

**Consolidated financial results for the 9 months
of the fiscal year ending March 31, 2019 (Japan GAAP - Unaudited)**

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Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Dividend payment date: —

Quarterly earnings supplementary explanatory materials : Yes

Quarterly earnings presentation : Yes (For institutional investors)

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

1. Results for the 9 months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(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	
	million yen	%	million yen	%	million yen	%	million yen	%
9 months ended December 31, 2018	61,270	28.3	13,461	92.0	13,539	90.7	9,180	106.8
9 months ended December 31, 2017	47,740	-10.8	7,009	36.9	7,099	71.2	4,439	60.7

Note: Comprehensive income 3rd quarter ended December 31, 2018: 9,554 million yen (73.8%) 3rd quarter ended December 31, 2017: 5,497 million yen (62.2%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	yen	yen
9 months ended December 31, 2018	83.95	—
9 months ended December 31, 2017	40.54	—

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

Therefore, the earnings per share for the previous fiscal year were calculated based on the assumption that the stock split had been performed with an effective date of April 1, 2017.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
3rd quarter ended December 31, 2019	112,813	85,415	75.7
Fiscal year ended March 31, 2018	124,829	85,421	68.4

Reference: Shareholders' equity: 3rd quarter ended December 31, 2018: 85,415 million yen Year ended March 31, 2018: 85,421 million yen

Note: 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 shareholders' equity for the previous fiscal year was based on the retrospective application.

2. Dividends

Record date	Dividend per share				
	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
Year ending March 31, 2019	—	15.00	—		
Year ending March 31, 2019 (Forecast)				15.00	30.00

Note: 1. Changes in dividends forecast during the 9 months ended December 31, 2018 : No

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

Therefore, the dividends for the previous year were based on the actual amounts before the stock split.

3. Earnings forecast for the fiscal year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

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
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2019	96,000	1.6	17,000	6.0	16,500	8.2	12,000	9.7	110.38

Note: Changes in earnings forecast during the 9 months ended December 31, 2018 : 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)			
3rd quarter ended December 31, 2018:	135,446,488	Year ended March 31, 2018:	135,446,488
② Number of treasury stock			
3rd quarter ended December 31, 2018:	28,695,180	Year ended March 31, 2018:	25,957,288
③ Average number of shares outstanding			
3rd quarter ended December 31, 2018:	109,359,350	3rd quarter ended December 31, 2017:	109,491,875

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

Therefore, “Number of shares outstanding,” “Number of treasury stock” and “Average number of shares outstanding” were calculated based on the assumption that the stock split had been performed 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 and on assumptions that are believed to be reasonable. These forecasts do not represent a commitment to achieve on the part of Capcom.
- 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 nine months ended December 31, 2018, our industry witnessed steady yet uneven growth in the market for home video games, while mobile games showed signs of slowing down. In the major growth market of China, underlying anxiety over the future prevailed due to the tightening of regulations on games, as evidenced by the suspension of review of all new games for which applications for approval were filed in or after March 2018.

Meanwhile, esports, which was featured as 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 10 million units and marking a record high for any single title in the Company's history. Furthermore, at the Japan Game Awards 2018, in addition to *Monster Hunter: World* receiving the Grand Award, *Mega Man 11* (for PlayStation 4, Nintendo Switch, Xbox One and PC), *Resident Evil 2* (for PlayStation 4, Xbox One and PC) and *Devil May Cry 5* (for Xbox One, PlayStation 4 and PC) were selected for awards in the Future Division. In addition, the Company announced last October that live-action film adaptations of *Monster Hunter* and *Mega Man* are scheduled to be produced in Hollywood, with the aim of creating synergy with the popular games through a greater overseas presence and an increase in branding value.

As a result, for the nine months ended December 31, 2018, consolidated net sales were 61,270 million yen (up 28.3% from the same term in the previous fiscal year). In terms of profitability, thanks to the growth in the Digital Contents business, operating income was 13,461 million yen (up 92.0% from the same term in the previous fiscal year), ordinary income was 13,539 million yen (up 90.7% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 9,180 million yen (up 106.8% from the same term in the previous fiscal year).

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. Feature title *Monster Hunter: World* (for PlayStation 4 and Xbox One) was a phenomenal success in the previous fiscal year, and continued to maintain popularity through the expansion of its user base, while the strong performance of the Steam version for PC boosted profits. Further, *Monster Hunter Generations Ultimate* (for Nintendo Switch), which was released in markets outside of Japan, enjoyed robust sales owing to its consistent popularity.

