Financial Review

Five-Year Summary

Years ended March 31,	¥ Japanese Yen in Millions 2006	2005	2004	2003	2002	$ U.S. Dollars in Thousands (Note 1) 2006
For the period						
Net sales	¥508,827	¥514,988	¥514,409	¥503,748	¥554,413	$4,348,951
Operating income	91,223	113,458	110,223	100,252	119,607	779,682
Net income	98,378	87,416	33,194	67,267	106,445	840,842
At the period-end						
Total assets	1,160,703	1,132,492	1,010,031	1,085,519	1,156,716	9,920,540
Property, plant and equipment - net	55,969	54,420	55,085	59,369	66,681	478,370
Shareholders' equity	974,091	921,467	890,248	890,370	935,075	8,325,568

Years ended March 31,	¥ Japanese Yen 2006	2005	2004	2003	2002	$ U.S. Dollars (Note1) 2006
Per share information						
Net income[A]	¥762.28	¥662.96	¥246.93	¥482.15	¥751.39	$6.52
Cash dividends[B]	390	270	140	140	140	3.33

A : The computations of net income per share of common stock are based on the weighted average number of shares outstanding (excluding treasury stock) during each fiscal year.
B : Cash dividends per share represent the amounts applicable to the respective fiscal years including dividends to be paid after the end of each fiscal year.

Common Stock Information

	¥ Japanese Yen 2006		2005		$ U.S. Dollars (Note 1) 2006	
Years ended March 31,	High	Low	High	Low	High	Low
First Quarter	¥12,440	¥11,200	¥13,180	¥9,940	$106.32	$95.73
Second Quarter	13,330	11,140	13,480	11,350	113.93	95.21
Third Quarter	14,510	12,600	13,560	11,870	124.02	107.69
Fourth Quarter	17,880	14,410	13,020	11,110	152.82	123.16

The preceding table sets forth the high and low sale prices during Fiscal 2006 and 2005 for Nintendo Co., Ltd. common stock, as reported on the Osaka Securities Exchange, Section 1. Nintendo's stock is also traded on the Tokyo Stock Exchange, Section 1.

Analysis of Operations and Financial Review

Overview

The video game industry has developed as one of the few entertainment fields which was launched and driven by Japan. Success of the industry in the early years was dependent upon increasingly spectacular graphics and more complex games. In recent years, however, the traditional success formula of developing splendid and complex games has become less productive.

Nintendo's strategy over the past year has been to expand the gaming population by introducing "Nintendo DS", a handheld gaming device equipped with a touch screen and microphone port that enables intuitive game play, along with wireless communication capability. These features have made it possible to introduce software innovations that expand the definition of video games. New user demographics, including seniors and females, have been cultivated by introducing a software lineup known as "Touch! Generations". "Touch! Generations" titles offer an entertaining experience that provide a fresh sensation to skilled gamers while at the same time, making the experience easily accessible to those who were not familiar with video games in the past. Nintendo will continue to develop the "Touch! Generations" initiative (which created a new flow in the world of video games) while at the same time expanding its software lineup into various new fields.

"Nintendo Wi-Fi Connection", a wireless internet service for the "Nintendo DS", was recently introduced and has three key elements; "easy, safe, and charge-free". "Nintendo Wi-Fi Connection" quickly gained popularity and has been accepted by a broad range of people.

In addition to the original "Nintendo DS", Nintendo expects to further increase "Nintendo DS" hardware sales with the addition of "Nintendo DS Lite". "Nintendo DS Lite" launched in March 2006 in Japan and is a lighter and brighter version of the "Nintendo DS" to meet various consumer preferences.

During the calendar year 2006, a new gaming console "Wii" (pronounced "We") is scheduled for launch. With its unprecedented controller, "Wii" aims to set a new standard as a video game interface which allows the whole family to enjoy it.

Revenue and Expenses

In the handheld game business, "Nintendo DS" and its new model "Nintendo DS Lite" sold a total of more than 16 million units on a worldwide basis in just over sixteen months since launch. "Nintendo DS" is selling at a faster rate than any other gaming device, especially in Japan. "Nintendo DS" software has also enjoyed a boost in sales as the "Touch! Generations" titles, aimed at expanding the user base, have sold exceptionally well. Among these titles, "Nintendogs", which allows the player to interact with virtual puppies on the screen, sold 6.65 million units worldwide. Also from the lineup, a new brain training genre, "Brain Age: Train Your Brain in Minutes a Day", coupled with its sequel version, "Big Brain Academy", released only in Japan, brought total unit sales of these three "Touch! Generations" titles during the period to 5.10 million. In addition, "Nintendo Wi-Fi Connection" compatible titles such as "Mario Kart DS", (an action racing game that lets the player compete against other players from around the world) sold 4.22 million units. Also, "Animal Crossing: Wild World", (a game that lets you communicate with friends) sold 3.56 million units.

In the console business, software titles for the "Nintendo GameCube" such as "Mario Party 7" (a get-together game that lets up to eight players play simultaneously) and the role playing game "Pokémon XD: Gale of Darkness" each sold more than a million units, however, overall console hardware and software sales declined.

