

**Financial Results Conference Call for the First Half
of the Fiscal Year ending March 31, 2022: Q&A Summary
(October 28, 2021)**

Q 3 billion yen was booked during this second quarter causing temporary pressure on operating income. In which business segment was this booked?

A This 3 billion yen is broken down into a write down and deferred revenue, both of which occurred for accounting purposes, as well as expenses accompanying investment in personnel. The write down and deferred revenue were in the Digital Contents business, while investment in personnel was carried out in all of our businesses. Both digital and global sales in our Consumer sub-segment continue to trend well, and there are no concerns regarding our steady growth going forward.

Q What was the ratio of PC game unit sales during this second quarter?

A Approximately 40% of digital unit sales were for the PC version of games.

Q Tell me about the digital sales trend for this second quarter.

A While the second quarter was relatively quieter than the first quarter, results were in line with our plan. As it will be difficult to quantify the impact of COVID demand going forward, we will continue to monitor customer behavior.

Q How do you evaluate the decline in prices for catalog titles in this second quarter?

A We believe that growth in sales of lower priced titles due to expanding our sales regions is the cause of this. Many of our older titles enjoy high margins, and as such a decline in the average sales price will not significantly affect profitability.

Q What caused the balance for work in progress for game software to decrease at the end of this second quarter?

A While we have been building up our lineup of titles in development, this decline is due to the release of major titles *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin*, as well as a revaluation of unreleased titles.

Q Was the 3 billion yen booked during this second quarter that caused temporary pressure on operating income factored into your plan?

A The amounts for the write down and deferred revenue were mostly factored in, however the investment in personnel was not.

Q Regarding catalog sales for titles other than *Monster Hunter Rise*, which regions are driving sales?

A North America and Europe are driving sales, however the market has extended into developing regions in recent years due to sales growth of the PC version of titles.

Q I've heard that Netflix will enter the video game industry; do you have any plans to collaborate with them on projects other than movies and animation?

A Other than adapting our IP in movies and animation, there is nothing to announce at this time.

Q What drove the year-over-year increased sales and profit in Other Businesses in this second quarter?

A The primary driver was licensing revenue from using our IP in film adaptations and in collaborations with popular overseas apps.

Q Do you expect the revenue contributions for *Monster Hunter Rise: Sunbreak* to be on par with those of *Monster Hunter World: Iceborne*?

A While the two cannot be directly compared as they are for different platforms, we feel the title has potential given the growing popularity of the *Monster Hunter* brand.

Q Tell me why profitability in the Digital Contents business declined during this second quarter as compared to the first quarter.

A This is a temporary decline due to a rise in costs from factors such as the launch of new titles including *Monster Hunter Stories 2: Wings of Ruin*, deferred revenue, and a revaluation of unreleased titles.

Q Why have unit sales for physical packaged games at the end of this second quarter already surpassed their target for the full year plan?

A This is due to both the launch of new major titles *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin*, as well as growth in physical packaged sales for catalog title *Monster Hunter Rise*.

Q What are your thoughts on profitability levels for the Arcade Operations business once the pandemic is over?

A While the business environment is trending toward recovery, it is currently difficult to predict what the market situation will be after the COVID-19 pandemic. We will continue to monitor customer trends and take the appropriate measures.

Q What is your outlook for the Amusement Equipments business for the second half of the fiscal year ending March 2022?

A While we cannot disclose details regarding orders, external environmental factors related to certification for new machines has stabilized and we are working toward achieving guidance for the year.

Q While I presume you are working to keep costs down in the Arcade Operations business during the pandemic, is it safe to assume this will facilitate profitability improvements once the pandemic is over?

A At this point it is difficult to predict the level of expenses or costs associated with an increase in customer traffic. We will continue to monitor customer trends and take the appropriate measures.

Q What is your new release sales plan for the second half of the fiscal year ending March 2022?

A The PC version of *Monster Hunter Rise*, scheduled for a January 2022 release, is being treated as a catalog title, and our new title releases for this fiscal year, *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin*, have both already been released. We will work to expand volume through initiatives such as limited-time discounts, focusing efforts primarily on *Resident Evil Village*.