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## *High-tech Sector*

Week ended Dec. 21, 2003

### ***NTT DoCoMo (9437 TSE) to Launch New Models of 3G Mobile***

In a bid to recapture the lead from KDDI, the runaway winner in the 3G market with a share of 90%, NTT DoCoMo launched seven new models in the FOMA 900i series of 3G phones. A limited service area and bulky phones have kept NTT DoCoMo way behind KDDI in terms of market share.

### ***Fixed-line Phone Calls Drop***

The phone time between fixed-line phones dropped 20% in fiscal 2002, the year ended March 2003, according to government statistics. Given the spread of broadband networks, e-mail and mobile phones, the trend is unlikely to change anytime soon. Phone time in Japan dropped 12.5% in fiscal 2002 to around 5,700 million hours, of which fixed line phones accounted for roughly 3,700 million hours. On the other hand, phone time between mobile phones rose 5.8% to approximately 1,200 million hours. Use of the Internet, including e-mail, surged 86.1% to 5.7 trillion packets.

### ***Number of Broadband Users Increases Rapidly***

The number of broadband users in Japan totaled 12.72 million as of the end of October, according to government sources. ADSL accounted for 75.4% of the total and CATV 18.7%. FTTH, considered to be the post-ADSL broadband system, had a share of 5.9%. The number of ADSL users is expected to top 10 million by the end of the year.

### ***Shakeout Starts in Satellite Broadcasting Sector***

Sky Perfect Communications, a satellite broadcasting firm, will acquire Plat One on March 1, 2004. In addition to competition from terrestrial digital broadcasters, competition has also been heating up in satellite broadcasting along with a steady stream of new entrants into the market. This has placed smaller broadcasters at a disadvantage since they cannot offer multiple channels like their bigger rivals. Subscriber growth has been lackluster at Plat One and the company lost ¥1,800 million in the term ended February 2003.



***Electronic Sector's Outlook for 2004***

The electronic sector's output in 2004 is expected to top ¥20 trillion, up 6.5% from the previous year. This will be the first time in three years that the sector's output will top the ¥20 trillion mark, according to JEITA. The output in 2003 is expected to rise an estimated 5.8% year-on-year (a second consecutive gain) to ¥19.8 trillion. The expansionary trend is underpinned by growing demand for digital devices.

***Terrestrial Digital TV Receiver Shipments***

The cumulative shipments of terrestrial digital television receivers as of the end of November totaled 310,000 units, according to JEITA, a trade association. Terrestrial digital broadcasting started in the three major metropolitan areas in Japan on December 1. Shipments of CRT models totaled 120,000 units and those of the LCD type 112,000 units. Shipments in November totaled 41,000 units.

***Kyocera (6971 TSE) Announces Fuel Cell for Home Use***

Kyocera launched a fuel cell (SOFC) specially designed for the consumer market. The new fuel cell boasts of a power generation efficiency of 54%, the highest in the world. The new fuel cell will be available in 2005 and is expected to be priced at around ¥1.2 million.

***Business Machine Demand to Rise Marginally in 2004***

The demand for business machines in 2004 will increase an estimated 1.0% from the previous year to ¥1.7 trillion, according to JBMIA, a trade association. The association also said that the demand in 2003 will fall an estimated 3.8% compared to 2002 to ¥1.3 trillion. Shipments of full-color copying machines are expected to increase 34.6% in Japan and exports are likely to be up 13%. Another promising product in 2004 will be the digital projector, shipments of which are expected to be up 20%.

***Electronic Component Exports Up in September***

Exports of electronic components and devices in September rose 15.1% year-on-year, according to JEITA, the electronic sector's trade association. In electronic components, exports of connectors rose by a double-digit figure and those of passive parts were up 5.8%. In electronic devices, exports of semiconductor elements rose 27.1%. Exports of integrated circuits were up 17.3%. In optical devices, exports of opto-electronic semiconductor devices were up 47.4%. As a result, exports of electronic components and devices in first nine months of 2003 increased 6.3% compared to the same period in 2002.

***SPE Sales Up 23%***

Global sales of semiconductor production equipment in October rose 23% year-on-year to \$464 million in Japan, according to SEMI. Sales of wafer processing equipment, the key device in the wafer processing stage, were up 23.3%. Sales of testing units increased 53.2%



**LED Output Surges**

Japan's electronic component manufacturers are boosting production of light-emitting diodes used in mobile phones and signaling devices. Stanley Electric (the world's largest supplier) plans to raise monthly output by 40% and Seiwa Electric's plans see output tripling by the end of the year. The demand for use in mobile phones is growing and applications are also expanding to the automotive sector. Even smaller suppliers are drawing up aggressive investment plans.

**Metal Material Output to Increase Steadily**

Production of metal materials used in the electronics sector is expected to continue to increase at single-digit rates through the April-June quarter of 2004, according to the Japan Electronic Materials Association. Output in the July-Sept quarter was down 11% in volume and 15% in value.

**Power Balance Changing in Consumer AV Market**

The two leading firms in consumer audio-visual devices, Sony and Matsushita, are no longer as dominant in new-generation devices as they were in conventional ones. In LCD televisions, Sharp is the leading supplier with a market share of 56.6% and is followed by LG Phillips with 19.8%. Toshiba-Matsushita Display Technologies has a market share of just 8.6%. Hitachi leads in plasma televisions with a market share of 32.6% and is followed by Pioneer with 24.6%. Matsushita Electric's share is estimated at 23.0% and that of Sony at 8.5%.

**Japan's Electronic Component Manufacturers Showing Growing Interest in ERP**

Japan's electronic component manufacturers are showing interest in installing ERP systems in order to more efficiently manage procurement, manufacturing, marketing and accounting functions as their businesses go global. Of particular note is the emphasis on supply chain management systems (SCM). Many consider the installation of such systems to be the prerequisite for growth. Major vendors of ERP systems in Japan are SAP Japan, Oracle Japan, and Baan. Major Japanese vendors include OBIC, NEC, Fujitsu and NTT Data Systems.

**Control Device Shipments Rise**

Shipments of electrical control devices rose 7.3% year-on-year to ¥264,100 million in the first half (April-September) of the current fiscal year. Shipments rose reflecting brisk exports to Asian countries, particularly China. Since the trend remained unchanged in October also, total shipments in the current fiscal year ending March 2004 are expected to total ¥546,000 million, topping the ¥540,000 million forecast.



## 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	106.4	2,023	1,924	15,859	1,823	6,206	7,830	3,545	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	8,430	3,761	209
Oct.	98.6	105.3	80.3	75.2								225
YoY	8.7	10.6	-7.4	-6.5	0.8	-15.6	7.9	31.3	-1.0	11.2	7.1	-18.8

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

