

**Consolidated financial results
for the year ended March 31, 2016 (Unaudited)**

Date of issue: May 9, 2016

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Ordinary general shareholders' meeting : June 17, 2016

Dividend payment date: June 20, 2016

Filing date for financial report : June 20, 2016

Earnings supplementary explanatory materials :

Yes

Earnings presentation :

Yes (For institutional investors)

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

1. Results for the year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(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	%
Year ended March 31, 2016	77,021	19.8	12,029	13.7	11,348	4.6	7,745	17.1
Year ended March 31, 2015	64,277	-37.1	10,582	2.7	10,851	-0.9	6,616	92.1

Note: Comprehensive income Year ended March 31, 2016: 6,092 million yen (-35.4%) Year ended March 31, 2015: 9,436 million yen (63.1%)

	Earnings per share of common stock	Diluted earnings per share of common stock	Return on equity	Return (ordinary income) on assets	Operating margin
	Yen	Yen	%	%	%
Year ended March 31, 2016	137.75	—	10.6	10.6	15.6
Year ended March 31, 2015	117.67	—	9.8	11.0	16.5

Reference: Equity in earnings (losses) of affiliates Year ended March 31, 2016: — million yen Year ended March 31, 2015: — million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets	Assets shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2016	113,057	75,168	66.5	1,336.86
Year ended March 31, 2015	100,773	71,331	70.8	1,268.56

Reference: Shareholders' equity: Year ended March 31, 2016: 75,168 million yen Year ended March 31, 2015: 71,331 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2016	4,347	-1,639	-1,115	28,429
Year ended March 31, 2015	4,286	-5,496	1,278	27,998

2. Dividends

Record date	Dividend per share					Dividend paid	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Annual			
Year ended March 31, 2015	—	15.00	—	25.00	40.00	2,249	34.0	3.3
Year ended March 31, 2016	—	15.00	—	25.00	40.00	2,249	29.0	3.1
Year ending March 31, 2017 (Forecast)	—	15.00	—	25.00	40.00		25.0	

3. Earnings forecast for the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

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, 2017	85,000	10.4	13,600	13.1	13,300	17.2	9,000	16.2	160.06

Note: Capcom discloses a full year business forecast, as it manages its business performance on an annual basis.

4. Others

- (1) Changes in significant consolidated subsidiaries during the period: No
(Changes in specified subsidiaries due to changes in the scope of consolidation)
- (2) 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)

For more details, please see "notes to consolidated financial statements" on the page 17.

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

① Number of shares outstanding (including treasury stock)			
Year ended March 31, 2016:	67,723,244	Year ended March 31, 2015:	67,723,244
② Number of treasury stock			
Year ended March 31, 2016:	11,495,204	Year ended March 31, 2015:	11,493,262
③ Average number of shares outstanding			
Year ended March 31, 2016:	56,228,955	Year ended March 31, 2015:	56,231,879

(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 and consolidated financial statements] on page 2 for more details.
- Capcom is scheduled to hold an earnings presentation for institutional investors on May 10. Its footage and its voice sound are going to be posted along with the presentation materials on the Capcom's web page soon after it is closed.

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1. Operating results

(1) Qualitative information and consolidated financial statements

Operating results of the fiscal year ended March 31, 2016

During the fiscal year ended March 31, 2016, the employment and income environments as well as capital investments remained satisfactory. But the Japanese economy basically found itself in a holding pattern, as a result of volatility in the stock market and the rise in the Japanese yen from the beginning of the year, in addition to the stagnation of consumer spending and the decelerating Chinese economy, while an air of increasing uncertainty over the future began to prevail.

In the game industry, in addition to the continued expansion of the mobile game population centering on smartphones, the overall game population also expanded thanks to efforts to further cultivate the existing market by catering to diverse customer tastes and by attracting women, families and senior players through new customer development.

In such an environment, the Company focused on improving the development process and revenue management in order to reduce development costs and shorten the development period. This was achieved by increasing the ratio of internally produced titles through a reduction in the volume of outsourced operations. Additionally, in an effort to develop diverse revenue sources, the Company pushed forward its Single Content Multiple Usage strategy by leveraging its premier contents such as “Monster Hunter” and “Street Fighter”.

Furthermore, the Company has been focusing on expanding its profitable digital download sales in order to mitigate inventory risk and reduce distribution costs. Among the major titles launched this fiscal year, the overwhelming sales of the featured title, “Monster Hunter X (Cross)” (for the Nintendo 3DS system), contributed to the total unit sales and helped to improve business performance overall.

