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High-tech Sector

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Usage of Mobile Phones by Subscribers is Very Limited

Half of all mobile phone users in Japan use their phones for making calls only for about 5 minutes a day. Many consider the mobile phone as a device for e-mailing and music downloading, that is for Internet-based services. Telecommunication carriers are looking for ways to boost usage for both voice calls and for Internet-based services in a bid to boost revenue.

Telecommunications Equipment Production to Slip Marginally in FY2006

In fiscal 2006, the year ended March 2007, production of telecommunications equipment in Japan declined 5.7% compared to the previous fiscal year to 2.5 trillion yen, according to government statistics. While production of fixed line equipment was favorable, output of PHS and network connection equipment slowed down. Exports fell 5.9% year-on-year to 340 billion yen. On the contrary, imports surged 21.8% to 473 billion yen. The most important export market was the U.S., accounting for 40% of total exports but Asia was the major source of imports, which represented about 80% of total telecommunications equipment imports. The trend continued in April, with the only exception of 3G and higher specification equipment, production of which rose 12.5%.

Global Probe Card Market Shows Strong Growth

The global production of probe cards in 2006, supported by strong demand for semiconductors, rose 31% year-on-year to US\$1.1 billion, according to VLS Research. The high-tech market research firm sees the market expanding to US\$2 billion by 2012. The leading probe card manufacturers are FormFactor (34% market share), Japan Electric Materials, Micronics Japan (Stock code: 6871), SV Probe, Tokyo Cathode Laboratory (Stock code: 6868).

EMS Set for Solid Growth

Demand for electronic manufacturing service (EMS), is forecast to grow at an average annual rate of 10% up to 2011, when the worldwide demand will have reached to US\$400 billion. The sector is also consolidating, with the second-ranked Flextronics acquiring Solectron, the third largest EMS firm in the world. Some EMS firms like HonHai (Taiwan) are growing at 40%-50% annual rates. With only 30% of mobile phone production outsourced to EMS firms, there is till plenty of room for growth. The growth drivers in the years ahead will be notebook, desktops, servers and other data processing equipment, production of which is expected to be increasingly outsourced to EMS service firms.

Flat-panel TV Demand Grows Worldwide

Demand for flat-panel television sets is growing rapidly worldwide, as more people in developing countries, including India, Russia and China, opt for flat panels. Demand is

expected to grow at an annual rate of 20 million units and exceed 100 million units in 2009. Experts see the market as having entered the rapid expansion phase. Despite a growing demand, competition is intensifying and Japanese manufacturers are responding with products designed to meet the needs of each market, while stepping up production in markets which they serve.

Earnings Roundup

Imagineer (4644 JAQ) Posts Strong First-quarter Profit Growth

Imagineer (Stock code: 4644), a medium-scale computer software marketing firm, reported a 2.1-fold year-on-year increase in consolidated operating income to 400 million yen for the first quarter ended June 2007 on sales of 1450 million yen, up 32% year-on-year. Sales and earnings growth were driven by its mobile game software business, which the company launched last year.

UNIDEN (6815 TSE1) Likely to Post Strong 1Q Profit Growth

Uniden's (Stock code: 6815), a leading manufacturer of mobile phones, cordless telephones and satellite broadcasting receivers, first quarter consolidated net income is expected to show a strong year-on-year increase reaching approximately 2 billion yen, although sales are likely to be 4% lower at an estimated 19 billion yen. The profit surge is attributed mainly to lower component costs and benefits of overseas production as the production facility for its mainstay cordless phones came on stream in China. Foreign exchange gains resulting from a weaker yen also lifted profit.

Initial Public Offerings

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

Tri Chemical (4369 HRLS)

Tri Chemical Laboratories Inc., a manufacturer of semiconductor and optical fiber materials, will list on the Osaka Securities Exchange's Hercules market on August 3. The company will offer 1.59 million shares to the public in its initial public offering. Of those, 1.2 million are newly issued shares and 390,000 are shares currently held in private. Shinko Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 210,000 shares currently held in private in case of exceptional demand. The tentative price range was announced on July 12. The fixed offering price will be announced on July 24. The company expects to net 580 million yen from the IPO. For the current fiscal year through January 2008, the company forecasts a consolidated net income of 219 million yen on revenue of 7.1 billion yen and earnings per share of 32.26 yen.

