

Toshiba to cut jobs in consumer electronics amid record loss (Update)

December 21 2015, by Yuri Kageyama



Toshiba Corp. President Masashi Muromachi speaks during a press conference at its headquarters in Tokyo Monday, Dec. 21, 2015. Scandal-plagued Japanese manufacturer Toshiba is cutting 6,800 jobs after projecting a net loss of 550 billion yen (\$4.5 billion) for the fiscal year through March 2016. Toshiba said Monday it will slash the jobs in its personal computer, video product and consumer electronic businesses. (Shigeyuki Inakuma/Kyodo News via AP) JAPAN OUT, CREDIT MANDATORY

Toshiba plans to cut 7,800 jobs, mostly in its consumer-electronics business, as it reorganizes in the face of projected record losses for the current fiscal year.

The Japanese conglomerate has been struggling with the aftermath of a major accounting scandal, compounded by troubles in nuclear energy and losses in the business that makes personal computers, TVs and consumer appliances.

The job cuts announced Monday will affect about 30 percent of the consumer-electronics business and represent about 3 percent of Toshiba's overall employees.

Toshiba Corp. said it is also selling its TV manufacturing plant in Indonesia and will sell or seek outside investors for a division that makes electronics for health care.

Despite its well-known brand, Toshiba has struggled to differentiate its products in consumer electronics. Its television business faces stiff competition from low-cost Chinese manufacturers and high-end Korean brands, while demand for personal computers has been falling worldwide.

Toshiba is also wrestling with costs from decommissioning the Fukushima Dai-ichi nuclear power plant, which went into meltdown after the March 2011 tsunami. Toshiba said it had not yet fully calculated the impact of the nuclear disaster on its books.

Analysts say the company has been looking to sell or restructure several businesses to generate more money for its mainstay memory-chip business. That's one of the company's strongest divisions but requires ongoing investment to keep pace with technological changes.

The chip business faces "intense global competition and increasing price pressures," according to a recent report from Moody's.



In this July 20, 2015 file photo, shoppers watch air conditioners displayed at an electronics store in Tokyo. Scandal-plagued Japanese manufacturer Toshiba Corp. is cutting 6,800 jobs after projecting a net loss of 550 billion yen (\$4.5 billion) for the fiscal year through March 2016. Toshiba said Monday, Dec. 21, 2015, it will slash the jobs in its personal computer, video product and consumer electronic businesses. The job cuts equal about 3 percent of Toshiba's overall employees. (AP Photo/Shizuo Kambayashi, File)

Toshiba is the world's second-largest maker of "flash" memory chips, behind Samsung, but its sales declined slightly last year, according to research firm IHS.

The company projected a loss of 550 billion yen (\$4.5 billion) for the fiscal year through March 2016. That means Toshiba is sinking into its second straight year of loss, after racking up a loss of nearly 38 billion yens (\$312 million) for the previous fiscal year. Japanese media reports said the latest loss forecast would be a record for Toshiba, surpassing the massive losses during the Lehman financial crisis.

The losses and job cuts come in the midst of an accounting scandal, in which officials have said managers set unrealistic earnings targets, under the banner of creating a big "challenge," while subordinates faked financial results.

Toshiba has repeatedly apologized after acknowledging it had systematically doctored its books over several years to inflate profits by 152 billion yen (\$1.3 billion). The scandal at one of the nation's top brands highlights how Japan is still grappling with corporate-governance issues, despite efforts to strengthen independent oversight of companies.

The company said its job cuts in Japan will come through early retirements, but a significant number of overseas jobs will also be involved and steps will vary by each nation. The cuts involve about 6,800 jobs in the consumer electronics, or "lifestyle," segment and another 1,000 positions from Toshiba's corporate staff.

Toshiba said its global PC business will focus on selling to big corporations that buy computers for their workers, although it will continue marketing to individual consumers in the United States and Japan. Analysts say the corporate PC market worldwide has not sagged as much as demand for consumer PCs.

The company also plans to cut back further on TV manufacturing, while seeking more deals to license the Toshiba brand to outside manufacturers. Toshiba already does this for TVs sold in North America

and Europe. IHS analyst Paul Gagnon said it's a growing trend among Japanese electronics companies, which are struggling against Chinese and Korean competitors.

Earlier this year, Toshiba said it is selling facilities for making computer chips used in medical imaging systems to Sony Corp. Toshiba says its health-care division is profitable but needs more investment to grow. Rather than put more resources into that operation, Toshiba said it will focus on its energy and memory-chip segments.

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