

**Consolidated financial results for the 9 months
of the fiscal year ending March 31, 2014 (Japan GAAP - Unaudited)**

Date of issue: February 7, 2014

Company name: CAPCOM Co., Ltd. Stock listing: Tokyo
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 Filing date for financial report : February 10, 2014 Dividend payment date: —
 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 the 9 months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

(1) Financial results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
9 months ended December 31, 2013	75,221	3.5	8,521	-13.4	9,251	-8.0	5,957	-10.3
9 months ended December 31, 2012	72,699	44.6	9,838	45.9	10,054	72.6	6,645	104.9

Note: Comprehensive income 3rd quarter ended December 31, 2013: 9,028 million yen (16.8%) 3rd quarter ended December 31, 2012: 7,731 million yen (320.8%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
9 months ended December 31, 2013	105.58	—
9 months ended December 31, 2012	115.40	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
3rd quarter ended December 31, 2013	94,939	67,287	70.9
Fiscal year ended March 31, 2013	104,365	62,828	60.2

Reference: Shareholders' equity: 3rd quarter ended December 31, 2013: 67,287 million yen Year ended March 31, 2013: 62,828 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, 2013	—	15.00	—	25.00	40.00
Year ending March 31, 2014	—	15.00	—		
Year ending March 31, 2014 (Forecast)				25.00	40.00

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

3. Earnings forecast for the fiscal year ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2014	97,000	3.1	12,000	18.2	11,700	6.9	6,800	128.7	120.62

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

Notes

(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 6 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:				No
② Changes other than ①:				No
③ Changes in accounting estimates:				No
④ Retrospective restatement:				No
(4) Number of shares outstanding (Common stock):				
① Number of shares outstanding (including treasury stock)				
3rd quarter ended December 31, 2013:	67,723,244	Year ended March 31, 2013:		67,723,244
② Number of treasury stock				
3rd quarter ended December 31, 2013:	11,489,724	Year ended March 31, 2013:		10,139,772
③ Average number of shares outstanding				
9 months ended December 31, 2013:	56,424,530	9 months ended December 31, 2012:		57,584,080

(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 6 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 nine months period ended December 31, 2013, strong consumer spending and exports, weakening of the yen, improvement in the employment/income environment and high stock prices, as well as Tokyo being selected to host the 2020 Olympic Games, put the Japanese economy on the road to recovery.

In the industry, while a range of next-generation home video game consoles were launched in North America and Europe that thrived well after Christmas sales began, Japan is the last market where such consoles will be launched including those to be released this spring or undecided. This resulted in an overall soft market, putting the home video game market in a transition period.

The social game market, on the other hand, saw native app games surge amid the shift from feature phones (conventional mobile phones) to smartphones (high-function mobile phones) as the mainstream platform.

Additionally, with the spread of tablets (multi-functional mobile terminals) and the rise of LINE, an app that allows users to call and instant message for free, leading to increasing presence and other progress in multi-polarization of business structures, the market environment has been rapidly changing.

Under these circumstances, our much-anticipated flagship title “Monster Hunter 4” introduced in September 2013 became a huge hit with people lining up at major shops across the country from the day of release. Its sales exceeded 4 million units making it a mega hit and the accumulated sales of the series surpassed 28 million units as well.

In addition, in order to adapt to the changes of external business environments, Capcom worked on improvement of the development process and revenue management by clarifying the chain of operations and responsibility through reorganization of the development structure and speeding up of decision making, as well as by increasing the ratio of in-house development through such measures as progressively reducing the outsourcing of development, mainly using overseas development companies.

In addition, “Monster Hunter Festa’13”, which Capcom held in five cities nationwide including Tokyo and Osaka last fall, turned out to be a success bringing in nearly 50,000 fans being participated in total.

Moreover, our branding development will gain further momentum through “Monster Hunter the Real 2014” planned to be held in February, 2014 in collaboration with Universal Studios Japan, a theme park in Osaka.

Meanwhile, Capcom won the best game manufacturer for the third consecutive year at the prestigious “FAMITSU Awards 2012”.

