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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 10th 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.