Six Months Financial Results Briefing/ Corporate Management Policy Briefing for Fiscal Year Ending March 2025
Nintendo Co., Ltd.

Q&A Summary (English Translation of Japanese Original)

Date: Wednesday, November 6, 2024

Attendees:

Shuntaro Furukawa (President and Representative Director, Member of the Board)

Shigeru Miyamoto (Executive Fellow and Representative Director, Member of the Board)

Shinya Takahashi (Senior Managing Executive Officer and Corporate Director, Member of the Board)

Satoru Shibata (Managing Executive Officer and Corporate Director, Member of the Board)

Ko Shiota (Senior Executive Officer and Corporate Director, Member of the Board)

Yusuke Beppu (Senior Executive Officer and Corporate Director, Member of the Board)

Hajime Murakami (Executive Officer)

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

Q1	In today's presentation, you stated that Nintendo Switch software will be playable and Nintendo Switch Online will continue to be available on the successor to Nintendo Switch. Wouldn't this weaken the motivation for current Nintendo Switch players to purchase the new hardware at launch? I would like to know how you will convey the unique appeal of the successor system to consumers going forward.

A1	Shuntaro Furukawa (President and Representative Director, Member of the Board):
	
	   We explained that Nintendo Switch software will also be playable on the successor to Nintendo Switch. Nintendo Switch is being played by many consumers, and we decided that the best direction to take would be for consumers to be able to play their already purchased Nintendo Switch software on the successor to Nintendo Switch. With this, consumers can choose to continue to enjoy the games they have already purchased, as well as select additional titles they want to play from among the robust lineup of titles released for Nintendo Switch.
	
	   Further information about the successor to Nintendo Switch, including its compatibility with Nintendo Switch, will be announced at a later date. We will continue to use various ways to convey the appeal of the successor to Nintendo Switch like we have always done as a company that provides integrated hardware-software entertainment.

Q2	Rising development costs have become an issue in the video game industry. How does Nintendo view the current situation? In addition, will Nintendo's research and development expenses continue to increase going forward? Can you mitigate the rise in development costs by implementing some sort of measures on the hardware side?

A2	Shigeru Miyamoto (Executive Fellow and Representative Director, Member of the Board):
	
	   Our research and development expenses have been increasing each year. Since our scale of development has grown, a corresponding increase in costs is, in some respects, inevitable.
	
	   However, our belief is that what we create is more important than the amount spent on

Q&A Summary (English Translation of Japanese Original)

development. We continue refining our products until we are confident that we have created something that our consumers will be satisfied with. With that in mind, what is important is to find ideas that are worth honing, and this has not changed since the era of Nintendo Entertainment System. Everyone has different interests, so we cannot make sweeping statements about what ideas are worth pursuing. However, one thing we are sure about is that it should be something which has not existed in the past. The more you polish something that has never existed before, the more value it brings. We believe that it is important to nurture developers who take this unique concept to heart, allocate funds to development if necessary, and release games only after we are confident in the product – and repeat this process over and over again.

On the other hand, in the entertainment business it is possible to create appealing products based on intriguing ideas, without incurring significant costs. Children's toys are a prime example of this. We believe that not all products require large costs. Even in the case of video games, with the current technology it is possible to create fun games with a small number of developers in a short period of time. We believe it is important not to lose sight of this perspective.

Shinya Takahashi (Senior Managing Executive Officer and Corporate Director, Member of the Board):

I believe unique titles that are small in scale, but worth polishing can be created by expanding on the ideas of a small number of developers, rather than spending large sums of money on every game. While overall research and development costs are rising, there are certain products for which expenses remain relatively stable, depending on our approach.

Moreover, the development software and environments for Nintendo Switch have significantly evolved compared to those of previous hardware, which provides various methods to mitigate cost increases. We have established an environment that uses these advancements where Nintendo's unique producers can create games.

Ko Shiota (Senior Executive Officer and Corporate Director, Member of the Board):

From a hardware and system perspective, we believe it is important to provide an environment that enables game developers to work efficiently. As explained in today's presentation, the merging of home consoles and handheld systems allowed us to integrate what previously were two separate software development environments. Because we are already familiar with Nintendo Switch, maintaining a similar basis for development environments in the future will allow us to carry over the experience we have already built, which should lead to a reduction in research and development costs over time.

I believe that the most important thing for Nintendo is how we create new ideas. Bigger budgets do not necessarily equate to better ideas, so we hope to continue to focus on a process where teams of hardware and software developers share ideas to create interesting things.

Q&A Summary (English Translation of Japanese Original)

Furukawa:

In order to create very Nintendo products which integrate hardware and software, we must invest in the development environment. Investments in the development environment, such as the spending for the Corporate Headquarters Development Center, Building No. 2 (tentative name) described in today's presentation, are a key initiative in our utilization of cash on hand.

