

**Consolidated financial results for the 9 months
of the fiscal year ending March 31, 2024 (Japan GAAP - Unaudited)**

Date of issue: January 31, 2024

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : January 31, 2024

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, 2023 (From April 1, 2023 to December 31, 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	%
9 months ended December 31, 2023	106,179	33.3	47,704	43.1	49,460	47.4	34,636	46.7
9 months ended December 31, 2022	79,671	(9.6)	33,332	(5.0)	33,564	(7.1)	23,610	(11.6)

Note: Comprehensive income: 9 months ended December 31, 2023: 36,876 million yen (43.1%) 9 months ended December 31, 2022: 25,764 million yen (-4.5%)

	Earnings per share	Diluted earnings per share
	yen	yen
9 months ended December 31, 2023	165.63	—
9 months ended December 31, 2022	112.09	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
3rd quarter ended December 31, 2023	222,925	183,745	82.4
Year ended March 31, 2023	217,365	161,129	74.1

Reference: Shareholders' equity: 3rd quarter ended December 31, 2023: 183,745 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	—	27.00	—		
Year ending March 31, 2024 (Forecast)				27.00	54.00

Note: 1. Changes in dividends forecast during the 9 months ended December 31, 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 9 months ended December 31, 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)			
3rd quarter ended December 31, 2023:	266,505,623	Year ended March 31, 2023:	266,505,623
② Number of treasury stock			
3rd quarter ended December 31, 2023:	57,388,078	Year ended March 31, 2023:	57,393,546
③ Average number of shares outstanding			
3rd quarter ended December 31, 2023:	209,115,327	3rd quarter ended December 31, 2022:	210,627,359

Note: The number of treasury stock at the end of the 3rd quarter and the number of treasury stock deducted when calculating the average number of shares outstanding during the 3rd 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

Capcom would like to offer its deepest condolences to the victims of the 2024 Noto Peninsula Earthquake as well as to their bereaved families.

The Company would also like to express its sincerest sympathy for those who are affected by the Earthquake. Capcom earnestly hopes for the earliest possible restoration and recovery in the afflicted regions.

During the nine months ended December 31, 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, 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. Additionally, the Company strove to enhance corporate value by reinforcing its development and technological strengths, which included acquiring as a wholly-owned subsidiary a development company whose strength lies in 3D CG production technologies applicable to consumer game development.

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 nine months ended December 31, 2023, was 32.6 million units, exceeding the 29.1 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 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 the introduction of smart pachislo machines and sales of existing machines that effectively used the Company's popular intellectual property in the Amusement Equipments business.

As a result, for the nine months ended December 31, 2023, consolidated net sales were 106,179 million yen (up 33.3% year-over-year). In terms of profitability, operating income was 47,704 million yen (up 43.1% year-over-year), ordinary income was 49,460 million yen (up 47.4% year-over-year), and net income attributable to the owners of the parent was 34,636 million yen (up 46.7% 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 is carrying out a variety of celebratory activities, including activities to further enhance its brand recognition.

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, to global acclaim. As a result, the game achieved sales of 2.98 million units, which contributed to earnings.

In addition, *Street Fighter 6* was recognized as the year's top fighting game, winning the Best Fighting Game Award at the Game Awards 2023, one of the largest game award ceremonies globally that was held in the U.S.A. in December 2023. Further, the Company also won Best VR / AR for *Resident Evil Village VR Mode*, which is free downloadable content that allows players to experience *Resident Evil Village* on PlayStation VR2. These awards worked to bring global acclaim to the Company's intellectual property, giving momentum to the sales of its titles.

Regarding catalog title sales, the *Monster Hunter* series delivered solid sales, driven by the announcement of *Monster Hunter Wilds*, an all-new addition to the series. Further, *Resident Evil 4*, launched in March 2023, contributed to sales growth, reaching 6.48 million units cumulatively, supported by ongoing promotional measures including free title updates for PlayStation VR2. Additionally, the Company conducted proactive promotional campaigns to gain wide recognition for its intellectual property and acquire new fans, focusing primarily on series title sales, such as *Resident Evil 2*. As a result, catalog title sales reached 26.7 million units, exceeding 22 million units in the same period of the previous fiscal year and boosting sales.

In Mobile Contents, *Monster Hunter Now* (for iOS, Android) was released in September, representing the latest mobile game in the *Monster Hunter* series. The number of worldwide downloads of the title exceeded 10 million, driving wider recognition of the brand.

The resulting net sales were 81,436 million yen (up 33.0% year-over-year) and operating income was 47,361 million yen (up 36.8% year-over-year).

② Arcade Operations business

In this business segment, economic activities recovered 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 2023, the Company opened a Kids Banet store in Shizuoka, a facility featuring playground equipment for kids, while it opened a Crazy Banet interactive amusement facility at Aeon Mall in Niihama (Ehime Prefecture) in June 2023 and a capsule toy shop Capsule Lab Harajuku Takeshita Street (Tokyo) in December 2023, bringing the total number of stores to 48 during the first nine months of this fiscal year.

