



Week ended Aug. 1, 2004

Vol . 124

High-tech Sector

NTT DoCoMo (9437 TSE1) Recovering Lost Ground

In the April-June quarter, NTT DoCoMo had a market share of 55% in 3G phones and KDDI (9433 TSE1), the unrivalled leader so far, slipped back to 42.8%. KDDI at one time almost completely dominated the 3G market. While KDDI continued to lead the market with a share of 53% for all mobile phones, versus NTT DoCoMo's 40.3% in the April-June quarter, NTT DoCoMo seems to be overtaking KDDI on the monthly basis. Since much of the demand for 3G phones comes from replacement demand, NTT is better positioned to benefit. NTT DoCoMo's 3G phones, which now offer a variety of services, are quickly winning popularity. It is probable that NTT DoCoMo's 3G subscriber base may overtake that of KDDI.

Fiber Optics Emerges as Strong Competitor for ADSL

New subscribers to NTT's B FLETS (fiber optics BB service) are expected to overtake B FLETS ADSL subscribers on a monthly basis in the second half of the current fiscal year. Market experts believe that this could be the first year for fiber optics to come into their own.

Monthly Shipments of Digital Cameras in Japan Decline for the First Time

Shipments of digital cameras in June fell about 12% year-on-year 600,000 units, registering the first decline in monthly shipments since CIPA, the sector's trade body, started keeping records in December 1999. Shipments slowed down in Japan as manufacturers boosted exports in response to tighter inventories abroad. The association says that the slowdown is temporary and that the basic demand remains firm. Shipments were 1% lower than May.

Japan's Video Game Market Shrinks in 2003 – Third Consecutive Decline

Japan's video game market in 2003 declined 11% year-on-year to 446.2 billion, according to CESA, the sector's trade association. Game software sales were off 8.2% as players shunned new games mainly because they were becoming increasingly complex. Video game machine sales were down 16.7%, suggesting that the market was maturing. Total shipments, including hardware and software, were down 10.1% to ¥1.13 trillion.



Production of Built-up Type PCB Rising

Production of built-up type PCBs going into modules is expected to rise to ¥138.8 billion (31.2%) in 2004, up from ¥105.7 billion in 2003, according to JPCS, the PCB sector's trade association. The demand for built-up type PCBs is increasing, reflecting an expanding application range. However, the number of suppliers who can produce such PCBs is still limited.

Outlook Brightens for Optical Devices Market

The optical devices market is expanding rapidly, and is estimated to have increased 14% in 2003 to ¥500 billion. The momentum continues in the current year also, with LEDs for mobile phones and the automobile sector fueling the growth. After the IT bubble burst, the optical communication laser had been going through a losing streak while the optical disk laser continued to grow. But now, the former also seems to have picked up speed.

Special Industrial Gas Market Outlook

After increasing 7% to ¥40.5 billion in 2003, demand for special industrial gases is likely to be up 5-7% in 2004, according to the Japan Industrial Gas Association. However, prices will continue to be under severe pressure the association warned. Demand for NH₃ for use in compound semiconductors (GaN) rose 34% and that of NF₃, used mainly in the production of LCD displays was up 30%.

Japan Semiconductor Manufacturers to Up Capex in Fiscal 2004

Japan's eleven major semiconductor manufacturers are expected to increase their capital investment in fiscal 2004 by 38.0% to ¥891 billion, according to a survey by a leading industrial daily. Seven of the eleven, including Toshiba (6502 TSE1), Fujitsu (6702 TSE1), NEC (6701 TSE1), will give priority to 300-mm devices.

Uncertainties Emerge Over Electronic Component Demand

Although demand for electronic components continues to increase, led by digital consumer electronics, uncertainties have started to appear for the second half of the current fiscal year. Diffusion rates of mobile phones and digital consumer electronic items have increased and these products are turning into commodity items. Moreover, China, to which manufacturers are looking for growth, is moving toward tighter monetary policy, which could affect demand growth.

Earnings Roundup***Seiko Epson's (6724 TSE1) Profits Nearly Triple in April-June Quarter***

Seiko Epson's net income in the April-June quarter increased 2.95 times on a sales gain of 5.6%. Ordinary income was up 145%. The company is projecting full-year sales at ¥1.5 trillion, an increase of 4.4% compared with the previous forecast, with ordinary income increasing 13% from the forecast to ¥113 billion.

CCI's First Quarter Profit Jumps 20%

The operating income for the April-June quarter increased 20% year-on-year to ¥120 million on a sales gain of 29% to 6.4 billion. CCI is an Internet ad agency. CCI's shares are listed on the Mother's market as well as the Hercules market. CCI will delist its shares from the Hercules market and will trade only on the Mothers market.



Very Serve Reports Strong First Quarter Profit

Very Serve announced on July 27 that its first quarter non-consolidated net income increased 2.4-fold from the same period a year earlier to ¥210 million on a 2.1-fold sales gain to ¥1.2 billion. Operating income was up 2.1 times to ¥210 million.

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

Next Japan (2409 TSE Mothers)

Next Japan Co., an operator of leisure facilities, will list on the Mothers market of the Tokyo Stock Exchange on September 1. The company will offer 4,500 shares to the public in its initial public offering. This will include 2,500 newly issued shares and 2,000 existing shares, held in private. The tentative price range will be announced on August 13. The fixed offering price will be announced on August 24. The Nikko CITI Group is the lead underwriter for the offer.

Media Exchange (3746 TSE Mothers)

Media Exchange Co., an Internet data center operator and as Internet service provider, will list on the Mothers market of the Tokyo Stock Exchange on September 1. The company will offer 4,500 shares to the public in its initial public offering. This will include 3,000 newly issued shares and 1,500 existing shares held in private. The tentative price range will be announced on August 13. The fixed offering price will be announced on August 24, based on the results of book-building. Mizuho Investors Securities is the lead underwriter of the offer.

Sammy Networks (3745 TSE Mothers)

Sammy Networks Co., a company specializing in planning, developing and distribution of contents over Internet-enabled mobile phones, will list on the Mothers market of the Tokyo Stock Exchange on September 1. The company will offer 4,000 shares to the public in its initial public offering. All shares will be newly issued shares. The tentative price range will be announced on August 23. Mitsubishi Securities is the lead underwriter of the offer.

ADM (3335 Jasdq)

ADM Co., an electronic devices trader, will list on the JASDAQ market on September 1. The company will offer 910,000 shares to the public in its initial public offering. This will include 500,000 newly issued shares and 410,000 existing shares held in private. The tentative price range will be announced on August 20. Daiwa SMBC Securities is the lead underwriter of the offer.



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)
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	4,021	8,916	241
Apr.	102.0	107.2	85.1	100.8	2,060	1,792	15,745	2,079	5,535	3,604	8,132	224
May	105.7	107.6	84.3	95.1	1,961	1,728	10,950	1,502	1,927	3,750	7,521	219
June	102.2	107.6	82.0									248
YoY	12.3	13.7	0.3	-2.7	6.3	1.4	10.8	13.2	4.2	13.4	15.2	8.4

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

