



Vol . 155

High-tech Sector

Week ended Mar. 13, 2005

Vodafone (9434 TSE1) Facing Headwinds

Vodafone lost a net 53,200 subscribers in February, according to TCA, the telecommunication sector's trade body. This comes after a large 58,000 decline in January. The subscriber loss at Vodafone is conspicuous also because it comes at a time when its rivals, NTT and KDDI, are posting steady gains. In an attempt to rollback competition, Vodafone introduced seven models of 3G phones late last year. But it failed to attract new subscribers. NTT DoCoMo reported a 246,100 increase in subscribers, making it the leader in subscriber growth for three months in a row. The number of subscribers increased by 183,700 at KDDI (Au).

Semiconductor Production Surges in China

Production of semiconductors in China in 2004 surged 55.4% from the previous year to a record ¥687.0 billion. It is expected that output would have tripled between 2000 and 2005, increasing at an annual average rate of over 30%, suggesting that semiconductor production in China has entered the growth phase. Production of semiconductors is expected to continue to grow at a healthy pace even after 2005, with the market expanding to an estimated ¥13 trillion in 2010, according to CCID, an IT think tank. The growth will in part be supported by aggressive investment by foreign firms, attracted by cheap labor costs and the rising technological level of Chinese engineers.

Display Terminal Outlook - Clear Trend Toward Large Size

According to a recent forecast by JEITA, a trade body, demand for high-resolution large monitors (larger than 20") is expected to increase at an annual average rate of 15% from 2004 through 2007. Demand for LCD monitors is likely to increase 84% compared to the 2004 level. On the contrary, demand for CRT monitors will plunge to 37% of the 2004 level. Demand for printers is likely to increase 20% and that for magnetic disks 32%. The same report forecasts an increase of 7% for optical disk devices during the same period.

Optical Industry Set for Solid Growth



Output of the optical industry in Japan is estimated to have grown 13.8% in the current fiscal year to ¥8.4 trillion, according to the Optical Industry Association. The growth will continue at a double-digit pace (10.4%) in fiscal 2005, the year ending March 2006, rising to ¥9.2 trillion, according to the association. Growth will be led by optical LAN, wireless LAN, optical sensing devices, solar cells, LCD displays, solid-state lasers, and optical fibers.

Demand for Contents Management System to Surge

Vendors of contents management systems, software managing content in the homepages of corporations and government agencies, are bullish on demand, expecting sales to increase anywhere between 50% to 150% as major system integrators have started to use this type of software. The market seems to have increased about 30% in 2004, according to IDC Japan.

Information Leak Prevention Solutions Market Set to Expand

Demand for systems to prevent information leaks started to expand significantly from February. Ahead of the promulgation of laws to protect privacy of information, demand is particularly strong for products designed to limit access. At present only about 34% of companies which are expected to require such systems have installed them and there is a six-month wait for ISMS, P Mark and other security certifications. There are 14 major vendors of security software in Japan. The major players are Hitachi Software, NEC, NEC Software and Fujitsu.

PC Shipments to Increase in Asia-Pacific Area in 2005

Shipments of personal computers in the Asia-Pacific region (excluding Japan) in 2005 are expected to increase 12.8% to 37.3 million units, according to Gartner, a high-tech market research firm. This comes on a 13.8% increase in 2004. Desktop PC shipments are likely to be up 10.8%, led by China, India, Malaysia, Thailand and Vietnam. Shipments of notebook PCs are expected to increase 21.3%. Consumers showed a preference for major brands as they slashed prices, narrowing the gap with lesser-known brands.

TFT-LCD Panel Shipments Rebound in 2004 4Q

Rebounding from a slowdown in the third quarter, global shipments of TFT-LCD panels in the fourth quarter of 2004 increased 29% year-on-year and 15% compared to the previous quarter to 38.7 million, according to Display Research, a marketing research firm. However, the value of shipments slipped 2% as prices continued to slide. LG Phillips increased its market share from 19.8% in the third quarter to 23.0%, maintaining its leadership position. Samsung followed with a market share of 22.5%, up from 21.5%.

Rush of FPD Production Plants in Japan

Japan's FPD manufacturers are rapidly increasing capacity. Sharp is building an 8th-generation FPD plant at Kameyama in Mie Prefecture. Toshiba-Matsushita Displays has decided to build a new plant in Ishikawa Prefecture. Among other vendors planning new production plants are Toshiba, Canon, Sanyo, Epson and Pioneer. On the other hand, a Toshiba-Canon consortium is planning to invest ¥180 billion to build a flat-panel CRT plant, slated for completion at the end of 2007.



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

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

Green Foods (3367 JASDAQ)

Green Foods Co., Ltd., a Japanese a Japanese wholesaler of eels and conger eels, will list on the JASDAQ Securities Exchange on April 8. The company will offer 2,500 newly issued shares in its initial public offering. The tentative price range will be announced on March 17. The fixed offering price will be announced on March 29. Shinko Securities is the lead underwriter of the offer.

Traders Securities (8704 Hercules)

Traders Securities Co., Ltd., a Japanese online securities and foreign exchange broker, will list on the Osaka Securities Exchange's Hercules market on April 7. The company will offer 5,000 newly issued shares in its initial public offering. The tentative price range will be announced on March 15. The fixed offering price will be announced on March 25. Mizuho Investors Securities is the lead underwriter of the offer.

Shinwa Art Auction (2437 Hercules)

Shinwa Art Auction Co., Ltd., a fine arts dealer and auction service company, will list on the on the Osaka Securities Exchange's Hercules market April 5. The company will offer 1,200 shares in its initial public offering. Of those, 800 are newly issued shares and 400 are shares currently held in private. The tentative price range will be announced on March 16. The fixed offering price will be announced on March 25. H. S. Securities is the lead underwriter of the offer.

Asukanet (2438 TSE Mothers)

Asukanet Co., Ltd., a photographic technology service firm, will list on the Mothers Market of the Tokyo Stock Exchanges on April 14. The company will offer 2,335 shares in its initial public offering. Of those, 1,300 are newly issued shares and 1,035 are shares currently held in private. The tentative price range will be announced on March 24. The fixed offering price will be announced on April 4. Shinko Securities is the lead underwriter of the offer.

Intellex (8940 JASDAQ)

Intellex Co., Ltd., a real estate firm, will list on the JASDAQ Securities Exchange on April 14. The company will offer 1,700 shares in its initial public offering. Of those, 1,500 are newly issued shares and 200 are shares currently held in private. The tentative price range will be announced on March 24. The fixed offering price will be announced on April 4. Okasan 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

