

Japanese firms in talks on microchip merger

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Kaoru Yano, President of Japan's electronics giant NEC, at a press conference in Tokyo. Japanese firms Renesas Technology and NEC Electronics are in merger talks to create the country's top chipmaker as they seek to survive the global recession, reports have said.

Renesas Technology Corp. and NEC Electronics Corp. are in merger talks to create Japan's top chipmaker as they seek to survive the global recession, reports said Thursday.

The two companies are in the final stages of negotiations and aim to reach an agreement by the end of April, the Nikkei economic daily and other Japanese media said without naming their sources.

The deal would create the world's third largest chipmaker.

With the [global economic slowdown](#) hitting the industry hard, the two firms see a merger as key to their survival, the Nikkei said. The tie-up would likely be completed by April 2010, it said.

With combined annual sales of more than 1.2 trillion yen (12 billion dollars), the new entity would replace Japanese rival [Toshiba](#) Corp. as Japan's top semiconductor maker, it said.

The world's biggest chipmaker is Intel Corp. of the United States, with [Samsung Electronics](#) Co. of South Korea ranked second.

Renesas, the second-biggest Japanese chipmaker, is a joint venture between Hitachi Ltd. and Mitsubishi Electric Corp. NEC Electronics, ranked third in Japan, is a subsidiary of leading high-tech company NEC Corp.

Both companies expect to log net losses in the year to March.

Neither company would confirm the report.

"Nothing has been decided regarding business reorganisation," an NEC Electronics company spokeswoman said, while declining to say whether the firm was in talks with Renesas.

A Renesas Technology spokeswoman also declined to comment on whether talks were under way.

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