

Fiscal Year Ended March 2019

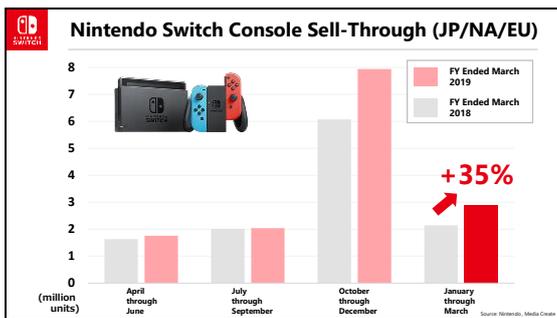
Financial Results Briefing

April 26, 2019
Nintendo Co., Ltd.
Director and President
Shuntaro Furukawa

Thank you for making time to attend. I am Shuntaro Furukawa, President of Nintendo. Mr. Takahashi, Senior Executive Officer, has just presented our financial results for the period. Now, I will cover the current business situation, as well as the business outlook for the new fiscal year.

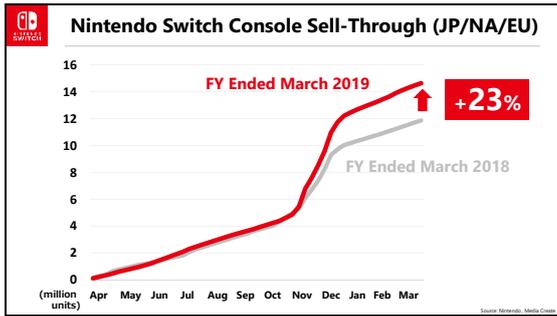
Current State of the Nintendo Switch Business

I'll start with the current state of the Nintendo Switch business. Nintendo Switch has continued to gain momentum after January subsequent to the holiday season. Business is going well, and we expect continued growth. Let me discuss these points in order.

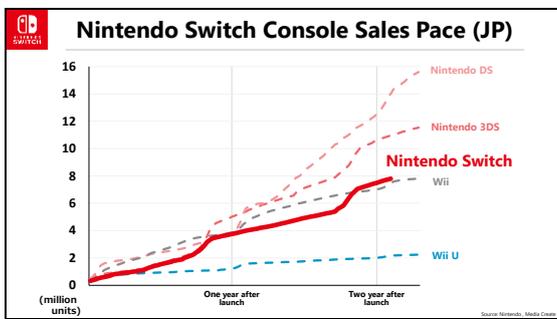


As mentioned at the February corporate management policy briefing, sales of the Nintendo Switch system were strong during the holiday season, and sell-through has continued to be solid through the start of this year. This slide shows combined sell-through for the Japanese, North American, and European markets. As you can see, sell-through from January to March was 35% higher than the same period of the previous year.

Note: *Sell-through* refers to units sold by retailers to consumers.

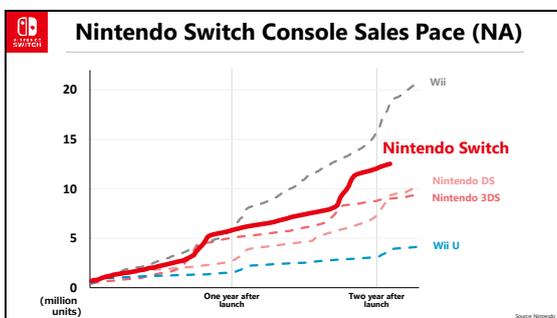


This graph shows cumulative sell-through trends throughout the full fiscal year combined for Japan, North America, and Europe. The fiscal year ended March 2018 showed explosive sales for a first year of hardware sales. The fiscal year ended March 2019 kept up that same pace until the beginning of autumn, before rising even more sharply in November. As a result, we saw a full-year increase of 23% over the previous fiscal year. And since the start of the third year of Nintendo Switch this March, the momentum of the business is still increasing.



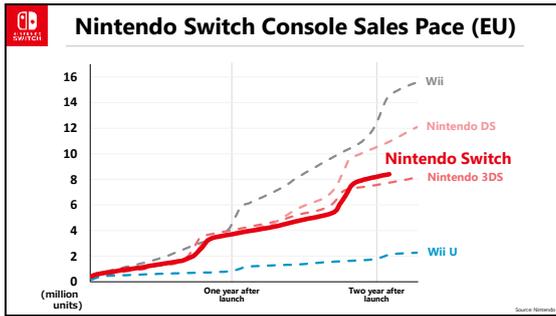
This graph shows changes in cumulative sell-through in the Japanese market following the launch of Nintendo Switch. The total hardware sell-through for Nintendo platforms from Nintendo DS onward is superimposed on the graph for comparison. Note that the quantity and timing of holiday seasons that see large sales increases will differ according to the different launch dates. Within Japan, Nintendo Switch is not reaching the pace of expansion set by Nintendo DS and Nintendo 3DS, but has outpaced Wii.

