



Vol . 117

## *High-tech Sector*

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### ***Mobile Phone Markets Could See Significant Changes in Market Shares***

The introduction of a new system in which subscribers can change carriers without having to change their mobile phone number could significantly change market shares of major players. The new system is to be introduced in mid 2006. NTT DoCoMo currently has a market share estimated at 52.9% but many of its subscribers are not happy and would like to switch to other carriers if they can keep their present telephone number. An internal survey by the company seems to have shown that as many as 40% of its current subscribers would like to switch to other carriers. It is not only NTT DoCoMo that is worried. KDDI could also loose subscribers.

### ***Sanyo Electric (6764 TSE1) Develops the Most Powerful Blue Laser in the World***

Sanyo Electric said that it has developed a blue laser with an output of 12milliwatts. The new laser, the company claims, will enable one to double the recording density of optical disks and simplify the structure of optical pickups.

### ***FANUC (6954 TSE1) to Boost CNC System Production Capacity***

FANUC will increase the production capacity for CNC systems by 1.7 times to a monthly 20,000 units. Demand for CNC systems for use in machine tools, robots for the automobile industry and for injection molding machines for digital consumer electronics is increasing, the company says.

### ***NTT DoCoMo (9437 TSE1) Plans to Launch 4G Service in 2010***

NTT's 4G service, to be launched in 2010, will have communication speeds in excess of 1GB/sec. The speed will be 100MB/sec when the phone is moving. The company plans to adopt the MIMO (multiple input multiple output) technology for its 4G phones. The new system will eliminate the need for wireless LANs.



**PCBs in Short Supply**

Difficult-to-manufacture high-density printed circuit boards are in short supply and supply shortages are unlikely to ease anytime soon. The shortages are due mainly to the rising production of LCD panels, digital consumer electronic devices and mobile phones. The supply-demand balance of other types of PCBs, including built-up and flexible printed circuit boards is also deteriorating. In response manufacturers are stepping up capital investment to increase production capacity.

**Chinese Electronics Devices Market – Forecast by Application**

According to a forecast released by I-Supply Japan, production of electronic equipment and devices in China will continue to grow reaching US\$270 billion in 2007, up from an estimated US\$185.5 billion in 2004. China will account for 20% of the global revenue in 2007. Strong growth is forecast for televisions, mobile phones and automotive electronics. Production growth will come as manufacturers from high-cost areas shift facilities to China and domestic demand in China itself expands. PC hardware production in 2004 is likely to increase 29.0% to 48 million units as weight shifts to notebook models. Output of television sets in 2004 is expected to increase 7.4% to 58 million units, of which 61% will be for the domestic market. Mobile phone production is also set for substantial gains.

**Consumer Electronics Sales Drop in April**

Aggregate sales of consumer electronics in April fell 3.6% from the same month a year earlier to ¥143.2 billion, according to NEBA, an association of large consumer electronic chains comprised of a total of 2,291 stores. However, sales of digital audio and video equipment as well as value added home electric appliances were up. On the contrary, sales of personal computers and air conditioners were lackluster. The average price of television sets was up 20.6%, and that of VTRs was up 8.6%.

**Earnings Roundup****IT Service Firms' March Results**

The financial results in the IT service sector show that the operating environment was tough for firms in this sector. Of the ten major IT service firms, only one, Network Systems, reported a double digit revenue gain and only seven saw revenues increasing by more than 5%. Firms with a relatively high share of support services and outsourcing in their total sales did better than their rivals. As for fiscal 2004, the year ending March 2005, all firms, except the heavyweights NTT Data and Hitachi Software, expect to report higher sales.



***Electrical Construction Contractors Report Higher Sales and Profit***

Of the four major electrical construction contractors, three (excluding NEC System Construction) reported higher sales and profit for the fiscal year ended March 2004. Expansion of the optical fiber networks by NTT and construction of ground stations to expand the coverage of broadband networks brought in more orders and sales. Kyowa Exio doubled operating income on a sales gain of 9.4%. NEC System Construction saw ordinary income drop by 22.1% as sales slipped by 4.2%. All four firms expect to report higher sales and profit in the current fiscal year.

***Cable Manufacturers Continue to Suffer***

Of the six major Japanese cable and wire manufacturers, four reported net losses for the fiscal year ended March 2004. Only Sumitomo Denko, after two years, and Showa Densen, after four years, moved into in the black. Furukawa Denko posted a second consecutive net loss exceeding ¥100 billion as it moved up amortization of losses at its US subsidiary. Despite the severe environment, all six expect to post higher profit and sales in fiscal 2004. But the operating environment is unlikely to improve, as a demand revival in optical fiber cables is improbable.

***Profits Rebound at Electronic Component Manufacturers***

Among the 24 major electronic component manufacturers in Japan 20 reported higher sales for the fiscal year ended March 2004. Eighteen reported higher ordinary income and 18 saw their net income rise above the previous-year levels. However, four posted ordinary loss. The rebound in profit is due to explosive growth in demand that started in the second half of the March 2004 fiscal year. Of the 24, 23 expect to report higher sales in fiscal 2005 and 9 expect to post double-digit gains. Regarding earnings, 3 expect ordinary income to rise, with 16 forecasting double-digit increases. Taiyo Yuden's ordinary income in FY 2005 is expected to rise 38.5% on a sales gain of 16.3%. FDK is forecasting a 16.7% increase in sales, which it expects will restore profitability. Hirose Electric is forecasting double-digit sales and income gains and Kyocera expects a 21.6% increase in ordinary income, with sales rising 10.4%.

***Consumer Electronics Chains***

At a time when major consumer electronic chains are reporting recovery in profit, their smaller counterparts are struggling. Yamada Denki reported a 392.3% increase in operating income on a sales gain of 18.3%. Net income was up 242.7%. The company expects sales to increase 15.1% in fiscal 2005 to ¥1,080,800 million and net income to rise 13.3% to ¥21,720 million. On the other hand, most smaller operators, like LAOX, are finding it difficult to stay in the black.

***Machine Tool Manufacturers Are Bullish About FY2005***

Japan major machine tool manufacturers (12-company basis) are bullish about fiscal 2005, forecasting a combined operating income gain of 35.7%. This comes on strong profit gains in fiscal 2004. Makino Milling Machine expects to see its operating income in fiscal 2005 rise 2.1- fold from the previous year. Okuma Corp. is forecasting a 3.7-fold increase in its operating income. The 12 firms expect their combined net income to increase 2.1-fold from fiscal 2004.



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

***Asahi Intec (7747 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.

***Fujiprean (4237 JASDAQ)***

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.

***Amana (2402 TSE Mothers)***

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 | 89.6                 | 3,233              | 1,744            | 20,681             | 2,337             | 9,428                  | 8,916                | 4,021              | 241                          |
| YoY  | 6.3   | 7.2   | -3.8 | -2.5                 | 2.5                | 3.2              | 8.0                | 30.8              | -2.2                   | 15.5                 | 16.3               | -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

