

**Consolidated financial results for the 6 months  
of the fiscal year ending March 31, 2017 (Japan GAAP - Unaudited)**

Date of issue: October 27, 2016

Company name: CAPCOM Co., Ltd. Stock listing: Tokyo  
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 Filing date for financial report : October 27, 2016 Dividend payment date: November 14, 2016  
 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, 2016 (From April 1, 2016 to September 30, 2016)

(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	%
6 months ended September 30, 2016	28,676	-9.4	1,715	-39.7	514	-82.2	405	-79.2
6 months ended September 30, 2015	31,638	22.1	2,844	-35.1	2,891	-36.3	1,951	-34.4

Note: Comprehensive income 2nd quarter ended September 30, 2016: -2,069 million yen (- %) 2nd quarter ended September 30, 2015: 1,924 million yen (-54.2%)

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
6 months ended September 30, 2016	7.25	—
6 months ended September 30, 2015	34.71	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets
	Millions of yen	Millions of yen	%
2nd quarter ended September 30, 2016	105,646	68,392	64.7
Fiscal year ended March 31, 2016	113,057	75,168	66.5

Reference: Shareholders' equity: 2nd quarter ended September 30, 2016: 68,392 million yen Year ended March 31, 2016: 75,168 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, 2016	—	15.00	—	25.00	40.00
Year ending March 31, 2017	—	25.00			
Year ending March 31, 2017 (Forecast)			—	25.00	50.00

(Note) Changes in dividends forecast during the 6 months ended September 30, 2016 : Yes  
 Regarding the revision to the interim dividend, please see the announcement released today (October 27, 2016), titled "Notice Regarding Upward Revision of Interim Dividend."

3. Earnings forecast for the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

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, 2017	85,000	10.4	13,600	13.1	13,300	17.2	9,000	16.2	162.53

(Note) Changes in earnings forecast during the 6 months ended September 30, 2016 : 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 (2)Use of special accounting methods for the quarterly consolidated financial statements" on page 5 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 5 for more details.)

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

① Number of shares outstanding (including treasury stock)			
2nd quarter ended September 30, 2016:	67,723,244	Year ended March 31, 2016:	67,723,244
② Number of treasury stock			
2nd quarter ended September 30, 2016:	12,976,437	Year ended March 31, 2016:	11,495,204
③ Average number of shares outstanding			
2nd quarter ended September 30, 2016:	55,996,951	2nd quarter ended September 30, 2015:	56,229,487

(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, 2016, signs of major changes to our industry became evident, such as with the successive releases of VR (virtual reality) consoles that are highly compatible with games, and with an eye to creating a new market we entered a new age many are calling “VR year one.”

Under such circumstances, the Capcom Group (the Company) promoted the expansion of its development departments, which have been the source of its competitiveness by commencing full-scale operations in April of its new development base, the R&D Building #2, with its state-of-the-art facilities comparable to major film studios in Hollywood including the motion capture room, among others.

Additionally, this fiscal year’s feature title, the fully VR-compatible *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC), not only drew the attention of many show-goers at E3, one of the world’s largest game trade shows held in the U.S. in June of this year and where VR was in the spotlight, but similarly was also massively successful at the Company’s booth at the Tokyo Game Show 2016, Japan’s largest game fair that was held in September and which attracted a record number of visitors; at both events the title received lavish praise, showing the Company’s business strategy of prioritizing the second half of the fiscal year through releasing this fiscal year’s major titles in the second half of the year to be sound.

Moreover, the Company also focused on developing new users and deepening its relationships with existing customers by such means as offering *Street Fighter V*, the latest game in the *Street Fighter* series, which has been the cornerstone of the Company’s growth, to be featured in domestic eSports league competitions.

Additionally, the Company proactively expanded its media mix as part of efforts to enhance the Capcom presence and increase Capcom’s brand value by generating synergy with its popular games, such as the airing of the animated TV program *Monster Hunter Stories* (Fuji Television Network) from October 2016, which followed the airing of animated TV program *Phoenix Wright: Ace Attorney* (Nippon TV group network).

