

Financial Results Briefing for the Year ended March 31, 2017
Summary of Chairman and CEO
Kenzo Tsujimoto's Presentation
(April 28, 2017)

Greeting

(1) Thank-you to Our Guests

Thank you all for making time during this busy results season to attend our financial results presentation.

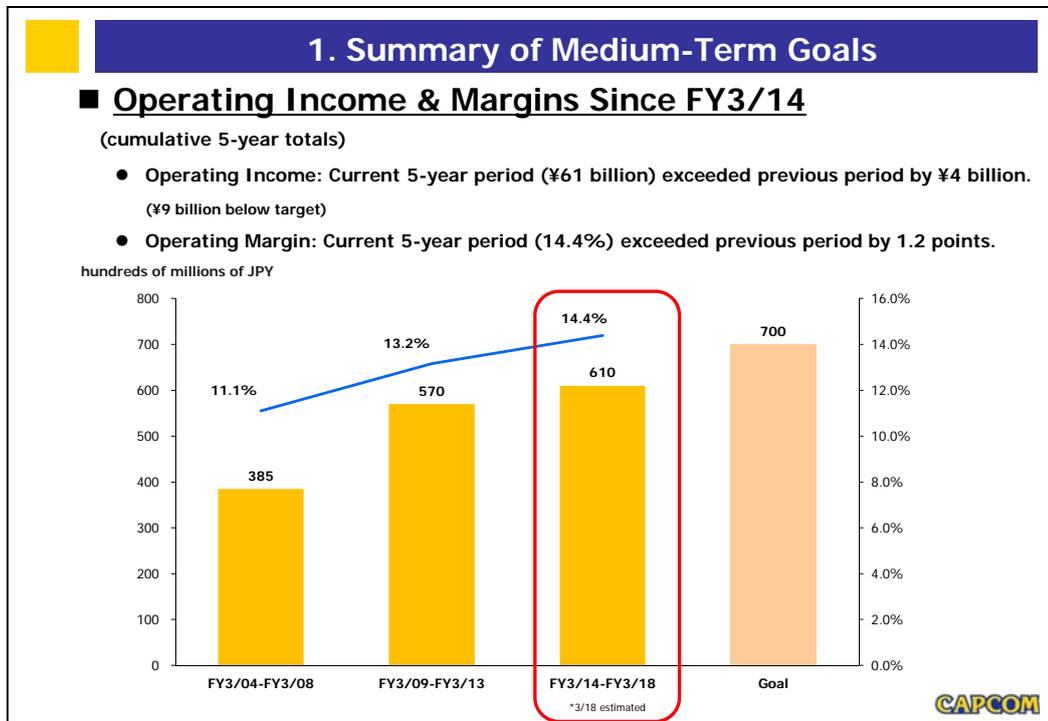
(2) Thank-you for Survey Participation

Also, each year we receive evaluations and comments regarding our medium-term goals, corporate strategy, IR activities and the like from domestic and international analysts and investors. We utilize these opinions as one of our resources in management decision making, and as such, I would like to express our gratitude for your cooperation with this survey.

(3) Today's meeting

Today I will be going over our medium-term business goals.

1. Summary of Medium-Term Goals



- From the fiscal year ended March 2014 through the fiscal year ending March 2018, we expect our operating income to total ¥61 billion, and our operating margin to be 14.4%.
- Both of these represent tangible improvements compared to 5 and 10 years ago; however, we remain ¥9 billion short of the targets set forth in our medium-term goals.

1. Summary of Medium-Term Goals

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■ **Operating Income by Business Segments** (cumulative 5-year totals)

- Amusement Equipments business (PS) up ¥12.7 billion over previous 5 years due to bolstered lineup.
- Favorable performance in Consumer, however Digital Contents business:
 1. Underperforming in PC Online; late to the game in Mobile
 2. Down ¥7.9 billion compared to previous 5 years following investments into cutting-edge R&D for the future
- Arcade Operations business down ¥700 million compared to previous 5 years due to increased costs and floundering market conditions brought on by consumption tax increases.

