

**2008 PRODUCTION FORECASTS
FOR THE GLOBAL
ELECTRONICS AND
INFORMATION TECHNOLOGY
INDUSTRIES**

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JEITA

JAPAN ELECTRONICS AND INFORMATION TECHNOLOGY INDUSTRIES ASSOCIATION

Foreword

In 2006, JEITA conducted the world's first "Survey of Worldwide Production Trends in the Electronics Industry" (results announced in March 2007). This survey was implemented in line with the rapid globalization of corporate activities. It expands on the domestic production forecasts previously announced every December as "Domestic Production Forecasts for the Japanese Electronics Industry."

In the second survey, we aimed to further improve the precision of our results, add forecasts and analysis, and announce the results three months earlier than the previous year.

Methods of compiling data, presenting statistics and making calculations can vary greatly from country to country and industry to industry. To ensure consistency in our results, we developed various systems in-house based on information available in the public domain and data from research companies.

These efforts allowed us to add "Offshore Production Forecasts" and "Production Forecasts for the Global Electronics Industry" to the previous "Domestic Production Forecasts for the Japanese Electronics Industry," resulting in the "Production Forecasts for the Global Electronics and Information Technology Industries."

The results show that global production by the electronics and IT industries is forecast to increase to ¥243 trillion in 2008. Japanese companies are expected to account for one-fifth of this production, or ¥52 trillion. The survey shows that offshore production is increasing more rapidly than production in Japan. With the continuing development of globalization, offshore production by Japanese companies is expected to continue growing, with these companies achieving positive growth. These forecasts clearly illustrate the important position held by Japan in the global electronics and IT industries.

This second survey is still only a starting point. We at JEITA would like to hear the comments and opinions of both the Japanese and overseas industries in order to improve and expand in 2008 and beyond. We will conduct this survey each year and make it available to the general public, as well as to the relevant industries. I sincerely hope this survey becomes a valuable tool for all of its readers.

Tsutomu Handa
President
Japan Electronics and Information Technology Industries Association (JEITA)

Production Forecasts for the Global Electronics and Information Technology Industries

Production by the global electronics and IT industries is estimated to increase 8% year-on-year in 2007, to ¥228.2 trillion, and increase 7% in 2008, to ¥243.3 trillion. Sustaining these increases are worldwide expansion in demand for digital products, which is also increasing production of electronic components and devices, and the growing presence of IT solution services using digital products.

As to the world economy in 2007, European countries continued steady economic growth backed by capital investments and personal consumption. Concerns remain in the USA amidst an economic slowdown caused by housing investment adjustments and other factors. The so-called BRICs countries, and the People's Republic of China, in particular, enjoyed continuous high economic growth in 2007 and are forecast to continue stable growth in 2008. In this situation, global production by the electronics and IT industries (electronics industry and IT solution services) is estimated to increase 8% year-on-year in 2007, to ¥228.2 trillion. Electronics industry production (electronic equipment, electronic components and devices) is estimated to grow 8% year-on-year, to ¥177.4 trillion.

The high growth in global production by the industries is attributed to factors including market expansion for flat-panel-display (FPD) TVs, personal computers (PCs), mobile phones in emerging

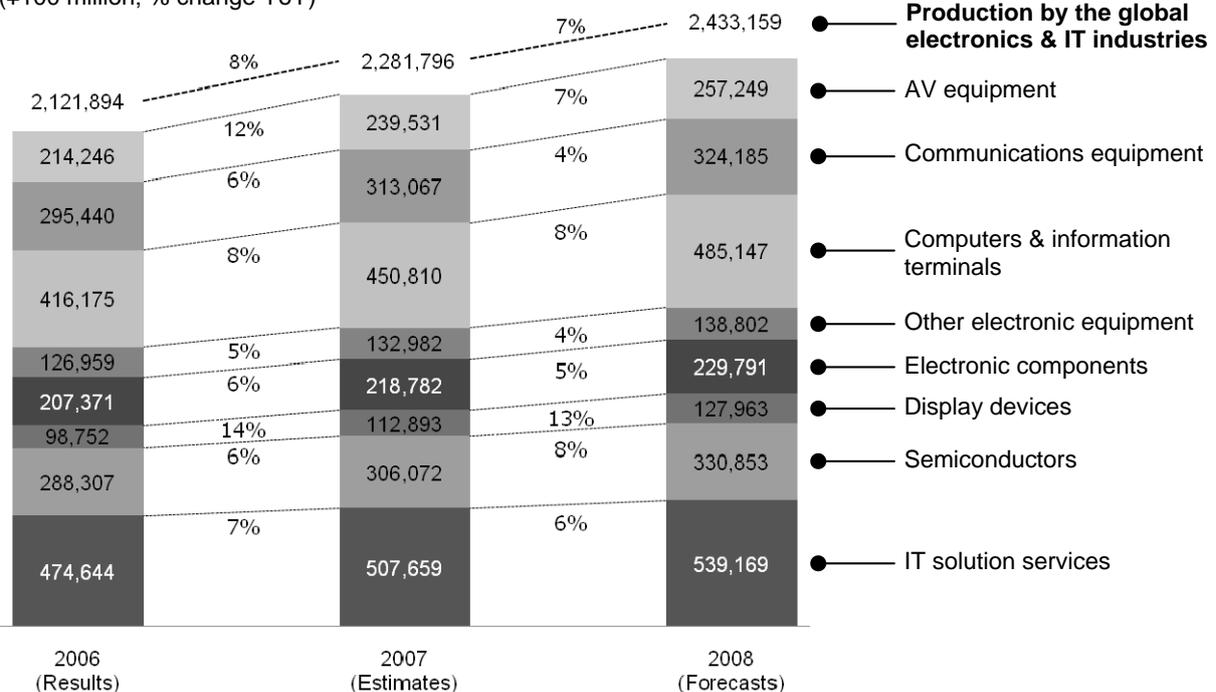
economies; resulting demand for semiconductors, electronic components and display devices; and growth in the market for software and services utilizing digital products as tools. These factors are expected to continue stable growth in global production.

