

## Q&A Summary

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<b>Q1</b>	<b>The strength of Nintendo Switch is the many Nintendo titles to be enjoyed, but it also has a weakness in that you cannot play some AAA titles from other major software publishers. Some of those titles do get ported to Nintendo Switch after a while, but as other companies launch their next-generation game systems next year and beyond, and open a performance gap with Nintendo Switch, won't it become even more difficult to port such games?</b>
<b>A1</b>	<b>Shuntaro Furukawa (Representative Director and President):</b> <p>We consider our hardware installed base to be a particularly important factor for publishers who are deciding whether to release software on our platforms. Therefore, we believe that our primary focus is to increase the hardware install base, generate momentum, and create an environment where publishers can supply their titles with confidence.</p> <p>Depending on their circumstances, every software publisher needs something different from our hardware for their business, so we need to maintain an environment in which we can closely communicate with each of these companies. We currently offer a user-friendly development environment meant to lower the barriers to developing games for our platforms, with support for a number of versatile game engines that are already familiar to many developers. These game engines are being actively used not only by indie game developers but also by development teams at large to mid-size software publishers, so you can expect announcements for a variety of quality titles moving forward.</p>

<b>Q2</b>	<b>I often watch tournaments for games like <i>Super Smash Bros. Ultimate</i> and <i>Splatoon 2</i>. I heard that one video-sharing website recently showed onscreen user comments that made fun of contestants, and that the contestants expressed discomfort with that. In some tournaments, inappropriate comments are deleted, but does Nintendo do anything about this?</b>
<b>A2</b>	<b>Furukawa:</b> <p>I prefer not to comment on the details of how we deal with specific situations, but we will continue working to make our game tournaments even more appealing to everyone. Those efforts include addressing the matter that you brought up.</p>

<b>Q3</b>	<b>With regards to the status of Nintendo Switch sales, my impression is that during the Wii era, unit sales dropped off steeply after reaching their peak. Do you see this same pattern happening with Switch?</b>
<b>A3</b>	<b>Furukawa:</b> <p>Nintendo Switch sales trended favorably in all regions during the previous term (the fiscal year ended March 2019), with hardware sales of 16.95 million units and software sales of 118.55 million copies, exceeding the results posted for the year ended March 2018. Last year saw the release of many new titles that proved to be big hits, including <i>Super Mario Party</i> in October, <i>Pokémon: Let's Go, Pikachu!/Let's Go, Eevee!</i> in November, and <i>Super Smash Bros. Ultimate</i> in December. Combined</p>

with the continued sales of previously released titles like *Mario Kart 8 Deluxe* and *Super Mario Odyssey*, these titles all contributed to steady hardware sales. In fact, the pace at which the Nintendo Switch installed base is growing is accelerating, and the business is proceeding soundly. With the planned software lineup we recently announced at E3 in the US, I believe the situation supports our expectation of further growth. We want the Nintendo Switch business to continue for as long as possible, and to this end, we will not only release a continuous stream of exciting titles, but also work to enhance our digital content and network services like Nintendo Switch Online. By continuing to challenge the boundaries of what can be done with Nintendo Switch in different ways than the Wii, we hope to maintain sales over a long lifecycle.

**Shinya Takahashi (Director, Senior Managing Executive Officer):**

E3 was held in Los Angeles for three days starting June 11. Prior to E3, we hosted tournaments for *Super Mario Maker 2*, *Splatoon 2*, and *Super Smash Bros. Ultimate*. We showed three main titles at this year's E3: *Pokémon Sword* and *Pokémon Shield*, *Luigi's Mansion 3*, and *The Legend of Zelda: Link's Awakening*, and other software publishers exhibited a number of titles in addition to these. *Pokémon Sword* and *Pokémon Shield* and *Luigi's Mansion 3* were exhibited like theme park attractions, and in the case of *Luigi's Mansion 3*, people could not see anything from outside of the display booth. Entering it was like stepping into a re-creation of the game world, which everyone loved. Our booth was a very exciting place and everyone was just as enthusiastic as in other years.

