

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

Q How did each business segment perform against plans in the first quarter?

A All business segments outperformed our internal plan. Particularly, the Arcade Operations and Amusement Equipments businesses contributed significantly to profit.

Q How did unit sales in the Digital Contents business progress compared to your plan?

A Although overall unit sales slightly fell short of plans, catalog titles released two years ago or earlier showed steady growth compared to the previous year and we made a solid start in relation to full-year guidance.

Q It seems that growth of catalog title unit sales slowed despite discount promotions. How will you address this?

A We do not believe there is an issue because looking at catalog titles released two years ago or earlier, average revenue per unit has exceeded both the previous year's level and our plan. We will continue our efforts to find appropriate price ranges for emerging and developing countries to further drive sales as one future measure.

Q Is inbound tourism a factor in the significant increase in sales and profit in the Arcade Operations business?

A We believe it has been a contributing factor.

Q How much impact did foreign exchange gains have in boosting sales and profit in the first quarter?

A On an operating income basis, it added approximately 1-to-2 billion yen. We view foreign exchange as an environmental aspect of management, which has enabled us to deliver earnings while preserving some for other measures.

Q The balance of work in progress for game software is at an all-time high, perhaps due to upcoming major titles. Please comment on the soundness of management.

A The balance of work in progress for game software will decrease following the release of major titles, and as such it will not increase indefinitely. While there is a general upward trend due to development costs, the increasing sophistication of hardware, and ongoing enhancement of our workforce, this is within the scope of our plan.

Q Is there a tendency for sales of past titles to increase in conjunction with the release of a new major title?

A There is a tendency for sales of catalog titles in a series to increase when a new title is announced or released. For example, titles in the *Resident Evil* series tend to sell well due to the connected nature of the series' story and characters. However, we do not factor in a large amount of such sales during the planning stages of game development because there are other factors at work, such as the timing of promotional measures and information releases.

Q *Monster Hunter: World* and the *Monster Hunter World: Iceborne* continue to sell well; is this due to exposure brought on by *Monster Hunter Wilds*? Do you expect these levels of sales to continue or is it temporary?

A We see this a result of strategic discounting of titles in the series, including lowering the price of *Monster Hunter: World* to \$9.99 in conjunction with the announcement of *Monster Hunter Wilds* last December. We will continue to release information regarding titles while closely monitoring sales trends going forward.

Q *Kunitsu-Gami: Path of the Goddess* has been well received; what is the current situation on its sales performance?

A As we only launched the game on July 19 we are unable to give a detailed analysis on its performance, however since it is a completely new IP, we believe it is necessary to increase communications regarding the appeal of the game. We will keep a close eye on user trends.

Q Will cash outflows tend to increase in the future due to longer development periods for major titles, strengthening personnel, maintaining release frequency, increasing the ratio of outsourcing, and investing in AI? Also, will AI significantly improve development efficiency?

A We have been communicating for several years that investment and training of human resources is one of management's priority issues in the medium- to long-term, and the increase in development costs, which is based on sales plans and simulations of human resource investment in line with our five year release pipeline, is within our expectations. In addition, we have been improving the efficiency of development using our own engine for some time, and we will continue to verify the introduction of AI.

Q Will it be possible to achieve your goal of 100 million units in annual sales?

A We believe it will be difficult to achieve this goal through catalog title sales measures alone, and we will continue to explore optimal promotional measures for each country and region to increase awareness, while analyzing local price sensitivity.

Q Is it correct to assume that the amount of R&D investment cost in the first quarter is one-fourth of the full-year plan? Have there been any issues with the progress of investment?

A The amount of R&D investment during the first quarter was one-fourth of the full-year plan. Guidance for development investment represents the maximum expected figure and will fluctuate depending on the use of outsourcing.

Q Development investment is planned to be 53.5 billion yen for the full year, a 24% increase over the previous year, but will it continue to increase?

A The main factors driving increases in development investment are an increase in outsourcing and personnel expenses, however the rate of increase depends on outsourcing utilization. Development investment is managed by ROI, and we have a system in place to manage investment and earnings. Essentially, we aim to improve ROI by maximizing sales rather than curtailing development investment.

Q We have heard that *Monster Hunter Wilds* is cross-play compatible, but will this have an impact on earnings? Also, I would like to know under which account the expense will be recorded.

A This will be recorded under cost of sales. Cross-play for *Monster Hunter Wilds* is not expected to significantly increase costs despite network construction costs, as it makes use of the knowledge gained from *Exoprimal*.

Q The ratio of PC unit sales to total unit sales is over 50%. Do you expect profits to increase if you lower the prices of PC titles for emerging countries? Also, how far do you expect the PC ratio to increase over the medium to long term?

A It is difficult to definitively say, but play trends in emerging markets and other regions skew toward titles for consoles that are two or three generations older. In order to comfortably play the latest titles released in the past few years, consumers will need a PC with specs as good as the latest consoles, and as such we expect it will take some time before such titles are widely played. Since we aim for annual sales of 100 million units, we are working to expand brand recognition in emerging markets. We expect to increase the ratio of PC unit sales by not only implementing measures related to GDP and pricing, but also by implementing detailed, long-term marketing strategies and promotional measures to appeal to the core segment of PC players.