The Company also worked to boost synergies with other businesses by, for example, securing a space for visitors to enjoy *Monster Hunter Now* at stores.

The resulting net sales were 13,847 million yen (up 21.9% year-over-year) and operating income was 1,547 million yen (up 52.6% year-over-year).

③ Amusement Equipments business

In this business segment, as the market remains strong driven by smart pachinko and pachislo machines, the Company launched its first smart pachislo machine in August 2023, *Sengoku BASARA GIGA*, which sold 15,000 units. In addition, the Company boosted sales by shipping 10,400 units of *Resident Evil Village* in December 2023, its second smart pachislo machine, which is scheduled to start operating in halls in January 2024.

The Company also 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, driven by their strong performance in the market.

The resulting net sales were 8,020 million yen (up 116.8% year-over-year) and operating income was 4,560 million yen (up 120.5% year-over-year).

④ Other Businesses

In Other Businesses, the Company continued to focus on pursuing movie and television adaptations of its major intellectual properties and developing character merchandise to increase the brand value of its titles, as exemplified by the worldwide release of the feature-length CG-animated movie *Resident Evil: Death Island* in July 2023 and the worldwide release of the animated *Onimusha* series on Netflix in November 2023.

The Company has also been pursuing the expansion of the global esports fan base. In Street Fighter League: Pro-JP 2023, a Japan-based team league that started in July 2023, the Company featured *Street Fighter 6*, the latest title in the series. Competitions for this league also kicked off in North America in October 2023 and in Europe in November 2023. Further, in addition to holding events in Singapore and other areas, the Capcom Pro Tour 2023 got running worldwide in August 2023. The Company is offering its highest-ever prize pool for this tournament, totaling over 2 million US dollars.

The resulting net sales were 2,875 million yen (down 14.7% year-over-year) and operating income was 642 million yen (down 47.4% year-over-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 5,559 million yen from the end of the previous fiscal year to 222,925 million yen. The primary increases were 7,646 million yen in work in progress for game software, 6,612 million yen in current assets, other due to an increase in accrued revenue, etc., and 5,892 million yen in cash on hand and in banks. The primary decrease was 13,288 million yen in accounts receivable – trade.

Total liabilities as of the end of the third quarter decreased by 17,057 million yen from the end of the previous fiscal year to 39,179 million yen. The primary decreases were 10,725 million yen in accrued income taxes, 4,399 million yen in deferred income, and 3,307 million yen in accrued bonuses.

Net assets as of the end of the third quarter increased by 22,616 million yen from the end of the previous fiscal year to 183,745 million yen. The primary increases were 34,636 million yen in quarterly net income attributable to owners of the parent, and 2,352 million yen in cumulative translation adjustments. The primary decrease was 14,278 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 (December 31, 2023)
Assets		
Current assets		
Cash on hand and in banks	102,116	108,008
Notes receivable - trade	116	779
Accounts receivable - trade	24,981	11,693
Merchandise and finished goods	1,440	1,927
Work in progress	1,006	1,181
Raw materials and supplies	454	1,020
Work in progress for game software	38,510	46,157
Other	2,776	9,389
Allowance for doubtful accounts	(1)	(3)
Total current assets	171,402	180,154
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,423	11,056
Other, net	17,522	19,006
Total tangible fixed assets	27,945	30,062
Intangible assets	1,630	1,515
Investments and other assets		
Other	16,409	11,215
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	16,387	11,192
Total fixed assets	45,963	42,770
Total assets	217,365	222,925

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,357	2,389
Electronically recorded monetary liabilities	2,172	2,577
Short-term borrowings	3,591	3,591
Current portion of long-term borrowings	3,626	3,626
Accrued income taxes	12,145	1,419
Accrued bonuses	5,727	2,419
Deferred income	5,455	1,056
Other	9,968	9,956
Total current liabilities	46,043	27,036
Long-term liabilities		
Long-term borrowings	626	312
Liabilities for retirement benefits for employees	4,139	4,336
Provision for share awards	1,018	1,816
Other	4,408	5,677
Total long-term liabilities	10,193	12,143
Total liabilities	56,236	39,179
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	30,259	30,259
Retained earnings	143,519	163,877
Treasury stock	(50,037)	(50,019)
Total shareholders' equity	156,979	177,356
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	102	(42)
Cumulative translation adjustments	4,332	6,684
Accumulated adjustments for retirement benefits, net of tax	(285)	(252)
Total accumulated other comprehensive income	4,149	6,389
Total net assets	161,129	183,745
Total liabilities and net assets	217,365	222,925

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(million yen)

