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its game development toward the future to enable these ideas to continue blossoming.

## Broadening employee horizons to create better games

I believe game development is all about human development. No matter how many ideas someone may have, there is only so much one can do alone. An individual needs some producers who comprehend his or her ideas, planners and product managers who share the producers' vision, and creators in various fields to lend their support. Only with their assistance can an idea expand many times over to become an entertaining game. This kind of human resource development and enhancement of group cohesion is another important pursuit.

To bolster individual productive capacity, Capcom holds seminars in which development staff can freely participate. Each weekly session offers guidance on a different theme in game development philosophy or technical knowledge. For example, themes include creating new value by spotting contradiction and ways to tackle challenges by thinking "outside the box." I would like to see our employees produce groundbreaking games by boldly taking on new endeavors while remaining open to input from others.

## Employing assistance from outside developers to create the next hit

Capcom's current strong performance predisposes the Company toward stability-oriented policies and avoidance of risk. However, I believe now is not the time to be conservative, but rather to plant the seeds for upcoming hits and strive to cultivate them even when the going gets tough. Otherwise Capcom will have no future as a truly global corporation that steadily generates



successful titles. To these ends, we are taking the initiative in tackling development projects that entail significant risk.

One such project is "Dead Rising 2," which we are developing in cooperation with an overseas developer. At a private show held in Monaco in spring 2009, the title received a satisfying response and a strong reception from the media, which stated, "Capcom has retained its trademark quality and exceeded expectations despite employing outside staff." Rather than stubbornly relying on in-house production, we also take advantage of high-quality external resources. It is important that we take the lead as a game maker able to skillfully manage developers worldwide.

I would like to lead Capcom to the next stage of its growth by continuing to take on new challenges at the forefront of entertainment as a developer who understands business management.







"Dead Rising 2"

#### Seminars for development staff







Inafune explains, "What young game creators need is not the power to 'make 10 from 1,' but to 'make 1 from 0.' In other words, we aim to cultivate people who can 'make something out of nothing."

#### A new "Monster Hunter" made with careful attention to detail

March 2009 marked the fifth year since the release of the first game in the "Monster Hunter" series. "Monster Hunter Freedom Unite," which was released last year for the PSP, has shipped more than 3.5 million units in



Japan (including "Monster Hunter Freedom Unite the Best") and continues to break PSP software sales records. In this tradition comes the latest title in a series that has become a national pastime: "Monster Hunter Tri" for the Wii.

For this game, we returned to the original "monster hunting" theme, and remade the entire system from the ground up. With deeper game aspects, such as detailed in-game monster ecology, the title successfully retains familiarity for previous "Monster Hunter" players while offering fresh gameplay through new game elements. The title truly aims to capture the fun of the "Monster Hunter" with home video consoles.

We have also included two control schemes: one that uses the Nunchuk and Wii Remote controller for a new gaming experience, and one that uses the Classic Controller format familiar to existing fans of the series. The game allows players to choose their favorite control scheme.

Moreover, players can use the Wii's communication function through an Internet connection to link up with other "hunters" across Japan and go hunting together.

#### Producers promote a favorable development environment for staff

The mission of a producer is to create an environment that allows the development team to focus closely on game development. Producers work to ensure that staff can channel their enthusiasm into creating fun games while remaining conscious of schedules and costs. One example is sending employees overseas, such as for the recording of game music in Prague. Exposure to new sights and experiences provides a wellspring of development ideas.

We also encourage participation in Monster Hunterrelated and other events to create new chances for staff

to witness user reactions directly. Developers can then use these impressions as hints in implementing their own concepts and ideas. Direct exposure to user reactions leads to new inspirations.



An orchestra in Prague performs a number of famous pieces that enliven video games.