<b>Q4</b>	<p><b>There is an impression that Nintendo has been a little slow to join large global trends like the mobile business and releasing games that use VR. The current global discussion now is of the entrance of major corporations into cloud computing and streaming games, as well as alliances between rivals in the arena of cloud gaming. What are Nintendo's thoughts on these trends, and how do you plan to respond? Also, how does Nintendo plan to respond to the change in communications standards from 4G to 5G?</b></p>
<b>A4</b>	<p><b>Furukawa:</b></p> <p>While we don't expect all games to become cloud games any time soon, the technologies are definitely advancing. We see a future where cloud and streaming technologies will develop more and more as a means of delivering games to consumers. We must keep up with such changes in the environment. That being said, if these changes increase the worldwide gaming population, that will just give us more opportunities with our integrated hardware and software development approach to reach people worldwide with the unique entertainment that Nintendo can provide.</p> <p><b>Shigeru Miyamoto (Representative Director, Fellow):</b></p> <p>We have not fallen behind with either VR or network services. We worked on them from the very beginning, and have been experimenting with them in a variety of ways. In that time, we have objectively evaluated whether they actually allow our consumers to have an enjoyable play experience, and whether we can operate them at an appropriate cost. Because we don't publicize this until we release a product, it may look like we're falling behind. In regards to VR, we think that we have created a product that is easy for our consumers to use in the recently released <i>Nintendo Labo Toy-Con 04: VR Kit</i>. Nintendo consumers encompass a wide range of ages, including young</p>

	<p>children, so we will continue to create and announce products that can be enjoyed by anyone.</p> <p>I think that cloud gaming will become more widespread in the future, but I have no doubt that there will continue to be games that are fun <i>because</i> they are running locally and not on the cloud. We believe it is important to continue to use these diverse technical environments to make unique entertainment that could only have been made by Nintendo. The number of people coming into contact with digital devices is increasing more dramatically than ever before. For example, <i>Super Mario Run</i> has surpassed 300 million downloads. The fact that we've reached such a market means that opportunities for us are greatly expanding, so we would like to work on more and more unique projects.</p> <p><b>Ko Shiota (Director, Senior Executive Officer):</b></p> <p>5G can send a large amount of data without latency. We are aware that this technology has been gaining a lot of attention, and Nintendo is also investigating it. However, we don't only chase trends in technology. When considering what to offer in our entertainment and services, we think about both how the technology will be applied to gameplay and what new experiences and gameplay we can offer consumers as a result of that application. Cost is also an extremely important factor when it comes to 5G. It's difficult to use even an outstanding technology if the cost is too high, so we will continue to also thoroughly investigate the cost of new technologies.</p>
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<b>Q5</b>	<b>Currently, some game companies have developed a subscription-based business model, but Nintendo is lagging behind other companies in this regard. How will this business model be employed in the future?</b>
<b>A5</b>	<p><b>Furukawa:</b></p> <p>Subscription-based services are becoming common in all sorts of industries, not just the games industry. Those sorts of services have already been implemented within the game industry and it was even a popular topic of conversation at this year's E3. Nintendo, also, offers the Nintendo Entertainment System (NES) Nintendo Switch Online service, which allows members of Nintendo Switch Online (a subscription-based service) to play NES games. We believe that we need to further enrich these sorts of services in the future. Nintendo's policy is that we will consider whether each product we offer is suited to a subscription model as we expand our business in the future.</p>

<b>Q6</b>	<b>In April, the news broke that Nintendo would be entering the Chinese market. It is not easy for foreign-owned companies to do business in China. What are your thoughts?</b>
<b>A6</b>	<p><b>Furukawa:</b></p> <p>As we announced in an April press release, we are working together with the Chinese company Tencent Holdings Limited to release Nintendo Switch in China. Tencent holds one of the largest positions in China's network communication and game marketplaces. We believe that by working with Tencent, we can maximize the Nintendo Switch business in China. Details such as the exact release date of Nintendo Switch in China have not yet been determined. We will provide more information as soon as we can.</p>

