CAPCOM

CAPCOM

THE LATEST
DEVELOPMENT REPORT

2012

MADE TO BE PLAYED.

Seeing Market Changes as Opportunities and Focusing Overall Efforts on Becoming No.1 in the World

From home consoles and PCs to mobile phones, Capcom is moving forward with a multi-platform strategy for fun games across various platforms. We will respond to new markets supported by our organizational strengths, from development to operations.

Katsuhiko Ichii

Director and Executive Corporate Officer in charge of Consumer Games Business

After integrating marketing, appointed as Managing Corporate Officer in 2006. From April 2011, appointed as General Manager of Consumer Entertainment Business Management Group and integrator of Consumer Games Development, focusing on global development and restructuring development organization. At current post since June 2011.

Strength in Ability to Respond Flexibly to New Waves in Game Market

Right now, major changes are happening on a global scale in the game industry. Game console content quality is increasing, the online market is rapidly expanding and hardware is becoming more diversified. Above all, from the perspective of hardware diversification, the explosive spread of smartphones, tablets and other powerfully expressive multifunctional devices demands a rapid responsiveness from industry players. Given these conditions, Capcom is adapting to market changes by fusing development expertise gained from home video game and online game development and sales with research advancing basic technologies for all hardware.

Capcom's strength is not its scale; its strength is "flexibility" enabling Capcom to adapt its development and sales to changing market needs, as well as "the creative power of its content" not captured by the hardware. In other words, more than anything else, these big changes are "a big business opportunity for Capcom".

A Global Strategy in Line with Regional Characteristics

In addition to growth, another critical issue for Capcom is success in global markets. To this end, we focus on "local optimization". Just as popular music and films differ by country, so do preferences for certain games. The reason for this, rather than simply a problem of language, is actually rooted in culture. In Japan, friends like to "hunt" with each other in "Monster Hunter", but in North America,

the survival horror action game "Resident Evil" has captured many user hearts. With this understanding of regional characteristics, we will continue to strengthen title development and localization incorporating overseas developers.

At present, we are moving forward with the expansion of a localization project in conjunction with local marketing and development staff. We focus not only on big markets such as North America and Europe, but also on Asia and developing markets. We are establishing a base in Taiwan this July in an aim to expand regional distribution and focus on the Chinese market.

Four Development Organizations with Different Approaches to Changing Markets

As the future of the games business undergoes major changes, Capcom unceasingly approaches markets and promotes development via four bodies.

The first, established in 2011, is "Beeline", which develops social games for the smartphone and does not use "Capcom brands". "Smurf's Village" is very popular in North America and Europe, and has been successful at attracting new users. The second is the Tokyo Product Development, established in April 2012, which combines PC online, mobile and social games. Staff assigned to this division has a wide range of experience in online games, and our management service, the key to success or failure, enables us to flexibly respond to the B2C game business. The third is the Osaka Product Development, which in addition to high quality home video games, continues to work daily on mobile game development. The

fourth is Capcom Game Studio Vancouver, Inc., which is focused on developing titles for the American and European market. These four organizations strengthen our service capabilities and make possible various fun platforms ("Capcom brands").

Using Profits Earned for Next Developments in a Continually Challenging Environment

Each year, we hold a strategy meeting for all Capcom development staff responsible for game creation to share ideas and increase motivation.

There, we declare two objectives: the first is a commitment to quality; "we want to be number one in the world according to user feedback". The second is "to be the most profitable company in the world". We strive to profit by earning user praise for Capcom games and use profits earned for the development of the next hit title. We generate this virtuous cycle by sharing knowledge.

New things originate from today's younger generation. We intend to recruit and employ young people with "a sense for current trends". Leveraging these new strengths, we want to continue to release titles with presence each year.

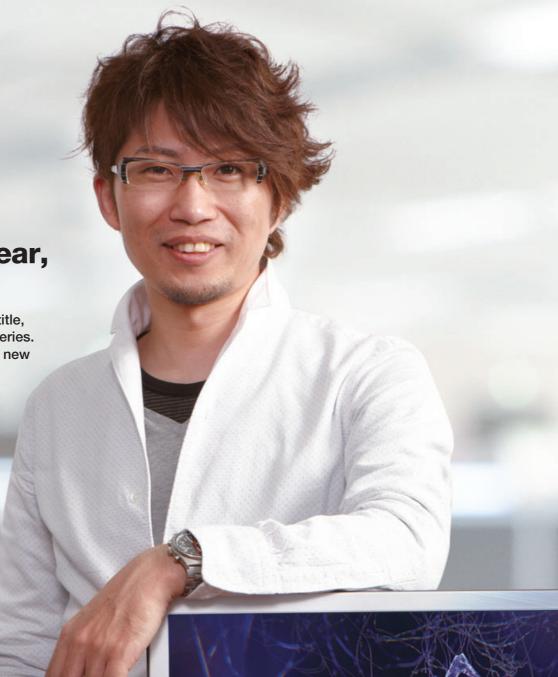# Overwhelming Quality Makes Users Feel Real Fear, Excitement and Emotion

Created in 1996, "Resident Evil" is Capcom's flagship title, boasting a total of 50 million units* sold for the entire series. 15 years later, and three and a half years since the last new title, we are set to release "Resident Evil 6".

