

Consolidated balance sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2018	March 31, 2019	March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets			
Current assets:			
Cash on hand and in banks (Notes 9 and 11)	46,539	53,004	481,856
Notes and accounts receivable - trade (Note 11)	12,930	13,970	127,008
Merchandise and finished goods	1,102	1,182	10,748
Work in progress	1,349	734	6,679
Raw materials and supplies	1,616	538	4,891
Work in progress for game software	25,635	16,926	153,879
Other	3,371	4,518	41,080
Allowance for doubtful accounts	(34)	(58)	(535)
Total current assets	92,511	90,817	825,609
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation (Note 5(1))			
Buildings and structures, net	11,106	10,845	98,596
Machinery and vehicles, net	10	24	220
Tools, fixtures and furniture, net	1,840	1,377	12,518
Equipment for amusement facilities, net	1,565	1,821	16,561
Land	5,234	5,235	47,595
Leased assets, net (Note 10(1))	668	718	6,534
Construction in progress	371	336	3,059
Total tangible fixed assets	20,797	20,359	185,085
Intangible assets	725	432	3,935
Investments and other assets			
Investments in securities (Note 12)	625	576	5,242
Claims in bankruptcy and reorganization	19	19	177
Lease deposits (Note 11)	4,034	3,979	36,181
Deferred tax assets (Note 14)	5,239	6,420	58,366
Other	900	834	7,583
Allowance for doubtful accounts	(24)	(32)	(292)
Total investments and other assets	10,795	11,798	107,257
Total fixed assets	32,318	32,590	296,279
Total assets	124,829	123,407	1,121,888

The accompanying notes are an integral part of these financial statements.

Consolidated balance sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2018	March 31, 2019	March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities			
Current liabilities:			
Notes and accounts payable - trade (Note 11)	2,625	3,988	36,261
Electronically recorded monetary obligations (Note 11)	839	1,153	10,486
Current portion of long-term borrowings (Notes 11 and 21)	1,473	1,579	14,356
Lease obligations (Note 21)	392	406	3,694
Accrued income taxes	4,453	4,251	38,649
Accrued bonuses	2,866	3,089	28,090
Other	13,618	8,743	79,483
Total current liabilities	26,271	23,212	211,021
Long-term liabilities:			
Long-term borrowings (Notes 11 and 21)	8,315	6,735	61,235
Lease obligations (Note 21)	329	369	3,361
Deferred tax liabilities (Note 14)	45	6	58
Liabilities for retirement benefits for employees (Note 13)	2,819	3,004	27,309
Asset retirement obligations (Notes 15 and 22)	501	571	5,193
Other	1,127	758	6,894
Total long-term liabilities	13,137	11,445	104,052
Total liabilities	39,408	34,658	315,074
Net assets			
Shareholders' equity:			
Common stock	33,239	33,239	302,175
Capital surplus	21,328	21,328	193,899
Retained earnings	53,602	62,595	569,054
Treasury stock	(21,454)	(27,456)	(249,600)
Total shareholders' equity	86,716	89,708	815,528
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	139	26	244
Cumulative translation adjustments	(1,142)	(713)	(6,488)
Accumulated adjustments for retirement benefits	(292)	(271)	(2,469)
Total accumulated other comprehensive income	(1,295)	(958)	(8,713)
Total net assets	85,421	88,749	806,814
Total liabilities and net assets	124,829	123,407	1,121,888

The accompanying notes are an integral part of these financial statements.

Consolidated statements of income

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	94,515	100,031	909,378
Cost of sales (Note 6(1))	59,895	62,809	570,992
Gross profit	34,619	37,222	338,385
Selling, general and administrative expenses (Notes 6(2) and (3))	18,582	19,078	173,438
Operating income	16,037	18,144	164,947
Non-operating income:			
Interest income	58	171	1,562
Dividend income	14	16	152
Exchange gains, net	-	362	3,295
Other	145	422	3,844
Total	219	974	8,855
Non-operating expenses:			
Interest expense	103	80	727
Commission fees	64	69	628
Additionally paid retirement benefits	112	601	5,468
Office transfer expenses	254	-	-
Exchange losses, net	407	-	-
Other	59	173	1,576
Total	1,002	924	8,400
Ordinary income	15,254	18,194	165,401
Special losses:			
Loss on sales and/or disposal of fixed assets (Note 6(4))	104	30	281
Impairment loss (Note 6(5))	-	393	3,573
Total	104	423	3,854
Net income before income taxes	15,149	17,770	161,547
Income taxes - current	4,617	6,603	60,036
Income taxes - deferred (Note 14)	(405)	(1,385)	(12,595)
Total	4,212	5,218	47,440
Net income	10,937	12,551	114,106
Net income attributable to owners of the parent	10,937	12,551	114,106

The accompanying notes are an integral part of these financial statements.

Consolidated statements of comprehensive income

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	10,937	12,551	114,106
Other comprehensive income (Note 7)			
Net unrealized gain or loss on securities, net of tax	31	(112)	(1,025)
Cumulative translation adjustments	(601)	428	3,899
Adjustments for retirement benefits	21	20	188
Total other comprehensive income	(548)	336	3,062
Comprehensive income	10,389	12,888	117,169
Comprehensive income attributable to:			
Owners of the parent	10,389	12,888	117,169
Non-controlling interests	-	-	-

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	33,239	21,328	45,402	(21,448)	78,521
Changes of items during the fiscal year					
Cash dividends (Note 8(1))			(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 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 fiscal year					
Cash dividends (Note 8(1))					(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 fiscal year	31	(601)	21	(548)	7,646
Balance as of March 31, 2018	139	(1,142)	(292)	(1,295)	85,421

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	33,239	21,328	53,602	(21,454)	86,716
Changes of items during the fiscal year					
Cash dividends (Note 8(2))			(3,558)		(3,558)
Net income attributable to owners of the parent			12,551		12,551
Repurchase of treasury stock				(6,001)	(6,001)
Disposal of treasury stock		-		-	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	8,993	(6,001)	2,991
Balance as of March 31, 2019	33,239	21,328	62,595	(27,456)	89,708

