

Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
<b>Assets</b>		
Current assets:		
Cash on hand and in banks (Notes 11 and 13)	125,191	166,783
Accounts receivable - trade (Note 13)	25,383	33,341
Merchandise and finished goods	1,692	2,798
Work in progress	1,222	917
Raw materials and supplies	847	1,115
Work in progress for game software	39,035	49,209
Other	4,456	7,917
Allowance for doubtful accounts	△2	△0
Total current assets	197,826	262,082
Fixed assets:		
Tangible fixed assets, net of accumulated depreciation (Note 7(1))		
Buildings and structures, net	10,938	10,745
Machinery and vehicles, net	14	41
Tools, fixtures and furniture, net	2,198	2,090
Equipment for amusement facilities, net	3,375	3,556
Land	8,996	10,028
Leased assets, net (Note 12(1))	2,142	2,773
Construction in progress	647	2,598
Other, net	2,154	1,720
Total tangible fixed assets	30,468	33,554
Intangible assets	1,444	1,436
Investments and other assets		
Deferred tax assets (Note 16)	7,893	8,962
Other	5,867	6,968
Allowance for doubtful accounts	△23	△23
Total investments and other assets	13,737	15,907
Total fixed assets	45,650	50,899
Total assets	243,476	312,982

The accompanying notes are an integral part of these financial statements.

Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable – trade	2,603	3,117
Electronically recorded monetary liabilities	1,730	2,505
Short-term borrowings (Notes 7(3), 13 and 24)	3,591	3,591
Current portion of long-term borrowings (Notes 13 and 24)	626	—
Lease obligations (Note 24)	1,265	1,512
Accrued income taxes	5,454	15,053
Accrued bonuses	8,388	9,480
Deferred revenue	683	20,590
Other (Note 7(2))	8,870	13,626
Total current liabilities	33,213	69,478
Long-term liabilities:		
Long-term borrowings (Notes 13 and 24)	3,000	3,000
Lease obligations (Note 24)	3,676	3,813
Deferred tax liabilities (Note 16)	22	46
Liabilities for retirement benefits for employees (Note 14)	4,379	4,758
Provision for share awards	2,074	3,169
Provision for share-based payments	—	49
Other	2,028	2,361
Total long-term liabilities	15,181	17,200
Total liabilities	48,394	86,678
<b>Net assets</b>		
Shareholders' equity:		
Common stock	33,239	33,239
Capital surplus	30,259	30,259
Retained earnings	172,615	204,233
Treasury stock	△50,012	△49,963
Total shareholders' equity	186,100	217,768
Accumulated other comprehensive income:		
Cumulative translation adjustments	9,197	8,602
Accumulated adjustments for retirement benefits, net of tax	△216	△222
Total accumulated other comprehensive income	8,980	8,380
Share award rights (Note 15)	—	155
Non-controlling interests	—	—
Total net assets	195,081	226,303
Total liabilities and net assets	243,476	312,982

The accompanying notes are an integral part of these financial statements.

Consolidated statements of income

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net sales (Note 8(1))	152,410	169,604
Cost of sales (Notes 8(2) and (4))	67,755	70,846
Gross profit	84,654	98,757
Selling, general and administrative expenses (Notes 8(3) (4) and 15)	27,572	32,980
Operating income	57,081	65,777
Non-operating income:		
Interest income	1,159	1,118
Dividend income	27	0
Exchange gain, net	2,303	511
Other	116	130
Total non-operating income	3,606	1,761
Non-operating expenses:		
Interest expense	60	80
Social contribution activity-related expenses (Notes 8(4) and (5))	1,029	1,663
Other	176	158
Total non-operating expenses	1,265	1,902
Ordinary income	59,422	65,635
Special gains:		
Gain on sales of fixed assets (Note 8(6))	1	144
Gain on sales of investment securities	408	—
Total special gains	410	144
Special losses:		
Loss on sales and /or disposal of fixed assets (Note 8(7))	35	128
Loss on sales of Investments securities	13	—
Business restructuring expenses (Note 8(8))	500	—
Total special losses	549	128
Net income before income taxes	59,282	65,651
Income taxes - current	13,851	18,245
Income taxes - deferred (Note 16)	2,056	△1,039
Total income taxes	15,908	17,205
Net income	43,374	48,445
Net loss attributable to non-controlling interests	—	△7
Net income attributable to owners of the parent	43,374	48,453

The accompanying notes are an integral part of these financial statements.

(Yen)

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Per share information (Note 21)		
Net income per share	103.71	115.85
Diluted net income per share	—	115.84
Dividend per share	70.00	40.00

(Note) With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The Company calculated “Net income per share”, assuming that the stock split was implemented with an effective date of April 1, 2023. “Dividend per share” was the actual amount before the stock split.

Consolidated statements of comprehensive income

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net income	43,374	48,445
Other comprehensive income (Note 9)		
Net unrealized gain or loss on securities, net of tax	△102	—
Cumulative translation adjustments	4,865	△596
Adjustments for retirement benefits, net of tax	68	△6
Total other comprehensive income	4,831	△602
Comprehensive income	48,206	47,843
Comprehensive income attributable to:		
Owners of the parent	48,206	47,853
Non-controlling interests	—	△9

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

Previous fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2023	33,239	30,259	143,519	△50,037	156,979
Changes of items during the fiscal year					
Cash dividends (Note 10(3))			△14,278		△14,278
Net income attributable to owners of the parent			43,374		43,374
Purchase of treasury stock				△1	△1
Disposal of treasury stock				26	26
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	29,095	25	29,121
Balance as of March 31, 2024	33,239	30,259	172,615	△50,012	186,100

	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, 2023	102	4,332	△285	4,149	161,129
Changes of items during the fiscal year					
Cash dividends (Note 10(3))					△14,278
Net income attributable to owners of the parent					43,374
Purchase of treasury stock					△1
Disposal of treasury stock					26
Net changes of items other than shareholders' equity	△102	4,865	68	4,831	4,831
Total changes of items during the fiscal year	△102	4,865	68	4,831	33,952
Balance as of March 31, 2024	—	9,197	△216	8,980	195,081

The accompanying notes are an integral part of these financial statements.

Current fiscal year (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2024	33,239	30,259	172,615	△50,012	186,100
Changes of items during the fiscal year					
Cash dividends (Note 10(3))			△16,835		△16,835
Net income attributable to owners of the parent			48,453		48,453
Purchase of treasury stock				△2	△2
Disposal of treasury stock				51	51
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	31,617	49	31,667
Balance as of March 31, 2025	33,239	30,259	204,233	△49,963	217,768

	Accumulated other comprehensive income			Share award rights	Non-controlling interests	Total net assets
	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income			
Balance as of April 1, 2024	9,197	△216	8,980	—	—	195,081
Changes of items during the fiscal year						
Cash dividends (Note 10(3))						△16,835
Net income attributable to owners of the parent						48,453
Purchase of treasury stock						△2
Disposal of treasury stock						51
Net changes of items other than shareholders' equity	△594	△6	△600	155	—	△445
Total changes of items during the fiscal year	△594	△6	△600	155	—	31,221
Balance as of March 31, 2025	8,602	△222	8,380	155	—	226,303

The accompanying notes are an integral part of these financial statements.

Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
<b>Cash flows from operating activities:</b>		
Net income before income taxes	59,282	65,651
Depreciation and amortization	4,221	4,675
Increase (decrease) in allowance for doubtful accounts	1	△1
Increase (decrease) in accrued bonuses	2,610	1,094
Increase (decrease) in liabilities for retirement benefits for employees	339	365
Increase (decrease) in provision for share awards	1,055	1,095
Increase (decrease) in provision for share-based payments	—	49
Interest and dividend income	△1,186	△1,119
Interest expense	60	80
Exchange (gain) loss, net	△1,134	△117
Loss (gain) on sales and/or disposal of fixed assets	34	△15
Loss (gain) on sales of Investments securities	△395	—
Business restructuring expenses	500	—
Decrease (increase) in notes and accounts receivable - trade	△71	△7,976
Decrease (increase) in inventories	△825	△1,073
Decrease (increase) in work in progress for game software	△788	△10,169
Increase (decrease) in notes and accounts payable - trade	△1,438	1,299
Increase (decrease) in deferred revenue	△4,892	19,932
Other	△1,427	1,372
Subtotal	55,944	75,142
Interest and dividends received	1,130	1,131
Interest paid	△59	△77
Income taxes paid	△20,094	△8,578
Net cash provided by operating activities	36,921	67,618
<b>Cash flows from investing activities:</b>		
Payments into time deposits	△28,433	△32,258
Proceeds from withdrawal of time deposits	26,962	32,107
Payments for acquisitions of tangible fixed assets	△4,838	△5,846
Proceeds from sales of tangible fixed assets	1	339
Payments for acquisitions of intangible fixed assets	△297	△431
Payments for purchase of investments in securities	△10	—
Proceeds from sales of investments in securities	936	—
Payments for acquisitions of investments in subsidiaries	△122	△162
Payments for other investing activities	△164	△1,185
Proceeds from other investing activities	4	163
Net cash used in investing activities	△5,962	△7,273
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans borrowings	3,000	—
Repayments of long-term borrowings	△3,685	△688
Repayments of lease obligations	△1,017	△1,222
Payments for repurchase of treasury stock	△1	△2
Dividends paid by parent company	△14,266	△16,823
Net cash used in financing activities	△15,969	△18,735
Effect of exchange rate changes on cash and cash equivalents	4,631	△274
Net increase (decrease) in cash and cash equivalents	19,620	41,334
Cash and cash equivalents at beginning of year	89,470	109,091
Cash and cash equivalents at end of year (Note 11)	109,091	150,426

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the “Company”) and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Financial Instruments and Exchange Act. Each amount in the consolidated financial statements and notes is rounded down to the nearest ¥1 million.

2. Summary of significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 15 majority owned subsidiaries (the “Companies”) at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated. The investments in 20% to 50% owned companies (affiliated companies) are, with minor exceptions, accounted for under the equity method.

The consolidated subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)  
CAPCOM PICTURES, INC. (U.S.A.)  
CE EUROPE LTD. (U.K.)  
CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)  
CAPCOM ENTERTAINMENT FRANCE SAS (France)  
CAPCOM SINGAPORE PTE. LTD. (Singapore)  
CAPCOM ASIA CO., LTD. (Hong Kong)  
CAPCOM TAIWAN CO., LTD. (Taiwan)  
Minimum Studios Co.,Ltd.(Taiwan)  
CAPCOM MAINTENANCE SERVICE CO., LTD. (Japan)  
K2 CO., LTD. (Japan)  
ENTERRISE CO., LTD. (Japan)  
ADELION CO., LTD. (Japan)  
SWORDCANES STUDIO CO., LTD. (Japan)  
LEOSTAR CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

LEOSTAR CO., LTD., newly established, has been included in the scope of consolidation from the current consolidated fiscal year. And the Company has acquired 66.7% of the total issued shares of Minimum Studios Co., Ltd. which has been included in the scope of consolidation from the current consolidated fiscal year.

(2) Investments in securities

Available-for-sale securities

The securities other than shares that do not have a market value are stated at fair value at the end of fiscal year. Net unrealized gains or losses on these securities are inserted directly into net assets and



the cost of securities sold is determined based on the average cost of all such securities held at the time of sale. Shares that do not have a market value are stated at cost based on the gross average method.

- (3) Inventories ( “Merchandise and finished goods,” “Work in progress,” “Raw materials and supplies” ) and “Work in progress for game software”

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

- (4) Tangible fixed assets, except for leased assets

The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respective assets, except for buildings (excluding facilities attached to buildings) for which depreciation is computed using the straight-line method. For facilities attached to buildings and structures acquired on or after April 1, 2016, the straight-line method is applied. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

- (5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method.

- (6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee

Depreciation of such leased assets is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero. If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.

- (7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end. This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Provision for share awards

In preparation for granting shares of the Company to our employees based on the stock compensation regulations, provision for share awards is stated based on the estimated stock compensation.

(10) Provision for share-based payments

To provide for the delivery of the Company's shares to corporate officers under the performance-linked stock remuneration plan, the amount attributable to the fiscal year under review is recorded based on the estimated total payment.

(11) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on benefit formula method. Actuarial net gains or losses are amortized over 13 to 14 years, commencing from the following year in which they arise.

(12) Significant revenue and cost recognition

- a. Content of major performance obligations at major business segments and ordinary point of time of revenue recognition

(a) Digital content business

Digital content business develops and distributes video and mobile games for consumers.

(Package sales and Digital download sales)

Ordinarily, revenue will be recognized at a point of delivery if the Company can judge that the performance obligation is satisfied when customers obtain control of that items which can be used in that game software title and items in our contents at delivering them.

(Free download contents)

Major updating or other similar events after the release date are planned for some game software titles with online features among those which the Company sold to customers. Such events include the release of game content items which customers can play free of charge, and these releases are announced to and anticipated by customers.

The Company assumes that we have an obligation to release these free downloadable content items (Free DLCs) in future to customers. Therefore, the Company identifies distinct performance obligations for the "Full Game," which becomes available for playing on the release date, and "Free DLCs," which are additionally provided after the release date through major updating or other similar events, and allocates the transaction price of a game software title sold to customers to the Full Game and Free DLCs, based on their stand-alone selling prices. In addition, Free DLCs for those yet to be released are not recognized as revenue at the end of consolidated fiscal year. But the stand-alone selling

prices of Full Game and Free DLCs were not directly observable. Therefore, the Company selected game software titles with charged downloadable content items, etc. (Charged DLCs, etc.) similar to the applicable game software titles by considering the game genres, details of the Full Game and DLCs, and distribution methods, and calculates the average ratio of the selling prices of Charged DLCs, etc. to the total of the selling prices of the Full Game and Charged DLCs, etc. (selling price ratio). The Company determined the transaction price of Free DLCs by multiplying the selling price of game software sold by the Company to customers by the selling price ratio.

The Company assumes that performance obligation is satisfied when Free DLC is provided to customers and made them available to play. Therefore, revenue from Free DLCs for those yet to be provided is deferred, recognized as sales over the planned period of Free DLC distribution after the date of provision based on the fact that it is released.

(Licensing-related sales)

The Company, as the copyrights holder of game software which we developed and productized, grants the right of delivery or the right of material use by entering into license agreements with customers. The non-returnable contract revenue and minimum guarantee revenue in this licensing-related revenue is recognized at a single point in time, if the Company can judge that our performance obligation was satisfied when the customers obtained control of the license at the point when it was granted.

Additionally, revenue related to royalties based on sales is calculated on the basis of customers' sales and recognized at a single point in time, considering when the performance obligation is deemed satisfied and the time of revenue.

The Company receives consideration for the transaction within approximately three months after our performance obligations are completed, and significant financing components are not included.

(b) Arcade operations business

Arcade operations business operates amusement stores which install amusement equipment, revenue from the contract with customers is product sales and services provided by amusement equipment, and is recognized at a point of providing to the customers.

The Company receives consideration for the transaction within approximately three months after our performance obligations are completed, and significant financing components are not included.

(c) Amusement equipment business

Amusement equipment business manufactures pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors. Its revenue is recognized at a one-time point, if the Company can judge that performance obligation is satisfied at the point of delivery of products to customers.

The Company receives consideration for the transaction within approximately three months after our performance obligations are completed, and significant financing components are not included.

(d) Other business

Other business operates Character licensing-related sales, and others.

The Company, as the copyrights holder of game software and these characters which was developed and productized, grants the right of delivery or the right of material use by entering into license agreements with customers.

The non-returnable contract revenue and minimum guarantee revenue in these licensing-related revenue

is recognized at a one-time point, if the Company can judge that our performance obligation is satisfied when customers obtain control of the license at the point of granting it.

Additionally, revenue related to royalties based on sales are calculated by customers' sales as basis, revenue is recognized at a one-point which is judged by our satisfaction of performance obligation by considering the time of revenue.

The Company receives consideration for the transaction within approximately three months after our performance obligations are completed, and significant financing components are not included.

b. Cost of game software production

Game software is produced by a combination of software functioning as program and multi-game content such as images and sound data. Since the Company consider both software and content as non-separable, the primary economic value is based on content. Overall, the cost of game software is booked as work in progress for game software when commercialization has been authorized at the Company. The cost of production capitalized as assets is booked as cost of sales based on expected sales revenue.

(13) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

(14) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Exchange gains (losses)" in the consolidated statements of income.

The assets and liabilities of foreign subsidiaries are translated into JPY at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign subsidiaries are translated into JPY at the average rates of exchange during the fiscal year. Gains and losses resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of income and are included in "Cumulative translation adjustments" in "Net assets" in the consolidated balance sheets.

(15) Goodwill

Goodwill is amortized using the straight-line method over 5 years.

### 3. Significant accounting estimates

#### (1) Revenue recognition of free download contents

- a. Deferred revenue of free download contents on the consolidated financial statement for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Deferred revenue in the consolidated balance sheet	683	20,590
Out of the above amounts, deferred revenue provided to free download contents yet to be released at the end of the current fiscal year	—	16,177

- b. Information on significant accounting estimates for identified items

#### (a) Estimate calculation method (b) Major assumptions for estimates

They are the same as described in "Note 2. Summary of significant accounting policies (12) Significant revenue and cost recognition a. Content of major performance obligations at major business segments and ordinary point of time of revenue recognition."

#### (c) The impact on the consolidated financial statements for the next fiscal year

The amount stated on the consolidated balance sheet for the current fiscal year will be recognized as sales in the next fiscal year.

#### (2) Valuation of work in progress for game software

- a. Work in progress for game software stated on the consolidated financial statement for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Work in progress for game software in the consolidated balance sheet	39,035	49,209

- b. Information on significant accounting estimates

#### (a) Estimate calculation method

Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amount. For game software titles yet to be released, the Company reduces the carrying amounts to the net selling price, which is reasonably estimated by deducting the estimated additional development costs and the estimated direct selling expenses from the planned sales revenue, in the case that the carrying amounts for game software exceed the net selling price. For released game software titles, in the case that the actual sales revenue is significantly below the plan continuously or remarkable decline in revenue is expected, the Company reviews the planned sales revenue and reasonably review the net selling price, which is calculated by deducting the estimated additional development cost and the estimated direct selling expenses from the reviewed planned sales revenue, and then reduces the carrying amounts to the renewed net selling price.

#### (b) Major assumptions for estimation

The number of units sold and the selling price, which are the basis for the estimates of the planned sales revenue were judged by management subjectively based on the forecast of console markets and user's purchase trends, among others, and by referring to the reputation of previous and similar titles, price strategies, and method for distribution to customers, among others.

(c) Impact on the consolidated financial statement for the next fiscal year

The Company considers that the elements of the major assumptions used to calculate work in progress of game software are reasonable. However, future changes in market conditions and users' purchase trends, as well as unpredictable changes in economic and business assumptions, may have an impact on planned sales revenue and therefore the valuation of work in progress of game software in the next fiscal year.

#### 4. Changes in presentation method

(Consolidated balance sheets)

"Investment securities," "Claim in bankruptcy and reorganization", and "Lease deposits", in "Investments and other assets," which were separately presented in the previous fiscal year, are included in "Other" in the current fiscal year because their materiality has become insignificant. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, in the consolidated balance sheets of the previous fiscal year, 26 million yen presented in "Investment securities", 12 million yen presented in "Claim in bankruptcy and reorganization", and 4,750 million yen presented in "Lease deposits" in "Investments and other assets" have been reclassified to "Other."

"Asset retirement obligations" in "long-term liabilities," which was separately presented in the previous fiscal year, is included in "Other" in the current fiscal year because the materiality has become insignificant. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, 1,095 million yen, which was presented as "Asset retirement obligations" in "long-term liabilities" in the consolidated balance sheet for the previous fiscal year, has been reclassified as "Other."

#### 5. Accounting standards not yet adopted

- "Accounting Standard for Leases" (ASBJ Statement No. 34, issued on September 13, 2024)
- "Implementation Guidance on Accounting Standard for Leases"

(ASBJ Guidance No. 33, issued on September 13, 2024)

Other related revisions to accounting standards, implementation guidance, practical solution reports, and transfer guidelines

##### (1) Overview

This standard establishes accounting treatments that require lessees to recognize assets and liabilities for all leases, as with international accounting standards.

##### (2) Scheduled date of adoption

From the beginning of the fiscal year ending March 31, 2028.

##### (3) Impact of adoption

The impact on the consolidated financial statements from the adoption of "Accounting Standard for Leases" and related guidance is currently being evaluated.

## 6. 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 our 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"). 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.

The remuneration of corporate officers of the Company (excluding those concurrently serving as directors) has been changed to a performance-linked stock remuneration system like the one that was introduced for the Company's directors (excluding external directors and members of the Audit and Supervisory Committee) by a resolution of the Company's 45th Annual General Meeting of Shareholders to promote the sharing of values from the same perspective as shareholders. As such, corporate officers of the Company (excluding those concurrently serving as directors) who were previously eligible for the Plan are therefore no longer eligible.

#### (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 fiscal year are 13,791 million yen and 7,983,640 shares, and 13,740 million yen and 7,593,888 shares, respectively.

With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The Company calculated the number of shares, assuming that the stock split was implemented with an effective date of April 1, 2023.

## 7. Notes to consolidated balance sheets

### (1) Accumulated depreciation of tangible fixed assets

	(Millions of yen)	
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Accumulated depreciation of tangible fixed assets	27,830	30,284

- (2) The contract liability incurred by contracts with customers in "other" of current liabilities is described in "Note 19. Revenue recognition (3) Relationship between satisfaction of performance obligation based on contracts with customers and cashflow from these contracts, information about estimated amount of revenue and its period to be recognized after next consolidated fiscal year considering from existing contracts with customers as of current consolidated fiscal year.

### (3) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements for the purpose of efficient and sustainable financing and improving the efficiency of funds operations and the Company's financial flexibility.

	(Millions of yen)	
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Total amount of overdraft limit and credit line agreements	10,291	10,291
Borrowings	3,591	3,591
Unexercised balance	6,700	6,700

## 8. Notes to consolidated statements of income

### (1) Revenue from contracts with customers

For sales, revenue from contracts with customers and other revenues are not separately listed. Revenue from contracts with customers is described in "Note 19. Revenue recognition (1) Break-down information of revenue from contracts with customers."

- (2) The amount of book value reduction based on a decline in profitability including in "Cost of Sales"

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
	4,544	5,040

### (3) Major items and the amounts under "Selling, general and administrative expenses"

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Advertising expenses	5,297	6,946
Promotion expenses	2,095	3,345
Salaries for directors and employees	6,915	8,097
Provision for accrued bonuses	2,650	2,798
Commission expenses	2,164	2,228



- (4) Research and development expenses included in administrative expenses and cost of products manufactured

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
	43,042	49,496

- (5) Social contribution activity-related expenses

Previous fiscal year (April 1, 2023 to March 31, 2024)

The breakdown of "Social contribution activity-related expenses" is "2025 Osaka Expo-related expense" of ¥783 million and "Donation" of ¥246 million.

Current fiscal year (April 1, 2024 to March 31, 2025)

The breakdown of "Social contribution activity-related expenses" is "2025 Osaka Expo-related expense" of ¥1,499 million and "Donation" of ¥164 million.

