

Annual Report 2017

for the fiscal year ended March 31, 2017

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 ¥112 to 1 USD, the approximate current rate of exchange on March 31, 2017, 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	73rd	74th	75th	76th	77th	
Fiscal year ended March 31	2013	2014	2015	2016	2017	
Net sales (Millions of yen) (Millions of dollars)	¥635,422	¥571,726	¥549,780	¥504,459	¥489,095	USD 4,366
Operating profit (loss) (Millions of yen) (Millions of dollars)	(36,410)	(46,425)	24,770	32,881	29,362	262
Ordinary profit (Millions of yen) (Millions of dollars)	10,482	6,086	70,530	28,790	50,364	449
Profit (loss) attributable to owners of parent (Millions of yen) (Millions of dollars)	7,099	(23,222)	41,843	16,505	102,574	915
Comprehensive income (Millions of yen) (Millions of dollars)	49,307	17,971	59,373	(3,689)	104,525	933
Net assets (Millions of yen) (Millions of dollars)	1,227,520	1,118,438	1,167,556	1,160,901	1,250,972	11,169
Total assets (Millions of yen) (Millions of dollars)	1,447,878	1,306,410	1,352,944	1,296,902	1,468,978	13,115
Net assets per share (Yen) (Dollars)	9,598.22	9,447.00	9,862.52	9,662.73	10,412.59	92.96
Profit (loss) per share (Yen) (Dollars)	55.52	(183.59)	353.49	137.40	853.87	7.62
Diluted profit per share (Yen) (Dollars)	–	–	–	–	–	–
Capital adequacy ratio (%)	84.77	85.60	86.29	89.50	85.15	–
Return on equity (ROE) (%)	0.59	–	3.66	1.42	8.51	–
Price earnings ratio (PER) (Times)	182.10	–	50.00	116.45	30.26	–
Net cash provided by (used in) operating activities (Millions of yen) (Millions of dollars)	(40,390)	(23,114)	60,293	55,190	19,101	170
Net cash provided by (used in) investing activities (Millions of yen) (Millions of dollars)	89,104	(20,084)	(105,394)	(71,740)	69,518	620
Net cash provided by (used in) financing activities (Millions of yen) (Millions of dollars)	(12,873)	(127,163)	(11,916)	(2,996)	(14,435)	(128)
Cash and cash equivalents at end of period (Millions of yen) (Millions of dollars)	¥469,395	¥341,266	¥281,539	¥258,095	¥330,974	USD 2,955

Fiscal year	73rd	74th	75th	76th	77th	
Fiscal year ended March 31	2013	2014	2015	2016	2017	
Number of employees [Separately, average number of temporary employees] (Persons)	5,080 [753]	5,213 [717]	5,120 [667]	5,064 [633]	5,166 [622]	- [-]

- (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. "Return on equity" and "Price earnings ratio" for the 74th fiscal year are not noted because the Company recorded net loss attributable to owners of parent in the 74th fiscal year.

2. Description of business

In the field of home entertainment, Nintendo Co., Ltd., its subsidiaries and associates (composed of 26 subsidiaries and five associates as of March 31, 2017), 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 Nintendo Co., Ltd. in Japan and by its subsidiaries and associates in 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

- Other

Nintendo Network Services Inc.

3. Subsidiaries and associates

(1) Consolidated subsidiaries

Name of company	Location	Capital stock 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	-	2	-	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	-	2	-	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	-
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	-

Name of company	Location	Capital stock 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 Network Services Inc.	Chiyoda-ku, Tokyo	Millions of JPY 100	Other	100	-	4	Granted	Entrusted management of network services of the Company	Leasing of buildings owned by the Company
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)
1. There are five other consolidated subsidiaries not listed above.
 2. Figures in parentheses in Percentage of voting rights held by the Company represent the proportion of indirect ownership.
 3. Companies marked with *1 are specified subsidiaries.
 4. 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 (Millions of yen)	Profit (Millions of yen)	Total net assets (Millions of yen)	Total assets (Millions of yen)
Nintendo of America Inc.	193,541	26,721	76,833	255,730	366,127
Nintendo of Europe GmbH	112,032	5,556	3,266	66,066	123,440

Name of company	Net sales (Millions of dollars)	Ordinary profit (Millions of dollars)	Profit (Millions of dollars)	Total net assets (Millions of dollars)	Total assets (Millions of dollars)
Nintendo of America Inc.	1,728	238	686	2,283	3,268
Nintendo of Europe GmbH	1,000	49	29	589	1,102

(2) Associates accounted for using equity method

Name of company	Location	Capital stock 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. Description of operating results and cash flow

(1) Operating results

During the consolidated fiscal year ended March 31, 2017, Nintendo Switch, a new home console system that diversifies the ways you can play games, was launched on March 3 worldwide and is off to a good start. In particular, *The Legend of Zelda: Breath of the Wild* has won immense popularity with recorded sales of 2.76 million units (the total units sold including the Wii U version is 3.84 million units) and *1-2-Switch* has been generating buzz. Both of these games were released at the same time as the hardware. The sales volume for hardware and software during this period reached 2.74 million units and 5.46 million units, respectively.

Sales volume for the Nintendo 3DS software also grew favorably. In addition to *Pokémon Sun* and *Pokémon Moon*, which were released worldwide in November and generated a tremendous amount of buzz with recorded sales of 15.44 million units, *Super Mario Maker for Nintendo 3DS* sold 2.34 million units and *Kirby: Planet Robobot* sold 1.36 million units. The release of the smart device application *Pokémon GO* led to increased sales of software in the Pokémon series and drove the Nintendo 3DS family hardware sales growth outside of Japan. The worldwide sales volume for the Nintendo 3DS hardware this period was 7.27 million units (7% increase on a year-on-year basis), while the Nintendo 3DS software sales volume reached 55.08 million units (14% increase on a year-on-year basis).

For Wii U, while *The Legend of Zelda: Breath of the Wild* was released worldwide in March and reached sales of 1.08 million units, the Wii U software sales volume during this period was 14.8 million units (46% decrease on a year-on-year basis) and hardware sales were in alignment with our expectations at the start of the fiscal year, decreasing to a sales volume of 0.76 million units (77% decrease on a year-on-year basis).

On the smart device front, we released *Super Mario Run*, a new action game application featuring Mario, in December for the iOS and March for the Android. This title elicited a fantastic response from consumers worldwide. Furthermore, we released *Fire Emblem Heroes*, a full-fledged simulation RPG game application that can be enjoyed casually on smart devices, in February. The game is being enjoyed by both long-time fans of the Fire Emblem series and consumers who have never played the series on dedicated video game systems.

The Nintendo Entertainment System: NES Classic Edition also launched in Japan and overseas in November to widespread popularity. Although the release of some new titles offering amiibo functionality restored some momentum, amiibo sales remained limited to approximately 9.1 million units for the figure-type and approximately 9.3 million units for the card-type. In addition, there were relatively fewer offerings of downloadable content during this period, so digital sales were also down to a large extent compared to the previous period.

As a result, net sales were ¥489.0 billion (USD 4,366 million; a decrease of 3.0% on a year on year basis), of which overseas sales were ¥359.0 billion (USD 3,205 million; a decrease of 2.7% on a year on year basis, and 73.4% of total sales). Operating profit was ¥29.3 billion (USD 261 million; a decrease of 10.7% on a year on year basis). We have also included a ¥20.2 billion (USD 180 million) share of profit of entities accounted for using the equity method related to The Pokémon Company and other investments, resulting in an ordinary profit of ¥50.3 billion (USD 449 million; an increase of 74.9% on a year-on-year basis). In addition, due to the sale of part of our equity in the company that manages the Seattle Mariners Major League Baseball team, we recorded gain on sales of investment securities totaling ¥64.5 billion (USD 575 million) as extraordinary income, meaning that the profit attributable to owners of parent was ¥102.5 billion (USD 915 million; an increase of 521.5% on a year-on-year basis).

