

**Consolidated financial results for the 3 months
of the fiscal year ending March 31, 2016 (Japan GAAP - Unaudited)**

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Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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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, 2015 (From April 1, 2015 to June 30, 2015)

(1) Financial results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2015	14,541	51.9	2,026	59.8	2,135	74.5	1,569	104.9
3 months ended June 30, 2014	9,575	-45.1	1,268	75.3	1,223	6.3	765	-7.5

Note: Comprehensive income 1st quarter ended June 30, 2015: 2427 million yen (448.2%) 1st quarter ended June 30, 2014: 442 million yen (-76.5%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2015	27.91	—
3 months ended June 30, 2014	13.62	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
1st quarter ended June 30, 2015	106,843	72,352	67.7
Fiscal year ended March 31, 2015	100,773	71,331	70.8

Reference: Shareholders' equity: 1st quarter ended June 30, 2015: 72,352 million yen Year ended March 31, 2015: 71,331 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, 2015	—	15.00	—	25.00	40.00
Year ending March 31, 2016	—				
Year ending March 31, 2016 (Forecast)		15.00	—	25.00	40.00

(Note) Changes in dividends forecast during the 3 months ended June 30, 2015 : No

3. Earnings forecast for the fiscal year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2016	76,000	18.2	12,000	13.4	11,700	7.8	7,700	16.4	136.94

(Note) Changes in earnings forecast during the 3 months ended June 30, 2015 : 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: 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, 2015: 67,723,244 Year ended March 31, 2015: 67,723,244
② Number of treasury stock
1st quarter ended June 30, 2015: 11,493,747 Year ended March 31, 2015: 11,493,262
③ Average number of shares outstanding
1st quarter ended June 30, 2015: 56,229,729 1st quarter ended June 30, 2014: 56,233,023

(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.

Attachment contents

1. Qualitative information regarding the consolidated business	2
(1) The progress of the consolidated business results including related qualitative information.....	2
(2) Explanation of the consolidated financial position	3
(3) Qualitative information regarding the consolidated business forecasts.....	4
2. Other information.....	4
(1) Transfer of major subsidiaries.....	4
(2) Use of special accounting methods for the quarterly consolidated financial statements.....	4
(3) Changes in accounting policies, accounting estimates and retrospective restatement for consolidated financial statements.....	4
3. Summary of consolidated financial statements	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and comprehensive income	7
(3) Consolidated statements of cash flows	9
(4) Notes to consolidated financial statements.....	10
Going concern assumptions	10
Material changes in shareholders' equity	10
Segment information	10

1. Qualitative information regarding the consolidated business

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

During the three months period ended June 30, our industry experienced major changes. For example, in the home video game market, the market size of mobile games mainly led by smartphone applications exceeded 600 billion yen, driving the domestic market. At the same time, the competition for ruling power in the industry became more intensified than ever.

At this year's E3, the Electronic Entertainment Expo, the world's largest trade show for computer and video games being held in Los Angeles in June, Capcom exhibited "Street Fighter V" (for PlayStation 4 and PC) and drew attention of the many visitors thanks to the strong brand recognition established in the overseas market. The trade show also witnessed activities competing against the rapidly growing mobile games such as a series of announcements of virtual reality (VR) for consumer games.

In such an environment, the Company pushed forward with promotion activities to respond to customer demands and marketing efforts in close coordination with development and sales. The Company also steered business operations in a manner to respond to rapid changes in the competitive environment. Additionally the Company launched "Resident Evil 6" as its first pachislo product to conform to the revision in pachislo model certification method by the Security Communications Association in September 2014, which made an excellent start. Furthermore, the Company also focused on improving the development process and revenue management.

The resulting consolidated net sales for the first quarter were 14,541 million yen (up 51.9% from the same term last year). Similarly, profits increased at all levels. Operating income increased to 2,026 million yen (up 59.8% from the same term last year), ordinary income to 2,135 million yen (up 74.5% from the same term last year), and net income attributable to owners of the parent to 1,569 million yen (up 104.9% from the same term last year).

Status of each operational department

① Digital Contents business

In the Digital Contents business, "Devil May Cry 4 Special Edition" (for PlayStation 4, Xbox One and PC) sold well in addition to the robust repeat sales and digital download sales of other titles particularly in overseas markets.

On the other hand, online games remained soft and mobile phone contents were generally soft as well due to, among others, the lack of major titles. However, "Smurfs' Village and the Magical Meadow" (for iOS) made a good start.

