

**Consolidated financial results
for the year ended March 31, 2014 (Unaudited)**

Date of issue: May 8, 2014

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Ordinary general shareholders' meeting : June 16, 2014

Dividend payment date: June 17, 2014

Filing date for financial report : June 17, 2014

Earnings supplementary explanatory materials :

Yes

Earnings presentation :

Yes (For institutional investors)

1. Results for the year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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	%
Year ended March 31, 2014	102,200	8.6	10,299	1.5	10,946	0.0	3,444	15.9
Year ended March 31, 2013	94,075	14.6	10,151	-17.6	10,944	-7.4	2,973	-55.8

Note: Comprehensive income

Year ended March 31, 2014: 5,786 million yen (0.1%)

Year ended March 31, 2013: 5,780 million yen (-9.5%)

	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, 2014	61.11	—	5.4	10.9	10.1
Year ended March 31, 2013	51.64	—	4.9	10.8	10.8

Reference: Equity in earnings (losses) of affiliates

Year ended March 31, 2014: — million yen

Year ended March 31, 2013: — 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, 2014	96,611	63,875	66.1	1,135.91
Year ended March 31, 2013	104,365	62,828	60.2	1,091.08

Reference: Shareholders' equity:

Year ended March 31, 2013: 63,875 million yen

Year ended March 31, 2013: 62,828 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, 2014	13,201	-6,155	-15,099	26,118
Year ended March 31, 2013	6,647	-1,375	1,162	31,522

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, 2013	—	15.00	—	25.00	40.00	2,303	77.5	3.8
Year ended March 31, 2014	—	15.00	—	25.00	40.00	2,249	65.5	3.6
Year ending March 31, 2015 (Forecast)	—	15.00	—	25.00	40.00		34.1	

3. Earnings forecast for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

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, 2015	80,000	-21.7	10,500	1.9	10,200	-6.8	6,600	91.6	117.37

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 18.

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

① Number of shares outstanding (including treasury stock)			
Year ended March 31, 2014:	67,723,244	Year ended March 31, 2013:	67,723,244
② Number of treasury stock			
Year ended March 31, 2014:	11,490,124	Year ended March 31, 2013:	10,139,772
③ Average number of shares outstanding			
Year ended March 31, 2014:	56,377,377	Year ended March 31, 2013:	57,584,000

(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 9. 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, 2014

During the fiscal year ended March 31, 2014, the Japanese economy has got on the road to recovery owing to steady consumer spending, the yen's depreciation and brisk exports, plus the improvement in the employment/income environment and rises in stock prices, as well as Tokyo being selected to host the 2020 Olympic Games.

In the industry, the home video game market entered a transition period with weak performance, due in part to next-generation home video game consoles not yet being released in Japan even as such were already released in other areas including North America and Europe simultaneously in November last year.

Meanwhile, the social game market 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, the market environment has been rapidly changing with the spread of tablet devices (multi-functional mobile terminals) and the rise of LINE, an app that allows users to call and chat for free, which promoted multi-polarization of business structures and led to increased presence of social game market.

Under such circumstances, the long-awaited flagship title "Monster Hunter 4" which Capcom released in September 2013 displayed explosive popularity with long lines forming at major retailers across the nation since the release date. With more than four million units sold, the game was a smash hit, and the total number of units sold in the series exceeded 28 million.

In addition, in order to adapt to the changes of external business environments, Capcom worked on improvement of the development process and earnings management by clarifying the operational chain 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, especially those to overseas developers.

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

Furthermore, our branding development gained further momentum through the event "Monster Hunter The Real 2014" held this February in collaboration with Universal Studios Japan, a theme park in Osaka, as it was popular with visitors.

Given the above, net sales increased to 102,200 million yen (up 8.6% from the previous fiscal year).

In terms of earnings, operating income leveled off at 10,299 million yen (up 1.5% from the previous fiscal year) and ordinary income, however, decreased to 10,946 million yen (up 0.0% from the previous fiscal year) due to such factors as loss on closing stores.

Net income amounted to 3,444 million yen (up 15.9% from the previous fiscal year) despite the recording of special losses including restructuring charges primarily due to the slump of mobile content.

