





# Analysis of Operations and Financial Review

## Overview

Nintendo continues to pursue its basic strategy of *Gaming Population Expansion* by offering compelling products that anyone can enjoy, regardless of age, gender or gaming experience.

During the fiscal year ended March 31, 2012, in order to get the *Nintendo 3DS* system back on track to its originally anticipated sales pace as the successor of *Nintendo DS*, Nintendo made a significant price cut of the *Nintendo 3DS* hardware, in and out of Japan in August 2011, and released attractive software titles one after another in the year-end sales season to let *Nintendo 3DS* spread widely. Moreover, Nintendo engaged in new sales promotions like *Nintendo Direct*, in which new software line-ups were presented straight to consumers through the Internet. As a result, the worldwide sales of the *Nintendo 3DS* hardware during the fiscal year were 13.53 million units and the sales of the *Nintendo 3DS* hardware in Japan exceeded five million units, which is the fastest record of all dedicated game platforms. As for the *Nintendo 3DS* software, there were some hit titles, which were not only the key Nintendo titles such as *SUPER MARIO 3D LAND* and *Mario Kart 7* but also third-party titles. While the Japanese sales of the *Nintendo 3DS* software grew, in Europe and the United States, although *SUPER MARIO 3D LAND* and *Mario Kart 7* made strong sales, the start of the year-end sales season was slower in comparison to the last few years. As a result, recovery from the slow sales pace early in the fiscal year was not fully achieved. The worldwide sales of the *Nintendo 3DS* software were 36 million units. The worldwide sales of the *Nintendo DS* series hardware (which represents *Nintendo DS*, *Nintendo DS Lite*, *Nintendo DSi* and *Nintendo DSi XL*) and the *Nintendo DS* software were 5.1 million units and 60.82 million units respectively.

With respect to the *Wii* system, *The Legend of Zelda: Skyward Sword*, the newest title of the *Zelda* series, which celebrated its 25th anniversary, recorded strong sales, especially in the United States. Also, the sales of third-parties' dance titles became robust, especially in overseas countries. The worldwide sales of the *Wii* hardware were 9.84 million units and those of the *Wii* software were 102.37 million units.

In addition to the above, due to price reductions and the related inventory markdown of hardware systems for *Nintendo 3DS* globally and *Wii* in the overseas markets, and the impact of a much stronger yen against foreign currencies during the fiscal year, net sales were 647.6 billion yen (US\$7,898 million) of which overseas sales were 499.4 billion yen (US\$6,090 million) or 77.1% of the total sales. The operating loss was 37.3 billion yen (US\$455 million). Due to exchange losses totaling 27.7 billion yen (US\$338 million), the ordinary loss was 60.8 billion yen (US\$742 million), and the net loss was 43.2 billion yen (US\$526 million).

## 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 the end of the annual consolidated fiscal period ended March 31, 2012.

### (1) Risks around economic environment

#### •Fluctuation in foreign exchange rates

Nintendo distributes its products globally with overseas sales accounting for over 70% of its total sales. Since the majority of monetary transactions are made in local currencies, fluctuations in foreign exchange rates have a direct influence on financial performance. In addition, the Company holds a substantial amount of assets in foreign currencies, including cash and deposits without exchange contracts. Thus, fluctuations in foreign exchange rates have an 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, 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 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.

•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 software development, there is no guarantee that all new products 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, it is possible that 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, it may become difficult to develop or sell the products 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.

•Overseas business expansion and international activities

In addition to Japan, Nintendo engages in business in the United States, Europe, Australia, Asia and other areas in the world. Expansion of business to these overseas markets involves risks such as a) unpredictable enforcement or changes in laws or regulations, b) disadvantages from emergence of political or economic factors, c) disadvantages from inconsistency of multilateral taxation systems and diversity of tax law interpretation, d) difficulty of recruiting and securing human resources, e) social disruption resulting from terrorist attacks, war and other catastrophic events.

•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 business.

•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.

## Analysis of Operations and Financial Review

### (3) Risks around legal regulations and litigation

- Product liability

Nintendo manufactures its products based on quality control standards required in each location throughout the world. However, large-scale product recalls may occur due mainly to defective products, which may cause Nintendo to incur additional expenses and Nintendo's reputation as well as Nintendo's performance and financial position may suffer.

- Limitations of enforcing intellectual property rights

Although Nintendo continues to accumulate various intellectual properties to produce different products, counterfeit products already have gone into circulation in some regions and have violated Nintendo's intellectual property rights. In the future, it may continue to be a challenging task to take full action against every infringement of Nintendo's intellectual property rights.

- Leakage of personal and confidential information

Nintendo possesses personally identifiable information about its consumers, such as "Club Nintendo" membership information. If such personally identifiable information or any confidential information concerning development or business operations were ever breached or otherwise leaked outside of Nintendo, there would be an adverse effect on Nintendo's future operating performance, reputation, share price and financial condition.

- Changes in accounting standards and taxation systems

Unpredicted adoptions 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 adversely affect Nintendo's performance.

- Other risks

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

# Report of Independent Auditor

## To the Board of Directors of Nintendo Co., Ltd.

We have audited the accompanying consolidated financial statements of Nintendo Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nintendo Co., Ltd. and its subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### *Convenience translations*

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*Kyoto Audit Corporation*

Kyoto Audit Corporation  
Kyoto, Japan

June 28, 2012

## Consolidated Balance Sheets

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands (Note 1)
	2012	2011	2012
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	¥462,021	¥812,870	\$5,634,406
Notes and accounts receivable-trade	43,378	135,689	529,001
Short-term investment securities	496,301	358,206	6,052,456
Inventories (Note 5 A)	78,446	92,713	956,664
Deferred tax assets	16,744	27,620	204,205
Other	46,043	42,362	561,507
Allowance for doubtful accounts	(2,149)	(756)	(26,211)
<b>Total current assets</b>	<b>1,140,786</b>	<b>1,468,706</b>	<b>13,912,030</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment (Note 5 B)</b>			
Buildings and structures, net	25,739	27,124	313,897
Machinery, equipment and vehicles, net	13,526	4,851	164,955
Tools, furniture and fixtures, net	4,707	5,787	57,410
Land	41,374	41,606	504,564
Construction in progress	2,508	1,494	30,595
<b>Total property, plant and equipment</b>	<b>87,856</b>	<b>80,864</b>	<b>1,071,423</b>
<b>Intangible assets</b>			
Software	4,801	3,553	58,551
Other	2,905	1,986	35,429
<b>Total intangible assets</b>	<b>7,706</b>	<b>5,539</b>	<b>93,980</b>
<b>Investments and other assets</b>			
Investment securities (Note 5 C)	66,505	38,228	811,038
Deferred tax assets	57,185	35,017	697,385
Other	8,361	5,940	101,970
Allowance for doubtful accounts	(0)	(0)	(0)
<b>Total investments and other assets</b>	<b>132,052</b>	<b>79,187</b>	<b>1,610,394</b>
<b>Total noncurrent assets</b>	<b>227,615</b>	<b>165,591</b>	<b>2,775,798</b>
<b>Total assets</b>	<b>¥1,368,401</b>	<b>¥1,634,297</b>	<b>\$16,687,829</b>

See accompanying notes to consolidated financial statements.

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands (Note 1)
	2012	2011	2012
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	¥86,700	¥214,646	\$1,057,317
Income taxes payable	1,008	32,301	12,294
Provision for bonuses	2,565	2,431	31,288
Other	65,164	83,922	794,693
<b>Total current liabilities</b>	<b>155,438</b>	<b>333,301</b>	<b>1,895,593</b>
<b>Noncurrent liabilities</b>			
Provision for retirement benefits	14,444	11,647	176,153
Other	7,493	7,486	91,382
<b>Total noncurrent liabilities</b>	<b>21,937</b>	<b>19,134</b>	<b>267,535</b>
<b>Total liabilities</b>	<b>177,376</b>	<b>352,435</b>	<b>2,163,128</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock	10,065	10,065	122,748
Capital surplus	11,734	11,734	143,106
Retained earnings	1,419,784	1,502,631	17,314,440
Treasury stock	(156,682)	(156,663)	(1,910,764)
<b>Total shareholders' equity</b>	<b>1,284,901</b>	<b>1,367,767</b>	<b>15,669,531</b>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	1,570	(917)	19,152
Foreign currency translation adjustment	(95,528)	(85,212)	(1,164,979)
<b>Total accumulated other comprehensive income</b>	<b>(93,957)</b>	<b>(86,129)</b>	<b>(1,145,827)</b>
<b>Minority interests</b>	<b>81</b>	<b>224</b>	<b>995</b>
<b>Total net assets</b>	<b>1,191,025</b>	<b>1,281,861</b>	<b>14,524,700</b>
<b>Total liabilities and net assets</b>	<b>¥1,368,401</b>	<b>¥1,634,297</b>	<b>\$16,687,829</b>

