

**Consolidated financial results
for the year ended March 31, 2018 (Unaudited)**

Date of issue: May 8, 2018

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Ordinary general shareholders' meeting : June 11, 2018

Dividend payment date: June 12, 2018

Filing date for financial report : June 12, 2018

Earnings supplementary explanatory materials :

Yes

Earnings presentation :

Yes (For institutional investors)

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(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	%
Year ended March 31, 2018	94,515	8.4	16,037	17.5	15,254	21.2	10,937	23.2
Year ended March 31, 2017	87,170	13.2	13,650	13.5	12,589	10.9	8,879	14.6

Note: Comprehensive income Year ended March 31, 2018: 10,389 million yen (19.6%) Year ended March 31, 2017: 8,683 million yen (42.5 %)

	Earnings per share of common stock	Diluted earnings per share of common stock	Return on equity	Return (ordinary income) on assets	Operating margin
	Yen	Yen	%	%	%
Year ended March 31, 2018	99.89	—	13.4	12.5	17.0
Year ended March 31, 2017	80.18	—	11.6	10.9	15.7

Reference: Equity in earnings (losses) of affiliates Year ended March 31, 2018: — million yen Year ended March 31, 2017: — million yen

Note: With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

Capcom calculated "Earnings per share of common stock" assuming that the stock split was implemented with an effective date of April 1, 2017.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net asset value per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2018	125,573	85,421	68.0	780.18
Year ended March 31, 2017	118,897	77,774	65.4	710.32

Reference: Shareholders' equity: Year ended March 31, 2018: 85,421 million yen Year ended March 31, 2017: 77,774 million yen

Note: With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

Capcom calculated "Net asset value per share" assuming that the stock split was implemented with an effective date of April 1, 2017.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	34,721	-2,847	-9,577	46,539
Year ended March 31, 2017	3,200	-3,628	-3,130	24,337

2. Dividends

Record date	Dividend per share					Dividend paid	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	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	2,737 Millions of yen	31.2 %	3.6 %
Year ended March 31, 2018	—	25.00	—	35.00	60.00	3,284	30.0	4.0
Year ending March 31, 2019 (Forecast)	—	15.00	—	15.00	30.00		27.4	

Note: 1 For dividends for the year ended March 31, 2018, please see "Notice Regarding Dividends from Retained Earnings," which was published today (May 8, 2018).

2 With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

For dividends for the years ended March 31, 2017 and 2018, the above dividends paid show the actual amounts prior to the stock split.

For dividends for the years ending March 31, 2019 (Forecast), Capcom took the stock split into consideration.

3. Earnings forecast for the fiscal year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

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, 2019	96,000	1.6	17,000	6.0	16,500	8.2	12,000	9.7	109.60

Note: 1 Capcom discloses a full year business forecast, as it manages its business performance on an annual basis.

2 With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

For "Net income per share," Capcom took the stock split into consideration.

4. Others

(1) Changes in significant consolidated subsidiaries during the period: No

(Changes in specified subsidiaries due to changes in the scope of consolidation)

(2) 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

(3) Number of shares outstanding (Common stock):

① Number of shares outstanding (including treasury stock)

Year ended March 31, 2018: 135,446,488 Year ended March 31, 2017: 135,446,488

② Number of treasury stock

Year ended March 31, 2018: 25,957,288 Year ended March 31, 2017: 25,954,018

③ Average number of shares outstanding

Year ended March 31, 2018: 109,491,381 Year ended March 31, 2017: 110,746,824

Note: With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock.

Capcom calculated the above three numbers of shares assuming that the stock split was implemented with an effective date of April 1, 2017.

(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 (4) Outlook] on page 5 for more details.
- Capcom is scheduled to hold an earnings presentation for institutional investors on May 9, 2018. Video and audio of the presentation will be posted along with the presentation materials on Capcom's web page shortly after the presentation.

