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High-tech Sector

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Government Considering Deregulation of Data Communications Over Power Lines

The government is planning to deregulate data communications over power lines. As the first step, the government will deregulate data communications using indoor electrical wiring, spurring the development of networked appliances. The second step will be deregulation of data communications over outdoor power lines. It will create another option for broadband Internet access. Broadband access over power lines could offer speeds of up to 200 megabits, faster than ADSL and fiber-optic lines. When approved, Internet over power lines will hurt NTT, reducing its dominance. The use of power lines will offer high-speed Internet access to people living in areas where high-speed Internet access cannot be readily provided.

Where Will Japan's Telecommunications Carriers be Buying Their 3G Phones

KDDI has decided to procure its 3G phones from domestic suppliers. It feels that domestic manufacturers are in a better position to design phones to meet local preferences. On the other hand, Vodafone plans to procure 3G phones from multiple suppliers, including Motorola, Nokia, Mobile Communications and Sony Erickson. NTT DoCoMo seems to be interested in Nokia's low-priced models.

LCD Television Shipments Up Sharply in November

Shipments of LCD television sets in November rose 92% to 280,000 units, according to JEITA. Sales of flat panel televisions and DVD decks have not slowed even after the summer Olympic games. Sales of plasma televisions were up 31% and those of DVD decks rose 93%. With the price per inch declining to ¥10,000, sales of larger screen models, particularly those in the 30V class, are strong.

Consumer Electronic Shipments Rebound in November

Shipments of consumer electronic goods in November, driven by flat-panel televisions and other video equipment and car AVC device, rose 18.4%. Shipments of PDP television sets were up 30.7% and those of car AVC devices (navigation systems, car televisions) rose 29.2%. Shipments of DVD decks rose 43.0%. On the contrary, shipments of audio devices were sluggish.



Japan's IT Service Market to Show Steady Growth

Japan's IT service industry is expected to expand at an annual average rate (CGRA) of 3.9% through 2008, according to IDC Japan, a high-tech market research firm. The growth will top that of both the manufacturing and non-manufacturing sectors. Demand for system integration will not grow as fast, rising only at an annual average rate of 2.4% in the absence of large projects.

Outlook for Electronics Sector

Output of Japan's electronics sector in 2005 is expected to increase 2.9% in 2005 to ¥21.06 trillion, according to JEITA, the sector's trade body. The growth rate in 2004 is estimated at 6.1% year-on-year to ¥20.48 trillion. Demand will be driven by digital electronics, flat panel televisions and DVDs in particular, according to the report. On the other hand, demand for personal computers will be relatively sluggish compared to 2004. On the global level, demand for refrigerators, washing machines and hot pots will be the strongest in China. Demand for vacuum cleaners and electronic ranges will be the strongest in the U. S. Refrigerators should sell well in India, the report says.

Industrial Electronics Outlook

Demand for industrial electronics is likely to increase at an average annual rate of 1.5% through 2007 to ¥12.8 trillion. Demand in the current fiscal year ending March 2005 is estimated at ¥12.35 trillion. Demand in the current fiscal year was led by 3G phones, terrestrial digital broadcasting and stepped up IT investments.

Demand for Wafers Strong Even in the Midst of a Correction in Silicon Cycle

Although the silicon cycle is in the midst of a correction, demand for 300-mm silicon wafers continues to expand steadily. Japan, which had been somewhat late in switching to the 300-mm silicon wafer, is also rapidly building facilities designed for the larger wafer size. The growth in global demand for wafers is expected to slow down from 22.4% in 2004 to around 4.5% in 2005, according to SEMI. However, demand for the 300-mm size wafer is likely to stay strong. Japanese manufacturers, including Shin-Etsu Semiconductors and Mitsubishi-Sumitomo Silicon, are stepping up capital investment, expecting semiconductor shipments to revive from autumn 2006.

Bankruptcies Decline in the Electrical Sector

Bankruptcies in the electrical sector declined 15% compared with the same month a year earlier to 34 and the liabilities left behind by insolvent firms fell 11.2% to ¥7.5 billion. The number of companies with less than five employees going bankrupt totaled 15, representing 44.1% of the total and suggesting that a shakeout continues among smaller firms. A large majority, 79%, went bankrupt due to factors associated with a weak economy.



November Consumer Electronics Sales

Sales of consumer electronics at major retail chains in November declined 5.5% year-on-year to ¥158.9 billion, according to NEBA, a trade association of major consumer electronics mass merchandisers. This was the fifth month in a row that monthly sales of consumer electronics were below their previous-year levels. By item, sales of flat-panel televisions and DVD decks were strong but failed to offset the slowdown in other items. Sales in the first eleven months of 2004 were 2.1% lower than the same month a year earlier.

Mori Seiki (TSE1 6141) to Raise Prices of Its Machine Tools

Mori Seiki, a leading Japanese manufacturer of machine tools, is expected to raise prices of its machine tools by 3% to 5% in January in order to pass on higher costs of materials to customers. Other machine tool manufacturers are likely to follow suit.

Earnings Roundup**Yusen Broadband (Hercules 4842) Reports Strong Profit**

Consolidated ordinary income at Yusen Broadband in the September-November quarter increased 2.9-fold from the same period a year earlier to ¥1.13 billion on a sales gain of 55% to ¥33.1 billion. Profit rose as losses in its optical fiber broadband services narrowed, reflecting an expanding subscriber base. The company plans to declare a ¥10 per common share dividend in the current fiscal year ending August 2005. It will be the first dividend for the company since going public in 2001

Profit Likely to Plunge at NEC Electronics (TSE1 6723)

Consolidated operating income for the current fiscal year ending March 2005 is likely to plunge 47% year-on-year to ¥30 billion at NEC Electronics. The figure is roughly ¥20 billion lower than the revised forecasts the company released in late November. Sales are likely to be largely flat at around ¥700 billion. Since the company accounts for as much as 30% of NEC's consolidated operating income, the lower-than-expected profit will also affect earnings at the parent company.

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

[http://www.tokyoipo.com/top/en/index.php?id=&seqid=\)](http://www.tokyoipo.com/top/en/index.php?id=&seqid=)

No new issues were approved for initial public offering during the week.



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)
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	2,604	1,447	18,193	2,251	7,487	8,455	3,712	217
Oct.	99.9	106.1	81.5	74.9								253
YoY	1.3	1.1	0.9	-0.9	19.2	10.2	0.1	-2.2	0.5	0.3	-1.3	11.1

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

