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High-tech Sector

Week ended Apr. 3, 2005

Terahertz Band Offers Excellent Business Potential

The narrow terahertz band sandwiched between the electrical and the optical frequencies packs excellent business potential, according to a government report. When related markets are included, the potential market may grow to ¥724.7 billion in 2015, according to the same report. Security-related markets will represent about ¥158.3 billion of the total while biotechnology and medical applications ¥104.4 billion. IT applications will account for an estimated ¥380 billion.

Government Considering 20% Cap on Foreign Ownership of Broadcasters

A proposed revision to the Radio Law will limit the combined direct and indirect foreign ownership of a Japanese broadcaster to 20% of the company's voting rights. Under the current law, direct ownership of Japanese broadcasters is limited to 20% of the voting rights. Concerns over indirect foreign investment were growing, following the private placement of convertible bonds by livedoor with Lehman Brothers to finance its acquisition of Nippon Broadcasting System. If Lehman were to convert the bonds, it would become livedoor's largest shareholder.

Machine Tool Orders Could Slow Down in April

The DI for the outlook for orders declined 14.9 points from the previous month to 3.0, according to survey by the Japan Machine Tool Builders Association. Many respondents feel that orders may slow down in a reactionary decline from the fiscal year-end surge in March. According to the April DI for domestic orders fell 10.4 points to 3.0 and that for overseas orders by 4.7 points to 1.6. The sectoral DI was down in all the three major sectors, general machinery, automobiles and electrical and precision machinery.

SPE Orders Suffer First Decline in 19 Months

Orders for Japan-made semiconductor production equipment in February fell 23.4% year-on-year to ¥84.32 billion. Monthly orders were below the ¥100-billion level for the first time in 19 months. Monthly orders have been below the previous year level for six months in a row. However, orders from the North American and S. Korean markets were higher, reflecting brisk capital investment by certain firms in those regions. Orders have been slowing since late last year as the round of capital investment was nearing end. The annual slowdown in orders in March, the last month of the fiscal year also affected orders. Orders from the Japanese markets were 18.0% lower year-on-year but rose 22.8% from the previous month. On the other hand, sales of Japan-made SPE fell 5.2% YoY to ¥113.5 billion and sales in the Japanese market were off 15.5% to ¥41.3 billion. The BB ratio for Japan-made SPE was 0.83, the second lowest level from April 2003.



On-demand Computing Market Set for Explosive Growth

Japan's on-demand computing market in fiscal 2004 expanded a whopping 48.6% to ¥26.6 billion, according to MIC Economic Research Institute, a think tank. The market is expected to show solid growth over the next several years, reaching ¥106.3 billion in fiscal 2008. Server-related services will represent ¥50 billion of the market in fiscal 2008, up from ¥15.1 billion in fiscal 2004. Storage-related services should represent ¥19.3 billion of the market, up from ¥3.86 billion. Other services (consulting, operation and maintenance) will account for ¥37.0 billion, up from ¥7.58 billion.

17" LCD Panel Prices Up for the First Time in 10 Months

Prices of the mainstay 17" LCD panel for March shipments were up 1%-3%. This was mainly because manufacturers, (seriously concerned about the increasing red ink in their 17"-panel operations), shifted production to other sizes in a bid to slash inventories. Although panel prices are under pressure across the board, the LCD panel market seems to have touched bottom.

PCB Production to Increase in 2005

Production of printed circuit boards in 2005 is projected to increase 6.1% compared to the previous year to ¥1.183 trillion, according to the Japan Printed Circuit Board Manufacturers Association. In addition to growing demand for PCBs used in digital home electronics and mobile phones, demand for automotive PCBs is also increasing rapidly. Market is being driven by value-added PCBs such as the built-up, flexible, and module types, which have complex structures requiring advanced technology. In its longer-term forecast, the association said PCB production should grow at an annual average rate of 2.8% up to 2007 and then at 2.7% through 2009. Demand for the four-layer PCB is expected to increase 47.3% and that for the built-up PCB by 32.7%. CMK Japan is betting on strong demand growth for its built-up PCBs in 2005 and is investing heavily to add capacity.

Transaction Settlements – Excellent Market for Non-contact IC Cards

The non-contact type IC card is likely to find growing use as electronic money, according to a report released recently by Yano Economic Research Institute. Shipments of cell phones installing this type of IC cards in fiscal 2004 is estimated at 4.5 million units and the number will rise to 32 million units in 2010, the report forecasts.

Canon (7751 TSE 1) to Enter Pharmaceutical Business

Canon plans to diversify into the pharmaceutical business. The company is developing a new system for the mass production of DNA chips using its ink jet printer technology. Canon's DNA chips will be used to diagnose cancer and infectious diseases. The company hopes that the pharmaceuticals business will grow into an important pillar of earnings in the years to come.



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

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

No new initial public offerings were approved during the week.

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)
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.	101.0	107.2	79.3	71.8								302
YoY	-1.5	1.7	-2.7	-5.9	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

