

**Consolidated financial results for the 6 months
of the fiscal year ending March 31, 2020 (Japan GAAP - Unaudited)**

Date of issue: October 29, 2019

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

URL : <http://www.capcom.co.jp/>

Representative: Haruhiro Tsujimoto, President and COO

Tel: +81-6-6920-3605

Contact person: Naoki Yukawa, General Manager of Finance & Accounting Department

Filing date for financial report : October 29, 2019

Dividend payment date: November 14, 2019

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 6 months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(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	%
6 months ended September 30, 2019	37,272	-14.0	13,992	33.2	14,002	36.0	9,846	43.7
6 months ended September 30, 2018	43,327	28.5	10,508	110.1	10,297	105.3	6,849	96.8

Note: Comprehensive income: 2nd quarter ended September 30, 2019: 9,116 million yen (14.5 %) 2nd quarter ended September 30, 2018: 7,962 million yen (85.9 %)

	Earnings per share	Diluted earnings per share
	Yen	Yen
6 months ended September 30, 2019	92.23	—
6 months ended September 30, 2018	62.56	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
2nd quarter ended September 30, 2019	131,377	95,730	72.9
Year ended March 31, 2019	123,407	88,749	71.9

Reference: Shareholders' equity: 2nd quarter ended September 30, 2019: 95,730 million yen Year ended March 31, 2019: 88,749 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, 2019	—	15.00	—	20.00	35.00
Year ending March 31, 2020	—	20.00			
Year ending March 31, 2020 (Forecast)			—	20.00	40.00

Note: Changes from the latest dividend forecast : Yes

Regarding the revision to the dividend forecasts, please see the announcement released today (October 29, 2019), titled "Notice Regarding Dividends from Retained Earnings (Upward Revision)."

3. Earnings forecast for the fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2020	85,000	-15.0	20,000	10.2	19,500	7.2	14,000	11.5	131.15

Note: Changes from the latest earnings forecast : 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: Yes
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)
2nd quarter ended September 30, 2019: 135,446,488 Year ended March 31, 2019: 135,446,488
② Number of treasury stock
2nd quarter ended September 30, 2019: 28,695,300 Year ended March 31, 2019: 28,695,180
③ Average number of shares outstanding
2nd quarter ended September 30, 2019: 106,751,231 2nd quarter ended September 30, 2018: 109,488,837

(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.

Attachment contents

1. Operating results overview	2
(1) Operating results for the period under review.....	2
(2) Overview of the consolidated financial position for the period under review.....	3
(3) Qualitative information regarding the consolidated business forecasts	3
2. Summary of consolidated financial statements	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and comprehensive income	6
(3) Consolidated statements of cash flows	8
(4) Notes to consolidated financial statements	9
Going concern assumptions	9
Material changes in shareholders' equity	9
Application of special accounting treatment for preparation of quarterly financial statements	9
Change of accounting standard.....	9
Segment information	10

1. Operating results overview

(1) Operating results for the period under review

During the six months ended September 30, 2019, with the tangible roll-out of the 5G era on the horizon, the industry saw a wave of significant changes coming in anticipation of new business opportunities.

In such an environment, the Company focused on bolstering our development structure, which is the source of our competitiveness. For example, in order to curb costs and shorten development cycles, the Company improved the development process and revenue management while increasing the ratio of internal development by growing our developer workforce. The Company also focused resources on medium- to long-term enhancement of enterprise value, including the allocation of more funds and human resources in esports, which is an area with high future growth potential. In such a situation, *Monster Hunter World: Iceborne* (for PlayStation 4 and Xbox One), our flagship title for the current fiscal year that launched in September, shipped over 2.8 million units worldwide, supported by consistent popularity. In addition, profit improved due to the continued popularity of major catalog titles, particularly in overseas markets, and the growth of highly profitable digital download sales.

The resulting net sales for the six months ended September 30, 2019 were 37,272 million yen (down 14.0% from the same term in the previous fiscal year), the decrease due in part to promoting the shift from physical package sales to digital sales. In terms of profitability, profit improved at all levels due to the contribution of the hit title *Monster Hunter World: Iceborne*, primarily sold digitally, as well as to an increase in the percentage of highly profitable digital sales within catalog title sales. Specifically, operating income was 13,992 million yen (up 33.2% from the same term in the previous fiscal year), ordinary income was 14,002 million yen (up 36.0% from the same term in the previous fiscal year), and net income attributable to the owners of the parent was 9,846 million yen (up 43.7% from the same term in the previous fiscal year).

Status of business by operating segment

① Digital Contents business

In this business, *Monster Hunter World: Iceborne* (for PlayStation 4 and Xbox One) experienced solid sales and led profit growth. In addition, healthy sales of high-margin catalog titles also boosted profit. Specifically, sales of *Resident Evil 2* (for PlayStation 4, Xbox One and PC) and *Devil May Cry 5* (for Xbox One, PlayStation 4, and PC), both hits in the previous fiscal year, continued to grow due to an expanded user base. *Monster Hunter: World* (for PlayStation 4, Xbox One and PC), which was launched in January 2018, also continued to display its long sales life.

