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High-tech Sector

Telecommunications Traffic Slows

According to statistics released by the government, total telecommunications traffic in Japan in fiscal year 2001 (fiscal year ending March 2001) declined 4.4%, recording the first decline ever. Communication time also fell 6.6% to 6.56 billion hours. The only sector that experienced growth was mobile communications. Traffic from mobile to fixed-line phones increased 3.4% and between mobile phones by 22%. Traffic between mobile phones is also representing a growing share of total traffic rising from 20.5% in FY2000 to 22.2% in FY2001. Access to the Internet from mobile phones is showing strong growth, rising 65%.

Mobile Phone Subscribers to Double in Asia-Pacific Region By 2006

According to a recent report by a U. S. high-tech research firm, mobile phone subscribers in the Asia-Pacific region will double to 649 million by 2006. Service revenue is also expected to show steady growth, rising to an estimated \$245 billion by 2006 from ¥107 billion in 2001.

J-Phone Launches 3G Service

With J-Phone commencing its 3G service, all the three major Japanese carriers now offer 3G services. The company hopes to sign up about a million subscribers in the first year of operation. NTT Docomo's FOMA service is growing only slowly but KDDI's CDMA2000 service has signed up more than 4 million subscribers.

Machine Tool Orders to Grow for the First Time in 2003

Machine tool orders in 2003 are likely to increase more than 10% from the current year to some ¥740 billion, according to the Japan Machine Tool Industry Association. This will be the first gain in three years. The association expects both domestic demand and exports to grow in 2003. Orders in 2002 are likely to drop 15% to ¥670 billion.



Measuring Instrument Demand to Grow at Double Digit Rates

Demand for measuring instruments is expected to grow at an annual rate of 12% in 2003 and 2004 and around 9% in 2005 and 2006, according to JEMIMA, the sector's trade body. Demand will be driven by digital home electronics, wireless LAN, digital broadcasts and other high-tech devices.

Electronics Industry Production to Revive in 2003

Production of the Japan electronics sector will rise 3.6% to approximately ¥20 trillion in 2003, according to JEITA, the industry's trade body. This will be the first growth in three years. Production in 2002 is expected to fall below the ¥20 trillion mark for the first time in 15 years. High growth areas will be electronic devices and components (up 5.1%), electronic measuring instruments (up 17%) and consumer electronics, video equipment in particular.

Taiwan's IT Hardware Production Set for Solid Growth

Output of IT hardware in Taiwan is expected to grow at an average annual rate of 7.4% for the next five years, according to a government forecast. Output increased 11.9% in 2002. Major gains were in LCD monitors (up 80.3%), optical storage devices (up 30.8%) and digital cameras (up 19.7%). Output of CRT monitors plunged 13.3% compared to 2001.

Demand for Small Electric Motors Growing

Demand for small electric motors is growing from the automobile industry. Among others, motors are being used for automatically adjustable mirrors, door locks, washer pumps, headlamp adjustment and truck lock openers.

Server Demand to Increase in the Asia-Pacific Region

Server demand in the Asia-Pacific region is expected to increase 9.9% to 666,500 units next year, according to Gartner Dataquest, but the value of sales will increase only 3.5% to \$5.6 billion. Particularly strong demand growth is expected in India and China.

Earnings Roundup***Rakuten Poised for Strong Profit Growth***

Rakuten is expected to report a 56% increase from the previous year in operating income for the current term ending December 2002. The estimated operating profit of ¥5,600 million will be a record high for the company. Sales are likely to be up 47% year-on-year to nearly ¥10 billion. The company is benefiting from the spread of the fixed monthly rate broadband service, which is luring more customers to its virtual malls.



Alps Electric To Report Strong Profit Growth

Alps Electric expects to report a 7.6 times year-on-year increase in consolidated net income to ¥14,500 million in the current fiscal year to March 2003. The original forecast saw consolidated net income at ¥2,800 million. Much of the expected increase will come from tax refunds following the January 15, 2003 liquidation of two money-losing subsidiaries.

ISS Likely to Post Sharply Lower Profit

ISS, an Internet security systems firm, is likely to see its consolidated ordinary profit for the current term to December 2002 decline by 60% to ¥300 million, against the previous forecast of a 53% increase to ¥1,100 million. The company blames the decline on rising personnel costs at a time of weak demand for security software from the private sector.

Oracle Japan to Cut Dividend

Oracle Japan will cut the annual dividend for the current fiscal year to May 2003 by ¥15 to ¥85. Originally, the company had forecast a dividend hike of ¥20 to ¥120. The company blames the cutback on poor earnings. Ordinary income is likely to fall by 33% to ¥20,800 million, against previous forecast of ¥26,600. Sluggish software sales and cost increases in the consulting division are hurting profit, the company says.

General Economy***Job Layoffs to Continue***

According to a recent by a leading industrial daily, 300 major firms were planning to lay off about 110,000 employees and cut their workforce by 7.2%. About half of the firms polled feel that they need to slim down their payrolls. Companies feel that their manufacturing and administrative sections are particularly overstaffed.

Government Sees Real GDP Growth at 0.6% in FY2003

The government approved economic forecasts for FY2003 (the year starting March 2003) that see a real GDP growth of 0.6% and the nominal GDP growth rate of minus 0.2%. The forecasts project unemployment at 5.6% and the consumer price index falling by 0.4%. Exports are expected to grow by 1.3% and imports are likely to be up 2.3%. Personal consumption is expected to be down 0.4% and housing investment is likely to fall by 2.6%.



Government's Budget Proposal Sees Public Investment Declining 3.7% in FY2003

The government's budget proposal for FY2003 estimates general accounting spending at ¥81.8 trillion. Public investment will decline by 3.7% to ¥8.9 trillion. ODA is to be cut 5.8% to ¥860 billion. Tax receipts are estimated at ¥41.8 trillion. The revenue-expenditure gap will be made up mostly by national bonds, which are expected to total ¥36.45 trillion.

Tourist Arrivals to Top 5 Million in 2002

Tourist arrivals in Japan in 2002 are expected to reach 5.12 million, up 10% from the previous year, according to JNTO, the tourist industry's trade body. The number of tourist arrivals from China and S. Korea is showing particularly strong growth.

Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	72.6	1,841	1,297	14,736	1,482	5,937	7,318
Sept.	116.2	120.9	93.9	84.9	2,465	1,555	17,659	1,762	8,117	7,780
Oct.										
YoY	15.5	12.6	-12.3	18.4	-8.4	-0.7	-1.8	7.1	-10.9	17.9

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

