

**Consolidated financial results for the 3 months
of the fiscal year ending March 31, 2021 (Japan GAAP - Unaudited)**

Company name: CAPCOM Co., Ltd. Date of issue: August 3, 2020
 Code number: 9697 Stock listing: Tokyo
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 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 3 months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(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	%
3 months ended June 30, 2020	23,722	32.2	10,711	39.1	10,619	37.9	7,815	44.2
3 months ended June 30, 2019	17,938	4.3	7,703	50.8	7,699	40.2	5,420	38.9

Note: Comprehensive income: 3 months ended June 30, 2020: 7,841 million yen (62.8%) 3 months ended June 30, 2019: 4,817 million yen (12.4%)

	Earnings per share	Diluted earnings per share
	yen	yen
3 months ended June 30, 2020	73.21	—
3 months ended June 30, 2019	50.78	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
1st quarter ended June 30, 2020	137,456	104,907	76.3
Year ended March 31, 2020	143,466	99,735	69.5

Reference: Shareholders' equity: 1st quarter ended June 30, 2020: 104,907 million yen Year ended March 31, 2020: 99,735 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
Year ended March 31, 2020	— yen	20.00 yen	— yen	25.00 yen	45.00 yen
Year ending March 31, 2021	—				
Year ending March 31, 2021 (Forecast)		20.00	—	25.00	45.00

Note: Changes in dividends forecast during the 3 months ended June 30, 2020 : No

3. Earnings forecast for the fiscal year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

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, 2021	85,000	4.2	25,500	11.7	25,500	11.1	18,000	12.9	168.62

Note: Changes in earnings forecast during the 3 months ended June 30, 2020: 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 9 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)
1st quarter ended June 30, 2020: 135,446,488 Year ended March 31, 2020: 135,446,488
② Number of treasury stock
1st quarter ended June 30, 2020: 28,696,056 Year ended March 31, 2020: 28,695,874
③ Average number of shares outstanding
1st quarter ended June 30, 2020: 106,750,555 1st quarter ended June 30, 2019: 106,751,253

(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 3 for more details.

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1. Operating results overview

(1) Operating results for the period under review

During the three months ended June 30, 2020, the industry was forced to respond to changes in the business environment due to the COVID-19 pandemic.

Given this situation, to prevent the spread of COVID-19 among its employees and business partners, the Company closed all its offices for the state of emergency declared by the Japanese government, and all employees (except for those essential for maintaining business operations) worked from home for most of this period. Additionally, the Company adjusted its development process to minimize the impact of COVID-19, leveraging the ingenuity and collective knowhow of its employees. In such an environment, the Arcade Operations business struggled mainly due to the temporary closure of arcades. In its core Digital Contents business, the Company delivered improved results by growing digital sales of major new titles and catalog titles, backed by its success in pursuing stronger digital sales in recent years.

As a result, for the three months ended June 30, 2020, consolidated net sales were 23,722 million yen (up 32.2% from the same term in the previous fiscal year). In terms of profitability, operating income was 10,711 million yen (up 39.1% from the same term in the previous fiscal year), ordinary income was 10,619 million yen (up 37.9% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 7,815 million yen (up 44.2% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business segment, the *Resident Evil* series, whose cumulative sales have exceeded 100 million units, saw new title *Resident Evil 3* (for PlayStation 4, Xbox One and PC) deliver solid sales. Additionally, high-margin catalog sales continued to contribute to expansion of the user base while driving profitability growth; this included the continued growth in sales for titles such as *Monster Hunter World: Iceborne* (for PlayStation 4, Xbox One and PC), released in the fiscal year ended March 2020, and *Resident Evil 2* (for PlayStation 4, Xbox One and PC), released in the fiscal year ended March 2019.

The resulting net sales were 21,476 million yen (up 53.7% from the same term in the previous fiscal year) and operating income was 11,804 million yen (up 52.6% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, stores were forced to close temporarily due to the impact of COVID-19. Although they subsequently resumed operation, their performance did not recover to normal levels, and they posted a significant decrease in both sales and profits.

