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High-tech Sector

Several Firms Show Interest in CWC

Several firms, including KDDI, are showing interest in Cross Wave Communications, a pioneer in LAN that filed for protection under Japan's bankruptcy laws. The company has about 400 customers, mainly large firms, and is also known for a strong team of engineers. Ripplewood Holdings, a U. S. firm, is also strongly interested in acquiring CWC. Recently, the company acquired Nippon Telecom plans call for strengthening its presence in the corporate data communications area. The receiver in bankruptcy is expected to make a final decision on the sale of CWC by early October.

New Common Carriers Opposed to NTT's Entry into IP Telephone Services

Japan's new common carriers are opposed to the government's policy of approving NTT's entry into the corporate IP telephone services market. In the request filed with the government, Japan's new common carriers claim that the market is still small and that NTT, given its size, could quickly dominate the market.

J-Phone to Introduce Mobile Phone with TV Reception Function

J-Phone is scheduled to launch a new model of mobile phone designed to receive television broadcasts. The launch coincides with the commencement of the terrestrial digital television broadcasting service in December. Like the camera function, the TV reception function is expected to become a standard feature on mobile phones by 2005. Development of this type of mobile phone could usher in a new round of replacement demand.

NTT(9432 TSE) Acquires 31% Capital Interest in IJ

NTT subscribed to ¥10.3 billion of the ¥12 billion third-party placement by Internet Initiative Japan, thus acquiring a 31.6% equity interest in the company and becoming its largest shareholder. The second largest shareholder is Itochu, with an interest of 6.8%.



Govt. to Assign Waveband for Home Information (electronics) Appliances

The government plans to assign an exclusive waveband for home information (electronics) appliances. Japan's consumer electronic equipment manufacturers expect to draw up uniform standards for such devices by 2007. The government hopes that the assignment of an exclusive bandwidth will spur the development of operating systems and semiconductor components and recapture the lead from the U. S.

Electronic Devices Production Forecast Likely to be Revised Upward

Underpinned by rising demand for consumer electronics products, production of electronic devices in the first six months of the year rose 4.7% year-on-year. Output of consumer electronic devices rose by 15% and that of electronic devices was up 10.7%. Consumer electronic items recording particularly strong growth were PDP and LCD televisions, DVDs and car navigation systems. Assuming that the current trends continue, production of electronic devices is expected to exceed forecasts.

Japan's Semiconductor Producers Draw Up Aggressive CAPEX Plans

Capital investment by Japan's 36 semiconductor manufacturers is expected to grow 55% to ¥785.5 billion in fiscal 2003, the year ending March 2004, according to a survey by a leading semiconductor market newspaper. Investment will focus on 300-mm facilities and transition to the 90- to 65-nm design rule. Sony plans to increase capital investment in its semiconductor facilities by 173% and Toshiba by 78.5%.

Japan's LAN Market Set for Strong Growth

Japan's LAN market in 2002 expanded 155% over the previous year to 2.29 million units, according to IDC Japan, a high-tech market research firm, and is expected to continue to grow at an average annual rate of 31.7% through 2007, reaching some nine million units. The growth rate in terms of the value of shipments will be 7.1%, the report predicts.

RFID Market to Expand

The global RFID market is expected to reach \$3.1 billion to \$3.8 billion in 2008, up from an estimated one billion dollars in 2002, according to Allied Business Intelligence, a high-tech market research firm. Asset-management and supply-chain applications will drive the market, the report forecast.

IC Card Shipments to Double in FY2003

Shipments of IC cards are expected to double in fiscal 2003, the year ending March 2004 to an estimated 66 million cards, according to Yano Economic Research Institute, a think tank. The market will continue to expand, reaching approximately 420 million cards in 2008, says the research institute. Demand from the financial sector will be a major driving force.



Personal Computer Sales Rebound

Sales of personal computers in the consumer market in July were up 10.3% year-on-year, according to NEBA, a market research firm. New summer models are specially in demand. The new model of Sony's VAIO, launched on September 19 is already sold out and there is a waiting list now. PC manufacturers expect brisk sales to continue at least up to the end of the year.

IT Business Related to Environmental Protection to Expand

The market for IT services related to the environment in fiscal 2002 was approximately ¥55,300 million, according to a recent report released by Yano Economic Research Institute. The market will grow to an estimated ¥119,000 million by 2007, the report forecasts. The report also says that environmental IT consulting and solutions, analytical devices, environmental information gathering and analysis and bio-sensors are some of the areas that will see strong growth.

DVD Recorder Production Increasing Rapidly

The global demand for DVD recorders is expected to rise to 4.4 million units in fiscal 2003, the year ending March 2004, up from 1.38 million units in fiscal 2002. The solid growth is likely to continue with demand reaching 22.7 million units in fiscal 2005. New models, like the multi-type and the dual-type with enhanced functions have been launched and are expected to support demand growth. Competition is also expected to increase as more suppliers enter the market.

Capital Investment to Rise for the First Time in Three Years

Capital investment on an all-industry basis in fiscal 2003 is expected to increase 4.9%. The growth in CAPEX will be led by the manufacturing sector, which is expected to boost capital investment by 16.2%. The non-manufacturing sector will be investing 0.2% more in the current fiscal year. In the manufacturing sector, capital investment in the electrical machinery sector will increase 22.3%, with semiconductor and precision equipment manufacturers expected to invest 30.4% more. The auto sector is expected to invest 16.5% more, mostly for new models and for raising production efficiency.

Earnings Roundup

NEC Mobile (9430 TSE) to Report Strong Interim Profit

NEC Mobile's interim non-consolidated ordinary income in the six months ending September 2003 is likely to be up 17% year-on-year to ¥3,000 million on a sales gain of 22% to ¥44,500 million. Mobile phone replacement demand at its major customer, NTT DoCoMo, is driving sales.



Basic Electronics Industry Statistics

	Prod	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices	Semicon (Production)	Consumer electronics (sales)
Jan.	90.9	95.2	83.9	72.0	1,953	1,255	14,010	1,302	5,837	6,871	3,140	336
Feb.	88.8	92.8	81.6	85.2	2,091	1,439	15,026	1,420	6,573	7,033	3,192	234
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	7,720	3,456	266
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	7,059	3,171	216
May	92.0	96.2	81.1	97.0	1,857	1,707	14,721	1,952	5,501	7,269	3,307	205
June	92.6	96.2	81.1	115.9	2,003	2,039	16,003	1,954	6,481	7,569	3,449	229
July	91.3	90.4	92.6	106.4								247
YoY	4.0	0.3	-6.6	-3.6	6.9	-1.8	4.5	15.7	-4.4	0.1	3.2	-32.7

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

Source: Ministry of Economy, Trade and I

Industry, Japan Electronics Industry Association and other trade associations

