# Financial Section

# Five-Year Summary

| Years ended March 31, | 2008 | 2007 | 2006 | 2005 | 2004 | 2008 |
|---|---|---|---|---|---|---|
| | ¥ Japanese Yen in Millions | | | | | $ U.S. Dollars in Thousands |
| **For the period** | | | | | | |
| **Net sales** | ¥1,672,423 | ¥966,534 | ¥509,249 | ¥515,292 | ¥514,805 | $16,724,230 |
| **Operating income** | 487,220 | 226,024 | 90,349 | 111,522 | 107,683 | 4,872,202 |
| **Net income** | 257,342 | 174,290 | 98,378 | 87,416 | 33,194 | 2,573,426 |
| **At the period-end** | | | | | | |
| **Total assets** | 1,802,490 | 1,575,597 | 1,160,703 | 1,132,492 | 1,010,031 | 18,024,903 |
| **Property, plant and equipment** | 55,150 | 57,600 | 55,969 | 54,420 | 55,084 | 551,506 |
| **Net assets** | 1,229,973 | 1,102,018 | 974,091 | 921,466 | 890,247 | 12,299,736 |

| Years ended March 31, | 2008 | 2007 | 2006 | 2005 | 2004 | 2008 |
|---|---|---|---|---|---|---|
| | ¥ Japanese Yen | | | | | $ U.S. Dollars |
| **Per share information** | | | | | | |
| **Net income[A]** | ¥2,012.13 | ¥1,362.61 | ¥762.28 | ¥662.96 | ¥246.93 | $20.12 |
| **Cash dividends[B]** | 1,260 | 690 | 390 | 270 | 140 | 12.60 |

[Note] A: The computations of net income per share of common stock are based on the weighted average number of shares outstanding (excluding treasury stock) during each fiscal year.
B: Cash dividends per share represent the amounts applicable to the respective fiscal years including dividends to be paid after the end of each fiscal year.

# Stock Prices Information

| | ¥ Japanese Yen | | | | $ U.S. Dollars | |
|---|---|---|---|---|---|---|
| | 2008 | | 2007 | | 2008 | |
| Years ended March 31, | Highest | Lowest | Highest | Lowest | Highest | Lowest |
| **First quarter** | ¥46,350 | ¥33,250 | ¥20,020 | ¥16,510 | $463.50 | $332.50 |
| **Second quarter** | 61,800 | 45,050 | 25,000 | 19,030 | 618.00 | 450.50 |
| **Third quarter** | 73,200 | 56,100 | 31,000 | 23,310 | 732.00 | 561.00 |
| **Fourth quarter** | 64,500 | 45,600 | 36,050 | 28,310 | 645.00 | 456.00 |

[Note] The preceding table sets forth the highest and lowest sale prices during Fiscal 2008 and 2007 for Nintendo Co., Ltd. common stock, as reported on the Osaka Securities Exchange, Section 1.Nintendo Co., Ltd. common stock is also traded on the Tokyo Stock Exchange, Section 1.

# Analysis of Operations and Financial Review

## Overview

Throughout the fiscal year ended March 31, 2008, the overall Japanese economy continued to show a pattern of recovery. Intensified capital investment supported by improvements in corporate earnings, as well as moderate increase in exports, helped to support the Japanese economy. Meanwhile, financial concerns have grown due to stagnant corporate earnings growth, due in part to the consequence of the sub-prime home mortgage crisis in the U.S., rising oil prices and raw material cost increases. Looking overseas, the U.S. economy has shown signs of a slowdown at the start of calendar year 2008, and a decrease in employment on top of a significant decrease in housing investment. The European economy, which had remained strong, also showed indications of moderate recession.

Under such circumstances, the video game industry continued to grow, driven by expansion of software sales, a growing installed base of the new generation of console hardware as well as favorable handheld hardware sales over the past fiscal year.

Over the past years, Nintendo has continued to execute its strategy of expanding the gaming audience by offering a variety of products which satisfy both novice as well as skilled gamers. For example, Nintendo has progressively driven sales of its handheld software lineup known as "Touch! Generations", for Nintendo DS, which has expanded the definition of video games. Nintendo's console gaming system, "Wii", offers software which promotes fun with the conventional operation in addition to software with intuitive operation using the "Wii Remote" and accessories. As a result, Nintendo has achieved record results in both net sales and income. Net sales were 1,672.4 billion yen (US$16,724 million) increased by 73.0 percent from the previous fiscal year, operating income was 487.2 billion yen (US$4,872 million) increased by 115.6 percent from the previous fiscal year, ordinary income was 440.8 billion yen (US$4,408 million) increased by 52.6 percent from the previous fiscal year, and net income was 257.3 billion yen (US$2,573 million) increased by 47.7 percent from the previous fiscal year.

## Revenue and Expenses

With respect to sales by business category within the electronic entertainment products division, "Nintendo DS" hardware continued to enjoy robust sales worldwide, selling a total of 30.31 million units during the fiscal year (70.6 million units life-to-date). "Nintendo DS" software made a strong contribution to sales in the category. For example, "Pokémon Diamond and Pearl" which were released overseas after the launch in Japan last fiscal year, sold the combined total of 9.56 million units worldwide (14.77 million units life-to-date). In addition, both "Brain age: Train Your Brain in Minutes a Day!" and the sequel version "Brain Age 2: More Training in Minutes a Day!" performed well, reaching the combined total of 11.81 million units (23.81 million units life-to-date). Furthermore, new release titles such as "Mario Party DS" and "The Legend of Zelda: Phantom Hourglass", as well as the long seller titles such as "Nintendogs" series and "New Super Mario Bros.", recorded strong sales. As a result, Nintendo DS continued to enjoy favorable software sales as the number of million-seller titles life-to-date (licensee titles included) increased from 30 to 57 compared with that of the last fiscal year.

In the console business, "Wii" hardware, which was launched last fiscal year, sold a total of 18.61 million units worldwide (24.45 million units life-to-date). As for "Wii" software, "Wii Fit", (which uses the "Wii Balance Board" to assist you and your family members to achieve improved fitness while having fun at same time) was launched in Japan, selling a total of 1.85 million units. "Super Smash Bros. Brawl", (which is the latest action game offering battle competition through the internet), was launched in Japan and the U.S., selling a total of 1.61 million units, and 3.24 million units, respectively. In addition, "Wii Sports" and "Wii Play", released in the previous fiscal year and "Super Mario Galaxy" and "Mario Party 8", have enjoyed favorable sales as well. These titles contributed to a significant rise in console software sales in the fiscal year and the number of million-seller titles life-to-date (licensee titles included) increased from 5 to 26 compared with that of the last fiscal year.

As a result, net sales in the electronic entertainment products division were 1,668.7 billion yen (US$16,687 million) increased by 73.0 percent from the previous fiscal year, while sales in the other products division (playing cards, karuta, etc.) were 3.6 billion yen (US$36 million) increased by 68.5 percent from the previous fiscal year.

## Risk Factors

Listed below are the various risks that could significantly affect Nintendo's operating performance, share price, and financial condition. However, unpredictable risks may exist other than the risks set forth herein.

Note that matters pertaining to the future presented herein are determined by Nintendo as of the end of annual consolidated fiscal period ended March 31, 2008.

(1) Risks around economic environment

•Fluctuation in foreign exchange rates

Nintendo distributes its products globally with overseas sales accounting for approximately 80% of total sales. The majority of monetary transactions are made in local currencies. In addition, the Company holds a substantial amount of assets including cash deposits denominated in foreign currencies without exchange contracts. Thus, fluctuation in foreign exchange rates would have a direct influence on earnings not only when foreign currencies are converted to Japanese yen but also when revaluated for financial reporting purposes. Japanese yen appreciation against the U.S. dollar or Euro would have a negative impact on Nintendo's profitability.

