

VIRTUAL BOY™

Nintendo

95

POWER

NINTENDO  
ULTRA  
64™

Financial Highlights

Years ended March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands <sup>(A)</sup>	
	1995	1994	1995	1994
Net sales	¥415,240	¥485,612	\$4,665,620	\$5,456,310
Net income	41,661	52,653	468,101	591,611
Total assets	578,662	591,227	6,501,823	6,643,002
Shareholders' equity	464,784	444,193	5,222,293	4,990,934

AMOUNTS PER SHARE <sup>(B)</sup>	Yen		U.S. Dollars <sup>(A)</sup>	
	1995	1994	1995	1994
Net income	¥ 294.08	¥ 371.72	\$ 3.30	\$ 4.18
Cash dividends	70	70	0.79	0.79

<sup>(A)</sup> See note 1 to consolidated financial statements.

<sup>(B)</sup> See note 21 to consolidated financial statements.

The amounts presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into United States dollars at the rate of ¥89 = US \$1.

June 28, 1995

To Our Stakeholders,

In 1994 Nintendo remained the world's largest producer of interactive entertainment; however, we saw consolidated net sales decline 14% to ¥415,240 million (\$4.665 billion); and consolidated net income fall 21% to ¥41,661 million (\$468 million).

In the view of many, these results reflect a broader period of transition for our entire industry. And, indeed, things are changing.

However, overwhelmingly, the change is for the better.

Despite cyclical sales rates and a fluctuating international currency market, the sheer vibrancy of our form of entertainment today attracts the interest of virtually every major consumer electronics and entertainment company in the world.

Clearly, it is no longer possible for any single company – even one as prosperous and independent as Nintendo – to succeed alone. Consequently, in addition to our longstanding software development relationships in Japan and around the world, we have recently invested in Rare, Ltd., a world-class game developer located in the United Kingdom, who created the *Donkey Kong Country* and *Killer Instinct* video games.

Meanwhile, the reach of Nintendo has matched expansion of our products to all corners of the world. We now manufacture goods in China, Mexico, Brazil and Japan, while software development and publishing spans the globe.

As we expand, we remain absolutely committed to combatting the growing menace of illegal distribution – through the work of ever-more sophisticated and brazen global counterfeiters – wherever we may encounter it. Losses from counterfeit products to Nintendo and its third party publishers alone total approximately \$2.5 billion annually.

And at the same time, we continue to improve our internal operations. Over the last year, we have cut our inventories in half, and become more cost efficient in everything we do, as we confront the unpredictability of currency markets ... and the assurance of growing competition.

Better, stronger, wider – we are indeed an industry transitioning to a broader, deeper and more enduring form of consumer entertainment.

But while we orchestrate this expansion, it is important to remember the elements of business success which have not and will not change.

First, there is a never-ending demand for a better game playing experience: one that explodes the reaches of realism or fantasy; and one that is compellingly more immersive. Players respond faster than ever to worlds where they can better suspend disbelief – and they ignore just as quickly those games which seem too much like everything that has come before.

This truism in itself answers the riddle of *Donkey Kong Country*; how could over seven million cartridges sell worldwide for a 16-bit Super NES technology which some believe had lost its relevance? Because relevance, as always, is simply the result of creating a dramatically better game experience – no matter what machine delivers it.

In the future, such enhancements must be the result of both better technology and better software. And as we move through the current fiscal year we will amply demonstrate both, to customers anxious for dramatic new platforms, and equally to those players who demand just as much new game excitement from their current Nintendo machines.

Virtual Boy is the only device in the world which gives the consumer true three dimensional, moving images. For the first time, players don't simply approach a game; they step inside of it. It is definitively unique technology; and it is exclusive to Nintendo.

Nintendo Ultra 64 is the first home video game system with true 64-bit processing. It is superior in terms of speed and performance, in texturing and shading pictures, in rendering real time characters and environments, and finally in the ability to rewrite the rules of video game play.

No other home video game system — no multimedia personal computer — is the equal of Nintendo Ultra 64. And it, also, is exclusive to Nintendo.

And our commitment to meet consumer demand does not ignore the owners of our current systems. The impact of Advanced Computer Modeling, which shook the game world last year in *Donkey Kong Country*, not only returns this coming year in two more Super NES games; but has now migrated to Game Boy, as well.

But the value of such technical advances diminishes unless the software written for it succeeds in creating significantly better games. And the evidence of vastly superior Nintendo game play is upon us: again this year, sales of ACM games for the Super NES and Game Boy will dwarf all other forms of entertainment software, and the world's very best game designers have committed to create games exclusively for Nintendo Ultra 64 — games that will not play on any other platform, and wouldn't look the same even if they did.

Finally, beneath these Nintendo advantages – industry-leading technology, breakthrough software and consumer value – lies a single corporate focus which interlocks these assets, and catalyzes them into market success.

We are committed to the sole mission of delivering interactive entertainment to the home. We realize that potential markets exist for related forms of software; and for delivering them in locations outside the home. But we believe actively pursuing those businesses necessarily limits the ability of any company to fully focus itself on the needs and wishes of its primary game-playing customers.

And whether those customers define their needs as better games for current systems; or the 3D immersion of Virtual Boy; or the immense power of Nintendo Ultra 64; we remain absolutely dedicated to meeting those wishes. Sincerely,



A handwritten signature in cursive script that reads "Hiroshi Yamauchi".

Hiroshi Yamauchi, President  
Nintendo Co., Ltd.

