

Sony sinks to \$1.3B quarterly loss on PC expenses (Update)

May 14 2014, by Yuri Kageyama



People walk by the Sony building at Ginza shopping district in Tokyo Wednesday, May 14, 2014. Sony Corp. sank to a 138 billion yen (\$1.3 billion) quarterly loss, hit by costs from selling its personal computer business and is forecasting more red ink as it struggles to execute a long-promised turnaround. The Tokyo-based maker of the PlayStation 4 game machine, Bravia TVs and Walkman digital player also reported Wednesday a loss of 128.4 billion yen (\$1.3 billion) for the fiscal year through March 2014, about three times its loss of 41.5 billion yen the previous year. (AP Photo/Shizuo Kambayashi)

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It forecast a 50 billion yen (\$490 million) loss for the year ending March 2015 as overall sales are expected to be flat without its Vaio PC business.

Earlier this month, Sony said it would report a bigger annual loss than forecast because of expenses that stemmed from selling Vaio, such as restructuring charges and dealing with excess inventory in components.

The PC-related losses are expected to continue this fiscal year, totaling 80 billion yen (\$784 million), on top of the 92 billion yen (\$900 million) for the fiscal ended March 2014.

Sony also suffered a drop in the value of its overseas disc manufacturing business and its battery business.

Chief Executive Kazuo Hirai and some 40 other senior executives are returning their entire bonuses, reducing their annual pay by 40 to 50 percent. Sony executives have taken some pay cuts in recent years to take responsibility for the company's poor performance.

Sony has lost much of the brand cachet that stemmed from once being at the cutting edge of consumer electronics. In recent years it has fallen behind in digital recorders and flat-panel TVs while also facing competition from a host of new players that can make appliances at lower costs.



Sony Corp. Chief Financial Officer Kenichiro Yoshida speaks during a press conference at the Sony headquarters in Tokyo, Wednesday, May 14, 2014. Sony Corp. sank to a 138 billion yen (\$1.3 billion) quarterly loss, hit by costs from selling its personal computer business and is forecasting more red ink as it struggles to execute a long-promised turnaround. The Tokyo-based maker of the PlayStation 4 game machine, Bravia TVs and Walkman digital player also reported Wednesday a loss of 128.4 billion yen (\$1.3 billion) for the fiscal year through March 2014, about three times its loss of 41.5 billion yen the previous year. (AP Photo/Shizuo Kambayashi)

In gadgetry, it is American rival Apple Inc. and Samsung Electronics Co. of South Korea that have dazzled with their innovations, not Sony.

In February, Sony announced it would withdraw from the PC business, despite the popularity of the Vaio brand among some Sony fans, especially in Japan.

The deal to sell Vaio to a Japanese conglomerate was signed earlier this

month and the transaction is set to be completed in July.

Sony's red ink is flowing despite an improvement in sales, which rose 14 percent to 7.7 trillion yen (\$76 billion) for the fiscal year.

It is also struggling despite the perk that Japanese exporters such as Sony get from a weak yen, which boosts the value of overseas earnings. The dollar has strengthened over the past year to about 102 yen from 80 yen.

Sony said it trimmed losses at its TV operations, which have been struggling for nearly a decade, a big problem for a company that had built its reputation on the fantastic image quality of its TVs.

Sony is splitting off its money-losing TV division to run it as a wholly-owned subsidiary.



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In other divisions, Sony lost money in its mobile, device and video-game businesses for the fiscal year ended March.

But it was profitable in its movie business, where TV productions

benefited from licensing agreements for game shows, including "Wheel of Fortune."

Sony's music unit also increased profitability, on the success of Daft Punk's 'Random Access Memories,' Beyonce's "Beyonce" and Miley Cyrus' "Bangerz."

Sony grew from modest beginnings in 1946 to a global powerhouse. It expanded into the entertainment business three decades ago, acquiring CBS Records in 1988 and Columbia Pictures in 1989.

But it has never managed to take full advantage of having both electronics and entertainment businesses under its wing. In contrast, Apple has succeeded with iTunes and its App Store, which in turn helped the popularity of its hardware such as the iPhone and iPad.

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