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High-tech Sector

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IP Phones Catch On in Japan

The number of IP phone subscribers in Japan as of the end of December 2004 rose to 7.82 million, up 11.4% from the end of September. The number was almost double that of the end of December 2003, according to the government. The government cited better availability and markedly low rates to explain the rapid increase in IP phone use in this country.

Sony-Erickson Boosts Mobile Phone Sales – Reports Strong Profit

Sony Erickson Mobile Communications in the fiscal year ended December 2004 increased sales of mobile phones by 1.5 times. To maintain the momentum, the company plans to aggressively market the Walkman brand mobile phones in Europe in 2005. The company's income before income taxes in the October-December 2004 quarter tripled from the same period a year earlier to ¥19 billion.

Orders for Japan-made SPE Drop 26% YoY in January

Orders for made-in-Japan semiconductor production equipment in January declined 26.4% compared to the same month a year earlier to ¥101.8 billion, managing to barely stay above the ¥100-billion level. Monthly orders have been below their previous-year levels for five months in a row. While orders have been declining in Japan, they are still hovering at a relatively high level. Orders from Taiwan also seemed to have dropped substantially. Orders for wafer processing equipment fell 20.0% year-on-year. Lower capital investment by semiconductor manufacturers is hurting orders. SPE orders in Japan fell 43.8% year-on-year and were down 51.8% compared with the previous month. Sales of Japan-made SPE were, however, up 6.0% to 10.8 billion. As a result, the BB ratio stood at 0.94.

Machine Tool Order Outlook for 2005

Machine tool orders in 2005 are expected to look up, rising to ¥1.15 trillion, according to the Japan Machine Tool Builders Association. Orders are likely to experience a short correction in 2006 but rise to ¥1.2 trillion. Total orders from 2004 through 2006 are expected to top three trillion yen. Orders are being driven by strong demand from the automobile sector, which is spending heavily for expanding overseas production capacity in addition to stepped up capital investment across the board in Japan, an increase in capital investment by small and medium size companies, and also rising exports to Asia. Moreover, the capital investment and the capital stock building cycles have entered the upward phase. Having largely solved the bad loan problem, banks are also taking a positive stance toward financing capital investment.



**Electronic Component
Shipments Slow in December**

Worldwide shipments of electronic components in the December fell 3% year-on-year to ¥305.3 billion, according to JEITA, the sector's trade body. Shipments in Japan were down 4% to ¥129.2 billion. Global shipments in the April-December period were up 3% to ¥2,910.9 billion. Shipments in Japan in the April-December period slipped 3%. Although shipments of transformation components were down 4%, those of passive components, connector components and other components (which includes power supply components and high-frequency parts) rose 5%, 6% and 5%, respectively. Demand for electronic components is experiencing a correction as inventory adjustment in digital home electronics progresses.

**Color Page Printer Shipments
to Rise in Japan**

Shipments of color page printers in Japan in 2005 are expected to increase 12% year-on-year to 2.75 million units, according to JBMIA, a trade body. Shipments of monochrome printers are however, projected to drop from 7.44 million to 6.95 million units. As a result, the share of color printers in total shipments will reach 28.4%, up from 23.2% in 2004. In laser printers, both color and monochrome, Fuji Xerox is the leading supplier, with the largest market shares.

Earnings Roundup**Semiconductor Traders To Report
Strong Profit**

The three electronic component and semiconductor traders (Nihon Righton, PALTEK and Chip One) listed on new markets reported higher consolidated net sales and operating incomes for the fiscal year ended December 2004. Nihon Righton reported a 15% increase in operating income to ¥730 million on a sales gain of 3% to ¥54,000 million. PALTEK saw its operating income rise by 9% to ¥870 million on sales of ¥20,900 million, up 8%. Chip One's operating income was ¥280 million, up 7% on sales of ¥2,340 million, an increase of 30%.

**Mobile Phone Content Providers
to Report Solid Profit Growth**

Of the 16 mobile phone content providers listed in Japan, 11 are expected to report higher ordinary income for the current fiscal year ending March 2005. The expected profit growth is being driven by overseas expansion and the introduction of more value-added services. However, as mobile phones become multi-functional, the cost of developing sites is rising rapidly and the cost of launching new services is going up, affecting certain service providers. Index is likely to see its ordinary income go up by 101% to 7,200 million on sales of ¥78,000 million, up 99% year-on-year.



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

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

Nippon Telecom (9425 JASDAQ)

Nippon Telecom Inc., a Japanese mobile phone marketing company, will list on the JASDAQ Securities Exchange on April 6. The company will offer 6,000 shares in its initial public offering. Of those, 4,000 are newly issued shares and 2,000 are shares currently held in private. The tentative price range will be announced on March 17. The fixed offering price will be announced on March 28. The company executed a 3-for-1 stock split on October 20, 2004. SMBC Friends Securities is the lead underwriter of the offer.

Alive Community (1400 Hercules)

Alive Community Co., Ltd., a Japanese construction company, will list on the Osaka Securities Exchange's Hercules market on April 6. The company will offer 1,300 shares in its initial public offering. Of those, 800 are newly issued shares and 500 are shares currently held in private. The tentative price range will be announced on March 15. The fixed offering price will be announced on March 25. For the fiscal year ended February 28, the company is likely to have posted a non-consolidated pretax profit of ¥183.6 million and a net profit of ¥103.6 million on revenue of ¥3.23 billion. Last fiscal year, the company reported a non-consolidated net profit of ¥44.0 million on revenue of ¥1.96 billion. Shino Securities is the lead underwriter of the offer.

Daiwasystem (8939 TSE2)

Japan Daiwasystem Co., Ltd., a Japanese construction company, will list on the Second Section of the Tokyo Stock Exchange on April 6. The company will offer 2.2 million shares in its initial public offering. Of those, 1.2 million are newly issued shares and one million are shares currently held in private. The tentative price range will be announced on March 14. The fixed offering price will be announced on March 24. For the fiscal year ended March 31, the company is forecasting a consolidated non-consolidated pretax profit of ¥2.16 billion and net profit of ¥1.21 billion on revenue of ¥35.63 billion. Last fiscal year, the company reported a consolidated net profit of ¥806 million on revenue of ¥38.7 billion. Daiwa Securities SMBC is the lead underwriter of the offer.

**GMO Payment Gateway
(3769 TSE Mothers)**

GMO Payment Gateway Co., Ltd., an e-commerce, including credit card, transaction settlement services firm, will list on the Mothers Market of the Tokyo Stock Exchanges on April 4. The company will offer 1,835 shares in its initial public offering. Of those, 1,600 are newly issued shares and 235 are shares currently held in private. The tentative price range will be announced on March 11. The fixed offering price will be announced on March 24. Shinko Securities is the lead underwriter of the offer.



Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
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	2,369	5,014	7,705	3,721	253
Nov	102.3	107.1	81.8	81.0	2,223	1,553	15,872	2,496	5,625	7,751	3,674	251
Dec.	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	329
Jan.	101.1	107.2	79.4									302
YoY	-5.2	1.7	-2.6	-4.2	6.2	-7.3	-11.5	-11.7	-14.1	-9.3	-8.1	10.5

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

