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High-tech Sector

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Japan's Cell Phone Outlook – Market Clearly Matures

The net increase in the number of cell phone subscribers in the current fiscal year is expected to decline 18% from the previous to 4.2 million. KDDI is likely to sign up the most subscribers for the third year in a row. KDDI expects to sign up 2 million subscribers while NTT DoCoMo's plans see subscriber growth of 1.87 million. If the figures hold, it will mean a 22.6% YoY decline for KDDI and a 24.9% drop for NTT DoCoMo.

First Quarter Robot Shipments Up

Shipments of industrial robots in the first quarter of 2005 rose 13.6% year-on-year to ¥128.9 billion. This was the first YoY gain in quarterly shipments during two quarters. Shipments of robots to the automobile sector surged 37.7% to ¥22 billion, led by welding robots. Shipments to the electronics and electrical machinery sector were up 4.7% to ¥20.2 billion, the first gain in two quarters. Monthly shipments have also been above their previous year levels for three months. Shipments in March topped ¥50 billion, rising at a speed not seen since the IT bubble.

Machine Tool Orders Up in April

The combined machine tool orders at Japan's eight leading machine tool manufacturers rose 17.1% to ¥42.2 billion, according to the survey by a major industrial daily. This is the 31st consecutive year-on-year gain in monthly orders, although the growth rate seems to be slowing down. Domestic orders increased 16.0% to ¥25.5 billion while overseas orders were up 18.9% to ¥16.8 billion. Of the eight, only Toshiba Machine suffered an order decline and the order growth at Makino and Mitsubishi was in single digits.

Optical Fiber Market Ready for Recovery

Optical fiber demand (after falling to about one-tenth that of peak period) is now showing signs of revival. After nearly five years, U. S. communications carriers have started investing again in optical fiber access networks. Orders in the first quarter of 2005 returned to the levels seen before the IT bubble burst, according to Sumitomo Electric Industries. While orders have slowed down somewhat in April, the growth trend seems to be well intact.



Nitto Denko (6988 TSE 1) to Up LCD Filter Production

Nitto Denko plans to increase the output of LCD films 1.6 times from the current level to 83 million per year by July 2006. The company will invest an estimated ¥18.5 billion to build two new plants. It has moved up its production capacity addition plans by about six months in anticipation of strong demand for LCD films used in LCD televisions.

Chinese Foundries Facing Headwinds

Orders received by semiconductor foundries in China are down about 30% despite booming semiconductor demand, with the market expanding by 40% in 2004. This is partly because of aggressive capital investment for adding capacity, according to industry sources. To cope with the situation, foundries are changing focus to LED and FPDs.

Yamada Denki (9831 TSE 1) Plans Aggressive Expansion

Yamada Denki, the largest consumer electronics mass merchandising chain plans to open a record of 60 new stores this year. The company will also, for the first time, start offering franchises for large stores in order to tap into customers of company's in other business fields.

Earnings Roundup**Electronic Component Manufacturers Edging Closer to Recovery**

Affected by sluggish demand and declining prices, four of the seven major electronic component manufacturers in Japan reported declines in operating incomes for the fiscal year ended March 2005. However, all remain bullish on the outlook for the future, expecting a recovery in the second half and are projecting sales and earnings gains for the current fiscal year.

Company	Sales	Operating income	Net income
Kyocera (6971 TSE 1)	11,806 (3) 12,400 (5)	1,009 (-7) 1,240 (23)	459 (-33) 810 (76)
TDK (6762 TSE 1)	6,578 (0.3) 6,900 (5)	598 (6) 670 (12)	449 (7) 500 (11)
Alps (6770 TSE 1)	6,436 (4) 6,700 (4)	310 (-14) 430 (38)	163 (-4) 165 (1)
Nitto Denko (6988 TSE 1)	5,148 (14) 5,800 (13)	700 (25) 770 (10)	418 (25) 480 (15)
Densan (6594 OSE 1)	4,858 (75) 5,200 (7)	536 (2.4X) 550 (2)	334 (2.1X) 340 (2)
Murata Mfg. (6981 OSE 1)	4,244 (2) 4,450 (5)	695 (-6) 750 (-8)	465 (-4) 490 (5)
Rohm (6963 OSE 1)	3,690 (4) 3,875 (5)	760 (-20) 800 (5)	451 (-29) 545 (21)

