

Second Quarter for Fiscal Year  
Ending March 2019

## Financial Results Briefing

2018-10-31  
Nintendo Co., Ltd.  
Director and President  
Shuntaro Furukawa

Thank you for making time to attend Nintendo’s financial briefing. My name is Shuntaro Furukawa. I assumed the role of company president on June 28 this year. Thank you in advance for your support. Mr. Takahashi, Senior Executive Officer, has just presented our financial results for the period. I will cover the present business situation and the outlook for the coming holiday season.

- **Nintendo Switch Business Update**
- **Outlook for the Holiday Season and Onward**

Today's presentation will cover these two subjects.

- **Nintendo Switch Business Update**
- **Outlook for the Holiday Season and Onward**

First, let's talk about the Nintendo Switch business situation.

Regarding the Nintendo Switch business, sales of Nintendo's own evergreen titles and new titles are showing steady growth, and Nintendo Switch hardware sales are also stable as its momentum as a platform has continued to build. In light of these trends, we are in a very favorable position as we enter the holiday season. Let me discuss these points in order.



Nintendo Switch is a game system you can carry around and play in a variety of situations, not just in front of the TV, so as people see it in a variety of places and are presented with increasing opportunities to experience gameplay, there is broadening appreciation of the appeal and the value of the hardware. We have been proactively introducing a variety of scenarios for gameplay that broaden this appreciation for Nintendo Switch.



**Encouraging Long-Term Play With Nintendo Switch**

At the financial results briefing in April, then-president Kimishima noted how important it was for Nintendo Switch in its second year to continue to provide consumers who purchased the hardware with reasons to stay interested in playing on the system. Here, let me introduce several initiatives that the company has undertaken to this end.



One initiative involves the continual updating and delivery of add-on content for games. For example, titles like *Mario Kart 8 Deluxe* and *Splatoon 2* that were released last year have gotten more updates since April of this year with additions to game elements. And titles like *Kirby Star Allies* and *Mario Tennis Aces* that were just released this year have been updated for free.



Alongside these additions of content, we have held recurring, limited-time in-game online events for individual titles. For titles like the ones shown here, the final user rankings from the events are shown on the official website.



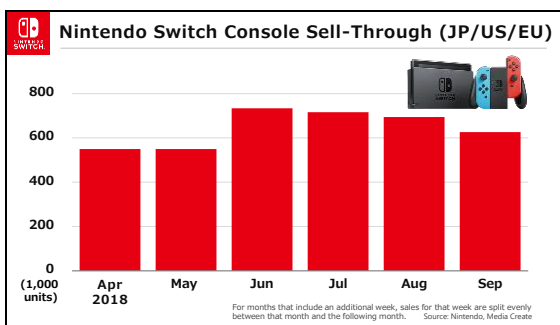
The *Splatoon 2* World Championship and *Super Smash Bros. Ultimate* exhibition matches held in June of this year at E3 are just two examples of the variety of non-online events we have also been holding. Game contests are a place where gamers can put their practiced skills to the test, but the venues also are prepared as fun experiences that can draw crowds of spectators. We view these events as places where

crowds of people can gather to feel the energy of our game communities. The events are streamed live over the internet, so people at home can also enjoy the thrills of exciting matches.

Note: E3...Electronic Entertainment Expo, an annual game show held in the US.



We are planning all kinds of events going forward. In the Japanese market, Nintendo Live 2018 is set to take place in November, and will feature tournaments for *Splatoon 2*, *Mario Tennis Aces*, and *ARMS*, as well as a tournament for *Super Smash Bros. Ultimate* ahead of its release. And we're not just planning competitions: we're also planning events such as demos for *Super Smash Bros Ultimate*, *Pokémon: Let's Go, Pikachu!*, and *Pokémon: Let's Go, Eevee!*, as part of our wholehearted effort to prepare events that a wide range of consumers can enjoy.



Consumer interest in Nintendo Switch is leading to sales of the system. This chart shows Nintendo Switch sell-through in the markets of Japan, the US, and Europe in and after April of this year. As you can see, sell-through dipped in April and May but then grew especially in the Europe and US markets, fueled by E3 in June and the dissemination of information surrounding that event and the release of major titles.

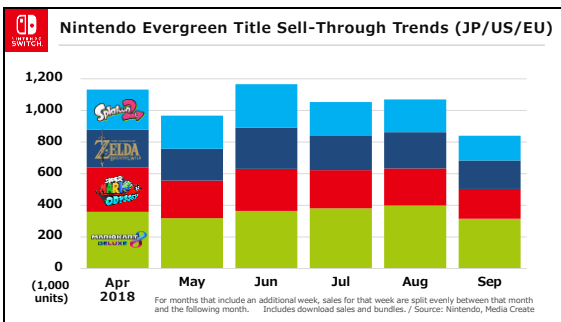
We will continuously work to encourage those who have purchased the games to continue to play their Nintendo Switch systems and also to pique the interest of those who do not own the games.



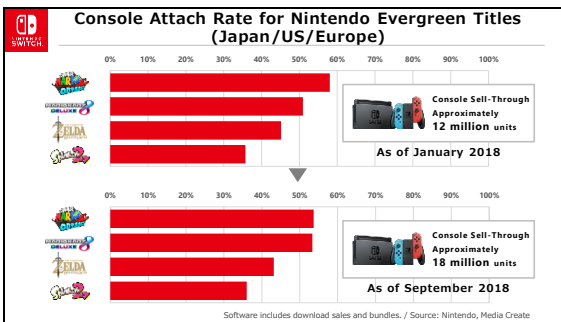
The Nintendo Switch business is now on a stable growth trajectory.



A number of evergreen titles that help to maximize the appeal of Nintendo Switch are already available, including *Super Mario Odyssey*, *Mario Kart 8 Deluxe*, *The Legend of Zelda: Breath of the Wild*, and *Splatoon 2*. All of these titles were released last year and are sustaining their sales momentum.



This chart shows the combined sell-through in Japan, the US, and Europe for the four previously mentioned titles in April and beyond. Sales have continued to grow for every title with no significant decline in the pace.

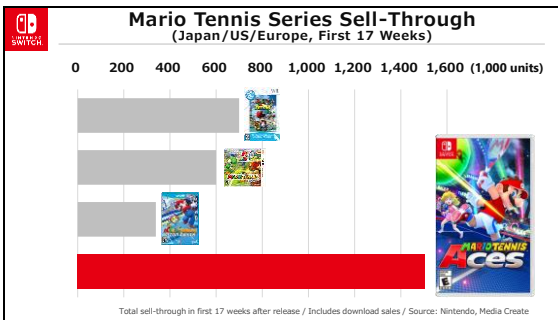


This chart compares the console attach rate for Nintendo evergreen titles in January and September of this year. As the chart shows, there was no significant change in the console attach rates for these four titles even though there was a combined sell-through of roughly 6 million systems in Japan, the US, and Europe over the course of that time. This implies that these titles are continuing to sell at a sustainable rate, and at the same pace as the hardware. We can expect the evergreen titles to continue to sell as long as the hardware continues to sell.

Note: The console attach rate is calculated as (total sell-through for a title) ÷ (total sell-through for the hardware).



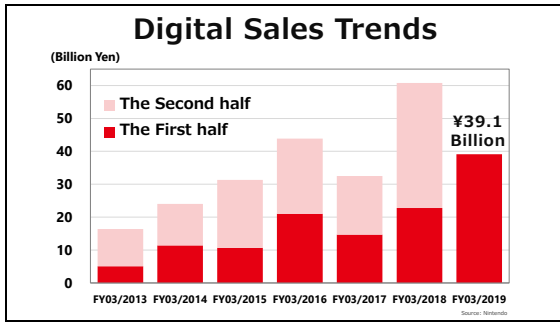
A new software title named *Mario Tennis Aces* was released on June 22. This title meshes with the advantages of Nintendo Switch as a game that consumers can “play anytime, anywhere, with anyone” and continue to enjoy in ways that fit their different styles of play. As such, it has particular importance among all the new titles released in the first half.



This chart compares the sell-through up to the present time for *Mario Tennis Aces* with the sell-through of past titles in the series for the same period of time after their releases. This title made an impressive showing with even greater momentum than past titles in the series. When a new title like this is a hit that becomes an evergreen title, it rounds out our software lineup and helps to further stabilize the foundation of our business.



Nintendo Switch Online, the paid service that expands the online functionality of Nintendo Switch, became available in September 2018. The launch went according to expectations, except that consumers who have purchased a subscription to this point opted for a 12-month Family or Individual Membership consist of more than half of total subscribers, which is more than anticipated.

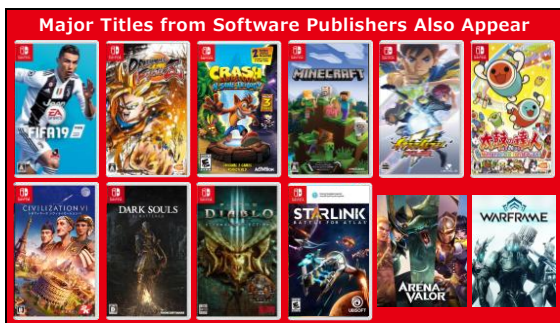


This chart presents a comparison of digital content sales in our dedicated video game platform business over the years. Digital sales also have expanded since the launch of Nintendo Switch. Such sales reached a record high in the first half of the fiscal year ending March 2019. As the sales volume of Nintendo Switch software increased, so did consumer demand for the downloadable versions of the software, and this gave a boost to digital sales. This breaks down to downloadable versions of packaged software accounting for approximately 60% of all digital sales. Although the ratio itself has not changed from last year, note that sales of download-only software and add-on content have been on the increase.

Note: FY = Fiscal year (April through March of the following year)



Amid this steady growth of the foundation for the Nintendo Switch business, software publishers are also debuting many titles and showing excitement about Nintendo Switch as a game platform.



Software publishers have been releasing everything from evergreen titles that appeal to broad audiences to titles that satisfy ardent game fans, and the sell-through of these products has been solid. The titles shown are just a few examples, and since early fall the lineup has been enhanced with major selling titles. Some of these games are from software publishers we haven't seen for a while on a Nintendo platform, and excitement for the Nintendo Switch platform is building ahead of the system's second holiday season.

### Fortnite Battle Royale

- Downloaded to Nearly Half of all Nintendo Switch Systems Worldwide
- With Nintendo Switch, the Game Can be Played on the Go

Source: Nintendo

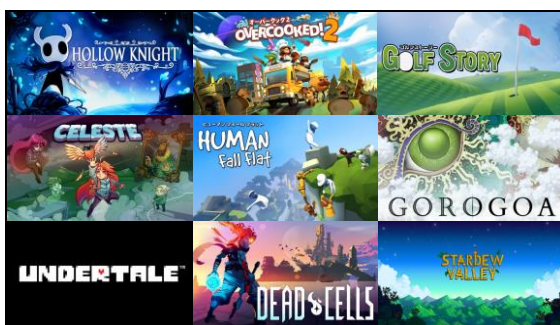
Distribution of the Nintendo Switch version of *Fortnite Battle Royale* from Epic Games began during E3 this past June, and since then it has shown up everywhere, not just in the US and Europe but also in Japan. It has gained so much momentum that it has been downloaded to nearly half of all Nintendo Switch systems worldwide. Many people continue to play the game, boosting the overall utilization ratio of Nintendo Switch. Nintendo Switch is unique in that people can bring their consoles with them so they can communicate while playing at a friend's house or elsewhere.

### OCTOPATH TRAVELER

- An All-New Title for Nintendo Switch From SQUARE ENIX
- Sell-Through of Over 1 Million Units

Includes download sales. / Source: Nintendo, Media Create

The next title I want to talk about is *OCTOPATH TRAVELER*, released in July of this year by SQUARE ENIX. This is an RPG featuring a special kind of graphics known as "HD-2D," which is a fusion of 2D sprites and 3D graphics. This completely original title for Nintendo Switch earned high marks from game media reviewers and also has been well received by actual playing consumers. Despite this being a completely original title, SQUARE ENIX announced that global shipments and download sales reached 1 million units within three weeks of release. According to them, both shipments and sell-through continued to climb after that, and sell-through has now surpassed 1 million units.



A wide variety of publishers from regions around the globe, and of all sizes including indie developers, have been on board since the release of Nintendo Switch, thanks to the early availability of a development environment. The number of publishers has further grown since then, and new titles are being released at a quickening pace, giving our consumers a continually widening selection of titles to choose from. We are also seeing increased interest via multiple media from developers in Nintendo Switch development and

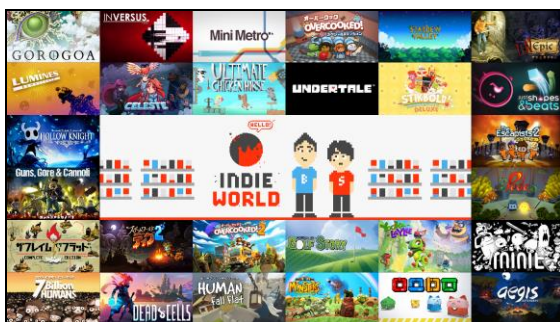
software sales. A hit title is naturally high-quality software in and of itself, but I also consider it to be a title that consumers and developers all appreciate to be a good fit with the “play anytime, anywhere, with anyone” concept and the quick-to-start, quick-to-suspend functionality of Nintendo Switch.

At the Financial Results Briefing in April 2018, we explained that more than 600 titles were available for purchase on Nintendo eShop,



As of October, there were over 500 software publishers selling software for Nintendo Switch, and worldwide more than 1,300 titles from these publishers available for purchase on Nintendo eShop. We plan to release a variety of titles from an increasing number of publishers going forward.

Note: This is the total number of titles available for purchase from the Nintendo eShop sites in the various regions of the world. The same title is not counted multiple times when it is distributed by Nintendo eShop in more than one country.



We as a company are deepening our ties with the developer community and beginning new activities in each country focused on game titles that would be difficult to introduce through conventional media channels. While widening the number of titles and genres from software publishers, we will work to create opportunities for our consumers to encounter new games.




- Nintendo Switch Business Update
- **Outlook for the Holiday Season and Onward**

Next I will talk about the outlook for the coming holiday season.



First, let's consider the Nintendo Switch business outlook.



**Multiple Strong Titles Are the Catalyst For Accelerated Sales During Our Second Holiday Season**

As was explained, we will look to the release of new titles this holiday season with the solid foundation we have built. Keeping up this momentum, multiple strong titles that every user in the household will want are expected to set off the Nintendo Switch system sales acceleration.



**Blitz of New Major Titles**



During October through December we will release a blitz of new Nintendo titles as shown. These new titles will offer fun for all of our consumers, from game fans to families, regardless of game experience or age. And all of these titles take advantage of the unique features of Nintendo Switch, enabling multiple people to enjoy exciting play together. These titles further enhance the allure of Nintendo Switch and will help make the system appealing to a wider range of consumers during the holiday season and beyond.



October 5 marked the global release of *Super Mario Party*, the latest installment in the Mario Party series.



*Super Mario Party* is the newest installment in the Mario Party series that is also a return to the series' roots for reworked, less complicated game mechanics. It is a title packed with gameplay enjoyable by all, and that speaks to the "play anytime, anywhere, with anyone" concept of Nintendo Switch. It is a finished game with an appeal that is immediately apparent, and a game that everyone from regular gamers to newbies can enjoy playing together. We expect it to become an evergreen title for scenarios like parties where people come together.



**October Sell-through  
Over 1.5 Million Units  
Worldwide**

Includes download sales. / Source: Nintendo

**Released October 5**

The good evaluations by consumers have been borne out by the recent sell-through. Global sell-through has exceeded 1.5 million units following its release on October 5. *Super Mario Party* had an extremely strong start compared to other installments in the series and has built up momentum ahead of the holiday season. We are also seeing an increase in Joy-Con sell-through with the release of this title.



Sales will grow even further if more scenes play out between now and the end of the year where this title is played in places where people gather together. *Super Mario Party* is the kind of title that is easy to play, even by people using Nintendo Switch for the first time. This has the potential to drive hardware sales because people may get the urge to buy this title along with Nintendo Switch when they get together to play.



Global release of *Pokémon: Let's Go, Pikachu!* and *Pokémon: Let's Go, Eevee!*, the latest installments of the Pokémon series, will take place in November. Their release finally brings the Pokémon series to Nintendo Switch.



This title is designed to be enjoyed by everyone. It is easy to play for people new to the Pokémon series, and endearing to fans of the Pokémon games. The title is based on *Pokémon Yellow Version: Special Pikachu Edition*, which was released for Game Boy in 1998, but this title offers completely new experiences. For example, the gameplay reflects *Pokémon Go*, and to catch a Pokémon the player swings the Joy-Con in an action similar to throwing a Poké Ball. In addition, by sharing the Joy-Con, two people can play at the same time in the same game, which is a first for the series.

