



Vol . 218

High-tech Sector

Week ended October 15, 2006

Japan's Mobile Phone Market in July

The number of mobile phone subscribers in Japan as the end of September totaled 93.81 million. The share of 3G phones is also increasing steadily, rising to the 60% level for the first time. KDDI (Stock code: 9433) reported that it had signed up a net 180,080 subscribers in September, retaining the top spot in subscriber growth for two months in a row. NTT DoCoMo (Stock code: 9437) saw its subscriber base increase by a net 126,300 subscribers. Net subscriber growth at Softbank Mobile (former Vodafone) was 23,400 subscribers. The number of 3G subscribers as of the end of September totaled 57.42 million, representing 61.2% of the total subscribers.

Electronic Components Demand to Stay at High Levels

Demand for electronic components will stay at a high level in the second half of 2006 and total domestic production will reach ¥3.1 trillion, up 1.7% from the previous fiscal year, according to JEITA, the electronic sector's trade body. Demand is being driven by digital consumer electronics and mobile phones. Particularly strong gains are projected for crystal oscillators (up 20.5% YOY in monetary terms), module substrates (up 6.1%), small motors (up 6.0%) and TV and video tuners (up 32.3%). Production in the January-July period rose 14.3%, surpassing the previous forecast by a wide margin.

Biometric Devices Shipments Increasing in Japan

Shipments of biometric devices in Japan in 2006 are expected to rise 28.7% year-on-year to ¥27.5 billion, according to JAISA, the trade body of biometric devices manufacturers as the market for these devices enters the growth phase. Biometric identification systems are increasing being installed on ATMs, personal computers and mobile phones.

SPE Orders Surge in August

Orders for made-in-Japan semiconductor production equipment in August rose 41% year-on-year to ¥150.8 billion, according to Semiconductor Equipment Association of Japan. This was the 12th straight year-on-year gain in monthly orders. Although the growth in orders for testing equipment turned negative in July suggesting a possible slowdown, orders for wafer processing equipment, the most expensive SPE device, increased by a double-digit figure.

LCD Panel Demand Shows Strong Growth

Demand for all sizes of LCD panels, from 2" to 100", continues to grow as the range of applications spread. About 50% of the display panels for mobile phones are likely to be of the LCD type, according Display Research, a US thin tank. Almost 80% of desktop PCs are also expected to come with LCD monitors. However, concerns remain. Whether it will be possible to

recover investments in 7G and 8G production lines remains a question since the market for large-size panels could mature quickly. Increasing competition from PDPs could drive down prices. Finally, if the technology for mass production of AMOLED is established it could first pose a threat to small and medium-size LCD panels and later even to larger LCD panels.

Vacuum Devices Orders up Sharply

Orders for vacuum devices in the April-June quarter rose 36% year-on-year to ¥213.1 billion. Orders were up 7% from the previous quarter, according to the industry's trade association. Exports were down 16% from the previous quarter but domestic sales rose 30%.

Electronic Component Shipments Up in July

The global shipments of electronic components in July rose 11% year-on-year to ¥380.3 billion, to register a double-digit year-on-year growth in monthly shipments for the twelfth month in a row, according to JEITA, an electronic industry association. Shipments of passive components increased 13% year-on-year, and those of connector components were up 14%. Shipment of electronic components classified as other components rose 28%, lifted by a 27% gain in power source parts and high-frequency components.

DVD Sales Enter a Renewed Growth Phase

Sales of DVD recorders are picking up again as it is becoming more of a household item. The DVD recorder is gaining popularity in a wider consumer market as manufacturers added new features such as remote control to make it easier for family use. The demand for DVD recorders in Japan is expected to increase from an estimated 5 million units in 2006 to around 7.3 million units in 2010. The penetration rate of the DVD recorder in Japan's consumer market is still about 40%.

[http://www.tokyoipo.com/top/en/index.php?id=&seqid=\)](http://www.tokyoipo.com/top/en/index.php?id=&seqid=)

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

ACCORDIA GOLF (2131 TSE)

ACCORDIA GOLF Co., Ltd., a golf course management firm owned by the Goldman Sachs Group, will list on the Tokyo Stock Exchange on November 1. The company will offer 578,000 shares in its initial public offering. Of those, 50,000 are newly issued shares and 528,000 are shares currently held by Goldman Sachs's two wholly owned subsidiaries. Daiwa Securities SMBC, the lead underwriter of the offer, also has a green shoe option to offer an additional 57,800 shares in the event of exceptional demand. The tentative price range will be announced on October 16. The company expects to net ¥9 billion from the IPO. It plans to use the proceeds to buy more golf courses in Japan.