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1. Operating results overview

(1) Operating results for the fiscal year under review

During the fiscal year ended March 31, 2018, our industry saw major growth in the market for home video games due to the strong performance of both hardware and software. In addition, “esports” (Electronic Sports), which are becoming increasingly popular in Europe, the U.S., China, South Korea and other overseas markets, are raising hopes for further market growth. This is driven by games coming to be recognized as a new sport, following esports’ adoption as an official event at the 2022 Asian Games. Furthermore, opportunities to develop this new business domain in Japan, a region that trails other countries, have been building, as evidenced by the overwhelming audience response for *Street Fighter V*, one of the Company’s popular titles, at the esports event held during the Tokyo Game Show 2017.

Under these circumstances, the Company’s flagship title *Monster Hunter: World* (for PlayStation 4 and Xbox One), which was released worldwide in January 2018, significantly contributed to the Company’s performance after garnering immense popularity for its near-flawless execution and shipping more than 7.5 million units worldwide, a landmark achievement that made it the bestselling game in the Company’s history. Of particular note is that the worldwide expansion of the user base due to the game’s tremendous success overseas—in addition to its established domestic popularity—has marked the start of a new era for the brand, and that this international recognition has served to energize the Company’s global operations. The Company has made strategic preparations for a full-scale entry into the esports business in Japan, which include the establishment of the Capcom Esports Club at the Plaza Capcom arcade in Kichijoji (Tokyo). Additionally, the Company strove to bolster its management structure, enhance its development team and improve its development environment, enabling it to focus on home video game software development, which is the source of its competitiveness. Further, in addition to one-time physical product sales, the Company concentrated its efforts on expanding its digital offerings, which promise recurring revenues.

At the same time, in an effort to shore up its stagnant mobile contents performance, the Company made organizational reforms and developed appealing titles, aiming to increase customer satisfaction.

As a result, net sales increased to 94,515 million yen (up 8.4 % from the previous fiscal year). In terms of profitability, all three figures increased to record highs, with operating income of 16,037 million yen (up 17.5 % from the previous fiscal year), ordinary income of 15,254 million yen (up 21.2 % from the previous fiscal year) and net income attributable to owners of the parent of 10,937 million yen (up 23.2 % from the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business, the record-breaking success of *Monster Hunter: World* (for PlayStation 4 and Xbox One) drove the increase in sales and contributed greatly to improved profit. Furthermore, in addition to *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC) and *Monster Hunter XX (Double Cross) Nintendo Switch Ver.* (for Nintendo Switch) giving strong performances, *Ultra Street Fighter II: The Final Challengers* (for Nintendo Switch) became a smash hit.

Meanwhile, sales of *Marvel vs. Capcom: Infinite* (for PlayStation 4, Xbox One and PC), which was launched in September 2017 targeting the US and European markets, tended to be soft.

In Mobile contents, amid business reforms, including alliance strategies carried out by the Company to bring about a breakthrough in the business, *Monster Hunter Explore* maintained steady popularity, as licensing revenue utilizing our intellectual property (IP) successfully contributed to increased profits.

The resulting net sales were 74,141 million yen (up 26.3 % from the previous fiscal year) and operating income was 19,103 million yen (up 72.2 % from the previous fiscal year).

② Arcade Operations business

In this business, the market was on a recovery trend owing to the growing number of new users, including women and inbound tourists. Under these circumstances, the Company employed various methods to secure repeat customers and acquire new customers, such as families with children. These included installing machines that meet diverse customer needs, holding events and conducting service-day campaigns, as well as reducing store-operating costs.

During the period under review, the Company opened two new stores and closed two, bringing the total number of stores to 36.

The resulting net sales were 10,231 million yen (up 7.4 % from the previous fiscal year), and operating income was 879 million yen (up 17.0 % from the previous fiscal year).

③ Amusement Equipments business

In the struggling Pachinko & Pachislo sub-segment, the Company was able to secure a certain amount of profit for *Resident Evil: Revelations* by lowering its cost of sales ratio. However, the effects of the recent changes in model-testing methods have forced the Company into a challenging situation.

In the Arcade Games Sales sub-segment, sales for *Monster Hunter Medal Hunting G*, a consistently popular medal game, remained solid. Nevertheless, sales for this business overall were soft, due to an undeniable lack of new products.

The resulting net sales were 7,803 million yen (down 53.7 % from the previous fiscal year). The Company recorded an operating loss of 764 million yen (compared with an operating income of 5,106 million yen in the previous fiscal year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from the licensing and sale of character merchandise, were 2,338 million yen (up 12.2% from the previous fiscal year), and operating income was 1,126 million yen (up 16.2% from the previous fiscal year).

(2) Financial position overview for the fiscal year under review

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2018 increased by 6,675 million yen from the end of the previous fiscal year to 125,573 million yen.

The primary increase was 22,001 million yen in cash on hand and in banks. The primary decreases were 7,244 million yen in notes and accounts receivable – trade, 4,514 million yen in work in progress for game software and 2,118 million yen in intangible assets.

(Liabilities)

Total liabilities as of the end of the fiscal year ended March 31, 2018 decreased by 970 million yen from the end of the previous fiscal year to 40,152 million yen.

The primary increases were 2,873 million yen in accrued income taxes and 1,526 million yen in long-term borrowings. The primary decreases were 7,849 million yen in short-term borrowings and 4,046 million yen in electronically recorded monetary obligations.

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2018 increased by 7,646 million yen from the end of the previous fiscal year to 85,421 million yen.

The primary increase was 10,937 million yen in net income attributable to owners of the parent. The primary decreases were 2,737 million yen in dividends from retained earnings and 601 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries.

(3) Cash flow overview for the fiscal year under review

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2018 increased by 22,201 million yen from the end of the previous fiscal year to 46,539 million yen.

Cash flow positions of each activity and their factors are described below.

(Cash flows from operating activities)

Net cash gained from operating activities was 34,721 million yen (3,200 million yen in the previous fiscal year).

A breakdown of cash flows is as follows: 15,149 million yen in net income before income taxes (12,489 million yen in the previous fiscal year), a 7,059 million yen decrease in accounts receivable - trade (10,393 million yen increase in the previous fiscal year), 4,706 million yen in depreciation and amortization (5,980 million yen in the previous fiscal year), a 4,069 million yen decrease in work in progress for game software (2,266 million yen increase in the previous fiscal year) and a 1,588 million yen decrease in inventories (158 million yen in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities was 2,847 million yen (3,628 million yen in the previous fiscal year).

The primary item used was 2,767 million yen in payment for acquisitions of tangible fixed assets (3,074 million yen in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities was 9,577 million yen (3,130 million yen invested in the previous fiscal year).

A breakdown of the primary uses are as follows: a 5,000 million yen decrease in short-term borrowings (a 5,000 million yen increase in the previous fiscal year), 2,738 million yen in dividends paid by parent company (2,794 million yen in the previous fiscal year), and 1,323 million yen in repayments of long-term borrowings (1,497 million yen in the previous fiscal year).

(4) Outlook

In terms of future outlook, despite a slowdown in the domestic mobile content market, which has experienced continuous growth, the home video game market is expected to gain momentum from the revitalization of game software, owed in part to the massive success of *Monster Hunter: World*, and from the greater penetration of new hardware; additionally, the scale of VR (virtual reality) and AR (augmented reality) markets is expected to increase as well. What's more, in recent years AI (artificial intelligence) that can play "go" (an Asian strategy board game) and "shogi" (Japanese chess) against professional players and win has emerged; with such advancements, we expect the use of AI in games only to increase, and further, that rapid technological innovation will lead to drastic changes in the external environment while the balance of power within the industry undergoes rapid reversals, where "winners" and "losers" swap positions as swiftly as discs turn in a game of Othello. Meanwhile, it is believed that 2018 will mark "esports year one," the start of a new era, as Japan—which is trailing other markets—begins taking significant steps in promoting esports. These include the establishment of JeSU (Japan eSports Union) in January, which integrated three industry groups, and the announcement by the J League (Japan Professional Football League) in March of its entry into the esports sector.

Under these circumstances, the Company will work to increase its corporate value through flexible business development based on “selection and concentration;” it will allocate business resources to priority divisions and growth areas by restructuring strategies and operations in response to shifts in the business environment, while also conducting a review of unprofitable divisions and revising its business portfolio.

To this end, the Company will implement the following measures for the achievement of sustainable growth.

① Strategies for operating segments

A. Digital Contents business

- a. The Company will focus its efforts on the development and sales of software for home video games, which is not only its principal business and core competence but also a growth driver. To this end, by clarifying the development processes and managing revenue with precision, based on medium- to long-term strategic maps, as well as through strategic alliances, strengthening its development structure, enhancing the development team and improving the development environment, the Company will strive to expand the development pipeline and product lineup, working toward being able to produce multiple million-seller titles each fiscal year.
- b. In order to diversify its sales structure, the Company will focus its efforts on expanding digital offerings, which involve less inventory risk while promising sustained profitability that is comparatively higher than one-time physical product sales.
- c. Regarding mobile contents, the Company looks to make a breakthrough and capture new customers while further cultivating existing customers via efforts that include bolstering the development structure, carrying out optimal post-launch operations (e.g., identifying customer trends, incorporating data insights into games, etc.), and developing business alliances.

B. Arcade Operations business

Amidst an increasing number of entertainment options and more diversified consumption within consumer segments, the Company will open stores with the aim of being an accessible form of entertainment in large shopping malls, where a certain amount of foot traffic can be expected, and will install prize merchandiser games and medal games that offer experiences that cannot be found in home video games. Further, in order to secure stable profits each fiscal period, the Company will engage in a scrap and build policy to respond flexibly to changes in the market environment.

C. Amusement Equipment business

The adverse conditions faced in the Pachinko & Pachislo sub-segment are expected to continue for the foreseeable future, as uncertainties remain due to the player population trending downward and customers cutting back on spending. Accordingly, the Company will seek to overcome this impasse by adopting business strategies that are responsive to change and by carefully observing market trends.

② Esports business activities

Following the growth of the market overseas, esports have begun attracting attention in Japan as well. In addition to owning *Street Fighter*, the versus fighting game series that many consider to be the origin of esports, the Company has an abundance of experience and operational knowhow accumulated over the years by organizing the Capcom Pro Tour through its U.S. subsidiary. As such, recent trends provide extremely desirable new business opportunities to develop this new business. To this end, the Company aims to launch its esports business and to achieve profitability at an early date by leveraging *Street Fighter* and other popular contents to generate synergy. In addition, it will focus its business resources on the segment by allocating human resources, establishing a new, dedicated department and opening a facility specializing in esports.

③ Promotion of the Single Content Multiple Usage strategy

The Company holds a significant number of popular brands such as *Monster Hunter*, *Resident Evil* and *Street Fighter*, which have been major hits in Japan as well as other markets, and is leveraging them across various sectors and products, including movies, animation, stationery, toys, and food and beverages. The Company will aggressively pursue the licensing business utilizing these intellectual properties given that it promises stable profit and, furthermore, room for growth.

④ Expansion of overseas businesses

Development of the larger overseas markets is essential for the achievement of the Company's growth strategy as the domestic market matures and the population continues to age overall. The Company is one of the world's leading IP holders, with many titles and brands that are popular overseas, including *Monster Hunter: World*, which was a massive hit in the fiscal year under review, as well as *Resident Evil* and *Street Fighter*, both of which have been made into Hollywood movies. The Company will aggressively develop its global business by leveraging its well-known, in-house IP to promote the Capcom brand.

⑤ Securing and developing human resources

For a game software company like Capcom, employees are indeed human capital, and are recognized as important resources for the business. In order to pursue sustainable growth, it is essential to secure and train competent human resources. As such, the Company is enhancing its rank-based training programs, such as new employee training and manager candidate training, while also striving to boost morale and encourage discovery of potential abilities by adopting personnel systems that address changes in the environment and place the right person in the right position. Further, the Company endeavors to seek out progressive and creative human resources, and promotes diversity while carrying out hiring and evaluations without regard for gender, nationality or age in order to engage its diverse human resources.

