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High-tech Sector

Week ended July 3, 2005

NTT DoCoMo(9437 TSE1) and Vodafone(9434 TSE1) to Introduce High-speed Mobile Phones

NTT DoCoMo and Vodafone in 2006 plan to introduce new mobile phone terminals with data transfer speeds of up to 10 times the current levels and on a par with that of personal computers. The speed will exceed the normal data transfer speeds offered by BB networks.

Digital Consumer Electronics Prices to Decline

A recent survey showed that consumers expect prices of digital consumer electronics to decline in the months ahead and that there is a gap between current prices and the levels consumers consider appropriate. According to the survey, consumers thought that the fair price of a 40"-50" plasma television is around ¥350,000, down 12% from last winter. However, the market price is around ¥400,000 - ¥450,000.

Electronic Component Manufacturers Step Up R&D

Japan's electronic component manufacturers in fiscal 2005 will increase R&D expenditures by 5.6% from the previous fiscal year, according to a survey of 40 major electronic component manufacturers by a leading industrial daily. A large majority, 75%, plans to boost R&D spending this year. They will spend a combined ¥392.7 billion on R&D in fiscal 2005, up from ¥371.8 billion in the previous fiscal year. Major areas of research will be automotive electronics, mobile phone terminals, AV devices, digital cameras and flat panel displays.

e-Commerce Market Experiencing Explosive Growth

Japan's btoB EC market expanded 33% in 2004 to top ¥100 trillion, according to a recent government survey, carried out in cooperation with NTT Data Management Research Institute. However, the share of EC in total BtoB business is still just 15%. The BtoC EC market expanded 28% year-on-year to ¥5.6 trillion.

Semiconductor Producers to Hike Production in Fiscal

Japan's 13 leading semiconductor manufacturers plan to hike production by 7% to six trillion yen in fiscal 2005, the year ending March 31, 2006. Production increased 3.6% YoY in fiscal 2004 to ¥5.6 trillion, an insignificant increase compared to the 28.6% increase in global semiconductor production. Sony (Stock code: 6758) is planning to increase production 27.4% and Elpida Memory (Stock-code: 6665) 25.6%. Seiko Epson (Stock code: 6724) is the only company expecting semiconductor production to decline 13.9%. Regarding the earnings outlook, Nichia expects operating income to increase 66.3% in fiscal 2005. All others expect the operating income increase to be limited to a single digit.

Capital Investment Set for Robust Growth

Japan's private sector capital investment in fiscal 2005 is expected to increase 14%. The growth rate will be the second highest after the 16.7% recorded in fiscal 1980 and the highest in the past 25 years. The manufacturing sector, led by steel and chemicals, is expected to invest 21.3% more. Capital investment growth in the service sector is estimated at 8.5%. Capital investment by electrical machinery manufacturers is likely to be up 11.7%. Electronics equipment manufacturers are expected to increase capital investment by 11.9%. In the service industry, the IT services sector is expected to see capital investment going up 14.4%.

Machine Tool Industry DI Plunges

The DI for the outlook for machine tool orders for July slipped 11.9 points from June to 3.0 for July, according to the Japan Machine Tool Builders Association. The decline could simply be a sign of caution on the part of machine tool manufacturers in view of the high level of recent orders. The DI for domestic orders fell 8.9 points to 3.0 and that for overseas orders declined 3.1 points to 1.6.

Earnings Roundup

Oracle Japan(4716 TSE1) Reports Higher Net Income

Oracle Japan's (Stock code: 4716) non-consolidated net income for the fiscal year ended May 2005 rose 6% from the previous fiscal year to ¥16,900 million although sales were largely flat at ¥83.2 billion. Operating income was up 4% to ¥28,700 million, as the operating income margin improved by one percentage point. Strong sales of database software toward the end of the fiscal year to the public sector and the telecommunications industry pushed up sales 4% above the revised lower forecasts released in March.

Semiconductor Traders Post Strong Earnings Growth

Although the consolidated sales of the 26 major semiconductor traders increased 7.9% in the fiscal year ended March 2005, their semiconductor related sales rose 12.4%. Of particular note was the strong performance of traders specializing in semiconductors. At Kaga Electronics, (stock code: 8154) consolidated sales were up 31.8% year-on-year while semiconductor sales, driven by ICs for personal computers, were up 33.6%.

Initial Public Offerings (For detailed information, go to:

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

Ikyu (2450 TSE Mothers)

Ikyu Co., Ltd, a hotel reservation website operator, will list on the Mothers Market of the Tokyo Stock Exchange on August 3. The company will offer 12,100 shares to the public in its initial public offering. Of those, 3,020 are newly issued shares and 9,080 are shares currently held in private. The tentative price range will be announced on July 14. The fixed offering price will be announced on July 26. The company expects to net ¥1.4 billion from the IPO, a part of which is to be used for capital expenditure. The company is projecting non-consolidated net income of ¥635 million on revenue of ¥1.75 billion. The company split its stock 20-for-1 on June 15. Nikko Citigroup is the lead underwriter of the offer.

Zero (9028 TSE2)

Zero Co., Ltd, a Japanese company engaged in the transport of vehicles, will list on the Second Section of the Tokyo Stock Exchange on August 2. The company will offer 864,000 shares in its initial public offering. Of those, 300,000 are newly issued shares and 564,000 are shares currently held in private. The company expects to net ¥431 million from the IPO. Of the total proceeds, the company plans to use ¥280 million for capital expenditure and ¥151 million for working capital. The company is projecting consolidated net income of ¥782 million on sales of ¥51.67 billion. The tentative price range will be announced on July 13. The fixed offering price will be announced on July 21. Nomura Securities is the lead underwriter of the offer.

Land Business (8944 JASDAQ)

Land Business Co., Ltd, a real estate firm, will list on the JASDAQ Securities Exchange on July 29. The company will offer 4,500 shares in its initial public offering. Of those, 3,500 are newly issued shares and 1,000 are shares currently held in private. The underwriter has a green shoe option to offer up to an additional 500 shares in the event of exceptional demand. The company expects to net ¥972 million from the IPO. The company plans to use the proceeds for the purchase of real estate and construction of buildings. The company is projecting consolidated net income of ¥515 million on sales of ¥5.98 billion. The tentative price range will be announced on July 8. The fixed offering price will be announced on July 20. Daiwa Securities SMBC is the lead underwriter of the offer.

BroadB and Tower (3776 Hercules)

BroadBAnd Tower Co., Ltd, a Japanese company specializing in Internet services and distribution of content on broadband, will list on the Hercules Market of the Osaka Securities Exchange on August 3. The company will offer 2,500 shares in its initial public offering. All the shares are newly issued. The tentative price range will be announced on July 13. The fixed offering price will be announced on July 25. 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)
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