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A new flash memory factory will finally be built at Toshiba's Yokkaichi plant in Mie Prefecture.

Toshiba chip plant finally gets rolling

By MASAKI HASHIDA
The Asahi Shimbun

Toshiba Corp. started construction of a key semiconductor factory in Yokkaichi, Mie Prefecture, after more than two years of secrecy and delays caused by plunging prices in the global financial crisis.

The state-of-the-art Fab 5 facility, which will be jointly operated by U.S. chipmaker SanDisk Corp., is scheduled to begin production of flash memory chips next summer and is expected to increase output capacity by 1.3 times from 2008 levels by the end of fiscal 2011.

The two companies' combined investment in the Fab 5 at Toshiba's Yokkaichi plant is estimated to reach 500 billion yen (\$5.6 billion) to 800 billion yen.

Demand for flash memory chips, widely used in personal computer memory cards, smart phones and audio players, is growing, particularly in emerging economies, according to industry watchers.

Although Toshiba is confident the international market for flash memory chips has recovered from the global financial crisis that started in autumn 2008, the semiconductor market is still likened to a rollercoaster because of the volatile prices.

"We decided to go ahead with the construction to prepare for the future," said Kiyoshi Kobayashi, corporate senior vice president at Toshiba. "Toshiba will aim to become the top manufacturer with its high quality, and in order to achieve that goal, scale is also crucial."

Toshiba first decided to build the Fab 5 in February 2008, but plans were put on hold following the collapse of Lehman Brothers and the subsequent financial fallout.

Toshiba revived the plan in March when demand recovered.

But Kobayashi has been tight-lipped about details of the facility, likely to keep such information from reaching Toshiba's rivals, including Samsung Electronics.

Kobayashi has consistently brushed aside reporters' questions about costs and

production targets, saying such figures were "top secret."

According to industry watchers, production levels and prices of semiconductors, particularly flash memory chips, are returning to levels before the Lehman collapse.

The U.S. industry body Semiconductor Industry Association said global shipments of semiconductors in May grew 48 percent from the same month in 2009, reaching a record high \$24.7 billion.

"The base for the semiconductor market is expanding. While China commands a large volume, demand is also growing in India and Brazil," said Makoto Onodera, president of the Japanese subsidiary of Taiwanese manufacturer TSMC.

But concerns remain about the industry. According to the World Semiconductor Trade Statistics, 2010 chip shipments are expected to increase by 28.6 percent from 2009, but growth will likely slow down from 2011.

Once bitten by losses caused by falling chip prices, semiconductor makers have shied away from forging ahead with aggressive plans.

"The industry structure has changed. Rather than engaging in wanton boosting of production, companies are now carefully following the balance of demand and supply," said a senior official at a chip manufacturer.

Akira Minamikawa, vice president at iSuppli Japan, a semiconductor market research company, noted that while demand will remain robust this year, the market could enter a period of adjustment due to such factors as the euro crisis.

"Companies are split over investment plans, with some taking progressive action and others taking a cautious approach," Minamikawa said.

Toshiba had initially intended to build another chip production facility in Kitakami, Iwate Prefecture, but it has yet to start that plan.

Construction of the Fab 5 facility has been divided into two phases to allow for flexibility if demand changes.

Japan concerned over China's lower growth rate

BOJ officials question how long exports to China will continue at their strong pace.

The Asahi Shimbun

A slight cooling of China's economic growth rate is raising concerns in Japan about the future course of Japan's economic recovery.

China's National Bureau of Statistics said Thursday that China's gross domestic product for the April to June quarter had increased in real terms by 10.3 percent over the same period last year.

While that was the third straight quarter of double-digit growth, it was lower than the 11.9 percent recorded in the January to March quarter.

A Bank of Japan Policy Board meeting Thursday revised slightly upward its

forecasts for Japan's economic growth in fiscal 2010, but added that concerns remain over how long exports to newly developed nations, such as China, would continue to hold a strong pace.

The report indicated that there were fewer concerns about an overheated economy.

However, with the possibility that exports could slow if the renminbi appreciates, new concerns arose about the Chinese economy slowing further.

The report showed that China's investment in fixed assets, such as infrastructure, had increased in the January-June period by 25 percent over the same period of

last year due to domestic demand expansion measures.

Investment in real estate development in urban areas jumped 38.1 percent in the first six months of the year.

The total value of retail sales also rose 18.2 percent in the January-June period.

An official in China's Department for Comprehensive Statistics of National Economy at the National Bureau of Statistics said the latest GDP report showed a better balance between domestic and external demand.

Inflation concerns were relieved somewhat as the increase in the consumer price index fell slightly in June to 2.9 percent, compared with the 3.1 percent recorded in May.

Figures also showed that the rate of increase in real estate prices in 70 main cities had shrunk, indicating that brakes were being applied on China's asset-in-

flated economy.

Concerns still remain over future trends.

The negative effects from Europe's fiscal problems have yet to appear in the trade statistics.

However, the June purchasing managers index released by the China Federation of Logistics and Purchasing showed that the new export order index had fallen for the second straight month.

