

**Consolidated financial results for the 6 months
of the fiscal year ending March 31, 2024 (Japan GAAP - Unaudited)**

Date of issue: October 26, 2023

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

URL : <https://www.capcom.co.jp/>

Representative: Haruhiro Tsujimoto, President and COO

Tel: +81-6-6920-3605

Contact person: Yoshikazu Shimauchi, Corporate Officer and General Manager of Finance & Accounting Department

Filing date for financial report : October 30, 2023

Dividend payment date: November 15, 2023

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, 2023 (From April 1, 2023 to September 30, 2023)

(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, 2023	74,934	52.7	33,835	54.5	36,164	57.3	25,287	56.7
6 months ended September 30, 2022	49,067	(29.9)	21,895	(24.3)	22,996	(22.6)	16,142	(27.4)

Note: Comprehensive income: 6 months ended September 30, 2023 29,752 million yen (44.5%) 6 months ended September 30, 2022 20,588 million yen (-5.9%)

	Earnings per share	Diluted earnings per share
	yen	yen
6 months ended September 30, 2023	120.93	—
6 months ended September 30, 2022	76.36	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
2nd quarter ended September 30, 2023	226,694	182,372	80.4
Year ended March 31, 2023	217,365	161,129	74.1

Reference: Shareholders' equity: 2nd quarter ended September 30, 2023: 182,372 million yen Year ended March 31, 2023: 161,129 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, 2023	—	23.00	—	40.00	63.00
Year ending March 31, 2024	—	27.00	—	—	—
Year ending March 31, 2024 (Forecast)	—	—	—	27.00	54.00

Note: 1. Changes in dividends forecast during the 6 months ended September 30, 2023 : No

2. Breakdown of the year-end dividend for the fiscal year ended March 31, 2023: ordinary dividend 30 yen, 40th anniversary commemorative dividend 10 yen

3. Earnings forecast for the fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

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, 2024	140,000	11.2	56,000	10.2	56,000	9.0	40,000	8.9	191.28

Note: Changes in earnings forecast during the 6 months ended September 30, 2023 : No

Notes

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

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

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

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

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

① Number of shares outstanding (including treasury stock)			
2nd quarter ended September 30, 2023:	266,505,623	Year ended March 31, 2023:	266,505,623
② Number of treasury stock			
2nd quarter ended September 30, 2023:	57,388,942	Year ended March 31, 2023:	57,393,546
③ Average number of shares outstanding			
2nd quarter ended September 30, 2023:	209,114,335	2nd quarter ended September 30, 2022:	211,389,338

Note: The number of treasury stock at the end of the 2nd quarter and the number of treasury stock deducted when calculating the average number of shares outstanding during the 2nd quarter include CAPCOM Co., Ltd. (the "Company")'s shares held by the Stock Grant ESOP trust.

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

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

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1. Operating results overview

(1) Operating results for the period under review

During the six months ended September 30, 2023, Capcom Co., Ltd. and its affiliates (hereinafter, the Company) continued to actively pursue growth investments focused on enhancing digital sales to respond to the continuously evolving and expanding global market. Moreover, the Company implemented measures to improve its work environment as part of its Human Resources investment strategy, which is one of management's priorities. These included strengthening its personnel organization, establishing the new Creative Studio, adopting a system with a more inclusive definition for spouses and partners, and enhancing employee welfare and benefits programs in order to further the steady, sustainable growth of the Company. In addition, the Company acquired a development company as a wholly-owned subsidiary whose strength lies in 3D CG production technologies applicable to consumer game development in order to enhance its corporate value through ongoing reinforcement of its development and technological strengths.

With 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 the active promotion of digital catalog title sales in its core Digital Contents business. As a result, the sales volume of the Digital Contents business in the six months ended September 30, 2023, was 22.6 million units, exceeding the 21.3 million units in the same period of the previous fiscal year, and significantly contributing to enhancing the value of the Company. The Company also leveraged the use of its major brands in films, licensed products, and in esports to enhance the brand strength of its intellectual property. Additionally, the Company worked to boost revenues by promoting efficient store operations and opening stores in new formats in the Arcade Operations business, and with sales of existing machines that effectively used the Company's popular intellectual property in the Amusement Equipments business.

As a result, for the six months ended September 30, 2023, consolidated net sales were 74,934 million yen (up 52.7% year-over-year). In terms of profitability, operating income was 33,835 million yen (up 54.5% year-over-year), ordinary income was 36,164 million yen (up 57.3% year-over-year), and net income attributable to the owners of the parent was 25,287 million yen (up 56.7% year-over-year).

