



**Vol . 78**

## *High-tech Sector*

**Week ended Aug. 10, 2003**

### ***Carriers Apply for IP Telephone Service Licenses***

NTT East and NTT West announced that they would start IP telephone service for the corporate sector as early as October. Initially the service will be available in Tokyo and Osaka but will eventually be extended nationwide. With NTT, the largest carrier in Japan with 60 million subscribers entering the market, IP telephone service is set to take off.

### ***Telecom Carriers to Enter the Online Game Market***

Major carriers in Japan, NTT and KDDI plan to enter the online game market using their broadband networks. KDDI plans to start the service for Sony's PlayStation 2 users. The market started rising from last year. Other companies, including the Softbank Group are also planning similar moves.

### ***Mobile Phone Subscriber Growth in July***

The number of mobile phone subscribers in June rose 0.7% to 83.19 million, according to government statistics. NTT DoCoMo sold the largest number of phones, 310,000 in July and was followed by Au with 210,000. The number of subscribers increased by about 540,000 in July.

### ***Network Security Market Set to Grow***

The network security market is expected to grow 2.4 times from the current level to ¥968,000 million by 2006. Demand for tools and equipment should also increase 2.2 times during the same period, according to Fuji Kimera, a high-tech market research firm.

### ***Semiconductor Market Could Surge from Fall***

Driven by strong demand from personal computers, sales of which were up 10% in the second quarter, and growing demand from digital home electronics manufacturers, semiconductor demand is likely to surge from around fall. Demand growth is likely to be particularly strong in Japan where set makers dominate new digital home electronics product markets.



***June Environmental Machinery Orders Up Sharply***

Environmental machinery orders in June were up 32.9% year-on-year to ¥66,800 million. By type of machinery, orders for garbage incineration plants posted the highest gain, rising 53.2%. By customer sector, orders from the non-manufacturing industry increased 4.2 times to ¥11,158 million.

***Robot Orders up 26%***

Orders for industrial robots in the second quarter were up 26.2% year-on-year to ¥101,400 million, recording the fifth consecutive year-on-year gain in quarterly orders. Robot production in the second quarter rose 30.4% to record its fourth consecutive gain in quarterly production. Shipments rose 31.9%, according to the Japan Robot Association. Orders from the precision and optical devices sector rose 317.3%.

***June Industrial Machinery Orders up 2.5 Times***

Industrial machinery orders in June rose 2.5 times year-on-year to ¥618,540 million. This was the second consecutive year-on-year gain in monthly orders. Orders for boilers and power sources rose four times and those for chemical machinery were up 3.1 times.

***First Quarter Semiconductor Sales Top Forecasts***

Most Japanese semiconductor manufacturers reported that first quarter (April-June) sales were higher than their beginning-of-year forecasts, but they remain cautious about a full-blown recovery. Demand for semiconductors going into digital home electronics, and multi-functional mobile phones is particularly strong.

***Machine Tool Orders Up in First Half***

Orders for machine tools rose 22% year-on-year to ¥208,700 million. Order growth is being driven by the automobile sectors, orders from which started to increase from last fall. Order growth was particularly strong at OKK, Toyoda Koki and Mitsubishi Heavy Industries.

***First Quarter Color Copying Machine Shipments Rise***

Shipments of color copying machines in the April-June quarter rose 39% year-on-year in volume and 20% in value. In Japan, total shipments were flat, although shipments of color copying machines were higher.

***Retail Market Trends***

Retailers in major consumer electronics shopping districts report that wireless LAN equipment and waterproof digital cameras are selling well. Sales of personal computers, led by A4 Notebook models, are also strong.



**Technology Forecast**

Trends in key technologies in digital consumer electronics for 2006-2007:

Process: 0.13-0.065um

Flash microprocessor: 0.13um

CPU (Flash/Soc): 130/800MIPS

Program memory: Over 10M bytes

Analog (ADC): 14bit

**Earnings Roundup****Early Entry Key to Success**

First quarter earnings at major general electrical equipment manufacturers shows that those who entered the digital TV and flat panel TV market early did much better than those who were relative latecomers to these markets. The latecomers are now trying to catch up in the second quarter but it is uncertain whether they will be successful since their moves are bound to invite fiercer competition. Sony's TV division, where the CRT monitor still represents ¥100 billion of the ¥180 billion in sales reported a loss in this division.

**Former Konica (4902 TSE) Reports Strong First Quarter Profit**

According to Konica-Minolta Holdings, the company formed through a merger of Konica and Minolta, the pre-merger Konica in the April-June period reported a 2.3 times year-on-year increase in ordinary income and a 4.6% rise in net income. Higher sales of office machines and cost savings achieved through streamlining in its film business boosted profit.

**Ordinary Income to Rise Sharply at Tamron(7740 JQ)**

Tamron, a major lens manufacturer, said that it expects consolidated ordinary income for the current term to December 2003 to increase 78% to ¥5,100 million on a sales gain of 30% to ¥54,000 million. The original forecast saw consolidated ordinary income of ¥3,400 million. Strong demand for lenses for digital cameras is boosting sales.

**Rohm (6963 TSE) Reports Lower First-quarter Sales**

Consolidated net sales in the first quarter ended June 2003 were down 6.2% year-on-year to ¥89,032 million at Rohm. Ordinary income fell 22.9% to ¥24,400 and net income was down 5.9% to ¥13,928 million. Although sales of integrated circuits for mainstay mobile phones, DSCs and other digital consumer electronics were strong, demand for ICs going into AV equipment and personal computers and computer peripherals was weak.



### 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*

