

Nintendo posts first annual loss

April 26 2012, by Kyoko Hasegawa



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Japanese videogame giant Nintendo on Thursday posted its first annual loss since becoming a public company, blaming a soaring yen and price cuts on its consoles for sinking it \$530 million into the red.

The Kyoto-based company in August slashed the price of its new Nintendo 3DS by about 40.0 percent in Japan after a lacklustre debut, followed by similar reductions overseas as it struggled to boost sales ahead of the Christmas rush.

But the move failed to make up for the poor sales seen earlier in the year, as the company battles tough competition from smartphones, tablet computers and [social networking websites](#).

In its fiscal year through March, Nintendo said it lost 43.2 billion yen (\$530 million), reversing a year-earlier profit of 77.62 billion yen, although the result was not as bad as the 65 billion yen loss it had earlier forecast, mainly due to exchange rate [fluctuations](#).

The firm listed on Osaka's [stock exchange](#) in 1962 and followed 21 years later by joining the Tokyo exchange.

Nintendo said sales dropped 36.2 percent year on year to 647.65 billion yen, adding that it "could not recover from a sales [slump](#) of Nintendo 3DS consoles in Europe and in the United States in the early fiscal year."

But it said it would return to profit in the current fiscal year, with earnings of 20.0 billion yen on sales of 820.0 billion yen.

The company ruled out further price cuts for its 3DS handheld consoles, saying the practice would stop in the current fiscal year.

"For the Nintendo 3DS, its hardware has been sold below cost because of its significant price cuts," the company said in a statement Thursday.

"However, Nintendo expects to cease selling it below cost by the middle of the fiscal year ending March (2013)," it added.

The 3DS, the world's first [video game](#) console with a [3D screen](#) that works without special glasses, sold 13.5 million units globally during the year, and the firm predicted that to rise to 18.5 million units over the next 12 months.

The Wii home [console](#), to be replaced by the updated Wii U by the end of this calendar year, saw global sales of 9.8 million units last year, with 10.5 million consoles expected to be sold this year.

Nintendo has struggled in the face of competition from not only its traditional rivals such as PlayStation maker Sony but also from inexpensive online games that can be downloaded to smartphones and [tablet computers](#).

Another drag on Nintendo's results was the strong yen, which hit record highs around 75 yen against the US dollar last year, making the firm's products more expensive overseas while eroding the value of foreign-earned profits.

The company said Thursday its forecasts were based on the yen trading around 80.0 to the dollar and 105.00 against the euro, with the pair changing hands at 81.10 and 107.45 on Thursday, respectively.

[Nintendo](#) shares closed up 2.85 percent at 11,540 yen on Thursday before its results were released.

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