Attachment contents

1. Qualitative information regarding the consolidated business

(1) The progress of the consolidated business results including related qualitative information

During the first quarter ended June 30, 2014, the industry saw the domestic market for home video games remain sluggish. However, the overall market size expanded due to the strong performance in overseas markets in addition to the social game market's gathering strength centering on smartphones (high-function mobile phones).

Under such circumstances, the Company has promoted measures to improve earnings by reducing the cost of sales in the Mobile Contents sub-segment, etc. and cutting back on selling, general and administrative expenses.

Furthermore, the Company has promoted the Single Content Multiple Usage strategy. Such efforts include the announcement of the release of a Monster Hunter version of a large motorcycle by an Italian motorcycle manufacturer Ducati Japan Ltd., and sales of Monster Hunter-themed T-shirts by UNIQLO Co., Ltd., etc.

As a result, net sales for the first quarter were 9,575 million yen (down 45.1% from the same term last year), operating income was 1,268 million yen (up 75.3% from the same term last year), ordinary income was 1,223 million yen (up 6.3% from the same term last year), and net income was 765 million yen (down 7.5% from the same term last year).

Status of each operational department

① Digital Contents business

In the Digital Contents business, “Phoenix Wright Ace Attorney Trilogy” (for Nintendo 3DS) showed strong sales while “Dead Rising 3” (for Xbox One), which became a million-seller in the previous fiscal year, also remained robust. However, no major new titles were released in this period so sales focused on existing products.

As for online titles, “Monster Hunter Frontier GG” (for PC, Xbox 360, PlayStation 3, and Wii U) performed steadily.

In addition, the Mobile Contents sub-segment showed improvements in profitability as well as experienced favorable performance of “Monster Hunter Freedom Unite for iOS”.

However, overall performance was reduced as minor titles and repeat sales accounted for most of the lineup during the period under review due to a lack of major new titles.

As a result, although net sales decreased to 5,506 million yen (down 55.8% from the same term last year), operating income slightly increased to 1,131 million yen (up 167.6% from the same term last year) due to reduction of costs, etc.

② Arcade Operations business

In the Arcade Operations business, efforts were made to create community-based arcades by holding events to attract customers, installing game machines to satisfy a broad range of customers and such with the weakened market conditions.

However, partly due to the impact from the consumption tax hike in addition to the sluggish growth of existing arcades, business remained on a weak note.

No openings/closures took place during the period under review, thus the number of arcades remains at 33, unchanged from the end of the previous period.

As a result, net sales were 2,200 million yen (down 11.4% from the same term last year) and operating income was 214 million yen (down 41.5% from the same term last year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the product supply cycle entered a period of scant new machines, thus there were no new machines launched and the business consisted of mainly repeat sales and the contracted product development business.

In the Arcade Games Sales sub-segment, sales centered around existing products as well. Although both businesses lacked sales products, the result surpassed the forecast.

As a result, net sales were 1,498 million yen (down 26.7% from the same term last year) and operating income was 627 million yen (down 4.8% from the same term last year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sales of related goods, were 369 million yen (down 22.3% from the same term last year), and operating income was 177 million yen (down 20.6% from the same term last year).

(2) Qualitative information regarding the financial position

Total assets as of the end of the first quarter decreased by 6,650 million yen from the end of the previous fiscal year to 89,960 million yen. Primary increase was 2,678 million yen in work-in-progress for game software. Primary decreases was 9,531 million yen in notes and accounts receivable, trade.

Liabilities as of the end of the first quarter decreased by 5,960 million yen from the end of the previous fiscal year to 26,774 million yen. Primary increase was 3,967 million yen in short-term borrowings. Primary decreases were followings: 3,437 million yen in notes and accounts payable, trade, 3,970 million yen in electronically recorded obligations, 754 million yen in accrued bonuses and 417 million yen in accrued income taxes.

Net assets as of the end of the first quarter decreased by 690 million yen from the end of the previous fiscal year to 63,185 million yen. Primary increase was 765 million yen in net income for the 3 months period under review. Primary decrease was 1,405 million yen in cash dividends.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results current fiscal year ending March 31, 2015 remains the same as what was projected at the financial results announcement on May 8, 2014.

2. Other information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

(2) Use of special accounting methods for the quarterly consolidated financial statements

(Calculation of tax expense)

Tax expense for consolidated subsidiaries is calculated by determining a reasonable estimate of the effective tax rate after the application of tax-effect accounting for income before income taxes in the fiscal year, including the first quarter, and multiplying income before income taxes by this estimated effective tax rate.

(3)Changes in accounting policies, accounting estimates and retrospective restatement for consolidated financial statements

(Change in accounting policies)

(Application of the Accounting Standard for Retirement Benefits, etc)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company has adopted the provisions specified in the main clause of Section 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan (ASBJ) Statement No. 26, May 17, 2012,) and the provisions specified in the main clause of Section 67 of the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). Accordingly, the Company has revised the method of calculating retirement benefit obligations and prior service costs and changed its method of attributing projected retirement benefits from the straight-line attribution method to the benefit formula. At the same time, the Company changed its method of determining the discount rate from the method in which the discount rate is determined by reference to the maturity of bonds based on the number of years that approximate the average remaining years of service of the employees to the method in which a single weighted average discount rate is used that reflects the estimated timing of benefit payments and the amount of benefit payment for each estimated payment period.

The application of the Accounting Standard for Retirement Benefits, etc. is subject to the tentative treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits. Consequently, the impact of the change in the method of calculating retirement benefit obligations and prior service costs has been recognized as increases or decreases to retained earnings as of the beginning of the first quarter of the fiscal year ending March 31, 2015.

As a result, as of the beginning of the first quarter of the fiscal year ending March 31, 2015, net defined benefit liabilities have decreased by 423 million yen and retained earnings have increased by 273 million yen. The impact of this change on the profit or loss of the cumulative first quarter of the fiscal year ending March 31, 2015 is minimal.