

# **Annual Report 2019**

**for the fiscal year ended March 31, 2019**

**Nintendo Co., Ltd.**

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These documents are based on the Company's Annual Securities Report (Japanese only) prepared following the Financial Instruments and Exchange Act for the purpose of providing accurate financial information and other information in a manner that is easy to understand. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

[NOTE: Basis of Presenting Consolidated Financial Statements]

The accompanying consolidated financial statements of Nintendo Co., Ltd. (the "Company") and its consolidated subsidiaries are compiled from the consolidated financial statements prepared by the Company as requested by the Financial Instruments and Exchange Act of Japan and are prepared on the basis of accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards. The financial statements of the Company and its domestic subsidiaries are prepared on the basis of the accounting and relevant legal requirements in Japan. The financial statements of the overseas consolidated subsidiaries are prepared on the basis of the accounting and relevant legal requirements of their countries of domicile and no adjustment has been made to their financial statements in consolidation to the extent that significant differences do not occur, as allowed under the generally accepted accounting principles and practices in Japan.

Each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen or one billion yen. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The consolidated financial statements presented herein are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The rate of ¥110 to 1 USD, the approximate current rate of exchange on March 31, 2019, has been applied for the purpose of presentation of the accompanying consolidated financial statements in US dollars. These amounts in US dollars are included solely for convenience and are unaudited. These translations should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into US dollars at this or any other rate of exchange.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

# Information on the Company

## I. Overview of the Company

### 1. Key financial data and trends

#### Consolidated financial data

Fiscal year	75th	76th	77th	78th	79th	
Fiscal year ended March 31	2015	2016	2017	2018	2019	
Net sales (Millions of yen) (Millions of dollars)	¥549,780	¥504,459	¥489,095	¥1,055,682	¥1,200,560	USD 10,914
Operating profit (Millions of yen) (Millions of dollars)	24,770	32,881	29,362	177,557	249,701	2,270
Ordinary profit (Millions of yen) (Millions of dollars)	70,530	28,790	50,364	199,356	277,355	2,521
Profit attributable to owners of parent (Millions of yen) (Millions of dollars)	41,843	16,505	102,574	139,590	194,009	1,763
Comprehensive income (Millions of yen) (Millions of dollars)	59,373	(3,689)	104,525	134,090	200,341	1,821
Net assets (Millions of yen) (Millions of dollars)	1,167,556	1,160,901	1,250,972	1,323,574	1,414,798	12,861
Total assets (Millions of yen) (Millions of dollars)	1,352,944	1,296,902	1,468,452	1,633,474	1,690,304	15,366
Net assets per share (Yen) (Dollars)	9,862.52	9,662.73	10,412.59	10,980.45	11,833.91	107
Profit per share (Yen) (Dollars)	353.49	137.40	853.87	1,162.30	1,615.51	14
Diluted profit per share (Yen) (Dollars)	-	-	-	-	-	-
Capital adequacy ratio (%)	86.29	89.50	85.15	80.75	83.40	-
Return on equity (ROE) (%)	3.66	1.42	8.51	10.86	14.22	-
Price earnings ratio (PER) (Times)	50.00	116.45	30.26	40.32	19.54	-
Cash flows from operating activities (Millions of yen) (Millions of dollars)	60,293	55,190	19,101	152,208	170,529	1,550
Cash flows from investing activities (Millions of yen) (Millions of dollars)	(105,394)	(71,740)	69,518	61,387	45,353	412
Cash flows from financing activities (Millions of yen) (Millions of dollars)	(11,916)	(2,996)	(14,435)	(61,311)	(109,037)	(991)
Cash and cash equivalents at end of period (Millions of yen) (Millions of dollars)	¥281,539	¥258,095	¥330,974	¥484,480	¥585,378	USD 5,321
Number of employees (Persons)	5,120	5,064	5,166	5,501	5,944	-

- (Notes)
1. Net sales do not include consumption taxes.
  2. "Diluted profit per share" is not noted because the Company has not issued any dilutive shares.
  3. Effective beginning the 79th fiscal year, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Accounting Standards Board of Japan (ASBJ) Guidance No.28 of February 16, 2018)." The accounting standard has been retrospectively applied to the major management indicators for the 78th fiscal year and earlier.

## **2. Description of business**

In the field of home entertainment, Nintendo Co., Ltd., its subsidiaries and associates (composed of 25 subsidiaries and five associates as of March 31, 2019), primarily engage in the development, manufacture and sale of entertainment products. Nintendo's major products are categorized into computer-enhanced "dedicated video game platforms," playing cards, Karuta and other products. "Dedicated video game platforms" are defined as hardware and software for the handheld systems and home consoles developed by Nintendo Co., Ltd. and its subsidiaries and associates, manufactured by Nintendo Co., Ltd. and distributed primarily by its subsidiaries and associates in Japanese and overseas markets.

The positions of Nintendo Co., Ltd. and its main subsidiaries and associates are described below. Segment information is omitted as Nintendo operates as a single business segment.

### **- Development**

Nintendo Co., Ltd., Nintendo Technology Development Inc., Nintendo Software Technology Corporation, Retro Studios, Inc., Nintendo European Research and Development SAS, iQue (China) Ltd., ND CUBE Co., Ltd., 1-UP Studio Inc., MONOLITH SOFTWARE INC., Mario Club Co., Ltd.

### **- Manufacture**

Nintendo Co., Ltd.

### **- Sale**

Nintendo Co., Ltd., Nintendo of America Inc., Nintendo of Canada Ltd., Nintendo of Europe GmbH, Nintendo France S.A.R.L., Nintendo Benelux B.V., Nintendo Ibérica, S.A., Nintendo Australia Pty Limited, Nintendo RU LLC., Nintendo of Korea Co., Ltd., Nintendo (Hong Kong) Limited, Nintendo Sales Co., Ltd.

### 3. Subsidiaries and associates

#### (1) Consolidated subsidiaries

Name of company	Location	Share capital or Investments in capital	Description of principal business	Percentage of voting rights held by the Company	Relationship with Nintendo Co., Ltd. (the "Company")				
					Concurrent positions held by directors		Loans	Business transactions	Leasing of fixed assets
					Director of the Company (number)	Employee of the Company (number)			
Nintendo of America Inc. *1, 2	U.S.	Thousands of USD 110,000	Sale	100	-	1	-	Purchasing products manufactured by the Company	-
Nintendo of Canada Ltd.	Canada	Thousands of CAD 4,000	Sale	100 (100)	-	1	-	Purchasing products manufactured by the Company from Nintendo of America Inc.	-
Nintendo of Europe GmbH *1, 2	Germany	Thousands of EUR 30,000	Sale	100	-	1	-	Purchasing products manufactured by the Company	-
Nintendo France S.A.R.L. *1	France	Thousands of EUR 10,000	Sale	100	-	1	-	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	-
Nintendo Benelux B.V.	The Netherlands	Thousands of EUR 6,800	Sale	100	-	1	-	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	-
Nintendo Ibérica, S.A.	Spain	Thousands of EUR 3,000	Sale	100 (100)	-	1	-	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	-
Nintendo RU LLC.	Russia	Millions of RUB 104	Sale	100 (100)	-	-	-	Purchasing products manufactured by the Company from Nintendo of Europe GmbH	-
Nintendo Australia Pty Limited	Australia	Thousands of AUD 8,500	Sale	100	-	1	-	Purchasing products manufactured by the Company	-
Nintendo of Korea Co., Ltd. *1	Korea	Millions of KRW 25,000	Sale	100	-	4	-	Purchasing products manufactured by the Company	-
iQue (China) Ltd. *1	China	Thousands of USD 29,000	Development	100 (100)	-	2	-	Entrusted development of software	-
Nintendo Technology Development Inc.	U.S.	USD 1	Development	100	1	1	-	Entrusted development of hardware OS etc.	-
Nintendo Software Technology Corporation	U.S.	Thousands of USD 20	Development	100	1	-	-	Entrusted development of software	-
Retro Studios, Inc. *1	U.S.	Thousands of USD 10,001	Development	100	1	-	-	Entrusted development of software	-
Nintendo (Hong Kong) Limited	China	Thousands of HKD 49,300	Sale	100	-	3	-	Purchase of products manufactured by the Company and entrusted purchase of parts for products manufactured by the Company	-
Nintendo European Research and Development SAS	France	Thousands of EUR 300	Development	100 (100)	-	1	-	Entrusted development of software	-
Nintendo Sales Co., Ltd. *1, 2	Taito-ku, Tokyo	Millions of JPY 300	Sale	70	-	4	Granted	Purchasing products manufactured by the Company	Leasing of buildings, etc. owned by the Company

Name of company	Location	Share capital or Investments in capital	Description of principal business	Percentage of voting rights held by the Company	Relationship with Nintendo Co., Ltd. (the "Company")				
					Concurrent positions held by directors		Loans	Business transactions	Leasing of fixed assets
					Director of the Company (number)	Employee of the Company (number)			
ND CUBE Co., Ltd.	Chuo-ku, Tokyo	Millions of JPY 483	Development	97	-	2	-	Entrusted development of software	-
1-UP Studio Inc.	Chiyoda-ku, Tokyo	Millions of JPY 90	Development	100	-	3	-	Entrusted development of software	-
MONOLITH SOFTWARE INC.	Meguro-ku, Tokyo	Millions of JPY 75	Development	97	-	2	-	Entrusted development of software	-
Mario Club Co., Ltd.	Higashiyama-ku, Kyoto	Millions of JPY 450	Development	100	-	5	-	Entrusted inspection of software etc.	Leasing of buildings owned by the Company

- (Notes)
- There are four other consolidated subsidiaries not listed above.
  - Figures in parentheses in Percentage of voting rights held by the Company represent the proportion of indirect ownership.
  - Companies marked with \*1 are specified subsidiaries.
  - Proportion of sales of consolidated subsidiaries marked with \*2, excluding inter-company transactions of sales, over total sales on a consolidated basis surpasses 10%. Major financial information is as follows.

Name of company	Net sales (Millions of yen)	Ordinary profit (loss) (Millions of yen)	Profit (Loss) (Millions of yen)	Total net assets (Millions of yen)	Total assets (Millions of yen)
Nintendo of America Inc.	496,862	25,550	19,924	301,843	387,229
Nintendo of Europe GmbH	275,212	(217)	(427)	70,837	130,726
Nintendo Sales Co., Ltd.	209,880	2,298	1,583	15,980	68,830

Name of company	Net sales (Millions of dollars)	Ordinary profit (loss) (Millions of dollars)	Profit (Loss) (Millions of dollars)	Total net assets (Millions of dollars)	Total assets (Millions of dollars)
Nintendo of America Inc.	4,516	232	181	2,744	3,520
Nintendo of Europe GmbH	2,501	(1)	(3)	643	1,188
Nintendo Sales Co., Ltd.	1,908	20	14	145	625

(2) Associates accounted for using equity method

Name of company	Location	Share capital or Investments in capital	Description of principal business	Percentage of voting rights held by the Company	Relationship with the Company				
					Concurrent positions held by directors		Loans	Business transactions	Leasing of fixed assets
					Director of the Company (number)	Employee of the Company (number)			
The Pokémon Company	Minato-ku, Tokyo	Millions of JPY 365	Sale and license of Pokémon related goods	32	1	-	-	Purchasing products manufactured by the Company and entrusted manufacturing of products	-
WARPSTAR, Inc.	Chiyoda-ku, Tokyo	Millions of JPY 10	Animation production and intellectual property management	50	-	3	-	Entrusted management of merchandising rights	Leasing of buildings owned by the Company
PUX Corporation	Kadoma-shi, Osaka	Millions of JPY 45	Development of software engine and license business	27	-	1	-	Entrusted development of software	-

(Note) There is one associate accounted for using equity method other than the ones listed above.

## **II. Business Overview**

### **1. Management policy, management environment, issues to address**

Any forward-looking statements in the following discussion are based on the judgment of the Company group (the Company and its consolidated subsidiaries; also referred to as “Nintendo”) as of the consolidated fiscal year ended March 31, 2019.

#### **(1) Basic management policy**

Nintendo strives to create new forms of entertainment while maintaining a robust business structure. To expand our business, our highest emphasis is placed on providing users around the world with exciting forms of entertainment that they have never experienced before.

#### **(2) Targeted management index**

It is essential for us to provide new and entertaining products and services consistently. In doing so, Nintendo aims to improve its corporate value by sustaining robust growth and increasing profit. Because Nintendo deals with entertainment products and content that naturally hold many uncertainties in terms of research and development, we have not set any specific management index targets. This allows our corporate decision-making to stay flexible in this highly competitive industry.

#### **(3) Management environment, mid to long-term corporate business strategy and issues to address**

As a company that creates entertainment to bring smiles to people’s faces, the Company group’s basic strategy is to expand the number of people who have access to Nintendo IP (characters and worlds from our games). We will develop unique products and services that are overwhelmingly fun to play and whose appeal is easy to understand at a glance. In addition, we will make active use of Nintendo IP to expand the domains and scale of entertainment we offer. We will promote business that capitalizes on the Nintendo Account to build long-term relationships with consumers.

In accordance with this basic strategy, we will expand the dedicated video game platform business, mobile business and IP expansion business by leveraging their individual characteristics and growth potential. For our dedicated video game platform business, we will keep this business at the core of our operations and actively invest resources in our distinctive software-driven hardware and software platform business. In the mobile business, we aim for expanding our business domains by creating opportunities for consumers to encounter Nintendo IP through smart devices, which have built an extensive installed base worldwide. For the IP expansion business, we intend to enhance the value of Nintendo IP by increasing the contact points with consumers in their everyday lives through collaborations with our corporate partners, including theme park projects, film, and merchandising.

Through these efforts, we will pursue every possible business opportunity by offering Nintendo IP in a variety of different ways to consumers worldwide, and aim for achieving continual growth and adding value to our company.

We will continue to flexibly transform ourselves by adapting to changing times while constantly valuing the spirit of originality based on the belief that “the true value of entertainment lies in its uniqueness” - and will endeavor to continue providing products and services that people will be positively surprised and delighted by.

#### **(4) Basic policy regarding the Company’s control**

The Company’s Board of Directors believes that the decision of whether to accept another party’s tender or other acquisition offer for the purpose of making large purchases of the Company’s stock ultimately should be entrusted to its shareholders, given that the stock of the Company, which is a public company, is freely traded. However, it is likely that certain tender or acquisition offers may harm the Company’s corporate value or the common interests of shareholders, depending on the intent of the offer, etc. The Company’s Board of Directors maintains that such tender or acquisition offers are inappropriate.

As of now, any specific defensive measure in the event of a tender or acquisition offer has not yet officially been introduced, but the Company has already set up an internal system to deal with such an event. If a tender or acquisition offer is proposed, the Company will carefully judge its potential impact on its corporate value and the common interests of shareholders, and take appropriate measures with due care and prudent management.

Specifically, in addition to evaluating the offer with outside experts and negotiating with the party making the offer, the Company will establish a task force to decide on whether any specific defensive measures are necessary. If the offer is deemed favorable to the Company’s corporate value or the common interests of its shareholders, the defensive measures will be determined and implemented in accordance with relevant laws and



regulations.

The Company will continue to consider adoption of any defensive measures for these situations, giving due respect to laws, regulations and case law related to acquisitions, their interpretations by relevant authorities, etc.

## 2. Risk factors

Listed below are the various risks that could significantly affect Nintendo's operating results, share price and financial condition. However, unpredictable risks may exist other than the risks set forth herein.

Note that matters pertaining to the future presented herein are determined by Nintendo as of the end of the fiscal year ended March 31, 2019.

### (1) Risks around economic environment

- Fluctuation in foreign exchange rates  
Nintendo distributes its products globally with overseas sales accounting for more than 70% of its total sales. The majority of monetary transactions are made in local currencies. In order to reduce the influence of fluctuations in foreign exchange rates, we have implemented measures such as increasing purchases in US dollars; however, it is difficult to eliminate the risks completely. In addition, the Company holds a substantial amount of assets in foreign currencies. Thus, fluctuations in foreign exchange rates have a strong influence not only when accounts in foreign currencies are converted to Japanese yen but also when they are revaluated for financial reporting purposes.

