

**2015 PRODUCTION FORECASTS FOR THE
GLOBAL ELECTRONICS AND
INFORMATION TECHNOLOGY INDUSTRIES**

December 16, 2014

JEITA

JAPAN ELECTRONICS AND INFORMATION TECHNOLOGY INDUSTRIES ASSOCIATION

FOREWORD

For the Japanese economy, 2014 was a year for feeling the strong determination of the government to break away from deflation, given recovery in corporate earnings against the backdrop of the weaker yen and policy support such as the tax system to promote capital investment. Although, a temporary standstill such as in declining personal consumption as a reaction to the consumption tax hike in April was a concern. Meanwhile, in its October 2014 World Economic Outlook, the IMF lowered its real global growth forecast for 2014 to 3.3%, down 0.1 percentage point from July. Although the growth rate for the world economy is expected to rebound to 3.8% for the next year, risks associated with Eastern Europe over the situation in the Ukraine and slower economic growth in emerging countries are worrisome. In this environment, a moderate recovery is expected for Japan in 2014 (0.9%) and 2015 (0.8%).

According to the annual industries survey conducted by JEITA, production by the global electronics and information technology industries is estimated to have increased 10% year on year in 2014, to ¥284.0 trillion. The forecast for 2015 is a 5% year-on-year increase, to ¥297.9 trillion, anticipating solid growth given the expected spread of IT to many industries through IT solution services and an expected increase in demand for electronic components and devices for not only electronic equipment but also automobiles where IT progresses rapidly, in addition to a higher demand for entrance terminals linked with the internet. Production by the electronics industry in Japan is estimated to rise 3% year on year in 2014, to ¥11.8 trillion, positive growth for the first time in four years since 2011 when production dropped due to the Great East Japan Earthquake. Given that production by Japanese companies is forecast to increase for the second straight year, rising 2%, to ¥12.1 trillion in 2015, a very positive sign is anticipated.

JEITA pursues a wide range of activities under the theme of contributing to the proposal and construction of lifestyles of the future by harnessing IT and electronics technologies. Meanwhile, although IT is essential for our life and society, threats targeting IT systems are increasing, and it is an urgent task to take measures against them, given the possibility that they could cause widespread damage, as IT has grown remarkably in importance. In 2014, JEITA conducted research on global market trends of Cyber Security and Security Equipment, paying attention to security that is increasingly important for a secure and safe society. JEITA also summarized use scenes of security equipment in the future of Tokyo using illustrations. Efforts to use and apply IT with a view to the 2020 Summer Olympics and Paralympics in Tokyo and beyond have already taken off.

In 2015 and beyond, JEITA will continue to bolster its activities by reflecting a broad base of comments and opinions from both within and outside the electronics and IT industries. We will strive to contribute not only to the growth of these industries, but also to better lifestyles for people everywhere. We will continue to report on our progress in the future with the sincere hope that information from JEITA proves to be a valuable resource.

Hisato Nagao
President
Japan Electronics and Information Technology Industries Association (JEITA)

PRODUCTION FORECASTS FOR THE GLOBAL ELECTRONICS AND INFORMATION TECHNOLOGY INDUSTRIES

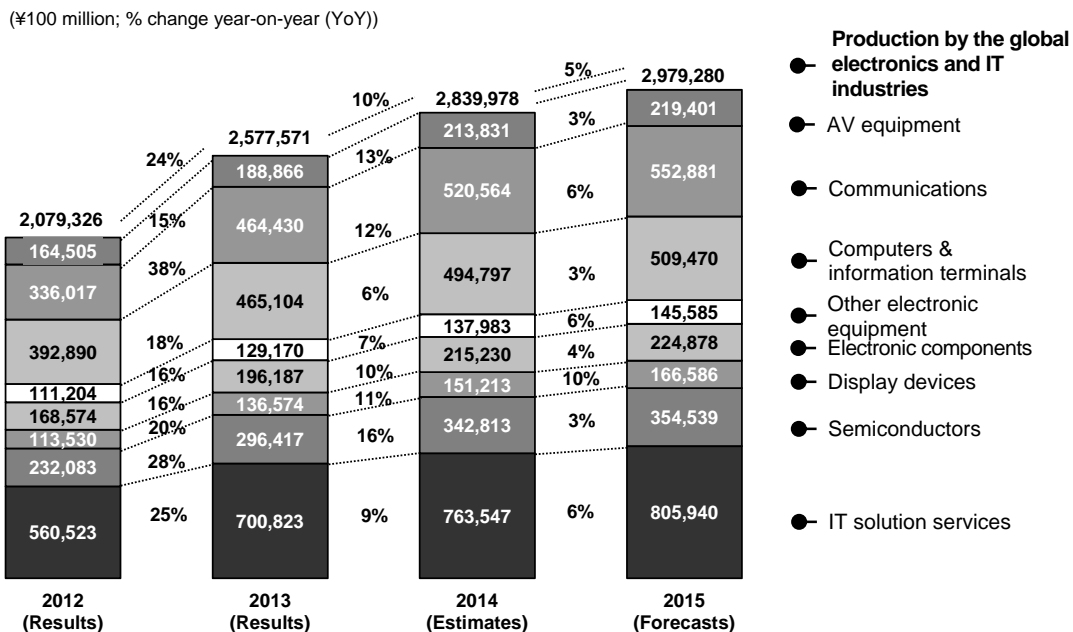
Production by the global electronics and IT industries is expected to have risen 10% year on year, to ¥283,997.8 billion (*) in 2014, reflecting a rapid expansion of the market for entrance terminals linked with the internet. In 2015, global production is forecast to grow for a fourth straight year, rising 5%, to ¥297,928.0 billion, backed by expected growth in the production of electronic components and devices that will benefit from the solid expansion of the automobile market.