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

(2) Cash flow

The ending balance of “Cash and cash equivalents” (collectively, “Cash”) as of March 31, 2017, was ¥330.9 billion (USD 2,954 million), with an increase of ¥72.8 billion during the fiscal year. During the previous fiscal year, there was a decrease of ¥23.4 billion. Net increase (decrease) of Cash and contributing factors during the fiscal year ended March 31, 2017, are as follows:

Net cash provided by (used in) operating activities:

There were decreasing factors towards ¥114.7 billion (USD 1,024 million) of profit before income taxes such as a gain on sales of short-term and long-term investment securities and an increase in trade accounts receivable and notes receivable. However, due to increasing factors such as an increase in trade accounts payable and notes payable, net cash resulted in an increase of ¥19.1 billion (USD 170 million) compared to an increase of ¥55.1 billion last year.

Net cash provided by (used in) investing activities:

Net cash from investing activities increased by ¥69.5 billion (USD 620 million) compared to a decrease of ¥71.7 billion last year mainly due to proceeds from the withdrawal of time deposits and sales and redemption of short-term and long-term investment securities exceeding payments into time deposits and the purchase of short-term and long-term investment securities.

Net cash provided by (used in) financing activities:

Net cash from financing activities decreased by ¥14.4 billion (USD 128 million) compared to a decrease of ¥2.9 billion last year mainly due to payments of cash dividends.

2. Management policy, management environment, issues to be addressed

Any forward-looking statements in the following discussion are based on the judgment of our company group as of the consolidated fiscal year ended March 31, 2017.

(1) Basic Management Policy

Our company group (the Company and its consolidated subsidiaries) strives to create new and unique forms of entertainment while maintaining a robust business structure. We place the highest emphasis on providing consumers with innovative entertainment that has never been experienced.

(2) Targeted Management Index

It is essential for us to provide new and entertaining products and services consistently. Upon accomplishing this, we aim to improve our corporate value by sustaining robust growth and increasing profit. Because we deal with entertainment products, which by nature hold many uncertainties in terms of their research and development, and operate in a market which involves intense competition, flexible business decisions are made without being constrained by any specific management index.

(3) Management Environment, Mid to Long-Term Business Strategy and Issues to be Addressed

Our industry is always required to offer products with innovative entertainment and amusement. Under such a management environment, our company group will focus on expanding the population that can experience Nintendo IP by offering products that can be enjoyed by everyone regardless of age, gender or gaming experience with the belief in our mission to put smiles on people's faces around the world through products and services.

In accordance with our basic strategy, we will drive continual growth for Nintendo by expanding the dedicated video game business and establishing the smart device business. For our dedicated video game business, our unique hardware-software integrated business with focus on software will continue to constitute the core business for Nintendo and we will actively seek to invest resources in our Nintendo specific platform business. In order to expand the scope of our business, we will seek to strengthen our business foundation, generate synergy with our dedicated video game business and maximize business for Nintendo as a whole by building our smart device business into one of our major pillars of profit.

In addition to our gaming business, we are also making active use of Nintendo IP by providing theme park attractions using our characters, showing off our characters through video content and merchandising, and in collaboration with our partner companies. Through these efforts, we are hoping to pursue every business possibility and add value to our company by actively offering Nintendo IP in a variety of different ways so that not only current players of our video games, but all consumers - including those who used to play our games but currently do not and even those who have never played our video games before - can experience Nintendo IP.

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 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 inimical 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.

3. 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, 2017.

(1) Risks around economic environment

- Fluctuation in foreign exchange rates
Nintendo distributes its products globally with overseas sales accounting for about 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 innovative 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**
A major portion of demand for Nintendo's products is focused around the holiday season. Should Nintendo fail to release attractive new products or supply hardware during that period, it would suffer unfavorable operating performance.
 - **Unauthorized access to systems**
Nintendo operates various Internet services, including the Internet-based competition games, download sales of digital software and service provision via Internet servers, in addition to providing information via the Internet. If a cyber-attack were launched against these systems resulting in the termination or destruction of the systems, or the leakage or unauthorized use of data, 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 copied 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.

(4) Other risks

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

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 and development of smart device application software.

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 and security to the field of home entertainment.

Moreover, we continue to enhance the durability, safety, quality and performance of its 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 focus 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 its component procurement and manufacturing processes, we, with the cooperation and support of its 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 ¥59.1 billion (USD 527 million), with the outcomes of major research and development activities described below. Segment information is omitted since we operate as a single business segment.

We launched Nintendo Switch, a new home console system, in March 2017, which was off to a smooth start with two titles of compatible software: *The Legend of Zelda: Breath of the Wild*, a world of discovery, exploration and adventure (Wii U version launched at the same time), and *1-2-Switch*, a collection of a wide variety of games for all ages with new functions including HD rumble.

In the Nintendo 3DS family, we launched special hardware editions of each model. We released a total of 14 compatible titles (figure for the Japanese market) including *Pokémon Sun* and *Pokémon Moon*, the latest titles in the Pokémon series, and *Super Mario Maker for Nintendo 3DS*, which enables customers to create their own playing courses.

On the smart device front, we released *Super Mario Run*, a new action game application featuring Mario, and *Fire Emblem Heroes*, the popular simulation game series, to propose a new way of enjoying games different from the series on dedicated video game systems.

Furthermore, we are promoting development and operations of the new account system called *Nintendo Account*, and *My Nintendo*, a comprehensive membership service which is positioned as a bridge connecting dedicated video game platforms and smart devices.

We further enriched the lineup for amiibo and also launched the Nintendo Entertainment System: NES Classic Edition containing a collection of thirty classic software titles in palm-sized hardware.

In addition, we established the *Nintendo Developer Portal*, a dedicated website for game creators working on Nintendo platforms, to offer 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. Our aim is to enable consumers to make daily efforts to improve their QOL in a fun manner by making sleep and fatigue status visible and offering various services based on this information.

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

5. Analysis of financial position, operating results and cash flow

All financial information contained below is based on the consolidated financial statements disclosed in the Annual Securities Report (Japanese only). 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, 2017.

(1) Important accounting policies and assumptions

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

(2) Factors which may have a significant impact on operating results

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. 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, 3. Risk factors.”

(3) Analysis of operating results for the fiscal year ended March 31, 2017

During the fiscal year ended March 31, 2017, ordinary profit and profit attributable to owners of parent increased on a year on year basis, while net sales and operating profit decreased.

(Net sales and operating profit)

Net sales decreased from the previous fiscal year by ¥15.3 billion to ¥489.0 billion (USD 4,366 million; a decrease of 3.0% on a year-on-year basis) due to decreased sales of the Wii U hardware and software in addition to stronger trend of the yen, despite the launch of Nintendo Switch. Gross profit decreased from the previous fiscal year by ¥22.0 billion to ¥198.8 billion (USD 1,775 million; a decrease of 10.0% on a year-on-year basis). Due to a decrease in research and development expenses, as well as the impact of yen appreciation, total selling, general and administrative expenses decreased from the previous fiscal year by ¥18.5 billion, resulting in an operating profit of ¥29.3 billion (USD 261 million; a decrease of 10.7% on a year-on-year basis).

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

Net non-operating income was ¥21.0 billion (USD 187 million), due mainly to the ¥20.2 billion (USD 180 million) share of profit of entities accounted for using the equity method related to The Pokémon Company and other investments. As a result, ordinary profit was ¥50.3 billion (USD 449 million; an increase of 74.9% on a year-on-year basis).

(Profit attributable to owners of parent)

Profit attributable to owners of parent was ¥ 102.5 billion (USD 915 million; an increase of 521.5% on a year-on-year basis), as we recorded gain on sales of investment securities totaling ¥64.5 billion (USD 575 million) as extraordinary income due to the sale of part of our equity in the company that manages the Seattle Mariners Major League Baseball team.

(4) Financial position

Total assets increased overall by ¥172.0 billion compared with the previous fiscal year, to ¥1,468.9 billion (USD 13,115 million) mainly due to an increase in cash and deposits, as well as notes and accounts receivable - trade. Total liabilities increased by ¥82.0 billion compared to the previous fiscal year to ¥218.0 billion (USD 1,946 million) mainly due to an increase in notes and accounts payable-trade. Net assets increased by ¥90.0 billion compared to the previous fiscal year to ¥1,250.9 billion (USD 11,168 million) due to an increase in retained earnings and valuation difference on available-for-sale securities.