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Income

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands (Note 1)
	2012	2011	2012
<b>Net sales</b>	¥647,652	¥1,014,345	\$7,898,200
<b>Cost of sales (Notes 6 A, C)</b>	493,997	626,379	6,024,362
<b>Gross profit</b>	153,654	387,965	1,873,837
<b>Selling, general and administrative expenses (Notes 6 B, C)</b>	190,975	216,889	2,328,970
<b>Operating income (loss)</b>	(37,320)	171,076	(455,132)
<b>Non-operating income</b>			
Interest income	7,721	6,870	94,159
Other	2,104	1,731	25,665
<b>Total non-operating income</b>	9,825	8,602	119,824
<b>Non-operating expenses</b>			
Sales discounts	408	479	4,977
Foreign exchange losses	27,768	49,429	338,638
Other	5,191	1,667	63,310
<b>Total non-operating expenses</b>	33,368	51,577	406,927
<b>Ordinary income (loss)</b>	(60,863)	128,101	(742,234)
<b>Extraordinary income</b>			
Reversal of allowance for doubtful accounts	-	56	-
Gain on sales of noncurrent assets (Note 6 D)	84	105	1,028
Gain on sales of investment securities	-	24	-
<b>Total extraordinary income</b>	84	186	1,028
<b>Extraordinary loss</b>			
Loss on disposal of noncurrent assets (Note 6 E)	98	30	1,198
Loss on sales of investment securities	-	0	-
Loss on valuation of investment securities	-	322	-
<b>Total extraordinary losses</b>	98	353	1,198
<b>Income (loss) before income taxes and minority interests</b>	(60,877)	127,934	(742,404)
<b>Income taxes-current</b>	(5,140)	41,627	(62,688)
<b>Income taxes-deferred</b>	(12,519)	8,634	(152,672)
<b>Total income taxes</b>	(17,659)	50,262	(215,360)
<b>Income (loss) before minority interests</b>	(43,217)	77,671	(527,044)
<b>Minority interests in income (loss)</b>	(13)	50	(159)
<b>Net income (loss)</b>	¥(43,204)	¥77,621	\$(526,884)

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands (Note 1)
	2012	2011	2012
Income (loss) before minority interests	¥(43,217)	¥77,671	\$(527,044)
Other comprehensive income			
Valuation difference on available-for-sale securities	2,511	(2,582)	30,627
Foreign currency translation adjustment	(10,316)	(27,433)	(125,805)
Share of other comprehensive income of associates accounted for using equity method	(23)	3	(284)
Total other comprehensive income (Note 7)	(7,827)	(30,012)	(95,462)
Comprehensive income	(51,045)	47,659	(622,506)
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	(51,032)	47,608	(622,346)
Comprehensive income attributable to minority interests	¥(13)	¥50	\$(159)

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012 and 2011	¥ Japanese Yen in Millions									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance as of April 1, 2010</b>	¥10,065	¥11,733	¥1,527,315	¥(156,585)	¥1,392,528	¥1,661	¥(57,778)	¥(56,117)	¥174	¥1,336,585
<b>Changes of items during the fiscal year</b>										
Dividends from surplus	-	-	(102,305)	-	(102,305)	-	-	-	-	(102,305)
Net income	-	-	77,621	-	77,621	-	-	-	-	77,621
Purchase of treasury stock	-	-	-	(79)	(79)	-	-	-	-	(79)
Disposal of treasury stock	-	1	-	1	2	-	-	-	-	2
Net changes of items other than shareholders' equity	-	-	-	-	-	(2,578)	(27,433)	(30,012)	50	(29,962)
<b>Total changes of items during the fiscal year</b>	-	1	(24,683)	(78)	(24,761)	(2,578)	(27,433)	(30,012)	50	(54,723)
<b>Balance as of March 31, 2011</b>	10,065	11,734	1,502,631	(156,663)	1,367,767	(917)	(85,212)	(86,129)	224	1,281,861
<b>Balance as of April 1, 2011</b>	10,065	11,734	1,502,631	(156,663)	1,367,767	(917)	(85,212)	(86,129)	224	1,281,861
<b>Changes of items during the fiscal year</b>										
Dividends from surplus	-	-	(39,642)	-	(39,642)	-	-	-	-	(39,642)
Net loss	-	-	(43,204)	-	(43,204)	-	-	-	-	(43,204)
Purchase of treasury stock	-	-	-	(19)	(19)	-	-	-	-	(19)
Disposal of treasury stock	-	0	-	0	1	-	-	-	-	1
Net changes of items other than shareholders' equity	-	-	-	-	-	2,488	(10,316)	(7,827)	(142)	(7,970)
<b>Total changes of items during the fiscal year</b>	-	0	(82,847)	(18)	(82,865)	2,488	(10,316)	(7,827)	(142)	(90,836)
<b>Balance as of March 31, 2012</b>	¥10,065	¥11,734	¥1,419,784	¥(156,682)	¥1,284,901	¥1,570	¥(95,528)	¥(93,957)	¥81	¥1,191,025

Year ended March 31, 2012	\$ U.S. Dollars in Thousands (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
<b>Balance as of April 1, 2011</b>	\$122,748	\$143,103	\$18,324,770	\$(1,910,535)	\$16,680,087	\$(11,190)	\$(1,039,174)	\$(1,050,364)	\$2,736	\$15,632,458
<b>Changes of items during the fiscal year</b>										
Dividends from surplus	-	-	(483,445)	-	(483,445)	-	-	-	-	(483,445)
Net loss	-	-	(526,884)	-	(526,884)	-	-	-	-	(526,884)
Purchase of treasury stock	-	-	-	(238)	(238)	-	-	-	-	(238)
Disposal of treasury stock	-	2	-	10	13	-	-	-	-	13
Net changes of items other than shareholders' equity	-	-	-	-	-	30,342	(125,805)	(95,462)	(1,740)	(97,202)
<b>Total changes of items during the fiscal year</b>	-	2	(1,010,329)	(228)	(1,010,555)	30,342	(125,805)	(95,462)	(1,740)	(1,107,758)
<b>Balance as of March 31, 2012</b>	\$122,748	\$143,106	\$17,314,440	\$(1,910,764)	\$15,669,531	\$19,152	\$(1,164,979)	\$(1,145,827)	\$995	\$14,524,700

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands (Note 1)
	2012	2011	2012
<b>Net cash provided by (used in) operating activities</b>			
Income (loss) before income taxes and minority interests	¥(60,877)	¥127,934	\$(742,404)
Depreciation and amortization	12,523	6,794	152,720
Increase (decrease) in allowance for doubtful accounts	1,410	(221)	17,206
Increase (decrease) in provision for retirement benefits	2,810	2,586	34,275
Interest and dividends income	(7,957)	(7,113)	(97,039)
Foreign exchange losses (gains)	21,477	39,464	261,918
Equity in (earnings) losses of affiliates	596	40	7,272
Decrease (increase) in notes and accounts receivable-trade	85,500	(12,377)	1,042,682
Decrease (increase) in inventories	9,811	20,109	119,648
Increase (decrease) in notes and accounts payable-trade	(107,128)	(42,172)	(1,306,447)
Increase (decrease) in accrued consumption taxes	(390)	(2,908)	(4,767)
Other, net	(13,309)	3,515	(162,314)
<b>Sub-total</b>	(55,534)	135,652	(677,247)
Interest and dividends income received	8,212	7,676	100,148
Interest expenses paid	(5)	(2)	(65)
Income taxes paid	(47,628)	(65,222)	(580,834)
<b>Net cash provided by (used in) operating activities</b>	(94,955)	78,103	(1,157,999)
<b>Net cash provided by (used in) investing activities</b>			
Payments into time deposits	(177,093)	(391,444)	(2,159,678)
Proceeds from withdrawal of time deposits	260,328	398,561	3,174,743
Purchase of property, plant and equipment	(19,979)	(10,940)	(243,658)
Proceeds from sales of property, plant and equipment	170	536	2,081
Purchase of short-term and long term investment securities	(1,368,101)	(626,891)	(16,684,169)
Proceeds from sales and redemption of short-term and long term investment securities	1,145,894	476,940	13,974,328
Other, net	(5,611)	(800)	(68,437)
<b>Net cash provided by (used in) investing activities</b>	(164,392)	(154,038)	(2,004,790)
<b>Net cash provided by (used in) financing activities</b>			
Cash dividends paid	(39,644)	(102,314)	(483,463)
Other, net	(179)	(141)	(2,187)
<b>Net cash provided by (used in) financing activities</b>	(39,823)	(102,456)	(485,651)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(18,007)	(28,576)	(219,603)
<b>Net increase (decrease) in cash and cash equivalents</b>	(317,179)	(206,967)	(3,868,045)
<b>Cash and cash equivalents at beginning of year</b>	724,366	931,333	8,833,735
<b>Cash and cash equivalents at end of year (Note 9)</b>	¥407,186	¥724,366	\$4,965,689

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## Note 1. 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.

