International Business News

Citigroup sells NikkoCiti Trust to Nomura Trust

AP, *Tokyo*

Nomura Trust and Banking Co. is acquiring NikkoCiti Trust and Banking Corp from Citigroup Inc for 19 billion yen ($196 million) as the US financial group scales back its Japan business.

The sale of the trust bank - a financial institution that combines banking and the functions of a trust company - is part of Citigroup's efforts to cope with the global financial crisis. The deal is expected to close about October, pending regulatory approval and other conditions, Nomura said Wednesday.

Mitsubishi UFJ Trust and Banking Corp. agreed last December to buy NikkoCiti Trust for 25 billion yen but pulled out in May, prompting Citigroup to look for a new buyer.

In May, Japan's No. 3 bank Sumitomo Mitsui Financial Group said it will take over Citigroup's Japan brokerage businesses, the first acquisition in Japan of a leading brokerage by a bank.

Sumitomo Mitsui acquired Nikko Cordial Securities Inc. and some parts of Nikko Citigroup's Japan operations for about 545 billion yen ($5.6 billion).

Several financial institutions had been bidding for NikkoCiti Trust, but Nomura Trust expects to expand its business by acquiring NikkoCiti Trust, known for its strength in investment trusts, according to Kyodo News agency.

Japanese banks Shinsei, Aozora plan to merge

AFP, *Tokyo*

Japanese lenders Shinsei and Aozora, which have been hit hard by the global financial crisis, announced Wednesday a planned merger that would create the nation's sixth biggest commercial bank.

The two companies said in a joint statement that they had agreed to a merger of equals that is expected to take effect by October 2010.

They said that Norito Ikeda, a former banking executive who is now an advisor to management consultants A.T. Kearney K.K., would become president and chief executive of the combined group.

"The merger is expected to create an independent financial institution and a platform that will deliver long-term, stable and sustainable earnings, providing value to all stakeholders," the statement said.

The name of the enlarged bank has not yet been decided but the two lenders said that Shinsei would continue to exist while Aozora would be dissolved.

The banks, both backed by US investment funds, are struggling to find a niche in the face of a weak economy and financial markets as well as growing competition with larger rivals.

AFP

Afghan potter Khiyal Mohammad, (48), works at his craft in the Shomali plains, about 15km north of Kabul on Tuesday. A small artisan initiative is breathing tentative life into the place with a small handful of craftsmen, mostly potters trying to revive the ancient craftsmen tradition.

UN chief urges Japan business to help fight climate change

AFP, *Tokyo*

UN Secretary General Ban Ki-moon called Wednesday for Japanese companies to help fight global warming through green investment and ambitious emission cut targets, a business lobby said.

Ban, who met with Japanese Foreign Minister Hirofumi Nakasone on Tuesday and was to hold talks with Prime Minister Taro Aso later Wednesday, held a closed-door breakfast meeting with the Japanese business lobby Keizai Doyukai.

The group's president Kunio Kojima told reporters Ban had stressed that "it is important that governments and companies set ambitious targets and implement 'green investment' through which people's awareness can change."

Ban had made the point that the climate change problem "cannot be resolved without cooperation between politicians, corporate communities and civil societies," Kojima said, indirectly quoting Ban.

DHL to triple regional hubs in China

AFP, *Shanghai*

German logistics giant DHL plans to open 10 new regional transportation hubs in China this year, state media said Wednesday, tripling the number of such centres it operates in the country.

The company launched an eastern China domestic transportation hub in Shanghai Tuesday, the China Daily said, the fifth facility of its kind operated by DHL in China.

The company will open 10 more regional centres in major Chinese cities by the end of this year, the report said, boosting the total number in the country to 15.

The launch of the Shanghai hub is part of a 25-million-dollar investment to beef up DHL's competitiveness in China's road transportation and distribution market, according to a statement posted on the company's website Tuesday.

It "reflects our continued confidence in China," Frank Appel, chief executive officer of Deutsche Post DHL, said in the statement.

ELECTRONICS

Happy 30th birthday, Walkman

AFP, *Tokyo*

Thirty years ago Sony launched the Walkman, a gadget which revolutionised the way people around the world listened to music but has since been overtaken by an icon of the digital age -- the iPod.

The July 1, 1979 rollout of the portable cassette player helped transform the Japanese company into a global electronics powerhouse.

Sony sold 30,000 Walkmans in the first two months after its launch, and 50 million within a decade.

Three decades on, however, Sony is struggling against rivals such as Apple, which has enjoyed immense success with its iPod music player.

