



Capcom Co., Ltd.
(Tokyo Exchanges,
First Section, 9697)

Results of Operations and Strategies
First half of fiscal year ending March 31, 2014

Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diversifying user needs and other changes in market conditions. Items that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) the popularity of home video game players; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.



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Mid-Term Goals

■ Targets (cumulative) for 5 years starting FY2013 (ending March 2014)

- **Cumulative operating income: 80 billion yen**
- **Operating margin of 20% in fiscal year ending March 2018**

■ Breakdown by Business Segments

	Cumulative operating income from FY2013 to FY2017	FY2017 Operating margin
Digital Contents	57.0 billion yen	22%
Arcade Operations	8.5 billion yen	15%
Amusement Equipments	30.0 billion yen	27%
Other Businesses	5.5 billion yen	45%

Consolidated Financial Highlights

First Half Consolidated Financial Highlights

Higher sales and higher earnings at all levels due mainly to sales growth in Digital Contents and P&S business performance

■ 6 Months Results in FY9/12 vs. FY9/13

(Million yen)

	2012/9	2013/9	Difference
Net sales	45,538	53,234	7,696
Operating income	6,515	7,509	994
Ordinary income	6,076	8,190	2,114
Net income	4,125	4,950	825

- Sales and earnings set new records because of Consumer business sales growth, mainly due to “Monster Hunter 4”, and the popularity of Capcom pachislo machines
- Foreign exchange gain of 387 million yen because of the weaker yen
- Net income per share was ¥87.59

Point of Financial Highlights

Growth Strategy Initiatives

■ Improve the Consumer business

- **“Monster Hunter 4” shipments are 3 million units**

**As of October 15, 2013, including download sales*

- **Now implementing reorganization measures (development activities and overseas subsidiaries) associated with structural improvements in the previous fiscal year**

■ Strengthen the Online Games business, which has much growth potential

- **DLC sales increased 150% from one year earlier to 5.4 billion yen**
- **Announced 14 new online game titles in August 2013**

Business Segment Information

Digital Contents

Digital Contents – First Half Highlights (1)

Clear division between winners and losers for major titles, but Consumer business profitability improved due to higher downloadable content (DLC) sales ratio

■ First Half Highlights (Consumer)

- “Monster Hunter 4”, a key title in this fiscal year, has performed well due to sales mainly in Japan, where profitability is high, and an increasing ratio of download sales
- Sales of “Resident Evil Revelations Unveiled Edition” reached one million units
- Sales of “Lost Planet 3” was 300,000 units, below expectations in Europe and North America

■ First Half Sales of Major Titles (Consumer)

(Thousand units)

Platform	Title	Region	Date	Result
3DS	Monster Hunter 4	Japan	9/14	2,800
PS3 Xbox 360 Wii U PC	Resident Evil Revelations	Japan	5/23	1,000
		North America	5/21	
		Europe	5/24	
PS3 Xbox 360	Dragon's Dogma: Dark Arisen	Japan	4/25	650
		North America	4/23	
		Europe	4/26	

* Result includes the units of download sales

*Japan includes sales in other Asian countries

Digital Contents – First Half Highlights (2)

Packaged software sales declined because of strong sales of major titles in the previous fiscal year but reinforcement of the digital strategy (DLC) raised download sales

■ Unit Sales for the 6 Months (Consumer)

(Thousand units)

	2011/9	2012/9	2013/9	Difference
Titles	34	17	20	3
Package				
Japan	3,000	1,800	3,800	2,000
North America	1,100	3,100	1,600	-1,500
Europe	800	2,300	1,100	-1,200
Asia	100	200	200	0
Package Total	5,000	7,400	6,700	-700
DLC				
Full- game download	550	800	2,000	1,200
Total	5,550	8,200	8,700	500

* Titles includes the new titles available only for download

**Sales growth in the Mobile Contents business is slowing in Japan and overseas
PC and other sales were strong primarily for major titles**

■ First Half Highlights (Mobile Contents)

- **Capcom and Beeline brand sales were lackluster due to absence of new hit titles**
- **In Japan, started to sell native apps like “Oto Ranger”**

■ First Half Highlights (PC Others)