As a result, consolidated net sales in Fiscal 2006 were ¥508.8 billion ($4,349 million). Gross margin was ¥215.0 billion ($1,838 million). The gross margin ratio stayed at 42% compared with the previous fiscal year. Selling, general and administrative expenses amounted to ¥123.8 billion ($1,058 million). Operating income was ¥91.2 billion ($780 million). The operating income ratio decreased by 4% compared with the previous fiscal year to 18%. Interest income was ¥22.5 billion ($192 million), while foreign exchange gain was ¥45.5 billion ($389 million) due to Japanese yen depreciation. As a result, net income for Fiscal 2006 was ¥98.4 billion ($841 million). The net income ratio increased by 2% compared with the previous fiscal year to 19%.

Cash Flow

At March 31, 2006, Nintendo's cash and cash equivalents were ¥617.1 billion ($5,275 million).

Net cash provided by operating activities was ¥46.4 billion ($396 million) despite reductions in cash due to a foreign exchange gain resulting from revaluation of cash and cash equivalents in foreign currencies, payment of ¥74.9 billion ($640 million) for income taxes and also due to a decrease in notes and trade accounts payable.

Net cash used in investing activities was ¥208.8 billion ($1,785 million) as payments into time deposits exceeded withdrawals.

Net cash used in financing activities was ¥60.2 billion ($514 million) due to dividend payments and payments for acquiring treasury stocks.

Financial Position

Nintendo's financial position continues to be very strong.

At March 31, 2006 total liabilities were ¥186.4 billion ($1,593 million), and the current ratio was 5.59 to 1. The balance of cash and cash equivalents was 3.31 times total liabilities. Working capital was ¥836.5 billion ($7,149 million). The receivable turnover period increased by 6 days compared with the previous fiscal year to 34 days. Inventories were ¥30.8 billion ($264 million). The inventory turnover period was 29 days. The debt-to-equity ratio was 0.19 to 1 at March 31, 2006.

Common Stock Activity

During the fiscal year ended March 31, 2006, the Nikkei stock average rose 46% to ¥17,059.66 ($145.81). The stock price of Nintendo Co., Ltd. ("the Company") rose 50% and ended the year at ¥17,600 ($150.43). The Company raised its annual dividend level by ¥120 ($1.03) to ¥390 ($3.33) per share for Fiscal 2006. On a consolidated basis, the dividend payout ratio was approximately 51%. Foreign shareholders constituted 41% of total outstanding shares at March 31, 2006.

(Note) The amounts presented herein are stated in Japanese yen and have been translated into U.S. dollars solely for the convenience of readers outside Japan at the rate of ¥117 to US$1, the approximate rate of exchange at March 31, 2006.

Risk Factors

Listed below are the various risks that could significantly affect Nintendo's operating performance, 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 annual consolidated fiscal period ended March 31, 2006.

(1) Risks around economic environment

• Fluctuation in foreign exchange rates

Nintendo distributes its products globally with overseas sales accounting for approximately 70% of total sales. The majority of monetary transactions are made in local currencies. In addition, the Company holds a substantial amount of assets including cash deposits denominated in foreign currencies without exchange contracts. Thus, fluctuation in foreign exchange rates would have a direct influence on earnings not only if foreign currencies were converted to Japanese yen but also if revaluated for financial reporting purposes. Japanese yen appreciation against the U.S. dollar or Euro would have a negative impact on Nintendo's profitability.

(2) Risks around business activities

• Fluctuation of and competition in the market

Nintendo is engaged in a business categorized under the massive entertainment industry. Therefore, the availability of other forms of entertainment affects Nintendo's business. If consumer preferences shift to other forms of entertainment, it is possible that 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 generate profit as more research and development expenses and marketing expenses are required and as price competition intensifies with giant enterprises entering into the market. As a result, Nintendo may find difficulty in maintaining or expanding its market share as well as sustaining profitability.

• Development of new products

Although Nintendo continues to develop innovative and appealing products in the field of computer entertainment, the development process is complicated and includes many uncertainties. Various risks involved are as follows:

① Despite the substantial costs and time needed for software development, there is no guarantee that all new products will be accepted by consumers due to ever shifting consumer preferences. As a result, development of certain products may be suspended or aborted.

② Hardware requires a long term development span. While technological advancements occur continuously, it is possible that the Company may be unable to acquire the necessary technology which can be utilized in entertainment. Furthermore, in the case of a delayed launch, it is possible that market share could be adversely affected.

③ Due to the nature of Nintendo products, it may become difficult to sell or develop the products as planned which could lead to significant variances from income projections.

Analysis of Operations and Financial Review

•Product valuation and adequate inventory procurement

Demand for products in the video game industry is significantly impacted by consumer preferences as well as seasonality characterized by short product life cycles and very high demand around the holiday season. Although production is targeted at the equilibrium point of supply and demand, accurate projections are extremely difficult to obtain which may lead to the risk of excessive inventory. In addition, inventory obsolescence could have an adverse effect on Nintendo's operations and financial position.

•Overseas business expansion and international activities

Nintendo engages in business in territories such as the Americas, Europe, Australia, and Asia in addition to Japan. Expansion of business to these overseas markets involves risks such as ① unpredicted enforcement or changes to laws or regulations, ② emergence of political or economic factors that prove to be a disadvantage, ③ inconsistency of multilateral taxation systems and diversity of tax law interpretation leading to a disadvantaged position, ④ difficulty of recruiting and securing human resources, ⑤ social disruption resulting from terrorist attacks, war, and other events.

