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High-tech Sector

Japan Successfully Launches H2 Rocket

Japan on Sept. 10 successfully launched its H2 rocket and placed two satellites in orbit. This was the third successful launch of the rocket. The rocket program had been marred by problems preventing Japan from entering the satellite launch market. Japan hopes that the success will convince potential customers that Japan's satellite rockets are reliable.

Mobile Phone Subscribers Marginally Up in August

The number of subscribers to mobile phones increased by 385,000, or 0.5%, from July to 71.6 million. NTT Docomo continued to be the market leader with a share of 58.5%, followed by au with a market share of 18.1%. Shipments of mobile phones in July increased 2.3% to record the first increase in 14 months. The most popular models are those with built-in cameras.

Consultative Committee on Post Office Privatization Files Final Recommendations

The consultative committee on the privatization of postal services came up with three options for privatizing the postal service (see the previous edition of this report). Notwithstanding what option the government chooses, the postal service will have to be streamlined extensively, which will involve a sharp reduction in the number of post offices, particularly in thinly populated areas.

Government to Approve 8% Cut in NTT Connection Charges

The Ministry of Public Management, Home Affairs and Posts and Telecommunications seems to be leaning toward an 8% cut in NTT connection charges starting from fiscal 2003. The U. S. has been demanding a 16% cut. The government opted for a smaller cut in view of the impact a larger cut would have on NTT's finances.

Electric Power Firms to Cut Power Rates

The ten major electric power companies plan to slash power rates by about 5%. The largest, a 7.1% cut, is being planned by Tohoku Electric Power, with Kyushu Electric Power planning to offer the smallest rate cut of 5.21%. The rate cut reflects increasing competition in the industry along with the progress in deregulation of electricity sales.

DVD Software Set to Take Off From Autumn

DVD software is set for explosive growth after autumn, reflecting the spread of DVD decks and the release of more titles. Retailers, in anticipation of increasing demand, are building up inventories. Sales of DVD video software in July more than doubled over the same month in 2001. Western movies account for 35% of the market, with animations representing 26%. Music accounts for 20% and Japanese movies 12%.

Fujitsu Keeps the Lead in Domestic IT Services Market

According to a ranking of domestic IT service sales released by IDC Japan, Fujitsu had the largest sales, followed by Hitachi and NEC. IBM Japan came in fourth and is closing in quickly on NEC. Among non-computer manufacturers, NTT Data came in fourth and Nomura Research Institute was ranked seventh. The top ranked firms reported double digit sales gains.

Semiconductor Production to Increase 10% in Fiscal 2002

According to a survey of 34 Japanese semiconductor producers by Semiconductor News, production of semiconductors in fiscal 2002 is likely to increase 10% year-on-year to ¥5.5 trillion. Among the major producers, Hitachi is planning to boost production by 14.4% and Matsushita by 20.6%. Among the smaller manufacturers, UMCJ is planning a 71.6% boost and Seiko Instruments expects output to increase 32%.

Wireless LAN Market

Only 44.5% of Japanese firms have installed wireless LAN, although 51% are interested in doing so, according to a survey by a high-tech market research firm. 16.4% said they had concrete plans for installing LAN networks.



Palm Closes Down Marketing Division in Japan

Palm Computing closed down its marketing division in Japan. It will still have a small management division. Marketing and distribution functions are being transferred to Softbank Commerce. Maintenance support service is to be outsourced. The decision reflects increasing competition in Japan. Although Palm's unit sales in July were up 2% year-on-year, sales revenue fell to just 44%. However, not all the vendors using the Palm OS are doing badly. Sony boosted sales of its PDA's by 57% in volume and 70% in value. Aggregate PDA sales in July were 87% in volume and 85% in value compared with July 2001. The PDA market may be hurt badly by the mobile phone, which is emerging as a strong competitor for PDAs.

What do Single Women in Japan Plan to Buy?

A recent survey by Toshiba covering single women aged between 16 and 24 showed that 30% wanted to buy digital cameras, 27% personal computers and 24% mobile phones. Refrigerators, electronic ranges and washing machines were at the bottom of the list with only about 2% showing interest in these items. What is surprising, however, is that 11% said they had no interest in buying any of the 23 consumer electric items included in the survey. Sony in July was the largest supplier of digital cameras in Japan, while Casio has rapidly increased its market share. Other major players include, Fuji Film, Canon and Olympus Optical.

Earnings Roundup

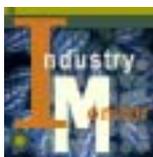
Konica to Report Higher Interim Profit

Konica is expected to report a 23% increase in interim operating income to ¥16 billion. Brisk sales of copying machines in the North American market are boosting profit.

General Economy

Business Sentiment Deteriorates at Large Corporations

The business sentiment index (July-Sept quarter) for large corporations (capitalized over one billion yen) declined somewhat (from the May survey) to -9.7 in the August survey by the Ministry of Public Management, Home Affairs and Posts and Telecommunications. The business sentiment index for medium-size firms was also negative but largely unchanged. The ministry pointed out that the business sentiment index bottomed out in November last year and has been improving slowly, although it is still in negative territory. The index for large manufacturers deteriorated by 2.3 points to -5.5 and that for large service firms by 0.8 points to -12.9. However, large corporations are turning somewhat optimistic about the future, expecting business conditions to improve toward the end of the year.



April-June Quarter Sales Plunge by Record Margin

According to the Quarterly Report of Statistical Survey of Incorporated Enterprises, sales on an all-industry basis (excluding finance and insurance) in the April-June quarter plunged 9.2% over the same period a year earlier to ¥288.9 trillion yen. This was the largest decline since the government started publishing these statistics in 1955. Capital expenditure fell 15.5% to ¥7.8 trillion. Of particular note are the 48.2% decline in the electrical machinery sector and the 42.0% decline in the general machinery sector. Recurring profit was also down 16.8% to ¥7.6 trillion. However, recurring profit compared with the previous quarter increased 2.8% and has been increasing since the July-Sept 2001 quarter when it plunged 26.2%.

Taxable Income of Large Corporations Down 20%

Taxable income of large corporations (capitalized at over ¥3 billion) fell 20.4% in the fiscal year ended March 2002, although the number of companies in this category increased by 181 to 3,569 companies. This was the biggest drop since 1992, the base year. There has also been a change in the ranking. Of the eight electrical machinery firms in the top 50 last year seven have dropped out. On the contrary, telecommunications service operators, like NTT Docomo and its subsidiaries, entered the ranks of the top 50.

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