Virtual Boy

ACM

True 3-D

Game Boy

Donkey Kong Country

FX<sup>2</sup> Chip

Diddy's Kong Quest

Play it Loud

Killer Instinct

n o w

RTSC Process Mode 7

endo

Immersion Technology

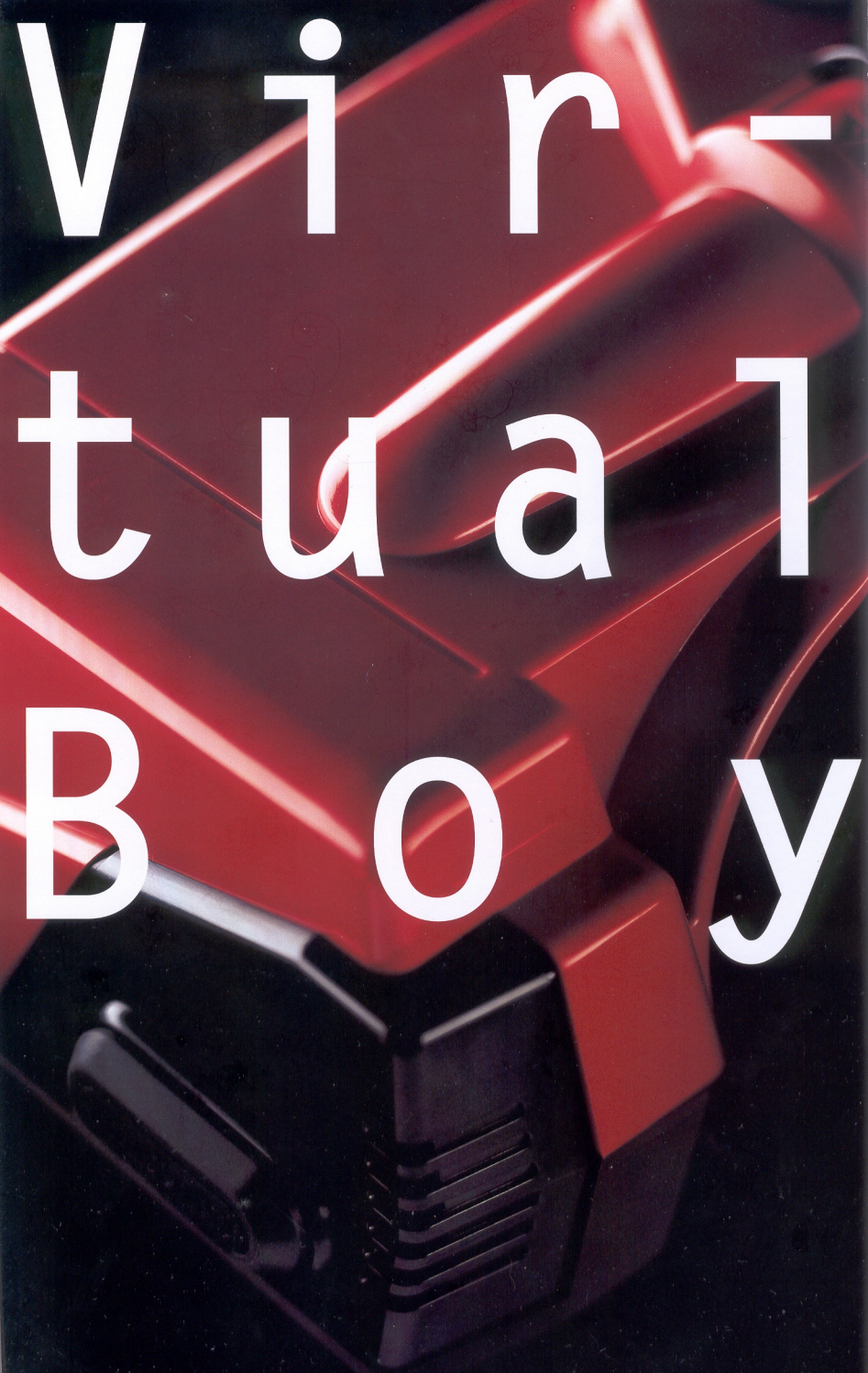
super NES

32 bit Super Game Boy

16 bit

32,000 colors

95



V i r -  
t u a l  
B o y





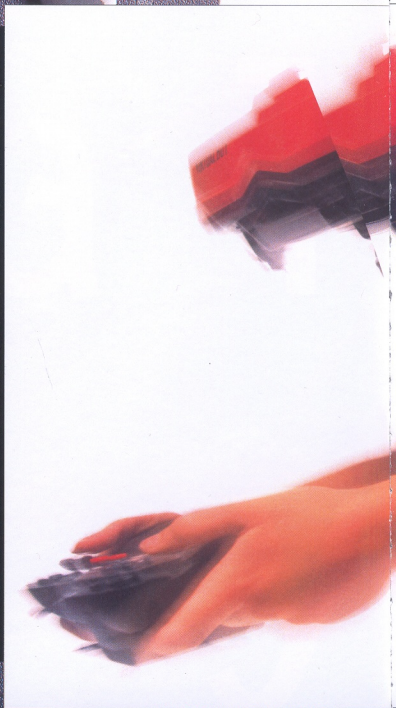
The first three dimensional moving pictures for your home. The first interface... around your face. Another way. Another world.

P r o p r i e t a r y  
T e c h n o l o g y

A hundred years ago the French called it trompe l'oeil - a way to trick the eye into thinking what it sees is real. Today, it goes by a different name - Scanned Linear Array™ - a degree of realism for moving pictures that you'll find only with Virtual Boy. It combines a linear array of light emitting diodes (LEDs), a magnifying lens, and a counterbalanced resonant vibrating scan mirror. Together, they take a single vertical column of diodes and swing it across the screen so quickly that the eye sees motion come alive with incredible clarity, and convincing three-dimensionality. Trick - and treat.



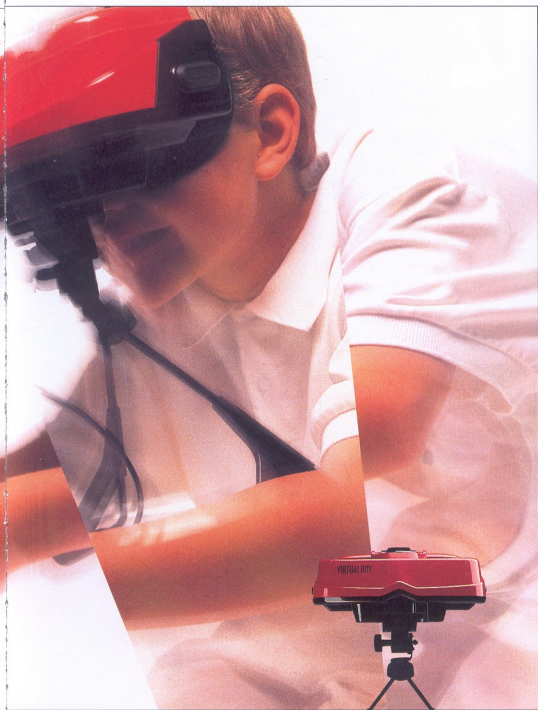
Stumbling through a dank, torch-lit 3D cave, suddenly the floor collapses beneath you. You plunge into a hopeless underground prison... a doomed member of Wario's Cruise.



S t a r  
S t u d d e d  
S u p p o r t



More than ever, game developers must place their bets carefully. It's just too expensive to back the wrong platform. That's why the world's best game designers have put their money on Virtual Boy. Because there are two choices at the 32-bit table. Conventional games from a conventional box on your conventional TV. Or the first truly three-dimensional moving pictures ever for your home. Virtual Boy – the prohibitive favorite.



### Technology worth looking into

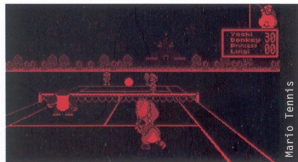
The Virtual Boy world is three dimensional. The marketing world is two dimensional. Bridging that gap is Nintendo's biggest marketing challenge ever – how to put the eyes directly on the prize. Enter our most ambitious retail demonstrator program ever: 3,100 locations across North America. Enter our most star-studded promotion ever: Blockbuster Video and NBC join in showing Virtual Boy to more than 100 million viewers, and first hand to more than one half million Americans in just 20 weeks. Because a look into the future is right inside the headset.

The bumpers and the flippers are the same, but it's like no other pinball game in the world. Because the table top and glass are gone, and for the first time ever you're playing pinball in the third dimension.

The first-ever 3D court means that the action isn't just in front of you - but if you're not quick enough, it will pass you right by!



Galactic Pinball II



Mario Tennis

# Supers NES

SUPER NINTENDO  
ENTERTAINMENT SYSTEM

POWER



With sales reaching one game per second...amassing more than seven million units in just three months time...*Donkey Kong Country* forever redefines the term 'monkey business'.



Donkey Kong Country 2

## Star Power

In video games, as in Hollywood, star power is an indispensable ingredient of success. And no electronic studio has more stars than Nintendo. This year, Nintendo will sell its one billionth video game cartridge based largely on the draw of proven headliners like Mario, Zelda, Donkey Kong and Metroid. And the added allure of new games like James Bond and Ken Griffey Jr., means that we've got a great start on the next billion!



