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## 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, 2011, the video game industry enjoyed a lively year-end holiday shopping season with the market showing increased activity for the first time in a long while, owing to the release of popular software in addition to the launch of new mobile game consoles and the price reduction of some hardware.

Meanwhile, the trend of structural change washes over the video game industry, with the rapid growth of affordable and easily accessible social games attributable to the rise of mobile phones and "smart phones".

Under these circumstances, Capcom enhanced the consumer online game business, which is our core business segment. At the same time, we endeavored to operate our business in line with changes in the market environment, taking in a social game company, which had been an affiliate of our U.S. subsidiary, as our direct subsidiary in order to achieve Group agility, as well as focusing our business resources on boosting the mobile contents business.

Additionally, Capcom pushed forward with collaboration based on major contents, such as the performance of the theatrical version of "Sengoku BASARA 3" in October 2011 in Osaka and Tokyo, as well as the launch of beverages based on popular characters, in order to leverage highly popular software to achieve increased visibility, expanded fan base and other synergistic effects.

As a result, net sales for the 9 months period under review were 50,270 million yen (down 29.0% from the same term previous year), operating income was 6,744 million yen (down 47.2% from the same term previous year), ordinary income was 5,823 million yen (down 48.5% from the same term previous year), and net income was 3,242 million yen (down 52.6% from the same term previous year), due in part to a decrease in sales in reaction to the surge during the same term previous year caused by the mass release of major consumer online game titles.

#### Status of each operational department

##### ① Consumer Online Games

In this business segment, "Monster Hunter 3(Tri) G", a feature title for Nintendo 3DS, sold over one million copies to achieve its projected sales, while another 3DS feature title "Resident Evil: The Mercenaries 3D" was also released.

Further, in addition to "Ultimate Marvel VS. Capcom 3" (for PlayStation 3, Xbox 360 and PlayStation Vita) and "Dead Rising 2: Off the Record" (for PlayStation 3 and Xbox 360) faring well mainly overseas, "Monster Hunter Freedom 3 HD Ver." (for PlayStation 3) and numerous other tie-up software were released.

Moreover, the online exclusive "Monster Hunter Frontier Online" series (for PC and Xbox 360) showed steady growth supported by its stable popularity.

The resulting net sales were 31,721 million yen (down 41.3% from the same term previous year) and the operating income was 5,943 million yen (down 54.1% from the same term previous year), due in part to the reaction to the release of multiple flagship titles during the same term previous year.

##### ② Mobile Contents

While "Snoopy's Street Fair" fared well in Japan and Asia, "Monhan Tankenki Maboroshi no Shima" released in late 2011 as the second game for GREE following "Resident Evil: Outbreak Survive" was also off to a good start.

As a result of "The Smurfs' Village", distributed jointly with Facebook, the world's largest SNS, continuing to enjoy success, Capcom's strategic brand "Beeline" titles contributed greatly to improving our earning capacity, with the number of domestic and overseas downloads totaling more than 46 million.

The resulting net sales were 4,008 million yen (up 68.2% from the same term previous year), and the operating income was 1,365 million yen (up 189.1% from the same term previous year).

### ③ Arcade Operations

This business segment focused on the promotion of customer-oriented community-based arcades not only through the organization of various events and renovation of existing arcades, but also by making efforts to attract senior citizens as a means of generating new demands. In spite of a slowdown in customer traffic and intensification of competition with other game consoles including smart phones, with which there is an overlap of the customer base, sales per customer increased as a result of these measures, along with the contribution mainly of proprietary medal winning game machines.

In the absence of closing or opening of arcades during the current period, the total number of arcades remains the same as the end of the previous fiscal period at 37.

The resulting net sales were 8,805 million yen (up 0.9% from the same term previous year), and the operating income was 1,490 million yen (up 58.9% from the same term previous year).

### ④ Amusement Equipments

With regards to arcade games, coin-operated games "Monster Hunter: Medal Hunting" and "Monhan Nikki Sugoroku Airu Mura" were released.

As for the Pachislo machines, "Street Fighter IV" showed steady performance as we engaged in contracted developments .

The resulting net sales were 3,682 million yen (up 29.2% from the same term previous year), and the operating income was 20 million yen (down 95.3% from the same term previous year).

### ⑤ Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, were 2,051 million yen (down 25.6% from the same term previous year), and the operating income was 816 million yen (down 9.9% from the same term previous year).

## (2) Qualitative information regarding the consolidated financial position

Total assets as of the end of third quarter increased by 1,001 million yen from the end of previous fiscal year to 91,410 million yen. The primary increases were 11,617 million yen in work-in progress for game software, 740 million yen for raw materials and supplies, and 630 million yen for merchandise and finished goods. The primary decreases were 10,638 million yen cash on hand and in banks and 1,743 million yen in notes and accounts receivable, trade.

Liabilities as of the end of third quarter increased by 4,208 million yen from the end of the previous fiscal year to 36,609 million yen. The primary increase was 9,894 million yen in short-term borrowings. The primary decreases were 1,686 million yen in accrued bonuses, 1,631 million yen in accrued income taxes and 1,151 million yen in notes and accounts payable, trade.

Net assets as of the end of third quarter decreased by 3,206 million yen from the end of the previous fiscal year to 54,800 million yen. The primary increase was 3,242 million yen in net income for the 9 months period. The primary decreases were 2,703 million yen in treasury stock, 2,340 million yen in cash dividends and 1,353 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries.

## (3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2012 remains the same as what was projected at the financial results announcement on May 6, 2011.

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

(3) Changes in the principle, procedures, and retrospective restatement

Not applicable

(4) Additional Information

Changes in accounting policies resulting from amendment of the accounting standard

Capcom started applying Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24 December 4, 2009) for accounting changes and the past error corrections since the beginning of this quarter.