Note: *Pokémon Go* is an application for smart devices. (Developed and published by Niantic, in collaboration with The Pokémon Company.)



The Poké Ball Plus will be released at the same time as a play accessory for this title. This Poké Ball Plus can be used instead of the Joy-Con as a game controller and "thrown," so to speak, to capture Pokémon as a trainer. Further enhancing the realism of the experience, the player hears a sound and feels something in the palm of their hand when they succeed in capturing a Pokémon. In addition, players can take their favorite Pokémon from *Pokémon: Let's Go, Pikachu!* and *Pokémon: Let's Go, Eevee!* out into the world outside of the game and, as

they walk around, it feels like the Pokémon is actually inside the Poké Ball Plus. More than half of all consumers who have pre-ordered this title chose the software bundled with Poké Ball Plus. Poké Ball Plus can also connect to *Pokémon GO* so that users can continue playing without continuously looking at their smartphones.



*Pokémon: Let's Go, Pikachu!* and *Pokémon: Let's Go, Eevee!* can be linked with *Pokémon Go* so they can carry around the Pokémon captured with *Pokémon Go*. Also, the *Pokémon Go* application can get special items that can lead to the acquisition of new kinds of Pokémon. It would be wonderful if this fun kind of linkage piqued the interest of *Pokémon Go* users all around the world.



We have created various special bundles for those consumers looking to purchase a system together with software.

To coincide with the November release of *Pokémon: Let's Go, Pikachu!* and *Pokémon: Let's Go, Eevee!*, we have prepared a package set that bundles the game with a Poké Ball Plus and a specially designed Nintendo Switch system.



*Super Smash Bros. Ultimate* will be released in December.

Note: This is the name of the overseas version of the game.



This title will be the largest-ever game in the Smash Bros. series in every aspect, with an overwhelming amount of content, bringing together famous franchises' characters in what will be the gaming industry's one of the greatest collaboration titles. What sets the Smash Bros. series apart is that the basic rules and operations of the game are very simple, yet for those who want to pursue the game it offers a real depth of gameplay. The games are welcoming, since people who seldom play have a good chance of witnessing the appearance of certain elements they recognize, so we are working to spark the interest of a wide range of consumers, and not just fans of the Smash Bros. series.

The Smash Bros. series titles are special to our company because it is the place where the characters of Nintendo's main titles come together. Many consumers discover Nintendo games they never knew about through the Smash Bros. series, so if Smash Bros. is spread wide across our consumer base, it will, by extension, also enhance the appeal of our overall IP.



amiibo represented the first example of our use of our own IP, and amiibo figure total sell-through has reached approximately 50 million units. All characters that appeared in the Wii U and Nintendo 3DS versions of Smash Bros. have been released as amiibo figures. On the same day that the new *Super Smash Bros. Ultimate* is released, we will also begin to sell three new amiibo of characters who are appearing in the game as fighters for the first time. In addition, we will sell accessories including a specially designed Nintendo Switch Pro Controller to coincide with the release.



In November, ahead of the December release of *Super Smash Bros. Ultimate*, we will offer a package bundle of a specially designed Nintendo Switch system together with the download code for the software, ready for play from the day of the software’s release.



By way of additional special Nintendo Switch bundles, we are working to offer other well-timed products to match consumer demand, for example releasing special packages of Nintendo Switch bundled with *Fortnite Battle Royale* or *Diablo III: Eternal Collection* in markets outside of Japan for the holiday season.

Note: The lineup and release dates of bundled sets of Nintendo Switch systems and software may differ from region to region.



For Nintendo Labo, the new kind of play offered by Nintendo, there are now three different Toy-Con kits on offer: the *Variety Kit* and the *Robot Kit*, released in April, and the *Vehicle Kit*, released in September. We have seen how consumers who purchase Nintendo Labo appreciate the unique experiences it offers. Our expectation is that sales will accelerate because Nintendo Labo is a product that people can choose to buy as a gift for kids during the holiday season much like a regular toy.

Titles Set For Release Early Next Year And Beyond		
January 	Spring 	Spring 
2019 (Provisional)	2019 Latest in the Series	Second Half of 2019 Latest in the Series

In addition, we are preparing to introduce a succession of Nintendo titles including the ones shown here early next year and beyond, so expect continual enhancement of the Nintendo Switch software lineup.



