

Q & A Summary

If you quote any or all of this Q&A, please display the URL of this website or put a link to this website.

Q1	I hope we can expect continuous and long-term growth, operational stability and maximized profitability from Nintendo under the leadership of the next management team. Although it appears as though Nintendo is expanding its business with a lot of loose connections with other companies, it would be an option for Nintendo to move toward the goal of becoming a sort of entertainment conglomerate in the future. Could you explain your thinking with regards to the diversification of the business?
A1	Tatsumi Kimishima (Representative Director and President): <p>Looking at Nintendo's history, this is a company that will be turning 130 next year, and it has been over 30 years since we started our hardware-software integrated video game business centered around Nintendo-developed software. Before that, Nintendo developed various kinds of entertainment-focused businesses, starting with hanafuda and karuta cards. Our rapid expansion into the video game business as technology advanced over 30 years ago is part of that history. In other words, what I want to say first is that Nintendo has always pursued the entertainment business, and has taken on any number of challenges while doing so. Looking to the future, we want to continue to develop and grow our hardware-software integrated video game business centered around Nintendo-developed software, and to seek out what kinds of things we can do in the entertainment business. I believe that by doing so, we can aim for the three points you identified: continuous and long-term growth, operational stability and maximized profitability. I think the new management team will inform you, the shareholders, about specific policies in the future.</p>

Q2	Do you have any plans for counteracting the sudden fall in share price? When share prices dropped in the past, Nintendo did not do anything in particular to address it. I would like to hear your thoughts on if Nintendo will continue this trend in light of the current decline in its share price.
A2	Kimishima: <p>It is my understanding that share prices are determined by the overall stock market conditions, and supply and demand and expectations for individual brands. I do not believe it is suitable for us to talk to shareholders about the appropriate price of Nintendo shares as that is for the market to decide based on their expectations of the Nintendo business. More important than taking action on the share price is clarifying our future business plans so that they can be evaluated in the market and, I assume, lead to the share price you expect.</p> <p>We talked about Nintendo's future business development at E3, which was held in Los Angeles this month (June 12-14). I would like Takahashi to describe the excitement he witnessed at E3 and for the anticipation surrounding the future of Nintendo's business.</p> Shinya Takahashi (Director, Managing Executive Officer): <p>There were about 69,000 people in attendance at E3 this year, which is reportedly the largest turnout since 2005. Nintendo's showing was focused on <i>Super Smash Bros. Ultimate</i> and <i>Pokémon: Let's Go, Pikachu!/Let's Go, Eevee!</i></p> <p>A huge number of visitors enjoyed playing the <i>Super Smash Bros. Ultimate</i> demo until the very last day. Regarding titles from software publishers, consumers were ecstatic to see <i>Fortnite</i> playable on Nintendo</p>

	<p>Switch after gaining enormous popularity on other platforms. We also held the <i>Splatoon 2</i> World Championship and <i>Super Smash Bros. Ultimate</i> Invitational at a separate hall from the main venue on the day before and first day of the E3 show. There was tremendous excitement there, and we could really feel the support coming from our most ardent fans. We could see that consumers were enjoying these software titles that will be released soon.</p> <p>Kimishima:</p> <p>The Nintendo Switch business that we have been focusing on has also gained momentum since E3. And consumers have shown support for <i>Mario Tennis Aces</i>, which was released on June 22. We hope that our efforts spread to many consumers in this way so that they lead to a better evaluation of our business and an improved corporate value.</p>
--	---

<p>Q3</p>	<p>You set a goal of selling 20 million hardware units and 100 million software units for Nintendo Switch for the fiscal year ending in March 2019. How does the current situation compare to your estimates? Additionally, one reason given for the recent drop in share price is the report that <i>Nintendo Labo</i> has been selling poorly. Could you share your thoughts on this?</p>
<p>A3</p>	<p>Kimishima:</p> <p>Our sales targets for Nintendo Switch hardware and software during this fiscal year will not be an easy challenge to meet, but we are putting all of our efforts into doing just that. If you look at our software lineup for the fiscal year that we showed at E3, you can see a relative trend that the titles that resonate most with consumers are concentrated toward the latter half. That is why I think the way Nintendo Switch hardware sells during this fiscal year will be slightly different from in the last. A simple comparison of hardware units sold during the first quarter of this fiscal year might not look as good as the units sold during this period in the prior fiscal year. However, this is something we expected, so this shift is well within expectations when looking at our software lineup for the entire fiscal year.</p> <p>And on the topic of <i>Nintendo Labo</i>, we are grateful for the tremendous response we have received from all kinds of places even prior to its launch. On the other hand, I see it as characteristically different from the titles we have released up until now and, therefore, the sales route and the flow until it reaches consumers also differs from other games. We anticipate that parents will purchase it for their children, for example, which potentially requires an opportunity to make a purchase like a birthday, Christmas or summer break. That is why we are currently focused on making sure that consumers fully understand the appeal of the product. What that means is the way we are selling <i>Nintendo Labo</i> is not like traditional games, where they sell well upon initial release and then sales numbers gradually decrease. Instead, we hope <i>Nintendo Labo</i> becomes a topic of interest for all kinds of people, and when an increased number of people want it and a certain time comes to make purchases, they will all buy it. Furthermore, regarding sales channels, we do not necessarily think that the types of retailers who generally sell a lot of games are always the most well-suited for selling <i>Nintendo Labo</i>, which is something we are keenly aware of when working to promote the product.</p>

Q4	Crossplay with other platforms on the Nintendo Switch versions of games such as <i>Fortnite</i> and <i>Minecraft</i> has been a point of appeal. Could you talk about the relationships between Nintendo and other publishers, and your initiatives for multi-platform titles?
A4	<p>Kimishima:</p> <p>I will have to refrain from commenting directly about (crossplay in) <i>Fortnite</i> and <i>Minecraft</i> because those are not Nintendo titles. But I will say that our fundamental way of thinking about offering Nintendo titles on other platforms remains unchanged.</p> <p>Susumu Tanaka (Senior Executive Officer):</p> <p>Crossplay basically comes about from conversations between publishers and platform holders. We are inclined to do what we can to help publishers incorporate crossplay when that is what they want. The other parties involved also have a say in whether we are able to reach this outcome or not, so we will continue to discuss it with them.</p>

Q5	The semiconductor market has been very active lately, leading to outcries from other industries over component shortages and price increases. Things have calmed down a bit compared to the period between last year and the end of the year before that, but it seems like supplies of flash memory and passive components will still be fairly tight. I would like to hear what you think about the effects this will have on Nintendo Switch production and packaged software, as well as about how these prices will affect sales, and what you will do to counteract it.
A5	<p>Kimishima:</p> <p>We are planning to sell 20 million Nintendo Switch hardware units during this fiscal year, and are not having any problems securing the production quantities to do so. As you said, component prices are volatile, but we are negotiating so that we can avoid this having a significant impact on the cost of producing these 20 million units.</p> <p>Hirokazu Shinshi (Senior Executive Officer):</p> <p>It was a tough environment last year, and it was not easy to procure parts, such as memory and passive components, but I think that manufacturers were exceptionally willing to cooperate with us because of the momentum of our product, Nintendo Switch, and because we shared with many of them our vision. Not only last year, but from several years ago we have seen rather tough situations come and go with regards to memory, so we have spent a lot of time communicating with manufacturers, and continue to negotiate on factors such as prices and lead times. This year is turning out to be another tough one, and that may well continue into next year, so we will continue our conversations with them to make sure we are getting adequate supply at a price that is as close to what we are looking for as possible. As for production quantities during this fiscal year, I believe we can have the units ready to meet our forecasts.</p>

Q6	<p>Do you foresee a synergy between Nintendo attractions under development in Universal Studios Japan with any products you have out for sale now? I am fearful that visitors might be satisfied with these attractions alone, and so sales of Nintendo products might fall, so I am curious what kind of outlook you have based your decisions on.</p>
A6	<p>Kimishima:</p> <p>This is part of our initiative to expand the population who has access to Nintendo IP, and to attract an increasing number of consumers to our hardware-software integrated video game business centered around software.</p> <p>Shigeru Miyamoto (Representative Director, Fellow):</p> <p>Our plan for the theme park business is to start by opening our SUPER NINTENDO WORLD area within Universal Studios Japan before the Tokyo Olympics, and then expand to Universal Studios in Hollywood and Orlando.</p> <p>Proposing ideas such as this in the broader field of entertainment is part of what makes Nintendo unique, and I believe that generating new value is a company directive for Nintendo. Earlier the question was raised if we are planning to pivot into becoming a sort of giant, profit-seeking conglomerate organization, but we would rather grow profits as a result of continually challenging ourselves to generate new value rather than investing capital to expand our business. We have licensed Nintendo IP and are working together with Universal Parks & Resorts and Universal Studios Japan on this collaborated project. We are also discussing a variety of other developments that would make active use of our IP.</p> <p>To address the concerns behind this question, I think that we can expect to see synergies. A lot of people who are mothers and fathers today are from a generation that grew up playing Super Mario, and they are now playing products like <i>Nintendo Labo</i> together with their own children. There are a lot of families like this not just in Japan, but also around the world. When such families visit these theme parks to experience Nintendo's worlds that have been carefully crafted and to interact with our characters, I think we can expect to see synergy with our dedicated video game platform business.</p>

Q7	<p>Indie games have become a hot topic recently. As games made by small-scale developers around the world with relatively low development costs, how will Nintendo integrate these kinds of games into its future business strategy?</p>
A7	<p>Kimishima:</p> <p>Offering enjoyable first-party games throughout the world will continue to be one of our strengths, but increasing the number of people who make games to be played on Nintendo platforms is also very important for growing our business. That is why we are working to create an environment that makes development easier, and simplifying the process of publishing games on Nintendo Switch. This has resulted in a large number of people playing an array of indie games on Nintendo Switch.</p> <p>Takahashi:</p> <p>During development on Nintendo Switch, creating a development environment where it would be easy to create games was one of our top priorities. One of the good things to come from this is the large number of indie games, especially in Europe and North America. We do not think of indie games as competition for the large-scale games we develop ourselves. Rather, I think these indie games are what really invigorate</p>

	<p>Nintendo Switch overall.</p> <p>Tanaka:</p> <p>We started working with indie developers during the Wii U generation. For Nintendo Switch, we set up a development environment that supports Unity middleware, which is used on smartphones and other platforms. We are also actively engaging with indie developers at video game-focused shows and other events in different regions. We also had a Nintendo booth at the BitSummit indie game event held in Kyoto, where we showcased some games. Some of the indie games already released have gone on to become million sellers worldwide. In the future, <u>we anticipate around 20 to 30 indie games on Nintendo Switch to be released weekly</u>, and we definitely expect to see some great games among them.</p> <p>Note: The underlined section has been revised to more accurately reflect the original Japanese comment.</p> <p>Kimishima:</p> <p>We are currently working towards reaching 1,500 software titles developed for Nintendo platforms using Unity. I think that will give you an idea of how much it has grown.</p>
--	---

<p>Q8</p>	<p>Regarding Nintendo Switch Online being a paid service. There are still only a few titles for Nintendo Switch that are primarily played online. I assume that online play becoming a paid service will have an adverse effect on the number of users in games like <i>Splatoon 2</i>, so could you explain the factors that went into your decision to monetize online features?</p>
<p>A8</p>	<p>Kimishima:</p> <p>Nintendo Switch Online will allow individual users to participate in competitive and cooperative online play for 300 yen for one month and 2,400 yen for one year. They will also be able to use a smart-device application in which you can meet up with your friends in the online lounge and use voice chat during online play, play their favorite NES games online, and back up their save data so they will be ready in case anything happens to it. We want to further improve the content for services, such as those you mentioned, to make it worth paying for.</p>

<p>Q9</p>	<p>I would like to ask about your methods for increasing revenue in the smart-device business. I believe you mentioned at last year's general shareholders meeting that <i>Fire Emblem Heroes</i> did more to increase revenue than <i>Super Mario Run</i> did. Will applications released from now on likewise make use of "gacha"? What are your thoughts, ethically and morally, on making "gacha" a pillar of revenue?</p>
<p>A9</p>	<p>Kimishima:</p> <p>When deciding how to charge for a smart-device application, we consider each one individually based on factors like the mechanics of the game, the characteristics of the IP it uses, who we think the consumers will be, their needs, and so on. With <i>Fire Emblem Heroes</i>, there are many passionate fans of the series, which is especially popular among consumers in their 20s and 30s. So we set the target age to 13 and older, then aimed for a format that would allow consumers to have a deep enjoyment of the game according to their individual play styles. The way we charge for the game is through the purchase of in-game items called Orbs. Orbs are used in a kind of lottery system that randomly determines which character the user will obtain. That said, we clearly indicate the probabilities for obtaining each character within the game, and we employ a mechanic that prevents consumers from spending very high amounts.</p>

With regards to the smart-device business, we are pursuing several goals, one of which is increasing the opportunities for consumers all over the world to come into contact with Nintendo IP. *Super Mario Run* has already been downloaded by over 200 million people worldwide, making it an incredibly important application from the perspective of reaching consumers. Another one of our goals is for this to have a synergistic effect on our integrated hardware and software business. With these sorts of goals, we want to offer applications that meet consumer demands while pursuing payment methods which consumers find to be fair so that this can grow to be a pillar of our business.

