

Industry Monitor

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NTT Docomo Expanding FOMA Service Area

NTT Docomo expanded its FOMA service area to 25 more cities and three major towns and plans call for expanding the service to most cities in Japan by next spring. The company expects to sign up 25,000 subscribers in the Kansai area and about 10,000 in the Tokai region. By the end of the fiscal year subscribers are expected to reach 150,000 units.

Home Electronics Mass Merchandising Sector Consolidating

Home electronics mass merchandiser chains are consolidating. Eiden and Deodeo plan to merge in March 2002. Japan may finally wind up with seven to eight major home electronics retail chains, with sales between ¥500 billion to one trillion. The top 10 (listed chains) already represent 70% of the total sales of 24 home electronics chains.

Windows XP Helping Stem PC Sales Decline

It is about one month since the Windows XP was launched, and it seems that it is having the anticipated results in the sense that many chains that had been reporting slow PC sales now say that year-to-year sales are flat. Replacement demand is driving total demand, sources said. Retailers expect PC sales in December and January to be on a par with last year's levels.

Software Service Demand Continues At High Levels

Of the 25 major software service firms, 12 reported double-digit gains in the interim period ended September 2001. Brisk investment in IT systems by the financial sector and the government is propelling demand. An increasing number of customers in the ongoing IT boom, expansion of outsourcing areas, and introduction of ERP and CRM systems are cited as the reasons for the growing demand. While the value of software development work outsourced is increasing, the value of system equipment purchased is declining. To cope with the growing demand, major software houses are beefing up staff

PDP Television Demand Showing Strong Growth

With the price-per-inch getting closer to ¥10,000 and the growing demand for quality pictures with the development of DVD and BS digital broadcasting, the demand for PDP televisions is growing strongly. Demand is expected to top one million units by 2003, when the price-per-inch will have dropped to about ¥7,000, according to a major manufacturer.

Semiconductor Market To Resume Strong Growth in 2003

Global semiconductor demand should show a solid double-digit growth in 2003, according to ST



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Microelectronics. This comes following similar projections by SIA, which sees demand rising by 6% year-on-year in 2002 and 12% in 2003.

Semiconductor Demand Likely To Have Bottomed Out in July-Sept. Quarter

Semiconductor demand is likely to have bottomed out in the July-September quarter along with considerable progress in personal computer and cell phone inventory adjustment. Industry experts expect demand to resume gradual growth from the last quarter of the year.

Generation Change in Media Products

According to Japan Recording Media Association, there is a clear shift toward new types of recording media, including CD-R, mini-DVD cassettes, CD-RW, DVD and MO. The association projected a strong 47% growth in demand for CD-Rs, 22% for mini-DVD cassettes, and 57% for CD-RW. The demand for recordable-DVDs is projected to increase four-fold.

General Economy

Commercial Sales Plunge 4.9%

According to the statistics released by the Ministry of Economy, Trade and Industry, retail sales in October were down 4.9% compared with the same month a year earlier. Wholesale sales fell 4.3% to ¥36.9 trillion. Total sales, including wholesale and retail were off 4.4% to ¥47.7 trillion. Supermarket sales, affected in part by the Mycal bankruptcy, were off 10.7%. Sales were affected by sluggish demand for IT-related products (down 9.6%) and sluggish automobile sales (down 3.4%). Sales of apparel, and accessories fell 8.1%. The ministry says that at the moment there are no sectors in the economy that could propel retail sales.

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 | | | | | | |
| YoY | -26.6 | -22.4 | -1.0 | -32.6 | -13.8 | -2.7 | -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