

# The Art of Play

The creative talents who hold the keys to the future



**Development Management**

Aspiring to be the Ultimate  
Game Development Force  
for Next-Generation  
Success

Capcom is strengthening the foundations of its development structure to encourage individual employees to contribute to the creation of authentic games that fascinate users all over the world.

**Jun Takeuchi**

**Deputy Head of Consumer Games  
R&D Division and General Manager  
of R&D Production Department**

Producer of "Onimusha 3", "Lost Planet Extreme Condition" and "Resident Evil 5", as well as leader of organizational reform in consumer game development management.

## Cultivating Multi-Talented Creators

In a gaming context, the organizational reform of Capcom's Development Department has advanced to the second level. The first level targeted development efficiency by establishing a lateral connection linking personnel separated across different title projects. This structure succeeded in creating "Resident Evil 5" and "Monster Hunter Tri".

The second level involves promoting the advancement of even further forward facing organizational reforms. The first step is to develop the capabilities of each creator, cultivating multi-talented personnel who possess a wide range of knowledge, skills and specialization that goes beyond job description. Becoming more deeply involved with gaming brings the bigger picture into view and enables more comprehensive decision-making. Ultimately, the goal is for every creator to be able to direct each step of the game development process.

## Matrix Organization Management of Development

The extensive revision of Capcom's management structure aims to integrate the awareness of all development personnel to create game concepts.

To this end, we have adopted a matrix management approach in which multi-talented creators are assigned primarily to producers as key directors in a particular area of expertise along with the involvement of outside

creators and development studios within a flexible organizational framework that grows or shrinks as necessary.

The key directors in the matrix make decisions regarding overall cost, schedule and quality from the perspective of company management while enhancing the quality and speed of title development using the "MT Framework", Capcom's original common development tool.

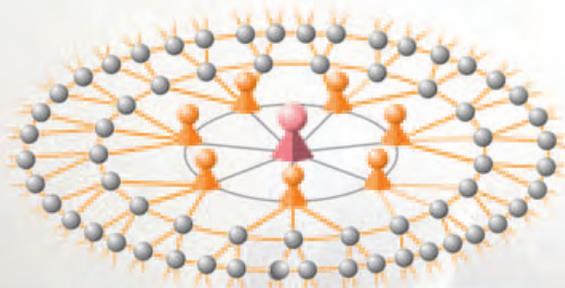
## Creating World-Class Games

In May 2010, we released "Lost Planet 2", the latest edition to this series that has become popular around the globe, offering players the highest level of customization in the world with  $10^{16}$  (10 to the 16th power) different elemental combinations.

This title encapsulates the idea that game development is not possible without being conscious of the world market. Time and technology constraints make it difficult for a single company to develop titles with sophisticated technology and high quality. This is why making use of capabilities of excellent domestic and overseas studio is so important.

The outcome of these organizational reforms is that multi-talented personnel now involved in the upstream process can take advantage of matrix organization merits to perfect products using external resources.

These organizational reforms have just begun to be implemented and the environment is changing by the minute. Our mantra is "if you stop, you die", signifying that organizational reform for next generation success is a never-ending process.



Producer    Director    Creator

Adopting a matrix organization for title development that weaves individual skills into a shared network.



"Lost Planet 2", the latest edition of this action shooting game that sold over 2.3 million copies in its original version.



## The Evolution of “Monhan” in Pursuit of Fun

In an autumn leave-speckled village, life-sustaining “hot springs” and “mountain streams”... “Monster Hunter Freedom 3”, the latest edition in this series scheduled to go on sale at the end of 2010 provides a new taste on the traditional worldview.

When developing the plan for this series, we asked ourselves, “what kind of environment are users playing this game in?”. The previous edition to this series sold over 4 million copies for the PlayStation Portable (PSP), indicating that users like to enjoy hunting monsters with their friends. However, there are also times when users would rather just play with themselves. In consideration of this, we greatly expanded single-player capabilities.

You are now able to bring two “Felyne Comrades” characters along on the hunt in single-player mode. This significantly expands the strategies available in single-player mode. Also, as “Felyne Comrades” now has the ability to change weapons, use and communication with the system is further increased.

