

Tuesday, September 15th, 9:30am -10:45am

Panel Discussion 2:

The Future of Telecommunications Infrastructures and Businesses

Koichiro Tsujino, President, Google Japan, Inc.

Kazutaka Hasumi, Deputy Division Head, Marketing Department, Softbank Mobile Corp.

Kazumasa Yoshida, Representative Director and President, Intel KK

Tomokazu Takeda (moderator), Executive Partner, Communications & High Tech, Accenture Japan Ltd.

Tsujino

Google has made innovation its destiny and with a mission “to organize the world’s information and make it universally accessible and useful,” it develops new businesses everyday around its search engine operations. For Google, Japan is a particularly important market with its high broadband diffusion rate and advanced mobile market that has defined the global norm.

The goal of “Android” is to develop a free platform that will be widely used. Android’s significance is that not only handset manufacturers but others as well develop applications. This week we released a service called “Android Market,” which allows third-party developers to sell their applications. Google’s fundamental stance is to create an environment and let the wisdom of the masses create a new Internet world.

Google is developing a new browser system called “Google Chrome,” which enables faster, more efficient searches of rich content. In the second half of next year (2010), a number of manufacturers are expected to use it in net book-type products.

Regarding its role with Cloud, Google stance is to provide the infrastructure and let corporate developers utilize it to enrich the Internet experience. Ever since I first joined Google, I noticed that Google’s perspective of the world is from somewhere in outer space. In Japan, there is a tendency for businesses to define their business zone

narrowly. Google, on the other hand, tries to create an optimal ground environment based on the differences of each of the countries it operates in. In other words, it respects cultural differences and tries to incorporate that as added value.

Hasumi

I was a producer at TV Asahi until last year (2008). My joining Softbank is symbolic of what is happening in the mobile Internet world. Cellular phones, because of 2-year and such binding contracts, no longer sell so well. Specifications for moving images are no longer a differentiating factor, and in three years, a cell phone with even a 20 million pixel digital camera will no longer be considered a breakthrough. The era for talking on the phone is gradually giving way to data communications. As a result of low-price wars, it has become important to increase the ARPU. From now on, content will be king – music more than email, moving images more than music. The richer content will gain the most attention. Masayoshi Son, the president of the company I work for, says “2009 is the first year of the Internet Content Era,” and has moved the company aggressively toward a strategy that pursues content. Mobile operators are trying to create original content that can only be enjoyed on a mobile phone, such as BeeTV (provided by Docomo) and S-1 Battle (provided by Softbank).

We are currently at the trial-and-error stage to seek attractive content for both original and official sites, but within the next few years, we hope to explosively increase the number of users. In Japan, more than 100 million units have been sold, with several users having more than one unit. Softbank, through an initiative called JIL (Joint Innovation Lab), is working together with the number one providers of each continent (China Mobile, Verizon, and Vodafone). Japan’s challenge is to avoid the “Galapagos Syndrome,” (developing a product that is isolated from world standards) and pursue open standards. While it is surprisingly difficult to create one common platform, whether one has the will or not is the determining factor for success. It is extremely important to “put your foot on the accelerator,” so to speak, and that is the stage we are at right now.

Yoshida

I would like to talk about the theme, “Whether or not to use new technologies.” I believe that new technologies will inevitably be more ecological and lead to growth. For the past 40 years, chip development at Intel has followed Moore’s Law and ICs now cost just 1/1000 or even 1/10,000 what they used, are far more compact and consume less energy. If processing power of a chip in 1986 was set at “1,” by 2009, it was more than 1000. Lower costs are one important indicator of innovation.

With new technologies that allow for the device engine to be on the Internet, less power is consumed. By accommodating an engine function with scalable software on the Internet, fewer parts are required on the device side and accuracy is enhanced. Products can be made with greater consistency and scalability. It is also important to increase the investment turnover ratio, in other words, how quickly there is a return on investment.

In the future, the driving forces of growth in developing countries will be “mobile devices” and “Cloud.” Intel provides the ultimate eco-drive for this purpose. With new services on a new infrastructure, we hope to add more services and applications. We have no intention of hanging on to old products or technologies but rather develop products that will help create a new mobile devices market.

Since 2007, we have been developing a new semiconductor tailored for MIDs (mobile Internet devices). Innovation is advancing so rapidly. 65nm⇒45nm⇒32nm (consumption power is now just 1/10 of what it used to be). Intel’s Pentium processor has achieved a 26 times reduction (1015⇒32). In 2005, for something that required 184 single core servers now requires just 21, thanks to lower power consumption (eliminating not only the need for an AC power source, but also increasing investment efficiency). With more cloud applications, this would be perfect for data centers, where the number of users is expected to increase. Growth through new technologies

and worldwide standards is important (USB, WiFi, WiMAX and so on) . In the future, the inside of PCs will become even smaller. In 1999, what was 180nm is now 32nm. In terms of software, the same product can be used for everything from large-scale mainframes to embedded devices. With standardized telecommunications infrastructures, such as WiFi, LTE and others, PCs will also evolve. We need more efficient semiconductor solutions, such as devices for automobile use. The outcome in these areas will be utilized in the various devices. Japanese manufacturers have an important role to play.