Capcom is fully recognizing the importance of diversity of human resources in recent years while actively utilizing female workers and making evaluations according to performance and not based on gender, age and such. As part of such efforts, we are promoting executive positions of female employees, and so far we have two female corporate officers and 20 female employees in management positions such as general managers and senior managers.

Status of each operational department

① Digital Contents business

In the Digital Contents business, the featured title “Monster Hunter 4” (for Nintendo 3DS) was supported by overwhelming popularity, as mentioned above, and created a huge buzz even comparable to a sort of social phenomenon. Moreover, sales of “Dead Rising 3” (for Xbox One) that has been geared toward the European and U.S. markets, and “Resident Evil Revelations” (for PlayStation 3, Xbox 360, Wii U and PC) exceeded a million titles each and so three titles have become million-sellers.

In addition, “Dragon’s Dogma: Dark Arisen” (for PlayStation 3 and Xbox 360) showed firm sales while projected sales were basically achieved for “Phoenix Wright: Ace Attorney Dual Destinies” (for Nintendo 3DS).

Furthermore, full-game digital titles, which respond to changes in forms of distribution, contributed to the expansion of sales by growing significantly both at home and overseas in line with the progress in diversification of business models. This included the over-performance of “DuckTales: Remastered” for overseas in addition to the aforementioned “Monster Hunter 4” showing strong sales.

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, the online game “Monster Hunter Frontier G” (for PC, Xbox 360, PlayStation 3 and Wii U) performed lower than anticipated, but the browser game “Onimusha Soul” which was distributed in Taiwan with the aim of expanding Capcom’s business fields, garnered a great deal of attention and ranked first in popularity. This thereby marked the beginnings of gaining a foothold in the market for the local corporation, which was established two years ago.

However, mobile contents underperformed as a whole due in part to a lack of major titles and the fiercely competitive environment even though “Monster Hunter Hunting Quest” performed steadily.

As a result, net sales were 65,824 million yen (up 3.4% from the previous fiscal year), and operating income was 4,489 million yen (down 36.4% from the previous fiscal year).

② Arcade Operations business

In the Arcade Operations business, under the continuous stagnant market circumstances, Capcom has been working to expand customer base. In an effort to reach potential customers, Capcom developed elaborate activities such as conducting “free game experiencing tours” for middle-aged and seniors, and setting up “kids’ corners” for pre-school children, while it endeavored to capture a wider range of customers including core customers, repeat customers and families by renovating arcades and holding various events.

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

With the promotion of a scrap-and-build policy in accordance with changes in the environment, Capcom opened an arcade in Shizuoka City and closed two unprofitable arcades during the period under review, bringing the total number of arcades to 33 as of the end of the period under review.

As a result, net sales were 10,620 million yen (down 3.0% from the previous fiscal year), and operating income was 1,617 million yen (down 5.4% from the previous fiscal year).

③ Amusement Equipments business

In the Pachinko & Pachislo business, “Monster Hunter: Gekka Raimei”, in which the motif is a title for which Capcom is known, served to lead the increase of sales and support earnings as it showed a good start due to its synergy with home video game software. In addition, “Devil May Cry 4”, which was released last September, realized better-than-expected sales, contributing to the increase of sales.

On the other hand, in the Arcade Games Sales business, the new coin-operated game machines “Monster Hunter Medal Hunting Compact” and “Mario Party Fushigi no Korokoro Catcher 2” performed solidly.

As a result, net sales were 23,160 million yen (up 38.0% from the previous fiscal year), and operating income was 7,131 million yen (up 45.8% from the previous fiscal year).

④ Other Businesses

In Other Businesses, which is mainly the publication of game guidebooks, etc. and selling of character and other goods, net sales were 2,594 million yen (down 4.3% from the previous year), and operating income was 1,001 million yen (up 35.2% from the previous year).

Prospects for the next fiscal year

As for future prospects, the transition of business models is expected to accelerate in the home video game market due to the emergence of next-generation machines with diverse networking functions in light of the rise of online games thanks to the proliferation of smartphones and such.

On the other hand, we expect that the burden on software makers will increase further as the surge of development costs, due to the higher-spec hardware, will be unavoidable.

Furthermore, with the rise of the social gaming market, which has a low barrier to entry, a major transformation is in progress as the struggle to take initiative among gaming consoles, smartphones and such intensifies further. It is expected that the overall market size will increase due to the expansion of the user base caused by the synergy between the two, and the landscape may transform rapidly due to the intensification of competition between companies.

Under the circumstances of drastic changes in the business environment, Capcom will focus on increasing the corporate value of the whole group with agile management development through selection and concentration, such as by inputting management resources in focused businesses and growth areas through the review of earnings structures and business models as well as by withdrawing from unprofitable businesses.

For this, Capcom will focus on marketing of digital download contents and PC online games for which continued growth is expected. Also, Capcom will enhance the Pachislo business which has been growing steadily in the last few years, while aiming for the early rebuilding of Mobile Contents business. Furthermore, taking with utmost seriousness the fact that extraordinary losses were recorded for the second consecutive fiscal year following the previous fiscal year, Capcom recognizes that in order to break through this situation the important issue in management is the establishment of a corporate structure that secures stable earnings without being influenced by changes in the environment.

(2) Analysis of the consolidated financial position

① Analysis of assets, liabilities and net assets

(Assets)

Total assets as of the end of the current fiscal year decreased by 7,754 million yen from the end of the previous fiscal year to 96,611 million yen. The primary increase was 6,446 million yen in notes and accounts receivable, trade. The primary decreases were 8,533 million yen in work-in-progress for game software, 1,801 million yen in cash on hand and in banks, 595 million yen in raw materials and supplies and 564 million yen in merchandise and finished goods.

(Liabilities)

Total liabilities as of the end of the current fiscal year decreased by 8,801 million yen from the end of the previous fiscal year to 32,735 million yen. The primary decreases were 7,144 million yen in short-term borrowings, 3,000 million yen in long-term borrowings.

(Net assets)

Net assets as of the end of the current fiscal year increased by 1,047 million yen from the previous fiscal year to 63,875 million yen. The primary increases were 3,444 million yen in net income for the current fiscal year and 2,333 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. The primary decrease was 2,286 million yen in treasury stock and 2,283 million yen in cash dividends.

② Analysis of cash flow

Cash and cash equivalents as of the end of the current fiscal year decreased by 5,404 million yen from the end of the previous fiscal year to 26,118 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 13,201 million yen (6,647 million yen in the previous fiscal year).

The primary items increasing cash flows were 6,010 million yen decrease in work-in-progress for game software (increase of 2,837 million yen in the previous fiscal year), 5,315 million yen in net income before income taxes (3,719 million yen in the previous fiscal year) and 4,806 million yen increase in notes and accounts payable, trade (decrease of 474 million yen in the previous fiscal year). The primary item decreasing cash flows was 6,351 million yen increase in accounts receivable, trade (decrease of 5,760 million yen in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities was 6,155 million yen (1,375 million yen in the previous fiscal year).

The primary items used were 3,517 million yen in payments into time deposits (no payments in the previous fiscal year) and 2,203 million yen in payment for acquisition of tangible fixed assets (3,086 million yen in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities was 15,099 million yen (1,162 million yen provided in the previous fiscal year).

The primary items used were 10,000 million yen net decrease in short-term borrowings (4,290 million yen net increase in the previous fiscal year), 2,286 million yen in payment for repurchase of treasury stock (1 million yen in the previous fiscal year) and 2,283 million yen in dividends paid by parent company (2,298 million yen in the previous fiscal year).

(Reference) Trends of cash flow indicators

	Year ended March 2010	Year ended March 2011	Year ended March 2012	Year ended March 2013	Year ended March 2014
Shareholders' equity ratio to total assets	62.3	64.2	60.4	60.2	66.1
Shareholders' equity ratio to total assets based on fair market value	120.5	103.9	110.8	81.4	114.0
Debt amortization ratio to cash flows	122.7	32.8	-	258.7	53.4
Interest coverage ratio	86.9	155.8	-	62.4	136.8

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 current and next fiscal year

Capcom considers returning profits to the shareholders 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 growing business.

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

We set regulations up to be able to pay interim dividend.

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) Business targets

We believe “Cash-Flow Management” (real management that generates cash) has become an important factor - more important than to make up financial statements utilizing changes in accounting standards. We do not set actual target figures on specific fields because we understand “Cash-Flow Management” as a very important factor for business status.

