

Sony's loss grows, cuts earnings forecast

August 2 2012, by YURI KAGEYAMA



A shopper passes by an advertisement poster of Sony at a store in Tokyo, Thursday, Aug. 2, 2012. Sony is reporting a bigger loss for the April-June quarter at 24.6 billion yen (\$316 million) despite a sales recovery from a disaster-struck previous year. The Japanese electronics and entertainment company said Thursday its income was hurt by a surging yen, which erases overseas earnings, and by declining sales of liquid-crystal display TVs and video game machines. (AP Photo/Koji Sasahara)

(AP) — Sony's red ink worsened in the April-June quarter and it lowered its full-year earnings forecast as it battles a strong yen and declining sales of liquid crystal display TVs and video game machines.

The Japanese electronics and entertainment company Thursday reported a quarterly loss of 24.6 billion yen (\$316 million) compared with a 15.5 billion yen loss a year earlier.

Sales edged up 1.4 percent to 1.52 trillion yen (\$19.4 billion), helped by cameras, professional broadcasting products and mobile phones.

Tokyo-based Sony Corp. lowered its earnings forecast for the business year through March 2013 to a 20 billion yen (\$256 million) profit, down from 30 billion yen projected in May, citing uncertainty in foreign exchange rates and global demand.

The company said it was hurt in the April-June quarter by a strong yen, which erodes overseas earnings, and by declining sales of liquid-crystal display TVs and video game machines.

It also got hit by a 20 billion yen additional income tax expense, had 11.3 billion yen in restructuring charges for the quarter, and invested heavily in image sensor production.

Sony posted a 456.6 billion yen (\$5.8 billion) loss in its last business year. That was the fourth straight year of losses and the biggest loss in the 66-year history of the maker of the PlayStation game machines, "Spider-Man" movies and the Walkman portable.

Once the stellar brand symbolizing Japan's technological prowess, Sony has lost its shine. It is getting beaten in TVs by South Korea's Samsung Electronics Co. and by Apple Inc. in devices such as the iPhone and iPod.



A shopper tries a Sony's product at a store in Tokyo, Thursday, Aug. 2, 2012. Sony is reporting a bigger loss for the April-June quarter at 24.6 billion yen (\$316 million) despite a sales recovery from a disaster-struck previous year. (AP Photo/Koji Sasahara)

Sony's troubles were exacerbated last year by factory and supplier damage in northeastern Japan from the March earthquake and tsunami.

Key to Sony's turnaround is stopping the red ink in its TV business, which has lost money for eight straight years. The losses are expected to continue for the current business year. And it has yet to carve out new areas for profits it has long promised like smartphones and tablet computers.

Sony is aiming for a comeback under Kazuo Hirai, appointed president in April, who has headed the company's game division and built his career in the U.S.

Sony said that for the latest quarter, TV sales had fallen but operating losses in the division had been trimmed to less than half of what they were the year before.

Earlier this year, Hirai said the company will cut 10,000 jobs, or about 6

percent of its global workforce, and turn a profit in TVs by the fiscal year ending March 2014.

The job cuts, announced by Hirai, come on top of a couple of rounds under his predecessor, Welsh-born Howard Stringer, who remains chairman and was the first foreigner to head Sony.

In its movies division, Sony achieved a 6 percent increase in sales with the hit "Men in Black 3," and better cable and network program revenue. But it had an operating loss partly because of marketing expenses for this year's films including "The Amazing Spider-Man."

In music, Sony suffered both lower sales and profit partly because the overall music market shrank, according to the company. Best-sellers included Carrie Underwood's "Blown Away" and Usher's "Looking 4 Myself."

Sony said an investor group it is part of completed the acquisition of leading music catalog, EMI Music Publishing, in June by forming a joint venture that acquired the catalog for \$2.2 billion. Sony, in conjunction with the estate of Michael Jackson, paid \$320 million to acquire a 40 percent stake in that joint venture.

Sony has also been struggling in games as sales dropped for its PlayStation Portable handheld and PlayStation 3 home console, as well as game software for those machines. Such sales losses were only partially offset by the PlayStation Vita portable, which went on sale in December.

Sony shares, which have lost more than half their value over the past year, gained 2.4 percent to 964 yen in Tokyo. Trading had ended before earnings were announced.

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