In 2008, global production by the industries is forecast to increase 7%, to ¥243.3 trillion, with global production by the electronics industry up 7%, to ¥189.4 trillion.

Although concerns exist, such as the U.S. economic slowdown and soaring prices of raw materials around the world, high economic growth, mainly based on active infrastructure investments in emerging economies such as the BRICs, is forecast to continue. In this situation, the global industries will enjoy continuing expansion in the worldwide FPD TV market up to the Beijing Olympic Games in 2008, diffusion of new PC operating systems in advanced economies, growing demand for notebook PCs and anticipated new demand for mobile phones in emerging economies.

Production by the Global Electronics and IT Industries

(¥100 million; % change YoY)



Forecasts of Global Production by Japanese Companies

Global production by Japanese electronics and IT companies is estimated to increase 5% in 2007, to ¥49.7 trillion, and a further 6% in 2008, to ¥52.5 trillion, signifying stable expansion. Production by Japanese companies accounts for a major share, or more than 20% of the global total, illustrating the important position Japan holds in the globalizing world. The areas in which Japanese companies are strongest include audiovisual (AV) equipment (43%) and electronic components (43%).

In 2007 global production by Japan's electronics and IT industries, including overseas production, is estimated to increase 5%, to ¥49.7 trillion. Global electronics production by the Japanese industry is also expected to rise 5% in 2007, to ¥44.1 trillion. In terms of production share, Japanese companies account for a significant 25% of global electronics production and 22% of global electronics and IT production. These figures highlight the strong demand for and important position held by Japanese industry in the globalizing world.

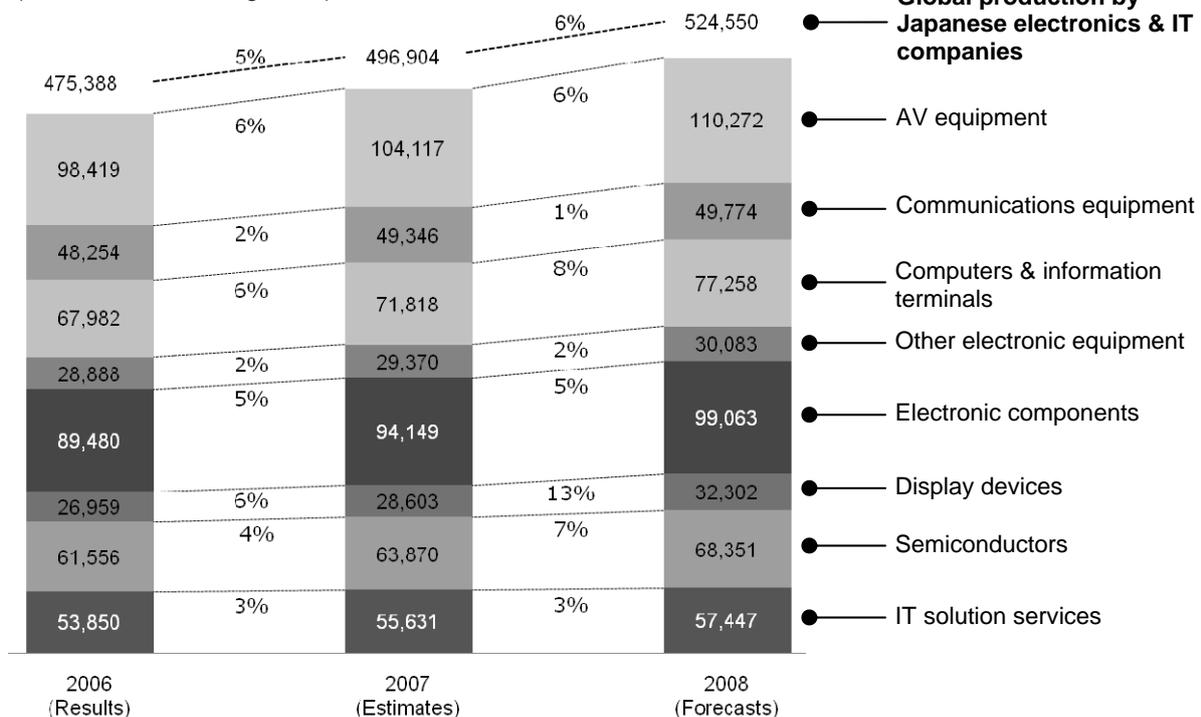
In 2008, global production by the Japanese electronic and IT industries is seen advancing 6%, to ¥52.5 trillion, while global production by Japan's electronics industry is forecast to increase 6%, to ¥46.7 trillion. These figures will result in approximately the same market share for Japanese companies in 2008 as they enjoyed in 2007.