- **“Monster Hunter Frontier G” was launched as a major update of a key title**
- **Started distributing the “Onimusha Soul” PC browser game in Taiwan; initial sales are strong**
- **Started closed beta test of “Monster Hunter Online” in China with Tencent Holdings Limited**

Digital Contents – First Half Highlights (4)

DLC sales are increasing but sales of Mobile Contents business struggled due to absence of hit titles

■ First Half Digital Contents Performance

(100 million yen)

	2011/9	2012/9	2013/9	Difference
Net sales	206	349	375	26
Operating income	31	57	53	-4
Operating margin	15.2%	16.5%	14.3%	—
(Composition)				
Package	134	238	253	15
Online contents				
DLC	12	21	54	33
Mobile Contents	25	60	36	-24
PC Other	35	30	32	2
Online contents total	72	111	122	11

Digital Contents – Second Half Strategies (1)

Concentrating on repeat sales of major titles and on increasing digital sales

■ Second Half Strategy (Consumer)

- Aim to increase sales of “Monster Hunter 4” by using more promotions and events for users
- Plan to launch “Dead Rising 3” for the next-generation Xbox One in November 2013 in Europe and North America
- Raise the DLC sales ratio by increasing Full-game download and Add-on download sales

■ Second Half Sales Plans for Major Titles (Consumer)

(Thousand units)

Platform	Title	Region	Date	Plan
3DS	Monster Hunter 4	Japan	9/14	3,300 (Total)
Xbox One	Dead Rising 3	North America	November 2013	1,200
		Europe	November 2013	

* Result includes the units of download sales

* Japan includes other Asian countries

Digital Contents – Second Half Strategies(2)

Revised the fiscal year plan for packaged software and DLC due to first half performance

■ FY2013 Unit Sales Plan (Consumer)

(Thousand units)

	2012/3	2013/3	2014/3 Plan	Difference
Titles	68	46	40	-6
Package				
Japan	6,800	4,500	6,300	1,800
North America	5,100	5,400	3,500	-1,900
Europe	3,300	3,600	1,900	-1,700
Asia	500	500	300	-200
Package Total	15,700	14,000	12,000	-2,000
DLC				
Full- game download	1,300	2,700	4,000	1,300
Total	17,000	16,700	16,000	-700

* Titles includes the new titles available only for download

Aiming to create hit titles in the mobile and PC online categories by launching many titles

■ Second Half Strategy (Mobile Contents)

- **Capcom brand :**
 - ⇒ **Plan to introduce many native apps that use existing brands**
 - “**Monster Hunter Smart**” (plan to start distribution in fall 2013 for iOS)
- **Beeline brand :**
 - ⇒ **Plan to launch several new titles, including**
 - “**Kiwi & Me**” (iOS, distribution to start in Dec. 2013),
 - a new puzzle game targeting casual female game players



“Monster Hunter Smart”

■ Second Half Strategy (PC Others)

- **For “Monster Hunter Frontier G,” the main title,**
will start offering services this year for the PS3 and Wii U, too
- **Start closed beta test of a new original series of PC browser game,**
public release is scheduled for December

Digital Contents Plan

Revised the fiscal year plan for DLC and Mobile Contents
due to first half performance

■ FY2013 Digital Contents Plan

(100 million yen)

	2012/3	2013/3	2014/3 Plan	Difference
Net sales	598	636	630	-6
Operating income	128	70	78	8
Operating margin	21.5%	11.1%	12.4%	—
(Composition)				
Package	441	407	355	-52
Online contents				
DLC	28	52	70	18
Mobile Contents	63	110	110	0
PC Other	66	67	95	28
Online contents total	157	229	275	46

Arcade Operations

Arcade Operations – First Half Highlights

Existing arcade sales were down from one year earlier but earnings were level due to rigorous cost control measures

■ First Half Highlights

- Existing arcade sales down 5% from one year earlier (down 6% in Q1 and 4% in Q2)
- Opened one arcade (MARK IS Shizuoka, April 2013)

■ First Half Arcade Operations Performance

(100 million yen)

	2011/9	2012/9	2013/9	Difference
Net sales	60	56	54	-2
Operating income	12	9	9	0
Operating margin	20.2%	17.5%	17.9%	-
Year-to-Year Ratio of Existing arcades	+2%	-6%	-5%	-

■ Number of Arcades

(Facilities)