(2) Risks around business activities

•Fluctuation of and competition in the market

Nintendo's business is engaged in one segment of the broad entertainment field. However, its business can be affected by trends in other entertainment fields. If consumer preferences shift to other forms of entertainment, it is possible that the video game market may shrink. The emergence of new competitors resulting from technological innovation could have a detrimental impact as well.

In the video game industry, it may become even more difficult to be profitable due to large investments required in research, development and marketing. In addition, price competition may intensify if additional large enterprises enter into the market. As a result, Nintendo may find difficulty in maintaining or expanding its market share as well as sustaining profitability.

•Development of new products

Although Nintendo continues to develop innovative and attractive products in the field of computer entertainment, the development process is complicated and includes many uncertainties. Various risks involved are as follows:

① Despite the substantial costs and time needed for software development, there is no guarantee that all new products will be accepted by consumers due to ever shifting consumer preferences. As a result, development of certain products may be suspended or aborted.

② Development of hardware is complex and time consuming. Technology continuously advances, however, it is possible that the Company may be unable to acquire the necessary technology which can be utilized in the gaming segment of the entertainment field. Furthermore, delays of hardware launches could be adversely affect market share.

③ Due to the nature of Nintendo products, it may become difficult to develop or sell the products as planned, which could lead to significant variances from income projections.

•Product valuation and adequate inventory procurement

Products in the video game industry are significantly impacted by consumer preferences as well as seasonality characterized by relatively short life cycles and huge demand around the holiday season. Although production is projected based on the forecasted equilibrium point of supply and demand, it is difficult to forecast demand accurately, which may lead to excess inventory. Obsolete inventory could have an adverse effect on Nintendo's operations and financial position.

# Analysis of Operations and Financial Review

•Overseas business expansion and international activities

In addition to Japan, Nintendo engages in business in the Americas, Europe, Australia, Asia and other areas throughout the world. Expansion of business to these overseas markets involves risks such as ① unpredicted enforcement or changes to laws or regulations, ② disadvantages from emergence of political or economic factors, ③ disadvantages from inconsistency of multilateral taxation systems and diversity of tax law interpretation, ④ difficulty of recruiting and securing human resources, ⑤ social disruption resulting from terrorist attacks, war, and other catastrophic events.

•Dependency on third-party manufacturers

Nintendo commissions a number of third-party manufacturers to produce key components or assemble finished products. In the event one or more of these businesses fail, Nintendo may have difficulty procuring key components or manufacturing its products. In addition, suppliers may be unable to provide necessary components on a timely basis. A shortage of key components could cause margin decline due to higher costs, shortage of products and quality control issues. These issues may impair the relationship between Nintendo and its suppliers.

Furthermore, as many suppliers' production facilities are located overseas, potential production interruptions caused by riots or disasters in the area would negatively affect Nintendo's business.

•Business operations affected by seasonal fluctuation

A major portion of demand is focused around the holiday season. Should Nintendo fail to release attractive new products or supply hardware during the period, it would suffer unfavorable operating performance.

(3) Risks around legal regulations and litigation

•Product liability

Nintendo manufactures its products based on quality control standards required in each location throughout the world. However, in the future, large-scale product recalls may occur due mainly to defective products. If it is the case, Nintendo may incur additional expenses in connection with lawsuits on product liability and Nintendo's reputation may suffer as well as Nintendo's performance and financial position.

•Limitations of protecting intellectual property rights

Although Nintendo continues to accumulate various intellectual properties to produce differential products, counterfeit products already have gone into circulation and violated Nintendo's intellectual property rights. It may not be possible to fully protect its intellectual property rights.

•Leakage of personal and confidential information

Nintendo possesses consumer's individual information such as memberships of "Club Nintendo".If such information or confidential information concerning development and business operation should leak outside of Nintendo, these issues may adversely affect Nintendo's future operating performance, share price and financial condition.

•Changes in accounting standards and taxation system

Unpredicted adoptions or changes in accounting standards or taxation system could have an effect on Nintendo's performance and financial position. Conflict of views between Nintendo and the tax authorities may cause additional tax costs.

•Litigation

Nintendo's operations in Japan and overseas may be subject to litigation, disputes and other legal procedures. These issues may adversely affect Nintendo's performance.

(4) Other risks

Other than risks set forth above, factors such as uncollectibility of trade accounts receivable and notes receivable, collapse of financial institutions and environmental regulations may adversely affect Nintendo's performance and financial position.

# Report of Independent Auditors

## To the Board of Directors and Shareholders of Nintendo Co., Ltd.

We have audited the accompanying consolidated balance sheet of Nintendo Co., Ltd. and its subsidiaries ("*the Company*") as of March 31, 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nintendo Co., Ltd. and its subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Kyoto Audit Corporation

Kyoto Audit Corporation
Kyoto, Japan

June 27, 2008

# Consolidated Balance Sheets

| As of March 31, | Japanese Yen in Millions 2008 | Japanese Yen in Millions 2007 | U.S. Dollars in Thousands (Note 1) 2008 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and deposits | ¥899,251 | ¥962,197 | $8,992,510 |
| Notes and accounts receivable-trade | 147,787 | 89,666 | 1,477,873 |
| Short-term investment securities | 353,070 | 115,971 | 3,530,700 |
| Inventories | 104,842 | 88,609 | 1,048,423 |
| Deferred tax assets | 38,032 | 35,631 | 380,323 |
| Other (Note 5 C) | 106,028 | 104,483 | 1,060,280 |
| Allowance for doubtful accounts | (2,176) | (1,886) | (21,763) |
| Total current assets | 1,646,834 | 1,394,673 | 16,468,348 |
| Noncurrent assets | | | |
| Property, plant and equipment (Note 5 A) | | | |
| Buildings and structures | 16,784 | 18,022 | 167,846 |
| Machinery, equipment and vehicles | 1,734 | 1,134 | 17,346 |
| Tools, furniture and fixtures | 6,072 | 5,629 | 60,722 |
| Land | 30,267 | 32,595 | 302,670 |
| Construction in progress | 292 | 217 | 2,920 |
| Total property, plant and equipment | 55,150 | 57,600 | 551,506 |
| Intangible assets | | | |
| Software etc. | - | 505 | - |
| Software | 542 | - | 5,420 |
| Other | 1,467 | - | 14,678 |
| Total intangible assets | 2,009 | 505 | 20,098 |
| Investments and other assets | | | |
| Investment securities (Note 5 B) | 73,756 | 92,412 | 737,562 |
| Deferred tax assets | 23,541 | 14,414 | 235,418 |
| Other | 1,196 | 16,001 | 11,969 |
| Allowance for doubtful accounts | (0) | (10) | (0) |
| Total investments and other assets | 98,495 | 122,818 | 984,950 |
| Total noncurrent assets | 155,655 | 180,924 | 1,556,554 |
| Total assets | ¥1,802,490 | ¥1,575,597 | $18,024,903 |

See accompanying notes to consolidated financial statements.

