

**2005 GAME DEVELOPERS CONFERENCE
KEYNOTE ADDRESS DELIVERED BY
NINTENDO PRESIDENT SATORU IWATA**

*(Mr. Iwata enters stage following introduction from Jamil Moledina,
Director of the Game Developers Conference)*

Thank you very much, Jamil.

On my business card, I am a corporate president.

In my mind, I am a game developer.

But in my heart—I am a gamer.

Today, I'd like to speak to you from my heart ... about our jobs ... and about our industry.

I remember the first video game I ever played. It was *Pong*—and I loved it!

By the time I was in high school, I was the first person in my class to buy an early Hewlett-Packard pocket calculator.

I think I was one of the original early adopters!

But where most people used their calculators for higher mathematics ... I used mine to program video games.

My first creation was a baseball game.

I don't think anyone can say it had bad graphics.

Because it had no graphics!

Game play was represented only by numbers.

But when I saw my friends playing that game ... and having fun ... it made me feel proud.

To me, this was a source of energy—and passion.

As that passion for games began to blossom ... I think my life course was set.

In 1978 I entered the Tokyo Institute of Technology. I would have loved to study video game programming—but no one was teaching it then.

So I went to classes on engineering and early computer science.

But after class, when my friends went back to their rooms to study, I took off on my motorcycle for one retail store in Tokyo. This was the first store to have a department entirely dedicated to personal computers.

That was my hangout—and I was not alone. There were others there who also looked at those early computers, and thought the same thing I did—how could we play games on them?

We became friends ... formed a club ...and soon rented an apartment in the Akihabara district of Tokyo, where we began designing our own games. We worked until midnight or later every night ... and that group of friends is what became the company known today as HAL.

The name came from the computer in the movie *2001: A Space Odyssey*. “HAL.”

We thought that name was very cool.

Also, this is what I looked like back then. (old photo of Iwata appears on the screen)

Like all game creators ... I was extremely cool too, don't you think?

So, I don't really remember how, but I managed to keep up with my classwork and graduated from the institute.

But when it came time to take a job, I had the distinction of joining the smallest company of any graduate in my class.

I left to become only the fifth full-time employee of HAL. And when I told my father this, you can imagine it was not the happiest moment in the history of my family.

People sometimes ask me what I did when I was hired at HAL.

Well, the answer is that I was a programmer.

And an engineer.

And a designer.

And I marketed our games.

I also ordered a lot of take-out food.

And I helped clean up.

And—it was all great fun!

Perhaps the biggest moment in the history of HAL came when we heard the rumor that Nintendo was developing a machine capable of incredible new graphics—the Famicom, or NES as it was called here in the states.

We knew that this machine was for us. So we used every contact we could to get a meeting with Nintendo, sure that one of our ideas would become an instant hit.

Yes, Nintendo did hire us. But not to amaze the world with one of our projects.

Instead, they told us to fix one of their projects—a game that had seriously fallen behind schedule.

Instead of “creating” a game, we “repaired” a game – and it eventually was released as *NES Pinball*. That experience taught us that even “artists” must know the business side of game development. After all, if a game never comes to market, there is very little chance of it making any money!

Working in those days was also instructive in another way. Because the graphics were so primitive by today’s standards, we asked ourselves how we could spur the players’ imaginations ... as a substitute for what we couldn’t display on the screen.

Think about this. Someday our games won't look any better.

What will we do then?

Well, our work was satisfactory enough that we formed a close association with Nintendo. And as HAL invented a couple of early franchises, we also learned other lessons.

Our first *Kirby* game taught us the value of teamwork. Since not everyone can be a Miyamoto, we discovered that ideas can come from several team members, building on each other, to make something superior to what one person could invent.

Then, we worked with the famous Japanese creator Shigesato Itoi, who was already an avid gamer himself, to develop his first idea for a game.

That series, called *Mother* in Japan and released here in America as *Earthbound*, proved to us that ideas take on a special appeal when they become interactive.