Meanwhile, the Company’s business strategy prioritizes the second half of the fiscal year through measures such as releasing this fiscal year’s major titles in the second half of the year, therefore, during the period under review the business mainly focused on minor titles.

The Company, as part of its efforts to return its profits to shareholders, purchased 1.48 million shares of treasury stock in September 2016.

The resulting consolidated net sales for the six-months period ended September 30, 2016 were 28,676 million yen (down 9.4% from the same term last year). Regarding profitability, operating income was 1,715 million yen (down 39.7% from the same term last year). Furthermore, due to the rapidly rising yen, the Company recorded a foreign exchange loss, thus ordinary income amounted to 514 million yen (down 82.2% from the same term last year) and net income attributable to owners of the parent amounted to 405 million yen (down 79.2% from the same term last year).

For comparison, in addition to the second half releases of *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC) and *Dead Rising 4* (for Xbox One and PC), a game targeting the overseas market, the Company will have releases such as the major pachislo machine *Monster Hunter Kyoryu Sensen*, and thus its consolidated earnings forecast for the fiscal year ending March, 2017 is as follows.

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
85,000 million yen (10.4% increase YoY)	13,600 million yen (13.1% increase YoY)	13,300 million yen (17.2% increase YoY)	9,000 million yen (16.2% increase YoY)	162.53 yen

#### Status of business by segment

##### ① Digital Contents business

In the Digital Contents business, series title *Phoenix Wright: Ace Attorney – Spirit of Justice* (for the Nintendo 3DS family of systems) sold largely as planned, while re-releases of popular titles *Resident Evil 5* (for PlayStation 4 and Xbox One) and *Resident Evil 4* (for PlayStation 4 and Xbox One) also performed steadily thanks to a stable fanbase for the brand. In addition, *Monster Hunter Generations* (for the Nintendo 3DS family of systems) achieved solid sales overseas thanks to Capcom’s established brand capabilities, while elsewhere *Sengoku BASARA Sanada Yukimura-den* (for PlayStation 4 and PlayStation 3) was released.

As the launch of the major titles will be concentrated in the second half of the year, the majority of titles released during the period under review were supplemental or catalog titles.

On the other hand, online games and mobile phone content were off to a promising start, amidst ongoing efforts by the Company to achieve progress surrounding this static sub-segment by reviewing its development framework and operation methods. This led to *Toraware no Paruma*, an enterprising romance game for smartphones (for Android devices and iOS) developed mainly by female staff, to reach the top of the App Store paid application rankings on its release date.

The resulting net sales were 16,373 million yen (up 14.5% from the same term last year) and operating income was 1,099 million yen (down 28.3% from the same term last year).

##### ② Arcade Operations business

In the Arcade Operations business, despite the effects of temporary factors such as the Rio de Janeiro Olympics and the scorching hot summer, under the environment in which the regulations on the entrance to arcades in the nighttime were relaxed by the amendments to the Act on Control and Improvement of Amusement Business, etc. effective June 2016, efforts were made to capture a broad customer base by securing repeat customers and attracting persons of middle or advanced age and families with children through community-based arcade marketing to win the support of local residents by holding various events and operating arcades in a manner to offer comfortable experience to customers. To develop new business opportunities, the Company also pushed forward with innovative new business formulas such as the opening in the arcade of a new “CharaCap” shop, which mainly sells character merchandise.

During the period under review, a new arcade was opened in Yamaguchi Prefecture bringing the total number of arcades to 35.

The resulting net sales were 4,810 million yen (up 9.2% from the same term last year) and operating income was 478 million yen (up 34.6% from the same term last year).

### ③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, the Company mainly focused on contracted product development except for the launch of *Devil May Cry X (Cross)* and *Super Street Fighter IV*, as it planned to concentrate major business development efforts on the second half of the fiscal year. In the Arcade Games Sales sub-segment, the Company launched *Mario Party Fushigi no Challenge World* and focused on sales of existing products.

The resulting net sales were 6,530 million yen (down 46.2% from the same term last year) and operating income was 1,651 million yen (down 35.3% from the same time last year).

### ④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from licensing and sale of character merchandise, were 962 million yen (up 21.0% from the same term last year) and operating income was 395 million yen (up 55.9% from the same time last year).

