

**Consolidated financial results for the 6 months  
of the fiscal year ending March 31, 2016 (Japan GAAP - Unaudited)**

Date of issue: October 29, 2015

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : October 29, 2015

Dividend payment date: November 16, 2015

Quarterly earnings supplementary explanatory materials : Yes

Quarterly earnings presentation : Yes (For institutional investors)

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

1. Results for 6 months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(1) Financial results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
6 months ended September 30, 2015	31,638	22.1	2,844	-35.1	2,891	-36.3	1,951	-34.4
6 months ended September 30, 2014	25,917	-51.3	4,383	-41.6	4,540	-44.6	2,973	-39.9

Note: Comprehensive income 2nd quarter ended September 30, 2015 : 1,924 million yen (-54.2%) 2nd quarter ended September 30, 2014 : 4,202 million yen (-31.0%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
6 months ended September 30, 2015	34.71	—
6 months ended September 30, 2014	52.89	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
2nd quarter ended September 30, 2015	108,774	71,847	66.1
Fiscal year ended March 31, 2015	100,773	71,331	70.8

Reference: Shareholders' equity: 2nd quarter ended September 30, 2015 : 71,847 million yen Year ended March 31, 2015 : 71,331 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2015	—	15.00	—	25.00	40.00
Year ending March 31, 2016	—	15.00			
Year ending March 31, 2016 (Forecast)			—	25.00	40.00

(Note) Changes in dividends forecast during the 6months ended September 30, 2015 : No

3. Earnings forecast for the fiscal year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2016	76,000	18.2	12,000	13.4	11,700	7.8	7,700	16.4	136.94

(Note) Changes in earnings forecast during the 6 months ended September 30, 2015 : 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 4 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: No  
④ Retrospective restatement: No

(Note: Please refer to "2. Other information (3)Changes in accounting policies, accounting estimates and retrospective restatement for consolidated financial statements" on page 4 for more details.)

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

- ① Number of shares outstanding (including treasury stock)  
2nd quarter ended September 30, 2015: 67,723,244 Year ended March 31, 2015: 67,723,244  
② Number of treasury stock  
2nd quarter ended September 30, 2015: 11,494,178 Year ended March 31, 2015: 11,493,262  
③ Average number of shares outstanding  
2nd quarter ended September 30, 2015: 56,229,487 2nd quarter ended September 30, 2014: 56,232,675

(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 six-month period ended September 30, 2015, the employment situation and public investment were steady, but the Japanese economy remained at a standstill because of a fall in exports and sluggish consumer spending with the effect of the decelerating Chinese economy.

In our industry, although the game contents market for home video games has continued to show signs of maturity, the mobile games market mainly led by smartphone applications experienced fierce competition to acquire as many customers as possible. While companies fought over market share by grabbing customers in a back and forth situation like an Reversi game, such competition contributed to the expansion of each company's power, thus driving the growth of the overall market size.

Under such circumstances, the Company pushed forward with promotion activities to respond to market trends and marketing efforts in close coordination with development and sales. The Company also focused on improving the development process and revenue management by increasing the ratio of internally produced titles through a reduction of the volume of outsourced operation, so as to reduce development costs and shorten the development period. The Company also presented a collaborative stage play of “Devil May Cry vs. Sengoku BASARA” in Tokyo, which attracted interest even from the non-customer group of those titles. This play thus resulted in increasing the recognition of both titles.

Furthermore, the Company began a “stamp rally” using the characters of the popular “Sengoku BASARA” series in collaboration with Kofu City. It also hosted a special exhibition called “Sengoku (warring states) Guide - Cool Basara Style -” at the Saitama Prefectural Museum of History and Folklore featuring the characters of the series. These collaborations with local municipalities helped the Company to come to the forefront in public, thus enhancing its corporate image and recognition.

At the same time, “Monster Hunter X (Cross)”, which is one of the major titles of the fiscal year under review, was so popular at the Tokyo Game Show 2015 that long queues were formed by interested attendees at the trial play section. This title was the center of attention among attendees, which will give an impetus to the Company toward the launch on November 28, 2015.

The resulting consolidated net sales for the six-month period ended September 30, 2015 were 31,638 million yen (up 22.1% from the same term last year). However, due to an increase in cost of sales ratio, operating income was 2,844 million yen (down 35.1% from the same term last year), ordinary income was 2,891 million yen (down 36.3% from the same term last year), and net income attributable to owners of the parent amounted to 1,951 million yen (down 34.4% from the same term last year).

## Status of each operational department

### ① Digital Contents business

In the Digital Contents business, while sales of “Sengoku BASARA 4 SUMERAGI” (for PlayStation 4 and PlayStation 3) were solid thanks to the well-established brand power, “DAIGYAKUTENSAIBAN” (for the Nintendo 3DS system) remained slow. On the other hand, sales of repeat titles and digital download sales were firm, particularly in overseas markets.