	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, 2018	139	(1,142)	(292)	(1,295)	85,421
Changes of items during the fiscal year					
Cash dividends (Note 8(2))					(3,558)
Net income attributable to owners of the parent					12,551
Repurchase of treasury stock					(6,001)
Disposal of treasury stock					-
Net changes of items other than shareholders' equity	(112)	428	20	336	336
Total changes of items during the fiscal year	(112)	428	20	336	3,328
Balance as of March 31, 2019	26	(713)	(271)	(958)	88,749

(Thousands of U.S. dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	302,175	193,899	487,296	(195,039)	788,331
Changes of items during the fiscal year					
Cash dividends (Note 8(2))	-	-	(32,348)	-	(32,348)
Net income attributable to owners of the parent	-	-	114,106	-	114,106
Repurchase of treasury stock	-	-	-	(54,561)	(54,561)
Disposal of treasury stock	-	-	-	-	-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	81,757	(54,561)	27,196
Balance as of March 31, 2019	302,175	193,899	569,054	(249,600)	815,528

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2018	1,269	(10,387)	(2,657)	(11,776)	776,554
Changes of items during the fiscal year					
Cash dividends (Note 8(2))					(32,348)
Net income attributable to owners of the parent					114,106
Repurchase of treasury stock					(54,561)
Disposal of treasury stock					-
Net changes of items other than shareholders' equity	(1,025)	3,899	188	3,062	3,062
Total changes of items during the fiscal year	(1,025)	3,899	188	3,062	30,259
Balance as of March 31, 2019	244	(6,488)	(2,469)	(8,713)	806,814

The accompanying notes are an integral part of these financial statements.

Consolidated statements of cash flows

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	15,149	17,770	161,547
Depreciation and amortization	4,706	3,228	29,348
Impairment loss	-	393	3,573
Increase (decrease) in allowance for doubtful accounts	(36)	32	299
Increase in accrued bonuses	604	223	2,028
Increase in liabilities for retirement benefits for employees	253	214	1,950
Interest and dividend income	(71)	(189)	(1,721)
Interest expense	103	80	731
Exchange (gain) losses, net	134	(127)	(1,161)
Loss on sales and/or disposal of fixed assets	104	30	281
(Increase) decrease in accounts receivable - trade	7,059	(858)	(7,801)
Decrease in inventories	1,588	1,621	14,738
Decrease in work in progress for game software	4,069	8,876	80,698
Increase (decrease) in notes and accounts payable - trade	(3,690)	1,665	15,143
Other	6,320	(7,286)	(66,238)
Subtotal	36,296	25,675	233,417
Interest and dividends received	73	191	1,736
Interest paid	(101)	(81)	(739)
Income taxes paid	(1,546)	(5,938)	(53,987)
Net cash provided by operating activities	34,721	19,847	180,427
Cash flows from investing activities:			
Payment for acquisition of tangible fixed assets	(2,767)	(2,093)	(19,033)
Proceeds from sales of tangible fixed assets	0	4	38
Payment for acquisition of intangible assets	(150)	(112)	(1,024)
Payment for purchase of investments in securities	(13)	(14)	(136)
Payment for other investing activities	(259)	(182)	(1,662)
Proceeds from other investing activities	343	138	1,258
Net cash used in investing activities	(2,847)	(2,261)	(20,559)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	(5,000)	-	-
Repayments of long-term borrowings	(1,323)	(1,473)	(13,392)
Repayments of lease obligations	(509)	(414)	(3,766)
Payment for repurchase of treasury stock	(5)	(6,001)	(54,561)
Dividends paid by parent company	(2,738)	(3,554)	(32,314)
Net cash used in financing activities	(9,577)	(11,443)	(104,035)
Effect of exchange rate changes on cash and cash equivalents	(96)	323	2,939
Net increase in cash and cash equivalents	22,201	6,464	58,772
Cash and cash equivalents at beginning of year	24,337	46,539	423,083
Cash and cash equivalents at end of year (Note 9)	46,539	53,004	481,856

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the "Company") and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of translation into U.S. dollars, it is rounded down to the nearest 1 thousand U.S. dollars).

The rate of ¥110 to U.S.\$1.00, the approximate current rate of exchange prevailing on March 31, 2019, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Summary of significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 14 majority owned subsidiaries (the "Companies") at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated.

The investments in 20% to 50% owned companies (affiliated companies) are, with minor exceptions, accounted for under the equity method.

The 14 subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)
CAPCOM MEDIA VENTURES, INC. (U.S.A.)
CAPCOM GAME STUDIO VANCOUVER, INC. (Canada)
BEELINE INTERACTIVE, INC. (U.S.A.)
BEELINE INTERACTIVE CANADA, INC. (Canada)
CE EUROPE LTD. (U.K.)
CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)
CAPCOM ENTERTAINMENT FRANCE SAS (France)
CAPCOM ASIA CO., LTD. (Hong Kong)
CAPCOM TAIWAN CO., LTD. (Taiwan)
CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
CAPCOM MAINTENANCE SERVICE CO., LTD. (Japan)
K2 CO., LTD. (Japan)
ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end. Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets," at the net of tax amount. The cost of securities sold is determined based on the average cost of all such securities held at the time of sale. Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods," "Work in progress," "Raw materials and supplies") and "Work in progress for game software"

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

(4) Tangible fixed assets, except for leased assets

Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respective asset, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method. The amortization period, except that for computer software, is based upon the individual estimated useful life of the asset. The amortization period for computer software is based upon the estimated period of internal use (5 years.)

(6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee

Depreciation of such leased assets is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero. If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end. This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on benefit formula method. Prior service liabilities are amortized over 8 years, the average remaining service period, commencing from the date on which they are incurred. Actuarial net gains or losses are amortized over 8 to 14 years, commencing from the following year in which they arise.

