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## *High-tech Sector*

### *Govt. Panel Calls for Connection Rate Cut*

An advisory panel to the Ministry of Public Management, Home Affairs, Posts and Telecommunications called for 8-16% cuts in connection charges carriers pay to NTT from fiscal 2003. The panel recommended a higher cut in connection charges for NTT East, which is in a financially better position, compared to NTT West. However, the US is calling for steeper cuts. The government hopes to come to a final decision on the reduction of connection charges by the end of the year.

### *DSL Subscriber Growth Continues Unabated*

The number of DSL subscribers as of the end of August reached 3.91 million, a figure 7.7 times that of the end of August last year, according to the Ministry of Public Management, Home Affairs, Posts and Telecommunications. Although subscriber growth in June was slower than May creating a suspicion that the DLS market may be reaching maturity. But growth resumed again in July, with more than 300,000 signing up for the service.

### *Orders for 33mm Wafer Processing Equipment Up Sharply*

The share of orders for 300mm wafer processing units (of all orders) in the April-July quarter at Tokyo Electron rose by 10 percentage points compared to the same quarter last year to 44%. The rest of the orders were for 200mm models. With orders for the 300mm wafer models expected to continue to rise, the company plans to focus on the 300mm type for all its wafer processing devices.

### *Orders for Vacuum Devices Up in Apr-June Quarter*

Orders for vacuum devices, driven by strong demand for use in the production of LCD panels, in the April-June quarter rose 13% year-on-year to ¥119.8 billion, according to the Japan Vacuum Industry Association (JVIA). Orders were up 207% from the previous quarter. This was the first growth in orders in six quarters. The semiconductor manufacturing industry accounts for nearly 80% of the demand for vacuum equipment.

### *Production of Crystal Devices Up 40% in July*

Production of crystal devices in July was up 39.3% in volume and 9.1% in value. This was the first gain in both volume and value since December 2000. Production of crystal devices for the IT sector was up 38% in volume but fell 4.3% in value. Production of crystal devices for industrial applications rose 52.9% in volume and 24.0% in value.

### *Semiconductor Market Prices*

The price of 256MB DDRSDRAM (PC memory module, PC 2000) rose by ¥236 from the previous week to ¥6,353. The price of SDRAM was down ¥248 to ¥3,570. In the DDR type, demand for the PC2000 remains strong but demand for the PC2700 is also growing.

### *China's Robot Demand Set for Solid Growth*

Along with the increase in industrial output, demand for industrial robots is increasing rapidly in China and is expected to have grown by tens of times by 2015.

### *IT Services Sector Orders Down for the First Time in 27 Months*

Orders received by the IT services sector in July fell 0.1% year-on-year. This was the first decline in monthly orders in 27 months. A 7.5 decline in orders for custom software development weighed heavily on total orders. Orders for system integration projects also fell 5%. On the other hand, orders related to system operation and management, that is, outsourcing, were up 37.7%. Sales of software products were up 10.9%. Orders for custom software development slowed mainly because software development related to consolidation in the financial sector has largely been completed.

## *Earnings Roundup*

### *Advantest Unlikely to Break Even in the Current Term*

Advantest on September 13 said that it expects to report a ¥3.3 billion consolidated net loss in the current term to March 2003, a sharp downward revision from the original forecast that saw the company breaking even. Affected by weak demand for testers and sluggish sales of electronic measuring equipment, Advantest is expected to report a second consecutive consolidated net loss, although the loss will be much smaller than the ¥22.9 billion reported for the fiscal year ended March 2002.

### *Minolta Likely to Report Higher Profit*

Benefiting from strong sales of optical equipment and corporate streamlining, interim consolidated net profit is likely to be about 50% higher than the beginning of term forecast of ¥8 billion.



## General Economy

### Bankruptcies Up 2.2% in August

A total of 1,578 businesses, capitalized at more than ¥10 million, went under in August, leaving ¥1.09 trillion in unpaid debts. Small and medium-size firms (employing less than 5) accounted for more than half of the total bankruptcies. There were 55 bankruptcies in the electrical machinery sector, an increase of 5.7% from August 2001. The bankruptcy figure in the electrical machinery sector was the second highest (61 firms went out of business in August 1995). Unsettled liabilities totaled ¥9.9 billion.

### Changing Demographics Affecting Small and Medium-size Businesses



A recent survey by the Ministry of Public Management, Home Affairs, Posts and Telecommunications revealed that 65% of small and medium-size manufacturing businesses are owned by individuals 60 years and older. In the service sector, the elderly own and run 57% of small and medium-size firms. On an all-industry basis, more than 70% of small and medium-size business owners have no successors. In the manufacturing sector the figure rises to 80%. What is, however, more alarming is that only 1% of small and medium-size manufacturing businesses are owned by individuals under 40.

## 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