

**Explanatory Summary of Financial Results Briefing  
of the Full Year Results for FY 2012  
by Chairman and Chief Executive Officer Kenzo Tsujimoto  
(May 9, 2013)**

1. Greeting

(1) Thank you for attending

I realize that this earnings announcement season is a busy time for you. Thank you very much for taking the time today to attend our information meeting.

(2) Cooperation with survey

Every year, we contact analysts and investors in Japan and overseas to hear your thoughts about our mid-term goals, strategies, IR activities and other subjects. Your input is one of the items we consider when reaching management decisions, and we appreciate your cooperation.

(3) Today's presentation

At today's information meeting, I will cover four subjects: an overview of our performance in the past fiscal year, an analysis of market conditions and our responses associated with last year's earnings revision, our review of mid-term goals and our stock repurchases.

2. Results of Operations in Fiscal Year ended March 2013

<b>Results of Operations in Fiscal Year ended March 2013</b>			
<b><u>Results of operations in fiscal year ended March 2013</u></b>			
	(Million yen)		
	<b>2012/3</b>	<b>2013/3</b>	<b>Difference</b>
<b>Net sales</b>	<b>82,065</b>	<b>94,075</b>	<b>114.6%</b>
<b>Operating income</b>	<b>12,318</b>	<b>10,151</b>	<b>82.4%</b>
<b>Operating margin</b>	<b>15.0%</b>	<b>10.8%</b>	<b>-</b>
<b>Ordinary income</b>	<b>11,819</b>	<b>10,944</b>	<b>92.6%</b>
<b>Net income</b>	<b>6,723</b>	<b>2,973</b>	<b>44.2%</b>



(1) In the fiscal year ended March 2013, our sales were higher than one year earlier but earnings decreased.

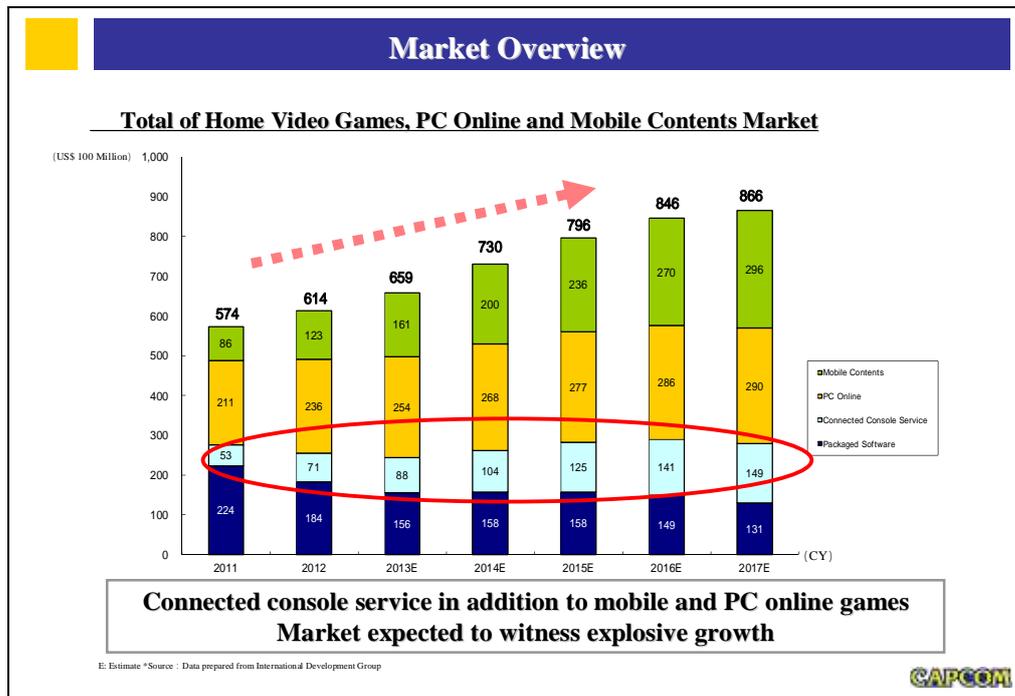
(2) Reasons for higher sales and lower earnings

There are two reasons for the growth in sales. First is increase of 9.1 billion yen (+119%), in sales in the Amusement Equipments business because of the success of our “Resident Evil 5” pachislo machine. Second is the increase of 3.8 billion yen (+6%), in sales in the Digital Contents business because of growth in sales of mobile content and digitally distributed content (DLC) of the home video games.