•Dependency on outside manufacturers

Nintendo commissions a number of certain outside manufacturers to produce key components or assemble finished products. In the event of their commercial failure, these manufacturers may not adequately provide or produce significant components or products. In addition, certain manufacturers may not have the capacity to provide the ordered amount of components. A shortage of key components could lead to issues such as margin decline due to higher pricing as well as insufficient product supply, and quality control. This may impair the relationship between Nintendo and its suppliers.

Furthermore, as there are many production locations overseas used by our suppliers, when production is interfered by events such as riots or natural disasters at the local area, it could have an adverse effect on Nintendo's operations and financial position.

•Business operations affected by seasonal fluctuation

Since a major portion of demand is focused around the holiday season, the demand is influenced by seasonal fluctuations. Should the Company fail to meet the period of high demand in any of its business activities, including but not restricted to the launch of attractive new products and supplying hardware, it would suffer unfavorable operating performance.

(3) Other risks

Other than set forth above, factors such as product liability, limitations of protecting intellectual property, leakage of personal information and confidential information, changes in accounting standards and taxation system, litigation, uncollectibility of trade accounts receivable and notes receivable, failure of financial institutions, and restrictions regarding environmental protection may adversely affect Nintendo's future performance and financial position.

Report of Independent Auditor

To the Board of Directors and Shareholders of
Nintendo Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nintendo Co., Ltd. and its subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nintendo Co., Ltd. and its subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers
Kyoto, Japan
June 29, 2006

Consolidated Balance Sheets

As of March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
Assets			
Current Assets			
Cash and cash equivalents (Note 3)	¥617,139	¥792,728	$5,274,696
Short-term investments (Note 4)	276,832	54,411	2,366,090
Receivables -			
Notes and trade accounts receivable	43,826	51,143	374,584
Allowance for doubtful accounts	(1,515)	(1,880)	(12,945)
Inventories (Note 6)	30,836	49,759	263,552
Deferred income taxes (Note 9)	24,170	19,514	206,584
Other current assets	27,443	28,217	234,538
Total current assets	1,018,731	993,892	8,707,099
Property, Plant and Equipment			
Land	32,604	32,069	278,669
Buildings and structures	40,508	38,535	346,224
Machinery, equipment and automobiles	22,041	20,269	188,380
Construction in progress	41	411	351
Total	95,194	91,284	813,624
Accumulated depreciation	(39,225)	(36,864)	(335,254)
Property, plant and equipment - net	55,969	54,420	478,370
Investments and Other Assets			
Investments in securities (Note 4)	60,213	73,393	514,644
Long-term deposits	11,747	-	100,402
Deferred income taxes (Note 9)	10,315	10,156	88,158
Other assets	3,728	631	31,867
Total investments and other assets	86,003	84,180	735,071
Total	¥1,160,703	¥1,132,492	$9,920,540

See notes to consolidated financial statements.

As of March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
Liabilities and Shareholders' Equity			
Current Liabilities			
Notes and trade accounts payable	¥99,022	¥128,430	$846,334
Accrued income taxes	53,040	51,952	453,335
Other current liabilities	30,213	25,068	258,233
Total current liabilities	182,275	205,450	1,557,902
Non-current Liabilities			
Non-current accounts payable	862	462	7,368
Reserve for employee retirement and severance benefits (Note 7)	3,299	3,075	28,198
Reserve for directors' retirement and severance benefits	-	1,816	-
Total non-current liabilities	4,161	5,353	35,566
Minority Interests	176	222	1,504
Shareholders' Equity			
Common stock Authorized - 400,000,000 shares Issued and outstanding - 141,669,000 shares	10,065	10,065	86,029
Additional paid-in capital	11,585	11,584	99,018
Retained earnings	1,096,074	1,032,835	9,368,152
Unrealized gains on other securities (Note 4)	10,717	7,195	91,601
Translation adjustments	763	(10,315)	6,515
Total	1,129,204	1,051,364	9,651,315
Treasury stock, at cost 13,754,896 shares in 2006 and 11,591,611 shares in 2005	(155,113)	(129,897)	(1,325,747)
Total shareholders' equity	974,091	921,467	8,325,568
Total	¥1,160,703	¥1,132,492	$9,920,540

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note1) 2006
Net sales	¥508,827	¥514,988	$4,348,951
Cost of sales (Notes 6 and 8)	293,804	297,612	2,511,145
Gross margin	215,023	217,376	1,837,806
Selling, general and administrative expenses (Note 8)	123,800	103,918	1,058,124
Operating income	91,223	113,458	779,682
Other income (expenses)			
Interest income	22,498	13,511	192,288
Foreign exchange gain - net	45,516	21,848	389,026
Reversal of unrealized loss on investments in securities (Note 4)	1,409	-	12,040
Gain on sales of investments in securities - net (Note 4)	3,420	-	29,230
Reversal of reserve for directors' retirement and severance benefits	1,237	-	10,569
Unrealized loss on investments in securities (Note 4)	(1,383)	(1,613)	(11,825)
Other - net	2,551	(1,801)	21,818
Income before income taxes and minority interests	166,471	145,403	1,422,828
Income taxes (Note 9)			
Current	74,431	53,767	636,162
Deferred	(6,292)	4,195	(53,779)
Total income taxes	68,139	57,962	582,382
Minority interests	(46)	25	(396)
Net income	¥98,378	¥87,416	$840,842

