

Financial Section

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Net Cash Strategy for Supporting Investments in Online Game Development

Capcom has set a financial goal of improving net cash to build a lean financial foundation without waste while at the same time securing funding to invest in growth and increasing shareholder returns.

The reason behind the goal is the significant evolution underway in the game software market due to the incorporation of mobile games in addition to home video games and PC online games, which represents a business opportunity for Capcom. We have therefore formulated growth strategies for our online and mobile businesses in addition to our basic strategy of developing high-quality content, and have sought to reinforce our investments in development.

We will seek stable growth over the medium- and long-term by raising profitability through our growth strategies and generating high level of cash flows.

Tamio Oda

Director,
Executive Vice President and
Chief Financial Officer (CFO)



1. Securing Funding to Invest in Growth

With the market environment undergoing major changes, Capcom believes now is the right time for investing in growth. We are therefore aiming to increase our net cash position further by maximizing our free cash flows and making investments in development.

To achieve this, we formulated two new financial strategies focused on generating cash flows through process management. The first is to thoroughly manage return on investment. Accordingly, we manage a database able to compare the ROI status of each title by category, such as brand or producer. The second strategy is to maximize working capital efficiency. To this end, we are expanding the invested capital management system of each business and creating a framework to manage our investment turnover period and turnover ratio in a more visible manner.

Net cash in the fiscal year ended March 31, 2014 increased 8.3 billion yen from the previous year to a total of 22.6 billion yen. This was due to the execution of the above strategy, ongoing capital efficiency measures, including the thorough collection of notes and accounts receivable (trade), an increasing number of titles developed in-house and reductions in loans and other interest-bearing debt.

Furthermore, analysis of past fiscal years shows that our net cash position, or cash deposits less interest-bearing debt, as of the fiscal year ended March 2002, the year I was appointed to the board, was negative 11.1 billion yen. Considering that our net cash position in the year ended March 2014 was 22.6 billion yen, this represents an improvement of nearly 33.7 billion yen over the past 12 years.

2. Increasing Shareholder Returns

Capcom believes it is important to provide returns to shareholders and seeks to: (1) enhance corporate value by achieving growth through investments and other means and (2) maintain stable dividend payments commensurate with business performance.

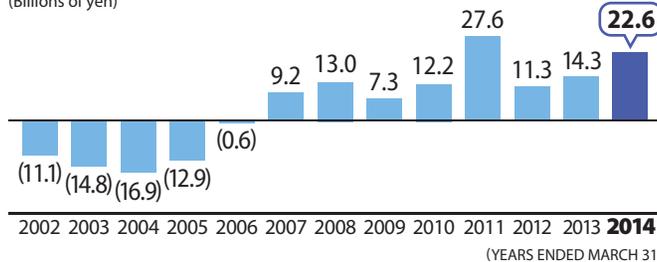
For the year ended March 2014, the total annual dividend was 40 yen, the same as the previous fiscal year. As a result, our payout ratio was 65.5%.

Following analysis of past fiscal years, Capcom paid 20 yen per share from the year ended March 1998 to the year ended March 2006. From the year ended March 2007, we increased dividends to 30 yen per share as the structural reforms enabled us to establish a stable profit base. Since the year ended March 2009, we had been paying 35 yen per share, but as of the year ended March 2011, we are paying a dividend of 40 yen per share.

We have also acquired approximately 15 billion yen in treasury stock since the year ended March 2004. We will seek further improvement in net cash to continue strengthening investments for growth and to deliver returns to shareholders.

Net Cash on Historical Basis

(Billions of yen)



11-Year Summary of Consolidated Financial Indicators

Financial Performance

	2004	2005	2006	2007	2008
For the Year:	Millions of yen				
Net sales	¥ 52,668	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097
Operating income	1,402	7,752	6,580	9,602	13,121
Net income (loss) before income taxes	(6,900)	7,006	6,912	9,986	11,962
Net income (loss)	(9,158)	3,622	6,941	5,852	7,807
Depreciation & amortization	2,081	2,101	1,936	2,774	3,393
Capital expenditures	4,678	1,665	1,600	4,495	4,503
R&D expenses	1,124	1,323	1,864	1,828	2,972

At Year-End:	Millions of yen				
Total assets	¥ 93,096	¥ 106,361	¥ 98,457	¥ 91,478	¥ 93,606
Net assets	31,854	32,491	39,464	45,144	53,660
Net cash	(16,957)	(12,948)	(678)	9,200	13,061

Cash Flows:	Millions of yen				
Cash flows from operating activities	¥ 5,577	¥ 7,977	¥ 13,921	¥ 16,063	¥ 7,452
Cash flows from investing activities	(5,011)	(1,099)	(1,779)	(6,715)	(3,374)
Cash flows from financing activities	(395)	6,251	(18,259)	(15,206)	(2,448)
Net increase (decrease) in cash and cash equivalents	(1,313)	13,406	(4,885)	(5,654)	(2,256)
Cash and cash equivalents at end of year	32,131	45,538	40,652	35,020	32,763

Per Share Data:	Yen				
Net income (loss) per share	¥ (160.91)	¥ 63.37	¥ 125.19	¥ 107.52	¥ 132.90
cash dividends applicable to the year per share	20.00	20.00	20.00	30.00	30.00
Net assets per share	559.66	589.99	716.91	799.35	881.31

Financial Index:					
Operating margin (%)	2.7	11.7	9.4	12.9	15.8
ROE (%)	—	11.3	19.3	13.8	15.8
ROA (%)	—	3.6	6.8	6.2	8.4
Net worth ratio (%)	34.2	30.5	40.1	49.3	57.3
Interest coverage ratio (times)	20.3	30.0	82.6	237.3	103.7
Debt-equity ratio (%)	192.4	227.9	149.4	102.8	74.4

Stock Information:					
Price earnings ratio (times)	—	16.5	9.7	15.7	25.6
Number of outstanding shares (thousands shares)	58,435	58,435	58,435	62,269	66,719
Foreign investors (%)	16.59	14.79	23.35	32.60	27.72

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

2009	2010	2011	2012	2013	2014	2014
Millions of yen					Thousands of U.S. dollars	
¥ 91,878	¥ 66,837	¥ 97,716	¥ 82,065	¥ 94,075	¥ 102,200	\$ 1,001,968
14,618	5,587	14,295	12,318	10,151	10,299	100,979
12,448	1,124	10,807	11,425	3,719	5,315	52,114
8,063	2,167	7,750	6,723	2,973	3,444	33,773
4,143	3,368	3,315	3,123	3,406	4,638	45,473
2,906	2,205	2,758	4,153	8,724	8,064	79,064
2,329	2,125	2,924	2,236	1,982	2,002	19,636
Millions of yen					Thousands of U.S. dollars	
¥ 106,210	¥ 86,621	¥ 90,408	¥ 98,247	¥ 104,365	¥ 96,611	\$ 947,166
59,349	53,956	58,007	59,352	62,828	63,875	626,235
7,378	12,299	27,655	11,348	14,327	22,670	222,259
Millions of yen					Thousands of U.S. dollars	
¥ (551)	¥ 14,320	¥ 22,392	¥ (7,672)	¥ 6,647	¥ 13,201	\$ 129,430
(2,715)	(1,618)	(2,046)	(4,794)	(1,375)	(6,155)	(60,349)
(342)	(10,747)	(12,919)	587	1,162	(15,099)	(148,029)
(4,454)	1,203	5,196	(12,724)	9,235	(5,404)	(52,982)
28,611	29,815	35,011	22,287	31,522	26,118	256,061
Yen					U.S. dollars	
¥ 130.98	¥ 35.71	¥ 131.18	¥ 116.10	¥ 51.64	¥ 61.11	\$ 0.60
35.00	35.00	40.00	40.00	40.00	40.00	0.39
961.38	913.18	981.76	1,030.70	1,091.08	1,135.91	11.14
15.9	8.4	14.6	15.0	10.8	10.1	
14.3	3.8	13.8	11.5	4.9	5.4	
8.1	2.3	8.8	7.1	2.9	3.4	
55.9	62.3	64.2	60.4	60.2	66.1	
—	86.9	155.8	—	62.4	136.8	
79.0	60.5	55.9	65.5	66.1	51.2	
13.3	49.5	12.1	16.3	28.6	32.0	
67,394	67,723	67,723	67,723	67,723	67,723	
33.73	24.22	22.17	27.05	32.37	37.29	

Financial Review

1. Operating Results

Capcom Co., Ltd., consolidated performance in the year ended March 31, 2014, had net sales of 102,200 million yen (up 8.6% from the previous fiscal year). Profits included operating income of 10,299 million yen (up 1.5% from the previous fiscal year) and ordinary income of 10,946 million yen (up 0.0% from the previous fiscal year).

Net income for the current fiscal year was 3,444 million yen (up 15.9% from the previous fiscal year) due to the recognition of a special loss on business restructuring expenses related to the sluggishness of mobile contents.

2. Sales and Profits

(1) Net Sales

This fiscal year, net sales were 102,200 million yen (up 8.6% from the previous fiscal year).

Sales were firm in Digital Contents business, Capcom's core business. Flagship title "Monster Hunter 4" proved a massive hit with over four million units sold worldwide, while "Dead Rising 3" and "Resident Evil Revelations" sold over one million units each in the target markets of Europe and the United States, making all three titles million-sellers. "Monster Hunter 4" also sold well as a download in response to changing distribution formats. Further diversification of our business model also contributed to expanded profitability.

In the Amusement Equipments business, the "Monster Hunter Gekka Raimei" pachislo machine sold 46,000 units. The synergy with home video games resulted in a strong turnout underpinning profitability.

(2) Operating Income

Cost of sales was 72,251 million yen (up 16.7% from the previous fiscal year), gross profit was 29,949 million yen (down 6.9% from the previous fiscal year) and selling, general and administrative expenses were 19,749 million yen (down 10.0% from the previous

fiscal year). This was mainly due to increased development and general costs associated with the sales of major titles in the consumer sub-segment and increased depreciation and amortization resulting from expansion in the number of managed titles in PC Online and Mobile Contents sub-segment. The cost of sales increased 10,300 million yen, causing the cost to sales ratio to rise approximately 4.9 percentage points. At the same time, selling, general and administrative expenses decreased approximately 2,200 million yen due to strict company-wide cost management and thorough profit and loss management per title, resulting in a 4.0 percentage point decline in SG&A as a percentage of sales. As a result, operating income was 10,299 million yen (up 1.5% from the previous fiscal year) and operating margins decreased 0.7 percentage points.

(3) Net Income

Non-operating income this fiscal year was 1,122 million yen due to the recognition of 566 million yen in foreign exchange gains arising from the continued weakening of the yen. Non-operating expenses were 475 million yen.

As a result, ordinary income was 10,946 million yen (up 0.0% from the previous fiscal year) and the ordinary income ratio was 10.7%, down 0.9 percentage points from the previous fiscal year.

Additionally, with overall consideration for the recoverability of mobile online titles affected by sluggish mobile content this fiscal year, we recognized a 5,537 million yen of loss of restructuring, resulting in special losses totaling 5,630 million yen.

As a result, net income for the current fiscal year was 3,444 million yen (up 15.9% from the previous fiscal year) and the net margin was 3.4%.

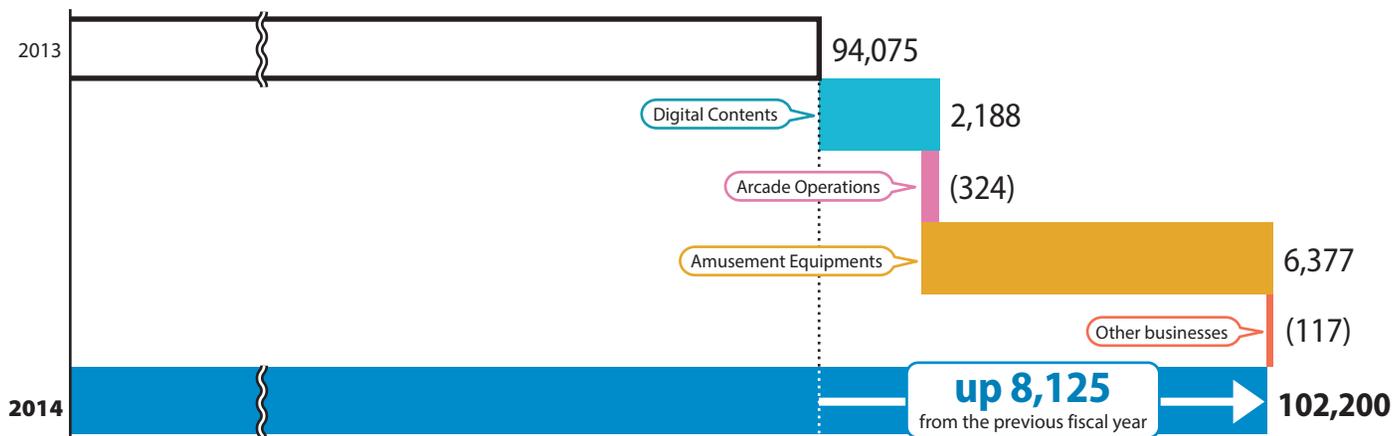
3. Status of Each Operational Department

(1) Digital Content business

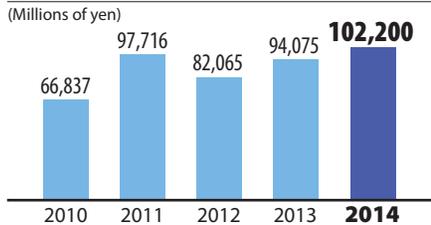
In the Digital Contents business, the aforementioned feature title "Monster Hunter 4" (for Nintendo 3DS) was extremely popular, creating a huge buzz that could be described as a social phenomenon. Moreover, sales of "Dead Rising 3" (for Xbox One) geared toward the European and U.S. markets and "Resident Evil Revelations" (for PlayStation 3, Xbox 360, Wii U and PC) exceeded a

Net Sales

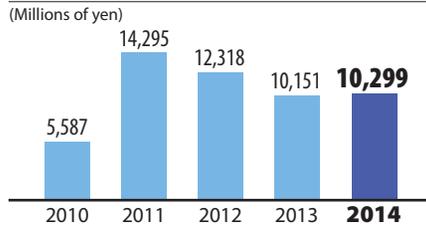
(Millions of yen)



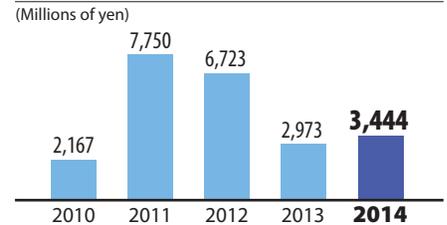
Net Sales



Operating Income



Net Income



million units each, making all three titles million-sellers. In addition, sales of "Dragon's Dogma: Dark Arisen" (for PlayStation 3 and Xbox 360) were firm while "Phoenix Wright: Ace Attorney –Dual Destinies" (for Nintendo 3DS) generally achieved projected sales. Furthermore, "Monster Hunter 4" sold well as a download in response to changing distribution formats, while sales of overseas title "Duck Tales" exceeded forecasts. Further diversification of our business model and significant growth in Japan and overseas also contributed to the growth in sales. Sales of "Lost Planet 3" (for PlayStation 3, Xbox 360 and PC), failed to meet expectations due in part to intensifying competition in the European and U.S. markets.

Online game "Monster Hunter Frontier G" (for PC, Xbox 360, PlayStation 3 and Wii U) also fell short of expectations, but PC browser game "Onimusha Soul", which was distributed in Taiwan with the aim of expanding Capcom's business domain, garnered a great deal of attention and ranked first in popularity. This achievement indicates the subsidiary Capcom established in Taiwan two years ago has begun to gain traction in the market. However, despite the strong performance of "Monster Hunter Hunting Quest", overall mobile content performance was lackluster due in part to an absence of major titles and a fiercely competitive environment.

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, which continues to be affected by ongoing market stagnation, we made efforts to expand

customer segments and reach potential customers. These efforts include the development of free game experience tours for middle-aged and senior citizens and kid's corners for preschool children. We also attempted to attract a wider range of customers, including core customers, repeat customers and families, by renovating arcades and holding various events.

Nevertheless, insufficient machine traction and increased competition from other forms of entertainment combined with unseasonable weather resulted in fewer customers.

This fiscal year, we promoted a scrap-and-build policy in response to changes in the environment, opening one new arcade in Shizuoka City and closing two unprofitable arcades, bringing the total number of arcades in operation at the end of this fiscal year to 33.

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).

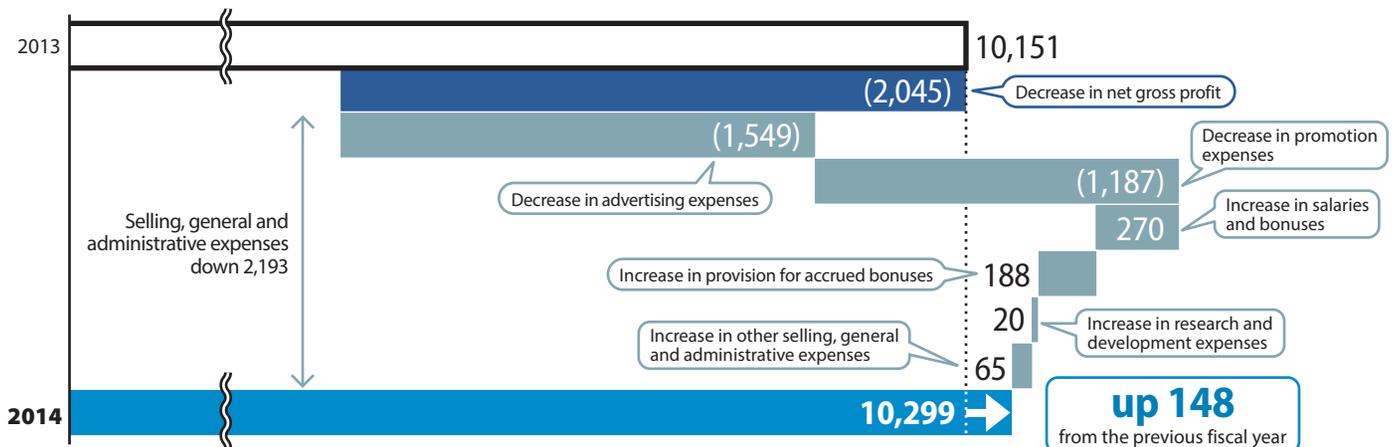
(3) Amusement Equipments business

In the Pachinko & Pachislo business, feature title-themed "Monster Hunter Gekka Raimei" lead the increase in sales and supported earnings with a strong start due to synergy with home video game software. In addition, "DEVIL MAY CRY 4", released last September, performed better than expected, contributing to the increase in sales.

