

**Consolidated financial results for the 1st quarter  
of the fiscal year ending March 31, 2015 (Japan GAAP - Unaudited)**

Date of issue: July 31, 2014

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Filing date for financial report : July 31, 2014

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, 2014 (From April 1, 2014 to June 30, 2014)

(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, 2014	9,575	-45.1	1,268	75.3	1,223	6.3	765	-7.5
3 months ended June 30, 2013	17,457	-6.2	723	-72.9	1,151	-47.9	828	-37.3

Note: Comprehensive income 1st quarter ended June 30, 2014: 442 million yen (-76.5%) 1st quarter ended June 30, 2013: 1,881 million yen (467.2%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2014	13.62	—
3 months ended June 30, 2013	14.58	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
1st quarter ended June 30, 2014	89,960	63,185	70.2
Fiscal year ended March 31, 2014	96,611	63,875	66.1

Reference: Shareholders' equity: 1st quarter ended June 30, 2014: 63,185 million yen Year ended March 31, 2014: 63,875 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year- end	Annual
Year ended March 31, 2014	—	15.00	—	25.00	40.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (Forecast)		15.00	—	25.00	40.00

(Note) Changes in dividends forecast during the 3 months ended June 30, 2014 : No

3. Earnings forecast for the fiscal year ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

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, 2015	80,000	-21.7	10,500	1.9	10,200	-6.8	6,600	91.6	117.37

(Note) Changes in earnings forecast during the 3 months ended June 30, 2014 : 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 (2)Use of special accounting methods for the quarterly consolidated financial statements" 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: Yes  
 ② Changes other than ①: No  
 ③ Changes in accounting estimates: No  
 ④ Retrospective restatement: No

(Note: Please refer to "2. Other information (3)Changes in accounting policies, accounting estimates and retrospective restatement for consolidated financial statements" on page 4 for more details.)

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

① Number of shares outstanding (including treasury stock)			
1st quarter ended June 30, 2014:	67,723,244	Year ended March 31, 2014:	67,723,244
② Number of treasury stock			
1st quarter ended June 30, 2014:	11,490,468	Year ended March 31, 2014:	11,490,124
③ Average number of shares outstanding			
1st quarter ended June 30, 2014:	56,233,023	1st quarter ended June 30, 2013:	56,808,765

(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 3 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, 2014, the industry saw the domestic market for home video games remain sluggish. However, the overall market size expanded due to the strong performance in overseas markets in addition to the social game market's gathering strength centering on smartphones (high-function mobile phones).

Under such circumstances, the Company has promoted measures to improve earnings by reducing the cost of sales in the Mobile Contents sub-segment, etc. and cutting back on selling, general and administrative expenses.

Furthermore, the Company has promoted the Single Content Multiple Usage strategy. Such efforts include the announcement of the release of a Monster Hunter version of a large motorcycle by an Italian motorcycle manufacturer Ducati Japan Ltd., and sales of Monster Hunter-themed T-shirts by UNIQLO Co., Ltd., etc.

As a result, net sales for the first quarter were 9,575 million yen (down 45.1% from the same term last year), operating income was 1,268 million yen (up 75.3% from the same term last year), ordinary income was 1,223 million yen (up 6.3% from the same term last year), and net income was 765 million yen (down 7.5% from the same term last year).

#### Status of each operational department

##### ① Digital Contents business

In the Digital Contents business, "Phoenix Wright Ace Attorney Trilogy" (for Nintendo 3DS) showed strong sales while "Dead Rising 3" (for Xbox One), which became a million-seller in the previous fiscal year, also remained robust. However, no major new titles were released in this period so sales focused on existing products.

As for online titles, "Monster Hunter Frontier GG" (for PC, Xbox 360, PlayStation 3, and Wii U) performed steadily.

In addition, the Mobile Contents sub-segment showed improvements in profitability as well as experienced favorable performance of "Monster Hunter Freedom Unite for iOS".

However, overall performance was reduced as minor titles and repeat sales accounted for most of the lineup during the period under review due to a lack of major new titles.

As a result, although net sales decreased to 5,506 million yen (down 55.8% from the same term last year), operating income slightly increased to 1,131 million yen (up 167.6% from the same term last year) due to reduction of costs, etc.

##### ② Arcade Operations business

In the Arcade Operations business, efforts were made to create community-based arcades by holding events to attract customers, installing game machines to satisfy a broad range of customers and such with the weakened market conditions.

However, partly due to the impact from the consumption tax hike in addition to the sluggish growth of existing arcades, business remained on a weak note.

