

Q & A Summary

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Q1	<i>Mario Kart Live: Home Circuit</i> looks like it will be a unique integrated hardware-software entertainment title. Can you talk a little about the concept and how it was developed? Also, what is your approach to the Nintendo Switch software lineup going forward?
A1	Shuntaro Furukawa (Representative Director and President): We recently announced our software lineup for the second half of this fiscal year (ending March 2021). It starts with the release of <i>Super Mario 3D All-Stars</i> on September 18, followed by <i>Mario Kart Live: Home Circuit</i> in October. Koei Tecmo Games will also release <i>Hyrule Warriors: Age of Calamity</i> in November. (Nintendo will publish this title in overseas markets.) And then next year, we have more titles slated for release, including <i>Super Mario 3D World + Bowser's Fury</i>. Nintendo Switch is just now entering what we consider the middle of its lifecycle, so there are many more titles currently under development to be released in the next fiscal year (ending March 2022) and beyond. Shinya Takahashi (Director, Senior Managing Executive Officer): <i>Mario Kart Live: Home Circuit</i> is based on the concept of using a game console to control an RC kart equipped with a camera. The concept was proposed by a U.S. company, Velan Studios, whose founders were involved with us during development of a Wii U title. The first demonstration of their proposal was so impressive that we ultimately started working with them through the trial and error process to figure out the details of what kind of product we wanted to develop. Ko Shiotani (Director, Senior Executive Officer): I see <i>Mario Kart Live: Home Circuit</i> as a good example of our integrated hardware-software entertainment approach, demonstrating the Nintendo way of creating products by combining the various play ideas that come from software developers with the technology ideas put forward by hardware and system developers. I think this style of play, which integrates the real world and game world in a way that feels natural, can only come about because Nintendo is able to combine ideas from hardware and system developers with the ideas from software developers. Collaborating with Velan Studios and with our European development subsidiary, NERD (Nintendo European Research & Development), has enabled us to develop a product that leverages our core strengths.
Q2	Now that Nintendo Switch Online has reached a level of over 26 million paid members, what can you tell us about the state of the service from launch to the present and your outlook for its future?
A2	Furukawa: The number of Nintendo Switch Online memberships has risen with hardware sales growth at a steady pace. Paid memberships show major growth after the release of titles with popular online play, like <i>Super Smash Bros. Ultimate</i>, <i>Pokémon Sword</i> and <i>Pokémon Shield</i>, and <i>Animal Crossing: New Horizons</i>. We will continue releasing titles with appealing online play, and introducing special offers for members like <i>Tetris® 99</i> and <i>Super Mario Bros. 35</i> that bring more features and more fun to Nintendo Switch. We will continue such efforts to make Nintendo Switch Online an appealing service for our

	consumers. As of September 2020, some 20% of the over 26 million Nintendo Switch Online paid memberships are accounts for users who belong to the service through a Family Membership (and therefore do not pay individual subscription fees).
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Q3	I'd like to hear about your take on the Nintendo Switch lifecycle, as well as your thoughts on future allocation of development resources, including for the development of new hardware.
A3	Furukawa: Cumulative sales of Nintendo Switch have surpassed 60 million units, thus establishing a business foundation for the future. At the same time, Nintendo Switch is just now entering the middle of its lifecycle, so we think this foundation will support growth that goes beyond what was achievable within the lifecycle of past hardware platforms. Also, unlike past hardware platforms, there are two versions of Nintendo Switch, allowing consumers to choose between Nintendo Switch and Nintendo Switch Lite, depending on which one best suits their lifestyle. And for Nintendo, being able to focus our software development resources on a single platform has the advantage of creating an environment that lets us create even more unique entertainment than past platforms. These are a few reasons why we want to further extend the platform's lifecycle.

Q4	The sales forecast for Nintendo Switch during this fiscal year is currently unchanged from the 19 million units you initially announced, but I'd like to hear about your future outlook.
A4	Furukawa: One thing we can expect from our business is that a significant portion of sales and profits for the fiscal year tend to occur in the third quarter. After announcing the financial results from the first quarter, Nintendo Switch hardware and software both sold well this summer through July and August in all regions. Sales continue to be in line with our plans. We recently announced some upcoming new titles, and will need to factor in the reaction to those titles when determining our outlook for the holiday season. With the release of <i>Animal Crossing: New Horizons</i> the user base of Nintendo switch has further expanded, and the business so far is expanding with more momentum than in a typical year. Because of this, we are aiming to expand Nintendo Switch sales even further as we head into the upcoming fourth holiday season.