As permitted by the Financial Instruments and Exchange Act of Japan, each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen (In the case of translation into U.S. dollars, it is rounded down to the nearest one thousand dollars). 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 ¥82 to U.S.\$1, the approximate current rate of exchange on March 31, 2012, has been applied for the purpose of presentation of the accompanying consolidated financial statements in U.S. dollars. These amounts in U.S. dollars are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. 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.

## Note 2. Significant Accounting Policies

### A. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its 29 subsidiaries except for one as of March 31, 2012. Mobiclip SAS and two other subsidiaries have been newly included, as the Company has acquired their shares during the fiscal year ended March 31, 2012. One of the subsidiaries, Fukuei Co., Ltd, is not only unconsolidated, but also not being accounted for under the equity method, as it is a small scale company and its impact is not significant on the total assets, net sales, net income or loss, retained earnings and others in the consolidated financial statements. The equity method of accounting is applied to four affiliates out of five as of March 31, 2012. One of the affiliates, Ape inc., is not accounted for under the equity method, as it is immaterial and its impact is not significant on net income or loss, retained earnings and others in the consolidated financial statements. The names of the major subsidiaries and affiliates are shown in "Corporate information" at page 49.

All the consolidated subsidiaries have adopted March 31, the closing date of the accompanying consolidated financial statements, as their fiscal year end except for Nintendo Phuten Co., Ltd., iQue (China) Ltd., Mobiclip SAS Ltd., and three other subsidiaries of December 31 as of March 31, 2012. The amounts of these subsidiaries have been included on the basis of their fiscal periods as the differences in the closing dates are within three months prior to March 31. Besides, the amounts of certain affiliates have been included on the basis of their fiscal periods within three months prior to March 31. Any necessary adjustments were made to financial statements to reflect any significant transactions from their closing dates to March 31, 2012.

## **B. Securities and Derivatives**

### Securities

Held-to-maturity debt securities are stated using amortized cost method on a straight-line basis. Other investment securities for which market quotations are available are stated at fair value at the balance sheet date. Unrealized gains and losses on other investment securities are recorded as "Valuation difference on available-for-sale securities" in "Net assets" at the net-of-tax amount. The cost of investment securities sold is determined based on the moving average cost.

Other investment securities for which market quotations are unavailable are stated at cost, determined by the moving average method.

### Derivatives

Derivatives are stated at fair value.

## **C. Inventories**

Finished goods, work in process and raw materials and supplies are mainly measured by means of the cost method based on the moving average method, which evaluates the amount of the inventories shown on the balance sheet by the write-down of inventories due to decreased profitability of assets.

## **D. Property, Plant and Equipment**

The Company and its domestic consolidated subsidiaries compute depreciation by the declining balance method over the estimated useful lives except for certain tools, furniture and fixtures depreciated over the economic useful lives. The straight-line basis of depreciation is used for buildings, except for structures, acquired on or after April 1, 1998. Overseas consolidated subsidiaries compute depreciation by applying the straight-line basis over the period of estimated useful lives. Estimated useful lives of "Buildings and structures," one of the principal assets, are 3 to 60 years.

Leased assets are excluded from property, plant and equipment.

## **E. Intangible Assets**

Amortization of intangible assets, except for computer software for internal use, is computed by the straight-line basis over the estimated useful lives. Amortization of computer software for internal use is computed by the straight-line basis over the estimated internal useful lives of mainly five years.

Leased assets are excluded from intangible assets.

## **F. Leased Assets**

Leased assets related to finance lease transactions that do not transfer ownership are depreciated on a straight-line basis, with the lease periods used as their useful lives and no residual value.

## **G. 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 and the evaluation of uncollectible amount on individual doubtful accounts. Overseas consolidated subsidiaries provide the allowance for doubtful accounts based on the evaluation of uncollectible amount on individual accounts.

## **H. Provision for Bonuses**

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

## Notes to Consolidated Financial Statements

### I. Provision for Retirement Benefits

The Company and certain consolidated subsidiaries provide the reserve for employees' retirement and severance benefits based on the projected benefit obligation and plan assets at the end of fiscal year.

Prior service cost and actuarial calculation differences are processed collectively in the accrued year.

As for the Company's defined benefit corporate pension plan, the reserve for employees' retirement and severance benefits are booked as prepaid pension costs in "Other" in "Investments and other assets" as the Company's plan assets exceeded the projected benefit obligation during the consolidated accounting period for the year ended March 31, 2012.

### J. Translation of Foreign Currency Items

All the monetary receivables and payables of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. The foreign exchange gains and losses from translation are recognized in the accompanying consolidated statements of income.

With respect to financial statements of overseas subsidiaries, the balance sheet accounts are translated into Japanese yen at the exchange rate of the closing date except for shareholders' equity, which are translated at the historical rates. Revenue and expense accounts are translated into Japanese yen at the annual average exchange rate for the fiscal period. The differences resulting from such translations are included in "Foreign currency translation adjustment" or "Minority interests" in "Net assets."

### K. Amortization of Goodwill

Goodwill is fully amortized by the straight-line basis over mainly five years or, in case of immaterial amount, in the same fiscal year as incurred.

### L. Cash and Cash Equivalents in Consolidated Statements of Cash Flows

"Cash and cash equivalents" include cash on hand, time deposit which can be withdrawn on demand and certain investments, with little risk of fluctuation in value and maturity date of three months or less, which are promptly convertible to cash.

### M. Accounting for Consumption Taxes

Consumption taxes are recorded as assets or liabilities when they are paid or received.

## Note 3. Changes in Description

### A. Consolidated Balance Sheets

Effective as of the consolidated accounting period ended March 31, 2012, "Finished goods," "Work in process" and "Raw materials and supplies," individually described in the 2011 accompanying consolidated balance sheet, have been described in a lump as "Inventories" in order to be consistent with the other reports issued for the consolidated accounting period ended March 31, 2012. Amounts of "Finished goods," "Work in process" and "Raw materials and supplies" are presented in the following "Note 5. Note to Consolidated Balance Sheets."

### B. Consolidated Statements of Cash Flows

Effective as of the consolidated accounting period ended March 31, 2012, "Purchase of short-term investment securities" and "Purchase of investment securities," individually described in the 2011 accompanying consolidated statements of cash flows, have been described in the net cash provided by (used in) investing activities as "Purchase of short-term and long term investment securities" in order to describe the actual transaction simply and more appropriately. "Purchase of short-term investment securities" and "Purchase of investment securities" in the 2011 accompanying consolidated statements of cash flows were ¥613,423 million and ¥13,468 million respectively.

Effective as of the consolidated accounting period ended March 31, 2012, "Proceeds from sales and redemption of securities" individually described, and "Proceeds from sales and redemption of investment securities" included in "Other" in the 2011 accompanying consolidated statements of cash flows, have been described in the net cash provided by (used in) investing activities as "Purchase of short-term and long term investment securities" in order to describe the actual transaction simply and more appropriately. "Proceeds from sales and redemption of securities," and "Proceeds from sales and redemption of investment securities" included in "Other" in the 2011 accompanying consolidated statements of cash flows were ¥476,912 million and ¥28 million respectively.

#### Note 4. Additional Information

The "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Statement No.24 dated December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Guidance No.24 dated December 4, 2009) have been adopted for any accounting changes and error corrections since the beginning of the consolidated accounting period ended March 31, 2012.