### (2) Risks around business activities

- Fluctuation of market environment and competition against other companies  
Nintendo's business is engaged in one segment of the broad entertainment field. However, its business can be affected by trends in other segments of the entertainment field. If consumer preferences shift to other forms of entertainment, the video game market may shrink. The emergence of new competitors resulting from technological innovation could have a detrimental impact as well.  
In the video game industry, it may become even more difficult to be profitable due to large investments required in research and development, and marketing. In addition, competition may intensify with large-scale companies doing business in the same industry or in other segments of the entertainment field. As a result, Nintendo may experience difficulty in maintaining or expanding its market share as well as sustaining profitability.  
Furthermore, Nintendo may face rapid structural changes or the imposition of new laws and regulations and, if unable to adapt to such changes, be affected in terms of its business and performance.
- Development of new products  
Although Nintendo continuously makes efforts to develop unique and attractive products in the field of computer entertainment, the development process is complicated and includes many uncertainties. The various risks involved are as follows:
  - a. Despite the substantial costs and time needed for development of software for dedicated video game platforms and applications for smart-device gaming services, there is no guarantee that all new products and services will be accepted by consumers due to ever shifting consumer preferences. Also, development of certain products may be suspended or aborted.
  - b. While development of hardware is time-consuming, with technology continuously advancing, the Company may not be able to equip technologies required for entertainment. Furthermore, delays of hardware launches could adversely affect market share.
  - c. Due to the nature of Nintendo products and services, it may become difficult to develop, sell or launch the products and services as planned and the original plan could differ to a large extent.
- Product valuation and adequate inventory procurement  
Products in the video game industry have relatively short life cycles, and are significantly impacted by consumers' preferences as well as seasonality. Although production is projected based on the forecasted equilibrium point of supply and demand, it is difficult to forecast demand accurately, which may lead to excess inventory. Obsolete inventory could have an adverse effect on Nintendo's operations and financial position.
- Dependency on outside manufacturers  
Nintendo commissions a number of outside manufacturers to produce key components or assemble finished

products. In the event one or more of these businesses fail, Nintendo may have difficulty procuring key components or manufacturing its products. In addition, suppliers may be unable to provide necessary components on a timely basis. A shortage of key components could cause marginal decline due to higher costs, shortage of products and quality control issues. These issues may impair the relationship between Nintendo and its customers. Furthermore, as many suppliers' production facilities are located overseas, potential production interruptions caused by societal violence, natural disasters or any other accidents in the area could negatively affect Nintendo's operating performance.

- Business operations affected by seasonal fluctuation

Demand for Nintendo's products is largely focused on the holiday season. Should Nintendo fail to release attractive new products or supply hardware during that period, it would suffer unfavorable operating performance.

- Problems in systems

Nintendo operates various Internet services, including competitive Internet-based games, download sales of digital software and service provision via Internet servers, in addition to providing information via the Internet. In the event of the termination or destruction of the systems, or the leakage or unauthorized use of data, etc. as a result of, for example, a cyber-attack against these systems, a natural disaster or an accident, it could have an adverse effect on Nintendo's future operating results, share price and financial condition.

- Various factors affecting business activities

In addition to Japan, Nintendo engages in business in the United States, Europe, Australia, Asia and other areas in the world. Domestic and overseas business activities involve risks such as a) disadvantages from emergence of political or economic factors, b) disadvantages from inconsistency of multilateral taxation systems and diversity of tax law interpretation, c) difficulty in recruiting and securing human resources, and d) social disruption resulting from terror attacks, war and other catastrophic events.

(3) Risks around legal regulations and litigation

- Product liability

Nintendo manufactures its products in accordance with applicable quality control standards in locations of sale. However, large-scale product recalls may occur, and any such recalls would likely be primarily caused by discovery of defective products. Also, the defect of a product may lead to product reimbursement compensation resulting in additional expenses, and Nintendo's reputation as well as its operating performance and financial position may suffer.

- Limitations of enforcing intellectual property rights

Although Nintendo continues to accumulate various intellectual properties to produce different products, there are geographical regions in which it is difficult to effectively tackle unauthorized uploading via the Internet and counterfeit products, which may have a negative impact on Nintendo's operating performance and financial position in the future.

- Leakage or unauthorized access of personal or confidential information

Nintendo possesses personally identifiable information about its consumers, as well as confidential information concerning development and business operations. If such personally identifiable information or confidential information were ever leaked outside of Nintendo, due to breach or other unauthorized access or disclosure, it could have an adverse effect on Nintendo's future operating performance, share price and financial condition.

- Changes in laws and regulations

Unpredicted enforcement of or changes in laws and regulations, adoptions of or changes in accounting standards or taxation systems could have an effect on Nintendo's performance and financial position. Conflict of views between Nintendo and the tax authorities may cause additional tax costs.

- Litigation

Nintendo's operations in Japan and overseas may be subject to litigation, disputes and other legal procedures. These issues may affect Nintendo's operating performance and financial position.

(4) Other risks

Other than the risks set forth above, factors such as uncollectibility of notes and accounts receivable - trade, collapse of financial institutions, environmental restrictions or impairment of the corporate brand due to unforeseen circumstances may adversely affect Nintendo's operating performance and financial position.

### 3. Analysis of financial position, operating results and cash flow by the management

Effective beginning the fiscal year ended March 31, 2019, Nintendo has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No. 28 of February 16, 2018).” As a result of adoption, the accounting standard has been retrospectively applied to the figures for the previous fiscal year for comparison and analysis of the financial position.

The description of the financial position, operating results and cash flow of Nintendo (the Company and its consolidated subsidiaries) in the fiscal year ended March 31, 2019 (“operating results, etc.”) and the understanding, analysis and examination of Nintendo’s operating results, etc. from the management’s viewpoint are as follows.

Any forward-looking statements contained in the following overview are made based on information available as of the end of the fiscal year ended March 31, 2019.

Segment information is omitted as Nintendo operates as a single business segment.

#### (1) Important accounting procedures and estimates

Consolidated financial statements of Nintendo are prepared in accordance with accounting standards generally accepted in Japan. In preparing such statements, estimates that may affect the value of assets, liabilities, revenue and expenses are made based on the accounting procedures selected and adopted by management. Management takes into account past results and the likelihood of future events to make estimates in a reasonable fashion, but uncertainties inherent to such estimates may cause the actual results to be materially different from these estimates. Important accounting procedures adopted in the consolidated financial statements of Nintendo are detailed in the section “V. Financial Information, Consolidated financial statements, etc., Significant matters forming the basis of preparing the consolidated financial statements.”

#### (2) Operating results, etc.

##### (i) Description and analysis of results

The results for the fiscal year ended March 31, 2019 showed strong software sales for Nintendo Switch, which contributed to the expansion of hardware sales. In particular, *Super Smash Bros. Ultimate* recorded sales of 13.81 million units, while *Pokémon: Let’s Go, Pikachu!* and *Pokémon: Let’s Go, Eevee!* sold 10.63 million units and *Super Mario Party* sold 6.4 million units, making them all major worldwide hits. In addition, *Mario Kart 8 Deluxe* sold 7.47 million units. Combined with steadily-growing sales of titles released during previous fiscal years and titles released by other software publishers, the total number of million-seller titles during this fiscal year recorded 23. As a result, hardware sales for this fiscal year totaled 16.95 million units (12.7% increase on a year-on-year basis), while 118.55 million software units were sold (86.7% increase on a year-on-year basis).

Hardware sales of Nintendo 3DS, eight years from launch, totaled 2.55 million units (60.2% decrease on a year-on-year basis), while 13.22 million software units were sold (62.9% decrease on a year-on-year basis). Nintendo Entertainment System: NES Classic Edition and Super Nintendo Entertainment System: Super NES Classic Edition recorded total sales of 5.95 million units.

Turning to our digital business for dedicated video game platforms, sales of download versions of packaged software and download-only software for Nintendo Switch showed especially good growth, bringing digital sales to ¥118.8 billion (USD 1,080 million; 95.4% increase on a year-on-year basis).

In our mobile business, many consumers around the world enjoy *Dragalia Lost*, which was released during this fiscal year, in addition to our previously-released titles. Our mobile, IP related income was ¥46.0 billion (USD 418 million; 17.0% increase on a year-on-year basis).

Nintendo’s management policy, management strategy, etc. are as described in “II. Business Overview, 1. Management policy, management environment, issues to address.” The availability of hit titles and their sales volumes are deemed to have a significant impact on operating results, etc., as described in “II. Business Overview, 3. Analysis of financial position, operating results and cash flow by the management, (3) Factors which may have a significant impact on operating results, etc.”

##### (ii) Description and analysis of operating results

Net sales, operating profit, ordinary profit and profit attributable to owners of parent in the fiscal year ended March 31, 2019 increased from the previous fiscal year.

Net sales reached ¥1,200.5 billion (USD 10,913 million; 13.7% increase on a year-on-year basis), of which overseas sales were ¥934.8 billion (USD 8,498 million; 17.7% increase on a year-on-year basis, and 77.9% of total sales). Operating profit came to ¥249.7 billion (USD 2,270 million; 40.6% increase on a year-on-year basis). Ordinary profit was ¥277.3 billion (USD 2,520 million; 39.1% increase on a year-on-year basis) due to increase in operating profit and other factors, and profit attributable to owners of parent totaled ¥194.0 billion (USD 1,763 million; 39.0% increase on a year-on-year basis).

(Net sales and operating profit)

Net sales increased from the previous fiscal year by ¥144.8 billion (USD 1,316 million) to ¥1,200.5 billion (USD 10,913 million; an increase of 13.7% on a year-on-year basis), primarily due to the brisk sales of Nintendo Switch. Gross profit increased from the previous fiscal year by ¥97.6 billion (USD 887 million) to ¥501.1 billion (USD 4,555 million; an increase of 24.2% on a year-on-year basis). Due to such factors as the increase in research and development expenses, as well as the increase in sales commission in association with the increase in net sales, selling, general and administrative expenses increased from the previous fiscal year by ¥25.5 billion (USD 231 million), resulting in an operating profit of ¥249.7 billion (USD 2,270 million; an increase of 40.6% on a year-on-year basis).

(Non-operating income and expenses, and ordinary profit)

Net non-operating income was ¥27.6 billion (USD 250 million), due to such factors as interest income in the amount of ¥13.1 billion (USD 119 million) and the ¥6.9 billion (USD 62 million) share of profit of entities accounted for using equity method related to The Pokémon Company and other investments. As a result, ordinary profit was ¥277.3 billion (USD 2,520 million; an increase of 39.1% on a year-on-year basis).

(Profit attributable to owners of parent)

Profit attributable to owners of parent was ¥194.0 billion (USD 1,763 million; an increase of 39.0% on a year-on-year basis), mainly due to the increase in ordinary profit from the previous fiscal year.

(iii) Description and analysis of financial position

(Total assets)

Total assets increased by ¥56.8 billion (USD 516 million) compared to the previous fiscal year-end to ¥1,690.3 billion (USD 15,366 million).

This was mainly due to the decrease in investment securities by ¥31.4 billion (USD 285 million), despite the increase in cash and deposits by ¥99.9 billion (USD 908 million) attributable to such factors as the receipt of proceeds through operating activities.

(Total liabilities)

Total liabilities decreased by ¥34.3 billion (USD 311 million) compared to the previous fiscal year-end to ¥275.5 billion (USD 2,504 million).

This was mainly due to the decrease in notes and accounts payable - trade by ¥78.3 billion (USD 711 million) owing to the settlement of trade payables related to the Nintendo Switch platform, despite the increase in income taxes payable by ¥19.2 billion (USD 174 million) associated with an increase in taxable income.

(Net assets)

Net assets increased by ¥91.2 billion (USD 829 million) compared to the previous fiscal year-end to ¥1,414.7 billion (USD 12,860 million).

This was mainly due to the posting of profit attributable to owners of parent in the amount of ¥194.0 billion (USD 1,763 million), offsetting the payment of dividends of surplus and the purchase of treasury shares in the amount of ¥78.0 billion (USD 709 million) and ¥31.0 billion (USD 281 million), respectively.

(iv) Description and analysis of cash flows

The ending balance of “Cash and cash equivalents” (collectively, “Cash”) as of March 31, 2019 was ¥585.3 billion (USD 5,320 million), with an increase of ¥100.8 billion (USD 916 million) during the fiscal year. During the previous fiscal year, there was an increase of ¥153.5 billion. Net increase (decrease) of Cash and contributing factors during the fiscal year ended March 31, 2019 are as follows:

Cash flows from operating activities:

There were decreasing factors contributing to ¥271.7 billion (USD 2,470 million) of profit before income taxes such as a decrease in notes and accounts payable - trade. However, due to increasing factors such as a decrease in inventories, net cash resulted in an increase of ¥170.5 billion (USD 1,550 million) compared to an increase of ¥152.2 billion during the previous fiscal year.

Cash flows from investing activities:

Net cash from investing activities increased by ¥45.3 billion (USD 411 million) compared to an increase of ¥61.3 billion during the previous fiscal year mainly due to sales and redemption of short-term and long-term investment securities and proceeds from withdrawal of time deposits exceeding purchase of short-term and long-term investment securities and payments into time deposits.

Cash flows from financing activities:

Net cash from financing activities decreased by ¥109.0 billion (USD 990 million) compared to a decrease of ¥61.3 billion during the previous fiscal year mainly due to cash dividends paid and purchase of treasury shares.

(3) Production, orders received and sales information

(i) Production results

Production results in the fiscal year ended March 31, 2019 were as follows. As Nintendo operates as a single business segment, the information is presented by product type.

Type	Amount		Year-on-year increase (decrease) (%)
	(Millions of yen)	(Millions of dollars)	
Dedicated video game platform			
Nintendo 3DS platform	45,255	411	(75.2)
Nintendo Switch platform	918,579	8,350	9.5
Others	43,015	391	(31.1)
Subtotal	1,006,850	9,153	(7.1)
Playing cards, etc.	573	5	(62.9)
Total	1,007,423	9,158	(7.2)

(Note) The above amounts are calculated based on the selling price and do not include consumption taxes.

(ii) Order-receiving status

Information on orders received is omitted as production is based on make-to-stock production, other than make-to-order production mainly for some software for dedicated video game platforms.

(iii) Sales results

Sales results in the fiscal year ended March 31, 2019 were as follows. As Nintendo operates as a single business segment, the information is presented by product type.

Type	Amount		Year-on-year increase (decrease) (%)
	(Millions of yen)	(Millions of dollars)	
Dedicated video game platform			
Nintendo 3DS platform	63,035	573	(66.5)
Nintendo Switch platform	1,027,937	9,344	36.4
Others	61,629	560	(15.5)
Subtotal	1,152,602	10,478	13.6
Mobile, IP related income, etc.	46,008	418	17.0
Playing cards, etc.	1,949	17	12.7
Total	1,200,560	10,914	13.7

(Note) The above amounts do not include consumption taxes.

(4) Factors which have a significant impact on operating results, etc.

Nintendo operates as a business in the field of home entertainment, in which the availability of hit titles and their sales volumes may have a significant impact on its operating results, etc. In addition, the field of entertainment is wide in scope, and any successful non-gaming propositions that provide consumers with more entertainment value and surprises may also have an impact.

More than 70% of Nintendo's total sales are generated in the overseas markets, with most transactions carried out in local currencies. While Nintendo has attempted to increase dollar-based purchases in order to reduce the impact of exchange rate fluctuations, it is difficult to completely eliminate their risk. As a result, exchange rate fluctuations may have an impact on Nintendo's financial performance.

While dedicated video game platforms and their compatible software, which are Nintendo's main products, represent a majority of total sales, hardware and software have very different profit margins, and fluctuations of their proportions of the total sales may have an impact on gross profit and the gross profit percentage to sales.

In addition, there may be other fluctuating factors as described in "II. Business Overview, 2. Risk factors."

(5) Financial source of capital and liquidity of funds

The current ratio at March 31, 2019 is 549%, and the ratio of total liabilities to cash and cash equivalents is 2.1 times.

Nintendo maintains retained earnings that are necessary in order to adapt to changes in the business environment and to pursue further business expansion, etc. in the future.

Major components of the working capital requirements include purchase expenses of materials and parts for manufacturing, advertising expenses and research and development expenses, and dividend and income tax payments. Moreover, it is Nintendo's basic policy to internally provide the capital necessary to fund future growth, including capital investments. Nintendo's specific plans for capital investments are as described in "III. Equipment and Facilities, 2. Plans for new installation and retirement of equipment and facilities, etc."

During the launch periods of new products and the year-end sales season, there may be temporary increases in notes and accounts receivable - trade, notes and accounts payable - trade and inventories, which may have a downward or upward impact on net cash provided by (used in) operating activities.

Payments into or withdrawals from time deposits with maturities of more than three months, as well as timing of acquisition or sale of short-term investment securities, may have an upward or downward impact on net cash provided by (used in) investing activities.

## 4. Research and development activities

Nintendo primarily engages in the active development of hardware and software for dedicated video game systems, with support from various companies and organizations, in its effort to put smiles on the faces of everyone Nintendo touches around the world by offering new and compelling products that anyone can enjoy. We also undertake the planning, development and operation of games that more people around the world can enjoy in the form of smart-device applications.

