



Capcom Co., Ltd.
(Tokyo Stock Exchange,
First Section, 9697)

First Half Report
Fiscal year ending March 31, 2020

Contents

page

1. Forecasts for FY3/20	2
2. Financial Highlights	3
3. Business Segment Results	6
4. Business Segment Plans & Strategies	12
5. Supplement: Summary of Major Financial Information.....	18

Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diverging user needs and other changes in market conditions.

Factors that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) consumer demand for home video game consoles; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.

1. Forecasts for FY3/20

Aiming for seven consecutive years of operating income growth and highest profit in company history, driven by Digital Contents business

(million yen)

	2019/3	2020/3 Plan	Difference
Net sales	100,031	85,000	-15,031
Operating income	18,144	20,000	1,856
Operating margin	18.1%	23.5%	-
Ordinary income	18,194	19,500	1,306
Net income attributable to owners of the parent	12,551	14,000	1,449

2-1. Financial Highlights – Consolidated Business Results (1)

■ 6 Months Results in FY9/18 vs. FY9/19

(million yen)

	2018/9	2019/9	Difference
Net sales	43,327	37,272	(6,055)
Operating income	10,508	13,992	3,484
Ordinary income	10,297	14,002	3,705
Net income attributable to owners of the parent	6,849	9,846	2,997

- Results in line, profit up YoY primarily due to contributions from Consumer digital sales
- Net sales decreased YoY due to lower prices accompanying shift to digital sales
- Recorded an exchange loss of 63 million yen (an exchange gain of 565 million yen in the same period of the previous year)

2-1. Financial Highlights – Consolidated Business Results (2)

■ FY9/19 Net Sales/Operating Income (by segment)

(million yen)

	2018/9	2019/9	Difference
Net sales	43,327	37,272	-6,055
Digital Contents	34,195	29,163	-5,032
Arcade Operations	5,504	6,233	729
Amusement Equipments	2,224	241	-1,983
Other Businesses	1,403	1,633	230
Operating income	10,508	13,992	3,484
Digital Contents	11,751	14,503	2,752
Arcade Operations	734	915	181
Amusement Equipments	-625	67	692
Other Businesses	685	733	48
Adjustments*	-2,037	-2,227	-190

*Adjustments include unallocated corporate operating expenses that do not belong to any reportable segments.

2-2. Financial Highlights – Consolidated Balance Sheet

■ Balance Sheet (Summary)

(million yen)

Assets	2019/3	2019/9	Difference	Liabilities	2019/3	2019/9	Difference
Current Assets	90,817	98,219	7,402	Current Liabilities	23,212	24,377	1,165
Cash on hand and in banks	53,004	57,751	4,747	Notes and accounts payable - trade	5,141	2,713	-2,428
Notes and accounts receivable - trade	13,970	12,955	-1,015	Electronically recorded monetary liabilities			
Work in progress for game software	16,926	22,188	5,262	Current portion of long-term borrowings	1,579	1,429	-150
Other	6,917	5,325	-1,592	Other	16,492	20,235	3,743
Fixed Assets	32,590	33,157	567	Long-term liabilities	11,445	11,269	-176
Tangible fixed assets, net of accumulated depreciation	20,359	20,861	502	Long-term borrowings	6,735	6,021	-714
Intangible assets	432	395	-37	Other	4,710	5,248	538
Investments and other assets	11,798	11,900	102	Total liabilities	34,658	35,646	988
Total assets	123,407	131,377	7,970	Shareholders' equity	89,708	97,418	7,710
				Other	-958	-1,688	-730
				Total net assets	88,749	95,730	6,981
				Total liabilities and net assets	123,407	131,377	7,970

- Cash on hand and in banks increased due to quarterly profit growth
- The increase in work in progress for game software is due to strengthening our title lineup

3-1. Business Segment Results – Digital Contents (1)

**Profit up from growth of high-margin catalog sales
in the Consumer sub-segment**

■ Digital Contents Performance

(100 million yen)

