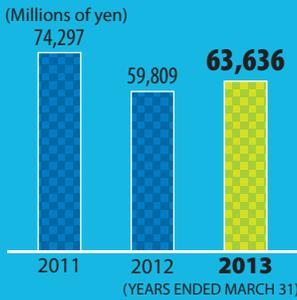




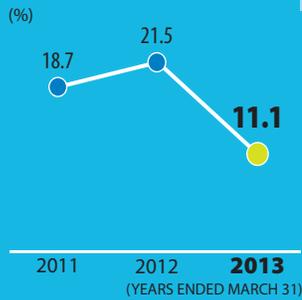
Digital Contents

This core business, which represents approximately 70% of Capcom sales, develops and sells consumer package games and digitally distributed contents (DLC), as well as develops and manages mobile content and PC online games. Million-seller titles created for the home console are used to create games for smartphone, table device and PC online users and distributed globally.

Net Sales



Operating Margin



SWOT Analysis

S: Strength W: Weakness O: Opportunities T: Threats

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> World-class development and technological capabilities Own a great number of original popular titles Practical use of plentiful in-house content Cultivate expertise through concurrent operation of Beeline and Capcom within Mobile Contents | | <ul style="list-style-type: none"> Dependence on specific genres Lack of development staff Lack of social game titles/hits |
| <ul style="list-style-type: none"> Release of next-generation home video game consoles Expand DLC business Expand area/genre of PC online games Improved quality of mobile contents via highly-advanced smartphones and tablet devices Increased users from global expansion of smartphone adoption | <ul style="list-style-type: none"> Game presence diminished by diversity of play Falling average sales price of package games Barriers to entry low, significant competitor presence Speculation over tightening of domestic social game regulations | |

Market Trends

Consumer (Package and DLC)

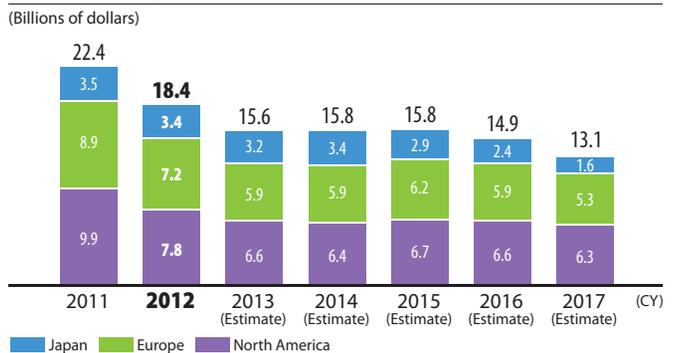
In 2012, Package Market Contracted 17.9%, DLC Market Expanded 34.0%

In 2012, the home video game (package) market was worth 18.4 billion dollars (down 17.9% from the previous year), the fourth straight year of negative growth. As in the previous year, the reasons for this include (1) lower annual unit sales caused by delayed purchases ahead of release of next-generation consoles replacing existing consoles and (2) lower average retail prices of package software as a result of intensified competition, (3) the diversification of sales into digital distribution and other forms, etc. In the package market, consisting primarily of North America, Europe and Japan, where North America and Europe accounts for almost 80% of the market, the notable decline [Diagram 27](#) was connected to the overall market contraction.

At the same time, advancements to global network infrastructure and the establishment of the virtual item sales model have led to a focus on DLC associated with major game company titles, resulting in significant expansion in the DLC market, which grew to 7.1 billion dollars (up 34.0% from the previous year). However, the package market contraction adversely affected the consumer market (Package and DLC), which declined slightly to 25.5 billion dollars (down 7.9% from the previous year). [Diagram 28](#)

In terms of outlook for the future, although Sony Computer Entertainment will release the PlayStation 4 (PS4) and Microsoft will release the Xbox One during the 2013 year-end sales season, we think it will take some time before the next-generation cycle begins and market activity picks up. This is because the DLC market is expected to continue to grow as a result of the digital distribution of an increased number of

Diagram 27 Size of Package Markets

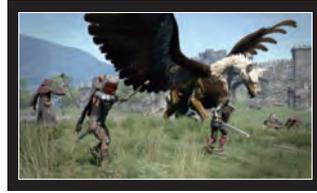


Source: International Development Group





"Resident Evil 6"



"Dragon's Dogma"



"DmC Devil May Cry"



"MONSTER HUNTER 3 ULTIMATE"

DLC titles, as well as the assumption that the adoption of new hardware will start small and won't begin to make a significant contribution until 2014. For this reason, we forecast a slight decline in the consumer market to 24.4 billion dollars in 2013 (down 4.3% from the previous year).

