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High-tech Sector

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Industrial Electronics Market Outlook

Output of industrial electronics in Japan in the current fiscal year ending March 2007 is expected to increase 0.8% from the previous fiscal year to ¥12.5 trillion, according to JEITA, the sector's trade body. Positive factors lifting output will be a continuing strong demand from the IT sector, and an increasing demand for consumer electronic products ahead of the Beijing Olympic Games. The trade body cited declining product prices and exports due to overseas production shift as the negative factors affecting output.

Industrial Robot Production to Show Strong Increase in 2006

Production of industrial robots in Japan in 2006 is likely to be up 8.1% from the previous year to ¥710 billion, according to the Japan Robot Manufacturers Association. Exports will represent roughly ¥400 billion of the total, the association added. The forecast for 2007 sees production rising 3.0% to ¥730 billion. Much of the growth is being driven by demand from the electrical and electronic machinery sectors and the automobile sector.

Digital Single Lens Reflex Camera System Demand Rising

Demand for camera systems based on the digital single lens reflex cameras is rising and is expected to total 5.52 million units in 2008, up from an estimated 4.6 million units in 2006. Demand in 2007 is projected at 5.18 million units. Shipments of lenses for this type of digital camera reached 600,000 in October, up from 400,000 in the same month in 2005.

Detection Switch Demand Surges

Demand for detection switches is expected to increase by a double-digit figure in 2006 reflecting growing demand for electronic devices throughout the world, according to JEITA. In terms of value, shipments in 2006 are running close to 10% higher than the previous year.

Demand for Crystal Devices to Top ¥250 Billion

Japan's crystal devices market is projected to grow 9.7% year-on-year in fiscal 2006 to ¥253 billion, according to QIAJ, the crystal device manufacturers' association. Production of the TXCO type (used for industrial applications) will show particularly strong growth, rising 25.3% in volume and 15.7% in value in the first half compared to the same period a year earlier. Demand is expected to stay strong in the second half also, although concerns are rising over a possible correction in demand growth.

Japan's Semiconductor Manufacturers Continue to Invest Heavily

Although Japan's semiconductor manufacturers are much less profitable and their growth rates lag well behind their overseas counterparts, they are investing aggressively in production

facilities. Japan has been the largest investor in semiconductor production facilities in the world for four years in a row. In 2006, Japan's semiconductor producers are expected to invest ¥1.3 trillion. Much of the investment will go into 65nm-90nm facilities in a bid to become competitive again in next-generation chips. Toshiba (Stock code: 6502) and Elpida Memory (Stock code: 6665) are reportedly looking for large sites for building new facilities.

DoCoMo (9437 TSE1) to Expand Overseas

NTT DoCoMo, Inc. (Stock code: 9437) Friday announced details of new deals in the Philippines and India. The company is trying to expand overseas as competition in its home market is intensifying. The largest mobile phone operator in Japan said it will boost its stake in Philippines. In addition, DoCoMo has also reached a deal with Indian mobile-services provider Hutchison Essar Ltd. to launch its i-mode mobile Internet service in India in 2007. In its home market in Japan, the company is facing stiffer competition following the introduction of the number portability system.

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

No new initial public offerings were approved this 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)
Nov	109.4	115.7	85.5	84.6	2,376	1,472	16,973	2,728	5,919	8,326	3,614	252
Dec	108.2	114.5	82.7	83.9	2,490	1,438	16,787	2,326	6,438	8,023	3,465	336
Jan	110.7	116.5	82.4	81.1	2,197	1,291	14,977	1,754	5,420	7,803	3,521	282
Feb	108.2	112.3	81.8	94.8	2,440	1,500	16,763	2,055	6,704	8,005	3,572	181
Mar	101.4	109.7	81.4	103.4	3,440	1,549	20,718	2,305	9,447	8,967	4,103	225
Apr	106.9	110.1	86.9	101.6	2,244	1,698	15,977	2,308	5,655	8,014	3,586	214
May	105.6	113.5	85.6	98.6	2,118	1,585	15,650	2,300	5,218	8,132	3,681	205
June	109.6	115.6	86.7	116.7	2,523	1,902	17,173	2,370	6,292	8,810	3,780	227
July	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
Aug	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
Sept	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
Oct	113.2	118.7	83.4	80.5								217
YoY	5.4	5.0	-3.5	0.6	1.6	9.0	2.2	3.3	-6.8	9.4	8.7	-3.2

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