



Vol . 240

## *High-tech Sector*

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### **Mobile Phone-based E-commerce market expands**

Mobile business is expanding rapidly in Japan and the market size is expected to top one trillion yen in 2007, according to government surveys. The market has been growing at annual rates of 30% - 40% in the past several years. Mobile phone users download music, purchase movie and train tickets and access contents using their mobile phones. The mobile contents market that includes music, movies, and games, expanded by 16.2% in 2006 to 366.1 billion yen. The mobile commerce market, which includes shopping, stock trading and other services, was up 38% year-on-year to 562.4 billion yen.

### **Tough Times Lie Ahead for Japanese Mobile Phone Manufacturers**

Japan's mobile phone manufacturers, protected by the government's convoy-fleet policy, rapidly expanded their mobile phone business in Japan. With the domestic market reaching saturation point, they are looking to overseas market. However, having grown in a protected market they find themselves unable to compete in fiercely competitive foreign markets, where Nokia, Motorola, Samsung and LG dominate the markets.

### **Japanese Companies Expanding their Consumer Electronics Business In India**

Japan's Matsushita Electric Industrial (Stock code: 6752) and Sony (Stock code: 6758) are planning to expand production in India in response to increasing competition from their South Korean rivals. Matsushita Electric commenced production of the flat-panel TVs in India in May. Sony is expanding the network of Sony stores to 230, a 20% increase in fiscal 2007. India's flat-panel market is expected to double to half million units from the previous year. Japan has a relatively small share of the Indian TV market, where the CRT TV is still the mainline, is dominated by South Korean and Indian manufacturers. Japanese companies want to take the opportunity of the shift to flat panels to increase their market shares.

### **Flat-panel TV Shipments Surge in May**

Shipments of flat-panel television increased sharply in May, with the LCD and plasma types making significant gains, according to JEITA, the electronic sector's trade body. Shipments of LCD TVs jumped 17.5% compared to the same period a year earlier, with shipments of models of screen sizes larger than 37" increasing 43%. Shipments of plasma TVs rose 16%. However, total TV shipments were down 0.7%.

### **Crystal Device Production up in May**

Production of crystal devices in May rose 15.2% year-on-year in volume but was up only 6.3% in value, according to QIAJ, the crystal devices manufacturers association in Japan. Strong demand for crystal devices used in mobile phones, telecommunications equipment, digital home electronics and the automotive sector lifted production above the same month in the

previous month.

### **TV Conferencing Systems Market Expands**

Japan's TV conferencing systems market is projected to increase two 40 billion yen in 2016 from 25 billion yen projected for 2007. The market will also witness significant changes during this period with the mainstay systems changing to PC-based systems (using ASP), according to Seed Planning, a high-tech market research firm.

### **Japan's PCB Market Set to Grow**

Production of printed circuit boards in Japan in 2006 increased 16.6% year-on-year in 2006 to 1.3 trillion yen, according to the Japan Printed Circuit Board Association. Forecasts for 2007 see production rising by 2%. Output of PCBs in Japan 2011 is forecast at 1.56 trillion yen. Production of multi-layer PCBs and built-up PCBs will see particularly strong growth.

### **Electronic Material Manufacturers Ranking**

The combined production of electronic materials of the 30 leading companies in this sector in fiscal 2006 increased 13.4% year-on-year to 7.017 trillion yen, according to survey by a leading industry publication. Shin-Etsu Chemical (Stock code: 4063) won the top spot. The company saw its sales rise 29.4% to 512.3 billion yen. The growth at wafer manufacturers outpaced that of other electronic materials manufacturers. SUMCO (Stock code: 3436) reported 44.1% YoY increase in sales to 303.4 billion yen.

### **Shipments of Switches Surge**

Global shipments of switches have accelerated from around the end of 2006, and the year-on-year growth rate has topped 20%, according to JEITA. Shipments in fiscal 2006, the year ended March 2007 were up 15% over the previous fiscal year. The trend is likely to continue in 2007, the association said.

### **Chip Resistor Production Up in Japan**

Production of chip resistors in 2006 rose 18.9% year-on-year to 231.1 billion resistors, up from 194.4 billion resistors recorded in the previous fiscal year. The value of production of increased 16.2% to 505 billion yen. Production in the first four months of 2007 rose 4.9% in volume but fell slightly in value. A marked increase in 2006 means that growth will be slower this year.

