

**Consolidated financial results for the 9 months
of the fiscal year ending March 31, 2022 (Japan GAAP - Unaudited)**

Date of issue: January 26, 2022

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : January 27, 2022

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 9 months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

(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	%
9 months ended December 31, 2021	88,163	35.9	35,096	43.9	36,148	50.1	26,708	52.4
9 months ended December 31, 2020	64,867	22.6	24,382	32.2	24,088	28.8	17,523	34.1

Note: Comprehensive income: 9 months ended December 31, 2021 : 26,978 million yen (55.5%) 9 months ended December 31, 2020 : 17,354 million yen (34.6%)

	Earnings per share	Diluted earnings per share
	yen	yen
9 months ended December 31, 2021	125.10	—
9 months ended December 31, 2020	82.08	—

Note: With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

Capcom calculated earnings per share assuming that the stock split was implemented with an effective date of April 1, 2020.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
3rd quarter ended December 31, 2021	175,831	139,017	79.1
Year ended March 31, 2021	163,712	120,794	73.8

Reference: Shareholders' equity: 3rd quarter ended December 31, 2021 : 139,017 million yen Year ended March 31, 2021 : 120,794 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, 2021	—	25.00	—	46.00	71.00
Year ending March 31, 2022	—	18.00	—		
Year ending March 31, 2022 (Forecast)				18.00	36.00

Note: 1. Changes in dividends forecast during the 9 months ended December 31, 2021 : No

2. With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

For dividends for the years ended March 31, 2021, the above dividends paid were the actual amounts before the stock split.

3. Earnings forecast for the fiscal year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

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, 2022	100,000	4.9	42,000	21.4	42,000	20.5	30,000	20.4	140.52

Note: Changes in earnings forecast during the 9 months ended December 31, 2021 : 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 9 for more details.

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

- ① Changes resulting from amendment of the accounting standard: Yes
 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)			
3rd quarter ended December 31, 2021:	270,892,976	Year ended March 31, 2021:	270,892,976
② Number of treasury stock			
3rd quarter ended December 31, 2021:	57,393,684	Year ended March 31, 2021:	57,393,176
③ Average number of shares outstanding			
3rd quarter ended December 31, 2021:	213,499,350	3rd quarter ended December 31, 2020:	213,500,632

Note: With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

Capcom calculated "Number of shares outstanding", "Number of treasury stock" and "Average number of shares outstanding" assuming that the stock split was implemented with an effective date of April 1, 2020.

(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 3 for more details.

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1. Operating results overview

(1) Operating results for the period under review

During the nine months ended December 31, 2021, the Company continued to pursue growth of digital sales in its core Digital Contents business through the launch of major new titles in its flagship series and the sales of catalog titles. The Company also made efforts to steadily increase earnings through leveraging these major brands in films, licensed products and in esports, as well as in its Arcade Operations and Amusement Equipments businesses.

As a result, for the nine months ended December 31, 2021, consolidated net sales were 88,163 million yen (up 35.9% from the same term in the previous fiscal year). In terms of profitability, operating income was 35,096 million yen (up 43.9% from the same term in the previous fiscal year), ordinary income was 36,148 million yen (up 50.1% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 26,708 million yen (up 52.4% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business segment, while the Company did not release a new title during the third quarter of this fiscal year, it continued to promote long-term sales of its content globally through strategic pricing measures and sold a total of 301 different titles in 211 countries and regions.

Sales for *Resident Evil Village* (for PlayStation 5, PlayStation 4, Xbox Series X|S, Xbox One, PC) and *Monster Hunter Stories 2: Wings of Ruin* (for Nintendo Switch, PC), both of which were released this fiscal year, continued to perform well; at the same time, the 2017 release *Resident Evil 7 biohazard* topped 10 million units as strong sales of catalog titles consisting mainly of past series entries contributed to revenues.

As a result, compared to full-year plan that anticipates 32 million total units sold, during the consolidated nine months under review high-margin digital sales continued to grow and total units sold reached 25.8 million units (19.8 million units in the same term in the previous fiscal year), thus driving up profits.