Times have changed since Sony engineer Nobutoshi Kihara sketched out designs for the Walkman by hand.

"Back in my days, we had to draw product designs on paper," Kihara told AFP in an interview in 2006 after his retirement.

"I would close my eyes and imagine our products. I would imagine joggers with Walkmans to see how the hinges should move or how the products fit into the lives of the users."

Sony co-founder Masaru Ibuka came up with the idea for the gadget on one of his overseas trips, during which he used to listen to music on existing tape recorders that were too heavy to be considered truly portable.

The initial reaction to the Walkman was poor. Many retailers thought that a cassette player without a recording mechanism had little chance of success.

That changed, and today total sales of the Walkman have reached 385 million around the world, including newer digital models that use flash memory.

Sony says it chose the name "Walkman" partly because of the popularity of Superman at the time and the fact it was based on an existing audio recorder called the "Pressman."

It initially planned to call the machine "Soundabout" in the United States and "Stowaway" in Britain, but changed its mind after hearing that children in Europe were already asking their parents for a "Walkman".

The name stuck, and in 1986 it was included in the Oxford English Dictionary.

For people who have grown up with iPods, Sony's original gadget can leave something to be desired. They include 13-year-old Scott Campbell who was asked by the BBC to swap his Apple gadget for a vintage Walkman for a week.

His friends, he said, "couldn't imagine their parents using this monstrous box."

It also took him three days "to figure out that there was another side to the tape."

"I mistook the metal/normal switch on the Walkman for a genre-specific equaliser, but later I discovered that it was in fact used to switch between two different types of cassette," he added.

Sony has tried to repackage the Walkman in recent years with new versions, including one that looked like a jelly bean, with some success.

It sold seven million Walkmans in the year to March, up from 5.8 million the previous business year, a company spokeswoman said.

But it has failed to pose a serious challenge to Apple, which sold 100 million iPods in less than six years after its launch in 2001, making it the fastest selling music player in history. Sales have since topped 200 million.

Sony is hoping its new touch-screen X-series Walkman will revive sales of the gadget.

For many observers, the success of the iPod illustrates the way Sony has lost its golden touch in recent years, failing fully to exploit the opportunities of the Internet and the digital age.

As well as losing its lead in portable music players, Sony's PlayStation 3 has been trumped by Nintendo's Wii as the top-selling home video game console.

Sony announced in May its first annual loss in 14 years and warned it would stay in the red this year.

Chief executive Howard Stringer has vowed to meld the company's strength in electronics with its games and movies. He is also slashing 16,000 jobs and axing about 10 percent of Sony's manufacturing plants.

AFP

Japan's electronics giant Sony employee displays the first model of Sony's stereo cassette player "Walkman TPS-L2" (L) and the latest model of Sony's digital music player "Walkman W-series" at the company's museum in Tokyo yesterday. Thirty years ago Sony launched the Walkman, a gadget which revolutionised the way people around the world listened to music but has since been overtaken by an icon of the digital age.

STARTUPS

Facebook and peers for sale, privately

AP, *New York*

Scott Painter makes his living betting on startup companies, having played a role in launching 29 of them over the years. But with the bad economy choking initial public offerings and acquisitions, Painter is now backing an idea that makes it easier for insiders like him to sell shares in their companies even before they go public.

SharesPost, which was founded by Painter's business partner, Greg Brogger, launched publicly in June. Through SharesPost's website, Painter is trying to sell shares in several companies he helped found, including car pricing startup TrueCar.com. He also wants to buy shares in companies that are far from an IPO, like short-messaging site Twitter and business-networking site LinkedIn.

SharesPost is one of a few private stock exchanges that are emerging to fight what venture capitalists call a liquidity crisis. These exchanges give stakeholders an alternative way to trade their shares in hot startups like Facebook for cold, hard cash - without having to wait years for an IPO.

Employees at startup employees often put in long hours but get salaries that can be 20 percent less than their peers at public companies. In return, they get stock or options that they hope will be a path to sports cars and summer homes after their company goes public or is bought out.

Given this, services like SharesPost could help startup workers get some cash while awaiting a distant IPO that might never even get off the ground. Most people won't be in on the action, though, since these exchanges are only open to a small pool of buyers.

And it's not clear how much - or how little - stock has changed hands through them. In its short life, Santa Monica, Calif.-based SharesPost said it has executed one $25,000 transaction, while another service, New York-based SecondMarket, said it has completed about 40 transactions in the past year worth about $150 million.

