Nintendo sinks into the red for first half

The Associated Press

TOKYO (AP) -- Nintendo sank to a first-half loss, the first in seven years, as a rising yen and long-delayed release for its 3-D gaming machine set the scene for a weak full-year result.

Kyoto-based Nintendo Co., which makes Pokemon and Super Mario video games, said Thursday it posted a 2.01 billion yen ($24.7 million) loss for the six months through September. First-half sales dropped nearly 34 percent to 363.2 billion yen ($4.46 billion).

Nintendo last month shocked the gaming world by announcing its much awaited 3DS, a handheld packed with glasses-free 3-D technology, wouldn't be ready for the year-end shopping season when Nintendo rakes in about two-thirds of its earnings.

It will be released in February in Japan - missing Christmas and then January, a key sales month because of the New Year's gifts Japanese children get. Releases for Europe and the U.S. will follow in March.

The half-year loss is the first for the maker of the Wii home console and DS handheld since 2003.

Nintendo did not break down quarterly numbers. It posted a 69.5 billion yen profit for April-September 2009.

Nintendo spokesman Yasuhiro Minagawa said the yen's strength against the dollar - which reduces earnings brought back to Japan - drove down first half sales by 28.1 billion yen ($345 million).

Because of 3Ds delay, Nintendo last month slashed its full-year earnings forecast to 90 billion yen ($1 billion) profit from 200 billion yen ($2.4 billion) profit. That would represent a 61 percent plunge in profit from the previous year.

It is expecting full year sales to drop 23.3 percent year-on-year to 1.1 trillion yen ($13.5 billion).

Nintendo had promised the 3DS for sometime before April next year, and so the announcement is not technically a delay. But its forecasts had assumed the machine would go on sale sooner.

Sales in April-September of the Nintendo DS handheld, the Wii and game software were all down.

Global DS sales declined 42 percent to 6.69 million units, while those for the Wii, which has a wandlike remote controller, fell 13.5 percent to 4.97 million.

Lower hardware sales also drove down game software sales for the period, Nintendo said, despite the Japan success of new Pokemon games and "Wii Party" centering around tailor-made avatars. "Super Mario Galaxy 2" was a hit, selling 5.1 million worldwide.

Nintendo has now sold a cumulative 135.6 million DS machines, and 75.9 million Wii machines.

Nintendo is expecting to sell 23.5 million DS machines and 17.5 million Wii consoles in the fiscal year ending March 2011.

Like other major Japanese exporters, Nintendo has been slammed by the plunging dollar. It said the hammering was expected to continue in the coming months.

Nintendo said the dollar had averaged 88.90 yen in April-September last year, but had dropped to 83.82 yen during the latest six months. It expects the dollar to average 85 yen for the full fiscal year.

By area, Nintendo sales were down across the board, including the U.S., Japan and Europe.

It is common for sales of even hit machines like the Wii, which went on sale in 2006, to trail off after the novelty wears off, and manufacturers have to keep introducing new machines to woo game fans.

Nintendo's Wii will face similar offerings from rivals this Christmas with Sony Corp. introducing a baton-like wireless remote controller called PlayStation Move for its PlayStation 3 console. Microsoft Corp. is introducing the Kinect controller for its Xbox 360.

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