

11-Year Summary of Consolidated Financial Indicators

Financial Performance

	2005	2006	2007	2008	2009
For the Year:	Millions of yen				
Net sales	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	¥ 91,878
Operating income	7,752	6,580	9,602	13,121	14,618
Net income (loss) before income taxes	7,006	6,912	9,986	11,962	12,448
Net income (loss)	3,622	6,941	5,852	7,807	8,063
Depreciation & amortization	2,101	1,936	2,774	3,393	4,143
Capital expenditures	1,665	1,600	4,495	4,503	2,906
R&D expenses	1,323	1,864	1,828	2,972	2,329

At Year-End:	Millions of yen				
Total assets	¥ 106,361	¥ 98,457	¥ 91,478	¥ 93,606	¥ 106,210
Net assets	32,491	39,464	45,144	53,660	59,349
Net cash	(12,948)	(678)	9,200	13,061	7,378

Cash Flows:	Millions of yen				
Cash flows from operating activities	¥ 7,977	¥ 13,921	¥ 16,063	¥ 7,452	¥ (551)
Cash flows from investing activities	(1,099)	(1,779)	(6,715)	(3,374)	(2,715)
Cash flows from financing activities	6,251	(18,259)	(15,206)	(2,448)	(342)
Net increase (decrease) in cash and cash equivalents	13,406	(4,885)	(5,654)	(2,256)	(4,454)
Cash and cash equivalents at end of year	45,538	40,652	35,020	32,763	28,611

Per Share Data:	Yen				
Net income (loss) per share	¥ 63.37	¥ 125.19	¥ 107.52	¥ 132.90	¥ 130.98
Dividend per share	20.00	20.00	30.00	30.00	35.00
Net assets per share	589.99	716.91	799.35	881.13	961.38

Financial Index:					
Operating margin (%)	11.8	9.4	12.9	15.8	15.9
ROE (%)	11.3	19.3	13.8	15.8	14.3
ROA (%)	3.6	6.8	6.2	8.4	8.1
Net worth ratio (%)	30.5	40.1	49.3	57.3	55.9
Interest coverage ratio (times)	30.0	82.6	237.3	103.7	—
Debt-equity ratio (%)	227.9	149.4	102.8	74.4	79.0

Stock Information:					
Price earnings ratio (times)	16.5	9.7	15.7	25.6	13.3
Number of outstanding shares (thousands shares)	58,435	58,435	62,269	66,719	67,394
Foreign investors (%)	14.79	23.35	32.60	27.72	33.73

"11-Year Summary of Consolidated Business Performance Indicators"
 Please refer to pages 15-16

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

2010	2011	2012	2013	2014	2015	2015
Millions of yen					Thousands of U.S. dollars	
¥ 66,837	¥ 97,716	¥ 82,065	¥ 94,075	¥ 102,200	¥ 64,277	\$ 535,646
5,587	14,295	12,318	10,151	10,299	10,582	88,188
1,124	10,807	11,425	3,719	5,315	10,701	89,177
2,167	7,750	6,723	2,973	3,444	6,616	55,140
3,368	3,315	3,123	3,406	4,638	3,535	29,460
2,205	2,758	4,153	8,724	8,064	10,177	84,811
2,125	2,924	2,236	1,982	2,002	823	6,864
Millions of yen					Thousands of U.S. dollars	
¥ 86,621	¥ 90,408	¥ 98,247	¥ 104,365	¥ 96,611	¥ 100,773	\$ 839,777
53,956	58,007	59,352	62,828	63,875	71,331	594,426
12,299	27,655	11,348	14,327	22,670	21,212	176,766
Millions of yen					Thousands of U.S. dollars	
¥ 14,320	¥ 22,392	¥ (7,672)	¥ 6,647	¥ 13,201	¥ 4,286	\$ 35,719
(1,618)	(2,046)	(4,794)	(1,375)	(6,155)	(5,496)	(45,802)
(10,747)	(12,919)	587	1,162	(15,099)	1,278	10,650
1,203	5,196	(12,724)	9,235	(5,404)	1,879	15,665
29,815	35,011	22,287	31,522	26,118	27,998	233,318
Yen					U.S. dollars	
¥ 35.71	¥ 131.18	¥ 116.10	¥ 51.64	¥ 61.11	¥ 117.67	\$ 0.98
35.00	40.00	40.00	40.00	40.00	40.00	0.33
913.18	981.76	1,030.70	1,091.08	1,135.91	1,268.56	10.57
8.4	14.6	15.0	10.8	10.1	16.5	
3.8	13.8	11.5	4.9	5.4	9.8	
2.3	8.8	7.1	2.9	3.4	6.7	
62.3	64.2	60.4	60.2	66.1	70.8	
86.9	155.8	—	62.4	136.8	50.2	
60.5	55.9	65.5	66.1	51.2	41.3	
49.5	12.1	16.3	28.6	32.0	20.3	
67,723	67,723	67,723	67,723	67,723	67,723	
24.22	22.17	27.05	32.37	37.29	36.87	

Financial Review

1. Operating Results

Capcom Co., Ltd. announced that net sales decreased to 64,277 million yen (down 37.1% from the previous fiscal year) fiscal year ended March 31, 2015. As for profits, operating income was 10,582 million yen (up 2.7% from the previous fiscal year), ordinary income was 10,851 million yen (down 0.9% from the previous fiscal year), and net income was 6,616 million yen (up 92.1% from the previous fiscal year).

2. Sales and Profits

(1) Net Sales

In this fiscal year, net sales were 64,277 million yen (down 37.1% from the previous fiscal year). This was primarily attributable to the Digital Contents business, which declined 31.1% from the previous fiscal year due to the lack of a hit title in the Mobile Contents sub-segment and pullback after last year's major title "Monster Hunter 4". Nevertheless, consumer flagship title "Monster Hunter 4 Ultimate" was generally on track and we achieved a million-seller with "Resident Evil Revelations 2", which involves a new sales model whereby separate digital download sales of each episode are followed by package sales. In the Amusement Equipments business, despite selling 20 thousand units of "Sengoku BASARA 3" pachislo machines, the product lineup lacked variety due to the delayed introduction of new models caused by a revision in the Pachislo model certification method by the Security Communications Association, causing sales to drop 67.4% from the previous fiscal year.

(2) Operating Income

Cost of sales decreased significantly to 38,379 million yen (down 46.9% from the previous fiscal year). This was mainly due to (1) development structure revisions resulting in a tighter lineup of titles outsourced overseas and reduced outsourcing expenses, (2) title reductions aimed at a more efficient internal production development process and (3) cost of sales reductions resulting from a higher ratio of digital download sales, mainly in the Digital Contents

business. The lower cost of sales improved the cost of sales ratio to 59.7% (down 11 percentage points from the previous fiscal year).

Although SG&A as a percentage of sales increased 4.7 percentage points to 24.0%, the decline in net sales caused the fixed overhead rate to increase. Selling, general and administrative expenses shrank substantially to 15,403 million yen (down 22.0% from the previous fiscal year).

As a result, operating income increased slightly to 10,582 million yen (up 2.7% from the previous fiscal year) due to the significant decrease in sales, while profitability substantially increased as the operating margin rose to 16.5% (up 6.4 percentage points from the previous fiscal year).

(3) Net Income

Non-operating income this fiscal year was 664 million yen due to the recognition of 292 million yen in foreign exchange gains arising from the continued weakening of the yen. Non-operating expenses were 396 million yen, primarily due to arcade closures in the Arcade Operations business, which recorded a 142 million yen loss on closing amusement stores. As a result, ordinary income was 10,851 million yen (down 0.9% from the previous fiscal year).

After recognizing a restructuring loss in the previous fiscal year, net income this fiscal year soared to 6,616 million yen (up 92.1% from the previous fiscal year). Net margins grew significantly to 10.3% (up 6.9 percentage points from the previous fiscal year).

