



Aug. 25. 2002

Vol . 35

High-tech Sector

Government Weighing Three Plans for Privatizing the Postal System

The government panel studying possible options for privatizing the nation's postal systems came out with three plans for complete privatization. The first one calls for closing down the postal savings and insurance services and turning the postal service into a private corporation. The second plan calls for complete privatization but with the continuation of the postal savings and insurance services. The third plan calls for the establishment of a special corporation, with the government holding 100% equity.

China Becomes the World's Largest Mobile Phone Market

With the subscriber count reaching 380 million, China became the world's largest mobile phone market, topping the U. S. Subscribers to fixed line and mobile phone services from the beginning of the year increased by 55 million. Even now the diffusion ratio of telephones in China is only about 30%. Internet users in China are estimated to total 40 million.

IT Services Business Picture Turns Spotty

After recording strong growth in monthly sales for 25 consecutive months, growth rates within the sector have turned spotty, with certain sectors slowing down. Orders for custom software development (accounts for 50% of total sales) from the financial sector are slowing rapidly. On the other hand, outsourcing services, which represent a relatively small percentage of total sales, are growing at annual rates topping 30%. But entry of new firms and mounting price pressures will mean that companies offering outsourcing services will be locked in a race for survival. The principal customer segments for the IT services industry are finance, telecommunications and the government.

Trusted OS Winning Greater Acceptance

Trusted OS (an OS developed originally for the U. S. Defense Department) is winning greater acceptance in Japan as data security concerns mount. IT Frontier, a Mitsubishi Corp. affiliated firm, started marketing the OS in Japan from the spring since IT systems ordered by the government require level B security. Private firms are also paying more attention to data security.

Adobe Losing Market Share in Graphics Software

Adobe's share of the graphic software (used largely for digital cameras) package market has declined from 35% in June to around 20% in August. During this period Ai Software boosted its market share from 10% to nearly 40%, according to an industry survey by a leading newspaper. With Adobe planning to launch a new package, competition in this sector is set to increase.

Manufacturers Stepping Up Investment in PDP Production Facilities

An electronics industry trade body predicts global demand for PDP televisions at 3.3 million units in 2006, a growth of 20 times compared with 2001. Japanese manufacturers are rapidly increasing PDP production capacity in anticipation of this demand growth. Pioneer, one of the leading producers, will bring on stream its fourth PDP production plant with a capacity of 250,000 panels by 2005.

LCD Panel Production Equipment Looking Up

According to SEAJ, a trade body, Japan's LCD production equipment manufacturers are likely to see sales in fiscal 2002 increase 19.2% to ¥270 billion, rising further to ¥300 billion by fiscal 2004. Growth will resume again in fiscal 2005, when sales will rise 30% year-on-year to ¥360 billion.

As for the overall outlook for SPE manufacturers, the association expects demand to increase 6.1% in fiscal 2002 and to accelerate to 29.3% in fiscal 2003 and to 34.7% in fiscal 2004. Growth is likely to slow to 1.6% in fiscal 2005.

Electronic Devices Output Shows Signs of Peaking After Surging in April-June Quarter

Demand for electronic devices and components is showing signs of peaking after showing strong growth in the second quarter. Although demand for LCD panels and drivers is still strong, competition is heating up and prices are starting to come under pressure.



***Industrial Robot Exports Grow
in Second Quarter***

Shipments of robots in the April-June quarter were down 2.2% year-on-year. Domestic shipments fell 34.4% but exports were up 15.2%. Growing demand from the Asian region, China in particular, is propelling export growth. Demand from China is growing as Japanese electronic device manufacturers are shifting more production to China and increasing output at their existing facilities in that country.

***Japan's Storage Software
Market Set for Solid Growth***

Japan's storage software market is expected to grow at an annual rate of 15.2% through 2006 when it will reach an estimated ¥114.3 billion, according to IDC, a high-tech research firm. Backup and archives software account for 26% of the market, storage resources management software some 43% and storage replication software about 13%. Recent problems with IT systems in Japan and concerns over system safety are propelling demand.

Earninas Roundup***Murata Reports Strong
Capacitor Demand***

Underpinned by growing demand for electronic components, capacitors and filters, Murata Manufacturing is likely to report higher profits and sales in the first quarter ended June 30. Orders for these components were up sharply in the first quarter as demand for use in personal computers and cell phones increased. Sales are, however, likely to slow in the second quarter since demand from set manufacturers seems to be peaking.

***Internet Ad Firms Report
Higher First Quarter Revenues***

Unlike past years, Internet advertising firms reported that sales rose in the second quarter of the year as compared with the first quarter. Sales are usually lower in the second quarter due to a reactionary decline from the high levels that prevail in the first quarter. Cyber Agent reported a 16% increase in billings. Internet advertising services with added value are in demand from financial services firms and consumer electronics manufacturers. On the other banner advertisement service providers (Double Click, Value Click Japan) are facing headwinds.



***Rakuten Reports Strong Profit
Growth in second Quarter***

Rakuten Co., a virtual shopping mall operator, reported record operating profit for the April-June quarter. Operating income was up 37% from the previous quarter and 82% from the same period a year ago, to ¥600 million. An increase in virtual shopping mall service rates, combined with favorable advertisement billings, pushed up profit.

General Economy***Mid-year Gift-Giving Period
Sales Disappointing***

At a time when gift-giving boosts sales, department store and supermarket sales in July were lower than the same month a year-ago. Supermarket sales were down 5.5% and department store sales fell 4.6%. At supermarkets, sales were down in all categories, with apparel sales being the worst hit, falling 8.9%. The only bright spot at department stores was services, which were up 3.1%. Sales of household goods plunged 10.1% at department stores. However, sales in August seem to be running marginally higher than a year ago as retailers are befitting from the return of hot summer weather. Introductions of goods for the fall season should also underpin sales.

***Air Conditioner and PC Sales
Plunge In July***

Sales of air conditioners, refrigerators and personal computers that generally look up during the summer months were lower in July. Compared to the same month a year ago, air conditioner sales in July were down 23.3% and PC sales fell 32.2%. On the other hand, sales of video products were up 6.2%, with DVD players recording a 78.2% jump.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	65.0	1,920	1,358	13,562	1,093	6,342	6,127
Feb.	101.4	106.9	90.8	77.0	2,123	1,736	14,969	1,365	7,184	6,421
Mar.	104.8	110.3	85.6	91.7	3,009	1,887	19,197	1,582	10,386	7,228
Apr.	108.7	114.4	84.2	77.2	1,849	1,797	14,411	1,470	5,760	7,182
May	117.2	123.2	87.9	80.9	1,818	1,872	15,451	1,649	6,324	7,478
June	115.2	121.2	85.4	-	-	-				
YoY	2.0	2.5	-30.2	-3.8	-8.1	-13.7	-11.8	2.6	-24.9	-3.1

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

