

Q & A Summary

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Q1	The people featured in your (Nintendo Switch) introductory video were mostly teens and adults, and the video also included a scene from an eSports event. Who do you see as the target audience for Nintendo Switch?
A1	<p>Tatsumi Kimishima (President):</p> <p>Nintendo's basic policy is to expand the gaming population, and there have not been any significant changes (about the consumers who, we want, will purchase Nintendo Switch). We would like to continue to release products which appeal to a wide variety of different consumers, including children. We hope you will watch the Nintendo Switch Presentation that we will hold in January 2017 and take the chance to play the system yourself at the Nintendo Switch hands-on opportunity.</p>

Q2	Watching the introductory video of Nintendo Switch, I now expect that Nintendo Switch is likely to have a strong software lineup. To the extent possible, I would like you to confirm how you will leverage the lessons you have learned from your experiences with Wii U, such as how you will set its price. Also, what do you think is the reason that major third-party publishers, who did not provide as much support for Wii U, are now willing to support Nintendo Switch?
A2	<p>Kimishima:</p> <p>Since we cannot discuss the details (of Nintendo Switch) such as its specs, we cannot elaborate on how different it is from Wii U. On the other hand, as its name indicates, Nintendo Switch is aiming to change people's play experience itself, and we would like to provide different entertainment experiences from Wii U.</p> <p>Regarding the price, as we have been saying, we are, in principle, not planning to sell it at a loss. We would like a wide variety of consumers to enjoy Nintendo products, and we would also like to think in terms of consumers' expectations for our products.</p> <p>As for third-party support, we believe that third-party publishers have been able to realize that Nintendo Switch offers a chance to create new and exciting surprises which are not possible with existing gaming devices. Therefore, many third-party publishers, some of whom we have introduced in the presentation today, have shown their willingness to actively support this system. It is also very encouraging for us that more third-party publishers are now interested in developing software for Nintendo Switch after watching the introductory video.</p>

Q3	Your Financial Highlights document reads "Nintendo Switch offers a wholly new concept," but from what I saw in the introductory video, the only difference I was able to notice was that I will be able to play existing game franchises such as Zelda, Mario, Mario Kart and Splatoon in other places than today. I would like Mr. Kimishima to share his impressions of his experiences playing the prototype Nintendo Switch himself, including how new it is.
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A3	<p>Kimishima:</p> <p>Although you are asking what exactly is new about Nintendo Switch, we cannot share any details today other than what we have already shown in the introductory video. On the other hand, although I understand that I am fairly old compared to the main gaming demographic and that it is supposed to be very challenging to develop a gaming system which will be able to persuade my generation of people to play, knowing about the variety of plans that we have not announced via the introductory video, including the software lineup, I would like you to know that I myself am very much looking forward to the launch of Nintendo Switch. I also hope that all of you can experience the system for yourselves in January.</p>
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Q4	<p>The amount of profit generated by <i>Pokémon GO</i> for Nintendo was said to be limited, but it appears that the share of profit of entities accounted for using equity method related to The Pokémon Company was over 10 billion yen. I would like to confirm how this affected Nintendo's profits; were sales from <i>Pokémon GO</i> itself higher than expected, or was the distribution of <i>Pokémon GO</i> profits from The Pokémon Company greater than expected?</p>
A4	<p>Kimishima:</p> <p>Our share of profit of entities accounted for using equity method has increased greatly, and as you know, the majority of this increase is attributable to The Pokémon Company, particularly due to the incredible support from fans since the release of <i>Pokémon GO</i>. This is due not only to <i>Pokémon GO</i> itself, but also to the strong sales of the Pokémon trading cards and other Pokémon-related merchandise since the release of <i>Pokémon GO</i>, particularly in the U.S. and Europe. We are not disclosing the details of the profit generated by <i>Pokémon GO</i>.</p>

