



Week ended May. 11. 2003

Vol . 71

High-tech Sector

Linux Application Demand Rising

Demand for Linux applications is increasing as businesses look for cheaper applications amid the current protracted recession. The share of Linux servers is increasing. Applications for core systems are also on the rise. Responding to the emerging change, computer manufacturers and system integrators are also getting serious about Linux. Linux is likely to capture about 17% of the market by 2006, according to IDC, a high-tech market research firm.

Major Firms Establish Linux Committee

Oracle Japan, together with 15 other leading firms, including Hitachi and Fujitsu, set up a Linux committee to promote the use of the Linux operating system. They will cooperate in training Linux engineers and promote the use of Linux systems. The plan was proposed by Oracle Japan.

Sony Plans to Launch Mobile Video Game Machine Next Year

Sony Entertainment, after a successful entry into the home video game machine market, now plans to challenge Nintendo in its hugely successful mobile game machine market. The new mobile video game machine will be offered in the U. S. and European markets in the last quarter of 2004. It will offer 7 times the UMD memory capacity and will have higher resolution screens compared to Nintendo's GameBoy Advanced.

Digital Still Camera Demand to Grow

Demand for digital still cameras continues to grow and is expected to increase by 8 million units this year to 35 million units. But manufacturers could face component shortages, particularly for CCD, which is also used in camera-equipped mobile phones, also in great demand. Production of digital still cameras by Japanese manufacturers in the first quarter of this year was up 2.6 times compared with the same period a year ago. Global demand in 2004 is likely to be up by more than 10 million units to 45 million units.



Yamada Denki Maintains Leadership Position

Yamada Denki reported a 34% year-on-year increase in consolidated net sales to ¥790.0 billion and maintained its position as the largest consumer electronics distributor in Japan. Operating income was 2.7 billion yen and ordinary income totaled ¥18.2 billion, with net profit at ¥5.5 billion.

Domestic Server Market Forecast

According to a market forecast released by IDC Japan, the domestic server market is likely to shrink 10.5% in value terms in 2003. This will be the third consecutive decline in the market size. The report forecasts that demand slowdown will not be arrested even after 2004 and the market will continue to shrink at an average annual rate of 4% through 2007. However, IA server demand will turn around in 2004 and record an annual average growth rate of 2.2% from 2002 through 2007.

Softbank Suffers Setbacks in ADSL Market

Softbank's massive investment in securing the leading position in the broadband area has led to huge losses in the fiscal year ended March 2003. Nevertheless, Softbank does not seem to be planning to slowdown as the NTT Group and others are mounting a growing challenge. Softbank needs to lock in subscribers ahead of competition if it is to survive. NTT East and other players are stepping up competition by extending special offers, such as free service for limited periods after signing up. Subscription rates for optical fiber networks are also coming down and posing a threat to ADSL lines.

Corporations Increasingly Outsourcing System Operations

According to a survey by JISA, the software industry trade body, about half of the businesses in Japan are scaling down their IT systems divisions and outsourcing their functions. Businesses are also seeking advice from service providers right from the planning stage. High-end planning stage services are increasingly in demand and so are innovative services for operation and maintenance.

NTT Group Unable to Come Up With a Growth Scenario

The NTT Group finds itself in a difficult situation as fixed line voice service demand continues to slide. NTT East and West have been hard hit; so is NTT Communications. They have been unable to find an alternate source of revenue and even the IP telephone service that they were betting on shows no signs of taking off. With competition from category killers intensifying, the NTT group has so far failed to come up with a growth scenario.



Printed Circuit Board Output to Grow Favorably

Expected to grow at an annual average rate of 3.5% through 2007, the printed circuit board market will no doubt top one trillion yen that year. Certain types of PCBs will record much higher growth rates. For instance, demand for multiplayer flexible PCBs is anticipated to expand at an annual average rate of 29.8% and printed circuit board modules should grow at an annual average rate of 6.9%, turning into a ¥400 billion market by 2007.

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