Meanwhile, in the continuously growing Chinese market, distribution of the PC online game “Monster Hunter Online” by Tencent Holdings Limited in cooperation with the Company, which began in December 2015, was off to a good start, thus increasing the possibility of even greater business development in China going forward.

On the other hand, the amusement market failed to show signs of improvement, and the results remained soft.

The resulting consolidated net sales for the fiscal year ended March 31, 2016 were 77,021 million yen (up 19.8% from the previous fiscal year). Regarding profitability, operating income was 12,029 million yen (up 13.7% from the previous fiscal year), ordinary income amounted to 11,348 million yen (up 4.6% from the previous fiscal year) and net income attributable to owners of the parent amounted to 7,745 million yen (up 17.1% from the previous fiscal year).

The Company has been engaged in initiatives to employ people of diverse backgrounds and has been promoting diversity by conducting personnel recruiting, evaluations and promotions without prejudice based on one's nationality, gender, age, etc. As part of such efforts, the Company is pushing forward with its support for child-rearing by providing child-care leave and shorter working hours, and promoting women to management positions as well as employing and nurturing global human resources. As a result, the Company, as of the end of the fiscal year under review, employs 24 women in manager positions (10.3% of all the employees in manager positions) and 91 foreigners (4.0% of all the employees).

Status of business by segment

① Digital Contents business

In the Digital Contents business, the latest title in the featured series, "Monster Hunter X (Cross)" (for the Nintendo 3DS system), was a major hit, with sales of more than 3 million units, surpassing the initially-planned 2.5 million units, which contributed significantly to both sales and profits. Additionally, "Resident Evil 0 (HD Remastered)" (for PlayStation 4, PlayStation 3, Xbox One, Xbox 360, and PC) steadily increased unit sales, while "Street Fighter V" (for PlayStation 4 and PC) remained a perennial favorite and maintained steady sales mainly overseas. Moreover, sales of catalog titles grew, while digital downloads also became a stable source of revenue from a solid performance thanks to the synergistic effects from package sales.

Meanwhile with regard to 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, performed favorably. At the same time, mobile contents sales improved as downloads of "Monster Hunter Explore" (for Android and iOS) surpassed 3 million, indicating signs of a breakthrough in the current situation of the mobile contents segment.

The resulting net sales were 52,577 million yen (up 15.9 % from the previous fiscal year), and operating income was 12,167 million yen (up 19.2% from the previous fiscal year).

② Arcade Operations business

In the Arcade Operations business, with the slow pace of market recovery, the Company strived to expand its customer base by means of community-based store strategies. For example, measures were taken to attract customers including women and families by holding various events and conducting service days for the middle-aged and seniors by offering "free game experience tours" and setting up additional "Asobi Oukoku 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 as well as sluggish demand due to the dispersion of entertainment, resulting from the overlapping of arcade game players with smartphone users.

During the period under review, the Company developed its arcade operations through its scrap and build strategy, and opened four arcades including the "Amuse Factory Tokoname" (Aichi Prefecture) and the innovative "Capcom Cafe" (Saitama Prefecture), while closing three arcades, bringing the total number of arcades to 34.

The resulting net sales were 9,056 million yen (down 2.0% from the previous fiscal year), and operating income was 699 million yen (down 25.6% from the previous fiscal year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, “Resident Evil 6” demonstrated its strengths as a major brand by strongly increasing unit sales, backing the improvement in revenue as it contributed to the increase in sales. However, sales of “Asura’s Wrath” remained weak.

Meanwhile, in the Arcade Games Sales sub-segment, sales of “Luigi Mansion Arcade” were weak reflecting the sluggish market, while “crossbeats REV.” for arcades also struggled.

The resulting net sales were 13,343 million yen (up 77.0% from the previous fiscal year), and operating income was 2,812 million yen (up 2.8% from the previous fiscal year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of the publication of game guidebooks and sale of character merchandise, were 2,043 million yen (down 4.7% from the previous fiscal year), and operating income was 511 million yen (down 22.7% from the previous fiscal year).

Prospects for the next fiscal year

As for the future outlook, with the growth of mobile games, which face relatively low barriers to entry, the industry will continue to expand its market size, while the competitive environment is expected to intensify even further, as a fierce battle for survival will unfold for market leadership.

Amid structural changes to the industry, the Company will concentrate its management resources on the core division of home video game software development, while unifying its US-Japan development structure and improving its product line-up based on a medium-term development map, in order to inject new life into the underperforming Mobile Contents business. Additionally, the Company will strive to increase the number of customers through enhanced customer satisfaction by offering contents that will appeal to a broad range of users, in addition to accumulating optimal operating and management knowhow required after the games have been distributed.

