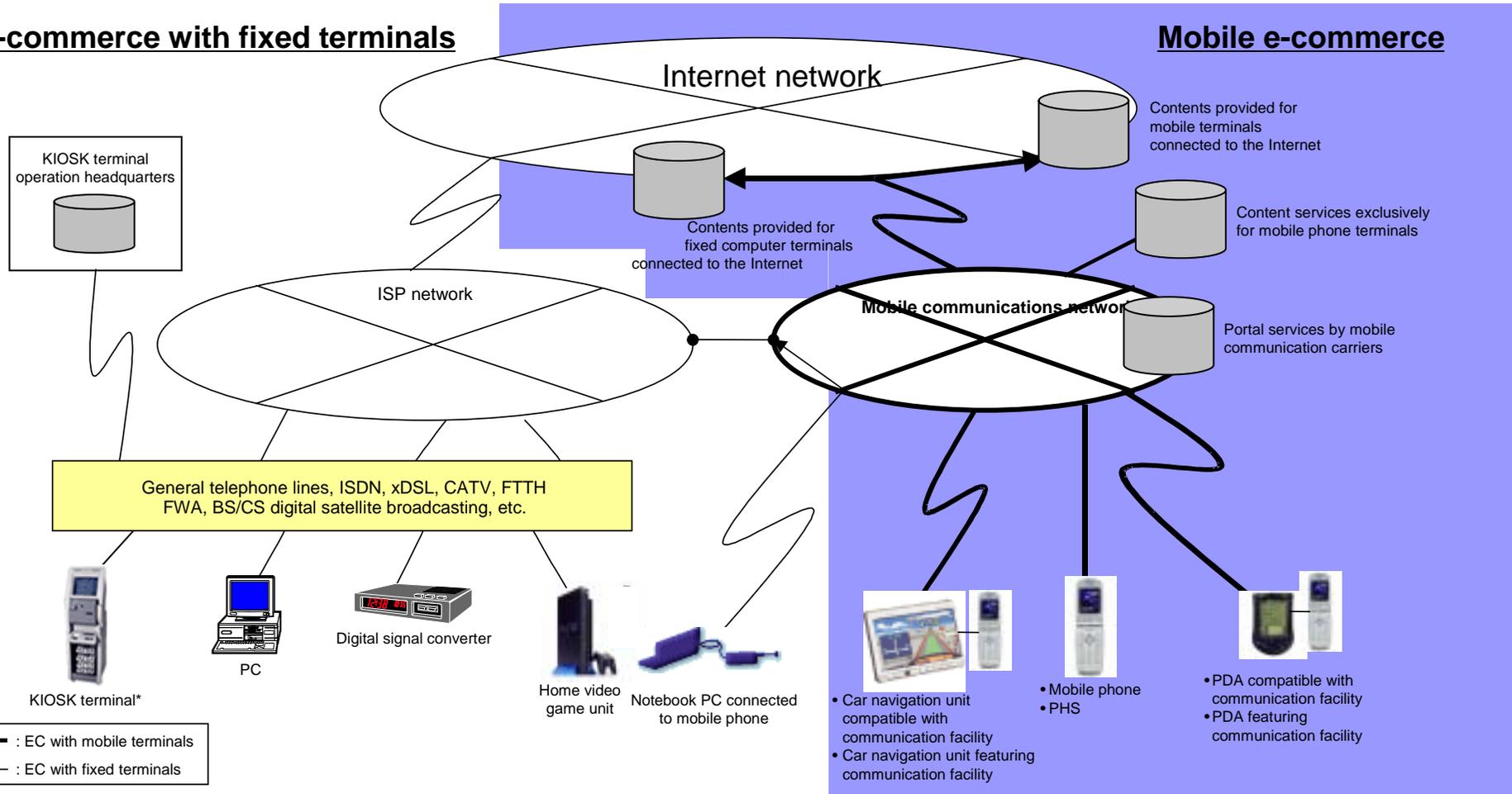
- Must be used by multiple suppliers and buyers
 - Regardless of whether the number of participants is large or small
- Must be open for prospective participants
 - Allowing both suppliers and buyers to participate freely

Definition of Mobile e-commerce

In this survey, mobile e-commerce is defined as e-commerce in which e-commerce transactions are performed via mobile equipment (cellular phones, PHS's, PDA units compatible with (featuring) communication facility, car navigation units compatible with communication facility, etc.) used outside the home.

E-commerce with fixed terminals

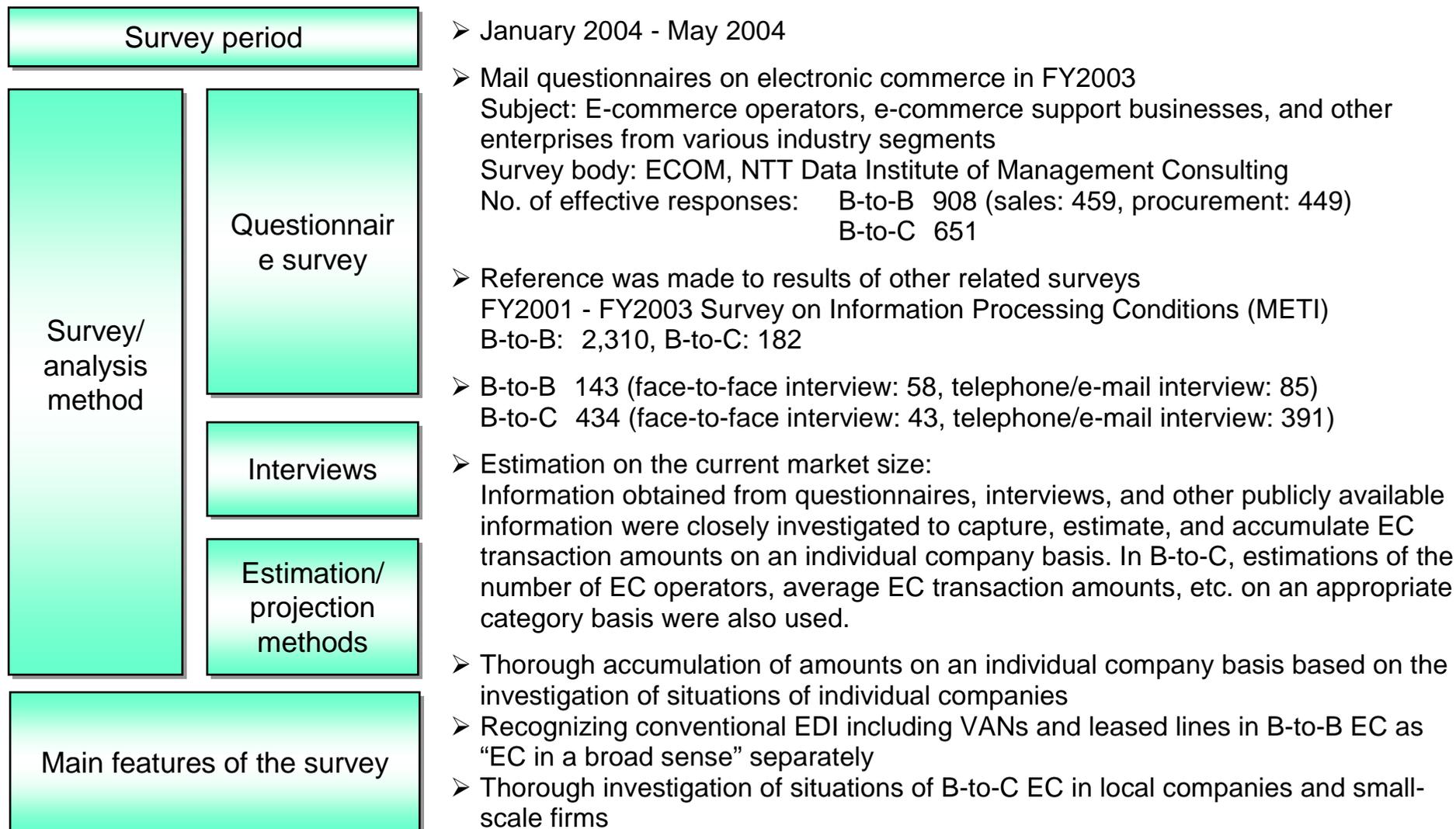
Mobile e-commerce



* : Reservation and sales of tickets and lodging reservation through KIOSK terminals installed at convenience stores, etc. are included in the category of e-commerce with fixed terminals.

