

China's Lenovo, NEC form PC joint venture in Japan

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Lenovo CEO Yang Yuanqing (L) shakes hands with NEC president Nobuhiro Endo (R) at a press conference in Tokyo. Japanese and Chinese electronics firms NEC Corp. and Lenovo Group on Thursday announced they will form a personal computer joint venture in Japan, as they take on global giants such as Hewlett-Packard.

Japanese and Chinese electronics firms NEC Corp. and Lenovo Group on Thursday announced they will form a personal computer joint venture in Japan, as they take on global giants such as Hewlett-Packard.

The deal will enable China-based Lenovo to make in-roads into the Japanese market, and both companies will be better positioned to challenge the US computer titan HP and other majors, analysts and

business media said.

Multinational Lenovo will take a 51 percent stake in the company, called NEC Lenovo Japan Group, they said in a joint statement. NEC will hold 49 percent.

The tie-up gives Lenovo and NEC the opportunity to build their operations in Japan through "stronger market position, enhanced product portfolios and expanded distribution channels", the statement said.

"The agreement with NEC is a perfect fit for our strategy," Lenovo chief executive Yang Yuanqing said.

"It reinforces our commitment to our core PC business while, at the same time, providing important new opportunities for growth in Japan."

The leaders in their respective domestic PC markets will immediately start cooperating in manufacturing, development and sales, the statement said.

NEC controlled about 18 percent of the Japanese PC market in 2009, but globally it came in 12th with a share of less than one percent, the Nikkei business daily said last week, citing data by IDC intelligence firm.

Lenovo, which bought IBM's PC business in 2004 for \$1.25 billion, had roughly 27 percent of its home market and was ranked fourth in the world with a market share of about eight percent, it said.

By working together, they hope to catch up with such global giants as top-ranked HP, the Nikkei said.

"Lenovo is the right partner at the right time for NEC," said NEC

president Nobuhiro Endo, after the Japanese firm reported its net loss in the October-December quarter almost tripled from a year earlier to 26.5 billion yen (\$322 million).

"We believe this alliance will further reinforce and expand our PC business in Japan ... Taking this strategic relationship as a first step, NEC will accelerate expansion of our IT business worldwide."

NEC Personal Products president Hideyo Takasu will be the chief executive of the new company while the president of Lenovo's Japan operations, Roderick Lappin, will be the executive chairman.

The deal is expected to be finalised by June 30.

Simon Ye, a Shanghai-based analyst at technology research group Gartner, said the deal was a "win-win situation in terms of strategy" for Lenovo and NEC.

"Lenovo's overseas expansion has not been very smooth since its acquisition of IBM's PC division -- it was beaten by Acer several times," Ye said, referring to the Taiwanese computer maker.

"The deal may give Lenovo a chance to make a breakthrough in the Japanese market on the back of the NEC brand."

Ye added that the companies could combine their strengths in research and development in the fast-growing mobile Internet and telecommunications market.

"It will benefit both companies," he said.

The deal comes as Lenovo pushes to diversify its business into new product types such as smartphones and tablet computers, amid huge

global demand.

Yang told reporters at a press briefing in Tokyo that the two firms would potentially be able to tie up in the smartphone area too.

"But both Endo-san and myself think this is the first step to form this joint venture -- we must ensure we will be successful in integrating two PC businesses together," he said.

"Then, we could discuss another cooperation including what you just mentioned (smartphones) or other areas."

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