# Hon Hai buying 10 percent stake in Sharp for $806M

The Associated Press

Taiwan electronics manufacturer Hon Hai Precision Industry Co. is taking a 10 percent stake in Japan's struggling Sharp Corp. for about $806 million, in what analysts say is an effort to combat growing competition from Samsung Electronics Co.

Hon Hai, owner of the Foxconn factories in China, is a key producer of iPads and iPhones for Apple Inc., the world's most valuable company.

Sharp and Hon Hai will form an alliance in liquid crystal displays and other electronics sectors to cut costs. Sharp makes flat-screen TVs and LCD displays for TVs, game consoles, tablet computers and smartphones, appliances and other products.

Analyst David Hsieh of market research firm Display Search said Hon Hai is seeking to acquire cutting-edge technology from Sharp to produce panels at its massive factories in China and integrate its iPhone and iPad supply lines.

"Facing the strong rivalry of Samsung, the alliance of Hon Hai and Sharp appears inevitable," Hsieh said. "Taiwanese panel makers first acquired their technology from Japan 10 years ago. This tie-up could kick start the second Taiwan-Japan cooperation in electronics goods."

A Hon Hai statement said the alliance will provide new growth opportunities for both companies.

Hon Hai will buy 66.9 billion yen ($806 million) worth of newly issued shares from Sharp.

Like other Japanese electronics makers, Sharp has been hurt by falling prices, competition from other Asian companies and a stronger yen. The tsunami disaster in 2011 and flooding in Thailand also have disrupted supply chains.

In February, Sharp said it expected to lose 290 billion yen for the fiscal year ending in March.

Hon Hai will also buy up to 50 percent of the LCD displays made at Sharp's Sakai plant in Japan. As part of the deal, Sharp will sell a 46.5 percent stake in that plant to Hon Hai chief Terry Gou and other investors. Japanese rival Sony Corp. will keep its 7 percent stake. Sharp's share of the plant will drop to 46.5 percent from 93 percent.

Hon Hai is the world's largest electronics contract manufacturer. It revealed Tuesday that its revenue totaled $116 billion last year, a 15 percent increase from 2010.

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