

# Industry Monitor

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High-tech Sector

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## **NTT Group Captures Over 60% of Myline Service-Carrier Registrations**

The NTT Group has captured 64.6% of all Myline service carrier registrations as of the end of October, with KDDI turning out to be a distant second with 17.8%. Japan Telecom has signed up 10.7% and TNet 5.2%. Although about half of all subscribers are still to be registered, the main battle for the market seems to be already over.

## **KDDI to Terminate PDC Service**

KDDI plans to terminate its PDC-based mobile phone service and replace it with cdmaOne service. The burden of capital investment to sustain two services has become too heavy and subscribers to the cdmaOne service already outnumber those for the PDC service. As a result of this decision, investment in the cdmaOne service is expected to shoot up several times last year's level.

## **NTT and Nokia to Work on 3G Software Standardization**

NTT Docomo and Nokia will cooperate in jointly developing software for third-generation mobile phones and will cooperate in winning recognition for it as the global standard. Nokia plans to launch 3G mobile phone handsets for NTT Docomo next spring.

## **NTT Implements Initiatives to Restore Profitability to Fixed-line Service**

NTT East and West are now offering subscription options for fixed line service. At present, a subscriber to a fixed-line telephone had to shell out 73,000 yen as the initial subscription fee (telephone rights). Now subscribers may elect not to pay the subscription fee but instead pay a monthly charge of ¥640 in addition to the basic monthly charge. NTT hopes to sign up more than half a million new subscribers in the next three years for its fixed-line service.

## **Medium-size Providers Diversifying Business**

Several listed medium-size Internet service providers are actively diversifying into call center services and re-leasing of lines in an attempt to diversify income streams since they are experiencing intense competition and resulting rate declines for ISP services to consumers.

## **BS Subscribers to Top 16 Million in FY2004**

Subscribers to broadcasting satellite-based digital TV broadcasting services are expected to exceed 16 million households in fiscal year 2004, up from an estimated 2 million in fiscal 2000.

## **TEPCO to Cut Electric Power Rates**

TEPCO's president, speaking to the press recently said that the company plans to cut power rates



next April by 4-5%. The rate cuts are due mainly to increasing competition. Kyushu Electric Power also revealed that it too was considering rate cuts. To cope with the rate cuts, TEPCO plans to drastically slash capital investment and streamline operations.

### **Semiconductor Manufacturers Resort to More Temporary Layoffs**

The five major Japanese semiconductor manufacturers are expected to be sending their employees home 2-10 days between October and December in order to slash production to cope with declining demand.

### **SPE Orders Plunge in September**

Orders for Japanese-made SPE devices in September fell 24.4%, pushing down the B/B ratio to 0.55. Orders for all SPE devices, except mask reticule and wafer processing devices, were lower in the April-September period.

### **Sharp and Cisco Systems to Team Up to Develop Wireless System to Link AV Devices**

Sharp and Cisco Systems will join hands to develop technologies for high-speed connection between home audio and video devices. The two hope to have the technology commercially available by the end of fiscal 2002.

### **PC Package Software Sales up 5.4% in FY2000**

Sales of personal computer package software were up 5.4% in the fiscal year ended March 2001 and are expected to rise 21% in the current fiscal year, according to the Japan Personal Computer Software Association.

### **IT Service Industry Continues to Grow**

IT service industry sales topped 10 trillion yen in fiscal 2000 and are expected to increase by a double-digit figure in fiscal 2001. The industry employed over half million people in fiscal 2000.

### **Demand for Color Printer Supplies Shows Strong Growth**

Demand for all types of color printer supplies, coated paper in particular, is rising sharply. The rising demand for coated paper reflects the growing popularity of digital cameras. Total demand for printer supplies is expected to jump 30% this year.

### **Demand for PDP and LCD Television Finally Shows Sign of Taking Off**

Demand for LCD televisions is expected to increase from half a million units in 2001 to about 2 million units in 2002 and that of PDP televisions from 200,000 units to 350,000 units during the same period. Cost will be the key factor affecting growth rates in the years ahead.

## General Economy

### Corporate Bankruptcies Stay at High Levels

Corporate bankruptcies in October totaled 1,843, leaving a debt of over one trillion yen. It is the first time in 3 years and 5 months that corporate bankruptcies topped 1,800. Of particular note is the high number (1,322) of recession-related bankruptcies in the total number. The trend is more pronounced in the electrical machinery sector, where 72 firms went belly up in October, 32 more than in October 2000.

### Public Works Spending Plunges at the Local Level

Public works spending at regional government bodies plunged in last fiscal year to about 30% from its peak, according to a survey by a leading economic daily.

### Consumer Sentiment Index Plunges in October

According to a government survey, consumer confidence index in October plunged 5 points from the August survey to 153, the lowest level since 1977 when the survey was launched. About 72% of those questioned said they were concerned about losing their jobs or someone in the family losing his/her job in the next 12 months. The percentage expecting their incomes to decline rose to 39.1% and only 9.8% expected to be making more.

## 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
Sept.	100.8	107.6	107.2							
YoY	-26.6	-22.4	-1.0	-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