Attachment contents

1. Qualitative information regarding the consolidated business

(1) The progress of the consolidated business results including related qualitative information

During the 9 months period ended December 31, 2012, the domestic market picked up for the first time in a long while, as visitors to the “TOKYO GAME SHOW 2012” reached a record high, in addition to the year-end holiday shopping season being given a boost by the launch of new home video game consoles. Despite the spate of major titles released in time for the holiday season, the overseas markets seemed to soften overall.

Additionally, the social game market, while losing some of its earlier momentum due in part to voluntary restrictions on usage limits following an issue concerning a sales method known as “complete gacha” (method of awarding valuable virtual items where players are allowed to make faster progress in games by purchasing or otherwise obtaining a “complete” set of virtual items), steadily increased its market share.

As the business environment entered a transition phase, the market was progressively being carved into two distinct territories by smartphones (high-function mobile phones) and home video game consoles. Nevertheless, the synergy between the two had the effect of expanding the size of the market as a whole.

Under these circumstances, Capcom, in an effort to expand its source of revenues, raised customer satisfaction and increased its fan base through a broad product lineup, in addition to developing a multi-platform that would provide software to home video game consoles as well as PCs and smartphones.

Furthermore, Capcom, in order to accelerate its global expansion, has been aiming to expand its business in the Asian markets where there seem to be ample room for growth. To this end, we steadily laid the foundations for overseas market development by building the region’s first development base in Taiwan, as well as establishing an affiliated company in Thailand through our subsidiary.

Meanwhile, we have, unexpectedly, been faced with a number of setbacks including the failure to achieve the sales plan for major titles and postponement in the launch of a long-awaited title.

As a result, the Company recorded sales of 72,699 million yen (up 44.6% from the same term last year), operating income of 9,838 million yen (up 45.9% from the same term last year), ordinary income of 10,054 million yen (up 72.6% from the same term last year), and net income of 6,645 million yen (up 104.9% from the same term last year) for the consolidated results for the 9 months period this year.

Status of each operational department

① Digital Contents business

In the Digital Contents business, which constitutes our core competence, the flagship title “Resident Evil 6” (for PlayStation 3 and Xbox 360), despite recording brisk sales when it debuted, subsequently lost its momentum, resulting in the failure to achieve planned sales and fulfill its role as a driver of sales expansion. On the other hand, “Dragon’s Dogma” (for PlayStation 3 and Xbox 360) enjoyed popularity exceeding expectations in the more profitable domestic market, becoming a million-seller unprecedented among recent new brand games developed and published by the Company. Additionally, the lower-priced “Monster Hunter 3 (Tri) G Best Price!” (for Nintendo 3DS) also enjoyed steady growth.

Furthermore, “Monster Hunter 3 (Tri) G HD Ver.”, our first title for the new console “Wii U”, which was launched in December 2012, also became a smash hit.

In the meantime, with the increasingly widespread use of smartphones, “Minna to Monhan Card Master”, which started distributing through Mobage in the previous fiscal year, continued to maintain steady sales, and “Resident Evil: Outbreak Survive” for GREE achieved more than two million registered SNS members by steadily gaining new users.

Other social games also remained generally strong; for example, “Smurf’s Village” under our “Beeline” brand continued to record long-term, stable sales, and “Smurf Life”, which began distribution in December 2012, was off to a good start.

Additionally, the “Monster Hunter Frontier Online” series has remained a perennial favorite and has continued to bring in stable income.

The resulting net sales were 49,720 million yen (up 39.2% from the same term last year) and operating income was 7,322 million yen (up 0.2% from the same term last year).

② Arcade Operations business

In the Arcade Operations business, we focused on capturing a broad customer base by securing core users and attracting new customers by holding various events and providing pleasant facilities, which contributed to the enhancement of customer satisfaction.

However, due to the lack of sales-driving products and our inability to avoid the backlash of increase in demand after the Great East Japan Earthquake, sales remained weak.

Since we closed three unprofitable arcades, the total number of arcades became 34 as of the end of the current period.

The resulting net sales were 8,198 million yen (down 6.9% from the same term last year) and operating income was 1,271 million yen (down 14.7% from the same term last year).

③ Amusement Equipments business

In the Amusement Equipments business, we engaged mainly in repeat sales of existing products such as the coin-operated game machines “Mario Party Kurukuru! Carnival” and “Monster Hunter Medal Hunting”.

In the pachislo machine division, our business steadily expanded. This was due to the sales of the flagship title “Resident Evil 5” significantly exceeding expectations as a result of the synergistic effects with the home video game software and its considerable contribution to income, as well as our expanding contracted product development business.

The resulting net sales were 12,847 million yen (up 248.9% from the same term last year) and operating income was 3,701 million yen (20 million yen for operating income in the previous year).

④ Other Businesses

Net sales from Other Businesses, mainly from publishing of game guidebooks and sales of character-related products, were 1,933 million yen (down 5.7% from the same term last year), and operating income was 676 million yen (down 17.2% from the same term last year).

Capcom has regrouped its business segments from this first quarter, and the comparison and analysis has been made based on new segments.

(2) Qualitative information regarding the consolidated financial position

Total assets as of the end of the third quarter increased by 11,031 million yen from the end of the previous fiscal year to 109,278 million yen. Primary increases were 3,652 million yen in cash on hand and in banks, 3,569 million yen in work-in-progress for game software and 1,520 million yen in merchandise and finished goods.

Liabilities as of the end of the third quarter increased by 5,603 million yen from the end of the previous fiscal year to 44,498 million yen. Primary increases were 4,335 million yen in short-term borrowings and 2,343 million yen in notes and accounts payable, trade. Primary decrease was 1,206 million yen in accrued bonuses.

Net assets as of the end of the third quarter increased by 5,427 million yen from the end of the previous fiscal year to 64,779 million yen. Primary increase was 6,645 million yen in net income for the 9 months period under review. Primary decrease was 2,303 million yen in cash dividends.

(3) Qualitative information regarding the consolidated business forecasts

The consolidated business forecast that was announced on May 7, 2012 for the fiscal year ending on March 31, 2013, was revised. For details, please refer to the press release “Capcom Announces Forecast Revision for the Fiscal Year ending March 31, 2013” dated December 19, 2012.

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 third quarter, and multiplying income before income taxes by this estimated effective tax rate.

(3) Changes in the principle, procedures, and retrospective restatement
(Change in accounting policies which is difficult to distinguish from change in accounting estimation)

From the first quarter of the current fiscal year, Capcom and its consolidated subsidiaries in Japan started to adopt the new method of depreciation and amortization for tangible fixed assets acquired on and after April 1, 2012, in line with the revision of the Corporation Tax Act.
This change will not have a significant effect on profit and loss in the third quarter.