

Samsung, Sony book profits but wary of road ahead

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Signs advertising Samsung's new mobile phone Galaxy S are displayed in front of Samsung Electronics Co. headquarters in Seoul, South Korea, Friday, Oct. 29, 2010. Samsung Electronics Co. said net profit rose 17 percent in the third quarter to a record high amid strength in its semiconductor and mobile phone businesses. (AP Photo/ Lee Jin-man)

(AP) -- Three of the world's biggest names in electronics - Samsung, Sony and Panasonic - are bracing for weaker global demand and a rocky road even as they reported stellar quarterly profits Friday.

South Korea's [Samsung Electronics](#) Co. booked a record net profit for

the third straight quarter thanks to brisk sales of semiconductors and mobile phones.

Japanese rival Sony Corp. climbed back to the black as consumers clamored for its PCs and the PlayStation 3 gaming console. Panasonic Corp.'s net profit surged more than fivefold on strong demand for flat-panel TVs and Blu-ray Disc recorders.

The results underscore how major Asian manufacturers have benefited from a recovering global economy and government stimulus measures that boosted consumer spending. But with that recovery now in doubt in key overseas markets like the U.S., companies are preparing for a tougher fight for customers and with each other. Rising currencies in Asia also cloud their outlooks.

"We believe the operating environment will become more severe," said Sony's Chief Financial Officer Masaru Kato at a briefing for analysts. "We are being very cautious regarding the second half."

Samsung is wary of oversupply and price cuts for memory chips, in addition to a potential further decline in prices of the panels used in [LCD televisions](#).

"Combining these with the possible appreciation of the won, we expect overall fourth-quarter business conditions to be difficult," said Samsung Vice President Robert Yi on a conference call with analysts.

What happens to Samsung matters because it is such a major force in the global electronics industry. Besides dominating in memory chips and flat screen TVs, the company is also the world's largest manufacturer of large-sized [liquid crystal displays](#) and ranks second in mobile phones behind Nokia Corp. of Finland.

The company manufactures both [DRAM chips](#), used mostly in personal computers, and NAND flash memory chips, used in products such as digital cameras, music players and smartphones.

Samsung earned 4.46 trillion won (\$3.97 billion) in the three months ended Sept. 30, up from a net profit of 3.81 trillion won the previous year.

Its semiconductor business boasted record sales of 10.66 trillion won during the quarter, while revenue in the memory division rose 60 percent from the year before.

That helped push overall sales up 12 percent to 40.23 trillion won, also a record and the first time the company's revenue has surpassed the 40 trillion won mark.

Over in Tokyo, Sony reported net profit of 31.1 billion yen (\$375 million) for the July-September quarter, a huge turnaround from losses of 26.3 billion yen a year earlier.

The results were so good the company raised its profit outlook and expressed confidence that it could weather turbulence, including a persistently strong yen.

The solid results reflect the success of cost cuts and restructuring carried out under Chief Executive Howard Stringer. Since taking over in 2005, the Welsh-born CEO has been trying to unite the company's sprawling businesses and improve efficiency.

Revenue climbed 4.3 percent to 1.73 trillion yen. Its "Networked Products & Services" division, which includes gaming and PCs, did particularly well. The September launch of the highly anticipated PlayStation Move motion-sensing game controller helped drive demand,

the company said.

Of its three previously money-losing businesses - TVs, games and mobile handset maker Sony Ericsson - the latter two are now in the black. Sony's Kato said the company is trying to break even in TVs.

He acknowledged that Sony lags Samsung in profit growth but said the two companies aren't necessarily comparable.

"Our business model is different," Kato said. "One of our assets is our mix of hardware, software and content."

"We will compete on this overall basis."

In its forecast revision, [Sony](#) expects net profit of 70 billion yen, 17 percent more than its previous forecast of 60 billion yen.

But it lowered its sales outlook slightly to 7.4 trillion yen due to the impact of the strong Japanese currency, which erodes income brought back to Japan from overseas sales.

Panasonic, Japan's biggest home appliance maker, made a profit of 31 billion yen (\$384.3 million) in the three months through September, up from 6.1 billion yen the year before.

Quarterly revenue rose 27 percent year-on-year to 2.21 trillion yen. Lower materials costs and other expenses helped offset the impact of growing price competition and an appreciating yen, which hit a 15-year high during the quarter.

The Osaka-based company is pushing ahead with a strategy to strengthen its green technology business. It recently raised its stake in Sanyo Electric - a money-losing unit with strong battery and solar panel

businesses - to more than 80 percent and intends to take full ownership by the end of March.

But an increasingly precarious future kept Panasonic from revising up its forecasts for the fiscal year through March 2011. It still expects a profit of 85 billion yen on sales of 8.9 trillion yen.

It expects an uncertain business environment to continue into the end of the year "with further price declines due to ever-intensifying competition, appreciation of the yen and rising prices for raw materials."

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