## “Monhan” Communication Tools

The heightened anticipation created by the promotion, products and collaborations surrounding this new game stimulate discussion among friends and families. In this way, blending in naturally with everyday life and becoming a communication tool are the goals targeted by the “Monhan” series. To this end, we have established various strategic activities.

One of those was a collaboration with Konami Digital Entertainment Co., Ltd., on the sales launch of popular game “METAL GEAR SOLID PEACE WALKER”, involving the appearance of a “Monhan” character in the game. Furthermore, the popular Sanrio Company, Ltd., character “Hello Kitty” appears in “MONHAN NIKKI POKAPOKA AIRU MURA”, released in August 2010. We expect that both these collaborations will be successful as communication tools designed to attract new users.

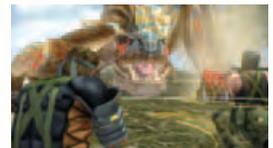
## The Step toward Nationalist Titles

To invigorate the ever-changing game industry, it is important to widen the users’ perspectives. “Monster Hunter” is a test case for this idea. Sony Computer Entertainment Inc., maker of the PSP, wanted to create a movement surrounding “Monster Hunter Freedom 3” that would eclipse that generated by its predecessor, and we received their full cooperation in this regard.

Of course, there are also pressures as a producer, and I am honored to have been involved in such a worthwhile pursuit. The goal of “Monster Hunter Freedom 3” is that everyone who plays it feels that playing games can be truly fun. I will continue to make headway into unknown territory in the attempt to create a new movement.



“Monster Hunter Freedom 3” main monster “ZINOGRE” awaits hunters in the new “mountain streams” field.



©2010 Konami Digital Entertainment “METAL GEAR SOLID PEACE WALKER”, the latest edition to the internationally popular “METAL GEAR” series, features the appearance of a monster from “Monster Hunter”. The unique combinations created quite a buzz.



Home Video Games

# “Monster Hunter Freedom 3” Reignites the “Monhan” Movement!

The growth of “Monster Hunter”, the game that represents Capcom in form and content, is loved by millions of users, who refer to it affectionately as “Monhan”.

## Ryozo Tsujimoto

Producer  
Producers Section

After involvement in the development of arcade games, he became a game planner on titles such as “auto modellista”. He was also the producer of “Monster Hunter Freedom 2”.



Home Video Games

## A Message of Friendship and Bonding in “Okamiden”

This new title for Nintendo DS was born from the affection of our staff, who probably loves the special world of “Okami” more than anyone else. This game offers heart-warming adventure and beautiful graphics.

## Motohide Eshiro

Producer  
Producers Section

Produced the hit “Ace Attorney Investigations: Miles Edgeworth” after working on “Onimusha 2” and “Shadow of Rome” as a director.



## Inspirational Story and Visuals

This game features visuals with the warmth of a picture scroll painted with a brush on Japanese paper. Players interact with the game using a pen to control the actions of the Celestial Brush function. "Okamiden" for the Nintendo DS, scheduled for release in September, 2010, will fascinate players with its creative world.

This is the latest edition to the "Okami" series, which was initially released in 2006 for the PlayStation 2 and has received critical acclaim in Japan and throughout the world. The story focuses on "Chibiterasu", a young white wolf who, along with his partner "Kuninushi", is on a quest to return peace and nature to the world.

One of the most distinctive features of the game is the fact that "Chibiterasu" is unable to overcome obstacles on his own, and is only able to succeed with the help of his friends. The main characters grow through repeated encounters and farewells, sending a message that the world can be changed through the bond of friendship. After the game is over, players feel as though they have just read a novel that is both inspirational and charming.

## Collective Affection of Many Staff Members

From the initial stages of development, there was something different about this game. While engaged in their regular activities, in-house volunteers became spontaneously involved in the Nintendo DS pre-production. There was a sense that this was going to be interesting, but there was one issue that needed to be addressed before development could officially begin.

The issue involved the degree to which we could ensure graphics quality. Compared to home video consoles, portable game console presents many limitations, and it was essential that we expressed the warm worldview of the "Okami" series. The development team was able to achieve this goal despite using fewer polygons while creating the background through the use of innovative technology.

In this way, the staff's fondness for the content helped to maximize portable game users' enjoyment.

When testing the completed prototype, we were excited to discover that the Nintendo DS Stylus worked very well as the Celestial Brush, the game's most distinctive feature. It was from this point that the project kicked into high gear, fueled by the affection of those involved who were determined to make this product into something very interesting.

## Uniting the Dreams of Fans and Capcom Staff

The announcement of "Okamiden" favorably received overseas. In particular, the graphics were praised for their "Japanese aesthetic, which approaches the level of fine art", and "the charming mix of Japanese culture and mythology". Sales are scheduled to begin overseas in 2011.

The Japanese sales promotion was equally successful. Before sales began, an official website was created so fans could offer ideas about character-related goods they wanted. This was the first time we developed game-related goods based on requests. The title, "Okamiden" was itself a result of collaboration between Capcom employees and fans.



The Celestial Brush, operated through a Stylus, creates miracles with each stroke.



The story was written by non-fiction author Yukinori Kitajima, who is also in love with the world of the "Okami" series.



The Internet and special events are used to provide fans with information and increase excitement about the game.



Home Video Games  
Online Game Business

## Opening Up a New Frontier Through the Continuous Growth of Online Games

Aiming for the establishment of a new business model with “Monster Hunter Frontier Online” in the online game market, which is vastly different from the home video game market.

### Yoshinori Ono

General Manager of Online Game Development Department

Sound producer for the “Street Fighter” series, after which he produced “Onimusha: Dawn of Dreams”, “Monster Hunter Frontier Online” and “Street Fighter IV”. In 2006, he became General Manager of Online Game Development Department.



## Birth of a Giant Community with 1.5 Million Accounts

In July 2007, Capcom officially entered the online game market with "Monster Hunter Frontier Online" ("MHF"). "MHF" is a game where players can meet up with friends after paying fees for monthly access and acquisition of items. Users decide on a meeting place in the game, and then cooperate to hunt monsters while communicating with one another. Providing this community for users who enjoy detailed operations unique to online game play has resulted in the registration of approximately 1.5 million accounts.

Communication among users is one of the biggest attractions of online games, and as opposed to package home video games that isolate users from nature, online games are ideal for multiple usage.

## Quality Communities are the Lifeblood of Online Games

The release preparations for "MHF" began in 2005. Starting from zero to launch an online business, Capcom thoroughly conducted marketing activities by analyzing the successful efforts of other domestic and overseas corporations. What we realized was that the value of online games was connected to the quality of the user communities that gathered around them. We felt that providing appealing operations and mechanisms to encourage repeat users would ensure continuous revenue streams.

To this end, we enhanced our operating and development teams. Through daily online communication and system maintenance, we were able to provide our management staff with direct user

feedback. By responding to user needs through improvements and fixes, as well as by holding regular events and providing updates each quarter, we were able to keep users interested. We will continue to refine our expertise regarding maintaining the proper distance from users.

## Using "MHF" to Develop a Giant Asian Market

Our next target is the massive population represented by the Asian market. Capcom will enter this market with "MHF". Online games have already been established in Korea and Taiwan, and management companies in each area are accumulating operational expertise. Capcom, in cooperation with partner companies that possess this know-how, will attempt to develop the Asian market by localizing its proprietary titles to make them enjoyable for users in each region.

The three recipes for success in the online game business requires attractive titles, localization and operations that provide ongoing user satisfaction. We are thinking of making use of this in the next title release. I am anxious to see "MHF" continually transform, attracting more and more users in the years to come.



"MHF" is an online game that users pay a monthly fee to participate in. Users can also purchase items based on their preference for use in game play.



Users can communicate with one another using chat, SMS and Skype.



**Contents Expansion  
Mobile Content Business**

## Mobile Games Providing Enjoyment for Every Lifestyle

Capcom mobile games make life more fun for people all over the world. Content for mobile phones has a special way of capturing users' hearts.

### Takeshi Tezuka

**General Manager of Mobile Contents  
Development Department and Senior Manager  
of Business Development Section**

In charge of mobile phone content development since 1999. He is responsible for the management of the Mobile Content Development Department as the General Manager and involved in nearly all development projects. He also formulates strategies for the global mobile phone business.

