

Explanation Summary of Financial Results
Briefing for the 2nd Quarter of the Year ending March 31, 2012.
by Haruhiro Tsujimoto,
President and Chief Operating Officer
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I would like to discuss the current state of each of Capcom's business segments for the first half of the year ending March 31, 2012, and introduce our plan for the second half.

P5-6 Growth Strategy Progress Report

I will begin with a progress report for our growth strategy, which is the key element of our performance in this fiscal year.

For some time, Capcom has been focusing on opportunities created by growth of the mobile content market. We have concentrated on strengthening our lineup of smartphone games and social games in order to deepen relationships with mobile content users and increase earnings. To reinforce our overseas social game operations, we started distributing content that uses the newly created Beeline brand. Beeline titles have been performing very well; total downloads were more than 30 million as of October 26.

We have decided to start distributing "Snoopy's Street Fair", a Beeline brand title that we hope will surpass "Smurfs' Village", in the middle of November in regions other than Japan. With "Snoopy's Street Fair", we used lessons learned from "Smurfs' Village" to create what we believe will be an extremely successful new game.

With many types of smartphones available, we are enlarging our software lineup to include the iOS and Android platforms in line with our multi-platform strategy. On September 28, we started distributing an Android version of "Smurfs' Village".

For the social game business in Japan that uses that Capcom brand, we will start strengthening our operating framework in the second half of this fiscal year.

P8-12 Consumer Online Games business

My next subject is an overview of our business segments.

I will begin with the first half performance of the Consumer Online Games business.

Capcom introduced several major titles in the previous fiscal year, but there were no major new titles during the first half of this fiscal year. But titles associated with current game series and other activities supported earnings in this segment.

"Monster Hunter Freedom 3 HD Ver." sold 450,000 units, "Super Street Fighter IV Arcade Edition" sold 400,000 units and "Resident Evil: The Mercenaries 3D" sold 400,000 units. These figures are shipment volumes, so digital downloads are on top of those figures.

Titles sold in Japan performed well, but there were no highly profitable major titles. As a result, first half sales and earnings in this segment were down from one year earlier.

Sales were 18,113 million yen, operating income was 2,251 million yen and the operating margin was 12.4%. We introduced 34 titles, a small increase over one year earlier because releases included lower priced editions and titles for the Nintendo 3DS.

By region, sales in Japan were 3 million units, about the same as the previous year. But there was a big drop in first half sales volume in North America and Europe following strong sales one year earlier due to the release of million-selling hits like “Dead Rising 2”, “Lost Planet 2” and “Super Street Fighter IV”. Total sales volume was 5 million units, down 4 million units from the previous year.

Sales of games from other companies increased 400,000 units. The popularity of “Dark Souls” by FromSoftware and “L.A. Noire” by Rockstar Games was mainly supportive for this growth. Sales of older titles and lower-priced editions decreased 500,000 units from the previous year. Strong sales one year earlier of “Monster Hunter Freedom Unite” was the primary reason.

Our second half strategy for the Consumer Online Games business is to concentrate on selling the major titles that we plan to introduce. Another strategic focus is strengthening our development and sales organization to support growth in next fiscal year and afterward.

One major release in the second half is the December 10 launch in Japan of “Monster Hunter 3 (Tri) G”, the latest title of the Monster Hunter series, for the Nintendo 3DS. We also plan to introduce several major titles for the PS3 and Xbox 360, including “Resident Evil: Operation Raccoon City”, “Street Fighter X Tekken” and “Dragon’s Dogma”.

As part of the reorganization of global operations, Capcom USA., Inc. consolidated Capcom Entertainment, Inc. There are two benefits. First is streamlining operations by combining overlapping activities. Second is strengthening business operations in North America and Latin America by speeding up the decision-making process.

My next subject is our sales plans for major titles in the second half.

We have decided to launch “Resident Evil: Operation Raccoon City” in the U.S. and Europe early in 2012. We will announce the timing of the Japan launch later. Our plan is to sell 2 million units worldwide.

We plan to start selling “Street Fighter X TEKKEN” early in March 2012 with a goal of 2 million units. This is a title that we developed jointly with NAMCO BANDAI Games. We also plan to launch “Dragon’s Dogma” early in 2012 with a goal of 1.5 million units and “Monster Hunter 3 (Tri) G” on December 10 with a goal of 1.2 million units in Japan.

For the fiscal year, by concentrating on sales of major titles in the second half, we plan on sales of 58 billion yen, operating income of 11 billion yen and an operating margin of 19.0% in the Consumer Online Games business. Our initial plan was for operating income of 12.5 billion yen. However, we have reduced only the operating income plan mostly because of expenses to strengthen marketing activities in the U.S. and Europe in response to market conditions.

We plan on launching 55 titles, about the same as in the previous fiscal year. By region, we plan on selling 7 million units in Japan, which factors in the downturn following last year’s strong sales of “Monster Hunter Freedom 3”, 6.7 million units in North America, about the same as one year earlier, and 3.7 million units in Europe. The sales plan for Europe is down slightly from the previous fiscal year mainly because of the launch of many major titles this fiscal year in North America and market conditions in Europe. Overall, we plan on selling 18 million units, which includes 550,000 units for titles of other companies and 3 million units for lower-priced editions as well as older titles.

P13-14 Mobile Contents business

Now I will move on to the first half performance of the Mobile Contents business.

The distribution of games for smartphones and social games is the primary activity in this business. “Smurfs’ Village” and other games performed well.

