

**We will maximize profits through the execution of our “Single Content Multiple Usage” strategy and the further strengthening of our proprietary development and technical capabilities in the contents industry, which continues to grow globally.**

The global economy is beginning to show signs of a moderate recovery from the recession that began in September 2008. At the same time, the contents market continues to expand despite the recession. Capcom, which has a substantial role in the contents industry, will further strengthen its proprietary development and technological capabilities while advancing the development of its “Single Content Multiple Usage” strategy to maximize profits.



辻本 憲三

**Kenzo Tsujimoto**

Chairman and Chief Executive Officer (CEO)



辻本春弘

**Haruhiro Tsujimoto**

President and Chief Operating Officer (COO)

## The content industry will continue grow, benefiting from promotional policies instituted by individual nations that have positioned this as a “priority industry”.

In 2009, the global economy was headed toward a moderate recovery, aided by the effect of large-scale economic stimulus measures instituted by major industrial nations and a round of global inventory adjustments. In Japan, despite the continued high unemployment rate, wage restraints and other deflationary pressures, exports and individual consumption improved and declines in capital expenditure slowed as the economy experienced a seesawing yet upward trend.

Given these conditions, the global content market (games, animation, movies, music, etc.) continued to grow steadily and was worth 188.6 trillion yen (up 6.0% from the previous year) in 2009, expanding by approximately 22% in the three years since 2006 (See Diagram 1). This is a result of the expansion emerging markets in China and other nations, the acceleration of horizontal and vertical development resulting from digitalization and networking, as well as the promotional policies instituted by individual nations that have positioned this as a priority industry.

At the same time, the Japanese contents market, second only to that of the United States, was worth 14 trillion yen. This is the largest domestic market after the automobile market (approximately 20 trillion yen), Japan’s largest industry. To support the competitive strength of the contents industry, the Japanese government moved quickly to institute a number of measures with the aim of “expanding the scale of the Japanese content market to 20 trillion yen by 2015”, demonstrating high expectations for the scale and growth potential of the contents industry.

In point of fact, the game industry, which is part of the content industry as well as the largest export industry, demonstrates the “soft power” of Japanese contents overseas, where sales are growing quickly (See Diagram 2). In addition, the development of content digitalization has accelerated the fusion of games, animation, music and movie, enabling game software manufactures to develop game contents in multiple areas, prompting the expectation for further growth of profits.

## Capcom is targeting further growth based on its “Single Content Multiple Usage” strategy in the expanding contents market.

To achieve our medium-term targets of “10% growth in annual net sales” and an “operating margin of 15% or higher” in the continuously growing content industry, regardless of current business conditions, we will advance the development of our basic strategy of “Single Content Multiple Usage”.

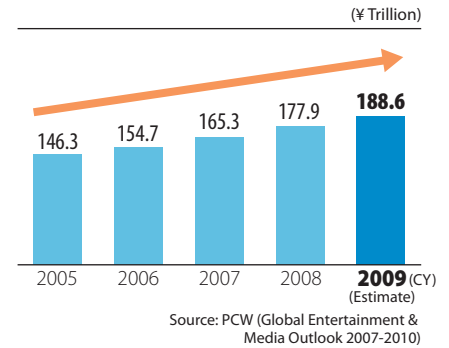
This strategy, based on our strengths in “world-class development and technical capabilities and give rise to “many global million-selling titles and popular characters”, makes use of a wide range of businesses in the entertainment domain (See Diagram 3 and “Our Strategy for Growth” on P. 19).

In particular, development in a wide range of areas such as mobile games, Hollywood movies, pachislo machines, comic books and arcade games, including the home video game sales of our popular title “Street Fighter”, is extremely effective for creating new profit opportunities and increasing home video game users from among customers acquired through other businesses.

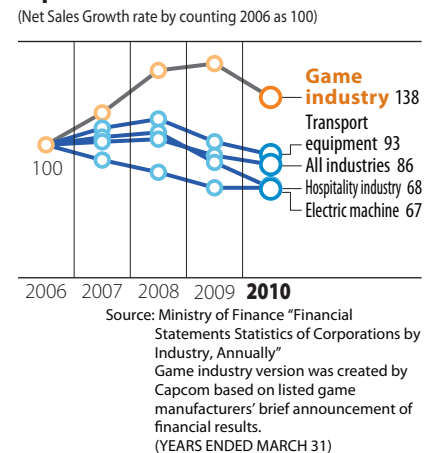
As previously mentioned, the fusion of business areas is accelerating in the contents industry, which is an effective strategy for maximizing profits through the multiple usage of individual titles or characters. For Capcom, which owns several leading titles, this is a big competitive advantage with the potential for global growth.

