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High-tech Sector

TEPCO Problem May Affect Nuclear Power Policy

The recent case in which Tokyo Electric Power Co. was found to have tampered with inspection data to conceal defects may affect Japan's nuclear power policy itself, making it even more difficult to meet carbon dioxide emission goals. Questions are being raised as to whether nuclear power generation should be left to the private sector since competition is heating up as deregulation progresses.

DSL Subscribers Increasing Rapidly

The number of DSL subscribers increased nine times to 3.61 million as of the end of July, according to statistics released by the Ministry of Public Management, Home Affairs, Posts and Telecommunications. This was a 1,000% increase from July 2001. Along with DSL, Internet access service through CATV networks is also increasing rapidly

Japan's iDC Market Set for Growth

Japan's Internet data center (iDC) is expected to grow at an average annual rate of 28% and reach ¥286 billion in 2006, up from ¥83.6 billion in 2001, according to a high-tech research firm. The iDC market comprises three sectors: housing, Web co-hosting and exclusive Web hosting. The housing market accounted for ¥41.6 billion in 2001 but is unlikely to show strong growth because of excess capacity. The Web co-hosting market totaled ¥29 billion in 2001. This sector is also expected to show slow growth due to heightening competition. The exclusive hosting sector will, however, grow to ¥74.8 billion as large corporations increasingly outsource for their Web assets.

***Semiconductor Production
Equipment Orders Up in July***

Orders for Japanese-made SPE (domestic demand + exports) in July increased 42.5% compared with the same month a year ago to record the fifth consecutive year-on-year gain in monthly orders. Orders from the Japanese market (Japanese-made SPE + imports) turned positive (up 50.6%) for the first time since Feb. 2001. The B-B ratios in July in the two categories were 1.6 and 1.07 respectively. Semiconductor producers are investing to enhance the productivity of their production lines.

***Prices of Older Models of CPU
Plunge***

Prices of older models of CPU have plunged following the introduction of 2.8GHz type (¥62,655) by Intel on August 25. The price of the 2.53GHz CPU plunged by ¥12,246 to ¥30,756 after the launch of the 2.8GHz type.

***PDP and LCD Television Sales
Soar***

Sales of PDP television sets in July increased 3.7 times to 15,000 units compared with the same month a year ago. Sales of LCD televisions also shot up by 51%. Cumulative sales of PDP televisions up to July were also increased 4 times compared with the same period in 2001.

***Micro Controller Production to
Rise***

Production of micro controllers (MPU) is expected to increase 17.4% in the current fiscal year to March 2002, according to a survey of 12 Japanese MPU producers by a leading industry newspaper. Hitachi is the largest producers. MPUs represent about 38% of semiconductors produced by the company and the production is likely to be up 30% from the previous fiscal year. The company's market share is estimated at nearly 25%.

***Demand for LCD Key
Components Grows***

Demand for color filters, backlights, driver ICs and other major LCD components is rising, particularly in Taiwan, reflecting the continuing transition to larger panels and rising demand for LCD televisions.

***Digital Cameras Selling Like
Hot Cakes***

Sales of digital cameras in the first half (Jan. – June) of 2002 were up 54% from the same period a year earlier to 9.1 million units, beating an industry forecast that saw sales rising just 30%. The diffusion rate of digital cameras is 20% while it is still just 15% overseas. Industry experts expect the diffusion rate overseas to catch up quickly with that in Japan. Major manufacturers, including Sanyo Electric, Fuji Film, Canon, and Sony are revising their production plans. Surprisingly Casio's slim model (Exslim) is catching on fast and is expected to capture a 10% market share.



Earnings Roundup

Internet Content Providers to Show Strong Earnings Growth

Companies providing content for mobile phones are expected to see earnings growth in the current term. New models of Internet-enabled phones are also helping. There are five public firms in this category, of which four are likely to report solid earnings gains.

Companies Providing Niche Personal Services Also set for Growth

Japanese companies providing niche personal services seem to be dodging the effects of the recession and as a result showing strong earnings growth. One such firm is T&G that arranges wedding ceremonies in home surroundings. Another such company, TAC, is a vocational school.

Olympus Set to Report Record Earnings

Olympus Optical in the fiscal year ending March 2003 is expected to report record operating income. It will be the second consecutive record high operating income. The company is benefiting from strong sales of digital cameras and cost savings through a shift of production to China.

Shinkawa Reports Strong Growth in Consolidated First Quarter Sales

Shinkawa reported a 53% year-on-year increase in consolidated sales for the April-June quarter. The order backlog as of the end of June was up 96% compared to the end of the previous fiscal year. It will start boosting earnings in the next quarter.

Alps Electric Poised to Report Sharply Higher Profit

Alps Electric is expected to report sharply higher interim operating profit on the back of strong demand for electronic components, particularly magnetic heads, and benefits of cost cutting. Order growth has, however, slowed after rising 25% in the first quarter of this fiscal year.



General Economy

Unemployment Perched at High Level

Unemployment in July was largely unchanged at 5.4%. The unemployment figure rose by 220,000, compared to the same month in 2001, to 3.52 million persons. It has climbed for 16 months in a row. Unemployment among men was 5.5% and among women 5.2%. Persons laid-off owing to restructuring totaled 1.08 million and employees retiring totaled 0.43 million. The ratio of job applicants to job offers stood at 0.54.

Demand for Temporary High-tech Workers Weakens

Demand for high-tech temporary workers, particularly from the electronics sector has weakened sharply, affecting companies like Alps Giken.

Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	1,818	1,872	15,451	1,649	6,324	7,478
June	115.2	121.2	85.4	-	-	-	-	-	-	-
YoY	2.0	2.5	-30.2	-3.8	-8.1	-13.7	-11.8	2.6	-24.9	-3.1

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