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High-tech Sector

Week ended September 10, 2006

DSP Demand Shows Solid Growth

Demand for digital signal processors is growing at an annual average rate of 20%, underpinned by the growing popularity of digital devices. The digital signal market for 2005 is estimated at US\$7.8 billion. Industry specialists expect this growth rate to accelerate further in the years ahead as demand from BRICs countries increases. Texas Instruments is the largest vendor, with a global market share estimated at 59.5%.

Global Shipments of Electronic Devices Up Sharply in FY2006 1Q

Shipments of electronic devices worldwide in the first quarter of the current fiscal year (April-June) rose 13% year-on-year to ¥1.13 trillion. Shipments in June were up 11% to ¥388.5 billion. Monthly shipments were up year-on-year for the 16th month in a row. Particularly sharp growth was recorded by connectors (shipments up 20% YoY), power supply parts (shipments up 27%) and high-frequency components (shipments up 30%).

Capital Investment Up 16.6% YoY in FY2006 1Q

Capital investment on the all-industry basis, in the first quarter of fiscal 2006 (April-June) was up 16.6% year-on-year to ¥12.2 trillion, according to the Ministry of Finance. Capital shipments increased year-on-year consecutively for 13 quarters. Capital investment, excluding software rose 18.4%, the highest growth rate since 1990, when the economy was in the so-called bubble period. The manufacturing sector invested ¥4.5 trillion, up 14.1% from the same period a year earlier. Capital investment in the non-manufacturing sector increased 17.9% to ¥8.1 trillion. The growth in capital investment reflects rising corporate profit. Ordinary income on the all-industry basis rose 10.1% to ¥14.4 trillion.

Electronic Materials Production Up in First Half

Production of electronic materials in the first half of 2006 was up 15% year-on-year to ¥214.5 billion, according to JEITA, the sector's trade association. Production of lead frame materials rose 15% and that of soft ferrites was up 18% from the same period a year earlier. Output of rare earth magnets rose 14%.

Online Game Market Set for Rapid Growth as Women and Middle Aged and the Elderly Join

Japan online game market is expected to double from roughly ¥50 billion in 2005 to ¥100 billion by 2010, according to Nomura Research Institute. The game market was heavily dependent on the teens but now the player base is expanding to women and the elderly.

Japan's Electronic Component Manufacturers Focusing on India

Japan's electronic component manufacturers are showing growing interest in India, where

major mobile phone manufacturers, including Samsung and Nokia, have started local production. India is expected to become a massive consumer market in the years ahead and Japanese electronic component manufacturers do not want to miss the boat. Japanese electronic component manufacturers' Asian operations are largely headquartered in Singapore and it is from there that they are launching marketing research and investment activities.

Thermistor Demand Growing Rapidly

Production of thermistors, a key device in all electronic devices, is projected to reach ¥40 billion in 2006, up from ¥36.1 billion in 2004. In fiscal 2005, thermistor production, including NTC and PTC, rose 6.1% YoY to 3 billion pieces, valued at ¥38.4 billion, up 3.2%. The trend continued in the first half of 2006, with production gaining 6.1% in volume and 1.1% in value.

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

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

STAR MICA (3230 HRLS)

STAR MICA Co., Ltd., a real estate fund manager, also engaged in real estate investment and advisory services, will list on the Hercules market of the Osaka Securities Exchange on October 2. The company will offer 10,000 newly issued shares to the public in its initial public offering. The tentative price range will be announced on September 8. The fixed price will be announced on September 20. Shinko Securities is the lead underwriter of the offer.

Nomura Real Estate Holdings (3231 TSE)

Nomura Real Estate Holdings, Inc., a company managing subsidiaries in real estate marketing, rental, management and securitization, will go public on the Tokyo Stock Exchange on October 3. The company will offer 41,000,000 shares to the public in its initial public offering. Of those 36,000,000 are newly issued shares and 5,000,000 are shares currently held in private. The lead underwriter of the offer also has a green shoe option, allowing it to offer an additional 6,000,000 shares in the event of exceptional demand. The tentative price range will be announced on September 11. The fixed offering price will be announced on September 21. Nomura Securities is the lead underwriter of the offer.

BancTec Japan (3818 JAQ)

BancTec Japan, Inc., a developer of document processing systems and software, will go public on the JASDAQ Securities Exchange on October 5. The company will offer 13,500 shares to the public in its initial public offering. Of those 5,000 are newly issued shares and 8,500 are shares currently held in private. The tentative price range will be announced on September 15. The fixed offering price will be announced on September 27. Nikko Citigroup is the lead underwriter of the offer.

GCA (2126 MTH)

GCA Co., Ltd., a M&A advisory service company, will go public on the Mothers markets of the Tokyo Stock Exchange on October 6. The company will offer 36,000 shares to the public in its initial public offering. Of those 24,000 are newly issued shares and 12,000 are shares currently held in private. The tentative price range will be announced on September 19. The fixed offering price will be announced on Sept. 28. The company expects to net ¥5.35 from the IPO. Mitsubishi For the current fiscal year ending February 2007, the company forecasts consolidated net income of ¥1.5 billion on sales of ¥4.3 billion and earnings per share of ¥8,338.9. Nikko Cordial Securities is the lead underwriter of the offer.

Nihon M&A Center (2127 MTH)

Nihon M&A Center Inc., a mergers and acquisitions consultancy, will go public on the Mothers market of the Tokyo Stock Exchange on October 10. The company will offer 2,500 shares to the public in its initial public offering. Of those 1,300 are newly issued shares and 1,200 are shares currently held in private. The tentative price range will be announced on September 19. The fixed offering price will be announced on September 28. For the current fiscal year ending March 2007, the company forecasts consolidated net income of ¥490 million on revenues of ¥2.54 billion and earnings per share of ¥88,978.8. Shinko 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	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
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
YoY	2.9	1.9	0.0	-4.2	8.3	-8.0	12.5	16.8	5.0	16.6	14.1	-2.3

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