Next, let's consider the business outlook for the Nintendo 3DS family.

**NINTENDO 3DS™**

- Nintendo 3DS is a Lightweight, Price-Friendly, and Highly Portable Game System
- An Important Product, Can Represent the First Contact in Our Long Relationship With Consumers

Nintendo 3DS is set apart from Nintendo Switch by its characteristics as a handheld game system that is lightweight, price-friendly, and highly portable. Affordability is the strong point that positions Nintendo 3DS in a niche clearly separate from Nintendo Switch. In the grand scheme of things, Nintendo 3DS has a prominent position as the product that can be served as the first contact between Nintendo and many of its consumers, and for this reason we will keep the business going.

**More Value at the Same Price (US)**

new NINTENDO 2DS XL  
 +  
 MARIOKART 7  
 (Pre-Installed)  
**US\$ 149.99** • MSRP

During summer and fall, the hot-selling New Nintendo 2DS XL package was replaced in the US and European markets with sets featuring a pre-installed popular title. Because the suggested retail price was left unchanged in the US, the inclusion of one software title made the system feel like even more of a value to consumers. During the first half, we have launched specially designed versions of New Nintendo 2DS XL in Japan and elsewhere. We are continuing with efforts to expand sales.

Note 1: New Nintendo 2DS LL is sold outside of Japan as New Nintendo 2DS XL.

Note 2: MSRP = Manufacturer's Suggested Retail Price



An abundance of titles in a variety of genres have been released for the Nintendo 3DS family. It is important to convey the existence of this rich assortment of Nintendo 3DS family titles and drive sales to new purchasers of the hardware. Our new consumers know that the evergreen titles will continue to be available, so we will do our utmost to foster sales opportunities.



We are also preparing new titles for the Nintendo 3DS family for release around the turn of the year.



Next let's briefly touch on the NES and Super NES Classic Editions.



Combined global sales of the NES Classic Edition and the Super NES Classic Edition have now surpassed 10 million units. The Super NES Classic Edition, released last fall, and the NES Classic Edition, re-released in June of this year, both continue to sell as must-have products, and the fact that they are so affordable suggests that they will be in even greater demand during the holiday season.



Note 1: The official name of the NES Classic Edition in the US is "Nintendo Entertainment System: NES Classic Edition," while the official name in Europe and Australia is "Nintendo Classic Mini: Nintendo Entertainment System."

Note 2: The official name of the Super NES Classic Edition in the US is "Super Nintendo Entertainment System: Super NES Classic Edition," while the official name in Europe and Australia is "Nintendo Classic Mini: Super Nintendo Entertainment System."

## Smart-Device Business

Lastly, let me talk about our smart-device business.



- **Start of service on September 27.**
- **Distribution Regions:**  

**Japan, Taiwan, Hong Kong, Macao, US**

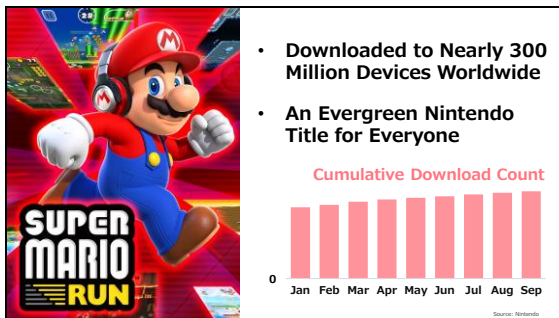
*Dragalia Lost*, a new and original game application developed in collaboration with Cygames, was released on September 27. Initially, distribution was going to be limited to the four regions of Japan, Taiwan, Hong Kong and Macao, but the US was added when the service began for the title.



