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# Taiwan ODD sector

DIGITIMES Research  
ICT Report – 4Q 2008

Original Chinese: Sandy Hung, DIGITIMES Research, January 2009

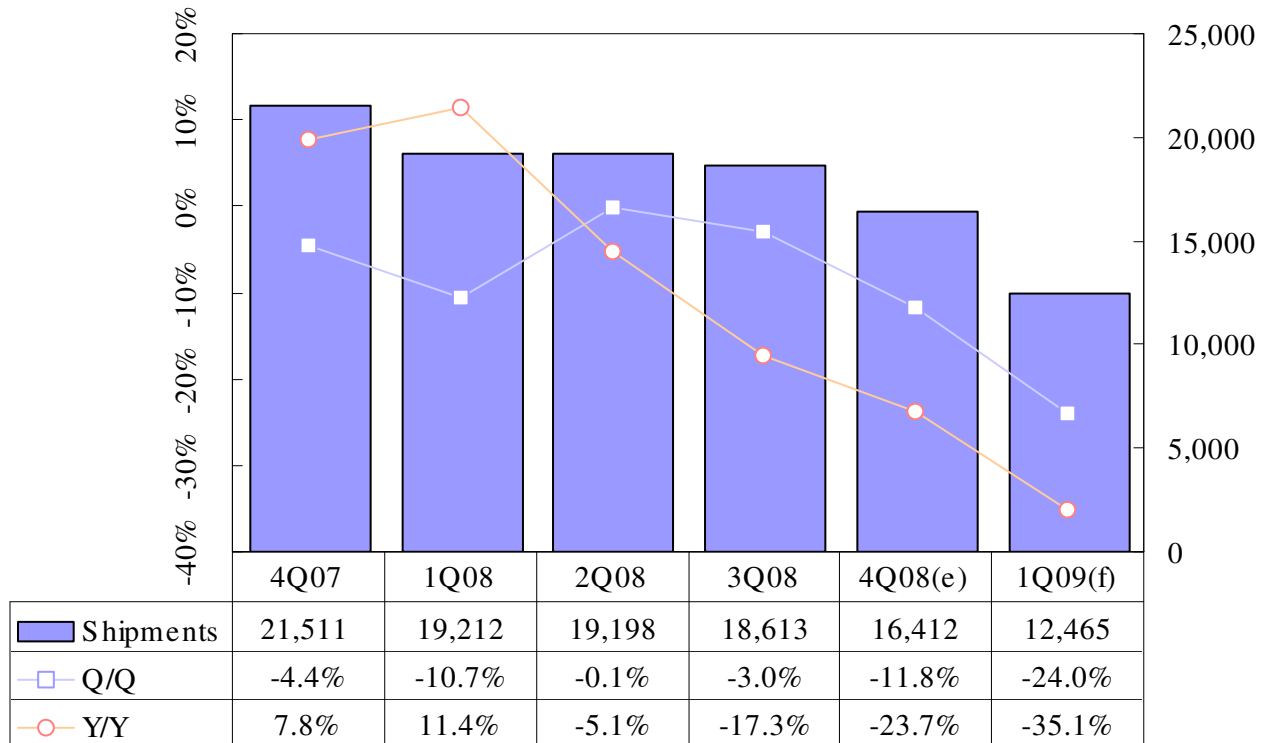
English edition: Joseph Tsai, DIGITIMES, February 2009

# Introduction

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- ✓ Taiwan shipped 16.4 million optical disc drives (ODDs) in the fourth quarter of 2008, down 11.8% sequentially and 23.7% from the same period one year earlier.
- ✓ ODD shipments will drop 24% sequentially in the first quarter of 2009, and will be down 35.1% from the same period in 2008.
- ✓ Taiwan shipped 73.4 million ODDs in 2008, representing a drop of 10% from 2007, while the global market stayed flat with growth of 1.9%.
- ✓ Taiwan accounted for 22.2% of the global ODD market in 2008 and the share is forecast to drop to 19.6% in 2009.
- ✓ *NOTE: Unless otherwise indicated, all figures and tables in this report refer to output from Taiwan makers.*

