



## Electronics Sector Morning Comment

### Casio Computer (6952): BUY (from SELL)

#### New tie-up and products

There were two Casio news items on 6 January. First, AOL and Casio have signed a contract to enable use of Casiopea handheld PCs as e-mail devices. Second, Casio plans to launch two completely new kinds of watches, one a wristwatch digital camera and the other an MP3 player. Casio has suffered from sluggish sales of G-shock watches, its most important source of earnings hitherto, and the company share price has fallen from ¥900 last summer to the ¥700–800 range now (6 January close: ¥805). The possibility has emerged that the new watches and spread of the Casiopea thanks to the AOL tie-up might allow the company to create new earnings pillars in G-shock's stead.

#### Casiopea now an AOL e-mail machine

According to Bloomberg, on 5 January (6 January Japan time) the world's largest online service firm, Internet service provider AOL (America Online) chose Compaq, Casio, and Hewlett-Packard's portable computing devices for exchanging e-mail between its over 20m members. In June of last year AOL decided to use 3Com devices (3Com has the top global share of the personal digital assistant market); it is believed AOL is adopting the new devices as part of its plans to start offering audio and video messaging. Casio and Compaq have already decided to include AOL's mail software on their machines free of charge.

#### Wrist cameras to go on sale in May and June

On 6 January Casio announced that it would launch seven different models of the world's first wristwatch digital cameras in May and June of this year. The watches are to record up to 100 images on 1MB of internal memory using a 28,000-pixel monochrome CMOS sensor. The watches will be 5.2cm tall, 4cm wide, 1.6cm deep, weigh approx. 32g, and allow viewing of pictures as they are taken on an STN monitor. To make full use of the watches' picture-taking functions, they will feature a 'visual data bank' phone book matching portraits to names and phone numbers, as well as an infrared port to allow communication with PCs and other watches.

The suggested retail price is to be ¥22,000 for six of the models and ¥25,000 for the seventh. Casio plans combined initial monthly production of 50,000 units.



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**Wrist audio player to come out in March**



Casio plans to launch the world's first wristwatch audio player in March, ahead of the wrist cameras. The unit will be able to receive MP3 (the commonest music compression format) files from PCs, and play them with the accompanying earphones. It is to be a full-fledged MP3 player, receiving 4-minute tracks in 70 seconds via a USB interface; in addition to music downloaded from the Internet, it will be able to store music from CDs using separate software available on the market.

With an internal 32MB multimedia card, the new watch will be able to play 33 minutes of CD-quality sound or 66 minutes of FM broadcast-quality sound. Artist and title information can be input by PC. The watch is also to feature motion graphics in the form of a few dozen dancing characters who move to the music, and it will of course be water resistant.

The watch will have a lithium-ion battery to allow four hours of continuous playback. It will be 5.4cm tall, 4.9cm wide, 1.9cm deep, and weigh approx. 70g. The suggested retail price is to be ¥37,000, with monthly production of 30,000 units.

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