

Q&A Summary

Date: Tuesday, February 4, 2025

Attendees: Shuntaro Furukawa (President and Representative Director, Member of the Board)
Hajime Murakami (Executive Officer)

- The following are the main questions and answers from the financial results briefing (online). 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	I'd like to hear the reasons for the downward revision of your full-year financial forecast. Were there any special factors, such as consumers holding off on purchases following the announcement of Nintendo Switch 2, the successor to Nintendo Switch?
A1	<p>Shuntaro Furukawa (President and Representative Director, Member of the Board):</p> <p>Based on the sales situation in the third quarter (October-December 2024) and prospects for the remainder of the fiscal year, we changed our unit sales forecasts for Nintendo Switch hardware and software. We also revised the assumed exchange rate. These and other factors led us to revise our full-year financial forecast. We have modified the unit sales forecasts, decreasing hardware and software projections by 1.5 million units and 10 million units respectively, mainly reflecting the sales trend during the holiday season. We changed our assumed exchange rate for the end of the fiscal year from 140 yen to 150 yen per U.S. dollar.</p> <p>Cumulative sales of Nintendo Switch have surpassed 150 million units, and it has developed into a platform with a robust install base. We were positioned again this fiscal year to release many appealing new titles, and this, coupled with factors such as our rich variety of evergreen titles and annual playing users in excess of 100 million were some of the reasons that led us to set high goals at the start of the fiscal year.</p> <p>During the holiday season, sales of new titles like <i>Super Mario Party Jamboree</i> were strong in every region, and in markets outside Japan, we had solid sales of hardware bundled with software titles like <i>Mario Kart 8 Deluxe</i>. Although sales were steady for a platform in its eighth year, they did not reach the targets we set at the start of the fiscal year.</p> <p>I wouldn't say that there was no effect at all from people holding off on purchases in view of the upcoming launch of Nintendo Switch 2, but during the holiday season there were many new consumers who bought Nintendo Switch hardware worldwide, as well as many people buying replacement systems or additional systems.</p> <p>As for software, although unit sales are trending down year-on-year, we consider that the effect of decisions to postpone purchases was not large, as Nintendo Switch software will be playable on Nintendo Switch 2. Regarding the downward revision in our software sales volume forecast, I think one factor is that there was no single title like last fiscal year's <i>The Legend of Zelda: Tears of the Kingdom</i> or <i>Super Mario Bros. Wonder</i> that could give momentum to the overall business and create a buzz that gets lots of people involved and excited.</p>

Q&A Summary

Q2	What was the reaction from consumers and software publishers after the announcement of Nintendo Switch 2 and the release of the promotional trailer?
A2	<p>Furukawa:</p> <p>On January 16, we announced that Nintendo Switch 2, the successor to Nintendo Switch, would launch in 2025, and released a first-look trailer. Details about Nintendo Switch 2 will be presented in "Nintendo Direct: Nintendo Switch 2 – 4.2.2025," scheduled to air on April 2. In addition, Nintendo Switch 2 Experience events, where consumers can go hands-on with Nintendo Switch 2, will be held in various cities around the world.</p> <p>We are happy that many people all over the world watched the trailer. But because we only revealed the name and form factor, we will need to wait until more detailed information is released on April 2 to get a good sense of their reaction. There is currently a lot of interest, so we will first focus on the preparation for the April 2 announcement, and then offer opportunities for many people to get their hands on the hardware, so we can convey its appeal.</p>
Q3	I would like to hear Nintendo's thoughts on pricing products. Given the recent inflation and exchange rate situation, and the resulting price difference between Japan and outside markets, has your thinking changed regarding what price ranges would be acceptable to consumers for Nintendo Switch and Nintendo Switch 2?
A3	<p>Furukawa:</p> <p>We are aware that, in addition to how inflation is currently proceeding, the exchange rate environment has also changed significantly since around the time we launched Nintendo Switch in 2017. We also need to consider the price range that consumers expect for Nintendo products. We think a multifaceted consideration of these factors is needed when deciding on the price of a product. I cannot tell you a specific price for Nintendo Switch 2 at this time, but we are taking various factors into account.</p> <p>Currently, there are no plans to change the pricing of Nintendo Switch hardware.</p>
Q4	Regarding the revision of the full-year financial forecast, why is the sales volume for software during the fourth quarter (January-March 2025) much lower than the sales results we have seen in other quarters? Was there a significant change in momentum after the holiday season, or did you set a conservative forecast?
A4	<p>Furukawa:</p> <p>I think the software unit sales forecast for the fourth quarter is currently set at a realistic volume. The lineup of new titles and the sales situation after the holiday season are what primarily account for the lower projected sales volume compared to the results of the last few years. Although there is presently no major change in momentum, we think this an appropriate forecast for sales volume considering that we have revealed the name of Nintendo Switch 2, and its form factor, along with the announcement of a Nintendo Direct that will present</p>

