



Week ended Mar. 28, 2004

Vol . 110

High-tech Sector

Broader Coverage of Terrestrial Digital Broadcasts

Terrestrial digital broadcasts are likely to reach 6.4 million households by October, against only about 120,000 at present. This is to be achieved by boosting transmission output from 15.5 watts to 700 watts. This should give a significant boost to the sales of digital television sets.

Blue LED Diode market to Grow

The global market for blue LED diodes is expected to grow at an annual average rate (CARG) of 195%, according to Strategic Analytics, a high-tech market research firm. The firm projects that blue LEDs will account for 97% of the market (shipment basis) in 2008. At present it accounts for 33%.

Short-term Outlook – Information Technology

IT investment by Japanese corporations is expected to grow 2.2% in 2004 to ¥12.1 trillion, according to IDC Japan. The expected growth will be driven by a continuing replacement of systems installed in 1999 to prepare for the YK2 problem, IT investment tax incentives and declining PC prices. Small and medium-scale enterprises are also expected to show greater interest in installing IT systems.

Short-term Outlook - Electronics and Semiconductors

Demand for semiconductors and electronics components is expected to continue to expand, underpinned by rising sales of consumer digital appliances. Shortages of CCDs for use in digital cameras and other digital devices are likely to appear and memory prices should stay strong. The strained supply-demand balance is likely to continue up to autumn.

Short-term Outlook – Precision Instruments

Manufacturers are expected to continue to boost production of digital cameras to cope with growing demand. Shipments in January were up 57% year-on-year and those to the Asian region rose 2.2 fold, according to the sector's trade body. Hybrid copying machine demand is strong but prices are under intense pressure.



Consumer Electronics Sales – February

Sales of consumer home electronics were up 2.8% to ¥140.5 billion, according to NEBA, an association of large consumer electronic chains. This was the third consecutive year-on-year gain in monthly sales. Items showing particularly strong growth were DVDs and televisions. DVD sales were up 56.5% in value and 84.6% in volume. Television sales were up 19.3% in value, although the volume was only marginally higher. This reflects a continuing shift to higher-priced flat panel televisions. Sales of white goods, including refrigerators, washing machines and vacuum cleaners also rose by double-digit figures.

Domestic Disc Storage Demand Set for Solid Growth

Demand for storage devices in Japan is expected to grow at an annual average rate of 60% (shipment basis) through 2007. Demand is growing as users are trying to increase efficiency of back-up systems, cope with increasing data volumes, and improve data security. The market for disc storage solutions (hardware, software and services) for open systems is likely to grow 9.4% in 2004 and 8.6% in 2005, when it will reach ¥360.7 billion.

Machine Tool Orders Up in February

Orders for machine tools in February rose 23% year-on-year to ¥84.7 billion. Orders were back to the IT bubble level for a second month in a row. The trend is expected to continue in March, with orders expected to top ¥90 billion for the first time in three years. In the domestic market, orders from the automobile and automotive parts sectors slowed but those from the electric and electronic sectors were strong. Overseas, orders were strong from China, Singapore and Malaysia. Orders from the U. S. and European markets are also recovering. Orders are also up from Eastern Europe.

Japanese Manufacturers Introducing Larger-size Plasma TVs

Matsushita Electrical Industrial (6752 TSE1) plans to introduce a 60-inch plasma television model to compete with larger-screen LCD TV models. Other Japanese manufacturers are expected to follow suit. Sony (6758 TSE1) is planning to launch a 61-inch model and Hitachi (6501 TSE1) will introduce a 55-inch model.

Electronic Component Manufacturers Bullish

A recent survey of electronic component manufacturers showed that 80% expect to report higher sales and profit in the first half of the current fiscal year. This optimism comes despite concerns over shortages and rising prices of parts, raw material shortages and a stronger yen. On the other hand, their customers are toning down demands for price reductions from the second half of 2003.



Another Round of Consolidation in Japan's LCD Sector

Seiko Epson (6724 TSE1) and Sanyo Electric (6764 TSE1) will merge their LCD panel businesses on October 1. The merged business will be the fourth largest LCD business in the world. The new entity will focus on small-size panels and aim at becoming the leader in this field. Unable to compete effectively in large-size panels, Japanese manufacturers are shifting resources into small-size panels. This could trigger a second round of reorganization in the sector.

