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High-tech Sector

Softbank(9984 TSE1) Bids for Three TU-KA Companies

Softbank has revealed plans to acquire three TU-KA firms, KDDI mobile phone marketing subsidiaries. Softbank is willing to pay ¥200 billion for acquiring the three firms, according to sources. The company plans to turn itself into a comprehensive telecommunications service provider. The three companies offer cut-rate mobile phone services focusing on 2G phones. The three companies' combined subscribers totaled 3.6 million, representing 4.2% of total mobile phone subscribers in Japan.

KDDI(9433 TDE1) Reports the Highest Net Subscriber Growth in 2004

The net increase in mobile phone subscribers in 2004 at KDDI was 2.78 million, making it the sector leader in signing up new subscribers. Despite concerted efforts, subscriber numbers at NTT DoCoMo increased only a net 2.17 million. Vodafone reported a net increase of 430,000. On the other hand, TU-KA lost 70,400 subscribers.

Machinery Orders up Sharply in November

Industrial machinery orders in November rose 31.7% year-on-year to ¥352 billion, according to the Japan Industrial Machinery Manufacturers Association. Plant orders were up 61.2% to ¥120.6 billion. Domestic orders rose 20.8% to ¥227.1 billion and overseas orders increased 57.5% to ¥125.2 billion. In Japan, orders for compressors were up sharply. Overseas orders for mining machinery, chemical machinery and tanks increased in November.

IT Service Sector Orders Up in November

Sales of Japan's IT service sector in November increased 2.3% year-on-year and registered their first gain in three months. Custom software sales, which account for nearly half of the total orders, were up 3.6%, propelled by those to the financial and manufacturing sector. Sales of custom software have been rising steadily (except in July 2004) for more than a year now. System integration-related sales rose 4.6%. Software product sales increased only 0.8%, although game software sales were up 16.1%. Sales of outsourcing services were strong, rising 7.0%. The number of IT service providers increased 1.6% and the number of employees in this sector rose 0.4%. The number of on-site engineers was up 11.8%.



Japan's Electronic Device Manufacturers Step Up Capital Investment

Japan's electronic component manufacturers are stepping up capital investment although current orders, particularly from the mobile phone and digital home electronics manufacturers, have slowed. Electronic component manufacturers remain bullish, expecting orders to head toward recovery from spring and increase in the second half of 2005. A majority of Japan's electronic manufacturers' capital investment plans envision spending on a par with or higher than 2004. Electronic component producers are setting up production facilities in the regions in which they sell their products.

Electronic Components Market Set for Steady Growth

The global demand for electronic components is at a turning point now and is expected to enter a growth phase in the second half of 2005, with demand rising at an annual average rate of around 3% for the foreseeable future, according to Yano Economic Research Institute, a high-tech think tank. Japanese manufacturers of capacitors, HDD motors, high-frequency components, flexible PWBs, and crystal devices dominate global markets. The global electronics devices market is estimated at around ¥10 trillion, second only to the semiconductor market, believed to be around ¥25 trillion.

LCD Panel Manufacturers Locked in an Attrition Race

Manufacturers of LCD panels from Japan, South Korea and Taiwan are in bitter competition in a bid to survive as panel prices plunge despite an expected demand surge in the years ahead. Larger manufacturers are adding capacity in a bid to push out smaller players. Sharp plans to build an 8th-generation LCD line to increase capacity while enhancing production efficiency in a bid to stay competitive and capture a higher market share. While LCD panel supply currently exceeds demand only slightly, supply is expected to top demand by about 11% when facilities under construction come on stream.

Machine Tool Market Outlook – 2005

Orders for machine tools in 2004 increased 45.1% year-on-year to ¥1.23 trillion, according to the Japan Machine Tool Builders Association. The automotive, electrical equipment and digital home electronics sectors, the three core customer industries drove orders in 2004. The association estimates orders in 2005 at ¥1.15 trillion. In 2005, orders are likely to increase from the automotive sector but are likely to be weak from the electrical machinery and precision instruments sectors.



Semiconductor Production Equipment Outlook

Sales of semiconductor production equipment (including LCD panel manufacturing equipment) in fiscal 2004 are likely to rise 48.3% to ¥2.26 trillion, according to SEAJ, the sector's trade body. The association expects sales in fiscal 2005 to decline 22.6% to ¥1.7 trillion. Sales are likely to decline in fiscal 2006 also falling by 3.0%. Industry sources see the forecast as being overly conservative and expect sales to see a slightly positive growth in fiscal 2006. Sales are likely to look up in fiscal 2007, rising 19.3% year-on-year, according to the forecast. Sales of LCD panel production equipment in fiscal 2005 are likely to drop 28% to ¥418.4 billion, according to SEAJ.

Outlook for Precision Instruments 2005

As much as 85% of precision instrument manufacturers expect sales in 2005 to increase, while 80% expect demand to increase, according to a recent survey by a leading semiconductor industry newspaper. Approximately 75% expect to report higher operating income. About half expect operating income to increase more than 10%, while more than 40% see sales rising by a double-digit figure. Measuring instruments particularly in demand in 2005 will be those for mobile communication, spectrum analyzers, optical devices, and protocol testers. Contrary to the manufacturers' expectations, JEMIMA, the precision instrument manufacturers trade body, is projecting a 12.7% decline in total electrical measuring instrument sales in 2005 to ¥385.5 billion, after an estimated sharp gain of 23.5% to ¥441.3 billion in 2004. The trade body's medium-term forecast sees sales resuming growth in 2006 and the growth continuing through 2008.