| As of March 31, | ¥ Japanese Yen in Millions 2008 | 2007 | $ U.S. Dollars in Thousands (Note 1) 2008 |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Notes and accounts payable-trade | ¥335,820 | ¥301,080 | $3,358,201 |
| Income taxes payable | 112,450 | 90,013 | 1,124,507 |
| Provision for bonuses | 1,848 | 1,779 | 18,481 |
| Other | 117,103 | 75,563 | 1,171,038 |
| Total current liabilities | 567,222 | 468,436 | 5,672,229 |
| **Noncurrent liabilities** | | | |
| Long-term accounts payable-other | 786 | 698 | 7,869 |
| Provision for retirement benefits | 4,506 | 4,443 | 45,067 |
| Total noncurrent liabilities | 5,293 | 5,142 | 52,937 |
| Total liabilities | 572,516 | 473,578 | 5,725,166 |
| **Net assets** | | | |
| **Shareholders' equity** | | | |
| Capital stock | 10,065 | 10,065 | 100,654 |
| Capital surplus | 11,640 | 11,586 | 116,407 |
| Retained earnings | 1,380,430 | 1,220,293 | 13,804,304 |
| Treasury stock | (156,184) | (155,396) | (1,561,847) |
| Total shareholders' equity | 1,245,951 | 1,086,549 | 12,459,518 |
| **Valuation and translation adjustments** | | | |
| Valuation difference on available-for-sale securities | 5,418 | 8,898 | 54,182 |
| Foreign currency translation adjustment | (21,495) | 6,432 | (214,952) |
| Total valuation and translation adjustments | (16,077) | 15,331 | (160,770) |
| Minority interests | 98 | 138 | 988 |
| Total net assets | 1,229,973 | 1,102,018 | 12,299,736 |
| Total liabilities and net assets | ¥1,802,490 | ¥1,575,597 | $18,024,903 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

| Years ended March 31, | ¥ Japanese Yen in Millions 2008 | 2007 | $ U.S. Dollars in Thousands (Note 1) 2008 |
|---|---|---|---|
| Net sales | ¥1,672,423 | ¥966,534 | $16,724,230 |
| Cost of sales (Notes 6 A, B) | 972,362 | 568,722 | 9,723,623 |
| Gross profit | 700,060 | 397,812 | 7,000,607 |
| Selling, general and administrative expenses | | | |
| Advertising expenses | 113,977 | 82,339 | 1,139,773 |
| Salaries, allowances and bonuses | 20,080 | 16,292 | 200,807 |
| Provision for bonuses | 658 | 607 | 6,584 |
| Depreciation | 3,405 | 2,664 | 34,050 |
| Research and development expenses (Note 6 B) | 37,000 | 37,706 | 370,000 |
| Provision of allowance for doubtful accounts | 769 | 439 | 7,690 |
| Other | 36,949 | 31,737 | 369,497 |
| Total | 212,840 | 171,787 | 2,128,404 |
| Operating income | 487,220 | 226,024 | 4,872,202 |
| Non-operating income | | | |
| Interest income | 44,158 | 33,987 | 441,581 |
| Foreign exchange gains | - | 25,741 | - |
| Other | 4,406 | 4,101 | 44,064 |
| Total | 48,564 | 63,830 | 485,645 |
| Non-operating expenses | | | |
| Interest expenses | 0 | 0 | 8 |
| Sales discounts | 1,065 | 919 | 10,654 |
| Foreign exchange losses | 92,346 | - | 923,462 |
| Other | 1,564 | 95 | 15,644 |
| Total | 94,977 | 1,015 | 949,771 |
| Ordinary income | 440,807 | 288,839 | 4,408,077 |
| Extraordinary income | | | |
| Reversal of allowance for doubtful accounts | 174 | 338 | 1,744 |
| Gain on sales of noncurrent assets (Note 6 C) | 3,722 | 252 | 37,222 |
| Gain on sales of investment securities | 37 | 891 | 374 |
| Total | 3,934 | 1,482 | 39,341 |
| Extraordinary loss | | | |
| Loss on sales and / or disposal of noncurrent assets (Note 6 D) | 51 | 384 | 511 |
| Loss on valuation of investment securities | 10,914 | 335 | 109,149 |
| Total | 10,966 | 720 | 109,661 |
| Income before income taxes | 433,775 | 289,601 | 4,337,757 |
| Income taxes-current | 187,201 | 126,764 | 1,872,019 |
| Income taxes for prior periods | - | 2,379 | - |
| Income taxes-deferred | (10,669) | (13,796) | (106,694) |
| Total | 176,532 | 115,348 | 1,765,325 |
| Minority interests in income | (99) | (37) | (994) |
| Net income | ¥257,342 | ¥174,290 | $2,573,426 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

| Years ended March 31, 2008 and 2007 | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Minority interests |
|---|---|---|---|---|---|---|---|---|
| | ¥ Japanese Yen in Millions | | | | | | | |
| **Balance, March 31, 2006** | ¥10,065 | ¥11,585 | ¥1,096,073 | ¥(155,112) | ¥962,611 | ¥10,717 | ¥762 | ¥176 |
| **Amount of changes in the fiscal year** | | | | | | | | |
| **Dividends from surplus*** | - | - | (40,932) | - | (40,932) | - | - | - |
| **Dividends from surplus** | - | - | (8,953) | - | (8,953) | - | - | - |
| **Directors' bonuses*** | - | - | (185) | - | (185) | - | - | - |
| **Net income** | - | - | 174,290 | - | 174,290 | - | - | - |
| **Purchase of treasury stock** | - | - | - | (284) | (284) | - | - | - |
| **Disposal of treasury stock** | - | 1 | - | 1 | 2 | - | - | - |
| **Net amount of changes in the fiscal year other than shareholders' equity** | - | - | - | - | - | (1,819) | 5,670 | (37) |
| **Total amount of changes in the fiscal year** | - | 1 | 124,219 | (283) | 123,937 | (1,819) | 5,670 | (37) |
| **Balance, March 31, 2007** | 10,065 | 11,586 | 1,220,293 | (155,396) | 1,086,549 | 8,898 | 6,432 | 138 |
| **Amount of changes in the fiscal year** | | | | | | | | |
| **Dividends from surplus** | - | - | (97,205) | - | (97,205) | - | - | - |
| **Net income** | - | - | 257,342 | - | 257,342 | - | - | - |
| **Purchase of treasury stock** | - | - | - | (802) | (802) | - | - | - |
| **Disposal of treasury stock** | - | 54 | - | 13 | 67 | - | - | - |
| **Net amount of changes in the fiscal year other than shareholders' equity** | - | - | - | - | - | (3,479) | (27,928) | (40) |
| **Total amount of changes in the fiscal year** | - | 54 | 160,137 | (788) | 159,402 | (3,479) | (27,928) | (40) |
| **Balance, March 31, 2008** | ¥10,065 | ¥11,640 | ¥1,380,430 | ¥(156,184) | ¥1,245,951 | ¥5,418 | ¥(21,495) | ¥98 |

[Note] *: Allocated at the annual general meeting of shareholders held in June 2006.

| Years ended March 31, 2008 | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Minority interests |
|---|---|---|---|---|---|---|---|---|
| | $ U.S. Dollars in Thousands (Note 1) | | | | | | | |
| **Balance, March 31, 2007** | $100,654 | $115,866 | $12,202,930 | $(1,553,960) | $10,865,490 | $88,980 | $64,329 | $1,388 |
| **Amount of changes in the fiscal year** | | | | | | | | |
| **Dividends from surplus** | - | - | (972,052) | - | (972,052) | - | - | - |
| **Net income** | - | - | 2,573,426 | - | 2,573,426 | - | - | - |
| **Purchase of treasury stock** | - | - | - | (8,020) | (8,020) | - | - | - |
| **Disposal of treasury stock** | - | 541 | - | 133 | 674 | - | - | - |
| **Net amount of changes in the fiscal year other than shareholders' equity** | - | - | - | - | - | (34,797) | (279,282) | (400) |
| **Total amount of changes in the fiscal year** | - | 541 | 1,601,373 | (7,887) | 1,594,027 | (34,797) | (279,282) | (400) |
| **Balance, March 31, 2008** | $100,654 | $116,407 | $13,804,304 | $(1,561,847) | $12,459,518 | $54,182 | $(214,952) | $988 |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