With respect to hardware, we continuously investigate and undertake research on fundamental technologies spanning data storage technology such as semiconductor memories, display technology such as liquid crystal displays, and electronic components, while we also carry out research and development activities to examine the applicability of various technologies including interfaces such as touch panels and sensors, wireless communication, networks, security, cloud computing and virtual reality to the field of home entertainment. Our efforts are not limited to in-house studies and research in that we are also exploring various possibilities on a daily basis to discover technologies that will help create new ways of playing by proactively turning our attention outside Nintendo. Moreover, we continue to enhance the durability, safety, quality and performance of our products to ensure that consumers can comfortably enjoy them over an extended period, as well as design and develop various accessories, and pursue cost-cutting and energy conservation initiatives.

With respect to software, we are focusing on taking full advantage of hardware features in planning its products, designing games whose elements include graphics, music and game scripts, and developing programs.

Furthermore, in order to deal with digital business expansion, we have strongly driven the expansion of system infrastructure that supports various networking functions of software and multi-sectorial network services such as Nintendo eShop.

In addition, we have established the research and development structure for smart-device software to promote the planning and development of smart-device application software and the development of a back-end server system.

In terms of our component procurement and manufacturing processes, we, with the cooperation and support of our manufacturing partners, continuously examine, and accumulate relevant technical know-how on, how one can apply new test methods and technologies in the mass production of components, and comply with relevant regulations.

Research and development expenses for the fiscal year were ¥69.6 billion (USD 632 million), with the outcomes of major research and development activities described below. Segment information is omitted since we operate as a single business segment.

For Nintendo Switch hardware, we not only launched a special hardware edition but also made such efforts as developing a function adapted to Nintendo Switch Online—a paid service that enhances online functionality—and updated the hardware’s operating system. We released a total of 14 titles of compatible software (figure for the Japanese market), including Nintendo Labo series, a new initiative born from the marriage between cardboard craft and video games, and evergreen series, namely: *Super Smash Bros. Ultimate*, the latest installment of Super Smash Bros. whose popularity dates back to the Nintendo 64 software era; *Pokémon: Let’s Go, Pikachu!* and *Pokémon: Let’s Go, Eevee!*, which were among the first Pokémon Series titles designed for a home gaming system; and *Super Mario Party*, the latest title in the Mario Party series.

In the Nintendo 3DS family, we launched a new special hardware edition. We released a total of seven compatible titles (figure for the Japanese market) including *Luigi’s Mansion* and *WarioWare Gold*.

On the mobile business front, we launched the distribution of *Dragalia Lost*, our new IP action role-playing game with an easy-to-operate multiplayer mode. For existing applications for which we manage services, namely, *Fire Emblem Heroes* and *Animal Crossing: Pocket Camp*, we not only made many creative efforts to encourage ongoing game playing such as adding new game elements by hosting events and performing major updates, but also expanded the service regions through the addition of languages, etc.

Furthermore, for Nintendo Account, an account required when using various services provided by Nintendo, we started offering the Save Data Cloud service, which automatically backs up saved data of compatible software over the Internet, and Nintendo Entertainment System: Nintendo Switch Online, a collection of Nintendo Entertainment System games for casual playing. We also started the free distribution of *TETRIS® 99*, enabling simultaneous online game play by 99 players.

We further enriched the lineup for amiibo.

In addition, on Nintendo Developer Portal, a dedicated website for game creators working on Nintendo platforms, we offer ongoing support for game creators including individuals to deliver new entertainment to users around the world.

Moreover, we are working on the development of a new product that improves people’s QOL (Quality of Life) in enjoyable ways.

Nintendo continues to engage in the development of new products for the future.

### III. Equipment and Facilities

#### 1. Overview of capital investments

Nintendo develops, manufactures and distributes electronic entertainment products, and in the fiscal year ended March 31, 2019, it invested ¥16,093 million (USD 146 million), which was mainly used for research and development facilities, and included intangible assets such as internal use computer software.

Regarding the required funds, all of the capital investments were self-financed and we did not raise external financing. Segment information is omitted as Nintendo operates as a single business segment.

#### 2. Plans for new installation and retirement of equipment and facilities, etc.

Plans for the installation of new equipment and facilities, etc. are as follows. There are no plans for retirement/sale of important equipment and facilities, excluding retirement/sale for the purpose of regular renewal. Segment information is omitted as Nintendo operates as a single business segment. Actual capital investments by Nintendo may vary significantly from the forecasts below due to factors including those stated in “II. Business Overview, 2. Risk factors.”

Company name	Description of equipment and facilities	Planned investment amount		Year/month of commencement	Year/month of scheduled completion
		Total amount (Millions of yen)	Amount already paid (Millions of yen)		
Nintendo Co., Ltd. and its consolidated subsidiaries	Research and development facilities	13,000 (USD 118 million)	5,467 (USD 49 million)	April 2018	March 2021
Nintendo Co., Ltd. and its consolidated subsidiaries	Production facilities for molds, etc.	9,000 (USD 81 million)	950 (USD 8 million)	April 2018	March 2021
Nintendo Co., Ltd. and its consolidated subsidiaries	Renovation, updating, etc. of other buildings, etc.	18,000 (USD 163 million)	9,676 (USD 87 million)	April 2018	March 2021
Total		40,000 (USD 363 million)	16,093 (USD 146 million)	-	-

(Notes) 1. Funds required for equipment and facilities, etc. in the future in the amount of ¥23,907 million (USD 217 million) referred to above are to be self-financed.

2. The above amounts do not include consumption taxes.



## IV. Profile of the Company

### 1. Status of shares and other relevant matters

(1) Total number of shares and other information

(i) Total number of shares

Class	Total number of authorized shares to be issued (shares)
Common shares	400,000,000
Total	400,000,000

(ii) Number of shares issued

Class	Number of shares outstanding as of the end of fiscal year (March 31, 2019)	Number of shares outstanding as of issuance date of this report (June 28, 2019)	Name of stock exchange on which Nintendo is listed or name of authorized financial instruments firm association	Description
Common shares	131,669,000	131,669,000	Tokyo Stock Exchange (First Section)	Number of shares constituting a unit: 100 shares
Total	131,669,000	131,669,000	-	-

(2) Status of share subscription rights and other relevant matters

(i) Description of stock option scheme

Not applicable

(ii) Description of rights plans

Not applicable

(iii) Other matters regarding status of share subscription rights, etc.

Not applicable

(3) Exercise status and other relevant matters concerning bonds with share subscription rights containing a clause for exercise price adjustment

Not applicable

(4) Trend of total number of shares issued, amount of common shares and other relevant matters

Date	Change in the number of shares issued (thousand shares)	Balance of the number of shares issued (thousand shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 29, 2019	(10,000)	131,669	-	10,065	-	11,584

Date	Change in the number of shares issued (thousand shares)	Balance of the number of shares issued (thousand shares)	Change in share capital (Millions of dollars)	Balance of share capital (Millions of dollars)	Change in legal capital surplus (Millions of dollars)	Balance of legal capital surplus (Millions of dollars)
March 29, 2019	(10,000)	131,669	-	91	-	105

(Note) The decrease is due to the cancellation of treasury shares.

(5) Status of shareholders

As of March 31, 2019

Classification	Status of shares (number of shares constituting a unit: 100 shares)								Status of shares less than one unit (shares)
	National and local government	Financial institutions	Financial services providers	Other legal entities	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	-	98	78	992	998	110	48,222	50,498	-
Number of shares held (units)	-	348,030	35,418	48,330	647,135	466	235,348	1,314,727	196,300
Shareholding ratio (%)	-	26.47	2.69	3.68	49.22	0.04	17.90	100.00	-

(Note) 1. Out of treasury shares of 12,544,264 shares, 125,442 units and 64 shares are included in “Individuals and other” and “Status of shares less than one unit,” respectively.

2. “Other legal entities” includes one unit of shares held in the name of Japan Securities Depository Center, Incorporated.

(6) Status of voting rights

(i) Shares issued

As of March 31, 2019

Class	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury shares, etc.)	(Treasury shares)		
	Common shares 12,544,200	-	Number of shares constituting a unit: 100 shares
Shares with full voting rights (other)	Common shares 118,928,500	1,189,285	Same as the above
Shares less than one unit	Common shares 196,300	-	Shares less than one unit (100 shares)
Total number of shares issued	131,669,000	-	-
Total number of voting rights held by all shareholders	-	1,189,285	-

(Note) “Shares with full voting rights (other)” includes one hundred shares (one voting right) held in the name of Japan Securities Depository Center, Incorporated.

(ii) Treasury shares and other relevant matters

As of March 31, 2019

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under another name (shares)	Total number of shares held (shares)	Shareholding ratio over the total number of shares issued (%)
(Treasury shares) Nintendo Co., Ltd.	11-1 Hokotate-cho, Kamitoba, Minami-ku, Kyoto 601-8501 Japan	12,544,200	-	12,544,200	9.53
Total	-	12,544,200	-	12,544,200	9.53

## 2. Status of acquisition of treasury shares and other relevant matters

[Class of shares, etc.] Acquisition of common shares under Article 155, item 3 and Article 155, item 7 of the Companies Act

(1) Status of acquisition based on a resolution approved at the General Meeting of Shareholders

Not applicable

(2) Status of acquisition based on a resolution approved by the Board of Directors

Acquisition under Article 155, item 3 of the Companies Act

Classification	Number of shares (shares)	Total amount of acquisition price (yen)
Status of resolution at Board of Directors' meeting (Feb. 22, 2019) (Acquisition period: Mar. 13, 2019 - Apr. 12, 2019)	1,000,000	33,000,000,000
Treasury shares acquired before the fiscal year ended Mar. 31, 2019	-	-
Treasury shares acquired during the fiscal year ended Mar. 31, 2019	1,000,000	30,999,945,000
Total number and total amount of unacquired shares	-	2,000,055,000
Ratio of unexercised voting rights as of Mar. 31, 2019 (%)	-	6.1
Treasury shares acquired during the current period	-	-
Ratio of unexercised voting rights as of submission date (%)	-	6.1

Classification	Number of shares (shares)	Total amount of acquisition price (dollars)
Status of resolution at Board of Directors' meeting (Feb. 22, 2019) (Acquisition period: Mar. 13, 2019 - Apr. 12, 2019)	1,000,000	300,000,000
Treasury shares acquired before the fiscal year ended Mar. 31, 2019	-	-
Treasury shares acquired during the fiscal year ended Mar. 31, 2019	1,000,000	281,817,681
Total number and total amount of unacquired shares	-	18,182,318
Ratio of unexercised voting rights as of Mar. 31, 2019 (%)	-	6.1
Treasury shares acquired during the current period	-	-
Ratio of unexercised voting rights as of submission date (%)	-	6.1

(3) Description of acquisition of treasury shares not based on a resolution approved at the General Meeting of Shareholders or a resolution approved by the Board of Directors

Acquisition under Article 155, item 7 of the Companies Act

Classification	Number of shares (shares)	Total amount of acquisition price (yen)
Treasury shares acquired during the fiscal year ended March 31, 2019	1,083	38,815,440
Treasury shares acquired during the current period	279	10,148,820

Classification	Number of shares (shares)	Total amount of acquisition price (dollars)
Treasury shares acquired during the fiscal year ended March 31, 2019	1,083	352,867
Treasury shares acquired during the current period	279	92,262

(Note) The number of treasury shares acquired during the current period does not include shares less than one full unit purchased during the period from June 1, 2019 to the submission date of this report.

(4) Status of disposition and holding of acquired treasury shares

Classification	Fiscal year ended March 31, 2019		From April 1 to May 31, 2019	
	Number of shares (shares)	Total amount of disposal price (yen)	Number of shares (shares)	Total amount of disposal price (yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were retired	10,000,000	124,961,800,000	-	-
Acquired treasury shares that were transferred in association with a merger, share exchange or corporate split	-	-	-	-
Other (sold due to demand for sale of shares constituting less than one full unit)	50	581,829	-	-
Number of treasury shares held	12,544,264	-	12,544,543	-

Classification	Fiscal year ended March 31, 2019		From April 1 to May 31, 2019	
	Number of shares (shares)	Total amount of disposal price (dollars)	Number of shares (shares)	Total amount of disposal price (dollars)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were retired	10,000,000	1,136,016,363	-	-
Acquired treasury shares that were transferred in association with a merger, share exchange or corporate split	-	-	-	-
Other (sold due to demand for sale of shares constituting less than one full unit)	50	5,289	-	-
Number of treasury shares held	12,544,264	-	12,544,543	-

(Note) The number of treasury shares held during the period from April 1 to May 31, 2019 does not include shares less than one full unit purchased or sold during the period from June 1, 2019 to the submission date of this report.

### 3. Dividend policy

It is the Company's basic policy to internally provide the capital necessary to fund future growth, including capital investments, and to maintain a strong and liquid financial position in preparation for changes in the business environment and intensified competition. As for direct profit returns to our shareholders, dividends are paid based on profit levels achieved in each fiscal period.

It is the Company's basic policy to distribute the surplus twice per year in the form of an interim dividend and a year-end dividend. The Articles of Incorporation of the Company stipulate that the Company "may pay an interim dividend based on a resolution approved by the Board of Directors" pursuant to the provisions of Article 454, item 5 of the Companies Act. The governing bodies which determine the interim dividend and year-end dividend are the Board of Directors and the General Meeting of Shareholders, respectively.

The annual dividend per share will be established at the higher of the amount calculated by dividing 33% of consolidated operating profit by the total number of outstanding shares, excluding treasury shares, as of the end of the fiscal year rounded up to the 10 yen digit, and the amount calculated based on the 50% consolidated profit standard rounded up to the 10 yen digit.

The interim dividend per share is calculated by dividing 33% of consolidated operating profit by the total number of outstanding shares, excluding treasury shares, as of the end of the six-month period rounded up to the 10 yen digit.

According to the aforementioned policy, the dividend for the fiscal year ended March 31, 2019, has been established at 810 yen (interim: 170 yen, year-end: 640 yen).

Retained earnings are maintained for effective use in research of new technology and development of new products and services, capital investments and securing materials, enhancement of selling power including advertisements, strengthening of network infrastructure, and treasury share buyback whenever deemed appropriate.

(Note) Dividend payments for which the record date is in the fiscal year ended March 31, 2019 are as follows.

Date of resolution	Total amount of dividend	Dividend per share
Resolved at the meeting of the Board of Directors on October 30, 2018	¥ 20,421 million	¥ 170
Resolved at the Annual General Meeting of Shareholders on June 27, 2019	¥ 76,239 million	¥ 640

Date of resolution	Total amount of dividend	Dividend per share
Resolved at the meeting of the Board of Directors on October 30, 2018	USD 185 million	USD 1.54
Resolved at the Annual General Meeting of Shareholders on June 27, 2019	USD 693 million	USD 5.81

## 4. Corporate governance

<Principles concerning corporate governance>

At Nintendo, we strive to maximize long-term corporate value while carefully considering the benefits for everyone we touch. We are working to achieve a highly transparent and sound system of corporate governance; we also educate our employees about our policies, including good corporate ethics.

### (1) Outline of corporate governance system

For the purpose of strengthening the supervisory function of the Board of Directors, and further promoting corporate governance, Nintendo Co., Ltd. adopts the governance structure of a Company with Audit and Supervisory Committee. Furthermore, the Company has introduced the Executive Officer System for the purpose of clarifying the responsibility for the execution of operations, and establishing a more flexible management structure which can appropriately and swiftly respond to the rapidly changing business environment. The foregoing will be enabled through separating the management decision-making and supervisory functions from the execution of operations as well as by accelerating the delegation of authority to execute operations.

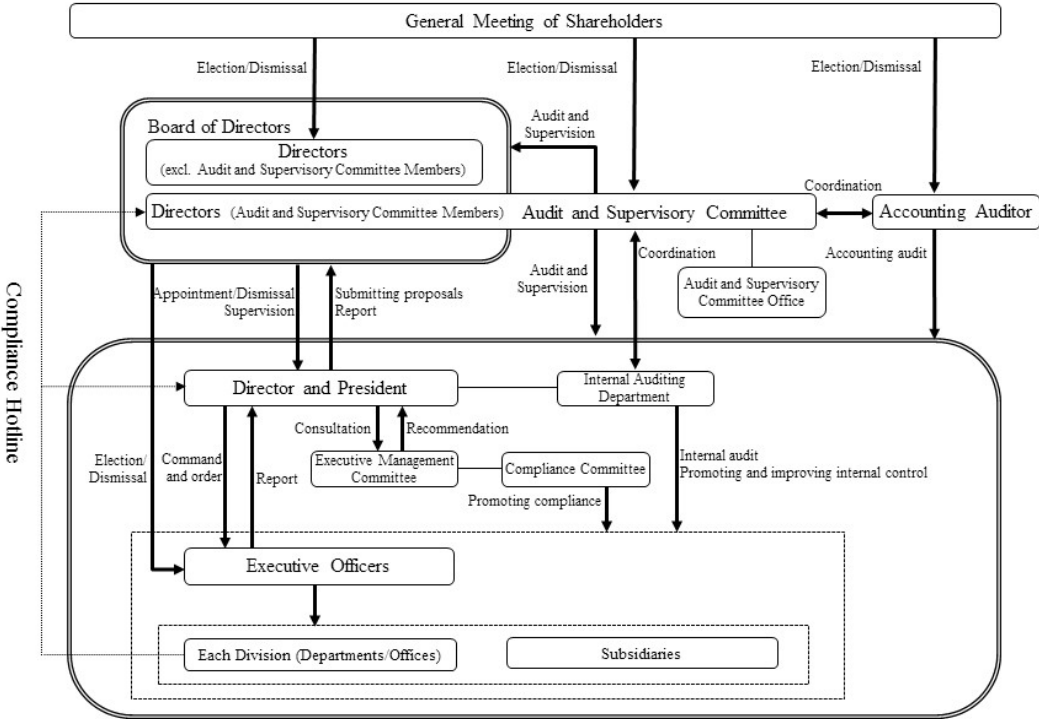
The Board of Directors consists of five Directors (excluding Directors who are Audit and Supervisory Committee Members) and four Directors who are Audit and Supervisory Committee Members (including three Outside Directors). The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) is one year and the term of office of Directors who are Audit and Supervisory Committee Members is two years.