	2012/3	2013/3	2013/9	2014/3 Plan
New arcades	0	0	1	2
Closing arcades	0	3	0	2
Total	37	34	35	34

Arcade Operations – Second Half Strategies

**No change in fiscal year plan
Aiming for flat sales and earnings by operating arcades efficiently**

■ Second Half Strategy

- Continue to secure earnings by rigorously controlling costs
- Serve a broader range of customers with measures like hands-on tours for seniors and a kids corner with fees based on time

■ Second Half Plan

- Plan to open one arcade and close two arcades (resulting in total of 34 arcades)
- Fiscal year existing arcade sales plan: Down 1%

■ FY2013 Arcade Operations Plan

(100 million yen)

	2012/3	2013/3	2014/3 Plan	Difference
Net sales	117	109	110	1
Operating income	17	17	17	0
Operating margin	15.2%	15.6%	15.5%	-
Year-to-Year Ratio of Existing Stores	+1%	-5%	-1%	-

Amusement Equipments

Amusement Equipments – First Half Highlights

Big increases in Pachinko & Pachislo sales and earnings because of success of Capcom pachislo machines

Pachinko&Pachislo business First Half Highlights

- Sales of Capcom’s “Devil May Cry 4” pachislo machine, launched in Sept. 2013, have topped 25,000 units and operations are strong
- The subcontracting work also contributed consistently

Arcade Games Sales businss First Half Highlights

- Started selling the new coin-operated game “Mario Party Fushigi no Korokoro Catcher 2”

First Half Amusement Equipments Performance

(100 million yen)

	2011/9	2012/9	2013/9	Difference
Net sales	11	35	89	54
Operating income	-2	13	25	12
Operating margin	-19.0%	37.2%	28.2%	-

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



“Devil May Cry 4”

Amusement Equipments – Second Half Strategies

Launch of the second new Capcom pachislo machine in this fiscal year
Revised fiscal year plan – Expect higher sales and earnings

Pachinko & Pachislo business Second Half Strategies

- Plan to launch a new Capcom pachislo machine using a major brand in the fourth quarter

Arcade Game Sales business Second Half Strategies

- Plan to launch a new coin-operated game
“Monster Hunter Medal Hunting Compact” (Spring 2014)

FY2013 Amusement Equipments Plan

(100 million yen)

	2012/3	2013/3	2014/3 Plan	Difference
Net sales	76	167	200	33
Operating income	8	48	55	7
Operating margin	11.6%	29.1%	27.5%	-

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

Forecast for Year Ending March 31, 2014

Forecast for Year Ending March 31, 2014

No change in initial plan; concentrating on repeat sales of major titles, online contents and Capcom pachislo machines

(Million yen)

	2013/3	2014/3 Plan	Difference
Net sales	94,075	97,000	2,925
Operating income	10,151	12,000	1,849
Ordinary income	10,944	11,700	756
Net income	2,973	6,800	3,827

- No change in initial forecast for the current fiscal year
- Fiscal year EPS forecast is 120.61 yen
- Forecast first half dividend of 15 yen and year-end dividend of 25 yen, resulting in a FY3/14 dividend of 40 yen



Additional Information

Summary of Major Financial Information

Summary of Major Financial Information (1)

● Profit and Loss Sheet

(Million Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
Net sales	82,065	94,075	97,000	103.1%	53,234
Gross profit	32,456	32,163	32,000	99.5%	17,547
% of Gross profit	39.5%	34.2%	40.7%	-	33.0%
Sales and G&A expenses	20,150	21,942	20,000	91.1%	10,038
Operating income	12,318	10,151	12,000	118.2%	7,509
% of Operating income	15.0%	10.8%	14.1%	-	14.1%
Ordinary income	11,819	10,944	11,700	106.9%	8,190
% of Ordinary income	14.4%	11.6%	14.0%	-	15.4%
Net income	6,723	2,973	6,800	228.7%	4,950
% of Net income	8.2%	3.2%	8.1%	-	9.3%

● Sales by Business Segments

(Million Yen)

