

Annual Report 2014

for the fiscal year ended March 31, 2014

Nintendo Co., Ltd.

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Information on the Company

I. Overview of the Company

1. Key financial data and trends

Consolidated financial data

Fiscal year	70th	71st	72nd	73rd	74th	
Fiscal year ended March 31	2010	2011	2012	2013	2014	
Net sales (Millions of yen) (Millions of dollars)	¥1,434,365	¥1,014,345	¥647,652	¥635,422	¥571,726	U.S.\$5,550
Operating income (loss) (Millions of yen) (Millions of dollars)	356,567	171,076	(37,320)	(36,410)	(46,425)	(450)
Ordinary income (loss) (Millions of yen) (Millions of dollars)	364,324	128,101	(60,863)	10,482	6,086	59
Net income (loss) (Millions of yen) (Millions of dollars)	228,635	77,621	(43,204)	7,099	(23,222)	(225)
Comprehensive income (Millions of yen) (Millions of dollars)	–	47,659	(51,045)	49,307	17,971	174
Net assets (Millions of yen) (Millions of dollars)	1,336,585	1,281,861	1,191,025	1,227,520	1,118,438	10,858
Total assets (Millions of yen) (Millions of dollars)	1,760,986	1,634,297	1,368,401	1,447,878	1,306,410	12,683
Net assets per share (Yen) (Dollars)	10,450.33	10,022.26	9,313.15	9,598.22	9,447.00	91.72
Net income (loss) per share (Yen) (Dollars)	1,787.84	606.99	(337.86)	55.52	(183.59)	(1.78)
Diluted net income per share (Yen) (Dollars)	–	–	–	–	–	–
Capital adequacy ratio (%)	75.89	78.42	87.03	84.77	85.60	–
Return on equity (ROE) (%)	17.65	5.93	–	0.59	–	–
Price earnings ratio (PER) (Times)	17.51	37.02	–	182.10	–	–
Net cash provided by (used in) operating activities (Millions of yen) (Millions of dollars)	160,337	78,103	(94,955)	(40,390)	(23,114)	(224)
Net cash provided by (used in) investing activities (Millions of yen) (Millions of dollars)	(12,728)	(154,038)	(164,392)	89,104	(20,084)	(194)
Net cash provided by (used in) financing activities (Millions of yen) (Millions of dollars)	(133,847)	(102,456)	(39,823)	(12,873)	(127,163)	(1,234)
Cash and cash equivalents at end of period (Millions of yen) (Millions of dollars)	¥931,333	¥724,366	¥407,186	¥469,395	¥341,266	U.S.\$3,313
Number of employees [Separately, average number of temporary employees] (Persons)	4,425 [1,081]	4,712 [1,114]	4,928 [803]	5,080 [753]	5,213 [717]	– [–]

- (Notes)
1. Dollar amounts are the yen equivalent, calculated, for convenience only, at a rate of ¥103 to U.S.\$1, the prevailing exchange rate on March 31, 2014.
 2. Net sales do not include consumption taxes.
 3. "Diluted net income per share" is not noted because the Company has not issued any dilutive shares.
 4. "Return on equity" and "Price earnings ratio" for the 72nd and 74th fiscal years are not noted because the Company recorded net losses in those fiscal years.

2. Description of business

In the field of home entertainment, Nintendo Co., Ltd., its subsidiaries and associates (composed of 29 subsidiaries and six associates as of March 31, 2014), primarily engage in the development, manufacture and sale of entertainment products. Nintendo's major products are categorized into computer-enhanced "electronic entertainment products," playing cards, Karuta and other products. "Electronic entertainment products" are defined as hardware and software for the handheld devices and home consoles developed by Nintendo Co., Ltd. and its subsidiaries and associates, manufactured by Nintendo Co., Ltd. and distributed primarily by Nintendo Co., Ltd. in Japan and by its subsidiaries and associates in overseas markets.

The positions of Nintendo Co., Ltd. and its main subsidiaries and associates are described below. Segment information is omitted as Nintendo operates as a single business segment.

- Development

Nintendo Co., Ltd., Nintendo Technology Development Inc., Nintendo Software Technology Corporation, Retro Studios, Inc., Nintendo European Research and Development SAS, ND CUBE Co., Ltd., 1-UP Studio Inc., MONOLITH SOFTWARE INC., Mario Club Co., Ltd.

- Manufacture

Nintendo Co., Ltd.

- Sale

Nintendo Co., Ltd., Nintendo of America Inc., Nintendo of Canada Ltd., Nintendo of Europe GmbH, Nintendo France S.A.R.L., Nintendo Benelux B.V., Nintendo Ibérica, S.A., Nintendo Australia Pty. Ltd., Nintendo RU LLC., Nintendo Phuten Co., Ltd, Nintendo of Korea Co., Ltd., iQue (China) Ltd., Nintendo (Hong Kong) Limited

- Other

SiRAS.com Inc., Nintendo Network Services Inc.

3. Subsidiaries and associates

(1) Consolidated subsidiaries

Name of company	Location	Capital stock or Investments in capital	Description of principal business	Percentage of voting rights held by the Company	Relationship with Nintendo Co., Ltd. (the "Company")				
					Concurrent positions held by directors		Loans	Business transactions	Leasing of fixed assets
					Director of the Company (number)	Employee of the Company (number)			
Nintendo of America Inc. *1, 2	U.S.	Thousands of US\$ 110,000	Sale	100	2	–	–	Purchasing products manufactured by the Company	–
Nintendo of Canada Ltd.	Canada	Thousands of Can\$ 4,000	Sale	100 (100)	1	–	–	Purchasing products manufactured by the Company from Nintendo of America Inc.	–
Nintendo of Europe GmbH *1, 2	Germany	Thousands of EUR 30,000	Sale	100	–	1	–	Purchasing products manufactured by the Company	–
Nintendo France S.A.R.L. *1	France	Thousands of EUR 10,000	Sale	100	–	1	–	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	–
Nintendo Benelux B.V.	The Netherlands	Thousands of EUR 6,800	Sale	100	–	1	–	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	–
Nintendo Ibérica, S.A.	Spain	Thousands of EUR 3,000	Sale	100 (100)	–	1	–	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	–
Nintendo RU LLC.	Russia	Millions of RUB 104	Sale	100 (100)	–	–	–	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	–
Nintendo Australia Pty. Ltd.	Australia	Thousands of A\$ 8,500	Sale	100	–	1	–	Purchasing products manufactured by the Company	–
Nintendo Phuten Co., Ltd.	Taiwan	Thousands of NT\$ 5,000	Sale	100	–	4	Granted	Purchasing products manufactured by the Company	–
Nintendo of Korea Co., Ltd. *1	Korea	Millions of KRW 25,000	Sale	100	1	3	Granted	Purchasing products manufactured by the Company	–
iQue (China) Ltd. *1	China	Thousands of US\$ 28,000	Sale	100 (100)	–	2	–	Purchasing parts from the Company and entrusted license of manufacturing and sale	–
Nintendo Technology Development Inc.	U.S.	US\$ 1	Development	100	2	1	–	Entrusted development of hardware OS	–
Nintendo Software Technology Corporation	U.S.	Thousands of US\$ 20	Development	100	1	–	–	Entrusted development of software	–
SiRAS.com Inc.	U.S.	Thousands of US\$ 900	Other	100 (100)	1	–	–	Administrating electronic registration of products distributed by Nintendo of America Inc.	–
Retro Studios, Inc. *1	U.S.	Thousands of US\$ 10,001	Development	100	1	1	–	Entrusted development of software	–
Nintendo (Hong Kong) Limited	China	Thousands of HK\$ 49,300	Sale	100	–	2	–	Purchase of products manufactured by the Company and entrusted purchase of parts for products manufactured by the Company	–
Nintendo European Research and Development SAS	France	Thousands of EUR 300	Development	97 (97)	–	1	–	Entrusted development of software	–

Name of company	Location	Capital stock or Investments in capital	Description of principal business	Percentage of voting rights held by the Company	Relationship with Nintendo Co., Ltd. (the "Company")				
					Concurrent positions held by directors		Loans	Business transactions	Leasing of fixed assets
					Director of the Company (number)	Employee of the Company (number)			
ND CUBE Co., Ltd.	Chuo-ku, Tokyo	Millions of JPY 483	Development	96	-	1	-	Entrusted development of software	-
1-UP Studio Inc.	Chiyoda-ku, Tokyo	Millions of JPY 90	Development	100	-	3	-	Entrusted development of software	-
MONOLITH SOFTWARE INC.	Meguro-ku, Tokyo	Millions of JPY 75	Development	97	1	1	-	Entrusted development of software	-
Nintendo Network Services Inc.	Chiyoda-ku, Tokyo	Millions of JPY 480	Other	100	-	4	Granted	Entrusted management of network services of the Company	Leasing of buildings owned by the Company
Mario Club Co., Ltd.	Higashiyama-ku, Kyoto	Millions of JPY 450	Development	100	1	4	-	Entrusted inspection of software etc.	Leasing of buildings owned by the Company

- (Notes)
- There are five other consolidated subsidiaries not listed above.
 - Figures in parentheses in Percentage of voting rights held by the Company represent the proportion of indirect ownership.
 - Companies marked with *1 are specified subsidiaries.
 - Proportion of sales of consolidated subsidiaries marked with *2, excluding inter-company transactions of sales, over total sales on a consolidated basis surpasses 10%. Major financial information is as follows.

Name of company	Net sales (Millions of yen)	Ordinary income (loss) (Millions of yen)	Net income (loss) (Millions of yen)	Total net assets (Millions of yen)	Total assets (Millions of yen)
Nintendo of America Inc.	214,110	(17,573)	(36,369)	154,070	208,906
Nintendo of Europe GmbH	141,847	(4,915)	(3,692)	69,769	96,333

Name of company	Net sales (Millions of dollars)	Ordinary income (loss) (Millions of dollars)	Net income (loss) (Millions of dollars)	Total net assets (Millions of dollars)	Total assets (Millions of dollars)
Nintendo of America Inc.	2,078	(170)	(353)	1,495	2,028
Nintendo of Europe GmbH	1,377	(47)	(35)	677	935

(2) Associates accounted for using equity method

Name of company	Location	Capital stock or Investments in capital	Description of principal business	Percentage of voting rights held by the Company	Relationship with the Company				
					Concurrent positions held by directors		Loans	Business transactions	Leasing of fixed assets
					Director of the Company (number)	Employee of the Company (number)			
The Pokémon Company	Minato-ku, Tokyo	Millions of JPY 365	Sale and license of Pokémon related goods	32	-	1	-	Purchasing products manufactured by the Company and entrusted manufacturing of products	-
WARPSTAR, Inc.	Chiyoda-ku, Tokyo	Millions of JPY 10	Animation production and intellectual property management	50	-	3	-	Entrusted management of merchandising rights	Leasing of buildings owned by the Company
PUX Corporation	Kadoma-shi, Osaka	Millions of JPY 45	Development of software engine and license business	27	-	-	-	Entrusted development of software	-

(Note) There are two associates accounted for using equity method other than the ones listed above.

II. Business Overview

1. Overview of operating results and cash flow

(1) Operating results

Nintendo Co., Ltd. (the “Company”) and its consolidated subsidiaries (together with the Company, “Nintendo”) continue to pursue its basic strategy of “Gaming Population Expansion” by offering compelling products that anyone can enjoy, regardless of age, gender or gaming experience.

During the fiscal year ended March 31, 2014, for “Nintendo 3DS (3DS, 3DS XL and 2DS),” “Pokémon X/Pokémon Y,” simultaneously released globally in October last year, marked 12.26 million units in sales, while “Animal Crossing: New Leaf,” released in Japan in the previous fiscal year and in the United States and Europe in June last year, marked 3.80 million units (7.66 million units on a cumulative basis) in sales. In addition, key first-party titles such as “Luigi’s Mansion: Dark Moon,” “The Legend of Zelda: A Link Between Worlds” and “Mario & Luigi: Dream Team” showed steady sales, with each title selling more than two million units. Moreover, there have also been hit titles from third-party publishers. As a result, the global sales of the “Nintendo 3DS” hardware and software reached 12.24 million and 67.89 million units respectively.

With respect to “Wii U,” while five key first-party titles, such as “Super Mario 3D World,” “New Super Mario Bros. U” and “New Super Luigi U” became million-seller titles, the “Wii U” business as a whole showed slow growth. The global sales of the “Wii U” hardware and software reached only 2.72 million and 18.86 million units respectively.

Regarding “Nintendo DS (DS, DS Lite, DSi and DSi XL),” the global sales of its hardware and software were 0.13 million and 10.29 million units respectively. Also, the sales of the “Wii” hardware and software were 1.22 million and 26.16 million units respectively.

As a result, net sales were ¥571.7 billion (U.S.\$5,550 million; a decrease of 10.0% on a year-on-year basis), of which overseas sales were ¥394.7 billion (U.S.\$3,832 million; a decrease of 7.4% on a year-on-year basis, and 69.0% of total sales). The “Wii U” hardware still has a negative impact on Nintendo’s profits owing mainly to its markdown in the United States and Europe, and unit sales of software, which has high profit margins, did not grow sufficiently, leading to a gross profit of ¥163.2 billion (U.S.\$1,584 million). Total selling, general and administrative expenses exceeded gross profit, resulting in an operating loss of ¥46.4 billion (U.S.\$450 million; compared with an operating loss of ¥36.4 billion in the previous fiscal year). Also, due to depreciation of the yen at the end of this period compared with the one at the end of the previous fiscal year, foreign exchange gains totaled ¥39.2 billion (U.S.\$381 million), leading to an ordinary income of ¥6.0 billion (U.S.\$59 million; a decrease of 41.9% on a year-on-year basis). On the other hand, mainly due to the balance of deferred tax assets reduced in relation to the losses carried over in the United States, there is a net loss of ¥23.2 billion (U.S.\$225 million; compared with a net income of ¥7.0 billion in the previous fiscal year).

Segment information is omitted as Nintendo operates as a single business segment.

(2) Cash flow

The ending balance of “Cash and cash equivalents” (collectively, “Cash”) as of March 31, 2014 was ¥341.2 billion (U.S.\$3,313 million), with a decrease of ¥128.1 billion during the fiscal year. During the previous fiscal year, there was an increase of ¥62.2 billion. Net increase (decrease) of Cash and contributing factors during the fiscal year ended March 31, 2014 are as follows:

Net cash provided by (used in) operating activities:

While there were increasing factors from settlements of notes and accounts receivable - trade, due to a decrease of notes and accounts payable - trade, net cash resulted in a decrease of ¥23.1 billion (U.S.\$224 million) compared to a decrease of ¥40.3 billion in the previous fiscal year.

Net cash provided by (used in) investing activities:

Net cash from investing activities decreased by ¥20.0 billion (U.S.\$194 million) compared to an increase of ¥89.1 billion in the previous fiscal year mainly due to purchases of property, plant and equipment as well as intangible assets pertaining to the construction of the Development Center.

Net cash provided by (used in) financing activities:

Net cash from financing activities decreased by ¥127.1 billion (U.S.\$1,234 million) compared to a decrease of ¥12.8 billion in the previous fiscal year mainly due to the acquisition of treasury shares.

2. Risk factors

Listed below are the various risks that could significantly affect Nintendo's operating results, 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 the fiscal year ended March 31, 2014.

(1) Risks around economic environment

- Fluctuation in foreign exchange rates

Nintendo distributes its products globally with overseas sales accounting for about 70% of its total sales. The majority of monetary transactions are made in local currencies. In order to reduce the influence of fluctuations in foreign exchange rates, we have implemented measures such as increasing purchases in U.S. dollars; however, it is difficult to eliminate the risks completely. In addition, the Company holds a substantial amount of assets in foreign currencies. Thus, fluctuations in foreign exchange rates have a strong influence not only when accounts in foreign currencies are converted to Japanese yen but also when they are revaluated for financial reporting purposes.

(2) Risks around business activities

- Fluctuation of market environment and competition against other companies

Nintendo's business is engaged in one segment of the broad entertainment field. However, its business can be affected by trends in other segments of the entertainment field. 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 and development, and marketing. In addition, competition may intensify with large-scale companies doing business in the same industry or in other segments of the entertainment field. As a result, Nintendo may experience difficulty in maintaining or expanding its market share as well as sustaining profitability.

- Development of new products

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

- a. 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. Also, development of certain products may be suspended or aborted.
- b. While development of hardware is time-consuming, with technology continuously advancing, it is possible that the Company may not be able to equip technologies required for entertainment. Furthermore, delays of hardware launches could adversely affect market share.
- c. Due to the nature of Nintendo products, it may become difficult to develop or sell the products as planned and the original plan could differ to a large extent.

- Product valuation and adequate inventory procurement

Products in the video game industry have relatively short life cycles, and are significantly impacted by consumers' preferences as well as seasonality. 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.

- Overseas business expansion and international activities

In addition to Japan, Nintendo engages in business in the United States, Europe, Australia, Asia and other areas in the world. Expansion of business to these overseas markets involves risks such as a) unpredictable enforcement of or changes in laws or regulations, b) disadvantages from emergence of political or economic factors, c) disadvantages from inconsistency of multilateral taxation systems and diversity of tax law interpretation, d) difficulty of recruiting and securing human resources, e) social disruption resulting from terrorist attacks, war and other catastrophic events.

- Dependency on outside manufacturers

Nintendo commissions a number of outside 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 marginal decline due to higher costs, shortage of products and quality control issues. These issues may impair the relationship between Nintendo and its customers.

Furthermore, as many suppliers' production facilities are located overseas, potential production interruptions caused by societal violence, natural disasters or any other accidents in the area could negatively affect Nintendo's operating performance.

- Business operations affected by seasonal fluctuation

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

- Unauthorized access to systems

Nintendo operates various online systems including the "Nintendo Network" for sales of digital software as well as to offer network-enabled entertainment services. If a cyber-attack were launched against these systems resulting in the termination or destruction of the systems, or the unauthorized use of system data, it could have an adverse effect on Nintendo's future operating results, share price and financial condition.

(3) Risks around legal regulations and litigation

- Product liability

Nintendo manufactures its products in accordance with applicable quality control standards in locations of sale. However, large-scale product recalls may occur, and any such recalls would likely be primarily caused by discovery of defective products. Also, the defect of a product may lead to product reimbursement compensation resulting in additional expenses, and Nintendo's reputation as well as its operating performance and financial position may suffer.

- Limitations of enforcing intellectual property rights

Although Nintendo continues to accumulate various intellectual properties to produce different products, counterfeit products and unlawful software already have gone into circulation in some regions and (becomes available on the internet which) violate Nintendo's intellectual property rights. In the future, it may continue to be a challenging task to take full action against every infringement of Nintendo's intellectual property rights.

- Leakage or unauthorized access of personal or confidential information

Nintendo possesses personally identifiable information about its consumers, as well as confidential information concerning development and business operations. If such personally identifiable information or confidential information were ever leaked outside of Nintendo, due to breach or other unauthorized access or disclosure, it could have an adverse effect on Nintendo's future operating performance, share price and financial condition.

- Changes in accounting standards and taxation systems

Unpredicted adoptions of or changes in accounting standards or taxation systems 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 affect Nintendo's operating performance.

(4) Other risks

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

3. Research and development activities

Nintendo primarily engages in the active development of hardware and software for handheld and home console video game systems, with support from various companies and organizations, in its effort to put smiles on the faces of everyone Nintendo touches around the world by offering new and compelling products that anyone can enjoy.

With respect to hardware, Nintendo investigates and undertakes research on fundamental technologies spanning data storage technology such as semiconductor memories, display technology such as liquid crystal displays, and electronic components, while it also carries out research and development activities to examine the applicability of various technologies including interfaces, wireless communication, networks and security to the field of home entertainment. Moreover, Nintendo continues to enhance the durability, safety, quality and performance of its products to ensure that consumers can comfortably enjoy them over an extended period, as well as design and develop various accessories, and pursue cost-cutting and energy conservation initiatives.

With respect to software, Nintendo focuses on taking full advantage of hardware features in planning its products, designing games whose elements include graphics, music and game scripts, and developing programs.

Moreover, in response to increasing system and software complexity, Nintendo seeks to promote a unified architecture for its platforms, and expand its software developer base and create a more efficient software development environment by offering the “Nintendo Web Framework,” which enables “Wii U” software development using web-related technologies.

In terms of its component procurement and manufacturing processes, Nintendo, with the cooperation and support of its manufacturing partners, continuously examines, and accumulates relevant technical know-how on, how one can apply new test methods and technologies in the mass production of components, and complies with various sustainable procurement standards and relevant regulations.

Research and development expenses for the fiscal year were ¥71.7 billion (U.S.\$696 million), with the outcomes of major research and development activities described below. Segment information is omitted since Nintendo operates as a single business segment.

