

Q&A Summary (English Translation of Japanese Original)

Date: Thursday, May 8, 2025

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

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

Q1	I'd like to know more about the background of your sales volume forecast for Nintendo Switch 2 hardware in the current fiscal year (ending March 2026). It seems like a fairly conservative number. Did you set a modest figure in light of production capacity limitations, the impact of the U.S. tariffs and the possibility of a recession there?
A1	<p>Shuntaro Furukawa (President and Representative Director, Member of the Board):</p> <p>We are forecasting Nintendo Switch 2 hardware sales of 15 million units for this fiscal year. We set this figure with the aim of reaching the same level of sales we achieved with Nintendo Switch in the roughly 10-month period between its launch in March 2017 and December that year.</p> <p>Nintendo Switch 2 is priced relatively high compared to Nintendo Switch, so we recognize that there are corresponding challenges to early adoption. That being said, Nintendo Switch 2 can play compatible Nintendo Switch software, so there is continuity between the platforms. We are taking steps like bundling software with the hardware to accelerate adoption in the first fiscal year, aiming to get off to the same start we did with Nintendo Switch.</p> <p>The limits of our hardware production capacity were not a factor in setting our sales volume forecast. Additionally, the tariff situation in the U.S. or a possibility of a recession did not affect our sales volume forecast either. In order to achieve sales of 15 million units, we will need to manufacture the hardware in quantities greater than that. Our first goal is to get off to the same start we did with Nintendo Switch, and we are working to strengthen our production capacity so we can respond flexibly to demand.</p>
Q2	I feel like Nintendo Switch 2 hardware and software sales volume forecasts for the current fiscal year are conservative estimates that do not take into account the user response to the Nintendo Switch 2 Experience events and the situation with pre-orders on My Nintendo Store in various countries.
A2	<p>Furukawa:</p> <p>As I mentioned in the answer to the first question, our goal with Nintendo Switch 2 hardware sales is to get off to the same start as we did with Nintendo Switch. We recognize the positive feedback from the Nintendo Switch 2 Experience events and the situation with applications for randomly selected drawings for pre-orders on My Nintendo Store in Japan. But the Nintendo Switch 2 hardware is priced relatively high compared to Nintendo Switch, so even if there is momentum around the launch, we know it will not be easy to keep that momentum going over</p>

Q&A Summary (English Translation of Japanese Original)

	<p>the long term through the holiday season and beyond. We have been working to ramp up Nintendo Switch 2 hardware production since even before we held the Nintendo Switch 2 Experience events and began My Nintendo Store applications. Our sales volume forecast was not determined based on any limit to production capacity.</p> <p>As for Nintendo Switch 2 software, we have a sales volume forecast of 45 million units, but this figure does not include <i>Mario Kart World</i> units that are included in the Nintendo Switch 2 + Mario Kart World bundle. When we account for software units bundled with the hardware, the forecast surpasses the roughly 52 million units of software sold for Nintendo Switch in the 10 months after its launch. In setting our software sales volume forecast, we took into consideration the fact that software publishers will have a more robust lineup than at the time of the Nintendo Switch launch, and the availability of Nintendo Switch 2 Edition titles.</p> <p>This fiscal year, we will aim for the target we have set as the sales volume forecast, strengthen our production capacity to respond to recent increased demand, and focus on promoting sales in an effort to exceed our forecast. The momentum we have immediately after the Nintendo Switch 2 launch is important, of course, but the first challenge we face is how to sustain that momentum and carry it into the holiday season.</p>
--	---

Q3	<p>My Nintendo Store began accepting applications for randomly selected drawings to pre-order Nintendo Switch 2 in early April, and in two weeks, 2.2 million applications were received in Japan alone. The initial response is expected to be very strong compared to Nintendo Switch, so it seems possible for Nintendo Switch 2 hardware sales to exceed 15 million units for the year. Are there some limits in your production capacity that led you to set a sales volume forecast of 15 million units? Please explain the relationship between production capability and sales volume forecast for the year.</p>
A3	<p>Furukawa:</p> <p>My Nintendo Store in Japan began accepting applications for randomly selected drawings on April 4. Far more applications were received than anticipated, so we announced in advance that a considerable portion of applicants would not be selected in the announcement on April 24.</p> <p>Our plan is to continually produce and ship significant numbers of Nintendo Switch 2 units going forward, and to that end we are continuing to strengthen our production capability. In other words, it is not a limit on the supply side that led us to set the sales volume forecast at 15 million units. To achieve a certain level of sales, we believe it is necessary to maintain momentum throughout the year, not just at the start, so we set this figure as the number for our initial plan.</p>

