Nintendo profit drops despite strong holiday sales

TOMOKO A. HOSAKA - Associated Press Writer - Associated Press

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 stay competitive, 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.

U.S. 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. Nintendo set a record for most gaming systems ever sold in a single month.

The company's "New Super Mario Bros. Wii" was the month's top-selling game in the U.S., followed by "Wii Fit Plus," the exercise game, and "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 a 82 percent jump in net profit from the same period last year.

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.

Nintendo reports earnings based on Japanese accounting standards.

Source URL (retrieved on *06/19/2013 - 5:28pm*):
http://www.ecnmag.com/news/2010/01/nintendo-profit-drops-despite-strong-holiday-sales