



Ver.1.3

The Electrical Industry in Japan

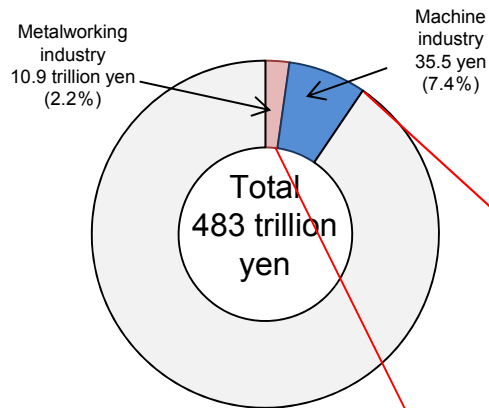


April 24, 2013
Japanese Electrical Electronic and Information Union

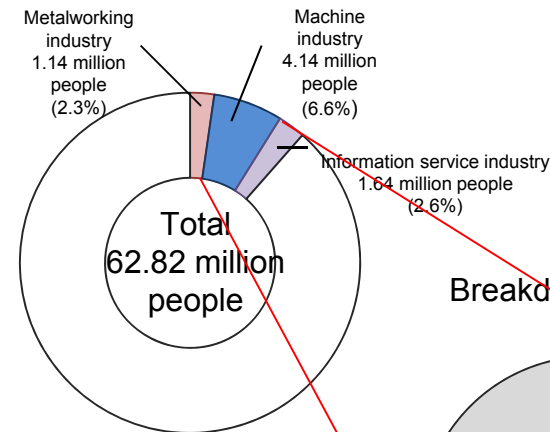
State of the Electrical Industry

(1) Position of the electrical industry in Japan (FY2009)

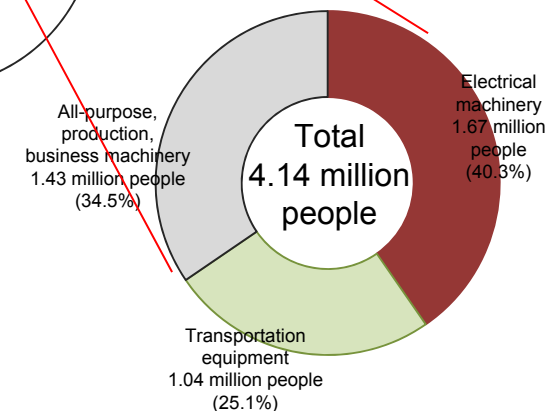
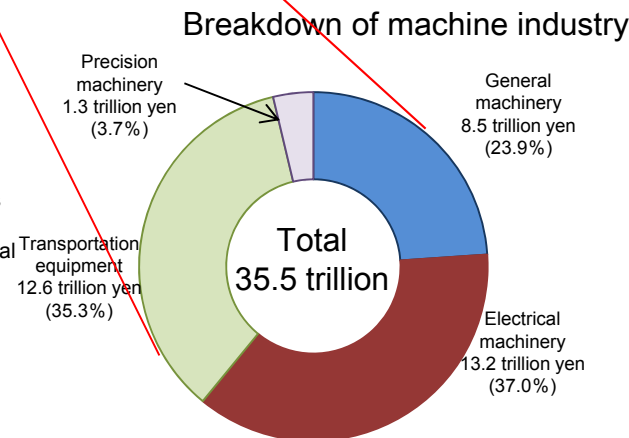
The machine industry's share of total domestic production



