

Nintendo faces end of era after 3DS flop

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Isabel Reynolds, Reuters

Nintendo's attempt to rescue its failed 3DS handheld games gadget failed to dispel market gloom, triggering a 5 percent share slide and stoking deep worries for an iconic brand desperate to win back users.

On Tuesday, President Satoru Iwata introduced what he said was an unprecedented range of games, aimed at attracting everyone from hardcore gamers to fashion-conscious girls and fans of the long-running Mario series.

The Japanese company also announced on its website a new 1,500 yen (\$19) slidepad accessory needed for certain games.

But analysts and investors dismissed the line-up as lackluster and largely irrelevant in the face of cheap or free games played on the likes of Apple's iPhone and iPad and Google-powered Android devices.



Nintendo has been criticized for sticking rigidly to its own hardware, meaning it has no access to the new generation of mobile devices.

"I don't think the new games will make any difference," said Mitsushige Akino, chief fund manager at Ichiyoshi Investment.

"Nintendo succeeded by pulling in people who weren't gamers and their needs now are no longer being filled by Nintendo, they are happy playing games on their mobile phones," he said.

Nintendo's shares ended 5 percent lower in a strong market. The Kyoto-based company's shares have plunged nearly 50 percent so far this year, hit by the 3DS

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flop and doubts that it can replicate the success of its Wii home console with the next generation WiiU, announced at the E3 games show in June.

Nintendo, which means "Leave luck to heaven," was forced to announce price cuts of up to 40 percent in July to try to boost slumping demand for the glasses-free 3D version of the DS, but this only temporarily spurred sales.

In July, Nintendo slashed its outlook for the business year to end-March to its lowest in 27 years as it braced for losses from the 3D gadget and a stronger yen.

In a subdued Tokyo conference hall on Tuesday, an appearance by the company's star game designer, Shigeru Miyamoto, wielding a toy sword and shield raised a laugh, but a series of 3DS game images depicting Miyamoto and Iwata as a pair of young lovers was met with silence.

LINE-UP OF GAMES

"From the end of this year to the beginning of next, we are planning the kind of extensive line-up that has probably never been seen before in the history of video games," Iwata told reporters and guests.

"We will make an all-out effort to see that the 3DS sells enough to become the successor to the DS," Iwata said.

That will be no easy task, given that earlier models of the DS had sold a cumulative total of about 148 million units by the end of June this year. The gadget, along with the motion-controlled Wii home console, enabled Nintendo to dominate the industry for years.

In Japan, 3DS sales leaped to more than 200,000 units in the week of the price cut, but swiftly fell back to about 55,000 units, according to research firm Enterbrain.

That leaves only the secretive company's famed content, never made available on other firms' hardware, to revive sales.

"The only possible way for Nintendo to revive would be to stop concentrating on mobile games and switch to Wii-type games for the whole family," said Makoto Kikuchi, CEO of Myojo Asset Management. "However, at the moment, I can't see this change coming."

Iwata took a 50 percent pay cut, and other executives took 20-30 percent cuts to take responsibility for the poor performance.

Analysts have cut their full-year operating profit forecasts for Nintendo by an average of 45 percent in the past 30 days and the stock is now trading at 45 times its estimated forward 12-month earnings, according to Thomson Reuters data.

Shares in software provider Capcom slumped by 8.3 percent after the company said it would be developing the next generation of its hit Monster Hunter game for the

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3DS.

Nintendo slashed the price of the 3DS after sales shriveled to just 710,000 units in April-June from 3.6 million in the first month after its launch, and a tiny fraction of the 16 million unit target for the year.

Macquarie Securities analyst David Gibson said he still expected the 3DS gadget to sell about 14.5 million units over the year. (\$1 = 77.000 Japanese Yen)

(Additional reporting by Tim Kelly and Natalia Konstantinovskaya; Editing by Joseph Radford and Anshuman Daga)

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