

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

Q How do net sales, profits, and units sold as of the end of the third quarter compare to your internal plans?

A Consolidated sales and profits are in line with our expectations. By segment, the Digital Contents business saw unit sales in line with the plan, but net sales and profits in this business fell slightly short due to the performance of new titles and titles released in the previous fiscal year, and an impairment loss of approximately 1 billion yen. On the other hand, the Arcade Operations, Amusement Equipments, and Character Licensing businesses performed well, resulting in our consolidated business results overall meeting the plan.

Q Can you tell us about the pre-order status of *Monster Hunter Wilds*?

A While we haven't disclosed the number of units, pre-orders are progressing favorably compared to our internal plan, with positive early impressions. We will continue to focus on achieving our sales target of 50 million units overall, which includes 13 million new title units this fiscal year.

Q What is your outlook regarding development costs moving forward?

A We anticipate that increased development investment is inevitable due to the need to satisfy growing user needs in step with the increasing sophistication of hardware and rising personnel expenses. However, we have devised a mid-to-long-term title lineup and manage progress and investment accordingly. When developing a title, we estimate the development scale based on past title performance and determine the investment scale while considering criteria such as ROI and mid-to-long-term product lineup conditions, then create a sales plan. We continuously manage our investment framework and title progress on an on-going basis.

Q What are your future hiring plans?

A We plan to hire approximately 160 new graduate employees annually which includes over 100 R&D personnel, amounting to a total of about 200 employees when mid-career hires are included.

Q Other companies have mentioned management has grown more difficult due to the increased specialization of development roles. Will you be able to maintain and manage the operational efficiency rate as the number of employees increases?

A Currently, we have a system in place to manage operational efficiency, and are able to grasp the assignment status of development personnel. As such, increased specialization of

development roles has had no substantial impact.

Q How do the unit sales and price of catalog titles compare to the same period last year?

A Catalog title unit sales increased compared to the same period last year, while the unit price has decreased. This fiscal year, the unit price has declined mainly due to executing pricing strategies for titles like *Resident Evil 4*, resulting in an increase in the unit sales of catalog titles.

Q What feedback did you receive from the first open beta test of *Monster Hunter Wilds* and how will you improve the game?

A Based on the feedback from the open beta test, we plan to improve aspects such as the frame rate and the play feel of the weapons and action. We are diligently working to ensure a satisfying experience for a wide range of users ahead of the game's release.

Q Can you tell us about the scale and timing of the impairment loss?

A We recorded an impairment loss of approximately 1 billion yen in the third quarter.

Q The cost of sales for the Digital Contents business in the third quarter seems high. Can you elaborate on this?

A The favorable sales performance of physical versions of *Dead Rising Deluxe Remaster* and *MARVEL vs. CAPCOM Fighting Collection Arcade Classics*, etc. slightly increased the ratio of physical sales units, leading to higher costs of goods sold. In addition to the impairment loss of approximately 1 billion yen, other factors that contributed to increased costs were new titles released in the first half of the fiscal year that had higher cost-ratios.

Q Can you tell us about the title lineup that will drive performance in the fiscal year ending March 2026? Will you continue to aim for a 10% increase in operating income?

A There is nothing new we can share at this time beyond the games we have already revealed. We plan to announce each title for the next fiscal year in succession. Our management goal of an annual 10% increase in operating income remains unchanged.

Q The sales plan for new titles this fiscal year is 13 million units, with the majority being *Monster Hunter Wilds*. Are there any other new titles expected to contribute to fourth quarter sales?

A We will continue to promote and expand sales of each new title released this fiscal year.

Q How do you perceive the global sales situation, particularly in the US, during last year's seasonal discounting periods?

A Looking at the sales from April to December this fiscal year, there have been no significant changes, including in the US. The Asian region, including Japan, where the *Monster Hunter* series is popular, continued to grow. Although the US was slightly lower than the previous year, we do not consider this a major issue.

Q The PC ratio remains high. What are your expectations for the units sales ratios of *Monster Hunter Wilds* by platform?

A It is difficult to predict, but because titles are sold over the long term, we foresee the digital sales ratio approaching 90%, with the PC ratio gradually increasing for not only *Monster Hunter Wilds* but all titles in general. As of the third quarter, the PC ratio has risen to 56% of total digital sales.

Q What are your current expectations and promotional strategies for *Onimusha Way of the Sword*?

A The *Onimusha* series, which is seeing a new release as a consumer home video game for the first time in about 20 years, is a popular IP in pachislo as well. We will continue to promote the IP to both existing series fans and new users as well by adapting it into other media, such as with the anime series on Netflix last year.

Q Work-in-progress for game software has increased by approximately 11.5 billion yen since the beginning of the fiscal year. Is this mainly due to *Monster Hunter Wilds*?

A *Monster Hunter Wilds* accounts for a large portion, and most of it will be recognized in costs of goods sold after release.

Q The smart pachislo machine *Monster Hunter Rise* is performing well in the Amusement Equipments business. Can you tell us about additional sales for this as well as new products in the fourth quarter?

A *Monster Hunter Rise* has been very popular with players, with 19,400 units sold so far. Although the timing is undecided, we plan to sell additional units of this machine. We also plan to launch one new machine in the fourth quarter.

Q Can the impairment loss incurred in the third quarter be absorbed within the full-year budget?

A The impairment loss is within the budget for this fiscal year. For more details, our approach to impairment losses is described in our Securities Report.

(*Reference: pages 85-86 of the March 2024 Fiscal Year Securities Report. Japanese language only.)

Q While it will also depend on the existence of free downloadable content that will trigger deferred revenue, how will the profits of *Monster Hunter Wilds* vary between this fiscal year and the next?

A At this time, we have not announced the existence of free downloadable content for this title, and therefore cannot provide a comment, including on the topic of variation in revenue.

Q Can you explain the amortization method for development costs?

A The initial costs are amortized based on the sales plan over a set period, with the cost ratio determined accordingly.

Q Despite the lack of major new releases up until the third quarter, advertising expenses remain high, almost the same as the previous year. Why is this?

A These are mainly promotional costs related to the upcoming release of *Monster Hunter Wilds*.

Q Considering *Resident Evil 2* as well as other titles in the *Resident Evil* series released for Apple devices, what is your outlook for this market?

A The device can deliver the *Resident Evil* series' high-quality visual experience and is part of our multi-platform strategy. We will continue this strategy, anticipating that mobile devices will become more advanced in the future.