Q5	Super Mario Bros. is celebrating its 35th anniversary. Can you tell us about what has and hasn't changed with regard to Super Mario Bros. in the past 35 years, and where you see the franchise going?
A5	Shigeru Miyamoto (Representative Director, Fellow): People typically expect sequels in a video game franchise to introduce incremental new elements, but we often hear our consumers saying that each title in the Super Mario Bros. series feels like a meaningfully different game. Thirty years ago, there was a survey outside of Japan that showed Mario was more recognizable than Mickey Mouse. I felt bad that Mickey Mouse, who had been hugely popular among fans, including myself, for 60 years at that point, was even being compared to Mario, who had just been around for a few years back then. Even so, considering that Mickey Mouse had grown up alongside

	the evolution of animation technology, I resolved that we would help Super Mario grow up alongside the evolution of digital technology. In fact, every time Nintendo has launched new hardware, we also released a new title in the Super Mario series so players can experience a new type of entertainment that new technology allows us to achieve. We add new members to the development teams with every new title in the series, and these new members work with our veteran developers, bringing fresh new ideas of play by adopting new technologies. When asked about their experiences with the Super Mario series over the past 35 years, their responses ran the gamut from "The first <i>Super Mario Bros.</i> was the best" to "I like the newest one the best." Right now we're working on a Super Mario movie, which we hope will be enjoyed by an even wider range of people. Takahashi: Mario also appears in our latest integrated hardware-software product, <i>Mario Kart Live: Home Circuit</i>, as well as the newly revived <i>Game & Watch: Super Mario Bros.</i> We hope that Mario will continue to be active in many different areas in the future.
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Q6	I consider how Nintendo views technology in its development to really have originated in the era of Gunpei Yokoi (see note), but would like to ask Miyamoto-san, Takahashi-san, and Shiotani-san about each of their perspectives on the balance between fun and technological development. Note: During his tenure at Nintendo, Gunpei Yokoi (who passed away in 1997) was general manager of the development department that created R.O.B. and <i>Dr. Mario</i>, in addition to video game systems including Game & Watch and Game Boy.
A6	Miyamoto: You might know the phrase "lateral thinking with withered technology" from Gunpei Yokoi, who was the head of Nintendo's development department at one time. It means that innovative ideas can lead to completely new entertainment using technology that already exists, which is easier for developers to work with, and this type of entertainment can be mass produced at a price that puts it well within reach of consumers. We do use some cutting-edge technology these days, but the most important thing about how we use technology is that we create something that anyone can play with simple and intuitive controls. Nintendo puts a lot of importance on our approach to development by carefully selecting or developing technologies that consumers can use without needing to struggle with complicated controls. As an example, we believe that one of the factors that contributed to the global popularity of the Nintendo Entertainment System was that it started running as soon as you turned it on, and all you needed to do is just press the Reset Button if you had a problem. And when Game Boy first launched, many people wondered why we used a monochrome LCD screen instead of color, but monochrome LCDs came with a significantly longer battery life and were easy to see under direct sunlight, which allowed players to enjoy their games outdoors. Those are just some examples of our approach to creating products that we believe consumers can enjoy comfortably. I hope you will look forward to our future products. Takahashi: The importance of balancing software and technology lies in how smoothly we are able to

implement what we believe will be fun player experiences – that goes for hardware development in both the past and future. Although software developers like us often ask challenging things of the hardware developers with an eye to fully realize our entertainment concepts, I'm grateful to all the hardware developers who go through the trial and error that leads to the best solutions for us. We intend to continue to utilize our unique strength of integrating software and hardware development.

Shiota:

There are a lot of different technologies available now, and as an engineer, I feel we've really entered a good era. Even so, there is also the dilemma in which the more technology you try to adopt, the more development resources are required. What we value is how much that technology contributes to fun experiences, and how comfortably a consumer can play. We make our selections based on an earnest evaluation of the necessity and possibilities of each technology from this perspective. When developing Nintendo's unique forms of play, there are times when we are unable to just use existing technology, so we focus on proactively committing resources toward the development of technology in pursuit of fun and comfortable experiences.

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