

Consolidated financial results
for the year ended March 31, 2022 (Japan GAAP - Unaudited)

Date of issue: May 11, 2022

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Ordinary general shareholders' meeting : June 23, 2022

Dividend payment date: June 24, 2022

Filing date for financial report : June 24, 2022

Earnings supplementary explanatory materials :

Yes

Earnings presentation :

Yes (For institutional investors)

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

1. Results for the year ended March 31, 2022 (From April 1, 2021 to March 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 | % |
| Year ended March 31, 2022 | 110,054 | 15.5 | 42,909 | 24.0 | 44,330 | 27.2 | 32,553 | 30.6 |
| Year ended March 31, 2021 | 95,308 | 16.8 | 34,596 | 51.6 | 34,845 | 51.8 | 24,923 | 56.3 |

Note: Comprehensive income: Year ended March 31, 2022: 34,437 million yen (30.4%) Year ended March 31, 2021: 26,400 million yen (73.0%)

| | Earnings per share | Diluted earnings per share | Return on equity | Return (ordinary income) on assets | Operating margin |
|---------------------------|--------------------|----------------------------|------------------|------------------------------------|------------------|
| | yen | yen | % | % | % |
| Year ended March 31, 2022 | 152.48 | — | 24.4 | 25.3 | 39.0 |
| Year ended March 31, 2021 | 116.74 | — | 22.6 | 22.7 | 36.3 |

Reference: Equity in earnings (losses) of affiliates Year ended March 31, 2022: — million yen Year ended March 31, 2021: — million yen

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

The Company 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 | Net asset value per share |
|---------------------------|--------------|-------------|----------------------------|---------------------------|
| | million yen | million yen | % | yen |
| Year ended March 31, 2022 | 187,365 | 146,475 | 78.2 | 686.07 |
| Year ended March 31, 2021 | 163,712 | 120,794 | 73.8 | 565.78 |

Reference: Shareholders' equity: Year ended March 31, 2022: 146,475 million yen Year ended March 31, 2021: 120,794 million yen

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

The Company calculated "Net asset value per share" assuming that the stock split was implemented with an effective date of April 1, 2020.

(3) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Ending balance of cash and cash equivalents |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| | million yen | million yen | million yen | million yen |
| Year ended March 31, 2022 | 46,947 | (7,426) | (9,980) | 95,635 |
| Year ended March 31, 2021 | 14,625 | (4,233) | (6,965) | 64,043 |

2. Dividends

| Record date | Dividend per share | | | | | Dividend paid | Payout ratio (Consolidated) | Dividend on equity (Consolidated) |
|---------------------------------------|--------------------|-----------------|-----------------|----------|--------|---------------|-----------------------------|-----------------------------------|
| | 1st Quarter-end | 2nd Quarter-end | 3rd Quarter-end | Year-end | Annual | | | |
| Year ended March 31, 2021 | — | 25.00 | — | 46.00 | 71.00 | 7,579 | 30.4 | 6.9 |
| Year ended March 31, 2022 | — | 18.00 | — | 28.00 | 46.00 | 9,820 | 30.2 | 7.3 |
| Year ending March 31, 2023 (Forecast) | — | 23.00 | — | 23.00 | 46.00 | | 28.5 | |

Note: 1. Regarding dividends as of March 31, 2022, please refer to the April 21, 2022 announcement "Capcom Announces Revision of Consolidated Full-Year Earnings Forecast,

Variations Between its Non-Consolidated Estimated Earnings and the Previous Fiscal Year's Actual Results, and a Dividend Forecast Revision (Upward)."

2. With an effective date of April 1, 2021, the Company 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. For dividends for the year ended March 31, 2022 and the year ending March 31, 2023 (Forecast), the Company took the stock split into consideration.

