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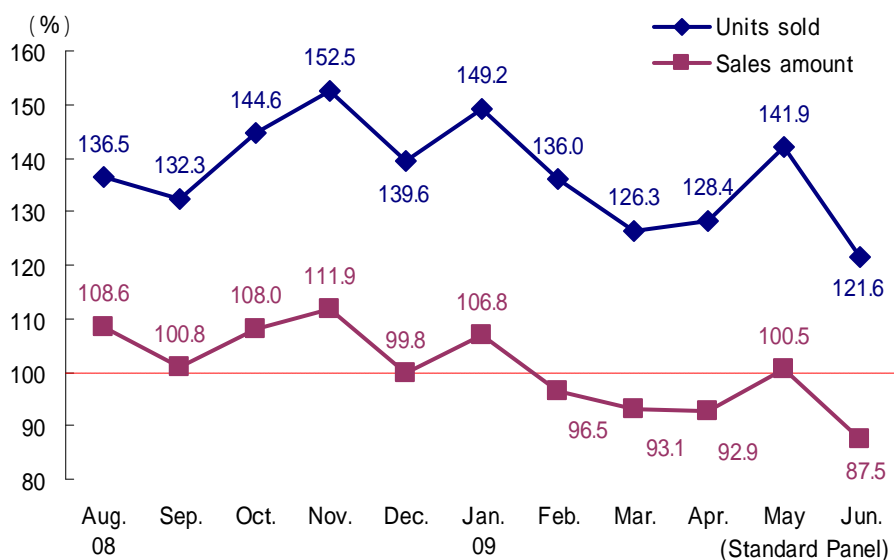
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Laptop PC sales amount has a double-digit decline – netbooks are gaining power and changing the market structure. By June 2009, laptop PCs units sold is up 21.6%, but sales amount is down 12.5% compared to the same month in the previous year

In June 2009, the sales amount of laptop PCs in Japan only reached 87.5% of the level of the sales amount from June 2008, which means a double-digit decline of 12.5% compared to the year before. We discovered this trend by looking at the *BCN Ranking*, which gathers POS data from major national retailers.

The units sold of laptop PCs continued its increasing trend in June and was up 21.6% compared to the same month of the previous year. Although the rate has slowed down a little, the increase is going on at a steady pace. The main reason for this development is the increasing popularity of low-priced netbooks. Netbooks already occupy more than 30% of units sold share of laptop PCs, a figure that shows netbooks are becoming more established in the laptop PC market. However, as a side effect, the average price of laptop PCs is declining – looking at the laptop PC market as a whole, we can see that even if units sold increases, the sales amount has declined. In June 2009, the prices for laptop PCs fell below the previous year's month level for the fourth time this year. When we look back at the past three years, we can see that the sales amount in June 2009 is at the lowest level due to the fact that electronics makers are currently expected to enter the netbook business more powerfully. The structure of the laptop PC market has started to undergo a significant change.

Fig. 1 Transition of the laptop PC market compared with the month of the previous year



Units sold is on top, sales amount is a flop

Netbooks became popular in August 2008 and helped increase the units sold of laptop PCs to 36.5%. This led to a steady increase of units sold that exceeded the previous year by 30%. At its peak in November 2008, the units sold reached 52.2%. However, from December 2008 onwards, we can see a decline – although the units sold rate recovered in May 2009, when it was at 41.9%, it slowed down again in June and is now stagnating at 21.6%, not able to hold its former level of 30% or more.

On the other hand, the sales amount rate had originally been developing at a much slower pace. Even in November 2008, when the rate of units sold was at its peak, the sales amount rate had only been 11.9%. Since the 2008 year end sales campaigns, it has become necessary that the rate of units sold increases 40% or more in order to help the decreasing sales amount. In other words, whenever the rate of units sold falls below 40% there will be a negative sales amount compared to the year before. Therefore, when the rate of units sold fell to 21.6% in June 2009, the sales amount had a double-digit decline compared to June 2008.

Looking back on the past three years and setting June 2006 as an index of 1.0, we can see that when comparing the index numbers for June of each year, the units sold index for June 2009 is at its highest level (1.5), while the index for sales amount is at its lowest level (0.9).

