



Vol . 200

High-tech Sector

Week ended March 12, 2006

February Mobile Phone Subscriptions – Vodafone Struggling

NTT DoCoMo (Stock code: 9437) reported a net 162,300 increase in its subscribers in February and KDDI's (Stock code: 9433) subscriber base expanded by 160,200. The third largest carrier, Vodafone, reported its subscriber base increased by a net 12,200 subscribers, clearly indicating that the gap between the leading two carriers and Vodafone is widening. Softbank (Stock code: 9984) is reportedly negotiating with Vodafone to buy its Japan unit.

IP Telephone Penetration Level Rises

The number of Internet protocol telephones in Japan rose to 10.6 million, topping the 10 million mark at the end of December 2005, according to government statistics. Low rates, compared to conventional services, are driving the expansion of the customer base.

SED TV Release Postponed

Toshiba (Stock code: 6502) and Canon (Stock code: 7751), who have been jointly developing SED or third-generation TV, will delay the launch to the end of 2007. The two cited the need to improve cost competitiveness among the reasons for the postponed release. Prices of plasma and LCD television sets are on the skids and unless the SED type becomes cost competitive, it will be difficult to market.

Sharp (6753 TSE1) to Buy LCD TV Panels Abroad

Sharp (Stock code: 6753) has started procuring LCD panels from a Taiwanese company in a bid to regain the top share in the global LCD TV market. Quanta Display will supply Sharp with 26- and 32-inch panels, sources said. Sharp is also considering purchasing panels from Chi Mei Optoelectronics. The company said that its panel output has failed to keep pace with growing demand.

Japanese FPD Manufacturers Investing Heavily to Boost Capacity

The supply of FPD panels has been unable to keep pace with exploding demand. The demand for flat panel TVs in 2005 was 26 million units, 2.2 times that of the previous year. The global demand is expected to continue to grow strongly, reaching 45 million units in 2006 and surging to 100 million units in 2009.

Flat-panel TV Prices Likely to Fall Sharply

Matsushita Electric (Stock code: 6752) is expected to sharply lower plasma television prices in 2007. The company hopes to lower the price of its plasma TV models to about ¥5,000/inch, or 40% below their current level. LCD television manufacturers are also likely to slash prices as competition heats up. Sales of flat-panel TVs should surge as prices fall.

FY2005 Third Quarter PC Shipments

Shipments of personal computers in the third quarter (October- December) of the current fiscal year ending March 2006 rose 6% year-on-year to 3.18 million units, according to JEITA, a trade body. However, the aggregate value of shipments fell 6% to ¥395,500 million, the trade body added.

Machinery Orders Up in January

Machinery orders in January rose 5% year-on-year to ¥322,000 million, according to the Japan Industrial Machinery Association. Both domestic and overseas demand was strong, with domestic demand rising 9.8% to ¥212,300 million and overseas demand increasing 3.2%. Overseas demand, although strong, fell 3.2% to ¥109,694 million. The decline was due mainly to a reaction to the spike in demand in the previous the previous month. Among the different types of industrial machinery, orders for mining equipment rose at the fastest rate, increasing 61.8% year-on-year on strong overseas demand.

Machine Tool Orders Up in February – YoY Gains Continue for 41 Months

Machine tool orders in February rose 5.3% compared to the same month a year earlier to ¥112,461 million, according to the Japan Machine Tool Builders Association. This was the 41st consecutive year-on-year gain in monthly orders. Moreover, orders have been above the ¥100,000 million level for 22 months in a row. Machine tool orders have now rebounded to the pre-bubble levels. Domestic orders slipped by 2.7% due mainly to seasonal factors but overseas orders surged by 16.1%.

Earnings Roundup

Sumida (6817 TSE1) to Become First Firm to Introduce Quarterly Dividends

Sumida Corporation (Stock code: 6817) plans to start paying quarterly dividends to enhance the attractiveness of its stock and enhance shareholder satisfaction. The quarterly dividend system will become effective from May following a revision of the corporation law.

Mobile Phone Content Distributors to See Improved Profit

Ten of the 15 mobile phone content distributors in Japan are likely to report significantly improved profit in the current term. Companies better positioned through the introduction of new services are better positioned for profit growth. On the other hand, distributors who have failed to create new income streams are likely to report sluggish earnings. In mobile phone information distribution services, Index (Stock code: 4835) is expected to see pretax profit jump by 58% to ¥11 billion on a revenue gain of 43% to ¥105 billion. Oricon (Stock code: 4800) is projecting a 373% increase in pretax profit to ¥620 million, although sales are likely to drop by 3% to ¥5.7 billion. MTI (Stock Code: 9438) should see its pretax profit surge by 536% to ¥820 million on sales of ¥18.03 billion, up 22% year-on-year. In contrast, Cybird (Stock Code: 4823) is likely to see post a pretax loss for the first time in five years, although sales are projected to increase by 19% to ¥14.8 billion.

Major Net Security Firms to Post Higher Profit

Four of the five major net security firms are likely to report higher earnings for the current fiscal year on strong sales of equipment and services. VeriSign Japan (Stock code: 3722) is likely to see its pretax profit increase by 22% to a record ¥2.09 billion on strong demand for electronic certificates. Internet Security Systems (Stock code: 4297) is projecting a 28% increase to ¥1.4 billion for the year ending December. Little eArth (Stock code: 4359) and Asgent (Stock code: 4288) are also expected to report strong earnings growth. Only Forval Creative (Stock code: 2724) is expected to post a pre-tax loss.

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

Cluster Technology (4240 HRLS)

Cluster Technology Co., Ltd., a Japanese electronics parts manufacturer, will list on the Hercules market of the Osaka Securities Exchange on April 12. The company will offer 33,600 shares to the public in its initial public offering. Of those 26,000 are newly issued shares and 7,600 are shares currently held in private. The tentative price range will be announced on March 22. The fixed offering price will be announced on March 31. Nomura Securities is the lead underwriter of the offer.

Nippon Game Card (6261 JAQ)

Nippon Game Card Corporation, a Japanese firm specializing in prepaid card services for pachinko halls and amusement parks, will list on the JASDAQ Securities Exchange on April 12. The company will offer 15,000 shares to the public in its initial public offering. All those shares are currently held in private. The lead underwriter of the offer, Shinko Securities, also has a green shoe option, allowing it to offer an additional 1,500 shares in the event of exceptional demand. The tentative price range will be announced on March 22. The fixed offering price will be announced on March 31

VIEW COMPANY (3033 JAQ)

VIEW COMPANY CO., LTD., a shoe chain specializing in women's shoes, will list on the JASDAQ Securities Exchange on April 14. The company will offer 1,540,000 shares to the public in its initial public offering. Of those 1,000,000 are newly issued shares and 540,000 are shares currently held in private. The lead underwriter of the offer, Nomura Securities, also has a green shoe option, allowing it to offer an additional 200,000 shares in the event of exceptional demand. The company plans to use a part of the proceeds from the IPO for capital expenditure, and manage the remaining funds through safe financial instruments until they required for business expansion. The tentative price range will be announced on March 27. The fixed offering price will be announced on April 5.

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	12.0	8.9	3.9	7.6	10.7	1.1	9.5	18.3	7.4	8.9	4.8	-6.4

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