

Q&A Summary

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Q1	The stock split scheduled for October 1st of this year means that starting next year we may see an increase in the number of participants at these general meetings of shareholders. Can you tell us your thoughts about the mechanics of holding these meetings going forward? With enough ventilation and social distancing, would it not be possible to hold it in the same way it was prior to the COVID-19 pandemic?
A1	Shuntaro Furukawa (Representative Director and President): When deciding how the general meeting of shareholders will be held next year and beyond, we will take into consideration both the COVID-19 situation and the number of shareholders after the stock split. We are aware of examples of other companies holding "virtual" general meetings of shareholders or providing live streams, and we will continue to look into the situation.

Q2	I'd like to hear about your Business Continuity Plan (BCP) in the event of a natural disaster and other contingencies.
A2	Furukawa: Even if our business continuity is hindered by a natural disaster, such as an earthquake, or by some dangerous infectious disease which is highly contagious and could cause a serious medical condition, we have a documented response plan and have implemented various proactive measures so that we can restore operations as quickly as possible. If a disaster occurs, we will convene a disaster response committee, headed by the president, that will act to confirm the safety of our employees, protect the integrity of company property, and secure personnel and communication systems for the recovery effort. In the realm of our development activities, backups are regularly made for critical information like the data for games currently in development. This allows us to restore the data as soon as possible should something happen. In manufacturing, we try to reduce overall risk by dispersing operations among multiple subcontractors wherever possible. This will allow us to mitigate the impact to manufacturing and procurement of materials in case a manufacturing partner's facility is damaged. With regard to individual business operations, we have always been working to ensure the smooth continuity of business by constantly reviewing our priorities in case of an emergency and by preparing action plans for each department during normal times. We also undertake disaster response training as needed. We will continue to pay close attention to providing the optimum BCP according to the development of our business.

Q3	Are you considering releasing a new iteration or remake of Nintendo franchises such as the F-Zero series, which have not had a sequel released for a long time? There are titles highly rated in Nintendo's back catalog, and I'd like to see those actively put to use.
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A3	<p>Furukawa:</p> <p>Realistically speaking, it would be difficult to develop remakes or sequels for all Nintendo titles you have requested, but we're extremely glad and grateful that our fans continue to look forward to them.</p> <p>Shinya Takahashi (Director, Senior Managing Executive Officer):</p> <p>We are always thinking from a broad perspective about how to make both new titles and remakes enjoyable for many consumers. As an example, a question was asked at the Annual General Meeting of Shareholders (for the 79th fiscal year held in 2019) about whether we had any plans to remake the Famicom Detective Club series. By chance, we did have plans at that moment to remake that very series. I cannot discuss whether we have plans to remake any specific title, but as we develop our games, we are constantly considering all kinds of possibilities to create enjoyment for consumers.</p>
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Q4	<p>I'd like to hear about how Nintendo takes care of its employees. Please tell us how the environment at Nintendo headquarters in Japan has changed, and how do you plan to improve working conditions for employees.</p>
A4	<p>Furukawa:</p> <p>We recognize that in order to achieve a good work-life balance, we need to create ways of working that meet the needs of—and work for—each and every individual. To offer a diverse work environment, we have introduced a flexible working schedule and have policies in place that encourage the use of paid vacation. We also have made progress in certain initiatives which include improvements in benefits provided to temporary employees, allowing second- and part-time jobs, and to further expand existing structures for childcare and caregiving.</p> <p>We also abolished female employee-specific uniforms several years ago, and starting this year we moved to a more flexible dress code that allows employees to choose clothes suitable to their workplace. You may see employees wearing jackets with the Nintendo logo in media articles. We still keep these jackets to remind us that Nintendo is a company that creates products.</p> <p>We're also discussing strategies to promote the active involvement of women in the workplace.</p> <p>Shigeru Miyamoto (Representative Director, Fellow):</p> <p>Thank you for asking such an important question.</p> <p>When we started making games, we had only a few dozen people in our team. Now we work with thousands. However, even with the number of people working together increasing, I think it is still very important that everyone on the team is engaged. I think that a team functions best when each and every person on the team understands their role, and it is the responsibility of the game directors to ensure this is the case during development. Enabling daily active engagement with their work also connects to providing emotional support for each team member.</p> <p>In addition, roles often become more divided as companies and organizations grow. However, at Nintendo, we encourage people to act beyond their roles, while looking at the overall picture. We do this because when you try new things, the way you have always done things before might not</p>

