

**Consolidated financial results for the 9 months  
of the fiscal year ending March 31, 2020 (Japan GAAP - Unaudited)**

Date of issue: February 4, 2020

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, 2019 (From April 1, 2019 to December 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	
	million yen	%	million yen	%	million yen	%	million yen	%
9 months ended December 31, 2019	52,908	-13.6	18,448	37.1	18,702	38.1	13,065	42.3
9 months ended December 31, 2018	61,270	28.3	13,461	92.0	13,539	90.7	9,180	106.8

Note: Comprehensive income

9 months ended December 31, 2019: 12,890 million yen (34.9%)

9 months ended December 31, 2018: 9,554 million yen (73.8%)

	Earnings per share	Diluted earnings per share
	yen	yen
9 months ended December 31, 2019	122.39	—
9 months ended December 31, 2018	83.95	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
As of December 31, 2019	129,874	97,369	75.0
Year ended March 31, 2019	123,407	88,749	71.9

Reference: Shareholders' equity:

As of December 31, 2019:

97,369 million yen

Year ended March 31, 2019:

88,749 million yen

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, 2019	—	15.00	—	20.00	35.00
Year ending March 31, 2020	—	20.00	—		
Year ending March 31, 2020 (Forecast)				20.00	40.00

Note: Changes from the latest dividend forecast : No

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		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending March 31, 2020	80,000	-20.0	22,000	21.3	22,000	20.9	15,500	23.5	145.20

Note: Changes from the latest earnings forecast : Yes

## 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: Yes  
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, 2019: 135,446,488      Year ended March 31, 2019: 135,446,488  
② Number of treasury stock  
3rd quarter ended December 31, 2019: 28,695,576      Year ended March 31, 2019: 28,695,180  
③ Average number of shares outstanding  
3rd quarter ended December 31, 2019: 106,751,208      3rd quarter ended December 30, 2018: 109,359,350

(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 nine months ended December 31, 2019, advances in the communications environment provided a backdrop for new momentum in the sector as a spate of IT giants entered the market, including U.S.-based Apple with its Apple Arcade game subscription service, along with a new cloud-based game streaming service from Google.

In such an environment, in addition to focusing resources on the development and sales of home video game software, which is the source of our competitive advantage, the Company enhanced our development structure by bolstering our developer workforce and workplace environment. In such a situation, *Monster Hunter World: Iceborne* (for PlayStation 4 and Xbox One), our flagship title for the current fiscal year that launched in September, shipped over 3.2 million units worldwide, supported by consistent popularity. In addition, profit improved due to the continued popularity of major catalog titles, particularly in overseas markets, and the growth of highly profitable digital download sales.

Meanwhile, the Company released *Shinsekai: Into the Depths*, a highly-creative new title for the Apple Arcade game subscription service, in a bid to promote our multi-platform business strategy. In addition, the Company opened its first dedicated retail store in Shibuya Parco to capitalize on synergies with our popular game titles, offering exclusive and limited-edition merchandise. Further, the Company remained committed to building a new business model by working on initiatives to put on track our eSports Business Division, which has garnered attention for its future growth potential. These initiatives included holding events in Japan, such as Street Fighter League: operated by RAGE, and in the U.S., such as Capcom Cup 2019, the world championship tournament that caps the Capcom Pro Tour.

Aside from these initiatives, the Company worked to give back to society by engaging in ESG-related activities. These included characters from our *Monster Hunter* series being selected as mascots for the Osaka Prefectural Police's cyber-crime prevention awareness program, which contributed to building awareness of online safety among the youth demographic.

The resulting net sales for the nine months ended December 31, 2019 were 52,908 million yen (down 13.6% from the same term in the previous fiscal year), the decrease due in part to promoting the shift from physical package sales to digital sales. In terms of profitability, profit improved at all levels due to the contribution of the hit title *Monster Hunter World: Iceborne*, primarily sold digitally, as well as to an increase in the percentage of highly profitable digital sales within catalog title sales. Specifically, operating income was 18,448 million yen (up 37.1% from the same term in the previous fiscal year), ordinary income was 18,702 million yen (up 38.1% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 13,065 million yen (up 42.3% from the same term in the previous fiscal year).

## Status of business by operating segment

### ① Digital Contents business

In this business segment, *Monster Hunter World: Iceborne* (for PlayStation 4 and Xbox One) delivered solid sales and served as the key driver of profitability growth owing to a focus on high-margin digital sales. Further, healthy sales of catalog titles also boosted profit. Specifically, *Resident Evil 2* (for PlayStation 4, Xbox One and PC) and *Devil May Cry 5* (for Xbox One, PlayStation 4 and PC), both released in the previous fiscal year and recipients of an Award for Excellence at the Japan Game Awards: 2019, saw continued growth in sales buoyed by a growing user base. *Monster Hunter: World* (for PlayStation 4, Xbox One and PC), which was launched in January 2018, also continued to display its long sales life.

The resulting net sales were 40,589 million yen (down 15.2% from the same term in the previous fiscal year ) due to an increase in the percentage of digital sales. Operating income was 19,885 million yen (up 30.1% from the same term in the previous fiscal year) due to successfully revising the earnings structure and contributions from *Monster Hunter World: Iceborne* and catalog titles.

### ② Arcade Operations business

In this business, the Company worked to secure a wide range of customers, including core users, repeat customers, and families through community-based promotion activities, such as holding various events and conducting service day campaigns, under the banner of “the No. 1 arcade in the community.”

During the period under review the total number of stores reached 40 with the opening of Capcom Store Tokyo in Shibuya Parco (Tokyo), a dedicated retail shop that sells character merchandise and represents a new business endeavor for Capcom, as well as two new arcades: Plaza Capcom Ikebukuro (Tokyo) and Plaza Capcom Fujiidera (Osaka).

The resulting net sales were 9,201 million yen (up 13.8% from the same term in the previous fiscal year) and operating income was 1,187 million yen (up 36.6% from the same term in the previous fiscal year).

### ③ Amusement Equipments business

In an environment in which the shrinkage of the game machine market shows no signs of stopping, mainly due to the revision in pachislo model certification methods, the Company did not launch any new models and instead focused on business from licensing.

The resulting net sales were 663 million yen (down 79.5% from the same term in the previous fiscal year), although the Company secured an operating income, albeit small, of 376 million yen (an operating loss of 639 million yen for the same term in the previous fiscal year) supported by the licensing business.

### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 2,453 million yen (up 16.7% from the same term in the previous fiscal year) and operating income was 358 million yen (down 63.5% 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 increased by 6,466 million yen from the end of the previous fiscal year to 129,874 million yen. The primary increases were 7,629 million yen in cash on hand and in banks and 8,853 million yen in work in progress for game software. The primary decrease was 7,803 million yen in notes and accounts receivable - trade.

Total liabilities as of the end of the third quarter decreased by 2,153 million yen from the end of the previous fiscal year to 32,505 million yen. The primary decrease was 1,973 million yen in accrued income taxes.

Net assets as of the end of the third quarter increased by 8,619 million yen from the end of the previous fiscal year to 97,369 million yen. The primary increase was 13,065 million yen in net income attributable to owners of the parent. The primary decrease was 4,270 million yen in dividends from retained earnings.

(3) Qualitative information regarding the consolidated business forecasts

The forecast announced on May 7, 2019 for the consolidated business results for the current fiscal year ending March 31, 2020 has been revised as of February 4, 2020. For details, see the February 4, 2020 announcement titled, “Capcom Announces Revision of Consolidated Full-Year Business Forecast.”

## 2. Summary of consolidated financial statements

### (1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (December 31, 2019)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	53,004	60,633
Notes and accounts receivable - trade	13,970	6,167
Merchandise and finished goods	1,182	1,180
Work in progress	734	1,422
Raw materials and supplies	538	518
Work in progress for game software	16,926	25,780
Other	4,518	2,285
Allowance for doubtful accounts	(58)	(28)
Total current assets	90,817	97,958
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,845	10,441
Other, net	9,513	9,896
Total tangible fixed assets	20,359	20,338
Intangible assets	432	367
Investments and other assets		
Other	11,830	11,242
Allowance for doubtful accounts	(32)	(31)
Total investments and other assets	11,798	11,210
Total fixed assets	32,590	31,915
Total assets	123,407	129,874

(million yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (December 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,988	2,391
Electronically recorded monetary liabilities	1,153	749
Current portion of long-term borrowings	1,579	1,429
Accrued income taxes	4,251	2,277
Accrued bonuses	3,089	1,583
Other	9,149	12,736
Total current liabilities	23,212	21,167
Long-term liabilities		
Long-term borrowings	6,735	6,021
Liabilities for retirement benefits for employees	3,004	3,178
Other	1,705	2,138
Total long-term liabilities	11,445	11,337
Total liabilities	34,658	32,505
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,329
Retained earnings	62,595	71,391
Treasury stock	(27,456)	(27,457)
Total shareholders' equity	89,708	98,502
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	26	58
Cumulative translation adjustments	(713)	(942)
Accumulated adjustments for retirement benefits	(271)	(248)
Total accumulated other comprehensive income	(958)	(1,133)
Total net assets	88,749	97,369
Total liabilities and net assets	123,407	129,874

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

(million yen)

