Industry Monitor

Week ended April 13, 2008

Vol. 269

High-tech Sector

NTT DoCoMo's (9437 TSE1) Market Slips Below 50%

Mobile phone subscribers in Japan totaled approximately 102 million as of the end of March 2008, according to government statistics. The corresponding figure for PHS was 4.61 million. NTT Do Como's (Stock code: 9437) share as of March 31, 2008 was 2.2 percentage points lower compared to 52.2% at the end of the previous fiscal year. The company has been losing market share for seven years. The second largest telecom carrier KDDI (Stock code: 9433) raised its share to 25.5%, up 0.4 percentage points and the third largest carrier, Softbank Mobile, increased its market share by 1.7 percentage points to 18.1%. E-Mobile, a new carrier that entered the market in March 2007 had a market share of 0.4%. With Japan's mobile phone market now completely saturated, discount wars are heating up.

Demand for Crystal Devices to Stay Strong in 2008

Demand for crystal devices is increasing, lifted by rising production of flat panel televisions and other digital home appliances, in addition to mobile phones and personal computers. Increasing use of automotive electronics is also boosting demand for crystal devices. Crystal device production volume in fiscal 2008 is projected to increase 15.5% from the previous fiscal year to 11.1 billion units. Production value should increase by 5.8% to 294.37 billion.

Japan Video Software Sales Jump in February

Sales of video software in February increased 21.7% to 27.3 billion yen as sales rose in all major video categories, according to the Japan Video Software Association. Video software sales in the first two months were up 0.5% year-on-year to 46.8 billion yen. Sales of video software for rental rose by 26.1%. Outright sales of video software, which account for 63.6% of total sales, were up 21.2%.

Portable Navigation Device Demand Up in Japan

Demand for portable navigation devices in Japan is expected to double to 800,000 units in 2008 as these handy devices win popularity among consumers. Given the changing structure of demand, manufacturers are shifting priority from automobile accessory chains to electronic mass merchandisers. Demand is expected to continue to increase, topping one million units in 2009. The growth is expected to continue through 2012, when the market is likely to have growth to 1.3 million units.

Compact Car Navigation Systems in Demand

Demand for compact and easy-to-install car navigation systems is rising rapidly, with sales in fiscal 2007 doubling from the previous fiscal year.

Japan Slips in IT Ranking

Japan slipped from the 14th to the 19th position in IT ranking based on factors like government support and use of information technology. On the other hand, S. Korea moved up in the ranking to capture the ninth spot. Like last year, Denmark won the top spot.

India's IT Industry Continues to Expand Rapidly

India's IT industry continued to expand in fiscal 2007, the year ended March 2008, with sales rising to US$64 billion, according to NASSCOM, India's IT trade association. IT services accounted US$31 billion of the total and business process outsourcing US$12.5 billion. Engineering services and products represented US$8.5 billion. The remaining US$12.0 billion came from hardware and other sales. IT sector's contribution to India's GDP was 5.8% in fiscal 2007, up from 1.2% in 1998. The sector employs 2 million workers.

Private Sector Machinery Orders Plunge in February

Seasonally adjusted private sector machinery orders (excluding ships and electric power) in February declined by 12.7% over the previous month to 1.6 trillion yen. This was the first month-on-month decline in monthly orders in two months. Machinery orders from the manufacturing sector were down 13.2%. Orders from the non-manufacturing sector fell 13.3%. Despite the decline, the government takes the position that private sector machinery orders, led by large corporations, will remain firm, although we might see some volatility. Machinery orders in the first quarter (Jan.-Mar.) likely increased 3.5%.

Earnings Roundup

First Quarter Orders Plunge at Tokyo Electron (8035 TSE1)

Orders for semiconductor production equipment (consolidated basis) in the first quarter of 2008 at Tokyo Electron (Stock code: 8035) were approximately 100 billion yen, down 29% from the previous quarter, due mainly to postponement of capital investment by Asia's semiconductor manufacturers. While the company is likely to post record sales and earnings in the fiscal year ended March 2008, both figures are likely to be lower in the current fiscal year to March 2009.

Hurt by a Stronger Yen, First Quarter Profit Down at Canon (7751 TSE1)

Canon (Stock code: 7751) is likely to see its first quarter (Jan-March) consolidated net income plunge 16% year-on-year to around 110 billion yen. Although a change in the method of depreciation affected profit, the stronger yen was largely to blame. Sales have most likely slipped by 4% to around one trillion yen. For the current year, the company forecasts a net income of 500 billion yen, up 2%, on sales of 4.5 trillion yen.

Elpida Memory (6665 TSE1) Likely to Post First Operating Loss Since Listing

Elpida Memory (Stock code: 6665) is likely to report a consolidated operating loss of around 20 billion yen for the fiscal year ended March 2008, against an operating income of 68.4 billion yen in the previous fiscal year. Although the company boosted productivity and cut costs, the cost decline was unable to absorb the plunge in DRAM prices, particularly for those used in personal computers. Consolidated net sales were an estimated 400 billion yen, down some 18%.

Initial Public Offerings

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

No new initial public offerings were approved during the week.

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)
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
Jan	109.7	119.4	73.8	74.9	2,489	1,175	15,450	1,840	5,231	8,380	3,667	284
Feb	110.5#	118.8#	74.5#									
YoY	-1.0	1.2	-11.3	-1.8	6.9	-12.4	1.7	11.0	-2.0	2.3	1.1	10.5

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