Dec. 1. 2002

Vol . 49

High-tech Sector

Domestic Server Shipments Slowing

Shipments of servers in the July-September quarter slowed 10% year-on-year to ¥187.8 billion. This was the second consecutive decline in year-on-year quarterly sales. Shipments also fell 15.9% to 98,000 units. Shipments of IA servers fell 18.2% while those of UNIX servers were off 9%. However, this does not necessarily mean that the UNIX server market is recovering faster.

China's Software Industry Growing

China' software industry sales are expected to expand to ¥3.7 trillion by 2005, according to reports from China. Exports of software are also likely to increase to US$5 billion by that year. According to forecast, China' software industry is likely to grow at annual rates of 30%-35%, with exports rising at rates between 50%-60%, for the foreseeable future.

Interim Results of Software Developers Show Declining Order Backlogs

According to interim business results released by 11 software developers, 8 suffered declines in order backlogs. Much of backlog is for custom software development. According to government statistics, orders for custom software started declining from July. The decline comes after 37 months of steady gains. Demand for system integration has fallen but that from public agencies and for ERP, PDM, and SCM systems remains strong.

SPE Orders Double in October

Orders for semiconductor production equipment in rose 107% compared with the same month in 2001. Orders have risen for eight months in a row. The B/B ratio for October at 0.88 was largely unchanged from September suggesting that capacity utilization has not necessarily improved.

October PDP Television Shipments Up 2.7 Times

Shipments of PDP television in October were up 2.7 times to 20,000 units compared with the same month a year ago, according to JEITA, the industry' trade association. Shipments of LCD televisions also rose 57.7% in October. Shipments of PDP televisions from January to October were up 3.6 times compared with the same period in 2001 and those of LCD televisions rose 1.6 times.

Japan's Semiconductor Manufacturers to Increase CAPEX

A recent survey of Japan's 12 major semiconductor manufacturers revealed that they were planning to increase aggregate capital investment in fiscal 2002 by 10.2% compared with their beginning-of-year forecasts to ¥412 billion. The largest investors in the semiconductor sector this year will be Matsushita Electric and Toshiba. Five companies, Sony, Sharp, NEC, Matsushita Electric and ROHM revised their investment plans for the year upward. Two semiconductor producers, Sanyo Electric and Oki Electric, scaled back their investment plans. However, total investment even after the markups will still be 27.5% lower than fiscal 2001. Matsushita Electric is adding capacity for system LSIs and CCDs. Hitachi plans to boost its CCD out.

Microsoft Disclosed OS Codes In Japan

Microsoft said on November 27 that it will partially disclose codes of its popular Windows software to the government and local government agencies in Japan. The move is intended to prepare for growing competition from Linux, being promoted aggressively by major computer vendors, including IBM Japan. Demand from the public sector is expected to grow sharply as the government's E-Japan program gathers speed. The disclosure of OS codes was prompted in part by the growing interest that municipalities in Japan are showing in Linux. The Linux software market in Japan is expected to grow to about ¥70 billion by 2006, up from around¥17.5 billion in 2002. For instance, the Hokkaido government plans to use Linux wherever possible for it IT systems.

Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	72.6	1,841	1,297	14,736	1,482	5,937	7,318
Aug	116.2	120.9	93.9	84.9	2,465	1,555				
YoY	15.5	12.6	-12.3	18.4	-8.4	-0.7	-4.0	1.8	-15.0	16.8

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