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 |
|----------------------------|-------------|-----|------------------|------|-----------------|-----|---|-----|--------------------|
| Year ending March 31, 2023 | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| | 120,000 | 9.0 | 48,000 | 11.9 | 48,000 | 8.3 | 34,500 | 6.0 | 161.59 |

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

Notes

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

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

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

① Changes in accounting principles resulting from amendment of the accounting standard: Yes

② Changes in accounting principles other than ①: No

③ Changes in accounting estimates: No

④ Retrospective restatement: No

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

① Number of shares outstanding (including treasury stock)

Year ended March 31, 2022: 270,892,976 Year ended March 31, 2021: 270,892,976

② Number of treasury stock

Year ended March 31, 2022: 57,393,792 Year ended March 31, 2021: 57,393,176

③ Average number of shares outstanding

Year ended March 31, 2022: 213,499,327 Year ended March 31, 2021: 213,500,467

Note: With an effective date of April 1, 2021, the Company 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 these results.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to [1. Operating results overview (4) Outlook] on page 4 for more details.
- The Company is scheduled to hold an earnings presentation for institutional investors on May 16, 2022. Video and audio of the presentation will be posted along with the presentation materials on the Company's web page shortly after the presentation.

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1. Operating results overview

(1) Operating results for the fiscal year under review

During the fiscal year ended March 31, 2022, the Company actively invested for future growth centered on stronger digital sales in order to respond to the continuous evolution and growth of the market.

Following its philosophy of being a Creator of Entertainment Culture that Stimulates Your Senses and in line with the Capcom Corporate Governance Guidelines of December 16, 2021, the Company works to enhance its corporate governance system in a sustained manner in order to realize steady growth over the mid- to long-term and pursue the enhancement of corporate value. In order to respond to the changing business environment and to secure stable and sustainable growth, during the fiscal year under review the Company has started pursuing specific measures including revising its compensation system and has worked to enhance corporate value with its human resources investment strategy, a management issue of particular importance.

Guided by this management policy, the Company increased its sales volume in the global market through the launch of major new titles in its flagship series and continued pursuit of sales of catalog titles via expanding digital sales, significantly contributing to enhanced value of the Company's content. The Company also made efforts to 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 year ended March 31, 2022, consolidated net sales were 110,054 million yen (up 15.5% from the previous fiscal year). In terms of profitability, operating income was 42,909 million yen (up 24.0% from the previous fiscal year), ordinary income was 44,330 million yen (up 27.2% from the previous fiscal year), and net income attributable to the owners of the parent was 32,553 million yen (up 30.6% from the previous fiscal year).

Status of business by segment

① Digital Contents business

This business segment gave a solid performance, with global unit sales of *Resident Evil Village* (for PlayStation 5, PlayStation 4, Xbox Series X|S, Xbox One, PC), the latest title in the series, reaching 6.1 million units, while sales of *Monster Hunter Stories 2: Wings of Ruin* (for Nintendo Switch, PC), an RPG title in the *Monster Hunter* series, also topped 1.5 million units worldwide. For FY20 release *Monster Hunter Rise* (for Nintendo Switch), the Company stimulated further growth of its user base by releasing the PC version in January 2022. In addition, the sales growth of catalog titles, such as the 2019 release *Monster Hunter World: Iceborne*, and the 2017 release *Resident Evil 7 Biohazard*, contributed to revenues supported by their consistent popularity.

As a result, annual sales volume reached 32.6 million units, which exceeded the 30.1 million units of the previous fiscal year. In particular, the continued growth of digital sales, which are highly profitable, boosted revenue.

In the Mobile Contents sub-segment, the Company focused on operations of existing titles. Alliance title performance also remained stable. In addition, *Devil May Cry: Peak of Combat* began service in China in June of last year, and its license revenue contributed to profit.

The resulting net sales were 87,534 million yen (up 16.2% from the previous fiscal year) and operating income was 45,359 million yen (up 22.6% from the previous fiscal year).

② Arcade Operations business

In this business, some stores were either temporarily closed or operated under reduced business hours during the state of emergency declared in Japan due to COVID-19. However, the number of visitors recovered following the lifting of the declaration, and the Company worked to increase revenue through efficient operations of existing stores and openings of new store formats.

During the fiscal year under review, the Company pursued scrap-and-build and regional community-based store

expansion strategies, opening two stores and closing one. Store openings were: Plaza Capcom Mitten Fuchu (Tokyo) and Miraino Aeon Mall Hakusan (Ishikawa Prefecture), which features the interactive amusement facility Crazy Banet, and is part of the Company's efforts to draw in new visitors while being one of the largest amusement complexes in the region.

As a result, the total number of stores was 42, and the resulting net sales were 12,404 million yen (up 25.7% from the previous fiscal year) and operating income was 652 million yen (up 336.8% from the previous fiscal year).

③ Amusement Equipments business

In this business, amidst a challenging market environment, *Monster Hunter: World Gold Hunting* and *Pachislo Devil May Cry 5* both delivered solid sales. The Company also launched *Hyakka Ryoran Samurai Girls* to bolster revenue. Further, repeat sales grew for the previous fiscal year release *Resident Evil 7 Biohazard*, which has enjoyed long-term operation in the market.

The resulting net sales were 5,749 million yen (down 18.9% from the previous fiscal year) and operating income was 2,348 million yen (down 2.5% from the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company continued to focus on leveraging its flagship intellectual property in screen adaptations and character merchandise to enhance the brand value of its titles. This includes the exclusive global distribution through Netflix of CG animation titles that leverage the Company's flagship intellectual property and the world-wide theatrical release of the live-action movie *Resident Evil: Welcome to Raccoon City*.

In eSports, the Company promoted measures to expand the user base on a global scale. More specifically, Capcom Pro Tour Online 2021 was held in 19 regions around the world in an online format. In addition, heated competitions took place in the team-based Street Fighter League: Pro-JP 2021, which saw the introduction of a new team-ownership system, as well as in Street Fighter League: Pro-US 2021.

The resulting net sales were 4,366 million yen (up 43.4% from the previous fiscal year) and operating income was 1,517 million yen (up 53.7% from the previous fiscal year).

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

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2022, increased by 23,653 million yen from the end of the previous fiscal year to 187,365 million yen. The primary increases were 36,022 million yen in cash on hand and in banks and 6,749 million yen in work in progress for game software. The primary decrease was 17,093 million yen in accounts receivable - trade.

(Liabilities)

Total liabilities as of the end of the fiscal year ended March 31, 2022, decreased by 2,028 million yen from the end of the previous fiscal year to 40,890 million yen. The primary decreases were 947 million yen in accrued income taxes, 727 million yen in current portion of long-term borrowings and long-term borrowings, and 494 million yen in notes and accounts payable - trade.

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2022, increased by 25,681 million yen from the end of the previous fiscal year to 146,475 million yen. The primary increase was 32,553 million yen in net income attributable to owners of the parent. The primary decrease was 8,753 million yen in dividends from retained earnings.

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

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2022, increased by 31,592 million yen from the end of the previous fiscal year to 95,635 million yen.

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

(Cash flows from operating activities)

Net cash gained from operating activities was 46,947 million yen (14,625-million-yen net cash gain in the previous fiscal year).

This was primarily due to funds increasing from 44,322 million yen in net income before income taxes, a 17,208 million-yen decrease in notes and accounts receivable - trade, and an increase of 2,008 million-yen from deferred revenue etc., and funds decreasing from a 6,744 million-yen increase in work in progress for game software and 11,155 million yen in income taxes paid, etc.

(Cash flows from investing activities)

Net cash used in investing activities was 7,426 million yen (4,233 million yen in the previous fiscal year).

This was primarily due to increases from 17,980 million yen in proceeds from withdrawal of time deposits, etc., and decreases from 21,297 million yen in payments into time deposits and 2,950 million yen in payments for acquisitions of tangible fixed assets, etc.

(Cash flows from financing activities)

Net cash used in financing activities was 9,980 million yen (6,965 million yen in the previous fiscal year).

This was primarily due to 8,745 million yen in dividends paid by parent company.

(4) Outlook

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

In order to respond to a market where the business environment is continually changing, the Company has actively worked to improve its earnings and financial structures. It has done this through the promotion of its digital strategy and evolution of how it manages development progress and costs, such as collecting and analyzing user trend data, and the steady hiring of new people and training them as quickly as possible.

Furthermore, in order to make certain steady, sustainable growth, the Company has made the issue of human resources investment a top priority and will work to enhance corporate value through the following measures.

A. Enhancing the structure by which management approaches personnel issues

- Streamlining of human resources operations
- Creation of Chief Human Resources Officer (CHO) position

B. Acquiring and cultivating the talent to support the future, and improving the work environment

- Review of the compensation system
- Increase in average base salary
- Payment of bonuses more closely tied to performance
- Enhancing employee welfare and benefits program

C. Stronger management capabilities

- Diversity of Board of Directors and stronger effectiveness

The Company will continue to work on further enhancement and expansion of its brand value and user base on a global basis, strengthening its personnel activities while actively creating and leveraging its intellectual property.