At the same time, in the Arcade Games Sales business, new coin-operated game machines "Monster Hunter Medal Hunting Compact" and "Mario Party –Fushigi no Korokoro Catcher 2" performed solidly.

Operating Income

(Millions of yen)



Financial Review

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 consist mainly of game guides and other publications and sales of characters and other merchandise, 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).

4. Analysis of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of the end of the current fiscal year decreased 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

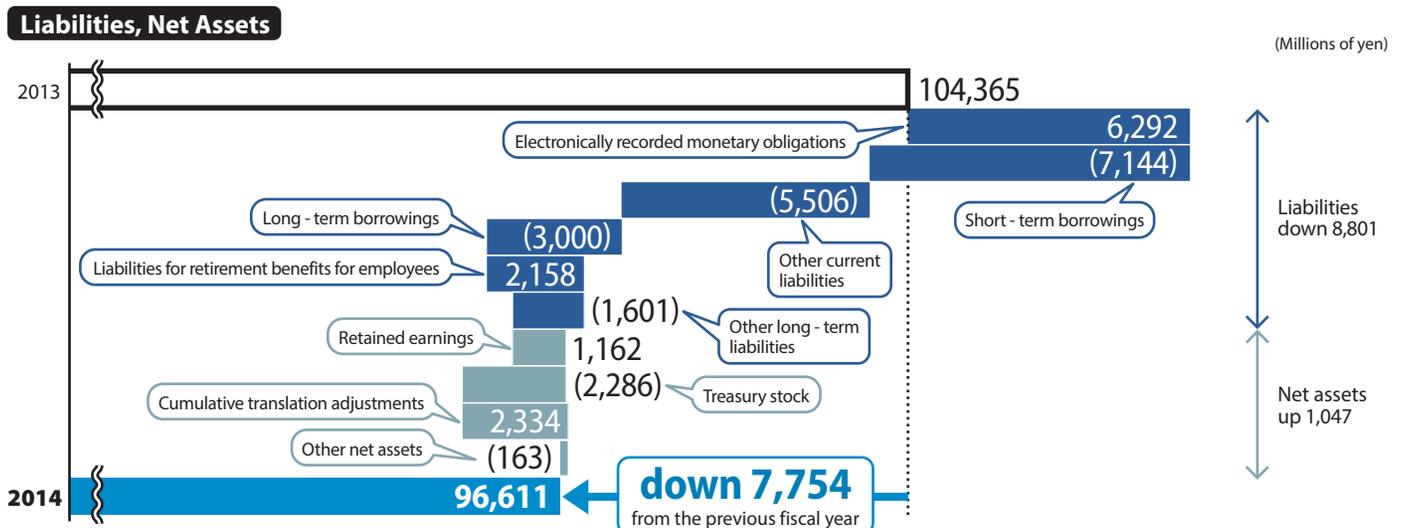
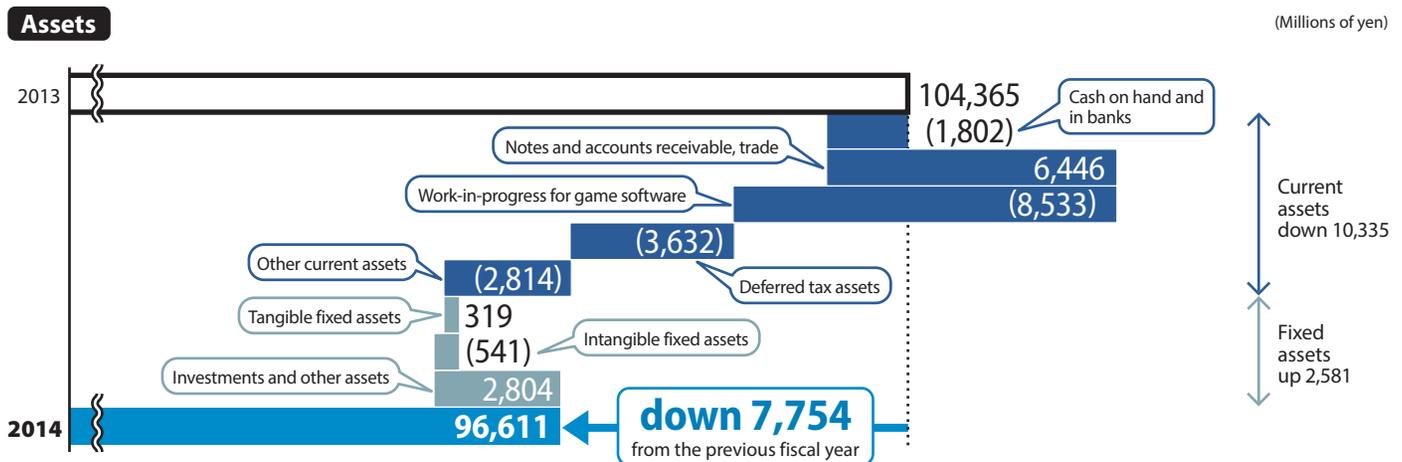
on hand and in banks, 595 million yen in raw materials and supplies and 564 million yen in merchandise and finished goods.

(2) Liabilities

Total liabilities as of the end of the current fiscal year decreased 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.

(3) Net assets

Net assets as of the end of the current fiscal year increased 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.



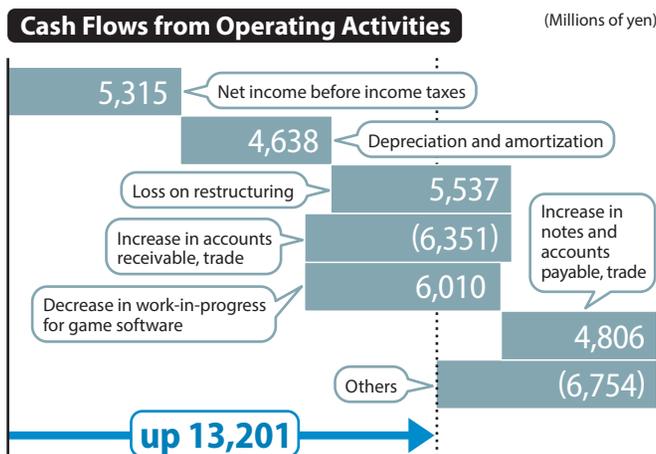
5. Analysis of Cash Flow

Cash and cash equivalents as of the end of the current fiscal year decreased 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.

(1) 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).

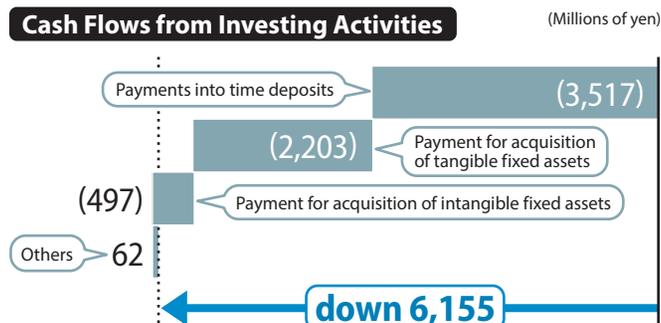
The primary items increasing cash flows were 6,010 million yen decrease in work-in-progress for game software (increase of 2,837 million yen in the previous fiscal year), 5,315 million yen in net income before income taxes (3,719 million yen in the previous fiscal year) and 4,806 million yen increase 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).



(2) 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).

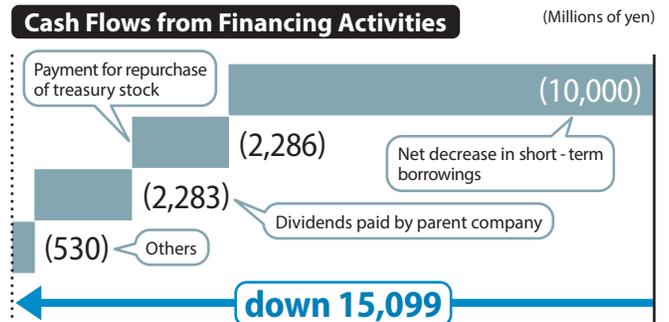
The primary items used were 3,517 million yen in payments into time deposits (no payments in the previous fiscal year) and 2,203 million yen in payment for acquisition of tangible fixed assets (3,086 million yen in the previous fiscal year).



(3) 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).



Trends of Cash Flow Indicators

	Year ended March 2012	Year ended March 2013	Year ended March 2014
Shareholders' equity ratio to total assets (%)	60.4	60.2	66.1
Shareholders' equity ratio to total assets based on fair market value (%)	110.8	81.4	114.0
Debt amortization ratio to cash flows (%)	—	258.7	53.4
Interest coverage ratio (times)	—	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.