Employed workers in Japan



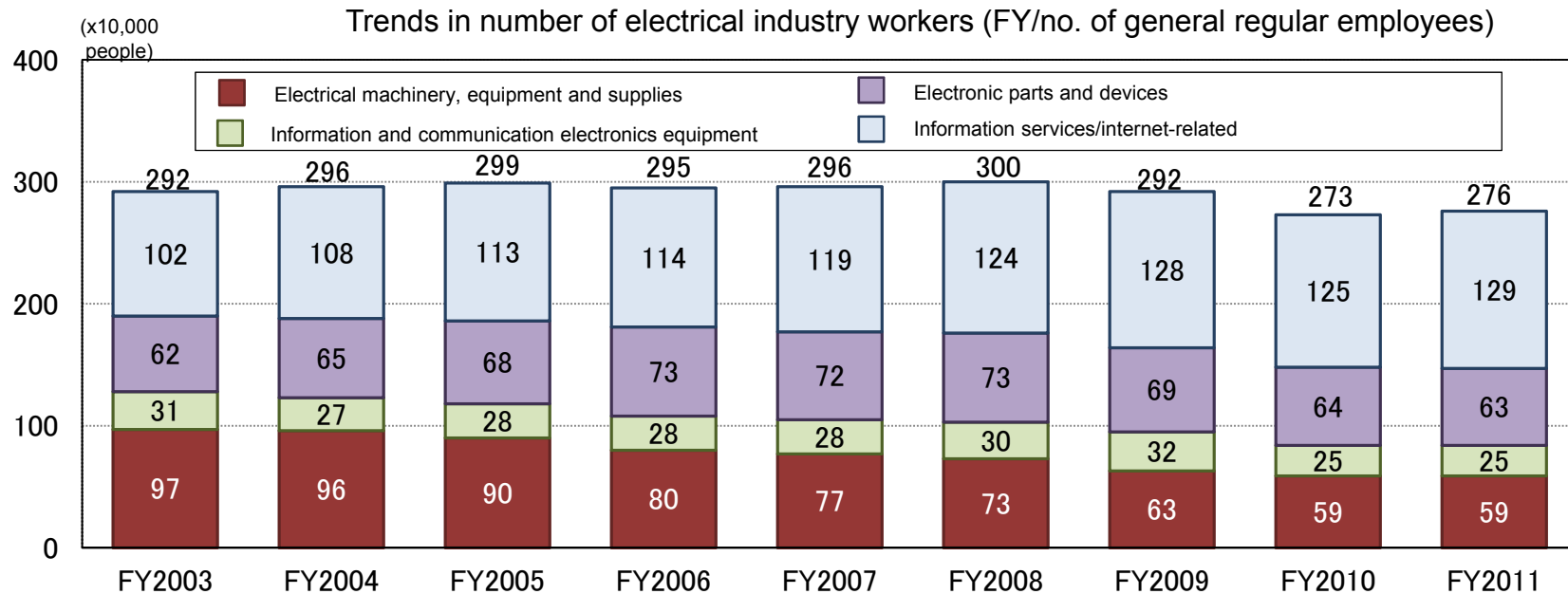
Breakdown of machine industry



Source: Prefectural economic accounts (Cabinet Office)
Labour Force Survey (Ministry of Internal Affairs and Communications)

Looking at FY2009, the electrical industry accounts for 2.7% of domestic GDP (electrical and electronics sector only) and 5.3% of domestic employment (2.7% for electrical and electronics sector, 2.6% for information service sector).

(2) Trends in Electrical Industry Employment Numbers

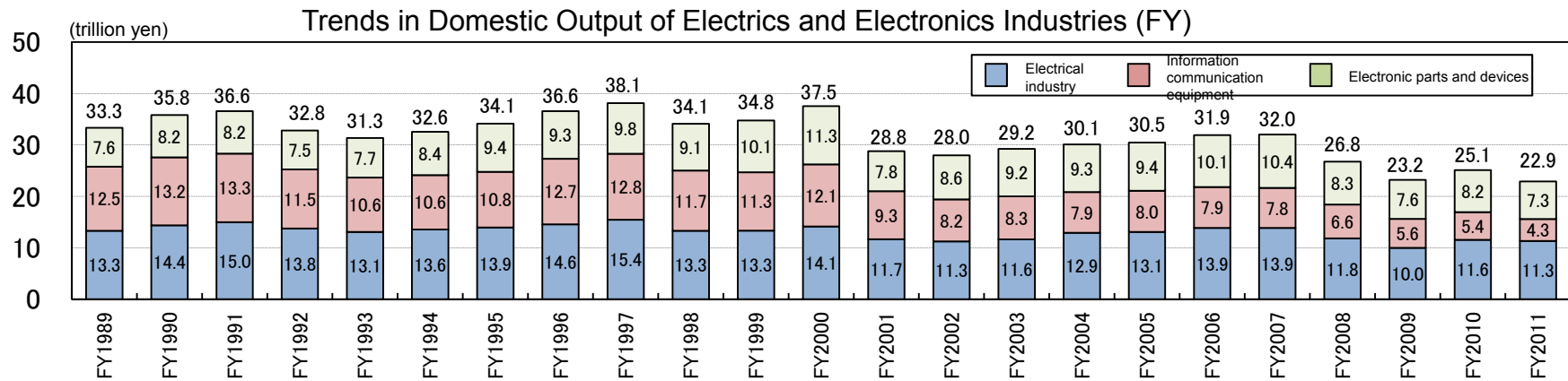


Note: FY2011 data excludes Iwate, Miyagi and Fukushima Prefectures (these three account for less than 1% of surveyed districts nationwide).

