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High-tech Sector

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Crystal Device Production Buoyant

QIAJ, the Japanese association of crystal device manufacturers, has revised its previous production forecasts for the current fiscal year in view of the stronger-than-projected production growth in the first half. Now the association expects production to increase 15% year-on-year in volume (8.8% in the previous forecast) and 9.7% in value (4.6% in the previous forecast). Particularly strong growth is projected for industrial use crystal oscillators (up 23.6% in volume) and automotive use crystal oscillators (up 19.7% in volume). Production of crystal devices in the first half was up 18.3% in volume and 17.22% in value.

Global Semiconductor Production Set for Growth

Global semiconductor production in 2006 is expected to increase 8.5% year-on-year to \$246.8 billion, according to WSTS, renewing the production record for a second year in a row. Production gains are projected to continue in 2007 and 2008, when output is likely to be up 8.6% and 12.1% respectively. As a result, the average annual growth rate through 2008 will be 9.7%, reflecting stronger demand for use in mobile phones, personal computers and digital consumer electronics.

Stepper Market Outlook

Stepper demand worldwide is likely to be 550-560 units in 2006, an increase of about 80 units from the previous years. ASML is likely to continue to be largest vendor in 2006 also, but Canon is likely to overtake Nikon and move up to the second position. Market share projections are as follows: ASML, 37.5%; Canon, 32.1%; Nikon, 30.4%.

Murata Mfg. (6981 TSE1/OSE1) To Up Capital Investment

Japan's electronic component manufacturers plan to invest aggressively to boost production capacity in fiscal 2006 in order to cope with growing demand for their products. Murata Manufacturing (Stock code: 6981) now plans to invest ¥100 billion, up from its initial plan of ¥80 billion.

PCB Demand to Grow

Production of printed circuit boards in Japan is expected to reach ¥1,172 billion in 2006, up from ¥1,127 billion in the previous year. Particularly strong growth is expected for four-layer PCB's, production of which is likely to be up 17.7%. Output of metal core PCBs is likely to be up

25% and that of flex-rigid PCBs 27.7%.

Sales of Japan-made FPD Production Equipment Up in 2Q

Sales of Japan-made FPD production equipment in the second quarter (July-Sept) rose 9.3% year-on-year to ¥117,119 million, according to SEAJ, a trade association. Cumulative sales to the second quarter were up 14.6% to ¥268,801 million. Domestic sales of FPD production equipment, including imports, were up 136.0% to ¥13,941 million.

Earnings Roundup

Electrical Equipment Manufacturers Release Interim Results

The difference between winners and losers became more apparent in the mid-term results as profit fell at Hitachi and Sony, while Matsushita, Sharp and Sanyo reported sharply higher earnings. Hitachi was unable to restore its HDD business to profitability and it had to revise sales projections for its PDP televisions to 800,000 units from the previous one million units. On the other hand, Sharp posted record profit, driven by strong sales of its digital consumer products and Matsushita reported record high operating income in 16 years. Mitsubishi doubled its income, thanks to its strategy of refocusing on industrial electronics. Toshiba also reported strong interim profit, due in part to the sale of its non-core businesses. However, all remain cautious about the second half, due to concerns over a possible slowdown in the global economy.

	Net sales	Operating income/loss	Net income/loss
Hitachi	47,709 (8.1)	198 (-74.5)	-780 (-)
Matsushita	43,894 (3.1)	2,073 (21.2)	1,151 (78.7)
Sony	35,984 (9.7)	62 (-90.9)	339 (60.29)
Toshiba	31,620 (9.0)	651 (26.8)	388 (165.1)
Fujitsu	23,623 (7.8)	506 (6.4)	148 (93.7)
Mitsubishi El.	17,919 (8.7)	936 (103.5)	564 (94.1)
Sharp	14,656 (9.7)	901 (20.1)	465 (27.5)
Pioneer	3,803 (12.2)	116 (-)	92 (0)
Victor	3,712 (-4.1)	-6 (-)	50 (-)

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

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

Nifty (3828 TSE)

Nifty Corp., an Internet service provider and a wholly owned subsidiary of Fujitsu (Stock code: 6702), will list on the Tokyo Stock Exchange on December 7. The company will offer 27,800 newly issued shares in its initial public offering. Fujitsu is to sell 41,700 shares that it owns in Nifty. An additional 10,400 shares will be offered in the event of exceptional demand. The company plans to net ¥6.5 billion from the IPO and use the proceeds to bolster its Internet business. Nomura Securities is the lead underwriter of the offer.

System Integrator (3826 MTH)

System Integrator Corp., a package developer, will list on the Tokyo Stock Exchange's Mothers market on December 4. The company will offer 2,987 shares in its initial public offering. Of those 2,500 are newly issued shares and 487 are shares currently held in private. The tentative price range was announced on November 14. The fixed offering price will be announced on November 22. Nomura Securities, the lead underwriter of the offer, has a green shoe option allowing it to offer an additional 298 shares in the event of exceptional demand. The company

expects to net ¥637 million from the IPO. It plans to use the proceeds for software development. For the current fiscal year through February 2007, the company forecasts non-consolidated net income of ¥121 million on revenues of ¥1.4 billion and earnings per share of ¥9,528.78.

GABA (2133 MTH)

GABA Corp., an English language teaching school network operator will list on the Tokyo Stock Exchange's Mothers market on December 1. The company will offer 12,400 shares in its initial public offering. Of those 3,000 are newly issued shares and 9,400 are shares currently held in private. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option allowing it to offer an additional 1,800 shares in the event of exceptional demand. The tentative price range was announced on November 13. The fixed offering price will be announced on November 21. The company expects to net ¥802 million from the IPO. For the current fiscal year through December 2006, the company forecasts non-consolidated net income of ¥808 million on revenues of ¥7.75 billion and earnings per share of ¥18,324.07.

MonotaRO (3064 MTH)

MonotaRO Co., Ltd., a company specializing in marketing industrial products online, will list on the Tokyo Stock Exchange's Mothers market on December 6. The company will offer 5,270 shares in its initial public offering. Of those 500 are newly issued shares and 4,770 are shares currently held in private. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option allowing it to offer an additional 780 shares in the event of exceptional demand. The tentative price range was announced on November 16. The fixed offering price will be announced on November 27. For the current fiscal year through December 2006, the company forecasts non-consolidated net income of ¥535 million on revenues of ¥9.5 billion and earnings per share of ¥11,635.92.

Sun Capital Management (2134 HRLS)

Sun Capital Management Corp., a fund management and consulting firm, will list on the Osaka Securities Exchange's Hercules market on December 7. The company will offer 1,900 shares in its initial public offering. Of those 1,000 are newly issued shares and 900 are shares currently held in private. Nikko Citigroup, the lead underwriter of the offer, also has a green shoe option allowing it to offer an additional 250 shares in the event of exceptional demand. The tentative price range was announced on November 17. The fixed offering price will be announced on November 27.

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)
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
Aug	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
YoY	3.2	3.3	-7.5	-3.4	6.2	1.1	5.0	0.3	-2.9	11.8	11.2	-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