Q4	<p>What are your thoughts on revenues in the consolidated financial forecast for the fiscal year ending March 2026? Operating profit is expected to increase year-on-year, but the increase in profit seems small compared to the increase in net sales. What are the reasons for that? Also,</p>
-----------	---

Q&A Summary (English Translation of Japanese Original)

	how do you plan to respond if the assumptions on tariffs change in the future?
A4	<p>Furukawa:</p> <p>For the purpose of our consolidated financial forecast for the fiscal year ending March 2026, U.S. tariff rates effective as of April 10, U.S. Eastern Time, are maintained throughout the fiscal year. However, our assumption is that packaged software will not be subject to tariffs because it falls under products exempted from tariffs as announced on April 11. Based on these assumptions, we have factored in a negative impact of several tens of billions of yen at the profit level into our consolidated financial forecast for the fiscal year ending March 2026.</p> <p>The reason we expect the operating profit ratio to decline year-on-year in our consolidated earnings forecast is because the proportion of hardware sales is projected to increase with the launch of Nintendo Switch 2 and we expect the gross profit ratio to decline due to Nintendo Switch 2 hardware having a lower profit margin than Nintendo Switch hardware. The operating profit ratio is expected to decline year-on-year in tandem with the decline in the gross profit ratio.</p> <p>Our basic policy is that for any country or region, if tariffs are imposed, we recognize them as a part of the cost and incorporate them into the price. However, this year marks our first new dedicated video game system launch in eight years, so given our unique situation, our priority is to maintain the momentum of our platforms, which is extremely important for our dedicated video game platform business, and to rapidly expand the install base of our new hardware. Consequently, if the assumptions on tariffs change, we will consider what kind of price adjustments would be appropriate, taking into account various factors such as the market conditions.</p>
Q5	<p>I'd like to hear about the medium-to-long term direction for Nintendo Switch Online. There's been an increase in the number of features available through the service, such as GameChat on Nintendo Switch 2 and Nintendo Music, so it seems that Nintendo Switch Online could continue to grow as a stable source of revenue. Also, I would like to know about the possibility of the introduction of new elements that would encourage people to maintain their memberships.</p>
A5	<p>Furukawa:</p> <p>The number of Nintendo Switch Online members tends to fluctuate depending on factors like the hardware sales situation and trends in the release of titles that utilize online play. That being said, the number of memberships has remained steady without any major increase or decrease since we disclosed the membership numbers at our last Corporate Management Policy Briefing.</p> <p>Going forward, we plan to release titles that utilize online play, such as <i>Mario Kart World</i> for Nintendo Switch 2. In addition to releasing new titles like these, we also aim to maintain and increase membership over the medium-to-long term by further expanding the services of Nintendo Switch Online itself. On Nintendo Switch 2, Nintendo Switch Online + Expansion Pack members will be able to play Nintendo GameCube games as classic titles. We will also introduce</p>

Q&A Summary (English Translation of Japanese Original)

	<p>the GameChat communication feature to all members. Until March 2026, people will be able to experience GameChat without a Nintendo Switch Online membership, but after that, a membership will be necessary to use it.</p> <p>We developed GameChat with the goal of recreating that childhood experience of kids getting together with their gaming systems, but in the modern environment. You may have experienced getting together to play the same game, or just being together in the same place while playing different games. By using the features of Nintendo Switch 2, we can recreate that experience not only with offline local multiplayer gameplay, but online as well. You can experience GameChat not only with Nintendo Switch 2 titles, but also with Nintendo Switch titles. We hope that GameChat adds new value to software and inspires consumers to play games in new ways that we never imagined.</p> <p>Nintendo Switch Online also provides the opportunity to experience the Nintendo Music app. The theme of this service is music, which is one of the elements that makes games so appealing. Our goal in providing Nintendo Music is to remind consumers about Nintendo's characters, games, and IP even when they are away from their gaming systems. In this way, we believe that Nintendo Switch Online can be utilized to expand the touchpoints for Nintendo IP in places familiar to consumers.</p> <p>We hope to grow Nintendo Switch Online over the medium-to-long term as a membership service that consumers can find value in for a long time. To that end, we need to continue to come up with attractive elements that make consumers truly want to join the service.</p>
Q6	<p>I'd like to confirm the U.S. tariff assumptions in the financial forecast. Additional tariffs will be imposed on products made in China, but is it correct that the forecast only takes into account the 10% baseline tariff imposed as of April 10 assuming that the products you export to the U.S. will be made in countries other than China? If further tariff measures are implemented in the future, are you considering passing the cost on in the sales price?</p>
A6	<p>Furukawa:</p> <p>Our financial projections were created based on the assumption of U.S. tariffs of 10% on products produced in Japan, Vietnam, and Cambodia, and 145% on China. Our hardware is produced in China, Vietnam, and Cambodia, and hardware for North America is mainly produced in Vietnam. While there are also some accessories and amiibo produced in China, we do not disclose the impact of tariffs on individual products.</p> <p>Our basic policy is that for any country or region, if tariffs are imposed, we recognize them as a part of the cost and incorporate them into the price. On the other hand, the fiscal year ending March 2026 is the launch period for our first new dedicated video game system in eight years. If the tariff assumptions change, we will consider how to handle the situation while keeping in mind the importance of platform momentum and growth of the hardware install base.</p>

