

Sony hikes net profit forecast as weak yen boosts business

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Sony said the weak yen had boosted profits in several sectors.

Sony raised its annual net profit and sales forecasts on Tuesday, saying the weak yen had boosted the performance of sectors including music, movies and smartphone camera components.

The yen has lost more than 20 percent of its value this year, inflating profits for Japanese companies that operate overseas.

That includes Sony's massive global entertainment business—from streaming services to blockbuster films and PlayStation games, as well as digital camera components.

"Major factors for the upward revisions include the growth of the music streaming business, as well as foreign exchange," chief financial officer Hiroki Totoki told reporters.

The conglomerate now expects net profit to March 2023 to reach 840 billion yen (\$5.7 billion), up from the 800 billion yen previously forecast.

It has also slightly increased its sales outlook to 11.6 trillion yen, with higher revenues in several sectors likely to be "partially offset by lower-than-expected sales in the financial services segment".

In the first half of the current financial year, net profit was 482.2 billion yen—up 13 percent on-year—while sales rose nine percent to five trillion yen, Sony said.

Recent big hits for the group include the PC version of the game "Marvel's Spider-Man", "Uncharted: Legacy of Thieves" for PlayStation, as well as new music from Beyonce, Doja Cat and Harry Styles, Totoki added.

PS5 production increasing

Nearly two years since its launch, Sony's PlayStation 5 console remains notoriously difficult to find.

But "with material supply and logistics constraints significantly eased, PS5 production exceeded 6.5 million units in this quarter and is progressing ahead of plan," Totoki said.

Recent price increases for the console have not yet hit demand, he added, and Sony is "doing our utmost to accelerate supply for the year-end sales season", he added.

In August, Sony Interactive Entertainment recommended raising the PS5's retail price in many parts of the world, but not the United States, because of high inflation and forex changes.

Hideki Yasuda, senior analyst at Toyo Securities, said PS5 "hardware shipments are expected to grow significantly" in the second half of 2022-23, but warned that software sales will be "very tough".

"This year, software makers are postponing the sale of major titles, partly because production of the PS5 has been slow," Yasuda told AFP ahead of Sony's earnings release.

With most of the forex-related boost coming from software sales, if the situation does not change it could start to hit Sony's gaming earnings, the analyst warned.

"The PS5 is selling at a very high price, but it is well-balanced cost-wise... if the dollar strengthens, it's going to be tricky," he said.

Behind the yen's dramatic fall is the contrast between the monetary policies of the US and Japanese central banks.

While the US Federal Reserve is fighting inflation with aggressive rate hikes, the Bank of Japan has stuck to its longstanding monetary easing programme, designed to encourage sustainable growth.

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