The resulting net sales were 29,163 million yen (down 14.7% from the same term in the previous fiscal year) due to an increase in the percentage of digital sales. Operating income was 14,503 million yen (up 23.4% from the same term in the previous fiscal year) mainly due to contributions from *Monster Hunter World: Iceborne* and catalog titles.

② Arcade Operations business

In this business, the Company worked to secure a wide range of customers, including core users, repeat customers, and families through elaborately planned, community-based promotion activities, such as holding various events and conducting service day campaigns, under the banner of “the No. 1 arcade in the community.”

During the period under review, the total number of arcades increased to 39 with the opening of two new arcades: Plaza Capcom Ikebukuro (Tokyo) and Plaza Capcom Fujiidera (Osaka).

The resulting net sales were 6,233 million yen (up 13.3% from the same term in the previous fiscal year) and operating income was 915 million yen (up 24.6% from the same term in the previous fiscal year).

③ Amusement Equipments business

In an environment in which the shrinkage of the game machine market shows no signs of stopping, mainly due to the revision in pachislo model certification methods, the Company did not launch any new models and focused on business from licensing during the quarter.

The resulting net sales were 241 million yen (down 89.1% from the same term in the previous fiscal year), although the Company secured an operating income, albeit small, of 67 million yen (an operating loss of 625 million yen for the same term 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 1,633 million yen (up 16.4% from the same term in the previous fiscal year) and operating income was 733 million yen (up 7.0% 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 second quarter increased by 7,969 million yen from the end of the previous fiscal year to 131,377 million yen. The primary increases were 4,746 million yen in cash on hand and in banks and 5,261 million yen in work in progress for game software. The primary decrease was 1,015 million yen in notes and accounts receivable - trade.

Total liabilities as of the end of the second quarter increased by 988 million yen from the end of the previous fiscal year to 35,646 million yen. The primary increase 509 million yen in accrued income taxes.

Net assets as of the end of the second quarter increased by 6,980 million yen from the end of the previous fiscal year to 95,730 million yen. The primary increase was 9,846 million yen in net income attributable to owners of the parent. The primary decrease was 2,135 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, 2020 remains the same as what was projected at the financial results announcement on May 7, 2019.

2. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (September 30, 2019)
Assets		
Current assets		
Cash on hand and in banks	53,004	57,751
Notes and accounts receivable - trade	13,970	12,955
Merchandise and finished goods	1,182	1,053
Work in progress	734	1,222
Raw materials and supplies	538	624
Work in progress for game software	16,926	22,188
Other	4,518	2,479
Allowance for doubtful accounts	(58)	(55)
Total current assets	90,817	98,219
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	10,845	10,587
Other, net	9,513	10,274
Total tangible fixed assets	20,359	20,861
Intangible assets	432	395
Investments and other assets		
Other	11,830	11,932
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	11,798	11,900
Total fixed assets	32,590	33,157
Total assets	123,407	131,377

(Millions of yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,988	2,025
Electronically recorded monetary liabilities	1,153	688
Current portion of long-term borrowings	1,579	1,429
Accrued income taxes	4,251	4,760
Accrued bonuses	3,089	1,653
Other	9,149	13,819
Total current liabilities	23,212	24,377
Long-term liabilities		
Long-term borrowings	6,735	6,021
Liabilities for retirement benefits for employees	3,004	3,124
Other	1,705	2,123
Total long-term liabilities	11,445	11,269
Total liabilities	34,658	35,646
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,329
Retained earnings	62,595	70,307
Treasury stock	(27,456)	(27,456)
Total shareholders' equity	89,708	97,418
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	26	13
Cumulative translation adjustments	(713)	(1,445)
Accumulated adjustments for retirement benefits	(271)	(256)
Total accumulated other comprehensive income	(958)	(1,688)
Total net assets	88,749	95,730
Total liabilities and net assets	123,407	131,377

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Millions of yen)

	Previous 6 months From April 1, 2018 to September 30, 2018	Current 6 months From April 1, 2019 to September 30, 2019
Net sales	43,327	37,272
Cost of sales	24,657	14,752
Gross profit	18,669	22,520
Selling, general and administrative expenses	8,161	8,527
Operating income	10,508	13,992
Non-operating income		
Interest income	51	129
Dividend income	8	8
Exchange gain, net	565	—
Other	57	59
Total non-operating income	682	198
Non-operating expenses		
Interest expense	41	36
Commission fees	34	34
Additionally paid retirement benefits	634	—
Office transfer expenses	165	—
Exchange losses, net	—	63
Other	17	53
Total non-operating expenses	892	188
Ordinary income	10,297	14,002
Special losses		
Loss on sales and /or disposal of fixed assets	19	10
Impairment losses	398	—
Total special losses	418	10
Net income before income taxes	9,879	13,991
Income taxes - current	1,440	4,361
Income taxes - deferred	1,589	(215)
Total income taxes	3,030	4,145
Net income	6,849	9,846
Net income attributable to owners of the parent	6,849	9,846

