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## *High-tech Sector*

### *Optical Communications Business Set for Growth*

According to a recent report published by Yano Research Institute, the optical communications industry grew at an annual average rate of 26.7% for three years from fiscal 1999. However, affected by excess capacity in North America, orders at Japanese optical communication system and component manufacturers fell 14.8% YoY in fiscal 2001. Component orders were hurt even more, falling 37.8%. On the other hand, orders to the Asian region, particularly to India and China are growing and orders for next-generation components are rising. As a result, shipments are likely to be up 21% in fiscal 2003 and nearly 20% in fiscal 2004.

### *Mobile Phone Shipments Bottoming Out*

Although shipments of mobile phones in May fell 28.1% year-on-year to 3.24 million units, shipments, excluding PHS, topped three million units for the first time in four months, suggesting that mobile phone shipments could be bottoming out, according to JEITA, the industry's trade association. Third-generation mobile phones seem to be reviving demand. The favorable trend should continue in June as demand gets a stimulus from new models and services.

### *Wireless LAN Market Expanding*

The wireless LAN market is expanding rapidly and pushing up sales of wireless LAN devices. According to ITIS, an industry research firm, production volume of wireless LAN devices more than doubled in 2001. One of the largest beneficiaries of this trend is MELCO, a Japanese computer add-on devices manufacturer. Taiwanese manufacturers, the largest suppliers of such devices in the world also stand to benefit immensely.

### ***Shakeout Starts Among Foreign Telecommunications Operators in Japan***

According to statistics released by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, there are 25 foreign telecommunications operators holding a Type 1 license in Japan. Of these six have already withdrawn from the market and more may do so or reorganize their operations in Japan.

### ***KDDI to Launch IP Telephone Service***

KDDI, on July 8, said that it plans to launch an IP telephone service by the end of the month. Initially, the service will be targeted at the corporate sector, but will be available to consumers in a few months. The NTT group is expected to launch a similar service by the end of the year.

### ***LCD Demand Set to Grow in 2002***

After falling by 21.5% in fiscal 2001, sales of LCD monitors are expected to surge nearly 31% in fiscal 2002. The major beneficiaries are expected to be Sharp, Hitachi, Toshiba, and Sanyo, all of which are poised to see solid growth in their LCD panel sales.

### ***Semiconductor Exports Jump in May***

According to statistics released by the Finance Ministry, semiconductor exports in May rose 12.2% to record the first gain in 16 months. On the contrary, imports fell 9.1%.

### ***Web Application Server Market to Show Strong Growth***

Web application server market is growing rapidly as corporations switch from mainframes to client server systems. The web application server market should triple by 2005 as compared with 2001, according to an industry research firm. NRI, another research tank, forecasts the EIP market to increase 500% by 2005. The major players in the web application server market are BEA Systems, IBM Japan, Oracle Japan and Sun Microsystems.

### ***EDI Also Attracting Attention***

According to an industry survey released by the EDI Promotion Council, there is a growing demand for EDI, particularly among larger firms in Japan. The report claims that more than half the firms surveyed plan to install Internet EDI systems in the next two years. There is also a growing interest in XML/EDI.

### ***Connector Production Reviving Sharply***

With inventory adjustment already having run its course and demand for use in digital consumer electronics products picking up, connector manufacturers are operating at full capacity. However, manufacturers remain cautious regarding the demand outlook from the second half of the fiscal year onward and expect price pressures to build up quickly, according to a leading industry publication. A majority of connector manufacturers expect sales to increase about 5-10%.



**Sensor Manufacturers Turn Bullish**

Sensor manufacturers expect demand in fiscal 2002 to rise by a double digit figure, helped by widening applications that are expanding to office automation and security fields and declining prices, which have come down appreciably.

**Philippines Boosts Electronic Component Exports**

According to National Statistics Office, exports of electronic components rose 24% year-on-year in May. Semiconductor exports represented as much as 30% of all electronic component exports. Japan accounted for 15% of those exports.

**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	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						
YoY	-0.8	1.1	-30.3	-3.8	-17.5	-17.8	-19.4	-2.2	-31.4	-10.1

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

