



Vol . 188

## *High-tech Sector*

Week ended October 30, 2005

### **Global Mobile Phone Shipments Up 19% in Third Quarter**

Shipments of mobile phones worldwide rose 19% year-on-year to 283 million units, according to IDC, a high-tech research firm. Nokia was the largest vendor, with a market share of 32.0%, up from 29.4% from the same period a year earlier. Motorola was the second largest vendor, with a market share of 18.6%. The company increased its share by 5.3 percentage points from the same period last year. Other major vendors are Sony Erickson, LG and Samsung.

### **Global Semiconductor Demand Rising Steadily**

Driven by growing demand for digital home electronics, including mobile phones, flat panel televisions, DVD recorders, and PC storage devices and automotive electronics, global semiconductor demand is rising steadily, according to a survey by a leading Japanese electronics daily. Half the companies covered in the survey expect demand in the October-March period to increase by a single-digit figure. Only 5% expected a double-digit increase. The outlook for fiscal 2006, the year starting March 2006 is brighter, with 80% of the respondents projecting a single-digit increase, and 15% projecting double-digit growth.

### **Injection Molding Machine Orders Rise**

Orders for injection molding machines in September rose 6.8% compared with the same month in 2004 to 1,560 units, according to industry sources. This was the second consecutive year-on-year gain in monthly orders. Domestic orders fell 2.7% to 513 units but overseas orders rose 12.2% to 1,047 units.

### **SPE Orders Rebound in September**

Orders for Japanese-made semiconductor production equipment in September rose 21.7% year-on-year to ¥134.6 billion, according to SEAJ. This was the first year-on-year gain in monthly orders in six months. Orders in the Japanese market (including those for imported SPE) were up 23.2% to ¥77.2 billion.

### **LCD TV Shipments Surge in September**

Shipments of LCD television sets in September increased 7% to ¥214.6 billion, according to JEITA, the electronic sector's trade association. Shipments in the year to September were up 5.5% to ¥1.7 trillion. Shipments of LCD televisions larger than 30" rose 2.8-fold to 125,000 units compared to the same month in 2004, suggesting that demand is clearly shifting to larger size LCD TVs. Furthermore, shipments of LCD TVs in the year to September were 2.96 million units and are expected to overtake the CRT type this year.

## **Earnings Roundup**

### **Ricoh (7752 TSE1) Reports Record High Interim Net Income**

Ricoh's (Stock code: 7752) consolidated net income for the first half ended September 2005 increased 20% year-on-year to a record ¥42.6 billion on sales of ¥923.0 billion, up 5%. Ricoh renewed its interim net income record for the first time in two years. Sales rose lifted by strong demand for printers both in Japan and overseas. Full year sales are likely to exceed the previous forecast by ¥14.0 billion to ¥1.9 trillion. However, the company has left its income forecasts unchanged in view of an expected increase in system development-related costs.

### **Canon (7751 TSE1) Likely to Hike Dividend**

Canon (Stock code: 7751) is likely to increase its annual dividend for the current fiscal year to December 2005 by ¥20 to ¥85. The consolidated dividend payout ratio will increase from 16.8% to 20%. The company seems to have decided to raise the forecast as it expects to post higher consolidated net income. The company would be renewing its profit record for the sixth year in a row.

### **Fanuc (6954 TSE1) to Boost Dividend**

Fanuc (Stock code: 6954) will raise its interim dividend by ¥17 compared to the first half of 2004 to ¥31. This will boost the annual dividend to ¥62 per common share. Interim consolidated net income for the first half ended September 2005 increased 16% year-on-year to ¥43.7 billion on net sales of ¥182.7 billion, an increase of 19%. Profit rose as fixed costs, as a percentage of sales, fell reflecting rising sales of CNC systems and robots to Asian markets. The company is projecting net income of ¥83.8 billion, up 11%, on sales of ¥367.0 billion, a gain of 11% from the previous fiscal year.

