

Moody's lowers Sony rating outlook

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Ratings agency Moody's Tuesday lowered the outlook for Sony's A3 long-term debt rating to "negative" as the global electronics giant faces weakening demand for LCD televisions.

Moody's said the downgrade from stable was because the firm "faces significant cyclical headwinds" and "structural challenges in some of its core businesses".

"Moody's believes that adverse market conditions, such as weakening demand for major consumer electronics products, especially LCD TVs, and a stronger yen, are likely to pressure the company's profitability and leverage," it said in a statement.

Sony for years has failed to make a profit on its [television business](#), and slow [global demand](#) for the core household media appliance only will add to the company's woes, Moody's said.

Rapid appreciation of the yen could also eat into earnings for Sony, which relies on foreign markets for much of its profits, it said.

Making matters worse, consumer sentiment in the major markets, especially Europe and the United States, has declined "significantly" as firms prepare for the all-important year-end shopping season, the agency said.

Major [Japanese electronics makers](#) have struggled for years to see profits in their TV business amid cut-throat [price competition](#) with

foreign rivals, such as Samsung.

Moody's also said that the rapid growth of smartphones posed major medium-term threats to Sony's major audio and visual products such as televisions, cameras and games.

"Ultimately, the risk is that Sony will become a more narrowly focused company as its earnings from these segments decline and as it does not have a strong position in the smartphone business," it said.

Moody's said an upgrade for Sony was unlikely in a short run, and a return to a "stable" outlook would require the company to address the concerns.

"This will need to include restoring the profitability of its TV business and addressing the challenges which its digital AV segments and gaming [business](#) face from the rise of smartphones," it said.

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