



**Vol. 260**

## *High-tech Sector*

**Week ended January 13, 2008**

### **Forecast for Major Consumer Electronic Products**

Unit: 10,000 units

| Product                          | 2007  | 2008   | 2009   | 2010   | 2011   |
|----------------------------------|-------|--------|--------|--------|--------|
| Digital still cameras            | 9,700 | 10,400 | 11,000 | 11,400 | 11,625 |
| DVD recorder                     | 2,390 | 3,060  | 3,316  | 3,650  | 3,830  |
| LCD televisions (10" and larger) | 5,591 | 6,235  | 7,110  | 8,190  | 8,590  |
| PDP televisions                  | 1,405 | 1,731  | 1,962  | 2,190  | 2,335  |
| Home theater systems             | 1,105 | 1,146  | 1,160  | 1,187  | 1,207  |
| Car audio systems                | 8,280 | 8,330  | 8,390  | 8,410  | 8,340  |
| Car navigation systems           | 825   | 955    | 1,035  | 1,095  | 1,172  |
| Digital video cameras            | 1,745 | 1,799  | 1,811  | 1,820  | 1,822  |

According to forecasts by a leading industrial daily, demand for digital still cameras will be driven by China, Russia and other rapidly developing countries. Demand for LCD televisions will shift increasingly toward larger sizes. Beijing Olympic Games will also be factor lifting LCD TV demand in 2008. PDP television demand will get a boost from larger size models. Car navigation systems will continue to gain popularity around the world. On the other hand, demand for audio systems, car audio systems and digital video cameras will not increase significantly. The same report forecasts that Japan-made consumer electronic devices will continue to dominate the market.

### **Global Demand for White Goods to Stay Strong Through 2010**

Demand for the seven major white goods is expected to continue to grow worldwide through 2010, driven by an expanding middle class in BRICKs and other developing countries. Demand for washing machines will rise from 72 million units in 2006 to 82.2 million units in 2010. During the same period, demand for refrigerators is likely to increase from 79 million units to 90 million units, and that for air conditioners will rise from 54 million units to 62 million units. Growth in demand in China will slow down somewhat as diffusion rates of consumer electronic items rise in that country. Demand growth will be strong in India where diffusion rates are still high only in urban areas.

### **Flat Panel and Large Screen TV Demand to Show Strong Growth in 2008**

Flat panel and large-screen televisions (37" and larger sizes) will account for 50 million units out of a total of 220 million expected to be sold worldwide in 2008. Demand will be driven by BRICKs and VISTA countries, where economic growth is expected to accelerate.

### **Electronic Components Demand to Show Strong Growth in 2008**

Global demand for electronic components in 2008 is likely to increase by 5% compared to 2007 to 22.97 trillion yen, according to JEITA, the electronics sectors' trade association. Production by Japanese electronic component manufacturers is forecast to rise 5.2% to 9.9 trillion yen. Global production in 2007 is likely to have increased 5.5% to an estimated 21.8 trillion yen. Production by Japanese companies is likely to have accounted for 43% of the total. Actual production in Japan will represent an estimated 38% of the global output of electronic components.

### **Personal Computer Sales in 2008 Set for Steady Growth**

Personal computer shipments worldwide are likely to top 300 million units in 2008, according to IDC, a high-tech market research firm. Shipments by Taiwanese PC manufacturers, leading players in the global PC market in 2007 are estimated at 45.5 million units. Shipments from Taiwan will continue to rise, increasing and estimates 14.7% year-on-year in the first quarter of 2008.

### **FPD Production Equipment Demand to Pick Up**

Demand for semiconductor production equipment in 2008 is likely to decline 6% in Japan due mainly to strong growth in 2007, when demand rose 3.6%. However, demand should pick up again in 2008, rising an estimated 10%. On the other hand, demand for FPD production equipment in 2008 is expected to increase 46%, offsetting the slowdown in demand for semiconductor production equipment. The following year, 2009, should be even better for semiconductor production equipment manufacturers as demand for both categories of production equipment is expected to increase.

### **Outlook for Industrial Electronics**

Production of industrial electronic equipment in fiscal 2007 is likely to decline 2.7% year-on-year to 11.9 trillion yen, according to JEITA. The trade body said that growth should resume thereafter, with production increasing at an average annual rate of 0.8% through 2010, when it is projected at 11.91 trillion yen. A review of the outlook between 2006 and 2010 by type of equipment shows that production of wireless equipment will rise at an annual average rate of 5.5% and that of servers and personal computers by 0.5%. Production of storage devices, printers, electronic applied devices and measuring instruments are also expected to post gains, although at a slower rate.

### **IP Telephone Subscribers top 15 Million**

The number of IP telephone subscribers in Japan as of the end of September 2007 was 14.95 million, an increase of 22.7% from the previous fiscal year. OAB-J type of optical fiber IP phones recorded robust gains. Subscribers to this type of IP phone more than doubled in the year to September 2007. On the other hand, the number of IP phone subscribers based on ADSL and cable TV declined by 80,000, suggesting that optical fiber-based IP phone service is gaining popularity.

### **Information Security Market Set to Expand**

Japan's information security market is likely to expand at double-digit rates through 2012, when demand will reach an estimated 482 billion yen, according to Nomura Research Institute, a major think tank. The need for comprehensive security services to cover all aspects of security from application systems to the office IT environment, following the enactment of the so-called J-SOX law, will lift demand. Of the total, information security services will account for 208 billion yen and information security tools 273 billion.

