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1. Qualitative information regarding the consolidated business

(1) The progress of the consolidated business results including related qualitative information

Although the Japanese economy during the 6 months period ended September 30, 2012 saw solid consumer spending and capital expenditure, it remained leveling off more or less due to the concerns of the unsettled Eurozone crisis and slowdown in the U.S. and the Chinese economies, in addition to prolonged appreciation of the yen and low stock prices.

The home video game market, which is our core business segment in the video game industry, saw a recovery trend in the domestic market with an increase in hardware sales uplifting the market overall, due primarily to the success of the several new mobile game consoles that were marketed since last year, although overseas markets remained stagnant.

In the meantime, the social game market, which had been growing at a tremendous rate, lost some of its momentum due in part to voluntary restrictions on usage limits following an issue concerning a sales method known as “complete gacha” (method of awarding valuable virtual items where players are allowed to make faster progress in games by purchasing or otherwise obtaining a “complete” set of virtual items).

Under these circumstances, the feature title “Resident Evil 6” (for PlayStation 3 and Xbox 360) was shipped at the end of September, in addition to “Dragon’s Dogma” (for PlayStation 3 and Xbox 360) faring well in the domestic market.

Further, Capcom held various events including “CAPTIVATE” in Italy, which is a promotional event targeting the overseas markets, as well as “CAPCOM SUMMER JAM” which provided opportunities to experience the latest games from Capcom and “Monster Hunter Orchestra Concert Tour” that included performances in six cities nationwide. Additionally, a television drama based on the “Sengoku BASARA” series were broadcasted and the Hollywood film “Resident Evil: Retribution” based on Capcom’s flagship software “Resident Evil” series has been in theaters worldwide, including in Japan and the United States, in order to promote synergistic effect with popular software. Capcom was able to increase the visibility of major contents, as well as enhance brand value, through mixed media promotion.

As a result, the Company recorded sales of 45,538 million yen (up 55.7% from the same term last year), operating income of 6,515 million yen (up 134.2% from the same term last year), ordinary income of 6,076 million yen (up 218.5% from the same term last year), and net income of 4,125 million yen (up 355.1% from the same term last year) for the consolidated results for the 6 months period this year.

Status of each operational department

① Digital Contents business

This business segment saw the flagship title “Resident Evil 6” (for PlayStation 3 and Xbox 360) off to a good start. In addition, Capcom’s first open world game “Dragon’s Dogma” (for PlayStation 3 and Xbox 360) enjoyed popularity exceeding expectations in the more profitable domestic market, becoming a million seller unprecedented among recent new brand games developed and published by the Company.

“Resident Evil: Operation Raccoon City” (for PlayStation 3 and Xbox 360), which was launched during the previous fiscal year, also enjoyed steady growth in sales. Additionally, downloadable contents also contributed to improved profit, supported by their stable popularity.

In the meantime, as the platform progressively transitioned from feature phones (conventional mobile phones) to smartphones (high-function mobile phones) in the social game market, “Minna to Monhan Card Master”, which started distributing through Mobage in the previous fiscal year, continued to maintain steady sales and “Resident Evil: Outbreak Survive” for GREE achieved more than two million registered SNS members by steadily gaining new users. In addition “Sengoku BASARA: Card Heroes” started distributing.

Furthermore, other social games remained strong; for example, “The Smurfs’ Village” and “Snoopy’s Street Fair”, long-term popular titles under “Beeline”, our strategic brand, brought Capcom steady fees by obtaining a wide range of users.

“Monster Hunter Frontier Online” series also secured a stable income.

The resulting net sales were 34,993 million yen (up 69.1% from the same term last year), and operating income was 5,777 million yen (up 83.1% from the same term last year).

② Arcade Operations business

In Arcade Operations business, efforts were made to develop new customers, secure repeat customers and expand the customers base elaborating activities to attract customers such as various events and discount days in pursuit of the “No. 1 shop in the area”, as well as hands-on tours and implementation of a membership system for older customers, while pressing forward with our efficient store strategy, including the closure of unprofitable facilities.

However, we were unable to avoid the impact of the shortage of alternative products and the backlash of increase in demand after the Great East Japan Earthquake in the same period last year.

Since we closed two unprofitable arcades, the total number of our arcades became 35 as of the end of the current period.

The resulting net sales were 5,630 million yen (down 7.0% from the same term last year), and operating income was 986 million yen (down 19.4% from the same term last year).

③ Amusement Equipments business

In Amusement Equipments business, a new coin-operated game machine “Mario Party Kurukuru! Carnival” was released, and we expanded sales of existing products such as “Monster Hunter Medal Hunting”.

In addition, Capcom endeavored to enhance the contracted product development business for pachislo machines.

The resulting net sales were 3,594 million yen (up 216.3% from the same term last year), and operating income was 1,336 million yen (216 million yen for operating losses in the previous year).

④ Other Businesses

Net sales from Other Businesses, mainly character-related licensing royalties, were 1,320 million yen (down 3.4% from the same term last year), and operating income was 497 million yen (down 6.3% from the same term last year).

Capcom has regrouped its business segments from this first quarter, and the comparison and analysis has been made based on new segments.

(2) Qualitative information regarding the consolidated financial position

Total assets as of the end of the second quarter increased by 6,643 million yen from the end of the previous fiscal year to 104,891 million yen. Primary increases were 1,548 million yen in work-in progress for game software, 1,378 million yen in cash on hand and in banks, 1,376 million yen in merchandise and finished goods and 1,060 million yen in raw materials and supplies.

Liabilities as of the end of the second quarter increased by 5,047 million yen from the end of the previous fiscal year to 43,943 million yen. Primary increases were 4,286 million yen in short-term borrowings and 2,571 million yen in notes and accounts payable, trade. Primary decrease was 1,879 million yen in accrued income taxes.

Net assets as of the end of the second quarter increased by 1,595 million yen from the end of the previous fiscal year to 60,948 million yen. Primary increase was 4,125 million yen in net income for the 6 months period under review. Primary decrease were 1,439 million yen in cash dividends and 1,064 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results for the current fiscal year ending March 31, 2013 remains the same as what was projected at the financial results announcement on May 7, 2012.

2. Other information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

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

Calculation of tax expense

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

(3) Changes in the principle, procedures, and retrospective restatement

(Change in accounting policies which is difficult to distinguish from change in accounting estimation)

From the first quarter of the current fiscal year, Capcom and its consolidated subsidiaries in Japan started to adopt the new method of depreciation and amortization for tangible fixed assets acquired on and after April 1, 2012, in line with the revision of the Corporation Tax Act.

This change will not have a significant effect on profit and loss in the second quarter.