



Vol . 136

## *High-tech Sector*

**Week ended Oct. 24, 2004**

### ***NEC (6701 TES1 ) Starts Marketing World's Fastest Super Computer***

NEC has started accepting orders for the world's fastest super-computer, which is designed to achieve theoretical peak speed of 56 teraflops. NEC hopes to sell 700 of the super computers in three years.

### ***Biometrics Market On the Verge of Entering Growth Phase***

Japan's biometrics market is expected to more than triple by 2010 to ¥27.2 billion, according to Yano Research Institute, a think tank. Major computer manufacturers, including Fujitsu and Hitachi have entered the market and leading financial institutions like Mitsubishi Bank and Suruga Bank are testing biometrics systems. Improved reliability of authentication systems is driving growth.

### ***Car Navigation and ETC Systems Markets To Expand***

Japan Automotive Research Center recently revised its previous forecasts for the car navigation system market and the ETC market. The revised forecast sees cumulative shipments of car navigation systems to reach 34 million units, double the 2003 figure and about 4 million units higher than the previous forecast. Cumulative shipments of ETC systems for 2007 is now projected at 13 million units, five times the 2003 level and 1 million units higher than the previous forecast.

### ***OLED Market to See Solid Growth in 2004***

The OLED market in 2004 is expected to increase anywhere from 20% to 40% compared to 2003 to ¥60 billion to ¥70 billion. So far, OLED's have been used primarily in sub-displays of mobile phones and in audio equipment using the MP3 technology. However, they are being used in a wider range of applications, such as the automobile and PDAs. Major suppliers are Tohoku Pioneer, R9T Display, Samsung SDI, TDK and ROHM.



### ***Manufacturers Shifting to Larger Flat Panel Televisions***

Manufacturers of flat panel televisions are expanding the production of large-screen flat panel televisions since these models are selling well despite high prices in the range from one to two million yen. Sharp is doubling the production of its 45" LCD model and Matsushita Electric is moving up the start of production of the 65" model of plasma display televisions. Major vendors are Sharp, Matsushita, Sony and Hitachi.

### ***Mass Production of EL Panels Starts***

Japan's manufacturers are gearing up to start mass production of the EL panel, seen as a leading contender for next-generation flat panel televisions. Following Sony, Tohoku Pioneer is scheduled to start mass production of EL panels for mobile phones. Most industry experts believe that the EL will be the mainstay panel in flat panel televisions in the future. Major suppliers are Sanyo Electric, Sony, Tohoku Pioneer and Toshiba.

### ***Japan' Share of FPDs Declining***

As competition in flat panel displays heats up, Taiwanese and South Korean manufacturers are increasing their market shares at the expense of their Japanese rivals. South Korean manufacturers have increased their global market share from 43% in 2001 to 46% while Taiwanese manufacturers did even better boosting their share from 18% to 38% during the same period. Japan's share fell from 43% to 16%.

### ***PDP Driver IC Market Growing***

Demand for PDP driver ICs, although relatively small at present, is expanding rapidly and is likely to double to ¥40 billion by 2007. As the production of plasma display televisions rises, manufacturers are trying to secure stable supplies.

### ***Price of Large-size TFT Panel Crashes***

Earnings of major TFT panel manufacturers in S. Korea and Taiwan are likely to be affected as prices of the large-size TFT panel plunged after June 2004. Profit margins on FPD hovered around 30% at Taiwanese manufacturers during the first half of 2004 but they may be facing losses in the second half. As a result, profit margins for the full year might shrink to just 10%. The lackluster performance is blamed mainly on weak demand for personal computers. Demand for FPDs is unlikely to rebound before 2005 when a new CPU and new models of TV sets are expected to be launched.

### ***Tokyo Ohka (4186 TSE1) Develops New Resist for 35nm Chips***

Tokyo Ohka has developed a new type of resist material for the mass production of chips with a 35nm design rule. The new chips are likely to be in wide use after 2010. Because the new resist material allows the use of ArF lasers, chipmakers can switch to the new material without the need to invest in new equipment.



**Earnings Roundup**

***Profit Margin Continues to Increase at Keyence (6861 TSE1)***

Consolidated operating income in the July-September quarter is likely to have increased 39% year-on-year to around ¥20 billion on a sales gain of 29% to ¥37 billion. This translates into an operating profit margin of 54% on sales. The company's operating profit margin rose over the 50% level in the fiscal year ended March 2004. Strong demand for sensors, reflecting a revival of capital investment, is driving sales. Strong exports to Asia, particularly to China, are contributing to sales and profit.

