

**Consolidated financial results for the 6 months  
of the fiscal year ending March 31, 2017 (Japan GAAP - Unaudited)**

Date of issue: October 27, 2016

Stock listing: Tokyo

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Company name: CAPCOM Co., Ltd.

Code number: 9697

URL :

Representative: Haruhiro Tsujimoto, President and COO

Contact person: Kenkichi Nomura, Director and Executive Corporate Officer, CFO

Filing date for financial report : October 27, 2016

Dividend payment date: November 14, 2016

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, 2016 (From April 1, 2016 to September 30, 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                                 | %     |
| 6 months ended September 30, 2016 | 28,676          | -9.4 | 1,715            | -39.7 | 514             | -82.2 | 405   | -79.2 |
| 6 months ended September 30, 2015 | 31,638          | 22.1 | 2,844            | -35.1 | 2,891           | -36.3 | 1,951   | -34.4 |

Note: Comprehensive income

2nd quarter ended September 30, 2016: -2,069 million yen (- %)

2nd quarter ended September 30, 2015: 1,924 million yen (-54.2%)

|                                   | Earnings per share of common stock | Diluted earnings per share of common stock |
|-----------------------------------|------------------------------------|--|
|                                   | Yen                                | Yen  |
| 6 months ended September 30, 2016 | 7.25                               | —  |
| 6 months ended September 30, 2015 | 34.71                              | —  |

**(2) Financial position**

|                                      | Total assets    | Net assets      | Shareholders' equity ratio to total assets |
|--------------------------------------|-----------------|-----------------|--|
|                                      | Millions of yen | Millions of yen | %  |
| 2nd quarter ended September 30, 2016 | 105,646         | 68,392          | 64.7                                       |
| Fiscal year ended March 31, 2016     | 113,057         | 75,168          | 66.5                                       |

Reference: Shareholders' equity:

2nd quarter ended September 30, 2016: 68,392 million yen

Year ended March 31, 2016: 75,168 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, 2016                | — yen              | 15.00 yen        | — yen            | 25.00 yen | 40.00 yen |  |
| Year ending March 31, 2017               | —                  | 25.00            | —                | —         | —         |  |
| Year ending March 31, 2017<br>(Forecast) | —                  | —                | —                | 25.00     | 50.00     |  |

(Note) Changes in dividends forecast during the 6months ended September 30, 2016 : Yes

Regarding the revision to the interim dividend, please see the announcement released today (October 27, 2016),

titled "Notice Regarding Upward Revision of Interim Dividend."

**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 %                               | Yen                  |
| Year ending March 31, 2017 | 85,000 10.4       | 13,600 13.1       | 13,300 17.2       | 9,000 16.2                                      | 162.53               |

(Note) Changes in earnings forecast during the 6 months ended September 30, 2016 : 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 (2)Use of special accounting methods for the quarterly consolidated financial statements" 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: 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 5 for more details.)

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

|   |            |                                       |            |
|---|------------|---------------------------------------|------------|
| ① Number of shares outstanding (including treasury stock) |            |                                       |            |
| 2nd quarter ended September 30, 2016:                     | 67,723,244 | Year ended March 31, 2016:            | 67,723,244 |
| ② Number of treasury stock                                |            |                                       |            |
| 2nd quarter ended September 30, 2016:                     | 12,976,437 | Year ended March 31, 2016:            | 11,495,204 |
| ③ Average number of shares outstanding                    |            |                                       |            |
| 2nd quarter ended September 30, 2016:                     | 55,996,951 | 2nd quarter ended September 30, 2015: | 56,229,487 |

(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-months period ended September 30, 2016, signs of major changes to our industry became evident, such as with the successive releases of VR (virtual reality) consoles that are highly compatible with games, and with an eye to creating a new market we entered a new age many are calling “VR year one.”

Under such circumstances, the Capcom Group (the Company) promoted the expansion of its development departments, which have been the source of its competitiveness by commencing full-scale operations in April of its new development base, the R&D Building #2, with its state-of-the-art facilities comparable to major film studios in Hollywood including the motion capture room, among others.

Additionally, this fiscal year’s feature title, the fully VR-compatible *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC), not only drew the attention of many show-goers at E3, one of the world’s largest game trade shows held in the U.S. in June of this year and where VR was in the spotlight, but similarly was also massively successful at the Company’s booth at the Tokyo Game Show 2016, Japan’s largest game fair that was held in September and which attracted a record number of visitors; at both events the title received lavish praise, showing the Company’s business strategy of prioritizing the second half of the fiscal year through releasing this fiscal year’s major titles in the second half of the year to be sound.