	<p>work anymore, and it is always better to have practiced starting something from scratch. I think this is part of the Nintendo DNA. Every year, I give a lecture to our new employees fresh out of college and our mid-career hires just joining Nintendo. In this lecture, we talk about things like the Nintendo DNA and our unique ways of engaging in work.</p>
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Q5	<p>There was a time when Nintendo conducted business in China under the iQue brand. However, in recent years, you have been conducting business in China in partnership with Tencent. I'd like to hear about the current situation of your business in China. Also, there have been reports of hacks which allegedly have been traced to China. What kinds of risk-management initiatives are you taking to deal with information leaks?</p>
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A5	<p>Furukawa:</p> <p>We have been selling Nintendo Switch in China in collaboration with Tencent since 2019, and in January 2022 we also launched Nintendo Switch – OLED Model in China. The video game market in China is centered around mobile devices and computers, and the market for dedicated video game platforms is not very large. However, there has been a gradual increase in people playing Nintendo Switch ever since its launch in 2019. According to Tencent, games like <i>Ring Fit Adventure</i> have performed particularly well in China, and the availability of games like this that are unique to Nintendo is leading the growth in the number of women and families with children among our consumers. For our future business development in China, we hope to continue to work together with Tencent to highlight the appeal of our uniquely Nintendo games.</p> <p>We are taking a variety of initiatives to address information security threats and vulnerabilities. For the services we provide, initiatives include cooperating with outside specialists and conducting diagnostics to check for security issues. In addition, as part of our internal system for information security, we introduced the information security management system in 2017 and have set up our Information Security Committee. Policies for information management have been established, and we have adopted both physical and technical countermeasures. In addition, we work to raise awareness of information security among our employees through training and other means.</p>
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Q6	<p>Among your Board of Directors, there is currently one female Outside Director, but there are still no female Internal Directors promoted from within the company. What is the current percentage of women in management positions, and is there a possibility that female director candidates will emerge from within the company?</p>
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A6	<p>Furukawa:</p> <p>Director candidates are selected based on who would be best for navigating the management of the company, regardless of factors like gender, age, and nationality. We aim to carry out corporate management from a variety of perspectives, and our current Board of Directors includes, as Outside Directors, Asa Shinkawa, who is a woman, and Chris Meledandri, who is a non-Japanese member.</p> <p>As the interests and preferences of the consumers continue to diversify, it is also essential that we leverage a variety of talent to enhance the overall strength of the company as we are in the entertainment business. To that end, we strive to respect and utilize the individual characteristics</p>
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	<p>and strengths of our employees. When it comes to the recruitment of talent, we judge each person on their own qualities regardless of gender. And after joining the company, the compensation system and the like are decided based not on gender, but on the abilities demonstrated by the individual and their contribution to the company. The entire Nintendo group is striving to promote an environment in which female employees can play an active role. In our overseas subsidiaries, female employees are active in important posts including senior management. Women account for 23.7% of management positions when calculated based on the combined numbers for the headquarters in Japan and the subsidiaries in North America, Europe and Australia.</p> <p>We recognize that there are still many issues to be addressed, such as increasing the number of female managers in Japan, so this is a topic of frequent discussion among the executive management. We will continue to strive to build a work environment where employees from a diverse range of backgrounds and various identities can play a more active role.</p>
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Q7	<p>Characters from the Nintendo Switch game <i>Fire Emblem: Three Houses</i> appear in the mobile application <i>Fire Emblem Heroes</i>. In the <i>Fire Emblem</i> series and other IP being developed for both the dedicated video game platforms and mobile devices, I expect a quality story with the worlds of the main series firmly incorporated and that make the most of the mobile application. I would like to know about the expansion of Nintendo IP in mobile applications from the perspective of the overall strategy.</p>
A7	<p>Furukawa:</p> <p>Thank you for your comments on the <i>Fire Emblem Heroes</i> mobile application. The specifications of a game are determined based on a comprehensive evaluation of various factors, so while I do not know if we can satisfy every request, your opinions are appreciated.</p> <p>We are currently operating five applications: <i>Super Mario Run</i>, <i>Fire Emblem Heroes</i>, <i>Animal Crossing: Pocket Camp</i>, <i>Dragalia Lost</i>, and <i>Mario Kart Tour</i>. For our mobile business, our goal is to develop services that leverage the characteristics of the individual games so even people in regions where Nintendo Switch has not been widely adopted can experience Nintendo's unique entertainment. In October 2021, Niantic released the mobile application <i>Pikmin Bloom</i>, which we developed with Niantic. <i>Pikmin Bloom</i> is a mobile application that makes it fun to get out of the house and walk around, and can be enjoyed by anyone regardless of age or gaming experience.</p>

Q8	<p>It seems that you halted business in Russia because of the situation in Ukraine, but what are your thoughts about future business in the region? Also, what is the business situation in the neighboring European region?</p>
A8	<p>Furukawa:</p> <p>Since the payment provider for Nintendo eShop (which operates the digital business) in Russia has suspended transactions in Russian rubles, the Russian Nintendo eShop has been in maintenance mode since March 4th. In addition, due to the suspension of Nintendo eShop operations and logistical difficulties, for the time being, we are not shipping any products, including physical products, to Russia. We will not discuss the specific amount of impact, but this issue has a negligible</p>