(10) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

(11) Revenue recognition

Significant revenue recognition for game content

The revenue for unavailable portion of the game content sold to customers is deferred until it is made available.

(12) Other

Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

3. Unapplied accounting standards, etc.

(1) Accounting Standard for Revenue Recognition, etc.

“Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(i) Overview

This is a comprehensive accounting standard for revenue recognition.

Revenue recognition takes the following five steps.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations

Step 5: Recognize revenue when the entity satisfies a performance obligation

(ii) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

(iii) Effects of application of the Guidance

The impact is now under examination.

(2) Leases (US GAAP ASU 2016-02)

(i) Overview

This accounting standard requires the lessee to present assets and liabilities for all leases in principle.

(ii) Effective date

To be adopted from the beginning of the fiscal year ending March 31 2021

(iii) Effects of application of the Guidance

The impact is now under examination.

Leases (IFRS 16)

(i) Overview

This accounting standard requires the lessee to present assets and liabilities for all leases in principle.

(ii) Effective date

To be adopted from the beginning of the fiscal year ending March 31 2020

(iii) Effects of application of the Guidance

The impact is now under examination.

4. Change in presentation

(Consolidated balance sheet)

Effective from the fiscal year ended March 31 2019, "Current portion of long-term borrowings," which was included in "Short-term borrowings" under "Current liabilities," has been disclosed separately in order to enhance understandability. The consolidated balance sheet for the previous fiscal year has been restated to reflect this change.

As a result, "Short-term borrowings" of ¥1,473 million disclosed under "Current liabilities" in the balance sheet for the previous fiscal year has been reclassified into "Current portion of long-term borrowings" of ¥1,473 million.

(Change due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Effective from the fiscal year ended March 31 2019, the Companies have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting"(ASBJ Statement No. 28, February 16, 2018

(hereinafter, "Statement No. 28") from the beginning of the current fiscal year and changed the presentation and the related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of "investments and other assets" and "non-current liabilities", respectively.

As a result, in the consolidated balance sheet for the previous fiscal year the deferred tax assets classified as "current assets" decreased by ¥3,201 million and the deferred tax assets classified as "investments and other assets" increased by ¥2,457 million. Further the deferred tax liabilities classified as "current liabilities" decreased by ¥766 million and the deferred tax liabilities classified as "non-current liabilities" increased by ¥22 million.

Due to the offset of "deferred tax assets" and "deferred tax liabilities" for same legal entities, the total asset balance for the previous fiscal year decreased by ¥744 million.

The notes related to tax effect accounting additionally included those described in Notes 8 (excluding the total amount of valuation allowance) and 9 of "Accounting Standard for Tax Effect Accounting," which are required in Paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatment prescribed in Paragraph 7 of Statement No. 28.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	20,760	21,160	192,370

(Note) The above balances include the accumulated impairment loss on tangible fixed assets.

(2) Notes that matured on the balance sheet day of the fiscal year

Although the balance sheet day for the current fiscal year was not a business day, the notes that matured on this day were treated as if they were settled on the date.

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes payable	13	65	595

(3) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements and credit line agreements with some banks by syndicate financing for the purpose of efficient and sustainable financing and improving the efficiency of funds operations and the Company's financial flexibility.

The balance of unexercised loans, etc., based on these agreements at the end of the fiscal year were as follows:

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of overdraft limit and credit line Borrowings	26,700	26,700	242,727
Unexercised balance	-	-	-
	26,700	26,700	242,727

6. Notes to consolidated statements of income

(1) The amount of book value reduction based on a decline in profitability including in "Cost of Sales"

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	10,158	6,869	62,447

(2) Major items and the amounts under "Selling, general and administrative expenses"

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	3,481	4,118	37,442
Promotion expenses	2,176	1,372	12,474
Salaries for directors and employees	4,186	4,599	41,809
Provision for accrued bonuses	1,122	1,252	11,387

(3) Research and development expenses included in general and administrative expenses

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	1,102	1,147	10,436

(4) The breakdown of "Loss on sales and/or disposal of fixed assets"

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	47	24	223
Machinery and vehicles, net	-	(1)	(9)
Tools, fixtures and furniture	8	6	59
Equipment for amusement facilities	15	0	8
Software	33	-	-
Other	0	(0)	(0)
Total	104	30	281

(5) Impairment loss

The assets for which the impairment loss was recognized were as follows:

(i) Outline of the impaired asset group and amount of the losses

Usage	Account	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets to be disposed of	Buildings and structures Tools, fixtures and furniture Leased assets Construction in progress	-	393	3,573

(ii) Asset grouping method

To measure an impairment, assets are principally grouped based on business segments such as "Digital contents," "Arcade operations," etc. Whereas, rental assets, idle assets, assets to be disposed of and online game content are evaluated as separate groups.

(iii) Background that led to recognition of the impairment loss

The Companies made a decision to dispose of some assets. As a result of the decision, the Companies recognized the impairment loss shown as above since the recoverability of the book value of the assets to be disposed was not expected.

(IV) Breakdown of the impairment loss

Buildings and structures ¥221 million (\$2,011 thousand)
Other ¥171 million (\$1,561 thousand)

(V) Determination of recoverability value

For the "assets to be disposed of," the Companies determined the recoverability value to be zero as they were to be retired.

7. Notes to consolidated statements of comprehensive income

Amount of recycling and income tax effect associated with other comprehensive income

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities			
Amount arising during the fiscal year	31	(112)	(1,025)
Amount of recycling	-	-	-
Net gain before the effect of income taxes	31	(112)	(1,025)
Effect of income taxes	-	-	-
Net unrealized gain or loss on securities, net of tax	31	(112)	(1,025)
Cumulative translation adjustment			
Amount arising during the fiscal year	(601)	396	3,607
Amount of recycling	-	32	292
Adjustments for cumulative translation adjustment	(601)	428	3,899
Adjustments for retirement benefits			
Amount arising during the fiscal year	(14)	(7)	(64)
Amount of recycling	45	36	335
Net gain before the effect of income taxes	30	29	270
Effect of income taxes	(9)	(9)	(82)
Adjustments for retirement benefits, net of tax	21	20	188
Total other comprehensive income	(548)	336	3,062

8. Notes to consolidated statements of changes in net assets

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

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2017	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2018
Common stock (thousand shares)	67,723	-	-	67,723

(Note) There was no change in the number of shares during the current fiscal year.

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2017	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2018
Common stock (thousand shares)	12,977	1	0	12,978

(Note) The increase was due to purchase of less-than-one-unit shares.

1 thousand shares

The decrease was due to purchase claims of less-than-one-unit shares.

0 thousand shares

③ Dividend

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 9, 2017	Common stock	¥1,368 million	25	March 31, 2017	June 12, 2017
Board of Directors' meeting held on November 6, 2017	Common stock	¥1,368 million	25	September 30, 2017	November 24, 2017

(ii) Dividends whose effective date was to be after the end of current fiscal year and record date was included in the current fiscal year.

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 11, 2018	Common stock	¥1,916 million	Retained earnings	35	March 31, 2018	June 12, 2018

(Note) With an effective date of April 1, 2018, the Company 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.

(2) Current fiscal year (April 1, 2018 to March 31, 2019)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2018	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2019
Common stock (thousand shares)	67,723	67,723	-	135,446

(Note) With an effective date of April 1, 2018, the Company performed a 2-for-1 stock split of its common stock.

The increase was due to the stock split.

67,723 thousand shares

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2018	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2019
Common stock (thousand shares)	12,978	15,716	-	28,695

(Note) With an effective date of April 1, 2018, the Company performed a 2-for-1 stock split of its common stock.

The increase was due to the stock split.

12,978 thousand shares

The increase was due to purchase of treasury stocks via tender offer.

2,737 thousand shares

The increase was due to purchase of less-than-one-unit shares.

0 thousand shares

③ Dividend

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 11, 2018	Common stock	¥1,916 million	35	March 31, 2018	June 12, 2018
Board of Directors' meeting held on October 29, 2018	Common stock	¥1,642 million	15	September 30, 2018	November 13, 2018

Resolution	Type of shares	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 11, 2018	Common stock	\$17,418 thousand	0.32	March 31, 2018	June 12, 2018
Board of Directors' meeting held on October 29, 2018	Common stock	\$14,930 thousand	0.14	September 30, 2018	November 13, 2018

(Note) With an effective date of April 1, 2018, the Company performed a 2-for-1 stock split of its common stock.

For dividends resolved by General shareholders' meeting held on June 11, 2018, the dividends paid show the actual amounts prior to the stock split.

(ii) Dividends whose effective date was to be after the end of current fiscal year and record date was included in the current fiscal year.

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2019	Common stock	¥2,135 million	Retained earnings	20	March 31, 2019	June 18, 2019

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2019	Common stock	\$19,409 thousand	Retained earnings	0.18	March 31, 2019	June 18, 2019

9. Notes to consolidated statements of cash flows

Cash and cash equivalents at end of year

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	46,539	53,004	481,856
Time deposits with maturities over three months	-	-	-
Cash and cash equivalents	<u>46,539</u>	<u>53,004</u>	<u>481,856</u>

10. Accounting for leases

(1) Capital leases

Capital leases which do not transfer ownership of the leased assets to the lessee

• Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for the "Arcade operations" segment.

• Depreciation method:

See Note 2(6), "Summary of significant accounting policies - Leased assets."

(2) Operating leases

① Future lease payments

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	380	379	3,449
Due over one year	2,319	1,986	18,055
Total	2,700	2,365	21,505

11. Financial instruments

(1) Conditions of financial instruments

① Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration. The Companies raise funds through borrowings from financial institutions, such as banks, etc. The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk and do not enter into derivative financial instruments for speculative purposes.

② Financial instruments, risks, and risk management

Notes and accounts receivable - trade are exposed to the credit risk of customers. To minimize the risk, the Companies regularly monitor the credit status of major customers as well as perform due date control and balance control for each customer according to the importance of the business in accordance with credit exposure management rules.

The investments in securities the Company holds consist mainly of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the Board of Directors' meeting.

As for notes and accounts payable - trade, due date of payment is within one year. Short-term borrowings are mainly for normal operating activities, and long-term borrowings are mainly for capital investments. Notes and accounts payable - trade and borrowings are exposed to liquidity risk. The Companies minimize such risk by forecasting cash flows on a monthly basis.

③ Supplemental information on the fair value of financial instruments

Not applicable

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and any differences between the two were as follows:

① Previous fiscal year (March 31, 2018)

(Millions of yen)

	Carrying value	Fair value	Difference
Cash on hand and in banks	46,539	46,539	-
Notes and accounts receivable - trade	12,930	12,930	-
Lease deposits	4,034	4,033	(1)
Total	63,504	63,503	(1)
Notes and accounts payable - trade	2,625	2,625	-
Electronically recorded monetary obligations	839	839	-
Current portion of long-term borrowings	1,473	1,473	-
Long-term borrowings	8,315	8,337	22
Total	13,254	13,277	22

② Current fiscal year (March 31, 2019)

(Millions of yen)

	Carrying value	Fair value	Difference
Cash on hand and in banks	53,004	53,004	-
Notes and accounts receivable - trade	13,970	13,970	-
Lease deposits	3,979	3,979	-
Total	70,955	70,955	-
Notes and accounts payable - trade	3,988	3,988	-
Electronically recorded monetary obligations	1,153	1,153	-
Current portion of long-term borrowings	1,579	1,579	-
Long-term borrowings	6,735	6,751	15
Total	13,457	13,472	15

(Thousands of U.S. dollars)

	Carrying value	Fair value	Difference
Cash on hand and in banks	481,856	481,856	-
Notes and accounts receivable - trade	127,008	127,008	-
Lease deposits	36,181	36,181	-
Total	645,046	645,046	-
Notes and accounts payable - trade	36,261	36,261	-
Electronically recorded monetary obligations	10,486	10,486	-
Current portion of long-term borrowings	14,356	14,356	-
Long-term borrowings	61,235	61,373	138
Total	122,339	122,478	138

(Note 1) Fair value measurement of financial instruments

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable - trade

The fair value is assumed to be the same as the carrying value as it approximates fair value because of the short maturity of these instruments.

