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High-tech Sector

Mobile Phone Shipments Surge in August

Shipments of mobile phones in August were 4.15 million units, up 24.5% year-on-year. This was the tenth straight year-on-year gain in monthly shipments, according to JEITA, the sector's trade body. Shipments in the April-August period totaled 22.06 million, a 29.4% increase from the same period a year earlier. The shipment growth was underpinned by favorable sales of 2G camera-equipped phones and growing demand for 3G phones, reflecting an expanding service area and lower call rates. Much of the demand, however, represents replacement demand and there is little growth in the subscriber base, the association said.

NTT DoCoMo (9437 TSE) Launches a Drive to Recapture Lost Ground

NTT DoCoMo, which has 58% of the total mobile phone market, has lost out to KDDI when it comes to 3G phones, a market segment in which KDDI has captured 90% of the total market. DoCoMo will be launching new models of its 3G phones in January while at the same time working on expanding the service area. But KDDI is not standing on the sidelines with folded arms. It plans to launch a new model with a communication speed double that of DoCoMo's current 3G models. Success or failure this time will determine the largest carrier's future prospects.

NTT DoCoMo (9437 TSE) Develops Anti-virus Software for Mobile Phones

NTT DoCoMo has developed anti-virus software for mobile phones in cooperation with Network Associates, a California-based firm. While mobile phones are free of virus problems at present, there is a strong possibility of virus-related problems as mobile phone-based services expand. The first mobile phones with anti-virus software will be available from fall 2004. KDDI plans to protect mobile phones from viruses at the server level.

Home Information Appliances – Will the Power Balance in Operating Systems Change?

At present most home information (electronic) appliance manufacturers seem to be quite satisfied with Linux and TRON and do not expect Microsoft's new OS to gain ground quickly. Nevertheless, this does not mean that there is no room for change in the present power balance. Manufacturers are actively improving Linux and TRON to cope with new sophisticated functions required by home information appliances. The present trend, led largely by home information appliances manufacturers could crumble if Microsoft comes up with an OS with superior functions, an area (particularly technologies for simultaneously processing audio and video data) in which it has much more experience compared with manufacturers. The question boils down to whether manufacturers will be able to develop their own OSs since development costs are increasing at a time when both financial and human resources are getting scarcer.

Japan's IT System Manufacturers Promoting Linux

Japan's major IT system vendors are stepping up investment in the development of systems based on Linux. NEC is adding 2,000 Linux software engineers to its staff over the next two years. Fujitsu, IBM and Nippon Unisys are also beefing up their Linux software staff.

ERP Market to Grow

The demand for ERP systems from medium to small size firms is projected to grow from an estimated 103000 million in 2003 to about ¥150000 million in 2008, according to INFOVEC.

IC Tag Market Promises Huge Benefits

The ripple effect of IC tags in 2010 is forecast at some ¥31 trillion by a government panel studying issues related to the IC tag. The panel also says that IC tags will spread rapidly after 2007. The global demand in 2007 is forecast at 1.62 billion tags. To make sure that the use of IC tags spreads rapidly and to keep a technological lead in the wireless broadband area, the Japanese government is speeding up the work for assigning new frequency bands for wireless IC tags.

Silicon Wafer Shipments to Increase

Shipments of silicon wafers in 2003 are expected to increase 10% to 3.31 million square meters, according to SEMI. The trade body forecasts a 15% increase in shipments in 2004. Shipment growth is forecast at 8% in 2005 and 4% in 2006. A shift to the 300-mm wafer is cited as the reason for the shipment growth. Shipments of the 300-mm wafer are expected to increase 84% in 2004, 50% in 2005 and 19% in 2006. This will push up the share of the 300-mm wafer in total shipments to 20%.

15" LCD Panel Price Rebounds

The price of the 15" TFT LCD panel for monitors started to rise from August, as S. Korean and Taiwanese producers are shifting to the 17" and 18" panels. As a result, the 15" panel is in short supply. However, suppliers tend to shift back to the 15" panel to take advantage of higher prices. This in turn drives up the prices of the 17" and 18" panels, luring them back to this panel size. The current price of the 15" panel is ¥25,300-¥28,500, up from about ¥20,000 in January.

Global MCU Market Set to expand

The worldwide demand for micro controller units is expected to increase from an estimated US$11,766 million to US$15,725 million in 2007, according to I-Supply Japan, a high-tech market research firm. Of the total, the industrial machinery sector will represent US$5,149 million and the automotive sector approximately US$3,582 million, according to I-Supply. Japan. This translates into an annual growth rate of 7% to 9.5% up to 2007.

Another Round of Price Cutting in Servers

Hewlett-Packard Japan has slashed server prices by about 50% this year, triggering a price war. Other major vendors, such as IBM Japan, NEC and Fujitsu are following suit. Despite the deep cuts, it is premature to conclude that prices have touched bottom.

Personal Computer Market Survey

According to a recent survey by JEITA, the demand for personal computers in homes is increasing. Only 54% of households in Japan have a personal computer and 28.7% have two PCs account. Parents are the main users of PCs in the household. Many parents are now giving their older PC models to other family members and buying newer models for themselves. About 22.7% of all households have plans for or are considering a purchase of a new personal computer within a year. On the other hand, a larger (28.3%) of high school students plan to purchase a PC within a year. Based on these and other findings, JEITA concluded that a round of replacement demand is just getting underway. The association projected PC sales in 2003 at 10.2 million units, up from 9.84 million units in 2002. Sales are, however, likely to be flat in value.

Production of Electronic Devices Rises in August

According to government statistics, output of electronic components and devices in August rose 10% year-on-year and 4.9% compared with the previous month. Rising production of logic circuits, CCDs and MCUs underpinned the gain. Shipments were also brisk, with inventory of CCDs declining sharply and the supply-demand balance becoming tighter. Exports of electronic components, including semiconductors, were also favorable, rising 10% year-on-year in August. Imports also increased 10.1%. Shipments of silicon wafers rose 6.5% from the previous year. Shipments of semiconductor and IC measuring equipment in August were up 7.7% over the previous month. Similar trends were observed in hybrid circuits and discrete devices.

Earnings Roundup

TDK's (6762 TSE) Interim Operating Income to Double

TDK is likely to report a 2.2-fold increase in interim consolidated operating income to ¥22,000 million on a sales increase of 5% to ¥310,000 million. Sales are being driven by rising orders for components going into digital consumer electronics. Profit growth is attributed to the benefits of restructuring.

NEC Electronics (6723 TSE) to Report Strong Profit

NEC Electronics is likely to report ¥20,000 million in interim consolidated net income, about ¥4,000 million higher than the previous forecast. Sales are likely to be largely on the target at ¥340,000 million. Extensive cost cutting is driving profit.

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
Aug.	91.2	95.7	87.0									
YoY	3.2	3.6	-0.3	-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