

World Mobile Phone Market: Latest Research Findings in 2009

- The market is expected to exceed 1.3 billion sets in 2012. -

➤ **Research Outline**

Yano Research Institute has conducted a study on the world mobile phone market as described below.

1. Research period: March to June 2009
2. Research targets: Domestic mobile communication service providers, domestic mobile phone manufacturers, overseas mobile phone/smart phone manufacturers, overseas contract manufacturing enterprises, overseas PC manufacturers, and overseas PND manufacturers
3. Research methodologies:
Face-to-face interviews with relevant personnel, interviews via telephone and e-mail, and literature researches

➤ **Key Findings**

◆ **The world shipments of mobile phone handsets in 2008 were 1,182.89 million sets in total.**

The shipments of mobile phone handsets in the global market in 2008 were 1,182.89 million sets, increased by 7.5 percent from the previous year (1,100.27 million sets in 2007). Although the shipments in the fourth quarter have dropped rapidly and considerably due to the concurrent, global stock market crisis broken out in September 2008 and the world recession that followed, the shipments until the third quarter have recorded the highest in the past.

◆ **The world shipments of mobile phone handsets in 2009 are forecasted to decrease by 7.5 percent from the previous year to 1,094.24 million sets.**

The shipments of mobile phone handsets in 2009 are forecasted to decrease by 7.5 percent from the previous year to 1,094.24 million sets. Although the mobile phone business was slow in the first quarter due to the prolonged negative impacts of the economic recession, the business conditions are gradually recovering since the second quarter, owing to the production reduction and inventory liquidation implemented by every manufacturer.

◆ **Future prospects**

Due to the global economic downturns, the decrease of the mobile phone handset shipments is inevitable in 2009. Driven by the expansion of “mobile internet” market centered on 3.5G and 3.9G services, and the development of growing markets focused on the developing countries, however, the mobile phone market is expected to start growing again, and reach to 1,322.77 million sets in 2012.

➤ **Report format:**

Published report: “World Mobile Phone Market 2009 to 2010”

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➤ Research Summary

1. Background and overview of the market

The world mobile phone market, while the market is saturated with limited growth in the advanced countries, is driven by the developing countries, and the total number of mobile phone service subscribers is approaching to 4 billion in 2008. Impacted by the worldwide recessions started last fall, however, the growth of new subscribers is slowing down in 2009.

2. Mobile phone handsets market size in 2008

1) General trend

In the world market, the shipments of mobile phone handsets in 2008 were 1,182.89 million sets, increased by 7.5 percent compared to the preceding year. (Shipments in 2007 were 1,127 million sets) Although the shipments in the fourth quarter have dropped considerably due to the global stock market crisis broken out in September 2008 and the world recession that followed, the shipments until the third quarter have recorded the highest in the past. While the market grows mature, 3G mobile phones entered into a full-fledged popularization phase, and high-performance models and stylish-design products attracted consumer attentions. At the same time, low-priced promotional models have been introduced in the 3G mobile phones as well. As to the functions, inclusion of camera and music player functions as standard accessories has become very popular.

2) Regional trend

The mobile phone market in 2008 was driven by North American market (Increased by 15.2% against previous year), African market (Increased by 13.9%), Middle-East market (Increased by 9.8%) and Asia-Oceania market (Increased by 9.1%). In North American market (especially in USA), in addition to the rapid sales increase of smart-phones along with the enhancement of 3G service areas, the increase of new subscribers mainly among the immigrants has contributed to increasing the number of mobile phone shipments.

In African, Middle-East and Asia-Oceania markets, the sales of low-end models have increased considerably, especially to new subscribers in the developing countries, in addition to the increase of replacement demand.

In the European market, although the sales in volume were slow, the shipments of 3G mobile phones, smart-phones and mobile data communication terminals are increasing and the changeover to 3G service is progressing..

3) Trend by telecommunication standard

Although the use of GSM, world de facto standard for mobile phones, has turned to decrease in the advanced countries, it has started to spread in the developing countries where the establishment of mobile phone service had been delayed, contributing significantly to the expansion of mobile phone market. In particular, the market is expanding for low-end models including ultra low priced models under 50 US dollars.

In addition to the advanced countries, the introduction of 3G service is progressing in the developing countries as well. In Western Europe, fast data transmission service by HSDPA, also called as 3.5G has become widespread, and the sales of compatible handsets, such as 3G mobile phones, smart-phones and mobile data communication terminals are rapidly increasing.

