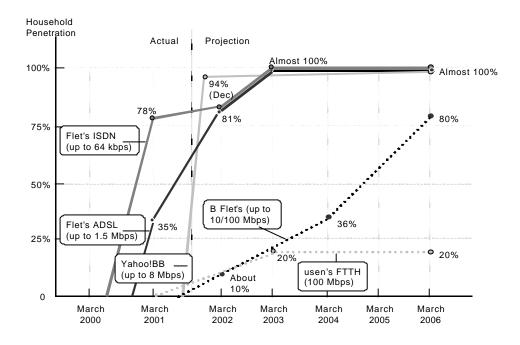
1. DSL vs. FTTH

NTT East will complete the nationwide deployment of Flet's ADSL by March 2003 while Softbank Group will penetrate 94% of the households with Yahoo! BB by the end of 2001. This means Softbank will become Japan's No.1 ADSL provider servicing the widest area, completing the nationwide coverage a year before NTT regional companies will.

In comparison to ADSL, FTTH takes longer to install. NTT regional companies will penetrate only 80% of the households by March 2006 while usen plans to level the penetration off at 20%. In contrast to Softbank's strategy to pursue economies of scale to lower cost per user, usen's strategy is "crème skimming," concentrating on geographical areas with high demand, and usen is not expected to reach the goal until March 2003. While NTT regional companies and Softbank are focusing on developing the ADSL market, usen is going to build the infrastructure for FTTH.

This will force NTT regional companies to compete in both national ADSL market and local FTTH markets. If they decide to slash the FTTH monthly fee to compete with usen, they'll have to target the remaining 80% of the market. What's worse to them, electric companies are entering the FTTH market. NTT regional companies' strategy to count on fiber optics for long-term survival is going to be shaken.

Household Penetration—ADSL vs. FTTH



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