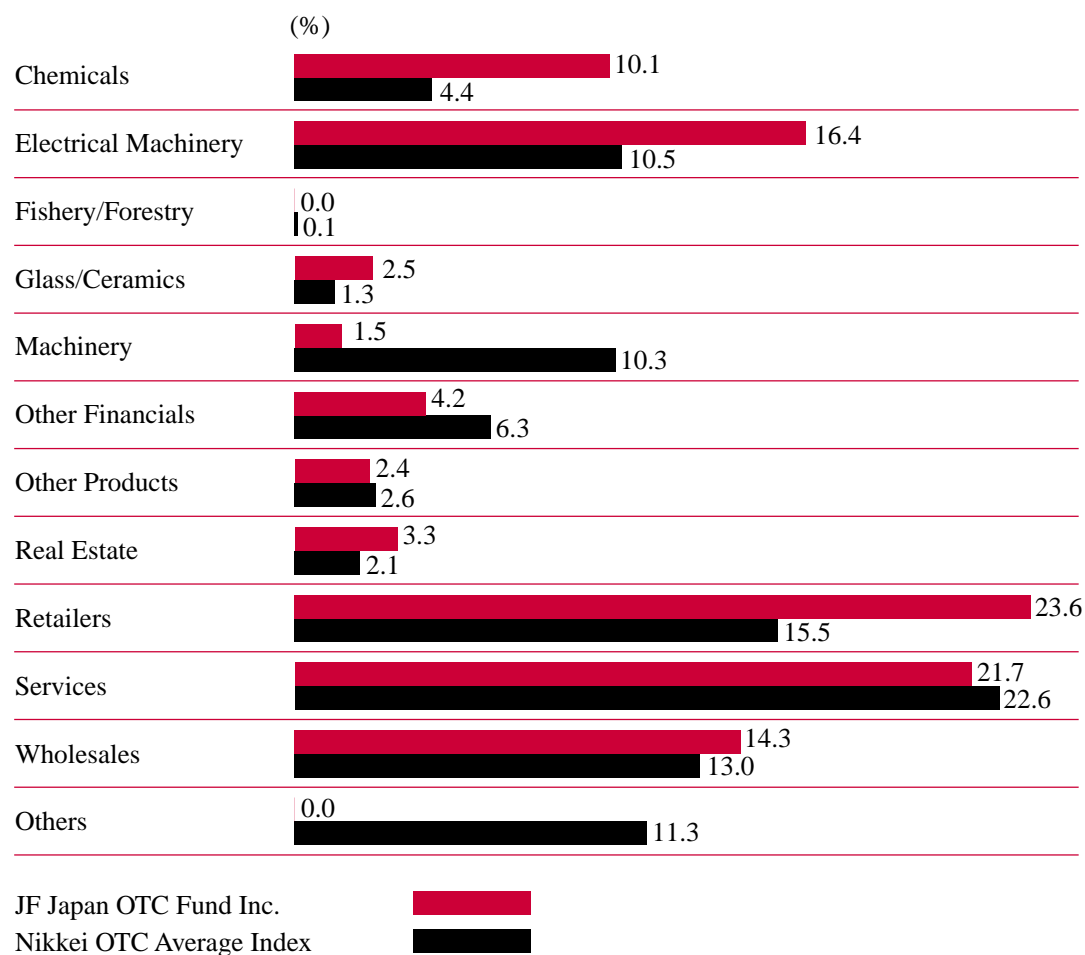


# Portfolio Analysis

Weighting by Industry Sector: JF Japan OTC Fund Inc. vs Nikkei OTC Average Index as at 31 December 2000



Note: The percentages shown above for the Company's exposure relate to the portfolio of investments which amount to 88.0% of the Company's net assets.

## **Portfolio Analysis** *(continued)*

### **Milbon Co Ltd (8.8%)**

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Comprehensive manufacturer of hair-care products for hair salons. Also manufactures hair growth stimulants, perm creation tools, etc. Ranks no. 1 in the industry as of last year. The company has excellent product development capability through strong relationships with top hair salons in Japan.