(3) Medium and long term business strategy

① Reorganization of the development processes

- a. Through the reform of development processes based on the medium-term strategy map, Capcom will engage in the reinforcement of the development system so that the reduction of development costs and shortening of development time can be promoted and stable earnings will be secured for every fiscal year.
- b. Capcom will cope with the rapid expansion of the online gaming market while enhancing and strengthening development of mobile contents and others that require lower development costs than home video game software and that can avoid inventory risk and piracy.
- c. Capcom will secure competitive advantages by developing diverse contents responsive to market demands. To this end, Capcom will exercise thorough earnings management as well as suppress development costs that are rising each year and improve the quality of products through the increase in the in-house development ratio and the reduction of outsourcing of development.
- d. Capcom will endeavor to promote multi-platform development by supplying same software to multiple game consoles, etc. through the utilization of “MT framework” and “Panta Rhei” which are Capcom’s unique game engines (integrated development environment) that can standardize development tools of different hardware such as next-generation machines and PCs, while suppressing development costs and shortening development time.

② Increase download sales

Capcom will focus on marketing of digital download contents given the diversification of forms of distribution of home video games with the full-game digital titles of home video game software growing compared to retail package versions (similar to how in recent years download sales of music is most common rather than CD sales).

As such, Capcom will aim to increase earnings through business development that unifies development, marketing and promotion.

③ Enhance online games

- a. While free-to-play is most common for digital content such as social games, profits from such are leveling compared to package software for sale because in addition to the fact that development costs are cheaper, there is no inventory risk or piracy and it is possible to charge for items and supply additional content in line with the response of users. As such, Capcom will dedicate itself to secure stable profits on a sustainable basis through accurate management after the supply of content and the accumulation of management knowhow.
- b. Capcom has an abundance of popular titles that have become major hits in the package software business such as “Monster Hunter” and “Resident Evil”. Capcom will endeavor to strengthen online games to regain ground in mobile contents by creating synergy among the prime content mentioned above and enhanced game management (accurate understanding of user trends, application to content supply, etc.).

④ Promote Single Content Multiple Usage strategy

Capcom has many well-known characters since it has many million-selling titles such as “Monster Hunter” and “Resident Evil”, and popular content are being used on many fronts including television, cartoons, publications, movies, theaters, toys, foods, drinks and such. Since the licensing business that utilizes the copyrights of such secures stable earnings and has the capacity for growth going forward, Capcom will actively execute this strategy.

⑤ Focus on expanding overseas sales

The development of the large-scale overseas market is essential in promoting a growth strategy under an environment where the domestic market is maturing and the decreasing birthrate and aging population is advancing. Capcom has many million-selling titles that are popular overseas, such as “Resident Evil” and “Street Fighters” which have been made into movies by Hollywood, and is one of the world’s leading content holders. As such, Capcom will endeavor to increase earnings with proactive measures such as deepening the Capcom brand by advertising “made in Capcom”.

⑥ Enhance Pachislo development

In recent years, the Pachislo business has been growing steadily with the positive cycles of popular titles and has grown to become a strong source of earnings. Going forward, in order to make it a pillar of earnings after the digital contents business, Capcom will focus on increasing business opportunities through increased customer satisfactions, by such means of expansion of development staff and stable release of Capcom units for several machines each year.

(4) Issues to be addressed

Major issues to be addressed taking in consideration surrounding business environments and future market trends:

① Consolidation of the critical strategic divisions

We will concentrate our management resources in the home video game software segment, which is our core business, especially in its development and marketing divisions in order to strengthen the competitive edge.

② Expansion of the business field

We will focus on growing the content-related business to expand our business fields in response to changes in the managerial environments, through the distribution of games to other platform that are not game consoles including mobile phones and smartphones and the enhancement of Pachinko & Pachislo business. Additionally we will push for the expansion of download sales in response to diversified form of distribution.

③ Focus on the overseas operations

Making strong efforts in developing overseas markets is the key to the future business growth as the Japanese domestic market matures. We are determined to execute the strategic overseas operation deployment through the group-wide global business restructuring. One such effort will be to conduct corporate reforms of overseas subsidiaries including Capcom U.S.A., Inc., one of our crucial subsidiaries.

