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High-tech Sector

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Major Japanese and Indian IT Service Firms Join Hands

Nihon Unisys, the third largest system development company in Japan, and Infosys Technologies, the second largest in IT services in India, have formed a business tie-up in system development and maintenance services. The first business tie-up between Japanese and Indian IT service majors aims at lowering service prices by about 30% while at the same time addressing the problem of software engineer shortages in Japan. The two may expand their alliance by establishing a joint venture or acquiring capital stakes in each other.

SaaS ASP Market Set for Healthy Growth

Japan's SaaS ASP services market in fiscal 2007 is estimated at 127.4 billion yen. According to a report released by a leading market research firm, the SaaS ASP market will continue to expand at an average annual rate of 19.1% and reach 256.1 billion in fiscal 2011, accounting for 23.1% of all software products. The SaaS ASP market is expanding faster than the package software market and is expected to grow 16.9% in fiscal 2007, 21.1% in fiscal 2008 and 23.1% in fiscal 2011.

Mobile Phone Music Distribution Demand Increases Substantially

Distribution of music over mobile phone networks in 2007 increased 41% in value and 26% in volume, according to Japan Record Association. Distribution of music over Personal computers also increased, rising 30% in volume and 18% in value. Overall, there was a 26% increase in volume and 41% in value. Music distribution on mobile phone networks accounts for roughly 90% of the demand. Overseas, distribution over personal computers represents the mainstay demand.

Fiscal 2007 LCD Panel Market

The combined sales of Japan's 10 largest LCD panel manufacturers in 2007 increased 4% from the previous fiscal year to 2.3 trillion yen. However, aggregate capital investment by the top 10 declined 5%, falling below 300 billion yen. The outlook for fiscal 2008 is bright, with both sales and capital investment likely to increase by double-digit figures. Sharp (Stock code: 6753) is the leading supplier of LCD panels and accounts for about half of the combined shipments of the top ten. Sales of LCD panels at Sharp in fiscal 2007 are estimated at 1,200 billion, up from 1,042 billion in fiscal 2006.

Demand Surges for PNDs

Demand for Portable Navigation is increasing fast, particularly in the U. S. and Europe, affecting demand for in-dashboard navigation systems, a market in which Japanese companies have strong position worldwide. PND shipments in 2007 increased 2.5 times from the previous year to 26.6 million units worldwide, according to JEITA, a trade organization. Shipments in

2008 are likely to top 30 million units. Compact size and affordable price are driving demand, according to industry insiders. A U. S.-based firm and a Dutch firm are the leading market players. Companies from S. Korea and Taiwan are also planning to enter the market.

Global Server Market

Shipments of servers in 2007 increased 7.4% from the previous fiscal year to 8.84 million units, according to Gartner, a U. S. high-tech market research firm. However, sales rose by only 3.8% to \$54.8 billion. The leading supplier was HP, with a market share of 29.8%. Dell was the second largest vendor with a market share of 21.4%. IBM's market share was 14.5%.

Earnings Roundup

Indian Software Service Firms to Post Strong Growth in FY2007 Profit

India's software service firms are expected to report a 32% year-on-year growth in sales to \$52.0 billion in fiscal 2007, the year ending March 2008. The outlook is supported by more than 20% sales gains at the leading five firms in the third quarter ended December 2007. Indian companies have competitive strength in software development, ITES services and business process outsourcing (BPO). The five leading companies are Tata Consulting (TCS), Wipro, Infosys Technologies, Satyam Computer Service and HCL Technology.

Japan's Semiconductor Trades Post Marginally Higher 3Q Income

Japan's major 27 semiconductor traders reported a 3.8% increase in sales in the first nine months (3Q) of the current fiscal year as demand for semiconductors for use in digital home electronics increased sharply. Of the 27, 17 posted single-digit sales gains, with 9 reporting double-digit gains. But profit came under pressure due to falling prices and the recent sharp appreciation of the yen. Only ten managed to post higher profit. Vitec (Stock code: 9957) was the only company revising its sales and earnings forecasts upwards

Japan's IT Service Firms Report Strong 3Q Results

Combined consolidated net sales of Japan's 39 major IT service firms increased sharply in the first nine months of the current fiscal year, with 11 posting double-digit sales gains, an increase from seven at mid-term. NS Solutions reported a 31.5% increase in net income for the nine-month period on a sales gain of 11.1%.

Initial Public Offerings

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

Carna Biosciences (4572 NEO)

Carna Biosciences Inc., a pharmaceutical company, will list on the JASDAQ Securities Exchange on March 25. The company will offer 8,700 shares newly issued shares to the public in its initial public offering. All shares are newly issued. The tentative price range will be announced on March 4 and the fixed offering price will be announced on March 12. The company expects to raise 972 million from the IPO and plans to use the proceeds for capital investment and working capital Mitsubishi UFJ Securities is the lead underwriter of the offer.

TAIYO (6252 TSE2)

TAIYO, LTD., a manufacturer of hydraulic and pneumatic equipment, will list on the Second Section of the Tokyo Stock Exchange on March 26. The company will offer three million newly issued shares to the public in its initial public offering. The company will also make a secondary offering of 7.871 million shares. Nomura Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional one million shares in the event of exceptional demand. The tentative price range will be announced on March 6 and the fixed offering price will be announced on March 14.

Geo Estate (3260 NSES)

Geo Estate Co., Ltd., a real estate coordination and management firm, will list on the Centrex market of the Nagoya Stock Exchange on March 27. The company will offer 300,000 newly issued shares to the public in its initial public offering. Tokai Tokyo Securities, the lead underwriter of the offer, has a green shoe option under which it can offer an additional 45,000 shares in the event of exceptional demand. The tentative price range will be announced on March 5 and the fixed offering price will be announced on March 14.

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	2,700	1,365	17,220	2,436	5,755	9,028	3,781	345
YoY	2.7	2.8	-9.8	-0.5	5.2	-22.4	2.4	-1.3	-4.1	8.3	-6.7	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