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High-tech Sector

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Electronic Component Moulder Exports Surge in April-June Quarter

Shipments of electronic component moulder in the April-June quarter rose 47.7% year-on-year while exports jumped 60%, underpinned by growing demand from China, according to the Japan Robot Association. In view of the recent order trends, the association is forecasting a 10%-20% increase in shipments in 2004. About half of all production is shipped to China. Japanese manufacturers are trying to meet the growing demand by enhancing efficiency of their existing lines and also adding more production capacity.

Production of Electronic Devices Tops Forecast by 6%

Production of electronic devices, mainly ICs and LCDs, in the January-May period was up 18.7% year-on-year, according to JEITA, the sector's trade association. The growth rate was more than 6 percentage points higher than forecast. Assuming that the current trend continues, production in 2004 will rise close to the ¥7.5 trillion most-recent record set in 2000. However, some industry analysts do not expect production to continue to keep rising at the current pace and warn that we must wait to confirm order trends after summer.

Taiwanese Manufacturers Setting Up Seventh-generation LCD Lines

Taiwanese LCD manufacturers, Chi Mei, AUO, CPT, and S-LCD are setting up seventh-generation LCD production lines, most of which will come on stream in early 2005. Japan's major LCD manufacturer, Sharp Corp., is also considering the construction of seventh- and eighth-generation LCD lines at Kameyama, with construction start planned for 2006. LG Phillips LCD, Co. Ltd. is also planning to build a seventh-generation LCD line.

Japan's Storage Software Market to See Steady Growth Through 2008

Japan's storage software market expanded by 11.2% to ¥45,700 million in 2003 as businesses stepped up investment in IT systems in order to enhance efficiency and reliability of their corporate networks, according to IDC Japan. The high-tech market research firm is forecasting an annual average growth rate of 8.7% through 2008.



First Quarter PC Shipments Up 3% Shipments of personal computers in the first quarter of the current fiscal year were up 3% to 2.76 million units. However, the value of shipments fell 4% to ¥399.7 billion. This is the fifth consecutive positive YoY growth in quarterly shipments. Sales growth was driven by the corporate sector. Much of the growth in this sector derives from replacement demand and for installing additional PCs. While demand, underpinned by new models with TV functions, from the consumer sector was also strong, it slowed later in the quarter due in part to the hot summer weather.

Mobile Digital Audio Player Market Expanding

Japan's mobile digital audio player market is expanding and major retailers are expanding shelf space for these devices. The market in 2004 is estimated at 1.3 million units, rising to 1.9 million units in 2005. The market in 2005 will be evenly split between the flash memory and HDD type. At present iPod leads the market but several Japanese and other Asian companies are expected to enter the market, with models of their own. These include Toshiba and Sony as well as S. Korean and Taiwanese manufacturers.

Earnings Roundup

**Fujitsu Devices (7582 TSE 2)
Reports Strong 1Q Profit Growth**

Fujitsu Devices reported a 91.7% year-on-year increase in operating income to ¥1,494 million on a sales gain of 37.2% to ¥64,246 million. Sales and profit were driven by demand for devices going into the manufacture of digital home electronic appliances, particularly DVDs, flat panel televisions and digital still cameras. Its major clients include Sony, Canon, Casio, Toshiba and other Japanese manufacturers. Together they account for some 70% of the company's total sales.

**Alps Giken (4641 TSE 2)
Reports Record Interim Profit**

Alps Giken's consolidated interim ordinary income in the first half ended June 2004 increased 2.3 times from the previous fiscal year to ¥700 million as sales rose 19% to ¥9.5 billion. Engineer staffing revenues rose 25% and subcontracting sales increased 19%. Demand grew from precision equipment manufacturers and from the automobile sector.

**Nihon Liteon (2703 Jasdaq)
Posts Strong First-half Profit Growth**

Nihon Liteon's consolidated ordinary income for the first half ended June 2004 rose 63% year-on-year to ¥479 million on a sales gain of 2.2 times to ¥25.6 billion. Operating income increased 2.8 times from the same period a year ago to ¥378 million and net income was up 2.5 times to ¥289 million.



