



Vol . 195

High-tech Sector

Week ended December 25, 2005

NTT DoCoMo (9437 TSE1) to Take Equity Position in Fuji TV (4676 TSE1)

NTT DoCoMo (Stock code: 9437) said on the 21st of December that it will take an equity position in Fuji Television (Stock code: 4676). The move is expected to accelerate fusion between telecommunications and broadcasting, now that Japan's telecom giant has finally made a move in that direction. NTT DoCoMo will acquire a 2.6% equity interest in Fuji Television for an estimated ¥20.7 billion. The two companies will explore areas of possible interest, including distribution of Fuji TV's program on mobile phones.

Business Machine Demand to Increase 2.6% in 2006

Demand for business machines, including copiers, printers, data projectors time recorders, etc., in 2006 is expected to increase 2.6% from the previous fiscal year to two trillion yen, according to a recent forecast released by JBMIA, the business machine sector's trade body. Growth is likely to accelerate to 3.1% in 2007, the trade body added. Domestic shipments in 2006 are projected to rise by 1.6%, driven mainly by full-color copiers. Exports should increase 2.5%. Shipments of full-color copiers will increase an estimated 19.7% in 2006 and 16.6% in 2007. On the other hand shipments of analog and monochrome copiers will plunge sharply.

Japan's Electronic Sector's Production Set for Recovery in 2006

After falling an estimated 4% year-on-year in 2005, production of Japan's electronics sector is expected to rebound, increasing 2.3% in 2006 to ¥19.4 trillion, according to JEITA, the sector's trade association. Production of consumer electronic devices is expected to increase 2.5% to ¥2.6 trillion. Output of industrial electronic devices should rise 2.0% to ¥7.4 trillion, according to the trade body's forecast. Production of electronic components should see a 1.7% gain to ¥2.9 trillion, as demand for mobile phones, digital AV and automotive electronics grows.

Electronic Component and Semiconductor Manufacturers Bullish on 2006

Japan's electronic devices manufacturers are optimistic about 2006, with 78% expecting demand to continue to increase, according to a recent survey by a leading economic daily. Only about 20% expect the market for electronic components to remain largely unchanged from the 2005 level. They cite the World Cup Soccer Games, expansion of the digital TV service area, introduction of the next-generation DVD recorders and the launching of new game machines to explain their positive stance. Most expect their production facilities to continue to operate at full capacity in 2006.

Network Equipment Production Rises

Production of network equipment in the January-September period rose 111.8% year-on-year to ¥9,088 million, according to government statistics. This is good news for manufacturers

since it comes at a time when production of resistors is shifting overseas.

Semiconductor Wafer Substrate Market – 2005 a Boom Year

While the overall market for semiconductor wafer substrates was strong in 2005, market conditions were not uniform for all types of materials. While the production value and volume of silicon wafers rose steadily through 2005, the production value of compound semiconductor wafer substrates fell despite a rising volume. Production of both, 300-mm and 200-mm, wafers is expected to grow steadily through 2007, although the possibility of some sluggishness cannot be ruled out. In compound semiconductors, the outlook for GaN and SiC is particularly favorable.

Automotive Electronics Market Outlook

Among the major automotive electronics categories (power systems, chassis, convenience, passive safety, active safety), demand for the active safety category of automotive electronics devices is expected to post the strongest growth, expanding at an average annual rate of 97.7% through 2010, according to a recent report by the Yano Economic Research Institute. The growth rate of passive safety devices will be 5.6%, the think tank said. Electronic devices related to convenience enhancement will see an average growth rate of 6.3% during the same period.

Core Silicon Market Set for Strong Growth

The core silicon market is expected to grow at an annual average rate of 9% through 2010 and reach \$130 billion, according to I Supply, a high-tech market research firm. The growth rate of ASSP, the largest component of the market, is estimated at 9.4%. In the ASSP category, the highest growth will be in the automotive sector. Computer and consumer electronics-related applications will also experience double-digit growth rates. On the other hand, ASIC will experience relatively sluggish growth, with only a limited number of vendors benefiting.

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

Estic (6161MTH)

Estic Co., Ltd., a machine manufacturer, will list on the Mothers Market of the Tokyo Stock Exchange on January 30. The company will offer 3,600 shares to the public in its initial public offering. Of those 2,000 are newly issued shares and 1,600 are shares currently held in private. The tentative price range will be announced on January 10. The fixed offering price will be announced on January 19. The company plans to use the proceeds for capital investment, loan repayment and for research and development. Shinko Securities is the lead underwriter of the offer.

Hibino (2469 JAQ)

Hibino Co., Ltd., a Japanese company specializing in the planning, design, installation, marketing and rental of commercial-use audio and video systems, will list on the JASDAQ Market on February 2. The company will offer 1,000,000 shares to the public in its initial public offering. Of those 700,000 are newly issued shares and 300,000 are shares currently held in private. The tentative price range will be announced on January 16. The fixed offering price will be announced on January 24. The company plans to use the proceeds for capital investment and for financing working capital requirements. Shinko Securities is the lead underwriter of the offer.

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	7.5	6.5	6.0	7.5	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