3. Prospects of the mobile phone handsets market in 2009

1) General trend

The world shipment of mobile phone handsets in 2009 is estimated to decrease by 7.5 percent from the previous year to 1,094.24 million sets. Although the business was slow in the first quarter due to the prolonged negative impacts of the economic recession, the business is gradually recovering since the second quarter, owing to the production cutbacks and inventory adjustments implemented by the manufacturers.

In 2009, the strong shipments of smart-phones and data communication terminals have been continuing since last year, and the leading manufacturers who were behind in this field are now positively introducing new products into the market. Also, the demand for low-end products is steady in the developing countries. It is important to secure these low-end markets for increasing the market share.

2) Regional trend

Asia-Oceania market is expected to remain the same, but all the other markets are expected to shrink from the previous year. Even in the Asian market, while the markets in China, India and Viet Nam are expected to grow, markets in many other countries and regions, including Japan, are expected to shrink compared to the previous year. Central and East European market (decreased in 2008 by 16.4% compared to the preceding year), in particular, is considerably impacted by the economic confusion of Russia, and expected to decrease in 2009 by close to 20 percent from 2008. In European market (decreased in 2008 by 13.4%), shipments for every major market are expected to decrease in 2009 by 15 percent or so compared to the previous year.

to the service providers for improving their revenue, by leading their subscribers from prepaid mobile phone to payment-on-credit type service, which may contribute to improving ARPU (average revenue per user) together with new value-added services available on the 3G system. Thus, 3G service is being positively promoted by the mobile phone service providers.

There are also negative factors, as listed below:

- 1) There is a possibility that the mobile phone replacement cycle may lengthen as it is still uncertain if and when the economy will recover,
- 2) The market has saturated in the advanced countries which had been driving the market, and in the large-size market such as Russia, where it is not possible to expect a large number of new subscribers. A new revenue base is required for further growth.
- 3) The market has been increasingly oligopolized by leading manufacturers and international carrier groups, making the competition restrictive.

In the conventional feature phone segment, the ratio of low-end models has been increasing, while high-end models are being replaced by smart-phones. The competitive landscape of the manufacturers has been changing slightly as well, increasingly oligopolized by the leading manufacturers, some with overwhelming strength in low-end models, others differentiating with high value-added products such as luxury design models and smart-phones. In total, the market share of the top 5 manufacturers is approaching to 80 percent.

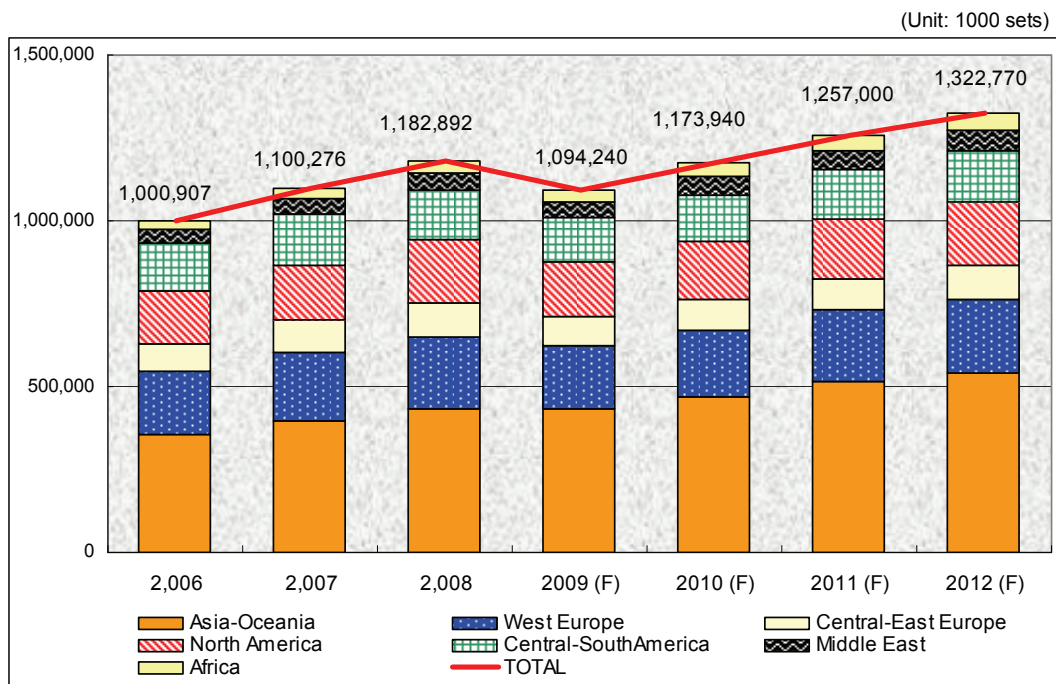
Meanwhile, the manufacturers focused on smart-phones and data communication terminals are rapidly increasing their shipments, competing with the large-scale manufacturers.

