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High-tech Sector

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Foreign Electronic Component Manufacturers Eye Japan's Digital Consumer Electronics Market

Foreign electronic components manufacturers are showing strong interest in Japan's consumer electronics market, an area in which Japan is clearly ahead of the rest of the world. Some have set up special divisions within their Japan subsidiaries to strengthen their presence in this market. These include, Intel, Texas Instruments, National Semiconductor and Xylinks.

Major Japanese Electronics Manufacturers to Procure LCD Panels from Sharp(TSE1:6753)

Major Japanese electronics manufacturers, Matsushita, Toshiba and Victor Japan, are planning to purchase LCD panels from Sharp. The three will start using Sharp's panels from the spring models. At present they purchase such panels from S. Korea and Taiwan, where shortages have started to surface as manufacturers in those countries have been unable to raise yields.

Industrial Machinery Manufacturers to Step Up Production

Japan's industrial machinery manufacturers are boosting production to meet surging demand. Orders for machine tools, robots and injection molding machines are rising rapidly. MHI is expected to double production of machine tools, while Fanuc is likely to increase output of robots by 30%. Strong demand from digital equipment manufacturers and the automobile sector is behind the plans to hike production capacity.

Fujitsu(TSE1:6702) Develops Fuel Cell for Mobile Terminals

Fujitsu has developed a fuel cell, with a battery life three times that of conventional models of this type of battery, for mobile terminals. The new battery can keep a laptop running for more than 10 hours.

Rush of Low-price Servers

Server vendors in Japan, including HP Japan, Dell, NEC and Fujitsu, are aggressively introducing low-price servers. The new servers, designed for small and medium-size firms, install Microsoft's new operating system (Microsoft Windows Small Business Server 2003). At ¥88,000, HP's server is no more expensive than a personal computer.



Global Shipments of Digital Cameras to Rise Sharply

Global shipments of digital cameras in 2004 are likely to be up 40% from 2003 to 60 million units, according to CIPA, a trade association of camera manufacturers. However, sales in Japan will rise only 11.6% as replacement demand is the primary source of demand in Japan, the association said. On the other hand, demand for film cameras is declining, and is expected to plunge 31.7% in 2004 to 11.13 million units.

IT Asset Management Software Demand Rises

The demand for software for managing IT assets is likely to rise at an annual average rate of 40% for the foreseeable future. At the moment the client base is just 3 million, representing only about 20% of potential demand. Major players in this sector are Quality, Hitachi Software Engineering, JAL Infotech and Novel.

Sensor Demand on Growth Track

The demand for sensors has been rising after bottoming out in fiscal 2002. Demand rose 10% in the previous fiscal year and the growth rate is likely to be sustained in the current fiscal year also, pushing it up to a six-year high of ¥115 billion. While the demand for conventional sensors is likely to be flat, that for the so-called solution sensors is possibly increase rapidly.

Matsushita(TSE1:6991) Develops Home-use Fuel Cell

Matsushita Electric has developed prototypes of a new home-use fuel cell that will provide enough power for energy for the home and will not need replacement for three years. The company plans to start marketing the new fuel cell next year.

Earnings Roundup

Canon(Tse1:7751) Completing Reorganization of Subsidiaries

Canon is nearing the completion of reforms at its listed subsidiaries and as a result these subsidiaries are now better positioned to compete, invest in R&D and generate profit. Upon completion, the reform plan will reduce dependence of subsidiaries on the parent company to less than 50% of their total business. Canon Sales is expected to double its net income in the current term. Canon Denshi should see its net income rise 2.6-fold. Nisca is expected to report a 2.6 times increase in its net income. Canon Software should see an estimated 39.9% increase in net income in the current year to December 2004.

KDDI(TSE1:9433) Revises Forecasts

KDDI now expects its consolidated net income in the current fiscal year ending March 2004 to double from the previous fiscal year to ¥117,000 million, an upward revision of ¥22,000 million to the previous forecast. Consolidated sales are likely to be up 11% from the previous fiscal year to ¥2.8 trillion. The figure is ¥28,000 million higher than the previous forecast.



Fuji Film(TSE1:4901) Digital Camera Sales Slowdown

Fuji Film, in the third quarter ended December 2003, reported a 1% decline in consolidated pretax income to ¥52,400 million. The company blamed slowing sales of color films, deteriorating profit margins on digital cameras and the higher yen (overseas sales represent 49% of total sales) for the profit drop.

Sanyo(TSE1:6764) Electric Triples Profit

Sanyo Electric's consolidated net income for the third quarter ended December 2003 tripled from the same period a year earlier to ¥7,800 million, a record for any quarter. Sales, driven by an expanding digital consumer electronics market, rose 13% to ¥676,200 million.

Profit Jumps at Trend Macro

Trend Macro reported a 58% increase in its consolidated net income to ¥3,600 million for the October-December quarter. The previous estimate for consolidated net income was ¥2,400 million. A growing number of computer viruses is boosting demand for its security software.

Profit Up at NEC Electronics(TSE1:6723)

NEC Electronics reported an 88% year-on-year increase in consolidated pretax income to ¥13,800 million for the third quarter ended December 2003. Rising sales of semiconductors for use in digital consumer electronics appliances and mobile phones drove profit and sales. The company is the former semiconductor division of NEC.

Sony's(TSE1:6758) Third Quarter Results Show Growing Importance of Core Business

Sony in the third quarter reported a 26% drop in consolidated net income to ¥92.6 billion despite a 1% increase in sales to ¥2.3 trillion. It is only now that the company has started benefiting from digital consumer electronics, an area to which it is a relative latecomer. Sales in the core AV business rose for the first time in 18 months.

Initial Public Offerings (high-tech sector only)

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

Nexus(JQ:2799) Goes Public on JASDAQ Market

Nexus (Stock code: 2799) went public on the JASDAQ market on January 28. The company is an infrastructure connection agent focusing on the sale of mobile communication equipment. Its core business lines also include the sale of OA equipment to businesses and household security devices, Internet ad agency services and e-commerce support. Funds raised through the IPO will be used for IT-related investment and for business expansion.



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.	99.4	99.8	81.8	74.1	1,913	1,465	16,360	2,310	5,897	8,153	3,611	244
Dec												
YoY	10.4	7.2	-4.4	-5.1	-4.4	-5.3	8.0	6.4	6.5	9.7	8.5	-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