⑥ Promotion of work style reform

As a part of an effort to promote work-life balance, the Company is endeavoring to improve and maintain employee health by encouraging employees to take paid leave in order to reduce instances of long hours of work and by holding a Safety and Health Committee meeting every month. The Company is also working to create an environment that will empower employees to pursue their career actively with child-rearing support and other initiatives, which include on-site childcare facilities. At the same time, it will seek to foster a corporate culture that provides job satisfaction in order to secure and utilize competent human resources.

⑦ Basic capital policies

A. Dividend policy

The basic policy on the consolidated dividend payout ratio, which is one of the key performance indicators, is to maintain a payout ratio of 30% while continuing to make stable dividend payouts.

B. Acquisition of treasury stock

Giving due consideration primarily to the changes in the business environment and financial condition, the Company will acquire treasury stock swiftly and flexibly when it is determined that it will contribute to increasing shareholder value.

C. Total payout ratio

The Company is also mindful of the total payout ratio $[(\text{dividend paid} + \text{treasury stock acquired}) \div \text{net income}]$, which shows the level of return to shareholders, and will strive to achieve market confidence based on well-balanced capital strategies.

⑧ Basic policies on strategic holdings of publicly listed shares

A. In order to strengthen and tighten relationships with companies with which there are ongoing business dealings, while eliminating habitual cross-holding and personal favoritism, the Company holds shares deemed optimum for its purposes, comprehensively taking into consideration the relevant advantages and disadvantages from medium to long-term perspectives, including whether the shares contribute to future business relationship and sustainable enhancement of corporate value.

B. As regards said holdings, the Company verifies the relevant stock price fluctuation risk and economic rationality on the continuous holding of such shares.

C. When exercising voting rights, the Company decides on whether to vote for or against each proposal pursuant to internal procedures, comprehensively taking into account the business conditions, serious scandals, and other factors pertaining to the relevant business partner.

2. Basic policy regarding selection of accounting standards

With consideration for providing consolidated financial documents that can be compared over time and between companies, the Group's policy for the foreseeable future is to prepare consolidated financial documents according to Japanese standards.

We are currently considering the appropriate time to adopt International Financial Reporting Standards (IFRS), and in preparation of their introduction have begun acquiring knowledge of these standards, as well as started to carry out impact studies on their adoption and a gap analysis between these and Japanese standards.

3. 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 March 31, 2018)
Assets		
Current assets		
Cash on hand and in banks	24,537	46,539
Notes and accounts receivable - trade	20,175	12,930
Merchandise and finished goods	1,583	1,102
Work in progress	2,040	1,349
Raw materials and supplies	2,040	1,616
Work in progress for game software	30,150	25,635
Deferred tax assets	2,495	3,201
Other	2,478	3,371
Allowance for doubtful accounts	(21)	(34)
Total current assets	85,480	95,712
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	11,004	11,106
Machinery and vehicles, net	16	10
Tools, fixtures and furniture, net	1,932	1,840
Equipment for amusement facilities, net	1,616	1,565
Land	5,234	5,234
Leased assets, net	835	668
Construction in progress	128	371
Total tangible fixed assets	20,768	20,797
Intangible assets	2,843	725
Investments and other assets		
Investments in securities	574	625
Claim in bankruptcy and reorganization	67	19
Lease deposits	3,920	4,034
Deferred tax assets	4,311	2,782
Other	1,003	900
Allowance for doubtful accounts	(72)	(24)
Total investments and other assets	9,804	8,338
Total fixed assets	33,417	29,861
Total assets	118,897	125,573