3. Status of Each Operational Department

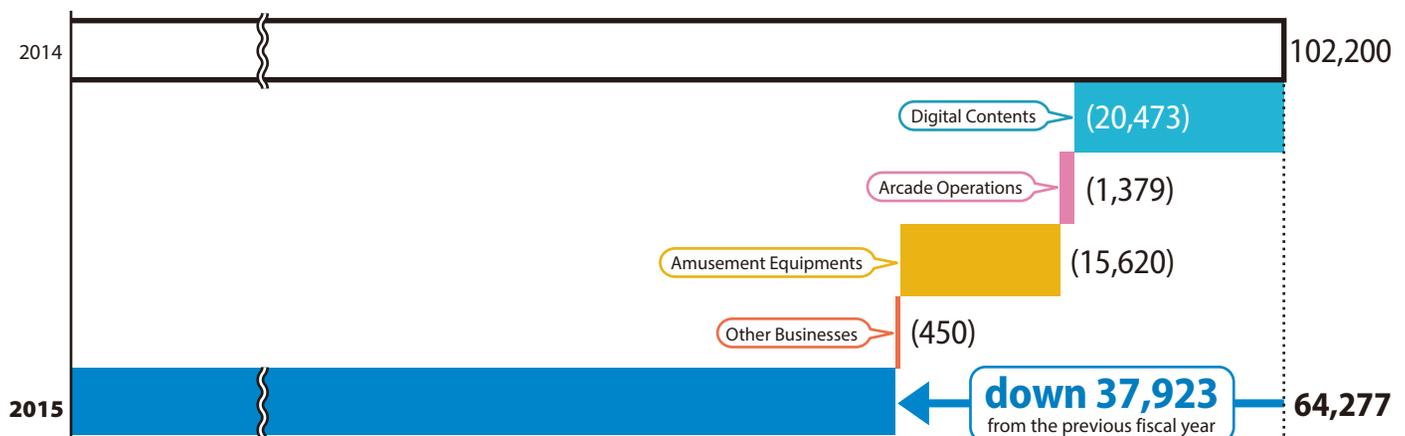
(1) Digital Content business

In the Digital Contents business, sales of the special feature title "Monster Hunter 4G" (including "Monster Hunter 4 Ultimate") (for New Nintendo 3DS and Nintendo 3DS) were largely in line with the plan and sales of "Ultra Street Fighter IV" (for PlayStation 3, Xbox 360, and PC) targeting overseas markets were also solid, reflecting its strong popularity.

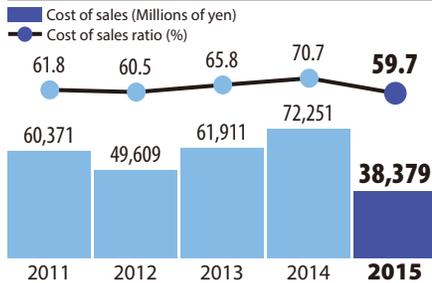
"Resident Evil Revelations 2" (for PlayStation 3, PlayStation 4, Xbox 360, Xbox One, and PC), which is sold in a variety of purchase options (separate digital download sales of each episode followed by package sales), has also made a strong start.

Net Sales

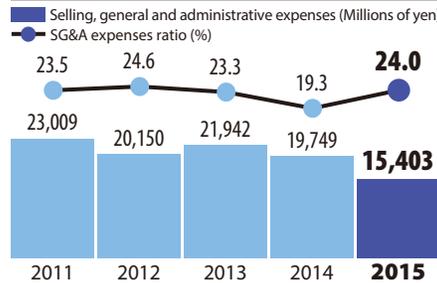
(Millions of yen)



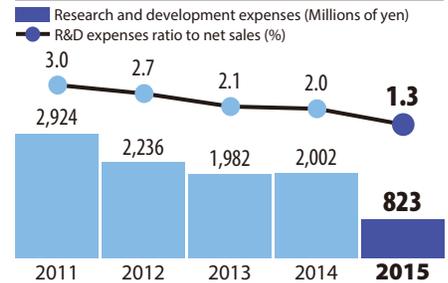
Cost of sales/Cost of sales ratio



Selling, general and administrative expenses/SG&A expenses ratio



Research and development expenses/R&D expenses ratio to net sales



In addition to the satisfactory sales of "Dead Rising 3" (for Xbox One and PC), which was a million seller in the previous fiscal year, a steady increase in the sales volume of digital download sales of repeat titles contributed to profits due to their high profitability.

On the other hand, sales of "Gaist Crusher God" (for Nintendo 3DS) were below expectations. Moreover, although there was a lack of major titles among Capcom's mobile phone contents with certain exceptions including "Monster Hunter Freedom Unite for iOS", the overhaul of the profit structure contributed to profitability improvement.

However, overall sales did not offset the aforementioned downturn in "Monster Hunter 4" (for Nintendo 3DS).

The resulting net sales were 45,351 million yen (down 31.1% from the previous fiscal year), and operating income was 10,208 million yen (up 127.4% from the previous fiscal year).

(2) Arcade Operations business

In the Arcade Operations business, with the market continuing to be weak due to the increased diversity in how people spend leisure time, a lack of products that attract new customers, and other factors, Capcom strived to expand its customer base by acquiring new visitors such as senior and family customers in addition to the core younger generation customers. Specific measures taken included free experience tour offerings for elderly persons and the nationwide opening of five "Asobi Oukoku Peekaboo" sites

targeting younger children.

However, business remained weak due to the underperformance of existing arcades, in addition to the impact of the consumption tax hike and fickle weather. During the fiscal year under review, a new arcade was open in Saitama Prefecture while one unprofitable arcade was closed, bringing the total number of arcades to 33.

The resulting net sales were 9,241 million yen (down 13.0% from the previous fiscal year), and operating income was 940 million yen (down 41.8% from the previous fiscal year).

(3) Amusement Equipments business

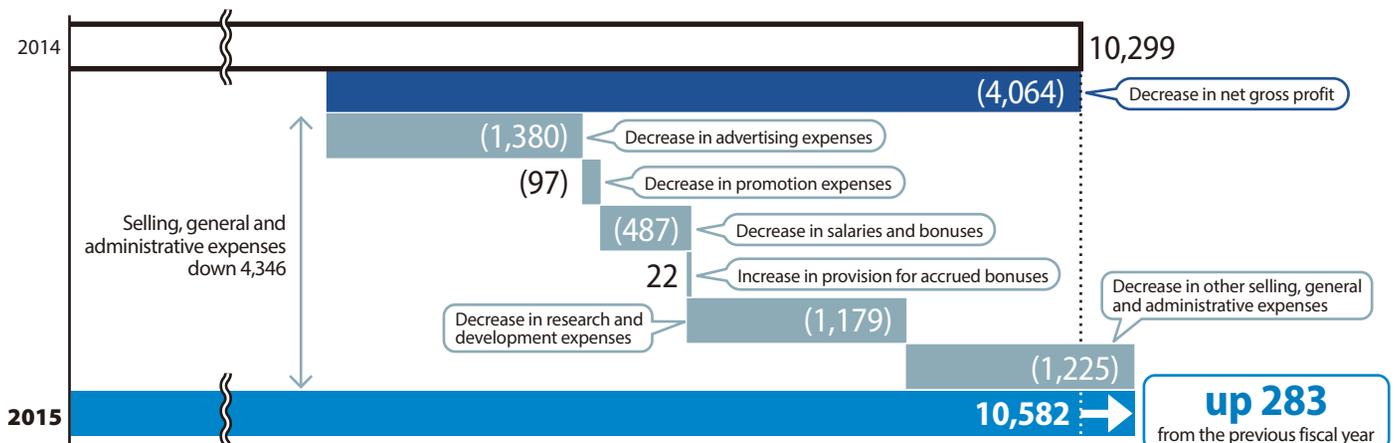
In the Pachinko & Pachislo sub-segment, although the product lineup lacked variety to some extent due to the delay in the introduction of a new model caused by the revision in pachislo model certification method by the Security Communications Association, "Sengoku BASARA 3" introduced in the first half of the current fiscal year as well as highly profitable repeat sales supported the revenue stream.