Ken Griffey Jr.



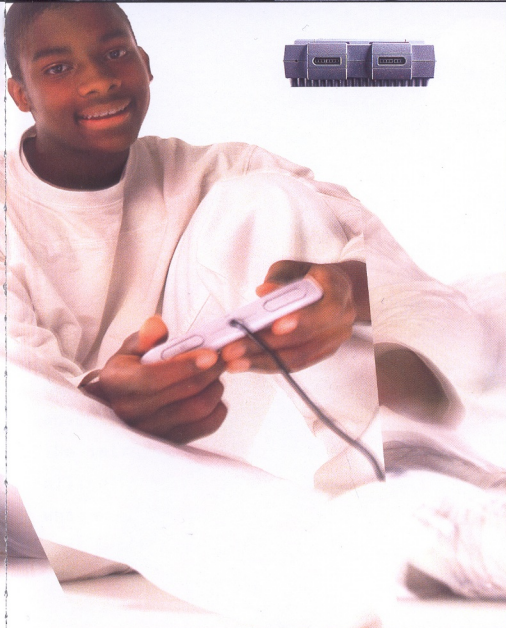
Killer Instinct



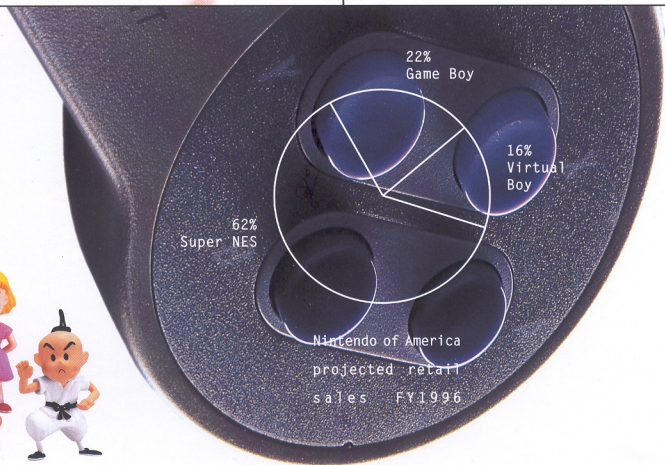
## It's in the cart...

Around the world, more than 80 million people own either a Super NES or Game Boy. Together they form the largest single market in history for interactive entertainment - and they remain our top priority. Virtual Boy and Nintendo Ultra 64 mean no company offers more powerful, compelling and unique new platforms. But we continue to build equally impressive, industry-leading technical enhancements right into the cartridges for Super NES and Game Boy. This year, *Killer Instinct... Yoshi's Island... Donkey Kong Land and Donkey Kong Country 2: Diddy's Kong Quest* aren't just better games. They're four more ways to say thank you to 80 million of our closest friends.





P r o p r i e t a r y  
T e c h n o l o g y  
They are the three little words  
that game aficionados have come  
to cherish - Advanced Computer  
Modeling. Ask any gamer their  
reaction the first time they  
laid eyes on *Donkey Kong Country*,  
and their response is a swoon -  
love at first sight. The chemistry  
is the incomparable graphical  
output of Silicon Graphics computers.  
The alchemy is the way our design  
partners at Rare, Ltd., transport  
it to the Super NES. In video games,  
it is the undeniable look of love.



# Game Boy

## Success Story

It has 8-bit power, a monochromatic display, a two-and-a-half inch screen – and remains the most-used video game system in existence. Game Boy is the triumph of entertainment over technology: of the more than 40 million sold since 1989, the vast majority are still in use.





Game Boy is proof that the name of the game is games: to date, Nintendo and third-party publishers have produced nearly 500 Game Boy titles. And Game Boy is the definition of consistency: a multi-million seller every full year of its existence. In video gaming, the definition of success is Game Boy.



Street Fighter II



Killer Instinct



Galaxian, Arcade Series



Donkey Kong Land

**P l a y I t L o u d**  
 Nintendo's enduring commitment to value continues to reinvent Game Boy. The Super Game Boy attachment brings every Game Boy adventure to your home TV screen — in color. The introduction of Advanced Computer Modelling in *Donkey Kong Land* this year creates what one leading industry magazine calls “the most spectacular Game Boy game ever created.” And five new vibrant colors speak volumes about lasting appeal of Game Boy. Play it Loud. Play it forever.



They live in your memory as the innocent joys of youth: *Galaxian*, *Asteroids*, *Millipede*, *Joust*. But get ready as they spring back to life on the world's favorite hand held video game system. The Game Boy Arcade Series — nostalgia lives.

Super Game Boy means big and bold. Plugged into your Super NES, it delivers your favorite Game Boy action in riveting color and sound on any size TV.





64-bit

real time play

500 MHz memory speed

Gateway

Breakthrough

Cutting-edge

Web Site

n e x t

Ultra-revolutionary DISC Process

Intendo Ultra 64

Hz memory speed 95 MIPS Processing

MIPS Partnerships

Life Fitness Exertainment Cycle

100 MHz system speed

Nintendo

Ultra

6 4

NINTENDO  
ULTRA  
64™





"The computer power of Nintendo Ultra 64 would have cost \$14 million just ten years ago." - Tom Jermoluk, Silicon Graphics, Inc.



"It is revolutionary - not evolutionary."



64-bit MIPS RISC Processing  
Until now, it all seemed so predictable. 8-bit video gaming ruled the TV screen for five years. 16-bit gaming reigned for another five. But TV-based 32-bit gaming will be supplanted in a matter of months. Because in a heartbeat, Nintendo Ultra 64 will surpass everything that has come before. True 64-bit processing. 100 MHz system speed. 500 MHz memory speed. Real time rendered environments. Too much, too soon? Nope. More than enough - just in time.



