



SCM: MARKET TREND UPDATE REPORT

Quarter 2, 2011



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Note:

- *The content of this Q2 2011 release is subject to change due to the tragic set of events that have taken place in Japan. Refer to the attached letter. Thank you.*



Market Trends Summary



| Commodity | Supply | Price | Stability |
|----------------------|-----------|-----------|-----------|
| Custom CCAs | Orange | Orange | Green |
| Wire / Cable - COTS | Green | Orange | Green |
| - Custom | Green | Orange | Green |
| Drives - HD | See Slide | See Slide | Green |
| - CD / DVD | Green | Orange | Green |
| COTS Mother Boards | Green | Orange | Green |
| Memory - DRAM | Green | Red | Green |
| - Flash | Green | Orange | Green |
| Embedded CPUs | Green | Orange | Green |
| Packaging-End Caps | Green | Red | Green |
| Packaging--Boxes | Green | Red | Green |
| Displays | Green | Orange | Red |
| Chassis / Cases w/PS | Green | Red | Red |
| Sheet Metal Fabs | Green | Orange | Green |
| Plastic Molding | Green | Orange | Green |
| Extrusions | Green | Orange | Green |
| Machining | Green | Orange | Green |
| | | | |
| | | | |

Legend:

| | Supply | Price | Stability |
|--------|----------------|----------|-----------------------|
| Red | Allocation | Increase | Exit Market |
| Orange | L/T Increase | Flat | Churn / Consolidation |
| Green | No Constraints | Decrease | Stable |

Green - No foreseen issues to occur with supply, prices are expected to decrease and market looks to be stable during the next quarter.

Orange - Product lead times could increase, pricing is flat and that there is some potential mfg churn / consolidation taking place during the next quarter.

Red - Product is expected to be on allocation, pricing to increase and product manufacturers are expected to exit the market during the quarter.

■ Supply

- Active and Passive component lead times remain at 26+ weeks.
- Texas Instrument component lead times remain at 26-99 weeks.

■ Price

- Pricing stable.

■ Stability

- Market stable.



■ DTx Actions

- Continue to monitor price trends and lead-times on electronic components, boards and factory materials by getting monthly updates from the supplier.
- Work with our suppliers by providing visibility through forecasted demand. Maintain blanket PO's wherever possible. Discuss risk mitigation strategies with Program Managers including authorization to secure long lead components against forecasted demand.



■ Supply

- Lead-times remain at 1-2 weeks with the suppliers. There are currently no constraints for cots cables.

■ Price

- Pricing is stable.

■ Stability

- Product supply remains strong. We have multiple suppliers on the approved component listing for cots cable.



■ Supply

- Lead times are currently 2 to 3 weeks on production order depending on complexity.

■ Price

- Pricing is stable.

■ Stability

- Stable market conditions.



- **Supply**

- 160GB, 250GB and 500GB are in good supply with Seagate, WD, Hitachi and Toshiba. Hitachi now has a 7mm Mobile Drive.
- Suppliers are focused on higher profit capacity drives (3.5TB drives are shipping now).

- **Supply**

- 1TB desktop are on allocation. Lead times running 6-8 weeks.
- 10K and 15K SAS products are on allocation. Lead times running 8-12 weeks.
- Allocation issues are a result of high market demand.

Note: (Currently DTx is not using any 1TB/10K/15K SAS products in current production assys.

- **Price**

- 500G and 250G Drives-Pricing stable.





- **Price**

- 1TB Hitachi is increasing due to allocation \$3-4 (OF10383)

Note: (Currently DTx is not using any 1TB/10K/15K SAS products in current production assys.)

- **Stability**

- Stable with solid movement and demand for Q2. Western Digital announced the acquisition of Hitachi. Acquisition will not be complete for 6-12 months. At this time it is undetermined what impact this will have on products and pricing that WD will continue to sell of the Hitachi lines.

- **DTX Action Plan**

- Monitor lead-times and pricing info with supply base on a monthly basis.



■ Supply

- Demand is high, but product supply is stable. No current shortage issues. Lead time running 60-90 days. Currently DTx forecasts Teac products through our consignment program eliminating full lead time.

■ Price

- Stable

■ Stability

- Teac will transition to new versions of the drives for DVDRW to DVW524GSB series. Product life has been extended thru Q3/Q4 2011. Replacement samples will be available in Q3-2011. Technology is stable and BluRay is slow to adopt due to pricing/volume.



■ Supply

- Lead times remain at 10-12 weeks. Currently DTx forecasts motherboard products through our consignment program eliminating full lead time.
- Intel announcing new Desktop board with the Focus SKU's being DP67BG, DH67BL, DP67DE and DP67BA. USB 3.0/SATA 6.

