

**Consolidated financial results for the 6 months
of the fiscal year ending March 31, 2022 (Japan GAAP - Unaudited)**

Date of issue: October 28, 2021

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Dividend payment date: November 12, 2021

Quarterly earnings supplementary explanatory materials : Yes

Quarterly earnings presentation : Yes (For institutional investors)

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

1. Results for 6 months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

(1) Financial results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
6 months ended September 30, 2021	69,995	66.4	28,924	61.9	29,723	69.2	22,219	71.0
6 months ended September 30, 2020	42,059	12.8	17,863	27.7	17,571	25.5	12,993	32.0

Note: Comprehensive income: 6 months ended September 30, 2021 : 21,870 million yen (69.3%) 6 months ended September 30, 2020 : 12,921 million yen (41.7%)

	Earnings per share	Diluted earnings per share
	yen	yen
6 months ended September 30, 2021	104.07	—
6 months ended September 30, 2020	60.86	—

Note: With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

Capcom calculated "Earnings per share" assuming that the stock split was implemented with an effective date of April 1, 2020.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
2nd quarter ended September 30, 2021	180,964	137,752	76.1
Year ended March 31, 2021	163,712	120,794	73.8

Reference: Shareholders' equity: 2nd quarter ended September 30, 2021 : 137,752 million yen Year ended March 31, 2021 : 120,794 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, 2021	—	25.00	—	46.00	71.00
Year ending March 31, 2022	—	18.00	—	—	—
Year ending March 31, 2022 (Forecast)	—	—	—	18.00	36.00

Note: 1. Changes in dividends forecast during the 6 months ended September 30, 2021 : No

2. With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

For dividends for the year ended March 31, 2021, the above dividends paid were the actual amounts before the stock split.

3. Earnings forecast for the fiscal year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

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, 2022	100,000	4.9	42,000	21.4	42,000	20.5	30,000	20.4	140.52

Note: Changes in earnings forecast during the 6 months ended September 30, 2021 : 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 9 for more details.

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

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

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

- ① Number of shares outstanding (including treasury stock)
2nd quarter ended September 30, 2021: 270,892,976 Year ended March 31, 2021: 270,892,976
② Number of treasury stock
2nd quarter ended September 30, 2021: 57,393,708 Year ended March 31, 2021: 57,393,176
③ Average number of shares outstanding
2nd quarter ended September 30, 2021: 213,499,392 2nd quarter ended September 30, 2020: 213,500,845

Note: With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

Capcom calculated "Number of shares outstanding", "Number of treasury stock" and "Average number of shares outstanding" assuming that the stock split was implemented with an effective date of April 1, 2020.

(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 3 for more details.

Attachment contents

1. Operating results overview	2
(1) Operating results for the period under review	2
(2) Overview of the consolidated financial position for the period under review	3
(3) Qualitative information regarding the consolidated business forecasts	3
2. Summary of consolidated financial statements	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and comprehensive income	6
(3) Consolidated statements of cash flows	8
(4) Notes to consolidated financial statements	9
Going concern assumptions	9
Material changes in shareholders' equity	9
Application of special accounting treatment for preparation of quarterly financial statements	9
Change in accounting standard	9
Segment information	10
Additional information	10

1. Operating results overview

(1) Operating results for the period under review

During the six months ended September 30, 2021, the Company continued to pursue growth of digital sales in its core Digital Contents business through the launch of major new titles in its flagship series and the sale of catalog titles. The Company also made efforts to steadily increase earnings through leveraging these major brands in films, licensed products and in esports, as well as in its Arcade Operations and Amusement Equipments businesses.

