

Sony, Nintendo give dim forecast

Reuters

Japanese consumer electronics rivals both predict a difficult 2009. Nintendo's earnings rose in the quarter, but Sony suffered a loss.

Sony Corp. fell into the red in the latest quarter and reiterated its forecast for a record annual loss due to sliding demand and a stronger yen, while rival Nintendo Co. cut its full-year outlook for the second time in three months.

Nintendo posted a 21% rise in operating profit for the October-December quarter, benefiting from strong holiday sales of its Wii game console and DS handheld game player and proving its resilience in the face of an economic slump.

But the video game maker cut its profit forecast for the year to March by a much larger-than-expected 16% while lowering its sales target for the Wii slightly, a move that could raise worries over its growth potential.

"It will be a major shock for Nintendo bulls out there if they are reducing Wii unit guidance because people expect this to go up," said Hiroshi Kamide of KBC Securities.

Nintendo's new operating profit forecast of \$5.9 billion for the year to March would still be a record figure, a sharp contrast to Sony, which is heading for its biggest operating loss on record and its first in 14 years.

Nintendo's strategy to broaden the gaming population by offering innovative but easy-to-play games has been a roaring success, with the Wii far outselling Sony's PlayStation 3 and Microsoft Corp's Xbox 360 since its debut in 2006.

Sony (SNE) has been battered by falling prices and slumping demand for flat TVs, digital cameras and other electronics products, while also having to shoulder massive costs to close factories and cut jobs.

The maker of Bravia LCD TVs and Cyber-shot digital cameras reiterated a forecast it unveiled last week for a record \$2.9 billion operating loss for the year to March, a big swing from the \$5.8 billion profit logged a year earlier.

Piling inventories

As inventories pile up and prices tumble, Sony is feeling the pinch of the downturn in every corner of its operations, which range from semiconductors to movies and insurance.

"Demand does not seem to be getting any better from the fourth quarter (through March 31) on. We will press ahead with production and inventory adjustments," Sony Senior Vice President Naofumi Hara told a news conference.

Sony reported an operating loss of \$200 million for the three months to December, down from a \$2.6 billion profit a year earlier and joining other technology heavyweights such as Samsung in posting a quarterly loss.

Its TV operations alone logged an operating loss of \$480 million for the quarter, down from a profit of about \$80 million a year earlier.

Sony, which is planning to set up an LCD production joint venture with Sharp Corp, said they have postponed setting up the venture until March 2010, about a year later than originally scheduled, due to the global downturn.

October-December group operating profit at Nintendo rose to \$2.8 billion from \$2.3 billion a year earlier. The result was roughly in line with the average of \$2.76 billion from four analysts surveyed by Reuters.

But Nintendo cut its full-year outlook by \$1.1 billion to \$5.9 billion, far below the market consensus of \$6.7 billion in a poll of 18 analysts by Reuters Estimates.

Nintendo's outlook has been tempered by a rising yen, which makes its consoles less competitive and cuts into the value of overseas earnings. Nintendo gets more than three-quarters of its sales outside Japan.

Nintendo cut its annual sales target for the Wii by 1 million units to 26.5 million units, while raising its forecast for the DS by 1 million to 31.5 million.

CNNMoney.com, 29 jan. 2009, Business News, online. Disponível em <www.money.cnn.com>. Acesso em: 2 fev. 2009.

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