<b>Q7</b>	<b>Thirty years have passed since <i>Famicom Tantei Club</i> (<i>Famicom Detective Club</i>; direct translation of the Japanese title) was released in Japan for the Family Computer Disk System, and its excellent production and script still resonate with people today. I would like Nintendo to be constantly creating long-form games like this. Is the current Nintendo still capable of creating games in this sort of "adventure game" genre? Please tell us about the development framework for each game genre, and about your communication with international developers.</b>
<b>A7</b>	<p><b>Takahashi:</b></p> <p>Nintendo's software development system is made up of several thousand people around the world, if we include both our internal developers and the second-party creators who assist us with software development. So, all kinds of games are being made by all sorts of producers. Each producer is a specialist in some fields and not in others, but there are also times when they don't just stick to their specialization and challenge themselves as a team to try and create titles in genres outside of their specialties. We would like our diverse development teams to create in any genre of game. We plan to continuously challenge ourselves to create new IP, while also valuing the IP we have created up to now.</p> <p>Additionally, our development staff includes many people from other countries who can speak Japanese, as well as many bilinguals. We also sometimes use interpreters. When we are communicating face-to-face, we use Japanese or English. This is true for all of Nintendo, not just in software development.</p> <p><b>Miyamoto:</b></p> <p>Thank you for such an encouraging question. We, too, want to create titles we can still be proud of after 10 years. We're sometimes accused of working only within established series, but many of those series have been going for 30 years and are now part of our brand. We also want to create new titles that will become the first of a new series, and we are always working hard toward that.</p> <p>As for adventure games, I've made a lot of them, starting back with <i>Famicom Mukashibanashi: Shin Onigashima</i> (<i>Famicom Tales: New Demon Island</i>; direct translation of the Japanese title), but the environment for production is more demanding these days. Games today are localized in 10 or more languages, so the cost of localizing the voicing and script for an adventure game (which generally has a great deal of text) is enormous. Plus, compared to an older gamer like me, I feel that younger gamers tend to have less of an interest in that genre. That said, adventure game mechanics are still fun, and Capcom's <i>Ace Attorney</i> series and Level-5's <i>Professor Layton</i> series make good use of them. So, I don't give up hope yet, but please understand that it's challenging to actively make them for the mainstream market.</p> <p>Our collaboration outside of Japan is 30 years strong, and we have staff who specialize in communicating with developers in other countries. I too often work with companies in other countries. The new <i>Luigi's Mansion 3</i> was also developed with a company outside of Japan (Next Level Games Inc.). Over the years, we have built a global software development framework. I have felt Nintendo becoming more global in recent years. The number of people from outside of Japan working at Nintendo's headquarters has increased considerably, and we get to know each other over lunch and so on.</p>

<b>Q8</b>	<b>There are rumors of a new Nintendo Switch form factor, but is one actually being developed?</b>
<b>A8</b>	<p><b>Furukawa:</b></p> <p>While we are aware there has been coverage to that effect, we cannot comment in regards to speculation and rumors about new hardware or software. It would spoil the surprise for consumers and is against the interests of our shareholders, so we are withholding any discussion. We are constantly developing new hardware and new software. We'll let you know as soon as anything is ready to be announced.</p>

<b>Q9</b>	<b>There hasn't been any coverage for a while of the QOL business announced earlier. Is it related at all to The Pokémon Company's <i>Pokémon Sleep</i>, which was announced the other day? I'd like to hear more about the future direction for the QOL business.</b>
<b>A9</b>	<p><b>Furukawa:</b></p> <p>It was a while ago, but as a challenge to ourselves to expand the business in new areas, we announced an initiative to develop products that would improve the quality of life (QOL) for consumers in fun ways. Research and development on the theme of QOL is still underway, but we do not currently have anything that is ready to be presented to consumers as a Nintendo product. QOL is a theme we will continue to research and develop on.</p> <p><i>Pokémon Sleep</i>, announced by The Pokémon Company, and the Pokémon GO Plus + peripheral that we are developing are unrelated to our QOL initiatives.</p>

