

# Industry Monitor

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High-tech Sector

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## Japan Telecom to Merge Affiliates

Japan Telecom will merge four of its affiliates, including J-Phone in order to enhance business efficiency. The move is designed to place the company in a better position to compete with NTT Docomo and gear up for third generation telecommunications services.

## Broadband Users in Japan to Grow Sharply

The number of broadband users will total 12 million in 2005, according to IDC Japan, a market research firm. DSL will experience the highest average annual growth rate of 248%, followed by FTTH, which is expected to grow at an annual rate of 166%.

## NEC and Matsushita Electric to Join Hands for Next Generation Telecom Systems

NEC, Matsushita Electric and Matsushita Telecommunications will join hands for developing next generation (3G) systems. They will cooperate in technology and production to better serve global markets.

## High-tech Industry Recession Affecting Japanese Manufacturers

Fujitsu on August 20 announced wide-ranging management restructuring plans, citing marked worldwide slowdown in demand for IT-related products. The company plans to slash fixed costs by 200 billion yen. The restructuring plan envisions ROE of more than 10% in FY ending March 2004. NEC has already announced large cutbacks in its payroll. Other major manufacturers are expected to come up with restructuring plans of their own.

## IT Start-ups Continue to Increase Despite Recession

According to the Ministry of Land, Infrastructure and Transport, start-ups in the IT sector totaled 35,207 as of March 2001, an increase of about 10% from the preceding year. The survey covers firms offering software services, data processing services and Internet-related services.

## SEAJ Sees SPE Releases SPE Forecasts Up To 2004

According to SEAJ, demand for semiconductor production equipment will plunge nearly 30% in the current fiscal year and that for LCD panel production devices will drop 40%. The association expects demand to head for revival in fiscal 2002 as semiconductor inventory adjustment is completed and production of next generation cell phone gets underway. Demand will only top its past peak of one trillion yen only in 2004. Recovery in LCD panel production devices will be faster, with demand recovering to recent peak levels in fiscal 2003.



## High-tech Sector

### Server Demand Continues to Grow

Server shipments, including IA and UNIX servers are rising steadily as an expanding range of businesses continue to invest in IA systems despite a sluggish economy. Underpinned by brisk shipments major suppliers are drawing up bullish plans for FY2001. Server shipments are expected to increase 20-30% in the current fiscal year.

### Electronic Component Producers Headed for Sharply Lower Profits

Major Japanese electronic component manufacturers revised their projections downward and now expect to see sharply lower profit in the current term to March 2002. Electronic component manufacturers are affected by slower growth in the US and Europe, in addition to demand slowdown from their major customer sectors.

### Connector Manufacturers Boosting production

Connector manufacturers are boosting production of connectors for memory cards to cope for growing demand for use with memory sticks and SD cards. Most manufacturers expect shipments to increase by more than 50%, according to a recent survey. Development of AV devices using memory cards is accelerating.

### Injection Molding Machine Output Plunges 35.2%

Output of injection molding machines in the first half of the year plunged 35.2% to 8,565 units. Value of the output was down 34%, according to the association of injection molding machines manufacturers. The association blamed weak exports to Asia for the lackluster performance and warned that demand has yet to bottom out. It expects sluggishness to continue for a while.