Fears, hopes grow for Sony under new president

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In this Feb. 2, 2012 file photo, Sony Corp. President and Chief Executive Officer to be Kazuo Hirai, left, and outgoing CEO Howard Stringer have a light moment following their press conference in Tokyo. Sony now has a new president - Hirai, the former head of its game division. But shareholders are already raising doubts about his ability to revive the Japanese electronics and entertainment giant. (AP Photo/Junji Kurokawa, File)

(AP) — The record 9,000 shareholders that packed Sony's annual meeting was no cause for celebration. After four years of losses and a halving of the share price, some angry investors doubt even a new CEO can pull the entertainment and electronics giant out of its slump.

The questions for management at a Tokyo convention hall this week were familiar ones, but only growing harsher. How is Sony Corp. going to regain its past glory? Is Sony finished? When is the red ink ever going to stop?

One man got up and began shouting. One by one, shareholders demanded to know why management didn't have more fresh faces, asked if the quality of Sony products was dropping, and even wondered whether Sony faced the risk of total collapse.

Once an icon of Japan Inc. with its portable Walkman music player and Trinitron TV, Sony reported the worst loss in its 66-year corporate history for the business year ended March with red ink of 457 billion yen ($5.7 billion). Profitability was battered by factors outside Sony's control such as last year's tsunami disaster in northeastern Japan, flooding in Thailand, the global economic slowdown and a soaring yen.

But most critically, Sony stumbled in the face of powerful, often cheaper, rivals such as South Korea's Samsung Electronics Co., which dominates the global TV market. Sony has lost money for eight straight years in its TV business. Sony's glamor image is fading next to Apple Inc.'s iPod, iPhone and iPad, now bigger hits not only globally but also in Sony's Japanese home market, displaying the kind of ingenuity that was once prized as Sony's.

"We take the problem Sony's electronics business is facing very seriously, and we feel a sense of crisis," said Kazuo Hirai, the former head of Sony's game division who has taken over as CEO and president from Howard Stringer.

Decades ago, Sony co-founder Akio Morita was praised as a pioneer in unifying entertainment with technology to deliver dazzling fun gadgets such as the Walkman. He was a hero, helping fix Japan from wartime devastation, and catapulting a nation's technological wizardry to the global stage. Steve Jobs often sung the praises of Sony.

The company seemed to mirror and exemplify Japan's own rise as an economic and manufacturing power. Then something started going wrong. Critics often point to Sony's miscalculation of the strength of its digital music players over the last decade as a telling sign it had lost its way. Although Sony had developed digital music players early on, it failed to woo users by sticking to an unpopular proprietary format and not working on compatibility with the widespread MP3 format.

Now Sony's repeated promises of a revival have worn thin and are met with skepticism.

Stringer, who stepped down as CEO in April, pleaded with investors to support Hirai to carry out initiatives under the slogan of "One Sony." It's a strategy of removing barriers between the Tokyo-based manufacturer's sprawling divisions that span electronics, movies, music, banking and games so they all work better together.

But as soon as he stopped speaking, one stockholder asked why Stringer, who had hand-picked Hirai as his replacement, was staying on as chairman when Sony's performance had been so dismal under his seven-year tenure.

Hirai is promising to focus on image technology exemplified in sensors, broadcasting equipment and digital cameras to bring back Sony, but it faces competition from Samsung there as well.

"Japan excels in that core technology," Osamu Kumamoto, director at Asahi Electronics Co. of Japan, which offers image and robotics services, said at a recent manufacturing convention in Tokyo. "But Samsung is very advanced, too."

In this April 10, 2012 file photo, the main lobby of the headquarters of Sony Corp. in Tokyo is hung with a large sign reading: Sony make.believe. Sony now has a new president - Kazuo Hirai, the former head of its game division. But shareholders are already raising doubts about his ability to revive the Japanese electronics and entertainment giant. (AP Photo/Koji Sasahara, File)

Hirai is also banking on games, the sector he knows best, having led Sony's U.S. game operations since 2006.

Sony has long faced tough competition from Nintendo Co. and Microsoft Corp. which makes the popular PlayStation machine. But the popularity of the iPhone and other devices that also offer games means Sony will increasingly be threatened by a host of electronics makers.

Still, Hirai departed from the line of his predecessors and didn't stress Sony's prowess in TVs. He only promised to stop the red ink.

Under Hirai, Sony has ended its joint venture in liquid crystal displays for TVs with Samsung to boost profitability. Sony fell behind in flat panel TVs and invested in a Samsung panel factory in 2004, to ensure a steady supply for LCD TVs.

Koichiro Hagiwara, senior analyst at Tokai Tokyo Research Center, said Hirai might be able to make a difference because of his understanding of entertainment and gadgetry.

"People have said the long promised synergy between software and hardware is a ghost that no one has ever seen," said Hagiwara. "But if anyone can make it real, it's Hirai."

Hirai is also promising to strengthen Sony's smartphone offerings, taking full control over its joint venture with Swedish telecommunications company Ericsson.

He has already said the company will cut 10,000 jobs, or about 6 percent of its global workforce. The job cuts come on top of a couple of rounds of layoffs under Stringer.

Hirai declined to detail upcoming products, saying that must be kept secret to stay competitive. But he acknowledged cost cuts, regrouping and promises won't be enough to revive Sony.

"We need to make sure our customers are moved by our products. We need to pique their curiosity," he told shareholders. "I want our shareholders to feel that Sony has changed."

Sony shares have lost about half their value over the past year to trade recently at about 1,000 yen ($12).

The changes at Sony underline a bigger shift in Japanese electronics to expand into businesses that sell to other businesses, rather than consumers.

There is speculation Sony will tie up with Japan's scandal-tainted Olympus Corp., which boasts a strong medical equipment division. Hirai declined comment on Olympus, but reiterated Sony wants to strengthen its medical business.

Panasonic Corp., which also suffered record losses, is vowing to turn itself around by focusing on such "business-to-business" sectors, including solar panels and batteries for autos, although it's not exiting consumer electronics.

In a reversal of a historical rivalry made famous by the 1980s video format wars between Sony's Betamax vs. Panasonic's VHS, the two companies are joining forces to develop next-generation TV display technology called OLED, or organic light-emitting diode, panels, aiming for low-cost mass production by 2013.

Samsung is planning to start selling TVs with big OLED screens later this year. OLEDs use a different technology than liquid crystal displays and deliver very clear, vivid imagery. Sony was the first in the world to sell an OLED TV, with an 11-inch model in 2007, but it wasn't a strong seller, partly because of its small size and high price.

Despite Hirai's promises to revive Sony, Kazuo Bando, a Tokyo retailer who owns 5,000 Sony shares and was at the shareholders meeting, wasn't feeling too confident.

"The management has failed," he said. "I am worried. I lost a lot of money."