

'Interview' ordeal at Sony just its latest crisis

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A man walks out from the headquarters of Sony Corp. in Tokyo Thursday, Dec. 18, 2014. Sony's miseries with its television and smartphone businesses were bad enough. Now its American movie division, a trophy asset, is facing tens of millions of dollars in losses from leaks by hackers that attacked the company over a movie that spoofs an assassination of North Korean leader Kim Jong Un. Sony Pictures canceled all release plans for the film at the heart of the hack, "The Interview." (AP Photo/Eugene Hoshiko)

How do you say "damage control" in Japanese? Sony Corp. is sealed within a hermetic cone of silence as executives try to prevent the slow

motion train wreck at Sony Pictures from damaging the rest of the sprawling business empire.

Sony's miseries with its television and smartphone businesses were bad enough. Now its American movie division, a trophy asset, is facing tens of millions of dollars in losses from leaks by hackers that attacked the company over a movie that spoofs an assassination of North Korean leader Kim Jong Un.

The studio's reputation is in tatters as embarrassing revelations spill from tens of thousands of leaked emails that could damage its relationships with stars and give other studios an advantage.

The fallout, financial and otherwise, from the hack is a messy distraction for top executives of the Tokyo-based maker of the PlayStation 4 video game machines, Spider-Man movies and Xperia smartphones.

For now, Sony's [damage control](#) strategy in Japan appears to be waiting out the crisis in silence.

The group headquarters in downtown Tokyo's port district is refusing all comment and referring questions about Sony Pictures to the movie division's headquarters in Culver City, California.

"A rumor only lasts 75 days," goes an old Japanese saying.

"This is seen mainly as an attack on Hollywood," said Damian Thong, a senior analyst at Macquarie Capital Securities. "I feel they want to clean it up as fast they can and just get on with life. That's what they want."

Since Sony Corp. and Sony Pictures have long been run as entirely separate companies, he said there might be little spillover from what a U.S. official said was an act of North Korean cyberwarfare. The studio

canceled all release plans for the North Korean spoof movie "The Interview" after the hackers this week made threats of terror attacks against cinemas that showed the film.

As far as Japan is concerned, it's as if the movie doesn't even exist. Sony Pictures never planned a Japanese release for the film.



In this Wednesday, Dec. 17, 2014 file photo, a poster for the movie "The Interview" is taken down by a worker after being pulled from a display case at a Carmike Cinemas movie theater in Atlanta as Georgia-based theater has decided to cancel its planned showings of "The Interview" in the wake of threats against theatergoers by the Sony hackers. Sony Corp.'s miseries with its television and smartphone businesses were bad enough. Now its American movie division, a trophy asset, is facing tens of millions of dollars in losses from leaks by hackers that attacked the company over the movie that spoofs an assassination of North Korean leader Kim Jong Un. (AP Photo/David Goldman, File)

Sony will lose money from the leaks of some movies and proprietary information, and perhaps also from possible lawsuits by employees whose data was disclosed.

Thong expects the amount to range from 20 billion yen to 25 billion yen (\$170 million-\$210 million). Enough to hurt, but for a company that booked 7.77 trillion yen (\$65.8 billion) in sales in the fiscal year that ended in March, not fatal.

Before the hackers struck, Sony was forecasting \$8.1 billion in annual sales for its movie division out of total sales of 7.8 trillion yen (\$66 billion).

It's possible that all the uproar could lead to the movie making more money than it might have otherwise, said Benjamin Cavender, a senior consumer electronics analyst at China Research Group in Shanghai. Sony Pictures has said it has no further release plans for the film but that does not rule out it being revived later.

"In the short term, it hurts. In the longer term it might be positive in terms of turning the movie into a cult classic," Cavender said.

Lost revenues related to "The Interview" are hardly the worst of the tribulations for a company that has lost money in six of the seven past years amid intense competition from Apple Inc. of the U.S., Samsung Electronics Co. of South Korea and cheaper Chinese rivals.

Despite improved performances by its cameras, TVs and game businesses, write-offs for its mobile phone division have kept Sony awash in red ink. Before the Sony Pictures crisis blew up, it was expecting a 230 billion yen (\$2.1 billion) loss for the year through March 2015.

Often, as one part of Sony's business recovers, another area falters. By the same token, despite fiascos like "The Interview," Sony Pictures has had massive hits in movies like "Spider-Man," "Men in Black" and "Skyfall."

But some investors in Sony say the problems at Sony Pictures reflect the fundamental weakness of a consumer gadgets company trying to marry its culture with a Hollywood studio. Sony bought the predecessor of Sony Pictures in 1989.

"I doubt whether Sony, which is a hardware and electronics company, can manage Sony Picture Entertainment. I don't think Sony's management over them is really functioning," said Mitsushige Akino, chief fund manager at Ichiyoshi Asset Management in Tokyo.

Sony's one-time status as an icon that pioneered products such as the Walkman music player is scarcely known to a generation of iPad and Galaxy lovers and it has never realized the blockbuster synergies it hoped to gain by owning both electronics and entertainment businesses.

Sony was one of the first Japanese firms to successfully tackle world markets. Nearly three-quarters of its annual sales are overseas and about 42 percent of its shareholders are foreign. But the company remains very true to the conservative values of Japanese corporate culture in how it is run.

Even though Sony shareholders heckled Chief Executive Kazuo Hirai and other top executives over losses earlier this year, they still voted to keep Hirai at the helm.

The silence on the latest crisis is typical of Japanese companies, said Cavender.

"Often there is no statement or even if there is one you have to read between the lines because nobody ever says anything directly," he said. "Coming out with a statement might go a long way toward ending the story."

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