Although the first quarter corresponded with the off season in the market launch cycle of major titles, overall sales were firm and the Company was able to lay the groundwork to support the heftier release schedule for the second half of the fiscal year.

The resulting net sales were 6,294 million yen (up 14.3% from the same term last year) and operating income was 1,107 million yen (down 2.2% from the same term last year).

②Arcade Operations business

In the Arcade Operations business, customer attraction efforts were made to capture customers and stimulate demand in the slow recovering market through various demand stimulation measures, including the installation of popular game machines to meet the current demands of customers in addition to holding various events and service days.

However, the Company was not able to achieve a breakthrough result mainly due to the weak consumer confidence reflecting the stagnant market. During the period under review, one arcade was closed, bringing the total number of arcades to 32.

The resulting net sales were 1,932 million yen (down 12.2% from the same term last year) and operating income was 35million yen (down 83.6% from the same term last year).

③Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the long-awaited “Resident Evil 6” made an excellent start with strong unit sales supported by the loyal fans and led the improvement in revenue as it contributed to the increase in sales.

In the Arcade Games Sales sub-segment, the Company launched “Luigi Mansion Arcade” in June 2015, but otherwise focused on repeat sales of existing products.

The resulting net sales were 6,042 million yen (up 303.2% from the same term last year) and operating income was 1,772 million yen (up 182.4% from the same term last year).

④Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sale of related goods, were 272 million yen (down 26.2% from the same term last year), and operating income was 50 million yen (down 71.9% from the same term last year).

(2) Explanation of the consolidated financial position

Total assets as of the end of the first quarter increased by 6,070 million yen from the end of the previous fiscal year to 106,843 million yen. Primary increases were followings: 3,159 million yen in work-in-progress for game software, 1,652 million yen in merchandise and finished goods, and 1,452 million yen in work-in-progress.

Total liabilities as of the end of the first quarter increased by 5,049 million yen from the end of the previous fiscal year to 34,491 million yen. Primary increases were 3,500 million yen in short-term borrowings, 2,210 million yen in notes and accounts payable, trade, and 1,044 million yen in electronically recorded monetary liabilities. Primary decrease was 683 million yen in accrued bonuses.

Net assets as of the end of the first quarter increased by 1,021 million yen from the end of the previous fiscal year to 72,352 million yen. Primary increases were 1,569 million yen in net income attributable to owners of the parent and 771 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. 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, 2016 remains the same as what was projected at the financial results announcement on May 7, 2015.

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 Business Combinations, etc.)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Accounting Standard for Business Divestitures”), etc. effective from the first quarter under review. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the first day of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, a change in the presentation of quarterly net income, etc. and a change in the presentation of the minority interests to non-controlling interests were adopted. In order to reflect these changes in presentation, the quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year were reclassified.

The application of the Accounting Standard for Business Combinations, etc. is subject to the transitional treatment provided for in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures. Accordingly, these standards have been applied prospectively from the first day of the first quarter under review.

This change in accounting policies has no impact on the Company’s consolidated financial statements for the first quarter under review.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2015)	Current fiscal year (as of June 30, 2015)
Assets		
Current assets		
Cash on hand and in banks	32,204	31,236
Notes and accounts receivable, trade	8,005	8,488
Merchandise and finished goods	1,225	2,878
Work-in-progress	1,672	3,124
Raw materials and supplies	1,020	577
Work-in-progress for game software	16,833	19,993
Other	4,755	4,753
Allowance for doubtful accounts	(56)	(58)
Total current assets	65,659	70,994
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	17,328	17,377
Intangible fixed assets		
Online contents in progress	7,895	8,779
Other	2,772	2,561
Total intangible fixed assets	10,668	11,340
Investments and other assets		
Other	7,196	7,209
Allowance for doubtful accounts	(78)	(78)
Total investments and other assets	7,117	7,130
Total fixed assets	35,113	35,848
Total assets	100,773	106,843

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2015)	Current fiscal year (as of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	3,089	5,300
Electronically recorded monetary obligations	988	2,033
Short-term borrowings	3,452	6,952
Accrued income taxes	823	572
Accrued bonuses	1,832	1,149
Other	7,058	6,212
Total current liabilities	17,246	22,220
Long-term liabilities		
Long-term borrowings	7,540	7,523
Liabilities for retirement benefits for employees	2,101	2,167
Other	2,554	2,580
Total long-term liabilities	12,195	12,271
Total liabilities	29,442	34,491
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	33,801	33,964
Treasury stock	(18,140)	(18,141)
Total shareholders' equity	70,228	70,390
Accumulated other comprehensive income		
Net unrealized gain on securities, net of tax	170	250
Cumulative translation adjustments	1,215	1,987
Accumulated adjustments for retirement benefits	(283)	(277)
Total accumulated other comprehensive income	1,102	1,961
Total net assets	71,331	72,352
Total liabilities and net assets	100,773	106,843