Furthermore, in an effort to diversify its revenue sources in conjunction with the diversification of its sales format and to mitigate inventory burden and reduce distribution costs, the Company will promote its profitable digital download sales, in addition to package products that have limited sales runs. Moreover, as business expansion in the vast overseas markets will be indispensable to ensure sustainable growth, the Company will be targeting its offensive on the Asian market where online games are growing in popularity. To this end, it has launched a new division to oversee this region.

Moreover, the Company will take advantage of the foothold provided by the strong showing in China. With the success of “Monster Hunter Online”, which was jointly distributed by Tencent Holdings Limited in cooperation with the Company, the Company shall further focus penetrating the Company brand in the Chinese market where there is still ample room for growth. Through such full-scale expansion The Company seeks further business opportunities.

Meanwhile, in consideration of the Act of Promotion of Women's Participation and Advancement in the Workplace, which went into effect from April 2016, the Company has been making further efforts to support the advancement of women in the workplace by ensuring a friendly environment for female workers through such means as providing internal nursery care services, while at the same time improving the internal environment in order to increase the percentage of women in the Company's manager positions to 15% by 2021.

In the fiscal year ending March 31, 2017, the Company is scheduled to release the strategic titles of "Sengoku BASARA Sanada Yukimura-den" (for PlayStation 4 and PlayStation 3), which showcases the life of Sanada Yukimura, and "Resident Evil Umbrella Corps" (for PlayStation 4 and PC) of the "Resident Evil" series, which marked its 20th anniversary in March 2016, as warm up to the full-scale offensive planned for the second half of the year. Additionally, the Company is also scheduled to launch "Ace Attorney 6" (for the Nintendo 3DS system) and "Monster Hunter Stories" (for the Nintendo 3DS system).

(2) Analysis of the consolidated financial position

① Analysis of assets, liabilities and net assets

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2016 increased by 12,284 million yen from the end of the previous fiscal year to 113,057 million yen.

Primary increases were followings: 7,991 million yen in work-in-progress for game software, 5,161 million yen in buildings and structures.

(Liabilities)

Total liabilities as of the end of the fiscal year ended March 31, 2016 increased by 8,446 million yen from the end of the previous fiscal year to 37,888 million yen.

Primary increases were 5,646 million yen in accrued income taxes and 3,571 million yen in long-term borrowings. Primary decrease was 1,955 million yen in short-term borrowings.

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2016 increased by 3,837 million yen from the previous fiscal year to 75,168 million yen.

Primary increase was 7,745 million yen in net income attributable to owners of the parent. Primary decreases were 1,494 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries and 2,249 million yen in cash dividends.

② Analysis of cash flow

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2016 increased by 431 million yen from the end of the previous fiscal year to 28,429 million yen. Cash flow positions of each activity and their factors are described below.

(Cash flows from operating activities)

Net cash gained from operating activities was 4,347 million yen (4,286 million yen in the previous fiscal year).

The primary items increasing cash flows were 11,150 million yen in net income before income taxes (10,701 million yen in the previous fiscal year) and 5,712 million yen increase in depreciation and amortization

(3,535 million yen in the previous fiscal year). The primary item decreasing cash flows were 8,778 million yen increase in work-in-progress for game software (6,443 million yen in the previous fiscal year) and 2,208 million yen increase in accounts receivable, trade (decrease of 10,382 million yen in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities was 1,639 million yen (5,496 million yen in the previous fiscal year). Primary item increasing cash flows was 5,813 million yen in payment for acquisition of tangible fixed assets (5,465 million yen in the previous fiscal year). Primary item decreasing cash flows was 4,205 million yen in withdrawal of time deposit (no withdrawal in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities was 1,115 million yen (1,278 million yen gained in the previous fiscal year).

Primary increases used were followings: 2,228 million yen in dividends paid by parent company (2,251 million yen in the previous fiscal year), 883 million yen in repayment for long-term borrowings (3,169 million yen in the previous fiscal year) and 496 million yen in repayment for lease obligations (406 million yen in the previous fiscal year). Primary decrease was 2,500 million yen provided from long-term borrowings (8,162 million yen in the previous fiscal year)

(Reference) Trends of cash flow indicators

	Year ended March 2012	Year ended March 2013	Year ended March 2014	Year ended March 2015	Year ended March 2016
Shareholders' equity ratio to total assets	60.4	60.2	66.1	70.8	66.5
Shareholders' equity ratio to total assets based on fair market value	110.8	81.4	114.0	133.3	136.5
Debt amortization ratio to cash flows	-	258.7	53.4	256.5	290.1
Interest coverage ratio	-	62.4	136.8	50.2	36.5

Shareholders' equity ratio to total assets: Shareholders' equity / Total assets

Shareholders' equity ratio to total assets based on fair market value: Total of the capital stock at market price / Total assets

Debt amortization ratio to cash flows: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payments

(Note 1) Percentage figures are calculated on a consolidated basis.

