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*High-tech Sector*

***TRON and Microsoft Join Hands***

The TRON consortium and Microsoft have reached an agreement to start joint research to enable Microsoft's Windows CE and NET, a platform for home information (electronic) appliances, to operate on TRON. The research will aim at creating a new platform on which two operating systems can co-exist.

***NTT (9432 TSE) to Develop Linux Software for Telecommunications Applications***

NTT said that it will develop software for telecommunications applications based on the free Linux operating system. It hopes to launch within three years a variety of new services using Linux applications. The move seems to be recognition that Linux is getting a firm foothold in government systems. It could well spread in the private sector.

***IT Outsourcing Service Market to Expand***

The IT outsourcing services market in Japan in fiscal 2004 will increase to four trillion yen, up 5.4% from fiscal 2003, according to MIC Economic Research Institute, a local think-tank. Business process outsourcing will experience the highest average annual growth rate of 28.7% through fiscal 2006. Application outsourcing and data center outsourcing services will grow at annual rates of 20.2% and 18.5% respectively, the report says. The total IT outsourcing services market will grow at an annual average rate of 7.7% through fiscal 2006.

***Used PC Markets Expanding Rapidly***

With the introduction of a system to recycle used personal computers being introduced on October 1, the market for used PCs is expanding rapidly. Major electronics retail chains are getting into the act and PC manufacturers themselves are showing interest. Sales of used PCs are expected to reach one million units in 2003, a figure close to 10% of new PC sales. On the average a used notebook model goes for ¥14,800 and a desk top at around ¥9,800.



***NEC (6701 TSE) to Launch 64-bit PC***

NEC and Fujitsu are planning to launch 64-bit, high-performance PC models installing an AMD MPU. The new models will install Microsoft's operating system. The problem is that the OS does not fully support the 64-bit model and therefore its full capabilities cannot be tapped at present.

***Consumer Electronics Sales Rebound***

Sales of home electrical goods as well as consumer electronic devices in August increased 3.3% year-on-year to ¥198.9 billion, according to NEBA, an association of major consumer electronics retail chains. Sales of televisions, led by PDP and LCD models, were up 14.1%. Sales of DVD units rose 59.9%. At the same time, sales of digital cameras and mobile phones were above previous year levels.

***Dell's Entry into Consumer Home Electronics to Pressure Japanese Manufacturers***

Japan's home electronics manufacturers will be under renewed pressure to cut costs and streamline operations to compete with Dell. Japanese manufacturers were hurt by Dell's entry into personal computers and they are concerned that the same could happen in consumer home electronics.

***IC Tags Catching on in Japan***

A growing number of companies in the manufacturing, transportation, apparel, foods, amusement and publishing are showing interest in adopting the IC tag. Even medical institutions seem to be interested.

***Blade Servers Winning Popularity***

Blade servers are winning popularity among business corporations as well as research institutions. Although blade servers are more expensive than PC servers they have several advantages. They take up smaller space and the number of connecting cables is just one-tenth. Another reason for their popularity can be traced to a shift in emphasis from initial hardware cost to total costs, including running cost.

***Flat Panel Display Market Experiencing Explosive Growth***

The flat panel display market is expected to grow to ¥10 trillion in 2010, up from an estimated ¥3 trillion in 2003. Demand is being driven by PDP and LCD televisions in the large-screen sector and by mobile phones in the small-screen area. Among the parts manufacturers that will benefit significantly are TFT glass producers, backlight manufacturers, CCFL discharge tube makers, touch panel manufacturers, color filter producers and deflector panel manufacturers.



**Mobile Phone Components Likely to be in Demand**

Among the mobile phone components those that are likely to experience strong demand growth include optical components (lens units, mechanical shutters), switches (auto focus motors, position sensors, memory card switches), small motors (auto focus motors, zoom motors, shutter motors) and connectors (memory card connectors, camera module connectors)

**HDD Demand Rising**

Fujitsu plans to raise production of its 2.5" HDD by 20% from the current level of 660,000 units/month in response to growing demand for use in notebook personal computers. Devices installing HDDs are expected to total 16.7 million in 2003. Their numbers are likely to grow at an average annual rate of some 57% through 2007.

**Earnings Roundup****Epson's Interim Profit to Triple**

Seiko Epson announced on Sept. 26 that its interim consolidated ordinary income is likely to triple from the same period a year earlier to ¥25.0 billion. The previous forecast called for a figure of ¥18 billion. But consolidated net sales are likely to fall ¥4 billion short of the previous forecast that envisions sales increasing 8% from the previous fiscal year to ¥650 billion. Net profit is likely to increase 6.2 times to ¥13.0 billion.

**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	2,023	1,924						247
YoY	4.0	0.3	-6.6	-3.6	0.5	-4.9	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

