

**Consolidated financial results for the 9 months
of the fiscal year ending March 31, 2021 (Japan GAAP - Unaudited)**

Date of issue: January 28, 2021

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : January 29, 2021

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 9 months ended December 31, 2020 (From April 1, 2020 to December 31, 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	%
9 months ended December 31, 2020	64,867	22.6	24,382	32.2	24,088	28.8	17,523	34.1
9 months ended December 31, 2019	52,908	-13.6	18,448	37.1	18,702	38.1	13,065	42.3

Note: Comprehensive income: 9 months ended December 31, 2020: 17,354 million yen (34.6%)

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

	Earnings per share	Diluted earnings per share
	yen	yen
9 months ended December 31, 2020	164.15	—
9 months ended December 31, 2019	122.39	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
3rd quarter ended December 31, 2020	137,598	111,748	81.2
Year ended March 31, 2020	143,466	99,735	69.5

Reference: Shareholders' equity: 3rd quarter ended December 31, 2020: 111,748 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
	yen	yen	yen	yen	yen
Year ended March 31, 2020	—	20.00	—	25.00	45.00
Year ending March 31, 2021	—	25.00	—		
Year ending March 31, 2021 (Forecast)				35.00	60.00

Note: Changes from the latest dividend forecast (January 21, 2021) : 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	92,000	12.8	30,500	33.6	30,000	30.7	21,000	31.7	196.72

Note: Changes from the latest earnings forecast (January 21, 2021): 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)			
3rd quarter ended December 31, 2020:	135,446,488	Year ended March 31, 2020:	135,446,488
② Number of treasury stock			
3rd quarter ended December 31, 2020:	28,696,468	Year ended March 31, 2020:	28,695,874
③ Average number of shares outstanding			
3rd quarter ended December 31, 2020:	106,750,316	3rd quarter ended December 31, 2019:	106,751,208

(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 nine months ended December 31, 2020, amid lingering uncertainty of the future driven by the widening global COVID-19 pandemic, the business environment continued to demand change within the industry.

The Company continued to work to prevent the spread of COVID-19 among its employees and business partners after the state of emergency was lifted in Japan last year to minimize the impact of the pandemic on work performance. Specifically, the Company endeavored to optimize working methods and schedules while also implementing infection-prevention measures for those working at the office. In such an environment, the Company's core Digital Contents business drove profitability with growth in sales of major new titles and catalog titles and greater digital distribution, which the Company has been actively pursuing in recent years.

Additionally, the Company released a new title on next-generation platforms in November: *Devil May Cry 5 Special Edition* (for PlayStation 5 and Xbox Series X|S).

As a result, for the nine months ended December 31, 2020, consolidated net sales were 64,867 million yen (up 22.6% from the same term in the previous fiscal year). In terms of profitability, operating income was 24,382 million yen (up 32.2% from the same term in the previous fiscal year), ordinary income was 24,088 million yen (up 28.8% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 17,523 million yen (up 34.1% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business segment, new title *Resident Evil 3* (for PlayStation 4, Xbox One and PC) was released in April 2020 and delivered solid sales. Meanwhile, high-margin catalog titles demonstrated their long product lives, including the continued growth of *Monster Hunter World: Iceborne* (for PlayStation 4, Xbox One and PC), which was released in the previous fiscal year and won an Award for Excellence at the Japan Game Awards: 2020, all of which drove up profits. In addition, licensing revenue from the use of the Company's major intellectual property also contributed to profit.

The resulting net sales were 48,966 million yen (up 20.6% from the same term in the previous fiscal year) and operating income was 24,787 million yen (up 24.6% from the same term in the previous fiscal year).

② Arcade Operations business

In this business, the Company was forced to temporarily close stores due to the spread of COVID-19. However, after the state of emergency was lifted in Japan last year, it has reopened them in due order and worked toward the resumption of normal business.

The total number of stores increased to 41 during the period under review, following the opening of Capcom Store Osaka in Shinsaibashi PARCO (Osaka Prefecture), a showroom that carries merchandise featuring the Company's popular characters. This is the Company's second store of this type in Japan.

The resulting net sales were 7,018 million yen (down 23.7% from the same term in the previous fiscal year) and operating income was 86 million yen (down 92.7% from the same term in the previous fiscal year).

③ Amusement Equipments business

In this business, demand was weak amid the spread of COVID-19 due to the suspension of operations of amusement halls and the extension of deadlines for the removal of game machines manufactured before recent rule revisions. In such an environment, *Monster Hunter: World*, a new model that launched in November, performed well.

The resulting net sales were 6,712 million yen (up 911.6% from the same term in the previous fiscal year) and operating income was 2,431 million yen (up 546.3% from the same term in the previous fiscal year).

④ Other Businesses

In Other Businesses, the Company focused on promoting film adaptations and the sales of character merchandise using our flagship intellectual property to enhance the brand value of our titles worldwide. This included the live-action film adaptation of *Monster Hunter*, which was released in December beginning with markets outside of Japan.

In addition, in eSports, the Company steadily continued to expand the user base and create business opportunities toward the medium term. As part of this strategy, the Company aired a series of heated battles ahead of the Grand Final for the team-based league Street Fighter League: Pro-JP 2020, which is scheduled for January 2021.

As a result, net sales were 2,170 million yen (down 11.5% from the same term in the previous fiscal year) and operating income was 861 million yen (up 140.7% 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 5,867 million yen from the end of the previous fiscal year to 137,598 million yen. The primary increase was 2,732 million yen in work in progress for game software. The primary decreases were 4,403 million yen in notes and accounts receivable – trade and 1,563 million yen in cash on hand and in banks.

Total liabilities as of the end of the third quarter decreased by 17,881 million yen from the end of the previous fiscal year to 25,849 million yen. The primary decreases were as follows: 7,499 million yen in deferred revenue, 3,699 million yen in accrued income taxes, 1,406 million yen in accrued bonuses and 1,400 million yen in notes and accounts payable - trade.

Net assets as of the end of the third quarter increased by 12,013 million yen from the end of the previous fiscal year to 111,748 million yen. The primary increase was 17,523 million yen in quarterly net income attributable to owners of the parent. The primary decrease was 5,337 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 announced on January 21, 2021.

For details, see the January 21, 2021 announcement titled, “Capcom Announces Revision of Consolidated Full-Year Earnings Forecast, Variances Between its Non-Consolidated Estimated Earnings and the Previous Fiscal Year's Actual Results, and a Dividend Forecast Revision (Upward).”

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(million yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (December 31, 2020)
Assets		
Current assets		
Cash on hand and in banks	65,657	64,094
Notes and accounts receivable - trade	15,959	11,556
Merchandise and finished goods	1,557	1,228
Work in progress	883	935
Raw materials and supplies	258	128
Work in progress for game software	21,222	23,955
Other	3,320	2,561
Allowance for doubtful accounts	(31)	(27)
Total current assets	108,829	104,433
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,644	10,445
Other, net	10,202	9,887
Total tangible fixed assets	20,847	20,333
Intangible assets	351	833
Investments and other assets		
Other	13,471	12,031
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	13,438	11,999
Total fixed assets	34,636	33,165
Total assets	143,466	137,598

(million yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,461	2,061
Electronically recorded monetary liabilities	2,383	1,369
Current portion of long-term borrowings	4,129	3,829
Accrued income taxes	5,612	1,913
Accrued bonuses	3,130	1,724
Deferred revenue	7,642	143
Other	9,503	7,366
Total current liabilities	35,863	18,407
Long-term liabilities		
Long-term borrowings	2,606	2,191
Liabilities for retirement benefits for employees	3,212	3,398
Other	2,048	1,852
Total long-term liabilities	7,868	7,442
Total liabilities	43,731	25,849
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,329	21,329
Retained earnings	74,275	86,460
Treasury stock	(27,458)	(27,461)
Total shareholders' equity	101,385	113,568
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(106)	(43)
Cumulative translation adjustments	(1,306)	(1,561)
Accumulated adjustments for retirement benefits	(237)	(214)
Total accumulated other comprehensive income	(1,650)	(1,819)
Total net assets	99,735	111,748
Total liabilities and net assets	143,466	137,598

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

(million yen)