(Note 2) Total market value of shares is calculated based on the number of shares as of the end of the fiscal year excluding treasury stock.

(Note 3) Cash flows are used for cash flows from operating activities.

(Note 4) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

(Note 5) As the cash flows from operating activities fell into red in fiscal year ended March 2012, we have omitted debt amortization ratio to cash flows from operating activities and interest coverage ratio.

(3) Basic policy for profit distribution and dividend for the fiscal year

Capcom considers returning profits to the shareholders to be one of the most important management issues. Its fundamental dividend policy is to provide a stable and continued dividend to the shareholders, taking into account the future business development and changes in operating circumstances.

Our surplus dividend is basically paid twice a year, that is, at the end of mid-term and fiscal year.

Dividend payment amount is decided by a competent corporate body, which is the board of directors for the mid-term, and during the shareholders' meeting for the fiscal year.

Regarding internal reserves, Capcom will enhance its corporate value through investment for development of game software, Arcade Operations and Amusement Equipments business.

Capcom plans to pay a year-end dividend for the fiscal year under review of 25 yen per share. The annual dividend for the fiscal year under review is 40 yen per share, since the Company paid an ordinary dividend of 15 yen per share as an interim dividend.

The Company establishes an article to enable interim dividend payment in the Articles of Incorporation.

2. Business policy

(1) Management principle

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment. Our management objectives are also on strengthening relationships with shareholders, clients and our employees to satisfy demands and to bring about prosperous benefits.

(2) Key performance indicator

The Group's objective is to enhance corporate value through the continued expansion of businesses. We set ROE (return on equity) as our key performance indicator and strive to increase our capital efficiency by improving ROE in order to enhance corporate value, while focusing on cash flow management and securing profits.

(3) Medium and long-term management strategies

The Company recognizes the development of a corporate structure that can secure stable profits without being influenced by changes in the environment to be a critical management task in promoting its growth scenario and will devote itself to the improvement of its business performance through the implementation of the following measures.

① Promotion of the Single Content Multiple Usage Strategy

The Company has created over 70 million-seller titles, including "Resident Evil", "Monster Hunter" and "Street Fighter", both in Japan and overseas and has steadily expanded its fan base, while also accumulating a vast portfolio of content assets.

To this end, the Company will make efforts to increase penetration of the Capcom brand, through various means including proactive sales pitches for "Made in Capcom" that leverage its high-profile game characters. Additionally, in an effort to create synergy with its popular contents, the Company intends to build a value

chain based on the promotion of the Single Content Multiple Usage strategy in various global businesses that utilize its contents including movies, animation, publishing, the theater, toys and foods/beverages.

② Expansion of Digital Download Sales

In order to keep up with changing business models amid increasingly diverse distribution methods, the Company will focus its efforts on expanding digital download sales, which promise stable revenues as well as reduced distribution costs and no inventory risk, in addition to stocked package games.

③ Strengthening Online Games

While mobile games for smartphones and PC online games are typically “free-to-play,” revenues from such games have begun producing more level and stable revenues compared with stocked package software, as they pose no inventory risk or the risk of piracy and it is possible to sell additional items and contents upon watching the reaction of the customers. Consequently, the Company will make efforts to ensure stable and continuous revenues from online games through such means as accumulating optimal operating and management know-how required after the games have been distributed.

④ Focus on Pachinko & Pachislo Business

Although the Pachinko & Pachislo Business will continue to face a certain level of uncertainty due to the revision in the pachislo model certification method, this segment will be a new source of profits through the effects of synergy with popular titles. Going forward, the Company will respond flexibly by speeding up the development of compliant equipment and endeavor to expand its business opportunities through strategic business development.

⑤ Improvement of Overseas Sales

Given the maturity of the domestic market as well as the demographic changes in Japan, developing the large overseas markets will become crucial for the Company in order to promote its growth strategy. The Company has many brand titles that are popular overseas including “Resident Evil” and “Street Fighter”, both of which have been made into Hollywood movies, and is the world’s leading holder of contents. Consequently, the Company will be making efforts to increase its revenues by proactively targeting Europe, the U.S. and Asia.