In addition to the meetings of the Board of Directors, which are generally held monthly, Nintendo Co., Ltd. also holds meetings of the Executive Management Committee consisting of the Directors (excluding Directors who are Audit and Supervisory Committee Members) twice a month as a general rule, in order to strongly drive management activities and thereby ensure prompt and efficient decision-making. Furthermore, Nintendo Co., Ltd. maintains a system where executive officers appointed by the Board of Directors every year perform their respective duties under the President's supervision and instructions.

The Audit and Supervisory Committee consists of one full-time Internal Director and three Outside Directors; all of the Outside Directors are designated as independent officers. The Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings, inspect important documents, have regular meetings with the President and hold monthly meetings of the Audit and Supervisory Committee as a general rule to share audit opinions. Furthermore, the full-time Audit and Supervisory Committee Member conducts fieldwork auditing over each division of the Company, etc., based on the annual audit plan.

With respect to internal auditing, the Internal Auditing Department, under the direct supervision of the President, conducts internal auditing from a fair and unbiased perspective independent from business divisions, and works on the promotion and improvement of internal control including subsidiaries and associates.

Accounting Auditor maintains close coordination with the Audit and Supervisory Committee, as well as the Internal Auditing Department, regarding accounting auditing, including the report on the audit plan and audit results, as well as information and opinion exchanges as necessary even during the period, in order to ensure effective and efficient auditing.



**(Board of Directors)**

The Board of Directors consists of five Directors (excluding Directors who are Audit and Supervisory Committee Members) and four Directors who are Audit and Supervisory Committee Members (including three Outside Directors). The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members is one year and two years, respectively. The Board of Directors holds meetings once a month in principle, and deliberates important matters related to management in accordance with laws and regulations, etc. as the body in charge of management decision-making and supervision.

Board members: Board chairperson Shuntaro Furukawa, Representative Director and President; Shigeru Miyamoto, Representative Director; Shinya Takahashi, Director; Ko Shiota, Director; Satoru Shibata, Director; Naoki Noguchi, Director (Full-Time Audit and Supervisory Committee Member); Naoki Mizutani, Outside Director (Audit and Supervisory Committee Member); Katsuhiro Umeyama, Outside Director (Audit and Supervisory Committee Member); and Masao Yamazaki, Outside Director (Audit and Supervisory Committee Member)

**(Audit and Supervisory Committee)**

The Audit and Supervisory Committee consists of one full-time internal Director and three Outside Directors, all of whom are designated as independent officers. The Audit and Supervisory Committee holds meetings once a month in principle, and deliberates matters provided for in laws and regulations, etc. as the body in charge of auditing the execution of duties, in addition to exchanging audit opinions.

Committee members: Committee chairperson Naoki Noguchi, Director (Full-Time Audit and Supervisory Committee Member); Naoki Mizutani, Outside Director (Audit and Supervisory Committee Member); Katsuhiro Umeyama, Outside Director (Audit and Supervisory Committee Member); and Masao Yamazaki, Outside Director (Audit and Supervisory Committee Member)

The Company has established the Audit and Supervisory Committee Office which assists the Audit and Supervisory Committee in performing its duties, and has appointed one dedicated staff member in the Office.

(Executive Management Committee)

With the aim of promoting corporate activities strongly, the Company has established the Executive Management Committee consisting of Directors (excluding Directors who are Audit and Supervisory Committee Members). The Executive Management Committee holds meetings twice per month in principle and deliberates basic policies on matters to be proposed at the meetings of the Board of Directors and management-related business execution policies and various measures.

Committee members: Committee chairperson Shuntaro Furukawa, Representative Director and President; Shigeru Miyamoto, Representative Director; Shinya Takahashi, Director; Ko Shiota, Director; and Satoru Shibata, Director

(Compliance Committee)

With the aim of promoting compliance, the Company has established the Compliance Committee chaired by General Manager of General Affairs Division under the Executive Management Committee. The Compliance Committee performs initiatives for promotion of compliance including establishment of the “Compliance Manual.”

Committee members: Committee chairperson Kentaro Yamagishi, General Manager, General Affairs Division; general managers of divisions and general managers of departments/offices (sections not placed under divisions)



## 5. Members of the Board of Directors

### (1) List of Members of the Board of Directors

Nine male Directors and zero female Director (percentage of females: 0%)

Position/ Job title	Name	Date of birth	Past experience	Term	Number of shares held (hundreds)
Representative Director  President	Shuntaro Furukawa	January 10, 1972	April 1994 May 2012 July 2015 June 2016 September 2016 June 2018 Joined the Company Appointed as Outside Director of The Pokémon Company General Manager, Corporate Planning Department Appointed as Director (to present) Appointed as Managing Executive Officer Supervisor of Corporate Analysis & Administration Division In charge of Global Marketing Department Appointed as Representative Director and President (to present)	*1	2
Representative Director  Fellow	Shigeru Miyamoto	November 16, 1952	April 1977 June 2000 May 2002 September 2015 Joined the Company Appointed as Director (to present) General Manager, Entertainment Analysis & Development Division Appointed as Senior Managing Director Appointed as Representative Director (to present) Appointed as Fellow (to present)	*1	1
Director  Senior Managing Executive Officer  General Manager, Entertainment Planning & Development Division	Shinya Takahashi	November 9, 1963	April 1989 July 2012 June 2013 September 2015 June 2016 June 2018 Joined the Company Deputy General Manager, Software Planning & Development Division Appointed as Director (to present) General Manager, Software Planning & Development Division General Manager, Entertainment Planning & Development Division (to present) Supervisor of Business Development Division, Development Administration & Support Division (to present) Appointed as Managing Executive Officer Appointed as Senior Managing Executive Officer (to present)	*1	1
Director  Senior Executive Officer  General Manager, Platform Technology Development Division	Ko Shiota	August 7, 1969	April 1992 September 2015 June 2016 June 2017 Joined the Company General Manager, Platform Technology Development Division (to present) Appointed as Executive Officer Appointed as Director (to present) Appointed as Senior Executive Officer (to present)	*1	1

Position/ Job title	Name	Date of birth	Past experience	Term	Number of shares held (hundreds)
Director Senior Executive Officer General Manager, Marketing Division and Licensing Division	Satoru Shibata	September 4, 1962	April 1985 February 1999 June 2000 June 2016 May 2018 June 2018 Joined the Company President of Nintendo Australia Pty Limited President of Nintendo of Europe GmbH Appointed as Executive Officer Appointed as Outside Director of The Pokémon Company (to present) Appointed as Director (to present) Appointed as Senior Executive Officer (to present) General Manager, Marketing Division (to present) General Manager, Licensing Division (to present) In charge of Planning Department (to present) In charge of Global Marketing Department	*1	1
Director (Full-time Audit and Supervisory Committee Member)	Naoki Noguchi	February 8, 1954	June 1980 May 2010 March 2014 June 2016 Joined the Company General Manager, Software Planning & Development Administration Department Deputy General Manager, Human Resources Division Appointed as Director as a Full-time Audit and Supervisory Committee Member (to present)	*2	1
Director (Audit and Supervisory Committee Member)	Naoki Mizutani	December 22, 1950	April 1979 May 1989 June 1989 June 2003 June 2014 June 2016 Registered as attorney-at-law Registered as patent attorney Opened Mizutani Law and Patent Office Appointed as Auditor of the Company Appointed as Director of the Company Appointed as Director as an Audit and Supervisory Committee Member of the Company (to present)	*2	-
Director (Audit and Supervisory Committee Member)	Katsuhiro Umeyama	July 29, 1965	March 1994 July 1999 August 1999 October 1999 November 2005 July 2009 June 2012 November 2015 June 2016 Registered as certified public accountant Opened Umeyama Certified Public Accountant Office Registered as a certified tax accountant Opened Umeyama Certified Tax Accountant Office (current Umeyama Certified Tax Accountant LLC) Appointed as Outside Auditor of KURAUDIA Co., Ltd. (current KURAUDIA HOLDINGS Co., Ltd.) Appointed as Representative Partner of Umeyama Certified Tax Accountant LLC (to present) Appointed as Auditor of the Company Appointed as Outside Director (Audit and Supervisory Committee Member), KURAUDIA Co., Ltd. (current KURAUDIA HOLDINGS Co., Ltd.) (to present) Appointed as Director as an Audit and Supervisory Committee Member of the Company (to present)	*2	-

Position/ Job title	Name	Date of birth	Past experience	Term	Number of shares held (hundreds)	
Director (Audit and Supervisory Committee Member)	Masao Yamazaki	June 16, 1956	April 1975	Joined Osaka Regional Taxation Bureau	*2	-
			July 2010	Appointed as Director, Minato Tax Office, Osaka Regional Taxation Bureau		
			July 2016	Appointed as Director, Higashi Tax Office, Osaka Regional Taxation Bureau		
			August 2017	Registered as certified tax accountant		
			September 2017	Opened Masao Yamazaki Certified Tax Accountant Office		
			June 2018	Appointed as Director as an Audit and Supervisory Committee Member of the Company (to present)		
Total					7	

- (Notes)
1. Directors, Mr. Naoki Mizutani, Mr. Katsuhiko Umeyama and Mr. Masao Yamazaki are Outside Directors.
  2. \*1 The term of office of Directors (excluding those who are Audit and Supervisory Committee Members) commenced upon election at the Annual General Meeting of Shareholders for the fiscal year ended on March 31, 2019, and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2020.
  3. \*2 The term of office of Directors who are Audit and Supervisory Committee Members commenced upon election at the Annual General Meeting of Shareholders for the fiscal year ended on March 31, 2018 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2020.
  4. The Company has adopted the Executive Officer System since June 29, 2016 for the purpose of clarifying the responsibility for the execution of operations and establishing a more flexible management structure which can appropriately and swiftly respond to the rapidly changing business environment through the separation of the management decision-making and supervisory functions from the execution of operations, as well as by accelerating the delegation of authority to execute operations. Nine executive officers, excluding those who have the concurrent position as Director, are as follows.

Title	Name
Senior Executive Officer President, Nintendo Sales Co., Ltd.	Satoshi Yamato
Senior Executive Officer General Manager, Manufacturing Division	Hirokazu Shinshi
Executive Officer Deputy General Manager, Entertainment Planning & Development Division	Yoshiaki Koizumi
Executive Officer Senior Officer, Entertainment Planning & Development Division	Takashi Tezuka
Executive Officer General Manager, Finance Administration Division, Finance Department and Payment Services Management Department In charge of Investor Relations	Hajime Murakami
Executive Officer General Manager, Business Development Division, Business Development Department	Yusuke Beppu
Executive Officer General Manager, General Affairs Division In charge of Quality Assurance Department)	Kentaro Yamagishi
Executive Officer President, Nintendo of America Inc.	Doug Bowser
Executive Officer President, Nintendo of Europe GmbH	Stephan Bole

(i) Compensation for officers, etc.

(a) Total amount of compensation, etc. by officer classification, total amount of compensation by type, and number of eligible officers at the reporting company

Officer classification	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (persons)
		Fixed compensation	Performance-based compensation	Other compensation	
Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors)	610	186	424	-	6
Directors who are Audit and Supervisory Committee Members (excluding Outside Directors)	32	32	-	-	1
Outside Officers	28	28	-	-	4

Officer classification	Total amount of compensation, etc. (Millions of dollars)	Total amount of compensation, etc. by type (Millions of dollars)			Number of eligible officers (persons)
		Fixed compensation	Performance-based compensation	Other compensation	
Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors)	5	1	3	-	6
Directors who are Audit and Supervisory Committee Members (excluding Outside Directors)	0	0	-	-	1
Outside Officers	0	0	-	-	4

(Note) Employee salaries (including bonuses) paid to Directors who also serve as employees, which amounted to ¥110 million (USD 1 million), are not included in the above amounts.

(b) Total amount, etc. of compensation on a consolidated basis, etc. by officer at the reporting company

Name	Total amount of compensation on a consolidated basis, etc. (Millions of yen)	Officer classification	Company classification	Amount of compensation on a consolidated basis, etc. by type (Millions of yen)		
				Fixed compensation	Performance-based compensation	Other compensation
Shuntaro Furukawa	211	Director who is not an Audit and Supervisory Committee Member	Reporting company	61	149	-
Shigeru Miyamoto	171	Director who is not an Audit and Supervisory Committee Member	Reporting company	72	99	-
Shinya Takahashi	111	Director who is not an Audit and Supervisory Committee Member	Reporting company	12	99	-

Name	Total amount of compensation on a consolidated basis, etc. (Millions of dollars)	Officer classification	Company classification	Amount of compensation on a consolidated basis, etc. by type (Millions of dollars)		
				Fixed compensation	Performance-based compensation	Other compensation
Shuntaro Furukawa	1	Director who is not an Audit and Supervisory Committee Member	Reporting company	0	1	-
Shigeru Miyamoto	1	Director who is not an Audit and Supervisory Committee Member	Reporting company	0	0	-
Shinya Takahashi	1	Director who is not an Audit and Supervisory Committee Member	Reporting company	0	0	-

(c) Policy, etc. for the determination of compensation, etc. for officers

In regards to the compensation for Directors of the Company, upper limits on the total compensation for Directors who are not Audit and Supervisory Committee Members and that for Directors who are Audit and Supervisory Committee Members are determined separately by resolution of the General Meeting of Shareholders.

Compensation for Directors who are not Audit and Supervisory Committee Members consists of: base compensation, which is a fixed component of compensation (salary paid in the same amount periodically); and performance-based compensation designed to raise incentives for higher performance (salary linked to profit). The fixed component of compensation is determined by the Board of Directors in accordance with the position and responsibility of each Director. Performance-based compensation is calculated using a formula that uses consolidated operating profit as a benchmark and is determined by the Board of Directors based on points corresponding to each Director's position. No index target has been set for performance-based compensation as described in "II. Business Overview, 1. Management policy, management environment, issues to address, (2) Targeted management index."

Compensation for Directors who are Audit and Supervisory Committee Members consists only of fixed compensation in view of the fact that they are in an independent position that is not affected by other Directors who execute operations.

(Note) Performance-based compensation for each Director who is not an Audit and Supervisory Committee Member is calculated using the following formula:

Calculation method of performance-based compensation for Directors who are not Audit and Supervisory Committee Members ("Directors")

Performance-based compensation = Consolidated operating profit × 0.2% × Number of points of each Director ÷ Sum total of Directors' points\*

\* The sum total of Directors' points shall be set at 20.0 (fixed) if it falls short of 20.0.

Director's points by position and number of Directors

Position	Points	Number of Directors (persons)	Total points
Representative Director and President	6.0	1	6.0
Representative Director and Fellow	4.0	1	4.0
Director and Senior Managing Executive Officer	4.0	1	4.0
Director and Managing Executive Officer	3.0	0	0.0
Director and Senior Executive Officer	1.5	2	3.0
Sum total	-	5	17.0

(Note) The above is calculated based on the number of Directors as of June 28, 2019.

Matters of note

- Directors refer to executive officers set forth in Article 34, paragraph (1), item (iii) of the Corporation Tax Act.
- "Indicator of the status of profit in the business year ending on or after the first day of the period in which duties pertaining to such remuneration are performed" provided for in Article 34, paragraph (1), item (iii)(a) of the Corporation Tax Act shall mean consolidated operating profit.
- The amount of consolidated operating profit shall be rounded down to the nearest hundred million yen.
- "Determined amount" provided for in Article 34, paragraph (1), item (iii)(a)1. of the Corporation Tax Act shall be limited to ¥600 million. In cases where the amount calculated by multiplying consolidated operating profit by 0.2% exceeds ¥600 million, the amount shall be ¥600 million.
- If a Director has resigned before the expiry of his/her term of office due to unavoidable circumstances, the amount corresponding to the number of months he/she was in office from the time of commencement of such period up to the end of the period (number of days falling short of one month shall be rounded up to one month) shall be paid. Of note, the amount shall not be prorated with respect to the number of months in cases where a Director resigns after the end of the period.
- A resolution was adopted at the 76th Annual General Meeting of Shareholders on June 29, 2016 to establish an upper limit on compensation to Directors who are not Audit and Supervisory Committee Members of ¥500 million per year as a fixed compensation limit and up to 0.2% of consolidated operating profit of the relevant business year as a performance-based compensation limit.

- At the 76th Annual General Meeting of Shareholders on June 29, 2016, a resolution was adopted to establish an upper limit on compensation to Directors who are Audit and Supervisory Committee Members of ¥100 million per year.
- Within the aforementioned upper limit on compensation, the amount of compensation to Directors who are not Audit and Supervisory Committee Members is determined at the Board of Directors' meeting held after the Annual General Meeting of Shareholders and the amount of compensation to Directors who are Audit and Supervisory Committee Members is determined subject to discussion among Audit and Supervisory Committee Members at the meeting of the Audit and Supervisory Committee held after said Board of Directors' meeting for their respective terms of office (limited to cases in which there is reelection associated with expiry of term of office).

(ii) Shareholding status

(a) Criteria for and approach to classification of investment shares

In principle, it is the Company's policy not to hold any investment shares for pure investment purposes; the Company exclusively holds investment shares for purposes other than pure investment in accordance with its shareholding policy.

(b) Investment shares held for purposes other than pure investment

a) Shareholding policy, method of verifying the rationality of shareholding and verification at Board of Directors' meetings, etc. as to whether or not to hold individual issues

The Company holds investment shares for the purpose of maintaining and developing business alliances and business relationships if it is deemed to contribute to improving corporate value over the medium- to long-term. At its meetings, the Board of Directors confirms the purpose and rationality of holding individual investment shares (limited to listed stocks) and then verifies the propriety of holding such shares on an annual basis in light of the Company's shareholding policy. The Company will consider selling investment shares with diminished significance issue by issue as a result of such verification to reduce such holdings.

b) Number of issues and book value

	Number of issues (issues)	Total amount stated on balance sheet	
		(Millions of yen)	(Millions of dollars)
Unlisted stocks	16	6,108	55
Stocks other than unlisted stocks	18	53,425	485

Issues with increased number of shares in the fiscal year ended March 31, 2019

	Number of issues (issues)	Total amount of acquisition associated with increase in number of shares		Reason for increase in number of shares
		(Millions of yen)	(Millions of dollars)	
Unlisted stocks	1	4,720	42	To facilitate business collaboration and maintain and develop business relationship.
Stocks other than unlisted stocks	-	-	-	

Issues with decreased number of shares in the fiscal year ended March 31, 2019

	Number of issues (issues)	Total amount of sale associated with decrease in number of shares	
		(Millions of yen)	(Millions of dollars)
Unlisted stocks	-	-	-
Stocks other than unlisted stocks	1	5	0

c) Information on number of specific investment shares and deemed shareholdings by issue, book value, etc.

Specific investment shares

Issue	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2018	Shareholding purpose, quantitative shareholding effect and reason for increase in number of shares	Holder of the Company's shares
	Number of shares (Shares)		Number of shares (Shares)		
	Book value (Millions of yen)	Book value (Millions of dollars)	Book value (Millions of yen)		
DeNA Co., Ltd.	15,081,000		15,081,000	Shares are held for the purpose of facilitating business collaboration and maintaining and developing the business relationship.	Yes
	25,140	228	28,955		
BANDAI NAMCO Holdings Inc.	3,845,700		3,845,700	Shares are held for the purpose of maintaining and developing the business relationship.	No
	19,959	181	13,440		
The Bank of Kyoto, Ltd.	908,459		908,459	Shares are held for the purpose of facilitating financial transactions.	Yes
	4,206	38	5,396		
Mitsubishi UFJ Financial Group, Inc.	2,455,870		2,455,870	Shares are held for the purpose of facilitating financial transactions.	No*1
	1,350	12	1,711		
KADOKAWA DWANGO CORPORATION	612,200		612,200	Shares are held for the purpose of maintaining and developing the business relationship.	No
	714	6	678		
SQUARE ENIX HOLDINGS CO., LTD.	91,252		91,252	Shares are held for the purpose of maintaining and developing the business relationship.	No
	354	3	444		
Resona Holdings, Inc.	647,469		647,469	Shares are held for the purpose of facilitating financial transactions.	No*2
	310	2	363		
KONAMI HOLDINGS CORPORATION	63,734		63,734	Shares are held for the purpose of maintaining and developing the business relationship.	No
	306	2	356		
TOPPAN PRINTING CO., LTD.	182,885		365,770	Shares are held for the purpose of maintaining and developing the business relationship.	No
	305	2	319		
Sumitomo Mitsui Trust Holdings, Inc.	60,920		60,920	Shares are held for the purpose of facilitating financial transactions.	No
	242	2	262		
Shirai Electronics Industrial Co., Ltd.	336,000		336,000	Shares are held for the purpose of maintaining a stable relationship.	Yes
	126	1	188		
Nissha Co., Ltd.	104,104		104,104	Shares are held for the purpose of maintaining and developing the business relationship.	Yes
	121	1	297		
SANSHIN ELECTRONICS CO., LTD.	50,180		50,180	Shares are held for the purpose of maintaining and developing the business relationship.	Yes
	95	0	109		
Mizuho Financial Group, Inc.	284,219		284,219	Shares are held for the purpose of facilitating financial transactions.	No
	48	0	54		
JAPAN PULP AND PAPER COMPANY LIMITED	11,355		11,355	Shares are held for the purpose of maintaining and developing the business relationship.	No
	47	0	48		
KOEI TECMO HOLDINGS CO., LTD.	18,952		15,794	Shares are held for the purpose of maintaining and developing the business relationship. The number of shares has increased as a result of share split.	No*3
	40	0	32		
Sumitomo Mitsui Financial Group, Inc.	8,849		8,849	Shares are held for the purpose of facilitating financial transactions.	No
	34	0	39		
TV TOKYO Holdings Corporation	10,000		10,000	Shares are held for the purpose of maintaining and developing the business relationship.	No
	23	0	27		
THE SHIGA BANK, LTD.	-		10,500	Shares which had been held for the purpose of facilitating financial transactions were sold.	No
	-	-	5		

(Notes) 1. "-" indicates that the issue is not held.

2. At its meetings, the Board of Directors confirms the purpose and rationality of holding the specific investment shares listed above and then verifies the propriety of holding such shares on an annual basis in light of the Company's shareholding policy; however, it is difficult to describe the quantitative effect of holding such



shares.

3. \*1: Mitsubishi UFJ Financial Group, Inc. is an indirect holder of the Company's shares through its subsidiary MUFG Bank, Ltd., etc.
4. \*2: Resona Holdings, Inc. is an indirect holder of the Company's shares through its subsidiary Resona Bank, Limited.
5. \*3: KOEI TECMO HOLDINGS CO., LTD. is an indirect holder of the Company's shares through its subsidiary KOEI TECMO GAMES CO., LTD.

## (2) Company's systems

### < System to ensure proper business execution >

- 1) System to ensure that the Company's Directors and employees execute their duties in compliance with the laws and regulations and the Articles of Incorporation

By establishing an Audit and Supervisory Committee, which consists of a majority of Outside Directors, the Company aims to strengthen the supervisory functions of the Board of Directors and further promote corporate governance of the Company. Furthermore, the Company has established a compliance program (legal risk management policy) to define normative systems for compliance and has designed a compliance manual and otherwise implemented measures for promotion of compliance through establishment of a Compliance Committee in order to ensure that Directors' and employees' execution of duties complies with the laws and regulations and the Articles of Incorporation. In addition, the Company has established a whistleblowing policy ("Compliance Hotline") for early discovery and correction of illegal conduct.

In addition to regular audits by the Audit and Supervisory Committee, the Internal Auditing Department, under the direct supervision of the President, regularly evaluates whether the operation of internal controls and financial reporting process of each division and department are appropriate and effective through internal audits, and proposes and suggests measures to make improvements, etc.

The Company has a system to deal with antisocial forces that threaten social order and security at the company level, having appointed a responsible division for dealing with antisocial forces based on its commitment to taking a tough stance against such forces. The Company has also built a system to collaborate with police, attorneys and other outside expert organizations during ordinary times to prepare for emergencies.

- 2) System for storage and management of information related to the execution of duties of the Company's Directors

The Company records information related to Directors' execution of duties as minutes of meetings of the Board of Directors, Executive Management Committee and other important meetings, as well as documents such as action memos (including electronic records). Each such record is stored and managed for an appropriate retention period, respectively, based on internal regulations.

- 3) Regulations or any other systems of the Company for management of risk of loss

As a general rule, each division and department manages risks pertaining to work within its jurisdiction. Furthermore, the Internal Auditing Department monitors the risk management system of each division and department, and proposes and advises on policies for improvement, etc. Further, under the Compliance Committee, thorough compliance efforts are promoted at each division and department. In addition, the Company has established a Product Safety Committee and other structures to guarantee product safety, prevent the occurrence of product accidents and ensure prompt response in the event of an accident.

- 4) System to ensure that the execution of duties of the Company's Directors is efficient

In addition to the meetings of the Board of Directors held monthly as a general rule, meetings of the Executive Management Committee, which consists of Directors (excluding Audit and Supervisory Committee Members), are held twice a month generally at the Company, to make prompt and efficient decisions. Furthermore, the Company has introduced the Executive Officer System for the purpose of clarifying the responsibility for the execution of operations through the separation of the management decision-making and supervisory functions from the execution of operations, as well as by accelerating the delegation of authority to execute operations.

With regards to the execution of operations, internal regulations set forth the allocation of duties and authorities to ensure organized and efficient operation of business.

- 5) System to ensure proper business execution within the Company group

The system seeks to ensure proper business execution within the Company group as a whole by ensuring proper business execution by each subsidiary.

The Company has established internal regulations applicable to its subsidiaries mainly to ensure efficient risk management and business operation by the subsidiaries. Pursuant to the regulations, the responsible divisions and departments of the Company identify and manage such matters as the management status of the respective subsidiaries they are in charge of, obtaining information therefrom as necessary, and subsidiaries are required to obtain the Company's prior approval for significant matters.

Furthermore, in addition to audits by the Company's Accounting Auditor, the Audit and Supervisory Committee also conducts audits with respect to subsidiaries as necessary. The Internal Auditing Department likewise conducts audits with respect to subsidiaries as needed in addition to providing guidance and cooperation on internal controls. Major subsidiaries have established internal auditing divisions or departments, and each subsidiary is promoting the establishment of internal control systems suitable to the size of the subsidiary and the law in the region where the subsidiary is located, with the cooperation of relevant divisions and departments of the Company.

In addition to providing guidance and cooperation on compliance to each subsidiary as needed, the Company has established a whistleblowing system at major subsidiaries to render it possible to provide information directly to the Company in order to enhance and promote the compliance of the Company group as a whole. Under the umbrella of the Global Compliance Conference, which comprises top management and other members of the Company and its major subsidiaries, the person in charge of compliance at each company regularly holds meetings.

6) System to ensure that the execution of duties of the Company's Audit and Supervisory Committee is effective

- Matters related to employees to assist duties of the Company's Audit and Supervisory Committee

The Company has established a special organization, the Audit and Supervisory Committee Office, to assist the duties of the Audit and Supervisory Committee, and the Office has dedicated staff members who work to assist the duties of the Audit and Supervisory Committee under the direction of the Committee.

Employees in the Audit and Supervisory Committee Office are selected and transferred with the agreement of the Audit and Supervisory Committee to ensure independence of such employees and effectiveness of the direction of the Committee to such employees.

- System for reporting to the Company's Audit and Supervisory Committee

The President of the Company regularly holds meetings with the Company's Audit and Supervisory Committee Members, and provides timely reports regarding the matters designated by law. The Company's Internal Auditing Department reports internal audit results to the Company's Audit and Supervisory Committee in a timely manner and, furthermore, the Company's Directors and other employees report to the Audit and Supervisory Committee as needed matters reported by a Director or another employee of a subsidiary or matters concerning execution of the Company's or a subsidiary's business.

An employee who reports to the Company's Audit and Supervisory Committee will not be treated unfavorably.

- Other systems to ensure that audits by the Company's Audit and Supervisory Committee are effective

The Company's Audit and Supervisory Committee Members attend the meetings of the Board of Directors as well as participate in important committees and meetings that are deemed necessary in order to ensure that the audits conducted are effective. In the event that an Audit and Supervisory Committee Member requests the payment of costs and expenses in connection with the performance of his/her duties, the request is processed pursuant to relevant laws in accordance with internal regulations.

7) System to ensure fairness and reliability of financial reporting

In order to ensure the fairness and reliability of financial reporting, the Company implements internal controls for financial reporting which it has developed in an appropriate manner in compliance with laws and regulations such as the Financial Instruments and Exchange Act. The Company also assesses implementation of these internal controls, checks their validity on an ongoing basis and takes necessary measures to improve them.

<Summary of Operational Status of System to Ensure Proper Business Execution>

1) System to ensure that the Company's Directors and employees execute their duties in compliance with the laws and regulations and the Articles of Incorporation, and regulations or any other systems of the Company for management of risk of loss

The Company ensures compliance with laws and regulations, etc. through the internal education program and the monitoring of relevant divisions by a person in charge of compliance assigned to each division based on the action plan for compliance established by the Compliance Committee mainly consisting of Directors and the General Manager of each division.

For the management of risk of loss, the Internal Auditing Department monitors the status of risk management performed at each division, and proposes and advises on measures, among others, for improving the risk management system of each division by quantifying residual risks to the extent

possible.

- 2) System for storage and management of information related to the execution of duties of the Company's Directors, and system to ensure that the execution of duties of the Company's Directors is efficient

The Company operates the meetings of the Board of Directors and Executive Management Committee in accordance with the "Board of Directors Regulations" and "Executive Management Committee Regulations" which set forth standards for handling resolutions and reporting matters at the meetings of the Board of Directors and Executive Management Committee. In addition, it ensures efficient and appropriate execution of duties by Directors through discussing in advance the matters to be proposed at the meetings of the Board of Directors at Executive Management Committee. Furthermore, the Company adopts the Executive Officer System for the purpose of clarifying the responsibility for the execution of operations, and establishing a more flexible management structure which can appropriately and swiftly respond to the rapidly changing business environment. The foregoing will be enabled through separating the management decision-making and supervisory functions from the execution of operations as well as by accelerating the delegation of authority to execute operations. The Company clarifies the duties and authorities of each Director and Executive Officer in charge of business execution by designating the scope of delegation and the division in charge.

The Company appropriately records and manages information related to Directors' execution of duties such as minutes of meetings of the Board of Directors and action memos in accordance with relevant laws and regulations and internal regulations including the "Document Management Rules."

- 3) System to ensure proper business execution within the Company group

The Company ensures proper business execution of subsidiaries in accordance with the "Rules for Management of Subsidiaries and Affiliates" whereby the responsible divisions and departments of the Company identify and manage such matters including the management status of the respective subsidiaries, and make decisions in accordance with the predetermined decision-making standards for matters that require prior approval of the Company.

Furthermore, the Company's Accounting Auditors and the Audit and Supervisory Committee Members conduct auditing of subsidiaries including on-site audit, and the Internal Auditing Department conducts internal auditing of subsidiaries as appropriate to provide guidance and advice on internal control and risk management as necessary.

The division in charge of compliance of the Company regularly holds meetings with the persons in charge of compliance at major overseas subsidiaries, confirms the status of initiative taken concerning compliance at each subsidiary, and exchanges opinions on matters including the status of laws at each jurisdiction and challenges for the future.

- 4) System to ensure that audits by the Company's Audit and Supervisory Committee are effective

The Company's Audit and Supervisory Committee Members receive reports on necessary matters from Directors and employees through attendance at the meetings of the Board of Directors as well as important meetings including Compliance Committee as appropriate. Furthermore, the Company's Audit and Supervisory Committee Members, including Outside Directors, hold quarterly meetings with the President of the Company for information exchange, and cooperate with the Internal Auditing Department to receive reports on internal auditing, etc., performed by the Department.

