

**Consolidated financial results for the 9 months
of the fiscal year ending March 31, 2023 (Japan GAAP - Unaudited)**

Date of issue: January 30, 2023

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : January 31, 2023

Dividend payment date: —

Quarterly earnings supplementary explanatory materials : Yes

Quarterly earnings presentation : Yes (For institutional investors)

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

1. Results for 9 months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(1) Financial results

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
9 months ended December 31, 2022	79,671	(9.6)	33,332	(5.0)	33,564	(7.1)	23,610	(11.6)
9 months ended December 31, 2021	88,163	35.9	35,096	43.9	36,148	50.1	26,708	52.4

Note: Comprehensive income: 9 months ended December 31, 2022 25,764 million yen (-4.5%) 9 months ended December 31, 2021: 26,978 million yen (55.5%)

	Earnings per share	Diluted earnings per share
	yen	yen
9 months ended December 31, 2022	112.09	—
9 months ended December 31, 2021	125.10	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
3rd quarter ended December 31, 2022	185,719	147,715	79.5
Year ended March 31, 2022	187,365	146,475	78.2

Reference: Shareholders' equity: 3rd quarter ended December 31, 2022: 147,715 million yen Year ended March 31, 2022: 146,475 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2022	—	18.00	—	28.00	46.00
Year ending March 31, 2023	—	23.00	—		
Year ending March 31, 2023 (Forecast)				23.00	46.00

Note: Changes in dividends forecast during the 9 months ended December 31, 2022 : No

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

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2023	125,000	13.6	50,000	16.5	50,000	12.8	36,500	12.1	173.60

Note: Changes from the latest earnings forecast : No

Notes

- (1) Changes in significant consolidated subsidiaries during the period: No
(2) Application of simplified methods in accounting principle for quarterly consolidated financial statements: Yes

Note: Please refer to "2. Summary of consolidated financial statements (4) Notes to consolidated financial statements (Application of special accounting treatment for preparation of quarterly financial statements)" on page 10 for more details.

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

- ① Changes in accounting principles resulting from amendment of the accounting standard: Yes
② Changes in accounting principles other than ①: No
③ Changes in accounting estimates: No
④ Retrospective restatement: No

- (4) Number of shares outstanding (Common stock):

- ① Number of shares outstanding (including treasury stock)
3rd quarter ended December 31, 2022: 266,505,623 Year ended March 31, 2022: 270,892,976
② Number of treasury stock
3rd quarter ended December 31, 2022: 57,393,860 Year ended March 31, 2022: 57,393,792
③ Average number of shares outstanding
3rd quarter ended December 31, 2022: 210,627,359 3rd quarter ended December 31, 2021: 213,499,350

Note: The number of treasury stock at the end of the third quarter and the number of treasury stock deducted when calculating the average number of shares outstanding during the period under review include CAPCOM Co., Ltd. (the Company)'s shares held by the Stock Grant ESOP trust.

(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to "1. Operating results overview (3) Qualitative information regarding the consolidated business forecasts" on page 4 for more details.

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1. Operating results overview

(1) Operating results for the period under review

During the consolidated nine months ended December 31, 2022, the Company actively pursued growth investments focused on enhancing digital sales to respond to the ever evolving and expanding global market. Moreover, with the aim of enhancing corporate value, the Company implemented specific policies for its Human Resources investment strategy, which is one of management's priorities. These included reorganizing its Human Resources operations, establishing the new post of Chief Human Resources Officer (CHO), and revising its compensation system, all in order to further the steady, sustainable growth of the Company.

Guided by this management policy, the Company increased its sales volume in the global market through the launch of a major new title in its flagship series and the continued pursuit of digital catalog titles sales, focusing on enhancing the value of its content in its core Digital Contents business. In this way, for the consolidated nine months ended December 31, 2022, the Digital Contents business reported sales of 29.1 million units, surpassing the 25.8 million units sold in the same period of the previous year. The Company also made efforts to additionally enhance the brand value of its intellectual properties by reinforcing the use of its major brands in films, licensed products, and eSports. It further worked to increase profits by efficiently running stores and opening new types of stores in its Arcade Operations business, while expanding sales utilizing its popular intellectual property in its Amusement Equipments business.

