

**Consolidated financial results for the 3 months  
of the fiscal year ending March 31, 2018 (Japan GAAP - Unaudited)**

Date of issue: July 28, 2017

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 3 months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2017	11,746	7.5	784	-	772	-	521	-
3 months ended June 30, 2016	10,927	-24.9	-726	-	-2,080	-	-1,411	-

Note: Comprehensive income 1st quarter ended June 30, 2017: 928 million yen (-%)

1st quarter ended June 30, 2016: -3,590 million yen (-%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2017	9.53	—
3 months ended June 30, 2016	-25.11	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
1st quarter ended June 30, 2017	107,763	77,333	71.8
Fiscal year ended March 31, 2017	118,897	77,774	65.4

Reference: Shareholders' equity 1st quarter ended June 30, 2017: 77,333 million yen

Year ended March 31, 2017: 77,774 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, 2017	— yen	25.00 yen	— yen	25.00 yen	50.00 yen
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		25.00	—	25.00	50.00

Note: Changes in dividends forecast during the 3 months ended June 30, 2017: No

3. Earnings forecast for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2018	93,000	6.7	14,500	6.2	14,000	11.2	9,500	7.0	173.53

Note: Changes in earnings forecast during the 3 months ended June 30, 2017: 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, 2017:                          | 67,723,244 | Year ended March 31, 2017:       | 67,723,244 |
| ② Number of treasury stock                                |            |                                  |            |
| 1st quarter ended June 30, 2017:                          | 12,977,139 | Year ended March 31, 2017:       | 12,977,009 |
| ③ Average number of shares outstanding                    |            |                                  |            |
| 1st quarter ended June 30, 2017:                          | 54,746,233 | 1st quarter ended June 30, 2016: | 56,228,040 |

(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 quarter under review

During the three months ended June 30, 2017, our industry saw broad signs of recovery including greater penetration of the PlayStation 4 home video game console, the strong performance of the new Nintendo Switch game console and the general recovery of the home video games market.

In addition, at E3, one of the world's largest trade shows for computer and video games, held in the U.S., *Monster Hunter: World* (for PlayStation 4, Xbox One, and PC), which will be the latest release in the series and one of our major titles for the current fiscal year, drew much attention from show-goers, raising expectations for its release in the second half of the fiscal year.

In such an environment, the Company has made efforts to reduce costs and expenses by reviewing and re-evaluating our cost of sales and selling, general and administrative expenses in order to improve profitability.

Aiming also to make a breakthrough in the area of mobile contents, the Company has worked on such initiatives as reorganization and the strengthening of our management structure. Furthermore, the Company has pushed forward with marketing efforts to leverage synergy with our popular IP. One example of these efforts was the release of the feature-length computer animated film *Resident Evil: Vendetta* in May 2017, which is based on one of our IP.

As a result, the three months ended June 30, 2017 became an excellent run-up for the Company prior to taking the offensive in earnest in the second half of the current fiscal year. Consolidated net sales for the quarter were 11,746 million yen (up 7.5% from the same term in the previous year), operating income was 784 million yen (compared with an operating loss of 726 million yen for the same term in the previous year), ordinary income was 772 million yen (compared with an ordinary loss of 2,080 million yen for the same term in the previous year), and net income attributable to owners of the parent was 521 million yen (compared with a net loss attributable to owners of the parent of 1,411 million yen for the same term in the previous year).

### Status of business by operating segment

#### ① Digital Contents business

In this business, although the first quarter corresponds to the market's off-season in terms of the launch cycle for major titles, *Ultra Street Fighter II* (for Nintendo Switch), which was released in May 2017, made an excellent start and proved to be a smash hit. In addition, *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC) and *Monster Hunter XX (Double Cross)* (for the Nintendo 3DS family of systems) contributed to revenue to a certain extent.

The resulting net sales were 7,688 million yen (up 14.1% from the same term in the previous year) and operating income was 1,676 million yen (compared with an operating income of 8 million yen for the same term in the previous year).

