



**Week ended Aug. 2, 2003**

**Vol . 77**

## *High-tech Sector*

### *Mobile Phone Demand to Revive*

According to a recent survey by CIAJ, 40.5% of the people polled were interested in buying 3G mobile phones, up from 16.8% in the previous year. The phones are drawing interest due to their high data transmission speed, graphic data-transmission support, global roaming service and access to useful content such as map data. The share of camera-equipped phones among total mobile phones in use rose from last year's 21.6% to 41.5%. Camera-equipped mobile phones now account for more than 80% of all mobile phone sales.

### *Structural Change Underway in Electric Wire Manufacturing Sector*

Imports of electric wires in fiscal 2002, the year ended March 2003, totaled ¥293.5 billion, some ¥100 billion more than exports which stood at ¥191.0 billion. This was the first time imports exceeded exports since 1955 when the industry's trade body started keeping statistics. Increasing imports of wire harnesses for automotive use by Japanese firms' overseas plants pushed up the import figure.

### *Luminescent Devices Market Expanding*

Demand for luminescent devices is growing but demand growth varies with applications. There is a growing demand for laser devices used in LEDs and DVDs but the demand for laser devices for telecommunications use remains sluggish. The demand for lasers used in telecommunications operations is expected to pick up from around 2004-2005. On the other hand, the demand for lasers used in optical disks and other non-telecommunications applications should stay strong in 2003 through 2004, but some uncertainties cloud the demand outlook in 2004 for lasers used in DVDs.

### *White LED Market Expanding Rapidly*

The white LED is attracting attention as a possible replacement for fluorescent lamps and other lighting applications. With Japanese producers having a clear edge in this type of device, they are betting on benefiting from an expanding market. The white LED market is estimated at ¥110 billion, by Yano Research Institute, a think tank. At present, Japanese manufacturers have an 87% share of the global market. The report forecasts global demand at ¥959.5 billion in 2010, when Japan's share is projected at ¥650 billion.



### *Fujitsu (6702 TSE) and IBM Japan Introduce Low-price Super Computers*

Fujitsu and IBM Japan have won orders for low-price super computers from government agencies. Their super computers are priced at one-tenth the price of a conventional super computer. Production cost was slashed through the use of the free operating system, Linux.

### *Video Game Market Shrinking*

Japan's video game market in 2002 shrank 18.3% from the previous year to ¥501.3 billion according to CESA, the sector's trade association. This was the first double-digit drop since the association started compiling statistics in 1996. Sales of video game machines, including mobile models, fell 32.8% from the previous year to ¥164.6 billion as the market became saturated. Sales of game software were down 8.6% to ¥336.7 billion. Total shipments, including exports, were down 13.4% to ¥1.2 trillion. This was the first drop in three years, indicating sluggish overseas demand.

### *Global Digital Camera Shipments Rise 85% in First Half*

Global digital camera shipments in the first half of 2003 rose 85% year-on-year to 16.83 million units, according to CIPA. Domestic shipments were up 40% to 3.78 million units. High-resolution cameras, with more than 3 million pixels, accounted for 75% of total shipments in Japan. Shipments increased 2.4 times to 5.68 million units. Shipments in North America were up 64% to 4.94 million units. Exports from Japan, underpinned by strong demand from Europe and the U. S., doubled from the same period in the previous year.

### *Sales of Japan-made SPE Up Sharply in June*

Sales of Japan-made semiconductor production equipment rose 33.7% year-on-year to ¥80.8 billion, according to SEAJ, the sectors trade association. Sales of Japan-made SPEs increased 1.7 times from the previous month. Sales in Japan were up 52.1% to 51.7 billion yen from the same month in the previous year and up 1.8 times from the previous month. The BB ratio (three-month moving average) was 1.57 for Japan-made SPEs. The BB ratio for the Japan market was 1.71, suggesting that the market is headed for recovery.

### *Earnings Roundup*

#### *Electrical Equipment Manufacturers' First Quarter Results*

First quarter results show that clear differences have started to emerge in the earnings power of Japanese electrical equipment manufacturers. Toshiba, Hitachi and Fujitsu reported operating losses of over ¥30 billion while Sharp and Matsushita posted operating incomes in excess of ¥20 billion. Mitsubishi Electric, Sanyo Electric, NEC and Sony also reported operating profit. But Sharp was the only company reporting net income of over ¥10 billion, suggesting that a full-blown recovery is still sometime away. Consumer electrical goods divisions at all firms are bearing heavily on profit and this is where they will have to focus to restore profitability.



**Virtual Mall Operator Rakuten (4755 JQ) to Post Strong Interim Profit**

Rakuten is expected to report consolidated operating income of ¥1,500 million, up 44% year-on-year, on a sales gain of 72% to ¥7,500 million. Higher sales driven by new services such as a virtual mall for mobile phone users are contributing to profit. Profit is also getting a lift from higher advertising revenue and some serious cost cutting.

**KDDI (9433 TSE) Posts Strong First Quarter Profit**

KDDI reported consolidated ordinary income of ¥81.1 billion for the first quarter ended June 2003 on sales of ¥689.6 billion. The ordinary income represented 40% of the projected ordinary income of ¥195 billion. The income and sales growth was driven by brisk sales at au, its mobile phone subsidiary. Subscribers to its mobile phones increased by 620,000 from the end of March to 14.67 million. With 3G phones designed for high-speed data transmission accounting for 60% of all its mobile phones, data communication revenues rose 36% from the same period a year earlier. The company left full-year estimates unchanged, citing uncertainties in the months ahead.

**Terumo (4543 TSE) Reports Strong First Quarter Profit**

Terumo reported first quarter ordinary income of ¥8.4 billion, up 70% from the same period a year earlier on sales of ¥50.8 billion, up 7%. Net income was up 60% to ¥4.4 billion. Sales of high profit-margin artificial heart systems and catheter systems boosted sales and profit. Profit was also helped by ¥600 million in foreign exchange gains, compared to a ¥1.7 billion foreign exchange loss in the first quarter of the previous fiscal year.

**Basic Electronics Industry Statistics**

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
Jan.	90.9	95.2	83.9	72.0	1,953	1,255	14,010	1,302	5,837	6,871
Feb.	88.8	92.8	81.6	85.2	2,091	1,439	15,026	1,420	6,573	7,033
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	7,720
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	7,059
May	92.0	96.2	81.1	97.0	1,857	1,707				
YoY	4.2	7.4	-7.3	-4.4	2.6	-8.9	3.8	21.4	-8.7	1.3

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations

