

**Consolidated financial results
for the year ended March 31, 2023 (Japan GAAP - Unaudited)**

Date of issue: May 10, 2023

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

URL : <https://www.capcom.co.jp/>

Representative: Haruhiro Tsujimoto, President and COO

Tel: +81-6-6920-3605

Contact person: Yoshikazu Shimauchi, Corporate Officer and Head of Finance, Accounting & PR/IR Divisions

Ordinary general shareholders' meeting : June 20, 2023

Dividend payment date: June 21, 2023

Filing date for financial report : June 21, 2023

Earnings supplementary explanatory materials : Yes

Earnings presentation : Yes (For institutional investors)

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

1. Results for the year ended March 31, 2023 (From April 1, 2022 to March 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	%
Year ended March 31, 2023	125,930	14.4	50,812	18.4	51,369	15.9	36,737	12.9
Year ended March 31, 2022	110,054	15.5	42,909	24.0	44,330	27.2	32,553	30.6

Note: Comprehensive income: Year ended March 31, 2023: 39,176 million yen (13.8%) Year ended March 31, 2022: 34,437 million yen (30.4%)

	Earnings per share	Diluted earnings per share	Return on equity	Return (ordinary income) on assets	Operating margin
	yen	yen	%	%	%
Year ended March 31, 2023	174.73	—	23.9	25.4	40.3
Year ended March 31, 2022	152.48	—	24.4	25.3	39.0

Reference: Equity in earnings (losses) of affiliates Year ended March 31, 2023: — million yen Year ended March 31, 2022: — million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net asset value per share
	million yen	million yen	%	yen
Year ended March 31, 2023	217,365	161,129	74.1	770.54
Year ended March 31, 2022	187,365	146,475	78.2	686.07

Reference: Shareholders' equity: Year ended March 31, 2023: 161,129 million yen Year ended March 31, 2022: 146,475 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	million yen	million yen	million yen	million yen
Year ended March 31, 2023	21,789	(7,679)	(22,485)	89,470
Year ended March 31, 2022	46,947	(7,426)	(9,980)	95,635

2. Dividends

Record date	Dividend per share					Dividend paid	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended March 31, 2022	—	18.00	—	28.00	46.00	9,820	30.2	7.3
Year ended March 31, 2023	—	23.00	—	40.00	63.00	13,426	36.1	8.7
Year ending March 31, 2024 (Forecast)	—	27.00	—	27.00	54.00		28.2	

Note: 1. Regarding the year-end dividend for the fiscal year ended March 31, 2023, please refer to the May 10, 2023 announcement

"Notice Regarding Dividends from Retained Earnings (Upward Revision and 40th Anniversary Commemorative Dividend)"

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. The amount of "Dividend paid" includes dividends from CAPCOM Co., Ltd. (the "Company")'s shares held by the Master Trust Bank of Japan, Ltd.

(Stock Grant ESOP Trust Account 76744) (251 million yen for the fiscal year under review)

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: Capcom discloses a full year business forecast, as it manages its business performance on an annual basis.

Notes

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

(Changes in specified subsidiaries due to changes in the scope of consolidation)

(2) 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

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

① Number of shares outstanding (including treasury stock)

Year ended March 31, 2023: 266,505,623 Year ended March 31, 2022: 270,892,976

② Number of treasury stock

Year ended March 31, 2023: 57,393,546 Year ended March 31, 2022: 57,393,792

③ Average number of shares outstanding

Year ended March 31, 2023: 210,253,686 Year ended March 31, 2022: 213,499,327

Note: The number of treasury stock at the end of the current fiscal year 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 (4) Outlook] on page 4 for more details.
- Capcom is scheduled to hold an earnings presentation for institutional investors on Tuesday, May 16, 2023. Video and audio of the presentation will be posted along with the presentation materials on Capcom's web page shortly after the presentation.

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1. Operating results overview

(1) Operating results for the fiscal year under review

During the fiscal year ended March 31, 2023, the Company actively pursued 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 and in order to further its steady, sustainable growth, the Company implemented specific policies for its Human Resources investment strategy, which is one of management's priorities. These included reorganizing its Human Resources operations and establishing the new post of Chief Human Resources Officer (CHO), in addition to revising its compensation system to increase average annual compensation of its permanent employees by 30% while also introducing a stock-based compensation plan for permanent employees in Japan utilizing 4 million shares of treasury stock.