		2012/3	2013/3	2014/3 E	%	2013/9
Digital Contents	Net sales	59,809	63,636	63,000	99.0%	37,510
	Operating income	12,887	7,062	7,800	110.5%	5,380
	Operating margin	21.5%	11.1%	12.4%	-	14.3%
Arcade Operations	Net sales	11,729	10,944	11,000	100.5%	5,461
	Operating income	1,787	1,709	1,700	99.5%	975
	Operating margin	15.2%	15.6%	15.5%	-	17.9%
Amusement Equipments	Net sales	7,663	16,783	20,000	119.2%	8,921
	Operating income	890	4,892	5,500	112.4%	2,519
	Operating margin	11.6%	29.1%	27.5%	-	28.2%
Others	Net sales	2,862	2,711	3,000	110.7%	1,341
	Operating income	877	740	1,200	162.2%	518
	Operating margin	30.6%	27.3%	40.0%	-	38.6%

● Sales by Geographic Area

(Million Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
Japan	57,899	65,873	83,000	126.0%	42,701
North America	15,867	17,377	9,500	54.7%	6,599
Other territories	6,930	9,406	3,500	37.2%	3,116
Total	1,368	1,417	1,000	70.6%	816

Summary of Major Financial Information (2)

● Promotional Expense

(Million Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
Capcom Japan	2,833	2,632	4,000	152.0%	1,422
Consolidated	5,639	6,875	5,500	80.0%	2,304

● Number of Arcades

(facilities)

	2012/3	2013/3	2014/3 E	%	2013/9
Consolidated	37	34	34	-	35

● Capital Expenditure

(Million Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
Capcom Japan	1,519	1,364	2,500	183.3%	1,086
Consolidated	2,289	3,077	3,000	97.5%	1,286

● Depreciation

(Million Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
Capcom Japan	2,606	2,891	2,600	89.9%	1,837
Consolidated	3,123	3,406	3,100	91.0%	2,100

● Number of Employees

(Persons)

	2012/3	2013/3	2014/3 E	%	2013/9
Capcom Japan	1,698	1,820	1,958	107.6%	1,944
Consolidated	2,265	2,476	2,646	106.9%	2,602

● R&D Investment Cost

(Million Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
R&D Investment Cost	30,648	30,992	31,000	100.0%	13,040
Technical R&D Cost	2,236	1,982	2,300	116.0%	956

● Foreign Exchange Rate (End of period)

(Yen)

	2012/3	2013/3	2014/3 E	%	2013/9
USD/¥	82	94	90	95.6%	97
Euro/¥	109	120	120	100.0%	131

Summary of Major Financial Information (3)

●Sales Units Shipped <platform>

(Thousand Units)

		2012/3	2013/3	2014/3 E	Difference	2013/9
Playstation 2	Titles	0	0	-	-	0
	Total Units	200	100	-	-	0
Playstation 3	Titles	25	21	-	-	8
	Total Units	6,200	7,100	-	-	2,000
PSP	Titles	9	4	-	-	0
	Total Units	1,900	600	-	-	100
Wii	Titles	4	2	-	-	1
	Total Units	650	700	-	-	200
NintendoDS	Titles	12	7	-	-	2
Nintendo3DS	Total Units	3,300	1,300	-	-	3,200
Xbox 360	Titles	16	8	-	-	5
	Total Units	3,200	3,700	-	-	1,100
PC & Others	Titles	2	4	-	-	3
	Total Units	250	500	-	-	100
Package total	Titles	68	46	39	-7	19
	Total Units	15,700	14,000	12,000	85.7%	6,700
Full-game download	Titles	0	0	1	1	1
	Total Units	1,300	2,700	4,000	148.1%	2,000
Total	Titles	68	46	40	-6	20
	Total Units	17,000	16,700	16,000	95.8%	8,700

*DLC includes the titles distributed only by download

●Sales Units Shipped <platform>

(Thousand Units)

	2012 /3	2013/3	2014/3 E	Difference	2013/9
Distribution titles	1,250	550	850	102.1%	200
Old titles	3,900	3,900	3,000	93.6%	2,400

●Sales Units Shipped <geographic>

(Thousand Units)

	2012/3	2013/3	2014/3 E	Difference	2013/9
Japan	6,800	4,500	6,300	140.0%	3,800
North America	5,100	5,400	3,500	64.8%	1,600
Europe	3,300	3,600	1,900	52.8%	1,100
Asia	500	500	300	60.0%	200
Full-game download (global)	1,300	2,700	4,000	148.1%	2,000
Total	17,000	16,700	16,000	95.8%	8,700



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