

Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Assets		
Current assets:		
Cash on hand and in banks (Notes 9 and 11)	102,116	125,191
Notes receivable - trade (Note 11)	116	—
Accounts receivable - trade (Note 11)	24,981	25,383
Merchandise and finished goods	1,440	1,692
Work in progress	1,006	1,222
Raw materials and supplies	454	847
Work in progress for game software	38,510	39,035
Other	2,776	4,456
Allowance for doubtful accounts	△1	△2
Total current assets	171,402	197,826
Fixed assets:		
Tangible fixed assets, net of accumulated depreciation (Note 5(1))		
Buildings and structures, net	10,423	10,938
Machinery and vehicles, net	21	14
Tools, fixtures and furniture, net	1,715	2,198
Equipment for amusement facilities, net	2,973	3,375
Land	8,953	8,996
Leased assets, net (Note 10(1))	1,399	2,142
Construction in progress	475	647
Other, net	1,982	2,154
Total tangible fixed assets	27,945	30,468
Intangible assets	1,630	1,444
Investments and other assets		
Investments in securities (Note 12)	735	26
Claim in bankruptcy and reorganization	12	12
Lease deposits (Note 11)	4,593	4,750
Deferred tax assets (Note 15)	9,849	7,893
Other	1,219	1,077
Allowance for doubtful accounts	△22	△23
Total investments and other assets	16,387	13,737
Total fixed assets	45,963	45,650
Total assets	217,365	243,476

The accompanying notes are an integral part of these financial statements.

Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	3,357	2,603
Electronically recorded monetary liabilities	2,172	1,730
Short-term borrowings (Notes 5 (3), 11 and 24)	3,591	3,591
Current portion of long-term borrowings (Notes 11 and 24)	3,626	626
Lease obligations (Note 24)	919	1,265
Accrued income taxes	12,145	5,454
Accrued bonuses	5,727	8,388
Deferred revenue	5,455	683
Other (Note 5 (2) and 11)	9,048	8,870
Total current liabilities	46,043	33,213
Long-term liabilities:		
Long-term borrowings (Notes 11 and 24)	626	3,000
Lease obligations (Note 24)	2,992	3,676
Deferred tax liabilities (Note 15)	0	22
Liabilities for retirement benefits for employees (Note 14)	4,139	4,379
Provision for share awards	1,018	2,074
Asset retirement obligations (Notes 17 and 25)	885	1,095
Other	529	932
Total long-term liabilities	10,193	15,181
Total liabilities	56,236	48,394
Net assets		
Shareholders' equity:		
Common stock	33,239	33,239
Capital surplus	30,259	30,259
Retained earnings	143,519	172,615
Treasury stock	△50,037	△50,012
Total shareholders' equity	156,979	186,100
Accumulated other comprehensive income:		
Net unrealized gain or loss on securities, net of tax	102	—
Cumulative translation adjustments	4,332	9,197
Accumulated adjustments for retirement benefits	△285	△216
Total accumulated other comprehensive income	4,149	8,980
Total net assets	161,129	195,081
Total liabilities and net assets	217,365	243,476

The accompanying notes are an integral part of these financial statements.

Consolidated statements of income

(Millions of yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net sales (Note 6(1))	125,930	152,410
Cost of sales (Note 6(2) and (4))	52,110	67,755
Gross profit	73,819	84,654
Selling, general and administrative expenses (Notes 6(3) and (4))	23,006	27,572
Operating income	50,812	57,081
Non-operating income:		
Interest income	396	1,159
Dividend income	24	27
Exchange gains, net	314	2,303
Other	128	116
Total non-operating income:	864	3,606
Non-operating expenses:		
Interest expense	44	60
Litigation expenses	71	—
Commission for purchase of treasury stock	25	—
Social contribution activity-related expenses (Notes 6(4) and (5))	—	1,029
Other	165	176
Total non-operating expenses	307	1,265
Ordinary income	51,369	59,422
Special gains:		
Gain on sales of fixed assets (Notes 6(6))	—	1
Gain on sales of investment securities	—	408
Total special gains	—	410
Special losses:		
Loss on sales and /or disposal of fixed assets (Notes 6(7))	35	35
Impairment losses (Note 6(8))	190	—
Loss on sales of investment securities	—	13
Business restructuring expenses (Notes 6(9))	—	500
Total special losses	225	549
Net income before income taxes	51,143	59,282
Income taxes - current	16,895	13,851
Income taxes - deferred (Note 15)	△2,488	2,056
Total income taxes	14,406	15,908
Net income	36,737	43,374
Net income attributable to owners of the parent	36,737	43,374

The accompanying notes are an integral part of these financial statements.

(Yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Per share information (Note 21)		
Net income per share	87.36	103.71
Dividend per share	63.00	70.00

(Note) With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The Company calculated "Net income per share", assuming that the stock split was implemented with an effective date of April 1, 2022. "Dividend per share" was the actual amount before the stock split.

Consolidated statements of comprehensive income

(Millions of yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net income	36,737	43,374
Other comprehensive income (Note 7)		
Net unrealized gain or loss on securities, net of tax	1	△102
Cumulative translation adjustments	2,442	4,865
Adjustments for retirement benefits, net of tax	△5	68
Total other comprehensive income	2,439	4,831
Comprehensive income	39,176	48,206
Comprehensive income attributable to:		
Owners of the parent	39,176	48,206
Non-controlling interests	—	—

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2022	33,239	21,329	117,661	△27,464	144,765
Changes of items during the fiscal year					
Cash dividends (Note 8(1))			△10,879		△10,879
Net income attributable to owners of the parent			36,737		36,737
Purchase of treasury stock				△27,465	△27,465
Disposal of treasury stock		11,905		1,915	13,821
Cancellation of treasury stock		△2,976		2,976	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	8,929	25,858	△22,573	12,214
Balance as of March 31, 2023	33,239	30,259	143,519	△50,037	156,979

	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, 2022	100	1,889	△279	1,710	146,475
Changes of items during the fiscal year					
Cash dividends (Note 8(1))					△10,879
Net income attributable to owners of the parent					36,737
Purchase of treasury stock					△27,465
Disposal of treasury stock					13,821
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	1	2,442	△5	2,439	2,439
Total changes of items during the fiscal year	1	2,442	△5	2,439	14,653
Balance as of March 31, 2023	102	4,332	△285	4,149	161,129

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

Current fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2023	33,239	30,259	143,519	△50,037	156,979
Changes of items during the fiscal year					
Cash dividends (Note 8(2))			△14,278		△14,278
Net income attributable to owners of the parent			43,374		43,374
Purchase of treasury stock				△1	△1
Disposal of treasury stock				26	26
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	29,095	25	29,121
Balance as of March 31, 2024	33,239	30,259	172,615	△50,012	186,100

	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, 2023	102	4,332	△285	4,149	161,129
Changes of items during the fiscal year					
Cash dividends (Note 8(2))					△14,278
Net income attributable to owners of the parent					43,374
Purchase of treasury stock					△1
Disposal of treasury stock					26
Net changes of items other than shareholders' equity	△102	4,865	68	4,831	4,831
Total changes of items during the fiscal year	△102	4,865	68	4,831	33,952
Balance as of March 31, 2024	—	9,197	△216	8,980	195,081

The accompanying notes are an integral part of these financial statements.