With 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 active promotion of digital catalog titles sales in its core Digital Contents business. As a result, the sales volume of the Digital Contents business in the fiscal year under review was 41.7 million units, exceeding the 32.6 million units in the previous fiscal year to significantly contribute to the enhancement of the Company's value. The Company also reinforced the use of its major brands in films, licensed products, and in eSports to further enhance the brand strength of its intellectual property. Additionally, sales were boosted by promoting efficient store operations and opening new stores in new business categories in the Arcade Operations business, and with sales promotions that effectively used the Company's popular intellectual property in the Amusement Equipments business.

As a result, for the fiscal year ended March 31, 2023, consolidated net sales were 125,930 million yen (up 14.4% from the previous fiscal year). In terms of profitability, operating income was 50,812 million yen (up 18.4% from the previous fiscal year), ordinary income was 51,369 million yen (up 15.9% from the previous fiscal year), and net income attributable to the owners of the parent was 36,737 million yen (up 12.9% from the previous fiscal year), marking 10 consecutive fiscal years of operating income growth.

Status of business by segment

① Digital Contents business

In this business segment, *Monster Hunter Rise: Sunbreak* (for Nintendo Switch, PC), which was released in June 2022, garnered positive reviews globally for its quicker action and other features, and secured steady popularity with ongoing measures including free content updates, leading the game to achieve sales of 5.45 million units, which contributed significantly to earnings.

In addition, *Resident Evil 4* (for PlayStation 5, PlayStation 4, Xbox Series X|S, PC), released in March 2023, continued to receive favorable market responses owing to its reimagining of the original story and use of cutting-edge graphics technology, leading the game to achieve sales of 3.75 million units, which contributed significantly to increasing sales.

As for catalog titles, 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 and pricing strategies, helped boost sales, mainly for series titles, such as *Monster Hunter Rise*, *Monster Hunter: World*, *Devil May Cry 5*, and *Resident Evil Village*. As a result, the sales volume of catalog titles was 29.3 million units, exceeding the 24 million units in the previous fiscal year and boosting sales.

The resulting net sales were 98,158 million yen (up 12.1% from the previous fiscal year) and operating income was 53,504 million yen (up 18.0% from the previous fiscal year).

② Arcade Operations business

In this business segment, both sales and profits increased compared to 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 last year, as well as the effect of efficient operations at existing stores and the opening of new stores in new business categories in an effort to expand earnings.

New openings during the fiscal year under review included the comprehensive amusement facility Miraino at Aeon Mall in Toki (Gifu Prefecture), which includes a Crazy Banet attraction, in October 2022; the Capcom Store & Cafe Umeda (Osaka Prefecture), which offers merchandise featuring the Company's popular characters and features a café, in November 2022; and Miraino at Aeon Mall in Toyokawa (Aichi Prefecture) in March 2023. Under our scrap-and-build store opening strategy and community-based store operation strategy, five new stores were opened while two stores were closed, taking the total number of stores to 45.

The resulting net sales were 15,609 million yen (up 25.8% from the previous fiscal year) and operating income was 1,227 million yen (up 88.0% from the previous fiscal year).

③ Amusement Equipments business

In this business segment the environment began to show signs of improvement in some parts of the market. In addition to *Shin Onimusha 2*, launched in August 2022, selling 15,000 units, *Resident Evil RE:2*, launched in September 2022, sold 15,000 units and *Monster Hunter World: Iceborne*, launched in January 2023, sold 12,000 units. These titles garnered positive reviews from the market, commencing their operations on a high note, and leading to a total of 5 models selling 44,000 units altogether during the fiscal year under review.

The resulting net sales were 7,801 million yen (up 35.7% from the previous fiscal year) and operating income was 3,433 million yen (up 46.2% from the previous fiscal year), owing to a diversified business model.

④ Other Businesses

In Other Businesses, the Company established a movie production subsidiary in the US dedicated to adapting its major IP into movies and other visual media while also signing a deal to create a live action film for *Street Fighter*. Additionally, the Company continued to focus on developing character merchandise for new and popular titles in its licensing business.

The Company has also been pursuing the expansion of the global esports fan base. In addition to adding the new World Warrior category to the Capcom Pro Tour 2022 and holding online events for the tournament around the world, the Company held Street Fighter League: Pro-JP 2022, Capcom Cup IX and Street Fighter League World Championship 2022. The Company also promoted *Street Fighter 6*, which is scheduled to be launched in June 2023, in conjunction with the promotion of these competitions.

The resulting net sales were 4,360 million yen (down 0.1% from the previous fiscal year) and operating income was 1,433 million yen (down 5.5% from the previous fiscal year) due to up-front investments mainly in eSports.

