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High-tech Sector

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Mobile Phone Sales Surge in India

The number of mobile phone subscribers as of the end of March 2004 was up 31% from a year earlier to 27.15 million. Of those 76% were using GSM phones and 24% CDMA. The number of subscribers increased by 6.4 million in the first quarter of this year indicating that subscriptions are now growing at explosive rates.

Mobile Phone Shipments in Japan

The number of mobile phone subscribers in Japan as of the end of April totaled 82 million. It was also the first time that NTT DoCoMo surged ahead of KDDI in new 3G subscribers, signing up 530,000 against 488,000 recorded by KDDI. With many of KDDI's subscribers already using 3G phones, the company has largely exhausted its replacement market. On the other hand, NTT has the largest subscriber base and only a few of these are using 3G phones. As a result, it could be the turning point where 3G subscriber growth at NTT forges ahead of KDDI.

First Quarter Robot Shipments Surge

Shipments of industrial robots in the first quarter of 2004 increased 25.3% year-on-year to ¥113,514 million. Robots for mounting electronic components are driving growth. Shipments of this type of robot were up 39.2% in the first quarter, following a 40.7% gain in the fourth quarter of 2003 and a 40.1% increase in the third quarter of 2003.

Taiwanese Producers Hiking Investment in Large-size LCD Panels

The combined capital investment by the five leading Taiwanese LCD panel manufacturers is expected to increase 85% in 2004 to approximately ¥812 billion. The focus will be on adding capacity for large-size panels, demand for which is growing globally. Taiwanese manufacturers are increasing their share of the global market for large-size LDC panels. Their share is expected to increase from 16.2% in 2000 to an estimated 38.2% in 2004. The share gain comes at the expense of the Japanese, who are likely to see their share drop from 51.3% to 24.4% during the same period.



First-quarter Vacuum Equipment Orders Up 61%

Orders for vacuum equipment in the first quarter of 2004 rose 61% year-on-year to ¥171 billion, according to the Vacuum Equipment Manufacturers Association. First quarter sales were up 37% to ¥187.5 billion. Much of the order growth is attributed to brisk capital investment by the semiconductor industry, particularly by manufacturers of semiconductors and LCD panels. Order growth is likely to be sustained at high levels, with total orders in fiscal 2004 expected to increase 20%. Vacuum devices and components recorded particularly strong growth.

Machine Tool Orders Up Strongly in April

Orders for machine tools in April rose 43.1% from the same month a year earlier to ¥99.1 billion. Machine tool orders have increased 19 months in a row. Orders at the eight leading machine tool manufacturers were up 47.9%. The Toshiba Machine Co. saw a 99.3 jump in orders. Mori Seiki continues to experience strong order growth, with orders up 69.1% and OKK reported a 59.0% increase in orders. Despite strong orders, machine tool manufacturers are not planning to add capacity but are trying to meet the higher demand through productivity gains.

Machinery Orders Drop in First Quarter

Machinery orders (excluding electric power and ships) in the first quarter of 2004 fell 5.6% year-on-year to ¥2.7 trillion. The trend is expected to continue, with orders expected to drop 3.2% in the April-June quarter. Machinery orders are watched carefully as a leading indicator of capital investment six to nine months ahead.

Automotive Electronics Market Forecast

Japan's automotive components market in 2006 is forecast at ¥5.34 trillion, up 3% from 2003, according to Fuji Kimera, a research institute. The report includes 56 automotive components. Growth will come mainly from new systems such as ECU and theft prevention systems. The ECU market is expected to grow 27% to ¥451 billion while demand for theft prevention devices is likely to rise by 23% to 17.8 billion, according to the report. Demand for systems to measure distance from the car ahead is likely to increase 4.7-fold to ¥16.8 billion.

IT Outsourcing Market Poised for Accelerated Growth

More Japanese companies are outsourcing their IT operations. Demand for outsourcing services in Japan is expected to reach ¥3.5 trillion in 2007, according to IDC Japan, a research firm. IDC Japan says that outsourcing may have overtaken in-house development in 2003. Major growth areas will be IT operation and management, business process outsourcing, and software maintenance.



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

West (1715 JASDAQ)

West Co. (1715), a housing seller, will go public on the JASDAQ market on June 24, according to the Japan Securities Dealers Association. The company will offer one million shares to the public in its initial public offering. Of those, 600,000 are newly issued shares and 400,000 are existing shares held in private. The tentative price range will be announced on June 3 and the fixed offering price will be announced on June 14.

Anabuki Kosan (8928 OSE2)

Anabuki Kosan Co., Ltd., a real estate firm, will go public on the Second Section of the Osaka Securities Exchange on June 18. The company will offer 800,000 shares to the public in its initial public offering. This will include 500,000 newly issue shares and 300,000 existing shares held in private. The tentative price range will be announced on May 31 and the fixed offering price on June 9.

RUNSYSTEM (8928 JASDAQ)

RUNSYSTEM Co., an operator of video game shops and coffee shops featuring amusement machines, will go public on the JQ market June 18. The company will offer 1,500 shares in its initial public offering. Of those 1,000 are newly issued shares and 500 existing shares held in private. The tentative price range will be announced on May 28 and the fixed offering price on June 10.



Basic Electronics Industry Statistics

	Prod	Shp.	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