| Years ended March 31, | ¥ Japanese Yen in Millions 2008 | 2007 | $ U.S. Dollars in Thousands (Note 1) 2008 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income before income taxes | ¥433,775 | ¥289,601 | $4,337,757 |
| Depreciation and amortization | 7,363 | 5,968 | 73,630 |
| Increase in allowance for doubtful accounts | 602 | 313 | 6,026 |
| Increase in provision for retirement benefits | 715 | 1,089 | 7,151 |
| Interest and dividends income | (44,585) | (34,510) | (445,852) |
| Interest expenses | 0 | 0 | 8 |
| Foreign exchange losses (gains) | 66,389 | (21,375) | 663,894 |
| Gain on sales of investment securities | (37) | (891) | (374) |
| Loss on valuation of investment securities | 10,914 | 335 | 109,149 |
| Equity in earnings of affiliates | (1,334) | (798) | (13,343) |
| Increase in notes and accounts receivable-trade | (70,031) | (42,687) | (700,318) |
| Increase in inventories | (24,519) | (54,669) | (245,192) |
| Increase in notes and accounts payable-trade | 34,240 | 168,070 | 342,404 |
| Increase (decrease) in accrued consumption taxes | (1,219) | 3,416 | (12,197) |
| Payments for directors' bonuses | - | (185) | - |
| Other, net | 41,645 | 24,359 | 416,455 |
| Total | 453,919 | 338,037 | 4,539,199 |
| Interest and dividends income received | 43,554 | 32,921 | 435,544 |
| Interest expenses paid | (0) | (0) | (8) |
| Income taxes paid | (165,095) | (96,324) | (1,650,953) |
| Net cash provided by operating activities | 332,378 | 274,634 | 3,323,783 |
| **Cash flows from investing activities** | | | |
| Payments into time deposits | (162,376) | (776,866) | (1,623,762) |
| Proceeds from withdrawal of time deposits | 164,878 | 651,372 | 1,648,784 |
| Purchase of short-term investment securities | (519,740) | (112,957) | (5,197,409) |
| Proceeds from sales and / or redemption of short-term investment securities | 768,407 | 117,001 | 7,684,079 |
| Purchase of property, plant and equipment | (7,992) | (6,144) | (79,929) |
| Proceeds from sales of property, plant and equipment | 5,134 | 372 | 51,343 |
| Purchase of investment securities | (25,735) | (52,069) | (257,352) |
| Proceeds from sales and / or redemption of investment securities | 11,156 | 6,173 | 111,566 |
| Other, net | (525) | (1,485) | (5,252) |
| Net cash provided by (used in) investing activities | 233,206 | (174,603) | 2,332,068 |
| **Cash flows from financing activities** | | | |
| Purchase of treasury stock | (802) | (282) | (8,020) |
| Cash dividends paid | (97,110) | (49,857) | (971,102) |
| Other, net | 67 | 2 | 674 |
| Net cash used in financing activities | (97,844) | (50,137) | (978,447) |
| **Effect of exchange rate change on cash and cash equivalents** | (52,935) | 21,704 | (529,355) |
| **Net increase in cash and cash equivalents** | 414,804 | 71,597 | 4,148,047 |
| **Cash and cash equivalents at beginning of year** | 688,737 | 617,139 | 6,887,373 |
| **Cash and cash equivalents at end of year (Note 8)** | ¥1,103,542 | ¥688,737 | $11,035,420 |

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Years ended March 31, 2008 and 2007

## Note 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Nintendo Co., Ltd. (the "Company") and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as requested by the Financial Instruments and Exchange Act of Japan and are prepared on the basis of accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards. The financial statements of the Company and its domestic subsidiaries are prepared on the basis of the accounting and relevant legal requirements in Japan. The financial statements of the overseas consolidated subsidiaries are prepared on the basis of the accounting and relevant legal requirements of their counties of domicile and no adjustment has been made to their financial statements in consolidation to the extent that significant differences do not occur, as allowed under the generally accepted accounting principles and practices in Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen (In the case of translation into U.S. dollars , it is rounded down to the nearest one thousand dollars). Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The consolidated financial statements presented herein are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The rate of ¥100 to U.S.$1, the approximate current rate of exchange on March 31, 2008, has been applied for the purpose of presentation of the accompanying consolidated financial statements in U.S. dollars. These amounts in U.S. dollars are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate of exchange.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to the accompanying 2007 consolidated financial statements to conform to the presentation for 2008.

## Note 2. Significant Accounting Policies

### A. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its 23 subsidiaries except for one in 2008 and 21 subsidiaries except for one in 2007. One of the subsidiaries, Fukuei Co., Ltd, is not only unconsolidated, but also not being accounted for under the equity method, as it is a small scale company and its impact is not significant on the total assets, net sales, net income or loss, retained earnings and others in the consolidated financial statements. The equity method of accounting are applied to four affiliates out of five in 2008 and seven affiliates out of eight in 2007. One of the affiliates, Ape inc., is not accounted for under the equity method, as it is immaterial and its impact is not significant on net income or loss, retained earnings and others in the consolidated financial statements. The names of all the subsidiaries and affiliates are shown in "Corporate information" at page 42.

All the consolidated subsidiaries have adopted March 31, the closing date of the accompanying consolidated financial statement, as their fiscal year end except for Nintendo Phuten Co., Ltd., Retro Studios, Inc., iQue Ltd. and iQue (China) Ltd. of December 31 and Monolith Software Inc. of February 29. The amounts of these subsidiaries have been included on the basis of their fiscal periods as the differences in the closing dates are within three months prior to March 31. Besides, the amounts of certain affiliates have been included on the basis of their fiscal periods within three months prior to March 31. Any necessary adjustments were made to financial statements to reflect any significant transactions from their closing dates to March 31, 2008.

All the significant intercompany transactions, accounts and unrealized profits have been eliminated in consolidation.

### B. Securities and Derivatives

Securities

Held-to-maturity debt securities are stated using amortized cost method on a straight-line basis.

Other investment securities for which market quotations are available are stated at fair value. Unrealized gains on other investment securities are recorded as "Valuation difference on available-for-sale securities" in "Net assets" at the net-of-tax amount, while unrealized losses on other investment securities are included in "Loss on valuation of investment securities" in "Extraordinary loss". The cost of investment securities sold is determined based on the moving average cost.

Other investment securities for which market quotations are unavailable are stated at cost, determined by the moving average method.

Derivatives

Derivatives are stated at fair value.

### C. Inventories

Inventories are stated at the lower of cost, determined by the moving average method, or market.

### D. Property, Plant and Equipment

The Company and its consolidated subsidiaries in Japan compute depreciation by the declining balance method over the estimated useful lives except for certain tools, furniture and fixtures depreciated over the economic useful lives. The straight-line method of depreciation is used for buildings, except for structures, acquired on or after April 1, 1998. Overseas consolidated subsidiaries compute depreciation by applying the straight-line method over the period of estimated useful lives. Estimated useful lives of "Buildings and structures", one of the principal assets, are 3 to 60 years.

### E. Intangible Assets

Amortization of intangible fixed assets, except for computer software for internal use, is computed by the straight-line method over the estimated useful lives. Amortization of computer software for internal use is computed by the straight-line method over the estimated internal useful lives of mainly five years.

### F. Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the historical analysis of loss experience and the evaluation of uncollectible amount on individual doubtful accounts. Overseas consolidated subsidiaries provide the allowance for doubtful accounts based on the evaluation of uncollectible amount on individual accounts.

### G. Provision for Bonuses

The Company and certain consolidated subsidiaries provide the reserve for the estimated amount of bonuses to be paid to the employees.

### H. Provision for Retirement Benefits

The Company and certain consolidated subsidiaries provide the reserve for employees' retirement and severance benefits based on the projected benefit obligation and plan assets at the end of fiscal year.

Actuarial calculation difference is processed collectively, mainly in the accrued year.

In addition, the reserve for employees' retirement and severance benefits are booked as prepaid plan assets in "Other" in "Investments and other assets" as the Company's plan assets exceeded the projected benefit obligation during the current consolidated accounting period.

### I. Translation of Foreign Currency Items

All the monetary receivables and payables of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. The foreign exchange gains and losses from translation are recognized in the accompanying consolidated statements of income.

With respect to financial statements of overseas subsidiaries, the balance sheet accounts are translated into Japanese yen at the exchange rate of the closing date except for shareholders' equity, which are translated at the historical rates. Revenue and expense accounts are translated into Japanese yen at the annual average exchange rate for the fiscal period. The differences resulting from such translations are included in "Foreign currency translation adjustment" or "Minority interests" in "Net assets".