Fig. 2 Index of laptop PC units sold

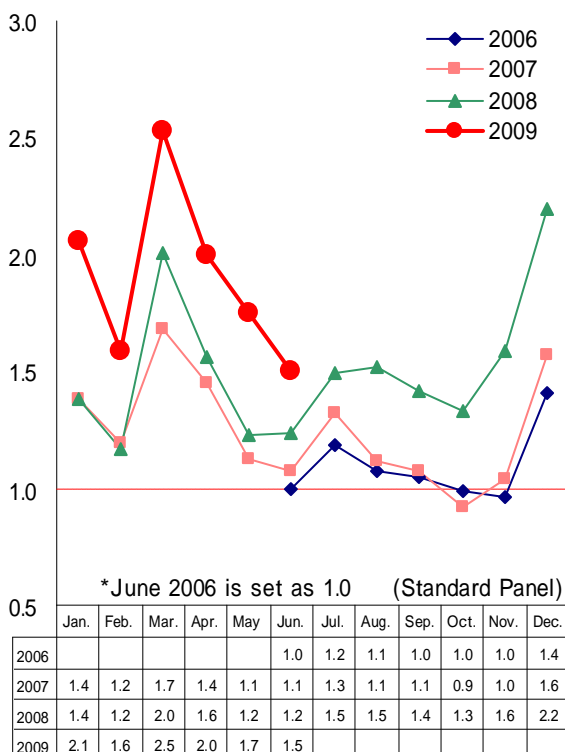
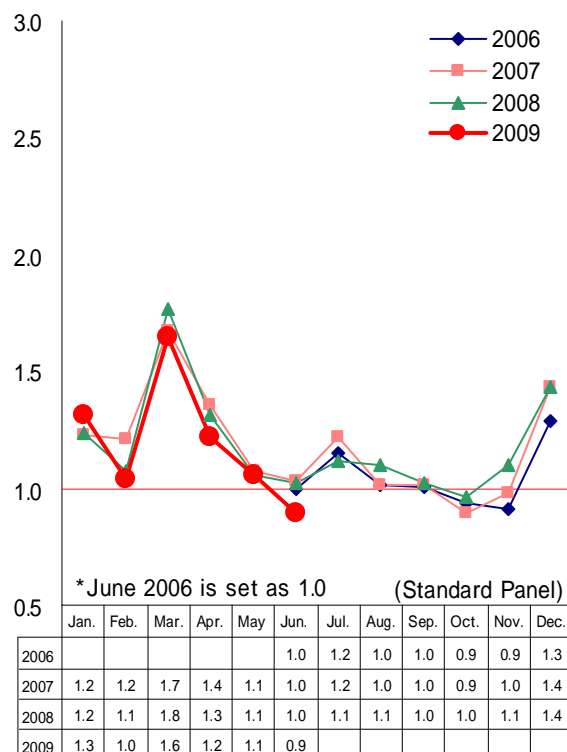


Fig. 3 Index of laptop PC sales amount



The reason is the change of structure in the laptop PC market accompanied by a fall in prices

