

**Consolidated financial results for the 6 months
of the fiscal year ending March 31, 2023 (Japan GAAP - Unaudited)**

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Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Dividend payment date: November 15, 2022

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 6 months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(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	%
6 months ended September 30, 2022	49,067	(29.9)	21,895	(24.3)	22,996	(22.6)	16,142	(27.4)
6 months ended September 30, 2021	69,995	66.4	28,924	61.9	29,723	69.2	22,219	71.0

Note: Comprehensive income: 6 months ended September 30, 2022 20,588 million yen (-5.9%) 6 months ended September 30, 2021 21,870 million yen (69.3%)

	Earnings per share	Diluted earnings per share
	yen	yen
6 months ended September 30, 2022	76.36	—
6 months ended September 30, 2021	104.07	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
2nd quarter ended September 30, 2022	199,961	147,440	73.7
Year ended March 31, 2022	187,365	146,475	78.2

Reference: Shareholders' equity: 2nd quarter ended September 30, 2022: 147,440 million yen Year ended March 31, 2022: 146,475 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, 2022	—	18.00	—	28.00	46.00
Year ending March 31, 2023	—	23.00			
Year ending March 31, 2023 (Forecast)			—	23.00	46.00

Note: Changes in dividends forecast during the 6 months ended September 30, 2022 : No

3. Earnings forecast for the fiscal year ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

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, 2023	125,000	13.6	50,000	16.5	50,000	12.8	36,500	12.1	173.60

Note: Changes from the latest earnings forecast : Yes

- (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: 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)			
2nd quarter ended September 30, 2022:	266,505,623	Year ended March 31, 2022:	270,892,976
② Number of treasury stock			
2nd quarter ended September 30, 2022:	57,394,002	Year ended March 31, 2022:	57,393,792
③ Average number of shares outstanding			
2nd quarter ended September 30, 2022:	211,389,338	2nd quarter ended September 30, 2021:	213,499,392

Note: The number of treasury stock at the end of the second quarter and the number of treasury stock deducted when calculating the average number of shares outstanding during the period under review include 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 six months ended September 30, 2022, the Company actively pursued growth investments focused on enhancing digital sales to respond to the ever evolving and expanding global market. Moreover, with the aim of enhancing corporate value, the Company implemented specific policies for its Human Resources investment strategy, which is one of management's priorities, such as reorganizing its Human Resources operations, establishing the new post of Chief Human Resources Officer (CHO), and revising its compensation system in order to further the steady, sustainable growth of the Company.

Guided by this management policy, the Company increased its sales volume in the global market through the launch of a major new title in its flagship series and the continued pursuit of digital catalog titles sales, focusing on enhancing the value of its content in its core Digital Contents business. In this way, total sales volume of the Digital Contents business during the consolidated six months of the fiscal year ending March 31, 2023 were 21.3 million units, exceeding the 19.8 million units of the same term of the previous year. The Company also made efforts to steadily increase earnings by reinforcing the use of these major brands in films, licensed products and eSports, as well as in its Arcade Operations and Amusement Equipments businesses.

As a result, although there was a year-over-year decline due to sales of multiple major new titles in the Digital Contents business in the same period of the previous fiscal year, for the six months ended September 30, 2022, consolidated net sales were 49,067 million yen (down 29.9% from the same term in the previous fiscal year). In terms of profitability, operating income was 21,895 million yen (down 24.3% from the same term in the previous fiscal year), ordinary income was 22,996 million yen (down 22.6% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 16,142 million yen (down 27.4% from the same term in the previous fiscal year).

Going forward, the Company will work to achieve full-year guidance through measures such as the release of a major new title in the second half of the fiscal year.

Status of business by operating segment

① Digital Contents business

In June, the Company released *Monster Hunter Rise: Sunbreak* (for Nintendo Switch and PC), a massive premium expansion for the March 2021 title *Monster Hunter Rise*. The game's quicker action, along with its unique new monsters and environments garnered positive reviews globally, while free content updates and other measures secured steady popularity, leading it to achieve sales of 4.4 million units and significantly contribute to earnings. Additionally, sales of *Monster Hunter Rise* have exceeded 11 million units worldwide, which was achieved through the release of a set that includes *Monster Hunter Rise: Sunbreak* as well as ongoing pricing measures.

Moreover, the Company conducted proactive promotional campaigns to gain wider recognition for its intellectual property and acquire new fans. This, in conjunction with the synergetic effects of ongoing releases of new titles in its flagship series and discount selling, helped boost profits with expanded catalog title sales, primarily for past series titles, such as *Monster Hunter: World* and *Devil May Cry 5*.