Moreover, the Company also focused on developing new users and deepening its relationships with existing customers by such means as offering *Street Fighter V*, the latest game in the *Street Fighter* series, which has been the cornerstone of the Company’s growth, to be featured in domestic eSports league competitions.

Additionally, the Company proactively expanded its media mix as part of efforts to enhance the Capcom presence and increase Capcom’s brand value by generating synergy with its popular games, such as the airing of the animated TV program *Monster Hunter Stories* (Fuji Television Network) from October 2016, which followed the airing of animated TV program *Phoenix Wright: Ace Attorney* (Nippon TV group network).

Meanwhile, the Company’s business strategy prioritizes the second half of the fiscal year through measures such as releasing this fiscal year’s major titles in the second half of the year, therefore, during the period under review the business mainly focused on minor titles.

The Company, as part of its efforts to return its profits to shareholders, purchased 1.48 million shares of treasury stock in September 2016.

The resulting consolidated net sales for the six-months period ended September 30, 2016 were 28,676 million yen (down 9.4% from the same term last year). Regarding profitability, operating income was 1,715 million yen (down 39.7% from the same term last year). Furthermore, due to the rapidly rising yen, the Company recorded a foreign exchange loss, thus ordinary income amounted to 514 million yen (down 82.2% from the same term last year) and net income attributable to owners of the parent amounted to 405 million yen (down 79.2% from the same term last year).

For comparison, in addition to the second half releases of *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC) and *Dead Rising 4* (for Xbox One and PC), a game targeting the overseas market, the Company will have releases such as the major pachislo machine *Monster Hunter Kyoryu Sensen*, and thus its consolidated earnings forecast for the fiscal year ending March, 2017 is as follows.

| Net sales                                  | Operating income                           | Ordinary income                            | Net income attributable to owners of the parent | Net income per share |
|--|--|--|---|----------------------|
| 85,000 million yen<br>(10.4% increase YoY) | 13,600 million yen<br>(13.1% increase YoY) | 13,300 million yen<br>(17.2% increase YoY) | 9,000 million yen<br>(16.2% increase YoY)       | 162.53 yen           |

#### Status of business by segment

##### ① Digital Contents business

In the Digital Contents business, series title *Phoenix Wright: Ace Attorney – Spirit of Justice* (for the Nintendo 3DS family of systems) sold largely as planned, while re-releases of popular titles *Resident Evil 5* (for PlayStation 4 and Xbox One) and *Resident Evil 4* (for PlayStation 4 and Xbox One) also performed steadily thanks to a stable fanbase for the brand. In addition, *Monster Hunter Generations* (for the Nintendo 3DS family of systems) achieved solid sales overseas thanks to Capcom's established brand capabilities, while elsewhere *Sengoku BASARA Sanada Yukimura-den* (for PlayStation 4 and PlayStation 3) was released.

As the launch of the major titles will be concentrated in the second half of the year, the majority of titles released during the period under review were supplemental or catalog titles.

On the other hand, online games and mobile phone content were off to a promising start, amidst ongoing efforts by the Company to achieve progress surrounding this static sub-segment by reviewing its development framework and operation methods. This led to *Toraware no Paruma*, an enterprising romance game for smartphones (for Android devices and iOS) developed mainly by female staff, to reach the top of the App Store paid application rankings on its release date.

The resulting net sales were 16,373 million yen (up 14.5% from the same term last year) and operating income was 1,099 million yen (down 28.3% from the same term last year).

##### ② Arcade Operations business

In the Arcade Operations business, despite the effects of temporary factors such as the Rio de Janeiro Olympics and the scorching hot summer, under the environment in which the regulations on the entrance to arcades in the nighttime were relaxed by the amendments to the Act on Control and Improvement of Amusement Business, etc. effective June 2016, efforts were made to capture a broad customer base by securing repeat customers and attracting persons of middle or advanced age and families with children through community-based arcade marketing to win the support of local residents by holding various events and operating arcades in a manner to offer comfortable experience to customers. To develop new business opportunities, the Company also pushed forward with innovative new business formulas such as the opening in the arcade of a new "CharaCap" shop, which mainly sells character merchandise.

During the period under review, a new arcade was opened in Yamaguchi Prefecture bringing the total number of arcades to 35.

The resulting net sales were 4,810 million yen (up 9.2% from the same term last year) and operating income was 478 million yen (up 34.6% from the same term last year).

### ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the Company mainly focused on contracted product development except for the launch of *Devil May Cry X (Cross)* and *Super Street Fighter IV*, as it planned to concentrate major business development efforts on the second half of the fiscal year. In the Arcade Games Sales sub-segment, the Company launched *Mario Party Fushigi no Challenge World* and focused on sales of existing products.

The resulting net sales were 6,530 million yen (down 46.2% from the same term last year) and operating income was 1,651 million yen (down 35.3% from the same time last year).

### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from licensing and sale of character merchandise, were 962 million yen (up 21.0% from the same term last year) and operating income was 395 million yen (up 55.9% from the same time last year).

## (2) Explanation of the consolidated financial position

Total assets as of the end of the second quarter decreased by 7,410 million yen from the end of the previous fiscal year to 105,646 million yen.

The primary increase was 3,954 million yen in work-in-progress for game software. Primary decreases were 6,169 million yen in cash on hand and in banks and 2,542 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the second quarter decreased by 633 million yen from the end of the previous fiscal year to 37,254 million yen. The primary increase was 8,338 million yen in short-term borrowings. Primary decreases were as following: 5,549 million yen in accrued income taxes and 2,785 million yen in notes and accounts payable, trade.

Net assets as of the end of the second quarter decreased by 6,776 million yen from the end of the previous fiscal year to 68,392 million yen. The primary increase was 405 million yen in net income attributable to owners of the parent. Primary decreases were 2,488 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries, an increase of 3,301 million yen in treasury stock and 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, 2017 remains the same as what was projected at the financial results announcement on May 9, 2016.

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

(3) Change(s) in accounting policy (policies), accounting estimates and retrospective restatements for consolidated financial statements

(Change in accounting policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In conjunction with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) Solution No. 32, June 17, 2016), effective from the first quarter under review, and has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

This change in accounting policy has minimal impact on the Company’s profit/loss for the second quarter under review.

(4) Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), effective from the first quarter under review.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

|   | Previous fiscal year<br>(as of March 31, 2016) | Current fiscal year<br>(as of September 30, 2016) |
|---|--|---|
| <b>Assets</b>                             |  |   |
| <b>Current assets</b>                     |  |   |
| Cash on hand and in banks                 | 28,429   | 22,260  |
| Notes and accounts receivable, trade      | 9,879  | 7,337   |
| Merchandise and finished goods            | 1,704  | 1,618   |
| Work-in-progress                          | 2,085  | 1,812   |
| Raw materials and supplies                | 1,954  | 1,489   |
| Work-in-progress for game software        | 24,825   | 28,779  |
| Other                                     | 7,055  | 6,773   |
| Allowance for doubtful accounts           | (18)   | (15)  |
| <b>Total current assets</b>               | <b>75,917</b>                                  | <b>70,054</b>                                     |
| <b>Fixed assets</b>                       |  |   |
| <b>Tangible fixed assets</b>              |  |   |
| Buildings and structures, net             | 11,297   | 10,959  |
| Other, net                                | 9,527  | 9,430   |
| <b>Total tangible fixed assets</b>        | <b>20,825</b>                                  | <b>20,390</b>                                     |
| <b>Intangible fixed assets</b>            |  |   |
| Online contents in progress               | 2,395  | 2,931   |
| Other                                     | 5,740  | 4,353   |
| <b>Total intangible fixed assets</b>      | <b>8,135</b>                                   | <b>7,285</b>                                      |
| <b>Investments and other assets</b>       |  |   |
| Other                                     | 8,257  | 8,026   |
| Allowance for doubtful accounts           | (78)   | (109)   |
| <b>Total investments and other assets</b> | <b>8,179</b>                                   | <b>7,916</b>                                      |
| <b>Total fixed assets</b>                 | <b>37,140</b>                                  | <b>35,591</b>                                     |
| <b>Total assets</b>                       | <b>113,057</b>                                 | <b>105,646</b>                                    |