As a result, for the six months ended September 30, 2021, consolidated net sales were 69,995 million yen (up 66.4% from the same term in the previous fiscal year). In terms of profitability, operating income was 28,924 million yen (up 61.9% from the same term in the previous fiscal year), ordinary income was 29,723 million yen (up 69.2% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 22,219 million yen (up 71.0% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business segment, *Resident Evil Village* (for PlayStation 5, PlayStation 4, Xbox Series X|S, Xbox One, PC), released in May, contributed significantly to earnings. In July, role-playing game *Monster Hunter Stories 2: Wings of Ruin* (for Nintendo Switch, PC) was released, winning over a broad range of fans with its adventures featuring popular monsters and an engaging combat system all based on the world of the *Monster Hunter* series. This resulted in shipments of over 1 million units worldwide for the title. Additionally, sales volume for *Monster Hunter Rise* (for Nintendo Switch), which was released at the end of the previous fiscal year, continued to grow, supported by the title's steady popularity, while catalog titles consisting mainly of past series releases generally maintained strong sales. As a result, high-margin digital sales continued to increase and total sales volume reached 19.8 million units, exceeding the 13.8 million units in sales of the same period of the previous fiscal year, thus driving up profits.

Furthermore, in September, the Company announced the summer 2022 release of *Monster Hunter Rise: Sunbreak* (for Nintendo Switch, PC), a massive premium expansion for *Monster Hunter Rise*. In addition, the latest information on the Company's popular titles was presented as part of the official program of Tokyo Game Show 2021 Online, gaining wider recognition for its intellectual property as well as new fans.

In the Mobile Contents sub-segment, licensing revenue utilizing the Company's flagship intellectual property contributed to profits.

The resulting net sales were 59,803 million yen (up 69.0% from the same term in the previous fiscal year) and operating income was 30,216 million yen (up 52.2% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, despite measures such as suspending operations and shortening operating hours of some of its stores in conjunction with the continuation of the state of emergency in Japan, sales and profit increased compared to the same period in the previous fiscal year due to the recovery in customer traffic in stores. Additionally, the Company introduced new attractions such as capsule toys featuring the latest character merchandise.

During the period under review, the Company opened Plaza Capcom MitteN Fuchu (Tokyo) in June and Miraino Aeon Mall Hakusan (Ishikawa Prefecture) in July and closed one store in May, bringing the total number to 42 stores.

As a result, net sales were 5,647 million yen (up 40.1% from the same term in the previous fiscal year) and operating income was 71 million yen (operating loss in the same term of the previous fiscal year was 262 million yen).

③ Amusement Equipments business

In this business, amidst anticipation for future demand from the replacement of machines with ones compliant with the latest regulations, the Company released a new model, *Hyakka Ryoran Samurai Girls*, which along with sales of the catalog title *Resident Evil 7 biohazard*, released in the previous fiscal year, drove unit sales over those of the same period of the previous fiscal year.

The resulting net sales were 1,611 million yen (up 21.5% from the same term in the previous fiscal year) and operating income was 388 million yen (up 1,962.0% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, both the CG animated series *Resident Evil: Infinite Darkness* and CG film *Monster Hunter: Legends of the Guild* were streamed exclusively on Netflix worldwide, leveraging the Company's flagship intellectual properties to enhance their brand value. The Company also worked to expand revenue through collaborations with overseas games and increase sales by promoting character merchandise.

In eSports, the Company promoted measures to expand the user base globally, including holding the all-online Capcom Pro Tour Online 2021 in 19 regions worldwide from April. Further, the finals for the *Street Fighter V* tournament at Intel World Open were held in July, with heated battles taking place around the world.

The resulting net sales were 2,933 million yen (up 121.7% from the same term in the previous fiscal year) and operating income was 1,370 million yen (up 147.8% from the same term in the previous fiscal year).

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

Total assets as of the end of the second quarter increased by 17,251 million yen from the end of the previous fiscal year to 180,964 million yen. The primary increase was 40,284 million yen in cash on hand and in banks. The primary decreases were 18,999 million yen in notes and accounts receivable - trade and 2,591 million yen in work in progress for game software.

Total liabilities as of the end of the second quarter increased by 293 million yen from the end of the previous fiscal year to 43,212 million yen. The primary increase was 1,427 million yen in deferred revenue. The primary decrease was 1,175 million yen in notes and accounts payable - trade.

