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## *High-tech Sector*

### *Tie-ups Progress in 3G Cell Phones*

Sony is tying up with the Erickson Group of Sweden and NEC has announced collaboration with the Matsushita Group in the software area. Fujitsu is tying up with a French group. Toshiba and Mitsubishi have announced that they will jointly develop 3G cell phones.

### *NTT Docomo to Start Cell Phone-Based TV Conference Service*

NTT Docomo has developed technology for a cell phone-based TV conference system in which 16 FOMA phones can be linked for a TV conference. Field tests are to start in May, with the service launch likely to come in the fall.

### *i-mode service Launched in Germany*

NTT Docomo has from March 16 commenced i-mode service in Germany. This is the first time i-mode service is being offered overseas. NTT Docomo supplied the required technology for the service to e Plus, a KPN Mobile subsidiary that is actually running the service. The service is to be expanded to Holland and Belgium in April and June respectively. E Plus is using NEC-made cell phones for the service.

### *KDDI to Launch 3G Service*

KDDI will launch a 3G-cell phone service on April 1. Unlike NTT Docomo, which started a similar service last October over a limited service area, KDDI's service will be available nationally. By fully leveraging its existing network, the company hopes to offer prices lower than NTT Docomo. Plans call for signing up 7 million subscribers in the first year of operation.

### *NTT East To enter Wireless LAN Service*

NTT East plans to enter the wireless LAN service market. The service will be available to its fixed monthly charge customers. Field tests are to start in May. NTT Docomo is also planning to start field-testing a similar service using its FOMA cell phones. Wireless LAN is expected to be in increasing demand as a means of high-speed network access.

### **Govt. Plans to Completely Deregulate Postal Services**

The government is planning to introduce legislation to allow private firms to enter the postal services market under the same conditions as the present post office. In preparation for the deregulation, the government will introduce a bill to convert the postal system to a public corporation in 2003. However, considerable resistance is expected from ruling party members, given their special interests in maintaining the present system.

### **USB 2.0 Demand to Double**

According to a recent survey by a U. S.-based high-tech industry research firm, demand for universal serial bus (USB) is expected to double in the next four years as it wins greater acceptance in the PC market.

### **Bankruptcies Continue at Record High Levels**

A total of 1,674 firms (liabilities exceeding ¥10 million) went belly up in February, leaving over one trillion yen in liabilities. This was the sixth consecutive month of record high bankruptcies. The electrical sector accounted for 63 of the total, a 46% increase over the previous year, and a record high for February since 1993, when 58 firms in the industry closed their doors. The liabilities left behind by electrical industry firms going bankrupt totaled ¥70 billion.

### **Outsourcing Market Expanding Rapidly**



Outsourcing demand in the information services industry is expected to increase by 18.8% year in the first quarter of this year. Outsourcing is growing, led by demand from the financial and the manufacturing sector. Particularly strong growth is being witnessed by total service that includes all services from consulting to system operation. Other areas experiencing strong growth include management service products (MSP). Outsourcing demand is growing for two basic reasons. First there is growing need for round the clock and round the year system operation to cope with e-business. Second, corporations want to focus on their core businesses and outsource other services as far as possible.

### **TOWA Discontinues Three-day Weekend**

TOWA, a semiconductor production device manufacturer, will discontinue the three-day weekend system it had introduced last October, as a part of a work-sharing program to tide over depression in the SPE sector. With demand expected to recover, the company is returning to the normal working schedule.

### Storage Demand Growing Rapidly

Reflecting the spread of broadband networks, demand for data storage continues to grow rapidly. Demand for SAN (storage area network) and NAS (network attached storage) is expected to show particularly strong growth, increasing at a 40-50% annual rate for the next several years. The market should grow from an estimated ¥92.8 billion in 2001 to around ¥478.7 billion in 2005. The major market players in Japan are NEC, Fujitsu, EMC and IBM Japan.

### Electronic Materials Production to See Significant Gains

Production of electronic materials in the July-Sept. quarter is expected to jump some 26% year-on-year, according to the industry's trade body. The association expects production to recover rapidly after the summer.



### 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	2,674	1,582	17,918	1,648	9,491	6,779
Oct	99.2	103.2	102.9	68.8	2,037	1,683	15,311	1,847	6,803	6,661
Nov	98.5	104.0	98.4	69.7	2,026	1,624	15,443	1,695	7,233	6,515
Dec.	101.6	105.6	95.8	66.3	2,010	1,601	15,310	1,411	7,488	6,411
YoY	-27.8	-25.9	-14.0	-28.8	-20.2	-14.0	-31.2	-25.6	-28.1	-35.6

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