As there were no new openings or closures of stores during the period under review, the total number of stores remains unchanged from the end of the previous fiscal year at 40 stores.

The resulting net sales were 1,184 million yen (down 56.3% from the same term in the previous fiscal year) with an operating loss of 554 million yen (operating profit was 299 million yen in the same term in the previous fiscal year).

③ Amusement Equipments business

In this business, in an environment in which demand was weak mainly due to amusement halls suspending operations amid the spread of COVID-19, no new models were launched. However, due to license revenues earned, net sales were 181 million yen (down 19.4% from the same term in the previous fiscal year) and operating income was 71 million yen (down 46.7% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company focused on promoting the sales of character merchandise and film adaptations using our flagship intellectual property, aiming to enhance the brand value of our titles worldwide. In eSports, the Company steadily continued to expand the user base and create business opportunities toward the medium term. As part of these efforts, in June 2020 the Company began the CAPCOM Pro Tour Online 2020, a global online competition.

As a result, net sales were 879 million yen (down 14.2% from the same term in the previous fiscal year) and operating income was 511 million yen (down 20.2% 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 first quarter decreased by 6,009 million yen from the end of the previous fiscal year to 137,456 million yen. The primary increase was 3,997 million yen in cash on hand and in banks. The primary decrease was 8,913 million yen in notes and accounts receivable - trade.

Total liabilities as of the end of the first quarter decreased by 11,181 million yen from the end of the previous fiscal year to 32,549 million yen. The primary decreases were as follows: 1,915 million yen in notes and accounts payable - trade, 3,556 million yen in accrued income taxes and 3,342 million yen in deferred income.

Net assets as of the end of the first quarter increased by 5,172 million yen from the end of the previous fiscal year to 104,907 million yen. The primary increase was 7,815 million yen in quarterly net income attributable to owners of the parent. The primary decrease was 2,668 million yen in dividends from retained earnings.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2021 remains the same as what was projected at the financial results announcement on May 8, 2020.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (June 30, 2020)
Assets		
Current assets		
Cash on hand and in banks	65,657	69,655
Notes and accounts receivable - trade	15,959	7,046
Merchandise and finished goods	1,557	1,174
Work in progress	883	1,108
Raw materials and supplies	258	919
Work in progress for game software	21,222	21,763
Other	3,320	2,500
Allowance for doubtful accounts	(31)	(26)
Total current assets	108,829	104,139
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,644	10,543
Other, net	10,202	10,112
Total tangible fixed assets	20,847	20,655
Intangible assets	351	329
Investments and other assets		
Other	13,471	12,365
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	13,438	12,332
Total fixed assets	34,636	33,317
Total assets	143,466	137,456

(million yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,461	1,546
Electronically recorded monetary liabilities	2,383	2,402
Current portion of long-term borrowings	4,129	3,979
Accrued income taxes	5,612	2,055
Accrued bonuses	3,130	2,175
Deferred income	7,642	4,300
Other	9,503	8,153
Total current liabilities	35,863	24,612
Long-term liabilities		
Long-term borrowings	2,606	2,606
Liabilities for retirement benefits for employees	3,212	3,277
Other	2,048	2,053
Total long-term liabilities	7,868	7,937
Total liabilities	43,731	32,549
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	21,329
Retained earnings	74,275	79,421
Treasury stock	(27,458)	(27,458)
Total shareholders' equity	101,385	106,531
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(106)	(87)
Cumulative translation adjustments	(1,306)	(1,306)
Accumulated adjustments for retirement benefits	(237)	(229)
Total accumulated other comprehensive income	(1,650)	(1,623)
Total net assets	99,735	104,907
Total liabilities and net assets	143,466	137,456

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

(million yen)

	Previous 3 months April 1, 2019 to June 30, 2019	Current 3 months April 1, 2020 to June 30, 2020
Net sales	17,938	23,722
Cost of sales	6,409	9,098
Gross profit	11,528	14,624
Selling, general and administrative expenses	3,825	3,912
Operating income	7,703	10,711
Non-operating income		
Interest income	61	33
Dividend income	8	9
Subsidy income	—	50
Other	73	21
Total non-operating income	143	115
Non-operating expenses		
Interest expense	18	19
Commission fees	17	17
Exchange loss, net	97	160
Other	14	10
Total non-operating expenses	147	207
Ordinary income	7,699	10,619
Special losses		
Loss on sales and /or disposal of fixed assets	0	0
Total special losses	0	0
Net income before income taxes	7,699	10,618
Income taxes - current	1,707	1,868
Income taxes - deferred	571	935
Total income taxes	2,279	2,803
Net income	5,420	7,815
Net income attributable to owners of the parent	5,420	7,815

Consolidated statements of comprehensive income

(million yen)

	Previous 3 months April 1, 2019 to June 30, 2019	Current 3 months April 1, 2020 to June 30, 2020
Net income	5,420	7,815
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(42)	18
Cumulative translation adjustments	(568)	0
Adjustments for retirement benefits	7	7
Total other comprehensive income	(602)	26
Comprehensive income	4,817	7,841
Comprehensive income attributable to:		
Owners of the parent	4,817	7,841
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 3 months April 1, 2019 to June 30, 2019	Current 3 months April 1, 2020 to June 30, 2020
Cash flows from operating activities		
Net income before income taxes	7,699	10,618
Depreciation and amortization	602	665
Change in allowance for doubtful accounts	2	(4)
Change in accrued bonuses	(1,202)	(952)
Interest and dividend income	(70)	(42)
Interest expense	18	19
Exchange loss, net	77	31
Loss on sales and/or disposal of fixed assets	0	0
Change in notes and accounts receivable - trade	9,602	8,892
Change in inventories	(15)	(505)
Change in work in progress for game software	(3,412)	(536)
Change in notes and accounts payable - trade	(2,805)	(1,886)
Other	(147)	(3,500)
Subtotal	10,349	12,800
Interest and dividends received	70	55
Interest paid	(8)	(11)
Income taxes paid	(3,467)	(4,802)
Net cash provided by operating activities	6,943	8,041
Cash flows from investing activities		
Payments into time deposits	—	(6,989)
Proceeds from withdrawal of time deposits	—	5,907
Payments for acquisitions of tangible fixed assets	(856)	(961)
Payments for acquisitions of intangible fixed assets	(12)	(29)
Other	32	(1)
Net cash used in investing activities	(835)	(2,074)
Cash flows from financing activities		
Repayments of long-term borrowings	(150)	(150)
Payments for repurchase of treasury stock	(0)	(0)
Dividends paid by parent company	(2,135)	(2,669)
Other	(114)	(129)
Net cash used in financing activities	(2,400)	(2,949)
Effect of exchange rate changes on cash and cash equivalents	(686)	(38)
Net change in cash and cash equivalents	3,020	2,979
Cash and cash equivalents at beginning of year	53,004	59,672
Cash and cash equivalents at end of quarter	56,025	62,652

(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.

(Segment information)

I Previous 3 months (From April 1, 2019 to June 30, 2019)

Information on net sales and operating income (loss)

(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	13,977	2,710	225	16,912	1,025	17,938	—	17,938
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	13,977	2,710	225	16,912	1,025	17,938	—	17,938
Segment income	7,733	299	133	8,166	640	8,806	(1,103)	7,703

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

2. The adjustment for segment income (-1,103 million yen) includes unallocated corporate operating expenses (-1,103 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 3 months (From April 1, 2020 to June 30, 2020)

Information on net sales and operating income (loss)

(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	21,476	1,184	181	22,842	879	23,722	—	23,722
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	21,476	1,184	181	22,842	879	23,722	—	23,722
Segment income	11,804	(554)	71	11,321	511	11,832	(1,120)	10,711

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

2. The adjustment for segment income (-1,120 million yen) includes unallocated corporate operating expenses (-1,120 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.

(Additional information)

Regarding the accounting estimate for the impact of the COVID-19 pandemic, there is no significant change in the assumption of the time required to bring COVID-19 under control from what was stated in "Additional information" in the annual securities report for the previous fiscal year.