

Nintendo profit falls on sluggish Wii U sales (Update)

January 29 2014, by Yuriko Nagano



In this Sunday, Dec. 15, 2013 file photo, shoppers take escalators painted with the logo of Nintendo and Super Mario characters at an electronics store in Tokyo. Nintendo Co. says its profit for the first nine months of the fiscal year fell 30 percent because of languishing sales of its Wii U home consoles and game software. The Japanese maker of Super Mario video games reported Wednesday, Jan. 29, 2014, a 10.2 billion yen (\$99 million) profit from April to December, down from 14.55 billion yen a year earlier. It did not break down quarterly numbers. (AP Photo/Shizuo Kambayashi, File)

Profit at Nintendo Co. fell 30 percent in the first nine months of the fiscal year as sales of Wii U home consoles, 3DS devices and game software languished. Top executives announced they would take pay cuts.

The Japanese maker of Super Mario and Pokemon video games reported Wednesday a 10.2 billion yen (\$99 million) profit from April to December, down from 14.55 billion yen a year earlier. It did not break down quarterly numbers.

Nintendo's president, senior managing director, managing director and directors said they will take a pay cut for five months starting in February to take responsibility for the poor performance.

President Satoru Iwata's pay will be halved, two representative directors including reputed game creator Shigeru Miyamoto, were hit with a 30 percent cut. The other seven board members will lose 20 percent of their pay, according to the company.

The popularity of smartphones, tablets and other gadgets has been drawing consumers away from consoles devoted to games. Nintendo has resisted changing its business to incorporate such devices.

"It would be a positive surprise if Nintendo comes out with an online game strategy for smartphones, although the market doesn't expect that move," said Tomoaki Kawasaki, senior analyst at IwaiCosmo Securities Co.



In this photo taken Sunday, Dec. 15, 2013, shoppers walk through the sales floor of Nintendo 3DS video game software at an electronics store in Tokyo. Nintendo Co. says its profit for the first nine months of the fiscal year fell 30 percent because of languishing sales of its Wii U home consoles and game software. The Japanese maker of Super Mario video games reported Wednesday, Jan. 29, 2014, a 10.2 billion yen (\$99 million) profit from April to December, down from 14.55 billion yen a year earlier. It did not break down quarterly numbers. (AP Photo/Shizuo Kambayashi)

Consumers will still buy Nintendo games if they are wowed by them, but that hasn't been happening, he said.

The Kyoto-based company this month forecast a loss of 25 billion yen (\$242 million) for the fiscal year through March 2014. It had earlier forecast a profit of 55 billion yen (\$532 million). Nintendo had profit of 7 billion yen last fiscal year.

Nintendo slashed its annual forecast for Wii U sales from 9 million units

to just 2.8 million, fewer than a third of its earlier estimate.

The company said it sold 2.4 million units in April through December, a slower pace than 3 million units in the same period of 2012.

"In the fourth quarter, we expect sales to decrease significantly due to seasonal factors as the year-end sales season concludes," Nintendo said in a statement.

Nintendo also cut the sales forecast for its hand-held 3DS video game devices to 13.5 million units from 18 million units for the fiscal year.

The company is expecting software sales to struggle as well.

Nintendo's philosophy is to take the road less traveled and "they have been steadfast in sticking to that strategy," said Eiji Maeda, senior analyst at SMBC Nikko Securities Inc.

Nintendo hits a home run once in a while, said Maeda, noting that the Wii and DS devices were hits.

The weak yen, which is generally a plus for exporters such as Nintendo, was not enough to offset the damage from sluggish sales. Nintendo racked up a foreign exchange gain of 48 billion yen (\$465 million) during the first three quarters, more than double the same period the previous year.

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