

# **Second Quarter Financial Results and Corporate Management Policy Briefing for Fiscal Year Ending March 2023**

Nintendo Co., Ltd.  
Nov. 9, 2022

- Thank you for attending today. I am Shuntaro Furukawa, President of Nintendo.

# Consolidated Financial Highlights

	FY22/Q1-Q2	FY23/Q1-Q2	Comparison
Net sales	624.2 bn yen	656.9 bn yen	+5.2 %
Operating profit	219.9 bn yen	220.3 bn yen	+0.2 %
Ordinary profit	236.2 bn yen	322.4 bn yen	+36.5 %
Net profit	171.8 bn yen	230.4 bn yen	+34.1 %

・ Net profit: Profit attributable to owners of parent  
 ・ FY = Fiscal Year  
 ・ FY23/Q1-Q2 indicates the period between April 1, 2022 and September 30, 2022.

	FY22/Q1-Q2	FY23/Q1-Q2	Comparison
Nintendo Switch			
Hardware	8.28 mil units	6.68 mil units	-19.2 %
Software	93.89 mil units	95.41 mil units	+1.6 %

- First, I would like to briefly discuss the consolidated financial results for the first half of the fiscal year ending March 31, 2023 that we announced yesterday.
- During the first half of the fiscal year, net sales, operating profit, ordinary profit and profit attributable to owners of parent all increased year-on-year, primarily due to the depreciation of the yen.
- While unit sales of the Nintendo Switch family of systems declined year-on-year due to factors such as the semiconductor shortage, software sales steadily grew.

# FY23 Consolidated Financial Forecast

We have revised the consolidated earnings forecast (issued on May 10, 2022) on November 8, 2022.

	Previous Forecast	Modified Forecast	Comparison
Net sales	1,600.0 bn yen	1,650.0 bn yen	+3.1 %
Operating profit	500.0 bn yen	500.0 bn yen	-
Ordinary profit	480.0 bn yen	560.0 bn yen	+16.7 %
Net profit	340.0 bn yen	400.0 bn yen	+17.6 %

· Net profit: Profit attributable to owners of parent  
 · For FY23, the estimated exchange rate for USD has been revised from 1 USD = 115 yen to 135 yen.  
 and the rate for Euros has been revised from 1 Euro = 125 yen to 135 yen.

	Previous Forecast	Modified Forecast	Comparison
Nintendo Switch			
Hardware	21.00 mil units	19.00 mil units	-9.5 %
Software	210.00 mil units	210.00 mil units	-

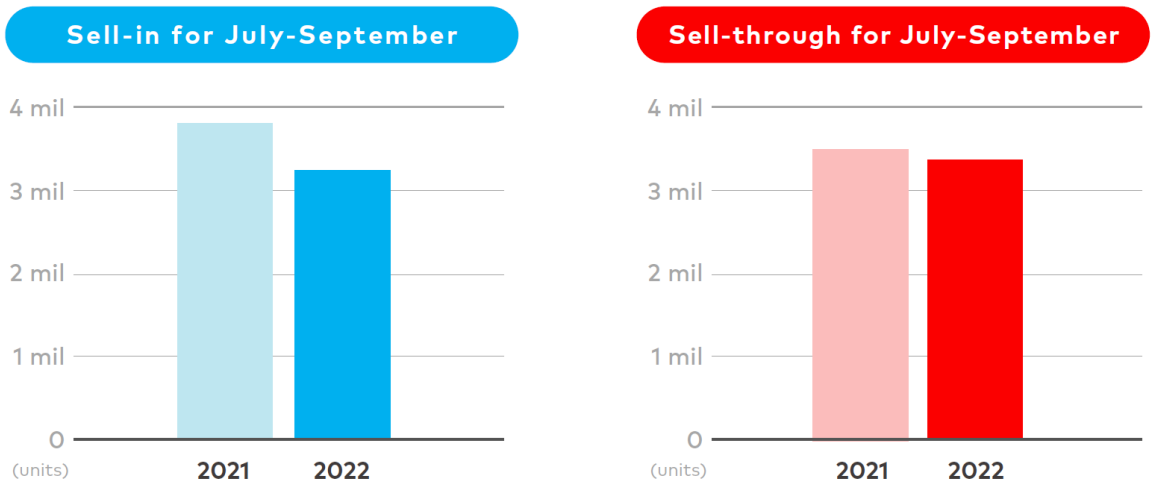
· The revised FY23 software sales unit forecast includes bundled software for the six months ended September 30, 2022 (approx. 80 thousand units), but does not take into account software bundled with hardware or other products on or after October 1, 2022

- We have modified the forecast for net sales, ordinary profit and profit attributable to owners of parent for the fiscal year ending March 31, 2023 mainly due to the adjustment of unit sales forecast for Nintendo Switch hardware and exchange rate assumptions.
- For Nintendo Switch hardware, we reduced our forecast by 2.00 million units to 19.00 million units. Although hardware production is on a recovery trend due to gradual improvement in procurement of semiconductors and other components, we have revised the sales forecast based on the production and shipments to date.

Note: Forecasts referred to above were prepared based on management’s assumptions with information available at this time and therefore involve known and unknown risks and uncertainties. Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts (including but not limited to earnings and dividend forecasts).

# Nintendo Switch Hardware Sales for July-September

While sell-in decreased year-on-year, sell-through maintained sales momentum at the same level



Internal estimates, including Asia and Latin America / Graph shows totals for each 13-week period / Source: Nintendo

- Here, we will provide some further information regarding recent sales of the Nintendo Switch family of systems. The graph on the left shows the sell-in of hardware units for the months of July through September, and the graph on the right shows the sell-through.
- Sell-in declined by 15% year-on-year. However, although there were slight differences by region and model, overall sell-through remained at the same level year-on-year. Hardware sales were driven by *Splatoon 3*, as well as evergreen titles during this period, resulting in the overall hardware demand and sales momentum remained stable.
- By continually working to front-load production and selecting appropriate transportation methods in preparation for the holiday season, we will work to deliver as many Nintendo Switch systems as possible to consumers around the world.

Note 1: *Sell-in* refers to sales by the Nintendo group to outside entities. In addition to units sold to corporate business partners, this number also includes units sold to individual consumers through Nintendo's direct-sales sites or as downloadable software.