Mobile Contents

The 2012 Market Expanded Rapidly Around the World, Increasing 43.0%

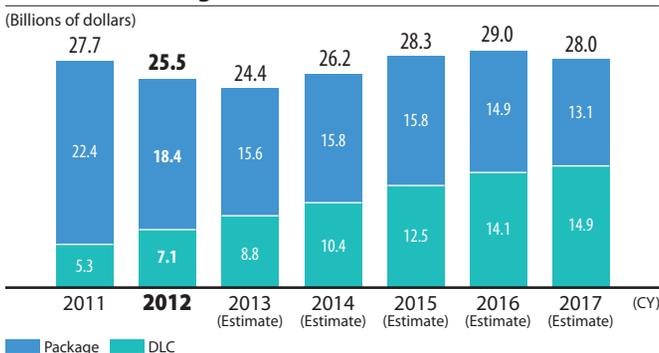
The 2012 mobile contents market achieved significant global growth, increasing to 12.3 billion dollars from 8.6 billion dollars in 2011 (up 43.0% from the previous year). **Diagram 29** The main reasons for this were (1) the advance of smartphones and other mobile devices in all countries of the world, (2) the rise of high-performance tablet devices and (3) the spread of social games due to the increase in mobile users.

By region, the North American market was worth 2.8 billion dollars (up 40.0% from the previous year) and the European market was worth 2.0 billion dollars (up 53.9% from the previous year) and the Asian market including Japan was worth 6.2 billion dollars (up 40.9% from the previous year). Furthermore, in emerging and Eastern European markets, as well as other areas, the global market grew rapidly to 1.3 billion dollars (up 44.4% from the previous year).

The freemium (virtual item purchases/in-game purchases), a business model where users download a game for free, then purchase access to additional items and other game content as needed, has been rising rapidly in the market since about 2010. Freemium-type social games appeal to users because of the power of their content (brand/game content), in-game events and other mechanisms to maintain appeal and manageability. For game companies with lots of popular software titles and mobile developers with strong expertise in operations, this represents an even greater opportunity to improve earnings.

Diagram 28

Consumer (Package and DLC) Market



In Japan, game distribution is beginning to transition from browsers to direct distribution of native apps via iOS and Google Market Place in line with the shift from traditional feature phones (mobile phones) to smartphones, resulting in the need for development structures able to respond rapidly to dramatic changes in the mobile market.

Furthermore, in June 2013, the Japan Consumer Affairs Agency introduced regulations concerning "complete-gacha" games, but the impact has been negligible. Formulating guidelines regarding in-game representations, each operating company strengthened voluntary initiatives to improve the game environment and provide users with peace of mind, safety and enjoyment. This has led game developers, no longer dependent on speculation, to begin providing wholesome and original games.

Looking ahead, we forecast shipments in the 2013 smartphone market to exceed last year's 720 million units and grow to 950 million units (up 32.7% from the previous year), with the ratio of smartphones as a percentage of all mobile phone shipments rising above 50%. Also, the adoption of tablet devices is advancing rapidly, with 290 million units expected to ship in 2013 (up 59% from the previous year), expanding to surpass global PC shipments in 2015 as the number of mobile content users continue to grow. The adoption of tablet devices is expected to drive growth in the mobile contents market to 29.6 billion dollars by 2017 (an average annual growth rate of 19.2%), growth that will surpass even the home video game market.

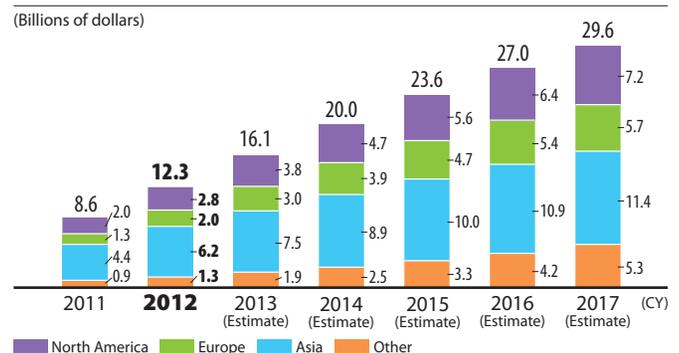
PC Online

In 2012 the Market Expanded Favorably by 11.9%

In the PC online market, the adoption of PC games in North America and Europe and the rise of users of a new genre of browser game, the Massively Multiplayer Online (MMO), in Asia, resulted in favorable

Diagram 29

Mobile Contents Market





"Minna to Monhan Card Master"

©CAPCOM developed by gloops



"Resident Evil: Outbreak Survive"



"Monster Hunter Massive Hunting"



"Smurfs' Village"

© Peyo - 2010 - Licensed through Lafgy Belgium - www.smurf.com. All game code © 2011 Beeline Interactive, Inc.

market expansion and growth to 23.6 billion dollars (up 11.9% from the previous year). **Diagram 30**

In 2013, this market is expected to continue growing steadily to 25.4 billion dollars (up 7.6% from the previous year). The drivers of this growth include improvements to the global network environment and the expansion of households with broadband. The Asia market in particular is expected to continue expanding, driven primarily by MMO games, from 9.7 billion dollars in 2012 to 11.8 billion dollars by 2017 (up 21.7% from 2012). Accordingly, the PC game market is expected to surpass the package game market and grow to 29.0 billion dollars by 2017.