As a result, although there was a year-over-year decline due to sales of major new titles in the same period of the previous fiscal year, through ongoing efforts to bolster sales, catalog unit sales reached 22 million units, outperforming the 18.2 million units sold in the same term of the previous fiscal year, and consolidated net sales for the nine months ended December 31, 2022, were 79,671 million yen (down 9.6% from the same term in the previous fiscal year). In terms of profitability, operating income was 33,332 million yen (down 5.0% from the same term in the previous fiscal year), ordinary income was 33,564 million yen (down 7.1% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 23,610 million yen (down 11.6% from the same term in the previous fiscal year).

Going forward, the Company will work to achieve full-year guidance through measures that include the release of a major new title in the fourth quarter of the fiscal year.

Status of business by operating segment

① Digital Contents business

In June 2022, the Company released *Monster Hunter Rise: Sunbreak* (for Nintendo Switch and PC), a massive premium expansion for the March 2021 title *Monster Hunter Rise*. The game's quicker action, along with unique new monsters and environments, garnered positive reviews globally, while ongoing activity including free content updates secured its steady popularity, all leading the game to achieve sales of 4.95 million units and contribute significantly to earnings. Additionally, sales of *Monster Hunter Rise* continued to grow due to the release of a bundled set that includes *Monster Hunter Rise: Sunbreak* as well as through pricing measures.

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

As a result, although there was a year-over-year decline due to the release of major new titles in the same period of the previous fiscal year, through ongoing reinforcement of digital catalog title sales, net sales were 61,242 million yen (down 13.1% from the same term in the previous fiscal year) and operating income was 34,619 million yen (down 3.6% from the same term in the previous fiscal year).

② Arcade Operations business

In this business segment, both sales and profits increased compared to the same period of the previous fiscal year. This was due to a recovery in the number of customers visiting stores following the complete lifting of the semi-state of emergency COVID-19 measures in March 2022, as well as the effect of efficient operations at existing stores and the opening of new stores in new business categories in an effort to expand earnings.

During the consolidated nine months ended December 2022, the Company opened the following stores: in April it opened a Crazy Banet (an interactive amusement facility combining sports and entertainment) at its Aeon Mall Tokoname location (Aichi Prefecture); in October it opened Miraino, a comprehensive amusement facility that includes a Crazy Banet, at Aeon Mall in Toki (Gifu Prefecture); in November, it opened Capcom Store & Cafe Umeda (Osaka Prefecture), which offers merchandise featuring the Company's popular character as well as an adjoining café; and in December, it opened Capcom Capsule Lab, a dedicated capsule toy shop, at Namba Walk (Osaka Prefecture). A total of four stores were opened, while one store was closed in September, taking the total number of stores to 45.

The resulting net sales were 11,357 million yen (up 26.3% from the same term in the previous fiscal year) and operating income was 1,013 million yen (up 141.6% from the same term in the previous fiscal year).

③ Amusement Equipments business

In this business segment, despite the challenging market environment, cumulative sales of *Shin Onimusha 2* (released in August 2022) grew to 15 thousand units, while cumulative sales of *Biohazard RE:2* (released in September), also reached 15 thousand units. Both titles garnered positive reviews from the market, commencing operations on a high note and contributing significantly to earnings. The Company also worked to stimulate the market to expand earnings going forward.

As a result, including the Company working to diversify its business model, net sales were 3,699 million yen (down 25.1% from the same term in the previous fiscal year) and operating income was 2,068 million yen (up 7.1% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company continued to focus on pursuing movie and television adaptations of its major IP and developing character merchandise of new and popular titles to increase the brand value of its titles.

