

**Q&A Summary for the Conference Call about Forecast Revision
for the Fiscal Year ending March 2015
(January 9, 2015)**

- Q. Are you revising the planned number of units of "Monster Hunter 4 Ultimate"?
- A. We are not making any change to the original forecast for the number of units because we are achieving progress in line with our global plan.
- Q. Could you please tell us the main reasons why you revised down your sales forecast for Consumer sub-segment?
- A. One of the main reasons is the decline in the number of units sold due to various reasons including launch delays for some small-scale titles, and below our plans of "Gaist Crusher God".
- Q. Please explain the main reasons why you revised down your forecast for sales of Mobile Contents sub-segment. Was it because your year-end sales campaign did not turn out to be as successful as you originally anticipated?
- A. The year-end sales campaign went largely as we anticipated, but we recorded a decline in sales because the release timings of some titles that we had expected to start in the fourth quarter were changed.
- Q. Sales of pachislo machines were delayed, but we would be grateful if you could explain the likely impact of the alterations in the method used for testing new models by the Security Communications Association on earnings in the next financial year.
- A. We are currently engaged in the process of preparing our plans for next fiscal year, and so we are not in a position at the moment to be able to comment in detail about the numbers of pachislo machines to sell. We are making progress with adjusting to the application of the new rules on an internal basis, and we shall be continuing to focus on sales of pachislo machines into the next financial year too.
- Q. Why did you make no change to your forecast for consolidated operating income? Has the impact of the reductions in costs and expenses been so effective?
- A. Repeat sales and digital download sales of Consumer sub-segment in the Digital Content business have been growing faster than anticipated, and the improvements in the profitability of Mobile, PC Online sub-segment have also contributed. Moreover, a reduction in outsourcing development and strengthening R&D management have helped, and in addition to a major improvement in the cost to sales ratio, cost-cutting in areas such as sales promotion expenses have also contributed. Consequently, although sales volume is falling, we are maintaining our initial forecast for consolidated operating income.

- Q. Will the level of profitability achieved in this current fiscal year resulting from cost reductions (in both cost of sales and in sales and general, administrative expense) be maintained in the next fiscal year?
- A. We are currently in the process of preparing our forecasts for the next fiscal year and therefore it is difficult for us to make any comment at the present moment about how we anticipate the cost structure and scale will be next year. That said, we shall be continuing to strive to improve profitability right across the company.
- Q. Could you please tell us something about the sales breakdown included in the revised forecast for the Consumer sub-segment?
- A. The plan is for 24.5 billion yen of sales for packages and 10.5 billion yen of sales for digital download contents.
- Q. Please give us your profit and loss assumptions for titles which have been delayed in the Consumer sub-segment.
- A. We are unable to provide details about this, but the impact of the delays on earnings is very limited.
- Q. Please let us know your year-on-year growth forecasts for existing store sales in your Arcade Operations business.
- A. We are forecasting 95% of the previous year's figure.
- Q. Could you give us the breakdown for sales in the Amusement Equipments business please?
- A. P&S sub-segment accounts for approximately 95% of sales, with the other 5% is for Arcade Games Sales sub-segment.
- Q. Please describe your sense of the direction you anticipate earnings to take in the next fiscal year.
- A. We are currently engaged in the process of planning for the next fiscal year, and we are unable to make any specific comments. Although there is some degree of uncertainty about the business environment due to the change in the method used for testing new models by the Security Communications Association in the P&S business, we are expanding and reinforcing our consumer, online, and mobile lineups from their current fiscal year levels in our Digital Contents business and we also hope to be able to clearly demonstrate the results of our restructuring measures in earnings for the next fiscal year too.
- Q. Please describe the current rate of progress achieved with the restructuring you were engaged till the previous fiscal year, and give us some idea of the impact on earnings of this initiative.
- A. The restructuring (drive towards in-house development) in our Consumer sub-segment drove an expansion in our internal development rate up to approximately 70% in terms of the total amount of R&D investment cost, and so we are achieving steady progress in this area. We are continuing to steadily build up an effective monetization structure driven by the improvement in the cost to sales ratio and other factors, and we think that the number of unprofitable titles can be further reduced in the future.

Q. Please let us know your forecast for work-in-progress for game software at the end of the current fiscal year. Also, is there a possibility that you will be looking valuation losses on contents?

A. Our progress with our R&D investment activities is in line with our forecasts, and we plan to spend approximately 30 billion yen over the course of the year. Moreover, we do not anticipate booking any valuation losses at the present moment.

Q. Please let us know which titles in your Mobile Contents sub-segment have been delayed.

A. There are no delays to the launch timings of any previously announced titles.

Q. Are you making any changes to your plans for "Resident Evil Revelations 2"?

A. We are making no changes to our initial forecast.