Moreover, Capcom was recognized with Studio of the Year at the Golden Joystick Awards 2021, a long-running European game awards ceremony with nearly 40 years of history. *Resident Evil Village* also garnered accolades at the show, winning top honors with Ultimate Game of the Year, as well as awards for PlayStation Game of the Year, Best Audio and Best Performance. Additionally, previous fiscal year release *Monster Hunter Rise* (for Nintendo Switch) won a Grand Award in the Games of the Year Division at the Japan Game Awards of the Tokyo Game Show 2021 Online. Along with these achievements, the Company aims to stimulate further growth of its user base, such as with the January 13, 2022 (JST) release of the PC version of *Monster Hunter Rise*.

In the Mobile Contents sub-segment, licensing revenue from utilizing the Company's flagship IP contributed to profits.

The resulting net sales were 70,453 million yen (up 43.9% from the same term in the previous fiscal year) and operating income was 35,894 million yen (up 44.8% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, the number of visitors recovered following the lifting of the state of emergency in Japan in September 2021. Further, efficient store operations at existing stores, openings of new store formats and working to expand revenue by incorporating the latest character merchandise caused profits to increase compared to the same term in the previous fiscal year.

During the period under review, the Company opened Plaza Capcom Mitten Fuchu (Tokyo) in June 2021 and Miraino Aeon Mall Hakusan (Ishikawa Prefecture) in July 2021 and closed one store in May 2021, bringing the total number to 42 stores.

As a result, net sales were 8,992 million yen (up 28.1% from the same term in the previous fiscal year) and operating income was 419 million yen (up 383.4% from the same term in the previous fiscal year).

③ Amusement Equipments business

In this business, amidst a challenging market environment the Company released a new model, *Monster Hunter: World Gold Hunting*, in December 2021. Further, the Company promoted sales of the previous fiscal year release *Resident Evil 7 biohazard*, which has enjoyed long-term operation in the market.

The resulting net sales were 4,937 million yen (down 26.4% from the same term in the previous fiscal year) and operating income was 1,932 million yen (down 20.5% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company continued working to leverage its flagship intellectual property in screen adaptations and character merchandise to enhance the brand value of its titles. This included the live-action movie *Resident Evil: Welcome to Raccoon City*, which received a theatrical release overseas first beginning November 2021.

In eSports, the Company promoted measures to expand the user base on a global scale. During the third quarter, in addition to kicking off the team-based esports league Street Fighter League: Pro-JP 2021 in October 2021 under a newly-adopted, team-ownership system, heated competitions of the team-based Street Fighter League: Pro-US 2021 also took place in the U.S.

As a result, net sales were 3,781 million yen (up 74.2% from the same term in the previous fiscal year) and operating income was 1,549 million yen (up 79.8% from the same term in the previous fiscal year).

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

Total assets as of the end of the third quarter increased by 12,118 million yen from the end of the previous fiscal year to 175,831 million yen. The primary increase was 29,535 million yen in cash on hand and in banks. The primary decrease was 15,230 million yen in notes and accounts receivable - trade.

Total liabilities as of the end of the third quarter decreased by 6,104 million yen from the end of the previous fiscal year to 36,813 million yen. The primary decreases were 4,216 million yen in accrued income taxes and 1,775 million yen in accrued bonuses.

Net assets as of the end of the third quarter increased by 18,223 million yen from the end of the previous fiscal year to 139,017 million yen. The primary increase was 26,708 million yen in quarterly net income attributable to owners of the parent. The primary decrease was 8,753 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, 2022 remains the same as what was projected at the financial results announcement on May 10, 2021.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (December 31, 2021)
Assets		
Current assets		
Cash on hand and in banks	71,239	100,774
Notes and accounts receivable - trade	25,096	9,866
Merchandise and finished goods	2,005	1,318
Work in progress	897	621
Raw materials and supplies	850	272
Work in progress for game software	24,443	26,148
Other	2,896	2,319
Allowance for doubtful accounts	(37)	(22)
Total current assets	127,391	141,299
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,666	10,241
Other, net	10,649	10,494
Total tangible fixed assets	21,316	20,735
Intangible assets	1,229	1,639
Investments and other assets		
Other	13,807	12,188
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	13,775	12,156
Total fixed assets	36,321	34,531
Total assets	163,712	175,831