Accordingly, Capcom will focus management resources on the development of home video game software, our core competence. Furthermore, we will introduce software that accommodates diverse domestic and overseas user preferences, expanding the online game and mobile contents distribution business in response to the expansion of the network game market. As a result, we can improve customer satisfaction and secure a competitive advantage to ensure our survival in this fiercely competitive environment.

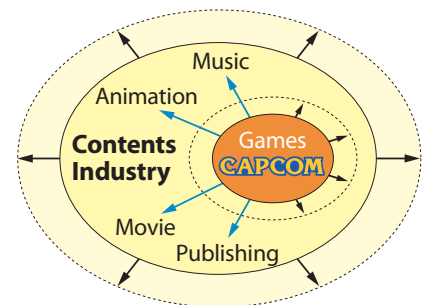
**Diagram 1**  
Content Market Trends



**Diagram 2**  
Net Sales Growth Rate of Japanese Industries



**Diagram 3**  
Expansion of the Contents Industry and Capcom’s Multiple Usage Development



**Penetrate other contents industry revolving around games**

**Earnings this fiscal year were lower than in the previous period, but Capcom is now ready to get back on a growth trajectory once again.**



**Kenzo Tsujimoto**  
Chairman and Chief Executive Officer (CEO)

**We have established the cornerstone of future sustainable growth.**

In 2009, amid the expansion of the overall content industry, the home video game market contracted while the double-digit growth of the online game and mobile content markets continued. Game manufacturers questioned the steering and allocation of management resources in a market where growth potential and market size differ, which will be a decisive point in the competitive battle between firms.

This fiscal year, Capcom recorded the first declines in sales and profits in four years, but we are already implementing measures to get back onto a growth trajectory.

In this section, Chairman and CEO, Kenzo Tsujimoto discusses the company's overall performance during the current fiscal year and answers questions regarding Capcom's management plan, medium- and long-term goals and financial policies.

We hope this discussion will provide all our stakeholders with a deeper understanding of how the company is managed.

**Understanding of Business Climate and Performance in This Fiscal Year**

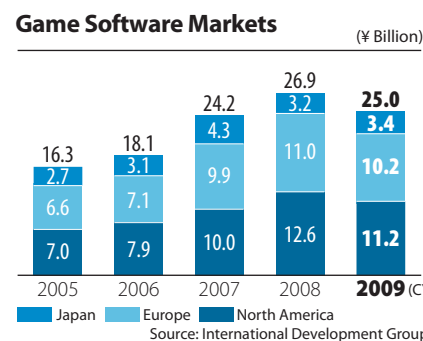
**Q.1** What factors contributed to the significant decline in sales and profits in the fiscal year ended March 31, 2010?

**A.** The main factors were the strategic postponement of main title sales and the drastic overhaul of poorly performing businesses. We are aiming for a V-shaped recovery during the next fiscal year.

**1. Market Environment**

In 2009, the home video game (package) market was worth 25 billion dollars (down 7.1% from the previous year), representing the first negative growth in four years.

Reasons for this include (1) a decline in game console annual unit sales as manufacturers have not introduced new hardware for four years, (2) lower average unit sales prices of game software as a result of intensified competition, (3) the diversification of sales into digital distribution and other



forms and (4) a decline in the number of overall core users relative to the development of the light user segment by Wii and Nintendo DS. Also, the game market, traditionally unaffected by economic conditions, weakened slightly as a result of the global economy.

## 2. Factors Contributing to Declines in Sales and Profits

Given these conditions, Capcom's net sales were 66,837 million yen (down 27.3% from the previous year), operating income was 5,587 million yen (down 61.8% from the previous year), and ordinary income came to 5,530 million yen (down 59.9% from the previous year), resulting in a net income of 2,167 million yen (down 73.1% from the previous year).

The strategic postponement of main title sales and the drastic overhaul of poorly performing businesses were the two main factors underlying the decline in sales and profits.

First, I would like to explain the "strategic postponement of main title sales". Our Home Video Games Business faced a quickly changing market environment in the fourth quarter that included the expected release of several major titles by other companies. In overall consideration of factors such as the direct competition with these titles, maximizing the number of Capcom main titles sold and maintaining our brand value, we decided to postpone the sales launches of "Lost Planet 2", "Super Street Fighter IV" and "Monster Hunter Tri" (overseas edition) to the next quarter. We will continue to develop our business model of providing "high-quality products" developed at a "reasonable cost" through our "global sales network" to resume a growth trajectory.

Next, I will explain the "drastic overhaul of poorly performing businesses". We restructured our gaming-related businesses to "select and concentrate management resources" and "improve management efficiency" by shifting the focus from profitability to development and rigorously reevaluating owned assets. As a result of these efforts, we booked special losses of 4.6 billion yen, which include business restructuring expenses.