With these efforts, the Company will aim to achieve growth in its core Digital Contents business and thereby to achieve 10% growth in operating income consistently every year, which is our medium-term management target.

As the driving force to achieve this, the Company will reinforce its development workforce, improve its development workplace environment, and strive to enhance the pipeline by creating new intellectual property and leveraging its major intellectual property. The Company will also focus on increasing the total unit sales by continuing to launching new titles and strengthening the digital sales of catalog titles.

① Strategies by operating segment for the year ending March 2023

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

A. Digital Contents business

In this business segment, the Company will work to enhance brand value and expand its customer base by launching new titles, including *Monster Hunter Rise: Sunbreak* (for Nintendo Switch, PC), a massive, premium expansion for the previous year's release of *Monster Hunter Rise*. Further, the Company will strive to maximize revenue and continuously increase total sales volume by strengthening digital sales and executing sales measures for catalog titles such as *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin*, both of which were released in the fiscal year under review.

B. Arcade Operations business

In this business segment, the Company will continue to expand into new store formats while pursuing a flexible scrap and build strategy to move forward with efficient openings and operations of stores.

In the year ending March 2023, the Company plans to open 4 stores and close 2 stores.

C. Amusement Equipments business

In this business segment, the Company will introduce new models that primarily feature its popular IP.

In the next fiscal year, the Company plans to introduce 4 new models, including *Gekka Miyabi* scheduled to be launched in April, aiming to achieve unit sales of 34 thousand total.

D. Other Businesses

In the Other Businesses segment, the Company will redouble its efforts in the eSports business to proactively expand the fan base worldwide by leveraging online competitions in order to encourage participation from an even greater number of people. Additionally, the Company will promote its Single Content Multiple Usage strategy on a global basis by establishing a film production subsidiary to adapt its content into movies, and also through cross-industry collaborations.

Going forward, the Company will work to maximize corporate brand value while expanding the brand value of its contents by pursuing multifaceted expansion in areas such as eSports, film adaptations and the licensing business.

② Initiatives on corporate governance

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

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

On top of that, the Company performed an evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 2022 to further strengthen its functions. In the evaluation results it was confirmed that, with respect to the issues identified in the fiscal year ended March 2021, the effectiveness of the Board of Directors of the Company continued to be secured in the fiscal year ended March 2022 via expanded opportunities for information sharing and the exchange of opinions with external directors as well as the review of agenda criteria.

In addition, in order to further enhance the effectiveness of the management supervisory function, the Company will work on the following issues during the fiscal year ending March 2023.

Main issues

- Reinforcement of operational and support systems of the Board of Directors and voluntary committees
- Enhancement of information sharing with external directors
- Securement of diversity of Board of Directors for sustained, steady growth and the strengthening of management personnel capabilities

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

③ Measures to strengthen information security

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

Following the direction and advice of the Security Oversight Committee, the Company has continued to establish various measures to strengthen its security and has achieved its expected goals, including those related to the operations and monitoring of systems and emergency responses.

The Company believes that continuing to identify issues and respond early will be indispensable and going forward will continue to work to maintain and strengthen its systems on an ongoing basis based on, among others, the advice of the Security Oversight Committee.

④ Recruitment and training of development personnel and diverse personnel

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

As such, the Company has recruited approximately 100 developers every year since FY2013 and approximately 150 developers every year since FY2017 with the aim of securing a 2,500-person development workforce, on a consolidated basis. At the end of the fiscal year ended March 2022, the Company has secured approximately 2,400 developers in its workforce.

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

The Company currently has 35 female managers (12.5% of all managers), 7 managers of foreign nationality (2.5% of all managers), and 157 managers who are midcareer hires (55.9% of all managers).

⑤ Basic policy for strategic holdings of publicly listed shares

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

As a benchmark for these holdings, if it is deemed that there is little economic rationality in continuing to hold such shares, such as when their book value has fallen by 50% or more, or the corporate value of the issuer has been significantly impaired, the Company takes into account factors including the economic situation and, after holding talks with the issuer, reduces or sells such shares at an appropriate time.

