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High-tech Sector

Week ended August 19, 2007

Machinery Orders Down in June

Machinery orders (excluding shipbuilding and electric power sectors), widely monitored as a leading indicator of capital investment, in June declined 10.4% to 690.2 billion compared with the previous month, according to the Cabinet Office. Monthly orders were at their lowest since June 2005. Orders fell below the one trillion yen line for the first time in three months. As a result, machinery orders in the April-June quarter were 2.4% lower compared to the previous quarter and down for three quarters in a row.

Shipments of white Goods Favorable

Shipments of white goods (excluding room air conditioners) in June were favorable, rising 5.1% to 126.9 billion yen year-on-year and recording third straight month of year-on-year gain on monthly sales. As a result, shipments in the April-June quarter were up 3.1% to 339.6 billion yen. Shipments of room air conditioners in the April-June quarter rose 1.5% in volume to 2.65 million units.

Japan's Electronic Component Manufacturers Bullish on Second Half

A recent survey of Japan's electronic components and control equipment manufacturers by a leading Japanese industrial daily revealed that 46% expect to report higher sales in the first half of fiscal 2008 ending September 2007 and 41 percent see higher profit. Regarding the outlook for the second half, 73% forecast higher sales while 67% expect to post profit gains. Although escalating raw material prices, downward pressure on component prices and other concerns, electronic component manufacturers remain bullish, expecting demand to stay favorable.

Japan's Storage Service Market to Expand Moderately

Japan's storage service market in 2006 expanded 8.8% year-in-year 2006 to 187.4 billion, according to IDC Japan, a high-tech market research firm. The market will continue to grow at an annual rate of 6.7% (CARG) through 2011, the report added. In the storage service market, demand for professional services and maintenance services rose faster than the market as a whole. Demand for these services was driven up by stricter compliance regulations that went into force recently. Demand in the near future is likely to be driven by data maintenance services, and integration of storage platforms at business firms.

Machine Tool Orders Up in First Half

Machine tools orders in the first half of 2006 rose 9% compared to the same period a year earlier to 778.9 billion yen, according to the Japan Machine Tool Builders Association. However, domestic orders fell 3% to 364 billion yen. Overseas orders were up 20% to 414.9 billion yen. Sales of linear motion guides have been particularly strong at THK (Stock code: 6481), and

Nihon Seiko (Stock code: 5729). Nippon Thompson (Stock code: 6480) reported strong exports to the Asian region, particularly China.

Digital Camera Sales Forge Ahead

Monthly sales of digital cameras are running well of last year. Global shipments in April were 7.57 million units, compared to 5.45 million units in the same month a year earlier. Digital cameras also gave a strong boost to profits at consumer electronics manufacturer. According to CIPA, the sector's trade association, global shipments in 2007 should rise to 85 million units. However, prices are on the skids, falling 10%-15% every year.

Connector Sales Rise at SMK (6798 TSE1)

Connector sales have accelerated at SMK (Stock code: 6798) from around April, rising 25% year-on-year in the April-June quarter to exceed previous forecast. The previous forecast saw connector sales in FY2007 rising just 5%.

Earnings Roundup

Electrical Equipment Manufacturers Post Strong Profit Growth in First Quarter

Profits Surge at Hosiden (6804 OSE1)

Hosiden (Stock code: 6804) reported an 84.3% year-on-year gain in consolidated sales to 100.5 billion yen for the first quarter ended June 2007. Operating income was up 61.9% to 3 billion yen. Net income rose 3.14-fold to 2.3 billion yen. Strong sales to the amusement sector and the automotive sector lifted sales and profit.

Hirakawa Hewtech (5821 TSE2) Posts Solid Increase in Net Income

Consolidated net sales in the first quarter increased 5.2% year-on-year to 4.7 billion yen at Hirakawa Hewtech (Stock code: 5821). Operating income rose 27.3% to 369 million yen. Net income surged 97.8% to 290 million yen. In addition to favorable sales of conventional products, strong demand for products developed in-house pushed up total sales.

Sales and Earnings Rise at Softbank Mobile

Sales at Softbank Mobile, the mobile phone arm of Softbank, in the April-June quarter posted a 68.5% gain in sales to 391.6 billion yen. Operating income rose 59.5% to 43.5 billion yen. The company a net increase of 538,000 subscribers in the April-June quarter, the highest among three major carriers in Japan.

Initial Public Offerings

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

Vantec Group Holdings (9382 TSE)

Vantec Group Holdings Corp., a car parts distributor, will list on the Tokyo Stock Exchange on September 18. The company will offer 50,000 shares in its initial public offering. Of those, 25,000 shares are newly issued shares and 25,000 shares currently held in private. Nomura Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 7,500 shares in case of exceptional demand. The tentative price range will be announced on August 29. The fixed offering price will be announced on September 6. The company expects to net 5.9 billion yen from the offering. For the current fiscal year through March 2008, the company forecasts consolidated net income of 4.7 billion yen on sales of 165 billion yen and earnings per share of 20,561.77 yen.

Realcom (3856 MTH)

Realcom Inc., a company offering software development and system integration services, will list on the Tokyo Stock Exchange's Mothers market on September 19. The company will offer

3,000 million shares in its initial public offering. Of those, 1,500 shares are newly issued shares and 1,500 are shares currently held in private. The tentative price range will be announced on August 29. The fixed offering price will be announced on September 7. For the current fiscal year through June 2008, the company forecasts consolidated net income of 193 million yen on sales of 1.86 billion yen and earnings per share of 12,370.35 yen. Shinko Securities is the lead underwriter of the offer.

Nix (4243 JAQ)

Nix, Inc., an industrial plastics producer, will list on the JASDAQ Securities Exchange on September 18. The company will offer 520,000 shares to the public in its initial public offering. Of those, 300,000 are newly issued shares and 220,000 are shares currently held in private. The tentative price range will be announced on August 28. The fixed offering price will be announced on September 6. For the current fiscal year through September, the company forecasts a consolidated net income of 275 million yen on sales of 4.91 billion yen and earnings per share of 172.13 yen. Shinko Securities is the lead underwriter of the offer.

Ost Japan Group (2757 AB)

Ost Japan Group Inc., a prescription drug chain, will list on the Sapporo Stock Exchange on September 10. The company also develops and manufactures cosmetics and manufactures raw materials for health foods and has a subsidiary specializing in real estate rental services. The company will offer 670 shares to the public in its initial public offering. Of those, 600 are newly issued shares and 70 are shares currently held in private. The tentative price range was announced on August 20. The fixed offering price will be announced on August 29. 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)
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	108.6	118.2	72.4	116.2								209
YoY	-0.9	2.2	-16.0	0.9	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