

**Consolidated financial results for the 6 months  
of the fiscal year ending March 31, 2018 (Japan GAAP - Unaudited)**

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 Code number: 9697  
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 Stock listing: Tokyo  
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Dividend payment date: November 24, 2017

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

1. Results for 6 months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

(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	%
6 months ended September 30, 2017	33,729	17.6	5,001	191.5	5,016	875.5	3,481	757.5
6 months ended September 30, 2016	28,676	-9.4	1,715	-39.7	514	-82.2	405	-79.2

Note: Comprehensive income 2nd quarter ended September 30, 2017: 4,284 million yen (- %) 2nd quarter ended September 30, 2016: -2,069 million yen (- %)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
6 months ended September 30, 2017	63.59	—
6 months ended September 30, 2016	7.25	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
2nd quarter ended September 30, 2017	114,472	80,689	70.5
Fiscal year ended March 31, 2017	118,897	77,774	65.4

Reference: Shareholders' equity: 2nd quarter ended September 30, 2017: 80,689 million yen Year ended March 31, 2017: 77,774 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
Year ended March 31, 2017	— yen	25.00 yen	— yen	25.00 yen	50.00 yen
Year ending March 31, 2018	—	25.00			
Year ending March 31, 2018 (Forecast)			—	25.00	50.00

Note: Changes in dividends forecast during the 6 months ended September 30, 2017: No

3. Earnings forecast for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

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, 2018	93,000	6.7	14,500	6.2	14,000	11.2	9,500	7.0	173.53

Note: Changes in earnings forecast during the 6 months ended September 30, 2017: No

## Notes

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

Note: Please refer to "2. Summary of consolidated financial statements (4) Notes to consolidated financial statements

(Application of special accounting treatment for preparation of quarterly financial statements)" on page 10 for more details.

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

- ① Changes 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)

2nd quarter ended September 30, 2017:	67,723,244	Year ended March 31, 2017:	67,723,244
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- ② Number of treasury stock

2nd quarter ended September 30, 2017:	12,977,399	Year ended March 31, 2017:	12,977,009
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- ③ Average number of shares outstanding

2nd quarter ended September 30, 2017:	54,746,122	2nd quarter ended September 30, 2016:	55,996,951
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(Explanation about the appropriate usage of business prospects and other special notes)

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

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## 1. Operating results overview

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

During the six months ended September 30, 2017, our industry saw broad signs of recovery, including greater penetration of the PlayStation 4 home video game console and the strong performance of the new Nintendo Switch game console. This revitalized the home video games market, which had appeared stagnant relative to the growth of mobile games primarily for smartphones.

In June, *Monster Hunter: World* (for PlayStation 4, Xbox One, and PC), which will be one of our major titles for the current fiscal year, drew much attention from show-goers at E3, one of the world's largest trade shows for computer and video games held in the U.S., and was also overwhelmingly popular at the Tokyo Game Show 2017 held in September, raising expectations for its release next January.

In such an environment, as part of its reexamination of the mobile contents division, the Company took on initiatives to strengthen its management structure by integrating development and operations, which included the absorption-type merger of Capcom Mobile, Inc., its wholly-owned subsidiary.

In addition, the Company made efforts to reduce costs and expenses by reviewing and re-evaluating cost of sales and selling, general and administrative expenses in order to improve profitability.

As a result, for the six months ended September 30, 2017, consolidated net sales were 33,729 million yen (up 17.6% from the same term in the previous year). In terms of profitability, thanks to the contribution made by licensing revenue from utilizing our intellectual property (IP), operating income was 5,001 million yen (up 191.5% from the same term in the previous year), ordinary income was 5,016 million yen (up 875.5% from the same term in the previous year), and net income attributable to owners of the parent was 3,481 million yen (up 757.5% from the same term in the previous year).

### Status of business by operating segment

#### ① Digital Contents business

In this business, *Monster Hunter XX (Double Cross) Nintendo Switch Ver.* (for Nintendo Switch) performed strongly, while *Marvel vs. Capcom: Infinite* (for PlayStation 4, Xbox One and PC), which targets the European and US markets, was released in September.

In addition to *Ultra Street Fighter II The Final Challengers* (for Nintendo Switch) turning out to be a smash hit, catalog unit sales of such titles as *Monster Hunter XX (Double Cross)* (for the Nintendo 3DS family of systems), which was released in the previous fiscal year, also contributed to the increase in revenues to a certain extent.

