Sharp shares jump on asset sale, investment reports

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This file photo shows customers watching televisions under a Sharp logo at an electronics shop in Tokyo. Sharp Corp. is considering selling off part of its main operations as it looks to plug a gaping hole in its balance sheet, according to a report.

Sharp Corp. shares jumped on Friday after a frenzy of reports said the troubled Japanese consumer electronics giant would sell key operations -- and court new investment -- as it struggles to survive.

The stock initially fell on the asset sale reports before reversing course and soaring 13 percent after the Nikkei business daily said Taiwan's Hon Hai Precision wanted to double its planned stake in Sharp to 20 percent.

In March, the pair announced a deal that would see Hon Hai, which makes iPhones and iPads in China, buy 10 percent of Sharp, which makes a range of products including Aquos-brand televisions and office copiers.

Sharp shares ended 5.14 percent higher at 184 yen in Tokyo on Friday.

"Hon Hai's involvement reduces the probability of default, and is good news for creditors and shareholders," said David Rubenstein, analyst at Religare Global Asset Management Japan.

Earlier Friday, the Nikkei also said Sharp would pull out of copiers and air conditioners to focus on its more competitive liquid crystal display (LCD) division in a bid to repair a gaping hole in its balance sheet.

The Osaka-based firm suffered a bloodletting earlier this month, with its shares diving to 40-year lows in Tokyo, after it reported enormous quarterly losses and warned of more red ink to come.

However, a Sharp spokesman told AFP on Friday: "The news reports about possible sales of our main businesses were not true."

He added: "Also, it is not true that Hon Hai is seeking to raise its capital ratio to 20 percent, as reported. But it is true that we are considering selling some assets including a Tokyo building as well as some plants around the world that are now assembling television sets."

Other reports Friday included Jiji Press saying Sharp may see a capital injection totalling 50 billion yen ($630 million) from investors including US investment funds and Japanese electronics giants Toshiba and Kyocera.

The company may stop assembling televisions in Japan, the Nikkei also said, while public broadcaster NHK said Sharp was considering the sale of television assembly plants in China and Mexico to Hon Hai.

As part of its massive turnaround plan, Sharp was mulling a spinoff of a plant in central Japan, which makes LCD panels for smartphones and tablet computers, including Apple gadgets, the Nikkei reports added.

It may accept investment from other manufacturers and run the factory jointly, as it does with Hon Hai at its Sakai plant in Osaka prefecture, which makes large LCD panels for televisions.

Sharp, which began life making belt buckles and invented the mechanical pencil, warned this month it expected to book a net loss of 250 billion yen ($3.15 billion) this fiscal year -- far bigger than a 30 billion yen shortfall predicted earlier.

The corporate overhaul includes cutting thousands of jobs from its global workforce, the first layoffs since 1950, in a bid to chop about $1.3 billion in fixed costs from its sagging accounts.

On August 3 the shares plunged by about one-third to levels last seen in the early 1970s, shaving more than $1.0 billion off the embattled firm's value.

Japan's once mighty electronics giants, including Sharp rivals Sony and Panasonic, have struggled to haul themselves out of the dire straits in which they have languished for several years.

Japan Inc. has suffered from a loss of manufacturing work to rising Asian rivals, while it has fallen behind American competitors on the cutting edge of gadgets and software.

The strong yen has made their goods more expensive overseas, while they are also beset by Japan's relatively high cost of labour, electricity, imported fuels and raw materials.

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