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High-tech Sector

Week ended October 21, 2007

Crystal Devices Production Up in August

Crystal devices production in August rose 10.1% compared to the same month a year earlier to ¥23.9 billion yen, according to QIAJ, the industry's trade body. The production volume was up 23.8% year-on-year. Production gains were driven by strong demand for crystal devices for mobile phones and short-distance wireless equipment. Crystal oscillators saw the highest gain, with production volume rising 35%. Production of crystal devices for the automotive sector was also strong. Output of crystal oscillators in the April-August period of the current fiscal year was up 14.9% in value and 7.6% in volume.

Toyota (7203 TSE1) to Use OLED Panels in Some of Its Models

Toyota (Stock code: 7203) plans to start using OLED panels in some of its models from autumn 2008. Toyota sees the display with faster response time and superior picture quality as contributing to space and energy saving. This will be the first time the OLED panel will be used for automotive applications. Denso Corp.(Stock code: 6902) will supply the panels.

Consumer Appliance Shipments in September Rise Slightly

Shipments of consumer appliances in September rose 0.6% compared to the same month a year earlier to 127.8 billion yen, according to JEMA. This was the sixth consecutive year-on-year gain in monthly shipments. Shipments in the first half of the current fiscal year ending March 2008 were up 2.4% to 711.2 billion yen. Shipments of refrigerators in September rose by 6.9% and those of washing machines were up 6.3%

Hitachi (6501 TSE1) to Withdraw from Personal Computers

Hitachi (Stock code: 6501) will withdraw completely from personal computer manufacturing. The company has already transferred production of PCs for the corporate market to Hewlett Packard and will also stop developing PCs for the consumer market. Global IT markets are consolidating and are increasingly being dominated by companies from the Western and other Asian nations and Japanese manufacturers lose their competitive edge. Consolidation among Japanese electronic equipment manufacturers is likely to spread as indicated by the withdrawal of Sanyo Electric (Stock code: 6764) from mobile phones.

China to Deregulate Mobile Phone Manufacturing

China plans to lift all restrictions on the production of mobile phones. At present, government approval is required to set mobile phone production facilities. This change is likely to spur competition in China's growing mobile phone market as new entrants flood the deregulated market.

Demand for Parts Used in Small Audio Devices Surges

Driven by rising production of mobile phones, portable audio devices and home security equipment, demand for small audio parts is rising rapidly around the world. Orders for headphones for mobile phones are particularly strong overseas. Global shipments of audio parts have been rising steadily, with shipments up 12% year-on-year in February and March. The growth in shipments has remained at the single-digit level in 2007.

Solar Cell Production Surges in Asia

Production of solar cells is showing strong increase around the world but has experienced explosive growth in China, where production saw a 2.8-fold year-on-year increase in 2006. Japan, has been the world leader in solar cell production since 1999. Its production share in 2006 was an estimated at 36.8%.

Initial Public Offerings

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

Synergy Marketing (3859 HRLS)

Synergy Marketing, Inc., a consulting and marketing company, will list on the Hercules market of the Osaka Securities Exchange on November 20. The company will offer 2,000 shares to the public in its initial public offering. Of those, 1,000 are newly issued shares and 1,000 are shares currently held in private. The tentative offering price will be decided on October 31. The fixed offering price will be announced on November 9. Daiwa SMBC is the lead underwriter of the offer. The company expects to net 137 million yen from the IPO. It plans to use the proceeds for business expansion and capital investment. For the current fiscal year through December 2007, the company forecasts consolidated net income of 100 million yen on sales of 1.3 billion yen, an earnings per share of 9,741.2 and a dividend of 727 yen per common share.

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)
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	2,615	1,828	16,731	2,357	5,956	8,419	3,835	209
July	112.0	114.8	79.8	105.5	2,569	1,645	18,515	2,251	5,934	10,330	3,991	280
Aug	114.5	123.6	75.1	72.9								255
YoY	0.2	5.8	-8.3	1.3	9.5	1.6	14.6	12.6	-8.66.6	20.3	5.2	22.4

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