



2006 GDC KEYNOTE ADDRESS

Thank you so much for giving me the honor of speaking before you again this year. In my job, I have to talk to a lot of people, but as you all know, since I still have the heart of a gamer, I have the most fun talking to you!

Once upon a time, way back in the 1980's, a company became number one because its products meant 'fun' to young people. Then, in the 1990's, a bigger company with a bigger brand name and bigger budgets took away the number one spot.

Fortunately, that first company also had another line of products that let it remain popular and profitable. This company used that threat to reconsider its strategy, and think how it could regain overall leadership.

And this is what it decided.

It would redefine its own business, and expand its market beyond current core users. Could this strategy work?

Well, we already know the answer. The answer is yes.

Because that first company, Pepsi, has returned to number one in its industry displacing Coke. Pepsi stopped asking, "How can we sell more cola?" Instead, it started asking, "What else do people want to drink?"

Today, Pepsi is number one in bottled water. It is number one in sports drinks. It is number one in health drinks. And, of course, it remains number one in the snacks business that it used to maintain profitability while they executed their disruptive strategy. (As every game developer understands, the three basic food groups are Fritos, Cheetos and Doritos.)

I am here today to share some stories about Nintendo. But, I begin with a story about Pepsi because it demonstrates how thinking differently, and holding strongly to your strategy, can disrupt an entire industry – and in a good way.

For some time, we have believed the game industry is ready for disruption. Not just from Nintendo, but from all game developers. It is what we all need to expand our audience. It is what we all need to expand our imaginations.

Several years ago, when I began talking about reaching out to casual gamers and non-gamers, few people listened. Today, Nintendo DS is succeeding in disrupting the handheld market – in fact, you could attribute most industry growth last year to just this one product line. Now, people are listening more closely.

I know many of you smiled when we demonstrated *Nintendogs* at the GDC last year, but I'm sure not many of you believed it could sell 6 million copies around the world in less than a year.

But the success of DS is not based on just one game; it is the story of several new kinds of software creating brand new players.

Let me explain how disruption is working for us. Most of you are very familiar with the American market, so let me share some information about Japan.

When it launched in 2001, Playstation 2 sold 6 million units in its first 21 months. Soon after, our Game Boy[®] Advance did even better, reaching 6 million in 20 months. But Nintendo DS is selling at a much faster pace than any game system in Japanese history. We have reached sales of 6 million systems in just 14 months. And, this number would be far higher if production could keep up with demand.

In part, the DS success is due to how we redefine better technology ... with unique hardware features. But more importantly, the disruption of Nintendo DS comes from how software takes advantage of the hardware.

Over the last year, no software has created more discussion (or more surprise) than our "brain" games. The first brain training game, which launched 10 months ago, has sold 1.97 million units. The second brain training game, which only launched the last week of last year, has already sold over 1.8 million units.

I have been asked many times how we decided to develop these games...so I thought maybe this is the first story I should share with you today.

Where did this idea come from? I'm sure you can guess ... it started where all great creative ideas begin – from a board of directors!

When Atsushi Asada was a member of our Executive Committee, he complained that he knew no one his age who played video games. Because Japan is an aging society, he thought a game designed just for seniors might work.

I agreed it was a good start, but I said it might be a mistake to target only seniors. Instead, maybe something that would appeal to other users, as well.

This meeting occurred just after the E³ show two years ago – a very busy time for us. We were finalizing the Nintendo DS hardware, as well as preparing DS launch games. Even so, I asked each of our four main development groups to nominate a few people to serve on a task force.

Some of them did not have much experience making games, so I got to play the role of professor, talking to them not just about games, but about overall product planning. The goal of the task force was to invent a game whose appeal would include everyone from youngsters to baby boomers to seniors.

Our early meetings were just brainstorming and didn't produce any solid ideas. But at that time, people in Japan were beginning to read a new book and do its brain exercises. I noticed this, and thought it might be a good game idea.