Higher sales in the Amusement Equipments business contributed 4.0 billion yen (+450%) to operating income. But the Digital Contents business had a negative effect of 5.8 billion yen (-45%) on operating income. Sales of the flagship title “Resident Evil 6” fell short of our target at 4.9 million units and we decided to postpone the launch of “Monster Hunter 4” to the summer of 2013.

Net income was down 3.7 billion yen (-56%), because of special losses of 7.2 billion yen associated primarily with a reexamination of our games under development to reflect changes in market conditions.

### 3. Market Overview



#### (1) Analysis of issues

Looking at our markets, I believe there were two reasons for our earnings revision in the previous fiscal year. One is the drastic changes in the industry's market environment. The other is the concentration of AAA titles in the hands of few foreign competitors.

#### (2) Market analysis

I will explain changes in our markets by looking at each game platform.

I think the general view of stock investors is as follows. People are increasingly using smartphones and tablets to enjoy games. As a result, the package software market has matured because there is only a small number of core users and downward pressure on prices. Furthermore, business risk involving package software is growing. The main reasons are higher game development expenses because of next-generation game hardware and the concentration of some major titles among a few companies. Consequently, investors request that Capcom should shift its focus to the mobile and PC online categories.

We see the package game market in 2017 will be 5.3 billion dollars (-29%) smaller than in 2012. During this same period, we foresee enormous growth of 7.8 billion dollars (+110%) in the DLC market. I think that channeling our resources to the DLC market will enable us to earn sufficient profits from home video games, too.

The Single Content Multiple Usage strategy is the basis of our operations. We use in many ways intellectual property created for package software. Our goal is to make our title lineup more powerful by continuing to increase sales (package + DLC) from major titles.

To accomplish this goal, we will reexamine the structure of our organization. For example, one theme is combining the production skills of our people in Osaka with the business operations skills of our people in Tokyo.