Many years and many projects later I went to work for Nintendo full time ... and then one day, about three years ago, Mr. Yamauchi appointed me to succeed him as company president.

Of course, this was a great honor, but it was also a great challenge. I knew this would require committing much more time, and assuming much more responsibility.

But fortunately, game developers are familiar with such things!

So, I'd like to move on this morning and answer two questions that I'm often asked, now that I've had two decades of experience in the video game world.

First, over the last 20 years as a developer, what things have changed?

And second, what things have stayed the same?

One thing that has not changed—and will not change—is our nature as a form of entertainment. Like any other entertainment medium, we must create an emotional response in order to succeed.

Laughter .. fear .. joy .. anger .. affection .. surprise .. and most of all, pride of accomplishment. In the end, triggering these feelings from our players is the true judgement of our work.

This is the bottom-line measurement of success.

Secondly, we must always weigh challenge and reward. How much work—and frustration—a player is willing to withstand? Depends on the personality and skill of the player.

Core gamers have a huge appetite for challenge. Casual gamers want less difficulty.

At Nintendo, we believe it is our responsibility to make games for all skill levels. And most definitely, that includes people who are not playing our games now.

The third thing that has not changed is the importance of the idea. Of course it is valuable to devise an extension or offshoot of a current idea. But it is invaluable to come up with a brand-new idea of what a game can be.

I'm sure there are a few of you out there in the audience today with such creativity—and our industry needs you!

Fourth, this truth never changes—software sells hardware. People buy game systems to play the games they love.

I agree with Steve Jobs, the head of Apple, when he says, “software is the user experience. Software is the driving technology not just of computers .. but of all consumer electronics.”

Finally, what has not changed is the value of intellectual property. If it is true that software sells hardware...it is more true than ever that franchises sell software.

While our industry has made hit games with names like *Spider-Man* and *James Bond* and *NFL Football*, I think we should be proud that our best games are those whose heroes and worlds we invented ourselves.

So then, on the other side of the coin, what do I think of when I consider what has changed?

One word immediately comes to mind—bigger!

Especially here in the Western Hemisphere, the business is bigger—the North American and European retail markets alone are now worth approximately \$17 billion.

In the U.S., game sales were up another 8 percent last year.

There are games in your living room ... your office ... on your PDA ... your cell phone ... and of course, best of all, on your Nintendo DS!

Many in the media are shocked to learn that young men now spend more time playing games than watching TV. I think those of us in this room could have told them that a long time ago!

Of course, the games themselves have become much bigger in several ways. They are bigger in a technical sense...occupying more digital space. That, in turn, requires bigger teams...bigger budgets...and bigger challenges in meeting deadlines. This also means that big game companies are getting bigger—by consuming smaller ones.

We know that in the next generation, budgets for AAA console games will regularly move into eight digits—and that's before any marketing money is spent.

Only the biggest companies can afford such costs.

Not surprisingly, the success of our industry—and the profit margins for hit games—has again drawn big interest from larger entertainment companies.

But we may not be compatible.

Their books, movies and TV shows are exactly the same for every user. But our games let players help write their own screen plays—and their own endings.

Now, I don't think any of this is news—bigger budgets, bigger staffs, bigger companies. It's there for all of us to see. "Big" is obvious.

On the other hand, what's more prominent in my thinking these days is how our industry is getting "smaller."

We are "smaller" in the amount of risk we're willing to accept.

We are also "smaller" in how we define video games. The list of genres seems fixed—shooters, sports, platforms, puzzles and so on.

When is the last time we invented a new genre?

But as importantly, even within these genres, we have reduced the "environments" we use.

The racing tracks .. the sound tracks .. the bosses .. the heroes .. are starting to look more and more alike.

Consider *Tiger Woods Golf* and *Mario Golf*—each a successful franchise, but using two different looks for the same genre. Such variety is becoming harder and harder to find.

We are even getting "smaller" in how we define progress.

