

**Consolidated financial results for the 3 months
of the fiscal year ending March 31, 2022 (Japan GAAP - Unaudited)**

Company name: CAPCOM Co., Ltd.
 Code number: 9697
 Representative: Haruhiro Tsujimoto, President and COO
 Contact person: Naoki Yukawa, General Manager of Finance & Accounting Department
 Filing date for financial report : July 29, 2021
 Quarterly earnings supplementary explanatory materials : Yes
 Quarterly earnings presentation : Yes (For institutional investors)

Date of issue: July 29, 2021
 Stock listing: Tokyo
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Dividend payment date: —

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

1. Results for 3 months ended June 30, 2021 (From April 1, 2021 to June 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	%
3 months ended June 30, 2021	48,423	104.1	23,604	120.4	23,899	125.0	17,340	121.9
3 months ended June 30, 2020	23,722	32.2	10,711	39.1	10,619	37.9	7,815	44.2

Note: Comprehensive income: 3 months ended June 30, 2021: 17,421 million yen (122.2%) 3 months ended June 30, 2020: 7,841 million yen (62.8%)

	Earnings per share	Diluted earnings per share
	yen	yen
3 months ended June 30, 2021	81.22	—
3 months ended June 30, 2020	36.60	—

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	%
1st quarter ended June 30, 2021	173,846	133,303	76.7
Year ended March 31, 2021	163,712	120,794	73.8

Reference: Shareholders' equity: 1st quarter ended June 30, 2021: 133,303 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
Year ended March 31, 2021	—	25.00	—	46.00	71.00
Year ending March 31, 2022	—				
Year ending March 31, 2022 (Forecast)		18.00	—	18.00	36.00

Note: Changes in dividends forecast during the 3 months ended June 30, 2021 : No
 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 3 months ended June 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

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|--|-----|
| 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)

1st quarter ended June 30, 2021:	270,892,976	Year ended March 31, 2021:	270,892,976
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- ② Number of treasury stock

1st quarter ended June 30, 2021:	57,393,636	Year ended March 31, 2021:	57,393,176
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- ③ Average number of shares outstanding

1st quarter ended June 30, 2021:	213,499,484	1st quarter ended June 30, 2020:	213,501,109
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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.

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1. Operating results overview

(1) Operating results for the period under review

During the three months ended June 30, 2021, the Company continued to pursue the growth of digital sales in its core Digital Contents business through the launch of a major new title in its flagship series and the sale of catalog titles. At the same time, the Company worked to steadily increase earnings by coordinating its efforts to expand in visual media, product licensing and eSports, as well as with its Arcade Operations and Amusement Equipments businesses.

As a result, for the three months ended June 30, 2021, consolidated net sales were 48,423 million yen (up 104.1% from the same term in the previous fiscal year). In terms of profitability, operating income was 23,604 million yen (up 120.4% from the same term in the previous fiscal year), ordinary income was 23,899 million yen (up 125.0% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 17,340 million yen (up 121.9% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business segment, the latest title in the Company's flagship series *Resident Evil Village* (for PlayStation 5, PlayStation 4, Xbox Series X|S, Xbox One, PC) was released in May; supported by steady popularity, the title performed well with shipments exceeding 4.5 million units worldwide after garnering acclaim for its immersive gameplay driven by the synergies between its beautiful graphics and horror elements. In addition, *Monster Hunter Rise* (for Nintendo Switch), released at the end of the previous fiscal year, continued to see growth in sales volume thanks to its enduring popularity. In an effort to gain wider recognition for its intellectual property and acquire new fans, the Company also showcased its major titles for this fiscal year and eSports initiatives etc. at E3 2021, which was held as an online event in June. Furthermore, catalog titles performed well, especially series titles, driven by the released games mentioned above. High-margin digital sales grew significantly and drove profitability, with total sales of 13.3 million units far surpassing 9.2 million units during the same period the previous fiscal year.

In Mobile Contents, licensing revenue from utilizing the Company's major intellectual property contributed to profits.

The resulting net sales were 43,918 million yen (up 104.5% from the same term in the previous fiscal year) and operating income was 24,455 million yen (up 107.2% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, the Company was forced to suspend operations and shorten the operating hours of some of its stores in conjunction with the declaration of the third state of emergency in Japan; despite this, sales increased due to the recovery in customer traffic in stores compared to the same period in the previous fiscal year. The Company also rolled out new customer acquisition initiatives, including capsule toys featuring the latest character merchandise, etc.