Summary

The consumer market will maintain its present scale, as the PC online and mobile content markets grow over the medium-term. The key to maximizing earnings for game software manufacturers is to continue launching successful content for a variety of platforms every year. However, only companies that "possess multiple popular major titles" and "a development structure efficient enough to produce year after year" will be able to maintain their competitive positions.

Operating Results for This Fiscal Year

Capcom's Strength

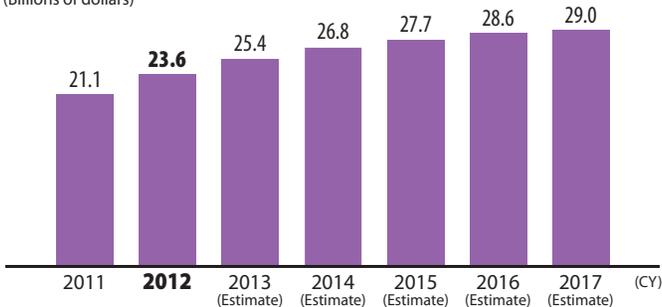
Numerous Intellectual Properties, Strong Development and Overseas Marketing Capabilities

Capcom's strength in the Consumer Online Games business is threefold. First, we have scores of "long-lasting intellectual properties with universal market appeal" such as million-seller titles and popular characters. **Diagram 31**

Diagram 30

PC Online Market

(Billions of dollars)



Source: International Development Group

Second, we maintain an "advanced ability to develop original game content" without relying on licenses obtained from external sources. We also possess a "high level of technology", assisted by the "MT Framework", an integrated development environment built to provide common development tools for Xbox 360, PlayStation 3, PC, Wii, Nintendo 3DS, PlayStation Vita platforms and iPhone. Lastly, we have "strong overseas marketing capabilities" as represented by effective sales operations in overseas markets, which are the majority of our markets, with a proper understanding of regional preference for game titles, market characteristics and business practices.

Another of our strengths is the appeal of our products to a diverse group of global users through the development of mobile contents under the Capcom and Beeline brands. The Capcom brand makes effective use of content and expertise accumulated over years of consumer game development, while the Beeline brand makes use of original characters, as well as characters licensed from other companies, to distribute social games for smartphones aimed at winning over light users rather than traditional Capcom users.

Consumer (Package and DLC)

Despite Significant DLC Growth, Package Game Stagnation Resulted in Sales of 45.9 Billion Yen (Down 2.1%)

In the Consumer segment, despite strong initial sales of core title "Resident Evil 6", sales flattened out to 4.9 million units, failing to achieve sales targets and adversely affecting profitability. At the same time, "Dragon's Dogma" surpassed expectations to become a hit in the highly profitable domestic market, one of the few original titles in recent years to achieve million-seller status (1.3 million units sold). "DmC Devil May Cry" has steadily gained popularity overseas, easily selling 1.15 million units. Also, despite smash hit "Monster Hunter 3 Ultimate"

Diagram 31

Total Number of Units of Major Titles Sold (As of March 31, 2013)

| Major Titles | Number of Titles | Total Number of Units Sold (Thousands) |
|----------------|------------------|--|
| Resident Evil | 82 titles | 56,000 |
| Street Fighter | 77 titles | 34,000 |
| Mega Man | 129 titles | 29,000 |
| Monster Hunter | 25 titles | 23,000 |
| Devil May Cry | 19 titles | 12,000 |
| Dead Rising | 11 titles | 5,400 |
| Lost Planet | 13 titles | 4,900 |
| Ace Attorney | 16 titles | 4,400 |
| Sengoku BASARA | 25 titles | 3,300 |



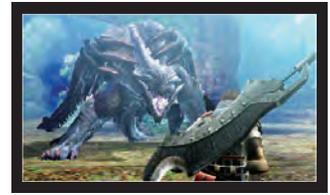
"Chibimaruko-Chan to Okashi no Kuni"
©Sakura Production / Nippon Animation
©Beeline Interactive Japan, Inc.



"Ghostbusters"
Ghostbusters: TM & ©2012 Columbia Pictures Industries Inc.
All Rights Reserved.



"Monster Hunter Frontier Online"



"MONSTER HUNTER 4"

for the new stationary game system Wii U, which sold 500,000 units, package software sales were sluggish overall at 14 million units (down 10.8% from to the previous fiscal year) and package sales of 40.7 billion yen (down 7.7% from to the previous fiscal year). That being said, significant growth in DLC contributed to earnings with sales of 5.2 billion yen (up 85.7% from the previous fiscal year).