In the Arcade Games Sales sub-segment, business was generally weak due to a lack of strong products as sales centered on existing products.

The resulting net sales were 7,540 million yen (down 67.4% from the previous fiscal year), and operating income was 2,736 million yen (down 61.6% from the previous fiscal year).

Operating Income

(Millions of yen)



Financial Review

(4) Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and the sales of related goods, were 2,144 million yen (down 17.4% from the previous fiscal year), and operating income was 661 million yen (down 34.0% from the previous fiscal year).

4. Analysis of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of the end of the fiscal year ended March 31, 2015 increased by 4,162 million yen from the end of the previous fiscal year to 100,773 million yen.

Primary increases were followings: 6,478 million yen in work-in-progress for game software, 3,347 million yen in online contents in progress, 2,497 million yen in construction-in-progress and 2,483 million yen in cash on hand and in banks. Primary decreases were 10,129 million yen in notes and accounts receivable, trade.

(2) Liabilities

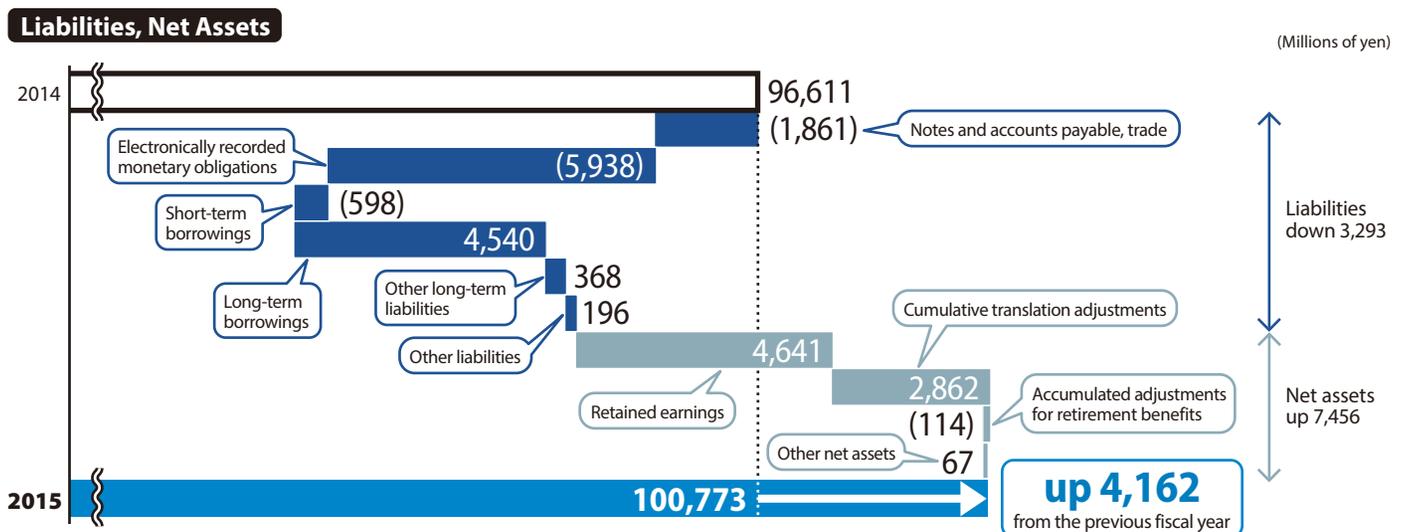
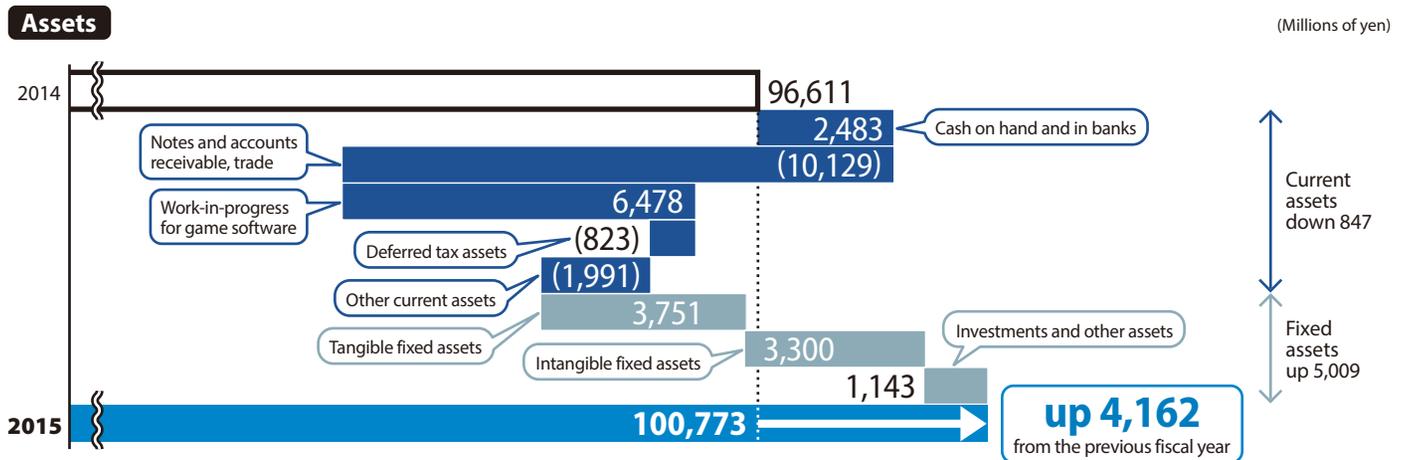
Total liabilities as of the end of the fiscal year ended March 31, 2015 decreased by 3,292 million yen from the end of the previous fiscal year to 29,442 million yen.

Primary increase was 4,540 million yen in long-term borrowings. Primary decreases were 5,937 million yen in electronically recorded monetary liabilities and 1,860 million yen in notes and accounts payable, trade.

(3) Net assets

Net assets as of the end of the fiscal year ended March 31, 2015 increased by 7,455 million yen from the previous fiscal year to 71,331 million yen.

Primary increases were 6,616 million yen in net income for the year and 2,863 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. Primary decrease was 2,249 million yen in cash dividends.



5. Analysis of Cash Flow

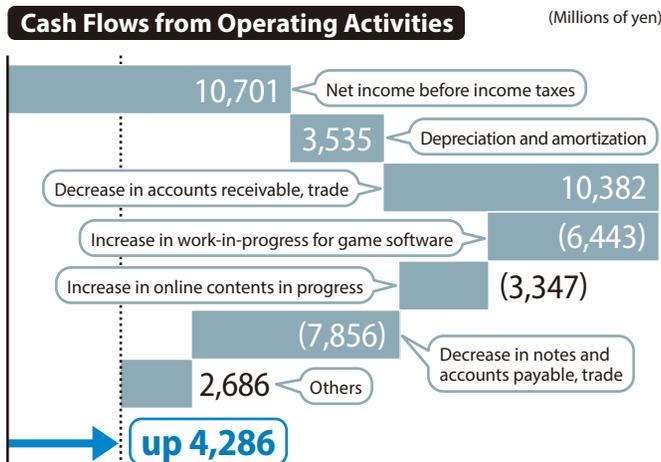
Cash and cash equivalents as of the end of the fiscal year ended March 31, 2015 increased by 1,879 million yen from the end of the previous fiscal year to 27,998 million yen.

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 4,286 million yen (13,201 million yen in the previous fiscal year).