(3) Lease deposits

The fair value is measured at the present value of future cash flows discounted using the yield of national government bonds according to periods until repayment.

Liabilities

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations and (3) Current portion of long-term borrowings

The fair value is assumed to be the same as the carrying value as it approximates fair value because of the short maturity of these instruments.

(4) Long-term borrowings

The fair value of long-term borrowings with variable interest rates is measured at the carrying value as it approximates fair value.

(The market interest rate fluctuation is reflected in the variable interest rates in the short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rates.)

The fair value of long-term borrowings with fixed rates is measured at the present value of future cash flow (principal plus interest) discounted using the assumed interest rate of similar new borrowings.

(Note 2) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (March 31, 2018)

(Millions of yen)

	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2023	April 1, 2023 to March 31, 2028	April 1, 2028 and thereafter
Cash on hand and in banks	46,539	-	-	-
Notes and accounts receivable - trade	12,930	-	-	-
Lease deposits	364	3,317	250	102
Total	59,833	3,317	250	102

(2) Current fiscal year (March 31, 2019)

(Millions of yen)

	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2024	April 1, 2024 to March 31, 2029	April 1, 2029 and thereafter
Cash on hand and in banks	53,004	-	-	-
Notes and accounts receivable - trade	13,970	-	-	-
Lease deposits	844	2,813	319	3
Total	67,819	2,813	319	3

(Thousands of U.S. dollars)

	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2024	April 1, 2024 to March 31, 2029	April 1, 2029 and thereafter
Cash on hand and in banks	481,856	-	-	-
Notes and accounts receivable - trade	127,008	-	-	-
Lease deposits	7,676	25,573	2,900	30
Total	616,541	25,573	2,900	30

(Note 3) Repayment schedule for current portion of long-term and long-term borrowings with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (March 31, 2018)

(Millions of yen)

	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 and thereafter
Current portion of long-term borrowings	1,473	-	-	-	-	-
Long-term borrowings	-	1,579	4,129	727	626	1,252
Total	1,473	1,579	4,129	727	626	1,252

(2) Current fiscal year (March 31, 2019)

(Millions of yen)

	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 and thereafter
Current portion of long-term borrowings	1,579	-	-	-	-	-
Long-term borrowings	-	4,129	727	626	626	626
Total	1,579	4,129	727	626	626	626

(Thousands of U.S. dollars)

	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 and thereafter
Current portion of long-term borrowings	14,356	-	-	-	-	-
Long-term borrowings	-	37,538	6,617	5,694	5,694	5,691
Total	14,356	37,538	6,617	5,694	5,694	5,691

12. Investments in securities

(1) Available-for-sale securities with a readily determinable fair value

① Previous fiscal year (March 31, 2018)

(Millions of yen)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Equity securities	592	452	139
Bonds	-	-	-
Others	-	-	-
Subtotal	592	452	139
Securities with book value not exceeding acquisition cost			
Equity securities	-	-	-
Bonds	-	-	-
Others	-	-	-
Subtotal	-	-	-
Total	592	452	139

② Current fiscal year (March 31, 2019)

(Millions of yen)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Equity securities	326	283	43
Bonds	-	-	-
Others	-	-	-
Subtotal	326	283	43
Securities with book value not exceeding acquisition cost			
Equity securities	167	183	(16)
Bonds	-	-	-
Others	-	-	-
Subtotal	167	183	(16)
Total	494	467	26

(Thousands of U.S. dollars)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Equity securities	2,969	2,575	394
Bonds	-	-	-
Others	-	-	-
Subtotal	2,969	2,575	394
Securities with book value not exceeding acquisition cost			
Equity securities	1,521	1,671	(150)
Bonds	-	-	-
Others	-	-	-
Subtotal	1,521	1,671	-
Total	4,491	4,247	244

(2) Investments in securities sold during the fiscal year

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

Not applicable

② Current fiscal year (April 1, 2018 to March 31, 2019)

Not applicable

13. Retirement benefits for employees

(1) Summary of retirement benefit plans

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans. Some foreign subsidiaries have defined contribution pension plans.

(2) Defined benefit plans (excluding plans using simplified method)

① Change in projected benefit obligations

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	2,561	2,774	25,224
Service costs	241	256	2,335
Interest costs	12	13	124
Actuarial gain or loss incurred	14	7	64
Payment of retirement benefits	(55)	(67)	(611)
Projected benefit obligations at end of year	2,774	2,985	27,137

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plan	2,774	2,985	27,137
Net balance presented in the consolidated balance sheet	2,774	2,985	27,137
Liabilities for retirement benefits for employees	2,774	2,985	27,137
Net balance presented in the consolidated balance sheet	2,774	2,985	27,137

③ Breakdown of retirement and pension cost

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Service costs	241	256	2,335
Interest costs	12	13	124
Amortization of actuarial differences	57	45	417
Amortization of prior service costs	(12)	(9)	(82)
Net periodic benefit costs	298	307	2,795

(Note) Other than the above retirement pension costs, additionally paid retirement benefits of ¥112 million and ¥601 million (\$5,468 thousand) were presented for the previous fiscal year and the current fiscal year, respectively.

④ Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Prior service liabilities	(12)	(9)	(82)
Actuarial differences	42	38	353
Total	30	29	270

⑤ Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service liabilities	(9)	-	-
Unrecognized actuarial differences	429	390	3,553
Total	420	390	3,553

⑥ Actuarial assumption

Major actuarial assumption (on weighted average)

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019
Discount rate	0.6%	0.6%

(3) Defined benefit plans using simplified method

① Change in projected benefit obligations

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	34	44	405
Service costs	17	66	600
Payment of retirement benefits	(7)	(91)	(833)
Other	(0)	-	-
Projected benefit obligations at end of year	44	18	171

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	March 31, 2018	March 31, 2019	March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plan	44	18	171
Net balance presented in the consolidated balance sheet	44	18	171
Liabilities for retirement benefits for employees	44	18	171
Net balance presented in the consolidated balance sheet	44	18	171

③ Retirement and pension cost

Retirement and pension costs for plans using simplified method were ¥17 million for the previous fiscal year and ¥66 million (\$600 thousand) for the current fiscal year.