Given the above, the results for the nine months period ended December 31, 2013 were net sales of 75,221 million yen (up 3.5% from the same term last year), operating income of 8,521 million yen (down 13.4% from the same term last year), ordinary income of 9,251 million yen (down 8.0% from the same term last year), and net income of 5,957 million yen (down 10.3% from the same term last year).

Status of each operational department

① Digital Contents business

In the Digital Contents business, in addition to the feature title “Monster Hunter 4” (for Nintendo 3DS) being supported by overwhelming popularity, as mentioned above, and creating a huge buzz even comparable to a sort of social phenomenon, “Dragon’s Dogma: Dark Arisen” (for PlayStation 3 and Xbox 360) also steadily increased sales.

Furthermore, projected sales were basically achieved for not only “Dead Rising 3” (for Xbox One) that has been geared toward the European and U.S. markets, “Resident Evil Revelations” (for PlayStation 3, Xbox 360, Wii U and PC), but also “Phoenix Wright: Ace Attorney - Dual Destinies” (for Nintendo 3DS).

Furthermore, the downloadable versions, which respond to changes in forms of distribution, contributed to expansion of sales by growing significantly both overseas and domestically in line with the progress in diversification of business models, including the better-than-expected performance of “DuckTales: Remastered” for overseas markets in addition to the aforementioned “Monster Hunter 4” showing strong sales.

On the other hand, sales of “Lost Planet 3” (for PlayStation 3, Xbox 360 and PC) were below expectations due in part to intensifying competition in the European and U.S. markets.

Meanwhile, in addition to the online game “Monster Hunter Frontier G” (for PC, Xbox 360, PlayStation 3 and Wii U) performing steadily, the browser game “Onimusha Soul” is garnering a great deal of attention in Taiwan, including being at the top of the charts, with the start of its distribution there. In order to expand Capcom’s business field, this marked the beginning of the Company’s base in Taiwan, which was established in 2012, in gaining a foothold.

In addition, the Beeline brand’s mainstay title “Smurfs’ Village” also maintained its ongoing popularity, providing stable income.

However, mobile contents did not achieve expected level of sales throughout the period under review, due in part to lack of major titles and the fierce competition even though “Monster Hunter Hunting Quest” performed steadily.

The resulting net sales were 56,067 million yen (up 12.8% from the same term last year), and operating income was 6,919 million yen (down 5.5% from the same term last year).

②Arcade Operations business

In the Arcade Operations business, Capcom has been working to capture a wide range of customers including core customers, repeat customers and families as well as to get new customers through development of elaborate activities to draw in customers such as conducting “free game experiencing tours” for middle-aged and seniors, and setting up “kids’ corners” for pre-school children to broaden the customer base in continued stagnant market.

However, the lack of high-performing game machines, intensification of competition with other modes of entertainment and bad weather adversely impacted efforts to attract customers.

Capcom opened an arcade in Shizuoka city and closed an unprofitable arcade during the period under review, bringing the total number of arcades to 34 as of the end of the period.

The resulting net sales were 7,949 million yen (down 3.0% from the same term last year), and operating income was 1,242 million yen (down 2.3% from the same term last year).

③Amusement Equipment business

In the Pachinko & Pachislo division, “DEVIL MAY CRY 4”, which was released last September, realized better-than-expected sales, serving to lead sales expansion and support earnings.

In addition, in the Arcade Games Sales division, a new coin-operated game machine “Mario Party Fushigi no Korokoro Catcher 2” performed solidly.

However, due to the backlash from the huge hit “Resident Evil 5” in the third quarter of the previous fiscal year, there was a substantial decrease in sales and income.

The resulting net sales were 9,213 million yen (down 28.3% from the same term last year), and operating income was 2,450 million yen (down 33.8% from the same term last year).

④Other Businesses

In Other Businesses, which is mainly the publication of game guidebooks, etc. and selling of character and other goods, net sales were 1,991 million yen (up 3.0% from the same term last year), and operating income was 721 million yen (up 6.7% from the same term last year).

