

**Consolidated financial results for the 1st quarter  
of the fiscal year ending March 31, 2014 (Japan GAAP - Unaudited)**

Date of issue: July 31, 2013

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : August 1, 2013

Dividend payment date: —

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 3 months ended June 30, 2013 (From April 1, 2013 to June 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	%
3 months ended June 30, 2013	17,457	-6.2	723	-72.9	1,151	-47.9	828	-37.3
3 months ended June 30, 2012	18,620	55.8	2,669	244.4	2,209	304.5	1,320	290.2

Note: Comprehensive income 1st quarter ended June 30, 2013: 1,881 million yen (467.2%) 1st quarter ended June 30, 2012: 331 million yen (- %)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2013	14.58	—
3 months ended June 30, 2012	22.93	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
1st quarter ended June 30, 2013	96,766	60,986	63.0
Fiscal year ended March 31, 2013	104,365	62,828	60.2

Reference: Shareholders' equity: 1st quarter ended June 30, 2013: 60,986 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	—				
Year ending March 31, 2014 (Forecast)		15.00	—	25.00	40.00

(Note) Changes in dividends forecast during the 3 months ended June 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 3 months ended June 30, 2013 : No

Notes

(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)				
1st quarter ended June 30, 2013:	67,723,244	Year ended March 31, 2013:		67,723,244
② Number of treasury stock				
1st quarter ended June 30, 2013:	11,487,632	Year ended March 31, 2013:		10,139,772
③ Average number of shares outstanding				
1st quarter ended June 30, 2013:	56,808,765	1st quarter ended June 30, 2012:		57,584,251

(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 forecasts] 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 first quarter ended June 30, 2013, the industry saw the market for home video games enter a period of scant new product releases in anticipation of a full-scale launch of next-generation home video game consoles by the end of December this year.

At the same time, the industry is under pressure to build new growth models and reform earning structures as the competitive environment further diversifies due in part to the introduction of low-priced cloud games in addition to the continued, albeit slower-paced, momentum of inventory-risk-free social games resulting from the spread of smartphones (high-function mobile phones) and tablets (multi-functional mobile terminals).

Under these circumstances, as part of the Company's efforts for restructuring, Capcom pressed forward with the reduction of outsourced development work (mainly using overseas development companies) in order to increase the ratio of in-house development, and endeavored to expand and strengthen the development system.

Additionally, Capcom pushed forward with collaborations based on major contents, such as the performance of the theatrical play of the popular Capcom game "Sengoku BASARA 3: Utage" in the four largest cities in Japan, starting in Fukuoka and then in Tokyo, Osaka and Nagoya.

Further, the Company held a very well-received photography contest leveraging the global boom of capturing the combat techniques depicted in "Street Fighter" in live-action photographs. The contest, which also captured the attention of non-gamers, helped to broaden the customer base.

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

As a result, net sales for the first quarter were 17,457 million yen (down 6.2% from the same term last year), operating income was 723 million yen (down 72.9% from the same term last year), ordinary income was 1,151 million yen (down 47.9% from the same term last year), and net income was 828 million yen (down 37.3% from the same term last year).

### Status of each operational department

#### ① Digital Contents business

In this business segment, although "Resident Evil Revelations" (for PlayStation 3, Xbox 360, Wii U and PC) basically achieved projected sales and "Dragon's Dogma: Dark Arisen" (for PlayStation 3 and Xbox 360) enjoyed solid sales, they fell short of driving an increase in sales.

On the other hand, the online title "Monster Hunter Frontier G" (for PCs and Xbox 360) performed steadily, while the browser title "Onimusha Soul" , distributed in Taiwan in order to expand the Company's business field, enjoyed a successful launch, being ranked first in popularity and garnering a great deal of attention.

Further, the Beeline brand's flagship title "Smurfs' Village" maintained its long-term popularity, providing stable income.

However, mobile contents did not achieve expected levels of sales throughout the period under review, due in part to the lack of major titles.

The resulting net sales were 12,454 million yen (down 9.4% from the same term last year), and operating income was 423 million yen (down 82.4% from the same term last year).