Note: Japanese Launch Dates - Nintendo DS: December 2, 2004/Wii: December 2, 2006/Nintendo 3DS: February 26, 2011/Wii U: December 8, 2012/Nintendo Switch: March 3, 2017



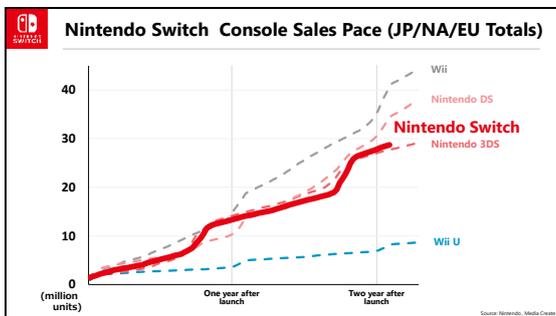
Let's turn now to the North American market. The red line representing Nintendo Switch jumps significantly twice, once at each holiday season. During the second holiday season for Nintendo Switch, it approached the momentum shown by Wii.

Note: North American Launch Dates - Nintendo DS: November 21, 2004/Wii: November 19, 2006/Nintendo 3DS: March 27, 2011/Wii U: November 18, 2012/Nintendo Switch: March 3, 2017

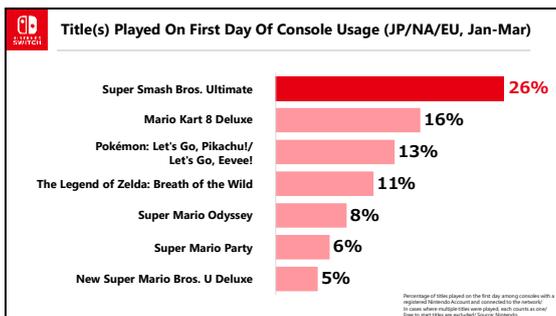


These are the figures for the European market. Since its second holiday season, Nintendo Switch has surpassed the pace set by Nintendo 3DS.

Note: European Launch Dates - Nintendo DS: March 11, 2005/Wii: December 8, 2006/Nintendo 3DS: March 25, 2011/Wii U: November 30, 2012/Nintendo Switch: March 3, 2017



And the total numbers combined for the three regions I just explained look like this. Although there are variances from region to region, Nintendo Switch is spreading at a pace comparable to that of our previous hardware.

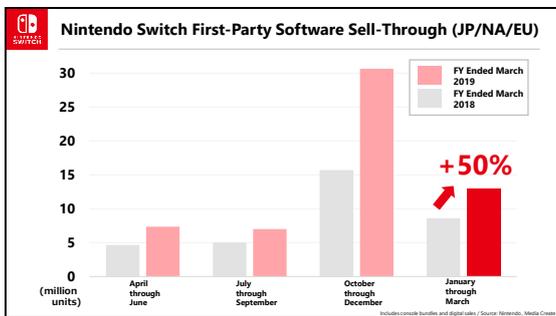


After the start of the calendar year, the title driving the most hardware sales is *Super Smash Bros. Ultimate*. This is a list of titles played by consumers on their first day after purchasing Nintendo Switch, between January and March 2019. As you can see, *Super Smash Bros. Ultimate* was the title most commonly played by users with new Nintendo Switch systems.

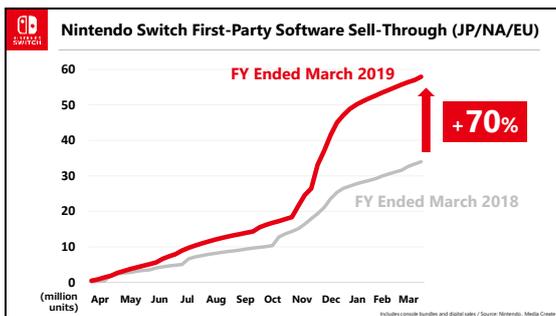
When *Super Smash Bros. Ultimate* was first released, it was played by people within a wide age range, and particularly by men in their 20s to early 30s. As time has passed, however, the range of consumers playing this game has widened even further. Our data shows that the range of consumers showing interest in this game is also increasing, which means the title draws such a broad range of people.

Nintendo Switch Continued Gaining Momentum After Start of New Year

To sum up the sales status for Nintendo Switch itself, growth in hardware sales after the turn of the year has not peaked, but rather continues to pick up speed.



Sell-through of first-party Nintendo Switch titles has remained good, with both new and previously-released titles performing well even after January subsequent to the holiday season, and ultimately exceeding last year's Q4 growth by 50%.



This graph shows the trend in cumulative sell-through over one year. The pace throughout the fiscal year ended March 2019 was better than the previous year, and it accelerated considerably during the holiday season. Full-year sell-through was up 70% over the previous year.



- Released in January 2019
- Became a million seller within two weeks after release
- Maintaining a steady pace, with sell-through of more than 2.5 million units. (As of the end of March)

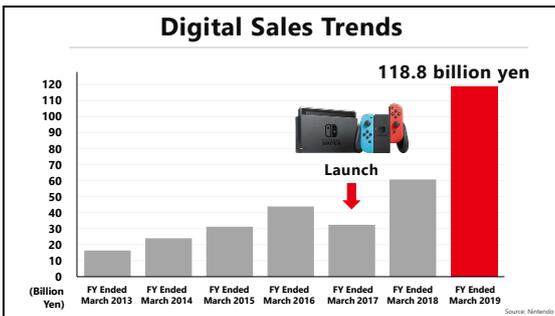
Includes digital sales / Does not include sell-through in some regions, including Asia and Latin America / Source: Nintendo, Media Create

New Super Mario Bros. U Deluxe sold over a million copies within two weeks of its release in January 2019, and has continued to maintain a steady pace. As of the end of March, cumulative sell-through had passed 2.5 million units globally. It has also helped drive hardware sales since the start of the year, and we have confirmed that it is contributing to active engagement with Nintendo Switch.

- Released in March 2019
- Outperformed past titles at release
- Relatively high percentage of female consumers in Japan and abroad



Initial sales of *Yoshi's Crafted World*, released at the end of March, have like many of the other Nintendo Switch games released so far, outperformed that of past titles in the series. In addition, the percentage of female consumers is relatively high for this title compared to other Nintendo Switch titles, both in Japan and overseas.



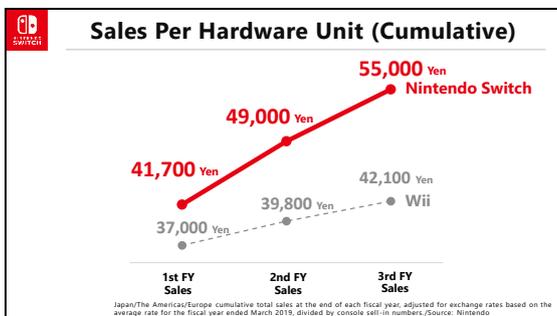
Digital sales have expanded greatly since the launch of Nintendo Switch. This graph compares sales of digital content within our dedicated video game platform business over the years. Sales nearly doubled in the fiscal year ended March 2019 compared to the previous fiscal year, and exceeded 100 billion yen for the first time ever. The Nintendo Switch business has expanded over the previous year not only in download versions of packaged software, but also in download-only software and add-on content, plus contributions from Nintendo Switch Online.

Note: Sales include pro-rated Nintendo Switch Online memberships, based on the portion of the subscription term that has elapsed.

Software Attach Rate $\frac{\text{Software units sold}}{\text{Hardware units sold}}$	Sales per Hardware Unit $\frac{\text{Platform Total sales (yen)}}{\text{Hardware units sold}}$
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I'd now like to address the Nintendo Switch business from a slightly different angle. One conventional metric used in the dedicated platform business is the *tie ratio*, or the attach rate of software per unit of hardware. This is calculated by dividing the number of software units sold by the number of hardware units sold. However, with the rise in digital sales, we are witnessing the rapid sales growth of indie titles at a wide range of price points, and add-on content sales that cannot be counted with the number of software units sold. As a result, software attach rate calculated using conventional methods no longer adequately reflects the actual state of our business.

Instead, we would like to look at "sales per hardware unit," which is the overall sales for the platform divided by sales of the hardware itself. Note that this is calculated based on sales recognized by the company, and it differs from individual consumer spending.