### J. Leases

Under the Japanese Accounting Standards, finance leases that do not transfer ownership of the leased assets to the lessee are accounted for as ordinary rental transactions.

### K. Accounting for Consumption Taxes

Consumption taxes are recorded as assets or liabilities when they are paid or received.

### L. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are recorded at fair value at the time of acquisition.

### M. Cash and Cash Equivalents in Consolidated Statements of Cash Flows

"Cash and cash equivalents" include cash on hand, time deposit which can be withdrawn on demand and certain investments, with little risk of fluctuation in value and maturity date of three months or less, which are promptly convertible to cash.

### N. Amortization of Goodwill

Goodwill is fully amortized by the straight-line method over mainly five years or, in case of immaterial amount, in the same fiscal year as incurred.

# Notes to Consolidated Financial Statements

Years ended March 31, 2008 and 2007

## Note 3. Changes in Accounting Policies

### A. Depreciation Procedure for Important Depreciable Assets

Effective as of the consolidated accounting period ended March 31, 2008, the Company and its domestic subsidiaries have changed their depreciation procedure for tangible assets, excluding certain furniture and fixtures, acquired on and after April 1, 2007 based on an amendment in corporation tax law (partial amendment in income tax law No. 6 dated March 30, 2007 and partial amendment in income tax law enforcement order No. 83 dated March 30, 2007). The impact on earnings is minor.

As for tangible assets, excluding certain furniture and fixtures, acquired on and before March 31, 2007, five percent equivalent of acquisition cost are equally depreciated over five years from the year after tangible assets are thoroughly depreciated to the limits of depreciable amount, 95 percent equivalent of acquisition cost, determined by the Japanese tax law. The impact on earnings is minor.

### B. Accounting Standard for Directors' Bonuses

Effective as of the consolidated accounting period ended March 31, 2007, the Company has adopted the "Corporate Accounting Standard No. 4 regarding directors' bonuses", issued on November 29, 2005. The impact on earnings is minor.

The expense amount incurred as directors' bonuses is booked in "Other" in "Current liabilities" as a determinable liability.

### C. Accounting Standard regarding "Net Assets" in Balance Sheets

Effective as of the consolidated accounting period ended March 31, 2007, the Company has adopted the "Corporate Accounting Standard No. 5 regarding statements of net assets in balance sheets and its application guidelines No. 8", both issued on December 9, 2005.

Corresponding amount of previously stated "Shareholders' equity" in total is ¥1,101,880 million.

Statements of "Net assets" in balance sheets as of the annual fiscal year-end are on the basis of revised consolidated financial statement regulations.

## Note 4. Changes in Description

### A. Consolidated Balance Sheets

Effective as of the consolidated accounting period ended March 31, 2008, certificate of deposits shall be classified as "Short-term investment securities", which was previously included in "Cash and deposits", based on amendments in "The Practical Standard for the Accounting related to Financial Products (The Japanese Institute of Certified Public Accountants Accounting Practice Committee Report No.14)". Certificate of deposits were ¥254,659 million ($2,546,593 thousand) and ¥337,844 million as of March 31, 2008 and 2007, respectively.

Effective as of the consolidated accounting period ended March 31, 2008, "Software" included in "Software etc." in the 2007 accompanying consolidated balance sheet has been individually described from the perspective of clarity. "Software etc." in the 2007 accompanying consolidated balance sheets included ¥454 million of "Software".

### B. Consolidated Statements of Cash Flows

Based on the amendments described at "A. Consolidated Balance Sheets" in "Note 4. Changes in Description", with regard to "Cash Flows from Investing Activities" in the fiscal year ended March 31, 2008, "Payments into time deposits" decreased by ¥271,098 million ($2,710,984 thousand), whereas "Purchase of short-term investment securities" increased by the same amount. In addition, "Proceeds from withdrawal of time deposits" decreased by ¥538,464 million ($5,384,644 thousand), whereas "Proceeds from sales and / or redemption of short-term investment securities" increased by the same amount.

## Note 5. Note to Consolidated Balance Sheets

### A. Accumulated Depreciation of Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment were ¥46,929 million ($469,290 thousand) and ¥43,265 million as of March 31, 2008 and 2007, respectively.

### B. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates were ¥6,886 million ($68,862 thousand) and ¥7,095 million as of March 31, 2008 and 2007, respectively.

### C. Loans on Repurchase Agreement Secured by Marketable Securities

Loans on repurchase agreement secured by marketable securities with a market value were ¥17,739 million ($177,393 thousand) and ¥21,359 million as of March 31, 2008 and 2007, respectively.

## Note 6. Note to Consolidated Statements of Income

### A. Valuation Losses on Goods

Losses incurred from the application of the lower of cost or market valuation of inventories and charged to "Cost of sales" were ¥3,053 million ($30,537 thousand) and ¥6,215 million for the years ended March 31, 2008 and 2007, respectively.

### B. Research and Development Expenses

Research and development expenses incurred and charged to "Selling, general and administrative expenses" and "Cost of sales" were ¥37,001 million ($370,019 thousand) and ¥37,725 million in total for the years ended March 31, 2008 and 2007, respectively.

### C. Gains on Sales of Noncurrent Assets

Gross realized gains were ¥3,715 million ($37,155 thousand) on sales of land and ¥6 million ($67 thousand) on sales of machinery, equipment and vehicles for the year ended March, 31, 2008, and were ¥252 million on sales of land for the year ended March, 31, 2007.

### D. Losses on Sales and / or Disposal of Noncurrent Assets

Gross realized losses were ¥35 million ($350 thousand) on disposal of buildings and structures, ¥15 million ($150 thousand) on disposal of tools, furniture and fixtures and ¥1 million ($11 thousand) on disposal of machinery, equipment and vehicles for the year ended March, 31, 2008, and were ¥342 million on disposal of buildings and structures, ¥41 million on disposal of tools, furniture and fixtures and ¥0 million on disposal of machinery, equipment and vehicles for the year ended March, 31, 2007.

## Note 7. Note to Consolidated Statements of Changes in Net Assets

### Number of outstanding shares

| | As of March 31, 2007 | Increase in the number of shares | Decrease in the number of shares | As of March 31, 2008 |
|---|---|---|---|---|
| **Common stock** | 141,669,000 | - | - | 141,669,000 |

| | As of March 31, 2006 | Increase in the number of shares | Decrease in the number of shares | As of March 31, 2007 |
|---|---|---|---|---|
| **Common stock** | 141,669,000 | - | - | 141,669,000 |

### Number of treasury stocks

| | As of March 31, 2007 | Increase in the number of shares | Decrease in the number of shares | As of March 31, 2008 |
|---|---|---|---|---|
| **Common stock** | 13,765,987 | 14,544 | 1,178 | 13,779,353 |

| | As of March 31, 2006 | Increase in the number of shares | Decrease in the number of shares | As of March 31, 2007 |
|---|---|---|---|---|
| **Common stock** | 13,754,896 | 11,199 | 108 | 13,765,987 |

The reasons for the increase or decrease in the number of shares are as follows:
Increase due to purchase of odd lot shares and decrease due to disposal of odd lot shares by shareholders.