# Taiwan ODD shipments, 4Q07-1Q09 (k units)



# Industry watch (1)

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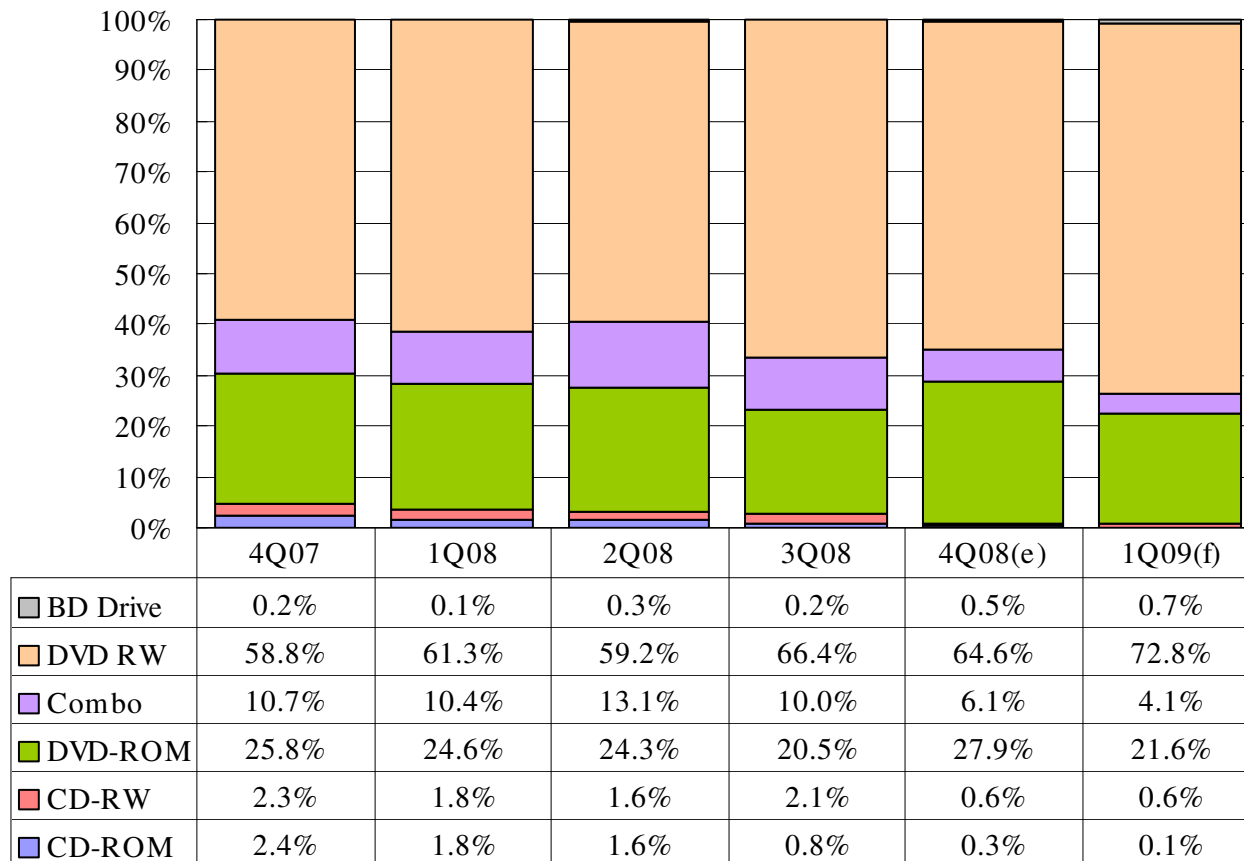
- ✓ The global economic downturn and the shrinking of the desktop market affected Taiwan's 4Q08 ODD shipments and will continue to impact the shipment in 1Q09.
- ✓ With the proportion of notebooks for global PC shipments expected to surpass desktops to reach 56% in 2009 and then continuing to gain share to reach 68% in 2011, slim ODD will become the key product that decides whether Taiwan's ODD shipments will continue to see growth in the future.
- ✓ Currently, Quanta Storage is the only Taiwan maker that has had smooth development of slim ODD and the company had an on-year shipment increase of 46% for 2008.
- ✓ Although Lite-On also produces slim ODDs, the proportion was less than 20% of the company's total ODD shipments in 2008, while the company's annual shipments in 2008 dropped 2.3% on year.
- ✓ However, Taiwan's slim ODD shipments in 2008 still saw an on-year growth of 35%.
- ✓ In 2009, Lite-On will surely face even more difficulty over its slim ODD development, which will relatively impact Taiwan's overall ODD shipments.

