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## *High-tech Sector*

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### **Competition Heats Up in Mobile Phone Handsets**

Japanese mobile communications carriers are increasingly selecting mobile phone handsets made by S. Korean companies. These will be available to consumers from 2006. S. Korean manufacturers have overwhelmed Japanese mobile phone makers in overseas markets and are now posing a threat in their home market. Japanese mobile phone manufacturers are heavily dependent on the local market for their mobile phone handset business. Nokia, Motorola and Samsung are the leading global mobile phone handset manufacturers.

### **Softbank(9984 TSE1) Moves Up Plans to Enter Mobile Phone Market**

Softbank (Stock code: 9984) is planning to move up the timing of entering the mobile phone services market from the originally planned late 2007 to fiscal 2006. The move is intended to lure away as many subscribers of NTT DoCoMo (Stock code: 9437) and other current service providers as possible. This is because the government's policy is to link frequency allocation to the number of subscribers of a carrier. The government plans to assign only the 10-megahertz band to new entrants, which is less competitive in terms of communication speed and other factors compared with existing carriers. Therefore new carriers must obtain additional bands as soon as possible.

### **Prices of Large-size LCD Panels Bottoming Out**

Prices of large-size LCD panels, having fallen by 40%-50% from last summer, are showing signs of bottoming out, underpinned by rising demand for use in LCD televisions and personal computers. Demand is rising for use in desktop PCs, notebook PCs and for televisions.

### **Demand in Consumer PC Market Shifting to Larger Monitor Sizes**

Consumers PC demand seems to be shifting to larger monitor-size models as evidenced by the popularity of Fujitsu and Sharp's new 32" models launched this summer. Multi-functional models as user-friendly as the television are in demand. Major suppliers of GPU chips for notebook PCs are Intel (61% share), ATI (21% share) and NVIDIA (13% share). SIS has a share of 5%. Leading suppliers of GPU chips for desktop models are Intel (68% share), ATI (14% share), SIS 14% share). NVIDIA has a 4% share.

### **Printed Circuit Board Outlook**

Production of printed circuit boards in 2004 increased only 3.4% year-on-year to ¥1.11 trillion, according to the Japan Printed Circuit Board Association. The trade body is forecasting a 6.1% increase to ¥1.18 trillion for 2005. Production gains will be driven by multi-layer printed boards (up an estimated 14.5%) and flexible printed circuit boards (up an estimated 9.9%). Strong gains are projected for the four-layer PCB, with production rising by 47.3% and for flex/rigid PCB, production of which is expected to increase 26%. Output of built-up PCBs should rise 32.7%, according to the forecast.

### **CMP Market Sees Strong Growth**

The global market for CMP devices increased from approximately ¥80 billion in 2003 to an estimated ¥145 billion in 2004, driven by brisk capital investment by semiconductor manufacturers, expanding range of applications to MPUs and multi-layer SoCs, in addition to installation of more CMP units per line is driving demand, according to industry sources. While the market expanded, two major suppliers, AMAT (market share 71%) and Ebara (Stock code: 6361; market share 22%), increased their market dominance.

### **Japan's Semiconductor Manufacturers' Capital Investment Plans**

Japan's 13 major semiconductor manufacturers plan to invest a combined ¥965.7 billion in fiscal 2005, the year ending March 2006, a decline of 7.7% from fiscal 2004, according to a survey by a leading semiconductor industry publication. The focus will be on increasing the production capacity of 300-mm wafer size facilities, moving to 90nm-65nm processes, SoC and flash memories. But not all semiconductor manufacturers will be slashing investment. NEC Electronics (Stock code: 6723; up 38%), Fujitsu (Stock code: 6702; up 11.1%), Sony (Stock code: 6758; up 6.6%) and Rohm (Stock code: 6963; up 25.5%) will be investing more. On the other hand, Sanyo Electric (Stock code: 6764) plans to cut back investment by 35.4%.

### **Global Color Toner Demand Surges**

Office machine manufacturers are rushing to build new plants for consumables such as toner cartridges and ink tanks, used in office machines. Demand for consumables is increasing rapidly as monochrome machines are replaced. While production in the markets in which such products are sold is the most cost competitive strategy, Japan's office machine manufacturers are adding production capacity in Japan in order to protect their advanced technology and know-how. Canon (Stock code: 7751) is investing ¥80 billion to build a cartridge/ink tank plant in Oita. Ricoh (Stock code: 7752) is building a toner plant in Shizuoka and Konica-Minolta Holdings (Stock code: 4902) is investing ¥7.5 billion for a toner plant in Nagano.

### **IT Market Outlook –China**

Nomura Research Institute, a leading high-tech think tank, recently released a forecast of China's IT market in seven major areas: mobile phone handsets and services, mobile contents, personal computers, servers, storage devices and IT services. According to the report, China's market for mobile phones will surpass that of Japan this year, for personal computers next year and servers in 2008. The report estimates China's mobile phone terminal market in 2005 at ¥1.8 trillion, the personal computer market and the storage devices market in 2006 at ¥1.8 trillion and ¥340 billion respectively, and the server market in 2008 at ¥510 billion. In 2010, China's market for mobile contents is estimated at ¥377 billion. Demand for storage devices in 2010 is forecast at four times Japan's market. China's IT services market, though quite small at present, is expected to expand at an annual average rate of 27% and reach ¥3.8 trillion in 2008.

### **China's Electronic Components Market Experiencing Explosive Growth**

The combined sales of the top 100 Chinese electronic component manufacturers in 2004 increased 26% to ¥978.8 billion. China now accounts for 30% of the global electronic component production. China shipped 560 billion units, up 42% YoY, of electronic devices in 2004, valued at ¥4.2 trillion, up 31%.

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

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

## IMV (7760 JASDAQ)

PRAP Japan, a Japanese manufacturer of industrial-use measuring instruments, will list on the JASDAQ Securities Exchange on July 20. The company will offer 1.7 million shares in its initial public offering. Of those, one million are newly issued shares and 700,000 are shares currently held in private. The lead underwriter has the option of to sell up to an additional 200,000 shares in the event of exceptional demand. The company expects to net ¥480 million from its initial public offering and plans to use the proceeds to retire debt. For the current fiscal year, the company forecasts a group pretax profit of ¥580 million, net profit of ¥379 million on sales of ¥4.75 billion. The tentative price range will be announced on June 29. The fixed offering price will be announced on July 8. Daiwa Securities SMBC 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	101.8	106.0	85.3	103.6		1,707						216
YoY	-0.2	-1.1	0.2	3.2	4.9	-4.8	-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