

# Nintendo profit drops despite strong holiday sales

January 28 2010, By TOMOKO A. HOSAKA , Associated Press Writer

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A shopper checks a computer game software by shelves selling Nintendo DS game softwares at a Yamada Denki discount store in Tokyo, Japan, Thursday, Jan. 28, 2010. Nintendo, maker of the hit Wii game console, said profit for the April-December period fell 9.4 percent after a lackluster first half tarnished strong holiday sales. Nintendo Co. reported Thursday a 192.6 billion yen (\$2.1 billion) profit for the nine months through Dec. 31, down from 212.5 billion yen a year earlier. (AP Photo/Shizuo Kambayashi)

(AP) -- Nintendo, maker of the hit Wii game console, said profit for April through December fell 9 percent after price cuts and the rising yen tarnished strong holiday sales.

Nintendo Co. reported Thursday a 192.6 billion yen (\$2.1 billion) profit for the nine months through Dec. 31, down from 212.5 billion yen a year earlier. Sales retreated 23 percent to 1.18 trillion yen.

Kyoto-based Nintendo blamed a lackluster first half and a strong yen for overshadowing robust holiday sales. A 20 percent price cut of the [Wii](#) also eroded profitability.

Since Nintendo launched its Wii console in 2006, it has consistently outsold rivals by targeting casual gamers. Rival systems from Sony Corp. and [Microsoft](#) Corp. have begun to catch up, but Nintendo showed over Christmas that it was still the one to beat.

To reverse slowing sales, Nintendo lowered the price of the Wii to 20,000 yen from 25,000 yen in Japan, and to \$200 from \$250 in the U.S. before the year-end shopping season. The move followed price cuts by Sony and Microsoft earlier in the year.

Nintendo subsequently set a U.S. record for most gaming systems sold in a single month. Sales of the Wii hit 3.8 million units in December, which was more than Sony's [PlayStation 3](#) and Microsoft's [Xbox 360](#) combined, according to market researcher NPD Group.

The company's "New Super Mario Bros. Wii" was the month's top-selling game in the U.S., followed by the exercise game "Wii Fit Plus, then "Wii Sports Resort."

"These strong software titles, coupled with the price reduction on the Wii hardware and other factors, combined to drive sales of Wii hardware strongly in the [holiday season](#)," Nintendo said.

The company does not break down quarterly numbers for net profit. Its nine-month figures suggest a net profit of 123.1 billion yen and sales of 634.1 billion yen for the October-December quarter, according to calculations by The Associated Press. That would represent a 9 percent fall in sales, but an 82 percent jump in [net profit](#) from the same period last year.

David Gibson, an analyst at Macquarie Research in Tokyo, said Nintendo's latest results beat expectations, pointing toward a respectable finish for the full year.

"The company is on track to beat their guidance this year," he said.

Nintendo said it sold 17.05 million Wii game consoles around the world in the nine months through December, short of the 20.52 million sold last fiscal year. It sold 23.35 million DS handheld consoles, down from 25.62 million.

Wii software sales fell 4 percent to 156.6 million units.

The company, which derives 85 percent of its revenue from outside Japan, is particularly vulnerable to foreign exchange fluctuations. A stronger yen reduces the value of repatriated overseas earnings.

It continues to forecast a 230 billion yen profit for the full fiscal year through March on sales of 1.5 trillion yen. Nintendo expects to sell 20 million Wii machines and 30 million DS units for the year.

The company's fate in the years ahead will likely depend on how it responds to competitors' efforts to push gaming technology.

Nintendo revolutionized the industry by introducing motion-detecting controllers, which enable users to physically interact with games. Now rivals are set to launch their own answers to the Wii wand.

Microsoft's "Project Natal" eliminates the need for any button-pushing controller by combining a camera, depth sensor, microphone and processor. It is expected to release Natal in time for the Christmas shopping season.

Sony has its own motion controller due out in the fall. It is also banking on 3-D technology to spur the next generation in gaming.

Nintendo reports earnings based on Japanese accounting standards.

Shares of Nintendo have lost about a sixth of their value in the past year. On Thursday, the issue rose 2.5 percent to 26,320 yen, beating a 1.6 percent gain in the Nikkei 225 stock index.

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Citation: Nintendo profit drops despite strong holiday sales (2010, January 28) retrieved 27 April 2024 from <https://phys.org/news/2010-01-nintendo-profit-strong-holiday-sales.html>

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