(2) Financial position overview for the fiscal year under review

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2023, increased by 29,999 million yen from the end of the previous fiscal year to 217,365 million yen. The primary increases were 17,576 million yen in accounts receivable - trade, 7,317 million yen in work in progress for game software, and 3,717 million yen in land.

(Liabilities)

Total liabilities as of the end of the fiscal year ended March 31, 2023, increased by 15,346 million yen from the end of the previous fiscal year to 56,236 million yen. The primary increases were 6,134 million yen in accrued income taxes, 3,591 million yen in short-term borrowings, and 3,000 million yen in current portion of long-term borrowings.

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2023, increased by 14,653 million yen from the end of the previous fiscal year to 161,129 million yen. The primary increases were 36,737 million yen in net income attributable to owners of the parent, and 2,442 million yen in cumulative translation adjustments. The primary decreases were 13,645 million yen in treasury stock acquired through a tender offer, and 10,879 million yen in dividends from retained earnings.

(3) Cash flow overview for the fiscal year under review

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2023, decreased by 6,165 million yen from the end of the previous fiscal year to 89,470 million yen.

Cash flow positions of each activity and their factors are described below.

(Cash flows from operating activities)

Net cash gained from operating activities was 21,789 million yen (46,947-million-yen net cash gain in the previous fiscal year).

This was primarily due to funds increasing from 51,143 million yen in net income before income taxes, etc., a 17,155-million-yen increase in notes and accounts receivable - trade, and funds decreasing from 10,698 million yen in income taxes paid etc.

(Cash flows from investing activities)

Net cash used in investing activities was 7,679 million yen (7,426 million yen in the previous fiscal year).

This was primarily due to funds increasing from 25,441 million yen in proceeds from withdrawal of time deposits, etc., and funds decreasing from 25,302 million yen in payments into time deposits, 7,103 million yen in payments for acquisitions of tangible fixed assets, and 312 million yen in payments for acquisitions of intangible fixed assets, etc.

(Cash flows from financing activities)

Net cash used in financing activities was 22,485 million yen (9,980 million yen in the previous fiscal year).

This was primarily due to funds increasing from 3,591 million yen in proceeds from short-term loans borrowings, etc., and funds decreasing from 13,645 million yen in payments for repurchase of treasury stock, 10,868 million yen in dividends paid by parent company, and 935 million yen in repayments of lease obligations, etc.

(4) Outlook

Regarding the outlook going forward, the business environment is undergoing great change: the transition to high-speed, high-capacity new mobile communication-standards, an increased number of distribution channels for content, diversification of devices and the expansion of the global video game user base. In such an environment, the Capcom Group recognizes the important management challenge of establishing a corporate structure that enables it to secure stable profit for enhancing corporate value over the medium- to long-term.

The Group has therefore made achieving 10% annual growth in operating income its medium-term management goal. The Group will make efforts to further increase brand value globally while endeavoring to better understand user needs and expand the user base, leading to growth for its core Digital Contents business. In order to achieve this sustainable growth, the Group will continue to promote its personnel investment strategy, which is its driving force.

Further, thanks to the ongoing support from all stakeholders, the Company will celebrate the 40th anniversary of its founding in June of this year. To mark this occasion, the Company will carry out a variety of celebratory activities, including the creation of a dedicated website and online destination, Capcom Town.

The Group will further work to make strides forward, aiming to achieve sustainable growth and enhance its corporate value over the long term.

① Personnel investment strategy

The Capcom Group positions initiatives regarding human capital, which is the source of corporate value creation, as a priority issue.

In order to enhance its development system—the source of its core competitiveness—and achieve its medium-term management goals, the Group recognizes the importance of bolstering its development workforce and enhancing productivity as it pertains to the investment and effective use of human capital in the areas of research and development and contents production.

As such, the Group has recruited more than 100 developers every year. At the end of the fiscal year ended March 2023, the Group has secured approximately 2,460 developers in its workforce.

In addition, to respond to changes in the business environment, the Group is investing in securing and developing diverse human resources through recruitment and evaluation, regardless of their gender, nationality, age, and so on.

The Group currently has 29 female managers (11.6% of all managers), 3 managers of foreign nationality (1.2% of all managers), and 140 managers who are midcareer hires (56.0% of all managers). Note that from the fiscal year under review, the Group changed the way it aggregates these figures in accordance with related laws and regulations.

In order to further promote its personnel investment strategy, the Group will enhance its corporate value in tandem with improving employee engagement by implementing the following measures:

- A. Management support for personnel issues
 - Continuing an open dialogue between management and employees, such as with employee briefings
- B. Acquiring and cultivating the talent to support the future, and improving the work environment
 - Promoting a corporate culture of respect for human rights
 - Reviewing the personnel evaluation systems
 - Reconstructing the recruitment strategy
 - Enhancing employee welfare and benefits programs, such as introducing a progressive program with a more inclusive definition for spouses/partners
- C. Improving the office environment to support development activities and upgrading development facilities
 - Improving development studios with expanded offices
 - Establishing the new “Creative Studio,” outfitted with one of the largest motion capture studios in Japan

② Strategies by operating segment for the fiscal year ending March 2024

Based on the strategy laid out above, the Company will focus on the following areas in the next fiscal year:

A. Digital Contents business

In this business segment, the Company will work to enhance brand value and expand its customer base by launching new titles, including *Street Fighter 6* (for PlayStation 5, PlayStation 4, Xbox Series X|S, PC), the latest title of the series scheduled to be released in June 2023, which is expected to drive eSports business expansion, and *Exoprimal* (for PlayStation 5, PlayStation 4, Xbox Series X|S, PC), a completely new IP to be released in July 2023. Further, the Company will strive to maximize revenue and continuously increase total sales volume by strengthening digital sales and executing pricing measures for catalog titles, such as *Monster Hunter Rise: Sunbreak* and *Resident Evil 4*, both of which were released in the fiscal year under review.

B. Arcade Operations business

In this business segment, while it is expected that the COVID-19 pandemic will draw to a close, the Company will continue to expand into new store formats while pursuing a flexible scrap and build strategy to move forward with efficient openings and operations of stores.

In the year ending March 2024, the Company plans to open four stores.

C. Amusement Equipment business

In this business segment, the Company will implement measures while taking market trends into account, such as by releasing digital “smart” pachislo machines, which are drawing significant expectations from the market.

In the year ending March 2024, the Company plans to sell 37 thousand units and release 4 new models.

D. Other Businesses

In Other Businesses, the Company will implement various measures in its eSports business in order to encourage participation from an even greater number of people throughout the world. These include offering a total prize pool of over 2 million dollars, the highest amount in the Company’s history, in the Capcom Pro Tour 2023, which features *Street Fighter 6*, the latest title in the series that is also scheduled to be released in the 2023 fiscal year.

Additionally, the Company will promote strategies that maximally leverage its Single Content Multiple Usage strategy on a global basis. This will be done by adapting its content into movies and with cross-industry collaborations, including globally expanding brand recognition of *Street Fighter* through new live-action film and television series program adaptations.

Going forward, the Company will work to maximize corporate brand value while expanding the brand value of its content.

③ Initiatives to promote ESG and SDGs

The Capcom Group is undertaking a variety of activities, based on its philosophy of being a creator of entertainment culture that stimulates your senses, to utilize game entertainment to move and excite people.

During the fiscal year ended March 31, 2023, the Group continued its donations to three organizations that work for the healthy development of children and young adults, including the Fund to Support Children’s Future. Further, the Group also continued to commit money in aid to the United Nations High Commissioner for Refugees to support Ukrainian refugees, and newly donated money in aid to victims of the Türkiye-Syria earthquake.

[Support for Children in Need]

Donations to	Amount
Fund to Support Children’s Future, Welfare and Medical Service Agency	50 million yen
Single Mothers Forum (an authorized nonprofit organization)	40 million yen
Child Center Nukku (specified nonprofit corporation)	10 million yen

[Support for Refugees from Ukraine]

Donations to	Amount
UNHCR, the UN refugee agency *Supported via Japan for UNHCR, a national partner of UNHCR in Japan for accepting aid	20 million yen

[Support for Türkiye-Syria Earthquake]

Donations to	Amount
Save the Children Japan *Türkiye-Syria Earthquake Children Support Desk	30 million yen

Meanwhile, the Group has been working for some time to limit its environmental impact by promoting digital sales of content to reduce the use of resources and CO₂ emissions accompanying the manufacture and transport of discs, while also implementing energy saving measures and recycling certain parts in the manufacture and sale of pachislo machines.

In June 2022, the Group also introduced CO₂-free electricity sourced from renewable energy in the buildings it owns in the Kansai area as part of its environmental measures. As a result, about 27% of its power usage in Japan is covered by such energy. In addition, the Group is carrying out initiatives such as utilizing its own data centers with energy saving features, as well as using major cloud and data center service companies that promote the use of renewable energy. The Group will work to further lessen its environmental impact, including with the introduction of green power at its Tokyo branch office in April 2023.

Going forward, the Group will proactively work to address the common challenges facing the environment and society. The Group will promote Environmental, Social and Corporate Governance (ESG) initiatives from such a standpoint, in consideration of the goal of developing a sustainable society as advocated by the Sustainable Development Goals (SDGs), and pursue sustained growth while building a relationship based on trust with stakeholders.

④ Initiatives on corporate governance

Recognizing the importance of diversity of the Board of Directors for sustainable growth, the Company strives to ensure that the Board of Directors consists of members with diverse perspectives, abundant experience, and advanced skills that are both diverse and specialized by selecting candidates based on their personal characteristics and insight regardless of their gender, nationality, age, and so on.

Furthermore, the Capcom Group's strengths include its strong business foundation as well as its unique development system and business model established under the leadership of company representatives. The Company also strives to improve corporate governance by strengthening the supervisory function of the Board of Directors, such as in striving to increase opportunities for active participation of external directors, including participation in committees established on a voluntary basis.

In addition, based on an evaluation of the effectiveness of the Board of Directors and in order to further strengthen the Board of Directors' function, in the year ended March 31, 2023, the Company made efforts to enhance its support system with a dedicated Board Operations team, while also providing expanded opportunities for information sharing with external directors by conducting site visits as well as meetings to exchange views with corporate officers.

In order to further enhance the effectiveness of the management supervisory function, the Company will work on the following issues during the fiscal year ending March 2024.

Main issues

- Further enhancing information sharing with external directors, such as by holding meetings to exchange opinions
- Carrying out discussion on the nomination and compensation of directors and other senior management members to build a management structure for next generation
- Discussing medium- to long-term corporate value enhancement

Going forward, the Company will strive to share and promote understanding of issues facing the Board of Directors and further enhance its functions.

⑤ Measures to strengthen information security

The Company has been engaged in the enhancement of its information security systems, with the understanding that in addition to addressing information protection laws that deal with personal information, as well as legislation protecting minors, the establishment of which is being advanced in various countries, taking measures against diverse cyber risks from both Japan and overseas is indispensable in consideration of the significance of the impact that information has on company activities.

Going forward, the Company will continue to work to operate and monitor its systems and maintain and strengthen its structure for emergency responses on an ongoing basis based on, among others, the advice of the Security Oversight Committee, an external advisory organization.

⑥ Basic policy for strategic holdings of publicly listed shares

Regarding strategic holdings of publicly listed shares, the Company eliminates habitual cross-holding, personal favoritisms, etc. By comprehensively taking into consideration the relevant advantages and disadvantages from medium- to long-term perspectives, including whether the shareholdings contribute to future business relationships and sustainable enhancement of corporate value, the Company keeps its strategic holdings to a minimum and currently holds only three securities. As of the end of the fiscal year under review, the amount of its strategic holdings of such publicly listed shares accounted for less than 0.5% of its net assets.

As the Board of Directors has decided to sell all such shares, and this being agreed upon with all such companies, the Company will implement the sale as appropriate going forward.

Security Name	Purpose of Holding	Capcom Shareholder
Mitsubishi UFJ Financial Group, Inc.	Maintaining favorable business relationship with the issuer	Yes
Mizuho Financial Group, Inc.	Maintaining favorable business relationship with the issuer	Yes
AEONMALL Corporation	Maintaining favorable business relationship with the issuer	No

2. Basic policy regarding selection of accounting standards

With consideration for providing consolidated financial documents that can be compared over time and between companies, for the foreseeable future the Capcom Group will prepare consolidated financial documents according to Japanese standards.

We are currently considering the appropriate time to adopt International Financial Reporting Standards (IFRS), and in preparation of their introduction, we have begun acquiring knowledge of these standards, and are carrying out impact studies on their adoption and a gap analysis between these and Japanese standards.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Assets		
Current assets		
Cash on hand and in banks	107,262	102,116
Notes receivable - trade	528	116
Accounts receivable - trade	7,404	24,981
Merchandise and finished goods	1,378	1,440
Work in progress	819	1,006
Raw materials and supplies	198	454
Work in progress for game software	31,192	38,510
Other	2,536	2,776
Allowance for doubtful accounts	(8)	(1)
Total current assets	151,312	171,402
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,485	10,423
Machinery and vehicles, net	24	21
Tools, fixtures and furniture, net	1,977	1,715
Equipment for amusement facilities, net	2,213	2,973
Land	5,235	8,953
Leased assets, net	1,112	1,399
Construction in progress	157	475
Other, net	—	1,982
Total tangible fixed assets	21,206	27,945
Intangible assets	1,747	1,630
Investments and other assets		
Investments in securities	637	735
Claim in bankruptcy and reorganization	12	12
Lease deposits	4,266	4,593
Deferred tax assets	7,389	9,849
Other	819	1,219
Allowance for doubtful accounts	(25)	(22)
Total investments and other assets	13,099	16,387
Total fixed assets	36,053	45,963
Total assets	187,365	217,365

