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## *High-tech Sector*

### **KDDI (9433 TSE1) Leads Mobile Phone Subscriber Growth**

KDDI (Stock Code: 9433) added a net 224,400 mobile phone subscribers in February, which is the largest gain among the three major mobile phone service providers, according to industry statistics that were released last Wednesday. The subscriber base of the company grew thanks mainly to the increased demand for handsets compatible with one-segment digital television broadcast and music downloads. Telecommunications Carriers Association indicates, via number probability, that a combined 94,700 subscribers switched from NTT DoCoMo (Stock Code: 9437) and Softbank Mobile. NTT DoCoMo increased its subscriber base by 102,400 subscribers on increased rebates. Softbank Mobile gained a net 120,400 subscribers.

### **IP Telephone Subscribers Base Expanding Rapidly**

The number of subscribers to IP Telephones is increasing rapidly in Japan. The number of IP Telephone users increased by 29.8% compared from previous year-end figures and was 13.8 million as of December 2006. Softbank (Stock code: 9984) was the market leader, with a market share estimated at 39.8%, followed by NTT DoCoMo, with a share of 24.9%. KDDI had a share of only 8.8%.

### **Tokyo Electron (8035 TSE1) to Build a SME Plant**

Tokyo Electron (Stock code:8035) plans to invest 20-30 billion yen to build a new semiconductor manufacturing equipment plant on the outskirts of Sendai in Northern Japan. The plant, the first one for the company in ten years, will come on line in 2010. The new plant will produce the next-generation production equipment for compact, low power consumption chips. Other Japanese manufacturers are also investing heavily for adding capacity and for producing next-generation production equipment in order to maintain their global lead.

### **E-Commerce Market Set for Explosive Growth**

Japan's e-commerce market in 2011 will total 6.4 trillion yen, up 1.7-fold from 2006, according to Nomura Research Institute, a leading Tokyo-based think tank. In addition to expanded use of e-money, transaction settlements through the mobile phone will show a marked increase.

### **Global Electronic Component Shipments Up in December**

Global shipments of electronic components in 2006 were 385.5 billion yen, a year-on-year increase of 5%, according to JEITA, the electronic industries association of Japan. This was the 22<sup>nd</sup> consecutive year-on-year gain in monthly shipments, the trade body added. Strong worldwide demand for components going into personal computers, digital consumer electronics, in addition to video game machines drove electronic component shipments. Electronic component shipments from Japan rose by 15% and totaled 157.4 billion yen. Shipments of

capacitors were up 17%, recording consecutive double-digit gains for 14 months. Shipments of connectors rose 14% and those of power supply components were up 23%.

## Earnings Roundup

### Tokyo Electron (8035 TSE1) Likely to Report Solid Profit Growth

Tokyo Electron (Stock code: 8035), a leading manufacturer of semiconductor production equipment, is likely to see group operating profit for the current fiscal year ending March 31, 2007 surge 78% year-on-year to Yen 135 billion. This would mean exceeding an earlier forecast of Yen 130 billion, on a sales gain of 25% to Yen 840 billion. Net profit is likely to skyrocket 77% to an estimated Yen 85 billion. Earnings have been buoyed by better-than-expected demand for semiconductor manufacturing equipment. Operating profit margin for the current fiscal year is likely to rise by 4.9 percentage points to 16.1%, close to the 16.7% recorded in fiscal 2000.

### So-net Entertainment (3789 MTH) Likely to Post Solid Earnings Growth

So-net Entertainment, an Internet service provider, is expected to see its consolidated ordinary income for the current fiscal year ending March 31, 2007, increase 3.8 times compared to the previous year on a 13% year-on-year sales gain to 48.0 billion yen, led by a 15% increase in its core provider services to 32.0 billion yen. However, net income is likely to be down 74% to 2.7 billion yen, mainly because of a surge in net income in the previous fiscal year resulting from a 18.0 billion yen extraordinary gain on sale of securities.

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

### HI (3846 JAQ)

HI Corporation, a company specializing in computer software development, sales and support service as well as 3D consulting services, will list on the JASDAQ Securities Exchange on April 12. The company will offer 5,000 shares in its initial public offering. Of those 4,500 will be newly issued, the other 500 are shares currently held in private. The tentative price range will be announced on March 26 and the fixed offering price will be announced on April 3. Nomura 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)
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	17,032	2,897	5,311	8,823	3,904	218
Nov	112.9	118.2	85.0	82.9	2,507	1,545						238
YoY	3.2	2.2	-0.6	-2.5	4.5	4.1	8.5	18.3	2.2	9.5	9.3	-6.1

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