

NEW MEDIA BOOSTS THE OLD

Hakuhodo, Japan's second-ranked ad agency, researched how people's personal usage of media is changing with the rapid growth of new media channels such as the Internet and cable TV. Some media pundits have concluded that by 2005, virtually all of Japan's voting-age population will be on the Net, and usage of Net-enabled cellphones continues to grow at a breathtaking pace. Oddly enough, the growth of electronic media has boosted demand for paper-based products like newspapers and magazines. Overall, radio faces the toughest battle. The surveys, conducted in July 2000, included home Internet users (those who access the Net at least once per week from home), Net non-users (those who hadn't accessed the Net at all in the previous three months), and paid TV subscribers.

MEDIA USAGE: NET USERS VS. NON

Net users' time spent online equals almost 30 percent of Net non-users' total time spent with other media. Net users spend about 10 percent less time with other mass media than non-users, but their time spent with media overall is 20 percent greater.

Amount of time spent using:	Non-users (mins/day)	Users (mins/day)
TV	154	142
Radio	47	35
Newspaper	36	32
Magazines	13	18
SUBTOTAL	250	228
Multichannel TV*	17	16
Net (incl. email)	7	89
TOTAL	274	333

*Refers to pay for TV offerings like cable and satellite.

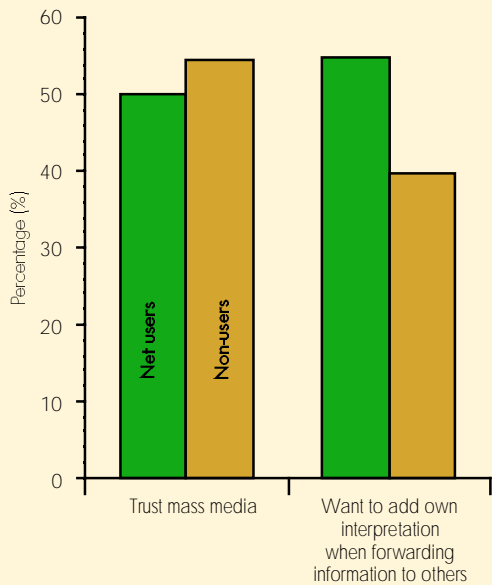
WANT MORE OF WHICH MEDIA?

Both Net users and non-users want to increase the time they spend surfing the Web. The majority of both also want to increase their usage of newspapers. Net users have a stronger interest in multi-channel TV (cable, CS, terrestrial digital) than non-users.

Type of media:	Want to increase use (%)	Want to decrease use (%)
Newspapers	69.2	4.3
Internet (browsing)	68.3	7.1
Broadcast Satellite	52.2	13.1
TV	51.3	17.7
Internet (email)	45.3	17.4
Magazines	42.7	17.9
Communications Satellite	41.8	18.3
CATV	40.3	18.1
Radio	37.9	20.0

TRUSTING MASS MEDIA

About half of Net users and non-users perceive the mass media to be a trustworthy information source. But Net users are notably keener to add their own interpretation to received information, presumably when forwarding such information to others.



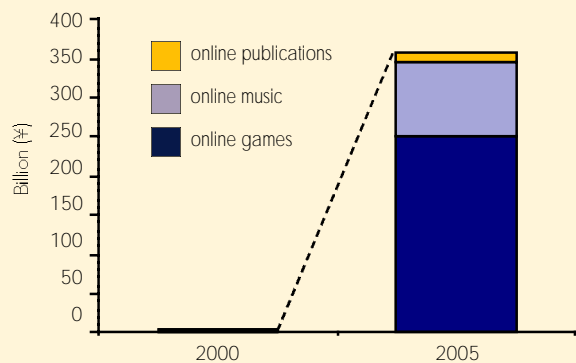
Source (top two and bottom left): Hakuhodo; 536 respondents.

Compiled by Chiaki Kitada (chiaki@japaninc.net)

Note: All statistics apply to Japan unless otherwise noted.