#### **Home Video Games**

# "Monster Hunter Tri," the newest records as a national phenomenon

Ryozo Tsujimoto

Producer **R&D Strategic Planning Section** 





## Expanding the realm of "Monster Hunter" from Japan to the world

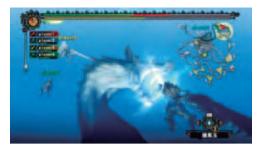
Since its first release, the "Monster Hunter" series has retained the concept of 'an action game that anyone can easily learn,' featuring a variety of creative elements designed to satisfy everyone from beginners to experienced users. In addition to the games themselves, this concept is carried through to television commercials, hands-on events and promotions—such as the Monster Hunter official fan club: 'Monster Hunter Club.' Nothing brings us more joy than to experience user reactions to these efforts in the form of conversations about "Monster Hunter" heard by chance on street corners. Such moments make us realize that our ideas as creators are effectively reaching many



We aim to cultivate "Monster Hunter" into a world-class brand. This endeavor will require promotions meticulously tailored to each country to

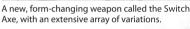
draw their users in and earnestly convey the attraction of this game. On a global basis, "Monster Hunter" is just getting warmed up.

#### "Monster Hunter Tri"

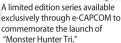


This title adds the new challenge of hunting underwater. Pictured is a cooperative hunt of the sea dragon Lagiacrus.











#### **Home Video Games**

The multipronged media deployment of the "Sengoku" action games boosts their appeal as they continue to capture new fans

Hiroyuki Kobayashi

Producer R&D Strategic Planning Section

## Capturing the hearts of fans through attractive games and motivating events

On May 2, 2009, Hibiya Public Hall in Tokyo was enveloped in an air of excitement as it housed the fan appreciation event 'BASARA Festival 2009: Spring Battle.' "Sengoku BASARA Battle Heroes" had just been released on April 9 as the latest title in the series. The primarily young, female fans instantly became excited when the popular voice actors for the characters in the game made their appearance.

The "Sengoku BASARA" series features the historical Japanese warlords Masamune Date, Yukimura Sanada and Nobunaga Oda battling to dominate the whole country. The series is enjoyed by a broad age range, thanks to a readily understandable "heroes and villains" depiction, attractive characters and difficulty settings that effectively accommodate beginners. As a spark for the recent resurgence in popular interest in history, the series has drawn in a new group of young, female video game fans.

The most recent title in the series takes advantage of





The fans gathered at BASARA Festival 2009: Spring Battle were mostly young women.

PSP hardware functionality to allow players to enjoy team battles of up to four people with their family and friends. The game also features a story mode for each of the 30 characters to enable engrossing single-player action, along with 150 mission modes. Such elements offer players a vast array of play options.

## Continually enticing users through aggressive multimedia deployment

Capcom is successfully promoting a "Single Content Multiple Usage" strategy that capitalizes on the potential of a game title in a wide variety of media. To



keep user interest high until the next "Sengoku BASARA" release, we are channeling that brand power into comic books, novels, audio drama CDs, music CDs, figurines, stationery and a broad range of other merchandise. An





The many media incarnations of the "Sengoku BASARA" series



Comic books, novels, audio drama CDs, music CDs, figurines, stationery and many other forms of merchandise are being sold and gaining popularity.

animated television series was launched in April 2009, and a theatrical adaptation was also realized in July.

In advancing our multimedia strategy, we often approach publishers and production companies with proposals. We feel that collaboration with cartoonists, authors and other creators in different fields imbues "Sengoku BASARA" with new appeal and depth.

Recently, in addition to normal merchandise, special local products depicting "Sengoku BASARA" characters on their packaging have appeared. Rice and microbrews featuring the characters have been released in Miyagi Prefecture, where Masamune Date once ruled. Other unexpected popular developments include a travel agency launching a 'Sengoku BASARA Date Bus Tour.'

## Driving fan base expansion by linking games with history

Such remarkable breadth of media expansion was possible because the heroes in "Sengoku BASARA" are real historical

figures. For instance, users who got interested in Masamune Date through the games would read about him

and gain the actual historical knowledge. This new knowledge fuels their interest in playing the games, which further whets their appetites and perpetuates



the fun of the game and interest in history.

