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High-tech Sector

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DoCoMo (9437 TSE1) to Diversify into Credit Cards

NTT DoCoMo is planning to acquire a 33.4% capital stake in Mitsui-Sumitomo Card Co. in a bid to enter the credit card market, making it the largest single shareholder of the company. The two companies will develop a new service to allow mobile phones to be used as credit cards. As Japan's mobile phone market matures, NTT DoCoMo is looking for creating other revenue channels. The company sees financial services as offering the best opportunity for diversification. Market shares in the credit card sector could change significantly as the integration of the communication and financial services accelerates with the entry of NTT DoCoMo.

Investment in 3G Infrastructure Accelerates

With 3G mobile phone service being introduced in many countries, competition for infrastructure-related orders, including those for ground stations is heating up. Based on the market shares in the W-CDMA ground station market, the major players in this market are Ericsson, (25.9% market share), NEC/Siemens (23.9%), Nokia (22.4%) and Nortel (6%). Shipments of W-CDMA ground stations are expected to rise from US\$6,090 million in 2005 to an estimated US\$12,400 million in 2007, as the number of ground stations increases from 275,000 to 639,000 during the same period.

Sanken (6707 TSE1) Develops New Inverter for Large LCD Panels

Sanken Electric has developed an insulation-type inverter for large LCD panels (37" panels). A single transistor of the new type will be sufficient to turn on 20 CCFLs. The new inverter is expected to slash cost by 30% compared to conventional parts. Plans call for manufacturing 40,000 inverters per month from May. Further production hikes are planned for later in the year.

Information Security Solution Market to Grow 33% in Fiscal 2005

The information security solution market in fiscal 2005 will grow an estimated 33.8% to ¥112.5 billion, according to a report released by MIC Economic Research Institute, a high-tech industry think tank. Products for protecting systems from computer viruses and preventing illegal access accounted for 64.2% of the total market in fiscal 2004. Systems for preventing leaks of internal corporate data are also expected to be in growing demand.



Semiconductor Market Looks Up

Japan's semiconductor market is likely to have touched bottom in the first quarter and headed for recovery in the second quarter. Full-fledged recovery is expected after autumn. According to industry sources, demand for small LCD drivers ICs is recovering as inventory adjustment in digital home electronics has progressed considerably. Demand from the mobile phone, car navigation, PC and AV sectors is expected to grow in the coming months.

Large-Size LCD TVs Selling

Demand for large-screen (32" and 37") LCD televisions is increasing and contributing to manufacturers' profit. Sales of plasma televisions in April (as of April 17) were up 173% and those of LCD TVs 176% at a major consumer electronics retail chain. Most other major consumer electronics chains in Japan reported similar trends.

Machine Tool Orders Up in March

Orders for machine tools in March were up 17.1% to ¥118.9 billion, according to the Japan Machine Tool Builders Association. This was the 30th consecutive year-on-year increase in monthly machine tool orders. Monthly orders have been above the ¥100 billion level for 11 months in a row. Industry insiders expect the trend to continue in April, although orders will be lower than March but still above the ¥100 billion mark. Domestic orders in March were up 24.6% year-on-year while overseas orders rose 8.2%.

Earnings Roundup**First-quarter Profit Up at Jupiter Telecom (4817 JASDAQ)**

Jupiter Telecom, the largest CATV operator in Japan, is likely to report a 10% increase in its first-quarter consolidated operating income to ¥6,600 million on sales of ¥42,000 million, up 11% year-on-year. An expanding subscriber base and an increasing number of subscribers signing up for its multiple services, which include CATV, high-speed Internet access and telephone service, are lifting sales. The company is forecasting ¥27,000 million, up 20% YoY, for full-year consolidated operating income on sales of ¥185,000 million, an increase of 15%.

Canon Electronics (7739 TSE1) to Up Dividend

Canon Electronics on April 22 said that it plans to raise its annual dividend by ¥16 per common share to ¥48 for the current year to December 2005. Propelled by strong sales of its laser beam printers, the company expects to report an increase of 12% year-on-year in its consolidated net income to a record ¥7,000 million on estimated sales of ¥91,500 million, up 6%.

Canon (7751 TSE1) Sales First-quarter Net Down 21%

Consolidated first-quarter net income at Canon Sales plunged 21% year-on-year to ¥2,500 million on sales of ¥221,600 million, up 5%. Sales were driven by strong demand for printers and other business machines. Growing maintenance service revenue and rising sales of cartridges and other consumables pushed up sales. The company booked an extraordinary loss resulting from lump-sum amortization of the difference in prior-period depreciation expenses due to a switch from the declining-balance method to the straight-line method for calculating depreciation.



Interim Ordinary Income Surges at Index

Index, a Japanese distributor of mobile phone contents also providing IT system development services, reported a 2.5-fold increase in consolidated ordinary income to ¥3,850 million on sales of ¥34,500 million, up 2.4 fold. Sales were lifted by strong growth in overseas business, which saw sales rising to ¥10,000 million, from almost nothing in the previous year. Full-year results are also likely to surpass previous forecasts in view of the strong first-half results and contribution from its recently acquired Chinese subsidiary.

Fujitsu (6702 TSE1) Scales Down March 2005 Forecasts

Fujitsu on April 20 revised its forecasts for the fiscal year ended March 2005 downward. The revised forecasts see consolidated net income dropping by 36% from the previous fiscal year to ¥32,000 million. The company expects consolidated sales to be flat. Profit margins, including margins in the software service division, are under pressure as IT investment stays sluggish. The company was also burdened with amortization of valuation losses on the land it owns and restructuring expenses related to streamlining the workforce at its manufacturing subsidiaries.

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

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

Zapallas (3770 TSE Mothers)

Zapallas Inc., a Japanese firm specializing in the development of digital content for mobile phones and also offering an online shopping service, will list on the Mothers market of the Tokyo Stock Exchange on May 27. The company will offer 1,940 shares to the public in its initial public offering. Of those, 1,500 are newly issued shares and 440 are shares currently held in private. The tentative price range will be announced on May 10. The fixed offering price will be announced on May 19. The company forecasts a non-consolidated net income of ¥266.9 million (¥92.1 million in the previous fiscal year) on sales of ¥4.17 billion (¥3.75 billion in the previous fiscal year) for the current fiscal year ending April 2005. The company expects to net ¥1.3 billion from its initial public offering and plans to invest ¥374.8 million in facilities for its software business and use ¥924.7 million to finance working capital requirements. Shinko Securities 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)
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	252
Dec.	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	330
Jan.	101.0	107.2	79.3	71.8	2,098		14,138	1,509	5,549	7,080	3,135	301
Feb	96.5	102.3	80.5	87.5								204
YoY	0.8	3.3	0.5	3.2	5.1	-7.3	-9.0	-0.5	-8.6	-10.9	-13.6	4.6

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

