



**Week ended Dec. 7, 2003**

**Vol . 95**

## *High-tech Sector*

### *Runaway Leader in 3G – KDDI (9433 TSE1)*

As of the end of October, KDDI had an 88% share of the 3G market, with the second ranked NTT DoCoMo having only 11%. Vodafone had a share of just 0.7%. However, NTT DoCoMo has drawn up bullish plans, which see overtaking KDDI by 2006.

### *KDDI (9433 TSE1) in the Lead in November*

The net increase in November in mobile phone subscribers was 332,900 units, according to JEITA. Of the total, KDDI accounted for 239,300 units. Its new models with the navigation function, launched in October, are driving sales. Models with distinctive designs, developed with the help of outside designers, are also in demand.

### *Japan's NEDO\* Succeeds in Developing 45-nm Semiconductor \*NEDO =New Energy and Industrial Technology Development Organization*

NEDO, public corporation, has succeeded in developing a 45-nm design rule semiconductor. The low-k material developed by NEDO is also scalable to 32-nm and 22-nm design rules. This gives Japan a clear edge in the highly competitive field.

### *Changes Surface in Business Machine Sector*

An analysis of the interim results and forecasts for the full fiscal year of listed business machine makers shows that the larger manufacturers are increasing domination of the sector at the expense of their smaller rivals. Major players like Canon and Ricoh and Seiko Epson have posted strong sales and earnings growth and have revised their full-year forecasts upwards. On the other hand smaller manufacturers, like Riso Kagaku and Sekonix (KOSDAQ) suffered interim profit drops and are also expected to report lower profit for the full fiscal year. The level of financial resources seems to be making the difference.

### *Programmable Display Market to Grow in Fiscal 2003*

Shipments of programmable displays in fiscal 2003 are expected to increase 17.5% from the previous year to 470,000 units. About half of all units shipped are likely to be medium size. However, pressure on prices will mean that not much can be expected in terms of growth in the value of shipments. The shipments reflect expansion of applications to areas other than factory automation.



### **Server Shipments Up in Third Quarter**

Shipments of servers in the July-September quarter rose 14.5% year-on-year to 112,000 units, according to IDC Japan, a market research firm. However, the value of shipments was down 14.3% to ¥173,600 million. This was the sixth straight year-on-year decline in quarterly shipments in terms of value. Although shipments started to rise in the first quarter of 2003, the value of shipments has continued to decline steadily. IDC Japan sees the trend continuing for the foreseeable future. Fujitsu is the largest supplier with a 22.0% share of the market and is followed by IBM Japan with a share of 19.7%.

### **Semiconductor Manufacturers Stepping Up Capital Investment**

Japan's semiconductor manufacturers are planning to set up 18 new major facilities after 2004, according to a recent survey by a leading industry publication. The focus is on 18-mm facilities, LSI's for digital home electronics and capacity addition for CCD, compound and power semiconductors. As of summer 2003, Japan's 36 semiconductor manufacturers had planned an aggregate investment of ¥785,500 million for fiscal 2003, up 54.7% from the previous fiscal year. Now they are revising their plans and are expected to invest a total of ¥850,000 million. Japan accounts for 30% of the global investment.

### **On-demand Outsourcing to Grow**

Japan's leading computer manufacturer, Fujitsu, has started offering an on-demand outsourcing service. The company expects revenue for this service to bring in ¥100 billion in revenues over the next three years. It hopes to sign up some 500-plus customers. Services in this sector are expected to diversify from on-demand outsourcing to applications on demand and to business processes on demand. Other companies, including IBM Japan, are expected to follow suit. The on-demand outsourcing market is expected to increase 2.5-fold by 2005 compared to the 2002 level.

### **Tuner Manufacturers Stepping Up R&D**

Development and commercialization of tuners for digital terrestrial broadcast receivers is accelerating. Tuner manufacturers are expanding the lineup of tuners for digital television sets and stepping up R&D for tuners for mobile devices such as mobile phones and PDAs. With digital television broadcasting expected to expand throughout the world, manufacturers are expecting an unprecedented surge in demand. Sharp is the most aggressive and its plans envision capturing a 50% share of the front-end devices market.

### **NEC (6701 TSE1) to Procure Network Devices from US Firm**

NEC, Japan's largest telecommunications equipment manufacturer, said that it has reached an agreement with Juniper Networks, a California-based firm, for the latter to supply routers on an OEM basis. The agreement also calls for expanding cooperation to research and development in the future. NEC's router sales in Japan are estimated at ¥15.5 billion. This should give a strong boost to Juniper Networks' sales, which were ¥60 billion in 2002.



**DVD Recorder Manufacturers Bullish on Year-end Sales**

Japan's major DVD recorder manufacturers have drawn up bullish plans for year-end sales. Toshiba expects DVD recorder sales to double to 170,000 units. Pioneer and Matsushita expect sales to triple compared to last year. The three firms account for 90% of the domestic market share.

**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
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	8,430	3,761	209
Oct.	98.6	105.3	80.3									
YoY	8.7	10.6	-7.4	-10.3	0.8	-15.6	7.9	31.3	-1.0	11.2	7.1	-16.8

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

