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High-tech Sector

Crystal Device Production to Show Robust Growth in FY2002

Production of crystal devices in fiscal 2002, the year ending March 2003, is expected to increase 24.1% to 4.63 billion pieces. Production value is likely to increase 2% to ¥175.9 billion, according to QIAJ, the sector's trade association. The demand for crystal devices rose favorably through the summer, reflecting lower inventories of electronic devices, which in turn pushed up output. However, the demand outlook for the second half is not particularly bright, since demand is likely to weaken across the board, with a few exceptions, such as the automotive sector. Reflecting the severe outlook, crystal device producers are curbing capital investment.

Taiwan's Semiconductor Producers Expect Full-blown Recovery Next Year

Semiconductor manufacturers in Taiwan see a demand rebound next year after a largely flat second half of 2002. They are also investing heavily in 300mm wafer facilities and for the deep sub-micron area (under 13 μ m design rule). Their strategies are also directed at lowering dependence on personal computers through diversification into digital home electronics and logic devices. Taiwanese companies investing aggressively include TSMC, UMC, ProMOS, Nanya and Macronix.

Robot Demand to Increase Steadily Through 2005

Demand for general-purpose robots was volatile during the nineties. Demand increased 24% year-on-year in 2000 to 9,900 units. Demand in Japan rose 32% in 2000 to 47,000 units. The global demand for robot on installation basis is expected to increase at an annual average rate of 7.5% from 2001 through 2005, according to UNECE and IFR, the industry's trade body. The global demand, excluding Japan and South Korea, is projected to increase at an annual rate of 8%. The installed base, excluding Japan and South Korea, is expected to increase at an annual rate of some 12%.

IP Telephones to Spread Quickly in Japan

The number of IP telephone lines is expected to reach nearly 7 million by 2005, a sharp increase from slightly over 2 million lines in 2002, according to a recent report by Yano Research Institute. The report claims that existing fixed-line phones and IP telephones are likely to co-exist for 10-12 years, given the high reliability of existing fixed-line telephone service.

Competition for LCD Display Market Share Turns White Hot

NM Visual (NEC-Mitsubishi Electric Visual Systems) continued to hold the leading market share, except for three months from May. NM Visual recaptured the top spot in August and clung on to the top spot in September also, with a market share of 19%. Other market players had shares of less than 10% up to June. But Samsung rose to the second spot in August capturing a 15.9% share of the market. The market in September expanded 12% in volume and 14% in value.

FTTH Subscriber Growth Slower than Forecast

The number of FTTH lines topped 100,000 at the end of September. However, the diffusion rate remains low. At the current pace, the number of FTTH subscribers is likely to be well below the 970,000 lines forecast for the end of March 2003. The reasons behind the slow progress are (1) difficulty in installing optical fiber lines in existing buildings, (2) lack of content that needs FTTH lines, and (3) relatively high rates. There are 4.22 million DSL subscribers and 1.87 million CATV subscribers in Japan. DSL subscriber numbers increased 6.5 times in one year.

Gas Companies to Build Gas-powered Electric Power Plants

Tokyo Gas has decided to build a gas-powered electric power generation plant in a move to enter the electric power business when it is fully deregulated. The company expects to be generating 2-3 million kilowatts by the end of its next 5-year plan. Osaka Gas is planning to build gas-powered electric power plants. Government plans envision complete deregulation of the industry by 2007.

Fujitsu Negotiating with AMD to Merge Their Flash Memory Businesses

Fujitsu is negotiating with AMD to integrate their flash memory businesses. If the plan goes through, the joint venture they plan to set up will be the largest flash memory producer in the world. Fujitsu says that negotiations are underway but no final decision has been made.

Taiwan and S. Korea Catch Up With Japan in Electronic Components

According to a recent report by the Ministry of Economy, Trade and Industry, Taiwan and South Korea are now on a par with Japan in CRT tubes, ICs and semiconductors. In mother boards, and power sources Taiwan already has a technological edge over Japan. South Korea is technologically on a par with Japan in air conditioners. However, China lags behind Japan in all categories except power sources.

Earnings Roundup

Nitto Denko Likely to Report Record High Interim Profit

Nitto Denko is expected to report a record consolidated interim net income, up some 2.4 times to ¥9,000 million yen, on a sales gain of 13% to ¥188 billion. Profit is being fueled by strong demand for optical films for LCD panels.



Stanley Electric to Report Sharply Higher Interim Profit

Stanley Electric on October 11 said that its interim consolidated net profit rose 76% year-on-year to ¥4800 million, some ¥600 million higher than earlier forecast, on a sales gain of 10% to ¥109 billion.. The company attributed the favorable performance to a strong demand for LEDs and light sources for LCD panels.

Alps Electric Poised to Report Sharply Higher Profit

Alps Electric on October 10 said that its consolidated net profit in the current term ending March 2003 is likely to increase six times compared with the previous fiscal year to ¥11.5 billion on a sales gain of 6% to ¥574 billion. In addition to strong sales of electronic components, the company is benefiting from operational streamlining, which has brought down fixed costs.

General Economy***Japan's Manufacturing Sector Hollowing Out***

Employment in Japan's manufacturing sector fell by 2 million persons in the ten years to 2001 and the manufacturing sector's share of total employment slipped from 27% to 22% during the same period. According to a government forecast, the share of overseas production in total production by Japanese companies will increase from 12% in 2001 to 15.8% in 2006, depressing employment further.

Special Economic Zones Program Watered Down

The special economic zones program has been weakened almost beyond recognition before implementation due to strong resistance from bureaucrats. The government denies that this is the case but admits that there has been a strong resistance from the bureaucracy. It will be no easy task for the prime minister to roll back the resistance.

Government Plans to Sharply Increase Penalties for Violation of the Anti Trust Law

The government plans to increase the penalty for violations of the Anti Trust Laws to a maximum of ¥500 million from the current ¥100 million. Although criminal penalties can also be levied against offenders, no such case has been brought to court due to lack of manpower.



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