### **Initial Public Offerings**

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

#### **L-CREATE (3247 JAQ)**

L-CREATE Co., a real estate company, will list on the JASDAQ Securities Exchange on August 9. The company will offer 2,000 shares to the public in its initial public offering. Of those, 1,400 are newly issued shares and 600 are shares currently held in private. The tentative price range will be announced on July 23. The fixed offering price will be announced on July 31. The company expects to net 244 million yen from the IPO and plans to use the proceeds for working capital. For the current fiscal year through June 2008, the company forecasts a non-consolidated pre-tax income of 487 million yen and net income of 292 million yen on revenue of 4.5 billion yen and earnings per share of 27,735.56 yen. Mizuho Investors Securities is the lead underwriter of the offer.

#### **Maeda Kosen (7821 TSE2)**

Maeda Kosen Co., a company engaged in marketing building and construction materials, will list on the Tokyo Stock Exchange's Second Section on August 6. The company will offer 650,000 shares to the public in its initial public offering. Of those, 550,000 are newly issued shares and 100,000 are shares currently held in private. Nomura Securities, the lead underwriter of the

offer, has a green shoe option to offer an additional 90,000 shares currently held in private in case of exceptional demand. The tentative price range will be announced on July 18. The fixed offering price will be announced on July 26. The company expects to net 1.5 billion from the IPO. For the current fiscal year through September 2008, the company forecasts a non-consolidated pre-tax income of 1.25 billion yen, and net income of 703 million yen on revenue of 12.3 billion yen and earnings per share of 282.8 yen.

#### **C's Men (3083 HRLS)**

C's Men Co., a retailer of casual clothing, will list on the Osaka Securities Exchange's Hercules Market on August 7. The company will offer 3,000 shares currently held in private. Shinko Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 200 shares in case of exceptional demand. For the fiscal year ended February, the company announced a non-consolidated pre-tax income of 702 million yen, and net income of 360 million yen on revenue of 8.8 billion yen and earnings per share of 44,327.02 yen.

#### **Dear Life (3245 MTH)**

Dear Life Co., a real estate developer, will list on the Tokyo Stock Exchange's Mothers Market on August 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. Nikko Citigroup, the lead underwriter of the offer, has a green shoe option to offer an additional 300 shares in case of exceptional demand. The tentative price range will be announced on July 13. The fixed offering price will be announced on July 25. The company expects to net 230 million yen from the IPO. For the current fiscal year through September 2007, the company forecasts a non-consolidated pre-tax income of 448 million yen, and net income of 265 million yen on revenue of 3.34 billion yen and earnings per share of 28,372.59 yen.

#### **China Boqi Environmental Solutions Technology (Holdings) (1412 TSE)**

The Tokyo Stock Exchange is set to approve the listing of a Chinese company China Boqi Environmental Solutions Technology (Holdings) Co., Ltd. on its first or second sections. The initial public offering is likely to take place in early August. It will be the first time for a mainland China firm to list on a Japanese stock exchange that is not for start-ups. Asia Media Co., Ltd. (Stock code: 2149) is listed on the Mothers Market of the Tokyo Stock Exchange and Nineyou International Ltd. (Stock code: 3855) is listed on the Hercules market of the Osaka Securities Exchange on July 12.

## Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
<b>May</b>	105.6	113.5	85.6	98.6	2,118	1,585	15,650	2,300	5,218	8,132	3,681	205
<b>June</b>	109.6	115.6	86.7	116.7	2,523	1,902	17,173	2,370	6,292	8,810	3,780	227
<b>July</b>	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
<b>Aug</b>	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
<b>Sept</b>	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
<b>Oct</b>	113.2	118.7	83.4	80.5	2,474	1,500	17,032	2,897	5,311	8,823	3,904	218
<b>Nov</b>	112.9	118.2	85.0	82.9	2,507	1,545	17,643	2,939	5,972	8,731	3,823	238
<b>Dec</b>	111.6	116.0	83.6	85.4	2,568	1,771	16,809	2,468	6,005	8,337	3,544	306
<b>Jan</b>	110.8	116.8	82.9	76.3	2,327	1,342	15,193	1,657	5,335	8,201	3,626	257
<b>Feb</b>	110.4	117.4	84.0	84.1	2,507	1,463	16,648	2,070	6,535	8,043	3,539	177
<b>Mar</b>	102.6	112.3	78.9	94.7	3,487	1,550	19,984	2,448	8,513	9,023	4,053	214
<b>Apr</b>	108.9	114.8	78.3	96.5	2,410	1,739						206#
<b>YoY</b>	1.9	4.3	-10.0	-5.3	7.1	2.9	-3.5	6.6	-9.9	0.6	-1.2	-3.9

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