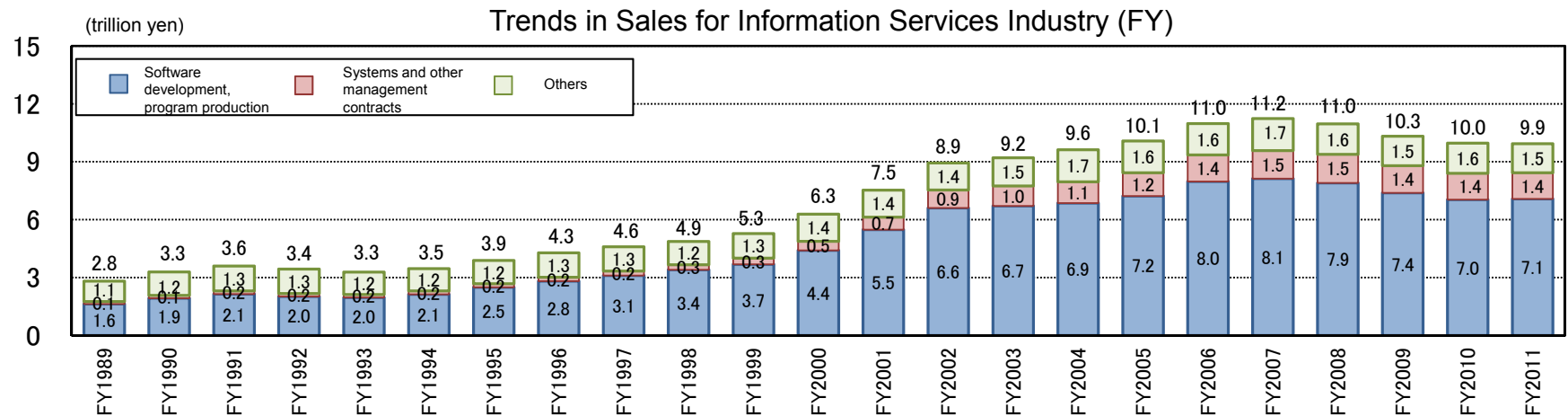
Source: Labour Force Survey (Ministry of Internal Affairs and Communications)

In FY2011 the number of people (regular employees) working in the electrical industry (electrical machinery equipment and supplies manufacturing, information and communication electronics equipment manufacturing, electronic parts, device manufacturing and information services industries) totaled 2.76 million (a 1.1% year-on-year increase). Looking at medium-term employment trends, there is a declining trend for electrical machinery equipment and supplies and an increasing trend for information services.

(3) Electrical Industry Domestic Production and Sales



Source: Report on Indices of Production (Ministry of Economy, Trade and Industry)

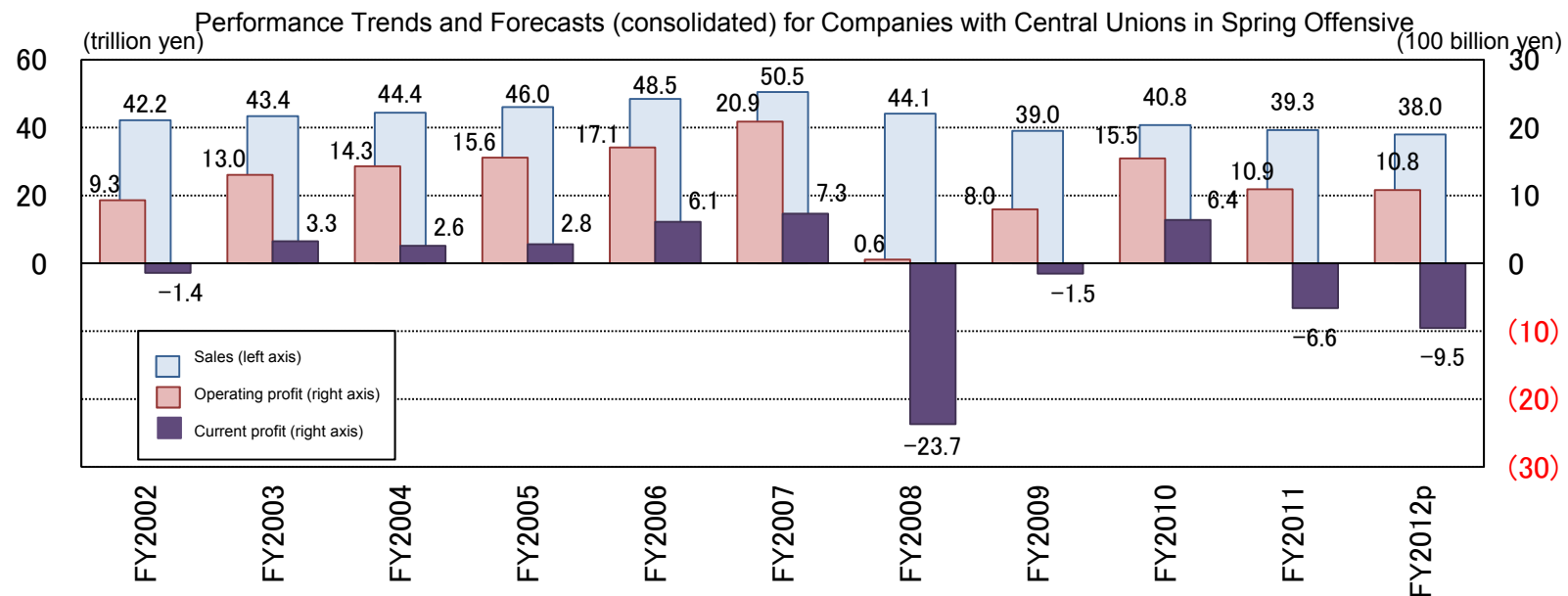


Source: Survey of Selected Service Industries (Ministry of Economy, Trade and Industry)

The post-FY2008 decline in production continues for information and communication equipment and electronic parts and devices.