As a result, Consumer segment sales were 45.9 billion yen (down 2.1% from the previous fiscal year). [Diagram 32](#)

Mobile Contents

Capcom and Beeline Brands Performing Strongly with Sales of 11.0 Billion Yen (Up 74.6%)

In mobile contents, as the adoption of smartphones continues, "Minna to Monhan Card Master", released last year under the Capcom brand for distribution on Mobage, has maintained its growth trajectory, while "Resident Evil: Outbreak Survive" for GREE continues to add new users, with both titles boasting over 2 million members each. In February 2013, we also launched "Monster Hunter Massive Hunting", a native app for iOS.

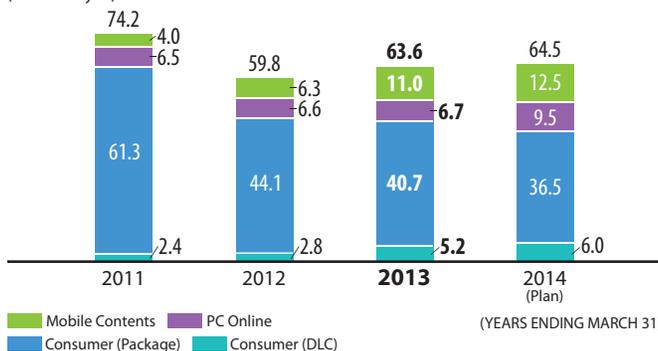
Under the Beeline brand, core title "Smurf's Village" continued to perform strongly and contribute steady earnings. Furthermore, the distribution of new titles such as "Chibimaruko-Chan to Okashi no Kuni" and "Ghostbusters" contributed to more than 100 million cumulative downloads for the Beeline Brand. [Diagram 33](#) Furthermore, we established Beeline Interactive (Thailand) Co., Ltd., in response to the rapid adoption of smartphones in the Asia region in an effort to strengthen our development structure globally.

As a result, sales grew vigorously to 11.0 billion yen (up 74.6% from the previous fiscal year). [Diagram 32](#)

[Diagram 32](#)

Sales by Genre

(Billions of yen)



PC Online

Popular Series Maintain Strength with Sales of 6.7 Billion Yen (Up 1.5%)

In addition to the stable contribution to earnings provided by the extremely popular "Monster Hunter Frontier Online" series for the PC and Xbox 360, we expanded our lineup in the PC online segment, including distribution of the new browser game "Onimusha Soul".

As a result, sales were 6.7 billion yen (up 1.5% from the previous fiscal year). [Diagram 32](#)

Summary

As a result, the Digital Contents business this fiscal year achieved sales of 63,636 million yen (up 6.4% from the previous fiscal year) and operating income of 7,062 million yen (down 45.2% from the previous fiscal year).

Outlook for the Next Fiscal Year

Consumer (Package and DLC)

Forecasting Sales of 42.5 Billion Yen (Down 7.4%) on Revised Strategy and Strengthened Earnings Initiatives

In the Consumer segment, we are engaged in initiatives aimed at (1) releasing leading titles, (2) enhancing digital (DLC) strategy and (3) improving overseas competitiveness by strengthening the link between development and marketing to achieve our medium-term business goals.

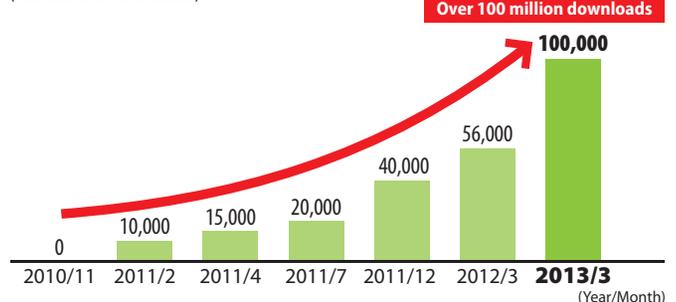
For details, please see "Growth Strategy" on pages 23–30.

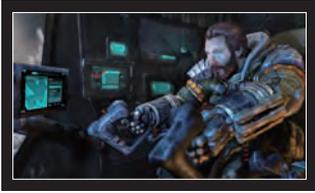
In terms of (1) leading titles, we forecast total sales of 13 million units from the release of "Monster Hunter 4" for the Nintendo 3DS,

[Diagram 33](#)

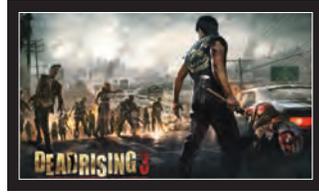
Beeline SNS Game Downloads (Total)

(Thousands of downloads)





"Lost Planet 3"



"Dead Rising 3"



"Dungeons & Dragons: Chronicles of Mystara"

©1974, 1993, 1996, 2013 Wizards of the Coast LLC. Dungeons & Dragons, Chronicles of Mystara, Wizards of the Coast, their respective logos, and character likenesses are property of Wizards of the Coast LLC. All rights reserved. Distributed by CAPCOM CO., LTD.