Cash flow information is described in “II. Business Overview, 1. Overview of operating results and cash flow, (2) Cash flow.”

(5) Liquidity of funds

The current ratio as of March 31, 2017, is 620%, and the ratio of total liabilities to cash and cash equivalents is 1.5 times.

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.

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.

Moreover, Nintendo maintains retained earnings that are necessary in order to adapt to changes in the business environment and to pursue further business expansion in the future. Payments into or withdrawals from time deposits with maturities of more than three months, as well as the 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.

III. Equipment and Facilities

Overview of capital investments

Nintendo develops, manufactures and distributes electronic entertainment products, and in the fiscal year ended March 31, 2017, it invested ¥15.158 billion (USD 135 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.

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, 2017)	Number of shares outstanding as of issuance date of this report (June 30, 2017)	Name of stock exchange on which Nintendo is listed or name of authorized financial instruments firm association	Description
Common shares	141,669,000	141,669,000	Tokyo Stock Exchange (First Section)	Number of shares constituting a unit: 100 shares
Total	141,669,000	141,669,000	—	—

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

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) Description of rights plans

Not applicable

(5) 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 capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
May 21, 1991	36,729	141,669	—	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 capital stock (Millions of dollars)	Balance of capital stock (Millions of dollars)	Change in legal capital surplus (Millions of dollars)	Balance of legal capital surplus (Millions of dollars)
May 21, 1991	36,729	141,669	—	89	—	103

(Note) On May 21, 1991, the Company split the number of shares held by shareholders recorded in the shareholder registry as of March 31, 1991 by the ratio of 1.35 shares per share.

(6) Status of shareholders

As of March 31, 2017

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)	—	67	92	816	877	115	53,410	55,377	—

Number of shares held (units)	—	336,734	46,350	49,706	642,923	492	338,321	1,414,526	216,400
Shareholding ratio (%)	—	23.81	3.28	3.51	45.45	0.03	23.92	100.00	—

(Note) 1. Out of treasury shares of 21,541,341 shares, 215,413 units and 41 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.

(7) Status of voting rights

(i) Shares issued

As of March 31, 2017

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 21,541,300	—	Number of shares constituting a unit: 100 shares
Shares with full voting rights (other)	Common shares 119,911,300	1,199,113	Same as the above
Shares less than one unit	Common shares 216,400	—	Shares less than one unit (100 shares)
Total number of shares issued	141,669,000	—	—
Total number of voting rights held by all shareholders	—	1,199,113	—

(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, 2017

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	21,541,300	—	21,541,300	15.21
Total	—	21,541,300	—	21,541,300	15.21

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

[Class of shares, etc.] Acquisition of common shares under 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

Not applicable

(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, 2017	1,664	38,152,900
Treasury shares acquired during the current period	131	3,503,960

Classification	Number of shares (shares)	Total amount of acquisition price (dollars)
Treasury shares acquired during the fiscal year ended March 31, 2017	1,664	340,650
Treasury shares acquired during the current period	131	31,285

(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, 2017 to the submission date of this report.

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

Classification	Fiscal year ended March 31, 2017		Current period	
	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 was retired	—	—	—	—
Acquired treasury shares that was 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)	—	—	—	—
Number of treasury shares held	21,541,341	—	21,541,472	—

(Note) The number of treasury shares held during the current period does not include shares less than one full unit purchased or sold during the period from June 1, 2017 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, 2017, has been established at 430 yen (interim: no dividend, year-end: 430 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, are as follows.

Date of resolution	Total amount of dividend	Dividend per share
Resolved at the Annual General Meeting of Shareholders on June 29, 2017	¥ 51,654 million	¥ 430

Date of resolution	Total amount of dividend	Dividend per share
Resolved at the Annual General Meeting of Shareholders on June 29, 2017	USD 461 million	USD 3.83

4. 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 and President		Tatsumi Kimishima	April 21, 1950	January 2002 Appointed as Director of Nintendo of America Inc. (to present) June 2002 Appointed as Director of the Company (to present) May 2006 Appointed as Director and Chairman (CEO) of Nintendo of America Inc. June 2013 Appointed as Managing Director General Manager, Corporate Analysis & Administration Division and General Manager, General Affairs Division June 2014 In charge of Personnel Division September 2015 Appointed as Director and President (to present) Appointed as Representative Director (to present)	*1	10
Representative Director	Fellow	Shigeru Miyamoto	November 16, 1952	April 1977 Joined the Company June 2000 Appointed as Director (to present) General Manager, Entertainment Analysis & Development Division May 2002 Appointed as Senior Managing Director Appointed as Representative Director (to present) September 2015 Appointed as Fellow (to present)	*1	1
Director	Managing Executive Officer General Manager, Entertainment Planning & Development Division	Shinya Takahashi	November 9, 1963	April 1989 Joined the Company July 2012 Deputy General Manager, Software Planning & Development Division June 2013 Appointed as Director (to present) General Manager, Software Planning & Development Division September 2015 General Manager, Entertainment Planning & Development Division (to present) Supervisor of Business Development Division, Development Administration & Support Division (to present) June 2016 Appointed as Managing Executive Officer (to present)	*1	1
Director	Managing Executive Officer General Manager, Corporate Planning Department	Shuntaro Furukawa	January 10, 1972	April 1994 Joined the Company May 2012 Outside Director of the Pokémon Company (to present) July 2015 General Manager, Corporate Planning Department (to present) June 2016 Appointed as Director (to present) Appointed as Managing Executive Officer (to present) Supervisor of Corporate Analysis & Administration Division (to present) September 2016 In charge of Global Marketing Department (to present)	*1	1
Director	Senior Executive Officer General Manager, Platform Technology Development Division	Ko Shiota	August 7, 1969	April 1992 Joined the Company February 2013 General Manager, Product Development Department No. 2 June 2014 Deputy General Manager, Integrated Research & Development Division September 2015 General Manager, Platform Technology Development Division (to present) June 2016 Appointed as Executive Officer June 2017 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 as a Full-time Audit and Supervisory Committee Member		Naoki Noguchi	February 8, 1954	<p>June 1980 May 2010</p> <p>Joined the Company General Manager, Software Planning & Development Administration Department</p> <p>March 2014</p> <p>Deputy General Manager, Human Resources Division</p> <p>June 2016</p> <p>Appointed as Director as a Full-time Audit and Supervisory Committee Member (to present)</p>	*2	1
Director as an Audit and Supervisory Committee Member		Naoki Mizutani	December 22, 1950	<p>April 1979 May 1989 June 1989</p> <p>Registered as attorney-at-law Registered as patent attorney Opened Mizutani Law and Patent Office</p> <p>June 2003</p> <p>Appointed as Auditor of the Company</p> <p>June 2014</p> <p>Appointed as Director of the Company</p> <p>June 2016</p> <p>Appointed as Director as an Audit and Supervisory Committee Member of the Company (to present)</p>	*2	–
Director as an Audit and Supervisory Committee Member		Yoshimi Mitamura	November 27, 1948	<p>April 1968</p> <p>Appointed clerk of the Ministry of Finance</p> <p>July 2000</p> <p>Director, Miyazu Tax Office, Osaka Regional Taxation Bureau</p> <p>July 2004</p> <p>Director, Katsuragi Tax Office, Osaka Regional Taxation Bureau</p> <p>July 2007</p> <p>Head of Taxation Department No. 1, Osaka Regional Taxation Bureau</p> <p>August 2008</p> <p>Registered as a certified tax accountant</p> <p>September 2008</p> <p>Opened Yoshimi Mitamura Certified Tax Accountant Office</p> <p>June 2012</p> <p>Appointed as Auditor of the Company</p> <p>April 2016</p> <p>Appointed as Outside Auditor of MAGUCHI Co., Ltd. (to present)</p> <p>June 2016</p> <p>Appointed as Director as an Audit and Supervisory Committee Member of the Company (to present)</p>	*2	–
Director as an Audit and Supervisory Committee Member		Katsuhiro Umeyama	July 29, 1965	<p>March 1994</p> <p>Registered as certified public accountant</p> <p>July 1999</p> <p>Opened Umeyama Certified Public Accountant Office</p> <p>August 1999</p> <p>Registered as a certified tax accountant</p> <p>October 1999</p> <p>Opened Umeyama Certified Tax Accountant Office (current Umeyama Certified Tax Accountant LLC)</p> <p>November 2005</p> <p>Appointed as Outside Auditor of KURAUDIA Co., Ltd.</p> <p>July 2009</p> <p>Appointed as Representative Partner of Umeyama Certified Tax Accountant LLC (to present)</p> <p>April 2012</p> <p>Appointed as Inspector (part-time) of Shiga University of Medical Science</p> <p>June 2012</p> <p>Appointed as Auditor of the Company</p> <p>November 2015</p> <p>Appointed as Outside Director (Audit and Supervisory Committee Member), KURAUDIA Co., Ltd. (to present)</p> <p>June 2016</p> <p>Appointed as Director as an Audit and Supervisory Committee Member of the Company (to present)</p>	*2	–
Total						15

- (Notes) 1. Directors, Mr. Naoki Mizutani, Mr. Yoshimi Mitamura and Mr. Katsuhiro Umeyama, 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, 2017, and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2018.