The Company has also been pursuing the expansion of the global esports fan base. In May, it kicked off its global online esports competition, Capcom Pro Tour 2022, and in July added a new World Warrior category to this competition as part of its measures to diversify the regions and participants for events. Additionally, in September the Company launched Street Fighter League: Pro-JP 2022, a team-based league competition in Japan, while in October it launched similar team leagues in North America and Europe as part of its efforts to promote its various events. The Company also worked to promote *Street Fighter 6* ahead of the game's scheduled June 2023 launch.

As a result, while also accounting for upfront investments in films and esports, net sales were 3,371 million yen (down 10.8% from the same term in the previous fiscal year) and operating income was 1,219 million yen (down 21.3% from the same term in the previous fiscal year).

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

Total assets as of the end of the third quarter decreased by 1,646 million yen from the end of the previous fiscal year to 185,719 million yen. The primary increases were 8,882 million yen in work in progress for game software, 2,396 million yen in tangible fixed assets, net of accumulated depreciation, other, net, which was due to an increase in lease assets, etc., 1,015 million yen in work in progress, 799 million yen in accounts receivable – trade and 561 million yen in investments and other assets, other, which was due to an increase in deferred tax assets, etc. The primary decrease was 15,726 million yen in cash on hand and in banks.

Total liabilities as of the end of the third quarter decreased by 2,885 million yen from the end of the previous fiscal year to 38,004 million yen. The primary increases were 769 million yen in provision for share awards, 690 million yen in electronically recorded monetary liabilities, and 340 million yen in short-term borrowings. The primary decrease was 5,103 million yen in deferred income.

Net assets as of the end of the third quarter increased by 1,239 million yen from the end of the previous fiscal year to 147,715 million yen. The primary increases were 23,610 million yen in quarterly net income attributable to owners of the parent, and 2,089 million yen in cumulative translation adjustments. The primary decreases were 13,645 million yen in treasury stock acquired through a tender offer, and 10,879 million yen in dividends from retained earnings.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2023, remains the same as what was announced on October 26, 2022.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (December 31, 2022)
Assets		
Current assets		
Cash on hand and in banks	107,262	91,536
Notes receivable - trade	528	510
Accounts receivable - trade	7,404	8,204
Merchandise and finished goods	1,378	1,626
Work in progress	819	1,834
Raw materials and supplies	198	353
Work in progress for game software	31,192	40,075
Other	2,536	2,979
Allowance for doubtful accounts	(8)	(2)
Total current assets	151,312	147,119
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,485	10,238
Other, net	10,720	13,117
Total tangible fixed assets	21,206	23,356
Intangible assets	1,747	1,583
Investments and other assets		
Other	13,124	13,686
Allowance for doubtful accounts	(25)	(25)
Total investments and other assets	13,099	13,661
Total fixed assets	36,053	38,600
Total assets	187,365	185,719

(million yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,325	2,453
Electronically recorded monetary liabilities	1,276	1,966
Short-term borrowings	—	340
Current portion of long-term borrowings	626	626
Accrued income taxes	6,010	5,119
Accrued bonuses	4,014	2,333
Deferred income	8,932	3,828
Other	7,557	8,596
Total current liabilities	30,742	25,264
Long-term liabilities		
Long-term borrowings	4,252	3,939
Liabilities for retirement benefits for employees	3,802	4,057
Provision for share awards	—	769
Other	2,092	3,973
Total long-term liabilities	10,147	12,739
Total liabilities	40,890	38,004
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	30,259
Retained earnings	117,661	130,391
Treasury stock	(27,464)	(50,038)
Total shareholders' equity	144,765	143,851
Accumulated other comprehensive income		
Net unrealized gains or losses on securities, net of tax	100	182
Deferred gains or losses on hedges, net of tax	—	(6)
Cumulative translation adjustments	1,889	3,978
Accumulated adjustments for retirement benefits, net of tax	(279)	(289)
Total accumulated other comprehensive income	1,710	3,864
Total net assets	146,475	147,715
Total liabilities and net assets	187,365	185,719

