

Explanation Summary of Financial Results
Briefing for the 2nd Quarter of the Year ending March 31, 2013
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(November 1, 2012)

My presentation today will cover our first half performance and our plan for the second half of this fiscal year.

P2 Points of Financial Highlights

 Point of Financial Highlights
<u>Growth Strategy Initiatives</u>
<p>Expansion of the home video game pipeline</p> <ul style="list-style-type: none">• Initial shipments of “Resident Evil 6” reached 4.5 million units, a new record for Capcom• Release of “Monster Hunter 4” scheduled for March 2013
<p>Strengthened the Online Games business, which has much growth potential</p> <ul style="list-style-type: none">• Cumulative members for social games in Japan passed 6.4 million*, including 2 million for “Minna to Monhan Card Master” *as of the end of October• Started full-scale operations in Asia by establishing development bases in Taiwan, Korea and Thailand


First, I will explain our progress with two growth strategies that we announced at the beginning of the fiscal year for achieving our medium-term targets.


We have progress with expanding our lineup of home video game’s pipeline. Initial shipments of “Resident Evil 6” set a new record at 4.5 million units and we plan to release “Monster Hunter 4” in March 2013.

The Online Games business is a sector we are strengthening because of its significant growth potential. Our cumulative members for social games in Japan are more than 6.4 million, including more than 2 million for “Minna to Monhan Card Master”.

Furthermore, we have started full-scale start of operations in Asia by establishing development bases in Taiwan, Korea and Thai.

P4 Digital Contents – First Half Highlights

Digital Contents – First Half Highlights (1)			
Sales and earnings much higher than one year earlier due to the launch of a major title and growth of online contents			
<u>Digital Contents Performance</u>			
(100 million yen)			
	2011/9	2012/9	2013/3 Plan
Net sales	206	349	780
Operating income	31	57	140
Operating margin	15.2%	16.5%	17.9%
(Composition)			
Package	134	238	520
Online Contents			
DLC	12	21	50
Mobile Contents	25	60	140
PC Other	35	30	70
Online Contents Total	72	111	260



In our core Digital Contents business, first half sales and earnings were much higher than one year earlier due to the launch of major titles and growth of Online Contents.

Package software sales rose from 13.4 billion yen to 23.8 billion yen because we started selling two big titles: “Resident Evil 6” and “Dragon’s Dogma”. For Online Contents, sales increased 3.9 billion yen to 11.1 billion yen mostly because of growth in downloadable contents (DLC) and mobile contents sales.

As a result, Digital Contents sales were up 14.3 billion yen from the same term last year to 34.9 billion yen. Operating income increased 2.6 billion yen to 5.7 billion yen and the operating margin improved to 16.5%.

Digital Contents – First Half Highlights (2)

**“Resident Evil 6” posts record-high initial shipments
Decision made to make “Dragon’s Dogma” a series of games**

First Half Sales of Major Titles (Package Software)

(Thousand units)

Platform	Title	Region	Date	Result
PS3 Xbox 360	Resident Evil 6	Japan	2012/10/4	3,700
		North America	2012/10/2	
		Europe	2012/10/2	
PS3 Xbox 360	Dragon's Dogma	Japan	2012/5/24	1,200
		North America	2012/5/22	
		Europe	2012/5/25	
PS3 Xbox 360 PC	Resident Evil: Operation Raccoon City <small>* Repeat Sales in North America and Europe(Xbox 360/PS3)</small>	Japan	2012/4/26	600
		North America	2012/3/20	
		Europe	2012/3/23	

*Japan includes sales in other Asian countries

*Initial shipments of “Resident Evil 6” were 4.5 million units

*Launch of PC version of “Resident Evil: Operation Raccoon City” was May 18, 2012



In the Home Video Games business, initial shipments of “Resident Evil 6” set a new record with 4.5 million units, including 3.7 million recorded in the first half.

In addition, “Dragon’s Dogma” shipments totaled 1.2 million units and we have decided to make this into a series. First half shipments of “Resident Evil: Operation Raccoon City” were 600,000 units.

Digital Contents – First Half Highlights (3)

**Big increase in sales volume despite decline in number of titles
due to contribution from two million-seller titles**

Package Software Unit Sales for the 6 Months

(Thousand units)

	2010/9	2011/9	2012/9	Difference
Titles	27	34	17	-17
Japan	3,100	3,000	1,800	-1,200
North America	2,800	1,100	3,100	2,000
Europe	2,800	800	2,300	1,500
Asia	300	100	200	100
Total	9,000	5,000	7,400	2,400

(Composition) (Thousand units)

	2010/9	2011/9	2012/9	Difference
Distribution titles	350	750	300	-450
Old titles	2,500	2,000	1,800	-200

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First half package software sales volume posted a big increase of 2.4 million units from the same term last year to 7.4 million. The number of titles was down by 17 from the same term last year mainly because of declines in the numbers of Nintendo DS titles and lower-priced titles. But the contributions of two million-seller titles pushed up sales volume.