"Onimusha Soul"

"Lost Planet 3" for the PlayStation 3 and Xbox 360 and "Dead Rising 3" for the next-generation Xbox One (please see the next page for details). Regarding (2) enhancing digital (DLC) strategy, we will strategically release additional content for major titles and expand downloadable titles including "Dungeons & Dragons: Chronicles of Mystara". With respect to (3) improving overseas competitiveness, we will ensure that our development and marketing structures are equipped with next-generation console and DLC capabilities.

However, in light of repercussions from sluggish sales of "Resident Evil 6" and the transitional phase we are about to enter into with the release of next-generation consoles next fiscal year, we forecast sales of 42.5 billion yen.

Mobile Contents

Expanding Users with Two Brands, Forecasting Sales of 12.5 Billion Yen (Up 13.6%)

In Mobile Contents, our strategy involves (1) augmenting the number of Capcom brand titles and (2) strengthening the management structure of the Beeline brand, as well as creating a hit title to follow "Smurf's Village", in an attempt to deepen our existing user base while developing new business.

In terms of Capcom brand strategy, we will attempt to create synergy with home video games by developing content using the brand power of popular titles from our Tokyo and Osaka development bases. We will also step up the release of social game titles and aggressively launch native app content optimized for smartphones in addition to other original content.

At the same time, Beeline brand strategy will continue to focus on strengthening social games for smartphones. We develop these brands separately because Capcom brand games are perceived as

difficult and complex, creating a high hurdle preventing most light users from a casual download; the Beeline brand is more effective at appealing to light users. Also, we can acquire users in developing regions where home video game consoles have yet to be adopted by developing social games incorporating distinctive regional characteristics at our development facilities in North America, Europe, Japan and Thailand. In terms of the overseas title lineup next fiscal year (ending March 31, 2014), we will release content utilizing popular global brands, including "Snoopy 2" (tentative name).

In light of these measures, we forecast Mobile Content sales of 12.5 billion yen.

PC Online

Strengthening Development in Japan and Asia, Forecasting Sales of 9.5 Billion Yen (Up 41.8%)

We anticipate earnings expansion in the PC online segment, mainly in Japan, resulting from a major update to "Monster Hunter Frontier G" (please see the next page for details) and the full-fledged contribution to earnings from browser game "Onimusha Soul".

Furthermore, we will enhance business development in Asia with the release of "Monster Hunter Online", developed in collaboration with China's Tencent Inc., in the China market and the launch of "Onimusha Soul" in the Taiwan market.

As a result of these activities, we forecast sales of 9.5 billion yen.

Summary

In light of the above, we forecast sales of 64.5 billion yen and operating income of 9.1 billion yen next fiscal year.

Diagram 34

Market Share by Region (CY2012 Amount of Sales for Package Software)

Japanese Market

| Company name | Share (%) |
|------------------|--------------|
| 1. Nintendo | 21.3 |
| 2. Namco Bandai | 19.3 |
| 3. Capcom | 8.8 |
| 4. Square-Enix | 8.2 |
| 5. Pokemon | 6.4 |
| 6. KONAMI | 5.7 |
| 7. Sega | 4.5 |
| 8. Level Five | 3.2 |
| 9. Tecmo Koei | 3.0 |
| 10. SCE | 2.0 |
| Others | 17.6 |
| Total | 100.0 |

Source: Enterbrain, Inc.
Reuse prohibited without permission

North American Market

| Company name | Share (%) |
|-------------------|--------------|
| 1. A | |
| 2. B | |
| 3. C | |
| 4. D | |
| 5. E | |
| 6. F | |
| 7. G | |
| 8. H | |
| ⋮ | ⋮ |
| 10. Capcom | 2.76 |
| Total | 100.0 |

Source: The NPD Group/ Retail Tracking Service

European (UK) Market

| Company name | Share (%) |
|-----------------------------|--------------|
| 1. ELECTRONIC ARTS | 21.4 |
| 2. ACTIVISION BLIZZARD | 16.9 |
| 3. UBISOFT | 11.3 |
| 4. NINTENDO | 7.2 |
| 5. MICROSOFT | 6.1 |
| 6. TAKE 2 | 4.1 |
| 7. SEGA | 3.7 |
| 8. WARNER BROS. INTERACTIVE | 3.6 |
| ⋮ | ⋮ |
| 13. Capcom | 2.0 |
| Others | 23.7 |
| Total | 100.0 |

Source: Chart Track / ELSPA

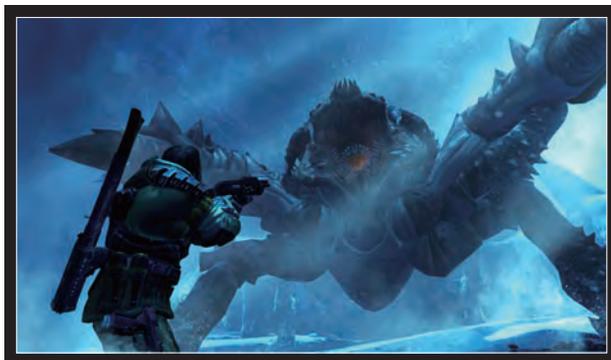
Major Titles Next Fiscal Year (ending March 2014)



“Monster Hunter 4” (Nintendo 3DS)

The latest title in this smash-hit series boasting cumulative sales of 23 million units (as of March 31, 2013). In this hunting action game series, players take on giant monsters in majestic natural settings using network collaboration to get help from friends, establishing a new style of communication that led to the rise of a social phenomenon known as the “Monster Hunter Craze”.