The series continues to grow by steadily drawing in new fans from groups that previously had little interest in video games, such as young women and senior citizens. At the same time, as a producer I sense that there is still much to achieve, and that we could be satisfying fans more fully. We aim to deepen the game world and continue our multifaceted media expansion to keep the flame of "Sengoku BASARA" boom alive in the hearts of fans.

## Customization and four-player simultaneous cooperative play offer an array of gaming options

"Lost Planet 2" is currently in development as the latest title in the "Lost Planet" series, which spans Xbox 360, PS3 and PC platforms. We are advancing development with the producer, Jun Takeuchi, continuing from the previous title.

The "Lost Planet" series has captured the hearts of North American and European users with its third-person shooting style and highly realistic graphics, recording sales of 2.2 million units with its first title. Many overseas users have also expressed their excitement adout the release of the next title.

The latest title offers dramatic scenarios and detailed

customization functions, with the goal of creating an original shooting game that defies genre stereotypes as only Capcom can. While the plot development of the previous game focused on one main character, "Lost Planet 2" will advance the game in omnibus style. Moreover, players can design their own characters, and we are adding a four-player co-op and multiplayer mode that lets up to four players participate in the same battle. Users now have the option not only of deep single-player action, but also of teaming up to defeat enemies using coordinated attacks only possible with multiple players where the users can enjoy the new play elements of the game.

#### **Home Video Games**

# "Lost Planet 2" a cutting-edge shooting game that mobilizes Capcom's technology and brings it to the world

#### Jun Takeuchi

General Manager of R&D Strategic Planning Department





The game is set some 10 years after the previous title.



Players team up to take on a giant indigenous creature called an "Akrid."



The characters have more presence, and players can enjoy more intense battle scenes.



Players board robotic weapons called "Vital Suits" and cross a snowfield dotted with beautiful.

## Achieving high quality and efficiency by creating our own game engine and development system

Capcom's original game development engine 'MT Framework VER. 2.0' enables beautiful, high-quality rendering of all manner of game scenes, from frigid, snow-swept fields to jungles. The engine, which is refined on a daily basis,

speeds up development, reduces costs and boosts efficiency.

However, generating attractive content also matters. Since naturally



people supply the plans and ideas, it is essential to create an environment that nurtures human resources. In addition to focusing on education, we encourage a fluid flow of members between production teams. Our development system enables employees to bring the expertise they have gained working on one series over to a team undertaking a different series. The ideal process is one where employees grow by honing their skills in various teams assigned to a number of series that enjoy popularity within the Company.

## Building a rich community to inspire users in North America and Europe

"Lost Planet 2" is a strategic title targeting North America and Europe, which hold the key to Capcom's future growth. Our promotion efforts will be tailored to the needs of each country, leveraging the brand power gained from the previous hit. We will showcase the appeal of the title as we strengthen the online community and other social resources that help users appreciate the game. We aim to spark discussion about the game within the community to take advantage of word-of-mouth as a powerful publicity tool by which current users can bring in new users. We hope that users attracted by word of mouth will cooperate with each other in online play and spread the word to more new users, to keep enthusiasm about the game alive and ensure its lasting popularity.

Our highly aggressive Multiple Usage strategy for "Lost Planet series" also includes plans for the release of a Hollywood-produced movie and a mobile phone game in 2011. We want the release of this shooting game to fill users with amazement about what next-generation game consoles can do.

**Quality Control** 

### Shutaro Kobayashi

Senior Manager of CS Quality Control Section



#### Taking on multifaceted checking functions as a guardian of quality

Quality management is tasked with constantly seeking perfection. What distinguishes Capcom's CS Quality Control Section is its pursuit of customer satisfaction even as it fulfills that important obligation.

Although quality management in game development normally focuses on bug checking—finding and correcting program errors and malfunctions—Capcom's quality management goes further. One example is the role of 'tuning.' A new title will feature novel elements to make players happy, but do the players really enjoy the new elements? Might they be too abruptly presented, or too difficult? We investigate such matters in depth. We propose to the development team the approach that seems best from the player's perspective, to avoid betraying the expectations of users who have spent several thousand yen to pur-



chase a game. Attitude surveys and 'monitoring' performed within our section are also important for predicting demand before a title's release.

