

Attachment contents

1. Qualitative information regarding the consolidated business	2
(1) The progress of the consolidated business results including related qualitative information.....	2
(2) Explanation of the consolidated financial position	4
(3) Qualitative information regarding the consolidated business forecasts.....	4
2. Other information.....	4
(1) Transfer of major subsidiaries.....	4
(2) Use of special accounting methods for the quarterly consolidated financial statements.....	4
(3) Changes in accounting policies, accounting estimates and retrospective restatement for consolidated financial statements.....	4
3. Summary of consolidated financial statements	6
(1) Consolidated balance sheets	6
(2) Consolidated statements of income and comprehensive income	8
(3) Consolidated statements of cash flows	10
(4) Notes to consolidated financial statements.....	11
Going concern assumptions	11
Material changes in shareholders' equity	11
Segment information	11

1. Qualitative information regarding the consolidated business

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

During the six-month period ended September 30, 2015, the employment situation and public investment were steady, but the Japanese economy remained at a standstill because of a fall in exports and sluggish consumer spending with the effect of the decelerating Chinese economy.

In our industry, although the game contents market for home video games has continued to show signs of maturity, the mobile games market mainly led by smartphone applications experienced fierce competition to acquire as many customers as possible. While companies fought over market share by grabbing customers in a back and forth situation like an Reversi game, such competition contributed to the expansion of each company's power, thus driving the growth of the overall market size.

Under such circumstances, the Company pushed forward with promotion activities to respond to market trends and marketing efforts in close coordination with development and sales. The Company also focused on improving the development process and revenue management by increasing the ratio of internally produced titles through a reduction of the volume of outsourced operation, so as to reduce development costs and shorten the development period. The Company also presented a collaborative stage play of “Devil May Cry vs. Sengoku BASARA” in Tokyo, which attracted interest even from the non-customer group of those titles. This play thus resulted in increasing the recognition of both titles.

Furthermore, the Company began a “stamp rally” using the characters of the popular “Sengoku BASARA” series in collaboration with Kofu City. It also hosted a special exhibition called “Sengoku (warring states) Guide - Cool Basara Style -” at the Saitama Prefectural Museum of History and Folklore featuring the characters of the series. These collaborations with local municipalities helped the Company to come to the forefront in public, thus enhancing its corporate image and recognition.

At the same time, “Monster Hunter X (Cross)”, which is one of the major titles of the fiscal year under review, was so popular at the Tokyo Game Show 2015 that long queues were formed by interested attendees at the trial play section. This title was the center of attention among attendees, which will give an impetus to the Company toward the launch on November 28, 2015.

The resulting consolidated net sales for the six-month period ended September 30, 2015 were 31,638 million yen (up 22.1% from the same term last year). However, due to an increase in cost of sales ratio, operating income was 2,844 million yen (down 35.1% from the same term last year), ordinary income was 2,891 million yen (down 36.3% from the same term last year), and net income attributable to owners of the parent amounted to 1,951 million yen (down 34.4% from the same term last year).

Status of each operational department

① Digital Contents business

In the Digital Contents business, while sales of “Sengoku BASARA 4 SUMERAGI” (for PlayStation 4 and PlayStation 3) were solid thanks to the well-established brand power, “DAIGYAKUTENSAIBAN” (for the Nintendo 3DS system) remained slow. On the other hand, sales of repeat titles and digital download sales were firm, particularly in overseas markets.

In terms of online games, “Dragon's Dogma Online” (for PlayStation 4, PlayStation 3 and PC), an online open-world action game where players can freely experience a host of adventures, had a good start. The Company also started distributing the new mobile title, “Monster Hunter Explore” (for Android and iOS).

The resulting net sales were 14,304 million yen (up 6.2% from the same term last year), and operating income was 1,533 million yen (down 28.7% from the same term last year).

② Arcade Operations business

In the Arcade Operations business, with the market continuing to be weak, the Company strived to expand its customer base by attracting customers through diverse measures such as holding various events and service days for the middle-aged and seniors by offering “free game experience tours” and the setting up of “Asobi Okoku peekaboo” sites and “Kids' Corner” sections targeting younger children.

Nonetheless, the segment results were soft, partly because of the lack of a high-performance product and the decentralization of the entertainment industry, resulting from the overlapping of arcade game players with smartphone users.

During the fiscal year under review, a new arcade was opened while one arcade was closed, bringing the total number of arcades to 33.

The resulting net sales were 4,405 million yen (down 8.6% from the same term last year), and operating income was 355 million yen (down 46.2% from the same term last year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, unit sales of the long-awaited “Resident Evil 6” strongly increased with the support of loyal fans, which has backed the improvement in revenue as it contributed to the increase in sales. In September, “Asura's Wrath” was also released.

In the Arcade Games Sales sub-segment, the Company launched “Luigi Mansion Arcade” and started the operation of the first music game “crossbeats REV.” for arcades.

The resulting net sales were 12,132 million yen (up 76.3% from the same term last year), and operating income was 2,551 million yen (down 19.2% from the same term last year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sale of related goods, were 795 million yen (up 5.8% from the same term last year), and operating income was 253 million yen (up 12.5% from the same term last year).

(2) Explanation of the consolidated financial position

Total assets as of the end of the second quarter increased by 8,001 million yen from the end of the previous fiscal year to 108,774 million yen. Primary increases were 5,040 million yen in work-in-progress for game software and 1,722 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the second quarter increased by 7,484 million yen from the end of the previous fiscal year to 36,926 million yen. Primary increases were 5,065 million yen in electronically recorded monetary liabilities and 2,083 million yen in long-term borrowings.

Net assets as of the end of the second quarter increased by 516 million yen from the end of the previous fiscal year to 71,847 million yen. Primary increases was 1,951 million yen in net income attributable to owners of the parent. 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, 2016 remains the same as what was projected at the financial results announcement on May 7, 2015.

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 second 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 Business Combinations, etc.)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Accounting Standard for Business Divestitures”), etc. effective from the first

quarter under review. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the first day of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, a change in the presentation of quarterly net income, etc. and a change in the presentation of the minority interests to non-controlling interests were adopted. In order to reflect these changes in presentation, the quarterly consolidated financial statements for the second quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year were reclassified.

The application of the Accounting Standard for Business Combinations, etc. is subject to the transitional treatment provided for in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures. Accordingly, these standards have been applied prospectively from the first day of the first quarter under review.

This change in accounting policies has no impact on the Company's consolidated financial statements for the second quarter under review.