

Sony outlines 3-year recovery plan, targets \$4.2B earnings

February 18 2015, by Yuri Kageyama



Sony Corp. Chief Executive Kazuo Hirai outlines its turnaround strategy at the company's headquarters in Tokyo Wednesday, Feb. 18, 2015. Sony will spin off its video-and-sound business into a separate company and shrink its headquarters as part of a three-year turnaround plan. Hirai said Sony will invest in innovative areas, including through acquisitions and partnerships, although he didn't announce specific deals. (AP Photo/Eugene Hoshiko)

Money-losing Sony will spin off its video-and-sound business into a separate company and shrink its headquarters as part of a three-year

turnaround plan to speed up decision-making and become profitable again.

The company is targeting an operating profit of 500 billion yen (\$4.2 billion) and a 10 percent return on equity for the fiscal year through March 2018, but it won't target sales, highlighting its new approach of valuing profitability and not going after size.

"The Sony spirit is about doing what others didn't dare to do" Chief Executive Kazuo Hirai said Wednesday in outlining the company's strategy.

Sony must not be afraid to change if it hoped "to grow in a Sony-like way," Hirai told reporters at the Japanese electronics and entertainment company's Tokyo head office.

Hirai pointed to image sensors that are used in devices such as smartphones and self-parking cars, entertainment operations such as TV programming and the PlayStation game business as potential areas for growth.

The video-and-sound unit will become more independent by October, he said. Other parts of Sony's sprawling empire may also be spun off, such as computer chips and batteries, but details were not yet decided, said Hirai.

Sony will also invest in innovative areas, including through acquisitions and partnerships, although he didn't announce specific deals, according to Hirai.

Sony said it still sees its film division as a driver of growth. It has said it does not expect long-term damage from the cyberattack that became public in December, over a Sony Pictures movie called "The Interview"

which spoofs an assassination of North Korean leader Kim Jong Un.



Sony Corp. Chief Executive Kazuo Hirai bows after delivering outlines of its turnaround strategy at the company's headquarters in Tokyo Wednesday, Feb. 18, 2015. Sony will spin off its video-and-sound business into a separate company and shrink its headquarters as part of a three-year turnaround plan. Hirai said Sony will invest in innovative areas, including through acquisitions and partnerships, although he didn't announce specific deals. (AP Photo/Eugene Hoshiko)

The film has been released in independent theaters and through Internet outlets.

Once an icon of Japan Inc. praised for introducing products such as the Walkman portable music player, Sony has run into serious trouble in recent years as it fell behind in areas including smartphones and flat-

panel TVs.

Hirai acknowledged the company had failed to keep abreast of changing times. Splitting out divisions will help make it more nimble, making each operation more accountable for results, he said.

Sony spun off its TV unit last year and exited the personal computer business.

Sony is expecting a loss of 170 billion yen (\$1.4 billion) for the fiscal year through March. It had a 40 billion yen loss last fiscal year.



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While encouraging autonomy in its divisions, Sony must still work as one, and keeping that balance is critical, Hirai said.

When asked about his responsibility after leading the company for three years, a question common for chiefs of embattled Japanese companies, Hirai acknowledged he had won some and lost some. But he made it clear he wasn't about to step down.



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"My responsibility lies in taking my company to the next stage of

growth," he said.

Sony shares have more than doubled in price on the Tokyo Stock Exchange over the past year on hopes of a recovery. Sony closed Wednesday at 3,174.5 yen, up 1.6 percent.



Sony Corp. Chief Executive Kazuo Hirai speaks about its turnaround strategy during a press conference at the company's headquarters in Tokyo Wednesday, Feb. 18, 2015. Sony will spin off its video-and-sound business into a separate company and shrink its headquarters as part of a three-year turnaround plan. Hirai said Sony will invest in innovative areas, including through acquisitions and partnerships, although he didn't announce specific deals. (AP Photo/Eugene Hoshiko)

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Citation: Sony outlines 3-year recovery plan, targets \$4.2B earnings (2015, February 18)
retrieved 26 April 2024 from
<https://phys.org/news/2015-02-sony-outlines-year-recovery-42b.html>

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