#### Engaging in development not as a creator, but as a representative of the user

The CS Quality Control Section works alongside the development team from the beginning to the end of the development process. In the many development approval meetings Capcom holds leading up to a title's commercialization, the CS Quality Control Section represents the users by offering opinions and submitting reports.

After a title is approved, development has officially started and the project is halfway complete, we form a dedicated team when and begin full-fledged 'bug checking' and 'tuning.' The most important task at this time is to uncover bugs related to the core game elements. If uncorrected, such errors can prove fatal later in the development process. To avoid these issues, we employ an online Bug Tracking System (BTS) that enables real-time sharing of bug data, correction history and other information between the development teams and the CS Quality Control Section. The system also shortens lead times and boosts efficiency.

#### Pursuing the goal of "users first" by bringing together 300 unique personalities

The most important element of Capcom's distinctive quality management system is human resources. The CS Quality Control Section has approximately 300 members, each of whom has a unique personality and loves video games. The assets of the CS Quality Control Section are the unique perspectives of these members as game players. We survey new employees in detail on their individual preferences. In addition to game-related information, such as favorite titles and game platforms played, the survey covers personal characteristics—for example, hob-



bies, areas of intimate knowledge and everyday traits. We put this important data to use when organizing dedicated teams for each title. By considering each member's preferences and balancing the ones who are new to a title with veteran players, we can reflect the perspectives of all levels of users in the checking process.

The CS Quality Control Section must be the section within the Company that always maintains a "users first" mindset with which to view development titles objectively. It is the last bastion of Capcom's quality protection. We work with pride and awareness of our responsibility that if we miss a problem in quality management, we end up passing on an incomplete product to the users. Our driving force is the smiling faces of users at stores on the day of a title's release when they excitedly take our products in hand.

#### **Scenes from the Quality Control floor**



We make a variety of efforts to enhance mutual understanding among members.



New employees study basic quality management techniques at a training session.

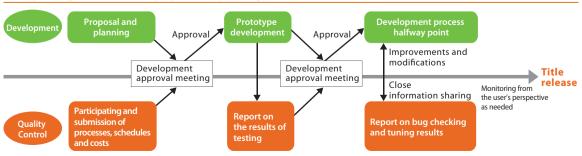


Educational trainers offer quidance and support.



Quality relies on detailed checking.

#### Quality management flow from proposal and planning to title release



## From content provider to strategic pachislo manufacturer

Pachislo is Japan's unique version of slot machines in which players attempt to line up numbers or symbols. Although pachislo was formerly popular for its highly skilled gaming aspect, it transitioned to a more purely entertainment-based pastime when the gaming aspect was prohibited by an amendment to the Regulations on the Entertainment and Amusement Trades Rationalizing Act enacted in July 2004.

Making games more entertaining is Capcom's forte. We have previously earned revenues by providing gaming machine makers with in-house content from video games, such as "Onimusha" and "Resident Evil," and image processing software for visual presentation. However, we were unable to propose sales strategies, because machine sales are mainly handled by manufacturers.

We needed an edge that would enable strategic prod-



uct development to secure stable revenues year after year. To gain this advantage, in November 2008 Capcom took on mediumsized manufacturer Enter-

rise CO. LTD. as a subsidiary, and effectively entered the pachislo market. The groundwork has now been laid for pursuing steady revenues based on our own planning and sales strategy. We will of course continue to value business relationships with the manufacturers to which we have been providing content and software up to now.