### **IT Service Sector Sales Up for the Seventh Month in a Row**

Sales of Japan's IT service sector in October increased 5.9% year-on-year to register seven months of YoY gains in monthly sales. The growth was supported by custom software, with

sales increasing 7.8%, against a drop of 2.3% in September. In the custom software category, system integration related sales rebounded rising 9.4% after falling 0.3% in September. Software product sales were up 5.3%, despite a drop of 0.2% in game software. Outsourcing service related sales rose 4.6%. Employment in the IT service sector increased 2.1% although the number of companies was down 1.0%.

### **Initial Public Offerings**

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

#### **Toyo Drilube (4976 JAQ)**

Toyo Drilube Co., Ltd., a company specializing in the development, manufacturing and marketing of dry lube products and also offering dry lube coating services, will list on the JASDAQ Securities Exchange on February 14. The company will offer 270,000 shares to the public in its initial public offering. Of those, 195,000 are newly issued shares and 75,000 are shares currently held in private. Mizuho Investors Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 30,000 shares in the event of exceptional demand. The tentative price range will be announced on January 23. The fixed offering price will be announced on February 1. The company expects to net 475 million yen from the IPO. For the current fiscal year through June, the company forecasts a non-consolidated net income of 349 million yen on sales of 4.95 billion yen and earnings per share of 264.08 yen. The company plans to pay a dividend of 20 yen per common share.

#### **MID Urban Development (3256 TSE2)**

MID Urban Development Co., Ltd., a general real estate firm with core operations centering on buildings and residential housing, will list on the Second Section of the Tokyo Stock Exchange on February 14. The company will offer 62,000,000 shares to the public in its initial public offering. Nomura Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 8,992,000 shares in the event of exceptional demand. The tentative price range will be announced on January 24. The fixed offering price will be announced on February 4.

#### **Nihon Flush (7820 TSE2)**

Nihon Flush Co., Ltd., a manufacturer of housing materials, will list on the Second Section of the Tokyo Stock Exchange on February 13. The company will offer 1.5 million shares to the public in its initial public offering. Of those, 500,000 are newly issued shares and one million are shares currently held in private. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 225,000 shares in the event of exceptional demand. The tentative price range will be announced on January 23. The fixed offering price will be announced on February 1. The company expects to net 388 million yen from the IPO. For the current fiscal year through March, the company forecasts a consolidated net income of 307 million yen on sales of 10.8 billion yen and earnings per share of 88.77 yen. The company plans to pay a dividend of 20 yen per common share.

## Basic Electronics Industry Statistics

|             | Prod  | Ship. | Inv.  | Capacity<br>utilization | H. Elec.<br>machinery | Cons.<br>appliances | Electronics<br>Sector | Cons.<br>electronics | Industrial<br>electronics | Electronic<br>devices | Semicon<br>(Production) | Consumer<br>electronics<br>(sales) |
|-------------|-------|-------|-------|-------------------------|-----------------------|---------------------|-----------------------|----------------------|---------------------------|-----------------------|-------------------------|------------------------------------|
| <b>Nov</b>  | 112.9 | 118.2 | 85.0  | 82.9                    | 2,507                 | 1,545               | 17,643                | 2,939                | 5,972                     | 8,731                 | 3,823                   | 238                                |
| <b>Dec</b>  | 111.6 | 116.0 | 83.6  | 85.4                    | 2,568                 | 1,771               | 16,809                | 2,468                | 6,005                     | 8,337                 | 3,544                   | 306                                |
| <b>Jan</b>  | 110.8 | 116.8 | 82.9  | 76.3                    | 2,327                 | 1,342               | 15,193                | 1,657                | 5,335                     | 8,201                 | 3,626                   | 257                                |
| <b>Feb</b>  | 110.4 | 117.4 | 84.0  | 84.1                    | 2,507                 | 1,463               | 16,648                | 2,070                | 6,535                     | 8,043                 | 3,539                   | 177                                |
| <b>Mar</b>  | 102.6 | 112.3 | 78.9  | 94.7                    | 3,487                 | 1,550               | 19,984                | 2,448                | 8,513                     | 9,023                 | 4,053                   | 214                                |
| <b>Apr</b>  | 108.9 | 114.8 | 78.3  | 96.5                    | 2,410                 | 1,739               | 15,644                | 2,552                | 5,024                     | 8,068                 | 3,592                   | 205                                |
| <b>May</b>  | 110.3 | 117.3 | 77.2  | 101.5                   | 2,359                 | 1,624               | 15,402                | 2,427                | 4,781                     | 8,195                 | 3,722                   | 198                                |
| <b>June</b> | 108.6 | 118.2 | 72.4  | 116.2                   | 2,615                 | 1,828               | 16,731                | 2,357                | 5,956                     | 8,419                 | 3,835                   | 209                                |
| <b>July</b> | 112.0 | 114.8 | 79.8  | 105.5                   | 2,569                 | 1,645               | 18,515                | 2,251                | 5,934                     | 10,330                | 3,991                   | 280                                |
| <b>Aug</b>  | 114.5 | 123.6 | 75.1  | 72.9                    | 2,474                 | 1,198               | 16,581                | 2,268                | 5,532                     | 8,781                 | 3,995                   | 255                                |
| <b>Sept</b> | 112.2 | 118.1 | 72.7  | 77.9                    | 2,963                 | 1,227               | 17,812                | 2,589                | 6,146                     | 9,076                 | 4,121                   | 229                                |
| <b>Oct</b>  | 110.2 | 118.5 | 74.1  | 84.2                    |                       |                     |                       |                      |                           |                       |                         | 238                                |
| <b>YoY</b>  | -2.7  | 0.0   | -11.2 | 4.1                     | 3.5                   | -15.2               | -1.2                  | 5.0                  | -5.2                      | -0.4                  | -0.4                    | 9.5                                |

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change\* preliminary

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations