

## Business Results Highlights

Years ended March 31

## Consolidated Business Highlights

	Millions of yen, unless stated otherwise							Thousands of U.S. dollars <sup>1</sup>		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
Net sales	¥515,668	¥553,240	¥528,238	¥458,977	¥429,194	¥384,679	¥396,732	¥395,502	¥321,407	\$3,418,860
Gross profit	211,559	229,011	203,079	120,403	119,092	138,867	166,055	161,663	116,938	1,243,898
Selling, general and administrative (SG&A) expenses	106,469	109,867	126,548	126,232	110,728	102,154	97,304	103,279	97,865	1,041,014
Operating income (loss)	105,090	119,144	76,530	(5,829)	8,363	36,712	68,750	58,384	19,073	202,883
EBITDA <sup>2</sup>	122,764	140,999	104,578	39,782	35,007	53,887	84,699	74,542	37,254	396,280
Net income (loss)	50,574	66,221	43,456	(52,470)	(22,882)	20,269	41,510	21,820	33,460	355,926
Capital expenditures	32,468	37,650	59,271	50,422	26,610	16,164	19,686	36,141	32,871	349,664
Depreciation and amortization	17,674	21,854	28,048	45,611	26,644	17,175	15,949	16,158	18,181	193,396
R&D expenses, content production expenses	41,590	36,337	52,106	65,384	59,676	41,502	41,104	53,348	45,294	481,805
Net cash provided by (used in) operating activities	77,762	83,228	60,623	(25,878)	32,199	54,998	87,696	38,023	18,603	197,885
Net cash provided by (used in) investing activities	(39,618)	(54,706)	(75,395)	(10,399)	936	(7,640)	(29,585)	(59,012)	6,396	68,041
Net cash provided by (used in) financing activities	(25,703)	(21,152)	(1,712)	(7,579)	(7,653)	(3,401)	(57,168)	914	(1,116)	(11,877)
Free cash flows <sup>3</sup>	38,144	28,522	(14,772)	(36,277)	33,135	47,358	58,111	(20,989)	24,999	265,918
Total assets	438,991	522,914	549,940	469,642	423,938	423,161	458,624	497,451	528,504	5,621,790
Total net assets / shareholders' equity <sup>4</sup>	258,954	316,679	358,858	281,627	242,532	256,770	285,461	296,376	320,034	3,404,263
Number of shares outstanding (shares)	140,551,522	283,229,476	283,229,476	283,229,476	283,229,476	283,229,476	266,229,476	266,229,476	266,229,476	

Per Share Data	Yen							U.S. dollars <sup>1</sup>		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
Net income (loss)	¥ 205.27	¥ 261.06	¥ 172.47	¥ (208.26)	¥ (90.83)	¥ 80.46	¥ 163.19	¥ 86.73	¥ 137.14	\$ 1.45
Diluted net income	200.48	260.35	172.35	—	—	—	163.01	86.54	136.85	1.45
Total net assets / shareholders' equity <sup>4</sup>	1,033.96	1,254.14	1,341.80	1,030.09	882.47	937.80	1,093.23	1,167.59	1,304.44	13.87
Cash dividends	60.00	80.00	60.00	45.00	30.00	30.00	40.00	40.00	40.00	0.42

Key Ratios	%							%		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
Gross profit margin	41.0	41.4	38.4	26.2	27.7	36.1	41.9	40.9	36.4	36.4
SG&A ratio	20.6	19.9	24.0	27.5	25.8	26.6	24.5	26.1	30.4	30.4
Operating margin	20.4	21.5	14.5	—	1.9	9.5	17.3	14.8	5.9	5.9
R&D expenses to net sales	8.1	6.6	9.9	14.2	13.9	10.8	10.4	13.5	14.1	14.1
ROE	19.5	23.0	13.3	—	—	8.8	16.2	7.7	11.0	11.0
ROA <sup>5</sup>	11.5	24.8	15.2	—	1.5	8.5	15.5	12.2	4.1	4.1
Total net assets ratio	59.0	60.6	61.5	55.3	52.4	55.8	60.0	58.9	59.7	59.7

<sup>1</sup> Yen amounts have been translated into U.S. dollars solely for convenience at the rate of ¥94.01 to U.S. \$1, the prevailing exchange rate at March 29, 2013.