This July (2009), we introduced WiMAX commercial services, a technology optimized for broadband data transmission. With this, we have rich media and greater ARPU. Mobile 3G does not provide enough bandwidth. When you compare a 3G mobile phone with a home-use PC, the PC is clearly easier to use. We need a worldwide standard, easy-to-use PC that has a microprocessor with superior processing capabilities.

In terms of worldwide standards and infrastructures in developing countries, both India and China first laid wireless LAN, not CDMA. To provide standardized health care no matter where you are in the world requires worldwide standards that will enable cloud computing of health data and the downloading of that data along with visual images. In terms of saving energy, new technologies that merely reduce a PC's power consumption will have only a minute overall impact. New technologies must be embraced by the society in a more comprehensive way to increase efficiency. Corporate management's decision to "use new technologies as quickly as possible" is also key.

<Q&A Session>

What are Japan's strengths? How can these strengths be utilized for the benefit of Asia and the world?

Tsujino

Japan is the world leader in making things, in particular, things that have specific physical properties, such as reduced power consumption or enhanced strength. While Japan is good at making mechanical things because they are quality conscious, this strength is not fully utilized. Japan plays the role of refining things to the utmost degree. This tenacity Japanese have is something that Americans may be less inclined to demonstrate. Another strength Japan has is the ability to make great content. YouTube traffic in Japan is second only to the US. Uniquely Japanese content and animation are increasing. However, because of an inability to effectively present this talent, Japanese content is often under appreciated and sold cheaply. Japan needs the ability to produce content without underpricing. The Internet era may make it possible for Japan to develop a new stage of growth.

Hasumi

While Japanese have a disadvantage in that they cannot speak English well, because they are homogenous and easily influenced, once they have set a direction, they are capable of making tremendous things. For example, they can say, “I am good at sumo wrestling, but I am not capable of building the sumo ring.”

There are surprisingly few Japanese creators who want to make money. “Building a wide road does not necessarily guarantee that only great cars will use it.” Talented creators and business need to be brought together effectively to establish a creative foundation that they will thrive and flourish. I am worried that a different sort of foundation will be created where talented people would not feel comfortable “having a sumo bout,” so to speak.

Your analogy of how Japanese are good at playing sumo, but not at building the sumo ring, is a good one. What does Japan need to do to compete globally in the area of devices?

Yoshida

When I was in my senior year of high school, I was so enamored with the US that I went to the countryside of Oklahoma and came back in 2000. After that, from the bottom of my heart, I felt that Japan was the best place to live. Perhaps Japan's strength lies here. Those at the Intel headquarters in the US also love Japan. An attention to detail, an abundance of ideas and energy, all these and more are Japan's strengths, and being able to work in such an environment is a blessing. It would be hard to pick up on trends if you lived in a place like Oregon.

On the other hand, there are elements that suggest that Akihabara will be a source of new global trends. Teen Harajuku Collection is immensely popular. There are so many businesses doing very well, and these will promote new growth. Pictograms, which effectively utilize some of the characteristics of the Japanese language, are also a promising area for possible export.

Japan is somewhat behind in terms of embracing open standards and forging alliances. As our final question, what changes does Japan need to make?

Tsujino

Japanese have a masochistic mentality. They are not aggressive toward open standards. Google is optimistic from the core. That is precisely why openness produces such positive results. We need to adopt a totally upbeat mentality, not a strict education.

Hasumi

In the television industry, an outdated system based on huge past successes still remains. Can we throw away the experiences of our past successes? Those companies that are able to will be strong. With platforms, somewhat unexpectedly, things like "the concept of money," or problems with language (can't speak English) could become a disadvantage more than technology. In addition, Japanese tend to be surprisingly ignorant, as seen by how many high school girls in Shibuya do not know the name of

the US president. It is sad to think that young generations may unharness their passion in such a small space.

Yoshida

An environment that embraces diversity, an environment that allows open debate – these are the things we need to work on developing. In the current Japanese environment, ideas become too personalized, as in “your idea/thinking is bad.” We need to train ourselves to accept many different types of thinking.

In Europe, you struggle a lot if you don’t know much about that country. It is vitally important to create opportunities for open debate with a diverse range of opinions. As much as possible, we should leave things up to the young generation and allow new forms of discussion.