## Industry watch (2)

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- ✓ With Japan ODD makers slowly transferring their focus into the BD drive market, Taiwan makers' ODD shipments will benefit from their outsourcing of DVD and CD-based ODD products.
- ✓ Currently, Lite-On already has small volume of BD drives under mass production, while Quanta Storage is expected to launch its BD drive in the second quarter of this year, but since their technologies still cannot compete with the Japan makers, their BD shipments are unlikely to make a significant contribution toward Taiwan's ODD shipments in a short time.
- ✓ Digitimes Research believes that Taiwan makers will have more chance to land BD drive orders after 2012.

# Taiwan ODD shipments by type, 4Q07-1Q09

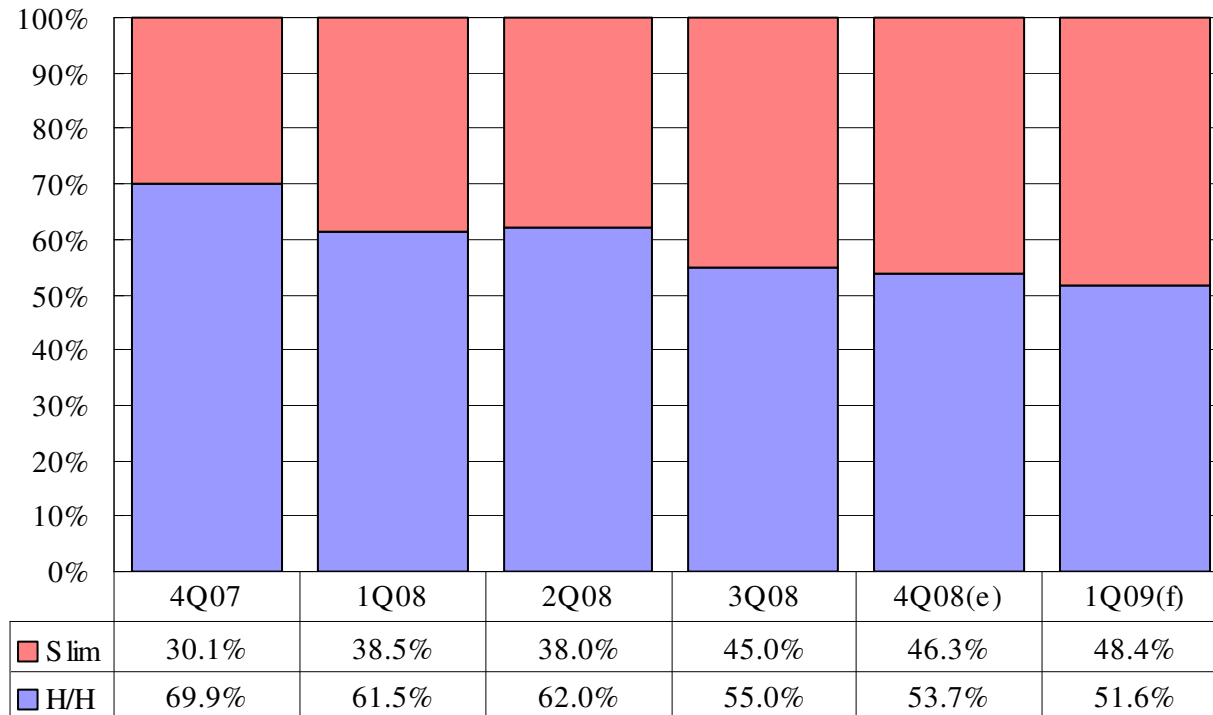


# Taiwan ODD shipments by type, 4Q07-1Q09

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- ✓ Extra orders from emerging markets plus deferred shipments from 3Q08 boosted Taiwan's DVD-ROM shipment by around 20% in 4Q08. However, CD-ROM and CD RW shipments suffered, with both segments seeing related shipments drop more than 65%.
- ✓ While segments such as CD-Rom, CD-RW and Combo saw dramatic shipment drops due to being phased out, the DVD burner segment remained the mainstream despite related shipments falling 14.1% in 4Q08.
- ✓ Taiwan's Blu-ray Disc (BD) drive shipments in 4Q08 climbed almost 150% sequentially, as notebook vendors geared up for shipments of their high-end products. However, shipments will only increase a slight 2.4% in 1Q09.
- ✓ In 1Q09, all the segments will see a sequential drop of over 20% except BD drive and DVD burner. DVD burner will see a similar sequential drop of around 14%, as it experienced in 4Q08.