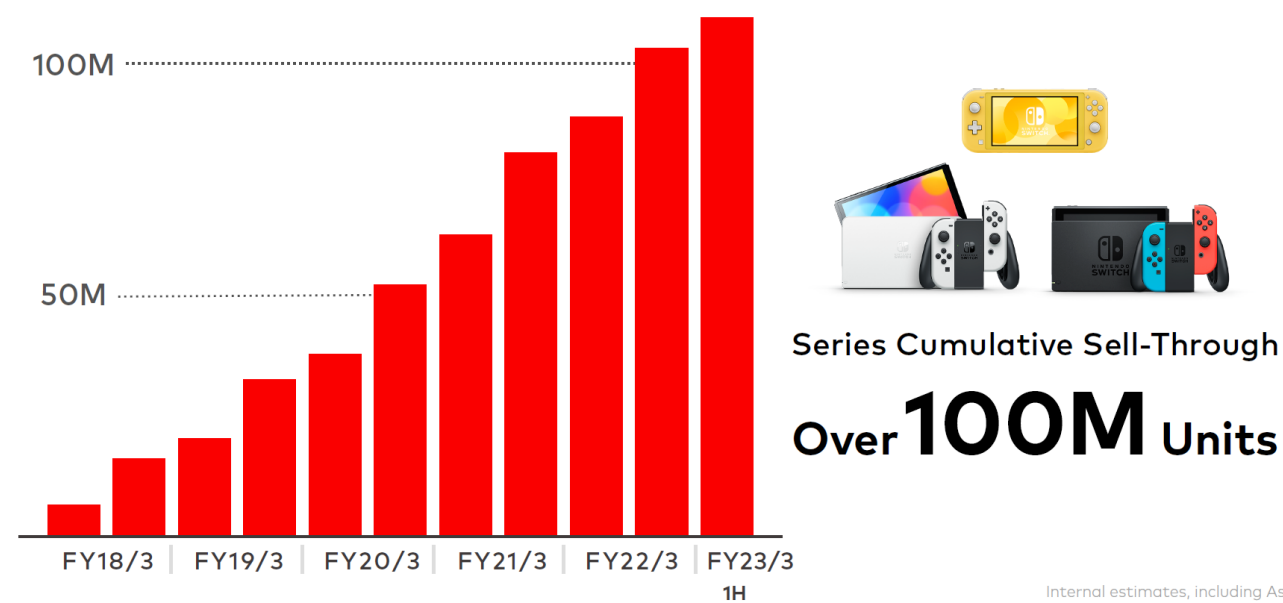
Note 2: *Sell-through* refers to sales made to individual consumers. In addition to units sold by retailers, this number also includes units sold to individual consumers through Nintendo's direct-sales sites and as downloadable software.



# Current State of Nintendo Switch

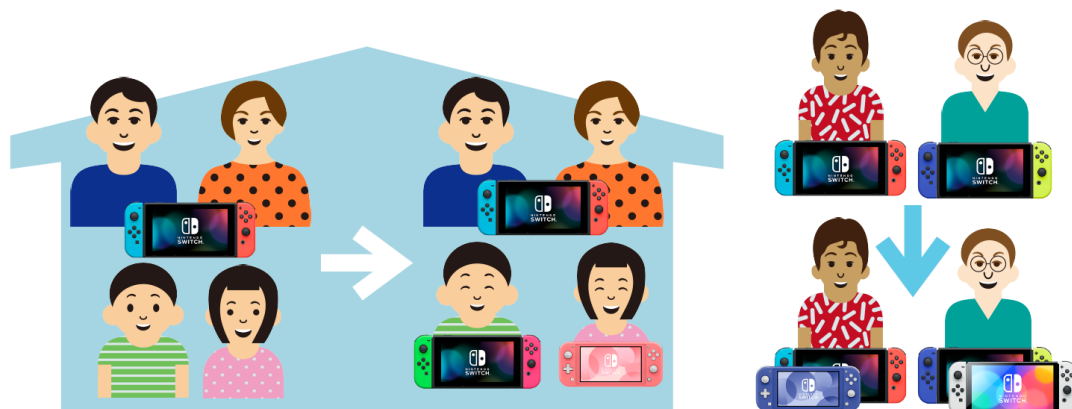
- Now, let's discuss the current state of Nintendo Switch.

# Nintendo Switch Unit Sales Continue to Grow in its Sixth Year



- Nintendo Switch launched in March of 2017 and is now in its sixth year. Cumulative sell-through for the Nintendo Switch family of systems exceeded 100 million units as of the end of September 2022, and sales continue to grow.

## Diversification of Demand for Nintendo Switch



- New purchases, additional purchases and replacement purchases
- Units purchased as additional systems accounted for about 30% of all Nintendo Switch sales in this fiscal year
- From "one per home" to "multiple per home," and further to "one per person"

- Nintendo Switch is finding its way into more people's hands, and as it does, demand for the hardware is diversifying. We offer three models to suit the entertainment needs of various lifestyles, and we are seeing growth not only among consumers making their first purchase, but also among those purchasing additional systems or purchasing Nintendo Switch – OLED Model as a replacement system. As a result, some 30% of all Nintendo Switch units sold in the current fiscal year were purchased to serve as an additional system.
- By continuing to convey the appeal of Nintendo Switch, we try to not only put one system in every home, but several in every home, or even one for every person.

Note: If a Nintendo Account that is already linked to one or more Nintendo Switch systems is registered on another system, that second or subsequent system is counted as an additional system.

# Introducing Special Editions of the Hardware



Nintendo Switch – OLED Model:  
Splatoon 3 Edition



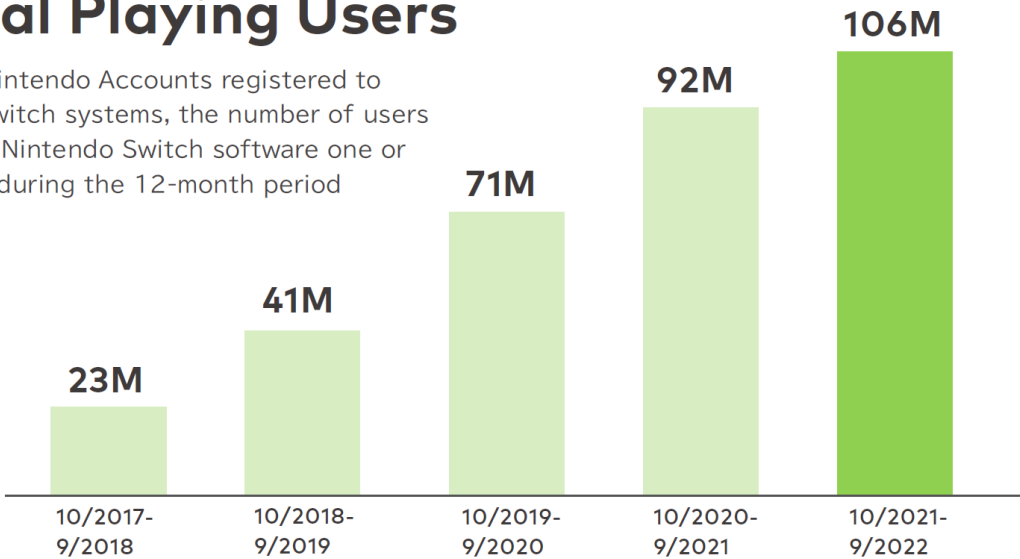
Nintendo Switch – OLED Model:  
Pokémon Scarlet & Violet Edition

- The products shown here are special editions of Nintendo Switch – OLED Model that were launched during this fiscal year. One design is based on *Splatoon 3*, and the other is based on *Pokémon Scarlet* and *Pokémon Violet*. Each was launched prior to the release of the software. By introducing special-edition hardware, we aim to give more choices to consumers who are considering an additional or replacement Nintendo Switch purchase.

