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High-tech Sector

Week ended June 12, 2005

IP Telephone Subscriber Growth

The number of subscribers to the IP telephone service in fiscal 2004 rose 57.2% to 8.3 million. On the other hand, subscribers to fixed telephones were down 1.0% to 59 million, declining for seven years in a row. The number of subscribers to mobile phones were up 6.7% to 87 million, but the growth rate slowed by one percentage point from the previous year.

Japan's Telecom Carriers Investing in IP Backbone Networks

Japan's major telecommunication carriers are investing in IP backbone networks in order to bring down network construction and maintenance costs.

Plasma TV Manufacturers Vying for Larger Market Share

The three major Japanese plasma television manufacturers in fiscal 2005, the year ending March 2006, are planning to ship 2.4 times the number of units they shipped in the previous fiscal year. The three, Matsushita (Stock code: 6752), Hitachi (Stock code: 6501) and Pioneer (Stock code: 6773), are projecting demand in 2005 at 3.7 million units, rising to nearly seven million units in 2007.

Machine Tool Orders Up in May

Machine tool orders (8-major-company basis) in May rose 7.6% year-on-year to 42.2 billion. This is the 32nd consecutive year-on-year gain in machine tool orders. Six of the eight reported higher sales, but the growth rates are slipping. Domestic orders were up 3.3% to ¥23.6 billion while export orders rose 13.6% to 18.6 billion. Makino Milling Machine (Stock code: 6135) and the Toshiba Machine (Stock code: 6104) reported lower sales.

IT Service Sales Decline Marginally in April

IT service sector sales in April fell 0.1% to record a second consecutive year-on-year decline in monthly sales. Although custom software development-related sales were up, sales to the telecommunications sector were lower, and as a result custom software development-related sales were down 5.3%. In software products, game software sales in Japan were up 5.7% but sales of other products in the category were lower, which kept the increase in total category sales to 0.7%. Outsourcing-related sales were up 13.2%. This is the first double-digit growth in four months.

Consumer Electronics Shipments Rise Sharply in April

Shipments of consumer electronic products rose 8.7% in April to ¥187.1 billion, recording 17 consecutive year-on-year increases in monthly shipments. Shipment growth is attributed to strong spring sales. Sales of PDP televisions, LCD televisions and DVD recorders were strong.

ERP Package Market to Show Strong Growth

Japan's ERP package market is set for steady growth through 2008, according to the Yano Economic Research Institute, a think tank. According to the company, Japan's ERP market was 82.1 billion on a licensing fee basis, slightly down from the previous fiscal year. However, the market is expected to continue to grow at an annual rate of 8.7%, rising to ¥126 billion by 2008.

Machinery Orders Rise in April

Machinery orders in April rose 21.3% year-on-year to ¥390 billion, according to the Japan Industrial Machinery Association, lifted by strong orders in the home and overseas markets. Domestic orders rose 19.9% to ¥268.6 billion and overseas orders were up 24.5% to 121.4 billion. Orders for chemical machinery, transportation equipment and metal working machines showed particularly strong gains.

Earnings Roundup

Electronic Component Manufacturers Post Strong Results

Japan's 54 major electronic component manufacturers reported an average sales gain of 8.2% in the fiscal year ended March 2005. Their operating income was up 8.4% and ordinary income rose 17.3%. Net income increased 10.5%. Despite the strong results, Japan's electronic component manufacturers remain cautious, predicting a 4.5% increase in sales and a 10.2% increase in ordinary income for the current fiscal year ending March 2006. Of the 54, 44 reported higher sales, with 18 posting double-digit gains. Thirty five of the 54 reported operating income gains, with 26 chalking up double-digit increases. Fifteen posted double-digit gains in sales and operating income.

Two Large Lamp Producers Strengthen Their Market Positions

Japan's two major lamp producers Koito Manufacturing (Stock code: 7276) and Stanley Electric (Stock code: 6923) reported favorable sales and earnings growth while the smaller Ichikoh Industries (Stock code: 7244) suffered from sales and ordinary income declines. Koito and Stanley reported record high results and are bullish on the current fiscal year also and are planning to boost sales of value-added products like AFS. On the other hand, Ichiko will have to concentrate efforts on coping with higher raw material prices in a bid to return to profitability.

Initial Public Offerings (For detailed information, go to:

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

PRAP Japan (2449 JASDAQ)

PRAP Japan, a full-service public relations firm helping clients to find communication solutions to key issues impacting their business, will list on the JASDAQ Securities Exchange on July 8. The company will offer 1,000,000 shares in its initial public offering. Of those, 500,000 are newly issued shares and 500,000 are shares currently held in private. The company plans to use the proceeds from its initial public offering for increasing its payroll, employee education and training and for working capital required for a growing business. The tentative price range will be announced on June 17. The fixed offering price will be announced on June 28. UFJ Tsubasa Securities is the lead underwriter of the offer.

ONLY (3376 Hercules)

ONLY Co., Ltd., an apparel retailer marketing its own brand of men's wear through directly operated stores and having in-house facilities for planning and production, will list on the Hercules market of the Osaka Securities Exchange on July 8. The company will offer 3,000 shares in its initial public offering. Of those, 2,000 are newly issued shares and 1,000 are shares currently held in private. The tentative price range will be announced on June 20. The fixed offering price will be announced on June 29. Cosmo 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)
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
Sept	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	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
Feb	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
Mar	93.1	98.5	80.9	99.7	3,392	1,534	19,039	2,191	8,688	8,160	3,636	234
Apr	102.0*	106.1*	85.3*									216
YoY	0.0	-1.0	0.2	-7.9	4.9	-12.1	-7.9	-6.3	-7.9	-10.0	-9.6	-3.5

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