



Vol . 193

## *High-tech Sector*

Week ended December 11, 2005

### **Consolidation Starts Among Mobile Phone Manufacturers in Japan**

Consolidation seems to be getting underway among Japan's mobile phone manufacturers. Matsushita Electric is scaling down its overseas mobile phone operations. Japanese mobile phone manufacturers have been unable to maintain their market shares in overseas markets, where real growth lies. At home they are being hurt by excessive competition. Global shipments of mobile phones are forecast to increase from 510 million units in 2003 to 800 million units in 2005, according to Gartner Research, a firm specializing in the high-tech sector.

### **Renesas Technologies to Pull Out of Flash Memories**

Renesas Technologies will suspend the development of next-generation (8 giga-byte) flash memories. At the same time it will expand the tie-up with its Taiwan outsourcing partner. However, concerned over the transfer of advanced technology (particularly its AG-AND technology), the government seems to be opposed to such expanded cooperation. Renesas had also been exploring the possibility of a tie-up with Toshiba, but negotiations have not been successful so far.

### **Second-half Outlook Bright for Electronic Components**

The July-September quarter momentum of rising orders was carried over in October and November and orders seem to be favorable in December also. Demand for mobile phone components are strong from BRICs countries and orders related to the Christmas shopping season in the U. S. are also strong. Overseas demand for flat-panel televisions, HDDs, notebook PCs and car electronics are strong.

### **Machine Tool Orders Up in October**

Combined orders at Japan's eight major machine tool manufacturers rose 12.6% year-on-year in October to ¥46.7 billion, according to a survey by a major industrial daily. This was the 38<sup>th</sup> straight year-on-year gain in monthly orders. Orders were 5.3% higher than the previous month. Domestic orders were up 16.9% year-on-year to ¥29.4 billion. Overseas orders increased 5.9% to ¥17.3 billion. Orders were above the ¥20-billion level for 20 months in a row and export orders were above the ¥15 billion level for five months. Machine tool orders on the all-industry basis increased 1.3% year-on-year to ¥114.7 billion.

### **Global Electronic Component Shipments Rise in First Half**

Global electronic shipments in the first quarter of the current fiscal year (April-September) increased 7% year-on-year to ¥2.9 trillion, according to JEITA, the sector's trade body in Japan. Shipments were above their previous-year levels for seven months in a row. Demand for electronic components rose in digital consumer electronics, mobile phones, personal computers

and the automobile sector. Shipments of passive parts were flat but those in the other electronics category were up 10%. High-frequency components (up 14%) and transformer parts (up 14%) recorded strong growth. Connector shipments increased 10%.

#### **First-half PC Server Shipments Rise Sharply**

Shipments of PC servers in the first half of the current fiscal year ended September 2005 were up 35.1% year-on-year to 242,300 units, according to the MM Research Institute, a high-tech think tank. The growth rate was the highest after the first half of fiscal 1997. The research institute is projecting a 19.8% year-on-year increase in shipments in the second half to 300,000 units. Dell Computer became the largest vendor for the first time, increasing its market share to 22.5%. NEC (Stock code: 6701) followed with a market share of 22.2%. HP Japan had a 16.9% share of Japan's PC server market.

#### **Earnings Roundup**

##### **Verisign (3722 MTH) Likely to Report Strong Earnings Growth**

Verisign Japan (Stock code: 3722) is likely to see its consolidated ordinary income for the current year ending December to increase 35% year-on-year to approximately ¥2,200 million on a sales gain of 39% to ¥9,500 million. The company acquired Site Lock in order to expand its information security business. The subsidiary is expected to contribute about ¥1,300 million to consolidated sales.

##### **Semiconductor Traders Interim Results – A Mixed Picture**

Ten of Japan's 20 major semiconductor traders reported sales and earnings declines in the first half ended September 2005. In addition to inventory adjustment in semiconductors and electronic components, their results were also affected by declining prices of personal computer memories and ICs for DVD recorders and LCD panels. In the second half, prices are likely to be under continued pressure and the outlook for overseas markets remains unclear. However, inventory adjustment is almost complete and as a result nine are expected to post higher sales and profit for the full year.

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No new issues were approved for listing during the week.

## 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>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>Jun</b>	106.5	113.4	86.7	123.3	2,409	2,040	16,111	2,134	6,215	7,762	3,440	233
<b>Jul</b>	102.1	106.8	87.8	110.2	2,270	1,804	15,145	2,028	5,545	7,572	3,370	268
<b>Aug</b>	110.8	113.1	88.5	74.1		1,249	15,156	1,985	5,439	7,733	3,522	224
<b>Sept</b>	104.0	109.0	86.1	79.0		1,331	17,721	2,394	6,937	8,390	3,701	206
<b>YoY</b>	7.4	6.3	5.9	-6.0	2.0	-8.2	-2.4	6.3	-6.8	-0.8	-0.3	-12.5

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