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

⑥ Initiatives to promote ESG and SDGs

In conjunction with its corporate philosophy, the Company has continued to promote the digital sales of contents for some time, aiming to contribute to the reduction of environmental impact related to the manufacture of discs. During the fiscal year ended March 2022, the Company donated a total of 100 million yen to three organizations that work for the healthy development of children, including the Fund to Support Children's Future. Further, the Company also committed 100 million yen in aid to the United Nations High Commissioner for Refugees to support Ukrainian refugees, who have been at the center of the world's attention recently.

<Support for children in need>

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

<Support for Refugees from Ukraine>

| Donations to | Amount |
|--|-----------------|
| UNHCR, the UN refugee agency *Supported through Japan for UNHCR (an authorized nonprofit organization), the official representative of UNHCR in Japan for accepting aid | 100 million yen |

Going forward, the Company will proactively work to address the issues facing society, such as that of climate change, which is currently a topic of much scrutiny. The Company will promote Environmental, Social and Corporate Governance (ESG) initiatives from such a standpoint, in consideration of the goal of developing a sustainable society as advocated by the Sustainable Development Goals (SDGs) and pursue sustained growth while building a relationship based on trust with its stakeholders.

In particular, the Company has begun preparations to introduce CO₂-free electricity sourced from renewable energy from the Kansai Electric Power Co., Inc. in the buildings it owns as part of its environmental measures. In addition, by carrying out initiatives such as utilizing its own data centers with energy saving features, as well as using major cloud and data center service companies that promote the use of renewable energy, the Company works to further lessen its environmental impact.

2. Basic policy regarding selection of accounting standards

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

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

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

| | Previous fiscal year (March 31, 2021) | Current fiscal year (March 31, 2022) |
|---|--|---|
| Assets | | |
| Current assets | | |
| Cash on hand and in banks | 71,239 | 107,262 |
| Notes and accounts receivable - trade | 25,096 | — |
| Notes - trade | — | 528 |
| Accounts receivable - trade | — | 7,404 |
| Merchandise and finished goods | 2,005 | 1,378 |
| Work in progress | 897 | 819 |
| Raw materials and supplies | 850 | 198 |
| Work in progress for game software | 24,443 | 31,192 |
| Other | 2,896 | 2,536 |
| Allowance for doubtful accounts | (37) | (8) |
| Total current assets | 127,391 | 151,312 |
| Fixed assets | | |
| Tangible fixed assets, net of accumulated depreciation | | |
| Buildings and structures, net | 10,666 | 10,485 |
| Machinery and vehicles, net | 11 | 24 |
| Tools, fixtures and furniture, net | 1,401 | 1,977 |
| Equipment for amusement facilities, net | 1,628 | 2,213 |
| Land | 5,235 | 5,235 |
| Leased assets, net | 1,141 | 1,112 |
| Construction in progress | 1,230 | 157 |
| Total tangible fixed assets | 21,316 | 21,206 |
| Intangible assets | 1,229 | 1,747 |
| Investments and other assets | | |
| Investments in securities | 589 | 637 |
| Claim in bankruptcy and reorganization | 19 | 12 |
| Lease deposits | 4,140 | 4,266 |
| Deferred tax assets | 8,089 | 7,389 |
| Other | 969 | 819 |
| Allowance for doubtful accounts | (32) | (25) |
| Total investments and other assets | 13,775 | 13,099 |
| Total fixed assets | 36,321 | 36,053 |
| Total assets | 163,712 | 187,365 |

(million yen)