Consolidated statements of cash flows

(Millions of yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Cash flows from operating activities:		
Net income before income taxes	51,143	59,282
Depreciation and amortization	3,438	4,221
Impairment losses	190	—
Increase (decrease) in allowance for doubtful accounts	△9	1
Increase (decrease) in accrued bonuses	1,690	2,610
Increase (decrease) in liabilities for retirement benefits for employees	328	339
Increase (decrease) in provision for share awards	1,020	1,055
Interest and dividend income	△420	△1,186
Interest expense	44	60
Exchange (gain) loss, net	△477	△1,134
Loss (gain) on sales and/or disposal of fixed assets	35	34
Loss (gain) on sales of investment securities	—	△395
Business restructuring expenses	—	500
Decrease (increase) in notes and accounts receivable - trade	△17,155	△71
Decrease (increase) in inventories	△500	△825
Decrease (increase) in work in progress for game software	△7,320	△788
Increase (decrease) in notes and accounts payable - trade	1,869	△1,438
Increase (decrease) in deferred revenue	△3,729	△4,892
Other	2,104	△1,427
Subtotal	32,252	55,944
Interest and dividends received	277	1,130
Interest paid	△41	△59
Income taxes paid	△10,698	△20,094
Net cash provided by operating activities	21,789	36,921
Cash flows from investing activities:		
Payments into time deposits	△25,302	△28,433
Proceeds from withdrawal of time deposits	25,441	26,962
Payments for acquisitions of tangible fixed assets	△7,103	△4,838
Proceeds from sales of tangible fixed assets	4	1
Payments for acquisitions of intangible fixed assets	△312	△297
Payments for purchase of investment securities	△17	△10
Proceeds from sales of investment securities	—	936
Payments for acquisitions of investments in subsidiaries	—	△122
Payments for other investing activities	△427	△164
Proceeds from other investing activities	37	4
Net cash used in investing activities	△7,679	△5,962
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	3,591	—
Proceeds from long-term loans borrowings	—	3,000
Repayments of long-term borrowings	△626	△3,685
Repayments of lease obligations	△935	△1,017
Payments for purchase of treasury stock	△13,645	△1
Dividends paid by parent company	△10,868	△14,266
Net cash used in financing activities	△22,485	△15,969
Effect of exchange rate changes on cash and cash equivalents	2,209	4,631
Net increase (decrease) in cash and cash equivalents	△6,165	19,620
Cash and cash equivalents at beginning of year	95,635	89,470
Cash and cash equivalents at end of year (Notes 9)	89,470	109,091

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the “Company”) and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Financial Instruments and Exchange Act. Each amount in the consolidated financial statements and notes is rounded down to the nearest ¥1 million.

2. Summary of significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 13 majority owned subsidiaries (the “Companies”) at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated. The investments in 20% to 50% owned companies (affiliated companies) are, with minor exceptions, accounted for under the equity method.

The consolidated subsidiaries are as follow:

CAPCOM U.S.A., INC. (U.S.A.)
CAPCOM PICTURES, INC. (U.S.A.)
CE EUROPE LTD. (U.K.)
CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)
CAPCOM ENTERTAINMENT FRANCE SAS (France)
CAPCOM SINGAPORE PTE. LTD. (Singapore)
CAPCOM ASIA CO., LTD. (Hong Kong)
CAPCOM TAIWAN CO., LTD. (Taiwan)
CAPCOM MAINTENANCE SERVICE CO., LTD. (Japan)
K2 CO., LTD. (Japan)
ENTERRISE CO., LTD. (Japan)
ADELION CO., LTD. (Japan)
SWORDCANES STUDIO CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

SWORDCANES STUDIO CO., LTD. has been included in the scope of consolidation due to the Company’s acquisition of all the shares from the current fiscal year.

(2) Investments in securities

Available-for-sale securities

The securities other than shares that do not have a market value are stated at fair value at the end of fiscal year. Net unrealized gains or losses on these securities are inserted directly into net assets and the cost of securities sold is determined based on the average cost of all such securities held at the time of sale. Shares that do not have a market value are stated at cost based on the gross average method.

- (3) Inventories (“Merchandise and finished goods,” “Work in progress,” “Raw materials and supplies”) and “Work in progress for game software”

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

- (4) Tangible fixed assets, except for leased assets

The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respective assets, except for buildings (excluding facilities attached to buildings) for which depreciation is computed using the straight-line method. For facilities attached to buildings and structures acquired on or after April 1, 2016, the straight-line method is applied. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

- (5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method.

- (6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee

Depreciation of such leased assets is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero. If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.

- (7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end. This amount is considered sufficient to cover possible losses on collection.

- (8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Provision for share awards

In preparation for granting shares of the Company to our employees based on the stock compensation regulations, provision for share awards is stated based on the estimated stock compensation.

(10) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on benefit formula method. Actuarial net gains or losses are amortized over 13 to 14 years, commencing from the following year in which they arise.

(11) Significant revenue and cost recognition

① Content of major performance obligations at major business segments and ordinary point of time of revenue recognition

a. Digital content business

Digital content business develops and distributes video and mobile games for consumers.

(Package sales and Digital download sales)

Ordinarily, revenue will be recognized at a point of delivered if the Company can judge that the performance obligation is satisfied when customers obtain control of that items which can be used in that game software title and items in our contents at delivering them.

(Free download contents)

Major updating or other similar events after the release date are planned for some game software titles with online features among those which the Company sold to customers. Such events include the release of game content items which customers can play free of charge, and these releases are announced to and anticipated by customers.

The Company assumes that we have an obligation to release these free download content items (Free DLCs) in future to customers. Therefore, the Company identifies distinct performance obligations for the “Full Game,” which becomes available for playing on the release date, and “Free DLCs,” which are additionally provided after the release date through major updating or other similar events, and allocates the transaction price of a game software title sold to customers to the Full Game and Free DLCs, based on their stand-alone selling prices. In addition, Free DLCs for those yet to be released are not recognized as revenue at the end of consolidated fiscal year. But the stand-alone selling prices of Full Game and Free DLCs were not directly observable. Therefore, the Company selected game software titles with charged downloadable content items, etc. (Charged DLCs, etc.) similar to the applicable game software titles by considering the game genres, details of the Full Game and DLCs, and distribution methods, and calculates the average ratio of the selling prices of Charged DLCs, etc. to the total of the selling prices of the Full Game and Charged DLCs, etc. (selling price ratio). The Company determined the transaction price of Free DLCs by multiplying the selling price of game software sold by the Company to customers by the selling price ratio.

The Company assumes that performance obligation is satisfied when Free DLC is provided to customers and made them available to play. Therefore, revenue from Free DLCs for those yet to be provided is deferred, recognized as sales over the planned period of Free DLC distribution after the date of provision based on the fact that it is released.

(Licensing-related sales)

The Company, as the copyrights holder of game software which we developed and productized, grants the right of delivery or the right of material use by entering into license agreements with customers. The non-returnable contract revenue and minimum guarantee revenue in this licensing-related revenue is recognized at a single point in time, if the Company can judge that our performance obligation was satisfied when the customers obtained control of the license at the point when it was granted. Additionally, revenue related to royalties based on sales is calculated on the basis of customers' sales and recognized at a single point in time, considering when the performance obligation is deemed satisfied and the time of revenue.

The Company receives our consideration within approximately three months after our performance obligations are completed, and significant financing components are not included.

b. Arcade operations business

Arcade operations business operates amusement stores which install amusement equipment, revenue from the contract with customers is product sales and services provided by amusement equipment, and is recognized at a point of providing to the customers.

The Company receives our consideration within approximately three months after our performance obligations are completed, and significant financing components are not included.

c. Amusement equipment business

Amusement equipment business manufactures pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors. Its revenue is recognized at a one-time point, if the Company can judge that performance obligation is satisfied at the point of delivery of products to customers.

The Company receives our consideration within approximately three months after our performance obligations are completed, and significant financing components are not included.

d. Other business

Other business operates Character licensing-related sales, and others.