Capcom takes the decline in sales and profits very seriously. At the same time, we must pursue the medium-term maximization of income, rather than only achievements this period. In fact, regarding the next year's performance, as indicated in item 4 of Q.3, "Earnings Outlook", we expect a major recovery. We will attain stable growth next fiscal year as well.

## Q.2 What were the operating conditions surrounding business segments in this fiscal year?

### A. Our mobile phone content distribution business and "Single Content Multiple Usage" strategy are bearing fruit.

In the Home Video Games Business, domestic sales of core software "Monster Hunter Tri" increased steadily as its brand power lent stability to the sales of low-priced edition "Monster Hunter Freedom Unite". However, as already explained, business was weakened by the strategic postponement of three main title sales.

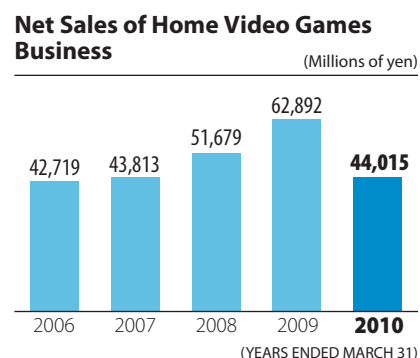
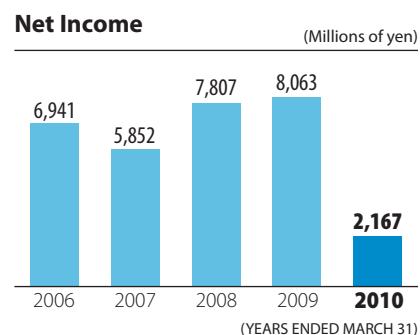
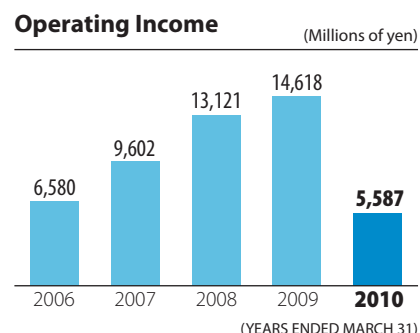
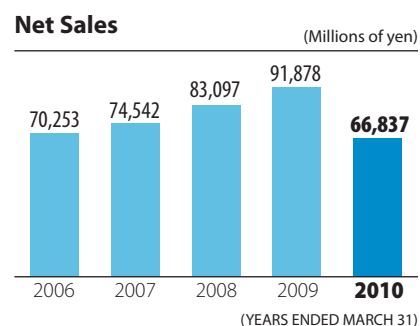
In Arcade Operations Business, although sluggish demand weakened business conditions, fixed expense reductions and measures to improve profitability resulted in an increase in profits.

In the Arcade Games Sales Business, despite our business partnership with NAMCO BANDAI Games Inc. performance was lackluster due to product shortages and market stagnation.

In the Contents Expansion Business, we acquired many new users in the game distribution for the Mobile Content Business through our offering of titles for smartphones. However, while some titles in the gaming machine-related segment did well, dragging products and limited lineups weakened performance, requiring us to conduct a drastic overhaul of this business.

Also, as part of our multi-faceted content development, "Sengoku BASARA" has been made into TV animation programs and game characters were used for the Miyagi Prefecture gubernatorial elections in line with our continuing appeal to customers other than game users.

These factors resulted in the sales and operating income previously noted. Furthermore, business restructuring expenses arising from the overhaul of the development structure of the game machine-related segment forced us to record a special loss. At the same time, as a result of an agreement between U.S. and Japanese taxation authorities regarding transfer pricing tax regulations, net income amounted to 2,167 million yen (down 73.1% from the previous year) (See P. 29 "Overview of Capcom's Business and Outlook for the Future" for details).



Outlook for the Next Fiscal Year

**Q.3** What is the outlook for the next fiscal year and what issues need addressing?

**A.** By addressing two issues that arose during the fiscal year under review, we aim for a 42.1% increase in sales and a 168.5% increase in operating income.

**1. Market Outlook**

We expect the value of the home video game (package) market to decline for the second straight year in 2010, falling to 23 billion dollars (down 8.0% from the previous year), as a result of a drop in average sales unit prices and muted sales of next generation portable game consoles. At the same time, if the rise of digital distribution and other new sales formats is added to the equation, the overall market should be at about the same level as last year.

In addition, given the acceleration of structural changes as a result of the quickening of our business model, which is different from package software sales, we expect the network game market to expand, and predict a mobile content market worth 4.7 billion dollars (up 19.0% from the previous year); while the online game market is expected grow even more (See P. 29 "Overview of Capcom's Business and Outlook for the Future" for more details).

