

ets (as of 2 a.m. ET today)

Value and Points	Change	Percentage
19,086.62	+117.10	+0.6%
15,584.28	+305.96	+2.0%
2067.13	+59.96	+3.0%
525.82	-2.44	-0.5%
755.08	+7.78	+1.0%
Tuesday (N.Y.)	Today (Tokyo)	
104.75	104.85	
0.9480	0.9463	

Banks agree to merge

of Tokyo-Mitsubishi and Mitsubishi Trust today to set up a holding company, which would be the world's fifth-largest financial group. The companies will integrate their operations in 2001, officials said. The alliance would combine deposits and assets.

Excite At Home launch music site

Internet provider Excite At Home and its parent, The MTV Group, will announce a three-year alliance and a Web site for people to download music news, downloadable tunes and videos. MTV will provide material on the site, while Excite At Home will handle ad sales, while the companies will cross-promote each other's services. The site will be free, but users will not be able to download material from major artists.

Team on high-speed networks

Working titan Cisco Systems and local SBC Communications will announce today a joint venture to offer businesses and high-end consumers services for linking to the Internet and corporate networks. The venture hopes to combine the networking savvy of Cisco with the phone network and customer service, officials say. This is another step in Cisco's push into the telecommunications equipment market. The companies plan to disclose the value of the agreement.

HMO rates to increase 4.9%

Massachusetts Public Employees Retirement System, the state's largest purchasers of health insurance, announced today that it has negotiated HMO rate increases of 4.9% for next year, far lower than the 8.6% increase expected. Private-sector employers of- fered rates negotiated by the program as an incentive for them to stay, but that may not hold up. That's because the program, in order to offset the rate increase from 8.6% to 4.9%, agreed to pay more for office visits and prescription drugs. For the first time, something many employers in the state have already done.

Decision to swap Northeast assets

AT&T will increase its cable clout in the Boston area, where it has a strong presence. The company will beef up its presence in New York City, in a deal unveiled Tuesday. The company is swapping franchises, with AT&T gaining franchises in eastern Massachusetts and California, while Verizon will get \$878 million in AT&T stock and \$284 million in cash.

Bank, HSBC launch Internet bank

International banking group HSBC and brokerage firm Citicorp said they formed a stand-alone online brokerage, hoping to attract individual investors worldwide. The agreement excludes the USA, where Citicorp has most of its 19,000 stockbrokers and customers.

than from staff and wire reports

AY Snapshots®

Coins

A half of Americans say they would rather use a dollar bill than a new gold-colored coin in change from a store cashier.

Securities. Many of these companies that ran up will give it right back." What concerned some analysts was the indiscriminate rebound. Both market leaders and beaten-down stocks participated. For instance, NetZero, the money-

losing provider of free Internet access, jumped \$3.94, or 73%, to \$9.31. That made Yahoo's respectable \$12.31, or 11%, gain to \$126.69 look modest. Some analysts also discounted Tuesday's Net rally.

er says. "No (other) companies in the stock market grow at the rates of Internet companies."

► AOL and other big tech earnings, 3B



New blood: 29-year-old Kai Masaki, second from right, broke tradition to start his own software company. He employs 30 people, including from left, Tomonori Kawazoe, Yuki Fujiyoshi, Naruki Muramatsu and Erika Muso.

Cover story

Japan undergoes e-makeover

Internet economy changes traditional rules of business

By Julie Schmit
USA TODAY

TOKYO — Even as Japanese technology stocks, like those worldwide, were taking a tumble, Japanese electronics giant Hitachi was announcing a new unit to bolster sales of Internet technologies.

Such thinking may be needed now more than ever in Japan. While U.S. industries have spent years embracing Internet technologies to cut costs, boost sales and enhance productivity, Japan has just recently jumped on the bandwagon.

Now, while a backlash against high-tech stocks could slow Japan's momentum, it will be hard to derail.

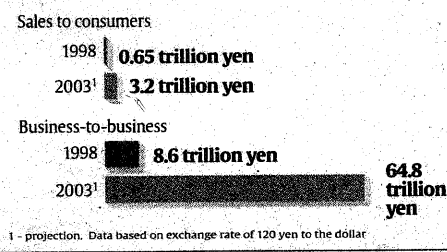
The growth of the Internet is spurring a wave of entrepreneurship not seen since the building boom after World War II. The economy is splitting into the "new" and the "old" as investors, despite recent hits, reward companies with Internet strategies and punish those without them. High-tech start-ups are luring employees from Japan Inc., where age and experience, not performance, define careers. And more people realize that Japan needs to catch up to avoid falling further behind in a globally networked economy.

"The entire society has to change," says Koji Nishigaki, president of electronics giant NEC.

For years, Japan has been under pressure to deregulate its economy, the world's second largest. Change has come, albe-

Japan's e-commerce sales

Japan is the second-largest Internet community in the world after the USA. A look at the country's e-commerce sales.



Source: Japan's Ministry of International Trade and Industry By Quin Tian, USA TODAY

it sometimes at a glacial pace. For the first time, banks are now being sold to foreigners and airlines are discounting tickets. The telephone monopoly is lowering prices. While historically resistant to foreign investment, Japan welcomed a record \$14 billion last year.

The growth of the Internet and network technologies is hastening the pace of that change, many say. Consider:

► Spending is rising on software and computer hardware to make Japanese companies more efficient. This year, 25% of Japan's capital outlays will go for high-tech products, up from 15% in 1998, says Simon Jones, chief investment officer for

Please see COVER STORY next page ►

Bargain hunters energize rebound

No guarantee turnaround will stay on track

By Adam Shell
USA TODAY

NEW YORK — The painful memories of last week's market panic are fading fast.

The Nasdaq composite index ended Tuesday with a record 254 points Tuesday, 3794, topping its record set Friday and wiping out Friday's point plunge. It is now up 18 points, or 18%, from Monday's low of 3227.

The tech-heavy index rose Tuesday, its second-biggest percentage gain. That topped Tuesday's 6.6% surge and trails on 7.3% gain on Oct. 21, 1987.

The turnaround is nothing of remarkable. When the week began, many analysts had dire predictions for the Nasdaq. They tried that overvalued tech stock's threat of rising interest rates and eroding investor confidence would push prices even lower.

But then bargain hunters, spotting stellar first-quarter earnings from top tech firms, stepped in to buy their favorite tech stocks. The Nasdaq has soared 14%, or 14%, in just two weeks. When the week started, it was 34% off its March 10 high, now down 25%.

What was even more important about Tuesday's rally is that advancing stocks led declining by a 3-to-1 margin.

The bullish sentiment spread to the broader market. Dow Jones industrials gained 100 points, or 1.8%, to 10,767. The S&P 500 index was up 10 points, or 2.9%, to 1442.

Despite the rebound, some market strategists say the rapid investor sentiment from pessimism to euphoria is worrisome.

The big concern is that investors are jumping back into the market prematurely. Why? Their guarantee the current rally will stick, says Brian Belski, strategist for George K. Baum & Co.

Investors who rush back into stocks, therefore, risk being burned. "After just two days, can't put a big stamp of approval on the rally quite yet," says Belski. "The market needs to build credibility back."

That could take weeks — months. Stocks often retest previous lows after bouncing back from vicious sell-offs, says Hirschhorn, strategist at St. & Farnham.

This week's rally is bound to be at some point, says Acampora, chief technical analyst at Prudential Securities. He's really surprised if we go around and went to new highs. However, if stocks

Sky no longer the limit for getting e-mail on flights

By David Field
USA TODAY

There's no escaping it: E-mail is coming to airline passengers.

Cathay Pacific is about to test it for rollout in January. Virgin Atlantic vows to have e-mail on its jets in two years. American, United and others say they're committed to offering the service.

You'll be able to send and receive e-

mail. Honeywell and its partner, Seattle Lab, say they'll have customers in months. Another Seattle-based company, Tenzing Communications, will have its e-mail system on some of Cathay Pacific's 56 planes by early next year.

E-mail is sent to airplanes via ground transmitters or, if the planes are over an ocean, by satellites, says Tenzing CEO Robin Bromley-Martin. Messages are sorted by an onboard computer server,

less. Services. Some airlines will offer it free, and some prefer a nominal fee. AT&T sells an onboard e-mail service called ePlane.

A technology challenge was overcoming slow transmission rates. So e-mail messages are broken into packets of four or five graphs, which are faster to transmit. If the transmission is interrupted, only one packet has to be repeated.

Another issue: Tenzing's system re-

Cover story

Change 'a must for our survival'

Continued from 1B

Jardine Fleming in Tokyo.

Companies are getting into the Net. Toshiba and Fujitsu are retooling to focus on information technologies. NTT DoCoMo has emerged as a world leader in Internet wireless connectivity. Next year, NEC expects 25% of its sales to be over computer networks. Sony is pushing into the Internet from all angles. It even hopes to set up an online bank.

