

Attachment contents

1. Operating results overview	2
(1) Operating results for the quarter under review.....	2
(2) Overview of the consolidated financial position for the quarter under review.....	3
(3) Qualitative information regarding the consolidated business forecasts	3
2. Summary of consolidated financial statements	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and comprehensive income	6
(3) Consolidated statements of cash flows	8
(4) Notes to consolidated financial statements	9
Going concern assumptions	9
Material changes in shareholders' equity	9
Application of special accounting treatment for preparation of quarterly financial statements	9
Segment information	9

1. Operating results overview

(1) Operating results for the quarter under review

During the three months ended June 30, 2017, our industry saw broad signs of recovery including greater penetration of the PlayStation 4 home video game console, the strong performance of the new Nintendo Switch game console and the general recovery of the home video games market.

In addition, at E3, one of the world's largest trade shows for computer and video games, held in the U.S., *Monster Hunter: World* (for PlayStation 4, Xbox One, and PC), which will be the latest release in the series and one of our major titles for the current fiscal year, drew much attention from show-goers, raising expectations for its release in the second half of the fiscal year.

In such an environment, the Company has made efforts to reduce costs and expenses by reviewing and re-evaluating our cost of sales and selling, general and administrative expenses in order to improve profitability.

Aiming also to make a breakthrough in the area of mobile contents, the Company has worked on such initiatives as reorganization and the strengthening of our management structure. Furthermore, the Company has pushed forward with marketing efforts to leverage synergy with our popular IP. One example of these efforts was the release of the feature-length computer animated film *Resident Evil: Vendetta* in May 2017, which is based on one of our IP.

As a result, the three months ended June 30, 2017 became an excellent run-up for the Company prior to taking the offensive in earnest in the second half of the current fiscal year. Consolidated net sales for the quarter were 11,746 million yen (up 7.5% from the same term in the previous year), operating income was 784 million yen (compared with an operating loss of 726 million yen for the same term in the previous year), ordinary income was 772 million yen (compared with an ordinary loss of 2,080 million yen for the same term in the previous year), and net income attributable to owners of the parent was 521 million yen (compared with a net loss attributable to owners of the parent of 1,411 million yen for the same term in the previous year).

Status of business by operating segment

① Digital Contents business

In this business, although the first quarter corresponds to the market's off-season in terms of the launch cycle for major titles, *Ultra Street Fighter II* (for Nintendo Switch), which was released in May 2017, made an excellent start and proved to be a smash hit. In addition, *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC) and *Monster Hunter XX (Double Cross)* (for the Nintendo 3DS family of systems) contributed to revenue to a certain extent.

The resulting net sales were 7,688 million yen (up 14.1% from the same term in the previous year) and operating income was 1,676 million yen (compared with an operating income of 8 million yen for the same term in the previous year).

② Arcade Operations business

In the Arcade Operations business, the Company made efforts to acquire new customers and secure repeat customers through user-oriented marketing. Examples include installing game machines that meet diverse customer needs, holding various events and conducting service day campaigns. At the same time, the Company worked to reduce arcade operating costs to improve profitability.

In order to strengthen our position in the Chubu region, we opened a new store in the Aichi Prefecture, bringing the total number of stores to 37.

The resulting net sales were 2,245 million yen (up 4.1% from the same term in the previous year) and operating income was 128 million yen (up 18.8% from the same term in the previous year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the Company launched the *Phoenix Wright: Ace Attorney* pachislo machine in a mixed market environment.

In the Arcade Games Sales sub-segment, business was generally weak despite our efforts to promote repeat sales of existing products.

The resulting net sales were 1,396 million yen (down 16.0% from the same term in the previous year). The Company recorded an operating loss of 229 million yen (compared with an operating loss of 61 million yen for the same term in the previous year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 415 million yen (up 13.2% from the same term in the previous year) and operating income was 184 million yen (up 46.1% from the same term in the previous year).

(2) Overview of the consolidated financial position for the quarter under review

Total assets as of the end of the first quarter decreased by 11,134 million yen from the end of the previous fiscal year to 107,763 million yen. The primary increase was 4,480 million yen in work-in-progress for game software. The primary decrease was 15,436 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the first quarter decreased by 10,693 million yen from the end of the previous fiscal year to 30,429 million yen. The primary decreases were as follows: 5,000 million yen in short-term borrowings, 3,532 million yen in electronically recorded monetary liabilities, 1,036 million yen in accrued income taxes and 1,023 million yen in accrued bonuses.

Net assets as of the end of the first quarter decreased by 440 million yen from the end of the previous fiscal year to 77,333 million yen. The primary increases were 521 million yen in net income attributable to owners of the parent and 336 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. The primary decrease was 1,368 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, 2018 remains the same as what was projected at the financial results announcement on April 27, 2017.