

**Consolidated financial results for the 3 months
of the fiscal year ending March 31, 2024 (Japan GAAP - Unaudited)**

Company name: CAPCOM Co., Ltd. Date of issue: July 26, 2023
Code number: 9697 Stock listing: Tokyo
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Filing date for financial report : July 28, 2023 Dividend payment date: —
Quarterly earnings supplementary explanatory materials : Yes
Quarterly earnings presentation : Yes (For institutional investors)

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for 3 months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(1) Financial results

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
3 months ended June 30, 2023	43,858	73.8	24,047	99.4	25,865	102.0	18,163	101.6
3 months ended June 30, 2022	25,232	(47.9)	12,061	(48.9)	12,803	(46.4)	9,007	(48.1)

Note: Comprehensive income: 3 months ended June 30, 2023 : 21,566 million yen (80.3%) 3 months ended June 30, 2022 : 11,963 million yen (-31.3%)

	Earnings per share	Diluted earnings per share
	yen	yen
3 months ended June 30, 2023	86.86	—
3 months ended June 30, 2022	42.19	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
1st quarter ended June 30, 2023	216,021	174,176	80.6
Year ended March 31, 2023	217,365	161,129	74.1

Reference: Shareholders' equity: 1st quarter ended June 30, 2023 : 174,176 million yen Year ended March 31, 2023 : 161,129 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2023	—	23.00	—	40.00	63.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (Forecast)		27.00	—	27.00	54.00

Note: 1. Changes in dividends forecast during the 3 months ended June 30, 2023 : No

2. Breakdown of the year-end dividend for the fiscal year ended March 31, 2023: ordinary dividend: 30 yen, 40th anniversary commemorative dividend: 10 yen

3. Earnings forecast for the fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2024	140,000	11.2	56,000	10.2	56,000	9.0	40,000	8.9	191.28

Note: Changes in earnings forecast during the 3 months ended June 30, 2023 : No

Notes

(1) Changes in significant consolidated subsidiaries during the period: No

(2) Application of simplified methods in accounting principle for quarterly consolidated financial statements: Yes

Note: Please refer to "2. Summary of consolidated financial statements (4) Notes to consolidated financial statements

(Application of special accounting treatment for preparation of quarterly financial statements)" on page 10 for more details.

(3) Changes in accounting principles, accounting estimates and retrospective restatement for consolidated financial statements

① Changes in accounting principles resulting from amendment of the accounting standard: No

② Changes in accounting principles other than ①: No

③ Changes in accounting estimates: No

④ Retrospective restatement: No

(4) Number of shares outstanding (Common stock):

① Number of shares outstanding (including treasury stock)

1st quarter ended June 30, 2023:	266,505,623	Year ended March 31, 2023:	266,505,623
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② Number of treasury stock

1st quarter ended June 30, 2023:	57,391,876	Year ended March 31, 2023:	57,393,546
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③ Average number of shares outstanding

1st quarter ended June 30, 2023:	209,113,059	1st quarter ended June 30, 2022:	213,499,146
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Note: The number of treasury stock at the end of the first quarter and the number of treasury stock deducted when calculating the average number of shares outstanding during the first quarter include CAPCOM Co., Ltd. (the "Company")'s shares held by the Stock Grant ESOP trust.

(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to "1. Operating results overview (3) Qualitative information regarding the consolidated business forecasts" on page 4 for more details.

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1. Operating results overview

(1) Operating results for the period under review

During the three months ended June 30, 2023, Capcom Co., Ltd. and its affiliates (hereinafter, the Company) continued to actively pursue growth investments focused on enhancing digital sales to respond to the continuously evolving and expanding global market. Moreover, with the aim of enhancing corporate value, the Company implemented measures to improve its work environment as part of its Human Resources investment strategy, which is one of management's priorities. These included strengthening its personnel organization, establishing the new Creative Studio, adopting a system with a more inclusive definition for spouses and partners, and enhancing employee welfare and benefits programs in order to further the steady, sustainable growth of the Company.

With this management policy, the Company increased its sales volume in the global market through the launch of major new titles in its flagship series and the active promotion of digital catalog title sales in its core Digital Contents business. As a result, the sales volume of the Digital Contents business in the three months ended June 30, 2023, was 13.5 million units, exceeding the 11.7 million units in the same period of the previous fiscal year, and significantly contributing to enhancing the value of the Company. The Company also leveraged the use of its major brands in films, licensed products, and in esports to enhance the brand strength of its intellectual property. Additionally, the Company worked to boost revenues by promoting efficient store operations and opening stores in new formats in the Arcade Operations business, and with sales of existing machines that effectively used the Company's popular intellectual property in the Amusement Equipments business.

