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High-tech Sector

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Japan's Electronic Component Manufacturers Report Complete Market Recovery

In a recent survey by a leading industrial daily, a large majority, 84%, of Japan's electronic component manufacturers said that they expect sales in the first half of the current fiscal year ending September 2006 to be higher compared to the same period in 2005 and 70% expect to report higher operating income. They cited strong and growing demand for components for digital home electronics, machine tools, LCD and semiconductor production equipment to explain their bullish view.

Microprocessor Demand Set to Grow in FY2006

Demand for microprocessors is projected to increase 5-6% year-on-year in the current fiscal year ending March 2007. But there will be a structural shift in demand as flash-memory based microprocessors are winning more recognition at the cost of mask ROM-based types. The shift is mainly because it is easier to make specification changes in flash memory-based microprocessors. In 2005, the leading microprocessor supplier was Renesas Technology, with a global market share of 20.6%, followed by Freescale Semiconductor, with a share of 12.6%.

Taiwan It Firms Report Strong Sales Growth in First Half

The combined sales the 303 leading Taiwanese electronic product manufacturers rose 25% to ¥T\$3.4 trillion in the first half of 2006. Taiwanese electronic product manufacturers are promoting sales, emphasizing that they offer, Japanese quality, Taiwanese speed and Chinese prices. Among the major Taiwanese electronic product manufacturers, Hon Hai posted a 30.5% year-on-year increase in sales to TS360 billion. TSMC saw its sales go up by 38.85%. QUANTA posted a 23.54% gain in sales.

Digital Contents Market Expanding

Japan's digital contents market expanded 11.8% in fiscal 2005, the year ended March 2006, to ¥2.5 trillion, according to the Digital Contents Association. The trade body is projecting Japan's digital contents market for fiscal 2006 at ¥2.9 trillion. Changes are also taking place in the market structure, with the communications media expected to increase its share of the total to 34.3%. On the other hand, the market share packaged contents that accounted for 84% of the market is falling rapidly.

IT Service Sector Sales Up in First Half

Sales of Japan's IT sector in the first half rose 11.6% to ¥5,638 billion, led by custom software, which recorded a 13.6% gain to ¥3,483 billion. System integration-related sales, included in the custom software category, rose 19.1%. Sales of software products were up 15.4%, driven by a 36.4% increase in video game software. Sales of system management software rose 19.2%.

June Machinery Orders Show Solid Growth

Machinery orders in June increased 8.5% year-on-year to ¥1.21 trillion, according to machinery statistics released by the Prime Minister's Office. Orders in the April-June quarter were up 8.9% to ¥3.4 trillion, a record since the government started compiling machinery statistics in April 1987. In June orders from the manufacturing sector were up 25.6% to ¥584.9 billion but those from the service sector fell 3.6% to ¥632.6 billion.

Flat-Panel TV Sales Slow Down in July

Sales of flat panel television sets in July increased 31.4% year-on-year but the growth rate was 11.7 percentage points lower than in June, according to BCN, a market research firm. The research firm cited relatively high level of sales in June due to World Soccer Games to explain the slowdown. June also happens to be the bonus season in Japan and sales tend to spike.

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

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

Alphax Food System (3814 HRLS)

Alphax Food System Co., Ltd., an information service provider for the restaurant industry, will list on the Hercules market of the Osaka Securities Exchange on September 15. The company will offer 2,830 shares to the public in its initial public offering. Of those 1,600 are newly issued shares and 1,230 are shares currently held in private. The fixed price will be announced on September 5. For the fiscal year ended Sept 2005, the company posted non-consolidated net income of ¥176 million on revenues of ¥1.37 billion and earnings per share of ¥25,770.97. Mitsubishi UFJ Securities is the lead underwriter of the offer.

interspace (2122 MTH)

interspace Co., Ltd., an online advertising service company, will go public on the Tokyo Stock Exchange's Mothers market on September 19. The company will offer 3,000 shares to the public in its initial public offering. Of those 2,500 are newly issued shares and 500 are shares currently held in private. The fixed offering price will be announced on September 6. The company expects to net ¥1.3 billion from the IPO. For the current fiscal year through September 2006, the company forecasts non-consolidated net income of ¥147 million, on revenues of ¥3.1 billion and earnings per share of ¥9,183.53. Shinko Securities is the lead underwriter of the offer.

mixi (2121 MTH)

mixi, Inc., an Internet social networking service firm, will go public on the Tokyo Stock Exchange's Mothers market on September 14. The company will offer 6,600 shares to the public in its initial public offering. Of those 4,500 are newly issued shares and 2,100 are shares currently held in private. The lead underwriter has a green shoe option allowing it offer an additional 500 new shares in case of exceptional demand. The fixed offering price will be announced on September 5. The company expects to net ¥6.9 billion from the IPO. For the current fiscal year through March 2007, the company forecasts non-consolidated net income of ¥986 million, on revenues of ¥4.8 billion and earnings per share of ¥14,953.98. Daiwa Securities SMBC is the lead underwriter of the offer.

Media Kobo (3815 MTH)

Media Kobo Inc., a digital contents service firm, will go public on the Tokyo Stock Exchange's Mothers market on September 15. The company will offer 5,110 shares to the public in its

initial public offering. Of those 3,330 are newly issued shares and 1,780 are shares currently held in private. The tentative price range will be announced on August 29. The fixed offering price will be announced on Sept. 6. The company expects to net ¥347 million from the IPO. For the current fiscal year through August 2007, the company forecasts consolidated net income of ¥912 million, on revenues of ¥1.3 billion and earnings per share of ¥6,677.2. Mizuho Securities is the lead underwriter of the offer.

Nihonwasou Holdings (2499 JAQ)

Nihonwasou Holdings Inc., a kimono service firm, will go public on the JASDAQ Securities Exchange on Sept. 8. The company will offer 12,800 shares to the public in its initial public offering. Of those 6,400 are newly issued shares and 6,400 are shares currently held in private. The lead underwriter of the offer also has a green shoe option, allowing it to offer an additional 1,800 shares in the event of exceptional demand. The tentative price range will be announced on August 22. The fixed offering price will be announced on August 30. The company expects to net ¥561.9 million from the IPO. For the current fiscal year through April 2007, the company forecasts non-consolidated net income of ¥601 million on sales of ¥6.6 billion and earnings per share of ¥6,636.7. Nomura Securities is the lead underwriter of the offer.

Kyowa Medical (3052 JAQ)

Kyowa Medical Corp., a medical equipment marketing firm, will go public on the JASDAQ Securities Exchange on Sept. 15. The company will offer 2 million shares to the public in its initial public offering. Of those 1.8 million are newly issued shares and 200,000 are shares currently held in private. The tentative price range will be announced on August 25 and the fixed offering price on September 5. The company expects to net ¥779 million from the IPO. For the current fiscal year through June 2007, the company forecasts consolidated net income of ¥373 million and earnings per share of ¥47.76. Shinko Securities is the lead underwriter of the offer.

Sanei Architecture Planning (3228 NSE)

Sanei Architecture Planning, a real estate service firm specializing in single-family home sales and rental and management of own properties, will go public on the Nagoya Stock Exchange on Sept. 12. The company will offer 3,000 newly issued shares to the public in its initial public offering. The tentative price range will be announced on August 23 and the fixed offering price on August 31. HS 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)
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	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
YoY	3.0	1.8	0.0	-4.2	8.3	-8.0	12.5	16.8	5.0	16.6	14.1	-2.3

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