



Vol. 243

High-tech Sector

Week ended August 5, 2007

Growth Accelerates at Taiwan's FPD Manufacturers

Taiwan's flat panel display manufacturers have been investing actively in new FPD manufacturing lines. Nine fifth-generation lines and four sixth-generation lines and two 7.5-generation lines are operating in Taiwan now. Production of FPD parts has also started in earnest in Taiwan. Collaboration with local television manufacturers has also helped. As a result, Taiwan's FPD manufacturers saw their growth rate in the first half of 2007 accelerate to 20%.

Japan's Printer Market to See No Growth in 2007

While Japan's printer market is unlikely to see any significant growth in 2007, it will remain at a high level, with shipments projected at 8.02 million units by JEITA, the electronics' sectors trade body. In Japan, hybrid page printers and color page printers are in strong demand while demand for inkjet printers is on the decline. Japan's printer market shrank by 9% in 2006 to 8.03 million units, a figure around which shipments are likely to hover in 2007. From the standpoint of market structure, there is a clear shift from dot matrix printers to page printers. JEITA expects dot matrix printer shipments to decline to 110,000 units by 2010. In ink jet printers, demand is shifting toward hybrid units and this category now accounts for 60% of the total market. Hybrids will account for about 69% of the total market by 2010. Demand for page printers is also declining, with shipments projected at 940,000 units in 2010, down from one million units in 2006.

Global Connector Market Outlook

After chalking up an impressive growth rate of 13% in 2006, the global connector market is set for another year of double-digit growth. The Indian market is also likely to witness strong growth as more EMS companies are setting up shop in that country. Connector demand increased 12.6% in 2006, a growth rate double that of the previous year and the fourth year of consecutive growth. In the second quarter of 2007, the top ten connector manufacturers increased sales by 14.3% year-on-year. Demand is being propelled by China and other Asian countries.

SPE Sales Up Sharply in April-June Quarter

Sales of mad-in-Japan semiconductor production equipment in June rose 27% to 179.4 billion yen. Total sales in April-June quarter were up 32.0% to 455.5 billion yen. Sales of wafer manufacturing equipment were particularly strong, rising 83.1% to 3.8 billion yen while those of wafer processing equipment were up 49.3% to 321.3 billion yen. Testing equipment sales plunged 9.2% to 76 billion yen. SPE-related equipment sales rose 73.3% to 16.8 billion yen. Orders in June fell 11.3% than the same month a year earlier to 466.6 billion yen. Orders are being driven by strong demand for mask manufacturing devices, wafer manufacturing

equipment, wafer processing equipment and assembly equipment.

Touch-panel Market Outlook

The touch panel market is set for solid growth, with sales expected to double to US\$4.4 billion by 2012 from US\$2.2 billion projected for 2006, according to I Suppli Japan, high-tech market research firm.

Demand for Super Engineering Plastics to Surge

Demand for super engineering plastics for use in a variety of applications from connectors to IC sockets is rising rapidly and manufacturers are responding with higher-grade products to meet demand. Demand for LCP polymer is expected to increase to 33,000 tons in 2007, up from 30,000 tons in 2006. The demand is likely to continue to increase by 10%-15% for the foreseeable future, according to industry sources.

Japan's Major Firms to Invest Actively in 2007

Japan's large firms in fiscal 2007, the year ending March 2008, are expected to invest 24.6 trillion yen, 11.0% more than the previous fiscal year, according to Japanese government survey. This will be the first double-digit increase in capital investment since the economic bubble burst in 1990. The manufacturing sector is planning to invest 13.5% more this fiscal year. Among the major spenders are chemicals and pharmaceutical manufacturers, automobile manufacturers and non-ferrous metal producers. The non-manufacturing sector will invest 9.2% more than the previous fiscal year. In this sector, electric power producers and railroads plan major expansion.

Global Shipments of Electronic Components up in May

Global shipments of electronic components in May increased 6.4% year-on-year to 395.9 billion yen, according to JEITA, a trade body. This was the 27th month of consecutive year-on-year gain in global shipments. Shipments of connectors were up 9.1% and those of passive parts 8.3%. Shipments of switches rose 22% to record seven months of double-digit gains. Shipments of small motors were up 15% and capacitors 11%. Growing demand for mobile phones, notebook PCS and other information equipment and consumer electronic items such as FPD TVs and digital cameras is underpinning shipments.

Earnings Roundup

Electrical Equipment Manufacturers Post Strong 1Q Results

Seven of the 10 major Japanese electrical equipment manufacturers reported higher consolidated operating income compared to the same period a year earlier. A large part of the income growth came from a weaker yen. Declining prices of FPD TVs throughout the world affected some manufacturers. Summary of their first quarter operating results are as follows:

	Sales		Net income
Hitachi	24,760 (10.0)	245 (43)	-136 (-)
Matsushita	22,395 (5.0)	738 (14.0)	393 (10.0)
Sony	19,765 (13.0)	993 (267)	664 (105)
Toshiba	16,645 (15.0)	211 (2.0)	206 (410)
Fujitsu	11,668 (6.0)	29 (-80)	-147 (-)
NEC	10,078 (-2.0)	113 (43)	9 (273)
Mitsubishi Electric	8,727 (6.0)	659 (63)	465 (87)
Sharp	7,960 (15.0)	422 (5.0)	242 (1.0)
Pioneer	1,826 (-5.0)	13 (-81.0)	123 (118.0)
Victor	1,590 (-10.0)	-62 (-)	-129 (-)

Initial Public Offerings

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

Intermestic (3084 HRLS)

Intermestic Inc., an optical glass retailer, will list on the Osaka Securities Exchange's Hercules market on August 31. The company will offer 4,920 shares to the public in its initial public offering. Of those, 500 shares are newly issued shares and 4,420 are shares currently held in private. Nikko Citigroup, the lead underwriter of the offer, has a green shoe option to offer an additional 730 shares currently held in private in case of exceptional demand. The tentative price range will be announced on August 14. The fixed offering price will be announced on August 23. The company expects to net 247 million yen from the IPO. For the current fiscal year through December 2007, the company forecasts a consolidated net income of 825 million yen on revenue of 7.9 billion yen and earnings per share of 33,082.32 yen.

GNI (2160 MTH)

GNI Ltd., a drug research and development company, will list on the Tokyo Stock Exchange's Mothers market on August 31. The company will offer 13.662 million shares in its initial public offering. Of those, 10 million shares are newly issued shares and 3.662 million shares currently held in private. Nomura Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 2.049 million shares in case of exceptional demand. The tentative price range will be announced on August 14. The fixed offering price will be announced on August 22.

ARCLANDSERVICE (3085 JAQ)

ARCLANDSERVICE INC., a restaurant chain operator, will list on the JASDAQ Securities Exchange on August 30. The company will offer 6,000 shares to the public in its initial public offering. Of those, 3,000 are newly issued shares and 3,000 are shares currently held in private. Nomura Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 900 shares in case of exceptional demand. The tentative price range will be announced on August 13. The fixed offering price was announced on August 21. For the current fiscal year through December 2007, the company forecasts a non-consolidated pre-tax income of 750 million yen and net income of 360 million yen on revenue of 7.25 billion yen and earnings per share of 14,654.49 yen.

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)
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	1,624	15,402	2,427	4,781	8,195	3,722	198
June	108.4#	118.1#	72.4									209
YoY	-1.1	2.2	-16.0	2.5	11.1	2.9	-1.6	5.6	-8.6	0.8	1.1	-7.8

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change* preliminary

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations