

**Consolidated financial results for the 6 months
of the fiscal year ending March 31, 2014 (Japan GAAP - Unaudited)**

Date of issue: October 31, 2013

Company name: CAPCOM Co., Ltd. Stock listing: Tokyo
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 Filing date for financial report : November 1, 2013 Dividend payment date: November 18, 2013
 Quarterly earnings supplementary explanatory materials : Yes
 Quarterly earnings presentation : Yes (For institutional investors)

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for 6 months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

(1) Financial results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
6 months ended September 30, 2013	53,234	16.9	7,509	15.2	8,190	34.8	4,950	20.0
6 months ended September 30, 2012	45,538	55.7	6,515	134.2	6,076	218.5	4,125	355.1

Note: Comprehensive income 2nd quarter ended September 30, 2013 : 6,091 million yen (100.6%) 2nd quarter ended September 30, 2012 : 3,036 million yen (- %)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
6 months ended September 30, 2013	87.59	—
6 months ended September 30, 2012	71.64	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
2nd quarter ended September 30, 2013	105,495	65,196	61.8
Fiscal year ended March 31, 2013	104,365	62,828	60.2

Reference: Shareholders' equity: 2nd quarter ended September 30, 2013 : 65,196 million yen Year ended March 31, 2013 : 62,828 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year- end	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2013	—	15.00	—	25.00	40.00
Year ending March 31, 2014	—	15.00			
Year ending March 31, 2014 (Forecast)			—	25.00	40.00

(Note) Changes in dividends forecast during the 6 months ended September 30, 2013 : No

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

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2014	97,000	3.1	12,000	18.2	11,700	6.9	6,800	128.7	120.61

(Note) Changes in earnings forecast during the 6 months ended September 30, 2013 : No

4. Others

- (1) Changes in significant consolidated subsidiaries during the period: No
- (2) Application of simplified methods in accounting principle for quarterly consolidated financial statements: Yes

(Note: Please refer to "2. Other information" on page 4 for more details.)

- (3) Changes in accounting principles, accounting estimates and retrospective restatement for consolidated financial statements

- ① Changes resulting from amendment of the accounting standard: No
- ② Changes other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

- (4) Number of shares outstanding (Common stock):

- ① Number of shares outstanding (including treasury stock)
- | | | | |
|---------------------------------------|------------|----------------------------|------------|
| 2nd quarter ended September 30, 2013: | 67,723,244 | Year ended March 31, 2013: | 67,723,244 |
|---------------------------------------|------------|----------------------------|------------|
- ② Number of treasury stock
- | | | | |
|---------------------------------------|------------|----------------------------|------------|
| 2nd quarter ended September 30, 2013: | 11,488,826 | Year ended March 31, 2013: | 10,139,772 |
|---------------------------------------|------------|----------------------------|------------|
- ③ Average number of shares outstanding
- | | | | |
|------------------------------------|------------|------------------------------------|------------|
| 6 months ended September 30, 2013: | 56,520,270 | 6 months ended September 30, 2012: | 57,584,153 |
|------------------------------------|------------|------------------------------------|------------|

(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to [Qualitative information regarding the consolidated business forecast] on page 4 for more details.

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1. Qualitative information regarding the consolidated business

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

During the six months period ended September 30, 2013, in addition to the steady consumer spending and exports, plus improvement in the employment/income environment and high stock prices, as well as Tokyo being selected to host the 2020 Olympic Games, put the Japanese economy on the road to recovery.

In our industry, the home video game market entered a transition period, marked by sluggish growth in package software in anticipation of the full-scale launch of next-generation home video game consoles by the end of the fiscal year.

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

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

Under these circumstances, Capcom strove to enhance its earning capacity by increasing the ratio of in-house development through such measures as progressively reducing the outsourcing of development, mainly using overseas development companies, as development cost control and other efforts.

In addition, Capcom worked on improvement of the development process and revenue management, along with clarification of the chain of operations and responsibility through internal cross-sectional organizational reform, with an aim to shift from partial optimization to total optimization in the development structure, which serves as a source of competitiveness.

Furthermore, in view of addressing the expansion of the network game market, Capcom expressed its intention to focus on growth areas, such as announcing 14 online game titles that are scheduled for future release, including “Monster Hunter Frontier G” (for PlayStation 3 and Wii U), at the Capcom Network Game Conference.

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

Moreover, as part of corporate social responsibility (CSR) activities, Capcom promoted “on-site classes”, where Capcom visits mainly elementary and junior high schools across Japan to hold lessons that introduce the work environment at game companies, etc. Such activities, though low key, have been capturing the attention of relevant parties.

Given the above, the results for the six months period ended September 30, 2013 were net sales of 53,234 million yen (up 16.9% from the same term last year), operating income of 7,509 million yen (up 15.2% from the same term last year), ordinary income of 8,190 million yen (up 34.8% from the same term last year), and net income of 4,950 million yen (up 20.0% from the same term last year).

Status of each operational department

① Digital Contents business

In the Digital Contents business, thanks to its solid fan base, *Monster Hunter 4* (for Nintendo 3DS) was an immediate success shipping more than two million units as soon as it was released on September 14. *Dragon's Dogma: Dark Arisen* (for PlayStation 3 and Xbox 360) also enjoyed steady sales, while *Resident Evil Revelations* (for PlayStation 3, Xbox 360, Wii U and PC) and *Phoenix Wright: Ace Attorney - Dual Destinies* (for Nintendo 3DS) also basically achieved projected sales.

Sales of *Lost Planet 3* (for PlayStation 3, Xbox 360 and PC) were below expectations due in part to intensifying competition in the European and U.S. markets.

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

In addition, the Beeline brand's flagship title *Smurfs' Village* also maintained its ongoing popularity, providing stable income.

However, mobile contents did not achieve expected level of sales throughout the period under review, due in part to lack of major titles and the fierce competitive environment.

The resulting net sales were 37,510 million yen (up 7.2% from the same term last year), and operating income was 5,380 million yen (down 6.9% from the same term last year).

② Arcade Operations business

In the Arcade Operations business, Capcom has been working to capture a broad customer base and stimulate demand through such measures as winning core customers, securing repeat customers and attracting families by holding various events, setting up kids' corners and developing other elaborate community-based activities to draw in customers with an aim to be the "No. 1 shop in the area" in an otherwise sluggish market.

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

Capcom opened an arcade in the "MARK IS Shizuoka" shopping center in Shizuoka City during the period under review, bringing the total number of arcades to 35 as of the end of the period.

The resulting net sales were 5,461 million yen (down 3.0% from the same term last year), and operating income was 975 million yen (down 1.1% from the same term last year).

③ Amusement Equipments business

In the Pachinko & Pachislo division, *Devil May Cry 4*, which was released in September, realized better-than-expected sales, serving to drive sales expansion and support earnings.

In addition, in the Arcade Games Sales division, a new coin-operated game machine “Mario Party Fushigi no Korokoro Catcher 2” performed solidly and “Monhan Nikki Puripuri Pugi Race” was released.

The resulting net sales were 8,921 million yen (up 148.2% from the same term last year), and operating income was 2,519 million yen (up 88.5% from the same term last year).

④ Other Businesses

In Other Businesses, which is mainly the publication of game guidebooks, etc. and selling of character and other goods, net sales were 1,341 million yen (up 1.6% from the same term last year), and operating income was 518 million yen (up 4.2% from the same term last year).

(2) Qualitative information regarding the financial position

Total assets as of the end of the second quarter increased by 1,130 million yen from the end of the previous fiscal year to 105,495 million yen. Primary increase was 8,214 million yen in notes and accounts receivable, trade. Primary decreases were the followings: 5,195 million yen in work-in-progress for game software, 1,115 million yen in cash on hand and in banks, 582 million yen in raw materials and supplies.

Liabilities as of the end of the second quarter decreased by 1,237 million yen from the end of the previous fiscal year to 40,299 million yen. Primary decreases was 1,428 million yen in accrued income taxes.

Net assets as of the end of the second quarter increased by 2,368 million yen from the end of the previous fiscal year to 65,196 million yen. Primary increases were 4,950 million yen in net income for the 6 months period under review and 1,085 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. Primary decreases were 2,284 million yen in increase in treasury stock and 1,439 million yen in cash dividends.

(3) Qualitative information regarding the consolidated business forecasts

The forecast for the consolidated business results current fiscal year ending March 31, 2014 remains the same as what was projected at the financial results announcement on May 8, 2013.

2. Other information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

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

Calculation of tax expense

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

3. Consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2013)	Current 2nd quarter (As of September 30, 2013)
Assets		
Current assets		
Cash on hand and in banks	31,522	30,407
Notes and accounts receivable, trade	11,687	19,901
Merchandise and finished goods	1,756	1,720
Work-in-progress	906	600
Raw materials and supplies	1,592	1,009
Work-in-progress for game software	18,888	13,693
Other	10,552	7,746
Allowance for doubtful accounts	(64)	(59)
Total current assets	76,841	75,019
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	13,258	13,547
Intangible fixed assets		
Goodwill	200	137
Other	7,709	10,419
Total intangible fixed assets	7,909	10,556
Investments and other assets		
Other	6,433	6,450
Allowance for doubtful accounts	(78)	(78)
Total investments and other assets	6,355	6,372
Total fixed assets	27,523	30,475
Total assets	104,365	105,495

(Unit: Millions of yen)

	Previous fiscal year (As of March 31, 2013)	Current 2nd quarter (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	6,304	3,199
Electronically recorded monetary obligations	634	3,448
Short-term borrowings	11,194	11,152
Accrued income taxes	2,111	683
Accrued bonuses	1,679	206
Allowance for sales returns	187	93
Other	9,793	11,797
Total current liabilities	31,905	30,580
Long-term liabilities		
Long-term borrowings	6,000	6,000
Accrued retirement benefits for employees	1,697	1,789
Other	1,932	1,928
Total long-term liabilities	9,630	9,718
Total liabilities	41,536	40,299
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	27,998	31,509
Treasury stock	(15,848)	(18,132)
Total shareholders' equity	66,718	67,945
Accumulated other comprehensive income		
Net unrealized gain on securities, net of tax	91	146
Cumulative translation adjustments	(3,981)	(2,895)
Total accumulated other comprehensive income	(3,889)	(2,748)
Total net assets	62,828	65,196
Total liabilities and net assets	104,365	105,495

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

(Unit: Millions of yen)

	Previous 6 months From April 1, 2012 to September 30, 2012	Current 6 months From April 1, 2013 to September 30, 2013
Net sales	45,538	53,234
Cost of sales	28,079	35,781
Gross profit	17,458	17,452
Reversal of allowance for sales returns	1	94
Net gross profit	17,460	17,547
Selling, general and administrative expenses	10,945	10,038
Operating income	6,515	7,509
Non-operating income		
Interest income	40	45
Dividend income	4	5
Gain on receipt of cancellation compensation	—	210
Exchange gain, net	—	387
Other	80	137
Total non-operating income	125	786
Non-operating expenses		
Interest expense	50	59
Exchange loss, net	459	—
Commission fee	29	28
Other	26	17
Total non-operating expenses	565	105
Ordinary income	6,076	8,190
Special losses		
Loss on sales and /or disposal of fixed assets	28	78
Loss on restructuring	—	310
Total special losses	28	388
Net income before income taxes	6,047	7,801
Income taxes-current	1,205	541
Income taxes-deferred	717	2,309
Total income taxes	1,922	2,850
Net income before minority interests	4,125	4,950
Net income	4,125	4,950

