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High-tech Sector

Week ended January 20, 2008

Softbank (9984 TSE1) to Offer Free Calls between its Mobile Phones and IP Phones

Starting April, Softbank (Stock code: 9984) plans to offer free telephone service between its mobile phones and IP phones. This will be the first free telephone service in Japan. The move is likely to pressure other carriers to slash rates for calls between mobile phones and fixed-line phones. The service will be available to Softbank Mobile's 17 million subscribers and five million Yahoo BB IP phone subscribers.

India's IT Services Sector to Strengthen Presence in Europe

India's IT sector is planning to strengthen presence in Europe in a bid to lower dependence on the U. S. market, according to NASSCOM, the Indian IT sector's trade body. At present, the US represents 66% of Indian IT service exports, with Europe accounting for 26%. The rest of the world accounts for a mere 8%. NASSCOM will open an office in Holland and will cooperate with CBI, the European organization promoting exports from developing countries to Europe, to boost exports of IT products and services from India.

Private Sector Machinery Orders Drop in November

Private sector machinery orders (excluding ships and electric power) in November fell 2.8% from the preceding month to 1.4 trillion yen, according to government sources. Orders are at a high level despite the decline, Orders from the manufacturing sector were off 1.7%. On the other hand, orders from the service sector rose 3.1%. Lower orders from the chemical, general machinery, finance and insurance sectors affected total orders. Orders will have to rise 3.6% in December to achieve the forecast of a 3.1% quarter-on-quarter increase for the fourth quarter of 2007.

Semiconductor Production to Rise in Taiwan

Semiconductor production in Taiwan in 2008 is likely to rise 10% to NT\$1.7 trillion, according to IDB, a Taiwanese government agency. With production expected to have increased 7.9% in 2007 compared with an estimated 4.1% gain in global output, production growth in Taiwan in recent years has outpaced global production gains.

Outlook for Semiconductor Production Equipment Investment

Investment in semiconductor production equipment in 2008 will decline 3.5% year-on-year to US\$51,297 million, according to Gartner, a U. S. high-tech market research firm. It should pick up thereafter, rising 8.6% in 2009 and 13.5% in 2010. All types of semiconductor production equipment are likely to see lower demand in 2008, the market research firm warned. In 2009, demand for wafer processing equipment is likely to increase 9.6%, that for package and assembly equipment by 10.6% and testing equipment by 10.4%.

Japans Consumer Electronics Markets Turning Oligopolistic

Japan's electronic consumer market are becoming increasingly oligopolistic with two or three market leaders accounting for a large share of each of the markets, according to GFK, a marketing research firm. Matsushita Electric (Stock code: 6752) and Sharp (Stock code: 6753) have a combined share of 60% of the DVD recorder market in Japan. Casio (Stock code: 6952) and Yamaha (Stock code: 7951), with a combined market share of 93%, almost completely dominate the electronic piano market. Similar trends are seen in mobile phones, video cameras, printers, digital cameras and FPD televisions.

Earnings Roundup

Showa Denko (4004 TSE1) to Post Record Operating Income

Showa Denko (Stock code: 4004) is likely to post consolidated operating income of 76 billion yen in the year ended December 2007, up 11% from the previous year, on estimated group sales of one trillion yen, up 9%. Sales and earnings were lifted by strong overseas demand for graphite electrodes, acrylic textile materials and synthetic rubber products.

Electronic Components Manufacturers Likely to Report Lower Profit

Japan's electronic components manufacturers are likely to suffer profit declines in the current fiscal year to March due to severe market conditions brought about by the subprime loan crisis which drove down orders and aggressive investment to boost production, a leading research institute reported recently. Capacity addition means higher fixed costs and pressure on prices as the supply-demand balance eases.

Initial Public Offerings

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

Insight (2172 AB)

INSIGHT Inc., an advertising and sales promotion planner and a media consultant, will list on the Ambitious market of the Sapporo Securities Exchange on February 20. The company will offer 100,000 shares to the public in its initial public offering. The tentative price range will be announced on January 28 and the fixed offering price will be announced on February 6. D.BRAIN 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	111.6	116.0	83.6	85.4	2,568	1,771	16,809	2,468	6,005	8,337	3,544	306
Jan	110.8	116.8	82.9	76.3	2,327	1,342	15,193	1,657	5,335	8,201	3,626	257
Feb	110.4	117.4	84.0	84.1	2,507	1,463	16,648	2,070	6,535	8,043	3,539	177
Mar	102.6	112.3	78.9	94.7	3,487	1,550	19,984	2,448	8,513	9,023	4,053	214
Apr	108.9	114.8	78.3	96.5	2,410	1,739	15,644	2,552	5,024	8,068	3,592	205
May	110.3	117.3	77.2	101.5	2,359	1,624	15,402	2,427	4,781	8,195	3,722	198
June	108.6	118.2	72.4	116.2	2,615	1,828	16,731	2,357	5,956	8,419	3,835	209
July	112.0	114.8	79.8	105.5	2,569	1,645	18,515	2,251	5,934	10,330	3,991	280
Aug	114.5	123.6	75.1	72.9	2,474	1,198	16,581	2,268	5,532	8,781	3,995	255
Sept	112.2	118.1	72.7	77.9	2,963	1,227	17,812	2,589	6,146	9,076	4,121	229
Oct	110.2	118.5	74.1	84.2	2604	1,439	17,514	3,333	4,797	9,384	3,611	238
Nov	112.0	119.8	74.3	86.4								267
YoY	-0.8	1.4	-12.5	4.2	5.2	-3.5	2.8	15.0	-9.7	6.4	-7.5	12.4

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change* preliminary

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations