

Sony quarterly profit falls 8.6 pct on strong yen

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In this Jan. 27, 2011 photo, Sony Computer Entertainment President and CEO Kazuo Hirai speaks how to use its new PlayStation Portable "NGP" at PlayStation Meeting 2011 in Tokyo. Sony Corp. said Thursday, Feb. 3, 2011 its quarterly profit dropped 8.6 percent as a strong yen and falling TV prices erased the boost the Japanese electronics and entertainment company got from its hit movie "The Social Network." (AP Photo/Shizuo Kambayashi)

(AP) -- Sony's quarterly profit dropped 8.6 percent as a strong yen and falling TV prices erased the boost the Japanese electronics and entertainment company got from its hit movie "The Social Network."

Tokyo-based [Sony](#) Corp. said Thursday it earned 72.33 billion yen (\$886.4 million) in profit for the October-December quarter, down from 79.17 billion yen the year before.

The profit was higher than forecast in a survey of analysts by financial data provider FactSet. Quarterly sales fell 1.4 percent to 2.206 trillion yen (\$27 billion).

Sony lost about 13 billion yen (\$159 million) in its key TV division, making it almost certain it will remain in the red in TVs for the seventh year straight.

"We have been trying to turn around the TV business each year, and we can only say we will continue such efforts," said Chief Financial Officer Masaru Kato. TV prices have been declining while prices for panels, a crucial TV component, were high, he said.

Sony in recent years has lost much of its luster - once symbolized in its Walkman portable music player that pioneered personal music on-the-go in the 1980s, catapulting the Japanese company into a household name around the world.

Nowadays it is struggling against flashier and more efficient rivals including Apple Inc. of the U.S. with its [iPhone](#), iPod and [iPad](#) machines, as well as South Korea's [Samsung Electronics](#) Co., from which Sony purchases liquid-crystal displays, a key component in flat-panel TVs.

Sony, which makes the Vaio personal computer and PlayStation 3 video game console, stuck to its forecast for a profit of 70 billion yen (\$857.8 million) in the year through March 2011. That would mark a reversal from the red ink racked up a year earlier.

But Sony lowered its annual sales forecast to 7.2 trillion yen (\$88.2 billion) from the 7.4 trillion yen (\$90.7 billion) projected in October. That would be flat compared to the previous year ended March 2010.

Punishing its bottomline for the third quarter was the strong yen, which hurts Japanese exporters like Sony by pushing down the value of overseas earnings. The dollar now trades at about 83 yen, down from 89 yen a year ago.

Sony lost 166 billion yen (\$2.0 billion) in sales because of the stronger yen, it said.

"Of course, we are not happy with the results, but we have held up relatively well, despite the big disadvantage of the strong yen," Kato said. Profits were growing in video-game, camcorder and other sectors, but the big sore spot was the TV business, he said.

Sony's flat-panel TV sales were up by numbers sold but lower prices hurt profits.

The company is banking on new features like 3-D and web-surfing capabilities in its latest TV models. But even those products aren't likely to go up dramatically in price given the intense competition in the consumer electronics market.

On the positive side were strong sales of Blu-ray disc recorders and the box office performance of "The Social Network," a David Fincher-directed film based on the story of Facebook founder Mark Zuckerberg.

Still, Sony's pictures division overall marked a drop in sales and profit because of the strong theatrical performance last year of "Michael Jackson's This Is It," according to Sony.

Its music business also saw declining income, underlining the industry's malaise, despite the recording studio's success with Susan Boyle's "The Gift" and Jackson's "Michael."

In gaming, Sony is expecting to sell 15 million [PlayStation 3](#) home consoles for the year through March, up from 13 million the previous year, and 8 million PlayStation Portable machines, down from 9.9 million.

Sony announced recently it is planning a successor to the PlayStation Portable, codenamed NGP, or next-generation portable, which promises dazzling imagery, like a home console's, on a screen double the size of smart phones.

It's set to go on sale late this year, and is already stirring up some buzz among game fans. Details for regional rollouts and price have not been disclosed. It will face competition from a rival portable game machine by Nintendo Co., which offers glasses-free 3-D images and will go on sale in Japan later this month.

For the first nine months of the fiscal year, Sony's profit climbed more than eightfold to 129.1 billion yen (\$1.6 billion). April-December sales edged up 1.8 percent to 4.95 trillion yen (\$60.6 billion).

Sony stock gained 0.7 percent to 2,867 yen (\$35). Earnings results were announced shortly after trading ended on the Tokyo Stock Exchange.

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