

Q & A Summary

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Q1	Nintendo Labo is such an unexpected product. What kinds of ideas and issues formed the basis to its inception? Also, what does Nintendo hope for with this product, and what is the response inside the company (as of immediately after the product announcement)?
A1	<p>Shinya Takahashi (Director, Managing Executive Officer):</p> <p>When we first announced Nintendo Labo, a lot of people said it was a “very Nintendo” product. We are very thankful for that appreciation and support.</p> <p>In our efforts to develop new forms of play, we at Nintendo always look to the integration of hardware and software. Nintendo Labo is just one of many projects under development, and it emerged from the idea of somehow setting the Nintendo Switch Joy-Con controllers, which can be considered a mass of sensors, into some form of attachment. I'm sure we surprised everyone with the use of cardboard, but it is not so far-fetched if you consider how familiar the material is at least to Japanese people who from a young age use it for play and as a material for creating things such as fancy crafts. Moreover, it was important to us that cardboard is a very suitable material for the trial-and-error process. When we started with a "robot" prototype inside the company, we realized that the trial-and-error process of attaining a finished product was itself extremely fun, in addition to playing with the product. That led to our concept for Nintendo Labo to be developed as something that people could enjoy in all of its aspects, not just in playing with the finished product, but also in making some repairs along the way and after it is complete, and in understanding the mechanics.</p> <p>Ko Shiota (Director, Senior Executive Officer):</p> <p>Joy-Con is designed as a controller which makes full-fledged gameplay possible, but at the same time, our goal as hardware developers with Joy-Con was to widen the possibilities of the controller. Using Joy-Con to the fullest has continued to be a consideration ever since Nintendo Switch was in development. As Mr. Takahashi noted, one idea was to set Joy-Con in some kind of attachment, and the result (of that kind of thinking about hardware and software in parallel) led to the inception of Nintendo Labo.</p> <p>Shigeru Miyamoto (Representative Director, Fellow):</p> <p>I, too, want to express my heartfelt thanks that people see this as a "very Nintendo" product. I read (on the Internet) somewhere that someone admired management for approving a product like Nintendo Labo, but inside Nintendo there are a lot of people who want to make products like that, and Nintendo is the kind of company that hires people who want to make products like that. In fact, when we asked inside the company for ideas for novel ways to use Joy-Con, we received many, many proposals, and one of them was to use cardboard like people did in the old days to make things. Nintendo is the kind of company that welcomes those kinds of new ideas. The fact that it was perfectly natural for a product like Nintendo Labo to arise gives me reassurance that everyone inside the company understands and is committed to Nintendo as a</p>

	company that innovates new ways to have fun and not as a company that only makes video games.
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Q2	This is a question about Nintendo Switch Online. The official start of service has been significantly delayed, so has anything changed during this extended development period? Also, how do you plan to popularize the service?
A2	<p>Tatsumi Kimishima (President and Representative Director):</p> <p>We view the online service as one component of our efforts to diversify how our games are played and to get people to play more of our games. That is why we want to apply substantial resources to the online service, with the thinking that we will devote our energies to making this a for-pay service.</p> <p>As for how we plan to popularize the service, it is less about the mechanism and more a question of what kinds of products we can offer, and the spread of the service will depend on whether consumers want what we offer. Please give us a bit more time to announce more details about the service. I think that announcement will convey to you how we plan to popularize the service.</p> <p>Takahashi:</p> <p>We have some ideas about how to make Nintendo Switch Online appealing when it becomes a for-pay service, so I think our next announcement will be worth the wait.</p>

Q3	The figures for Nintendo Switch hardware you presented during the presentation reveal a gap of some 1.8 million units between cumulative sell-through (13 million) and sell-in (14.86 million). Is that because there are many units in distribution inventory, particularly in Europe and the US? In the current revision, you have quite a large sell-in planned for the fourth quarter. Can you explain this in terms of the supply and demand situation?
A3	<p>Kimishima:</p> <p>Although there were differences in Nintendo Switch sales during the holiday season in Japan, the US, and Europe, the sales were extremely robust in all three regions. The difference between sell-in (sales from us to retailers) and sell-through (sales from retailers to consumers) is comprised of the units in transit by retailers from their distribution centers to their stores, and the units in inventory in those stores. Because Europe is composed of so many countries, the distribution routes there are a little complicated. In Japan, consumers are finally becoming able to buy Nintendo Switch any time they want and the difference between sell-in and sell-through in question this time could even be larger to ensure that Nintendo Switch is delivered smoothly into consumers' hands. If there were no difference, then we would need to implement a system to accommodate consumers quickly as various software titles come to market.</p> <p>Shuntaro Furukawa (Director, Managing Executive Officer):</p> <p>Let me just add here that the (Nintendo Switch cumulative sell-through of) 13 million units</p>