Years ended March 31,	¥ Japanese Yen 2006	2005	$ U.S. Dollars (Note 1) 2006
Per Share Information			
Net income (Note 2L)	¥762.28	¥662.96	$6.52
Cash dividends (Note 2L)	390	270	3.33

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2006 and 2005	Number of common shares in thousands	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on other securities	Translation adjustments	Treasury stock at cost
		¥ Japanese Yen in Millions					
Balance, April 1, 2004	141,669	¥10,065	¥11,584	¥964,525	¥6,650	¥(15,677)	¥(86,899)
Net income				87,416			
Cash dividends				(18,464)			
Directors' bonuses				(170)			
Gain on disposal of treasury stock			0				
Decrease in retained earnings due to exclusion of affiliate with equity method applied				(472)			
Unrealized gains on other securities					545		
Translation adjustments						5,362	
Net changes in treasury stock							(42,998)
Balance, March 31, 2005	141,669	10,065	11,584	1,032,835	7,195	(10,315)	(129,897)
Net income				98,378			
Cash dividends				(34,969)			
Directors' bonuses				(170)			
Gain on disposal of treasury stock			1				
Unrealized gains on other securities					3,522		
Translation adjustments						11,078	
Net changes in treasury stock							(25,216)
Balance, March 31, 2006	141,669	¥10,065	¥11,585	¥1,096,074	¥10,717	¥763	¥(155,113)

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on other securities	Translation adjustments	Treasury stock at cost
	$ U.S. Dollars in Thousands (Note1)					
Balance, March 31, 2005	$86,029	$99,012	$8,827,649	$61,494	$(88,171)	$(1,110,230)
Net income			840,842			
Cash dividends			(298,886)			
Directors' bonuses			(1,453)			
Gain on disposal of treasury stock		6				
Unrealized gains on other securities				30,107		
Translation adjustments					94,686	
Net changes in treasury stock						(215,517)
Balance, March 31, 2006	$86,029	$99,018	$9,368,152	$91,601	$6,515	$(1,325,747)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
Cash Flows from Operating Activities			
Net income	¥98,378	¥87,416	$840,842
Depreciation and amortization	3,592	2,931	30,698
Decrease in allowance for doubtful accounts	(511)	(1,226)	(4,369)
Decrease in reserve for employee retirement and severance benefits	(43)	(975)	(367)
Deferred income taxes	(6,292)	4,196	(53,780)
Foreign exchange gain	(46,577)	(27,570)	(398,098)
Reversal of unrealized loss on investments in securities	(1,409)	-	(12,040)
Gain on sales of investments in securities - net	(3,420)	-	(29,230)
Unrealized loss on investments in securities	1,383	1,612	11,825
Decrease (increase) in notes and trade accounts receivable	9,141	(21,063)	78,128
Decrease (increase) in inventories	21,554	(17,735)	184,226
Increase (decrease) in notes and trade accounts payable	(28,679)	48,688	(245,123)
Increase (decrease) in accrued income taxes	(423)	40,282	(3,614)
Other, net	(313)	16	(2,668)
Net cash provided by operating activities	46,381	116,572	396,430
Cash Flows from Investing Activities			
Payments for short-term investments	(533,903)	(96,391)	(4,563,275)
Proceeds from short-term investments	322,996	112,938	2,760,647
Payments for purchase of property, plant and equipment	(4,140)	(2,061)	(35,382)
Proceeds from sale of property, plant and equipment	92	13	783
Payments for investments in securities	(9,173)	(24,712)	(78,401)
Proceeds from investments in securities	13,940	2,524	119,146
Payments for investments in affiliates	(42)	(7,251)	(361)
Sales of business entities	-	1,072	-
Other, net	1,423	2,152	12,166
Net cash used in investing activities	(208,807)	(11,716)	(1,784,677)
Cash Flows from Financing Activities			
Payments for purchase of treasury stock	(25,227)	(42,996)	(215,619)
Cash dividends paid	(34,943)	(18,455)	(298,659)
Other, net	3	4	32
Net cash used in financing activities	(60,167)	(61,447)	(514,246)
Effect of exchange rate changes on cash and cash equivalents	47,004	29,205	401,741
Net increase (decrease) of cash and cash equivalents	(175,589)	72,614	(1,500,752)
Cash and cash equivalents at beginning of year	792,728	720,114	6,775,448
Cash and cash equivalents at end of year	¥617,139	¥792,728	$5,274,696

Years ended March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
Additional Cash Flow Information			
Interest paid	¥1	¥0	$9
Income taxes paid	74,854	13,485	639,776

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2006 and 2005

Note 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared from the consolidated financial statements issued in Japan for domestic reporting purposes. Nintendo Co., Ltd. (the "Company") and its subsidiaries in Japan maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, and in conformity with generally accepted accounting principles and practices in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. Its overseas consolidated subsidiaries maintain their accounts in conformity with the generally accepted accounting principles and practices prevailing in the respective 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.

The 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.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117 to US$1, the approximate rate of exchange at March 31, 2006. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2. Significant Accounting Policies

A. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries (total 20 in 2006 and 19 in 2005) except for 1 in 2006 and 2 in 2005. The equity method of accounting has been applied to 7 affiliates (out of 8 in 2006 and out of 9 in 2005). The remaining subsidiary and affiliate are immaterial and investments in them are carried at cost in the accompanying consolidated balance sheets.

The principal consolidated subsidiaries and the principal affiliate for which the equity method of accounting was used for the year ended March 31, 2006 were as follows:

Consolidated subsidiaries	
Nintendo of America Inc.	Nintendo Australia Pty. Ltd.
Nintendo Benelux B.V.	Nintendo of Canada Ltd.
Nintendo España, S.A.	Nintendo of Europe GmbH
Nintendo France S.A.R.L.	

Affiliate
The Pokémon Company

The amount of consolidated adjustment account is fully amortized in the same fiscal year as incurred.

Valuations of assets and liabilities of consolidated subsidiaries are under market price method.

All significant intercompany transactions, accounts and unrealized profits have been eliminated in consolidation.

The amounts of certain subsidiaries and affiliates have been included on the basis of fiscal periods ended within three months prior to March 31.

B. Translation of Foreign Currency Items

In accordance with the Japanese accounting standard, short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts.

With respect to financial statements of overseas subsidiaries, the balance sheet accounts are translated into Japanese yen at the exchange rates in effect at the balance sheet date except for shareholders' equity, which are translated at the historical rates. The average exchange rates for the fiscal period are used for translation of revenue and expenses. The differences resulting from translation in this manner are included in “Minority Interests” or “Translation adjustments” in the accompanying consolidated balance sheets.

C. Cash and Cash Equivalents

“Cash and cash equivalents” include cash on hand, deposit which can be withdrawn on demand, time deposit with an original maturity of three months or less and certain investments. Investments are defined as those that are easily accessible, with little risk of fluctuation in value and the maturity date is within three months of the acquisition date.

D. Financial Instruments

Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Securities

Held-to-maturity debt securities are stated at cost after accounting for premium or discount on acquisition, which is amortized over the period to maturity.

Equity securities of non-consolidated subsidiary and affiliated company with equity method non-applied are stated at cost.

Other securities for which market quotations are available are stated at fair value. Unrealized gains on other securities are reported as “Unrealized gains on other securities” in Shareholders’ Equity at a net-of-tax amount, while unrealized losses on other securities are included in net profit or loss for the period.

Other securities for which market quotations are unavailable are stated at cost, determined by the moving average method except as stated in the paragraph below.

In case where the fair value of held-to-maturity debt securities, equity securities issued by non-consolidated subsidiary and affiliate, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the Japanese accounting standard, trading securities and debt securities due within one year are presented as “current” and all the other securities are presented as “non-current.”

E. Inventories

“Inventories” are stated at the lower of cost, determined by the moving average method, or market.

F. Property, Plant and Equipment

“Property, plant and equipment” are stated at cost. The Company and its consolidated subsidiaries in Japan compute depreciation by the declining balance method over the estimated useful lives. The straight-line method of depreciation is used for buildings, except for structures, acquired on or after April 1, 1998. Overseas consolidated subsidiaries compute depreciation of assets by applying the straight-line method over the period of estimated useful lives. Estimated useful lives of the principal assets are as follows:

Buildings and structures: 3 to 60 years

G. Income Taxes

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The enterprise taxes levied in proportion to added value and capital were recognized as “Selling, general and administrative expenses” effective as of the year ended March 31, 2005

H. Retirement and Severance Benefits and Pension Plan

The Company and certain consolidated subsidiaries are calculating the reserve for employee retirement and severance benefits with actuarially projected amounts on the basis of the cost of retirement benefit and plan assets at the end of fiscal year.

Actuarial calculation difference are processed collectively, mainly in the accrued year.

In addition, because the Company's plan assets exceeded the cost of retirement benefits during the current consolidated accounting period, "Reserve for employee retirement and severance benefits" is booked as "Prepaid plan assets" in "Other assets".

From the year ended March 31, 2006, the Company adopted the partial amendment of the Japanese Accounting Standards for Employee Retirement and Severance Benefits. The effect by this application for the year ended March 31, 2006 increased "Income before income taxes and minority interests" by ¥2,677 million ($22,882 thousand).

At the Annual General Meeting of Shareholders held on June 29, 2005, the discontinuance of the directors and auditors retirement allowance system was approved along with payment of a final allowance to directors and auditors who took office until that time. Since the final allowances are to be paid at the time of retirement based on each director or auditor's tenure as of June 29, 2005, the amount is booked as part of "Non-current accounts payable".

I. Research and Development and Computer Software

Expenses relating to research and development activities are charged to income as incurred.

Computer software for the internal use included in "Other assets" is amortized using the straight-line method over the estimated useful lives.