④ Selection and concentration of business

We are focused on setting a clear vision for the future by harnessing our corporate strength through the effective use of our research and development resources. In addition, we are pushing through a strategy that concentrates management resources on selected business to make the most of the collective power of the entire Capcom group, thus increasing our corporate value. Investment in growth field and the decision to close down unprofitable businesses are examples of such activities.

⑤ Enhancement of the corporate quality

We are trying to realize flexible business operations and to improve our operation efficiency through the management innovation. At the same time we are building a framework that enhances our revenue base. As part of such efforts to enhance our business foundation, we are pursuing the strategic group operation and financial structure reformation by reinforcing the management system of both domestic and foreign subsidiaries.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2013)	Current fiscal year (as of March 31, 2014)
Assets		
Current assets		
Cash on hand and in banks	31,522	29,720
Notes and accounts receivable, trade	11,687	18,134
Merchandise and finished goods	1,756	1,191
Work-in-progress	906	942
Raw materials and supplies	1,592	996
Work-in-progress for game software	18,888	10,355
Deferred tax assets	6,497	2,865
Other	4,054	2,355
Allowance for doubtful accounts	(64)	(55)
Total current assets	76,841	66,506
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	4,907	4,998
Machinery and vehicles, net	34	15
Tools, fixtures and furniture, net	1,105	1,208
Equipment for amusement facilities, net	1,199	1,431
Land	5,052	5,052
Leased assets	849	825
Construction-in-progress	108	44
Total intangible fixed assets	13,258	13,577
Intangible fixed assets		
Goodwill	200	67
Other	7,709	7,300
Total intangible fixed assets	7,909	7,368
Investments and other assets		
Investments in securities	515	542
Deferred tax assets	66	65
Claim in bankruptcy and reorganization	4,341	4,108
Lease deposits	733	3,699
Other	776	819
Allowance for doubtful accounts	(78)	(77)
Total investments and other assets	6,355	9,159
Total fixed assets	27,523	30,104
Total assets	104,365	96,611

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2013)	Current fiscal year (as of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	6,304	4,950
Electronically recorded monetary liabilities	634	6,926
Short-term borrowings	11,194	4,050
Lease obligations	364	370
Accrued income taxes	2,111	758
Deferred tax liabilities	—	93
Accrued bonuses	1,679	1,802
Allowance for sales returns	187	87
Asset retirement obligations	20	8
Other	9,409	6,499
Total current liabilities	31,905	25,547
Long-term liabilities		
Long-term borrowings	6,000	3,000
Lease obligations	553	519
Deferred tax liabilities	2	46
Accrued retirement benefits for employees	1,697	—
Liabilities for retirement benefits	—	2,158
Asset retirement obligations	329	404
Other	1,047	1,059
Total long-term liabilities	9,630	7,187
Total liabilities	41,536	32,735
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	27,998	29,160
Treasury stock	(15,848)	(18,134)
Total shareholders' equity	66,718	65,593
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	91	99
Cumulative translation adjustments	(3,981)	(1,647)
Accumulated liabilities for retirement benefits	—	(169)
Total accumulated other comprehensive income	(3,889)	(1,717)
Total net assets	62,828	63,875
Total liabilities and net assets	104,365	96,611

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2012 to March 31, 2013	Current fiscal year from April 1, 2013 to March 31, 2014
Net sales	94,075	102,200
Cost of sales	61,911	72,251
Gross profit	32,163	29,949
Reversal of allowance for sales returns	—	100
Provision for allowance for sales returns	69	—
Net gross profit	32,094	30,049
Selling, general and administrative expenses	21,942	19,749
Operating income	10,151	10,299
Non-operating income		
Interest income	92	97
Dividend income	9	10
Compensation income	—	210
Exchange gain, net	745	566
Other	257	238
Total non-operating income	1,105	1,122
Non-operating expenses		
Interest expense	107	96
Commissions	60	69
Compensation expenses	—	138
Loss on closing amusement facilities	—	142
Other	144	27
Total non-operating expenses	312	475
Ordinary income	10,944	10,946
Special losses		
Loss on sales and /or disposal of fixed assets	216	93
Impairment loss	58	—
Loss on restructuring	6,949	5,537
Total special losses	7,224	5,630
Net income before income taxes	3,719	5,315
Income taxes-current	2,968	950
Income taxes-deferred	(2,222)	920
Total income taxes	746	1,870
Net income before minority interests	2,973	3,444
Net income	2,973	3,444

