



Vol . 68

High-tech Sector

Week ended Apr. 20, 2003

Service Providers Slashing FTTH Rates

Internet service providers are slashing rates for the FTTH service in order to compete effectively with ADSL rates that are on the skids. FTTH is expected to become the mainline next-generation system. Monthly rates are coming down to as low as ¥2,000.

Sharp Increases Mobile Phone Market Share

Sharp's share of the mobile phone market nearly doubled to 13.4% in 2002, according to a report released by a high-tech research firm. The number of units sold by Sharp rose 74.9% to 5.29 million. Sharp has a 36.2% share of the domestic market for camera-equipped mobile phones.

Japan's Server Market to Shrink in 2003

Japan's server market is expected to shrink 10.5% in 2003 in terms of value to ¥692.3 billion, according to the market forecast released by IDC Japan. This will be the third consecutive decline in market size. Moreover, the decline in server demand is unlikely to be arrested, with the market expected to shrink at an average annual rate of 4.5% up to 2007. By product category, IA server demand is expected to increase at an annual average rate of 2.2% between 2004 and 2007. On the other hand, the demand for the UNIX server will shrink at an annual 7.8% as AI and IA64 servers increasingly replace UNIX servers. The demand for mainframes is likely to peak in 2003-2004 and then decline at an annual rate of 7.1%. Fujitsu is the leading supplier with a market share estimated at 20.5%. Other major vendors are IBM Japan, NEC and HP Japan.

Semiconductor Demand from the Automotive Sector Set for Strong Growth

The demand for semiconductors for automotive applications is expected to grow at an estimated annual rate of 10% through 2010, when the market is expected to have grown to \$24.8 billion. The growth rate in the near future, that is, 2003 and 2004, will be 13.4%. Semiconductor applications are expanding to hybrid engine vehicles, anti-lock brake systems, vehicle dynamic control systems, adaptive cruise control, car navigation systems, and telematics. Demand is being fueled by increasing integration of electronics and mechatronics and progress in informatics.



India's Software Sector Becoming a Formidable Competitor to U. S. and European Firms

The output of India's software industry in 2002 rose to ¥1.2 trillion, a 3.4-fold increase compared 1997, according to NASSCOM, the sector's trade body. The IT recession is benefiting the Indian software sector as U. S. companies search for ways to slash costs. The growth will continue for the foreseeable future, with the Indian software industry's sales in 2008 rising 2.9-fold compared to 2002. The emergence of India's software sector could pose a problem for the U. S. and European countries as they are increasingly looking to this sector to absorb and provide employment as manufacturing jobs decline.

PC Shipment Forecast

The domestic shipments of personal computers in fiscal 2002, the year ended March 2003, declined 9% to ¥1.6 trillion, according to JEITA, a trade body. Shipment volume was down 8% compared to the previous year to 9.84 million units and the average price fell by 1%. The association expects shipments to increase 10.02 million units in fiscal 2003 but the average price to decline about 4%.

Sharp to Invest Heavily in LCD Manufacturing Facilities

Sharp will invest ¥300 billion in LCD manufacturing facilities over a three-year period starting in fiscal 2003. The move is aimed at staying competitive with S. Korean firms.

Toshiba and Mitsubishi Electric to Integrate Industrial Electrical Machinery Operations

Toshiba and Mitsubishi Electric will merge their industrial electrical machinery operations on October 1, 2003. The new entity to be formed will have sales of ¥140 billion, ranking it third in the world. The two partners also plan to invite GE to invest in the new firm. The move is directed at maintaining competitiveness in the global market at a time when this sector is consolidating in Japan.

Mounter Shipments to China to Show Strong Growth

Shipments of mounters used for installing electronic components are expected to show a double-digit growth in fiscal 2003. China is a major market for Japan's mounters, accounting for 45% of exports.

ETC System Shipments Surge

Shipments of ETC (electronic traffic control) systems in March increased 52% from the previous month to 95,000 units. ETC systems allow a car to pass through tollgates without stopping. A total of 800,000 cars are now installed with this system.

Japanese Firms Boosting Digital Camera Output in China

Major Japanese digital still camera manufacturers – Sanyo Electric, Sony, Canon, Fuji Film, and Olympus – are planning to substantially boost output in China expecting domestic demand in that country to top one million units in fiscal 2002.



Earnings Roundup**Profits Rebound at Japan's Major Electrical Equipment Manufacturers**

With major electrical equipment manufacturers starting to release their March 2003 term business results it is becoming apparent that operating income, the key indicator of the core earnings, is rebounding. Although sales at Sony declined marginally to ¥7.4 trillion, operating income was up 37.7 times to ¥185.4 billion. At NEC operating income rose to ¥120.8 billion, showing a V-shaped rebound although consolidated net sales were down 8.0%. Sony is benefiting from strong demand for electronics, and NEC from its solutions business.

Canon to Report Sharp Increase in Net Income in First Quarter

The consolidated net income for the first three months of 2003 is likely to have increased 2.2 times from the comparable period in 2002 to ¥71.0 billion on consolidated sales of ¥731.0 billion, up 12% year-on-year. The company is benefiting from strong demand for OA devices, digital cameras and steppers.

KDDI to Hike Dividend

KDDI will increase its year-end dividend for the fiscal year ended March 2003 by ¥305 to ¥1,200. This will push up the annual dividend to ¥2,095. The company is expected to report ¥50 billion in net income, a figure largely on target.

NTT Group Announces 3-year Plan

According the 3-year business plan released by the NTT Group, operating income in fiscal 2005 is projected at ¥1.6 trillion on sales of ¥11.7 trillion. The sales forecast has been scaled down by ¥1.6 trillion. The Group expects broadband-related services to be the main profit driver. Among the subsidiaries, NTT Docomo and NTT Data will take on added importance and offset losses at its fixed-line network. About 60% of the capital investment of roughly two trillion yen up to fiscal 2005 will be earmarked for the broadband area.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
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	15,045	1,757	6,233	7,063
Jan.	118.4	128.4	89.3	68.5	1,953	1,255	14,010	1,302	5,837	6,871
YoY	18.4	20.8	-2.9	5.4	1.7	-7.5	4.7	19.5	-7.0	14.3

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