A Chinese Commerce Department official said, "It usually takes about two months to complete the process of receiving orders, sending out the products and settling the transaction."

That means that export figures could slump over the next few months.

The decision by the People's Bank of China to make the renminbi more flexible could also weigh down exports if China's currency

should appreciate.

That could complicate economic forecasts in Japan.

The BOJ's Policy Board revised its forecast for real GDP growth in fiscal 2010 to 2.6 percent.

A forecast made in April set the growth rate at 1.8 percent.

The forecast for an increase in Japan's consumer price index was also pushed slightly upward from a negative 0.5 percent to negative 0.4 percent.

The Policy Board decided to keep a key interest rate at 0.1 percent because of concerns that it will still take some time before the Japanese economy can emerge from deflation.

The BOJ compiles its "Outlook for Economic Activity and Prices" twice a year in April and October. An interim assessment of that outlook is conducted three months after the reports are

issued in July and January.

Because the real growth rate forecast for fiscal 2010 was raised slightly, the forecast for fiscal 2011 was revised downward from 2 percent to 1.9 percent.

However, the forecast for the increase in the consumer price index was kept unchanged from April at 0.1 percent.

That means the BOJ is standing by its prediction that the economy will continue on a recovery course in fiscal 2011 and that the consumer price index will climb in that fiscal year.

In the background to the upward revision for fiscal 2010 were increases in exports and manufacturing owing to a better-than-expected performance in China and other newly developed nations, despite the instability in financial markets due to the fiscal concerns in Europe.

Sweet China profits tempt food chains

The Shanghai expo offers firms a chance to dip their toes into China's vast market.

The Asahi Shimbun

SHANGHAI—Japanese food companies looking to take a bite out of China's growing market are offering everything from doughnuts to octopus balls and premium beers to visitors at the Shanghai World Expo 2010.

Many of the Japanese brands being served up at the event have historically been focused on the Japanese market, but the huge potential of China's rising consumerism is offering mouth-watering growth opportunities for companies that can find a foothold.

Several Japanese companies are using the expo as a chance to spread the word about their products.

Mister Donut, a chain of doughnut shops operated by Duskin Co., is running an outlet near the popular China Pavilion.

The chain, which has about 1,300 shops across Japan, has seven outlets in Shanghai and one in Hangzhou in Zhejiang province.

But it acknowledges that it has a long way to go to become a household name in the Chinese market.

"We are making sure that our service to our customers (at the expo) is right so that people may feel like returning to our other shops," said Tadashi Kitami, vice president of its Chinese subsidiary.

Shirohato Food Industry Corp.'s takoyaki shop at the Japanese Industry Pavilion is also proving popular.

A box of eight Takoyaki Dotonbori Kukurū takoyaki, ball-shaped dumplings each containing a small piece of octopus, costs 35 yuan, or about 460 yen (\$5.20). Shirohato says it is selling up to 3,000 boxes a day.

The company put its Chinese staff on a monthlong training program to teach them how to make takoyaki exactly as it is done in Japan.

"Takoyaki has been accepted by Chi-



A customer chooses doughnuts at the Mister Donut outlet at the Shanghai World Expo 2010.

nese people," said Tetsuji Nagao, a director of the company, based in Moriguchi, Osaka Prefecture. "Our next step is to find a local business partner we will team up with to make inroads into the Chinese market."

Asahi Breweries Ltd. is selling its flagship beer Asahi Super Dry for 25 yuan a glass at its restaurant, the Asahi Gourmet Museum. Visitors to the restaurant total 1,500 to 2,000 a day.

Relatively inexpensive beers from local breweries currently account for about 80 percent of the Chinese market, with Japanese beers categorized as premium products for wealthy customers.

But Nozomu Furusho, who is in

charge of Asahi Breweries' sales planning in China, said the premium category had significant growth potential.

Another company using the expo as an introduction to the Chinese market is Mon-chouchou, an Osaka confectioner famous for its Dojima Roll, a type of sponge cake.

Mon-chouchou announced earlier this month that it will open a shop in Shanghai this fall, the first time it has opened a permanent shop overseas.

The new shop is expected to open in the Shanghai World Financial Center, and will be part of a joint venture with a Chinese company. The Japanese company will send its own sales staff and pastry cooks from Japan.

Renown plans 2,000 stores across China

The Asahi Shimbun

Apparel maker Renown Inc. on Wednesday put its China plans on the table, laying out an ambitious goal of opening more than 2,000 outlets in the country within 10 years.

The Tokyo-based company, which is restructuring under the umbrella of Chinese textile giant Shangdong Ruyi Science and Technology Group, will open a joint venture by February 2011 as a first step to expand into the Chinese market.

Renown, which will set up its China business division in August, plans to open more than 300 stores in China within three years. It has projected total sales in excess of 10 billion yen (\$12.5 million).

Company officials said Wednesday that Renown anticipates sales of more than 100 billion yen within 10 years as a result of the move into China.