	<p>effect on our overall financial results since sales in Russia are only a small part of overall sales for the Nintendo group.</p> <p>Satoru Shibata (Director, Senior Executive Officer):</p> <p>Regarding business in the Russia region, we are giving serious thought to how to handle this going forward, in light of changing world affairs. In Europe, as in other regions, Nintendo Switch sales continue to be steady even entering its sixth year, and interest from consumers is high. While changes in the environment like the situation in Ukraine and global inflation do exist, these factors have not greatly affected the progress of the Nintendo Switch business in Europe.</p>
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Q9	Comparing the balance sheets at the end of March 2021 and the end of March 2022, inventories have increased by about 110 billion yen. What is the reason for this?
A9	<p>Furukawa:</p> <p>There are two main reasons. Due to the strain in terms of supply and demand for semiconductor components, we need to prepare for production by securing inventory of raw materials and parts earlier than before. The first reason for the increase is that we are holding more inventory of raw materials than before because of this situation.</p> <p>The second reason is that there was a change in accounting treatment due to the application of the new accounting standard for revenue recognition, the impact of which was an increase of 36.5 billion yen. In the process of manufacturing our hardware, Nintendo sells procured parts to assembly subcontractors for a fee, and re-purchases the product once assembly is complete. Under the new accounting standard for revenue recognition, when selling components to subcontractors for assembly, it is determined that there essentially is an obligation to re-purchase the completed end product. Therefore, we can no longer recognize a reduction of inventories (on the balance sheet) when the parts are consigned, and must instead recognize a debt related to the payment transaction as an obligation to re-purchase the parts from the subcontractor. This change in accounting rules resulted in an increase in inventories on the balance sheet.</p>

Q10	What effects have the recent weak yen and global inflation brought about to business? Since Nintendo has a large volume of its sales made overseas, we understand that a weak yen increases the sales amount, but are you considering increasing product prices due to increased component prices and inflation?
A10	<p>Furukawa:</p> <p>Overseas sales, at nearly 80% of total sales, comprise a very high portion of sales for Nintendo, and a weak yen means an increase in overseas sales. On the other hand, we have also experienced an extremely strong yen in the past, and in order to mitigate the effects of such exchange rates, most of our component procurement is denominated in foreign currencies. While a weak yen increases sales, it also increases the cost of purchases in foreign currencies and various expenses incurred outside of Japan, like advertising expenses and labor costs. Therefore, the impact of foreign exchange rates, especially at the operating profit level, is smaller than their impact on sales.</p>

	<p>In addition, we hold many deposits and other assets denominated in foreign currencies due to our high percentage of overseas sales. Except in cases where we have exchange contracts and similar agreements, in which the exchange rate for transactions in the future is set in advance, valuation gain/loss (foreign exchange gain/loss) for assets with no such guaranteed exchange rate occurs based on the exchange rate at the end of the fiscal year. This valuation gain or loss is recorded as non-operating income or non-operating expenses.</p> <p>In terms of the impact of global inflation on our current business, our entertainment business generally has not been affected by macroeconomic considerations. However, we have heard from our overseas offices that inflation is currently rising rapidly and greatly impacting people's daily lives, especially in Europe and the United States. While there has been no major effect on our sales at the moment, we will continue to closely monitor the situation.</p> <p>While we cannot comment on pricing strategies, we currently do not have any plans to change the price of our hardware due to inflation or increased procurement costs in each country. We will determine our future pricing strategies through careful and continued deliberations.</p>
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Q11	<p>Last year, Nintendo bought back and canceled treasury shares, and this year announced a stock split and the introduction of a restricted stock compensation plan in addition to further treasury share buybacks. It seems like Nintendo's capital policy has changed. What kind of discussions led to the implementation of these measures?</p>
A11	<p>Furukawa:</p> <p>Regarding the stock split, we plan to split the common shares at a ratio of 10 for 1, with September 30, 2022 as the record date and October 1, 2022 as the effective date. We are aware that reducing the cost for each stock trading unit is one effective measure to expand our investor base and enhance the liquidity of our stock, and we have been carefully discussing its possibility. We made the decision to split our stock after comprehensively taking into consideration such factors as the restructuring of the Tokyo Stock Exchange market, future outlook of the stock market, current Nintendo share price, and liquidity.</p> <p>Our basic policy regarding treasury share buybacks remains the same, which is to do so as necessary based on the business environment, share price, and stock market trends. Information related to such initiatives must be disclosed in a timely manner in accordance with the rules of the stock exchange, so we cannot describe the specifics of when and how it will be implemented. Since factors such as the business environment and share prices are also subject to change, we intend to continue to carefully discuss this based on the situation in future. However, this does not mean that we have made any major changes in our approach.</p>

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