



Vol . 231

High-tech Sector

Week ended March 25, 2007

Vodafone Acquires Majority Interest in Hutchison-Essar

Vodafone, a British telecom operator, acquired 67% capital interest for an estimated \$11.1 billion in Hutchison-Essar, the fourth largest telecommunication service provider in India. The Essar Group will continue to hold the remaining 33%. Hutchison-Essar operates a network spanning the Indian subcontinent and had 23.3 million subscribers as of the end of December 2006. The company's market share is estimated at 16.4%. Vodafone also owns 10% of India's leading mobile phone service provider, Bharati Telecom. Industry insiders are speculating on the possibility of a business tie-up between the two Indian companies. The Indian mobile phone market is projected to grow at an average annual rate of 18% through 2010.

PC Shipments in Japan Decline in 2006

Personal computer shipments in Japan for the year 2006 fell 2.3% year-on-year to 14.28 million, according to IDC Japan, a high-tech market research firm. Shipments to the consumer market were down 5.9% to 5.33 million units, as buyers postponed purchases ahead of the release of Windows Vista, the new operating system from Microsoft. Shipments to the corporate sector were down 0.1%, the first year-on-year decline in three years. Shipments to the corporate sector started to slow down from the third quarter as vendors shifted emphasis from market share to profitability. NEC was the largest vendor with a market share of 20.1%, followed by Fujitsu with a share of 17.5%. IDC Japan forecasts for 2007 see shipments rising 1.9% to 14.55 million units.

Japan's Internet Service Provider Market Maturing– Ripe for Consolidation

Japan's Internet service providers are trying to boost revenue by switching to fiber optic lines for which they can charge higher rates. However, the optical fiber subscriber growth is expected run its course by 2010. In view of the changing market environment, smaller players have already started pulling out and the market is entering a consolidation phase. In 2006, the number of subscribers to broadband services, including optical fiber and ADSL lines, increased 45% from the previous year to 25 million.

Electric Power Cable Demand Forecast

Electric power cable shipments, including domestic shipments and exports, will grow at an annual average rate 1.4% and reach an estimated 927,000 tons in 2010, according to the Japan Electric Power and Cable Manufacturers Association. Of the total, aluminum power cables will constitute 29,000 tons. This represents an average annual decline of 1.0%, the trade body said.

Consumer Electronics Shipments in February Up 3.1%

Shipments of consumer electronics in February rose 3.1% year-on-year to 103.1 billion yen,

according to JEMA, the sector's trade association. Shipments of rice cookers were up 23.5% to record a third consecutive YoY gain in monthly shipments. Shipments of cooking heaters were up 16.1%, the 24th consecutive double-digit gain. Shipments of all other major consumer electric items, including washing machines, refrigerators and electronic ranges were also up.

Japan Accounted For 23% Of Global Electronics Output In '06

Japanese companies accounted for 23% of the global production value of electronic machinery, components and information-processing-related goods in 2006, according to a survey by the Japan Electronics and Information Technology Industries. The trade body estimated the value of global production in the electronics and information industries in 2006 at 195.99 trillion yen, up 6.6% from 2005, and the production value by Japanese companies at 45.96 trillion yen. Japanese firms accounted for 86% of the production of imaging equipment such as digital cameras and camcorders; 65% of copiers, calculators and other office equipment; 61% of car audiovisual gear; and 49% of electronic components.

Chip making Equipment Demand Remains Strong

Japan's chip-making equipment companies received 195.5 billion yen worth of orders in February, 34.5% year-on-year and the 12th consecutive month in which orders exceeded 150 billion yen, according to the Semiconductor Equipment Association of Japan. Orders were particularly strong from overseas customers. The book-to-bill ratio for the semiconductor industry stood at 1.31 in February. Although it was down 0.01 points from the previous month, it surpassed 1.00 for the 11th straight month, showing that order volume exceeded sales.

Earnings Roundup

Nihon Aim's (2383 JAQ) Income Before Taxes Likely to be Up 150%

Nihon Aim Co. Ltd. (Stock code 2383), which makes semiconductors and LCDs for other companies, is likely to see its consolidated income before taxes for the fiscal year ending March 31 surge a 150% to around 1.8 billion yen, an all-time high and 100 million yen higher than expected, on sales of 22.5 billion yen, which represents a gain of 47%. Sales are rising mainly because semiconductor manufacturers are increasingly outsourcing production to cope with declining semiconductor prices.