## Creating Games that Pursue the Potential of Mobile Phones

The global mobile phone game market has undergone a swift and radical transformation as a result of the increasing ubiquity of open-platform smartphones such as the iPhone and the Android. Until now, this business was limited by region, with national and local telecommunications carriers as the primary players in the market. The transition to a universal business where users directly download game content has created a gigantic market where an array of game manufacturers and individuals are able to freely provide game content.

The barriers to entry in the open platform market are low, with many new ventures entering the market with simple games. However, Capcom believes in using its content capabilities and expertise accumulated over many years to provide high quality games that satisfy a wide range of users. Rather than offering simple games because of mobile phone limitations, we are creating games that explore the potential of mobile phones.

### Fun for Everyone: “Street Fighter IV” for iPhone

“Street Fighter IV”, which was released for the iPhone in March 2010, is the latest in this fighting game series. Launched in 1987, “Street Fighter” series has gone from the arcade to home video game consoles to become our flagship title and one of the most popular games in the world. The iPhone edition is for both long-time fans as well as people who haven’t played video games for a while. The addition of a function enabling players to choose their skill level from beginner to expert means that even people playing for the first

time can enjoy the combat action.

We also developed “Visual Pad” technology, a proprietary function that allows users to manipulate their character using the iPhone’s touch screen panel. Core combat game fans have praised this development for its ease of use and the added enjoyment it brings to the game. First-time users have had similar reactions. We hope that this iPhone version will spur interest in the home video game version.

### Making Many Aspects of Life More Fun

In step with the ongoing diversification of ways in which games are enjoyed, from video game consoles at home to portable game consoles and mobile phones when away from home or in transit, Capcom provides games that match all user lifestyles.

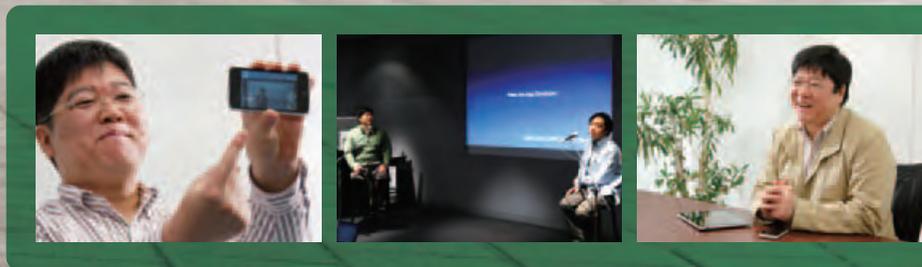
We are also active in new markets. At the end of May, 2010, we released “Resident Evil 4: iPad Edition”. We are also expanding our activities in the communications area, including SNS and Twitter, to provide entertainment through social applications that only Capcom can offer. Through these media as well as mobile phone handsets, we aim to provide enjoyment for all lifestyles.



The “Street Fighter” series, popular all over the world and now available for the iPhone



“Resident Evil4: iPad Edition”, a new tool with potential



## The Never-Ending Sense of Anticipation Created by “Onimusha: Dawn of Dreams”

In February 2010, the announcement and exhibition of the “Onimusha: Dawn of Dreams” pachislo machine in Akasaka was a great success, attracting approximately 1,500 parlor operators, manufacturers and general users. “Onimusha: Dawn of Dreams” is the successor to “Onimusha 3”, which was a big hit when it came out five years ago. The development of both machines was outsourced to RODEO Co., Ltd. which capitalized on Capcom’s popular home video game “Onimusha”.

One characteristic feature of “Onimusha: Dawn of Dreams” is a 20-inch liquid crystal flat panel display that shows an endless stream of realistic action scenes. RODEO’s system and the attraction of the game itself combine to create a machine that provides users with a never-ending sense of anticipation. From the very first day of sales, user excitement spurred repeat shipments, resulting in sales that far exceeded our targets.

## Meeting User Expectations with Outsourced and In-House Development

Competition in the pachislo market is fierce, and unless a machine makes it into the most popular rankings, there is little hope of sales growth. To succeed in this competitive environment, Capcom acquired Enterrise Co., LTD., a manufacturer of pachislo equipment as a subsidiary in 2008, marking the beginning of full-scale in-house development. At the same time, we also continue to outsource development as part of our strategy to increase profits.

