

Industry Monitor

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High-tech Sector

DSL Demand Growing, Soon to Top One Million

The number of digital subscriber lines reached 921,867 as of the end of October, an increase of 270,000 lines over the previous month. The accelerated growth is attributed to the entry of new firms into the market and sharp cutbacks in service rates. This has affected NTT's market share, which plunged from 60% to 50%. ADSL service operators have filed a complaint with the government claiming that NTT East and NTT West are hindering competition by offering a service package that includes Myline service (designated service provider) and ADSL. They claim that NTT is leveraging its strong position in Myline service to muscle in on ADSL also.

NTT Getting Ready for Serious Operational Streamlining

NTT's labor union finally agreed with the company's operational streamlining plan, centering on payroll reduction. The plan calls for transferring a large number of employees, mainly maintenance personnel, to separate entities to which NTT will outsource maintenance work. The plan also calls for cutting wages of employees over age 51 (60,000 employees are over 51) by 15-30% and transferring them to group firms.

Rules Regulating Entry of Public Monopolies into Telecommunications to be Drawn Up

The Ministry of Public Management, Home Affairs, Posts and Telecommunications will draw up new rules regulating entry of public monopolies like, electric power firms and railroads, into telecommunications. The new rules will require such monopolies to offer access to their networks, including optical fiber networks, power poles and bill collection systems, to other telecommunications service providers. The new rules will also ban such utilities from offering discounts on their core services to clients signing up for their telecommunications service.

Cell Phone Shipments Decline

Shipments of cell phones in September declined 16.4% year-on-year to 4.67 units. Shipments in the first half of the current fiscal year rose only marginally by 0.6% over the same period last year. The slowdown is blamed largely on declining number of new subscribers and weak replacement demand.

Impact of Electric Power Deregulation Weak

The much expected impact of the electric power deregulation initiatives launched last year has failed to materialize both in terms of spurring entry into the industry and in bringing down electric power rates. The primary factor holding back deregulation benefits is the high rate charged by existing utilities for power transmission.



Semiconductor Manufacturers Set Up Joint Venture for Next Generation Technology

Japan's eleven semiconductor manufacturers have set up Selete, a joint venture to develop next generation semiconductor technologies, a major Japanese newspaper reported recently. The new venture will set up prototype manufacturing lines at a cost of some 280 billion yen.

Computer Virus Still a Serious Problem

The number of cases of computers infected by computer virus in October stood was relatively high at 1,241, but down to 56.3% compared with the previous month's level. The decline is due to a peaking of the W32/Nimda problem.

BT Market Attracting Attention in the Electronic Components Sector

Japanese electronic components manufacturers are getting serious about Brutus Ver1-1 compatible components as its installation on mobile devices and personal computers is expected to speed up in 2002.

Copying Machine Shipments and Exports Down in 3rd Quarter

Shipments (domestic) of digital copiers in the 3rd quarter (July-September) fell five percent compared with the same period a year earlier. Shipments of analog models were off 44.1% and those of color models fell 31.4%. Total exports were down 34.3%. As a result, total shipments, including exports, were down 27.4%. Value of total shipments was off 24.7%.

Middle-range Computer Shipments Surge in First Half

Shipments of middle-range computers were up 22%, compared with the same period last year, to 90,000 units, according to industry statistics. Of particular note is the 54% gain in UNIX servers. Workstation shipments rose 9%. JETA, in analyzing the shipment trends says that businesses invested in open servers to strengthen competitiveness while at the same time cutting back on TCO spending.

PDA Domestic Demand Set to Grow

Domestic demand for PDAs is expected to top one million units in 2001. PDA originally started winning acceptance as a fieldwork device, but along with the expansion of functions it is quickly gaining popularity as a consumer item. Noticing the greater acceptance, major electric appliance manufacturers like NEC and Fujitsu have entered the market.

Software Services, the Growth Area in IT

Although general electric equipment manufacturers reported lackluster earnings in the first half, their software services are a different story. NEC Solutions reported a 26.7% increase in software service sales and sales of support services were up 9.6%, for a combined 19% increase in software and service sales. Software service-related sales at Fujitsu rose 4.1%.

XP Having Limited Impact on PC Sales

Major retailers are expecting the XP to give a strong boost to PC demand, but as of now the stimulus seems to be only mild. Industry experts say that it will be while before we see tangible benefits. The best selling notebook models, with bundled XP are NEC's LaVie L Series. In the desktop category, the popular model is NEC'S Valuestar L Series. Consumers see NEC models as being priced right and offering good performance. The second ranked in terms of popularity is Sony, which is backed by a powerful brand name and stylish design.

General Economy

September Machinery Orders Plunge

Machinery orders (excluding ships and electric power) in September plunged 13.2% from the previous month. Orders from the electrical machinery and automobile sectors plunged particularly sharply

October Machine Tool Orders Down 41.5%

Machine tool orders in October plunged 41.5% to their lowest level in nine years. This was the seventh month in a row that machine tool orders were their previous year lows. Export orders were down 32.1% year-on-year.

Governments November Economic Report Paints a Gloomy Picture

The government's economic report for November will report that recession is deepening. This will be the first downward revision of economic outlook in three months.

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			15,348	1,460	7,445	4,174
YoY	-27.4	-25.4	8.0	-30.1	-11.7	-0.8	-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