<b>Q10</b>	<b>I'd like to know more about Nintendo maintaining an environment that allows titles released on previous platforms, particularly Nintendo 64 and Nintendo GameCube, to be played. Can we look forward to the gradual development of environments and services for playing titles released on previous platforms, via Nintendo Switch Online or other services? Or would it be difficult to quickly provide such online services due to technical and cost considerations?</b>
<b>A10</b>	<p><b>Furukawa:</b></p> <p>We cannot provide any new information about how or in what form software developed for past platforms will be delivered to consumers in the future, but we are currently offering Nintendo Entertainment System titles as part of the Nintendo Switch Online service. This is just one of a variety of forms in which consumers could play past titles, and we'd like to deliver them in some form. We are very aware that many of our consumers have been asking for a way to play older titles like this.</p>

<b>Q11</b>	<b>The entertainment industry has recently begun recognizing the need for sensitivity regarding depictions in content. I've heard talk that another platform is applying its own own restrictions on content, and not just the age ratings provided by third-party organizations like CERO and ESRB. What kind of initiatives is Nintendo taking to address this issue for titles released for its platforms?</b>
<b>A11</b>	<p><b>Furukawa:</b></p> <p>For titles released for our hardware, we want consumers to use the objective information provided in the age ratings of third-party organizations to understand the title's content and target</p>

age. As we operate a platform, we believe that arbitrarily approving or not approving software for sale will hinder game software diversity and fairness.

Also, parental controls are built into our platforms, and parents can set a PIN to prevent the display of content inappropriate for children.

<b>Q12</b>	<p><b>When software publishers do business on Nintendo platforms, my understanding is that sales for packaged software manufactured by Nintendo and sold to the software publishers are recorded based on gross sales.</b></p> <p><b>On the other hand, for digital sales, there have been a variety of arguments about whether sales should be recorded as gross or net (equivalent to commissions) following the release of the <i>Accounting Standard for Revenue Recognition</i> in March 2018. How does Nintendo record sales for the titles of software publishers sold on Nintendo eShop?</b></p>
<b>A12</b>	<p><b>Furukawa:</b></p> <p>For digital sales of the software from software publishers, Nintendo has recorded commissions (i.e. net sales) as our sales.</p>

<b>Q13</b>	<p><b>Looking at this year's E3, it seems like the mainstream for video games is the same as it has been for the past 30 years, namely, looking at the screen and playing with controller in hand. How do developers regard this, and do they think it will continue?</b></p>
<b>A13</b>	<p><b>Takahashi:</b></p> <p>We are always dreaming up new things. For example, for <i>1-2-Switch</i>, the first game released for Nintendo Switch, we suggested that people play by looking at each other and not at the screen. And for VR, we thought about how we could change not just the controller but also the gameplay itself, and came up with the <i>Nintendo Labo Toy-Con 04: VR Kit</i>. The software exhibited at this year's E3 just happened to be mostly the type that is played with controller in hand, looking at the screen. However, I think you can see from the software we've created that we are always trying out new ideas.</p> <p><b>Miyamoto:</b></p> <p>Nintendo was the first to create the style of playing video games with a plus-shaped directional pad and additional buttons, which has now become the industry standard. It was also Nintendo that changed the original plus-shaped directional pad, which operated digitally in eight directions, into the first analog input device that moves freely in all directions for Nintendo 64. This, too, is now common. We are proud to have created a variety of user interfaces that have now become industry standards.</p> <p>And, as of now, in terms of accuracy and reliability, I believe this style is the clear winner.</p> <p>At the same time, I also believe that we should quickly graduate from the current controller, and we are attempting all kinds of things. Our objective is to achieve an interface that surpasses the current controller, where what the player does is directly reflected on the screen, and the user can clearly feel the result. This has not been achieved yet. We have tried all kinds of motion controllers, but none seem to work for all people. As the company that knows the most about controllers, we have been striving to create a controller that can be used with ease, and that will become the</p>