The strength of outsourcing lies in our ability to provide graphical visuals required by manufacturing customers using expertise cultivated through the development of home video games. Also, it enables us to create a world unique to pachislo machines that go beyond video games. Collaborating with manufacturing clients to meet stringent needs also enables Capcom to further advance its in-house development capabilities.

On the other hand, in-house development enables Capcom to create distinctive in-house content under our own initiative. We are able to maximize the attraction of popular content by closely sharing information with in-house home video game developers.

## Envisioning a New Structure for the Direction of Development

To enhance the strength of in-house development, we created a new business structure by integrating Capcom’s development organization with that of Enterrise Co., LTD., in January 2010. The goal of this integration is to develop machines with highly perfected performance, system, game and all other elements. Through the exchange of the frank opinions of performance and system developers, an on-site sense of unity was born. We will continue to advance innovative packages to create an instant presence in parlors as soon as the machines are installed.

We have the support of Japan’s largest sales company with the largest direct sales force. Not only do they have powerful sales capabilities, but they are also in a position to provide us with feedback in terms of the latest parlor trends and customer needs. We then use this information to develop new machines.

In self-developed product, through a series of trials and errors, a new direction for development has come into view, one that enables the development of machines with highly perfected performance, system, game and all other elements that only Capcom can provide. We have high expectations for this new development structure.



Expressing distinctive pachislo performance while making the most of the game’s unique worldview.



The longer you play the game, the further you advance in the adventure story.



**Contents Expansion  
Pachinko & Pachislo Business**

## Using Content Capabilities Derived from Video Games to Strengthen Development and Sales Structures

We have cultivated expertise from the ground up since the start of our Pachinko & Pachislo Business in 1996, which aims to secure profits through the two pillars of outsourced and in-house development.



## Yoichi Egawa

**Corporate Officer  
Head of P&S Business Division**

After joining Capcom, he became involved in the development of software and templates for arcade games.

Created and established the Pachinko & Pachislo Business in 1996 and the Mobile Content Business in 1999.



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YOICHI EGAWA

## Corporate Profile

(As of March 31, 2010)

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	1. Planning, development and sale of home video games 2. Planning, development, manufacture and sale of arcade games 3. Management of amusement arcades
Paid-in Capital	¥ 33,239 million
End of Term	March 31
Number of Employees	1,930 (Including consolidated subsidiaries) 1,620 (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
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

## History

**Dec. 1990** Released "Final Fight" for Super Nintendo Entertainment Systems (NES).

**Mar. 1991** Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.

**Jun. 1992** Released "Street Fighter II" for Super NES, and it was a mega-hit.

**Jul. 1993** Opened "CapcoCircus Nigata East", the largest arcade in Nigata.

**Dec. 1994** Premiere of the Hollywood movie "Street Fighter".

**Mar. 1996** Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.

**Aug. 2001** Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.

**Oct.** Released "Phoenix Wright" for Game Boy Advance, and it drew public attention as a courtroom battle title.

**Mar. 2002** Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.

**Sep. 2004** Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.

**Jul. 2005** Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.

**Aug. 2006** 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 1 million units were sold following the trails of "Dead Rising", another exceptional accomplishment for a new title.

**Mar. 2007** "Monster Hunter Freedom 2" becomes the first Japanese 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.

**Feb. 2009** Hollywood movie "Street Fighter: The Legend of Chun-Li" was released worldwide.

**Feb.** Takarazuka Revue Company launches theatrical performance of "Ace Attorney: Truth Reborn".

**Apr.** Began broadcasting the TV animation program "Sengoku BASARA".

**May.** Released "Resident Evil: Degeneration", Capcom's first title for the iPhone.

**Jul.** Initial shipments of "Monster Hunter Tri", a third-party title for the Wii, surpass one million units.

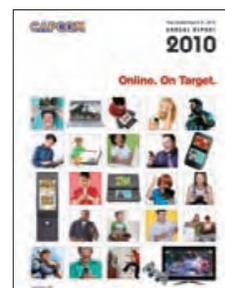
**Nov.** "Sengoku BASARA" character Date Masamune used for PR activities in support of the Miyagi Prefecture gubernatorial elections.

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Please see the Annual Report 2010.