Japan's electronics sector warns of dire outlook

TOKYO, JAPAN: Warnings from Panasonic and Sharp that they will post a combined annual los of more than US$15bn has reignited fears about the increasingly dire outlook for Japan's once-mighty electronics giants.

Only PlayStation maker Sony offered a glimmer of hope for the hard-hit sector, saying Thursday that it shrank its first-half net loss while keeping its pledge to turn an annual profit, after four years in the red.

Sony's announcement came as Sharp nearly doubled its loss forecast to a record US$5.6bn and just a da after Panasonic said it would lose an eye-watering US$9.6bn in the year to March.

The latest results reflect how a strong yen, fierce overseas competition, a diplomatic dispute with China ar the slowing global economy have all weighed on an industry that many see as having lost its way.

The trio have announced massive corporate overhauls that include tens of thousands of job cuts to rescue their bleeding balance sheets, news that has been met with credit rating downgrades and plunges in their share prices.

This summer, Sony's stock tumbled below ¥1,000 for the first time since 1980 and the era of the Walkma

Sharp response

Sharp, meanwhile, said it would put up real estate - including its Osaka headquarters - as collateral for ban loans crucial to keeping the century-old firm alive.

Panasonic, in the wake of its latest loss forecast, said shareholders would not get dividend payments this year - the first time in decades.

Among the myriad challenges is the once-stable television business where South Korean and Taiwanese rivals are leading the battle for global domination.

Sony has resisted calls to abandon the TV business, despite razor-thin profit margins and falling prices.

On Thursday, Sony's chief financial officer Masaru Kato told reporters the firm still hopes to break even or even turn a profit from its Bravia-brand televisions during the next fiscal year.

"Japanese electronics firms need to sift through their businesses, taking what's good and leaving what's bad," Masahiko Hashimoto, economist at Daiwa Institute of Research in Tokyo, told AFP.

So far, they have been unable to keep pace with rival firms including South Korea's hugely-profitable Samsung Electronics, which is setting the pace in the lucrative global smartphone market.

And now Japanese firms are fighting on their home turf as consumers scoop up Apple's iPad and Samsung's Galaxy smartphones.

Daiwa's Hashimoto said firms once admired for their innovation need to recalibrate with products that are r unmatched - or outdone - by their rivals.

"Having said that, Japanese companies still need to use their technologies to offer customers what they want - they won't have much success with talking vacuum cleaners," he said, referring to Japan Inc.'s sometimes quirky products.

However, other challenges will prove difficult to overcome, such as Japan's high labour costs and a persistently strong yen which has dug into profits by making exports more expensive overseas, while eroding the value of repatriated foreign-earned income.

A slowing global economy, last year's quake-tsunami disaster and weak demand in Europe - a key market for everything from Japanese televisions and mobile phones to vehicles and electronics parts - has also dented results.

This week, Panasonic, Sharp and Sony pointed to yet another unwanted problem: Tokyo's diplomatic spat with China over a disputed East China Sea island chain.

The row over the archipelago, which Tokyo nationalised in mid-September, sparked huge demonstrations China and a tumble in demand among consumers for Japan-branded exports.

"We only hope the situation will calm down as soon as possible," Sony's Kato said.

Source: *AFP* via I-Net Bridge