## V. Financial Information

### Consolidated financial statements, etc.

#### (1) Consolidated financial statements

##### (i) Consolidated balance sheets

	Previous fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)		
	(Millions of yen)		(Millions of yen)		(Millions of dollars)
<b>Assets</b>					
Current assets					
Cash and deposits		744,555		844,550	7,677
Notes and accounts receivable - trade		69,829		78,169	710
Securities		243,431		238,410	2,167
Inventories	*1	141,795	*1	135,470	1,231
Other		66,405		48,453	440
Allowance for doubtful accounts		(87)		(82)	(0)
Total current assets		1,265,929		1,344,972	12,227
Non-current assets					
Property, plant and equipment					
Buildings and structures, net		36,094		37,592	341
Machinery, equipment and vehicles, net		1,450		1,575	14
Tools, furniture and fixtures, net		3,915		4,015	36
Land		41,812		38,223	347
Construction in progress		653		143	1
Total property, plant and equipment	*2	83,926	*2	81,550	741
Intangible assets					
Software		11,487		11,962	108
Other		2,533		2,128	19
Total intangible assets		14,020		14,090	128
Investments and other assets					
Investment securities	*3	198,538	*3	167,134	1,519
Deferred tax assets		47,654		57,992	527
Retirement benefit asset		7,931		7,056	64
Other		15,503		17,536	159
Allowance for doubtful accounts		(30)		(29)	(0)
Total investments and other assets		269,597		249,690	2,269
Total non-current assets		367,544		345,331	3,139
Total assets		1,633,474		1,690,304	15,366

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
<b>Liabilities</b>			
Current liabilities			
Notes and accounts payable - trade	138,015	59,689	542
Income taxes payable	43,390	62,646	569
Provision for bonuses	3,217	3,891	35
Other	93,452	118,781	1,079
<b>Total current liabilities</b>	<b>278,076</b>	<b>245,009</b>	<b>2,227</b>
Non-current liabilities			
Retirement benefit liability	16,609	15,068	136
Other	15,213	15,427	140
<b>Total non-current liabilities</b>	<b>31,822</b>	<b>30,496</b>	<b>277</b>
<b>Total liabilities</b>	<b>309,899</b>	<b>275,505</b>	<b>2,504</b>
<b>Net assets</b>			
Shareholders' equity			
Share capital	10,065	10,065	91
Capital surplus	13,742	12,069	109
Retained earnings	1,564,240	1,556,881	14,153
Treasury shares	(250,679)	(156,755)	(1,425)
<b>Total shareholders' equity</b>	<b>1,337,369</b>	<b>1,422,260</b>	<b>12,929</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	16,402	17,665	160
Foreign currency translation adjustment	(34,736)	(30,214)	(274)
<b>Total accumulated other comprehensive income</b>	<b>(18,334)</b>	<b>(12,548)</b>	<b>(114)</b>
Non-controlling interests	4,540	5,086	46
<b>Total net assets</b>	<b>1,323,574</b>	<b>1,414,798</b>	<b>12,861</b>
<b>Total liabilities and net assets</b>	<b>1,633,474</b>	<b>1,690,304</b>	<b>15,366</b>

(ii) Consolidated statements of income and consolidated statements of comprehensive income  
Consolidated statements of income

	Previous fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)		
	(Millions of yen)		(Millions of yen)		(Millions of dollars)
Net sales		1,055,682		1,200,560	10,914
Cost of sales	*1, *3	652,141	*1, *3	699,370	6,357
Gross profit		403,540		501,189	4,556
Selling, general and administrative expenses	*2, *3	225,983	*2, *3	251,488	2,286
Operating profit		177,557		249,701	2,270
Non-operating income					
Interest income		9,064		13,131	119
Foreign exchange gains		-		5,426	49
Share of profit of entities accounted for using equity method		10,318		6,949	63
Other		4,126		2,807	25
Total non-operating income		23,509		28,315	257
Non-operating expenses					
Loss on redemption of securities		794		440	4
Foreign exchange losses		766		-	-
Other		150		221	2
Total non-operating expenses		1,710		662	6
Ordinary profit		199,356		277,355	2,521
Extraordinary income					
Gain on sales of non-current assets	*4	821	*4	1	0
Gain on sales of investment securities		490		0	0
Reversal of loss on litigation		1,929		-	-
Total extraordinary income		3,240		1	0
Extraordinary losses					
Impairment loss		-	*6	4,622	42
Loss on disposal of non-current assets	*5	366	*5	278	2
Loss on sales of investment securities		2		-	-
Loss on valuation of investment securities		-		682	6
Loss on litigation		1,138		-	-
Total extraordinary losses		1,507		5,584	50
Profit before income taxes		201,090		271,772	2,470
Income taxes - current		56,977		88,137	801
Income taxes - deferred		3,167		(10,932)	(99)
Total income taxes		60,144		77,204	701
Profit		140,945		194,568	1,768
Profit attributable to non-controlling interests		1,354		558	5
Profit attributable to owners of parent		139,590		194,009	1,763

Consolidated statements of comprehensive income

	Previous fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)	
	(Millions of yen)		(Millions of yen)	(Millions of dollars)
Profit		140,945	194,568	1,768
Other comprehensive income				
Valuation difference on available-for-sale securities		(2,490)	1,313	11
Foreign currency translation adjustment		(4,028)	4,920	44
Share of other comprehensive income of entities accounted for using equity method		(336)	(460)	(4)
Total other comprehensive income	*1	(6,855)	*1	52
Comprehensive income		134,090	200,341	1,821
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		132,655	199,795	1,816
Comprehensive income attributable to non-controlling interests		1,434	546	4



(iii) Consolidated statements of changes in equity  
 Previous fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,065	13,256	1,489,518	(250,601)	1,262,239
Changes in items during period					
Dividends of surplus			(64,868)		(64,868)
Profit attributable to owners of parent			139,590		139,590
Purchase of treasury shares				(1,903)	(1,903)
Disposal of treasury shares		485		1,825	2,311
Net changes in items other than shareholders' equity					
Total changes in items during period	-	485	74,722	(77)	75,129
Balance at end of period	10,065	13,742	1,564,240	(250,679)	1,337,369

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	18,913	(30,312)	(11,399)	132	1,250,972
Changes in items during period					
Dividends of surplus					(64,868)
Profit attributable to owners of parent					139,590
Purchase of treasury shares					(1,903)
Disposal of treasury shares					2,311
Net changes in items other than shareholders' equity	(2,510)	(4,424)	(6,935)	4,407	(2,527)
Total changes in items during period	(2,510)	(4,424)	(6,935)	4,407	72,602
Balance at end of period	16,402	(34,736)	(18,334)	4,540	1,323,574

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,065	13,742	1,564,240	(250,679)	1,337,369
Changes in items during period					
Dividends of surplus			(78,081)		(78,081)
Profit attributable to owners of parent			194,009		194,009
Purchase of treasury shares				(31,038)	(31,038)
Disposal of treasury shares		1		0	1
Cancellation of treasury shares		(1,674)	(123,287)	124,961	-
Net changes in items other than shareholders' equity					
Total changes in items during period	-	(1,673)	(7,358)	93,923	84,891
Balance at end of period	10,065	12,069	1,556,881	(156,755)	1,422,260

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	16,402	(34,736)	(18,334)	4,540	1,323,574
Changes in items during period					
Dividends of surplus					(78,081)
Profit attributable to owners of parent					194,009
Purchase of treasury shares					(31,038)
Disposal of treasury shares					1
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity	1,263	4,522	5,785	546	6,331
Total changes in items during period	1,263	4,522	5,785	546	91,223
Balance at end of period	17,665	(30,214)	(12,548)	5,086	1,414,798

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	91	124	14,220	(2,278)	12,157
Changes of items during period					
Dividends of surplus			(709)		(709)
Profit attributable to owners of parent			1,763		1,763
Purchase of treasury shares				(282)	(282)
Disposal of treasury shares		0		0	0
Cancellation of treasury shares		(15)	(1,120)	1,136	
Net changes in items other than shareholders' equity					
Total changes in items during period		(15)	(66)	853	771
Balance at end of period	91	109	14,153	(1,425)	12,929

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	149	(315)	(166)	41	12,032
Changes of items during period					
Dividends of surplus					(709)
Profit attributable to owners of parent					1,763
Purchase of treasury shares					(282)
Disposal of treasury shares					0
Cancellation of treasury shares					
Net changes in items other than shareholders' equity	11	41	52	4	57
Total changes in items during period	11	41	52	4	829
Balance at end of current period	160	(274)	(114)	46	12,861

## (iv) Consolidated statements of cash flows

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	(Millions of dollars)
	(Millions of yen)	(Millions of yen)	
<b>Cash flows from operating activities</b>			
Profit before income taxes	201,090	271,772	2,470
Depreciation	9,064	9,564	86
Impairment loss	-	4,622	42
Increase (decrease) in allowance for doubtful accounts	(513)	44	0
Increase (decrease) in retirement benefit liability	(2,125)	(1,970)	(17)
Interest and dividend income	(10,116)	(14,355)	(130)
Foreign exchange losses (gains)	6,434	(3,966)	(36)
Loss (gain) on sales of short-term and long-term investment securities	(411)	(53)	(0)
Loss (gain) on valuation of investment securities	-	682	6
Share of loss (profit) of entities accounted for using equity method	(10,318)	(6,949)	(63)
Decrease (increase) in trade receivables	51,585	(8,416)	(76)
Decrease (increase) in inventories	(107,454)	8,484	77
Increase (decrease) in trade payables	9,368	(51,349)	(466)
Income taxes paid	(354)	1,343	12
Other, net	22,650	17,569	159
<b>Subtotal</b>	<b>168,901</b>	<b>227,022</b>	<b>2,063</b>
Interest and dividend income received	10,585	12,552	114
Interest paid	(10)	(44)	(0)
Income taxes paid	(27,267)	(69,000)	(627)
<b>Net cash provided by (used in) operating activities</b>	<b>152,208</b>	<b>170,529</b>	<b>1,550</b>
<b>Cash flows from investing activities</b>			
Payments into time deposits	(534,832)	(382,891)	(3,480)
Proceeds from withdrawal of time deposits	590,660	346,993	3,154
Purchase of property, plant and equipment and intangible assets	(9,609)	(10,736)	(97)
Proceeds from sales of property, plant and equipment and intangible assets	984	(1)	(0)
Purchase of short-term and long-term investment securities	(552,785)	(483,195)	(4,392)
Proceeds from sales and redemption of short-term and long-term investment securities	567,484	575,643	5,233
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 2,735	-	-
Other, net	(3,251)	(457)	(4)
<b>Net cash provided by (used in) investing activities</b>	<b>61,387</b>	<b>45,353</b>	<b>412</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(64,829)	(77,980)	(708)
Purchase of treasury shares	(78)	(31,038)	(282)
Proceeds from sales of shares of parent held by subsidiaries	3,609	-	-
Other, net	(13)	(18)	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>(61,311)</b>	<b>(109,037)</b>	<b>(991)</b>
Effect of exchange rate change on cash and cash equivalents	1,222	(5,948)	(54)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>153,506</b>	<b>100,897</b>	<b>917</b>
Cash and cash equivalents at beginning of period	330,974	484,480	4,404
<b>Cash and cash equivalents at end of period</b>	<b>*1 484,480</b>	<b>*1 585,378</b>	<b>5,321</b>

## Notes to Consolidated Financial Statements

### Significant matters forming the basis of preparing the consolidated financial statements

#### 1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 24 companies  
The names of significant consolidated subsidiaries are omitted because they are provided in “I. Overview of the Company, 3. Subsidiaries and associates.”  
Nintendo Phuten Co., Ltd. was excluded from the scope of consolidation from the consolidated fiscal year ended March 31, 2019, since its liquidation had been completed.
- (2) The unconsolidated subsidiary is as follows:  
Fukuei Co., Ltd.  
The above is unconsolidated because it is a small-scale company and does not have a material impact on the consolidated financial statements with respect to total assets, net sales, profit or loss, retained earnings, etc.

#### 2. Application of the equity method

- (1) Number of associates accounted for under the equity method: following four companies  
Name of associates accounted for under the equity method  
The Pokémon Company, WARPSTAR, Inc., PUX Corporation, and First Avenue Entertainment, LLLP
- (2) The company among the unconsolidated subsidiaries not accounted for under the equity method is Fukuei Co., Ltd., and the company among the associates not accounted for under the equity method is Ape Inc. This is because the impact each of said companies has on profit or loss, retained earnings, etc., is negligible, and it is immaterial as a whole.
- (3) With respect to associates accounted for under the equity method whose account closing dates differ from the consolidated account closing date, the financial statements of each of the companies, either based on their fiscal year or based on provisional accounts closing, are incorporated.

#### 3. Year-ends of consolidated subsidiaries

Of consolidated subsidiaries, iQue (China) Ltd., Nintendo RU LLC. and two other subsidiaries close accounts on December 31 every year.

As the difference between closing dates is within three months, the above subsidiaries were accounted for based on the financial statements as of the account closing date of each subsidiary. Necessary adjustments were made to the consolidated financial statements to reflect any significant transactions that took place between their account closing dates and the consolidated account closing date.

#### 4. Accounting procedures

- (1) Valuation basis and method for important assets
  - (i) Securities  
For held-to-maturity debt securities, the amortized cost method (straight-line method) is used. For other securities with market quotations, the market price method based on the market price, etc., on the account closing date is used (valuation difference is reported as a component of net assets and the cost of sales is calculated using the moving average method), and securities without market quotations are stated at cost using the moving-average method.
  - (ii) Derivatives  
The fair value method is applied.
  - (iii) Inventories  
They are mainly stated at cost using the moving-average method (the figures shown in the balance sheets have been calculated by writing them down based on decline in profitability).

(2) Depreciation and amortization methods of significant depreciable and amortizable assets

(i) Property, plant and equipment (excluding leased assets):

The Company and its domestic consolidated subsidiaries apply the declining balance method, but certain tools, furniture and fixtures are subject to depreciation based on their useful lives in line with their commercial obsolescence. However, the straight-line method is applied for buildings, except for accompanying facilities, acquired on April 1, 1998 or thereafter and for facilities attached to buildings and structures acquired on April 1, 2016, and thereafter. Overseas consolidated subsidiaries apply the straight-line method based on the estimated economic useful lives.

Useful lives of main assets are as follows:

Buildings and structures	3-60 years
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(ii) Intangible assets (excluding leased assets):

Intangible assets are amortized using the straight-line method. Software for internal use is amortized over the estimated internal useful life (principally five years).

(iii) Leased assets

Leased assets in finance lease transactions that do not transfer ownership

The straight-line method with no residual value is applied, regarding the lease term as useful life.

(3) Accounting for significant reserves

(i) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts based on the historical analysis of loss experience for general receivables and on individual evaluations of uncollectible amounts for specific receivables including doubtful accounts. Overseas consolidated subsidiaries provide the allowance for doubtful accounts based on the individual evaluation of uncollectible amount for each of receivables.

(ii) Provision for bonuses

The Company and certain consolidated subsidiaries provide the reserve for the estimated amount of bonuses to be paid to the employees.

(4) Accounting method for retirement benefit

(i) Periodic allocation method for estimated benefit obligation

Upon calculating the retirement benefit obligations, the estimated benefit obligation is attributed to periods up until the end of the fiscal year ended March 31, 2019, on a benefit formula basis.

(ii) Amortization method for actuarial gains and losses and past service cost

Actuarial gains and losses and past service cost are processed collectively in the year in which they are incurred.

(iii) Application of simple method at small enterprises, etc.

Some consolidated subsidiaries apply a simple method including a method in which an estimated amount required to be paid for voluntary retirement benefits at the end of the fiscal year is deemed as the retirement benefit obligations in the calculations of retirement benefit liability and retirement benefit expenses.

Assets in the Company's defined benefit corporate pension plan are recorded as "Retirement benefit asset" under investments and other assets as the plan assets exceeded the retirement benefit obligations.

(5) Standards of translation into yen of significant assets or liabilities denominated in foreign currencies

All the monetary receivables and payables of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen based on the spot rate of exchange in the foreign exchange market on the respective account closing dates. The foreign exchange gains and losses from translation are recognized in the accompanying consolidated statements of income. Assets or liabilities of overseas consolidated subsidiaries, etc. are translated into yen based on the spot rate of exchange in the foreign exchange market on the account closing date, while revenue and expenses are translated into yen based on the average rate of exchange for the fiscal year. The differences resulting from such translations are included in "Foreign currency translation adjustment" under net assets.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flow  
“Cash and cash equivalents” include cash on hand, time deposit which can be withdrawn on demand and short-term investments, with little risk of fluctuation in value and maturity of three months or less of the acquisition date, which are promptly convertible to cash.

(7) Other important matters in preparing the consolidated financial statements  
Accounting for consumption taxes  
Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

(Accounting standards, etc. yet to be applied)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Description

This is a comprehensive accounting standard for revenue recognition. Revenue will be recognized by applying the following five steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations within the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the contractual performance obligations.

Step 5: Recognize revenue when the performance obligations have been fulfilled or as the performance obligations are fulfilled over time.

(2) Scheduled application date

The Accounting Standard and Implementation Guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of application of Accounting Standard and Implementation Guidance

The amount of impact is being evaluated at the time of preparation of these consolidated financial statements.

Changes in accounting procedures

Effective beginning the fiscal year ended March 31, 2019, Nintendo has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No. 28 of February 16, 2018).” As a result of adoption, deferred tax assets have been classified in the section of investments and other assets, and deferred tax liabilities have been classified in the section of non-current liabilities.