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2017)	Current fiscal year (as of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,288	2,625
Electronically recorded monetary obligations	4,886	839
Short-term borrowings	9,323	1,473
Lease obligations	502	392
Accrued income taxes	1,580	4,453
Deferred tax liabilities	2,308	766
Accrued bonuses	2,263	2,866
Other	6,840	13,618
Total current liabilities	29,994	27,037
Long-term liabilities		
Long-term borrowings	6,788	8,315
Lease obligations	399	329
Deferred tax liabilities	29	23
Liabilities for retirement benefits for employees	2,596	2,819
Asset retirement obligations	509	501
Other	805	1,127
Total long-term liabilities	11,128	13,115
Total liabilities	41,122	40,152
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	45,402	53,602
Treasury stock	(21,448)	(21,454)
Total shareholders' equity	78,521	86,716
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	107	139
Cumulative translation adjustments	(541)	(1,142)
Accumulated adjustments for retirement benefits	(313)	(292)
Total accumulated other comprehensive income	(747)	(1,295)
Total net assets	77,774	85,421
Total liabilities and net assets	118,897	125,573

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

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2016 to March 31, 2017	Current fiscal year from April 1, 2017 to March 31, 2018
Net sales	87,170	94,515
Cost of sales	56,438	59,895
Gross profit	30,731	34,619
Selling, general and administrative expenses	17,080	18,582
Operating income	13,650	16,037
Non-operating income		
Interest income	47	58
Dividend income	13	14
Other	130	145
Total	192	219
Non-operating expenses		
Interest expense	141	103
Commission fees	44	64
Extra retirement payments	117	112
Office transfer expenses	63	254
Exchange loss, net	746	407
Other	141	59
Total	1,253	1,002
Ordinary income	12,589	15,254
Special losses		
Loss on sales and/or disposal of fixed assets	99	104
Total	99	104
Net income before income taxes	12,489	15,149
Income taxes - current	1,832	4,617
Income taxes - deferred	1,777	(405)
Total	3,610	4,212
Net income	8,879	10,937
Net income attributable to owners of the parent	8,879	10,937

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2016 to March 31, 2017	Current fiscal year from April 1, 2017 to March 31, 2018
Net income	8,879	10,937
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	105	31
Cumulative translation adjustments	(262)	(601)
Adjustments for retirement benefits	(38)	21
Total other comprehensive income	(196)	(548)
Comprehensive income	8,683	10,389
Comprehensive income attributable to:		
Owners of the parent	8,683	10,389
Non-controlling interests	—	—

(3) Consolidated statements of changes in net assets

Previous fiscal year from April 1, 2016 to March 31, 2017

(Unit: Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance as of April 1, 2016	33,239	21,328	39,297	(18,145)		75,719
Changes of items during the current fiscal year						
Cash dividends			(2,774)			(2,774)
Net income attributable to owners of the parent			8,879			8,879
Repurchase of treasury stock				(3,302)		(3,302)
Disposal of treasury stock						—
Net changes of items other than shareholders' equity						
Total changes of items during the current fiscal year	—	—	6,104	(3,302)		2,802
Balance as of March 31, 2017	33,239	21,328	45,402	(21,448)		78,521

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2016	2	(278)	(274)	(550)	75,168
Changes of items during the previous fiscal year					
Cash dividends					(2,774)
Net income attributable to owners of the parent					8,879
Repurchase of treasury stock					(3,302)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity	105	(262)	(38)	(196)	(196)
Total changes of items during the current fiscal year	105	(262)	(38)	(196)	2,605
Balance as of March 31, 2017	107	(541)	(313)	(747)	77,774

Current fiscal year from April 1, 2017 to March 31, 2018

(Unit: Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of April 1, 2017	33,239	21,328	45,402	(21,448)	78,521
Changes of items during the current fiscal year					
Cash dividends			(2,737)		(2,737)
Net income attributable to owners of the parent			10,937		10,937
Repurchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	—	0	8,200	(5)	8,194
Balance as of March 31, 2018	33,239	21,328	53,602	(21,454)	86,716

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2017	107	(541)	(313)	(747)	77,774
Changes of items during the previous fiscal year					
Cash dividends					(2,737)
Net income attributable to owners of the parent					10,937
Repurchase of treasury stock					(5)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	31	(601)	21	(548)	(548)
Total changes of items during the current fiscal year	31	(601)	21	(548)	7,646
Balance as of March 31, 2018	139	(1,142)	(292)	(1,295)	85,421