Still, if they manage to thrive, these exchanges could help the economy. By selling shares on a private exchange, an investor can free up funds to put into other startups. And institutional investors could use these services to broaden their holdings to include fast-growing companies that have yet to go public.

The methods of these private exchanges vary. SharesPost uses an online bulletin board to introduce buyers and sellers. SecondMarket links the parties and lets companies set up their own mini-markets that they control, while Redwood City, Calif.-based XChange is rolling out an online system that will allow buyers and sellers to connect and directly trade shares for cash.

All are open just to institutional investors - organisations like venture capital firms or pension funds that manage at least $100 million in assets - and individual accredited investors. That category includes people with a net worth of at least $1 million, or salary of at least $200,000 for the last two years.

The concept is not entirely new. Nyppex, formed in 1998, facilitates private-company stock trades, and a few companies with similar offerings emerged during the last economic downturn but failed to gather much steam. Among the problems: Determining a fair price for a private company's stock is tough without much public information.

This time, however, employees and investors are more aggressively looking for a way to get a return on their dedication and funding. More than a dozen companies have priced IPOs in the US this year, down from 35 in the first half of 2008, according to research firm Renaissance Capital. In the same period of dot-com-crazy 2000, there were 219 IPOs in the U.S.

Besides the economy, startup investors say the high costs and regulatory requirements associated with going public have also stymied many smaller, younger companies. According to the National Venture Capital Association, the median span from a company's founding to its IPO was 9.6 years in 2008. In 1998 it was 4.5 years.

One factor is compliance with the Sarbanes-Oxley anti-fraud law, which was enacted in 2002 after accounting scandals at companies like Enron Corp. and WorldCom Inc. A key part of this law requires public companies to file reports on the strength of internal financial controls and fix any problems - steps that can be costly for a startup.

Issues like this have "just made it more and more difficult for companies to make it to that next step," said Thomas Foley, chief executive of XChange, which he developed with venture capitalist Tim Draper.

SharesPost founder Greg Brogger believes his site has one solution to the slowdown in IPOs: Bulletin boards for more than 100 startups that allow buyers and sellers to post the price and number of shares they want to purchase or unload, and the ability to e-mail one another directly.

Parties wishing to make a deal can find the relevant contracts on the site to sign, and an escrow company completes the transaction, charging both sides $2,500. So far, a $25,000 deal - the site's minimum transaction size - has been completed for 2,500 shares of electric car startup Tesla Motors at $10 apiece.

That reflects a great deal of optimism for a company that has only sold roughly 500 cars and had to get additional funding from the U.S. Energy Department. A report from one of SharesPost's research providers, NeXt Up Research, valued Tesla at $1 billion, or $9 per share. The car company had no comment.

Anyone can sign up for free to see startups listed on SharesPost. Only qualified investors can buy shares, and SharesPost makes money by charging buyers and sellers $34 a month.

XChange, meanwhile, enables buyers and sellers to share confidential information necessary for making informed purchases, and it has a platform for users to trade shares. When it is fully launched later this year, XChange will be an automated online exchange, much like E-Trade, where users can instantly trade shares for cash.

But while these services may be able to speed up dealmaking, users must still grapple with another key issue: how to determine a fair price for stock in a company that isn't required to regularly disclose its financial information and doesn't have that many potential buyers or sellers.

At SharesPost, Brogger wants to solve the problem by offering as much information as possible about companies it lists, from analysts at Next Up Research and VC Experts. SecondMarket CEO and founder Barry Silbert said companies can decide to share some details with investors and potential bidders on his site.

SharesPost doesn't believe the research on its site will cause any problems should the company file for an IPO with the Securities and Exchange Commission, as these types of analyses are published by investment banks during the IPO process.

Still, the lack of public disclosure and limited number of traders on these services makes Kathy Smith bristle. A market with limited transparency, participation and disclosures "is not a solution to the markets we have now," said Smith, a principal at Greenwich, Conn.-based Renaissance Capital.

And trading is not always as simple as posting a sales opportunity and an asking price. Startups often restrict what their employees can do with their shares and stock options - commonly imposing the "right of first refusal." That generally means employees who find buyers for their shares have to let the company decide if it wants to buy the stock back instead, for the same price. Companies can use this stipulation to keep competitors from snagging a stake.

Even if these services help startup employees and investors, they're not likely to eliminate the need to someday go public.

