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Sharp Picture

Benjamin Fulford, 09.01.03

The TV world is flat for Japan's enduring consumer-electronics star. Along with rival Samsung, it has a \$15 billion bet on liquid crystal technology.

Japanese electronics companies used to be without rival, whipping American competitors like Zenith and into the arms of foreign rescuers. Now the likes of Sony has been humbled by virtually profitless quarters. In an ironic twist, some Japanese firms are complaining to Washington that their television factories in the U.S. are being hurt by dumping from non-Japan Asia. They and American labor unions want big new duties.

There's a prominent exception to this malaise: Sharp. It plans to replace the world's cathode-ray "boob tube" TVs (a \$180 billion-a-year market) with liquid crystal displays.

Sony lost \$430 million on its TV business in the March-to-June quarter as consumers stopped buying its high-quality CRT models. Sharp, by contrast, is building giant new factory complexes to meet record LCD TV demand. An \$850 million plant--the world's largest--near the ancient Japanese capital of Nara is due to open in January.

These factories--which, in Japan at least, will be heavily robotized and thus competitive even at high wages--will go head-to-head for economies of scale against new ones planned by archrival Samsung Electronics and others planned by LG-Philips and Taiwanese competitors. Samsung and Sharp each expects to throw into the battle more than \$15 billion in new LCD factories between now and 2010.

By then most TVs in the world, both companies bet, will be ultrathin screens filled with liquid crystal. The LCD screens will be as different from today's TVs as color is from black and white. The picture quality? Look out of a window. Some will fit on a wristwatch, others will be 50 inches or larger.

"When I joined Sharp in 1968, televisions were just starting to spread [in Japan], and the idea of a flat TV that could be hung on the wall without an antenna was a dream we all had. I never believed it would become a reality during my career," says Sharp President Katsuhiko Machida, 60. Now that the dream is turning into reality, Machida says, the world will need another 30 factories to meet demand for these wonder TVs.

No doubt, television screens are being revolutionized. A big risk for Machida & Co., however, is that the revolution will take another turn--perhaps further into plasma, which dominates today's big flat screens, or another technology called surface induction electron display, or SED. Matsushita and Sanyo are big plasma rivals, while Canon of Japan--heretofore not included in the consumer electronics derby because it focused mainly on photocopiers--is the SED pioneer.

Sharp has been Japan's most profitable consumer electronics firm in recent years (*see table below*) and is the only one not to have had any losses during the past decade. In the year ending in March it earned profits of \$274 million, up 188%, on sales of \$18 billion, up 11%. The real growth, though, is expected over the coming several years if Sharp's LCD TV gamble pays off.

Good Reception

Investors reward Sharp with a healthy multiple, expecting profits to accelerate. Sony suffered setbacks in the quarter after the fiscal year in question here. Another favorite, Canon, is a newcomer to consumer electronics. Samsung, meantime, also includes a huge chip business.

	Recent price	P/E	Net income (\$mil)	Sales (\$bil)	Market value (\$bil)
Canon	46.54	25	1,606	24.8	41.0
Matsushita Electric	11.69	NA	-165	62.6	28.7
Samsung Electronics	343.76	9	5,946	50.2	52.9
Sharp	14.10	54	276	16.9	15.7
Sony	29.65	28	977	63.2	27.4
Toshiba	3.33	69	157	47.8	10.7

Prices as of Aug. 8. NA: Not applicable. Source: *Worldscope* via *FactSet Research Systems*.

Not only did Sharp invent LCDs--think the earliest such calculators and the pioneering Zaurus personal digital assistant--but it also depends on them for over 50% of its revenue. Other Japanese producers have been driven to the sidelines by Taiwanese and Korean competitors who outinvested the Japanese. With new production Sharp will eventually be able bring the price of 30-inch LCD TVs--the core product--to under \$2,000, compared with current prices of around \$5,000.

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