In terms of online games, “Dragon's Dogma Online” (for PlayStation 4, PlayStation 3 and PC), an online open-world action game where players can freely experience a host of adventures, had a good start. The Company also started distributing the new mobile title, “Monster Hunter Explore” (for Android and iOS).

The resulting net sales were 14,304 million yen (up 6.2% from the same term last year), and operating income was 1,533 million yen (down 28.7% from the same term last year).

### ② Arcade Operations business

In the Arcade Operations business, with the market continuing to be weak, the Company strived to expand its customer base by attracting customers through diverse measures such as holding various events and service days for the middle-aged and seniors by offering “free game experience tours” and the setting up of “Asobi Okoku peekaboo” sites and “Kids' Corner” sections targeting younger children.

Nonetheless, the segment results were soft, partly because of the lack of a high-performance product and the decentralization of the entertainment industry, resulting from the overlapping of arcade game players with smartphone users.

During the fiscal year under review, a new arcade was opened while one arcade was closed, bringing the total number of arcades to 33.

The resulting net sales were 4,405 million yen (down 8.6% from the same term last year), and operating income was 355 million yen (down 46.2% from the same term last year).

### ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, unit sales of the long-awaited “Resident Evil 6” strongly increased with the support of loyal fans, which has backed the improvement in revenue as it contributed to the increase in sales. In September, “Asura's Wrath” was also released.

In the Arcade Games Sales sub-segment, the Company launched “Luigi Mansion Arcade” and started the operation of the first music game “crossbeats REV.” for arcades.

The resulting net sales were 12,132 million yen (up 76.3% from the same term last year), and operating income was 2,551 million yen (down 19.2% from the same term last year).

#### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sale of related goods, were 795 million yen (up 5.8% from the same term last year), and operating income was 253 million yen (up 12.5% from the same term last year).

#### (2) Explanation of the consolidated financial position

Total assets as of the end of the second quarter increased by 8,001 million yen from the end of the previous fiscal year to 108,774 million yen. Primary increases were 5,040 million yen in work-in-progress for game software and 1,722 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the second quarter increased by 7,484 million yen from the end of the previous fiscal year to 36,926 million yen. Primary increases were 5,065 million yen in electronically recorded monetary liabilities and 2,083 million yen in long-term borrowings.

Net assets as of the end of the second quarter increased by 516 million yen from the end of the previous fiscal year to 71,847 million yen. Primary increases was 1,951 million yen in net income attributable to owners of the parent. 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 second 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 second 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 second quarter under review.

### 3. Summary of consolidated financial statements

#### (1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2015)	Current fiscal year (as of September 30, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	32,204	31,255
Notes and accounts receivable, trade	8,005	9,727
Merchandise and finished goods	1,225	1,538
Work-in-progress	1,672	2,074
Raw materials and supplies	1,020	1,558
Work-in-progress for game software	16,833	21,874
Other	4,755	5,042
Allowance for doubtful accounts	(56)	(52)
<b>Total current assets</b>	<b>65,659</b>	<b>73,019</b>
<b>Fixed assets</b>		
Tangible fixed assets, net of accumulated depreciation	17,328	17,479
<b>Intangible fixed assets</b>		
Online contents in progress	7,895	5,354
Other	2,772	6,173
<b>Total intangible fixed assets</b>	<b>10,668</b>	<b>11,527</b>
<b>Investments and other assets</b>		
Other	7,196	6,826
Allowance for doubtful accounts	(78)	(78)
<b>Total investments and other assets</b>	<b>7,117</b>	<b>6,747</b>
<b>Total fixed assets</b>	<b>35,113</b>	<b>35,754</b>
<b>Total assets</b>	<b>100,773</b>	<b>108,774</b>



(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2015)	Current fiscal year (as of September 30, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable, trade	3,089	3,071
Electronically recorded monetary obligations	988	6,054
Short-term borrowings	3,452	4,234
Accrued income taxes	823	970
Accrued bonuses	1,832	581
Other	7,058	8,285
<b>Total current liabilities</b>	<b>17,246</b>	<b>23,198</b>
<b>Long-term liabilities</b>		
Long-term borrowings	7,540	9,623
Liabilities for retirement benefits for employees	2,101	2,226
Other	2,554	1,878
<b>Total long-term liabilities</b>	<b>12,195</b>	<b>13,727</b>
<b>Total liabilities</b>	<b>29,442</b>	<b>36,926</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	33,801	34,347
Treasury stock	(18,140)	(18,143)
<b>Total shareholders' equity</b>	<b>70,228</b>	<b>70,772</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on securities, net of tax	170	127
Cumulative translation adjustments	1,215	1,218
Accumulated adjustments for retirement benefits	(283)	(270)
<b>Total accumulated other comprehensive income</b>	<b>1,102</b>	<b>1,075</b>
<b>Total net assets</b>	<b>71,331</b>	<b>71,847</b>
<b>Total liabilities and net assets</b>	<b>100,773</b>	<b>108,774</b>