#### Note 5. Note to Consolidated Balance Sheets

##### A. Inventories

Inventories as of March 31, 2012 and 2011 were as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Finished goods	¥71,034	¥85,205	\$866,279
Work in process	235	438	2,872
Raw materials and supplies	¥7,175	¥7,069	\$87,512

##### B. Accumulated Depreciation of Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment as of March 31, 2012 and 2011 were as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Accumulated depreciation of property, plant and equipment	¥57,885	¥51,577	\$705,916

##### C. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2012 and 2011 were as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Investments in unconsolidated subsidiaries and affiliates	¥5,300	¥6,000	\$64,642



## Notes to Consolidated Financial Statements

### Note 6. Note to Consolidated Statements of Income

#### A. Valuation Losses on Goods

Losses incurred from the application of the write-down of inventories due to decreased profitability of assets and charged to "Cost of sales" for the years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Losses incurred from the application of the write-down of inventories	¥7,516	¥4,236	\$91,665

#### B. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Advertising expenses	¥74,599	¥96,359	\$909,752
Research and development expenses	52,614	52,625	641,635
Salaries, allowances and bonuses	18,189	19,016	221,827
Depreciation	6,191	4,435	75,502
Provision for bonuses	974	915	11,889
Provision of allowance for doubtful accounts	¥(153)	¥92	\$(1,877)

#### C. Research and Development Expenses

Research and development expenses incurred and charged to "Selling, general and administrative expenses" and "Cost of sales" for the years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Research and development expenses	¥52,675	¥52,756	\$642,380

#### D. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Sales of buildings and structures	¥81	-	\$999
Sales of machinery, equipment and vehicles	2	¥1	29
Sales of land	-	104	-
<b>Total</b>	<b>¥84</b>	<b>¥105</b>	<b>\$1,028</b>

### E. Loss on Disposal of Noncurrent Assets

Loss on disposal of noncurrent assets for the years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
Disposal of buildings and structures	¥41	¥13	\$508
Disposal of tools, furniture and fixtures	39	16	483
Disposal of software	16	-	206
Disposal of machinery, equipment and vehicles	-	1	-
<b>Total</b>	<b>¥98</b>	<b>¥30</b>	<b>\$1,198</b>

### Note 7. Note to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income

Year ended March 31, 2012	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	<b>Valuation difference on available-for-sale securities</b>		
Amount arising during the year	¥16		\$200
Reclassification adjustments	3,574		43,591
	<hr/>		<hr/>
Amount before tax effects	3,590		43,792
Tax effects	(1,079)		(13,165)
	<hr/>		<hr/>
Valuation difference on available-for-sale securities	2,511		30,627
	<hr/>		<hr/>
<b>Foreign currency translation adjustment</b>			
Amount arising during the year	(10,316)		(125,805)
	<hr/>		<hr/>
<b>Share of other comprehensive income of associates accounted for using equity method</b>			
Amount arising during the year	(23)		(284)
	<hr/>		<hr/>
<b>Total other comprehensive income</b>	<b>¥(7,827)</b>		<b>\$(95,462)</b>

## Notes to Consolidated Financial Statements

### Note 8. Note to Consolidated Statements of Changes in Net Assets

Number of outstanding shares	As of April 1, 2011	Increase in the number of shares	Decrease in the number of shares	As of March 31, 2012
<b>Common stock</b>	141,669,000	-	-	141,669,000
	As of April 1, 2010	Increase in the number of shares	Decrease in the number of shares	As of March 31, 2011
<b>Common stock</b>	141,669,000	-	-	141,669,000
	As of April 1, 2011	Increase in the number of shares	Decrease in the number of shares	As of March 31, 2012
<b>Common stock</b>	13,789,931	1,430	75	13,791,286
	As of April 1, 2010	Increase in the number of shares	Decrease in the number of shares	As of March 31, 2011
<b>Common stock</b>	13,786,778	3,258	105	13,789,931

The reasons for the increase or decrease in the number of shares are as follows:

Increase due to purchase of odd lot shares and decrease due to disposal of odd lot shares by shareholders

Amount of dividends paid	Type of share	Amount of dividends (Japanese Yen in Millions)	Dividend per share (Japanese Yen)	Record date	Effective date
<b>Annual general shareholders' meeting held on June 29, 2011</b>	Common stock	¥39,642	¥310	March 31, 2011	June 30, 2011
	Type of share	Amount of dividends (Japanese Yen in Millions)	Dividend per share (Japanese Yen)	Record date	Effective date
<b>Annual general shareholders' meeting held on June 29, 2010</b>	Common stock	¥84,402	¥660	March 31, 2010	June 30, 2010
<b>Board of directors' meeting held on October 28, 2010</b>	Common stock	¥17,903	¥140	September 30, 2010	December 1, 2010
	Type of share	Amount of dividends (U.S. Dollars in Thousands)	Dividend per share (U.S. Dollars)	Record date	Effective date
<b>Annual general shareholders' meeting held on June 29, 2011</b>	Common stock	\$483,445	\$3	March 31, 2011	June 30, 2011

Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year

	Type of share	Amount of dividends (Japanese Yen in Millions)	Source of dividends	Dividend per share (Japanese Yen)	Record date	Effective date
<b>Annual general shareholders' meeting held on June 28, 2012</b>	Common stock	¥12,787	Retained earnings	¥100	March 31, 2012	June 29, 2012
	Type of share	Amount of dividends (Japanese Yen in Millions)	Source of dividends	Dividend per share (Japanese Yen)	Record date	Effective date
<b>Annual general shareholders' meeting held on June 29, 2011</b>	Common stock	¥39,642	Retained earnings	¥310	March 31, 2011	June 30, 2011
	Type of share	Amount of dividends (U.S. Dollars in Thousands)	Source of dividends	Dividend per share (U.S. Dollars)	Record date	Effective date
<b>Annual general shareholders' meeting held on June 28, 2012</b>	Common stock	\$155,948	Retained earnings	\$1	March 31, 2012	June 29, 2012

## Note 9. Note to Consolidated Statements of Cash Flows

"Cash and cash equivalents at end of year" were reconciled to "Cash and deposits" in the accompanying consolidated balance sheets as of March 31, 2012 and 2011 as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
<b>Cash and deposits</b>	¥462,021	¥812,870	\$5,634,406
<b>Time deposits with maturities of more than three months</b>	(64,239)	(153,591)	(783,404)
<b>Short-term investments with an original maturity of three months or less</b>	9,404	65,087	114,687
<b>Cash and cash equivalents</b>	¥407,186	¥724,366	\$4,965,689

## Notes to Consolidated Financial Statements

### Note 10. Leases

The Company and certain consolidated subsidiaries lease tools, furniture and fixtures and other noncurrent assets.

Information of finance leases as of March 31, 2012 and 2011 were omitted as they are immaterial.

The rental commitments under noncancelable operating leases as of March 31, 2012 and 2011 were as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
<b>Due within one year</b>	¥1,086	¥1,272	\$13,252
<b>Due after one year</b>	4,028	4,174	49,129
<b>Total</b>	<u>¥5,115</u>	<u>¥5,446</u>	<u>\$62,382</u>

### Note 11. Financial Instruments

#### A. Condition of Financial Instruments

(1) Policy for measures relating to financial instruments

The Company and its consolidated subsidiaries use only financial assets with high degrees of safety such as deposits for the management of funds. The Company and certain consolidated subsidiaries use derivatives to reduce risk as described below, and for the purpose of yield improvement of short-term financial assets, and not for speculative purposes.

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

Notes and accounts receivable-trade are exposed to credit risk of customers. In order to reduce the risk, the Company and its consolidated subsidiaries monitor the credit status and transaction history, assess creditworthiness and set credit limit for each customer. Since short-term investment securities and investment securities mainly comprise bonds held to maturity 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. The Company and its consolidated subsidiaries closely monitor the market value of such bonds and the financial position of the issuer and review the status of these investments on a regular basis. Investment securities include stocks of companies with which the Company has business relationships. These stocks are exposed to market risk, however, the investment balance is immaterial.

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

The Company and certain consolidated subsidiaries enter into foreign exchange forward contracts, non-deliverable forward contracts and currency option contracts to reduce risk of exchange rate fluctuations arising from deposits and trade receivables denominated in foreign currencies. Derivative transactions are exposed to foreign currency exchange risk. Derivative transactions entered into by the Company and certain consolidated subsidiaries are made within the limits of foreign currency deposits by the Finance Department or the department in charge of financial matters, after getting approval by the president or the directors in charge. Status of derivative transactions is reported to the directors in charge and Board of Directors on a regular basis. Since counterparties of such transactions are limited to financial institutions that have high creditworthiness, the Company anticipates risk due to default is minimal.

(3) Supplementary explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or rationally calculated values if a quoted market price is not available. Because estimation of fair value incorporates variable factors, adopting different assumptions might change the value. In addition, the contract amounts of the derivative transactions below in "Note 13. Derivatives" do not represent the market risk of derivative transactions.



