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High-tech Sector

Government Plans to Reallocate Band Widths

The government plans to reallocate bandwidths over the next five to 10 years. More band widths will be made available for mobile phones and wireless LAN. The government expects demand for bandwidths for mobile devices to increase 5-fold in the next ten years.

NTT (9432 TSE)to Enter the IP Telephone Market

NTT East and NTT West said they will enter the IP telephone market and are preparing to file applications, seeking government approval, next week. NTT had been reluctant to start the IP telephone service since it was concerned that the new service would affect its fixed-line service. However, now it feels that launches of IP telephone service by other carriers could seriously affect its fixed-line telephone service. With NTT's entry into the market, competition is expected to heat up, bringing down call rates.

Mobile Phone Subscribers

NTT reported a net increase of 180,000 mobile phone subscribers in September. As a result, the NTT subscriber base totaled 45.04 million, giving it a 57.3% share of the market. Au came in second with an increase of 178,000 subscribers. Au's cumulative subscriber count was 15.26 million, which translates into a 19.4% share of the total market. Vodafone was close behind Au, with a share of 18.6% and a subscriber base of 14.59 million. However, Au topped the list in net subscriber growth in the April-September period. Au's 3G phones CDMA20001x are selling well. But NTT is also catching up in 3G phones as its FOMA phones are winning popularity.

Structural Changes in the Mobile Phone Market

Structural changes are clearly visible in the mobile phone market as the principal source of demand has shifted from new to replacement demand. In 3G phones KDDI has captured the lead, but now NTT and Vodafone are mounting an attack to rollback KDDI. NTT has largely solved the major problems, such as short battery life and limited coverage that was affecting its sales. Moreover, with fewer new attractive services that carriers can introduce, consumers are taking a wait-and-see stance. Now radio and TV reception functions are likely to be the next killer applications that could revive demand and usher in a new round of replacement demand.



Semiconductor Market to Grow annually at 7-10%

TSMC, a major Taiwanese semiconductor foundry, expects semiconductor demand to grow 7-19% per year over the next 10 years, with the Asian region showing faster growth. The principal changes it expects in this period are: slowdown in the semiconductor industry's growth rate, slower progress as seen in the Moore rule, revitalization of the foundry sector and a shift of production to China.

Networked Robot Market Estimated at ¥20 Trillion in 2013

The market for robots is expected to increase 5.7-fold from the current level of ¥3.5 trillion to ¥19.8 trillion by 2013, according to the research association on networked robots. According to the report, the development of networked robots will lead to new applications. Of the total, the application services market will be an estimated ¥12.0 trillion, and that for robot appliances ¥4.3 trillion. The demand for the on-docks type of robot will be approximately ¥3.5 trillion.

knowledge management Solutions Market Growing

Growing at an annual average rate of 50%, the demand in Japan's for knowledge management solutions in fiscal 2006 is expected to reach ¥63,500 million, up from an estimated ¥421,300 million in fiscal 2003, according to Yano Economic Research Institute, a think tank. KM solutions include EDMS, EIP, and KM integrated solutions.

Fuel Cell Market Set to Come Into its Own

The fuel cell market in 2020 is estimated at some ¥350,000 million by Fuji Kimera, a high-tech research institute. The market led by the PEFC type of fuel cell will start expanding in earnest from around 2010. The demand for fuel cells in the automotive sector will accelerate from around 2010. Fuel cells will also find growing use in the consumer sector from around the same time, the report predicts. The ultra-small fuel cell for mobile phones will have become commonplace in 2020, when production will reach one million units, the report says. Major fuel cell parts manufacturers are as follows: Main units: Matsushita, Sanyo; Catalysts: Asahi Glass, Asahi Kasei; Separators: Unitica, Nisshinbo, Showa Denko, Secondary batteries for cars: Panasonic EV Energy; Tanks: JFE; High-pressure devices for hydrogen gas stations: Hitachi Industries, IHI.

Imager Market Growing Rapidly

Demand for imagers on a shipment basis is likely to increase at an annual average rate of 28% through 2007, according to a U. S. high-tech research firm. In terms of value, the growth rate will be 8.2%, according to the forecast. Demand for CCD for digital still cameras and CMOS for low-end products should show significant growth. Competition between CCD and cheaper CIS is likely to increase in the scanner and fax imagers.



Personal Computer Software Market to Grow in 2003

Demand for personal computer software in fiscal 2003 is expected to increase 3% to ¥749.0 billion. This comes on top of a 2% growth in fiscal 2002. By category, security software demand from both corporate and consumer software should be strong in view of the growing virus problem. Broadband-related application software is also likely to be an important factor in demand growth, the Japan Personal Computer Software Association said.