<sup>2</sup> EBITDA = Operating income (loss) + Depreciation and amortization

<sup>3</sup> Free cash flows = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

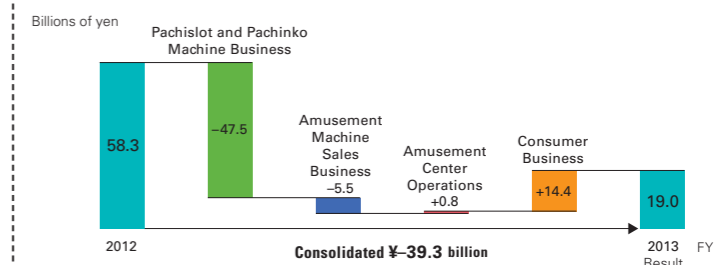
<sup>4</sup> Following the enactment of the new Companies Act of Japan in 2006, the Company presents total net assets for the fiscal year ended March 31, 2007, and subsequent fiscal years, which represent the shareholders' equity figure used in previous years plus minority interests and share subscription rights.

<sup>5</sup> ROA = Ordinary income ÷ Total assets

## Operating Income

**¥19.0 billion** (down ¥39.3 billion, or 67.3% year on year)

## Change in Segment Operating Income



## Main Other Income and Expenses

## Other income

Gain on sales of investment securities

¥1.9 billion

Gain on transfer of benefit obligation relating to employees' pension fund

¥6.3 billion

## Other expenses

Impairment loss

¥2.9 billion

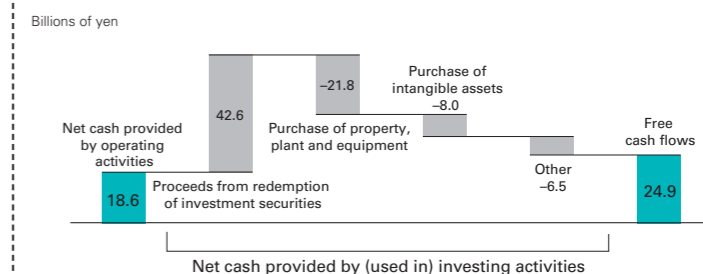
Loss on liquidation of subsidiaries and affiliates

¥1.7 billion

## Free Cash Flows

**¥24.9 billion**

## Main Causes of Changes in Free Cash Flows



## Business Results Highlights

Years ended March 31

## Business Results by Business Segment

	Millions of yen, unless stated otherwise							Thousands of U.S. dollars <sup>1</sup>		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
<b>Pachislot and Pachinko Machine Business</b>										
Net sales	¥280,109	¥265,631	¥211,539	¥145,582	¥161,691	¥160,376	¥212,060	¥212,189	¥142,281	\$1,513,470
Operating income	103,931	99,847	71,102	8,443	14,528	29,502	64,284	71,040	23,534	250,343
Operating margin (%)	37.1	37.6	33.6	5.8	9.0	18.4	30.3	33.5	16.5	
R&D expenses	6,952	6,940	9,325	12,632	14,289	13,019	13,485	14,393	18,056	192,068
Capital expenditures	2,842	6,670	8,790	23,829	4,516	3,297	5,725	12,726	11,914	126,732
Pachislot machine unit sales (units)	676,933	607,106	523,422	380,688	123,286	162,932	302,270	300,866	202,221	
Pachinko machine unit sales (units)	233,049	288,895	132,981	108,184	391,831	360,171	343,188	332,288	216,860	
<b>Amusement Machine Sales Business</b>										
Net sales	¥63,305	¥71,512	¥75,454	¥71,061	¥61,926	¥45,117	¥47,237	¥49,929	¥39,134	\$416,277
Operating income	7,424	12,176	11,682	7,152	6,890	7,094	7,317	7,415	1,902	20,233
Operating margin (%)	11.7	17.0	15.5	10.1	11.1	15.7	15.5	14.9	4.9	
R&D expenses, content production expenses	12,029	10,002	12,527	13,695	11,450	7,841	9,195	9,374	7,819	83,181
<b>Amusement Center Operations</b>										
Net sales	¥83,194	¥106,245	¥103,850	¥91,226	¥71,310	¥54,788	¥45,695	¥44,608	¥42,707	\$454,289
Operating income (loss)	5,472	9,244	132	(9,807)	(7,520)	(1,338)	342	355	1,194	12,710
Operating margin (%)	6.6	8.7	0.1	—	—	—	0.7	0.8	2.8	
Capital expenditures	24,886	24,577	40,754	15,910	14,893	7,796	7,701	8,328	7,923	84,279
Depreciation and amortization	11,937	17,148	18,052	17,161	15,908	8,212	6,126	6,184	4,671	49,696
Number of domestic amusement centers (centers)	477	462	449	363	322	260	249	241	236	
Existing domestic amusement center sales year on year (%)	98.5	103.3	95.8	89.0	92.4	91.7	99.3	100.5	93.8	
<b>Consumer Business</b>										
Net sales	¥65,341	¥90,352	¥119,593	¥141,790	¥131,361	¥121,575	¥88,896	¥85,688	¥83,874	\$892,186
Operating income (loss)	(8,810)	1,977	1,749	(5,989)	(941)	6,332	1,969	(15,182)	(732)	(7,788)
Operating margin (%)	—	2.2	1.5	—	—	5.2	2.2	—	—	
R&D expenses, content production expenses	21,736	17,823	26,583	37,129	32,875	19,644	18,150	29,316	19,538	207,835
Home video game software unit sales (thousands)	11,790	16,400	21,270	26,990	29,470	26,750	18,710	17,240	10,780	

