



NEWSLETTER – SEPTEMBER 2004

BREAKING NEWS



About NIF Ventures Co.
NIF Ventures is one of the leading venture capital company in Japan, listed in JASDAQ. It was founded in 1982 and is associated with the Daiwa Securities Group. NIF Ventures has a portfolio of investments in 35 countries and about 450 invested companies have achieved successful IPOs. Currently, the funds under management is about 800 US dollars. In addition to its network of four branches in Japan, NIF Ventures has offices in Singapore, California, and is linked with Hotung Venture Capital, a leading Taiwanese venture capital firm. NIF Ventures has taken balanced investment style from start-up to later stage and their portfolio including ICT, life science, manufacturing, service industries and so on.

For further information, please visit the website: www.nif.co.jp

NIF Ventures acquires a stake in Varioptic S.A.

Varioptic S.A and NIF Ventures Co (Japan) have signed an agreement whereby NIF Ventures acquires a stake in Varioptic S.A.

Sofinnova Partners and PolyTechnos, who jointly led the last round of series B financing last March, welcome the arrival of NIF which will further strengthen Varioptic's financial position and facilitate its entry into the key optical Japanese market.

"This is a key milestone for Varioptic. The confidence expressed by NIF validates our strategy to deliver innovative products based on our patented electrowetting technology. We will use the resources to further develop Varioptic in Japan, the largest and most innovative market for optical devices," said Etienne Paillard, CEO. Takashi Hondo, Investment Manager at NIF, added, "We strongly believe that Varioptic's technology is a breakthrough which has a tremendous potential in all optical applications, and especially in camera modules used in cellular phones. We are pleased to expand our portfolio of European companies with such a high potential start-up".

MARKET

New trends in the mobile phones business

By François Ploye

The mobile phones market is still expanding rapidly. For the first half of 2004, 310 million mobile handsets were sold, an increase of one third compared to the same period in 2003. Although growth is expected to slow down in the second half of this year, an average increase of 20% is still forecast for the year as a whole. More than 670 million units will probably be sold this year, compared to 560 millions last year. The beginning of the year also produced evidence of an impressive shift in market share. Nokia ceded one tenth, or 3%, of its unit market share. By cutting prices, the Finnish company stabilized its market share for the second quarter of 2004. By contrast, Motorola regained 3%, while the Korean corporations, Samsung and LG Electronics, saw their respective market shares increase by 4% and 1%. Samsung's strategy of innovation, increasing the display resolution and the number of pixels of mobile phone cameras, accounts for the company's impressive performance.

Competition has never been so tough, with a record of more than 350 models launched in 2003. In such a rapidly evolving market, any error could be fatal. The market is now a mass market, with approximately 1,2 billion owners of mobile phones in the world. The figure is expected to double by 2010. The future expansion of the industry will be propelled by a shortening replacement cycle. As mobile phones are already plentiful in developed countries, longtime customers who replace old equipment are already becoming more common than new customers. What do new customers expect when they change to a new handset? Size, weight and design remain important, but a color screen and a built-in camera are increasingly decisive. In France, three out of four handsets are currently sold with a color screen and one out of five is equipped with a camera. Only 1% were camera-equipped as recently as one year ago! Worldwide, camera-phones are expected to account for 25% of the total sales in 2004, compared to 14% in 2003. Last

year, for the first time, more camera-phones were sold than digital cameras. In 2007, experts forecast sales of approximately 150 million camera-phones, in contrast to only 95 million digital cameras. However, they also predict that in a mass market, which depends on a rapid decrease in production costs, the camera module of the phone has to cost less than \$5 in order to reach the low end products.

The global shift from voice services to multimedia services, including video streaming, will be bolstered by the arrival of third generation telephony, called 3G. Although it was expected earlier, 3G in 2004 is already becoming the biggest challenge for telecom operators. Forrester expects 21% of customers to have a 3G phone by the end of 2008; 70% will have GPRS and only 9% will still have the currently used GSM. GPRS will prevail for the next four years because the costs of switching to 3G are enormous for operators. However, the arrival of the new generation is certain. The DoCoMo's 3G coverage has already reached 99% in Japan. The data transfer rate will jump from between 14.4kbps to 85.6kbps for current GSM, to 384 kbps for 3G, significantly boosting audio and video transfer capacities. Already, a future 4G format is in discussion. HSDPA (High Speed Data Packet Access) will accelerate the data transfer rate to 40 Mbps. The high data transfer rate associated with high definition cameras will promote new uses for mobile phones, such as videoconference and fax functions. Cameras with high definition CCD and autofocus will be even more essential. Even two cameras on the same phone are becoming useful--for videoconferencing-and new mobile products are appearing. For the last quarter of 2003, the Canalys institute reported that 2.2 million smartphones have been sold worldwide, a growth of 177% over the previous year. Digital cameras are already found on a large range of mobile products, such as pocket PCs, smartphones and USB keys. But if standards don't emerge rapidly, the expected dream could soon become a nightmare.

Sources : Forrester, Desdner Kleinwort Wasserstein, Arete Research, 3G Mobile, Strategy Analytics

VARIOPTIC'S NEWS

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