Deferred tax assets in the section of investments and other assets was ¥47,654 million (USD 433 million), which includes ¥10,834 million (USD 98 million) from deferred tax assets in the section of current assets and ¥274 million (USD 2 million) from deferred tax liabilities in the section of non-current liabilities for the fiscal year ended March 31, 2018. The remaining amount of deferred tax liabilities in the section of non-current liabilities, which was ¥0 million, have been classified as other in the section of non-current liabilities for the fiscal year ended March 31, 2018.

## Notes to consolidated balance sheets

### \*1. Inventories as of March 31, 2018 and 2019 were as follows:

	Previous fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)	
Finished goods	¥ 129,483 million	¥	99,918 million	USD 908 million
Work in process	63		795	7
Raw materials and supplies	¥ 12,248 million	¥	34,756 million	USD 315 million

### \*2. Accumulated depreciation of property, plant and equipment as of March 31, 2018 and 2019 were as follows:

	Previous fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)	
Accumulated depreciation	¥ 68,609 million	¥	71,525 million	USD 650 million

### \*3. Investments in unconsolidated subsidiaries and associates as of March 31, 2018 and 2019 were as follows:

	Previous fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)	
Investment securities	¥ 34,219 million	¥	40,761 million	USD 370 million



## Notes to consolidated statements of income

**\*1. The ending inventory balance is the amount after write-down of book value due to decline in profitability, and the loss on valuation of inventories included in cost of sales for the years ended March 31, 2018 and 2019 were as follows:**

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Loss on valuation of inventories	¥ 4,832 million	¥ 10,414 million USD 94 million

**\*2. The major items of selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:**

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Advertising expenses	¥ 72,616 million	¥ 75,421million USD 685 million
Research and development expenses	63,999	69,624 632
Salaries, allowances and bonuses	24,993	26,974 245
Depreciation	5,146	6,418 58
Retirement benefit expenses	3,692	4,397 39
Provision for bonuses	1,178	1,879 17
Provision of allowance for doubtful accounts	¥ (5) million	¥ 202 million USD 1 million

**\*3. Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2018 and 2019 were as follows:**

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Research and development expenses	¥ 64,032 million	¥ 69,628million USD 632 million

**\*4. Gain on sales of non-current assets for the years ended March 31, 2018 and 2019 were as follows:**

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Land	¥ 818 million	Machinery, equipment and vehicles ¥ 1 million USD 0 million
Buildings and structures	2	Tools, furniture and fixtures 0 0
Total	¥ 821 million	¥ 1 million USD 0 million

**\*5. Loss on disposal of non-current assets for the years ended March 31, 2018 and 2019 were as follows:**

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Buildings and structures	¥350 million	Buildings and structures ¥277 million USD 2 million
Tools, furniture and fixtures	7	Machinery, equipment and vehicles 0 0
Software	7	Tools, furniture and fixtures 0 0
Total	¥366 million	Total ¥278 million USD 2 million

## \*6. Impairment loss

In the fiscal year ended March 31, 2019, Nintendo recorded an impairment loss for the following asset group.

Location	Purpose	Type	Write-off amount	
			¥4,622 million	USD 42 million
Japan	Business-use assets	Land and buildings, etc.		

At Nintendo, assets are grouped by administrative accounting categories used for managing income and expenditure on an ongoing basis. Recording of impairment loss of assets is determined individually mainly for idle assets with no potential of future use and assets determined to be disposed of. The book value of the assets above was reduced to the recoverable amount, and the difference was recorded as an impairment loss in the section of extraordinary losses.

The breakdown of impairment losses was for land, buildings and others of ¥3,823 million (USD 34 million), ¥769 million (USD 6 million) and ¥30 million (USD 0 million), respectively.

The recoverable amount of assets for disposal is mainly measured by net selling value based on valuation according to real estate appraisal standards.

## Notes to consolidated statements of comprehensive income

### \*1. Reclassification adjustments and tax effects related to other comprehensive income

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ (3,084) million	¥ 828 million	USD 7 million
Reclassification adjustments	(426)	1,227	11
Amount before tax effects	(3,510)	2,056	18
Tax effects	1,020	(742)	(6)
Valuation difference on available-for-sale securities	(2,490)	1,313	11
Foreign currency translation adjustment:			
Amount arising during the fiscal year	(4,028)	4,935	44
Reclassification adjustments	-	(15)	(0)
Amount before tax effects	(4,028)	4,920	44
Tax effects	-	-	-
Foreign currency translation adjustment	(4,028)	4,920	44
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the fiscal year	(336)	(460)	(4)
Total other comprehensive income	¥ (6,855) million	¥ 5,773million	USD 52 million

## Notes to consolidated statements of changes in equity

### Previous fiscal year (From April 1, 2017 to March 31, 2018)

#### 1. Matters concerning outstanding shares

(Shares)

Type of share	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares	141,669,000	-	-	141,669,000

#### 2. Matters concerning treasury shares

(Shares)

Type of share	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares	21,541,341	72,563	70,673	21,543,231

(Summary of causes of changes)

Increase in treasury shares consisted of: an increase of 1,917 shares from acquisitions in line with buyback requests for shares less than one unit; and an increase of 70,646 shares involving shares of the parent company held by a subsidiary included in the scope of consolidation in the fiscal year ended March 31, 2018.

Decrease in treasury shares consisted of: a decrease of 27 shares from sales in line with selling requests for shares less than one unit; and a decrease of 70,646 shares from sales of shares of the parent company held by a consolidated subsidiary.

#### 3. Matters concerning dividends

##### (1) Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2017	Common shares	¥51,654 million	¥430	March 31, 2017	June 30, 2017
Meeting of Board of Directors held on October 30, 2017	Common shares	¥13,213 million	¥110	September 30, 2017	December 1, 2017

(2) Dividend payments for which the record date is in the fiscal year ended March 31, 2018, and the effective date is in the following fiscal year

Resolution	Type of share	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 28, 2018	Common shares	¥57,660 million	Retained earnings	¥480	March 31, 2018	June 29, 2018

### Current fiscal year (From April 1, 2018 to March 31, 2019)

#### 1. Matters concerning outstanding shares

(Shares)

Type of share	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common shares	141,669,000	-	10,000,000	131,669,000

(Summary of causes of changes)

Decrease in treasury shares was due to the cancellation of treasury shares based on the resolution at the Board of Directors' meeting held on February 22, 2019.

#### 2. Matters concerning treasury shares

(Shares)

Type of share	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common shares	21,543,231	1,001,083	10,000,050	12,544,264

(Summary of causes of changes)

Increase in treasury shares consisted of: an increase of 1,083 shares from acquisitions in line with buyback

requests for shares less than one unit; and an increase of 1,000,000 shares from acquisitions by purchases on the market of the Tokyo Stock Exchange based on the resolution at the Board of Directors' meeting held on February 22, 2019.

Decrease in treasury shares consisted of: a decrease of 50 shares from sales in line with selling requests for shares less than one unit; and a decrease of 10,000,000 shares from the cancellation of treasury shares based on the resolution at the Board of Directors' meeting held on February 22, 2019.

### 3. Matters concerning dividends

#### (1) Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 28, 2018	Common shares	¥57,660 million	¥480	March 31, 2018	June 29, 2018
Meeting of Board of Directors held on October 30, 2018	Common shares	¥20,421 million	¥170	September 30, 2018	December 3, 2018

#### (2) Dividend payments for which the record date is in the fiscal year ended March 31, 2019, and the effective date is in the following fiscal year

Resolution	Type of share	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2019	Common shares	¥76,239 million [USD 693 million]	Retained earnings	¥640 [USD 5.81]	March 31, 2019	June 28, 2019

### Notes to consolidated statements of cash flow

#### \*1. "Cash and cash equivalents at end of period" were reconciled to "Cash and deposits" in the accompanying consolidated balance sheets as of March 31, 2018 and 2019 as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
Cash and deposits	¥ 744,555 million	¥ 844,550 million	USD 7,677 million
Time deposits with maturity of more than three months	(307,509)	(346,607)	(3,150)
Short-term investments with maturity of three months or less	47,434	87,435	794
Cash and cash equivalents	¥ 484,480 million	¥ 585,378 million	USD 5,321 million

#### \*2. The breakdown of assets and liabilities at the time of commencement of consolidation associated with newly including Nintendo Sales Co., Ltd. into the scope of consolidation as a result of acquisition of its shares and the relationship between the acquisition price of its shares and net proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation are as follows.

#### Previous fiscal year (From April 1, 2017 to March 31, 2018)

Current assets	¥24,440 million
Non-current assets	4,382
Current liabilities	(19,720)
Non-current liabilities	(192)
Gain on bargain purchase	(1,406)
Non-controlling interests	(2,973)
Acquisition price of shares of Nintendo Sales Co., Ltd.	4,530
Cash and cash equivalents of Nintendo Sales Co., Ltd.	(7,265)
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 2,735 million

**Lease transactions****1. Finance lease transactions**

Information of finance leases as of March 31, 2018 and 2019 were omitted as they are immaterial.

**2. Operating lease transactions**

Future lease payments under non-cancelable operating leases

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Due within one year	¥ 1,351 million	¥ 1,355 million	USD 12 million
Due after one year	4,799	3,959	35
Total	¥ 6,151 million	¥ 5,314 million	USD 48 million

## **Financial instruments**

### **1. Condition of financial instruments**

(1) Policy for measures relating to financial instruments

Nintendo (the Company and its consolidated subsidiaries) invests its funds in highly safe financial assets such as deposits. Nintendo utilizes derivatives to reduce risk as described below and for the purpose of improving the investment yield on short-term financial assets, and does not enter into transactions for speculative purposes.

(2) Details of financial instruments, related risks, and risk management system

Notes and accounts receivable - trade are exposed to credit risk from customers. In order to reduce this risk, Nintendo monitors the financial position and transaction history, assesses creditworthiness and sets a transaction limit for each customer. Since bonds included in securities and investment securities are mainly those that are held to maturity and issued by financial institutions and international institutions that have high creditworthiness, the credit risk is minimal. Such bonds are also subject to foreign currency exchange risk and market risk. Nintendo closely monitors the market price of such bonds and the financial position of the issuer and reviews their status on a regular basis. Stocks included in investment securities are mainly those of companies with which the Company has business relationships. These stocks are exposed to market risk, but the balance held is immaterial.

Notes and accounts payable - trade and income taxes payable are all due within one year.

Derivative transactions include foreign exchange forward contracts, non-deliverable forward contracts and currency option contracts etc. to reduce risk of exchange rate fluctuations arising from deposits and trade receivables denominated in foreign currencies. These transactions are conducted by the Finance Department of the Company and the departments in charge of financial matters of its consolidated subsidiaries after securing approval from the president or the executive officer in charge within limits such as the balance of foreign currency deposits. The status of derivative transactions is reported to the executive officer in charge and the Board of Directors on a regular basis. Since counterparties of such transactions are limited to financial institutions that have high creditworthiness, Nintendo judges that risk due to default is minimal.

(3) Supplementary explanation regarding fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably measured values when market prices are unavailable. As variable factors are incorporated into the measurement of such values, the values may vary depending on the assumptions used. In addition, the contract amounts of the derivative transactions described in "Derivative transactions" do not represent the market risk of derivative transactions.

## 2. Fair value of financial instruments

The book value on the consolidated balance sheets, fair value, and differences between them as of March 31, 2018 and 2019 were as follows:

Previous fiscal year (As of March 31, 2018)

	(Millions of yen)		
	Book value	Fair value	Difference
Cash and deposits	744,555	744,555	-
Notes and accounts receivable - trade	69,829	69,829	-
Short-term and long-term investment securities			
Held-to-maturity debt securities	170,046	170,021	(24)
Other securities	236,081	236,081	-
Total assets	1,220,512	1,220,487	(24)
Notes and accounts payable - trade	138,015	138,015	-
Income taxes payable	43,390	43,390	-
Total liabilities	181,406	181,406	-
Derivatives	(1,258)	(1,258)	-

Current fiscal year (As of March 31, 2019)

	(Millions of yen)		
	Book value	Fair value	Difference
Cash and deposits	844,550	844,550	-
Notes and accounts receivable - trade	78,169	78,169	-
Short-term and long-term investment securities			
Held-to-maturity debt securities	114,044	114,044	0
Other securities	244,630	244,630	-
Total assets	1,281,394	1,281,395	0
Notes and accounts payable - trade	59,689	59,689	-
Income taxes payable	62,646	62,646	-
Total liabilities	122,336	122,336	-
Derivatives	213	213	-

	(Millions of dollars)		
	Book value	Fair value	Difference
Cash and deposits	7,677	7,677	-
Notes and accounts receivable - trade	710	710	-
Short-term and long-term investment securities			
Held-to-maturity debt securities	1,036	1,036	0
Other securities	2,223	2,223	-
Total assets	11,649	11,649	0
Notes and accounts payable - trade	542	542	-
Income taxes payable	569	569	-
Total liabilities	1,112	1,112	-
Derivatives	1	1	-

(Notes) 1. Fair value measurement of financial instruments and matters relating to securities and derivative transactions

Cash and deposits, notes and accounts receivable - trade

As these items are settled in a short period of time, their book values approximate their fair values. Consequently, their fair values are based on their book values.

Short-term and long-term investment securities

The fair value of stocks is based on their prices on the securities exchanges. The fair values of bonds are based on their prices provided by correspondent financial institutions. Securities classified by purpose of holding are described in "Securities."

Notes and accounts payable - trade and income taxes payable

As these items are settled in a short period of time, their book values approximate their fair values. Consequently, their fair values are based on their book values.

Derivative transactions

Assets and liabilities arising from derivative transactions are shown on a net basis. The items that are net liabilities are shown in the parentheses.

Matters regarding fair value measurement method and derivative transactions by type of transaction target are provided in “Derivative transactions.”

2. Consolidated balance sheets amounts of financial instruments for which the fair value is deemed extremely difficult to determine

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Unlisted stocks	¥35,841 million	¥46,870 million	USD 426 million

These unlisted stocks which do not have market prices and of which future cash flow cannot be estimated are not included in “Short-term and long-term investment securities,” since the estimation of the fair value is deemed to be extremely difficult.

3. Redemption schedule for monetary receivables and securities with maturity subsequent to the consolidated account closing date

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	744,555	-	-
Notes and accounts receivable - trade	69,829	-	-
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	136,664	-	-
Money held in trust	13,000	-	-
Corporate and government bonds	20,374	-	-
Other securities with maturity			
Certificate of deposits	4,568	4,764	-
Corporate and government bonds	68,832	78,571	-
Other	4,526	14,255	1,085
<b>Total</b>	<b>1,062,351</b>	<b>97,591</b>	<b>1,085</b>

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	844,550	-	-
Notes and accounts receivable - trade	78,169	-	-
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	81,936	-	-
Money held in trust	13,000	-	-
Corporate and government bonds	19,109	-	-
Other securities with maturity			
Certificate of deposits	1,553	2,774	-
Corporate and government bonds	124,254	36,626	-
Other	1,560	14,240	4,033
<b>Total</b>	<b>1,164,135</b>	<b>53,642</b>	<b>4,033</b>



(Millions of dollars)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	7,677	-	-
Notes and accounts receivable - trade	710	-	-
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	744	-	-
Money held in trust	118	-	-
Corporate and government bonds	173	-	-
Other securities with maturity			
Certificate of deposits	14	25	-
Corporate and government bonds	1,129	332	-
Other	14	129	36
Total	10,583	487	36

## Securities

### 1. Held-to-maturity debt securities

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	-	-	-
Securities whose fair value does not exceed their book value on the consolidated balance sheets	170,046	170,021	(24)
Total	170,046	170,021	(24)

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	3,107	3,108	0
Securities whose fair value does not exceed their book value on the consolidated balance sheets	110,936	110,936	(0)
Total	114,044	114,044	0

(Millions of dollars)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	28	28	0
Securities whose fair value does not exceed their book value on the consolidated balance sheets	1,008	1,008	(0)
Total	1,036	1,036	0

## 2. Other securities

Previous fiscal year (As of March 31, 2018)

(Millions of yen)			
	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	53,617	28,920	24,696
Debt securities	54,420	54,384	35
Other	9,103	8,842	260
Sub-total	117,140	92,147	24,993
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	908	1,370	(462)
Debt securities	112,797	114,142	(1,344)
Other	5,235	5,237	(2)
Sub-total	118,940	120,750	(1,809)
Total	236,081	212,897	23,183

Current fiscal year (As of March 31, 2019)

(Millions of yen)			
	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	54,292	28,962	25,329
Debt securities	106,037	105,645	392
Other	8,869	8,741	128
Sub-total	169,199	143,349	25,850
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	867	920	(52)
Debt securities	74,504	75,108	(603)
Other	58	58	-
Sub-total	75,430	76,086	(656)
Total	244,630	219,435	25,194

(Millions of dollars)			
	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	493	263	230
Debt securities	963	960	3
Other	80	79	1
Sub-total	1,538	1,303	235
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	7	8	(0)
Debt securities	677	682	(5)
Other	0	0	-
Sub-total	685	691	(5)
Total	2,223	1,994	229

### 3. Other securities sold during the fiscal years ended March 31, 2018 and 2019

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	121,409	21	(98)
Other	45,709	490	(2)
Total	167,119	512	(100)

Current fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	279,718	62	(13)
Other	316,805	4	-
Total	596,524	67	(13)

(Millions of dollars)

	Amount sold	Total gain	Total loss
Debt securities	2,542	0	(0)
Other	2,880	0	-
Total	5,422	0	(0)

### 4. Securities subject to booking of impairment loss

Previous fiscal year (from April 1, 2017 to March 31, 2018)

Information on securities subject to booking of impairment loss was omitted as they are immaterial.

