



Week ended Jan. 25, 2004

Vol . 101

High-tech Sector

NTT(9431 TSE1) to Partner with SkyPerfect TV in BB Broadcasting

NTT East, NTT West and SkyPerfect Television will jointly start broadcasting television programs using broadband lines. With SkyPerfect, the leading private pay-television broadcaster tying up with NTT, a company with an extensive infrastructure, competition is bound to increase among pay broadcasters, including terrestrial TV broadcasting firms, satellite broadcasting firms and cable television operators. The joint venture to be set up for this purpose will keep rates low. The subscription charge is expected to be set at around ¥2,000/month, the lowest in the industry.

Government Plans to Abolish Telephone Rights

The telephone rights one has to purchase when applying for a fixed-line phone are likely to be abolished. Telephone rights are considered to be an asset that can be traded on the market. However, the telephone rights market has plunged and some companies are taking valuation losses. Some companies have huge amounts of telephone rights on their books. SECOM carries telephone rights worth 2,033 million on its books. Telephone rights could be abolished as early as 2006.

BB and Digital Services Show Solid Growth

Japan's broadband infrastructure is the best in the world and subscription rates are the lowest. The number of subscribers to the ADSL service topped 10 million as of the end of 2003. The highest growth was, however, experienced by FTTH, subscribers to which increased 473.1%. The number of subscribers to mobile Internet increased 115.0% to 67.2 million. The aggregate number of subscribers to BB services increased 182.9% to 13.15 million. Similarly, the number of subscribers to 3G phones was up 285.0% to 13.76 million. Subscribers to CATV services were up 166.5% to 15.14 million and those signing up for the BS TV broadcast service rose 138.0% to 4.82 million.

China's Mobile Phone Exports Surge

Exports of mobile phones from China in the first ten months of 2003 surged to 60 million units, according to government statistics and the double-digit growth continues.



Demand for FPD Driver ICs Rises

Demand for driver ICs for use in small-size TFTs, and LCDs is rising and in response Japan's semiconductor manufacturers, including NEC and Toshiba, are stepping up production. Production of large-size LCD panels is expected to increase from an estimated 8 million panels in the current fiscal year ending March 2004 to 140 million in the next fiscal year to March 2005.

Japan to Launch SOFC Development Project

Japan's NEDO (National Energy Development Organization) will launch a project in fiscal 2004 to develop a solid fuel cell (SOFC). The focus will be on developing co-generation (over 10kw) and mono-generation systems (over 100kw). The goal is to keep Japan in the race since two firms in the US are also aiming to commercialize such systems in 2005.

Injection Molding Machine Market Set for Solid Growth

Shipments of injection molding machines in 2003 rose 36% year-on-year to 20,031 units, according to the Japan Plastic Machine Industry Association. If orders in January are any guide, the trend is expected to continue in 2004. Orders in January were up 87.9% to 1,507 units. This follows a strong performance in December, when orders rose 30.9% to 1,856 units.

Home Projector Market to See Explosive Growth

Home projector shipments in 2002 totaled 190,000 units. The figure is expected to rise to 523,000 units in 2004, a 79% increase from 2003, according to Fuji Kimera, a market research firm. Popularization of DVD, better picture quality of terrestrial digital broadcasts, improvement of sound systems and availability of more content (more than 8,000 titles are now on the market) are driving demand. It is against the backdrop of the above factors that the AV home entertainment market is expected to grow.

Personal Computer Shipments Revive

Japan's shipments of personal computers in 2003 rose 5.3% year-on-year to 10.56 million units, according to JEITA, a trade association. However, the value of shipments was down 4.1% to ¥1.69 trillion due mainly to declining prices. Demand in 2003 was driven by corporate demand, which accounts for 60% of total sales. Shipments to the corporate market rose some 9% due mainly to replacement demand from small and medium-size firms. Shipments to the consumer market rose by double-digit figures in the summer months but lost steam in the October-December quarter, with shipments recording only a marginal gain over the same period a year ago. Shipments in December fell 5.6% YoY in volume and were off 10.6% in value. Corporate demand is strong but the consumer market has cooled down, manufacturers complain.



Kodak to Consolidate Digital Camera Research in Japan

Eastman Kodak's Japan subsidiary Kodak plans to takeover Chinon, a firm listed on the second section of the Tokyo Stock Exchange, and consolidate its global R&D in digital cameras at this firm. Kodak has made a tender offer to acquire 40% of Chinon's outstanding common shares. The initiative is to better prepare the company in the intensely competitive global market, where Japanese firms have captured an 80% market share.

SMD Ratio for Crystal Devices Rises

The SMD ratio for crystal devices has risen to 54.8%, according to QIAJ, a trade body. Of the total production of 2,400 million units of crystal devices in the first half of the current fiscal year, 1,300 million units were of the SMD type.

Earnings Roundup***Canon Sales(8060 TSE1) Likely to Double Profit***

Canon Sales is likely to double its consolidated net income to ¥7,000 million for the year ended December 2003. The figure is much higher than the ¥5,100 million forecast earlier. Ordinary income is likely to be ¥14,100 million, up 36% from the previous year. Sales are likely to have increased 9% YoY to ¥757,000 million. Its digital camera (EOSKISS) is the best selling camera in its category, with the market share exceeding 18%. Sales of highly profitable consumables for printers are also strong.

Advantest to Report Strong Profit

Advantest is expected to move into the black in the current fiscal year ending March 2004. Consolidated net profit is likely to reach ¥30,000 million, more than double that of earlier forecasts. Sales are likely to be up 74% to ¥170,000 million, surpassing the earlier forecast by ¥25,000 million. Orders are also likely to double from the previous fiscal year to ¥20,000 million. A growing demand for testers for semiconductors going into consumer digital appliances is driving sales and profit.

***Initial Public Offerings
(high-tech sector only)***

(For a complete listing and detailed information, go to: <http://www.ipotokyo.com>)

Planet (Stock code: 2391)

Planet, specializing in the EDI business, database business and other platform businesses, was approved for an initial public offering and is expected to go public on the JAQ market on February 24.

Software Service (Stock Code: 3733)

Software Service's core operations include development, marketing and maintenance of medical information systems. The company will go public on the Hercules market on February 20.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices	Semicon (Production)	Consumer electronics (sales)
Jan.	90.9	95.2	83.9	72.0	1,953	1,255	14,010	1,302	5,837	6,871	3,140	336
Feb.	88.8	92.8	81.6	85.2	2,091	1,439	15,026	1,420	6,573	7,033	3,192	234
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	7,720	3,456	266
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	7,059	3,171	216
May	92.0	96.2	81.1	97.0	1,857	1,707	14,721	1,952	5,501	7,269	3,307	205
June	92.6	96.2	81.1	115.9	2,003	2,039	16,003	1,954	6,481	7,569	3,449	229
July	91.3	90.4	92.6	106.4	2,023	1,924	15,859	1,823	6,206	7,830	3,545	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	8,430	3,761	209
Oct.	98.6	104.9	80.8	75.2	2,005	1,397	16,942	2,473	6,100	8,370	3,698	228
Nov.	99.3	99.7	81.8									244
YoY	10.3	7.1	-4.4	-6.5	2.8	-11.4	9.2	17.3	8.1	7.8	2.7	-24.3

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

