

**First-Quarter Consolidated Financial Results Conference Call
for the Fiscal Year ending March 31, 2023: Q&A Summary
(July 26, 2022)**

Q How do you evaluate your first quarter earnings performance compared to your full-year plan for the fiscal year ending March 31, 2023?

A In terms of consolidated earnings, we have made solid progress towards our full-year plan, and unit sales for both *Monster Hunter Rise: Sunbreak* (a new title released at the end of June) and catalog titles are growing well.

Q Is it possible you will raise the retail price of your games in the future?

A We have no specific plans to do so at this time. We are engaged in strategic pricing, including carrying out discount sales, with an emphasis placed on how far we can maximize sales volume for a given title in the five to ten years following its release.

Q What impact did discount sales have in the first quarter?

A During the first quarter, the summer sale we carried out during June mainly contributed to unit sales volume growth. We will continue to carry out pricing strategies in the future, while considering the synergetic effects of promotional communications for our brands.

Q Deferred revenue in the first quarter had a negative impact of 3.8 billion yen on net sales. Please break down this figure for me.

A This is primarily composed of deferred revenue accompanying the release of *Monster Hunter Rise: Sunbreak*. There are also portions from *Resident Evil Village* that are being held back until the release of the free downloadable content *Resident Evil Re:Verse*.

Q Deferred revenue has accumulated to 13 billion yen on the balance sheet as of the end of the first quarter. When will this be recognized as revenue?

A The majority of deferred revenue listed on the balance sheet is related to upcoming releases of free title updates and downloadable content. It will be recognized as revenue when that content is released. The deferred revenue currently recorded on the balance sheet is scheduled to be recognized as revenue going forward up through the first half of the fiscal year ending March 31, 2024.

Q What were the unit sales for the set containing *Monster Hunter Rise: Sunbreak* and *Monster Hunter Rise* during the first quarter?

A Over 300 thousand units in the first quarter.

- Q What has been the attach rate for *Monster Hunter Rise: Sunbreak* by platform?
- A While we do not disclose specific figures for this, the attach rate for the PC version is comparatively higher.
- Q What are your business plans for downloadable content in the future?
- A In general, we intend to offer either free or premium downloadable content based on the needs of players.
- Q What impact on revenue will the release of *Resident Evil Re:Verse* have?
- A Because *Resident Evil Re:Verse* is free downloadable content, the title on its own will not affect revenue; however, we anticipate an impact on revenue upon the title's release due to a reversal of deferred revenue.
- Q The operating profit margin for the Digital Contents business was high in the first quarter. Have you made any changes to profit margins in your full-year plan?
- A The operating profit margin was high in the first quarter because our new title *Monster Hunter Rise: Sunbreak*—which is primarily sold digitally—showed favorable sales while unit sales for catalog titles also grew. While it is possible that full-year profit margins may outperform our guidance depending on how the unit sales of catalog titles progress through the fiscal year, we have made no changes to our outlook at this time.
- Q Is it fair to assume that profitability in your plan for the fiscal year ending March 31, 2023, is weighted toward the second half of the year?
- A Our plan is weighted toward the second half of the fiscal year due to factors such as the reversal of deferred revenue stemming from the scheduled third-quarter release of *Resident Evil Re:Verse* and the release of *Resident Evil 4* in the fourth quarter.
- Q What are your thoughts on cash management going forward?
- A We used approximately 13 billion yen in repurchasing the company's shares through a tender offer during the first quarter. Our business model is undergoing a transition, and in these times it will be necessary to make a number of investments, with a focus in the field of network technologies. In considering the potential case where we acquire a company that possesses specific technologies and has high scarcity value, it may be necessary for us to hold 200 billion yen in cash on hand. However, going forward we will also review our current policy of a 30% dividend payout ratio while keeping in mind the demand for cash.
- Q To what degree have labor costs increased due to your strategic investment in personnel? Also, what benefits have you seen?

A In terms of costs incurred in the first quarter, there has been an increase of approximately 1 billion yen. We anticipate an increase near to 4.5 billion yen for the full fiscal year. We feel that we have been able to bring on even more talented people by executing this strategic investment in personnel.

Q What is Capcom's thinking on crossplay support?

A We are working towards this as part of our multi-platform strategy, as we believe that an increase of players on the PC platform going forward in the game market will mean servicing an even more diverse user base.

Q What is the ratio of units sold on the PC?

A The ratio of units sold on the PC during the first quarter was approximately 50%. For the full year we expect this to slightly decrease due to the release of a major new title in the fourth quarter.