

Nintendo earnings weather economic downturn

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Japanese video game and console maker Nintendo Co. reports earnings for the first nine months of the fiscal year ending March on Thursday. The following is a summary of key developments and analyst opinion related to the period.

OVERVIEW: Nintendo's earnings are expected to hold up relatively well given the damage Japanese companies have suffered from the financial crisis and the strengthening yen. Sales are still going strong for Nintendo's Wii, the world's top-selling home console, and the DS handheld, as well as for the latest Super Mario game software,

Cell phones and other portable gadgets are adding functions such as gaming, threatening parts of Nintendo's turf. But consoles like the Wii that connect to the Internet are rapidly becoming living-room devices for streaming movies and other video, not just games.

To stay competitive, Nintendo, which also makes Pokemon games, cut the Wii price to 20,000 yen (\$220) from 25,000 yen (\$280) in Japan, and to \$200 from \$250 in the U.S. last year. Sony Corp. earlier cut the price of its PlayStation 3 to about \$300. The Wii is now about the same price as Microsoft's low-end Xbox 360 Arcade. The price on Microsoft Corp.'s Xbox 360 Elite was cut to about \$300 in August.

BY THE NUMBERS: Nintendo is forecasting its first drop in profit in six years for the fiscal year through March 2010, at 230 billion yen (\$2.6 billion) profit. Nintendo reaped a record 279.1 billion yen profit for the fiscal year ended March 2009. It had initially forecast a profit of 300 billion yen (\$3.3 billion), up 7.5 percent on-year, for the fiscal year through March.

Nintendo does not break down quarterly numbers.

The Kyoto-based manufacturer expects to sell 20 million Wii machines and 30 million DS machines in the 12 months through March 2010.

Analysts surveyed by Thomson Reuters, on average, expect fiscal year profit of 228 billion yen (\$2.5 billion).

ANALYST TAKE: Takeshi Koyama, analyst with Mizuho Securities Co. in Tokyo, thinks Nintendo sales were strong in the key North American and European markets as well as Japan for the key year-end shopping season.

"Nintendo is relatively solid," he said. "DS sales aren't as strong as expected, and the machine may be in for an upgrade either this year or next year."

But what will ultimately determine Nintendo's fate in the long run is the software

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game lineup for its machines, and Nintendo has done well so far, he said.

WHAT'S AHEAD: Nintendo and its rivals are pushing peripheral equipment for consoles like Nintendo's Vitality Sensor, which measures the player's pulse. Sony recently pushed back to later this year the release of its motion-controller, its answer to the Wii wand. Sony is also set to offer 3-D gaming, which will need special glasses and a 3-D TV. Microsoft's motion-control device is called Project Natal and uses a camera to eliminate the need for a button-pushing controller.

STOCK PERFORMANCE: Nintendo shares have lost about a sixth of their value over the past year. On Wednesday, Nintendo rose 0.6 percent to 25,680 yen (\$285) in Tokyo.

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