“Smurfs’ Village” made a big contribution to earnings due to the success of our constant updates to this Beeline-brand game. In September, we started distributing two more titles: “Smurfs’ Grabber” and “Monster Pet Shop”.

Downloads of social games in Japan are increasing, too. We started distributing “Resident Evil: Outbreak Survive” in June on the GREE social networking service. By the end of September, a period of only about three months, the number of registered members had already topped one million.

As a result, Mobile Contents first half sales and earnings were much higher than one year earlier. Sales totaled 2,581 million yen, operating income was 903 million yen and the operating margin was 35.0%.

In the second half, our goal is to expand globally by launching major new titles overseas and strengthening our social games business in Japan.

One step to accomplish this goal is to increase our social game development staff worldwide. In addition, we will start distributing the Beeline-brand title “Snoopy’s Street Fair” in the middle of November. And, as I noted earlier, we will start distributing Android-platform smartphone games before our competitors in line with our multi-platform strategy. I believe that the accumulation of a strategic database will give Capcom an enormous advantage over our competitors.

Beeline has until now been a group company under the supervision of Capcom U.S.A., Inc. From now on, Beeline will be overseen directly by the head office in Japan in order to make our social games business more powerful. We have thus changed to an organizational structure that better enables us to use our entire group’s resources to back up Beeline’s growth.

For the Capcom brand, we have established a new social game development unit in Japan so that we can expand our lineup of titles.

For the fiscal year, we expect sales of 6 billion yen, operating income of 1.9 billion yen and an operating margin of 31.7% in the Mobile Contents business. This forecast is much higher than the initial plan that called for sales of 4.7 billion yen and operating income of 800 million yen.

P15-16 Arcade Operations business

My next subject is the first half performance of the Arcade Operations business.

Amusement arcade performance recovered because of the desire of Japanese consumers for entertainment that is inexpensive, nearby and quick. The result was year-on-year growth in earnings.

First half existing-arcade sales were 2% higher than one year earlier. Sales were up 8% in the first quarter but down 2% in the second quarter. This downturn in quarterly growth rates is not a sign of weakness because existing-arcade sales started to recover in the second quarter of the past fiscal year. As a result, sales are continuing to recover even though existing-arcade sales were down year-on-year in the second quarter.

First half sales were 6,054 million yen, operating income was 1,223 million yen and operating income was 20.2%.

No new arcades were opened during the first half, so there are still 37 arcades in this business.

In the second half, our goal is to achieve our fiscal year plan by maintaining the strong performance of the first half. We will continue to control costs rigorously. We plan to introduce two medal-winning games by the end of this year that are based on our “Monster Hunter” games. In addition, we will use events that are exclusive to Capcom to attract customers. One example is game events linked to the launch of “Monster Hunter 3 (Tri) G”.

We plan to open one arcade in the second half, which will raise the total to 38. We also plan on a 2% increase in existing-arcade sales in the second half. Based on this outlook, we expect sales of 11.7 billion yen, operating income of 1.7 billion yen and an operating margin of 14.5% in the Arcade Operations business. Our goal is sales and earnings that are higher than in the initial fiscal year plan.

P17-18 Amusement Equipment business

Next, I will discuss first half performance of the Amusement Equipment business.

Sales of our current products in this business were in line with plans, but there was a first half loss because of investments to develop new products.

In the Arcade Games Sales business, sales of “New Super Mario Brothers Wii Coin World” were as planned. In the Pachinko & Pachislo business, we focused on repeat sales of “Sengoku BASARA 2”, which we started selling in the previous fiscal year. But sales were lower due to the absence of new titles. First half sales in the Amusement Equipment business were 1,136 million yen and there was an operating loss of 216 million yen. Performance was down from the previous year when sales and earnings benefited from repeat sales of “Onimusha: Dawn of Dreams” and other products.

In the second half, we plan to introduce new titles for both business lines with the goal of achieving our fiscal year sales and earnings targets.

For Arcade Games Sales business, we plan to start selling two “Monster Hunter” medal-winning games. We plan to launch “Monster Hunter Medal Hunting” in November and “Monhan Nikki Sugoroku Airu Mura” in December.

In the Pachinko & Pachislo business, we will start selling “Street Fighter IV” in November. We also plan to continue developing Pachinko and Pachislo machines for other companies.

For the fiscal year, we expect sales of 7.7 billion yen, operating income of 1 billion yen and an operating margin of 13.0% in the Amusement Equipment business. Our initial plan was sales of 8.8 billion yen and operating income of 1.2 billion yen. The lower forecast reflects a small reduction in sales plans for “Street Fighter IV” in the Pachinko & Pachislo business because of increasingly heated competition.

P20 Business Forecast for the Year Ending March 31, 2011

My final subject is our forecast for consolidated results of operations in the current fiscal year.

Our goal is to reach the sales and earnings figures in our initial plan for the fiscal year. We plan to accomplish this by focusing on sales of major titles in the Consumer Online Games business and introducing new social games during the second half.

Consequently, there is no change in our forecast. We expect sales of 86 billion yen, operating income of 12.1 billion yen, ordinary income of 12 billion yen, net income of 7 billion yen and earnings per share of 120.87 yen. Our forecast also includes a 15 yen interim dividend and 25 yen year-end dividend for a fiscal year dividend of 40 yen.

Everyone at Capcom is dedicated to doing what is needed to reach these goals for our fiscal year performance.