Even Mr. Mori, our chief financial officer, was doing the exercises himself and convinced me to go forward. Then I consulted with Mr. Miyamoto, and when he got excited, too, I asked the task force to tackle the job.

Several of them said that just exercising your brain might not be enough. Could there be a way for players to measure a "brain age?" I thought this was a great idea. People would be eager to compare their scores. But in fact, no work at all could begin until we came to agreement with the author, Dr. Ryuta Kawashima. Since we were both about the same age, I decided to try to meet with him myself.

His schedule was very busy, but he agreed he could find just one hour on just one day – the very day that the DS was launching in Japan. Not only was his university a long distance from our offices, but the meeting itself lasted not one hour, but three.

We showed him a prototype brain training software and explained how his work might translate to our medium. He was enthused, and we started exchanging ideas. The doctor offered to demonstrate evidence on how the prototype software was stimulating brain activity. He asked if he could borrow one of the team members I had brought along from Nintendo. I said, "Certainly."

You might find this unbelievable, but his assistant then entered with something that looked like a metal bowl with wires attached to it, and then he turned it upside down, and placed it on my team member's head. It looked like a sci-fi movie from the 1950's. The doctor showed that he could determine that the prototype game was changing the amount of blood moving across the surface of the brain. This was an important moment for all of us.

I'm sure some people at Nintendo wondered how I could spend so much time on the kind of meeting on the very day of the DS launch, but I think it turned out to be a good idea.

Meanwhile, back at Nintendo, we also benefited from some good timing. Internally, we have one team we call the “Development Environmental Group.” They had just finished a library of tools for voice and sound recognition for DS. Simultaneously, work on hand-writing recognition was also in progress.

When they began this work, we all thought these functions would be useful for the DS someday, but we had no real idea how. Then suddenly, it seemed to Mr. Miyamoto and me they would be a perfect match for this brain game.

By now, I admit I was getting very enthusiastic about the project. But at first, I don’t remember that the development team felt quite the same way. I assembled a group of nine people and told them that since this wasn’t a very complicated programming they should be able to finish the first game in just 90 days . . . And that included the year-end holiday period. I could tell they were not happy, but at least with such a short schedule, they couldn’t waste much time complaining.

My bigger concern was how the market would react—beginning with retailers. Few people inside Nintendo believed they would place very big orders—the game was just too different from what they knew. Maybe it wasn’t even a “game” at all. So at this point, one member of the sales team suggested a new rule. When our salesmen showed the software to retailers, even before business was discussed, the first 15 minutes of every meeting must be spent with the buyers trying the brain exercises themselves.

Oh, when they heard this, the retailers hated the idea! They were disgusted, but they had no choice. So they started playing, and we could only wait to see how they would react.

And how did they respond? Well, at this point I think I will take a risk and see if we can reproduce those first reactions right here on stage. In order to do that, I’d like to introduce Bill Trinen from Nintendo of America’s localization team – a person who has spent months with *Brain Age*. He’ll walk us through a demonstration, and invite a few friends.

[Bill Trinen, from Nintendo of America’s localization team, demonstrated the unique game play of the new Nintendo DS game, *Brain Age: Train Your Brain in Minutes a Day*, among a group of volunteers]

Thank you Bill (Trinen), Will (Wright), Geoff (Keighley) and Jamil (Moledina). I think we have now discovered people who are determined to improve their brain age! And of course, that is the secret appeal of this game.

Let me add one more note to this story. Those first retailers, after playing the first game, agreed to buy a total of 70,000 units, which was still more than our domestic sales team expected, but I was not satisfied with that number. But between the launch of the first game and the second, you could see a disruption of the market occurring across Japan. Something had changed. New people were playing.

Seven months later, we returned with samples of the second *Big Brain Academy* game. This time, no demonstrations were needed. The retailers quickly placed orders for 850,000 units. And even that turned out not to be enough. It recorded the biggest first-week sales for any DS game ever.