By region, volume in Japan was down 1.2 million units from the same term last year but there were big increases in volume in other regions due to the popularity of “Resident Evil 6” and other titles.

Sales volume of distribution titles fell 450,000 because of the strong sales last year of two big hits released in the first half of the previous fiscal year: “L.A. Noire” and “Dark Souls”.

Digital Contents – First Half Highlights (4)

Online contents sales continues to climb along with higher social game and DLC sales

First Half Highlights (DLC)

- Sales much higher than one year earlier due to launch of DLC associated with hit titles like “Dragon’s Dogma” and “Resident Evil: Operation Raccoon City”

First Half Highlights (PC Others)

- Sales down following sales growth from major update one year earlier despite on target sales of the major title “Monster Hunter Frontier Online”

First Half Highlights (Mobile Contents)

- For the Capcom brand, the social game lineup in Japan was increased and cumulative members surpassed 6 million
- For the Beeline brand, growth continued, mainly for “Smurfs’ Village,” and cumulative downloads surpassed 74 million



First half Online Contents sales posted a solid increase because of sales growth in the DLC and social games categories.

In the DLC category, our introduction of content associated with “Dragon’s Dogma”, “Resident Evil: Operation Raccoon City” and other major titles was responsible for the big increase in sales.

In the PC Online Games business, there was a small sales decline. Sales of the core title “Monster Hunter Frontier Online” were as planned, but total sales were down from the same term last year when major updates pushed up sales in this business.

In the Mobile Contents business, we launched three Capcom brand titles: “Sengoku BASARA Card Heroes”, “Minna to Akashic Heroes” and “Minna to Youkai Heroes”. Activities to strengthen our lineup of social games in Japan raised the cumulative number of members to more than 6 million.

The Beeline brand is also performing well, chiefly “Smurfs’ Village”, and cumulative downloads are now more than 74 million.

P8 Digital Contents – Second Half Strategies

Digital Contents – Second Half Strategies (1)


**Plan to launch major titles and focus on repeat sales of
“Resident Evil 6”**

Second Half Sales Plans for Major Titles (Package Software)


(Thousand units)

Platform	Title	Region	Date	Plan
PS3 Xbox 360	Resident Evil 6	Japan	2012/10/4	6,000 (Total)
		North America	2012/10/2	
		Europe	2012/10/2	
PS3 Xbox 360	DmC Devil May Cry	Japan	2013/1/17	2,000
		North America	2013/1/15	
		Europe	2013/1/15	
3DS	Monster Hunter 4	Japan	Mar. 2013	2,000


*Japan includes other Asian countries.



“Monster Hunter 4”



“DmC Devil May Cry”



My next subject is our second half strategies for the Home Video Games business.

In the second half, we will introduce major titles as well as focus on repeat sales of “Resident Evil 6”.

After taking into account numerous factors following the debut of “Resident Evil 6”, we have lowered our sales plan from the initial 7 million units to 6 million. Furthermore, we established sales plans of 2 million units worldwide for “DmC Devil May Cry” and 2 million units in Japan for “Monster Hunter 4”.

Digital Contents – Second Half Strategies(2)

Revised fiscal year sales volume and number of titles mainly because of changes to the timing for introductions of some titles

FY2012 Digital Contents Plan

(Thousand units)

	2011/3	2012/3	2013/3 Plan	Difference
Titles	53	68	50	-18
Japan	9,000	6,800	7,500	700
North America	6,000	5,100	5,600	500
Europe	5,000	3,300	4,400	1,100
Asia	500	500	500	-
Total	20,500	15,700	18,000	2,300

(Composition) (Thousand units)

	2011/3	2012/3	2013/3 Plan	Difference
Distribution titles	650	1,250	400	-850
Old titles	4,000	3,900	4,000	100



For our package software sales plan, we have made revisions to the fiscal year sales volume and number of titles due to changes in launch dates of some titles and for other reasons.

The number of titles is now 25 fewer than in our initial plan. The main reason is our reexamination of lower-priced titles and distribution titles.

Our fiscal year sales volume plan has been reduced by 2 million to 18 million units. There is no change in our plan for sales volume of distribution titles and old and lower-priced titles.