TAKATA (7312 TSE)

TAKATA Corp., a manufacturer of seat belts, airbags and other automotive equipment, will list on the Tokyo Stock Exchange on November 7. The company will offer 22 million shares in its initial public offering. Of those, 11 million are newly issued shares and 11 million are shares currently in private. The tentative price range will be announced on October 19. The fixed offering price will be announced on October 27. Daiwa Securities SMBC, the lead underwriter of the offer, also has a green shoe option to offer an additional 2 million shares in the event of exceptional demand. The company expects to net ¥44.85 billion from the IPO. It plans to use ¥20 billion to build new production facilities and upgrade existing plants and the remaining amount for retiring debt.

SANYODO BOOKS (3058 JAQ)

SANYODO BOOKS Inc., a bookstore chain operator, will list on the JASDAQ Securities Exchange on November 1. The company will offer 320,000 shares in its initial public offering.

Of those, 200,000 are newly issued shares and 120,000 are shares currently in private. The tentative price range will be announced on October 19. The company expects to net ¥340 million from the IPO. It plans to use the proceeds for capital investment. For the current fiscal year through March 2007, the company forecasts non-consolidated net income of ¥234 million on sales of ¥25.8 billion, an earnings per share of ¥102.48 and a dividend of ¥10.

NEXT (2120 MTH)

NEXT CO., LTD., an operator of a real-estate information portal site, will list on the Tokyo Stock Exchange's Mothers market on October 31. The company will offer 17,500 shares in its initial public offering. Of those, 15,000 are newly issued shares and 2,500 are shares currently in private. Nomura Securities, the lead underwriter of the offer, also has a green shoe option to offer an additional 2,500 shares in the event of exceptional demand. The tentative price range was announced on October 10. The fixed offering price will be announced on October 19. The company expects to net ¥3.05 billion from the IPO. For the current fiscal year through March 2007, the company forecasts non-consolidated net income of ¥417 million on sales of ¥4.78 billion and an earnings per share of ¥4,740.35.

FUND CREATION (3233 JAQ)

FUND CREATION CO., LTD., an asset management advisory company, will list on the JASDAQ Securities Exchange on October 27. The company will offer 32,200 shares in its initial public offering. Of those, 18,000 are newly issued shares and 14,200 are shares currently in private. The tentative price range was announced on October 6. The fixed offering price will be announced on October 18. Daiwa Securities SMBC, the lead underwriter of the offer, also has a green shoe option to offer an additional 3,000 shares in the event of exceptional demand. The tentative price range was announced on October 10. The fixed offering price will be announced on October 18. The company expects to net ¥3.56 billion from the IPO. For the current fiscal year through November 30, 2006, the company forecasts consolidated net income of ¥2.36 billion on revenues of ¥5.47 billion and an earnings per share of ¥7,601.99.

Acrodea (3823 MTH)

Acrodea, a developer of software for cellular phones, will list on the Tokyo Stock Exchange's Mothers market on October 19. The company will offer 12,000 shares in its initial public offering. Of those, 6,000 are newly issued shares and 6,000 are shares currently in private. The tentative price range was announced on October 10. The company expects to net ¥600 million from the IPO. It plans to use the funds for research and development and for business expansion. Shinko Securities is the lead manager of the offer.

AOZORA BANK (8304 TSE)

AOZORA BANK Ltd. will list on the Tokyo Stock Exchange on November 14. The IPO is likely to be largest for the year and will enable Cerberus Partners and other investors to cash in on their investments. The company will offer 615.81 million shares currently held in private. Of the total, Aozora will offer 277.11 million shares to overseas investors. Global coordinators for the overseas offering are Goldman Sachs and Morgan Stanley. Nikko Citigroup, the lead underwriter of the offer, also has a green shoe option to offer an additional 50.80 million shares in the event of exceptional demand. The tentative price range will be announced on October 25. The fixed offering price will be announced on November 6.

IREP (2132 HRLS)

IREP CO., LTD., an Internet marketing company, will list on the Osaka Securities Exchanges' Hercules market on November 16. The company will offer 3,500 shares in its initial public offering. Of those, 1,800 are newly issued shares and 1,700 are shares currently in private. The tentative price range will be announced on October 25. The fixed price will be announced on November 6. The company expects to net ¥643 million from the IPO. It plans to use the funds for recruiting, sales management systems and working capital. SBI E*Trade Securities is the

lead manager 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)
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
June	109.6	115.6	86.7	116.7	2,523	1,902	17,173	2,370	6,292	8,810	3,780	227
July	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
YoY	3.1	3.2	-7.61	-10.0	3.3	-10.2	7.4	-1.1	0.1	15.1	12.6	-7.4

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