### Amount of dividends paid

| | Type of share | Amount of dividends (Japanese Yen in Millions) | Dividend per share (Japanese Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| **Annual general shareholders' meeting held on June 28, 2007** | Common stock | ¥79,299 | ¥620 | March 31, 2007 | June 29, 2007 |
| **Board of directors' meeting held on October 25, 2007** | Common stock | ¥17,905 | ¥140 | September 30, 2007 | December 3, 2007 |

| | Type of share | Amount of dividends (Japanese Yen in Millions) | Dividend per share (Japanese Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| **Annual general shareholders' meeting held on June 29, 2006** | Common stock | ¥40,932 | ¥320 | March 31, 2006 | June 30, 2006 |
| **Board of directors' meeting held on October 26, 2006** | Common stock | ¥8,953 | ¥70 | September 30, 2006 | December 1, 2006 |

| | Type of share | Amount of dividends (U.S. Dollars in Thousands) | Dividend per share (U.S. Dollars) | Record date | Effective date |
|---|---|---|---|---|---|
| **Annual general shareholders' meeting held on June 28, 2007** | Common stock | $792,998 | $6 | March 31, 2007 | June 29, 2007 |
| **Board of directors' meeting held on October 25, 2007** | Common stock | $179,054 | $1 | September 30, 2007 | December 3, 2007 |

Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year

| | Type of share | Amount of dividends (Japanese Yen in Millions) | Source of dividends | Dividend per share (Japanese Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| **Annual general shareholders' meeting held on June 27, 2008** | Common stock | ¥143,236 | Retained earnings | ¥1,120 | March 31, 2008 | June 30, 2008 |

| | Type of share | Amount of dividends (Japanese Yen in Millions) | Source of dividends | Dividend per share (Japanese Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| **Annual general shareholders' meeting held on June 28, 2007** | Common stock | ¥79,299 | Retained earnings | ¥620 | March 31, 2007 | June 29, 2007 |

| | Type of share | Amount of dividends (U.S.Dollars in Thousands) | Source of dividends | Dividend per share (U.S. Dollars) | Record date | Effective date |
|---|---|---|---|---|---|---|
| **Annual general shareholders' meeting held on June 27, 2008** | Common stock | $1,432,364 | Retained earnings | $11 | March 31, 2008 | June 30, 2008 |

## Note 8. Note to Consolidated Statements of Cash Flows

"Cash and cash equivalents at end of year" were reconciled to "Cash and deposits" in the accompanying consolidated balance sheets as of March 31, 2008 and 2007 as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| **Cash and deposits** | ¥899,251 | ¥962,197 | $8,992,510 |
| **Time deposits with maturities of more than three months** | (43,318) | (360,838) | (433,184) |
| **Short-term investments with an original maturity of three months or less** | 247,609 | 87,378 | 2,476,094 |
| **Cash and cash equivalents** | ¥1,103,542 | ¥688,737 | $11,035,420 |

## Note 9. Leases

The Company and certain consolidated subsidiaries lease tools, furniture and fixtures and other noncurrent assets.

Pro forma information of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee as of March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| **Acquisition cost** | ¥1,042 | ¥769 | $10,425 |
| **Accumulated depreciation** | 475 | 329 | 4,758 |
| **Net leased assets** | ¥566 | ¥439 | $5,666 |

Pro forma amounts of future obligations under finance leases that do not transfer ownership of the leased assets to the lessee as of March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| **Due within one year** | ¥261 | ¥195 | $2,616 |
| **Due after one year** | 304 | 243 | 3,049 |
| **Total** | ¥566 | ¥439 | $5,666 |

Pro forma amounts of lease payments and depreciation expenses under finance leases that do not transfer ownership of the leased assets to the lessee as of March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| **Total lease payments** | ¥271 | ¥236 | $2,719 |
| **Depreciation expenses** | 271 | 236 | 2,719 |

The assumed amount of depreciation expenses is calculated by straight-line method applying lease term as useful lives with no residual value.

The Assumed acquisition cost and future obligations include the assumed amount of interest expense as they are immaterial.

The rental commitments under noncancelable operating leases as of March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| **Due within one year** | ¥915 | ¥643 | $9,151 |
| **Due after one year** | 6,177 | 3,732 | 61,770 |
| **Total** | ¥7,092 | ¥4,376 | $70,922 |

## Note 10. Short-term Investment Securities and Investment Securities

Other investment securities with market value included in "Investment securities" as of March 31, 2008 and 2007 were as follows:

| As of March, 2008 | ¥ Japanese Yen in Millions | | | $ U.S. Dollars in Thousands | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference |
| **Securities whose book value on the accompanying consolidated balance sheets exceed their acquisition cost** | | | | | | |
| **Equity securities** | ¥2,398 | ¥11,517 | ¥9,119 | $23,982 | $115,174 | $91,192 |
| **Debt securities** | 2,996 | 2,997 | 0 | 29,969 | 29,974 | 5 |
| **Sub-total** | 5,395 | 14,514 | 9,119 | 53,951 | 145,149 | 91,197 |
| **Securities whose book value on the accompanying consolidated balance sheets do not exceed their acquisition cost** | | | | | | |
| **Equity securities** | 6,705 | 5,358 | (1,346) | 67,052 | 53,583 | (13,469) |
| **Debt securities** | 38,809 | 33,479 | (5,330) | 388,096 | 334,793 | (53,302) |
| **Sub-total** | 45,514 | 38,837 | (6,677) | 455,148 | 388,377 | (66,771) |
| **Total** | ¥50,910 | ¥53,352 | ¥2,442 | $509,100 | $533,526 | $24,426 |

| As of March, 2007 | ¥ Japanese Yen in Millions | | |
|---|---|---|---|
| | Acquisition cost | Book value | Difference |
| **Securities whose book value on the accompanying consolidated balance sheets exceed their acquisition cost** | | | |
| **Equity securities** | ¥8,989 | ¥22,256 | ¥13,267 |
| **Debt securities** | 57,614 | 59,070 | 1,456 |
| **Sub-total** | 66,604 | 81,327 | 14,723 |
| **Securities whose book value on the accompanying consolidated balance sheets do not exceed their acquisition cost** | | | |
| **Equity securities** | 433 | 265 | (167) |
| **Debt securities** | 27,087 | 26,839 | (247) |
| **Sub-total** | 27,520 | 27,105 | (415) |
| **Total** | ¥94,124 | ¥108,432 | ¥14,308 |

Proceeds from sales of other investment securities were ¥58 million ($584 thousand) and ¥1,173 million for the years ended March 31, 2008 and 2007, respectively. Gross realized gains on those sales were ¥37 million ($374 thousand) and ¥891 million, respectively. No gross realized losses on those sales were recorded for the years ended March 31, 2008 and 2007, respectively.

Book value of non-marketable investment securities in "Short-term investment securities" and "Investment securities" as of March 31, 2008 and 2007 were summarized as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| **(1) Held-to-maturity debt securities** | | | |
| **Commercial paper** | ¥66,589 | ¥59,980 | $665,891 |
| **Discount bond, etc.** | 11,652 | - | 116,523 |
| **(2) Other securities** | | | |
| **Unlisted debt securities** | 33,316 | 27,342 | 333,164 |
| **Certificate of deposits** | 254,659 | - | 2,546,593 |
| **Preferred subscription certificate** | - | 5,000 | - |

Redemption schedule for other investment securities with maturity and held-to-maturities debt securities in "Short-term investment securities" and "Investment securities" as of March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands | |
|---|---|---|---|---|
| As of March 31, 2008 | Due within one year | Due after one year through five years | Due within one year | Due after one year through five years |
| **Commercial paper** | ¥69,586 | - | $695,866 | - |
| **Certificate of deposits** | 254,659 | - | 2,546,593 | - |
| **Government bond, etc.** | 28,824 | ¥49,624 | 288,240 | $496,240 |
| **Total** | ¥353,070 | ¥49,624 | $3,530,700 | $496,240 |

| | ¥ Japanese Yen in Millions | |
|---|---|---|
| As of March 31, 2007 | Due within one year | Due after one year through five years |
| **Commercial paper** | ¥59,980 | - |
| **Government bond, etc.** | 55,990 | ¥57,261 |
| **Total** | ¥115,971 | ¥57,261 |

## Note 11. Derivatives

The Company and certain consolidated subsidiaries enter into foreign exchange forward contracts and currency option contracts.

It is the Company's policy to enter into derivative transactions within the limits of foreign currency deposits, and not for speculative purposes.

The Company has foreign exchange forward contracts to reduce risk of exchange rate fluctuations and currency option contracts to reduce risk of exchange rate fluctuations and yield improvement of short-term financial assets.

Foreign exchange forward contracts and currency option contracts bear risks resulting from exchange rate fluctuations. Counterparties to derivative transactions are limited to high confidence level financial institutions. The Company does not anticipate any risk due to default.