(4) Issues to be addressed by the Company

Major issues to be addressed in consideration of the business environments surrounding the Capcom Group and future market trends are as follows:

① Strengthening priority strategic divisions

In order to ensure its competitive superiority, the Company will concentrate its management resources mainly in the mobile contents development and marketing divisions, in addition to the core business of home video game software.

② Expansion of business domains

In an effort to respond to the changing management environment and expand its business domains, the Company will focus on expanding its contents business by distributing games to devices other than home video game consoles, such as smartphones and tablets, as well as strengthening the Pachinko & Pachislo segment among others.

Additionally, in response to the increasing diversification of distribution channels, the Company will make efforts to expand digital download sales.

③ Promotion of overseas business

As the domestic market matures, the Company will need to focus on the overseas markets for its future business expansion. To this end, the Company will engage in strategic global expansion, which will include coordinating with its overseas subsidiaries, such as CAPCOM U.S.A., INC., a core subsidiary, to develop new markets as well as further cultivate the existing markets.

④ Selection and concentration of businesses

As part of the effective utilization of development resources, the Company will revitalize its businesses by means of a clear vision and speedy management and make efforts to enhance its corporate value through the concentrated and selective injection of business resources, including investments into growth fields and the withdrawal from unprofitable businesses so that the Group as a whole may demonstrate its comprehensive strengths.

⑤ Strengthening corporate structure

Through management reforms, the Company will strive to achieve flexible business management and enhance its management efficiency while pressing forward with the development of a corporate structure to the end of reinforcing its revenue base.

As part of these efforts, the Company will further improve its management by practicing strategic management of the Group by means of a precise management structure including its domestic and overseas affiliates, as well as reforms of the Group's financial structure.

3. Basic views on the selection of accounting standards

We are in consideration whether to adopt the International Financial Reporting Standards (IFRS) in light of the ratio of foreign shareholders and trend of adoption of IFRS by other companies among gaming industry in Japan.

4. 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 March 31, 2016)
Assets		
Current assets		
Cash on hand and in banks	32,204	28,429
Notes and accounts receivable, trade	8,005	9,879
Merchandise and finished goods	1,225	1,704
Work-in-progress	1,672	2,085
Raw materials and supplies	1,020	1,954
Work-in-progress for game software	16,833	24,825
Deferred tax assets	2,042	3,382
Other	2,712	3,673
Allowance for doubtful accounts	(56)	(18)
Total current assets	65,659	75,917
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	6,136	11,297
Machinery and vehicles, net	22	23
Tools, fixtures and furniture, net	1,578	1,875
Equipment for amusement facilities, net	1,101	1,342
Land	4,953	5,234
Leased assets	995	1,042
Construction-in-progress	2,541	8
Total intangible fixed assets	17,328	20,825
Intangible fixed assets		
Online contents in progress	7,895	2,395
Other	2,772	5,740
Total intangible fixed assets	10,668	8,135
Investments and other assets		
Investments in securities	621	454
Claim in bankruptcy and reorganization	66	65
Lease deposits	4,036	3,867
Deferred tax assets	1,595	2,952
Other	876	916
Allowance for doubtful accounts	(78)	(78)
Total investments and other assets	7,117	8,179
Total fixed assets	35,113	37,140
Total assets	100,773	113,057

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2015)	Current fiscal year (as of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	3,089	4,053
Electronically recorded monetary liabilities	988	888
Short-term borrowings	3,452	1,497
Lease obligations	483	525
Accrued income taxes	823	6,470
Deferred tax liabilities	147	40
Accrued bonuses	1,832	2,080
Asset retirement obligations	6	—
Other	6,421	6,799
Total current liabilities	17,246	22,355
Long-term liabilities		
Long-term borrowings	7,540	11,111
Lease obligations	589	601
Deferred tax liabilities	48	18
Liabilities for retirement benefits	2,101	2,323
Asset retirement obligations	489	502
Other	1,427	975
Total long-term liabilities	12,195	15,532
Total liabilities	29,442	37,888
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	33,801	39,297
Treasury stock	(18,140)	(18,145)
Total shareholders' equity	70,228	75,719
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	170	2
Cumulative translation adjustments	1,215	(278)
Accumulated liabilities for retirement benefits	(283)	(274)
Total accumulated other comprehensive income	1,102	(550)
Total net assets	71,331	75,168
Total liabilities and net assets	100,773	113,057