In September, the Company attracted large crowds to its booth at Tokyo Game Show 2022, which was held in a hybrid format, where in addition to an online format there was a physical venue for the first time in three years. *Resident Evil*

Village won an Award for Excellence in the Games of the Year division at the Japan Game Awards: 2022, which was announced online during show, while three of the Company's other titles, *Street Fighter 6*, *Exoprimal*, and *Mega Man Battle Network Legacy Collection*, won awards in the Future Division, giving momentum to title sales.

As a result, although there was a year-over-year decline due to sales of multiple major titles in the same term of the previous fiscal year, net sales were 36,062 million yen (down 39.7% from the same term in the previous fiscal year) and operating income was 21,826 million yen (down 27.8% from the same term in the previous fiscal year).

② Arcade Operations business

In this business segment, both sales and profits increased compared to the same quarter of the previous fiscal year. This was due to a recovery in the number of customers visiting stores following the complete lifting of the semi-state of emergency COVID-19 measures in March this year, as well as to the effect of efficient operations at existing stores and the opening of new stores in new formats in an effort to expand earnings.

During the six months ended September 2022, the Crazy Banet store opened at Aeon Mall in Tokoname (Aichi Prefecture) in April, while one store was closed in September, taking the number of stores to 42.

The resulting net sales were 7,323 million yen (up 29.7% from the same term in the previous fiscal year) and operating income was 677 million yen (up 845.1% from the same term in the previous fiscal year).

③ Amusement Equipments business

The Company launched a new model titled *Shin Onimusha 2* in August. The title performed well, garnering positive reviews from the market and shipping 10 thousand units despite the challenging market environment. In addition, *Biohazard RE:2*, which began operating on October 3, shipped 15 thousand units in September, significantly contributing to earnings.

The resulting net sales were 3,023 million yen (up 87.6% from the same term in the previous fiscal year) and operating income was 1,721 million yen (up 343.4% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company continued to focus on pursuing movie and television adaptations of its major IP, including with the live-action *Resident Evil* series streaming worldwide on Netflix, while developing character merchandise from new and popular titles to increase the brand value of its titles.

The Company has also been pursuing the expansion of the global esports fan base. In May it kicked off its online esports competition, Capcom Pro Tour 2022, while working to diversify the regions and participants for events with measures that included adding the new World Warrior category to the above competition in July. There was also the September launch of *Street Fighter League: Pro-JP 2022*, a team-based league competition held in Japan. All of this resulted in fierce competitions unfolding across locations worldwide while the Company promoted its upcoming *Street Fighter 6*, which is scheduled to launch in 2023.

The resulting net sales were 2,657 million yen (down 9.4% from the same term in the previous fiscal year) and operating income was 1,258 million yen (down 8.2% 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 second quarter increased by 12,595 million yen from the end of the previous fiscal year to 199,961 million yen. The primary increases were 9,226 million yen in work in progress for game software and 3,361 million yen in accounts receivable - trade. The primary decrease was 2,060 million yen in cash on hand and in banks.

Total liabilities as of the end of the second quarter increased by 11,630 million yen from the end of the previous fiscal year to 52,520 million yen. The primary increases were 5,867 million yen in deferred revenue, 1,809 million yen in notes and accounts payable – trade and 1,460 million yen in accrued income taxes. The primary decrease was 1,419 million yen in accrued bonuses.

Net assets as of the end of the second quarter increased by 964 million yen from the end of the previous fiscal year to 147,440 million yen. The primary increases were 16,142 million yen in quarterly net income attributable to owners of the parent and 4,518 million yen in cumulative translation adjustments. The primary decreases were 5,977 million yen in dividends from retained earnings and 13,645 million yen in treasury stock acquired through a tender offer.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2023, that was initially announced on May 11, 2022, has been revised as of October 26, 2022. For details, see the October 26, 2022 announcement titled, “Capcom Announces Revision of Consolidated Full-Year Earnings Forecast and Variances Between its Non-Consolidated Estimated Earnings and the Previous Fiscal Year’s Actual Results.”

