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## Japan Electronics Makers Headed for Mergers, Consultant Says

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By Mariko Yasu and Maki Shiraki

Jan. 7 (Bloomberg) -- Japanese electronics makers face mounting pressure to consolidate this year as overseas competition intensifies from companies such as Samsung Electronics Co., the co-founder of a merger-advisory firm said.

Japan's technology industry "is coming very close to its limit," Fumiaki Sato, who co-founded Sangyo Sosei Advisory Inc., a Tokyo-based firm specializing in takeovers for the industry, said in a Jan. 5 interview. The companies "are running out of capital and it's possible that they won't be able to afford restructuring expenses when the next downturn hits them."

The yen's advance last year eroded earnings at Japanese electronics makers including Sony Corp., which has eliminated jobs and closed down factories to restore profitability. The industry's top 10 companies, which posted a combined losses of 2.4 trillion yen (\$26 billion) last fiscal year, are likely to become more open to selling businesses or forge alliances, said Sato, a former vice chairman at Merrill Lynch & Co.'s investment banking arm in Japan.

Panasonic Corp. President Fumio Ohtsubo yesterday said the company will continue restructuring to weather difficulties such as the strong yen and high raw material prices. Sony Chairman Howard Stringer last month said he plans to continue streamlining the company to compete against South Korean rivals such as Samsung.

Consolidation hasn't progressed in Japan partly because of "a lack of a sense of crisis" among Japanese electronics makers, Sato, 56, said.

The yen climbed to a 14-year high of 84.83 against the dollar on Nov. 27, hurting exporters by eroding their profits earned abroad. South Korea's won fell 20 percent against the dollar in the last two years, helping the nation's exporters gain market share. The yen weakened about 9 percent so far since the peak in November.

The Topix Electric Appliances Index, which tracks 157 companies including Hitachi Ltd., gained 35 percent last year, while The Korea Electrical and Electronic Appliance Index surged 88 percent in the period.

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