(million yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,325	3,357
Electronically recorded monetary liabilities	1,276	2,172
Short-term borrowings	—	3,591
Current portion of long-term borrowings	626	3,626
Lease obligations	501	919
Accrued income taxes	6,010	12,145
Accrued bonuses	4,014	5,727
Deferred revenue	8,932	5,455
Other	7,055	9,048
Total current liabilities	30,742	46,043
Long-term liabilities		
Long-term borrowings	4,252	626
Lease obligations	718	2,992
Deferred tax liabilities	20	0
Liabilities for retirement benefits for employees	3,802	4,139
Provision for share awards	—	1,018
Asset retirement obligations	718	885
Other	634	529
Total long-term liabilities	10,147	10,193
Total liabilities	40,890	56,236
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	30,259
Retained earnings	117,661	143,519
Treasury stock	(27,464)	(50,037)
Total shareholders' equity	144,765	156,979
Accumulated other comprehensive income		
Net unrealized gains or losses on securities, net of tax	100	102
Cumulative translation adjustments	1,889	4,332
Accumulated adjustments for retirement benefits, net of tax	(279)	(285)
Total accumulated other comprehensive income	1,710	4,149
Total net assets	146,475	161,129
Total liabilities and net assets	187,365	217,365

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

(million yen)

	Previous fiscal year From April 1, 2021 to March 31, 2022	Current fiscal year From April 1, 2022 to March 31, 2023
Net sales	110,054	125,930
Cost of sales	48,736	52,110
Gross profit	61,317	73,819
Selling, general and administrative expenses	18,408	23,006
Operating income	42,909	50,812
Non-operating income		
Interest income	40	396
Dividend income	20	24
Exchange gain, net	716	314
Gain on liquidation of subsidiaries	761	—
Other	320	128
Total non-operating income	1,859	864
Non-operating expenses		
Interest expense	49	44
Additionally paid retirement payments	197	—
Litigation expenses	92	71
Commissions for purchase of treasury shares	—	25
Other	101	165
Total non-operating expenses	439	307
Ordinary income	44,330	51,369
Special losses		
Loss on sales and /or disposal of fixed assets	8	35
Impairment losses	—	190
Total special losses	8	225
Net income before income taxes	44,322	51,143
Income taxes - current	10,987	16,895
Income taxes - deferred	780	(2,488)
Total income taxes	11,768	14,406
Net income	32,553	36,737
Net income attributable to owners of the parent	32,553	36,737

Consolidated statements of comprehensive income

(million yen)

	Previous fiscal year From April 1, 2021 to March 31, 2022	Current fiscal year From April 1, 2022 to March 31, 2023
Net income	32,553	36,737
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	43	1
Cumulative translation adjustments	1,900	2,442
Adjustments for retirement benefits, net of tax	(60)	(5)
Total other comprehensive income	1,883	2,439
Comprehensive income	34,437	39,176
Comprehensive income attributable to:		
Owners of the parent	34,437	39,176
Non-controlling interests	—	—

(3) Consolidated statement of changes in net assets
 Previous fiscal year from April 1, 2021 to March 31, 2022

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	33,239	21,329	93,861	(27,461)	120,967
Changes of items during the current fiscal year					
Cash dividends			(8,753)		(8,753)
Net income attributable to owners of the parent			32,553		32,553
Repurchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	-	0	23,799	(2)	23,797
Balance as of March 31, 2022	33,239	21,329	117,661	(27,464)	144,765

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2021	56	(10)	(219)	(173)	120,794
Changes of items during the previous fiscal year					
Cash dividends					(8,753)
Net income attributable to owners of the parent					32,553
Repurchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	43	1,900	(60)	1,883	1,883
Total changes of items during the current fiscal year	43	1,900	(60)	1,883	25,681
Balance as of March 31, 2022	100	1,889	(279)	1,710	146,475

Current fiscal year from April 1, 2022 to March 31, 2023

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2022	33,239	21,329	117,661	(27,464)	144,765
Changes of items during the current fiscal year					
Cash dividends			(10,879)		(10,879)
Net income attributable to owners of the parent			36,737		36,737
Repurchase of treasury stock				(27,465)	(27,465)
Disposal of treasury stock		11,905		1,915	13,821
Retirement of treasury stock		(2,976)		2,976	-
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	-	8,929	25,858	(22,573)	12,214
Balance as of March 31, 2023	33,239	30,259	143,519	(50,037)	156,979