Initial Public Offerings News (For detailed information, go to:

<http://www.tokyoipo.com/top/en/index.php?id=&seqid=>

DIGITALSCAPE (2430 Hercules)

DIGITALSCAPE Co., Ltd., a human resources consultancy specializing in digital content creators and IT engineers, will list on the Hercules market of the Osaka Securities Exchange on February 10. The company will offer 1,800 shares to the public in its initial public offering. Of those 1,000 are newly issued shares and 800 are existing shares currently held in private. The tentative price range will be set on January 21. The fixed offering price will be announced on February 1. SMBC Friend Securities is the lead underwriter of the offer.



JAPAN TECSEED (2431 JASDAQ)

JAPAN TECSEED Co., Ltd, an outsourcing service firm with core areas of operations covering contract R&D, including design and development, in the general machinery, electrical machinery, electronic devices and software sectors, will list on the JASDAQ market on February 9. The company will offer 450,000 shares to the public in its initial public offering. Of those 280,000 are newly issued shares and 170,000 are existing shares currently held in private. Proceeds from the IPO will be used for working capital needs, capital investment and for retiring interest-bearing debt. The tentative price range will be set on January 21. The fixed offering price will be announced on February 2. Nikko Citigroup is the lead underwriter of the offer.

Kyoritsu Printing (7878 JASDAQ)

Kyoritsu Printing Co., Ltd., a general printing company with operations covering all phases of the printing process from pre-pressing to binding, will list on the JASDAQ market on February 16. The company will offer 1,000,000 newly issued shares to the public in its initial public offering. Proceeds from the IPO will be used for capital investment and retiring interest-bearing debt. The tentative price range will be set on January 25. The fixed offering price will be announced on February 3. Shinko Securities is the lead underwriter of the offer.

DeNA (2432 TSE Mothers)

DeNA Co., Ltd., an auction and shopping site operator, will list on the Mothers Market of the Tokyo Stock Exchange on February 16. The company will offer 14,000 newly issued shares to the public in its initial public offering. The tentative price range will be set on January 31. The fixed offering price will be announced on February 4. Daiwa Securities SMBC is the lead underwriter of the offer.

Human21 (8937 JASDAQ)

Human21 Co., Ltd., a real estate firm with operations extending from the marketing of single-family houses and construction of condominium buildings to real estate rental services, will list on the JASDAQ market on February 16. The company will offer 1,200,000 shares to the public in its initial public offering. Of those 900,000 are newly issued shares and 300,000 are existing shares currently held in private. Proceeds from the IPO will be used for capital investment and as working capital. The tentative price range will be set on January 27. The fixed offering price will be announced on February 3. Mizuho Investors Securities is the lead underwriter of the offer.

NEC Leasing (8793 TSE)

NEC Leasing Co., Ltd., an high-tech firm specializing in the leasing of IT equipment and devices and related financial services, will list on the Tokyo Stock Exchange on February 10. The company will offer 5,100,000 shares to the public in its initial public offering. Of those 3,300,000 are newly issued shares and 1,800,000 are existing shares currently held in private. The tentative price range will be set on January 24. The fixed offering price will be announced on February 1. Daiwa Securities SMBC is the lead underwriter of the offer.



Basic Electronics Industry Statistics

	Prod	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
Dec.	100.2	102.4	81.3	80.9	2,123	1,529	17,484	2,289	7,034	8,160	3,596	321
Jan.	102.5	105.4	81.5	76.1	1,996	1,396	15,531	1,517	6,073	7,941	3,629	273
Feb.	95.7	99.0	80.1	84.9	2,153	1,554	16,577	1,812	6,774	8,022	3,575	195
Mar.	94.2	95.1	81.2	108.1	3,233	1,744	20,681	2,337	9,428	8,916	4,021	241
Apr.	102.0	107.2	85.1	100.8	2,060	1,792	15,745	2,079	5,535	8,132	3,604	224
May	105.7	107.6	84.3	95.1	1,961	1,728	15,549	1,969	5,434	8,145	3,750	219
June	102.0	107.4	82.1	112.9	2,287	2,013	17,641	2,362	6,525	8,754	3,938	248
July	102.1	106.4	81.0	114.0	2,226	2,005	16,722	2,165	6,057	8,499	3,847	296
Aug	108.4	108.8	82.0	79.2	2,101	1,435	15,383	1,860	5,455	8,068	3,761	237
Sep.	98.2	101.4	82.4	84.5	2,604	1,447	18,193	2,251	7,487	8,455	3,712	217
Oct.	99.9	106.1	81.5	74.9	2,116	1,419	15,088	2,639	5,014	7,705	3,721	253
Nov	102.3	107.1	81.8									251
YoY	2.9	7.3	0.0	-0.9	5.7	-2.4	-10.9	-4.2	17.7	7.9	3.0	3.7

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