## Notes to Consolidated Financial Statements

Redemption schedule for monetary assets and securities with maturity subsequent to the consolidated balance sheets date as of March 31, 2012 and 2011 were as follows:

	¥		\$	
	Japanese Yen in Millions		U.S. Dollars in Thousands	
	Due within one year	Due after one year through five years	Due within one year	Due after one year through five years
As of March, 2012				
Cash and deposits	¥462,021	-	\$5,634,406	-
Notes and accounts receivable-trade	43,378	-	529,001	-
<b>Short-term and long term investment securities</b>				
<b>Held-to-maturity debt securities</b>				
Certificate of deposits	355,831	¥182	4,339,405	\$2,223
Money held in trust	15,000	-	182,926	-
Corporate and government bonds	52,077	-	635,095	-
<b>Other investment securities with maturity</b>				
Certificate of deposits	1,643	-	20,046	-
Corporate and government bonds	71,382	41,525	870,515	506,411
<b>Total</b>	<b>¥1,001,334</b>	<b>¥41,708</b>	<b>\$12,211,397</b>	<b>\$508,635</b>
	¥			
	Japanese Yen in Millions			
	Due within one year	Due after one year through five years		
As of March, 2011				
Cash and deposits	¥812,870	-		
Notes and accounts receivable-trade	135,689	-		
<b>Short-term and long term investment securities</b>				
<b>Held-to-maturity debt securities</b>				
Certificate of deposits	305,824	-		
Money held in trust	15,000	-		
Corporate and government bonds	23,122	-		
<b>Other investment securities with maturity</b>				
Corporate and government bonds	14,135	¥9,978		
<b>Total</b>	<b>¥1,306,641</b>	<b>¥9,978</b>		

## Note 12. Investment Securities

Held-to-maturity debt securities as of March 31, 2012 and 2011 were as follows:

	¥ Japanese Yen in Millions			\$ U.S. Dollars in Thousands		
	Book value	Fair value	Difference	Book value	Fair value	Difference
As of March, 2012						
Securities whose fair value exceed their book value on the accompanying consolidated balance sheets	¥17,395	¥17,426	¥30	\$212,139	\$212,513	\$374
Securities whose fair value do not exceed their book value on the accompanying consolidated balance sheets	405,804	405,774	(30)	4,948,835	4,948,463	(371)
<b>Total</b>	<b>¥423,199</b>	<b>¥423,200</b>	<b>¥0</b>	<b>\$5,160,974</b>	<b>\$5,160,977</b>	<b>\$2</b>
<hr/>						
	¥ Japanese Yen in Millions					
As of March, 2011	Book value	Fair value	Difference			
Securities whose fair value exceed their book value on the accompanying consolidated balance sheets	¥1,685	¥1,704	¥19			
Securities whose fair value do not exceed their book value on the accompanying consolidated balance sheets	342,283	342,205	(78)			
<b>Total</b>	<b>¥343,968</b>	<b>¥343,909</b>	<b>¥(58)</b>			



## Notes to Consolidated Financial Statements

Other securities as of March 31, 2012 and 2011 were as follows:

As of March, 2012	¥ Japanese Yen in Millions			\$ U.S. Dollars in Thousands		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
<b>Securities whose book value on the accompanying consolidated balance sheets exceed their acquisition cost</b>						
Equity securities	¥10,395	¥5,674	¥4,721	\$126,775	\$69,195	\$57,580
Debt securities	49,330	48,937	392	601,590	596,798	4,791
Other	822	821	0	10,024	10,023	1
<b>Sub-total</b>	<b>60,548</b>	<b>55,433</b>	<b>5,114</b>	<b>738,390</b>	<b>676,017</b>	<b>62,373</b>
<b>Securities whose book value on the accompanying consolidated balance sheets do not exceed their acquisition cost</b>						
Equity securities	251	261	(9)	3,071	3,190	(118)
Debt securities	72,483	75,541	(3,057)	883,950	921,242	(37,291)
Other	833	834	(0)	10,170	10,179	(9)
<b>Sub-total</b>	<b>73,569</b>	<b>76,638</b>	<b>(3,068)</b>	<b>897,193</b>	<b>934,612</b>	<b>(37,419)</b>
<b>Total</b>	<b>¥134,117</b>	<b>¥132,071</b>	<b>¥2,046</b>	<b>\$1,635,584</b>	<b>\$1,610,630</b>	<b>\$24,953</b>

As of March, 2011	¥ Japanese Yen in Millions		
	Book value	Acquisition cost	Difference
<b>Securities whose book value on the accompanying consolidated balance sheets exceed their acquisition cost</b>			
Equity securities	¥5,597	¥1,770	¥3,827
<b>Sub-total</b>	<b>5,597</b>	<b>1,770</b>	<b>3,827</b>
<b>Securities whose book value on the accompanying consolidated balance sheets do not exceed their acquisition cost</b>			
Equity securities	3,841	4,165	(324)
Debt securities	36,838	41,886	(5,047)
<b>Sub-total</b>	<b>40,680</b>	<b>46,052</b>	<b>(5,372)</b>
<b>Total</b>	<b>¥46,278</b>	<b>¥47,822</b>	<b>¥(1,544)</b>

Other securities sold during the years ended March 31, 2012 and 2011 were as follows:

Year ended March, 2012	¥ Japanese Yen in Millions			\$ U.S. Dollars in Thousands		
	Amount sold	Total gain	Total loss	Amount sold	Total gain	Total loss
Debt securities	¥473,771	¥138	¥14	\$5,777,703	\$1,684	\$177
Other	790	0	-	9,644	0	-
<b>Total</b>	<b>¥474,562</b>	<b>¥138</b>	<b>¥14</b>	<b>\$5,787,347</b>	<b>\$1,684</b>	<b>\$177</b>

Year ended March, 2011	¥ Japanese Yen in Millions		
	Amount sold	Total gain	Total loss
Equity securities	¥28	¥24	¥0

## Note 13. Derivatives

Derivative contracts not subject to hedge accounting as of March 31, 2012 were as follows:

As of March 31, 2012	¥ Japanese Yen in Millions			\$ U.S. Dollars in Thousands		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
<b>Exchange forward contracts</b>						
Selling Canadian Dollar	¥947	¥10	¥10	\$11,551	\$127	\$123
<b>Non-deliverable forward contracts</b>						
Selling South Korean Won	823	(43)	(43)	10,036	(535)	(535)
<b>Currency options</b>						
<b>Written call options</b>						
Euro	114,242			1,393,200		
(Premium)	724	5,032	(4,308)	8,834	61,375	(52,541)
Australian Dollar	7,765			94,701		
(Premium)	135	267	(132)	1,646	3,267	(1,621)
<b>Purchased put options</b>						
Euro	38,080			464,400		
(Premium)	859	170	(689)	10,480	2,074	(8,405)
<b>Total</b>			¥(5,164)			\$(62,981)

[Note] No derivative contracts were due after one year.  
The fair value as of March 31, 2012 is estimated based on price quoted by financial institutions where we have agreements.

Derivative contracts not subject to hedge accounting as of March 31, 2011 were as follows:

As of March 31, 2011	¥ Japanese Yen in Millions		
	Contract amount	Fair value	Unrealized gain (loss)
<b>Exchange forward contracts</b>			
Selling Canadian Dollar	¥1,305	¥(9)	¥(9)
Selling British Pound	2,709	49	47
<b>Non-deliverable forward contracts</b>			
Selling South Korean Won	1,160	(47)	(47)
<b>Currency options</b>			
<b>Written call options</b>			
U.S. Dollar	75,126		
(Premium)	437	449	(11)
Euro	186,678		
(Premium)	1,649	3,606	(1,957)
<b>Purchased put options</b>			
U.S. Dollar	25,042		
(Premium)	587	497	(89)
Euro	62,226		
(Premium)	1,499	788	(711)
<b>Total</b>			¥(2,779)

[Note] No derivative contracts were due after one year.  
The fair value as of March 31, 2011 is estimated based on price quoted by financial institutions where we have agreements.

# Notes to Consolidated Financial Statements

## Note 14. Retirement Benefits

The Company has a defined benefit corporate pension plan 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.

Retirement benefit obligations as of March 31, 2012 and 2011 were as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
a . Retirement benefit obligation	¥(32,043)	¥(29,713)	\$(390,774)
b . Plan assets	19,758	18,066	240,959
c . Unfunded retirement benefit obligation	(12,284)	(11,647)	(149,814)
d . Net pension liability recognized in the accompanying consolidated balance sheets	(12,284)	(11,647)	(149,814)
e . Prepaid pension costs	2,159	-	26,338
f . Provision for retirement benefits	¥(14,444)	¥(11,647)	\$(176,153)

[Note] Certain consolidated subsidiaries adopt a concise procedure to estimate retirement benefit obligation.

Retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
a . Service cost	¥1,968	¥1,829	\$24,002
b . Interest cost	745	776	9,085
c . Expected return on plan assets	(477)	(437)	(5,818)
d . Amortization of actuarial difference	510	1,822	6,227
e . Retirement benefit cost	2,746	3,990	33,497
f . Other	1,096	858	13,371
g . Total	¥3,843	¥4,848	\$46,869

[Note] "a. Service cost" includes retirement benefit costs of the subsidiaries which adopt a concise procedure to estimate retirement benefit obligation.  
"f. Other" is mainly contribution amount with related to defined contribution plans.

Assumptions used in calculation of retirement benefits for employees:

Year ended March 31, 2012

a. Method of attributing benefits to years of service:	Straight-line basis
b. Discount rate:	1.7% to 4.25%
c. Expected return rate on plan assets:	1.2% to 7.5%
d. Amortization years of actuarial difference:	Fully amortized in the same fiscal year as incurred

Year ended March 31, 2011

a. Method of attributing benefits to years of service:	Straight-line basis
b. Discount rate:	1.2% to 5.3%
c. Expected return rate on plan assets:	1.3% to 7.5%
d. Amortization years of actuarial difference:	Fully amortized in the same fiscal year as incurred

## Note 15. Income Taxes

Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 were summarized as follows:

As of March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
<b>Deferred tax assets:</b>			
Research and development expenses	¥28,872	¥30,095	\$352,109
Operating loss carryforwards for tax purposes	28,719	810	350,235
Revenue recognition for tax purposes	5,332	7,690	65,031
Provision for retirement benefits	5,281	4,351	64,410
Other accounts payable and accrued expenses	4,155	5,575	50,681
Inventory - write-downs and elimination of unrealized profit	3,562	9,862	43,441
Accumulated depreciation expenses	2,329	2,060	28,407
Loss on valuation of investment securities	2,113	3,815	25,778
Other	8,542	12,234	104,172
<b>Gross deferred tax assets</b>	<b>88,910</b>	<b>76,496</b>	<b>1,084,268</b>
Valuation allowance	(2,486)	(2,763)	(30,328)
<b>Total deferred tax assets</b>	<b>86,423</b>	<b>73,733</b>	<b>1,053,940</b>
<b>Deferred tax liabilities:</b>			
Undistributed retained earnings of subsidiaries and affiliates	(6,426)	(7,286)	(78,370)
Accumulated depreciation expenses	(1,679)	(1,351)	(20,477)
Other	(4,391)	(2,473)	(53,558)
<b>Total deferred tax liabilities</b>	<b>(12,497)</b>	<b>(11,111)</b>	<b>(152,406)</b>
<b>Net deferred tax assets</b>	<b>¥73,925</b>	<b>¥62,621</b>	<b>\$901,534</b>

[Note1] Reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2012 was omitted as a loss before income taxes and minority interests is recorded for the year ended March 31, 2012.

[Note2] Following the promulgation on December 2, 2011 of "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 40.6% to 37.9% for temporary differences expected to be eliminated in the fiscal year beginning on or after April 1, 2012, and the rate was changed to 35.5% for temporary differences expected to be eliminated in the fiscal year beginning on or after April 1, 2015. As a result, "Deferred tax assets" after offsetting "Deferred tax liabilities" decreased by ¥4,899 million (\$59,750 thousand) and "Valuation difference on available-for-sale securities" increased by ¥91 million (\$1,111 thousand). "Income taxes-deferred," booked for the year ended March 31, 2012, increased by ¥4,990 million (\$60,862 thousand).

## Notes to Consolidated Financial Statements

### Note 16. Business Combinations

Information of business combinations was omitted as it is immaterial.

### Note 17. Asset Retirement Obligations

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

### Note 18. Real Estate for Rent

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

### Note 19. Segment Information

#### A. Segment information

The main business of Nintendo (Nintendo Co., Ltd. (the "Company") and its consolidated subsidiaries) is developing, manufacturing, and distributing handheld and home console hardware machines 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 each local subsidiary.

Nintendo operates as a single operating segment with each major geographic subsidiary solely responsible for distributing handheld and home console hardware machines and related software to its local market and there is no difference by product in terms of distribution channels or markets. While analysis of product sales results is made by product category or by region, 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, this information is omitted.

#### B. Information about products and services

	¥ Japanese Yen in Millions					
Sales to third parties	Handheld Hardware	Home Console Hardware	Handheld Software	Home Console Software	Other	Total
<b>Year ended March 31, 2012</b>	¥234,604	¥116,022	¥128,009	¥117,360	¥51,656	¥647,652
<b>Year ended March 31, 2011</b>	¥298,653	¥242,851	¥167,068	¥221,493	¥84,279	¥1,014,345

	\$ U.S. Dollars in Thousands					
Sales to third parties	Handheld Hardware	Home Console Hardware	Handheld Software	Home Console Software	Other	Total
<b>Year ended March 31, 2012</b>	\$2,861,027	\$1,414,910	\$1,561,085	\$1,431,224	\$629,952	\$7,898,200

### C. Sales by geographic areas

¥ Japanese Yen in Millions					
Sales	Japan	The Americas <sup>Note 2</sup>	Europe	Other	Total
<b>Year ended March 31, 2012</b>	¥148,216	¥250,981	¥217,382	¥31,072	¥647,652
<b>Year ended March 31, 2011</b>	¥167,893	¥461,853	¥330,018	¥54,579	¥1,014,345

\$ U.S. Dollars in Thousands					
Sales	Japan	The Americas <sup>Note 2</sup>	Europe	Other	Total
<b>Year ended March 31, 2012</b>	\$1,807,513	\$3,060,746	\$2,651,004	\$378,936	\$7,898,200

[Note1] Sales are categorized by countries or regions based on the location of the customer.

[Note2] The sales amount for the Americas include sales amount for the United States, which were ¥216,074 million (\$2,635,060 thousand) and ¥398,352 million, for the years ended March 31, 2012 and 2011, respectively.

### D. Property, plant and equipment by geographic areas

¥ Japanese Yen in Millions				
Property, plant and equipment	Japan	The United States	Other	Total
<b>As of March 31, 2012</b>	¥63,158	¥21,847	¥2,850	¥87,856
<b>As of March 31, 2011</b>	¥54,483	¥22,689	¥3,692	¥80,864

\$ U.S. Dollars in Thousands				
Property, plant and equipment	Japan	The United States	Other	Total
<b>As of March 31, 2012</b>	\$770,230	\$266,430	\$34,762	\$1,071,423

[Note] Property, plant and equipment are categorized by countries based on its location.

### E. Information about major customers

There was no major customer accounting for over 10% of sales in the consolidated financial statements of income within sales to third parties.

### F. Information about impairment loss of fixed assets in reportable segments

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

### G. Information about goodwill in reportable segments

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

### H. Information about gain from negative goodwill in reportable segments

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

## Notes to Consolidated Financial Statements

### Note 20. Related Party Transactions

Not applicable.

### Note 21. Per Share Information

Years ended March 31,	¥ Japanese Yen		\$ U.S. Dollars
	2012	2011	2012
<b>Net assets per share</b>	¥9,313.15	¥10,022.26	\$113.57
<b>Net income (loss) per share</b>	¥(337.86)	¥606.99	\$(4.12)

Diluted earnings per share are omitted as no residual securities were outstanding as of March 31, 2012 and 2011.

The basis of calculation of net income (loss) per share is as follows:

Years ended March 31,	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	2012	2011	2012
<b>Net income (loss)</b>	¥(43,204)	¥77,621	\$(526,884)
<b>Amount unrelated to common shareholders</b>	-	-	-
<b>Net income (loss) related to common stock</b>	¥(43,204)	¥77,621	\$(526,884)

Years ended March 31,	Number of shares in Thousands	
	2012	2011
<b>Average number of shares (common stock)</b>	127,878	127,880

### Note 22. Significant Subsequent Events

Not applicable.

### Note 23. Supplemental Schedule of Bonds

Not applicable.

