

Sony net profit jumps 53.3% in Q1 but virus clouds annual outlook

August 4 2020, by Hiroshi Hiyama



Sony has warned that its profits are likely to fall compared with the previous fiscal year

Sony said Tuesday its net profit surged 53.3 percent in the first quarter, but warned annual profits were likely to see double-digit falls as the

coronavirus pandemic continues to cloud the forecast.

The PlayStation giant said net profit for the April-June quarter reached 233.25 billion yen (\$2.2 billion), with "significant increases" in its game and network services and financial services segments.

The surge was also helped by a strong performance in equities, which pushed up the firm's pre-tax income.

Operating profit, however, slipped 1.1 percent to 228.39 billion yen on sales of 1.97 trillion yen, up 2.2 percent.

While global demand for games downloads spiked this year as lockdowns forced people to stay at home, the pandemic has brought a string of negative factors for Sony, including a slump in manufacturing, music event cancellations and movie theatre shutdowns.

"Lockdowns have continued affecting Sony's production lines while hitting hard sales of its electronics products and at theatre-release movies," Hideki Yasuda, an analyst at Ace Research Institute in Tokyo, told AFP ahead of the results.

"It was quite a tough quarter for Sony, as negative factors outnumbered positive ones. Sony is still expected to recover gradually for the rest of the fiscal year but on the condition that a major second wave of the pandemic doesn't emerge."

If there is a serious resurgence of the virus, "it will be a different story", Yasuda warned.

It warned annual net profit for the year to March would drop 12.4 percent to 510 billion yen, with annual operating profit dropping 26.7 percent to 620 billion yen.

Annual sales are seen edging up 0.5 percent to 8.3 trillion yen.

PS5 production on track

The much-anticipated next version of the PlayStation is expected later this year, which analysts say has helped to sustain the firm's share price.

During the April-June period, the company's mainstay game segment saw sales rise 32 percent thanks to robust demand for titles and related services, with the segment's annual sales also on course to rise 26 percent.

But the news elsewhere was less positive, with sales falling 12 percent in the music division and six percent in the movie segment.

The firm's electronics products business registered a whopping 31-percent plunge in sales, hit by the pandemic and unfavourable foreign exchange rates.

For the year ahead, much is riding on how the PS5 performs, Yasuda told AFP.

"But it's too early to assess the new console's popularity. No one can predict precisely how it will perform before its launch."

Chief Financial Officer Hiroko Totoki told reporters that production of the new console was "going well towards the year-end sales season".

But he acknowledged the challenging situation faced by the firm overall, with the pandemic and US-China tensions, including over Huawei, affecting its bottom line.

On the pandemic, Totoki said the firm "must adapt to the changing

environment".

"We regard fiscal 2020 as time to recover from the impact of the coronavirus and to prepare ourselves for the post-coronavirus business environment," he added.

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