

**Consolidated financial results
for the year ended March 31, 2019 (Unaudited)**

Date of issue: May 7, 2019

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Ordinary general shareholders' meeting : June 17, 2019

Dividend payment date: June 18, 2019

Filing date for financial report : June 18, 2019

Earnings supplementary explanatory materials :

Yes

Earnings presentation :

Yes (For institutional investors)

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

1. Results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(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	%
Year ended March 31, 2019	100,031	5.8	18,144	13.1	18,194	19.3	12,551	14.8
Year ended March 31, 2018	94,515	8.4	16,037	17.5	15,254	21.2	10,937	23.2

Note: Comprehensive income Year ended March 31, 2019: 12,888 million yen (24.1%)

Year ended March 31, 2018: 10,389 million yen (19.6%)

	Earnings per share of common stock	Diluted earnings per share of common stock	Return on equity	Return (ordinary income) on assets	Operating margin
	Yen	Yen	%	%	%
Year ended March 31, 2019	115.45	—	14.4	14.7	18.1
Year ended March 31, 2018	99.89	—	13.4	12.5	17.0

Reference: Equity in earnings (losses) of affiliates

Year ended March 31, 2019: — million yen

Year ended March 31, 2018: — million yen

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

Capcom calculated "Earnings per share of common stock" assuming that the stock split was implemented with an effective date of April 1, 2017.

2 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 return (ordinary income) on assets for the previous fiscal year have undergone retrospective application.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net asset value per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2019	123,407	88,749	71.9	831.37
Year ended March 31, 2018	124,829	85,421	68.4	780.18

Reference: Shareholders' equity:

Year ended March 31, 2019: 88,749 million yen

Year ended March 31, 2018: 85,421 million yen

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

Capcom calculated "Net asset value per share" assuming that the stock split was implemented with an effective date of April 1, 2017.

2 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 financial position for the previous fiscal year have undergone retrospective application.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	19,847	-2,261	-11,443	53,004
Year ended March 31, 2018	34,721	-2,847	-9,577	46,539

2. Dividends

Record date	Dividend per share					Dividend paid	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Annual			
	yen	yen	yen	yen	yen			
Year ended March 31, 2018	—	25.00	—	35.00	60.00	3,284	30.0	4.0
Year ended March 31, 2019	—	15.00	—	20.00	35.00	3,777	30.3	4.3
Year ending March 31, 2020 (Forecast)	—	15.00	—	20.00	35.00		26.7	

Note: 1 For dividends for the year ended March 31, 2019, please see "Notice Regarding Dividends from Retained Earnings," which was published today (May 7, 2019).

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

For dividends for the years ended March 31, 2018, the above dividends paid show the actual amounts prior to the stock split.

For dividends for the years ended March 31, 2019 and the year ending March 31, 2020 (Forecast), Capcom took the stock split into consideration.

3. Earnings forecast for the fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

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
Year ending March 31, 2020	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	85,000	-15.0	20,000	10.2	19,500	7.2	14,000	11.5	131.15

Note: 1 Capcom discloses a full year business forecast, as it manages its business performance on an annual basis.

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

For "Net income per share," Capcom took the stock split into consideration.

Others

(1) Changes in significant consolidated subsidiaries during the period: No

(Changes in specified subsidiaries due to changes in the scope of consolidation)

(2) 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

(3) Number of shares outstanding (Common stock):

① Number of shares outstanding (including treasury stock)

Year ended March 31, 2019: 135,446,488 Year ended March 31, 2018: 135,446,488

② Number of treasury stock

Year ended March 31, 2019: 28,695,180 Year ended March 31, 2018: 25,957,288

③ Average number of shares outstanding

Year ended March 31, 2019: 108,716,271 Year ended March 31, 2018: 109,491,381

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

Capcom calculated the above three numbers of shares assuming that the stock split was implemented 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 (4) Outlook] on page 5 for more details.
- Capcom is scheduled to hold an earnings presentation for institutional investors on May 10, 2019. Video and audio of the presentation will be posted along with the presentation materials on Capcom's web page shortly after the presentation.

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1. Operating results overview

(1) Operating results for the fiscal year under review

During the fiscal year ended March 31, 2019, our industry witnessed a slowdown in mobile games as well as steady yet uneven growth in the market for home video games due to market maturation trends. Meanwhile, esports, which was a demonstration event at the 2018 Asian Games last year, continued to increase in popularity around Japan with the start of league matches and the launch of pro teams domestically in an effort to expand the fan base.

In such an environment, *Monster Hunter: World* (for PlayStation 4, Xbox One and PC), which shook up the market last year, continued to report strong sales, with total shipments breaking 12 million units, marking a record high for any single title in the Company's history. Additionally, the Company's other flagship brands demonstrated their appeal and boasted strong sales during this period, as *Resident Evil 2* (for PlayStation 4, Xbox One and PC) scored a major hit, shipping more than 4 million units, while *Devil May Cry 5* (for PlayStation 4, Xbox One and PC) shipped 2 million units, backed by its established popularity in overseas markets. Furthermore, the Company took a strategic step in cultivating the new business domain of esports, an area that has been attracting increasing attention in the past year. This included holding the Capcom Pro Tour Japan Premier at the Tokyo Game Show 2018, generating much excitement among spectators, and launching the Capcom Street Fighter League powered by RAGE in February 2019, leveraging the popular *Street Fighter* versus fighting game series that many consider to have started esports.