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2022	100	1,889	(279)	1,710	146,475
Changes of items during the previous fiscal year					
Cash dividends					(10,879)
Net income attributable to owners of the parent					36,737
Repurchase of treasury stock					(27,465)
Disposal of treasury stock					13,821
Retirement of treasury stock					-
Net changes of items other than shareholders' equity	1	2,442	(5)	2,439	2,439
Total changes of items during the current fiscal year	1	2,442	(5)	2,439	14,653
Balance as of March 31, 2023	102	4,332	(285)	4,149	161,129

(4) Consolidated statements of cash flows

(million yen)

	Previous fiscal year From April 1, 2021 to March 31, 2022	Current fiscal year From April 1, 2022 to March 31, 2023
Cash flows from operating activities		
Net income before income taxes	44,322	51,143
Depreciation and amortization	3,385	3,438
Impairment losses	—	190
Increase (decrease) in allowance for doubtful accounts	(36)	(9)
Increase (decrease) in accrued bonuses	(68)	1,690
Increase (decrease) in liabilities for retirement benefits for employees	247	328
Increase (decrease) in provision for share awards	—	1,020
Interest and dividend income	(61)	(420)
Interest expense	49	44
Exchange (gain) loss, net	(265)	(477)
Loss on sales and/or disposal of fixed assets	8	35
Decrease (increase) in notes and accounts receivable - trade	17,208	(17,155)
Decrease (increase) in inventories	1,383	(500)
Decrease (increase) in work in progress for game software	(6,744)	(7,320)
Increase (decrease) in notes and accounts payable - trade	(180)	1,869
Increase (decrease) in deferred revenue	2,008	(3,729)
Other	(3,160)	2,104
Subtotal	58,094	32,252
Interest and dividends received	58	277
Interest paid	(49)	(41)
Income taxes paid	(11,155)	(10,698)
Net cash provided by operating activities	46,947	21,789
Cash flows from investing activities		
Payments into time deposits	(21,297)	(25,302)
Proceeds from withdrawal of time deposits	17,980	25,441
Payments for acquisitions of tangible fixed assets	(2,950)	(7,103)
Proceeds from sales of tangible fixed assets	2	4
Payments for acquisitions of intangible fixed assets	(1,117)	(312)
Payments for purchase of investments in securities	(16)	(17)
Payments for other investing activities	(240)	(427)
Proceeds from other investing activities	213	37
Net cash used in investing activities	(7,426)	(7,679)
Cash flows from financing activities		
Proceeds from short-term loans borrowings	—	3,591
Repayments of long-term borrowings	(727)	(626)
Repayments of lease obligations	(504)	(935)
Payments for repurchase of treasury stock	(2)	(13,645)
Dividends paid by parent company	(8,745)	(10,868)
Net cash used in financing activities	(9,980)	(22,485)
Effect of exchange rate changes on cash and cash equivalents	2,050	2,209
Net increase (decrease) in cash and cash equivalents	31,592	(6,165)
Cash and cash equivalents at beginning of year	64,043	95,635
Cash and cash equivalents at end of year	95,635	89,470

(5) Notes to consolidated financial statements

(Going concern assumptions)

Not applicable

(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 fiscal year under review. Due to the adoption, they principally recognize assets and liabilities of leases as a lessee. In applying this accounting principle, they have 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 1,780 million yen, Current liabilities (Lease obligations) of 231 million yen and Long-term liabilities (Lease obligations) of 1,526 million yen on the Consolidated balance sheet for the fiscal year under review. The impact on the Consolidated statements of income for the fiscal year under review is minor.

(Changes in presentation method)

(Consolidated statements of income)

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 fiscal year under review 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" for the previous fiscal year increased by 1,693 million yen. "Gross profit" and "Selling, general and administrative expenses" decreased by the same amount respectively, but there is no impact on "Operating income."

(Segment information)

1. Outline of business reportable segment

(1) Classification of business reportable segment

The business segments the Company reports are the business units for which the Company is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

The Company has several business offices, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following three units: "Digital Contents," "Arcade Operations" and "Amusement Equipments."

(2) Product and service line

"Digital Contents" develops and distributes home video games and mobile games for consumers.

"Arcade Operations" operates amusement facilities which house amusement and arcade game machines.

"Amusement Equipments" develops, manufactures and distributes amusement machines etc. to amusement facility operators.

