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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.