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High-tech Sector

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Line-up of 3G Mobile Phones for the Year-end Season Complete

The three major mobile carriers, NTT DoCoMo, Vodafone and KDDI, have launched their 3G phone lineups for the year-end sales season. KDDI is the largest player in the 3G market with a 68.8% share. NTT DoCoMo, bidding to catch up with KDDI, has come up with five models in its FOMA901i Series. It's a strategy that seems to be succeeding. NTT DoCoMo's subscriber base increased from 3.05 million at the end of March to 7.06 million by the end of October. Assuming that the large majority of its 2G users switch to FOMA 3G phones, NTT DoCoMo could once again wind up dominating the market. The company is confident it can do it: Its plans call for overtaking KDDI by March 2006. Vodafone, with a market share of just 1.2%, has increased its lineup from two models to seven.

SPE Manufacturers Bullish Despite Slowing Semiconductor Orders

Although semiconductor orders have showed signs of slowing since summer, SPE manufacturers remain bullish, since the slowdown is slower than expected. SPE manufacturers do not expect to suffer the same decline in earnings they experienced after the IT bubble burst in 2001. A clear roadmap from device manufacturers is also a factor behind the positive stance.

SPE Orders Dip in October

Orders for made in Japan SPE equipment fell 10.2% from the previous month and were 5.0% lower than for the same month a year earlier at ¥114.5 billion, according to SEAJ, a trade body. Sales fell 13.3% from the previous month and 40.5% year-on-year to ¥126.0 billion. The BB ratio slipped 0.04 percentage points from the previous month and 0.43 percentage points from October 2003 to 0.91. This was the first year-on-year decline in monthly orders in 15 months.

Taiwanese Manufacturers Shifting to Compound LEDs

Taiwanese compound semiconductor manufacturers are shifting rapidly to LEDs, with a focus on white LEDs, in anticipation of massive demand from the auto industry. They are also stepping up investments to increase production capacity, a trend this is raising concern about possible oversupply as some set manufacturers are adjusting inventories.



Blue Laser Likely to be Dominate Next-generation Large Capacity Optical Disk Drives

Next year, personal computers are likely to come with large capacity optical disk drives using a blue laser. This is a huge market, estimated at over 100 million units.

Global Shipments of Electronic Components up in August

Global shipments of electronic components were up 5% year-on-year, according to JEITA. Although shipments of transformer components (audio parts, heads/pickups, small motors) were down, those of passive components (capacitors, resistors, transformers, coils), connector parts (switches, connectors) and other parts (power supply components, high-frequency devices) rose sharply. Shipments of passive parts were up 9%, connector parts 9%, and connectors climbed by 12%. Shipments of transformer parts eased by 2%.

Consumer Electronics Sales Drop Slightly in October

Sales of consumer electronics at Japan's major chains fell 1.2%, ¥147.1 billion, in October, according to NEBA, the association of major consumer electronics chains. This was the third consecutive year-on-year decline in monthly sales. Although there was an extra weekend in October this year, poor weather and the Niigata earthquake affected sales. Although sales in many categories were lower, sales of DVD decks and televisions were up sharply. Television sales were driven by the continuing shift to flat panel models. While sales of TVs and DVD decks are likely to be brisk in the year-end sales season, white goods, space heaters and personal computers could see disappointing sales.

Polarization Film Market Set for Growth

Demand for polarization and compensation films for LCDs has grown from ¥67.1 billion in 1998 to an estimated ¥430 in 2004. The market is largely dominated by four Japanese companies, including Nitto Denko and Sumitomo Chemicals, although their share has been falling. However, Japanese companies continue to maintain a dominant market position in advanced polarization and compensation films. Demand for these films is expected to continue to grow along with that of LCD panels, which are finding an expanding range of applications.

Earnings Roundup

Earnings at Semiconductor Traders Likely to be Stable

Compared to the first half, earnings of semiconductor traders are unlikely to fluctuate sharply in the second half. The 23 major semiconductor traders saw aggregate first-half sales increase 18.5% year-on-year, and operating income was up 57.4%. Average net income rose 74.2%. As a result, the operating profit margin increased by 0.7% from the same period a year earlier to 2.8%. Semiconductor traders do not expect the sharp slowdown in sales that they had to endure in 2001, although uncertainties remain. At mid-term, 13 of the 23 have revised their fiscal year operating income projections upward, including Ryosan, Kaga Denshi, Macnics, Kyoei Sangyo and Marubun. Vitec and AMSC have revised their forecasts downward.



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

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

Terilogy (3356 JASDAQ)

Terilogy Co., Ltd., a Japanese company marketing network devices, BB equipment, software, and provider of system development and maintenance services, will list on the JASDAQ market on December 21. The company will offer 4,000 shares to the public in its initial public offering. Of those 2,000 are newly issued shares and 2,000 are shares currently privately held in private. The tentative price range will be announced on December 1. The fixed offering price will be announced on December 10. Cosmo Securities is the lead underwriter of the offer.

Shodensha (1711 TSE Mothers)

Shodensha Co., Ltd., a Japanese company specializing in comprehensive ESCO services and the marketing of ESCO-related products, will list on the Mothers market of the Tokyo Stock Exchange on December 16. The company will offer 1,730 shares to the public in its initial public offering. Of those 1,000 are newly issued shares and 730 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 8. Nikko Citigroup 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	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	2,165	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.	98.2	101.4	82.4	84.5			18,193	2,251	7,487	8,455	3,712	217
YoY	4.4	5.2	-0.8	13.4	19.2	25.5	0.1	-2.2	0.5	0.3	-1.3	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

