



Vol . 69

High-tech Sector

Week ended Apr. 26. 2003

VoIP Market to Expand Rapidly

Japan's VoIP market, estimated at only ¥3.1 billion in 2002, is expected to reach ¥720 billion in 2007, a 230-fold increase, according to IDC Japan, a high-tech market research firm. The report projects that, unlike the present when services are targeted at the consumer sector, demand will shift to the corporate sector.

Vendors Slashing Server Prices

Server manufacturers are slashing prices and launching high-end, value-added servers in order to capture demand to be fueled by an accelerating shift toward larger servers. Prices of low-end IA servers are already on the skids and the trend is spreading to high-end UNIX servers also.

Sega Still Not Certain About Merger Partner

Video game manufacturer Sega was widely believed to be close to merging with Sammy, the leading pachinko game machine manufacturer. But uncertainty in this regard is because Sega now seems to be sounding out Namco for a similar deal.

Nitto Denko to Boost Production of Polarization Films

Nitto Denko plans to increase production of polarization films by 70% in fiscal 2003. These films are used in LCD panels. The move is in response to growing orders from domestic and S. Korean LCD panel manufacturers.

Earnings Roundup

Review of Electrical Equipment Manufacturers' Business Results

Of the 9 major electrical equipment manufacturers, five reported consolidated net losses for the fiscal year ended March 2003. For four (Fujitsu, Matsushita, NEC, Mitsubishi Electric) of the five it was the second year of consecutive losses. However, extensive restructuring led to improvement in operating income. All nine were in the black at the operating level. Net income was, however, affected by valuation losses on investment securities and other factors. Uncertainties over the economic outlook and the effects of the SARS virus mean that it will be difficult to achieve the V-shaped recovery that they were aiming at. While business results are improving, the recovery has been achieved mainly by cost cutting and operational streamlining. A new growth scenario is nowhere in sight.



Analysis of Business Results by Product Line

Computer Software and Services

Fujitsu and NEC were the clear winners with divisional operating income topping ¥100 million despite the slowing IT investment. The weight of computer software and services is high at both firms and this division is turning into a source of stable profit.

Personal Computers

The personal computer divisions of all major PC manufacturers, except Sony, headed toward recovery. Toshiba reported an operating income of ¥30 billion in this division although sales were largely flat. Divisional results improved at Fujitsu and NEC also. Sony was the only exception, where sales of its popular Vioa model have slowed and the company needs a new strategy for this division, with the options being limited to price reduction or shifting to higher end models.

LCDs

Sharp was the only winner here, with all other major vendors reporting operating losses in their LCD operations. Sharp managed to offset the decline in prices of large LCD panels with favorable sales of cell phone panels. All other vendors were slow in shifting to small-size panels for cell phones.

Communications

The four firms manufacturing telecommunications infrastructure equipment suffered sales declines as carriers in Japan and overseas slashed investment. Particularly affected were Fujitsu and NEC, suffering sales declines of 42.6% and 23% in their transmissions systems. On the other hand, the three major cell phone manufacturers (Matsushita, Sharp and Toshiba) reported higher divisional sales, reflecting strong demand for camera-equipped cell phones.

Semiconductors

All major semiconductor manufacturers saw improvement in their operating incomes although the absolute profit levels were still low. Toshiba was the only exception, where both sales and profit showed strong growth. Toshiba is benefiting from strong demand for flash memories, MCPs for cell phones, and system LSIs. The company easily met its revised forecasts. NEC's operating income was just ¥20 billion due mainly to heavy losses in its DRAM business. Profit was underpinned mostly by non-DRAM products.

Yahoo Posts Record Profit

Yahoo, the largest portal site operator, on April 25 reported record high ordinary income for the fiscal year ended March 2003. Consolidated ordinary income rose 2.3 times from the previous fiscal year to ¥23.5 billion. Consolidated net sales rose 88% to ¥59.0 billion, driven by an 11% increase in advertisement billings to ¥13.6 billion and a 4.8 times increase in ADSL services to ¥23.6 billion.



Sharp Reports Markedly Higher Profit

Sharp's consolidated net income in the fiscal year ended March 2003 rose 2.9 times from the previous year to ¥33.5 billion on a sales gain of 11% to ¥2.3 trillion. The company is benefiting from strong sales of LCD TVs, and camera-equipped cell phones in addition to strong demand for CCDs and flash memories.

Pioneer Doubles Net Income

Pioneer's consolidated net income for the fiscal year ended March 2003 doubled from the previous year to ¥16.1 billion, with consolidated net sales rising 8% to ¥712.3 billion. In addition to strong sales of PDP panels and DVD recorders, car navigation systems were also favorable.

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