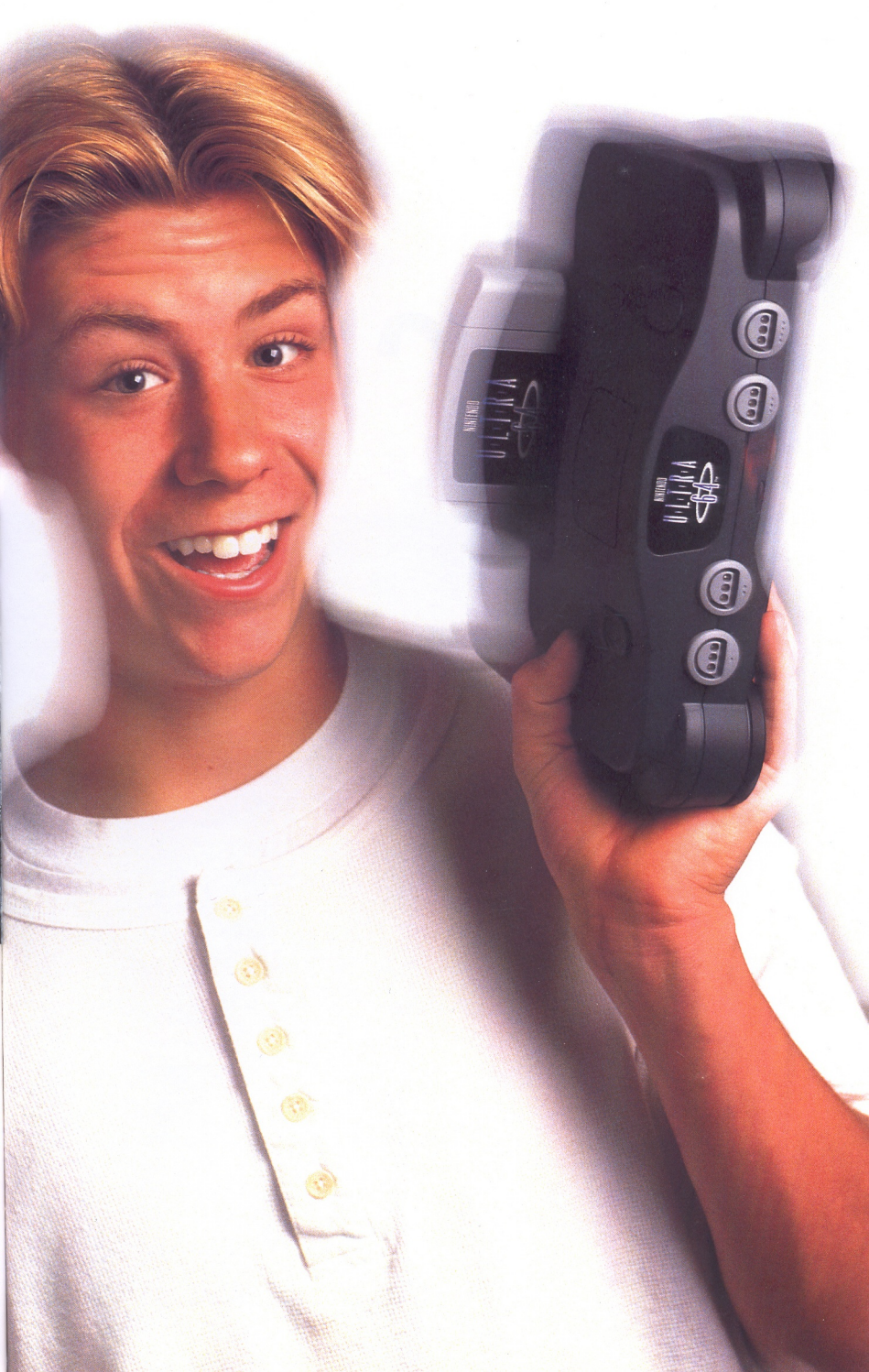
"Cutting-edge  
advanced -

everything else is  
antiquated."

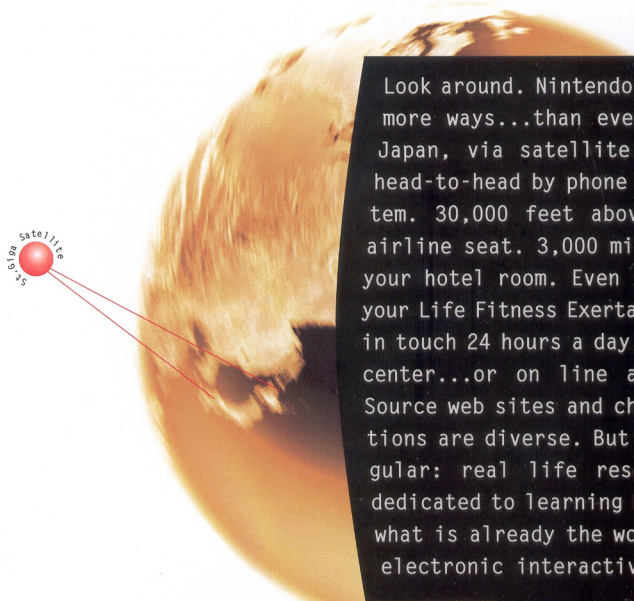
What Game Designers  
are saying about  
Nintendo Ultra 64.

"Graphics like  
never before - either on  
the PC or any of the  
other game consoles."

"Our artists see their work  
represented at a level that's  
never been possible before."



# Nintendo World



Look around. Nintendo is in more places...in more ways...than ever before. In homes in Japan, via satellite. In the USA, playing head-to-head by phone line on the XBAND system. 30,000 feet above the ocean, in your airline seat. 3,000 miles away from home, in your hotel room. Even in the health club, on your Life Fitness Entertainment Cycle. And we're in touch 24 hours a day, via our consumer call center...or on line at the Nintendo Power Source web sites and chat rooms. The applications are diverse. But our focus remains singular: real life research and development dedicated to learning how to make even better what is already the world's favorite form of electronic interactive entertainment.



Online: [nintendo@aol.com](mailto:nintendo@aol.com), or [www.nintendo.com](http://www.nintendo.com)





Catapult XBAND  
Telecommunication  
Gaming System



Gateway  
Airline  
System



Life Fitness Entertainment Cycle

In 1995, we will celebrate sales of **1 billion** video game cartridges, making Nintendo games the most popular in the world.

Nintendo's game library consists of more than **2,573 titles**. That's a lot to pick from!

**Did you know?**

The biggest selling game in history is *Super Mario Bros.* for the Nintendo Entertainment System, at more than **40 million cartridges** — launching the identity of Mario into the big leagues.

Selling at a rate of **one per second** in its first five weeks, *Donkey Kong Country* for the Super NES won mega hit status. With the return of Donkey Kong in cutting-edge technology, nearly **7.5 million units** have sold.

Nintendo has sold more than **141 million hardware systems**, making them the systems of choice around the world.

Play It Loud

100 MHz system

RISC Processing

Life Fitness Excitement

500 M

Cyberspace

64-bit

ACM

True 3-D

Gateway

Breakthrough Cutting-edge

Web Site

Revolution

# Numbers

RISC Process

Cycle

512 64ga

64

Processing

MIPS Partnerships

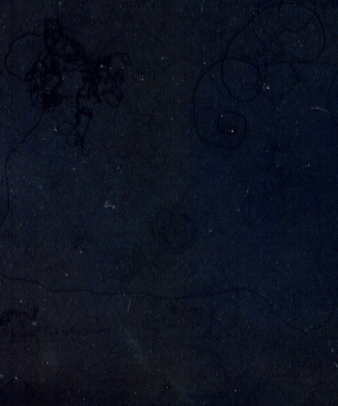
Life Fitness Entertainment Cycle

32,000

Colors

100 MHz system speed

Play It Loud





Common Stock Information

Years ended March 31, 1995 and 1994	Yen			
	1995		1994	
Quarter	High	Low	High	Low
First	¥7,170	¥6,270	¥10,500	¥9,350
Second	7,320	5,700	10,300	9,020
Third	5,890	5,010	9,450	6,000
Fourth	5,550	4,940	7,500	6,140

Years ended March 31, 1995 and 1994	U.S. Dollars			
	1995		1994	
Quarter	High	Low	High	Low
First	\$80.56	\$70.45	\$117.98	\$105.06
Second	82.25	64.04	115.73	101.35
Third	66.18	56.29	106.18	67.42
Fourth	62.36	55.51	84.27	68.99

The preceding table sets forth the high and low sale prices during fiscal 1995 and 1994 for Nintendo Co., Ltd. common stock, as reported on the Osaka Stock Exchange, Section 1. Nintendo's stock is also traded on the Tokyo Stock Exchange, Section 1 and the Kyoto Stock Exchange.