Digital Contents – Second Half Strategies(3)

Concentrating on growing markets, such as by enlarging the lineup of content in Japan and overseas and expanding Asian operations

Second Half Strategy (DLC)

- Will aggressively distribute additional DLC for major titles like “Dragon’s Dogma” and “Resident Evil 6”
- Strengthen handling of sales for primary software downloads like “Monster Hunter 3 (Tri) G”

Second Half Strategy (PC Others)

- Start offering services for the “Ixion Saga” PC online game and “Onimusha Soul” browser game
- Established Capcom Taiwan Co., Ltd. and established a development line at the subsidiary in Korea

Second Half Strategy (Mobile Contents)

- **Capcom brand:**
Plan to launch many new social games in Japan
Will launch three titles overseas for the GREE Platform
- **Beeline brand:**
Will launch 15 titles (through the year) based on popular content, including “Smurf Life” and “Chibimaruko-Chan to Okashi no Kuni”
Establish Beeline Interactive Thailand Co., Ltd. to strengthen game development operations



“Chibimaruko-Chan to Okashi no Kuni”

CAPCOM

In the Online Contents business, our second half strategy involves focusing resources on this growing market sector. We are increasing our lineup of content in Japan and overseas, expanding operations in Asia and taking other actions.

In the DLC category, we are launching many additional DLC for major titles like “Dragon’s Dogma” and “Resident Evil 6” as well as working on increasing downloads of primary software like “Monster Hunter 3 (Tri) G”.

In the PC Online Games business, we started services for the browser game “Onimusha Soul” in October and plan to start services for the new online game “IXION SAGA” by the end of this year.

Furthermore, we established “Capcom Taiwan Co., Ltd.” and have established a development line at our subsidiary in Korea.

In the Mobile Contents business, we plan to launch many Capcom brand social games in Japan. We will also start selling three titles outside Japan for the GREE Platform: “DEADRISING THE SURVIVAL”, “RESIDENT EVIL VS.” and “MONSTER HUNTER Massive Hunting”.

For the Beeline brand, we are introducing many titles featuring popular content. For example, we will start selling “Smurf Life”, the latest addition to the globally successful “Smurf” series, and “Chibimaruko-Chan to Okashi no Kuni”, which features Chibimaruko-chan, a popular character in Japan. In all, we plan to start distributing 15 Beeline brand titles this fiscal year.

In addition, we established “Beeline Interactive Thailand Co., Ltd.” and strengthen development line as well as our operations in Asia.

P14 Arcade Operations – First Half Highlights

Arcade Operations – First Half Highlights

Existing arcade sales down from one year earlier
due to surge in 2011 in demand in Japan for leisure activities
following the Great East Japan Earthquake

First Half Highlights


- Existing arcade sales down 6% from one year earlier
(down 8% in first quarter and 4% in second quarter)
- Closed two arcades

First Half Arcade Operations Performance

	2010/9	2011/9	2012/9	Difference
Net sales	59	60	56	-4
Operating income	7	12	9	-3
Operating margin	12.4%	20.2%	17.5%	-
Year-to-Year Ratio of Existing arcades	98%	102%	94%	-

Number of Arcades

	2011/3	2012/3	2012/9	2013/3 Plan
New arcades	0	0	0	2
Closing arcades	1	0	2	3
Total	37	37	35	36



In the Arcade Operations business, existing arcade sales were lower than one year earlier because of higher sales in the first half of the previous fiscal year as demand rose following the Great East Japan Earthquake.

Existing arcade sales decreased 6% and first half sales decreased 0.4 billion yen to 5.6 billion yen. Operating income decreased 0.3 billion yen to 0.9 billion yen and the operating margin was 17.5%. Two arcades were closed during the first half, resulting 35 arcades at the end of the first half.

P15 Arcade Operations – Second Half Strategies

Arcade Operations – Second Half Strategies

Revised fiscal year outlook and now expect lower sales, but operating margin is improving due to more efficient operations

Second Half Strategy

- Will continue to generate earnings by rigorously managing costs
- Targeting new customer segments such as by holding hands-on tours for seniors


Second Half Plan

- Plan to open two arcades and close one (total of 36 arcades)
- Plan on 2% decrease in existing arcade sales

FY2012 Arcade Operations Business Plan

(Million yen)

	2011/3	2012/3	2013/3 Plan	Difference
Net sales	116	117	110	-7
Operating income	11	17	17	0
Operating margin	9.7%	15.2%	15.5%	-
Year-to-Year Ratio of Existing Stores	99%	101%	98%	-



We have lowered our fiscal year sales and earnings plan in this business because first half performance was slightly below the initial plan. But we will continue to control costs tightly in order to generate earnings. In addition, we are targeting new segments, such as by inviting seniors to take part in hands-on tours of our arcades.

In the second half, we plan to open two arcades and close one, which will raise our network to 36 arcades. We expect fiscal year existing arcade sales to be 2% less than in the previous fiscal year.

For the fiscal year, we expect sales of 11.0 billion yen, 1.0 billion yen below the initial plan, and operating income of 1.7 billion yen, 0.2 billion yen below the initial plan. Our plan calls for an operating margin of 15.5%. Despite the lower sales in our revised plan, we foresee no change in operating income due to measures to improve efficiency and we expect the operating margin to increase.