	Previous 9 months From April 1, 2019 to December 31, 2019	Current 9 months From April 1, 2020 to December 31, 2020
Net sales	52,908	64,867
Cost of sales	21,901	29,057
Gross profit	31,006	35,810
Selling, general and administrative expenses	12,557	11,428
Operating income	18,448	24,382
Non-operating income		
Interest income	188	58
Dividend income	18	19
Exchange gain, net	60	—
Subsidy income	—	51
Compensation for damage	—	130
Other	159	131
Total non-operating income	426	391
Non-operating expenses		
Interest expense	53	55
Commission fees	52	46
Exchange loss, net	—	411
Other	66	171
Total non-operating expenses	171	685
Ordinary income	18,702	24,088
Special losses		
Loss on sales and/or disposal of fixed assets	12	9
Total special losses	12	9
Net income before income taxes	18,690	24,078
Income taxes - current	5,018	5,297
Income taxes - deferred	606	1,258
Total income taxes	5,624	6,555
Net income	13,065	17,523
Net income attributable to owners of the parent	13,065	17,523

Consolidated statements of comprehensive income

(million yen)

	Previous 9 months From April 1, 2019 to December 31, 2019	Current 9 months From April 1, 2020 to December 31, 2020
Net income	13,065	17,523
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	31	63
Cumulative translation adjustments	(229)	(255)
Adjustments for retirement benefits	22	22
Total other comprehensive income	(175)	(169)
Comprehensive income	12,890	17,354
Comprehensive income attributable to:		
Owners of the parent	12,890	17,354
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(million yen)

	Previous 9 months From April 1, 2019 to December 31, 2019	Current 9 months From April 1, 2020 to December 31, 2020
Cash flows from operating activities		
Net income before income taxes	18,690	24,078
Depreciation and amortization	1,964	2,050
Change in allowance for doubtful accounts	(29)	(3)
Change in accrued bonuses	(1,499)	(1,403)
Interest and dividend income	(206)	(78)
Interest expense	53	55
Exchange (gain) loss, net	128	243
Loss on sales and/or disposal of fixed assets	12	9
Change in notes and accounts receivable - trade	7,700	4,382
Change in inventories	(968)	411
Change in work in progress for game software	(8,848)	(2,729)
Change in notes and accounts payable - trade	(1,972)	(2,390)
Change in deferred revenue	2,169	(7,450)
Other	3,994	(1,341)
Subtotal	<u>21,187</u>	<u>15,834</u>
Interest and dividends received	186	97
Interest paid	(45)	(48)
Income taxes paid	<u>(6,266)</u>	<u>(8,015)</u>
Net cash provided by operating activities	<u>15,061</u>	<u>7,867</u>
Cash flows from investing activities		
Payments into time deposits	(1,088)	(13,742)
Proceeds from withdrawal of time deposits	-	12,660
Payments for acquisitions of tangible fixed assets	(1,592)	(1,835)
Proceeds from sales of tangible fixed assets	0	1
Payments for acquisitions of intangible fixed assets	(47)	(456)
Other	(71)	0
Net cash used in investing activities	<u>(2,799)</u>	<u>(3,372)</u>
Cash flows from financing activities		
Repayments of long-term borrowings	(864)	(714)
Payments for repurchase of treasury stock	(1)	(2)
Dividends paid by parent company	(4,268)	(5,334)
Other	(74)	(387)
Net cash used in financing activities	<u>(5,208)</u>	<u>(6,439)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(519)</u>	<u>(361)</u>
Net change in cash and cash equivalents	<u>6,533</u>	<u>(2,305)</u>
Cash and cash equivalents at beginning of year	<u>53,004</u>	<u>59,672</u>
Cash and cash equivalents at end of quarter	<u>59,538</u>	<u>57,366</u>

(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 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.

2. The adjustment 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.

3. Segment income is adjusted on operating income of the consolidated statements of income.

II Current 9 months (From April 1, 2020 to December 31, 2020)

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	48,966	7,018	6,712	62,697	2,170	64,867	—	64,867
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	48,966	7,018	6,712	62,697	2,170	64,867	—	64,867
Segment income	24,787	86	2,431	27,306	861	28,167	(3,785)	24,382

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

2. The adjustment for segment income (-3,785 million yen) include unallocated corporate operating expenses (-3,785 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 (Japanese language only).