Beautiful earth & Happy life

(4) Electrical Industry Performance and Management Indicators



Note: US GAAP-adjusted operating profit is calculated as profit before taxes.

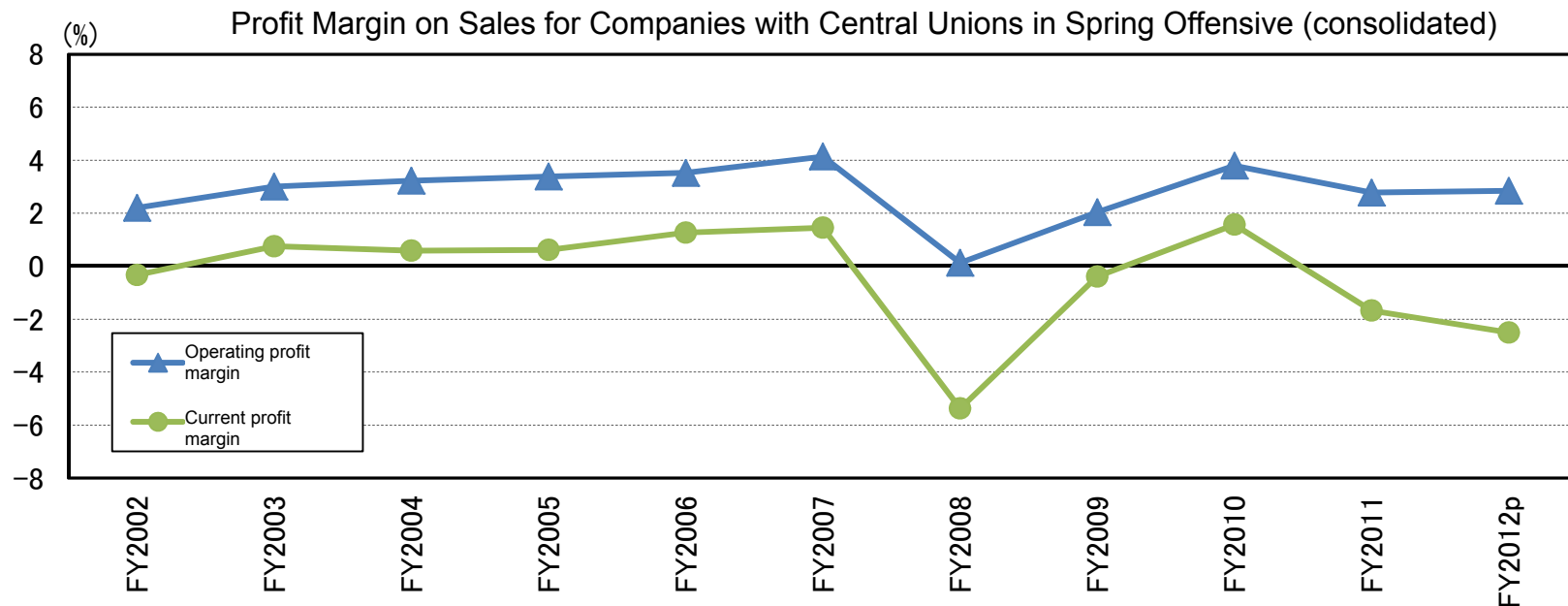
FY2012 projections (p) are current as of February 13, 2013.

Source: Company financial statements

In FY2011, sales declined 3.7% year-on-year to 39.2686 trillion yen and operating profit fell nearly 30% year-on-year. As for profits and losses for this term, the slump in semiconductor and flat-screen TV businesses along with large-scale corporate restructuring resulted in a loss of 659.3 billion yen. With continued corporate restructuring expenditures expected, 2012 losses are projected to top 2011 losses at around 952 billion yen.