Making games look more photorealistic is not the only means of improving the game experience. I know, on this point, I risk being misunderstood. So remember, I am a man who once programmed a baseball game with no baseball players. If anyone appreciates graphics, it's me!

But my point is that this is just one path to improved games. We need to find others. "Improvement" has more than one definition.

And finally, I am most concerned with what we think of as a gamer.

As we spend more time and money chasing exactly the same players, who are we leaving behind?

Are we are creating games just for each other?

Do you have friends and family members who do not play video games?

Well, why don't they?

And, I would ask this: How often have you challenged yourself to create a game that you might not play?

I think these questions form an important challenge for all of us.

So, I have preached more than enough about the state of our industry.

You may be wondering, how does Nintendo plan to respond?

Let me answer a couple things in a straightforward way.

First, has Nintendo turned its back on the hard-core gamer?

I don't believe so.

If we were not interested in core gamers, we would not have packed-in *Metroid Prime Hunters* for each of you, when you went out and bought your Nintendo DS. This is not just excellent game entertainment, but also a signal that we want the DS to be for core gamers, too.

We would not have partnered with n-Space in order to take a new look at shooters in the game *Geist*, which is coming exclusively to Nintendo GameCube. It will move your emotions, and move your definitions of this genre.

And if we were not interested in core gamers, GameCube would not be the home to the first big hit of 2005 here in America—Capcom's *Resident Evil 4*.

It's a sign that not only do we care about core gamers, but core gamers care about Nintendo.

And most of all, we would not be finishing the most-anticipated game in our industry this year ... a brand-new *Legend of Zelda*.

I would love to tell you all about it.

But actions speak louder than words.

We have chosen you to see the first new footage of *Zelda*, since E³ 10 months ago.

So take a look!

(Legend of Zelda video trailer runs)

A new look is only one part of the *Zelda* story. Much more of the mystery will be revealed at E³.

This latest *Zelda* adventure will appeal to core gamers—and all gamers—just like every previous version. The reason, I believe, is that it meets the standards we set for all software we develop.

We call these standards the four “I”s.

First, is it truly innovative—something different from what has come before?

Second, is it intuitive? Does control of the game, and the direction of gameplay, seem natural?

Third, is it inviting? Do you want to spend time in this world?

And finally, how does it measure up in terms of interface? Can the player connect in new ways?

Certainly, few games can score perfectly in each of these areas. But at Nintendo, this is how we measure ourselves.

And while we apply these standards to our software projects, there is also an obvious hardware example—Nintendo DS. It was designed to

demonstrate both innovation and new forms of interface, to be both intuitive and inviting.

So far, people seem to have decided that it does all of that.

As of today, we have shipped 4 million DS systems to Japan and North America—in just 16 weeks since launch.

And those numbers do not include Europe, where Nintendo DS begins selling tomorrow.

I know that you are all familiar with the novel aspects of DS game play ... incorporating the two screens, the touch screen, and the microphone.

What you may not have much knowledge of yet...is wireless game play.

We are now finishing up a game, *Mario Kart*, that will allow eight players to compete simultaneously. Yes, gamers already know that *Mario Kart* is fun. But does the DS version make it even more fun?

Well, let's find out.

Let me ask you this: Is there anyone out there who is celebrating a birthday today? If so, please stand up.

OK, please come up here to the stage.

In fact, if your birthday is any day this week, please stand up. I will need six of you to come up here and join me...

Come on, don't be shy!

(audience members approach stage)

Bill Trinen from Nintendo of America is also going to join us, and we will form a test group for wireless *Mario Kart* on Nintendo DS.

On the screen above us, you will see my kart...I hope leading the race...and all others trailing behind me!

(Real-time onstage Mario Kart DS live demonstration by Iwata, Trinen and six audience members)

These days I spend so much of my time on meetings and interviews and traveling, I sometimes forget how much fun I have playing games—I liked that!

Well, this demonstration of wireless *Mario Kart* brings us up to the present moment. This is a product that we will bring to the market later this year.