Consolidated Balance Sheets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2014 AND 2013

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Assets)			
Current assets:			
Cash on hand and in banks [Notes 9(1) and 11]	31,522	29,720	291,377
Notes and accounts receivable, trade [Notes 5(3) and 11]	11,687	18,134	177,788
Merchandise and finished goods	1,756	1,191	11,683
Work in progress	906	942	9,236
Raw materials and supplies	1,592	996	9,765
Work in progress for game software	18,888	10,355	101,527
Deferred tax assets [Note 14]	6,497	2,865	28,092
Other	4,054	2,355	23,090
Allowance for doubtful accounts	(64)	(55)	(539)
Total current assets	76,841	66,506	652,022
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation [Note 5(1)]			
Buildings and structures, net [Note 5(2)]	4,907	4,998	49,002
Machinery and vehicles, net	34	15	156
Tools, fixtures and furniture, net	1,105	1,208	11,852
Equipment for amusement facilities, net	1,199	1,431	14,031
Land [Note 5(2)]	5,052	5,052	49,535
Leased assets, net [Note 10(2)]	849	825	8,096
Construction in progress	108	44	434
Total tangible fixed assets	13,258	13,577	133,110
Intangible assets			
Goodwill	200	67	659
Other	7,709	7,300	71,576
Total intangible assets	7,909	7,368	72,235
Investments and other assets			
Investments in securities [Note 12]	515	542	5,320
Claims in bankruptcy and reorganization	66	65	638
Lease deposits [Note 11]	4,341	4,108	40,283
Deferred tax assets [Note 14]	733	3,699	36,272
Other	776	819	8,038
Allowance for doubtful accounts	(78)	(77)	(755)
Total investments and other assets	6,355	9,159	89,798
Total fixed assets	27,523	30,104	295,144
Total assets	104,365	96,611	947,166

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
Current liabilities:			
Notes and accounts payable, trade [Notes 5(3) and 11]	6,304	4,950	48,537
Electronically recorded monetary obligations [Note 11]	634	6,926	67,906
Short - term borrowings [Notes 5(2) , 11 and 20]	11,194	4,050	39,705
Lease obligations [Notes 11 and 20]	364	370	3,630
Accrued income taxes	2,111	758	7,436
Deferred tax liabilities [Note 14]	—	93	918
Accrued bonuses	1,679	1,802	17,668
Allowance for sales returns	187	87	854
Asset retirement obligations [Notes 15 and 21]	20	8	84
Other	9,409	6,499	63,717
Total current liabilities	31,905	25,547	250,461
Long - term liabilities:			
Long - term borrowings [Notes 5(2) , 11 and 20]	6,000	3,000	29,411
Lease obligations [Note 11 and 20]	553	519	5,090
Deferred tax liabilities [Note 14]	2	46	459
Accrued retirement benefits for employees [Note 13]	1,697	—	—
Liabilities for retirement benefits for employees [Note 13]	—	2,158	21,158
Asset retirement obligations [Notes 15 and 21]	329	404	3,961
Other	1,047	1,059	10,388
Total long-term liabilities	9,630	7,187	70,470
Total liabilities	41,536	32,735	320,931
(Net assets)			
Shareholders' equity:			
Common stock	33,239	33,239	325,875
Capital surplus	21,328	21,328	209,107
Retained earnings	27,998	29,160	285,883
Treasury stock	(15,848)	(18,134)	(177,792)
Total shareholders' equity	66,718	65,593	643,073
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	91	99	974
Cumulative translation adjustments	(3,981)	(1,647)	(16,152)
Accumulated adjustments for retirement benefits	—	(169)	(1,660)
Total accumulated other comprehensive income	(3,889)	(1,717)	(16,838)
Total net assets	62,828	63,875	626,235
Total liabilities and net assets	104,365	96,611	947,166

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

Consolidated statements of income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	94,075	102,200	1,001,968
Cost of sales	61,911	72,251	708,350
Gross profit	32,163	29,949	293,617
Reversal of allowance for sales returns	—	100	983
Provision of allowance for sales returns	69	—	—
Net gross profit	32,094	30,049	294,601
Selling, general and administrative expenses [Notes 6(1) and (3)]	21,942	19,749	193,622
Operating income	10,151	10,299	100,979
Non-operating income:			
Interest income	92	97	952
Dividend income	9	10	104
Settlement received	—	210	2,058
Exchange gains, net	745	566	5,551
Other	257	238	2,334
Total	1,105	1,122	11,002
Non-operating expenses:			
Interest expense	107	96	950
Commission fees	60	69	683
Compensation expenses	—	138	1,360
Loss on closing amusement stores	—	142	1,397
Other	144	27	271
Total	312	475	4,664
Ordinary income	10,944	10,946	107,317
Special losses:			
Loss on sales and/or disposal of fixed assets [Note 6(2)]	216	93	917
Impairment loss [Note 6(4)]	58	—	—
Loss on restructuring [Note 6(5)]	6,949	5,537	54,285
Total	7,224	5,630	55,202
Net income before income taxes	3,719	5,315	52,114
Income taxes-current [Note 14]	2,968	950	9,319
Income taxes-deferred [Note 14]	(2,222)	920	9,021
Total	746	1,870	18,340
Net income before minority interests	2,973	3,444	33,773
Net income	2,973	3,444	33,773

Consolidated statements of comprehensive income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income before minority interests	2,973	3,444	33,773
Other comprehensive income [Note 7(1)]			
Net unrealized gain or loss on securities, net of tax	138	8	79
Cumulative translation adjustments	2,669	2,333	22,879
Total other comprehensive income	2,807	2,341	22,958
Comprehensive income	5,780	5,786	56,732
Comprehensive income attributable to:			
Owners of the parent	5,780	5,786	56,732
Minority interests	—	—	—

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

Millions of yen	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2012	33,239	21,328	27,328	(15,846)	66,049
Changes of items during the previous fiscal year					
Cash dividends [Note 8(3)]			(2,303)		(2,303)
Net income			2,973		2,973
Repurchase of treasury stock				(1)	(1)
Disposal 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

Millions of yen	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of March 31, 2012	(46)	(6,650)	—	(6,697)	59,352
Changes of items during the previous fiscal year					
Cash dividends [Note 8(3)]					(2,303)
Net income					2,973
Repurchase of treasury stock					(1)
Disposal 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

Millions of yen	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2013	33,239	21,328	27,998	(15,848)	66,718
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]			(2,283)		(2,283)
Net income			3,444		3,444
Repurchase of treasury stock				(2,286)	(2,286)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current 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

Millions of yen	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of March 31, 2013	91	(3,981)	—	(3,889)	62,828
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]					(2,283)
Net income					3,444
Repurchase of treasury stock					(2,286)
Disposal 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 current fiscal year	8	2,333	(169)	2,172	1,047
Balance as of March 31, 2014	99	(1,647)	(169)	(1,717)	63,875

Thousands of U.S. dollars	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2013	325,875	209,107	274,493	(155,374)	654,100
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]			(22,383)		(22,383)
Net income			33,773		33,773
Repurchase of treasury stock				(22,418)	(22,418)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	—	0	11,390	(22,417)	(11,027)
Balance as of March 31, 2014	325,875	209,107	285,883	(177,792)	643,073

Thousands of U.S. dollars	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of March 31, 2013	894	(39,031)	—	(38,136)	615,963
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]					(22,383)
Net income					33,773
Repurchase of treasury stock					(22,418)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	79	22,879	(1,660)	21,298	21,298
Total changes of items during the current fiscal year	79	22,879	(1,660)	21,298	10,271
Balance as of March 31, 2014	974	(16,152)	(1,660)	(16,838)	626,235

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	3,719	5,315	52,114
Depreciation and amortization	3,406	4,638	45,473
Impairment loss	58	—	—
Amortization of goodwill	132	131	1,287
(Decrease) increase in allowance for doubtful accounts	1	(16)	(165)
Increase (decrease) in accrued bonuses	(474)	88	867
(Decrease) increase in allowance for sales returns	69	(100)	(983)
Increase in accrued retirement benefits for employees	185	—	—
Increase in liabilities for retirement benefits for employees	—	195	1,918
Interest and dividend income	(101)	(107)	(1,057)
Interest expense	107	96	950
Exchange (gains) losses, net	(485)	(435)	(4,269)
Loss on sales and/or disposal of fixed assets	216	93	917
Loss on restructuring	6,949	5,537	54,285
(Increase) decrease in accounts receivable, trade	5,760	(6,351)	(62,267)
Decrease (increase) in inventories	(493)	1,196	11,731
Decrease (increase) in work in progress for game software	(2,837)	6,010	58,930
Increase (decrease) in notes and accounts payable, trade	(474)	4,806	47,119
Decrease (increase) in other current assets	(1,031)	1,975	19,372
Decrease (increase) in other current liabilities	(1,553)	(2,709)	(26,567)
Other	(2,901)	(4,960)	(48,636)
Subtotal	10,253	15,404	151,020
Interest and dividends received	109	86	849
Interest paid	(105)	(98)	(968)
Income taxes paid	(3,610)	(2,190)	(21,471)
Net cash provided by operating activities	6,647	13,201	129,430
Cash flows from investing activities:			
Payments into time deposits [Note 9(1)]	—	(3,517)	(34,481)
Proceeds from withdrawal of time deposits	2,499	—	—
Payment for acquisition of tangible fixed assets	(3,086)	(2,203)	(21,599)
Proceeds from sales of tangible fixed assets	659	1	12
Payment for acquisition of intangible assets	(1,578)	(497)	(4,875)
Payment for purchase of investments in securities	(12)	(12)	(126)
Payment for other investing activities	(453)	(115)	(1,134)
Proceeds from other investing activities	597	189	1,855
Net cash used in investing activities	(1,375)	(6,155)	(60,349)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	4,290	(10,000)	(98,039)
Repayments of long-term borrowings	(499)	(145)	(1,425)
Repayments of lease obligations	(327)	(383)	(3,764)
Payment for repurchase of treasury stock	(1)	(2,286)	(22,417)
Proceeds from sales of treasury stock	0	0	0
Dividends paid by parent company	(2,298)	(2,283)	(22,383)
Net cash (used in) provided by financing activities	1,162	(15,099)	(148,029)
Effect of exchange rate changes on cash and cash equivalents	2,800	2,648	25,966
Net (decrease) increase in cash and cash equivalents	9,235	(5,404)	(52,982)
Cash and cash equivalents at beginning of year	22,287	31,522	309,043
Cash and cash equivalents at end of year [Note 9(1)]	31,522	26,118	256,061