Central unions in Spring Offensive: Hitachi, Panasonic, Toshiba, Fujitsu, Mitsubishi Electric, NEC, Fuji Electric, Sharp, Oki, Pioneer, Yaskawa Electric, Meidensha (Panasonic Electric Works included until FY2003; Sanyo included until FY2008)

(5) Electrical Industry Performance and Management Indicators (2)



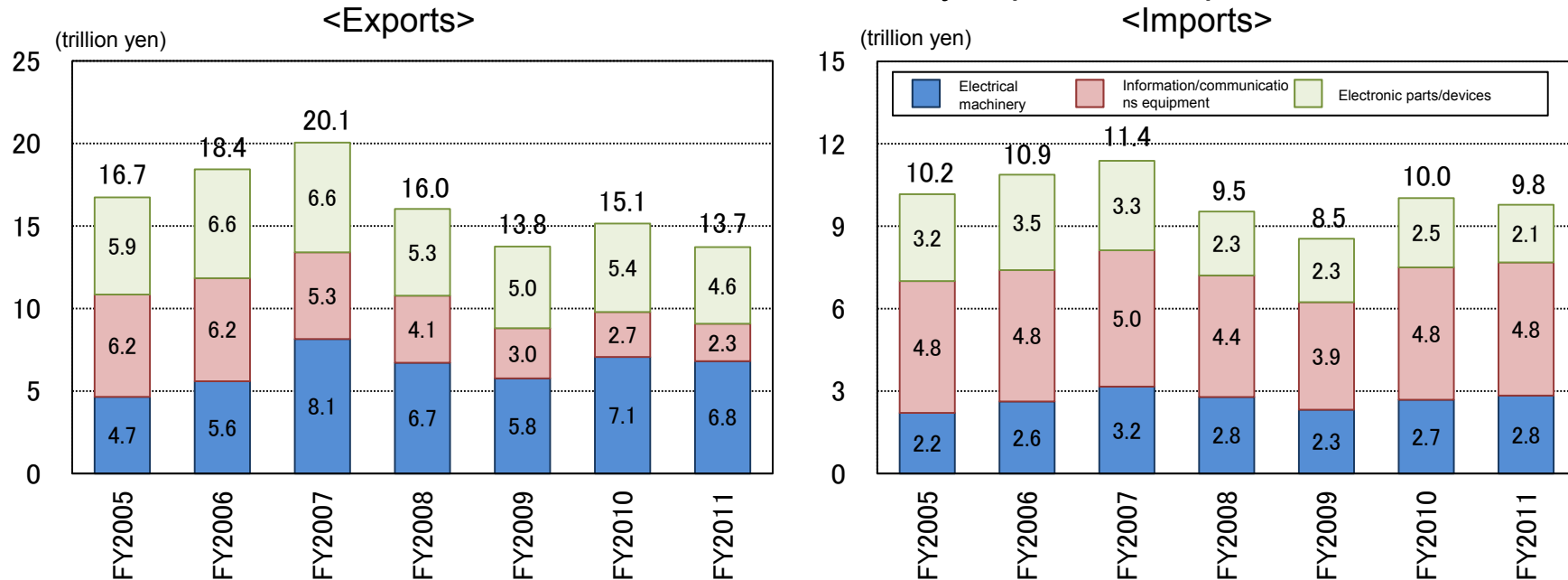
Note: US GAAP-adjusted operating profit is calculated as profit before taxes.

Source: Company financial statements

Over the last 10 years, operating profit margin across the electrical industry in Japan has trended in the 2-3% range. Current income margins recovered in FY2009 and 2010 because of restructuring carried out in FY2008. However, due to the Great East Japan Earthquake, the huge yen appreciation, and the slump in TV and semiconductor production, current profit margins have begun to decline again since 2011.