# Shipments by slim and H/H, 4Q07-1Q09



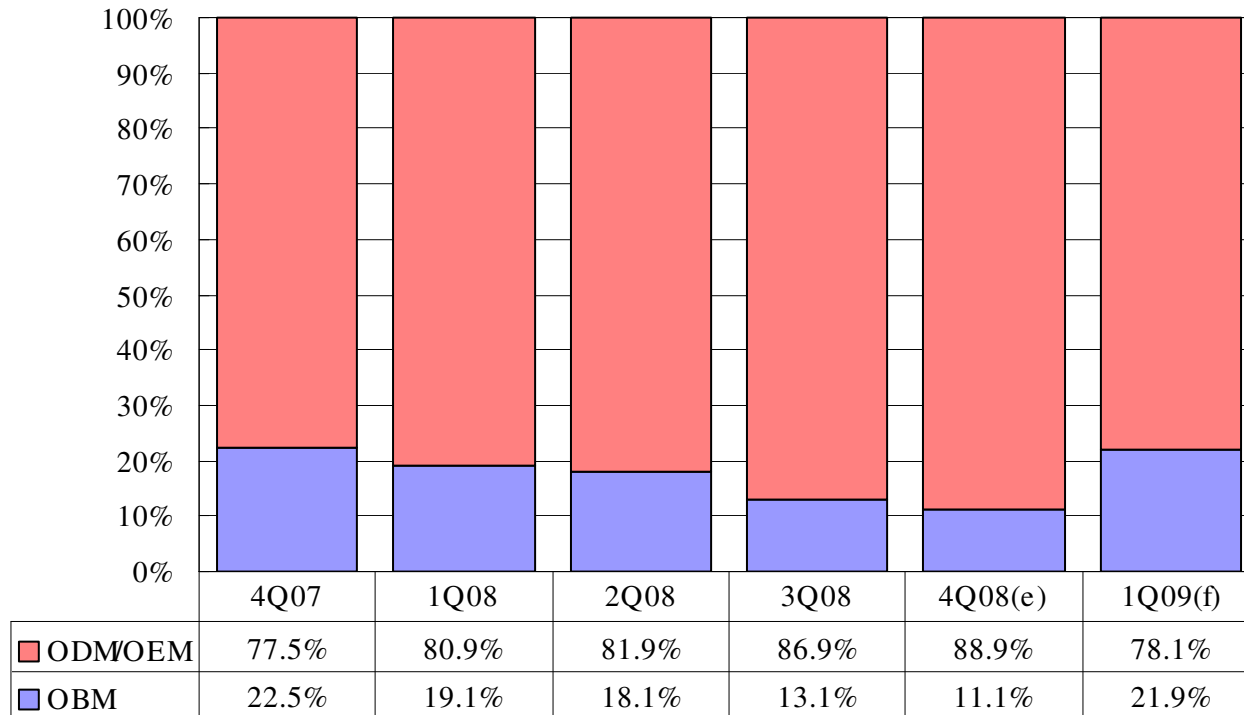


# Shipments by slim and H/H, 4Q07-1Q09

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- ✓ Both Taiwan's slim and H/H type ODD shipments saw sequential drops in 4Q08, but the drop rate of H/H type was larger than the slim type due to the shrinking desktop PC market.
- ✓ The market for H/H and slim types ODDs will become even more evenly split in 1Q09.