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (September 30, 2022)
Assets		
Current assets		
Cash on hand and in banks	107,262	105,202
Notes receivable - trade	528	647
Accounts receivable - trade	7,404	10,766
Merchandise and finished goods	1,378	1,309
Work in progress	819	783
Raw materials and supplies	198	419
Work in progress for game software	31,192	40,418
Other	2,536	2,877
Allowance for doubtful accounts	(8)	(2)
Total current assets	151,312	162,422
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,485	10,248
Other, net	10,720	12,281
Total tangible fixed assets	21,206	22,530
Intangible assets	1,747	1,640
Investments and other assets		
Other	13,124	13,392
Allowance for doubtful accounts	(25)	(25)
Total investments and other assets	13,099	13,367
Total fixed assets	36,053	37,538
Total assets	187,365	199,961

(million yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,325	4,135
Electronically recorded monetary liabilities	1,276	1,557
Current portion of long-term borrowings	626	626
Accrued income taxes	6,010	7,470
Accrued bonuses	4,014	2,595
Deferred income	8,932	14,799
Other	7,557	9,924
Total current liabilities	30,742	41,110
Long-term liabilities		
Long-term borrowings	4,252	3,939
Liabilities for retirement benefits for employees	3,802	3,986
Provision for share awards	—	517
Other	2,092	2,966
Total long-term liabilities	10,147	11,410
Total liabilities	40,890	52,520
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	30,259
Retained earnings	117,661	127,825
Treasury stock	(27,464)	(50,039)
Total shareholders' equity	144,765	141,284
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	100	47
Cumulative translation adjustments	1,889	6,408
Accumulated adjustments for retirement benefits	(279)	(299)
Total accumulated other comprehensive income	1,710	6,156
Total net assets	146,475	147,440
Total liabilities and net assets	187,365	199,961

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

(million yen)

	Previous 6 months April 1, 2021 to September 30, 2021	Current 6 months April 1, 2022 to September 30, 2022
Net sales	69,995	49,067
Cost of sales	31,839	17,852
Gross profit	38,155	31,214
Selling, general and administrative expenses	9,231	9,318
Operating income	28,924	21,895
Non-operating income		
Interest income	15	102
Dividend income	10	11
Exchange gain, net	—	1,094
Gain on liquidation of subsidiaries	761	—
Other	85	53
Total non-operating income	872	1,263
Non-operating expenses		
Interest expense	26	20
Exchange loss, net	1	—
Litigation expenses	—	67
Commission for purchase of treasury shares	—	25
Other	45	48
Total non-operating expenses	73	162
Ordinary income	29,723	22,996
Special gains		
Gain on sales and /or disposal of fixed assets	—	1
Total special gains	—	1
Special losses		
Loss on sales and /or disposal of fixed assets	5	—
Total special losses	5	—
Net income before income taxes	29,718	22,998
Income taxes - current	7,668	7,028
Income taxes - deferred	(170)	(172)
Total income taxes	7,498	6,856
Net income	22,219	16,142
Net income attributable to owners of the parent	22,219	16,142

Consolidated statements of comprehensive income

(million yen)

	Previous 6 months April 1, 2021 to September 30, 2021	Current 6 months April 1, 2022 to September 30, 2022
Net income	22,219	16,142
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	8	(53)
Cumulative translation adjustments	(373)	4,518
Adjustments for retirement benefits, net of tax	15	(19)
Total other comprehensive income	(349)	4,445
Comprehensive income	21,870	20,588
Comprehensive income attributable to:		
Owners of the parent	21,870	20,588
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous fiscal year April 1, 2021 to September 30, 2021	Current fiscal year April 1, 2022 to September 30, 2022
Cash flows from operating activities		
Net income before income taxes	29,718	22,998
Depreciation and amortization	1,733	1,590
Increase (decrease) in allowance for doubtful accounts	(19)	(6)
Increase (decrease) in accrued bonuses	2,618	778
Increase (decrease) in provision for share awards	—	517
Interest and dividend income	(25)	(114)
Interest expense	26	20
Exchange (gain) loss, net	13	(978)
Loss (Gain) on sales or disposal of fixed assets	5	(1)
Decrease (increase) in notes and accounts receivable - trade	18,992	(3,498)
Decrease (increase) in inventories	917	(96)
Decrease (increase) in work in progress for game software	2,592	(9,221)
Increase (decrease) in notes and accounts payable - trade	(1,106)	2,019
Increase (decrease) in deferred revenue	1,420	5,452
Other	(2,133)	317
Subtotal	54,751	19,779
Interest and dividends received	26	41
Interest paid	(27)	(21)
Income taxes paid	(6,318)	(5,284)
Net cash provided by operating activities	48,432	14,515
Cash flows from investing activities		
Payments into time deposits	(10,451)	(12,434)
Proceeds from withdrawal of time deposits	7,134	12,434
Payments for acquisitions of tangible fixed assets	(2,084)	(1,681)
Proceeds from sales of tangible fixed assets	—	4
Payments for acquisitions of intangible fixed assets	(753)	(127)
Other	(19)	(126)
Net cash used in investing activities	(6,174)	(1,931)
Cash flows from financing activities		
Repayments of long-term borrowings	(414)	(313)
Payments for repurchase of treasury stock	(1)	(13,645)
Dividends paid by parent company	(4,905)	(5,971)
Other	(269)	(501)
Net cash used in financing activities	(5,591)	(20,431)
Effect of exchange rate changes on cash and cash equivalents	182	3,656
Net change in cash and cash equivalents	36,848	(4,190)
Cash and cash equivalents at beginning of year	64,043	95,635
Cash and cash equivalents at end of quarter	100,892	91,445