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the "Company") and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of translation into U.S. dollars, it is rounded down to the nearest 1 thousand U.S. dollars).

The rate of ¥102 to U.S.\$1.00, the approximate current rate of exchange prevailing on March 31, 2014, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Summary of significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 16 majority owned subsidiaries (the "Companies") at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated.

The investments in 20% to 50% owned companies ("Affiliated companies") are, with minor exceptions, accounted for under the equity method.

The 16 subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)
 CAPCOM GAME STUDIO VANCOUVER, INC. (Canada)
 BEELINE INTERACTIVE, INC. (U.S.A.)
 BEELINE INTERACTIVE CANADA, INC. (Canada)
 BEELINE INTERACTIVE JAPAN, INC. (Japan)
 BEELINE INTERACTIVE EUROPE LTD. (U.K.)
 BEELINE INTERACTIVE THAILAND LTD. (Thailand)
 CE EUROPE LTD. (U.K.)
 CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)
 CAPCOM ENTERTAINMENT FRANCE SAS (France)
 CAPCOM ASIA CO., LTD. (Hong Kong)
 CAPCOM TAIWAN CO., LTD. (Taiwan)
 CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
 CAPTRON CO., LTD. (Japan)
 K2 CO., LTD. (Japan)
 ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end.

Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets," at the net of tax amount.

The cost of securities sold is determined based on the average cost of all such securities held at the time of sale.

Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods," "Work in progress," "Raw materials and supplies") and "Work in progress for game software"

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

(4) Tangible fixed assets, except for leased assets

Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respective asset, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method. The amortization period, except for computer software and online game contents, is based upon the individual estimated useful life of the asset.

The amortization period for computer software and online game contents is based upon the estimated period of internal use (5 years) and the estimated period of online game services (2 to 3 years), respectively.

(6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee. Depreciation of such leased assets is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero.

If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.

Leases that do not transfer ownership of the leased assets to the lessee as part of the lease, the contracts of which were made on or before March 31, 2008, are accounted for in a similar manner as ordinary rental transactions.

Leases that transfer ownership of the leased assets to the lessee. Depreciation methods for such leased assets are the same with those applied to the tangible fixed assets owned by the Companies.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end.

This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on straight-line method.

Transition obligations (¥552 million (\$5,416 thousand)) are amortized over 15 years.

Prior service liabilities are amortized over 8 years, the average remaining service period, commencing from the date on which they are incurred.

Actuarial net gains or losses are amortized over 8 to 14 years, commencing from the following year in which they arise.

(10) Allowance for sales returns

The allowance for sales returns is provided for estimated losses resulting from sales returns subsequent to the balance sheet date and is based on prior loss experience.

(11) Amortization of goodwill

Goodwill is amortized by the straight-line method over 4 years. When the amount is insignificant, it is amortized at one time.

(12) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

(13) Other

Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

3. Changes in accounting policies

Effective from the fiscal year ended March 31, 2014, the Companies have 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 presentation of liabilities for retirement benefits with projected benefit obligations minus fair value of plan assets, which recognize actuarial differences and prior service liabilities.

In applying the above standard and guidance, the Companies have followed the transition measures provided in the provision of article 37 and disclosed the impact caused by this change on the accumulated other comprehensive income.

As a result, the Companies have booked liabilities for retirement benefits of ¥2,158 million (\$21,158 thousand) with accumulated other comprehensive income decreased by ¥169 million (\$1,660 thousand).

The impact on the per share information is disclosed in the pertinent note.

4. Unapplied accounting standards, etc.:

"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Outline

The purpose of the revision of this accounting standard and its guidance is to improve Japanese financial reporting and to better follow international accounting trends, centering around treatment of unrecognized actuarial differences and past service liabilities, determination of retirement benefit obligations and current service costs, and enhancement of disclosures.

(2) Effective date

Amendments related to the determination of retirement benefit obligations and current service costs shall be applied to the fiscal year ending on or after March 31, 2015.

(3) Impact of application of new accounting standard

The impact of this change on the consolidated statement of income for the fiscal year ending March 31, 2015 is expected to be insignificant.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	16,890	17,288	169,496

(Note) The above balances include the accumulated impairment loss on tangible fixed assets.

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
① Pledged assets			
Buildings	3,806	1,767	17,330
Land	3,314	2,341	22,956
Total	7,120	4,109	40,286
② Secured debts			
Short - term borrowings	1,050	1,050	10,294
Long - term borrowings due within one year	140	—	0
Total	1,190	1,050	10,294

(3) Notes that matured on the balance sheet day of the fiscal year

Although the balance sheet day for the current fiscal year was not a business day, the notes that matured on this day were treated as if they were settled on the date.

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable	2	—	—
Notes payable	39	—	—

(4) Credit line

The Company has entered into line of credit agreements with some banks by syndicate financing for the purpose of efficient and sustainable financing, and improving the efficiency of funds operations and the Company's financial flexibility.

The credit line under this contract and the unexercised balance at the end of the fiscal year were as follows:

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total credit line	26,500	26,500	259,803
Borrowings	10,000	—	—
Unexercised balance	16,500	26,500	259,803

6. Notes to consolidated statements of income

(1) Major items and the amounts under "Selling, general and administrative expenses"

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	4,907	3,358	32,923
Promotion expenses	2,140	953	9,351
Salaries and bonuses	5,030	5,300	51,967
Provision for accrued bonuses	742	930	9,117
Research and development expenses	1,982	2,002	19,636

(2) The breakdown of "Loss on sales and / or disposal of fixed assets"

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	34	75	744
Tools, fixtures and furniture	56	15	148
Equipment for amusement facilities	7	1	13
Land	101	—	0
Other	17	1	11
Total	216	93	917

(3) Research and development expenses included in general and administrative expenses

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	1,982	2,002	19,636

Notes to Consolidated Financial Statements

(4) Impairment loss

The assets, for which the impairment losses were recognized, were as follows:

Usage	Account	Previous fiscal year	Current fiscal year	Current fiscal year
		(From April 1, 2012 to March 31, 2013)	(From April 1, 2013 to March 31, 2014)	(From April 1, 2013 to March 31, 2014)
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets to be disposed of	Equipment for amusement facilities	58	—	—

(Previous fiscal year)

To measure an impairment, assets are principally grouped based on business segments such as "Digital contents," "Arcade operations," etc. Whereas, rental assets, idle assets, assets to be disposed of and online game contents are evaluated as separate groups. The Companies made a decision to dispose of some assets. As a result of the decision, the Companies did not make sure of the recoverability of the book value of the assets to be disposed of and recognized the impairment loss as shown above.

(Current fiscal year)

Not applicable

(5) Loss on restructuring

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

The Companies restructured the developmental organization of the digital contents business. As a result, the Companies booked a loss on restructuring after reviewing future profitability.

② Current fiscal year (From April 1, 2013 to March 31, 2014)

The Companies restructured the developmental organization of the digital contents business and developmental process.

As a result, the Companies booked a loss on restructuring after reviewing future profitability.

7. Notes to consolidated statements of comprehensive income

(1) Amount of recycling and income tax effect associated with other comprehensive income

	Previous fiscal year	Current fiscal year	Current fiscal year
	(From April 1, 2012 to March 31, 2013)	(From April 1, 2013 to March 31, 2014)	(From April 1, 2013 to March 31, 2014)
		Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities			
Amount arising during the fiscal year	138	8	79
Amount of recycling	—	—	—
Net gain before income tax effect	138	8	79
Income tax effect	—	—	—
Net unrealized gain or loss on securities, net of tax	138	8	79
Cumulative translation adjustment			
Amount arising during the fiscal year	2,669	2,333	22,879
Total other comprehensive income	2,807	2,341	22,958

8. Notes to consolidated statements of changes in net assets

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

(1) Number of outstanding shares

Type of shares	Number of shares as of April 1, 2012	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2013
Common stock (thousand shares)	67,723	—	—	67,723

(Note) No change in the number of shares during the previous fiscal year

(2) Number of treasury stocks

Type of shares	Number of shares as of April 1, 2012	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2013
Common stock (thousand shares)	10,138	0	0	10,139

(Note) The reasons for the increase or decrease in the number of shares were as follows:

Increase due to purchase of less-than-one-unit shares

0 thousand shares

Decrease due to request for purchase of less-than-one-unit shares by shareholders

0 thousand shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 15, 2012	Common stock	¥1,439 million	25	March 31, 2012	June 18, 2012
Board of Directors' meeting held on October 31, 2012	Common stock	¥863 million	15	September 30, 2012	November 19, 2012

② Dividends whose effective date was to be after the end of current fiscal year and record date was included in the previous fiscal year.