2. Method of calculating sales and income (loss), identifiable assets and liabilities, and other items by reportable segment

The accounting procedure for the reportable segment is in principle the same with that for the consolidated financial statements.

Income by reportable segment is calculated based on operating income.

3. Information on net sales and operating income (loss), identifiable assets and liabilities, and other items by reportable segment

Previous fiscal year (from April 1, 2021 to March 31, 2022)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	87,534	12,404	5,749	105,687	4,366	110,054	—	110,054
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	87,534	12,404	5,749	105,687	4,366	110,054	—	110,054
Operating income (loss)	45,359	652	2,348	48,360	1,517	49,877	(6,967)	42,909
Identifiable assets	51,895	8,491	7,651	68,038	1,650	69,688	117,677	187,365
Other items								
Depreciation and amortization	989	1,120	71	2,181	396	2,578	807	3,385
Increase in tangible and intangible fixed assets	525	1,579	69	2,173	11	2,184	1,603	3,788

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

2. Adjustments are as follows.

(1) Adjustments of operating income (loss) of -6,967million yen include unallocated corporate operating expenses of -6,967 million yen.

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

(2) Adjustments of identifiable assets of 117,677 million yen include unallocated corporate identifiable assets of 117,677 million yen.

(3) Adjustments of increase in tangible and intangible fixed assets of 1,603 million yen are capital investment by headquarters.

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

Current fiscal year (from April 1, 2022 to March 31, 2023)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	98,158	15,609	7,801	121,569	4,360	125,930	—	125,930
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	98,158	15,609	7,801	121,569	4,360	125,930	—	125,930
Operating income (loss)	53,504	1,227	3,433	58,166	1,433	59,599	(8,787)	50,812
Identifiable assets	83,054	9,879	8,913	101,847	2,253	104,100	113,264	217,365
Other items								
Depreciation and amortization	1,114	1,258	66	2,438	71	2,510	928	3,438
Increase in tangible and intangible fixed assets	2,170	2,287	48	4,506	30	4,537	5,086	9,624

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

2. Adjustments are as follows.

(1) Adjustments of operating income (loss) of -8,787 million yen include unallocated corporate operating expenses of -8,787 million yen.

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

(2) Adjustments of identifiable assets of 113,264 million yen include unallocated corporate identifiable assets of 113,264 million yen.

(3) Adjustments of increase in tangible and intangible fixed assets of 5,086 million yen are capital investment by headquarters.

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

4. As described in the "Change in accounting principles," ASU2016-02 Leases (February 25, 2016) has been adopted from the beginning of the fiscal year under review.

As a result, the identifiable assets for "Digital Contents" have increased to 1,780 million yen.

(Per share information)

	Previous fiscal year (from April 1, 2021) to March 31, 2022)	Current fiscal year (from April 1, 2022) to March 31, 2023)
	(yen)	(yen)
Net assets per share	686.07	770.54
Earnings per share	152.48	174.73

- (Note) 1. The diluted earnings per share for the current fiscal year is omitted as the Company has no residual securities.
2. As described above in "Change in accounting principles," the overseas subsidiaries adopting U.S. GAAP have adopted ASU2016-02 Leases (February 25, 2016).
As a result, the impact of this change on "Net assets per share" and "Earnings per share" in this fiscal year is minor.
3. The basis for computation of net assets per share is as follows:

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
	(million yen)	(million yen)
Total amount of net assets	146,475	161,129
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	146,475	161,129
Number of shares of common stocks used for computation of net assets per share (thousand shares)	213,499	209,112

4. The basis for computation of earnings per share is as follows:

	Previous fiscal year (from April 1, 2021) to March 31, 2022)	Current fiscal year (from April 1, 2022) to March 31, 2023)
	(million yen)	(million yen)
Net income attributable to owners of the parent	32,553	36,737
Amount not allocated to common stock	—	—
Net income attributable to owners of the parent allocated to common stock	32,553	36,737
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	213,499	210,253

5. The Company's stock that remains in the Stock Grant ESOP Trust and is recorded as Treasury stock in net assets is included in the number of treasury shares deducted from the number of shares outstanding at the end of the period for calculating earnings per share, and is included in the treasury shares deducted from the average number of shares outstanding used for calculating net assets per share.
The average number of the deducted treasury shares used to calculate the earnings per share for the fiscal year under review is 3,156,067, and the number of the deducted treasury shares used to calculate net assets per share as of the end of the fiscal year under review is 3,999,460.

(Additional information)

(Employee Stock Ownership Plan)

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 fiscal year under review are 13,818 million yen and 3,999,460 shares of the Company's common stock, respectively.