



Vol . 225

## *High-tech Sector*

Week ended December 24, 2006

### **Electronics Sector Outlook for 2007**

The production of Japan's electronics sector in 2007 is expected to increase 3.6% year-on-year to ¥21 trillion, according to JEITA, the sector's trade association. The growth will be driven by stronger demand for flat-panel televisions, and electronic components and devices. The highest growth is projected for flat-panel televisions, with production likely to be up 20%. Production of electronic devices will rise an estimated 6% in 2007 and that of electronic components 2.8%. This year (2006) also turned out to be a bumper year for the sector, with production rising 6.5%, a rate much higher than the 2.5% forecast at the beginning of the year.

### **Subscriber Growth Sluggish at Softbank (9984 TSE1)**

The growth of subscribers at Softbank (Stock code: 9984) has been sluggish even after the introduction of the number portability system in October. Despite new services introduced by the company, the most significant beneficiary is KDDI (Stock- code: 9433).

### **LCD TV Sales Shifting to Larger Screen Sizes**

Approximately 60% of all flat-panel television sets sold are now sets with screen sizes larger than 30" inches, according to JEITA, the electronic industry's trade association. Sales of LCD flat-panel TVs in November totaled 590,000 units, up 28% year-on-year. Of the total, 350,000 were of the large size (larger than 30"). Plasma television set sales rose 44.2% to 99,000 units. The sales gains in the above two categories offset the decline in CRT-type TV sets and as a result total TV set sales were higher.

### **Network Storage Sales Resume Growth**

Japan's storage market had been shrinking steadily after peaking in 2001 but seems to have entered the growth track again in 2006, supported by a better economy which has led to a recovery in IT investment. Demand is expected to grow at an annual rate of 3.7% in value through 2009, according to JEITA. Despite the relatively low growth in value terms, shipments expected to increase at average annual rate of 45%, reaching 400,000 TB in fiscal 2009. This reflects a steadily improving cost-performance of storage devices.

### **Net Business Shows Solid Growth**

Internet-based B2C business (electronic commerce) topped ¥11 trillion in 2001, up from an estimated ¥3.8 trillion in 2006, according to a research report released by Nomura Research Institute. The institute estimated that 60% of Japan's households now have broadband connections.

### PC Virus Problems Up 2.1 Times in 2006

The number of cases of computer viruses in 2006 (up to November 15) total 88,000, up 2.1 times compared with the previous year, according to Trend Macro (Stock code: 4704). Of particular note is that there is a clear increase of viruses created for the purpose of criminal activity of financial fraud.

### SME Orders UP

Global orders for Japanese semiconductor manufacturing equipment rose 23.3% year-on-year in November to ¥164.47 billion, according to the Semiconductor Equipment Association of Japan. The book-to-bill ratio for Japanese chip-making equipment manufacturers was 1.13, slightly above 1.11 in October. Worldwide sales of Japanese semiconductor production equipment, based on a three-month moving average, grew 14.5% year-on-year in November to ¥145.51 billion. Sales were down 2.3% month-on-month from the final October figure of ¥148.94 billion.

### Earnings Roundup

#### NEC (6701 TSE1) Revises First Half Financial Report

NEC Corp. (Stock code: 6701) reported that its consolidated net loss for the first half of the current fiscal year was actually much larger than it initially reported a month ago. NEC said it now had a consolidated net loss of ¥9.93 billion in the six-month period ended Sept. 30, instead of a ¥7.43 billion net loss as it reported earlier. The company cited accounting errors related to its switch from U.S. to Japanese accounting standards to explain the mistake.

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

No new initial public offerings were approved this week.

### 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)
Nov	109.4	115.7	85.5	84.6	2,376	1,472	16,973	2,728	5,919	8,326	3,614	252
Dec	108.2	114.5	82.7	83.9	2,490	1,438	16,787	2,326	6,438	8,023	3,465	336
Jan	110.7	116.5	82.4	81.1	2,197	1,291	14,977	1,754	5,420	7,803	3,521	282
Feb	108.2	112.3	81.8	94.8	2,440	1,500	16,763	2,055	6,704	8,005	3,572	181
Mar	101.4	109.7	81.4	103.4	3,440	1,549	20,718	2,305	9,447	8,967	4,103	225
Apr	106.9	110.1	86.9	101.6	2,244	1,698	15,977	2,308	5,655	8,014	3,586	214
May	105.6	113.5	85.6	98.6	2,118	1,585	15,650	2,300	5,218	8,132	3,681	205
June	109.6	115.6	86.7	116.7	2,523	1,902	17,173	2,370	6,292	8,810	3,780	227
July	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
Aug	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
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						217
YoY	5.4	5.0	-3.5	0.6	9.7	4.1	2.2	3.3	-6.8	9.4	8.7	-3.2

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