

Consolidated financial results
for the 9 months ended December 31, 2012 (Japan GAAP - Unaudited)

Company name: CAPCOM Co., Ltd.
Code number: 9697
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Quarterly earnings presentation : Yes (For institutional investors)

Date of issue: February 4, 2013
Stock listing: Tokyo, Osaka
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Dividend payment date: —

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for the 9 months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

(1) Financial results

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
9 months ended December 31, 2012	72,699	44.6	9,838	45.9	10,054	72.6	6,645	104.9
9 months ended December 31, 2011	50,270	-29.0	6,744	-47.2	5,823	-48.5	3,242	-52.6

Note: Comprehensive income 3rd quarter ended December 31, 2012: 7,731 million yen (320.8%) 3rd quarter ended December 31, 2011: 1,837 million yen (- 61.7%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
9 months ended December 31, 2012	115.40	—
9 months ended December 31, 2011	55.88	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
3rd quarter ended December 31, 2012	109,278	64,779	59.3
Fiscal year ended March 31, 2012	98,247	59,352	60.4

Reference: Shareholders' equity: 3rd quarter ended December 31, 2012: 64,779 million yen Year ended March 31, 2012: 59,352 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
Year ended March 31, 2012	—	15.00	—	25.00	40.00
Year ending March 31, 2013	—	15.00	—		
Year ending March 31, 2013 (Forecast)				25.00	40.00

(Note) Changes in dividends forecast from the latest disclosed information : No

3. Earnings forecast for the fiscal year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2013	93,500	13.9	10,000	-18.8	10,000	-15.4	6,500	-3.3	112.88

(Note) Changes in earnings forecast from the latest disclosed information : No

4. Others

- (1) Changes in significant consolidated subsidiaries during the period: No
- (2) Application of simplified methods in accounting principle for quarterly consolidated financial statements: Yes
(Note: Please refer to "2. Other information" on page 5 for more details.)
- (3) Changes in accounting principles, accounting estimates and retrospective restatement for consolidated financial statements
- | | |
|--|-----|
| ① Changes resulting from amendment of the accounting standard: | Yes |
| ② Changes other than ①: | No |
| ③ Changes in accounting estimates: | Yes |
| ④ Retrospective restatement: | No |

(Note: Effective from the 1st quarter for the current fiscal year, Capcom and its domestic subsidiaries have changed their depreciation methods. This change is treated as a case "when it is difficult to distinguish between a change in accounting policy and a change in an accounting estimates". Please refer to "2. Other information" on page 5 for more details.)

(4) Number of shares outstanding (Common stock):

① Number of shares outstanding (including treasury stock)			
3rd quarter ended December 31, 2012:	67,723,244	Year ended March 31, 2012:	67,723,244
② Number of treasury stock			
3rd quarter ended December 31, 2012:	10,139,436	Year ended March 31, 2012:	10,138,856
③ Average number of shares outstanding			
9 months ended December 31, 2012:	57,584,080	9 months ended December 31, 2011:	58,022,925

(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to [Qualitative information regarding the consolidated business forecast] on page 4 for more details.

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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, 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.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current 3rd quarter (As of December 31, 2012)
Assets		
Current assets		
Cash on hand and in banks	24,752	28,405
Notes and accounts receivable, trade	17,285	14,561
Merchandise and finished goods	1,793	3,313
Work-in-progress	443	627
Raw materials and supplies	1,417	1,868
Work-in-progress for game software	22,373	25,943
Other	7,030	7,727
Allowance for doubtful accounts	(58)	(51)
Total current assets	75,038	82,396
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	12,844	13,341
Intangible fixed assets		
Goodwill	291	214
Other	3,619	6,993
Total intangible fixed assets	3,911	7,208
Investments and other assets		
Other	6,728	6,408
Allowance for doubtful accounts	(275)	(75)
Total investments and other assets	6,452	6,332
Total fixed assets	23,208	26,882
Total assets	98,247	109,278

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2012)	Current 3rd quarter (As of December 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	7,257	9,601
Short-term borrowings	7,259	11,595
Accrued income taxes	2,977	1,815
Accrued bonuses	2,111	905
Allowance for sales returns	118	142
Other	9,604	10,779
Total current liabilities	29,327	34,838
Long-term liabilities		
Long-term borrowings	6,145	6,002
Accrued retirement benefits for employees	1,509	1,656
Other	1,912	2,001
Total long-term liabilities	9,567	9,660
Total liabilities	38,895	44,498
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	27,328	31,670
Treasury stock	(15,846)	(15,847)
Total shareholders' equity	66,049	70,390
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(46)	(5)
Cumulative translation adjustments	(6,650)	(5,604)
Total accumulated other comprehensive income	(6,697)	(5,610)
Total net assets	59,352	64,779
Total liabilities and net assets	98,247	109,278

(2) Summary of consolidated statements of income

(Unit: Millions of yen)

