



Vol . 197

## *High-tech Sector*

Week ended February 5, 2006

### **Cell Phone Shipments Up in November**

Shipments of cell phones in November increased 8.4% year-on-year to 4.14 million units, according to JEITA, a trade body. Of particular note was the 62.4% increase in shipments of 3G phones, giving it a 70%-plus share of monthly shipments for six months in a row. Shipments of 2G phones fell 49.5% year-on-year to 0.96 million units. In November, there was a net increase of 37.3% over the previous month in mobile phone subscribers to 345,900.

### **CMOS Sensor Demand Surges**

CMOS image sensor demand is experiencing explosive growth due to the development of new applications. Driven by demand from the mobile phone market, where 30% of all phones are of the camera-phone type. In volume terms the CMOS image sensor is catching up with the CCD. On the other hand, demand growth for CCDs seems to have stalled as the digital still camera market has matured. At the same time, price competition seems to be heating up and the image sensor market is entering a phase where only the fittest will survive. CMOS sensor demand is expected to increase from an estimated 224,347 thousand units in 2005 to 536,647 units in 2008.

### **Sony (6758 TSE1) Finds the Going Against iPod Difficult**

Sony's share of the digital mobile player market increased only by one percentage point to 15% despite the launch of a new model to compete with iPod. On the other hand, iPod's share has been stable at the 50% level, after rising to roughly 60% following the launching of iTunes Music store in August 2005. Sony is facing headwinds even though it has cut prices.

### **Injection Molding Machine Orders Up in November**

Orders for injection molding machines in November increased 17.1% year-on-year to 1,600 units. It was the fourth consecutive year-on-year increase in monthly orders. Orders were also up 0.7% compared to the previous month. Domestic orders rose 22.9% to 659 units and overseas orders were up 13.4% to 941 units.

### **Sales of Flat-panel TVs Exceed CRT TVs**

Sales of flat-panel television sets in 2005 exceeded those of the CRT-type, according to JEITA, the electronic sector's trade body. The share of flat-panel TVs, including LCD TVs, was 54.1%, as declining prices lifted sales. Shipments of LCD TVs rose 58.3% year-on-year to 4.21 million units and those of plasma TVs were up 37.8% to 0.46 million units. On the other hand, shipments of CRT TVs fell 30.8% to 3.98 million units.

### Semiconductor Producers Stepping up Driver IC Production

Semiconductor manufacturers are rapidly increasing production of driver ICs to meet growing demand for use in PC monitors, digital televisions, portable music players and other applications.

### Outlook for the Electronics Sector

Production in the electronics sector in 2006 in Japan is expected to increase 2.3% year-on-year to ¥19.38 trillion, after a decline of 4% in 2005. Production of electronic devices is forecast to increase 2.7% to ¥6.45 trillion. Output of semiconductor elements is projected to increase 3.3% to ¥1.8 trillion. Integrated circuits will see a production gain of 3.6% to ¥3.4 trillion.

### Earnings Roundup

#### Major Internet Brokerages Post Record Profit for the Third Quarter

Major online securities firms reported record profit for the third quarter (April-December period) due to a surge in commission income from individual investors on the back of active trading. Matsui Securities (Stock code: 8628) posted net profit of ¥14.2 billion for the first three quarters, up 54% year-on-year. The company benefited from rising trading volume and margin transactions. E\*Trade Securities (Stock code: 8701) net profit climbed 170%. Monex Beans Holdings (Stock code: 8698) reported a 73% increase in group net income to ¥9.14 billion. Non-consolidated net income at kabu.com Securities (Stock code: 8703) rose 66% to ¥4.71 billion.

#### NTT (9432 TSE1) Group's 3Q Results -

NTT (Stock code: 9432) Group's consolidated operating income for the third quarter of the current fiscal year fell 10% year-on-year to ¥10,170 million, the result of a plunge in revenue from fixed-line services and higher cost, driven up by higher SG&A expenses for promoting optical fiber services to consumers. Further restructuring and streamlining will be required for business results to rebound since it will be while before new businesses grow large enough to start making any meaningful contribution to income.

