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High-tech Sector

Week ended Aug. 30, 2004

Best-selling Mobile Phones in Japan

The best selling mobile phone models at NTT DoCoMo were P900i (Panasonic), N900i (NEC). Sharp (V602SH) and Toshiba (V401T) models were the most popular at Vodafone.

Budget Requests for the IT Sector for Fiscal 2005

The Ministry of Public Management, Home Affairs, Posts and Telecommunications has requested a ¥92.2 billion allocation in fiscal 2005 from the government budget for telecommunications-related projects and some ¥29.0 billion for projects related to ubiquitous society-related programs.

Electronic Component Manufacturers Expect Boom Times to Continue

Japan's electronic component manufacturers reported strong profit for the first quarter of the current fiscal year. Of the 31 firms polled in this sector, 20 reported higher sales and profit compared with the first quarter in the previous fiscal year. Sales and profit are being driven by brisk sales of digital consumer electronics. While the trend seems to have been carried over in the second half also, electronic component manufacturers have turned cautious about the outlook for the rest of the year. While none expect a crippling slowdown, as experienced following the bursting of the so-called IT bubble, all expect the growth rate to slow down.

Global Home Network Market – 802.11.1 to be the Global Standard

According to a research report from IMS Research, a US high-tech research firm, 57% of the home networks will be wireless-based by 2009 and the 802.11.1 technology will be the de-facto standard in view of its superior security features. Another 24.9% will be hybrid (fixed line and wireless).

Network-enabled Home Electronics Market Outlook

According to Japan's Ministry of Public Management, Home Affairs, Posts and Telecommunications, the market for home electronic appliances that can be connected to a network will grow to ¥11.3 trillion by 2010, a four-fold increase from the current level. The services and content market will account for ¥4,560 billion, while the appliances market will represent ¥5,359 billion. The remaining 1,408 billion will come from network platforms.



Japan's IT Market Outlook

Japan's IT market has resumed growth and is expected to expand to ¥27 trillion by 2008, when the tertiary industry will account for 60% of sales. The market in 2002 was estimated at ¥22 trillion, a slight decline from the ¥24 trillion recorded in 2001, according to a government white paper on the IT industry. IT investments represent 2% of the GDP in Japan, about half that of Sweden. The single most important issue facing the sector is the transition from hardware to software and services, an area where Japan is relatively weak.

IT Outsourcing to Become a ¥3.7 Trillion Market by 2008

Japan's IT outsourcing market is expected to experience steady growth through 2007, when it will have grown to an estimated ¥3.7 trillion. IT management services are expected to underpin the expansion, growing at an annual average rate of 11%. Corporations, both small and large, are outsourcing their IT services-related needs in order to cut cost and free up management resources for concentrating on their core competencies. IT management service demand in 2003 increased by 11.7%, that for business processing outsourcing by 7.6% and for maintenance services by 7.8%, according to IDC Japan estimates.

Color Page Printer Market Shows Strong Growth

Demand for color page printers in 2003 is expected to increase by more than 30% compared to the previous year, thus surpassing the 13% growth rate forecast by JEITA. This is because color presentations have become the norm in many sectors, including manufacturing, retailing and finance. The government and public utilities have also started installing color page printers in a bid to improve service. Sales in the consumer market are also brisk, with some mass merchandisers reporting a doubling of demand.

SMD Demand to Increase 10% in 2004

Demand for surface mounting devices in 2004 is expected to increase 10% to ¥174.5 billion, driven by the development of technological advances. While much of the circuit parts are now mounted using SMDs, the appearance of high-performance modules, digital cameras and digital home electronics is now driving demand.



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

Sansei Foods (2227 Hercules)

Sansei Foods Co., Ltd, a firm manufacturing and marketing candies, will list on the Hercules market on September 29. The company will offer 1,500,000 shares to the public in its initial public offering. Of those 1,000,000 are newly issued shares and 500,000 are existing shares currently held in private. The tentative price range will be set on September 6. The fixed offering price will be announced on September 15. Daiwa SMBC Securities is the lead underwriter for the offer.

Electric Power Development (9513 TSE)

Electric Power Development Co., Ltd., better known as J-Power, will list on the Tokyo Stock Exchange in October. The company will offer 104.1 million existing shares to the public in its initial public offering. The offering price will not be finalized until September 27. At present, the government holds a 83% stake in the company through its privatization fund. Tokyo Electric Power and eight other major electric power utilities hold the remaining 17%. Nomura Securities is the lead underwriter for the offer. The former government-affiliated special corporation was privatized in 2003.

Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
July	91.3	90.4	92.6	106.4	2,023	1,924	15,859	1,823	6,206	7,830	3,545	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	8,430	3,761	209
Oct.	98.6	104.9	80.8	75.2	2,005	1,397	16,942	2,473	6,100	8,370	3,698	228
Nov.	99.4	99.8	81.8	74.1	1,913	1,465	16,360	2,310	5,897	8,153	3,611	244
Dec.	100.2	102.4	81.3	80.9	2,123	1,529	17,484	2,289	7,034	8,160	3,596	321
Jan.	102.5	105.4	81.5	76.1	1,996	1,396	15,531	1,517	6,073	7,941	3,629	273
Feb.	95.7	99.0	80.1	84.9	2,153	1,554	16,577	1,812	6,774	8,022	3,575	195
Mar.	94.2	95.1	81.2	108.1	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
May	105.7	107.6	84.3	95.1	1,961	1,728	15,549	1,969	5,434	8,145	3,750	219
June	102.0	107.4	82.1	112.9	2,287	2,013	17,641	2,362	6,525	8,754	3,938	248
YoY	10.2	11.6	1.2	-3.3	14.6	-1.5	9.3	18.1	-0.9	15.7	14.2	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