As a result, for the three months ended June 30, 2023, consolidated net sales were 43,858 million yen (up 73.3% year-over-year). In terms of profitability, operating income was 24,047 million yen (up 99.4% year-over-year), ordinary income was 25,865 million yen (up 102.0% year-over-year), and net income attributable to the owners of the parent was 18,163 million yen (up 101.6% year-over-year).

Thanks to the ongoing support from all stakeholders, the Company celebrated the 40th anniversary of its founding in June 2023. To mark this occasion, in addition to opening Capcom Town, a dedicated anniversary website and online destination, the Company will continue to carry out a variety of celebratory activities.

Status of business by operating segment

① Digital Contents business

In June 2023 the Company released *Street Fighter 6* (for PlayStation 5, PlayStation 4, Xbox Series X|S, PC), the latest title in the series that leads the Company's esports activities. The game represents an enhanced step forward in the *Street Fighter* series, going beyond the confines of the versus fighting game genre by introducing a variety of features with broad appeal. These include World Tour mode, an improved new single player experience, Battle Hub, where players around the globe gather to communicate and challenge each other to matches, as well as controller input options for different experience levels, ranging from newcomer to expert. As a result, the title made a strong start with sales of 1.97 million units, which contributed significantly to earnings.

Further, *MegaMan Battle Network Legacy Collection Vol. 1* and *Vol. 2* (for Nintendo Switch, PlayStation 4, PC), launched in April 2023, selling 1.32 million units supported by steady popularity.

In catalog title sales, *Resident Evil 4*, launched in March 2023, significantly contributed to sales growth, reaching 4.95

million units cumulatively. Additionally, the Company implemented pricing strategies while conducting proactive promotional campaigns to gain wide recognition for its intellectual property and acquire new fans, focusing primarily on series title sales, such as *Monster Hunter Rise* and *Resident Evil 2*. As a result, catalog title sales reached 9.8 million units, exceeding the 9 million units in the same period of the previous fiscal year and boosting sales.

The resulting net sales were 37,875 million yen (up 90.7% year-over-year) and operating income was 24,679 million yen (up 96.8% year-over-year).

② Arcade Operations business

In this business segment, normalization of economic activities was well underway due to the Japanese government reclassifying COVID-19 as a Class 5 infectious disease (a category that includes the seasonal flu). As such, the Company strived to increase revenues through efficient operations at existing stores and by opening new stores in new business categories.

In April, the Company opened a Kids Banet store in Shizuoka, a facility featuring playground equipment for kids, while in June it opened a Crazy Banet interactive amusement facility at Aeon Mall in Niihama (Ehime Prefecture), bringing the total number of stores to 47 during the first quarter of this fiscal year.

The resulting net sales were 4,117 million yen (up 25.3% year-over-year) and operating income was 375 million yen (up 101.7% year-over-year).

③ Amusement Equipments business

In this business segment, as the market started to rally driven by smart pachinko and pachislo machines, the Company achieved healthy catalog sales due to ongoing demand for *Shin Onimusha 2*, launched in August 2022, and *Monster Hunter World: Iceborne*, launched in January 2023, both of which have garnered positive reviews from the market.

The resulting net sales were 898 million yen (up 38.2% year-over-year) and operating income was 678 million yen (up 150.5% year-over-year).

④ Other Businesses

In Other Businesses, the Company continued to increase the brand value of its content by pursuing movie and television adaptations of its major IP and developing character merchandise for new titles.

The Company has also been pursuing the expansion of the global esports fan base. In June 2023, an exhibition match of *Street Fighter 6* was held during Olympic Esports Week 2023 in Singapore, which gave momentum to the Company's future business development.

The resulting net sales were 968 million yen (down 32.6% year-over-year) and operating income was 494 million yen (down 39.6% year-over-year) due to up-front investments primarily in the eSports business.

(2) Overview of the consolidated financial position for the period under review

Total assets as of the end of the first quarter decreased by 1,344 million yen from the end of the previous fiscal year to 216,021 million yen. The primary increases were 6,507 million yen in cash on hand and in banks, 1,308 million yen in work in progress for game software, 1,250 million yen in tangible fixed assets, net of accumulated depreciation due to an increase in leased assets, etc., and 1,246 million yen in current assets, other, due to an increase in prepaid expenses, etc. The primary decreases were 8,430 million yen in accounts receivable - trade and 3,479 million yen in investments and other assets due to a decrease in deferred tax assets, etc.

