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High-tech Sector

Semiconductor Traders Playing a Greater Role

Japanese semiconductor traders are becoming increasingly important as device manufacturers shift from a strategy of vertically integrated organization to a multi-vendor procurement system. Set manufacturers are looking to semiconductor traders more as solutions providers than simply as suppliers. Semiconductor traders on their part are also increasingly looking to high-tech ventures for new technologies and solutions.

Japanese Companies Closing Down Domestic Production Plants

According to a leading Japanese economic daily, 100 major Japanese companies will be closing down more than 180 production facilities in Japan this year, a figure 50% higher than last year. Plant closings are pronounced in electrical machinery and IT sectors. The trend also reflects a basic change in manufacturers' strategy from a one based on manufacturing everything within to group to multi-vendor outsourcing to stay competitive. Rising overseas sales, compared with sluggish demand at home, is also an incentive to step up production overseas.

Major Suppliers Increasing Domination of the Security Software Market

Sales of computer security software in the July-Sept quarter rose 1% year-on-year in volume but were off 6.7% in value. Forecasts see sales volume in the Oct-Dec quarter rising 2%, with value on a par with the same period a year earlier. Not all the vendors are doing equally well. The four major security software vendors – Trend Micro, Symantec, Microsoft and Source Next - are increasing their market share at the expense of smaller players.

PC Sales in Japan Likely to Plunge Below 10 Million Units

Domestic personal computer sales in fiscal 2002 are likely to plunge below 10 million units. PC sales in the first half of this fiscal year (April – September) were down 10% year-on-year to 4.5 million units, according to JEITA, as industry body. Leading supplier Fujitsu saw its PC sales plunge nearly 20%. China is expected to emerge this year as the second largest PC market in the world.

Demand for Mobile Digital Device Peripherals Rising Sharply

Demand for peripherals, such as scanners, routers, MO drives, and printers, for mobile devices is rising. Printers for digital cameras are particularly in strong demand, with shipments expected to rise from last year's 330,000 units to some 440,000 units this year. This emerging trend offers an excellent business opportunity for peripheral device manufacturers like Epson.

S. Korea's Semiconductor Exports Jump

Semiconductor exports from South Korea in the July-Sept quarter rose 53% year-on-year to \$4.2 billion. This was the fifth quarterly year-on-year gain in S. Korean semiconductor exports. Exports are being driven by DRAMs and flash memories.

Japanese Consortium Develops High-capacity Optical Disk

A group of 7 Japanese companies working jointly with the Industrial Technology Development Research Center has developed a 250GB optical disk.

Japan's Component Manufacturers Getting Ready to Shift to the 0402 Type

Japan's component manufacturers are stepping up research and development in 0402 type electronic components, with the commercialization goal set for 2004-2005, depending on the manufacturer. The development of new models of automatic mounting machines is spurring the change. As the first stage component manufacturers expect to popularize the 0603 type components and then move on to the 0402 type. Among others, Murata Mfg, Rohm, KOA, and TDK already produce the 0603 type ceramic capacitors, resistors and inductors.

MCP Price Still Sliding

The average price of MCP (32M flash/4MSRAM) is still sliding and is at around ¥700 now, down from around ¥1,100 in November 2001. MCP prices are expected to stay flat at this level for the time being and pick up from next April when demand for color panel mobile phones (use two MCPs) is likely to increase.

Earnings Roundup

Losses Shrink at Tokyo Electron

Tokyo Electron reported Wednesday that its interim consolidated ordinary loss had shrunk to ¥600 million, down sharply from ¥11 billion in the first half of the previous fiscal year and much lower than the ¥5 billion loss projected earlier. The better than expected performance is due to higher sales of SPE equipment. Interim net loss at ¥2.3 billion was also lower than the ¥3 billion forecast. SPE orders in the July-Sept quarter rose 227% year-on-year to ¥89.3 billion. Orders for LCD production equipment from Taiwan were particularly strong. But the figure was somewhat lower than the ¥126.9 billion reported for the April-June quarter, raising concerns over sustainability of orders.



Fujikura Likely to Report Sharply Lower Than Expected Profit

In the current fiscal year ending March 2003, Fujikura is now expected to simply break even at the consolidated ordinary income level. The company had forecast a ¥10 billion consolidated ordinary income. Sluggish sales of optical fiber and optical fiber connectors are hurting profit. Sales are likely to be 8% lower than the previous fiscal year, falling to ¥320 billion.

Funai Electric Likely to Report Sharply Higher Interim Income

Funai Electric is expected to report a 2.3 times increase in interim consolidated operating income. The company is benefiting from strong sales in North America and cost reductions.

Trend Macro Reports Strong Quarterly Profit

Trend Macro said on Tuesday that its ordinary income in the July-Sept quarter rose 40% year-on-year to ¥3.2 billion. Sales were up 42% to ¥10.7 billion. Sales of anti-virus software in Japan were particularly strong, up 64%, the company said.

General Economy***More Japanese Engineers Seeking Employment Overseas***

With shrinking job opportunities at home, Japanese engineers are looking for employment overseas and companies in China, Taiwan and other Asian countries are more than willing to welcome them. They are particularly sought after for their know-how in production, which Asian companies hope to combine with their lower labor costs to become more competitive. On the other hand, Japanese companies are starting to worry that proprietary know-how will leak out as more Japanese engineers move abroad.

Japanese Consumers Overburdened with Debt

Affected by pay cuts and job losses, consumers are finding it increasingly difficult to service their debts. Personal bankruptcies are running about 40% higher than last year and are expected to top 200,000 for the full year. Moreover default on credit card payments are also rising and spreading to the 40-50 age bracket, a population sector believed to have been immune to such problems. Installment payments on housing loans are also taking a larger bite of the income, rising to 24% on the average, according to government statistics.

Industrial Electric Power Consumption Rises

Consumption of electric power by major industrial users in the April-Sept period rose 0.3% year-on-year to 132.6 kW. This was the first gain in semi-annual consumption since the half-year ended March 2001. Power consumption rose in the steel and chemicals sector. Total power consumption, including the consumer sector, was flat.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	2,015	2,060	16,056	1,775	6,285	7,997
Aug	117.1	123.5	89.9							
YoY	12.6	13.3	-22.9	1.3	-12.6	-12.0	-3.9	4.2	-19.2	10.6

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

