

Sony reports record net profit but issues cautious forecast

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Japanese giant Sony issued a more cautious forecast for the year ahead

Sony announced its biggest-ever annual net profit Wednesday, driven by unprecedented pandemic-fueled demand as people around the world turned to gaming to liven up lockdowns.

But with hope on the horizon for an end to the pandemic as vaccines roll out in many parts of the world, the Japanese firm issued a more cautious forecast for the year ahead.

Although the coronavirus has hit many industries hard, the gaming sector has been one of the few to experience an unprecedented boom.

The Tokyo-based entertainment and consumer electronics giant said annual net profit jumped to 1.17 trillion yen (\$10.7 billion)—more than doubling from the previous year on sales of 8.99 trillion yen, also a record high.

But for the fiscal year that began in April, they forecast net profit of a more modest 660 billion yen, on sales of 9.7 trillion yen, with the gaming sector anticipating an eventual tapering of the soaring demand linked to the pandemic.

This financial year also saw the launch in November of Sony's much-anticipated PlayStation 5 console, which set off a head-to-head battle for holiday sales with the new Xbox from Microsoft.

Demand for the PS5 has been strong, though pandemic-related supply problems have left many would-be customers empty-handed and created chaotic scenes at electronics stores when supplies do become available.

It hasn't all been smooth sailing on the software side either, with Sony opting to pull the much-hyped Cyberpunk 2077 game from PlayStation stores in December after a flood of complaints over bugs and compatibility issues.

"It's too early to evaluate the success of PS5," said Hideki Yasuda, an analyst at Ace Research Institute in Tokyo.

"Demand for PS5 consoles remains strong but sales of its software have yet to show a promising performance," he said, speaking before Sony released its results.

"We are focusing on whether Sony can release powerful titles and show results," he said, adding that the current fiscal year is seen as "a crucial period" for the PS5.

Sony sold 7.8 million PS5 units over the past fiscal year and hopes to sell more than 14.8 million units this year—aiming for the console to do better than the second year of its predecessor, the PlayStation 4.

'Demon Slayer' success

As well as robust sales in the gaming sector, Sony's earnings were expected to reflect strong demand for imaging sensors.

The firm recently built a new production line of imaging sensors at its domestic plant to meet the growing need for high-end mobile phone parts worldwide.

"Sales of CMOS image sensors are expected to remain a pillar of Sony's earnings for the current fiscal year," Yasuda said.

The pandemic has wrought havoc on the movie sector, another important business for Sony.

Sales in its movie segment plunged 25 percent—although operating profit improved thanks to people watching at home and the lower cost of promoting new films.

"Sony experienced both positive and negative aspects of the coronavirus, but overall, the pandemic benefited Sony a lot," said Yasuda.

Despite the pandemic's disastrous impact on movies, Sony's animation unit Aniplex scored a box-office triumph with the anime epic "Demon Slayer", which in December became Japan's top-grossing film of all time.

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.

It recently announced a multiyear accord to give Netflix exclusive US rights to its new movies after they leave theatres, allowing the streaming giant access to future instalments of franchises such as "Spider-Man".

Sony shares, hovering around two-decade highs, have soared some 70 percent over the past 12 months and on Wednesday they closed up more than three percent, before the results were released.

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.

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