(2) Summary of consolidated statements of income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2014 to March 31, 2015	Current fiscal year from April 1, 2015 to March 31, 2016
Net sales	64,277	77,021
Cost of sales	38,379	47,175
Gross profit	25,898	29,846
Reversal of allowance for sales returns	87	—
Net gross profit	25,985	29,846
Selling, general and administrative expenses	15,403	17,816
Operating income	10,582	12,029
Non-operating income		
Interest income	98	95
Dividend income	13	13
Compensation income	92	—
Exchange gain, net	292	—
Other	168	195
Total non-operating income	664	304
Non-operating expenses		
Interest expense	85	119
Exchange loss, net	—	752
Commissions	83	59
Other	226	55
Total non-operating expenses	396	985
Ordinary income	10,851	11,348
Special losses		
Loss on sales and /or disposal of fixed assets	100	92
Impairment loss	49	105
Total special losses	150	197
Net income before income taxes	10,701	11,150
Income taxes-current	1,146	6,377
Income taxes-deferred	2,937	(2,972)
Total income taxes	4,084	3,405
Net income	6,616	7,745
Net income attributable to owners of the parent	6,616	7,745

(3) Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2014 to March 31, 2015	Current fiscal year from April 1, 2015 to March 31, 2016
Net income	6,616	7,745
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	71	(168)
Cumulative translation adjustments	2,863	(1,494)
Adjustments for retirement benefits	(114)	9
Total other comprehensive income	2,820	(1,653)
Comprehensive income	9,436	6,092
Comprehensive income attributable to:		
Owners of the parent	9,436	6,092
Non-controlling interests	—	—

Consolidated statement of changes in net assets

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2014	33,239	21,328	29,160	(18,134)	65,593
Cumulative impact due to changes in accounting policies			273		273
Balance as of March 31, 2014 reflecting the above impact	33,239	21,328	29,433	(18,134)	65,866
Changes of items during the current fiscal year					
Cash dividends			(2,249)		(2,249)
Net income attributable to owners of the parent			6,616		6,616
Repurchase of treasury stock				(5)	(5)
Disposition of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	—	0	4,367	(5)	4,361
Balance as of March 31, 2015	33,239	21,328	33,801	(18,140)	70,228

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of March 31, 2014	99	(1,647)	(169)	(1,717)	63,875
Cumulative impact due to changes in accounting policies					273
Balance as of March 31, 2014 reflecting the above impact	99	(1,647)	(169)	(1,717)	64,149
Changes of items during the previous fiscal year					
Cash dividends					(2,249)
Net income attributable to owners of the parent					6,616
Repurchase of treasury stock					(5)
Disposition of treasury stock					0
Net changes of items other than shareholders' equity	71	2,863	(114)	2,820	2,820
Total changes of items during the current fiscal year	71	2,863	(114)	2,820	7,181
Balance as of March 31, 2015	170	1,215	(283)	1,102	71,331

Consolidated statement of changes in net assets

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2015	33,239	21,328	33,801	(18,140)	70,228
Cumulative impact due to changes in accounting policies					—
Balance as of March 31, 2015 reflecting the above impact	33,239	21,328	33,801	(18,140)	70,228
Changes of items during the current fiscal year					
Cash dividends			(2,249)		(2,249)
Net income attributable to owners of the parent			7,445		7,745
Repurchase of treasury stock				(5)	(5)
Disposition of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	—	—	5,496	(5)	5,491
Balance as of March 31, 2016	33,239	21,328	39,297	(18,145)	75,719

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of March 31, 2015	170	1,215	(283)	1,102	71,331
Cumulative impact due to changes in accounting policies					—
Balance as of March 31, 2015 reflecting the above impact	170	1,215	(283)	1,102	71,331
Changes of items during the previous fiscal year					
Cash dividends					(2,249)
Net income attributable to owners of the parent					7,745
Repurchase of treasury stock					(5)
Disposition of treasury stock					—
Net changes of items other than shareholders' equity	(168)	(1,494)	9	(1,653)	(1,653)
Total changes of items during the current fiscal year	(168)	(1,494)	9	(1,653)	3,837
Balance as of March 31, 2016	2	(278)	(274)	(550)	75,168