In addition, *Mega Man 11* (for PlayStation 4, Nintendo Switch, Xbox One and PC) and *Red Dead Redemption 2* (for PlayStation 4 and Xbox One), a distribution title, reported strong sales, while sales of *Onimusha*, (for PlayStation 4, Nintendo Switch and Xbox One), which was released at the end of 2018, were also off to a good start.

Furthermore, *Street Fighter 30th Anniversary Collection* (for PlayStation 4, Nintendo Switch, Xbox One and PC) 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 for all three titles) performed well thanks to a dedicated fan base and strong brand power. In addition, high-margin catalog titles steadily increased sales and

contributed to improving profitability.

The resulting net sales were 47,855 million yen (up 55.2% from the same term in the previous fiscal year) and operating income was 15,288 million yen (up 144.3% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, the Company promoted arcades as a familiar entertainment option 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 promotions included installing game machines that meet diverse customer demands, 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 which 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 8,082 million yen (up 5.9% from the same term in the previous fiscal year) and operating income was 868 million yen (up 6.5% from the same term in the previous fiscal year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the Company launched *Biohazard into the Panic*, *Street Fighter V* and other products in a shrinking 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 3,231 million yen (down 58.1% from the same term in the previous fiscal year) and an operating loss of 639 million yen (compared to an operating income of 2,128 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 2,102 million yen (up 35.4% from the same term in the previous fiscal year) and operating income was 981 million yen (up 29.4% 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 third quarter decreased by 12,015 million yen from the end of the previous fiscal year to 112,813 million yen. The primary decreases were 5,159 million yen in cash on hand and in banks and 7,731 million yen in notes and accounts receivable - trade.

Total liabilities as of the end of the third quarter decreased by 12,010 million yen from the end of the previous fiscal year to 27,397 million yen. The primary decreases were as follows: 3,668 million yen in accrued income taxes and 1,672 million yen in accrued bonuses.

Net assets as of the end of the third quarter decreased by 5 million yen from the end of the previous fiscal year to 85,415 million yen. The primary increase was 9,180 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 payments for repurchase of treasury stock.

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.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (December 31, 2018)
Assets		
Current assets		
Cash on hand and in banks	46,539	41,379
Notes and accounts receivable - trade	12,930	5,198
Merchandise and finished goods	1,102	2,099
Work in progress	1,349	1,178
Raw materials and supplies	1,616	1,611
Work in progress for game software	25,635	27,720
Other	3,371	3,920
Allowance for doubtful accounts	(34)	(15)
Total current assets	92,511	83,093
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	11,106	10,719
Other, net	9,691	9,202
Total tangible fixed assets	20,797	19,922
Intangible assets	725	600
Investments and other assets		
Other	10,819	9,229
Allowance for doubtful accounts	(24)	(30)
Total investments and other assets	10,795	9,198
Total fixed assets	32,318	29,720
Total assets	124,829	112,813

(million yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,625	2,548
Electronically recorded monetary liabilities	839	1,497
Short-term borrowings	1,473	1,440
Accrued income taxes	4,453	785
Accrued bonuses	2,866	1,194
Other	14,011	7,769
Total current liabilities	26,271	15,236
Long-term liabilities		
Long-term borrowings	8,315	7,450
Liabilities for retirement benefits for employees	2,819	2,954
Other	2,003	1,756
Total long-term liabilities	13,137	12,161
Total liabilities	39,408	27,397
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	53,602	59,225
Treasury stock	(21,454)	(27,456)
Total shareholders' equity	86,716	86,337
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	139	14
Cumulative translation adjustments	(1,142)	(662)
Accumulated adjustments for retirement benefits	(292)	(273)
Total accumulated other comprehensive income	(1,295)	(921)
Total net assets	85,421	85,415
Total liabilities and net assets	124,829	112,813

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(million yen)

	Previous 9 months From April 1, 2017 to December 31, 2017	Current 9 months From April 1, 2018 to December 31, 2018
Net sales	47,740	61,270
Cost of sales	28,686	35,872
Gross profit	19,054	25,398
Selling, general and administrative expenses	12,044	11,937
Operating income	7,009	13,461
Non-operating income		
Interest income	41	98
Dividend income	14	16
Exchange gain, net	95	411
Other	102	315
Total non-operating income	253	841
Non-operating expenses		
Interest expense	78	60
Commission fee	49	52
Additionally paid retirement expenses	—	602
Other	36	47
Total non-operating expenses	164	763
Ordinary income	7,099	13,539
Special losses		
Loss on sales and /or disposal of fixed assets	83	21
Impairment losses	—	393
Total special losses	83	415
Net income before income taxes	7,015	13,123
Income taxes - current	1,870	2,261
Income taxes - deferred	705	1,681
Total income taxes	2,576	3,942
Net income	4,439	9,180
Net income attributable to owners of the parent	4,439	9,180