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 18, 2013	Common stock	¥1,439 million	Retained earnings	25	March 31, 2013	June 19, 2013

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

(1) Number of outstanding shares

Type of shares	Number of shares as of April 1, 2013	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2014
Common stock (thousand shares)	67,723	—	—	67,723

(Note) No change in the number of shares during the current fiscal year

(2) Number of treasury stocks

Type of shares	Number of shares as of April 1, 2013	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2014
Common stock (thousand shares)	10,139	1,350	0	11,490

(Note) The reasons for the increase or decrease in the number of shares were as follows:

Increase due to purchase of treasury stock	1,347 thousand shares
Increase due to purchase of less-than-one-unit shares	3 thousand shares
Decrease due to request for purchase of less-than-one-unit shares by shareholders	0 thousand shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 18, 2013	Common stock	¥1,439 million	25	March 31, 2013	June 19, 2013
Board of Directors' meeting held on October 31, 2013	Common stock	¥843 million	15	September 30, 2013	November 18, 2013

Resolution	Type of shares	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 18, 2013	Common stock	\$14,113 thousand	0.25	March 31, 2013	June 19, 2013
Board of Directors' meeting held on October 31, 2013	Common stock	\$8,269 thousand	0.15	September 30, 2013	November 18, 2013

② Dividends whose effective date was to be after the end of current fiscal year and record date was included in the current fiscal year.

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 16, 2014	Common stock	¥1,405 million	Retained earnings	25	March 31, 2014	June 17, 2014

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 16, 2014	Common stock	\$13,782 thousand	Retained earnings	0.25	March 31, 2014	June 17, 2014

Notes to Consolidated Financial Statements

9. Notes to consolidated statements of cash flows

(1) Cash and cash equivalents at end of year

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	31,522	29,720	291,377
Time deposits with maturities over three months	—	(3,602)	(35,315)
Cash and cash equivalents	31,522	26,118	256,061

10. Accounting for leases

(1) Capital leases which do not transfer ownership of the leased assets to the lessee and were made on or before March 31, 2008.

The note is omitted due to the insignificance of the total amount.

(2) Capital leases which were made on or after April 1, 2008.

① Capital leases which transfer ownership of the leased assets to the lessee. ② Capital leases which do not transfer ownership of the leased assets to the lessee.

• Leased assets:

Intangible assets

Major assets are software for "Amusement equipments" segment.

• Depreciation method:

See Note 2(6), "Summary of significant accounting policies - Leased assets."

• Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for the "Arcade operations" segment.

• Depreciation method:

See Note 2(6), "Summary of significant accounting policies - Leased assets."

(3) Operating leases

① Future lease payments

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	388	487	4,781
Due over one year	2,347	2,208	21,655
Total	2,736	2,696	26,436

11. Financial instruments

① Conditions of financial instruments

(1) Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration.

The Companies raise funds through borrowings from financial institutions, such as banks, etc.

The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk, and do not enter into derivative financial instruments for speculative purposes.

(2) Financial instruments, risks, and risk management

Notes and accounts receivable, trade are exposed to credit risk of customers. To minimize such risk, the Companies regularly monitor the credit status of major customers as well as perform due date control and balance control for each customer according to importance of business in accordance with credit exposure management rules.

The investments in securities the Company holds consist mainly of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the board of directors' meeting.

As for notes and accounts payable, trade, due date of payment is within one year.

Short-term borrowings are mainly for normal operating activities, and long-term borrowings are mainly for capital investments.

Notes and accounts payable, trade and borrowings are exposed to liquidity risk.

The Companies minimize such risk by forecasting cash flows on a monthly basis.

(3) Supplemental information on the fair value of financial instruments

Not applicable

② Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and any differences between the two were as follows:

(1) Previous fiscal year (As of March 31, 2013)

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	31,522	31,522	—
(2) Notes and accounts receivable, trade	11,687	11,687	—
(3) Lease deposits	4,341	4,325	(16)
Total	47,551	47,535	(16)
(1) Notes and accounts payable, trade	6,304	6,304	—
(2) Electronically recorded monetary obligations	634	634	—
(3) Short-term borrowings	11,194	11,194	—
(4) Long-term borrowings	6,000	6,024	23
Total	24,133	24,157	23

(2) Current fiscal year (As of March 31, 2014)

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	29,720	29,720	—	291,377	291,377	—
(2) Notes and accounts receivable, trade	18,134	18,134	—	177,788	177,788	—
(3) Lease deposits	4,108	4,087	(21)	40,283	40,073	(210)
Total	51,963	51,942	(21)	509,449	509,239	(210)
(1) Notes and accounts payable, trade	4,950	4,950	—	48,537	48,537	—
(2) Electronically recorded monetary obligations	6,926	6,926	—	67,906	67,906	—
(3) Short-term borrowings	4,050	4,050	—	39,705	39,705	—
(4) Long-term borrowings	3,000	3,009	9	29,411	29,507	95
Total	18,927	18,937	9	185,561	185,657	95

(Note 1) Fair value measurement of financial instruments

Assets

- (1) Cash on hand and in banks and (2) Notes and accounts receivable, trade
The fair value is assumed to be the same as the carrying value as it approximates fair value because of the short maturity of these instruments.
- (3) Lease deposits
The fair value is measured at the present value of future cash flows discounted using the yield of national government bonds according to periods until repayment.

Liabilities

- (1) Notes and accounts payable, trade, (2) Electronically recorded obligations and (3) Short-term borrowings

The fair value is assumed to be the same as the carrying value as it approximates fair value because of the short maturity of these instruments.

- (4) Long-term borrowings
The fair value of long-term borrowings with variable interest rates is measured at the carrying value as it approximates fair value.
(The market interest rate fluctuation is reflected in the variable interest rates in the short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rates.)
The fair value of long-term borrowings with fixed rates is measured at the present value of future cash flow (principal plus interest) discounted using the assumed interest rate of similar new borrowings.

(Note 2) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (As of March 31, 2013)

	Millions of yen			
	April 1, 2013 to March 31, 2014	April 1, 2014 to March 31, 2018	April 1, 2018 to March 31, 2023	April 1, 2023 and thereafter
(1) Cash on hand and in banks	31,522	—	—	—
(2) Notes and accounts receivable, trade	11,687	—	—	—
(3) Lease deposits	1,290	2,774	274	2
Total	44,500	2,774	274	2

(2) Current fiscal year (As of March 31, 2014)

	Millions of yen				Thousands of U.S. dollars			
	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2019	April 1, 2019 to March 31, 2024	April 1, 2024 and thereafter	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2019	April 1, 2019 to March 31, 2024	April 1, 2024 and thereafter
(1) Cash on hand and in banks	29,720	—	—	—	291,377	—	—	—
(2) Notes and accounts receivable, trade	18,134	—	—	—	177,788	—	—	—
(3) Lease deposits	1,484	2,325	296	2	14,555	22,796	2,905	25
Total	49,339	2,325	296	2	483,721	22,796	2,905	25

(Note 3) Repayment schedule for long-term borrowings and lease obligations with maturity dates subsequent to the consolidated balance sheets date

Notes to Consolidated Financial Statements

(1) Previous fiscal year (As of March 31, 2013)

	Millions of yen					
	April 1, 2013 to March 31, 2014	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2018 and thereafter
(1) Short-term borrowings	11,194	—	—	—	—	—
(2) Long-term borrowings	—	3,000	3,000	—	—	—
Total	11,194	3,000	3,000	—	—	—

(2) Current fiscal year (As of March 31, 2014)

	Millions of yen					
	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2019 and thereafter
(1) Short-term borrowings	4,050	—	—	—	—	—
(2) Long-term borrowings	—	3,000	—	—	—	—
Total	4,050	3,000	—	—	—	—

	Thousands of U.S. dollars					
	April 1, 2014 to March 31, 2015	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2019 and thereafter
(1) Short-term borrowings	39,705	—	—	—	—	—
(2) Long-term borrowings	—	29,411	—	—	—	—
Total	39,705	29,411	—	—	—	—

12. Investments in securities

(1) Available - for - sale securities with a readily determinable fair value

① Previous fiscal year (As of March 31, 2013)

Classification	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
(1) Equity securities	477	386	91
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	477	386	91
Securities with book value not exceeding acquisition cost			
(1) Equity securities	—	—	—
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	—	—	—
Total	477	386	91

② Current fiscal year (As of March 31, 2014)

Classification	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost						
(1) Equity securities	498	399	99	4,888	3,914	974
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Subtotal	498	399	99	4,888	3,914	974
Securities with book value not exceeding acquisition cost						
(1) Equity securities	—	—	—	—	—	—
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	498	399	99	4,888	3,914	974

(2) Investments in securities sold during the fiscal year

① Previous fiscal year (From April 1, 2012 to March 31, 2013)
Not applicable

② Current fiscal year (From April 1, 2013 to March 31, 2014)
Not applicable

13. Retirement benefits for employees

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

1. Summary of retirement benefit plans

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans. Some foreign subsidiaries have defined contribution pension plans.

