

## **Japanese chip merger leaves a dilemma**

*Robin Harding*

*Either IBM or Panasonic stands to lose a technology partner when two of Japan's top chipmakers merge on Thursday to form the world's third-largest semiconductor company.*

The new company combines Renesas Technology, which has an alliance with Panasonic, and NEC Electronics, which is allied with IBM.

"I want to try and choose one," said Yasushi Akao, president of the newly formed Renesas Electronics, told the Financial Times.

Abandoning an alliance will be costly and shows the immense difficulties Mr Akao faces in merging two companies that make similar products using different technology.

The company, which will be Japan's largest chipmaker with pro forma net sales of Y1,249bn (\$13.4bn) last year, starts off with plants scattered across the country.

Renesas Electronics will say how it plans to create synergies from the merger – such as by choosing one technology alliance – after a "100-day programme" of study that starts on Thursday.

"The first priority that I've made clear is to minimise any work being done for us outside the group in order to conserve cash," Mr Akao said.

The second task will be to find areas where the two companies are doing the same thing and then merge them to free resources.

Rather than making cuts, Mr Akao wants to reallocate people towards growth areas such as expanding the business in China.

Renesas Technology, which was a joint venture between Hitachi and Mitsubishi Electric, and NEC Electronics suffered deep losses in the downturn, prompting their parents to agree on a merger.

Mr Akao said his priority for Renesas Electronics was stability. "Rather than making big investments in pursuit of rapid growth, I want stable growth and a strong financial base that can endure downturns," he said.

One way he hopes to do that is by increasing sales of products with long lifetimes such as microcontrollers. These small, low-power chips combine the brains needed for a simple device, such as a toy or a power tool, on to a single piece of silicon.

Renesas Electronics will be the world's largest supplier of microcontrollers, with a market share of 30 per cent. That has prompted analysts to question whether some customers will defect, but Mr Akao said the company's share could go even higher.

"We have to work to keep our 60 per cent market share in Japan and increase our overseas share from 20 per cent to 30 per cent," he said.

In system-on-a-chip (SoC) products, by contrast, Mr Akao wants to target only the biggest markets so Renesas Electronics can make sufficient sales even if it only has a market share of 10-20 per cent.

SoCs provide the computing power for more complicated devices, such as televisions. They have high development costs, rapidly become obsolete and need cutting-edge fabrication plants.

Mr Akao said SoCs were important to provide a flow of the latest technology for the rest of the business.

**Fonte: Financial Times, London, March 31<sup>st</sup> 2010, Companies, online.**

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