



Vol . 204

## *High-tech Sector*

Week ended April 9, 2006

### **IT Service Sector Recovering**

Japan's IT service sector in fiscal 2005, the year ended March 2006, totaled ¥13.55 trillion, up 2.4% year-on-year, according to MIC Economic Research Institute. Recovery gathered speed from the second half, expanding total demand. System development accounted for ¥7.6 trillion or 52.1% of the total. Representing 18.0% of the total, outsourcing service grew by 4.7% year-on-year to ¥1.72 trillion. In view of current trends, the research institute is forecasting a 4.0% increase for fiscal 2006 to ¥14.1 trillion. The report estimates the IT service sector market at 15.2% trillion in fiscal 2008.

### **IP-VPN/Internet-VPN User Trends**

According to a recent survey by Mitsubishi Research Institute, 68.1% of companies installing IP-VPN and Internet-VPN services place importance on the service rate in choosing a service provider. Roughly 48.7% see installation cost as an important factor. Security is also an important consideration for more than half the companies in selecting a service provider. Communication speed was an important factor for 29.6% of the respondents in the survey.

### **Global Electronic Component Shipment Up in January**

Electronic component shipments worldwide rose 16% in January to ¥354.8 billion, recording the eleventh consecutive year-on-year gain in monthly shipments, according to the sector's trade association. Shipments were driven by rising production of IT devices such as cell phones and personal computers, in addition to strong sales of consumer electronic items, led by flat panel televisions, DVDs, digital cameras and portable audio devices. Relatively strong gains were recorded by components for audio equipment, small motors, connectors, and coils.

### **Machine Tool Orders Rise in February - Trend Continues in March**

Orders for machine tools at Japan's top ten machine tool manufacturers in February increased by 6.4% year-on-year to ¥57.5 billion, according to a survey by a leading Japanese industrial daily. This was the 40<sup>th</sup> straight year-on-year gain in monthly orders. Orders were up 8.1% compared to the previous month. Domestic orders rose 6.6% YoY to ¥36.1 billion and export orders were up 6.2% to ¥21.4 billion. Tsugami (Stock code: 6101) posted the highest gain, with total orders increasing by 17.6%. Machine tool orders in Japan increased 4.5% in March to ¥124.3 billion, according to preliminary figures released by the Japan Machine Tool Builders Association. Domestic orders were down 2.2% to ¥67.3 billion, while overseas orders increased 13.8% to ¥56.97 billion.

### **NTT DoCoMo (9437 TSE1) Reports Highest Subscriber Growth in Fiscal 2005 – Recaptures Top Spot after Three Years**

Mobile phone subscribers in Japan increased by 4,794,4000 in fiscal 2005, the year ended March 31, 2006. NTT DoCoMo (Stock code: 9437) saw the biggest net increase in mobile phone subscribers in fiscal 2005. It beat its rival KDDI (Stock code: 9433) by a narrow margin. NTT's mobile phone subscriber base expanded by 2,318,700 users, as mobile phone users reacted favorably to its new rate structure and its new 3G models. Vodafone logged a net increase of 169,200 subscribers. Its poor performance is blamed on delays in launching its 3G service.

### **Domestic PC Shipments Up in 2005 – Growth to Continue**

Domestic computer shipments in Japan in 2005 increased 7.4% to 14.15 million units to record the third successive year of growth in annual shipments, according to Gartner Japan, a research firm. Shipments were driven by strong demand from small and medium-size enterprises as well as from individual consumers. Demand from the corporate sector rose 5.7%. The largest vendor was NEC, followed by Fujitsu and Dell. NEC, Dell and Toshiba increased their market shares. NEC saw its shipments increase by 11.6% on strong demand from both corporate and consumer sectors.

### **China's IC Market Continues to Expand**

According to CCID Consulting, China's IC market in 2005 expanded by 30.8% to an estimated ¥5.5 trillion from ¥4.2 trillion recorded for 2004. The growth slowed from 40% in 2003 and 2004.

### **Earnings Roundup**

#### **Ushio (6925 TSE1) to Post Record Consolidated Income**

Ushio (Stock code: 6925) is likely to see its consolidated net income increase by 3% to approximately ¥1.4 billion on sales of ¥128 billion, up 7% compared to the previous fiscal year. The company's previous forecast saw profit falling by 2%. However, operating income is likely to fall by 11% to ¥1.8 billion due mainly to higher R&D and depreciation expenses.

#### **Pentax (7750 TSE1) to Post Higher Profit**

Pentax Corp. (Stock code: 7750) expects to see its consolidated operating income increase soar by 73% from the previous fiscal year to ¥9 billion on sales of ¥150 billion, up 4%. However, net income is likely to be only ¥1.4 billion because of higher retirement benefit expenses and other factors. But profit is expected to rebound in fiscal 2006, rising 240% from FY2005 estimates to about ¥4.5 billion.

[http://www.tokyoipo.com/top/en/index.php?id=&seqid=\)](http://www.tokyoipo.com/top/en/index.php?id=&seqid=)

No new initial public offerings were approved in the week ended April 9.

## 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>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>June</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>July</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	2,180	1,249	15,156	1,985	5,439	7,733	3,522	224
<b>Sept</b>	104.0	109.0	86.1	79.0	2,762	1,331	17,721	2,394	6,937	8,390	3,701	206
<b>Oct</b>	107.4	113.0	86.4	80.1	2,261	1,432	15,800	2,450	5,196	8,154	3,573	224
<b>Nov</b>	109.4	115.7	85.5	84.6	2,376	1,472	16,973	2,728	5,919	8,326	3,614	252
<b>Dec</b>	108.2	114.5	82.7	83.9	2,490	1,438	16,787	2,326	6,438	8,023	3,465	336
<b>YoY</b>	9.6	8.7	3.9	13.0	4.7	10.4	5.9	16.3	-2.3	10.2	12.3	-6.4

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