Sony first quarter net profit down on one-off factors

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Sony said its bottomline profit dropped 32.8 percent to 152.1 billion yen ($1.4 billion) for the April-June quarter on sales of 1.93 trillion yen, down 1.4 percent

Japanese entertainment giant Sony on Tuesday reported a fall in first-quarter net profit due to one-off factors, with operating profit up thanks to strong demand for its image sensors.

While announcing quarterly figures, the PlayStation manufacturer downgraded its full-year revenue forecast as analysts said the firm's recovery was levelling off.

Sony's bottomline profit dropped 32.8 percent to 152.1 billion yen ($1.4 billion) for the April-June quarter on sales of 1.93 trillion yen, down 1.4 percent.

The plunge in net profit reflects in part the firm's exceptional first quarter results last year, fuelled in part by the sale of a share of its stake in Spotify.

But its operating profit rose 18.4 percent to a record 230.9 billion yen.

Sony spent years struggling to recover from deep financial trouble, a process that entailed aggressive restructuring, the loss of thousands of jobs and the sale of business units and assets.

"Sony achieved a V-shaped recovery and its growth is now levelling off," said Hideki Yasuda, an analyst at Ace Research Institute in Tokyo.

Sony saw a slowdown 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 fell more than 11 percent.

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

"PS4, which has long spearheaded Sony's revival, is now peaking," Yasuda told AFP.

"Investors are focusing how Sony can smoothly transfer from PS4 to PS5," he added.

Sony revised its sales forecast down for the fiscal year to March 2020 to 8.6 trillion yen from an earlier estimate of 8.8 trillion yen.

The downward revision was due to sales declines in games and electronics products, although its mobile phone business returned to the black for the quarter, Sony said.

The firm left its full-year net profit forecast unchanged at 500 billion yen, down 45 percent from the previous fiscal year.

Annual operating profit forecast was also unchanged.

Sony CFO Hiroki Totoki said the US-China trade dispute would be a potential risk for the company.

"While paying close attention to geopolitical risks such as a trade issue, we will monitor developments and consider advance measures so that we should not fall behind," Totoki said.

The firm said it saw a slowdown in its electronics and solution sector due to a decline in sales of television sets, smartphones and digital cameras.

But sales of image sensors remained brisk, with operating profit from the sector up 70 percent thanks to robust demand for high-spec smartphones.

"Image sensor is a significant business, which is one of the pillars of

Sony Group's growth strategy," Totoki said, adding that it would step up efforts to develop next generation image sensors.

US hedge fund Third Point, holding a stake in the Japanese conglomerate, is reportedly demanding a spinoff of Sony's image sensor business.

Its entertainment sector is expected to remain promising as "Spider-Man: Far From Home" and "Men in Black: International", both released late June, have captured the box office.

And "Once Upon a Time in Hollywood," starring Leonardo DiCaprio and Brad Pitt, will hit the screen in late August.

Sony released the quarterly earnings after the closing bell. Its shares, which jumped more than 3.7 percent for the past month, ended the session down 0.08 percent to 5,859 yen.