J. Leases

All leases are accounted for as operating leases. Under the Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased assets to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

K. Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

L. Per Share Information

The computations of net income per share of common stock are based on the weighted average number of shares outstanding excluding the number of treasury stock during each fiscal year. The average numbers of common stock used in the computation for the years ended March 31, 2006 and 2005 were 128,822 thousand and 131,600 thousand, respectively.

Cash dividends per share represent the amounts applicable to the respective years including dividends to be paid after end of the fiscal year.

Note 3. Supplemental Information on Cash and Cash Equivalents

The balance of "Cash and cash equivalents" includes loans on repurchase agreement secured by marketable securities with a market value of ¥15,939 million ($136,232 thousand) as of March 31, 2006.

Note 4. Short-term Investments and Investments in Securities

Other securities with market value included in "Investments in securities" as of March 31, 2006 and 2005 were as follows:

As of March, 2006	¥ Japanese Yen in Millions			$ U.S. Dollars in Thousands (Note 1)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value on the accompanying consolidated balance sheet exceed their acquisition cost						
Equity securities	¥2,765	¥18,726	¥15,961	$23,635	$160,054	$136,419
Debt securities	26,869	28,949	2,080	229,648	247,426	17,778
Sub-total	¥29,634	¥47,675	¥18,041	$253,283	$407,480	$154,197
Securities whose book value on the accompanying consolidated balance sheet do not exceed their acquisition cost						
Equity securities	¥6,919	¥6,530	¥(389)	$59,132	$55,810	$(3,322)
Sub-total	6,919	6,530	(389)	59,132	55,810	(3,322)
Total	¥36,553	¥54,205	¥17,652	$312,415	$463,290	$150,875

As of March, 2005	¥ Japanese Yen in Millions		
	Acquisition cost	Book value	Difference
Securities whose book value on the accompanying consolidated balance sheet exceed their acquisition cost			
Equity securities	¥12,955	¥24,913	¥11,958
Debt securities	8,277	8,431	154
Sub-total	¥21,232	¥33,344	¥12,112
Securities whose book value on the accompanying consolidated balance sheet do not exceed their acquisition cost			
Equity securities	¥6,754	¥5,743	¥(1,011)
Debt securities	24,178	23,515	(663)
Sub-total	30,932	29,258	(1,674)
Total	¥52,164	¥62,602	¥10,438

Book value of non-marketable securities in "Short-term investments" and "Investments in securities" as of March 31, 2006 and 2005 were summarized as follows:

As of March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
(1) Held-to-maturity debt securities			
Commercial paper	¥46,982	¥11,933	$401,552
(2) Other securities			
Preferred subscription certificate	10,000	11,000	85,470
Unlisted bonds	6,874	-	58,748

The aggregate maturities of Held-to-maturity debt securities in Short-term investments and Investments in securities as of March 31, 2006 and 2005 were as follows:

As of March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
Due within one year	¥64,287	¥20,485	$549,462
Due after one year through five years	18,517	24,394	158,263

Proceeds from sales of other securities with market value were ¥13,940 million ($119,146 thousand) for the year ended March 31, 2006. Gross realized gains and losses on those sales were ¥3,654 million ($31,229 thousand) and ¥234 million ($2,000 thousand) for the year ended March 31, 2006.

Investments in unconsolidated subsidiaries and affiliates were ¥6,264 million ($53,536 thousand) and ¥5,485 million as of March 31, 2006 and 2005, respectively.

Note 5. Derivatives

The Company and certain consolidated subsidiaries enter into foreign exchange forward contracts and currency option contracts.

It is the Company's policy to enter into derivative transactions within the limits of foreign currency deposits, and not for speculative purposes.

The Company has foreign exchange forward contracts to reduce risk of exchange rate fluctuations and currency option contracts to reduce risk of exchange rate fluctuations and yield improvement of short-term financial assets.

Foreign exchange forward contracts and currency option contracts bear risks resulting from exchange rate fluctuations. Counterparties to derivative transactions are limited to high confidence level financial institutions. The Company does not anticipate any risk due to default.

Derivative transactions entered into by the Company and certain consolidated subsidiaries are made by the treasury department or the department in charge of financial matters. They are to be approved by the president and the director in charge of those transactions of the Company. Subject consolidated subsidiaries are to report transaction status on a regular basis to the director in charge.

The Company had no derivative contracts outstanding at March 31, 2006.

Derivative contracts the Company had at March 31, 2005 were as follows:

As of March 31, 2005	¥ Japanese Yen in Millions Contract amount	Fair value	Unrealized gain(loss)
Purchased put options:			
U.S. dollars	¥23,963	¥259	¥(8)
Euros	14,177	55	(8)
Written call options:			
U.S. dollars	71,890	442	(174)
Euros	14,177	39	24

Notes to Consolidated Financial Statements

Years ended March 31, 2006 and 2005

Note 6. Inventories

Losses incurred from the application of the lower of cost or market valuation of inventories have been charged to "Cost of sales" in the accompanying consolidated statements of income. These losses amounted to ¥6,840 million ($58,458 thousand) and ¥5,116 million for the years ended March 31, 2006 and 2005, respectively.

Note 7. Retirement and Severance Benefits and Pension Plan

The Company has a tax approved pension scheme and lump-sum severance payments plan which is a defined benefit plan. 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 who have distinguished services.

