



Vol . 198

High-tech Sector

Week ended February 26, 2006

DoCoMo (9437 TSE1) to Introduce Low-priced 3G Phone

NTT DoCoMo (Stock code: 9437) will introduce a competitively priced 3G phone. Finland's Nokia will supply the hand terminals. Priced at around ¥10,000, it will be the lowest priced 3-G phone on the market when launched at the end of February. Nokia will be the second foreign manufacturer to supply hand terminals to NTT DoCoMo. The company started purchasing hand terminals from Motorola in July 2005.

Mobile Phone Operators to Boost Capital Expenditure in Fiscal 2006

Japan's mobile phone service providers are expected to increase capital expenditure in fiscal 2006 by nearly 20% from the previous fiscal year to ¥1.6 trillion. This includes capital expenditure by new entrants to the mobile phone service market and investments to prepare for the introduction of number portability. The competition will be intense to the point where it could change the power balance among equipment suppliers.

NTT (9432 TSE1) to Double Optical Communication Subscribers

Nippon Telegraph and Telephone (Stock code: 9432) plans to double the number of subscribers to its fiber optic communications services to six million by the end of fiscal 2006. The company's subsidiaries offering the service will spend an estimated ¥400 billion for expanding their fiber optic communication networks.

Sony (6758 TSE1) Becomes the Largest Global Supplier of LCD TVs

Sony (Stock code: 6758) became the largest global supplier of LCD TVs in the last quarter of 2005, with a market share of 14.6%, according to DisplaySearch, a U. S. research firm. Sony shipped 1.25 million units globally in the fourth quarter, a 140% year-on-year gain. Sharp (Stock code: 6753), the former leader slipped to third place because it was unable to keep up with fast rising demand due to delays in procuring materials. Sharp, however, was the market leader in Japan, with a share of 39.5%.

Digital Music Distribution Sales Up in Japan

Revenues from fee-based digital music distribution in 2005 were ¥34.28 billion, according to the Recording Industry Association of Japan. Music distributed on mobile phones accounted for the bulk of the revenue, with a share estimated at 94.3%.

Electrical Control Equipment Demand Likely to Stay Favorable

Demand for electrical control equipment in Japan in the last quarter of 2005 rose 4.0% year-on-year to ¥156.7 billion, according to the sector's trade association. The demand outlook for the first quarter of 2006 is also favorable, with year-on-year growth projected at 6.4% to

¥157.4 billion. The trade association has also revised its forecast for the second half of the fiscal year to a year-on-year increase of 5.7% to ¥314.1 billion.

Machine Tool Orders Up in January

The combined machine tool orders at Japan's eight major machine tool manufacturers in January rose 13.3% year-on-year to ¥45,235 million, according to a survey by a leading industrial daily. It was also the 40th straight year-on-year gain in monthly orders. However, orders fell 7.1% from the previous month, recording the first drop in four months. Domestic orders were up 11.1% YoY to ¥26,444 million. Overseas orders rose 16.5% to ¥18,791 million. Domestic orders have been above the ¥25,000 million level for six months in a row.

Earnings Roundup

Electronic Component Manufacturers Report Strong 3Q Profit

Earnings are rebounding at Japan's electronic component manufacturers, with most projecting a strong rebound in sales and earnings in the third quarter of the current fiscal year ending March 2006. Many have revised their full-year forecasts upward and are stepping up capital investment to cope with rising demand. The combined consolidated third-quarter operating income of the seven leading electronic component manufacturers rose more than 40% year-on-year to ¥154,700 million, up 25% over the second quarter.

Unit: ¥100 million

	Consolidated net sales	Consolidated net income
Kyocera	3,192 (9)	257 (76)
	12,000 (2)	730 (59)
TDK	2,226 (28)	165 (36)
	7,650 (16)	510 (53)
Alps	1,845 (15)	76 (2.4X)
	6,800 (6)	160 (-2)
Nitto Denko	1,636 (28)	158 (51)
	6,250 (21)	540 (29)
Nihon Densan #	1,367 (7)	121 (50)
	5,200 (7)	400 (20)
Murata Mfg.	1,298 (23)	155 (33)
	4,600 (8)	510 (9)
Rohm	1,011 (16)	141 (3.4X)
	3,820 (4)	440 (-3)

Business Machine Manufacturers 3Q Results – Canon (7751 TSE1) Becomes the Runaway Winner

Japan's three major business machine manufacturers reported strong recovery in sales. However, Seiko Epson's (Stock code: 6724) profits were down sharply, despite higher sales.

Unit: ¥100 million, %

	Net sales	OP	RP	NP
Canon	11,198 (14.1)	1,693 (28.1)	1,730 (33.5)	1,082 (33.9)
Ricoh	4,757 (7.2)	370 (-4.2)	387 (11.7)	230 (3.5)
Seiko Epson	4,551 (5.9)	171 (-44.7)	179 (-35.8)	90 (-55.6)

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

MK Capital Management (2478 MTH)

MK Capital Management, an asset management firm, will list on the Mothers market of the Tokyo Stock Exchange on March 23. The company will offer 10,400 shares to the public in its initial public offering. Of those, 7,000 are newly issued shares and 3,400 are shares currently

held in private. The lead underwriter of the offer, Nikko Citigroup, also has a green shoe option, allowing it to offer an additional 1,500 shares in the event of exceptional demand. The tentative price range will be announced on March 3. The fixed offering price will be announced on March 14.

Atrium (8993 JAQ)

Atrium Co., Ltd., a real estate firm with a business portfolio comprising real estate securitization, services, servicer business, the real estate fund management business and real estate investment, loans and loan guarantees business, will list on the JASDAQ Securities Exchange on March 28. The company will offer 3,200,000 shares currently held in private to the public in its initial public offering. The tentative price range will be announced on March 7. The fixed offering price will be announced on March 16. Daiwa Securities SMBC is the lead underwriter of the offer.

Alpen (3028 TSE)

Alpen Co., Ltd., a Japanese retailer of sporting goods, will list on the Tokyo Stock Exchange on March 24. The company will offer 12 million shares to the public in its initial public offering. Of those 8 million are newly issued shares and 4 million are shares currently held in private. The lead underwriter, Daiwa Securities SMBC, of the offer also has a green shoe option, allowing it to offer an additional 1 million shares in the event of exceptional demand. The company plans to use the proceeds from the IPO for capital expenditure, repayment of loans and for working capital. The tentative price range will be announced on March 3. The fixed offering price will be announced on March 14.

J's Communication (3029 HRLS)

J's Communication, a Japanese network security solution company, will list on the Hercules market of the Osaka Securities Exchange on March 27. The company will offer 1,900 shares to the public in its initial public offering. Of those 1,180 are newly issued shares and 720 are shares currently held in private. The fixed offering price will be announced on March 15. 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)
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
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
YoY	9.1	8.0	4.6	7.6	10.7	1.1	9.5	18.3	7.4	8.9	-4.8	1.9

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