“Monster Hunter 4”, which goes on sale in September 2013, is the first game in this series to make use of differences in height to realize three-dimensional action, as well as enabling collaborative play with hunters nationwide over the Internet, among other new elements. We are targeting sales of 2.8 million units.



“Lost Planet 3” (PlayStation 3/Xbox 360)

This third title in the action shooting game series “Lost Planet” challenges players to discover truths hidden on an icy planet. Since its launch in 2006 as a globally developed game title, this series continues to gain popularity, particularly in the United States and Europe. In this third installment, once again set on the icy planet “EDN-3rd”, extremely beautiful graphics and an engaging story can be enjoyed by a group of up to 10 players in online multi-player match-up mode among other elements designed to appeal to global users. This game is scheduled to go on sale in August 2013.



“Dead Rising 3” (Xbox One)

The “Dead Rising” series is a survival horror action game where players must fight off an endless onslaught of zombies while attempting to uncover the truth behind an cause of the incident. As of March 31, 2013, the series has sold more than 5.4 million units. “Dead Rising 3” features stunning graphics for the next-generation console Xbox One and various online elements for Xbox Live® as well as compatibility with the advanced Kinect™ and Xbox SmartGlass™ to provide players using these devices with an exceptionally realistic experience. This title is slated to release in fall 2013, around the same time as the Xbox One sales launch.



“Monster Hunter Frontier G” (PC/Xbox 360)

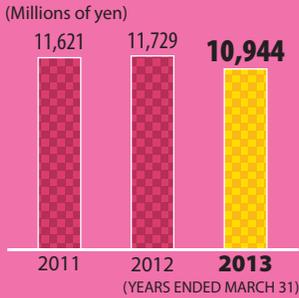
“Monster Hunter Frontier Online” is an online game developed for the PC and Xbox 360 based on the “Monster Hunter” series of home video games. Combining the brand power of content accumulated through home video game development with the ongoing and flexible management capabilities unique to online games, this title continues to attract new users and maintain its position as one of Capcom’s major titles. In April 2013, we released a major update to “Monster Hunter Frontier G”, featuring new fields and the addition of G-class monsters, in an aim to further expand the adoption of this title, with plans to make it available to users of PS3 and Wii U later next fiscal year.



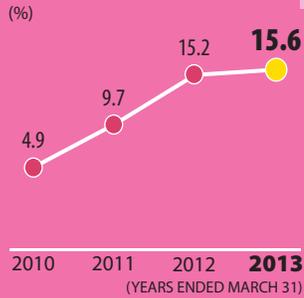
Arcade Operations

We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

Net Sales



Operating Margin



SWOT Analysis

S: Strength **W:** Weakness **O:** Opportunities **T:** Threats

- Specialize in opening mall-based large-scale facilities to secure a stable customer base
- Thorough scrap-and-build focused on investment efficiency to ensure sustainable earnings



- Expanded ability to attract customers through installation of new machines
- Hedges risks through inverse relationship to home video game market
- Expand customer base through appeal to senior segment

- Low sales growth from small number of carefully selected facilities
- Little synergy with proprietary contents
- Reduced desire to consume resulting from natural disasters or brownouts
- Decline in number of suburban mall-based large-scale facilities
- Increased consumption tax

Market Trends

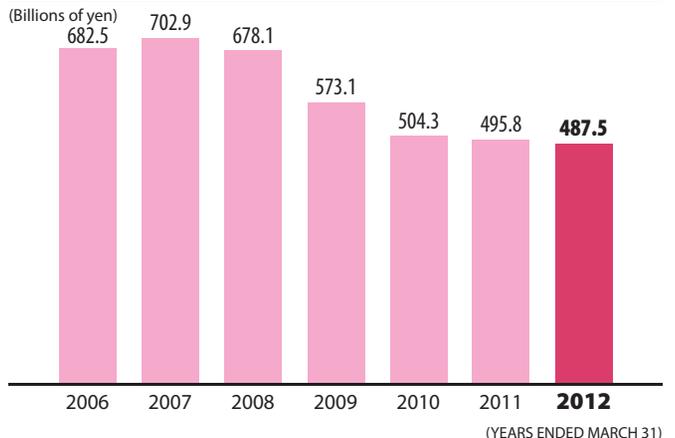
1.7% Contraction Indicates Market Has Bottomed Out, Sales per Facility Surpasses Previous Year with Stable Trend Ahead

During the previous fiscal year (ended March 31, 2012), the size of the arcade facilities market was 487.5 billion yen (down 1.7% from the previous year). This was due to an easing of the impact from voluntary restraint following the Great East Japan Earthquake and electricity conservation on arcade operations and inexpensive, nearby and short-duration leisure activities that fueled the renewal of arcade facilities. The number of facilities declined slightly to 18,114 (down 2.8% from the previous year) as sales per facility increased 1.2%, signaling that the market has bottomed out and that the rapid decline since 2007 has come to an end. This fiscal year (ended March 31, 2013), along with the closing of unprofitable facilities, there was an increased appetite for investment in facilities. However, repercussions from increased demand after the Great East Japan Earthquake were unavoidable, resulting in a somewhat weak market.

