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High-tech Sector

Week ended October 28, 2007

Japan's SMT Equipment Manufacturers Boost Exports

Exports of SMT equipment from Japan to the Asian markets are rising rapidly. Export growth has been particularly strong to China, India and Thailand. Exports are surging as these countries boost production of digital devices, including mobile phones, FPD televisions and other home electronic items and install more sophisticated production lines. Exports to China increased from 944 units in 2001 to 6,392 units in 2006 and are expected to rise to around 7,000 units in 2007. Exports to India were up from 10 units to 122 units during the same period.

Electronic Device Manufacturers Look to Automotive Sector for Growth

Japan's electronic component and device manufacturers expect the next round of growth in demand for their products to be centered on the car electronics sector. Growing production of automobiles in emerging market is also expected to give demand a strong boost over the medium to long-term. Production of automobiles worldwide in 2006 rose to 69.13 million units. At the same time cars are becoming more like computers on wheels and this is fueling demand for car electronics.

LCD TV Shipments Surge in September

Shipments of television sets in Japan in September rose 14.1% year-on-year to 752,000, according to JEITA, the electronics industry's trade association. In terms of volume, CRT TVs accounted for 5.1%, plasma 11.1% and LCD 83.8%. Total shipments of LCD televisions were up 38.9%. Shipments of LCD TVs larger than 37" more than doubled, suggesting a clear shift toward larger screen flat panel televisions. Shipments of plasma televisions also showed strong growth, increasing 22%.

FPT Competition Shifts to Panel Thickness

Competition in the flat panel television sector is shifting to the thickness of the panel as manufacturers are introducing thinner panel models. Hitachi (Stock code: 6501) is planning to release a LCD TV just 3.5cm thick in December. Sony (Stock code: 6758) has launched an EL TV that is just 0.3cms thick. Other manufacturers are expected to follow suit next year.

September Personal Computer Shipments

Shipments of personal computers in September in Japan totaled 947,000 units, of which 349,000 units were of the desk top type. Notebook PC shipments were 598,000 units, representing 63.1% of the total shipments. Shipments in the first half of the current fiscal year totaled 4.36 million units; desktops: 1.59 million units; and notebooks 2.77 million units. Demand from the SME sector was relatively strong while that from large corporations was sluggish, according JEITA This was mainly because it is taking time for large customers to

evaluate the new OS from Microsoft, according to industry sources. The average price of the PC has also stabilized as demand shifted to new more expensive models.

Crystal Device Production Rises in First Half

Demand for crystal devices is expanding as evidenced by growing production, which was up 7.4% to 138.2 billion yen in the first half of the current fiscal year ending March 2008. Production volume increased 15.7% to 4.5 billion units. Although production of crystal devices for clock generators, crystal filters and SAW devices was lower due to technical factors, overall production rose, led by strong demand for crystal devices in mobile phones, wireless equipment, and digital home electronics, in addition to the automotive sector.

Earnings Roundup

Shinetsu Chemical (4063 TSE1) Reports Higher Interim Profit

Shinetsu Chemical (Stock code: 4063) said that its consolidated interim net income was up 27% year-on-year to ¥95.1 billion on sales of ¥687.7 billion, a gain of 8% compared to the same period a year earlier. Operating income increased 17% to ¥140.0 billion despite lower silicon wafer prices. While the company posted lower sales PVC, sales of silicon wafers were up strongly, driving sales and profit. The company increased its interim dividend per share by ¥15 to ¥40.

Canon (7751 TSE1) Posts Record Net Income for the First Nine Months

Canon (Stock code: 7751) reported a 9% increase in net income to ¥360.4 billion for the first nine months ended September 30. Sales rose 9% to ¥3.2 trillion, led by digital cameras, printers and toner for printers.

Profit Drops at Advantest (6857 TSE1)

Advantest (Stock code: 6857) posted a 5% year-on-year decline in consolidated interim sales to ¥114.8 billion. Net income was down 24% to ¥16.9 billion. Orders in the first half were ¥95.2 billion, 17% or ¥25 billion lower than the previous forecast. The company forecasts full year consolidated net income at ¥33.0 billion, down 7% from the previous fiscal year. Consolidated sales are projected at ¥230.0 billion.

NTT DoCoMo (9437 TSE1) Suffers Profit Drop

NTT DoComO (Stock code: 9437) reported a 21% year-on-year drop in consolidated operating income to ¥408.4 billion for the first half of the current fiscal year ending March 2008. Sales fell 2% to ¥2.3 trillion. Sluggish subscriber growth combined with higher advertising expenses in view of the growing competition with KDDI (Stock code: 9433) weighed heavily on operating income. The company scaled back its full-year sales forecast to ¥4.6 trillion, a decline of 3% compared to the previous fiscal year but left the operating income forecast unchanged at ¥780.0 billion, an increase of 1% from the previous fiscal year.

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)
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
Aug	114.5	123.6	75.1	72.9	2,474	1,198	16,581	2,268	5,532	8,781	3,995	255
YoY	0.2	5.8	-8.3	1.3	7.1	-5.2	4.6	14.3	4.4	2.4	2.0	22.4

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