

**Explanation Summary for the Briefing Regarding  
2nd Quarter Financial Results of the Year ending March 31, 2013  
by Kenzo Tsujimoto, Chairman and CEO  
(November 1, 2012)**

1. Greeting

(1) Thank you to the audience

Thank you very much for taking the time from your busy schedules to attend Capcom's briefing on our financial results.

(2) Today's meeting

At this meeting, I will cover three subjects: summary of the first half performance, measures to further strengthen our development infrastructure in order to implement our growth strategy, and finally our goals for the next fiscal year.

## 2. Summary of the first half performance

<b>Summary of the first half performance in FY2012</b>			
<b><u>Summary of the first half performance in FY2012</u></b>			
(Million yen)			
	<b>2011/9</b>	<b>2012/9</b>	<b>Difference</b>
<b>Net sales</b>	<b>29,252</b>	<b>45,538</b>	<b>155.7%</b>
<b>Operating income</b>	<b>2,782</b>	<b>6,515</b>	<b>234.2%</b>
<b>Operating margin</b>	<b>9.5%</b>	<b>14.3%</b>	<b>-</b>
<b>Ordinary income</b>	<b>1,907</b>	<b>6,076</b>	<b>318.5%</b>
<b>Net income</b>	<b>906</b>	<b>4,125</b>	<b>455.1%</b>



### (1) First half results of operations

- Sales and earnings were higher than the same term last year and higher than our plan. Sales and income for this 6 months period broke the record at all levels for the first half, since the announcement of consolidated mid-term financial results started in the fiscal year ended March 31, 2001.

### (2) Reasons for higher sales and earnings

- The major contributors in the first half were the strong performances of package software, online contents and pachislo machines.
- In package software, the launches of “Resident Evil 6” and “Dragon’s Dogma” were strong. In online contents, social games and downloadable contents have been performing well every quarter in Japan and overseas.
- In the Pachinko and Pachislo (P&S) business, there were strong sales of pachislo machines for other companies.
- As you can see, our performance is backed by the Digital Contents business, which is the nucleus of our growth strategy, and the P&S business, which has the potential for renewed growth. We want to continue growing in these two sectors.

### 3. Further strengthen the development infrastructure

**Further strengthen the development infrastructure**

## **Rapid changes in market conditions**

**Tightly focus resources on carefully selected activities to**

- **Increase the quality of our brands**
- **Operate business in more regions of the world**



#### (1) Market conditions

- In the package software market, Japanese game companies did do well at E3 last June. It was an extremely challenging E3 for Japanese game publishers. However, I believe there is sufficient momentum in the global package software market and that there are many new business opportunities.
  
- In the package software market now, this is normally a time when game companies do not release new titles because the game hardware has reached a phase of maturity and there are few new models. But this year's E3 was not like this at all. European and U.S. game companies are releasing many highly appealing new titles and taking other aggressive actions.
  
- In addition, overseas game companies are making large expenditures to develop and promote major new titles. Game quality is increasing as a result. I believe that Capcom too needs to raise the quality of our brands further by one or two steps.
  
- Furthermore, outside the package software market, Capcom must target opportunities created by two growth vectors in our markets. One is the increasing number of devices used for games, such as smartphones and tablets. The other is the geographic expansion of the game market to include Asia, South America, the Middle East and other regions.

## Further strengthen the development infrastructure

### Make the game development infrastructure even stronger

#### To compete and win on a global scale

- **Increase the internal game development workforce**
- **Expand overseas internal game development lines**