## Note 24. Supplemental Schedule of Borrowings

The information of borrowings as of March 31, 2012 and April 1, 2011 were as follows:

	¥ Japanese Yen in Millions		\$ U.S. Dollars in Thousands
	As of March 31, 2012	As of April 1, 2011	As of March 31, 2012
Short-term loans payable	-	¥125	-
Long-term loans payable due within one year	¥4	-	\$56
Lease obligations due within one year	53	62	654
Long-term loans payable due after one year	29	-	364
Lease obligations due after one year	40	94	489
Other liabilities with interest	-	-	-
<b>Total</b>	<b>¥128</b>	<b>¥281</b>	<b>\$1,564</b>

[Note] The average interest rate of "Long-term loans payable due within one year" is 3.08%.  
The weighted average interest rate of loans payable as of March 31, 2012, excluding loans payable with no interest, is described as the average interest rate of loans payable.  
Within "Long-term loans payable due within one year" as of March 31, 2012, ¥3 million (\$39 thousand) is with no interest.  
"Long-term loans payable due after one year" is with no interest.  
The average interest rates of lease obligations are omitted as the interests equivalent included in total lease payments are allocated to each consolidated fiscal year by straight-line basis.  
The repayment deadline of "Long-term loans payable due after one year" falls between June 2013 and December 2015.  
The repayment deadline of "Lease obligations due after one year" is between April 2013 and September 2013.

The repayment schedule, for the next five years after the current consolidated closing date, of long-term loans payable and lease obligations due after one year are as follows:

	¥ Japanese Yen in Millions		
	Due after one year through two years	Due after two years through three years	Due after three years through four years
As of March 31, 2012			
Long-term loans payable	¥10	¥10	¥8
Lease obligations	¥40	-	-
	\$ U.S. Dollars in Thousands		
	Due after one year through two years	Due after two years through three years	Due after three years through four years
As of March 31, 2012			
Long-term loans payable	\$132	\$132	\$99
Lease obligations	\$489	-	-

## Note 25. Supplemental Schedule of Asset Retirement Obligations

The amounts of asset retirement obligations for March 31, 2012 and April 1, 2011 were less than or equal to a hundredth of the sum of liabilities and net assets for March 31, 2012 and April 1, 2011, therefore the information is omitted.



## Notes to Consolidated Financial Statements

### Note 26. Others

Quarterly information of the consolidated fiscal year ended March 31, 2012 was as follows:

Year-to-date	¥ Japanese Yen in Millions			
As of the quarter ended	June 30	September 30	December 31	March 31
<b>Net sales</b>	¥93,928	¥215,738	¥556,166	¥647,652
<b>Loss before income taxes and minority interests</b>	(42,571)	(107,884)	(66,051)	(60,877)
<b>Net loss</b>	¥(25,516)	¥(70,273)	¥(48,351)	¥(43,204)

As of the quarter ended	¥ Japanese Yen			
As of the quarter ended	June 30	September 30	December 31	March 31
<b>Net loss per share</b>	¥(199.54)	¥(549.53)	¥(378.10)	¥(337.86)

As of the quarter ended	\$ U.S. Dollars in Thousands			
As of the quarter ended	June 30	September 30	December 31	March 31
<b>Net sales</b>	\$1,145,468	\$2,630,953	\$6,782,519	\$7,898,200
<b>Loss before income taxes and minority interests</b>	(519,164)	(1,315,659)	(805,502)	(742,404)
<b>Net loss</b>	\$(311,179)	\$(856,987)	\$(589,647)	\$(526,884)

As of the quarter ended	\$ U.S. Dollars			
As of the quarter ended	June 30	September 30	December 31	March 31
<b>Net loss per share</b>	\$(2.43)	\$(6.70)	\$(4.61)	\$(4.12)

Quarter-to-date	¥ Japanese Yen			
Year ended March 31, 2012	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Net income (loss) per share</b>	¥(199.54)	¥(349.99)	¥171.43	¥40.25

Year ended March 31, 2012	\$ U.S. Dollars			
Year ended March 31, 2012	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Net income (loss) per share</b>	\$(2.43)	\$(4.27)	\$2.09	\$0.49

## Corporate Information

### Board of Directors

#### President

Satoru Iwata\*

#### Senior Managing Directors

Yoshihiro Mori\*

Shinji Hatano\*

Genyo Takeda\*

Shigeru Miyamoto\*

#### Managing Directors

Masaharu Matsumoto

Eiichi Suzuki

#### Directors

Tatsumi Kimishima

Kaoru Takemura

#### Corporate Auditors

Minoru Ueda

Ken Toyoda

Naoki Mizutani

Yoshimi Mitamura

Katsuhiko Umeyama

\*Representative Director

As of June 28, 2012

### Common Stock

Nintendo Co., Ltd.

common stock is listed on the Osaka Securities Exchange, Section 1 and the Tokyo Stock Exchange, Section 1.

### Annual Meeting

The Annual General Meeting of Shareholders for the fiscal year ended March 31, 2012 was held on June 28, 2012 at Nintendo Co., Ltd., Kyoto, Japan.

### Independent Auditor

Kyoto Audit Corporation

Kyoto, Japan

### Principal offices and facilities [Domestic]

#### Corporate Headquarters

11-1, Kamitoba Hokotate-cho,  
Minami-ku,  
Kyoto 601-8501,  
Japan  
Tel : 81-75-662-9600

#### Plants

Uji Plant

#### Offices and Distribution Center

Tokyo Branch Office  
Osaka Branch Office

### Principal consolidated subsidiaries [Overseas]

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. Ltd.  
Nintendo of Korea Co., Ltd.

### Other consolidated subsidiaries

#### Domestic:

ND CUBE Co., Ltd.  
Brownie Brown Inc.  
MONOLITH SOFTWARE INC.  
Project Sora Co., Ltd.  
Wii no Ma Co., Ltd.  
Mario Club Co., Ltd.

#### Overseas:

Nintendo Phuten Co., Ltd.  
iQue (China) Ltd.  
Nintendo Technology Development Inc.  
Nintendo Software Technology Corporation  
SiRAS.com Inc.  
Retro Studios, Inc.  
Nintendo (Hong Kong) Limited  
Mobiclip SAS  
Six other companies

### Non-consolidated subsidiary with equity method non-applied

#### Domestic:

Fukuei Co., Ltd.

### Affiliated companies with equity method applied

#### Domestic:

The Pokémon Company  
WARPSTAR, Inc.

#### Overseas:

Two companies

### Affiliated company with equity method non-applied

#### Domestic:

Ape inc.

## Contact Information

### Investors Relations

Nintendo Co., Ltd.

General Accounting and  
Control Department

Investors Relations Group

11-1, Kamitoba Hokotate-cho,  
Minami-ku,  
Kyoto 601-8501,  
Japan  
Tel : 81-75-662-9614  
E-mail: IR@nintendo.co.jp

### Corporate Communications

Nintendo Co., Ltd.

Corporate Communication  
Department

11-1, Kamitoba Hokotate-cho,  
Minami-ku,  
Kyoto 601-8501,  
Japan  
Tel : 81-75-662-9600

Nintendo of America Inc.

Corporate Communications  
Department

2000 Bridge Parkway  
Ste 200,  
Redwood City, CA 94065  
Tel : 1-650-226-4040

For IR information in English, please visit  
<http://www.nintendo.co.jp/ir/en/index.html>

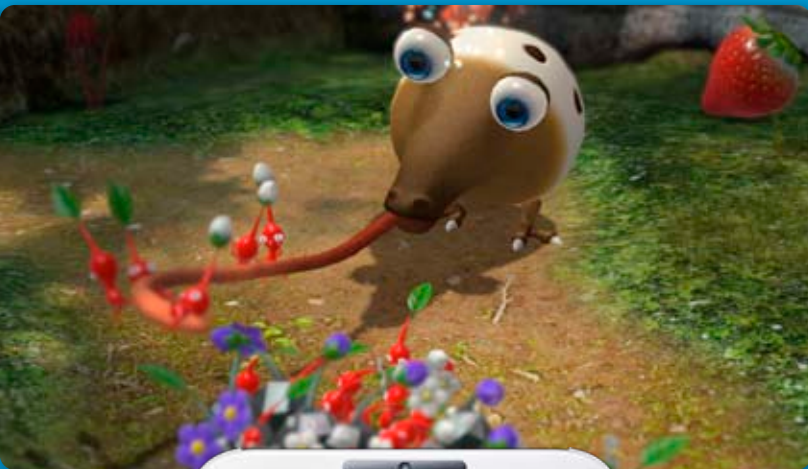
For business in the U. S., please visit  
<http://www.nintendo.com>

