

## Q&A Summary

Date: Friday, November 5, 2021

Attendees: Shuntaro Furukawa (Representative Director and President)

Shigeru Miyamoto (Representative Director, Fellow)

Shinya Takahashi (Director, Senior Managing Executive Officer)

Ko Shiota (Director, Senior Executive Officer)

Satoru Shibata (Director, Senior Executive Officer)

Hajime Murakami (Executive Officer)

- The following are the main questions and answers from the briefing. Please note that portions of this content have been edited or modified to improve readability.
- If you quote from this Q&A, please include a citation or link to this file.

**Q1** How do you view the correlation between the volume of hardware sales and the “Annual Playing Users” indicator for Nintendo Switch you shared [page 7 of the presentation material]? It is not possible to break down the number of Annual Playing Users between the first and second halves of past fiscal years, but since the number for the first half of this fiscal year was 79 million, do you expect that the full-year total will exceed the 87 million users from last fiscal year? Also, do you think the number of Annual Playing Users could be increased next year and beyond, even if hardware unit sales do not increase? Or do you believe that hardware unit sales can grow in the new fiscal year and beyond?

**A1** Shuntaro Furukawa (Representative Director and President):

Since the launch of Nintendo Switch, we have always closely monitored the number of consumers playing the system, and we have implemented marketing promotions based on these kinds of data. Now that a certain number of consumers have purchased the hardware, we feel that sharing the number of people who play the system — in addition to the growth in hardware sell-through — is useful in understanding the current status of Nintendo Switch. That is the reason why we disclosed the Annual Playing Users indicator.

As a premise of this indicator, we believe that the Nintendo Switch user base is one of the major contributing factors to the system’s current market environment. Users vary not only in gender and age, but also in how many titles they own and how often they play. Having a broad diversity of consumers is extremely important to Nintendo's dedicated video game platform business, and it is something we will continue to value going forward.

In relation to hardware unit sales, this indicator only measures the number of consumers who have played software during the period of one year, whereas our business performance will continue to be driven by both hardware and software unit sales. However, we believe that when many consumers are continually playing games on the platform, it will create more opportunities for them to purchase software. We have prepared many titles for release from the end of this calendar year throughout next year, and we plan to maintain and expand the overall momentum of our business by increasing the number of consumers who continue to enjoy our games.

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	<p>Although we cannot discuss the ratio of users who play in the first half versus those who play in the second half, consumers who will be counted in this indicator during the second half are either “those who own the hardware but did not play software in the first half,” or “those who first purchase hardware and link a Nintendo Account in or after October.” Many Nintendo Switch owners already played their system during the first half of the fiscal year, so we do not think the number of Annual Playing Users will increase by a large amount in the second half (on pace with the first half.) However, just looking at the first half, the number is at a high level. We will work to continually increase the number of Annual Playing Users during the next fiscal year and beyond.</p>
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<b>Q2</b>	How will Nintendo position itself going forward as more competing platform holders enter the game industry?
<b>A2</b>	<p>Furukawa:</p> <p>Going forward, we would like to grow by continuously offering the unique entertainment which is enabled by our integrated hardware-software development.</p> <p>While maintaining our integrated hardware-software dedicated video game platform business at the center of our business, we also want to establish a framework through Nintendo Accounts that encourages more consumers to continue playing on Nintendo platforms over the long term.</p> <p>Furthermore, by providing touchpoints for Nintendo IP such as visual content, theme parks and merchandise at retail locations, we hope to generate new interest in Nintendo games among people who normally do not play games, and encourage consumers who once used our game systems to return and start playing again.</p> <p>We believe that it is important to operate these three areas as a business, that is, to stick to Nintendo’s unique entertainment at the core and to establish a structure in the surrounding areas that thoroughly invigorates our business.</p>

<b>Q3</b>	I'd like to hear more about the intent and goals of the strategy to expand the number of people who have access to Nintendo IP. Is this strategy aimed at creating touchpoints that increase the number of consumers who play and experience games? Or are you intending to make solid profits from your IP business? Also, what are your future goals for utilizing IP?
<b>A3</b>	<p>Furukawa:</p> <p>Nintendo characters were originally born from their games, and the interactive game experience helps people to develop deep relationships with these characters, which in turn creates a personal attachment and fondness for them. To avoid damaging the image that consumers have of Nintendo characters and the affection they feel for them, we are careful to respect the characteristics of each IP. We practice thorough quality control and avoid excessive</p>