### **Otsuka Kagu (8.7%)**

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Otsuka Kagu is Japan's leading comprehensive retailer of furniture. An outstanding product line-up, strong price-competitiveness and a membership system involving sales through direct customer contact have fuelled earnings growth, positioning the company at the top of the furniture industry. It maintains Japan's largest showroom facility in Tokyo.

### **Net One Systems (7.0%)**

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Net One Systems is a networking equipment engineering company, selling implementation services to telecommunications companies, internet service providers and large corporations. Major clients are the NTT group and Fujitsu. Net One is the purest play in Japan on the diffusion of Cisco's high speed routers.

### **Eneserve Corp (4.4%)**

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Eneserve is a leading supplier of local electric power generation equipment for commercial users such as retail establishments and factories. The company uses its low cost base and reliable equipment to compete in Japan's inefficient power provision sector.

### **Trend Micro (4.3%)**

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Trend Micro offers a compelling anti-virus and internet filtering service that gives Systems Integrators and IT managers on-line feedback and centralised control of a network. With corporate security needs expanding from virus protection to internet filtering services, the company's Trend Virus Control System is an opportunity to build a strong business in the US and Europe as it can take on rivals who lack Trend's Web-based network management technology.

### **Paltek (4.0%)**

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Paltek is an independent semiconductor trading company specialising in Altera Programmable Logic Devices (PLD) and Application-Specific Standard Products (ASSP) for telecommunication applications. The company boasts the industry's highest profit margins thanks to its extensive technical support to customers.

## **Portfolio Analysis** *(continued)*

### **Cawachi Ltd. (4.0%)**

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Cawachi is a Japanese-style discount store selling household basics. The rich assortment of products and low prices captivated consumers and generated continued high sales growth in the company's regional base.

### **Yahoo Japan Corporation (4.0%)**

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Established in 1996 through a joint venture between Yahoo Inc. of the US and Softbank, Yahoo Japan is the leading internet portal company in Japan. Yahoo Inc. has a 34% stake and Softbank a 51% stake. Utilising the Yahoo brand under license, the company provides a full range of Japanese language portal services.

### **Nippon Foundry Inc. (3.8%)**

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Nippon Foundry, a subsidiary of United Microelectronics of Taiwan, became the first Japanese dedicated semiconductor foundry and aims to be one of the leaders in the field. Facilities are now running at full capacity on the back of demand for Sony PS2 chips.

### **Japan Associated Finance (3.7%)**

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The nation's largest and pioneer venture capital firm. Established in 1973 by Nomura Securities, Sanwa Bank and Nippon Life Insurance. The company has undertaken significant management reforms which we expect to improve business performance.

## Portfolio Analysis *(continued)*

### Further Information on the Ten Largest Investments

Stock	Cost JPY	Market value JPY	Proportion of share capital owned by the Company %	Net dividend received during the year JPY	Earnings per share for the year* JPY	Dividend per share for the year* JPY	Dividend cover*	Company's share of investee company's NAV JPY* million
Milbon	265,200,282	612,854,000	1.45	1,788,480	183.9	27	6.8x	78.5
Otsuka Kagu	950,375,985	603,000,000	0.42	612,000	301.4	15	20.1x	104.3
Net One Systems	301,152,684	484,500,000	0.14	280,000	16,894.0	-	-	21.4
Eneserve	332,224,256	307,500,000	0.56	-	115.3	15	7.7x	31.6
Trend Micro	328,680,496	297,720,000	0.05	-	38.8	-	-	10.7
Paltek	388,080,426	276,316,800	1.09	-	91.3	10	9.1x	87.0
Cawachi	284,415,412	276,000,000	0.41	-	3,103.4	50	62.1x	65.0
Yahoo Japan	366,930,083	275,520,000	0.04	-	63,515.0	-	-	3.2
Nippon Foundry	435,216,715	265,600,000	0.13	-	349,918.0	-	-	60.2
Japan Associated Finance	660,116,873	257,250,000	0.05	1,120,000	154.5	25	6.2x	50.3
Total at 31 December 2000	4,312,393,212	3,656,260,800		3,800,480				

Note: The above information is required by the rules governing the listing of securities on the Stock Exchange of Hong Kong.

\* Source: Japan Company Handbook