2. Accrued retirement benefits

	Millions of yen
A. Projected benefit obligations	(1,973)
B. Fair value of plan assets	—
C. Unfunded benefit obligations (A+B)	(1,973)
D. Unrecognized transition obligations	31
E. Unrecognized actuarial differences	314
F. Unrecognized prior service liabilities	(69)
G. Accrued pension liabilities recognized on the consolidated balance sheets (C+D+E+F)	(1,697)
H. Prepaid pension expenses	—
I. Accrued retirement benefits for employees (G - H)	(1,697)

(Note) Some subsidiaries apply a simplified method of computing pension liabilities.

3. Retirement and pension cost

	Millions of yen
A. Service costs	160
B. Interest costs	21
C. Expected return on plan assets	—
D. Amortization of transition obligations	15
E. Amortization of actuarial differences	28
F. Amortization of prior service liabilities	(10)
G. Net periodic benefit costs (A+B+C+D+E+F)	214
H. Other	242
I. Total (G+H)	457

(Note) 1. Retirement costs for some subsidiaries which have adopted the simplified method are included in the "Service costs."

2. "Other" means the contribution to the defined contribution pension plans.

4. Assumptions used in the calculation of retirement benefits for employees

A. Method of attributing projected benefits to periods of service	Straight - line
B. Discount rate	1.5%
C. Long - term rate of return on plan assets	—
D. Amortization period for prior service liabilities	8 years (based on the straight-line method over the average estimated service years of employees)
E. Amortization period for actuarial differences	8 to 14 years (based on the straight-line method over the average estimated service years of employees from the next fiscal period of year when the differences are computed)
F. Amortization period for transition obligations	15 years

Notes to Consolidated Financial Statements

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

1. Summary of retirement benefit plans

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans. Some foreign subsidiaries have defined contribution pension plans.

2. Defined benefit plans (excluding simplified method)

(1) Change in projected benefit obligations

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	1,951	19,130
Service costs	167	1,642
Interest costs	24	236
Actuarial gain or loss incurred	15	147
Payment of retirement benefits	(34)	(339)
Projected benefit obligations at end of year	2,123	20,816

(2) Change in plan assets

Not applicable

(3) Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plan	2,123	20,816
Net balance presented in the consolidated balance sheet	2,123	20,816
Liabilities for retirement benefits for employees	2,123	20,816
Net balance presented in the consolidated balance sheet	2,123	20,816

(4) Breakdown of retirement and pension cost

	Millions of yen	Thousands of U.S. dollars
Service costs	167	1,642
Interest costs	24	236
Amortization of actuarial differences	25	245
Amortization of prior service costs	(12)	(118)
Amortization of transition obligations	15	154
Net periodic benefit costs	220	2,160

(5) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments of retirement benefits before tax was as follows.

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial differences	304	2,984
Unrecognized prior service liabilities	(57)	(565)
Unrecognized transition obligations	15	154
Total	262	2,573

(6) Plan assets

① Breakdown of plan assets

Not applicable

② Long-term rate of return on plan assets

Not applicable

(7) Actuarial assumption

Major actuarial assumption for the current fiscal year (on weighted average)

Discount rate: 1.5%

3. Defined benefit plans for simplified method
(1) Change in projected benefit obligations

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	22	218
Service costs	14	142
Payment of retirement benefits	(4)	(45)
Other	2	25
Projected benefit obligations at end of year	34	341

(2) Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plan	34	341
Net balance presented in the consolidated balance sheet	34	341
Liabilities for retirement benefits for employees	34	341
Net balance presented in the consolidated balance sheet	34	341

(3) Retirement and pension cost

Retirement and pension cost for simplified method: ¥14million (\$142 thousand)

4. Defined contribution plans

The Companies contributed ¥281 million (\$2,758 thousand) to their defined contribution plans.

14. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Accrued bonuses	640	540	5,299
Accrued retirement benefits for employees	599	—	—
Liabilities for retirement benefits for employees	—	761	7,468
Accrued retirement benefits for directors	141	133	1,308
Inventories	4,677	831	8,149
Unearned revenue	545	344	3,381
Investments in subsidiaries and affiliated companies	176	176	1,733
Allowance for sales returns	71	30	303
Tax loss carryforwards in the Company	—	1,939	19,017
Tax loss carryforwards in the subsidiaries	25	845	8,286
Tax credits carryforwards in the subsidiaries	595	766	7,510
Intangible assets	232	1,479	14,509
Depreciation and amortization	366	324	3,177
Impairment loss	44	17	174
Other	1,056	957	9,384
Subtotal	9,173	9,149	89,703
Valuation allowance	(1,574)	(1,899)	(18,620)
Total deferred tax assets	7,598	7,250	71,083
(Deferred tax liabilities)			
Tax deductible inventories for a foreign subsidiary	(186)	(430)	(4,220)
Other	(182)	(395)	(3,876)
Total deferred tax liabilities	(369)	(825)	(8,096)
Net deferred tax assets	7,229	6,424	62,987
Net deferred tax assets are reflected in the consolidated balance sheets as follows:			
Current assets—deferred tax assets	6,497	2,865	28,092
Fixed assets—deferred tax assets	733	3,699	36,272
Current liabilities—deferred tax liabilities	—	(93)	(918)
Long-term liabilities—deferred tax liabilities	(2)	(46)	(459)

Notes to Consolidated Financial Statements

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year (As of March 31, 2013)	Current fiscal year (As of March 31, 2014)
	%	%
Statutory income tax rate	37.9	37.9
(Reconciliation)		
Change in valuation allowance	(1.7)	2.0
Tax credit	(16.1)	(0.4)
Amortization of goodwill	1.4	0.9
Different tax rates applied to foreign subsidiaries	(4.1)	(3.0)
Permanent difference (meals and entertainment, etc.)	1.0	0.3
Unappropriated retained earnings of foreign subsidiaries	2.5	1.2
Tax adjustments resulting from consolidation elimination entries, etc.	7.5	(6.6)
Decrease in deferred tax assets due to change in statutory income tax rate	—	4.0
Others	(8.2)	(1.2)
Effective income tax rate	20.1	35.2

(3) Change in deferred tax assets and liabilities due to change of corporate tax rate

The "Act for Partial Amendment of the Income Tax Act, etc.," was promulgated on March 31, 2014. And effective from the fiscal year starting on 1 April, 2014, the special corporate tax for reconstruction has been abolished.

In response, the Company and its domestic subsidiaries changed their statutory income tax rate to compute the deferred tax assets and the deferred tax liabilities as of March 31, 2014 which were expected to be realized or settled in the fiscal year starting on April 1, 2014 from 37.9% for the previous fiscal year to 35.5%.

As a result, the balance of deferred tax assets (net of deferred tax liabilities) decreased by ¥214 million (\$2,105 thousand) and the amount of income tax - deferred increased by ¥214 million (\$2,105 thousand) for the current fiscal year.

15. Asset retirement obligations

Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations

Obligations to restore business offices and amusement stores in the "Arcade operations" segment to their original state, which are specified in the real estate lease agreements.

② Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted.

For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to respective depreciation periods are used as their discount rates (mainly 1.060 to 1.885%).

For the amusement facilities, their lease periods (mainly 6 to 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to respective lease periods are used as their discount rates (mainly 0.564 to 1.885%).

③ Increase or decrease in asset retirement obligations

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Beginning balance	344	349	3,429
Increase due to purchase of tangible fixed assets	19	141	1,390
Adjustment due to passage of time	4	4	42
Decrease due to settlement of asset retirement obligations	(19)	(83)	(816)
Ending balance	349	412	4,045

16. Investment and rental property

The note is omitted due to the insignificance of the total amount.

17. Segment information

1. Outline of reportable segments

(1) Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance.

The Company has several operational headquarters, which plan comprehensive business strategies in the domestic and overseas markets for their products and services, and develop its business activities.

Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 segments: "Digital contents," "Arcade operations" and "Amusement equipments."

(2) Product and service line

The "Digital contents" segment develops and distributes video and mobile games for consumers.

The "Arcade operations" segment operates amusement stores which install amusement equipments.

The "Amusement equipments" segment 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 procedures for the reportable segment are based on those in "Summary of significant accounting policies."

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

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

	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) Intersegment	—	—	—	—	—	—	—	—
Total	63,636	10,944	16,783	91,363	2,711	94,075	—	94,075
Segment income	7,062	1,709	4,892	13,664	740	14,405	(4,253)	10,151
Segment assets	44,950	7,046	13,054	65,051	4,236	69,288	35,076	104,365
Other items								
Depreciation	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 reportable segments, including the character contents business, etc.

2. Adjustments were as follows:

(1) Adjustments of segment income of (¥4,253) million include unallocated corporate operating expenses of (¥4,253) million. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.