Net assets as of the end of the second quarter increased by 16,958 million yen from the end of the previous fiscal year to 137,752 million yen. The primary increase was 22,219 million yen in quarterly net income attributable to owners of the parent. The primary decrease was 4,910 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, 2022 remains the same as what was projected at the financial results announcement on May 10, 2021.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (September 30, 2021)
Assets		
Current assets		
Cash on hand and in banks	71,239	111,524
Notes and accounts receivable - trade	25,096	6,097
Merchandise and finished goods	2,005	1,302
Work in progress	897	952
Raw materials and supplies	850	580
Work in progress for game software	24,443	21,852
Other	2,896	2,313
Allowance for doubtful accounts	(37)	(18)
Total current assets	127,391	144,604
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,666	10,411
Other, net	10,649	10,437
Total tangible fixed assets	21,316	20,849
Intangible assets	1,229	1,581
Investments and other assets		
Other	13,807	13,961
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	13,775	13,929
Total fixed assets	36,321	36,360
Total assets	163,712	180,964

(million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,820	1,644
Electronically recorded monetary liabilities	882	948
Current portion of long-term borrowings	727	626
Accrued income taxes	6,957	7,720
Accrued bonuses	4,056	4,976
Deferred income	6,673	8,100
Other	10,472	8,993
Total current liabilities	32,590	33,009
Long-term liabilities		
Long-term borrowings	4,878	4,565
Liabilities for retirement benefits for employees	3,468	3,588
Other	1,980	2,048
Total long-term liabilities	10,327	10,202
Total liabilities	42,918	43,212
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	21,329
Retained earnings	93,861	111,170
Treasury stock	(27,461)	(27,463)
Total shareholders' equity	120,967	138,275
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	56	64
Cumulative translation adjustments	(10)	(383)
Accumulated adjustments for retirement benefits	(219)	(203)
Total accumulated other comprehensive income	(173)	(522)
Total net assets	120,794	137,752
Total liabilities and net assets	163,712	180,964

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

(million yen)

	Previous 6 months April 1, 2020 to September 30, 2020	Current 6 months April 1, 2021 to September 30, 2021
Net sales	42,059	69,995
Cost of sales	16,865	30,663
Gross profit	25,193	39,332
Selling, general and administrative expenses	7,330	10,407
Operating income	17,863	28,924
Non-operating income		
Interest income	50	15
Dividend income	9	10
Subsidy income	51	—
Gain on liquidation of subsidiaries	—	761
Other	34	85
Total non-operating income	146	872
Non-operating expenses		
Interest expense	37	26
Commission fees	34	—
Exchange loss, net	259	1
Other	105	45
Total non-operating expenses	437	73
Ordinary income	17,571	29,723
Special losses		
Loss on sales and /or disposal of fixed assets	7	5
Total special losses	7	5
Net income before income taxes	17,564	29,718
Income taxes - current	3,367	7,668
Income taxes - deferred	1,203	(170)
Total income taxes	4,571	7,498
Net income	12,993	22,219
Net income attributable to owners of the parent	12,993	22,219

Consolidated statements of comprehensive income

(million yen)

	Previous 6 months April 1, 2020 to September 30, 2020	Current 6 months April 1, 2021 to September 30, 2021
Net income	12,993	22,219
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	20	8
Cumulative translation adjustments	(107)	(373)
Adjustments for retirement benefits	15	15
Total other comprehensive income	(71)	(349)
Comprehensive income	12,921	21,870
Comprehensive income attributable to:		
Owners of the parent	12,921	21,870
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 6 months April 1, 2020 to September 30, 2020	Current 6 months April 1, 2021 to September 30, 2021
Cash flows from operating activities		
Net income before income taxes	17,564	29,718
Depreciation and amortization	1,349	1,733
Change in allowance for doubtful accounts	(5)	(19)
Change in accrued bonuses	84	2,618
Interest and dividend income	(60)	(25)
Interest expense	37	26
Exchange loss, net	135	13
Loss on sales and/or disposal of fixed assets	7	5
Change in notes and accounts receivable - trade	10,156	18,992
Change in inventories	(633)	917
Change in work in progress for game software	(2,604)	2,592
Change in notes and accounts payable - trade	(3,279)	(1,106)
Change in deferred revenue	(6,753)	1,420
Other	(2,447)	(2,133)
Subtotal	13,553	54,751
Interest and dividends received	71	26
Interest paid	(38)	(27)
Income taxes paid	(4,783)	(6,318)
Net cash provided by operating activities	8,802	48,432
Cash flows from investing activities		
Payments into time deposits	(6,989)	(10,451)
Proceeds from withdrawal of time deposits	5,907	7,134
Payments for acquisitions of tangible fixed assets	(1,200)	(2,084)
Proceeds from acquisitions of tangible fixed assets	1	—
Payments for acquisitions of intangible fixed assets	(177)	(753)
Other	8	(19)
Net cash used in investing activities	(2,451)	(6,174)
Cash flows from financing activities		
Repayments of long-term borrowings	(714)	(414)
Payments for repurchase of treasury stock	(2)	(1)
Dividends paid by parent company	(2,665)	(4,905)
Other	(261)	(269)
Net cash used in financing activities	(3,643)	(5,591)
Effect of exchange rate changes on cash and cash equivalents	(196)	182
Net change in cash and cash equivalents	2,511	36,848
Cash and cash equivalents at beginning of year	59,672	64,043
Cash and cash equivalents at end of quarter	62,183	100,892