Q&A Summary (English Translation of Japanese Original)

Q7	What is your pricing strategy for hardware and software going forward? The prices of Nintendo Switch 2 hardware and software are set higher than those for Nintendo Switch hardware and software. Are you going to flexibly adjust the prices for Nintendo Switch 2 products going forward as well, or will you make careful decisions based on consumer response to prices?
A7	<p>Furukawa:</p> <p>Prices for Nintendo Switch 2 products are determined through an overall evaluation of factors in each region. When determining hardware prices, we consider not only the manufacturing cost, but also various factors such as consumers' impression of the price, the vast differences in exchange rates compared to the Nintendo Switch launch, and the market conditions in each region. For software, in addition to the same factors, we also take into account rises in costs, due to aspects such as increased game file size and extended development periods, when determining price.</p> <p>Going forward, we will continue to consider appropriate prices for each title when it comes to software prices. Hardware involves special factors such as tariffs, and we will take into account factors like those we have just described, while conducting careful and repeated deliberations when determining price.</p>
Q8	I'd like to ask about the positioning of Nintendo Switch 2. Will other new hardware going forward be similar to Nintendo Switch, or is Nintendo Switch 2 bridging the gap toward a revolutionary next-generation platform that has not yet been announced? I do not feel an innovation with Nintendo Switch 2 that demonstrates a generational change. Is this a one-off case, or will you continue to produce hardware that inherits the concept of Nintendo Switch but updates various features, rather than hardware based on entirely new concepts?
A8	<p>Furukawa:</p> <p>We began development of Nintendo Switch 2 as an official internal project around 2019, but we constantly conduct R&D for new hardware, including basic technical research.</p> <p>Nintendo Switch has enjoyed very good fortune in that many consumers are continuing to play it even in its ninth year. On the other hand, over the course of these eight years and counting, it has become necessary to increase hardware processing performance in order for software developers to realize one of Nintendo's most valued tenets: offering new gameplay experiences. Thus, this time we decided to design the hardware with enhanced processing capability. We believe that <i>Mario Kart World</i> and <i>Donkey Kong Bananza</i> offer new gameplay experiences that could not be realized on Nintendo Switch.</p> <p>Regarding your questions about the innovativeness of the hardware, it may appear that there is not a major change between Nintendo Switch 2 and Nintendo Switch. However, we have created new hardware and accessories from the ground up, and these are products very characteristic of Nintendo, packed full of our development team's dedication to quality through various creative efforts and integrated hardware-software development.</p> <p>Going forward, we will develop a variety of new titles centered on Nintendo Switch 2 and offer new gameplay experiences. We aim to make Nintendo Switch 2 the new standard for</p>

Q&A Summary (English Translation of Japanese Original)

	Nintendo Switch, as hardware that continues to provide fresh surprises to our consumers.
--	--

Q9	I think Nintendo Switch was slightly less attractive to what is often referred to as the core gamer audience, but Nintendo Switch 2 will be more capable of appealing to core gamers due to its greatly increased processing speed. What are your thoughts on generating demand from core gamers?
A9	<p>Furukawa:</p> <p>Nintendo places great importance on whether the hardware is capable enough to enable software developers to offer new gameplay experiences.</p> <p>Our top priority is that the software developed as a result of that policy be enjoyed by many consumers including both those who play games frequently and those who do not. Going forward, we aim to continue to develop hardware and software that will be chosen by a wide range of consumers.</p>

End