As of right now, the three brain games, including *Brain Flex*, have sold more than five million copies in Japan alone. The moral of this story is pretty clear. If you want to succeed in game development, you need to follow two simple rules:

- First, listen to your board of directors
- And second, listen to your chief financial officer

The development of this game came from our belief that people wanted something new. In this case, that game took the form of a “treadmill for the mind.” But we also learned that the only real way to demonstrate the appeal of these games is to have people actually play them. At Nintendo in Japan, we had employees take the game home and show it to family and friends, especially people who weren’t game players.

Quite a few of our employees were surprised that their parents and wives who would never show any interest in gaming were suddenly playing this everyday. That helped to build buzz. So, I decided that the same thing might work here in America. And that the best time to start ... is right now.

So, when we’re finished this morning, I thought you should test your own brain age to play yourself, and to show it to a friend or colleague or even your parents – even if they have never played games.

So as you leave my keynote address, please take a copy of *Brain Age* with you as a gift from Nintendo. Please only take one, and understand that the games are only available to pick up when we finish today.

The second story I want to share with you involves disruption of a different sort – not only taking a different approach to a new technology, but also finding a way to make it attractive to everyone and thereby expand the overall audience.

The topic was constructing the Nintendo Wi-Fi Connection.

Many of you know that we have been experimenting with networks since the 1980s. Back then, you could use your NES in Japan to trade stocks. We kept working, but never thought the time was right to introduce a game network until Nintendo DS.

In 2004, we began considering Wi-Fi gaming. From the start, we had several challenges. First, we knew that both *Animal Crossing* and *Mario Kart* would be arriving on the DS the next year, and we wanted them to feature Wi-Fi play. That made the development timetable very short.

Secondly, I insisted that our Wi-Fi interface be seamless. I wanted connecting to someone around the world to be as easy as connecting to someone playing next to you in the same room. As you know, this creates its own problems, because normally making things easier for players, makes things harder for developers.

But the most difficult aspect was deciding who players would be able to connect with. Online gaming normally belongs to the most aggressive players, and they can be a very vocal group. For the casual player, this kind of interaction can be very intimidating. I believed if we catered to only this very vocal group of hard-core players, we could never truly expand the audience.

Originally, we thought Wi-Fi should be set up as a kind of social network, almost a game-play version of MySpace. In Japan, we initially referred to the Wi-Fi system as “project house party.” We had in mind the comfort of inviting friends over to play in your own home. Well, at Nintendo of America this name was not very popular. They told us that this sounded like what you call a “tupperware party.” No matter what we called it, I believed the experience must be easy and fun.

What did I mean by “easy?” It’s simple to connect a game on DS locally when you’re sitting in a room with your friends. It should be just as easy to find those friends and play with them even if they’re thousands of miles away.

But what is “fun?” That depends on the player. You may want to play *Mario Kart* only with people you know. Or you may find it more fun to try to defeat total strangers. Sometimes, the choice will be determined by the nature of the game. No one playing *Animal Crossing* wants someone to come in cut down all their trees and trash their town. What was important to me was that players have the choice, and the freedom to choose which way to play.

For developers, “easy” and “fun” doesn’t mean the work will be “easy” or “fun.” There were many barriers to overcome. And my colleague, Mr. Takao Ohara, will share those stories with you later here at the GDC.

In the end, it is the freedom of choice, I believe, that has made the Nintendo Wi-Fi Connection so successful. To date, we have surpassed 1 million unique players, totaling more than 29 million play sessions – and, this in only 18 weeks of availability.

We reached 1 million players almost five times as fast as the Xbox Live service, which also offered free connections when it began. It took them 20 months to reach 1 million different users. Of course, this has made our Wi-Fi development team very happy as you can see.

What you can't see is that sign they're holding up, a message to all of you. So let me show you what it said: We love the GDC. They all wanted to come, but I told them, "Sorry, no." But I did promise I would bring their picture.