(4) Defined contribution plans

The Companies contributed ¥314 million and ¥308 million (\$2,803 thousand) to their defined contribution plans for the previous fiscal year and the current fiscal year, respectively.

14. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2018	March 31, 2019	March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Accrued bonuses	834	887	8,070
Liabilities for retirement benefits for employees	858	916	8,336
Accrued retirement benefits for directors	105	105	960
Inventories	1,790	2,596	23,602
Unearned revenue	455	473	4,303
Investments in subsidiaries and affiliated companies	151	191	1,738
Tax loss carryforwards in the subsidiaries	2,232	1,412	12,839
Tax credits carryforwards in the subsidiaries	774	783	7,120
Depreciation and amortization	255	165	1,504
Deferred revenue	806	82	745
Other	1,254	1,317	11,975
Subtotal	9,519	8,931	81,197
Valuation allowance for tax loss carryforwards (Note2)	-	(703)	(6,397)
Valuation allowance for deductible temporary differences	-	(1,558)	(14,172)
Total valuation allowance (Note1)	(1,870)	(2,262)	(20,569)
Total deferred tax assets	7,649	6,669	60,628
(Deferred tax liabilities)			
Tax deductible inventories for a foreign subsidiary	(2,009)	(17)	(157)
Other	(445)	(237)	(2,162)
Total deferred tax liabilities	(2,455)	(255)	(2,320)
Net deferred tax assets	5,194	6,413	58,307

(Note) 1. Valuation allowance increased by ¥392 million (\$3,568 thousand). This was mainly because the Company's subsidiaries additionally recognized valuation allowance for tax loss carryforwards of ¥273 million (\$2,484 thousand) (Mainly, ¥139 million (\$1,271 thousand) for INTERACTIVE, INC. and ¥152 million (\$1,382 thousand) for CAPCOM ENTERTAINMENT KOREA CO., LTD.)

(Note) 2. Tax loss carryforwards and deferred tax assets by expiration period

Current fiscal year (March 31, 2019)	(Millions of yen)						
	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 and thereafter	Total
Tax loss carryforwards (a)	170	-	-	5	-	1,237	1,412
Valuation allowance	(170)	-	-	-	-	(533)	(703)
Net deferred tax assets (b)	-	-	-	5	-	703	708

	(Thousands of U.S. dollars)						
	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 to March 31, 2023	April 1, 2023 to March 31, 2024	April 1, 2024 and thereafter	Total
Tax loss carryforwards (a)	1,547	-	-	45	-	11,246	12,839
Valuation allowance	(1,547)	-	-	-	-	(4,849)	(6,397)
Net deferred tax assets (b)	-	-	-	45	-	6,396	6,442

(a) Above tax loss carryforwards are calculated by multiplying the statutory tax rate.

(b) For tax loss carryforwards of ¥1,412 million (\$12,839 thousand) (amount multiplied by the statutory tax rate), deferred tax assets of ¥708 million (\$6,422 thousand) were presented. Deferred tax assets of ¥708 million (\$6,422 thousand) were expected to be recoverable for a portion of the tax loss carryforwards of ¥921 million (\$8,377 thousand) incurred by CAPCOM U.S.A., INC., which arose in relation to adjustments of transfer price taxation system.

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019
Statutory income tax rate	(Unit : %) 30.8	(Unit : %) 30.5
(Reconciliation)		
Change in valuation allowance	(0.9)	2.0
Tax credit	(7.1)	(2.0)
Different tax rates applied to foreign subsidiaries	(2.2)	(0.4)
Permanent difference (meals and entertainment, etc.)	1.8	0.4
Unappropriated retained earnings of foreign	(0.1)	(0.5)
Tax adjustments resulting from consolidation elimination entries, etc.	(1.0)	(0.4)
Decrease in deferred tax assets due to change in statutory income tax rate	5.2	-
Others	1.4	(0.1)
Effective income tax rate	27.8	29.4

15. Asset retirement obligations

Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations

Obligations to restore business offices and amusement stores in the "Arcade operations" segment to their original state, as specified in the real estate lease agreements.

② Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted. For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to the respective depreciation periods, are used as their discount rates.

For the amusement facilities, their lease periods (mainly 6 to 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to the respective lease periods, are used as their discount rates.

③ Increase or decrease in asset retirement obligations

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Beginning balance	509	501	4,555
Increase due to purchase of tangible fixed assets	5	71	645
Adjustment due to passage of time	4	4	38
Decrease due to settlement of asset retirement obligations	(18)	(5)	(46)
Ending balance	501	571	5,193

16. Investment and rental property

The note is omitted due to the insignificance of the total amount.

17. Segment information

(1) Outline of reportable segments

① Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance. The Company has several operational headquarters which plan comprehensive business strategies in the domestic and overseas markets for their products and services, and develop its business activities. Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 segments: "Digital content," "Arcade operations" and "Amusement equipment."

② Product and service line

The "Digital content" segment develops and distributes video and mobile games for consumers.

The "Arcade operations" segment operates amusement stores which install amusement equipment.

The "Amusement equipment" segment manufactures arcade game machines and pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors.

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

The accounting policies for the reportable segment are based on those in "Summary of significant accounting policies." 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

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

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	74,141	10,231	7,803	92,176	2,338	94,515	-	94,515
Intersegment	-	-	-	-	-	-	-	-
Total	74,141	10,231	7,803	92,176	2,338	94,515	-	94,515
Segment income	19,103	879	(764)	19,218	1,126	20,345	(4,307)	16,037
Segment assets	61,641	7,471	10,002	79,115	3,600	82,716	42,112	124,829
Other items								
Depreciation	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 reportable segments, including the character content business, etc.