* As of June 30, 2012.

Yoshiaki Hirabayashi

Producer, Development Strategy and Support, Consumer Games Development

Became designer of "Resident Evil" series after joining company, principally as an image supervising editor. Worked with Hollywood production team to create an even more realistic "Resident Evil" world in "Resident Evil 5". Now focused on his debut work as a producer.

Taking Over as Producer of Evolving "Resident Evil" DNA

The "Resident Evil" series continue to fascinate fans the world over. This title, which pioneered the survival horror genre, has continually evolved through a pursuit of dramatic excellence and high quality images, the game's essence. When I was a student, I was hooked on "Resident Evil 2" and was amazed at how scary it was; a few years later, I started working at Capcom. I began as development staff, working on "Resident Evil" for the Nintendo GameCube. I have been immersed in the "Resident Evil" world ever since.

Now, I am in a position to produce the latest addition to the series; I inherit the "Resident Evil" DNA constructed by my predecessors and am determined to ceaselessly continue the evolution, creating dramatic horror that will become the best of the series in all aspects.

Aiming for New User Acquisition with Unimaginable Story Development and Feeling of Terror

During the planning stages of "Resident Evil 6" the concept of a "group performance" in "Resident Evil" became an important aspect. We decided to add variety to the story by introducing several main characters facing the horror of global bioterrorism. In addition to series main characters "Leon" and "Chris" appearing together for the first time, there is also new character "Jake". Four stories focused on seven characters including the three main characters, their partners and "Ada", develop and eventually crossover in a dramatic turn of events. Of course, as the story crosses over, so does the game. To experience the real charm of "group performance", not only can it be played by one player, but now up to four players can play cooperatively.

Furthermore, we came up with a way to convey the terror synonymous with "Resident Evil" through dramatic elements, images and even the game controllers. I am confident that creating games in this way will satisfy fans around the world and win new users.

Attempting to Create the Ultimate Horror Entertainment with the Biggest Project Structure in Our History

The staff involved in the development of this title, both in-house and external, numbered over 600 people. My role was to create an environment that maximized their capabilities.

The development organization was a patchwork of small units arranged together within my area of responsibility. Responsibilities and rights were delegated to the leaders of each unit, making development easier to conduct. The merit of this organizational configuration is that it cultivates character by pitting units against one another to see who can come up with most interesting ideas. When necessary, new sections are created to realize new ideas. Research is conducted by a scalable and flexible organization responsive to any situation, utilizing outside creators and collaboration with companies overseas.

Capcom's original integrated development environment "MT Framework" was the tool used for development. We used it to speed up development while determining overall quality, cost and schedules.

At present, we are promoting the release around the world, October 4, 2012 in Japan and October 2, 2012 in the U.S. and Europe. Our sales target is to sell more than 7 million units! We will work together to continue the "Resident Evil" evolution with the ultimate in horror entertainment and exceed fan expectations.

The story of this latest addition to the series centers around fighting bioterrorism on a global scale.

Waiting for the main characters are zombies, new enemy J'avo and an unknown virus.

The release of Hollywood film "Resident Evil: Retribution", CG animation "Resident Evil: Damnation" and "Resident Evil 6" game are timed simultaneously.

Venturing into the Global Market with Launch of Revamped Popular Title "Devil May Cry"

The "Devil May Cry" series was well-received worldwide as a stylish action game. Since its debut in 2001, this popular title has sold over 11 million units* for the entire series. The release of new title "DmC Devil May Cry" will introduce many innovative new elements not present in the series until now.

* As of June 30, 2012.

Motohide Eshiro

Producer, Development Strategy and Support, Consumer Games Development

After working as a programmer on "Street Fighter II" and other projects, involved in "Onimusha 2" and "Shadow of Rome" as a director. From 2006, a producer of hits such as "Ace Attorney Investigations: Miles Edgeworth" and "Okamiden".

Breathing New Life into "Devil May Cry"

After seeing promotion videos, some overseas fans were heard to say: A new "Devil May Cry"? It' supposed to be a total rebirth, but what will happen to the game?

To demonstrate the appeal of the series globally and acquire new users, "DmC Devil May Cry" is a title "reborn" with a restructured concept. Main character Dante's appearance and background are new, so somewhat of a backlash from passionate fans has been expected since development began. In fact, this backlash is proof of the love they have developed for the series. Raising fans' expectations, if we are able to create a high-quality game that will make fans think "this new Dante is actually pretty cool", they will surely become strong advocates. To make this happen, we are promoting with overseas strategic and sales teams.

"Reborn" in World with Western Angel and Devil Motif

This new title incorporates Western tastes into "Devil May Cry". To create a product totally different from previous titles, we worked with U.K. development studio Ninja Theory on development.

We were particularly conscious of the Western angel and devil. Up to now, main character Dante has been half human and half devil, but in this latest game he is changed to half angel and half devil. We also pursued reality in the story. Tragic events occurring in modern society are actually the work of devils, but because they live as normal humans, no one notices they are devils. The game takes place in a world controlled by devils with Dante battling against them.

Of course, the stylishness and exhilarating feeling of non-stop action synonymous with "Devil May Cry" will not change. A fusion of Ninja Theory's specialty, masterful image rendering, and Capcom's action game expertise, I am proud to have made the "reborn" "Devil May Cry" even more appealing.

Global Development/Sales Initiatives via Japan/U.S./U.K. Three-pronged Structure

We faced some challenges making this new title. We employed a Japan-U.S. double producer system, with Capcom Japan and Capcom U.S.A. working together to oversee management. Close communication between Japan, the U.S. and U.K. via video conferencing and face-to-face meetings enabled various items to be resolved.

As cultures and customs differ, we sometimes had differences of opinion over means of expression or development procedures. However, by respecting each other's culture, we learned about each other and got a lot out of it. This experience will, in the future, enable Capcom to create more hits in less time, and we think the time working with excellent development studios in Japan and overseas is very useful.

We are nearing the final stages of development ahead of the January 2013 release. We will continue with localized promotion in Japan, the U.S. and the U.K.; look forward to "DmC Devil May Cry", which we hope will surpass its predecessors in this series.

The newly "reborn" Dante is half angel, half devil.
His angel powers and devil powers can be used separately.

Limbo, the space positioned between the real world and Hell's minions where Dante fights with the Devil.

The latest news about "DmC Devil May Cry" is on Capcom Unity, which provides news and updates in a blog format.

Digital Contents business (Social Games)

Family Communication via "Smurfs' Village"

In 2011, the number of smartphone units shipped surpassed those of PCs, heralding the advent of the mobile golden age. From children to seniors, everyone began enjoying games on their smartphones and tablets.

With widespread appeal among new users, "Smurfs' Village" achieved the top spot on the App Store in 80 countries. "Smurfs' Village" is a fun social game featuring Belgium's popular "Smurf" characters where players create custom villages. The "heartwarming" game enables players to cultivate, harvest and send gifts to others. The title is easy and intuitive to play and given the multigenerational nature of our audience more than a few grandchildren must have played together with their grandparents.

The "basic unit of society" is the "family"; as a company specializing in social games, we love the idea of creating games that can bring families together.

The Challenge of Bringing International Markets Friendly Games

It's relatively easy to publish a smartphone game globally. Once the game is developed you can publish it worldwide with a click of a button. However, localizing for national or regional languages and cultural norms is also critical for creating a hit game. To this end, production teams in Canada, Japan and London localize for specific markets in accordance with strategy formulated at the Los Angeles headquarters.

However, focusing publishing efforts on developed markets, such as the United States and Europe, is not enough. Since mobile games are distributed around the world on digital storefronts, physical barriers like shipping are easily overcome allowing us to penetrate countries that have historically proven challenging. From Brazil, Russia and South Korea, to the Middle East and Africa, giant markets are popping up worldwide. With many logistical issues now removed because of the digital nature of our product, Beeline can focus on creating family friendly games with worldwide appeal.

"Smurfs' Village"
The colorful, comical world of the Smurf's has captured the imagination of many players.

"Shrek's Fairytale Kingdom"
The title character "Shrek" goes on multiple quests and adventures to rescue Fiona throughout the game. The game captures key events in a colorful storybook format for players to reference.

Shrek is a CG animation movie that won an Oscar in 2001 for Best Animated Feature Film.

Midori Yuasa

CEO
Beeline Interactive, Inc.

While president of Capcom Interactive, Inc. the predecessor of Beeline Interactive, Inc., laid the foundation for the company's success in the Mobile Contents business within North America and Europe. As CEO, continues to helm company's efforts within the rapidity growing category of smartphone gaming.

Making Beeline the World's Best Company with Games No Other Company Can Match

Downloads for Beeline games, including "Smurfs' Village" and "Snoopy's Street Fair", total more than 65 million*. We believe the popularity of our titles stems in part from our attention to game detail, innovative graphics and a very palpable "cuteness" that appeals to our players. As a matter of course, we only green-light games for development if it's something we as a team want to play. We also analyze trends, track user behavior and incorporate the results into our game development. By leveraging our own instincts along with hard data we've crafted an approach to casual game creation that's difficult for other companies to duplicate.

This approach was brought to bear on the June 2012 release of "Shrek's Fairytale Kingdom".

Based on the popular film "Shrek", players go on quests with Shrek, Donkey and Fiona while building and exploring memorable scenes from the film. Naturally, this is a game the whole family can enjoy.

On the company's first anniversary we adopted the "Beeline Creed" which will serve to guide and define the organization as it moves forward.

* As of June 30, 2012.

"Beeline Creed" Formulated in April 2012 on the First Anniversary of the Company's Establishment	
Bee Outstanding	Always keep ahead of the pack
Bee Innovative	Always strive for ingenuity
Bee Humble	Always be modest and open to learning
Bee Friendly	Create friendly games and be kind to coworkers, colleagues and customers

Building Games for Smartphones and Tablets the Whole Family Can Enjoy

Beeline is a strategic brand created to attract new players by publishing unique mobile content not based on existing Capcom IP.

Online/Social Games are the Ultimate Service Industry. We Aim to Make Even Greater Strides by Increasing the Quality of Management

Growing robustly for the last two to three years, social games are played on social networking services (SNS) with other users who communicate during game play. Capcom formally entered the social game business in 2011.

Kazunori Sugiura

General Manager, Tokyo Product Development, Consumer Games Development

Joined Capcom in 2006 after working at an online game management company. Served as managing producer of "Monster Hunter Frontier Online", leading it to become the biggest title in Japanese online gaming. At present, responsible for all online and social games as head of the Tokyo Product Development.

Entering the Social Game Market with a Newly Restructured Development/Management Organization

With the call to not only strengthen online games, but also fully enter the social game market from Ichii, head of the Consumer Games business and Ono, deputy head of the Consumer Games Development, the social games development department was created in the Tokyo Product Development and Capcom took its first step into the expanding social game market.

Similar to online games like "Monster Hunter Frontier Online", the social games business is a direct link to users and management skills after distribution are the key to success or failure. We watch the reaction of users when releasing updates and holding events—it is important to continue entertaining users for as long as possible.

After the establishment of the social game development department, the first title was "Resident Evil: Outbreak Survive" distributed on GREE in June 2011. This expansion and upgrade to our ongoing services earned more than two million members, while "Monhan Tankenki Maboroshi no Shima" has attracted over one million members and "Minna to Monhan Card Master" distributed on Mobage has 1.5 million members. Despite being somewhat of a latecomer, these results are a testament to the popularity and potential of the "Capcom brand".

Enhancing Detailed Services Tailored to User Personalities

Many users say they started playing social games because they were free and looked easy to enjoy. "Not being familiar with games", they quickly give up if a game is not right for them. We are gaining expertise in "service that entertains customers in online games", but social games are about constantly winning the hearts of users, which is difficult. We analyze data logs indicating how users play games to continually improve game elements and strengthen management to make users feel they want to play more.

At the same time, we must also improve the quality of our games. Evolution, such as the advances in high-performance and high-resolution home video game consoles, will likely occur in the social game market as well. From 2D to 3D graphics, the day is coming when users will demand content on par with home video games. History repeats itself, as the saying goes, so we are moving forward with the creation of games focused on the next five years.

Battling in the World Market with Brand Power and Service Power as Our Weapons

The Tokyo Product Development aims to go beyond games to pursue customer satisfaction in various ways. We must respond flexibly, always being cognizant of how to make users feel happy and empathetic. To this end, we have interacted with users by holding events in all 47 prefectures and cities for the past three years. Also, game developers post their intentions on YouTube. We listen and respond to user complaints and criticisms in an effort to strengthen communication.

In the fiscal year ending March 31, 2013, we will distribute "Onimusha Soul" for the PC and smartphone in Japan and "Dead Rising: The Survival" in Europe and North America among other titles. We announced massively updated "Monster Hunter Frontier G". We also have several developments planned for developing countries and Asia.

We hope you look forward to the future as Capcom launches into the hottest growth market in the world.

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"Minna to Monhan Card Master" for Mobage

"Monhan" became a social phenomenon. A game that can be enjoyed even by people who never played "Monster Hunter" before.

"Onimusha Soul" for the PC/Smartphone
All 47 prefectures and cities in Japan compete against one another in this innovative warring states browser game, which features over 400 military commanders.

Online Game "Monster Hunter Frontier G" for the PC/Xbox 360
Online version of "Monster Hunter" game. The biggest title in online games continues to evolve with this massive update.

Popular Pachislo Machine "Monster Hunter" Makes Full Use of Game's Allure

In March 2012, POP displays declaring "Hunting Season Open!" featuring the Pachislo machine "Monster Hunter" were installed in major Pachinko and Pachislo parlors across Japan. The parlors were bustling for several days in a row, and in market where 50,000 machines make a hit, that same month we sold 56,000 machines. As of the end of May, sales of the popular machine were approaching 90,000.

Continuing on after major hit "Onimusha: Dawn of Dreams", we tapped RODEO Co., Ltd., for outsourcing video production for Pachislo machine "Monster Hunter". The reason for its popularity was our success at combining the worldview and appeal of home video game social phenomenon "Monster Hunter" into Pachislo. We recreated the game element of stripping the hunted monster of its materials in the "Strip Down Challenge". The reward for stripping down is increased opportunities to acquire payout; "ART" becomes the mechanism for number of games. Of course, the reward changes depending on the monsters subjugated. We also used expressive video and rendering successfully to maintain user expectations, wondering "What kind of monster will I meet next?" All these fun elements make a hit.

Heightening Presence as Pachislo Maker While Also Providing Pachinko Content

Pachislo machines developed in-house are also bearing fruit. "Sengoku BASARA 2", released in February 2011, exceeded its targets to become a huge hit. November that same year, we released "Street Fighter IV" that, affected by the release of a major title by another company, has been following a slightly weaker trajectory. However, by releasing machines into the Pachislo market multiple times each year, we have been able to establish the name of Enterrise CO., LTD. I feel that we are finally on solid ground and able to compete in the Pachislo market.

We aim to increase profitability in the Pachinko area by outsourcing development. In July 2012, we launched sales of a Pachinko machine "CR Sengoku BASARA 3—Sekigahara Battle—", created by Bisty Co., Ltd., through the FIELDS CORPORATION. This game provides video to stir the hearts of users enlivened by beautiful graphics and rendering of a warlord unleashing hearty action.

Expanding Business Opportunities by Clarifying Objectives and Strengthening Structure

User demands on level of video quality and excitement of performance rise each year. To meet these expectations and develop high quality Pachislo machines, we changed our development structure to a producer-led organization, clarifying production responsibilities for each project. The design of the frames on the upcoming Pachislo machines scheduled for release next year is also new. We hope users will be looking forward to a Pachislo machine that exudes the appeal of Capcom titles from every angle.

Our development strategy involves planning development with the objective of releasing a new machine developed in-house each quarter. To achieve this, we need to operate at least six development lines. With outsourcing, we think we can ensure 10 lines.

With a solid organization, we will not only develop machines using popular Capcom titles, but we also want to develop P&S business original character Pachislo machines. Going forward, we will continue accept challenges as only the P&S business can, expanding business opportunities.

Pachislo Machine "Monster Hunter"

Enjoying the "Monster Hunter" world via slots created a buzz before release. More games can be played by subjugating monsters. Main characters "Felyne" (AIRU) and Pugi also make an appearance.

Pachinko Machine "CR Sengoku BASARA 3 —Sekigahara Battle—"

Recreates world of home video game console game "Sengoku BASARA 3". Stylish video and sense of speed accentuates game experience.

"Sengoku BASARA", popular with a wide range of fans and "Monster Hunter", a big hit due to its fun cooperative play. Prospective new users can enjoy these popular titles on Pachinko and Pachislo.

Combining Attraction of Capcom Titles with Playfulness of Pachislo to Create Consecutive Hits
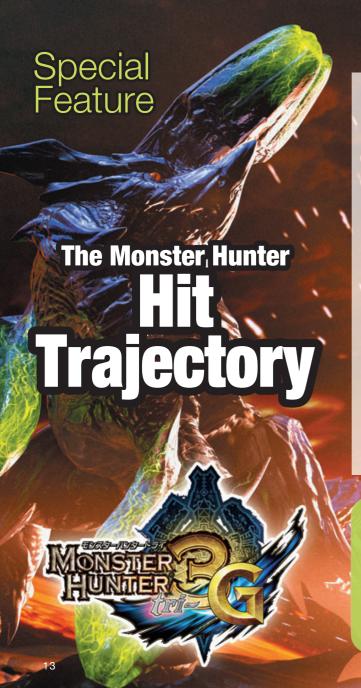
Established the P&S business in 1996, gained expertise through Capcom titles making use of outsourced development. In 2008, formally entered the Pachislo market with Pachislo machine manufacturing subsidiary Enterrise CO., LTD., a move that continues to bear fruit.

Yoichi Egawa

**Managing Corporate Officer,
Head of P&S Business Division**

After joining Capcom, was engaged in the development of templates for arcade games. Created and established the Pachinko & Pachislo business in 1996 and the Mobile Contents business in 1999. Became Head of P&S business Division from 2006 in an attempt to expand business through the promotion of M&A and organizational restructuring.

The Monster Hunter
Hit Trajectory

Boasting 21 million units* for the entire series and creating a social phenomenon referred to as the "Monster Hunter Craze", we trace the development of Capcom's flagship "Monster Hunter" from inception to hit status.

* As of June 30, 2012.

"Monster Hunter" Created as Title in Response to Online Play Focused on the Next Generation

"Mega Man", "Street Fighter", "Resident Evil" and "Devil May Cry" are all franchise titles representing Capcom. Possessing a multitude of powerful contents, Capcom establishes new franchises from the creation of new brands as its basic strategy, and will regularly release newly completed titles into the market.

The first title of new brand "Monster Hunter" was released in March 2004. At that time, the network environment was just beginning to be upgraded, and Capcom was on the lookout for entertainment using this telecommunications environment, with several home video game titles supporting online play under development. Among these, based on the concept of an action game anyone can enjoy and play collaboratively with multiple players while communicating with other users through the network, the title most focused on the next generation was the "Monster Hunter" project.

This year marks the eighth year for the "Monster Hunter" series, which has sold 21 million units*.

* As of June 30, 2012.

Capcom's First Challenge: An Action Game that Anyone Can Enjoy and Play Collaboratively with Multiple Players

Katsuhiro Eguchi, Planner, Game Design, Osaka Product Development

Up to then, Capcom has primarily created fighting games, so the creation of a collaborative game was a new experience. However, I also remember it being somewhat daunting to create an original title from scratch.

Compared to offline games, network games have quite a few restrictions, so the selection of elements is critical. We decided that only large monsters would be synchronized in "Monster Hunter", prioritizing accurate player manipulation of characters in an aim to create an action game that anyone can play comfortably.

Online games played with total strangers are likely to create pressure to hinder or help their progress, which causes hesitation among some people. "Monster Hunter" alleviates this pressure by aiming for mass appeal from the very first title, a game that anyone can enjoy.

One example of this is a system whereby rewards are earned by subduing monsters. "Monster Hunter" is an action game in which monsters are hunted and stripped of their items, and items and money rewards are acquired after a level is cleared, but just being active in the game does not necessarily mean rewards can be acquired. Suppose that specs were set to change rewards into damage proportional to monster. This would result in players fighting each other and transforming the game into a bloodthirsty battle. To avoid this, conditions under which rewards are

acquired are equal for players lethally damaged by monsters as well as players with no damage at all. If one is confident with their chances against a monster, they can battle away to their heart's content. If not, they can relax in the safety zone. With a wide variety of permissible actions, this is one online game that anyone can participate in comfortably.

"Monster Hunter" was created with these kinds of particulars, but it was not an explosive hit right from start. In addition to complicated manipulation using all the buttons on the controller, the networking potential of home video game consoles was still undeveloped. Compared to today, the equipment and network settings were extremely labor intensive, so the game did not immediately take off among players used to offline games and only garnered the support of a few core users. However, less than a year after the release of "Monster Hunter" the second title in the series "Monster Hunter G" went on sale. The heat generated in the market never cooled and continued as word of mouth among fans steadily increased its popularity.

"Monster Hunter" the new generation born in 2004. It wasn't an explosive hit, but it did capture the imagination of some users.

"Monster Hunter G", the second title in the series, introduced new weapons and monsters.

Features of Hunting Action Game "Monster Hunter"

Kaname Fujioka, Director, Creative Direction and Execution, Osaka Product Development

Regarding monsters, not only do players charge ahead recklessly, they also anticipate attacks while waiting during breaks after monster attacks. "Monster Hunter" was created with this kind of tactical action in mind. Tactical assessment of the monster's actions is one way we made use of our experience creating fighting games. In the beginning, we created a system to inculcate the importance of tactics, including a "teaching" monster so users could understand how to get around in the game. We were careful to ensure players would naturally become familiar with the game.
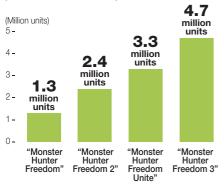
(Left) First million-selling title in the series "Monster Hunter Freedom 2". Users carry the game around and play anywhere, around the time the so-called "Monster Hunter Craze" started.
(Right) "Monster Hunter Freedom 3" the biggest hit of the series. Sold an unprecedented 4.7 million units.

"Monster Hunter Freedom" Series Sales (As of June 30, 2012)

(Million units)

1.3 million units	**2.4** million units	**3.3** million units	**4.7** million units
"Monster Hunter Freedom"	"Monster Hunter Freedom 2"	"Monster Hunter Freedom Unite"	"Monster Hunter Freedom 3"

Delivering an Explosive Hit and Portable Device Launch Opportunity

As the number of "Monster Hunter" players gradually began to expand, market monitoring revealed that, since players wanted to play with many different people, a lot of users were telling others about "Monster Hunter".

Given this information, we started a project with the idea of making introduction of the game to others as easy as possible, and so created "Monster Hunter Freedom" for handheld devices. Portable devices facilitate a simple product presentation: users can introduce the game to others anyplace, any time, and the friend can try the game out immediately.

We also make an effort to distribute ongoing downloadable content. Regardless of the effort we put into the production of a game, once the fad is over, no one will introduce the game. We regularly distribute new event quests and other downloadable content so that users can continue to enjoy games anew even after their launch.

Furthermore, quasi-online play became possible without the need for laborious and complicated settings, increasing popularity. Ad hoc connections enabled local network play, creating a new playing style where users gather to play and communicate casually with one another, expanding the game's popularity even further.

The second title for portable devices "Monster Hunter Freedom 2" was the first title in the series to sell over one million units. By adding new monsters, an assist function for solo play and a variety of other elements, the fan segment continued to expand with each new title in the series. "Monster Hunter Freedom Unite" sold 3.3 million units* while "Monster Hunter Freedom 3" sold an unprecedented 4.7 million units.*

* As of June 30, 2012.

The New Charm of "Monster Hunter" for Portable Devices

Yasunori Ichinose, Director, Creative Direction and Execution, Osaka Product Development

Producing content for portable devices, we focus on maximizing convenience while walking around. To enable play for short periods of time while moving from one place to another, we added new "farm-like" elements such as mini games where users catch insects and fish. We also lengthened running time so that finding items in quests is more comfortable, making adjustments differently compared to home video consoles. Also, rather than multiple button issues, we had to come up with a whole new way of controlling the game. Creating something new while preserving past elements was extremely hard work, but after much trial and error, we were able to establish a definitive control method, one that continues to be used today.

Dual Development Promotion Strategy to Heighten Anticipation and Improve Popularity

Finally, "Monster Hunter" became Capcom's hallmark title, but it's not only because the game is fun that it became such a hit. Regardless of how fun developers make a game, if that fun is not communicated to users, no one will buy the game. Promotions such as events to attract new users and collaborations with other industries also played a major role.

As multiplayer experience is the game's selling point, we held "Monster Hunter Festival", an event providing users with an environment to facilitate this feature. The event featured a "Real Gathering Hall", where users who had never met before enjoyed multiplayer gaming. Both users who want to play with many people, as well as solo players who never tried multiplayer games before enjoyed the event, and this has become a popular sell-out booth at these events.

Another effect of holding these events is that they raise awareness among non-game users. Die-hard users will be playing games all the way to and from the event venue. Other people see them and wonder what it is they are playing, which can influence their interest in games.

Capcom proactively engages in collaborations with other industries, including "Monster Hunter" T-shirts with UNIQLO CO., LTD., the development of a GariGariKun popsicle package illustration for AKAGI NYUGYO Co., Ltd., and events at Universal Studios Japan, in an attempt to raise visibility among light users. Around the launch of "Monster Hunter Freedom 3", with the understanding and support of the local merchants association, we created a buzz when we used the hot spring resort town of Shibu in Nagano Prefecture as the setting for a promotional event that transformed the area into "Yukumo Village", where the game takes place, complete with structures and street facades from the game.

Introducing games to new users are none other than existing users. Collaborations and events following our dual development of creating a sense of anticipation that makes users want to introduce it to friends, as well as raising awareness so those being introduced have already heard of "Monster Hunter", is behind our success at expanding the user segment.

Throngs of users gather at every Real Gathering Hall to enjoy multiplayer fun with new friends.

Shibu hot springs in Nagano Prefecture transformed into "Yukumo Village". A specially decorated train transported visitors, with more than 10,000 people in attendance despite being off-season.

Attempting the Unprecedented: Behind the Scenes at the Shibu Hot Springs Collaboration

Naoto Minamide, License Team, Merchandising Section

At first there were many people at Shibu hot springs who were unfamiliar with the game's content, and there were concerns about damage to traditions or customs as a result of the collaboration. We overcame these barriers not by exposing them to the game, but rather by an experience of various events that led a deeper understanding of the game. The project itself, turning a hot springs resort into a fantasy village, was presented as a win-win proposition, creating a bond of trust with the locals. The result of this approach was we were able to hold an event that even first-timers enjoyed with "Monster Hunter" as the common language, an extremely significant achievement, I think.

When games sales reach three million, an announcement such as the one pictured is distributed in an attempt to gain even more recognition in the market.

"MONFAN" newsletter distributed at participating retailers. Provides information beyond games including events, etc.

For game elements that can't be communicated by playing, attendant staff provides thorough explanation.

Game Image Spread Successfully Using Sales Measures Unbiased by Existing Methods

Linking attention-grabbing games with the maximization of sales, the sales department provides "Monster Hunter" information to the world throughout the year to create an environment where sharing games with friends is as easy as possible.

In addition to events, such as the aforementioned "Monster Hunter Festival" and test play events, we announce game sales milestone achievements and emphasize how popular our games are around the world in an attempt to perpetuate popularity. We also work with retailers to secure long-term shelf space and set up the "Monster Hunter Support Shop", and we distribute "MONFAN" newsletter in an effort to provide continuous information.

With "Monster Hunter", we were creative with the timing of releases. Lower-priced versions are usually released around the time sales begin to flatten, but with "Monster Hunter" it was sooner, being released about six months after sales launch, providing incentive for users who otherwise would have had to buy a whole new game device or were hesitant about purchasing because of the price. Considering this is a game where users invite each other to play, rather than waiting until after sales peak, more games will be purchased if we sell while the game is still hot around the world, or else the effort is meaningless. This policy resulted in "Monster Hunter Freedom Unite PSP the Best" becoming an unprecedented million-selling lower-priced title.

The release date is also important for creating a buzz. Most "Monster Hunter" users are middle and high school students. We interject promotions and release date decisions with measures reflecting target user lifestyle, which students tell each other about at school.

The result of these initiatives was, in the past, when we started taking sales reservations at some retailers, reservations for four games at a time suddenly increased. This was proof that the market recognized that "Monster Hunter" is a game played together by four people.

Deepening Understanding of New Games with Knowledgeable Staff at Test Play Events

Yoshinori Ishida, Deputy Head of Consumer Games Business Division

We made an effort to see how much understanding we could facilitate with the first "Monster Hunter". With completely new titles, it is hard to understand the game just by playing it a little. Dispatching knowledgeable staff to explain game content at events so users can enjoy test playing new games, we were able to respond to user uncertainties and opinions. We continue to consistently employ this method in an effort to provide a precise follow-up to anyone experiencing "Monster Hunter" for the first time.

In December 2011, "Monster Hunter 3 (Tri) G" for the Nintendo 3DS was released. It was a title that brought many rewards, including favorable sales of 1.6 million units despite the challenge of a completely new device as well as knowledge for future title developments. In the spring of 2013 we will release new title "Monster Hunter 4", which is jam-packed with all kinds of new elements.

Developing this new "Monster Hunter" title, we upgraded and created various elements not present in the series up to now, including a time attack element where players see how quickly they can take down monsters, as well as "Felyne Comrades" who help players take on monsters. Rooted in the idea of a game that anyone can enjoy, all these elements were devised for a wide user segment, from core to light users. The basic concept established in the beginning continues unabated.

For the eight years since the series debut in 2004, "Monster Hunter" staff always wants to do what has never been done before. This is all so that users will enjoy our games. We have gotten this far because of the existence of understanding users. Going forward, we will continue to evolve the "Monster Hunter" with users as Capcom's representative title.

Note: As of June 30, 2012.

The first title for the Nintendo 3DS "Monster Hunter 3 (Tri) G" sold 1.6 million units.

"Monster Hunter 4" for the Nintendo 3DS is scheduled to be released in the spring of 2013.

Day for Release of "Monster Hunter 3 (Tri) G". Despite being early morning, huge lines form before opening.

The Aim of New Title "Monster Hunter 4"

Ryozo Tsujimoto, Producer, Production Planning and Administration, Development Strategy and Support

"Monster Hunter 4" is being developed to include all the fun we have come to expect from the series yet with a feeling of newness. We aim to create a long-lived series that kids playing the game today will want to enjoy with their own kids someday. I would be happy if this evolution makes people think "Monster Hunter 4" is why the series kept going.

Corporate Profile

(As of March 31, 2012)

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	Planning, development, manufacture and sale of home video games, online games, mobile games and arcade games as well as management of amusement arcades.
Paid-in Capital	¥ 33,239 million
End of Term	March 31
Number of Employees	2,265 (Including consolidated subsidiaries) 1,698 (Capcom CO., LTD.)
Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100
R&D Building	3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698
Tokyo Branch	Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

Please see the Annual Report 2012.

CAPCOM CO., LTD.

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http://www.capcom.co.jp/

History

Mar. 1991	Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.
Jun. 1992	Released "Street Fighter II" for Super NES, and it was a mega-hit.
Jul. 1993	Opened "CapcoCircus Nigata East", the largest arcade in Nigata.
Dec. 1994	Premiere of the Hollywood movie "Street Fighter".
Mar. 1996	Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.
Aug. 2001	Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.
Oct.	Released "Phoenix Wright: Ace Attorney" for Game Boy Advance, and it drew public attention as a courtroom battle title.
Mar. 2002	Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.
Sep. 2004	Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.
Jul. 2005	Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.
Aug. 2006	Released "Dead Rising" for Xbox 360. More than 1 million units were sold, an extraordinary feat for a new title for a new game console.
Dec.	Released software "Lost Planet" for Xbox 360. Over 1 million units were sold following the trails of "Dead Rising", another exceptional accomplishment for a new title.
Mar. 2007	"Monster Hunter Freedom 2" becomes the first Japanese PSP software to exceed 1 million units shipped.
Nov.	The Hollywood movie "Resident Evil: Extinction" was released. Its box-office revenue exceeded 147 million dollars.
Feb. 2009	Takarazuka Revue Company launches theatrical performance of "Phoenix Wright: Ace Attorney - The Truth Comes Back to Life".
Apr.	Began broadcasting the TV animation program "Sengoku BASARA".
Jul.	Initial shipments of "Monster Hunter Tri", a third-party title for the Wii, surpass one million units.
Oct.	"Sengoku BASARA" character Date Masamune used for PR activities in support of the Miyagi Prefecture gubernatorial elections.
Nov. 2010	Distribution of social game "Smurfs' Village" for iPhone began. It became the top download in 80 countries aroud the world.
Dec. 2011	Released "Monster Humter 3 (Tri) G" for Nintendo 3DS, which became the Capcom's first title that was sold one million units in Japan for Nintendo 3DS.