As a result, for the fiscal year ended March 31, 2019, consolidated net sales were 100,031 million yen (up 5.8% from the previous fiscal year). In terms of profitability, thanks to growth in the Digital Contents business, operating income was 18,144 million yen (up 13.1% from the previous fiscal year), ordinary income was 18,194 million yen (up 19.3 % from the previous fiscal year), and net income attributable to the owners of the parent was 12,551 million yen (up 14.8% from the previous fiscal year), with all three figures increasing to record highs once again, as was the case in the previous fiscal year.

Status of business by operating segment

① Digital Contents business

In this business, the popularity of major title *Resident Evil 2* (for PlayStation 4, Xbox One and PC) exceeded expectations, driving the Company's business performance. *Devil May Cry 5* (for PlayStation 4, Xbox One and PC) targeted overseas markets and also performed strongly, backed by consistent demand. Additionally, the *Monster Hunter* series contributed significantly to improving profits: flagship title *Monster Hunter: World* (for PlayStation 4 and Xbox One), which was a phenomenal success in the previous fiscal year, maintained popularity through the expansion of its user base, while the Steam version for PC also performed solidly, boosting profits; meanwhile, *Monster Hunter Generations Ultimate* (for Nintendo Switch) enjoyed robust sales through its release in markets outside of Japan.

Furthermore, *Mega Man 11* (for PlayStation 4, Nintendo Switch, Xbox One and PC) and *Street Fighter 30th Anniversary Collection* (for PlayStation 4, Nintendo Switch, Xbox One and PC) performed well. In addition, high-margin catalog titles, including *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC), increased sales through their enduring popularity.

The resulting net sales were 82,982 million yen (up 11.9% from the previous fiscal year) and operating income was 23,315 million yen (up 22.0% from the previous fiscal year).

② Arcade Operations business

In this business, amid intensifying interregional competition, the Company made efforts to secure a wide range of customers including repeat customers, the middle-aged and seniors, women and families with children, as well as inbound tourists. These efforts included installing game machines that meet diverse customer needs, conducting service day campaigns and holding various events. In addition, as a new undertaking, in November 2018, the Company launched *Capcom Net Catcher Cap Tore*, an online crane game that can be played by remote control from smartphones and PCs.

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

The resulting net sales were 11,050 million yen (up 8.0% from the previous fiscal year) and operating income was 1,096 million yen (up 24.6% from the previous fiscal year).

③ Amusement Equipments business

In Pachinko & Pachislo, the Company launched *Street Fighter V*, *Biohazard into the Panic*, and other products in a softening market environment. However, sales struggled due to a downturn in consumer confidence and dampening investment by the Pachinko/Pachislo hall operators. Arcade Games Sales also struggled and business was generally weak, due to a lack of new products, necessitating a change in strategic direction going forward for the Company.

The resulting net sales were 3,422 million yen (down 56.1% from the previous fiscal year) and an operating loss of 2,668 million yen (compared to an operating loss of 764 million yen in 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 2,575 million yen (up 10.2 % from the previous fiscal year) and operating income was 811 million yen (down 28.0 % from the previous fiscal year).

(2) Financial position overview for the fiscal year under review

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2019 decreased by 1,421 million yen from the end of the previous fiscal year to 123,407 million yen.

The primary increase was 6,464 million yen in cash on hand and in banks. The primary decrease was 8,708 million yen in work in progress for game software.

(Liabilities)

Total liabilities as of the end of the fiscal year ended March 31, 2019 decreased by 4,750 million yen from the end of the previous fiscal year to 34,658 million yen.

The primary decrease was 1,579 million yen in long-term borrowings.

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2019 increased by 3,328 million yen from the end of the previous fiscal year to 88,749 million yen.

The primary increase was 12,551 million yen in net income attributable to owners of the parent. The primary decreases were 3,558 million yen in dividends from retained earnings and 6,001 million yen in repurchase of treasury stock.

(3) Cash flow overview for the fiscal year under review

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2019 increased by 6,464 million yen from the end of the previous fiscal year to 53,004 million yen.

Cash flow positions of each activity and their factors are described below.

(Cash flows from operating activities)

Net cash gained from operating activities was 19,847 million yen (34,721 million yen in the previous fiscal year). A breakdown of cash flows is as follows: 17,770 million yen in net income before income taxes (15,149 million yen in the previous fiscal year), 3,228 million yen in depreciation and amortization (4,706 million yen in the previous fiscal year), a 8,876 million yen decrease in work in progress for game software (4,069 million yen in the previous fiscal year), a 1,621 million yen decrease in inventories (1,588 million yen in the previous fiscal year), and 5,938 million yen in income taxes paid (1,546 million yen in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities was 2,261 million yen (2,847 million yen in the previous fiscal year).