**2. Issues to be Addressed**

Two significant issues arose from the results of this year's performance. The first is the strategic postponement of main title sales. As explained in item 2 of Q.1, "Factors Contributing to Declines in Sales and Profits", we believed this to be in our best interest from the perspectives of maximizing the number of main Capcom titles sold and maintaining our brand value. We recognize that the fundamental problem was partiality toward the "title portfolio during a certain time of year (fourth quarter)". By launching sales of core titles in the fourth quarter, we are able to avoid a certain degree of direct competition with competitor titles, thereby dispersing risk (See P. 23 "Our Strategy for Growth" for more details).

The second issue is the improvement of poorly performing businesses. We entered the gaming machine-related business in 2008, and have yet to turn a profit. The crucial factors surrounding this business are (1) good contents, (2) high technical and development capabilities and (3) a strong sales network. In addition to providing popular content, going forward we will strengthen our sales network and promote business alliances with major sales companies nationwide (See P. 32 "Overview of Capcom's Business and Outlook for the Future" for more details).

**3. Strategic Outlook**

While addressing the aforementioned issues and minimizing profit fluctuation risk, we will formulate the optimal medium-term lineup by promoting each business to ensure sustainable growth.

To this end, we will focus management resources our core Home Video Games Business and increase the ratio of overseas sales, which possess significant growth potential, from 50% at present, steadily to 65%.

Specific measures will include shortening the development period through the in-house development of a core portion of each title and the outsourcing of other portions to external development companies (hybrid development), as well as further improving development efficiency and filling out our title line up by making use of past resources and overseas developers.

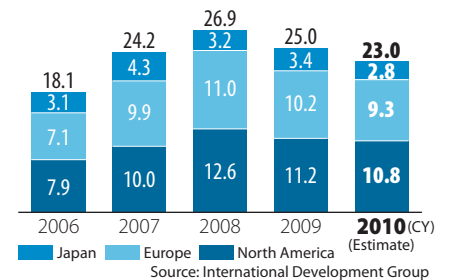
Also, we will strengthen our overseas marketing organization and localization (translation) in an attempt to increase customer satisfaction. Furthermore, we will aggressively develop our download business for the package game software and PC online game markets (See P. 21 "Our Strategy for Growth" for more details).

**4. Earnings Outlook**

During the next fiscal year, we will release several major titles in the home video game market and focus management resources on the Online Games and Mobile Contents businesses. We will go back onto the offensive to achieve growth, and accordingly we forecast net sales of 95 billion yen (up 42.1% from the previous year), and operating income of 15 billion yen (up 168.5% from the previous year).

**Game Software Markets**

(¥ Billion)



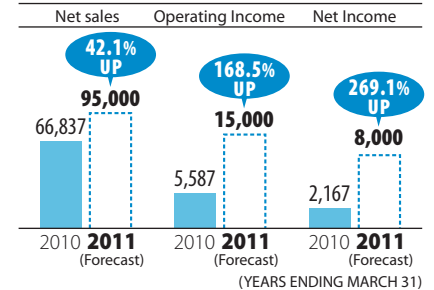
**Significant Issues to be Addressed**

- 1 Optimizing the portfolio of titles in the Home Video Games Business
- 2 Turning a profit in the gaming machine-related business as soon as possible

**Forecast for the Next Fiscal Year**

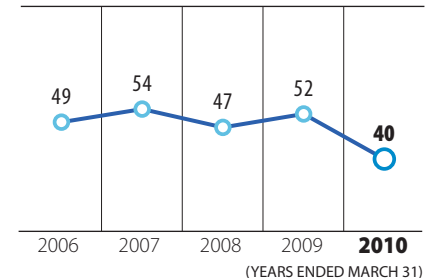
(Millions of yen)

(% change from the previous year)



**Overseas Sales Ratio of Home Video Games Business**

(%)



**Medium- and Long-Term Goals**

**Q.4** What are your medium- and long-term business goals?  
What kind of company are you aiming to become?

**A.** We are targeting profit stability, “increasing sales each year by 10%” and “achieving an operating margin of 15%” in our quest to become a multiple content developing comprehensive entertainment company.

**1. Corporate Philosophy and the Direction of Management**

Our corporate philosophy is to create “entertainment culture” through the development of highly creative software contents that “excite” our customers and “stimulate” their senses.

To realize this, our world-class R&D capabilities will serve as the basis for delivering globally popular titles and a multitude of content brimming with creativity in the home video game area.

