



Vol . 65

High-tech Sector

Week ended Mar. 30, 2003

NTT Raises Connection Charge by 5%

Despite strong resistance from new common carriers and concerns expressed by the U. S., NTT raised connection charges by 5%. The government plans to revise the method of computing connection charges by 2005.

Tokyo Telecom and PoweredCom Merge

Tokyo Telecommunications Network (TTNet) and PoweredCom Inc., a Tokyo Electric Power affiliated telecommunications carrier merged on April 1 to form PoweredCom Inc. The merger aims at positioning itself to better compete with NTT and other telecommunications carriers.

Solar Cell Power Cost Coming Down

The cost of solar power is expected to come down to ¥16.5/kWh for residential use and to ¥12.8/kWh for industrial use by the year 2010, at which time the use of solar power is likely to spread rapidly, according to a report from the consortium promoting the development of solar energy. According to the same report, production of solar power will rise to an estimated 1.2 million kW in 2010 and reach 4.3 million kW in 2020. The report estimates power generation efficiency at 15-17% in 2010 and at around 20% in 2020.

Japan's Electronic Components Manufacturers Focusing on Next-generation Mobile Phones

Manufacturers of electronic components and devices are building up capacity for components that will be used in next-generation mobile phones that will feature color screens and have expanded functions such as a built-in camera. The components include application processors, memories, camera modules, LCD drivers and displays.

Japan's Semiconductor Manufacturing Sector Enters a Consolidation Phase

Fujitsu and AMD announced on April 1 that they merged their semiconductor and flash memory operations in an attempt to stay competitive amid rising capital investment and R&D costs. On the same day Hitachi and Mitsubishi Electric launched a new company for system LSIs and flash memories. Mitsubishi Electric withdrew from DRAM business at the end of March. Hitachi and NEC have set up a joint venture DRAM manufacturing firm.



Thermister Production to Rise in 2003

Production of thermisters in 2003 is expected to increase 7% to 2.29 billion units. In terms of value, production will increase 2% to ¥38.0 billion, according to JEITA, a trade body.

China's IT Service Industry Set for Solid Growth

China's IT service industry in 2002 grew 18.5% year-on-year to \$3.7 billion, according to IDC, a high-tech market research firm. IDC forecasts see China's IT service sector growing at an annual average rate of 26% for the next five years. Local Chinese IT service firms are expanding their market shares as evidenced by the fact that 8 of the top 10 IT service firms in China last year were local companies.

Shipments of Large-size TFT Modules Favorable

Shipments of large-size TFT modules in the October-December quarter of 2002 increased 27% over the same period in 2001 to 18.7 million units, according to Display Research, a U. S.-based market research firm. However, prices are on the downtrend and this is an important factor boosting shipments

SPE Orders Jump

Orders for Japanese-made semiconductor production equipment in February rose 1.4 fold compared with the same month in 2002 to ¥63.4 billion. Sales were up 1.7 fold to ¥78.8 billion. With orders over the previous month declining 2.3% but sales rising 40.7%, the B/B ratio was at 0.95. The important indicator fell below one for the first time in three months.

Semiconductor Investment to Pick Up in 2003

The capital investment of the five major Japanese semiconductor manufacturers in fiscal 2003, the year ending March 2004, is expected to increase to ¥350 billion. Despite the increase the investment level will be only about one-third of the peak level.

LCD Monitor Demand in 2005 to Reach 95 Million Units

According to a recent report from JEITA, the global demand for LCD monitors is expected to grow from 30.3 million units in 2002 to some 95.2 million units in 2005 but that for CRT monitors is likely to drop from 78 million units to 47 million units during the same period.

***Earnings Roundup
Keyence to Report Strong Profit***

Keyence's consolidated operating income for the fiscal year ended March 31, 2003 is likely to have increased 29% to ¥43 billion against the former forecast of ¥41.5 billion. Consolidated net sales are likely to have increased 14% to ¥93.5 billion, exceeding the former forecast by roughly one billion yen. The better-than-expected results reflect a pickup in capital investment in the electrical machinery and electronics sectors, increasing demand for FA sensors and a better showing in the automotive sector.



Alps Electric Reports Solid Profit Growth

Alps Electric announced that its consolidated operating income for the fiscal year ended March 31, 2003 rose 8.7 fold compared with the previous fiscal year to ¥16.5 billion on a sales gain of 10% to ¥594 billion. GMR heads used in HDDs and car audio equipment are the principal growth drivers, the company said.

Sankyo Seiki to Report a Higher Loss

Sankyo Seiki announced that it expects to report a ¥9.8 billion consolidated net loss for the fiscal year ended March 31, 2003. The original forecast saw a consolidated net loss of ¥5.4 billion. Sales are likely to have declined 4% to ¥105 billion, a ¥8.5 billion shortfall from the earlier estimates. The company is taking a ¥3 billion charge for extraordinary losses.

Ordinary Income Likely to Double at Index

Index, a firm specializing in the development of programs (call melodies, horoscopes etc.) for mobile phones, is likely to see its ordinary income in the current fiscal year to August 2003 double to ¥2.0 billion on sales of ¥20 billion, a figure 2.1 times that of the previous year. A dividend hike is also expected.

General Economy***Machine Tool Orders Strong***

Orders for machine tools in February totaled ¥68.8 billion, an increase of 36.8% from the same month a year earlier. This was the fifth consecutive increase in monthly orders and the fourth month in a row that orders have stayed above the ¥60-billion level, suggesting that machine tool demand remains strong. Domestic orders rose 39.2% year-on-year to ¥36.5 billion and exports were up 39.2% to ¥32.3 billion. Machine tool makers expect orders to remain strong in the April-June quarter also.

Capital Investment Outlook

Capital investment in fiscal 2003 on the all-industry basis is expected to decrease 3% from the previous fiscal year, according to a forecast by a government-affiliated bank. However, capital investment in the manufacturing sector is expected to be up 1.1%, the first increase in three years. On the other hand, capital investment in the non-manufacturing sector is likely to decline 4.8%.



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