# Nintendo Switch Engagement

## Annual Playing Users

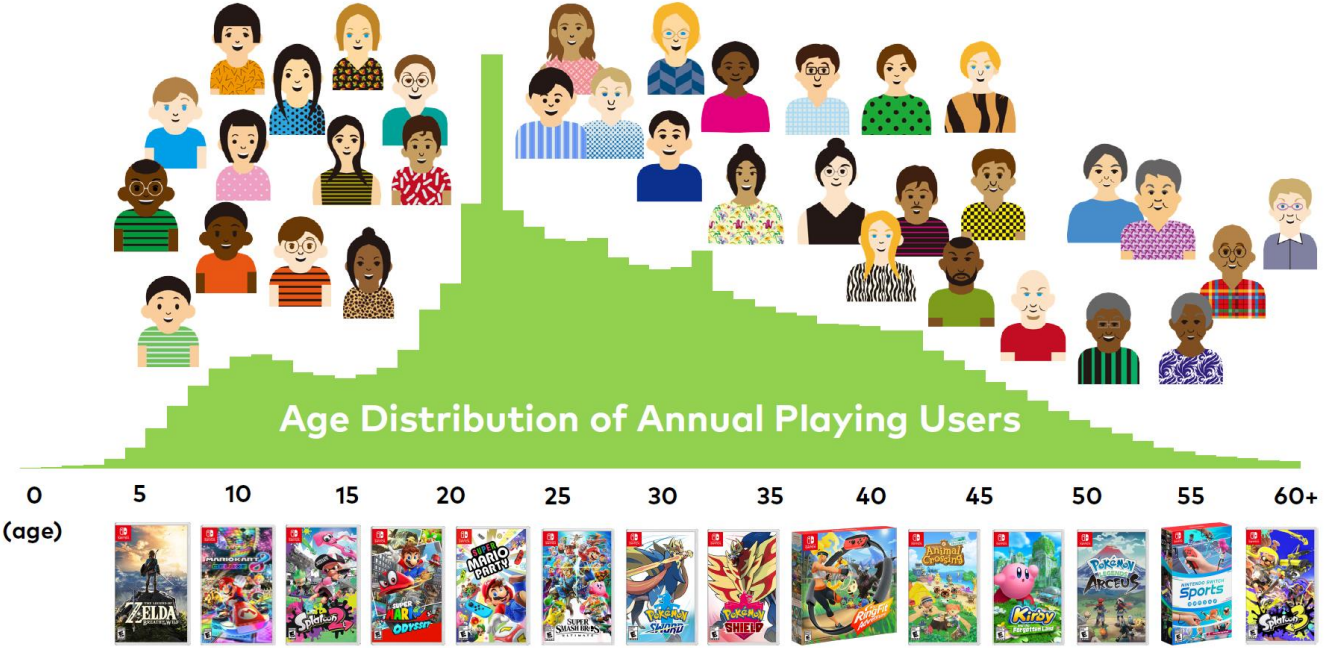
Out of all Nintendo Accounts registered to Nintendo Switch systems, the number of users who played Nintendo Switch software one or more times during the 12-month period



- This graph shows the trend in annual playing users, which is the number of users, out of all Nintendo Accounts registered to Nintendo Switch systems, who played Nintendo Switch software during the given 12-month period. It is important to note that in some cases, multiple people play on the same Nintendo Switch, which means that hardware sell-through numbers are not the maximum number of annual playing users.
- Over 100 million users played Nintendo Switch software in the last 12 months, and we still see no downward movement in the trend as of now.

Note: The number of Nintendo Switch "annual playing users" only counts people who have connected to the internet and consented to provide statistical information to Nintendo. It reflects the number of users with Nintendo Account who have played Nintendo Switch software, and it does not include use of Nintendo eShop or other non-software services.

# Nintendo Switch Users



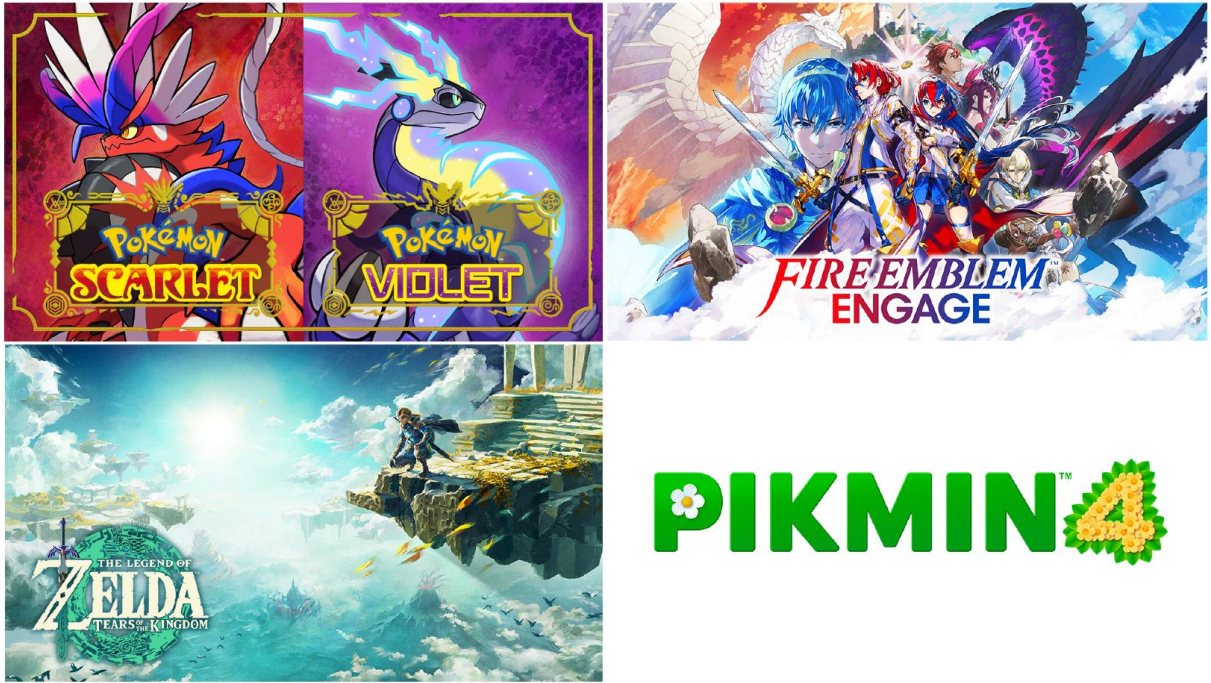
- This graph shows the age distribution of annual playing users. Many users, ranging from kids to seniors, are playing Nintendo Switch.
- In the past year, the number of annual playing users has grown across all age groups.

**Through a steady introduction of new titles and initiatives to extend the lifespan of software, many users continue to play Nintendo Switch**

- This continued high level of Nintendo Switch activity and wide range of users can, in part, be attributed to the continual release of new titles — even in the system’s sixth year — and to our continued efforts to ensure that previously-released titles can be enjoyed for a long time.



## Steady Introduction of New Titles



- By combining the home console and handheld platforms into Nintendo Switch, we merged what had been two separate software development environments to create a single pipeline that further enables the continuous development and release of new titles.
- Here are some of the Nintendo titles that we plan to release. A variety of games are scheduled, starting in November with *Pokémon Scarlet* and *Pokémon Violet*.
- This continuous release of new titles has enabled us to have a full lineup of evergreen titles. Moreover, the number of titles released by other software publishers has reached the highest level ever seen in the history of our home entertainment systems. This rich lineup creates yet another reason for people to play Nintendo Switch.



## Add-on Content Geared to the Characteristics of Each Title



- The add-on content shown here is only part of what we have released thus far. Add-on content is geared toward each game's unique characteristics and encourages continued engagement with the software. It also creates opportunities to rekindle interest in users who are taking a break from a game.
- This March, we released the *Mario Kart 8 Deluxe – Booster Course Pass* add-on content, which will include a total of 48 additional courses by the end of 2023.
- Following the release of this add-on content, we saw an increase in the number of users playing the title.

# Nintendo Switch Online

Over **36M** Members

As of September 30, 2022

More Games. More Features. More Fun.

**ONLINE**  
Nintendo Switch Online



## 5 Services



Online Play



NES and Super NES -  
Nintendo Switch Online



Save Data Cloud



Smartphone App



Special Offers

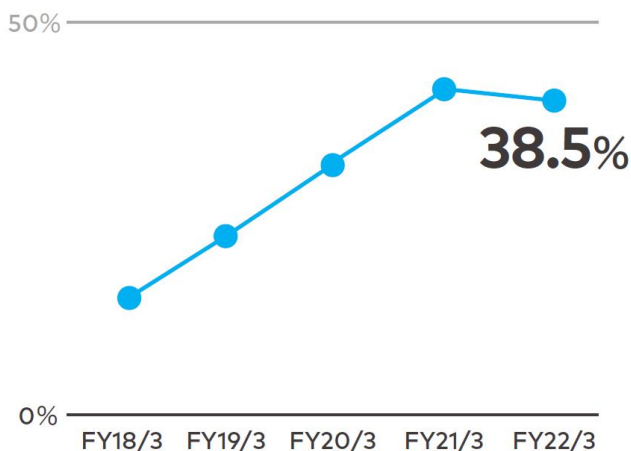
- Nintendo Switch Online, a service that makes Nintendo Switch more fun and convenient, has exceeded 36 million paid memberships as of September 30, 2022. Memberships have grown alongside an increase in users playing Nintendo Switch and the release of titles that support online play. This service offers more than just the ability to play compatible games online. It also provides access to an expanding list of other benefits, such as the growing collection of classic titles. By expanding the range of available play options like this, we believe we can create opportunities for users to continue playing Nintendo Switch for a long time.
- We continue to add Nintendo 64 titles for Nintendo Switch Online + Expansion Pack members, as well as access to select paid add-on content at no additional cost.

Note: The number of paid memberships is the total number of users subscribing to either Nintendo Switch Online or Nintendo Switch Online + Expansion Pack, including those who belong to the service through a family membership (and therefore do not pay individual fees).

# Maximizing Opportunities to Access Software



Percentage of downloadable versions of Nintendo Switch titles sold

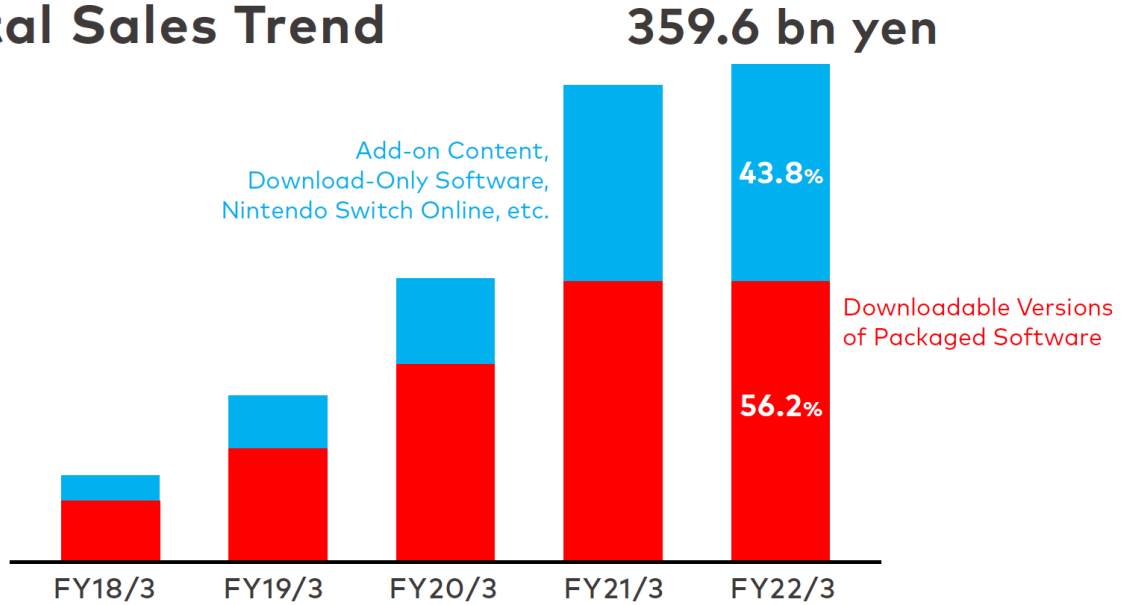


- While making efforts to keep consumers interested in Nintendo Switch, we have worked in parallel to maximize opportunities for them to get their hands on our games.
- Downloadable software for Nintendo Switch can be purchased from game systems connected to the network, but can also be purchased through smart devices and PCs.
- As a result of providing multiple purchase options for consumers, unit sales of downloadable software accounted for 38.5% of all software sold in the fiscal year ended March 31, 2022. This is on par with the fiscal year ended March 31, 2021, which saw a huge contribution from *Animal Crossing: New Horizons*.
- That being said, I would like to reiterate that our goal is not to merely raise the digital sales ratio, but to maximize overall sales of both physical and digitally delivered software. Therefore, we would like to consider digital sales growth as a natural reflection of consumer preference.

Note: Totals based on sell-in (sales from Nintendo to external parties) inclusive of downloadable versions of packaged software bundled with hardware. / Includes titles from other software publishers and software bundled with systems. / Source: Nintendo

# Digital Sales Growth

## Digital Sales Trend

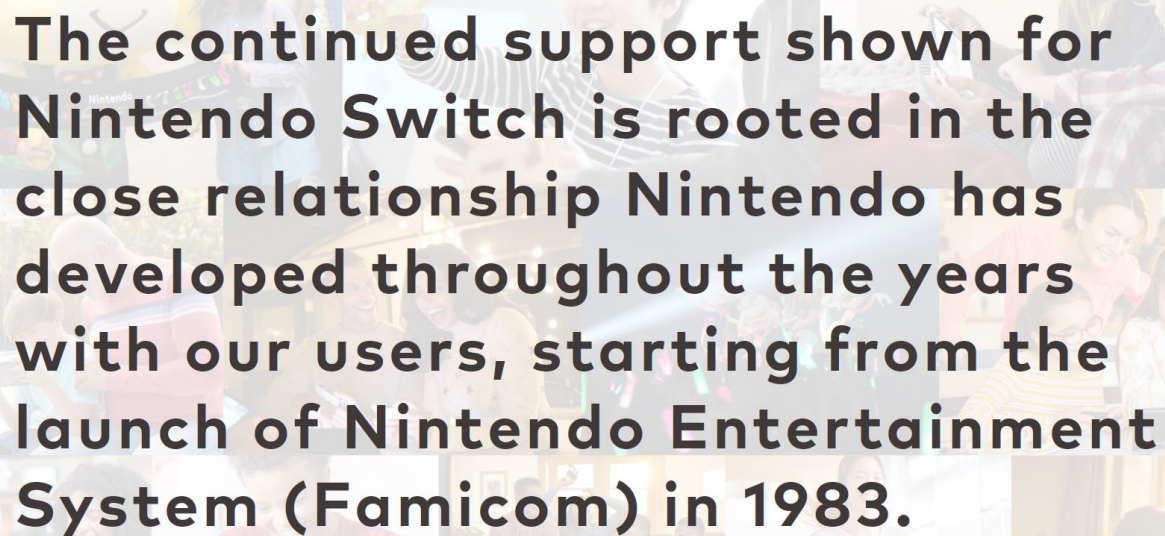


- Our efforts to keep users playing our titles in the long-term, as well as our initiatives aimed at encouraging more people to pick up software, contribute to earnings in the form of increased digital sales.
- Digital sales in the fiscal year ended March 31, 2022 rose to 359.6 billion yen, roughly six times the amount seen in the fiscal year ended March 31, 2018. Downloadable versions of packaged software, shown in red, comprised 56.2% of total digital sales, and Nintendo Switch Online memberships accounted for approximately half of the remaining sales, which are indicated in blue.





- As I have discussed, a broad array of users continue to play Nintendo Switch even now, in its sixth year after launch.



**The continued support shown for Nintendo Switch is rooted in the close relationship Nintendo has developed throughout the years with our users, starting from the launch of Nintendo Entertainment System (Famicom) in 1983.**

- From a long-term standpoint, we believe that our business is built upon the close relationship we have maintained with our users over almost 40 years since the launch of Nintendo Entertainment System.

# Nintendo IP Originates From Games

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- Here you can see some of the Nintendo characters that were born over the course of our dedicated video game platform business. They are all IP that originated from games.
- We believe people gain affection for, and become invested in, the characters they encounter in games. The way players connect with characters through their controller creates a kind of two-way communication that is unique to video games. With our users' support, this kind of IP has grown into something special.



## Development and Release of Software Which Utilize the Characteristics of Each IP



- Nintendo has carefully crafted each title in accordance with the characteristics of the IP. This approach toward software development has not changed since we started developing titles for Nintendo Entertainment System.
- With each new release, we implement initiatives to encourage both existing fans to play the title, and broad initiatives — both in-game and outside the game — to introduce the game's characters to people who have not played the title.
- We have worked to develop these initiatives in ways that suit each IP's individual characteristics, so that even more people can enjoy our games.



## IP Nurtured by Users Over Many Years

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She played **Super Mario Bros.** when she was six. Now she's 42 and teaming up with her kids on **Splatoon 3**.

He played **The Legend of Zelda** when he was 16. Now he's 50 and playing **Super Smash Bros. Ultimate** with his own high-schooler.

Back when he was 24, he played **Donkey Kong**. Now he's 60 and playing **Nintendo Switch Sports** with his grandchildren.

- People who first played Nintendo games decades ago are now parents and grandparents, and are playing games with their children and grandchildren. For us, that is an irreplaceable asset.

## **Nintendo IP**

**"Nintendo IP" is  
"IP that has been nurtured by  
our users"**

- Thus, Nintendo IP has grown over the years along with the memories that players have made. Reflecting on this, we always keep in mind that Nintendo IP is also IP that has been nurtured by our users.



- One title currently being played by many people is *Splatoon 3*, which released in September.



Initial Sell-Through of

**6.7M Units**

- Enjoyed by children and parents alike
- Expanding from fans to new players

Internal estimates, including Asia and Latin America / Source: Nintendo

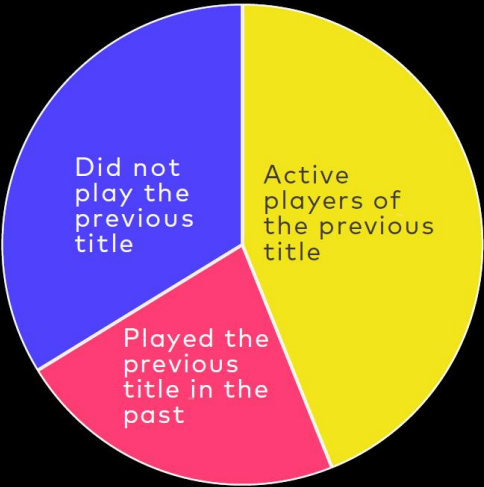
- Despite *Splatoon* being a relatively new IP that debuted on Wii U in 2015, *Splatoon 2* for Nintendo Switch grew into a title that has sold over 10 million units since its release in 2017. Now *Splatoon 3*, which was introduced this September, sold 6.7 million units in the four weeks since its release.



# Splatoon 3 Welcomes New Players



Players who downloaded  
Splatfest World Premiere  
(demo)



Global / Source: Nintendo

- Just before the release of *Splatoon 3*, we held an online event called Splatfest World Premiere, where people had the chance to experience the *Splatoon 3* battle modes for free. We held similar events in the past, but this one created the most excitement ever. About half of the participants were new to the series or had played in the past but moved on.

# Splatoon IP Continues to Grow with Players



- From the very first entry in the Splatoon series, we have always listened to the people who play the games and continuously implemented a variety of initiatives, even after the release of each title, to grow the series together with our players.

## Splatoon IP Continues to Grow with Players



- The new elements in *Splatoon 3* have been well received by players, and we believe the game's strong sales are due to their support more than anything else.





- So far, we have used the Splatoon IP as an example to illustrate this point, but user support has enabled all our IP to grow over the years. I would like to take this opportunity to once again thank everyone for their support.



## **Making progress in expanding the number of people who have access to Nintendo IP**

- Let's talk about our strategy, which is to expand the number of people who have access to Nintendo IP.
- We see Nintendo's IP, which has been nurtured by users and achieved such unique growth, as our strength. And as such, we are making progress in actively putting that IP to use in areas new to Nintendo.

## Expanding the Number of People Who Have Access to Nintendo IP



- By deploying Nintendo IP in a wide range of fields, we continually generate touchpoints for people to discover the IP outside of games, and with users who are taking a break from our games.

## Expanding the Number of People Who Have Access to Nintendo IP



- We intend to maintain good, long-lasting relationships with the people invested in our IP.
- To this end, we will continue to use Nintendo Account as a foundation, so the various user experiences of our core integrated hardware-software entertainment continue across platform generations. In addition, we will continue to plan and operate value-added services that are even more fun and convenient.
- These initiatives will create a framework for the continuous invigoration of our business, centered on integrated hardware-software entertainment.
- I would now like to share some examples of these initiatives and explain our progress.

## Nintendo IP Initiatives [Theme Parks]



- First, let me talk about our theme park initiatives. Around a year and a half has passed since SUPER NINTENDO WORLD opened at Universal Studios Japan.
- Visitors can have fun on the Mario Kart and Yoshi themed rides, take pictures with characters from the world of Mario, enjoy food and beverages in the Super Mario themed restaurant, and purchase a wide variety of merchandise. These experiences, possible only at theme parks, create opportunities to give a wide range of visitors contact with Nintendo IP, regardless of their gaming experience.