(2) Adjustments of segment assets of ¥35,076 million include unallocated corporate identifiable assets of ¥35,076 million.

(3) Adjustments of increase in tangible and intangible fixed assets of ¥197 million are capital investments by headquarters.

3. Segment income is adjusted on operating income of the consolidated statements of income.

② Current fiscal year (From April 1, 2013 to March 31, 2014)

	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) Intersegment	—	—	—	—	—	—	—	—
Total	65,824	10,620	23,160	99,605	2,594	102,200	—	102,200
Segment income	4,489	1,617	7,131	13,238	1,001	14,240	(3,940)	10,299
Segment assets	35,708	6,657	20,083	62,449	4,331	66,780	29,830	96,611
Other items								
Depreciation	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

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars							
	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital contents	Arcade operations	Amusement equipments	Total				
Net sales								
(1) Customers	645,342	104,121	227,064	976,528	25,440	1,001,968	—	1,001,968
(2) Intersegment	—	—	—	—	—	—	—	—
Total	645,342	104,121	227,064	976,528	25,440	1,001,968	—	1,001,968
Segment income	44,011	15,858	69,921	129,790	9,820	139,611	(38,631)	100,979
Segment assets	350,084	65,267	196,895	612,248	42,466	654,714	292,452	947,166
Other items								
Depreciation	24,802	9,790	3,776	38,368	2,444	40,812	4,660	45,473
Increase in tangible and intangible fixed assets	61,052	8,643	3,210	72,906	1,250	74,156	4,907	79,064

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

2. Adjustments were as follows:

- (1) Adjustments of segment income of (¥3,940) million ((\$38,631) thousand) include unallocated corporate operating expenses of (¥3,940) million ((\$38,631) thousand). The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
- (2) Adjustments of segment assets of ¥29,830 million (\$29,452 thousand) include unallocated corporate identifiable assets of ¥29,830 million (\$29,452 thousand).
- (3) Adjustments of increase in tangible and intangible fixed assets of ¥500 million (\$4,907 thousand) are capital investments by headquarters.

3. Segment income is adjusted on operating income of the consolidated statements of income.

[Related information]

1. Information by product and service line

The information is omitted as the same kind of information is disclosed in Note 17, "Segment information."

2. Information by country or region

(1) Net sales

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

Millions of yen				
Japan	North America	Europe	Other regions	Total
63,531	19,012	8,312	3,218	94,075

② Current fiscal year (From April 1, 2013 to March 31, 2014)

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Europe	Other regions	Total	Japan	North America	Europe	Other regions	Total
76,685	19,133	4,233	2,148	102,200	751,820	187,587	41,500	21,060	1,001,968

(Note) 1. The sales amounts are classified by country or region where customers are located.

2. Countries or regions that are not in Japan

(1) North America.....United States of America

(2) Europe.....European countries

(3) Other regions.....Asia and others

(2) Tangible fixed assets

The information is omitted as the balance of tangible fixed assets in Japan exceeded 90% or more of the total balance of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

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

Millions of yen		
Customer	Amount of net sales	Reportable segment
Fields Corporation	12,513	Amusement equipments

② Current fiscal year (From April 1, 2013 to March 31, 2014)

Millions of yen			Thousands of U.S. dollars		
Customer	Amount of net sales	Reportable segment	Customer	Amount of net sales	Reportable segment
Fields Corporation	18,918	Amusement equipments	Fields Corporation	185,479	Amusement equipments

[Impairment loss by reportable segment]

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

	Millions of yen				
	Reportable segment		Other	Corporate or elimination	Total
	Arcade operations	Subtotal			
Impairment loss	58	58	—	—	58

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

Not applicable

[Amortization and balance of goodwill by reportable segment]

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

	Millions of yen					
	Reportable segment			Other	Corporate or elimination	Total
	Digital contents	Amusement equipments	Subtotal			
Amortization	118	14	132	—	—	132
Balance	200	—	200	—	—	200

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

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment		Other	Corporate or elimination	Total	Reportable segment		Other	Corporate or elimination	Total
	Digital contents	Subtotal				Digital contents	Subtotal			
Amortization	131	131	—	—	131	1,287	1,287	—	—	1,287
Balance	67	67	—	—	67	659	659	—	—	659

[Negative goodwill by reportable segment]

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

Not applicable

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

Not applicable

18 . Per share information

	Previous fiscal year	Current fiscal year	Current fiscal year
	(From April 1, 2012 to March 31, 2013)	(From April 1, 2013 to March 31, 2014)	(From April 1, 2013 to March 31, 2014)
	Yen	Yen	U.S. dollars
Net assets per share	1,091.08	1,135.91	11.14
Net income per share	51.64	61.11	0.60

(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 "Changes in accounting policies", the Companies have adopted the new accounting standard and its guidance and followed the transition measures provided in article 37 of the standard. As a result, net assets per share have decreased by ¥3.01 (\$0.03).

3. The basis for computation of net assets per share was as follows:

	Previous fiscal year	Current fiscal year	Current fiscal year
	(As of March 31, 2013)	(As of March 31, 2014)	(As of March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	62,828	63,875	626,235
Amounts to be deducted from total amount of net assets	—	—	—
Ending balance of net assets attributable to common stock	62,828	63,875	626,235
Number of shares of common stocks used for computation of net assets per share (thousand shares)	57,583	56,233	56,233

Notes to Consolidated Financial Statements

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

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Current fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2013 to March 31, 2014)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	2,973	3,444	33,773
Amount not allocated to common stock	—	—	—
Net income allocated to common stock	2,973	3,444	33,773
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	57,584	56,377	56,377

19. Supplemental schedules of bonds

Not applicable

20. Supplemental schedules of borrowings

Category	Balance as of April 1, 2013 (¥ million)	Balance as of March 31, 2014 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	11,050	1,050	0.7	—
Current portion of long-term borrowings due within one year	144	3,000	0.7	—
Current portion of lease obligations	364	370	1.3	—
Long-term borrowings (Excluding current portion)	6,000	3,000	0.8	2015
Lease obligations (Excluding current portion)	553	519	1.3	From 2015 to 2019
Other interest bearing debt	—	—	—	—
Total	18,112	7,939	—	—

Category	Balance as of April 1, 2013 (\$ thousand)	Balance as of March 31, 2014 (\$ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	108,333	10,294	0.7	—
Current portion of long-term borrowings due within one year	1,418	29,411	0.7	—
Current portion of lease obligations	3,568	3,630	1.3	—
Long-term borrowings (Excluding current portion)	58,830	29,411	0.8	2015
Lease obligations (Excluding current portion)	5,426	5,090	1.3	From 2015 to 2019
Other interest bearing debt	—	—	—	—
Total	177,577	77,838	—	—

(Note) 1. The average interest rate represents the weighted average rate applicable to the ending balance.

2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for five years subsequent to March 31, 2015 (excluding the current portion).

	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
Long-term borrowings	3,000	—	—	—
Lease obligations	289	143	69	16

	Due after 1 year but within 2 years (\$ thousand)	Due after 2 years but within 3 years (\$ thousand)	Due after 3 years but within 4 years (\$ thousand)	Due after 4 years but within 5 years (\$ thousand)
Long-term borrowings	29	—	—	—
Lease obligations	2,838	1,405	682	163

21. Supplemental schedules of asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year were 1 % or less than the total balance of the liabilities and the net assets as of the beginning and the end of the current fiscal year, respectively.

22. Supplemental schedules of other

Quarterly sales, etc., for the current fiscal year

	1st quarter (From April 1, 2013 to June 30, 2013)	2nd quarter (From April 1, 2013 to September 30, 2013)	3rd quarter (From April 1, 2013 to December 31, 2013)	4th quarter (From April 1, 2013 to March 31, 2014)
Net sales (¥ million)	17,457	53,234	75,221	102,200
Net income before income taxes (¥ million)	1,112	7,801	8,750	5,315
Net income (¥ million)	828	4,950	5,957	3,444
Net income per share (yen)	14.58	87.59	105.58	61.11

	1st quarter (From April 1, 2013 to June 30, 2013)	2nd quarter (From April 1, 2013 to September 30, 2013)	3rd quarter (From April 1, 2013 to December 31, 2013)	4th quarter (From April 1, 2013 to March 31, 2014)
Net sales (\$ thousand)	171,154	521,904	737,465	1,001,968
Net income before income taxes (\$ thousand)	10,904	76,483	85,790	52,114
Net income (\$ thousand)	8,120	48,536	58,406	33,773
Net income per share (U.S. dollars)	0.14	0.86	1.04	0.60

	1st quarter (From April 1, 2013 to June 30, 2013)	2nd quarter (From July 1, 2013 to September 30, 2013)	3rd quarter (From October 1, 2013 to December 31, 2013)	4th quarter (From January 1, 2014 to March 31, 2014)
Net income per share (yen)	14.58	73.31	17.90	(44.68)

	1st quarter (From April 1, 2013 to June 30, 2013)	2nd quarter (From July 1, 2013 to September 30, 2013)	3rd quarter (From October 1, 2013 to December 31, 2013)	4th quarter (From January 1, 2014 to March 31, 2014)
Net income per share (U.S. dollars)	0.14	0.72	0.18	(0.44)

Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd.

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollars amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollars amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 30, 2014
Osaka, Japan