The primary item used was 2,093 million yen in payment for acquisitions of tangible fixed assets (2,767 million yen in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities was 11,443 million yen (9,577 million yen in the previous fiscal year).

A breakdown of the primary uses are as follows: 6,001 million yen in payment for acquisitions of treasury stock (5 million yen in the previous fiscal year) and 3,554 million yen in dividends paid by parent company (2,738 million yen in the previous fiscal year).

(4) Outlook

The company expects an increasingly high-tech landscape, where high-resolution graphics and the adoption of AI (Artificial Intelligence) and VR (Virtual Reality) will enable greater realism and natural movement by characters in home video games.

As such, to generate synergy with its popular games via greater global brand awareness and value, the Company has been producing world-leading content, with brands such as *Street Fighter* and *Resident Evil* being made into Hollywood movies, now followed by *Monster Hunter* and *Mega Man*, which are also scheduled for live-action film adaptation. In recent years, as the domestic market matures, further efforts to increase sales in the larger overseas market have become essential to maintain sustained growth. The Company will, therefore, develop and sell titles that appeal to diverse customer needs, including games that are popular overseas, thereby enhancing customer satisfaction and ensuring its competitive advantage.

Moreover, in the fast-growing esports business, the Company, in addition to leveraging its abundant experience and operational knowhow accumulated over the years in the US, intends to make a full-scale entry into the market and gain a firm footing through the allocation of the necessary funds and human resources. Furthermore, by focusing its management resources in growth areas and priority divisions, as well as reinforcing existing divisions and downsizing and withdrawing from unprofitable divisions, the Company will rebuild its businesses in line with environmental changes. It will also aim for more cohesive business development and higher management efficiency while at the same time enhancing the corporate value of the entire Group by carrying out the following business strategies and priority measures that utilize the Company's strengths.

① Strengths

A. A robust development structure

The Company boasts a rich development structure that produces million-selling titles each year through creating engaging content that enhances customer satisfaction. It intends to reinforce its advantage by concentrating management resources in the development of home video games based on its medium-term development map, while at the same time developing a breadth of content tailored to the needs of the market through greater in-house production. To this end, the Company is

improving its core competence, i.e. its development structure, by reducing development cycles and costs through increasing staff and improving its production environment, thereby enhancing profit management.

B. Rich library of internationally popular titles

The Company has become a world-leader in content that holds multiple, internationally popular brands by continuing to produce hit titles in the US and Europe, including for *Street Fighter* and *Resident Evil*, which have been made into Hollywood movies. Moreover, with the massive success of *Monster Hunter: World*, the Company's presence has been steadily rising overseas. Accordingly, in addition to the US and Europe, the Company hopes to expand business opportunities in the fast-growing Asian market as well through further penetration of the Capcom Brand.

C. Leveraging IP through Single Content Multiple Usage strategy

The Company holds a wealth of content assets from having created numerous million-selling titles. Its licensing business provides diversified revenue sources, which work to secure stable profits each year, by utilizing well-known game characters across various media, such as in movies, animation, toys, food and beverages, leveraging the synergy created by popular titles.

D. Multi-platform development

The Company's proprietary game engines (integrated development environment), such as MT Framework and RE ENGINE, allow the sharing of development tools across different platforms, such as PlayStation 4, Xbox One, Nintendo Switch and PCs. By utilizing these proprietary game engines, the Company is capable of releasing the same software across multiple platforms, which has contributed to increasing sales and improving profitability.

E. Promotion of digital strategy

In addition to digital download sales, which can be expected to provide sustainable, higher-margin income, the Company has been making efforts to increase sales through development and promotional activities suited to market needs. This is made possible by ascertaining accurate customer information, such as their responses and attributes, through surveys and analyses of user trends using digital marketing.

② Initiatives by operating segment

A. Digital Contents business

While the Company holds multiple, flagship brands that have achieved worldwide status, such as *Monster Hunter*, *Resident Evil* and *Street Fighter*, it will further put effort into marketing activities, deepening relationships with existing customers and developing new users in line with market trends. Moreover, digital download sales have taken off in the US and Europe, and sales have also been increasing in the fast-growing Asian markets in conjunction with the development of network infrastructure. As such, the Company will aim to increase revenues by focusing on digital download sales, which carry less inventory risk and promise higher profitability than one-time physical product sales, both in Japan and overseas.

B. Arcade Operations business

In recent years, there has been renewed appreciation for arcades as a form of familiar entertainment that is “inexpensive, close and quick.” As such, the Company is promoting store openings mainly in large commercial complexes where a certain amount of foot traffic can be expected, under the banner of “No. 1 arcade in the community.” The Company will also make efforts to reach a wide range of users and secure stable revenues each year by capturing young core users through prize merchandiser games, photo sticker machines (photo booths) and medal games that offer experiences that cannot be found in home video games or on smart phones; this, in addition to capturing new users by conducting free gaming experience tours for middle-aged and elderly customers and establishing kids’ corners for young children, among other activities.