	Previous 9 months From April 1, 2018 to December 31, 2018	Current 9 months From April 1, 2019 to December 31, 2019
Net sales	61,270	52,908
Cost of sales	35,872	21,901
Gross profit	25,398	31,006
Selling, general and administrative expenses	11,937	12,557
Operating income	13,461	18,448
Non-operating income		
Interest income	98	188
Dividend income	16	18
Exchange gain, net	411	60
Other	315	159
Total non-operating income	841	426
Non-operating expenses		
Interest expense	60	53
Commission fees	52	52
Additionally paid retirement benefits	602	—
Other	47	66
Total non-operating expenses	763	171
Ordinary income	13,539	18,702
Special losses		
Loss on sales and/or disposal of fixed assets	21	12
Impairment losses	393	—
Total special losses	415	12
Net income before income taxes	13,123	18,690
Income taxes - current	2,261	5,018
Income taxes - deferred	1,681	606
Total income taxes	3,942	5,624
Net income	9,180	13,065
Net income attributable to owners of the parent	9,180	13,065

## Consolidated statements of comprehensive income

(million yen)

	Previous 9 months From April 1, 2018 to December 31, 2018	Current 9 months From April 1, 2019 to December 31, 2019
Net income	9,180	13,065
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(125)	31
Cumulative translation adjustments	479	(229)
Adjustments for retirement benefits	19	22
Total other comprehensive income	373	(175)
Comprehensive income	9,554	12,890
Comprehensive income attributable to:		
Owners of the parent	9,554	12,890
Non-controlling interests	—	—

## (3) Consolidated statements of cash flows

(million yen)

	Previous 9 months From April 1, 2018 to December 31, 2018	Current 9 months From April 1, 2019 to December 31, 2019
Cash flows from operating activities		
Net income before income taxes	13,123	18,690
Depreciation and amortization	2,470	1,964
Impairment losses	393	—
Change in allowance for doubtful accounts	(12)	(29)
Change in accrued bonuses	(1,676)	(1,499)
Interest and dividend income	(115)	(206)
Interest expenses	60	53
Exchange (gains) losses, net	(144)	128
Loss on sales and/or disposal of fixed assets	21	12
Change in notes and accounts receivable - trade	7,972	7,700
Change in inventories	(813)	(968)
Change in work in progress for game software	(1,906)	(8,848)
Change in notes and accounts payable - trade	554	(1,972)
Other	(7,106)	6,163
Subtotal	12,822	21,187
Interest and dividends received	116	186
Interest paid	(51)	(45)
Income taxes paid	(5,783)	(6,266)
Net cash provided by operating activities	7,104	15,061
Cash flows from investing activities		
Payments into time deposits	—	(1,088)
Payments for acquisitions of tangible fixed assets	(1,454)	(1,592)
Proceeds from sales of tangible fixed assets	3	0
Payments for acquisitions of intangible fixed assets	(75)	(47)
Other	35	(71)
Net cash used in investing activities	(1,490)	(2,799)
Cash flows from financing activities		
Repayments of long-term borrowings	(897)	(864)
Payments for repurchase of treasury stock	(6,001)	(1)
Dividends paid by parent company	(3,560)	(4,268)
Other	(309)	(74)
Net cash used in financing activities	(10,769)	(5,208)
Effect of exchange rate changes on cash and cash equivalents	(4)	(519)
Net change in cash and cash equivalents	(5,159)	6,533
Cash and cash equivalents at beginning of year	46,539	53,004
Cash and cash equivalents at end of quarter	41,379	59,538

(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.

(Change in accounting standard)

Effective from the beginning of the current fiscal year, Certain Subsidiaries of CAPCOM Group adopting the International Financial Reporting Standards (“IFRS”) have adopted IFRS16 “Leases.”

Accordingly, a lessee in all leases recognized right-of-use assets and lease liabilities, and presents depreciation expenses of the right-of-use assets and interest expenses of the lease liabilities in principle.

In adopting IFRS 16 “Leases,” the transition method is followed. Regarding the leases that were categorized as operating leases in the past, right-of-use assets and lease liabilities have been recognized from the beginning of the current fiscal year.

Due to the application, CAPCOM has recognized right-of-use assets (Other of Fixed assets) of 329 million yen and lease liabilities (Other of Current and Long-term liabilities) of 322 million yen on the Consolidated balance sheets for the third quarter ended December 31, 2019. The impact of this change on profit or loss for the nine months ended December 31, 2019 is immaterial.

(Segment information)

I Previous 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	15,288	868	(639)	15,517	981	16,498	(3,037)	13,461

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

- The adjustments 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.
- Segment income is adjusted on operating income of the consolidated statements of income.

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

(Significant impairment losses 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.

II Current 9 months (From April 1, 2019 to December 31, 2019)

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	40,589	9,201	663	50,454	2,453	52,908	—	52,908
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	40,589	9,201	663	50,454	2,453	52,908	—	52,908
Segment income	19,885	1,187	376	21,449	358	21,807	(3,358)	18,448

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

- The adjustments for segment income (-3,358 million yen) include unallocated corporate operating expenses (-3,358 million yen). The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.
- Segment income is adjusted on operating income of the consolidated statements of income.