Mitsuchi (3439 JAQ)

Mitsuchi Corp., a manufacturer of automotive components, will list on the JASDAQ Securities Exchange on July 25. The company will offer 600,000 shares to the public in its initial public offering. Of those, 400,000 are newly issued shares and 200,000 are shares currently held in private. The tentative price range was announced on July 4. The fixed offering price was announced on July 13. The company expects to net 697 million yen from the IPO. For the current fiscal year through June 2008, the company forecasts a consolidated pre-tax income of 920 million yen and net income of 556 million yen on revenue of 11.5 billion yen and earnings per share of 219.97 yen. Tokai Tokyo Securities is the lead underwriter of the offer.

Samty (3244 HRLS)

Samty Co., Ltd., a real estate developer, will list on the Osaka Securities Exchange's Hercules market on July 31. The company will offer 32,750 shares to the public in its initial public offering. Of those, 25,000 are newly issued shares and 7,750 are shares currently held in

private. Mitsubishi UFJ Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 4,000 shares currently held in private in case of exceptional demand. The tentative price range was announced on July 10. The fixed offering price was announced on July 19. For the previous fiscal year, the company posted a consolidated net income of 1.93 billion million yen on revenue of 16.9 billion yen and earnings per share of 97,033.59 yen.

KITO (6409 TSE)

KITO Corp., a manufacturer of cranes and windlasses, will list on the Tokyo Stock Exchange on August 9. The company will offer 47,694 shares currently held in private to the public in its initial public offering. Daiwa Securities SMBC, the lead underwriter of the offer, has a green shoe option to offer an additional 7,153 shares (with a 6-month lock-up covenant) in case of exceptional demand. The tentative price range will be announced on July 23. The fixed offering price will be announced on July 31.

NIKKO PRONITY (3440 FSEQ)

NIKKO PRONITY Co. Ltd., a manufacturer of custom-made metallic material products and manufacturer and marketer of products designed in-house, will list on the Fukuoka Stock Exchange on August 8. The company will offer 2,170 shares to the public in its initial public offering. Of those, 1,600 are newly issued shares and 570 are shares currently held in private. The tentative price range was announced on July 19. The fixed offering price will be announced on July 27. Mitsubishi UFJ Securities is the lead underwriter of the offer.

KOSE R.E. (3246 FSE)

KOSE R. E. Co. Ltd., a real estate sales agency also offering real estate rental management services, will list on the Fukuoka Stock Exchange on August 2. The company will offer 3,600 shares to the public in its initial public offering. Of those, 3,000 are newly issued shares and 600 are shares currently held in private. The tentative price range was announced on July 12. The fixed offering price will be announced on July 23. Toyo Securities is the lead underwriter of the offer.

Full Speed (2159 MTH)

Full Speed Inc., an Internet consulting and advertising service, will list on the Tokyo Stock Exchanges Exchange's Mothers Market on August 2. The company will offer 3,300 shares to the public in its initial public offering. Of those, 2,000 are newly issued shares and 1,300 are shares currently held in private. The tentative price range was announced on July 11. The fixed offering price will be announced on July 23. The company expects to net 930 million yen from the IPO. For the current fiscal year through July 2007, the company forecasts a consolidated pre-tax income of 800 million yen, and net income of 435 million yen on revenue of 5.1 billion yen and earnings per share of 17,045.45 yen. Mizuho Investors Securities is the lead underwriter of the offer.

Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
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	17,643	2,939	5,972	8,731	3,823	238
Dec	111.6	116.0	83.6	85.4	2,568	1,771	16,809	2,468	6,005	8,337	3,544	306
Jan	110.8	116.8	82.9	76.3	2,327	1,342	15,193	1,657	5,335	8,201	3,626	257
Feb	110.4	117.4	84.0	84.1	2,507	1,463	16,648	2,070	6,535	8,043	3,539	177
Mar	102.6	112.3	78.9	94.7	3,487	1,550	19,984	2,448	8,513	9,023	4,053	214
Apr	108.9	114.8	78.3	96.5	2,410	1,739	15,644	2,552	5,024	8,068	3,592	205
May	110.3	117.3	77.2	101.5	2,359		15,402	2,427	4,781	8,195	3,722	198
YoY	4.5	3.3	-10.0	2.5	11.1	2.9	-1.6	5.6	-8.6	0.8	1.1	-3.9

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