	does not include the sales in Latin America and some regions of Asia where we cannot ascertain the actual volume for retail sales, so to repeat the point, the difference with sell-in may not all be due to inventory.
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Q4	I understand from your answers that you will continue to study business possibilities in China because it is such an incredibly huge and alluring market. But I've also seen observation articles in the mass media about Nintendo's initiatives, so looking both the long-term and the next year, can you give us any hints about any activities that Nintendo might begin in the separate business areas of home consoles, handheld game devices, and smart devices?
A4	<p>Kimishima:</p> <p>China has a huge population and I believe there are many people who want to enjoy the forms of play and games made by Nintendo, which is why we continue to study business opportunities even though our products are unavailable there at the present time. We would like to see the people of China also experience Nintendo's forms of play and games that people in other countries enjoy now. How best to achieve this is a subject we are working through point by point, consulting with various other parties on aspects we cannot tackle alone. I would like to realize this as quickly as possible, but there is nothing I can say at this time about activities that will start within the year.</p> <p>Regarding the expansion of our smart-device business in China, it would be better to collaborate with local carriers rather than go it alone, but as of now there is nothing I can say on this topic either. That said, I hope that consumers in China in the future will be able to enjoy our games just like in other regions.</p>

Q5	Now that Nintendo Switch has been on sale for around a year, are there any issues and risk factors now that were not considered before the launch?
A5	<p>Takahashi:</p> <p>Nintendo Switch with its "anytime, anywhere, with anyone" concept is being used by people around the world in a variety of places, and all those various people are finding creative ways to facilitate their gameplay. In that sense, Nintendo Switch is being used in many unexpected ways, which is extremely pleasant for us. Up until now, there have been many alluring software titles for game enthusiasts. But the question going forward is how to convey the allure of Nintendo Switch to a wider range of age groups, regardless of gender. We introduced Nintendo Labo the other day as one way of addressing that issue. By creating an environment where parents and children can play together, and where children can play under adult supervision, we hope to gain even the interest of people like mothers. Going forward, I really want to convey the allure of Nintendo Switch to people in younger age groups and older age groups.</p> <p>Shiota:</p> <p>I also believe a major challenge will be to popularize Nintendo Switch among a broader consumer base. Consumers are utilizing the varied potential of Nintendo Switch and using the</p>

	<p>product in places and situations we never envisioned. From the standpoint of a Nintendo Switch hardware developer, I would love to continue with efforts to broaden the consumer base by leveraging the special features of Nintendo Switch to introduce new forms of play that integrate hardware and software, like the other day's announcement of Nintendo Labo. We want to invent ways to squeeze as much play as possible out of Nintendo Switch.</p> <p>Miyamoto:</p> <p>In terms of corporate activity, there are a variety of risk factors, but if we can popularize Nintendo Switch among a broader consumer base I think most of the problems will be resolved. The marketing strategy going forward is to instill a desire to purchase Nintendo Switch among a wide consumer base in all the regions of Japan, the US, and Europe. Our ultimate ambition is for a Nintendo Switch to be owned not just by every family, but by every single person. The biggest attraction of Nintendo Switch is that the console can be carried around and used easily for competitive gameplay via local wireless connection. If consumers come to take it for granted that everybody has a Nintendo Switch, then we can create new and very Nintendo genres of play, and Nintendo Switch can have a life apart from smart devices and other video game systems. Expanding the Nintendo Switch world this way is a means of eliminating risk.</p>
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Q6	<p>Mr. Miyamoto, can you talk about your involvement in the animated Super Mario movie? Is the objective merely a cross-media marketing effect, or do you want to try making a movie to express something you cannot express in games?</p>
A6	<p>Miyamoto:</p> <p>I've been considering an animated film for many years now. There has long been talk that Nintendo could make a movie because "making a game is like making a movie." But they are completely different to me. Interactive experiences are completely different from non-interactive media, and to make a movie I want a film expert to do the work. Thinking that way, I have talked with all sorts of different movie directors and producers, and eventually I was introduced to Illumination via Universal Parks & Resorts, with whom we are developing theme park attractions.</p> <p>As a producer, Chris Meledandri (Illumination's CEO) is noted here for movies like <i>Minions</i> and <i>Sing</i>, but he is a veteran with a ton of experience, including the movie <i>Ice Age</i> and stints at companies like 20th Century Fox Animation. When I talked with Chris, he said he had read a lot of interviews with me and felt we had a similar approach to creation. Talking about our similarities, we clicked and decided maybe we should do some kind of collaboration. We started our conversation over two years ago, and finally reached the stage where we could make an announcement. Chris is extremely cost-conscious and time-conscious in his quest to make successful movies. We decided to try making a movie together, and distributing the completed movie globally through Universal Pictures.</p> <p>We've talked together and share the feeling that if we can't make something interesting we'll just call it quits. But we've already met a number of times to hash out the screenplay, our talks together are progressing, and I hope to make an announcement once we've ironed out some things like the schedule.</p>

