

Sony logs record profits, warns of headwinds to come

April 26 2019, by Miwa Suzuki



Profits are great now but Sony faces headwinds

Japan's Sony said Friday that robust games and entertainment divisions had pushed annual profits to a second consecutive record high but warned of a looming downturn in its bottom line.

The PlayStation manufacturer also said the integration of EMI Music Publishing as a fully-owned subsidiary had played well.

Net profits soared 86.7 percent on-year to 916.3 billion yen (\$8.2 billion) in the year ended in March while operating [profit](#) climbed 21.7 percent to 894.2 billion yen. Sales edged up 1.4 percent to 8.7 trillion yen.

However, the future is looking less bright as this year's one-off boost partly from integrating EMI Music Publishing will make annual comparisons less rosy.

Net profits for the current fiscal year to March 2020 were forecast to drop 45 percent to 500 billion yen with [operating profit](#) sagging nine percent to 810 billion yen.

Sales however were seen growing 1.5 percent to 8.8 trillion yen.

"Sony had achieved a V-shape recovery until the last fiscal year but its growth is expected to slow down in the current fiscal year," said Hideki Yasuda, an analyst at Ace Research Institute in Tokyo.

"PS4, which spearheaded Sony's revival, is now peaking out while its mobile phone businesses are expected to continue squeezing profits," he told AFP.

Sony continued to struggle in the mobile [business](#) with its [operating loss](#) more than tripling to 97 billion yen because of reduced smartphone sales.

Profits also fell in Sony's semiconductor and financial services businesses.

But it enjoyed strong growth in its games and network businesses, including an online service that allows users to enjoy music and video titles via their PlayStation accounts.

Operating profit in that sector soared 75 percent to 311 billion yen.

Revenue from PlayStation4 consoles fell but software sales and network services logged robust rises.

Sony said it expects revenue from this core sector will sag due to a continued fall in game hardware sales, costs to develop the next-generation console, and unfavourable foreign exchange rates.

Yasuo Imanaka, an analyst at Rakuten Securities in Tokyo, said Sony's game business also faces a threat from new entrants in the sector.

"Google's Stadia can be a powerful rival. Sony is expected to launch PS5 in the near future but may have to review its [game](#) business strategy due to the emergence of Stadia," he said.

The Stadia platform will let gamers stream blockbuster titles to any device they wish.

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