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, 2016 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2018.
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. Six executive officers, excluding those who have the concurrent position as Director, are as follows.

Title	Name
Senior Executive Officer General Manager, Finance Administration Division Supervisor of General Affairs Division In charge of Quality Assurance Department	Shigeyuki Takahashi
Senior Executive Officer General Manager, Marketing Division In charge of Advertising Department President, Nintendo Sales Co., Ltd.	Satoshi Yamato
Senior Executive Officer General Manager, Licensing Division	Susumu Tanaka
Senior Executive Officer General Manager, Manufacturing Division	Hirokazu Shinshi
Executive Officer President, Nintendo of Europe GmbH	Satoru Shibata
Executive Officer President, Nintendo of America Inc.	Reginald Fils-Aime

5. 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.

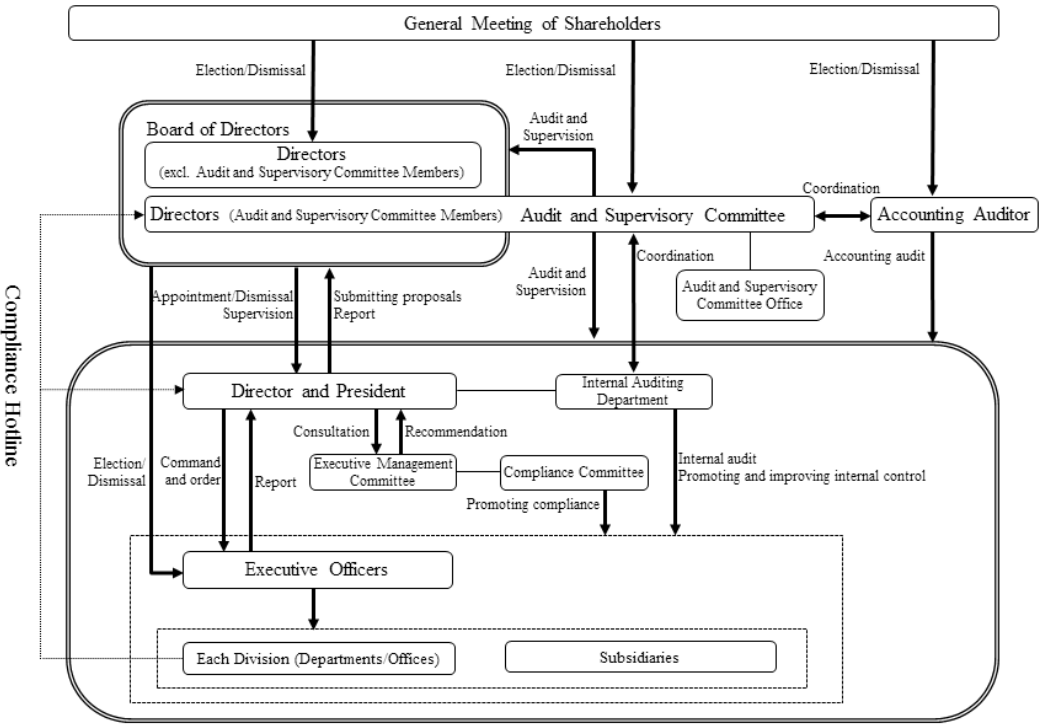
In addition to the meetings of the Board of Directors, which are generally held monthly, Nintendo Co., Ltd. also holds meetings of the Executive Management Committee consisting of the Directors (excluding Directors who are Audit and Supervisory Committee Members) twice a month in principle, in order to strongly drive management activities and thereby ensure prompt and efficient decision-making. Furthermore, Nintendo Co., Ltd. maintains the 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.

Reference: Corporate Governance System



(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.

(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.

(Audit and Supervisory Committee Office)

The Company has established the Audit and Supervisory Committee Office which assists the Audit and Supervisory Committee in performing its duties.

(Executive Management Committee)

With the aim of promoting corporate activities strongly, the Company holds the Executive Management Committee meetings attended by Directors (excluding Directors who are Audit and Supervisory Committee Members) twice per month in principle and makes speedy and efficient decisions.

(Compliance Committee)

The Company has established the Compliance Committee chaired by General Manager of General Affairs Division to perform initiatives for promotion of compliance including establishment of the “Compliance Manual.”

(2) Company's systems and policies

< 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.

V. Financial Information

Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

	Previous fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)		
	(Millions of yen)		(Millions of yen)		(Millions of dollars)
Assets					
Current assets					
Cash and deposits		570,448		662,763	5,917
Notes and accounts receivable - trade		38,731		106,054	946
Securities		338,892		283,307	2,529
Inventories	*1	40,433	*1	39,129	349
Deferred tax assets		6,597		332	2
Other		26,401		49,535	442
Allowance for doubtful accounts		(369)		(379)	(3)
Total current assets		1,021,135		1,140,742	10,185
Non-current assets					
Property, plant and equipment					
Buildings and structures, net		39,977		38,707	345
Machinery, equipment and vehicles, net		1,120		1,400	12
Tools, furniture and fixtures, net		3,791		4,313	38
Land		42,553		42,133	376
Construction in progress		309		3	0
Total property, plant and equipment	*2	87,752	*2	86,558	772
Intangible assets					
Software		9,408		9,942	88
Other		568		2,882	25
Total intangible assets		9,977		12,825	114
Investments and other assets					
Investment securities	*3	125,774	*3	157,963	1,410
Deferred tax assets		32,195		49,453	441
Net defined benefit asset		7,092		7,680	68
Other		12,974		13,753	122
Allowance for doubtful accounts		(0)		(0)	(0)
Total investments and other assets		178,037		228,851	2,043
Total non-current assets		275,766		328,235	2,930
Total assets		1,296,902		1,468,978	13,115

	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Liabilities			
Current liabilities			
Notes and accounts payable - trade	31,857	104,181	930
Income taxes payable	1,878	11,267	100
Provision for bonuses	2,294	2,341	20
Other	62,407	66,319	592
Total current liabilities	98,437	184,109	1,643
Non-current liabilities			
Net defined benefit liability	23,546	19,245	171
Other	14,017	14,650	130
Total non-current liabilities	37,563	33,895	302
Total liabilities	136,001	218,005	1,946
Net assets			
Shareholders' equity			
Capital stock	10,065	10,065	89
Capital surplus	13,256	13,256	118
Retained earnings	1,401,359	1,489,518	13,299
Treasury shares	(250,563)	(250,601)	(2,237)
Total shareholders' equity	1,174,118	1,262,239	11,269
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	11,909	18,913	168
Foreign currency translation adjustment	(25,250)	(30,312)	(270)
Total accumulated other comprehensive income	(13,341)	(11,399)	(101)
Non-controlling interests	124	132	1
Total net assets	1,160,901	1,250,972	11,169
Total liabilities and net assets	1,296,902	1,468,978	13,115