(2) Qualitative information regarding the financial position

Total assets as of the end of the third quarter decreased by 9,425 million yen from the end of the previous fiscal year to 94,939 million yen. Primary increase was 1,827 million yen in work-in-progress. Primary decreases were 7,936 million yen in work-in-progress for game software and supplies and 3,642 million yen in notes and accounts receivable, trade.

Liabilities as of the end of the third quarter decreased by 13,884 million yen from the end of the previous fiscal year to 27,651 million yen. Primary decreases were the followings: 10,142 million yen in short-term borrowings, 1,487 million yen in accrued income taxes.

Net assets as of the end of the third quarter increased by 4,459 million yen from the end of the previous fiscal year to 67,287 million yen. Primary increases were 5,957 million yen in net income for the 9 months period under review and 2,975 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. Primary decreases were 2,285 million yen in increase in treasury stock and 2,283 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, 2014 remains the same as what was projected at the financial results announcement on May 8, 2013.

2. Other information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

(2) Use of special accounting methods for the quarterly consolidated financial statements

Calculation of tax expense

Tax expense for consolidated subsidiaries is calculated by determining a reasonable estimate of the effective tax rate after the application of tax-effect accounting for income before income taxes in the fiscal year, including the third quarter, and multiplying income before income taxes by this estimated effective tax rate.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2013)	Current 3rd quarter (As of December 31, 2013)
Assets		
Current assets		
Cash on hand and in banks	31,522	31,842
Notes and accounts receivable, trade	11,687	8,045
Merchandise and finished goods	1,756	1,543
Work-in-progress	906	2,733
Raw materials and supplies	1,592	1,551
Work-in-progress for game software	18,888	10,952
Other	10,552	7,550
Allowance for doubtful accounts	(64)	(62)
Total current assets	76,841	64,156
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	13,258	13,559
Intangible fixed assets		
Goodwill	200	106
Other	7,709	10,722
Total intangible fixed assets	7,909	10,828
Investments and other assets		
Other	6,433	6,472
Allowance for doubtful accounts	(78)	(77)
Total investments and other assets	6,355	6,394
Total fixed assets	27,523	30,783
Total assets	104,365	94,939

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2013)	Current 3rd quarter (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	6,304	4,141
Electronically recorded monetary obligations	634	3,776
Short-term borrowings	11,194	1,052
Accrued income taxes	2,111	624
Accrued bonuses	1,679	783
Allowance for sales returns	187	108
Other	9,793	7,330
Total current liabilities	31,905	17,817
Long-term liabilities		
Long-term borrowings	6,000	6,000
Accrued retirement benefits for employees	1,697	1,839
Other	1,932	1,994
Total long-term liabilities	9,630	9,834
Total liabilities	41,536	27,651
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	27,998	31,672
Treasury stock	(15,848)	(18,134)
Total shareholders' equity	66,718	68,106
Accumulated other comprehensive income		
Net unrealized gain on securities, net of tax	91	186
Cumulative translation adjustments	(3,981)	(1,005)
Total accumulated other comprehensive income	(3,889)	(818)
Total net assets	62,828	67,287
Total liabilities and net assets	104,365	94,939

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

(Unit: Millions of yen)

	Previous 9 months From April 1, 2012 to December 31, 2012	Current 9 months From April 1, 2013 to December 31, 2013
Net sales	72,699	75,221
Cost of sales	46,000	52,097
Gross profit	26,699	23,124
Reversal of allowance for sales returns	—	78
Provision of allowance for sales returns	24	—
Net gross profit	26,674	23,203
Selling, general and administrative expenses	16,835	14,681
Operating income	9,838	8,521
Non-operating income		
Interest income	57	70
Dividend income	9	10
Compensation income	—	210
Exchange gain, net	241	662
Other	110	186
Total non-operating income	419	1,140
Non-operating expenses		
Interest expense	78	80
Commissions	45	47
Compensation expenses	—	128
Loss on closing amusement facilities	—	131
Other	80	22
Total non-operating expenses	203	410
Ordinary income	10,054	9,251
Special losses		
Loss on sales and /or disposal of fixed assets	144	85
Loss on restructuring	—	415
Total special losses	144	501
Net income before income taxes	9,909	8,750
Income taxes-current	2,180	697
Income taxes-deferred	1,083	2,095
Total income taxes	3,264	2,793
Net income before minority interests	6,645	5,957
Net income	6,645	5,957

