



**Week ended Sep. 19, 2004**

**Vol . 131**

## *High-tech Sector*

### ***NTT DoCoMo(9437 TSE1) Rapidly Recovering Ground in 3G Phones***

The number of subscribers to NTT DoCoMo's 3G phones is rising rapidly. As of the end of August, the subscriber count increased 1.9 times from the end of March. So far its main rival, KDDI, has been in the lead, capturing a more than 80% market share. KDDI, as of the end of August had 15.5 million subscribers to its 3G service. However, NTT DoCoMo is better positioned to strengthen its market position since most subscriptions comes from replacement demand. With the largest subscriber base for 2G mobile phones in Japan, NTT DoCoMo could well overtake KDDI in the 3G service.

### ***NTT(9432 TSE1) to Slash Basic Monthly Charge on Fixed-line Phones***

NTT plans to reduce the basic monthly charge on fixed-line phones by ¥100-¥200 as competition is mounting. KDDI is planning to cut the basic monthly rate as well as offer lower rates on calls from fixed-line phones and the Softbank Group has also announced lower rates. Although, NTT almost completely monopolizes the market, it is concerned that competitors may well start nibbling away at its customer base.

### ***Japanese Company Develops High-speed Sputtering Unit***

Utech, a Chiba-based company has developed a small-size sputtering unit with film formation speed of 8 times that of conventional units. It will be used for reflection prevention films for optical lenses and displays. It is also expected to be used for coating DVD pick-up lenses, and to reproduce barrier films for electronic devices.

### ***Toshiba(6502 TSE1) and Canon(7751 TSE1) to Launch Flat-panel SED Television***

Toshiba and Canon will launch large-screen flat-panel SED television sets in 2005. The two companies are developing the new type of television jointly. The new technology allows the development of larger screen-size television sets and reduces power consumption, while offering sharper picture quality. The new models are likely to be priced around the level of plasma televisions.



### **Concern Growing Over Consumer Electronics Inventories**

A recent Bank of Japan report shows that inventories of digital consumer electronic devices and LCD-related inventories are rising sharply. With crude oil prices on the rise, the central bank's policy committee members expressed concern over the outlook for IT-related demand.

### **Control System Shipments Up in July**

Shipments of control equipment and systems rose 14.5% in July. Shipments of control relays were up 8.8% and those of detection switches increased 17.7%. Shipments of PCA and FA system equipment were up 29.4%

### **Switching Power Supply Market Resumes Growth**

The demand for switching power supplies is rising again, after bottoming out in 2000. Shipments of switching power supplies in 2003 increased 9.7% to 218 million units, according to JEITA, the electronic sector's trade association. The trend is expected to continue in 2004, with shipments likely to be up 6.8% year-on-year to 233 million units. In value terms, shipments are likely to be up 9.5% to ¥267.7 billion.

### **Demand for Data Security Systems Growing**

The demand for systems to prevent consumer data from being stolen from data systems is expected to triple this year ahead of the promulgation of laws scheduled for 2005. At present nine major vendors offer such systems in Japan. These include Hitachi Software, NEC Software and Fujitsu SSL, in addition to Otsuka Shokai and Microsoft.

### **August Bankruptcies in the Electrical Sector at Record Low**

Only 24 firms in the electronics sector went bankrupt in April, a 38.4% decline from August 2003 and a record low for the year. Unpaid debt left behind by companies going bankrupt also declined 36.9% to ¥8,100 million.

## **Earnings Roundup**

### **Cyber Agent(4751 TSE Mothers) Set to Move Into the Black**

Cyber Agent, an Internet ad agency, is expected to move solidly into the black in the current fiscal year ending September, reporting consolidated net income of ¥4,000 million. The figure is ¥550 million higher than earlier forecasts. Sales are expected to increase 64% to ¥26,500 million, ¥1,500 million higher than forecast.



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

***Art Corp. (9030 TSE2)***

Art Corporation, a moving service company, will list on the Second Section of both the Tokyo Stock Exchange and the Osaka Securities Exchange market on October 12. The company will offer two million shares to the public in its initial public offering. Of those one million are newly issued shares and one million are existing shares currently held in private. The tentative price range will be set on September 30. The fixed offering price will be announced on October 12. Nomura Securities is the lead underwriter of the offer. The company expects to net ¥1.62 billion from the IPO. Funds will be used to repay loans.

***Xinhua Financial Network (9399 TSE Mothers)***

Xinhua Financial Network Ltd., a Hong Kong-based affiliate of China's Xinhua News Agency, will list on the Mothers market of the Tokyo Stock Exchange on October 28. It will be the first foreign company to go public on a Japanese stock market before doing so anywhere else. The company will offer 28,649 shares to the public in its initial public offering. Of those 20,000 are newly issued shares and 8,649 are existing shares currently held in private. The tentative price range will be set on October 7. The fixed offering price will be announced on October 18. Nomura Securities is the lead underwriter of the offer.

***Unicharm Pet Care (2059 TSE2)***

Unicharm Pet Care Co., a Japanese company engaged in manufacturing and marketing pet foods and pet toiletries, will list on the Second Section of the Tokyo Stock Exchange on October 18. The company will offer 1,470,000 shares to the public in its initial public offering. Of those 500,000 are newly issued shares and 970,000 are existing shares currently held in private. The tentative price range will be set on September 28. The fixed offering price will be announced on October 7. Nikko Citigroup is the lead underwriter of the offer.

***Lawson Ticket (2416 Jasdq)***

Lawson Ticket Co., Ltd., a Japanese company specializing in the marketing of tickets for arts and sports events and the planning, development and operation of ticket marketing systems, will list on the JASDAQ market on October 22. It will offer 6,000 shares in its initial public offering. Of those 5,000 are newly issued shares and 1,000 are existing shares currently held in private. The tentative price range will be set on October 4. The fixed offering price will be announced on October 14. Nikko Citigroup is the lead underwriter of the offer.



**Myotoku (6265 Jasdaq)**

Myotoku Co., Ltd., a Japanese manufacturer of vacuum systems and related equipment, will list on the JASDAQ market on October 20. It will offer 1,000,000 shares in its initial public offering. Of those 850,000 are newly issued shares and 150,000 are existing shares currently held in private. The tentative price range will be set on September 28. The fixed offering price will be announced on October 7. Shinko 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 | Electronic devices | Semicon (Production) | Consumer electronics (sales) |
|------|-------|-------|-------|----------------------|--------------------|------------------|--------------------|-------------------|------------------------|--------------------|----------------------|------------------------------|
| 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                          |
| July | 102.1 | 106.4 | 81.0  |                      |                    |                  |                    |                   |                        |                    |                      | 296                          |
| YoY  | 12.0  | 17.8  | -12.5 | -3.3                 | 14.6               | -1.5             | 9.3                | 18.1              | -0.9                   | 15.7               | 14.2                 | 19.8                         |

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