Thanks to the ongoing support from all stakeholders, the Company celebrated the 40th anniversary of its founding in June 2023. To mark this occasion, in addition to opening Capcom Town, a dedicated anniversary website and online destination, the Company is carrying out a variety of celebratory activities.

Status of business by operating segment

① Digital Contents business

In June 2023, the Company released *Street Fighter 6* (for PlayStation 5, PlayStation 4, Xbox Series X|S, PC), the latest title in the series that leads the Company's eSports activities, to global acclaim. As a result, the game achieved sales of 2.47 million units, which contributed significantly to earnings.

Further, *MegaMan Battle Network Legacy Collection Vol. 1* and *Vol. 2* (for Nintendo Switch, PlayStation 4, PC), launched in April 2023, selling 1.42 million units supported by steady popularity. As part of efforts to focus on the creation of new intellectual properties, in July the Company released *Exoprimal* (for Xbox Series X|S, Xbox One, PlayStation 5, PlayStation 4, PC), a wholly new and fresh online team battle experience, which attracted over 1 million users.

In catalog title sales, *Resident Evil 4*, launched in March 2023, significantly contributed to sales growth, reaching 5.45 million units cumulatively, supported by ongoing promotional measures including a free title update for PlayStation VR2. Additionally, the Company implemented pricing strategies while conducting proactive promotional campaigns to gain wide recognition for its intellectual property and acquire new fans, focusing primarily on series title sales, such as *Monster Hunter Rise* and *Resident Evil 2*. As a result, catalog title sales reached 17.6 million units, exceeding the 16.05 million units in the same period of the previous fiscal year and boosting sales.

In Mobile Contents, *Monster Hunter Now* (for iOS, Android) was released in September, representing the latest mobile game in the *Monster Hunter* series. The number of worldwide downloads for the title exceeded 5 million, driving wider recognition of the brand.

At the Tokyo Game Show 2023 held in September, the Company's booth attracted crowds of showgoers with playable demos of upcoming titles. Also, it was announced during the show that *Monster Hunter Rise: Sunbreak* won the Grand Award and *Resident Evil 4* won an Award for Excellence in the Games of the Year Division of the Japan Game Awards: 2023, while *Dragon's Dogma 2* was selected in the Future Division, giving momentum to the sales of titles going forward.

The resulting net sales were 61,275 million yen (up 69.9% year-over-year) and operating income was 34,503 million yen (up 58.1% year-over-year).

② Arcade Operations business

In this business segment, economic activities recovered due to the Japanese government reclassifying COVID-19 as a Class 5 infectious disease (a category that includes the seasonal flu). As such, the Company strived to increase revenues through efficient operations at existing stores and by opening new stores in new business categories.

In April, the Company opened a Kids Banet store in Shizuoka, a facility featuring playground equipment for kids, while in June it opened a Crazy Banet interactive amusement facility at Aeon Mall in Niihama (Ehime Prefecture), bringing the total number of stores to 47 during the first six months of this fiscal year.

The resulting net sales were 9,169 million yen (up 25.2% year-over-year) and operating income was 1,128 million yen (up 66.5% year-over-year).

③ Amusement Equipments business

In this business segment, as the market started to rally driven by smart pachinko and pachislo machines, in August the Company launched its first smart pachislo machine, *Sengoku BASARA GIGA*, which sold 15,000 units.

The Company also achieved healthy catalog sales due to ongoing demand for *Shin Onimusha 2*, launched in August 2022, and *Monster Hunter World: Iceborne*, launched in January 2023, driven by their strong performance in the market.

The resulting net sales were 2,598 million yen (down 14.0% year-over-year) and operating income was 1,781 million yen (up 3.5% year-over-year).

④ Other Businesses

In Other Businesses, the Company continued to focus on pursuing movie and television adaptations of its major intellectual property and developing character merchandise to increase the brand value of its titles, as exemplified by the worldwide release of the feature-length CG-animated movie *Resident Evil: Death Island* in July.

The Company has also been pursuing the expansion of the global esports fan base. In the Street Fighter League: Pro-JP 2023, a domestic team league game started in July, the Company featured *Street Fighter 6*, the latest title of the series. Further, in addition to events in Singapore and other areas, the Capcom Pro Tour 2023 kicked off in August worldwide, and the Company is offering its highest-ever prize pool for the tournament, amounting to over 2 million US dollars in total.

The resulting net sales were 1,891 million yen (down 28.8% year-over-year) and operating income was 614 million yen (down 51.2% year-over-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 9,329 million yen from the end of the previous fiscal year to 226,694 million yen. The primary increases were 20,047 million yen in cash on hand and in banks, and 2,138 million yen in work in progress for game software. The primary decrease was 13,685 million yen in accounts receivable – trade.

Total liabilities as of the end of the second quarter decreased by 11,914 million yen from the end of the previous fiscal year to 44,322 million yen. The primary decreases were 5,123 million yen in accrued income taxes, 4,325 million yen in deferred revenue, and 3,090 million yen in accrued bonuses.

Net assets as of the end of the second quarter increased by 21,243 million yen from the end of the previous fiscal year to 182,372 million yen. The primary increases were 25,287 million yen in quarterly net income attributable to owners of the parent, and 4,216 million yen in cumulative translation adjustments. The primary decrease was 8,524 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, 2024, remains the same as what was projected at the financial results announcement on May 10, 2023.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (September 30, 2023)
Assets		
Current assets		
Cash on hand and in banks	102,116	122,164
Notes receivable - trade	116	493
Accounts receivable - trade	24,981	11,295
Merchandise and finished goods	1,440	1,666
Work in progress	1,006	1,187
Raw materials and supplies	454	1,204
Work in progress for game software	38,510	40,649
Other	2,776	3,998
Allowance for doubtful accounts	(1)	(3)
Total current assets	171,402	182,655
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,423	11,107
Other, net	17,522	18,588
Total tangible fixed assets	27,945	29,696
Intangible assets	1,630	1,597
Investments and other assets		
Other	16,409	12,768
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	16,387	12,745
Total fixed assets	45,963	44,038
Total assets	217,365	226,694

(million yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,357	2,348
Electronically recorded monetary liabilities	2,172	1,756
Short-term borrowings	3,591	3,591
Current portion of long-term borrowings	3,626	3,640
Accrued income taxes	12,145	7,021
Accrued bonuses	5,727	2,636
Deferred income	5,455	1,129
Other	9,968	10,685
Total current liabilities	46,043	32,810
Long-term liabilities		
Long-term borrowings	626	357
Liabilities for retirement benefits for employees	4,139	4,252
Provision for share awards	1,018	1,552
Other	4,408	5,348
Total long-term liabilities	10,193	11,511
Total liabilities	56,236	44,322
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	30,259	30,259
Retained earnings	143,519	160,282
Treasury stock	(50,037)	(50,022)
Total shareholders' equity	156,979	173,758
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	102	328
Cumulative translation adjustments	4,332	8,549
Accumulated adjustments for retirement benefits, net of tax	(285)	(263)
Total accumulated other comprehensive income	4,149	8,613
Total net assets	161,129	182,372
Total liabilities and net assets	217,365	226,694

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(million yen)

	Previous 6 months April 1, 2022 to September 30, 2022	Current 6 months April 1, 2023 to September 30, 2023
Net sales	49,067	74,934
Cost of sales	17,852	29,078
Gross profit	31,214	45,855
Selling, general and administrative expenses	9,318	12,019
Operating income	21,895	33,835
Non-operating income		
Interest income	102	537
Dividend income	11	12
Exchange gain, net	1,094	1,832
Other	53	46
Total non-operating income	1,263	2,430
Non-operating expenses		
Interest expense	20	29
Litigation expenses	67	—
Commission for purchase of treasury stock	25	—
Other	48	70
Total non-operating expenses	162	100
Ordinary income	22,996	36,164
Special gains		
Gain on sales of fixed assets	1	1
Total special gains	1	1
Special losses		
Loss on sales and /or disposal of fixed assets	—	0
Total special losses	—	0
Net income before income taxes	22,998	36,165
Income taxes - current	7,028	6,865
Income taxes - deferred	(172)	4,012
Total income taxes	6,856	10,878
Net income	16,142	25,287
Net income attributable to owners of the parent	16,142	25,287