### **Murata (6981 OSE1) Revises Earnings Forecasts Upward**

Murata Manufacturing (Stock code: 6981) said it now expects its consolidated net income for the current fiscal year to March 2006 to increase 10% to ¥51.0 billion. The previous forecast projected consolidated net income of ¥49.0 billion. Sales are also likely to be higher, rising 8% to ¥460.0 billion. The higher-than-projected figures reflect a rising demand for capacitors and high-frequency devices for use in mobile phones, and personal computers. Although capacity prices are on the skids, the setback will be offset by rising volume.

### **Elpida Memory (6665 TSE1) Falls in the Red**

Elpida Memory (Stock code: 6665) reported a ¥6.3 billion net loss in the first half ended September 2005, a steep decline from a ¥6.5 billion net income in the same period in 2004. The loss came despite a 5% year-on-year increase in sales to ¥151.5 billion, driven by rising demand for DRAMs for use in digital home electronics and mobile phones. Profit slipped as prices of semiconductors for digital home electronics fell faster than expected.

### **Shin-Etsu (4063 TSE1) Forecasts Strong Profit Growth**

Shin-Etsu Chemicals (Stock code: 4063) is forecasting consolidated net income for the current fiscal year ending March 2006 at ¥110.0 billion, up 18% year-on-year. This will be the eleventh consecutive record net income for the company. Sales are likely to be up 11% to ¥1.07 trillion. Interim consolidated net sales were up 14% to ¥535.1 billion. Interim net income increased 20% to ¥55.6 billion.

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

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

**Fread (9423 JAQ)**

Fread Co., Ltd., a telecommunications equipment marketing firm, will list on the JASDAQ Securities Exchange on November 30. The company will offer 1,670 shares to the public in its initial public offering. Of those 1,100 are newly issued shares and 570 are shares currently held in private. The tentative price range will be announced on November 9. The fixed offering price will be announced on November 18. The company expects to net ¥475 million from the IPO. The proceeds will be earmarked for capital investment and for financing working capital needs. The company is forecasting consolidated net income of ¥292 million on sales of ¥2.64 billion. Tokai Tokyo Securities is the lead underwriter of the offer.

**DDS (3782 MTH)**

DDS Inc., a Japanese firm specializing in fingerprint authentication systems, will list on the Mothers market of the Tokyo Stock Exchange on November 28. The company will offer 2,700 newly issued shares to the public in its initial public offering. The tentative price range will be announced on November 9. The fixed offering price will be announced on November 16. The company expects to net ¥1.32 billion from the IPO. The company plans to use the proceeds for R&D and setting up computer systems. The company is forecasting non-consolidated net income of ¥132 million on sales of ¥1.3 billion. Nomura Securities is the lead underwriter of the offer.

**Nano Media (3783 MTH)**

NANO Media Inc., a company specializing in the distribution of content for mobile phones, will list on the Mothers market of the Tokyo Stock Exchange on November 29. The company will offer 4,000 shares to the public in its initial public offering. Of those 3,100 are newly issued shares and 900 are shares currently held in private. The lead underwriter has a green shoe option, allowing it to offer an additional 600 shares in the event of exceptional demand. The tentative price range will be announced on November 9. The fixed offering price will be announced on November 17. The proceeds will be invested in its mobile content business. The company is forecasting net income of ¥371 million on sales of ¥3.85 billion. Nomura Securities is the lead underwriter of the offer.

**Furukawa-Sky (5741 TSE)**

Furukawa-Sky Aluminum Corporation, an aluminum products manufacturer, will list on the Tokyo Stock Exchange on December 2. The company will offer 54.2 million shares to the public in its initial public offering. Of those 22.10 million are newly issued shares and 27.10 are shares currently held in private. The lead underwriter has a green shoe option, allowing it to offer an additional 5 million shares in the event of exceptional demand. The tentative price range will be announced on November 10. The fixed offering price will be announced on November 21. The company plans to use the proceeds, an estimated ¥10.3 billion, from the IPO for capital investment. The company is forecasting consolidated net income of ¥8.72 billion on sales of ¥212.4 billion. Nomura Securities is the lead underwriter of the offer.