The Company, as the copyrights holder of game software and these characters which was developed and productized, grants the right of delivery or the right of material use by entering into license agreements with customers.

The non-returnable contract revenue and minimum guarantee revenue in these licensing-related revenue is recognized at a one-time point, if the Company can judge that our performance obligation is satisfied when customers obtain control of the license at the point of granting it.

Additionally, revenue related to royalties based on sales are calculated by customers' sales as basis, revenue is recognized at a one-point which is judged our satisfaction of performance obligation by considering the time of revenue.

The Company receives our consideration within approximately three months after our performance obligations are completed, and significant financing components are not included.

② Cost of game software production

Game software is produced by a combination of software functioning as program and multi-game content such as images and sound data. Since the Company consider both software and content as nonseparable, the primary economic value is based on content. Overall, the cost of game software is booked as work in progress for game software when commercialization has been authorized at the Company. The cost of production capitalized as assets is booked as cost of sales based on expected sales revenue.

(12) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

(13) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Exchange gains (losses)" in the consolidated statements of income. The assets and liabilities of foreign subsidiaries are translated into JPY at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign subsidiaries are translated into JPY at the average rates of exchange during the fiscal year. Gains and losses resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of income and are included in "Cumulative translation adjustments" in "Net assets" in the consolidated balance sheets.

(14) Significant method of hedge accounting

① Method of hedge accounting

The Company have adopted deferred hedge accounting.

The allocation treatment is adopted for forward exchange transactions that meet the requirements for hedge accounting.

② Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Accounts receivables denominated in foreign currencies and forecasted transactions

③ Hedging policies

The purpose of entering into hedging transactions is to mitigate foreign currency exposures for the hedged items, which are based on actual demand.

The Companies never enter into derivative contracts for speculative purposes.

④ Assessment of hedge effectiveness

The Company compares market and cumulative cash flow fluctuations for the hedging instruments and related hedged items to assess the hedge effectiveness by the fluctuation ratio.

The Company omits the test of the hedge effectiveness for the forward exchange contracts accounted under the allocation method.

(15) Goodwill

Goodwill is amortized using the straight-line method over 5 years.

3. Significant accounting estimates

(1) Revenue recognition of free download contents

- ① Deferred revenue of free download contents on the consolidated financial statement for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Deferred revenue in the consolidated balance sheet	5,455	683
Out of the above amounts, deferred revenue provided to free download contents yet to be released at the end of the current fiscal year	5,143	—

② Information on significant accounting estimates for identified items

- a. Estimate calculation method b. Major assumptions for estimates

They are the same as described in "Note 2. Summary of significant accounting policies (11) Significant revenue and cost recognition ① Content of major performance obligations at major business segments and ordinary point of time of revenue recognition."

- c. The impact on the consolidated financial statements for the next fiscal year

No impact for the next fiscal year

(2) Valuation of work in progress for game software

- ① Work in progress for game software stated on the consolidated financial statement for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Work in progress for game software in the consolidated balance sheet	38,510	39,035
Out of the above amounts, work in progress for titles that could have a significant impact on the consolidated financial statement for the next fiscal year	12,623	7,122

② Information on significant accounting estimates

a. Estimate calculation method

Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amount. For game software titles yet to be released, the Company reduces the carrying amounts to the net selling price, which is reasonably estimated by deducting the estimated additional development costs and the estimated direct selling expenses from the planned sales revenue, in the case that the carrying amounts for game software exceed the net selling price. For released game software titles, in the case that the actual sales revenue is significantly below the plan continuously or remarkable decline in revenue is expected, the Company reviews the planned sales revenue and reasonably review the net selling price, which is calculated by deducting the estimated additional development cost and the estimated direct selling expenses from the reviewed planned sales revenue, and then reduces the carrying amounts to the renewed net selling price.

b. Major assumptions for estimation

The number of units sold and the selling price, which are the basis for the estimates of the planned sales revenue were judged by management subjectively based on the forecast of console markets and user's purchase trends, among others, and by referring to the reputation of previous and similar titles, price strategies, and method for distribution to customers, among others.

c. Impact on the consolidated financial statement for the next fiscal year

The Company considers that the elements used for the major assumptions to calculate work in progress for game software are reasonable. However, in the case of market shifts and unexpected changes in economic and business preconditions, there is a possibility that the carrying amount of work in progress for game software for the next fiscal year might be affected. As the margin of safety ratio (financial indicator to measure how far the planned sales revenue exceeds the break-even sales) for the titles described in "① Work in progress for game software stated on the consolidated financial statement for the current fiscal year" is around 13% on average (around 9% on average in the previous fiscal year), there is a possibility of a reduction in the carrying amount for work in progress for game software if the margin of safety ratio for the titles in question is below 13%.

4. Additional information

Employee Stock Ownership Plan

In June 2022, the Company established a Stock Grant ESOP trust as an employee incentive plan (the Plan, below) for our 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"). 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). The book value and the number of shares at the end of the previous fiscal year and the current fiscal year are ¥13,818 million and 3,999,460 shares, and ¥13,791 million and 3,991,820 shares, respectively.

With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The above numbers of shares are for those before the stock split.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	(Millions of yen)	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Accumulated depreciation of tangible fixed assets	25,785	27,830

- (2) The contract liability incurred by contracts with customers in "other" of current liabilities is described in "Note 19. Revenue recognition (3) Relationship between satisfaction of performance obligation based on contracts with customers and cashflow from these contracts, information about estimated amount of revenue and its period to be recognized after next consolidated fiscal year considering from existing contracts with customers as of current consolidated fiscal year ① Balance of contract liability."

(3) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements for the purpose of efficient and sustainable financing and improving the efficiency of funds operations and the Company's financial flexibility.

	(Millions of yen)	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Total amount of overdraft limit and credit line agreements	10,291	10,291
Borrowings	3,591	3,591
Unexercised balance	6,700	6,700

6. Notes to consolidated statements of income

(1) Revenue from contracts with customers

For sales, revenue from contracts with customers and other revenues are not separately listed. Revenue from contracts with customers is described in "Note 19. Revenue recognition (1) Break-down information of revenue from contracts with customers."

- (2) The amount of book value reduction based on a decline in profitability including in “Cost of Sales”

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
	7,584	4,544

- (3) Major items and the amounts under “Selling, general and administrative expenses”

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Advertising expenses	4,043	5,297
Promotion expenses	1,250	2,095
Salaries for directors and employees	6,101	6,915
Provision for accrued bonuses	1,706	2,650
Commission expenses	2,481	2,164

- (4) Research and development expenses included in administrative expenses and cost of products manufactured

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
	37,719	43,042

- (5) Social contribution activity-related expenses

The breakdown of “Social contribution activity-related expenses” is “2025 Osaka Expo-related expense” of ¥783 million and “Donation” of ¥246 million.

- (6) Gain on sales of fixed assets

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Tools, fixtures and furniture	—	1
Total	—	1

- (7) The breakdown of “Loss on sales and/or disposal of fixed assets”

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Buildings and structures	1	2
Machinery and vehicles	0	—
Tools, fixtures and furniture	0	9
Equipment for amusement facilities	14	0
Software	19	23
Total	35	35

(8) Impairment losses

Previous fiscal year (April 1, 2022 to March 31, 2023)

Assets for which the impairment loss was recognized were as follows:

① Outline of the impaired asset group and amount of the losses

Place	Use	Account	Millions of yen
Tsuchiura City, Ibaraki Prefecture, etc.	Asset for business (Arcade operations business segment)	Equipment for amusement facilities	180
		Software	9

② Asset grouping method

The Companies principally group assets based on the minimum unit which generates individual cashflows.

③ Background that led to recognition of the impairment loss

The Companies recognized the impairment loss for the above assets, since the recoverability of the book value of them was not expected due to their lowered profitability.

④ Calculation of recoverable value

The Companies calculated the recoverable value based on the use value and determined it to be zero, as the use value based on the future cash flows became negative.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable

(9) Business restructuring expenses

The expenses were incurred as a result of the assessment of the recoverability of assets of the “Digital contents business”, which arose from the restructuring of the foreign subsidiaries’ R&D system.

7. Notes to consolidated statements of comprehensive income

Amount of recycling and income tax effect associated with other comprehensive income

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net unrealized gain or loss on securities, net of tax		
Amount arising during the fiscal year	67	227
Amount of recycling	—	△395
Net gain before the effect of income taxes	67	△167
Effect of income taxes	△65	65
Net unrealized gain or loss on securities, net of tax	1	△102
Deferred gains or losses on hedges, net of tax		
Amount arising during the fiscal year	△10	—
Amount of recycling	10	—
Net gain before the effect of income taxes	—	—
Effect of income taxes	—	—
Deferred gains or losses on hedges, net of tax	—	—
Cumulative translation adjustments		
Amount arising during the fiscal year	2,442	4,865
Amount of recycling	—	—
Cumulative translation adjustments	2,442	4,865
Adjustments for retirement benefits, net of tax		
Amount arising during the fiscal year	△66	36
Amount of recycling	58	62
Net gain before the effect of income taxes	△7	99
Effect of income taxes	2	△30
Adjustments for retirement benefits, net of tax	△5	68
Total other comprehensive income	2,439	4,831

8. Notes to consolidated statements of changes in net assets

(1) Previous fiscal year (April 1, 2022 to March 31, 2023)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2022	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2023
Common stock (thousand shares)	270,892	—	4,387	266,505

(Note) Decrease due to cancellation of treasury stock 4,387thousand shares

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2022	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2023
Common stock (thousand shares)	57,393	8,387	8,387	57,393

(Note) 1. The number of treasury stock as of March 31, 2023 include 3,999,460 shares held by The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

2. Increase due to purchase by The Master Trust Bank of Japan, Ltd.

(ESOP account no. 76744)

4,000thousand shares

3. Increase due to purchase of treasury stock

4,387thousand shares

4. Increase due to purchase of less-than-one-unit shares

0thousand shares

5. Decrease due to contribution to The Master Trust Bank of Japan, Ltd.

(ESOP account no. 76744)

4,000thousand shares

6. Decrease due to cancellation of treasury stock

4,387thousand shares

7. Decrease due to grant to retired employees

0thousand shares

③ Dividend

a. Amount of dividends paid

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Common stock	5,977	28	March 31, 2022	June 24, 2022
Board of Directors' meeting held on October 26, 2022	Common stock	4,901	23	September 30, 2022	November 15, 2022

(Note) The amount of dividends resolved by the ordinary general meeting of Board Directors held on October 26, 2022 included dividends in an amount of ¥92 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

b. Dividends whose effective date was to be after the end of the fiscal year ended March 31, 2023, and record date was included in the same fiscal year.

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2023	Common stock	Retained earnings	8,524	40	March 31, 2023	June 21, 2023

(Note) 1. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 20, 2023 included dividends in an amount of ¥159 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

2. The amount of Dividend per share includes 40th commemorative dividend of ¥10.

(2) Current fiscal year (April 1, 2023 to March 31, 2024)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2023	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2024
Common stock (thousand shares)	266,505	—	—	266,505

(Note) There was no increase or decrease in the current fiscal year.

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2023	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2024
Common stock (thousand shares)	57,393	0	7	57,386

(Note) 1. The number of treasury stock as of March 31, 2024 include 3,991,820 shares held by The Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

2. Increase due to purchase of less-than-one-unit shares

0thousand shares

3. Decrease due to grant to retired employees

7thousand shares

③ Dividend

a. Amount of dividends paid

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2023	Common stock	8,524	40	March 31, 2023	June 21, 2023
Board of Directors' meeting held on October 26, 2023	Common stock	5,754	27	September 30, 2023	November 15, 2023

(Note) 1. The amount of dividends resolved at the ordinary general meeting of shareholders held on June 20, 2023 included dividends of ¥159 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

2. The amount of dividends per share resolved at the ordinary general meeting of shareholders held on June 20, 2023 included 40th commemorative dividend of ¥10.

3. The amount of dividends resolved at the ordinary general meeting of Board Directors held on October 26, 2023 included dividends of ¥107 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744).

b. Dividends whose effective date was to be after the end of the fiscal year ended March 31, 2024, and record date was included in the same fiscal year.

Resolution	Type of shares	Source of dividends	Amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2024	Common stock	Retained earnings	9,163	43	March 31, 2024	June 21, 2024

(Note) 1. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 20, 2024 included dividends in an amount of ¥171 million related to the Company's shares held by the Master Trust Bank of Japan, Ltd. (ESOP account no. 76744)

2. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The amount of dividends per share was that before the stock split.

9. Notes to consolidated statements of cash flows

Cash and cash equivalents at end of year

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Cash on hand and in banks	102,116	125,191
Time deposits with maturities over three months	△12,551	△15,746
Separate deposit for ESOP trust	△93	△353
Cash and cash equivalents	89,470	109,091

10. Accounting for leases

(Lessee)

(1) Capital leases

Capital leases which do not transfer ownership of the leased assets to the lessee

① Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for "Arcade operations" segment.

② Depreciation method:

Stated in "Note 2. Summary of significant accounting policies (6) Leased assets."

(2) Operating leases

Future lease payments

	(Millions of yen)	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Due within one year	15	1
Due over one year	1	6
Total	16	8

11. Financial instruments

(1) Conditions of financial instruments

① Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration. The Companies raise funds through borrowings from financial institutions, such as banks, etc. The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and do not enter into derivative financial instruments for speculative purposes.

② Financial instruments, risks, and risk management

Notes - trade and accounts receivable - trade are exposed to the credit risk of customers. To minimize the risk, the Companies regularly monitor the credit status of major customers as well as perform due date control and balance control for each customer according to the importance of the business in accordance with credit exposure management rules.

Lease deposits are mainly related to lease agreements, which are exposed to the credit risk of lessors. The Companies make the best effort to understand the credit conditions of the lessors when the Companies start transactions with the lessors and renew the agreements, or timely in other situations.

As for notes and accounts payable - trade and electronically recorded monetary liabilities, due date of payment is within one year. Short-term borrowings and long-term borrowings (including "current portion of long-term borrowings") are mainly for normal operating activities and capital investments.

Notes and accounts payable - trade, electronically recorded monetary liabilities and borrowings are exposed to liquidity risk. The Companies minimize such risk by forecasting cash flows on a monthly basis. Derivative transactions are for forward exchange contracts, the purpose of which is to hedge foreign currency exposures for accounts receivable. As for "Method of hedge accounting," "Hedging instruments and hedged items," "Hedging policies" and "Assessment of hedge effectiveness," please refer to "Note 2. Summary of significant accounting policies (13) Significant method of hedge accounting."

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and any differences between the two were as follows:

Previous fiscal year (March 31, 2023)

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Lease deposits	4,593	4,559	△33
Total	4,593	4,559	△33
Long-term borrowings (*2)	4,252	4,253	1
Total	4,252	4,253	1
Derivative transactions (*3)			
Derivative transactions to which hedge accounting has been applied	—	—	—
Total	—	—	—

(*1) The notes for cash on hand and in banks, notes receivables - trade, accounts receivable - trade, notes and accounts payable - trade, electronically recorded monetary liabilities and short-term borrowings are omitted since they are cash or settled in the short term and the fair values approximate the book values.