C. Amusement Equipments business

Pachinko & Pachislo has been hit with a wave of structural changes, including a decrease in the player population due to the impact of changes in machine model certification and customers cutting back on spending, resulting in the market falling into a downward spiral. While this business has been struggling in recent years as a result of this, the Company intends to overcome this current impasse by rebuilding the business and putting it on a recovery track with organizational reforms, developing products better suited to user tastes, enhancing the product lineup through business alliances, as well as by revising the business mix to better respond to external changes.

③ Initiatives in the esports business

The global esports player population has exceeded 100 million, and in Japan it is rapidly gaining popularity as evidenced by the launch of a league for professional sports teams last year and a slew of corporate sponsorships, with entrants participating across corporate and industry sector boundaries. The Company has accumulated an abundance of experience and operational knowhow on esports over the years by holding the Capcom Pro Tour through its US subsidiary. Given this, the Company will construct a business model from a medium- to long-term perspective to develop new businesses while concentrating its management resources, which started with the launch of the Capcom Street Fighter League powered by RAGE in February, and is followed by the Street Fighter League: Pro-US in the US in April.

④ Overseas growth

Development of the overseas market will become crucial for promoting growth strategies as the domestic market matures. Japanese games, along with animation (anime) and comics (manga) are collectively referred to as “Cool Japan,” and have gained popularity among young people around the world, even becoming a common global language. The Company already owns numerous titles that are popular overseas, including *Resident Evil* and *Street Fighter*, which have been turned into Hollywood movies, and with the growing number of fans of the mega-hit title *Monster Hunter: World* in the promising Asian market, it intends to aggressively promote global expansion to further business opportunities.

⑤ Optimization of Capcom Group management

To raise the performance level of the Group as a whole, the Company will reinforce its management functions, share information, and promote the increased efficiency of operations, while at the same time consolidating priority areas and downsizing/withdrawing from unprofitable businesses through a “scrap and build” approach based on selection and concentration of opportunities. Furthermore, the Company will reorganize its overseas subsidiaries and improve networks between companies by utilizing speedy management in line with external changes, as well as optimize the Capcom Group through more coherent business expansion with its domestic and overseas affiliates in order to enhance corporate value.

⑥ Reinforcement of information security

Measures against various cyber risks both in Japan and overseas, including the prevention of information leaks and compliance with the EU’s General Data Protection Regulation (GDPR), have become indispensable in light of the importance of personal information management systems in recent years. As a part of these measures, the Company is reinforcing its information security system through the hiring of expert personnel, human resources development, thorough in-house training and regular checks, to prevent cyberattacks, including computer viruses and unauthorized access that would debilitate information systems and cause turmoil.

⑦ Business continuity planning

Various regions around Japan have been ravaged by typhoons, earthquakes and other large-scale natural disasters in recent years. In response to these disasters, the Company will reinforce its crisis management system so that, in the event of an emergency, damages, losses and the impact on important businesses will be kept to a minimum through quick and appropriate responses, and that business activities will be able to continue through early recovery.

⑧ Promotion of workstyle reforms

Starting from April 2019, laws related to workstyle reforms will go into effect and various measures including the reduction of overtime work will become imperative. As part of measures to promote work-life balance and reduce any instances of excessive working hours, the Company has endeavored to improve and maintain employee health by encouraging employees to take paid leave and through holding

Safety and Health Committee meetings every month. The Company is also working to create an environment with child-rearing support and other initiatives, including on-site childcare facilities, which will empower employees to pursue their careers actively. At the same time, it will seek to foster a corporate culture that provides job satisfaction in order to secure and leverage outstanding talent.

⑨ Developing and securing human resources

For a game software company like Capcom, employees are indeed human capital, and are recognized as important resources for the business. In order to pursue sustainable growth, it is essential to secure and train competent human resources. As such, the Company is enhancing its rank-based training programs, such as the general manager training program, the manager candidate training program and the new employee training program, while also striving to boost morale and encourage discovery of potential abilities by adopting personnel systems that address changes in the environment and place the right person in the right position. Further, the Company endeavors to seek out progressive and creative human resources, and promotes diversity while carrying out hiring and evaluations without regard for gender, nationality or age in order to engage its diverse human resources.

⑩ Basic capital policies

A. Dividend policy

The basic policy on the consolidated dividend payout ratio, which is one of the key performance indicators, is to maintain a payout ratio of 30% while continuing to make stable dividend payouts.

B. Acquisition of treasury stock

Giving due consideration to the changes in the business environment and the Company's financial condition, the Company will acquire treasury stock swiftly and flexibly when it is determined that it will contribute to increasing shareholder value.

During the period under review, 2,737,100 shares were acquired through a tender offer as part of returns to shareholders.