Note: The amounts presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into United States dollars at the rate of ¥89 = US \$1.

### Introduction

These consolidated financial statements include the accounts of Nintendo Co., Ltd. ("the Company") and its consolidated subsidiaries. For the year ended March 31, 1994 ("fiscal 1994"), five principal companies were included as consolidated subsidiaries: Nintendo of America Inc., Nintendo of Canada, Ltd., Nintendo France S.A.R.L., Nintendo España, S.A. and Nintendo of Europe GmbH. During the year ended March 31, 1995 ("fiscal 1995"), four additional subsidiaries were added to the consolidation: Nintendo U.K. Ltd., Nintendo Belgium S.P.R.L., Nintendo Netherlands B.V., and Nintendo Australia Pty, Ltd.

### Overview

Economic conditions in many of the Company's major markets continued to be weak. In addition, the value of the yen again strengthened and overseas competition in the video game business continued to be very intense. Although the Company maintained its leading position in the domestic Japanese market, both consolidated net sales and net income decreased. Net sales in fiscal 1995 decreased from fiscal 1994 by 14%, to ¥415.2 billion (\$4.6 billion), and net income declined by 21%, to ¥41.6 billion (\$468 million).

The Company did not introduce a new product category in any major market during fiscal 1995. During fiscal 1995 the value of the yen increased by 13% against the U.S. dollar and decreased by 3% against the German mark. In fiscal 1994, the Company began limited manufacturing in mainland China in order to offset some of the impact of the stronger yen and to gain access to the growing Chinese market. In fiscal 1995, this trend continued as the Company began assembling software in Mexico for sale in the North American market.

Fiscal 1995 net income was 10% of sales, compared to 11% in fiscal 1994. The Company's financial position is exceptionally strong: at March 31, 1995, the Company has cash and cash equivalents of over ¥396.6 billion (\$4.4 billion), no debt, and total liabilities of ¥113.8 billion (\$1.2 billion). The Company's liabilities-to-equity ratio was 0.25 at the end of fiscal 1995, down from 0.33 the previous year. This strong financial position provides the Company with sufficient resources to continue to compete very aggressively, both in new product development and marketing.

### Common Stock Activity

The Company's stock price declined by 21% during fiscal 1995, ending the year at ¥5,290 (\$59.44). Although earnings per share declined, the Company maintained the same level of dividends in both fiscal years, ¥70 (\$0.79) per share, which increased the dividend payout ratio to 24% for fiscal 1995, compared

to 19% for fiscal 1994. While the number of shares issued and outstanding during the year did not change, the number of shareholders increased from 43,663 at the end of fiscal 1994 to 47,909 in fiscal 1995.

#### Revenues and Expenses

Net sales in Japan declined slightly (4%), as the Company maintained its leading domestic market share, despite the introduction of new home video game systems by two major competitors. Net sales in Japan accounted for 53% of total sales in fiscal 1995, compared to 47% in the previous year. Overseas sales decreased by 24%, reflecting the impact of the stronger yen, poor economic conditions, particularly in Europe, and increased product and price competition.

In fiscal 1995, the Company had an outstanding line-up of new software titles. *Donkey Kong Country* for the Super NES became the most successful new title in home video game history, with sales of 7.5 million units in only five months. Several other titles also sold over one million units, including *Stunt Race FX* and *Super Metroid*, both for the Super NES, and *Donkey Kong* and *Wario Land* for Game Boy.

The Company's gross margin improved from 39% in fiscal 1994 to 42% in fiscal 1995, as a result of a higher percentage of more-profitable software sales, reduction in costs (due to overseas manufacturing and other factors), and the Company's decision to focus its efforts in the domestic Japanese market to offset the impact of the stronger yen. Selling, general and administrative expenses increased to 16% of net sales in fiscal 1995 from 15% in fiscal 1994, due principally to the decline in net sales, the increase in the value of the yen, and the consolidation of the four additional subsidiaries.

Interest and other income increased in fiscal 1995 by ¥2.8 billion (\$32 million), because of higher interest rates and additional amounts of foreign currency deposits.

The Company's effective income tax rate was about 51% in both fiscal years.

#### Financial Position and Cash Flow

Total cash and cash equivalents increased by ¥53.2 billion (\$598 million), with a corresponding decrease in accounts receivable. The Company was successful in its efforts to reduce inventories which declined by 49%, or ¥38.4 billion (\$432 million). The total of cash and cash equivalents at the end of fiscal 1995 is 3.5 times greater than total liabilities. At the end of fiscal 1995, the current ratio was 4.62, compared to 3.72 for fiscal 1994.

Other than payment of dividends, there were no significant financing activities. The most significant investment activity during fiscal 1995 was acquisition of land in Tokyo for a second building.

Consolidated Balance Sheets

ASSETS March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	¥396,679	¥343,472	\$4,457,063	\$3,859,236
Receivables-				
Trade notes and accounts	42,513	85,930	477,672	965,509
Allowance for doubtful accounts	(837)	(864)	(9,403)	(9,703)
Inventories (Note 3)	39,415	77,835	442,870	874,551
Deferred income taxes	4,848	3,465	54,473	38,927
Other current assets	15,827	9,016	177,835	101,300
<b>Total current assets</b>	<b>498,445</b>	<b>518,854</b>	<b>5,600,510</b>	<b>5,829,820</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	38,801	35,743	435,972	401,603
Buildings and structures	30,053	26,304	337,668	295,553
Machinery and equipment	23,521	21,326	264,284	239,621
Construction in progress	2,751	48	30,906	537
	95,126	83,421	1,068,830	937,314
Accumulated depreciation	(25,619)	(21,565)	(287,849)	(242,299)
	69,507	61,856	780,981	695,015
<b>INVESTMENTS AND OTHER ASSETS</b>				
Investments in securities	8,544	8,426	95,994	94,674
Other assets	2,166	2,091	24,338	23,493
	10,710	10,517	120,332	118,167
	¥578,662	¥591,227	\$6,501,823	\$6,643,002

See notes to consolidated financial statements.



LIABILITIES AND SHAREHOLDERS' EQUITY March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
	<b>CURRENT LIABILITIES</b>			
Trade notes and accounts payable	¥ 64,193	¥ 87,945	\$ 721,268	\$ 988,148
Accrued income taxes	27,443	32,849	308,350	369,087
Accrued expenses	8,484	5,487	95,326	61,651
Other current liabilities	7,735	13,328	86,907	149,753
<b>Total current liabilities</b>	<b>107,855</b>	<b>139,609</b>	<b>1,211,851</b>	<b>1,568,639</b>
Retirement and severance benefits	1,715	1,831	19,266	20,571
Deferred income taxes	227	717	2,552	8,058
Translation adjustments	4,081	4,877	45,861	54,800
<b>Total liabilities</b>	<b>113,878</b>	<b>147,034</b>	<b>1,279,530</b>	<b>1,652,068</b>
Contingencies (Note 6)				
<b>SHAREHOLDERS' EQUITY (NOTE 4)</b>				
Common stock, par value ¥50 (\$0.56) per share				
Authorized - 400,000,000 shares				
Issued - 141,669,000 shares	10,065	10,065	113,094	113,094
Additional paid-in capital	11,584	11,584	130,160	130,160
Legal reserve	2,516	2,516	28,274	28,274
Retained earnings	440,676	420,084	4,951,413	4,720,038
	464,841	444,249	5,222,941	4,991,566
Treasury stock, at cost	(57)	(56)	(648)	(632)
<b>Total shareholders' equity</b>	<b>464,784</b>	<b>444,193</b>	<b>5,222,293</b>	<b>4,990,934</b>
	<b>¥578,662</b>	<b>¥591,227</b>	<b>\$6,501,823</b>	<b>\$6,643,002</b>