(*2) Long-term borrowings due within one year are included.

(*3) The Companies enter into forward exchange contracts for some accounts receivable, and the fair values for those accounted for under the allocation method are included in "Accounts receivable-trade," as those are treated as an integral part of the hedged accounts receivable.

Current fiscal year (March 31, 2024)

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Lease deposits	4,750	4,667	△82
Total	4,750	4,667	△82
Long-term borrowings (*2)	3,626	3,624	△1
Total	3,626	3,624	△1

(*1) The notes for cash on hand and in banks, notes - trade, accounts receivable - trade, notes and accounts payable - trade, electronically recorded monetary liabilities and short-term borrowings are omitted since they are cash or settled in the short term and the fair values approximate the book values.

(*2) Long-term borrowings due within one year are included.

(Note 1) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

Previous fiscal year (March 31, 2023)

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2028	April 1, 2028 to March 31, 2033	April 1, 2033 and thereafter
Cash on hand and in banks	102,116	—	—	—
Notes receivable - trade	116	—	—	—
Accounts receivable - trade	24,981	—	—	—
Lease deposits	694	2,674	1,191	33
Total	127,908	2,674	1,191	33

Current fiscal year (March 31, 2024)

(Millions of yen)

	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2029	April 1, 2029 to March 31, 2034	April 1, 2034 and thereafter
Cash on hand and in banks	125,191	—	—	—
Notes receivable - trade	—	—	—	—
Accounts receivable - trade	25,383	—	—	—
Lease deposits	732	1,927	2,056	33
Total	151,307	1,927	2,056	33

(Note 2) Repayment schedule for current portion of long-term and long-term borrowings with maturity dates subsequent to the consolidated balance sheets date

Previous fiscal year (March 31, 2023)

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 and thereafter
Long-term borrowings (*)	3,626	626	—	—	—	—
Total	3,626	626	—	—	—	—

(*) Long-term borrowings due within one year are included.

Current fiscal year (March 31, 2024)

(Millions of yen)

	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 and thereafter
Long-term borrowings (*)	626	—	3,000	—	—	—
Total	626	—	3,000	—	—	—

(*) Long-term borrowings due within one year are included.

(3) Matters regarding the breakdown of financial instruments by each fair value level

Fair values of financial instruments are categorized into three levels as below on the basis of the observability and the materiality of the valuation inputs used in the fair value measurements.

Fair values of Level 1: Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs

Fair values of Level 2: Fair values measured by observable valuation inputs other than inputs included within Level 1

Fair values of Level 3: Fair values measured by unobservable valuation inputs

When several inputs that have significant impacts on the fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for the fair value measurement among the levels in which each of the inputs belongs.

Financial instruments other than financial instruments recorded at fair value on the consolidated balance sheet

Previous fiscal year (March 31, 2023)

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Lease deposits	—	4,559	—	4,559
Total	—	4,559	—	4,559
Long-term borrowings (*)	—	4,253	—	4,253
Total	—	4,253	—	4,253

(*) Long-term borrowings due within one year are included.

Current fiscal year (March 31, 2024)

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Lease deposits	—	4,667	—	4,667
Total	—	4,667	—	4,667
Long-term borrowings (*)	—	3,624	—	3,624
Total	—	3,624	—	3,624

(*) Long-term borrowings due within one year are included.

(Note) Explanation of valuation techniques and valuation inputs used in the fair value measurements

Lease deposits

The fair value of lease deposits is calculated by discounting the yield of the national government bonds based on a payback period and classified as fair values of level 2.

Long-term borrowings

The fair value of long-term borrowings is calculated by discounted cash-flow method based on total amount of principle and interest, average life of debts, and interest rate taking credit risk into account. It is classified as fair values of level 2.

12. Investments in securities

(1) Available-for-sale securities with a readily determinable fair value

Previous fiscal year (March 31, 2023)

Classification	Carrying values (Millions of yen)	Acquisition costs (Millions of yen)	Differences (Millions of yen)
Securities with book value exceeding acquisition cost			
Equity securities	472	283	189
Bonds	—	—	—
Others	—	—	—
Subtotal	472	283	189
Securities with book value not exceeding acquisition cost			
Equity securities	226	247	△21
Bonds	—	—	—
Others	—	—	—
Subtotal	226	247	△21
Total	698	530	167

Current fiscal year (March 31, 2024)

Classification	Carrying values (Millions of yen)	Acquisition costs (Millions of yen)	Differences (Millions of yen)
Securities with book value exceeding acquisition cost			
Equity securities	—	—	—
Bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Securities with book value not exceeding acquisition cost			
Equity securities	—	—	—
Bonds	—	—	—
Others	—	—	—
Subtotal	—	—	—
Total	—	—	—

(2) Investments in securities sold during the fiscal year

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

Current fiscal year (April 1, 2023 to March 31, 2024)

Classification	Amount of sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
Equity securities	936	408	13
Total	936	408	13

13. Derivative transactions

Derivative transactions to which hedge accounting has been applied

Currency-related transactions

Previous fiscal year (March 31, 2023)

Method of hedge accounting	Type of transactions	Major hedged items	Contracted amount (Millions of yen)	Due after one year (Millions of yen)	Fair values (Millions of yen)
Allocation method	Forward exchange contracts: Sell:USD	Accounts receivable - trade	8,222	—	(Note)

(Note) The fair values for the forward exchange contracts accounted for under the allocation method are included in "Accounts receivable-trade," as those are treated as an integral part of the hedged accounts receivable.

Current fiscal year (March 31, 2024)

Not applicable

14. Retirement benefits for employees

(1) Summary of retirement benefit plans

The Company and some consolidated subsidiaries have unfunded benefit plans (retirement lump sum grants) and defined contribution plans (defined contribution pension scheme) to be applied to retirement benefits for employees. Some consolidated subsidiaries account for retirement lump sum plans using the simplified method to calculate liabilities for retirement benefits for employees and retirement costs.

(2) Defined benefit plans (excluding plans using the simplified method)

① Change in projected benefit obligations

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Projected benefit obligations at beginning of year	3,784	4,116
Service costs	340	355
Interest costs	19	21
Actuarial gain or loss incurred	66	△36
Payment of retirement benefits	△94	△106
Projected benefit obligations at end of year	4,116	4,350

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Projected benefit obligations for unfunded plans	4,116	4,350
Net balance presented in the consolidated balance sheet	4,116	4,350
Liabilities for retirement benefits for employees	4,116	4,350
Net balance presented in the consolidated balance sheet	4,116	4,350

③ Breakdown of retirement and pension costs

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Service costs	340	355
Interest costs	19	21
Amortization of actuarial differences	58	62
Net periodic benefit costs	418	439

④ Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Actuarial differences	△7	99
Total	△7	99

⑤ Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

	(Millions of yen)	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Unrecognized actuarial differences	468	311
Total	468	311

⑥ Actuarial assumption

Major actuarial assumption (on weighted average)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Discount rate	0.6%	0.6%

(3) Defined benefit plans using the simplified method

① Change in projected benefit obligations

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Projected benefit obligations at beginning of year	17	22
Service costs	4	7
Payment of retirement benefits	—	—
Projected benefit obligations at end of year	22	29

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	(Millions of yen)	
	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Projected benefit obligations for unfunded plans	22	29
Net balance presented in the consolidated balance sheet	22	29
Liabilities for retirement benefits for employees	22	29
Net balance presented in the consolidated balance sheet	22	29

③ Retirement and pension costs

Retirement and pension costs for plans using the simplified method were ¥4 million for the previous fiscal year and ¥7 million for the current fiscal year.

(4) Defined contribution plans

The Companies contributed ¥367 million for the previous fiscal year and ¥398 million for the current fiscal year to their defined contribution plans.

15. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (March 31, 2023)	(Millions of yen) Current fiscal year (March 31, 2024)
(Deferred tax assets)		
Accrued bonuses	1,709	2,502
Liabilities for retirement benefits for employees	1,263	1,335
Accrued retirement benefits for directors	103	103
Inventories	4,809	2,078
Unearned revenue	21	16
Investments in subsidiaries and affiliated companies	151	171
Tax loss carryforwards in the subsidiaries (Note)	447	417
Tax credits carryforwards in the subsidiaries	143	179
Depreciation and amortization	262	119
Deferred revenue	21	0
Provision for share awards	338	739
Other	1,994	1,758
Subtotal	11,267	9,424
Valuation allowance for tax loss carryforwards (Note)	△324	△210
Valuation allowance for deductible temporary differences	△827	△948
Total valuation allowance	△1,152	△1,158
Total deferred tax assets	10,114	8,265
(Deferred tax liabilities)		
Other	△265	△394
Total deferred tax liabilities	△265	△394
Net deferred tax assets	9,848	7,871

(Note) Tax loss carryforwards and deferred tax assets by expiration period

Previous fiscal year (March 31, 2023)

(Millions of yen)

	April 1, 2023 to March 31, 2024	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 and thereafter	Total
Tax loss carryforwards (a)	—	—	—	—	23	423	447
Valuation allowance	—	—	—	—	—	△324	△324
Net deferred tax assets	—	—	—	—	23	99	(b) 122

(a) Above tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥447 million (amount multiplied by the statutory tax rate), deferred tax assets of ¥122 million were presented. Deferred tax assets of ¥122 million were expected to be recoverable for a portion of the tax loss carryforwards of ¥391 million incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

Current fiscal year (March 31, 2024)

(Millions of yen)

	April 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 and thereafter	Total
Tax loss carryforwards (a)	—	—	—	—	—	417	417
Valuation allowance	—	—	—	—	—	△210	△210
Net deferred tax assets	—	—	—	—	—	207	(b) 207

(a) Above tax loss carryforwards were calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥417 million (amount multiplied by the statutory tax rate), deferred tax assets of ¥207 million were presented. Deferred tax assets of ¥207 million were expected to be recoverable for a portion of the tax loss carryforwards of ¥309 million incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Statutory income tax rate	30.5%	30.5%
(Reconciliation)		
Change in valuation allowance	△0.2%	△0.1%
Tax credit	△1.9%	△3.6%
Different tax rates applied to foreign subsidiaries	△0.4%	△0.4%
Permanent difference (meals and entertainment, etc.)	0.0%	0.2%
Unappropriated retained earnings of foreign subsidiaries	0.0%	0.0%
Tax adjustments resulting from consolidation elimination entries, etc.	△0.0%	—%
Others	0.2%	0.2%
Effective income tax rate	28.2%	26.8%

16. Business combinations

The note is omitted due to the insignificance of the total amount.

17. Asset retirement obligations

Asset retirement obligations on the balance sheet.

(1) Outline of asset retirement obligations

Obligations to restore business offices and amusement stores in "Arcade operations" segment to their original state, as specified in the real estate lease agreements.

(2) Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted. For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to the respective depreciation periods, are used as their discount rates.

For the amusement facilities, their lease periods (mainly 6 to 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to the respective lease periods, are used as their discount rates.

(3) Increase or decrease in asset retirement obligations

	(Millions of yen)	
	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Beginning balance	718	885
Increase due to purchase of tangible fixed assets	164	205
Adjustment due to passage of time	4	3
Decrease due to settlement of asset retirement obligations	△2	—
Ending balance	885	1,095

18. Investment and rental property

The note is omitted due to the insignificance of the total amount.

19. Revenue recognition

(1) Break-down information of revenue from contracts with customers

Previous fiscal year (April 1, 2022 to March 31, 2023)

① Detail of goods or services

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	17,946	—	—	17,946	—	17,946
Digital download sales	77,363	—	—	77,363	—	77,363
Mobile contents	2,848	—	—	2,848	—	2,848
Arcade operations	—	15,609	—	15,609	—	15,609
Amusement equipment	—	—	7,801	7,801	—	7,801
Others	—	—	—	—	4,360	4,360
Revenue from contracts with customers	98,158	15,609	7,801	121,569	4,360	125,930
Other revenues	—	—	—	—	—	—
Net sales to customers	98,158	15,609	7,801	121,569	4,360	125,930

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

② Detail of area

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	22,146	15,609	7,801	45,557	1,798	47,355
U. S. A.	33,418	—	—	33,418	801	34,219
Europe	17,599	—	—	17,599	501	18,100
Others	24,994	—	—	24,994	1,259	26,254
Revenue from contracts with customers	98,158	15,609	7,801	121,569	4,360	125,930
Other revenues	—	—	—	—	—	—
Net sales to customers	98,158	15,609	7,801	121,569	4,360	125,930

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

③ The point of revenue recognition

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Goods or services to be transferred at a point in time	82,845	15,609	7,801	106,256	3,946	110,202
Goods or services to be transferred over time	15,313	—	—	15,313	414	15,727
Revenue from contracts with customers	98,158	15,609	7,801	121,569	4,360	125,930
Other revenues	—	—	—	—	—	—
Net sales to customers	98,158	15,609	7,801	121,569	4,360	125,930

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

Current fiscal year (April 1, 2023 to March 31, 2024)

① Detail of goods or services

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Package sales	19,312	—	—	19,312	—	19,312
Digital download sales	96,982	—	—	96,982	—	96,982
Mobile contents	3,545	—	—	3,545	—	3,545
Arcade operations	—	19,343	—	19,343	—	19,343
Amusement equipment	—	—	9,020	9,020	—	9,020
Others	—	—	—	—	4,204	4,204
Revenue from contracts with customers	119,841	19,343	9,020	148,205	4,204	152,410
Other revenues	—	—	—	—	—	—
Net sales to customers	119,841	19,343	9,020	148,205	4,204	152,410

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

② Detail of area

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Japan	21,648	19,343	9,020	50,012	1,965	51,977
U. S. A.	43,011	—	—	43,011	703	43,714
Europe	23,275	—	—	23,275	584	23,859
Others	31,906	—	—	31,906	950	32,857
Revenue from contracts with customers	119,841	19,343	9,020	148,205	4,204	152,410
Other revenues	—	—	—	—	—	—
Net sales to customers	119,841	19,343	9,020	148,205	4,204	152,410

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

③ The point of revenue recognition

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Net sales						
Goods or services to be transferred at a point in time	113,803	19,343	9,020	142,167	3,724	145,891
Goods or services to be transferred over time	6,037	—	—	6,037	480	6,518
Revenue from contracts with customers	119,841	19,343	9,020	148,205	4,204	152,410
Other revenues	—	—	—	—	—	—
Net sales to customers	119,841	19,343	9,020	148,205	4,204	152,410

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

(2) Basic information for understanding revenue from contracts with customers

It is the same as the content described in "Note 2. Summary of significant accounting policies (11) Significant revenue and cost recognition ① Content of major performance obligations at major business segments and ordinary point of time of revenue recognition."

- (3) Relationship between satisfaction of performance obligation based on contracts with customers and cashflow from these contracts, information about estimated amount of revenue and its period to be recognized after the next consolidated fiscal year considering from existing contracts with customers as of current consolidated fiscal year

① Balance of contract liability

(Millions of yen)

	Previous fiscal year	Previous fiscal year
Receivable from contracts with customers (Beginning balance)	7,933	25,097
Receivable from contracts with customers (Ending balance)	25,097	25,383
Contract liability (Beginning balance)	498	2,352
Contract liability (Ending balance)	2,352	1,321

The contract liabilities are mainly related to advances received from customers for licensing-related sales in the digital content and other businesses, and are included in "other" of the current liabilities on the consolidated balance sheets.

