

**Consolidated financial results for the 3 months  
of the fiscal year ending March 31, 2019 (Japan GAAP - Unaudited)**

Date of issue: July 30, 2018

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : July 30, 2018

Dividend payment date: —

Quarterly earnings supplementary explanatory materials : Yes

Quarterly earnings presentation : Yes (For institutional investors)

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

1. Results for 3 months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(1) Financial results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2018	17,204	46.5	5,106	550.8	5,492	610.6	3,903	648.6
3 months ended June 30, 2017	11,746	7.5	784	—	772	—	521	—

Note: Comprehensive income 1st quarter ended June 30, 2018: 4,288 million yen (362.0%) 1st quarter ended June 30, 2017: 928 million yen (-%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2018	35.65	—
3 months ended June 30, 2017	4.76	—

Note: With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

Therefore, the earnings per share for the previous fiscal year were calculated based on the assumption that the stock split had been performed with an effective date of April 1, 2017.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
1st quarter ended June 30, 2018	120,220	87,792	73.0
Fiscal year ended March 31, 2018	124,829	85,421	68.4

Reference: Shareholders' equity: 1st quarter ended June 30, 2018: 87,792 million yen Year ended March 31, 2018: 85,421 million yen

Note: Effective from the beginning of the current fiscal year, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). The shareholders' equity for the previous fiscal year was based on the retrospective application.

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
Year ended March 31, 2018	— yen	25.00 yen	— yen	35.00 yen	60.00 yen
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecast)		15.00	—	15.00	30.00

Note: 1. Changes in dividends forecast during the 3 months ended June 30, 2018 : No

2. With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

Therefore, the dividends for the previous year were based on the actual amounts before the stock split.

3. Earnings forecast for the fiscal year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2019	96,000	1.6	17,000	6.0	16,500	8.2	12,000	9.7	109.60

Note: Changes in earnings forecast during the 3 months ended June 30, 2018: No

Notes

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

Note: Please refer to "2. Summary of consolidated financial statements (4) Notes to consolidated financial statements (Application of special accounting treatment for preparation of quarterly financial statements)" on page 9 for more details.

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

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

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

- ① Number of shares outstanding (including treasury stock)  
 1st quarter ended June 30, 2018: 135,446,488 Year ended March 31, 2018: 135,446,488  
 ② Number of treasury stock  
 1st quarter ended June 30, 2018: 25,957,660 Year ended March 31, 2018: 25,957,288  
 ③ Average number of shares outstanding  
 1st quarter ended June 30, 2018: 109,489,012 1st quarter ended June 30, 2017: 109,492,466

(Note) With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

Therefore, "Number of shares outstanding," "Number of treasury stock" and "Average number of shares outstanding" were calculated based on the assumption that the stock split had been performed with an effective date of April 1, 2017.

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

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

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## 1. Operating results overview

### (1) Operating results for the period under review

During the three months ended June 30, 2018, our industry made rapid advancements in technology through such means as incorporating high-definition visuals as well as AI (Artificial Intelligent) into home video games. At the same time, our industry faced a wave of change, as evidenced by the inclusion of esports in the “Cool Japan Strategy,” the Japanese government’s growth strategy for the content industry.

In such an environment, the Company holds high expectations for the two major titles it will release next year, in Q4 of the current fiscal year: *Resident Evil 2* (for PlayStation 4, Xbox One and PC), which was announced at E3 (one of the world’s largest trade shows for computer and video games held in Los Angeles, U.S.A.) and created a sensation among the show-goers, and *Devil May Cry 5* (for Xbox One, PlayStation 4 and PC), the series’ first mainline release in ten years, which also attracted strong interest. Furthermore, *Monster Hunter: World* (for PlayStation 4 and Xbox One), which has been causing a sensation since its release in January 2018 due to its immense popularity, continued to report strong sales, while high-margin catalog unit sales also increased.

As a result, for the three months ended June 30, 2018, consolidated net sales were 17,204 million yen (up 46.5% from the same term in the previous fiscal year). In terms of profitability, operating income was 5,106 million yen (up 550.8% from the same term in the previous fiscal year), ordinary income was 5,492 million yen (up 610.6% from the same term in the previous fiscal year) and net income attributable to owners of the parent was 3,903 million yen (up 648.6% from the same term in the previous fiscal year).

