



**Week ended Mar. 16, 2003**

**Vol . 63**

## *High-tech Sector*

### *NTT East to Cut FTTH Rates*

NTT East will cut monthly rates for its 100MB FTTH service by ¥1,300 to ¥4,500 to bring it down to the level offered by Tokyo Electric Power. NTT West has already cut the rate to ¥4,300.

### *Demand for LCD Dispersion Films Rising Rapidly*

Demand for light dispersion films used in backlights for LCD displays is rising at double-digit annual rates. Kimoto, a manufacturer with a 60%-70% share of the market, reported a 30% increase in sales in fiscal 2002 and expects to repeat the performance in the current fiscal year. Other major suppliers are also expected to report similar gains.

### *Crystal Device Production Up Sharply in First Quarter*

Production of crystal devices in the first quarter of 2003 rose 21.6% in volume and 21.1% in value to ¥14.4 billion, according to QIAJ, the sector's trade association. Gains were reported in all types of crystal devices, except crystal oscillators for color video players. Production of crystal oscillators for industrial applications rose by 40.2% in value and doubled in volume. Output of crystal oscillators for clocks was up 33% in value and 34% in volume.

### *Control Component Manufacturers Expect Full-blown Recovery After Summer*

A recent survey of control component manufacturers by a leading industrial daily showed that business was sluggish in the first quarter. As for the outlook ahead, 63% of the companies polled expect prices to decline by single-digit figures while 17% consider that prices will be largely flat in the months ahead. Slightly more than 40% of the respondents were expecting sales in the first half of the current fiscal year to rise by single digit figures and 18% expected sales gains of 10% to 20%.

### *Electrical Control Equipment Shipments Top ¥500 Billion in FY2002*

Shipments of electrical control equipment in fiscal 2002, the year ended March 31, 2003, are estimated to be ¥50.8 billion, up 6.4% year-on-year. Exports were up 17.0% to ¥13.9 billion while domestic shipments rose 2.9% to ¥36.87 billion. Total shipments in fiscal 2003 are expected to increase 3.6% to ¥52.6 billion. Exports are projected to increase 3.1% to ¥14.34 billion and domestic shipments should be up 3.8% to an estimated ¥38.26 billion.



***IC Production Up 25% in January***

According to figures released by the Ministry of Economy, Trade and Industry, production of semiconductors in January was up 6.6% from the previous month and 25.9% compared with January 2002 to ¥241.5 billion. Shipments were up 24.1% and exports rose 13%.

***Digital Still Camera Demand to Surge***

The global demand for digital still cameras in fiscal 2003 is expected to increase to 32 million from the estimated 25.5 million units in fiscal 2002. Of the total, Japan will account for 7.5 million units, the US 10 million units and Europe 8.5 million. China and other regions will represent 6 million units. Sanyo Electric, the largest supplier, plans to boost production in fiscal 2003 to 10 million units, from an estimated 6.5 million in fiscal 2002.

***Demand for Telecommunications Equipment to Bottom Out in Fiscal 2003***

The demand for telecommunications equipment is likely to bottom out in the current fiscal year and resume gradual growth reaching ¥4.33 trillion in fiscal 2007, according to a medium-term forecast released by CIAJ, the sector's trade body. The association cited four structural changes for the expected growth: a spread of broadband networks, a shift toward mobile communications, a spread of IP, and an increase in network access.

***Earnings Roundup******Nikon Likely to Report Strong Profit in Next Fiscal Year***

Nikon is likely to see its consolidated ordinary income in the current fiscal year rise to ¥9 billion on sales of ¥530 billion, up some 10% from the estimates for the year ended March 2003. Sales will be led by rising demand for steppers as semiconductor manufacturers resume capital investment. In addition to higher sales, the company will benefit from restructuring that has largely been completed.

***Just Planning Co. Reports Sharply Higher Ordinary Income***

Just Planning, a firm specializing in software for the restaurant sector, reported a 71% increase in non-consolidated ordinary income to ¥236 million on a sales gain of 22% to ¥949 million for the fiscal year ended January 2003. Sales growth was led by its lucrative ASP business where revenue was up 83% to ¥420 million. Net income doubled to ¥124 million. The company expects ordinary income in the current term to increase 27%, with sales rising 1%.

***General Economy******Bankruptcies Up in February***

Corporate bankruptcies in February increased 13.1% compared with the same month a year ago to 1,454. Unpaid debt left behind by failing firms totaled ¥1.5 trillion. Bankruptcies resulting from the current recession accounted for 77.3% of the total, the highest figure for any month so far. Eleven golf club operators went out of business in February.



**Employment Prospects for New Graduates to Improve in 2004**

According to a recent survey by a leading economic daily, businesses are planning to employ 5% more college graduates next spring. They will also be making 8.0% more job offers to science graduates. On the other hand businesses will be cutting back employment offers for high school, vocational school and 2-year college graduates.

**Weight of Part-time Workers Increasing in the Retailing Sector**

Part-time workers as a percentage of the total work force in the retailing sector increased to 45.6%, an increase of three percentage points from the last government survey done in 1999. The structural change in employment in this sector is being driven by the need to cut cost. A total of 8.43 million workers were employed in the retail sector. Of these only 28.4% were regular employees (a decline from 32.3% in the previous survey). The number of stores declined by 7.6% during the same period, but there was a 34.4% increase in drug stores and a 49.6% increase in home centers, suggesting that the retail sector is also undergoing a structural change.

**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

