

# Industry Monitor

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High-tech Sector

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## Competition to Heat Up in Third Generation Cell Phones

Following NTT Docomo, J-Phone and KDDI also plan to launch third-generation cell phones in 2002. NTT Docomo is scheduled to start the service on October 1, after field tests that have been going on since May. With more companies joining the race, Japan seems to be set to get a lead in this area. Japanese 3-G systems could well win recognition as a world standard.

## NTT Docomo Plans to Accelerate Download Speed of Its i-mode Phones

NTT Docomo plans to accelerate packet transmission speed of its i-mode phones to 28.8kbps to enable users to download content and browse the net faster. The company also plans to increase the contents size to a maximum of 30kilobytes in order to enhance content capacity and allow providers to supply better quality content.

## Vodafone to Make TOB for Japan Telecom

According to Japanese newspaper reports, the Vodafone Group is expected to make a TOB for Japan Telecom, raising its stake from 45% to nearly 67%.

## Cell Phone Shipments to Slow Down in Fiscal 2001

Shipments of cell phones will slow down in fiscal 2001, according to Yano Research Institute, a market research firm. However, the report foresees value of cell phone shipments to rise 12% from fiscal 2000. Launching of value-added phones should stimulate replacement demand, according to the report.

## Cell Phone Shipments Down in July Again

Cell phone shipments in July fell 1.5% Year-on-year in to 3.8 million units, to record second consecutive decline in monthly sales. JEITA, the trade association that released the figures blamed sluggish replacement-demand to explain the decline.

## Machinery Orders Down, Electrical Machinery Orders Buck the Trend

Machinery orders (seasonally adjusted, excluding ships and electric power) in July fell 1.6%, from the previous month to ¥935 billion, according to the cabinet office. This was the third consecutive drop in monthly orders. Orders were down from telecommunications, IT, finance and insurance sectors. Those from the manufacturing sector rose 0.1%, with those from the electrical machinery sector rising 16.7%.



### Electronic Component Exports Slow in First Half

Exports of electronic components and devices in the first half declined 6.5% over the same period a year ago to ¥4.2 trillion, according the Finance Ministry. Export slowdown seems to be accelerating, with exports in June down 18.5% year-on-year and 12.7% over the previous month.

### PDP Prices Coming Closer to Consumer Reach

Matsushita Electric Industrial Co. will introduce a 37-inch PDP television model priced at ¥600,000. Other major Japanese consumer appliance manufacturers are expected to follow suit with cheaper models. PDP, however, is still relatively expensive as compared to LCD models, which are priced at around ¥10,000/inch, at which large consumer demand normally surfaces.

### Kyocera Plans to Re-enter the PDA Market

Kyocera plans to reenter the PDA market after it withdrew from this market sector 10 years ago. Plans call for introducing a new model before the end of the year. With global PDA sales estimated at 7 million units, Kyocera sees PDA to be promising growth market.

### Yamada Denki To Strengthen Presence in Western Japan

Yamada Denki, a major consumer electronics chain, said Thursday that the company will set up a joint venture with Wako Denki. The new firm will take over operations of about 30 of Wako's large stores. Yamada Denki does not have strong presence in the Kansai region and it wants to bolster its position ahead of the expected shake out in consumer electronics retailing.

### Surveys Show IT Recovery to Come Only in Second Half of 2002

According to several surveys of the companies in the high-tech industry, recovery in the IT sector will come in the second half of next year at the earliest, with inventory adjustment running its course by the end of the year or early next year.

### LCD Manufacturers Expect Sales to Rise But Continue to Cut Back on Capex

A recent survey of LCD manufacturers by a leading industry newspaper revealed that they expect sales in fiscal 2001 to rise by roughly 11% to ¥1.7 trillion, but still plan to cut back capital investment by more than 30%. With prices apparently bottoming out, manufacturers have become somewhat optimistic over the outlook ahead.

### Code Reader Exhibition Held in Japan

Bar code reader manufacturers expect to see growth in fiscal 2001, after a sluggish fiscal 2000. According to the industry's trade body, suppliers expect bar code reader shipments to rise 33% in fiscal 2001, after falling nearly 4% in the previous fiscal year. The association expects demand for 2-dimensional code readers and RFID type readers to double this year.

## 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	110.1	2,261	2,202	18,136	1,503	8,552	8,081
May	118.1	121.9	126.2	110.4	2,007	2,180	18,217	1,148	8,877	7,717
June	112.9	118.2	122.4	110.4	-	-	18,758	1,240	9,334	7,706
July	106.8	110.7	118.0	-	-	-	-	-	-	-
YoY	-22.7	-21.2	9.8	0.9	3.9	3.9	-15.6	-13.2	-7.6	-23.8

*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*