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High-tech Sector

Week ended January 21, 2007

Outlook for the Electronics Sector:

Electronic Industry – Outlook for 2007

Production of Japan's electronic industry in 2007 will rise an estimated 3.6% from the previous year to ¥21.16 trillion, according to a forecast released by JEITA. The forecast cited strong overseas demand for electronic components and devices to explain its forecast. The report projects a 6.3% increase in the production of electronic devices to ¥7.3 trillion. The production of electronic devices will top the seven trillion mark for the first time in seven years.

Medium-term outlook for major consumer electronic items

Product	Million units			
	2006 (estimate)	2007 (forecast)	2008 (forecast)	2010 (forecast)
PDP TVs	8.5	11.25	13.7	18.0
LCD TVs	27.5	39.1	54.6	78.3
DVD recorders	20.3	27.3	32.5	39.8
DSCs	82.5	90.0	14.5	104.0
DVC	14.6	15.5	16.2	16.8
Projection TVs	5.1	4.9	4.7	4.3
Car Navigation	73.8	82.0	89.9	107.9
Home theater	12.2	12.3	12.5	12.6

Outlook for major electronic items

Mobile phones: Demand for mobile phones is likely to increase about 12% in unit terms and thus exceeding the 1 billion unit mark for the first time. The market will, however, be increasingly polarized between high-end and low-end models. Shipments of low-end models will continue to increase in the BRICs region and the outlook for high-end models will depend on whether TV phones catch-on in the US and Europe.

Personal computers: Demand for personal computers is projected to increase from around 230 million units in 2006 to 250-260 million units in 2007, with notebook PCs showing a particularly strong growth of about 23%. Major trends include a continuing shift from desktops to notebooks, and increasing the adoption of dual core CPUs. The launching of Microsoft's VISTA will give a strong boost to demand, with some industry experts projecting a 16% increase due to the VISTA factor.

Game machines: Most industry insiders expect demand for video game machines to increase sharply in 2007, rising from an estimated 230 million units in 2006 to 260 million units in 2007.

Electronic components in 2006

Production of electronic components in Japan in 2006 increased 10.8% year-on-year to ¥3.27 trillion, according to JEITA, the electronic sector's trade association. Although output of transformer parts, such as pickups and HDD heads, was lower as production shifted overseas, the losses were offset by gains in capacitors and other passive parts as well as by the rising output of connectors. Production of passive parts rose 14.1% YoY to ¥1.17 trillion and that of capacitors and other components was up 13.3% YoY to ¥556.7 billion. Connector parts showed strength as production rose 12.5%, registering a fourth straight gain in production.

Semiconductor industry: Opinion about growth outlook is split

While some in the industry are bullish expecting the semiconductor sector to grow by about 9%, others see growth slowing to just 3%. Despite the difference in projected growth rates, most agree that strong growth, like that seen in recent years, is unlikely in 2007. Demand growth for cell phones and PCs in BRICs markets is likely to be weak compared to the high growth rates of recent years, weakening demand for semiconductors, industry insiders say.

Outlook for electronic measuring instruments

Production of electronic measuring instruments in 2006 rose an estimated 8.6% year-on-year to ¥171.3 billion, according to JEMIMA, the sector's trade body. The association is projecting an average annual production growth rate of 5.3% through 2010.

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

Pharmarise (2796 JAQ)

Pharmarise Corporation, a pharmacy and prescription database service, will list on the JASDAQ Securities Exchange on February 21. The company will offer 1,800 shares in its initial public offering. Of those 1,000 are newly issued shares and 800 are shares currently held in private. The fixed offering price will be announced on February 9. For the current fiscal year through May 31, 2007, the company forecasts non-consolidated net income of ¥202 million on revenues of ¥15.3 billion and earnings per share of ¥28,297.97. Daiwa Securities SMBC is the lead underwriter of the offer.

Ad-Sol Nissin (3837 JAQ)

Ad-Sol Nissin Corporation, a system solutions provider, will list on the JASDAQ Securities Exchange on February 19. The company will offer 140,000 shares in its initial public offering. Of those 70,000 are newly issued shares and 70,000 are shares currently held in private. The tentative price range was announced on January 26. The fixed offering price will be announced on February 6. The company expects to net ¥184 million from the IPO and plans to use the proceeds for working capital. For the current fiscal year through March 31, 2007, the company forecasts non-consolidated net income of ¥196 million on revenues of ¥8.7 billion and earnings per share of ¥259.89. Mitsubishi UFJ Securities is the lead underwriter of the offer.

ASAX (8772 TSE2)

ASAX Co., Ltd., a real estate mortgage loan service company, will list on the Second Section of the Tokyo Stock Exchange on February 14. The company will offer 9,080 shares in its initial public offering. Of those 4,000 are newly issued shares and 5,080 are shares currently held in private. The tentative price range was announced January 26. The fixed offering price will be announced on February 5. The company expects to net ¥1.4 billion from the IPO. For the current fiscal year through March 31, 2007, the company forecasts non-consolidated net income of ¥1.1 billion on revenues of ¥4.6 billion and earnings per share of ¥33,912.60. Nikko Citigroup is the lead underwriter for the offer.

Stream (3071 MTH)

Stream Co., Ltd., an Internet-based retail firm marketing personal computers, PC peripherals and consumer home appliances, will list on the Tokyo Stock Exchange's Mothers market on February 20. The company will offer 4,000 newly issued shares in its initial public offering. Daiwa Securities, the lead underwriter of the offer, has a green shoe option allowing it to offer an additional 500 shares in the event of exceptional demand. The fixed offering price will be announced on February 8.

INNEXT (6660 SSE)

INNEXT Co., Ltd., a Japanese company engaged in the development, manufacturing and marketing of LCD panel testing equipment and also importing medical instruments, precision measuring instruments and industrial machinery, will list on the Sapporo Stock Exchange on February 14. The company will offer 5,000 newly issued shares in its initial public offering. The tentative price range was announced January 24. The fixed offering price will be announced on February 1. D-Brain Securities is the lead underwriter of the offer.

CHUCO (2139 NSES)

CHUCO Co., Ltd., an advertising agency also publishing a lifestyle information magazine, will list on the Nagoya Stock Exchange on February 19. The company will offer 750,000 shares in its initial public offering. Of those 500,000 are newly issued shares and 250,000 are shares currently held in private. The tentative price range will be announced on January 29. The fixed offering price will be announced on February 7. Mizuho Investors 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)
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
Sept	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
Oct	113.2	118.7	83.4	80.5	2,474	1,500	17,032	2,897	5,311	8,823	3,904	218
Nov	112.9	118.2	85.0	82.9	2,507	1,545						238
YoY	3.2	2.2	-0.6	-2.5	4.5	4.1	8.5	18.3	2.2	9.5	9.3	-6.1

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