■ Price

- Pricing stable.

■ Stability

- Stable Market Conditions.



Memory-DRAM (DDR1-3)



■ Supply

- DRAM is in good supply across all segments DDR1, DDR2, DDR3.
- Lead times remain at 2 weeks on most products.

■ Price

- DDR3 pricing has gone up approx 20%, mostly due to the Chinese New Year and demand exceeding supply. Pricing is forecasted to uptrend in Q2 due to strong OEM demand.
- DDR1/DDR2 pricing is currently flat, but could see increases towards the end of Q2 as more customers move to DDR3 and production is cut on DDR1/DDR2. Currently it is hard to predict if this will happen or what the final increases may be. Could be 10-20%.

■ Stability

- Market is stable. Strong demand for smart phones and tablet PC are expected to double mobile DRAM demand year over year.





■ DTx Action Plan

- Continue to monitor lead time, price trends and EOL on memory products thru weekly meetings with Preferred and Strategic Partners and communicate significant changes to PM's.
- Continue to work with sales and supply base to mitigate any potential price increases through forecasting thru consignment and bulk buys.
- Work with engineering to second source memory products and transition to new technology where we are using legacy (Ex. DDR1 when we should be looking at DDR2/DDR3).



■ Supply

- SSD lead time is now 2-4 weeks.
- New roadmaps from Intel, WD and Micron all have new parts coming out in March through June timeframe. Focus is on speed and higher capacities.

■ Price

- Pricing is relatively stable. Still a 2x-3x gap between MLC and SLC on entry point capacities (32GB and 64GB). 4x-5x gap in higher capacities between MLC and SLC.

■ Stability

- Stable. Expected growth in SSD's over the next quarters.



■ Supply

- Intel standard lead times run 3-7 weeks. DTx submits weekly forecasts on CPU products to keep continued supply in the pipe. Forecasting reduces lead times and provides awareness to the mfg's on expected consumption of CPU products.
- Embedded products carry a 7 year lifecycle. Recommendation is to focus on designing in embedded parts as opposed to boxed sku's when possible. Intel makes no assurance on supply of boxed sku's. Typically boxed sku's are around for only 12-18 months.

■ Price

- Price is stable on Embedded CPU's.

■ Stability

- Market is stable and showing signs of growth and higher demand.

■ Supply

- Lead times remain at 2-3 weeks. Delivery remains stable as long as the demand is forecasted and orders are placed within current lead time.

■ Price

- Polyethylene prices could increase in Q2 2011 because of raw material shortages (resin, blowing agents. These increases are being driven as a result of increasing oil prices) and increased demand. We could possibly see prices increase by 8-10% over next 3 months. Estimated increase at this time. Last increase was announced in Q3 2010 and took affect in Q4 2010 and has remained stable thru Q1 2011.

■ Stability

- Suppliers of finished foam material are stable with no expected consolidation. There are 2 major suppliers of PE foam in the US.





■ **DTx Actions**

- Continue to monitor price trends and lead-times on end cap material through monthly meetings with suppliers.
- Negotiate long term blanket orders whenever possible to lock in the price. (Blankets were put in place beginning of 2011 for 12 month period).



■ Supply

- Lead times remain at 2-3 weeks. Delivery remains stable as long as the demand is forecasted and orders are placed within current lead time.

■ Price

- Prices are stable, but concerns over increased energy costs tied to oil may cause unexpected increases. At this time there are no announced increases and uncertain how this will affect pricing in Q2 currently.

■ Stability

- Market conditions are stable. There are many different types of producers based on the volume, type and style of the product





■ **DTx Actions**

- Continue to monitor price trends and lead-times on corrugated material material through monthly meetings with suppliers.
- Negotiate long term blanket orders whenever possible to lock in the price. (Blankets were put in place beginning of 2011 for 12 month period).



■ Supply

- Lead times remain between 12-18 weeks depending on the product. Currently DTX has VMI agreements in place with some of our Display vendors which eliminates orders being placed with the full lead time. This has created a pipeline effect where we have a constant intake of displays

■ Price

- Stable



- **Stability**

- The LCD market is moving to LED back-lights. Stanley and Harris, the world's largest manufacturers of CCFLs have exited the market. This is not affecting current pricing provided to DTx currently. In regards to the current devastation that has taken place in Japan, it is entirely too soon to speculate on how the Earthquake and Tsunami will affect the overall supply chain. The product that DTx currently purchases is sourced from Taipei which did not suffer from the events in Japan.

- **DTx Actions**

- Work with engineering to schedule roadmap meetings for new product offering's.



■ Supply

- Lead times for Chassis components such as power supplies, fans and heat sinks remain up to 12 weeks. Currently DTx forecasts chassis products with supply base eliminating full lead time.

