

Industry Monitor

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Ministry Asks for 70 Billion Yen for IT

The Ministry of Public Management, Home Affairs, Posts and Telecommunications has asked for 70 billion yen for promoting the IT industry in its budget request for the next fiscal year starting in April 2001. The focus will be on high-speed networks, computerizing government services, human resources development, and promoting research in strategic areas. High-speed networks will get nearly half of the total budget.

Govt. Approves Rate Cuts by NTT

The Ministry of Public Management, Home Affairs, Posts and Telecommunications has approved applications by NTT East and NTT West to reduce dark fiber connection charges. The charges are 33.8% lower than the tentative charges set at the end of last year.

Govt. Wants NTT to Eliminate Initial Charge for Fixed Line Phones

To get a fixed line phone in Japan subscribers have to shell out 72,000 yen. This charge was initially levied to finance the construction of telephone networks. Now that fixed line network construction is largely complete the government sees no need for such charge and it wants it abolished in 2002. The move is designed to promote fixed line phone subscriptions.

Internet Users Continue to Grow

Internet users in Japan totaled 62.19 million as of the end of July, according to the government. The number of users accessing the net from cell phones saw the highest growth, increasing 1.8 million to top 40 million. Dial up connection (conventional and ISDN lines) was being used by 18 million and about 400,000 were using the DSL service. CATV, optical fiber and ADSL still accounts for only marginal share of the market. With CATV subscriber growth slowing down as a result of growing popularity of ADSL and RTTH lines, consolidation is likely to start in this sector. Market research firms' forecasts see about 30% of all Japanese households connected to the Internet by 2005.

MIRAI Project Starts

MIRAI Project, a national project aimed at developing next generation semiconductors has started. Several foreign firms, including Intel and Samsung, are also participating in the project. The project will have about 90 researchers at start.

Major electrical Equipment Manufacturers Trim Payrolls

Major Japanese electrical equipment manufacturers announced payroll cutbacks to cope with the IT



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recession and to restore profitability. The latest to announce cutbacks was Hitachi (to cut 14,700 jobs). Other major manufacturers announcing cutbacks are Toshiba, Matsushita, Fujitsu, NEC and Kyocera.

Printed Circuit Board Manufacturers Bullish on CAPEX

Despite uncertainties over demand, Japanese printed circuit board manufacturers, including CMK and Ibiden, are stepping up capital investment, for the production of value-added products in particular, expecting demand to surge after 2002.

Japan Data Center Market Expanding

Japan's data center market is expected to grow at an average annual rate of 16.9% up to 2005 to over one trillion yen, according to IDC Japan, a high-tech market research firm. Co-hosting and IT services will account for a major portion of the market.

ERP Market Expanding – Driven by Demand from Smaller Firms

The ERP market is expanding as medium size business firms are installing systems to cope with accounting changes that will require consolidated reporting, according to Yano Economic Research Institute. The market is expected to top 60 billion yen in 2003. In addition to SAP, Japanese suppliers such as Fujitsu are expected to benefit from the expanding market.

Data Warehouse Market Expanding

Japan's data warehouse market is expected to grow at an annual rate of about 20% over the foreseeable future. It is one of the bright spots in otherwise slowing IT sector.

Recovery in Electronic Components Delayed

Given the order trends, electronic component manufacturers are unlikely to see a recovery in orders before the beginning of the beginning of 2001. Major manufacturers suffered double digit order declines in the 2nd quarter of the year.

PDA Market Expanding

PDA market is expected to expand rapidly, as its applications expand to mobile access to Intranet and databases. At the same time demand from the consumer market is also growing as more are using the PDA to access Internet and for e-mail. Major electrical equipment manufacturers such as NEC and Toshiba have entered the market.