The main reason to the increase in contract liability of ¥1,854 million for the previous fiscal year was the increase in advances received related to license transactions, and the beginning balance included in the contract liability which was recognized as revenue in the previous fiscal year was ¥213 million. The main reason to the decrease in contract liability of ¥1,030 million for the current fiscal year was the decrease in advances received related to the revenue recognition with the satisfaction of performance obligations, and the beginning balance included in the contract liability which was recognized as revenue in the current fiscal year was ¥1,483 million.

② Transaction prices to be allocated to remaining performance obligations

Total transaction prices to be allocated to remaining performance obligations and the period when the revenue is expected to be recognized are as below.

Royalty transactions of licensing agreements based on sales and use of intellectual properties are not included in the note.

The Companies forecast that the royalties whose terms of validity are specified will be recognized as revenue within 5 years.

(Millions of yen)

	Previous fiscal year	Current fiscal year
Within 1 year	8,098	3,539
Over 1 year	365	508
Total	8,463	4,047

20. Segment information

(1) Outline of reportable segments

① Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance. The Company has several operational headquarters which plan comprehensive business strategies in the domestic and overseas markets for their products and services, and develop our business activities. Therefore, the Company's reportable segments are based on the products and services our operational headquarters deal in and are composed of the following 3 segments: "Digital content," "Arcade operations" and "Amusement equipment."

② Product and service line

"Digital content" segment develops and distributes video and mobile games for consumers. "Arcade operations" segment operates amusement stores which install amusement equipment. "Amusement equipment" segment manufactures pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors.

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

The accounting policies for the reportable segment are based on those in "Summary of significant accounting policies."

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

(3) Income by reportable segment is calculated based on operating income on the consolidated statements of income.

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	98,158	15,609	7,801	121,569	4,360	125,930	—	125,930
Inter-segment	—	—	—	—	—	—	—	—
Total	98,158	15,609	7,801	121,569	4,360	125,930	—	125,930
Operating income (loss)	53,504	1,227	3,433	58,166	1,433	59,599	△8,787	50,812
Identifiable assets	83,054	9,879	8,913	101,847	2,253	104,100	113,264	217,365
Other items								
Depreciation and amortization	1,114	1,258	66	2,438	71	2,510	928	3,438
Increase in tangible and intangible fixed assets	2,170	2,287	48	4,506	30	4,537	5,086	9,624

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

2. Adjustments are as follows:

- (1) Adjustments of operating income (loss) of (¥8,787) million include unallocated corporate operating expenses of (¥8,787) million. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of ¥113,264 million include unallocated corporate identifiable assets of ¥113,264 million.
- (3) Adjustments of increase in tangible and intangible fixed assets of ¥5,086 million are capital investments by headquarters.
3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

Current fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	119,841	19,343	9,020	148,205	4,204	152,410	—	152,410
Inter-segment	—	—	—	—	—	—	—	—
Total	119,841	19,343	9,020	148,205	4,204	152,410	—	152,410
Operating income (loss)	59,831	1,868	4,117	65,817	883	66,700	△9,619	57,081
Identifiable assets	84,255	11,547	10,108	105,912	1,521	107,433	136,043	243,476
Other items								
Depreciation and amortization	1,313	1,542	78	2,934	55	2,989	1,231	4,221
Increase in tangible and intangible fixed assets	1,884	1,971	166	4,022	51	4,073	2,580	6,654

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

2. Adjustments are as follows:

- (1) Adjustments of operating income (loss) of (¥9,619) million include unallocated corporate operating expenses of (¥9,619) million. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of ¥136,043 million include unallocated corporate identifiable assets of ¥136,043 million.
- (3) Adjustments of increase in tangible and intangible fixed assets of ¥2,580 million are capital investments by headquarters.
3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

[Related information]

Previous fiscal year (April 1, 2022 to March 31, 2023)

(1) Information by product and service line

The information is omitted as the same kind of information is disclosed in "Note 20. (1) Segment information.

(2) Information by country or region

① Net sales

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
47,355	34,219	18,100	26,254	125,930

(Note) The sales amounts are classified by country or region where customers and end-users are located.

② Tangible fixed assets

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
25,663	2,025	248	8	27,945

③ Information by major customer

(Millions of yen)

Customer	Amount of net sales	Reportable segment
Nintendo Co., Ltd.	16,349	Digital Content
Valve Corporation	22,842	Digital Content

Current fiscal year (April 1, 2023 to March 31, 2024)

(1) Information by product and service line

The information is omitted as the same kind of information is disclosed in "Note 20. (1) Segment information.

(2) Information by country or region

① Net sales

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
51,977	43,714	23,859	32,857	152,410

(Note) The sales amounts are classified by country or region where customers and end-users are located.

② Tangible fixed assets

(Millions of yen)

Japan	U. S. A.	Europe	Other regions	Total
27,168	3,049	241	8	30,468

(Note) The information is disclosed as the balance of tangible fixed assets other than those in Japan exceeded 10% of the total balance of tangible fixed assets of the consolidated balance sheet. The corresponding information for the previous fiscal year, was omitted from the notes to the financial statements for the previous fiscal year as the balance of tangible fixed assets in Japan exceeded 90% of the total balance of tangible fixed assets of the consolidated balance sheet. But it is disclosed in the notes to the financial statements of the current fiscal year, in line with the information for the current fiscal year.

③ Information by major customer

(Millions of yen)

Customer	Amount of net sales	Reportable segment
Valve Corporation	32,719	Digital Content
Sony Interactive Entertainment LLC	16,066	Digital Content

[Impairment losses by reportable segment]

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Impairment losses	—	190	—	190	—	190

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable

[Amortization and balance of goodwill by reportable segment]

Previous fiscal year (April 1, 2022 to March 31, 2023)

Not applicable

Current fiscal year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Other (Note)	Total
	Digital content	Arcade operations	Amusement equipment	Total		
Amortization	16	—	—	16	—	16
Balance as of the end of the fiscal year	148	—	—	148	—	148

(Note) "Other" incorporates operations not included in reportable segments, including the character content business, etc.

[Negative goodwill by reportable segment]

Not applicable

[Related party transactions]

Transactions between related parties and the Company

Directors and main shareholders (limited to individuals) of the Company., etc.

Previous fiscal year (April 1, 2022 to March 31, 2023)

Category	Name	Address	Amount of capital (Millions of yen)	Nature of business	Proportionate interest (%)	Relationship	Nature of transaction	Amount of transaction (Millions of yen)	Account	Balance as of March 31, 2023 (Millions of yen)
Director	Kenzo Tsujimoto	—	—	Representative director of the Company	Direct 1.9	—	Purchase of treasury stock (Note)	12,440	—	—

(Note) The Company purchased our treasury stock of ¥3,110 per share by tender offer based on a resolution of the Board of Directors held on May 13, 2022.