Survey/analysis methods

Information obtained from questionnaires and interviews was closely investigated to capture and estimate correct EC transaction amounts on an individual company basis in the best way possible. The current size of the EC market was estimated based on the accumulated figures by segment.



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Current Status of Business - Business Electronic
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B-to-B EC: Industry segments subject to the survey

The number of segments in 2003 survey is different from those in the previous ones: Financial Services and Insurance Services were separated into different segments in 2003, and the number of segments has been expanded to 46.

Segment	Sub-segments
Food	Primary agricultural produce, primary fishery produce, food products, beverages, tobacco
Textile/Sundry Goods	Textile/apparel products, timber/wood products/furniture, cosmetics/toiletry goods, leather products
Chemical Products	Oil/rubber products, chemical/plastic products, medical/pharmaceutical products, ceramic/earth/stone ware
Iron/Nonferrous/Raw Materials	Primary forestry produce, primary mining produce, steel products, nonferrous products
Industrial/Precision Machinery	General machinery/tools, industrial electrical appliances, non-automotive transportation machinery, precision machinery, other products
Electronic/Information Products	Home electrical appliances, electronic/communications equipment other than computer-related devices, computer-related devices
Automotive	Four-wheel vehicles, motorcycles, automobile parts, etc.
Construction	Construction, civil engineering
Paper/Office Products	Paper/processed paper products, pulp, office products
Utility Related Services	Electricity/gas/water related services
Financial Services	Financial services (bank/securities/clearance services)
Insurance Services	Insurance services (life/non-life insurances)
Transportation/Travel Services	Transportation/travel services (land/marine/air transportation, air cargo, warehousing, travel arrangement, tourism, etc.)
Communications/Broadcasting Services	Communications services (telephone, hosting services, cashing services, etc.), broadcasting services (TV, radio, CATV, etc.)
Information Processing/Software-related Services	Data processing/providing, software-related services
Other Services	Publishing/printing, education, medical/public health/welfare, advertising, real estate related, leasing, professional services, temporary staff dispatch, entertainment services, other services

* Financial Services and Insurance Services were separated into two segments in 2003.

Note: Except for Financial Services, purchase amounts paid by companies in each segment are counted in EC. As for Financial Services, charges are counted in the segment of Bank/Securities, and contract amounts are counted in the segment of Insurance.

B-to-B EC: Market size in 2003: Overall picture

The B-to-B EC market has expanded to 77.432 trillion yen in 2003. In terms of growth rate, the Insurance Service, Construction, Food, and Iron/Non-ferrous Metals/Raw Materials segments grew more than four-fold compared to the previous survey. The market size of “EC in a broad sense” captured in this survey was 157.103 trillion yen.

B-to-B EC market size in 2003

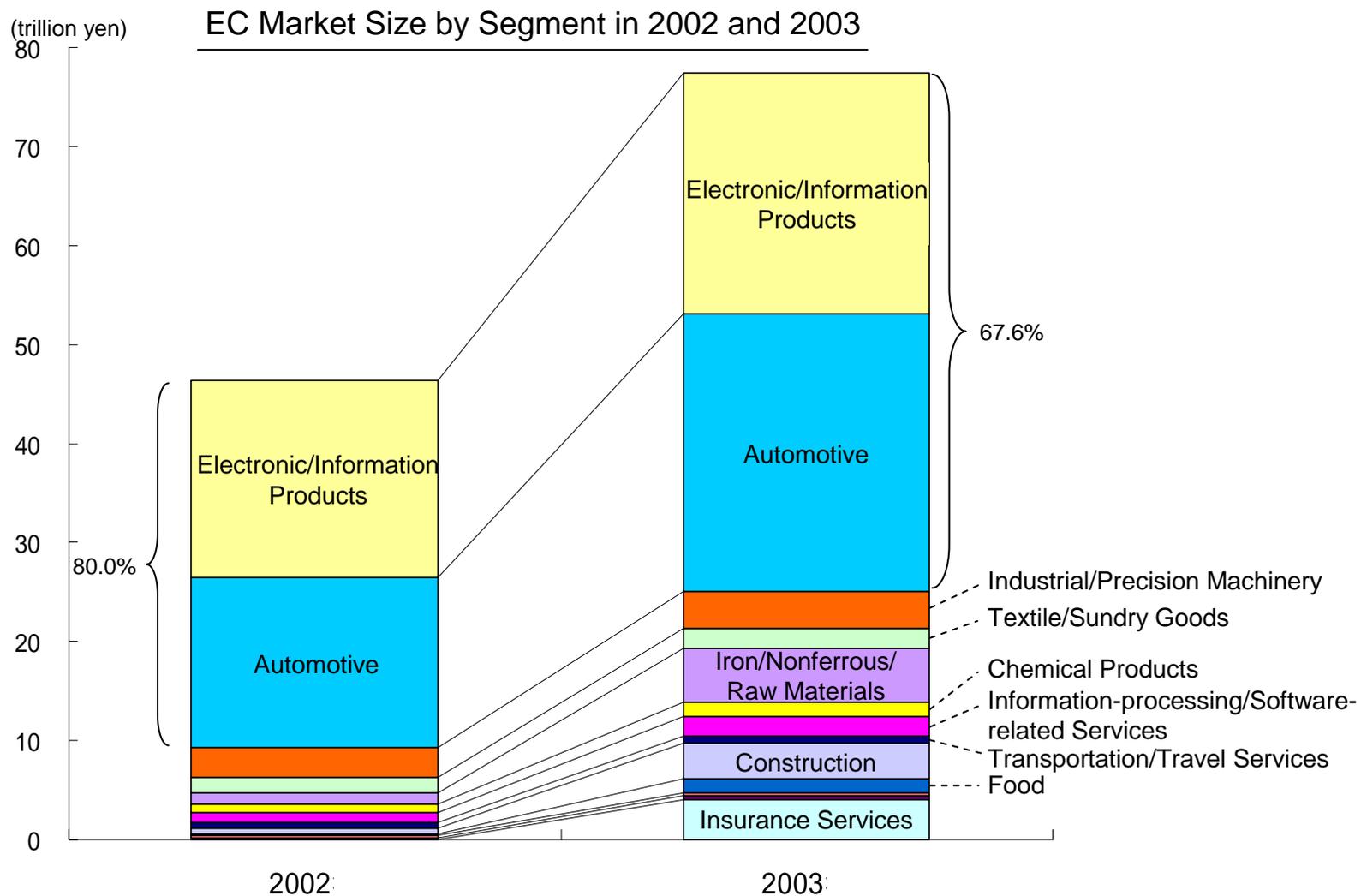
Segment	Previous Survey (2002)		Current Survey (2003)				
	Market size (100 million yen)	% EC Rate*	Market size (100 million yen)	Year-to-year comparison	% EC Rate*	Broadly-defined EC market size (100 million yen)	Broadly-defined % EC Rate*
Food	2,200	0.4%	14,030	637.7%	2.4%	240,670	40.8%
Textile/Sundry Goods	15,380	4.7%	20,660	134.3%	6.2%	108,380	32.6%
Chemical products	9,500	1.7%	14,300	150.5%	2.5%	101,010	18.0%
Iron/Nonferrous/Raw Materials	11,200	2.9%	53,670	479.2%	13.5%	71,300	17.9%
Industrial/Precision Machinery	30,080	6.3%	37,360	124.2%	7.5%	101,130	20.4%
Electronic/Information Products	197,730	38.0%	242,940	122.9%	45.3%	316,070	59.0%
Automotive	172,540	36.2%	280,490	162.6%	57.6%	349,860	71.8%
Construction	5,350	0.6%	35,490	663.4%	4.1%	35,490	4.1%
Paper/Office Products	1,970	1.0%	4,900	248.7%	2.6%	42,310	22.1%
Utility-related Services	0	0.0%	0	-	0.0%	0	0.0%
Financial Services	40	0.01%	0	98350.0%	0.0%	13,210	4.1%
Insurance Services			39,340		12.0%	91,440	27.8%
Transportation/Travel Services	5,600	2.2%	7,670	137.0%	3.0%	46,030	17.8%
Communications/Broadcasting Services	0	0.0%	130	-	0.1%	1,580	1.3%
Information-processing/Software-related services	9,300	9.3%	20,090	216.0%	20.1%	32,220	32.2%
Other services	2,180	0.2%	3,250	149.1%	0.3%	20,330	1.8%
Total	463,070	7.1%	774,320	167.2%	11.2%	1571,030	22.8%

 Segments that increased to more than 400% of the previous year

* The EC rate represents the proportion of e-commerce against the total of interim demands and final demands for the applicable segment.
The EC rate figures for the previous survey have been adjusted based on the latest SNA I/O table. 13

B-to-B EC: Transition of segment distribution

Seen by the segment, the share of the Automotive and Electronics and Information-related Devices segments, which had been over 80% of the market of B-to-B EC until the previous year dropped below 70% for the first time due to expansion of other segments. The Insurance Service, Construction, Food, and Iron/Non-ferrous Metals/Raw Materials segments grew to more than four times the levels of the previous survey.