Yen in millions

Company	Net sales	Operating income
NTT consolidated	79,155 (-1)	10,170 (-10)
	107,050 (-1)	11,600 (-4)
NTT East	15,789 (-3)	667 (-22)
	20,930 (-4)	670 (-24)
NTT (West)	15,122 (-3)	465 (-41)
	20,200 (-4)	310 (-56)
NTT Communications	8,266 (4)	578 (17)
	11,210 (3)	620 (11)
NTT Data	5,993 (5)	289 (-5)
	8,800 (3)	450 (15)
NTT DoCoMo	35,822 (-2)	6,934 (-8)
	47,840 (-1)	8,300 (6)
Toshi Kaihatsu	761 (12)	155 (21)
	1,080 (12)	195 (12)

Upper line: April-December period, Lower line: Forecast for FY ending March 2006, ( ): YOY change

#### Electronics Manufacturers Become Profitable Again

Third-quarter business results of Japan's major consumer electronics firms were driven by strong demand for consumer electronic products, their mainstay items in particular. Matsushita's profit was lifted by plasma televisions. Sharp got a strong boost from LCD

televisions and Toshiba from flash memories. Strong demand for factory automation systems drove profit at Mitsubishi Electric. Growing demand for digital consumer products and brisk investment in IT systems in the corporate sector are also underpinning profit growth. Unlike last year, when profit was hurt by plunging prices for consumer electronic products and electronics, manufacturers are now more resilient to changes in the operating environment

Yen in millions

Company	Net sales	Operating income	Net income
Matsushita	23,984 (4.4)	1,294 (46.6)	492 (38.5)
	88,400 (1.5)	4,000 (29.7)	1,300 (2.2X)
Sony	23,676 (10.2)	2,028 (46.8)	1,689 (17.5)
	74,000 (3.4)	1,000 (-12.2)	700 (-57.3)
Toshiba	15,831 (15.6)	636 (68.4X)	218 (14.1X)
	63,000 (7.9)	2,100 (35.7)	650 (41.2)
NEC	11,447 (2.6)	190 (-8.0)	208 (-47.3)
	49,300 (1.5)	1,000 (-23.8)	600 (-1.6)
Fujitsu	11,214 (7.5)	125 (2.6X)	33 (-)
	48,000 (0.8)	1,750 (9.3)	500 (56.7)
Mitsubishi Electric	8,345 (12.2)	437 (20.0)	262 (25.8)
	27,500 (8.3)	1,600 (5.9)	870 (13.2)
Sanyo Electric	6,115 (-1.5)	163 (57.6)	62 (-)
	24,400 (-1.8)	-170 (-)	-2,330 (-)

Upper line: April-December period, Lower line: Forecast for FY ending March 2006, ( ): YoY change

#### **Rohm (6963 OSE1) Reports Sharply Higher 3Q Profit**

Third quarter operating income at Rohm (Stock code: 6963) rose 72% year-on-year to ¥22.5 billion on sales of ¥101.1 billion, up 16%. Sales were driven by a rising demand for LSIs for mobile phones and digital AV devices. A slower decline in prices reflecting an improved supply-demand balance and a weaker yen also contributed to the profit gain.

#### **Seiko Epson (6724 TSE1) Expects Net Loss**

Seiko Epson (Stock code: 6724) said that it now expects a consolidated net loss for the current fiscal year ending March 31, 2006 due to sluggish earnings in its ink-jet printer business.

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

#### **S-Pool (2471 HRLS)**

S-Pool, a Japanese staffing service company, will list on the Hercules Market on February 10. The company will offer 2,000 shares to the public in its initial public offering. Of those, 1,500 are newly issued shares and 500 are shares currently held in private. The company expects to net ¥309 million from the IPO and plans to use the proceeds for setting up new offices and upgrading facilities, in addition to debt repayment. The tentative price range will be announced on January 24. The fixed offering price was announced on February 1. Monex Securities is the lead underwriter of the offer.

#### **RASA (3023 TSE2)**

Rasa Corp., a wholesaler of foods, natural resources and other products, will list on the Second Section of the Tokyo Stock Exchange on February 28. The company will offer 1.8 million newly issued shares to the public in its initial public offering. The lead underwriter, Daiwa Securities SMBC, of the offer also has a green shoe option, allowing it to offer an additional 200,000 shares in the event of exceptional demand. The company expects to net ¥1.12 billion from the IPO, which it plans to use for working capital, bond redemption and repayment of loans. The tentative price range will be announced on February 8. The fixed offering price will be

announced on February 17.