- (6) Gain on sales of fixed assets

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Buildings and structures	—	143
Tools, fixtures and furniture	1	1
Total	1	144

- (7) The breakdown of "Loss on sales and/or disposal of fixed assets"

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Buildings and structures	2	8
Machinery and vehicles	—	0
Tools, fixtures and furniture	9	0
Equipment for amusement facilities	0	23
Software	23	96
Total	35	128

- (8) Business restructuring expenses

Previous fiscal year (April 1, 2023 to March 31, 2024)

The expenses were incurred as a result of the assessment of the recoverability of assets of the "Digital contents business", which arose from the restructuring of the foreign subsidiaries' R&D system.

Current fiscal year (April 1, 2024 to March 31, 2025)

Not applicable

9. Notes to consolidated statements of comprehensive income

Amount of recycling and income tax effect associated with other comprehensive income

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net unrealized gain or loss on securities, net of tax		
Amount arising during the fiscal year	227	—
Amount of recycling	△395	—
Net gain before the effect of income taxes	△167	—
Effect of income taxes	65	—
Net unrealized gain or loss on securities, net of tax	△102	—
Cumulative translation adjustments		
Amount arising during the fiscal year	4,865	△596
Amount of recycling	—	—
Cumulative translation adjustments	4,865	△596
Adjustments for retirement benefits, net of tax		
Amount arising during the fiscal year	36	△72
Amount of recycling	62	59
Net gain before the effect of income taxes	99	△13
Effect of income taxes	△30	6
Adjustments for retirement benefits, net of tax	68	△6
Total other comprehensive income	4,831	△602

10. Notes to consolidated statements of changes in net assets

(1) Previous fiscal year (April 1, 2023 to March 31, 2024)

a. Number of outstanding shares

Type of shares	Number of shares as of April 1, 2023	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2024
Common stock (thousand shares)	266,505	—	—	266,505

(Note) There was no increase or decrease in the current fiscal year.

b. Number of treasury stocks

Type of shares	Number of shares as of April 1, 2023	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2024
Common stock (thousand shares)	57,393	0	7	57,386

(注) 1. The number of treasury stock as of April 1, 2023 and as of March 31, 2024 include 3,999,460 and 3,991,820 shares held by The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

- |  |                   |
|--|-------------------|
| 2. Increase due to purchase of less-than-one-unit shares | 0 thousand shares |
| 3. Decrease due to grant to retired employees            | 7 thousand shares |

c. Dividend

Amount of dividends paid

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2023	Common stock	8,524	40	March 31, 2023	June 21, 2023
Board of Directors' meeting held on October 26, 2023	Common stock	5,754	27	September 30, 2023	November 15, 2023

- (Note) 1. The amount of dividends resolved at the ordinary general meeting of shareholders held on June 20, 2023 included dividends of ¥159 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)
2. The amount of dividends per share resolved at the ordinary general meeting of shareholders held on June 20, 2023 included 40th commemorative dividend of ¥10.
3. The amount of dividends resolved at the ordinary general meeting of Board Directors held on October 26, 2023 included dividends of ¥107 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

Dividends whose effective date was to be after the end of the fiscal year ended March 31, 2024, and record date was included in the same fiscal year.

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2024	Common stock	Retained earnings	9,163	43	March 31, 2024	June 21, 2024

- (Note) 1. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 20, 2024 included dividends in an amount of ¥171 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)
2. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The amount of dividends per share was that before the stock split.

(2) Current fiscal year (April 1, 2024 to March 31, 2025)

a. Number of outstanding shares

Type of shares	Number of shares as of April 1, 2024	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2025
Common stock (thousand shares)	266,505	266,505	—	533,011

- (Note) 1. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock.  
2. (Reason of increase) Increase due to stock split 266,505 thousand shares

b. Number of treasury stocks

Type of shares	Number of shares as of April 1, 2024	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2025
Common stock (thousand shares)	57,386	57,386	29	114,743

- (注) 1. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock.  
2. The number of treasury stock as of April 1, 2024 and as of March 31, 2025 include 3,991,620 and 7,953,888 shares held by The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).  
3. (Reason of increase) Increase due to stock split 57,386 thousand shares  
4. Increase due to purchase of less-than-one-unit shares 0thousand shares  
5. Decrease due to grant to retired employees 29thounsnd shares

c. Dividend

Amount of dividends paid

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2024	Common stock	9,163	43	March 31, 2024	June 21, 2024
Board of Directors' meeting held on October 29, 2024	Common stock	7,671	18	September 30, 2024	November 15, 2024

- (Note) 1. The amount of dividends resolved at the ordinary general meeting of shareholders held on June 20, 2024 included dividends of ¥171 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)  
2. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The amount of dividends per share resolved at the ordinary general meeting of shareholders held on June 20, 2024 was that before the stock split.  
3. The amount of dividends resolved at the ordinary general meeting of Board Directors held on October 29, 2024 included dividends of ¥143 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

Dividends whose effective date was to be after the end of the fiscal year ended March 31, 2024, and record date was included in the same fiscal year.

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2025	Common stock	Retained earnings	9,376	22	March 31, 2025	June 23, 2025

- (Note) The amount of dividends resolved by the ordinary general meeting of shareholders held on June 20, 2025 included dividends in an amount of ¥174 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

# 11. Notes to consolidated statements of cash flows

Cash and cash equivalents at end of year

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Cash on hand and in banks	125,191	166,783
Time deposits with maturities over three months	△15,746	△15,699
Separate deposit for ESOP trust	△353	△657
Cash and cash equivalents	109,091	150,426

# 12. Accounting for leases

(Lessee)

## (1) Capital leases

Capital leases which do not transfer ownership of the leased assets to the lessee

### a. Leased assets:

Tangible fixed assets

Major assets are equipment for research and development.

### b. Depreciation method:

Stated in "Note 2. Summary of significant accounting policies (6) Leased assets."

## (2) Operating leases

Future lease payments

	(Millions of yen)	
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Due within one year	948	832
Due over one year	1,933	2,966
Total	2,882	3,799

# 13. Financial instruments

## (1) Conditions of financial instruments

### a. Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration. The Companies raise funds through borrowings from financial institutions, such as banks, etc.

### b. Financial instruments, risks, and risk management

Notes - trade and accounts receivable - trade are exposed to the credit risk of customers. To minimize the risk, the Companies regularly monitor the credit status of major customers as well as perform due date control and balance control for each customer according to the importance of the business in accordance with credit exposure management rules.

As for notes and accounts payable - trade and electronically recorded monetary liabilities, due date of payment is within one year. Short-term borrowings and long-term borrowings (including "current portion of long-term borrowings") are mainly for normal operating activities and capital investments.

Notes and accounts payable - trade, electronically recorded monetary liabilities and borrowings are exposed to liquidity risk. The Companies minimize such risk by forecasting cash flows on a monthly basis.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and any differences between the two were as follows:

Previous fiscal year (March 31, 2024)

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Long-term borrowings (*2)	3,626	3,624	△1
Total	3,626	3,624	△1

(\*1) The notes for cash on hand and in banks, notes receivables - trade, accounts receivable - trade, notes and accounts payable - trade, electronically recorded monetary liabilities and short-term borrowings are omitted since they are cash or settled in the short term and the fair values approximate the book values.

(\*2) Long-term borrowings due within one year are included.

Current fiscal year (March 31, 2025)

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Long-term borrowings	3,000	2,960	△39
Total	3,000	2,960	△39

(\*) The notes for cash on hand and in banks, notes - trade, accounts receivable - trade, notes and accounts payable - trade, electronically recorded monetary liabilities and short-term borrowings are omitted since they are cash or settled in the short term and the fair values approximate the book values.

(Changes in presentation method)

The description of "Lease deposits" has been omitted from the current fiscal year because its materiality has become insignificant.

To reflect this change in presentation, the description in the previous fiscal year is also omitted.

