

Actual Results for the First Quarter of the Year Ending March 2014

■ **General Matters**

Q: What factors led to the increase in sales and income compared to the same quarter of the previous fiscal year (first quarter of year ended March 2013)?

A: Sales and income significantly increased mainly due to the sale of a major pachislot title in the Pachislot and Pachinko Machines Business and favorable service of “Phantasy Star Online 2” in the digital game field.

Q: Will the forecast of operating results be revised since operating income exceeds the fiscal first half forecasts as of the first quarter?

A: Although the operating income is generally solid as of now, sales schedule for mainstay titles are focused in the first quarter for the first half of the fiscal year, and thus, revision of the forecast will be released as soon as possible after determining the sales trend of respective titles in the second quarter and when a revision is deemed necessary.

Q: What factors led to the increase in R&D expense compared to the same quarter of the previous fiscal year?

A: R&D expense increased compared to the same quarter of the previous fiscal year mainly in the Consumer Business and the Pachislot and Pachinko Machines Business.

Q: What factors led to the significant increase in cap-ex compared to the same quarter of the previous fiscal year?

A: Cap-ex increased compared to the same quarter of the previous fiscal year mainly due to the purchase of land for complex development at Centum City, Busan Metropolitan City, South Korea.

Q: What factors led to the increase in depreciation compared to the same quarter of the previous fiscal year?

A: Depreciation increased compared to the same quarter of the previous fiscal year centered on the Pachislot and Pachinko Machine Business mainly due to the start of operations of a new factory and a new distribution center in September 2012.

Q: What factors led to the increase in advertising expense compared to the same quarter of the previous fiscal year?

A: Advertisement expense increased compared to the same quarter of the previous fiscal year mainly due

to the sales of mainstay titles in the Pachislot and Pachinko Machines Business.

■Pachislot and Pachinko Machines Business

Q: What factors led to the increase in sales and income compared to the same quarter of the previous fiscal year (first quarter of year ended March 2013)?

A: Sales and income increased due to the increase in number of unit sales of pachislot machines from sales of mainstay title “Pachislot Hokuto No Ken Chapter of Resurrection.”

■Amusement Machine Sales Business

Q: What factors led to the decrease in sales and posting of operating loss compared to the same quarter of the previous fiscal year (first quarter of year ended March 2013)?

A: Sales decreased and operating loss was posted due to there being no sales of major titles in the first quarter as new major titles were planned to be launched primarily in the second half of the fiscal year, however, the results are generally solid compared to the initial forecast.

■Amusement Center Operations Business

Q: What factors led to the decrease in sales and increase in income compared to the same quarter of the previous fiscal year (first quarter of year ended March 2013)?

A: Sales decreased and income increased mainly due to same-store sales of domestic facilities struggling to increase compared to the same quarter of the previous fiscal year.

■Consumer Business

Q: What factors led to the increase in sales and return to profit compared to the same quarter of the previous fiscal year (first quarter of year ended March 2013)?

A: Sales increased and returned to profit mainly due to favorable service of PC online game “Phantasy Star Online 2,” in addition to the increase in income from titles for smart devices in the digital game field.

Q: What were the major actual results in the digital games field?

A: Service of the mainstay title of the previous fiscal year “Phantasy Star Online 2” continues to be solid, and surpassed cumulative downloads of 2.5 million when combined with PC and PS Vita versions. The title for smartphones “Puyopuyo!! Quest” recorded 1 million downloads in 10 days since release, and surpassed 3 million downloads for iOS and Android versions combined on July 24, 2013.

■Other Business

Q: What is the progress of the resort complex development in Incheon?

A: We are currently preparing for the opening in 2016. In addition, a joint venture PARADISE SEGASAMMY has succeeded the operation of Paradise Casino Incheon, which is a casino adjacent to Incheon International Airport operated by the Paradise Group, from July 1, 2013.

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