Q5	<p>Can you tell me about any plans to release <i>Super Mario Run</i> on iOS or Android in China?</p>
A5	<p>Kimishima:</p> <p>We have not yet determined if this title will be released in China. We are not ruling out the possibility, but currently we have not made any decisions as to when and how this might occur.</p>

Q6	<p>Watching the introductory video made me feel that Nintendo Switch is a stylish new type of video game system and gave me the impression that it is aimed at hardcore gamers, not children and families, as these demographics were not shown in the video. Should I anticipate that the initial first-party software lineup for Nintendo Switch will consist mainly of titles for hardcore gamers? I would like to hear about your software strategy, as you mentioned earlier today that you want to appeal to all age demographics.</p>
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A6	<p>Kimishima:</p> <p>In this video, we mainly introduced one of Nintendo Switch’s most unique features: that you can play it “anytime, anywhere and with anyone.” About the software, on the other hand, we merely included some hints of what is to come. As a result, we have yet to reveal the entire picture for Nintendo Switch. In January next year, when you will see the software lineup and have a chance to experience it hands-on for yourselves, you will be able to understand for the first time how Nintendo Switch, with the combination of its hardware and software, will be able to provide you with new experiences. I believe you will then be able to feel that Nintendo Switch has a distinctive appeal that will be embraced by a variety of different people across many different age demographics.</p>
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Q7	<p>In general, I have heard that <i>Pokémon GO</i> has over 500 million downloads and that daily sales are around one billion yen, is that correct? It appears that the share of profit of entities accounted for using equity method was over 10 billion yen in the second quarter. Will we continue to see this level of profit contribution, or was the majority of this due to royalties, only causing a temporary inflation in profits at the time of release? I would like to confirm your profit model with regards to <i>Pokémon GO</i>.</p>
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A7	<p>Kimishima:</p> <p>Nintendo is not directly providing details of the numbers of downloads and unique users for <i>Pokémon GO</i>, but you are correct that it is being played by a very large number of fans. The share of profit of entities accounted for using equity method attributable to The Pokémon Company has increased greatly in the second quarter, but <i>Pokémon GO</i> is only one part of these Pokémon-related profits. Of course, <i>Pokémon GO</i> did contribute significantly to profits, and we would like fans to continue playing for a long time, but in general we see that the trend is for player numbers to decrease after some time has passed since release. I understand that there will be further updates to the application in the future, so we hope this will encourage fans to continue playing. These profits should not be seen as a temporary inflation due to the initial release of the application.</p>
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Q8	<p>How will you link Nintendo Switch with smart devices? Reading the announcement that it will use NVIDIA’s Tegra, my imagination ran wild, but is your strategy for consumers to become interested in Nintendo’s IP (through smart devices) and have that lead to the purchase of software (on Nintendo Switch)? Or will they be linked through My Nintendo accounts with point sharing? Would you be able to give any hints about any brand new and completely different ideas which might relate to the hardware design itself, to the extent possible today?</p>
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A8	<p>Kimishima:</p> <p>In my presentation*, I explained the three major objectives of our smart device business, including maximizing the number of people who have access to Nintendo’s IP so that as many people as possible will be interested in our integrated hardware-software video game business.</p>
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	<p>Once again, I cannot explain any details about Nintendo Switch today, but we have already announced that it will link with smart devices via My Nintendo, and you will be able to get a more concrete understanding as more information on Nintendo Switch is revealed in the future.</p> <p>*(See page 11 of the "Presentation by the President" in the Semi-Annual Financial Results Briefing.)</p>
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Q9	<p>President Kimishima, I would like to hear what you think about your company's prospects for the next two to three years and farther into the future. You are proceeding with efforts to expand the gaming population, such as <i>Miitomo</i> and amiibo, but it doesn't seem like these efforts have borne results yet from a financial perspective. Please share any thoughts you have on future prospects and current challenges.</p>
A9	<p>Kimishima:</p> <p>We expected even at the start of this period that our sales would not match the previous period, and we have just reduced our forecasts as well, mainly due to the effects of the exchange rate. In this situation, I think we have to take inspiration from our new system and "switch" these trends to a more favorable direction. As I have presented, Nintendo Switch and smart device applications will be crucial to our plan to achieve this. We have also been making more active use of Nintendo's IP, and it feels like this period we will finally be able to see the results of some of these efforts.</p> <p>I believe that what we have to do and what we would like to do is to take this period as a base and steadily build upon our initiatives one by one, and to change the trends going forward from the latter half of this fiscal year through the next two to three years.</p>