(2) Consolidated statements of income and comprehensive income  
 Consolidated statements of income

(Unit: Millions of yen)

	Previous 6 months From April 1, 2014 to September 30, 2014	Current 6 months From April 1, 2015 to September 30, 2015
Net sales	25,917	31,638
Cost of sales	14,715	20,745
Gross profit	11,201	10,892
Reversal of allowance for sales returns	74	—
Net gross profit	11,276	10,892
Selling, general and administrative expenses	6,892	8,048
Operating income	4,383	2,844
Non-operating income		
Interest income	47	48
Dividend income	6	7
Exchange gain, net	249	46
Other	56	50
Total non-operating income	360	153
Non-operating expenses		
Interest expense	42	58
Commission fee	41	29
Loss on closing amusement stores	87	—
Other	31	16
Total non-operating expenses	203	105
Ordinary income	4,540	2,891
Special losses		
Loss on sales and /or disposal of fixed assets	10	33
Total special losses	10	33
Net income before income taxes	4,530	2,858
Income taxes-current	893	859
Income taxes-deferred	663	47
Total income taxes	1,556	906
Net income	2,973	1,951
Net income attributable to owners of the parent	2,973	1,951

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2014 to September 30, 2014	Current fiscal year From April 1, 2015 to September 30, 2015
Net income	2,973	1,951
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(10)	(43)
Cumulative translation adjustments	1,227	3
Adjustments for retirement benefits	10	13
Total other comprehensive income	1,228	(26)
Comprehensive income	4,202	1,924
Comprehensive income attributable to:		
Owners of the parent	4,202	1,924
Non-controlling interests	—	—

## (3) Summary of statements of cash flows

(Unit: Millions of yen)

	Previous 6 months From April 1, 2014 to September 30, 2014	Current 6 months From April 1, 2015 to September 30, 2015
Cash flows from operating activities		
Net income before income taxes	4,530	2,858
Depreciation and amortization	1,557	2,105
Amortization of goodwill	67	—
Decrease in allowance for doubtful accounts	(3)	(5)
Decrease in accrued bonuses	(146)	(48)
Interest and dividend income	(54)	(55)
Interest expense	42	58
Exchange gain, net	(46)	(8)
Loss on sales and/or disposal of fixed assets	10	33
Increase (decrease) in accounts receivable, trade	9,918	(1,664)
Increase in inventories	(870)	(1,062)
Increase in work-in-progress for game software	(5,084)	(5,271)
Increase in online contents in progress	(2,377)	(1,643)
Increase (decrease) in accounts payable, trade	(7,784)	5,025
Increase (decrease) in other current liabilities	(718)	92
Other	(2,274)	(880)
Sub total	(3,235)	(466)
Interest and dividends received	73	67
Interest paid	(42)	(59)
Income taxes paid	(571)	(577)
Net cash used in operating activities	(3,776)	(1,036)
Cash flows from investing activities		
Payment for acquisitions of tangible fixed assets	(1,639)	(1,298)
Proceeds from sales of tangible fixed assets	205	4
Payment for acquisitions of intangible fixed assets	(183)	(155)
Other	(18)	198
Net cash used in investing activities	(1,635)	(1,251)
Cash flows from financing activities		
Net increase in short-term borrowings	3,000	3,000
Proceeds from long-term borrowing	1,002	—
Repayments of long-term borrowings	(33)	(135)
Payment for repurchase of treasury stock	(2)	(2)
Dividend paid	(1,407)	(1,407)
Other	(180)	(242)
Net cash provided by financing activities	2,377	1,212
Effect of exchange rate changes on cash and cash equivalents	809	134
Net decrease in cash and cash equivalents	(2,224)	(940)
Cash and cash equivalents at beginning of year	26,118	27,998
Cash and cash equivalents at end of quarter	23,893	27,057

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity) Not applicable

(Segment Information)

I Previous 6 months (From April 1, 2014 to September 30, 2014)

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	13,463	4,820	6,881	25,165	752	25,917	—	25,917
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	13,463	4,820	6,881	25,165	752	25,917	—	25,917
Operating income	2,150	660	3,159	5,970	225	6,196	(1,812)	4,383

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

2. Adjustments of segments (-1,812 million yen) include unallocated corporate operating expenses (-1,812 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.

II Current 6 months (From April 1, 2015 to September 30, 2015)

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	14,304	4,405	12,132	30,842	795	31,638	—	31,638
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	14,304	4,405	12,132	30,842	795	31,638	—	31,638
Operating income	1,533	355	2,551	4,440	253	4,694	(1,850)	2,844

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

2. Adjustments of segments (-1,850 million yen) include unallocated corporate operating expenses (-1,850 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.