■ **Operating Income** hundreds of millions of JPY

	FY3/04-FY3/08	FY3/09-FY3/13	FY3/14-FY3/18	Medium-Term Goal	Period Difference	Goal Difference
Digital Contents	280	595	516	570	-79	-54
Arcade Operations	98	54	47	85	-7	-38
Amusement Equipments	132	89	216	200	127	16
Others Business	11	48	45	55	-3	-10
Adjustment	-136	-216	-214	-210	2	-4
Totals	385	570	610	700	40	-90



• I stated that achieving our medium-term goals would be a challenge at our financial results presentation in May of last year. Now, I would like to go over the major reasons in each of our businesses for us missing our operating income goal by ¥9 billion.

• Amusement Equipments business (pachislo)

(1) Because we have strengthened our pachislo model lineup and sales structure over these past five years, we have greatly surpassed where we were in the contract development era of ten years ago.

• Digital Contents business

(1) We exceeded our targets in Consumer due to contributions from 1), focusing on internal development, and 2), improving the ratio of digital downloads.

(2) While we did focus on internal development in order to acquire operational know-how in Mobile, we have been unable to deliver results. However, we expect to grow here in the future, following the arrival of high-spec next-generation mobile devices on par with home video game systems.

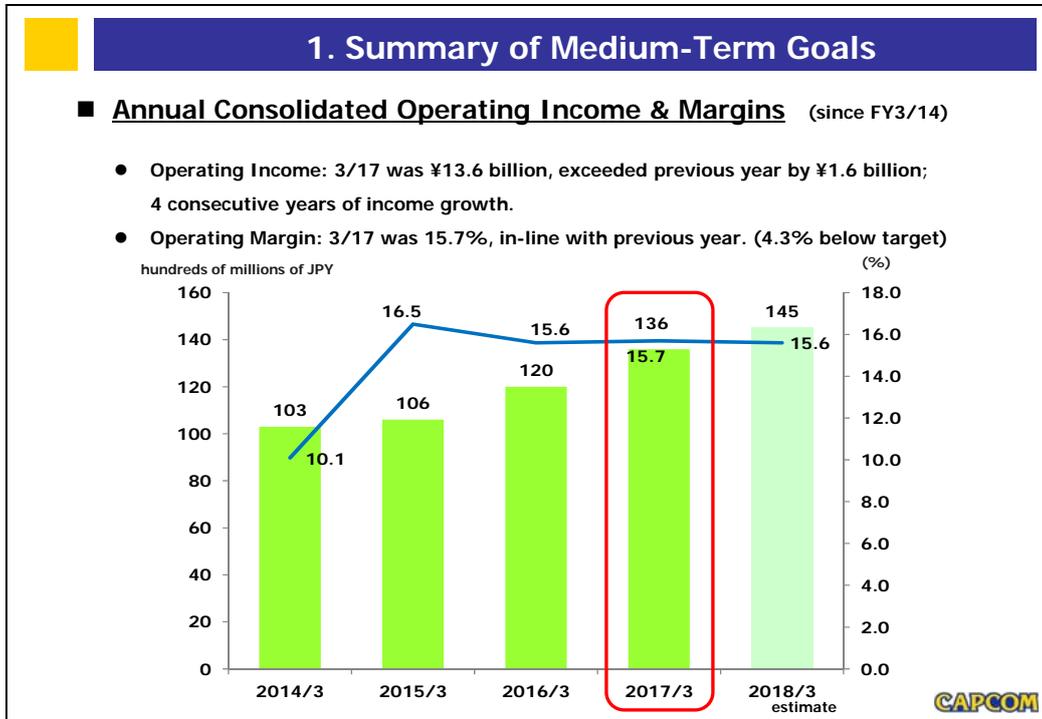
(3) Our licensing business under PC Online in Asia also did not perform to expectations, amidst a shift from PC to mobile in the Chinese market.

(4) As a result, despite a favorable performance in Consumer, this business missed its target by a few billion yen due to PC Online and Mobile challenges.

- Arcade Operations business

(1) This business missed its targets largely due to an increase in costs fueled by consumption tax hikes and a decline in prices.