(Unit: Millions of yen)

|   | Previous fiscal year<br>(as of March 31, 2016) | Current fiscal year<br>(as of September 30, 2016) |
|---|--|---|
| <b>Liabilities</b>                                  |  |   |
| <b>Current liabilities</b>                          |  |   |
| Notes and accounts payable, trade                   | 4,053  | 1,267   |
| Electronically recorded monetary obligations        | 888  | 1,836   |
| Short-term borrowings                               | 1,497  | 9,835   |
| Accrued income taxes                                | 6,470  | 920   |
| Accrued bonuses                                     | 2,080  | 653   |
| Other   | 7,366  | 7,830   |
| <b>Total current liabilities</b>                    | <b>22,355</b>                                  | <b>22,344</b>                                     |
| <b>Long-term liabilities</b>                        |  |   |
| Long-term borrowings                                | 11,111   | 10,524  |
| Liabilities for retirement benefits for employees   | 2,323  | 2,403   |
| Other   | 2,098  | 1,981   |
| <b>Total long-term liabilities</b>                  | <b>15,532</b>                                  | <b>14,909</b>                                     |
| <b>Total liabilities</b>                            | <b>37,888</b>                                  | <b>37,254</b>                                     |
| <b>Net assets</b>                                   |  |   |
| <b>Shareholders' equity</b>                         |  |   |
| Common stock  | 33,239   | 33,239  |
| Capital surplus                                     | 21,328   | 21,328  |
| Retained earnings                                   | 39,297   | 38,297  |
| Treasury stock                                      | (18,145)                                       | (21,447)  |
| <b>Total shareholders' equity</b>                   | <b>75,719</b>                                  | <b>71,418</b>                                     |
| <b>Accumulated other comprehensive income</b>       |  |   |
| Net unrealized gain on securities, net of tax       | 2  | (9)   |
| Cumulative translation adjustments                  | (278)  | (2,767)   |
| Accumulated adjustments for retirement benefits     | (274)  | (249)   |
| <b>Total accumulated other comprehensive income</b> | <b>(550)</b>                                   | <b>(3,026)</b>                                    |
| <b>Total net assets</b>                             | <b>75,168</b>                                  | <b>68,392</b>                                     |
| <b>Total liabilities and net assets</b>             | <b>113,057</b>                                 | <b>105,646</b>                                    |

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Unit: Millions of yen)

|   | Previous 6 months<br>From April 1, 2015<br>to September 30, 2015 | Current 6 months<br>From April 1, 2016<br>to September 30, 2016 |
|---|--|---|
| Net sales                                       | 31,638   | 28,676  |
| Cost of sales                                   | 20,745   | 19,986  |
| Gross profit                                    | 10,892   | 8,689   |
| Selling, general and administrative expenses    | 8,048  | 6,973   |
| Operating income                                | 2,844  | 1,715   |
| Non-operating income                            |  |   |
| Interest income                                 | 48   | 24  |
| Dividend income                                 | 7  | 7   |
| Exchange gain, net                              | 46   | —   |
| Other   | 50   | 36  |
| Total non-operating income                      | 153  | 68  |
| Non-operating expenses                          |  |   |
| Interest expense                                | 58   | 71  |
| Commission fee                                  | 29   | 23  |
| Exchange loss, net                              | —  | 1,167   |
| Other   | 16   | 7   |
| Total non-operating expenses                    | 105  | 1,270   |
| Ordinary income                                 | 2,891  | 514   |
| Special losses                                  |  |   |
| Loss on sales and /or disposal of fixed assets  | 33   | 7   |
| Total special losses                            | 33   | 7   |
| Net income before income taxes                  | 2,858  | 506   |
| Income taxes-current                            | 859  | 751   |
| Income taxes-deferred                           | 47   | (650)   |
| Total income taxes                              | 906  | 100   |
| Net income                                      | 1,951  | 405   |
| Net income attributable to owners of the parent | 1,951  | 405   |

Consolidated statements of comprehensive income

(Unit: Millions of yen)

|   | Previous fiscal year<br>From April 1, 2015<br>to September 30, 2015 | Current fiscal year<br>From April 1, 2016<br>to September 30, 2016 |
|---|---|--|
| Net income  | 1,951   | 405  |
| Other comprehensive income                            |   |  |
| Net unrealized gain or loss on securities, net of tax | (43)  | (12)   |
| Cumulative translation adjustments                    | 3   | (2,488)  |
| Adjustments for retirement benefits                   | 13  | 25   |
| Total other comprehensive income                      | (26)  | (2,475)  |
| Comprehensive income                                  | 1,924   | (2,069)  |
| Comprehensive income attributable to:                 |   |  |
| Owners of the parent                                  | 1,924   | (2,069)  |
| Non-controlling interests                             | —   | —  |