B-to-B EC: Market size of e-marketplaces in 2003

The market size of e-marketplaces reached 7.889 trillion yen in 2003, an increase of 67.2% from the 2002 figure of 4.717 trillion yen, led by substantial growth of the Electronic/Information Products segment.

Segment	2003 (100 million yen)
Food	690
Textile/Sundry Goods	6,720
Chemical Products	0
Iron/Nonferrous/Raw Materials	0
Industrial/Precision Machinery	5,220
Electronic/Information Products	59,500
Automotive	1,850
Construction	110
Paper/Office Products	3,650
Utility related Services	0
Financial Services	0
Insurance Services	0
Transportation/Travel Services	1,150
Communications/Broadcasting Services	0
Information-processing/Software-related Services	0
Other Services	0
Total	78,890

Other Services include services in publishing/printing, education, medical/public health/welfare, advertising, real-estate-related, leasing, professional, temporary staff dispatch, entertainment, and other services.

B-to-B EC: Trends and characteristics in 2003 (1)

The segments of Iron/Non-ferrous Metals/Raw Materials (5.367 trillion yen) and Food (1.403 trillion yen) showed conspicuous growth from the previous year. The following backgrounds greatly contributed to the growth: in the former segment, transactions between major blast/electric furnace steel manufacturers and specialized/general trading companies based on conventional EDI were shifted to those based on Internet technology due to completion of standardized transaction systems by major trading companies, and in the latter segment, EC transactions by leading wholesalers were captured.

Segment	B-to-B EC market size (hundred million yen) <small>(Figures in parentheses show the market size of "EC in a broad sense")</small>	Major characteristics and backgrounds
Food	14,030 (240,670) [y/y: 637.7%]	<ul style="list-style-type: none"> • Use of Internet technology mainly by leading wholesalers was captured • In retail businesses, conventional EDI is still dominant. Procurement of food products using EC by some department stores was confirmed. The Internet is becoming more used by medium-sized retailers.
Textile/Sundry Goods	20,660 (108,380) [y/y: 134.3%]	<ul style="list-style-type: none"> • Although the usage rate of "EC in a broad sense" in transactions between makers and wholesalers of cosmetics and sundry goods is high, they are mainly conducted using conventional VANs. An increasing number of leading wholesalers are using TCP/IP services provided by VAN lines companies.
Chemical Products	14,300 (101,010) [y/y: 150.5%]	<ul style="list-style-type: none"> • An increasing number of leading pharmaceutical wholesalers are using the Internet in transactions with small and medium-sized companies and sale of coating materials.
Iron/Nonferrous/Raw Materials	53,670 (71,300) [y/y: 479.2%]	<ul style="list-style-type: none"> • Standardization and sharing of systems between major blast/electric furnace steel manufacturers and specialized/general trading companies advanced, and conventional EDI-based transactions shifted to those based on Internet technology.
Industrial/Precision Machinery	37,360 (101,130) [y/y: 124.2%]	<ul style="list-style-type: none"> • Use of EC in procurement and sale by major precision equipment manufacturers is steadily increasing. • Use of EC in the aircraft industry and construction machinery industry was captured.

B-to-B EC: Trends and characteristics in 2003 (2)

The segments of Automotive and Electronic/Information Products still have a large market size, 28.049 trillion yen and 24.294 trillion yen, respectively. The Construction segment market grew to 3.549 trillion yen. In the Automotive segment, industry-wide efforts to tackle e-commerce including sales companies and affiliated parts manufacturers were captured. The Construction segment greatly expanded due to advancement in EC procurement by major general contractors and electronic government procurement.

Segment	B-to-B EC market size (hundred million yen) <small>(Figures in parentheses show the market size of "EC in a broad sense")</small>	Major characteristics and backgrounds
Electronic/Information Products	242,940 (316,070) [y/y: 122.9%]	<ul style="list-style-type: none"> • The field of home electrical appliances, computer-related devices, and other electronic/communications equipment is one of the most advanced domestic fields in e-commercialization. • Transactions through the Internet, spread of e-commerce to small and medium-sized customers, and advanced cases in which global transactions are made on the e-commerce basis can be observed.
Automotive	280,490 (349,870) [y/y: 162.6%]	<ul style="list-style-type: none"> • Sale of new cars by automobile manufacturers to affiliated sales companies on the e-commerce basis reached approximately 9.5 trillion yen. • E-commerce-based procurement by first-tier components makers from second-tier components makers was confirmed, and industry-wide efforts to tackle e-commerce are being made. • E-commercialization has substantially advanced in undertaking and order placement related to construction projects and procurement of facilities by major general contractors.
Construction	35,490 (35,490) [y/y: 663.4%]	<ul style="list-style-type: none"> • The market expanded steadily mainly due to electronic bidding started by some government agencies such as the Land, Infrastructure and Transportation Ministry.
Paper/Office Products	4,900 (42,310) [y/y: 248.7%]	<ul style="list-style-type: none"> • E-commerce based procurement of office products in central purchasing by major companies still accounts for a large portion.
Utility related Services	0 (0) [y/y: -]	<ul style="list-style-type: none"> • E-commerce based transactions in utility-related services have not been confirmed. Use of TCP/IP in power allocation transactions among electric power companies has not progressed yet.

