



Vol . 130

## *High-tech Sector*

Week ended Sep. 12, 2004

### ***Japanese Electronic Component Manufacturers Reviewing their China Strategies***

Japanese electronic component manufacturers have been investing aggressively in China for some time but now they seem to be reviewing their investment strategies, with some of the opinion that investment has now peaked. Some firms are now looking to India as the next potential growth market for electronic components.

### ***Access Control Software Market Set for Strong Growth***

Japan's access control software market in fiscal 2004 is expected to increase 33% compared to fiscal 2003 to some ¥8,800 million, according to MIC Research Institute, a high-tech marketing research firm. Access control software includes mainly the single sign-on type of software. The software firm expects the access control software market to continue to expand, reaching ¥12,500 million by fiscal 2008.

### ***EIP Software Market to See Strong Growth***

Enterprise information portal software is attracting attention. Japan's EIP software market will expand at an average annual rate of 9.4% through 2008 and reach ¥7,200 million, according to IDC Japan, a high-tech marketing research firm. More small and medium-size businesses are expected to install EIP software as they replace their existing Groupware. Microsoft is the leading supplier, with a market share of 20.5%. IBM follows with a market share of 18%.

### ***MCP Market Poised for Explosive Growth***

The MCP (multi chip package) market in 2004 is expected to increase 76.5% year-on-year in 2004 to \$4.21 billion, according to MCPs Take Mobile Handphone Market by Storm, published by I Supply Japan, a market research firm. The report forecasts an annual average growth rate of 23.6% (volume basis) through 2008

### ***Japan's Electronic Component Exports Rise in June***

Exports of electronic components increase in June increased 10% year-on-year to ¥330.5 billion, according to JEITA. Exports of passive parts were up 16% and those of connectors rose 13%. Exports of transformer components were up 11% and other components increased 10%. Particularly strong growth was recorded by transformers, exports of which were up 21%. Exports of coils also rose a strong 20%.



***Electronic Component and Control Device Demand to Stay Strong in Second Half***

A recent survey of electronic component manufacturers and control device manufacturers by a major industrial daily shows that 75% of the companies polled are expecting to report higher sales and earnings in the second half. They expect demand to be driven by digital home electronics, automobiles, mobile phones, semiconductors, LCDs and amusement machines. Of the company's polled, 43% expect consolidated sales to increase at single-digit figures and 25% feel that sales are likely to be up 10%-20%. Regarding earnings, 26% expect consolidated operating income to increase less than 10%, with 22% expecting earnings to rise 10%-19%.

***Taiwanese LCD Manufacturers Turning Cautious***

Taiwanese LCD manufacturers are reviewing their investment plans for LCD production facilities as prices are plunging and concerns are rising about oversupply later in the year. The combined sales of the third to the fifth ranked LCD panel manufacturers in August fell 14.0% to 23.0% from July. Moreover, LCD panel price declines became apparent in June. To compound the problem, lower ranked Taiwanese LCD manufacturers are not competitive compared to their South Korean and Japanese counterparts when it comes to technology and the scope of operations.

***Japan's Semiconductor Investment to Increase 28% in Fiscal 2004***

Japan's 37 major semiconductor producers plan to invest a combined ¥1.16 trillion in fiscal 2004, an increase of 28.5% over the previous fiscal year. Sony and Sharp are the most aggressive, more than doubling their investments. In addition to investments in 300-mm wafer processing facilities by the seven major manufacturers, smaller manufacturers are also building additional production facilities.

***Machine Tool Orders Up in August***

Machine tool orders in August rose 55.1% year-on-year to ¥104 billion, according to the Japan Machine Tool Builders Association. This was the 23<sup>rd</sup> consecutive year-on-year gain in monthly machine tool orders. The association expects machine tool orders in September also to top the ¥100 billion level. Domestic orders were up 62.2%. Combined orders at Japan's eight major machine tool manufacturers rose 61.5% in August. Orders almost doubled at Mori Seiki and Toyoda Machine Tools.

***Industrial Machinery Orders Up in July***

Orders for industrial machinery in July rose 14.8% year-on-year to ¥333.1 billion, according to the Japan Industrial Machinery Manufacturers Association. This was the first year-on-year increase in machinery orders in three months. Major gains were recorded for tanks, fans, compressors and metalworking machines.



**Earnings Roundup****Access Reports Strong Interim Earnings**

Access, a major Japanese vendor of browser software, reported consolidated ordinary income of ¥736 million, topping estimates by ¥259 million, on sales of ¥5,040 million, exceeding the previous forecast by ¥890 million. Financial results topped first-half forecasts as sales topped estimates since sales related to software development for mobile phones in the first half rose and the company successfully slashed selling, general and administrative expenses, expanding profit margins.

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

**H. S. Securities (8699 Hercules)**

H. S. Securities Co., Ltd., will list on the Hercules market of the Osaka Securities Exchange market on October 13. The company will offer 10 million shares to the public in its initial public offering. Of those 7.5 million are newly issued shares and 2.5 million are existing shares currently held in private. The tentative price range will be set on September 21. The fixed offering price will be announced on October 1. HSBC Securities is the lead underwriter of the offer.

**Wiseman (3752 Jasdaq)**

Wiseman Co., Ltd., a package software developer, will list on the JASDAQ market on October 18. The company will offer 1,600 shares to the public in its initial public offering. Of those 800 are newly issued shares and 800 are existing shares currently held in private. The tentative price range will be set on September 24. The fixed offering price will be announced on October 5. Shinko Securities is the lead underwriter of the offer.

**G. F. (3751 TSE Mothers)**

G. F. Co., Ltd., a Japanese developer of automatic telemarketing systems, will list on the Mothers market of the Tokyo Stock Exchange on October 8. The company will offer 1,200 existing shares to the public in its initial public offering. Of those 1,000 are newly issued shares and 200 are existing shares currently held in private. The tentative price range will be set on September 15. The fixed offering price will be announced on September 28. Mizuho Investors Securities is the lead underwriter of the offer.



**Chip One Stop (3343 TSE Mothers)**

Chip One Stop Co., Ltd. markets electronic devices through the Internet. The company will list on the Mothers market of the Tokyo Stock Exchange on October 13. It will offer 2,500 shares in its initial public offering. Of those 1,500 are newly issued shares and 1,000 are existing shares currently held in private. The tentative price range will be set on September 17. The fixed offering price will be announced on September 30. UFJ Tsubasa Securities is the lead underwriter of the offer.

**Wonder Corporation (3344 Jasdaq)**

Wonder Corporation, an operator of a chain of company owned and franchised stores selling game software, CDs, DVDs, books and mobile phones, will list on the JASDAQ market on October 13. It will offer 2,400 shares in its initial public offering. Of those 1,200 are newly issued shares and 1,200 are existing shares currently held in private. The tentative price range will be set on September 22. The fixed offering price will be announced on September 30. Nomura Securities is the lead underwriter of the offer.

**Basic Electronics Industry Statistics**

	Prod	Ship.		Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	Electronic devices	Semicon (Production)	Consumer electronics (sales)
Aug.	91.2	95.8		60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
	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	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									296
YoY	12.0	17.8	-12.5	-3.3	14.6	-1.5	9.3	18.1	-0.9	15.7	14.2	19.8

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

