



Vol . 239

## *High-tech Sector*

Week ended June 17, 2007

### **CDMA2000 Gaining Ground Worldwide**

Subscribers to CDMA2000 (3G)-based mobile phones topped 350 million worldwide as of the end of March, according to CDG, the group that is promoting this format. The subscriber count rises to 387 million, when 2G subscribers are added. It is believed that the system has now reached the critical mass required to spread rapidly. The spread of the system is particularly noteworthy in China and India, two of the fastest growing markets.

### **BB Diffusion Rate among Japanese Households Tops 50%**

More and more Japanese households now have broadband connections, according to Impress R&D, a subsidiary of Impress Holdings. Approximately 28.2% of Japan's households were using fiber optics lines, the consultancy said. The percentage of households with IP phones increased 8.4 percentage points compared last years figure, reaching 18.8%.

### **FANUC (6954 TSE1) to Build a NC Plant – First in 24 Years**

FANUC (Stock code: 6954), Japan's leading machine tool manufacturer, said that it plans to build a production facility for numerical control devices for machine tools. This will be the first such plant for FANUC in 24 years. The new plant will increase FANUC's NC production capacity to 30,000 per month, from the current 17,000 units. The company says it is adding capacity to meet demand from emerging economies.

### **IT Service Sector's Sales Rebound in April**

IT sector sales in April rose 5.9% from the same month last year, a strong rebound from a 2.2% decline in March, according to government reports. Sales had been growing steadily since October 2006 and March was the first dip, although it now seems temporary. Software products drove the sales gain, with game software registering a 34.1% increase.

### **SME'S to Invest Less in FY2007**

Japan's small and medium size enterprises plan to invest 7% less in fiscal year 2007, according to a survey conducted by a research institute affiliated with the Japan Finance Corporation for Small Businesses. This indicates that the recent round of capacity additions is coming to an end. Out of the 16 industrial sectors, investment will be lower in 10. Paper and pulp producers are planning to slash investment by 33.2%, foods 28.9% and printing 22.9%. Capital investment in FY2006 was up 3.0% year-on-year, when capital investment increased in 10 sectors, with electrical machinery, chemicals and steel showing particularly strong growth. The survey covers about 30,000 companies with employees between 20 and 300.

### **Japan's PC Shipments Decline in FY2006 but set to Resume Growth in FY2007**

PC shipments in Japan declined 6% in FY2006 to 12.09 million units, according to JEITA, the

electronics manufacturers' trade association. The association has, however, projected a 5-6% growth in domestic shipments for FY07. Demand will be driven by an expanding economy, broadening of the customer base, in addition to growing demand from SOHO (small office home office) businesses.

### **Earnings Roundup**

#### **Semiconductor Traders Release FY3/07 Business Results – Performance is a Mixed Bag**

Combined sales of the 26 publicly listed Japanese semiconductor traders in the fiscal year ended March 2007 totaled ¥3.5 trillion. However, sales growth was not uniform. Innotec (Stock Code: 9880) registered the highest sales growth rate. The company reported a 28% increase in semiconductor sales. On the other hand, Ryosan (Stock code: 8140) saw its sales dip by 4.8%, compared to the same period of last year. Their combined operating income was ¥97,800 million, which translates in an operating profit margin of 2.8%. The combined sales of the 26 semiconductor traders in FY3/08 are expected to increase 4.4% to ¥3.6 trillion.

#### **Cybozu (4776 TSE1) Set to Post Strong Interim Results**

Cybozu (Stock code: 4776), a Company specializing in developing software for the corporate sector said on Monday that it expects its interim consolidated ordinary income to increase 31% year-on-year to ¥380 million on sales of ¥5,800 million, up 26%. The company cited strong sales of groupware, up 40%, to both large companies and SMEs.

### **Initial Public Offerings**

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

#### **Nineyou International (3855 HRLS)**

Nineyou International, a Chinese online game software developer, will list on the Osaka Securities Exchanges' Hercules market July 12. Nineyou International will be the second company from mainland China to list in Japan. The company will offer 97,000 shares to the public in its initial public offering. Of those, 46,000 are newly issued shares and 51,000 are shares currently held in private. The tentative price range will be announced on June 25. The offering price will be announced on July 4. The company expects to net ¥7.3 billion from the IPO. For the current fiscal year December 2007, the company forecasts a consolidated net income of \$40.1 million on sales of \$109.50 million and earnings per share of \$92.36. Morgan Stanley is the lead underwriter of the offer.

## Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
<b>May</b>	105.6	113.5	85.6	98.6	2,118	1,585	15,650	2,300	5,218	8,132	3,681	205
<b>June</b>	109.6	115.6	86.7	116.7	2,523	1,902	17,173	2,370	6,292	8,810	3,780	227
<b>July</b>	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
<b>Aug</b>	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
<b>Sept</b>	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
<b>Oct</b>	113.2	118.7	83.4	80.5	2,474	1,500	17,032	2,897	5,311	8,823	3,904	218
<b>Nov</b>	112.9	118.2	85.0	82.9	2,507	1,545	17,643	2,939	5,972	8,731	3,823	238
<b>Dec</b>	111.6	116.0	83.6	85.4	2,568	1,771	16,809	2,468	6,005	8,337	3,544	306
<b>Jan</b>	110.8	116.8	82.9	76.3	2,327	1,342	15,193	1,657	5,335	8,201	3,626	257
<b>Feb</b>	110.4	117.4	84.0	84.1	2,507	1,463	16,648	2,070	6,535	8,043	3,539	177
<b>Mar</b>	102.6	112.3	78.9	94.7	3,487	1,550	19,984	2,448	8,513	9,023	4,053	214
<b>Apr</b>	108.9	114.8	78.3	96.5	2,410	1,739						206#
<b>YoY</b>	1.9	4.3	-10.0	-5.3	7.1	2.9	-3.5	6.6	-9.9	0.6	-1.2	-3.9

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