P16 Amusement Equipments : First Half Highlights

Amusement Equipments – First Half Highlights

Big improvement in profitability due to strong performance by products for other companies in P&S business

Arcade Games Sales business First Half Highlights

- Launched the new coin-operated game “Mario Party Kuru-Kuru Carnival”


Pachinko&Pachislo business First Half Highlights

- Solid performance due to repeat sales from the “Monster Hunter” pachislo machine launched in the previous fiscal year and strength in products for other companies, such as the “CR Sengoku BASARA 3 – Battle of Sekigahara” pachinko machine

Amusement Equipments First Half Performance

	2010/9	2011/9	2012/9	Difference
Net sales	14	11	35	24
Operating income	0	-2	13	15
Operating margin	1.4%	-19.0%	37.2%	-

*Arcade Games Sales is about 40% of net sales, and Pachinko & Pachislo about 60%



In the Amusement Equipments business, there was a substantial improvement in profitability primarily because of a big contribution from the production of machines for other companies in the Pachinko & Pachislo business.

In the Arcade Game Sales business, we started selling the “Mario Party Kurukuru! Carnival” coin-operated game and performance was generally as planned.

The Pachinko & Pachislo business performed well because of repeat sales from the “Monster Hunter” pachislo machine and a solid performance by the “CR Sengoku BASARA 3” pachinko machine and other products for other companies.

As a result, there were big increases in sales and earnings from one year earlier. Sales increased 2.4 billion yen to 3.5 billion yen, operating income was up 1.5 billion yen to 1.3 billion yen and the operating margin was 37.2%.

P17 Amusement Equipments – Second Half Strategies

Amusement Equipments – Second Half Strategies

Aiming for big increases in P&S business sales and earnings sustained by sales of Capcom machines

Arcade Game Sales business Second Half Strategies

- More repeat sales of coin-operated machines using popular content

Pachinko & Pachislo business Second Half Strategies


- Growth in sales of Capcom machines and in products made for other companies

Plan to start distributing the “Resident Evil 5” Capcom machine in December 2012


FY2012 Amusement Equipments Business Plan

	2011/3	2012/3	2013/3 Plan	Difference
Net sales	79	76	130	54
Operating income	26	8	35	27
Operating margin	33.4%	11.6%	26.9%	-

*Arcade Games Sales is about 10% of net sales, and Pachinko & Pachislo about 90%



“Resident Evil 5”



In the second half of the fiscal year, our goal is to again achieve much higher sales and earnings than the same term last year. We plan to accomplish this by launching new Capcom pachislo machines.

In the Arcade Game Sales business, there will be no new models but we expect more repeat sales from our current coin-operated games that feature popular content.

In the Pachinko and Pachislo business, we will continue expanding sales of Capcom machines and the production of machines for other companies. In December 2012, we plan to start distributing “Resident Evil 5”, which is a Capcom pachislo machine. The initial market response is good; we have received orders for 35,000 units thus far. We plan to start selling a number of models for other companies, too.

We expect fiscal year sales of 13.0 billion yen, 3.0 billion yen above the initial plan, operating income of 3.5 billion yen, 1.2 billion yen above the initial plan, and an operating margin of 26.9%.

Forecast for Year Ending March 31, 2013

No change in fiscal year outlook – Focusing on sales of major titles and increasing sales in the Online Contents business

(Million yen)

	2012/3	2013/3 Plan	Difference
Net sales	82,065	105,000	22,935
Operating income	12,318	15,800	3,482
Ordinary income	11,819	15,700	3,881
Net income	6,723	9,800	3,077

No change in initial forecast for the current fiscal year

Fiscal year EPS forecast is 170.19 yen

Forecast first half dividend of 15 yen and year-end dividend of 25 yen, resulting in a FY3/13 dividend of 40 yen

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My last subject is our consolidated forecast for the current fiscal year.

In the first half, our performance was generally in line with our initial plan. For the fiscal year, we have lowered our package software sales plan mainly because of a revision in projected sales volume but we expect solid growth in the Online Contents business and a strong performance in the Pachinko and Pachislo business. As a result, we have not revised our initial plan for the fiscal year.

Consequently, our forecast is as follows: net sales up about 23.0 billion yen to 105.0 billion yen, operating income up about 3.5 billion yen to 15.8 billion yen, ordinary income up about 3.9 billion yen to 15.7 billion yen, and net income up about 3.1 billion yen to 9.8 billion yen. We also forecast earnings per share of 170.19 yen and a fiscal year dividend of 40 yen, the sum of a 15 yen first-half dividend and 25 yen year-end dividend.

Everyone at Capcom is firmly dedicated to achieving the targets in our initial fiscal year plan. Thank you for taking the time to attend today's meeting.