Furthermore, by developing our content further for various facets in a range of entertainment areas, we will be able to get more exposure and expand our fan base. We aim to become a comprehensive entertainment company that demonstrates steady growth and has a commanding presence in every business line in which we are involved. We will continue to pursue this ideal.

**2. Medium- and Long-Term Business Goals**

To achieve the abovementioned goals in response to corporate philosophy and management direction, Capcom has set two clear business targets: to “increase sales by 10% each year” and “maintain an operating margin of 15%”.

Three straight years of increased sales and profits ended with a significant drop in sales and profits in this fiscal year (See item 2 of Q.1, “Factors Contributing to Declines in Sales and Profits” for more details). In the next fiscal year, we will promote the “allocation of management resources to growth businesses” while “enhancing our title lineup and development efficiency through further structural improvements” to achieve ongoing medium- to long-term growth.

**3. Medium- and Long-Term Strategies**

These past few years, the PC online game and mobile content markets have grow rapidly as a result of global network infrastructure improvements and the adoption of smartphones, both of which have made possible the online playing and digital distribution of games. As a company in possession of many leading titles in the Home Video Game Business, Capcom believes it is important to increase profits in the three markets where scale and growth potential are largest. To this end, we will strengthen our home video game development capabilities and add to our title lineup while focusing on the PC Online Game and Mobile Content businesses, allocating 85% of our management resources to these three businesses.

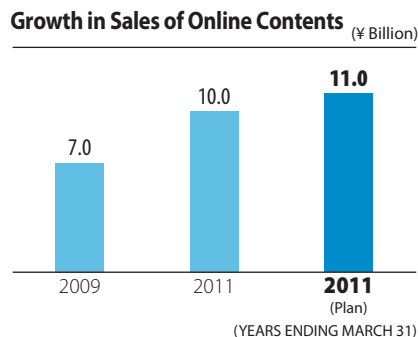
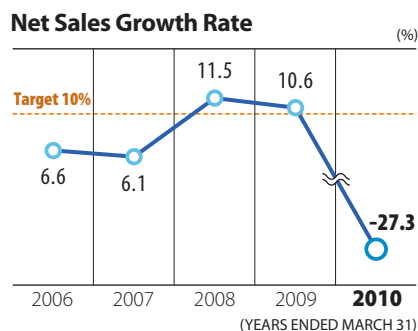
In particular, we will promote the “strengthening of the Asian development of PC online games”, “comprehensive download content for home video games” and the “increase of smartphone game titles”.

In this fiscal year, we anticipate significant growth in online content sales, amounting to 10 billion yen (up 42.9% from the previous year) and accounting for approximately 15% of consolidated net sales as a result of the launch of additional, premium home video game content distribution, as well as the advancement of PC online games into Taiwan.

Also, the development of our “Single Content Multiple Usage” strategy to acquire multifaceted profit opportunities is critical to maximizing profits. As indicated in the “Resident Evil” example on P. 26, in addition to game contents, we are constructing a mechanism to maximize the profitability of one content across the entire Group through our the development of applications for the entertainment business. Accordingly, the creation of hit titles will expand the profitability of the Home Video Game Business and other businesses as well. We have positioned these as peripheral businesses to which we will allocate 15% of management resources in an effort to ensure stable earnings.

**Medium- and Long-Term Business Goal**

- Maintain an annual sales growth rate of **10%**
- Achieve an operating margin of **15%**



Development Investment and Capital Policies

**Q.5** To achieve your medium- to long-term goals, which areas will you focus on terms of investment, and how do you intend to procure funding?

**A.** We will focus investment in the Home Video Game and Online Game businesses, and procure funds through debt financing.

**1. Purpose of Loans**

At present, Capcom is formulating and executing growth strategies in each business in the pursuit of stable medium- to long-term growth.

We recognize that priority must be given to ensure sufficient investment in the Home Video Game and Online Game businesses (see item 3 of Q.4, "Medium- and Long-Term Strategies" for details), where significant growth in the size of each market is expected. Additionally, to cultivate the Mobile Content and other future core businesses, we must strengthen our partnerships with development companies, the recruitment of developers and investment in network facilities.

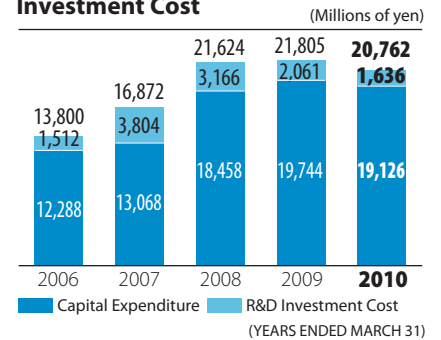
Accordingly, we will invest 85% of our management resources (development investment funds and capital expenditures amounting to 30 billion yen), or 27 billion yen (up 41.2% from the previous year) on growth businesses.