Derivative transactions entered into by the Company and certain consolidated subsidiaries are made by the finance department or the department in charge of financial matters. They are to be approved by the president and the director in charge of those transactions of the Company. Subject consolidated subsidiaries are to report transaction status on a regular basis to the director in charge.

Derivative contracts as of March 31, 2008 were as follows:

| | ¥ Japanese Yen in Millions | | | $ U.S. Dollars in Thousands | | |
|---|---|---|---|---|---|---|
| As of March 31, 2008 | Contract amount | Fair value | Unrealized gain (loss) | Contract amount | Fair value | Unrealized gain (loss) |
| **Exchange forward contracts** | | | | | | |
| **Selling British Pound** | ¥18,345 | ¥17,890 | ¥455 | $183,455 | $178,903 | $4,552 |
| **Buying Japanese Yen** | 8,287 | 8,924 | 636 | 82,877 | 89,244 | 6,367 |
| **Currency options** | | | | | | |
| **Written call options:** | | | | | | |
| **U.S. Dollar** | ¥154,005 | | | $1,540,050 | | |
| **(Premium)** | 1,123 | 1,275 | (152) | 11,230 | 12,752 | (1,522) |
| **Euro** | 216,293 | | | 2,162,930 | | |
| **(Premium)** | 1,569 | 1,614 | (44) | 15,696 | 16,144 | (448) |
| **Purchased put options** | | | | | | |
| **U.S. Dollar** | 51,335 | | | 513,350 | | |
| **(Premium)** | 1,123 | 880 | (242) | 11,230 | 8,803 | (2,426) |
| **Euro** | 108,146 | | | 1,081,465 | | |
| **(Premium)** | 1,569 | 1,464 | (104) | 15,696 | 14,648 | (1,047) |
| **Total** | | | ¥547 | | | $5,474 |

[Note] No derivative contracts were due after one year.
The fair value of exchange forward contracts is estimated based on the forward exchange rate as of March 31, 2008. The fair value of currency options is estimated based on price quoted by correspondent financial institutions where we have agreements on derivative transactions.

No derivative contracts were outstanding as of March 31, 2007.

## Note 12. Retirement Benefits

The Company has a tax approved pension scheme and lump-sum severance payments plan which is a defined benefit plan. Certain consolidated subsidiaries have defined contribution plans as well as defined benefit plans. The Company and certain consolidated subsidiaries may also pay extra retirement allowance to employees.

Retirement benefit obligations as of March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| As of March 31, | 2008 | 2007 | 2008 |
| a. Retirement benefit obligation | ¥(22,071) | ¥(21,382) | $(220,718) |
| b. Plan assets | 16,973 | 19,154 | 169,732 |
| c. Unfunded retirement benefit obligation | (5,098) | (2,227) | (50,986) |
| d. Unrecognized actuarial difference | 1,468 | 1,201 | 14,680 |
| e. Unrecognized prior service cost | (17) | 53 | (176) |
| f. Net pension liability recognized in the consolidated balance sheets | (3,648) | (972) | (36,481) |
| g. Prepaid pension cost | 858 | 3,471 | 8,586 |
| h. Provision for retirement benefits | ¥(4,506) | ¥(4,443) | $(45,067) |

[Note] Certain consolidated subsidiaries adopt a concise procedure to estimate retirement benefit obligation.

Retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

| | ¥ Japanese Yen in Millions | | $ U.S. Dollars in Thousands |
|---|---|---|---|
| Years ended March 31, | 2008 | 2007 | 2008 |
| a. Service cost | ¥1,485 | ¥1,422 | $14,854 |
| b. Interest cost | 680 | 703 | 6,800 |
| c. Expected return on plan assets | (499) | (490) | (4,991) |
| d. Amortization of actuarial difference | 2,990 | (5) | 29,909 |
| e. Amortization of prior service cost | 121 | 77 | 1,215 |
| f. Retirement benefit cost | 4,778 | 1,707 | 47,787 |
| g. Other | 789 | 733 | 7,898 |
| h. Total | ¥5,568 | ¥2,440 | $55,686 |

[Note] "a. Service cost" includes retirement benefit costs of the subsidiaries which adopt a concise procedure to estimate retirement benefit obligation.
"g. Other" is mainly contribution amount with related to defined contribution plans.

Basis of calculation:

Year ended March 31, 2008

| | |
|---|---|
| a. Method of attributing benefits to years of service: | Straight-line basis |
| b. Discount rate: | 1.5% to 5.75% |
| c. Expected return rate on plan assets: | 1.5% to 7.5% |
| d. Amortization years of prior service cost: | 9 to 10 years |
| e. Amortization years of actuarial difference: | Mainly fully amortized in the same fiscal year as incurred |

Year ended March 31, 2007

| | |
|---|---|
| a. Method of attributing benefits to years of service: | Straight-line basis |
| b. Discount rate: | 1.5% to 6.0% |
| c. Expected return rate on plan assets: | 1.5% to 7.5% |
| d. Amortization years of prior service cost: | 9 to 10 years |
| e. Amortization years of actuarial difference: | Mainly fully amortized in the same fiscal year as incurred |

## Note 13. Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 were summarized as follows:

| As of March 31, | ¥ Japanese Yen in Millions 2008 | 2007 | $ U.S. Dollars in Thousands 2008 |
|---|---|---|---|
| **Deferred tax assets:** | | | |
| Inventory - write-downs and elimination of unrealized profit | ¥18,260 | ¥16,843 | $182,600 |
| Research and development costs | 15,777 | 14,281 | 157,775 |
| Other accounts payable and accrued expenses | 16,852 | 9,451 | 168,524 |
| Accrued enterprise tax | 6,862 | 6,140 | 68,622 |
| Loss on valuation of investment securities | 5,502 | 2,102 | 55,020 |
| Land | 2,210 | 2,571 | 22,102 |
| Provision for retirement benefits | 1,707 | 1,697 | 17,072 |
| Accumulated depreciation expenses | 1,285 | 1,812 | 12,850 |
| Other | 10,285 | 8,375 | 102,851 |
| Gross deferred tax assets | 78,741 | 63,276 | 787,419 |
| Valuation allowance | (530) | (611) | (5,303) |
| Total deferred tax assets | 78,211 | 62,664 | 782,115 |
| **Deferred tax liabilities:** | | | |
| Undistributed retained earnings of subsidiaries and affiliates | (11,702) | (4,346) | (117,021) |
| Valuation difference on available-for-sale securities | (3,702) | (6,079) | (37,026) |
| Other | (1,233) | (2,192) | (12,330) |
| Total deferred tax liabilities | (16,637) | (12,619) | (166,378) |
| Net deferred tax assets | ¥61,573 | ¥50,045 | $615,736 |

Reconciliations of the statutory tax rate and the effective tax rate for the years ended March 31, 2008 and 2007 are omitted, since the difference is not more than five one-hundredth of the statutory tax rate.

## Note 14. Segment Information

### A. Segment Information by Business Categories

The Company and its consolidated subsidiaries operate predominantly in one business category, "the electronic entertainment products", which accounted for over 90% of total net sales, operating income or loss and total assets for the years ended March 31, 2008 and 2007, this information is not required.