No openings/closures took place during the period under review, thus the number of arcades remains at 33, unchanged from the end of the previous period.

As a result, net sales were 2,200 million yen (down 11.4% from the same term last year) and operating income was 214 million yen (down 41.5% from the same term last year).

### ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the product supply cycle entered a period of scant new machines, thus there were no new machines launched and the business consisted of mainly repeat sales and the contracted product development business.

In the Arcade Games Sales sub-segment, sales centered around existing products as well. Although both businesses lacked sales products, the result surpassed the forecast.

As a result, net sales were 1,498 million yen (down 26.7% from the same term last year) and operating income was 627 million yen (down 4.8% 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 369 million yen (down 22.3% from the same term last year), and operating income was 177 million yen (down 20.6% 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 6,650 million yen from the end of the previous fiscal year to 89,960 million yen. Primary increase was 2,678 million yen in work-in-progress for game software. Primary decreases was 9,531 million yen in notes and accounts receivable, trade.

Liabilities as of the end of the first quarter decreased by 5,960 million yen from the end of the previous fiscal year to 26,774 million yen. Primary increase was 3,967 million yen in short-term borrowings. Primary decreases were followings: 3,437 million yen in notes and accounts payable, trade, 3,970 million yen in electronically recorded obligations, 754 million yen in accrued bonuses and 417 million yen in accrued income taxes.

Net assets as of the end of the first quarter decreased by 690 million yen from the end of the previous fiscal year to 63,185 million yen. Primary increase was 765 million yen in net income for the 3 months period under review. Primary decrease was 1,405 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, 2015 remains the same as what was projected at the financial results announcement on May 8, 2014.

## 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 accounting policies, accounting estimates and retrospective restatement for consolidated financial statements

#### (Change in accounting policies)

(Application of the Accounting Standard for Retirement Benefits, etc)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company has adopted the provisions specified in the main clause of Section 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan (ASBJ) Statement No. 26, May 17, 2012,) and the provisions specified in the main clause of Section 67 of the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). Accordingly, the Company has revised the method of calculating retirement benefit obligations and prior service costs and changed its method of attributing projected retirement benefits from the straight-line attribution method to the benefit formula. At the same time, the Company changed its method of determining the discount rate from the method in which the discount rate is determined by reference to the maturity of bonds based on the number of years that approximate the average remaining years of service of the employees to the method in which a single weighted average discount rate is used that reflects the estimated timing of benefit payments and the amount of benefit payment for each estimated payment period.

The application of the Accounting Standard for Retirement Benefits, etc. is subject to the tentative treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits. Consequently, the impact of the change in the method of calculating retirement benefit obligations and prior service costs has been recognized as increases or decreases to retained earnings as of the beginning of the first quarter of the fiscal year ending March 31, 2015.

As a result, as of the beginning of the first quarter of the fiscal year ending March 31, 2015, net defined benefit liabilities have decreased by 423 million yen and retained earnings have increased by 273 million yen. The impact of this change on the profit or loss of the cumulative first quarter of the fiscal year ending March 31, 2015 is minimal.

### 3. Summary of consolidated financial statements

#### (1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2014)	Current fiscal year (as of June 30, 2014)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	29,720	28,588
Notes and accounts receivable, trade	18,134	8,603
Merchandise and finished goods	1,191	1,239
Work-in-progress	942	1,505
Raw materials and supplies	996	1,024
Work-in-progress for game software	10,355	13,034
Other	5,220	6,171
Allowance for doubtful accounts	(55)	(50)
Total current assets	66,506	60,116
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	13,577	13,412
Intangible fixed assets		
Goodwill	67	43
Other	7,300	8,510
Total intangible fixed assets	7,368	8,553
Investments and other assets		
Other	9,236	7,953
Allowance for doubtful accounts	(77)	(76)
Total investments and other assets	9,159	7,876
Total fixed assets	30,104	29,843
Total assets	96,611	89,960

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2014)	Current fiscal year (as of June 30, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	4,950	1,513
Electronically recorded monetary obligations	6,926	2,955
Short-term borrowings	4,050	8,017
Accrued income taxes	758	341
Accrued bonuses	1,802	1,047
Allowance for sales returns	87	44
Other	6,971	5,856
Total current liabilities	25,547	19,776
Long-term liabilities		
Long-term borrowings	3,000	3,207
Liabilities for retirement benefits for employees	2,158	1,768
Other	2,029	2,021
Total long-term liabilities	7,187	6,997
Total liabilities	32,735	26,774
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	29,160	28,793
Treasury stock	(18,134)	(18,135)
Total shareholders' equity	65,593	65,226
Accumulated other comprehensive income		
Net unrealized gain on securities, net of tax	99	128
Cumulative translation adjustments	(1,647)	(2,004)
Accumulated adjustments for retirement benefits	(169)	(163)
Total accumulated other comprehensive income	(1,717)	(2,040)
Total net assets	63,875	63,185
Total liabilities and net assets	96,611	89,960