ONLINE CONTENT MARKET TO SKYROCKET

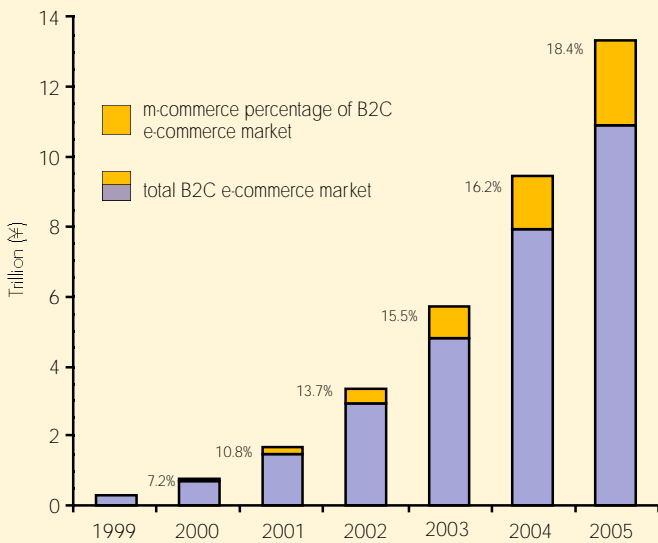
Nomura Research Institute's analysis released last December indicates the digital content market (games, music, and publications online) will expand by a factor of 100 between 2000 and 2005. The market for online distribution of music will grow from ¥0.6 billion to ¥95 billion; online gaming from ¥2 billion to ¥250 billion; and online publications from ¥1 billion to ¥13 billion. Compared with gaming and music, the growth in online publications appears quite small, perhaps because Japan's paper-based media culture is so strong.



Source: Nomura Research Institute



ONLINE B2C MARKET ON THE RISE, BOOSTED BY MOBILE



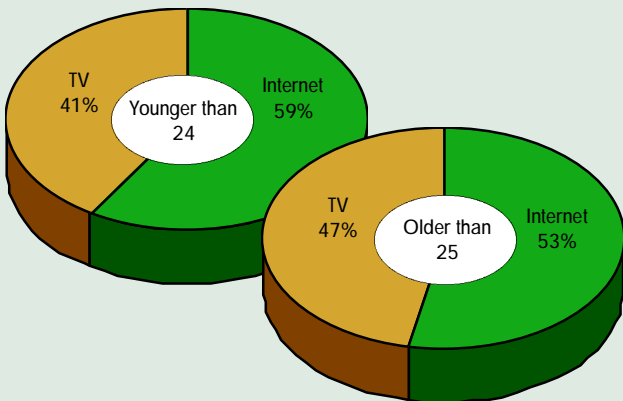
A survey conducted jointly by Accenture, the Ministry of Economy, Trade, and Industry (the new METI), and the Electronic Commerce Promotion Council of Japan from September 2000 to January 2001 estimated that Japan's B2C e-commerce market reached ¥824 billion in 2000. The market has grown by 145 percent in just one year, and survey respondents expect the expansion to continue, reaching ¥13.3 trillion in 2005, a sixteen-fold increase. One of the largest factors contributing to the rapid growth of B2C is the current explosion of cellphone-targeted Net services. B2B e-commerce, by the way, should increase five-fold by 2005, from ¥21.6 trillion (in 2000) to more than ¥110 trillion (in 1998, B2B in Japan was ¥8.6 trillion).

Source: Accenture, METI, ECOM

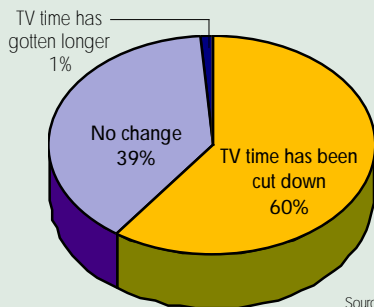
TV OR THE NET? OR BOTH?