**[F@N Communications \(2461 JAQ\)](#)**

F@N Communications Inc., an Internet advertising agency, will list on the JASDAQ Securities Exchange on November 30. The company will offer 1,100 newly issued shares to the public in its initial public offering. The tentative price range will be announced on November 9. The fixed offering price will be announced on November 18. The company expects to net ¥1.5 billion from the IPO. The company plans to use the proceeds for capital investment and for working capital needs. The company is forecasting non-consolidated net income of ¥368.5 million on sales of ¥4.3 billion. Ichiyoshi Securities is the lead underwriter of the offer.

**Earth Chemical (4985 TSE2)**

Earth Chemical Co., Ltd., a pesticides manufacturer, will list on the Second Section of the Tokyo Stock Exchange on November 30. The company will offer 2 million newly issued shares

to the public in its initial public offering. The tentative price range will be announced on November 10. The fixed offering price will be announced on November 18. The company expects to net ¥3.7 billion from the IPO. The company plans to use the proceeds for capital investment and for retiring debt. The company is forecasting consolidated net income of ¥2.4 billion on sales of ¥82.7 billion. Nomura Securities is the lead underwriter of the offer.

#### **Sala House (1405 TSE2)**

Sala House Co., Ltd., a house builder, will list on the Second Section of the Tokyo Stock Exchange on December 5. The company will offer 1.3 million newly issued shares to the public in its initial public offering. The tentative price range will be announced on November 14. The fixed offering price will be announced on November 24. The company expects to net ¥1.5 billion from the IPO and plans to use the proceeds for capital investment. The company is forecasting consolidated net income of ¥528 million on sales of ¥39.3 billion. Nomura Securities is the lead underwriter of the offer.

#### **Aprecio (2460 NSE)**

Aprecio Co., Ltd., a Japanese coffee shop franchiser operating directly managed coffee shops also, will go public on the Nagoya Stock Exchange on November 29. The company will offer 3,000 shares in its initial public offering. Of the total, 2,000 are newly issued shares and 1,000 are shares currently held in private. The tentative price range will be announced on November 8 and the fixed offering price will be announced on November 16. HS Securities is the lead underwriter for the initial public offering.

#### **POSCO (5412 TSE)**

POSCO Co., Ltd., a Japanese company engaged in the manufacture and marketing of furnace steel and rolled steel sheets, will go public on the Tokyo Stock Exchange on November 22. The company will offer 14,000,000 shares in its initial public offering. All the shares are currently held in private. Nomura Securities is the lead underwriter for the initial public offering.

### **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)
<b>June</b>	102.0	107.4	82.1	112.9	2,287	2,013	17,641	2,362	6,525	8,754	3,938	248
<b>July</b>	102.1	106.4	81.0	114.0	2,226	2,005	16,722	2,165	6,057	8,499	3,847	296
<b>Aug</b>	108.4	108.8	82.0	79.2	2,101	1,435	15,383	1,860	5,455	8,068	3,761	237
<b>Sept</b>	98.2	101.4	82.4	84.5	2,604	1,447	18,193	2,251	7,487	8,455	3,712	217
<b>Oct</b>	99.9	106.1	81.5	74.9	2,116	1,419	15,088	2,369	5,014	7,705	3,721	253
<b>Nov</b>	102.3	107.1	81.8	81.0	2,223	1,553	15,872	2,496	5,625	7,751	3,674	252
<b>Dec</b>	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	330
<b>Jan</b>	101.0	107.2	79.3	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
<b>Feb</b>	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
<b>Mar</b>	93.1	98.5	80.9	99.7	3,392	1,534	19,039	2,191	8,688	8,160	3,636	234
<b>Apr</b>	101.8	106.0	85.3	103.6	2,136	1,707	14,671	2,087	5,449	7,135	3,178	214
<b>May</b>	101.3	106.2	85.7	103.3	1,977	1,723	13,948	1,969	4,965	7,014	3,226	208
<b>YoY</b>	2.1	3.9	7.9	-6.0	2.0	-12.9	-0.7	11.6	0.5	-4.2	-6.4	-5.4

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