(6) Electrical Industry Imports/Exports

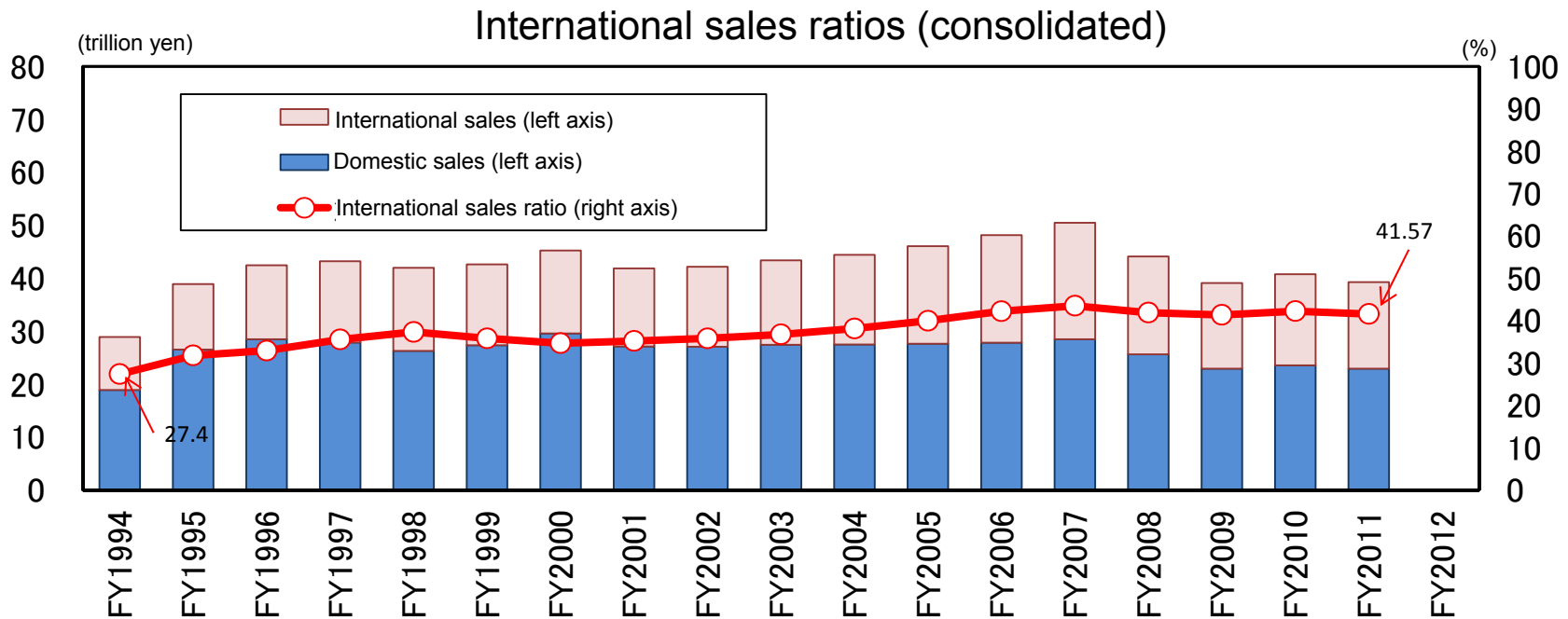
Trends in electrical and electronics industry import and export totals



Source: Ministry of Finance Trade Statistics

FY2011 exports in the electrical and electronics industry totaled 13.7162 trillion yen (a 9.5% year-on-year decrease) with a drop for information/communications equipment and electronic parts/devices, due to such factors as the slowdown in emerging economies influenced by monetary tightening, indirect effects from the European recession caused by the sovereign debt crisis, the worldwide downturn in information-related demand, and lagging international competitiveness due to the high yen appreciation. Imports totaled 9.7796 trillion yen (a 2.4% year-on-year decrease) with some increase in products related to disaster recovery efforts.

(7) Trends in Electrical Industry International Sales Ratios

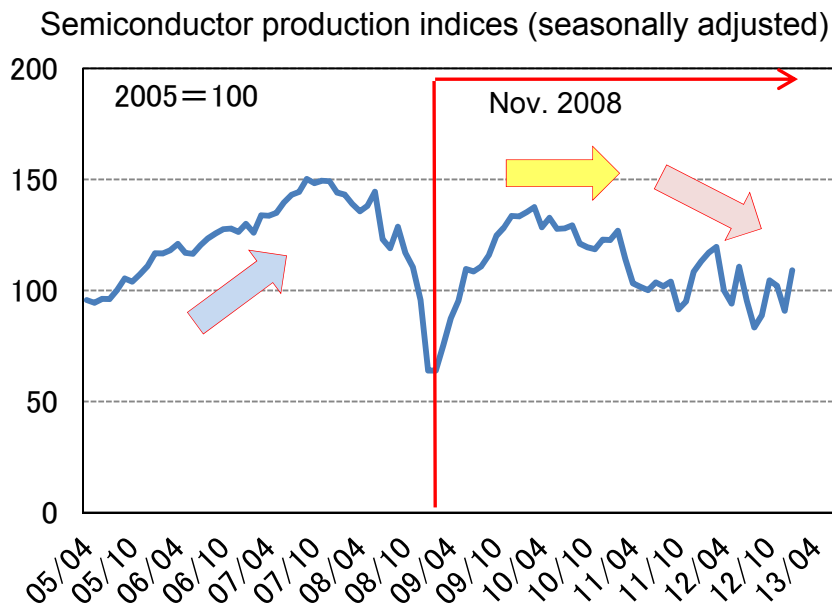


Source: Produced by JEIU from company press releases

As a long term trend, international sales have comprised an increasingly large portion of sales for electrical companies. 2011 figures show that international sales have overtaken sales within Japan at Toshiba (54.5%), Sharp (51.9%), and Yaskawa Electric (53.4%). Overall the international sales ratio is 41.6%.

