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Press Release

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Announcement of Differences in Non-Consolidated Business Forecast and the Previous Year's Business Results accompanying a Special Gain

Capcom Co. Ltd., (Capcom) today announced it anticipates differences between its non-consolidated business forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020) and the previous year's business results due to factors including recording a special gain.

1. Special Gain

Regarding transfer pricing for transactions with Capcom's U.S.-based subsidiary, CAPCOM U.S.A., INC. (Capcom U.S.A.), Capcom applied to both the tax authorities in Japan and those in the United States of America to cooperate on an Advance Pricing Agreement with regards to the calculation methods of Capcom's arm's length price, resulting in an agreement from both tax authorities.

Following this, Capcom recognized an approximate 5.3-billion-yen special gain in its non-consolidated business results for the fiscal year ending March 31, 2020, as a result of the amount of the price adjustment between Capcom U.S.A. and Capcom having been determined.

Because transfer price adjustments based upon this mutual agreement are related to intracompany transactions, any impact on the consolidated business forecast will be negligible.

2. Reason for Differences

Capcom expects net sales to be 67,399 million yen (down 12.5% year-over-year) due to factors such as the growth of digital sales, which are priced lower at retail but provide high profit margins. In terms of profitability, as stated above growth in high-margin digital sales is expected to drive operating income to be 19,352 million yen (up 32.1% year-over-year) while ordinary income is expected to be 19,204 million yen (up 4.5% year-over-year) due to a large decrease in dividend income (3,502 million yen in the previous year). Finally, following a number of factors, including losing both a gain on

extinguishment of tie-in shares (3,056 million yen in the previous year) and a transfer pricing tax adjustment (1,432 million yen in the previous year) that were recorded in the previous year, net income is expected to be 17,013 million yen (down 1.7% year-over-year).

3. Differences between the March 2020 Fiscal Year Non-consolidated Business Forecast and the Previous Year's Business Results (April 1, 2019 – March 31, 2020)

(million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Year ended March 31, 2019 (A)	77,049	14,651	18,381	17,304	159.17
Year ending March 31, 2020 (B)	67,399	19,352	19,204	17,013	159.37
Difference (B-A)	(9,651)	4,700	823	(291)	-
Difference (%)	(12.5%)	32.1%	4.5%	(1.7%)	-

Note: Non-consolidated business forecasts are not disclosed.