



**Nov. 10. 2002**

**Vol . 46**

## *High-tech Sector*

### *Seven Internet Service Providers to Start IP Phone Service*

Seven Internet service providers, including Nifty, NEC and NTT Communications, plan to start IP phone service. The seven have a combined subscriber base of 20 million. Service will be free between the subscribers of the participating firms. The aim is to target Japan's fixed line telephone market, estimated at some five trillion yen.

### *Mobile Phone Shipments Plunge in September*

Shipments of mobile phones, including PHS and car phones declined 36.8% to 2.78 million units. Shipments were also down 14.6% over the previous month. The decline is blamed largely on sluggish replacement demand and slowing shipments of PHS. The number of subscribers to mobile phones in October increased only marginally (360,000) to 72.44 million.

### *Govt. Plans to Put a Ceiling of Electric Power Transmission Charge*

The Ministry of Economy, Trade and Industry plans to put a ceiling on electric power transmission rates charged by major electric power utilities. Plans call for changing from the present rate filing system to a rate approval system and then gradually lowering the ceiling. The move is intended to spur new entry into the market and increase competition.

### *Flat Panel Displays to Grow Into a Massive Market*

The flat panel display market, estimated at some two trillion yen in 2001, is expected to grow at an annual average rate of about 20% and top ¥10 trillion in 2010, according to industry sources. Although flat panels are still largely used as PC monitors, the biggest market will be the flat panel TV. This year flat panel display sales will exceed that of CRT displays, the mainstay display device so far.

### *MELCO Retainers Leadership in Wireless LAN Products*

Shipments of wireless LAN products continue to show strong growth, increasing nearly 60% in volume and 20% in value in October. MELCO dominates the market with a 50.4% of the market in volume terms and nearly 50% in value terms.

### ***Japan's Consumer Goods Manufacturers Shifting R&D Overseas***

In a bid to cut costs, major Japanese consumer goods manufacturers are not only shifting production overseas but are also increasingly moving out R&D, particularly to China.

### ***Color Copying Machine Exports Jump***

Exports of color copying machines in the July-Sept quarter rose 48% compared to the same period a year earlier while domestic shipments rising 93%. Digital copiers represented 85% of all shipments, including exports.

## ***Earnings Roundup***

### ***Funai Electric Draws Up Aggressive Business Plans***

Funai Electric's medium-term business plan envisions consolidated sales rising to ¥500 billion in FY2005, up from a projected ¥318 billion in the current fiscal year to March 2003. The company plans to leverage its technological strength and management prowess to achieve this goal. Digital devices are expected to drive growth, while sales of analog devices are likely to be stagnant.

### ***Olympus Expects Strong Interim Profit***

Olympus Optical said Monday that it expects to report a 2.4 times increase in interim consolidated net profit to ¥25 billion on a sales gain of 8% to ¥570 billion. Sales are being driven strong demand for digital camera's, the company said.

### ***Software Service Firms Interim Performance Not Uniform***

Interim business results of software service firms were uneven, with sales at many firms plunging by double-digit figures. With the economy mired in sluggishness and the completion of the round of investments by the financial industry, recession seems to be finally catching up with software service firms. Firms posting favorable results include those focusing on ERP, CRM, and SCM and system integration. Demand for ERP systems was particularly strong. The e-Japan program is also a strong area, boosting demand for public systems. In terms of sales, Fujitsu Business Systems reported a 34% year-on-year gain, and was followed by Hitachi Information Systems with a 32.8% increase. At 34%, Hitachi Information Systems reported the highest year-on-year growth in interim ordinary income.

### ***Mobile Phone Market Matures***

A review of the interim results of the three major mobile telecom carriers reveals that the market is saturating and their earnings reflect their strategies. KDDI's au subsidiary reported a 60% drop in interim ordinary income, a result of its focus on subscriber growth. NTT Docomo reported an 18% increase in ordinary income and J-Phone tripled its ordinary income, reflecting their focus on profitability. Revenue is being affected by declining sales (average monthly telephone charges) as mobile phone users shift from voice communication to mobile mail.



### *Seiko Returns to Profitability*

Seiko reported consolidated interim net profit of ¥7.1 billion, up from a loss of ¥2.1 billion in the same period a year earlier. Operating income increased 2.7 times to ¥6.1 billion. However, sales fell marginally to ¥109.2 billion. Rising sales of semiconductors and electronic devices and cost cutting, in addition to gain on sale of securities underpinned profit growth.

### *Ibiden's Profit Jump 2.6 Times*

Ibiden reported a 2.6 times increase in interim consolidated ordinary income to ¥5.4 billion on a sales gain of 5% to ¥100.2 billion. Sales were driven by a strong demand for electronic devices, including semiconductor packages and PCBs, lifting division sales by 13%.

### *Four out of Five SPE Manufacturers Report Interim Losses*

Only one (Disco) SPE manufacturers among the five major ones (Tokyo Electron, Nikon, Hitachi Kokusai, Advantest and Disco) reported consolidated interim net profit and the outlook for returning to profitability for the full fiscal year ending March 2003 is not bright. Their profit is being hurt as semiconductor manufacturers curb investment.

### *Sumitomo Electric Reports Interim Loss*

Sumitomo Electric Industries reported a ¥18 billion interim consolidated net loss. Sales were down 6% to ¥680 billion. Sales plunged in telecommunications, engineering and industrial materials. The only bright spot was automotive-related products. The company is restructuring its optical fiber division, which led to a ¥35 billion in extraordinary loss.

## *General Economy*

### *Trade Surplus Jumps 42.5% in First Half*

Japan's trade surplus jumped 42.5% YoY to ¥6.5 trillion in the first half (April-Sept.) of the current fiscal year. This is the second largest gain in the nation's trade surplus since the second half of FY1997. Exports were up 6.2% while imports declined 1.7%. However, imports in September were above previous year level and a pick up in overseas travel will narrow the net service balance, slowing the growth in the trade surplus.

### *Service Industry Growing Steadily*

Demand for all kinds of services continues to show strong growth in the fiscal year ended March 2002 despite a lackluster economy, according to a recent survey by a leading economic daily. Demand for home nursing care services was up 52% and for HR placement services 12.2%. Sales at amusement and theme parks are up some 20%. Internet service providers report a 23% increase in sales.

**Basic Electronics Industry Statistics**

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	2,015	2,060	16,056	1,775	6,285	7,997
Aug	117.1	123.5	89.9							
YoY	12.6	13.3	-22.9	1.3	-12.6	-12.0	-3.9	4.2	-19.2	10.6

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