Q7	I'd like to clarify your policy on pricing. Prices in general have been rising over the past several years, making the Nintendo hardware and software seem like a relatively good value. Under the current circumstances, where consumers have trouble comprehending the reasonable price for products amid the changing commodity prices for digital equipment, the pricing policies of companies like Nintendo can become a yardstick. Can you reflect back on the prices set for released products and describe your general pricing policy for the future?
A7	<p>Kimishima:</p> <p>Nintendo develops products that integrate hardware and software with the goal of providing consumers with a fun experience. Because our central mission is to provide our consumers with a fun experience, it is important not only that a product look interesting, but that we consider the kinds of interesting experiences that people can have with the product. When you consider the hardware that can provide a certain experience, I expect people look at a Nintendo product and figure it is priced the way it is because it is a Nintendo product. But for us, because we are conducting a business, we do not want to sell the hardware at a loss. When we price hardware, we consider a price range that will not create a loss and which consumers will consider fair value and Nintendo-esque.</p> <p>The same goes for software, which we develop so our consumers can have fun. Whether in package form or download form, we are providing software that is fun to play, so it is important that the software contain content of value, and that the value of the content not vary even if the way it is provided changes. That same thinking forms the basis to our pricing decisions.</p> <p>Miyamoto:</p> <p>We are a company that treasures ideas, so we are always mindful of providing the highest possible value-added products.</p>

Q8	When I watched the announcement for Nintendo Labo, I got the feeling that Nintendo has not changed since Ultra Hand and remains a broad-minded organization open to new ideas. It is hard to imagine a product like Nintendo Labo being commercialized now if Nintendo Switch itself were not designed from the start with the idea that the remote controllers might be attached to materials like cardboard, so I wonder what the design concept was for the development of Joy-Con? Also, given the objective of broadening the Nintendo Switch user base, what effect do you expect from sales of software that support accessories like this? Finally, I'd like to ask Mr. Miyamoto how he thinks the Nintendo organization has changed when he looks at work like this from junior personnel.
A8	<p>Shiota:</p> <p>As was mentioned in the response to the first question today, Joy-Con was designed from the start of development as a device that could have a variety of uses besides being a game controller, including the possibility of attachment to something else for play. It became clear during development that despite its compact size, Joy-Con could pack a number of sensors, so we began thinking that something fun could be developed if we took advantage of the small size and performance of Joy-Con and set it in some kind of attachment. The design of Joy-Con was</p>

completed with that concept in mind. Hardware developers always keep the possibilities of various software titles in mind when they decide on the hardware specifications. But in our company, junior hardware developers talked directly with software developers, discussing the concept of fitting Joy-Con in some kind of attachment and all sorts of other crazy ideas while the hardware and software developers worked as one to decide on the specifications.

Takahashi:

In thinking about how we could best get as many people as possible using Nintendo Switch in all sorts of ways, we considered play using just the hardware and software, as well as play in combination with other things. An example of the former is *1-2-Switch*, released at the same time as Nintendo Switch and designed as an introduction to Nintendo Switch. This software was produced in parallel with the hardware to provide an experience of the many new kinds of play that the various features of Nintendo Switch make possible. An example of the latter is Nintendo Labo, which is a product that utilizes designs dreamed up as Nintendo Switch features during development. We will keep on thinking of ways to integrate hardware and software for both kinds of play, and I believe you will be pleasantly surprised.

Miyamoto:

In answering the first question, I mentioned my sense of reassurance with Nintendo's current personnel. But if you asked me what kinds of unique Nintendo products they should create, I would say that there are no clear-cut answers and that by accumulating experiences of success, they will find them by themselves.

We've had repeated discussions inside the company about how we can win approval from users for Nintendo's uniqueness as new video game systems are released featuring the latest technologies, but there are no clear-cut answers to that either. Wii is a much-talked-about example of Nintendo's experience of success, but the developers began to rethink their hardware design after receiving feedback from global users of *Wii Sports* and *Wii Fit*, saying things like the Wii Remote should have had different design features, or should have been small enough to attach to the leg. Because of that rethinking, our developers thought constructively about the advantages of miniaturizing the game controller, and when the technology advanced to give controllers greater functionality in a smaller size, it was not lost on them that here was an opportunity to create a console-type game system that could be carried around like a handheld video game system. That led to the development of Joy-Con, and to the concept of combining Joy-Con with cardboard constructs.