*: Including the effect of changes in foreign exchange rates to the weaker yen.

In 2014, the world economy remained on a sustainable trend of moderate recovery. The U.S. economy, in particular, continued to follow a moderate recovery path against the backdrop of firm consumption due to improved employment. In emerging countries, the market for internet entrance terminals such as smartphones and tablets expanded significantly along with the development of a high-speed radio communication network, and the base for electronic components and devices was broadened, coupled with the rise of new manufacturers supported by users in meeting their needs for lower prices. In this situation, total global production by the electronics and IT industries (total of electronics industry and IT solutions and services) in 2014 is estimated to climb 10% year on year, to ¥283,997.8 billion. Of this total, production by the electronics industry (hardware, including electronic equipment, components and devices) is seen rising 11%, to ¥207,643.1 billion, increasing for the third straight year.

In 2015, the world economy is expected to see sustainable growth in the U.S. economy as well as infrastructure development and capacity expansion at plants in India and Southeast Asia, despite some concerns such as the slower growth of the Chinese economy. In Japan, the recovery is forecast to continue due to the growth strategies of the government. In the electronics and IT industries, security measures against cyber-attacks that are increasing worldwide and more aggressive IT investments will promote activities to create new value in the area of social infrastructure. In addition, since the expansion of the markets for internet entrance terminals and automobiles, where IT is progressing, will lead to a larger demand for electronic components, semiconductors and display devices, production by the global electronics and IT industries is expected to achieve a fourth straight year of growth in 2015, rising 5%.

Production by the Global Electronics and IT Industries



FORECASTS OF GLOBAL PRODUCTION BY JAPANESE COMPANIES

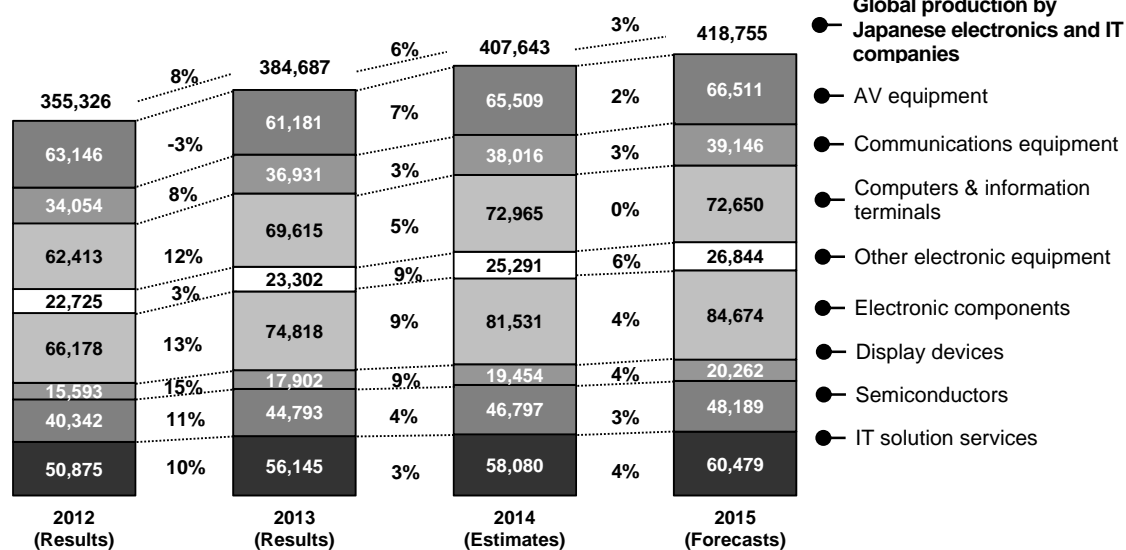
In 2014, global production by Japanese electronics and IT companies (including offshore production) appears to have increased for the second straight year, rising 6% year on year, to ¥40,764.3 billion, partly due to the benefit of exchange rates. In 2015, although global production by Japanese electronics and IT companies is expected to stay at a high level due to progress in globalization, its slower growth is a concern due to more intensified competition. However, global production by Japanese electronics and IT companies in 2015 is expected to rise 3%, to ¥41,875.5 billion, reflecting an expected rise in demand for high-performance and high-end products.