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2012 to September 30, 2012	Current fiscal year From April 1, 2013 to September 30, 2013
Net income before minority interests	4,125	4,950
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(24)	55
Cumulative translation adjustments	(1,064)	1,085
Total other comprehensive income	(1,088)	1,141
Comprehensive income	3,036	6,091
Comprehensive income attributable to:		
Owners of the parent	3,036	6,091
Minority interests	—	—

(3) Summary of statements of cash flows

(Unit: Millions of yen)

	Previous 6 months From April 1, 2012 to September 30, 2012	Current 6 months From April 1, 2013 to September 30, 2013
Cash flows from operating activities		
Net income before income taxes	6,047	7,801
Depreciation and amortization	1,426	2,100
Amortization of goodwill	70	68
(Decrease) increase in allowance for doubtful accounts	8	(8)
Decrease in accrued bonuses	(546)	(35)
Interest and dividend income	(44)	(51)
Interest expense	50	59
Exchange (gain) loss, net	361	(246)
Loss on sales and/or disposal of fixed assets	28	78
Loss on restructuring	-	310
(Increase) decrease in accounts receivable, trade	1,018	(8,163)
Decrease (increase) in inventories	(2,961)	966
Decrease (increase) in work-in-progress for game software	(1,646)	4,368
(Decrease) increase in accounts payable, trade	2,761	(372)
(Decrease) increase in other current liabilities	549	(77)
Other	(2,401)	(2,185)
Sub total	4,720	4,612
Interest and dividends received	34	46
Interest paid	(49)	(55)
Income taxes paid	(2,965)	(1,800)
Net cash provided by operating activities	1,740	2,802
Cash flows from investing activities		
Payments into time deposits	-	(3,452)
Payment for acquisitions of tangible fixed assets	(928)	(1,055)
Proceeds from sales of tangible fixed assets	244	-
Payment for acquisitions of intangible fixed assets	(737)	(238)
Other	(164)	36
Net cash used in investing activities	(1,586)	(4,710)
Cash flows from financing activities		
Net increase in short-term borrowings	4,500	100
Repayments of long-term borrowings	(355)	(142)
Payment for repurchase of treasury stock	(0)	(2,284)
Dividend paid	(1,436)	(1,438)
Other	(164)	(187)
Net cash (used in) provided by financing activities	2,542	(3,952)
Effect of exchange rate changes on cash and cash equivalents	(1,180)	1,323
Net (decrease) increase in cash and cash equivalents	1,515	(4,536)
Cash and cash equivalents at beginning of year	22,287	31,522
Cash and cash equivalents at end of quarter	23,803	26,985

(4) Going concern assumptions: Not applicable

(5) Material changes in shareholders' equity

Capcom made a resolution to repurchase treasury stock through the board of directors' meeting held on April 18, 2013 in accordance with the articles of incorporation applied under Article 156 and Section 3 of Article 165 of the Companies Act.

As a result, Capcom repurchased its treasury stock of 1,347 thousand shares for 2,281 million yen from April 22, 2013 to May 31, 2013.

(6) Segment Information

I Previous 6 months (From April 1, 2012 to September 30, 2012)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital contents	Arcade operations	Amusement equipments	Total				
Net sales								
(1) Customers	34,993	5,630	3,594	44,217	1,320	45,538	—	45,538
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	34,993	5,630	3,594	44,217	1,320	45,538	—	45,538
Operating income	5,777	986	1,336	8,099	497	8,597	(2,081)	6,515

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

2. Adjustments of segments (-2,081 million yen) include unallocated corporate operating expenses (-2,081 million yen).

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

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

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

Not applicable

II Current 6 months (From April 1, 2013 to September 30, 2013)

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital contents	Arcade operations	Amusement equipments	Total				
Net sales								
(1) Customers	37,510	5,461	8,921	51,892	1,341	53,234	—	53,234
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	37,510	5,461	8,921	51,892	1,341	53,234	—	53,234
Operating income	5,380	975	2,519	8,875	518	9,393	(1,884)	7,509

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

2. Adjustments of segments (-1,884 million yen) include unallocated corporate operating expenses (-1,884 million yen).

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

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

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

Not applicable