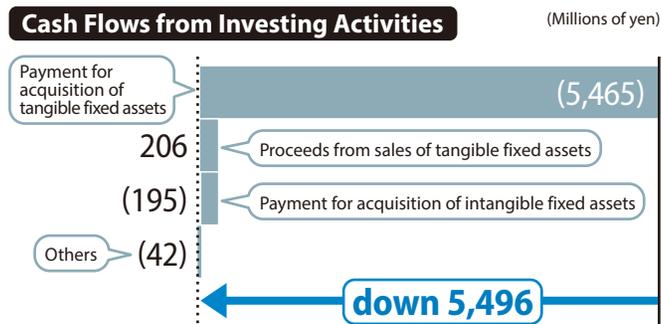
Primary items increasing cash flows were 10,701 million yen in net income before income taxes (5,315 million yen in the previous fiscal year), 10,382 million yen decrease in accounts receivable, trade (increase of 6,351 million yen in the previous fiscal year). Primary item decreasing cash flows were followings: 7,856 million yen decrease in notes and accounts payable, trade (increase of 4,806 million yen in the previous fiscal year), 6,443 million yen increase in work-in-progress for game software (decrease of 6,010 million yen in the previous fiscal year) and 3,347 million yen increase in online contents in progress (1,741 million yen in the previous fiscal year).



(2) Cash flows from investing activities

Net cash used in investing activities was 5,496 million yen (6,155 million yen in the previous fiscal year).

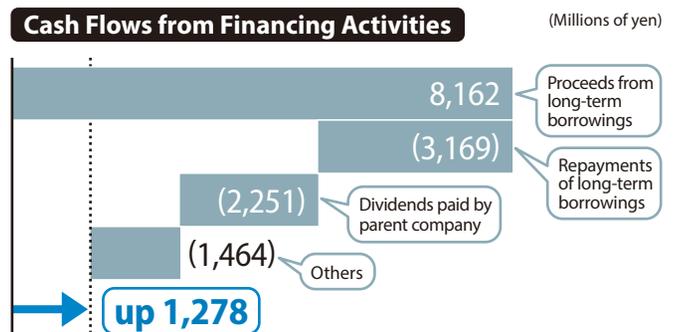
Primary item used was 5,465 million yen in payment for acquisition of tangible fixed assets (2,203 million yen in the previous fiscal year).



(3) Cash flows from financing activities

Net cash gained from financing activities was 1,278 million yen (15,099 million yen used in the previous fiscal year).

Primary item provided was 8,162 million yen provided from long-term borrowings (no long-term borrowings in the previous fiscal year). Primary items used were 3,169 million yen in repayments of long-term borrowings (145 million yen in the previous fiscal year), 2,251 million yen in dividends paid by parent company (2,283 million yen in the previous fiscal year) and 1,050 million yen net decrease in short-term borrowings (10,000 million yen in the previous fiscal year).



Trends of Cash Flow Indicators

	Year ended March 2013	Year ended March 2014	Year ended March 2015
Shareholders' equity ratio to total assets (%)	60.2	66.1	70.8
Shareholders' equity ratio to total assets based on fair market value (%)	81.4	114.0	133.3
Debt amortization ratio to cash flows (%)	258.7	53.4	256.5
Interest coverage ratio (times)	62.4	136.8	50.2

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.

Consolidated Balance Sheets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2015 AND 2014

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	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]	29,720	32,204	268,367
Notes and accounts receivable, trade [Notes 5(3) and 11]	18,134	8,005	66,710
Merchandise and finished goods	1,191	1,225	10,213
Work in progress	942	1,672	13,933
Raw materials and supplies	996	1,020	8,502
Work in progress for game software	10,355	16,833	140,282
Deferred tax assets [Note 14]	2,865	2,042	17,021
Other	2,355	2,712	22,603
Allowance for doubtful accounts	(55)	(56)	(473)
Total current assets	66,506	65,659	547,162
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation [Note 5(1)]			
Buildings and structures, net [Note 5(2)]	4,998	6,136	51,134
Machinery and vehicles, net	15	22	186
Tools, fixtures and furniture, net	1,208	1,578	13,152
Equipment for amusement facilities, net	1,431	1,101	9,178
Land [Note 5(2)]	5,052	4,953	41,276
Leased assets, net [Note 10(2)]	825	995	8,294
Construction in progress	44	2,541	21,180
Total tangible fixed assets	13,577	17,328	144,401
Intangible assets			
Goodwill	67	—	—
Online contents in progress	4,547	7,895	65,796
Other	2,753	2,772	23,105
Total intangible assets	7,368	10,668	88,902
Investments and other assets			
Investments in securities [Note 12]	542	621	5,180
Claims in bankruptcy and reorganization	65	66	556
Lease deposits [Note 11]	4,108	4,036	33,636
Deferred tax assets [Note 14]	3,699	1,595	13,293
Other	819	876	7,301
Allowance for doubtful accounts	(77)	(78)	(657)
Total investments and other assets	9,159	7,117	59,310
Total fixed assets	30,104	35,113	292,614
Total assets	96,611	100,773	839,777

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

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
Current liabilities:			
Notes and accounts payable, trade [Notes 5(3) and 11]	4,950	3,089	25,749
Electronically recorded monetary obligations [Note 11]	6,926	988	8,240
Short-term borrowings [Notes 5(2) , 11 and 20]	4,050	3,452	28,770
Lease obligations [Notes 11 and 20]	370	483	4,025
Accrued income taxes	758	823	6,861
Deferred tax liabilities [Note 14]	93	147	1,228
Accrued bonuses	1,802	1,832	15,273
Allowance for sales returns	87	—	—
Asset retirement obligations [Notes 15 and 21]	8	6	57
Other	6,499	6,421	53,510
Total current liabilities	25,547	17,246	143,718
Long-term liabilities:			
Long-term borrowings [Notes 5(2) , 11 and 20]	3,000	7,540	62,834
Lease obligations [Notes 11 and 20]	519	589	4,914
Deferred tax liabilities [Note 14]	46	48	404
Liabilities for retirement benefits for employees [Note 13]	2,158	2,101	17,512
Asset retirement obligations [Notes 15 and 21]	404	489	4,075
Other	1,059	1,427	11,891
Total long-term liabilities	7,187	12,195	101,633
Total liabilities	32,735	29,442	245,351
(Net assets)			
Shareholders' equity:			
Common stock	33,239	33,239	276,993
Capital surplus	21,328	21,328	177,741
Retained earnings	29,160	33,801	281,676
Treasury stock	(18,134)	(18,140)	(151,172)
Total shareholders' equity	65,593	70,228	585,238
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	99	170	1,422
Cumulative translation adjustments	(1,647)	1,215	10,130
Accumulated adjustments for retirement benefits	(169)	(283)	(2,365)
Total accumulated other comprehensive income	(1,717)	1,102	9,187
Total net assets	63,875	71,331	594,426
Total liabilities and net assets	96,611	100,773	839,777

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, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	102,200	64,277	535,646
Cost of sales	72,251	38,379	319,825
Gross profit	29,949	25,898	215,820
Reversal of allowance for sales returns	100	87	726
Net gross profit	30,049	25,985	216,546
Selling, general and administrative expenses [Notes 6(1) and (3)]	19,749	15,403	128,358
Operating income	10,299	10,582	88,188
Non-operating income:			
Interest income	97	98	823
Dividend income	10	13	109
Settlement received	210	92	771
Exchange gains, net	566	292	2,434
Other	238	168	1,400
Total	1,122	664	5,539
Non-operating expenses:			
Interest expense	96	85	715
Commission fees	69	83	692
Loss on closing amusement stores	142	142	1,188
Other	166	84	702
Total	475	396	3,300
Ordinary income	10,946	10,851	90,427
Special losses:			
Loss on sales and/or disposal of fixed assets [Note 6(2)]	93	100	839
Impairment loss [Note 6(4)]	—	49	410
Loss on restructuring [Note 6(5)]	5,537	—	—
Total	5,630	150	1,250
Net income before income taxes	5,315	10,701	89,177
Income taxes-current [Note 14]	950	1,146	9,558
Income taxes-deferred [Note 14]	920	2,937	24,478
Total	1,870	4,084	34,036
Net income before minority interests	3,444	6,616	55,140
Net income	3,444	6,616	55,140

Consolidated statements of comprehensive income

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income before minority interests	3,444	6,616	55,140
Other comprehensive income [Note 7(1)]			
Net unrealized gain or loss on securities, net of tax	8	71	594
Cumulative translation adjustments	2,333	2,863	23,860
Adjustments for retirement benefits	—	(114)	(954)
Total other comprehensive income	2,341	2,820	23,500
Comprehensive income	5,786	9,436	78,640
Comprehensive income attributable to:			
Owners of the parent	5,786	9,436	78,640
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, 2013	33,239	21,328	27,998	(15,848)	66,718
Cumulative effect due to changes in accounting policies					
Balance as of April 1, 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
Cumulative effect due to changes in accounting policies					
Balance as of April 1, 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

Millions of yen	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2014	33,239	21,328	29,160	(18,134)	65,593
Cumulative effect due to changes in accounting policies			273		273
Balance as of April 1, 2014	33,239	21,328	29,433	(18,134)	65,866
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]			(2,249)		(2,249)
Net income			6,616		6,616
Repurchase of treasury stock				(5)	(5)
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	4,367	(5)	4,361
Balance as of March 31, 2015	33,239	21,328	33,801	(18,140)	70,228

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, 2014	99	(1,647)	(169)	(1,717)	63,875
Cumulative effect due to changes in accounting policies					273
Balance as of April 1, 2014	99	(1,647)	(169)	(1,717)	64,149
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]					(2,249)
Net income					6,616
Repurchase of treasury stock					(5)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	71	2,863	(114)	2,820	2,820
Total changes of items during the current fiscal year	71	2,863	(114)	2,820	7,181
Balance as of March 31, 2015	170	1,215	(283)	1,102	71,331

Thousands of U.S. dollars	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2014	276,993	177,740	243,001	(151,123)	546,612
Cumulative effect due to changes in accounting policies			2,278		2,278
Balance as of April 1, 2014	276,993	177,740	245,279	(151,123)	548,891
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]			(18,744)		(18,744)
Net income			55,140		55,140
Repurchase of treasury stock				(49)	(49)
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	36,396	(49)	36,347
Balance as of March 31, 2015	276,993	177,741	281,676	(151,172)	585,238

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, 2014	828	(13,729)	(1,411)	(14,312)	532,299
Cumulative effect due to changes in accounting policies					2,278
Balance as of April 1, 2014	828	(13,729)	(1,411)	(14,312)	534,578
Changes of items during the current fiscal year					
Cash dividends [Note 8(3)]					(18,744)
Net income					55,140
Repurchase of treasury stock					(49)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	594	23,860	(954)	23,500	23,500
Total changes of items during the current fiscal year	594	23,860	(954)	23,500	59,847
Balance as of March 31, 2015	1,422	10,130	(2,365)	9,187	594,426

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, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	5,315	10,701	89,177
Depreciation and amortization	4,638	3,535	29,460
Impairment loss	—	49	410
Amortization of goodwill	131	63	526
Decrease in allowance for doubtful accounts	(16)	(1)	(13)
(Decrease) increase in accrued bonuses	88	(3)	(31)
Decrease in allowance for sales returns	(100)	(87)	(726)
Increase in liabilities for retirement benefits for employees	195	207	1,727
Interest and dividend income	(107)	(111)	(933)
Interest expense	96	85	714
Exchange (gains) losses, net	(435)	(188)	(1,574)
Loss on sales and/or disposal of fixed assets	93	100	835
Loss on restructuring	5,537	—	—
Decrease (increase) in accounts receivable, trade	(6,351)	10,382	86,524
(Increase) decrease in inventories	1,196	(764)	(6,372)
(Increase) decrease in work in progress for game software	6,010	(6,443)	(53,697)
Increase in online contents in progress	(1,741)	(3,347)	(27,899)
(Decrease) increase in notes and accounts payable, trade	4,806	(7,856)	(65,471)
(Increase) decrease in other current assets	1,975	(239)	(1,999)
Decrease in other current liabilities	(2,709)	(497)	(4,144)
Other	(3,219)	(393)	(3,281)
Subtotal	15,404	5,187	43,232
Interest and dividends received	86	118	984
Interest paid	(98)	(85)	(710)
Income taxes paid	(2,190)	(934)	(7,786)
Net cash provided by operating activities	13,201	4,286	35,719
Cash flows from investing activities:			
Payments into time deposits [Note 9(1)]	(3,517)	—	—
Payment for acquisition of tangible fixed assets	(2,203)	(5,465)	(45,542)
Proceeds from sales of tangible fixed assets	1	206	1,724
Payment for acquisition of intangible assets	(497)	(195)	(1,630)
Payment for purchase of investments in securities	(12)	(12)	(107)
Payment for other investing activities	(115)	(141)	(1,177)
Proceeds from other investing activities	189	111	931
Net cash used in investing activities	(6,155)	(5,496)	(45,802)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	(10,000)	(1,050)	(8,750)
Proceeds from long-term borrowings	—	8,162	68,016
Repayments of long-term borrowings	(145)	(3,169)	(26,411)
Repayments of lease obligations	(383)	(406)	(3,391)
Payment for repurchase of treasury stock	(2,286)	(5)	(49)
Proceeds from sales of treasury stock	0	0	0
Dividends paid by parent company	(2,283)	(2,251)	(18,764)
Net cash provided by (used in) financing activities	(15,099)	1,278	10,650
Effect of exchange rate changes on cash and cash equivalents	2,648	1,811	15,098
Net increase (decrease) in cash and cash equivalents	(5,404)	1,879	15,665
Cash and cash equivalents at beginning of year	31,522	26,118	217,652
Cash and cash equivalents at end of year [Note 9(1)]	26,118	27,998	233,318

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 ¥120 to U.S.\$1.00, the approximate current rate of exchange prevailing on March 31, 2015, 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 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 benefit formula method.

Transition obligations (¥552 million (\$4,604 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.

Notes to Consolidated Financial Statements

(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, 2015, the Companies have adopted the provision of Article 35 for "Accounting Standard for Retirement Benefits" (Accounting Standard Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and the provision of Article 67 for "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), thereby reviewing the calculation method of projected benefit obligations and service costs and changing the attribution of projected retirement benefits from the straight line method to the benefit formula method and changing the method used to determine the discount rate from the method in which the average remaining service years are regarded as almost the same as the bond maturity to the method in which the single weighted average discount rate reflecting the estimated timing and amount of benefit payment is used.

In applying the above standard and guidance, the Companies have followed the transition measures provided in the Article 37 and adjusted the impact caused by this change on the beginning balance of retained earnings. As a result, the beginning balance of liabilities for retirement benefits has decreased by ¥423 million (\$3,532 thousand) and the beginning balance of retained earnings increased by ¥273 million (\$2,278 thousand). The impact on the consolidated statement of income for the current fiscal year is insignificant, and the impact on the per share information is disclosed in the pertinent note.

4. Changes in presentations

(Consolidated balance sheet)

Effective from the fiscal year ended March 31, 2015, "Online contents in progress," which was included in "Other" for "Intangible assets" in the previous fiscal year, has been disclosed separately due to increase in materiality. To reflect this change, the consolidated balance sheet for the previous fiscal year has been restated. As a result, ¥7,300 million (\$60,840 thousand) of "Other" disclosed in "Intangible assets" for the balance sheet for the previous fiscal year has been reclassified into ¥4,547 million (\$37,897 thousand) of "Online contents in progress" and ¥2,753 million (\$22,942 thousand) of "Other."

