



Vol . 184

## *High-tech Sector*

Week ended October 2, 2005

### **Goldman to Take Equity Stake in E-Access**

Goldman Sachs is planning to take a ¥25-billion equity stake in E-Access' mobile phone subsidiary, E-Mobile, to support the company in expanding its contents distribution (over the mobile phone network) business. E-Access plans to apply for a license for this service after reinforcing its financial base through this equity investment. E-Mobile plans to start a high-speed data communication service in the metropolitan area in March 2007. The service will gradually be expanded nationwide.

### **Overseas Machine Tool Orders Likely to be at Record High**

Machine tool orders from overseas customers in the January-August period rose 11.2% compared with the same period a year earlier to ¥420,000 million. If the current trend continues orders in 2005 will renew their past record. Orders from the North American market were up 28% to ¥116,700 million. Orders from Europe increased 5.9%. Orders from the Asian region were up 7.8% to ¥139,600 million. Of particular note was the sharp 63.1% increase in orders from India. Asia now represents 39.8% of all overseas orders, almost double compared with 1999.

### **Software Solutions Market Shrinks in FY2004**

Japan's software and solutions services market in the fiscal year ended March 2004 shrank 2% from the previous fiscal year to ¥5.1 trillion, according to JEITA, a trade body. While system integration-related services increased 3% year-on-year to ¥2.4 trillion, software sales were flat and outsourcing and other service-related sales fell 7% to ¥1.9 trillion. However, the slowdown is temporary, according to JEITA. Growth is expected to continue led by solution services, including software and outsourcing.

### **Machine Tool Orders Up in August**

Machine tool orders in August rose 5.4% to ¥109.8 billion, according to the Japan Machine Tool Manufacturers Association. This was the 35<sup>th</sup> straight year-on-year gain in monthly orders. Machine tool orders have also been above the ¥100-billion level for 16 months in a row. Sales in August rose 29.6% to ¥101,509 million. The order backlog was up 20.2% to ¥627,851 million.

### **Sanyo Electric to Start Extensive Restructuring (6764 TSE1)**

Sanyo Electric (Stock code: 6764) will launch extensive restructuring, including scaling down of its consumer home appliances business which had been the mainstay since its foundation and diversify into more profitable consumer electronic items like secondary batteries and electronic components. The company is expected to post a second consecutive massive loss in the current fiscal year.

### **Toshiba to More than Double Flash Memory Production (6502 TSE1)**

Toshiba (Stock code: 6502) will increase production of flash memories 2.5 fold to 150,000 chips/month by 2007. Samsung Electric of South Korea is the largest flash memory manufacturer. By increasing capacity, Toshiba expects to become the second leading flash memory manufacturer. Demand for large-capacity flash memories is expected to increase rapidly, led by those for mobile phones.

### **Telecommunication Equipment Production Dips in July**

Held down by slowing production of terminal devices and network equipment, output of telecommunication equipment in July fell 9.5% year-on-year to ¥211.7 billion. Domestic output in the first quarter (April-June) declined 2.4% YoY to ¥620.3 billion, despite a strong increase in routers, hub and other network equipment. A slowdown in the production of mobile phones, which account for 60% of the total in this category, declined, holding down growth.

### **Earnings Roundup**

#### **Oracle Japan Reports Strong 3Q Profit Growth (4716 TSE1)**

Oracle Japan's third quarter ordinary income rose 30% year-on-year to ¥600 million on sales of ¥18,600 million, up 8%. Profit was driven by rising sales of profitable support services, which helped absorb the decline in database-related sales. Revenue from consulting services was also up.

### **Initial Public Offerings (For detailed information, go to:**

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

### **Universal Solution System (3390 JAQ)**

Universal Solution Systems Inc. will list on the JASDAQ Securities Exchange on October 31. The company will offer 2,000 newly issued shares to the public in its initial public offering. The tentative price range will be announced on October 12. The fixed offering price will be announced on October 20 after conducting a book building from October 13 to October 19. The company expects to net ¥145.2 million from the IPO. It plans to use ¥86.5 million for capital investment and the remaining ¥58.7 million for financing working capital requirements. For the current fiscal year through March, the company forecasts a non-consolidated profit of ¥150.3 million on revenue of ¥4.33 billion. Net profit is projected at ¥74.4 million. Earnings per share are estimated at ¥3,797.9.

## 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)
<b>June</b>	102.0	107.4	82.1	112.9	2,287	2,013	17,641	2,362	6,525	8,754	3,938	248
<b>July</b>	102.1	106.4	81.0	114.0	2,226	2,005	16,722	2,165	6,057	8,499	3,847	296
<b>Aug</b>	108.4	108.8	82.0	79.2	2,101	1,435	15,383	1,860	5,455	8,068	3,761	237
<b>Sept</b>	98.2	101.4	82.4	84.5	2,604	1,447	18,193	2,251	7,487	8,455	3,712	217
<b>Oct</b>	99.9	106.1	81.5	74.9	2,116	1,419	15,088	2,369	5,014	7,705	3,721	253
<b>Nov</b>	102.3	107.1	81.8	81.0	2,223	1,553	15,872	2,496	5,625	7,751	3,674	252
<b>Dec</b>	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	330
<b>Jan</b>	101.0	107.2	79.3	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
<b>Feb</b>	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
<b>Mar</b>	93.1	98.5	80.9	99.7	3,392	1,534	19,039	2,191	8,688	8,160	3,636	234
<b>Apr</b>	101.8	106.0	85.3	103.6	2,136	1,707	14,671	2,087	5,449	7,135	3,178	214
<b>May</b>	101.3	106.2	85.7	103.3	1,977	1,723	13,948	1,969	4,965	7,014	3,226	208
<b>YoY</b>	-1.2	0.4	8.3	-3.1	2.0	-10.0	-8.7	-3.3	-7.7	-10.8	-12.4	-13.0

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