(8) Challenges for the Electrical Industry in FY2012 (1)

(1) Trends in semiconductor business

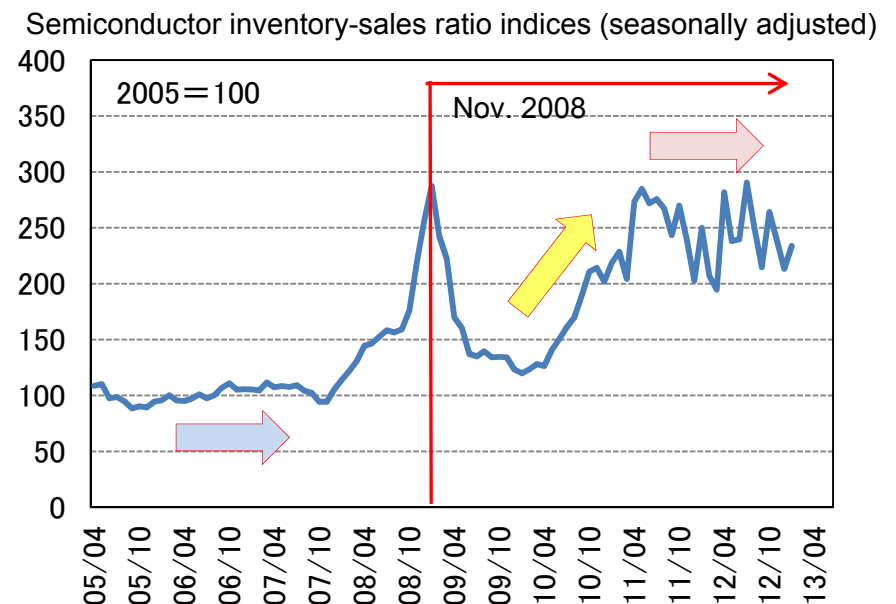


Source: Indices of Industrial Production (Ministry of Economy, Trade and Industry)

Periods of production increase and steady inventory

Periods of steady production and inventory increase

Periods of production decline and steady inventory



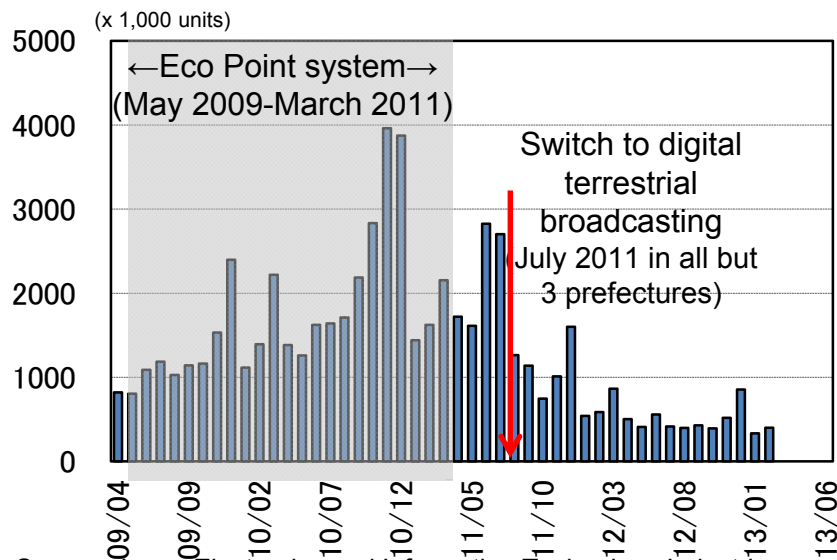
Note: Semiconductor = microcontroller + logic + memory + CCD

Affected by the downturn in demand for information-related equipment following the global recession and the drop in prices due to large supply of LCD panels and other electronic parts and devices from emerging countries, the slump in semiconductor business continues.

(8) Challenges for the Electrical Industry in FY2012 (2)

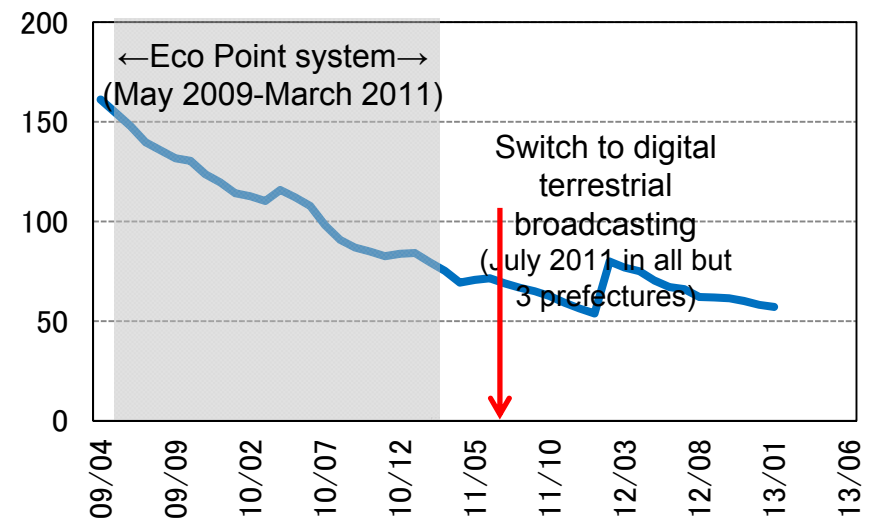
(2) Restructuring of TV business

Shipment volume (flat-screen TVs)



