



Vol . 140

## *High-tech Sector*

**Week ended Nov. 21, 2004**

### *Mobile Phone Shipments Down in First Half*

Shipments of mobile phones in the first half of the current fiscal year were down 16.1% year-on-year to 21.70 million units, according to JEITA. This was the first time in two years that semi-annual shipments fell below their previous-year level. Shipments were hurt as the round of replacement demand fueled by the camera-equipped mobile phone ran its course and shipments of the 3G phone did not grow as fast as expected. Mobile phone shipments in September, the most recent month for which data is available, fell 10.0% to 3.69 million units.

### *Consumer Electronics Shipments Rise in October*

Shipment of consumer electronic products in October rose 8.4% year-on-year to ¥189.1 billion, according to JEITA, a trade association. Although the growth rate was slower compared to the pre-Olympic period, it was still impressive, driven by strong demand for flat-panel televisions and DVD recorders. Total AV equipment sales increased 16.1% to ¥121 billion, with sales of DVD recorders increasing 2.3-fold and those with pre-installed HDDs jumping 3-fold. Sales of LCD television sets were up 92.8% to 262,000 units. Sales of audio devices were up 14.6% to ¥15.1 billion.

### *LCD Panel Prices on the Skids*

Prices of LCD panels for mobile phones for Oct-Nov deliveries fell sharply, recording the first major decline in two years. The plunge is due mainly to growing mobile phone inventories overseas and the resulting weakening of the supply-demand balance. Prices of LCD panels for televisions and personal computers fell ahead of those for mobile phones. With state-of-art production lines scheduled to come on stream, prices are expected to continue to slide. The price of the mainstay 17" panel for personal computers is down 10% from the previous month to around \$80. The price of the 32" LCD panel fell 30% to \$850.

### *Built-up PCB Demand Surges*

Production of built-up PCBs that includes the rigid, flexible and module types, in 2004 is expected to rise 25.4% year-on-year to ¥265.6 billion. Nihon CMK is increasing domestic production of the three types of PCBs, in addition to commencing production in China to meet growing demand in that country. Other manufacturers, including Matsushita Components and Toppan NEC Circuit Solution, are expected to follow suit.



**Domestic Car Navigation Systems  
Market Expected to Rebound in  
Second Half**

Shipments of car navigation systems in the second half of the current fiscal year to March 2005 are expected to resume growth, rising an estimated 4%, after declining 4% in the first half. As a result, annual shipments are likely to be flat at 1.2 million units. The market penetration rate has reached 30% and competition is heating up. Multi-function systems, offering video systems, now account for about 80% of all shipments.

**Cu Wafer Shipments Set for Steady  
Growth**

The demand for Cu wafers is expected to grow at an annual average rate of 25% through 2009, reaching 1.3 million wafers/week. Demand in 2004 is estimated at 0.4 million wafers/week.

**Earnings Roundup  
Competition Hurting Carrier Profits**

With rates coming down and competition for introducing new services heating up, profits at Japan's three major carriers are being hurt. KDDI was the only carrier reporting a profit gain. Vodafone, which was late in introducing the third-generation mode,l saw its ordinary income plunge by 32% on a sales decline of 18% and expects a similar decline for the full year. Ordinary income at KDDI rose 5% to ¥156.2 billion on sales of ¥1471.3 billion, up 6%. The company expects to report an ordinary income gain of 9% for the full year, with sale rising 2%. With the growth rate of the mobile telephone market slowing down, the rising cost of marketing and rate cuts are squeezing profit.

**IT Service Firms Post Favorable  
Interim Results**

Of the 38 major IT service firms in Japan 226 reported higher sales in the interim period ended September, but only 19 saw an increase in operating income. Firms reporting higher sales benefited from replacement demand after the Y2K problem at the turn of the century, expanding network market, growth through M&A. Firms focusing on outsourcing services also reported strong profit growth. On the other hand, IT service providers specializing in system integration and system development suffered as competition heated up in this area as customers demanded better cost performance. TIS was the best performer in the sector.

**Initial Public Offerings News (For detailed information, go to:**

<http://www.tokyoipo.com/top/en/index.php?id=&seqid=>

**WELLNET (2428 JASDAQ)**

WELLNET Co., Ltd., a Japanese company specializing in account settlement and peripheral services, will list on the JASDAQ market on December 21. The company will offer 7,700 shares to the public in its initial public offering. Of those 4,090 are newly issued shares and 3,610 are shares currently privately held in private. The tentative price range will be announced on November 30. The fixed offering price will be announced on December 9. Daiwa Securities SMBC is the lead underwriter of the offer.



**WORLD LOGI (9378 Hercules)**

WORLD LOGI Co., Ltd., a Japanese company specializing in logistics network consulting services, 3PL business, and system consulting, will list on the Hercules market of the Osaka Securities Exchange on December 17. The company will offer 13,166 shares to the public in its initial public offering. Of those 8,000 are newly issued shares and 5,166 are shares currently privately held in private. The tentative price range will be announced on November 29. The fixed offering price will be announced on December 7. Daiwa Securities H. S. Securities is the lead underwriter of the offer.

**re-PLUS (8936 TSE Mothers)**

re-PLUS Co., Ltd., a Japanese real estate fund management firm also offering rent guarantee services, will list on the Mothers market of the Tokyo Stock Exchange on December 17. The company will offer 2,800 newly issued shares to the public in its initial public offering. The tentative price range will be announced on November 30. The fixed offering price will be announced on December 8. Mitsubishi Securities is the lead underwriter of the offer.

**Aeria (3758 Hercules)**

Aeria Co., Ltd., with planning, design and development of web-based systems for the corporate sector and for mobile phones, will list on the Hercules market of the Osaka Securities Exchange on December 15. The company will offer 2,000 newly issued shares to the public in its initial public offering. The tentative price range will be announced on November 26. The fixed offering price will be announced on December 6. Daiwa Securities Cosmo Securities is the lead underwriter of the offer.

**FIDEC (8423 TSE Mothers)**

FIDEC Co., Ltd., a servicer firm also offering accounting services, will list on the Mothers market of the Tokyo Stock Exchange on December 22. The company will offer 1,000 newly issued shares to the public in its initial public offering. The tentative price range will be announced on December 2. The fixed offering price will be announced on December 13. Daiwa Securities H. S. Securities is the lead underwriter of the offer.

**CAVE (3760 Hercules)**

CAVE Co., Ltd., a mobile phone pay content provider, will list on the Hercules market of the Osaka Securities Exchange on December 24. The company will offer 1,800 shares to the public in its initial public offering. Of those 1,200 are newly issued shares and 600 are shares currently privately held in private. The tentative price range will be announced on December 3. The fixed offering price will be announced on December 14. UFJ Tsubasa 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)
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*