(4) Notes to consolidated financial statements

(Going concern assumptions)

Not applicable

(Material changes in shareholders' equity)

(Disposal of treasury stock related to establishment of Employee Stock Ownership Plan)

In accordance with a resolution of the Board of Directors on May 13, 2022, the Company disposed of 4,000,000 shares of treasury stock through a third-party allotment, following the introduction of an Employee Stock Ownership Plan (ESOP). The third-party, The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744), acquired 4,000,000 shares of treasury stock on June 17, 2022. The Company's shares remaining in the trust have been booked as treasury stock.

(Repurchase and cancellation of treasury stock)

Based on a resolution of the Board of Directors held on May 13, 2022, the Company repurchased 4,387,353 shares of treasury stock on July 5, 2022 and cancelled them on July 29, 2022, based on a resolution of the Board of Directors held on July 26, 2022.

As a result, capital surplus was 30,259 million yen and treasury stock was 50,039 million yen at the end of the second quarter of the fiscal year under review.

(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)

(Adoption of ASU2016-02 Leases)

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2016-02 Leases (February 25, 2016) from the beginning of the first quarter of the consolidated fiscal year.

Due to the adoption, the Company principally recognizes assets and liabilities of leases as a lessee. In applying this accounting principle, the Company has adopted a method, which is permitted as a transitional measure, where the cumulative effect of adopting the principle is recognized at the date of application.

As a result, the Company has recognized Tangible fixed assets (Other, net) of 1,183 million yen, Current liabilities (Other) of 326 million yen and Long-term liabilities (Other) of 825 million yen on the Consolidated balance sheet for the second quarter of the fiscal year.

The impact on the Consolidated statements of income for the second quarter of the fiscal year is minor.

(Segment Information)

1 Previous 6 months (From April 1, 2021 to September 30, 2021)

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	59,803	5,647	1,611	67,062	2,933	69,995	—	69,995
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	59,803	5,647	1,611	67,062	2,933	69,995	—	69,995
Operating income (loss)	30,216	71	388	30,676	1,370	32,046	(3,121)	28,924

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

2. Adjustments of operating income (loss) of -3,121 million yen include unallocated corporate operating expenses of -3,121 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 6 months (From April 1, 2022 to September 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	36,062	7,323	3,023	46,409	2,657	49,067	—	49,067
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	36,062	7,323	3,023	46,409	2,657	49,067	—	49,067
Operating income (loss)	21,826	677	1,721	24,225	1,258	25,484	(3,588)	21,895

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

2. Adjustments of operating income (loss) of -3,588 million yen include unallocated corporate operating expenses of -3,588 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)

(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.

(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 increased workplace motivation while at the same time enhancing work performance for those employees who will take an interest in the Company's share price.

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 linked to the book value of the Trustee (excluding transaction costs). Total book value and class and number of shares at the end of the current 6 months are 13,820 million yen and 4,000,000 shares of the Company's common stock, respectively.

(Changes in the presentation method)

Previously, variable profit-linked bonuses for R&D, which are distributed based on the contributions to consolidated profit by each development division, had been recognized as "Selling, general and administrative expenses." However, from the beginning of the first quarter of the current fiscal year they have been recognized as "Cost of sales."

The Company made this change in order to more appropriately reflect the actual circumstance of the business, after it reviewed profit management classifications following a revision to the Company's compensation system in this consolidated fiscal year.

As a result, "Cost of sales" in the second quarter of the previous fiscal year increased by 1,176 million yen. "Gross profit" and "Selling, general and administrative expenses" decreased by the same amount respectively, but there is no impact on "Operating income."