



Vol. 246

## *High-tech Sector*

Week ended September 2, 2007

### **Electronic Components and Devices Production in First Half**

Production of electronic components and devices in Japan in the first half of 2007 increased 1% year-on-year to 4.9 trillion yen, according to government statistics. Output of electronic components rose 3.4% to 1.7 trillion yen and that of electronic devices fell 0.1% to 3.3 trillion yen. The growth rate has slowed because of the high level of production recorded last year. Nevertheless, exports remain strong and demand remains favorable. Printed circuit boards recorded the highest growth, with output increasing 8.6% year-on-year to 494.9 billion yen and production of passive components rose 7.8% to 541.4 billion yen. On the other hand, output of transformer parts was down 14.7%.

### **Industrial Robot Orders Up in Second Quarter**

Orders for industrial robots won by members of the Japan Robot Manufacturers Association in the first quarter of the current fiscal year ended June 2007 rose 11.2% compared to the same period a year earlier to 171.3 billion. Order growth turned positive for the first time in two quarters and total orders surpassed the previous high recorded in the July-Sept. 2000 quarter. Production increased 5.9% to 144.8 billion, recording the fifth consecutive gain in quarterly production. Exports were up 8.7% to 146.0 billion yen. Total exports have been rising steadily for the past two and half years. Production and sales were driven by strong demand from the electronics and electrical equipment manufacturing sector and from the manufacturers of notebook PCs and mobile phones.

### **July Consumer Electronics Shipments**

Shipments of televisions in Japan in July totaled 688,000 units, an increase of 15.7% from the same month a year earlier. LCD televisions represented 82.6% of the total shipments. The LCD type also seems to be gaining ground on the plasma type. Domestic shipments of consumer electronics increased 8.8% year-on-year to 226.1 billion yen. Shipments of video devices rose 17% to 145.7 billion yen and those of audio devices decreased 15.3% to 14.9 billion yen. Automotive electronics shipments declined 0.3% to 65.5 billion.

### **Information Security Certification Demand Growing**

More Japanese companies are obtaining the P-Mark (Privacy Mark) and the ISMS mark (Information Security Management System mark) following the enactment of the so-called JSOX law. There were 553 companies with the P mark certification in 2005, 2,395 in 2006. Their number increased to 8,000 as of the end of July 2007. Much of growth has come from the medium- small-scale industry sector. Together with the ISMS mark, the number of companies with information security certification topped 10,000 companies.

## **Demand for Electronic Components Enters a Renewed Growth Phase**

Driven by rising overseas demand, shipments of electronic components entered a growth phase in July 2005. Demand got another boost in 2006 as global demand expanded further and aggressive capital investment in Japan lifted domestic demand. However, later in 2006 electronic component shipments were affected somewhat by a slowdown of production at overseas mobile phone manufacturers. The correction phase seems to have run its course and shipments rebounded again from around April 2007. Japan's electronic component manufacturers received record orders in July.

## **June Global Electronic Component Shipments**

Shipments of electronic components worldwide in June rose 6.1% to 418.3 billion yen, according to JEITA, the sector's trade association. Monthly shipments have been above their previous-year levels for 28 months in a row. In June, shipments of switches saw particularly strong growth, rising 16% year-on-year. Shipments of transformer parts were up 9.3% while those of passive parts rose 6.9%. Total shipments in the April-June quarter were up 5% 1,211.9

## **Earnings Roundup**

### **Electronic Components Manufacturers First-quarter Results**

Japan's 52 major electronic components manufacturers have released their first quarter financial results. Financial results of the above electronic components manufacturers were affected by the business performance of their customers that is, set manufacturers. Demand for components was driven by mobile phones, flat-panel televisions, digital cameras, car electronics and video game machines. Of the 52 companies releasing results, 40 posted higher sales. Twenty three reported double-digit sales gains. Twenty four companies posted higher profit, with 14 reporting operating profit gains in excess of 30%. Among the top performers were Hosiden (Stock code: 6804, Sales up 84.3%, OP up 61.9%), Mitsumi Electric (Stock code: 6767, Sales up 31.5%, OP up 539.1%), Tabuchi Electric (Stock code: 6624, Sales up 51.9%, OP up 492.8%) and Nihon Kaiheiki Industry (Stock code: 6943, Sales up 16.0%, OP up 245.6%).

## **Initial Public Offerings**

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

### **Nomura Micro Science (6254 JAQ)**

Nomura Micro Science Co., Ltd., a manufacturer of water purification equipment, will list on the JASDAQ Securities Exchange on October 5. The company will offer 2.17 million shares to the public in its initial public offering. Of those, 1.7 million are newly issued shares and 470,000 are shares currently held in private. The tentative price range was announced on September 14. The fixed offering price was announced on September 26. Nomura Securities, the lead underwriter of the offer, has a green shoe option to offer an additional 300,000 shares currently held in private in case of exceptional demand. For the current fiscal year through March 2008, the company forecasts a consolidated pre-tax income of 2.01 billion yen and net income of 1.15 billion yen on revenue of 11.5 billion yen and earnings per share of 116.44 yen.

### **Techno Alpha (3089 HRLS)**

Techno Alpha Co., Ltd., a chip-making equipment and electronic materials trader, will list on the Osaka Securities Exchange's Hercules market on October 10. The company will offer 2,640 shares to the public in its initial public offering. Of those, 1,000 are newly issued shares and 1,640 are shares currently held in private. The tentative price range will be announced on September 14. The fixed offering price will be announced on September 27. The company expects to net 118.7 million yen from the IPO. It plans to use the proceeds for working capital. For the current fiscal year through November, the company forecasts a non-consolidated pre-tax profit of 289.4 million yen, net income of 167.7 million yen on revenue of 2.84 billion yen and earnings per share of 14,482.21 yen.

**IPO Postponed  
Intermestic (3084 HRLS)**

The Osaka Securities Exchange has delayed the initial public offering of Intermestic Inc. The company was scheduled to debut on August 31. The IPO was suspended because of an unexpected slump in sales in recent months.

**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)
<b>July</b>	107.7	113.7	84.2	99.4	2,353	1,627	16,169	2,005	5,552	8,613	3,794	256
<b>Aug</b>	114.3	116.8	81.9	71.8	2,306	1,271	15,894	1,990	5,286	8,618	3,918	208
<b>Sept</b>	109.8	115.5	81.5	85.8	2,849	1,456	18,072	2,472	6,461	9,139	4,022	203
<b>Oct</b>	113.2	118.7	83.4	80.5	2,474	1,500	17,032	2,897	5,311	8,823	3,904	218
<b>Nov</b>	112.9	118.2	85.0	82.9	2,507	1,545	17,643	2,939	5,972	8,731	3,823	238
<b>Dec</b>	111.6	116.0	83.6	85.4	2,568	1,771	16,809	2,468	6,005	8,337	3,544	306
<b>Jan</b>	110.8	116.8	82.9	76.3	2,327	1,342	15,193	1,657	5,335	8,201	3,626	257
<b>Feb</b>	110.4	117.4	84.0	84.1	2,507	1,463	16,648	2,070	6,535	8,043	3,539	177
<b>Mar</b>	102.6	112.3	78.9	94.7	3,487	1,550	19,984	2,448	8,513	9,023	4,053	214
<b>Apr</b>	108.9	114.8	78.3	96.5	2,410	1,739	15,644	2,552	5,024	8,068	3,592	205
<b>May</b>	110.3	117.3	77.2	101.5	2,359	1,624	15,402	2,427	4,781	8,195	3,722	198
<b>June</b>	108.6	118.2	72.4	116.2								209
<b>YoY</b>	-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