

Summary of Q&A at the Conference Call
Third-Quarter Consolidated Financial Results of the
Year ending March 31, 2014
(February 7, 2014)

Q. In the Mobile Contents business, what is the ratio of sales in Japan and overseas?

A. In this 9 months, Japan accounted for about 60% of sales and about 40% of sales were overseas.

Q. How much of sales come from native apps for smartphones?

A. Native apps account for all Beeline brand sales that are included in Mobile Contents. Sales of “Smurfs’ Village” are steady. In Japan, browser type games also continue to contribute to earnings.

Q. Mobile Contents sales growth appears to be slowing. What are your plans for improving performance?

A. We are reexamining our software development operations and accumulating expertise involving game operations and upgrading this know-how. For the Beeline brand, we are working on developing content for the “super casual” customer segment in Europe and North America. In Japan, we plan to combine our Division 2 of Consumer Games Development, which has many accomplishments in the online business in Tokyo, with the development team in Osaka to enable these developers to share knowledge about operations.

Q. In the consumer business, what is your outlook for the division of sales between packaged and digitally distributed contents (DLC) ?

A. DLC is about 15% or 16% of sales in the consumer business now. We believe this ratio will continue to increase.

Q. What is the difference between the profitability of packaged software and full-game download for each game title?

A. At this time, the difference in earnings for each title is negligible.

Q. How will the consumption tax hike affect the Arcade Operations business and what are your plans to offset this effect?

A. We think the higher consumption tax will affect sales to some degree. Raising the price of individual games would be difficult. But we are considering a number of possible actions. Our primary goal is to maintain profitability by attracting a larger number of customers. We plan to do this by increasing measures to attract seniors, children and other segments that currently are not significant users of our arcades.

Q. How many units of the “Monster Hunter Gekka Raimei” pachislo machine do you plan to sell and how many orders have you received so far?

A. We plan to sell 35,000 units. We are not able to provide information about orders received at this time. We are confident that we can reach our sales goal because of the strong response generated by this unit at a recent exhibition.

Q. What actions are you taking to cut costs?

A. We are always examining selling, general and administrative expenses and other expenses. We plan to continue our constant cost-cutting measures in the next fiscal year.

Q. Do you expect your cost of developing software to start decreasing in the next fiscal year?

A. The cost of development and other general expenses vary depending on our plans and sales for each title. This is why we place importance on achieving a suitable cost of sales ratio rather than on lowering the actual amount of our costs. At 69%, we believe the cost of sales ratio in the current fiscal year is high. We are managing all our operations with the goal of reducing this ratio and building a framework that can generate an appropriate amount of earnings in relation to sales.

Q. Please provide data on the operating margin of each segment of the Digital Contents business.

A. The third quarter (3 months) operating margin in the Consumer business (packaged, DLC) was higher than in the second quarter (3 months). Third quarter profitability was lower for Mobile Contents and PC and others.

Q. Are Mobile Contents development expenses included in intangible fixed assets? How do you amortize these expenses?

A. We record as intangible fixed assets expenses for developing titles for ongoing business models, such as titles in the PC online game and Mobile Contents sectors. These expenses are included in the "other" item of intangible fixed assets. The amortization period is different for each title, but in general we amortize these expenses over a period of two to five years.

Q. Please explain the soundness of online content under development that is included in other intangible fixed assets.

A. We examine and reassess our earnings plans for titles every quarter. Therefore, we believe that the current amount of software under development in other intangible fixed assets is sound.

Q. Can you provide a rough outlook for your performance in the next fiscal year?

A. We are not able to say anything now because we are still working on our plan for the next fiscal year. We foresee a number of changes in our business climate, notably the shift to next-generation consoles for consumer games and changes in the Mobile Contents market. As a result, we view the next fiscal year as a period for building a stronger foundation for our operations. Furthermore, this will be the second year of our five-year plan, so we will also be taking actions aimed at achieving strong growth during the plan's last three years.

Q. What is latest "Monster Hunter 4" shipment figure?

A. Shipments currently total 4.1 million units and sell-through is also high. We just announced our latest title, "Monster Hunter 4G", which we plan to start selling in the fall of this year. Since the transfer of data from "Monster Hunter 4" is mostly possible, we will continue to use events and other measures to raise awareness of these titles and focus on increasing repeat sales.

Q. Is your P&S development infrastructure capable of producing four new models in the next fiscal year?

A. We have not yet determined how many models to release in the next fiscal year. We will soon complete work to establish an infrastructure that can release four models every year (one in each quarter). We are making steady progress toward our goal, such as by increasing the number of developers and enlarging production lines.

Q. Is the social game ARPPU different for users in Japan and overseas?

A. There are large differences among game titles but no significant difference between Japan and other countries. The ARPPU is relatively high overseas as well for "Smurfs' Village" and other titles. So we do not think that the ARPPU of overseas users is significantly lower than the ARPPU in Japan.