But I would like to spend the rest of my time today on what is perhaps the next logical question—where does Nintendo go from here?

Let me try to explain it first with an image.

In the universe of interactive entertainment, there is a planet we call video games. It is the one we know best.

But ... it is only one.

Also in our universe are other planets which entertain, but in different ways from current games. It is this part of the universe we are anxious to explore.

So, this idea creates the dual passions of Nintendo.

On one hand, we work every day to make what we describe as “video games” better. We want to give players what they want.

But at the same time, we are intent on finding out what else we can use to entertain.

Our second goal is to show players something new ... something they may not even know they want.

You already are familiar with a good example of this philosophy. It’s Pokémon.

At its core, Pokémon is a wonderful role-playing game. But it's also much more.

Players collect and trade Pokémon, maybe the same way you once collected and traded bottle cap or baseball cards.

Pokémon expanded RPGs to places they hadn't gone before.

Another example was our decision to put *PictoChat* into the DS. It's not a game .. not a competition. But a way for us to better understand how communicating wirelessly might also entertain.

And *PictoChat*, as a wireless function, also represents just the latest step in something much larger for Nintendo.

I want to announce today that, following the groundbreaking work we have always done in connecting players, we will aggressively pursue Wi-Fi connections—beginning with Nintendo DS.

The original Game Boy connected two players with a cable .. then four players on Game Boy Advance.

We put four control ports on our consoles .. and then made our controllers wireless.

With *Pokémon FireRed* and *LeafGreen*, we packaged wireless adapters with the games. That introduced unfamiliar players, over fairly large distances.

This is all part of a unifying philosophy that continues with Nintendo DS.

Every aspect of Nintendo DS is designed to be friendly to all audiences.

Therefore, Wi-Fi should be easy for everyone, too.

Our goal is to make this process simple and seamless. Users shouldn't give it a thought.

Wi-Fi connections will feel like local area network connections...because they will use a common API.

We will let DS owners enjoy Wi-Fi without the difficulty of entering an SS-ID or WEP key.

And maybe most importantly, we will remove the most important consumer barrier—because Nintendo’s Wi-Fi connections will be free. As I said: simple and seamless.

So, you may want to know, is this infrastructure ready to go? Almost.

What about development? Where are the dev kits?

By E³, you won’t be asking that question.

Well, then, what about the entertainment?

I can say today that you will be playing Wi-Fi games on DS this year. What we are developing internally—and externally with a number of people—is very exciting to me.

At least one of these projects, I believe, will be groundbreaking.

And we look forward to your Wi-Fi games, too!

Let me give you one example of what we’re working on ... Internally we’re developing *Animal Crossing* Wi-Fi. We chose this property for a couple of reasons.

First, it is one of those “non-game games” I mentioned—a form of entertainment that really doesn’t have a winner, or even a real conclusion. And because of its unrestrained pace of action, it avoids wireless latency issues. Before, you could take *Animal Crossing* to a different village. Now, with Wi-Fi, you can take it around the world.

So, we feel that our form of free and easy wireless play helps move our industry in a new direction. But we are making similar moves in software as well.

I want again to bring Bill Trinen out to demonstrate two other things that come from a different part of the interactive entertainment universe.

But even before we show them, I can tell you: They may seem unusual, because they are something different.

This first one is the current passion of Mr. Miyamoto – and Bill himself!

(Bill Trinen conducts live demonstration of Nintendogs)

As you see, this product will expand our audience to players who currently are not satisfied with what we've been offering them.

I'm also going to ask Bill to show you one other software project ... we're calling *Electroplankton*. That sounds different: e-lec-tro-plank-ton—and it looks different, too.

The idea here is that creativity should not just belong to the developer ... but to the player, as well.

(Bill Trinen demonstrates Electroplankton live)

This game is different.

It's designed to produce harmony—not adrenaline.

So far, we are seeing different kinds of reactions to *Electroplankton*. Some test players are confused—they keep looking for their score, or the next enemy. But others are hypnotized. There are people who simply refuse to turn the game off.

