

**Financial Results Conference Call for the First Half
of the Fiscal Year ending March 31, 2025: Q&A Summary
(October 29, 2024)**

Q Could you provide an overview of how business segments performed for the first half of the fiscal year?

A The Digital Contents business has generally progressed smoothly. Although unit sales for new titles fell slightly short of our plan, the performance of catalog titles (excluding those released in the previous fiscal year) has steadily increased year over year. The Arcade Operations business saw growth in existing stores as they were utilized as cooling shelters during hot weather, resulting in increased revenue and profit. In the Amusement Equipments business, we launched two new models and sold 17,000 units as planned, benefiting from cost reductions through the procurement of common components. Other Businesses performed well due to an increase in collaboration projects featuring our characters in games from other companies.

Q How do you expect the unit price of catalog titles to trend in the second half of the fiscal year?

A Because new titles released in the previous year transition to catalog titles, typically there are not significant fluctuations in price on an annual basis. We do not anticipate major changes in the second half of this fiscal year either.

Q Digital license revenue has already exceeded the full-year plan; do you expect any additional revenue here going forward?

A We have incorporated only projects with a high degree of visibility at the planning stage. As such, depending on the situation there is a possibility of more in the second half of the fiscal year.

Q What are your expectations for *Monster Hunter Wilds*?

A We have just started an open beta test today, October 29. Being the latest installment in the *Monster Hunter* series, we aim to steadily increase sales.

Q How much asset impairment was booked in the first half of this fiscal year? Also, were there any one-time expenses aside from impairments?

A There were no impairments in the first half of the fiscal year. Additionally, we have recorded approximately 910 million yen as non-operating expenses related to Expo 2025 Osaka, Kansai, Japan.

- Q In the second quarter (three months), unit sales volume increased compared to the same period last year, but revenue and profit decreased. What is the reason for this?
- A The primary reason is that the major new title *Street Fighter 6*, released in June of last year, contributed significantly to performance in the second quarter of the previous year, while this year's new titles were relatively smaller in scale.
- Q Can you tell us about the sales strategies for *Monster Hunter Wilds*?
- A We have been implementing promotions to enhance overall awareness of the *Monster Hunter* series and connect it to *Monster Hunter Wilds*. This year, we are focusing more than ever on real-world events like game shows globally, and we are monitoring user trends during the open beta test while accelerating promotions to boost sales.
- Q With major titles upcoming, there seems to be a high level of work-in-progress for game software. Is this within management's control?
- A While *Monster Hunter Wilds* constitutes a large portion of the work-in-progress, a certain amount will be recognized as cost of sales after its release, so we are not currently concerned about the increase in the work-in-progress balance.
- Q Four new titles were released in the second quarter; can you provide insights on their performance? In particular, can we expect *Kunitsu-Gami: Path of the Goddess* and *Dead Rising Deluxe Remaster* to develop into series?
- A *Kunitsu-Gami: Path of the Goddess* received high ratings on review aggregation sites before its release and was well received by users, but it did not meet our planned sales figures. We plan to continue promoting it. *Dead Rising Deluxe Remaster* is selling as planned, and we have a physical version scheduled for release in November, so we will continue our promotional efforts. *Ace Attorney Investigations Collection* and *Marvel vs. Capcom Fighting Collection: Arcade Classics* are also progressing in-line with plans, with the latter's physical version is coming in November, so we will strengthen our sales efforts.
- Q After the release of *Monster Hunter Wilds* in February next year, it will likely continue to contribute as a catalog title next fiscal year. What measures do you plan to implement to maintain double-digit operating profit growth next year?
- A The sales performance of *Monster Hunter Wilds* will be a factor, but we are also considering the release of major titles next year. Additionally, achieving our medium- to long-term goal of 100 million units sold annually and expanding catalog titles to potential users worldwide will be key challenges as we aim for double-digit profit growth next year.

- Q Selling, general and administrative expenses have increased by about 1 billion yen compared to the first quarter; is this related to event costs like game shows?
- A This increase is due to promotional expenses for events, and we expect a slight increase in the second half of the fiscal year due to promotions for *Monster Hunter Wilds*.
- Q The new title *Kunitsu-Gami: Path of the Goddess* did not meet expectations; are there any concerns regarding the promotion of *Monster Hunter Wilds*?
- A We recognize that while *Kunitsu-Gami: Path of the Goddess* is a completely new IP, it did not have sufficient pre-launch promotion for generating buzz and increasing awareness. We believe this will not impact the promotion of *Monster Hunter Wilds*, as it is part of a series with a proven track record.
- Q In aiming for sales volume targets for new titles, how does the market environment for *Monster Hunter Wilds* differ from that of *Monster Hunter: World*?
- A There are differences in supported platforms, but we believe the launch environment is not very different. While we have incorporated significant contributions from *Monster Hunter Wilds* into our sales volume plan, we believe we can still achieve our profit targets regardless of whether we meet the overall planned sales volume for new titles this fiscal year.
- Q Is the management goal of 10% increased annual operating profit based on expected foreign exchange impacts?
- A We set the growth target of 10% increased annual operating profit regardless of foreign exchange impacts.
- Q Which regions are seeing growth in the number of catalog titles?
- A Unit sales in the *Monster Hunter* series is growing in the Asian region in particular.
- Q Can you provide updates on digital sales in each region and your pricing strategies for emerging markets?
- A We analyze sales volumes by region and then implement strategies, but particularly in emerging markets, it takes time to see results. As such, we are working to enhance brand awareness for our titles in each region. Notably, new titles tend to perform well in developed markets, while catalog titles are growing in emerging markets in line with regional price sensitivity.

- Q Considering the sales performance for new titles like *Kunitsu-Gami: Path of the Goddess* and catalog titles such as *Dragon's Dogma 2*, how will you adjust your marketing strategies going forward?
- A Recently, there has been a trend in the industry of spending large amounts on advertising and promotions just before and after release to kickstart initial sales, but we have not traditionally used such methods. We calculate the costs for promotions based on expected performance and take a long-term approach to sales. On average, we can recover development costs within about one to one and a half years after release, so even if we lower the selling price afterward, once costs are recouped we expect profit margins of 80-90%. Our marketing approach remains unchanged.
- Q Can you explain the impact of foreign exchange in the first half of the fiscal year?
- A Compared to our initial plan, we experienced a positive impact of 2 to 3 billion yen on an operating profit basis. Note that we have intentionally set conservative exchange rate assumptions. In a weak yen environment, we take a comprehensive approach to management and implement agile management measures to take advantage of windfalls after considering market conditions. In line with this, we aim to achieve our announced annual operating profit target of 64 billion yen for the full fiscal year.