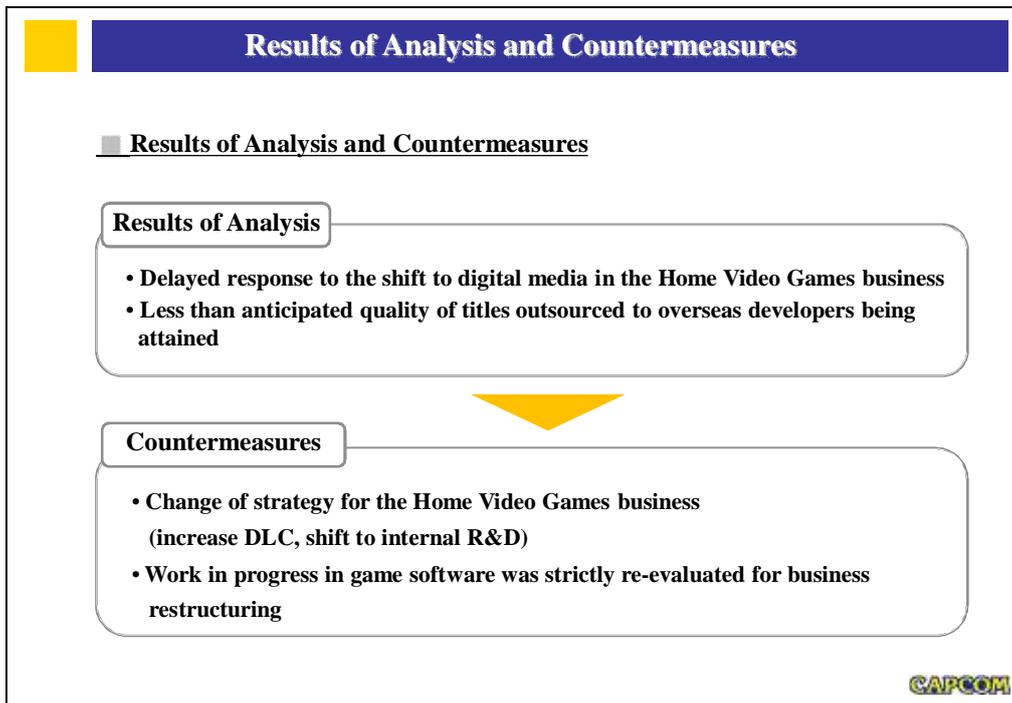
(3) Comparisons with competing titles

We performed a comparison of sales volumes between 2007 and 2012 of series titles of our competitors.

In general, sales of the AAA titles of our competitors even for package software alone were flat or higher.

We also analyzed sales from 2007 and 2011 of titles that sold more than 5 million units. The number of these titles was the same in 2007 and 2011. But these titles increased as a share of total sales volume in 2011. This shows that the market is becoming increasingly dominated by AAA titles.

#### 4. Results of analysis and countermeasures



(1) Results of Analysis

Our analysis of our markets and the shortfall in last year's performance identified two major issues. First is the delay of response to the shift to digital media in the Home Video Games business. Second is less than anticipated quality of titles outsourced to overseas developers being attained.

(2) Delayed response to the shift to digitally distributed content (DLC) in the Home Video Games business.

In the home video game market, DLC accounted for 27% of sales in 2012. But at Capcom, this ratio was only 11%, demonstrating our high reliance on packaged software.

The actual DLC ratios are somewhat lower because sales in this market include monthly payments to hardware manufacturers. By 2017, the DLC ratio is expected to be more than 50% in the market. This is why there is an urgent need for the company to undertake initiatives to increase the level of such content.

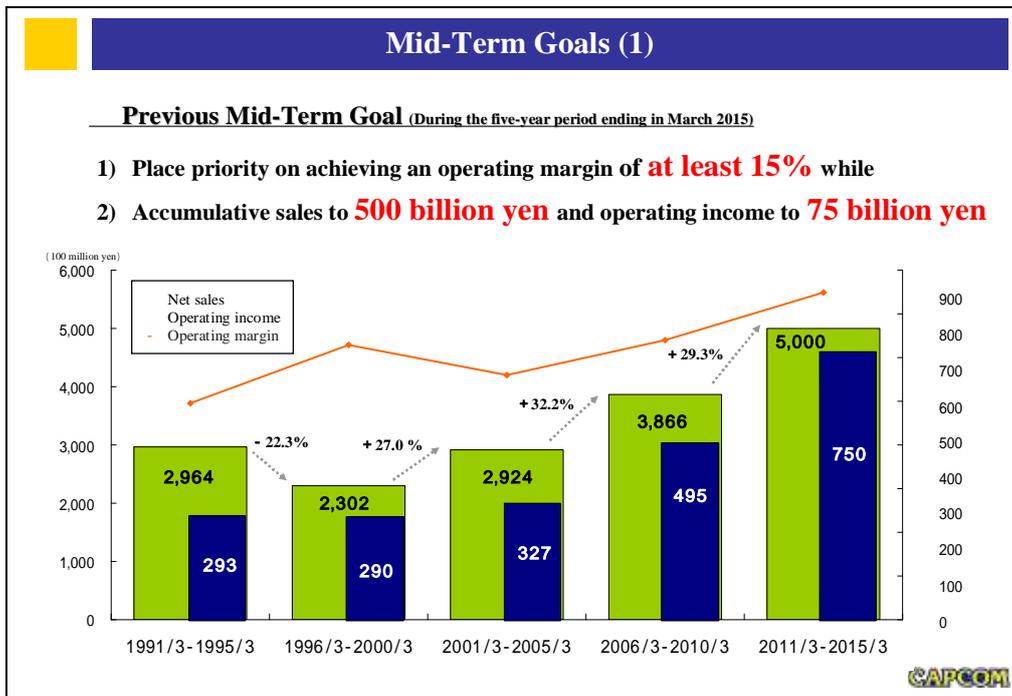
(3) Declining quality of titles outsourced overseas developers

In 2009, we started making extensive use of overseas development companies. But the subsequent rapid advances in technology have created a clear dividing line between strong and weak developers. As a result, some companies can develop hit titles such as Blue Castle Games, which Capcom acquired. At other companies, there are many problems involving quality and delays.

