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High-tech Sector

Week ended July. 25, 2004

Japan's Mobile Phone Shipments Fall in May

Shipments of mobile phones in May declined 14.7% from the same month a year earlier to 3.31 million units, according to JEITA, a trade association. Coming on a sales decline of about 15% in May, the figures suggest that domestic shipments may have entered an adjustment period. While shipments of the next-generation 3G phones are strong, they are not powerful enough to offset the slowdown in shipments of more conventional mobile phones.

TEPCO to Acquire Powered Com

Tokyo Electric Power Co. (9501 TSE1) will turn Powered Com into a subsidiary by subscribing to most of the planned ¥80 billion in capital increase by Powered Com at the end of September. Affected by intensifying competition and consolidation in the telecom sector, Powered Com is in financial trouble. In addition to Tokyo Electric Power, major shareholders include Mitsui & Co.(8031 TSE1), and Mitsubishi Corp(8058 TSE1).

Production of Electronic Equipment in China Up in Jan-April Period

Production of electronic equipment at China's 100 leading electronics manufacturers was up an average of 28% in the first four months of 2004, with exports rising 36%. Shipments and exports rose in all major categories from color televisions to air conditioners. China's electronic component manufacturers are also benefiting from strong domestic shipments and exports of finished products. Mobile phone subscribers are also increasing by about 5 million per month.

Wireless LAN Use Growing but Public LAN Networks not much in Demand

Although the use of wireless LAN networks is increasing rapidly at home and in the workplace, demand for public wireless LAN service has not shown similar growth. For public LAN network demand to grow, service providers will have to offer better coverage and slash rates.

Capacitor Production Up in Jan-April

Production of capacitors rose 38% in volume and 14% in value from the same period a year earlier, in the first four months of the year, according to government statistics.



China's First Super Computer – Processing Speed Highest in the World

China developed its first super computer with a processing speed of 11 trillion operations per second, the highest speed achieved by any super computer in the world. China thus became the third country, after the U. S. and Japan, in the world to achieve super computer processing speeds of more than 10 trillion computations per second.

Earnings Roundup

Index (4835 Jasdaq) to Report Solid Profit Growth

Index, a company providing pay content for mobile phones, is expected to report a 47% increase to ¥2,500 million in consolidated operating income on a sales gain of 51% to ¥23,000 million for the Sept- 2003 – May 2004 period. In addition to strong subscriber growth, acquisition of a publisher and a video distribution firm contributed significantly to profit growth. Nevertheless, the company may report a net loss for the full fiscal year ending August 2004 due to lump sum amortization of goodwill.

Uniden(6815 TSE1)'s Profit Strong in April-June Quarter

Uniden is expected to report a 50% year-on-year increase in consolidated ordinary income to ¥5,000 million for the April-June quarter on a sales gain of 10% to ¥21,000 million. Higher sales of wireless equipment and the benefits of cost cutting offset the negative impact of a stronger yen and led to higher profit.

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

River Eletec (6666 JASDAQ)

River Eletec Corporation, a manufacturer of electronic parts, will list on the JASDAQ market on August 27. The company will offer two million shares to the public in its initial public offering. This will include one million newly issued shares and one million existing shares, held in private. The tentative price range will be announced on August 6. The fixed offering price will be announced on July 17. Nomura Securities is the lead underwriter for the offer. The estimated ¥ 919 million to be raised from the IPO will be used for capital expenditure.

KG Intelligence (2408 JASDAQ)

KG Intelligence Co., a magazine publisher, will list on the JASDAQ market on August 26. The company will offer 677,000 shares to the public in its initial public offering. All the shares are newly issued shares. The company will also have a green shoe option to offer 100,000 shares in case of excessive demand. The fixed offering price will be announced on August 16, based on the results of book-building. Nomura Securities is the lead underwriter of the offer. The proceeds, estimated at ¥723 million from the IPO, will be used for investment in computer systems, to open new offices and for sales promotion.



Shikoh Engineering (6667 TSE Mothers) Shikoh Engineering Co., a manufacturer of small motors, will list on the Mothers market of the Tokyo Stock Exchange on August 18. The company will offer 1,500 shares to the public in its initial public offering. This will include 1,000 newly issued shares and 500 existing shares, held in private. The fixed offering price will be announced on August 9. H. S. Securities is the lead underwriter of the offer. Shikoh Engineering expects to net ¥2.7 billion from the IPO. The company plans to use the funds for capital expenditure and repayment of loans.

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)
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	4,021	8,916	241
Apr.	102.0	107.2	85.1	100.8	2,060	1,792	15,745	2,079	5,535	3,604	8,132	224
May	105.7	107.6	84.3	95.1	1,961	1,728	10,950	1,502	1,927		7,521	221
YoY	14.9	11.2	3.9	-2.7	6.3	1.4	10.8	13.2	4.2	13.7	15.2	8.1

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