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2012 to March 31, 2013	Current fiscal year from April 1, 2013 to March 31, 2014
Income before minority interests	2,973	3,444
Other comprehensive income		
Net unrealized gain on securities, net of tax	138	8
Cumulative translation adjustments	2,669	2,333
Total other comprehensive income	2,807	2,341
Comprehensive income	5,780	5,786
Comprehensive income attributable to:		
Owners of the parent	5,780	5,786
Minority interests	—	—

(3) Consolidated statement of changes in net assets

Previous fiscal year (from April 1, 2012 to March 31, 2013)

(Unit: Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of April 1, 2012	33,239	21,328	27,328	(15,846)	66,049
Changes of items during the previous fiscal year					
Cash dividends			(2,303)		(2,303)
Net income			2,973		2,973
Repurchase of treasury stock				(1)	(1)
Disposition of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the previous fiscal year	—	0	670	(1)	668
Balance as of March 31, 2013	33,239	21,328	27,998	(15,848)	66,718

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated liabilities for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2012	(46)	(6,650)	-	(6,697)	59,352
Changes of items during the previous fiscal year					
Cash dividends					(2,303)
Net income					2,973
Repurchase of treasury stock					(1)
Disposition of treasury stock					0
Net changes of items other than shareholders' equity	138	2,669	-	2,807	2,807
Total changes of items during the previous fiscal year	138	2,669	-	2,807	3,475
Balance as of March 31, 2013	91	(3,981)	-	(3,889)	62,828

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2013	33,239	21,328	27,998	(15,848)	66,718
Changes of items during the previous fiscal year					
Cash dividends			(2,283)		(2,283)
Net income			3,444		3,444
Repurchase of treasury stock				(2,286)	(2,286)
Disposition of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the previous fiscal year	—	0	1,161	(2,286)	(1,124)
Balance as of March 31, 2014	33,239	21,328	29,160	(18,134)	65,593

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated liabilities for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2013	91	(3,981)	—	(3,889)	62,828
Changes of items during the previous fiscal year					
Cash dividends					(2,283)
Net income					3,444
Repurchase of treasury stock					(2,286)
Disposition of treasury stock					0
Net changes of items other than shareholders' equity	8	2,333	(169)	2,172	2,172
Total changes of items during the previous fiscal year	8	2,333	(169)	2,172	1,047
Balance as of March 31, 2014	99	(1,647)	(169)	(1,717)	63,875

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2012 to March 31, 2013	Current fiscal year from April 1, 2013 to March 31, 2014
Cash flows from operating activities		
Net income before income taxes	3,719	5,315
Depreciation and amortization	3,406	4,638
Impairment loss	58	—
Amortization of goodwill	132	131
(Decrease) increase in allowance for doubtful accounts	1	(16)
Increase (decrease) in accrued bonuses	(474)	88
(Decrease) increase in allowance for sales returns	69	(100)
Increase in accrued retirement benefits for employees	185	—
Increase in liabilities for retirement benefits	—	195
Interest and dividend income	(101)	(107)
Interest expense	107	96
Exchange gain, net	(485)	(435)
Loss on sales and/or disposal of fixed assets	216	93
Loss on restructuring	6,949	5,537
(Increase) decrease in accounts receivable, trade	5,760	(6,351)
Decrease (increase) in inventories	(493)	1,196
Decrease (increase) in work-in-progress for game software	(2,837)	6,010
Increase (decrease) in accounts payable, trade	(474)	4,806
Decrease (increase) in other current assets	(1,031)	1,975
Decrease in other current liabilities	(1,553)	(2,709)
Other	(2,901)	(4,960)
Sub total	10,253	15,404
Interest and dividends received	109	86
Interest paid	(105)	(98)
Income taxes paid	(3,610)	(2,190)
Net cash provided by (used in) operating activities	6,647	13,201
Cash flows from investing activities		
Payments into time deposits	—	(3,517)
Proceeds from withdrawal of time deposits	2,499	—
Payment for acquisitions of tangible fixed assets	(3,086)	(2,203)
Proceeds from sales of tangible fixed assets	659	1
Payment for acquisitions of intangible fixed assets	(1,578)	(497)
Payment for purchase of investments in securities	(12)	(12)
Payment for other investing activities	(453)	(115)
Proceeds from other investing activities	597	189
Net cash used in investing activities	(1,375)	(6,155)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	4,290	(10,000)
Repayments of long-term borrowings	(499)	(145)
Repayments of lease obligations	(327)	(383)
Payment for repurchase of treasury stock	(1)	(2,286)
Proceeds from sales of treasury stock	0	0
Dividends paid by parent company	(2,298)	(2,283)
Net cash provided by financing activities	1,162	(15,099)
Effect of exchange rate changes on cash and cash equivalents	2,800	2,648
Net (decrease) increase in cash and cash equivalents	9,235	(5,404)
Cash and cash equivalents at beginning of year	22,287	31,522
Cash and cash equivalents at end of year	31,522	26,118