Since the launch of the “Nintendo 3DS” hardware in the spring of 2011, Nintendo has been developing new hardware variations of the “Nintendo 3DS” system, introducing “Nintendo 3DS XL” in the summer of 2012, and “Nintendo 2DS” in the fall of this fiscal year in the overseas markets which, by limiting certain features, was offered at a lower price point. Also, in order to ensure that the “Nintendo 3DS” family would appeal to a wider range of consumers, Nintendo launched special hardware editions as well as new color variations for each model. Nintendo released a total of 12 compatible titles (figure for the Japanese market; the same shall apply hereinafter) which included “Pokémon X/Pokémon Y,” simultaneously released globally for the first time in the series, and “Nintendo 3DS Guide: Louvre,” a downloadable title for “Nintendo 3DS,” adopted as the official guide at the Louvre Museum, with which consumers can experience the Louvre Museum from the comfort of their own home.

With respect to “Wii U,” Nintendo undertook development activities regarding its system software, system features and accessories in order to further enhance the user experience of the system. Nintendo released a total of 11 compatible titles, which include “Super Mario 3D World,” the latest installment in the classic 3D Mario action games, which received wide acclaim, and “Donkey Kong Country: Tropical Freeze” which, by exploiting the graphical capabilities of the “Wii U” hardware, offered dynamic gameplay.

Nintendo continues to engage in the development of new products for the future.

4. Analysis of financial position, operating results and cash flow

All financial information contained below is based on the consolidated financial statements disclosed in the Annual Securities Report (Japanese only). Any forward-looking statements contained in the following overview are made based on information available as of the end of the fiscal year ended March 31, 2014.

(1) Important accounting policies and assumptions

Consolidated financial statements of Nintendo are prepared in accordance with accounting standards generally accepted in Japan. In preparing such statements, assumptions that may affect the value of assets, liabilities, revenue and expenses are made based on the accounting policies selected and adopted by management. Management takes into account past results and the likelihood of future events to form assumptions in a reasonable fashion, but uncertainties inherent with such assumptions may cause the actual results to be materially different from these assumptions. Important accounting policies adopted in the consolidated financial

statements of Nintendo are detailed in the section of “V. Financial Information, Consolidated financial statements, etc., Basis of Presenting Consolidated Financial Statements.”

(2) Factors which may have a significant impact on operating results

Nintendo operates as a business in the field of home entertainment, in which the availability of hit titles and their sales volumes may have a significant impact on its operating results. In addition, the field of entertainment is wide in scope, and any successful non-gaming propositions that provide consumers with more entertainment value and surprises may also have an impact.

Approximately 70% of Nintendo’s total sales are generated in the overseas markets, with most transactions carried out in local currencies. While Nintendo has attempted to increase dollar-based purchases in order to reduce the impact of exchange rate fluctuations, it is difficult to completely eliminate their risk. As a result, exchange rate fluctuations may have an impact on Nintendo’s financial performance.

While video game systems and their compatible software, which are Nintendo’s main products, represent a majority of total sales, hardware and software have very different profit margins, and fluctuations of their proportions of the total sales may have an impact on gross profit and the gross profit percentage to sales.

In addition, there may be other fluctuating factors as described in “II. Business Overview, 2. Risk factors.”

(3) Analysis of operating results for the fiscal year ended March 31, 2014

Sales and profits decreased when compared to the previous fiscal year.

(Net sales and operating income)

Net sales decreased from the previous fiscal year by ¥63.6 billion to ¥571.7 billion (U.S.\$5,550 million; a decrease of 10% on a year-over-year basis) due to decreased sales of the “Wii U” and “Nintendo 3DS” hardware, despite the increase in “Nintendo 3DS” software sales. As the proportion of hardware in sales, which has relatively low profit margins, decreased, and the profitability of the “Nintendo 3DS” hardware improved, gross profit increased from the previous fiscal year by ¥22.8 billion to ¥163.2 billion (U.S.\$1,584 million; an increase of 16.3% on a year-over-year basis). On the other hand, mainly due to an increase in research and development expenses and advertising expenses, total selling, general and administrative expenses increased from the previous fiscal year by ¥32.8 billion, exceeding gross profit, resulting in an operating loss of ¥46.4 billion (U.S.\$450 million; compared with an operating loss of ¥36.4 billion in the previous fiscal year).

(Non-operating income and expenses, and ordinary income)

Non-operating income increased by ¥5.6 billion from the previous fiscal year, resulting in net non-operating income of ¥52.5 billion (U.S.\$509 million), due mainly to foreign exchange gains and gain on redemption of securities generated by yen depreciation. As a result, ordinary income was ¥6.0 billion (U.S.\$59 million; a decrease of 41.9% on a year-over-year basis).

(Net income)

Net income decreased by ¥30.3 billion, mainly due to the balance of deferred tax assets reduced in relation to the losses carried over in the United States, to a net loss of ¥23.2 billion (U.S.\$225 million; compared with a net income of ¥7.0 billion in the previous fiscal year).

(4) Financial position

Total assets decreased overall by ¥141.4 billion, compared with the previous fiscal year, to ¥1,306.4 billion (U.S.\$12,683 million) mainly due to a decrease in short-term investment securities and inventories. Total liabilities decreased by ¥32.3 billion compared to the previous fiscal year to ¥187.9 billion (U.S.\$1,824 million) mainly due to a decrease in notes and accounts payable - trade. Net assets decreased by ¥109.0 billion compared to the previous fiscal year to ¥1,118.4 billion (U.S.\$10,858 million) mainly from the acquisition of treasury shares.

Cash flow information is described in “II. Business Overview, 1. Overview of operating results and cash flow, (2) Cash flow.”

(5) Liquidity of funds

The current ratio as of March 31, 2014, is 658%, and the ratio of total liabilities to cash and cash equivalents is 1.8 times.

Major components of the working capital requirements include purchase expenses of materials and parts for manufacturing, advertising expenses and research and development expenses, and dividend and income tax payments. Moreover, it is Nintendo's basic policy to internally provide the capital necessary to fund future growth, including capital investments.

During the launch periods of new products and the year-end sales season, there may be temporary increases in notes and accounts receivable - trade, notes and accounts payable - trade and inventories, which may have a downward or upward impact on net cash provided by (used in) operating activities.

Moreover, Nintendo maintains retained earnings that are necessary in order to adapt to changes in the business environment and to pursue further business expansion in the future. Payments into or withdrawals from time deposits with maturities of more than three months, as well as the timing of acquisition or sale of short-term investment securities, may have an upward or downward impact on net cash provided by (used in) investing activities.

III. Equipment and Facilities

Overview of capital investments

Nintendo develops, manufactures and distributes electronic entertainment products, and in the fiscal year ended March 31, 2014, it invested ¥38.529 billion (U.S.\$374 million) which was mainly used for research and development and construction of the Development Center, and included intangible assets such as internal use computer software.

Regarding the required funds, all of the capital investments were self-financed and we did not raise external financing. Segment information is omitted as Nintendo operates as a single business segment.

IV. Profile of the Company

Members of the Board of Directors and Auditors

Position	Job title	Name	Date of birth	Past experience	Term	Number of shares held (hundreds)
Director and President (Representative Director)		Satoru Iwata	December 6, 1959	June 2000 May 2002 June 2013 Appointed as Director (to present) Appointed as Director and President (to present) Appointed as Representative Director (to present) Director and Chairman (CEO) of Nintendo of America Inc. (to present)	*1	67
Senior Managing Director (Representative Director)	General Manager, Integrated Research & Development Division	Genyo Takeda	March 7, 1949	July 1972 June 2000 May 2002 February 2013 Joined the Company Appointed as Director (to present) Appointed as Senior Managing Director (to present) Appointed as Representative Director (to present) General Manager, Integrated Research & Development Division (to present)	*1	2
Senior Managing Director (Representative Director)	General Manager, Entertainment Analysis & Development Division	Shigeru Miyamoto	November 16, 1952	April 1977 June 2000 May 2002 Joined the Company Appointed as Director (to present) General Manager, Entertainment Analysis & Development Division (to present) Appointed as Senior Managing Director (to present) Appointed as Representative Director (to present)	*1	1
Managing Director	General Manager, Corporate Analysis & Administration Division and General Affairs Division	Tatsumi Kimishima	April 21, 1950	January 2002 June 2002 May 2006 June 2013 June 2014 Appointed as Director of Nintendo of America Inc. (to present) Appointed as Director of the Company (to present) Appointed as Director and Chairman (CEO) of Nintendo of America Inc. Appointed as Managing Director (to present) General Manager, Corporate Analysis & Administration Division (to present) and General Manager, General Affairs Division (to present) In charge of Personnel Division (to present)	*1	2
Director	General Manager, Finance Administration Division	Shigeyuki Takahashi	March 31, 1954	September 2003 January 2006 November 2007 June 2013 General Manager, Legal Office, Compliance & Legal Division, UFJ Bank Limited Joined the Company Appointed as Executive Vice President of Nintendo of America Inc. Appointed as Director (to present) General Manager, Finance Administration Division (to present)	*1	2
Director	General Manager, Marketing Division	Satoshi Yamato	December 10, 1957	April 1980 July 2012 June 2013 Joined the Company Deputy General Manager, Marketing Division Appointed as Director (to present) General Manager, Marketing Division (to present)	*1	2
Director	General Manager, Licensing Division	Susumu Tanaka	March 11, 1953	April 1976 July 2012 June 2013 Joined the Company Deputy General Manager, Licensing Division Appointed as Director (to present) General Manager, Licensing Division (to present)	*1	2

Position	Job title	Name	Date of birth	Past experience	Term	Number of shares held (hundreds)
Director	General Manager, Software Planning & Development Division	Shinya Takahashi	November 9, 1963	April 1989 July 2012 June 2013 April 2014 Joined the Company Deputy General Manager, Software Planning & Development Division Appointed as Director (to present) General Manager, Software Planning & Development Division (to present) In charge of Development Administration & Support Division (to present)	*1	1
Director	General Manager, Manufacturing Division	Hirokazu Shinshi	March 14, 1966	April 1986 January 2012 June 2013 Joined the Company Deputy General Manager, Manufacturing Division Appointed as Director (to present) General Manager, Manufacturing Division (to present)	*1	2
Director		Naoki Mizutani	December 22, 1950	April 1979 May 1989 June 1989 April 2003 June 2003 June 2014 Registered as attorney-at-law Registered as patent attorney Opened Mizutani Law and Patent Office Visiting Professor, Graduate School of the Tokyo Institute of Technology (to present) Appointed as Auditor of the Company (to present) Appointed as Director (to present)	*1	-
Auditor (Full-Time)		Minoru Ueda	January 13, 1949	March 1972 March 2001 June 2004 Joined the Company Deputy General Manager, Administration Department, Tokyo Branch Office Appointed as Full-Time Auditor (to present)	*2	2
Auditor (Full-Time)		Ken Toyoda	September 1, 1952	April 1976 July 2002 August 2006 June 2012 Joined the Company General Manager, Corporate Communications Department Superintendent, General Affairs Department Appointed as Full-Time Auditor (to present)	*2	3
Auditor		Yoshimi Mitamura	November 27, 1948	April 1968 July 2000 July 2004 July 2007 August 2008 September 2008 June 2012 Appointed clerk of the Ministry of Finance Director, Miyazu Tax Office, Osaka Regional Taxation Bureau Director, Katsuragi Tax Office, Osaka Regional Taxation Bureau Head of Taxation Department No.1, Osaka Regional Taxation Bureau Registered as a certified tax accountant Established the Yoshimi Mitamura Certified Tax Accountant Office Appointed as Auditor of the Company (to present)	*2	-

Position	Job title	Name	Date of birth	Past experience	Term	Number of shares held (hundreds)	
Auditor		Katsuhiro Umeyama	July 29, 1965	March 1994	Registered as certified public accountant	*2	-
				July 1999	Established the Umeyama Certified Public Accountant Office		
				August 1999	Registered as a certified tax accountant		
				October 1999	Established the Umeyama Certified Tax Accountant Office (current Umeyama Certified Tax Accountant LLC)		
				November 2005	Appointed to Outside Auditor of KURAUDIA Co., Ltd. (to present)		
				July 2009	Appointed to Representative Partner of Umeyama Certified Tax Accountant LLC (to present)		
				April 2012	Appointed to Inspector (part-time) of Shiga University of Medical Science (to present)		
				June 2012	Appointed as Auditor of the Company (to present)		
Total						86	

- (Notes)
1. Director, Mr. Naoki Mizutani, is an Outside Director.
 2. Auditors, Mr. Yoshimi Mitamura and Mr. Katsuhiro Umeyama, are Outside Auditors.
 3. *1 The term of office of Directors commenced upon election at the Annual General Meeting of Shareholders for the fiscal year ended on March 31, 2014 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2015.
 4. *2 The term of office of Auditors, Mr. Minoru Ueda, Mr. Ken Toyoda, Mr. Yoshimi Mitamura and Mr. Katsuhiro Umeyama, commenced upon election at the Annual General Meeting of Shareholders for the fiscal year ended on March 31, 2012 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2016.

V. Financial Information

Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

	Previous fiscal year (As of March 31, 2013)		Current fiscal year (As of March 31, 2014)		
	(Millions of yen)		(Millions of yen)		(Millions of dollars)
Assets					
Current assets					
Cash and deposits		478,761		474,297	4,604
Notes and accounts receivable - trade		45,873		28,754	279
Securities		424,540		320,918	3,115
Inventories	*1	178,722	*1	160,801	1,561
Deferred tax assets		31,693		17,637	171
Other		33,094		21,841	212
Allowance for doubtful accounts		(434)		(114)	(1)
Total current assets		1,192,250		1,024,136	9,943
Non-current assets					
Property, plant and equipment					
Buildings and structures, net		26,351		26,340	255
Machinery, equipment and vehicles, net		8,054		1,620	15
Tools, furniture and fixtures, net		5,309		4,249	41
Land		42,001		42,859	416
Construction in progress		4,434		19,120	185
Total property, plant and equipment	*2	86,152	*2	94,190	914
Intangible assets					
Software		8,276		10,559	102
Other		2,586		1,908	18
Total intangible assets		10,863		12,467	121
Investments and other assets					
Investment securities	*3	109,634	*3	122,885	1,193
Deferred tax assets		37,690		34,214	332
Net defined benefit asset		–		4,746	46
Other		11,287		13,769	133
Allowance for doubtful accounts		(0)		(0)	(0)
Total investments and other assets		158,612		175,616	1,705
Total non-current assets		255,628		282,274	2,740
Total assets		1,447,878		1,306,410	12,683

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	(Millions of dollars)
	(Millions of yen)	(Millions of yen)	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	107,045	47,665	462
Income taxes payable	3,563	14,803	143
Provision for bonuses	2,131	2,183	21
Other	81,735	90,999	883
Total current liabilities	194,475	155,652	1,511
Non-current liabilities			
Provision for retirement benefits	16,593	–	–
Net defined benefit liability	–	18,558	180
Other	9,288	13,760	133
Total non-current liabilities	25,882	32,318	313
Total liabilities	220,358	187,971	1,824
Net assets			
Shareholders' equity			
Capital stock	10,065	10,065	97
Capital surplus	11,734	11,734	113
Retained earnings	1,414,095	1,378,085	13,379
Treasury shares	(156,692)	(270,958)	(2,630)
Total shareholders' equity	1,279,203	1,128,927	10,960
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	8,599	13,628	132
Foreign currency translation adjustment	(60,414)	(24,274)	(235)
Total accumulated other comprehensive income	(51,815)	(10,645)	(103)
Minority interests	131	157	1
Total net assets	1,227,520	1,118,438	10,858
Total liabilities and net assets	1,447,878	1,306,410	12,683

(ii) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

	Previous fiscal year (From April 1, 2012 to March 31, 2013)		Current fiscal year (From April 1, 2013 to March 31, 2014)	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Net sales	635,422	571,726		5,550
Cost of sales	*1, *3 495,068	*1, *3 408,506		3,966
Gross profit	140,354	163,219		1,584
Selling, general and administrative expenses	*2, *3 176,764	*2, *3 209,645		2,035
Operating loss	(36,410)	(46,425)		(450)
Non-operating income				
Interest income	5,523	5,279		51
Foreign exchange gains	39,506	39,287		381
Other	3,455	8,570		83
Total non-operating income	48,485	53,136		515
Non-operating expenses				
Sales discounts	555	440		4
Loss on redemption of securities	505	–		–
Loss on redemption of investment securities	319	–		–
Other	212	184		1
Total non-operating expenses	1,592	624		6
Ordinary income	10,482	6,086		59
Extraordinary income				
Gain on sales of non-current assets	*4 10	*4 3,502		34
Reversal of loss on litigation	–	1,420		13
Income taxes for prior periods	*6 2,947	–		–
Total extraordinary income	2,957	4,922		47
Extraordinary losses				
Loss on disposal of non-current assets	*5 22	*5 79		0
Soil removal expenses	380	–		–
Loss on litigation	2,840	–		–
Total extraordinary losses	3,243	79		0
Income before income taxes and minority interests	10,197	10,929		106
Income taxes - current	(215)	16,781		162
Income taxes - deferred	3,244	17,350		168
Total income taxes	3,029	34,132		331
Income (loss) before minority interests	7,168	(23,202)		(225)
Minority interests in income	68	20		0
Net income (loss)	7,099	(23,222)		(225)

Consolidated statements of comprehensive income

	Previous fiscal year (From April 1, 2012 to March 31, 2013)		Current fiscal year (From April 1, 2013 to March 31, 2014)	
	(Millions of yen)		(Millions of yen) (Millions of dollars)	
Income (loss) before minority interests	7,168		(23,202) (225)	
Other comprehensive income				
Valuation difference on available-for-sale securities	6,993		4,833 46	
Foreign currency translation adjustment	35,111		36,145 350	
Share of other comprehensive income of entities accounted for using equity method	34		196 1	
Total other comprehensive income	*1	42,139	*1	41,174 399
Comprehensive income	49,307		17,971 174	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	49,242		17,946 174	
Comprehensive income attributable to minority interests	65		25 0	

(iii) Consolidated statements of changes in equity
 Previous fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,065	11,734	1,419,784	(156,682)	1,284,901
Changes of items during period					
Dividends of surplus			(12,787)		(12,787)
Net income			7,099		7,099
Purchase of treasury shares				(10)	(10)
Disposal of treasury shares		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	(5,688)	(9)	(5,697)
Balance at end of current period	10,065	11,734	1,414,095	(156,692)	1,279,203

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,570	(95,528)	(93,957)	81	1,191,025
Changes of items during period					
Dividends of surplus					(12,787)
Net income					7,099
Purchase of treasury shares					(10)
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	7,028	35,113	42,142	50	42,192
Total changes of items during period	7,028	35,113	42,142	50	36,495
Balance at end of current period	8,599	(60,414)	(51,815)	131	1,227,520

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,065	11,734	1,414,095	(156,692)	1,279,203
Changes of items during period					
Dividends of surplus			(12,787)		(12,787)
Net loss			(23,222)		(23,222)
Purchase of treasury shares				(114,266)	(114,266)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	(36,010)	(114,266)	(150,276)
Balance at end of current period	10,065	11,734	1,378,085	(270,958)	1,128,927

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	8,599	(60,414)	(51,815)	131	1,227,520
Changes of items during period					
Dividends of surplus					(12,787)
Net loss					(23,222)
Purchase of treasury shares					(114,266)
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	5,029	36,140	41,169	25	41,194
Total changes of items during period	5,029	36,140	41,169	25	(109,081)
Balance at end of current period	13,628	(24,274)	(10,645)	157	1,118,438

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	97	113	13,729	(1,521)	12,419
Changes of items during period					
Dividends of surplus			(124)		(124)
Net loss			(225)		(225)
Purchase of treasury shares				(1,109)	(1,109)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	(349)	(1,109)	(1,458)
Balance at end of current period	97	113	13,379	(2,630)	10,960

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	83	(586)	(503)	1	11,917
Changes of items during period					
Dividends of surplus					(124)
Net loss					(225)
Purchase of treasury shares					(1,109)
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	48	350	399	0	399
Total changes of items during period	48	350	399	0	(1,059)
Balance at end of current period	132	(235)	(103)	1	10,858

(iv) Consolidated statements of cash flows

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Cash flows from operating activities			
Income before income taxes and minority interests	10,197	10,929	106
Depreciation	12,637	9,918	96
Increase (decrease) in allowance for doubtful accounts	(1,718)	(358)	(3)
Increase (decrease) in provision for retirement benefits	574	–	–
Increase (decrease) in net defined benefit liability	–	734	7
Interest and dividend income	(5,757)	(5,575)	(54)
Foreign exchange losses (gains)	(29,825)	(41,943)	(407)
Share of (profit) loss of entities accounted for using equity method	(420)	(2,627)	(25)
Decrease (increase) in notes and accounts receivable - trade	1,691	20,374	197
Decrease (increase) in inventories	(83,608)	35,529	344
Increase (decrease) in notes and accounts payable - trade	20,738	(56,940)	(552)
Increase (decrease) in accrued consumption taxes	(465)	174	1
Other, net	7,106	78	0
Subtotal	(68,850)	(29,708)	(288)
Interest and dividend income received	6,556	6,923	67
Interest expenses paid	(2)	(0)	(0)
Income taxes (paid) refund	21,906	(329)	(3)
Net cash provided by (used in) operating activities	(40,390)	(23,114)	(224)
Cash flows from investing activities			
Payments into time deposits	(165,056)	(210,503)	(2,043)
Proceeds from withdrawal of time deposits	186,142	50,250	487
Purchase of property, plant and equipment and intangible assets	(9,488)	(19,540)	(189)
Proceeds from sales of property, plant and equipment and intangible assets	65	6,530	63
Purchase of short-term and long-term investment securities	(1,730,716)	(1,071,026)	(10,398)
Proceeds from sales and redemption of short-term and long-term investment securities	1,809,615	1,224,457	11,887
Other, net	(1,457)	(252)	(2)
Net cash provided by (used in) investing activities	89,104	(20,084)	(194)
Cash flows from financing activities			
Cash dividends paid	(12,801)	(12,802)	(124)
Purchase of treasury shares	(10)	(114,266)	(1,109)
Other, net	(61)	(93)	(0)
Net cash provided by (used in) financing activities	(12,873)	(127,163)	(1,234)
Effect of exchange rate change on cash and cash equivalents	26,368	42,233	410
Net increase (decrease) in cash and cash equivalents	62,208	(128,128)	(1,243)
Cash and cash equivalents at beginning of period	407,186	469,395	4,557
Cash and cash equivalents at end of period	*1 469,395	*1 341,266	3,313

Notes to Consolidated Financial Statements

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 countries 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. 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 ¥103 to U.S.\$1, the approximate current rate of exchange on March 31, 2014, 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 are unaudited. These translations 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.

Significant matters forming the basis of preparing the consolidated financial statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 27 companies
The names of significant consolidated subsidiaries are omitted because they are provided in “I. Overview of the Company, 3. Subsidiaries and associates.”
Mobiclip K.K. has been excluded from the scope of consolidation from the fiscal year ended March 31, 2014 as its liquidation was completed.
- (2) The significant unconsolidated subsidiary is Fukuei Co., Ltd.
The above is unconsolidated because it is a small-scale company and none of its total assets, net sales, net income or loss, retained earnings or other items have a significant impact on the consolidated financial statements.

2. Application of the equity method

- (1) Number of associates accounted for under the equity method: 5 companies
Name of significant associates accounted for under the equity method
The Pokémon Company, WARPSTAR, Inc., PUX Corporation

PUX Corporation has been included in the scope of associates accounted for under the equity method from the fiscal year ended March 31, 2014, due to a new acquisition of shares.
- (2) The significant company among the unconsolidated subsidiaries and associates not accounted for under the equity method is Fukuei Co., Ltd. This is because the impact it has on net income or loss, retained earnings, etc., is negligible, and it is immaterial as a whole.
- (3) With respect to associates accounted for under the equity method whose account closing dates differ from the consolidated account closing date, the financial statements of each of the companies, either based on their fiscal year or based on provisional accounts closing, are incorporated.

3. Year-ends of consolidated subsidiaries

Of consolidated subsidiaries, Nintendo Phuten Co., Ltd., iQue (China) Ltd., Nintendo RU LLC. and three other subsidiaries close accounts on December 31 every year.

As the difference between closing dates is within three months, the above subsidiaries were accounted for based on the financial statements as of the account closing date of each subsidiary. Necessary adjustments were made to the consolidated financial statements to reflect any significant transactions that took place between their account closing dates and the consolidated account closing date.

4. Accounting policies

- (1) Valuation basis and method for important assets
 - (i) Securities
For held-to-maturity debt securities, the amortized cost method (straight-line method) is used. For other securities with market quotations, the market price method based on the market price, etc., on the account closing date is used (valuation difference is reported as a component of net assets and the cost of sales is calculated using the moving average method), and securities without market quotations are stated at cost using the moving-average method.
 - (ii) Derivatives
The fair value method is applied.
 - (iii) Inventories
They are mainly stated at cost using the moving-average method (the figures shown in the balance sheets have been calculated by writing them down based on decline in profitability).

- (2) Depreciation and amortization methods of significant depreciable and amortizable assets
- (i) Property, plant and equipment (excluding leased assets):
 The Company and its domestic consolidated subsidiaries apply the declining balance method, but certain tools, furniture and fixtures are subject to depreciation based on their useful lives in line with their commercial obsolescence. However, the straight-line method is applied for buildings, except for accompanying facilities, acquired on April 1, 1998 or thereafter. Overseas consolidated subsidiaries apply the straight-line method based on the estimated economic useful lives.
- Useful lives of main assets are as follows:
- | | |
|--------------------------|------------|
| Buildings and structures | 3-60 years |
|--------------------------|------------|
- (ii) Intangible assets (excluding leased assets):
 Intangible assets are amortized using the straight-line method. Software for internal use is amortized over the estimated internal useful life (principally five years).
- (iii) Leased assets
 Leased assets in finance lease transactions that do not transfer ownership
 The straight-line method with no residual value is applied, regarding the lease term as useful life.
- (3) Accounting for significant reserves
- (i) 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 for general receivables and on individual evaluations of uncollectible amounts for specific receivables including doubtful accounts. Overseas consolidated subsidiaries provide the allowance for doubtful accounts based on the individual evaluation of uncollectible amount for each of receivables.
- (ii) Provision for bonuses
 The Company and certain consolidated subsidiaries provide the reserve for the estimated amount of bonuses to be paid to the employees.
- (4) Accounting method for retirement benefit liability
- (i) Periodic allocation method for estimated benefit obligation
 Upon calculating the retirement benefit obligations, the estimated benefit obligation is attributed to periods up until the end of the fiscal year ended March 31, 2014, on a straight-line basis.
- (ii) Amortization method for actuarial gains and losses and past service cost
 Actuarial gains and losses and past service cost are processed collectively in the year in which they are incurred.
- (iii) Application of simple method at small enterprises, etc.
 Some consolidated subsidiaries apply a simple method in which an estimated amount required to be paid for voluntary retirement benefits at the end of the fiscal year is deemed as the retirement benefit obligations in the calculations of net defined benefit liability and retirement benefit expenses.
- Assets in the Company's defined benefit corporate pension plan are recorded as "Net defined benefit asset" under investments and other assets as the plan assets exceeded the retirement benefit obligations.
- (5) Standards of translation into yen of significant assets or liabilities denominated in foreign currencies
 All the monetary receivables and payables of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen based on the spot rate of exchange in the foreign exchange market on the respective account closing dates. The foreign exchange gains and losses from translation are recognized in the accompanying consolidated statements of income. Assets or liabilities of overseas consolidated subsidiaries, etc. are translated into yen based on the spot rate of exchange in the foreign exchange market on the account closing date, while revenue and expenses are translated into yen based on the average rate of exchange for the fiscal year. The differences resulting from such translations are included in "Foreign currency translation adjustment" and "Minority interests" under net assets.

- (6) Amortization method of goodwill and period thereof
Goodwill is mainly amortized on a straight-line basis over five years. Immaterial goodwill is amortized in full in the same fiscal year in which it is incurred.
- (7) Scope of cash and cash equivalents in the consolidated statements of cash flow
“Cash and cash equivalents” include cash on hand, time deposit which can be withdrawn on demand and short-term investments, with little risk of fluctuation in value and maturity of three months or less of the acquisition date, which are promptly convertible to cash.
- (8) Other important matters in preparing the consolidated financial statements
Accounting for consumption taxes
Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

Changes in accounting policies

Application of accounting standard for retirement benefits, etc.

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Statement No. 26 dated May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Guidance No. 25 dated May 17, 2012), except for the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, effective from the end of the fiscal year ended March 31, 2014. Accordingly, the Company has recorded the difference between retirement benefit obligations and plan assets as “Net defined benefit liability” or “Net defined benefit asset.” As a result of the change, as of the end of the fiscal year ended March 31, 2014, “Net defined benefit liability” of ¥18,558 million (U.S.\$180 million) and “Net defined benefit asset” of ¥4,746 million (U.S.\$46 million) were recorded. This change did not affect the accumulated other comprehensive income as of the end of the fiscal year ended March 31, 2014.

Unapplied accounting standard and guidance

The “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Statement No. 26 dated May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Guidance No. 25 dated May 17, 2012)

1. Overview

The accounting standard and guidance have been revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on how unrecognized actuarial gains and losses and unrecognized past service cost should be accounted for, how retirement benefit obligations and current service costs should be determined, and enhancement of disclosures.

2. Scheduled date of adoption

The revision to the calculation method for retirement benefit obligations and current service costs is scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

3. Impact of adoption

As a result of the adoption of the accounting standard and guidance, “Net defined benefit liability” and “Net defined benefit asset” as of the start of the fiscal year ending March 31, 2015, will increase by ¥484 million and ¥3,078 million, respectively. Retained earnings and associated deferred tax liabilities as of the same date will increase by ¥1,673 million and ¥920 million, respectively. The impact of this change on operating income, ordinary income and income before income taxes and minority interests in the following fiscal year is negligible.

Changes in presentations

Notes to consolidated statements of cash flows

“Purchase of property, plant and equipment” separately listed and “Purchase of intangible assets,” which was included in “Other, net,” under cash flows from investing activities in the previous fiscal year are reclassified and presented as “Purchase of property, plant and equipment and intangible assets” from the fiscal year ended March 31, 2014, for the purpose of conciseness and to present the actual status of transactions more appropriately. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result, outflow of ¥5,788 million of “Purchase of property, plant and equipment” and outflow of ¥3,700 million of “Purchase of intangible assets” included in “Other, net” under cash flows from investing activities in the previous fiscal year have been reclassified as “Purchase of property, plant and equipment and intangible assets.”

Furthermore, for the same reason, “Proceeds from sales of property, plant and equipment” separately listed under cash flows from investing activities in the previous fiscal year is reclassified and presented as “Proceeds from sales of property, plant and equipment and intangible assets” from the fiscal year ended March 31, 2014. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result, an inflow of ¥65 million of “Proceeds from sales of property, plant and equipment” under cash flows from investing activities in the previous fiscal year has been reclassified as “Proceeds from sales of property, plant and equipment and intangible assets.”

“Purchase of treasury shares,” which was included in “Other, net” under cash flows from financing activities in the previous fiscal year, is separately listed under cash flows from financing activities from the fiscal year ended March 31, 2014, because of an increase in the amount’s materiality. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result, outflow of ¥71 million presented in “Other, net” under cash flows from financing activities in the previous fiscal year has been reclassified as outflow of ¥10 million of “Purchase of treasury shares” and outflow of ¥61 million of “Other, net.”

Notes to consolidated balance sheets

*1. Inventories as of March 31, 2013 and 2014 were as follows:

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	
Finished goods	¥ 165,137 million	¥ 141,221 million	U.S.\$ 1,371 million
Work in process	2,008	5,891	57
Raw materials and supplies	¥ 11,576	¥ 13,687	U.S.\$ 132

*2. Accumulated depreciation of property, plant and equipment as of March 31, 2013 and 2014 were as follows:

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	
Accumulated depreciation	¥ 67,835 million	¥ 63,136 million	U.S.\$ 612 million

*3. Investments in unconsolidated subsidiaries and associates as of March 31, 2013 and 2014 were as follows:

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	
Investment securities	¥ 6,272 million	¥ 9,513 million	U.S.\$ 92 million

Notes to consolidated statements of income

***1. The ending inventory balance is the amount after write-down of book value due to decline in profitability, and the loss on valuation of inventories included in cost of sales for the years ended March 31, 2013 and 2014 were as follows:**

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Loss on valuation of inventories	¥ 8,758 million	¥ 22,958 million	U.S.\$ 222 million

***2. The major items of selling, general and administrative expenses for the years ended March 31, 2013 and 2014 were as follows:**

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Research and development expenses	¥ 53,447 million	¥ 71,718 million	U.S.\$ 696 million
Advertising expenses	61,104	70,264	682
Salaries, allowances and bonuses	16,979	20,952	203
Depreciation	4,578	5,161	50
Retirement benefit expenses	3,298	2,481	24
Provision for bonuses	751	702	6
Provision of allowance for doubtful accounts	¥ 207	¥ (209)	U.S.\$ (2)

***3. Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2013 and 2014 were as follows.**

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Research and development expenses	¥ 53,483 million	¥ 71,736 million	U.S.\$ 696 million

***4. Gain on sales of non-current assets for the years ended March 31, 2013 and 2014 were as follows:**

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Land	¥ 10 million	¥ 3,451 million	U.S.\$ 33 million
		Machinery, equipment and vehicles	
		Buildings and structures	50
			0
Total	¥ 10	¥ 3,502	U.S.\$ 34

***5. Loss on disposal of non-current assets for the years ended March 31, 2013 and 2014 were as follows:**

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Loss on retirement		Loss on retirement	
Buildings and structures	¥ 16 million	Buildings and structures	¥ 39 million
Tools, furniture and fixtures	4	Tools, furniture and fixtures	27
Software	1	Land	12
Total	¥ 22	Total	¥ 79
			U.S.\$ 0

***6. Income taxes for prior periods**

Income taxes for prior periods represents the refund of U.S. withholding tax according to the U.S. tax system, as a result of a reduction adjustment on U.S. income carried out based on the previously established bilateral Advance Pricing Agreement for transfer pricing (APA), regarding transactions between the Company and its U.S. consolidated subsidiary.

Notes to consolidated statements of comprehensive income

*1. Reclassification adjustments and tax effects related to other comprehensive income

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ 11,018 million	¥ 10,396 million	U.S.\$ 100 million
Reclassification adjustments	(271)	(3,189)	(30)
Amount before tax effects	10,747	7,207	69
Tax effects	(3,753)	(2,374)	(23)
Valuation difference on available-for-sale securities	6,993	4,833	46
Foreign currency translation adjustment:			
Amount arising during the fiscal year	35,111	36,130	350
Reclassification adjustments	–	15	0
Foreign currency translation adjustment	35,111	36,145	350
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the fiscal year	34	196	1
Total other comprehensive income	¥ 42,139	¥ 41,174	U.S.\$ 399

Notes to consolidated statements of changes in equity

Previous fiscal year (From April 1, 2012 to March 31, 2013)

1. Matters concerning outstanding shares

Type of share	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common shares	141,669,000	–	–	141,669,000

2. Matters concerning treasury shares

Type of share	As of April 1, 2012	Increase	Decrease	As of March 31, 2013
Common shares	13,791,286	1,083	74	13,792,295

(Summary of causes of changes)

The increase is from acquisitions in line with a buyback request for shares less than one unit and the decrease is from sales in line with additional purchase requests for shares less than one unit.

3. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 28, 2012	Common shares	¥12,787 million	¥100	March 31, 2012	June 29, 2012

(2) Dividend payments for which the record date is in the fiscal year ended March 31, 2013 and the effective date is in the following fiscal year

Resolution	Type of share	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2013	Common shares	¥12,787 million	Retained earnings	¥100	March 31, 2013	June 28, 2013

Current fiscal year (From April 1, 2013 to March 31, 2014)

1. Matters concerning outstanding shares

(Shares)

Type of share	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common shares	141,669,000	–	–	141,669,000

2. Matters concerning treasury shares

(Shares)

Type of share	As of April 1, 2013	Increase	Decrease	As of March 31, 2014
Common shares	13,792,295	9,502,474	50	23,294,719

(Summary of causes of changes)

The increase is from an acquisition through off-auction own share repurchase trading (9,500,000 shares) based on a resolution of the meeting of the Board of Directors held on January 29, 2014, and acquisitions in line with buyback requests for shares less than one unit (2,474 shares), and the decrease is from sales in line with additional purchase requests for shares less than one unit (50 shares).

3. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2013	Common shares	¥12,787 million [U.S.\$124 million]	¥100 [U.S.\$0.97]	March 31, 2013	June 28, 2013

(2) Dividend payments for which the record date is in the fiscal year ended March 31, 2014 and the effective date is in the following fiscal year

Resolution	Type of share	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2014	Common shares	¥11,837 million [U.S.\$114 million]	Retained earnings	¥100 [U.S.\$0.97]	March 31, 2014	June 30, 2014

Notes to consolidated statements of cash flows

***1. The reconciliations of cash and cash equivalents at end of period with the amount presented in the consolidated balance sheets for the years ended March 31, 2013 and 2014 were as follows:**

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Cash and deposits	¥ 478,761 million	¥ 474,297 million	U.S.\$ 4,604 million
Time deposits with maturity of more than three months	(42,826)	(202,488)	(1,965)
Short-term investments with maturity of three months or less	33,460	69,458	674
Cash and cash equivalents	¥ 469,395	¥ 341,266	U.S.\$ 3,313

Lease transactions

1. Finance lease transactions

Information of finance leases as of March 31, 2013 and 2014 were omitted as they are immaterial.

2. Operating lease transactions

Future lease payments under non-cancelable operating leases

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	
Due within one year	¥ 1,297 million	¥ 1,334 million	U.S.\$ 12 million
Due after one year	3,052	2,451	23
Total	¥ 4,350	¥ 3,785	U.S.\$ 36

Financial instruments

1. Condition of financial instruments

(1) Policy for measures relating to financial instruments

Nintendo (the Company and its consolidated subsidiaries) invests its funds in highly safe financial assets such as deposits. Nintendo utilizes derivatives to reduce risk as described below and for the purpose of improving the investment yield on short-term financial assets, and does not enter into transactions for speculative purposes.

(2) Details of financial instruments, related risks, and risk management system

Notes and accounts receivable - trade are exposed to credit risk from customers. In order to reduce this risk, Nintendo monitors the financial position and transaction history, assesses creditworthiness and sets a transaction limit for each customer. Since bonds included in securities and investment securities are mainly those that are held to maturity and issued by financial institutions that have high creditworthiness, the credit risk is minimal. Such bonds are also subject to foreign currency exchange risk and market risk. Nintendo closely monitors the market price of such bonds and the financial position of the issuer and reviews their status on a regular basis. Stocks included in investment securities are mainly those of companies with which the Company has business relationships. These stocks are exposed to market risk, but the balance held is immaterial.

Notes and accounts payable - trade and income taxes payable are all due within one year.

Derivative transactions include foreign exchange forward contracts, non-deliverable forward contracts and currency option contracts to reduce risk of exchange rate fluctuations arising from deposits and trade receivables denominated in foreign currencies. These transactions are conducted by the Finance Department of the Company and the departments in charge of financial matters of its consolidated subsidiaries after securing approval from the president or the director in charge within limits such as the balance of foreign currency deposits. The status of derivative transactions is reported to the director in charge and the Board of Directors on a regular basis. Since counterparties of such transactions are limited to financial institutions that have high creditworthiness, Nintendo judges that risk due to default is minimal.

(3) Supplementary explanation regarding fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably measured values when market prices are unavailable. As variable factors are incorporated into the measurement of such values, the values may vary depending on the assumptions used. In addition, the contract amounts of the derivative transactions described in "Derivative transactions" do not represent the market risk of derivative transactions.

2. Fair value of financial instruments

The book value on the consolidated balance sheets, fair value, and differences between them as of March 31, 2013 and 2014 were as follows:

Previous fiscal year (As of March 31, 2013)

	Book value	Fair value	Difference
Cash and deposits	478,761	478,761	–
Notes and accounts receivable - trade	45,873	45,873	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	368,232	368,237	5
Other securities	159,482	159,482	–
Total assets	1,052,349	1,052,355	5
Notes and accounts payable - trade	107,045	107,045	–
Income taxes payable	3,563	3,563	–
Total liabilities	110,608	110,608	–
Derivatives	26	26	–

(Millions of yen)

Current fiscal year (As of March 31, 2014)

	Book value	Fair value	Difference
Cash and deposits	474,297	474,297	–
Notes and accounts receivable - trade	28,754	28,754	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	287,206	287,204	(2)
Other securities	146,895	146,895	–
Total assets	937,153	937,151	(2)
Notes and accounts payable - trade	47,665	47,665	–
Income taxes payable	14,803	14,803	–
Total liabilities	62,468	62,468	–
Derivatives	74	74	–

(Millions of yen)

	Book value	Fair value	Difference
Cash and deposits	4,604	4,604	–
Notes and accounts receivable - trade	279	279	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	2,788	2,788	(0)
Other securities	1,426	1,426	–
Total assets	9,098	9,098	(0)
Notes and accounts payable - trade	462	462	–
Income taxes payable	143	143	–
Total liabilities	606	606	–
Derivatives	0	0	–

(Millions of dollars)

(Notes) 1. Fair value measurement of financial instruments and matters relating to securities and derivative transactions

Cash and deposits, notes and accounts receivable - trade

As these items are settled in a short period of time, their book values approximate their fair values. Consequently, their fair values are based on their book values.

Short-term and long-term investment securities

The fair value of stocks is based on their prices on the securities exchanges. The fair values of bonds are based on their prices provided by correspondent financial institutions. Securities classified by purpose of holding are described in "Securities."

