



Sep. 29, 2002

Vol . 40

High-tech Sector

CEATEC Japan 2002 Fair Opens

With the IT market expected to rise from ¥8.9 trillion in 2001 to ¥13.9 trillion in 2006, CEATEC Japan 2002 fair's keyword is "Broadband." PDA has also been taken up prominently since it is seen as the post-PC device. In servers the focus is on blade servers. Blade servers now account for just 1.6% of the total IA server market. The figure is, however, likely to rise to 21.1% by 2006. The storage devices market is another prominent area, with demand expected to rise at an annual average rate of 50% through 2005, when it will have reached ¥478 billion. On the other hand, demand for OA supplies is likely to be flat at around ¥120 billion.

Telecommunication Carriers to Offer IP Phone Service from Fixed-line Phones

Japan's principal telecommunications carriers and Internet service providers are planning to offer IP telephone service from fixed-line phones and have applied for licenses. A special access number (050) will be assigned for the service around the end of October. Actual service is expected to begin sometime next spring. Those interested in starting the service include NTT, NTT Communication, KDDI and the Softbank Group.

Docomo Slashes FOMA Subscriber Forecast to One-third

NTT Docomo revised its subscriber forecast (for the first year) for the FOMA service from the initial 1.3 million to just 0.4 million. The company plans to slash its capital investment for the service anywhere between ¥30 to ¥50 billion in view of the lowered expectations. Only about 130,000 persons have subscribed for the service so far. On the contrary, KDDI's third-generation phone service (CDMA2000 1x) is taking off, with subscribers rising to 2.6 million in the first six months after the service was launched.

128DRAM Price Stabilizes

DRAM shipments are hovering at bottom levels reflecting sluggish PC demand. However, prices of the 128DRAM have been flat for the past two months at around ¥600. Although spot prices were somewhat weak, prices to large-lot users have been stable. Industry insiders cite completion of inventory adjustment as one reason. But other sources point out that the price has dropped close to production cost.

SOI Wafer Demand Up Sharply

Demand for SOI wafers (silicon on insulator) is expected to rise at an annual average rate of 47% from 2001 through 2007 reaching 250 million square inches that year, according to a high-tech market research firm. SOI offers a means of increasing LSI speed and lowering power consumption by forming an insulation layer just below the surface.

CCD Production to Rise Sharply

Japanese CCD manufacturers are planning to significantly boost production. Sony, a major supplier, plans to invest ¥20 billion in new facilities and Matsushita Electric has also drawn up bullish plans. Among others, Sanyo Electric also plans to add capacity. CCD is a principal component of digital cameras.

Consumer Electric Sales Up 1.1% in August

Sales of consumer electric items in August were up 1.1% year-on-year to ¥204.5, according to NEBA, an association of large consumer electrical goods chains. The sales gain was underpinned by strong demand for DVDs, which recorded a sales gain of 1.8 times. Television sales, which represent a relatively large percentage of total sales were up 9.8%. Refrigerator sales rose 6.7%. Air conditioner sales increased 4.7% as demand rose reflecting hot summer weather. OA equipment sales were up 1.3% but personal computer sales dropped 15.9%.

Earnings Roundup

Pioneer Likely to Exceed Profit Projections

Pioneer in the current fiscal year ending March 2003 is likely to report consolidated operating income of ¥26 billion (against ¥25 billion projected earlier) , up about 22% from the previous fiscal year. Sales are likely to be up 9%, driven by strong demand for car navigation systems and plasma display panels.

Stanley Electric Likely to Report Sharply Higher Profit

Helped by strong demand for LEDs, Stanley Electric is expected to report interim consolidated ordinary income of around ¥9.0 billion, up about 62% year-on-year, on a sales gain of 10% to ¥110 billion. Higher sales, combined with cost reductions, are expected to push up profit.

Nintendo Reports Lower Interim Profit

Nintendo reported an 86% year-on-year decline in interim consolidated ordinary income to ¥7 billion. The figure is sharply lower than the ¥30 billion projection. Profit has been hurt mainly by foreign exchange losses.



General Economy

Industrial Production Up in August

The industrial production index for August was up 1.6% from the previous month to 98.2, according to government statistics. The index was also up 1.9% over the same month a year ago. . This was the second consecutive gain. The gain is attributed to higher production of mini cars, press dies and LCD devices, among others. Shipments were up 3.3% from the previous month. The government did not change its opinion on the outlook for the economy, claiming that production would continue to rise steadily, albeit at a slow pace.

Machinery Orders to Decline in Second Half

Machinery orders in the second half of 2002 are likely to decline 5.1% year-on-year to ¥13.3 trillion, according to the Japan Machinery Builders Association. Although orders for transportation equipment and general machinery are likely to be up, orders for electrical machinery, which represent more than half of total orders, are likely to dip 12.2%, dragging down the outlook for total orders. On the other hand, export orders are likely to be up 12.2% to ¥3.7 trillion.

Construction Machinery Shipments Up in August

Shipments of construction machinery, including exports, in August were up 1.6% year-on-year to ¥91.8 billion. Although shipments were up for three months in a row, domestic shipments were sluggish, falling 14.9%. The weakness in the domestic market was offset by brisk exports, which were up 33% driven by strong demand from the Asian region.

SPE Orders Up in August

Orders for Japanese-made semiconductor production equipment (domestic orders + export orders) were up 15.6% year-on-year to ¥60.2. This was the sixth consecutive year-on-year gain in SPE orders. However, the growth rate has fallen sharply from the 40% level recorded for the three months up to July. Orders from North American and Taiwan markets are slowing at a time when domestic demand is also sluggish. Orders for wafer processing equipment, including steppers, were down 0.8%. On the other hand, orders for assembling equipment and inspection devices increased 3.1 times and 2.8 times respectively. Orders in the domestic market (including imports) fell 2%.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	115.4	121.2	85.8	86.2	1,875	2,078	16,176	1,691	6,881	7,604
July	113.7	118.0	90.8	86.3		2,060				
YoY	26.4	6.5	-23.0	1.3	-12.6	-12.0	-10.5	-0.4	-22.6	1.6

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