C. Total payout ratio

The Company is also mindful of the total payout ratio $[(\text{dividend paid} + \text{treasury stock acquired}) \div \text{net income}]$, which shows the level of return to shareholders, and we strive to achieve market confidence based on well-balanced capital strategy. During the period under review, the total payout ratio improved as a result of the above acquisition of treasury stock.

⑪ Policy on strategic holdings of publicly listed shares

A. In order to strengthen and tighten relationships with those companies with which there are ongoing business dealings, while eliminating habitual cross-holding and personal favoritism, the Company comprehensively takes into consideration the relevant advantages and disadvantages from medium- to long-term perspectives, including whether the shares contribute to future business relationships and sustainable enhancement of corporate value. As a result, the Company limits its holdings to a

minimum and as of the end of the current fiscal year, only three issues were held.

- B. As regards said holdings, the Company considers the details of the business dealings and the amounts, and verifies the benefits and the stock price fluctuation risks on the continuous holding of such shares. As a result, if it is determined that little economic rationality remains in holding such shares, such as in cases where the carrying amount has fallen 50% or more, the Company takes into account factors including the economic situation and upon consulting with the issuer, reduces or disposes of such shares at the appropriate time.
- C. When exercising voting rights, the Company decides on whether to vote for or against each proposal pursuant to internal procedures, comprehensively taking into account the business conditions, serious scandals, and other factors pertaining to the relevant business partner.

⑫ Dialogs with stakeholders

Each year the Company proactively conducts dialogues (meetings) with shareholders and institutional investors to promote better understanding of its management policies and growth strategies, while at the same time endeavoring to meet the expectations of all stakeholders, including shareholders, institutional investors and customers. The company also provides information on the general meeting of shareholders and financial results by such means as the Integrated Report and its website, in addition to disclosing the latest information on the Capcom IR Site, as well as working to respond quickly and appropriately to various requests and questions.

⑬ Investor Relations (IR) and Shareholder Relations (SR)

Based on the above, the Company has been focusing on its IR and SR activities. This includes meeting with over 400 shareholders and institutional investors both from Japan and overseas each year, as well as speaking on its management policies and financial information through top management meetings and results briefings, all in an effort to build a relationship of trust and to increase fans of Capcom. During the period under review, the Company’s activities were recognized by the following third-party organizations.

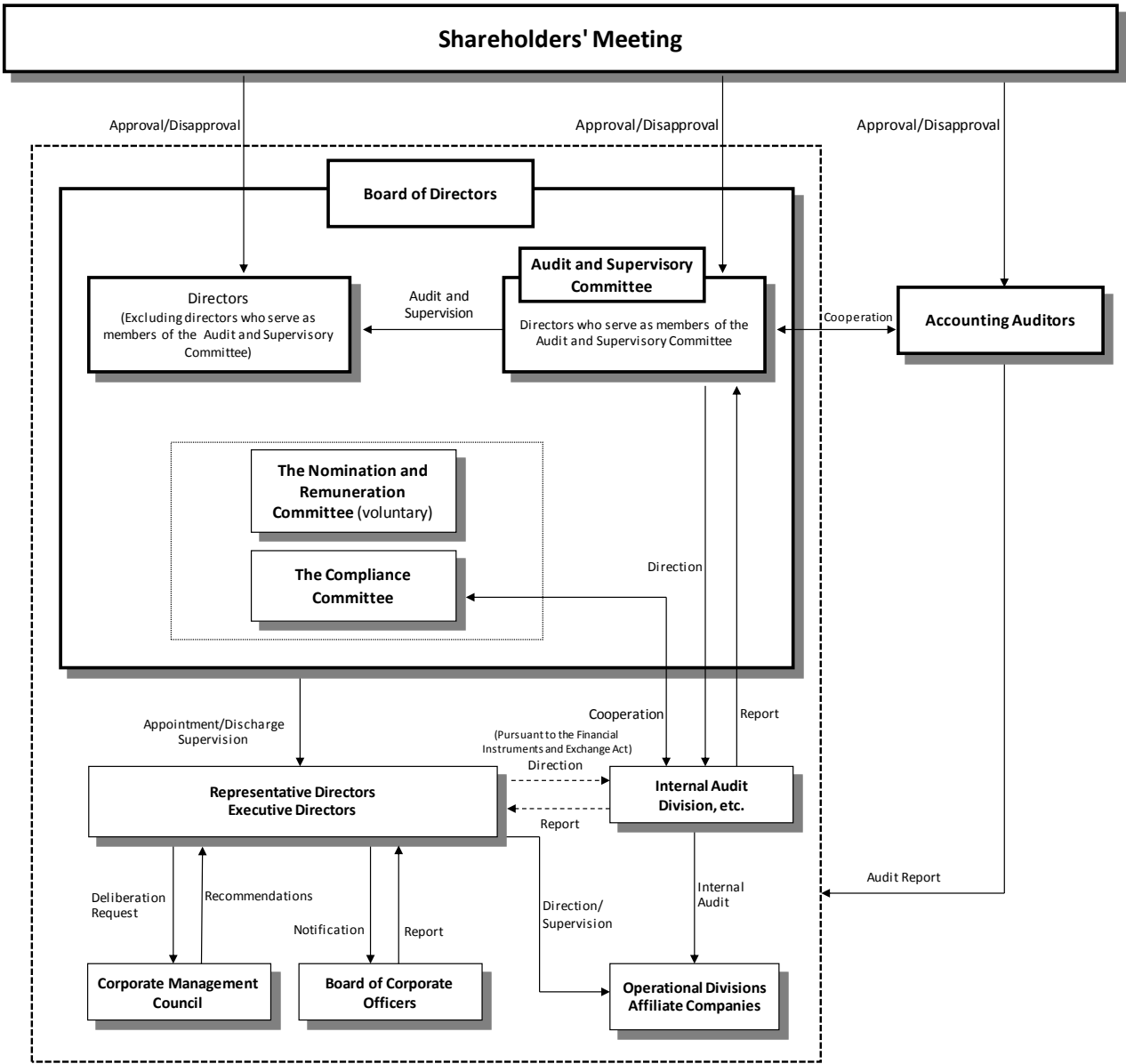
Integrated Report	Selected as one of the eleven companies, nominated by four or more asset managers, as a company with an “Excellent Integrated Report” in the “Excellent Integrated Report” evaluation by Japanese equity asset management companies contracted with GPIF.
	“21st Nikkei Annual Report Awards,” Excellence Prize
IR Site	Nikko Investor Relations Co., Ltd., “Fiscal 2018 Listed Company Website Quality Ranking,” Overall First Place
	Daiwa Investor Relations Co., Ltd., “Internet IR Award 2018,” Grand Prize

⑭ ESG initiatives

ESG stands for Environmental (E), Social (S) and Corporate Governance (G). The Company, from an ESG standpoint of fulfilling its social responsibilities as a good corporate citizen, promotes business strategies that pay due consideration to the environment (such as the reduction of greenhouse gas (GHGs) emission by switching to LED lighting and the reduction of paper resources by digitizing instruction manuals), society (such as through outreach classes for children and regional revitalization efforts using the Company's IP) and corporate governance (such as through raising the ratio of outside directors and establishing the Nomination and Remuneration Committee), and strives to enhance corporate value by building trust with stakeholders (including shareholders, investors, customers, business partners, creditors, employees and the regional community).

⑮ Corporate governance

The Company is working to strengthen corporate governance in order to achieve sustainable growth and medium- to long-term enhancement of its corporate value. It is doing so based on its corporate philosophy, which is to be a creator of entertainment culture that stimulates your senses, that moves and excites people through entertainment in the form of games. In order to promote sound management and improve business transparency, the Company endeavors to avoid risks and prevent scandals by establishing organizational structures that allow its corporate governance to function properly. Such endeavors include the establishment of the Nomination and Remuneration Committee and the Compliance Committee as voluntary committees. Meanwhile, the Company will be flexible as it engages in aggressive business development and strives to achieve its growth strategy, which includes investing in growth areas, implementing tie-up strategies and conducting mergers and acquisitions.



2. Basic policy regarding selection of accounting standards

With consideration for providing consolidated financial documents that can be compared over time and between companies, the Group's policy for the foreseeable future is to prepare consolidated financial documents according to Japanese standards.

We are currently considering the appropriate time to adopt International Financial Reporting Standards (IFRS), and in preparation of their introduction have begun acquiring knowledge of these standards, as well as started to carry out impact studies on their adoption and a gap analysis between these and Japanese standards.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Assets		
Current assets		
Cash on hand and in banks	46,539	53,004
Notes and accounts receivable - trade	12,930	13,970
Merchandise and finished goods	1,102	1,182
Work in progress	1,349	734
Raw materials and supplies	1,616	538
Work in progress for game software	25,635	16,926
Other	3,371	4,518
Allowance for doubtful accounts	(34)	(58)
Total current assets	92,511	90,817
Fixed Assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	11,106	10,845
Machinery and vehicles, net	10	24
Tools, fixtures and furniture, net	1,840	1,377
Equipment for amusement facilities, net	1,565	1,821
Land	5,234	5,235
Leased assets, net	668	718
Construction in progress	371	336
Total tangible fixed assets	20,797	20,359
Intangible assets	725	432
Investments and other assets		
Investments in securities	625	576
Claim in bankruptcy and reorganization	19	19
Lease deposits	4,034	3,979
Deferred tax assets	5,239	6,420
Other	900	834
Allowance for doubtful accounts	(24)	(32)
Total investments and other assets	10,795	11,798
Total fixed assets	32,318	32,590
Total assets	124,829	123,407

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,625	3,988
Electronically recorded monetary obligations	839	1,153
Short-term borrowings	1,473	1,579
Lease obligations	392	406
Accrued income taxes	4,453	4,251
Accrued bonuses	2,866	3,089
Other	13,618	8,743
Total current liabilities	26,271	23,212
Long-term liabilities		
Long-term borrowings	8,315	6,735
Lease obligations	329	369
Deferred tax liabilities	45	6
Liabilities for retirement benefits for employees	2,819	3,004
Asset retirement obligations	501	571
Other	1,127	758
Total long-term liabilities	13,137	11,445
Total liabilities	39,408	34,658
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	53,602	62,595
Treasury stock	(21,454)	(27,456)
Total shareholders' equity	86,716	89,708
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	139	26
Cumulative translation adjustments	(1,142)	(713)
Accumulated adjustments for retirement benefits	(292)	(271)
Total accumulated other comprehensive income	(1,295)	(958)
Total net assets	85,421	88,749
Total liabilities and net assets	124,829	123,407

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

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2017 to March 31, 2018	Current fiscal year from April 1, 2018 to March 31, 2019
Net sales	94,515	100,031
Cost of sales	59,895	62,809
Gross profit	34,619	37,222
Selling, general and administrative expenses	18,582	19,078
Operating income	16,037	18,144
Non-operating income		
Interest income	58	171
Dividend income	14	16
Exchange gain, net	—	362
Other	145	422
Total	219	974
Non-operating expenses		
Interest expense	103	80
Commission fees	64	69
Additionally paid retirement benefits	112	601
Office transfer expenses	254	—
Exchange loss, net	407	—
Other	59	173
Total	1,002	924
Ordinary income	15,254	18,194
Special losses		
Loss on sales and/or disposal of fixed assets	104	30
Impairment losses	—	393
Total	104	423
Net income before income taxes	15,149	17,770
Income taxes - current	4,617	6,603
Income taxes - deferred	(405)	(1,385)
Total	4,212	5,218
Net income	10,937	12,551
Net income attributable to owners of the parent	10,937	12,551

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2017 to March 31, 2018	Current fiscal year from April 1, 2018 to March 31, 2019
Net income	10,937	12,551
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	31	(112)
Cumulative translation adjustments	(601)	428
Adjustments for retirement benefits	21	20
Total other comprehensive income	(548)	336
Comprehensive income	10,389	12,888
Comprehensive income attributable to:		
Owners of the parent	10,389	12,888
Non-controlling interests	—	—

(3) Consolidated statements of changes in net assets
 Previous fiscal year from April 1, 2017 to March 31, 2018

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	33,239	21,328	45,402	(21,448)	78,521
Changes of items during the fiscal year					
Cash dividends			(2,737)		(2,737)
Net income attributable to owners of the parent			10,937		10,937
Repurchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	0	8,200	(5)	8,194
Balance as of March 31, 2018	33,239	21,328	53,602	(21,454)	86,716

	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, 2017	107	(541)	(313)	(747)	77,774
Changes of items during the fiscal year					
Cash dividends					(2,737)
Net income attributable to owners of the parent					10,937
Repurchase of treasury stock					(5)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	31	(601)	21	(548)	(548)
Total changes of items during the fiscal year	31	(601)	21	(548)	7,646
Balance as of March 31, 2018	139	(1,142)	(292)	(1,295)	85,421

Current fiscal year from April 1, 2018 to March 31, 2019

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	33,239	21,328	53,602	(21,454)	86,716
Changes of items during the fiscal year					
Cash dividends			(3,558)		(3,558)
Net income attributable to owners of the parent			12,551		12,551
Repurchase of treasury stock				(6,001)	(6,001)
Disposal of treasury stock		—		—	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	8,993	(6,001)	2,991
Balance as of March 31, 2019	33,239	21,328	62,595	(27,456)	89,708

	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, 2018	139	(1,142)	(292)	(1,295)	85,421
Changes of items during the fiscal year					
Cash dividends					(3,558)
Net income attributable to owners of the parent					12,551
Repurchase of treasury stock					(6,001)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity	(112)	428	20	336	336
Total changes of items during the fiscal year	(112)	428	20	336	3,328
Balance as of March 31, 2019	26	(713)	(271)	(958)	88,749