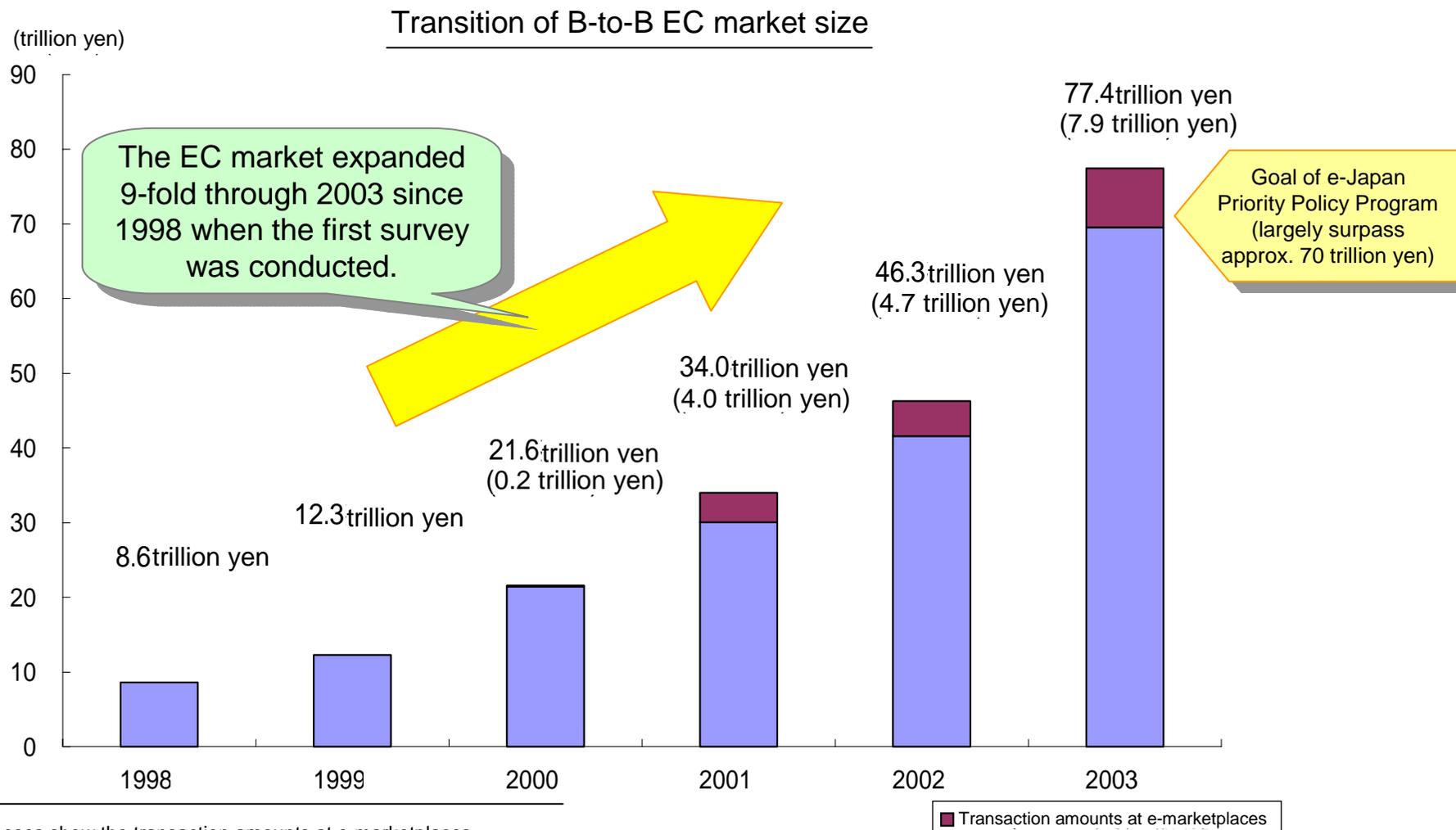
B-to-B EC: Trends and characteristics in 2003 (3)

As for service-related segments, the segments of Insurance Services and Information-processing/Software-related Services made substantial progress in e-commercialization, and their markets expanded to 3.934 trillion yen and 2.009 trillion yen, respectively. In the former segment, conventional EDI has been replaced by the Internet, and lowering of the threshold of EDI utilization contributed to both the spread of e-commerce and promotion of efficiency in business. In the latter segment, orders placed by major vendors on the e-commerce basis were captured.

Segment	B-to-B EC market size (hundred million yen)		Major characteristics and backgrounds
	(Figures in parentheses show the market size of "EC in a broad sense")		
Financial Services	0	(13,210)	<ul style="list-style-type: none"> Internet banking, etc. are actually conducted, however, the specific amount of e-commerce based transactions could not be confirmed, and the value has not been counted in.
Insurance Services	39,340	(91,440)	<ul style="list-style-type: none"> Major non-life insurance companies renovated their insurance agent systems based on the conventional EDI and developed new systems based on Internet networks, and e-commercialization was substantially improved.
	[y/y: 98350.0% (Financial/Insurance services)]		
Transportation/Travel Services	7,670	(46,030)	<ul style="list-style-type: none"> E-commerce-based sales by major travel agencies were captured. Major railway and airline companies developed seat reservation systems using IP networks. Use of direct travel ticket sales sites by corporate customers increased.
	[y/y: 137.0%]		
Communications/Broadcasting Services	130	(1,580)	<ul style="list-style-type: none"> Although resale of lines is conducted on an "EC in a broad sense" basis, progress in the use of TCP/IP has not been confirmed.
	[y/y: -]		
Information-processing/Software-related Services	20,090	(32,220)	<ul style="list-style-type: none"> The growth is mainly due to purchase orders of outsourced software on the e-commerce basis by computer makers and system integrators.
	[y/y: 216.0%]		
Other Services	3,250	(20,330)	<ul style="list-style-type: none"> E-commerce-based transactions by advertising services and temporary staff dispatching services were confirmed.
	[y/y: 149.1]		

B-to-B EC: Transition of market size

This market has been growing at a fairly uniform growth rate of 50 to 60% every year since 1998 when the first survey on this market was conducted, and has expanded 9-fold from 8.62 trillion yen as of 1998 in the past five years. As a result, the goal of the “e-Japan Priority Policy Program,” to “largely surpass the market size of 70 trillion yen,” was achieved.

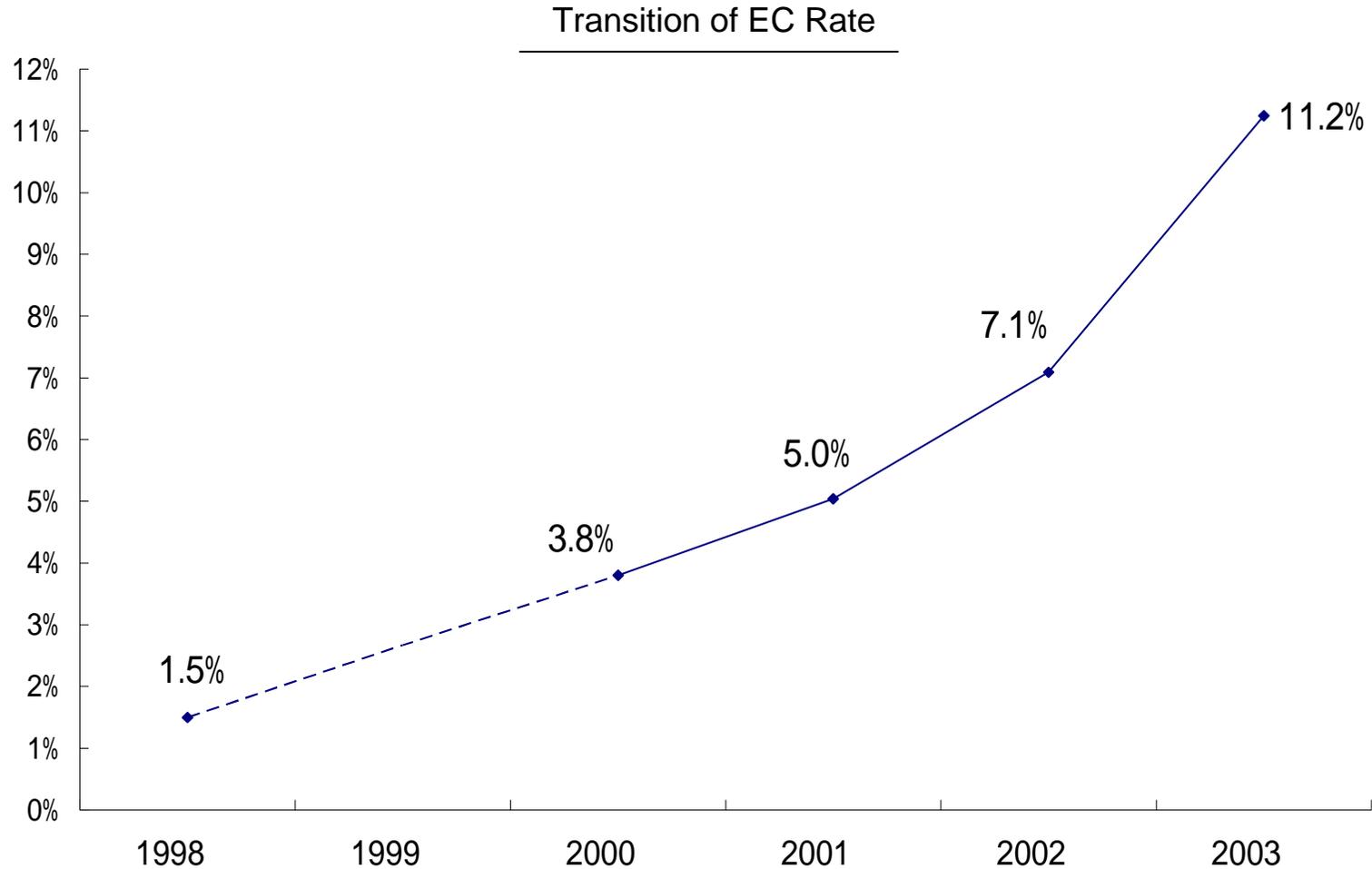


Note: Figures in parentheses show the transaction amounts at e-marketplaces.

