



Oct. 6, 2002

Vol . 41

High-tech Sector

Electric Power Deregulation

The government has finally decided to go ahead with the deregulation of electric power retail sales. However, it is still doubtful whether this will heighten competition and bring down electric power rates. Some have cited high power transmission rates as a major barrier to entry. A complete separation of the power generation and transmission functions is the only way to resolve the issue of power transmission charges, industry analysts claim.

Nano-technology Materials a Promising Market

Nano-technology materials could grow into a US\$1.5 trillion global market by 2015, with the electronics devices sector accounting for about US\$800 billion and the bio-technology sector US\$300 billion of the total, according to Fuji Keizai, a high-tech research firm.

SIO Wafer Demand to Show Solid Growth

The demand for SIO wafers is expected to grow at an average annual rate of 47% from 2001 through 2007, according to a major high-tech research firm. The 300mm wafer will account for 50% of the SIO demand in 2007, the report forecasts.

Mobile Phone Subscriber Growth Marginal in September

The number of mobile phone subscribers at the end of September was up just 0.6% compared with the end of August to 72.08 million. NTT Docomo recaptured the top spot in terms of net increase as demand for it refocused on its conventional mobile phone services..

NEC to Launch IP Phone Service

NEC plans to launch an IP phone service in December. Long-distance rates will be a uniform ¥8-9 for a three-minute call. NEC will be the first electrical equipment manufacturer to launch an IP telephone service. With the NTT Group and KDDI also committed to launching similar services, competition is bound to heat up.

Flash Memory Production to be Flat in 2002

Production of flash memories in 2002 is expected to be flat at best or decline marginally. A full recovery will not come before 2003, industry experts claim. However, it should be noted that sales of NAND memories at Toshiba are growing rapidly.

Fujitsu to Merge its PC Business with Siemens

Fujitsu will merge its personal computer and server businesses with that of Siemens. The combined business will be the fourth largest in the world. With the PC becoming a commodity item, economies of scale are important for survival. The company hopes to realize cost reduction of up to 30%.

Shift to 300mm Wafer Gathers Speed

With 18 firms around the world planning twenty six 300mm lines, the shift to the larger wafer size is accelerating.

Blue LED Price on the Skids

The price of blue LED for delivery to large users has fallen to under ¥40 from the ¥50-¥60 level at the beginning of the year. This is partly because of supply concerns arising from patent lawsuits over the blue LED technology. Moreover, gradual shift to mass production has also brought down manufacturing costs.

Earnings Roundup

NTT Docomo to Take a Massive Charge for Valuation Loss

NTT Docomo will take a ¥570 billion charge for extraordinary losses on revaluation of investment securities for the interim period ended September 2002. Basically the company will write down its holdings in KPN to zero. The company will also write down its investments in AT&T Wireless, and Hutchinson 3GUK.

General Economy

Machinery Orders Down in August – Capex Recovery Likely to be Delayed

Machinery orders, a leading indicator of private sector capital investment, in August fell 13.6% from the previous month, to ¥767.6 billion. This was the first fall in month-on-month orders in five months and the third largest fall ever. The order level is also the lowest since August 1987. Orders for electrical machinery were down 24.0% and orders from the automotive sector fell 21.4% due mainly to a slowdown in orders for robots. On the other hand, overseas orders and orders from overseas subsidiaries of Japanese firms were up 9.8%. However, this was partly due to a reactionary rebound from an 18.7% decline in July orders.

Diffusion Index Drops in August

The diffusion index, an indicator of the economy several months ahead, dropped to 44.4% to fall below the critical 50% level for the first time in eight months, according to a Cabinet Office survey. The coincident indicator at 77.8% stayed above 50% for seven months in a row.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	115.4	121.2	85.8	86.2	1,875	2,078	16,176	1,691	6,881	7,604
July	113.7	118.0	90.8	86.3		2,060				
YoY	26.4	6.5	-23.0	1.3	-12.6	-12.0	-10.5	-0.4	-22.6	1.6

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