Note: Upper line: March 2005 (actual), Lower line: March 2006 (forecast), Unit: ¥mln, %



**Ordinary Income Surges at
Yokogawa Electric (6841 TSE 1)**

Consolidated Ordinary income rose 46% year-on-year to a record ¥22,400 million on sales of ¥387,000 million, up 4%. Operating income was up 36% to ¥24,700 million. Strong demand for control systems for industrial plants drove sales and financial expenses were also lower due to changes in the accounting system. However, net income fell 61% to ¥9,300 million. This is mainly because tax effect factors kept the tax bill low and thus lifting net income in the previous fiscal year. The company plans to distribute dividends of ¥10 per common share, up from ¥7.5 in the previous fiscal year. The company is projecting a 34% increase in consolidated ordinary income to ¥30,000 million on a sales gain of 3% to ¥400,000 million for the current fiscal year to March 2006.

**First Quarter Profit Up at Rakuten
(4755 JASDAQ)**

Rakuten's operating income in the first quarter rose 40% to ¥4.73 billion. Consolidated net sales increased 58% to ¥15.5 billion, lifted by rising sales in its e-commerce and financial services businesses. Profit rose even faster in its core businesses (excluding the baseball business), increasing 64%.

**All Cable Manufacturers Return to
Profitability**

Japan's four major cable manufacturers posted consolidated net profits for the fiscal year ended March 2005. Furukawa Electric reported a net profit of ¥15.8 billion and Hitachi Cable ¥4.9 billion. Net profit at Fujikura was ¥7.4 billion, while that of Sumitomo Electric Industries surged 43% to ¥36.5 billion on strong demand for automotive wire harnesses and other products. Sales increased 13% to ¥1.74 trillion.

Initial Public Offerings News (For detailed information, go to:

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

Naigai Tec (3374 JASDAQ)

Naigai Tech Co., Ltd., a company specializing in the purchase, marketing and consignment manufacturing of components used in semiconductor production equipment, will list on the JASDAQ market on June 14. The company will offer 1,200,000 shares in its initial public offering. Of those, 600,000 are newly issued shares and 600,000 are shares currently held in private. The tentative price range will be announced on May 24. The fixed offering price will be announced on June 2. Shinko Securities is the lead underwriter of the offer.

IRI Ubiteq (6662 Hercules)

IRI UbiteqCo, Ltd., a Japanese firm specializing in the development and production of video engines for digital home electronic, development and manufacturing of sensors and next-generation Internet technology consulting, will list on the Hercules market of the Osaka Securities Exchange on June 14. The company will offer 1,400 shares in its initial public offering. Of those, 600 are newly issued shares and 800 are shares currently held in private. The tentative price range will be announced on May 26. The fixed offering price will be announced on June 6. Nikko Citigroup is the lead underwriter of the offer.



**SYSTEM RESEARCH
(3771 JASDAQ)**

SYSTEM RESEARCH Co., Ltd., a Japanese software firm offering software development, system integration and Internet-related services, will list on the JASDAQ market on June 13. The company will offer 200,000 shares in its initial public offering. Of those, 100,000 are newly issued shares and 100,000 are shares currently held in private. The tentative price range will be announced on May 23. The fixed offering price will be announced on June 1. Shinko Securities is the lead underwriter of the offer.

SRG Takamiya (2445 JASDAQ)

SRG Takamiya Co., Ltd., a construction scaffolding and temporary structures rental firm, will list on the JASDAQ market on June 10. The company will offer 1,000,000 shares in its initial public offering. Of those, 500,000 are newly issued shares and 500,000 are shares currently held in private. The tentative price range will be announced on May 20. The fixed offering price will be announced on May 31. Shinko Securities is the lead underwriter of the offer.

WAIDA MFG (6158 JASDAQ)

WAIDA MFG Co., Ltd., a Japanese machine tool manufacturer (precision CNC machine tools), will list on the JASDAQ market on June 9. The company will offer 1,100,000 shares in its initial public offering. Of those, 500,000 are newly issued shares and 600,000 are shares currently held in private. The tentative price range will be announced on May 23. The fixed offering price will be announced on May 30. Nomura Securities is the lead underwriter of the offer.