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

	Previous fiscal year (From April 1, 2015 to March 31, 2016)		Current fiscal year (From April 1, 2016 to March 31, 2017)		
	(Millions of yen)		(Millions of yen)		(Millions of dollars)
Net sales		504,459		489,095	4,366
Cost of sales	*1, *3	283,494	*1, *3	290,197	2,591
Gross profit		220,965		198,898	1,775
Selling, general and administrative expenses	*2, *3	188,083	*2, *3	169,535	1,513
Operating profit		32,881		29,362	262
Non-operating income					
Interest income		4,693		6,237	55
Share of profit of entities accounted for using equity method		1,887		20,271	180
Other		7,970		2,083	18
Total non-operating income		14,550		28,593	255
Non-operating expenses					
Sales discounts		106		3	0
Loss on redemption of securities		–		2,199	19
Foreign exchange losses		18,356		5,256	46
Other		178		131	1
Total non-operating expenses		18,641		7,591	67
Ordinary profit		28,790		50,364	449
Extraordinary income					
Gain on sales of non-current assets	*4	9	*4	185	1
Gain on sales of investment securities		398		64,589	576
Total extraordinary income		407		64,775	578
Extraordinary losses					
Loss on disposal of non-current assets	*5	351	*5	328	2
Restructuring loss	*6	1,130	*6	80	0
Total extraordinary losses		1,482		409	3
Profit before income taxes		27,715		114,730	1,024
Income taxes - current		2,482		25,331	226
Income taxes - deferred		8,714		(13,183)	(117)
Total income taxes		11,197		12,147	108
Profit		16,518		102,582	915
Profit attributable to non-controlling interests		13		8	0
Profit attributable to owners of parent		16,505		102,574	915

Consolidated statements of comprehensive income

	Previous fiscal year (From April 1, 2015 to March 31, 2016)		Current fiscal year (From April 1, 2016 to March 31, 2017)	
	(Millions of yen)		(Millions of yen) (Millions of dollars)	
Profit		16,518		102,582 915
Other comprehensive income				
Valuation difference on available-for-sale securities		(4,663)		7,147 63
Foreign currency translation adjustment		(15,446)		(5,916) (52)
Share of other comprehensive income of entities accounted for using equity method		(97)		711 6
Total other comprehensive income	*1	(20,208)	*1	1,942 17
Comprehensive income		(3,689)		104,525 933
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		(3,703)		104,517 933
Comprehensive income attributable to non-controlling interests		13		8 0

(iii) Consolidated statements of changes in equity
 Previous fiscal year (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,065	11,734	1,409,764	(270,986)	1,160,578
Changes of items during period					
Dividends of surplus			(24,910)		(24,910)
Profit attributable to owners of parent			16,505		16,505
Purchase of treasury shares				(42)	(42)
Disposal of treasury shares		1,522		20,465	21,987
Net changes of items other than shareholders' equity					
Total changes of items during period	-	1,522	(8,405)	20,422	13,539
Balance at end of current period	10,065	13,256	1,401,359	(250,563)	1,174,118

	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	16,671	(9,804)	6,866	110	1,167,556
Changes of items during period					
Dividends of surplus					(24,910)
Profit attributable to owners of parent					16,505
Purchase of treasury shares					(42)
Disposal of treasury shares					21,987
Net changes of items other than shareholders' equity	(4,761)	(15,446)	(20,208)	13	(20,194)
Total changes of items during period	(4,761)	(15,446)	(20,208)	13	(6,655)
Balance at end of current period	11,909	(25,250)	(13,341)	124	1,160,901

Current fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,065	13,256	1,401,359	(250,563)	1,174,118
Changes of items during period					
Dividends of surplus			(14,415)		(14,415)
Profit attributable to owners of parent			102,574		102,574
Purchase of treasury shares				(38)	(38)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	88,159	(38)	88,121
Balance at end of current period	10,065	13,256	1,489,518	(250,601)	1,262,239

	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	11,909	(25,250)	(13,341)	124	1,160,901
Changes of items during period					
Dividends of surplus					(14,415)
Profit attributable to owners of parent					102,574
Purchase of treasury shares					(38)
Disposal of treasury shares					–
Net changes of items other than shareholders' equity	7,004	(5,061)	1,942	8	1,950
Total changes of items during period	7,004	(5,061)	1,942	8	90,071
Balance at end of current period	18,913	(30,312)	(11,399)	132	1,250,972

Current fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	89	118	12,512	(2,237)	10,483
Changes of items during period					
Dividends of surplus			(128)		(128)
Profit attributable to owners of parent			915		915
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	787	(0)	786
Balance at end of current period	89	118	13,299	(2,237)	11,269

	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	106	(225)	(119)	1	10,365
Changes of items during period					
Dividends of surplus					(128)
Profit attributable to owners of parent					915
Purchase of treasury shares					(0)
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	62	(45)	17	0	17
Total changes of items during period	62	(45)	17	0	804
Balance at end of current period	168	(270)	(101)	1	11,169

(iv) Consolidated statements of cash flows

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	(Millions of dollars)
	(Millions of yen)	(Millions of yen)	
Cash flows from operating activities			
Profit before income taxes	27,715	114,730	1,024
Depreciation	9,139	8,366	74
Increase (decrease) in allowance for doubtful accounts	(55)	23	0
Increase (decrease) in net defined benefit liability	(707)	(4,053)	(36)
Interest and dividend income	(5,134)	(6,904)	(61)
Foreign exchange losses (gains)	14,527	6,066	54
Loss (gain) on sales of short-term and long-term investment securities	(439)	(64,617)	(576)
Share of (profit) loss of entities accounted for using equity method	(1,887)	(20,271)	(180)
Decrease (increase) in notes and accounts receivable - trade	15,444	(65,706)	(586)
Decrease (increase) in inventories	34,501	(155)	(1)
Increase (decrease) in notes and accounts payable - trade	(21,556)	51,528	460
Increase (decrease) in accrued consumption taxes	(95)	1,212	10
Other, net	(5,355)	9,231	82
Subtotal	66,097	29,451	262
Interest and dividend income received	5,963	6,332	56
Interest expenses paid	(0)	(1)	(0)
Income taxes paid	(16,869)	(16,680)	(148)
Net cash provided by (used in) operating activities	55,190	19,101	170
Cash flows from investing activities			
Payments into time deposits	(674,717)	(537,674)	(4,800)
Proceeds from withdrawal of time deposits	659,857	500,936	4,472
Purchase of property, plant and equipment and intangible assets	(4,670)	(10,458)	(93)
Proceeds from sales of property, plant and equipment and intangible assets	1,574	544	4
Purchase of short-term and long-term investment securities	(1,072,852)	(680,408)	(6,075)
Proceeds from sales and redemption of short-term and long-term investment securities	1,019,443	804,571	7,183
Other, net	(374)	(7,992)	(71)
Net cash provided by (used in) investing activities	(71,740)	69,518	620
Cash flows from financing activities			
Cash dividends paid	(24,929)	(14,384)	(128)
Purchase of treasury shares	(42)	(38)	(0)
Proceeds from sales of treasury shares	21,987	—	—
Other, net	(12)	(12)	(0)
Net cash provided by (used in) financing activities	(2,996)	(14,435)	(128)
Effect of exchange rate change on cash and cash equivalents	(3,898)	(1,306)	(11)
Net increase (decrease) in cash and cash equivalents	(23,443)	72,878	650
Cash and cash equivalents at beginning of period	281,539	258,095	2,304
Cash and cash equivalents at end of period	*1 258,095	*1 330,974	2,955

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: 25 companies
The names of significant consolidated subsidiaries are omitted because they are provided in “I. Overview of the Company, 3. Subsidiaries and associates.”
NERD Inc., a former consolidated subsidiary, was excluded from the scope of consolidation from the consolidated fiscal year ended March 31, 2017, since said company was dissolved due to the absorption-type merger with Nintendo Technology Development Inc., the surviving entity.
- (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, Nintendo Phuten Co., Ltd., 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 policies

- (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 liability

(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, 2017, 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 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 net defined benefit liability and retirement benefit expenses.

Assets in the Company's defined benefit corporate pension plan are recorded as "Net defined 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) Amortization method of goodwill and period thereof
Goodwill is mainly amortized on a straight-line basis over five years. Immaterial goodwill is amortized in full in the same fiscal year in which it is incurred.
- (7) 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.
- (8) 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.