Q10	<p>For the smart device business, can you tell us why <i>Super Mario Run</i> will be released earlier than <i>Animal Crossing</i> and <i>Fire Emblem</i>, which were announced at the start of this fiscal year? Also, have there been any changes to your mid- to long-term direction for the smart device business due to the success of <i>Pokémon GO</i>?</p>
A10	<p>Kimishima:</p> <p>At the start of this fiscal year, we had announced that we would be releasing around five applications for smart devices by the end of March 2017, including <i>Miitomo</i>. <i>Super Mario Run</i> was one of these titles. After that, it became clear that development had proceeded to the point that we would be able to release it this year, and we reconsidered the order of release. Among other factors, we saw how well-received <i>Pokémon GO</i> was and determined that it would be best to release a Mario-related title ahead of the other titles. In the past, it was not entirely clear what kind of impact the smart device business would have on our existing business, so we were pleased to see <i>Pokémon GO</i> generate the kind of synergetic effect on packaged software that we had expected. Due to this consequence, we want to strengthen our development framework for smart device titles going forward. As for the basis of our smart device business strategy, we continue to hold to the three tenets I discussed in my presentation* today.</p> <p>*(See page 11 of the "Presentation by the President" in the Semi-Annual Financial Results Briefing.)</p>

Q11	Why did you decide to launch the Nintendo Entertainment System: NES Classic Edition as a new hardware system instead of as Virtual Console titles? Also, how is the Nintendo Entertainment System: NES Classic Edition positioned in your business strategy against your other hardware, such as Nintendo 2DS and Nintendo Switch?
A11	<p>Kimishima:</p> <p>I had heard of many cases, particularly in the U.S. and Europe, where fans who had played on Nintendo systems 30 years ago still had the system and were playing it with their children to show them how much fun it was. We have also been aware of the strong desire for some of our past hardware to be rereleased. We decided to launch the Nintendo Entertainment System: NES Classic Edition in order to meet this demand and to provide a chance for fans who didn't already own the system to play our past games and share the experience with their children. In addition, we felt that providing a chance to play this system again would rekindle an interest in Nintendo's game systems. We are expecting that these consumers will wonder what kind of fun new experiences we will bring to Nintendo Switch and give the new system a try. At first, we thought that the Nintendo Entertainment System: NES Classic Edition would mainly appeal to a limited age demographic, but we had a massive response to the announcement of this system and want to thank our fans for their support.</p>

Q12	You have confirmed that you are planning to ship two million hardware units for Nintendo Switch (during this fiscal year). Was this the same number planned by the company as of the time when you came up with your original financial forecast? If you have changed the number, what was the reason? What is the rationale behind this two million unit figure, anyway?
A12	<p>Kimishima:</p> <p>The 2 million hardware unit shipment forecast that we have just announced for Nintendo Switch was the same number we originally planned on (internally at the company) when we publicly announced the annual financial forecast earlier this year. In the case of Wii U, we launched it in November, and we shipped slightly less than 3.5 million hardware units by the end of the same fiscal year. In the case of Nintendo Switch, on the other hand, as we had already announced when we made the original annual financial forecast, we will launch it in March, the final month of the fiscal year. The fact that we can only ship for one month during this fiscal year was part of the background for determining the annual shipment number. Please also be advised that we have been preparing for a possible increase in demand as a result of the presentation and the hands-on experiences next January.</p>