



Sep. 22, 2002

Vol . 39

High-tech Sector

Telecommunications Market to Reach ¥22 Trillion in 2006

Japan's telecommunications market, including services, devices and capital investment, will total ¥22 trillion in 2006, up from ¥18.9 trillion in fiscal 2001, according to Vagabond, a Tokyo-based high-tech market research firm. The report emphasizes that a shift to the IP protocol is proceeding in all telecommunications areas. Growth will be forthcoming in all areas except capital investment by carriers. Fixed-line communications service will show only marginal growth. Mobile phone services will grow from ¥8.4 trillion to ¥11.1 trillion during the same period. On the other hand, capital investment by the roughly 40 major carriers operating in Japan will decline from ¥3.2 trillion to ¥2.5 trillion. The market for mobile communications devices will increase from ¥1.3 trillion to ¥1.9 trillion, the report forecasts. The demands for mobile communications equipment is expected to slow in fiscal 2001, but resume steady growth through fiscal 2006. The demand for PDA is also expected to increase at a double-digit rate. Media converter will be a strong growth area, with demand increasing six times by fiscal 2006.

Mobile Phone Market at a Turning Point

Mobile phone subscriptions in Japan reached 77.2 million (including PHS) as of the end of August, a net increase of 380,000 from the end of July, suggesting that subscriber growth may be slowing down. In 3G phones, NTT (W-CDMA service) signed up 6,000 subscribers, pushing up the total subscriber count to 133,000. Au is doing much better, with 497,500 signing up for its CDMA20001x service. This pushed up the total subscriber count to slightly over 2 million.

IT Service Industry's Sales Slowdown in July Seen as Being Temporary

The slowdown in sales (-0.1%), after registering steady growth for 26 months, is considered to be only temporary by industry insiders. The president of JISA, an IT service sector trade body, emphasized that investment in IT systems remains strong throughout the world and the basic trend remains unchanged. In Japan, IT service firms are shifting emphasis from the finance and telecommunications sectors to the electric power industry, in addition to new sectors such as energy, education and medical services.

Athlon Price Drops by 50%

The price of Athlon (XP2000), AMD's main MPU for desktop computers, has plunged by 50% in the last five months to approximately ¥19,000. What needs attention, however, is that AMD has priced its next generation MPU (XP2400) at under ¥25,000. The strategy aims at reviving personal computer demand as soon as possible. In flash memories, prices of the mainline 32MbNOR have been largely unchanged at ¥440-¥490. Although mobile phone manufacturers have launched new models, pushing up demand, flash memories have yet to benefit from this trend.

CCD Production to Jump Sharply in FY2002

Production of CCDs will increase an estimated 51.7% year-on-year to 10.85 million units in fiscal 2002, according to a survey by a leading high-tech industrial daily. The leading producer is Sony, followed by Matsushita, Toshiba and NEC. But it is not all blue skies. There is a possibility of the CCD being replaced by the CMOS image sensor in mobile phones. For instance, J-Phone's mobile phone with camera installs a CMOS image sensor.

Robot Market Report Sees Strong Demand for Personal-use Robots

According to a report by Fuji Kimera, a high-tech sector research firm, demand for personal robots will increase only slowly up to 2005, a period in which manufacturers identify demand and fine-tune their products. But it will take off thereafter. The demand in 2006 is forecast at ¥33.5 billion. The market will rival that of industrial robots by 2015, the report claims. Sanyo Electric plans to launch a nursing care robot in 2003. Other companies, like Omron, are also planning introduction of personal robots.

Computer Manufacturers Shift Focus to Blade Servers

To stimulate server demand that has been affected by the recent slowdown in IT investment, computer manufacturers are focusing on high-density blade servers to stimulate new demand. Major suppliers are NEC, Fujitsu, Hitachi, IBM Japan and Compaq. The server market, led by IA servers, expanded close to 20% in fiscal 2001 but the growth rate has declined recently.

Earnings Roundup

Tomen Devices Expects Interim Ordinary Income to Rise 33%

Tomen Devices, a semiconductor trader, said that it expects interim ordinary income to rise 33% year-on-year to ¥535 million, a figure ¥115 million higher than previous estimates. The company cited rising sales of memories for personal computers and digital cameras to explain the better- than-expected figures. Sales are expected to increase 72% to ¥34.2 billion.



General Economy

The Ranks of Temporary Workers Continue to Swell

The number of temporary workers assigned by staffing agencies increased 1.48 times in the past five years, although employers have been shedding regular workers even in industries where business conditions are relatively good.

Land Prices to Remain Under Pressure

According to a land price survey by the Ministry of Land, Infrastructure and Transport, residential land prices (as of July 1, 2002) declined by 4.3% from the previous year and those of commercial-use land were down 7.2%. Land prices have fallen for eleven consecutive years. In the three metropolitan areas (Tokyo, Osaka, Nagoya) land prices were down for the 12th year in a row. However, the rate of decline in commercial-use land prices has slowed down. On the other hand the decline in residential land prices in the metropolitan regions has accelerated. Both commercial-use and residential-use land prices slipped in other regions as well. Industry insiders warn that it is too early to conclude from the narrowing of price declines for commercial-use land that the bottom is in sight. The slowdown could accelerate again.



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