

**Q&A Summary for the Conference Call about Revision
of Forecast for the Fiscal Year Ended March 2013
(April 18, 2013)**

Q. Please explain the reasons for your decision about three years ago to pursue a strategy of making extensive use of development companies in other countries.

A. One reason was the need to increase the number of developers we can use. Due to our plan to increase the number of titles we sell, our own team of developers was not large enough. Another reason was the need to efficiently develop titles that reflect the preferences of consumers in overseas markets. This is why we have outsourced production activities to a number of prominent developers in Europe and North America.

Q. What are the reasons for the special loss?

A. In conjunction with the realignment of the Home Video Games business, we performed a rigorous assessment of the profitability of titles now under development. This process resulted in the recognition of losses from the discontinuation of development and the valuation losses for some of these titles.

Q. What is the ratio between the discontinuation of development loss and the valuation loss?

A. We are unable to provide more information about the ratio.

Q. How do you plan to adapt to further changes that are likely to occur in your markets?

A. We are using a comprehensive and long-term view of events in the broadly defined game market, such as the emergence of next-generation game-playing products and growth of the market for tablets and mobile devices. We will use this viewpoint to respond to changes with flexibility as we take into account a variety of potential opportunities several years from now.

Q. What was work-in-progress for game software at the end of March 2013?

A. We have not yet finalized this figure, but we believe this will be under 20 billion yen, which is less than the previous fiscal year.

Q. Were any of the titles under development that you canceled to be released in the current fiscal year ending March 2014?

A. There were a few titles scheduled for the current fiscal year, but most of the cancellations were for releases planned in the fiscal year ending March 2015 and subsequent fiscal years. No titles that had already been announced were canceled.

Q. What is your revised forecast for net income before income taxes?

A. It will be under 4 billion yen.

Q. How much of development expenditures in the current fiscal year will be for outsourced expenses?

A. We are unable to provide a breakdown of these expenditures. We anticipate a significant decrease in outsourcing expenses from the previous fiscal year.

Q. In the Amusement Equipments business, what share of sales and earnings came from the Arcade Games Sales and the Pachinko and Pachislo business in the previous fiscal year?

A. The Pachinko and Pachislo business was about 90% of sales and earnings.

Q. What were your cumulative shipments of the “Resident Evil 5” pachislo machine as of the end of March 2013?

A. Shipments were more than 48,000 units at that time.

Q. Please provide a breakdown of sales in the Digital Contents business.

A. We expect sales of 63.5 billion yen in this business in the fiscal year ended March 2013. We anticipate packaged software sales of 40.6 billion yen, downloadable content sales of 5.2 billion yen, mobile content sales of 11.0 billion yen, and sales of 6.7 billion yen for PC and others.

Q. What is your plan for development expenditures in the current fiscal year?

A. We are unable to say anything about our plan right now but we expect these expenditures to be about the same as in the previous fiscal year.

Q. Why will development expenditures be the same as in the previous fiscal year even though outsourcing expenses will decrease?

A. There will be no significant change in total expenditures because we are cutting outsourcing expenses while recruiting more developers to raise the share of development activities performed internally.

Q. Are you thinking about reducing the number of development lines for home video games?

A. We believe that sales in the console and online category (downloadable content and other products) will continue to increase even if home video game packaged software sales decline. Developing content for the home video game market will remain the core element of our strategy.

- Q. What is your plan for the number of titles to be sold in the current fiscal year?
- A. We are unable to provide you with a number at this time. Our basic policy for our own titles is to launch highly promising titles that can be very profitable. For the titles of other companies, our goal is to sell high-quality titles.
- Q. What is your game software sales units plan for the current fiscal year?
- A. We are unable to provide the plan at this time.
- Q. The launch of next-generation hardware is expected to cause development and marketing expenses to increase. How will Capcom deal with this increase?
- A. We are unable to provide any details now. Each title will be clearly targeted based on our analysis of hardware popularity, user distribution and other parameters. We will also closely manage earnings. Furthermore, we foresee growth in development and marketing expenses for some but not all titles.
- Q. You are planning on strengthening your downloadable content strategy, but aren't there very few instances worldwide of a successful strategy in this market sector?
- A. Currently, the AAA titles of a few companies dominate the downloadable content market as the sales volume of midsize and small titles declines. We plan to formulate an appropriate strategy based on the scale of each title.
- Q. Why did the Mobile Contents business fall short of its goal and what is your strategy for this business?
- A. In Japan, growth of card battle-type social games has stagnated in the market. Overseas as well, the market is leveling off because of the ongoing diversification in users. However, smartphone sales are increasing rapidly and so are areas of the world where these phones can be used. Therefore, we believe this market has enormous potential. We will explain our strategy at our announcement of financial result in May.
- Q. What will be the major sources of growth in sales and operating income in the current fiscal year?
- A. We foresee higher sales in the online content and pachinko and pachislo sectors. We also expect an improvement in profitability of the Home Video Games business due to the launch of the major title "Monster Hunter 4".

- Q. The operating income plan in the current fiscal year is 12 billion yen. Can you achieve your medium-term plan goal of average operating income of 16 billion yen?
- A. We believe this is possible because of an expected improvement in the operating margin as online sales increase. We plan to reexamine the medium-term plan and will provide more information about this subject at our announcement of financial result in May.
- Q. Please explain your native app development policy in the Mobile Contents business and your plan for the future.
- A. Users' likes and dislikes and the market are constantly changing. We will not restrict our activities to browser and native app products. Capcom will rapidly create content in categories with significant user needs while monitoring events in the global market.