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High-tech Sector

Week ended March 5, 2006

Vodafone to Sell its Japan Unit to Softbank (9984 TSE1)

Vodafone is in negotiations with Softbank (Stock Code: 9984) to sell its Japan unit in which it has a 97.7% stake. Softbank has obtained a license to start its own telephone service in 2007. If the negotiations succeed, Softbank will be able to move up the launch of its telephone service using the Vodafone network ahead of schedule. Vodafone is not doing particularly well in Japan. The company has 15.13 million subscribers to its mobile phone service but only 2.54 million subscribers for its 3G service.

Japan's Share of Global Mobile Phone Market Shrinks

Japan's mobile phone manufacturers are losing out in global markets, hard hit by competitors like Nokia and Motorola, according to Gartner, a U. S.-based high-tech marketing research firm. These leading foreign manufacturers, focusing on inexpensive models, have successfully increased their market shares in India, China and South America, areas experiencing explosive demand growth. On the other hand, only one Japanese manufacturer, Panasonic Mobile Communications, seems to be doing relatively better than its Japanese peers and came in eighth in the ranking of mobile phone vendors. The lackluster performance of Japanese mobile phone manufacturers is because they tend to focus on high-end models. Nokia was the largest supplier, with a market share estimated at 32.5%.

Consumer Electronics Mass Merchandiser Sector Starts Consolidating

Three medium-size mass merchandisers of consumer electronics, including Matsuya Denki, will merge on April 1. Most are suffering from competition from mega stores. They expect to compete more effectively and revive business through the merger.

Global Connector Shipments Surge

Shipments of connectors in the April-December period of 2005 rose 13% year-on-year to ¥557.5 billion, according to JEITA, the electronic sector's trade body. Shipments have been growing at double-digit figures since August.

Car AVC Demand Set to Increase Globally

Demand for all types of car AVC systems, including car televisions, car navigation systems and telematics systems, is expected experience strong growth in the coming years. On the contrary, demand for car audio systems is likely to be sluggish, showing only marginal growth. In Japan, demand for ETC systems is likely to be particularly strong. The global demand for car navigation systems is projected to increase at an annual average rate of 10.1% through 2010 and that for car DVDs by 8%

Machine tool Orders Up in January

The combined orders of machine tools in January at Japan's ten top leading machine tool manufacturers rose 2.5% year-on-year to ¥53.2 billion, according to a leading industrial daily. This was the 39th consecutive year-on-year gain in monthly orders. However, the year-on-year growth in domestic order growth turned negative for the first time in 40 months. Domestic orders were also lower compared to the previous month, falling 17.5%. But exports rose 8.4% to ¥21 billion, negating the slowdown in the domestic market.

Injection Machine Orders Surge in January

Injection molding machine orders in January rose a robust 24.9% year-on-year to ¥1,596 units. This was the sixth consecutive year-on-year gain in monthly orders. Orders were up from the automotive and electrical machinery sectors. Moreover orders rose for all types of injection molding machines, small to large. Export orders for large injection molding machines rose as manufacturers moved up shipments to beat the Chinese New Year holiday. Domestic orders rose 19.0% to 695 units and export orders were up 29.8% to 901 units.

Japan's Consumer Electronics Manufacturers Boosting Employment

Japan's consumer electronics manufacturers are expected to significantly increase employment this year. Toshiba (Stock code: 6502) plans to employ 1,270 new graduates (up 84% from the previous fiscal year) this spring. NEC (Stock code: 6701) will add 706 new graduates (up 22%) to its work force. Companies in other manufacturing sectors as well as service sectors are planning to hire more new graduates this spring, reflecting a strong economic recovery in the country.

Earnings Roundup

Alps Electric (6770 TSE1) Likely to Report Sharply Higher Earnings

Alps Electric (Stock code: 6770) is now expected to report a 45% year-on-year increase in consolidated operating income on sales of ¥690,000 million, up 7% from the previous fiscal year and exceeding previous forecast by roughly ¥10,000 million. Sales are being driven by strong demand for switches for mobile phones, memory-type mobile music players and heads for hard disk drives. A transitional gain resulting from the introduction of a new retirement pension system will also lift earnings.

