



Mar. 2, 2003

Vol . 61

High-tech Sector

NTT Slashing Capital Investment

NTT will slash capital investment in fiscal 2003 by 10% from the previous year to roughly ¥900 billion. This will be lowest level of capital investment for the company since it went public in 1985. Plans call for NTT East investing some ¥380 billion and NTT West to invest ¥390 billion. Investment in optical fiber networks will be affected. Communications equipment manufacturers are likely to suffer as a result.

Blade Server Demand Rising

Blade servers are finding an expanding range of applications from the front-end to the back-end (DB applications). Major suppliers, including NEC and Fujitsu, IBM Japan and Sun Microsystems started introducing second-generation models from around the end of last year. NEC was the first in Japan to introduce blade servers last March.

DVD Becoming the Major Recording Media for Home Use

Major suppliers, including Matsushita and Hitachi, are stepping up production of DVDs for home use as demand is growing along with the rising diffusion rates for DVD recorders. Shipments of DVDs are expected to top those of videotapes next year.

Sony to Launch Blue Ray Disk Recorder

Sony announced on March 5 that it will launch the blue ray disk recorder on April 10. Major manufacturers, which include Matsushita, Hitachi and Pioneer, have agreed to a standard format for the next-generation disk that has five times the capacity of a DVD but Sony will be the first to actually launch the recorder. The initiative is aimed at securing a strong position in next-generation home video market. Toshiba and NEC are planning to develop an advanced optical disk instead of the blue ray disk.

Shin-Etsu Chemical to Triple 300mm Wafer Capacity

Shin-Etsu Chemical plans to triple the production capacity of 300mm silicon wafers to 300,000 wafers per month by the end of fiscal 2004. The company will invest ¥90 billion to increase capacity for this type of wafer as demand is expected to grow, given the fact that it can slash semiconductor production costs sharply.



EL Seen as Post-Led Display

Japanese manufacturers are getting ready to boost production of EL display panels, which has been increasingly viewed as the next-generation display. The market for EL displays is expected to expand to about ¥400 billion in the next two years. At present S. Korea and Taiwan lead Japan in this area.

Server Shipments Slow in Oct-Dec Quarter

Shipments of servers in Japan in the last quarter of 2002 slowed by 19% compared to the same period in 2001 to 164.9 ¥billion, according to IDC, a high-tech marketing research firm. The server market is not growing and demand is being driven largely by replacement orders. Fujitsu had the largest market share, estimated at 20.5%, followed by IBM Japan with 18.9%.

Earnings Roundup

Alps Electric to Report Sharply Higher Operating Income

Alps Electric is likely to see its consolidated operating income for the current fiscal year to March 2003 rise 2.9 times from the previous year to ¥38 billion. Consolidated net sales are expected to rise 9% year-on-year to ¥590 billion, driven by automotive AV equipment, AV device components and magnetic heads for personal computers. Orders in the second half seem to be running about 20% above the same period a year earlier.

Omron Set for Solid Profit Growth

Omron is expected to see its consolidated operating income in the next fiscal year to March 2004 rise by 53% year-on-year to ¥46 billion. In addition to strong sales of its mainline products, the company will start benefiting from lower costs, now that restructuring programs have been largely completed.

Sanken Electric to Report Higher Profit

Sanken Electric is expected to see its consolidated ordinary income for the next fiscal year ending March 2004 rise 29% from the current term (estimates) to a record ¥9 billion. Consolidated sales are likely to be up 3% to ¥150 billion. The company is also set for solid growth in the current fiscal year to March 2003 when ordinary income is expected to surge 37% on a sales gain of some 4%.

General Economy

Unemployment Picture Bleak

It is not only that the unemployment rate in January was at a record high of 5.5%, but as many as 31% of these were unemployed for more than a year. Another 30% were unemployed less than three months and those unemployed for six to 12 months represented 12.7% of the total. The picture is particularly bleak for higher age brackets (over 45), where employment opportunities are few. Moreover, in lower age brackets there seems to be an increasing mismatch between the type of jobs on offer and the type of work individuals are looking for. Unemployment in regional areas is higher, with Osaka reporting a rate of 7.7%, Hokkaido 6.1% and Okinawa 8.3%.



Wages Rise for the First Time in Two Years

Regular wages, including salary and overtime, in January rose 0.2% year-on-year to ¥277,003. This was the first year-on-year gain in monthly wages in 25 months. The increase comes mainly from increasing overtime as companies refrained from hiring new workers but instead opted for increasing overtime to cope with growing production.

Material Prices Likely to Rise Toward Spring

Raw material prices, including those for steel, paper and food, are likely to rise toward spring, according to a survey by the Nihon Keizai Shimbun, a leading economic daily. The DI for the first quarter of 2003 was 31.0, the highest level since the so-called economic bubble burst.

Fourth Quarter Capital Investment Down Slightly

Capital investment on an all-industry basis in the fourth quarter declined 1.8% year-on-year, to ¥9.5 trillion, according to government statistics. Although this was the fifth straight drop in quarterly capital investment, the decline is narrowing. On a seasonally adjusted basis, capital investment was actually up 3.9% over the previous quarter. Ordinary income rose 22.2% year-on-year to ¥9.04 trillion, despite a sales decline of 5% to ¥320 trillion.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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.	117.3	125.6	93.5	80.6	1,942	1,577	16,161	2,030	6,169	7,962
Nov.	112.7	120.0	89.5	76.5	1,995	1,546	15,127	2,086	5,588	7,452
Dec.	112.9	119.3	90.2	74.1	2,066	1,460	NA	NA	NA	NA
YoY	12.1	15.4	-8.0	10.1	3.0	-8.8	1.7	22.6	-18.5	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

