



Vol . 82

## *High-tech Sector*

**Week ended Sept. 7, 2003**

### ***Mobile Phone Subscribers Rise in August***

The number of subscribers to mobile phone services in August increased 0.5% from the previous month, pushing up the cumulative subscriber count to 78.22 million. au saw the highest gain (1.3%), followed by NTT, which reported a 0.5% increase. 3-G phone sales were brisk, with NTT DoCoMo reporting a 19.3% increase. au's CDMA2000 1x subscriptions rose 6.2%. J-Phone also reported a 15.3% increase in its W-CDMA phones. Au has a 91.9% share of the 3-G market in Japan.

### ***Wowow to Launch Video-on-demand Service***

Wowow plans to launch a video-on-demand service in 2005, becoming the first company in the broadcasting industry with concrete plans for this type of service. Special receivers, still under development, will be required to subscribe to the service.

### ***J-Phone the Leads in Customer Satisfaction***

J-Phone was rated the highest (75%) in customer satisfaction in Japan. It was followed by au, with a 67% rating. NTT-DoCoMo came in last with a rating of 60%. The survey covered 1,032 mobile phone subscribers. J-Phone was also rated the highest for its television commercials.

### ***Mutual Connection of IP Telephone Network to be Promoted***

NTT Communications plans to promote a mutual connection of IP telephone networks among carriers in Japan. At present eight telecom carriers operate national IP networks. Of these three (KDDI, Nippon Telecom and Powered Com) are already interconnected. NTT Communications wants to set a uniform rate at ¥8 for a three-minute call. But this is expected to invite severe resistance.



### ***Semiconductor Manufacturers Planning Production Boosts***

A survey of 36 semiconductor manufacturers showed that, in the current fiscal year ending March 2004, they were planning to increase output by 8.5% to ¥6.06 trillion. This follows an 11.8% increase in the previous fiscal year ended March 2003. Among major manufacturers, Fujitsu is planning to boost semiconductor production by 10.5% and Sony by 23.5%. Sharp will increase semiconductor output by 20% and Toshiba by 8.6%.

### ***Electronic Component Manufacturers Shift Focus to Next-generation Mobile Phones***

Electronic component manufacturers are shifting R&D focus to next-generation camera-equipped mobile phones. The next-generation camera-equipped mobile phones, expected to be launched in 2004, will feature a mechanical shutter and support the zoom and auto-focus functions. This will drive up demand for mechanical and optical components, such as mechanical shutters, switches, micro motors and connectors. Shipments of these types of phones are estimated at around 200-300 million units next year.

### ***LCD Market Experiencing Basic Changes***

Contrary to expectations, the price of the 17-inch LCD panel is expected to edge up toward the end of this year. The price of the 17-inch LCD panel, after rising earlier in the year, has been steady recently and was expected to slip as some suppliers cut prices in summer. However, the 17-inch LCD panel for August shipments was priced at \$275, unchanged from July. Prices were expected to decline as more capacity, particularly in Taiwan and S. Korea, is scheduled to come on stream. Rapidly growing demand is underpinning prices, which are likely to rise by about \$30 by the end of the year.

### ***Server Shipments Slow in April-June Quarter***

Shipments of RISC servers in the April-June quarter fell 26.8% to ¥40,800 million, according to IDC Japan, a high-tech market research firm. Shipments were also down 22% year-on-year. With the market share dropping by 3.6 percentage points, Sun Microsystems fell from the ranks of the top five server suppliers in Japan. RISC server shipments were affected as demand shifted to servers installing low-priced Intel processors. Total server shipments in Japan in the April-June quarter rose 11.3% year-on-year to 91,000 units, but the value of shipments fell 14.8% to ¥14,970 million.



### *PC Summer Models Selling Well*

Summer models of personal computers are selling well. With sales already above previous-year levels, shortages have started to appear. This is the first time in three years that sales have been strong. While notebook PCs are favored for personal use, the desktop remains popular as a family computer. Both the white box and brand name products are selling well. Families are showing interest in personal computers supporting the TV function and installing DVD and HDDs. In the white-box category, PCs priced under ¥100,000 are selling well.

### *Office Machine Sales Strong*

Sales of office machines, including printers and copiers, were strong in the April-June quarter. Underpinned by higher sales and cost reductions, major office machine manufacturers (Canon, Ricoh, Seiko Epson) posted record profit in the April-June quarter. Hybrid color network copiers, color laser printers and digital cameras are selling well at Canon. Along with this toner sales are also rising. At Ricoh, demand is shifting toward higher-priced value-added models. The only concern among office machine manufacturers is the outlook for the U. S. economy.

### *Japan's Electric Motor Sector Consolidating*

Stiffer competition from Southeast Asian countries, Taiwan and China in particular, has triggered reorganization of Japan's electric motor manufacturing sector. Sankyo Seiki will join the Nihon Densan group on October 1 and Minibea and Matsushita Motors are planning to set up a joint venture to which their electric motor businesses will be transferred. Japan's largest electric motor manufacturer, Mabuchi Motors, is taking a wait-and-see stance. It takes the position that reorganization of the electric motor sector will not fundamentally change the competitive structure in Japan in this sector.

### *Earnings Roundup*

#### *Index Expected to Post Solid Jump in Profit*

Index, a major Internet pay-content firm, is expected to see ordinary income in the current term to August 2003 jump threefold to ¥2,300 million, against ¥2,000 million forecast, on a 2.1 times increase in sales to ¥20,000 million. Sales of pay-content for mobile-phone networks, e-commerce transactions and circulation of magazines published by the company rose sharply in the current fiscal year. Strong growth is expected to continue in the next fiscal year also.

#### *Semiconductor Traders to Report Strong Profit in Fiscal 2003*

According to the first quarter results released by 22 major semiconductor traders, a majority reported double-digit growth in consolidated sales. Only three reported an operating loss, suggesting that earnings are also on the uptrend. Sales are underpinned by strong demand for digital consumer electronics, including DVDs and DSC's.



**Basic Electronics Industry Statistics**

	Prod	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices	Semicon (Production)	Consumer electronics (sales)
Jan.	90.9	95.2	83.9	72.0	1,953	1,255	14,010	1,302	5,837	6,871	3,140	336
Feb.	88.8	92.8	81.6	85.2	2,091	1,439	15,026	1,420	6,573	7,033	3,192	234
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	7,720	3,456	266
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	7,059	3,171	216
May	92.0	96.2	81.1	97.0	1,857	1,707	14,721	1,952	5,501	7,269	3,307	205
June	92.6	96.2	81.1	115.9	2,003	2,039	16,003	1,954	6,481	7,569	3,449	229
July	91.3	90.4	92.6									247
YoY	4.0	0.3	-6.6	2.7	6.9	-1.8	4.5	15.7	-4.4	0.1	3.2	-32.7

*Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change*

*Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations*