Total liabilities as of the end of the first quarter decreased by 14,392 million yen from the end of the previous fiscal year to 41,844 million yen. The primary decreases were 8,048 million yen in accrued income taxes, 3,853 million yen in deferred revenue, and 2,149 million yen in accrued bonuses.

Net assets as of the end of the first quarter increased by 13,047 million yen from the end of the previous fiscal year to 174,176 million yen. The primary increases were 18,163 million yen in quarterly net income attributable to owners of the parent and 3,196 million yen in cumulative translation adjustments. The primary decrease was 8,524 million yen in dividends from retained earnings.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2024, remains the same as what was projected at the financial results announcement on May 10, 2023.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (June 30, 2023)
Assets		
Current assets		
Cash on hand and in banks	102,116	108,624
Notes receivable - trade	116	247
Accounts receivable - trade	24,981	16,550
Merchandise and finished goods	1,440	1,654
Work in progress	1,006	948
Raw materials and supplies	454	371
Work in progress for game software	38,510	39,819
Other	2,776	4,022
Allowance for doubtful accounts	(1)	(2)
Total current assets	171,402	172,236
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,423	10,565
Other, net	17,522	18,773
Total tangible fixed assets	27,945	29,338
Intangible assets	1,630	1,538
Investments and other assets		
Other	16,409	12,930
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	16,387	12,907
Total fixed assets	45,963	43,784
Total assets	217,365	216,021

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,357	2,348
Electronically recorded monetary liabilities	2,172	1,503
Short-term borrowings	3,591	3,591
Current portion of long-term borrowings	3,626	3,626
Accrued income taxes	12,145	4,096
Accrued bonuses	5,727	3,577
Deferred income	5,455	1,601
Other	9,968	9,896
Total current liabilities	46,043	30,241
Long-term liabilities		
Long-term borrowings	626	626
Liabilities for retirement benefits for employees	4,139	4,203
Reserve for stock benefits	1,018	1,290
Other	4,408	5,483
Total long-term liabilities	10,193	11,603
Total liabilities	56,236	41,844
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	30,259	30,259
Retained earnings	143,519	153,157
Treasury stock	(50,037)	(50,032)
Total shareholders' equity	156,979	166,624
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	102	298
Cumulative translation adjustments	4,332	7,528
Accumulated adjustments for retirement benefits, net of tax	(285)	(274)
Total accumulated other comprehensive income	4,149	7,552
Total net assets	161,129	174,176
Total liabilities and net assets	217,365	216,021

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(million yen)

	Previous 3 months April 1, 2022 to June 30, 2022	Current 3 months April 1, 2023 to June 30, 2023
Net sales	25,232	43,858
Cost of sales	8,793	13,587
Gross profit	16,439	30,271
Selling, general and administrative expenses	4,378	6,224
Operating income	12,061	24,047
Non-operating income		
Interest income	16	201
Dividend income	11	12
Exchange gain, net	727	1,630
Other	17	25
Total non-operating income	773	1,870
Non-operating expenses		
Interest expense	10	15
Other	21	37
Total non-operating expenses	31	52
Ordinary income	12,803	25,865
Special gains		
Gain on sales of fixed assets	1	1
Total special gains	1	1
Special losses		
Loss on sales and /or disposal of fixed assets	—	0
Total special losses	—	0
Net income before income taxes	12,805	25,866
Income taxes - current	3,091	4,089
Income taxes - deferred	706	3,613
Total income taxes	3,797	7,703
Net income	9,007	18,163
Net income attributable to owners of the parent	9,007	18,163