Q10	What are your thoughts on the sale of Nintendo Switch in the Chinese market? China is considered a large and extremely important market, so could you share your future outlook?
A10	<p>Kimishima:</p> <p>The video game console business opened up in mainland China in July 2015, but the regulations on network businesses and software publishing are still in place. I hear that a large number of people would like to play Nintendo software, and I understand that this is an attractive market, but given the circumstances, we are still at the stage where we are looking into the best ideas to do business in China. We want to give serious thought to how we can expand our business and provide the enjoyable games that Nintendo makes to these many consumers.</p>

Q11	Music from the Kirby game, <i>Kirby: Planet Robobot</i>, was recently released on iTunes. Are you planning to release any other soundtracks that are currently difficult to find and therefore carry a premium price? While the creation of new things is obviously important, I would also like to see you make better use of your IP and develop a business using some of your past work, including game music. Personally, I am looking forward to a Kirby animated series.
A11	<p>Takahashi:</p> <p>Under our policy of making more active use of Nintendo IP, including game music, we are discussing a variety of developments. However, we are not able to make all content available due to various factors and circumstances. I hope you will understand that it is difficult to explain on this occasion what we can and cannot do.</p> <p>Miyamoto:</p> <p>Nintendo has taken another look at the content we own, especially since video games have been made more widely available for play on smart devices. Game music is one of the pillars of our content, so we released on iTunes some songs from <i>Super Mario Odyssey</i>, for example, for everyone to listen to.</p> <p>Regarding the topic of animation, which you mentioned, we are currently producing a film with Illumination, the studio behind Minions, the Despicable Me series, plus the recent films, Sing and The Secret Life of Pets. The producer on this project (Chris Meledandri) and I were introduced each other by our Universal Parks & Resorts connections. As we continued our discussions, I realized that our companies are very similar in how we think and create, so we agreed to create an animated film that uses Mario. Regarding future IP utilization, rather than simply licensing our IP to others, we are working on several initiatives to be a content owner, just like we are doing with this film production, and expand the usage of our IP to build a new axis of our business. I hope you will look forward to these initiatives.</p>

Q12	Management viewed E3 very favorably, but the share price fell by approximately 5,000 yen during two of those days. All of the key titles for this fiscal year are going to be released from the fall through the holiday season, so I am wondering if it is not possible to release attractive software continuously?
A12	<p>Kimishima:</p> <p>We have been putting forth our best effort to be ready to release information to consumers at the appropriate time. We are not yet at the point where we can announce our entire product lineup, including the products that will be released during the holiday season. We are aiming to sell 20 million units during this fiscal year, the second year since the launch of Nintendo Switch, and have released first-party titles like <i>Nintendo Labo</i> in April, <i>Donkey Kong Country: Tropical Freeze</i> in May and <i>Mario Tennis Aces</i> on June 22. And then for the holiday season, we are planning to release <i>Super Mario Party</i> on October 5, <i>Pokémon: Let's Go, Pikachu!/Let's Go, Eevee!</i> on November 16, and <i>Super Smash Bros. Ultimate</i> on December 7. We plan to use this robust lineup, including popular titles that were already released prior to the last fiscal year, to maintain and increase the momentum we have with Nintendo Switch for the holiday season, which is the most significant period for sales. We will communicate more detailed information to consumers at a later date.</p>

Q13	For several years, there has been a company operating public road go-karts in Tokyo, which has damaged the image of Mario as they raced around the streets. We heard that Nintendo sued the company and lost the first trial. Is this true?
A13	<p>Kimishima:</p> <p>The lawsuit that we brought against MariCAR Inc. is still ongoing, and a court decision has not yet been made. Although we submitted a complaint to the Japan Patent Office regarding the MariCAR trademark held by MariCAR Inc., the decision was made that they could keep the MariCAR trademark. We are aware of some articles online that have mistaken this decision for Nintendo having lost the case. We cannot provide details of matters subject to court proceedings, but we will continue to fight to protect our intellectual property through the courts. There were reports of accidents involving public road go-karts, so we are making every effort to deal with this issue from that perspective as well.</p>

Q14	How are you planning to spread awareness about Nintendo Switch Online becoming a paid-service? Will you do something using existing titles? Or do you have something planned in Nintendo Switch Online itself? Please explain to whatever extent you are able to share.
A14	Takahashi: We should be able to give you a little more information as we get closer to the official launch in September. Our aim is to provide consumers with variety of ways to play and the ability to use the system in a more convenient way. I will have to ask for your patience until we are ready to discuss any further details.