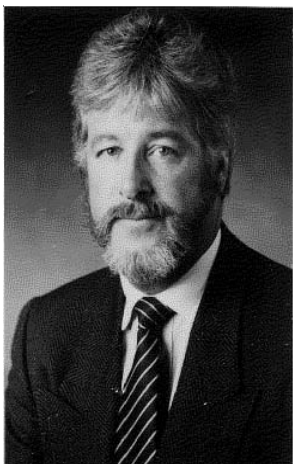


ASIA

Google making overseas ad push

Google is a six year old search engine company based in Mountain View, California. They just announced in the beginning of the year their plans to go public. Google is the most popular search engine in most countries with 96 websites



Daniel W. Roberts
President

and in 97 different languages. Google is trying to be available nationally as well as internationally and trying to remain competitive. Since they do not have much experience doing business internationally, there are worries of being successful. Google has opened 10 offices in foreign countries in less than three years. Yahoo is one of their largest competitors. They are very close in competition when it comes to Europe, but Asia is still an open playing field. They face obstacles such as being shut down by Chinese authorities or

having to make their search engine user friendly for foreigners to type in Asian characters without being tedious.

Sales in revenue for last year was up to 29 percent for the first quarter of this year compared to 26 percent last year. There is optimism that this number should continue to grow. Currently search engines are a United States based business. However, online advertising has started to taper off in the United States, while foreign investment has been going up. Like other search engines, Google makes a majority of their business via advertisement placements next to search results.

In an effort to secure a position in China, Google has invested \$10 million in China's largest search engine Baidu. Baidu means "hundred times" in Chinese. Google will run into cultural differences. One example is how users may type Asian characters on their computer into the query box; which

can be quite inconvenient. Marketing will be the biggest challenge for the company. Yahoo has been in the market much earlier and gained recognition. Google is still not known by many in less populated areas. Yahoo's translation of their name also stands out with the meaning of "elegant tiger". China's Internet portal Sohu means "search fox". Google's name has no meaning.

China's online advertisement revenue is still small and expected to grow. Only 6 percent of China is online at the moment. Their online ad revenue is currently growing 50 percent a year. They have been times when Google ran into some impediments with Chinese authorities. Google was shut down in September 2002 by Beijing due to differences in public opinion on issues such as Tibet and Taiwan. The Chinese authorities tend to control public opinion. After the public protested, the government eased up on their stands. Beijing is backing Zhongsour.com, a local search engine, which is also backed by China's three domestic internet portals Sina, Sohu and NetEase. Sohu is also launching their own search technology in July.

Google started to have a feature that allowed advertisers to list ads next to Chinese search results in February. But because Google does not have offices, employees or a license to do business in China, they have not been able to track the millions of revenue they have generated.

In Japan, Google did business with Yahoo Japan via paid listings, a form of text advertising. However Yahoo recently switched to use Overture, a subsidiary of Yahoo. In Europe, Yahoo and Google are very close in competition. Yahoo Overture obtained business with the United Kingdom's Freeserve, their largest Internet service provider. Germany's T-Online, their premier Internet portal was using Yahoo Overture, and in turn switched to Google for paid listings.

Companies	Page
Acologix	2
Environmental Impact Assessment Law	2
Google	1
NetEase (NTESF)	1
Registration Evaluation & Authorization of Chemicals	2
Sina (SINA)	1
Sohu (SOHU)	1
T-Online (TOLEF)	1
Yahoo (YHOO)	1

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Yahoo has since brought T-Online to court for breaching their contract. Although Yahoo has created business relationships with many Internet providers, many still switch to Google for search purposes.

The United States has the largest search related ad market. Last year there was \$200 million in international market search revenues, and there is expectation that this will grow to \$1.9 billion in 2007.

JAPAN

Acologix raises \$40M

Emeryville based Acologix Inc. began in 1992 and is currently working on developing an osteoporosis drug. The company has just raised another \$40 million in venture capital from Japan through Nomura Securities Co. Ltd.. Since Acologix's inception, they have raised \$4 million in revenue by being an adviser for other biotech firms on business and pharmaceutical development. The company's leading AC-100 experimental drug is in mid phase; it helps new bone growth and dental tissue regeneration caused by symptoms such as osteoporosis. Another drug the company is developing will be tested on humans in 2006 to stop the delay of development of kidney disease.

Acologix's CEO, Yoshi Kumagai, now has the option to list his company on the Nasdaq or Japanese stock market if they go public because they are being funded by a Japanese venture capital firm. A majority of their second round of investments has come from Japanese investors. Kumagai saw Japan to have a good investment market for biotech. Acologix's first round of funding, \$7.5 million in 2000, came from around the world. The Japanese see the biotech sector as a good investment for the Nikkei market.

The United States has the largest pharmaceutical market, with Japan right behind. Japan is smaller than the United States geographically, but their presence is increasing in the biotech market. There are 129 biotech companies on the Nasdaq Biotech index compared to Japan's 10 companies on the Japanese market. This number should increase for Japan. Japan's 2001 sales in the biotech industry was \$11 billion. There is less venture capital funding in Japan also. In 2002, Japan had \$400 million in biotech investments compared to the United States's \$2.7 billion. Japan's venture capital investments in all industries combined did go down from \$4.16 billion to \$1.46 billion in 2002.

EUROPE AND CHINA

Environmental policy tricky in global economy

Companies trying to outsource their business operations to foreign countries are facing more stringent restrictions compared to the past. Businesses in Silicon Valley are feeling the affects. Regulatory issues for both sales and manufacturing of products are affecting businesses in the United States. The United States were the ones to set the compliance platform on regulatory standards, but this is no longer the case. China had adopted the Environmental Impact Assessment Law in September of 2003. This is similar to California's Environmental Quality Act to review environmental issues for new projects. Another stringent regulation issue is regarding hazardous materials in high tech equipment. The European Union has proposed the Registration Evaluation and Authorization of Chemicals (REACH) program. This program would restrict the uses of hazardous material in a wide range of products. In order for the United States outsourcing business to continue to grow internationally, businesses will need to review their standards to be compliant with regulations elsewhere.

There have been many cases in the past where companies were not allowed to do businesses in international markets due to them not being up to par in regulatory standards. This just goes to show that they must be aware of all the latest restrictions and compliance issues. China went through a chemical regulatory update last October. It is pertinent that any company that plans to do business in these vital markets to be aware of all compliance standards.

Some measures companies in Silicon Valley can take to be more environmentally safe are to recycle previously developed land which they call "brownfields". Although the land may have been contaminated before, it still can be used. The Bay Area has been following this practice in the past few years and has been quite successful.

Since the dot com bust, many companies have left Silicon Valley. Some ways to encourage companies to stay in the Bay Area are to strengthen their infrastructure support such as their land use policies, high quality water and energy supplies and transportation management.

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to details, however, as with all research, the accuracy cannot be guaranteed.

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