



Vol . 133

## *High-tech Sector*

**Week ended Oct. 3, 2004**

### ***NTT(9432 TSE1) Slashing Phone Rates***

NTT is slashing its fixed-line telephone rates as competition is mounting and rivals are cutting rates. The fixed monthly charge will be cut by ¥540 to ¥1,600, the same level as KDDI and Softbank. The in-city call rate will also be brought down from ¥8.5/3 minutes to ¥7.5/3 minutes. Long distance rates are also to be slashed from the current ¥20-80 to ¥15 for a three minute call, bringing it on par with those offered by rivals.

### ***C&W Withdraws form Japan***

C&W, a major British telecommunications firm, will withdraw from Japan, selling its business a Japanese firm, possibly Softbank. The company has been unable to expand its customer base mainly because Japanese clients demand comprehensive telecommunication services, an area where Japanese firms are better positioned.

### ***SPE Orders Up in August***

Orders for Japan's semiconductor production equipment in August rose 16.1% year-on-year to ¥118.4 billion. Orders from the Japanese market were up 15.4% to ¥53.8 billion.

### ***Orders for Washing Machines for Semiconductor Industry Strong***

Orders for washing machines used in the production of semiconductors in 2004 are expected to be up 30% to ¥40 billion. Orders are rising, reflecting stepped up investment in semiconductor manufacturing facilities led by facilities for 300-mm wafers and 90-nm technology node devices. Shipments in 2003 were up 25% compared to the previous year to an estimated ¥30-¥33 billion.

### ***Linux OSS Market Set for Growth***

Linux operating system software is attracting more interest in Japan, with the total market expected to grow from an estimated ¥212 billion in 2004 to ¥450 billion in 2007. Of the tota, Linux SI will represent ¥210 billion, and support services ¥130 billion, with the remaining ¥110 billion accounted for by Linux platform.



### **Competition Intensifies in FPD Market**

Three major countries, Japan, S. Korea and Taiwan, are locked in a fierce market share battle in the flat panel display market. The quarter of 2004 was a period of consolidation and appearance of new technologies.

### **Crystal Device Production Up in August**

Production of crystal devices in August rose 14.8% year-on-year to ¥19.7 billion. In terms of volume production was up 20.4% to 62.60 pieces. Particularly strong production growth was noted for industrial-use crystal oscillators, up 65.0%. However, production of SAW devices and crystal filters fell 11.8% and 32.4% respectively.

### **China Electronic Device Market**

China's electronic device market for 2004 is projected at US\$39 billion. Production in volume terms is expected to be 600 billion pieces. Japan-China trade also rose to a record high in the first half, rising 30.2% to US\$78.7 billion. This is the fifth consecutive high in as many years. Imports of office machines, including PCs and printers, from China rose 38.2% and those of AV equipment were up 37.7%. Imports of communications equipment, such as mobile phones, rose 66.9%. Exports from Japan, principally high-end electronic components were up 24.7%.

### **Japan's Electronic Component Producers Increasing Production in China**

Japan's electronic component manufacturers continue to increase output in China despite problems such as electric power shortages, phasing out of certain tax incentives and high employee turnover in certain regions. Japanese electronic component manufacturers see China not only as an attractive export base, given its low wages, but also as a massive emerging market for their products.

### **Mass Production of 0402-size Chips to Start**

Major Japanese chip manufacturers are expected to start mass production of 0402-size chips to cope with continuing miniaturization of high-performance modules going into mobile phones and other devices. Major manufacturers include TDK, Murata and Rohm.

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

### **NTT Urban Development (8933 TSE)**

NTT Urban Development Co., Ltd., a wholly owned subsidiary of NTT Telegraph and Telephone Corp., will list its shares on the First Section of the Tokyo Stock Exchange on November 4. The IPO is expected to attract considerable interest among foreign investors. The company will offer 198,000 shares to the public in its initial public offering. Of those 132,000 are newly issued shares and 66,000 are existing shares currently held in private. The tentative price range will be set on October 11. The IPO could be worth around ¥98.5 billion, making it one of the biggest listings this year. The proceeds are to be used for capital expenditure and investment in new property development projects. The fixed offering price will be announced on October 25. Nomura Securities is the lead underwriter of the offer.



***Flight System Consulting  
(3753 TSE Mothers)***

Flight System Consulting Inc., a computer systems consulting company, will list on the Mothers market of the Tokyo Stock Exchange on November 1. The company will offer 2,250 shares to the public in its initial public offering. Of those 1,500 are newly issued shares and 750 are existing shares currently held in private. The tentative price range will be set on October 12. The fixed offering price will be announced on October 20. Flight System Consulting expects to net ¥340.8 million from the IPO. The proceeds are to be used for future business needs, such as mergers and acquisitions. Mizuho Investors Securities is the lead underwriter of the offer.

***Excite (3754 Jasdaq)***

Excite Japan Co., Ltd., an operator of Internet portal sites, including Excite, will list on the JASDAQ market on November 2. The company's portal site is popular among urban residents in their twenties. About 20 million people use its portal sites. The company will offer 5,000 shares to the public in its initial public offering. Of those 3,500 are newly issued shares and 1,500 are existing shares currently held in private. The tentative price range will be set on October 12. The fixed offering price will be announced on October 21. Mizuho Investors Securities is the lead underwriter of the offer.

***21LADY (3346 NSE)***

21LADY Co., Ltd., a lifestyle support firm offering a broad range of service, will list on the Nagoya Stock Exchange on November 1. The company will offer 7,500 shares to the public in its initial public offering, all of which will be newly issued shares. The tentative price range will be set on October 8. The fixed offering price will be announced on October 19. HS Securities is the lead underwriter of the offer.

***Best Bridal (2418 TSE Mothers)***

Best Bridal Co., Ltd., an operator of wedding houses in Japan and in Hawaii, will list on the Mothers market of the Tokyo Stock Exchange on October 28. The company will offer 1,600 shares to the public in its initial public offering. Of those 800 are newly issued shares and 800 are existing shares currently held in private. The tentative price range will be set on October 8. The fixed offering price will be announced on October 19. Mitsubishi 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	114.0	2,226	2,005	16,722	2,163	6,057	8,499	3,847	296
YoY	12.0	17.8	-12.5	6.1	10.2	5.4	5.0	19.8	-3.6	8.5	8.5	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*

