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High-tech Sector

NTT(9432 TSE1) to Cut IP Telephone Rates for Corporate Users

NTT plans to cut rates for its IP telephone service using optical fibers. The IP phone service using optical fibers is scheduled to start for condominiums and individual users by next March. NTT plans to replace all its copper lines with optical fiber lines.

Mobile Phone Sales down 8.5% in First Half

Sales of mobile phones in Japan declined 8.5% year-on-year in the January-June period, falling to 22.13 million units, according to Gartner Japan, a research firm. The company cited market maturity and the end of the replacement cycle (replacement of conventional phones by camera-equipped phones) to explain the slowdown. NEC had the largest market share, estimated at 21.9%, down 2 percentage points from the same period a year earlier. Sharp increased its market share by 2.9 percentage points to 14.2%, reflecting brisk shipments to NTT DoCoMo. Matsushita was the biggest loser, with its market share slipping 4.8 percentage points to 13.5%. However, Matsushita could rebound moving up to the second spot, as sales of its 3G phone P900i are strong. Shipments of mobile phones in August declined 21.4% YoY to 3.26 million units, according to JEITA, a trade association.

Japan's Contents Management Business Set for Solid Growth

Japan's contents management service business should grow at an average annual growth rate of 13% through 2008, reaching ¥22,200 million by that year. The market in 2003 stood at ¥12,100 million. Contents management is taking on added importance from the standpoint of compliance, enhancing the efficiency of Internet-based operations and operational streamlining, according to IDC Japan, a high-tech research firm.

Japan's Enterprise VoIP Market Outlook

Demand for Enterprise VoIP equipment rose 43.2% year-on-year to ¥66,700 million. Sales of IP-PBX rose 80.3% and those of VoIP gateways were up 9.2%, according to IDC Japan. The market should continue to expand at an annual average rate of 12.7% and reach ¥121,200 million by 2008, the forecaster says.



Bluetooth Market Set for Explosive Growth

The cumulative production of devices based on the Bluetooth will increase to 500 million units in the next two years, according to Bluetooth AIG. In the period from April to September 2004, the company issued 259 licenses of which 54 were in Japan.

IA Server Shipments Strong

Shipments of IA servers in the first half of 2004 totaled 243,000 units, a double-digit gain from the same period in 2003. UNIX and mainframe servers are benefiting from replacement demand for large systems installed in 2000. Major server vendors are NEC, Fujitsu, IBM, HP and Sun Microsystems.

Image Sensor Market to See Solid Growth

The image sensor (CCD/CMOS) market is set for solid growth, although Japan's DSC market is showing signs of maturing. Outlook is particularly bright for CMOS, as its applications spread from SLR to mega-pixel cameras for mobile phones. New applications, such as automotive cameras are also being developed. On the other hand, CCD applications seem to be increasing but the growth is limited to DSC and camcorders. Inventories CCDs, in short supply just last year, underwent a correction in the first half as inventories ballooned but DSC makers are again bullish, expecting shipments to the global market to resume growth again.

***Earnings Roundup
Connect Tech(3736 Mothers) Set to Report Strong Profit Growth***

Connect Technologies Corp. is likely to report an 86% year-on-year increase in non-consolidated pretax profit to ¥431 million for the fiscal year ended August 2004 as the gross profit margin increased by 1 percentage point to 55.3%. Sales rose an estimated 95% to ¥1.42 billion. The increase is attributed to brisk sales of distribution system packages to music and game companies that distribute ring tones for mobile phones.



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

Elpida Memory (6665 TSE)

Elpida Memory Inc., a memory microchip producer, will list on the Tokyo Stock Exchange on November 15. The company will offer 29.15 million shares to the public in its initial public offering. Of those 11.15 million will be offered to overseas investors. Elpida also has a green shoe option to sell an additional 2.70 million shares currently held in private in the event of exceptional demand. The fixed offering price will be announced on November 4. Daiwa Securities SMBC is the lead underwriter of the offer.

Impex (1604 TSE)

Impex Corp., a government-owned oil developer, will list on the Tokyo Stock Exchange on November 17. The state-owned Japan National Oil Corp. holds a 53.96% stake in the company. The company will offer 343,725 shares to the public in its initial public offering. All will be existing shares held in private. The IPO is likely to turn out to be the third largest this year. The fixed offering price will be announced on November 5. Daiwa Securities SMBC, Nikko Citigroup, Nomura Securities and Goldman Sachs (Japan) are the lead underwriters of the offer.

Opto Electronics (6664 JASDAQ)

Opto Electronics Co., Ltd., a Japanese producer of bar code readers and related peripheral equipment, will list on the JASDAQ market on November 17. The company will offer one million shares to the public in its initial public offering. Of those 700,000 are newly issued shares and 300,000 are shares currently held in private. The tentative price range will be set on October 26. The fixed offering price will be announced on November 5. The company plans to use funds raised through the IPO for capital expansion to expand operations. Wako Securities is the lead underwriter of the offer.

Daiki Sound (3350 JASDAQ)

Daiki Sound Co., Ltd., a company engaged in music CD distribution and data services, will list on the JASDAQ market on November 16. The company will offer 3,000 shares to the public in its initial public offering. Of those 1,500 are newly issued shares and 1,500 are existing shares currently held in private. The tentative price range will be set on October 26. The fixed offering price will be announced on November 9. Mitsubishi Securities is the lead underwriter of the offer.



UNIMAT CLEANLIFE (2421JASDAQ)

UNIMAT CLEANLIFE Co., Ltd., a company engaged in rental service of mats, mops air fresheners and other equipment to restaurants and offices, will list on the JASDAQ market on November 19. The company will offer 1,800 shares to the public in its initial public offering. Of those 900 are newly issued shares and 900 are existing shares currently held in private. The tentative price range will be set on October 28. The fixed offering price will be announced on November 9. Daiwa Securities SMBC is the lead underwriter of the offer.

Sun Frontier (8934 JASDAQ)

Sun Frontier Fudosan Co., Ltd, a real estate firm specializing in real estate brokerage, building rental, property management and real estate re-development business, will list on the JASDAQ market on November 19. The company will offer 2,000 shares to the public in its initial public offering. All shares will be newly issued. The tentative price range will be set on October 28. The fixed offering price will be announced on November 9. Shinko Securities is the lead underwriter of the offer.

Maruha Securities (8700 JASDAQ)

Maruha Securities Co., Ltd., a Japanese securities firm, will list on the JASDAQ market on November 22. The company will offer 3,000,000 shares to the public in its initial public offering. Of those 1,300,000 are newly issued shares and 1,700,000 are existing shares currently held in private. The tentative price range will be set on October 29. The fixed offering price will be announced on November 10. Nomura 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)
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	3,629	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	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
May	105.7	107.6	84.3	95.1	1,961	1,728	10,950	1,502	1,927	7,521	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
Aug	108.4	108.8	82.0	79.2								237
YoY	18.9	13.6	-5.7	30.7	10.2	5.4	5.0	19.8	-3.6	8.5	8.5	3.4

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