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

Wadakohsan (8931 Jasdaq)

Wadakohsan Corp., a condominium sales firm, will list on the JASDAQ market on September 24. The company will offer 880,000 shares to the public in its initial public offering. Of those 400,000 are newly issued shares and 480,000 are existing shares currently held in private. The tentative price range will be set on September 3. The fixed offering price will be announced on September 14. Nikko Citigroup is the lead underwriter for the offer. The company expects to raise ¥860 million from the IPO, and plans to use the proceeds for working capital.

Gankoen (3340 JASDAQ)

Gankoen Co., a restaurant chain operator, will list on the JASDAQ market on September 17. The company will offer 900,000 shares to the public in its initial public offering. Of those 650,000 are newly issued shares and 250,000 are existing shares currently held in private. The tentative price range will be set on August 27. The fixed offering price will be announced on September 7. Mizuho Investors Securities is the lead underwriter for the offer. The company expects to raise ¥828 million from the IPO, and plans to use the proceeds for capital expenditure, mainly for opening new stores.

So-Net M3 (2413 TSE Mothers)

So-Net M3, Inc., a subsidiary of Sony Communication Network Corp. and provider of online marketing support to pharmaceutical and medical equipment manufacturers, will list on the Mothers market of the Tokyo Stock Exchange on September 16. The company will offer 6,660 shares to the public in its initial public offering. Of those 2,800 are newly issued shares and 3,860 are existing shares currently held in private. The company is also considering a green shoe option that would allow it to offer an additional 740 shares in the event of exceptional demand. The tentative price range will be set on August 30. The fixed offering price will be announced on September 8. Nikko Cordial Securities Inc. is the lead underwriter for the offer. The company expects to net ¥2.21 billion from the IPO. It plans to use the bulk of funds for business expansion and to upgrade its information systems.



Web Crew (8767 TSE Mothers)

Web Crew Co., Ltd., an operator of *Hoken Square Bang* (a portal for the insurance industry), will list on the Mothers market of the Tokyo Stock Exchange on September 21. The company will offer 4,800 shares to the public in its initial public offering. Of those 4,000 are newly issued shares and 800 are existing shares currently held in private. The tentative price range will be set on September 1. The fixed offering price will be announced on September 10. Nikko Citigroup is the lead underwriter for the offer.

Nissin Servicer (8426 TSE Mothers)

Nissin Servicer Co., Ltd., a servicer firm licensed under Japanese law, will list on the Mothers market of the Tokyo Stock Exchange on September 16. The company will offer 2,500 shares to the public in its initial public offering. All shares are newly issued shares. The tentative price range will be set on August 26. The fixed offering price will be announced on September 6. Mizuho Investors Securities is the lead underwriter for the offer.

Nihon Chouzai (3341 TSE 2)

Nihon Chouzai Co., Ltd., a chain of prescription drug pharmacies, will list on the Second Section of the Tokyo Stock Exchange on September 17. The company will offer 1,800,000 shares to the public in its initial public offering. Of those 1,440,000 are newly issued shares and 360,000 are existing shares currently held in private. The tentative price range will be set on August 27. The fixed offering price will be announced on September 7. Daiwa SMBC Securities is the lead underwriter for the offer.

Basic Electronics Industry Statistics

	Prod	Shp.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
July	91.3	90.4	92.6	106.4	2,023	1,924	15,859	1,823	6,206	7,830	3,545	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	8,430	3,761	209
Oct.	98.6	104.9	80.8	75.2	2,005	1,397	16,942	2,473	6,100	8,370	3,698	228
Nov.	99.4	99.8	81.8	74.1	1,913	1,465	16,360	2,310	5,897	8,153	3,611	244
Dec.	100.2	102.4	81.3	80.9	2,123	1,529	17,484	2,289	7,034	8,160	3,596	321
Jan.	102.5	105.4	81.5	76.1	1,996	1,396	15,531	1,517	6,073	7,941	3,629	273
Feb.	95.7	99.0	80.1	84.9	2,153	1,554	16,577	1,812	6,774	8,022	3,575	195
Mar.	94.2	95.1	81.2	108.1	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	15,745	2,079	5,535	8,132	3,604	224
May	105.7	107.6	84.3	95.1	1,961	1,728	10,950	1,502	1,927	7,521	3,750	219
June	102.2	107.6	82.0									248
YoY	12.3	13.7	0.3	-2.7	6.3	1.4	10.8	13.2	4.2	15.2	13.4	8.4

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

