



Vol. 256

## *High-tech Sector*

Week ended November 25, 2007

### **September Consumer Electronic Shipments Up 8%**

Shipments of consumer electronics in September rose 8.0% compared to the same month a year earlier to 253.6 billion yen, chalking up a fourth consecutive YoY gain in monthly shipments. Shipments of video equipment, led by flat-panel televisions were up 13.0% to 168.5 billion yen. On the contrary, shipment of audio equipment fell 19.5% to 19.4 billion yen. This was the fourth consecutive YoY decline in monthly sales for audio equipment. Car AV device shipments were up 6.7% to 65.8 billion yen, a second consecutive year-on-year gain in monthly shipments.

### **Global Mobile Equipment Component Shipments to Stay Favorable**

Shipments of mobile phones worldwide are expected to exceed 1.1 billion units in 2007, lifting demand for components going into mobile phones. Shipments of mobile phones were 1.02 billion in 2006. While shipments at Motorola are likely to be sharply lower, shipments at LG, Sony Ericsson and other major vendors are likely to be strong, absorbing the slowdown at Motorola. Mobile phone component manufacturers are getting a lift not only from the growing volume but also from a clear shift toward high-end models that support a variety of services and use more components.

### **Telecom Carriers File for BB Licenses**

Four companies Wilcom Inc., Softbank Corp. (Stock code: 9984), KDDI Corp. (Stock code: 9433) and an alliance between Acca Networks (Stock code: 3764) and NTT DoCoMo (Stock code: 9437) are vying for the two broadband licenses to be awarded by the end of the year and services are likely to commence in early 2009.

### **Japanese Companies to Mass Produce Residential-use Fuel Cells**

Three Japanese companies, Matsushita Electric (Stock code: 6752), Ebara (Stock code: 6361) and Toshiba (Stock code: 6502) plan to mass produce fuel cells for residential use. Fuel cells for residential use currently cost 4.5 million yen but the price tag is likely to come down to one million yen as manufacturers tap economies of scale. Manufacturers expect to bring down prices further to half million yen by 2015.

### **FPD Shipments Surge in October**

Shipments of FPD televisions, particularly large-size models, surged in October. Shipments of large-size plasma televisions have been rising at double-digit rates for 27 months in a row. Shipments of color televisions in October were up 10.5% year-on-year to 737,000 units. Shipments of LCD televisions increased 27.0% to 615,000 units. Shipments of plasma televisions increased 15.4% to 91,000 units.

### Multilayer Ceramic Capacitor Manufacturers Boosting Production

Japan's manufacturers of ceramic capacitors are boosting production of multi-layer ceramic capacitors (MLCC) as demand is growing for all applications, from telecommunications equipment and PCs to AV devices and video game machines. Orders for MLCCs are particularly strong. Global shipments of capacitors in the April-August period of 2007 were up 11% year-on-year.

### Earnings Roundup

#### Semiconductor Producers' Profit Under Pressure

While demand of semiconductor products touched bottom and started to recover from around last summer, prices remain under extreme pressure. Escalating raw material prices are also hurting profit. Toshiba (Stock code: 6502) reported sales growth on the back of rising sales of NAND flash memories. Renesas Technologies reported higher sales of microprocessors and SoCs. Sales and profit at NEC Electronics (Stock code: 6723) exceeded previous forecasts and the company returned to profitability. Elpida Memory (Stock code: 6665) saw sales rise nearly 10% reflecting growing shipments of DRAMs for a variety of applications from mobile devices to game machines.

