



Vol . 120

## *High-tech Sector*

**Week ended Jun. 20, 2004**

### **Earnings Roundup**

#### ***IT System Developers to Benefit from Higher Capital Investment***

All twelve IT system development firms listed on the three new markets are expected to post higher ordinary income in the current fiscal year ending March 2005 as they benefit from the recent pickup in investment in information technology systems. Extensive restructuring of business portfolios during the most recent turndown is also helping profit. However, price pressures are intense which means that cost cutting will have to continue. Softbank Technologies is expected to see its ordinary income increase by 28% on a sales gain of 6%. IX Knowledge is forecasting a 3-fold increase in ordinary income and a 4.3-fold jump in net income.

#### ***Japan's Contents Business Showing Slow Growth***

The Digital Contents Association says that the growth rate of Japan's digital contents business is relatively slow compared with other developed countries. Japan's digital contents market in 2003 grew by 2.3% to ¥12.7 trillion, as opposed to the S. Korean and Chinese markets which expanded by 6.5% and 13.1% respectively. However, certain sectors in Japan's digital contents market showed strong growth. Video DVD software recorded a 30.8% increase while the value of contents for mobile telephones rose 33.7%. a media mix, combining conventional and new media will be required to boost the growth rate, the association says.

#### ***AV Market Forecast***

Japan's AV devices market in 2003 was ¥1.7 trillion, according to Fuji Kimera Research Institute. The research institute forecasts continuing growth in demand, which should top two trillion yen in 2010, the year before analog broadcasting will be terminated. The report also sees LCD television sets accounting for 70% of the market that year.

#### ***Thermister Production Set for Solid Growth***

Production of thermisters in Japan in 2004 will increase to 2,500 million units, valued at ¥36,600 million, according to the Electronics Material Association. This comes on an 8% increase in production volume in 2003. Orders in the first four months of the year were above the 2000 peak level and most manufacturers are expecting a double-digit growth in volume this year. There is strong demand for use as temperature sensors in digital home electronics and in OA equipment, such as copying machines.



### *Japan's Machine Tool Builders Stepping Up Production*

Japan's major machine tool builders, confident that the good times will continue, are stepping up production. Manufacturers of digital home electronics and automobiles are stepping up capital investment and the drive is spreading to smaller firms. Although machine tool builders are mostly operating at full capacity, they are cautious about adding capacity, having learned their lesson in the recent slowdown. Amada (6113 TSE1) plans to boost output by 30% and Mitsubishi Heavy (7011 TSE1) Industries by some 50% from their current levels.

### *Japan's TV Manufacturers Boost FPT TV Output Abroad*

Japan's six major manufacturers of flat panel televisions are boosting production abroad. They expect to sell over 4 million units in overseas markets, double the current level, in 2004. So far demand has been largely concentrated in Japan, but is now entering the rapid growth phase abroad. The most aggressive is Sony (6758 TSE1), which plans to hike output from 1.5 million units in fiscal 2003 to 3 million units in fiscal 2004. Japan's flat panel television manufacturers will be locked in a fierce battle for market share with rivals like Samsung Electronics of S. Korea.

### *Government Announces 5-year IT Promotion Plan*

The Japanese government announced the u-Japan plan, an IT sector development strategy that will be implemented from 2006, when the current e-Japan program expires. The government estimated the ripple effect of the ubiquitous network it plans to build at ¥80 trillion in 2010 and a cumulative ¥611 trillion in the eight-year period from 2003 through 2010.

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

### *Towa Food Service (3329 JASDAQ)*

Towa Food Service Co, a Japanese restaurant operator, will go public on the JASDAQ market on July 14. The company will offer 205,000 shares to the public in its initial public offering. This will include 190,000 newly issued shares and 15,000 existing shares, held in private. The company also has a green shoe option allowing it to offer 30,000 additional shares to the public in case of strong demand. The tentative price range will be announced on June 25. The fixed offering price will be announced on July 6. Nikko Citigroup is the lead underwriter for the offer. The estimated ¥ 823 million to be raised from the IPO will be earmarked for capital expenditure.

### *Agasta (3330 TSE Mothers)*

Agasta Co, a Japanese exporter of used cars, will go public on the Tokyo Stock Exchange's Mothers market on July 22. The company will offer 1,700 shares to the public in its initial public offering. This will include 1,500 newly issued shares and 200 existing shares, held in private. The tentative price range will be announced on June 30 and the fixed offering price will be announced on June 9. UFJ Tsubasa Securities is the lead underwriter of the offer. Agasta expects to net ¥460 million from the IPO. The funds will be used for working capital.



**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.	102.0	107.2	85.1	100.8	2,060	1,792	-	-	-	-	-	224
YoY	17.5	15.8	2.9	3.9	15.2	6.9	8.0	30.8	-2.2	16.3	15.5	3.9

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*