**LINK THEORY HOLDINGS
(3772 TSE Mothers)**

LINK THEORY HOLDINGS Co., Ltd., a holding company with men's and women's apparel ("theory" brand) designer and manufacturer in the group, will list on the Mothers market of the Tokyo Stock Exchange on June 9. The company will offer 13,800 shares in its initial public offering. Of those, 11,000 are newly issued shares and 2,800 are shares currently held in private. The tentative price range will be announced on May 23. The fixed offering price will be announced on June 2. Nikko Citigroup is the lead underwriter of the offer.

FinTech Global (8789 TSE Mothers)

FinTech Global Co., Ltd., a financial services firm offering trust bank and credit enhancement services, will list on the Mothers market of the Tokyo Stock Exchange on June 8. The company will offer 12,000 shares in its initial public offering. Of those, 6,000 are newly issued shares and 6,000 are shares currently held in private. The tentative price range will be announced on May 20. The fixed offering price will be announced on May 31. Nikko Citigroup is the lead underwriter of the offer.



ZENKEN ALL (2446 Hercules)

ZENKEN ALL Co., Ltd., an educational services firm operating a chain of English language schools and marketing teaching materials for toddlers and junior high school students, will list on the Hercules market of the Osaka Securities Exchange on June 8. The company will offer 3,000 shares in its initial public offering. Of those, 1,500 are newly issued shares and 1,500 are shares currently held in private. The tentative price range will be announced on May 18. The fixed offering price will be announced on May 27. Mizuho Investors Securities is the lead underwriter of the offer.

Dreamwisor.com (3772 TSE Mothers)

Dreamwisor.com Co., Ltd., a Japanese company publishing financial news and marketing investment support applications to individual investors, will list on the Mothers market of the Tokyo (information like date of listing, total public offering and newly issued shares missing) zxcvb newly issued shares and 515 are shares currently held in private. The tentative price range will be announced on May 19. The fixed offering price will be announced on May 27. Monex-Beans Securities is the lead underwriter of the offer.

NowLoading (2447 NSE Centrex)

NowLoading Co., Ltd., a Japanese company offering a wide range of sales promotion services from marketing model development to sales support and the planning, development and production of digital contents, will list on the Nagoya Stock Exchange on June 7. The company will offer 3,000 shares in its initial public offering. Of those, 2,300 are newly issued shares and 700 are shares currently held in private. The tentative price range will be announced on May 19. The fixed offering price will be announced on May 27. Kobe 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)
April	102.0	107.2	85.1	100.8	2,060	1,792	15,745	2,079	5,535	8,132	3,604	224
May	105.7	107.6	84.3	95.1	1,961	1,728	15,549	1,969	5,434	8,145	3,750	219
June	102.0	107.4	82.1	112.9	2,287	2,013	17,641	2,362	6,525	8,754	3,938	248
July	102.1	106.4	81.0	114.0	2,226	2,005	16,722	2,165	6,057	8,499	3,847	296
Aug	108.4	108.8	82.0	79.2	2,101	1,435	15,383	1,860	5,455	8,068	3,761	237
Sept	98.2	101.4	82.4	84.5	2,604	1,447	18,193	2,251	7,487	8,455	3,712	217
Oct	99.9	106.1	81.5	74.9	2,116	1,419	15,088	2,369	5,014	7,705	3,721	253
Nov	102.3	107.1	81.8	81.0	2,223	1,553	15,872	2,496	5,625	7,751	3,674	252
Dec	99.0	106.0	79.1	78.3	2,250	1,422	15,471	2,022	6,046	7,403	3,306	330
Jan	101.0	107.2	79.3	71.4	2,098	1,169	14,138	1,509	5,549	7,080	3,135	301
Feb	96.5	102.3	80.5	87.5	2,310	1,424	15,537	1,823	6,497	7,216	3,249	204
Mar	92.9*	98.4*	81.0*									234
YoY	-1.4	3.5	-0.2	3.2	7.3	-8.4	-6.3	-0.6	-3.7	-10.0	-9.1	-3.3

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

