

Industry Monitor

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High-tech Sector

DIET passes the Provider Law

The Provider Law, which defines Internet providers' responsibilities with respect to privacy and copyrights, was passed by the DIET on November 22. The law will also require providers to supply information on sources distributing information illegally if a party claiming damages files a case.

Govt. decides to apply mail-order laws to Spam mail

The Ministry of Economy, Trade and Industry has decided to take measures against Spam mail sent to cell phones. The government wants operators sending mail to cell phones to obtain prior (or after the fact) consent from cell phone owners to whom they are sending advertising messages.

Terrestrial digital TV broadcast services may be delayed

The committee to promote terrestrial digital TV broadcasting in Japan said on the 20th that the cost of switching to the new system will be nearly ¥200 billion, a three-fold increase from the earlier estimate of ¥72.7 billion. While terrestrial digital broadcasting is expected to start in 2003, it will not be available nationwide by 2006 as originally planned, due to the increased cost burden.

Yahoo's ADSL Service Facing Headwinds

Subscriber growth for Yahoo's low-priced ADSL service launched in September seems to be slower than expected. With subscribers totaling about 300,000, the original target of one million subscribers by the end of the year seems to be out of reach. But the company remains optimistic about longer-term growth.

NTT Docomo's FOMA off to a good start

NTT Docomo's FOMA (the first third-generation mobile phone system) is off to a smooth start. Subscriptions in the first month after the service was launched totaled 11,000. Plans envision a subscriber base of 150,000 by next March and 6 million by March 2004, when the service will be available nationwide. The company has invested about 160 billion yen for launching the service. An additional investment of about one trillion yen will be required by March 2004 to expand the service nationwide.

Govt. may unload NTT stock to finance supplementary budget

Now that the prime minister is committed to keeping the ¥30 trillion ceiling on deficit financing bonds, the government is considering the possibility of selling its NTT stockholding to finance the expected deficit. The government did so in 1987. The proceeds are first transferred to the industrial development account from which they are loaned out for specific projects.



ARM Licenses Microprocessor Core to Fujitsu

ARM Corp. of Britain has licensed its microprocessor core ARM926EJ-S to Fujitsu. Fujitsu will use it to develop system LSIs for digital cameras, PDAs and next-generation cell phones and other electronic devices. ARM, which has captured a dominating share in cell phones, is aiming at repeating the act for digital home electronics and Pc peripherals.

Slide in DRAM prices arrested at least for the time being

The spot price of the most common 128MDRAM seems to have bottomed out. The median price of the standard memory rose about 70% in one week to \$1.85. The price rebound is due mainly to cutback in production by major suppliers, including S. Korean semiconductor producers.

PC server shipments up sharply in the first half

Shipments of PC servers increased 22% to 149,000 units in the first half of the current fiscal year ended September 2001, according to a market research firm specializing in the high-tech area. However, affected by growth in low-end servers the value of shipments remained unchanged. Forecasts see shipments in fiscal 2001 increasing 14.3% year-on-year to 326,500 units. Strong demand for entry-level servers from small and medium-size firms combined with continuing public investment in IT systems should underpin demand for the rest of the year.

Production of crystal devices

The production volume of crystal devices in September plunged 34.7% year-on-year. The value of production was down 46.7%. Production was down for all applications, except for automobiles, which was up 17.1%.

Production of electronic materials

Output of electronic materials in September fell 38% year-on-year, with all production of all types of materials, including metal materials, permanent magnets, and ceramics, suffering double digit setbacks. Production for the Jan-Sept period was down 27%.

Computer manufacturers focusing on storage business

Data volume is increasing along with the spread of the Internet. To cope with this growing demand computer manufacturers are focusing on SAN (Storage Area Network) and NAS (Network Attached Storage) businesses. Demand on a storage-volume basis was up 50-60% in the first half of the year. Hitachi, the largest player in this market, is stepping up capital investment to further solidify its position.

Shift to e-govt in Japan may not produce much profit for vendors

The e-government related market, which had so far been viewed as a potentially lucrative market,

may not turn out to be as lucrative as first believed. Intense competition and the steadfastness to maintain market share at any cost is turning competition into a war of attrition. This is amply evident in a recent bid for a software development project for the Tokyo metropolitan government that Hitachi won for just 750 yen. The trend, which has been commonly seen in central government projects, seems to be spreading to local government agencies also. The Fair Trade Commission warned Hitachi about submitting unrealistic bids. The e-govt market in Japan is estimated at two trillion yen.

General Economy

Japan's economy unlikely to grow fast

The Industrial Structures Council, an advisory body to the government, in a recent report said that Japan's economy is unlikely to grow faster than an annual 0.5% between 2006-2010 unless the hollowing out of the manufacturing industries caused by a shift of production to Asian countries is arrested. The council recommended that Japan focus on niche areas where it has an advantage. The council picked medical services and medical equipment, health foods and welfare services, housing reform, digital home electronics, and robots as growth areas. The council also pointed out that digital contents, travel and re-education were areas that could produce the maximum added value.

Office rents plunge again

The office building vacancy rate in the central part of Tokyo at the end of September rose to 3.8% after bottoming out in March, according to a survey by a major economic daily. Demand for office space from the IT sector as well as financial institutions has weakened. Office rents have also plunged in Osaka to levels recorded in 1990.

Second supplementary budget to be different

The government's second supplementary budget is likely to be around two to three trillion yen and will focus on urban redevelopment, environment and welfare, instead of public works projects, as has been the case in the past.

Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	EL devices
April	118.5	121.0	122.0	83.1	2,261	2,202	18,136	1,503	8,552	8,081
May	118.1	121.9	126.2	82.2	2,007	2,180	18,217	1,623	8,877	7,717
June	112.9	118.2	122.4	88.9	2,150	2,407	18,758	1,718	9,334	7,706
July	106.8	110.7	118.0	83.1	2,044	2,353	17,229	1,707	8,085	7,436
Aug	104.2	109.1	116.6	67.0			15,348	1,460	7,445	4,174
Sept.	100.8	107.6	107.2							
YoY	-26.6	-22.4	-1.0	-30.1	-11.7	-0.8	-27.6	-18.4	-22.1	-36.4

Base year 1995 = 100; 100 million yen, YoY: Year-on-year percentage change

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations