

Annual Report 2015

for the fiscal year ended March 31, 2015

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	71st	72nd	73rd	74th	75th	
Fiscal year ended March 31	2011	2012	2013	2014	2015	
Net sales (Millions of yen) (Millions of dollars)	¥1,014,345	¥647,652	¥635,422	¥571,726	¥549,780	U.S.\$4,581
Operating income (loss) (Millions of yen) (Millions of dollars)	171,076	(37,320)	(36,410)	(46,425)	24,770	206
Ordinary income (loss) (Millions of yen) (Millions of dollars)	128,101	(60,863)	10,482	6,086	70,530	587
Net income (loss) (Millions of yen) (Millions of dollars)	77,621	(43,204)	7,099	(23,222)	41,843	348
Comprehensive income (Millions of yen) (Millions of dollars)	47,659	(51,045)	49,307	17,971	59,373	494
Net assets (Millions of yen) (Millions of dollars)	1,281,861	1,191,025	1,227,520	1,118,438	1,167,556	9,729
Total assets (Millions of yen) (Millions of dollars)	1,634,297	1,368,401	1,447,878	1,306,410	1,352,944	11,274
Net assets per share (Yen) (Dollars)	10,022.26	9,313.15	9,598.22	9,447.00	9,862.52	82.18
Net income (loss) per share (Yen) (Dollars)	606.99	(337.86)	55.52	(183.59)	353.49	2.94
Diluted net income per share (Yen) (Dollars)	–	–	–	–	–	–
Capital adequacy ratio (%)	78.42	87.03	84.77	85.60	86.29	–
Return on equity (ROE) (%)	5.93	–	0.59	–	3.66	–
Price earnings ratio (PER) (Times)	37.02	–	182.10	–	50.00	–
Net cash provided by (used in) operating activities (Millions of yen) (Millions of dollars)	78,103	(94,955)	(40,390)	(23,114)	60,293	502
Net cash provided by (used in) investing activities (Millions of yen) (Millions of dollars)	(154,038)	(164,392)	89,104	(20,084)	(105,394)	(878)
Net cash provided by (used in) financing activities (Millions of yen) (Millions of dollars)	(102,456)	(39,823)	(12,873)	(127,163)	(11,916)	(99)
Cash and cash equivalents at end of period (Millions of yen) (Millions of dollars)	¥724,366	¥407,186	¥469,395	¥341,266	¥281,539	U.S.\$2,346
Number of employees [Separately, average number of temporary employees] (Persons)	4,712 [1,114]	4,928 [803]	5,080 [753]	5,213 [717]	5,120 [667]	– [–]

- (Notes)
1. Dollar amounts are the yen equivalent, calculated, for convenience only, at a rate of ¥120 to U.S.\$1, the prevailing exchange rate on March 31, 2015.
 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 27 subsidiaries and five associates as of March 31, 2015), 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 Limited, Nintendo RU LLC., Nintendo Phuten Co., Ltd, Nintendo of Korea Co., Ltd., iQue (China) Ltd., Nintendo (Hong Kong) Limited

- Other

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 336	Sale	100 (100)	–	–	–	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	–
Nintendo Australia Pty Limited	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	–	Purchasing products manufactured by the Company	–
Nintendo of Korea Co., Ltd. *1	Korea	Millions of KRW 25,000	Sale	100	1	3	–	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	–
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	100 (100)	–	1	–	Entrusted development of software	–
ND CUBE Co., Ltd.	Chuo-ku, Tokyo	Millions of JPY 483	Development	97	1	1	–	Entrusted development of software	–
1-UP Studio Inc.	Chiyoda-ku, Tokyo	Millions of JPY 90	Development	100	–	3	–	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)			
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	-	2	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	-	5	-	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.	236,402	(7,315)	(3,614)	176,004	259,170
Nintendo of Europe GmbH	137,208	5,509	1,820	65,899	104,432

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.	1,970	(60)	(30)	1,466	2,159
Nintendo of Europe GmbH	1,143	45	15	549	870

(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	-	1	-	Entrusted development of software	-

(Note) There is one associate 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”) continues 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, 2015, for Nintendo 3DS (3DS, 3DS XL, 2DS, New Nintendo 3DS and New Nintendo 3DS XL), New Nintendo 3DS/New Nintendo 3DS XL, launched as the newest members of the Nintendo 3DS family, got off to a good start and continued to sell well, while the sales of the Nintendo 3DS hardware prior to the launch of New Nintendo 3DS/New Nintendo 3DS XL did not grow as anticipated, and the global sales of the Nintendo 3DS family hardware were 8.73 million units. As for the Nintendo 3DS software, *Pokémon Omega Ruby/Pokémon Alpha Sapphire* and *Super Smash Bros. for Nintendo 3DS* enjoyed robust sales with 9.94 million units and 6.75 million units sold respectively, while titles such as *Tomodachi Life*, *Mario Kart 7*, and *The Legend of Zelda: Majora's Mask 3D* also showed steady sales, with all three titles selling more than 2 million units each. There were also a number of hit titles from third-party publishers. As a result, the global sales of the Nintendo 3DS software were 62.74 million units.

With respect to Wii U, Nintendo released two hit titles, *Mario Kart 8* and *Super Smash Bros. for Wii U*, which enjoyed robust sales of 5.11 million units and 3.65 million units respectively. These titles continued to perform well especially overseas, and the global sales of the Wii U hardware and software reached 3.38 million and 24.40 million units respectively.

As a result, net sales were ¥549.7 billion (U.S.\$4,581 million; a decrease of 3.8% on a year-on-year basis), of which overseas sales were ¥414.7 billion (U.S.\$3,455 million; an increase of 5.1% on a year-on-year basis, and 75.4% of total sales). Operating income was ¥24.7 billion (U.S.\$206 million; compared with an operating loss of ¥46.4 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 ¥34.0 billion (U.S.\$283 million), leading to an ordinary income of ¥70.5 billion (U.S.\$587 million; compared with ¥6.0 billion in the previous fiscal year) and a net income of ¥41.8 billion (U.S.\$348 million; compared with a net loss of ¥23.2 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, 2015 was ¥281.5 billion (U.S.\$2,346 million), with a decrease of ¥59.7 billion during the fiscal year. During the previous fiscal year, there was a decrease of ¥128.1 billion. Net increase (decrease) of Cash and contributing factors during the fiscal year ended March 31, 2015 are as follows:

Net cash provided by (used in) operating activities:

There were decreasing factors contributing to ¥72.0 billion (U.S.\$600 million) of income before income taxes and minority interests such as yen depreciation of foreign exchanges, payment of various expenses and income taxes. However, due to increasing factors such as decrease of inventory, net cash resulted in an increase of ¥60.2 billion (U.S.\$502 million) compared to a decrease of ¥23.1 billion last year.

Net cash provided by (used in) investing activities:

Net cash from investing activities decreased by ¥105.3 billion (U.S.\$878 million) compared to a decrease of ¥20.0 billion last year mainly due to payments into time deposits and purchase of short-term and long-term investment securities exceeding proceeds from withdrawal of time deposits, sales of short-term and long-term investment securities.

Net cash provided by (used in) financing activities:

Net cash from financing activities decreased by ¥11.9 billion (U.S.\$99 million) compared to a decrease of ¥127.1 billion last year mainly due to payments of cash dividends.

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, 2015.

(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, there are cases in which it is difficult to effectively tackle unauthorized copied products in some regions and online, which may have a negative impact on Nintendo's operating performance and financial position in the future.
- **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.

Also, in order to deal with digital business expansion, Nintendo is promoting the expansion of system infrastructure that supports networking functions of software and various network services such as Nintendo eShop.

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 ¥63.3 billion (U.S.\$527 million), with the outcomes of major research and development activities described below. Segment information is omitted since Nintendo operates as a single business segment.

In the Nintendo 3DS family, Nintendo released New Nintendo 3DS (not available in the Americas) and New Nintendo 3DS XL which are new models equipped with functions such as super-stable 3D. In order to ensure that the Nintendo 3DS family would appeal to a wider range of consumers, Nintendo launched special hardware editions of each model, and released many interchangeable plates for New Nintendo 3DS so that users could have fun applying various designs to the hardware. Nintendo released a total of nine compatible titles (figure for the Japanese market; the same shall apply hereinafter) which included *Pokémon Omega Ruby/Pokémon Alpha Sapphire*, a remake of a popular past title with new additional elements, and *Super Smash Bros. for Nintendo 3DS*, which is the first in the series developed for handheld video game systems and even allows amiibo characters (i.e., game-compatible character figures) to appear in the game.

With respect to Wii U, Nintendo worked on the development of system software, system features and accessories, and conducted system updates for the hardware as necessary, in order to further enhance the user experience of the system. Nintendo released a total of 11 compatible titles, including *Mario Kart 8*, which enables players to enjoy racing on diverse courses that take advantage of the rich rendering capabilities of Wii U and even upload videos showing highlights of the race to Miiverse and YouTube via the Internet, and *Super Smash Bros. for Wii U*, released simultaneously with amiibo, which enables players to use the amiibo characters they have fostered as figure players as in the Nintendo 3DS version.

In addition to this, for amiibo, Nintendo is proposing our new form of amusement that brings together figures and games and making enhancements to compatible software, as well as further enriching the lineup, including developing new amiibo cards and yarn-knitted amiibo.

Moreover, by redefining entertainment as something that improves people’s QOL (Quality of Life) in enjoyable ways, Nintendo is working on the development of a new platform business by taking a unique approach that leverages its strengths as an entertainment company. As the first step, Nintendo has adopted the theme “health” and is developing sensors that measure sleep and fatigue status, hardware and software that control such sensors, and server systems and software that realize QOL services. Nintendo’s aim is to enable consumers to make daily efforts to improve their QOL in a fun manner by making sleep and fatigue status visible and offering various services based on this information.

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, 2015.

(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.

More than 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, 2015

Sales decreased whereas profits increased when compared to the previous fiscal year.

(Net sales and operating income)

Net sales decreased from the previous fiscal year by ¥21.9 billion to ¥549.7 billion (U.S.\$4,581 million; a decrease of 3.8% on a year-over-year basis) due to decreased sales of the Nintendo 3DS hardware and software, despite the increase in Wii U hardware and software sales. However, due to the increase in Nintendo’s proportion in software and the yen depreciation, in addition to the increase in the proportion of software in sales, gross profit increased from the previous fiscal year by ¥51.3 billion to ¥214.5 billion (U.S.\$1,788 million; an increase of 31.5% on a year-over-year basis). Due to such factors as the decrease in advertising expenses stemming from the improved efficiency of marketing activities, total selling, general and administrative expenses decreased from the previous fiscal year by ¥19.8 billion, resulting in an operating income of ¥24.7 billion (U.S.\$206 million; compared with an operating loss of ¥46.4 billion in the previous fiscal year).

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

Net non-operating income was ¥45.7 billion (U.S.\$380 million), due mainly to foreign exchange gains by yen depreciation. As a result, ordinary income was ¥70.5 billion (U.S.\$587 million; compared with ordinary income of ¥6.0 billion in the previous fiscal year).

(Net income)

Net income was ¥41.8 billion (U.S.\$348 million; compared with a net loss of ¥23.2 billion in the previous fiscal year), due to lower income taxes than in the previous fiscal year as a result of the reversal of deferred tax assets in relation to the losses carried over in the United States, in addition to the increase in ordinary income.

(4) Financial position

Total assets increased overall by ¥46.5 billion compared with the previous fiscal year, to ¥1,352.9 billion (U.S.\$11,274 million) mainly due to an increase in cash and deposits and securities. Total liabilities decreased by ¥2.5 billion compared to the previous fiscal year to ¥185.3 billion (U.S.\$1,544 million) mainly due to a decrease in accounts payable - other. Net assets increased by ¥49.1 billion compared to the previous fiscal year to ¥1,167.5 billion (U.S.\$9,729 million) due to the increase in foreign currency translation adjustment and retained earnings.

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, 2015, is 761%, and the ratio of total liabilities to cash and cash equivalents is 1.5 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, 2015, it invested ¥11.175 billion (U.S.\$93 million) which was mainly used for research and development and production facilities, 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	72
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	January 2006 November 2007 June 2013 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 Appointed as Director of the Company (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						91	

- (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, 2015 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2016.
 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.
 5. The information above is accurate as of June 29, 2015.

V. Financial Information

Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

	Previous fiscal year (As of March 31, 2014)		Current fiscal year (As of March 31, 2015)	
	(Millions of yen)		(Millions of yen)	
				(Millions of dollars)
Assets				
Current assets				
Cash and deposits		474,297		534,706
Notes and accounts receivable - trade		28,754		55,794
Securities		320,918		380,587
Inventories	*1	160,801	*1	76,897
Deferred tax assets		17,637		15,597
Other		21,841		34,466
Allowance for doubtful accounts		(114)		(451)
Total current assets		1,024,136		1,097,597
Non-current assets				
Property, plant and equipment				
Buildings and structures, net		26,340		42,447
Machinery, equipment and vehicles, net		1,620		1,330
Tools, furniture and fixtures, net		4,249		4,770
Land		42,859		42,925
Construction in progress		19,120		14
Total property, plant and equipment	*2	94,190	*2	91,488
Intangible assets				
Software		10,559		11,190
Other		1,908		1,240
Total intangible assets		12,467		12,430
Investments and other assets				
Investment securities	*3	122,885	*3	96,294
Deferred tax assets		34,214		30,558
Net defined benefit asset		4,746		9,174
Other		13,769		15,399
Allowance for doubtful accounts		(0)		(0)
Total investments and other assets		175,616		151,426
Total non-current assets		282,274		255,346
Total assets		1,306,410		1,352,944

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Liabilities			
Current liabilities			
Notes and accounts payable - trade	47,665	58,464	487
Income taxes payable	14,803	16,529	137
Provision for bonuses	2,183	2,220	18
Other	90,999	67,018	558
Total current liabilities	155,652	144,232	1,201
Non-current liabilities			
Net defined benefit liability	18,558	25,416	211
Other	13,760	15,739	131
Total non-current liabilities	32,318	41,155	342
Total liabilities	187,971	185,387	1,544
Net assets			
Shareholders' equity			
Capital stock	10,065	10,065	83
Capital surplus	11,734	11,734	97
Retained earnings	1,378,085	1,409,764	11,748
Treasury shares	(270,958)	(270,986)	(2,258)
Total shareholders' equity	1,128,927	1,160,578	9,671
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	13,628	16,671	138
Foreign currency translation adjustment	(24,274)	(9,804)	(81)
Total accumulated other comprehensive income	(10,645)	6,866	57
Minority interests	157	110	0
Total net assets	1,118,438	1,167,556	9,729
Total liabilities and net assets	1,306,410	1,352,944	11,274

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)		Current fiscal year (From April 1, 2014 to March 31, 2015)		
	(Millions of yen)		(Millions of yen)		(Millions of dollars)
Net sales		571,726		549,780	4,581
Cost of sales	*1, *3	408,506	*1, *3	335,196	2,793
Gross profit		163,219		214,584	1,788
Selling, general and administrative expenses	*2, *3	209,645	*2, *3	189,814	1,581
Operating income (loss)		(46,425)		24,770	206
Non-operating income					
Interest income		5,279		4,018	33
Foreign exchange gains		39,287		34,051	283
Gain on redemption of securities		2,299		5,233	43
Other		6,271		2,740	22
Total non-operating income		53,136		46,043	383
Non-operating expenses					
Sales discounts		440		205	1
Other		184		77	0
Total non-operating expenses		624		283	2
Ordinary income		6,086		70,530	587
Extraordinary income					
Gain on sales of non-current assets	*4	3,502	*4	47	0
Gain on sales of shares of subsidiaries		–		3,689	30
Reversal of loss on litigation		1,420		–	–
Total extraordinary income		4,922		3,737	31
Extraordinary losses					
Loss on disposal of non-current assets	*5	79	*5	446	3
Restructuring loss		–	*6	1,729	14
Total extraordinary losses		79		2,176	18
Income before income taxes and minority interests		10,929		72,091	600
Income taxes - current		16,781		25,922	216
Income taxes - deferred		17,350		4,306	35
Total income taxes		34,132		30,228	251
Income (loss) before minority interests		(23,202)		41,862	348
Minority interests in income		20		18	0
Net income (loss)		(23,222)		41,843	348

Consolidated statements of comprehensive income

	Previous fiscal year (From April 1, 2013 to March 31, 2014)		Current fiscal year (From April 1, 2014 to March 31, 2015)	
	(Millions of yen)		(Millions of yen) (Millions of dollars)	
Income (loss) before minority interests	(23,202)		41,862	348
Other comprehensive income				
Valuation difference on available-for-sale securities	4,833		2,962	24
Foreign currency translation adjustment	36,145		14,468	120
Share of other comprehensive income of entities accounted for using equity method	196		79	0
Total other comprehensive income	*1	41,174	*1	17,511
Comprehensive income	17,971		59,373	494
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	17,946		59,356	494
Comprehensive income attributable to minority interests	25		17	0

(iii) Consolidated statements of changes in equity
 Previous 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 income (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 income (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, 2014 to March 31, 2015)

(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	1,378,085	(270,958)	1,128,927
Cumulative effects of changes in accounting policies			1,673		1,673
Restated balance	10,065	11,734	1,379,758	(270,958)	1,130,600
Changes of items during period					
Dividends of surplus			(11,837)		(11,837)
Net income			41,843		41,843
Purchase of treasury shares				(27)	(27)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	30,006	(27)	29,978
Balance at end of current period	10,065	11,734	1,409,764	(270,986)	1,160,578

	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	13,628	(24,274)	(10,645)	157	1,118,438
Cumulative effects of changes in accounting policies					1,673
Restated balance	13,628	(24,274)	(10,645)	157	1,120,112
Changes of items during period					
Dividends of surplus					(11,837)
Net income					41,843
Purchase of treasury shares					(27)
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	3,042	14,469	17,512	(46)	17,466
Total changes of items during period	3,042	14,469	17,512	(46)	47,444
Balance at end of current period	16,671	(9,804)	6,866	110	1,167,556

Current fiscal year (from April 1, 2014 to March 31, 2015)

(Millions of dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	83	97	11,484	(2,257)	9,407
Cumulative effects of changes in accounting policies			13		13
Restated balance	83	97	11,497	(2,257)	9,421
Changes of items during period					
Dividends of surplus			(98)		(98)
Net income (loss)			348		348
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	250	(0)	249
Balance at end of current period	83	97	11,748	(2,258)	9,671

	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	113	(202)	(88)	1	9,320
Cumulative effects of changes in accounting policies					13
Restated balance	113	(202)	(88)	1	9,334
Changes of items during period					
Dividends of surplus					(98)
Net income (loss)					348
Purchase of treasury shares					(0)
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	25	120	145	(0)	145
Total changes of items during period	25	120	145	(0)	395
Balance at end of current period	138	(81)	57	0	9,729

(iv) Consolidated statements of cash flows

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	(Millions of dollars)
	(Millions of yen)	(Millions of yen)	
Cash flows from operating activities			
Income before income taxes and minority interests	10,929	72,091	600
Depreciation	9,918	9,011	75
Increase (decrease) in allowance for doubtful accounts	(358)	310	2
Increase (decrease) in net defined benefit liability	734	3,755	31
Interest and dividend income	(5,575)	(4,330)	(36)
Foreign exchange losses (gains)	(41,943)	(33,261)	(277)
Share of (profit) loss of entities accounted for using equity method	(2,627)	(952)	(7)
Decrease (increase) in notes and accounts receivable - trade	20,374	(24,198)	(201)
Decrease (increase) in inventories	35,529	88,204	735
Increase (decrease) in notes and accounts payable - trade	(56,940)	3,558	29
Increase (decrease) in accrued consumption taxes	174	(82)	(0)
Other, net	78	(36,506)	(304)
Subtotal	(29,708)	77,599	646
Interest and dividend income received	6,923	4,861	40
Interest expenses paid	(0)	(3)	(0)
Income taxes paid	(329)	(22,164)	(184)
Net cash provided by (used in) operating activities	(23,114)	60,293	502
Cash flows from investing activities			
Payments into time deposits	(210,503)	(756,613)	(6,305)
Proceeds from withdrawal of time deposits	50,250	651,117	5,425
Purchase of property, plant and equipment and intangible assets	(19,540)	(4,582)	(38)
Proceeds from sales of property, plant and equipment and intangible assets	6,530	191	1
Purchase of short-term and long-term investment securities	(1,071,026)	(736,367)	(6,136)
Proceeds from sales and redemption of short-term and long-term investment securities	1,224,457	740,525	6,171
Other, net	(252)	334	2
Net cash provided by (used in) investing activities	(20,084)	(105,394)	(878)
Cash flows from financing activities			
Cash dividends paid	(12,802)	(11,835)	(98)
Purchase of treasury shares	(114,266)	(27)	(0)
Other, net	(93)	(52)	(0)
Net cash provided by (used in) financing activities	(127,163)	(11,916)	(99)
Effect of exchange rate change on cash and cash equivalents	42,233	(2,710)	(22)
Net increase (decrease) in cash and cash equivalents	(128,128)	(59,727)	(497)
Cash and cash equivalents at beginning of period	469,395	341,266	2,843
Cash and cash equivalents at end of period	*1 341,266	*1 281,539	2,346

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 ¥120 to U.S.\$1, the approximate current rate of exchange on March 31, 2015, 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: 26 companies
The names of significant consolidated subsidiaries are omitted because they are provided in “I. Overview of the Company, 3. Subsidiaries and associates.”
SiRAS.com Inc. has been excluded from the scope of consolidation from the fiscal year ended March 31, 2015 as its shares held by the Company had been sold.
- (2) The unconsolidated subsidiary is as follows:
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: 4 companies
Name of significant associates accounted for under the equity method
The Pokémon Company, WARPSTAR, Inc., PUX Corporation

Silicon Knights Inc. has been excluded from the scope of associates accounted for under the equity method from the fiscal year ended March 31, 2015, due to the commencement of liquidation proceedings.
- (2) The company among the unconsolidated subsidiaries not accounted for under the equity method is Fukuei Co., Ltd., and the company among the associates not accounted for under the equity method is Ape inc. This is because the impact each of said companies 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, 2015, on a benefit formula 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.

Effective beginning the fiscal year ended March 31, 2015, Nintendo has adopted Article 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 of May 17, 2012; hereafter the “Accounting Standard”) and Article 67 of the “Guidance on the Accounting Standard for Retirement Benefits,” (ASBJ Guidance No.25 of March 26, 2015) and has changed the calculation methods for retirement benefit obligations and service costs. The method of attributing estimated retirement benefits to periods has been changed from the straight line basis to the benefit formula basis, and the method of determining the discount rate has been revised from a method based on an approximation of the employees’ average remaining service period to a method of using a single weighted average discount rate reflecting the estimated payment period and the amount for each estimated payment period of the retirement benefit.

With respect to application of the Accounting Standard, in accordance with transitional accounting treatments as stated in Article 37 of the Accounting Standard, the effect of the changes in calculation methods for retirement benefit obligations and service costs has been reflected in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit liability and net defined asset have increased by ¥484 million (U.S.\$4 million) and ¥3,078 million (U.S.\$25 million) respectively at the beginning of the fiscal year ended March 31, 2015, while retained earnings and deferred tax liabilities regarding them have increased by ¥1,673 million (U.S.\$13 million) and ¥920 million (U.S.\$7 million) respectively at the same point in time. There is minimal impact on operating income, ordinary income or income before income taxes and minority interests in the fiscal year ended March 31, 2015.

Changes in presentations

Notes to consolidated statements of income

“Gain on redemption of securities,” which was included in “Other” under “Non-operating income” in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2015, 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, ¥8,570 million presented in “Other” under “Non-operating income” in the consolidated statements of income of the previous fiscal year has been reclassified as ¥2,299 million of “Gain on redemption of securities” and ¥6,271 million of “Other.”

Notes to consolidated balance sheets

*1. Inventories as of March 31, 2014 and 2015 were as follows:

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)		
Finished goods	¥ 141,221 million	¥ 70,054 million	U.S.\$	583 million
Work in process	5,891	1,466		12
Raw materials and supplies	¥ 13,687	¥ 5,376	U.S.\$	44

*2. Accumulated depreciation of property, plant and equipment as of March 31, 2014 and 2015 were as follows:

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)		
Accumulated depreciation	¥ 63,136 million	¥ 68,416 million	U.S.\$	570 million

*3. Investments in unconsolidated subsidiaries and associates as of March 31, 2014 and 2015 were as follows:

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)		
Investment securities	¥ 9,513 million	¥ 11,653 million	U.S.\$	97 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, 2014 and 2015 were as follows:**

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)		
Loss on valuation of inventories	¥ 22,958 million	¥ 9,471 million	U.S.\$	78 million

***2. The major items of selling, general and administrative expenses for the years ended March 31, 2014 and 2015 were as follows:**

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)		
Research and development expenses	¥ 71,718 million	¥ 63,296 million	U.S.\$	527 million
Advertising expenses	70,264	54,834		456
Salaries, allowances and bonuses	20,952	21,713		180
Depreciation	5,161	5,762		48
Retirement benefit expenses	2,481	6,408		53
Provision for bonuses	702	647		5
Provision of allowance for doubtful accounts	¥ (209)	¥ 407	U.S.\$	3

***3. Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2014 and 2015 were as follows.**

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)		
Research and development expenses	¥ 71,736 million	¥ 63,336 million	U.S.\$	527 million

***4. Gain on sales of non-current assets for the years ended March 31, 2014 and 2015 were as follows:**

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)		
Machinery, equipment and vehicles	¥3,451 million	Buildings and structures ¥ 26 million	U.S.\$	0 million
Buildings and structures	50	Land 13		0
		Machinery, equipment and vehicles 7		0
Total	¥3,502	¥ 47	U.S.\$	0

***5. Loss on disposal of non-current assets for the years ended March 31, 2014 and 2015 were as follows:**

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)		
Loss on retirement		Loss on retirement		
Buildings and structures	¥ 39 million	Buildings and structures	¥ 323 million	U.S.\$ 2 million
Tools, furniture and fixtures	27	Land	116	0
Land	12	Software	3	0
		Tools, furniture and fixtures	1	0
		Machinery, equipment and vehicles	1	0
Total	¥ 79	Total	¥ 446	U.S.\$ 3

***6. Restructuring loss**

Restructuring loss for the year ended March 31, 2015 primarily consisted of impairment loss on non-current assets and severance payment expenses associated with the restructuring of business in Europe.

Notes to consolidated statements of comprehensive income

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ 10,396 million	¥ 8,690 million	U.S.\$ 72 million
Reclassification adjustments	(3,189)	(5,344)	(44)
Amount before tax effects	7,207	3,346	27
Tax effects	(2,374)	(383)	(3)
Valuation difference on available-for-sale securities	4,833	2,962	24
Foreign currency translation adjustment:			
Amount arising during the fiscal year	36,130	14,468	120
Reclassification adjustments	15	–	–
Foreign currency translation adjustment	36,145	14,468	120
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the fiscal year	196	79	0
Total other comprehensive income	¥ 41,174	¥ 17,511	U.S.\$ 145

Notes to consolidated statements of changes in equity

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

1. Matters concerning outstanding 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

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	¥100	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	Retained earnings	¥100	March 31, 2014	June 30, 2014

Current fiscal year (From April 1, 2014 to March 31, 2015)

1. Matters concerning outstanding shares

(Shares)

Type of share	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common shares	141,669,000	-	-	141,669,000

2. Matters concerning treasury shares

(Shares)

Type of share	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common shares	23,294,719	2,286	-	23,297,005

(Summary of causes of changes)

The increase is from acquisitions in line with buyback 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 27, 2014	Common shares	¥11,837 million [U.S.\$98 million]	¥100 [U.S.\$ 0.83]	March 31, 2014	June 30, 2014

(2) Dividend payments for which the record date is in the fiscal year ended March 31, 2015 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 26, 2015	Common shares	¥21,306 million [U.S.\$ 177 million]	Retained earnings	¥180 [U.S.\$1.50]	March 31, 2015	June 29, 2015

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, 2014 and 2015 were as follows:**

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
Cash and deposits	¥ 474,297 million	¥ 534,706 million	U.S.\$ 4,455 million
Time deposits with maturity of more than three months	(202,488)	(335,217)	(2,793)
Short-term investments with maturity of three months or less	69,458	82,050	683
Cash and cash equivalents	¥ 341,266	¥ 281,539	U.S.\$ 2,346

Lease transactions

1. Finance lease transactions

Information of finance leases as of March 31, 2014 and 2015 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, 2014)	Current fiscal year (As of March 31, 2015)		
Due within one year	¥ 1,334 million	¥ 1,337 million	U.S.\$	11 million
Due after one year	2,451	2,498		20
Total	¥ 3,785	¥ 3,836	U.S.\$	31

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, 2014 and 2015 were as follows:

Previous 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	–

Current fiscal year (As of March 31, 2015)

	Book value	Fair value	Difference
Cash and deposits	534,706	534,706	–
Notes and accounts receivable - trade	55,794	55,794	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	260,854	260,868	14
Other securities	204,185	204,185	–
Total assets	1,055,541	1,055,555	14
Notes and accounts payable - trade	58,464	58,464	–
Income taxes payable	16,529	16,529	–
Total liabilities	74,993	74,993	–
Derivatives	184	184	–

	Book value	Fair value	Difference
Cash and deposits	4,455	4,455	–
Notes and accounts receivable - trade	464	464	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	2,173	2,173	0
Other securities	1,701	1,701	–
Total assets	8,796	8,796	0
Notes and accounts payable - trade	487	487	–
Income taxes payable	137	137	–
Total liabilities	624	624	–
Derivatives	1	1	–

(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 (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	
	Unlisted stocks	¥ 9,701 million	¥11,841 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, 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

Current fiscal year (As of March 31, 2015)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	534,706	–	–
Notes and accounts receivable - trade	55,794	–	–
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	185,830	–	–
Money held in trust	10,000	–	–
Corporate and government bonds	65,025	–	–
Other securities with maturity			
Certificate of deposits	–	2,241	–
Corporate and government bonds	119,097	49,460	–
Other	–	11,260	728
Total	970,454	62,961	728

(Millions of dollars)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	4,455	–	–
Notes and accounts receivable - trade	464	–	–
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	1,548	–	–
Money held in trust	83	–	–
Corporate and government bonds	541	–	–
Other securities with maturity			
Certificate of deposits	–	18	–
Corporate and government bonds	992	412	–
Other	–	93	6
Total	8,087	524	6

Securities

1. Held-to-maturity debt securities

Previous 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)

Current fiscal year (As of March 31, 2015)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	37,016	37,037	20
Securities whose fair value does not exceed their book value on the consolidated balance sheets	223,837	223,830	(6)
Total	260,854	260,868	14

(Millions of dollars)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	308	308	0
Securities whose fair value does not exceed their book value on the consolidated balance sheets	1,865	1,865	(0)
Total	2,173	2,173	0

2. Other securities

Previous 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

Current fiscal year (As of March 31, 2015)

(Millions of yen)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	20,322	7,077	13,245
Debt securities	98,984	88,841	10,142
Other	684	684	0
Sub-total	119,992	96,603	23,388
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Debt securities	82,479	82,520	(41)
Other	1,714	1,714	(0)
Sub-total	84,193	84,235	(41)
Total	204,185	180,838	23,347

(Millions of dollars)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	169	58	110
Debt securities	824	740	84
Other	5	5	0
Sub-total	999	805	194
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Debt securities	687	687	(0)
Other	14	14	(0)
Sub-total	701	701	(0)
Total	1,701	1,506	194

3. Other securities sold during the fiscal years ended March 31, 2014 and 2015

Previous 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

Current fiscal year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	192,626	124	16
Other	78,469	2	–
Total	271,096	127	16

(Millions of dollars)

	Amount sold	Total gain	Total loss
Debt securities	1,605	1	0
Other	653	0	–
Total	2,259	1	0

Derivative transactions

Derivative contracts not qualifying for hedge accounting

Currencies

Previous 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

Current fiscal year (As of March 31, 2015)

(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	3,585	–	16	15
	Selling British Pound	899	–	3	3
	Currency options				
	Written call options				
	Euro [Premium]	14,060 [64]	– [–]	50	14
	Australian Dollar [Premium]	2,811 [24]	– [–]	8	15
	Purchased put options				
	Euro [Premium]	9,373 [176]	– [–]	207	31
Australian Dollar [Premium]	1,874 [15]	– [–]	16	0	
	Total	–	–	–	81

(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	29	–	0	0
	Selling British Pound	7	–	0	0
	Currency options				
	Written call options				
	Euro [Premium]	117 [0]	– [–]	0	0
	Australian Dollar [Premium]	23 [0]	– [–]	0	0
	Purchased put options				
	Euro [Premium]	78 [1]	– [–]	1	0
	Australian Dollar [Premium]	15 [0]	– [–]	0	0
	Total	–	–	–	0

(Notes) 1. The fair value as of March 31, 2014 and 2015 is calculated based on price quoted by correspondent financial institutions.

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

Retirement benefits

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)

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of retirement benefit obligations	37,472	41,785	348
Cumulative effects of changes in accounting policies	–	(2,594)	(21)
Restated balance	37,472	39,191	326
Current service costs	2,486	2,776	23
Interest cost	947	1,140	9
Actuarial gains and losses	381	4,791	39
Retirement benefits paid	(1,366)	(2,122)	(17)
Foreign currency translation difference	1,864	4,145	34
Ending balance of retirement benefit obligations	41,785	49,922	416

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of plan assets	23,799	28,174	234
Expected return on assets	789	1,018	8
Actuarial gains and losses	1,943	1,968	16
Contribution by the business operator	1,947	3,224	26
Retirement benefits paid	(958)	(2,020)	(16)
Foreign currency translation difference	654	1,567	13
Ending balance of plan assets	28,174	33,933	282

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of net defined benefit liability	128	201	1
Retirement benefit expenses	95	75	0
Retirement benefit payment	(4)	(4)	(0)
Contribution into plan	(18)	(20)	(0)
Foreign currency translation difference	0	0	0
Ending balance of net defined benefit liability	201	251	2

(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

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Retirement benefit obligations for funded plans	29,117	35,349	294
Plan assets	(28,295)	(34,084)	(284)
	821	1,264	10
Retirement benefit obligations for unfunded plans	12,990	14,976	124
Net amounts of liabilities and assets recorded in consolidated balance sheets	13,811	16,241	135
Net defined benefit liability	18,558	25,416	211
Net defined benefit asset	(4,746)	(9,174)	(76)
Net amounts of liabilities and assets recorded in consolidated balance sheets	13,811	16,241	135

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

(5) Retirement benefit expenses and their breakdown

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Current service costs	2,581	2,851	23
Interest cost	947	1,140	9
Expected return on assets	(789)	(1,018)	(8)
Amortization of actuarial gains and losses treated as expenses	(1,561)	2,822	23
Severance payment expenses	–	1,220	10
Other	159	263	2
Retirement benefit expenses for defined benefit plan	1,336	7,279	60

(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.

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)
Stocks	45%	40%
Bonds	40	49
Other	15	11
Total	100	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 are as follows.

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)
Discount rate	1.5% to 4.3%	1.1% to 3.6%
Expected long-term return rate on plan assets	1.4% to 7.5%	1.5% to 7.0%

3. Defined contribution plans

The amount of contribution required for the defined contribution plans at certain consolidated subsidiaries was ¥973 million for the year ended March 31, 2014 and ¥979 million (U.S.\$8 million) for the year ended March 31, 2015.

Income taxes

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	
Deferred tax assets			
Research and development expenses	¥ 34,794 million	¥ 33,806 million	U.S.\$ 281 million
Operating loss carryforwards for tax purposes	17,527	16,546	137
Unrealized intra-group profit and write-downs on inventory	13,620	11,005	91
Net defined benefit liability	6,846	9,508	79
Accounts payable - other and accrued expenses	7,588	7,987	66
Revenue recognition for tax purposes	5,274	5,080	42
Other	16,628	19,002	158
Deferred tax assets subtotal	102,280	102,936	857
Valuation allowance	(30,133)	(35,171)	(293)
Total deferred tax assets	72,146	67,765	564
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(6,685)	(7,077)	(58)
Undistributed retained earnings of subsidiaries and associates	(7,143)	(6,827)	(56)
Other	(7,200)	(8,502)	(70)
Total deferred tax liabilities	(21,029)	(22,406)	(186)
Net deferred tax assets	¥ 51,116	¥ 45,359	U.S.\$ 377

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

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)
Statutory tax rate	37.9%	35.5%
(Reconciliations)		
Effect of change in the statutory tax rate	20.0	6.0
Valuation allowance	243.4	2.0
Foreign tax credit on retained earnings of the overseas consolidated subsidiaries	3.1	(0.2)
Different tax rates applied to the consolidated subsidiaries	9.6	(0.4)
Special deduction applied to the gross research and development expenses	(8.9)	(1.6)
Other	7.2	0.7
Effective tax rate after tax effect accounting	312.3	41.9

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

Following the promulgation on March 31, 2015 of “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and “Act for Partial Amendment of the Council Tax Act, etc.” (Act No. 2 of 2015), the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 35.5% to 33.0% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2015 and to 32.2% for temporary differences expected to be eliminated in the fiscal year beginning on and after April 1, 2016.

