Attachment contents

1. Qualitative information regarding the consolidated business

(1) The progress of the consolidated business results including related qualitative information
During the three months period ended June 30, our industry experienced major changes. For example, in the home video game market, the market size of mobile games mainly led by smartphone applications exceeded 600 billion yen, driving the domestic market. At the same time, the competition for ruling power in the industry became more intensified than ever.

At this year's E3, the Electronic Entertainment Expo, the world's largest trade show for computer and video games being held in Los Angeles in June, Capcom exhibited "Street Fighter V" (for PlayStation 4 and PC) and drew attention of the many visitors thanks to the strong brand recognition established in the overseas market. The trade show also witnessed activities competing against the rapidly growing mobile games such as a series of announcements of virtual reality (VR) for consumer games.

In such an environment, the Company pushed forward with promotion activities to respond to customer demands and marketing efforts in close coordination with development and sales. The Company also steered business operations in a manner to respond to rapid changes in the competitive environment. Additionally the Company launched "Resident Evil 6" as its first pachislo product to conform to the revision in pachislo model certification method by the Security Communications Association in September 2014, which made an excellent start. Furthermore, the Company also focused on improving the development process and revenue management.

The resulting consolidated net sales for the first quarter were 14,541 million yen (up 51.9% from the same term last year). Similarly, profits increased at all levels. Operating income increased to 2,026 million yen (up 59.8% from the same term last year), ordinary income to 2,135 million yen (up 74.5% from the same term last year), and net income attributable to owners of the parent to 1,569 million yen (up 104.9% from the same term last year).

Status of each operational department

① Digital Contents business
In the Digital Contents business, "Devil May Cry 4 Special Edition" (for PlayStation 4, Xbox One and PC) sold well in addition to the robust repeat sales and digital download sales of other titles particularly in overseas markets.

On the other hand, online games remained soft and mobile phone contents were generally soft as well due to, among others, the lack of major titles. However, "Smurfs' Village and the Magical Meadow" (for iOS) made a good start.

Although the first quarter corresponded with the off season in the market launch cycle of major titles, overall sales were firm and the Company was able to lay the groundwork to support the heftier release schedule for the second half of the fiscal year.

The resulting net sales were 6,294 million yen (up 14.3% from the same term last year) and operating income was 1,107 million yen (down 2.2% from the same term last year).

②Arcade Operations business

In the Arcade Operations business, customer attraction efforts were made to capture customers and stimulate demand in the slow recovering market through various demand stimulation measures, including the installation of popular game machines to meet the current demands of customers in addition to holding various events and service days.

However, the Company was not able to achieve a breakthrough result mainly due to the weak consumer confidence reflecting the stagnant market. During the period under review, one arcade was closed, bringing the total number of arcades to 32.

The resulting net sales were 1,932 million yen (down 12.2% from the same term last year) and operating income was 35million yen (down 83.6% from the same term last year).

③Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the long-awaited “Resident Evil 6” made an excellent start with strong unit sales supported by the loyal fans and led the improvement in revenue as it contributed to the increase in sales.

In the Arcade Games Sales sub-segment, the Company launched “Luigi Mansion Arcade” in June 2015, but otherwise focused on repeat sales of existing products.

The resulting net sales were 6,042 million yen (up 303.2% from the same term last year) and operating income was 1,772 million yen (up 182.4% from the same term last year).

④Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sale of related goods, were 272 million yen (down 26.2% from the same term last year), and operating income was 50 million yen (down 71.9% from the same term last year).

(2) Explanation of the consolidated financial position

Total assets as of the end of the first quarter increased by 6,070 million yen from the end of the previous fiscal year to 106,843 million yen. Primary increases were followings: 3,159 million yen in work-in-progress for game software, 1,652 million yen in merchandise and finished goods, and 1,452 million yen in work-in-progress.

Total liabilities as of the end of the first quarter increased by 5,049 million yen from the end of the previous fiscal year to 34,491 million yen. Primary increases were 3,500 million yen in short-term borrowings, 2,210 million yen in notes and accounts payable, trade, and 1,044 million yen in electronically recorded monetary liabilities. Primary decrease was 683 million yen in accrued bonuses.

Net assets as of the end of the first quarter increased by 1,021 million yen from the end of the previous fiscal year to 72,352 million yen. Primary increases were 1,569 million yen in net income attributable to owners of the parent and 771 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. Primary decrease was 1,405 million yen in cash dividends.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results current fiscal year ending March 31, 2016 remains the same as what was projected at the financial results announcement on May 7, 2015.

2. Other information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

(2) Use of special accounting methods for the quarterly consolidated financial statements

(Calculation of tax expense)

Tax expense for consolidated subsidiaries is calculated by determining a reasonable estimate of the effective tax rate after the application of tax-effect accounting for income before income taxes in the fiscal year, including the first quarter, and multiplying income before income taxes by this estimated effective tax rate.

(3)Changes in accounting policies, accounting estimates and retrospective restatement for consolidated financial statements

(Change in accounting policies)

(Application of the Accounting Standard for Business Combinations, etc.)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Accounting Standard for Business Divestitures”), etc. effective from the first quarter under review. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the first day of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, a change in the presentation of quarterly net income, etc. and a change in the presentation of the minority interests to non-controlling interests were adopted. In order to reflect these changes in presentation, the quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year were reclassified.

The application of the Accounting Standard for Business Combinations, etc. is subject to the transitional treatment provided for in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures. Accordingly, these standards have been applied prospectively from the first day of the first quarter under review.

This change in accounting policies has no impact on the Company’s consolidated financial statements for the first quarter under review.