



Vol. 257

## *High-tech Sector*

Week ended December 2, 2007

### **White Goods Shipments up in October**

Shipment of white goods in Japan in October were up 5.3% compared with the same month a year earlier to 122 billion yen, according to JEMA, the sector's trade association. This was the seventh straight year-on-year gain in monthly sales. Shipments of refrigerators, a major white goods item, were up 13.2% to 24.4 billion yen. Shipments of vacuum cleaners rose 10.9% to 8.9 billion yen. White goods shipments in the April-August period were up 2.3% year-on-year.

### **Crystal Devices Production Stays at High Levels in Japan**

Production of crystal devices in October increased 21.2% from the same month in 2006 to 25.7 billion yen, according to statistics released by QIAJ, crystal device manufacturers' trade body. Production is increasing, led by ultra-miniature devices for mobile phones and short-distance wireless equipment, in addition to crystal devices for automotive applications.

### **Printer Shipment Decline in First Half of 2007**

Shipments of printers in Japan in the half year to June 2007 declined 4.3% in volume to 2.81 million units. Shipments fell 13.6% in value to 63.6 billion yen, according to Gartner Japan, a market research firm. With a share of 40.8%, Canon (Stock code: 7751) was the market leader in Japan. Shipments declined mainly because the market is largely mature and vendors failed to launch new models with novel functions, the research firm added. Furthermore, printers have become a commodity item and as a result the replacement cycle is lengthening. Hybrid models accounted for 61.2% of the market in the first half, but their sales growth has also slowed down. New models with novel functions will be required to revitalize the market.

### **Online Music Distribution Revenues Rise in Japan**

Music downloads to both personal computers and mobile phones are on the increase, according to the Japan Record Association. Total volume of downloads in the third quarter (July-September) were up 32% to 121 million. Download revenues also increased 47% to 20 billion yen. The structure of demand is also changing, with ring tones down and single tracks up sharply in the mobile phone category. Music downloads were up, 19% to PCs and 46% to mobile phones.

### **Semiconductor Market Outlook**

Semiconductor demand worldwide is expected to increase 3.8% in 2007 to US\$ 257.2 billion. This is a 1.5 percentage point upward revision to the forecast released in spring, according to WSTS. The growth rate is likely to accelerate to 9.1% to US\$280 billion in 2008, the semiconductor industry association added. The average annual market growth rate is projected at 6.3% for the period from 2006 to 2009. While growth in semiconductor demand for use in mobile phones and PCs is slowing down, new applications such as digital home electronics are

emerging and taking up the slack. Semiconductor demand in Japan, according to the revised forecast will expand 4.7% in 2007, a downward revision to the 5.7% growth projected earlier. Japan's share of the global market will also decline from 18.7% in 2006 to 17.6% in 2009, the report said. The Japanese market will grow at an average annual rate (CAGR) of 4.7% in yen terms in the three-year period from 2006-2009, led by strong demand for semiconductors for flat panel televisions.

## Earnings Roundup

### Japan's Semiconductor Traders Release Interim Results

Japan's 27 major semiconductor traders released their interim business results for the half-year ended September 2007. Their combined sales increased 5.3% on the average compared to the same period in 2006 but their operating income was down 0.6%. Ordinary income fell 2.4% and net income was down 12.6%. Business results were not uniform and varied depending on their clients and the type of products handled. Of the 27, 18 posted higher sales, with 10 reporting gains in excess of 10%. On the contrary, 9 suffered sales declines. Semiconductor traders focused on digital TVs and digital cameras did better than their peers. The primary factor behind sales declines was declining prices. Only 13 of the 27 posted higher operating income, with the rest falling below the previous-year levels. Paltek (Stock code: 7587) posted the highest sales gain, reporting a 41.3% increase in interim sales to 15,040 million yen. Internix (Stock code: 2657) saw its sales plunge 19.6% YoY to 13,239 million yen.

## 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)
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
Sept	112.2	118.1	72.7	77.9	2,963	1,227						
YoY	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