



Vol . 206

High-tech Sector

Week ended April 23, 2006

Softbank (9984 TSE1) to Expand 3G Base Station Network

Softbank (Stock code: 9984) plans to invest ¥250 billion to expand its network of 3G base stations from 20,000 to 30,000. The company acquired Vodafone's Japan unit, which had fallen behind its rivals. The company also plans to start selling handsets powered by the Microsoft Windows Mobile Operating System, which allows users to send and receive e-mails.

Information Security Solution Market Trends

Demand for information security solutions in Japan in fiscal 2006, the year ending March 2007, is expected to increase 28.6% from the previous fiscal year to ¥150.5 billion, according to Mic Economic Research Institute. The problems caused by the file-sharing software Winny and the upcoming enactment of the Japan version of the SOX Act is boosting demand.

Japan's IT Market to See Slower Growth in the Years Ahead

Japan's IT market is expected to grow at an annual average rate of 1.8% through 2010 to ¥12.8 trillion, according to IDC Japan, a high-tech market consultancy. The hardware market scale will shrink as hardware prices continue to tumble, the report predicted. With the market maturing, winners will be clearly separated from losers as competition heats up. The market size in 2005 was 11.7 trillion, up 3.1% from the previous fiscal year.

Machine Tool Orders Up in March

Machine tool orders in March rose 5.2% year-on-year to ¥125.1 billion, according to the Japan Machine Tool Builders Association. This was the 42nd consecutive year-on-year gain in monthly orders, the association added. Monthly orders have stayed above the ¥100 billion level for 23 months in a row. Orders in fiscal 2005, the year ended March 2006 were up 6.2% from the previous year to 1.38 trillion, the second highest level for annual orders.

Plasma Televisions to Overtake LCD in the Large Screen Market

Global demand for televisions will increase at an annual rate of 3.8% to approximately 220 million units, according to Display Bank, a market research firm. Of the total LCD TVs will account for 92 million units, growing at an annual rate of 35%. On the other hand, demand for plasma televisions will grow at an annual rate of 41% to 30 million units. As a result, FPD televisions will represent 60% of the total market. The report is also forecasting that in the 40-inch and larger categories, plasma televisions will have overtaken the LCD type by 2010.

Japan's Personal Computer Demand in 2006

Demand for personal computers in Japan, after increasing 9.1% year-on-year to 14.61 million units in 2005, is expected to grow only 0.2% in 2006 to 14.64 million units, according to IDC

Japan, a market research firm. However, demand should recover in 2007 and enter a renewed growth phase.

Earnings Roundup

Cell Phone Business Affects the Fortunes of Japan's Electronic Firms

NEC (Stock code 6701) is likely to see its operating income for the fiscal year ended March 2006 drop by 31% to ¥90 billion. On the contrary, Fujitsu (Stock code: 6702) is expected to report a 13% increase in operating income to ¥181 billion, ¥6 billion higher than its previous forecast. Cellular phone operations hurt profit at NEC but gave a good boost to profit at Fujitsu.

Hoya (7741 TSE1) to Post Third Consecutive Record High Profit

Hoya (Stock code: 7741) said Thursday that its consolidated net income in the fiscal year ended March 2006 rose 18% to ¥75.6 billion, a third consecutive record high. Sales increased 12% to ¥344.2 billion, led by its electro-optics division. Sales and earnings are expected to continue to increase in the current term.

Usen's (4842 HRLS) Interim Profit Plunges

Usen (Stock code: 4842) said Thursday that its consolidated operating income for the interim period ended February is likely to be ¥415 million, down 91% from the same period a year earlier. The figure is well below its previous forecast of ¥3.5 billion operating income. Sales were up 15% to ¥81.58 billion. Full-year operating income is likely to be ¥5 billion, down 48%. However, the company plans to maintain annual dividends at ¥10 per share.

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

No new initial public offerings were approved in the week ended April 9.

HI Technology (3806 HRLS)

HI Technology Co., Ltd., a system integrator targeting mainly small and medium-size enterprises, will list on the Hercules market of the Osaka Securities Exchange on May 29. The company will offer 2,750 shares to the public in its initial public offering. Of those 2,000 are newly issued shares and 750 are shares currently held in private. The tentative price range will be announced on May 9. The fixed offering price will be announced on May 18. E*Trade Securities is the lead underwriter of the offer.

SBI Futures (8735 HRLS)

SBI Futures Co., Ltd., an Internet and call center-based commodities market broker, will list on the Hercules market of the Osaka Securities Exchange on May 31. The company will offer 6,400 shares to the public in its initial public offering. Of those 3,500 are newly issued shares and 2,900 are shares currently held in private. The tentative price range will be announced on May 10. The fixed offering price will be announced on May 19. Shinko 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)
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
Jan	110.7	116.5	82.4	81.1	2,197	1,291	14,977	1,754	5,420	7,803	3,521	282
YoY	11.3	9.0	0.4	8.1	4.7	10.4	5.9	16.3	-2.3	10.2	12.3	-11.6

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