

**Financial Results Conference Call for the First Half
of the Fiscal Year ending March 31, 2024: Q&A Summary
(October 26, 2023)**

Q What factors resulted in the profitability decline between Q1 and Q2 in the Digital Contents business?

A An asset impairment of approximately 3 billion yen in this business during Q2 put downward pressure on profit.

Q What impact did the exchange rate have on operating income in the first half of the fiscal year?

A The impact of the foreign exchange rate on operating income in the first half of the fiscal year was approximately 3 billion yen.

Q How do you evaluate the performance of *Monster Hunter Now* at this point in time?

A *Monster Hunter Now* has surpassed 10 million downloads globally, driven primarily by players in Japan. Going forward, we look forward to the title's ongoing growth overseas as well in order for it to contribute to raising awareness of the *Monster Hunter* brand worldwide.

Q What impact do you expect *Monster Hunter Now* to have on earnings going forward?

A Our primary goal for *Monster Hunter Now* is to increase global brand awareness for the *Monster Hunter* series. While we anticipate a certain amount of royalty income for this title to accrue through the second half of this fiscal year, we expect the impact on consolidated earnings to be limited in nature.

Q What measures will you take to achieve your new title unit sales target for the full fiscal year?

A During the second half of the fiscal year, in addition to the release of *Apollo Justice: Ace Attorney Trilogy* in January, we plan to release one currently undisclosed major title. Along with these, we intend to achieve our full-year new title unit sales target by continuing to grow sales of new titles released in the first half of the fiscal year, including *Street Fighter 6*.

Q Tell me about the consumer home video game market environment.

A As has been the case to this point, we continue to see healthy growth for Consumer home video games in markets such as North America and have not discerned any significant changes in specific global regions.

Q How do you evaluate the market for games on PC?

A As has been the trend in recent years, the market for games on PC is steadily growing and in turn the ratio of our unit sales for the PC platform has continued to rise.

Q Tell me your outlook on achieving your full-year unit sales target of 45 million units. Given the situation as of the first half of the fiscal year, will it be difficult to achieve this?

A We aim to achieve our full-year targets with the release of a major new title during the second half of the fiscal year, and in line with our initial plans we will ramp up pricing promotions during the second half of the fiscal year in order to continue growing unit sales, especially for our back catalog.

Q Is there any information on new titles you can share in relation to the *Monster Hunter* series' 20th anniversary?

A We are unable to share additional details at this time.

Q How do you evaluate the performance of *Street Fighter 6* and how do you plan to further grow sales in the future?

A The game has received critical acclaim and surpassed 2.47 million units in sales globally by introducing fresh features and modes that appeal to a broader range of users, such as new Modern Type control inputs. However, given the relative size of the versus fighting game market, it is unlikely that the title will immediately achieve results on par with those of titles in the *Monster Hunter* or *Resident Evil* series. We look to continue expanding sales for this title over the long term, promoting it in our esports activities in order to grow the fighting game fanbase.

Q What impact did *Monster Hunter Now* have on Q2 earnings?

A While we are unable to disclose specific figures, we recognized a certain amount of licensing revenue in the Mobile Contents business sub-segment.

Q I'd like to hear more details about why profitability declined quarter on quarter in the Digital Contents business.

A In addition to the approximate 3-billion-yen asset impairment recognized in Q2, we recognized deferred revenue reversals in Q1, which led to a comparative decline in profitability between the two quarters.

Q Is it possible you will recognize further asset impairments in the second half of the fiscal year?

A Not all the investment we make into game development each year will necessarily bear fruit given the creative trial-and-error process of making games. As such, in recent years we have tended to recognize asset impairments of roughly 10-15% of our annual development investment in a given fiscal year. Therefore, it's possible that we may recognize a certain amount of asset impairments in the second half of this fiscal year as well.

Q Compared to Q1, it seems that net sales during Q2 have not grown very much in the Amusement Equipments business despite selling 15 thousand units. Please explain why.

A This is due to a difference in sales channels. We use multiple sales channels concurrently and depending on the channel the unit sales price will change.

Q Why has revenue from digital licensing grown so much quarter over quarter?

A This is primarily due to licensing revenue received for providing *Exoprimal* on Game Pass.

Q Tell me what strategies you plan to implement to continue growing catalog title sales.

A We currently distribute our games in approximately 230 countries and regions annually. Going forward, rather than increasing the number of sales territories, we believe that increasing the unit sales volumes in each of these areas will be important. As such, we will promote ongoing pricing strategies while enhancing local marketing efforts. At the same time, we will concentrate on our esports and movie/media efforts with the aim of strengthening both our corporate brand and game brands.

Q What is your aim in releasing *Resident Evil* titles for Apple devices such as the iPhone 15 Pro?

A This is a part of our fundamental multiplatform strategy. We look to maximize our user base by supporting a diverse range of platforms.

Q What impact will the Steam Deck have on game sales for the PC platform?

A We do not anticipate this to have a material impact on our PC game sales because of the relative difference between its individual sales volume compared to the overall global install base for PC devices. We will continue to aim for global sales expansion by promoting pricing measures.