Nintendo reports bumper $1 bn net profit in first quarter

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Nintendo's massive profits were fuelled by a surge in demand for its Switch consul its popular 'Animal Crossing' game

Nintendo made a $1 billion net profit in the first quarter, it said Thursday, with gamers stuck at home during the coronavirus pandemic driving extraordinary demand for the industry.

The global health crisis has had devastating economic consequences across a broad range of industries but the gaming sector has been a rare

beneficiary of lockdowns that kept people indoors around the world.

Nintendo said it raked in 106.5 billion yen for the three months to June, a more than six-fold increase from 16.6 billion yen a year earlier.

Sales more than doubled to 358 billion yen as demand for its popular Switch console showed no sign of dying down, even as the device entered the crucial fourth year since its launch.

"Sales for the entire Nintendo Switch family rose 166.6 percent year-on-year to 5.68 million units," the firm said, referring to both the original Switch and the stripped-back Switch Lite.

Earlier, Bloomberg News reported that the firm is raising its target for Switch production to around 25 million units this [fiscal year](link) from 22 million set in April, to meet robust demand.

The results far exceed the expectations of analysts and come on the back of runaway success by the Switch and Nintendo's hit "Animal Crossing" game.

The leisurely game has struck a chord with players around the world, many of them enjoying a virtual release from the restrictions on movement and social activity imposed to contain coronavirus.

Nintendo is one of a "handful" of major companies seeing significant business opportunities from the coronavirus outbreak, analysts said.

Shares of the Kyoto-based company have surged more than 35 percent since early March and closed up 0.18 percent on Thursday before its earnings announcement.

'Lockdown boom'

"Demand for video games has remained strong among people staying home following the pandemic," Hideki Yasuda, an analyst at Ace Research Institute in Tokyo, told AFP ahead of the results.

"The lockdown boom is expected to continue for now," he added.

Despite the blockbuster figures, the firm declined to upgrade its full-year forecast, leaving intact its projection of 200 billion in net profit for the fiscal year to March, down 23 perfect from the previous year.

Yasuda said the popularity of the latest "Animal Crossing" title should continue to drive profits for the current fiscal year.

But he cautioned that despite this, "it is still too early to judge Nintendo's performance as its earnings rely heavily on results from the year-end Christmas season".

The explosive growth in Switch sales appears to buck a trend that has seen many consoles lose popularity around three years after their launch.

Since it hit stores in March 2017, the gadget has become a huge global seller, helped by innovative, family-friendly titles that have wowed critics and gamers alike.

Nintendo has not entirely escaped the effects of the pandemic and acknowledged that the virus has "created some difficulties in procuring the parts required for the manufacture of Nintendo Switch consoles".

It said the situation had "almost recovered", but warned that a future surge in the virus could affect manufacturing.

Rival Sony said Tuesday its net profit surged 53.3 percent in the first quarter partially due to brisk demand for games downloads.

But the PlayStation giant warned annual profits were likely to see double-digit falls as the pandemic continues to cloud the forecast.

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