Retirement benefit obligations as of March 31, 2006 and 2005 were as follows:

	¥ Japanese Yen in Millions		$ U.S. Dollars in Thousands (Note 1)
As of March 31,	2006	2005	2006
a. Retirement benefit obligation	¥(20,340)	¥(17,747)	$(173,842)
b. Plan assets	17,719	12,919	151,444
c. Unfunded retirement benefit obligation	(2,621)	(4,828)	(22,398)
d. Unrecognized actuarial difference	2,355	1,729	20,131
e. Unrecognized prior service cost	64	68	545
f. Unrecognized plan assets	-	(44)	-
g. Net pension liability recognized in the consolidated balance sheets	(202)	(3,075)	(1,722)
h. Prepaid pension cost	(3,097)	-	(26,477)
i. Reserve for employee retirement and severance benefits	¥(3,299)	¥(3,075)	$(28,199)

Retirement benefit costs for the years ended March 31, 2006 and 2005 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions 2006	2005	$ U.S. Dollars in Thousands (Note 1) 2006
a. Service cost	¥1,333	¥1,292	$11,394
b. Interest cost	620	504	5,296
c. Expected return on plan assets	(342)	(183)	(2,923)
d. Amortization of actuarial difference	(2,237)	(1,418)	(19,116)
e. Amortization of prior service cost	10	10	85
f. Retirement benefit cost	(616)	205	(5,264)
g. Other	637	607	5,445
h. Total	¥21	¥812	$181

Basis of calculation:

Year ended March 31, 2006

a. Method of attributing benefits to years of service:	**Straight-line basis**
b. Discount rate:	**1.5% to 6.0%**
c. Expected return rate on plan assets:	**1.3% to 7.5%**
d. Amortization years of prior service cost:	**nine to ten years**
e. Amortization years of actuarial difference:	**Mainly fully amortized in the same fiscal year as incurred**

Year ended March 31, 2005

a. Method of attributing benefits to years of service:	**Straight-line basis**
b. Discount rate:	**1.3% to 6.0%**
c. Expected return rate on plan assets:	**0.0% to 8.0%**
d. Amortization years of prior service cost:	**one to ten years**
e. Amortization years of actuarial difference:	**Mainly fully amortized in the same fiscal year as incurred**

Note 8. Research and Development

Research and development costs incurred and charged to “Cost of sales”, and “Selling, general and administrative expenses” were ¥30,597 million ($261,511 thousand) and ¥20,513 million for the years ended March 31, 2006 and 2005, respectively.

Note 9. Income Taxes

The Company is subject to several Japanese taxes based on income, which, in the aggregate, result in a normal statutory tax rates of approximately 40.6% for the years ended March 31, 2006 and 2005.

Significant components of deferred tax assets and liabilities are summarized as follows:

	¥ Japanese Yen in Millions		$ U.S. Dollars in Thousands (Note 1)
As of March 31,	2006	2005	2006
Deferred tax assets:			
Research and development costs	¥12,157	¥6,998	$103,908
Inventory - write-downs and elimination of unrealized profit	8,513	7,418	72,761
Other A/P and accrued expenses	8,083	5,428	69,089
Accrued enterprise tax	3,375	3,452	28,842
Land	2,572	2,572	21,981
Unrealized loss on investments in securities	2,050	1,962	17,521
Depreciation	1,398	1,059	11,951
Reserve for employee retirement and severance benefits	1,187	1,337	10,147
Other	6,583	7,277	56,265
Gross deferred tax assets	45,918	37,503	392,465
Valuation allowance	(731)	(429)	(6,253)
Total deferred tax assets	45,187	37,074	386,212
Deferred tax liabilities:			
Unrealized gains on other securities	(7,325)	(4,918)	(62,604)
Undistributed retained earnings of subsidiaries and affiliates	(2,111)	(1,769)	(18,045)
Other	(1,267)	(717)	(10,832)
Total deferred tax liabilities	(10,703)	(7,404)	(91,481)
Net deferred tax assets	¥34,484	¥29,670	$294,731

Reconciliations of the statutory tax rate and the effective tax rate for the years ended March 31, 2006 and 2005 are omitted, since the difference is not more than five one-hundredth of the statutory tax rate.

Note 10. Leases

The Company and certain consolidated subsidiaries lease computer equipment and other assets. Total lease payments under finance leases not deemed to transfer ownership of the leased assets to the lessee for the years ended March 31, 2006 and 2005 were ¥209 million ($1,787 thousand) and ¥261 million, respectively.

Pro forma information of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis as of March 31, 2006 and 2005 was as follows:

	¥ Japanese Yen in Millions		$ U.S. Dollars in Thousands (Note 1)
As of March 31,	2006	2005	2006
Acquisition cost	¥637	¥827	$5,443
Accumulated depreciation	310	478	2,652
Net leased assets	¥327	¥349	$2,791

Pro forma amounts of obligations under finance leases that do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis as of March 31, 2006 and 2005 were as follows:

	¥ Japanese Yen in Millions		$ U.S. Dollars in Thousands (Note 1)
As of March 31,	2006	2005	2006
Due within one year	¥169	¥207	$1,437
Due after one year	158	142	1,354
Total	¥327	¥349	$2,791

The minimum rental commitments under noncancelable operating leases at March 31, 2006 and 2005 were as follows:

	¥ Japanese Yen in Millions		$ U.S. Dollars in Thousands (Note 1)
As of March 31,	2006	2005	2006
Due within one year	¥576	¥573	$4,928
Due after one year	3,363	3,404	28,741
Total	¥3,939	¥3,977	$33,669

Depreciation expenses which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method were ¥209 million ($1,787 thousand) and ¥261 million for the years ended March 31, 2006 and 2005, respectively.