Taiwan's FPD Production to Top One Trillion Yen

Production of flat panel displays in Taiwan in 2004 is expected to increase 30% year-on-year and exceed one trillion yen, according to CIPO. Taiwanese manufacturers are also planning to aggressively diversify into PDPs and ELs.

Government Identifies Seven Growth Areas for Japan

The Ministry of Economy, Trade and Industry has identified seven sectors in which Japan has excellent growth potential. These include fuel cells, digital consumer electronics and robots, in addition to health and welfare. The government will shortly announce plans for supporting development of these sectors through a variety of incentives including assistance for research and development, and deregulation.

Earnings Roundup

Mitsubishi Electric (6503 TSE1) Revises Profit Forecast

Mitsubishi Electric is now expected to report ¥42 billion in consolidated net income in the current fiscal year ending March 2004, up from the previous estimate of ¥12 billion. The company reported an ¥18 billion consolidate net loss in the previous fiscal year. The company plans to increase the year-end dividend by one yen. This will push up the annual dividend to ¥4 per common share. The company has left its sales forecast unchanged at about three trillion yen. Its industrial mechatronics business has been favorable and losses resulting from the return of the government-entrusted portion of the employees' retirement benefit fund are likely to be lower.

Initial Public Offerings News (For detailed information, go to: <http://www.ipotokyo.com>)

Raytex (6672 Mothers)

Raytex Corp., a manufacturer of semiconductor wafer inspection equipment, will list on the Tokyo Stock Exchange's Mothers market on April 22. The company will offer 900,000 shares (500,000 newly issued shares and 400,000 existing shares currently held in private). Raytex also has a green shoe option, allowing it to offer an additional 100,000 shares in the event of strong demand.

Mitachi (3321 TSE2)

Mitachi Co., Ltd., a distributor of electronic devices, will offer 2,000,000 for its initial public offering scheduled for April 13. Of those 1,200,000 shares will be newly issued and 800,000 are existing shares.



Arm (6671 Jasdq)

Arm Electric Co., Ltd., a company specializing in design, manufacturing and marketing of printed circuit boards, will go public on April 16. It will offer 140,000 shares. Of those, 80,000 will be newly issued shares and 60,000 are existing shares currently held in private.

Alfa Group (3322 Jasdq)

The Alfa Group provides strategic outsourcing services. It will go public on April 19, offering 1,400 shares to the public. Of those 1,000 shares will be newly issued and 400 shares are existing shares currently held in private.

Basic Electronics Industry Statistics

	Prod	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Semicon (Production)	Electronic devices	Consumer electronics (sales)
Jan.	90.9	95.2	83.9	72.0	1,953	1,255	14,010	1,302	5,837	3,140	6,871	336
Feb.	88.8	92.8	81.6	85.2	2,091	1,439	15,026	1,420	6,573	3,192	7,033	234
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	3,456	7,720	266
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	3,171	7,059	216
May	92.0	96.2	81.1	97.0	1,857	1,707	14,721	1,952	5,501	3,307	7,269	205
June	92.6	96.2	81.1	115.9	2,003	2,039	16,003	1,954	6,481	3,449	7,569	229
July	91.3	90.4	92.6	106.4	2,023	1,924	15,859	1,823	6,206	3,545	7,830	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	3,388	7,362	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	3,761	8,430	209
Oct.	98.6	104.9	80.8	75.2	2,005	1,397	16,942	2,473	6,100	3,698	8,370	228
Nov.	99.4	99.8	81.8	74.1	1,913	1,465	16,360	2,310	5,897	3,611	8,153	244
Dec.	100.2	102.4	81.3	80.9	2,123	1,529	17,484	2,289	7,034	3,596	8,160	321
Jan.	102.5	105.4	81.5	76.1								273
YoY	12.8	10.7	-2.9	5.7	-2.4	4.6	16.0	28.4	6.5	14.2	15.6	-18.8

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