# Shipments by production mode, 4Q07-1Q09

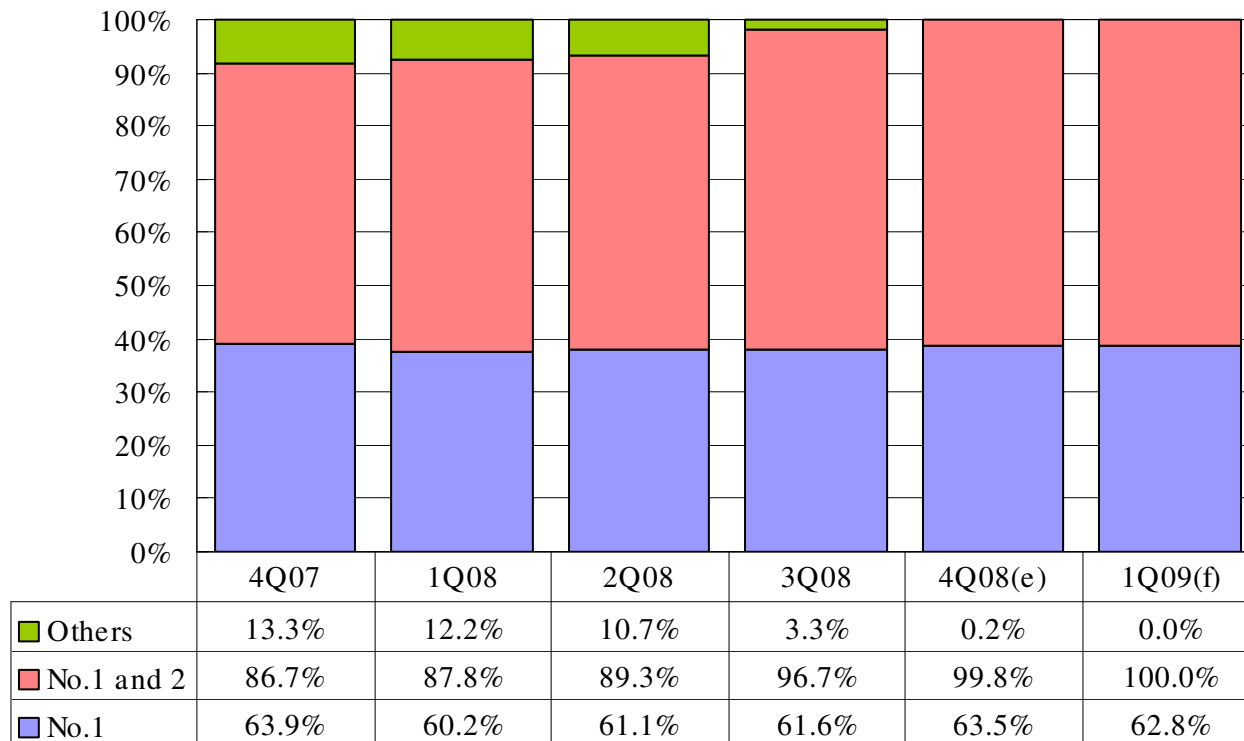


# Shipments by production mode, 4Q07-1Q09

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- ✓ Taiwan lost much of its OBM share in the latter half of 2008 as Asustek phased out production of its own drives.
- ✓ However, with Lite-On's new strategy of dedicating some of its ODM/OEM capacity to making own-brand products in 1Q09, the shipment proportion for the OBM segment will rebound.

# Taiwan ODD shipments by maker tier, 4Q07-1Q09

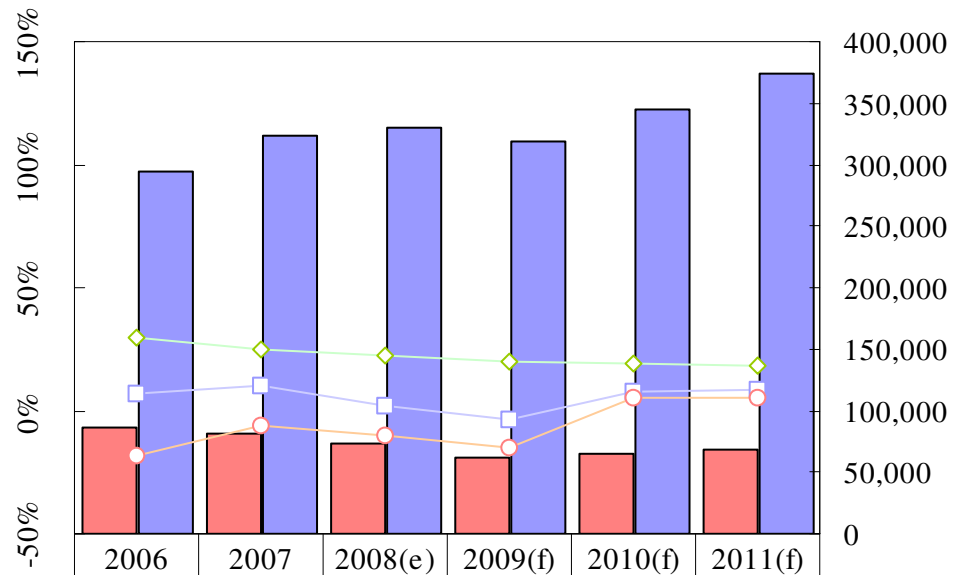


# Taiwan ODD shipments by maker tier, 4Q07-1Q09

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- ✓ The top-two makers had close to all of Taiwan's ODD shipments in 4Q08, as Asustek exited the market as a producer of drives.
- ✓ In 1Q09, with Asustek's leftover ODD shipments gone, Taiwan's ODD market will be completely dominated by Lite-On and Quanta Storage as the number one and number two maker.

# Taiwan and worldwide ODD shipments, 2006-2011 (k units)



Worldwide shipments	294,125	324,304	330,479	318,459	344,346	373,762
Taiwan shipments	86,718	81,508	73,374	62,368	65,486	68,761
Worldwide growth	6.8%	10.3%	1.9%	-3.6%	8.1%	8.5%
Taiwan growth	-18.7%	-6.0%	-10.0%	-15.0%	5.0%	5.0%
Taiwan market share	29.5%	25.1%	22.2%	19.6%	19.0%	18.4%

# Taiwan and worldwide ODD shipments, 2006-2011 (k units)

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- ✓ Both global and Taiwan's ODD shipments will drop on-year in 2009, as the PC market will suffer from a weakened global economy.
- ✓ However, the volume will start picking up after 2010 with stable growth of 8% for global shipments and 5% for Taiwan shipments, as the PC market will rebound and more customers will seek to adopt Blu-ray drives.