Notes to Consolidated Financial Statements

Years ended March 31, 2006 and 2005

Note 11. Litigation

The Commission of the European Communities announced to impose a fine of EUR149 million on October 30, 2002 referring that Nintendo's past trade practices in Europe until 1998 fell upon "limitation of competition within the EU common market" which is prohibited by Article 81 in the EU treaty.

The Company and its consolidated subsidiary found this fine to be unjustly high and appealed to the Court of First Instance of the European Communities on January 16, 2003. The legal procedure is now under way.

Note 12. Subsequent Events

At the annual general meeting held on June 29, 2006, shareholders of the Company approved the year-end cash dividends and directors' bonuses proposed by the Board of Directors of the Company as follows:

	¥ Japanese Yen in Millions	$ U.S. Dollars in Thousands (Note 1)
Year-end cash dividends, ¥320 ($2.74) per share	¥40,933	$349,851
Directors' bonuses	180	1,538

Note 13. Segment Information

A. Segment Information by Business Categories

Because the Company and its consolidated subsidiaries operate predominantly in one industry segment which accounts for over 90% of total net sales, operating income and assets, this information is not required.

B. Segment Information by Seller's Location

Year ended March 31, 2006	Japan	The Americas	Europe	Other	Total	Eliminations or unallocated assets	Consolidated
	¥ Japanese Yen in Millions						
Net sales and operating income							
Net sales							
Sales to third parties	¥161,508	¥210,494	¥129,869	¥6,956	¥508,827	-	¥508,827
Inter segment sales	249,751	1,997	9	78	251,835	¥(251,835)	-
Total net sales	411,259	212,491	129,878	7,034	760,662	(251,835)	508,827
Cost of sales and selling, general and administrative expenses	329,771	211,151	128,522	6,922	676,366	(258,762)	417,604
Operating income	¥81,488	¥1,340	¥1,356	¥112	¥84,296	¥6,927	¥91,223
Assets	¥975,312	¥145,475	¥68,729	¥3,151	¥1,192,667	¥(31,964)	¥1,160,703

Year ended March 31, 2005	Japan	The Americas	Europe	Other	Total	Eliminations or unallocated assets	Consolidated
	¥ Japanese Yen in Millions						
Net sales and operating income							
Net sales							
Sales to third parties	¥130,798	¥256,119	¥121,354	¥6,717	¥514,988	-	¥514,988
Inter segment sales	311,845	1,881	10	100	313,836	¥(313,836)	-
Total net sales	442,643	258,000	121,364	6,817	828,824	(313,836)	514,988
Cost of sales and selling, general and administrative expenses	342,940	248,959	117,778	6,862	716,539	(315,009)	401,530
Operating income	¥99,703	¥9,041	¥3,586	¥(45)	¥112,285	¥1,173	¥113,458
Assets	¥970,681	¥152,764	¥72,591	¥3,966	¥1,200,002	¥(67,510)	¥1,132,492

Notes to Consolidated Financial Statements

Years ended March 31, 2006 and 2005

Year ended March 31, 2006	Japan	The Americas	Europe	Other	Total	Eliminations or unallocated assets	Consolidated
	$ U.S. Dollars in Thousands (Note 1)						
Net sales and operating income							
Net sales							
Sales to third parties	$1,380,411	$1,799,093	$1,109,995	$59,452	$4,348,951	-	$4,348,951
Inter segment sales	2,134,621	17,066	77	666	2,152,430	$(2,152,430)	-
Total net sales	3,515,032	1,816,159	1,110,072	60,118	6,501,381	(2,152,430)	4,348,951
Cost of sales and selling, general and administrative expenses	2,818,555	1,804,707	1,098,479	59,162	5,780,903	(2,211,634)	3,569,269
Operating income	$696,477	$11,452	$11,593	$956	$720,478	$59,204	$779,682
Assets	$8,336,002	$1,243,369	$587,429	$26,934	$10,193,734	$(273,194)	$9,920,540

C. Sales to Overseas Customers

Year ended March 31, 2006	The Americas	Europe	Other	Total
	¥ Japanese Yen in Millions			
Sales to overseas customers	¥211,195	¥129,885	¥11,531	¥352,611
Consolidated net sales				¥508,827

Year ended March 31, 2005	The Americas	Europe	Other	Total
	¥ Japanese Yen in Millions			
Sales to overseas customers	¥256,969	¥121,372	¥9,883	¥388,224
Consolidated net sales				¥514,988

Year ended March 31, 2006	The Americas	Europe	Other	Total
	$ U.S. Dollars in Thousands (Note 1)			
Sales to overseas customers	$1,805,086	$1,110,124	$98,558	$3,013,768
Consolidated net sales				$4,348,951