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## 1. Operating results overview

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

Capcom offers its heartfelt sympathies to those affected by the heavy rains in Western Japan, as well as the typhoons, earthquakes, and other natural disasters. We sincerely hope for a quick recovery.

During the six months ended September 30, 2018, our industry enjoyed solid performance in the domestic market while confusion and apprehension spread regarding the tightening of regulations on games in China, as this major growth market suspended the review of new games for which applications for approval were filed in or after March 2018.

In such an environment, *Monster Hunter: World* (for PlayStation 4, Xbox One and PC), which has been shaking up the market since its release in January 2018, continued to report strong sales, with total shipments breaking 10 million units and marking a record high for any single title in the Company's history. Furthermore, the Company's other flagship brands scored a hit with show-goers at the Tokyo Game Show 2018 with *Resident Evil 2* (for PlayStation 4, Xbox One and PC) and *Devil May Cry 5* (for Xbox One, PlayStation 4 and PC), generating high expectations for these upcoming releases. Meanwhile, the excitement of spectators at the Capcom Pro Tour Japan Premier esports event was palpable, giving momentum to future business expansion in this area.

As a result, for the six months ended September 30, 2018, consolidated net sales were 43,327 million yen (up 28.5% from the same term in the previous fiscal year). In terms of profitability, despite having recorded a loss from the termination of development projects at a consolidated subsidiary, thanks to the strong growth of the digital contents business, operating income was 10,508 million yen (up 110.1% from the same term in the previous fiscal year), ordinary income was 10,297 million yen (up 105.3% from the same term in the previous fiscal year) and net income attributable to the owners of the parent was 6,849 million yen (up 96.8% from the same term in the previous fiscal year).

Additionally, the Company was included in the JPX-Nikkei Index 400 component at the annual review conducted in August 2018.

### Status of business by operating segment

#### ① Digital Contents business

In this business, the *Monster Hunter* series served as the driving force in improving the Company's business performance, with feature title *Monster Hunter: World* (for PlayStation 4 and Xbox One), which contributed to growth of the Company in the previous fiscal year, not only gaining further popularity through the expansion of its user base but also boosting profits through the strong performance of the Steam version for PC that was released in August. In addition, *Monster Hunter Generations Ultimate* (for Nintendo Switch) was released in markets outside of Japan and enjoyed robust sales owing to its consistent popularity.

Furthermore, *Street Fighter 30th Anniversary Collection* (for PlayStation 4, Nintendo Switch, Xbox One and PC), a new title released in overseas markets, performed strongly, while *Mega Man X Legacy Collection*, *Mega Man X Legacy Collection 2* and *Mega Man X Legacy Collection 1+2* (for PlayStation 4, Nintendo Switch, Xbox One and PC in all three cases) performed well thanks to a dedicated fan base and strong brand capabilities. In addition, high-margin catalog titles steadily increased sales and contributed to improving profitability.

The resulting net sales were 34,195 million yen (up 69.8% from the same term in the previous fiscal year) and operating income was 11,751 million yen (up 206.8% from the same term in the previous fiscal year).

## ② Arcade Operations business

In this business, in spite of the effects of temporary factors such as the inclination to stay home due to the record heat wave, the Company promoted arcades as a familiar entertainment option to secure a wide range of customers, including repeat customers, the middle-aged and seniors, as well as women and families with children. These promotions included installing game machines that meet diverse customer demands, conducting service day campaigns, and holding various events.

During the period under review, the Company opened one store in Hiroshima prefecture and closed one in Ibaraki prefecture, bringing the total number of stores to 36.

The resulting net sales were 5,504 million yen (up 6.3% from the same term in the previous fiscal year) and operating income was 734 million yen (up 15.7% from the same term in the previous fiscal year).

## ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the Company launched *Street Fighter V*, *Rockman Ability* and other products in a weak market environment 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 2,224 million yen (down 69.7% from the same term in the previous fiscal year) and an operating loss of 625 million yen (compared to an operating income of 1,925 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 1,403 million yen (up 29.9 % from the same term, in the previous fiscal year) and operating income was 685 million yen (up 20.0 % 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 second quarter decreased by 1,314 million yen from the end of the previous fiscal year to 123,515 million yen. The primary increase was 3,423 million yen in cash on hand and in banks. The primary decreases were 3,754 million yen in notes and accounts receivable – trade and 942 million yen in total tangible fixed assets.

Total liabilities as of the end of the second quarter decreased by 7,359 million yen from the end of the previous fiscal year to 32,049 million yen. The primary decreases were as follows: 2,394 million yen in accrued income taxes and 1,422 million yen in accrued bonuses.

Net assets as of the end of the second quarter increased by 6,044 million yen from the end of the previous fiscal year to 91,465 million yen. The primary increase was 6,849 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.