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High-tech Sector

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NTT To Lower Dependence on Fixed-line Telephone Service

NTT unveiled a three-year business plan to March 2005, which will change focus away from the fixed line service to IP networks, mobile phone service, provider services and broadband services. The company will de-emphasize fixed-line services (in which further investments will be frozen), public telephones, pocket bells, PHS and telex (to be discontinued in FY2002).

Competition Heating Up in IP Phones

The Softbank Group will launch an IP telephone service on April 25. NTT is also planning to enter the IP telephone business. With more participants, IP telephone rates will soon come under intense pressure.

Broadband Subscribers to Top Three Million by April End

Subscribers to broadband networks are expected to top three million by the end of April, supported by triple digit growth in ADSL, doubling of CATV subscribers and a pickup in FTTH subscribers. Industry experts predict that more than the ADSL, growth will be led by VDSL and wireless LAN, in addition to VoIP.

Japan Telecom to Pull Out of ADSL Service

In a change of strategy, Japan Telecom will focus on the corporate sector, except in mobile phones. As the first step, the company will sell its ADSL network to e-access, a telecom start-up.

Semiconductor Market Looks Up

Signs of a pickup in the semiconductor market have started to appear as evidenced by the order trends at Japanese semiconductor manufacturers and traders. A recent survey of semiconductor traders shows that a majority feels that orders bottomed out around the end of last year and that orders have been rising since the beginning of the year. However, most do not expect a full-blown recovery until after the middle of the year and none predict a V-shaped rebound. Order recovery is being led by digital home electronics and personal computers. Semiconductor traders also report a rising order backlog, an important leading indicator.

***Semiconductor Manufacturers
to Keep Lines Running Through
the Golden Week Holiday Period***

Reflecting rising order levels, major Japanese semiconductor producers plan to keep their lines rolling even during the Golden Week holiday (end April through early May). Plans call for keeping the lines producing flash memories, SRAMs, LCD driver ICs, and bipolar ICs running during the holiday period.

***Electronics Component
Orders Picking Up***

Murata Manufacturing, an electronics component manufacturer reported that the decline in orders in the first quarter of the year narrowed to 5%, the first time the decline is at a single-digit figure since the last quarter of 2000. By geographical region, orders were up from Asia, but were lower from both the U. S. and Europe.

***Sharp Cuts the Cost
of Next Generation
Solar Cell Into Half***

Sharp says that it has successfully developed a next-generation solar cell that is only half as expensive to produce. Plans call for launching the new solar cell in 2004.

***Global LCD Panel Demand
to Increase 10% in 2002***

Demand for 15" color LCD monitors is expected to increase about 10% in 2002. Production in Taiwan is expected to increase 20% while S. Korea expects to see a 10% rise in the output of 15" LCD monitors. Production in Japan will, however, be sluggish as Japanese manufacturers shift focus to smaller sizes.

***Surface Mounting Devices
Demand Picks Up***

Demand for surface mounting devices in 2002 is likely to increase 30%-40% year-on-year, reflecting recovery in the electronics industry. The focus will be on China where 1,700 units were installed last year. Manufacturers estimate the demand in 2002 at 2,200 units.

***Taiwanese IT
Firms Aggressively
Investing in China***

Following the admittance of China and Taiwan to the WTO, Taiwanese IT firms are expanding aggressively into China. With the partial lifting of the ban by the Taiwanese government on semiconductor investments in China, more Taiwanese semiconductor-related investment is expected to flow into China. The trend also signifies a structural change in the Taiwanese economy, characterized by a shift from labor-intensive to knowledge-intensive industries.

***Computer Virus Problem
Becoming More Serious***

Another computer virus called WORM-KLEX.G is spreading in Japan. The virus problem is becoming serious with a sharp rise in reports from around the end of last year. Reflecting the growing problem demand for vaccines, firewalls, monitoring and other computer security services is growing rapidly.

Consumer Electrical Goods Imports Rising

Imports of consumer electrical goods, those manufactured by Japanese transplants as well as foreign brands, are rising. Imports in 2001 rose to an estimated ¥283.4 billion, up some 40% from the previous year. Competitive pricing and unique designs not seen in Japan are driving sales. Consumer electrical goods imported from China and Asian countries are selling like hot cakes, industry sources say.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
April	118.5	121.0	122.0	83.1	2,261	2,202	18,136	1,503	8,552	8,081
May	118.1	121.9	126.2	82.2	2,007	2,180	18,217	1,623	8,877	7,717
June	112.9	118.2	122.4	88.9	2,150	2,407	18,758	1,718	9,334	7,706
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	64.3						
YoY	-26.7	-24.3	-17.7	-24.3	-20.2	-14.0	-31.2	-25.6	-28.1	-35.6

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