## (2) Explanation of the consolidated financial position

Total assets as of the end of the second quarter decreased by 7,410 million yen from the end of the previous fiscal year to 105,646 million yen.

The primary increase was 3,954 million yen in work-in-progress for game software. Primary decreases were 6,169 million yen in cash on hand and in banks and 2,542 million yen in notes and accounts receivable, trade.

Total liabilities as of the end of the second quarter decreased by 633 million yen from the end of the previous fiscal year to 37,254 million yen. The primary increase was 8,338 million yen in short-term borrowings. Primary decreases were as following: 5,549 million yen in accrued income taxes and 2,785 million yen in notes and accounts payable, trade.

Net assets as of the end of the second quarter decreased by 6,776 million yen from the end of the previous fiscal year to 68,392 million yen. The primary increase was 405 million yen in net income attributable to owners of the parent. Primary decreases were 2,488 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries, an increase of 3,301 million yen in treasury stock and 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, 2017 remains the same as what was projected at the financial results announcement on May 9, 2016.

## 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 second year, including the third quarter, and multiplying income before income taxes by this estimated effective tax rate.

(3) Change(s) in accounting policy (policies), accounting estimates and retrospective restatements for consolidated financial statements

(Change in accounting policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In conjunction with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) Solution No. 32, June 17, 2016), effective from the first quarter under review, and has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

This change in accounting policy has minimal impact on the Company’s profit/loss for the second quarter under review.

(4) Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016), effective from 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, 2016)	Current fiscal year (as of September 30, 2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	28,429	22,260
Notes and accounts receivable, trade	9,879	7,337
Merchandise and finished goods	1,704	1,618
Work-in-progress	2,085	1,812
Raw materials and supplies	1,954	1,489
Work-in-progress for game software	24,825	28,779
Other	7,055	6,773
Allowance for doubtful accounts	(18)	(15)
<b>Total current assets</b>	<b>75,917</b>	<b>70,054</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures, net	11,297	10,959
Other, net	9,527	9,430
<b>Total tangible fixed assets</b>	<b>20,825</b>	<b>20,390</b>
<b>Intangible fixed assets</b>		
Online contents in progress	2,395	2,931
Other	5,740	4,353
<b>Total intangible fixed assets</b>	<b>8,135</b>	<b>7,285</b>
<b>Investments and other assets</b>		
Other	8,257	8,026
Allowance for doubtful accounts	(78)	(109)
<b>Total investments and other assets</b>	<b>8,179</b>	<b>7,916</b>
<b>Total fixed assets</b>	<b>37,140</b>	<b>35,591</b>
<b>Total assets</b>	<b>113,057</b>	<b>105,646</b>

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of September 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	4,053	1,267
Electronically recorded monetary obligations	888	1,836
Short-term borrowings	1,497	9,835
Accrued income taxes	6,470	920
Accrued bonuses	2,080	653
Other	7,366	7,830
Total current liabilities	22,355	22,344
Long-term liabilities		
Long-term borrowings	11,111	10,524
Liabilities for retirement benefits for employees	2,323	2,403
Other	2,098	1,981
Total long-term liabilities	15,532	14,909
Total liabilities	37,888	37,254
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	39,297	38,297
Treasury stock	(18,145)	(21,447)
Total shareholders' equity	75,719	71,418
Accumulated other comprehensive income		
Net unrealized gain on securities, net of tax	2	(9)
Cumulative translation adjustments	(278)	(2,767)
Accumulated adjustments for retirement benefits	(274)	(249)
Total accumulated other comprehensive income	(550)	(3,026)
Total net assets	75,168	68,392
<b>Total liabilities and net assets</b>	<b>113,057</b>	<b>105,646</b>

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

(Unit: Millions of yen)