Quartz Devices Production Forecast Revised Upward

The production volume of quartz devices in fiscal 2003 is likely to be up 10.2% to 5,000 million devices, but in value terms the growth is likely to be only 2% to ¥184,200 million, according to QIAJ, the sector's trade body. The light at the end of the tunnel is finally visible, says the president of Kinseki, a major quartz devices manufacturer.

ETC Systems Picking Up

The number of cars installing the ETC system (electronic toll collection) will top 2 million by the end of the year. As of the end of September 2003, 1.6 million vehicles, up 3.4-fold from the same period last year, had installed the system. Three years after the initial launch, the systems are now entering the market expansion phase. The government wants to see half of all vehicles on the road in Japan install the system by 2007. Cheaper models and a 10% discount on highway tolls for vehicles installing the system are driving demand.

Sony (6758 TSE) to Release PSX2

Sony plans to launch a new version of its popular PS video game platform by the end of 2003. What needs note, however, is the cost performance. The model installing 160GB HDD will be priced at ¥79,800 and the model with 250GB HDD will carry a price tag of just ¥99,800. Both models are priced close to half that of comparable competing models.

Suppliers Boosting Lithium-Ion Battery Output

Major suppliers of lithium-ion batteries, Sony and Sanyo are boosting production to cope with growing demand fueled by the spread of mobile electronic devices. Sanyo plans to increase production 1.5 times from the current level by next May. Sony plans to increase output 20% to 30%. However, smaller Japanese producers are more cautious because of the serious competition producers from other Asian countries, particularly China and S. Korea, are putting up. Smaller producers are finding it hard to maintain their market shares and keep up capital investment.

Machine Tool Orders Rise Sharply

Orders for machine tools in September were up 22.2% to ¥72.2 billion, according to Japan Machine Tool Manufacturers Association. Orders in the first six months of the current fiscal year were up 23.8% to ¥417.4 billion, the association said. Machine tool orders at the eight major producers increased 30.1% in September. Toyota Koki registered the largest jump, with orders up 3.3-fold. It was followed by Mitsubishi Heavy Industries, with orders up 2.7-fold.



Precision Machinery Orders Headed for a New Record

If the current trends up to August continue, precision machinery orders for the full year could well top the previous high of 17,162 units recorded in 2000. Orders up to August totaled 12,709 units. Leading manufacturers are stepping up production as there are no signs of an expected slow down in the second half. FANUC plans to raise production from a monthly 260 units to 300 units in the second half, which will translate into a record output of some 3,100 units. Toshiba Machine expects demand to stay strong up to April 2004. Sustained strong demand for consumer electronic items is driving demand.

Earnings Roundup

KDDI (9433 TSE) to Report Strong Interim Profit

KDDI's consolidated operating income in the first six months of the current fiscal year is likely to be up 3.4 times from the same period in the previous fiscal year to ¥144,000 million on sales of ¥1.3 trillion, according to preliminary reports from the company. Sales are being driven by a growing subscriber base for its 3G mobile phones (CDMA2000 1x). The company estimates full year sales of ¥2.8 trillion. However, ordinary income in the second half will drop to ¥96,000 million, due to higher sales promotion costs related to the launch of an optical cable-based broadcasting service.

Casio (6952 TSE) Poised to Post Strong

Casio is likely to see its consolidated net income in the current fiscal year ending March 2004 to increase 1.9-fold from the previous fiscal year to ¥11,000 million, on sales of ¥500,000 million, up 13% year-on-year. This will be the first time in six years that consolidated net income has topped the ¥10,000 million mark. Brisk sales of its core products, including mobile phones and electronic dictionaries, are driving sales and profit.

Casio Micronics (6760 JQ) Nearly Doubles Interim Profit

Casio Micronics reported a 96% increase in interim non-consolidated ordinary income to ¥530 million on sales of ¥9,200 million, up 25% year-on-year. The company signed up two major clients, Samsung and LG Phillips for its film-type LSis, driving up sales of this item from an expected ¥4.1 billion to ¥5.3 billion. Capacity utilization also increased from 60% to 80%, increasing profitability.



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	15,859	1,823	6,206	7,830	3,545	247
YoY	4.0	0.3	-6.6	-3.6	0.5	-4.9	-1.2	2.7	-1.2	-2.1	-2.6	-32.7

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