## Contents Expansion Pachinko and Pachislo Machines

Making a full-scale entry into the pachislo market to leverage in-house content are expand revenue

Yoichi Egawa Corporate Officer

Head of P&S Business

## Aiming to develop gaming machines that attract repeat users and are appealing to pachislo halls.

Where pachislo machine developers can really shine is in maximizing the tension and anticipation users feel when pulling the lever or pushing the button, and in innovative visuals and other presentation elements that entice people to play over and over again. To handle these elements, Capcom developed its own system board, which presents impressive visuals on a large LCD screen. Meanwhile, Enterrise K.K. handles the "brain" of the machine, which controls the gaming aspect of how jackpots are hit and determines other gaming characteristics. In 2008, the two companies completed joint development on the first machine type and brought it to market. However, due to our overly optimistic development and sales



strategy, the first machine fell short of sales expectations and was not very successful overall.

This harsh experience prompted us to have Enterrise CO. LTD. rework its development and sales strategies into ones more suitable for the debut as pachislo manufacturer. At the same time, the subsidiary launched a branding campaign to raise its visibility as a manufacturer over the medium term. We are creating a system that will attract repeat users and ensure high revenues so that pachislo halls will trust and confidently purchase Capcom machines.

## Placing the pachislo business on a stable trajectory by releasing a new machine type each quarter

Under the new system, the second machine "Vampire" was released in July 2009 as a strategic product. Capcom

handled the visual presentation, while Enterrise CO. LTD. was in charge of the machine's main control "brain." However, the two companies often entered each other's fields and exchanged requests to achieve the common goal of creating a quality pachislo machine. There were some disagreements between the developers, but we managed to harmonize the two sides as an intermediary. As our reward, we think we have cultivated "Vampire" into a machine that is both fun for players and attuned to pachislo hall operations. Little by little, we are also starting to see positive results in product development.

Gaming machines are a large, ¥1.3 trillion market. We strive to effectively leverage Capcom titles to release highly polished gaming machine models and set the business on a stable growth path as early as possible.

#### Pachislo machines developed in-house





At left is our first machine, "Chun-Li Ni Makase China," which features the character Chun-Li from "Street Fighter."

At right is our second machine, "Vampire," which was released in July 2009.

#### **Attractively presented screens**







In addition to the gaming aspect, "Vampire" features sophisticated 3D visual effects to satisfy the video game generation.





Contents Expansion

Mobile Game Development

(Japan, Asia)

Capcom's strong content capabilities open up the future of digital distribution

#### Takeshi Tezuka

General Manager of Mobile Content Development Department

## Mobilizing content that strongly satisfies users in a hotly contested market

The appearance of the iPhone changed the playing field of the mobile content industry. The business model up to now has been led by carriers providing communications services by region, but is now shifting to one dominated by handset manufacturers and firms that develop operating systems for mobile phones, such as Apple and Google. In other words, the industry is transitioning from limited regional platforms to a common global platform.

In Japan, although changes to the sales system have

#### iPhone version of "Resident Evil: Degeneration"











The title makes ubiquitous use of iPhone features. Not only is the touch panel employed, but zombies can be driven away by shaking the handset. The attractiveness of the game is such tactile play options.

dramatically reduced the number of mobile phones sold and slowed the growth of the digital content market, sales of the Capcom flagship titles "Mega Man" and "Street Fighter" are strong, buoyed by the many repeat customers who enjoy the games. The results of customer satisfaction surveys performed by research firms show that fans are satisfied with, and remain loyal to, Capcom's games for their quality and design philosophy. The strength of such content capabilities is Capcom's biggest asset in capitalizing on this major digital distribution trend.

## Leveraging a common global platform to capture users in one fell swoop

The distribution of quality Capcom titles on a common global platform provides the chance to gain all at once a whole class of users who are being exposed to video games for the first time through their mobile phones. Moreover, this strategy is advantageous in terms of cost performance, compared with developing separate titles for carriers' handsets in each region. We aim to achieve Capcom brand penetration and expand revenue by bringing "Resident Evil" and other games to this market.

At the same time, we intend to make forays into emerging markets with untapped potential, such as India, Brazil and Russia—which have populations on a whole different scale from Japan, as well as the coastal areas of China. We consider now to be the perfect opportunity to enter a new area, just as a new environment is being created across national and regional borders that can give full play to Capcom's content capabilities.

## Expanding in the North American mobile phone market by creating quality products

Capcom Interactive Canda, Inc., has grown rapidly in the mere three years since its establishment in 2006, and maintains the No. 5 position by share in the North American mobile games market. In keeping with the expanding business, game downloads rose substantially, from 7.5 million to 10 million.

There are two reasons for the company's growth. One is our technical capabilities, which enable error-free operation on more than 500 new and legacy handsets through exhaustive quality assurance (QA) and backfilling (porting programs to each handset type). The other is an ongoing strategy of carefully releassing games based on both Capcom brands as well as licensed properties.

Furthermore, the company has won the carriers' trust by providing quality games skillfully tailored to the North American and European markets. Consequently, Capcom titles are awarded premium deck slots at most major carriers, which allows us to sell our games to a wide audience.

#### Doubling sales through synergies between North American and Europe Striving to capture new fans

In response to having an expanding market share in North America and Europe, we have followed a strategy of integrating the management of the two regions since 2008. Titles that, until now, had been developed in North America and only sold there are now released in North American and European simultaneously. The same is true for the European titles.

With the slogan of "turning 1+1=2 into 1+1=4," the plan

## Strategy for simultaneous development and release in North America and Europe



aims to double total North American and European sales. The first instance of this strategy was the April/May 2009 release of North America-developed "Where's Waldo?" and European-developed "Ken Ken," both of which were deployed cross territory.

The next theme will be to release hit titles for the iPhone and other new touch screen devices. We anticipate gaining new fans as these more powerful and exciting devices capture more of the market.

#### **Titles developed in North America and Europe**



Developed in North America: "Where's Waldo?"

Developed in Europe: "Ken Ken'

Both titles target new users seeking convenient entertainment options.

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#### **Corporate Profile**

(As of March 31, 2009)

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Name of Company	CAPCOM CO., LTD.	
Date of Establishment	May 30, 1979	
Date of Initiation	June 11, 1983	
Business Segments	Planning, development and sale of home video games     Planning, development, manufacture and sale of arcade games     Management of amusement arcades	
Paid-in Capital	¥ 33,039 million	
End of Term	March 31	
Number of Employees	1,813 (Including consolidated subsidiaries), 1,455 (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	

3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

#### History

Ueno Facility

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1990	Dec.	Released "Final Fight" for Super Nintendo Entertainment System (Super NES).
1991	Mar.	Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.
1992	Jun.	Released "Street Fighter II" for Super NES, and it was a mega-hit.
1993	Jul.	Opened "Capco Circus Nigata East," the largest arcade in Nigata Prefecture.
1994	Dec.	Premiere of the Hollywood movie "Street Fighter."
1996	Mar.	Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.
2001	Aug.	Released "Devil May Cry" for PlayStation 2, and it was a megahit.
	Oct.	Released "Phoenix Wright" for Game Boy Advance, and it drew public attention as a courtroom battle title.
2002	Mar.	Premiere of the Hollywood movie "Resident Evil," which recorded sales of 102 million dollars worldwide.
2004	Sep.	Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.
2005	Jul.	Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.
2006	Aug.	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 one million units were sold following the trails of "Dead Rising", a rare accomplishment for a new title.
2007	Mar.	"Monster Hunter Freedom 2" became the first 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.
2008	Oct.	Premier of the first full-CG movie in the series "Resident Evil: Degeneration." Sales of DVDs and other product versions reached 1.5 million units.
2009	Feb.	Hollywood movie "Street Fighter: The Legend of Chun-Li" was released worldwide.
	Feb.	Takarazuka Revue launches theatrical performance of "Phoenix Wright: Ace Attorney."
	Mar.	"Plaza Capcom Inazawa" opened in Aichi Prefecture.
	Apr.	Began broadcasting the TV animation "Sengoku BASARA."

## CAPCOM CO., LTD.

3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100

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

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Please see the Annual Report 2009.