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High-tech Sector

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Ripplewood and Vodafone to Sign Agreement for Sale of Nippon Telecom(9434 TSE)

Ripplewood Holdings and Vodafone are expected to sign an agreement on August 21 in which Vodafone will sell its interest in Nippon Telecom to Ripplewood for roughly for ¥260 billion. Ripplewood plans to expand Nippon Telecom's data communications business and strengthen its presence in the broadband area. Ripplewood is also planning to acquire other telecom carriers to form a telecom group centering on Nippon Telecom.

Electronics Industry Sales to Revive in Fiscal 2003

Production of the electronics industry, including consumer electronics, industrial electronics and electronic components and devices, in fiscal 2003 could top ¥20 trillion, up from some ¥18 trillion in fiscal 2002. This will be the first gain in annual output in three years. Production peaked at ¥25 trillion in fiscal 2000 and has been declining steadily. Production in the first five months was up 4.7% to ¥7.6 trillion. If the current growth rate continues, production will exceed ¥19 trillion. Much also depends on demand trends for digital home electronics, telematics and demand from the auto sector.

Mobile Phone Shipments in July

Shipments of mobile phones in July increased 19.7% to a record 4.74 million units. Replacement demand (as consumers replace their conventional mobile phones with camera-equipped phones) is driving demand.

Electronics Industry Bankruptcies increase in November

A total of 47 firms in the electronics industry went bankrupt in July, leaving ¥37.1 billion in unpaid debts behind. The number of bankruptcies increased for the first time in eleven months.

Fuel Cells to Replace Conventional Secondary Power Sources – Competition Heats Up



Sanyo Electric plans to introduce compact fuel cells for cell phones, personal computers and other mobile electronic devices in 2005. Several other Japanese electronic device producers have also announced plans to introduce fuel cells. Sanyo Electric, the largest producer of lithium-ion batteries, plans to aim for a strong position in fuel cells, a battery likely to replace conventional secondary batteries.

PC Manufacturers Launch Wireless LAN Enabled Models

Japan's personal computer manufacturers are getting ready to launch wireless LAN enabled personal computers. These models will be based on Intel's Centrino. A lineup of about 130 models is expected by the end of the year.

Consumer Home Electric Product Sales Revive

Sales of the four major consumer electric items seem to be reviving as manufacturers have introduced products with added functions. Refrigerators with non-fluorocarbon refrigerants are in demand and so are washing machines with built-in dryers. Microwave ovens without turntables are also selling well. This is also helping stem declining prices in these product lines.

Demand for Automobile-use Semiconductors Rises Sharply

Demand for semiconductors for the automobile sector is becoming an important source of demand for semiconductor manufacturers. Semiconductor demand from the automotive sector is expected to increase at an annual average rate of 8% for the foreseeable future. Increasing automobile production and a rising level of electronic components going into the automobile are driving demand. By application, demand for safety applications will increase at an annual rate of 10% that for body systems at 9%. Semiconductor demand for driver infomatics will increase at an annual rate of some 8%. Demand for use in the power train will rise at an estimated 4% annual rate.

Ranking of Indian Software Development Firms

With sales of \$963 million, Tata Consultancy was the largest software services firm in India in 2002-2003, according to NASSCOM, the sector's trade body. It was followed by Infosys, Wipro and Satyam. Software exports from India in 2002-2003 grew at an annual rate of 18.4% to \$6,200 million. The top 20 firms accounted for more than 60% of the total. The top five accounted for 41% of total sales.

Manufacturers Ramping Up Digital Camera Output

Digital camera manufacturers are revising their production plans upward. Cannon plans to increase production by one million units from its original plan to some eight million units. Sony plans to increase output by about two million units compared with its beginning-of-year plan of some eight million units.

Flash Memory Producers See Profit Surge

Manufacturers focusing on flash memories for mobile phones are reporting strong profit. Camera-equipped mobile phones use more flash memory and there is growing demand for use in digital consumer home electronic items. Sharp, given its strong position in flash memories, seems to be benefiting the most. However, Fujitsu's flash memory business is still in the red, although the red ink is shrinking. Tomen Electronics, a semiconductor trader representing Intel in Japan, reported strong sales and profit.



Software Service Sales Look Up in June

Software service sales in June rose 4.8% year-on-year in June, to record the first gain in year-on-year gain in several months. The primary factor driving up sales in June was an increase in the sales of custom software development, which accounts for nearly half of software service sales. The growth in sales of system management services (outsourcing) slowed to 14.8% from around 20% at which it was hovering. A 6.6% increase in sales is expected in the next three months.

Machine Tool Orders Up in July

Machine tool orders in July (8-company basis) rose 7.1% year-on-year to ¥25,100 million, led by demand from the mold and semiconductor production equipment and general industrial machinery sectors. According to the Japan Machine Tool Manufacturers Association, total orders were up 26% year-on-year to ¥72.2 billion. It was the 10th consecutive gain in YoY monthly orders.

Electronic Materials Production Down Slightly in First Half

Production of electronic materials declined 2% year-on-year in the first half, according to EMAJ, the sector's trade body. Production was down 7% in June, the most recent month for which data is available. The only exception was magnets, where production was up. EMAJ has forecast a 3% increase in production for 2003.

Electrical Control Equipment Orders Up in April – June Quarter

Shipments of electrical control equipment in the April-June quarter were up 13.1% year-on-year to ¥131.6 billion, according to NECA, the sector's trade body.

Earnings Roundup***Electronic Component Manufacturers Report Strong First Quarter Profit***

Four of the six major Japanese electronic component manufacturers reported strong first quarter (April –June) consolidated ordinary income. The four reporting profit growth were Kyocera, TDK, Nitto Denko and Nihon Densan. Murata Manufacturing saw ordinary income drop 26%, which was also down 4% at Rohm. Strong demand for components going into digital home electronic appliances, multi-functional mobile phones and automobiles drove sales and profit. However, electronic component manufacturers without core strengths in growth products will be unable to sustain profit growth. Murata was hurt by its relatively high dependence on components for analog products. Rohm suffered from weak demand for its mainstay ICs.



Video Game Producers in the Black in First Quarter

Japan's seven major video game manufacturers were in the black in the first quarter (April – June). Results should also be favorable in the second quarter as they are scheduled to launch major titles in the coming months. Although this is generally a slack period, sales were boosted by additional shipments of titles launched in the previous fiscal year ended March 2003.

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	14,721	1,952	5,501	7,269
June	92.2	95.7	80.8							
YoY	5.0	6.2	-7.0	-4.4	2.6	-8.9	0.5	18.7	-3.8	0.1

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