Q&A Summary

	<p>detailed information about the hardware.</p> <p>Nintendo Switch has maintained a high level of annual playing users in recent years, and during the holiday season many people purchased their first Nintendo Switch systems. By conveying the appeal of our evergreen titles to these consumers, we hope that many of them will continue to make software purchases. In addition, <i>Donkey Kong Country Returns HD</i> was released in January and is seeing healthy sales. <i>Xenoblade Chronicles X: Definitive Edition</i> will be released in March. We are working hard to increase sales of both Nintendo titles and titles from other publishers so we can achieve our sales volume forecast.</p>
Q5	<p>What do you perceive to be the current position of smart devices in Nintendo's business, and what are your plans for them going forward?</p> <p>You have not released any new game apps recently, but you have started providing the <i>Nintendo Music</i> audio streaming service for Nintendo Switch Online members, and <i>Everybody 1-2-Switch!</i> utilizes smart devices as controllers. So it looks like rather than releasing standalone game apps, you intend to incorporate smart devices into gameplay.</p> <p>In the past, people's first game devices were Nintendo hardware, but that has now changed to be a smart device instead. Please share your insights into this situation.</p>
A5	<p>Furukawa:</p> <p>Nintendo has released mobile apps in many parts of the world, including countries and regions we have not reached with our dedicated video game platform business. As of the end of September 2024, cumulative downloads of Nintendo apps exceeded 900 million (see note). I believe this has increased the opportunities for more people to access Nintendo IP and characters.</p> <p>We are currently operating three game applications: <i>Fire Emblem Heroes</i>, <i>Mario Kart Tour</i>, and <i>Super Mario Run</i>. In addition, <i>Pikmin Bloom</i>, distributed by Niantic, was developed and is being operated jointly with Nintendo. <i>Animal Crossing: Pocket Camp</i> ended operations and service on November 29, 2024, but was converted into a paid application called <i>Animal Crossing: Pocket Camp Complete</i>, which was released on December 3, 2024. Although we cannot provide details on future application releases, we are continuing to develop new game applications.</p> <p>In addition, we released <i>Nintendo Music</i> in October last year. Our intent is to utilize smart devices, which have broad penetration, to create opportunities for consumers to come into contact with Nintendo game worlds and music even outside of dedicated game systems. Going forward, we would like to continue to develop these types of initiatives, including integration with games, for individual titles.</p> <p>As you pointed out, it is true in recent years that many people's first game platform has changed from being a Nintendo dedicated video game system to a smart device. Given this environment, we have considered various ways to utilize smart devices, and we will continue to deliberate on this topic. In the Corporate Management Policy Briefing held last year, we stated that we are utilizing theme parks, official stores, visual content, and mobile content to</p>

Q&A Summary

	<p>generate interest in our core business, which is the dedicated video game platform business. Going forward, even as we transition to Nintendo Switch 2, it remains important to increase touchpoints beyond video games. We believe that smart devices will take on a very important role in this endeavor, and we will continue to conduct research and implement initiatives.</p> <p>Note: Total number of unique users for apps released so far by Nintendo.</p>
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Q6	<p>Last year, you stated that you would produce enough Nintendo Switch 2 systems to satisfy the initial demand. Does this plan remain unchanged? For Nintendo Switch, you had difficulties ramping up production to meet the sharp increase in demand post-launch. Do you think that would be a concern for Nintendo Switch 2?</p>
A6	<p>Furukawa:</p> <p>Because Nintendo Switch 2 is planned to launch in 2025, I would like to describe our production plans together with our financial forecast for next fiscal year, which will be announced alongside our financial results for the end of the current fiscal year.</p> <p>As of now, we are taking the risk and proceeding with production to meet as large a demand as possible. We intend to estimate the volumes of initial demand and subsequent demand based on the response to the Nintendo Direct that will air on April 2, as well as the reactions of consumers who try out the actual product at Nintendo Switch 2 Experience events. As was true with Nintendo Switch, we believe it will not be easy to rapidly increase production capacity, so based on our prior experience, we are making preparations to be able to respond as quickly as possible.</p>