(Note 1) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

Previous fiscal year (March 31, 2024)

(Millions of yen)

	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2029	April 1, 2029 to March 31, 2034	April 1, 2034 and thereafter
Cash on hand and in banks	125,191	—	—	—
Accounts receivable - trade	25,383	—	—	—
Total	150,575	—	—	—

Current fiscal year (March 31, 2025)

(Millions of yen)

	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2030	April 1, 2030 to March 31, 2035	April 1, 2035 and thereafter
Cash on hand and in banks	166,783	—	—	—
Accounts receivable - trade	33,341	—	—	—
Total	200,124	—	—	—

(Note 2) Repayment schedule for current portion of long-term and long-term borrowings with maturity dates subsequent to the consolidated balance sheets date

Previous fiscal year (March 31, 2024)

(Millions of yen)

	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 and thereafter
Long-term borrowings (*)	626	—	3,000	—	—	—
Total	626	—	3,000	—	—	—

(\*) Long-term borrowings due within one year are included.

Current fiscal year (March 31, 2025)

(Millions of yen)

	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 to March 31, 2030	April 1, 2030 and thereafter
Long-term borrowings	—	3,000	—	—	—	—
Total	—	3,000	—	—	—	—

### (3) Matters regarding the breakdown of financial instruments by each fair value level

Fair values of financial instruments are categorized into three levels as below on the basis of the observability and the materiality of the valuation inputs used in the fair value measurements.

Fair values of Level 1: Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs

Fair values of Level 2: Fair values measured by observable valuation inputs other than inputs included within Level 1

Fair values of Level 3: Fair values measured by unobservable valuation inputs

When several inputs that have significant impacts on the fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for the fair value measurement among the levels in which each of the inputs belongs.

Financial instruments other than financial instruments recorded at fair value on the consolidated balance sheet

Previous fiscal year (March 31, 2024)

(Millions of yen)

	Fair Value			
Classification	Level 1	Level 2	Level 3	Total
Long-term borrowings (*)	—	3,624	—	3,624
Total	—	3,624	—	3,624

(\*) Long-term borrowings due within one year are included.

Current fiscal year (March 31, 2024)

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	2,960	—	2,960
Total	—	2,960	—	2,960

(Note) Explanation of valuation techniques and valuation inputs used in the fair value measurements

Long-term borrowings

The fair value of long-term borrowings is calculated by discounted cash-flow method based on total amount of principle and interest, average life of debts, and interest rate taking credit risk into account. It is classified as fair values of level 2.

#### 14. Retirement benefits for employees

##### (1) Summary of retirement benefit plans

The Company and some consolidated subsidiaries have unfunded benefit plans (retirement lump sum grants) and defined contribution plans (defined contribution pension scheme) to be applied to retirement benefits for employees. Some consolidated subsidiaries account for retirement lump sum plans using the simplified method to calculate liabilities for retirement benefits for employees and retirement costs.

##### (2) Defined benefit plans (excluding plans using the simplified method)

###### a. Change in projected benefit obligations

(Millions of yen)

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Projected benefit obligations at beginning of year	4,116	4,350
Service costs	355	374
Interest costs	21	23
Actuarial gain or loss incurred	△36	72
Payment of retirement benefits	△106	△90
Projected benefit obligations at end of year	4,350	4,730

###### b. Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

(Millions of yen)

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Projected benefit obligations for unfunded plans	4,350	4,730
Net balance presented in the consolidated balance sheet	4,350	4,730
Liabilities for retirement benefits for employees	4,350	4,730
Net balance presented in the consolidated balance sheet	4,350	4,730



c. Breakdown of retirement and pension costs

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Service costs	355	374
Interest costs	21	23
Amortization of actuarial differences	62	59
Net periodic benefit costs	439	456

d. Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Actuarial differences	99	△13
Total	99	△13

e. Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

	(Millions of yen)	
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Unrecognized actuarial differences	311	324
Total	311	324

f. Actuarial assumption

Major actuarial assumption (on weighted average)

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Discount rate	0.6%	0.6%

(3) Defined benefit plans using the simplified method

a. Change in projected benefit obligations

	(Millions of yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Projected benefit obligations at beginning of year	22	29
Service costs	7	2
Payment of retirement benefits	—	△4
Projected benefit obligations at end of year	29	27

b. Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees  
(Millions of yen)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Projected benefit obligations for unfunded plans	29	27
Net balance presented in the consolidated balance sheet	29	27
Liabilities for retirement benefits for employees	29	27
Net balance presented in the consolidated balance sheet	29	27

c. Retirement and pension costs

Retirement and pension costs for plans using the simplified method were ¥7 million for the previous fiscal year and ¥2 million for the current fiscal year.

(4) Defined contribution plans

The Companies contributed ¥398 million for the previous fiscal year and ¥430 million for the current fiscal year to their defined contribution plans.

15. Stock options and related matters

Details, scale, and changes in post-delivery type transactions involving the free delivery of shares as compensation for directors.

(1) Details of post-delivery type plan

	2024 post-delivery type
Classification and number of recipients	Directors (excluding external directors and members of the Audit and Supervisory Committee) 7 persons
Number of shares granted by type	154,698 shares of common stock
Grant date	June 20, 2024
Vesting conditions	Achievement of certain conditions during the three-year evaluation period from the fiscal year ended March 31, 2025 through the fiscal year ending March 31, 2027, as set at the General Meeting of Shareholders held on June 20, 2024.
Service period	April 1, 2024 to March 31, 2027

(2) Scale and changes in the post-delivery type plan

a. Amount recorded as expenses and account title

(Millions of yen)

	Current fiscal year (April 1, 2024 to March 31, 2025)
Selling, general and administrative expenses, director compensation	155

b. Number of shares

This section provides information on post-delivery type grants for which unvested shares existed during the current fiscal year (fiscal year ended March 31, 2025), or for which shares remained unissued as of the end of the fiscal year after vesting.

	2024 post-delivery type
Shares outstanding at end of previous fiscal year (shares)	—
Shares granted (shares)	154,698
Shares forfeited (shares)	—
Shares vested (shares)	—
Unvested shares outstanding (shares)	154,698
Unissued shares after vesting (shares)	—

c. Unit price information

	Current fiscal year (April 1, 2024 to March 31, 2025)
Fair value per share at grant date (yen)	3,009.9

(3) Method for estimating fair value at grant date

The fair value is calculated as the average closing price of the Company's shares on the Tokyo Stock Exchange during the month preceding the start of the evaluation period.

(4) Method for estimating the number of shares to vest

As it is generally difficult to reasonably estimate the number of forfeitures in advance for post-delivery type grants, the Company applies a method that reflects only the actual number of forfeitures.

# 16. Accounting for income taxes

## (1) Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
(Deferred tax assets)		
Accrued bonuses	2,502	2,967
Liabilities for retirement benefits for employees	1,335	1,494
Accrued retirement benefits for directors	103	106
Inventories	2,078	1,768
Investments in subsidiaries and affiliated companies	171	156
Tax loss carryforwards in the subsidiaries (Note)	417	352
Tax credits carryforwards in the subsidiaries	179	137
Depreciation and amortization	119	110
Provision for share awards	739	1,201
Accrued enterprise tax	438	987
Other	1,337	1,583
Subtotal	9,424	10,864
Valuation allowance for tax loss carryforwards (Note)	△210	△350
Valuation allowance for deductible temporary differences	△948	△880
Total valuation allowance	△1,158	△1,230
Total deferred tax assets	8,265	9,633
(Deferred tax liabilities)		
Other	△394	△717
Total deferred tax liabilities	△394	△717
Net deferred tax assets	7,871	8,915

## (Changes in presentation method)

Until the previous fiscal year, “Accrued enterprise tax” had been included in “Other.” However, due to an increase in materiality, they are presented separately from the current fiscal year. To reflect this change in presentation, reclassification has been made in the notes for the previous fiscal year.

As a result, 438 million yen previously presented under “Other” has been reclassified as “Accrued enterprise tax” in the previous fiscal year.