As a result, deferred tax assets after offsetting deferred tax liabilities decreased by 3,678 million yen (U.S.\$30 million) and valuation difference on available-for-sale securities increased by 649 million yen (U.S.\$5 million). Income taxes-deferred increased by 4,327 million yen (U.S.\$36 million).

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, 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

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.

(2) Property, plant and equipment

(Millions of yen)

Japan	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.

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.

Current fiscal year (From April 1, 2014 to March 31, 2015)

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	149,616	105,548	149,941	84,742	59,931	549,780

(Millions of dollars)

	Handheld Hardware	Home Console Hardware	Handheld Software	Home Console Software	Other	Total
Sales to third parties	1,246	879	1,249	706	499	4,581

2. Information by geographic areas

(1) Net sales

(Millions of yen)

Japan	Americas		Europe	Other	Total
		of which U.S.			
135,049	241,646	207,432	154,338	18,746	549,780

(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.			
1,125	2,013	1,728	1,286	156	4,581

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Other	Total
65,168	25,298	1,021	91,488

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

(Millions of dollars)

Japan	U.S.	Other	Total
543	210	8	762

3. Information about major customers

(Millions of yen)

	Net sales	Name of related segment
GameStop, Inc.	56,205	—

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

(Millions of dollars)

	Net sales	Name of related segment
GameStop, Inc.	468	—

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, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
Net assets per share	¥ 9,447.00	¥ 9,862.52	U.S.\$ 82.18
Net income (loss) per share	(183.59)	353.49	2.94

- (Notes) 1. Diluted net income per share is omitted as no residual securities were outstanding as of March 31, 2014 and 2015.
2. The basis of calculation of net income (loss) per share is as follows:

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	
Net income (loss)	¥(23,222) million	¥ 41,843 million	U.S.\$ 348 million
Amount not attributable to common shareholders	—	—	—
Net income (loss) related to common shares	¥(23,222) million	¥ 41,843 million	U.S.\$ 348 million
Average number of shares (common shares)	126,496 thousand shares	118,373 thousand shares	—

Significant subsequent events

At the meeting of the Board of Directors held on March 17, 2015, Nintendo resolved to enter into a business and capital alliance with DeNA Co., Ltd. (“DeNA”), to acquire DeNA’s common stock, simultaneously to allocate Nintendo’s treasury shares to DeNA by means of a third-party allotment. Following the resolutions, Nintendo acquired and allocated such shares on April 2, 2015.

Description of business alliance

- (1) Joint development and operation of gaming applications for smart devices utilizing Nintendo’s intellectual property, including its characters
- (2) Joint development of a new multi-device membership service

Description of capital alliance

In addition to the business alliance, the Nintendo and DeNA formed the capital alliance in order to create synergies between their businesses and strengthen their relationship in the medium to long term.

- (1) Nintendo acquired 15,081,000 of DeNA’s common stock for 21,988 million yen (1,458 yen per share) (U.S.\$183 million; U.S.\$12 per share) by means of a third-party allotment.
- (2) Nintendo allocated 1,759,400 of its treasury shares to DeNA for 21,987 million yen (12,497 yen per share) (U.S.\$183 million; U.S.\$104 per share) by means of a third-party allotment.

- (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	¥7 million [U.S.\$0 million]	-	-	-
Lease obligations due within one year	12 [0]	¥12 million [U.S.\$0 million]	-	-
Long-term loans payable due after one year	-	-	-	-
Lease obligations due after one year	25 [0]	12 [0]	-	October 2016
Other interest-bearing liabilities	-	-	-	-
Total	¥45 [U.S.\$0]	¥25 [U.S.\$ 0]	-	-

- (Notes) 1. 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.
2. 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]	-	-	-

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, 2015 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, 2015.

(2) Others

Quarterly information of the fiscal year ended March 31, 2015

(Millions of yen)				
(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	74,695	171,399	442,920	549,780
Income (loss) before income taxes and minority interests	(11,385)	23,488	93,669	72,091
Net income (loss)	(9,924)	14,300	59,515	41,843
Net income (loss) per share (Yen)	(83.84)	120.81	502.78	353.49

(Millions of dollars)				
(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	622	1,428	3,691	4,581
Income (loss) before income taxes and minority interests	(94)	195	780	600
Net income (loss)	(82)	119	495	348
Net income (loss) per share (Dollars)	(0.69)	1.00	4.18	2.94

(Yen)				
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share	(83.84)	204.65	381.97	(149.29)

(Dollars)				
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income (loss) per share	(0.69)	1.70	3.18	(1.24)

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, 2015 was held on June 26, 2015 at Nintendo Co., Ltd. in Kyoto, Japan.

Independent Auditor

PricewaterhouseCoopers Kyoto
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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>