The figure for 1999 is a projection as of the 1988 survey because no survey was conducted in 1999.

B-to-B EC: Transition of EC rate

The EC rate reached 11.2% in 2003 from 1.5% as of 1998 when the first survey was conducted.



Note: A dashed line is drawn between 1998 and 2000 because no survey was conducted in 1999.

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B-to-C EC: Industry segments subject to the survey

As in the previous survey, the B-to-C EC market was classified into 13 segments (52 sub-segments), and the current market size of each segment was investigated.

Segment	Sub-segment
• PC and Related Goods	• Factory-outlet stores, major mass sales stores, small and medium-sized stores, software (package sales,/download sales)
• Travel	• Booking and purchase of each passenger transportation company's tickets (air/railroad/land/marine transportation, etc.), pre-arranged accommodation of lodging facilities, specialized in pre-arranged accommodation, travel agencies
• Entertainment	• Booking/purchasing of event tickets, and purchase of game software, DVDs and videos, other entertainment services (digital contents for mobile/fixed PC terminals)
• Books and Music	• Books (online book sales, electronic books, reporting service for mobile phones, etc.), music (online CD sales, music distribution)
• Clothing and Accessories	• Major stores (including catalog shippers), small and medium-sized stores
• Food Products and Beverages	• Major stores (including department stores and catalog shippers), small and medium-sized stores
• Hobbies/Misc./Furniture	• Major stores (including department stores and catalog shippers), small and medium-sized stores, flowers, gifts (excluding foods)
• Automotive	• Four-wheel/two-wheel vehicles (new cars and secondhand cars), auto parts, car accessories
• Real Estate	• New condominiums/houses, secondhand condominiums/houses, rental, house remodeling application
• Other Products	• Health foods (including part of medical/pharmaceutical products), cosmetics, home audio-video equipment
• Financial (Bank/Securities, etc.)	• City banks, regional banks (including second-tier regional banks), Internet banks, others (regional banks, shinkin banks, Japan Agricultural Cooperatives, etc.), Internet securities companies, Internet mixed securities companies, consumer loans
• Financial (Life/Non-life Insurance)	• Life insurance, non-life insurance
• Other Various Services	• Other services not included in the above sub-segments (various reservation services, public tournaments, C-to-C auctions, etc.)

Note: Except for Financial Services, purchase amounts paid by consumers in each segment are counted in EC. As for Financial Services, charges are counted in the segment of Bank/Securities, and contract amounts are counted in the segment of Insurance.

B-to-C EC: Market size in 2003: Overall picture

The B-to-C EC market was worth 4.424 trillion yen in 2003, an increase of approximately 65%. In particular, the growth rates in the segments of Other Various Services, Financial (Bank/Securities, etc.), Hobbies/Misc./Furniture, and Books and Music are high.

Market Size of B-to-C EC in 2003

Goods/Service Segment	Previous survey (2002)		Current survey (2003)		
	Market size (yen)	% EC Rate*	Market size (yen)	% EC Rate*	Year-to-year comparison
PC and Related Goods	1,970	12.9%	2,350	16.0%	119.3%
Travel	2,650	1.9%	4,740	3.4%	178.9%
Entertainment	1,920	1.6%	3,370	2.9%	175.5%
Books and Music	620	2.0%	1,310	4.2%	211.3%
Clothing and Accessories	1,330	1.0%	1,640	1.3%	123.3%
Food Products and Beverages	1,300	0.3%	2,190	0.5%	168.5%
Hobbies/Misc./Furniture	1,090	0.9%	2,490	2.0%	228.4%
Automotive	5,770	4.6%	6,030	4.8%	104.5%
Real Estate	6,100	1.4%	9,120	2.1%	149.5%
Other Products	1,390	0.6%	2,470	1.0%	177.7%
Financial	1,160	0.4%	2,150	0.7%	185.3%
Financial (Bank/Securities, etc.)	510	4.1%	1,460	11.8%	286.3%
Financial (Life/Non-life Insurance)	650	0.2%	690	0.2%	106.2%
Other Various Services	1,550	0.2%	6,380	0.8%	411.6%
Total	26,850	0.9%	44,240	1.6%	164.8%

*: The EC rate represents the proportion of e-commerce against the total of final consumption, housing investment, etc. in the household sector.

*: The EC rate figures for the previous survey have been adjusted based on the latest SNA I/O table.

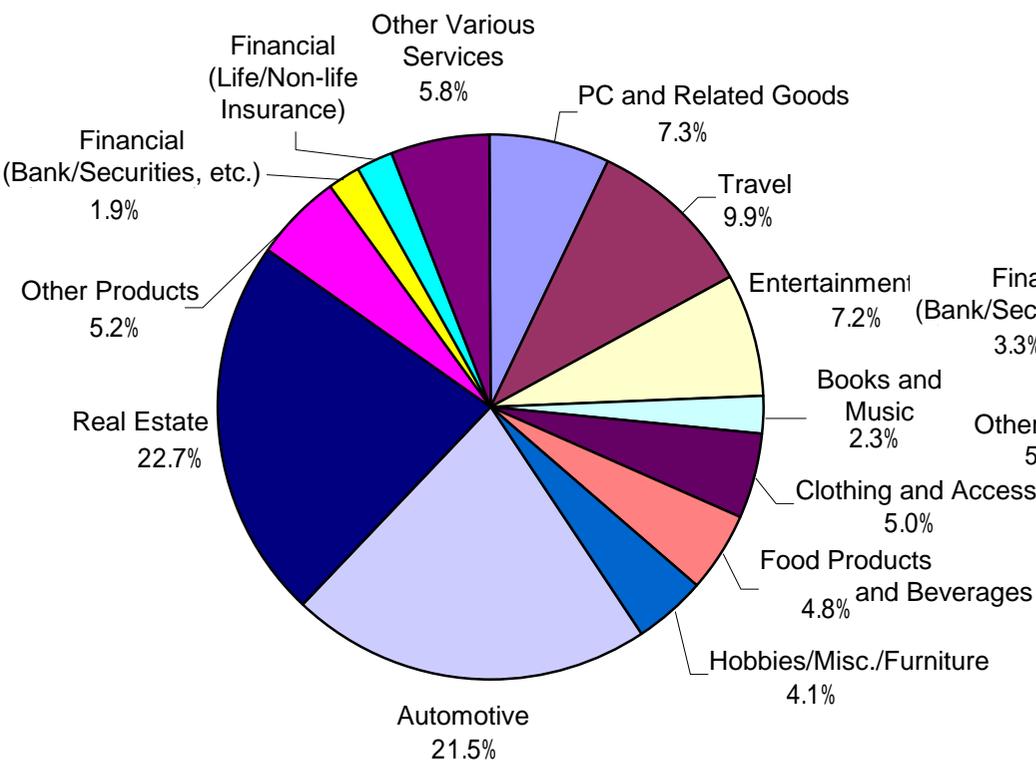
*: As for the segment of Other various services, only the figures of EC transaction amounts captured were accumulated.