Changes in accounting policies

(Application of Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes)

In line with the revisions to the Corporation Tax Act of Japan, the Company has adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016)” from the fiscal year under review. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

There is minimal impact on the consolidated financial statements for the fiscal year ended March 31, 2017.

Changes in presentations

(Consolidated statements of income information)

“Gain on redemption of securities,” which was separately listed under “Non-operating income” in the previous fiscal year, is included in, and presented as, “Other” under “Non-operating income” from the fiscal year ended March 31, 2017 because of a decrease in the amount’s materiality. Accordingly, the consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥6,801 million (USD 60 million) presented in “Gain on redemption of securities” and ¥1,168 million (USD 10 million) presented in “Other” under “Non-operating income” in the consolidated statements of income of the previous fiscal year have been reclassified as ¥7,970 million (USD 71 million) of “Other.”

(Consolidated statements of cash flow information)

“Loss (gain) on sales of short-term and long-term investment securities,” which was included in “Other, net” under “Cash flow from operating activities” in the previous fiscal year is separately listed from the fiscal year ended March 31, 2017, because of an increase in the amount’s materiality. Accordingly, the consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥(5,794) million (USD (51) million) presented in “Other, net” under “Cash flow from operating activities” in the consolidated statements of cash flow of the previous fiscal year has been reclassified as ¥(439) million (USD (3) million) of “Loss (gain) on sales of short-term and long-term investment securities” and as ¥(5,355) million (USD (47) million) of “Other, net.”

Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective beginning the fiscal year ended March 31, 2017, Nintendo has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016).”

Notes to consolidated balance sheets

*1. Inventories as of March 31, 2016 and 2017 were as follows:

	Previous fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)		
Finished goods	¥	36,300 million	¥	35,824 million	USD 319 million
Work in process		30		117	1
Raw materials and supplies	¥	4,102 million	¥	3,187 million	USD 28 million

*2. Accumulated depreciation of property, plant and equipment as of March 31, 2016 and 2017 were as follows:

	Previous fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)		
Accumulated depreciation	¥	67,211 million	¥	67,257 million	USD 600 million

*3. Investments in unconsolidated subsidiaries and associates as of March 31, 2016 and 2017 were as follows:

	Previous fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)		
Investment securities	¥	11,595 million	¥	25,264 million	USD 225 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, 2016 and 2017 were as follows:**

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Loss on valuation of inventories	¥ 4,981 million	¥ 3,142 million	USD 28 million

***2. The major items of selling, general and administrative expenses for the years ended March 31, 2016 and 2017 were as follows:**

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Research and development expenses	¥ 69,064 million	¥ 59,171 million	USD 528 million
Advertising expenses	46,636	48,726	435
Salaries, allowances and bonuses	22,282	20,471	182
Depreciation	6,137	5,325	47
Retirement benefit expenses	3,476	192	1
Provision for bonuses	635	590	5
Provision of allowance for doubtful accounts	¥ 48 million	¥ (94) million	USD (0) million

***3. Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2016 and 2017 were as follows:**

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Research and development expenses	¥ 69,066 million	¥ 59,197 million	USD 528 million

***4. Gain on sales of non-current assets for the years ended March 31, 2016 and 2017 were as follows:**

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Machinery, equipment and vehicles	¥ 9 million	¥ 175 million	USD 1 million
		¥ 6	0
		¥ 4	0
Total	¥ 9 million	¥ 185 million	USD 1 million

***5. Loss on disposal of non-current assets for the years ended March 31, 2016 and 2017 were as follows:**

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Buildings and structures	¥ 175 million	¥ 275 million	USD 2 million
Software	164	33	0
Tools, furniture and fixtures	11	19	0
Total	¥ 351 million	¥ 328 million	USD 2 million

*6. Restructuring loss

Previous fiscal year (from April 1, 2015 to March 31, 2016)

Restructuring loss for the year ended March 31, 2016 primarily consisted of extraordinary severance payment expenses associated with the restructuring of business in the United States.

Current fiscal year (from April 1, 2016 to March 31, 2017)

Restructuring loss for the year ended March 31, 2017, primarily consisted of extraordinary severance payment expenses associated with the restructuring of business in Australia.

Notes to consolidated statements of comprehensive income

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

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Valuation difference on available-for-sale securities:			
Amount arising during the fiscal year	¥ 383 million	¥ 8,454 million	USD 75 million
Reclassification adjustments	(7,240)	1,645	14
Amount before tax effects	(6,857)	10,100	90
Tax effects	2,193	(2,953)	(26)
Valuation difference on available-for-sale securities	(4,663)	7,147	63
Foreign currency translation adjustment:			
Amount arising during the fiscal year	(15,446)	(5,916)	(52)
Foreign currency translation adjustment	(15,446)	(5,916)	(52)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the fiscal year	(97)	711	6
Total other comprehensive income	¥(20,208) million	¥ 1,942 million	USD 17 million

Notes to consolidated statements of changes in equity

Previous fiscal year (From April 1, 2015 to March 31, 2016)

1. Matters concerning outstanding shares

(Shares)

Type of share	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common shares	141,669,000	–	–	141,669,000

2. Matters concerning treasury shares

(Shares)

Type of share	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common shares	23,297,005	2,099	1,759,427	21,539,677

(Summary of causes of changes)

The increase is from acquisitions in line with buyback requests for shares less than one unit. The decrease is from the transfer of the shares to DeNA Co., Ltd. based on the resolution at the meeting of the Board of Directors held on March 17, 2015 (1,759,400 shares) and also from sales in line with selling requests for shares less than one unit (27 shares).

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 26, 2015	Common shares	¥21,306 million	¥180	March 31, 2015	June 29, 2015
Meeting of Board of Directors held on October 28, 2015	Common shares	¥3,603 million	¥30	September 30, 2015	December 1, 2015

(2) Dividend payments for which the record date is in the fiscal year ended March 31, 2016 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 29, 2016	Common shares	¥14,415 million	Retained earnings	¥120	March 31, 2016	June 30, 2016

Current fiscal year (From April 1, 2016 to March 31, 2017)

1. Matters concerning outstanding shares

(Shares)

Type of share	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares	141,669,000	–	–	141,669,000

2. Matters concerning treasury shares

(Shares)

Type of share	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares	21,539,677	1,664	–	21,541,341

(Summary of causes of changes)

The increase is from acquisitions in line with purchase requests for shares less than one unit.

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, 2016	Common shares	¥14,415 million	¥120	March 31, 2016	June 30, 2016

(2) Dividend payments for which the record date is in the fiscal year ended March 31, 2017, 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 29, 2017	Common shares	¥51,654 million [USD 461 million]	Retained earnings	¥430 [USD 3.83]	March 31, 2017	June 30, 2017

Notes to consolidated statements of cash flow

*1. The reconciliations of cash and cash equivalents at end of period with the amount presented in the consolidated balance sheets for the years ended March 31, 2016 and 2017 were as follows:

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Cash and deposits	¥ 570,448 million	¥ 662,763 million	USD 5,917 million
Time deposits with maturity of more than three months	(335,174)	(362,801)	(3,239)
Short-term investments with maturity of three months or less	22,821	31,011	276
Cash and cash equivalents	¥ 258,095 million	¥ 330,974 million	USD 2,955 million

Lease transactions

1. Finance lease transactions

Information of finance leases as of March 31, 2016 and 2017 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, 2016)	Current fiscal year (As of March 31, 2017)	
Due within one year	¥ 1,337 million	¥ 1,278 million	USD 11 million
Due after one year	6,631	5,810	51
Total	¥ 7,968 million	¥ 7,089 million	USD 63 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 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, 2016 and 2017 were as follows:

Previous fiscal year (As of March 31, 2016)

	Book value	Fair value	Difference
Cash and deposits	570,448	570,448	–
Notes and accounts receivable - trade	38,731	38,731	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	228,008	228,022	14
Other securities	224,275	224,275	–
Total assets	1,061,464	1,061,478	14
Notes and accounts payable - trade	31,857	31,857	–
Income taxes payable	1,878	1,878	–
Total liabilities	33,736	33,736	–
Derivatives	(82)	(82)	–

