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High-tech Sector

Week ended November 13, 2005

Government Grants Licenses to Three Cellphone Firms

The government plans to grant licenses to Softbank Corp. (Stock code: 9984), eAccess Ltd. and IP Mobile Inc. to begin cellphone services as early as 2006 and to become the first new entrants in the mobile phone sector in 12 years. The government will grant licenses to Softbank and eAccess to operate in the 1.7-gigahertz bandwidth using conventional telecommunications methods. IP mobile will operate in 2.0-GHz bandwidth, which uses transmission technology called TDD.

NTT DoCoMo (9437 TSE1) to Buy an Equity Stake in Tower Records

NTT DoCoMo (Stock code: 9437), the largest mobile phone operator in Japan will acquire a 42% stake for ¥12.8 billion in Tower Records Japan to help increase the use of electronic payment services with its handsets. The move is intended to position DoCoMo better to fight back against KDDI and other new entrants to the sector.

Proposed NTT Reorganization Criticized

Nippon Telegraph and Telephone Corporation's plan to unify its Internet protocol infrastructure is being criticized by rivals as an attempt to reunify group operations and return to the former monopoly structure. Under the medium-term plan NTT East and NTT West will integrate their IP networks. NTT Communications Corp. will withdraw from IP operations. NTT Communications will take over NTT Resonant Inc. NTT Communications will concentrate on Internet access services and telecommunication services for the corporate sector.

Machine Tool Orders Up in October

Machine tool orders in October rose 0.8% year-on-year to ¥108.5 billion, according to the Japan Machine Tool Builders Association. Monthly orders (year-on-year) basis rose for the 37th month in a row. Overseas orders, were however, lower. Moreover, orders fell 6.3% from the previous month due in part to higher order levels in September associated with interim book closings. Domestic orders increased 1.9% but overseas orders fell 0.5%. Orders on the major eight-company basis rose 8.7%. Makino Milling Machine (Stock code: 6135) recorded a 15.3% increase in orders to ¥6,003 million. Orders fell 30.2% at Toyoda Machine Works (Stock code: 6205).

PC Shipments to Consumer Market Up in First Half

Shipments of personal computers to the consumer sector in the first half of the current fiscal year ended September 2005 were up 10.4% to 2.71 million units, according to MM Research Institute, a private think tank. This was the first year-on-year gain in half-year shipments in

two years. There were no changes in market shares of the five top ranked vendors. NEC (Stock code: 6701) was the market leader with 22.3% share. Dell increased its market share by 1.1% to 12.5%. HP Japan also saw its market share go up by 0.8% to 6.4%.

Flash Memory and HDD-type Portable Music Players Overtake Conventional Types

Shipments of mobile music players in 2005 are likely to rise to 7.2 million units in Japan (up from 6.6 million units in 2004), with the flash memory and HDD types accounting for an estimated 63.9% of the total. The flash memory-type mobile music player is likely to account for 2.5 million units, a figure double that of the previous year. Although the flash memory type player will lead the market for the next several years, the HDD type is likely to overtake it in 2010, helped by growing demand for storing video content.

Machinery Orders up in September

Seasonally adjusted machinery orders declined 10.0% YoY in September to ¥985.9 billion, according to the cabinet office. This was the first year-on-year drop in machinery orders in two months. However, orders were up 4.8% compared to August. Orders in the July-September quarter rose 2.1%.

Earnings Roundup

Earnings Bottom Out in Electronic Components Sector

Yen in millions, percent YoY change

Company	Sales	Operating income	Company	Sales	Operating income
Kyocera	5,452 (-9)	353 (-43)	TDK	3,503 (10)	280 (1)
Alps	3,479 (11)	217 (46)	Nitto Denko	2,981 (15)	420 (12)
N. Densan	2,561 (8)	250 (4)	Murata	2,489(5)	378 (-1)
Rohm	1,930 (-4)	343 (-36)			

Of the seven major electronic component manufacturers, four posted higher operating income in the first half of the current fiscal year ended March 2005. Six are projecting operating profit gains for the full fiscal year. Electronic component sales are rising along with the production of digital home electronic devices. Rohm (Stock code: 6963) is the only firm expecting an operating income decline. It cited lower semiconductor prices for the lackluster forecast. TDK (Stock code: 6762), Murata (Stock code: 6981), SMK (Stock code: 6273), and Foster (Stock code: 6794) and revised their full-year forecast upward. On the other hand, Kyocera, (Stock code: 6971), NEC (Stock code: 6701), TOKIN (Stock code: 6759) and Nihon Servo (Stock code: 6585) scaled back their annual forecasts.