1. Summary of Medium-Term Goals



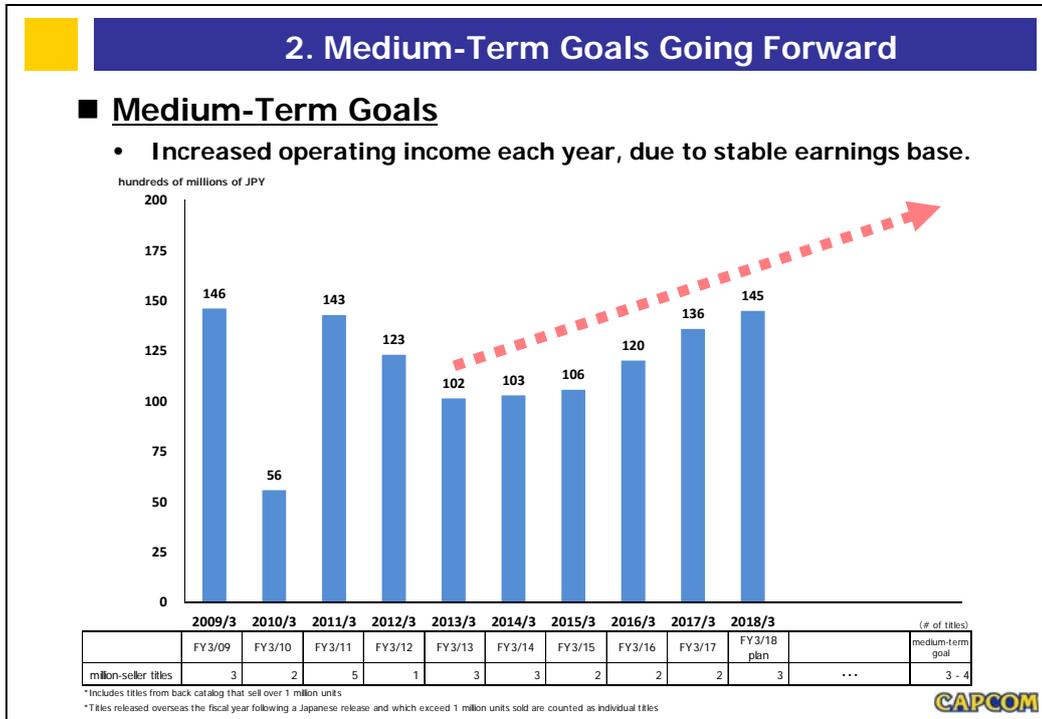
- On a single-year basis, as of the fiscal year ended March 2017 we have achieved four consecutive years of operating income growth. We have also been able to maintain an operating margin of approximately fifteen and a half percent, however this is 4.3% under our goal.
- As with operating income, individual businesses faced certain challenges; however, one point I would like to add is, we consistently invested into the future of our R&D and businesses in order to achieve sustainable growth.
- The central focus of the Japanese market in the near-term will be mobile games; however, if we were to focus only on mobile, we would be left behind in the global market. As such, we have undertaken new endeavors, including constructing our R&D Building #2, hiring over one hundred new graduates each year, and investing in new businesses. We are giving priority to a system that delivers increased profitability each fiscal year, even if it means our margin decreases slightly in the short-term.

- Further, during this four year period, the market conditions surrounding our businesses has undergone a number of significant changes, including:
 - (1) globalization and the shift to digital in the Consumer market;
 - (2) the expansion of the smartphone market;
 - (3) the decline of the PC market in Japan and Asia;
 - (4) consumption tax increases; and,
 - (5) changes in verification methods for pachislo machines.

- Despite these market conditions, we have been able to, in part, establish stable growth and a proactive system for shareholder returns through share repurchases, increasing our annual dividend to ¥50, and achieving four consecutive fiscal years of operating income growth.