(3) Summary of statements of cash flows

(Unit: Millions of yen)

|  | Previous 6 months<br>From April 1, 2015<br>to September 30, 2015 | Current 6 months<br>From April 1, 2016<br>to September 30, 2016 |
|--|--|---|
| Cash flows from operating activities                         |  |   |
| Net income before income taxes                               | 2,858  | 506   |
| Depreciation and amortization                                | 2,105  | 2,882   |
| Increase (decrease) in allowance for doubtful accounts       | (5)  | 31  |
| Decrease in accrued bonuses                                  | (48)   | (128)   |
| Interest and dividend income                                 | (55)   | (31)  |
| Interest expense   | 58   | 71  |
| Exchange loss (gain), net                                    | (8)  | 240   |
| Loss on sales and/or disposal of fixed assets                | 33   | 7   |
| Decrease (increase) in accounts receivable, trade            | (1,664)  | 2,114   |
| Decrease (increase) in inventories                           | (1,062)  | 828   |
| Increase in work-in-progress for game software               | (5,271)  | (4,819)   |
| Increase in online contents in progress                      | (1,643)  | (543)   |
| (Decrease) increase in accounts payable, trade               | 5,025  | (1,722)   |
| Increase in other current liabilities                        | 92   | 637   |
| Other  | (880)  | 306   |
| Sub total  | (466)  | 382   |
| Interest and dividends received                              | 67   | 32  |
| Interest paid  | (59)   | (71)  |
| Income taxes paid  | (577)  | (6,115)   |
| Net cash used in operating activities                        | (1,036)  | (5,772)   |
| Cash flows from investing activities                         |  |   |
| Payment for acquisitions of tangible fixed assets            | (1,298)  | (978)   |
| Proceeds from sales of tangible fixed assets                 | 4  | 0   |
| Payment for acquisitions of intangible fixed assets          | (155)  | (28)  |
| Other  | 198  | (32)  |
| Net cash used in investing activities                        | (1,251)  | (1,038)   |
| Cash flows from financing activities                         |  |   |
| Net increase in short-term borrowings                        | 3,000  | 8,500   |
| Repayments of long-term borrowings                           | (135)  | (748)   |
| Payment for repurchase of treasury stock                     | (2)  | (3,301)   |
| Dividend paid  | (1,407)  | (1,427)   |
| Other  | (242)  | (261)   |
| Net cash provided by financing activities                    | 1,212  | 2,760   |
| Effect of exchange rate changes on cash and cash equivalents | 134  | (2,118)   |
| Net decrease in cash and cash equivalents                    | (940)  | (6,169)   |
| Cash and cash equivalents at beginning of year               | 27,998   | 28,429  |
| Cash and cash equivalents at end of quarter                  | 27,057   | 22,260  |

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity)

Capcom made a resolution to repurchase treasury stock through the board of directors' meeting held on August 25, 2016 in accordance with the articles of incorporation applied under Article 156 and Section 3 of Article 165 of the Companies Act.

As a result, Capcom repurchased its treasury stock of 1,480 thousand shares for 3,299 million yen from August 26, 2016 to September 5, 2016.

(Segment information)

I Previous 6 months (From April 1, 2015 to September 30, 2015)

Information on net sales and operating income (loss)

(Unit: Millions of yen)

|                   | Reportable segment  |                      |                         |        | Other<br>(Note 1) | Total  | Adjustment<br>(Note 2) | Consolidated<br>total (Note 3) |
|-------------------|---------------------|----------------------|-------------------------|--------|-------------------|--------|------------------------|--------------------------------|
|                   | Digital<br>Contents | Arcade<br>Operations | Amusement<br>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.

II Current 6 months (From April 1, 2016 to September 30, 2016)

Information on net sales and operating income (loss)

(Unit: Millions of yen)

|                   | Reportable segment  |                      |                         |        | Other<br>(Note 1) | Total  | Adjustment<br>(Note 2) | Consolidated<br>total (Note 3) |
|-------------------|---------------------|----------------------|-------------------------|--------|-------------------|--------|------------------------|--------------------------------|
|                   | Digital<br>Contents | Arcade<br>Operations | Amusement<br>Equipments | Total  |                   |        |                        |                                |
| Net sales         |                     |                      |                         |        |                   |        |                        |                                |
| (1) Customers     | 16,373              | 4,810                | 6,530                   | 27,713 | 962               | 28,676 | —                      | 28,676                         |
| (2) Inter-segment | —                   | —                    | —                       | —      | —                 | —      | —                      | —                              |
| Total             | 16,373              | 4,810                | 6,530                   | 27,713 | 962               | 28,676 | —                      | 28,676                         |
| Operating income  | 1,099               | 478                  | 1,651                   | 3,229  | 395               | 3,624  | (1,909)                | 1,715                          |

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

2. Adjustments of segments (-1,909 million yen) include unallocated corporate operating expenses (-1,909 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.