To deal with this problem, we will make two strategic changes of direction in the consumer business by increasing the DLC ratio and producing more titles internally.

Shifting production back to Capcom will allow us to improve quality by accumulating expertise as well as to follow schedules closely. In addition, we will establish a digital strategy framework in our development and marketing sections. I believe these actions will raise the DLC ratio, which will lead to higher earnings.

5. Previous Mid-term Goals



Capcom previous mid-term goal was 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%.

## Mid-Term Goals (2)

### Progress Toward the Previous Mid-Term Goal

(Million yen)

	During the past three-year period ending March 2013		
	Plan	Performance	Comparison
Net sales	286,000	273,856	95.8%
Operating income	42,900	36,764	85.7%
Operating margin	15.0%	13.4%	-

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During the three-year period that ended in March 2013, sales totaled 273.8 billion yen, 55% of the five-year goal, operating income was 36.7 billion yen, which is 49% of the goal, and the operating margin was 13.4%.

As you can see, we have not been making sufficient progress toward the mid-term goal. Delayed response to the expanding digital contents market, as I just explained, is the reason.

6. Revised Mid-term Goals

**Mid-Term Goals (3)**

**Revised Mid-Term Goals**

**During the five-year period from the fiscal year ending March 2014**

- **Accumulative operating income to 75 - 80 billion yen**
- **Achieving an operating margin of 20% in the year ending March 2018**



- We have established a revised mid-term goal and strategy in association with the strategic shift to reflect the change in market conditions. Capcom will start the revised mid-term plan in the fiscal year ending in March 2014. By implementing this plan, we are determined to return to growth.
- The revised mid-term goal is accumulative operating income to 75 - 80 billion yen over the five-year period ending March 2018 and an operating margin of 20% in the year ending March 2018.
- We have not established a sales target due to the growth of the digital contents market. We instead established operating income and operating margin goals and plan to reach these goals by strengthening online content operations, which consist primarily of the DLC, mobile, PC online categories. The ultimate objective is to increase our corporate value.
- We are currently reexamining our 60-month map and other items in association with the realignment of our consumer business. Therefore, we plan to provide more information about the revised mid-term plan at the information meeting for our first half results of operations.

## 7. Stock Repurchases

<b>Stock repurchased</b>		
<b><u>Number of shares repurchased (as of end of April, 2013)</u></b>		
	<b>Authorization</b>	<b>as of end of April, 2013</b>
<b>Number of shares</b>	<b>1,500,000 shares</b>	<b>425,900 shares</b>
<b>Total cost</b>	<b>2.5 billion yen</b>	<b>700,725,800 yen</b>
<b>Repurchase period: April 22, 2013 through May 31, 2013</b>		



### (1) Stock repurchased

As of the end of April, Capcom had purchased 425,900 shares of stock (authorization is 1.5 million shares) at a cost of about 700 million yen (authorization is 2.5 billion yen).

I cannot say when we will reach the maximum number of shares authorized because this depends on the stock market movements and legal restrictions. But we plan to complete the full repurchase authorization if possible.

### (2) Use of shares held

We are repurchasing our stock for the purposes of conducting operations in a manner that reflects changes in the operating environment and implementing capital policies with speed and flexibility. Consequently, we plan to hold this stock for the time being.

In addition, since stock repurchases also enable us to use equity more efficiently, thereby by raising the ROE, we will continue to purchase stock in accordance with changes in the operating environment.

This completes my presentation. The president of Capcom will provide more information about our strategies in the current fiscal year.