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2016 to March 31, 2017	Current fiscal year from April 1, 2017 to March 31, 2018
Cash flows from operating activities		
Net income before income taxes	12,489	15,149
Depreciation and amortization	5,980	4,706
Decrease in allowance for doubtful accounts	(1)	(36)
Increase in accrued bonuses	186	604
Increase in liabilities for retirement benefits for employees	204	253
Interest and dividend income	(61)	(71)
Interest expense	141	103
Exchange losses, net	18	134
Loss on sales and/or disposal of fixed assets	99	104
Decrease (increase) in accounts receivable - trade	(10,393)	7,059
Decrease in inventories	158	1,588
Decrease (increase) in work in progress for game software	(2,266)	4,069
(Decrease) increase in notes and accounts payable - trade	2,280	(3,690)
Other	956	6,320
Subtotal	9,792	36,296
Interest and dividends received	62	73
Interest paid	(140)	(101)
Income taxes paid	(6,513)	(1,546)
Net cash provided by operating activities	3,200	34,721
Cash flows from investing activities		
Payments into time deposits	(200)	—
Payments for acquisition of tangible fixed assets	(3,074)	(2,767)
Proceeds from sales of tangible fixed assets	5	0
Payments for acquisition of intangible assets	(253)	(150)
Payments for purchase of investments in securities	(13)	(13)
Payments for other investing activities	(222)	(259)
Proceeds from other investing activities	131	343
Net cash used in investing activities	(3,628)	(2,847)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	5,000	(5,000)
Repayments of long-term borrowings	(1,497)	(1,323)
Repayments of lease obligations	(535)	(509)
Payments for repurchase of treasury stock	(3,302)	(5)
Dividends paid by parent company	(2,794)	(2,738)
Net cash used in financing activities	(3,130)	(9,577)
Effect of exchange rate changes on cash and cash equivalents	(533)	(96)
Net increase (decrease) in cash and cash equivalents	(4,091)	22,201
Cash and cash equivalents at beginning of year	28,429	24,337
Cash and cash equivalents at end of year	24,337	46,539

(5) Notes to consolidated financial statements
(Going concern assumptions) Not applicable

(Segment Information)

1. Outline of business reportable segment

(1) Classification of business reportable segment

The business segments Capcom reports are the business units for which Capcom is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

Capcom has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore Capcom's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 units: "Digital Contents," "Arcade Operations" and "Amusement Equipments."

(2) Product and service line

"Digital Contents" develops and distributes home video games, online games and mobile games for consumers.

"Arcade Operations" operates amusement facilities which house amusement and arcade game machines.

"Amusement Equipments" develops, manufactures and distributes arcade game machines and amusement machines etc. to arcade and amusement facility operators.

2. Method of calculating sales and income (loss), identifiable assets and liabilities, and other items by reportable segment

The accounting procedure for the reportable segment is in principle the same with that for the consolidated financial statements.

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

3. Information on net sales and operating income (loss), identifiable assets and liabilities, and other items by reportable segment

Previous fiscal year (from April 1, 2016 to March 31, 2017)

(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	58,704	9,525	16,856	85,086	2,083	87,170	—	87,170
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	58,704	9,525	16,856	85,086	2,083	87,170	—	87,170
Operating income (loss)	11,096	752	5,106	16,955	969	17,925	(4,274)	13,650
Identifiable assets	66,691	6,988	16,169	89,849	4,718	94,568	24,328	118,897
Other items								
Depreciation and amortization	3,366	1,079	440	4,886	638	5,524	455	5,980
Increase in tangible and intangible fixed assets	1,124	1,094	421	2,640	72	2,712	1,055	3,767

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

2. Adjustments are as follows.

(1) Adjustments of operating income (loss) of -4,274 million yen include unallocated corporate operating expenses of -4,274 million yen. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

(2) Adjustments of identifiable assets of 24,328 million yen include unallocated corporate identifiable assets of 24,328 million yen.

(3) Adjustments of increase in tangible and intangible fixed assets of 1,055 million yen are capital investment by headquarters.