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2014 to March 31, 2015	Current fiscal year from April 1, 2015 to March 31, 2016
Cash flows from operating activities		
Net income before income taxes	10,701	11,150
Depreciation and amortization	3,535	5,712
Impairment loss	49	105
Amortization of goodwill	63	—
Decrease in allowance for doubtful accounts	(1)	(38)
Increase (decrease) in accrued bonuses	(3)	263
Decrease in allowance for sales returns	(87)	—
Increase in liabilities for retirement benefits	207	264
Interest and dividend income	(111)	(109)
Interest expense	85	119
Exchange loss or (gain), net	(188)	60
Loss on sales and/or disposal of fixed assets	100	92
(Increase) decrease in accounts receivable, trade	10,382	(2,208)
Increase in inventories	(764)	(1,651)
Increase in work-in-progress for game software	(6,443)	(8,778)
Decrease (increase) in online contents in progress	(3,347)	1,479
Increase (decrease) in accounts payable, trade	(7,856)	935
Increase in other current assets	(239)	(1,260)
Increase (decrease) in other current liabilities	(497)	1,718
Other	(393)	(2,545)
Sub total	5,187	5,309
Interest and dividends received	118	130
Interest paid	(85)	(120)
Income taxes paid	(934)	(972)
Net cash provided by operating activities	4,286	4,347
Cash flows from investing activities		
Payments into time deposits	—	4,205
Payment for acquisitions of tangible fixed assets	(5,465)	(5,813)
Proceeds from sales of tangible fixed assets	206	4
Payment for acquisitions of intangible fixed assets	(195)	(290)
Payment for purchase of investments in securities	(12)	(13)
Payment for other investing activities	(141)	(113)
Proceeds from other investing activities	111	380
Net cash used in investing activities	(5,496)	(1,639)
Cash flows from financing activities		
Net decrease in short-term borrowings	(1,050)	—
Proceeds from long-term borrowings	8,162	2,500
Repayments of long-term borrowings	(3,169)	(883)
Repayments of lease obligations	(406)	(496)
Payment for repurchase of treasury stock	(5)	(5)
Proceeds from sales of treasury stock	0	—
Dividends paid by parent company	(2,251)	(2,228)
Net cash (used in) provided by financing activities	1,278	(1,115)
Effect of exchange rate changes on cash and cash equivalents	1,811	(1,160)
Net increase in cash and cash equivalents	1,879	431
Cash and cash equivalents at beginning of year	26,118	27,998
Cash and cash equivalents at end of year	27,998	28,429

(5) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Change in accounting policies)

(Adoption of "Accounting Standard for Business Combinations")

Effective from the fiscal year ended March 31, Capcom has adopted "Accounting Standard for Business Combinations" (Accounting Standard Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial statements" (ASBJ Statements No. 22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statements No.7, September 13, 2013).

As a result, Capcom has to post changes in interests in its subsidiaries under continuing control to capital surplus and recognize acquisition related costs as expenses.

And as for business combinations implemented on the beginning of the fiscal year ended March 31, 2016 and thereafter, Capcom has changed an accounting treatment, by which review of provisional purchase price allocation will be retrospectively reflected on the consolidated financial statements in which the business combination occurred once it is finalized.

In addition, Capcom has changed presentation of net income and non-parent interests, which is presented as non-controlling interests from the previous minority interests. To reflect the changes, the related accounts of consolidated financial statements for the previous fiscal year have been reclassified.

As for application of "Accounting Standard for Business Combinations" etc., Capcom has followed the transitional treatment provided 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, applying these standards since the beginning of the fiscal year ended March 31, 2016. This change in accounting policies has no impact on per share information.

(Change in presentation)

(Consolidated statement of income)

Effective from the fiscal year ended March 31, Capcom has reclassified "Loss on closing amusement facilities" on the "Non-operating expenses", which was individually presented in the previous fiscal year into "Other" due to materiality in terms of value.

As a result, 142 million yen of "Loss on closing amusement facilities" and 84 million yen of "Other" on the "Non-operating expenses" of the consolidated statement of income for the previous fiscal year have been reclassified into 226 million yen of "Other".

(Segment Information)

1. Outline of business reportable segment

(1) Classification of business reportable segment

The business segments Capcom reports are the business units for which Capcom is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

Capcom has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore Capcom's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 units; "Digital Contents", "Arcade Operations" and "Amusement Equipments".

(2) Product and service line

"Digital Contents" develops and distributes video and mobile games for consumers.

"Arcade Operations" operates amusement facilities which install amusement equipments.

"Amusement Equipments" manufactures arcade game machines and pachinko gambling machines etc. to be distributed to arcade operators and pachinko parlors.

2. Method of calculating sales and income (loss), identifiable assets and liabilities, and other items by reportable segment

The accounting procedure for the reportable segment is basically the same with that for the consolidated financial statements.