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
<b>REVENUES</b>				
Net sales	¥415,240	¥485,612	\$4,665,620	\$5,456,310
Interest income and other	14,188	11,367	159,413	127,727
	429,428	496,979	4,825,033	5,584,037
<b>COST AND EXPENSES</b>				
Cost of sales	241,024	297,372	2,708,128	3,341,257
Selling, general and administrative expenses	67,021	71,431	753,043	802,598
Foreign exchange loss, net	35,386	20,871	397,597	234,514
Other	293	2,894	3,296	32,508
	343,724	392,568	3,862,064	4,410,877
Income before income taxes, equity earning and translation adjustments	85,704	104,411	962,969	1,173,160
<b>INCOME TAXES (NOTE 5)</b>				
Current	52,525	60,994	590,173	685,329
Deferred	(2,127)	(1,615)	(23,897)	(18,147)
	50,398	59,379	566,276	667,182
Equity in earning of an unconsolidated subsidiary	21	3	235	29
Translation adjustments	6,334	7,618	71,173	85,604
Net income	¥ 41,661	¥ 52,653	\$ 468,101	\$ 591,611
		Yen		U.S. Dollars (Note 1)
	1995	1994	1995	1994
<b>PER SHARE OF COMMON STOCK</b>				
Net income (note 21)	¥ 294.08	¥ 371.72	\$ 3.30	\$ 4.18
Cash dividends paid	70	70	0.79	0.79

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 1995 and 1994	Number of common shares in thousands	Yen in Millions				Treasury stock at cost
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings	
Balance, March 31, 1993	141,669	¥10,065	¥11,584	¥2,516	¥380,648	¥(523)
Net income					52,653	
Cash dividends paid					(9,917)	
Directors' bonuses					(120)	
Consolidation of an additional subsidiary					(888)	
Translation adjustments					(2,292)	
Net change in treasury stock						467
Balance, March 31, 1994	141,669	10,065	11,584	2,516	420,084	¥(56)
Net income					41,661	
Cash dividends paid					(9,917)	
Directors' bonuses					(120)	
Consolidation of an additional subsidiary					(9,699)	
Translation adjustments					(1,333)	
Net change in treasury stock						(1)
Balance, March 31, 1995	141,669	¥10,065	¥11,584	¥2,516	¥440,676	¥(57)

	U.S. Dollars in Thousands (Note 1)				Treasury stock at cost
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	
Balance, March 31, 1993	\$113,094	\$130,160	\$28,274	\$4,276,948	\$(5,872)
Net Income				591,611	
Cash dividends paid				(111,425)	
Directors' bonuses				(1,348)	
Consolidation of an additional subsidiary				(9,986)	
Translation adjustments				(25,762)	
Net change in treasury stock					5,240
Balance, March 31, 1994	113,094	130,160	28,274	4,720,038	(632)
Net Income				468,101	
Cash dividends paid				(111,423)	
Directors' bonuses				(1,348)	
Consolidation of an additional subsidiary				(108,978)	
Translation adjustments				(14,977)	
Net change in treasury stock					(16)
Balance, March 31, 1995	\$113,094	\$130,160	\$28,274	\$4,951,413	\$(648)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS Years ended March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	¥ 427,967	¥ 476,212	\$ 4,808,617	\$ 5,350,699
Cash paid to suppliers and employees	(279,661)	(430,342)	(3,142,256)	(4,835,306)
Interest and dividends received	13,232	10,084	148,672	113,302
Income taxes paid	(57,985)	(87,298)	(651,518)	(980,880)
Other	(5,493)	(4,060)	(61,720)	(45,616)
Net cash provided by (used in) operating activities	98,060	(35,404)	1,101,795	(397,801)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales of property	113	57	1,273	635
Payments for purchase of property	(9,401)	(7,274)	(105,633)	(81,729)
Payments for purchase of securities	(4,836)	(1,246)	(54,337)	(13,998)
Other, net	(1,233)	952	(13,857)	10,704
Net cash used in investing activities	(15,357)	(7,511)	(172,554)	(84,388)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash dividends paid	(9,896)	(9,917)	(111,189)	(111,425)
Decrease (increase) in treasury stock, net	(1)	467	(16)	5,240
Net cash used in financing activities	(9,897)	(9,450)	(111,205)	(106,185)
Translation adjustments	4,188	5,084	47,055	57,127
Effect of exchange rate changes on cash and cash equivalents	(23,787)	(6,547)	(267,264)	(73,562)
Net increase (decrease) in cash and cash equivalents	53,207	(53,828)	597,827	(604,809)
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning of the year	343,472	397,300	3,859,236	4,464,045
End of the year	¥ 396,679	¥ 343,472	\$ 4,457,063	\$ 3,859,236

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net income	¥ 41,661	¥ 52,653	\$ 468,101	\$ 591,611
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	4,558	5,006	51,213	56,250
Decrease in retirement and severance benefits	(116)	(65)	(1,305)	(727)
Deferred income taxes	(1,874)	(1,654)	(21,051)	(18,589)
Decrease in receivables	28,008	439	314,693	4,930
Decrease (Increase) in inventories	49,423	(27,802)	555,314	(312,381)
(Decrease) in payables	(25,327)	(36,146)	(284,575)	(406,141)
(Decrease) in accrued income taxes	(5,406)	(25,957)	(60,737)	(291,652)
Other, net	7,133	(1,878)	80,142	(21,102)
Total adjustments	56,399	(88,057)	633,694	(989,412)
Net cash provided by (used in) operating activities	¥ 98,060	¥(35,404)	\$1,101,795	\$ (397,801)

See notes to consolidated financial statements.

Years ended March 31, 1995 and 1994

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") maintains its accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles in Japan. Its foreign subsidiaries maintain their accounts in conformity with those of each country of their domicile.

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 presentation of a consolidated statement of cash flows is not required for domestic reporting purposes. It is, however, presented herein for the readers' convenience. In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles in Japan.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into United States dollars at the rate of ¥89 = US \$1, the approximate exchange rate on March 31, 1995. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

2. Significant Accounting Policies

a. Principles of Consolidation These consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

b. Inventories Inventories are stated at the lower of cost or market. The Company determines cost by the moving average method.

c. Property, Plant and Equipment Property, plant and equipment is stated at cost. The Company computes depreciation by the declining balance method over the estimated useful lives of the assets. Overseas subsidiaries compute depreciation by the straight line method.

d. Marketable Securities and Investments in Securities Quoted marketable securities included in other current assets and investments in securities are stated at the lower of cost, determined by the moving average method, or market.

e. Income Taxes The Company computes and records income taxes currently payable based upon taxable income determined in accordance with applicable tax laws. The Company does not recognize deferred income taxes arising from differences in timing of recognizing income and expense for financial statement and

income tax purposes. Certain overseas subsidiaries recognize deferred income taxes arising from such timing differences, which results in recognition of deferred income taxes.

f. Retirement and Severance Benefits and Pension Plan Employees of the Company are covered by a non-contributory trusted pension plan. Benefits under the plan are generally based on the current rate of base salary, length of service and certain other factors when the termination occurs.

