



Vol . 203

High-tech Sector

Week ended April 2, 2006

KDDI (9433 TSE1) and Tokyo Electric (9501 TSE1) to Merge Their Fiber-optic Networks

KDDI (Stock code: 9433) and Tokyo Electric Power (Stock Code: 9501) have reached an agreement to merge their fiber-optics communications services and market it under a single brand. KDDI will purchase Tokyo Electric Power's fiber optics network, becoming the fourth largest service provider of fiber-optics communications services, according to a leading Japanese industrial daily.

Korea Files Most Applications for TFT Display-related Patents

Two South Korean companies, Samsung and LG Phillips, accounted for 79% of the total 3,020 TFT display-related patents filed in the past five years, according to a recent report from Display Bank, a high-tech research firm. But LG Phillips stands out as it accounted for 46% of the total patents filed. Patent applications are concentrated (52% of the total) in the TFT array area. With S. Korea trying to dominate this market, disputes over patent right violations are expected to increase as it tries to protect its intellectual patent rights.

Opto-Electronics Industry Output Rises in 2005

Production of Japan's opto-electronics industry in fiscal 2005, the year ended March 2006, is likely to have increased by 2.1% year-on-year to ¥7.7 trillion, according to the sector's trade body. The association is projecting a 5.3% increase in 2006 to ¥8.1 trillion.

Electronic Component Manufacturers Increase Capital Investment

Japan's ten top electronic component manufacturers in fiscal 2005, the year ended March 2006, seem to have invested an estimated ¥323 billion, an increase of 13.7% compared with the previous fiscal year. Electronic component manufacturers stepped up capital investment both at home and abroad to increase production and to prepare for launching new products. This momentum should continue in fiscal 2006 also, with four of the ten companies surveyed planning to increase capital investment.

Machine Tool Order DI Falls in April

The DI for the outlook for orders in April fell by 7.7 points from March to 8.8, according to a survey by the Japan Machine Tool Builders Association. The decline is due mainly to the high level of orders in March, the last month of fiscal 2005 when orders tend to rise as manufacturers try to meet or exceed their annual targets. The DI for domestic orders fell 4.4 points to 10.3 and that for overseas orders was down 4.6 points. The DI for the outlook for orders from Asia was down 3.2 points and that for Europe fell by 3.1 points.

Injection Molding Machine Orders Up in February

According to industry sources, orders for injection molding machines in July increased 13.2% year-on-year to 1,538 units. This was the seventh consecutive year-on-year gain in monthly orders. A higher level of orders from the automobile sector, combined with a recovery in orders from electronic component manufacturers, lifted total orders in February. However, orders were off 3.6% from the previous month, due in part to the lunar New Year holidays in the Asian region. Domestic orders increased by 25.3% or 141 units, to 695 units. Exports orders were up 5.0%, or 40 units, to 839 units.

Global Printer Demand to Grow Steadily

Demand for printers has been growing steadily since 2002. Printer output in 2005 increased 8% year-on-year to 120 million units and is expected to reach 140 million units in 2009, according to JEITA, a trade association. Inkjet hybrid units and the increasing popularity of photo printers, in addition to growing demand for color page printers, will drive production.

Earnings Roundup

TDK (Stock code: 6762) in the fiscal year ended March 2006 is likely to have increased 35% year-on-year to ¥81,000 million on a sales gain of 6% to ¥810.0. Sales were lifted by strong demand for components for digital consumer electronics, particularly value-added components like noise suppression parts. Demand for components going into personal computers and cell phones has also bring robust.

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

ADTEC Engineering (6260 JAQ)

ADTEC Engineering Co., Ltd., a manufacturer of photolithography machines and testing equipment for printed circuit boards, will list on the JASDAQ Securities Exchange on April 27. The company will offer 2.3 million shares to the public in its initial public offering. Of those 1.5 million shares are newly issued shares and 0.8 million are shares currently held in private. The lead underwriter of the offer, Nomura Securities, also has a green shoe option, allowing it to offer an additional 340,000 shares in the event of exceptional demand. The company expects to net ¥2.2 billion from the IPO and plans to use the proceeds to build a new plant. For the current fiscal year through September, the company forecasts non-consolidated pre-tax profit of ¥909 million and net profit of ¥598 million on sales of ¥8 billion. The tentative price range will be announced on April 10. The fixed offering price will be announced on April 18.

HONYAKU Center (2483 HRLS)

HONYAKU Center INC., a Japanese translation and interpretation company, will list on the Hercules market of the Osaka Securities Exchange on April 28. The company will offer 2,175 shares to the public in its initial public offering. Of those 1,200 are newly issued shares and 975 are shares currently held in private. The tentative price range will be announced on April 7. For the fiscal year ended March 2006, the company reported consolidated pre-tax profit of ¥279.1 million and net profit of ¥174.1 million on sales of 2.98 billion. The fixed offering price will be announced on April 18. Shinko Securities is the lead underwriter of the offer.

HIRAKAWA HEWTECH (5821 TSE2)

HIRAKAWA HEWTECH Corp., a Japanese manufacturer of interface cables, broadcasting equipment and medical tubes, will list on the Second Section of the Tokyo Stock Exchange on May 2. The company will offer 1,900,000 shares to the public in its initial public offering. Of those 1,000,000 are newly issued shares and 900,000 are shares currently held in private. The

lead underwriter of the offer, Nomura Securities, also has a green shoe option, allowing it to offer an additional 150,000 shares in the event of exceptional demand. The tentative price range will be announced on April 12. The fixed offering price will be announced on April 21.

SystemD (3804 HRLS)

SystemD INC., a Japanese company specializing in the development of application packages for universities, fitness clubs etc., will list on the Hercules market of the Osaka Securities Exchange on April 27. The company will offer 1,100,000 shares to the public in its initial public offering. Of those 450,000 are newly issued shares and 650,000 are shares currently held in private. The tentative price range will be announced on April 10. The fixed offering price will be announced on April 18. Cosmo 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)
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	9.6	8.7	3.9	13.0	4.7	10.4	5.9	16.3	-2.3	10.2	12.3	-6.4

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