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity) Not applicable

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

(Calculation of income taxes)

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

(Change in accounting standard)

(Application of accounting standards related to revenue recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31,2020; hereinafter, "Accounting Standard for Revenue Recognition") has been applied from the beginning of the first quarter for the current fiscal year. In accordance with the Accounting Standard for Revenue Recognition, when control of a promised good and/or service is transferred to the customer, revenue will be recognized for the amount expected to be received in exchange for the good and/or service. As a result, revenue from licensing-related business, which does not require reversion, was previously recognized at the time the contract was signed; from the beginning of the current fiscal year, in the case the nature of the contract to grant the license to customers is treated as the right to access the intellectual property over the term of the license, revenue is recognized over a certain period of time, and in the case it is treated as the right to use the intellectual property at the time the license is granted, revenue is recognized at a one-time point.

When applying the Accounting Standard for Revenue Recognition, Capcom complies with the transitional treatment stipulated in the provisions of paragraph 84 of the Standard. The cumulative impact of retroactively applying the new accounting policy prior to the beginning of the first quarter for the current fiscal year is added or subtracted to the retained earnings at the beginning of the first quarter for the current fiscal year and the new accounting policy is applied from the beginning balance.

As a result, the impact of these changes on the quarterly consolidated financial statements in the second quarter is minor, and there is no effect on the beginning balance of retained earnings.

(Application of accounting standards related to fair value measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter for the current fiscal year. In accordance with transitional treatment stipulated in the provision of paragraph 19 in Accounting Standards for Fair Value Measurement and paragraph 44-2 in Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policy under Accounting Standards for Fair Value Measurement will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment information)

I Previous 6 months (From April 1, 2020 to September 30, 2020)

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	35,378	4,031	1,325	40,736	1,323	42,059	—	42,059
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	35,378	4,031	1,325	40,736	1,323	42,059	—	42,059
Segment income	19,849	(262)	18	19,605	552	20,158	(2,294)	17,863

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

2. The adjustment for segment income (-2,294 million yen) include unallocated corporate operating expenses (-2,294 million yen).

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

3. Segment income is adjusted on operating income of the consolidated statements of income.

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

1. Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	59,803	5,647	1,611	67,062	2,933	69,995	—	69,995
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	59,803	5,647	1,611	67,062	2,933	69,995	—	69,995
Segment income	30,216	71	388	30,676	1,370	32,046	(3,121)	28,924

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

2. The adjustment for segment income (-3,121 million yen) include unallocated corporate operating expenses (-3,121 million yen).

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

3. Segment income is adjusted on operating income of the consolidated statements of income.

2. Notes relating to changes in reportable segments, etc.

Capcom has applied the Accounting Standard for Revenue Recognition, and changed the way of accounting for revenue recognition from the beginning of the first quarter for the current fiscal year, as described above in "Change in accounting standard." Therefore, Capcom has similarly changed the method of measuring segment profit or loss.

As a result, the impact of these changes on the quarterly consolidated financial statements in the second quarter is minor.

(Additional Information)

Regarding the 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.