wii U™

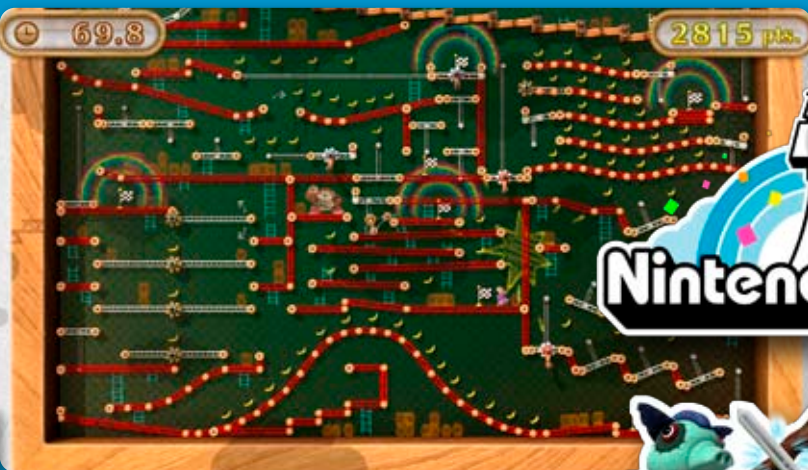
Coming in 2012







©2012 Nintendo



# Nintendo Land



©2012 Nintendo



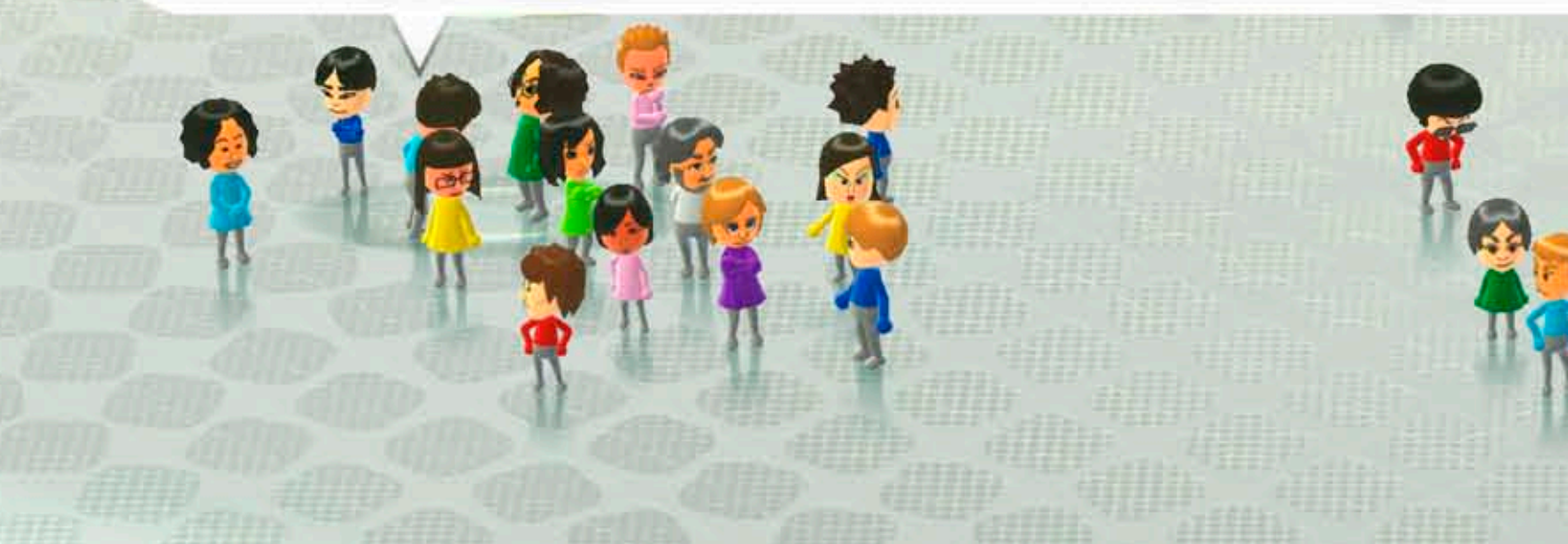
©2012 Nintendo Codeveloped by INTELLIGENT SYSTEMS



Matt



How do I jump from this cliff to next one?



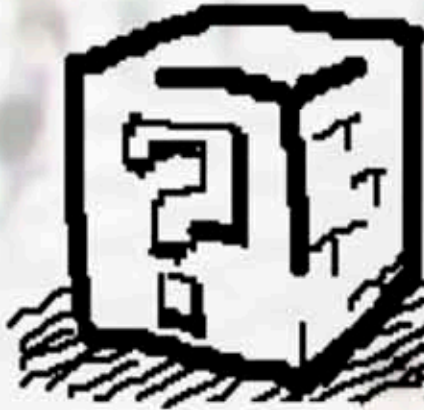


AC



I've played just about metroid game

LAURA

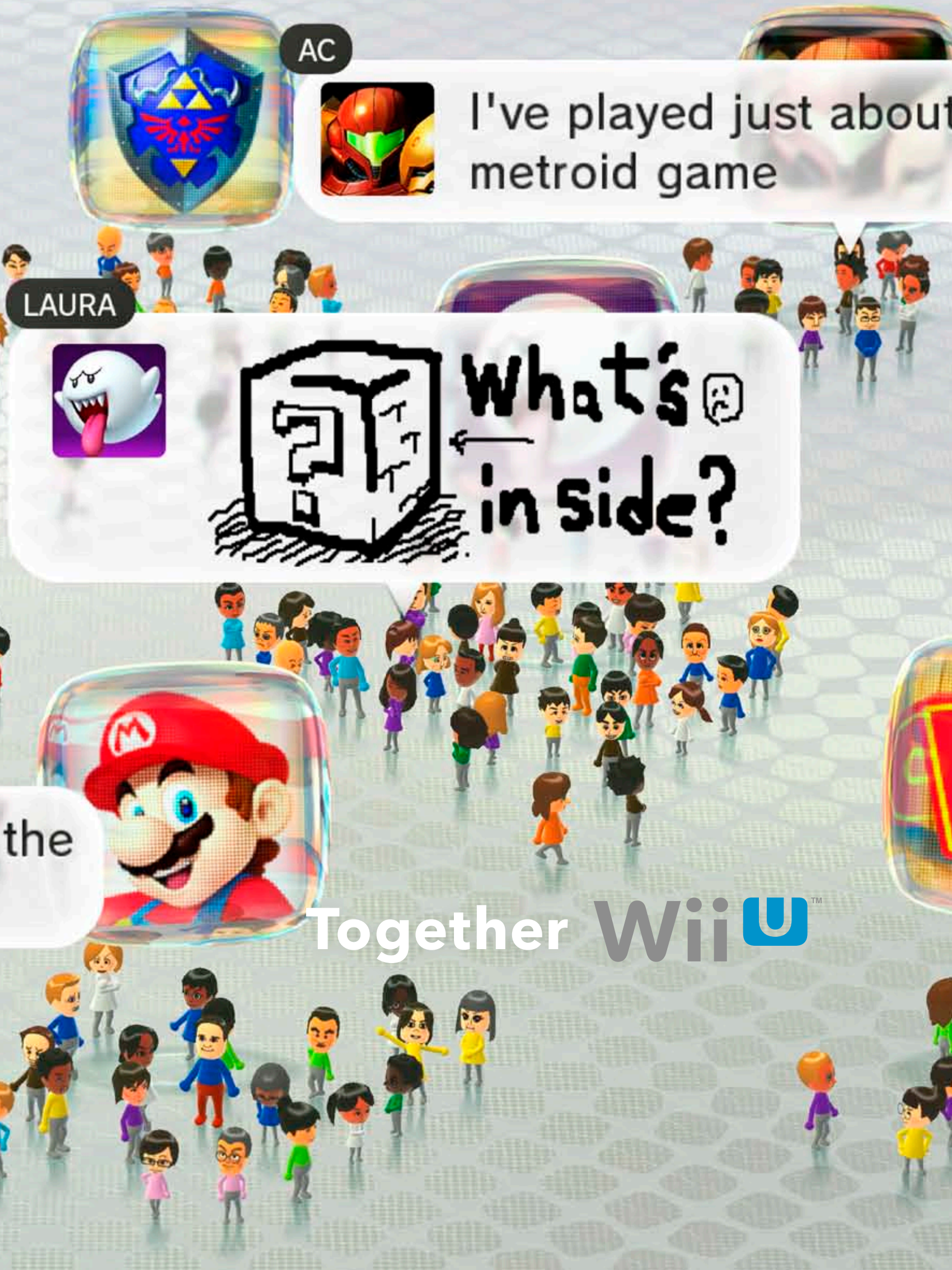


What's in side?



the

Together **Wii U**™







FSC  
www.fsc.org

MIX  
Paper from  
responsible sources  
FSC® C016334