In addition, “Advances received” and “Deferred revenue,” which had been presented separately in the previous fiscal year, are included in “Other” for the current fiscal year because their materiality has become insignificant. To reflect this change in presentation, reclassification has been made in the notes for the previous fiscal year.

As a result, 16 million yen previously presented as “Advances received” and 0 million yen as “Deferred revenue” have been reclassified as “Other” in the previous fiscal year.

(Note) Tax loss carryforwards and deferred tax assets by expiration period

Previous fiscal year (March 31, 2024)

(Millions of yen)

	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 and thereafter	Total
Tax loss carryforwards (a)	—	—	—	—	—	417	417
Valuation allowance	—	—	—	—	—	△210	△210
Net deferred tax assets	—	—	—	—	—	207	(b)207

(a) Above tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥417 million (amount multiplied by the statutory tax rate), deferred tax assets of ¥207 million were presented. Deferred tax assets of ¥207 million were expected to be recoverable for a portion of the tax loss carryforwards of ¥309 million incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

Current fiscal year (March 31, 2025)

	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 to March 31, 2030	April 1, 2030 and thereafter	Total
Tax loss carryforwards (a)	—	—	—	—	—	352	352
Valuation allowance	—	—	—	—	—	△350	△350
Net deferred tax assets	—	—	—	—	—	1	(b)1

(a) Above tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥352 million (amount multiplied by the statutory tax rate), deferred tax assets of ¥1 million were presented. Deferred tax assets of ¥1 million were expected to be recoverable for a portion of the tax loss carryforwards of ¥1 million incurred by CAPCOM ENTERTAINMENT FRANCE SAS.

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Statutory income tax rate	30.5%	30.5%
(Reconciliation)		
Change in valuation allowance	△0.1%	0.2%
Tax credit	△3.6%	△4.0%
Different tax rates applied to foreign subsidiaries	△0.4%	△0.4%
Permanent difference (meals and entertainment, etc.)	0.2%	△0.1%
Unappropriated retained earnings of foreign subsidiaries	0.0%	0.1%
Others	0.2%	△0.0%
Effective income tax rate	26.8%	26.2%

(3) Adjustment to deferred tax assets and liabilities due to change in corporate tax rate

Following the revision of the tax law, the statutory effective tax rate applied to the calculation of deferred tax assets and liabilities related to temporary differences expected to reverse in or after the next fiscal year has been changed from 30.5% to 31.4%.

As a result of this change, the net amount of deferred tax assets (after deducting deferred tax liabilities) increased by 114 million yen in the current fiscal year, and income taxes - deferred decreased by 114 million yen.

17. Business combinations

The note is omitted due to the insignificance of the total amount.

18. Investment and rental property

The note is omitted due to the insignificance of the total amount.

19. Revenue recognition

(1) Break-down information of revenue from contracts with customers

Previous fiscal year (April 1, 2023 to March 31, 2024)

a. Detail of goods or services

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	19,312	—	—	19,312	—	19,312
Digital download sales	96,982	—	—	96,982	—	96,982
Mobile contents	3,545	—	—	3,545	—	3,545
Arcade operations	—	19,343	—	19,343	—	19,343
Amusement equipment	—	—	9,020	9,020	—	9,020
Others	—	—	—	—	4,204	4,204
Revenue from contracts with customers	119,841	19,343	9,020	148,205	4,204	152,410
Other revenues	—	—	—	—	—	—
Net sales to customers	119,841	19,343	9,020	148,205	4,204	152,410

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

b. Detail of area

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	21,648	19,343	9,020	50,012	1,965	51,977
U. S. A.	43,011	—	—	43,011	703	43,714
Europe	23,275	—	—	23,275	584	23,859
Others	31,906	—	—	31,906	950	32,857
Revenue from contracts with customers	119,841	19,343	9,020	148,205	4,204	152,410
Other revenues	—	—	—	—	—	—
Net sales to customers	119,841	19,343	9,020	148,205	4,204	152,410

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

c. The point of revenue recognition

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Goods or services to be transferred at a point in time	113,803	19,343	9,020	142,167	3,724	145,891
Goods or services to be transferred over time	6,037	—	—	6,037	480	6,518
Revenue from contracts with customers	119,841	19,343	9,020	148,205	4,204	152,410
Other revenues	—	—	—	—	—	—
Net sales to customers	119,841	19,343	9,020	148,205	4,204	152,410

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

Current fiscal year (April 1, 2024 to March 31, 2025)

a. Detail of goods or services

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	18,248	—	—	18,248	—	18,248
Digital download sales	103,444	—	—	103,444	—	103,444
Mobile contents	3,435	—	—	3,435	—	3,435
Arcade operations	—	22,750	—	22,750	—	22,750
Amusement equipment	—	—	15,613	15,613	—	15,613
Others	—	—	—	—	6,111	6,111
Revenue from contracts with customers	125,128	22,750	15,613	163,492	6,111	169,604
Other revenues	—	—	—	—	—	—
Net sales to customers	125,128	22,750	15,613	163,492	6,111	169,604

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.



b. Detail of area

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	27,249	22,750	15,613	65,613	3,013	68,627
U. S. A.	40,650	—	—	40,650	773	41,423
Europe	21,417	—	—	21,417	272	21,690
Others	35,811	—	—	35,811	2,052	37,863
Revenue from contracts with customers	125,128	22,750	15,613	163,492	6,111	169,604
Other revenues	—	—	—	—	—	—
Net sales to customers	125,128	22,750	15,613	163,492	6,111	169,604

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

c. The point of revenue recognition

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Goods or services to be transferred at a point in time	124,687	22,750	15,613	163,051	5,507	168,559
Goods or services to be transferred over time	440	—	—	440	604	1,045
Revenue from contracts with customers	125,128	22,750	15,613	163,492	6,111	169,604
Other revenues	—	—	—	—	—	—
Net sales to customers	125,128	22,750	15,613	163,492	6,111	169,604

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

(2) Basic information for understanding revenue from contracts with customers

It is the same as the content described in "Note 2. Summary of significant accounting policies (12)

Significant revenue and cost recognition a. Content of major performance obligations at major business segments and ordinary point of time of revenue recognition.

- (3) Relationship between satisfaction of performance obligation based on contracts with customers and cashflow from these contracts, information about estimated amount of revenue and its period to be recognized after the next consolidated fiscal year considering from existing contracts with customers as of current consolidated fiscal year

a. Balance of contract liability

(Millions of yen)

	Previous fiscal year	Current fiscal year
Receivable from contracts with customers (Beginning balance)	25,097	25,383
Receivable from contracts with customers (Ending balance)	25,383	33,341
Contract liability(Beginning balance)	2,352	1,321
Contract liability(Ending balance)	1,321	652

The contract liabilities are mainly related to advances received from customers for licensing-related sales in the digital content and other businesses, and are included in "other" of the current liabilities on the consolidated balance sheets.

The main reason for the decrease of ¥1,030 million in contract liability for the previous fiscal year was the decrease in advances received related to the revenue recognition with the satisfaction of performance obligations, and the beginning balance of the contract liability for which revenue was recognized in the current fiscal year was ¥1,483 million.

The main reason for the decrease in contract liability of ¥668 million for the current fiscal year was the decrease in advances received related to the revenue recognition with the satisfaction of performance obligations, and the beginning balance of the contract liability for which revenue was recognized in the current fiscal year was ¥822 million.

b. Transaction prices to be allocated to remaining performance obligations

Total transaction prices to be allocated to remaining performance obligations and the period when the revenue is expected to be recognized are as below.

Royalty transactions of licensing agreements based on sales and use of intellectual properties are not included in the note.

The Companies forecast that the royalties whose terms of validity are specified will be recognized as revenue within 5 years.

(Millions of yen)

	Previous fiscal year	Current fiscal year
Within 1 year	3,539	22,492
Over 1 year	508	2,718
Total	4,047	25,211

## 20. Segment information

### (1) Outline of reportable segments

#### a. Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance. The Company has several operational headquarters which plan comprehensive business strategies in the domestic and overseas markets for their products and services, and develop our business activities. Therefore, the Company's reportable segments are based on the products and services our operational headquarters deal in and are composed of the following 3 segments: "Digital content," "Arcade operations" and "Amusement equipment."