| | Previous fiscal year (March 31, 2021) | Current fiscal year (March 31, 2022) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 2,820 | 2,325 |
| Electronically recorded monetary liabilities | 882 | 1,276 |
| Current portion of long-term borrowings | 727 | 626 |
| Lease obligations | 594 | 501 |
| Accrued income taxes | 6,957 | 6,010 |
| Accrued bonuses | 4,056 | 4,014 |
| Deferred revenue | 6,673 | 8,932 |
| Other | 9,878 | 7,055 |
| Total current liabilities | 32,590 | 30,742 |
| Long-term liabilities | | |
| Long-term borrowings | 4,878 | 4,252 |
| Lease obligations | 630 | 718 |
| Deferred tax liabilities | 1 | 20 |
| Liabilities for retirement benefits for employees | 3,468 | 3,802 |
| Asset retirement obligations | 671 | 718 |
| Other | 676 | 634 |
| Total long-term liabilities | 10,327 | 10,147 |
| Total liabilities | 42,918 | 40,890 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 33,239 | 33,239 |
| Capital surplus | 21,329 | 21,329 |
| Retained earnings | 93,861 | 117,661 |
| Treasury stock | (27,461) | (27,464) |
| Total shareholders' equity | 120,967 | 144,765 |
| Accumulated other comprehensive income | | |
| Net unrealized gain or loss on securities, net of tax | 56 | 100 |
| Cumulative translation adjustments | (10) | 1,889 |
| Accumulated adjustments for retirement benefits | (219) | (279) |
| Total accumulated other comprehensive income | (173) | 1,710 |
| Total net assets | 120,794 | 146,475 |
| Total liabilities and net assets | 163,712 | 187,365 |

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

(million yen)

| | Previous fiscal year From April 1, 2020 to March 31, 2021 | Current fiscal year From April 1, 2021 to March 31, 2022 |
|---|---|--|
| Net sales | 95,308 | 110,054 |
| Cost of sales | 42,567 | 47,042 |
| Gross profit | 52,741 | 63,011 |
| Selling, general and administrative expenses | 18,145 | 20,101 |
| Operating income | 34,596 | 42,909 |
| Non-operating income | | |
| Interest income | 65 | 40 |
| Dividend income | 19 | 20 |
| Exchange gain, net | 611 | 716 |
| Subsidy income | 52 | — |
| Compensation for damage | 130 | — |
| Gain on liquidation of subsidiaries | — | 761 |
| Other | 155 | 320 |
| Total non-operating income | 1,035 | 1,859 |
| Non-operating expenses | | |
| Interest expense | 72 | 49 |
| Commission fees | 46 | — |
| Additionally paid retirement payments | — | 197 |
| Litigation expenses | — | 92 |
| Loss on liquidation of subsidiaries | 452 | — |
| Other | 214 | 101 |
| Total non-operating expenses | 786 | 439 |
| Ordinary income | 34,845 | 44,330 |
| Special losses | | |
| Loss on sales and/or disposal of fixed assets | 16 | 8 |
| Total special losses | 16 | 8 |
| Net income before income taxes | 34,828 | 44,322 |
| Income taxes - current | 10,084 | 10,987 |
| Income taxes - deferred | (179) | 780 |
| Total income taxes | 9,905 | 11,768 |
| Net income | 24,923 | 32,553 |
| Net income attributable to owners of the parent | 24,923 | 32,553 |

Consolidated statements of comprehensive income

(million yen)

| | Previous fiscal year From April 1, 2020 to March 31, 2021 | Current fiscal year From April 1, 2021 to March 31, 2022 |
|---|---|--|
| Net income | 24,923 | 32,553 |
| Other comprehensive income | | |
| Net unrealized gain or loss on securities, net of tax | 163 | 43 |
| Cumulative translation adjustments | 1,295 | 1,900 |
| Adjustments for retirement benefits | 17 | (60) |
| Total other comprehensive income | 1,476 | 1,883 |
| Comprehensive income | 26,400 | 34,437 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 26,400 | 34,437 |
| Non-controlling interests | — | — |

(3) Consolidated statements of changes in net assets

Previous fiscal year from April 1, 2020 to March 31, 2021

(million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2020 | 33,239 | 21,329 | 74,275 | (27,458) | 101,385 |
| Changes of items during the fiscal year | | | | | |
| Cash dividends | | | (5,337) | | (5,337) |
| Net income attributable to owners of the parent | | | 24,923 | | 24,923 |
| Repurchase of treasury stock | | | | (3) | (3) |
| Disposal of treasury stock | | | | | — |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the fiscal year | — | — | 19,586 | (3) | 19,582 |
| Balance as of March 31, 2021 | 33,239 | 21,329 | 93,861 | (27,461) | 120,967 |

| | 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, 2020 | (106) | (1,306) | (237) | (1,650) | 99,735 |
| Changes of items during the fiscal year | | | | | |
| Cash dividends | | | | | (5,337) |
| Net income attributable to owners of the parent | | | | | 24,923 |
| Repurchase of treasury stock | | | | | (3) |
| Disposal of treasury stock | | | | | — |
| Net changes of items other than shareholders' equity | 163 | 1,295 | 17 | 1,476 | 1,476 |
| Total changes of items during the fiscal year | 163 | 1,295 | 17 | 1,476 | 21,058 |
| Balance as of March 31, 2021 | 56 | (10) | (219) | (173) | 120,794 |