### B. Segment Information by Seller's Location

| | ¥ Japanese Yen in Millions | | | | | | |
|---|---|---|---|---|---|---|---|
| Year ended March 31, 2008 | Japan | The Americas | Europe | Other | Total | Eliminations or corporate | Consolidated |
| **Net sales and operating income** | | | | | | | |
| **Net sales** | | | | | | | |
| **Sales to third parties** | ¥337,477 | ¥659,711 | ¥620,419 | ¥54,815 | ¥1,672,423 | - | ¥1,672,423 |
| **Inter segment sales** | 1,098,174 | 2,496 | 3 | 293 | 1,100,968 | ¥(1,100,968) | - |
| **Total net sales** | 1,435,652 | 662,207 | 620,422 | 55,109 | 2,773,391 | (1,100,968) | 1,672,423 |
| **Operating expenses** | 1,045,111 | 620,148 | 567,019 | 48,844 | 2,281,124 | (1,095,921) | 1,185,202 |
| **Operating income** | ¥390,540 | ¥42,058 | ¥53,403 | ¥6,264 | ¥492,267 | ¥(5,047) | ¥487,220 |
| **Total assets** | ¥1,495,895 | ¥296,263 | ¥294,212 | ¥26,733 | ¥2,113,104 | ¥(310,614) | ¥1,802,490 |

| | ¥ Japanese Yen in Millions | | | | | | |
|---|---|---|---|---|---|---|---|
| Year ended March 31, 2007 | Japan | The Americas | Europe | Other | Total | Eliminations or corporate | Consolidated |
| **Net sales and operating income** | | | | | | | |
| **Net sales** | | | | | | | |
| **Sales to third parties** | ¥331,385 | ¥352,377 | ¥266,156 | ¥16,614 | ¥966,534 | - | ¥966,534 |
| **Inter segment sales** | 567,384 | 2,345 | 15 | 121 | 569,866 | ¥(569,866) | - |
| **Total net sales** | 898,770 | 354,723 | 266,171 | 16,735 | 1,536,401 | (569,866) | 966,534 |
| **Operating expenses** | 686,529 | 340,345 | 249,219 | 16,833 | 1,292,928 | (552,418) | 740,509 |
| **Operating income** | ¥212,240 | ¥14,378 | ¥16,952 | ¥(98) | ¥243,472 | ¥(17,448) | ¥226,024 |
| **Total assets** | ¥1,335,389 | ¥247,508 | ¥157,054 | ¥15,247 | ¥1,755,200 | ¥(179,603) | ¥1,575,597 |

| Year ended March 31, 2008 | Japan | The Americas | Europe | Other | Total | Eliminations or corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| | $ U.S. Dollars in Thousands | | | | | | |
| **Net sales and operating income** | | | | | | | |
| **Net sales** | | | | | | | |
| **Sales to third parties** | $3,374,773 | $6,597,110 | $6,204,195 | $548,150 | $16,724,230 | - | $16,724,230 |
| **Inter segment sales** | 10,981,747 | 24,967 | 32 | 2,939 | 11,009,687 | $(11,009,687) | - |
| **Total net sales** | 14,356,521 | 6,622,078 | 6,204,228 | 551,090 | 27,733,918 | (11,009,687) | 16,724,230 |
| **Operating expenses** | 10,451,112 | 6,201,488 | 5,670,194 | 488,447 | 22,811,243 | (10,959,216) | 11,852,027 |
| **Operating income** | $3,905,408 | $420,589 | $534,033 | $62,642 | $4,922,674 | $(50,471) | $4,872,202 |
| **Total assets** | $14,958,953 | $2,962,633 | $2,942,122 | $267,337 | $21,131,046 | $(3,106,143) | $18,024,903 |

[Note] The following footnotes are applicable for the years ended March 31, 2008 and 2007.
The segmentation of country or region is based on the geographical proximity.
The major countries or regions in "The Americas" are the United States and Canada.
The major countries or regions in "Europe" are Germany, France, the United Kingdom, the Netherlands, Spain and Italy.
The major countries or regions in "Other" are Australia, South Korea and Taiwan.

## C. Sales to Overseas Customers

| Year ended March 31, 2008 | The Americas | Europe | Other | Total |
|---|---|---|---|---|
| | ¥ Japanese Yen in Millions | | | |
| **Sales to overseas customers** | ¥661,056 | ¥620,451 | ¥66,466 | ¥1,347,974 |
| **Consolidated net sales** | | | | 1,672,423 |
| **Ratio of overseas sales to consolidated net sales** | 39.5% | 37.1% | 4.0% | 80.6% |

| Year ended March 31, 2007 | The Americas | Europe | Other | Total |
|---|---|---|---|---|
| | ¥ Japanese Yen in Millions | | | |
| **Sales to overseas customers** | ¥353,242 | ¥266,205 | ¥23,602 | ¥643,050 |
| **Consolidated net sales** | | | | 966,534 |
| **Ratio of overseas sales to consolidated net sales** | 36.5% | 27.5% | 2.5% | 66.5% |

| Year ended March 31, 2008 | The Americas | Europe | Other | Total |
|---|---|---|---|---|
| | $ U.S. Dollars in Thousands | | | |
| **Sales to overseas customers** | $6,610,561 | $6,204,518 | $664,668 | $13,479,749 |
| **Consolidated net sales** | | | | 16,724,230 |
| **Ratio of overseas sales to consolidated net sales** | 39.5% | 37.1% | 4.0% | 80.6% |

[Note] The following footnotes are applicable for the years ended March 31, 2008 and 2007.
The segmentation of country or region is based on the geographical proximity.
The major countries or regions in "The Americas" are the United States and Canada.
The major countries or regions in "Europe" are Germany, France, the United Kingdom, the Netherlands, Spain and Italy.
The major countries or regions in "Other" are Australia, South Korea and Taiwan.
"Sales to overseas customers" are the total amount of sales of the Company and consolidated subsidiaries to the customers outside Japan.

## Note 15. Related Party Transactions

The transactions with a company, "Shigureden", in Kyoto, Japan, which runs a cultural facility related to the "Uta garuta", in which Mr. Hiroshi Yamauchi, one of the Company's principal shareholders, directly owns the whole voting rights were as follows:

| As of March 31, | Japanese Yen in Millions 2008 | Japanese Yen in Millions 2007 | U.S. Dollars in Thousands 2008 |
|---|---|---|---|
| **Accounts receivable trade** | ¥0 | ¥1 | $1 |
| **Accounts payable** | 0 | 5 | 6 |

[Note] Consumption taxes are included.

| Years ended March 31, | Japanese Yen in Millions 2008 | Japanese Yen in Millions 2007 | U.S. Dollars in Thousands 2008 |
|---|---|---|---|
| **Sales of the Company products** | ¥6 | ¥14 | $65 |
| **Fees for trademarks, etc.** | 2 | 16 | 21 |

[Note] Consumption taxes are included.

Terms of sales are the same as those available generally and upon consideration of the market price. Trademarks and publications of "Shigureden" are used in the Company's software for sale and the fees for the usage are determined by terms generally available.

## Note 16. Per Share Information

| Years ended March 31, | Japanese Yen 2008 | Japanese Yen 2007 | U.S. Dollars 2008 |
|---|---|---|---|
| **Net assets per share** | ¥9,616.69 | ¥8,614.97 | $96.16 |
| **Net income per share** | 2,012.13 | 1,362.61 | 20.12 |

Diluted earnings per share are omitted as no residual securities were outstanding as of March 31, 2008 and 2007.

The basis of calculation of net assets per share is as follows:

| Years ended March 31, | Japanese Yen in Millions 2008 | 2007 | U.S. Dollars in Thousands 2008 |
|---|---|---|---|
| **Net income** | ¥257,342 | ¥174,290 | $2,573,426 |
| **Amount unrelated to common shareholders** | - | - | - |
| **Net income related to common stock** | 257,342 | 174,290 | 2,573,426 |

| Years ended March 31, | Number of shares in Thousands 2008 | 2007 |
|---|---|---|
| **Average number of shares (common stock)** | 127,895 | 127,908 |

## Note 17. Significant Subsequent Events

Not applicable.

## Note 18. Supplemental schedule of bonds / Supplemental schedule of borrowings

Not applicable.

## Note 19. Others

The Commission of the European Communities announced to impose a fine of EUR149 million on October 30, 2002 referring that Nintendo's past trade practices in Europe until 1998 fell upon "limitation of competition within the EU common market" which is prohibited by Article 81 in the EU treaty.

The Company and its consolidated subsidiary found this fine to be unjustly high and appealed to the Court of First Instance of the European Communities on January 16, 2003. The legal procedure is now under way.