(Consolidated statement of income)

Effective from the fiscal year ended March 31, 2015, "Compensation expenses," which was separately disclosed in "Non-operating expenses" in the previous fiscal year, has been included in "Other" due to decrease in materiality. To reflect this change, the consolidated statement of income for the previous fiscal year has been restated. As a result, ¥138 million (\$1,156 thousand) of "Compensation expenses" and ¥27 million (\$230 thousand) of "Other" disclosed in "Non-operating expenses" for the previous fiscal year has been reclassified into ¥166 million (\$1,387 thousand) of "Other."

(Consolidated statement of cash flow)

Effective from the fiscal year ended March 31, 2015, "Increase in online contents in progress," which was included in "Other" for "Cash flows from operating activities" in the previous fiscal year, has been disclosed separately due to increase in materiality. To reflect this change, the consolidated statement of cash flow for the previous fiscal year has been restated. As a result, ¥4,960 million (\$41,341 thousand) of "Other" disclosed in "Cash flows from operating activities" for the previous fiscal year has been reclassified into ¥1,741 million (\$14,515 thousand) of "Increase in online contents in progress" and ¥3,219 million (\$26,826 thousand) of "Other."

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	17,288	18,112	150,934

(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, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
① Pledged assets			
Buildings	1,767	—	—
Land	2,341	—	—
Total	4,109	—	—
② Secured debts			
Short-term borrowings	1,050	—	—
Long-term borrowings due within one year	—	—	—
Total	1,050	—	—

(3) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements and credit line 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 balance of unexercised loans, etc., based on these agreements at the end of the fiscal year were as follows:

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of overdraft limit and credit line agreements	26,500	26,700	222,500
Borrowings	—	—	—
Unexercised balance	26,500	26,700	222,500

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, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	3,358	1,978	16,490
Promotion expenses	953	856	7,137
Salaries and bonuses	5,300	4,813	40,113
Provision for accrued bonuses	930	952	7,934

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	75	1	8
Tools, fixtures and furniture	15	5	45
Equipment for amusement facilities	1	51	426
Land	—	42	358
Other	1	0	0
Total	93	100	839

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	2,002	823	6,864

(4) Impairment loss

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

Usage	Account	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets to be disposed of	Equipment for amusement facilities	—	49	410

Current fiscal year (From April 1, 2014 to March 31, 2015)

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.

Notes to Consolidated Financial Statements

(5) Loss on restructuring

① Previous 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 (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities			
Amount arising during the fiscal year	8	71	594
Amount of recycling	—	—	—
Net gain before the effect of income taxes	8	71	594
Effect of Income taxes	—	—	—
Net unrealized gain or loss on securities, net of tax	8	71	594
Cumulative translation adjustment			
Amount arising during the fiscal year	2,333	2,863	23,860
Adjustments for retirement benefits			
Amount arising during the fiscal year	—	(189)	(1,577)
Amount of recycling	—	33	275
Net gain before the effect of income taxes	—	(156)	(1,301)
Effect of Income taxes	—	41	346
Adjustments for retirement benefits, net of tax	—	(114)	(954)
Total other comprehensive income	2,341	2,820	23,500

8. Notes to consolidated statements of changes in net assets

Previous 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 previous 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

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 16, 2014	Common stock	¥1,405 million	Retained earnings	25	March 31, 2014	June 17, 2014

Current fiscal year (From April 1, 2014 to March 31, 2015)

(1) Number of outstanding shares

Type of shares	Number of shares as of April 1, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2015
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, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2015
Common stock (thousand shares)	11,490	3	0	11,493

(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 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 16, 2014	Common stock	¥1,405 million	25	March 31, 2014	June 17, 2014
Board of Directors' meeting held on October 29, 2014	Common stock	¥843 million	15	September 30, 2014	November 17, 2014

Resolution	Type of shares	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 16, 2014	Common stock	\$11,715 thousand	0.21	March 31, 2014	June 17, 2014
Board of Directors' meeting held on October 29, 2014	Common stock	\$7,028 thousand	0.13	September 30, 2014	November 17, 2014

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 12, 2015	Common stock	¥1,405 million	Retained earnings	25	March 31, 2015	June 15, 2015

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 12, 2015	Common stock	\$11,714 thousand	Retained earnings	0.21	March 31, 2015	June 15, 2015

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, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	29,720	32,204	268,367
Time deposits with maturities over three months	(3,602)	(4,205)	(35,049)
Cash and cash equivalents	26,118	27,998	233,318

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, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	487	408	3,400
Due over one year	2,208	1,454	12,118
Total	2,696	1,862	15,518

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, 2014)

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	29,720	29,720	—
(2) Notes and accounts receivable, trade	18,134	18,134	—
(3) Lease deposits	4,108	4,087	(21)
Total	51,963	51,942	(21)
(1) Notes and accounts payable, trade	4,950	4,950	—
(2) Electronically recorded monetary obligations	6,926	6,926	—
(3) Short-term borrowings	4,050	4,050	—
(4) Long-term borrowings	3,000	3,009	9
Total	18,927	18,937	9

(2) Current fiscal year (As of March 31, 2015)

	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	32,204	32,204	—	268,367	268,367	—
(2) Notes and accounts receivable, trade	8,005	8,005	—	66,710	66,710	—
(3) Lease deposits	4,036	4,021	(14)	33,636	33,515	(120)
Total	44,245	44,231	(14)	368,714	368,593	(120)
(1) Notes and accounts payable, trade	3,089	3,089	—	25,749	25,749	—
(2) Electronically recorded monetary obligations	988	988	—	8,240	8,240	—
(3) Short-term borrowings	3,452	3,452	—	28,770	28,770	—
(4) Long-term borrowings	7,540	7,514	(25)	62,834	62,624	(210)
Total	15,071	15,046	(25)	125,595	125,385	(210)

(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, 2014)

	Millions of yen			
	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	—	—	—
(2) Notes and accounts receivable, trade	18,134	—	—	—
(3) Lease deposits	1,484	2,325	296	2
Total	49,339	2,325	296	2

(2) Current fiscal year (As of March 31, 2015)

	Millions of yen				Thousands of U.S. dollars			
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2020	April 1, 2020 to March 31, 2025	April 1, 2025 and thereafter	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2020	April 1, 2020 to March 31, 2025	April 1, 2025 and thereafter
(1) Cash on hand and in banks	32,204	—	—	—	268,367	—	—	—
(2) Notes and accounts receivable, trade	8,005	—	—	—	66,710	—	—	—
(3) Lease deposits	1,298	2,189	545	2	10,822	18,246	4,544	22
Total	41,508	2,189	545	2	345,900	18,246	4,544	22

(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, 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	—	—	—	—

(2) Current fiscal year (As of March 31, 2015)

	Millions of yen					
	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 to March 31, 2020	April 1, 2020 and thereafter
(1) Short-term borrowings	3,452	—	—	—	—	—
(2) Long-term borrowings	—	634	3,610	610	566	2,120
Total	3,452	634	3,610	610	566	2,120

	Thousands of U.S. dollars					
	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 to March 31, 2020	April 1, 2020 and thereafter
(1) Short-term borrowings	28,770	—	—	—	—	—
(2) Long-term borrowings	—	5,283	30,083	5,083	4,716	17,667
Total	28,770	5,283	30,083	5,083	4,716	17,667

12. Investments in securities

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

① Previous fiscal year (As of March 31, 2014)

Classification	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
(1) Equity securities	498	399	99
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	498	399	99
Securities with book value not exceeding acquisition cost			
(1) Equity securities	—	—	—
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	—	—	—
Total	498	399	99

② Current fiscal year (As of March 31, 2015)

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	582	412	170	4,857	3,435	1,422
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Subtotal	582	412	170	4,857	3,435	1,422
Securities with book value not exceeding acquisition cost						
(1) Equity securities	—	—	—	—	—	—
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	582	412	170	4,857	3,435	1,422

