

Sony upgrades profit outlook on strong Q1 performance

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Sony now predicts a net profit of \$6.4 billion for the fiscal year to March 2022.

Sony upgraded its full-year profit forecast Wednesday on the back of a strong quarterly performance, although the pandemic boom enjoyed by the gaming sector is slowing.

The Japanese conglomerate said solid earnings in its music and consumer electronics businesses offset a first-quarter operating profit decline in the gaming sector.

A box-office triumph for the anime epic "Demon Slayer", distributed by Sony's animation unit Aniplex, also boosted its better-than-expected quarterly results.

Sony Group now predicts a net profit of 700 billion yen (\$6.4 billion) for the fiscal year to March 2022, up from its earlier estimate of 660 billion yen.

For the three months to June, net profit rose 9.4 percent to 211.8 billion yen, Sony said. Its annual sales forecast was unchanged at 9.7 trillion yen after first-quarter sales gained 15.0 percent to 2.26 trillion yen.

The figures showed Sony "displaying its underlying strength", Hideki Yasuda, an analyst at Ace Research Institute in Tokyo, told AFP.

"This result showed the advantage of a conglomerate—strong sectors can offset weakening ones," he said.

While the upward annual forecast revision came as a surprise, "sales of digital cameras were much better than expected. And music-streaming businesses were also stronger than we thought," Yasuda added.

Although Covid-19 hit many industries hard, the gaming sector was one of the few to benefit, with demand soaring as people sought distractions during long periods stuck at home.

In the previous fiscal year, Sony reported its biggest-ever annual net profit, which more than doubled to 1.17 trillion yen on record sales of 8.99 trillion yen.

'Demon Slayer'

The group's latest annual net profit forecast remained lower than the bumper result last year, in which lockdown demand had boosted software sales.

"Demand is sharply weakening this year" for gaming products, as vaccines help life move closer to normality despite the spread of the Delta variant, Yasuda had warned before the earnings release.

Sony launched its PlayStation 5 last year but the console remains in short supply, leaving many would-be customers empty-handed.

And a global microchip shortage has also hobbled production of a wide range of goods, from cars to computers.

"Sony risks losing would-be users if the current supply shortage continues," said Yasuo Imanaka, chief analyst at Rakuten Securities.

In December, the animated film "Demon Slayer", in which a teenager hunts down and beheads demons, became Japan's top-grossing film of all time.

The title also had the best opening ever recorded in North America for a foreign-language film.

"'Demon Slayer' contributed a lot in the fourth quarter of the last fiscal year, but the contribution is weakening," Yasuda said.

Sony, which started as a tiny radio maker in the years after World War II, is now enjoying steady growth in its entertainment businesses as a vital source of revenue.

The manufacturer of the Walkman has performed strongly in recent years after recovering from massive losses in the early 2010s, when it struggled to overcome deep financial trouble by cutting jobs and selling divisions.

"But Sony's performance could level off this year," Yasuda said.

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