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High-tech Sector

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NTT (9432 TSE) to Launch IP Telephone Service

NTT East and NTT West will launch an IP telephone service this summer. The NTT group firms will offer it as an additional service to their FTTH service. The companies have been losing customers to the Softbank Group, which offers a competitively priced IP telephone service. With the entry of the NTT Group firms, IP telephones will spread quickly in Japan. However, this could affect revenues from the regular fixed-line service. The companies hope to make up the for loss by adding value-added services to the standard IP phone service.

KDDI (9433 TSE) Captures Lead in Mobile Phones

The net increase in subscribers in fiscal 2003 was the highest at KDDI. KDDI signed up a net 2.9 million in fiscal 2003. NTT, the leader so far, fell to second place with a net increase in subscriber count of 2.06 million. Net subscriber growth at Vodafone was 1.03 million. KDDI's 3G services focus on entertainment while NTT concentrates on lifestyle information. NTT was also late in launching the 3G service.

Control Equipment Shipments Rise in February

Shipments of control equipment in February rose 11% from the same month a year ago to ¥49,100 million, according to NECA, a trade body. Shipments of detection switches rose particularly strongly, increasing 24.6% year-on-year to ¥9,800 million. Shipments of special control equipment and PLC/FA system equipment were also favorable, rising 16.1% and 10.4% respectively.

Crystal Devices Production to Rise in 2004

Production of optical devices in fiscal 2004 is expected to increase 7% to ¥232,800 million, according to QIAJ. Output in fiscal 2003 rose 7.4% year-on-year to ¥217,600 million. Orders are expected to outstrip production capacity, as manufacturers have been cautious about adding capacity, after a bitter experience in 2001. Aggressive capital investment in 2000 weighed heavily on profit the following year. Except for crystal filters and SAW devices, which are being eliminated from mobile phones, production of all other crystal devices is expected to increase by more than 7%.



Production of Electronic Devices in China to Show Strong Growth

Production of electronic equipment in China in 2004 is expected to increase 11.2% from the 2003 level to \$185.8 billion. The market is expected to continue to expand steadily, reaching ¥270.1 billion in 2007, representing 21% of the global market.

Fujitsu (6702 TSE) Sues Samsung Claiming Patent Violation

Fujitsu sued Samsung SDI, a South Korean company and the second largest producer of plasma panels, claiming violation of its basic patent. In suits filed in Japan and the U. S., Fujitsu is asking the courts to ban imports of Samsung's plasma panels into Japan and the U. S. and award damages for violation of its patent rights.

HP Japan Slashes Prices on Servers

HP Japan introduced a new server model priced at below ¥50,000. The new model is priced 70% below its existing cheapest model. This is expected to restart a round of price cutting in Japan. NEC is the largest supplier in the market, accounting for 24.1% of shipments. HP has a market share of 15.0%.

Asian FPD Manufacturers Stepping Up Capital Investment

FPD producers in Japan, S. Korea and Taiwan are stepping up investment in the fifth-generation panel. Some manufacturers have also started investments in the sixth-generation panel. Preparations have also started for the eighth-generation panel, which is expected to be launched in 2007. Samsung is working on the seventh and eighth-generation panels. Most other firms, such as LG Phillips, Sharp, AUO, CMO, HanStar, QDI, CPT and NEC are focusing on the fifth or the sixth-generation panels.

LCD Driver Supply-demand Balance Stays Tight

With shipments of LCD panels continuing to show robust growth, shortages have started to appear in LCD materials and components. Shortages of glass substrates are particularly acute. The price of LCD drivers touched bottom after last summer and has held steady since then. However, prices are going up in S. Korea, where suppliers are asking for a 5% price hike. Manufacturers are more concerned about securing supplies than the price. Prices have, however, not risen so far in Japan, where the LCD driver (TFT type) is priced between ¥190-¥210 in Japan, largely unchanged since November.

Vacuum Equipment Sales Rise in Fourth Quarter

Sales of vacuum equipment in the fourth quarter of fiscal 2003, the quarter ended March 2004, were up 12% over the same quarter a year ago, according to the Japan Vacuum Equipment Manufacturers Association. Sales in fiscal 2003 rose 27% year-on-year. Orders in the fourth quarter were up 53% year-on-year and those in fiscal 2003 rose 16% from the previous fiscal year.



Operation Switch Manufacturers Focusing on Switch Modules and Units

Japan's operation switch manufacturers are shifting focus from individual switch parts to complete modules/units that include peripheral circuits also. This is welcome by set manufacturers because it reduces the number of assembly steps at manufacturers of digital cameras, cellular phones and other electronic devices. From the standpoint of switch manufacturers, it increases the added value of their products, creating an opportunity to raise profit. Major suppliers are Alps Electric, Matsushita Electronic Components and Mitsumi.

Machine Tool Orders In March Show Strong Growth

Orders for machine tools (eight major manufacturer basis) in March rose 26 year-on-year to ¥35,861 million, according to the Japan Machine Tool Manufacturers Association. Orders were up 51.2% at Mori Seiki and 51.8% at OKK.

Top 100 Electronic Component Manufacturers in China – Two Japanese Firms in Top 10

There were eight Japanese firms among the hundred largest electronic component manufacturers in China in 2003. The electronic components market in China is expanding rapidly, growing 26% in 2003 to ¥760 billion. TDK's local subsidiary was the fourth largest electronic component manufacturers in China. NEC Tokin was ranked 10 and Shanghai Kyocera eleventh. Mabuchi Motor came in at 15th place. Fuji Denki Kagaku was ranked 17 and Toshiba 21. Fujita Kinzoku was the 51st largest electronic component manufacturer in that country.

Earnings Roundup

DAC to Report Strong Profit

Digital Advertising Consortium, an Internet advertising agency, saw its consolidated operating income for the December-February quarter jump 8.4-fold from the same period a year earlier to ¥155 million. Internet advertising demand is expanding rapidly and orders from major clients were strong. As a result, billings rose 72% to ¥360 million. The number of clients with billings topping ¥30 million increased from 12 to 27.

Tokyo Electron (8035 TSE) to Hike Dividend

Tokyo Electron is now likely to report consolidated net income of ¥8,000 million for the fiscal year ended March 2004, an upward revision from the ¥4,500 million forecast earlier and a sharp rebound from the ¥45,000 million loss reported in the previous fiscal year. This is the first time in three years that the company has reverted to profitability. The company plans to hike the dividend per share by ¥2 to ¥10.

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

No new issues were approved for listing in the week ended April 11.



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)
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			15,531	1,517	6,073	7,941	3,629	273
YoY	12.8	10.7	-2.9	5.7	-2.4	4.6	10.4	15.8	3.0	15.6	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