Current fiscal year from April 1, 2021 to March 31, 2022

(million yen)

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

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

(4) Consolidated statements of cash flows

(million yen)

| | Previous fiscal year From April 1, 2020 to March 31, 2021 | Current fiscal year From April 1, 2021 to March 31, 2022 |
|--|---|--|
| Cash flows from operating activities | | |
| Net income before income taxes | 34,828 | 44,322 |
| Depreciation and amortization | 2,791 | 3,385 |
| Change in allowance for doubtful accounts | 5 | (36) |
| Change in accrued bonuses | 912 | (68) |
| Change in liabilities for retirement benefits for employees | 281 | 247 |
| Interest and dividend income | (85) | (61) |
| Interest expense | 72 | 49 |
| Exchange gain, net | (37) | (265) |
| Loss on sales and/or disposal of fixed assets | 16 | 8 |
| Change in notes and accounts receivable - trade | (9,028) | 17,208 |
| Change in inventories | (997) | 1,383 |
| Change in work in progress for game software | (3,213) | (6,744) |
| Change in notes and accounts payable - trade | (2,233) | (180) |
| Change in deferred revenue | (1,077) | 2,008 |
| Other | 527 | (3,160) |
| Subtotal | 22,761 | 58,094 |
| Interest and dividends received | 99 | 58 |
| Interest paid | (72) | (49) |
| Income taxes paid | (8,162) | (11,155) |
| Net cash provided by operating activities | 14,625 | 46,947 |
| Cash flows from investing activities | | |
| Payments into time deposits | (13,742) | (21,297) |
| Proceeds from withdrawal of time deposits | 12,660 | 17,980 |
| Payments for acquisitions of tangible fixed assets | (2,305) | (2,950) |
| Proceeds from sales of tangible fixed assets | 1 | 2 |
| Payments for acquisitions of intangible fixed assets | (817) | (1,117) |
| Payments for purchase of investments in securities | (15) | (16) |
| Payments for other investing activities | (51) | (240) |
| Proceeds from other investing activities | 37 | 213 |
| Net cash used in investing activities | (4,233) | (7,426) |
| Cash flows from financing activities | | |
| Proceeds from long-term loans borrowings | 3,000 | — |
| Repayments of long-term borrowings | (4,129) | (727) |
| Repayments of lease obligations | (500) | (504) |
| Payments for repurchase of treasury stock | (3) | (2) |
| Dividends paid by parent company | (5,331) | (8,745) |
| Net cash used in financing activities | (6,965) | (9,980) |
| Effect of exchange rate changes on cash and cash equivalents | 944 | 2,050 |
| Net change in cash and cash equivalents | 4,371 | 31,592 |
| Cash and cash equivalents at beginning of year | 59,672 | 64,043 |
| Cash and cash equivalents at end of year | 64,043 | 95,635 |

(5) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Change in accounting principles)

(Application of Accounting Standards related to Revenue Recognition)

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 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 duration 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, the Company complies with the transitional treatment stipulated in the provisions of paragraph 84 of the Standard. The cumulative impact of retroactively applying the new accounting principle prior to the beginning of the current fiscal year is added or subtracted to the retained earnings at the beginning of the current fiscal year and the new accounting principle is applied from the beginning balance.

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable – trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, has been divided into "Notes receivable – trade" and "accounts receivable – trade" from the current fiscal year.

In accordance with transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

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

(Application of Accounting Standards related to Fair Value Measurement)

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 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 consolidated financial statements this consolidated fiscal year.

(Corporate combinations, etc.)

(Transactions under common control)

At a meeting of the Board of Directors held on March 31, 2021, the Company resolved to accept the transfer of a portion of the business operated by CAPCOM U.S.A. INC., our consolidated subsidiary, and took over the business on April 1, 2021 based on the business transfer agreement.

