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High-tech Sector

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Demand for Tape Storage Systems Rising

Demand for tape storage systems used primarily for data backup applications is rising. Rising storage capacity, faster read/write speeds and declining prices of middle-range LTO systems is spurring demand for tape storage systems. Shipments of both high- and low-end systems are increasing at double-digit rates.

Electronic Component Shipments Up for Six Months in a Row

The global demand for electronic components is increasing, according to JEITA, the sector's trade body. Global shipments were up 12% to ¥355.3 billion. The trade association cited strong demand for components going into mobile phones, digital consumer electronics and personal computers for the favorable picture. Shipments of connectors (up 8%) and transformation parts (up 12%) saw solid gains. Shipments of other components rose 8%. Those of high-frequency components surged 11%.

IA Server Shipments Up in April-June Quarter

Shipments of open servers rose 14% year-on-year to 92,711 units, but shipments of mainframes were down 20% to 160 units. Despite the strong increase in the volume of shipments of open servers, the value of shipments fell 3% to ¥118.0 billion due to intensifying price competition.

Machine Tool Orders in First Half Increase 6.4%

Machine tool orders in the first half (April-Sept) of the current fiscal year rose 6.4% year-on-year to ¥341,100 million, according to the Japan Machine Tool Builders Association. Domestic orders increased 6.8% to ¥21,152 million. Overseas orders increased 5.7% to ¥129,661 million. However, the November DI for the outlook for orders slipped 1.5 points to 3.0.

Orders for Small Machine Tools Up in September

Orders for small machine tools in the July-September quarter rose 8.6% to ¥24.5 billion compared to the same period a year earlier. Domestic orders totaled ¥16.3 billion and overseas orders totaled ¥8.1 billion. In volume terms, domestic orders totaled 2,043 units and overseas orders came to 970 units.

Industrial Robot Shipments Up Sharply

Shipments of industrial robots in the July-September quarter rose 17.1% year-on-year to ¥141.7 billion. This was the third consecutive year-on-year gain in quarterly orders. Monthly orders were also above their previous-year levels for the ninth month in a row. Although shipments to the electrical and electronics machinery sectors were sluggish, shipments to the

automotive sector surged 62.5% to ¥24.6 billion. Overseas shipments were led by welding robots and electronic component-mounting robots, up 15.7% and 21.4% respectively. Shipments to China were particularly brisk.

IDC Demand Up Sharply in Metropolitan Tokyo Region

An increasing number of firms in the Tokyo metropolitan area are partially or fully outsourcing their IT systems to Internet data centers (IDC). As a result, the long sluggish capacity utilization rates at data centers are rising and some operators are finding it difficult to cope with demand. In addition, demand growth, led by the metropolitan Tokyo region, is expected to accelerate further.

Earnings Roundup

Interim Results in the Electronics Sector – A mixed Picture

Yen in millions

Company	Sales	Operating Income	Net income
Hitachi	44,133 (1.9)	777 (-38.9)	-109 (-)
Matsushita	42,592 (-1.4)	1,710 (9.4)	644 (14.6)
Sony	32,624 (-1.6)	506 (-4.7)	212 (-72.3)
Toshiba	29,001 (4.3)	513 (1.4)	146 (74.8)
NEC	22,330 (-3.0)	129 (-78.1)	164 (-34.8)
Fujitsu	21,23 (-1.2)	475 (42.9)	76 (-)
Mitsubishi Electric	16,478 (2.5)	460 (6.3)	291 (52.5)
Sharp	1,355 (6.2)	750 (-3.2)	364 (-7.2)
Victor	3,872 (-5.6)	-37 (-)	-153 (-)
Pioneer	3,498 (1.4)	-163 (-)	-122 (-)

There were stark differences in the interim results of electronics firms. Six of the 10 major electronics firms reported lower earnings. Pioneer (Stock code: 6773) announced a ¥12.26 billion net loss, affected by sharp price declines for plasma display panels and DVD recorders. Revenue, however, rose 1.4% year-on-year to ¥349.9 billion. Pioneer's problems cast a strong contrast with Mitsubishi Electric (Stock code: 6503), which last week reported strong earnings growth in the first half due to robust demand for plasma televisions and digital cameras. It has successfully coped with falling prices by cutting costs. Sharp (Stock code: 6753) continued to see solid growth in its LCD TV business, with sales rising 40% year-on-year. Citing tight supply of LCD panels, the company said it expects further expansion in output. The company's total earnings, however, fell in the first half due to poor performance of its semiconductor business, which was affected by sharply lower prices for flash memories. Sony (Stock code: 6758) reported sharply lower earnings as its mainstay consumer electronics business posted losses. Victor Co. of Japan (Stock code: 6792), posted its second consecutive first-half loss due to delays in developing DVD recorders and LCD panels. Sanyo Electric (Stock code: 6764) is also expected to announce a loss and Hitachi (Stock code: 6501) additionally reported a net loss for the first half.