Based on the market situation as above described, although it may be influenced by the economic conditions, continuous growth of the market can be expected, owing to the fact that mobile phone is a product with relatively short upgrade cycle as it is most rapidly innovated and subject to wear by frequent use compared to the other IT devices, as well as the high interest of the consumers in mobile phone as a most familiar IT device.

Table/Graph 1: World Mobile Phone Market Size Transition & Forecast by Region

(Unit: 1000 sets)

	2,006	2,007	2,008	2009 (F)	2010 (F)	2011 (F)	2012 (F)
Asia-Oceania	353,302	395,060	431,145	434,150	467,890	517,680	543,250
West Europe	190,679	207,965	219,612	190,170	204,000	212,100	218,810
Central-East Europe	85,185	99,325	103,765	86,730	91,670	96,870	101,380
North America	159,678	162,783	187,445	166,110	175,000	177,740	191,250
Central-SouthAmerica	142,320	153,050	149,430	131,710	140,540	149,200	155,750
Middle East	41,088	48,095	52,785	49,020	53,780	57,450	61,530
Africa	28,655	33,998	38,710	36,350	41,060	45,960	50,800
TOTAL	1,000,907	1,100,276	1,182,892	1,094,240	1,173,940	1,257,000	1,322,770



Estimated by Yano Research Institute

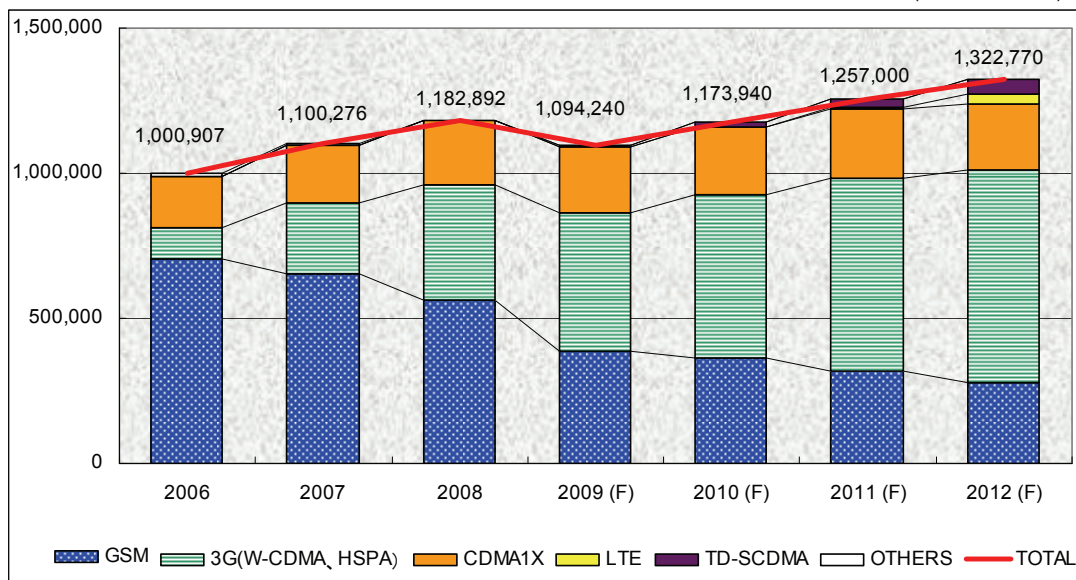
Note 1: Based on the shipment volume from the manufacturers
 Note 2: (F) indicates forecasted values

Table/Graph 2: World Mobile Phone Market Size Transition & Forecast by Communication Standard

(Unit: 1000 sets)

	2006	2007	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)
GSM	702,632	653,368	560,353	387,720	361,190	316,185	278,540
3G(W-CDMA, HSPA)	111,662	246,851	397,090	474,180	567,020	666,595	730,640
CDMA1X	175,898	194,435	223,203	228,520	231,600	236,200	227,200
LTE	0	0	0	120	960	8,650	33,650
TD-SCDMA	0	0	294	3,250	12,720	28,870	52,240
OTHERS	10,715	5,622	1,952	450	450	500	500
TOTAL	1,000,907	1,100,276	1,182,892	1,094,240	1,173,940	1,257,000	1,322,770

(Unit: 1000 sets)



Estimated by Yano Research Institute

Note 3: Based on the shipment volume from the manufacturers

Note 4: (F) indicates forecasted values