Japan's electronics and IT companies should enjoy continuing stable growth backed by factors such as the weak yen value and expanding demand for the AV

equipment, electronic components and information terminals in which they excel. The areas in which the Japanese industries are estimated to hold the largest market shares in 2007 are AV equipment, electronic components and information terminals, specifically imaging equipment (86%), car AVC equipment (59%), electronic components (43%), image recording and playback equipment (41%), TVs (39%), data storage devices (39%) and printers (38%). Compared to the 2006 results, in 2008 the product areas in which the highest production growth is forecast include printers (52%), display devices (20%) and TVs (20%). In addition, offshore production by the Japanese industry surpasses domestic production and is expected to continue expanding to meet high demand around the world. In 2008, the product areas with the highest forecast ratios of offshore production include AV equipment (72% of production estimated to be offshore), computers and information terminals (71%) and electronic components (63%).

Global Production by Japanese Electronics and IT Companies

(¥100 million; % change YoY)



Forecasts of Domestic Production by the Japanese Electronics Industry

In 2007, domestic production by the Japanese electronics industry is estimated to increase 2%, to ¥20.7 trillion, surpassing ¥20 trillion for the second consecutive year. The growth trend is expected to continue, generating a forecast of ¥21.3 trillion in 2008, up 3% and making the third consecutive year of annual expansion. As worldwide demand for digital products grows, semiconductors, electronic components and display devices, more than half of which are manufactured in Japan, are expected to sustain continued growth in domestic production.

In the Japanese economy, although the environment for capital investment seems to have stabilized after a period of growth, exports continue to increase, and corporate results are improving. These factors lead to the anticipation of steady economic growth. In this situation, domestic production by the Japanese electronics industry exceeded ¥20 trillion for the second consecutive year. Major elements behind this growth were the global diffusion of digital products, which raised demand for semiconductors (77% of which were produced in Japan), electronic components (38%) and display devices (74%). Electronic components production, in particular, is estimated to be up 6% year-on-year. Production of TVs is anticipated to once again grow in the double digits, increasing 10%, owing to demand for FPD models in the face of growing terrestrial digital broadcasting. The popularity in Japan of single-lens-reflex (SLR) and digital still cameras highlighted a strong year for imaging products, domestic production of which is estimated to expand 7%.

In 2008, domestic production by the industry is forecast to increase 3%, to ¥21.3 trillion, marking the third straight year of growth. While areas of uncertainty exist in the global economy, such as the worsening subprime loan issue in the USA and rising oil prices worldwide, and the industry will also be affected by lowering prices, the 2008 Olympic Games in Beijing are expected to drive replacement sales of FPD TVs, and new demand for digital products can be anticipated from emerging markets. As a result, domestic electronics production of semiconductors and other electronic components and devices is forecast to increase 5%, sustaining a strong overall forecast for production in Japan.

Japan's electronics industry produces 46% of its output in Japan, which points out the shift to offshore production. However, production of equipment requiring high reliability and quality is expected to remain centered in Japan. These products include semiconductors (77% of which are produced in Japan), server storage devices (76%) and electric measuring instrumentation (72%).

Domestic Production by the Japanese Electronics Industry

(¥100 million; % change YoY)