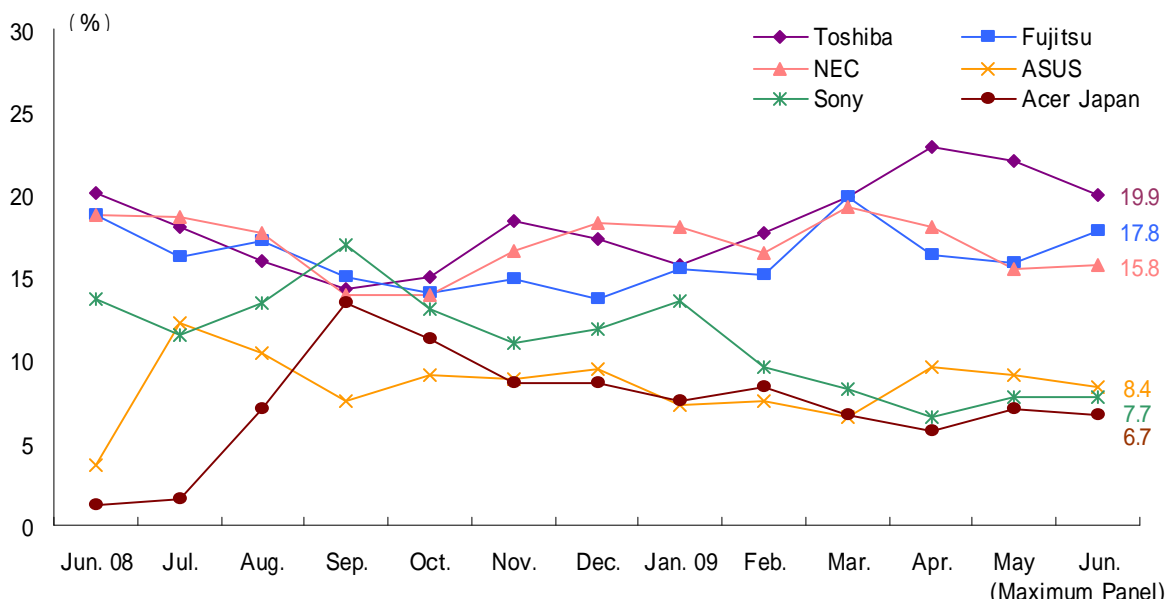
Since being introduced into the Japanese market in January 2008, netbooks succeeded in reaching a current share of 33.1% of laptop PC units sold. However, the average price (excluding tax) has fallen 25% during the last twelve months and is now at ¥41,500. The standard type laptop PC still maintains a 64.9% share and remains the most popular type of laptop PCs whenever the price decline is the same. The average price for standard type laptop PCs went down 12% during the last year and is now at

¥ 101,600 (excluding tax). In conclusion, we can say that the expansion of low-priced netbooks combined with the falling prices of standard type laptop PCs are the reasons why the sales amount of laptop PCs could not reach the same level of the previous year.

The change in market structure also influences the issue of which makers are stronger in the field of laptop PCs in Japan. Toshiba, Fujitsu and NEC still occupy the top three spots, but in the fourth spot is Taiwanese maker ASUSTeK Computer. ASUS holds the fourth place with a share of 8.4%, leaving Sony (7.7%) and Acer Japan (6.7%) behind.

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Fig. 4 Share of units sold of major PC makers



How will the release of Windows 7 influence further development?

As we have seen, the increase of netbooks is about to change the structure of the laptop PC market remarkably. However, until 2008, Japanese PC makers had been timid about taking part in the netbook business, but now the hesitation is over. With Toshiba leading the way, NEC and Fujitsu have also started selling netbooks, and Sony announced they are also planning to step into the netbook market more actively. Among the Japanese PC makers, Toshiba could increase its share rapidly – up to 15.3% in June 2009 with ASUS and Acer Japan behind the top three makers based on units sold of netbooks. The question PC makers have to solve now is how to keep making a profit as prices for laptop PCs are declining.

A starting point will be the upcoming release of Windows 7 by Microsoft in October that contains a special version for netbooks. The operating systems will also fully respond to the needs of netbooks. Nevertheless, this does not mean that netbooks will take over the whole market, but there is no doubt that in the future we will have a coexistence of netbooks and highly specified standard type laptop PCs in the market. How can users be convinced of the advantages of highly specified machines offered now when

News Release



everybody is looking at the low-priced notebooks? It seems that 2009 will be an extremely important year for the future development of the Japanese laptop PC market.

At BCN we define “netbook” as “a laptop PC which has a monitor size of 12.1 inches or less, and uses a low-voltage-type CPU such as Intel Atom”.

BCN gathers the daily Point of Sale (POS) data from 22 home electronics retailers (Amazon Japan, Eiden, Otsuka Corporation, GoodWill, K's Holdings, Thirdwave, Sakuraya, 3Q Group, Joshin Denki, Stream, 7dream.com, Sofmap, ZOA, T·Zone Strategy, Deodeo, BicCamera, PC Depot Corporation, Best Denki, Midori Denka, Murauchi.com, Unitcom and Laox) everyday. This data is used to provide the BCN Rankings and news releases about market trends.*

**The number of companies mentioned above includes companies contracted to supply data for us.*