(2) Investments in securities sold during the fiscal year

① Previous fiscal year (From April 1, 2013 to March 31, 2014)
Not applicable② Current fiscal year (From April 1, 2014 to March 31, 2015)
Not applicable**13. Retirement benefits for employees**

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

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	1,951	2,123	17,694
Cumulative effect due to changes in accounting policies	—	(423)	(3,532)
Renewed projected benefit obligations at beginning of year	1,951	1,699	14,161
Service costs	167	181	1,514
Interest costs	24	20	169
Actuarial gain or loss incurred	15	189	1,577
Payment of retirement benefits	(34)	(37)	(312)
Projected benefit obligations at end of year	2,123	2,053	17,110

(2) Change in plan assets
Not applicable

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

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plan	2,123	2,053	17,110
Net balance presented in the consolidated balance sheet	2,123	2,053	17,110
Liabilities for retirement benefits for employees	2,123	2,053	17,110
Net balance presented in the consolidated balance sheet	2,123	2,053	17,110

(4) Breakdown of retirement and pension cost

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Service costs	167	181	1,514
Interest costs	24	20	169
Amortization of actuarial differences	25	29	245
Amortization of prior service costs	(12)	(12)	(101)
Amortization of transition obligations	15	15	131
Net periodic benefit costs	220	235	1,959

Notes to Consolidated Financial Statements

(5) Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Prior service liabilities	—	(12)	(101)
Actuarial differences	—	(159)	(1,331)
Transition obligations	—	15	131
Total	—	(156)	(1,301)

(6) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service liabilities	(57)	(45)	(379)
Unrecognized actuarial differences	304	464	3,868
Unrecognized transition obligations	15	—	—
Total	262	418	3,489

(7) Plan assets

① Breakdown of plan assets

Not applicable for the previous fiscal year and the current fiscal year, respectively

② Long-term rate of return on plan assets

Not applicable for the previous fiscal year and the current fiscal year, respectively

(8) Actuarial assumption

Major actuarial assumption (on weighted average)

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)
Discount rate	1.5%	0.6%

3. Defined benefit plans for simplified method

(1) Change in projected benefit obligations

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	22	34	290
Service costs	14	31	263
Payment of retirement benefits	(4)	(22)	(183)
Other	2	3	30
Projected benefit obligations at end of year	34	48	401

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

	Previous fiscal year (As of March 31, 2014)	Current fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plan	34	48	401
Net balance presented in the consolidated balance sheet	34	48	401
Liabilities for retirement benefits for employees	34	48	401
Net balance presented in the consolidated balance sheet	34	48	401

(3) Retirement and pension cost

Retirement and pension cost for the simplified method: ¥14 million for the previous fiscal year and ¥31 million (\$263 thousand) for the current fiscal year

4. Defined contribution plans

The Companies contributed ¥281 million and ¥280 million (\$2,338 thousand) to their defined contribution plans for the previous fiscal year and the current fiscal year, respectively.

14. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year	Current fiscal year	Current fiscal year
	(As of March 31, 2014)	(As of March 31, 2015)	(As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Accrued bonuses	540	531	4,432
Liabilities for retirement benefits for employees	761	672	5,601
Accrued retirement benefits for directors	133	121	1,009
Inventories	831	815	6,795
Unearned revenue	344	333	2,783
Investments in subsidiaries and affiliated companies	176	160	1,336
Allowance for sales returns	30	—	—
Tax loss carryforwards in the Company	1,939	170	1,418
Tax loss carryforwards in the subsidiaries	845	916	7,641
Tax credits carryforwards in the subsidiaries	766	1,191	9,928
Intangible assets	1,479	790	6,587
Depreciation and amortization	324	283	2,365
Impairment loss	17	16	135
Other	957	1,143	9,527
Subtotal	9,149	7,147	59,561
Valuation allowance	(1,899)	(2,457)	(20,479)
Total deferred tax assets	7,250	4,689	39,082
(Deferred tax liabilities)			
Tax deductible inventories for a foreign subsidiary	(430)	(823)	(6,865)
Other	(395)	(424)	(3,534)
Total deferred tax liabilities	(825)	(1,248)	(10,400)
Net deferred tax assets	6,424	3,441	28,682
Net deferred tax assets are reflected in the consolidated balance sheets as follows:			
Current assets—deferred tax assets	2,865	2,042	17,021
Fixed assets—deferred tax assets	3,699	1,595	13,293
Current liabilities—deferred tax liabilities	(93)	(147)	(1,228)
Long-term liabilities—deferred tax liabilities	(46)	(48)	(404)

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

	Previous fiscal year	Current fiscal year
	(As of March 31, 2014)	(As of March 31, 2015)
	%	%
Statutory income tax rate	37.9	35.5
(Reconciliation)		
Change in valuation allowance	2.0	0.6
Tax credit	(0.4)	(1.3)
Amortization of goodwill	0.9	0.2
Different tax rates applied to foreign subsidiaries	(3.0)	(1.3)
Permanent difference (meals and entertainment, etc.)	0.3	(0.1)
Unappropriated retained earnings of foreign subsidiaries	1.2	0.7
Tax adjustments resulting from consolidation elimination entries, etc.	(6.6)	1.7
Decrease in deferred tax assets due to change in statutory income tax rate	4.0	2.2
Others	(1.2)	0.1
Effective income tax rate	35.2	38.2

(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.," and the "Act for Partial Amendment of the Council Tax Act, etc.," were promulgated on March 31, 2015.

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, 2015 from 35.5% for the previous fiscal year to 33.0% for items which were expected to be realized or settled in the fiscal year starting on April 1, 2015 and to 32.2% for items which were expected to be realized or settled in the fiscal year starting on April 1, 2016 and thereafter.

As a result, the balance of deferred tax assets (net of deferred tax liabilities) decreased by ¥244 million (\$2,035) and the amount of income taxes - deferred and the amount of accumulated adjustments for retirement benefits for the current fiscal year increased by ¥230 million (\$1,920 thousand) and ¥13 million (\$115 thousand), respectively.

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 1.042 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, 2013 to March 31, 2014)	Current fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Beginning balance	349	412	3,438
Increase due to purchase of tangible fixed assets	141	100	839
Adjustment due to passage of time	4	4	37
Decrease due to settlement of asset retirement obligations	(83)	(22)	(183)
Ending balance	412	495	4,132

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.

As described in "Changes in accounting policies," effective from the fiscal year ended March 31, 2015, the Companies have changed the calculation method of projected benefit obligations and service costs. This has led to change in the calculation method of projected benefit obligations and service costs for each reportable segment as well.

The impact on the segment income for the current fiscal year due to the change is insignificant.

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, 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

(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 include unallocated corporate operating expenses of (¥3,940) million. 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 include unallocated corporate identifiable assets of ¥29,830 million.

(3) Adjustments of increase in tangible and intangible fixed assets of ¥500 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, 2014 to March 31, 2015)

	Millions of yen							
	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital contents	Arcade operations	Amusement equipments	Total				
Net sales								
(1) Customers	45,351	9,241	7,540	62,133	2,144	64,277	—	64,277
(2) Intersegment	—	—	—	—	—	—	—	—
Total	45,351	9,241	7,540	62,133	2,144	64,277	—	64,277
Segment income	10,208	940	2,736	13,884	661	14,545	(3,963)	10,582
Segment assets	50,053	6,315	8,760	65,128	6,534	71,662	29,110	100,773
Other items								
Depreciation	1,772	1,006	169	2,949	250	3,199	335	3,535
Increase in tangible and intangible fixed assets	5,103	504	526	6,134	2,368	8,502	1,674	10,177

	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	377,928	77,011	62,835	517,775	17,871	535,646	—	535,646
(2) Intersegment	—	—	—	—	—	—	—	—
Total	377,928	77,011	62,835	517,775	17,871	535,646	—	535,646
Segment income	85,067	7,838	22,800	115,707	5,508	121,215	(33,027)	88,188
Segment assets	417,111	52,627	73,000	542,740	54,451	597,191	242,585	839,777
Other items								
Depreciation	14,772	8,390	1,413	24,576	2,085	26,661	2,798	29,460
Increase in tangible and intangible fixed assets	42,532	4,203	4,386	51,121	19,733	70,855	13,955	84,811

(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 (¥3,963) million ((\$33,027) thousand) include unallocated corporate operating expenses of (¥3,963) million ((\$33,027) thousand).