(Millions of yen)

Current fiscal year (As of March 31, 2017)

	Book value	Fair value	Difference
Cash and deposits	662,763	662,763	–
Notes and accounts receivable - trade	106,054	106,054	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	172,144	172,134	(9)
Other securities	242,159	242,159	–
Total assets	1,183,122	1,183,113	(9)
Notes and accounts payable - trade	104,181	104,181	–
Income taxes payable	11,267	11,267	–
Total liabilities	115,448	115,448	–
Derivatives	(286)	(286)	–

(Millions of yen)

	Book value	Fair value	Difference
Cash and deposits	5,917	5,917	–
Notes and accounts receivable - trade	946	946	–
Short-term and long-term investment securities			
Held-to-maturity debt securities	1,537	1,536	(0)
Other securities	2,162	2,162	–
Total assets	10,563	10,563	(0)
Notes and accounts payable - trade	930	930	–
Income taxes payable	100	100	–
Total liabilities	1,030	1,030	–
Derivatives	(2)	(2)	–

(Millions of dollars)

(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	Current fiscal year	
	(As of March 31, 2016)	(As of March 31, 2017)	
Unlisted stocks	¥12,383 million	¥26,967 million	USD 240 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, 2016)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	570,448	–	–
Notes and accounts receivable - trade	38,731	–	–
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	196,241	–	–
Money held in trust	12,000	–	–
Corporate and government bonds	19,760	–	–
Other securities with maturity			
Certificate of deposits	1,239	862	–
Corporate and government bonds	118,181	35,939	–
Other	18	18,902	2,577
Total	956,622	55,703	2,577

Current fiscal year (As of March 31, 2017)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	662,763	–	–
Notes and accounts receivable - trade	106,054	–	–
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	134,022	–	–
Money held in trust	13,000	–	–
Corporate and government bonds	25,121	–	–
Other securities with maturity			
Certificate of deposits	3,663	–	–
Corporate and government bonds	107,374	47,038	–
Other	1,137	16,128	4,118
Total	1,053,137	63,167	4,118

(Millions of dollars)

	Due within one year	Due after one year through five years	Due after five years through ten years
Cash and deposits	5,917	–	–
Notes and accounts receivable - trade	946	–	–
Short-term and long-term investment securities			
Held-to-maturity debt securities			
Certificate of deposits	1,196	–	–
Money held in trust	116	–	–
Corporate and government bonds	224	–	–
Other securities with maturity			
Certificate of deposits	32	–	–
Corporate and government bonds	958	419	–
Other	10	144	36
Total	9,403	563	36

Securities

1. Held-to-maturity debt securities

Previous fiscal year (As of March 31, 2016)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	11,000	11,017	17
Securities whose fair value does not exceed their book value on the consolidated balance sheets	217,008	217,004	(3)
Total	228,008	228,022	14

Current fiscal year (As of March 31, 2017)

(Millions of yen)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	3,000	3,001	1
Securities whose fair value does not exceed their book value on the consolidated balance sheets	169,144	169,133	(10)
Total	172,144	172,134	(9)

(Millions of dollars)

	Book value	Fair value	Difference
Securities whose fair value exceeds their book value on the consolidated balance sheets	26	26	0
Securities whose fair value does not exceed their book value on the consolidated balance sheets	1,510	1,510	(0)
Total	1,537	1,536	(0)

2. Other securities

Previous fiscal year (As of March 31, 2016)

(Millions of yen)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	45,248	27,854	17,394
Debt securities	50,162	48,604	1,557
Other	1,240	1,239	0
Sub-total	96,651	77,699	18,952
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	1,067	1,146	(79)
Debt securities	125,603	127,981	(2,378)
Other	954	958	(4)
Sub-total	127,624	130,086	(2,462)
Total	224,275	207,785	16,489

Current fiscal year (As of March 31, 2017)

(Millions of yen)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	54,765	27,835	26,930
Debt securities	96,937	96,365	572
Other	10,499	10,320	179
Sub-total	162,202	134,520	27,681
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	977	1,129	(152)
Debt securities	78,922	79,842	(920)
Other	58	58	-
Sub-total	79,957	81,029	(1,072)
Total	242,159	215,549	26,609

(Millions of dollars)

	Book value	Acquisition cost	Difference
Securities whose book value on the consolidated balance sheets exceeds their acquisition cost			
Equity securities	488	248	240
Debt securities	865	860	5
Other	93	92	1
Sub-total	1,448	1,201	247
Securities whose book value on the consolidated balance sheets does not exceed their acquisition cost			
Equity securities	8	10	(1)
Debt securities	704	712	(8)
Other	0	0	-
Sub-total	713	723	(9)
Total	2,162	1,924	237

3. Other securities sold during the fiscal years ended March 31, 2016 and 2017

Previous fiscal year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	430,885	125	94
Other	155,922	398	–
Total	586,807	524	94

Current fiscal year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Amount sold	Total gain	Total loss
Debt securities	185,330	36	(9)
Other	29,143	27	(0)
Total	214,473	63	(9)

(Millions of dollars)

	Amount sold	Total gain	Total loss
Debt securities	1,654	0	(0)
Other	260	0	(0)
Total	1,914	0	(0)

Derivative transactions

Derivative contracts not qualifying for hedge accounting

Currencies

Previous fiscal year (As of March 31, 2016)

(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	1,878	–	(76)	(81)
	Selling British Pound	490	–	5	5
	Currency options				
	Written call options				
	US Dollar [Premium]	8,685 [33]	– [-]	24	8
	Euro [Premium]	11,602 [52]	– [-]	63	(10)
	Australian Dollar [Premium]	3,369 [14]	– [-]	13	0
	Purchased put options				
	US Dollar [Premium]	5,790 [33]	– [-]	30	(2)
	Euro [Premium]	7,735 [52]	– [-]	46	(5)
Australian Dollar [Premium]	1,800 [14]	– [-]	12	(1)	
	Total	–	–	–	(87)

Current fiscal year (As of March 31, 2017)

(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	4,575	–	2	2
	Selling British Pound	1,382	–	(17)	(17)
	Currency options				
	Written call options				
	Euro [Premium]	12,758 [212]	– [-]	156	55
	Purchased put options				
	Euro [Premium]	7,415 [11]	– [-]	12	1
Currency swaps					
Receiving Japanese Yen /paying US Dollar	11,414	–	(127)	(127)	
	Total	–	–	–	(85)

(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	40	–	0	0
	Selling British Pound	12	–	(0)	(0)
	Currency options				
	Written call options				
	Euro [Premium]	113 [1]	– [-]	1	0
	Purchased put options				
	Euro [Premium]	66 [0]	– [-]	0	0
Currency swaps					
Receiving Japanese Yen /paying US Dollar	101	–	(1)	(1)	
	Total	–	–	–	(0)

- (Notes) 1. The fair value as of March 31, 2016 and 2017 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, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of retirement benefit obligations	49,922	49,780	444
Current service costs	3,132	3,046	27
Interest cost	1,197	957	8
Actuarial gains and losses	21	9	0
Retirement benefits paid	(2,616)	(1,062)	(9)
Prior service cost accrued	–	(2,654)	(23)
Foreign currency translation difference	(1,877)	(160)	(1)
Ending balance of retirement benefit obligations	49,780	49,916	445

(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, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of plan assets	33,933	33,548	299
Expected return on assets	1,063	1,685	15
Actuarial gains and losses	(2,012)	(156)	(1)
Contribution by the business operator	3,798	4,427	39
Retirement benefits paid	(2,519)	(974)	(8)
Foreign currency translation difference	(714)	86	0
Ending balance of plan assets	33,548	38,616	344

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

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Beginning balance of net defined benefit liability	251	221	1
Retirement benefit expenses	65	51	0
Retirement benefit payment	(9)	(2)	(0)
Contribution into plan	(19)	(7)	(0)
Other	(67)	–	–
Foreign currency translation difference	(0)	(0)	(0)
Ending balance of net defined benefit liability	221	263	2