<sup>1</sup> Yen amounts have been translated into U.S. dollars solely for the convenience of readers at the rate of ¥94.01 to U.S. \$1, the prevailing exchange rate at March 29, 2013.

### Pachislot and Pachinko Machine Business — Causes of business results changes

- In the pachislot machine business, unit sales were down 32.8% year on year due to postponing the release of several titles, including mainstay title *Hokuto No Ken Chapter of Resurrection*.
- In the pachinko machine business, sales decreased 34.7% year on year because favorable sales of mainstay titles, such as *Pachinko CR Hokuto No Ken 5 Hasha*, were unable to compensate fully for flagging sales of second-tier titles, which resulted from a market bias toward major titles.

### Amusement Machine Sales Business — Causes of business results changes

- Revenues and earnings decreased due to the absence of major titles.
- Revenues from revenue-sharing titles were steady.

### Amusement Center Operations — Causes of business results changes

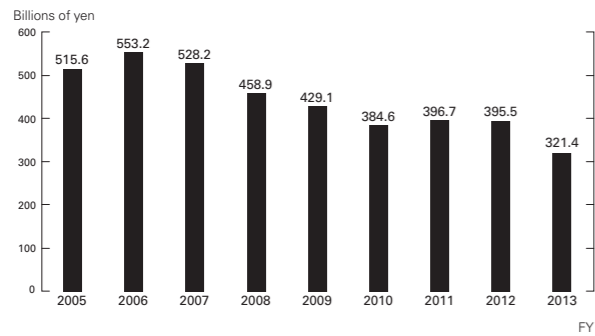
- Sales at existing amusement centers struggled, declining 6.2% from the previous fiscal year, which saw comparatively solid results thanks to favorable revenues from prize game machines.
- Earnings rose due to lower depreciation and amortization resulting from an accounting policy change.

### Consumer Business — Causes of business results changes

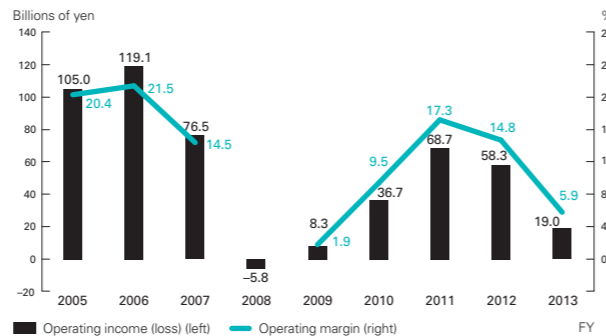
- Despite the lower revenues that resulted from narrowing down the number of packaged game software titles in North America and Europe, loss contracted as rationalized businesses led to reduced operating expenses.
- Cumulative ID registrations of the online role-playing game *Phantasy Star Online 2* surpassed 2.5 million, and revenues from in-game paid items were favorable.

Business Trend

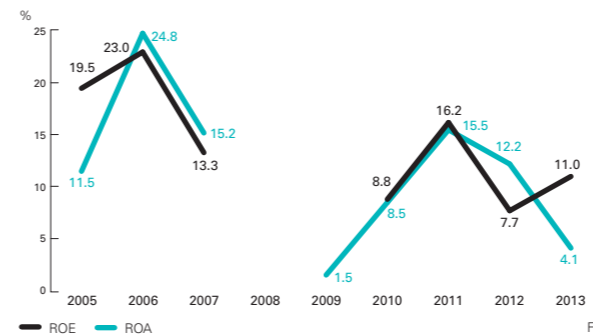
Net Sales



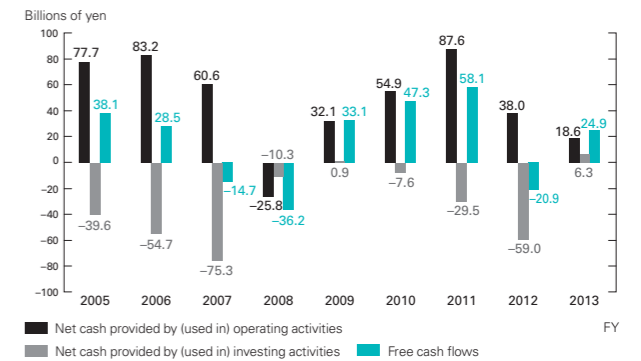
Operating Income (Loss) / Operating Margin