Current fiscal year (from April 1, 2018 to March 31, 2019)

Impairment loss was recorded for securities in the amount of ¥682 million (USD 6 million), i.e., stocks in the section of other securities in the amount of ¥682 million (USD 6 million).

## Derivative transactions

### Derivative contracts not qualifying for hedge accounting

Currencies

Previous fiscal year (As of March 31, 2018)

(Millions of yen)

Classification	Type of transaction	Contract amount	Portion of contract amount over one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Exchange forward contracts				
	Selling Canadian Dollar	2,214	-	17	18
	Selling British Pound	8,692	-	(102)	(102)
	Currency options				
	Written call options				
	Euro [Premium]	9,912 [12]	- [-]	3	8
	Australian Dollar [Premium]	1,637 [5]	- [-]	8	(3)
	Purchased put options				
	Euro [Premium]	6,608 [18]	- [-]	14	(3)
Currency swaps					
Receiving Japanese Yen /paying US Dollar	22,493	-	(1,174)	(1,174)	
	Total	-	-	-	(1,257)

Current fiscal year (As of March 31, 2019)

(Millions of yen)

Classification	Type of transaction	Contract amount	Portion of contract amount over one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Exchange forward contracts				
	Selling Canadian Dollar	3,236	-	21	21
	Selling British Pound	3,615	-	(9)	(9)
	Currency options				
	Written call options				
	Euro [Premium]	40,986 [138]	- [-]	12	125
	Australian Dollar [Premium]	3,200 [12]	- [-]	7	5
	Purchased put options				
	Euro [Premium]	20,493 [150]	- [-]	221	70
Currency swaps					
Receiving Japanese Yen /paying US Dollar	-	-	-	-	
	Total	-	-	-	213

(Millions of dollars)

Classification	Type of transaction	Contract amount	Portion of contract amount over one year	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Exchange forward contracts				
	Selling Canadian Dollar	29	-	0	0
	Selling British Pound	32	-	(0)	(0)
	Currency options				
	Written call options				
	Euro [Premium]	372 [1]	- [-]	0	1
	Australian Dollar [Premium]	29 [0]	- [-]	0	0
	Purchased put options				
	Euro [Premium]	186 [1]	- [-]	2	0
	Currency swaps				
Receiving Japanese Yen /paying US Dollar	-	-	-	-	
	Total	-	-	-	1

- (Notes) 1. The fair value as of March 31, 2018 and 2019 is calculated based on price quoted by correspondent financial institutions.
2. Amounts presented in square parentheses [ ] above are option premiums.

## Retirement benefits

### 1. Summary of retirement benefit plans adopted

The Company has a defined benefit corporate pension plan and a lump-sum severance payment plan which are defined benefit plans. Certain consolidated subsidiaries have defined contribution plans as well as defined benefit plans. The Company and certain consolidated subsidiaries may also pay extra retirement allowance to employees. Certain consolidated subsidiaries adopt a simple method to calculate retirement benefit obligation.

### 2. Defined benefit plans

- (1) Reconciliation between beginning balance and ending balance of retirement benefit obligations (excluding those under the plan in which a simple method is applied)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of retirement benefit obligations	49,916	51,253	465
Current service costs	2,627	2,898	26
Interest cost	1,087	1,150	10
Actuarial gains and losses	1,262	1,217	11
Retirement benefits paid	(2,151)	(1,211)	(11)
Other	-	71	0
Foreign currency translation difference	(1,488)	1,210	11
Ending balance of retirement benefit obligations	51,253	56,591	514

- (2) Reconciliation between beginning balance and ending balance of plan assets (excluding those under the plan in which a simple method is applied)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of plan assets	38,616	42,774	388
Expected return on assets	1,706	1,703	15
Actuarial gains and losses	207	(761)	(6)
Contribution by the business operator	5,168	5,371	48
Retirement benefits paid	(1,994)	(1,089)	(9)
Foreign currency translation difference	(929)	781	7
Ending balance of plan assets	42,774	48,779	443

- (3) Reconciliation between beginning balance and ending balance of retirement benefit liability under the plan in which a simple method is applied

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of retirement benefit liability	263	199	1
Retirement benefit expenses	79	97	0
Retirement benefit payment	(23)	(10)	(0)
Contribution into plan	(39)	(61)	(0)
Other	(82)	(24)	(0)
Foreign currency translation difference	(0)	0	0
Ending balance of retirement benefit liability	199	200	1

(4) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability and retirement benefit asset recorded in consolidated balance sheets

	Previous fiscal year	Current fiscal year	
	(As of March 31, 2018)	(As of March 31, 2019)	(As of March 31, 2019)
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Retirement benefit obligations for funded plans	38,927	43,377	394
Plan assets	(43,329)	(49,353)	(448)
	(4,401)	(5,976)	(54)
Retirement benefit obligations for unfunded plans	13,079	13,988	127
Net amounts of liabilities and assets recorded in consolidated balance sheets	8,678	8,012	72
Retirement benefit liability	16,609	15,068	136
Retirement benefit asset	(7,931)	(7,056)	(64)
Net amounts of liabilities and assets recorded in consolidated balance sheets	8,678	8,012	72

(Note) Includes those under the plan in which a simple method is applied.

(5) Retirement benefit expenses and their breakdown

	Previous fiscal year	Current fiscal year	
	(From April 1, 2017 to March 31, 2018)	(From April 1, 2018 to March 31, 2019)	(From April 1, 2018 to March 31, 2019)
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Current service costs	2,707	2,995	27
Interest cost	1,087	1,150	10
Expected return on assets	(1,706)	(1,703)	(15)
Amortization of actuarial gains and losses treated as expenses	1,055	1,978	17
Other	56	228	2
Retirement benefit expenses for defined benefit plan	3,199	4,650	42

(Note) Retirement benefit expenses of consolidated subsidiaries applying a simple method are recorded in "Current service costs."

(6) Plan assets

a. Main components of plan assets

The ratios of components to plan assets by major category are as follows.

	Previous fiscal year	Current fiscal year	
	(As of March 31, 2018)	(As of March 31, 2019)	(As of March 31, 2019)
Stocks	27%	26%	26%
Bonds	61	61	61
Other	12	13	13
Total	100%	100%	100%

b. Method for establishing expected long-term return rate on plan assets

In order to determine expected long-term return rate on plan assets, the present as well as expected future allocation of plan assets, along with the present as well as expected long-term rate of return on various assets comprising plan assets, are considered.

(7) Matters concerning the basis for actuarial calculation

The main calculation bases for actuarial gains or losses are as follows.

	Previous fiscal year	Current fiscal year	
	(From April 1, 2017 to March 31, 2018)	(From April 1, 2018 to March 31, 2019)	(From April 1, 2018 to March 31, 2019)
Discount rate	0.5% to 3.9%	0.3% to 3.8%	0.3% to 3.8%
Expected long-term return rate on plan assets	2.4% to 5.5%	2.7% to 5.5%	2.7% to 5.5%

### 3. Defined contribution plans

The amount of contribution required for the defined contribution plans at certain consolidated subsidiaries was ¥2,042 million for the year ended March 31, 2018 and ¥2,080 million (USD 18 million) for the year ended March 31, 2019.

## Income taxes

### 1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)	
Deferred tax assets			
Research and development expenses	¥ 30,758 million	¥ 30,993 million	USD 281 million
Unrealized intra-group profit and write-downs on inventory	9,898	13,940	126
Accounts payable - other and accrued expenses	6,503	9,744	88
Revenue recognition for tax purposes	4,476	7,279	66
Excess depreciation of deferred assets	6,003	5,411	49
Retirement benefit liability	3,814	4,160	37
Other	10,221	12,322	112
Deferred tax assets subtotal	71,676	83,853	762
Valuation allowance	(743)	(1,027)	(9)
Total deferred tax assets	70,933	82,825	752
Deferred tax liabilities			
Undistributed retained earnings of subsidiaries and associates	(11,573)	(13,227)	(120)
Valuation difference on available-for-sale securities	(7,298)	(7,652)	(69)
Other	(4,406)	(3,955)	(35)
Total deferred tax liabilities	(23,279)	(24,835)	(225)
Net deferred tax assets	¥ 47,654 million	¥ 57,990 million	USD 527 million

### 2. Significant factors in the difference between the statutory tax rate and effective tax rate

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Statutory tax rate	-	30.5%
(Reconciliations)		
Special deduction concerning total amount of experimentation and research expenses	-	(0.8)
Different tax rates applied to the consolidated subsidiaries	-	(0.6)
Foreign tax credit on retained earnings of the overseas consolidated subsidiaries	-	0.6
Effect of profit and loss of the associates accounted for using equity method	-	(0.8)
Other	-	(0.5)
Effective tax rate after tax effect accounting	-	28.4%

(Note) The difference between the statutory tax rate and the effective tax rate after tax effect accounting in the fiscal year ended March 31, 2018 is omitted as it was no more than 5% of the statutory tax rate.



## Asset retirement obligations

Information of asset retirement obligations was omitted as its amount is immaterial.

## Real estate for rent

Information of real estate for rent was omitted as its amount is immaterial.

## Segment information, etc.

### Segment information

The main business of Nintendo is developing, manufacturing, and distributing handheld and home console hardware systems and related software. Development and manufacturing of products for worldwide use are primarily done by the Company while distribution is done mainly by local subsidiaries. Nintendo operates as a single operating segment with single distribution channel and market for Nintendo's products and with each major subsidiary solely responsible for distributing. Decision for allocation of the management resources and evaluation of business results are made on a company-wide basis, not based on a product category or region basis. Therefore, segment information is omitted.

### Related information

Previous fiscal year (From April 1, 2017 to March 31, 2018)

#### 1. Information about products and services

(Millions of yen)

	Nintendo 3DS Platform	Nintendo Switch Platform	Other	Total
Sales to third parties	188,269	753,409	114,003	1,055,682

#### 2. Information by geographic areas

##### (1) Net sales

(Millions of yen)

Japan	The Americas		Europe	Other	Total
		of which U.S.			
261,189	441,210	376,356	268,900	84,382	1,055,682

(Note) Net sales are categorized by country or region based on the location of the customer.

##### (2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Other	Total
63,626	19,503	796	83,926

(Note) Property, plant and equipment are categorized by country based on its location.

#### 3. Information about major customers

Of sales to third parties, no major customer accounts for 10% or more of net sales in the consolidated financial statements of income.

Current fiscal year (From April 1, 2018 to March 31, 2019)

1. Information about products and services

(Millions of yen)

	Nintendo 3DS Platform	Nintendo Switch Platform	Other	Total
Sales to third parties	63,035	1,027,937	109,586	1,200,560

(Millions of dollars)

	Nintendo 3DS Platform	Nintendo Switch Platform	Other	Total
Sales to third parties	573	9,344	996	10,914

2. Information by geographic areas

(1) Net sales

(Millions of yen)

Japan	The Americas		Europe	Other	Total
		of which U.S.			
265,722	528,895	460,947	304,552	101,389	1,200,560

(Millions of dollars)

Japan	The Americas		Europe	Other	Total
		of which U.S.			
2,415	4,808	4,190	2,768	921	10,914

(Note) Net sales are categorized by country or region based on the location of the customer.

(2) Property, plant and equipment

(Millions of yen)

Japan	U.S.	Other	Total
58,884	21,885	780	81,550

(Millions of dollars)

Japan	U.S.	Other	Total
535	198	7	741

(Note) Property, plant and equipment are categorized by country based on its location.

3. Information about major customers

Of sales to third parties, no major customer accounts for 10% or more of net sales in the consolidated financial statements of income.

**Information about impairment loss of non-current assets by reportable segment**

The information was omitted as Nintendo operates as a single operating segment.

**Information about amortized and unamortized balances of goodwill by reportable segment**

The information was omitted as Nintendo operates as a single operating segment.

**Information about gain on bargain purchase by reportable segment**

The information was omitted as Nintendo operates as a single operating segment.

## Information about related party

### 1. Related party transactions

Not applicable.

### 2. Note about significant associates

Not applicable.

## Per share information

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
Net assets per share	¥10,980.45	¥11,833.91	USD 107.58
Profit per share	1,162.30	1,615.51	14.68

(Notes) 1. Diluted profit per share is omitted as no residual securities were outstanding as of March 31, 2018 and 2019.

2. The basis of calculation of profit per share is as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)	
Profit attributable to owners of parent	¥139,590 million	¥ 194,009 million	USD 1,763 million
Amount not attributable to common shareholders	-	-	-
Profit attributable to owners of parent related to common shares	¥139,590 million	¥194,009 million	USD 1,763 million
Average number of shares (common shares)	120,098 thousand shares	120,091 thousand shares	-

## Significant subsequent events

Not applicable.

(v) Supporting schedules to the consolidated financial statements

### Supplemental schedule of bonds

Not applicable.

### Supplemental schedule of borrowings

Classification	Beginning balance	Ending balance	Average interest rate (%)	Payment due
Short-term loans payable	-	-	-	-
Long-term loans payable due within one year	-	-	-	-
Lease obligations due within one year	¥14 million [USD 0 million]	¥20 million [USD 0 million]	-	-
Long-term loans payable due after one year	-	-	-	-
Lease obligations due after one year	¥32 million [USD 0 million]	¥36 million [USD 0 million]	-	September 2020 - November 2022
Other interest-bearing liabilities	-	-	-	-
<b>Total</b>	<b>¥46 million</b> <b>[USD 0 million]</b>	<b>¥56 million</b> <b>[USD 0 million]</b>	<b>-</b>	<b>-</b>

(Note) 1. The average interest rates of lease obligations are omitted as the interest equivalents included in the total lease payments are allocated to each fiscal year by straight-line basis.

2. With respect to lease obligations due after one year, the scheduled annual repayment amount within five years from the consolidated account closing date is as follows.

	More than one year but no more than two years (Millions of yen)	More than two years but no more than three years (Millions of yen)	More than three years but no more than four years (Millions of yen)	More than four years but no more than five years (Millions of yen)
Lease obligations	20	9	6	-

	More than one year but no more than two years (Millions of dollars)	More than two years but no more than three years (Millions of dollars)	More than three years but no more than four years (Millions of dollars)	More than four years but no more than five years (Millions of dollars)
Lease obligations	0	0	0	-

### Supplemental schedule of asset retirement obligations

The information was omitted as the amounts of asset retirement obligations as of the beginning and end of the fiscal year ended March 31, 2019 were less than or equal to a hundredth of the total of liabilities and net assets as of the beginning and end of the fiscal year ended March 31, 2019.

#### (2) Other

Quarterly information of the fiscal year ended March 31, 2019

(Millions of yen)

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	168,157	388,905	997,295	1,200,560
Profit before income taxes	43,499	91,547	239,566	271,772
Profit attributable to owners of parent	30,600	64,576	168,785	194,009
Profit per share (Yen)	254.73	537.58	1,405.08	1,615.51

(Millions of dollars)

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	1,528	3,535	9,066	10,914
Profit before income taxes	395	832	2,177	2,470
Profit attributable to owners of parent	278	587	1,534	1,763
Profit per share (Dollars)	2.31	4.88	12.77	14.68

(Yen)

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share	254.73	282.84	867.50	210.22

(Dollars)

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit per share	2.31	2.57	7.88	1.91

## Corporate Information

### Common Shares

Nintendo Co., Ltd. common stock is listed on the Tokyo Stock Exchange, Section 1.

### Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders for the fiscal year ended March 31, 2019 was held on June 27, 2019 at Nintendo Co., Ltd. in Kyoto, Japan.

### Independent Auditor

PricewaterhouseCoopers Kyoto  
Kyoto, Japan

## Contact Information

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### Investor Relations Information

(includes Management Policy, IR Events, Financial Data and Stock Information)

<https://www.nintendo.co.jp/ir/en/index.html>

### Company History

<https://www.nintendo.co.jp/corporate/en/history/index.html>

### CSR Report

<https://www.nintendo.co.jp/csr/en/index.html>