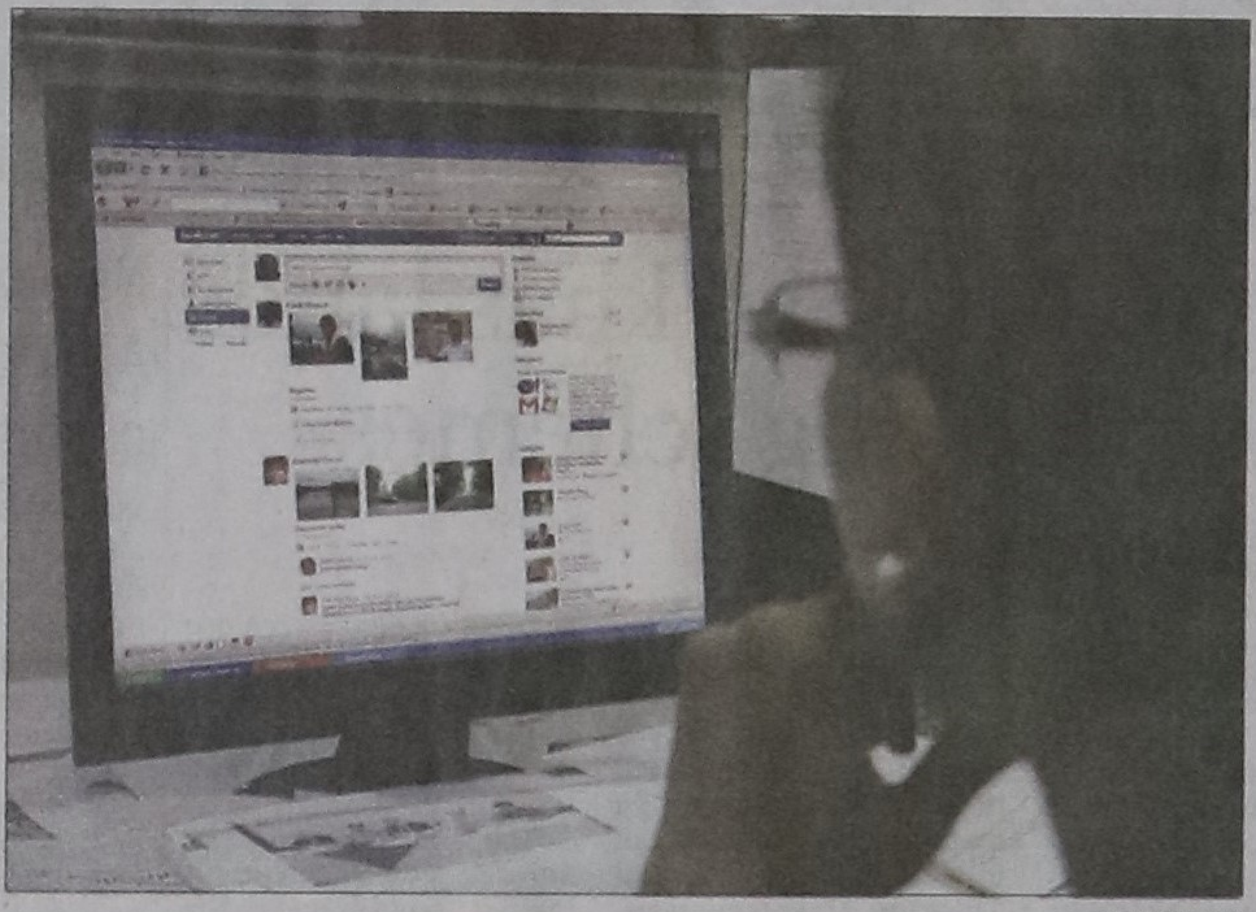
For one thing, this kind of market can only get so big. Private companies with more than $10 million in assets are required to file annual reports with the SEC if they have more than 500 shareholders of record. This rule prodded Google Inc into filing for its IPO in 2004, and it could happen to others as these exchanges distribute shares among more shareholders.

Several of the private exchanges say it's up to companies to keep track of their total shareholder count. Foley said XChange helps companies keep tabs by revealing who their shareholders are at any given time.

Another reason IPOs won't vanish: Companies usually go public first to raise cash for their operations, and then to set a price that will eventually let insiders turn their holdings into cash. While some of the private exchanges do let startups themselves - and not just their employees and investors - sell stock, it's not likely to be lucrative without a large base of potential buyers.

Still, some buyers, sellers and startups may see trading through these services as the way to go until the IPO market improves.

"At the very least, it's going to be spring training for companies before they go public," SecondMarket's Silbert said.



SHAFIQUL ALAM

A woman chats on Facebook in an office in Bangladesh. The social networking site can also be used for business growth and marketing.