Consolidated statements of comprehensive income

	(million yen)	
	Previous 6 months April 1, 2022 to September 30, 2022	Current 6 months April 1, 2023 to September 30, 2023
Net income	16,142	25,287
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(53)	226
Cumulative translation adjustments	4,518	4,216
Adjustments for retirement benefits, net of tax	(19)	21
Total other comprehensive income	4,445	4,464
Comprehensive income	20,588	29,752
Comprehensive income attributable to:		
Owners of the parent	20,588	29,752
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous fiscal year April 1, 2022 to September 30, 2022	Current fiscal year April 1, 2023 to September 30, 2023
Cash flows from operating activities		
Net income before income taxes	22,998	36,165
Depreciation and amortization	1,590	1,905
Increase (decrease) in allowance for doubtful accounts	(6)	1
Increase (decrease) in accrued bonuses	778	(745)
Increase (decrease) in provision for share awards	517	533
Interest and dividend income	(114)	(550)
Interest expense	20	29
Exchange (gain) loss, net	(978)	(884)
Loss (Gain) on sales or disposal of fixed assets	(1)	(1)
Decrease (increase) in notes and accounts receivable - trade	(3,498)	13,448
Decrease (increase) in inventories	(96)	(1,127)
Decrease (increase) in work in progress for game software	(9,221)	(2,123)
Increase (decrease) in notes and accounts payable - trade	2,019	(1,591)
Increase (decrease) in deferred revenue	5,452	(4,429)
Other	317	(2,280)
Subtotal	19,779	38,348
Interest and dividends received	41	510
Interest paid	(21)	(30)
Income taxes paid	(5,284)	(11,601)
Net cash provided by operating activities	14,515	27,226
Cash flows from investing activities		
Payments into time deposits	(12,434)	(13,294)
Proceeds from withdrawal of time deposits	12,434	13,294
Payments for acquisitions of tangible fixed assets	(1,681)	(2,878)
Proceeds from sales of tangible fixed assets	4	1
Payments for acquisitions of intangible fixed assets	(127)	(207)
Payments for acquisitions of investments in subsidiaries	—	(122)
Other	(126)	(43)
Net cash used in investing activities	(1,931)	(3,250)
Cash flows from financing activities		
Repayments of long-term borrowings	(313)	(313)
Payments for repurchase of treasury stock	(13,645)	(0)
Dividends paid by parent company	(5,971)	(8,516)
Other	(501)	(551)
Net cash used in financing activities	(20,431)	(9,380)
Effect of exchange rate changes on cash and cash equivalents	3,656	3,785
Net change in cash and cash equivalents	(4,190)	18,380
Cash and cash equivalents at beginning of year	95,635	89,470
Cash and cash equivalents at end of quarter	91,445	107,851

(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.

(Segment Information)

I Previous 6 months (From April 1, 2022 to September 30, 2022)

Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	36,062	7,323	3,023	46,409	2,657	49,067	—	49,067
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	36,062	7,323	3,023	46,409	2,657	49,067	—	49,067
Operating income (loss)	21,826	677	1,721	24,225	1,258	25,484	(3,588)	21,895

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

2. Adjustments of operating income (loss) of -3,588 million yen include unallocated corporate operating expenses of -3,588 million yen.

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

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

II Current 6 months (From April 1, 2023 to September 30, 2023)

Information on net sales and operating income (loss)

(million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	61,275	9,169	2,598	73,042	1,891	74,934	—	74,934
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	61,275	9,169	2,598	73,042	1,891	74,934	—	74,934
Operating income (loss)	34,503	1,128	1,781	37,413	614	38,027	(4,192)	33,835

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

2. Adjustments of operating income (loss) of -4,192 million yen include unallocated corporate operating expenses of -4,192 million yen.

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

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

(Additional Information)

(Establishment of Stock Grant ESOP Trust)

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

1. Overview

The Company established the Plan with the aim of increasing employee motivation and interest in contributing to the enhancement of earnings.

Under the Plan, the Company established a Stock Grant ESOP (Employee Stock Ownership Plan) trust (the "ESOP trust", below).

The ESOP trust is an employee incentive plan similar to ESOP plans in the U.S. and will grant the Company's stock that has been acquired by the ESOP trust to eligible employees who have satisfied certain requirements, based on predetermined stock transfer rules.

Further, the Company will provide all funds for acquisition of the aforementioned stock by the ESOP trust, so none of the cost falls upon the eligible employees.

The Company anticipates that by establishing the ESOP trust eligible employees will be able to reap the economic benefits of increases in the value of the Company's stock, resulting in increasing workplace motivation while at the same time enhancing work performance.

Further, voting rights for the Company's stock held in the ESOP trust will be exercised within a structure that reflects the will of eligible employees who are candidate beneficiaries, and is an effective way to improve corporate value by promoting participation in management planning.

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

The Company's stock that remains in the trust is recorded as treasury stock in net assets based on the book value in the trust (excluding associated expenses). Total book value and the number of shares at the end of the previous fiscal year and at the end of the current 6 months are 13,818 million yen and 3,999,460 shares, and 13,802 million yen and 3,994,802 shares, respectively.