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IC INSIGHTS ISSUES INVENTORY BUILD "ALERT" FOR CONSUMER IC SEGMENT
Computer and Wireless IC Unit Shipments and Inventories Appear Under Control

Scottsdale, Arizona --- October 12, 2005 --- IC Insights has identified an inventory spike in the application specific consumer segment of the IC market. In late August, IC Insights identified what it believed was the start of a possible total IC unit inventory build-up in 3Q05. With additional 3Q05 data now available, there is little doubt that producers of consumer electronic systems are beginning to accumulate a significant amount of IC inventory.

Using IC Insights' estimate for 3Q05, Figure 1 shows the tremendous surge in application specific consumer IC unit shipment growth expected to occur in 3Q05. The application specific consumer IC category includes analog, special purpose logic, standard cells/PLDs, MCUs, and DSPs. However, most of the inventory accumulation in 3Q05 is due to application specific analog and special purpose logic devices, which comprise 85 percent of application specific consumer unit shipments.

As shown in Figure 1, 3Q05's total application specific consumer unit volume spike is expected to be much greater than was displayed during the best unit growth quarters of 2003 (e.g., 3Q03) and even the boom year of 2004 (e.g., 2Q04)! With 3Q05 application specific computer and wireless IC unit shipments forecast to register only moderate increases, it appears the IC unit inventory build is focused on the consumer segment.

Application specific analog IC unit shipments are forecast to set an all-time record in 3Q05, ending at a level 25 percent greater than the previous record high reached in 3Q04. Moreover, the expected 42 percent jump in 3Q05/2Q05 consumer analog unit shipments would be significantly greater than the largest quarterly increase registered in the boom year of 2004 (26 percent in 2Q04/1Q04).

The extraordinary jump expected for consumer application specific IC unit shipments in 3Q05 is not entirely due to the analog segment. Application specific consumer logic unit shipments are

also forecast to spike in 3Q05, by almost 50 percent! For comparison, the highest quarterly increase in unit shipments in this segment in 2004 was only 17 percent (2Q04). Similar to the consumer analog segment, 3Q05 consumer logic unit shipments are expected to set an all-time record, 27 percent greater than the previous high set in 2Q04.

Application Specific IC Unit Shipment Increases

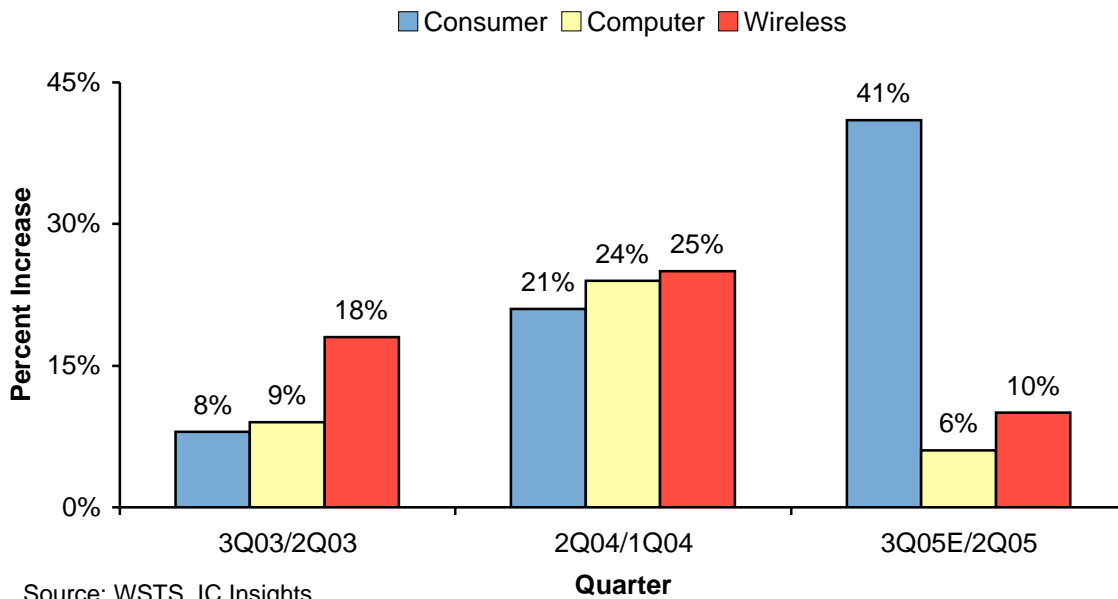


Figure 1

IC Insights realizes that there are seasonal factors that play a role in quarterly IC unit volume shipments. This is especially true with consumer IC units before the fourth quarter holiday season. Obviously, consumer electronic system manufacturers are planning and ordering IC components in 3Q05 with expectations of a great 4Q05 holiday season. However, given the record levels of 3Q05 shipment rates for application specific consumer ICs, a great holiday season for consumer electronics sales may not be quite good enough, and a poor holiday season could result in a real disaster, for suppliers of consumer-related ICs.

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the integrated circuit industry. Founded in 1997, IC Insights offers coverage of global economic trends, the IC market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs. For more information, contact +1-480-348-1133 or info@icinsights.com, or visit www.icinsights.com.