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous 9 months From April 1, 2012 to December 31, 2012	Current 9 months From April 1, 2013 to December 31, 2013
Net income before minority interests	6,645	5,957
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	41	95
Cumulative translation adjustments	1,045	2,975
Total other comprehensive income	1,086	3,071
Comprehensive income	7,731	9,028
Comprehensive income attributable to:		
Owners of the parent	7,731	9,028
Minority interests	—	—

(3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous 9 months From April 1, 2012 to December 31, 2012	Current 9 months From April 1, 2013 to December 31, 2013
Cash flows from operating activities		
Net income before income taxes	9,909	8,750
Depreciation and amortization	2,324	3,278
Amortization of goodwill	99	101
Decrease in allowance for doubtful accounts	(207)	(10)
Decrease in accrued bonuses	(1,196)	(924)
Interest and dividend income	(66)	(81)
Interest expense	78	80
Exchange gain, net	(221)	(414)
Loss on sales and/or disposal of fixed assets	144	85
Loss on restructuring	—	415
Decrease in accounts receivable, trade	2,403	3,746
Increase in inventories	(2,030)	(1,488)
Decrease (increase) in work-in-progress for game software	(3,277)	6,986
Increase in accounts payable, trade	2,318	844
(Decrease) increase in other current liabilities	323	(954)
Other	(2,679)	(4,583)
Sub total	7,921	15,832
Interest and dividends received	74	66
Interest paid	(76)	(82)
Income taxes paid	(3,948)	(1,945)
Net cash provided by operating activities	3,971	13,871
Cash flows from investing activities		
Payments into time deposits	—	(3,493)
Proceeds from withdrawal of time deposits	2,597	—
Payment for acquisitions of tangible fixed assets	(2,562)	(1,471)
Proceeds from sales of tangible fixed assets	643	—
Payment for acquisitions of intangible fixed assets	(1,391)	(373)
Other	213	(55)
Net cash used in investing activities	(498)	(5,393)
Cash flows from financing activities		
(Decrease) increase in short-term borrowings	4,550	(10,000)
Repayments of long-term borrowings	(357)	(143)
Payment for repurchase of treasury stock	(0)	(2,285)
Dividends paid	(2,301)	(2,283)
Other	(225)	(285)
Net cash (used in) provided by financing activities	1,664	(14,997)
Effect of exchange rate changes on cash and cash equivalents	981	3,151
Net (decrease) increase in cash and cash equivalents	6,118	(3,368)
Cash and cash equivalents at beginning of year	22,287	31,522
Cash and cash equivalents at end of year	28,405	28,153

(4) Going concern assumptions: Not applicable

(5) Material changes in shareholders' equity

Capcom made a resolution to repurchase treasury stock through the board of directors' meeting held on April 18, 2013 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 1,347 thousand shares for 2,281 million yen from April 22, 2013 to May 31, 2013.

(6) Segment Information

I Previous 9 months (From April 1, 2012 to December 31, 2012)

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

(Unit: Millions of yen)

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

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

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

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

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

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

Not applicable

II Current 9 months (From April 1, 2013 to December 31, 2013)

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	56,067	7,949	9,213	73,230	1,991	75,221	—	75,221
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	56,067	7,949	9,213	73,230	1,991	75,221	—	75,221
Operating income	6,919	1,242	2,450	10,612	721	11,333	(2,811)	8,521

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

2. Adjustments of segments (-2,811 million yen) include unallocated corporate operating expenses (-2,811 million yen).

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

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

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

Not applicable