

# Industry Monitor

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High-tech Sector

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## Revision of the Commercial Code Caps Director's Liabilities

Liabilities of company directors will be capped at certain levels in shareholder and other lawsuits, under the revised Commercial Code. The law was revised to make it easier for corporations to hire outside directors, which would have been difficult if they were facing unlimited liability as a result of shareholder lawsuits. The new law is expected to go into force next year.

## Govt. Panel Issues Recommendations on Software Protection

The Structural Reforms Council, an advisory panel to the government, came out with a final recommendation on protection of intellectual property rights to reflect the needs of the emerging Internet era. The recommendation, among others, calls for giving patent and utility right protection to software distributed on the net and speeding up processing patent applications. The government plans to submit a revision to patent laws to the regular DIET session in 2002.

## IT Committee Recommends Reformed New Regulations

The IT Council, an advisory body to the government, recommended that regulations governing the IT industry should be reformed now that telecommunications and broadcasting sectors are integrating. The current system, which is vertically compartmentalized by sectors, should be merged for better and uniform regulations and promote the development of the industry, the council said.

## Reform Council Comes Up With Recommendations in Several Areas

The deregulation commission has come up with a proposal recommending deregulation in six areas: healthcare, welfare, human resources, education, environment and urban redevelopment. Other areas covered include: competition enhancement, legal affairs, finance, agriculture, distribution, energy and transportation. (For details, see the homepages of the ministries concerned.)

## NTT Accelerating Next Generation Telecommunications Research

NTT recently announced its R&D plans for developing the next generation of telecommunications technologies. The focus will be on 3.5-generation cell phones, high-speed LAN networks and optical memory cards

## Cell Phone Subscriber Growth Slows

The net increase in cell phone subscribers in November fell below the half million mark to about 470,000. The figure was 16% lower than the preceding month. The growth was also sharply lower than the 600,000-700,000 new subscribers in November in the past five years. NTT Docomo and J-Phone posted gains, but there was a decline in subscribers at KDDI for the second month in a row. Subscribers have continued to decline since last summer at Tsuka Phone, a KDDI subsidiary.



### **Broadband Users Increase Sharply**

The number of subscribers to broadband services topped 2 million in November, driven by CATV and DSL. Now 10% of all PC users have subscribed to broadband services. The figures are, however, quite low compared with South Korea, where broadband subscribers total 8 million and 33% of PC users are connected to broadband networks. Industry insiders expect the growth rate to accelerate in Japan.

### **IT Market to Top ¥10 Trillion**

Japan's IT market will top ¥10 trillion in 2005, according to a forecast released by an industry research firm. The report sees the IT market growing at an average annual rate of 7.4% through 2005. The market was estimated at ¥7.3 trillion in 2000. IT system operation and management will experience the highest (11.4% annual rate) growth among the seven sectors in the IT industry. Equipment maintenance will see the slowest growth, averaging a meager 1% per year, according to the report.

### **Solar Cell Production to Jump Sharply**

Global production of solar cells in 2001 is expected to increase an estimated 46.7% and the growth rate is likely to be sustained for the foreseeable future. Japan is expected to account for more than half of the global solar cell output.

### **Computer Manufacturers Focus on Storage Business**

Attracted by a market that is growing at an annual rate topping 40%, Japanese computer manufacturers are focusing on the storage business. Among the major players in this market in Japan are NEC Solutions, Fujitsu, Hitachi, IBM Japan, Sun Microsystems, Nippon Unisys, Compaq, and HP Japan.

### **TDK and Alps Electric Increasing Share of GMR Head Market**

Japanese manufacturers, TDK and Alps electric in particular, are increasing their shares of the GMR (for HDD) head market. Their increasing market share reflects the lead they have gained in 40GB/P-type heads toward which demand is shifting.

### **Japanese Electrical Machinery Manufacturers Shifting Production to China**

Japanese consumer electric equipment manufacturers are rapidly shifting production of important items like digital cameras, digital televisions, cell phones and personal computers to China in a bid to stay cost-competitive.

### **Semiconductor Traders Hard-hit by Slowing DRAM Demand**

Japanese semiconductor traders are expected to report sharply lower profit in the current fiscal year to March 2002. The only exception is Ryoden Shoji, which is likely to see a solid increase in profit.

### **DVD Shipments Continue to Grow**

Worldwide shipments of DVD players are expected to reach 28 million units in the current fiscal year,

rising to 35 million units in 2002.

### Taiwan's IA Sector to Post Solid Growth

Taiwan's IA sector is expected to grow 39% in 2001, according to MIC, a local market research firm. The major products here include, Thin Client, NetTV and SHD. In volume terms, NetTV should record a 31.4% gain while SHD is likely to be up 67.5%, according to the research firm. The highest growth in value terms will come from SHD, which is likely to more than double.

### General Economy

#### Government to cut NHI List Prices

As a part of the program to trim escalating healthcare bills the government plans to cut NHI list prices by about 5% in fiscal 2002. But agreement from the medical association will be difficult to get since the government is planning to cut diagnosis charges also.

#### Growth in Temporary-help Services Slows

The growth rate of temporary-help services has slowed from close to 35% year-on-year in 2000 to an estimated 18% in the current year. Weak demand from the It sector is the major factor dragging down the growth rate.

#### Japan's GDP Shrinks 2.2% in Jul-Sept Quarter

Japan's GDP in the July-Sept quarter contracted at an annual rate of 2.2% due mainly to weak consumption and the continuing IT recession. Rising unemployment is affecting personal consumption and an IT recession in the U. S. is slowing high-tech exports. The government expects the nation's GDP to shrink 0.3% in the next fiscal year.

#### Recession is Deepening

The recession, so far largely limited to the IT sector, is now spreading to basic materials and while inventory adjustment in the IT sector has progressed, that in basic materials such as steel and machinery is now increasing.

### 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	1,898	1,588	15,348	1,460	7,445	4,174
Sept.	100.8	107.6	107.2	71.1						
YoY	-26.6	-22.4	-1.0	-32.6	-13.8	-2.7	-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