As you know, this week we added a new wrinkle to the Nintendo Wi-Fi Connection. Voice over internet protocol arrived with *Metroid Prime Hunters*. It introduces a new level of fun.

At first, I thought you might like to see a Wi-Fi demonstration of the game. But I know Wi-Fi is nothing new for you. In fact, I imagine many of you have already played *Mario Kart DS* wirelessly and seamlessly. Instead, I think the true appeal of the game is seen best if we hold our own four-player battle right up here on stage.

Again, I'd like to invite Bill Trinen to come back on stage to get the battle underway.

[Bill Trinen, from Nintendo of America's localization team, demonstrated the wireless game play capability of the Nintendo DS game, *Metroid Prime Hunters*, among a group of volunteers]

Thank you, everyone. I know I am much better watching this game than playing it.

When we talk about expanding the market to new players, many times this means new kinds of software, but certainly not always. I hope that *Metroid Prime Hunters* shows we're not turning our backs on the kind of games that current core players already love. We will serve all tastes.

Our new *Tetris DS* is something even your grandmother will enjoy. On the other hand, you can compete head to head with nine different people on a local network, or three others via Wi-Fi.

We are also going to bring our first all-new *Super Mario Bros.* game to the DS in a matter of a few weeks. For those of you who have been waiting for the next great *Mario* game...this is for you. And because you're all such game fans, I've decided to reveal one more brand new adventure for you today...

[The audience was shown a demo reel of the *The Legend of Zelda: Phantom Hourglass*]

The Legend of Zelda: Phantom Hourglass, is designed exclusively for the DS. It will launch later this year. It's a product of Mr. Aonuma and the team that has created most of the *Zelda* hits in the past. You will be seeing and playing *Zelda* both on DS and Nintendo Gamecube at E³.

The third story I have to share is the answer to a question people ask me all the time: how did we get the idea for the Revolution free-hand controller?

Well, we started out with a very simple question: why is it that anyone feels comfortable picking up a remote control for a TV, but many people are afraid to even touch the controller for a video game system? This was our starting point.

Our first controller meetings began early in 2004, and from that initial thought we added two other requirements. First, the controller must be wireless. We need to give players freedom to move. And second, the look of the controller had to be simple and non-threatening. But of course, at the same time, it had to be sophisticated enough to serve the needs of complex games.

And yes, we also wanted it to be "revolutionary."

Finding an answer to all of this was not easy. For more than six months, two people at NCL did nothing but produce sketch after sketch with new ideas. Each sketch caused more discussion, and the discussions led us to create dozens of prototype designs. In all, about 15 people were involved trying to figure out an answer.

At the same time, I was considering technologies which would incorporate a direct pointing device, something that would show direct visual contact between the controller and the screen. In fact, many good ideas were floating around, but nothing yet felt revolutionary.

Early last year a young team leader of the controller development group came up with a disruptive idea: what if you could play with just one hand?

Mr. Miyamoto quickly imagined a small, simple, wireless device. That intrigued us, but we realized an immediate problem. Considering our plans, how would we allow backward compatibility to all the previous Nintendo games that required two-hand control?

Again, Mr. Miyamoto had an answer: make the small wireless controller detachable from a larger, traditional controller – both using the same wireless interface.

This sounded good, but when we shared the idea with our *Metroid Prime* producers, they objected. They said their games would not work with what we invented. They added another idea: Why not keep the simple one-hand controller, but also add a secondary device for the other hand if the game required it? – Something like a nun-chuk device. We think this is something that will entirely change first-person shooter games. By separately using the joystick device to control position and the direct pointing device to target enemies the experience truly feels more intuitive. Now, we really went to work. There were dozens of models and prototypes fabricated until we came up with the final result.

And what did it look like?

