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High-tech Sector

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NTT DoCoMo (9437 TSE1) Slipping in Subscriber Growth Ranking

NTT DoCoMo (Stock code: 9437) is finding it increasingly difficult to sign up new subscribers for its mobile phones. Subscriber numbers for January show that it has slipped to the fourth place in a ranking of subscriber growth. Softbank Mobile reported a net 200,700 increase in subscribers in January, topping the ranking for nine months in a row. KDDI (Stock code: 9433) was ranked second, with net subscriber growth of 82,700. NTT DoCoMo saw its subscriber count rise by just 19,800. The company was overtaken even by e-mobile that started operation only 2007 spring.

Mobile Phone Sales in 2007

Sales of mobile phones (including PHS) in 2007 totaled 51.68 million, an increase of 4.6% compared with 2006. This was the second largest year-on-year gain since 2003 when sales rose sharply driven by growing popularity of camera-equipped phones.

December Computer Shipments in Japan

Shipments of personal computers in Japan (including desktop and notebooks) totaled 894,000 units, up from 688,000 units in November, according to JEITA, the electronics industry's trade association in Japan. Shipments in the fourth quarter (Oct.-Dec) were 6,532,000 units. In the desktop category, shipments of the all-in-one model were 147,000 units. Notebook shipments totaled 592,000 units, accounting for 66.1% of total shipments. The value of total personal computer shipments in December was 107.8 billion, up from ¥87.1 billion recorded in November.

Shipments of Flat Panel Displays to Grow Steadily

Shipments of flat panel displays worldwide are expected to grow at an annual average rate of 5% between 2005 and 2015, reaching an estimated 5.44 billion units in the final year of the forecast, according to Display Research, a U. S.-based market research firm. On the other hand, shipments of CRTs are likely to fall from 189 million units to 2.6 million units during the same period. LCD panels represented about 80% of all flat panel display shipments in 2007 and its share is expected to continue to edge up. Shipments of the OLED type are also growing and expected to capture an 8% share of the market by 2015.

Outlook for Global Office Machine Demand

Global demand for office machines made in Japan has been rising steadily after touching bottom in 2002. Demand has been growing at an average annual rate of some 5% since 2003, according to JBMIA. Shipments of office machines in 2007 were up 5.3% to ¥2.23 trillion and are expected to increase by 1.2% in 2008 to ¥2.25 trillion.

Industrial Machinery Orders Up in 2007

Industrial machinery orders in 2007 rose 8.2% from the previous year to ¥6.5 trillion, recording a third consecutive year-on-year gain in annual orders. Orders were also at a high level, next to the ¥6.7 trillion high recorded in 1997.

Earnings Roundup

Funai Electric (6839 OSE1) Falls in the Red

Funai Electric (Stock code: 6839) is likely to post a consolidated operating loss of ¥2.1 billion in the current fiscal year, the first operating loss for the company since going public. Since the previous forecast was for an operating profit of ¥4.7 billion, this is a ¥6.8 billion downward revision. The company now expects to report a net loss of ¥7.4 billion, down from the earlier forecast of a net income of ¥500 million. Escalating prices of LCD displays is hurting the company. Funai specializes in small-size (20" – 32") FPD televisions, but expanded the product line to include the 42" type. But brutal price competition in this market segment squeezed its profit margins, forcing the company to stop in-house production of large-size models.

Most Electronic Component Manufacturers Post Strong 3Q Results

Most of Japan's seven major electronic components manufacturers reported higher sales and earnings as demand for components for mobile phones, FPD TVs, home video game machines and automotive electronics surged. However, they remained cautious about the outlook for the fourth quarter (Jan. – March) because of some weakness in orders from the beginning of 2008 and a stronger yen. Demand for electronic components is expected to rise again in fiscal 2008, although the outlook for the U. S. economy remains a major concern.

IT Service Firms Report Strong Results for First Nine Months of FY2008

Of the major 41 major IT service firms in Japan, 31 reported higher sales for the first nine months of the current fiscal year ending March 2008. Of these 12 posted double-digit sales gains. Operating income rose at 29 and net income was up at 24 firms, that is more than 70%. While the sector on the whole is doing well, the gap between the winners and losers is widening and we may see some consolidation in the sector.

Initial Public Offerings

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

SMS (2175 MTH)

SMS Co., Ltd., a company a temporary staffing agency, will list on the Mothers market of the Tokyo Stock Exchange on March 13. The company will offer 2,100 shares to the public in its initial public offering. Of those, 1,000 are newly issued shares and 1,100 are shares currently held in private. The tentative price range will be announced on February 25 and the fixed offering price will be announced on March 5. The company expects to net ¥192.4 million from the IPO. It plans to use the proceeds for reinforcing its information system, personnel expenses and advertising expenses. Shinko Securities is the lead underwriter of the offer.

Jowa Holdings (3258 TSE2)

Jowa Holdings Co., Ltd., a holding company with office building business and business hotel business firms in the group, will list on the Second Section of the Tokyo Stock Exchange on March 17. The company will offer 200,000 newly issued shares to the public in its initial public offering. Shinko Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 30,000 shares in the event of exceptional demand. The tentative price range will be announced on February 26 and the fixed offering price will be announced on March 6. The company expects to net ¥3.88 billion from the IPO, which it plans to use for capital investment and other investments.

Billing System (3623 MTH)

Billing System Corp., a company providing online transaction settlement services, will list on the Mothers market of the Tokyo Stock Exchange on March 19. The company will offer 2,000 shares newly issued shares to the public in its initial public offering. Nomura Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 300 existing shares in the event of exceptional demand. The tentative price range will be announced on February 28 and the fixed offering price will be announced on March 10. The company expects to net ¥184 million from the IPO.

AXEL MARK (3624 MTH)

AXEL MARK INC., a company distributing content on mobile phones and providing mobile Internet advertisement production and planning services, will list on the Mothers market of the Tokyo Stock Exchange on March 18. The company will offer 6,000 shares newly issued shares to the public in its initial public offering. Of those, 5,000 are newly issued shares and 1,000 are shares currently held in private. The tentative price range will be announced on February 28 and the fixed offering price will be announced on March 10. The company expects to net ¥765 million from the IPO. It plans to use the proceeds to set up more computer servers, repay debt and use a part of the funds for working capital. Shinko Securities is the lead underwriter of the offer.

Global Juhan (3259 JAQ)

Global Juhan Corp., a real estate marketing firm, will list on the JASDAQ Securities Exchange on March 19. The company will offer 4,100 shares newly issued shares to the public in its initial public offering. Of those, 3,000 are newly issued shares and 1,100 are shares currently held in private. Mizuho Investors Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 600 existing shares in the event of exceptional demand. The tentative price range will be announced on February 27 and the fixed offering price will be announced on March 7.

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)
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	2,604	1,439	17,514	3,333	4,797	9,384	3,611	238
Nov	112.0	119.8	74.3	86.4	2,681	1,465	18,314	3,230	5,862	9,222	3,951	267
Dec	114.6	119.2	76.5	84.7								345
YoY	2.7	2.8	-9.8	-0.5	7.0	-6.4	3.8	9.9	-1.9	5.6	-3.3	12.9

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