Consolidated statements of comprehensive income

(Millions of yen)

	Previous 6 months From April 1, 2018 to September 30, 2018	Current 6 months From April 1, 2019 to September 30, 2019
Net income	6,849	9,846
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(15)	(13)
Cumulative translation adjustments	1,115	(731)
Adjustments for retirement benefits	12	15
Total other comprehensive income	1,112	(729)
Comprehensive income	7,962	9,116
Comprehensive income attributable to:		
Owners of the parent	7,962	9,116
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(Millions of yen)

	Previous 6 months From April 1, 2018 to September 30, 2018	Current 6 months From April 1, 2019 to September 30, 2019
Cash flows from operating activities		
Net income before income taxes	9,879	13,991
Depreciation and amortization	1,661	1,248
Impairment losses	398	—
Change in allowance for doubtful accounts	(20)	(1)
Change in accrued bonuses	(11)	93
Interest and dividend income	(59)	(138)
Interest expenses	41	36
Exchange (gains) losses, net	(277)	158
Loss on sales and/or disposal of fixed assets	19	10
Change in notes and accounts receivable - trade	4,046	866
Change in inventories	(51)	(454)
Change in work in progress for game software	(453)	(5,263)
Change in notes and accounts payable - trade	(187)	(2,374)
Other	(5,182)	5,348
Subtotal	9,800	13,520
Interest and dividends received	60	115
Interest paid	(42)	(38)
Income taxes paid	(3,493)	(3,458)
Net cash provided by operating activities	6,325	10,138
Cash flows from investing activities		
Payments for acquisitions of tangible fixed assets	(1,079)	(1,287)
Proceeds from sales of tangible fixed assets	0	0
Payments for acquisitions of intangible fixed assets	(46)	(37)
Other	35	(26)
Net cash used in investing activities	(1,089)	(1,350)
Cash flows from financing activities		
Repayments of long-term borrowings	(736)	(864)
Payments for repurchase of treasury stock	(1)	(0)
Dividends paid by parent company	(1,917)	(2,134)
Other	(211)	(18)
Net cash used in financing activities	(2,867)	(3,017)
Effect of exchange rate changes on cash and cash equivalents	1,055	(1,023)
Net change in cash and cash equivalents	3,423	4,746
Cash and cash equivalents at beginning of year	46,539	53,004
Cash and cash equivalents at end of quarter	49,963	57,751

(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.

(Change of accounting standard)

Effective from the beginning of the current fiscal year, Certain Subsidiaries of CAPCOM Group adopting the International Financial Reporting Standards (“IFRS”) have adopted IFRS16 “Leases.”

Accordingly, a lessee in all leases recognized right-of-use assets and lease liabilities, and presents depreciation expenses of the right-of-use assets and interest expenses of the lease liabilities in principle.

In adopting IFRS 16 “Leases,” the transition method is followed. Regarding the leases that were categorized as operating leases in the past, right-of-use assets and lease liabilities have been recognized from the beginning of the current fiscal year. Due to the application, CAPCOM has recognized right-of-use assets (Other of Fixed assets) of 330 million yen and lease liabilities (Other of Current and Long-term liabilities) of 321 million yen on the Consolidated balance sheets for the second quarter ended September 30, 2019. The impact of this change on profit or loss for the six months ended September 30, 2019 is immaterial.

(Segment Information)

I Previous 6 months (From April 1, 2018 to September 30, 2018)

1. Information on net sales and operating income (loss) by reportable segment

(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	34,195	5,504	2,224	41,923	1,403	43,327	—	43,327
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	34,195	5,504	2,224	41,923	1,403	43,327	—	43,327
Segment income	11,751	734	(625)	11,860	685	12,546	(2,037)	10,508

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

2. The adjustment for segment income (-2,037 million yen) include unallocated corporate operating expenses (-2,037 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.

2. Information on impairment losses on fixed assets or goodwill by reportable segment

(Significant impairment loss on fixed assets)

In the Digital Contents business segment the carrying value of assets to be disposed of was written down to the recoverable value, which led to an impairment loss of 398 million yen recorded as a special loss.

II Current 6 months (From April 1, 2019 to September 30, 2019)

Information on net sales and operating income (loss) by reportable segment

(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	29,163	6,233	241	35,638	1,633	37,272	—	37,272
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	29,163	6,233	241	35,638	1,633	37,272	—	37,272
Segment income	14,503	915	67	15,486	733	16,220	(2,227)	13,992

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

2. The adjustment for segment income (-2,227 million yen) include unallocated corporate operating expenses (-2,227 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.