Segments that increased more than 200% from the previous year

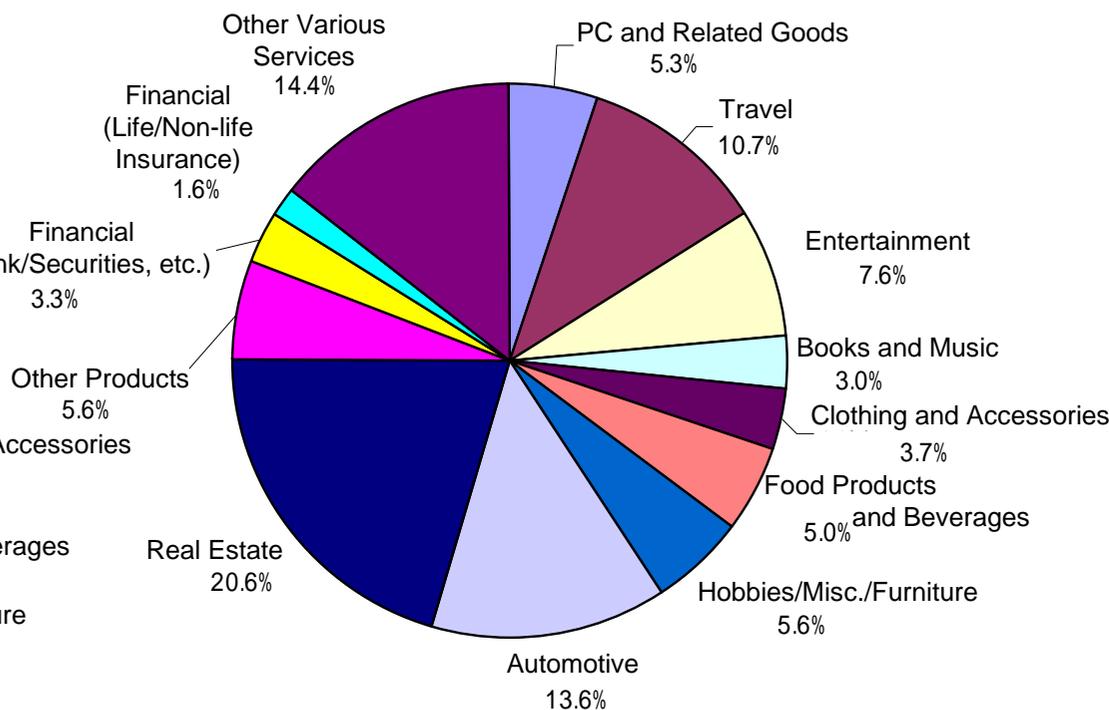
B-to-C EC: Transition of segment distribution

In 2002, the segments of Real Estate and Automotive accounted for the largest portion or about half of the B-to-C market when combined. They were followed by the Travel and PC and Related Goods segments. In 2003, segment distribution has been evened out, with general growth in EC transaction amounts in all segments.

2002 (Market size: 2.685 trillion yen)



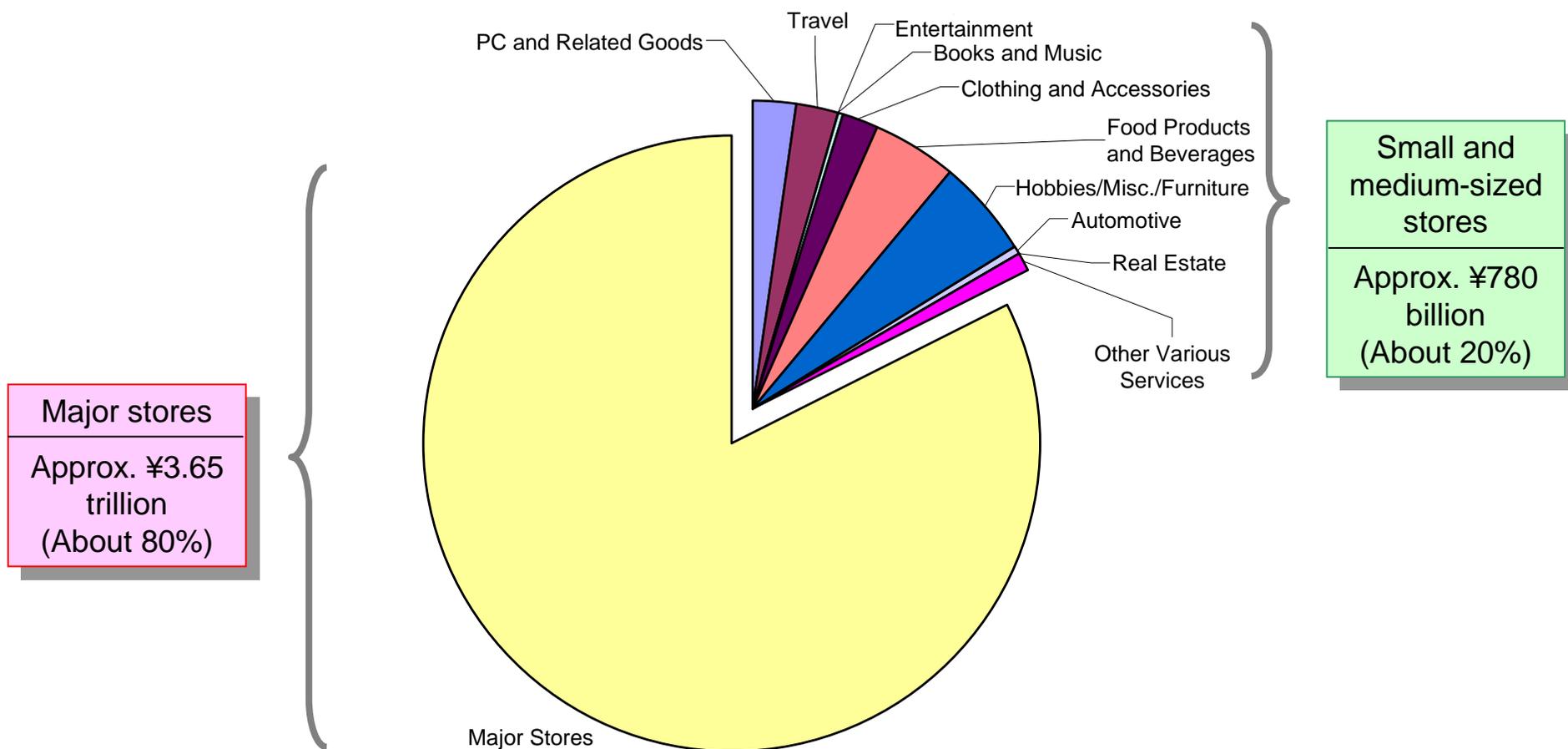
2003 (Market size: 4.424 trillion yen)



B-to-C EC: EC-based sales of small and medium-sized stores

Of the total B-to-C EC amount (4.424 trillion yen), the total sales amount of small and medium-sized stores is approximately 780 billion yen, which accounts for around 20% of the total EC sales amount.

Percentage of total EC-based sales amount of small and medium-sized stores in the total B-to-C EC amount (4.424 trillion yen)



*: Calculation was conducted after specifying small and medium-sized stores with EC-based sales amounts or number of employees below a certain level.

B-to-C EC: Market size of mobile e-commerce in 2003: Overall picture

The B-to-C mobile e-commerce market is worth 777 billion yen in 2003 or 17.6% of the total EC market, an increase by approximately 140% compared to the previous survey. In particular, the growth rates in the segments of Other Various Services, Books and Music, Clothing and Accessories, and Hobbies/Misc./Furniture, etc. are high.

Market size of mobile e-commerce in 2003

Goods/Service Segment	Previous survey (2002)		Current survey (2003)		
	Market size (yen)	Mobile proportion	Market size (yen)	Mobile proportion	Year-to-year comparison
PC and Related Goods	50	2.5%	70	3.0%	140.0%
Travel	400	15.1%	550	11.6%	137.5%
Entertainment	1,300	67.7%	2,020	59.9%	155.4%
Books and Music	150	24.2%	320	24.4%	213.3%
Clothing and Accessories	100	7.5%	190	11.6%	190.0%
Food Products and Beverages	140	10.8%	280	12.8%	200.0%
Hobbies/Misc./Furniture	210	19.3%	450	18.1%	214.3%
Automotive	150	2.6%	200	3.3%	133.3%
Real Estate	160	2.6%	180	2.0%	112.5%
Other Products	150	10.8%	250	10.1%	166.7%
Financial	100	8.6%	170	7.9%	170.0%
Other Various Services	300	19.4%	3,090	48.4%	1030.0%
Total	3,210	12.0%	7,770	17.6%	242.1%