During this quarter, the Company opened Plaza Capcom MitteN Fuchu in Tokyo in June and closed one store in May. As such, the total number of stores remained unchanged from the end of the previous quarter at 41 stores.

As a result, net sales were 2,389 million yen (up 101.7% from the same term in the previous fiscal year) with an operating loss of 63 million yen (operating loss in the same term of the previous fiscal year was 554 million yen).

③ Amusement Equipments business

In this business, within an environment where expectations 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*, while sales of catalog title *Resident Evil 7 biohazard*, released in the previous fiscal year, worked to support revenue.

The resulting net sales were 1,282 million yen (up 606.1% from the same term in the previous fiscal year) and operating income was 243 million yen (up 242.2% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company focused on promoting the sales of character merchandise, etc., utilizing its flagship intellectual property on a global scale, to enhance the brand value of its titles.

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, starting with an April event in Japan. Further, qualifiers for the *Street Fighter V* tournament at Intel World Open commenced in June and finals were held in July.

As a result, net sales were 832 million yen (down 5.4% from the same term in the previous fiscal year) and operating income was 482 million yen (down 5.6% 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 first quarter increased by 10,133 million yen from the end of the previous fiscal year to 173,846 million yen. The primary increase was 27,379 million yen in cash on hand and in banks. The primary decreases were 10,686 million yen in notes and accounts receivable - trade and 5,022 million yen in work in progress for game software.

Total liabilities as of the end of the first quarter decreased by 2,375 million yen from the end of the previous fiscal year to 40,542 million yen. The primary decreases were as follows: 1,051 million yen in accrued bonuses and 981 million yen in notes and accounts payable - trade.

Net assets as of the end of the first quarter increased by 12,509 million yen from the end of the previous fiscal year to 133,303 million yen. The primary increase was 17,340 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 (June 30, 2021)
Assets		
Current assets		
Cash on hand and in banks	71,239	98,619
Notes and accounts receivable - trade	25,096	14,409
Merchandise and finished goods	2,005	2,053
Work in progress	897	722
Raw materials and supplies	850	127
Work in progress for game software	24,443	19,420
Other	2,896	2,608
Allowance for doubtful accounts	(37)	(23)
Total current assets	127,391	137,939
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,666	10,547
Other, net	10,649	10,730
Total tangible fixed assets	21,316	21,277
Intangible assets	1,229	1,481
Investments and other assets		
Other	13,807	13,179
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	13,775	13,147
Total fixed assets	36,321	35,906
Total assets	163,712	173,846

(million yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,820	1,838
Electronically recorded monetary liabilities	882	1,061
Current portion of long-term borrowings	727	727
Accrued income taxes	6,957	6,135
Accrued bonuses	4,056	3,005
Deferred income	6,673	8,160
Other	10,472	9,199
Total current liabilities	32,590	30,128
Long-term liabilities		
Long-term borrowings	4,878	4,878
Liabilities for retirement benefits for employees	3,468	3,527
Other	1,980	2,007
Total long-term liabilities	10,327	10,414
Total liabilities	42,918	40,542
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	21,329
Retained earnings	93,861	106,291
Treasury stock	(27,461)	(27,463)
Total shareholders' equity	120,967	133,396
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	56	36
Cumulative translation adjustments	(10)	82
Accumulated adjustments for retirement benefits	(219)	(211)
Total accumulated other comprehensive income	(173)	(92)
Total net assets	120,794	133,303
Total liabilities and net assets	163,712	173,846

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(million yen)

	Previous 3 months April 1, 2020 to June 30, 2020	Current 3 months April 1, 2021 to June 30, 2021
Net sales	23,722	48,423
Cost of sales	9,098	19,089
Gross profit	14,624	29,333
Selling, general and administrative expenses	3,912	5,729
Operating income	10,711	23,604
Non-operating income		
Interest income	33	6
Dividend income	9	10
Exchange gain, net	—	151
Subsidy income	50	—
Gain on liquidation of subsidiaries	—	103
Other	21	55
Total non-operating income	115	327
Non-operating expenses		
Interest expense	19	14
Commission fees	17	—
Exchange loss, net	160	—
Other	10	18
Total non-operating expenses	207	32
Ordinary income	10,619	23,899
Special losses		
Loss on sales and /or disposal of fixed assets	0	0
Total special losses	0	0
Net income before income taxes	10,618	23,898
Income taxes - current	1,868	5,999
Income taxes - deferred	935	558
Total income taxes	2,803	6,557
Net income	7,815	17,340
Net income attributable to owners of the parent	7,815	17,340

