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High-tech Sector

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RFID Tag Market Outlook

Japan's RFID tag market is expected to grow from an estimated 83.2 million tags in 2006 to two billion tags in 2010. The market will eventually mature at 50.3 billion tags per year. RFID tag manufacturers are not profitable now but things could turn around in 2007 when RFID tags are expected to start spreading rapidly. As the tags catch on, we could see the emergence of a near-field communications technology, creating yet another market.

Microsoft to Launch X-BOX360 in Japan

Microsoft is planning to challenge the Japanese market again, introducing the Xbox360, the latest version of its Xbox video game machine. Microsoft's Xbox could not compete successfully with Sony Computer Entertainment's PS2. The company hopes to succeed in Japan, a key market, by correcting past mistakes: delays in launching, insufficient software for the Japanese market, and unattractive design. However, not all is well in Japan's market today. The market has matured and is shrinking and Sony and Nintendo remain formidable rivals.

IT Outsourcing Services Market Outlook

Japan's IT outsourcing services market in 2004 expanded 6.2% year-on-year to ¥1.6 trillion, according IDC Japan, a high-tech research firm. The market is projected to expand at an annual average rate of 7.9% (CARD) through 2009, when it will be an estimated ¥2.4 trillion.

IT Service Orders Up in July

Orders received by Japan's IT services sector in July increased 2.6% YoY, according to government statistics. This was the third year-on-year increase in monthly orders. Cumulative orders for the January-July period were up only 0.7%, suggesting that orders are rising steadily. Orders for custom software development, the largest component of IT-related orders accounting for about half of total orders, rose 3.1%, as orders for system integration increased 4.6%, rebounding from the May level. Orders from the manufacturing industry, in addition to orders from the financial, electrical machinery and gas sectors drove the order growth. Moreover, orders related to outsourcing rose 11.4%. In software products, game software was up 20.2%. Total software products were up 3.1% in July, but were 8.5% lower for the January – July period.

Canon Tops the List of Blue Chip Firms (7751 TSE1)

Canon (Stock code: 7751) topped the list of blue chip firms in a ranking announced by the Nihon Keizai Shinbun, a leading economic daily. The company is rated highly for its earnings power and scale of operations. Canon has reported record profit consecutively for five years. Second place went to Toyota (Stock code: 7203) and the third to Yahoo (Stock code: 4689), which was rated highly for its growth potential. FANUC (Stock code: 6954) moved up from seventh to

fourth place. Nissan (Stock code: 7201) and Honda (Stock code: 7267) joined the list of the top ten.

Corporate Bankruptcies in the Electrical Sector

In August, 32 companies from the electrical machinery sector went bankrupt, down 6.6% compared to August 2004, leaving behind total debt of ¥8.4 billion, down 4.5%. There were only two major bankruptcies (unpaid debt of more than one billion yen).

Earnings Roundup

ACCESS Reports Strong Profit Growth (4700 JAQ)

ACCESS (Stock code:4700), a network software company, reported a 42% year-on-year increase in its consolidated ordinary income for the first half of the current fiscal year ended July. Sales increased 20% to ¥6.4 billion. The company has, however, not revised its full-year forecasts. The company plans to shortly acquire Palm Soft, a U. S. firm. Even if the deal is completed by December, its effect on sales for the current term to January 2006 will be minimal, but will result in an amortization of goodwill in the amount of ¥4.0 billion, affecting profit.

Initial Public Offerings (For detailed information, go to:

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

Tokyo Star Bank (8384 TSE)

The Tokyo Star Bank, Ltd, a medium-size Japanese bank, will list on the First Section of the Tokyo Stock Exchange on October 25. All the shares are currently held in private. The tentative price range will be announced on October 3. The fixed offering price will be announced on October 17. Nikko Citigroup is the underwriter of the offer.

Ohara (5218 TSE)

Ohara Co., Ltd, a Japanese company engaged in manufacturing and marketing optical glass for use in optical and It devices, will list on the Tokyo Stock Exchange on October 21. The company will offer 3,200,000 shares to the public in its initial public offering. Of those 3,000,000 are newly issued shares and 200,000 are shares currently held in private. The tentative price range will be announced on October 3. The fixed offering price will be announced on October 13. Nikko Citigroup is the underwriter of the offer.

Fullcast Technology (2458 JAQ)

Fullcast Technology Co., Ltd, a Japanese company engaged in engineer outsourcing services and business solution services centering on software development, will list on the JASDAQ Securities Exchange on October 21. The company will offer 2,000 newly issued shares to the public in its initial public offering. The tentative price range will be announced on September 30. The fixed offering price will be announced on October 12. Mitsubishi Securities is the underwriter of the offer.

We'll (7831 TSE2)

We'll Corporation, a Japanese information services company, will list on the Second Section of the Tokyo Stock Exchange on October 19. The company will offer three million shares to the public in its initial public offering. Of those 2.75 million are newly issued shares and 250,000 are shares currently held by its president. The fixed offering price will be announced on October 7. Daiwa Securities SMBC 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	102.0	107.4	82.1	112.9	2,287	2,013	17,641	2,362	6,525	8,754	3,938	248
July	102.1	106.4	81.0	114.0	2,226	2,005	16,722	2,165	6,057	8,499	3,847	296
Aug	108.4	108.8	82.0	79.2	2,101	1,435	15,383	1,860	5,455	8,068	3,761	237
Sept	98.2	101.4	82.4	84.5	2,604	1,447	18,193	2,251	7,487	8,455	3,712	217
Oct	99.9	106.1	81.5	74.9	2,116	1,419	15,088	2,369	5,014	7,705	3,721	253
Nov	102.3	107.1	81.8	81.0	2,223	1,553	15,872	2,496	5,625	7,751	3,674	252
Dec	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	330
Jan	101.0	107.2	79.3	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
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
YoY	4.4	5.5	-1.7	9.0	0.6	-0.3	-10.0	-0.1	7.7	-13.9	-14.0	-6.9

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