Fuji Photo Film's (4901 TSE1) Interim Net Plunges 37%

Fuji Film's (Stock code: 4901) consolidated interim net income fell 37% year-on-year to ¥33,100 million despite a sales gain of 4% to ¥1.2 trillion. Brisk shipments of flat panel display materials, digital color hybrid devices and printers boosted sales. Sales of color films and digital mini laboratories were sluggish. Operating income was down 41% to ¥60,000 million. The company did not change its full year forecasts. The company cited expected improvement in profit margins on copiers and printers, in addition to an estimated 7% increase in sales, to explain its decision to leave the full-year forecasts unchanged.

Initial Public Offerings (For detailed information, go to:

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

Senior Communication (2463 MTH)

Senior Communication Co., Ltd., a Japanese specializing in support services, including consulting and sales promotion, for the elderly market, will go public on the Mothers market of the Tokyo Stock Exchange on December 9. The company will offer 1,800 shares in its initial public offering. Of the total, 980 are newly issued shares and 820 are shares currently held in private. The tentative price range will be announced on November 17 and the fixed offering price will be announced on November 29. Mizuho Investors Securities is the lead underwriter for the initial public offering.

Vinculum Japan (3784 JAQ)

Vinculum Japan Co., Ltd., a company providing comprehensive information services to the distribution and services sectors, will go public on the JASDAQ Securities Exchange on December 2. The company will offer 7,000 shares in its initial public offering. Of the total, 3,500 are newly issued shares and 3,500 are shares currently held in private. The tentative price range will be announced on November 11 and the fixed offering price will be announced on November 22. Daiwa Securities SMBC is the lead underwriter for the initial public offering.

Delica Foods (3392 TSE2)

Delica Foods Co., Ltd., a Japanese company marketing pre-cut vegetables and fruits, will go public on the Second Section of the Tokyo Stock Exchange on December 6. The company will offer 5,000 shares in its initial public offering. Of the total, 3,600 are newly issued shares and 1,300 are shares currently held in private. The tentative price range will be announced on November 14 and the fixed offering price will be announced on November 24. Mizuho Investors Securities is the lead underwriter for the initial public offering.

Grandy House (8999 TSE2)

Grandy House Co., Ltd., a Japanese real estate firm marketing single-family homes, will go public on the Second Section of the Tokyo Stock Exchange on December 6. The company will offer 7,000 shares in its initial public offering. Of the total, 6,000 are newly issued shares and 1,000 are shares currently held in private. The underwriter has a green shoe option to offer an additional 1,050 shares in case of exceptional demand. The tentative price range will be announced on November 15 and the fixed offering price will be announced on November 25. Nomura Securities is the lead underwriter for the initial public offering.

Eighting (3785 MTH)

Eighting Co., Ltd., a Japanese IT firm specializing in the planning, development of consumer TV game software and mobile phone content, will go public on the Mothers market of the Tokyo Stock Exchange on December 7. The company will offer 7,000 shares in its initial public offering. Of the total, 3,000 are newly issued shares and 4,000 are shares currently held in private. The underwriter has a green shoe option to offer 1,000 additional shares in the event of excessive demand. The tentative price range will be announced on November 17 and the fixed offering price will be announced on November 29. Nikko Citigroup is the lead underwriter for the initial public offering.

J-COM (2462 MTH)

J-COM Co., Ltd., a Japanese company providing comprehensive human resources service and multi-media service, will go public on the Mothers market of the Tokyo Stock Exchange on December 8. The company will offer 2,800 shares in its initial public offering. Of the total, 2,000 are newly issued shares and 8,00 are shares currently held in private. The underwriter

has a green shoe option to offer 200 additional shares in the event of excessive demand. The tentative price range will be announced on November 18 and the fixed offering price will be announced on November 30. Nikko Citigroup 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)
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	2.7	7.6	4.5	-6.0	2.0	-12.9	-0.7	11.6	0.5	-4.2	-6.4	-5.5

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