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

(million yen)

	Previous 9 months From April 1, 2021 to December 31, 2021	Current 9 months From April 1, 2022 to December 31, 2022
Net sales	88,163	79,671
Cost of sales	39,913	31,744
Gross profit	48,250	47,926
Selling, general and administrative expenses	13,154	14,594
Operating income	35,096	33,332
Non-operating income		
Interest income	22	194
Dividend income	20	24
Exchange gain, net	96	136
Gain on liquidation of subsidiaries	761	—
Other	254	76
Total non-operating income	1,155	432
Non-operating expenses		
Interest expense	37	30
Litigation expenses	—	71
Commission for purchase of treasury shares	—	25
Other	65	72
Total non-operating expenses	102	200
Ordinary income	36,148	33,564
Special losses		
Loss on sales and /or disposal of fixed assets	6	12
Total special losses	6	12
Net income before income taxes	36,142	33,551
Income taxes - current	7,890	10,247
Income taxes - deferred	1,544	(306)
Total income taxes	9,434	9,941
Net income	26,708	23,610
Net income attributable to owners of the parent	26,708	23,610

Consolidated statements of comprehensive income

(million yen)

	Previous 9 months From April 1, 2021 to December 31, 2021	Current 9 months From April 1, 2022 to December 31, 2022
Net income	26,708	23,610
Other comprehensive income		
Net unrealized gains or losses on securities, net of tax	(21)	81
Deferred gains or losses on hedges, net of tax	—	(6)
Cumulative translation adjustments	269	2,089
Adjustments for retirement benefits, net of tax	23	(9)
Total other comprehensive income	270	2,154
Comprehensive income	26,978	25,764
Comprehensive income attributable to:		
Owners of the parent	26,978	25,764
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 9 months From April 1, 2021 to December 31, 2021	Current 9 months From April 1, 2022 to December 31, 2022
Cash flows from operating activities		
Net income before income taxes	36,142	33,551
Depreciation and amortization	2,519	2,484
Increase (decrease) in allowance for doubtful accounts	(15)	(5)
Increase (decrease) in accrued bonuses	(1,780)	(1,705)
Increase (decrease) in provision for share awards	—	769
Interest and dividend income	(43)	(219)
Interest expense	37	30
Exchange (gain) loss, net	(7)	(437)
Loss (Gain) on sales or disposal of fixed assets	6	12
Decrease (increase) in notes and accounts receivable - trade	15,253	(797)
Decrease (increase) in inventories	1,550	(1,413)
Decrease (increase) in work in progress for game software	(1,701)	(8,886)
Increase (decrease) in notes and accounts payable - trade	(329)	782
Increase (decrease) in deferred revenue	1,595	(5,357)
Other	(620)	978
Subtotal	52,606	19,416
Interest and dividends received	45	170
Interest paid	(33)	(27)
Income taxes paid	(11,157)	(10,475)
Net cash provided by operating activities	41,461	9,455
Cash flows from investing activities		
Payments into time deposits	(17,846)	(21,321)
Proceeds from withdrawal of time deposits	14,529	21,460
Payments for acquisitions of tangible fixed assets	(2,602)	(2,479)
Proceeds from sales of tangible fixed assets	2	4
Payments for acquisitions of intangible fixed assets	(874)	(259)
Other	68	(190)
Net cash used in investing activities	(6,724)	(2,786)
Cash flows from financing activities		
Proceeds from short-term loans borrowings	—	340
Repayments of long-term borrowings	(414)	(313)
Payments for repurchase of treasury stock	(1)	(13,645)
Dividends paid by parent company	(8,749)	(10,873)
Other	(371)	(741)
Net cash used in financing activities	(9,537)	(25,233)
Effect of exchange rate changes on cash and cash equivalents	605	1,895
Net change in cash and cash equivalents	25,804	(16,669)
Cash and cash equivalents at beginning of year	64,043	95,635
Cash and cash equivalents at end of quarter	89,848	78,966

(4) Notes to consolidated financial statements

(Going concern assumptions)

Not applicable

(Material changes in shareholders' equity)

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

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

(Repurchase and cancellation of treasury stock)

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

As a result, capital surplus was 30,259 million yen and treasury stock was 50,038 million yen at the end of the third quarter of the fiscal year under review.