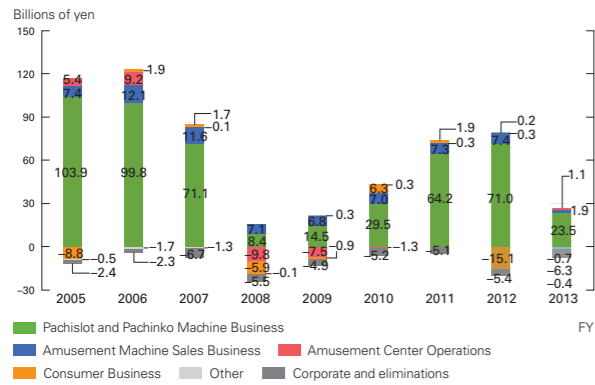
ROE / ROA



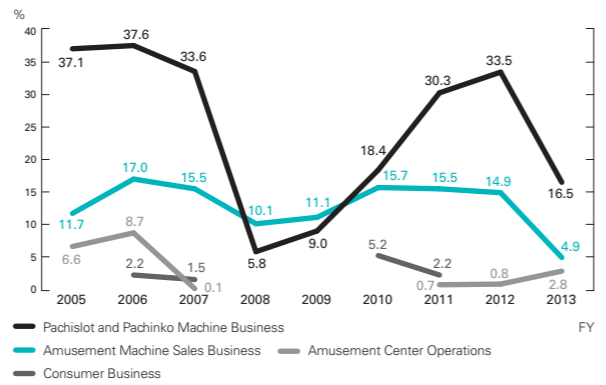
Free Cash Flows



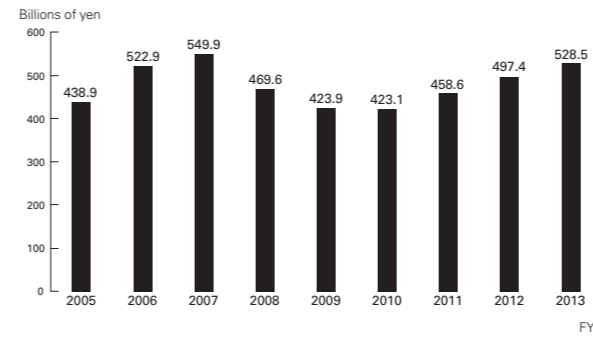
Operating Income (Loss) by Segment



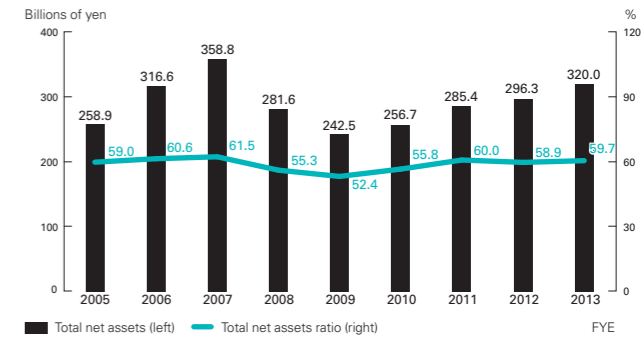
Operating Margin by Segment



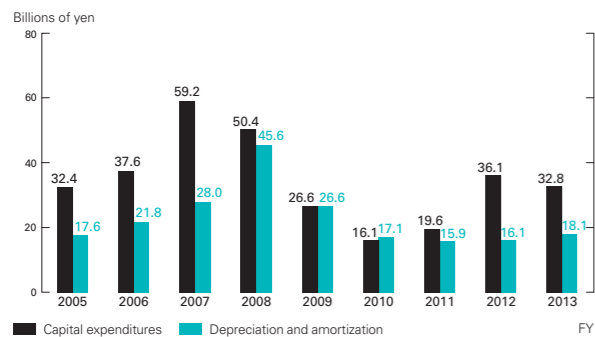
Total Assets



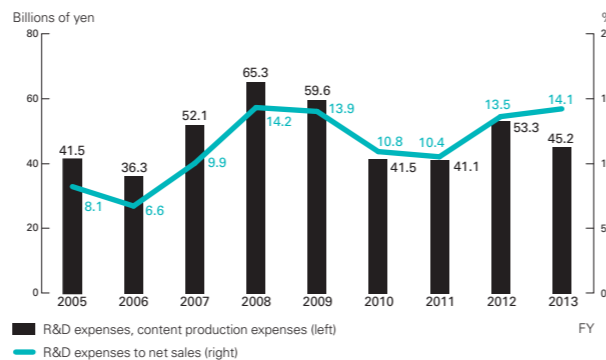
Total Net Assets / Total Net Assets Ratio



