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High-tech Sector

***NTT (9432 TSE1) Opposed to
Revision of Anti-monopoly Law***

NTT is strongly opposed to the revision to the Anti-monopoly Law proposed by the Fair Trade Commission. The recommendation points out that the subscriber-line network owned by NTT is indispensable to new common carriers and calls for a revision of the Anti-monopoly Law to allow stricter monitoring of access to NTT subscriber networks by new common carriers. NTT claims that that the existing law adequately serves the purpose and that introduction of a new law will be tantamount to double-regulation.

CRT TV Production Ends in Japan

Mass production of CRT that started with Hayakawa Electric (now Sharp) in 1953 will come to end this year. In the sixties Japan led the world in CRT TV production. But with the advent of LCD, plasma, the CRT lost ground and has been phased out.

***Semiconductor Production in 2003
to Increase 16%***

Global semiconductor production in 2003 is expected to increase 16% over the previous year to \$163.0 billion, according to SIA, the sector's trade body. The growth is expected to continue in 2004, with production rising 19% year-on-year to \$194.6 billion. Assuming that the forecasts hold, semiconductor production in 2004 will have recovered to the bubble-period levels.

***Server Demand Looking Up in
Second Half***

Domestic demand for the open-type server seems to have touched bottom and is expected to rise in the second half of the current fiscal year. However, prices continue to be under severe pressure and gains in terms of value will prove to be elusive. According to JEITA, shipments of mainframes in the first half fell sharply, 31% in volume and 35% in value. Shipments of UNIX servers and NOS servers were up 1% in terms of volume but fell in terms of value. The association expects shipments of mainframes in the second half to be largely flat but those of UNIX and NOS servers to rise 8% year-on-year.



Bluetooth Market Set for Solid Growth

Bluetooth, the wireless communications standard for the 2.4GHz band is expected to find a growing range of applications, extending from mobile phones and PDAs to consumer home appliances and AV equipment, as well as industrial equipment. As a result, shipments of Bluetooth chips are expected to increase at an average annual rate of 74% and reach roughly 600 million chips in 2007.

Wireless LAN Market Growing

Japan's wireless LAN market in fiscal 2002, the year ended March 2003, expanded 40% year-on-year to ¥39,800 million, according to Yano Research Institute, a high-tech think tank. Sales of access point-related devices rose 45% to ¥22,000 million while client devices, including PC cards, rose 27% to ¥18,600 million. The market growth is expected to continue in fiscal 2003, with total sales estimated at ¥42,900 million, up 6%. The market will have grown to ¥55,600 million in fiscal 2005, the report forecasts.

Automotive Semiconductor Market Set for Solid Growth

The automotive semiconductor market, estimated at ¥800,000 million in 2003, is expected to expand to ¥2.5 trillion in 2006, according to Toyo Keizai. In addition to the increasing use of semiconductors for engine, safety and security and other control applications, demand for use in automotive network devices is expected to propel growth. The SH4 microcomputer chip is expected to dominate the market. Increasing auto electronics will also mean a growing demand for I/O interfaces, graphic controller ICs, power ICs and flash DRAMs.

Consumer Electronic Sales Rising

Sales of consumer electronic appliances seem to be recovering with the value of monthly sales in July and September rising above previous-year levels. Sales were below previous-year levels up to June and again in August, but the decline in August had shrunk to just 2.1%, compared to the 10% to 20% declines in months prior to June. Personal computers and PC peripherals account for 22.6% of total sales, the largest single category in consumer home electronics. Since personal computer sales are picking up, NEBA feels that consumer home electronics is heading for a recovery.



PC Market Shares, Foreign Vendors Pose Serious Competition for Local PC Suppliers

Shipments of personal computers in the first half of the current fiscal year ended September 2003 rose 10.4% to 5.56 million units valued at ¥840,000 million, up 1.9% year-on-year, according to Multi-media Research Institute, a high-tech market research firm. Although NEC had the largest piece of the pie, 23.3%, its share dropped by 2 percentage points from the same period a year ago. On the other hand, Fujitsu raised its market share by 1.4 percentage points to 22.0%. Among smaller vendors, Dell increased its market share by 2 percentage points to 9.7%, edging out Toshiba from the fourth spot in ranking. Together with HP, U. S. vendors now account for 13.7% of the domestic market. Competing on price, foreign vendors are putting serious pressure on the profits of major Japanese PC suppliers.

Sanyo (6764 TSE1) Gearing Up for Competition in Secondary Batteries from China and Korea

Sanyo Electric is increasing production capacity for lithium-ion batteries by some 50% in a bid to keep its share in the growing market and also keep competition from China and South Korea at bay. Sanyo's new production plant being built in Tokushima Prefecture will drastically cut production cost and enable it to stay competitive with Chinese and Korean producers. Shipments in Japan are running about 40% higher than last year but prices are down about 20%.

Machine Tool Orders Up in September

Machine tool orders in September rose 22.1% year-on-year to ¥72,249 million, according to the Japan Machine Tool Builders Association. This was the twelfth straight year-on-year gain in monthly orders and the first time in two months that the orders were above the ¥70,000 million level. Orders from the electrical machinery sector rose 2.2-fold and those from the metal products sector were up 84.4%. On the other hand, orders from the steel and non-ferrous metals sector were down 48.4%.

Earnings Roundup

Semiconductor Chemical Producers Report Higher Interim Profit

The four major semiconductor chemical producers, Shin-Etsu, Hitachi Kasei, JSR and Sumitomo Bakelite, saw their interim sales and profit rise sharply as they benefited from growing demand for digital home electronics. The momentum is expected to be carried over in the second half, with all four likely to report strong earnings for the full fiscal year. At Hitachi Kasei, sales of electronic materials in the first half rose 1.4% and operating income was up 39.5%. At JSR, operating income in the electronic materials division rose 77% year-on-year on a sales gain of 30%.



Profit Down at NTT Data (9613 TSE1)

Consolidated ordinary income in the first six months of the current fiscal year fell 13% to ¥19,400 million, on a sales decline of 6% to ¥357300 million. Sales fell mainly because there were no major projects for NTT DoCoMo. Consolidated net income was down 69% due to extraordinary expenses related to personnel transferred outside the company. The company projects consolidated ordinary income of ¥53,000 million, up 12% YoY, for the full fiscal year. Net income is expected to increase 5% to ¥30,000 million.

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	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
YoY	3.2	3.7	-0.3	-11.3	-3.2	-10.4	-1.4	6.4	-5.8	0.6	-0.7	-263

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