**CREATE (3024 JAQ)**

CREATE Corp., a seller of water pipes, will list on the JASDAQ Securities Exchange on March 3. The company will offer 900,000 shares to the public in its initial public offering. Of those, 600,000 are newly issued shares and 300,000 are shares currently held in private. The lead underwriter, Daiwa Securities SMBC, of the offer also has a green shoe option, allowing it to offer an additional 135,000 shares in the event of exceptional demand. The company expects to net ¥693 million from the IPO and plans to use the proceeds for repayment of loans. The tentative price range will be announced on February 13. The fixed offering price will be announced on February 22.

**Bank of Kochi (8416 TSE2)**

The Bank of Kochi Ltd., a regional bank, will list on the Second Section of the Tokyo Stock Exchange on March 1. The company will offer 7 million shares to the public in its initial public offering. Of those, 6 million are newly issued shares and 1 million are shares currently held in private. The bank expects to net ¥1.78 billion from the IPO and plans to use the proceeds for working capital. The tentative price range will be announced on February 9. The fixed offering price will be announced on February 20. Daiwa Securities SMBC is the lead underwriter of the offer.

**KOBE Securities (8709 HRLS)**

KOBE Securities Co., Ltd., a regional securities firm, will list on the Hercules market on March 6. The company will offer 20,000 shares to the public in its initial public offering. Of those, 17,000 are newly issued shares and 3,000 million are shares currently held in private. The tentative price range will be announced on February 15. The fixed offering price will be announced on February 24. Tokai Tokyo Securities is the lead underwriter of the offer.

**POLATECHNO (4239 JAQ)**

POLATECHNO Co., Ltd., a chemicals firm, will list on the JASDAQ Securities Exchange on March 3. The company will offer 23,100 newly issued shares to the public in its initial public offering. The tentative price range will be announced on February 10. The fixed offering price will be announced on February 21. Nomura Securities is the lead underwriter of the offer.

**Ground Financial Advisory (8783 JAQ)**

Ground Financial Advisory Co., Ltd., a company specializing in structuring real estate securitization, will list on the JASDAQ market on February 10. The company will offer 2,000 shares to the public in its initial public offering. Of those, 1,250 are newly issued shares and 750 are shares currently held in private. The company plans to use the proceeds for human resources development and diversification. The fixed offering price will be announced on February 1. Daiwa Securities SMBC is the lead underwriter of the offer.

## Basic Electronics Industry Statistics

	Prod	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
<b>Dec</b>	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	330
<b>Jan</b>	101.0	107.2	79.3	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
<b>Feb</b>	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
<b>Mar</b>	93.1	98.5	80.9	99.7	3,392	1,534	19,039	2,191	8,688	8,160	3,636	234
<b>Apr</b>	101.8	106.0	85.3	103.6	2,136	1,707	14,671	2,087	5,449	7,135	3,178	214
<b>May</b>	101.3	106.2	85.7	103.3	1,977	1,723	13,948	1,969	4,965	7,014	3,226	208
<b>June</b>	106.5	113.4	86.7	123.3	2,409	2,040	16,111	2,134	6,215	7,762	3,440	233
<b>July</b>	102.1	106.8	87.8	110.2	2,270	1,804	15,145	2,028	5,545	7,572	3,370	268
<b>Aug</b>	110.8	113.1	88.5	74.1	2,180	1,249	15,156	1,985	5,439	7,733	3,522	224
<b>Sept</b>	104.0	109.0	86.1	79.0	2,762	1,331	17,721	2,394	6,937	8,390	3,701	206
<b>Oct</b>	107.4	113.0	86.4	80.1	2,261	1,432	15,800	2,450	5,196	8,154	3,573	224
<b>Nov</b>	109.4	115.7	85.5	84.6	2,376	1,472	16,973	2,728	5,919	8,326	3,614	252
<b>YoY</b>	9.1	8.0	4.6	4.8	7.6	-5.5	7.1	9.3	6.1	7.1	-1.6	1.9

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations