Explanation Summary for the Briefing Regarding
2nd Quarter Financial Results of the Year ending March 31, 2014
by Kenzo Tsujimoto, Chairman and CEO
(November 1, 2013)

1. Greeting

(1) Thank you to the audience
I would like to start by thanking you for taking the time to attend Capcom's brief on our financial results.

(2) Today's meeting
Today's presentation will cover three subjects: overview of our first half performance, our medium-term goals and a progress report concerning our reorganization.

2. Overview of first half performance

(1) My first subject is our first half performance. Sales and earnings were both higher than one year earlier.

(2) Reasons for higher sales and earnings
There were two main reasons for the increase in sales. One was the increase of 5.3 billion yen in the Amusement Equipments business, which was primarily due to the success of our "Devil May Cry 4" pachislo machine. The other is the 2.5 billion yen increase in the Digital Contents business, which was mostly the result of the popularity of "Monster Hunter 4" and higher downloadable content sales.

Operating income was down 400 million yen in the Digital Contents business mainly because there were no new hit titles in the mobile content category. But in the Amusement Equipments business, operating income was up more than 1.1 billion yen because of higher sales.

3. Medium-term goals

Last May, we announced two medium-term goals. The first is "the cumulative operating income of 70 to 80 billion yen during the five-year period ending March 2018". The second is "an operating margin of 20% in the fiscal year ending March 2018".
After carefully examining these goals, we have revised "the operating income goal to 80 billion yen" and reaffirmed "the 20% of the operating margin for the fiscal year ending March 2018".

First, I will provide more information about "the cumulative operating income target of 80 billion yen".

Our plan is to achieve this target with earnings as follows in each business segment.
(1) Digital Contents: 57.0 billion yen
(2) Arcade Operations: 8.5 billion yen
(3) Amusement Equipments: 30.0 billion yen
(4) Other businesses: 5.5 billion yen

Mid-Term Goals

1) Cumulative operating income: 80 billion yen

ii) Average Operating Income Plan vs. Current FY Estimates

	1 term average of operating income	FY2013 operating income (Plan)	% (vs. FY2013)
Digital Contents	11.4 billion yen	7.8 billion yen	146%
Arcade Operations	1.7 billion yen	1.7 billion yen	100%
Amusement Equipments	6.0 billion yen	5.5 billion yen	109%
Other Businesses	1.1 billion yen	1.2 billion yen	92%

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You may have difficulty envisioning this five-year cumulative operating income goal. This table compares the average annual operating income in each business segment needed to meet this goal with our plan for earnings in the current fiscal year.

Of course, earnings in each segment will fluctuate from year to year. Our outlook is based on the following assumptions:

(1) Significant growth in the key Digital Contents business
(2) A consistent performance in the Arcade Operations business
(3) The current strong performance of the Amusement Equipments business will continue
(4) Other businesses will be generally unchanged.

Next, I will discuss in more detail our goal of “the 20% operating margin in the fiscal year ending March 2018”.

Our plan is to achieve the following operating margins in each business segment.

(1) Digital Contents: 22%
(2) Arcade Operations: 15%
(3) Amusement Equipments: 27%
(4) Other businesses: 45%

This is a comparison with our operating margin plan for the current fiscal year. Naturally, we may not be able to maintain these margins in every fiscal year. But by combining these margins with the segment operating income information, you can see that each business is going in one of two directions. One is higher earnings along with a growing scale of operations. The other is higher earnings along with improvements in profitability.

Our basic plan for each business is as follows.

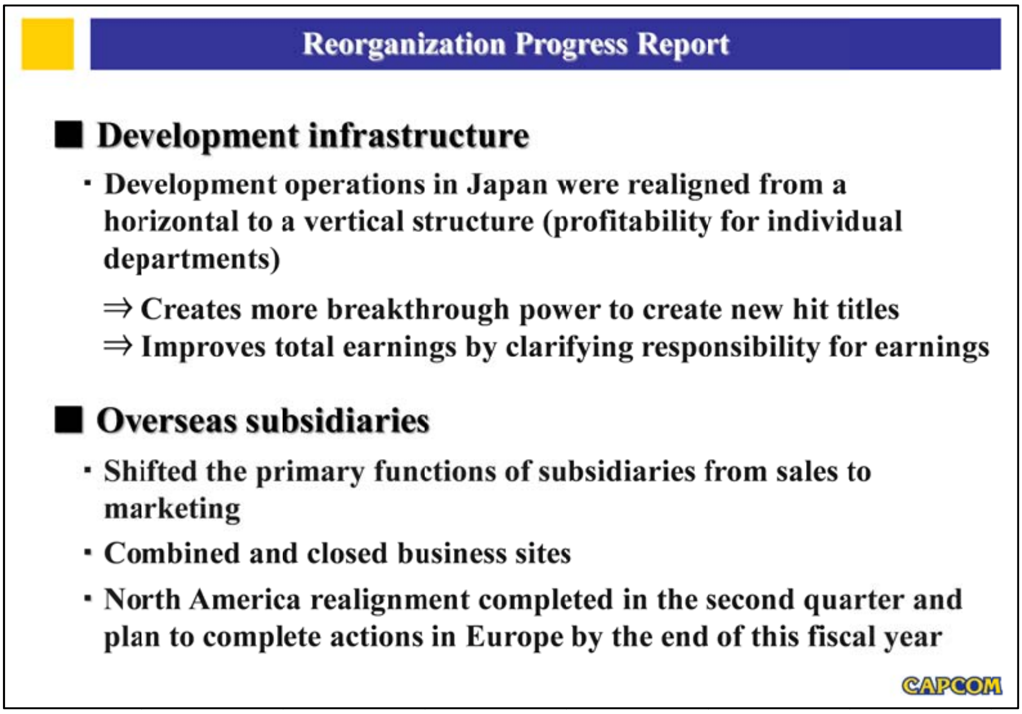
(1) Digital Contents
We are moving forward with the growth strategy that we announced in May, which involves improving the Consumer business and strengthening the Online Games business. We plan to increase earnings by raising the profit margin to the level we achieved in the fiscal year that ended March 2012 and enlarging the scale of operations.

(2) Arcade Operations
We plan to hold earnings steady by maintaining the current profit margin and scale of operations.

(3) Amusement Equipments
We plan to maintain the current profit margin by using this fiscal year’s sales of titles as the benchmark. We also plan to increase the scale of operations and earnings by launching four new pachislo/pachinko machines every year.

(4) Other businesses
We foresee no change in the size of Other businesses and plan to maintain earnings by improving profitability.

We have already explained the specific initiatives that we plan to use to achieve these goals in May. You will hear an update concerning these actions afterward from the president.



When we reduced our forecast on April 18, we announced a shift in our strategy that involved strengthening our digital strategy and shifting from outsourcing to internal production. We are reorganizing our operations in accordance with this strategy.

(1) Development infrastructure
In Japan, development operations previously used a horizontal structure. This was based on job categories and earnings were overseen for each title. Now we have a vertical structure in which profitability is managed for departments similar to an internal company system.

Our markets have changed dramatically in recent years. To succeed, we must have the flexibility to adapt to changes along with the energy to break through and overcome major challenges. We plan to use our new vertical structure to make two improvements. First is creating more hit titles by fostering more competition among different sections of Capcom. Second is increasing earnings by clarifying responsibility for earnings.

(2) Overseas subsidiaries
At overseas subsidiaries, the primary function has been shifted from sales to marketing. This is because our business model is moving from sales to operations. As a result, our marketing skills will significantly influence earnings. For example, we have to constantly analyze shifts in users' needs and reflect those changes in our games.

We are realigning functions and combining and closing business sites. This is taking place mainly at sales operations at subsidiaries in North America and Europe. In North America, actions were completed in the second quarter and the European realignment will be finished by the end of this fiscal year.

This completes my presentation. Next, the president will now provide you a further explanation of our strategies.