(million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,820	1,402
Electronically recorded monetary liabilities	882	1,991
Current portion of long-term borrowings	727	626
Accrued income taxes	6,957	2,741
Accrued bonuses	4,056	2,280
Deferred income	6,673	8,338
Other	10,472	9,180
Total current liabilities	32,590	26,561
Long-term liabilities		
Long-term borrowings	4,878	4,565
Liabilities for retirement benefits for employees	3,468	3,653
Other	1,980	2,032
Total long-term liabilities	10,327	10,251
Total liabilities	42,918	36,813
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	21,329
Retained earnings	93,861	111,815
Treasury stock	(27,461)	(27,463)
Total shareholders' equity	120,967	138,920
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	56	34
Cumulative translation adjustments	(10)	258
Accumulated adjustments for retirement benefits	(219)	(196)
Total accumulated other comprehensive income	(173)	96
Total net assets	120,794	139,017
Total liabilities and net assets	163,712	175,831

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(million yen)

	Previous 9 months April 1, 2020 to December 31, 2020	Current 9 months April 1, 2021 to December 31, 2021
Net sales	64,867	88,163
Cost of sales	29,057	38,558
Gross profit	35,810	49,605
Selling, general and administrative expenses	11,428	14,509
Operating income	24,382	35,096
Non-operating income		
Interest income	58	22
Dividend income	19	20
Exchange gain, net	—	96
Subsidy income	51	—
Compensation for damage	130	—
Gain on liquidation of subsidiaries	—	761
Other	131	254
Total non-operating income	391	1,155
Non-operating expenses		
Interest expense	55	37
Commission fees	46	—
Exchange loss, net	411	—
Other	171	65
Total non-operating expenses	685	102
Ordinary income	24,088	36,148
Special losses		
Loss on sales and /or disposal of fixed assets	9	6
Total special losses	9	6
Net income before income taxes	24,078	36,142
Income taxes - current	5,297	7,890
Income taxes - deferred	1,258	1,544
Total income taxes	6,555	9,434
Net income	17,523	26,708
Net income attributable to owners of the parent	17,523	26,708

Consolidated statements of comprehensive income

(million yen)

	Previous 9 months April 1, 2020 to December 31, 2020	Current 9 months April 1, 2021 to December 31, 2021
Net income	17,523	26,708
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	63	(21)
Cumulative translation adjustments	(255)	269
Adjustments for retirement benefits	22	23
Total other comprehensive income	(169)	270
Comprehensive income	17,354	26,978
Comprehensive income attributable to:		
Owners of the parent	17,354	26,978
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 9 months April 1, 2020 to December 31, 2020	Current 9 months April 1, 2021 to December 31, 2021
Cash flows from operating activities		
Net income before income taxes	24,078	36,142
Depreciation and amortization	2,050	2,519
Change in allowance for doubtful accounts	(3)	(15)
Change in accrued bonuses	(1,403)	(1,780)
Interest and dividend income	(78)	(43)
Interest expense	55	37
Exchange (gain) loss, net	243	(7)
Loss on sales and/or disposal of fixed assets	9	6
Change in notes and accounts receivable - trade	4,382	15,253
Change in inventories	411	1,550
Change in work in progress for game software	(2,729)	(1,701)
Change in notes and accounts payable - trade	(2,390)	(329)
Change in deferred revenue	(7,450)	1,595
Other	(1,341)	(620)
Subtotal	15,834	52,606
Interest and dividends received	97	45
Interest paid	(48)	(33)
Income taxes paid	(8,015)	(11,157)
Net cash provided by operating activities	7,867	41,461
Cash flows from investing activities		
Payments into time deposits	(13,742)	(17,846)
Proceeds from withdrawal of time deposits	12,660	14,529
Payments for acquisitions of tangible fixed assets	(1,835)	(2,602)
Proceeds from acquisitions of tangible fixed assets	1	2
Payments for acquisitions of intangible fixed assets	(456)	(874)
Other	0	68
Net cash used in investing activities	(3,372)	(6,724)
Cash flows from financing activities		
Repayments of long-term borrowings	(714)	(414)
Payments for repurchase of treasury stock	(2)	(1)
Dividends paid by parent company	(5,334)	(8,749)
Other	(387)	(371)
Net cash used in financing activities	(6,439)	(9,537)
Effect of exchange rate changes on cash and cash equivalents	(361)	605
Net change in cash and cash equivalents	(2,305)	25,804
Cash and cash equivalents at beginning of year	59,672	64,043
Cash and cash equivalents at end of quarter	57,366	89,848

(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.

(Change in accounting principles)

(Application of accounting standards related to revenue recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020; hereinafter, "Accounting Standard for Revenue Recognition") has been applied from the beginning of the first quarter for the current fiscal year. In accordance with the Accounting Standard for Revenue Recognition, when control of a promised good and/or service is transferred to the customer, revenue will be recognized for the amount expected to be received in exchange for the good and/or service. As a result, revenue from licensing-related business, which does not require reversion, was previously recognized at the time the contract was signed; from the beginning of the current fiscal year, in the case the nature of the contract to grant the license to customers is treated as the right to access the intellectual property over the term of the license, revenue is recognized over a certain period of time, and in the case it is treated as the right to use the intellectual property at the time the license is granted, revenue is recognized at a one-time point.

When applying the Accounting Standard for Revenue Recognition, Capcom complies with the transitional treatment stipulated in the provisions of paragraph 84 of the Standard. The cumulative impact of retroactively applying the new accounting policy prior to the beginning of the first quarter for the current fiscal year is added or subtracted to the retained earnings at the beginning of the first quarter for the current fiscal year and the new accounting policy is applied from the beginning balance.

As a result, the impact of these changes on the quarterly consolidated financial statements in the third quarter is minor, and there is no effect on the beginning balance of retained earnings.

(Application of accounting standards related to fair value measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter for the current fiscal year. In accordance with transitional treatment stipulated in the provision of paragraph 19 in Accounting Standards for Fair Value Measurement and paragraph 44-2 in Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policy under Accounting Standards for Fair Value Measurement will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment Information)

I Previous 9 months (From April 1, 2020 to December 31, 2020)

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	48,966	7,018	6,712	62,697	2,170	64,867	—	64,867
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	48,966	7,018	6,712	62,697	2,170	64,867	—	64,867
Segment income	24,787	86	2,431	27,306	861	28,167	(3,785)	24,382

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

2. The adjustment for segment income (-3,785 million yen) include unallocated corporate operating expenses (-3,785 million yen).

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

3. Segment income is adjusted on operating income of the consolidated statements of income.

II Current 9 months (From April 1, 2021 to December 31, 2021)

1. 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	70,453	8,992	4,937	84,382	3,781	88,163	—	88,163
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	70,453	8,992	4,937	84,382	3,781	88,163	—	88,163
Segment income	35,894	419	1,932	38,246	1,549	39,795	(4,699)	35,096

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

2. The adjustment for segment income (-4,699 million yen) include unallocated corporate operating expenses (-4,699 million yen).

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

3. Segment income is adjusted on operating income of the consolidated statements of income.

2. Notes relating to changes in reportable segments, etc.

Capcom has applied the Accounting Standard for Revenue Recognition, and changed the way of accounting for revenue recognition from the beginning of the first quarter for the current fiscal year, as described above in "Change in accounting standard." Therefore, Capcom has similarly changed the method of measuring segment profit or loss.

As a result, the impact of these changes on the quarterly consolidated financial statements in the third quarter is minor.

(Additional Information)

Regarding the accounting estimate for the impact of the COVID-19 pandemic, there is no significant change in the assumption of the time required to bring COVID-19 under control from what was stated in "Additional information" in the annual securities report for the previous fiscal year.