Net users in Japan prefer the Net to TV, watch less TV because of the Net, and spend a surprising amount of time surfing both mediums simultaneously. Japan internet.com and Infoplant researched 300 Net users in February. Sixty percent of respondents said the amount of time they spend watching TV has decreased since they got online. More than three quarters of the younger respondents said that they turn the boob tube on while surfing, compared to 10 percent of the older respondents.

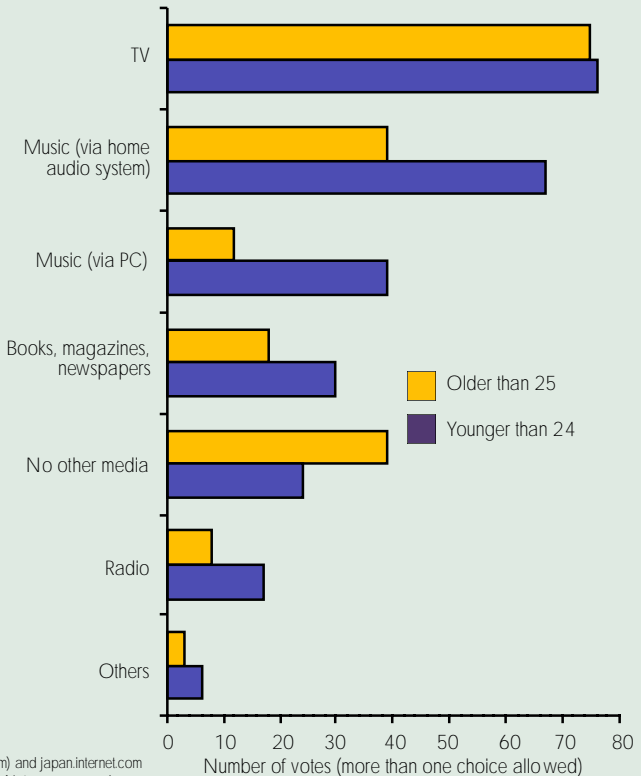
DO YOU PREFER TV OR THE INTERNET?



DO YOU STILL WATCH TV AS MUCH AS YOU DID PRIOR TO THE INTERNET?



WHICH OTHER MEDIA DO YOU USE WHILE ONLINE?



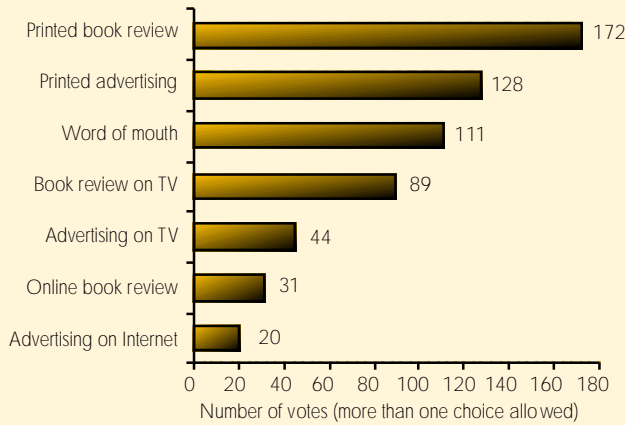
Source: Infoplant (www.info-plant.com) and japan.internet.com (<http://japan.internet.com>); 300 Net users surveyed; 150 under age 24 and 150 over age 25



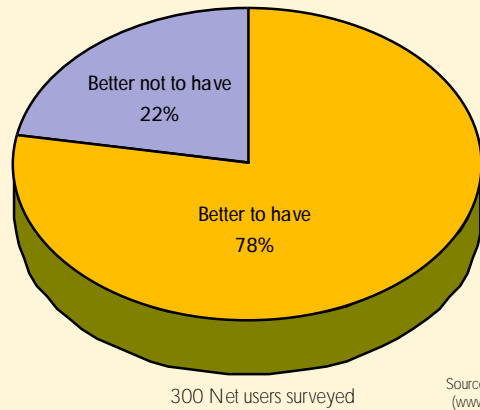
HOW LITERATI BUY BOOKS ONLINE

Infoplant and japan.internet.com's February survey of Net users also sought to learn more about online book buying habits. More than half of the respondents replied that they read book reviews in newspapers and magazines before purchasing, while most do not read reviews on the Web. When asked if they'd like to be able to access reviews online prior to purchasing, nearly 80 percent responded affirmatively, citing the inability to skim through the book itself.