Source: Japan Electronics and Information Technology Industries Association (JEITA)

Consumer price index (TVs)



Note: 2005 = 100
Source: Ministry of Internal Affairs and Communications Statistics Bureau

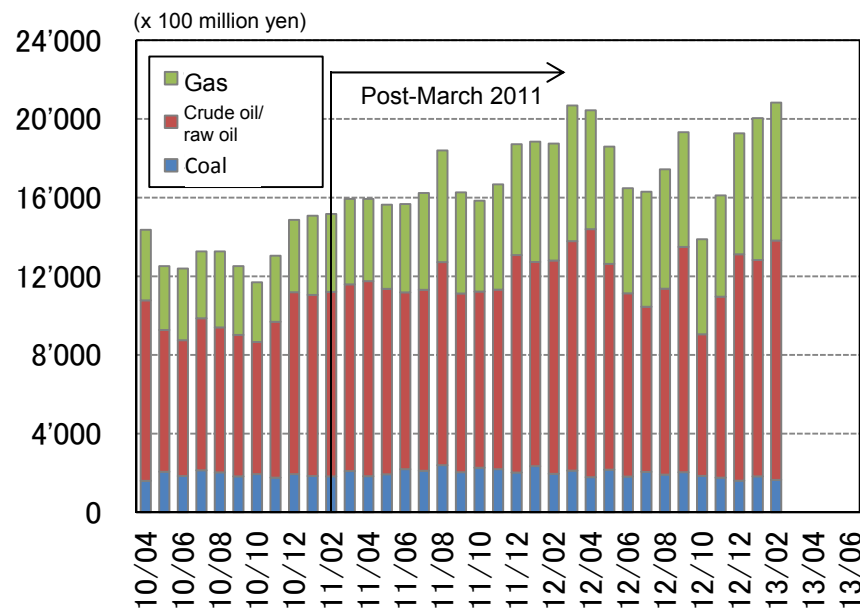
During the Eco Point promotion period, TVs shipped about 40 million units (equivalent to 2-3 years' demand).

During this period, both TVs and related parts fell in price. Companies foresaw falling product prices and future demand trends and announced restructuring of their TV businesses one after another.

(8) Challenges for the Electrical Industry in FY2012 (3)

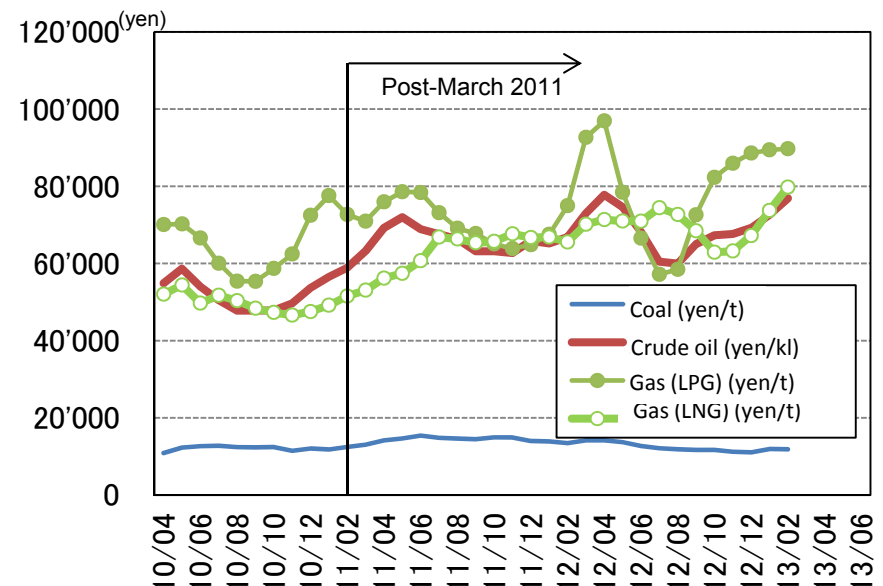
(3) Trends in energy prices

Fossil fuel import totals



Source: Trade Statistics (Ministry of Finance)

Unit prices for fossil fuel imports



With the growing global demand for fuels, procurement costs are projected to increase over the long term. However, because of the future yen exchange rates and trends in overseas demand, the actual circumstances are unpredictable. Meanwhile, roughly 80% of Japan's crude oil and LPG imports pass through the Strait of Hormuz, so we must pay attention to the situation in the Middle East and North Africa.