Cybird's (4823 JAQ) Interim Ordinary Income Up 48%

Cybird (Stock code: 4823) said Thursday that its consolidated interim ordinary income is likely to increase 48% year-on-year to ¥4,000 million on billings of 60,000 million, up 29%, fueled by strong demand for Internet advertising.

Ibiden (4062 TSE1) Posts Strong Interim Earnings

Ibiden (Stock code: 4062) reported a 76% year-on-year increase in its interim consolidated ordinary income to ¥18300 million on sales of ¥142,900 million, up 23%. The company said that it is increasing its annual dividend by ¥8 to ¥20 per common share. The company forecast ordinary income for the current fiscal year at ¥40,000 million, an increase of 84% compared to the previous fiscal year on a sales gain of 25% ¥310,000 million.

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

TV Tokyo Broadband (3786 MTH)

TV Tokyo Broadband Entertainment Inc., a Japanese information distributor for mobile phones, will list on the Mothers market of the Tokyo Stock Exchange on December 12. The company will offer 4,000 shares to the public in its initial public offering. All are newly issued shares. The lead underwriter has a green shoe option, allowing it to offer an additional 500 shares in the event of exceptional demand. The tentative price range will be announced on November 21. The fixed offering price will be announced on November 30. The company expects to net ¥1.4 billion from the IPO. The IPO proceeds will be used to develop computer systems for its mobile phone related business and purchase rights for new content. For the fiscal year through March 31, 2006, the company is forecasting net income of ¥301 million on sales of ¥2.82 billion. Nomura Securities is the lead underwriter of the offer.

Pacific Golf (2466 TSE)

Pacific Golf Group International Holdings KK, a Japanese golf course operator, will list on the Tokyo Stock Exchange on December 15. The initial public offering marks a partial exit by Texas-based private equity fund Lone Star Group. It plans to sell about 27% of its stake in the firm. The company will offer 357,000 shares to the public in its initial public offering. Of those, 60,000 are newly issued shares and 297,000 are shares held by Lone Star. The tentative price range will be announced on November 28. The fixed offering price will be announced on December 6. The company expects to net ¥5.56 billion from the IPO. The company plans to use the proceeds for capital investment and for investments and loans to acquire new golf courses. For the fiscal year through December 31, the company is forecasting consolidated net income of ¥3.03 billion on sales of ¥62.7 billion. Nomura Securities is the lead underwriter of the offer.

Produce (6263 JAQ)

Produce Co., Ltd., a 3D application machinery manufacturer, will list on the JASDAQ Securities Exchange on December 14. The company will offer 5,100 issued shares to the public in its initial public offering. Of those 4,000 are newly issued shares and 1,100 are shares currently held in private. The lead underwriter of the offer also has a green shoe option, allowing it to offer an additional 500 shares in the event of exceptional demand. The tentative price range will be announced on November 24. The fixed offering price will be announced on December 5. The company expects to net ¥1.7 billion from the IPO and plans to use the proceeds for capital investment, repayment of loans and working capital. The company is forecasting non-consolidated net income of ¥357 million on sales of ¥5.1 billion. Daiwa SMBC Securities is the lead underwriter of the offer.

Living Corp. (8998 MTH)

Living Corporation Inc., a rental condominium developer, will list on the Mothers market of the Tokyo Stock Exchange on December 14. 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 tentative price range will be announced on November 22. The fixed offering price will be announced on December 2. The company expects to net ¥648 million from the IPO. For the current fiscal year through December 31, the company is forecasting net income of ¥226 million on sales of ¥4.5 billion. Mizuho Investors Securities is the lead underwriter of the offer.