3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

Current fiscal year (from April 1, 2017 to March 31, 2018)

(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	74,141	10,231	7,803	92,176	2,338	94,515	—	94,515
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	74,141	10,231	7,803	92,176	2,338	94,515	—	94,515
Operating income (loss)	19,103	879	(764)	19,218	1,126	20,345	(4,307)	16,037
Identifiable assets	61,661	7,471	10,002	79,136	3,600	82,737	42,836	125,573
Other items								
Depreciation and amortization	2,163	1,141	63	3,368	606	3,975	731	4,706
Increase in tangible and intangible fixed assets	384	1,192	224	1,801	17	1,818	1,222	3,041

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

2. Adjustments are as follows.

- (1) Adjustments of operating income (loss) of -4,307 million yen include unallocated corporate operating expenses of -4,307 million yen. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of 42,836 million yen include unallocated corporate identifiable assets of 42,836 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 1,222 million yen are capital investment by headquarters.

3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

(Per share information)

Previous fiscal year 〔 From April 1, 2016 to March 31, 2017 〕		Current fiscal year 〔 From April 1, 2017 to March 31, 2018 〕	
Net assets per share	710.32 yen	Net assets per share	780.18 yen
Net income per share	80.18 yen	Net income per share	99.89 yen

- (Note) 1. The diluted net income per share for the current fiscal year is omitted as Capcom has no residual securities.
 2. With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock. Capcom calculated "Net assets per share" and "Net income per share" assuming that the stock split was implemented with an effective date of April 1, 2017.
 3. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
	(Unit: Millions of yen)	(Unit: Millions of yen)
Total amount of net assets	77,774	85,421
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	77,774	85,421
Number of shares of common stocks used for computation of net assets per share (thousand shares)	109,492	109,489

4. The basis for computation of net income per share is as follows:

	Previous fiscal year 〔 From April 1, 2016 To March 31, 2017 〕	Current fiscal year 〔 From April 1, 2017 To March 31, 2018 〕
	(Unit: Millions of yen)	(Unit: Millions of yen)
Net income attributable to owners of the parent	8,879	10,937
Amount not allocated to common stock	—	—
Net income attributable to owners of the parent allocated to common stock	8,879	10,937
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	110,746	109,491

(Significant subsequent events)

(Stock split)

With an effective date of April 1, 2018, Capcom split its stock by the resolution of the board of directors meeting held on March 6, 2018.

1. Purpose

The purpose of the stock split is to improve the liquidity of the Company's stock and expand its investor base by reducing the stock price per investment unit.

2. Summary of the stock split

(1) Method of stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Saturday, March 31, 2018 were split into two shares.

(2) Number of shares increased by the stock split

1) Total number of issued shares prior to the stock split:	67,723,244 shares
2) Number of shares to be increased by the stock split:	67,723,244 shares
3) Total number of issued shares following the stock split:	135,446,488 shares
4) Total number of authorized shares following the stock split:	300,000,000 shares

3. Schedule of stock split

(1) Public notice of record date:	Wednesday, March 14, 2018
(2) Record date	Saturday, March 31, 2018
(3) Effective date	Sunday, April 1, 2018

4. Other

- (1) Following the above stock split, the total number of authorized shares provided for in article 6 of the Capcom's Articles of Incorporation will be amended from 150 million to 300 million, effective Sunday, April 1, 2018 and in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.
- (2) Change of capital
No change
- (3) Impact on per share information
The impact of the stock split is described in "Per share information."

4. Others

(1) Change in directors (Scheduled to take effect on June 11, 2018)

- ① Candidates for appointment as new directors (excluding directors who are members of the audit and supervisory committee)

Kunio Neo (Executive Corporate Officer and Head of Global Marketing Group at present)

Yutaka Mizukoshi (Senior Advisor at the Boston Consulting Group at present)

(Note: Mr. Taka Mizukoshi is a candidate for appointment as an external director.)

- ② Retiring directors (excluding directors who are members of the audit and supervisory committee)

Hiroshi Yasuda (External director at present)

- ③ Retiring directors who are members of the audit and supervisory committee

Takayuki Morinaga (External director at present)