Toshiba shares jump as it drops Japan TV operations

May 17 2012, by Hiroshi Hiyama

Toshiba shares surged almost six percent Thursday after saying it had stopped making televisions in Japan where a strong yen has hurt exports as slow demand and falling prices also ate into earnings.

The IT-and-engineering conglomerate later unveiled its mid-term business plan in which it forecast operating profit to more than double over the next three years on the back of emerging market growth.

Toshiba, the maker of Regza brand televisions, shuttered production lines at its last remaining domestic TV plant in Fukaya, near Tokyo, at the end of March.

It has already shifted most of its television production to factories in China, Indonesia, Egypt and Poland, citing a tumble in domestic demand for ending its Japanese production.

"The fall (in domestic demand) was beyond what we expected," Toshiba President Norio Sasaki told a news briefing Thursday in Tokyo.

"Over-supply has driven down prices. We did what we could to counter the trend, but it was beyond what we could do."

Sasaki, however, said the firm would not abandon the TV market, as some analysts have suggested for rival Sony, which is mired in massive losses.

The move is the latest development highlighting the plunging fortunes of Japan's once world-beating electronics firms.

A strong yen, intense global competition -- particularly from South Korean firms -- and falling retail prices of televisions have left Japanese manufacturers swimming in red ink for the past financial year.

The industry received a temporary boost from a now-ended government stimulus programme aimed at encouraging the purchase of energy-efficient appliances, but demand has slackened in an economy that has been limping along for years.

Domestic television demand also surged when the nation stopped analogue broadcasting last July, by which time nearly all households and corporations had bought new televisions capable of receiving digital broadcasts.

"After those events, domestic demand fell so we have reduced production accordingly", a Toshiba spokesman told AFP earlier Thursday.

In its earnings report last week Toshiba still booked a profit of about $918 million in its fiscal year ended in March, although that was nearly half its earnings in the previous 12 months.

The firm's shares surged 5.57 percent to 322 yen on Thursday.

Rival Hitachi has also said it will stop domestic production of television sets and shift its business focus to large-scale infrastructure projects.

Reports earlier this week said cash-bleeding Sony and Panasonic were looking to join forces to produce next-generation televisions in a bid to claw back market share from South Korean rivals.

Sharp, which is to get a cash injection from Taiwan's Hon Hai, whose Foxconn unit makes gadgets for Apple and Nokia, expects to remain in the red over the next year after a record $4.7 billion net loss up to March 2012.

Also Thursday, Toshiba said that by the fiscal year through March 2015, it was aiming to more than double operating profit to 450 billion yen ($5.6 billion) on sales of 7.8 trillion yen.

"We aim to realise a double-digit pace of sales growth in emerging markets," the company said in a release, adding that it would set aside about 700 billion yen over the next few years for possible tie-ups.

It also said it aimed to generate revenue of 1.0 trillion yen from its nuclear power business within about five years by capitalising on calls for stiffer safety measures after Japan's atomic crisis.

The firm already supplies equipment to help clean up the crippled Fukushima Daiichi complex, which was swamped by last year's quake-sparked tsunami, sending its reactors into meltdown.