#### ② Arcade Operations business

In the Arcade Operations business, efforts were made to capture a broad customer base and stimulate demand in pursuit of the "No. 1 shop in the area" by winning core customers, securing repeat customers and attracting families by expanding our activities, such as various events, to attract local customers in the stagnant market.

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

Since we opened an arcade in the "MARK IS Shizuoka" shopping center in Shizuoka City, our total number of arcades became 35 as of the end of the period under review.

The resulting net sales were 2,484 million yen (down 3.5% from the same term last year), and operating income was 366 million yen (down 5.1% from the same term last year).

#### ③ Amusement Equipments business

In the Pachinko & Pachislo division, business consisted mainly of repeat sales and contracted product development due to the absence of new products.

In the Arcade Games Sales business, a new coin-operated game machine "Mario Party Fushigi no Korokoro Catcher 2" performed solidly.

The resulting net sales were 2,042 million yen (up 19.4% from the same term last year), and operating income was 659 million yen (down 4.7% from the same term last year).

#### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sales of related goods, were 476 million yen (down 19.7% from the same term last year), and operating income was 224 million yen (down 2.6% from the same term last year).

### (2) Qualitative information regarding the financial position

Total assets as of the end of the first quarter decreased by 7,598 million yen from the end of the previous fiscal year to 96,766 million yen. Primary decreases were 4,624 million yen in notes and accounts receivable, trade and 3,270 million yen in cash on hand and in banks.

Liabilities as of the end of the first quarter decreased by 5,756 million yen from the end of the previous fiscal year to 35,780 million yen. Primary decreases were 3,689 million yen in notes and accounts payable, trade, 1,800 million yen in accrued income taxes.

Net assets as of the end of the first quarter decreased by 1,841 million yen from the end of the previous fiscal year to 60,986 million yen. Primary increases were 828 million yen in net income for the 3 months period under review and 1,043 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. Primary decreases were 2,282 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 first quarter, and multiplying income before income taxes by this estimated effective tax rate.

### 3. Summary of consolidated financial statements

#### (1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2013)	Current fiscal year (as of June 30, 2013)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	31,522	28,252
Notes and accounts receivable, trade	11,687	7,063
Merchandise and finished goods	1,756	1,827
Work-in-progress	906	845
Raw materials and supplies	1,592	1,367
Work-in-progress for game software	18,888	18,171
Other	10,552	10,659
Allowance for doubtful accounts	(64)	(60)
Total current assets	76,841	68,125
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	13,258	13,451
Intangible fixed assets		
Goodwill	200	170
Other	7,709	8,669
Total intangible fixed assets	7,909	8,840
Investments and other assets		
Other	6,433	6,428
Allowance for doubtful accounts	(78)	(78)
Total investments and other assets	6,355	6,350
Total fixed assets	27,523	28,641
Total assets	104,365	96,766

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2013)	Current fiscal year (as of June 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable, trade	6,304	2,614
Electronically recorded monetary obligations	634	1,897
Short-term borrowings	11,194	11,194
Accrued income taxes	2,111	310
Accrued bonuses	1,679	1,085
Allowance for sales returns	187	113
Other	9,793	8,952
<b>Total current liabilities</b>	<b>31,905</b>	<b>26,168</b>
<b>Long-term liabilities</b>		
Long-term borrowings	6,000	6,000
Accrued retirement benefits for employees	1,697	1,748
Other	1,932	1,863
<b>Total long-term liabilities</b>	<b>9,630</b>	<b>9,611</b>
<b>Total liabilities</b>	<b>41,536</b>	<b>35,780</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	27,998	27,385
Treasury stock	(15,848)	(18,130)
<b>Total shareholders' equity</b>	<b>66,718</b>	<b>63,823</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on securities, net of tax	91	100
Cumulative translation adjustments	(3,981)	(2,937)
<b>Total accumulated other comprehensive income</b>	<b>(3,889)</b>	<b>(2,837)</b>
<b>Total net assets</b>	<b>62,828</b>	<b>60,986</b>
<b>Total liabilities and net assets</b>	<b>104,365</b>	<b>96,766</b>

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

(Unit: Millions of yen)