Ushio (6925 TSE1) to Hike Dividend

Ushio Inc. (Stock code 6925) is likely to increase its annual dividend for the year ending March 31 by 4 yen to around 24 yen per share because the company from this fiscal year will base its dividend payouts on consolidated results instead of non-consolidated profit as in the previous years. Ushio's policy of sharing profit with its shareholders aimed at a payout ratio of 30% of pre-tax profit. Now that its consolidated income has grown substantially, it plans to aim at a payout ratio of 20% of consolidated net income. For fiscal 2006, the year ending March 2007, Ushio's consolidated net income is expected to rise 2% to about 15.2 billion yen, on par with earlier predictions and a record high.

Initial Public Offerings

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

CareNet (2150 MTH)

CareNet, Inc., a medical services provider, will list on Tokyo Stock Exchange's Mothers market on April 20. The company will offer 10,000 shares in its initial public offering. Of those 1,000 will be newly issued, the other 9,000 are shares currently held in private. Nomura Securities, the lead underwriter of the offer, has a green shoe option, allowing it to offer an additional

1,500 existing shares in the event of exceptional demand. The tentative price range will be announced on April 4 and the fixed offering price will be announced on April 4. The company expects to net 151 million yen from the IPO and plans to use the proceeds as working capital. For the current fiscal year through March 31, 2007, the company forecasts non-consolidated net income of 318 million yen on sales of 2.4 billion yen and earnings per share of 6,604.9 yen.

NuFlare Technology (6256 JAQ)

NuFlare Technology, Inc., a semiconductor developer, will list on the JASDAQ Securities Exchange on April 25. The company will offer 18,500 shares in its initial public offering. Of those 10,000 will be newly issued; the other 8,500 are shares currently held in private. The tentative price range will be announced on April 6 and the fixed offering price will be announced on April 16. Nomura Securities, the lead underwriter of the offer, has a green shoe option, allowing it to offer an additional 2,500 existing shares in the event of exceptional demand. The company expects to net approximately two billion yen from the IPO and plans to use the proceeds for capital investment. For the current fiscal year through March 31, 2007, the company forecasts non-consolidated net income of 1.06 billion yen on sales of 23.08 billion yen and earnings per share of 11,819.66 yen.

DVx (3079 JAQ)

DVx Inc., a medical equipment marketing company, will list on the JASDAQ Securities Exchange on April 25. The company will offer 180,000 shares in its initial public offering. Of those 130,000 will be newly issued, the other 50,000 being shares currently held in private. The tentative price range will be announced on April 5 and the fixed offering price will be announced on April 16. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option, allowing it to offer an additional 10,000 existing shares in the event of exceptional demand. The company expects to net approximately 366 million yen from the IPO and plans to use the proceeds for working capital, recruitment and marketing research. For the current fiscal year through March 31, 2007, the company forecasts non-consolidated net income of 195 billion yen on sales of 9.9 billion yen and earnings per share of 362.45 yen.

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)
Feb	108.2	112.3	81.8	94.8	2,440	1,500	16,763	2,055	6,704	8,005	3,572	181
Mar	101.4	109.7	81.4	103.4	3,440	1,549	20,718	2,305	9,447	8,967	4,103	225
Apr	106.9	110.1	86.9	101.6	2,244	1,698	15,977	2,308	5,655	8,014	3,586	214
May	105.6	113.5	85.6	98.6	2,118	1,585	15,650	2,300	5,218	8,132	3,681	205
June	109.6	115.6	86.7	116.7	2,523	1,902	17,173	2,370	6,292	8,810	3,780	227
July	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
Aug	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
Sept	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
Oct	113.2	118.7	83.4	80.5	2,474	1,500	17,032	2,897	5,311	8,823	3,904	218
Nov	112.9	118.2	85.0	82.9	2,507	1,545	17,643	2,939	5,972	8,731	3,823	238
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	76.4								258
YoY	0.1	0.3	0.6	-5.8	3.6	22.5	0.4	6.3	-6.7	4.5	2.3	-7.6

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

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