Renown is set to receive a capital injection of about 4 billion yen from Shangdong Ruyi after it obtains approval from shareholders at an extraordi-

nary meeting to be held July 29. Of that amount, 2 billion yen will be used to open new outlets or renovate existing ones in Japan and China.

From the remaining 2 billion yen, about half will be used for advertising and sales promotion. The rest is earmarked for infrastructure and equipment.

In addition to operating outlets directly, the company will offer franchise opportunities for shops in department stores, shopping malls and other places.

For the time being, Renown plans to focus on four of its brands: Simple Life, Charge, ensuite and Mano.

"By obtaining support from Shangdong Ruyi, we will make inroads in earnest into a market which is bigger than Japan," said Renown President Minoru Kitabatake.

An announcement Wednesday of the Renown group's business performance for the March to May quarter showed sales declining 50.5 percent from the corresponding period last year to 17.3 billion yen.

N. Korea turning to diplomatic offensive

By YOSHIHIRO MAKINO

The Asahi Shimbun

SEOUL—North Korea is embarking on a diplomatic offensive to win support for its denials of responsibility in the sinking of a South Korean navy vessel.

The March incident that claimed 46 lives had threatened to dangerously raise tensions on the Korean Peninsula.

North Korea's offensive follows a U.N. Security Council decision to not directly blame Pyongyang in a statement on the sinking.

According to South Korean government officials, North Korean Foreign Minister Pak Ui Chun will visit Hanoi to attend an Association of Southeast Asian Nations (ASEAN) Regional Forum meeting from July 23. Plans are also in the works for Pak to visit Laos, Myanmar (Burma) and Indonesia.

South Korean government officials will monitor Pak's movements to gauge Pyongyang's intentions.

According to officials of South Korea's Ministry of Foreign Affairs and Trade, four ASEAN member nations—Thailand, Singapore, Indonesia and Cambodia—expressed their support for South Korea in the sinking of the corvette

Cheonan.

The U.N. Security Council issued a presidential statement July 9 that indirectly condemned North Korea for the torpedo attack on the Cheonan.

A spokesman for the North Korean Foreign Ministry stressed the importance of dialogue and touched upon the six-party talks on North Korea's nuclear weapons program.

According to the Korean Central News Agency, the July 14 edition of Rodong Sinmun, the organ of the Workers' Party of Korea, carried a report that said, "We will uncover the truth of the incident as its victims and make calculations for compensation."

Meanwhile, both South Korea and the United States have had to adjust their hard-line stance. The two governments are considering using a different location for a joint military exercise. Original plans called for an exercise near the waters where the Cheonan sank.

According to South Korean government officials, there is more caution within the U.S. government about implementing additional financial sanctions against North Korea.

Japan dumps pier plan, to use reclaimed land for Futenma move

The Asahi Shimbun

The government has abandoned plans to build a pier-type facility for the relocation of the U.S. Futenma air station in Okinawa Prefecture and will instead reclaim land as decided under a 2006 agreement, sources said.

However, Okinawans, already feeling betrayed by the government led by the Democratic Party of Japan, could derail the entire plan to relocate the U.S. Marine Corps Air Station Futenma, now in Ginowan, Okinawa Prefecture, to the Henoko district of Nago in the prefecture. Building the airfield on reclaimed land was agreed upon by Tokyo and Washington in 2006, as was moving the Futenma air station to Nago.

The plan to build a pier supported by piles driven into the

seabed was touted by former Prime Minister Yukio Hatoyama, who sought to quell criticism over his broken promise to move the air station out of the prefecture.

He said the pier project would have a smaller impact on the environment.

But the administration of Naoto Kan decided that the plan would be too expensive and time-consuming to carry out.

According to Defense Ministry estimates, construction costs for the pier-style facility would exceed 1 trillion yen (\$11.3 billion), and the complex structure might not be built in time for the 2014 deadline for completion.

In addition, Washington criticized Hatoyama's plan, saying the structure would be vulnerable to terrorist attacks.

In contrast, calculations in the

2006 agreement put the cost of the reclamation project at 400 billion yen.

Japanese officials have already gained approval from the U.S. side to go back to the landfill plan, the sources said.

Working-level talks on the Futenma relocation were to resume Thursday and Friday in Washington.

The deadline for a Japan-U.S. agreement on details of the construction method has been set for late August.

But the Kan administration, hoping to avoid being criticized as kowtowing to the United States, wants to leave such details as the number of runways undecided for the time being.

The government "could consider preparing multiple plans that are feasible," a senior Japanese government official said Wednesday.

If Kan appears weak with the United States, it could undermine his chances for re-election as DPJ president in September.

His leadership has already been called into question over the party's stinging defeat in the Upper House election last Sunday.

The original agreement calls for two runways converging in a V-shape. But some officials say only one runway should be built.

The Kan administration must also contend with opposition in Okinawa Prefecture against the relocation to Nago.

The government plans to promote the reclamation method as a way to provide much-needed business for the local construction industry.

The prefecture is bracing for a series of political showdowns this fall, including the Nago city