	Previous 3 months From April 1, 2012 to June 30, 2012	Current 3 months From April 1, 2013 to June 30, 2013
Net sales	18,620	17,457
Cost of sales	10,684	11,940
Gross profit	7,936	5,517
Reversal of allowance for sales returns	—	73
Provision of allowance for sales returns	13	—
Net gross profit	7,922	5,590
Selling, general and administrative expenses	5,253	4,867
Operating income	2,669	723
Non-operating income		
Interest income	19	22
Dividend income	4	5
Exchange gain, net	—	436
Other	17	15
Total non-operating income	41	479
Non-operating expenses		
Interest expense	23	28
Exchange loss, net	453	—
Commission fee	15	14
Other	9	9
Total non-operating expenses	501	52
Ordinary income	2,209	1,151
Special losses		
Loss on sales and /or disposal of fixed assets	1	38
Total special losses	1	38
Net (loss) income before income taxes	2,208	1,112
Income taxes-current	61	182
Income taxes-deferred	826	101
Total income taxes	887	283
Net income before minority interests	1,320	828
Net income	1,320	828

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2012 to June 30, 2012	Current fiscal year From April 1, 2013 to June 30, 2013
Net income before minority interests	1,320	828
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(25)	8
Cumulative translation adjustments	(962)	1,043
Total other comprehensive income	(988)	1,052
Comprehensive income	331	1,881
Comprehensive income attributable to:		
Owners of the parent	331	1,881
Minority interests	—	—

## (3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous 3 months From April 1, 2012 to June 30, 2012	Current 3 months From April 1, 2013 to June 30, 2013
Cash flows from operating activities		
Net income before income taxes	2,208	1,112
Depreciation and amortization	671	970
Amortization of goodwill	28	33
Decrease in allowance for doubtful accounts	(7)	(7)
Decrease in accrued bonuses	(1,105)	(611)
Interest and dividend income	(24)	(27)
Interest expense	23	28
Exchange (gain) loss, net	347	(259)
Loss on sales and/or disposal of fixed assets	1	38
Decrease in notes and accounts receivable, trade	9,050	4,667
Decrease (increase) in inventories	(62)	260
Decrease (increase) in work-in-progress for game software	(1,923)	560
Decrease in notes and accounts payable, trade	(2,718)	(2,504)
Other	(2,235)	(2,497)
Sub total	4,253	1,766
Interest and dividends received	20	29
Interest paid	(21)	(29)
Income taxes paid	(2,771)	(1,836)
Net cash (used in) provided by operating activities	1,480	(70)
Cash flows from investing activities		
Payments into time deposits	—	(3,473)
Payment for acquisitions of tangible fixed assets	(407)	(488)
Payment for acquisitions of intangible fixed assets	(541)	(222)
Other	(159)	23
Net cash used in investing activities	(1,109)	(4,160)
Cash flows from financing activities		
Net increase in short-term borrowings	2,500	—
Repayments of long-term borrowings	(107)	(1)
Payment for repurchase of treasury stock	(0)	(2,282)
Dividend paid	(1,440)	(1,440)
Other	(69)	(97)
Net cash (used in) provided by financing activities	881	(3,820)
Effect of exchange rate changes on cash and cash equivalents	(1,048)	1,330
Net (decrease) increase in cash and cash equivalents	203	(6,720)
Cash and cash equivalents at beginning of year	22,287	31,522
Cash and cash equivalents at end of quarter	22,491	24,801

(4) Going concern assumptions                      Not applicable

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.

Segment Information

I Previous 3 months (From April 1, 2012 to June 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	13,740	2,575	1,711	18,027	593	18,620	—	18,620
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	13,740	2,575	1,711	18,027	593	18,620	—	18,620
Segment income	2,401	386	691	3,479	230	3,709	(1,039)	2,669

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

2. Adjustments of segments (-1,039 million yen) include unallocated corporate operating expenses (-1,039 million yen).

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

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

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

Not applicable

II Current 3 months (From April 1, 2013 to June 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	12,454	2,484	2,042	16,981	476	17,457	—	17,457
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	12,454	2,484	2,042	16,981	476	17,457	—	17,457
Segment income	423	366	659	1,449	224	1,673	(949)	723

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

2. Adjustments of segments (-949 million yen) include unallocated corporate operating expenses (-949 million yen).

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

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

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

Not applicable