	2017/9	2018/9	2019/9	2020/3 Plan*
Net sales	201	341	291	668
Breakdown				
Package	97	114	75	154
Digital download contents	53	195	199	473
Consumer total	150	309	274	627
Mobile Contents	25	12	17	41
PC Other	26	20		
Operating income	38	117	145	236
Operating margin	19.0%	34.4%	49.7%	35.3%

*The PC Others sub-segment has been merged with Consumer as of FY3/20

*Segment plan partially changed as of 1H results announcement

3-1. Business Segment Results – Digital Contents (2)

***Monster Hunter World: Iceborne* off to a solid start**
Results driven by digital sales, including those of major catalog titles

■ Unit Sales for the 6 Months (Consumer)

(thousands of units)

	2017/9	2018/9	2019/9	2020/3 Plan
New Titles (SKU)	20	32	15	30
Total unit sales	8,400	10,900	11,100	26,300
Overseas units ratio	85.7%	85.8%	77.5%	83.8%
Digital units ratio	57.7%	67.4%	76.1%	82.5%
Catalog units ratio	69.0%	77.5%	69.8%	54.8%
Major titles				
New	Marvel vs. Capcom: Infinite Ultra Street Fighter II	Street Fighter 30th Anniversary Collection Mega Man X Legacy Collection	Monster Hunter World: Iceborne	Monster Hunter World: Iceborne
Catalog	Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 2 Devil May Cry 5	Monster Hunter: World Resident Evil 2 Devil May Cry 5

*Includes distribution titles

3-1. Business Segment Results – Digital Contents (3)

Focused on sales of new major title and long-term sales of titles released in previous fiscal years

■ 6 Months Highlights (Consumer)

- *Monster Hunter World: Iceborne* shipped 2.8 million units while *Monster Hunter: World* broke cumulative 14 million units sold
- *Resident Evil 2* and *Devil May Cry 5* performed to expectations
- Launched *Shinsekai: Into the Depths* on Apple Arcade, targeting opportunities to capture new customers



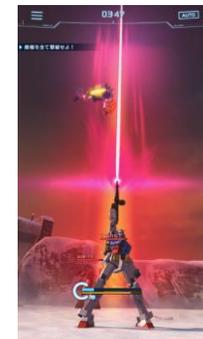
Monster Hunter World: Iceborne



Shinsekai: Into the Depths

■ 6 Months Highlights (Mobile Contents)

- Codeveloped by Capcom, *Gundam Breaker Mobile* was launched in July by Bandai Namco Entertainment Inc.
- *Teppen*, developed with GungHo Online Entertainment Inc., launched in the U.S. and Europe in July, Japan and Asia in August



Gundam Breaker Mobile

3-2. Business Segment Results – Arcade Operations

**Existing stores performed well
resulting in increased sales and profit**

■ 6 Months Business Results

(100 million yen)

	2017/9	2018/9	2019/9	2020/3 Plan
Net sales	51	55	62	112
Operating income	6	7	9	7
Operating margin	12.2%	13.3%	14.7%	6.3%
Same store sales	3%	±0	9%	-4%

■ Number of Stores

(stores)

	2018/3	2019/3	2019/9	2020/3 Plan
New stores	2	2	2	5
Closed stores	2	1	0	0
Total	36	37	39	42

■ 6 Months Highlights

- Same store sales: +9%
- Opened Plaza Capcom Ikebukuro on July 19, Plaza Capcom Fujiidera on September 14

3-3. Business Segment Results – Amusement Equipments

**Stable results due to licensing revenue
despite decrease in net sales following lower unit sales**

■ 6 Months Business Results

(100 million yen)

	2017/9	2018/9	2019/9	2020/3 Plan
Net sales	73	22	2	40
Operating income	19	-6	0	1
Operating margin	26.3%	-	27.8%	2.5%

■ 6 Months Highlights

- Carrying out development of models to current certification standard
(3 models sold 5,800 units in the same period of the previous fiscal year.)

3-4. Business Segment Results – Other Businesses

Sales and profit up due to licensing revenue growth
Pursuing expansion of esports player base

■ 6 Months Business Results

(100 million yen)

	2017/9	2018/9	2019/9	2020/3 Plan
Net sales	10	14	16	30
Operating income	5	6	7	3
Operating margin	52.9%	48.8%	44.9%	10.0%

*Segment plan partially changed as of 1H results announcement

■ 6 Months Highlights (Character Contents)

- *Biohazard: The Extreme* opened at Universal Studios Japan

■ 6 Months Highlights (eSports)

- *Street Fighter* chosen for inclusion in the Intel World Open, an esports event to be held by Intel Corporation in 2020
- More than 1,000 athletes worldwide participated in the Capcom Pro Tour Asia Premier, held in September

4-1. Business Segment Plans & Strategies – Digital Contents (1)

Aim to increase profit via contribution of Consumer digital sales
Profit outlook for Mobile Contents has been slightly lowered

■ FY3/20 Digital Contents Plan

(100 million yen)

	2018/3	2019/3	2020/3 Initial Plan	2020/3 Revised Plan	Difference
Net sales	741	829	668	668	-
Breakdown					
Package	383	359	154	154	-
Digital download contents	269	410	473	473	-
Consumer total	652	769	627	627	-
Mobile Contents	41	23	41	41	-
PC Other	48	37			
Operating income	191	233	243	236	-7
Operating margin	25.8%	28.1%	36.4%	35.3%	-

4-1. Business Segment Plans & Strategies – Digital Contents (2)

**Continued focus on sales of *Monster Hunter World: Iceborne*
Expect increase in unit sales due to digital growth**

■ Consumer: FY3/20 Unit Sales Plan

(thousands of units)

	2017/3	2018/3	2019/3	2020/3 Plan
New Titles (SKU)	42	50	61	30
Total unit sales	19,400	24,400	25,300	26,300
Overseas units ratio	77.8%	79.5%	85.4%	83.8%
Digital units ratio	46.4%	52.9%	60.5%	82.5%
Catalog units ratio	45.4%	45.1%	56.1%	54.8%
Major titles				
New	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Marvel vs. Capcom: Infinite	Resident Evil 2 Devil May Cry 5	Monster Hunter World: Iceborne
Catalog	Monster Hunter Generations Resident Evil 6 (rerelease)	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 2 Devil May Cry 5

Plan to launch *Monster Hunter World: Iceborne* for PC
Look to expand digital sales of both new and catalog titles

■ Consumer: Second Half Strategy

- *Monster Hunter World: Iceborne* (for PC)
Release date: January 9, 2020 global simultaneous launch
(January 10, 2020 in Japan and Asia due to differences in times zones)
- *Mega Man Zero/ZX Legacy Collection*
(for PlayStation 4, Nintendo Switch, Xbox One, PC)
Release date: January 23, 2020



Mega Man Zero/ZX Legacy Collection

■ Mobile Contents: Second Half Strategy

- Aim to produce a hit domestically and internationally through both codeveloped and internally developed titles
- Plan to launch *Rockman X Dive* (for iOS, Android) overseas in 2019

4-2. Business Segment Plans & Strategies – Arcade Operations

Monitor impact of consumption tax increase while continuing efficiency-driven operations

■ Second Half Strategy

- Aim to increase revenue and profit through stabilizing operations at existing stores as well as with opening new stores
- Capcom Store Tokyo antenna shop scheduled to open in Shibuya November 22
- Plan to open 5 new stores and close none for the full-year (resulting in a total 42 stores)
- Full-year same store sales plan: -4%



Capcom Store Tokyo (Shibuya)

■ FY3/20 Arcade Operations Plan

(100 million yen)

	2018/3	2019/3	2020/3 Initial Plan	2020/3 Revised Plan	Difference
Net sales	102	110	112	112	-
Operating income	8	10	7	7	-
Operating margin	8.6%	9.9%	6.3%	6.3%	-
Same store sales	2%	2%	-4%	-4%	-

4-3. Business Segment Plans & Strategies – Amusement Equipments

**Aim to launch models to current certification standards
and achieve full-year plan**

■ Pachinko & Pachislo: Second Half Strategies

- Plan to release 3 models in 2H
- Full-year plan: altogether 3 models, total 15 thousand units

■ FY3/20 Amusement Equipments Plan

(100 million yen)

	2018/3	2019/3	2020/3 Initial Plan	2020/3 Revised Plan	Difference
Net sales	78	34	40	40	-
Operating income	-7	-26	1	1	-
Operating margin	-	-	2.5%	2.5%	-

4-4. Business Segment Plans & Strategies – Other Businesses

Strengthen brand value through leveraging use of content

Look to expand into regional cities by accelerating spread of esports

■ Character Contents: Second Half Strategies

- Monster Hunter Festa scheduled for November 2019 in Tokyo, January 2020 in Osaka

■ eSports: Second Half Strategies

- Street Fighter League: Pro-JP operated by RAGE (team battles) began airing in Japan in October
- Will cap off the Capcom Pro Tour with the Capcom Cup world-championship tournament (1-on-1 battles) in December in the U.S.

■ FY3/20 Other Businesses Plan

(100 million yen)

	2018/3	2019/3	2020/3 Initial Plan	2020/3 Revised Plan	Difference
Net sales	23	25	30	30	-
Operating income	11	8	-4	3	7
Operating margin	48.2%	31.5%	-	10.0%	-

5-1. Summary of Major Financial Information

● Profit and Loss Sheet

(million yen)

	2018/3	2019/3	2020/3 Plan	%	2019/9
Net Sales	94,515	100,031	85,000	85.0%	37,272
Gross Profit	34,619	37,222	38,000	102.1%	22,520
Margin (%)	36.6%	37.2%	44.7%	-	60.4%
Sales and G&A Expenses	18,582	19,078	18,000	94.3%	8,527
Operating Income	16,037	18,144	20,000	110.2%	13,992
Margin (%)	17.0%	18.1%	23.5%	-	37.5%
Ordinary Income	15,254	18,194	19,500	107.2%	14,002
Margin (%)	16.1%	18.2%	22.9%	-	37.6%
Net income attributable to owners of the parent	10,937	12,551	14,000	111.5%	9,846
Margin (%)	11.6%	12.5%	16.5%	-	26.4%

● Sales and Profit by Business Segments

(million yen)

		2018/3	2019/3	2020/3 Plan	%	2019/9
Digital Contents	Net Sales	74,141	82,982	66,800	80.5%	29,163
	Operating Income	19,103	23,315	23,600	101.2%	14,503
	Margin (%)	25.8%	28.1%	35.3%	-	49.7%
Arcade Operations	Net Sales	10,231	11,050	11,200	101.4%	6,233
	Operating Income	879	1,096	700	63.9%	915
	Margin (%)	8.6%	9.9%	6.3%	-	14.7%
Amusement Equipments	Net Sales	7,803	3,422	4,000	116.9%	241
	Operating Income	-764	-2,668	100	-	67
	Margin (%)	-	-	2.5%	-	27.8%
Others	Net Sales	2,338	2,575	3,000	116.5%	1,633
	Operating Income	1,126	811	300	37.0%	733
	Margin (%)	48.2%	31.5%	10.0%	-	44.9%

● Sales by Geographic Area

(million yen)

	2018/3	2019/3	2020/3 Plan	%	2019/9
Japan	52,253	39,387	37,500	95.2%	17,503
North America	24,154	30,134	24,000	79.6%	10,955
Europe	12,035	19,387	12,000	61.9%	4,952
Others	6,072	11,121	11,500	103.4%	3,860