Note: Universal Studios Japan has put measures in place with regard to COVID-19, including limiting the number of visitors.



## Nintendo IP Initiatives [Theme Parks]



- SUPER NINTENDO WORLD will open in the U.S. at Universal Studios Hollywood in early 2023.
- In the future, we plan to open SUPER NINTENDO WORLD attractions in Orlando in the U.S. and in Singapore.
- At Universal Studios Japan, we plan to expand SUPER NINTENDO WORLD to include a new area themed after Donkey Kong, which is set to open in 2024.



# Nintendo IP Initiatives [Mobile]

Encompasses **164** countries and regions<sup>\*1</sup>



As of October 31, 2022

<sup>\*1</sup> Total rollout countries for all apps

<sup>\*2</sup> Total number of unique users across all apps that we have released so far

- Next, I would like to talk about our mobile business. As of the end of October 2022, the number of unique downloads across all our mobile apps totaled more than 800 million.
- This figure, 800 million, is equivalent to the cumulative unit sales total of all Nintendo hardware since we launched Nintendo Entertainment System (Famicom) in 1983. The mobile business has seen those same numbers in just the six and a half years since 2016, when we released our first app.
- This is thanks to the global proliferation of smart devices, which many people are familiar with. We provide these mobile apps in up to 164 countries and regions.
- This has provided opportunities for people to come in contact with Nintendo IP in countries and regions that our dedicated video game platform business cannot reach. In the future, we hope to create chances for our IP to draw the attention of those people, which will hopefully lead to them purchasing our dedicated video game platforms down the road.

Note: *Pikmin Bloom* (bottom right) is an app distributed by Niantic, Inc.

## Nintendo IP Initiatives [amiibo]



Cumulative  figures shipped:  
More than **77M** units

(As of September 30, 2022)

- Next, I would like to discuss amiibo, which we launched in 2014.
- Tapping an amiibo to an NFC touchpoint on hardware can have all kinds of fun results in compatible games, such as the in-game appearance of the amiibo character or special items.
- We continue to release new amiibo products each year, and cumulative global sell-in of amiibo figures has surpassed 77 million units.

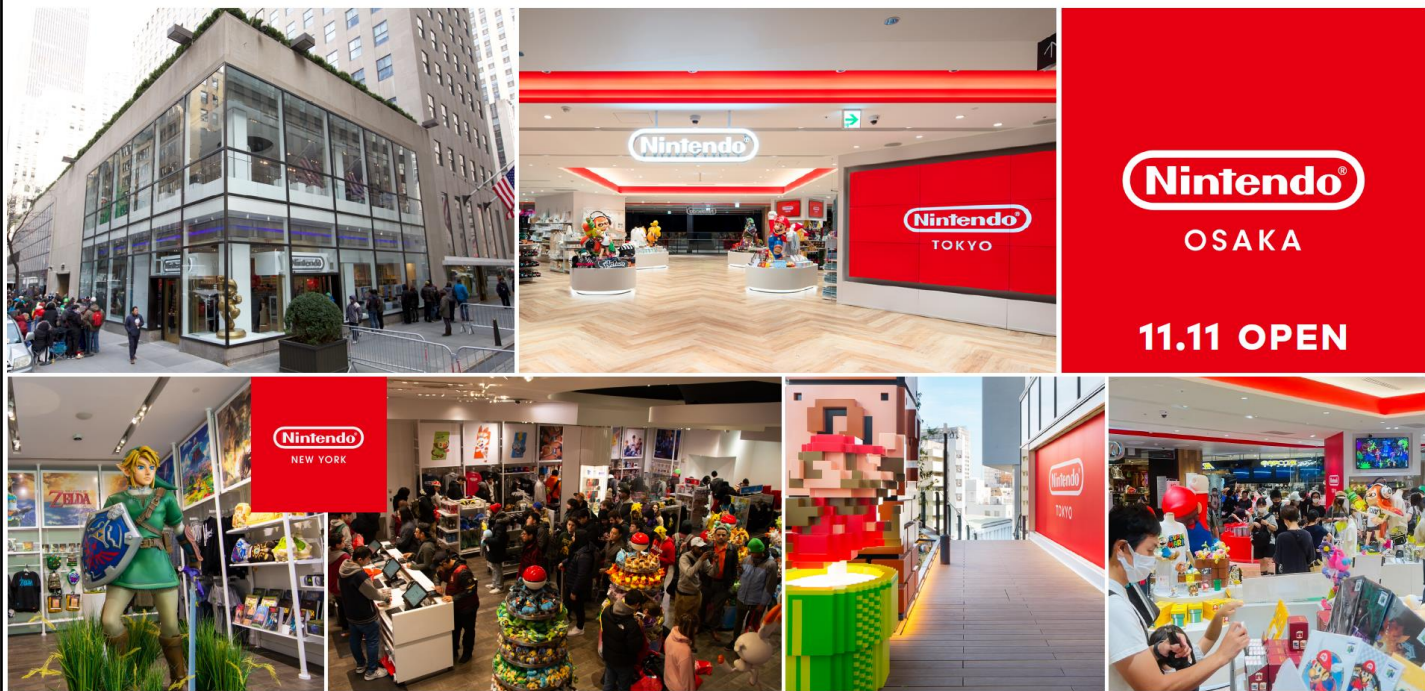
## Nintendo IP Initiatives [Merchandise]



- In addition to our own initiatives, we also collaborate on merchandise with other companies.
- The LEGO Super Mario series of products, made in collaboration with LEGO, creates opportunities to experience Mario characters in a unique world that is fun for everyone, including for children who have not come in contact with the world of Mario through a video game.
- The series, which was launched in 2020, expanded its product lineup with last year's introduction of LEGO Luigi and this year's introduction of LEGO Peach, among others.



# Nintendo IP Initiatives [Hands-On Experiences and Physical Retail]



- We have also opened official stores that are owned and operated by Nintendo. These include Nintendo NEW YORK and Nintendo TOKYO, and we will open Nintendo OSAKA in the Daimaru Umeda building on November 11. We are considering additional new stores both within Japan and overseas.
- While keeping a close eye on the COVID-19 situation with regard to store operations, our goal is to not only sell Nintendo related products, but to also share information about Nintendo through in-store events and game demos, creating even more touchpoints with our consumers.



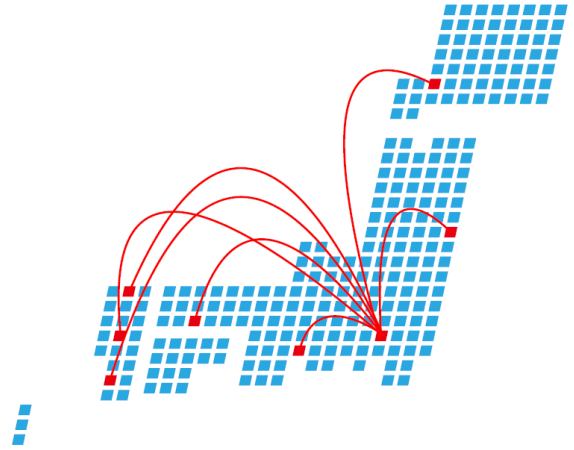
# Nintendo IP Initiatives [Hands-On Experiences and Physical Retail]



## Pop-up Stores

2021: Opened in Nagoya, Fukuoka, Sendai, Hiroshima, and Sapporo

2022: Opened in Fukuoka, Kumamoto, and Kagoshima



- In addition to permanent locations, we are also launching pop-up stores in Japan so more people can enjoy the official stores.

## Nintendo IP Initiatives [Hands-On Experiences and Physical Retail]



- As you can see, many consumers visited the pop-up stores.
- Using their Nintendo Account, consumers are able to check in at each store and pop-up store to receive special rewards.

## Nintendo IP Initiatives [My Nintendo Store]



- In addition to physical stores, we also operate e-commerce sites directly managed by the Nintendo group. Japan, North America, Europe and Australia used to each have their own e-commerce sites, but they have now been unified under the "My Nintendo Store" branding that was already present in Japan.
- My Nintendo Store is available to Nintendo Account users, where they can purchase all kinds of Nintendo merchandise, including products not available anywhere else.
- We will continue to strive to build relationships with consumers that can only be achieved through My Nintendo Store directly managed by the Nintendo group.





## Nintendo IP Initiatives [Visual Content]



Premieres  
**April 2023**

- In the area of visual content, the animated film *The Super Mario Bros. Movie*, which is being jointly produced with Illumination, is scheduled for release in North America on April 7, 2023, and in Japan on April 28, 2023. It will be distributed by Universal Pictures.
- The first trailer was released in October and became a popular topic of conversation. We believe this movie will be enjoyed not only by fans of Super Mario worldwide, but also by those who have never played a Mario game.
- Rather than simply making this movie a licensing arrangement, we are deeply involved in the production process, including investment, planning and development.
- We are creating a wide range of opportunities for people to learn about Nintendo IP through visual content, which can spread awareness through channels different from our dedicated game platform business.

Note: *The Super Mario Bros. Movie* trailer:

<https://www.youtube.com/watch?v=KyddqKKyGEk>



# Nintendo Live 2022

- Last month on October 8 and 9, we held the Nintendo Live 2022 event at Tokyo Big Sight after a three-year pause.
- Consumers with a Nintendo Account were able to enter a pre-registration lottery, from which ten thousand winners were chosen to attend the event.



- The event included competitive activities for titles such as *Super Smash Bros. Ultimate* and *Nintendo Switch Sports*, and live shows featuring music from *Splatoon 3* and *Animal Crossing: New Horizons*.
- People of all generations attended, and we think the event effectively captured the spirit of Nintendo, delivering many smiles.

Note: Nintendo Live 2022 Highlights:

[https://www.youtube.com/watch?v=RmEs\\_QmZbSY](https://www.youtube.com/watch?v=RmEs_QmZbSY)

Content available for a limited time only.

## Expanding the Number of People Who Have Access to Nintendo IP



- So far, we have talked about each of our initiatives.
- Next, I would like to discuss the Nintendo Account program, which plays a central role in our strategy.

# Nintendo Account

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## Supporting Long-Term Relationships With Our Consumers



Purchase  
history



Save data



Friends



Experience  
data

- We will continue to use Nintendo Account to build long-term relationships with people who come in contact with our games through various IP initiatives.
- For our users, Nintendo Account complements the gaming experience in a variety of ways, such as by consolidating software purchase history, friends, save data, experience data and other important assets.

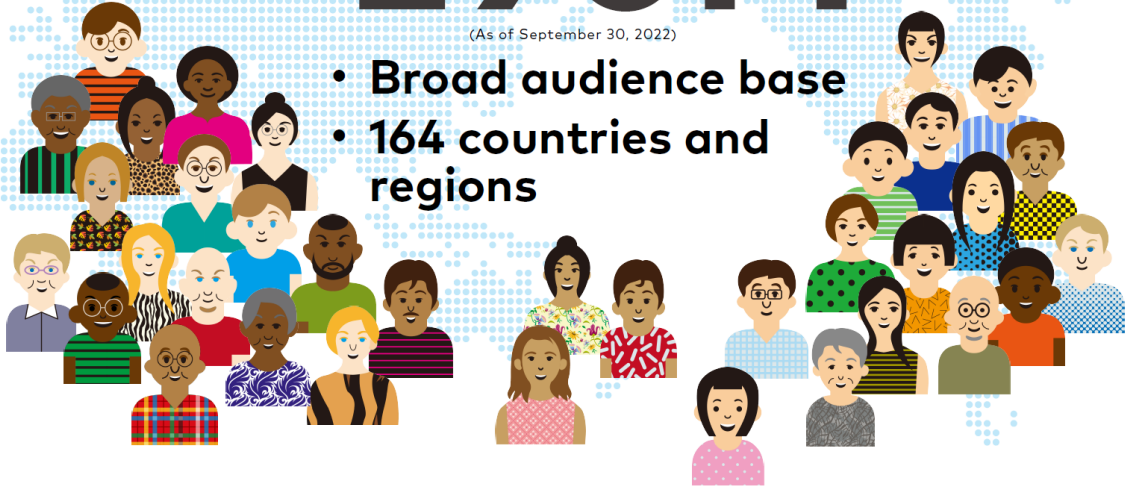


# Nintendo Account

Over **290M**

(As of September 30, 2022)

- **Broad audience base**
- **164 countries and regions**



- The number of Nintendo Accounts has exceeded 290 million worldwide and continues to grow.
- The accounts are held by a broad range of people, with a well-balanced range of age groups and gender, and they are becoming an important foundation for our business going forward.
- We will continue to develop services based on Nintendo Account that align with our core business of creating unique, integrated hardware-software products.

## **A Foundation for Maintaining and Expanding Relationships with Consumers**

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- **Maintaining and expanding relationships with consumers through Nintendo Account**
- **Over seven years of collaboration with DeNA**
- **Strengthening the digitalization of Nintendo's business**
- **Combining the resources of both companies to establish a joint venture company**

- Next, I would like to talk about our “foundation for maintaining and expanding relationships with consumers,” which I touched upon during last year’s Corporate Management Policy Briefing.
- While the integrated hardware-software model will remain at the core of our business, we are working to enhance the experience and service that we provide outside of our dedicated video games. By using the Nintendo Account program to maintain and expand our relationships with consumers, we can approach this in a holistic and streamlined manner.
- Ever since Nintendo and DeNA formed a business and capital alliance in 2015, both companies have accumulated experience, knowledge and a host of services we co-developed over the past seven years.
- Using this know-how as our groundwork, we will strengthen the digitalization of our business by combining our resources to form a joint venture company. The purpose of this enterprise will be to research, develop, and create value-added products and services that will further strengthen our relationships with consumers.

# Establishment of a Joint Venture Company

<b>Corporate Name</b>	Nintendo Systems Co., Ltd.
<b>Objective</b>	To strengthen the digitalization of Nintendo's business
<b>Capital</b>	5.0 billion yen
<b>Establishment</b>	April 3, 2023 (scheduled)
<b>Capital Contribution Ratio</b>	Nintendo Co., Ltd. 80%, DeNA Co., Ltd. 20%

- As announced yesterday, Nintendo Systems Co., Ltd. will be a joint venture in which Nintendo will have an 80% interest, with DeNA contributing the remaining 20% of the capital. The total capital will be 5.0 billion yen.
- The date of incorporation is scheduled to be April 3, 2023. We will share further details regarding Nintendo Systems Co., Ltd. through an official website in the near future.

