

**Financial Results Briefing for the
Fiscal Year ended March 31, 2024: Q&A Summary
(May 13, 2024)**

- Q. Balancing the speed of development while maintaining game quality seems to be growing difficult in the industry overall. Is Capcom able to adhere to its title release schedule?
- A. We have been releasing new titles on schedule, in line with our title map. We have established a development system under which we can continuously and reliably launch major titles by strictly managing launch windows.
- Q. Tell us your thoughts on subscription services. Are you able to obtain the purchasing data of users on an ongoing basis?
- A. We mainly use such services for the purpose of improving title brand recognition. Regarding user data, we negotiate with platform holders to obtain the most basic data while protecting personal information in accordance with the law.
- Q. Capcom released *Dragons Dogma 2* for \$69.99 and has seen the results; tell me about your strategy for pricing game software going forward.
- A. This title was given a moderate reception from players and achieved 2.6 million units in sales as of the end of March 2024. Regarding pricing for future game releases, we will determine prices after carefully assessing user response and considering the rising cost of development.
- Q. Capcom attempted to launch a live service title with *Exoprimal*, however it seems to have underperformed to plan. Tell us about your thoughts on live service games and further efforts in this genre.
- A. As a new IP, this title represented a new challenge for us. We believe that we were able to accumulate know-how and carry out technical verification that will be needed on major titles in the future, including for this genre, such as building experience with cross-platform play and server loads.
- Q. Is *Monster Hunter Wilds* included in your guidance for the current fiscal year? Tell us about your target of 13 million units in sales for new titles.
- A. Currently, we have announced that *Monster Hunter Wilds* is scheduled for release in 2025, and we will disclose further details at the appropriate time. Regarding new titles during this fiscal year, we have a new IP *Kunitsu-Gami: Path of the Goddess* as well as AAA titles in the works.

- Q. In which areas does Capcom expect sales volume to increase in the future?
- A. We expect that the number of units sold will increase in regions with a high percentage of young people and potential for long-term economic development. Additionally, going forward we plan to develop markets while taking into account PC penetration rates, infrastructure development status, and other factors.
- Q. What are the factors and background behind the asset impairment?
- A. Many assets are created during the video game development process. Not all of these assets are used in the final product, and the costs for those that are not used are booked as an asset impairment. Additionally, development costs that are not expected to be recovered in a certain period are also included. Over the past five years, asset impairments have been approximately 14% to 25% of development investment, or on average about 20%. However, our focus is on selling games over the long term, because even with reduced prices, after development costs have been recouped the sale of games directly contributes to both revenue and profit. As stated above, asset impairments are inevitable within the creative development process. However, we set and manage target ROI for each title as well as overall development. Currently, we are able to continue selling games long after development investment has been recouped and maintain a high level of ROI.
- Q. Tell us how you will expand catalog title unit sales.
- A. We aim to maximize the unit sales volume and profit for a title over an approximate 5-year span. While only an outline, our basic strategy for pricing titles begins at launch when games are sold for about \$60; over time, we gradually reduce the price according to market value. After about five years, the price is typically reduced to \$10 and then finally to \$5. Looking at the 2023 fiscal year, unit sales significantly increased for *Monster Hunter: World*, a popular title from the *Monster Hunter* series, by offering the game at the affordable price of \$9.99 in conjunction with the announcement of the new *Monster Hunter Wilds*.
In addition, we have analyzed that our primary target market of console and PC game players is 1.5 billion people. Currently, we have been working on expanding brand recognition, focusing on emerging nations. In time, we expect to grow unit sales in these countries as the local telecommunication infrastructures and PC adoption rates improve.
- Q. Looking at the mix of games that contribute to catalog title sales, does the largest impact come from the newer titles released in the previous fiscal year, or the group of titles from 2017 or earlier?
- A. The mix of catalog titles varies each year as a result of annual differences in sales volumes for each title. This is driven by the relative strength and price of each title, within our long-term pricing strategy in which we gradually reduce prices. Although profitability for titles from 2017 or later is greater, the updated revivals of past *Resident Evil* titles and *Dragon's Dogma: Dark Arisen* have contributed to increased brand awareness.

- Q. Regarding the Amusement Equipments business, what are your expectations for this market and your strategy for the future?
- A. Although this market has shrunk from its peak, we utilize our IP in this business as part of our Single Content Multiple Usage strategy. We will continue to analyze the market and organize our lineup to increase our market share.
- Q. Looking at earnings in the previous fiscal year compared to initial guidance, tell us why operating income only had a 1-billion-yen upswing despite net sales having increased 12.5 billion yen.
- A. Factors behind the increase in net sales compared to our plan were mainly the impact of foreign exchange due to a weakening yen and booking digital licensing deals that had not been incorporated into guidance. On the other hand, the reason why profit did not rise as much as net sales was due to an increase in the amount of asset impairments booked, a decrease in operating income due to certain titles underperforming, an increase in general expenses due to higher volumes of physical catalog unit sales, and long-term strategic investments in human capital and IT.
- Q. *Dragon's Dogma 2* seems to have not been well received by some users. How has this affected unit sales?
- A. We are generally satisfied with the 2.6 million units in sales for this title and expect it to contribute to catalog sales in the current fiscal year. We take the opinions and requests from players regarding the game's content seriously and will work to address these while respecting the world and concept of the title.
- Q. Capcom released titles from the *Resident Evil* series on iOS. As a high-end game maker, tell us about your outlook on the potential for mobile devices.
- A. We see these devices as having potential for us because, although mobile devices had lower technical capabilities in the past, recent smartphone devices are capable of providing the same high-end gaming content as consoles without making major changes. We are still assessing this development, as its impact on our current business performance is small.