Q7	<p>In the third quarter of each year, shipments are made in preparation for the holiday season, so inventory tends to decrease compared to the end of the second quarter. However, inventory at the end of this third quarter (end of December 2024) increased compared to the end of the second quarter (end of September 2024). I would like to know the reason for this increase in inventory. Is it because inventory related to Nintendo Switch is accumulating due to slower sales during the holiday season, or is inventory increasing because you are preparing to ship out Nintendo Switch 2? If the increase is due to Nintendo Switch 2 related inventory, what would be an approximate maximum number of Nintendo Switch 2 units shipped in the first fiscal year?</p>
A7	<p>Furukawa:</p> <p>We are unable to provide detailed information on the breakdown of inventory, but as of the end of this third quarter, inventory has increased primarily due to preparations for the launch of Nintendo Switch 2 in 2025. The current Nintendo Switch related inventory has decreased since the end of the previous fiscal year (end of March 2024) and is at an appropriate level. We are not holding excess inventory.</p> <p>Additionally, we hope to be able to discuss first-fiscal-year shipments of Nintendo Switch 2</p>

Q&A Summary

	when we announce our financial results for the current fiscal year and disclose our financial forecast for the next fiscal year.
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Q8	Can you provide background for the downward revision of your full-year Nintendo Switch software unit sales forecast? Did you revise your full-year sales forecast due to sales of new first-party titles falling short of expectations?
A8	<p>Furukawa:</p> <p>This revision to the estimated software unit sales figures is due to an adjustment of sales volumes for both first-party titles and those of other software publishers. In terms of the effect on business performance, the larger impact came from the revision of sales volumes for first-party software. In addition, in terms of the sales forecast for first-party software, we are revising the sales volumes for both new titles and evergreen titles released in the previous fiscal year or earlier.</p> <p>In this fiscal year, evergreen titles accounted for approximately 70% of first-party software sell-through, a higher percentage than in the previous fiscal year. In the previous fiscal year, sales of new titles such as <i>The Legend of Zelda: Tears of the Kingdom</i> and <i>Super Mario Bros. Wonder</i> increased significantly, so evergreen titles accounted for approximately 50% of first-party software sell-through.</p>

Q9	Last October, recruitment of participants began for the Nintendo Switch Online: Playtest Program to test a new service for Nintendo Switch Online. How is this new initiative going? Also, please tell us your thoughts on future online strategy for Nintendo Switch 2.
A9	<p>Furukawa:</p> <p>We conducted a test called Nintendo Switch Online: Playtest Program related to a new feature for the Nintendo Switch Online service. We plan to leverage results and other learnings gained from this initiative in future Nintendo Switch Online services, but we have not announced any details.</p> <p>The number of Nintendo Switch Online members tends to fluctuate in correlation with the release of titles that utilize online play, and it is also affected by hardware sales fluctuations. Now that the holiday season is over, the membership level is stable and has not changed significantly from the 34 million as of last September, as disclosed at last year's Corporate Management Policy Briefing.</p> <p>Nintendo Switch Online will continue to be available for Nintendo Switch 2. We will continue to provide comprehensive services so that consumers who purchase our hardware can enjoy their experience.</p>

Q10	Many people are still purchasing Nintendo Switch. Although its successor, Nintendo Switch 2, was announced, some people may have purchased Nintendo Switch in the hope that new
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Q&A Summary

	titles for the system will continue to be announced in the future. Will there be many new titles released for Nintendo Switch in 2025 and later, or will evergreen titles constitute the core of Nintendo Switch offerings?
A10	<p>Furukawa:</p> <p>So far, we have announced <i>Pokémon Legends: Z-A</i> and <i>Metroid Prime 4: Beyond</i> as Nintendo Switch titles scheduled for release in 2025. Since many people are playing Nintendo Switch, if we are able to develop appealing software, we would like to continue releasing new titles. On the other hand, exclusive games are crucial when launching new hardware. With this in mind, we will consider various ways for Nintendo Switch and Nintendo Switch 2 to encourage as many consumers as possible to enjoy our games.</p>

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