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	<p>exposure and expansion. Also, our fundamental belief is that the performance of Nintendo IP on our dedicated video game systems should be our highest priority. With all this in mind, our ultimate goal for the IP expansion strategy is to build interest in games that feature our IP, or in other words, to contribute to our dedicated video game platform business.</p> <p>Shigeru Miyamoto (Representative Director, Fellow):</p> <p>We started talking about expanding the number of people who have access to Nintendo IP over five years ago. The first major challenge was to determine how to go about our mobile business. We explored various possibilities, such as whether to make games for mobile platforms and whether to implement things that are only possible on mobile. Through this process, we came to recognize that there is a massive number of people around the world that we cannot reach through dedicated video game systems alone. Our current mobile business is based on ways to build affection for Nintendo IP among these people, and we intend to develop our visual content business from the same perspective.</p> <p>We cherish how people have come in contact with our characters and in-game music through interactive gameplay, and how this has been passed down from parent to child for three generations. We believe there are still opportunities to use IP as a touchpoint to expand the number of people who take an interest in Nintendo games. Therefore, we want to continue our strong focus on quality and creativity when developing mobile and visual content, rather than simply creating greater quantity.</p>
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<b>Q4</b>	<p>They say semiconductor supplies will be very tight during 2022 and into 2023, so how do you see this affecting Nintendo Switch production quantities? Would it be possible to boost production through adjusting hardware design? Also, how is the hardware supply shortage affecting software development?</p>
<b>A4</b>	<p>Furukawa:</p> <p>Since the start of this fiscal year, we have continually said that semiconductor components are in short supply and the future is uncertain. There has not been a major improvement in the situation so far, which is why we do not think we can produce hardware in the quantities we initially expected and have revised our unit sales forecast for the second half. However, even though hardware supplies might be limited, there has not been any impact on software sales. We will continue to share the appeal of new and evergreen titles with consumers through the end of this year and into next year. By maximizing our software sales as much as possible, we aim to maintain the momentum of the Nintendo Switch business. We are reviewing our unit sales forecast for the next fiscal year and beyond, so we would like to revisit that topic once we reach the point where we can make specific announcements.</p> <p>Ko Shiota (Director, Senior Executive Officer):</p> <p>To mitigate the effects of the tight supply situation for semiconductor components, those</p>

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	<p>working on Nintendo Switch hardware development are also continuing to take measures such as evaluating alternative components and reviewing our designs.</p> <p>Miyamoto:</p> <p>With so many consumers worldwide having already bought a Nintendo Switch, the situation has not had any major effects on software development. In addition, hardware is not an issue for our mobile business or our visual content business.</p>
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<b>Q5</b>	I'd like to hear your thoughts about the next generation of hardware, both its concept and launch timing.
<b>A5</b>	<p>Furukawa:</p> <p>We are not able to comment about the next game system at this time. It is now the fifth year since the launch of Nintendo Switch, and the total hardware sell-through has exceeded 90 million units. We recognize that the system is at the mid-point of its lifecycle. The launch of Nintendo Switch – OLED Model has also been contributing to continued sales momentum and we are now offering consumers three Nintendo Switch models to match their play styles and lifestyles, as well as a wide range of software. With this, we believe a foundation for growth has been laid that exceeds what we previously considered to be a conventional hardware lifecycle.</p> <p>With regards to the next game system, we are considering many different things, but as far as the concept and launch timing are concerned, there is nothing we can share at this time.</p>

<b>Q6</b>	Regarding your visual content business, you have set a target for the theatrical release of the Super Mario CG-animated film, but are you also actively working to develop visual content based on other IP? Also, what are your thoughts on the differences between 3D Mario and side-scrolling 2D Mario in game software?
<b>A6</b>	<p>Miyamoto:</p> <p>I have great expectations for the Super Mario CG-animated film. For decades, our approach has been to bring smiles to consumers by creating each product with great care. With visual content as well, we want to continue to create content that bring smiles to generations of consumers around the world. We recently announced the film release date because production is getting closer to completion. Going forward, we want to actively utilize other IP as well. With visual content, people can experience Nintendo IP in a variety of places, so I think it's good to have a lot of content that is accessible for people who do not have a dedicated game device. However, we want to continue to make each title with care, so I cannot talk about a specific number. We want to work diligently to build up a strong offering.</p> <p>As for the difference between 2D Mario and 3D Mario, let me explain by describing the background for the development of the Wii game <i>New Super Mario Bros. Wii</i>, which was</p>

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released in 2009. At the time, it felt like each time we created a new installment in the Super Mario series — which by then had expanded into 3D — it became more complicated. After the release of *Super Mario Galaxy* in 2007, the goal was to develop a more accessible 3D Super Mario game, and the result was *New Super Mario Bros. Wii*, a basic side-scrolling Super Mario game that even new players could easily play. That later led to the release of the even simpler *Super Mario Run* game (a mobile application released in 2016.) When we develop software, we strive to incorporate new elements, but at the same time we want to make it easy for even first-time players to have fun. Recently, people of all generations have been enjoying the 3D Mario game *Super Mario Odyssey* (released in 2017,) so for 3D Mario going forward, we want to try expanding further in new ways.

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