#### ② Arcade Operations business

In the Arcade Operations business, the Company made efforts to acquire new customers and secure repeat customers through user-oriented marketing. Examples include installing game machines that meet diverse customer needs, holding various events and conducting service day campaigns. At the same time, the Company worked to reduce arcade operating costs to improve profitability.

In order to strengthen our position in the Chubu region, we opened a new store in the Aichi Prefecture, bringing the total number of stores to 37.

The resulting net sales were 2,245 million yen (up 4.1% from the same term in the previous year) and operating income was 128 million yen (up 18.8% from the same term in the previous year).

### ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the Company launched the *Phoenix Wright: Ace Attorney* pachislo machine in a mixed market environment.

In the Arcade Games Sales sub-segment, business was generally weak despite our efforts to promote repeat sales of existing products.

The resulting net sales were 1,396 million yen (down 16.0% from the same term in the previous year). The Company recorded an operating loss of 229 million yen (compared with an operating loss of 61 million yen for the same term in the previous year).

### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 415 million yen (up 13.2% from the same term in the previous year) and operating income was 184 million yen (up 46.1% from the same term in the previous year).

## (2) Overview of the consolidated financial position for the quarter under review

Total assets as of the end of the first quarter decreased by 11,134 million yen from the end of the previous fiscal year to 107,763 million yen. The primary increase was 4,480 million yen in work-in-progress for game software. The primary decrease was 15,436 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the first quarter decreased by 10,693 million yen from the end of the previous fiscal year to 30,429 million yen. The primary decreases were as follows: 5,000 million yen in short-term borrowings, 3,532 million yen in electronically recorded monetary liabilities, 1,036 million yen in accrued income taxes and 1,023 million yen in accrued bonuses.

Net assets as of the end of the first quarter decreased by 440 million yen from the end of the previous fiscal year to 77,333 million yen. The primary increases were 521 million yen in net income attributable to owners of the parent and 336 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. The primary decrease was 1,368 million yen in cash dividends.

## (3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results current fiscal year ending March 31, 2018 remains the same as what was projected at the financial results announcement on April 27, 2017.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of June 30, 2017)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	24,537	24,236
Notes and accounts receivable, trade	20,175	4,738
Merchandise and finished goods	1,583	1,415
Work-in-progress	2,040	2,596
Raw materials and supplies	2,040	1,863
Work-in-progress for game software	30,150	34,631
Other	4,973	5,324
Allowance for doubtful accounts	(21)	(8)
Total current assets	85,480	74,798
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	11,004	11,382
Other, net	9,763	9,579
Total tangible fixed assets	20,768	20,961
Intangible fixed assets	2,843	2,374
Investments and other assets		
Other	9,877	9,701
Allowance for doubtful accounts	(72)	(72)
Total investments and other assets	9,804	9,628
Total fixed assets	33,417	32,965
Total assets	118,897	107,763

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of June 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	2,288	1,835
Electronically recorded monetary liabilities	4,886	1,354
Short-term borrowings	9,323	4,323
Accrued income taxes	1,580	543
Accrued bonuses	2,263	1,239
Other	9,651	9,806
Total current liabilities	29,994	19,103
Long-term liabilities		
Long-term borrowings	6,788	6,627
Liabilities for retirement benefits	2,596	2,653
Other	1,743	2,045
Total long-term liabilities	11,128	11,325
Total liabilities	41,122	30,429
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	45,402	44,555
Treasury stock	(21,448)	(21,449)
Total shareholders' equity	78,521	77,674
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	107	170
Cumulative translation adjustments	(541)	(204)
Accumulated liabilities for retirement benefits	(313)	(305)
Total accumulated other comprehensive income	(747)	(340)
Total net assets	77,774	77,333
Total liabilities and net assets	118,897	107,763

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

## Consolidated statements of income

(Unit: Millions of yen)

	Previous 3 months From April 1, 2016 to June 30, 2016	Current 3 months From April 1, 2017 to June 30, 2017
Net sales	10,927	11,746
Cost of sales	8,238	7,354
Gross profit	2,688	4,391
Selling, general and administrative expenses	3,415	3,607
Operating income (loss)	(726)	784
Non-operating income		
Interest income	11	13
Dividend income	7	7
Exchange gain, net	—	9
Other	10	14
Total non-operating income	29	45
Non-operating expenses		
Interest expense	33	27
Commission fee	14	15
Legal settlement	—	13
Exchange loss, net	1,335	—
Other	0	0
Total non-operating expenses	1,383	56
Ordinary income (loss)	(2,080)	772
Special losses		
Loss on sales and /or disposal of fixed assets	1	28
Total special losses	1	28
Net income (loss) before income taxes	(2,081)	744
Income taxes-current	111	340
Income taxes-deferred	(781)	(116)
Total income taxes	(669)	223
Net income (loss)	(1,411)	521
Net income (loss) attributable to owners of the parent	(1,411)	521

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2016 to June 30, 2016	Current fiscal year From April 1, 2017 to June 30, 2017
Net income (loss)	(1,411)	521
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(62)	62
Cumulative translation adjustments	(2,133)	336
Adjustments for retirement benefits	16	7
Total other comprehensive income	(2,178)	406
Comprehensive income	(3,590)	928
Comprehensive income attributable to:		
Owners of the parent	(3,590)	928
Non-controlling interests	—	—

## (3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous 3 months From April 1, 2016 to June 30, 2016	Current 3 months From April 1, 2017 to June 30, 2017
Cash flows from operating activities		
Net income (loss) before income taxes	(2,081)	744
Depreciation and amortization	1,421	1,145
Decrease in allowance for doubtful accounts	(3)	(13)
Decrease in accrued bonuses	(861)	(1,025)
Interest and dividend income	(18)	(19)
Interest expense	33	27
Exchange (gain) loss, net	655	(16)
Loss on sales and/or disposal of fixed assets	1	28
Decrease in notes and accounts receivable, trade	2,906	15,454
Increase in inventories	(357)	(208)
Increase in work-in-progress for game software	(3,025)	(4,495)
Decrease in notes and accounts payable, trade	(1,813)	(3,997)
Other	1,412	159
Sub total	(1,730)	7,782
Interest and dividends received	18	19
Interest paid	(18)	(14)
Income taxes paid	(6,053)	(1,034)
Net cash provided by (used in) operating activities	(7,783)	6,754
Cash flows from investing activities		
Payments for acquisitions of tangible fixed assets	(416)	(761)
Proceeds from sales of tangible fixed assets	—	0
Payments for acquisitions of intangible fixed assets	(23)	(31)
Other	(21)	(0)
Net cash used in investing activities	(461)	(794)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	12,500	(5,000)
Repayments of long-term borrowings	(166)	(160)
Payments for repurchase of treasury stock	(0)	(0)
Dividend paid	(1,429)	(1,369)
Other	(130)	(142)
Net cash (used in) provided by financing activities	10,772	(6,673)
Effect of exchange rate changes on cash and cash equivalents	(2,187)	411
Net (decrease) increase in cash and cash equivalents	340	(301)
Cash and cash equivalents at beginning of year	28,429	24,337
Cash and cash equivalents at end of quarter	28,770	24,036

(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, 2016 to June 30, 2016)

Information on net sales and operating income (loss)

(Unit: Millions of 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	6,740	2,157	1,662	10,560	366	10,927	—	10,927
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	6,740	2,157	1,662	10,560	366	10,927	—	10,927
Segment income (loss)	8	107	(61)	55	126	181	(908)	(726)

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

2. The adjustment for segment income (-908 million yen) includes unallocated corporate operating expenses (-908 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, 2017 to June 30, 2017)

Information on net sales and operating income (loss)

(Unit: Millions of 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	7,688	2,245	1,396	11,330	415	11,746	—	11,746
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	7,688	2,245	1,396	11,330	415	11,746	—	11,746
Segment income (loss)	1,676	128	(229)	1,574	184	1,759	(974)	784

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

2. The adjustment of segment income (-974 million yen) includes unallocated corporate operating expenses (-974 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.