Q3	The launch of *Nintendo Music*, an application for music streaming available to Nintendo Switch Online members, will also offer an incentive for consumers who play games less frequently to join Nintendo Switch Online. Nintendo Switch Online has been positioned as a service designed to encourage users to play Nintendo Switch over the long term. But going forward, will it become a service that, like *Nintendo Music*, creates touch points with Nintendo IP for consumers who do not have a dedicated video game system? I'd like to know more about the direction that you are aiming for with Nintendo Switch Online.
A3	Furukawa: Nintendo Switch Online is designed to enhance the experience of using Nintendo Switch and that basic objective remains unchanged. *Nintendo Music* is an app for Nintendo Switch Online members to listen to Nintendo game music on their smart devices. Game music is an important part of our content library, and we believe the service aligns with our strategy to expand the number of people who have access to Nintendo IP. We launched *Nintendo Music* to deliver this game music to our consumers in a way unique to Nintendo. We think that if people listen to *Nintendo Music* and that brings back memories of playing our games, it might encourage them to pick up those games again. In turn, we hope that *Nintendo Music* will become an additional reason for people to maintain their Nintendo Switch Online memberships.

Q4	I read in an article about Nintendo Museum that Mr. Miyamoto gives a talk to new employees every year. What do you talk about? Also, I'd like to hear about your succession plans, from a creative standpoint. My impression from the outside is that you continue to produce hits because you are a genius. I imagine it is difficult to convey the fundamentals of game creation, so what kinds of efforts are you making? Do you think that the essence of your creative thinking is successfully passed on within the company?
A4	Miyamoto: You referred to me as a "genius," but I consider myself quite ordinary. Each year, I give a talk to about 100 to 200 new graduates and mid-career hires, and afterward people often say that they were wondering what kind of person I was and were relieved to see that I was surprisingly ordinary. I often think it would be fun if I didn't have to work, so I'm always thinking about

Q&A Summary (English Translation of Japanese Original)

things like, well, if I have to work, how can I do it more efficiently. And if I am going to do the same work, how can I make it more of a hit, because when a project is a hit it makes future work easier. In the talk I give every year, I touch on those challenges that come with creative work.

My annual talk is divided into three parts. The first part covers the history of Nintendo, starting with *hanafuda* playing cards, moving through toys, and leading to how we have become the entertainment company we are today. The second part focuses on what Nintendo values in game creation and what our strengths are. For instance, I discuss the evolution of the game interface by tracing the development of our controllers since the arcade days. In the third part, I address game design. New developers, especially those who are avid gamers, oftentimes aspire to create upgraded versions of the games they have played before, but I explain that game design is not about that. Rather, it is about observing the world around us and figuring out how to assemble those elements into an engaging video game. I explain that game design is about planning. That is, it is about assessing what hardware and development environment to use to create the game, whether the desired game can be realized with its available processing power, and engaging in trial and error to bring it to life. Many attendees find this perspective refreshing in that it is different from their own concept of game design or feel that they sympathize with our philosophy of product creation.

The talk only lasts about two hours every year, so to help employees retain what they have learned, I think it will be useful for them to visit Nintendo Museum to explore the history of our past challenges.

Takahashi:

The producers at Nintendo, who develop a diverse range of games, leverage their individual strengths to create unique products. They listen to various stories from Mr. Miyamoto and collaborate closely with him to create games, each person considering how those ideas can be applied within their own areas of expertise. The producers reflect on what Mr. Miyamoto has shared about his philosophy as they create games with their own aptitudes, and this perspective is shared with their development teams in the same form.

Q5	When developing new hardware, I understand that it is important to create products that are unique to Nintendo, but when a piece of hardware is too unique it can pose challenges for other software publishers to make games for that platform. When it comes to hardware development, what are you careful about when trying to strike a balance between uniqueness and ease of software development?
A5	Shiota: The unique features and characteristics of our hardware are not created by the hardware developers alone. We work in close collaboration with the software development teams to consider how to deliver a unique entertainment experience. Of course, we also consider the

Q&A Summary (English Translation of Japanese Original)

gameplay of other software publishers during this process as well.

Throughout the development process, we create various prototypes and test how they feel, and then we refine the ones that we think are good. This iterative process is crucial. However, in recent years, not only are the hardware and software important, but the system software responsible for running both is growing in importance as well, making hardware development a collaborative effort involving the three groups of developers. Nintendo has always placed emphasis on introducing unique products to the global market, so we will continue to carefully balance uniqueness with the ease of software development as we strive to create uniquely Nintendo products.

End