### Status of business by operating segment

#### ① Digital Contents business

In this business, the phenomenal success of *Monster Hunter: World* (for PlayStation 4 and Xbox One) from the previous fiscal year continued, with the title gaining further popularity through the expansion of its user base. In scoring a worldwide smash hit, the series solidified its position as an international brand and strengthened our base of IP (intellectual property). Furthermore, *Street Fighter 30th Anniversary Collection* (for PlayStation 4, Nintendo Switch, Xbox One and PC), a new title released in markets outside of Japan, performed strongly, while *Mega Man Legacy Collection*, *Mega Man Legacy Collection 2* and *Mega Man Legacy Collection 1+2* for Nintendo Switch also maintained robust sales thanks to a loyal fan base and strong brand capabilities.

In addition, high-margin catalog titles steadily increased sales and contributed to improving profitability. Furthermore, looking ahead to the spread of diverse, digital content in the future, the Company released *Resident Evil 7: biohazard Cloud Version* (for Nintendo Switch) in Japan, a streaming title.

The resulting net sales were 13,782 million yen (up 79.3% from the same term in the previous fiscal year) and operating income was 5,735 million yen (up 242.2% from the same term in the previous fiscal year).

#### ② Arcade Operations business

In this business, while the market recovered with arcades functioning as a familiar entertainment option that were “inexpensive, close and quick,” the Company made efforts to secure customers and create demand by community-oriented marketing. Examples include installing game machines that meet diverse customer needs, holding various events and offering a pleasant atmosphere.

During the period under review, the Company opened one store in the Hiroshima prefecture, bringing the total number of stores to 37.

The resulting net sales were 2,381 million yen (up 6.0% from the same term in the previous fiscal year) and operating income was 143 million yen (up 12.1% from the same term in the previous fiscal year).

### ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, while the Company launched *Okami -Kaidohen-* in a weak market environment, demand declined and sales struggled due to the downturn in consumer confidence and dampening investments by the Pachinko/Pachislo hall operators.

The Arcade Games Sales sub-segment also struggled and business was generally weak, due to a lack of new products.

The resulting net sales were 376 million yen (down 73.1% from the same term in the previous fiscal year) and an operating loss of 154 million yen (compared to an operating loss of 229 million yen in the same term of the previous fiscal year).

### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 664 million yen (up 59.9% from the same term, in the previous fiscal year) and operating income was 411 million yen (up 122.6% from the same term in the previous fiscal year).

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

Total assets as of the end of the first quarter decreased by 4,609 million yen from the end of the previous fiscal year to 120,220 million yen. The primary increase was 4,211 million yen in work in progress for game software. The primary decrease was 7,144 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the first quarter decreased by 6,980 million yen from the end of the previous fiscal year to 32,427 million yen. The primary decreases were as follows: 3,425 million yen in accrued income taxes and 1,061 million yen in accrued bonuses.

Net assets as of the end of the first quarter increased by 2,371 million yen from the end of the previous fiscal year to 87,792 million yen. The primary increase was 3,903 million yen in net income attributable to owners of the parent. The primary decrease was 1,916 million yen in dividends from retained earnings.

The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the consolidated fiscal year under review, and comparisons to the previous consolidated fiscal year have been carried out with figures that have had the relevant accounting standards retroactively applied.

## (3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2019 remains the same as what was projected at the financial results announcement on May 8, 2018.

## 2. Summary of consolidated financial statements

### (1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (June 30, 2018)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	46,539	45,676
Notes and accounts receivable - trade	12,930	5,785
Merchandise and finished goods	1,102	1,348
Work in progress	1,349	1,581
Raw materials and supplies	1,616	1,567
Work in progress for game software	25,635	29,847
Other	3,371	3,462
Allowance for doubtful accounts	(34)	(8)
Total current assets	92,511	89,260
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	11,106	11,180
Other, net	9,691	9,352
Total tangible fixed assets	20,797	20,532
Intangible assets	725	661
Investments and other assets		
Other	10,819	9,790
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	10,795	9,766
Total fixed assets	32,318	30,959
Total assets	124,829	120,220

(Millions of yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (June 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,625	3,519
Electronically recorded monetary liabilities	839	733
Short-term borrowings	1,473	1,462
Accrued income taxes	4,453	1,027
Accrued bonuses	2,866	1,805
Other	14,011	10,790
Total current liabilities	26,271	19,340
Long-term liabilities		
Long-term borrowings	8,315	8,165
Liabilities for retirement benefits for employees	2,819	2,882
Other	2,003	2,040
Total long-term liabilities	13,137	13,087
Total liabilities	39,408	32,427
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	53,602	55,590
Treasury stock	(21,454)	(21,455)
Total shareholders' equity	86,716	88,703
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	139	86
Cumulative translation adjustments	(1,142)	(711)
Accumulated adjustments for retirement benefits	(292)	(285)
Total accumulated other comprehensive income	(1,295)	(911)
Total net assets	85,421	87,792
Total liabilities and net assets	124,829	120,220

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

(Millions of yen)

	Previous 3 months April 1, 2017 to June 30, 2017	Current 3 months April 1, 2018 to June 30, 2018
Net sales	11,746	17,204
Cost of sales	7,354	8,558
Gross profit	4,391	8,646
Selling, general and administrative expenses	3,607	3,539
Operating income	784	5,106
Non-operating income		
Interest income	13	25
Dividend income	7	8
Exchange gain, net	9	371
Other	14	28
Total non-operating income	45	433
Non-operating expenses		
Interest expense	27	20
Commission fees	15	17
Legal settlement	13	—
Other	0	8
Total non-operating expenses	56	46
Ordinary income	772	5,492
Special losses		
Loss on sales and /or disposal of fixed assets	28	13
Total special losses	28	13
Net income before income taxes	744	5,479
Income taxes - current	340	667
Income taxes - deferred	(116)	907
Total income taxes	223	1,575
Net income	521	3,903
Net income attributable to owners of the parent	521	3,903



## Consolidated statements of comprehensive income

(Millions of yen)

	Previous 3 months April 1, 2017 to June 30, 2017	Current 3 months April 1, 2018 to June 30, 2018
Net income	521	3,903
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	62	(53)
Cumulative translation adjustments	336	431
Adjustments for retirement benefits	7	6
Total other comprehensive income	406	384
Comprehensive income	928	4,288
Comprehensive income attributable to:		
Owners of the parent	928	4,288
Non-controlling interests	—	—

## (3) Consolidated statements of cash flows

(Millions of yen)

	Previous 3 months April 1, 2017 to June 30, 2017	Current 3 months April 1, 2018 to June 30, 2018
Cash flows from operating activities		
Net income before income taxes	744	5,479
Depreciation and amortization	1,145	854
Change in allowance for doubtful accounts	(13)	(25)
Change in accrued bonuses	(1,025)	(1,063)
Interest and dividend income	(19)	(33)
Interest expense	27	20
Exchange gain, net	(16)	(108)
Loss on sales and/or disposal of fixed assets	28	13
Change in notes and accounts receivable - trade	15,454	7,303
Change in inventories	(208)	(416)
Change in work in progress for game software	(4,495)	(4,073)
Change in notes and accounts payable - trade	(3,997)	763
Other	159	(3,493)
Subtotal	<u>7,782</u>	<u>5,221</u>
Interest and dividends received	19	34
Interest paid	(14)	(9)
Income taxes paid	(1,034)	(3,569)
Net cash provided by operating activities	<u>6,754</u>	<u>1,676</u>
Cash flows from investing activities		
Payments for acquisitions of tangible fixed assets	(761)	(655)
Proceeds from sales of tangible fixed assets	0	—
Payments for acquisitions of intangible fixed assets	(31)	(4)
Other	(0)	(0)
Net cash used in investing activities	<u>(794)</u>	<u>(661)</u>
Cash flows from financing activities		
Net change in short-term borrowings	(5,000)	—
Repayments of long-term borrowings	(160)	(160)
Payments for repurchase of treasury stock	(0)	(0)
Dividends paid by parent company	(1,369)	(1,916)
Other	(142)	(104)
Net cash used in financing activities	<u>(6,673)</u>	<u>(2,182)</u>
Effect of exchange rate changes on cash and cash equivalents	411	305
Net change in cash and cash equivalents	<u>(301)</u>	<u>(862)</u>
Cash and cash equivalents at beginning of year	<u>24,337</u>	<u>46,539</u>
Cash and cash equivalents at end of quarter	<u>24,036</u>	<u>45,676</u>

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity) Not applicable

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

(Calculation of income taxes)

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

(Segment Information)

I Previous 3 months (From April 1, 2017 to June 30, 2017)

Information on net sales and operating income (loss)

(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								
(1) Customers	7,688	2,245	1,396	11,330	415	11,746	—	11,746
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	7,688	2,245	1,396	11,330	415	11,746	—	11,746
Segment income	1,676	128	(229)	1,574	184	1,759	(974)	784

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

2. The adjustment for segment income (-974 million yen) include unallocated corporate operating expenses (-974 million yen).

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

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

II Current 3 months (From April 1, 2018 to June 30, 2018)

Information on net sales and operating income (loss)

(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								
(1) Customers	13,782	2,381	376	16,539	664	17,204	—	17,204
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	13,782	2,381	376	16,539	664	17,204	—	17,204
Segment income	5,735	143	(154)	5,724	411	6,135	(1,029)	5,106

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

2. The adjustment for segment income (-1,029 million yen) include unallocated corporate operating expenses (-1,029 million yen).

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

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