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2017 to March 31, 2018	Current fiscal year from April 1, 2018 to March 31, 2019
Cash flows from operating activities		
Net income before income taxes	15,149	17,770
Depreciation and amortization	4,706	3,228
Impairment losses	—	393
Change in allowance for doubtful accounts	(36)	32
Change in accrued bonuses	604	223
Change in liabilities for retirement benefits for employees	253	214
Interest and dividend income	(71)	(189)
Interest expense	103	80
Exchange (gains) losses, net	134	(127)
Loss on sales and/or disposal of fixed assets	104	30
Change in accounts receivable - trade	7,059	(858)
Change in inventories	1,588	1,621
Change in work in progress for game software	4,069	8,876
Change in notes and accounts payable - trade	(3,690)	1,665
Other	6,320	(7,286)
Subtotal	36,296	25,675
Interest and dividends received	73	191
Interest paid	(101)	(81)
Income taxes paid	(1,546)	(5,938)
Net cash provided by operating activities	34,721	19,847
Cash flows from investing activities		
Payments for acquisition of tangible fixed assets	(2,767)	(2,093)
Proceeds from sales of tangible fixed assets	0	4
Payments for acquisition of intangible assets	(150)	(112)
Payments for purchase of investments in securities	(13)	(14)
Payments for other investing activities	(259)	(182)
Proceeds from other investing activities	343	138
Net cash used in investing activities	(2,847)	(2,261)
Cash flows from financing activities		
Net change in short-term borrowings	(5,000)	—
Repayments of long-term borrowings	(1,323)	(1,473)
Repayments of lease obligations	(509)	(414)
Payments for repurchase of treasury stock	(5)	(6,001)
Dividends paid by parent company	(2,738)	(3,554)
Net cash used in financing activities	(9,577)	(11,443)
Effect of exchange rate changes on cash and cash equivalents	(96)	323
Net change in cash and cash equivalents	22,201	6,464
Cash and cash equivalents at beginning of year	24,337	46,539
Cash and cash equivalents at end of year	46,539	53,004

(5) Notes to consolidated financial statements
(Going concern assumptions) Not applicable

(Segment information)

1. Outline of business reportable segment

(1) Classification of business reportable segment

The business segments Capcom reports are the business units for which Capcom is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

Capcom has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develop its business activities.

Therefore Capcom's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 units: "Digital Contents," "Arcade Operations" and "Amusement Equipments."

(2) Product and service line

"Digital Contents" develops and distributes home video games, online games and mobile games for consumers.

"Arcade Operations" operates amusement facilities which house amusement and arcade game machines.

"Amusement Equipments" develops, manufactures and distributes arcade game machines and amusement machines etc. to arcade and amusement facility operators.

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

The accounting procedure for the reportable segment is in principle the same with that for the consolidated financial statements.

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

3. Information on net sales and operating income (loss), identifiable assets and liabilities, and other items by reportable segment
Previous fiscal year (from April 1, 2017 to March 31, 2018)

(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	74,141	10,231	7,803	92,176	2,338	94,515	—	94,515
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	74,141	10,231	7,803	92,176	2,338	94,515	—	94,515
Operating income (loss)	19,103	879	(764)	19,218	1,126	20,345	(4,307)	16,037
Identifiable assets	61,641	7,471	10,002	79,115	3,600	82,716	42,112	124,829
Other items								
Depreciation and amortization	2,163	1,141	63	3,368	606	3,975	731	4,706
Increase in tangible and intangible fixed assets	384	1,192	224	1,801	17	1,818	1,222	3,041

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

2. Adjustments are as follows.

- (1) Adjustments of operating income (loss) of -4,307 million yen include unallocated corporate operating expenses of -4,307 million yen. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of 42,112 million yen include unallocated corporate identifiable assets of 42,112 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 1,222 million yen are capital investment by headquarters.

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

4. 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). Identifiable assets for the previous fiscal year have undergone retrospective application.

Current fiscal year (from April 1, 2018 to March 31, 2019)

(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	82,982	11,050	3,422	97,455	2,575	100,031	—	100,031
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	82,982	11,050	3,422	97,455	2,575	100,031	—	100,031
Operating income (loss)	23,315	1,096	(2,668)	21,743	811	22,554	(4,410)	18,144
Identifiable assets	54,109	7,730	6,420	68,261	617	68,878	54,528	123,407
Other items								
Depreciation and amortization	945	1,158	439	2,542	21	2,564	663	3,228
Increase in tangible and intangible fixed assets	108	1,215	294	1,618	18	1,636	931	2,568

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

2. Adjustments are as follows.

- (1) Adjustments of operating income (loss) of -4,410 million yen include unallocated corporate operating expenses of -4,410 million yen. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of 54,528 million yen include unallocated corporate identifiable assets of 54,528 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 931 million yen are capital investment by headquarters.

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

(Per share information)

	Previous fiscal year from April 1, 2017 To March 31, 2018	Current fiscal year from April 1, 2018 To March 31, 2019
	(Unit: yen)	(Unit: yen)
Net assets per share	780.18	831.37
Net income per share	99.89	115.45

- (Note) 1. The diluted net income per share for the current fiscal year is omitted as Capcom has no residual securities.
 2. With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock. Capcom calculated “Net assets per share” and “Net income per share” assuming that the stock split was implemented with an effective date of April 1, 2017.
 3. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
	(Unit: Millions of yen)	(Unit: Millions of yen)
Total amount of net assets	85,421	88,749
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	85,421	88,749
Number of shares of common stocks used for computation of net assets per share (thousand shares)	109,489	106,751

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

	Previous fiscal year from April 1, 2017 To March 31, 2018	Current fiscal year from April 1, 2018 To March 31, 2019
	(Unit: Millions of yen)	(Unit: Millions of yen)
Net income attributable to owners of the parent	10,937	12,551
Amount not allocated to common stock	—	—
Net income attributable to owners of the parent allocated to common stock	10,937	12,551
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	109,491	108,716