**2. Fund Procurement**

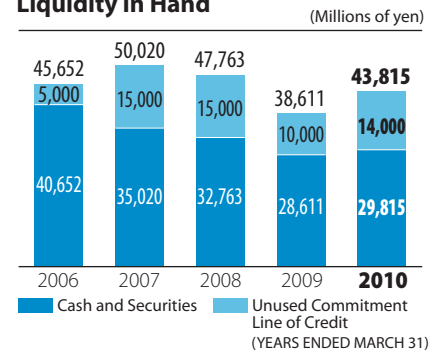
Major home video game titles require more than two years from development to sales, making the return on investment a long-term prospect. Furthermore, we must maintain a certain level of cash and cash equivalents, as online games require regular upgrades after initial sales, and network infrastructure maintenance requires ongoing investment. We recognize as a priority issue the need to understand the global economic situation, paying attention to the risk of not recovering receivables and the resultant need to ensure funding.

To address these funding procurement issues, we determine the level of cash and cash equivalents that needs to be maintained using reserves from the investment plan and risk management. This amount will then be supplemented with cash on hand (29.8 billion yen) as well as an unused 14 billion yen commitment line of credit to maintain an appropriate range. We will continue with our financial strategy to raise funds mainly through debt financing within the commitment line for a period of time, while paying close attention to changes in the financial markets.

**Capital Expenditure and R&D Investment Cost**



**Liquidity in Hand**



Our Views on M&A

**Q.6** What does Capcom think about the acquisition of leading content?

**A.** We engage in amicable acquisitions and partnerships that contribute to our overseas business and "Single Content Multiple Usage" development.

**1. Basic Position on Acquisitions and Partnerships**

Capcom's stable future growth depends on our ability to increase our sales overseas, where the significant home video game software market still has ample room for growth. Acquisitions and partnerships are important strategies to realize this goal. We actively pursue acquisitions and partnerships that will allow us to "create gaming content with universal market appeal" and "gain technologies and know-how required for Single Content Multiple Usage strategy". However, we have no plans to merge with any major Japanese video game publishers or toy manufacturers in the foreseeable future, as it is unlikely to contribute to sales expansion overseas. Such a merger could also restrict our licensing business opportunities.

We also have no plans to make any Take Over Bids (TOBs) as we recognize that the human resources that create content are the most important assets in the entertainment industry. With a

TOB, it is possible that the value of the acquired company will be drastically reduced as a result of employee departures. We believe choosing a partner company that complements our strengths will lead to a successful acquisition and contribute to the growth of our business. Our first objective, therefore, is to form partnerships that meet mutual needs.

## 2. Aims and Effects of Acquisitions and Partnerships During This Fiscal Year

In this fiscal year, we reexamined all the game titles developed in collaboration with partnership companies and acquisitions as well as the effects of these relationships.

Also, aiming to improve the technical development video production, we entered into a partnership with Advanced Telecommunications Research Institute International to introduce the first new voice recognition technology into the gaming industry and promote efficient and high quality content production.

Upon examination of the effects of acquisitions and partnerships, we identified accomplishments including the primarily overseas sales of approximately 500,000 multiple titles. However partnership title projects were left unrealized, necessitating a review of tactics within our basic strategy (See P. 19 "Our Strategy for Growth" for details).

In the next fiscal year, we plan on releasing more than 10 titles targeting the overseas market based on a new partnership model in an attempt to achieve an overseas sales ratio of 65% or higher.

## Dividend Policy

**Q.7** Will you lower the dividend as a result of the decline in sales and profits?

**A.** We will continue our policy of providing stable dividends.

### 1. Basic Policy Regarding Dividends

One of our management priorities is to share profits with all our shareholders. Our basic policy is to provide stable and continuous dividends that take into account our financial condition and future business strategies.

### 2. Allocation of Business Investment Results (Dividend and Internal Reserve Ratios)

As I indicated in item 1 of Q.5, "Purpose of Loans", we believe that now is the time to invest in our future growth.

For this reason, we feel that the free cash flows generated by businesses during this fiscal year should first and foremost be allocated to business investment focused on the future.

Therefore, our shareholders will continue to receive stable dividends while we increase our corporate value through growth achieved by new investment.