Furthermore, in online games, *Monster Hunter Frontier Z*, a perennial favorite which underwent a major update commemorating its 10<sup>th</sup> anniversary, performed steadily; while in mobile contents, amid the reorganization of operations, which include the Company carrying out alliance strategies to bring about a breakthrough in the business, *Monster Hunter Explore* remained popular, while licensing revenue from utilizing our IP also contributed to the increase in profits.

The resulting net sales were 20,138 million yen (up 23.0 % from the same term in the previous year) and operating income was 3,830 million yen (up 248.4% from the same term in the previous year).

## ② Arcade Operations business

Amid diversifying lifestyles, the market recovered, with arcades functioning as a familiar entertainment option that were “inexpensive, close and quick.” Under such circumstances, the Company employed user-oriented marketing, including installing machines that meet customer needs and holding various events such as service day campaigns. Through this, the Company made efforts to acquire new customers, such as families with children, and secure repeat customers, while reducing arcade operating costs to improve profitability.

During the period under review, the Company opened two new stores and closed one, bringing the total number of stores to 37.

The resulting net sales were 5,179 million yen (up 7.7% from the same term in the previous year) and operating income was 634 million yen (up 32.7% from the same term in the previous year).

## ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, recent changes in the model-testing methods have had a significant impact, and the newly-launched *Resident Evil: Revelations* performed weakly as a result. Nevertheless, the Company was able to secure a certain amount of profit by lowering the cost of sales ratio.

In the Arcade Games Sales sub-segment, sales of *Monster Hunter Medal Hunting G*, a consistently popular medal game, were in line with plans.

The resulting net sales were 7,330 million yen (up 12.3% from the same term in the previous year) and operating income was 1,925 million yen (up 16.6% from the same term in the previous year).

## ④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 1,080 million yen (up 12.3% from the same term in the previous year) and operating income was 571 million yen (up 44.5% from the same term in the previous year).

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

Total assets as of the end of the second quarter decreased by 4,424 million yen from the end of the previous fiscal year to 114,472 million yen. The primary increase was 7,202 million yen in work-in-progress for game software. The primary decreases were 9,018 million yen in notes and accounts receivable, trade and 1,449 million yen in cash on hand and in banks.

Total liabilities as of the end of the second quarter decreased by 7,339 million yen from the end of the previous fiscal year to 33,783 million yen. The primary decreases were 4,850 million yen in short-term borrowings and 2,560 million yen in electronically recorded monetary liabilities.

Net assets as of the end of the second quarter increased by 2,914 million yen from the end of the previous fiscal year to 80,689 million yen. The primary increase was 3,481 million yen in net income attributable to owners of the parent. The primary decrease was 1,368 million yen in cash dividends.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results current fiscal year ending March 31, 2018 remains the same as what was projected at the financial results announcement on April 27, 2017.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	24,537	23,088
Notes and accounts receivable, trade	20,175	11,156
Merchandise and finished goods	1,583	1,516
Work-in-progress	2,040	1,538
Raw materials and supplies	2,040	1,620
Work-in-progress for game software	30,150	37,353
Other	4,973	5,606
Allowance for doubtful accounts	(21)	(20)
Total current assets	85,480	81,859
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	11,004	11,570
Other, net	9,763	9,661
Total tangible fixed assets	20,768	21,232
Intangible fixed assets	2,843	1,893
Investments and other assets		
Other	9,877	9,559
Allowance for doubtful accounts	(72)	(72)
Total investments and other assets	9,804	9,487
Total fixed assets	33,417	32,613
Total assets	118,897	114,472

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of September 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable, trade	2,288	2,277
Electronically recorded monetary obligations	4,886	2,326
Short-term borrowings	9,323	4,473
Accrued income taxes	1,580	1,427
Accrued bonuses	2,263	792
Other	9,651	11,600
<b>Total current liabilities</b>	<b>29,994</b>	<b>22,897</b>
<b>Long-term liabilities</b>		
Long-term borrowings	6,788	6,051
Liabilities for retirement benefits for employees	2,596	2,712
Other	1,743	2,122
<b>Total long-term liabilities</b>	<b>11,128</b>	<b>10,886</b>
<b>Total liabilities</b>	<b>41,122</b>	<b>33,783</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	45,402	47,514
Treasury stock	(21,448)	(21,449)
<b>Total shareholders' equity</b>	<b>78,521</b>	<b>80,633</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on securities, net of tax	107	138
Cumulative translation adjustments	(541)	214
Accumulated adjustments for retirement benefits	(313)	(298)
<b>Total accumulated other comprehensive income</b>	<b>(747)</b>	<b>55</b>
<b>Total net assets</b>	<b>77,774</b>	<b>80,689</b>
<b>Total liabilities and net assets</b>	<b>118,897</b>	<b>114,472</b>