The balance of the liability for lump-sum severance benefits at the time when the Company changed the pension plan is being reversed over 5 years to match the amortization of past service liabilities.

Employees of an overseas subsidiary are covered by a non-contributory defined benefit plan (the "Plan"). Benefits under the Plan are based primarily on years of service and defined compensation levels. Benefits vest ratably over the third to seventh years of service with the subsidiary.

Directors and statutory auditors customarily receive lump-sum payments upon termination of their services subject to shareholders' approval. The Company provides for the liability for lump-sum severance benefits for directors and statutory auditors at the estimated amount required if all retired at the balance sheet date.

g. Translation of Foreign Currency Items Current receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance sheet date, whereas non-current receivables and payables are translated at the exchange rates in effect when acquired or incurred. Receivables and payables hedged by forward exchange contracts are translated into yen at the contracted exchange rates. Gains or losses arising from transactions in foreign currency receivables and payables are credited or charged to income as incurred.

Financial statements of overseas subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date for monetary current assets and liabilities and retained earnings, and at historical rates for inventories and other balance sheet accounts. The average exchange rates for the fiscal period are used for translation of revenues and expenses, except that certain costs and expenses relating mainly to inventories and depreciable assets are translated at historical rates, and net income is translated at the exchange rates in effect at the balance sheet date. The differences resulted from translation in this manner are shown as "Translation adjustments" in the accompanying consolidated financial statements as set forth in Japanese accounting standard.

h. Research and Development Costs Expenses relating to research and development activities are charged to income when incurred.

i. Net Income Per Share The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period, adjusted retroactively for subsequent free share distributions.

j. Cash and Cash Equivalents In preparing the consolidated balance sheets and statements of cash flows, the Company and its consolidated subsidiaries consider time deposits, certificates of deposit, bankers' acceptances and Euroyen and Eurodollar deposits to be cash equivalents.

### 3. Inventories

Inventories at March 31, 1995 and 1994 consisted of the following:

	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
Finished products	¥31,299	¥66,121	\$351,675	\$742,932
Work in process	681	1,715	7,653	19,270
Raw materials and supplies	7,435	9,999	83,542	112,349
	¥39,415	¥77,835	\$442,870	\$874,551

### 4. Shareholders' Equity

The Japanese Commercial Code requires that a portion of retained earnings in an amount equal to at least 10% of cash dividends paid and directors' bonuses in each financial period be appropriated as a legal reserve until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be capitalized by resolution of the Board of Directors or may be used to reduce a deficit by approval of shareholders.

Under the Commercial Code, the entire amount of the issue price of new shares is required to be accounted for as common stock although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of new shares as additional paid-in capital. Also, the portion of the issue price of new shares accounted for as common stock in excess of the par value of such new shares and additional paid-in capital may be distributed, by resolution of the Board of Directors, in the form of free share distributions to shareholders.



#### 5. Income Taxes

The Company is subject to several Japanese taxes based on income, which, in the aggregate, result in a statutory effective tax rate of approximately 51%.

The effective tax rates in the consolidated statements of income differ from the normal statutory tax rates primarily due to non-deductible expenses for income tax purposes, and the effect of differences in the recognition of certain expenses for tax and financial reporting purposes.

#### 6. Litigation

The Company and its consolidated subsidiaries are involved in significant matters of litigation, both as a plaintiff and as a defendant, all arising in the ordinary course of business. Such litigation includes assertions relating to patent, copyright and trademark infringement, collection actions, and antitrust matters. During 1994, a jury awarded approximately \$208 million plus interest to the plaintiff in a patent infringement lawsuit against the Company and its subsidiary. This decision is currently under appeal. While the ultimate outcome of these matters cannot be predicted at this time, it is the opinion of management that the disposition of all matters of litigation in which the Company and its consolidated subsidiaries are presently involved will not have a material adverse effect on the consolidated financial position of the Company.

#### 7. Subsequent Events

Subsequent to March 31, 1995, the Company's Board of Directors declared year-end cash dividends and directors' bonuses, as follows:

	Yen in Millions	U.S. Dollars in Thousands (Note 1)
Year-end cash dividends, ¥35 (\$0.39) per share	¥4,958	\$55,708
Directors' bonuses	120	1,348

The dividend and directors' bonuses declared above were subject to approval by the shareholders at the annual meeting to be held on June 29, 1995.

B. Segment Information

a. Segment Information by Business Categories.

Since the sales of one segment are over 90% of total sales, this information is not required.

b. Segment Information by Seller's Location:

Year ended March 31, 1995	Yen in Millions				Consolidated Net Sales
	Domestic	Overseas	Total	Elimination	
NET SALES					
Sales to third parties	¥243,379	¥171,861	¥415,240	-	¥415,240
Inter segment sales	106,848	96	106,944	¥(106,944)	-
Total net sales	350,227	171,957	522,184	(106,944)	415,240
Cost of sales and					
Selling, G. & A. expenses	220,826	200,422	421,248	(113,203)	308,045
Income (loss) from operations	129,401	(28,465)	100,936	6,259	107,195

Year ended March 31, 1995	U.S. Dollars in Thousands (Note 1)				Consolidated Net Sales
	Domestic	Overseas	Total	Elimination	
NET SALES					
Sales to third parties	\$2,734,594	\$1,931,026	\$4,665,620	-	\$4,665,620
Inter segment sales	1,200,544	1,071	1,201,615	\$(1,201,615)	-
Total net sales	3,935,138	1,932,097	5,867,235	(1,201,615)	4,665,620
Cost of sales and					
Selling, G. & A. expenses	2,481,189	2,251,932	4,733,121	(1,271,950)	3,461,171
Income (loss) from operations	1,453,949	(319,835)	1,134,114	70,335	1,204,449

c. Sales for Overseas Customers:

Years ended March 31, 1995 and 1994	Yen in Millions		U.S. Dollars in Thousands (Note 1)	
	1995	1994	1995	1994
Sales for overseas customers	¥195,020	¥255,929	\$2,191,245	\$2,875,612

Overseas sales are the total sales of Nintendo's export sales and sales made by overseas subsidiaries (except inter segment sales).

To the Board of Directors

Nintendo Co., Ltd.

We have audited the consolidated balance sheets of Nintendo Co., Ltd. and its consolidated subsidiaries as of March 31, 1995 and 1994, 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 audit.

