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High-tech Sector

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Govt. Proposal on Postal Deregulation Invites Criticism from All Sides

The government's proposal, revealed on March 26, on deregulating postal delivery service, has invited criticism from both the ruling LDP and door-to-door parcel delivery firms, that is, the companies most interested and positioned to benefit from deregulation. The government proposal will classify service providers into two categories, national and local. The condition for national service will require a company to set up about 100,000 post boxes throughout the country and limit the weight of letters to 250 grams. Private firms question the necessity of setting up so many post boxes and the limit on weight. On the other hand the LDP questions whether it is desirable to deregulate a public service like this.

Capital Investment Steady at New High-tech Firms

Capital investment in fiscal 2002 by new high-tech businesses is expected to be flat or only marginally lower than the previous year. On the other hand, capital investment by major manufacturing firms is expected to decline by double-digit figures. In addition to brisk investment in areas like organic electro-luminescence, spending on research and development is also expected to stay at high levels.

Japan in the Lead in Cell-phone Software

Japanese firms participating in the Hanover Fair, the largest IT exhibition, are said to have received inquiries for cell-phone software from a large number of prospective clients during the exhibition, indicating that Japanese companies have established a firm lead in this area. One firm reporting strong inquiries was ACCESS. According to a recent survey by a leading Japanese think tank, subscribers to Internet-enabled cell phones in Japan are likely to top 80 million by 2004.

***Demand for MCUs
for Automotive Applications
to Expand***

NEC Corp. expects demand for MCUs for automotive use to expand at an annual rate of about 20%. The company accounted for nearly one-third of total sales, estimated at ¥100 billion, of MCU's for automotive use in 2001.

***Outsourcing Demand in
the IT Area Up Sharply in January***

Outsourcing demand in the IT area rose 32% year-on-year in January, according to government statistics.

***Mobile Computing Market
to Show Robust Growth***

Japan's mobile computing market is expected to reach ¥3.7 trillion in 2005. The figure includes cell-phones, PDA's, mobile notebook PCs, contents fee and communication charges. The market size is estimated at ¥1.8 trillion in FY2002.

***CRM Software Demand
Growing Rapidly in Japan***

With more companies in Japan installing CRM software, demand is expected to increase 20-50% year-on-year in FY2002. In addition to major Japanese computer manufacturers, major market players include Oracle Japan, Accenture, and Sap Japan.

***SPE Orders Up Sharply
in February***

Orders for Japanese-made semiconductor production equipment were up 48.9% over the previous month to ¥45.8 billion. Orders levels have been improving after bottoming out in November 2001. Year-on-year order decline in February narrowed to 42% from 85.6% in November 2001.

FY2002 CAPEX to Decline

The combined capital expenditures in FY2001 by Japan's five major semiconductor producers is expected to be ¥250 billion, a drop of roughly ¥100 billion from the previous year. Combined CAPEX at the nation's 10 electric power utilities is also likely to decline by about 10%. It will be roughly half the peak level.

***Electric Power Rates
Coming Down in Japan***

New entrants to the electric power generation sector will be cutting rates by 10-15% effective April 2002. The new rates will be about 2-5% lower than those announced by existing major power utilities. The move is also designed to counter rate cuts announced by Tokyo Electric Power.

***NTT Docomo Opens Up
Its i-mode Network***

With NTT announcing the opening up of its i-mode network, about 30 providers have started negotiations over connection charges. Providers plan to launch an Internet connection service using NTT's i-mode network. As a result, I-mode service rates are expected to head down. Among those negotiating with NTT Docomo are BIGLOBE, an NTT affiliate and SO-Net, a Sony group firm.



Electronic Components Production Looking Up Says JEITA Chief

JEITA, the electronic sectors trade association, declared that production of electronic components and devices had hit bottom and is now entering the recovery cycle but full-scale recovery has yet to arrive. The upturn is being led by components for PDP, LCD televisions, DVD players, and car navigation systems that is, digital equipment.

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.	101.6	105.6	95.8	66.3	2,010	1,601	15,310	1,411	7,488	6,411
Jan	100.0	106.3	92.3	64.3						
YoY	-26.7	-24.3	-17.7	-24.3	-20.2	-14.0	-31.2	-25.6	-28.1	-35.6

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