Well, it looked exactly like the same TV remote control that we first imagined more than a year earlier. Sometimes ideas are like good wine in that they just need time. After all the designs and mockups, we were happy with the final result. It met our goals. It was wireless. It was inviting to new players. It offered something brand new for core players. And, it was also a new interface we could offer to every player.

But, it also represented something else. As you can imagine, this was a very expensive process. Not only in terms of the research and development costs, but also the manufacturing expense of producing such an elaborate control system, and including it as part of every hardware purchase.

Some people put their money on the screen, but we decided to spend ours on the game experience. It is an investment in actual market disruption. Not simply to improve the market – but disrupt it. We believe a truly new kind of game entertainment will not be realized unless there is a new way to connect a player to his game.

“New” is good, but there also is an appetite for “old.” For young players, classic games are brand new. For others, they are a way to feel young again.

After we announced the virtual console concept for revolution last year, many people asked me if only games for Nintendo systems would be available. Today, I

have a better answer. I can announce that games specifically developed for both the Sega Genesis and the NEC Turbo Grafx system will also be available for Nintendo Revolution via the Virtual Console.

Between them, these systems built a library of more than a thousand different games. Of course, not all of them will be available, but the best of them will.

Thank you for listening to my stories this morning. However, the most important story of all is still to be told. I hope all of you, the creative force of our industry, will help us write it. It is the story of how disruption will help every one of us overcome the growing barriers to game development.

We know what the main barrier is cost. There is one dominant business model for our industry. Publishers work backwards from a console game at retail that sells for \$50 or now, even \$60. To compete at that level, games must be longer, larger and more complex, which requires bigger development teams. Success is more likely if a strong license is acquired, but even then, huge amounts of money are needed to market that game to a mass audience.

It's understandable that many publishers, in order to reduce risk, feel most comfortable relying on sequels to already successful, high budget games. As a result, our business is beginning to resemble a bookstore where you can only buy expensive, full sets of encyclopedias. No romance novels. No paperbacks. No magazines.

In our business, too often people with a fresh idea don't have a chance. I believe if Tetris were presented today, here is what the producer would be told: "Go back...give me more levels...give me better graphics...give me cinematics...and you're probably going to need a movie license to sell that idea to the public." The producer would go away dejected. Today, Tetris might never be made.

Nintendo understands the dominant business model. We work with it every day. And future Zeldas and Marios and Metroids are going to be bigger masterpieces than ever before. But, this does not have to be the only business model. We want to help you create a new one. One where your simple Tetris will be made.

With Nintendo Revolution, we offer a combination of opportunities that simply can't be matched. Our controller allows for every existing form of game to take on a new character. It allows for game creation that is not dependent on just the size of the development budget. I consider our virtual console concept the video game version of Apple's iTunes music store.

Since I first announced the virtual console concept last year at E³, other people have become very interested in digital downloads. Others will offer such a service,

but it will not be the same. Because for us, this is not just a new business opportunity, for us, this is true innovation – true disruption. It is part of our DNA.

The digital download process will bring new games to the widest possible audience of new players. Young people, older people, even those who never played video games before. When I think of what faces all of us right now, I imagine what it must have been like for the explorers who first set foot on a new continent. For them, it was impossible to imagine all the adventure that lay ahead.

Our adventure is still ahead of us. Nintendo is committed to creating an environment where all of your work can prosper. I began today saying that disruption is not just a strategy for Nintendo.

Yes, we have already disrupted handheld – and it worked. Yes, we have already disrupted Wi-Fi – and it worked. We disrupted the very definition of a game – and that is working, too. In a few weeks, you will better understand how to disrupt console gaming. You will play, and you will see.

At Nintendo, we do not run from risk. We run to it. We are taking the risk to move beyond current boundaries. It should be our goal, each of us, to reach the new players as well as the current players. Our goal is to show them surprise. Our reward is to convince them that above all video games are meant to be just one thing – fun ... Fun for everyone.

Thank you again so much for inviting me.

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