Unit: 100 million yen

Company	First half	Full year
Toshiba (semiconductors)	7,182 ( 28.0)	14,400 (10.9)
	651 (-.3)	1,500 (16.9)
Renesas Technology	4,802 ( 0.7)	9,500 (-0.3)
	83 (-40.7)	230 (-2.1)
NEC Electronics	3,510 ( 2.3)	6,900 (-0.3)
	19 ( -)	0 ( -)
Elpida Memory	2,210 ( 8.8)	4,500 (-8.2)
	98 ( 62.3)	300 (-69.4)

#### Electronic Component Manufacturers Report Interim Results

Japan's 51 major electronic component manufacturers have released their interim business results. While the performance of the sector was favorable on the whole, the performance of individual companies was uneven. Orders, led by overseas demand, continue to be strong in the third quarter ending December. Of the 51 major firms, 40, or roughly 80%, reported higher sales. This included 21 who reported double-digit sales gains. Thirty one posted higher operating income, with 18 chalking up double digit gains. On the contrary, 9 saw their sales plunge by more than 30%. Twenty eight posted higher ordinary income and 29 reported higher net income.

#### Game Software Firms Report Interim Results

Unit: 100 million yen

Company	Net sales	Ordinary income	Net income
Sega Sammy HD (6460)	2,310 (-18.5)	-39 (-)	-202 (-)
NAMCO Bandai (7832)	2,135 (3.3)	173 (-6.4)	79 (-27.6)
Konami (9766)	1,337 (11.8)	130 (32.3)	62 (23.0)
Square Enix (9684)	722 (-4.9)	93 (-1.0)	43 (32.5)

Japan's four major game software companies announced their interim business results. While sales of software for mobile devices were strong but prices of software for desktop devices are on the skids. In response, game software developers are concentrating on developing a new generation of game software for desktop game machines and for online gaming. Sales of software for mobile game devices more than tripled and now account for about 60% of all game software. Despite this, the total profits are down as game software prices slide.

## **Initial Public Offerings**

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

### **CDS (2169 HRLS)**

CDS Co., Ltd., an industrial designing and engineering company, will list on the Osaka Securities Exchange's Hercules market on December 18. The company will offer 9,000 new shares to the public in its initial public offering. The tentative price range will be announced on November 29. The fixed offering price will be announced on December 7. Nomura Securities is the lead underwriter of the offer.

### **Higashiyama Film (4244 JAQ)**

Higashiyama Film Co., Ltd., a manufacturer of films for industrial and printing applications, will list on the JASDAQ Securities Exchange on December 12. 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. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option to offer an additional 105,000 shares in case of exceptional demand. The fixed offering price will be announced on December 4. For the current fiscal year through December 31, 2007, the company forecasts a consolidated pre-tax income of 462 million yen and net income of 283 million yen on revenue of 6.15 billion yen and earnings per share of 78.05 yen.

### **Japan Tissue Engineering (7774 NEO)**

Japan Tissue Engineering Co., Ltd., a medical biotechnology firm, will list on the JASDAQ Securities Exchange's Neo market on December 21. The company will offer 30,180 shares to the public in its initial public offering. Of those, 25,000 are newly issued shares and 5,180 are shares currently held in private. Nomura Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 3,000 shares in case of exceptional demand. The tentative price range will be announced on December 4. The fixed offering price will be announced on December 12. For the current fiscal year through March 2008, the company forecasts a non-consolidated pre-tax loss of 1.1 billion yen and net loss of 1.1 billion yen on revenue of 132 million yen.

## 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>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	15,644	2,552	5,024	8,068	3,592	205
<b>May</b>	110.3	117.3	77.2	101.5	2,359	1,624	15,402	2,427	4,781	8,195	3,722	198
<b>June</b>	108.6	118.2	72.4	116.2	2,615	1,828	16,731	2,357	5,956	8,419	3,835	209
<b>July</b>	112.0	114.8	79.8	105.5	2,569	1,645	18,515	2,251	5,934	10,330	3,991	280
<b>Aug</b>	114.5	123.6	75.1	72.9	2,474	1,198	16,581	2,268	5,532	8,781	3,995	255
<b>Sept</b>	112.2	118.1	72.7	77.9	2,963	1,227						
<b>YoY</b>	2.2	2.7	-10.8	-9.6	3.5	-15.2	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