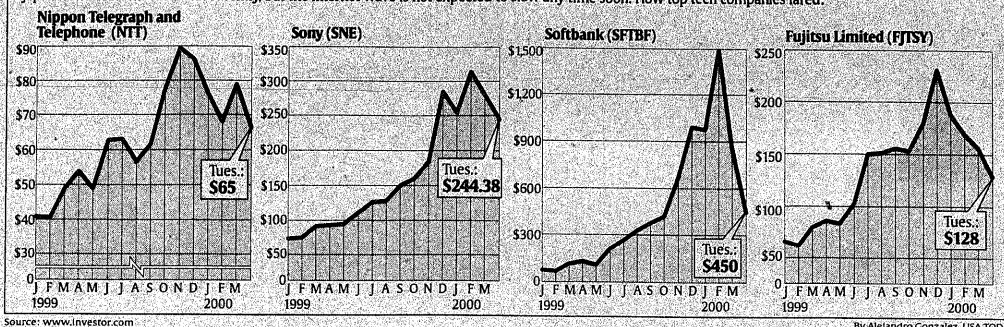
Already, almost 40% of Sony's new PlayStation 2 game machine sales in Japan are online, says Mike Morimoto, senior executive vice president. In February, Sony started selling other products directly to Japanese consumers, cutting out middlemen. In Japan, five layers of people, each adding cost, can sit between producers and buyers.

Being able to cut costs and move products quickly in a global market "is a must for our survival," says Yoshio Tateisi, CEO of automation device maker Omron.

Perhaps more important, Japan is beginning to talk about changes to bedrock societal values. In January, a government-commissioned advisory panel suggested that individuals in group-oriented Japan be empowered and that students spend more time being creative.

Internet's economic power in Japan

Japanese tech stocks took a hit recently, but the Internet wave is not expected to slow any time soon. How top tech companies fared:



Source: www.investor.com

By Alejandro Gonzalez, USA TODAY

It also said that Japan needs to brush up on its English, the language of the Internet and of the global economy. Although students study English for years, a heavy emphasis on studying grammar has left Japan, along with Communist North Korea, with the worst English skills in Asia. "We cannot go on like this," says Tadashi Yamamoto, president of the Japan Center for International Exchange and a member of the panel.

Time to change

For decades, Japan's traditions served the country well. From the ashes of WW II, it rose to world prominence in the 1980s as a manufacturer of quality goods. But in today's knowledge-based economy, many different strengths are needed, many say.

Strengths like those of Kai Masaki, 29. Five years ago, the economics graduate shunned a traditional big-company career to start his own software company. Today, he employs 30 people.

Naoko Tomita, 35, chief financial officer of Internet start-up Crayfish, breaks all the rules. She is an executive in a country where women are expected to quit work in their mid-20s and marry. She also left a bigger company, IBI Investment in Tokyo, to join a start-up.

The entrepreneurs are chasing a growing market. Japan's Internet population, 18.5 million last year, is expected to reach 60 million by 2003.

A year ago, NTT DoCoMo started offering mobile phones that connect users to the Net. Today, 5 million subscribers pay small fees to do such things as read e-mail, trade stocks and access cartoons.

Koji Furukawa, 39, sees the Internet in his future, too. This summer, the founder of gamemaker Video System hopes to spin out a new company to make low-cost devices to enable consumers to download karaoke tunes and lyrics from the Net. Last year, the 15-year-old Video System had revenue of \$60 million. The karaoke venture already has \$90 million in

orders. "It will be huge," Furukawa says.

Furukawa, Tomita and Masaki are pioneers. And even they acknowledge that their country faces huge challenges during its economic transition.

Group mentality

Individualism and risk taking are revered in the USA. Enterprising youngsters like Bill Gates and Jerry Yang of Yahoo founded high-tech marvels.

In Japan, the group and conformity are highly valued.

"Unfortunately, Japanese society still tends to frown on displays of individual excellence," says the panel's report. "The nail that sticks out is hammered down."

Japanese companies, too, are ill-positioned. In a global market where an online bookseller like Amazon.com can change entire industries, companies have to move fast to adapt.

But to maintain harmony, Japanese companies rely on the time-

consuming process of making decisions through consensus.

Despite some reforms, Japan's regulations still prevent a lot of free-market forces. Even book prices are regulated. Japan's government, now led by Prime Minister Yoshiro Mori, has been backtracking on job-costing reforms for months as elections near.

And the popping of the Internet stock market bubble could embolden arguments against the need for change, analysts say.

Most likely effect: slowing the flow of money into venture capital funds, which fueled the rapid growth of Internet industries in the USA the past six years. The stocks of Japan-based Internet investment giants Softbank and Hikari Tsushin have been tanking for weeks. Tuesday, several Internet companies said that because of weak stock prices, they were suspending plans to issue more shares.

Like many investors these days, "I remain cautious," says Ron Bevacqua, senior economist at Commerce Securities in Tokyo.

Asia takes cues from U.S. Net revolution

By Julie Schmit
USA TODAY

HONG KONG — Asia's Internet baby is stumbling as investors dump and then pick up Internet stocks, following the lead of U.S. stock markets.

But the Internet in Asia, which is several years behind the Internet in the USA in terms of maturity, may grow up a little wiser for the experience.

"Last year, anything dot-com would go. That's not the case anymore," says Hanson Cheah, venture capitalist with AsiaTech Ventures in Hong Kong. "People are going to be questioning business models."