2. Adjustments were as follows:

(1) Adjustments of segment income of (¥4,307) million include unallocated corporate operating expenses of (¥4,307) million. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

(2) Adjustments of segment assets of ¥42,112 million include unallocated corporate identifiable assets of ¥42,112 million.

(3) Adjustments of increase in tangible and intangible fixed assets of ¥1,222 million are capital investments by headquarters.

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

② Current fiscal year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	82,982	11,050	3,422	97,455	2,575	100,031	-	100,031
Intersegment	-	-	-	-	-	-	-	-
Total	82,982	11,050	3,422	97,455	2,575	100,031	-	100,031
Segment income	23,315	1,096	(2,668)	21,743	811	22,554	(4,410)	18,144
Segment assets	54,109	7,730	6,420	68,261	617	68,878	54,528	123,407
Other items								
Depreciation	945	1,158	439	2,542	21	2,564	663	3,228
Increase in tangible and intangible fixed assets	108	1,215	294	1,618	18	1,636	931	2,568

(Thousands of U.S. dollars)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
Customers	754,390	100,455	31,113	885,960	23,418	909,378	-	909,378
Intersegment	-	-	-	-	-	-	-	-
Total	754,390	100,455	31,113	885,960	23,418	909,378	-	909,378
Segment income	211,958	9,968	(24,257)	197,669	7,373	205,043	(40,095)	164,947
Segment assets	491,907	70,280	58,366	620,555	5,615	626,170	495,717	1,121,888
Other items								
Depreciation	8,590	10,532	3,994	23,117	197	23,315	6,033	29,348
Increase in tangible and intangible fixed assets	984	11,050	2,680	14,715	165	14,881	8,465	23,346

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

2. Adjustments were as follows:

(1) Adjustments of segment income of (¥4,410) million ((¥40,095) thousand) include unallocated corporate operating expenses of (¥4,410) million ((¥40,095) thousand).

The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

(2) Adjustments of segment assets of ¥54,528 million (\$495,717 thousand) include unallocated corporate identifiable assets of ¥54,528 million (\$495,717 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥931 million (\$8,465 thousand) are capital investments by headquarters.

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

4. Effective from the fiscal year ended March 31 2019, the Companies adopted "Statement No. 28" from the beginning of the current fiscal year and restated the balance for the fiscal year ended March 31, 2018 retrospectively.

[Related information]

1. Information by product and service line

The information is omitted as the same kind of information is disclosed in Note 17(1), "Segment information."

2. Information by country or region

(1) Net sales

① Previous fiscal year (April 1, 2017 to March 31, 2018) (Millions of yen)

Japan	North America	Europe	Other regions	Total
52,121	25,665	11,159	5,568	94,515

② Current fiscal year (April 1, 2018 to March 31, 2019) (Millions of yen)

Japan	North America	Europe	Other regions	Total
38,129	32,353	16,761	12,787	100,031

(Thousands of U.S. dollars)

Japan	North America	Europe	Other regions	Total
346,628	294,119	152,380	116,250	909,378

(Note) 1. The sales amounts are classified by country or region where customers are located.

2. Countries or regions that are not in Japan

(1) North America..... United States of America

(2) Europe..... European countries

(3) Other regions..... Asia and others

(2) Tangible fixed assets

The information is omitted as the balance of tangible fixed assets in Japan exceeded 90% or more of the total balance of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

(1) Previous fiscal year (April 1, 2017 to March 31, 2018) (Millions of yen)

Customer	Amount of net sales	Reportable segment
Sony Interactive Entertainment Inc.	9,548	Digital Content

(2) Current fiscal year (April 1, 2018 to March 31, 2019)

The information is omitted as there were no customers which exceeded 10% or more of the total sales amount of the consolidated statement of income.

[Impairment loss by reportable segment]

1. Previous fiscal year (April 1, 2017 to March 31, 2018)
Not Applicable

2. Current fiscal year (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment		Other	Corporate or elimination	Total
	Digital content	Subtotal			
Impairment loss	393	393	-	-	393

(Thousands of U.S. dollars)

	Reportable segment		Other	Corporate or elimination	Total
	Digital content	Subtotal			
Impairment loss	3,573	3,573	-	-	3,573

[Amortization and balance of goodwill by reportable segment]

Not applicable

[Negative goodwill by reportable segment]

Not applicable

18. Related party transactions

Transactions between related parties and the Company

The Companies and directors and main shareholders (limited to individuals) of the related parties., etc

1. Previous fiscal year (April 1, 2017 to March 31, 2018)
Not applicable

2. Current fiscal year (From April 1, 2018 to March 31, 2019)

Category	Name	Address	Amount of capital (¥ million)	Nature of business	Proportionate interest (%)	Relationship	Nature of transaction	Amount of transactions (¥ million)	Account	Balance as of March 31, 2019 (¥ million)
Main shareholders (individuals) and companies 50% or more owned by close relatives, etc.	Crossroad Co., Ltd.	Habikino City Osaka Pref.	8	Asset management	Direct 10.01 Indirect -	Main shareholder	Repurchase of treasury stock	4,529	-	-

Category	Name	Address	Amount of capital (U.S\$ thousand)	Nature of business	Proportionate interest(%)	Relationship	Nature of transaction	Amount of transactions (U.S\$ thousand)	Account	Balance as of March 31, 2019 (U.S\$ thousand)
Main shareholders (individuals) and companies 50% or more owned by close relatives, etc.	Crossroad Co., Ltd.	Habikino City Osaka Pref.	72	Asset management	Direct 10.01 Indirect -	Main shareholder	Repurchase of treasury stock	41,173	-	-

(Note) Based on the resolution by the Board of Directors Meeting held on October 29, 2018, the Company repurchased its treasury stocks via tender offer for 2,192 yen (19.92 U.S dollars) per share.

