

Japan electronic giants eye chip merger: reports

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Employees of Japan's microprocessor maker Renesas Electronics are seen working at the company's Naka wafer factory in Hitachinaka, Ibaraki prefecture. Three of Japan's biggest electronics companies, including Renesas, are to join forces in a chip-making venture, according to reports, days after a swathe of dire results from a sector struggling to compete globally.

Three of Japan's biggest electronics companies are to join forces in a chip-making venture, according to reports, days after a swathe of dire results from a sector struggling to compete globally.

Panasonic, which earlier said it expected to lose more than \$10 billion this year, is set to hook up with Renesas Electronics and Fujitsu as they look for economies of scale in an increasingly difficult marketplace.

The three companies will spin off their system chip design and development divisions to create a new company in an effort to ensure the survival of the Japanese [chip industry](#), the [Nikkei business](#) daily and Kyodo news said.

The new firm will develop system chips for smart phones, automobiles and other products and will go head to head with their US and South Korean rivals including Intel and [Samsung Electronics](#).

The joint venture will receive several hundred million US dollars from government-backed investment fund [Innovation Network](#) Corp. of Japan (INCJ) to be invested in the development of new products, the Nikkei said.

If realised, the plan will create a company with annual sales of 500 billion yen (\$6.5 billion).

The reports came a few days after Panasonic said it expected to post its worst-ever net loss of 780 billion yen in the year to March 2012. Renesas said it was eyeing a 57 billion yen hole in its balance sheet, citing declining demand for system chips in Europe and China.

Fujitsu said it would stay in the black, but forecast its net profit for the year would be just 35 billion yen, down 36.5 percent on year.

The move will leave Toshiba as the only other Japanese company still making system chips used for electronic devices and automobiles.

[Renesas](#), Fujitsu, Panasonic and INCJ aim to reach a basic agreement by the end of March, the Nikkei said.

The three companies declined to comment on the report.

"We are considering various plans on the growth strategy of [semiconductor business](#), but we don't have anything to announce at this point," said Panasonic spokeswoman Kyoko Ishii.

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