After watching the dot-com revolution unfold in the USA for years, Asia shifted into overdrive late last year as venture capital poured into the region. Internet start-ups sprouted like weeds and a get-rich-quick mania grabbed investors.

Just weeks ago, tens of thousands of Hong Kong investors waited in the pouring rain for hours to buy into the initial public offering of Internet portal Tom.com, primarily because it was backed by Hong Kong property tycoon Li Ka-shing. "That clearly was irrational," says Robert Kenny, marketing director for Internet incubator Incubasia.

Monday's stock market drop punctured the mania, analysts say. As in the USA, Asian Internet companies are now going to come under more scrutiny — perhaps earlier in their lifecycles.

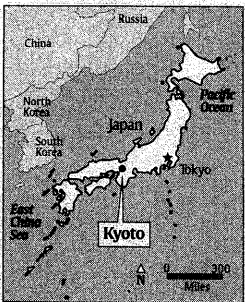
Weaker companies may get weeded out even earlier than they have in the USA. And, as in the USA, volatile financial markets will make it harder for young companies to go public.

But Asia is still home to several of the fastest-growing and least-developed Internet markets in the world, including China and India.

And companies with good business plans will thrive, despite the market's ups and downs, executives and analysts say.

"The Internet is revolutionizing the way we communicate, do business and live," says Don Xia, CEO of Internet incubator Cyberlabs. "That hasn't changed. Companies who know what the Internet can do will continue to get funded."

Japanese city nurtures start-ups to build bright high-tech future

By Julie Schmit
USA TODAY

KYOTO, Japan — Amid the Buddhist temples, pottery artists and kimono weavers of this former capital of Japan are some of the country's most nimble companies.

Among them, gamemaker Nintendo, custom-chip maker Rohm and electronic component leader Murata Manufacturing, high-tech manufacturers who grew to global prominence in recent decades.

Now, Kyoto is trying to lead another wave: giving birth to Internet, multimedia and software-based industries. So far, Kyoto, 320

miles south of Tokyo, is home to an estimated 300 high-tech start-ups, including Honya-san, which aims to be the Amazon.com of Japan.

But to grab a fair share of the global networked economy, Japan needs a lot more entrepreneurs, and that is what Kyoto is trying to nurture. Among other things, the city of 1.3 million offers start-ups:

► **Mentors.** Three years ago, Kyoto executives formed a committee to review the business plans of aspiring entrepreneurs. An "A" grade can be taken to local banks for loans the city then guarantees.

► **Links to academia.** Kyoto has 40 universities and colleges. That

enables easy mixing of faculty, entrepreneurs and bright minds. "We attract a lot of human resources," says Yoshio Tateisi, chief executive of Omron, a manufacturer of automation control components.

► **A place to call home.** Many new companies are clustered in the Kyoto Research Park, considered among Japan's top new-company incubators. The privately run park supplies low-cost office space, high-speed data lines and a network of services for start-ups.

Shin Kondo, 36, has the type of story that Kyoto wants more of. To support his pottery habit, he started part-time work at age 16 at a

small gamemaker, Tose Software. Today, Tose employs 360. Since going public two years ago, its stock has more than quintupled. Kondo is now managing director.

Kyoto is trying to shape younger minds, too. At the Center for Entrepreneurship Education, materials are being developed to spur creativity in 12- to 15-year-olds by asking them to come up with ideas. Student interns are sent to start-ups, and local CEOs hold seminars.

"Japanese companies don't need obedient employees anymore. They need employees with ideas," says project manager Kikuko Harada.

Digital phone service routs analog

Wireless users prefer clearer, cheaper options

By Shawn Young
USA TODAY

NEW YORK — The wireless phone business is hanging up on analog service.

In just over four years, digital wireless services have captured about half the wireless market, says consulting firm Yankee Group. And digital carrier Sprint PCS's earnings report Tuesday underlined the trend.

Sprint PCS added a blowout 831,000 customers in the first



Sukawaty: Digital sounds better.

features like Caller ID and is cheaper for both customer and carrier than older analog service, experts say. The coming wireless Internet and messaging services are all digital.

The big wireless companies all

tures for less money. Because digital services are more efficient and cheaper to run, the established carriers had to respond, says Mark Lowenstein of Yankee Group.

Better sound had something to do with it, too. Sprint PCS CEO Andrew Sukawaty says. "You could use the phone to have a social conversation."

By 2004, consulting firm Strategis Group expects 92% of wireless phone service will be digital. Analog has no place in the wireless data world, Elizabeth Harr-Briksin of Strategis says.

But that doesn't mean traditional analog service will be abruptly disconnected. Outside larger cities, analog is often the only option. And it may be the best choice for people who use the phone only rarely or in