This graph shows the sales trends per Nintendo Switch system for each fiscal year. It is based on the total numbers at the end of the fiscal year for each of the three major regions, adjusted to account for differing exchange rates. For comparison, sales per Wii system are shown in gray. The figures on the slide include hardware and software sales, sales of accessories like Joy-Con controllers and the Nintendo Switch Pro Controllers, sales of titles from other software publishers physically manufactured by Nintendo on commission, add-on content sold digitally, and Nintendo Switch Online revenue.

A straightforward comparison is difficult due to the original prices and bundle specifications of Nintendo Switch and Wii hardware being different. That said, you can see that Nintendo Switch has seen a significant rise in sales per hardware unit year by year, and sales are higher than for Wii.



- **Software sell-through even stronger than hardware**
- **Digital sales expanding greatly**
- **High level of sales per hardware unit**

Allow me to summarize what we've covered so far.

Software sales momentum is stronger than hardware sales momentum. Digital sales increased substantially from the previous fiscal year, approximately doubled. In addition, Nintendo Switch has high sales per hardware unit.

Incidentally, the number of monthly active users between January and March this year was double that of the same month last year, confirming that now after the second holiday season consumers are continuing to play Nintendo Switch.



Current State Of Nintendo Switch

- **Hardware installed base has continued to grow faster since the new year**
- **Nintendo Switch business expanding on hardware spread**

As we have discussed, you can see that Nintendo Switch hardware is being purchased by many consumers, and we have built a solid business on its growth. Overall, we can say that the Nintendo Switch business is very sound.



Outlook for the Fiscal Year Ending March 2020

Let's turn to the outlook for the fiscal year ending March 2020.



The Nintendo Switch business remains in a growth phase

Currently, the Nintendo Switch business remains in a growth phase. This term, we can expect hardware adoption to once again expand at a faster pace than the previous fiscal year.



So that more and more people around the world will realize that Nintendo Switch is something relevant to them

Nintendo Switch is a home gaming system that can also be brought away from the front of the TV and played on the go. If we can specifically and more broadly convey messages of what kind of play experiences this game system can offer in what kind of situations in the consumers' everyday lives, we believe more and more people worldwide will come to view Nintendo Switch as something relevant to them.



In the new fiscal year, in addition to the evergreen titles that have been enjoying long, continued sales, Nintendo and other software publishers will release many new titles, including the ones that I will introduce shortly, that can convey the fun of playing Nintendo Switch to even more people. We will make efforts to bring the broader awareness of a variety of different entertainment experiences that the unique combination of Nintendo Switch hardware and a variety of different software can offer, not just among video game fans but even among people who have never before been interested in video games.



One pair of major titles being released this new fiscal year is *Pokémon Sword* and *Pokémon Shield*.



These new titles, first announced in a Pokémon Direct in February, have generated a huge response from consumers. *Pokémon: Let's Go, Pikachu!* and *Pokémon: Let's Go, Eevee!*, which were released in November of last year, are designed to highlight the fun of Nintendo Switch in TV mode, for example by waving the controller at the TV screen to capture Pokémon. *Pokémon Sword* and *Pokémon Shield* are being developed to emphasize the fun of playing Nintendo Switch in handheld mode. We want these games to be played not only by longtime Pokémon fans, but also by consumers whose first encounter with the series was on a dedicated video game platform with *Pokémon: Let's Go, Pikachu!* and *Pokémon: Let's Go, Eevee!*.



Super Mario Maker 2 is scheduled for release in June. This title is a completely new sequel to *Super Mario Maker*, which was released on the Wii U and Nintendo 3DS systems.



This title is filled with new gameplay mechanics and new ways to play that were not previously available in the series. The game takes full advantage of the features of Nintendo Switch to allow anyone to freely create and play their own custom Super Mario levels.



We also released a fourth Nintendo Labo kit this month, *Nintendo Labo Toy-Con 04: VR Kit*. Users can construct five Toy-Con from cardboard parts, including a Toy-Con Blaster, Toy-Con Camera, and Toy-Con Bird, then pair them with Nintendo Switch to enjoy unique experiences in a VR space through their body movements. For example, while controlling the in-game action, users can press a pedal with their foot to create and feel an actual breeze. This is probably different from the image you have of a VR device. Users can also create their own games in VR.



The three Nintendo Labo kits released last year received an Innovation Award at the Game Developers Conference in the US this March, and a BAFTA Family award and Game Innovation award at this month's British Academy Games Awards. The product has been recognized for its innovation in many countries and we are exceptionally proud of these achievements. Nintendo Labo is even being used in schools, and we are continuing to pursue sales so that even more consumers can enjoy the series.