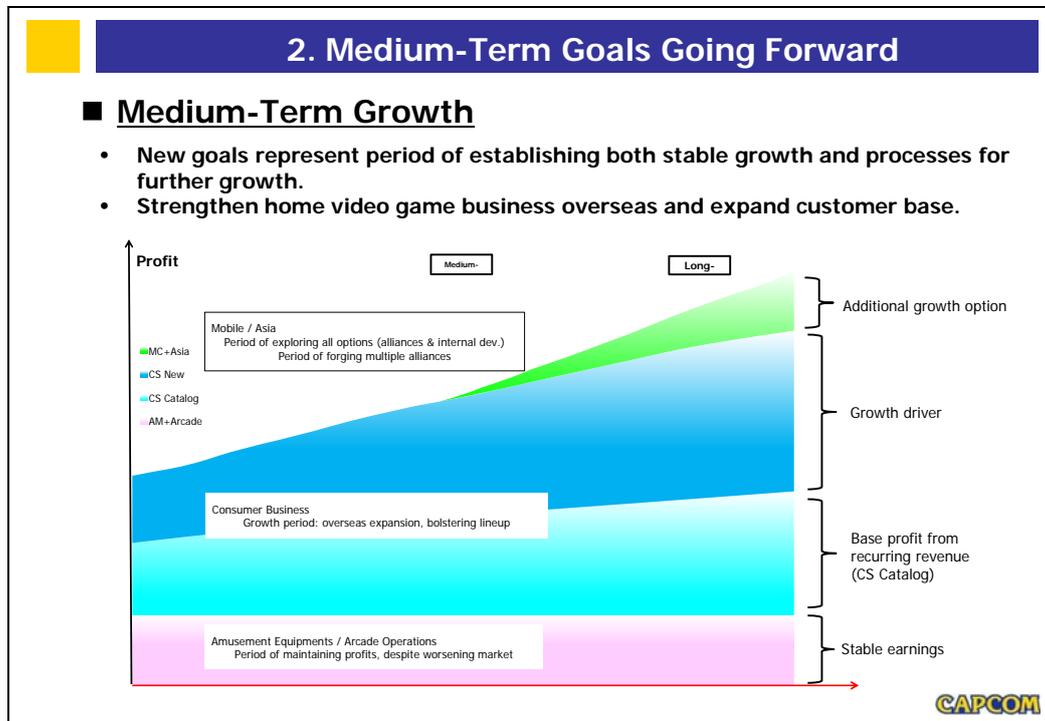
- Given the above, we have rescinded the medium-term business goals that had been in place. I will now go over our medium-term business goals going forward.

2. Medium-Term Goals Going Forward



- For our medium-term business goals going forward, we aim to increase operating income each fiscal year for five and ten years going forward through building up a stable earnings base.
- In order to achieve this and establish ourselves as a sustainable growth company, we must continuously:
 - (1) Produce exciting, world-class content (IP), and
 - (2) Maximize earnings by leveraging our rich library of IP across multiple platforms and media.

2. Medium-Term Goals Going Forward



- We do not intend to force changes to our release schedule for the sake of our medium-term goals; rather, we aim to take a natural approach of establishing a build-up model of stable growth.
- I will explain starting from the bottom layer of the graph. Arcade Operations' deteriorating profitability has bottomed out, and while there have been regulatory changes to pachislo in Amusement Equipments, we will secure stable earnings once we've established a four-model production line system.
- In Consumer, due to the shift to digital distribution our sales of catalog titles grew significantly: from 4 million units four years ago to 8.8 million units in the previous fiscal year. Going forward, we expect stable earnings here each fiscal year aided by re-releases, remakes and the increasing number of platforms.

- Bolstering our Consumer title lineup will be a growth driver in the medium- to long-term, along with:
 - (1) expanding overseas;
 - (2) extending title lifecycles through digital sales; and,
 - (3) download sales.All of which we will strengthen and grow.

- We are not moving away from mobile. On the contrary, moving ahead we will leverage our IP and explore all possible options for building our business' foundation, including internal development, alliances, and mergers and acquisitions.

- For our licensing business in Asia, we will start again from the ground up, approaching not only the PC market but also the growing mobile market.

- We will proceed with these endeavors in order to stably grow profit each fiscal year five and ten years forward.

3. Outlook on First Half and Second Half Results

2. Outlook on 1H & 2H Results

■ 1H/2H Profit Structure Concept

	First Half	Second Half	Full Year
Operating income breakdown	15%	85%	100%
Major Titles	CS Resident Evil 7 (catabg)		CS total 23 million units <small>*includes titles not listed</small>
	Marvel vs. Capcom: Infinite		
	MAJOR TITLE		
	Back Catalog / Re-releases		
	PS Ace Attorney Resident EvI: Revelations	PS 2 models	PS Total 50 thousand units



- Thus concludes my presentation.