



**Vol . 118**

## *High-tech Sector*

**Week ended Jun. 6, 2004**

### ***Boom Continues for Electronic Component Manufacturers***

Demand for electronic components shows no signs of slowing down even in the new fiscal year that started on April 1, 2004, with orders particularly strong from major customer industries that include digital home electronics, mobile phones and automobiles. However, there are signs of inventory adjustments in components for mobile phones, DSCs and desk top personal computers. Moreover, demand for PHS components is declining due mainly to restrictive monetary policies in China. However, overall demand is expected to stay strong through 2004. Components experiencing strong demand are as follows: Mobile phones: high-frequency devices, hybrid operation devices, super miniature switches, large capacity capacitors, etc., DVDs: optical pickups, bearing motors, noise suppression devices, super miniature switches and chips; FLPDs: Inverter transformers, internal connectors; Notebook PCs: CPU choke coils, etc.; automobiles: Sensors, dual-layer capacitors, large aluminum capacitors, small DC motors, small and medium motors for power switches and ETC modules.

### ***PCB Demand to Show Robust Growth in 2004***

Demand for printed circuits boards in Japan is expected to increase 9.2% year-on-year ¥117.4 74 billion, according to the Japan Printed Circuit Board Association. Demand is growing particularly sharply for multi-layer PCBs, which is likely to be up 19% and for flexible printed circuit boards, where demand growth is projected to double. Shortages have already started to appear in certain product categories. Demand for PCB modules is projected to increase 12.9%.

### ***Demand for Mobile Device Antennas Rising Sharply***

Demand for antennas for mobile phones, PDAs, notebook PCs and wireless LAN devices is experiencing explosive growth. By type of antenna, demand is particularly strong for small and compact types, high sensitive types, and multi-band type antennas.



***Electric Power Cable Demand to Stay Sluggish***

Although demand for electric power cables in fiscal 2004 is likely to be marginally higher at 817,000 tons (up from an estimated 800,000 tons in fiscal 2003), it will still be at low levels. While electric cable manufacturers are streamlining operations in a bid to restore profitability, the outlook is anything but bright. By application, demand for use in digital home electronics and telecommunications is expected to be up 4.1% to 46,000 tons. On the contrary, demand from the electric power sector is likely to drop 4.6% to 68,000 tons.

***IA Server Shipment Set for Solid Growth***

Shipments of IA server shipments in fiscal 2004 are likely to be up 15% to 424,000 units, according to NOK Research, a high-tech research firm. Shipments rose 18.7% in fiscal 2003, the research firm data shows. NEC had the largest market share estimated at 24.4% and was followed by Dell and Fujitsu. Rack-mounted servers accounted for 45.5% of the total and are catching up with the tower type. Blade servers represented 3%.

***South Korean Government to Invest Heavily in Promising Next-Generation Technologies***

The South Korean government has picked 10 industries and 48 products for priority investments. These new-generation products are likely to be coming on the market in the next five years. The government plans to invest ¥40.5 billion in next-generation semiconductors, displays, digital TV/broadcasting, intelligent robots, next-generation mobile phones, intelligent home networks, digital contents/ SW solutions, next-generation secondary batteries, next-generation autos, and bio drugs

***Machine Tool Makers to Step Up CAPEX***

Japan's 15 major machine tool manufacturers in fiscal 2004 will boost capital investment by 26.5% from the previous fiscal year to ¥6,500 million. However, they are all cautious about adding capacity. Much of the new spending will go for productivity improvement and operational streamlining. Of the 15, 11 are planning to increase capital investment. Capital investment at 10 will exceed their depreciation expenses. Machine tool orders remained strong in April also, increasing 44.7% to ¥46,200 million. Orders were up sharply at Mori Seiki (69.1%), OKK (59.0%) Toshiba Machine (99.3%). Tsugami and Okuma also reported strong order growth.

***Earnings Roundup******Tokki (8913 JASDAQ) Likely to Report Strong Profit in the Current Fiscal Year***

Tokki, a leading EL panel manufacturer, is expected to see its consolidated ordinary income rise 3.5 times in the next fiscal year from the estimates for the current fiscal year ended June 2004 to ¥430 million. Sales are likely to increase sharply, reflecting growing EL demand in South Korea and Taiwan. The company is also likely to benefit from the streamlining of its mass production processes, in addition to curbs on fixed costs.



*Initial Public Offerings News (For detailed information, go to: <http://www.ipotokyo.com>)*

### *Duo Systems (3742 TSE Mothers)*

Duo Systems Co., Ltd, a Japanese computer system service company, will go public on the Tokyo Stock Exchange's Mothers market on July 1. The company will offer 1,500 shares to the public in its initial public offering. Of those, 1,000 are newly issued shares and 500 are existing shares, held in private. The fixed offering price will be announced on June 21. Mizuho Securities Co. is the lead underwriter for the offer.

### *SHOEI (7839 JASDAQ)*

Helmet manufacturer SHOEI (7839) will go public on the JASDAQ market on July 6. The company will offer 1.4 million shares to the public in its initial public offering. This will include 400,000 newly issued shares and one million existing shares, held in private. The fixed offering price will be announced on June 24. Shinko 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	Semicon (Production)	Electronic devices	Consumer electronics (sales)
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	3,456	7,720	266
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	3,171	7,059	216
May	92.0	96.2	81.1	97.0	1,857	1,707	14,721	1,952	5,501	3,307	7,269	205
June	92.6	96.2	81.1	115.9	2,003	2,039	16,003	1,954	6,481	3,449	7,569	229
July	91.3	90.4	92.6	106.4	2,023	1,924	15,859	1,823	6,206	3,545	7,830	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	3,388	7,362	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	3,761	8,430	209
Oct.	98.6	104.9	80.8	75.2	2,005	1,397	16,942	2,473	6,100	3,698	8,370	228
Nov.	99.4	99.8	81.8	74.1	1,913	1,465	16,360	2,310	5,897	3,611	8,153	244
Dec.	100.2	102.4	81.3	80.9	2,123	1,529	17,484	2,289	7,034	3,596	8,160	321
Jan.	102.5	105.4	81.5	76.1	1,996	1,396	15,531	1,517	6,073	3,629	3,629	273
Feb.	95.7	99.0	80.1	84.9	2,153	1,554	16,577	1,812	6,774	3,575	8,022	195
Mar.	94.2	95.1	81.2	89.6	3,233	1,744	20,681	2,337	9,428	8,916	4,021	241
Apr.	101.9	107.2	-	-	-	-	-	-	-	-	-	-
YoY	8.2	12.7	-3.8	-2.8	2.5	3.2	8.0	30.8	-2.2	16.3	15.5	-10.0

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*

