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High-tech Sector

Week ended June 26, 2005

Willcome Applies for 2Giga Band for PHS

Willcome Inc. a major personal handyphone (PHS phones) service provider has decided to bid for the 2GHz band to enter the fourth-generation PHS market. This type of phone will offer data speeds on a par with ADSL lines. The government plans to allocate bandwidths in the 1.7GHz band to up to two carriers and in the 2GHz band to one carrier.

NTT DoCoMo (9437 TSE1) to Offer Lower-Priced FOMA Phones

NTT DoCoMo (Stock code: 9437) plans to introduce competitively prices of 3G FOMA phones by procuring handsets from foreign vendors. As the first step, the company will start purchasing 3G handsets from LG Electronics, a S. Korean firm. The company will also for the first time adopt Qualcomm's semiconductor platform to lower the cost of its phones. High prices have kept sales from increasing rapidly.

IA Server Shipments Rebound

Shipments of IA servers in Japan in fiscal 2004, the year ended March 31, 2005, increased 20.6% year-on-year to 443,900 units, according to NOC Research, a high-tech think tank. The IA server market, lacking luster for several years amid a sluggish economy, seems to have returned to the growth path. Shipments in fiscal 2005 are expected to increase 13% to approximately 500,000 units. Low-end servers for the medium- to small-scale enterprises sector will drive demand, as they step up capital investment for IT infrastructure.

Driver IC Demand Surges

Demand for driver ICS for use in a range of electronic devices from personal computer monitors to mobile phones is increasing. However, Japanese driver IC manufacturers are facing severe price competition from their S. Korean and Taiwanese counterparts.

Control Equipment Shipments Up in Fiscal 2004

Shipments of electronic control equipment in fiscal 2004 were up 8.6% year-on-year to ¥607 billion, according to NECA, an association of electronic control equipment manufacturers. The figure was the second highest compared to the peak of ¥634 billion recorded in fiscal 2000. The trade body is forecasting shipment growth of 0.5% for fiscal 2005. Shipments in April were high, rising to ¥49.8 billion. The market should head for recovery in the second half, the association said.

LCD TV Shipments Surge in May

Shipments of all major consumer electronic items were strong in May, with the volume of shipments of DVD decks, PDP and LCD televisions, posting double-digit year-on-year gains, according to JEITA, the sector's trade association. Shipments of CRT televisions fell 32.4% to 240,000 units while those of LCD televisions rose 74.9% to 291,000 units. LCD television shipments exceeded those of CRT models for the first time. LCD televisions now account for 52% of all TV shipments. Demand for large-screen PDP televisions is also strong, with shipments of 44" and larger models rising by 142.4%.

LCD Panel Market Heads Toward Recovery

With the retail price of the LCD panels falling below ¥10,000/inch around the end of last year, demand has been recovering from the beginning of the year. Taiwan's five leading flat panel manufacturers boosted production in April and May, confirming that recovery has finally arrived. Shipments of flat panels will increase from 16.51 million units in the 2004 Oct-Dec quarter to an estimated 20.54 million in the 2005 April-June quarter.

China's Foundry to Grow at Slower Pace in 2005

After quadrupling in 2002 and tripling in 2003, China's foundry market is expected to grow only 7.8% in 2005 to \$2.5 billion due to sluggish contracts for semiconductor production. Nevertheless, the market is set for steady growth and is expected to reach \$3.76 billion in 2009.

Earnings Roundup

Consolidated First-Quarter Net Income Triples at Tay-Two (7610 JASDAQ)

Tay-Two Co. (Stock code: 7610), a retail chain specializing in the marketing of used as well as new books, videos and CDs and other items, reported first-quarter results on June 23. Consolidated net income increased three-fold year-on-year to ¥98 million due mainly to higher sales of used items, which have relatively high profit margins.

Initial Public Offerings (For detailed information, go to:

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

Maruman (7834 Hercules)

Maruman Co., Ltd, a Japanese company engaged in manufacturing and marketing golfing clubs, and wholesaling of golfing goods and health foods, will list on the Hercules Market of the Osaka Securities Exchange on July 21. The company will offer 3,500,000 shares in its initial public offering. Of those, 500,000 are newly issued shares and 3,000,000 are shares currently held in private. The tentative price range will be announced on July 1. The fixed offering price will be announced on July 11. Credit Swiss First Boston is the lead underwriter of the offer.

Miraial (4238 JASDAQ)

Miraial Co., Ltd, a Japanese company engaged in manufacturing and marketing silicon wafer containers mainly for the semiconductor manufacturing industry, as well as field systems and precision plastic molded products for electronic components, will list on the JASDAQ Securities Exchange on July 21. The company will offer 800,000 shares in its initial public offering. Of those, 500,000 are newly issued shares and 300,000 are shares currently held in private. The tentative price range will be announced on July 1. The fixed offering price will be announced on July 11. Mitsubishi Securities is the lead underwriter of the offer.

CYBELE (2228 JASDAQ)

CYBELE Co., Ltd, a Japanese company specializing in direct mail marketing of baked cookies, confectionaries and breads, will list on the JASDAQ Securities Exchange on July 29. The company will offer 2,800 shares in its initial public offering. Of those, 2,000 are newly issued shares and 800 are shares currently held in private. The tentative price range will be announced on July 7. The fixed offering price will be announced on July 19. Nomura Securities is the lead underwriter of the offer.

HOB (1382 JASDAQ)

HOB Co., Ltd, a Japanese company specializing in the development, production and marketing of strawberry samplings using biotechnology and marketing of strawberry and other fruits, will list on the JASDAQ Securities Exchange on August 1. The company will offer 1,350 shares in its initial public offering. Of those, 1,000 are newly issued shares and 350 are shares currently held in private. The tentative price range will be announced on July 8. The fixed offering price will be announced on July 20. The proceeds from the IPO will be used to retire debt and to finance working capital requirements. Nomura 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	101.8	106.0	85.3	103.6	2,136	1,707	14,671	2,087	5,449	7,135	3,178	216
YoY	-0.2	-1.1	0.2	3.2	3.7	-4.8	-6.8	-0.4	-1.5	-12.3	-11.8	-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