Consolidated statements of comprehensive income

(million yen)

	Previous 3 months April 1, 2020 to June 30, 2020	Current 3 months April 1, 2021 to June 30, 2021
Net income	7,815	17,340
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	18	(20)
Cumulative translation adjustments	(0)	93
Adjustments for retirement benefits	7	7
Total other comprehensive income	26	80
Comprehensive income	7,841	17,421
Comprehensive income attributable to:		
Owners of the parent	7,841	17,421
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 3 months April 1, 2020 to June 30, 2020	Current 3 months April 1, 2021 to June 30, 2021
Cash flows from operating activities		
Net income before income taxes	10,618	23,898
Depreciation and amortization	665	622
Change in allowance for doubtful accounts	(4)	(14)
Change in accrued bonuses	(952)	(1,051)
Interest and dividend income	(42)	(16)
Interest expense	19	14
Exchange (gain) loss, net	31	(48)
Loss on sales and/or disposal of fixed assets	0	0
Change in notes and accounts receivable - trade	8,892	10,673
Change in inventories	(505)	848
Change in work in progress for game software	(536)	5,023
Change in notes and accounts payable - trade	(1,886)	(798)
Change in deferred revenue	(3,309)	1,492
Other	(190)	(8)
Subtotal	12,800	40,635
Interest and dividends received	55	22
Interest paid	(11)	(9)
Income taxes paid	(4,802)	(6,348)
Net cash provided by operating activities	8,041	34,300
Cash flows from investing activities		
Payments into time deposits	(6,989)	(7,134)
Proceeds from withdrawal of time deposits	5,907	7,134
Payments for acquisitions of tangible fixed assets	(961)	(1,518)
Payments for acquisitions of intangible fixed assets	(29)	(546)
Other	(1)	(2)
Net cash used in investing activities	(2,074)	(2,067)
Cash flows from financing activities		
Repayments of long-term borrowings	(150)	—
Payments for repurchase of treasury stock	(0)	(1)
Dividends paid by parent company	(2,669)	(4,910)
Other	(129)	(114)
Net cash used in financing activities	(2,949)	(5,027)
Effect of exchange rate changes on cash and cash equivalents	(38)	182
Net change in cash and cash equivalents	2,979	27,388
Cash and cash equivalents at beginning of year	59,672	64,043
Cash and cash equivalents at end of quarter	62,652	91,431

(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 goods 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 first 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 3 months (From April 1, 2020 to June 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	21,476	1,184	181	22,842	879	23,722	—	23,722
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	21,476	1,184	181	22,842	879	23,722	—	23,722
Segment income	11,804	(554)	71	11,321	511	11,832	(1,120)	10,711

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

2. The adjustment for segment income (-1,120 million yen) includes unallocated corporate operating expenses (-1,120 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 3 months (From April 1, 2021 to June 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	43,918	2,389	1,282	47,591	832	48,423	—	48,423
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	43,918	2,389	1,282	47,591	832	48,423	—	48,423
Segment income	24,455	(63)	243	24,635	482	25,117	(1,512)	23,604

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

2. The adjustment for segment income (-1,512 million yen) includes unallocated corporate operating expenses (-1,512 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 first quarter is minor.

(Corporate combinations, etc.)

(Transactions under common control)

At a meeting of the Board of Directors held on March 31, 2021, Capcom resolved to accept the transfer of a portion of the business operated by CAPCOM U.S.A. INC. (CUSA), our consolidated subsidiary, and took over the business on April 1, 2021 based on the business transfer agreement. The details are as follows.

1. Name of company and description of business to be transferred, Legal form of business transfer, Outline and purpose of the transaction

(1) Name of company and description of business to be transferred

Name: CAPCOM U.S.A. INC.

Contents of the business to be transferred: CUSA's Game contents business and Merchandising business

(2) Legal form of business transfer

Acquisition in exchange for monetary consideration with the Company as the business acquisition company and the transfer source company as the business transfer company

(3) Outline and purpose of the transaction

The purpose of this transaction is to build a unified content management structure for the business acquisition company through integrating the Game Contents business and Merchandising business from the business transfer company.

Thus, we aim to increase profits and brand value through further development of our Single Content Multiple Usage strategy.

2. Overview of accounting treatment

These transactions will be treated as transactions under common control in accordance with Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(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.