

# Intelligence Report

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## Japan: Watching US Supercomputer Procurement Closely

Japan's NEC Corporation is positioned to win its first-ever sale to a US Government facility. NEC recently won the performance test at the National Center for Atmospheric Research (NCAR), beating out one US and another Japanese vendor, according to NCAR officials.

Japanese Government and industry consider this sale a test of the openness of the US market to Japanese supercomputers.

- In the six years since the agreement went into effect, US vendors' share of the Japanese public sector market has grown from less than 10 percent to over 30 percent.

Many industry experts assess the performance of the most advanced NEC supercomputers as roughly comparable with that of leading US systems.

- The NEC supercomputer outperformed other competitors at NCAR because its architecture is well matched to NCAR's requirements for long-term weather modeling computations.

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[REDACTED]

Nonetheless, NEC has had some problems with recent sales.

[REDACTED]

[REDACTED]

NEC is offering its system at a price well below US counterparts.

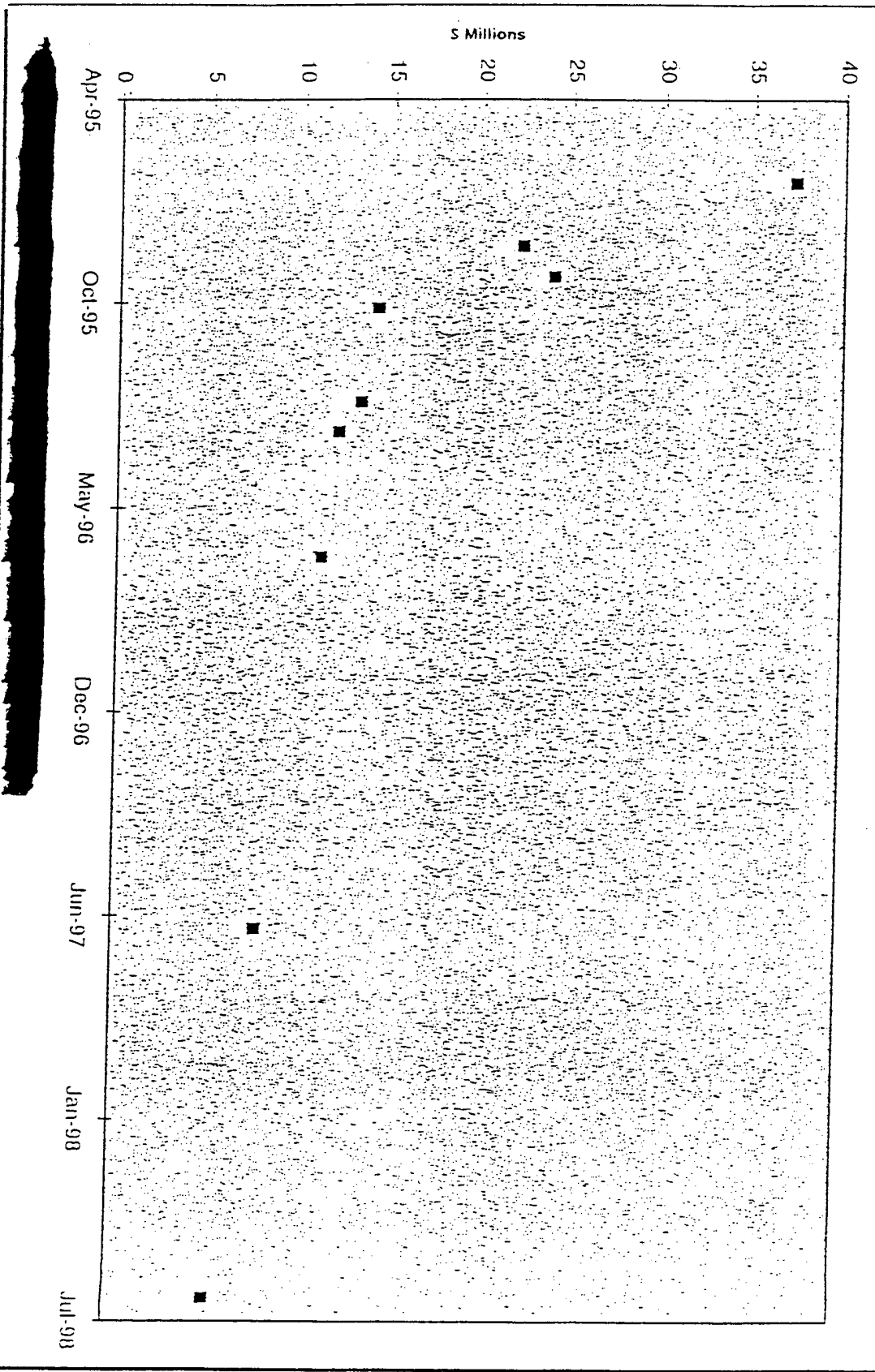
- It is unclear, however, if NEC is selling the system below cost. NEC is a large, vertically integrated firm with world-class, in-house, semiconductor production capabilities; this provides the firm with a significant advantage over its US competitor.
- NEC plans aggressive price cuts over at least the next three years (see attached graphic). [REDACTED]

An NEC win at a prestigious US Government facility would improve the vendor's prospects for additional US sales.

- According to recent US Government study, NEC accounts for less than one percent of the supercomputers operating in the United States.
- Some industry experts believe that NEC will benefit from working with the expert supercomputer users at NCAR. Most supercomputer makers rely on their most advanced users to define next generation hardware and software. [REDACTED]

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# NEC Supercomputer Pricing Schedule



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