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

(2) Adjustments of segment assets of ¥29,110 million (\$242,585 thousand) include unallocated corporate identifiable assets of ¥29,110 million (\$242,585 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥1,674 million (\$13,955 thousand) are capital investments by headquarters.

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

Notes to Consolidated Financial Statements

[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, 2013 to March 31, 2014)

Millions of yen				
Japan	North America	Europe	Other regions	Total
76,685	19,133	4,233	2,148	102,200

② Current fiscal year (From April 1, 2014 to March 31, 2015)

Millions of yen					Thousands of U.S. dollars				
Japan	North America	Europe	Other regions	Total	Japan	North America	Europe	Other regions	Total
45,954	13,014	3,324	1,984	64,277	382,950	108,455	27,701	16,538	535,646

(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, 2013 to March 31, 2014)

Millions of yen		
Customer	Amount of net sales	Reportable segment
Fields Corporation	18,918	Amusement equipments

② Current fiscal year (From April 1, 2014 to March 31, 2015)

The information is omitted as the Companies do not have any major customers the amount of which accounted for 10% or more of the total sales amount of the consolidated statement of income.

[Impairment loss by reportable segment]

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

Not applicable

(2) Current fiscal year (From April 1, 2014 to March 31, 2015)

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment		Other	Corporate or elimination	Total	Reportable segment		Other	Corporate or elimination	Total
	Arcade operations	Subtotal				Arcade operations	Subtotal			
Impairment loss	49	49	—	—	49	410	410	—	—	410

[Amortization and balance of goodwill by reportable segment]

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

	Millions of yen				
	Reportable segment		Other	Corporate or elimination	Total
	Digital contents	Subtotal			
Amortization	131	131	—	—	131
Balance	67	67	—	—	67

(2) Current fiscal year (From April 1, 2014 to March 31, 2015)

	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	63	63	—	—	63	526	526	—	—	526
Balance	—	—	—	—	—	—	—	—	—	—

[Negative goodwill by reportable segment]

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

Not applicable

(2) Current fiscal year (From April 1, 2014 to March 31, 2015)

Not applicable

18 . Per share information

	Previous fiscal year	Current fiscal year	Current fiscal year
	(From April 1, 2013 to March 31, 2014)	(From April 1, 2014 to March 31, 2015)	(From April 1, 2014 to March 31, 2015)
	Yen	Yen	U.S. dollars
Net assets per share	1,135.91	1,268.56	10.57
Net income per share	61.11	117.67	0.98

(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 ¥4.86 (\$0.04). The impact on the net income per share is insignificant.

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, 2014)	(As of March 31, 2015)	(As of March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	63,875	71,331	594,426
Amounts to be deducted from total amount of net assets	—	—	—
Ending balance of net assets attributable to common stock	63,875	71,331	594,426
Number of shares of common stocks used for computation of net assets per share (thousand shares)	56,233	56,229	56,229

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

	Previous fiscal year	Current fiscal year	Current fiscal year
	(From April 1, 2013 to March 31, 2014)	(From April 1, 2014 to March 31, 2015)	(From April 1, 2014 to March 31, 2015)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	3,444	6,616	55,140
Amount not allocated to common stock	—	—	—
Net income allocated to common stock	3,444	6,616	55,140
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	56,377	56,231	56,231

19. Supplemental schedules of bonds

Not applicable

20. Supplemental schedules of borrowings

Category	Balance as of March 31, 2014 (Millions of yen)	Balance as of March 31, 2015 (Millions of yen)	Average interest rate (%)	Date of maturity
Short-term borrowings	1,050	—	—	—
Current portion of long-term borrowings due within one year	3,000	3,452	0.8	—
Current portion of lease obligations	370	483	1.2	—
Long-term borrowings (Excluding current portion)	3,000	7,540	0.8	From 2017 to 2025
Lease obligations (Excluding current portion)	519	589	1.2	From 2016 to 2020
Other interest bearing debt	—	—	—	—
Total	7,939	12,065	—	—

Notes to Consolidated Financial Statements

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES.

Category	Balance as of March 31, 2014 (Thousands of U.S. dollars)	Balance as of March 31, 2015 (Thousands of U.S. dollars)	Average interest rate (%)	Date of maturity
Short-term borrowings	8,750	—	—	—
Current portion of long-term borrowings due within one year	25,000	28,770	0.8	—
Current portion of lease obligations	3,086	4,025	1.2	—
Long-term borrowings (Excluding current portion)	25,000	62,834	0.8	From 2017 to 2025
Lease obligations (Excluding current portion)	4,326	4,914	1.2	From 2016 to 2020
Other interest bearing debt	—	—	—	—
Total	66,162	100,544	—	—

(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 (Millions of yen)	Due after 2 years but within 3 years (Millions of yen)	Due after 3 years but within 4 years (Millions of yen)	Due after 4 years but within 5 years (Millions of yen)
Long-term borrowings	634	3,610	610	566
Lease obligations	339	212	29	8

	Due after 1 year but within 2 years (Thousands of U.S. dollars)	Due after 2 years but within 3 years (Thousands of U.S. dollars)	Due after 3 years but within 4 years (Thousands of U.S. dollars)	Due after 4 years but within 5 years (Thousands of U.S. dollars)
Long-term borrowings	5,283	30,083	5,083	4,716
Lease obligations	2,831	1,770	243	68

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 was 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, 2014 to June 30, 2014)	2nd quarter (From April 1, 2014 to September 30, 2014)	3rd quarter (From April 1, 2014 to December 31, 2014)	4th quarter (From April 1, 2014 to March 31, 2015)
Net sales (Millions of yen)	9,575	25,917	47,830	64,277
Net income before income taxes (Millions of yen)	1,221	4,530	10,062	10,701
Net income (Millions of yen)	765	2,973	6,540	6,616
Net income per share (yen)	13.62	52.89	116.31	117.67

	1st quarter (From April 1, 2014 to June 30, 2014)	2nd quarter (From April 1, 2014 to September 30, 2014)	3rd quarter (From April 1, 2014 to December 31, 2014)	4th quarter (From April 1, 2014 to March 31, 2015)
Net sales (Thousands of U.S. dollars)	79,796	215,979	398,587	535,646
Net income before income taxes (Thousands of U.S. dollars)	10,177	37,751	83,853	89,177
Net income (Thousands of U.S. dollars)	6,382	24,782	54,502	55,140
Net income per share (U.S. dollars)	0.11	0.44	0.97	0.98

	1st quarter (From April 1, 2014 to June 30, 2014)	2nd quarter (From July 1, 2014 to September 30, 2014)	3rd quarter (From October 1, 2014 to December 31, 2014)	4th quarter (From January 1, 2015 to March 31, 2015)
Net income per share (yen)	13.62	39.27	63.42	1.36

	1st quarter (From April 1, 2014 to June 30, 2014)	2nd quarter (From July 1, 2014 to September 30, 2014)	3rd quarter (From October 1, 2014 to December 31, 2014)	4th quarter (From January 1, 2015 to March 31, 2015)
Net income per share (U.S. dollars)	0.11	0.33	0.53	0.01

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, 2015 and 2014, 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 judgment, 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, 2015 and 2014, 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, 2015 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 Note1 to the consolidated financial statements.

KPMG AZISA LLC

July 29, 2015
Osaka, Japan