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High-tech Sector

Week ended December 3, 2006

Global Demand for White Goods to Stay Strong through 2009

Demand for major white good items will stay strong through 2009, according to the sector's trade association in Japan. According to the report, demand for air conditioners in 2009 will be 63 million units, up 5.5% from 2005. Demand for refrigerators is projected at 67 million units, an increase of 3.3% from the 2005 level. Demand growth will come mainly from BRICs countries, the report says.

Semiconductor Production in Japan Up 13% YoY in First Half

Production of semiconductors in Japan in the first half of 2006 rose 13% year-on-year to ¥2.9 trillion, according to a survey of 13 leading Japanese semiconductor manufacturers by a major industrial daily. Elpida Memory (Stock code: 6665) registered the strongest growth, with output rising 92.6%. Toshiba (Stock code: 6502) reported a 13% increase and Sony (Stock code: 6758) saw production rising 10.2%. Production for the current fiscal year ending March 2007 is expected to increase 15%.

Chip Resistor Production Rises In Japan

Production of chip resistors in Japan in the first nine months of 2006 was up 20.9% by volume and the value of production rose 16.4% to ¥171.7 billion, according to government statistics. While production is rising rapidly in China, much of the production growth there comes from conventional chip resistors. Production in Japan is rising led by state-of-the-art chip resistors. Production in Japan has been growing much faster than forecast, which saw only single-digit growth.

IT Service Sector Rebounds

Business results for the first half of the current fiscal year ended September 2006 at most of the 39 major Japanese IT service firms have been favorable, with 80% reporting higher sales. Twenty four reported increases in operating income. However, the performance gap between larger firms and their smaller counterparts has been widening. Combined sales were up 10.9% YoY, driven by strong orders from the financial, telecommunications, and manufacturing sectors. Major firms are expected to step up IT investments in fiscal 2007 in order to comply with the new SOX law related to internal management control.

More Companies are Obtaining Privacy Mark

The number of companies that have already obtained the privacy mark topped 6,000 on November 21, up from 4,989 in August. Large firms tend to be more interested in obtaining the privacy mark. Of the total that have obtained it so far, 4,141, or 73.5%, are service firms and 753, or 12.5%, are manufacturers.

IP Phones Catching on Among Small and Medium-size Firms

Manufacturers of IP phone systems are launching new products specially designed for small and medium-size firms. There are an estimated 6 million firms in this category and while a few have installed IP phone systems, many would like to slash communication costs. They have, however, been slow in installing such systems since telecommunication service providers have been cutting rates on their existing systems.

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

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

T&C Holdings (3832 HRLS)

T&C Holdings, Inc., a provider of investment information and financial advice, will list on the Tokyo Stock Exchange on December 25. The company will offer 1,500 newly issued shares in its initial public offering. The tentative price range will be announced on December 4. The fixed offering price will be announced on December 13. Mizuho Investors Securities is the lead underwriter of the offer.

WDI (3068 JAQ)

WDI Corp., a restaurant operator, will list on the JASDAQ Securities Exchange on December 22. The company will offer 1.57 million shares in its initial public offering. Of those 800,000 are newly issued shares and 770,000 are shares currently held in private. The tentative price range will be announced on December 5. The fixed offering price will be announced on November 13. Nomura Securities, the lead underwriter of the offer, has a green shoe option allowing it to offer an additional 230,000 shares in the event of exceptional demand. The company expects to net ¥777 million from the IPO. It plans to use the proceeds for capital investment. For the current fiscal year through March 2007, the company forecasts consolidated net income of ¥743 million on revenues of ¥18.77 billion and earnings per share of ¥117.47.

Tokyo Ichiban Foods (3067 MTH)

Tokyo Ichiban Foods Co., Ltd., a restaurant chain operator, will list on the Tokyo Stock Exchange's Mothers market on December 21. The company will offer 2,800 shares in its initial public offering. Of those 2,300 are newly issued shares and 500 are shares currently held in private. The tentative price range was announced December 1. The fixed offering price will be announced on December 11. The company expects to net ¥594 million from the IPO and plans to use the proceeds for capital investment. Mitsubishi UFJ Securities is the lead underwriter for the offer.

Asahi Net (3834 TSE2)

Asahi Net Inc., an Internet service provider, will list on the Tokyo Stock Exchange on December 26. The company will offer 9.92 million shares in its initial public offering. Of those 1.7 million are newly issued shares and 8.22 million 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 1.02 million shares in the event of exceptional demand. The fixed offering price will be announced on December 15. For the current fiscal year through March 2007, the company forecasts non-consolidated net income of ¥673 million on revenues of ¥5.5 billion and earnings per share of ¥20.75.

Celsys (3829 NSE)

Celsys, Inc., a developer of browser software for cellular phone service providers and mobile content distributors, will list on the Nagoya Stock Exchange's Centrex market on December 12. The company will offer 2,250 shares. All shares are currently held in private. Mizuho Investors Securities is the lead underwriter for the offer.

Properst (3236 JAQ)

Properst Co., Ltd., a real estate agency, will list on the JASDAQ Securities Exchange on December 13. The company will offer 17,330 shares in its initial public offering. Of those 11,500 are newly issued shares and 5,830 are shares currently held in private. The fixed offering price will be announced on December 4. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option allowing it to offer an additional 2,500 shares in the event of exceptional demand. The company expects to net ¥7 billion from the IPO. For the current fiscal year through May 2007, the company forecasts consolidated net income of ¥3.5 billion on revenues of ¥65.6 billion and earnings per share of ¥56,248.

Marumae (6264 MTH)

Marumae Co., Ltd., a manufacturer of equipment for liquid crystal displays, semiconductors and solar cells, will list on the Tokyo Stock Exchange's Mothers market on December 26. The company will offer 2,400 shares in its initial public offering. Of those 2,000 are newly issued shares and 400 are shares currently held in private. The tentative price range was announced December 6. The fixed offering price will be announced on December 15. The company expects to net ¥862.5 million from the IPO and plans to use the proceeds for capital investment, repayment of debt and working capital. For the current fiscal year through August 2007, the company forecasts non-consolidated net income of ¥153 million on revenues of ¥1.35 billion and earnings per share of ¥16,576.38. Monex Securities is the lead underwriter for the offer.

Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
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
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	113.6#	119.0#	83.4#									217
YoY	5.8	5.3	-3.5	8.3	1.6	9.0	2.2	3.3	-6.8	9.4	8.7	-3.2

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