



**Vol . 64**

## *High-tech Sector*

**Week ended Mar. 23, 2003**

### ***Consortium to Develop Grid Computing Systems***

Three Japanese IT firms (Fujitsu, Hitachi, NEC), backed by the government, have formed a consortium to develop systems for grid computing. Since the U. S. has a decisive lead in this area, Japanese companies are making a joint effort to catch up.

### ***Digital TV Manufacturers to Adopt Uniform Standards***

Japanese television manufacturers are getting together to develop uniform standards for digital television ahead of the launch of terrestrial digital broadcasting late this year. They plan to use the Linux OS and HTML to display content, which they hope will keep cost down and make content development simple. The move seems to be designed to counter Microsoft, which is promoting the e-home system based on its Windows OS.

### ***Fujitsu Plans to Strengthen Position in Linux***

Fujitsu plans to strengthen its team of Linux kernel programmers from the current 150 to 200 by fiscal 2004. The move aims at catching up with IBM, which has a substantial lead in this area.

### ***Internet Working Equipment Exports Decline in 2002***

Exports of Internet working equipment in 2002 declined 6% year-on-year to ¥455.2 billion, according to the Yano Economic Research Institute. By type of equipment, exports of LAN devices were down 3% to ¥441.6 billion and those of WAN devices fell 54% to ¥13.6 billion. Manufacturers expect exports of LAN devices in 2003 to rise 48% to ¥492.5 billion but those of WAN devices to decline 8% to ¥7.4 billion.

### ***JEITA Forecasts 4% Increase in Electronics Industry Production in 2003***

The production of Japan's electronics industry in 2003 is expected to increase 3.6%. Like 2002, production gains will be led by consumer electronics. In 2002, production of consumer electronics equipment rose 5.2% to ¥1,974 billion, but that of industrial electronics declined 21.9% to ¥814 billion. Output of electronic devices and components fell by 1.1% to ¥8,749 billion. Total output in 2002 was 10.8% lower than in 2001.



***LC Filter Demand Rising***

Demand for LC filters used in VTR is rising mainly because of the demand for installation in digital television sets. Major coil manufacturers (an LC filter is made from coils and capacitors) are boosting production to meet the growing demand. LC filter demand had been faltering as the output of VTRs was slowing but the appearance of digital TVs is boosting demand again.

***After-market Car Electronics Demand Growing Overseas***

Demand for car electronics items, including audio-visual equipment and car navigation systems, in 2003 is expected to show strong growth overseas. The global demand for car navigation systems is expected to jump from an estimated 5 million units in 2003 to 11 million units in 2007.

***Optical Industry Output to Rise in Fiscal 2002***

Output of the optical industry in fiscal 2002 (the year ending March 2003) is expected to be up 4% to ¥6.2 trillion, according to the industry's trade body, after a 15.1% increase in fiscal 2001. The trend is expected to continue in fiscal 2003, with output rising by 8.8% to ¥6.8 trillion. Major gainers will be producers of transmission equipment (up an estimated 15.4%) and display devices (up 33.0%).

***Samsung Electronics to Boost Panel Production***

Samsung Electronics on the 25<sup>th</sup> of March said that it will invest ¥129 billion to boost its LCD panel production capacity. While South Korean manufacturers are investing heavily to boost capacity, Japanese manufacturers are cutting back. The LCD panel market in 2005 is estimated at ¥5 trillion, up from some three trillion yen in 2002. However, competition in this market is brutal and prices continue to fall.

***Japanese Manufacturers Boosting Overseas Production of PDP and LCD TVs***

Japan's consumer electronic manufacturers are boosting production of PDP and LCD televisions overseas to better supply foreign markets, reduce inventory and slash production cost. Demand for PDP televisions in fiscal 2005 is forecast at 2.7 million units, up from an estimated half million units in fiscal 2002.

***Earnings Roundup***

***Bandai V Likely to Report Strong Profit***

Bandai V is expected to report a 19% increase to ¥2.4 billion in non-consolidated operating income in the fiscal year ended February 2002 but Sales are likely to be largely flat.

***NTN to Report Sharply Higher Profit***

NTN is expected to report a 2.5-fold increase in consolidated operating income to ¥20 billion on a sales gain of 6% to ¥342.5 in the fiscal year ending March 2003. Higher sales and cost reduction is boosting profit. Ordinary income is likely to be up 5.6-fold to ¥15 billion.



**Digicube to Post Strong Profit Growth**

Digicube's non-consolidated ordinary income in the current fiscal year ending March 2003 is expected to increase 6 times from the previous fiscal year to ¥700 million. However, sales are likely to be down 23% to ¥22.8 billion. Net income is projected at only ¥110 million due to charges for extraordinary losses. The income growth is coming mainly through cost cutting and operational streamlining.

**General Economy**

**Majority of Japanese Unaware of e-govt Plans**

According to a recent survey by a leading research firm, about 70% of the Japanese are not fully aware of e-govt plans. The research institute called for making e-govt systems better known through a variety of channels and focus on issues of concern (such as privacy and data security) to the public at large.

**Basic Electronics Industry Statistics**

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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
Jan.	118.4	128.4	89.3	68.5						
YoY	18.4	20.8	-2.9	5.4	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

