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High-tech Sector

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Japan's Mobile Handset Makers Loosing out - NEC (6701 TSE1) to Consolidate Mobile Phone Business

NEC plans to scale down its overseas mobile phone operations. As a part of the scale-down, NEC (Stock code: 6701) will close down the development and marketing of low-end mobile phones in China and focus exclusively on high-end models. In addition to reducing the number of models it offers by half, the company will also streamline its marketing networks. By reducing the number of models it offers in Europe also, NEC expects to move its mobile handset business to profitability. Matsushita Electric (Stock code: 6752) is also planning to consolidate its overseas operations.

Mobile Phone Shipments Up in October

Shipments of mobile phone handsets in October rose 32% to 3.16 million units, according to JEITA, a trade association. Shipments were lifted by strong demand for 3G phones, up 99.9% to 2.37 million units, accounting for more than 70% of all mobile phone handset shipments for three months in a row. On the other hand, shipments of 2G phones fell 41.5% to 0.67 million units. Monthly shipments of phones were the lowest since the government started compiling statistics on this phone category.

Industrial Electronics Market Outlook

The demand for electronic devices for industrial applications in fiscal 2005 is forecast to increase 0.8% year-on-year to ¥12.4 trillion, according to JEITA, the sector's trade body in Japan. The association also projects an annual average growth rate of 0.8% through 2008. Growth will be driven by digital consumer electronics, high-speed communication equipment and other emerging technologies. Market drivers will be mobile phones, digital broadcasting, broadband and ubiquitous IT systems. Particularly strong growth is projected for transmission equipment (average annual growth rate:13.0%), magnetic disk equipment (8.0%) network storage (5%), and PC cards/small cards (6.2%). On the other hand, the trade body is projecting a slowdown in PHS, digital cameras, telemeters, fixed-line phones, mainframe computers, and workstations.

Machine Tool Orders Up in November

Machine tool orders in November rose 1.8% year-on-year to ¥115.3 billion, according to the Japan Machine Tool Builders Association. Monthly machine tool orders have been above their previous-year levels for 38 months in a row. Moreover, orders have stayed above the ¥100 billion mark for 19 months. However, domestic orders fell 1.0% year on year to ¥62.2 billion. Overseas orders rose 5.2% to ¥53.0 billion.

Injection Molding Machine Orders Up in October

Injection machine orders in October rose 11.2% year-on-year to 1,612 units, according to industry sources. Orders were up 3.3%, or by 52 units, in October. Domestic orders rose 16.8% to 680 units while export orders increased 7.4% to 932 units.

IT Service Sector Orders Rise in October

Orders received by IT service firms in October increased 2.3% to ¥574.5 billion. This was the sixth consecutive year-on-year gain in monthly orders. Orders for the mainstay custom software were up 4.3% as the telecommunications and manufacturing sector firms stepped up investment in IT systems. Orders for system integration projects were up 2.2%.

Universal Communication to Witness Strong Growth

Universal communication is expected to grow into a ¥50 trillion market by 2020, according to government forecasts. The government has identified four areas where technology will have to advance for the market to reach the projected level. These are: technology for the distribution of rich content, for improving communication quality, for super communication, and for ubiquitous and universal communications. These technologies, according to the government, will have a significant ripple effect which is estimated at about ¥50 trillion, representing about one-third of the total ubiquitous network-related demand.

Electrical Measuring Instrument Market Outlook

Although the electrical measuring equipment market shrank 4.2% year-on-year in fiscal 2005, it is expected to revert to growth, expanding at an average annual rate of 2.5% through fiscal 2009, according to JEMIMA.

X-BOX 360 – Slow Start

Sales of X Box 360, the next-generation video game machine from Microsoft were slow, with the new model selling only 62,135 units in the first two days after its launch in Japan. The primary reasons for the slow start is the delay in the release of the title *Dead or Alive*. Sales could pick up in January when Microsoft is expected to release more role-playing, racing and other games.

Earnings Roundup

Ordinary Income Doubles at Cybozu (4776 TSE2)

Consolidated ordinary income for the first three quarters ended October doubled to ¥770 million on a sales gain of 86% to ¥4,000 million. Consolidated net income increased only 60% to ¥350 million as the company booked charges for extraordinary losses related to its officers' retirement allowance.

[http://www.tokyoipo.com/top/en/index.php?id=&seqid=\)](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)
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
Jun	106.5	113.4	86.7	123.3	2,409	2,040	16,111	2,134	6,215	7,762	3,440	233
Jul	102.1	106.8	87.8	110.2	2,270	1,804	15,145	2,028	5,545	7,572	3,370	268
Aug	110.8	113.1	88.5	74.1		1,249	15,156	1,985	5,439	7,733	3,522	224
Sept	104.0	109.0	86.1	79.0		1,331	17,721	2,394	6,937	8,390	3,701	206
YoY	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