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High-tech Sector

Week ended May 7, 2006

First-quarter PC Shipments at Record High

Shipments of personal computers in the first quarter of 2006 (January – March) were up 3% year-on-year to a record 4.04 million units, registering shipment growth for 12 quarters in a row. Moreover, the recent steep price decline also seems to have been arrested. Shipments to the corporate sector rose on increased IT investments and rising payrolls backed a steady recovery in corporate profit. Consumers also bought more personal computers, reflecting the trend to install two or more computers at home.

Machine Tool Orders to Stay Buoyant Through 2008

All of the 30 chief executive officers of Japanese machine tool manufacturers polled were bullish on the outlook for the machine tool industry, expecting orders to stay strong through 2008 despite a dip in the first-quarter 2006 orders from the automotive sector, which was seen as being temporary. Japan's machine builders are adding production capacity to cope with the expected demand growth. With material prices also showing signs of stabilizing, the executives surveyed did not see any dark clouds on the horizon, at least at this point.

Semiconductor Manufacturers to Up Capital Spending

The combined capital expenditure of the seven major Japanese semiconductor manufacturers in the current fiscal year is expected to top one trillion yen, a record for any year. The bulk of the investment will be for adding production capacity to meet burgeoning demand for semiconductors amid a worldwide consumer electronics boom. Toshiba (Stock code: 6502) will invest a record ¥354 billion.

February Global Electronic Component Shipments Up 23%

Shipments of electronic components worldwide rose 23% year-on-year to ¥359.4 billion, according to JEITA, an association of Japanese electronic equipment manufacturers. This is the twelfth consecutive year-on-year gain in monthly shipments, the association said. Shipments were driven by strong demand for transformers, connectors, and other major electronic components.

Performance and Price Differentials Narrow in FPDs

In large-screen televisions the differences in price and performance are narrowing rapidly. The price of plasma television panels has fallen to a level where it can better compete with the LCD panel. On the other hand, technological improvement in LCD panels has improved its performance to bring it largely on a par with plasma panels.

Earnings Roundup

NTT (9432 TSE1) To Sharply Raise Dividend

Nippon Telegraph and Telephone Corp. (Stock code: 9432) will raise its annual dividend applicable to the current fiscal year to ¥8,000-¥9,000, up from ¥6,000 estimated for the fiscal year ended March 2006. The dividend hike follows the government's unloading of its holdings in NTT. NTT had been purchasing its own shares to soak up the shares the government had been selling. Now, the company is better positioned to earmark more money for dividends.

Sumitomo Electric (5802 TSE1) Likely to Report Strong Profit Growth

Sumitomo Electric Industries (Stock code: 5802) is likely to report consolidated operating income of ¥105 billion, up 29% year-on-year, on sales exceeding two trillion yen, up some 15% compared to the previous fiscal year and ¥80 billion higher than its previous forecast. The company's net profit is likely to increase 59% to ¥58 billion.

Mori Seiki (6141 OSE1) Likely to Post Solid Income Growth

Mori Seiki (Stock code: 6141), a major Japanese machine tool manufacturer, is likely to see its consolidated ordinary income for the fiscal year ended March 2006 surge by 43% to around ¥15 billion on the back of a 19% increase in sales to ¥145 billion. Domestic sales most likely increased 15%, driven by strong orders from the automotive sector. Orders from the U. S. seem to have risen nearly 40%, with those from Europe up an estimated 20%.

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

No new initial public offerings were approved in the week ended April 9.

Yume no Machi Souzou Iinkai (2484 HRLS)

Yume no Machi Souzou Iinkai, a company operating a comprehensive delivery site (*Demaekan*), providing advertising agency services through its delivery channel, and also operating a website (*Kaketsukekan*) offering advice on problems in daily life, will list on the Hercules market of the Osaka Securities Exchange on June 5. The company will offer 2,550 shares to the public in its initial public offering. Of those 1,500 are newly issued shares and 1,050 are shares currently held in private. The tentative price range will be announced on May 15. The fixed offering price will be announced on May 24. Mitsubishi UFJ Securities is the lead underwriter of the offer.

TEAR (2485 NSE)

TEAR Co., Ltd., a funeral home operator, will list on the Nagoya Stock Exchange on June 2. The company will offer 2,000 shares to the public in its initial public offering. All of these are newly issued shares. The tentative price range will be announced on May 15. The fixed offering price will be announced on May 24. Tokai Tokyo Securities is the lead underwriter of the offer.

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	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
Mar	93.1	98.5	80.9	99.7	3,392	1,534	19,039	2,191	8,688	8,160	3,636	234
Apr	101.8	106.0	85.3	103.6	2,136	1,707	14,671	2,087	5,449	7,135	3,178	214
May	101.3	106.2	85.7	103.3	1,977	1,723	13,948	1,969	4,965	7,014	3,226	208
June	106.5	113.4	86.7	123.3	2,409	2,040	16,111	2,134	6,215	7,762	3,440	233
July	102.1	106.8	87.8	110.2	2,270	1,804	15,145	2,028	5,545	7,572	3,370	268
Aug	110.8	113.1	88.5	74.1	2,180	1,249	15,156	1,985	5,439	7,733	3,522	224
Sept	104.0	109.0	86.1	79.0	2,762	1,331	17,721	2,394	6,937	8,390	3,701	206
Oct	107.4	113.0	86.4	80.1	2,261	1,432	15,800	2,450	5,196	8,154	3,573	224
Nov	109.4	115.7	85.5	84.6	2,376	1,472	16,973	2,728	5,919	8,326	3,614	252
Dec	108.2	114.5	82.7	83.9	2,490	1,438	16,787	2,326	6,438	8,023	3,465	336
Jan	110.7	116.5	82.4	81.1	2,197	1,291	14,977	1,754	5,420	7,803	3,521	282
YoY	8.8	11.4	0.6	8.1	5.6	5.4	7.9	12.7	3.2	10.9	9.9	-3.4

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