

Attachment contents

1. Operating results overview	2
(1) Operating results for the period under review.....	2
(2) Overview of the consolidated financial position for the period 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 period under review

During the three months ended June 30, 2018, our industry made rapid advancements in technology through such means as incorporating high-definition visuals as well as AI (Artificial Intelligent) into home video games. At the same time, our industry faced a wave of change, as evidenced by the inclusion of esports in the “Cool Japan Strategy,” the Japanese government’s growth strategy for the content industry.

In such an environment, the Company holds high expectations for the two major titles it will release next year, in Q4 of the current fiscal year: *Resident Evil 2* (for PlayStation 4, Xbox One and PC), which was announced at E3 (one of the world’s largest trade shows for computer and video games held in Los Angeles, U.S.A.) and created a sensation among the show-goers, and *Devil May Cry 5* (for Xbox One, PlayStation 4 and PC), the series’ first mainline release in ten years, which also attracted strong interest. Furthermore, *Monster Hunter: World* (for PlayStation 4 and Xbox One), which has been causing a sensation since its release in January 2018 due to its immense popularity, continued to report strong sales, while high-margin catalog unit sales also increased.

As a result, for the three months ended June 30, 2018, consolidated net sales were 17,204 million yen (up 46.5% from the same term in the previous fiscal year). In terms of profitability, operating income was 5,106 million yen (up 550.8% from the same term in the previous fiscal year), ordinary income was 5,492 million yen (up 610.6% from the same term in the previous fiscal year) and net income attributable to owners of the parent was 3,903 million yen (up 648.6% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business, the phenomenal success of *Monster Hunter: World* (for PlayStation 4 and Xbox One) from the previous fiscal year continued, with the title gaining further popularity through the expansion of its user base. In scoring a worldwide smash hit, the series solidified its position as an international brand and strengthened our base of IP (intellectual property). Furthermore, *Street Fighter 30th Anniversary Collection* (for PlayStation 4, Nintendo Switch, Xbox One and PC), a new title released in markets outside of Japan, performed strongly, while *Mega Man Legacy Collection*, *Mega Man Legacy Collection 2* and *Mega Man Legacy Collection 1+2* for Nintendo Switch also maintained robust sales thanks to a loyal fan base and strong brand capabilities.

In addition, high-margin catalog titles steadily increased sales and contributed to improving profitability. Furthermore, looking ahead to the spread of diverse, digital content in the future, the Company released *Resident Evil 7: biohazard Cloud Version* (for Nintendo Switch) in Japan, a streaming title.

The resulting net sales were 13,782 million yen (up 79.3% from the same term in the previous fiscal year) and operating income was 5,735 million yen (up 242.2% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, while the market recovered with arcades functioning as a familiar entertainment option that were “inexpensive, close and quick,” the Company made efforts to secure customers and create demand by community-oriented marketing. Examples include installing game machines that meet diverse customer needs, holding various events and offering a pleasant atmosphere.

During the period under review, the Company opened one store in the Hiroshima prefecture, bringing the total number of stores to 37.

The resulting net sales were 2,381 million yen (up 6.0% from the same term in the previous fiscal year) and operating income was 143 million yen (up 12.1% from the same term in the previous fiscal year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, while the Company launched *Okami -Kaidohen-* in a weak market environment, demand declined and sales struggled due to the downturn in consumer confidence and dampening investments by the Pachinko/Pachislo hall operators.

The Arcade Games Sales sub-segment also struggled and business was generally weak, due to a lack of new products.

The resulting net sales were 376 million yen (down 73.1% from the same term in the previous fiscal year) and an operating loss of 154 million yen (compared to an operating loss of 229 million yen in the same term of the previous fiscal year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 664 million yen (up 59.9% from the same term, in the previous fiscal year) and operating income was 411 million yen (up 122.6% from the same term in the previous fiscal year).

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

Total assets as of the end of the first quarter decreased by 4,609 million yen from the end of the previous fiscal year to 120,220 million yen. The primary increase was 4,211 million yen in work in progress for game software. The primary decrease was 7,144 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the first quarter decreased by 6,980 million yen from the end of the previous fiscal year to 32,427 million yen. The primary decreases were as follows: 3,425 million yen in accrued income taxes and 1,061 million yen in accrued bonuses.

Net assets as of the end of the first quarter increased by 2,371 million yen from the end of the previous fiscal year to 87,792 million yen. The primary increase was 3,903 million yen in net income attributable to owners of the parent. The primary decrease was 1,916 million yen in dividends from retained earnings.

The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the consolidated fiscal year under review, and comparisons to the previous consolidated fiscal year have been carried out with figures that have had the relevant accounting standards retroactively applied.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2019 remains the same as what was projected at the financial results announcement on May 8, 2018.