# Cash Utilization

In addition to conventional investments in R&D and capital expenditure, we are also strengthening investments in these other fields.

Area	Overview	Investment Scale	Examples
Building software assets	Games	Expand the game software development team within the Nintendo group	Up to 100.0 bn yen
	Non-game entertainment	Pursue business opportunities that have affinity with the game business (e.g., visual content)	Up to 50.0 bn yen
Foundation for maintaining and expanding our relationships with consumers	Strengthen and expand our points of contact with consumers, centering on Nintendo Account, and promote infrastructure development and partnership building	Up to 300.0 bn yen	<ul style="list-style-type: none"> <li>Expansion of development facilities</li> <li>Acquisition of developers as subsidiaries</li> <li>Production of visual content</li> <li>Acquisition of a visual content production company as a subsidiary</li> <li>Establishing a joint venture with DeNA</li> <li>Consolidating brands on e-commerce sites</li> <li>Expanding the Nintendo Switch Online service</li> <li>Establishing Nintendo eShops in Asia and South America</li> <li>Expanding directly managed physical stores</li> </ul>

- We are continuing to work on the utilization of cash on hand mentioned during last year's Corporate Management Policy Briefing.
- Because the entertainment business is subject to extreme fluctuations, there is no change to the policy of our financial activities, which is to secure cash and other liquid assets in order to consistently deliver new surprises. In addition to our conventional investments in R&D and capital expenditure, we are also utilizing cash on hand to accumulate software assets and to create a foundation for maintaining and expanding our relationships with consumers.
- Regarding software assets, alongside our initiatives to expand the game development team within the Nintendo group, we are also pursuing business opportunities in non-game entertainment fields that have a high affinity with the game business, such as visual content.
- To maintain and expand relationships with our users, we will focus on expanding the ways in which Nintendo Account can serve as the foundation for providing consumers with better experiences and services, in addition to creating new added value. As suggested by some of the initiatives we introduced in the presentation, our aim is not to simply promote the shift to digital, but to build a uniquely Nintendo service infrastructure that is made possible by our integrated hardware-software business.



# Cash Utilization

## Building Software Assets: Examples



Acquisition of land adjacent to headquarters; building a second development center



Acquisition of SRD as a wholly owned subsidiary



Establishment of Nintendo Pictures

- Let me introduce some specific initiatives involving utilization of cash on hand this year.
- In April, we announced the purchase of Kyoto City-owned land adjacent to our headquarters and our plan to construct a building that will serve as our second development center (tentatively named “Corporate Headquarters Development Center, Building No. 2”). This second development center will play an important role in strengthening our research and development capabilities.
- In April, we acquired SRD Co., Ltd., a company that has collaborated with us on game software development for some 40 years, making it a wholly owned subsidiary. We believe this is a step toward stabilizing the development team required to create software that fits Nintendo's characteristics.
- In October, we completed the acquisition of the visual content production company Dynamo Pictures, Inc., making it a wholly owned subsidiary, and changed its name to Nintendo Pictures Co., Ltd. The company will produce visual content using Nintendo IP.
- While we are not denying the possibility of further M&A activities, our top priority is to organically expand our own organization to sustain Nintendo's creative culture.

# ESG Initiatives at Nintendo

## E (Environment)

### Consideration for the Global Environment



**Environmental considerations for our products**  
Energy-conserving product design, green procurement, promotion of more efficient transport, and post-sales recycling



**Environmental considerations in our offices**  
Promote use of renewable energy, introduce environmentally friendly office equipment, reduce waste, and encourage recycling

**Enhancement of information disclosure**  
Calculation and disclosure of Scope 1 through Scope 3 CO2 emissions

## S (Social)

### Putting Smiles on the Face of Everyone



**Pursuit of product safety and quality**  
Ensuring safety at every stage, from development to after-sales service  
Sharing information about safety and quality, etc.



**Ensure a healthy play environment for children**  
Nintendo Switch Parental Controls



**CSR procurement activities throughout the supply chain**  
Nintendo CSR Procurement Guidelines  
Human rights due diligence  
• Written surveys and third-party audits of business partners



**Promoting a diverse work environment**  
Advancement of women, Partnership System, Employee Resource Groups (Nintendo of America)

## G (Governance)

### Achieving Transparency in Management

**Ensure diversity and improve the effectiveness of the board of directors**  
Appoint female and non-Japanese members to the board, and appoint outside directors for at least a third of the board

**Improve objectivity and transparency in the decision process for nominations and compensation**  
Updating our executive compensation (introduction of restricted stock-based compensation)

**Fair, timely and appropriate information disclosure**  
Financial results briefings and management policy briefings, release of translated English version of materials

- With the goal of putting smiles on the faces of everyone Nintendo touches, we pursue ESG initiatives in ways suited to Nintendo, to contribute to the worldwide welfare of people, societies and the environment.
- Regarding the environment, we not only take energy and resource efficiency into consideration when designing products, but we also implement environmentally conscious initiatives like conserving resources and reducing CO2 emissions in each stage of manufacturing, transportation, sales and after-sales services. We are also moving forward with further initiatives, such as expanding the use of renewable energies and efficiently utilizing resources.
- For the social aspect of ESG, we design our products for safety and disseminate information to help consumers use them more safely. In addition, we provide the Nintendo Switch Parental Controls app to ensure a healthy gameplay environment for children, and we promote CSR procurement activities throughout our supply chain. Among our employee initiatives, we are working to enhance and promote the use of our HR systems to create an environment where a more diverse workforce can thrive.
- In the area of governance, we are working to promote diversity by appointing female and non-Japanese directors, sharing further value with shareholders by introducing a stock-based compensation system, and continuing to disclose information fairly and in a timely and appropriate manner.

## Environmental Considerations for Nintendo Switch

### Reduction in Power Consumption

Approx. **12w** → **7w**  
Previous Model      Current Model



Approx. **6w**  
OLED Model

\*During gameplay in TV mode

### Reduction in Packaging



Approx. **18%**  
Reduction



- An example of implementing environmentally conscious designs is the reduction of power consumption for the current model of Nintendo Switch, when compared to the model initially launched in 2017. Nintendo Switch – OLED Model, launched in 2021, uses approximately 6W while playing games in TV mode.
- Furthermore, by redesigning the packaging for Nintendo Switch – OLED Model, its volume was reduced by approximately 18% when compared to previous models. This reduced the usage of paper and other packaging materials and improved per-unit transportation efficiency. At the end of 2022, we will start to replace the packaging for the current model of Nintendo Switch with the same, smaller packaging used for Nintendo Switch – OLED Model.

Note: Power consumption differs depending on the software and usage conditions.

# Smiles Through Entertainment

- We will continue working to build long-term relationships with each of our consumers, and through our uniquely Nintendo entertainment, work to put smiles on the faces of as many people as possible.





- This concludes today's presentation. Thank you for joining us.