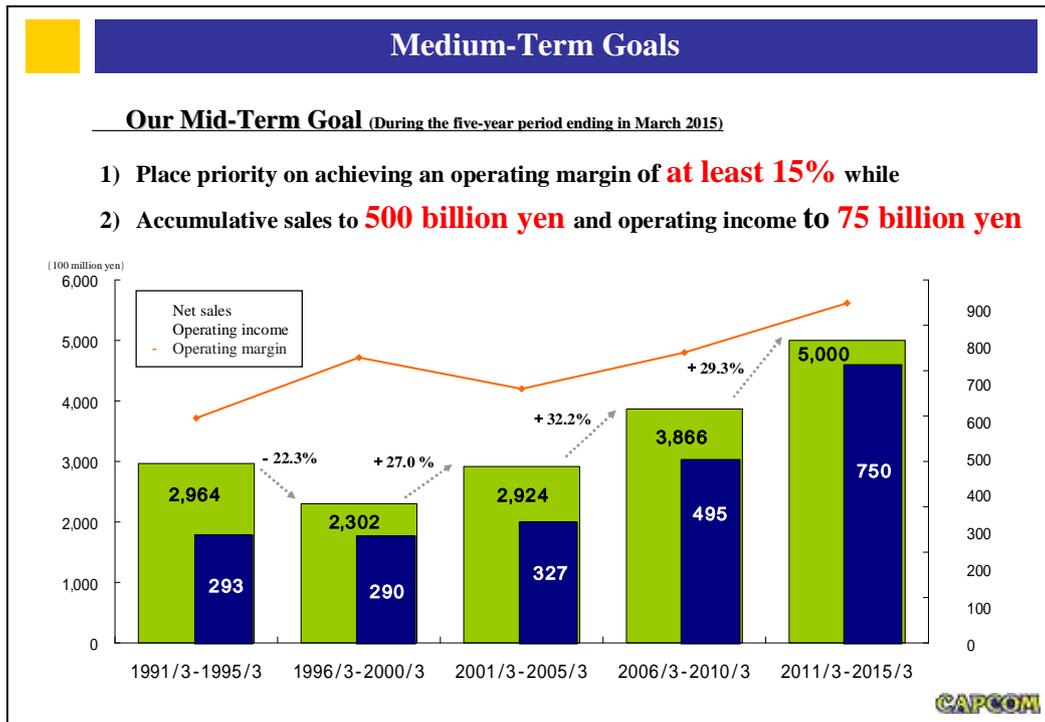


#### (1) Further strengthen the development infrastructure

- Capcom must compete successfully on a global scale and capitalize on opportunities created by the broader range of devices used for games and growing market for games. To accomplish these goals, we plan to increase our internal game development workforce.
- Of course, we will continue to use external development companies and recruit experienced developers to some degree. But we want to (a) hold down expenses, (b) concentrate know-how within Capcom and (c) unify development concepts. This is why we will increase the share of games created internally, aim to create content that ranks among the world's best, and enlarge our lineup of titles. Our objective is to increase our share of all market categories where we have a presence.
- Furthermore, we have set up new development bases and development lines outside Japan. Our goal is to strengthen our lineups of overseas titles for the package software, social game and PC online game markets.
- In the package software sector, we are increasing the workforce of Capcom Game Studio Vancouver, Inc., which developed the highly successful "Dead Rising 2". This location is currently working on the development of new titles.