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

(Unit: Millions of yen)

	Previous 3 months From April 1, 2013 to June 30, 2013	Current 3 months From April 1, 2014 to June 30, 2014
Net sales	17,457	9,575
Cost of sales	11,940	5,249
Gross profit	5,517	4,326
Reversal of allowance for sales returns	73	42
Net gross profit	5,590	4,368
Selling, general and administrative expenses	4,867	3,100
Operating income	723	1,268
Non-operating income		
Interest income	22	25
Dividend income	5	6
Exchange gain, net	436	5
Other	15	49
Total non-operating income	479	86
Non-operating expenses		
Interest expense	28	19
Commission fee	14	22
Loss on closing amusement stores	—	79
Other	9	9
Total non-operating expenses	52	130
Ordinary income	1,151	1,223
Special losses		
Loss on sales and /or disposal of fixed assets	38	2
Total special losses	38	2
Net income before income taxes	1,112	1,221
Income taxes-current	182	240
Income taxes-deferred	101	215
Total income taxes	283	455
Net income before minority interests	828	765
Net income	828	765

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2013 to June 30, 2013	Current fiscal year From April 1, 2014 to June 30, 2014
Net income before minority interests	828	765
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	8	28
Cumulative translation adjustments	1,043	(357)
Adjustments for retirement benefits		5
Total other comprehensive income	1,052	(322)
Comprehensive income	1,881	442
Comprehensive income attributable to:		
Owners of the parent	1,881	442
Minority interests	—	—

## (3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous 3 months From April 1, 2013 to June 30, 2013	Current 3 months From April 1, 2014 to June 30, 2014
Cash flows from operating activities		
Net income before income taxes	1,112	1,221
Depreciation and amortization	970	724
Amortization of goodwill	33	33
Decrease in allowance for doubtful accounts	(7)	(3)
Decrease in accrued bonuses	(611)	(750)
Interest and dividend income	(27)	(32)
Interest expense	28	19
Exchange loss (gain), net	(259)	37
Loss on sales and/or disposal of fixed assets	38	2
Decrease in notes and accounts receivable, trade	4,667	9,529
(Increase) decrease in inventories	260	(642)
(Increase) decrease in work-in-progress for game software	560	(2,716)
Decrease in notes and accounts payable, trade	(2,504)	(7,402)
Other	(2,497)	(2,453)
Sub total	1,766	(2,433)
Interest and dividends received	29	55
Interest paid	(29)	(20)
Income taxes paid	(1,836)	(587)
Net cash used in operating activities	(70)	(2,985)
Cash flows from investing activities		
Payments into time deposits	(3,473)	—
Payment for acquisitions of tangible fixed assets	(488)	(377)
Proceeds from sales of tangible fixed assets	—	205
Payment for acquisitions of intangible fixed assets	(222)	(145)
Other	23	(93)
Net cash used in investing activities	(4,160)	(412)
Cash flows from financing activities		
Net increase in short-term borrowings	—	3,900
Proceeds from long-term borrowing	—	292
Repayments of long-term borrowings	(1)	(16)
Payment for repurchase of treasury stock	(2,282)	(0)
Dividend paid	(1,440)	(1,406)
Other	(97)	(91)
Net cash provided by (used in) financing activities	(3,820)	2,676
Effect of exchange rate changes on cash and cash equivalents	1,330	(356)
Net decrease in cash and cash equivalents	(6,720)	(1,077)
Cash and cash equivalents at beginning of year	31,522	26,118
Cash and cash equivalents at end of quarter	24,801	25,040

(4) Notes to consolidated financial statements

(Going concern assumptions) Not applicable

(Material changes in shareholders' equity) Not applicable

(Segment Information)

I Previous 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.

II Current 3 months (From April 1, 2014 to June 30, 2014)

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	5,506	2,200	1,498	9,205	369	9,575	—	9,575
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	5,506	2,200	1,498	9,205	369	9,575	—	9,575
Segment income	1,131	214	627	1,974	177	2,151	(883)	1,268

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

2. Adjustments of segments (-883 million yen) include unallocated corporate operating expenses (-883 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.