Note: BAFTA stands for British Academy of Film and Television Arts.



As you can see, we will constantly release new titles during the fiscal year ahead. And there are still more titles that we haven't yet discussed. We intend to continue to expand the lineup of software that can be enjoyed by consumers around the world and that will keep people playing Nintendo Switch.



In addition, we will continue with efforts designed to keep consumers playing software long after it has been released. For example, we released a major free update to *Super Smash Bros Ultimate* that adds a Stage Builder and the ability to edit and post gameplay videos, simultaneous with the release of the first set of paid add-on content this month. *Mario Tennis Aces* was released back in June of last year, but we have continued to hold tournaments and distribute new characters, and in a major free update added a new kind of gameplay, also this month. By releasing content online and holding events that build excitement for a game, we are making the game fresh for consumers and encouraging them to keep playing.



We are also bringing an even richer variety of new titles from other software publishers as we enter the third year of Nintendo Switch. What you see here is just a sample. These will range from evergreen titles for video game fans to titles that can be enjoyed by anyone, regardless of age or gender, characteristic titles created by indie developers, a variety of genre-specific games, and more. By bringing them together, the Nintendo Switch library will continue to meet consumers' diverse tastes.

Many publishers are developing titles for Nintendo Switch because it has met our expectations of widespread adoption, and because we made our development environment available from the very beginning. The number of Nintendo Switch development kits shipped to publishers continues to greatly exceed the number of kits for any of our previous platforms, and many developers are creating titles for Nintendo Switch.



Half a year has passed since Nintendo Switch Online went live last September. Global memberships now exceed 9.8 million accounts, excluding free trial memberships.

Note: This number includes family memberships.



Tetris 99 has been available for free since February as a special offer to Nintendo Switch Online members. This game pits 99 players against each other in online battle. It has been played by 2.8 million accounts and has helped boost engagement for Nintendo Switch. We plan to implement in-game events to encourage consumers to keep enjoying the game.

Nintendo Switch Online members are also enjoying Nintendo Entertainment System - Nintendo Switch Online. Nintendo Entertainment System - Nintendo Switch Online gives members instant access to a variety of classic NES games with added online play. Through these initiatives we are working to make these services more attractive over the long-term on Nintendo Switch Online.

A collaboration with Tencent to launch Nintendo Switch in China is in progress

As we announced today, a collaboration with Tencent to launch Nintendo Switch in China is in progress. We expect to maximize our business in China by working with Tencent Holdings Limited, which holds one of the largest positions in China's network communication and game markets. Since the launch timing is undetermined, we have not factored this business into our financial forecasts for this new fiscal year.



Next, I will cover our mobile business. We are continuously implementing events and updates and adding more ways to satisfy consumers as we work to optimize how we operate each application. Overall revenue from the mobile business has expanded compared to the previous fiscal year. As previously mentioned, we will release both *Dr. Mario World* and *Mario Kart Tour* this summer. This means we will be operating a total of six applications globally starting this summer.



As we announced the other day, we are accepting applications for closed beta testing of *Mario Kart Tour*. The closed beta is scheduled to start on May 21 (Pacific Daylight Time). Based on the information we gather from this testing and from the opinions of the participants, we will proceed with final preparations for release.

The six applications including *Mario Kart Tour* deal with different IP, and the goals and the characteristics for the applications also differ. Going forward, we will leverage the ubiquity of mobile devices to expand the number of people who have access to Nintendo IP through multiple applications like these.



We are continuing to implement a variety of initiatives in our IP expansion business. Starting in April, we launched a T-shirt collaboration with UNIQLO CO., LTD. in various regions of the world earlier this month. We will continue our efforts to increase opportunities for people to have access to Nintendo IP and increase the value of that IP, which is the source of our competitive edge.



Finally, let me talk about the E3 video game trade show that will be held in Los Angeles this June. Once again, Nintendo will not be hosting a large-scale conference for institutional investors, securities analysts, and the media. Instead, we plan to continue our practice of the past few years, which is to release a video presentation discussing the games that are planned for release during the fiscal year, provide hands-on opportunities, and so on. The world championship tournaments for *Super Smash Bros. Ultimate* and *Splatoon 2* will be held on June 8, right before the start of E3.

This concludes today's presentation. Thank you.

Note: E3 is the Electronic Entertainment Expo. It is a trade show for the video game industry that is held every year in the United States.

Disclaimers

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