19. Per share information

Previous fiscal year April 1, 2017 to March 31, 2018		Current fiscal year April 1, 2018 to March 31, 2019		Current fiscal year April 1, 2018 to March 31, 2019	
Net assets per share	780.18 yen	Net assets per share	831.37 yen	Net assets per share	7.56 U.S. dollars
Net income per share	99.89 yen	Net income per share	115.45 yen	Net income per share	1.05 U.S. dollars

(Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies had no residual securities.

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

The Company calculated "Net assets per share" and "Net income per share" assuming that the stock split was implemented with an effective date of April 1, 2018.

3. The basis for computation of net assets per share was as follows:

	Previous fiscal year March 31, 2018	Current fiscal year March 31, 2019	Current fiscal year March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	85,421	88,749	806,814
Amounts to be deducted from total amount of net assets	-	-	-
Ending balance of net assets attributable to common stock	85,421	88,749	806,814
Number of shares of common stocks used for computation of net assets per share (thousands of shares)	109,489	106,751	106,751

3. The basis for the computation of net income per share was as follows:

	Previous fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2018 to March 31, 2019	Current fiscal year April 1, 2018 to March 31, 2019
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income attributable to owners of the parent	10,937	12,551	114,106
Amount not allocated to common stock	-	-	-
Net income attributable to owners of the parent allocated to common stock	10,937	12,551	114,106
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	109,491	108,716	108,716

20. Supplemental schedules of bonds
Not applicable

21. Supplemental schedules of borrowings

(Millions of yen)

Category	Balance as of March 31, 2018	Balance as of March 31, 2019	Average interest rate (%)	Date of maturity
Short-term borrowings	-	-	-	-
Current portion of long-term borrowings due within one year	1,473	1,579	0.8	-
Current portion of lease obligations	392	406	1.2	-
Long-term borrowings (Excluding current portion)	8,315	6,735	0.7	From 2020 to 2025
Lease obligations (Excluding current portion)	329	369	1.2	From 2020 to 2024
Other interest bearing debt	-	-	-	-
Total	10,510	9,091	-	-

(Thousands of U.S. dollars)

Category	Balance as of March 31, 2017	Balance as of March 31, 2018	Average interest rate (%)	Date of maturity
Short-term borrowings	-	-	-	-
Current portion of long-term borrowings due within one year	13,392	14,356	0.8	-
Current portion of lease obligations	3,572	3,694	1.2	-
Long-term borrowings (Excluding current portion)	75,591	61,235	0.7	From 2020 to 2025
Lease obligations (Excluding current portion)	2,991	3,361	1.2	From 2020 to 2024
Other interest bearing debt	-	-	-	-
Total	95,547	82,647	-	-

(Note) 1. The "average interest rate" represents the weighted average rate applicable to the ending balance.

2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for five years subsequent to March 31, 2019 (excluding the current portion).

(Millions of yen)

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	4,129	727	626	626
Lease obligations	267	101	0	0

(Thousands of U.S. dollars)

	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
Long-term borrowings	37,538	6,617	5,694	5,694
Lease obligations	2,427	925	7	1

22. Supplemental schedules of asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year was 1% or less than the total balance of the liabilities and the net assets as of the beginning and the end of the current fiscal year, respectively.

23. Supplemental schedules of other

1. Quarterly sales, etc., for the current fiscal year

	1st quarter April 1, 2018 to June 30, 2018	2nd quarter April 1, 2018 to September 30, 2018	3rd quarter April 1, 2018 to December 31, 2018	4th quarter April 1, 2018 to March 31, 2019
Net sales (Millions of yen)	17,204	43,327	61,270	100,031
Net income before income taxes (Millions of yen)	5,479	9,879	13,123	17,770
Net income attributable to owners of the parent (Millions of yen)	3,903	6,849	9,180	12,551
Net income per share (yen)	35.65	62.56	83.95	115.45

	1st quarter April 1, 2018 to June 30, 2018	2nd quarter April 1, 2018 to September 30, 2018	3rd quarter April 1, 2018 to December 31, 2018	4th quarter April 1, 2018 to March 31, 2019
Net sales (Thousands of U.S. dollars)	156,402	393,886	557,007	909,378
Net income before income taxes (Thousands of U.S. dollars)	49,809	89,817	119,308	161,547
Net income attributable to owners of the parent (Thousands of U.S. dollars)	35,488	62,270	83,463	114,106
Net income per share (U.S. dollars)	0.32	0.57	0.76	1.05

	1st quarter April 1, 2018 to June 30, 2018	2nd quarter July 1, 2018 to September 30, 2018	3rd quarter October 1, 2018 to December 31, 2018	4th quarter January 1, 2019 to March 31, 2019
Net income per share (yen)	35.65	26.91	21.37	31.58

	1st quarter April 1, 2018 to June 30, 2018	2nd quarter July 1, 2018 to September 30, 2018	3rd quarter October 1, 2018 to December 31, 2018	4th quarter January 1, 2019 to March 31, 2019
Net income per share (U.S. dollars)	0.32	0.24	0.19	0.29

(Note) The Company calculated "Net Income per share" based on the effect of a 2-for-1 stock split of its common stock on the effective date of April 1, 2018.

2. Investigation by antitrust authority

On April 5 2019, the Companies and two of its subsidiaries - CE EUROPE LTD. and CAPCOM U.S.A., INC. ("the CAPCOM group") received a Statement of Objections from the European Commission which indicated a suspicion of breach of antitrust related to the sales of PC games in the European market.

The CAPCOM group will take an appropriate action based on thorough review of the statement.

(Note)

The Statement of Objections is a document which indicates a provisional view by the European Commission on their suspicion of breach of antitrust, not a final conclusion by the European Commission.

Those who have received the Statement of Objections are entitled to explain their opinions, including their objections.

Following the conclusion by the European Commission, they are entitled to appeal to the European Court of Justice.



Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd.

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CAPCOM Co., Ltd. and its subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 9, 2019
Osaka, Japan