Consolidated statements of comprehensive income

	(million yen)	
	Previous 3 months April 1, 2022 to June 30, 2022	Current 3 month April 1, 2023 to June 30, 2023
Net income	9,007	18,163
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(11)	196
Cumulative translation adjustments	2,996	3,196
Adjustments for retirement benefits, net of tax	(30)	10
Total other comprehensive income	2,955	3,403
Comprehensive income	11,963	21,566
Comprehensive income attributable to:		
Owners of the parent	11,963	21,566
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous fiscal year April 1, 2022 to June 30, 2022	Current fiscal year April 1, 2023 to June 30, 2023
Cash flows from operating activities		
Net income before income taxes	12,805	25,866
Depreciation and amortization	774	900
Increase (decrease) in allowance for doubtful accounts	(5)	0
Increase (decrease) in accrued bonuses	(849)	(2,164)
Increase (decrease) in provision for share awards	261	277
Interest and dividend income	(28)	(214)
Interest expense	10	15
Exchange (gain) loss, net	(721)	(665)
Loss on sales and/or disposal of fixed assets	(1)	(1)
Decrease (increase) in notes and accounts receivable - trade	(10,178)	8,433
Decrease (increase) in inventories	171	(50)
Decrease (increase) in work in progress for game software	(4,693)	(1,293)
Increase (decrease) in notes and accounts payable - trade	(1,110)	(1,830)
Increase (decrease) in deferred revenue	3,840	(3,934)
Other	(642)	(1,237)
Subtotal	(366)	24,103
Interest and dividends received	28	260
Interest paid	(6)	(12)
Income taxes paid	(5,177)	(11,371)
Net cash provided by (used in) operating activities	(5,522)	12,979
Cash flows from investing activities		
Payments into time deposits	(8,333)	(8,945)
Proceeds from withdrawal of time deposits	8,333	8,945
Payments for acquisitions of tangible fixed assets	(1,281)	(1,644)
Proceeds from sales of tangible fixed assets	4	1
Payments for acquisitions of intangible fixed assets	(88)	(163)
Other	1	(26)
Net cash used in investing activities	(1,363)	(1,833)
Cash flows from financing activities		
Payments for repurchase of treasury stock	(0)	-
Dividends paid by parent company	(5,978)	(8,524)
Other	(248)	(253)
Net cash used in financing activities	(6,226)	(8,778)
Effect of exchange rate changes on cash and cash equivalents	2,591	2,902
Net increase (decrease) in cash and cash equivalents	(10,521)	5,270
Cash and cash equivalents at beginning of year	95,635	89,470
Cash and cash equivalents at end of quarter	85,114	94,741

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity) Not applicable

(Application of special accounting treatment for preparation of quarterly financial statements)

(Calculation of income taxes)

Income taxes for subsidiaries are calculated by multiplying the net income before income taxes by the forecasted effective tax rate, which is computed by matching the forecasted yearly income taxes with the forecasted yearly income before taxes.

(Segment Information)

I Previous 3 months (From April 1, 2022 to June 30, 2022)

Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	19,860	3,286	649	23,797	1,435	25,232	—	25,232
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	19,860	3,286	649	23,797	1,435	25,232	—	25,232
Operating income (loss)	12,541	186	270	12,998	818	13,817	(1,755)	12,061

(Note) 1. "Other" incorporates operations not included in reportable segments, including the Character Contents business etc.

2. Adjustments of operating income (loss) of -1,755 million yen include unallocated corporate operating expenses of -1,755 million yen.

The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

3. Operating income (loss) for segments are adjusted on operating income of the consolidated statements of income.

II Current 3 months (From April 1, 2023 to June 30, 2023)

Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	37,875	4,117	898	42,890	968	43,858	—	43,858
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	37,875	4,117	898	42,890	968	43,858	—	43,858
Operating income (loss)	24,679	375	678	25,733	494	26,228	(2,181)	24,047

(Note) 1. "Other" incorporates operations not included in reportable segments, including the Character Contents business etc.

2. Adjustments of operating income (loss) of -2,181 million yen include unallocated corporate operating expenses of -2,181 million yen.

The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

3. Operating income (loss) for segments are adjusted on operating income of the consolidated statements of income.

(Additional Information)

(Establishment of Stock Grant ESOP trust)

In June 2022, the Company established a Stock Grant ESOP trust as an employee incentive plan (the Plan, below) for its permanent employees (excludes employees not living in Japan; eligible employees, below).

1. Overview

The Company established the Plan with the aim of increasing employee motivation and interest in contributing to the enhancement of earnings.

Under the Plan, the Company established a Stock Grant ESOP (Employee Stock Ownership Plan) trust (the "ESOP trust", below).

The ESOP trust is an employee incentive plan similar to ESOP plans in the U.S. and will grant the Company's stock that has been acquired by the ESOP trust to eligible employees who have satisfied certain requirements, based on predetermined stock transfer rules.

Further, the Company will provide all funds for acquisition of the aforementioned stock by the ESOP trust, so none of the cost falls upon the eligible employees.

The Company anticipates that by establishing the ESOP trust eligible employees will be able to reap the economic benefits of increases in the value of the Company's stock, resulting in increasing workplace motivation while at the same time enhancing work performance.

Further, voting rights for the Company's stock held in the ESOP trust will be exercised within a structure that reflects the will of eligible employees who are candidate beneficiaries, and is an effective way to improve corporate value by promoting participation in management planning.

2. The Company's Stock that Remains in the trust

The Company's stock that remains in the trust is recorded as treasury stock in net assets based on the book value in the trust (excluding associated expenses). Total book value and the number of shares at the end of the previous fiscal year and at the end of the current 3 months are 13,818 million yen and 3,999,460 shares, and 13,812 million yen and 3,997,790 shares, respectively.