Nintendo Labo has only just been announced, but I expect this to become a series of products once it is released and enjoyed by many people. We will work to make Nintendo Labo a new experience of success for the company.

Q9	<p>Where do you place the Nintendo Switch business in the fiscal year ending March 2019 within the life cycle of the hardware? I imagine that other companies feel threatened by the way Nintendo Switch captured core gamers right from the launch, by the management prowess Nintendo displayed by releasing a succession of major titles, and by the fact that the video game system can be carried around. The user base may widen with the release of products like Nintendo Labo, but when you look at Wii, even though it captured casual gamers and its sales reached a stratospheric 25 million units in a single business year, its life cycle was not all that long. Assuming that the company considers it important that Nintendo Switch be a long-lived product, what do you see as critical during the coming business year, the second year for Nintendo Switch?</p>
A9	<p>Kimishima:</p> <p>Year two is critical in terms of how the Nintendo Switch business will expand going forward. Of course, I'm not suggesting that the first year was unimportant, but we launched the hardware last March, not during the holiday season, so we prepared a lineup of major titles, thinking our most important task was getting game fans and Nintendo fans quickly on board with Nintendo Switch.</p> <p>The main feature of Nintendo Switch is that it can be played "anytime, anywhere, with anyone," so our focus in the second year will be to continue to release numerous software titles that provide that experience and hammer home that concept and encourage consumers to discover their own ways of having fun. We will release a series of products, including some not announced today, and continue to create games like Nintendo Labo that people look forward to playing. Things do not always go according to design in the entertainment business, no matter how much you talk about plans, so let me just say that we want to continue to create new and interesting products, and I hope you will look forward in anticipation.</p> <p>Takahashi:</p> <p>We are nurturing junior developers inside the company (to continue to create interesting products). Our developers understand how important it is this year to create both products that are fun to more people and products that even game fans will find compelling to play. Behind the unceasing stream of Nintendo Switch software releases to date is an approach to development that concentrates on development, itself the fruit of efforts several years ago to integrate the software development teams, which has made it easier to organize teams. Another major factor is our approach inside Nintendo whereby not just the software, hardware, and system development teams, but also the manufacturing, global marketing, and sales teams join together now for closer discussions about "what can be developed when" and "what can be sold when."</p> <p>Miyamoto:</p> <p>When you think about what can be done with Nintendo Switch as a device that can be taken on the go and that every person has in their hands to play, you realize it has many features not available on any other hardware to date. Nintendo also has a system in place whereby the software developers focus on these hardware features in their development efforts for the continuation of the Nintendo Switch business. Up until now, the hardware lifecycle has trended</p>

	at around five or six years, but it would be very interesting if we could prolong that life cycle, and I think you should be looking forward to that.
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Q10	I'd like to talk about the direction of your long-term business strategy for broadening the gaming population. The market for games can be divided into the three segments of games for dedicated video game platforms, for smart devices, and for computer-based online gaming. Mr. Miyamoto earlier spoke of his ultimate ambition that a Nintendo Switch be owned by every single person. But do you think that the Nintendo Switch and smart-device businesses alone can sufficiently appeal to all three market segments? Nintendo Switch (a console-type game system that can be carried around) is very similar to a handheld game system, so do you intend to not release a successor to Nintendo 3DS, or do you plan to treat the handheld game system as a kid-friendly product coexisting with Nintendo Switch?
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A10	<p>Kimishima:</p> <p>Nintendo 3DS continues to sell, so for now we hope consumers will embrace it together with Nintendo Switch. But as for what transpires in the future, that is uncharted territory.</p> <p>Shiota:</p> <p>From a technology standpoint, home console game systems, handheld game systems, and a system like Nintendo Switch that is a dedicated video game platform with aspects of a handheld, all use different kinds of computers and memory. The required technologies differ, depending on whether the emphasis is on power consumption, performance, or a balance of the two.</p> <p>Regarding development, we have not yet decided which direction to steer towards, but we have a variety of possibilities under consideration. The technologies that would be required (for platform development) include some that could take an extremely long time to develop and are ever-evolving, so instead of narrowing down the technologies we are widening the search. Once we have decided on the direction for (future) platforms inside the company, we will quickly begin preparations to track the (key) technologies.</p>
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