

Japan's Renesas seeks to cut 12 percent of workforce

Mari Saito, Reuters

(Reuters) - Japan's Renesas Electronics Corp, the world's fifth-largest chipmaker, said it wanted to reduce its workforce by 12 percent and shed half of its domestic plants within three years to compete better with aggressive overseas rivals to produce cheaper, smaller chips.

Renesas, a product of successive mergers of the chip divisions of major shareholders Mitsubishi Electric Corp, Hitachi Ltd and NEC Corp, said the job cuts would save the company 43 billion yen (\$541.97 million) annually.

The company reported a massive loss in the last financial year and is seeking to avoid the fate of fellow Japanese chipmaker Elpida Memory Inc, which filed for bankruptcy protection in February because of tough market conditions and fierce global competition.

"So they managed to stem the losses for now, but expanding their business from here is the next big problem," said Toshiyuki Kanayama, a Tokyo-based senior market analyst at Monex Inc. "The challenges are what come after the painful restructuring."

Renesas, which presented the restructuring plan to its unions on Tuesday, said it will consider selling or consolidating eight out of 19 plants, which includes a plant that was successfully sold to Fuji Electric Co Ltd this week.

Another plant in southwestern [Japan](#) [1] could also be included in restructuring in the future, the company said.

In return for the restructuring, the chipmaker is expected to secure 100 billion yen in loans and other forms of financial support from its major shareholders and four banks. The shareholders have already agreed in principle to provide 50 billion yen in assistance, sources previously told Reuters.

"My decision is based on whether Renesas should no longer exist or whether we should maintain parts of the company. And even though it requires pain and sacrifice, without a doubt, we have to protect Renesas," President Yasushi Akao told reporters at a packed news conference in Tokyo.

Renesas is working towards securing funding for the 5,000 job cuts, Akao said.

The total number of job cuts at Renesas may add up to at least 12,000, including the cuts announced on Tuesday as well as other businesses that are likely to be sold off, sources told Reuters in May.

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NET LOSS

Renesas, the world's leading supplier of microcontroller chips, posted two consecutive years of losses because of massive supply disruptions in the wake of natural disasters in Japan and [Thailand](#) [2].

Akao said the business outlook remained difficult, with the impact from the natural disasters as well as tough market conditions expected to continue.

In an effort to battle the persistently strong yen and cater to a growing number of overseas clients, Akao said Renesas would move more of the chipmaker's packaging and testing facilities abroad.

Selling or consolidating its plants would allow Renesas to focus on making microcontroller chips used in cars, its flagship product.

"The microcontroller unit is not a weak business, so it all rests on how much that business can grow from here," Monex's Kanayama said.

Japanese media previously reported that Renesas planned to sell its system chip plant in Tsuruoka, northern Japan to Taiwan Semiconductor Manufacturing Co (TSMC), the world's biggest contract chipmaker.

"We currently don't have any active case on M&A. Our company didn't do much M&A in the past, we won't be doing much in the future," said TSMC chairman Morris Chang at a general shareholders' meeting last month.

Renesas' loss-making system chip division, which produces chips used in a range of electronic devices, is facing intense competition from the likes of Samsung Electronics.

The unit producing system LSI devices, as system chips are also known, has been a major drain on the Renesas' profits because of a strong yen and production cuts at struggling Japanese consumer electronics makers, analysts say.

Shares in Renesas, which hit a record low of 198 yen in May, ended up 9.8 percent at 348 yen on Tuesday, ahead of the restructuring announcement.

(\$1 = 79.34 Japanese yen)

(Additional reporting by Reiji Murai and Clare Jim; Editing by Ryan Woo and Jon Loades-Carter)

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