	<p>standard for the next generation.</p> <p><b>Shiota:</b></p> <p>The hardware development team is also taking on this challenge related to controllers, but from all the devices born from this effort, only a handful will reach the consumer as products. We will only release a product into the world if it can be successfully used to control software well. We have not yet invented an all-purpose controller that is unlike any of the current devices. Then again, the conventional controller has slowly evolved from the traditional setup of a plus-shaped directional pad with A and B buttons. For example, when you take aim in <i>Splatoon</i>, the action may seem conventional, but the motion sensor gives a wonderful feel to the operation. So even if things may look the same, we are steadily embedding new technologies and finding good ways to use them. One of Nintendo's strengths is that we do not just think about hardware, but are constantly thinking about it in conjunction with software. We will continue to put in our best efforts in this area.</p>
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<b>Q14</b>	<p><b>In the litigation against MariCAR Inc. (now called: Mari Mobility Development Inc.), I heard that Nintendo's claims were accepted in the interlocutory (interim) judgment of the Intellectual Property High Court on May 30, 2019. However, vehicles resembling those in Mario Kart are still on public roads in Osaka. If there is a traffic accident, I think it may damage the company's reputation. How do you intend to proceed with the litigation?</b></p>
<b>A14</b>	<p><b>Shigeyuki Takahashi (Senior Executive Officer):</b></p> <p>As you know, such karts can be found in use on public roads in Tokyo, Osaka, and even Kyoto. (Unauthorized use of our company's intellectual property for such public road kart services) is very unwelcome to us, and we are also concerned about the risk of accidents. We have filed a suit against this company (formerly called MariCAR Inc.), seeking injunctions on the use of the name "MariCAR" and rental costumes that evoke characters like Mario. So far, our company's claims have been favorably accepted in the interlocutory judgment.</p> <p>It is up to the authorities to decide whether such karts are allowed to run on public roads. Nintendo, as a private company, is not in a position to decide that. However, we are concerned about the danger of driving karts on public roads, and we have emphasized that in court. The Ministry of Land, Infrastructure, Transport and Tourism is apparently revising the safety standards of karts on public roads. We are hoping that this takes effect in the near future to improve this situation.</p> <p>The matter is still ongoing and we will continue to proceed with the litigation to protect our intellectual property.</p>

<b>Q15</b>	<p><b>(In the E3 video shown at the shareholders meeting,) I was envious that US fans could watch the E3 announcements from the New York Nintendo Store and be part of the excitement. I heard that a Nintendo Store will be built in Tokyo. Do you have plans for similar events?</b></p>
<b>A15</b>	<p><b>Satoru Shibata (Director, Senior Executive Officer):</b></p> <p>PARCO CO., LTD. will open the SHIBUYA PARCO in November of this year. It is there that we will open the first-ever Nintendo store in Japan, called Nintendo TOKYO. At Nintendo TOKYO, we will sell our normal hardware, software, and accessories, and also character goods carrying Nintendo</p>

	<p>IP. We plan to actively host events similar to the one held at Nintendo NEW YORK. We want to make this a new location from which Nintendo information is spread throughout Japan and we plan to host various events there. The Pokémon Company will also be opening their Pokémon Center Shibuya in SHIBUYA PARCO at the same time. We will work to create our store so consumers can enjoy synergy with theirs.</p>
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<b>Q16</b>	<p><b>A chance always exists that another company might initiate a hostile takeover of Nintendo because they want your intellectual property. Could you let us know if you have any policies or guidelines to defend against this type of acquisition?</b></p>
<b>A16</b>	<p><b>Furukawa:</b></p> <p>We have not adopted what are generally called anti-takeover measures. However, in the case that we face a hostile takeover that would damage the value of the company or the common interest of the company's shareholders, we do have systems in place, both within the company and in connection with outside experts for such an occurrence, to take all legal and appropriate steps against it even if we have not proactively put preventive measures in place. Going forward, we will continue to investigate how we would respond to a hostile takeover.</p>

