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## *High-tech Sector*

### *Govt. to push for Development of Multi-functional Cell Phone*

The government, together with NTT and major broadcasters is launching a project to develop a third-generation phone that will support three functions--receiving terrestrial digital broadcasts, Internet access and the telecommunication. Plans call for developing the necessary technologies by 2005 in a bid to make it a global standard.

### *NTT Cutting ADSL Connection Charges*

Alarmed over its declining market share, NTT is planning some incentives such as, lower new subscriber rates for certain periods for its ADSL service.

### *NTT Expanding FOMA Service Area*

NTT said on the 22<sup>nd</sup> that it would expand the FOMA service area from April 1 to all major cities in Japan. This will push up the population coverage rate to 60%. Further expansion of the service area by March 2002 will increase the population coverage rate to over 90%.

### *Xbox Off to a Quiet Start*

Microsoft's video game machine Xbox was off to a quiet start on the 22<sup>nd</sup>. The first shipment will be about 250,000 units. The first shipment of the Japan-only model was sold out even before the launch, but the regular model is available even now. It seems that Microsoft by limiting supplies is trying to create an image of strong demand and gain time before more software titles are available.

### *Consumer electronics shift production to panel televisions*

Japan's consumer electronics manufacturers are shifting production from conventional televisions to panel televisions, including LCD and PDP. Toshiba plans to enter the LCD TV market next summer and Mitsubishi Electric will be launching PDP models. Demand for conventional TV sets has peaked and there is growing competition from Chinese manufacturers. Sharp, the leading manufacturer of LCD TVs, is planning to hike production 82% this year.

***Global PDA market  
growth accelerating***

Demand for PDA's increased 7% in 2001 and is likely to rise 18% in 2002. Demand should grow at a double-digit annual rate through 2005 as new functions are added and new entrants to the market launch more powerful models. The growth rate after peaking at 30% in 2004 will start to decline in 2005 as the market matures. The market size in 2005 is estimated at 20 million units.

***PC markets  
head toward recovery***

Personal computers are selling well at large retail chains, with some chains reporting shortages of popular models. On the other hand, small specialist computer shops are facing headwinds, with sales falling below previous-year levels. Sharply higher exports to the U. S. toward the end of the year are partly to blame for the shortages.

***NTT Docomo to launch i-mode  
service in Germany***

NTT Docomo said on the 6<sup>th</sup> that it will launch an i-mode-based Internet provider service in Germany in March. The service will be launched through E-Plus to whom the company will provide technological assistance. This is the first time the service is being offered overseas. It will be launched in Holland and Belgium in April. Toshiba will supply the cell phones.

***Production shift from Japan  
extends to high-tech items***

According to a recent government survey, one out of every seven Japanese manufacturers, including small and medium-size firms have concrete plans to shift production overseas. Of these about 40% seem to prefer China. What's more, production shift of high-tech items, such as digital copiers, is no exception. Electrical equipment manufacturers are the most aggressive in shifting production. Nearly half are shifting production to meet the demand in major local markets, about 32% to export to Japan and 22% to export to third countries. Sony shifted production of personal computers to China at the end of 2001. Ricoh and Canon plan to move production of digital copiers to China next summer.

***Orders Rebounding  
for Taiwan Pc Manufacturers***

Orders at Taiwan's PC manufacturers started looking up from around the end of December last year and now motherboard manufacturers report that their facilities have been operating at full capacity from January. Orders for peripheral devices, including printers and digital cameras, are also recovering. Taiwanese PC manufacturers expect orders for notebook PCs to rise 20-25% year-on-year in 2002.

***Japanese Connector  
Manufacturers Look to  
Higher Order Levels in 2002***

After falling 17% in fiscal 2001, orders for connectors (on a 15-company basis) are expected to rise more than 10% in fiscal 2002.

**Outsourcing Set to Increase**

According to a recent survey by a government-affiliated think tank, 82% of all manufacturers polled expect to be outsourcing more in the years ahead and see this as an emerging trend that is bound to get stronger. Roughly 80% expect to outsource at the mass production stage, and 30% from the development and design stage. What is more noteworthy is that 74% of the companies already outsourcing have no capital links with their current suppliers.

**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	99.2	103.2	102.9	68.8	2,037	1,683	15,311	1,847	6,803	6,661
Nov	98.5	104.0	98.4	69.7	2,026	1,624	15,443	1,695	7,233	6,515
Dec.										
YoY	-29.6	-27.1	-9.6	-29.9	-18.4	-14.2	-31.5	-24.0	-27.7	-36.9

*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*