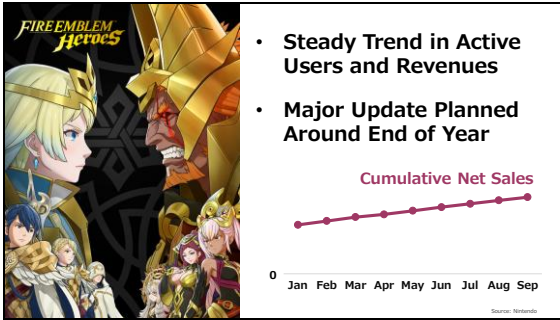
- **Over 1 million pre-registrations** Source: Nintendo
- **Review Scores**  
**App Store (US) 4.8 Stars**  
(As of October 29, 2018 in the US)  
**3.8 Stars on Google Play Worldwide**

This title is an original application using completely new IP, and no existing Nintendo IP. Even so, the game attracted lots of consumer interest in the US and the rest of Asia, let alone Japan, even before the service launch, with over 1 million people pre-registering for this title. This confirmed the presence of a certain number of consumers who are keen to play this game, and even

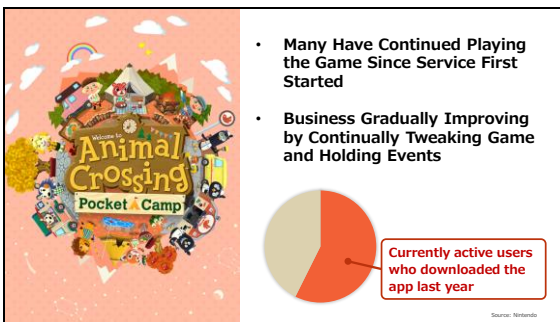
though the service launch was only slightly more than one month ago, we have already recorded sales approaching 4 billion yen by now since its service launch on September 27. In the US, the game achieved a high user-review rating of 4.8 stars in the App Store, indicating a positive reception for the game's content. Summing this up, we think we could state that this has been a steady kick-off as a challenge for creating new IP that has been embraced by consumers around the globe. Going forward, we will be putting our efforts into television commercials and other promotional activities, while also making effective use of events and updates, in order to further expand the ranks of consumers playing this title.



It has been almost two years since the release of *Super Mario Run*, but the number of downloads still continues to grow and the application is now installed on nearly 300 million devices around the world. Downloads in countries outside of Japan continue and now account for over 90% of the total. As an evergreen Nintendo title for every owner of a smart device, it has entered a cycle where a certain stable number of new downloads take place every month. The application is significant in that it brings Mario to a wide range of consumers in countries and regions not touched by our dedicated video game platform business. In this regard, it plays an important role in helping to maximize the number of people exposed to Nintendo IP.



*Fire Emblem Heroes* continues to grow, with a sustained number of active users and total sales rising at a steady pace. The share outside of Japan continues to expand gradually, and the number of active users outside of Japan has already surpassed the number inside Japan. This is one example where sustained operation of a smart-device application has led to the cultivation of markets outside of Japan. We plan a major update to Version 3.0 around the end of the year and intend to keep pouring effort into development and operation so even greater numbers of consumers continue to enjoy the game.

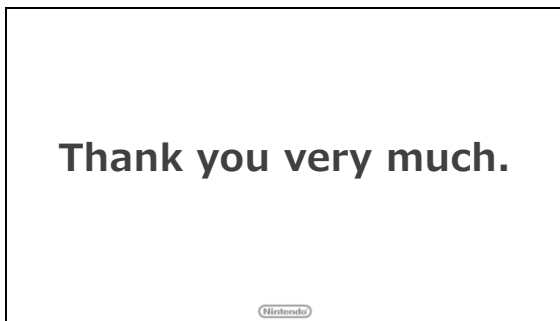


Around a year has passed since *Animal Crossing: Pocket Camp* was first released, and more than half of the currently active users have continued playing the game since the initial release last year. The game has sustained a number of continually active users, particularly among adult female consumers. By continually tweaking the game content and frequently holding various events, we have managed to gradually improve the business situation for this game. We are progressing with the development of an update that will broaden the scope of the gameplay. Details will be announced closer to the time of the update.

In addition to the titles described above, we also plan to start a service for *Mario Kart Tour*, a Mario Kart application for smart devices, sometime during the current fiscal year ending in March 2019. With titles like these we intend to continue to expand our smart-device business and make it a pillar of revenue for Nintendo.



As we come to the end, I'd like to say that the most important thing for this holiday season is further uptake of Nintendo Switch. In the current fiscal year, new major titles' release for Nintendo Switch are concentrated in the third quarter. We have established a firm footing ahead of what will be the second holiday season for Nintendo Switch, and we plan to offer new software so more people come to know and enjoy the charm of Nintendo Switch. As a result, we will be working to build up the excitement, in terms of hardware and software sales as well.



This concludes our presentation.  
Thank you very much.

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