



Vol . 115

## *High-tech Sector*

**Week ended May. 9, 2004**

### ***IP Telephone Service Set for Explosive Growth***

With the IP service market for the consumer market coming into its own in 2002, demand for IP telephone services is set for explosive growth, according to the Kimera Research Institute, a high-tech think tank. According to the report there were 4.8 million individuals subscribing to the service as of the end of March 2004. Approximately 150,000 corporations were also using the service. The market is expected to triple in the next two to three years. The corporate sector market estimated at ¥9.9 billion in 2004 is expected to expand to ¥43.8 billion by 2006.

### ***PCB Production Outlook***

The output of printed circuit boards in Japan in 2003 was up 6.1% from the previous year to ¥1.07 trillion, according to the Printed Circuit Board Association. The association is forecasting a production gain of 9.4% to ¥1.17 trillion for 2004. The growth will be led by double-sided and multi-layered PCBs, whose output is projected to rise a whopping 40%. The association expects the strong growth to continue with production reaching ¥1.25 trillion in 2006 and 1.37 trillion in 2008.

### ***Digital Cameras Diffusion Rate Tops 50%***

According to the data released by the Cabinet Office, the diffusion rate of digital cameras in Japan rose to 51.8% as of the end of May, up from 32.0% as of May 2003. The diffusion rate of DVD decks rose to 35.4%, up from 25.3% last year. The diffusion rate of personal computers was 65.3% and that of mobile phones 85.1%. The replacement period of mobile phones was the shortest (about two years), while that of personal computers was slightly over four years.

### ***Shortages of 300-mm wafer Feared***

Demand for 300-mm silicon wafers is rising rapidly, creating concerns over shortages in the months ahead. While the price has been stable at the ¥70,000 level, suppliers are already negotiating price hikes with semiconductor producers. Demand is getting a strong boost since the 300-mm wafer has helped bring down the production cost of devices.



***Semiconductor Producers to Boost LCD Driver IC Production***

Semiconductor producers are planning to sharply raise production of driver ICs for LCDs to meet growing demand for color mobile phones and television sets. Japanese producers remain bullish although LCD driver prices tend to plunge quickly and competition is mounting from foreign suppliers. Renesas Technologies and Epson (6724 TSE1) are the most bullish in their production plans.

***Relay Manufacturers Boosting Output***

Japan's relay manufacturers boosted production by 13.0% to ¥31,700 million in the January-February period, following a 12.9% gain in the January-December period of 2003. In addition to a strong recovery in demand for signal relays for telecommunications applications, demand has also been growing for relays for digital consumer electronics, semiconductor manufacturing equipment and for automotive applications.

***Electrical Equipment Manufacturers to Step Up CAPEX and R&D Spending***

Japan's nine major electrical manufacturers' combined capital investment in fiscal 2004 is expected to increase 17.7% to ¥287.4 billion. Their expenditure in research and development will also rise by 6.7% to 292.04 billion. The most aggressive is Sanyo Electric. The company is planning to boost CAPEX by 32% and R&D expenditure by 17%.

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

***Frameworkx (3740 Mothers)***

Frameworkx Inc, a software house specializing in logistics- and warehouse-management software, will list on the Tokyo Stock Exchange's Mothers market on June 4. The company will offer 3,800 shares to the public in its initial public offering. Of these, 2,000 are newly issued shares and 1,800 are existing shares. The tentative price range will be announced on May 14 and the fixed offering price on May 25.

***Meiho Enterprise (8927 JASDAQ)***

Meiho Enterprise Co., a real estate firm, will list on the JASDAQ market on June 9. The company will offer 600,000 shares to the public in its initial public offering. Of these, 450,000 will be newly issued shares. An additional 150,000 shares will be sold through a secondary offering. The tentative price range will be announced on May 18 and the fixed offering price on May 27.

***System Engineering Consultants (3741 JASDAQ)***

Systems Engineering Consultants Co., a software system and solution tool provider, will list on the JASDAQ market on June 10. The company will offer 500,000 shares to the public in its initial public offering. This will include 360,000 newly listed shares and 140,000 existing shares held in private. The company is also considering a green shoe option allowing one of its shareholders to offer an additional 60,000 shares in the case of exceptional demand. The tentative price range will be announced on May 20 and the fixed offering price on May 31.



**CCS (6669 JASDAQ)**

CCS Inc., a light-emitting diode manufacturer, will list its shares on the JASDAQ market on June 8. The company will offer 3,350 shares to the public in its initial public offering. This will include 2,000 newly issued shares and 1,350 existing shares currently held in private. The tentative price range will be announced on May 18 and the fixed offering price on May 27.

**Apex (3324 NSE)**

Apex, a used semiconductor manufacturing equipment trader and service firm, will list on the Nagoya Stock Exchange on June 1. The company will offer 1,750 shares to the public in its initial public offering. Of these 1,500 are newly issued shares and 250 are existing shares. The tentative price range will be announced on May 17 and the fixed offering price on May 21.

**Hephaist Seiko (6433 JASDAQ)**

Hephaist Seiko Co., Ltd., a manufacturer of bearings and engine parts, will list on the JASDAQ market on June 11. The company will offer 1.2 million shares to the public in its initial public offering. Of these, 600,000 are newly issued shares and 600,000 existing shares held in private. The tentative price range will be announced on May 21 and the fixed offering price on June 1.

**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)
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	1,996	1,396	15,531	1,517	6,073	3,629	3,629	273
Feb.	95.7	99.0	80.1	84.9	2,153	1,554	16,577	1,812	6,774	3,575	8,022	195
Mar	94.2	95.1	81.2	-	-	-	-	-	-	-	-	241
YoY	6.3	7.2	-3.8	-0.7	3.0	8.0	9.5	24.1	1.6	12.0	14.1	-10.0

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