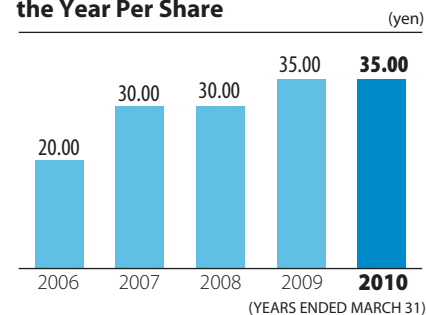
### 3. Dividends for This Fiscal Year and the Next

In accordance with the above dividend policy and the decline in sales and profits for this fiscal year, we maintained the level of the annual dividend at 35 yen. As a result, the dividend ratio was 98.0%. Also, we repurchased 2,974,600 shares of treasury stock.

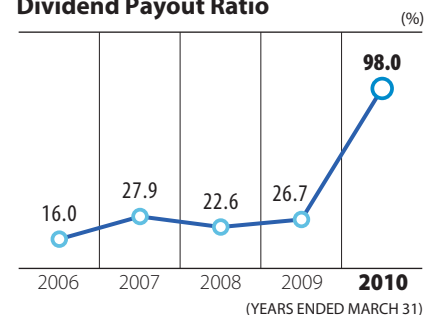
We forecast an annual dividend of 35 yen for the next fiscal year. While ensuring resources for investment, we will continue to enhance the return of profits through an incremental increase in dividends in proportion to profit growth and the repurchase of treasury stock.

I would like to express my gratitude to all our shareholders for your encouragement and guidance. We will continue striving to be worthy of your ongoing support.

### Cash Dividends Applicable to the Year Per Share



### Dividend Payout Ratio



**Kenzo Tsujimoto**

Chairman and Chief Executive Officer (CEO)



# Capcom's Corporate Governance Ideal

Management strengths, the separation of management and execution according to the founder and the steady progress of preparations for management's transition to the next generation — Founder, Chairman and CEO, Kenzo Tsujimoto engages in a frank discussion about "corporate governance" as well as Capcom's current and future direction with Asahi Shimbun AERA Journalist Atsushi Yamada.

### Management Decisions Based on Experience Accumulated Since Capcom's Founding are CEO's Strength

**Yamada:** Capcom has developed into the company it is today under the strong leadership of its founder, Kenzo Tsujimoto. Starting out as a venture company focused on sales of arcade games, in 20 some years you have achieved net sales of 100 billion yen, and I think the key to your growth into a global corporation lies in your "strength" as an owner-manager. To what do you attribute your success?

**Tsujimoto:** I think one of the biggest merits of being an owner-manager is "rational management decisions" based on the accumulation of long years of experience. Capcom's history until now includes over 40 million-seller titles and numerous other successes, as well as plenty of mistakes and difficulties. Seven years ago we executed organization reforms that created a state of emergency when many of our creators left the company. However, in times of crisis such as these, the issues and risks faced by the company become clear, enabling the development of reforms, rationalization and risk hedging to overcome these challenges. I think taking time to assimilate experiences accumulated since our founding has enabled me to make rational management decisions.

**Yamada:** So your long-time position as the leader and the accumulation of management expertise has enabled you to command the direction of your company? Even in times of difficulty, have you relied on this experience to get the company back on track?

**Tsujimoto:** That's right. But rather than simply a function of being at the company for all those years, the most significant factor is that, as the owner-manager, I have been at the center of all our corporate management.

### Strengths of Corporate Governance

**Tsujimoto:** For an organization like Capcom to become as big as it has become required more effort than I could have possibly mustered on my own. Three years ago, we created a governance framework capable of executing "systemic management".

**Yamada:** In 2007, your oldest son, Haruhiro Tsujimoto, was appointed President and Chief Operating Officer (COO), and you became Chairman and Chief Executive Officer (CEO). Was this a significant turning point for Capcom?

**Tsujimoto:** Yes, we were focused on a clear separation of "management" and "execution". By separating the CEO and COO, we wanted to clarify the role and responsibilities of each while realizing speedier management decision-making. At present, as CEO, I formulate management policies, and the responsibility for executing those policies lies with COO Haruhiro Tsujimoto and managers of the related business divisions.

**Yamada:** I see. In Japan, when someone "becomes chairman", it is typically a precursor to retirement or merely a change of the posts without transfer of real management power, and there are more than few cases where there is no clear separation of CEO and COO roles, but at Capcom you have achieved an obvious separation.

**Tsujimoto:** Yes, and I think that those kinds of ambiguities tend to slow down management decision-making, leading to bad decisions. Having several people with the same authority slows down decision-making and requires unnecessary coordination. Diarchies never work.

**Yamada:** Without a doubt, even at large corporations, governance is weakened when responsibilities are not clearly separated.

**Atsushi Yamada**

Reporter for AERA,  
AERA Editorial department,  
Asahi Shimbun Publications Inc.

**Kenzo Tsujimoto**

Chairman and Chief Executive Officer (CEO),  
Capcom Co., Ltd.