	Previous 6 months From April 1, 2015 to September 30, 2015	Current 6 months From April 1, 2016 to September 30, 2016
Net sales	31,638	28,676
Cost of sales	20,745	19,986
Gross profit	10,892	8,689
Selling, general and administrative expenses	8,048	6,973
Operating income	2,844	1,715
Non-operating income		
Interest income	48	24
Dividend income	7	7
Exchange gain, net	46	—
Other	50	36
Total non-operating income	153	68
Non-operating expenses		
Interest expense	58	71
Commission fee	29	23
Exchange loss, net	—	1,167
Other	16	7
Total non-operating expenses	105	1,270
Ordinary income	2,891	514
Special losses		
Loss on sales and /or disposal of fixed assets	33	7
Total special losses	33	7
Net income before income taxes	2,858	506
Income taxes-current	859	751
Income taxes-deferred	47	(650)
Total income taxes	906	100
Net income	1,951	405
Net income attributable to owners of the parent	1,951	405

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year From April 1, 2015 to September 30, 2015	Current fiscal year From April 1, 2016 to September 30, 2016
Net income	1,951	405
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(43)	(12)
Cumulative translation adjustments	3	(2,488)
Adjustments for retirement benefits	13	25
Total other comprehensive income	(26)	(2,475)
Comprehensive income	1,924	(2,069)
Comprehensive income attributable to:		
Owners of the parent	1,924	(2,069)
Non-controlling interests	—	—

## (3) Summary of statements of cash flows

(Unit: Millions of yen)

	Previous 6 months From April 1, 2015 to September 30, 2015	Current 6 months From April 1, 2016 to September 30, 2016
Cash flows from operating activities		
Net income before income taxes	2,858	506
Depreciation and amortization	2,105	2,882
Increase (decrease) in allowance for doubtful accounts	(5)	31
Decrease in accrued bonuses	(48)	(128)
Interest and dividend income	(55)	(31)
Interest expense	58	71
Exchange loss (gain), net	(8)	240
Loss on sales and/or disposal of fixed assets	33	7
Decrease (increase) in accounts receivable, trade	(1,664)	2,114
Decrease (increase) in inventories	(1,062)	828
Increase in work-in-progress for game software	(5,271)	(4,819)
Increase in online contents in progress	(1,643)	(543)
(Decrease) increase in accounts payable, trade	5,025	(1,722)
Increase in other current liabilities	92	637
Other	(880)	306
Sub total	(466)	382
Interest and dividends received	67	32
Interest paid	(59)	(71)
Income taxes paid	(577)	(6,115)
Net cash used in operating activities	(1,036)	(5,772)
Cash flows from investing activities		
Payment for acquisitions of tangible fixed assets	(1,298)	(978)
Proceeds from sales of tangible fixed assets	4	0
Payment for acquisitions of intangible fixed assets	(155)	(28)
Other	198	(32)
Net cash used in investing activities	(1,251)	(1,038)
Cash flows from financing activities		
Net increase in short-term borrowings	3,000	8,500
Repayments of long-term borrowings	(135)	(748)
Payment for repurchase of treasury stock	(2)	(3,301)
Dividend paid	(1,407)	(1,427)
Other	(242)	(261)
Net cash provided by financing activities	1,212	2,760
Effect of exchange rate changes on cash and cash equivalents	134	(2,118)
Net decrease in cash and cash equivalents	(940)	(6,169)
Cash and cash equivalents at beginning of year	27,998	28,429
Cash and cash equivalents at end of quarter	27,057	22,260

(4) Notes to consolidated financial statements

(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 August 25, 2016 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 1,480 thousand shares for 3,299 million yen from August 26, 2016 to September 5, 2016.

(Segment information)

I Previous 6 months (From April 1, 2015 to September 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	14,304	4,405	12,132	30,842	795	31,638	—	31,638
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	14,304	4,405	12,132	30,842	795	31,638	—	31,638
Operating income	1,533	355	2,551	4,440	253	4,694	(1,850)	2,844

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

2. Adjustments of segments (-1,850 million yen) include unallocated corporate operating expenses (-1,850 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.

II Current 6 months (From April 1, 2016 to September 30, 2016)

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	16,373	4,810	6,530	27,713	962	28,676	—	28,676
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	16,373	4,810	6,530	27,713	962	28,676	—	28,676
Operating income	1,099	478	1,651	3,229	395	3,624	(1,909)	1,715

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

2. Adjustments of segments (-1,909 million yen) include unallocated corporate operating expenses (-1,909 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.