



Vol. 259

## *High-tech Sector*

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### **Domestic Mobile Phone Market Shares**

Shipments of mobile phones in Japan in the July-September quarter increased 17.4% year-on-year to 11.68 million units, according to IDC Japan, a market research firm. The sharp gain is due mainly to weak shipments in the same period in 2006 and the basic trend remains downward as indicated by a comparison with the first half shipments. Sharp (Stock code: 6753) was the market leader with a share of 22.2%. Second ranked Matsushita Electric (Stock code: 6752) accounted for a market share of 14.2%. The market is likely to start recovering in the second half of the fourth quarter of 2007 as inventory adjustments by carriers run their course, IDC added. Nevertheless, domestic market is mostly saturated and the replacement cycle is getting longer and as such recovery will be weak.

### **KDDI (9433 TSE1) and Willcom Likely to Get Licenses for Next Generation high-speed wireless Services**

The government seems to have decided to award licenses for the next-generation high-speed wireless communication to the KDDI Group (Stock code: 9433) and Willcom. NTT DoCoMo (Stock code: 9437), Softbank (Stock code: 9984) group, who failed to win licenses will have to adjust their business strategies.

### **Semiconductor Sales in China to Rise in 2008**

Semiconductor sales in China in 2008 will increase an estimated 15% year-on-year to US\$52.3 billion, according to i-Suppli, a semiconductor market research firm. It will be the first time semiconductor sales in China will have topped the ¥50 billion mark. Sales are being driven by demand for semiconductors for industrial control systems, such as inverter motors, security equipment including surveillance cameras and automotive electronics, in addition to strong demand for end products such as mobile phones and digital home electronics. However, sales of semiconductors at Chinese firms are likely to grow only 12% due to intensified price competition and a dearth of killer applications.

### **Outlook for Japan's Online Services Markets**

Nomura Research Institute released forecasts of three major online services markets (Net business, mobile phones, broadcasting and contents). According to the forecast, the B2C electronic commerce market will grow into a 10 trillion yen market by fiscal 2012. The blog and SNS services market will expand at an average annual rate of more than 30%. The market will be driven by mobile EC which is expected to increase its market share from the current 12% to 20% by fiscal 2012. The net business market is likely to expand at an annual rate of 31.7%, led by the blog and SNS markets. The number of blog sites will increase to an estimated 22 million while membership in SNS sites will rise to 49 million.

### **Blade Server Market to Expand**

Shipments of blade servers are projected to increase from an estimated 51,300 units in fiscal 2007 to 90,800 units in fiscal 2010. Shipments in fiscal 2007 are expected to increase an estimated 37.6%, according to JEITA, the electronic sector's trade body. Major Japanese players include Hitachi (Stock code: 6501), NEC (Stock code: 6701), and Fujitsu (Stock code: 6702). Foreign vendors with strong presence in Japan are IBM Japan, and HP. A majority of Japanese-made blade servers install Intel CPUs. Foreign models generally come with the AMD CPU.

### **Electronic Industry's Outlook for 2008**

Aggregate production of the electronics and IT industries is likely to increase 7% year-on-year in 2008 to 243 trillion yen, according to JEITA, the electronic sector's trade association. Production in Japan will increase an estimated 6% to 52 trillion yen, accounting for 20% of the global production. Production of industrial electronics will rise 6% and that of electronic devices will be up 5%, the association added. Production of telecommunications equipment will see a marginal 1% gain. Output of computers and IT terminals will rise an estimated 8%. Production of printers is projected to increase 21%. Electronic components and devices will chalk up a 7% gain, with display devices showing a 13% increase.

### **White Goods' Sales Rise in November**

Sales of white goods in November were up 5.3% year-on-year to 135.2 billion yen, according to JEMA, a trade body. This was the eighth straight year-on-year gain in monthly sales. Shipments of refrigerators, a core item rose by 13.9% to 24.7 billion yen. Shipments of space heaters were up 16.7% and those of vacuum cleaners 7.7%. Shipments in fiscal 2007 to date rose 3.1% to 968.3 billion yen.

### **Initial Public Offerings**

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

#### **Digital Hearts (3620 MTH)**

Digital Hearts Co., Ltd., a company specializing in software quality assurance service with focus on video game software, will list on the Tokyo Stock Exchange's Mothers market on February 2, 2008. The company will offer 3,500 new shares to the public in its initial public offering. Of those, 2,000 are newly issued shares and 1,500 are shares currently held in private. The tentative price range will be announced on January 15, 2008. The fixed offering price will be announced on January 23. Mitsubishi UFJ Securities is the lead underwriter of the offer.

## 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>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	17,812	2,589	6,146	9,076	4,121	229
<b>Oct</b>	110.2	118.5	74.1	84.2								238
<b>YoY</b>	-2.7	0.0	-11.2	4.1	3.5	-15.2	-1.2	5.0	-5.2	-0.4	-0.4	9.5

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