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High-tech Sector

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NTT – Third Round of Reorganization

NTT is planning to reorganize its operations once again to cope with its shrinking fixed-line telephone services along with the spread of the Internet and increasing competition, changes that NTT had not anticipated when it made the transition to a holding company structure, according to a major economic daily. The new plan is expected to more clearly define the roles of group firms and strengthen cooperation between them so that each can offer comprehensive telecommunication services.

Generation Change Underway in Mobile Music Players

While shipments of CD/MD mobile music players in August were down 30% to 50% year-on-year, total shipments of audio devices rose by a double-digit figure as sales of iPod and other MP3 players rose sharply, according to JEITA, a trade association. Shipments of mobile CD players were down 30.9% while those of MD players plunged 47.2%.

Demand for Large-screen Flat Panel Televisions Enters the Explosive Growth Phase

With the prices of autumn models of 40" LCD televisions set below ¥10,000/inch, the level at which popular demand is triggered, demand for flat panel televisions is experiencing a strong surge. In PDP televisions, demand for very large screen size televisions is increasing and in LCD televisions, demand is shifting to full-specification high-definition models. Expanding coverage of terrestrial digital broadcasting is also boosting demand.

LCD TV Shipments Surge in August

Shipments of LCD televisions (30" and larger) in August increased 2.7 times compared to the same month a year earlier. Shipments of PDP televisions were up 1.35 times.

DVD Recorder Demand Moves into High Gear

Despite a year-on-year decline in monthly sales in recent months, the outlook for DVD recorders is bright as it is poised to enter a growth phase. The DVD recorder is expected to become a core home electronics item, along with the flat panel television. The HDD type is expected to dominate the market. Demand for DVD players is shifting to application-specific models, such as car DVD players and portable DVD players.

Consumer Electronics Shipments Rebound in August

Shipments of consumer electronic items in August increased 5.9% year-on-year to 177.1 billion. This was the first gain in two months. Shipments of video devices rose 2.8% to ¥1155 billion. Shipments of audio devices were up 19.9%, led by MP3 players. Shipments of automotive electronic devices rose 9.7%, led by car navigation systems.

IT Spending to Rise in the Current Fiscal Year to 2006

Corporate investment in information technology is expected to increase in the current fiscal year ending March 2006, according to a survey by the Yano Research Institute. More companies (39.3%) plan to increase IT spending compared to 35% planning to leave it unchanged.

Earnings Roundup

Profit Expected to be Sharply Lower at Seiko Epson (6724 TSE1)

Seiko Epson (Stock code: 6724) revised its consolidated net income forecast for the current fiscal year ending March 2006 to ¥22.0 billion, down 60% from the previous fiscal year. The previous forecast saw consolidated net income at ¥44.0 billion, 21% lower than the previous fiscal year. Consolidated net sales are now expected to be ¥1.6 trillion, ¥21 billion lower than the previous forecast. The company cited declining electronic component prices and price pressure on its core ink jet printers amid intense competition to explain the downward revision.

Initial Public Offerings (For detailed information, go to:

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

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)
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	214
May	101.3	106.2	85.7	103.3	1,977	1,723	13,948	1,969	4,965	7,014	3,226	208
YoY	-1.2	0.4	8.3	-3.1	5.3	-10.0	-8.7	-3.3	-7.7	-10.8	-12.4	-13.0

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