Notes and accounts payable - trade and income taxes payable

As these items are settled in a short period of time, their book values approximate their fair values. Consequently, their fair values are based on their book values.

Derivative transactions

Assets and liabilities arising from derivative transactions are shown on a net basis. The items that are net liabilities are shown in the parentheses.

Matters regarding fair value measurement method and derivative transactions by type of transaction target are provided in “Derivative transactions.”

2. Consolidated balance sheets amounts of financial instruments for which the fair value is deemed extremely difficult to determine

	Previous fiscal year	Current fiscal year	
	(As of March 31, 2013)	(As of March 31, 2014)	
Unlisted stocks	¥ 6,460 million	¥ 9,701 million	U.S.\$ 94 million

These unlisted stocks which do not have market prices and of which future cash flows cannot be estimated are not included in “Short-term and long-term investment securities,” since the estimation of the fair value is deemed to be extremely difficult.

3. Redemption schedule for monetary receivables and securities with maturity subsequent to the consolidated account closing date

Previous fiscal year (As of March 31, 2013)

(Millions of yen)

	Due within one year	Due after one year through five years
Cash and deposits	478,761	–
Notes and accounts receivable - trade	45,873	–
Short-term and long-term investment securities		
Held-to-maturity debt securities		
Certificate of deposits	287,606	–
Money held in trust	15,000	–
Corporate and government bonds	65,595	–
Other securities with maturity		
Certificate of deposits	–	2,351
Corporate and government bonds	65,029	73,695
Other	–	901
Total	957,865	76,948

Current fiscal year (As of March 31, 2014)

(Millions of yen)

	Due within one year	Due after one year through five years
Cash and deposits	474,297	–
Notes and accounts receivable - trade	28,754	–
Short-term and long-term investment securities		
Held-to-maturity debt securities		
Certificate of deposits	203,690	–
Money held in trust	10,000	–
Corporate and government bonds	73,520	–
Other securities with maturity		
Certificate of deposits	926	–
Corporate and government bonds	32,998	91,922
Other	–	749
Total	824,187	92,672

(Millions of dollars)

	Due within one year	Due after one year through five years
Cash and deposits	4,604	–
Notes and accounts receivable - trade	279	–
Short-term and long-term investment securities		
Held-to-maturity debt securities		
Certificate of deposits	1,977	–
Money held in trust	97	–
Corporate and government bonds	713	–
Other securities with maturity		
Certificate of deposits	8	–
Corporate and government bonds	320	892
Other	–	7
Total	8,001	899

Securities

1. Held-to-maturity debt securities

Previous fiscal year (As of March 31, 2013)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	23,564	23,587	22
Securities whose fair value does not exceed their book value on the consolidated balance sheets	344,667	344,650	(17)
Total	368,232	368,237	5

Current fiscal year (As of March 31, 2014)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	37,436	37,471	34
Securities whose fair value does not exceed their book value on the consolidated balance sheets	249,770	249,733	(37)
Total	287,206	287,204	(2)

(Millions of dollars)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	363	363	0
Securities whose fair value does not exceed their book value on the consolidated balance sheets	2,424	2,424	(0)
Total	2,788	2,788	(0)

2. Other securities

Previous fiscal year (As of March 31, 2013)

(Millions of yen)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	13,834	5,893	7,941
Debt securities	72,472	67,447	5,025
Sub-total	86,306	73,340	12,966
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	42	42	(0)
Debt securities	69,185	69,345	(160)
Other	3,947	3,960	(12)
Sub-total	73,175	73,348	(172)
Total	159,482	146,688	12,793

Current fiscal year (As of March 31, 2014)

(Millions of yen)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	19,136	7,077	12,059
Debt securities	79,049	71,010	8,039
Other	928	926	2
Sub-total	99,114	79,013	20,100
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Debt securities	47,727	47,827	(99)
Other	53	53	-
Sub-total	47,780	47,880	(99)
Total	146,895	126,894	20,000

(Millions of dollars)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	185	68	117
Debt securities	767	689	78
Other	9	8	0
Sub-total	962	767	195
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Debt securities	463	464	(0)
Other	0	0	-
Sub-total	463	464	(0)
Total	1,426	1,231	194

3. Other securities sold during the fiscal years ended March 31, 2013 and 2014

Previous fiscal year (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	789,763	153	22
Other	22,106	6	–
Total	811,870	159	22

Current fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	407,148	217	37
Other	60,360	1	–
Total	467,508	219	37

(Millions of dollars)

	Amount sold	Total gain	Total loss
Debt securities	3,952	2	0
Other	586	0	–
Total	4,538	2	0

Derivative transactions

Derivative contracts not qualifying for hedge accounting

Currencies

Previous fiscal year (As of March 31, 2013)

(Millions of yen)

Classification	Type of transaction	Contract amount	Portion of contract amount over one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Exchange forward contracts				
	Selling Canadian Dollar	602	–	(6)	(5)
	Non-deliverable forward contracts				
	Selling South Korean Won	1,761	–	(4)	(4)
	Currency options				
	Written call options				
	Euro [Premium]	13,416 [121]	– [–]	112	9
	Purchased put options				
	Euro [Premium]	8,895 [136]	– [–]	150	13
	Total	–	–	–	12

Current fiscal year (As of March 31, 2014)

(Millions of yen)

Classification	Type of transaction	Contract amount	Portion of contract amount over one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Exchange forward contracts				
	Selling Canadian Dollar	1,437	–	(4)	(4)
	Selling British Pound	850	–	(4)	(4)
	Currency options				
	Written call options				
	U.S. Dollar [Premium]	1,582 [0]	– [–]	2	(1)
	Euro [Premium]	13,007 [71]	– [–]	24	46
	Purchased put options				
U.S. Dollar [Premium]	1,055 [0]	– [–]	0	(0)	
Euro [Premium]	8,671 [75]	– [–]	111	35	
	Total	–	–	–	71

(Millions of dollars)

Classification	Type of transaction	Contract amount	Portion of contract amount over one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Exchange forward contracts				
	Selling Canadian Dollar	13	–	(0)	(0)
	Selling British Pound	8	–	(0)	(0)
	Currency options				
	Written call options				
	U.S. Dollar [Premium]	15 [0]	– [–]	0	(0)
	Euro [Premium]	126 [0]	– [–]	0	0
	Purchased put options				
	U.S. Dollar [Premium]	10 [0]	– [–]	0	(0)
	Euro [Premium]	84 [0]	– [–]	1	0
	Total	–	–	–	0

(Notes) 1. The fair value as of March 31, 2013 and 2014 is calculated based on price quoted by correspondent financial institutions.

2. Amounts presented in square parentheses [] above are option premiums.

Retirement benefits

Previous fiscal year (From April 1, 2012 to March 31, 2013)

1. Summary of retirement benefit plans adopted

The Company has a defined benefit corporate pension plan and a lump-sum severance payments plan which are defined benefit plans. 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.

2. Information on retirement benefit obligations

a. Retirement benefit obligations	¥ (37,698) million
b. Plan assets	23,896
c. Unfunded retirement benefit obligations (a + b)	(13,801)
d. Net amount recorded in the consolidated balance sheets (c)	(13,801)
e. Prepaid pension costs	2,792
f. Provision for retirement benefits (d - e)	¥ (16,593)

(Note) Certain consolidated subsidiaries adopt a simple method to estimate retirement benefit obligation.

3. Information on retirement benefit expenses

a. Current service costs	¥ 2,112 million
b. Interest cost	862
c. Expected return on plan assets	(635)
d. Amortization of actuarial gains and losses	416
e. Retirement benefit expenses (a + b + c + d)	2,756
f. Other	1,188
g. Total (e + f)	¥ 3,945

- (Notes) 1. “a. Current service costs” include retirement benefit expenses of the consolidated subsidiaries which adopt a simple method to calculate retirement benefit obligations.
2. “f. Other” is mainly contribution amount related to defined contribution plans.

4. Basis for calculation of retirement benefit obligations

- (i) Method of attributing projected retirement benefits to period
Straight-line method
- (ii) Discount rate and expected return rate on plan assets
- | | |
|-------------------------------------|--------------|
| Discount rate | 1.4% to 3.9% |
| Expected return rate on plan assets | 1.7% to 7.5% |
- (iii) Amortization period of actuarial gains and losses
Fully amortized in the same fiscal year as incurred

Current fiscal year (From April 1, 2013 to March 31, 2014)

1. Summary of retirement benefit plans adopted

The Company has a defined benefit corporate pension plan and a lump-sum severance payments plan which are defined benefit plans. 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. Certain consolidated subsidiaries adopt a simple method to calculate retirement benefit obligation.

2. Defined benefit plans

- (1) Reconciliation between beginning balance and ending balance of retirement benefit obligations (excluding those under the plan in which a simple method is applied)

	(Millions of yen)	(Millions of dollars)
Beginning balance of retirement benefit obligations	37,472	363
Current service costs	2,486	24
Interest cost	947	9
Actuarial gains and losses	381	3
Retirement benefits paid	(1,366)	(13)
Foreign currency translation difference	1,864	18
Ending balance of retirement benefit obligations	41,785	405

- (2) Reconciliation between beginning balance and ending balance of plan assets (excluding those under the plan in which a simple method is applied)

	(Millions of yen)	(Millions of dollars)
Beginning balance of plan assets	23,799	231
Expected return on assets	789	7
Actuarial gains and losses	1,943	18
Contribution by the business operator	1,947	18
Retirement benefits paid	(958)	(9)
Foreign currency translation difference	654	6
Ending balance of plan assets	28,174	273

(3) Reconciliation between beginning balance and ending balance of net defined benefit liability under the plan in which a simple method is applied

	(Millions of yen)	(Millions of dollars)
Beginning balance of net defined benefit liability	128	1
Retirement benefit expenses	95	0
Retirement benefit payment	(4)	(0)
Contribution into plan	(18)	(0)
Foreign currency translation difference	0	0
Ending balance of net defined benefit liability	201	1

(4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded in consolidated balance sheets

	(Millions of yen)	(Millions of dollars)
Retirement benefit obligations for funded plans	29,117	282
Plan assets	(28,295)	(274)
	821	7
Retirement benefit obligations for unfunded plans	12,990	126
Net amounts of liabilities and assets recorded in consolidated balance sheets	13,811	134
Net defined benefit liability	18,558	180
Net defined benefit asset	(4,746)	(46)
Net amounts of liabilities and assets recorded in consolidated balance sheets	13,811	134

(Note) Includes those under the plan in which a simple method is applied.

