



Vol. 262

## *High-tech Sector*

Week ended February 3, 2008

### **Victor (6792 TSE1) and Funai (6839 OSE1) Tie Up in FPD TVs**

Victor Company of Japan (Stock code: 6792) and Funai Electric (Stock code: 6839) have decided to enter into a business alliance for flat panel TVs. The alliance calls for mutual supply of products. Victor is planning to merge with Kenwood and will also form a capital tie with Funai. Consolidation is already underway among Japan's major FPD manufacturers and it seems that it has started to spread to medium-size firms also.

### **Kyocera (6971 TSE1) Pulls out of China's Mobile Phone Market**

With Kyocera (Stock code: 6971) set to pull out of China's mobile phone market, no Japanese mobile phone vendors will be left in China, the world's largest mobile phone market. While the Chinese mobile phone market is growing at double-digit annual rates, Japanese manufacturers unable to withstand competition from their European and other Asian rivals, are being forced to withdraw. Kyocera will close down its marketing and manufacturing operations in China by the end of March.

### **Global Mobile Phone Shipments Up in 2007**

Shipments of mobile phones worldwide by the five leading mobile phone vendors in 2007 increased 12% from the previous year to 931 million units. The leading five accounted for 82% of all shipments which totaled 1.14 billion units, up 16% year-on-year. Nokia, the industry leader shipped 437 million units, an increase of 90 million units, or 26%, from the previous year. The other four leading vendors were Samsung, Motorola, Sony Erickson and LG.

### **Connector Demand Surges in China and India**

Connector demand worldwide in 2007 was \$42.6 billion, up 6.6% from the previous fiscal year. Growth slowed to 50% that of 2006, with demand in the U. S. falling by 3%. This was the fifth consecutive year-on-year gain in annual demand. While aggregate global demand will grow at a slower pace in 2008, there are bright spots. Demand in India and China is expected to rise sharply. Demand in Europe will also increase, rising 12% compared to 2006, while demand in China should see a solid 15% gain. Consumer electronics gave the strongest boost in 2007, with demand for connectors for this application rising by 8.6%.

### **Corporate Services Price Index Up in 2007**

The price index for corporate services in Japan rose by 1.2% to 94.2 (base year 2000 = 100). This was the first increase in 10 years. The index was driven up by escalating marine freight rates, which lifted the transportation sector index by 4.9%. The index for December was 94.8, up 1.4% from the same month a year earlier.

### **SPE Orders Plunge in December**

Orders for Japanese semiconductor production equipment in December totaled 126.4 billion yen, down 42% from the same month a year ago, according to SEAJ, the sector's trade body. Sales fell 15% to 144.1 billion and the BB ratio stood at 0.99.

### **More Companies Taking Out P-mark Certification**

Following the enactment of the Japanese version of the SOX law, more companies are taking out the P-mark certification. A total of 11,430 companies had taken out the certification as of January 15, up from 11,306 as of December 21, 2007 and 9,126 as of March 12, 2007. This included 8,970 companies with P-mark certification and 2,460 companies with ISMS certification. The trend is expected to continue as protection of information takes on added importance under the new legislative environment.

### **Machine Tool Orders at Record High in 2007**

Machine tool orders in 2007 rose 10.6% from 2006 to a second consecutive record high of 1.5 trillion yen, according to the Japan Machine Tool Builders Association. Domestic orders fell 0.9% to 726.4 billion yen but exports rose 22.7% to 863.5 billion yen. Exports to Asia and Europe were at record high, rising over 30%.

### **FPD TV Shipments Surge in December**

Domestic shipments of television sets in December increased 16.4% to 1.38 million units. Of the total 1.2 million units were of LCD type. This was the first time shipments of LCD TVs have topped the one million unit mark, as shipments surged by more than 30%. Now LCD TVs account for 87% of all TV shipments in Japan. The PDP type represents 10.9%. The share of CRT TVs is now down to 2.1%.

### **Earnings Roundup**

#### **Advantest (6857 TSE1) Likely to Report Sharply Lower Profit for FY2008**

Advantest (Sock code: 6857), a leading manufacturer of semiconductor testing equipment, is likely to see its consolidated operating income for the current fiscal year to March 2008 to decline to 32 - 37 billion yen, a decline of 40% from the previous fiscal year on sales of 200-210 billion yen, a drop of some 11% compared to the previous forecast. The company has been hurt by sluggish prices of semiconductor memories and DRAMs, which is affecting orders for semiconductor testing equipment.

### **Initial Public Offerings**

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

#### **Netyear Group (3622 MTH)**

Netyear Group Corporation, a company specializing in Internet-based marketing support services, will list on the Mothers market of the Tokyo Stock Exchange on March 6. The company will offer 10,728 shares to the public in its initial public offering. Of those, 6,000 are newly issued shares and 4,728 are shares currently held in private. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 1,600 shares (6-month lock up period) in the event of exceptional demand. The tentative price range will be announced on February 15 and the fixed offering price will be announced on February 26.

#### **Nano Carrier (4571 MTH)**

Nano Carrier Co., Ltd., a company specializing in research and development of anti-cancer drugs using nanotechnology, will list on the Mothers market of the Tokyo Stock Exchange on March 5. The company will offer 33,000 shares to the public in its initial public offering. Of

those, 30,000 are newly issued shares and 3,000 are shares currently held in private. Nomura Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 14,950 shares (6-month lock up period) in the event of exceptional demand. The tentative price range will be announced on February 15 and the fixed offering price will be announced on February 25.

### 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>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	15,644	2,552	5,024	8,068	3,592	205
<b>May</b>	110.3	117.3	77.2	101.5	2,359	1,624	15,402	2,427	4,781	8,195	3,722	198
<b>June</b>	108.6	118.2	72.4	116.2	2,615	1,828	16,731	2,357	5,956	8,419	3,835	209
<b>July</b>	112.0	114.8	79.8	105.5	2,569	1,645	18,515	2,251	5,934	10,330	3,991	280
<b>Aug</b>	114.5	123.6	75.1	72.9	2,474	1,198	16,581	2,268	5,532	8,781	3,995	255
<b>Sept</b>	112.2	118.1	72.7	77.9	2,963	1,227	17,812	2,589	6,146	9,076	4,121	229
<b>Oct</b>	110.2	118.5	74.1	84.2	2604	1,439	17,514	3,333	4,797	9,384	3,611	238
<b>Nov</b>	112.0	119.8	74.3	86.4								267
<b>YoY</b>	-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