***Advantest (6857 TSE1)'s First-half Operating Income to Jump 10-fold***

Advantest Corporation's consolidated operating income for the first half of the current fiscal year is likely to jump 10-fold to ¥42 billion on sales of ¥145 billion, up 130%. Net income is likely to increase 12-fold to ¥28.5 billion. Strong sales of its mainstay microchip testing devices, in addition to cost-cutting measures, are driving sales and income.

***Major Electronics Firms to Report Strong First-half Earnings***

Japan's major electronics firms are expected to report strong interim profit. Hitachi's interim consolidated operating income is likely to rise 440% year-on-year to ¥110 billion. NEC consolidated operating income is expected to increase 3% to ¥60 billion. Mitsubishi Corporation is likely to see a 220% increase in operating income. However, electronics firms remain cautious about the second half, preferring to leave their full-year forecasts unchanged.



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

***Tempo Ryutsu Net (3351 NSE)***

Tempo Ryutsu Network Co., Ltd., an operator of restaurants that also provides support services for the restaurant operators, will list on the Nagoya Stock Exchange on November 19. The company will offer 1,600 shares to the public in its initial public offering. Of those 1,300 are newly issued shares and 300 are shares currently held in private. The tentative price range will be announced on October 28. The fixed offering price will be announced on November 9. Kobe Securities is the lead underwriter of the offer.

***NS Tool (6157 JASDAQ)***

NS Tool Co., Ltd., a Japanese manufacturer of end mills, will list on the JASDAQ on November 19. The company will offer 100,000 shares to the public in its initial public offering. Of those 50,000 are newly issued shares and 50,000 are shares currently held in private. The tentative price range will be announced on October 28. The fixed offering price will be announced on November 9. UFJ Tsubasa Securities is the lead underwriter of the offer. The funds raised through the IPO will be used to boost production at its Sendai plant, for new product development and to finance working capital requirements.

***JM Net (2423 FSE)***

JM Net Co., Ltd., a high-tech firm offering a range of services from installation and maintenance of semiconductor production equipment and development of customer management, manufacturing to FA systems and the development of system LSIs, will list on the Fukuoka Stock Exchange on November 25. The company will offer 950 shares to the public in its initial public offering. Of those 800 shares are newly issued shares and 150 are shares currently held in private. The tentative price range will be set on November 2. The fixed offering price will be announced on November 12. Toyo Securities is the lead underwriter of the offer.

***LTT Bio-Pharma (4566 TSE Mother)***

LTT Bio-Pharma Co., Ltd., a company engaged in R&D using the DDS technology, will list on the Mothers markets of the Tokyo Stock Exchange on November 25. The company will offer 8,500 shares to the public in its initial public offering. Of those 4,000 are newly issued shares and 4,500 are existing shares currently held in private. The tentative price range will be set on November 2. The fixed offering price will be announced on November 12. Nomura Securities is the lead underwriter of the offer.



**KAWADEN (6648 JASDAQ)**

KAWADEN Co., Ltd., a manufacturer of high/low voltage distribution boards, automatic control panels and other power distribution control equipment for buildings, will list on the JASDAQ market on November 25. The company will offer 9,450 shares to the public in its initial public offering. Of those 3,600 are newly issued shares and 5,850 are existing shares currently held in private. The tentative price range will be set on November 2. The fixed offering price will be announced on November 12. Daiwa Securities SMBC is the lead underwriter of the offer.

**Medical Ikkou (3353 JASDAQ)**

Medical Ikkou Co., Ltd, a company marketing prescription and other pharmaceuticals, will list on the JASDAQ market on November 26. The company will offer 1,251 shares to the public in its initial public offering. Of those 1,000 are newly issued shares and 251 are existing shares currently held in private. The tentative price range will be set on November 4. The fixed offering price will be announced on November 15. UFJ Tsubasa Securities is the lead underwriter of the offer.

**Buffalo (3352 JASDAQ)**

Buffalo Co., Ltd., an AUTOBACS SEVEN franchisee operating a chain of automobile parts and accessories stores, will list on the JASDAQ market on November 26. The company will offer 1,500 shares to the public in its initial public offering. Of those 500 are newly issued shares and 1,000 are existing shares currently held in private. The tentative price range will be set on November 5. The fixed offering price will be announced on November 15. 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	2,101	1,435						237
YoY	18.9	13.6	-5.7	30.7	19.2	25.5	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*