(5) Retirement benefit expenses and their breakdown

	(Millions of yen)	(Millions of dollars)
Current service costs	2,581	25
Interest cost	947	9
Expected return on assets	(789)	(7)
Amortization of actuarial gains and losses treated as expenses	(1,561)	(15)
Other	159	1
Retirement benefit expenses for defined benefit plan	1,336	12

(Note) Retirement benefit expenses of consolidated subsidiaries applying a simple method are recorded in "Current service costs."

(6) Plan assets

a. Main components of plan assets

The ratios of components to plan assets by major category are as follows.

Stocks	45%
Bonds	40
Other	15
Total	100

b. Method for establishing expected long-term return rate on plan assets

In order to determine expected long-term return rate on plan assets, the present as well as expected future allocation of plan assets, along with the present as well as expected long-term rate of return on various assets comprising plan assets, are considered.

(7) Matters concerning the basis for actuarial calculation

The main calculation bases for actuarial gains or losses as of the end of the fiscal year ended March 31, 2014, are as follows.

Discount rate	1.5% to 4.3%
Expected long-term return rate on plan assets	1.4% to 7.5%

3. Defined contribution plans

The amount of contribution required for the defined contribution plans at certain consolidated subsidiaries is ¥973 million (U.S.\$9 million).

Income taxes

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	
Deferred tax assets			
Research and development expenses	¥ 28,866 million	¥ 34,794 million	U.S.\$ 337 million
Operating loss carryforwards for tax purposes	16,643	17,527	170
Unrealized intra-group profit and write-downs on inventory	5,828	13,620	132
Accounts payable - other and accrued expenses	10,409	7,588	73
Provision for retirement benefits	6,374	–	–
Net defined benefit liability	–	6,846	66
Revenue recognition for tax purposes	5,790	5,274	51
Other	15,049	16,628	161
Deferred tax assets subtotal	88,961	102,280	993
Valuation allowance	(2,969)	(30,133)	(292)
Total deferred tax assets	85,992	72,146	700
Deferred tax liabilities			
Undistributed retained earnings of subsidiaries and associates	(6,934)	(7,143)	(69)
Valuation difference on available-for-sale securities	(4,272)	(6,685)	(64)
Other	(5,422)	(7,200)	(69)
Total deferred tax liabilities	(16,629)	(21,029)	(204)
Net deferred tax assets	¥ 69,363	¥ 51,116	U.S.\$ 496

2. Significant factors in the difference between the statutory tax rate and effective tax rate

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)
Statutory tax rate	37.9%	37.9%
(Reconciliations)		
Valuation allowance	9.0	243.4
Effect of change in the statutory tax rate	–	20.0
Different tax rates applied to the consolidated subsidiaries	9.9	9.6
Foreign tax credit on retained earnings of the overseas consolidated subsidiaries	5.0	3.1
Special deduction applied to the gross research and development expenses	(8.7)	(8.9)
Unrecognized tax effect for unrealized profit	(27.2)	–
Other	3.8	7.2
Effective tax rate after tax effect accounting	29.7	312.3

3. Amendment to deferred tax assets and liabilities due to change in corporation tax rates

Following the promulgation on March 31, 2014 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014), the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will no longer be levied from the fiscal year beginning on or after April 1, 2014. In line with this change, the statutory effective tax rate used to measure deferred tax assets and liabilities will be changed from the previous rate of 37.9% to 35.5% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2014.

As a result of this tax rate change, deferred tax assets, net of deferred tax liabilities, decreased by ¥2,065 million (U.S.\$20 million), and valuation difference on available-for-sale securities and income taxes-deferred increased by ¥120 million (U.S.\$1 million) and ¥2,185 million (U.S.\$21 million), respectively.

Business combinations, etc.

Information of business combinations was omitted as it is immaterial.

Asset retirement obligations

Information of asset retirement obligations was omitted as its amount is immaterial.

Real estate for rent

Information of real estate for rent was omitted as its amount is immaterial.

Segment information, etc.

Segment information

The main business of Nintendo is developing, manufacturing, and distributing handheld and home console hardware machines and related software. Development and manufacturing of products for worldwide use are primarily done by the Company. The Company distributes products in Japan while distribution in overseas markets is done by local subsidiaries. Nintendo operates as a single operating segment with single distribution channel and market for Nintendo's products and with each major geographic subsidiary solely responsible for distributing. Decision for allocation of the management resources and evaluation of business results are made on a company-wide basis, not based on a product category or region basis. Therefore, segment information is omitted.

Related information

Previous fiscal year (From April 1, 2012 to March 31, 2013)

1. Information about products and services

(Millions of yen)

	Handheld Hardware	Home Console Hardware	Handheld Software	Home Console Software	Other	Total
Sales to third parties	227,224	136,852	144,588	77,156	49,599	635,422

2. Information by geographic areas

(1) Net sales

(Millions of yen)

Japan	Americas		Europe	Other	Total
		of which U.S.			
208,944	236,665	198,777	169,887	19,925	635,422

(Note) Net sales are categorized by country or region based on the location of the customer.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Other	Total
59,054	23,825	3,272	86,152

(Note) Property, plant and equipment are categorized by country based on its location.

3. Information about major customers

(Millions of yen)

	Net sales	Related segment
JESNET Co. Ltd.	71,105	-

(Note) There was no mention of related segment as Nintendo operates as a single operating segment.

Current fiscal year (From April 1, 2013 to March 31, 2014)

1. Information about products and services

(Millions of yen)

	Handheld Hardware	Home Console Hardware	Handheld Software	Home Console Software	Other	Total
Sales to third parties	201,767	89,569	167,268	64,788	48,331	571,726

(Millions of dollars)

	Handheld Hardware	Home Console Hardware	Handheld Software	Home Console Software	Other	Total
Sales to third parties	1,958	869	1,623	629	469	5,550

2. Information by geographic areas

(1) Net sales

(Millions of yen)

Japan	Americas		Europe	Other	Total
		of which U.S.			
176,957	219,606	190,286	158,562	16,599	571,726

(Note) Net sales are categorized by country or region based on the location of the customer.

(Millions of dollars)

Japan	Americas		Europe	Other	Total
		of which U.S.			
1,718	2,132	1,847	1,539	161	5,550

(2) Property, plant and equipment

(Millions of yen)

Japan	the U.S.	Other	Total
67,429	23,608	3,152	94,190

(Note) Property, plant and equipment are categorized by country based on its location.

(Millions of dollars)

Japan	the U.S.	Other	Total
654	229	30	914

3. Information about major customers

Of sales to third parties, no major customer accounts for 10% or more of net sales in the consolidated financial statements of income.

Information about impairment loss of non-current assets by reportable segment

The information was omitted as Nintendo operates as a single operating segment.

Information about amortized and unamortized balances of goodwill by reportable segment

The information was omitted as Nintendo operates as a single operating segment.

Information about gain on bargain purchase by reportable segment

The information was omitted as Nintendo operates as a single operating segment.

Related party transactions

Not applicable.

Per share information

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Net assets per share	¥ 9,598.22	¥ 9,447.00	U.S.\$ 91.72
Net income (loss) per share	55.52	(183.59)	(1.78)

- (Notes) 1. Diluted net income per share is omitted as no residual securities were outstanding as of March 31, 2013 and 2014.
2. The basis of calculation of net income (loss) per share is as follows:

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	
Net income (loss)	¥ 7,099 million	¥ (23,222) million	U.S.\$ (225) million
Amount not attributable to common shareholders	–	–	–
Net income (loss) related to common shares	¥ 7,099 million	¥ (23,222) million	U.S.\$ (225) million
Average number of shares (common shares)	127,877 thousand shares	126,496 thousand shares	–

Significant subsequent events

Not applicable.

- (v) Supporting schedules to the consolidated financial statements

Supplemental schedule of bonds

Not applicable.

Supplemental schedule of borrowings

Classification	Beginning balance	Ending balance	Average interest rate (%)	Payment due
Short-term loans payable	–	–	–	–
Long-term loans payable due within one year	¥35 million [U.S.\$0 million]	¥7 million [U.S.\$0 million]	–	–
Lease obligations due within one year	40 [0]	12 [0]	–	–
Long-term loans payable due after one year	–	–	–	–
Lease obligations due after one year	–	25 [0]	–	Between October 2015 and October 2016
Other interest-bearing liabilities	–	–	–	–
Total	¥75 [U.S.\$0]	¥45 [U.S.\$0]	–	–

- (Notes) 1. The full amount of the ending balance of long-term loans payable due within one year is non-interest bearing.
2. The average interest rates of lease obligations are omitted as the interest equivalents included in the total lease payments are allocated to each fiscal year by straight-line basis.
3. The annual amount of payments due on lease obligations (excluding those due within one year) within the five years following the consolidated account closing date is as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Lease obligations	¥12 million [U.S.\$0 million]	¥12 million [U.S.\$0 million]	–	–

Supplemental schedule of asset retirement obligations

The information was omitted as the amounts of asset retirement obligations as of the beginning and end of the fiscal year ended March 31, 2014 were less than or equal to a hundredth of the total of liabilities and net assets as of the beginning and end of the fiscal year ended March 31, 2014.

(2) Others

Quarterly information of the fiscal year ended March 31, 2014

(Millions of yen)				
(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	81,548	196,582	499,120	571,726
Income before income taxes and minority interests	14,816	2,651	56,936	10,929
Net income (loss)	8,624	600	10,195	(23,222)
Net income (loss) per share (Yen)	67.44	4.69	79.73	(183.59)

(Millions of dollars)				
(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	791	1,908	4,845	5,550
Income before income taxes and minority interests	143	25	552	106
Net income (loss)	83	5	98	(225)
Net income (loss) per share (Dollars)	0.65	0.05	0.77	(1.78)

(Yen)				
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share	67.44	(62.75)	75.04	(273.30)

(Dollars)				
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share	0.65	(0.61)	0.73	(2.65)

Corporate Information

Common Stock

Nintendo Co., Ltd. common stock is listed on the Tokyo Stock Exchange, Section 1.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders for the fiscal year ended March 31, 2014 was held on June 27, 2014 at Nintendo Co., Ltd. in Kyoto, Japan.

Independent Auditor

PricewaterhouseCoopers Kyoto
Kyoto, Japan

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President's Message

<http://www.nintendo.co.jp/ir/en/management/message.html>

Corporate Governance

<http://www.nintendo.co.jp/ir/en/management/governance.html>

Dividend Policy

http://www.nintendo.co.jp/ir/en/stock/dividend/index.html#haitou_houshin

Sales Data

<http://www.nintendo.co.jp/ir/en/sales/index.html>

Company History

<http://www.nintendo.co.jp/corporate/en/history/index.html>