LECIP (7213 JAQ)

Produce Co., Ltd., a transportation equipment manufacturer, will list on the JASDAQ Securities Exchange on December 14. The company will offer 783,000 issued shares to the public in its initial public offering. Of those 700,000 are newly issued shares and 83,000 are shares currently held in private. The lead underwriter of the offer also has a green shoe option, allowing it to offer an additional 117,000 shares in the event of exceptional demand. The tentative price range will be announced on November 25. The fixed offering price will be announced on December 5. The company expects to net ¥734 million from the IPO and plans to

use the proceeds for repayment of loans. The company is forecasting consolidated net income of ¥483 million on sales of ¥16.14 billion. Nomura Securities is the lead underwriter of the offer.

Techno Mathematical (3787 MTH)

Techno Mathematical Co., Ltd., a software developer, will list on the Mothers market of the Tokyo Stock Exchange on December 14. The company will offer 4,500 shares to the public in its initial public offering. Of those 2,500 are newly issued shares and 2,000 are shares currently held in private. The tentative price range will be announced on November 25. The fixed offering price will be announced on December 5. The company expects to net ¥683 million from the IPO and plans to use the proceeds for research and development (¥600 million) and for working capital ¥83.5 million). For the current fiscal year through December 31, the company is forecasting non-consolidated net income of ¥164 million on sales of ¥763 million. Nomura Securities is the lead underwriter of the offer.

VLC (2467 NSE)

VLC Co., Ltd., a Japanese firm specializing in PBISM (consulting for acquiring privacy mark and ISMS certifications) and marketing research, will go public on the Nagoya Stock Exchange on December 14. The company will offer 1,200 shares in its initial public offering. Of the total, 1,100 are newly issued shares and 100 are shares currently held in private. The tentative price range will be announced on November 22 and the fixed offering price will be announced on December 2. Rakuten Securities is the lead underwriter for the initial public offering.

Internet Initiative (3774 MTH)

International Initiative Inc., an Internet provider also engaged in system integration services and the sale of IT equipment, will list on the Mothers market of the Tokyo Stock Exchange on December 2. The company will offer 20,000 shares to the public in its initial public offering. Of those 12,500 are newly issued shares and 7,500 are shares currently held in private. The tentative price range will be announced on November 18. The fixed offering price will be announced on November 24. Nomura Securities is the lead underwriter of the offer.

Samantha Thavasa Japan (7829 MTH)

Samantha Thavasa Japan Ltd., a company engaged in planning, production and marketing of handbags and jewelry, will list on the Mothers market of the Tokyo Stock Exchange on December 12. The company will offer 7,000 shares to the public in its initial public offering. Of those 4,000 are newly issued shares and 3,000 are shares currently held in private. The tentative price range will be announced on November 22. The fixed offering price will be announced on December 1. Nomura Securities is the lead underwriter of the offer.

Ravis (2465 JAQ)

Ravis Co., Ltd., a company engaged in planning and management of wedding ceremonies and receptions, will list on the JASDAQ Securities Exchange on December 8. The company will offer 8,000 shares to the public in its initial public offering. All are newly issued shares. The lead underwriter of the offer also has a green shoe option, allowing it to offer an additional 800 shares in the event of exceptional demand. The tentative price range will be announced on November 21. The fixed offering price will be announced on November 29. Nomura Securities is the lead underwriter of the offer.

Business Breakthrough (2464 MTH)

Business Breakthrough Ltd., a management training firm offering courses through the Internet and satellites, will list on the Mothers market of the Tokyo Stock Exchange on December 13. The company will offer 7,500 shares to the public in its initial public offering. Of those 5,000 are newly issued shares and 2,500 are shares currently held in private. The tentative price range will be announced on November 24. The fixed offering price will be announced on December 5. Mizuho 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	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	2.7	7.6	4.5	-6.0	2.0	-12.9	-0.7	11.6	0.5	-4.2	-6.4	-5.5

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