 Segments that increased more than 200% from the previous year

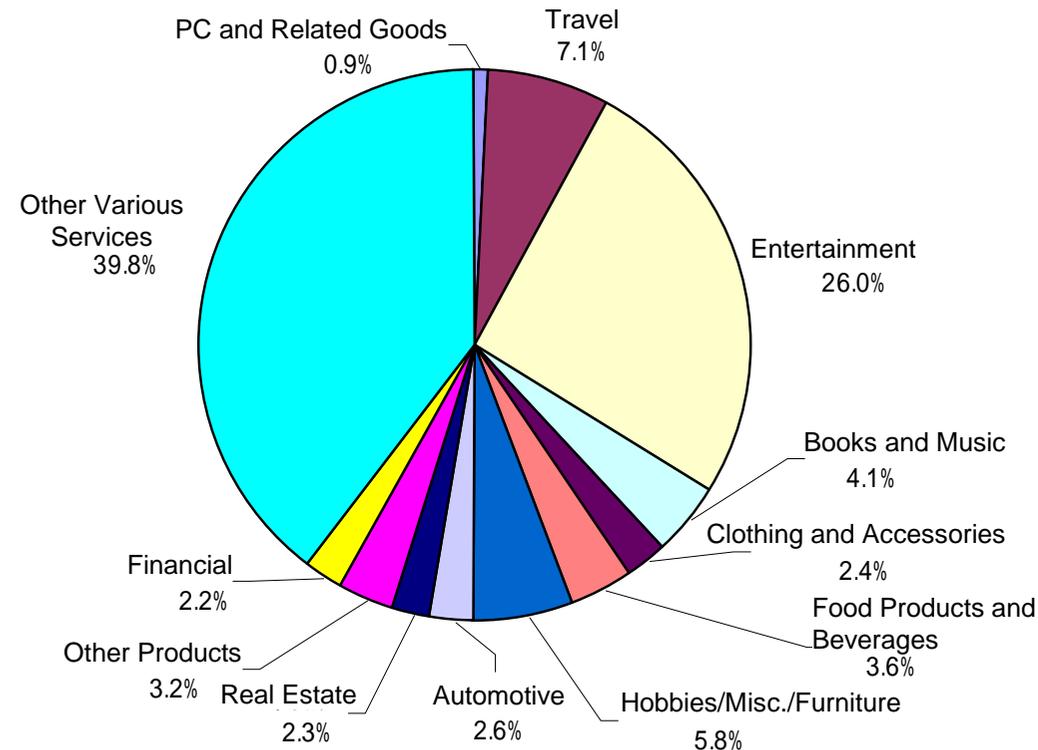
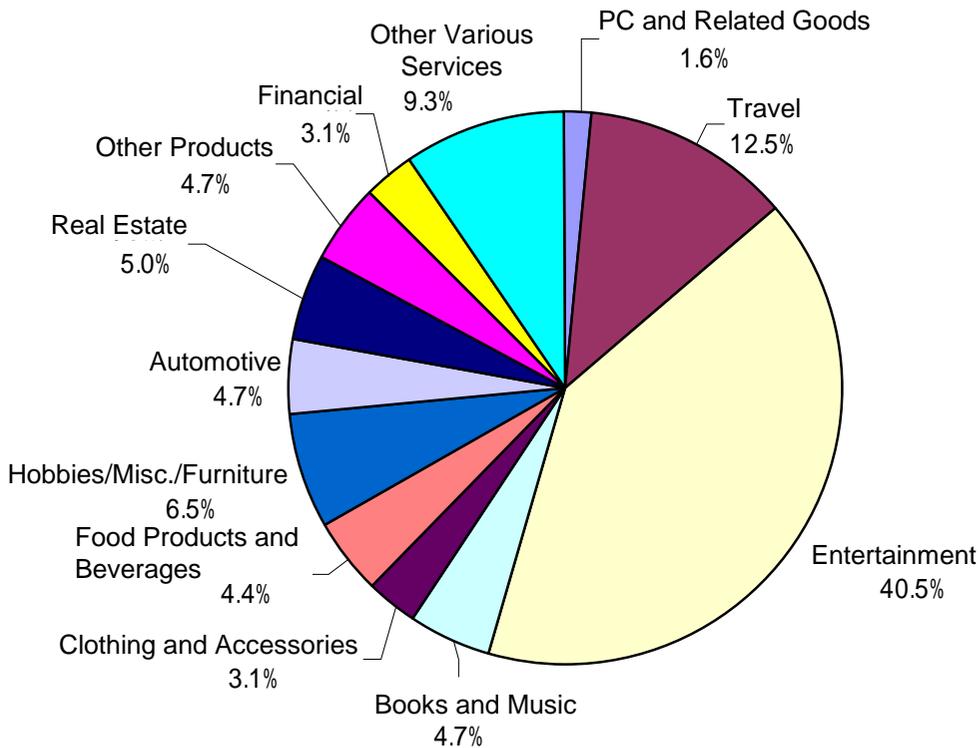
* Mobile proportion: The mobile proportion represents the proportion of mobile e-commerce against the e-commerce market size in each segment.

B-to-C EC: Transition of segment distribution in mobile e-commerce

Seen by the segment, in 2002, Entertainment, represented by the “chaku-melo,” or melody to announce the arrival of mails, wall-paper for cellular phones, etc. accounted for around 40% of the total mobile e-commerce market, and it was followed by the Travel segment. In 2003, the proportion of Other various services accounts for about 40%, with Internet voting for public tournaments, etc. using mobile phones newly captured.

2002 (Market size: 321 billion yen)

2003 (Market size: 777 billion yen)



B-to-C EC: Trends and characteristics in 2003 (1)

Conspicuous examples are that small and medium-sized stores have succeeded in expanding their consumer base with their unique standpoint such as small and medium-sized stores publicizing a thorough price-reduction in the PC segment and direct sales of pre-arranged accommodation at small and medium-sized Japanese-style inns in the local hot-spring areas in the Travel segment.

Segment	Market size Figures in parentheses () show mobile e-commerce (Unit: 100 million yen)	Characteristic trends in 2003
PC and Related Goods	2,350 (70)	<ul style="list-style-type: none"> • Items whose price has the appeal power to customers. • While major mass sales stores have been making a poor fight, small and medium-sized stores represented by Kakaku.com publicizing a low price have continued to be steady. • Some direct sales manufacturers specializing in online sales have started new efforts to integrate with real stores.
Travel	4,740 (550)	<ul style="list-style-type: none"> • Booking of tickets of each airline company and railroad company, etc. have continued to be steady. • Customer-gathering potential of major pre-arranged accommodation websites has also been going well, however, at the same time, examples that local, small and medium-sized Japanese-style inns directly attract customers by pre-arranged accommodation on their own website have started to become conspicuous.
Entertainment	3,370 (2,020)	<ul style="list-style-type: none"> • In this survey, targets captured have been expanded including booking of bus seats and ferry boarding. • In addition to entertainment contents (“chaku-melo” (melodies to announce the arrival of mails), wall-paper of cellular phones, etc.) having provided the drive to the mobile commerce, “chaku-uta” (songs to announce the arrival of mails) have gained overwhelming support from consumers. • Direct contribution to the expansion of the market scale is small in this survey, however, efforts to use electronic tickets for event tickets have started in earnest. They are expected to be factors to expand the markets from next year in the relevant items.

B-to-C EC: Trends and characteristics in 2003 (2)

EC shops, which created merits for consumers although they were an extension of their conventional efforts, have made a good show, respectively: Books and Music, in which free shipping by major shops has become generalized; Clothing and Accessories, which succeeded in mobile merchandising with a strategy thoroughly narrowing down the targets; Food Products and Beverages, in which commodities directly sent to urban consumers from a production center have continued to enjoy favorable sales; and Hobbies/Misc./Furniture, in which efforts of the “only one shop,” “click and catalog,” etc. are active.

Segment	Market size Figures in parentheses () show mobile e-commerce (Unit: 100 million yen)	Characteristic trends in 2003
Books and Music	1,310 (320)	<ul style="list-style-type: none"> • In the field of books, following generalization of free shipping by major EC shops, small and medium-sized EC shops' uphill battle is conspicuous.
Clothing and Accessories	1,640 (190)	<ul style="list-style-type: none"> • Leap of the mobile merchandizing websites targeting the F1 generation*. • Many of the successful companies thoroughly enclosed customers by sending mail magazines, etc. to their targeted buying public.
Food Products and Beverages	2,190 (280)	<ul style="list-style-type: none"> • Small and medium-sized EC shops dealing in local specialties, etc. have continued to provide the drive to the markets against the backdrop of the appeal power of goods that are “only available here” (“only one shop”). • Uphill battle of the Internet supermarkets mainly dealing in mass-produced products is conspicuous.
Hobbies/Misc./Furniture	2,490 (450)	<ul style="list-style-type: none"> • With fractionation of consumers' hobbies and preferences, sales through websites of specialty stores (“only one shops”) developed by small and medium-sized EC shops have continued to be favorable. • On the other hand, as for mass-produced products, the sales strategy (Click and Catalogue) of catalog houses in which mobile phones, PCs and catalogs are integrated has gained support from consumers from the viewpoint of convenience.