#### b. Product and service line

"Digital content" segment develops and distributes video and mobile games for consumers. "Arcade operations" segment operates amusement stores which install amusement equipment. "Amusement equipment" segment manufactures pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors.

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

The accounting policies for the reportable segment are based on those in "Summary of significant accounting policies."

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

### (3) Income by reportable segment is calculated based on operating income on the consolidated statements of income.

Previous fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	119,841	19,343	9,020	148,205	4,204	152,410	—	152,410
Inter-segment	—	—	—	—	—	—	—	—
Total	119,841	19,343	9,020	148,205	4,204	152,410	—	152,410
Operating income (loss)	59,831	1,868	4,117	65,817	883	66,700	△9,619	57,081
Identifiable assets	84,255	11,547	10,108	105,912	1,521	107,433	136,043	243,476
Other items								
Depreciation and amortization	1,313	1,542	78	2,934	55	2,989	1,231	4,221
Increase in tangible and intangible fixed assets	1,884	1,971	166	4,022	51	4,073	2,580	6,654

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

2. Adjustments are as follows:

- (1) Adjustments of operating income (loss) of (¥9,619) million include unallocated corporate operating expenses of (¥9,619) million. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses
- (2) Adjustments of identifiable assets of ¥136,043 million include unallocated corporate identifiable assets of ¥136,043 million.
- (3) Adjustments of increase in tangible and intangible fixed assets of ¥2,580 million are capital investments by headquarters.
3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

Current fiscal year (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidat ed total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	125,128	22,750	15,613	163,492	6,111	169,604	—	169,604
Inter-segment	—	—	—	—	—	—	—	—
Total	125,128	22,750	15,613	163,492	6,111	169,604	—	169,604
Operating income (loss)	65,172	2,432	6,701	74,306	2,484	76,790	△11,013	65,777
Identifiable assets	101,746	12,422	14,140	128,309	1,922	130,232	182,749	312,982
Other items								
Depreciation and amortization	1,471	1,621	145	3,238	74	3,313	1,361	4,675
Increase in tangible and intangible fixed assets	898	1,911	81	2,892	90	2,982	5,331	8,313

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

2. Adjustments are as follows:

- (1) Adjustments of operating income (loss) of (¥11,013) million include unallocated corporate operating expenses of (¥11,013) million. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of ¥182,749 million include unallocated corporate identifiable assets of ¥182,749 million.
- (3) Adjustments of increase in tangible and intangible fixed assets of ¥5,331 million are capital investments by headquarters.
3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

[Related information]

Previous fiscal year (April 1, 2023 to March 31, 2024)

(1) Information by product and service line

The information is omitted as the same kind of information is disclosed in "Note 20. (1) Segment information.

(2) Information by country or region

a. Net sales

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
51,977	43,714	23,859	32,857	152,410

(Note) The sales amounts are classified by country or region where customers and end-users are located.

b. Tangible fixed assets

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
27,168	3,049	241	8	30,468

c. Information by major customer

(Millions of yen)

Customer	Amount of net sales	Reportable segment
Valve Corporation	32,719	Digital Content
Sony Interactive Entertainment LLC	16,066	Digital Content

Current fiscal year (April 1, 2024 to March 31, 2025)

(1) Information by product and service line

The information is omitted as the same kind of information is disclosed in "Note 20. (1) Segment information.

(2) Information by country or region

a. Net sales

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
68,627	41,423	21,690	37,863	169,604

(Note) The sales amounts are classified by country or region where customers and end-users are located.

b. Tangible fixed assets

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
30,825	2,526	180	23	33,554

c. Information by major customer

(Millions of yen)

Customer	Amount of net sales	Reportable segment
Valve Corporation	52,723	Digital Content

[Impairment losses by reportable segment]

Not applicable

[Amortization and balance of goodwill by reportable segment]

Previous fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Amortization	16	—	—	16	—	16
Balance as of the end of the fiscal year	148	—	—	148	—	148

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

Current fiscal year (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Amortization	60	—	—	60	—	60
Balance as of the end of the fiscal year	343	—	—	343	—	343

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

[Negative goodwill by reportable segment]

Not applicable

【Related party transactions】

Transactions with related parties

Transactions between the company submitting the consolidated financial statements and related parties

Officers and principal shareholders (limited to individuals) of the company submitting the consolidated financial statements

Previous fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

Type	Name of company or individual	Location	Capital or investment	Business description or occupation	Percentage of voting rights held (or held by related party) (%)	Relationship with related party	Transaction details	Transaction amount (millions of yen)	Title	Balance at end of period
Company in which an officer or a close relative holds the majority of voting rights in their own name	Kenzo Estate Inc.	California, U.S.A.	USD 100 thous and	Manufacture and sale of wine	None	Concurrent position held by officer and purchase of wine, etc.	Proceeds from sales of fixed assets (Note)	346	—	—
							Gain on sales of fixed assets	143	—	—

(Note) The sale price of the fixed assets was determined with reference to a real estate appraisal report prepared by a certified real estate appraiser.

## 21. Per share information

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net assets per share	466.44yen	540.68yen
Net income per share	103.71yen	115.85yen
Diluted earnings per share	—	115.84yen

(Note) 1. The diluted earnings per share for the previous fiscal year is omitted as the Company has no residual securities.

2. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The Company calculated "Net assets per share" and "Net income per share", assuming that the stock split was implemented with an effective date of April 1, 2023.

3. The basis for computation of net assets per share was as follows:

(Millions of yen)

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Total amount of net assets	195,081	226,303
Amounts to be deducted from total amount of net assets	—	155
(Of which, share award rights)	—	(155)
(Of which, non-controlling interests)	—	—
Ending balance of net assets attributable to common stock	195,081	226,148
Number of shares of common stocks used for computation of net assets per share (Thousands of shares)	418,239	418,268



4. The basis for the computation of net income per share was as follows:

(Millions of yen)

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Earnings per share		
Net income attributable to owners of the parent	43,374	48,453
Amount not allocated to common stock	—	—
Net income attributable to owners of the parent allocated to common stock	43,374	48,453
Average number of shares of common stock outstanding during the fiscal year (Thousands of shares)	418,232	418,254
Diluted earnings per share		
Net income attributable to owners of the parent	—	—
Increase in common stock (thousand shares)	—	43
(Of which, share award rights) (thousand shares)	—	(43)
Outline of potential shares not included in calculation of (diluted) earnings per share because of no dilutive effect	—	—

5. The treasury stock that remains in the ESOP trust and is presented as "Treasury stock" in "Shareholders' equity" is included in the treasury stock, which is deducted from the number of shares of common stock as of the end of the current fiscal year used for the computation of "Net assets per share." It is included in the treasury stock, which is deducted from the average number of shares of common stock outstanding for the current fiscal year used for the computation of "Net income per share" as well.

The numbers of the deducted treasury stocks used for computation of the net assets per share as of the end of the previous fiscal year and the current fiscal year are 7,983,640 and 7,953,888, respectively, and the average numbers of the deducted treasury stocks used for computation of the earnings per share for the previous fiscal year and the current fiscal year are 7,990,497 and 7,967,678, respectively.

## 22. Significant subsequent events

### (Significant capital investment)

The Company entered into a land purchase agreement with Daiwa House Industry Co., Ltd. as described below, on January 23, 2025, and acquired the land on April 24, 2025.

#### (1) Purpose

In order to secure human resources to support the Company's future and to enhance its development system, the Company acquired land for the construction of an office building.