We conducted our audit in accordance with the 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 audit provides 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 consolidated subsidiaries as of March 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

*Chuo Audit Corporation*

Kyoto, Japan

June 28, 1995

Years ended March 31, 1995, 1994, 1993, 1992, and 1991

	Yen in Millions				
	1995	1994	1993	1992	1991
FOR THE PERIOD					
Net sales	¥415,240	¥485,612	¥634,669	¥561,843	¥471,417
Income before income taxes	85,704	104,411	187,800	180,833	161,577
Net income	41,661	52,653	88,609	87,104	68,886
AT THE PERIOD-END					
Total assets	578,662	591,227	608,769	517,205	425,372
Property, plant and equipment-net	69,507	61,856	58,168	53,496	47,811
Shareholders' equity	464,784	444,193	404,290	328,548	250,623

	Yen				
	1995	1994	1993	1992	1991
AMOUNTS PER SHARE <sup>(B)</sup>					
Net income	¥ 294.08	¥ 371.72	¥ 625.77	¥ 615.18	¥ 486.32
Cash dividends	70	70	70	60	37

	U.S. Dollars in Thousands <sup>(A)</sup>				
	1995	1994	1993	1992	1991
FOR THE PERIOD					
Net sales	\$4,665,620	\$5,456,310	\$7,131,118	\$6,312,844	\$5,296,821
Income before income taxes	962,969	1,173,160	2,110,109	2,031,832	1,815,475
Net income	468,101	591,611	995,606	978,699	773,997
AT THE PERIOD-END					
Total assets	6,501,823	6,643,002	6,840,105	5,811,293	4,779,465
Property, plant and equipment-net	780,981	695,015	653,573	601,079	537,203
Shareholders' equity	5,222,293	4,990,934	4,542,604	3,691,551	2,816,000

	U.S. Dollars <sup>(A)</sup>				
	1995	1994	1993	1992	1991
AMOUNTS PER SHARE <sup>(B)</sup>					
Net income	\$ 3.30	\$ 4.18	\$ 7.03	\$ 6.91	\$ 5.46
Cash dividends	0.79	0.79	0.79	0.67	0.42

<sup>(A)</sup> See note 1 to consolidated financial statements.

<sup>(B)</sup> See note 21 to consolidated financial statements.

Board of Directors

Hiroshi Yamauchi  
President

Katsunori Tanimoto  
Akio Tsuji  
Senior Managing Directors

Hiroyuki Fukuda  
Yasuhiro Onishi  
Minoru Arakawa  
Hiroshi Imanishi  
Kimio Mariko  
Masaharu Matsumoto  
Howard Lincoln  
Yoshihiro Mori  
Directors

Yoshiaki Kondo  
Tokio Sotani  
Minoru Inaba  
Seinosuke Kono  
Statutory Auditors

Offices and Facilities

Corporate Headquarters  
and Main Production Facility  
60 Fukuine Kamitakamatsu-cho,  
Higashiyama-ku, Kyoto 605, Japan  
Telephone: (075) 541-6111  
Fax: (075) 531-9577

Uji Plant  
92-15 Enba, Makishima-cho, Uji-city,  
Kyoto 611, Japan  
Telephone: (0774) 21-3191  
Fax: (0774) 24-1325

Uji Ogura Plant  
56 Kaguraden, Ogura-cho, Uji-city,  
Kyoto 611, Japan  
Telephone: (0774) 23-7838  
Fax: (0774) 23-7813

Uji Okubo Plant  
54-1 Tahara, Okubo-cho, Uji-city  
Kyoto 611, Japan  
Telephone: (0774) 45-3030  
Fax: (0774) 45-3033

Tokyo Office  
5-21-5  
Asakusabashi, Taiko-ku,  
Tokyo 111, Japan  
Telephone: (03) 5820-2251  
Fax: (03) 5820-2681

Tokyo Distribution Center  
3-1-24, Toyosumi, Kashiwa-city  
Chiba 277, Japan  
Telephone: (0471) 74-4144  
Fax: (0471) 72-2812

Osaka Office  
1-13-9, Honjohigashi, Kita-ku,  
Osaka 531, Japan  
Telephone: (06) 376-5950  
Fax: (06) 376-5961

Nagoya Office  
2-18-9, Habashita, Nishi-ku,  
Nagoya 451, Japan  
Telephone: (052) 571-2510  
Fax: (052) 565-0061

Nagoya Distribution Center  
3-321, Nakaota1, Nishi-ku,  
Nagoya 452, Japan  
Telephone: (052) 501-2077  
Fax: (052) 501-9980

Okayama Office  
4-4-11, Hokan-cho  
Okayama 700, Japan  
Telephone: (086) 252-1821  
Fax: (086) 255-0316

Sapporo Office  
18-2 Nishi, Kitakujo, Chuo-ku,  
Sapporo 060, Japan  
Telephone: (011) 621-0513  
Fax: (011) 621-3809

Significant Subsidiaries

Nintendo of America Inc.  
4820-150th Avenue N.E.  
Redmond, WA 98052 U.S.A.  
Telephone: (206) 882-2040  
Fax: (206) 882-3585

Nintendo Australia Pty. Ltd.  
48-52 Dunlop Road  
Mulgrave, Victoria  
3170 Australia  
Telephone: 3-9265-9900  
Fax: 3-9265-9922

Nintendo of Canada Ltd.  
110-13480 Crestwood Place  
Richmond, B.C. V6V 2J9 Canada  
Telephone: (604) 279-1600  
Fax: (604) 279-1649

Nintendo España, S.A.  
Paseo de la Castellana, 39  
28046 Madrid  
Spain  
Telephone: 34-1-319-8208  
Fax: 34-1-319-1317

Nintendo of Europe GmbH  
Nintendo Center  
63760 Grobostheim  
Federal Republic of Germany  
Telephone: 6026-950-0  
Fax: 6026-950-301

Nintendo (Hong Kong) Ltd.  
912 Lipso Sun Plaza,  
28 Canton Road, Tsimshatsui  
Kowloon, Hong Kong  
Telephone: 852-2377-2266  
Fax: 852-2377-4433

Nintendo UK Ltd.  
Unit E1, Fareham Heights  
Standard Way  
Fareham, Hampshire PO16 8XT  
England  
Telephone: 1329-822-565  
Fax: 1329-822-517

Nintendo France S.A.R.L.  
13, rue Vernier  
75017 Paris  
France  
Telephone: 1-45-74-27-28  
Fax: 1-44-09-74-01

Nintendo Belgium S.P.R.L.  
Trade Mart, B.P. 271  
Atomium Square  
B 1020 Brussels  
Belgium  
Telephone: 2-478-90-48  
Fax: 2-478-25-13

Nintendo Netherlands B.V.  
Krijtwaal 33  
3432 ZT Nieuwegein  
Holland  
Phone: 3402-97100  
Fax: 3402-51110

BLOCKBUSTER VIDEO name and design are registered trademarks of Blockbuster Entertainment Inc., Ft. Lauderdale, FL 33301. / Life Fitness Entertainment System courtesy of Life Fitness. / XBAND™ for Super NES photograph courtesy of Capcom Entertainment. / Scanned Linear Array™ is a trademark of Reflection Technology, Inc. / Galaxian ® & © 1979, 1995 Namco Ltd. All rights reserved. Licensed to Nintendo. / Asteroids ® & © 1979, 1995 Atari Corporation. Developed by Accolade, Inc. Licensed to Nintendo. Asteroids is a registered trademark of Atari Corp. / Millipede ® & © 1982, 1995 Atari Corporation. Developed by Accolade, Inc. Licensed to Nintendo. Millipede is a registered trademark of Atari Corp. / Joust ® & © 1982, 1995 Williams Electronic Games Inc. All rights reserved. Licensed to Nintendo. Joust is a trademark of Williams Electronic Games Inc. © 1995 Nintendo. Nintendo, Nintendo Ultra 64, Virtual Boy, Super Nintendo Entertainment System, and Game Boy are trademarks of Nintendo.



**Nintendo®**