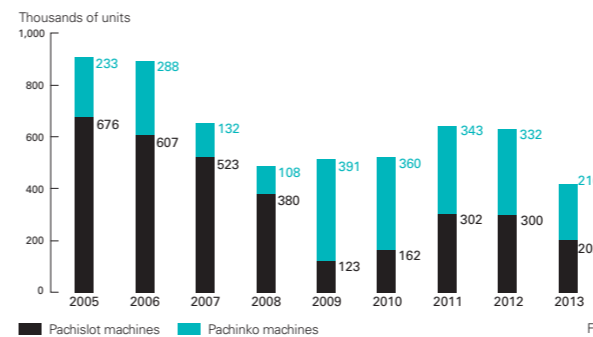
Capital Expenditures / Depreciation and Amortization



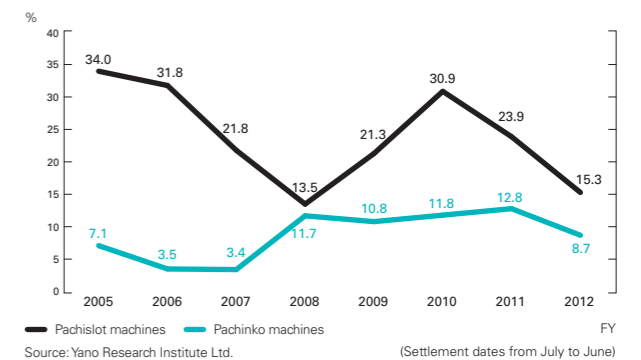
R&D Expenses, Content Production Expenses / R&D Expenses to Net Sales



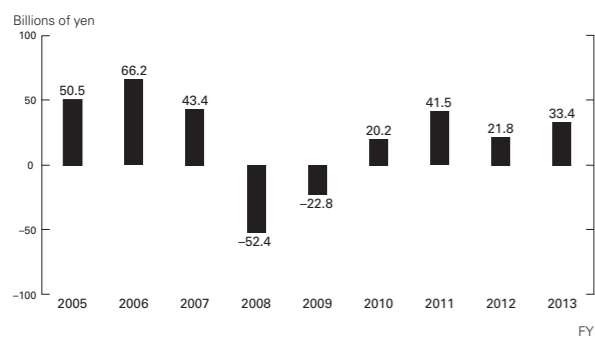
Pachislot and Pachinko Machine Unit Sales



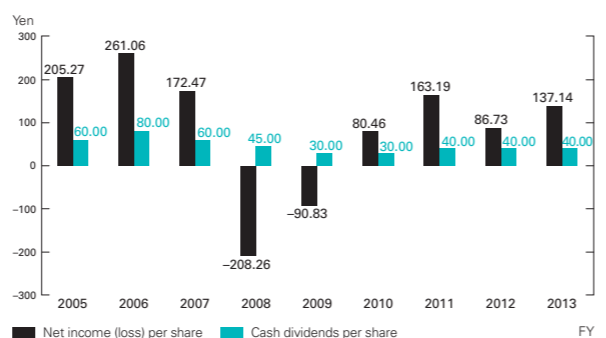
Market Share of Pachislot and Pachinko Machines



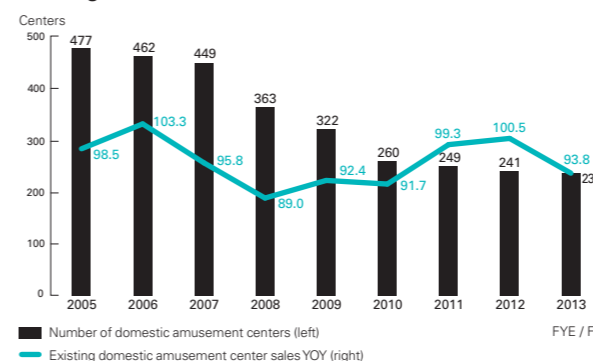
Net Income (Loss)



Net Income (Loss) per Share / Cash Dividends per Share



Number of Domestic Amusement Centers / Existing Domestic Amusement Center Sales YOY



Home Video Game Software Unit Sales / Consumer Business R&D Expenses, Content Production Expenses