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

3. Information on net sales and operating income (loss), identifiable assets and liabilities, and other items by reportable segment

Previous fiscal year (from April 1, 2014 to March 31, 2015)

(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	45,351	9,241	7,540	62,133	2,144	64,277	—	64,277
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	45,351	9,241	7,540	62,133	2,144	64,277	—	64,277
Operating income (loss)	10,208	940	2,736	13,884	661	14,545	(3,963)	10,582
Identifiable assets	50,053	6,315	8,760	65,128	6,534	71,662	29,110	100,773
Other items								
Depreciation and amortization	1,772	1,006	169	2,949	250	3,199	335	3,535
Increase in tangible and intangible fixed assets	5,103	504	526	6,134	2,368	8,502	1,674	10,177

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

2. Adjustments are as follows.

- (1) Adjustments of operating income (loss) of -3,963 million yen include unallocated corporate operating expenses of -3,963 million yen. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of 29,110 million yen include unallocated corporate identifiable assets of 29,110 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 1,674 million yen are capital investment by headquarters.

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

Current fiscal year (from April 1, 2015 to March 31, 2016)

(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	52,577	9,056	13,343	74,978	2,043	77,021	—	77,021
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	52,577	9,056	13,343	74,978	2,043	77,021	—	77,021
Operating income (loss)	12,167	699	2,812	15,679	511	16,190	(4,160)	12,029
Identifiable assets	57,275	6,574	12,314	76,164	4,926	81,090	31,966	113,057
Other items								
Depreciation and amortization	3,410	972	514	4,898	364	5,262	449	5,712
Increase in tangible and intangible fixed assets	2,616	931	199	3,748	584	4,332	3,941	8,274

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

2. Adjustments are as follows.

(1) Adjustments of operating income (loss) of -4,160 million yen include unallocated corporate operating expenses of -4,160 million yen.

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

(2) Adjustments of identifiable assets of 31,966 million yen include unallocated corporate identifiable assets of 31,966 million yen.

(3) Adjustments of increase in tangible and intangible fixed assets of 3,941 million yen are capital investment by headquarters.

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

(Per share information)

Previous fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)	
Net assets per share	1,268.56 yen	Net assets per share	1,336.86 yen
Net income per share	117.67 yen	Net income per share	137.75 yen

(Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies have no residual securities.
2. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
	(Unit: Millions of yen)	(Unit: Millions of yen)
Total amount of net assets	71,331	75,168
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	71,331	75,168
Number of shares of common stocks used for computation of net assets per share (thousand shares)	56,229	56,228

3. The basis for computation of net income per share is as follows:

	Previous fiscal year (From April 1, 2014 To March 31, 2015)	Current fiscal year (From April 1, 2015 To March 31, 2016)
	(Unit: Millions of yen)	(Unit: Millions of yen)
Net income attributable to owners of the parent	6,616	7,745
Amount not allocated to common stock	—	—
Net income attributable to owners of the parent allocated to common stock	6,616	7,745
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	56,231	56,228

(Significant subsequent events)

Not applicable

5. Others

(1) Change in directors

① A notice is hereby given that the Company adopted a resolution to transfer to a company with audit and supervisory committee on the condition that it is approved at the 37th Ordinary General Meeting of shareholders of the Company scheduled to be held on June 17, 2016.

② The change in directors accompanying this transfer is as follows:

- Candidates for appointment as new directors (excluding directors who are members of the audit and supervisory committee)

Kenkichi Nomura (Executive Corporate Officer, Head of Finance, Accounting & Public Relations Division at present)

Masao Sato (External Auditor of the Chugoku Electric Power Co., Inc. at present)

Toru Muranaka (Partner of Daiichi Law Office, P.C. at present)

(Notes) Mr. Masao Sato and Mr. Toru Muranaka are candidates for external directors.

- Candidates for appointment as new directors who are members of the audit and supervisory committee

Kazushi Hirao (Corporate Auditor of the Company (full-time) at present)

Yoshihiko Iwasaki (External Corporate Auditor (full-time) at present)

Tamio Oda (Director, Executive Vice President and Chief Financial Officer (CFO), in charge of Corporate Management of the Company at present)

Makoto Matsuo (External Director of the Company at present)

Takayuki Morinaga (External Director of the Company at present)

(Notes) Mr. Yoshihiko Iwasaki, Mr. Makoto Matsuo, and Mr. Takayuki Morinaga are candidates for external directors.

- Retiring corporate auditors

Akihiko Matsuzaki (External Corporate Auditor of the Company at present)