(5) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Change in accounting policies)

Effective from the end of the fiscal year, Capcom has adopted “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan (ASBJ) Statement No. 26, May 17, 2012, except for the provision of article 35) and “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, except for the provision of article 67).

This has led to recognition of unrecognized actuarial differences and unrecognized prior service liabilities, which are presented as liabilities for retirement benefits.

In applying the above standard and its guidance, Capcom has followed the transition measures and disclosed its impact caused by this change on the accumulated other comprehensive income.

As a result, Capcom has booked liabilities for retirement benefits of 2,158million yen with accumulated other comprehensive income decreased by 169 million yen.

The impact on the per share information is disclosed on the relating notes.

(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, 2012 to March 31, 2013)

(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	63,636	10,944	16,783	91,363	2,711	94,075	—	94,075
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	63,636	10,944	16,783	91,363	2,711	94,075	—	94,075
Operating income (loss)	7,062	1,709	4,892	13,664	740	14,405	(4,253)	10,151
Identifiable assets	44,950	7,046	13,054	65,051	4,236	69,288	35,076	104,365
Other items								
Depreciation and amortization	1,067	1,186	235	2,489	253	2,743	663	3,406
Increase in tangible and intangible fixed assets	6,091	698	278	7,068	1,458	8,526	197	8,724

(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 -4,253 million yen include unallocated corporate operating expenses of -4,253 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 35,076 million yen include unallocated corporate identifiable assets of 35,076 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 197 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, 2013 to March 31, 2014)

(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	65,824	10,620	23,160	99,605	2,594	102,200	—	102,200
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	65,824	10,620	23,160	99,605	2,594	102,200	—	102,200
Operating income (loss)	4,489	1,617	7,131	13,238	1,001	14,240	(3,940)	10,299
Identifiable assets	35,708	6,657	20,083	62,449	4,330	66,780	29,830	96,611
Other items								
Depreciation and amortization	2,529	998	385	3,913	249	4,162	475	4,638
Increase in tangible and intangible fixed assets	6,227	881	327	7,436	127	7,563	500	8,064

(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 -3,940 million yen include unallocated corporate operating expenses of -3,940 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 29,830 million yen include unallocated corporate identifiable assets of 29,830 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 500 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, 2012 to March 31, 2013)		Current fiscal year (From April 1, 2013 to March 31, 2014)	
Net assets per share	1,091.08 yen	Net assets per share	1,135.91 yen
Net income per share	51.64 yen	Net income per share	61.11 yen

- (Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies have no residual securities.
 2. As described in "Change in accounting policies", Capcom has adopted the new accounting standard and its guidance and followed the transition measures prescribed in article 37 of the standard.
 As a result, net assets per share has decreased by 3.01 yen.
 3. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2013) (Unit: Millions of yen)	Current fiscal year (As of March 31, 2014) (Unit: Millions of yen)
Total amount of net assets	62,828	63,875
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	62,828	63,875
Number of shares of common stocks used for computation of net assets per share (thousand shares)	57,583	56,233

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

	Previous fiscal year (From April 1, 2012 To March 31, 2013) (Unit: Millions of yen)	Current fiscal year (From April 1, 2013 To March 31, 2014) (Unit: Millions of yen)
Net income	2,973	3,444
Amount not allocated to common stock	—	—
Net income allocated to common stock	2,973	3,444
Average number of shares of common stock outstanding	57,584	56,377

(Significant subsequent events)

Not applicable