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Unit: Millions of yen)

	Previous 3 months From April 1, 2014 to June 30, 2014	Current 3 months From April 1, 2015 to June 30, 2015
Net sales	9,575	14,541
Cost of sales	5,249	8,552
Gross profit	4,326	5,989
Reversal of allowance for sales returns	42	—
Net gross profit	4,368	5,989
Selling, general and administrative expenses	3,100	3,962
Operating income	1,268	2,026
Non-operating income		
Interest income	25	23
Dividend income	6	7
Exchange gain, net	5	90
Other	49	34
Total non-operating income	86	154
Non-operating expenses		
Interest expense	19	26
Commission fee	22	16
Loss on closing amusement stores	79	—
Other	9	3
Total non-operating expenses	130	46
Ordinary income	1,223	2,135
Special losses		
Loss on sales and /or disposal of fixed assets	2	0
Total special losses	2	0
Net income before income taxes	1,221	2,134
Income taxes-current	240	410
Income taxes-deferred	215	155
Total income taxes	455	565
Net income	765	1,569
Net income attributable to owners of the parent	765	1,569

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2014 to June 30, 2014	Current fiscal year From April 1, 2015 to June 30, 2015
Net income	765	1,569
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	28	80
Cumulative translation adjustments	(357)	771
Adjustments for retirement benefits	5	6
Total other comprehensive income	(322)	858
Comprehensive income	442	2,427
Comprehensive income attributable to:		
Owners of the parent	442	2,427
Non-controlling interests	—	—

(3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous 3 months From April 1, 2014 to June 30, 2014	Current 3 months From April 1, 2015 to June 30, 2015
Cash flows from operating activities		
Net income before income taxes	1,221	2,134
Depreciation and amortization	724	1,029
Amortization of goodwill	33	—
Decrease in allowance for doubtful accounts	(3)	(0)
Decrease in accrued bonuses	(750)	(688)
Interest and dividend income	(32)	(30)
Interest expense	19	26
Exchange (gain) loss, net	37	(31)
Loss on sales and/or disposal of fixed assets	2	0
(Increase) decrease in notes and accounts receivable, trade	9,529	(387)
Increase in inventories	(642)	(2,657)
Increase in work-in-progress for game software	(2,716)	(3,052)
Increase in online contents in progress	(1,311)	(884)
Increase (decrease) in notes and accounts payable, trade	(7,402)	3,223
Other	(1,142)	(825)
Sub total	<u>(2,433)</u>	<u>(2,143)</u>
Interest and dividends received	55	51
Interest paid	(20)	(14)
Income taxes paid	(587)	(571)
Net cash used in operating activities	<u>(2,985)</u>	<u>(2,677)</u>
Cash flows from investing activities		
Payment for acquisitions of tangible fixed assets	(377)	(772)
Proceeds from sales of tangible fixed assets	205	4
Payment for acquisitions of intangible fixed assets	(145)	(145)
Other	(93)	3
Net cash used in investing activities	<u>(412)</u>	<u>(909)</u>
Cash flows from financing activities		
Net increase in short-term borrowings	3,900	3,500
Proceeds from long-term borrowing	292	—
Repayments of long-term borrowings	(16)	(16)
Payment for repurchase of treasury stock	(0)	(1)
Dividend paid	(1,406)	(1,406)
Other	(91)	(118)
Net cash provided by (used in) financing activities	<u>2,676</u>	<u>1,956</u>
Effect of exchange rate changes on cash and cash equivalents	(356)	583
Net decrease in cash and cash equivalents	<u>(1,077)</u>	<u>(1,047)</u>
Cash and cash equivalents at beginning of year	26,118	27,998
Cash and cash equivalents at end of quarter	<u>25,040</u>	<u>26,950</u>

(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, 2014 to June 30, 2014)

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.

II Current 3 months (From April 1, 2015 to June 30, 2015)

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	6,294	1,932	6,042	14,268	272	14,541	—	14,541
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	6,294	1,932	6,042	14,268	272	14,541	—	14,541
Segment income	1,107	35	1,772	2,914	50	2,964	(938)	2,026

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

2. Adjustments of segments (-938 million yen) include unallocated corporate operating expenses (-938 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.