Consolidated statements of comprehensive income

(million yen)

	Previous 9 months From April 1, 2017 to December 31, 2017	Current 9 months From April 1, 2018 to December 31, 2018
Net income	4,439	9,180
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	95	(125)
Cumulative translation adjustments	938	479
Adjustments for retirement benefits	23	19
Total other comprehensive income	1,057	373
Comprehensive income	5,497	9,554
Comprehensive income attributable to:		
Owners of the parent	5,497	9,554
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 9 months From April 1, 2017 to December 31, 2017	Current 9 months From April 1, 2018 to December 31, 2018
Cash flows from operating activities		
Net income before income taxes	7,015	13,123
Depreciation and amortization	3,537	2,470
Impairment losses	—	393
Change in allowance for doubtful accounts	(56)	(12)
Change in accrued bonuses	(1,302)	(1,676)
Interest and dividend income	(54)	(115)
Interest expense	78	60
Exchange gain, net	(38)	(144)
Loss on sales and/or disposal of fixed assets	83	21
Change in accounts receivable - trade	14,140	7,972
Change in inventories	(1,202)	(813)
Change in work in progress for game software	(10,356)	(1,906)
Change in accounts payable - trade	(3,141)	554
Other	(1,476)	(7,106)
Sub total	7,226	12,822
Interest and dividends received	55	116
Interest paid	(63)	(51)
Income taxes paid	(1,661)	(5,783)
Net cash provided by operating activities	5,556	7,104
Cash flows from investing activities		
Payments for acquisitions of tangible fixed assets	(2,175)	(1,454)
Proceeds from sales of tangible fixed assets	0	3
Payment for acquisitions of intangible fixed assets	(87)	(75)
Other	188	35
Net cash used in investing activities	(2,073)	(1,490)
Cash flows from financing activities		
Net change in short-term borrowings	(2,000)	—
Repayments of long-term borrowings	(747)	(897)
Payments for repurchase of treasury stock	(3)	(6,001)
Dividend paid	(2,741)	(3,560)
Other	(397)	(309)
Net cash used in financing activities	(5,889)	(10,769)
Effect of exchange rate changes on cash and cash equivalents	941	(4)
Net change in cash and cash equivalents	(1,465)	(5,159)
Cash and cash equivalents at beginning of year	24,337	46,539
Cash and cash equivalents at end of quarter	22,871	41,379

(4) Notes to consolidated financial statements

(Going concern assumptions)

Not applicable

(Material changes in shareholders' equity)

Capcom repurchased 2,737,100 shares of its own stock based on the resolution of the Board of Directors Meeting held on October 29, 2018.

As a result, for the 9 months ended December 31, 2018, its treasury stock increased by 6,001 million yen, which included the acquisition of shares that were less than one lot, to 27,456 million yen as of the 3rd quarter ended December 31, 2018.

(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 9 months (From April 1, 2017 to December 31, 2017)

Information on net sales and operating income (loss) by reportable segment

(million 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	30,844	7,632	7,711	46,188	1,552	47,740	—	47,740
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	30,844	7,632	7,711	46,188	1,552	47,740	—	47,740
Segment income	6,257	815	2,128	9,202	758	9,960	(2,950)	7,009

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

2. The adjustment for segment income (-2,950 million yen) include unallocated corporate operating expenses (-2,950 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 9 months (From April 1, 2018 to December 31, 2018)

1. Information on net sales and operating income (loss) by reportable segment

(million 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	47,855	8,082	3,231	59,168	2,102	61,270	—	61,270
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	47,855	8,082	3,231	59,168	2,102	61,270	—	61,270
Segment income (loss)	15,288	868	(639)	15,517	981	16,498	(3,037)	13,461

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

2. The adjustment for segment income (-3,037 million yen) include unallocated corporate operating expenses (-3,037 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.

2. Information on impairment loss on fixed assets or goodwill by reportable segment

(Significant impairment loss on fixed assets)

In the "Digital Contents" business segment the carrying value of assets to be disposed of was written down to the recoverable value, which led to an impairment loss of 393 million yen recorded as a special loss.