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: CAPCOM U.S.A. INC.'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).

(Segment Information)

1. Outline of business reportable segment

(1) Classification of business reportable segment

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

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

Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 units: "Digital Contents," "Arcade Operations" and "Amusement Equipments."

(2) Product and service line

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

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

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

to amusement facility operators.

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

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

Income by reportable segment is calculated based on operating income.

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

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(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 | 75,300 | 9,871 | 7,090 | 92,263 | 3,045 | 95,308 | — | 95,308 |
| (2) Inter-segment | — | — | — | — | — | — | — | — |
| Total | 75,300 | 9,871 | 7,090 | 92,263 | 3,045 | 95,308 | — | 95,308 |
| Operating income (loss) | 37,002 | 149 | 2,407 | 39,559 | 987 | 40,547 | (5,951) | 34,596 |
| Identifiable assets | 73,551 | 7,709 | 6,346 | 87,606 | 1,420 | 89,026 | 74,685 | 163,712 |
| Other items | | | | | | | | |
| Depreciation and amortization | 925 | 1,005 | 255 | 2,185 | 23 | 2,209 | 581 | 2,791 |
| Increase in tangible and intangible fixed assets | 277 | 655 | 133 | 1,066 | 250 | 1,317 | 2,280 | 3,597 |

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

2. Adjustments are as follows.

(1) Adjustments of operating income (loss) of -5,951 million yen include unallocated corporate operating expenses of -5,951 million yen.

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

(2) Adjustments of identifiable assets of 74,685 million yen include unallocated corporate identifiable assets of 74,685 million yen.

(3) Adjustments of increase in tangible and intangible fixed assets of 2,280 million yen are capital investment by headquarters.

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

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

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

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

2. Adjustments are as follows.

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

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

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

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

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

4. The Company has applied the Accounting Standard for Revenue Recognition, and changed the way of accounting for revenue recognition from the beginning of the current fiscal year, as described above in "Change in accounting principles."

Therefore, the Company has similarly changed the method of calculating segment profit or loss.

As a result, the impact of these changes on the consolidated financial statements in this fiscal year is minor.

(Per share information)

| | Previous fiscal year (from April 1, 2020) to March 31, 2021) | Current fiscal year (from April 1, 2021) to March 31, 2022) |
|---------------------------|---|--|
| | (yen) | (yen) |
| Net asset value per share | 565.78 | 686.07 |
| Earnings per share | 116.74 | 152.48 |

- (Note)
1. The diluted net income per share for the current fiscal year is omitted as the Company has no residual securities.
 2. With an effective date of April 1, 2021, the Company performed a 2-for-1 split of its common stock.
The Company calculated "net asset value per share" and "earnings per share" assuming that the stock split was implemented with an effective date of April 1, 2020.
 3. As described above in "Change in accounting principles," when applying the Accounting Standard for Revenue Recognition, the Company complies with the transitional treatment stipulated in the provisions of paragraph 84 of the Standard. As a result, the impact of these changes on "net asset value per share" and "earnings per share" in this fiscal year is minor.
 4. The basis for computation of net assets per share is as follows:

| | Previous fiscal year (March 31, 2021) | Current fiscal year (March 31, 2022) |
|--|--|---|
| | (million yen) | (million yen) |
| Total amount of net assets | 120,794 | 146,475 |
| Amounts to be deducted from total amount of net assets | — | — |
| Ending balance of net assets attributable to common stock | 120,794 | 146,475 |
| Number of shares of common stocks used for computation of net assets per share (thousand shares) | 213,499 | 213,499 |

5. The basis for computation of net income per share is as follows:

| | Previous fiscal year (from April 1, 2020) to March 31, 2021) | Current fiscal year (from April 1, 2021) to March 31, 2022) |
|---|---|--|
| | (million yen) | (million yen) |
| Net income attributable to owners of the parent | 24,923 | 32,553 |
| Amount not allocated to common stock | — | — |
| Net income attributable to owners of the parent allocated to common stock | 24,923 | 32,553 |
| Average number of shares of common stock outstanding during the fiscal year (thousand shares) | 213,500 | 213,499 |