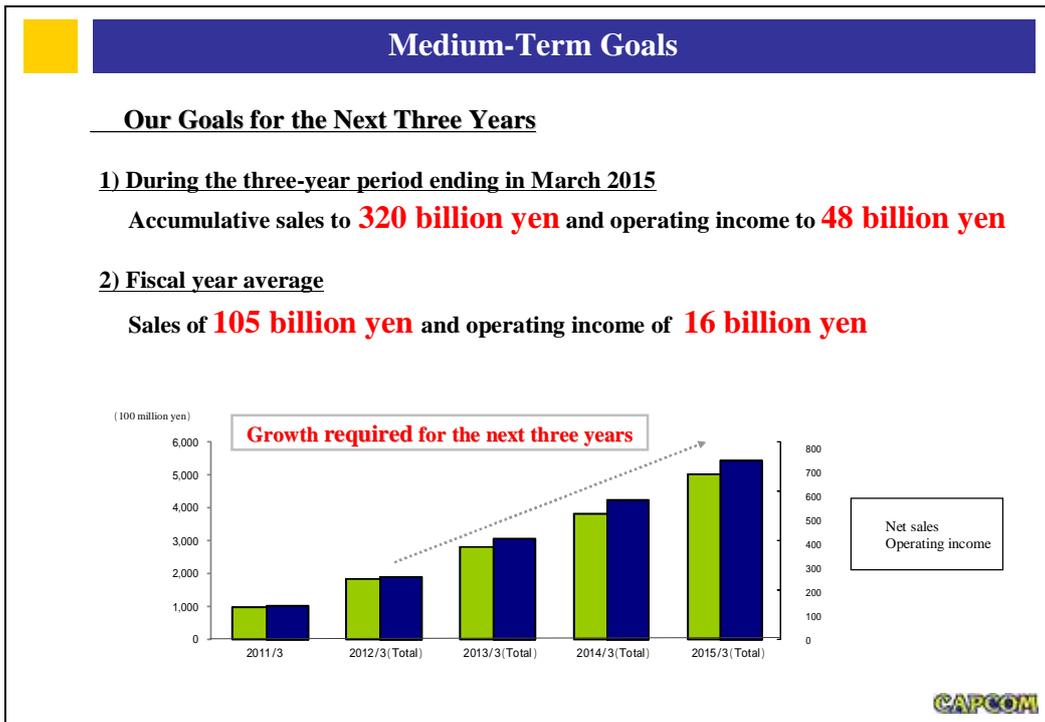
- In the social game sector, Beeline is to establish its fifth development base, Beeline Interactive Thailand Co., Ltd.. The other bases are in Toronto, Los Angeles, London and Japan. We will use Thailand to develop games for the iOS and Android platforms. In the future, plans also include using Thailand for developing games specifically for the Asian market.
- Smartphone ownership in Japan continues to increase. In response, our development base in Japan is going beyond overseas title transplants to work on strengthening our lineup. Examples include licensing distinctive Japanese intellectual property and creating original titles.
- In the PC online game sector, we are setting the stage for the full-scale start of operations in Asia. We have established Capcom Taiwan Co., Ltd. and have added a development line at Capcom Entertainment Korea Co., Ltd..
- Our plan for our global game development infrastructure is to increase the number of developers over the next 10 years by about 1,000 to a total of about 2,500.

#### 4. Medium-term targets



- Our medium-term targets are accumulative sales to 500 billion yen and operating income to 75 billion yen over the five-year period ending in March 2015 while placing priority on achieving an operating margin of at least 15%.
- In the first two years of this five-year period, we have made good progress toward our targets. Our sales were 179.7 billion yen (36% of the target), operating income was 26.6 billion yen (36% of the target), and the operating margin was 14.8%.

5. Goals for the next fiscal year



- If our performance in the current fiscal year matches our initial plan, our sales will have to be 210 billion yen and operating income 32 billion yen over the two fiscal years ending in March 2015. That means we will have to maintain average sales of more than 105 billion yen and operating income of more than 16 billion yen.
- We plan to use three initiatives to achieve the targets. First is enlarging our development resources. Second is launching several major titles. Third is significantly increasing our lineup of titles in the highly profitable online contents business. This includes titles for downloadable content, mobile content, PC games and other categories.

- We will soon begin working on our outlook for performance in the next fiscal year. At this time, I cannot provide specific figures for the next fiscal year or information about our title lineup at this time. There are several key points regarding the next fiscal year.
  - (a) How strong can we make our lineup in the next fiscal year in relation to the major titles of the current fiscal year?
  - (b) Will our highly profitable Online Contents business continue to grow? For example, to what degree can we alter the sales composition ratio for package home video games and downloadable content? Will the growth of Capcom brand social games continue in Japan? Can Beeline use “Smurf Life” to speed up its growth again? And can the PC Online Games business establish a beachhead in Asia?
  - (c) In the P&S business, can we start full-scale operations for our own machines?
- We will formulate a plan for the next fiscal year while examining these questions. We will announce the plan when this process has been completed.

This completes my presentation. Next, the president will provide more specific information about our strategies in his presentation.