	Previous 9 months from April 1, 2011 to December 31, 2011	Current 9 months from April 1, 2012 to December 31, 2012
Net sales	50,270	72,699
Cost of sales	29,840	46,000
Gross profit	20,429	26,699
Reversal of allowance for sales returns	28	—
Provision of allowance for sales returns	—	24
Net gross profit	20,458	26,674
Selling, general and administrative expenses	13,714	16,835
Operating income	6,744	9,838
Non-operating income		
Interest income	61	57
Dividend income	10	9
Gain on settlement of litigation	67	—
Exchange gain, net	—	241
Other	99	110
Total non-operating income	238	419
Non-operating expenses		
Interest expense	85	78
Exchange loss, net	911	—
Commissions	50	45
Other	110	80
Total non-operating expenses	1,158	203
Ordinary income	5,823	10,054
Special gains		
Gain on sales of investments in securities	2	—
Total special gains	2	—
Special losses		
Loss on sales and/or disposal of fixed assets	118	144
Total special losses	118	144
Net income before income taxes	5,707	9,909
Income taxes-current	1,681	2,180
Income taxes-deferred	784	1,083
Total income taxes	2,465	3,264
Net income before minority interests	3,242	6,645
Net income	3,242	6,645

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous 9 months From April 1, 2011 to December 31, 2011	Current 9 months From April 1, 2012 to December 31, 2012
Net income before minority interests	3,242	6,645
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(51)	41
Cumulative translation adjustments	(1,353)	1,045
Total other comprehensive income	(1,404)	1,086
Comprehensive income	1,837	7,731
Comprehensive income attributable to:		
Owners of the parent	1,837	7,731
Minority interests	—	—

(3) Summary of statements of cash flows

(Unit: Millions of yen)

	Previous 9 months from April 1, 2011 to December 31, 2011	Current 9 months from April 1, 2012 to December 31, 2012
Cash flows from operating activities		
Net income before income taxes	5,707	9,909
Depreciation and amortization	2,259	2,324
Amortization of goodwill	83	99
(Decrease) increase in allowance for doubtful accounts	2	(207)
Decrease in accrued bonuses	(1,657)	(1,196)
Interest and dividend income	(71)	(66)
Interest expense	85	78
Exchange (gain) loss, net	886	(221)
Loss on sales and/or disposal of fixed assets	118	144
Gain on sales of investments in securities	(2)	—
Decrease in accounts receivable, trade	1,515	2,403
Increase in inventories	(1,471)	(2,030)
Increase in work-in-progress for game software	(11,787)	(3,277)
Increase (decrease) in accounts payable, trade	(918)	2,318
Increase (decrease) in other current liabilities	(565)	323
Other	(817)	(2,679)
Sub total	(6,631)	7,921
Interest and dividends received	69	74
Interest paid	(84)	(76)
Income taxes paid	(4,102)	(3,948)
Net cash provided by (used in) operating activities	(10,748)	3,971
Cash flows from investing activities		
Payments into time deposits	(2,332)	—
Proceeds from withdrawal of time deposits	—	2,597
Payment for acquisitions of tangible fixed assets	(1,648)	(2,562)
Proceeds from sales of tangible fixed assets	202	643
Payment for acquisitions of intangible fixed assets	(252)	(1,391)
Proceeds from sales of investments in securities	12	—
Other	(210)	213
Net cash used in investing activities	(4,229)	(498)
Cash flows from financing activities		
Increase in short-term borrowings	10,000	4,550
Repayments of long-term borrowings	(463)	(357)
Payment for repurchase of treasury stock	(2,703)	(0)
Dividends paid	(2,340)	(2,301)
Other	(340)	(225)
Net cash provided by financing activities	4,152	1,664
Effect of exchange rate changes on cash and cash equivalents	(2,145)	981
Net increase (decrease) in cash and cash equivalents	(12,970)	6,118
Cash and cash equivalents at beginning of year	35,011	22,287
Cash and cash equivalents at end of year	22,041	28,405

(4) Going concern assumptions: Not applicable

(5) Segment Information

I Previous 9 months (From April 1, 2011 to December 31, 2011)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital contents	Arcade operations	Amusement equipments	Total				
Net sales								
(1) Customers	35,730	8,805	3,682	48,218	2,051	50,270	—	50,270
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	35,730	8,805	3,682	48,218	2,051	50,270	—	50,270
Operating income (loss)	7,308	1,490	20	8,820	816	9,637	(2,892)	6,744

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

2. Adjustments of segments (-2,892 million yen) include unallocated corporate operating expenses (-2,892 million yen).

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

3. Operating income (loss) for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Information on impairment loss and goodwill etc. by reportable segment

Not applicable

II Current 9 months (From April 1, 2012 to December 31, 2012)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital contents	Arcade operations	Amusement equipments	Total				
Net sales								
(1) Customers	49,720	8,198	12,847	70,765	1,933	72,699	—	72,699
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	49,720	8,198	12,847	70,765	1,933	72,699	—	72,699
Operating income (loss)	7,322	1,271	3,701	12,295	676	12,971	(3,132)	9,838

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

2. Adjustments of segments (-3,132 million yen) include unallocated corporate operating expenses (-3,132 million yen).

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

3. Operating income (loss) for segment is adjusted on operating income on the quarterly consolidated statements of income.

2. Information on impairment loss and goodwill etc. by reportable segment

Not applicable

3. Information on change in reportable segment

Effective from the 1st quarter for the current fiscal year, Capcom has integrated "Mobile contents" business into "Consumer online games" business. This is because Capcom needs to arrange an efficient development and management system to respond to rapidly changing business environments in recent years and wants to pursue its multi-platform strategy.

With this change, the name "Consumer online games" has changed into "Digital contents".

The segment information for the same period of the previous fiscal year has been prepared based on the latest segmentation as shown on the upper of this page.

(6) Material changes in shareholders' equity

Not applicable