In terms of outlook for the future, as companies make efforts to further improve the profitability of their facilities, they will also continue aggressive capital expenditure, including the opening of new facilities, renovation of existing facilities and investment in new products expected to result in market stability.

Diagram 35

Arcade Facilities Market Trends



Source: JAMMA "Survey on the Amusement Industry"





Plaza Capcom Chiharadai



Plaza Capcom Narita



Plaza Capcom Kyoto



Plaza Capcom Shizuoka

Operating Results for This Fiscal Year

Promoting Customer Segment Expansion to Include Women, Families and Seniors Amid Lower Sales and Profits Resulting From Repercussions of Increased Demand After Earthquake

Capcom's strengths in this business category are: (1) specialization in opening mall-based large-scale facilities that quickly secure a long-term stable customer base, (2) the planning and operation of sales venues popular with customers and (3) the ability to maintain higher profitability than the competition by instituting a strict scrap and build policy concerning unprofitable facilities to raise return on investment. [Diagram 37](#)

This fiscal year (ended March 31, 2013), in an attempt to enhance our ability to draw customers, we held various events and made efforts to secure core users with welcoming arcade operations. Furthermore, in addition to attempts to expand our customer base, such as conducting arcade experience tours for people 50 years and older, as well as cultivating new customers including women, families and seniors, Capcom also engaged in thorough cost reductions and more efficient arcade operations in response to the market environment to improve profitability.

However, user segment overlap from the rapid adoption of smartphones, the diversification of leisure pursuits, insufficient machine traction and the unavoidable repercussions of increased demand after the Great East Japan Earthquake resulted in a softer market.

Due to these circumstances, this fiscal year we did not open any new arcades and three unprofitable arcades were closed, bringing to the total number of arcades in operation at the end of this fiscal year to 34.

Diagram 36

Number of Amusement Arcades (by number of machines)

(Facilities)



Source: JAMMA "Survey on the Amusement Industry"

Outlook for the Next Fiscal Year

Planning to Open Three Arcades and Close Five Next Fiscal Year, Aiming for Higher Sales by Promoting More Efficient Arcade Management

In terms of business development next fiscal year (ending March 31, 2014), despite signs that the arcade facilities market has bottomed out, we believe it will take some time before the market gets back on a stable growth track due to concerns over loss of interest in inexpensive, nearby and short-duration leisure activities caused by the economic recovery. We will ensure profitability through the ongoing efficiency of our operating structure. At the same time, we will increase capital expenditure to open new arcades, renovate existing arcades and continue introducing machines in an aim to improve the earnings of existing arcades.

In terms of the opening and closing of facilities, we will further strengthen efficient facilities and close unprofitable ones, while moving forward with the establishment of new facilities in areas with a high concentration of customers to establish new revenue streams. In the next fiscal year, we plan to open three new facilities, and close five old ones.

We forecast net sales of 11.0 billion yen and operating income of 1.7 billion yen in the next fiscal year.

Diagram 37

Comparison of Arcade Operations Performance (March 2013)

| | Net sales (Millions of yen) | Operating income (Millions of yen) | Operating margin (%) |
|---------------|--------------------------------|---------------------------------------|-------------------------|
| Capcom | 10,944 | 1,709 | 15.6 |
| Aeon Fantasy | 44,868 | 3,402 | 7.6 |
| Sega Sammy | 42,728 | 1,194 | 2.8 |
| Namco Bandai | 60,185 | 1,683 | 2.8 |

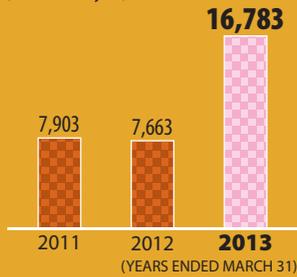
Source: Financial Results FY 2012 by respective company and support documentation (Aeon Fantasy fiscal end in February 2013)
* Segments exclude companies with business other than Arcade Operations.



Amusement Equipments

We are engaged in two other businesses based on the content used for our home video games. The Pachinko & Pachislo (P & S) business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and distributes arcade games for amusement facilities, creating synergy between businesses.

