

# Industry Monitor

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High-tech Sector

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## Postal Service to be Deregulated in 2003

The Ministry of Public Management, Home Affairs and Posts and Telecommunications seems to have changed its stance on deregulation of the postal service. Now it plans to propose that the postal service be fully deregulated in 2003. Private companies will need clearance from the ministry and will have to assure a uniform rate for regular mail delivery throughout Japan. Entry into other types of postal services will be unconditional.

## Softbank to Enter Telecommunications Business

Softbank plans to enter the telecommunications business next spring. The company plans to offer the lowest rates (¥7.5 for a three-minute call to the U. S.) Domestic rates will also be the lowest compared with what is available now. The company will leverage its Internet technology to realize competitive rates.

## Mobile Phone Shipments Plunge in October

Shipments of mobile phones in October plunged 28% year-on-year to 3.28 million, according to JEITA, an industry trade body. This was the fifth consecutive drop in year-on-year shipments. Although shipments of 3G phones have started in earnest they were not strong enough to arrest the decline in total shipments.

## Subscriptions to DSL Service Surge

According to the Ministry of Public Management, Home Affairs and Posts and Telecommunications, DSL service subscribers in November increased by nearly 300,000 to 1.2 million. This is a figure 74 times that of January. The NTT group has been steadily losing its market share since September. The NTT Group's market share slipped to 45% by the end of November. The drop in share was caused by the introduction of price cuts by Yahoo, BB, e-access and other non-NTT service providers.

## NTT Docomo Plans to Enter the European Market with Its I-mode phones

NTT Docomo plans to start Internet provider services in Europe for mobile phones. Service will start first in Holland and Belgium in cooperation with KPN Mobile, a Dutch firm in which the company has an equity stake.

## Software Service Demand to Grow in 2001

Japan Software Industry Association forecasts an 8.6% increase in demand for software services in 2001. Although the figure is marginally lower than the 9.5% recorded in 2000, it still represents a strong close to double-digit growth. SI service is expected to grow by 7.9%, software development demand by 9.9% and that for outsourcing by 5.6%, according to the industry trade body.



### **SPE Orders Fall to Record Low in October**

Orders for Japanese made semiconductor production equipment in October plunged 81% year-on-year to just 33.7 billion yen. The figure is the lowest for any month since 1986 when the SPE association started keeping statistics.

### **PC Shipments Show Signs of Revival**

Shipments of PCs in November recovered to the year-before level after plunging 25% in October. Major home electronics shops are reporting growing demand as the end of the year nears. The new Microsoft OS, XP is also helping boost sales. NEC and Fujitsu models, with pre-installed XP OS, seem to be the most popular.

### **Electronic Components and Devices Production Plunges in September**

Production of electronic components and devices in September plunged 35% year-on-year, according to government statistics. Production of electronics components fell 33.2%, dragged down by slower output of passive components. Production of electronic devices was off 36.0%. Cumulative production to September was down 17.6%.

## **General Economy**

### **Machinery Orders Plunge**

Machinery orders (excluding ships and electric power) in October were down 10.1% compared with the previous month. Machinery orders are an important leading indicator of private sector capital investment. Orders in October were down 26.6% year-on-year.

### **Bankruptcies Increase in Electrical Machinery Sector**

Total bankruptcies in November totaled 1,821, including four listed firms, and topping the 1,800 level for two months in a row. The liabilities left behind by bankrupt firms were up 44% to ¥1.8 trillion. Bankruptcies in the electrical machinery sector totaled 51, staying above previous-year level for four straight months. More than 600 electrical machinery manufacturers are expected to go under this year.

### **Consumer Sentiment Plunges**

A recent survey by the Prime Minister's office revealed that 65% of consumers were pessimistic about the future and the economy, up by 2.7 percentage points from the last survey taken in Dec. 1999. There was a marked increase to about 50% in the number of people saying that they were working simply to make both ends meet.

### **Govt. Expects No Economic Growth Next Year**

The government forecast sees no growth in the economy in the next fiscal year, although signs of recovery should start surfacing in the second half.

## 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	98.6	102.6	103.1							
YoY	-30.7	-29.0	-5.2	-32.6	-10.4	-10.9	-27.1	-18.4	-21.8	-35.04

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