WHAT INFLUENCES THE DECISION TO BUY A BOOK ONLINE?



IS IT BETTER TO HAVE BOOK REVIEWS AVAILABLE AT ONLINE BOOK STORES?

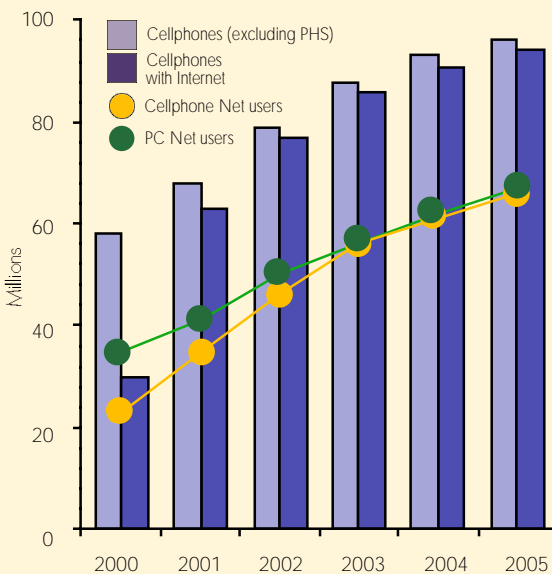


300 Net users surveyed

Source: Infoplant.com (www.infoplant.com) and japan.internet.com (http://japan.internet.com)

NET ACCESS VIA PC VS. VIA CELLPHONE

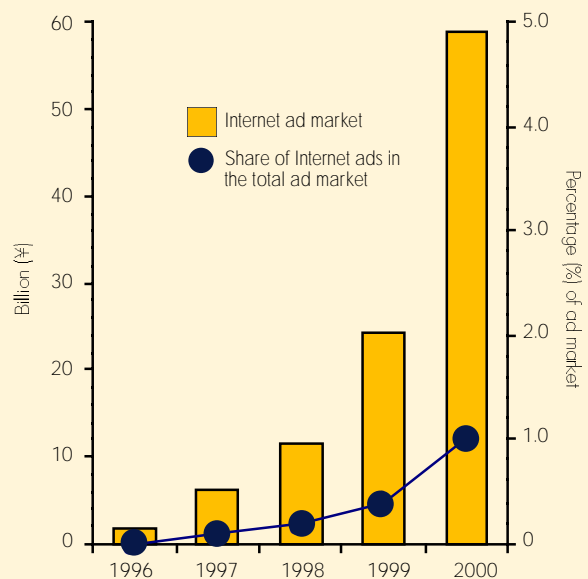
Jupiter Research predicts the number of Japanese accessing the Net via cellphone will equal the number accessing it via PC in 2003, due largely to the next-generation handsets (after 3G's launch here in May, mobile download speeds will inch up, eventually reaching some 300-plus Kbps). By 2003, wireless Net users will have grown 2.5 times over the 2000 number (23 million), with PC-based Net users increasing from 35 million in 2000. M-commerce will expand some 15 times between 2000 (¥39 billion) and 2005 (¥600 billion).



Source: Jupiter Research

INTERNET ADVERTISING: STILL PUNY BUT ON THE RISE

Japan's Net advertising market has rapidly expanded since 1996. According to Dentsu (Japan's No. 1 ad agency), the Internet's share of the advertising market in 2000 was nearly 1.0 percent, which added up to a whopping ¥59 billion – more than twice as much as the previous year, due to a rapid increase in PC users. The growth started with banner ads, followed by diversification into mail magazines and text ads. In December last year, the Nomura Research Institute predicted the Internet advertising market will expand from ¥49.5 billion in 2000 (slightly lower than Dentsu's figure above would indicate) to ¥420 billion in 2005.



Source: Dentsu