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High-tech Sector

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LED Market Enters a Renewed Growth Phase

Japan electronic component manufacturers are stepping up research and development in light emitting diodes, or LEDs. Matsushita Electric has started mass production of LED components and Rohm is planning to enter this field. LED sales are projected to rise from around six billion units in 2007 to an estimated eight billion units in 2011, according to Fuji Kimera, a high-tech Japanese think tank.

Global TV Shipments Rise in Second Quarter – Korean Manufacturers Capture Top Positions

Shipments of televisions worldwide in the April-June quarter rose 1% from the previous quarter to 430 million units. However, sales were down 4% year-on-year. The average price of a television set fell 5% to US\$528 due mainly to sharply lower prices of LCD and MD-RP televisions and slower demand for the state-of-the-art TVs in developed economies where the market is maturing. Currently, the market is being driven by flat-panel models, including LCD and PDP televisions. Sales of LCD TVs were up 70% during the period. Matsushita Electric (Stock code: 6752) was the largest supplier of PDP televisions, with a market share of 33.5% in volume terms. It was followed by Samsung, with a share estimated at 19.1%. Both companies have been increasing their market shares. In LCD televisions, Samsung was the leading supplier, with a market share of 18.6% in value.

Penetration Rate of CMS Systems Reaches 68% in Japan

More Japanese companies are installing cash management systems as their operations become more global. According to a recent survey by a leading Japanese economic daily, 68% of major Japanese firms have installed CMS systems.

Semiconductor Production Rebounds in Japan

The combined sale of Japan's 37 major semiconductor manufacturers in fiscal 2007, the year ended March 2007, increased 1.8% compared to the previous fiscal year to 7.4 trillion yen. Estimates for fiscal 2008, the year ending March 2008, indicated that sales are likely to rise 4% year-on-year to ¥7.7 billion. The top 13 Japanese semiconductor manufacturers recorded sales gains in excess of 10%, surpassing the average global increase of 5% in 2006. A part of the strong gains at Japanese semiconductor manufacturers is due to a strong rebound from the decline in fiscal 2006 and a flat fiscal 2005. Six companies, Toshiba (Stock code: 6502), Elpida, (Stock code: 6665) Sony (Stock code: 6758), UMCJ (Stock code: 6939), Kodenshi and Sansha Denki (Stock code: 6882) recorded sales growth in excess of 20%. Three companies, Mitsumi, (Stock code: 6767) Ricoh (Stock code: 7752) and Hamamatsu Photonics (Stock code: 6965) posted sales gains between 15% and 20%. Seiko Epson (Stock Code: 6724).

Production of Passive Parts Sustained at High Levels

Production of passive parts, sustained by strong demand from digital consumer electronics manufacturers, mobile phone producers and the automotive sector, is likely to 1.5 trillion yen in 2007, according to government statistics. Production of passive parts increased 7.8% YoY to 541.4 billion yen in the first six months of 2007. Production of chip resistors in 2006 rose 19% in volume and 16% in value and the trend continued in the first half of 2007. Although the growth rates slowed down in the first half of 2007, production chip resistors was up 2.5% in volume and 1.7% in value. Production of capacitors is also showing strong gains, with the output in the first half rising 12.1% YoY to 308.8 billion yen. Among capacitors, the multi-layer type showed strong growth, with production rising 20% in value.

Smart Phones Attract Growing Attention

Shipments of smart phones are expected to more than double to 349 million units in 2009 compared with an estimated 164 million units in 2007. Of the total 48.3 million units will come with keyboards, 26.6 million will be of the hand-held type and the remaining 274.1 million will be of the cell phone type. Major operating systems will be Windows Mobile, BREW, Symbian and Linux.

Earnings Roundup

Lasertech (6920 JAQ) Reports Record Ordinary Income

Lasertech (Stock code: 6920) said that its non-consolidated ordinary income for the fiscal year ended June 2007 rose 27% to 3.8 billion yen on a sales gain of 32% to 15.8 billion yen. Sales rose as its customers, semiconductor manufacturers and LCD producers, stepped up capital investment, pushing up demand for Lasertech's testing devices. The company is projecting a 9% increase in ordinary on sales gain of 3% for the current fiscal year to June 2008.

Semiconductor Traders Post Strong First Quarter Results

Semiconductor traders (leading 27-firm basis) chalked up an average 7.9% year-on-year gain in sales in the first quarter. Their operating income rose 11.5% on the average. Semiconductor traders with strong positions in video game and other amusement machines and in image sensors saw their sales and profit surge by wide margins. On the other hand semiconductor traders focused on digital consumer electronics faced head winds due to intensifying competition that brought down prices. Of the 27, 18 reported higher first quarter sales. Thirteen of them saw sales surge by double digit figures. On the other hand, 9 companies reported lower sales. Regarding earnings, 12 reported double digit operating income gains but 12 posted lower profit. Among the twelve, two fell into the red. Shinko Shoji (Stock code: 8141) was the best performer with sales increasing 92.4% and operating income rising 162.3%. At 3.9%, the company also had one of the highest operating income margins.

Initial Public Offerings

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

No new initial public offerings were approved during the week.

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)
July	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
Aug	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
Sept	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
Oct	113.2	118.7	83.4	80.5	2,474	1,500	17,032	2,897	5,311	8,823	3,904	218
Nov	112.9	118.2	85.0	82.9	2,507	1,545	17,643	2,939	5,972	8,731	3,823	238
Dec	111.6	116.0	83.6	85.4	2,568	1,771	16,809	2,468	6,005	8,337	3,544	306
Jan	110.8	116.8	82.9	76.3	2,327	1,342	15,193	1,657	5,335	8,201	3,626	257
Feb	110.4	117.4	84.0	84.1	2,507	1,463	16,648	2,070	6,535	8,043	3,539	177
Mar	102.6	112.3	78.9	94.7	3,487	1,550	19,984	2,448	8,513	9,023	4,053	214
Apr	108.9	114.8	78.3	96.5	2,410	1,739	15,644	2,552	5,024	8,068	3,592	205
May	110.3	117.3	77.2	101.5	2,359	1,624	15,402	2,427	4,781	8,195	3,722	198
June	108.6	118.2	72.4	116.2								209
YoY	-0.9	2.2	-16.0	0.9	11.1	2.9	-1.6	5.6	-8.6	0.8	1.1	-7.8

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change* preliminary

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations