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High-tech Sector

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ADSL Subscriber Growth Slowing

The growth in the number of ADSL subscribers is slowing down as a shift to fiber-fiber lines accelerates. The growth rate of 500,000 new subscribers per month has slowed down to just 190,000 as the diffusion rate among households reached 30% and the rates for fiber-optic lines, which offer higher speeds, came down. The number of new subscribers at Yahoo Broadband, the Softbank subsidiary that offers ADSL service, in September fell to 60,000, less than half the number a year earlier. NTT is accelerating investment in fiber-optic networks and expects to have connected about 30 million households to its network by 2010.

Mobile Phones – NEC (6701 TSE1) Facing Headwind

Now that replacement demand driven by camera-equipped mobile phones has run its course, competition is shifting to functions each of the models offer. With its multi-functional model winning popularity, Sharp is steaming ahead while sales of NEC's mobile phones are slowing. Sharp expects shipments to NTT DoCoMo and Vodafone to rise sharply in the current fiscal year.

Japan's EIP Solutions Market Expanding

Japan's enterprise information portal solutions market is expected to grow at an annual average rate of 7.9% to an estimated ¥31,400 million in 2008, according to IDC, a high-tech market research firm. So far only large firms, with employees of more than 1, 000 seem to be actively installing EIP solutions as they seek to efficiently manage many of their stand-alone systems.

Home Projector Market Growing

The global home projector market is growing steadily and is expected to increase 49% in 2005 to 700,000 units, of which Japan is likely to account for 100,000 units. The market is expanding rapidly in Europe, led by crossover projectors designed for both home and business applications. Sanyo Electric, Epson and Matsushita are the major suppliers.



Digital Camera Shipment Forecast Revised Down

Major Japanese digital camera manufacturers are revising their fiscal year 2004 shipment forecasts downward. Sanyo Electric has scaled back its shipment forecast and Olympus has reduced its forecast from 11 million units to 9.5 million units. Only Sony and Casio have not revised their forecasts.

Japan's Optical Automation Market Shows Strong Growth

Japan's optical automation market in 2003 expanded by 18.7% to ¥2,100 million, with unit shipments rising 18.0%. The market is expected to expand at an annual average rate of 4.8% through 2008, according to IDC Japan, a high-tech market research firm.

Matsushita (6752 TSE1) Sues LG Claiming Patent Violation

Matsushita Electric has sued South Korea's LG, claiming that LG has violated its patent on plasma display panels and requested the court to stop imports of LG PDP panels into Japan. The company decided to sue LG after its yearlong negotiations with LG failed. In another case, Japan's Fujitsu sued Samsung SDI in April, claiming a similar patent violation. Samsung SDI and LG Electronics together account for 46.6% of the world market share and Japan is their main rival.

Crystal Device Production Up in First Half

Production of crystal devices, including crystal oscillators, crystal filters and SAW devices, rose 17.1% to ¥121,800 million in the first half of the current fiscal year ended September 2004. In terms of volume production was up 19.8%, underpinned by demand from consumer electronics manufacturers.

Injection Molding Machine Order Trends

Orders for injection molding machines in the first half of the current fiscal year ended September 2004 increased 2.7% to 10,257 units. This was a bumper period for the sector since orders monthly orders in excess of 1,700 units are considered to indicate a boom period. However, changes seem to be appearing in the order trends since they were up 19.8%. This is mainly because orders for disk molding machines plunged in the July-September period. As a result, the high level of order growth is unlikely to be sustained in the second half. Orders for standard units are likely to stay at high levels but those for special devices are likely to decline and as a result annual orders in fiscal 2004 are likely to be below the previous-year level.



Earnings Roundup

Japan's Electronics Firms not Very Profitable

Although Japan's major electronics firms are reporting record profit they do not seem to be as profitable as their foreign counterparts. The net income margin at Matsushita is just 1.3%, compared to 22.2% at Intel and 19.9% at Samsung. Sony's net profit margin is just 2.3%. GE's net profit margin at 10.6% is more than 10 times that of Hitachi. The picture is more or less the same in other major industrial categories, except automobiles, where Toyota has a net profit margin of 6.5% compared to 1.9% at GM.

Electronic Component Manufacturers See Slowdown in Second Half

Japan's electronic component manufacturers expect demand for their products to slow down in the second half and they have revised their full fiscal-year forecasts downward, after reporting sales and earnings growth for the first half ended September 2004. Six major semiconductor producers, including Toshiba, have revised their full-year forecast downward in view of an order slowdown from around July.



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

P and P (2426 JASDAQ)

P and P Co., Ltd., an outsourcing and staffing services provider, will list on the JASDAQ market on December 2. The company will offer 2,000 shares to the public in its initial public offering. Of those 1,000 are newly issued shares and 1,000 are shares currently held in private. The tentative price range will be announced on November 10. The fixed offering price will be announced on November 19. Mizuho Investors Securities is the lead underwriter of the offer. The company plans to use the funds raised through the IPO for capital investment and working capital.

Fuyo General Lease Co., Ltd. (8424 TSE)

Fuyo General Lease Co., Ltd., a company specializing in machinery and equipment leasing and installment purchase financing, will list on the Tokyo Stock Exchange on December 7. The company will offer 5,740,000 shares to the public in its initial public offering. Of those 2,000,000 are newly issued shares and 3,740,000 are shares currently held in private. The tentative price range will be announced on November 15. The fixed offering price will be announced on November 25. Shinko Securities is the lead underwriter of the offer.

Daiseki Eco. Solution (1712 TSE Mothers)

Daiseki Eco. Solution Co., Ltd., a firm offering ecology-related services, including soil surveys, processing, recycling and environmental analysis, will list on the Tokyo Stock Exchange's Mothers market on December 8. The company will offer 2,500 newly issued shares to the public in its initial public offering. The tentative price range will be set on November 16. The fixed offering price will be announced on November 26. Nomura Securities is the lead underwriter of the offer.

Kuriyama (3355 TSE2)

Kuriyama Co., Ltd., a manufacturer of industrial, construction and sports facility materials, will list on the second section of the Tokyo Stock Exchange on December 9. The company will offer 1,980,000 shares to the public in its initial public offering. Of those 1,800,000 are newly issued shares and 180,000 are existing shares currently held in private. The tentative price range will be set on November 18. The fixed offering price will be announced on November 30.



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)
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	2,165	6,057	8,499	3,847	296
Aug	108.4	108.8	82.0	79.2	2,101	1,435	15,383	1,860	5,455	8,068	3,761	237
Sep.	98.0	101.3	82.4									217
YoY	4.1	3.5	-0.8	30.7	19.2	25.5	5.7	18.9	-3.0	9.6	11.1	4.2

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