In 2014, Japanese companies posted improving operating results, owing mainly to improvement in their international competitiveness and the growth strategies of the government. Overseas, competition with manufacturers in emerging countries who went on low-price campaigns was intensified, and the spread of smartphones eroded the market for digital equipment for individuals that had been established as stand-alone products. However, since needs for products that incorporated technologies which Japanese companies are adept at due to their high reliability, high definition and energy saving came to the forefront, production by Japanese electronics and IT companies (including offshore production) in 2014 is estimated to increase 6% year on year, to ¥40,764.3 billion, partly due to the benefit of exchange rates. Of this total, electronics production is seen increasing 6%, to ¥34,956.3 billion.

In 2015, the world economy is expected to grow steadily. In IT solutions and services, firm growth is forecast, reflecting higher demand from companies due to the expansion of their IT investments. In electronic equipment, progress in trends to higher picture definition and larger screen size of flat televisions and growth in electric measuring instruments and electronic medical equipment supported by overseas demand are anticipated. Boosted by development into fields where high reliability is required in electronic components and devices, such as automobiles, medical services, railways and space and higher needs for energy-saving products in a wide range of areas, global production by the Japanese electronics and IT companies is expected to grow 3% in 2015.

Global Production by Japanese Electronics and IT Companies

(¥100 million; % change YoY)



FORECASTS OF DOMESTIC PRODUCTION BY THE JAPANESE ELECTRONICS INDUSTRY

Domestic production by the Japanese electronics industry in 2014 is expected to increase for the first time in four years, rising 3% year on year, to ¥11,839.3 billion. In 2015, domestic production by the industry is expected to show positive growth for the second straight year, climbing 2% year on year, to ¥12,121.3 billion, on the strength of an expected recovery in exports and improvement in domestic demand going forward.

The Japanese economy was hit with the headwind of slower growth after the consumption tax hike but headed for a recovery in capital investment driven mainly by replacement demand, reflecting a rebound in corporate earnings due to the weaker yen. In the Japanese electronics industry, display devices and semiconductors, which are key devices and mainstay products in exports, became a driving force for high domestic production boosted by trends towards larger screen sizes and higher screen definition of smartphones. In addition, as there are signs of improvement in exports of industrial equipment such as electric measuring instruments, domestic production by the Japanese electronics industry in 2014 is expected to have increased year on year for the first time since 2011 when production dropped due to the Great East Japan Earthquake, rising 3% year on year.

In 2015, domestic production is set to increase further, reflecting anticipated corporate earnings that are likely to remain solid due to the continuation of growth strategies by the government, coupled with the promotion of IT investments backed by the tax system to promote capital investment and other spillover effects on equipment for companies. In addition, given that exports of equipment for industries are likely to increase because of the continuation of the weaker yen, domestic production by the industry is forecast to show positive growth in 2015 and comprise 34% of total global production by Japanese companies. In particular, domestic production should remain strong for products offering high reliability and quality, such as display devices (91% manufactured in Japan), server/storage equipment (74%), semiconductors (68%), electric measuring instruments (62%), and electronic medical equipment (68%).

Domestic Production by the Japanese Electronics Industry

(¥100 million; % change YoY)

2012 (Results)		2013 (Results)		2014 (Estimates)		2015 (Forecasts)	
117,339	-2%	114,977	3%	118,393	2%	121,213	
11,336	-28%	8,155	-11%	7,267	-1%	7,224	Domestic production by the Japanese electronics industry
15,825	-15%	13,396	-2%	13,071	2%	13,392	AV equipment
12,087	0%	12,030	3%	12,416	0%	12,380	Communications equipment
12,730	-9%	11,627	8%	12,579	5%	13,248	Computers & information terminals
24,350	-5%	23,119	2%	23,561	2%	23,924	Other electronic equipment
13,409	18%	15,876	12%	17,718	4%	18,435	Electronic components
27,603	11%	30,705	4%	31,782	3%	32,612	Display devices
							Semiconductors