

## 40th Annual Shareholders' Meeting (June 24, 2020): Summary Report



### The following is a summary of the Company's 40th Annual Shareholders' Meeting.

\*This document has been prepared to summarize the proceedings of the Company's 40th Annual Shareholders' Meeting for presentation on the Company's website and is different from the legally mandated minutes of the meeting.

**Date and Time:** June 24, 2020 (Wed), 10:00 - 10:46 a.m.

**Venue:** Century Room, Hyatt Regency Tokyo, 2-7-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo

**Number of Shareholders present:** 37

### Meeting Agenda

#### <Reports>

1. Business Report, Consolidated Financial Statements and Audit Reports on the Consolidated Financial Statements by Accounting Auditors and by the Audit & Supervisory Committee for the 40th Term (April 1, 2019 through March 31, 2020)
2. Non-Consolidated Financial Statements for the 40th Term (April 1, 2019 through March 31, 2020)

## **Operating Highlights**

### **<FY2020/3 Financial Results>**

In the fiscal year ended March 2020, we posted net sales of ¥260.5 billion (down ¥10.7 billion), operating income of ¥32.7 billion (up ¥8.1 billion), ordinary income of ¥32.0 billion (up ¥3.6 billion) and profit attributable to owners of parent of ¥21.3 billion (up ¥2 billion).

At the Digital Entertainment segment, net sales fell but profits rose versus the previous fiscal year. Net sales were down at the HD Game sub-segment due to the high hurdle set in the fiscal year ended March 2019, when we released multiple major new titles. In addition, the sub-segment posted an operating loss, owing in part to impairment losses booked on the content production account. At the MMO sub-segment, brisk sales of the expansion packs for “FINAL FANTASY XIV” and “DRAGON QUEST X” resulted in higher net sales and operating income than in the previous fiscal year. Net sales and operating income were also up at the Games for Smart Devices/PC Browsers sub-segment, where “Romancing SaGA Re;univerSe” and “DRAGON QUEST WALK” performed well.

At the Amusement segment, arcade operations were solid, but a decline in sales of amusement machines resulted lower net sales and operating income versus the previous fiscal year.

Net sales and operating income were up versus the previous fiscal year at the Publication segment, which not only saw sharp growth in digital sales (i.e., via apps and e-books) but also brisk sales of printed media.

Thanks to the release of new character goods and other products based on our Group’s IP, net sales and operating income also rose versus the previous fiscal year at the Merchandising segment.

The value of our content production account on our balance sheet stood at ¥71.4 billion at the end of March 2020, but we see this as a measure of our frontloaded investments to enable sales growth for our digital content.

### **<Guidance for fiscal year ending March 2021>**

The COVID-19 pandemic makes it difficult to predict when we will be able to reopen our amusement facilities in the Amusement segment or what operations will look like after reopening. We also cannot assess the impact that the pandemic is likely to have on our business as a whole. Primarily for these reasons, our guidance for this fiscal year is undecided. We will disclose our forecast as soon as it is possible to do so.

### <Medium-term earnings targets>

We believe that we have for the most part succeeded in creating a business structure that will enable us to reach our medium-term earnings targets (net sales of ¥300-400 billion and an operating profit of ¥40-50 billion). We hope to determine whether we will be able to reach our targets in this fiscal year, the final year of our medium-term plan, once we are able to establish our earnings forecast.

### <Voting Items>

**First Item:** Election of Six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members)

**Second Item:** Election of Three (3) Directors who are Audit & Supervisory Committee Members

**Third Item:** Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

All of the items were approved as originally proposed.

### Summary of Questions and Answers

#### <Question 1>

This is the final year of the Group's medium-term plan, and you said that reaching its earnings targets (net sales of ¥300-400 billion and an operating profit of ¥40-50 billion) will hinge on how well the major game titles released this year sell. When and how do you plan on promoting those titles?

#### <Answer 1>

Many major trade shows such as E3 have been cancelled or scaled back due to COVID-19, so our Group will engage in its own advertising initiatives rather than relying on those. We plan on unveiling each title at the time that is the most appropriate for it.

#### <Question 2>

Could you describe the Group's philosophy on stealth marketing, and if the Group has ever engaged in it, could you share the details?

#### <Answer 2>

Our Group has a policy against stealth marketing (marketing products and services in ways that consumers do not recognize as marketing), so we do not have any examples of such marketing practices. If there has been anything that has appeared to be stealth marketing by us, it was just a celebrity putting information out there of their own volition without having been asked to do so by our Group.

<Question 3>

The professional career of the candidate in the third voting item makes him sound like a better fit for director who is an Audit & Supervisory Committee member rather than a substitute. Why is he a substitute?

<Answer 3>

As the general manager of our Internal Audit Office, the candidate is responsible for our internal audits. That role differs from that of a director who is an Audit & Supervisory Committee member, so at present, we have deemed him to be a good fit for substitute director.

<Question 4>

Seven of the nine candidates for director are outside directors. Do you not think it would be better to add more directors from within the Group?

<Answer 4>

We are a pure holding company whose purpose is to manage the Group as a whole. As such, our board needs to act as what is called a “monitoring board” and oversee the execution of operations. We therefore believe it appropriate to staff the board primarily with outside directors and independent executives. Meanwhile, in order to make our Group’s operating companies responsible for the execution of operations, we staff their boards primarily with operational leaders from within the organization.

<Question 5>

There are game and content companies that have their own directly managed shops in Shibuya PARCO. Does the Group not have any plans to open stores inside large retail properties?

<Answer 5>

We do directly operate stores where we sell merchandise as well as food and beverages. We will consider the specifics of possible store openings within large retail properties on an individual basis.