#### (2) Detail

- a. Location: Bingo-machi, Chuo-ku, Osaka City, Osaka Prefecture
- b. Use: Land for the construction of an office building for the Company
- c. Site area: 2,294.91 m<sup>2</sup>
- d. Total investment: 9.0 billion yen

#### (3) Schedule

- a. Transfer of land ownership: April 24, 2025
- b. Scheduled completion of building construction: TBD

#### (4) Significant impacts on operating activities

The impact on the consolidated financial results for the fiscal year ending March 31, 2026 is expected to be minor.

23. Supplemental schedules of bonds

Not applicable

24. Supplemental schedules of borrowings

Category	Balance as of April 1, 2024 (Millions of yen)	Balance as of March 31, 2025 (Millions of yen)	Average interest rate (%)	Date of maturity
Short-term borrowings	3,591	3,591	1.0	—
Current portion of long-term borrowings due within one year	626	—	—	—
Current portion of lease obligations	1,265	1,512	2.3	—
Long-term borrowings (Excluding current portion)	3,000	3,000	0.6	2027
Lease obligations (Excluding current portion)	3,676	3,813	2.3	2026~2031
Other interest bearing debt	—	—	—	—
Total	12,159	11,917	—	—

(Note) 1. "Average interest rate" represents the weighted average rate applicable to the ending balance.

2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for five years subsequent to March 31, 2025 (excluding the current portion).

(Millions of yen)

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	3,000	—	—	—
Lease obligations	1,249	1,009	855	536

25. Supplemental schedules of asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year was 1% or less than the total balance of the liabilities and the net assets as of the beginning and the end of the current fiscal year, respectively.

26. Supplemental schedules of other

Quarterly sales, etc., for the current fiscal year

(Cumulative period)	Interim April 1 to September 30, 2024	Fiscal year April 1, 2024 to March 31, 2025
Net sales (Millions of yen)	56,402	169,604
Net income before income taxes (Millions of yen)	20,847	65,651
Net income attributable to owners of the parent (Millions of yen)	15,275	48,453
Net income per share (Yen)	36.52	115.85

## Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd:

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of the valuation of work in progress for game software in the Digital Content business	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of Capcom Co., Ltd. (the "Company") and its consolidated subsidiaries for the current fiscal year, work in progress for game software of ¥49,209 million was recognized, representing 15.7% of total assets, majority of which was work in progress for game software in the Digital Content business.</p> <p>As described in Note 3(2), "Significant accounting estimates - Valuation of work in progress for game software" to the consolidated financial statements, the Company reduces the carrying amount of work in progress for game software based on a decline in profitability.</p>	<p>The primary procedures we performed to assess the adequacy of the Company's valuation of work in progress for game software in the Digital Content business included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the net selling price of work in progress for game software.</p>

When reducing the carrying amount of work in progress for game software based on a decline in profitability for game software titles yet to be released, the Company reduces the carrying amount by the difference between the net selling price, which is calculated by deducting the estimated additional development costs and the estimated direct selling expenses from the planned sales revenue, and the carrying amount of the work in progress for game software.

For released game software titles, the Company compares the planned and actual sales revenues, and reviews the planned sales revenue if the actual sales revenue is significantly below the plan. Then, the Company reduces the carrying amount by the difference between the net selling price, which is calculated by deducting the estimated additional development costs and the estimated direct selling expenses from the revised planned sales revenue, and the carrying amount of the work in progress for game software.

Among these, the number of units sold and the selling price, which are the basis for the estimate of the planned sales revenue, were estimated based on the forecasts of console markets and user's purchase trends, among others, and by referring to the reputation of previous and similar titles, price strategies, and method for distribution to customers, among others. In particular, the projection of user purchase trends involved a high degree of uncertainty, and accordingly, management's judgement thereon had a significant effect on the estimates.

We, therefore, determined that our assessment of the adequacy of the valuation of work in progress for game software in the Digital Content business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

## **(2) Assessment of the adequacy of the valuation of work in progress for game software**

In order to assess the appropriateness of the key assumptions adopted for estimating planned sales revenue of each title, which are important in the valuation of work in progress for game software, we performed the following procedures:

- We inquired of the personnel responsible person about the basis of the number of units sold and the selling price, which are the basis for the estimate of the planned sales revenue, and inspected relevant documents;
- We assessed the reasonableness of user purchase trends by comparing the planned number of units sold with the number of units sold of similar titles, and others, and inspecting marketing research materials;
- We examined whether there were any released titles whose sales revenue was significantly below the plan by comparing planned and actual sales revenues of released titles.

<b>Appropriateness of deferred revenues related to game content items downloadable free of charge</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>In the consolidated balance sheet of CAPCOM CO., LTD. (the “Company”) for the current fiscal year, deferred revenues related to content items downloadable free of charge (free downloadable content items or “Free DLCs”) in the Digital Content business of ¥16,177 million were recognized under current liabilities, representing 18.7% of total liabilities.</p> <p>As described in Note 2(11)①, “Summary of significant accounting policies - Significant revenue and cost recognition – Content of major performance obligations at major business segments and ordinary point of time of revenue recognition” to the consolidated financial statements, major updating or other similar events after the release date are planned for some game software titles with online features among those which the Company sold to customers. Such events include release of Free DLCs, i.e. game content items customers can play free of charge. These releases are announced to and anticipated by customers. Accordingly, the Company assumes that it has an obligation to release these Free DLCs in future to customers. Therefore, the Company identifies distinct performance obligations for the “Full Game,” which becomes available for playing on the release date, and “Free DLCs,” which are additionally provided after the release date through major updating or other similar events, and allocates the transaction price of a game software title sold to customers to the Full Game and Free DLCs, based on their stand-alone selling prices. Then, revenues from Free DLCs for those yet to be provided as of the end of an accounting period are not recognized and recorded as deferred revenues.</p> <p>While the allocation of a transaction price to Full Game and Free DLCs was made based on their stand-alone selling prices, the stand-alone selling prices of Full Game and Free DLCs were not directly observable. Therefore, the Company selected game software titles with charged downloadable content items (Charged DLCs, and others) similar to the applicable game software titles and used the average ratio of selling prices of Charged DLCs, and others to the total of the selling prices of the Full Game and Charged DLCs, and others for allocation of transaction prices. In doing so, the similar game software titles were determined by comprehensively</p>	<p>The primary procedures we performed to assess the appropriateness of deferred revenues related to Free DLCs included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the estimate of the deferred revenues related to Free DLCs. In this assessment, we focused particularly on controls to ensure that the Full Games and Charged DLCs, and others used for allocation of the transaction price were selected on a reasonable basis.</p> <p><b>(2) Assessment of the reasonableness of the allocation of transaction prices</b></p> <p>In order to assess the reasonableness of the allocation of transaction prices to the Full Game and Free DLCs, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We assessed the completeness of the list of game software titles used for selecting similar game software titles by comparing it with information obtained from external sources;</li> <li>• We assessed the accuracy of information on the game software (game genres and details of the Full Game and DLCs) used for selecting similar game software titles by comparing it with information obtained from external sources;</li> <li>• We assessed the reasonableness of the determination made in selecting highly similar game software titles used for allocating transaction prices by understanding the reasons for the selection. In addition, we inspected the list of game software titles to assess whether there was no other software title that was highly similar; and</li> <li>• We examined accuracy of the calculation of the average ratio of selling prices of Charged DLCs, and others to the total of the selling prices of the Full Game and Charged DLCs, and others of the selected game software titles, which was used for allocation of the transaction prices.</li> </ul>

<p>considering various factors such as the game genres, details of the Full Game and downloadable content items (DLCs), and distribution methods. This determination involved a high degree of subjectivity of the management's judgment and, accordingly, the estimate involved a high degree of uncertainty.</p> <p>We, therefore, determined that our assessment of the appropriateness of deferred revenues related to Free DLCs was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	
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## Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Fee-related Information**

Fees paid or payable to our firm and network firms for audit and non-audit services provided to the Company and its subsidiaries for the current year are 135 million yen and 71 million yen, respectively.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Tomoya Kurokawa  
Designated Engagement Partner  
Certified Public Accountant

Tomohiro Yamanaka  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
August 7, 2025

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.