	Previous 9 months April 1, 2022 to December 31, 2022	Current 9 months April 1, 2023 to December 31, 2023
Net sales	79,671	106,179
Cost of sales	31,744	40,128
Gross profit	47,926	66,051
Selling, general and administrative expenses	14,594	18,346
Operating income	33,332	47,704
Non-operating income		
Interest income	194	779
Dividend income	24	27
Exchange gain, net	136	1,018
Other	76	64
Total non-operating income	432	1,889
Non-operating expenses		
Interest expense	30	44
Litigation expenses	71	—
Commission for purchase of treasury shares	25	—
Other	72	89
Total non-operating expenses	200	133
Ordinary income	33,564	49,460
Special gains		
Gain on sales of fixed assets	—	1
Gain on sales of investment securities	—	434
Total special gains	—	435
Special losses		
Loss on sales and /or disposal of fixed assets	12	23
Business restructuring expenses	—	274
Total special losses	12	298
Net income before income taxes	33,551	49,598
Income taxes - current	10,247	9,884
Income taxes - deferred	(306)	5,077
Total income taxes	9,941	14,961
Net income	23,610	34,636
Net income attributable to owners of the parent	23,610	34,636

Consolidated statements of comprehensive income

	(million yen)	
	Previous 9 months April 1, 2022 to December 31, 2022	Current 9 months April 1, 2023 to December 31, 2023
Net income	23,610	34,636
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	81	(144)
Deferred gains or losses on hedges, net of tax	(6)	—
Cumulative translation adjustments	2,089	2,352
Adjustments for retirement benefits, net of tax	(9)	32
Total other comprehensive income	2,154	2,240
Comprehensive income	25,764	36,876
Comprehensive income attributable to:		
Owners of the parent	25,764	36,876
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 9 months April 1, 2022 to December 31, 2022	Current 9 months April 1, 2023 to December 31, 2023
Cash flows from operating activities		
Net income before income taxes	33,551	49,598
Depreciation and amortization	2,484	3,032
Amortization of goodwill	—	8
Increase (decrease) in allowance for doubtful accounts	(5)	2
Increase (decrease) in accrued bonuses	(1,705)	(3,337)
Increase (decrease) in provision for share awards	769	797
Interest and dividend income	(219)	(807)
Interest expense	30	44
Exchange (gain) loss, net	(437)	(664)
Loss (Gain) on sales or disposal of fixed assets	12	22
Loss (Gain) on sales of investment securities	—	(434)
Business restructuring expenses	—	274
Decrease (increase) in notes and accounts receivable - trade	(797)	12,787
Decrease (increase) in inventories	(1,413)	(1,203)
Decrease (increase) in work in progress for game software	(8,886)	(7,909)
Increase (decrease) in notes and accounts payable - trade	782	(729)
Increase (decrease) in deferred revenue	(5,357)	(4,502)
Other	978	(6,494)
Subtotal	<u>19,787</u>	<u>40,484</u>
Interest and dividends received	170	838
Interest paid	(27)	(42)
Income taxes paid	<u>(10,475)</u>	<u>(19,947)</u>
Net cash provided by operating activities	<u>9,455</u>	<u>21,333</u>
Cash flows from investing activities		
Payments into time deposits	(21,321)	(24,178)
Proceeds from withdrawal of time deposits	21,460	22,707
Payments for acquisitions of tangible fixed assets	(2,479)	(3,822)
Proceeds from sales of tangible fixed assets	4	1
Payments for acquisitions of intangible fixed assets	(259)	(277)
Proceeds from sales of investment securities	—	692
Payments for acquisitions of investments in subsidiaries	—	(122)
Other	(190)	(97)
Net cash used in investing activities	<u>(2,786)</u>	<u>(5,097)</u>
Cash flows from financing activities		
Proceeds from short-term loans borrowings	340	—
Repayments of long-term borrowings	(313)	(371)
Payments for repurchase of treasury stock	(13,645)	(0)
Dividends paid by parent company	(10,873)	(14,271)
Other	(741)	(754)
Net cash used in financing activities	<u>(25,233)</u>	<u>(15,399)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,895</u>	<u>2,591</u>
Net change in cash and cash equivalents	<u>(16,669)</u>	<u>3,427</u>
Cash and cash equivalents at beginning of year	<u>95,635</u>	<u>89,470</u>
Cash and cash equivalents at end of quarter	<u>78,966</u>	<u>92,898</u>

(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 9 months (From April 1, 2022 to December 31, 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	61,242	11,357	3,699	76,300	3,371	79,671	—	79,671
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	61,242	11,357	3,699	76,300	3,371	79,671	—	79,671
Operating income (loss)	34,619	1,013	2,068	37,701	1,219	38,921	(5,588)	33,332

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

2. Adjustments of operating income (loss) of -5,588 million yen include unallocated corporate operating expenses of -5,588 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.

II Current 9 months (From April 1, 2023 to December 31, 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	81,436	13,847	8,020	103,303	2,875	106,179	—	106,179
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	81,436	13,847	8,020	103,303	2,875	106,179	—	106,179
Operating income (loss)	47,361	1,547	4,560	53,469	642	54,111	(6,406)	47,704

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

2. Adjustments of operating income (loss) of -6,406 million yen include unallocated corporate operating expenses of -6,406 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 9 months are 13,818 million yen and 3,999,460 shares, and 13,798 million yen and 3,993,890 shares, respectively.