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

	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Retirement benefit obligations for funded plans	35,839	36,542	326
Plan assets	(33,704)	(38,672)	(345)
	2,135	(2,130)	(19)
Retirement benefit obligations for unfunded plans	14,318	13,694	122
Net amounts of liabilities and assets recorded in consolidated balance sheets	16,453	11,564	103
Net defined benefit liability	23,546	19,245	171
Net defined benefit asset	(7,092)	(7,680)	(68)
Net amounts of liabilities and assets recorded in consolidated balance sheets	16,453	11,564	103

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

(5) Retirement benefit expenses and their breakdown

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
	(Millions of yen)	(Millions of yen)	(Millions of dollars)
Current service costs	3,198	3,098	27
Interest cost	1,197	957	8
Expected return on assets	(1,063)	(1,685)	(15)
Amortization of actuarial gains and losses treated as expenses	2,033	166	1
Prior service cost recognized as cost	–	(2,654)	(23)
Severance payment expenses	911	73	0
Other	131	216	1
Retirement benefit expenses for defined benefit plan	6,409	171	1

(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 (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Stocks	37%	34%
Bonds	57	56
Other	6	10
Total	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 (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Discount rate	0.4% to 3.9%	0.6% to 3.9%
Expected long-term return rate on plan assets	1.1% to 7.0%	3.9% to 7.0%

3. Defined contribution plans

The amount of contribution required for the defined contribution plans at certain consolidated subsidiaries was ¥1,118 million for the year ended March 31, 2016 and ¥1,141 million (USD 10 million) for the year ended March 31, 2017.

Income taxes

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)	
Deferred tax assets			
Research and development expenses	¥ 30,714 million	¥ 29,663 million	USD 264 million
Operating loss carryforwards for tax purposes	14,844	13,897	124
Net defined benefit liability	8,546	5,802	51
Excess depreciation of deferred assets	19	5,269	47
Accounts payable - other and accrued expenses	7,518	5,015	44
Revenue recognition for tax purposes	4,427	4,637	41
Unrealized intra-group profit and write-downs on inventory	3,923	3,123	27
Other	15,952	7,086	63
Deferred tax assets subtotal	85,947	74,496	665
Valuation allowance	(28,094)	(1,551)	(13)
Total deferred tax assets	57,852	72,944	651
Deferred tax liabilities			
Undistributed retained earnings of subsidiaries and associates	(6,864)	(9,643)	(86)
Valuation difference on available-for-sale securities	(5,514)	(7,981)	(71)
Other	(6,680)	(6,060)	(54)
Total deferred tax liabilities	(19,059)	(23,685)	(211)
Net deferred tax assets	¥ 38,792 million	¥ 49,259 million	USD 439 million

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

	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Statutory tax rate	33.0%	30.8%
(Reconciliations)		
Different tax rates applied to the consolidated subsidiaries	1.8	5.0
Foreign tax credit on retained earnings of the overseas consolidated subsidiaries	0.4	2.4
Decrease in deferred tax assets due to change in statutory tax rate	8.1	-
Effect of unrecognized tax effect on unrealized gains	11.2	(0.8)
Effect of profit and loss of the associates accounted for using equity method	(0.5)	(5.7)
Valuation allowances	(20.0)	(22.0)
Other	6.4	0.9
Effective tax rate after tax effect accounting	40.4%	10.6%

Business combinations, etc.

Information was omitted as it is immaterial.

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. The Company distributes products in Japan while distribution in overseas markets is done by local subsidiaries. Nintendo operates as a single operating segment with single distribution channel and market for Nintendo's products and with each major geographic 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, 2015 to March 31, 2016)

1. Information about products and services

(Millions of yen)

	Nintendo 3DS Platform	Wii U Platform	Nintendo Switch Platform	Other	Total
Sales to third parties	235,885	198,362	–	70,211	504,459

2. Information by geographic areas

(1) Net sales

(Millions of yen)

Japan	The Americas		Europe	Other	Total
		of which U.S.			
135,461	225,837	192,757	126,916	16,243	504,459

(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
64,381	22,545	824	87,752

(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, 2016 to March 31, 2017)

1. Information about products and services

(Millions of yen)

	Nintendo 3DS Platform	Wii U Platform	Nintendo Switch Platform	Other	Total
Sales to third parties	247,949	64,383	110,951	65,811	489,095

(Millions of dollars)

	Nintendo 3DS Platform	Wii U Platform	Nintendo Switch Platform	Other	Total
Sales to third parties	2,213	574	990	587	4,366

(Note) The previously used classification, i.e., “Handheld Hardware,” “Home Console Hardware,” “Handheld Software,” “Home Console Software” and “Other” was changed as presented above from the fiscal year ended March 31, 2017. Accordingly, “1. Information about products and services” of the previous fiscal year was reclassified.

2. Information by geographic areas

(1) Net sales

(Millions of yen)

Japan	The Americas		Europe	Other	Total
		of which U.S.			
130,014	203,954	174,093	129,455	25,671	489,095

(Millions of dollars)

Japan	The Americas		Europe	Other	Total
		of which U.S.			
1,160	1,821	1,554	1,155	229	4,366

(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
64,195	21,576	787	86,558

(Millions of dollars)

Japan	U.S.	Other	Total
573	192	7	772

(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

Summary financial information of significant associates

Summary financial information of all associates accounted for under the equity method (4 companies) including The Pokémon Company, a significant associate, for the fiscal year ended March 31, 2017, is as follows.

	Previous fiscal year	Current fiscal year	
Total current assets (Millions of yen)	–	111,641	USD996 million
Total non-current assets (Millions of yen)	–	34,935	311
Total current liabilities (Millions of yen)	–	48,601	433
Total non-current liabilities (Millions of yen)	–	41,322	368
Total net assets (Millions of yen)	–	56,652	505
Net sales (Millions of yen)	–	166,109	1,483
Profit before income taxes (Millions of yen)	–	62,026	553
Profit (Millions of yen)	–	42,045	375

(Note) The Company has designated The Pokémon Company as a significant associate from the financial year ended March 31, 2017 due to its increased materiality. The summary financial information of said company is included in the above.

Per share information

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Net assets per share	¥ 9,662.73	¥10,412.59	USD 92.96
Profit per share	137.40	853.87	7.62

(Notes) 1. Diluted profit per share is omitted as no residual securities were outstanding as of March 31, 2016 and 2017.
2. The basis of calculation of profit per share is as follows:

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)	
Profit attributable to owners of parent	¥16,505 million	¥ 102,574 million	USD 915 million
Amount not attributable to common shareholders	–	–	–
Profit attributable to owners of parent related to common shares	¥16,505 million	¥ 102,574 million	USD 915 million
Average number of shares (common shares)	120,125 thousand shares	120,128 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	¥12 million [USD 0 million]	–	–	–
Long-term loans payable due after one year	–	–	–	–
Lease obligations due after one year	–	–	–	–
Other interest-bearing liabilities	–	–	–	–
Total	¥12 million [USD 0 million]	–	–	–

(Note) 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.

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, 2017 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, 2017.

(2) Other

Quarterly information of the fiscal year ended March 31, 2017

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	61,969	136,812	311,121	489,095
Profit (loss) before income taxes	(38,688)	32,043	112,673	114,730
Profit (loss) attributable to owners of parent	(24,534)	38,299	102,969	102,574
Profit (loss) per share (Yen)	(204.23)	318.82	857.16	853.87

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales	553	1,221	2,777	4,366
Profit (loss) before income taxes	(345)	286	1,006	1,024
Profit (loss) attributable to owners of parent	(219)	341	919	915
Profit (loss) per share (Dollars)	(1.82)	2.84	7.65	7.62

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share	(204.23)	523.05	538.34	(3.28)

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Profit (loss) per share	(1.82)	4.67	4.80	(0.02)

Corporate Information

Common Stock

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, 2017 was held on June 29, 2017 at Nintendo Co., Ltd. in Kyoto, Japan.

Independent Auditor

PricewaterhouseCoopers Kyoto
Kyoto, Japan

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For more information, please visit Nintendo's website.

President's Message

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

Dividend Policy

https://www.nintendo.co.jp/ir/en/stock/dividend/index.html#haitou_houshin

Financial Data

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

Company History

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