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High-tech Sector

Week ended July 2, 2006

Personal Computer Sales Slow Down in Summer

Sales of personal computers in May and June were below expectations as consumers spent on buying flat panel TVs ahead of the World Soccer Games, according to industry sources. Consumers are also putting off purchases of personal computers ahead of the planned release of Windows Vista, the new Microsoft operating system. Japanese PC vendors are also suffering from increasing competition from HP and Dell who have recently introduced competitively priced models. Personal computer sales were, however, up 5.4% to 4.33 million units in the first quarter, according to IDC Japan, a market research firm. NEC (Stock code: 6701) was the largest vendors, with a market share of 19.6%. Dell had a market share of 13.7% and HP 6.6%.

Mobile Phone Sales up in 1Q

Sales of mobile phones in the first quarter were up 17.5% to 13.97 million units, according to data compiled by IDC, Japan. The research firm is forecasting a close to double-digit growth for the second half, citing the introduction of the MNP system as the growth driver. NEC (Stock code: 6701) was the largest supplier with a market share of 15.4%.

First-half Machine Tool Orders to Renew Record

Preliminary data from the Japan Machine Tool Builders Association indicates that machine tool orders in the first half of 2006 (Jan-Jun) will exceed ¥700 billion and set a new record. It will be the first time in 16 years that the first-half orders will top ¥700 billion mark. Orders from the automotive sector, which slowed temporarily, seem to have picked up again. Industry insiders expect the association to revise its ¥1.2 trillion annual forecast of orders upward in early summer.

Crystal Devices Productions Surges in May

Production of crystal devices in May rose 18.1% year-on-year to ¥20.7 billion on a production volume gain of 17.7% to 625 million units. The double-digit gains for volume and value were driven by strong demand for crystal devices for mobile phones, digital electronics and personal computers, in addition to orders from the automotive sector.

Major LCD Manufacturers Boost Capital Investment

The combined sales of Japan's five major FPD manufacturers in fiscal 2005 rose 9% from the previous fiscal year to ¥1.8 trillion. Forecasts see sales in fiscal 2006 rising 9.4% to ¥1.9 trillion. FPD manufacturers in fiscal 2005 reduced their capital investment by 14% to ¥250.4 billion but are expected to increase it by 9% to ¥273.0 billion. Capital investment will be the highest at Sharp, rising from ¥148.0 billion to ¥194.0 billion. The other four plan to cut capital spending in fiscal 2006.

Flat Panel TV Prices Come Down Sharply

Sales of LCD TV in sets in recent weeks have doubled compared to last year as flat panel prices have dropped to around ¥5,000 per square inch. It is widely believed that demand get a strong boost at the ¥10,000 per square inch level.

Earnings Roundup

SBI VeriTrans (3749 HRLS) Pretax Profit Up in April-June Quarter

SBI VeriTrans is likely to report a non-consolidated pretax profit increase of 81% year-on-year to ¥130 million on a sales gain of 120% to ¥650 million. Sales are being driven by a rising number of stores using its services. As a result the number of transactions is expected to increase 30% to about 6 million. For the full fiscal year, the Company is forecasting a 34% increase in pre-tax profit to ¥530 million on a sales increase of 49% to ¥2.9 billion.

Web Site Operators to See Good Earnings Growth

The seven listed website operators are expected to post strong earnings gains in the current term, as increased traffic, rising advertising revenue and expanded product lineup lifts revenue and profit. Gourment Navigator (Stock code: 2440) is likely to see its consolidated pretax profit go up by 25% to ¥1.65 billion. Kakaku.com (Stock code: 2371) is projecting a 105% increase to ¥1.6 billion. Ikyu Corp. (Stock code: 2450) is forecasting a 32% year-on-year increase in pretax profit to ¥1.55 billion.

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

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

Nihon Birudo (8989 JAQ)

Nihon Birudo Co., Ltd., a real estate firm specializing in commercial facilities, will list on the JASDAQ Securities Exchange on July 7. The company will offer 2,000 shares to the public in its initial public offering. Of those 1,500 are newly issued shares and 500 are shares currently held in private. The lead underwriter, of the offer, Shinko Securities, also has a green shoe option, allowing it to offer an additional 300 shares in the event of exceptional demand. The company expects to net ¥700 million from the IPO and plans to use the proceeds to start up new operations and repay debt. For the current fiscal year through May 2007, the company is forecasting non-consolidated ordinary income of ¥773 million on revenues of ¥6.02 billion.

Nanotex (7772 SSE)

Nanotex Corp., the only manufacturer of lens manufacturing and testing equipment in Japan, will list on the Ambitious market of the Sapporo Securities Exchange on July 7. The company will offer 3,000 shares to the public in its initial public offering. Of those 2,000 are newly issued shares and 1,000 are shares currently held in private. The company expects to net ¥250 million from the IPO and plans to use the proceeds to expand production capacity and repay loans. The lead underwriter of the offer is D. Brain Securities.

Kawasaki (3045 OSE2)

Kawasaki & Co., Ltd., a Japanese company specializing in planning, production outsourcing, and marketing of imported towels and accessories, and also involved in leasing and operating warehouses will list on the Second Section of the Osaka Securities Exchange on June 27. The company will offer 300,000 shares to the public in its initial public offering. Of those 200,000 are newly issued shares and 100,000 are shares currently held in private. The tentative price range will be announced on July 5. The fixed offering price will be announced on July 14. Shinko Securities is the lead underwriter of the offer.

ValueCommerce (2491 MTH)

ValueCommerce Co., Ltd., an IT service company, will list on the Mothers Market of the Tokyo Stock Exchange on July 31. The company will offer 9,100 shares to the public in its initial public offering. Of those 5,850 are newly issued shares and 3,250 are shares currently held in private. The company expects to net ¥1.66 billion from the IPO. For the current fiscal year through December 31, the company is forecasting consolidated net income of ¥497 million on revenues of ¥5.42 billion and earnings per share of ¥5,495.44. The tentative price range will be announced on July 10. The fixed offering price will be announced on June 19. Mitsubishi UFJ 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)
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
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	1,244	1,698	15,977	2,308	5,655	8,014	3,586	214
YoY	4.1	6.8	0.1	-2.0	5.1	-0.5	8.9	10.6	3.8	12.3	12.8	-1.8

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