Advantest (6857 TSE1) to Hike Dividend

Advantest (Stock code: 6857) is planning to raise its annual dividend applicable to the current fiscal year ending March 2006 by ¥10 to ¥60. The company is projecting an 8% increase in consolidated net income on a sales gain to ¥41000 million, against the previous forecast of a 3% decline. The dividend will be highest for the company, exceeding the past record of ¥50 set during the bubble period.

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

Golf Do (3032 NSE)

Golf Do Co., Ltd., a chain of directly managed and franchised golfing goods stores, will list on the Nagoya Stock Exchange on April 6. As of the end of December 2005, the company had 9 directly operated stores and 69 franchised stores. The company will offer 2,200 shares to the public in its initial public offering. Of those, 2,000 are newly issued shares and 200 are shares currently held in private. The tentative price range will be announced on March 15. The fixed offering price will be announced on March 27. HS Securities is the lead underwriter of the offer.

Ecomic (3802 SSE)

Ecomic Co., Ltd., a company with a business portfolio that includes payroll accounting service, system development and sales services and employee remuneration consulting, will list on the

Sapporo Stock Exchange on April 4. The company will offer 800 shares to the public in its initial public offering. Of those, 550 are newly issued shares and 250 are shares currently held in private. The tentative price range will be announced on March 13. The fixed offering price will be announced on March 23. D-Brain Securities is the lead underwriter of the offer.

HUB (3030 HRLS)

Hub Co., Ltd., a Japanese operator of British-style pub chain, will list on the Hercules market of the Osaka Securities Exchange on April 3. The company will offer 3,400 shares to the public in its initial public offering. Of those 2,000 are newly issued shares and 1,400 are shares currently held in private. The company expects to net ¥263 million from the IPO and plans to use the proceeds to open new outlets and refurbish existing ones. The tentative price range will be announced on March 10. The fixed offering price will be announced on March 22. Shinko Securities is the lead underwriter of the offer.

ASCII Solutions (3801 HRLS)

ASCII Solutions, Inc., a Japanese software marketing firm, will list on the Hercules market of the Osaka Securities Exchange on April 6. The company will offer 2,800 shares to the public in its initial public offering. Of those 1,500 are newly issued shares and 1,300 are shares currently held in private. The tentative price range will be announced on March 15. The fixed offering price will be announced on March 27. Shinko Securities is the lead underwriter of the offer.

JTEC (2479 HRLS)

JTEC Corp., a technical-expert staffing services firm, will list on the Hercules market of the Osaka Securities Exchange on April 4. The company will offer 4,000 shares to the public in its initial public offering. Of those 2,000 are newly issued shares and 2,000 are shares currently held in private. The tentative price range will be announced on March 14. The fixed offering price will be announced on March 23. Mitsubishi UFJ Securities 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)
Jan	101.0	107.2	79.3	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
Feb	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
Mar	93.1	98.5	80.9	99.7	3,392	1,534	19,039	2,191	8,688	8,160	3,636	234
Apr	101.8	106.0	85.3	103.6	2,136	1,707	14,671	2,087	5,449	7,135	3,178	214
May	101.3	106.2	85.7	103.3	1,977	1,723	13,948	1,969	4,965	7,014	3,226	208
June	106.5	113.4	86.7	123.3	2,409	2,040	16,111	2,134	6,215	7,762	3,440	233
July	102.1	106.8	87.8	110.2	2,270	1,804	15,145	2,028	5,545	7,572	3,370	268
Aug	110.8	113.1	88.5	74.1	2,180	1,249	15,156	1,985	5,439	7,733	3,522	224
Sept	104.0	109.0	86.1	79.0	2,762	1,331	17,721	2,394	6,937	8,390	3,701	206
Oct	107.4	113.0	86.4	80.1	2,261	1,432	15,800	2,450	5,196	8,154	3,573	224
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
YoY	9.1	8.0	4.6	7.6	10.7	1.1	9.5	18.3	7.4	8.9	-4.8	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