* : “F1 generation” is a marketing term indicating women between the ages of 20 and 34.

B-to-C EC: Trends and characteristics in 2003 (3)

In the segments of Automotive and Real Estate, with expensive products, efforts to use the Internet to contact consumers have widely generalized. As for the sale of home audio-video equipment in the segment of Other Products, against the backdrop of the sales of digital household electrical appliances being favorable, small and medium-sized stores which thoroughly reduced prices in the same way as the PC segment have a strong showing.

Segment	Market size Figures in parentheses () show mobile e-commerce (Unit: 100 million yen)	Characteristic trends in 2003
Automotive	6,030 (200)	<ul style="list-style-type: none"> • Requests for brochures of cars used to be mainly for highly unique cars, however, following the growing market needs for compact cars, requests for brochures through the Internet have shifted to those for compact cars. • Secondhand cars as the commodities of “one price” are highly compatible with EC and have continued to be steady.
Real Estate	9,120 (180)	<ul style="list-style-type: none"> • In this survey, not only for the business negotiations on newly built condominiums, but also for housing supply makers, sales brokers of condominiums and houses, real estate brokers dealing in leased properties, the Internet application fees for the remodeling of the home improvement company, etc., the scope of capture has been considerably expanded. • The background of the expansion of the scope of capture is that the tendency to actively use the Internet has taken root in the real estate-related companies in general.
Other Products	2,470 (250)	<ul style="list-style-type: none"> • Like the PC segment, as for home electrical appliances and audio-video equipment, small and medium-sized EC shops that realized overwhelming price reductions have continued to leap ahead. • With an increase of health-oriented consumers, sales of health foods (supplements, etc.) are favorable.

B-to-C EC: Trends and characteristics in 2003 (4)

In the Financial segment, efforts of online banking have been expanding even to credit unions. As for the online trading, the resurgent stock prices have had individual traders who stayed away from the market for a while resume trading. In the Various Services segment, as a result of new capture of the amount of the Internet-based balloting in public tournaments, the market scale is over 600 billion yen.

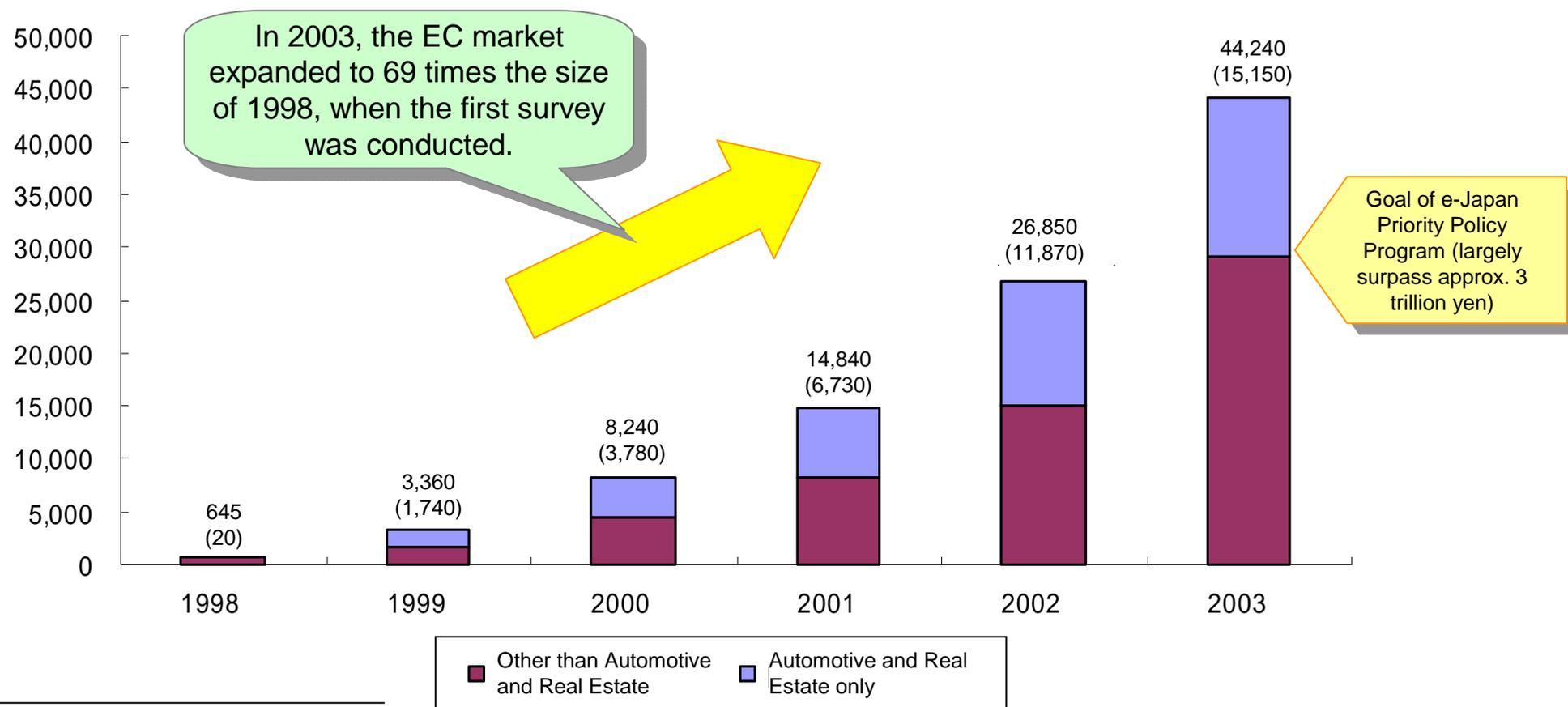
Segment	Market size Figures in parentheses () show mobile e-commerce (Unit: 100 million yen)	Characteristic trends in 2003
Financial (Bank/Securities, etc.)	1,460	<ul style="list-style-type: none"> • The resurgent stock prices have spurred retail stock trading. • With the liberalization of stock brokerage commissions, the low commissions policy of the Internet securities companies has gained popularity from consumers. • As for banks, city banks and the Internet banks have continued to be steady. • Efforts toward online banking services have gotten into full swing among regional banks, second-tier regional banks, shinkin banks and credit unions.
Financial (Life/Non-life Insurance)	690 (170)*	<ul style="list-style-type: none"> • As for the sale of insurance policies with the conventional face-to-face sale as the base, it was impossible to overcome the problems of channel conflict, and its growth is sluggish in this survey as well. • Even policies whose contract can be made through the Internet were provided in part of insurance policies including accident insurance. • Even policies whose contract can be made through the Internet were provided in part of insurance policies including accident insurance.
Various Services	6,380 (3,090)	<ul style="list-style-type: none"> • This survey has newly captured the Internet-based balloting in public tournaments, which had not been captured in any previous survey. It has become a major factor of expansion of the markets. • C-to-C auctions (auction registration fee is included) have also continued to be steady. • Although this survey could not seize the amounts, there are many services in which efforts have been confirmed and they are expected to be the fields which provide the drive to the entire B-to-C market in the future as well. <p>* As for the Various Services segment, only the figures of EC transaction amounts captured were accumulated.</p>

B-to-C EC: Transition of market size

The size of B-to-C EC market expanded to 4.424 trillion yen in 2003, or about 69 times in size, from 64.5 billion yen as of 1998 when the first survey on the size of EC market was conducted. As a result, the goal of market growth required by e-Japan Priority Policy Program was largely surpassed.

Transition of B-to-C EC Market Size

(100 million yen)



Note: Figures in parentheses show the B-to-C market size of the automotive and real estate segments.

B-to-C EC: Transition of EC rate

The EC rate reached 1.6% in 2003 from 0.03% as of 1998 when the first survey was conducted.