**Tsujimoto:** The worst thing is when, out of kindness, someone gets involved in another person's job. If, while half-heartedly helping with someone else's job, a problem arises, there is no way to assess responsibility. That's why, since I became chairman, I don't spend much time onsite, nor do I attend division meetings. At the same time, to make accurate judgments as a member of management, it is necessary to always be aware of the entire organization. This is why I always read the minutes from the executive meetings carefully, and if I see any problems, I correct them. We also assess penalties if any activities are conducted that were not decided on at the business manager's meetings. Similarly, in terms of budgets, as long as expenditures are within the scope of the plans approved at the beginning of the year, I won't say anything, but all changes must be reported to managers when necessary to receive approval. The Japanese game industry began full-scale investment in the online game market rather early, and I think this is a reflection of the speedy management decisions possible within a system such as this.

**Yamada:** You introduced a "system of appointing external directors" (See "Corporate Governance" on P. 42 for more details). As a result, the "freedom to make management decisions", the benefit of being an owner-led corporation, is now limited, and there are concerns that Capcom might become a less interesting company.

**Tsujimoto:** No, in fact, the external directors are not here to delve into details and argue every point. If anything, this system makes the most of the positive aspects of being an owner-manager. This is because the addition of "third-party judgments" enables more correct management decisions. All our external directors have been individuals with superior knowledge and good sense, and I have the utmost confidence in them. For example, in the past we have been presented with project proposals from the business divisions whose viability was difficult to determine, and the external directors, after carefully examining various data, decided that "a project was too risky" or that "the timing wasn't right". Their opinions and guidance are accurate and contribute significantly to the formulation of balanced strategy.

### Carrying Experience and Expertise into the Next Generation

**Yamada:** By separating the execution of duties, you have begun to pass the baton to the next generation; what is your thinking with respect how you will transition into the next generation?

**Tsujimoto:** We must execute transition of management responsibility in

stages. Systemic management through the separation of management and execution is the first stage, which is basically beginning to function as planned. Although the COO must make many difficult decisions regarding the creation of long-term game development planning, the formulation of online business strategy and overseas development, the present COO is advised by specialists in each area while steadily moving forward. Despite the pressure, this is how a manager grows and builds a career.

**Yamada:** The next stage, "management", is the role of the CEO. While delegating authority, you must also pass on your high-level management expertise cultivated over many years to the next generation. I think this is the most important aspect of your role. How do you feel about it?

**Tsujimoto:** For "management" to be entrusted to the CEO, we must have a system that enables me to correctly ascertain all the numbers for the entire group. To this end, beginning in 2007, we spent two years creating a unified group-wide management database that incorporates data from our North American and European subsidiaries. As a result, I can quickly check the status of cash flows and other critical information, providing me with an overview that enables me to easily understand how the company is positioned at any given time.



**Yamada:** So, the "visualization" of group-wide data has resulted in more precise management decisions? What else is necessary for the transition to the next generation?

**Tsujimoto:** In the next few years, I want to clarify the "objectives" and "authorities" of our executive's duties, and devise a system that quantifies their skills. I think that, by clarifying "objective" and "value", we can create an even stronger organization where the CEO can leave the company in the hands of the next generation.

**Yamada:** Will you retire once that objective has been achieved?

**Tsujimoto:** No, even if I step down as CEO, I will continue to play an active role in the company as chairman. I want to continue doing what I can to contribute to the growth of the company.

**Yamada:** I look forward to watching Capcom move ahead toward the future guided by the experience and expertise of its most valuable management resource.

### After the Conversation

During our conversation, Chairman Tsujimoto repeatedly emphasized that "video games are a cultural and emotional industry", and he struck me as a manager who was unusually adamant about manufacturing and quality. He is a true success story, having worked hard in his younger years, and growing Capcom into one of a handful of global game corporations from the beginning days of Japan's game industry, and I had the distinct impression that his strong personality is what continues to lead Capcom forward.

However, Mr. Tsujimoto will not be Capcom's top manager forever. I think the company needs to steadily transition toward a future management that maintains Capcom as established and cultivated by the founder. It appears that these preparations are already underway.



**Atsushi Yamada**

Journalist for Asahi Shimbun AERA Editorial department. Born in 1948 in Tokyo. Joined Asahi Shimbun Publications Inc. in 1971. Career highlights include being dispatched to offices in London and Bangkok, and work as a guest researcher at Harvard University, an economic editorial committee member and a commentator on TV Asahi. He has held his current position since 2010. He is the author of "Ginko Wa Doh Naru?", "Nihon Keizai Shindan "(Iwanami Shoten) and "Nihon Saihaiboku "(co-authored with Soichiro Tahara, Bungei Shunju).