Current fiscal year (April 1, 2023 to March 31, 2024)

Not applicable

21. Per share information

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	385.27yen	466.44yen
Net income per share	87.36yen	103.71yen

- (Note) 1. The diluted net income per share was omitted as the Companies had no residual securities.
2. With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The Company calculated "Net assets per share" and "Net income per share", assuming that the stock split was implemented with an effective date of April 1, 2022.
3. The basis for computation of net assets per share was as follows:

	Previous fiscal year (March 31, 2023)	Current fiscal year (March 31, 2024)
Total amount of net assets (Millions of yen)	161,129	195,081
Amounts to be deducted from total amount of net assets (Millions of yen)	—	—
Ending balance of net assets attributable to common stock (Millions of yen)	161,129	195,081
Number of shares of common stocks used for computation of net assets per share (Thousands of shares)	418,224	418,239

4. The basis for the computation of net income per share was as follows:

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Net income attributable to owners of the parent (Millions of yen)	36,737	43,374
Amount not allocated to common stock (Millions of yen)	—	—
Net income attributable to owners of the parent allocated to common stock (Millions of yen)	36,737	43,374
Average number of shares of common stock outstanding during the fiscal year (Thousands of shares)	420,507	418,232

5. The treasury stock that remains in the ESOP trust and is presented as "Treasury stock" in "Shareholders' equity" is included in the treasury stock, which is deducted from the number of shares of common stock as of the end of the current fiscal year used for the computation of "Net assets per share." It is included in the treasury stock, which is deducted from the average number of shares of common stock outstanding for the current fiscal year used for the computation of "Net income per share" as well.

The numbers of the deducted treasury stocks used for computation of the net assets per share as of the end of the previous fiscal year and the current fiscal year are 7,998,920 and 7,983,640, respectively, and the average numbers of the deducted treasury stocks used for computation of the earnings per share for the previous fiscal year and the current fiscal year are 6,312,134 and 7,990,497, respectively.

22. Significant subsequent events

(Stock split)

With an effective date of April 1, 2024, the Company split its stock by the resolution of the board of the director's meeting held on March 6, 2024.

(1) Purpose

By reducing the price of investment unit, the Company expects liquidity of its stock and expansion of its investors' base.

(2) Outline of stock split

① Method of stock split

With March 31, 2024 being the record date, the common stocks held by the shareholders recorded on the last shareholders' list on the record date were split at a ratio of 1:2.

As the record date of March 31, 2024 falls on a holiday for the Company's shareholder registry administrator, the effective record date is March 29, 2024.

② Number of increase in shares by stock split

a. Total number of issued shares before stock split	266,505,623 shares
b. Number of increase in issued shares by stock split	266,505,623 shares
c. Total number of issued shares after stock split	533,011,246 shares
d. Total number of authorized shares after stock split	1,200,000,000 shares

(3) Schedule of stock split

① Public notice date of the record date	Tuesday, March 12, 2024
② Record date	Sunday, March 31, 2024
③ Effective date	Monday, April 1, 2024

(4) Other

- ① Following the above stock split, the total number of the authorized shares provided for in the article 6 of the article of incorporation, changed from 600,000,000 to 1,200,000,000 on April 1, 2024 in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

② Change in the amount of common stocks

No change

③ Impact on per share information

The impact by stock split is described on "Per share information".

23. Supplemental schedules of bonds

Not applicable

24. Supplemental schedules of borrowings

Category	Balance as of April 1, 2023 (Millions of yen)	Balance as of March 31, 2024 (Millions of yen)	Average interest rate (%)	Date of maturity
Short-term borrowings	3,591	3,591	0.4	—
Current portion of long-term borrowings due within one year	3,626	626	1.1	—
Current portion of lease obligations	919	1,265	2.6	—
Long-term borrowings (Excluding current portion)	626	3,000	0.6	2027
Lease obligations (Excluding current portion)	2,992	3,676	2.6	From 2025 to 2030
Other interest bearing debt	—	—	—	—
Total	11,756	12,159	—	—

(Note) 1. "Average interest rate" represents the weighted average rate applicable to the ending balance.

2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for five years subsequent to March 31, 2024 (excluding the current portion).

(Millions of yen)

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	—	3,000	—	—
Lease obligations	1,139	842	668	564

25. Supplemental schedules of asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year was 1% or less than the total balance of the liabilities and the net assets as of the beginning and the end of the current fiscal year, respectively.

26. Supplemental schedules of other

Quarterly sales, etc., for the current fiscal year

(Cumulative period)	1st quarter April 1, 2023 to June 30, 2023	2nd quarter April 1, 2023 to September 30, 2023	3rd quarter April 1, 2023 to December 31, 2023	4th quarter April 1, 2023 to March 31, 2024
Net sales (Millions of yen)	43,858	74,934	106,179	152,410
Net income before income taxes (Millions of yen)	25,866	36,165	49,598	59,282
Net income attributable to owners of the parent (Millions of yen)	18,163	25,287	34,636	43,374
Net income per share (yen)	43.43	60.46	82.82	103.71

(Quarterly period)	1st quarter April 1, 2023 to June 30, 2023	2nd quarter July 1, 2023 to September 30, 2023	3rd quarter October 1, 2023 to December 31, 2023	4th quarter January 1, 2024 to March 31, 2024
Net income per share (yen)	43.43	17.03	22.35	20.89

(Note) With an effective date of April 1, 2024, the Company performed a 2-for-1 split of its common stock. The Company calculated "Net income per share", assuming that the stock split was implemented with an effective date of April 1, 2023.

Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of the valuation of work in progress for game software in the Digital Content business	
The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of Capcom Co., Ltd. (the "Company") and its consolidated subsidiaries for the current fiscal year, work in progress for game software of ¥39,035 million was recognized, representing 16.0% of total assets, majority of which was work in progress for game software in the Digital Content business. As described in Note 3(2), "Significant accounting estimates - Valuation of work in progress for game software" to the consolidated financial statements, the Company reduces the carrying amount of work in progress for game software based on a decline in profitability.	The primary procedures we performed to assess the adequacy of the Company's valuation of work in progress for game software in the Digital Content business included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the net selling price of work in progress for game software. In the assessment, we focused particularly on controls to ensure that comparison of the planned and

When reducing the carrying amount of work in progress for game software based on a decline in profitability for game software titles yet to be released, the Company reduces the carrying amount by the difference between the net selling price, which is calculated by deducting the estimated additional development costs and the estimated direct selling expenses from the planned sales revenue, and the carrying amount of the work in progress for game software. For released game software titles, the Company compares the planned and actual sales revenues, and reviews the planned sales revenue if the actual sales revenue is significantly below the plan. Then, the Company reduces the carrying amount by the difference between the net selling price, which is calculated by deducting the estimated additional development costs and the estimated direct selling expenses from the revised planned sales revenue, and the carrying amount of the work in progress for game software. Among these, the number of units sold and the selling price, which are the basis for the estimate of the planned sales revenue, were estimated based on the forecasts of console markets and user's purchase trends, among others, and by referring to the reputation of previous and similar titles, price strategies, and method for distribution to customers, among others. In particular, the projection of user purchase trends involved a high degree of uncertainty, and accordingly, management's judgement thereon had a significant effect on the estimates. We, therefore, determined that our assessment of the adequacy of the valuation of work in progress for game software in the Digital Content business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	actual sales revenues was conducted for all released game software titles. (2) Assessment of the adequacy of the valuation of work in progress for game software In order to assess the appropriateness of the key assumptions adopted for estimating planned sales revenue of each title, which are important in the valuation of work in progress for game software, we performed the following procedures: (i) Assessment for titles yet to be released • We inquired of the personnel responsible for marketing about the basis of the number of units sold and the selling price, which are the basis for the estimate of the planned sales revenue, and inspected relevant documents; • We assessed the reasonableness of user purchase trends by comparing the planned number of units sold with the number of units sold of similar titles, and others, and inspecting marketing research materials; (ii) Assessment for released titles • We examined whether there were any released titles whose sales revenue was significantly below the plan by comparing planned and actual sales revenues of released titles.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and network firms for audit and non-audit services provided to the Company and its subsidiaries for the current year are 124 million yen and 118 million yen, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Tomoya Kurokawa
Designated Engagement Partner
Certified Public Accountant

Tomohiro Yamanaka
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
August 8, 2024

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.