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High-tech Sector

NTT DoCoMo (9437 TSE) Bullish on FOMA

NTT DoCoMo plan to boost sales of its 3G FOMA phones and hopes to build up a subscriber base of 25 million, six times the current figure, by the end of fiscal 2006, the year ending March 2007. Plans to boost sales envision lower mobile phone prices and cuts in video service rates.

Network Security Service Demand to Grow

With the personal information protection law set to go into effect in April 2005, demand for network security services to prevent leakage of personal information on individuals held by companies is expected to get a strong boost. The three core services in this sector are authentication service, monitoring service and consulting service. Aggregate demand in 2003 was slightly less than ¥50 billion. It is expected to quadruple by 2006, according to Fuji Kimera Research Institute, a high-tech research firm..

Security Software Demand to Show Strong Growth

The demand for information security solutions in 2003 increased 11.1% to ¥131 billion, although the overall demand in the IT sector was weak. Sales of information security products rose 6.4% to ¥52 billion and those of information security services were up 14.4% to ¥79.7 billion. The growth is expected to continue in 2004 and total sales are likely to reach ¥145.4 billion.

CRM Market to Grow at Annual 18%

Japan's CRM market is expected to grow at an average annual rate of 17.6% through fiscal 2007 when it will reach ¥820 billion, according to a forecast by MIC Research. The forecasts are based on a survey of 48 firms, including hardware vendors, software developers and SI vendors. Demand from the banking sector is expected to be strong after 2004 and call center-related demand should also revive as call centers move to IP systems.

Japan's Electronic Components Producers Step Up R&D

Japan's electronic component manufacturers are refocusing on research and development in a bid to stay ahead of competitors. The key technologies they are targeting are: high frequency, digital technologies, software technologies, environmental technologies, biotechnologies, nano-technologies, module technologies, thin-film production technologies and high-density mounting technologies. The strategy is to focus on selected areas of expertise to fuel growth.



**Japan's Small Electric Motor
Manufacturers to See
Double-digit Growth**

Japan's small motor manufacturers are getting ready to step up marketing on a global scale from late this year, while at the same time focusing on the development of small motors for digital home electronics, mobile devices and automobiles. They are aiming at double-digit shipment growth.

**Consumer Home Appliance Sales
Increase for the First Time in
Three Months**

Sales of consumer home appliances in May rose 0.37% from the same month a year ago to ¥150.8 billion to record the first gain in YoY sales, according to NEBA, an association of large electronic retail chains. Sales were driven by strong demand for DVD decks (up 34.7%) and televisions (up 24.2%). Sales of personal computers were lower. With mobile phones becoming multi-functional and supporting the e-mail function, consumers showed less interest in buying PCs, according to retail sources.

**Machine Tool Orders Rise
Sharply**

Machine tool orders rose 55.2% year-on-year in May to ¥107.2 billion, recording the 20th consecutive YoY gain in monthly orders. Overseas orders were the second highest for any month and orders from China topped ¥10 billion for the first time. Orders were particularly strong from the steel and non-ferrous metals sector, the general machinery sector and the automotive sector. The order backlog rose 29.0% from a year earlier to ¥450,846 million.

**Data Storage Capacity
Increasing at an Annual Rate
of 60%**

The capacity of data storage used in computer systems is increasing at an annual rate of some 60% while the type of data being stored is also changing. Vendors are developing SATA HDDs, high-speed tape storage devices, and next-generation DVDs for storing the growing volume of multimedia contents.

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

Fujikoh (2405 TSE Mothers)

Fujikoh Co., Ltd., a Japanese recycler of leftover food and construction waste, restaurant operator, will list on the Tokyo Stock Exchange's Mothers market on July 28. The company will offer 26,000 shares to the public in its initial public offering. This will include 20,000 newly issued shares and 6,000 existing shares, held in private. The tentative price range will be announced on June 7. The fixed offering price will be announced on July 15. SMBC Friend Securities is the lead underwriter for the offer. The estimated ¥ 320.8 million to be raised from the IPO will be partly (¥190 million) used for capital expenditure and the rest will be kept in reserve for adding recycling capacity in the future.



Sosei Co. Ltd. (4565TSE Mothers)

Sosei Co., Ltd., a Tokyo-based bioinformatics firm uses compounds that have been abandoned by drug makers and redevelops them into treatments for diseases different from those they were originally intended to treat, will list on the Tokyo Stock Exchange's Mothers market on July 29. The company will offer 15,400 shares to the public in its initial public offering. This will include 14,050 newly issued shares and 1,350 existing shares, held in private. The tentative price range will be announced on July 9 and the fixed offering price will be announced on June 20. Nomura Securities is the lead underwriter of the offer. The funds will be used for R&D and working capital.

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	89.6	3,233	1,744	20,681	2,337	9,428	8,916	4,021	241
Apr.	102.0	107.2	85.1	100.8	2,060	1,792	15,745	2,079	5,535	8,132	3,604	224
YoY	17.5	15.8	2.9	3.9	15.2	6.9	10.8	13.2	4.2	15.2	13.7	3.9

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