■ Price

- Prices are expected to rise for commodities and well as for freight. This is compounded by the weakness in the US dollar making imported items generally more expensive in the US. The situation in Japan may have an impact on the cost of steel as most of the chassis vendors use Japanese sourced steel. The impact of this is not yet known.



Chassis / Cases (Continued)



■ **Stability**

- Systium announced the EOL of their 545 series chassis products. The series was well over 10 years old and has simply become worn out. LTB's are due 3/31/2011 and product can be schedule thru 3/31/2012.
 - Market is stable. With regard to larger tower cases, there has been a general forecast for decline in this form factor for several years. However, chassis suppliers are finding resistance in some markets to switch to smaller chassis to include, government, education and medical. They have an investment in physical packaging for this size of chassis and therefore do not want to switch. Systium had expected their customers to switch from C series chassis to a smaller Z chassis or even smaller options. Due to customer demand they are not approving more motherboards in the C chassis than the smaller chassis options.
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Chassis / Cases (Continued)



- **DTx Actions**

- Work with engineering to schedule roadmap meetings for new product offering's.
- Continue to work with suppliers to review lead time's and pricing on products and mitigate any potential price increases whenever possible with Blanket purchases.



■ Supply

- Lead times for Sheet Metal Fabrication, with no secondary operations are 3 weeks. Complex designs, chassis, display cases which also have several secondary operations have 8 week lead times.

■ Price

- Pricing is stable.

■ Stability

- Stable market conditions.



■ Supply

- Lead time on existing plastic parts sourced in Asia is 10 weeks including the Ocean freight time.
- Lead time on new parts that require new tooling requires a min. of 16 weeks, longer LT's may be required depending on the complexity of the item.

■ Price

- Stable pricing is anticipated for Q2.

■ Stability

- Stable market conditions.



■ Supply

- Lead times on extrusions are a reliable 9 weeks.

■ Price

- Pricing is stable.

■ Stability

- Stable market conditions.



■ Supply

- Lead times are currently 4-6 weeks depending on the complexity of the part.

■ Price

- Pricing is stable.

■ Stability

- Stable market conditions.





March 30, 2011

Dear Customer:

The world continues to watch the results of the deadly earthquake and tsunami in Japan which has certainly become one of the most tragic set of events in recent history. Our thoughts and prayers are with the people of Japan as we are sure yours are.

As the crisis continues to unfold, there will undoubtedly be difficulties on the supply chain related to our industry. DTx is in constant contact with those sources of our supply chain that may have been affected to obtain both the short and long term impact, if any.

Although subject to change, DTx's current understanding of the situation that we face is as follows:

- Both Custom and COTS Circuit Card Assemblies – No immediate production or supply impact as most sources of the fabrications are located in Taiwan and China. Passive components also show no signs of disruption. Intel has communicated their ESPD Server Boards will be affected due to damage at the power supply manufacturers, mainly voltage regulators that are within the power supplies. Plants are experiencing rolling blackouts, probability for shortages and price increases exist.
- Memory Suppliers – No immediate impact but we anticipate there will be possible delays in logistics and distribution during the near term. Through our Consignment Program and frequent supplier forecasting models, DTx is prepared to support all firm planned releases for our customers. Response time on supporting unplanned or new requirements may be delayed due to the severe power outages and conservation however, production capacity and pricing of memory suppliers may also be affected in the near term.
- Indirect Memory Suppliers – Near term production impact is expected in areas such as raw wafer supply. We understand that upwards of 25% of the raw Silicone wafers come from Northern Japan.
- Drives – Mobile (2.5”) and Single Platter Desktop drives are affected due to the glass and aluminum manufacturing plants being damaged. 500GB Desktop Media suppliers are experiencing rolling blackouts and power outages. Drive Motor plants were also damaged. Hitachi's Panther line is EOL immediately. Hitachi is already communicating price increases due to shortages of supply.
- Displays – Significant impact on NEC, Sharp and Optrex. The Toshiba display plant was also damaged and lead-times are out to 40 weeks. More long term affects are expected. Stepper manufacturer was damaged. 90 day lead-times have increased to 180 days due to component shortages and rolling blackouts. AUO has communicated a concern regarding the component manufacturers and is recommending customers to prepare their inventories for expected supply chain disruptions.
- Both Custom and COTS Wire and Harness Cable Assemblies – No immediate production or supply impact as most sources of the fabrications are located in Taiwan and China.
- Embedded CPU - No immediate production or supply impact.

It is still very early in the evaluation stage of this tragic event to determine the full impact. We continue to monitor the situation closely and will provide updates as new and relevant information becomes available.

Sincerely,

DTx Inc.
Executive & Supply Chain
Management Teams