<b>Q17</b>	<p><b>Some major corporations have announced new developments in the video game business this year. It looks like Nintendo will be facing off as a rival with these types of corporations. At the same time, collaborations are also a possibility. Could you tell us about any policies or guidelines you may have regarding competition or collaboration with other companies? Do you have any new information to announce about existing partnerships?</b></p>
<b>A17</b>	<p><b>Furukawa:</b></p> <p>We consider it to be a very good thing that so many companies are entering the games business and that the industry is thriving. In this environment, we believe that the most important factor in overcoming stiff competition is to create value in our products that is unique to Nintendo.</p> <p>Regarding collaborations, our basic stance is that we do not intend to actively pursue large-scale collaborations. We will, however, actively consider partnerships that would increase the value of Nintendo IP, such as our game characters and worlds.</p> <p>Many of our existing collaborations with other companies are related to smart-device applications. In the near future, we plan to work together with LINE Corporation to release the <i>Dr. Mario World</i> application on July 10. We are also working with DeNA Co., Ltd. on the development of <i>Mario Kart Tour</i>, to be released this summer.</p>

<b>Q18</b>	<p><b>Please tell us about Nintendo's policy for preserving materials related to the history and culture of video games. I believe it is necessary to preserve these materials to protect the value of Nintendo's IP as well, and that it is a major part of Nintendo's social responsibility as a business.</b></p>
<b>A18</b>	<p><b>Furukawa:</b></p> <p>I won't get into the details of how we approach this topic or what we do specifically to address it, because that would involve discussing some individual cases. We have collected various materials</p>



	within our company throughout our more than 30 years in the games business, and we intend to continue discussing how to handle these materials going forward. We value your feedback on this topic from a CSR (Corporate Social Responsibility) standpoint.
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<b>Q19</b>	<b>Nintendo typically submits a securities report on the day after the quarterly shareholder meeting each year, but some companies submit their securities report before the meeting. Could Nintendo also submit this report before the quarterly shareholder meeting?</b>
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<b>A19</b>	<b>Furukawa:</b> We value your feedback on this topic.
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<b>Q20</b>	<b>A Nintendo Switch Online subscription is very inexpensive, so the barrier to entry feels low, but on the other hand the content of the service still feels rather weak. How will you enhance the service going forward?</b>
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<b>A20</b>	<b>Furukawa:</b> The number of subscribers for Nintendo Switch Online has increased steadily since the service was launched last September, and it has now surpassed 10 million accounts. Nintendo Switch Online provides users the ability to play Nintendo Switch games over the internet, both competitively and cooperatively. It also provides services such as Nintendo Entertainment System - Nintendo Switch Online, Save Data Cloud Backup, and smartphone application services such as online lobbies and voice chat. In addition, we provided <i>TETRIS 99</i> as a special offer to Nintendo Switch Online members this February, and then in May, began selling Nintendo Switch Game Vouchers that allow users to purchase two Nintendo Switch download titles at a discount. We recognize that making the Nintendo Switch Online service attractive to users is extremely important, and will continue to make the content of the service even more appealing going forward.
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<b>Q21</b>	<b>Nintendo's company brochure (for hiring new graduates) each year is very elaborate and impressive. I think it would be good to let more people see this and past company brochures as well, if they could be made available on the official Nintendo website. What do you think?</b>
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<b>A21</b>	<b>Furukawa:</b> We make a great effort each year in our recruiting activities to ensure that we hire the best personnel. To this end, we work hard at making our company brochure extremely elaborate to get students' attention. We are very grateful for your comments regarding the brochures. We will take this as valuable feedback for future developments as well.
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<b>Q22</b>	<b>I know of companies that hold a nice, open shareholder meeting on a Sunday, and set up a room for children so that families can participate. Nintendo, like many companies, holds its shareholder meetings on a weekday, but would you consider holding them on a Sunday? We also received amusement park tickets from one company as a gift at their shareholder meeting. Is Nintendo thinking of doing something similar that would be related to the completion of the Nintendo area at Universal Studios Japan?</b>
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<b>A22</b>	<b>Furukawa:</b>
<p>We value your feedback regarding holding shareholder meetings on Sundays. And any gifts given at shareholder meetings need to remain within the scope of social norms, as there is some potential legal risk if we provide items of high value. Going forward, we will continue to prepare souvenirs related to our company's products that will be as enjoyable as possible for our shareholders.</p>	

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