

# Japan's Toshiba fights Western Digital over chips unit sale (Update)

May 9 2017, by Yuri Kageyama

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Japanese electronics maker Toshiba is facing resistance from its U.S. joint venture partner Western Digital over Toshiba's plans to sell its computer-chip business to anyone else, and Toshiba is fighting back.

Tokyo-based Toshiba Corp. needs cash from such a sale to shore up its finances after it suffered massive losses in its nuclear power division.

Toshiba warned Western Digital to stop interfering, according to letters obtained Tuesday by The Associated Press. The letters from the company's lawyers, dated May 3, accused Western Digital of "improper" interference.

Western Digital bought SanDisk, Toshiba's longtime partner in making flash memory chips, last year. It has argued the sale might violate terms of the joint venture with Toshiba, according to the letters.

Such sales can be sensitive because they involve the transfer of technology.

Several companies are reportedly interested in acquiring Toshiba's prized chip-making business. One is Hon Hai of Taiwan, also known as Foxconn, a major supplier to Apple, which has acquired Japanese electronics company Sharp Corp. South Korea's SK Hynix is also reportedly a bidder.

The possibility that the flash memory technology Toshiba invented

might be acquired by a foreign buyer has raised some concern in Japan.

A Japanese consortium including government-affiliates like the Development Bank of Japan and the public-private Innovation Network Corp. of Japan are said to be preparing a bid with U.S. private equity firm Kohlberg Kravis Roberts.

The financial newspaper Nikkei reported last month that Western Digital might join that effort. But Western Digital's chief executive, Steve Milligan, said in an interview with the Japanese broadcaster NHK shown Tuesday that the company was not satisfied with the minority stake it could obtain if it joined with the consortium in buying the chip business.

"We're very committed to not only investing here in Japan but making sure that we maintain this critical technology here in Japan, advancing our interest, in the interest of the Japanese people, and ensuring that it doesn't fall into, if you want to call it, inappropriate hands," he said.

Toshiba has threatened to restrict the entry of Western Digital to the joint venture facilities from May 15, if Western Digital doesn't change its position by then.

Toshiba is projecting a trillion yen (\$9 billion) in losses for the fiscal year that ended in March, although auditors have refused to sign off on its earnings report. The company is also embroiled in an accounting scandal.

Further raising doubts over its future viability, Toshiba's U.S. nuclear unit Westinghouse Electric Co. filed for bankruptcy protection in March.

Four nuclear reactors that Westinghouse is helping to build in South Carolina and Georgia are behind schedule and billions of dollars over

budget, as costs soar after the nuclear disaster in Fukushima, northeastern Japan, six years ago.

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