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

(Unit: Millions of yen)

	Previous 6 months From April 1, 2016 to September 30, 2016	Current 6 months From April 1, 2017 to September 30, 2017
Net sales	28,676	33,729
Cost of sales	19,986	20,547
Gross profit	8,689	13,181
Selling, general and administrative expenses	6,973	8,179
Operating income	1,715	5,001
Non-operating income		
Interest income	24	26
Dividend income	7	7
Exchange gain, net	—	54
Other	36	36
Total non-operating income	68	125
Non-operating expenses		
Interest expense	71	53
Commission fee	23	32
Exchange loss, net	1,167	—
Other	7	24
Total non-operating expenses	1,270	110
Ordinary income	514	5,016
Special losses		
Loss on sales and /or disposal of fixed assets	7	64
Total special losses	7	64
Net income before income taxes	506	4,952
Income taxes-current	751	1,218
Income taxes-deferred	(650)	252
Total income taxes	100	1,471
Net income	405	3,481
Net income attributable to owners of the parent	405	3,481

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2016 to September 30, 2016	Current fiscal year From April 1, 2017 to September 30, 2017
Net income	405	3,481
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(12)	30
Cumulative translation adjustments	(2,488)	756
Adjustments for retirement benefits	25	15
Total other comprehensive income	(2,475)	802
Comprehensive income	(2,069)	4,284
Comprehensive income attributable to:		
Owners of the parent	(2,069)	4,284
Non-controlling interests	—	—

## (3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous 6 months From April 1, 2016 to September 30, 2016	Current 6 months From April 1, 2017 to September 30, 2017
Cash flows from operating activities		
Net income before income taxes	506	4,952
Depreciation and amortization	2,882	2,362
(Decrease) increase in allowance for doubtful accounts	31	(2)
Decrease in accrued bonuses	(128)	(129)
Interest and dividend income	(31)	(33)
Interest expense	71	53
Exchange (gain) loss, net	240	(23)
Loss on sales and/or disposal of fixed assets	7	64
Decrease in notes and accounts receivable, trade	2,114	9,113
Decrease in inventories	828	999
Increase in work-in-progress for game software	(4,819)	(7,144)
Decrease in notes and accounts payable, trade	(1,722)	(2,613)
Other	401	411
Sub total	382	8,010
Interest and dividends received	32	34
Interest paid	(71)	(51)
Income taxes paid	(6,115)	(1,085)
Net cash provided by (used in) operating activities	(5,772)	6,908
Cash flows from investing activities		
Payments for acquisitions of tangible fixed assets	(978)	(1,761)
Proceeds from sales of tangible fixed assets	0	0
Payments for acquisitions of intangible fixed assets	(28)	(66)
Other	(32)	168
Net cash used in investing activities	(1,038)	(1,658)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	8,500	(5,000)
Repayments of long-term borrowings	(748)	(586)
Payments for repurchase of treasury stock	(3,301)	(1)
Dividend paid	(1,427)	(1,370)
Other	(261)	(271)
Net cash (used in) provided by financing activities	2,760	(7,229)
Effect of exchange rate changes on cash and cash equivalents	(2,118)	730
Net decrease in cash and cash equivalents	(6,169)	(1,249)
Cash and cash equivalents at beginning of year	28,429	24,337
Cash and cash equivalents at end of quarter	22,260	23,088

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity) Not applicable

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

(Calculation of income taxes)

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

(Segment information)

I Previous 6 months (From April 1, 2016 to September 30, 2016)

Information on net sales and operating income (loss)

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	16,373	4,810	6,530	27,713	962	28,676	—	28,676
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	16,373	4,810	6,530	27,713	962	28,676	—	28,676
Segment income (loss)	1,099	478	1,651	3,229	395	3,624	(1,909)	1,715

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

2. Adjustments of segments (-1,909 million yen) include unallocated corporate operating expenses (-1,909 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 6 months (From April 1, 2017 to September 30, 2017)

Information on net sales and operating income (loss)

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	20,138	5,179	7,330	32,648	1,080	33,729	—	33,729
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	20,138	5,179	7,330	32,648	1,080	33,729	—	33,729
Segment income (loss)	3,830	634	1,925	6,390	571	6,961	(1,960)	5,001

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

2. Adjustments of segments (-1,960 million yen) include unallocated corporate operating expenses (-1,960 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.