No matter what your own reaction, I think you can agree that this is definitely not from the world we currently call video games.

Thank you, Bill!

So, this is Nintendo's plan. Make our existing game world much better—better *Zeldas*, better *Marios*, better partnerships creating games like *Resident Evil 4*.

But also, exploring other worlds in interactive entertainment.

For us, this is a passion.

This is a mission of adventure.

And most importantly, we want you—the creative heart for our entire industry—to take that journey with us.

You may remember from E³ last year that we explained that “DS” had two meanings—Dual Screen, and Developers' System.

And Nintendo Revolution is a developers' system, too.

With IBM, we are creating Revolution's core processor, which we have codenamed “Broadway”—because Broadway is the capital of live entertainment.

With ATI, we are developing the graphics chipset, code-named “Hollywood”—because Hollywood is the capital of movie entertainment.

With Revolution, we are determined to create the new capital of interactive entertainment.

Now, a couple of specifics.

First, contrary to much speculation, I can announce today that Revolution will be backward compatible. The best of the Nintendo GameCube library will still be enjoyed by players years from now.

Second, as I said earlier, we intend to incorporate wireless technology in all we do. Therefore, Nintendo Revolution will be Wi-Fi enabled—built into every system.

And third, even though the game experience enjoyed by players will be far different on Revolution, developing for it will be familiar. It will not require a steep new learning curve.

In this way, just like Nintendo DS, it's a place where the best ideas—not the biggest budgets—will win.

And make no mistake. We expect third-party publishers will be fully supportive of what we're doing.

From this point forward, in support of all of our product lines, Nintendo will be expanding our development reach.

Some of these new games will come from larger internal teams.

Some from the kinds of game partnerships we've formed with third parties over recent years.

Maybe some day, we'll work on a game together. I'd like that!

If you don't mind, I will finish today with memories from one more franchise in my development career—*Super Smash Bros.*

At the time it was being developed for Nintendo GameCube, I was already working full time for Nintendo, but my heart told me I was still a developer.

So, as president, I assigned myself to HAL—to rejoin the team finishing the game.

Once again, I was living on the Japanese developer's diet of chips, pizza and rice balls ... and working through the night.

From their offices, it was possible to see Mount Fuji, which many say is most impressive if you're willing to wake up and see it at dawn. But during this period, just as years before with our *Kirby* games, we at HAL would see the sun shining on the mountain before we ever went to bed!

Many say the sight of first light on Mt. Fuji inspires them.

But for me: I hope I never see it again!

I also remember the first version of *Smash Bros.*, developed for Nintendo 64. The concept for this game, as you know, was to take the classic, friendly Nintendo franchise characters .. and have them, as you say here in America, “beat the heck out of each other.”

The idea was not brand new—there certainly have been a lot of fighting games. And the characters looked pretty much the same way they always had.

So, when we brought the idea to Nintendo, the concept did not sound hip or cool or revolutionary.

And because of all this, there were people both inside and outside Nintendo who did not strongly favor our idea.

And this was the environment that our team worked under.

That attitude remained until the moment of truth—the moment when testers began picking up the controllers ... and actually playing the game.

This is what happened:

People smiled.

Then laughed.

Then began shouting to each other.

That was the moment when everything for *Smash Bros.* changed. And I must tell you, this was also one of the proudest moments in my development career.

Yes, the *Smash Bros.* series has become a great worldwide success because it's sold over 10 million copies worldwide. But the memory of that first moment ... when the testers began to play ... stays with me always.

That is that moment...that I call success.

We at HAL found a way to bring our idea to life. Our team believed deeply in the concept, and we did not waver in our approach.

So in this important sense, we at HAL were just like every one of you.

Even if we come from different sides of the world ... speak different languages ... even if we eat too many chips – or rice balls ... even if we have different tastes in game .. Every one of us here today is identical...in the most important way.

Each one of us has the heart of a gamer.

Thank you for your attention!

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