Sony cuts 5,000 jobs, exits PC business after US$1bn loss

TOKYO, JAPAN: Sony warned it would record a US$1.08bn annual loss and cut 5,000 jobs while exiting the stagnant PC market this year as the once-mighty electronics company struggles to reinvent itself in the digital age.

Sony has sold its computer business to JIP and will no longer be doing any work in computer development. Image: Amazon.

The shock comes a week after Moody's downgraded the firm's credit rating to junk, saying the manufacturers of Bravia televisions and the PlayStation games console had more work to do in repairing its battered balance sheet.

It also comes as Japan's embattled electronics sector faces serious challenges from foreign rivals such as Apple and Samsung.

Sony said the job cuts would save about US$1bn a year starting from early 2015 as it announced the sale of its Vaio-brand PC division to a Japanese investment fund.

It did not disclose financial details of the deal with Japan Industrial Partners (JIP), but local media this week reported that the sale was worth between ¥40bn and ¥50bn.

Citing "drastic changes" in the global personal computer market, Sony said it had decided to concentrate on its mobile product lineup of smartphones and tablets and to transfer its PC business to a new company established by JIP.

Sony said it would cease planning, design and development of PC products.

Job losses

The job losses - about 1,500 in Japan and 3,500 overseas - were tied to its ailing television and PC businesses, it said.

Several hundred Vaio employees are expected to be rehired by JIP and Sony said it will explore opportunities for other employees to be transferred to other businesses within the Sony Group.

For others, Sony said it planned to offer an early retirement support programme.

The Japanese firm, a small company in the global PC market, has pinpointed digital imaging, videogames and mobile as the core units that it hopes will lead a turnaround in its electronics business.

Smart phones and tablets form part of the latest rescue plans for Sony. Image: Wiki Images

Sony chief Kazuo Hirai has shrugged off pleas to abandon the television unit. The firm last year turned down a call from US hedge fund boss Daniel Loeb to spin off 20% of its entertainment arm, which includes a Hollywood film studio, to boost profits.

Hirai's efforts to turn the firm around got a boost last year after the company posted a small net profit after four years in the red. However, that was largely due to a weak yen and the selling off of assets, including its Manhattan office building for more than US$1bn, as part of the wider restructuring.

Sony said it had made "significant progress" in shaking up its electronics business but warned it would not achieve its goal of making the low-margin TV business profitable for the current fiscal year to March, in which it expects to lose ¥110bn.

The company blamed its poor earnings forecast - which reversed previous expectations of a ¥30bn profit - on a declining

business, restructuring expenses and planned assets sales, which were reconsidered. It also pointed to losses in its games business, which were not included in the earlier forecast.

Source: AFP via I-Net Bridge