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High-tech Sector

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KDDI's (9433 TSE1) Plans to Cut Rates While Raising Prices Could Hurt Handset Manufacturers

KDDI's plans to slash cell phone call rates while raising prices it charges for its handsets could affect handset manufacturers and lead to a shakeout in the sector. It will also have serious effect on mobile phone subscription sales agencies. Handset manufacturers fear that higher prices could shrink domestic demand, currently estimated at an annual of 45 to 50 million handsets, by about 40% in the already overcrowded market. While carriers could benefit temporarily as sales incentives decline, slower new phone sales mean that carriers will find it more difficult to introduce new services.

NTT (9432 TSE1) Has the Largest Share in Broadband Services

The combined share of NTT East and NTT West of Japan's broadband services market was 44.1% as of the end of June, according to recently released government statistics. The Softbank Group came in second with a market share of 19.2%. Third ranked e-Access had a market share of 7%.

Mobile Phone Subscriber Growth Strong in China

More people in China are signing up for cell phone services in China and as a result the subscriber base as of the end of August had expanded by 18% compared to a year earlier to 515 million users. The number of subscribers was up 1.5% over the previous month. SMS is the most popular cell phone service in China. The country has still to introduce the 3G service and plans to submit specifications for the 4G service to ITU sometime in 2008 or 2009.

CATV Comes Into Its Own in Japan

With 21.1 million subscribers as of the end of June 2007, CATV has become a media in its own right in Japan. Moreover, there is plenty of room for growth as the diffusion rate is still about 41%. Households accessing Internet through CATV also increased 80% in the last three years to 3.69 million.

Digital Single-lens Reflex Camera Shipments on the Rise

Shipments of digital single-lens reflex cameras in Japan in the first eight months of this year increased 155.7% compared to the same period a year earlier to 630,000 units, according to CIPA, camera manufacturers' trade body. Along with the announcement of the sales data, CIPA revised its 2007 shipment forecast for single-lens reflex cameras to 970,000 units. It expects shipments to top one million units in 2008. The forecast for 2009 sees shipments rising to 1.15 million units. Attractively priced and compact, digital single-lens reflex cameras are becoming popular even among semi-professionals.

Taiwan PCB Manufacturers Post Strong Growth

Production of printed circuit boards in Taiwan is rising steadily, with output expected to reach an estimated US\$12,592 million in 2007. The robust growth is also underscored by the strong interest in the PCB trade fair being held in Taiwan. A total of 350 PCB manufacturers are participating in the fair. Leading Taiwanese PCB manufacturers are Unimicron, Nanya PCB and Compeq.

Rare Metal Supply Tightens

Supply of rare metals is getting tighter as supplier nations channel more of the production for domestic use. Japan depends heavily on imports to meet its rare metal needs. Major exporters of rare metals to Japan are China and Russia. Japan also imports rare metals from other countries: nickel from Indonesia, manganese and chrome from South Africa and lithium from Chile and the U. S. Japan will have to diversify its import sources and develop technologies to replace rare metals in short supply.

Initial Public Offerings

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

Bronco Billy (3091 JAQ)

Bronco Billy Co., Ltd., a suburban steak and hamburger restaurant chain operator, will list on the JASDAQ Securities Exchange on November 2. The company will offer 700,000 shares to the public in its initial public offering. Of those, 500,000 are newly issued shares and 200,000 are shares currently held in private. The fixed offering price will be announced on October 24. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option to offer an additional 105,000 shares currently held in private in case of exceptional demand.

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)
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	2,615	1,828	16,731	2,357	5,956	8,419	3,835	209
July	112.0	114.8	79.8	105.5	2,569	1,645	18,515	2,251	5,934	10,330	3,991	280
YoY	4.0	1.0	-5.2	5.9	9.5	1.6	14.6	12.6	-8.66.6	20.3	5.2	9.3

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