(Application of special accounting treatment for preparation of quarterly financial statements)

(Calculation of income taxes)

Income taxes for subsidiaries are calculated by multiplying the net income before income taxes by the forecasted effective tax rate, which is computed by matching the forecasted yearly income taxes with the forecasted yearly income before taxes.

(Change in accounting principles)

(Adoption of ASU2016-02 Leases)

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

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

As a result, the Company has recognized Tangible fixed assets (Other, net) of 1,845 million yen, Current liabilities (Other) of 286 million yen and Long-term liabilities (Other) of 1,529 million yen on the Consolidated balance sheet for the third quarter of the fiscal year.

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

(Segment Information)

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

Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	70,453	8,992	4,937	84,382	3,781	88,163	—	88,163
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	70,453	8,992	4,937	84,382	3,781	88,163	—	88,163
Operating income (loss)	35,894	419	1,932	38,246	1,549	39,795	(4,699)	35,096

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

2. Adjustments of operating income (loss) of -4,699 million yen include unallocated corporate operating expenses of -4,699 million yen.

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

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

II Current 9 months (From April 1, 2022 to December 31, 2022)

Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	61,242	11,357	3,699	76,300	3,371	79,671	—	79,671
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	61,242	11,357	3,699	76,300	3,371	79,671	—	79,671
Operating income (loss)	34,619	1,013	2,068	37,701	1,219	38,921	(5,588)	33,332

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

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

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

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

(Additional Information)

(Accounting estimate for the impact of the COVID-19 pandemic)

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

(Establishment of Stock Grant ESOP Trust)

In June 2022, the Company established a Stock Grant ESOP trust as an employee incentive plan (the Plan, below) for its permanent employees (excludes employees not living in Japan; eligible employees, below).

1. Overview

The Company established the Plan with the aim of increasing employee motivation and interest in contributing to the enhancement of earnings. Under the Plan, the Company established a Stock Grant ESOP (Employee Stock Ownership Plan) trust (the ESOP Trust, below). The ESOP Trust is an employee incentive plan similar to ESOP plans in the U.S. and will grant the Company's stock that has been acquired by the ESOP Trust to eligible employees who have satisfied certain requirements, based on predetermined stock transfer rules. Further, the Company will provide all funds for acquisition of the aforementioned stock by the ESOP Trust, so none of the cost falls upon the eligible employees.

The Company anticipates that by establishing the ESOP Trust eligible employees will be able to reap the economic benefits of increases in the value of the Company's stock, resulting in increased workplace motivation while at the same time enhancing work performance for those employees who will take an interest in the Company's share price. Further, voting rights for the Company's stock held in the ESOP Trust will be exercised within a structure that reflects the will of eligible employees who are candidate beneficiaries, and is an effective way to improve corporate value by promoting participation in management planning.

2. The Company's Stock that Remains in the Trust

The Company's stock that remains in the Trust is recorded as Treasury stock in net assets linked to the book value of the Trustee (excluding transaction costs). Total book value and class and number of shares at the end of the current 9 months are 13,819 million yen and 3,999,850 shares of the Company's common stock, respectively.

(Changes in the presentation method)

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

The Company made this change in order to more appropriately reflect the actual circumstance of the business, after it reviewed profit management classifications following a revision to the Company's compensation system in this consolidated fiscal year. As a result, "Cost of sales" in the third quarter of the previous fiscal year increased by 1,354 million yen. "Gross profit" and "Selling, general and administrative expenses" decreased by the same amount respectively, but there is no impact on "Operating income."