Net Sales
(Millions of yen)



Operating Margin
(%)



SWOT Analysis S: Strength W: Weakness O: Opportunities T: Threats

- High quality development capabilities cultivated through home video games
- Multiple usage of plentiful in-house content
- Ability to observe real time market movements through company-owned arcades
- Market recovery via introduction of popular machines
- Market expansion through network and 3D and other new technologies
- Market recovery from relaxation of The Entertainment Establishments Control Law



- Lack of title lineup
- Declining operator investment appetite
- Long-term market stagnation
- Market fluctuations resulting from changes to regulation on business affecting public morals

Market Trends

Pachislo Machine Growth Underpins Major Gaming Machines Market, Arcade Game Market Expands 7.5% in Second Year of Consecutive of Growth

The Amusement Equipments business consists of two businesses that develop the content of our home video games, the Pachinko & Pachislo business and the Arcade Games Sales business.

During the previous fiscal year (ended March 31, 2012), the major gaming machines market totaled 1,200.8 billion yen (up 2.3% from the previous year), surpassing the previous fiscal year on track toward recovery. Although the Pachinko machine market, which accounts for 60% of the market, continued to contract, Pachislo machine growth underpinned the major gaming machines market with two consecutive years of expansion beginning in the fiscal year ended March 31, 2010. [Diagram 38](#)

This fiscal year (ended March 31, 2013), although sales continued to be brisk with the launch of hit Pachislo machines that sold over 100,000 units, conditions remained severe for Pachinko machines, which were unable to break out of their slump. Nevertheless, the major gaming machines market remained on a track overall due to an increase in Pachislo machines associated with the new opening or renovation of Pachislo parlors.

In terms of the future outlook, although the introduction of popular Pachislo machines will continue, we anticipate another round of additional machine installations that may result in a rebound in the Pachinko machine market next fiscal year. This complementary relationship should continue in the market overall, which we expect will remain stable.

Next, in the previous fiscal year, in line with the bottoming out of the arcade facilities market, the arcade games domestic product sales market surpassed the previous year for the second year in a row, growing to 173.8 billion yen (up 7.5% from the previous year). [Diagram 39](#) By genre, in addition to high-sales-ratio coin-operated games (accounting for 20.8% of the market), which led the recovery with 36.2 billion yen (up 18.3% from the previous year), amusement vendors (accounting for 8.1% of the market) also maintained a favorable trajectory at 14.0 billion yen (up 27.7% from the previous year).

This fiscal year, the aggressive introduction of new products resulting from facility operators' need for capital expenditure resulted in the continued stability of the market.

In terms of the outlook for the future, continued capital expenditure on facilities and increased network game machines including links to smartphones should keep the market moving toward a gentle recovery.





"Resident Evil 5"



"Shin-Onimusha Sairin"

©CAPCOM CO., LTD.
ALL RIGHTS RESERVED.
©Sammy ©RODEO



"MONSTER HUNTER"

©CAPCOM CO., LTD.
ALL RIGHTS RESERVED.
©Sammy ©RODEO



"Monster Hunter Medal Hunting"



"Mario Party Kurukuru! Carnival"

Licensed by Nintendo
© 2007 Nintendo / © 2007 HUDSON SOFT
©CAPCOM CO., LTD. 2012 ALL RIGHTS RESERVED.

Operating Results for This Fiscal Year

Contributing to Earnings with Major Hit Proprietary Pachislo Machine "Resident Evil 5"; Coin-Operated Games Robust Among Arcade Games, Net Sales Increase 119.0%, Operating Profit Increases 449.7%

Capcom's strength in this business is our ability to maintain high profitability through the multiple usage of our wealth of intellectual properties in a variety of areas.

In the P&S business, Capcom develops attractive software featuring our proprietary content along with that of other companies, using our technological expertise in high-resolution image processing cultivated through the development of home video games is our strength. This fiscal year in the P&S business, our proprietary Pachislo machine "Resident Evil 5" contributed significantly to earnings with sales of approximately 48,000 units. The number of units sold in the consignment business also increased, as expansion remained on track.

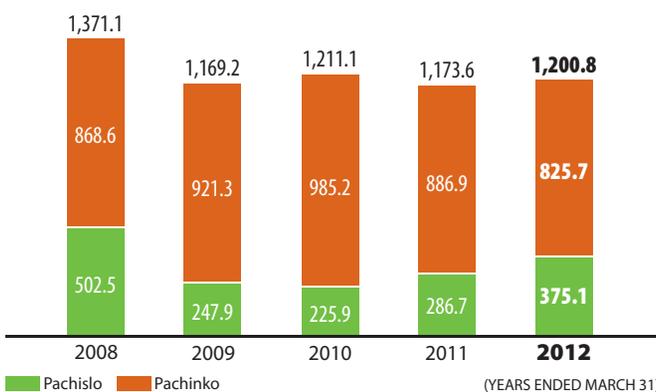
At the same time, making use of the high awareness of Capcom content, the strength of the Arcade Games Sales business is the ability to develop coin-operated game machines that anticipate steady sales by meeting stringent market needs. As for Arcade game sales this fiscal year, the product supply cycle entered a transitional stage in which "Mario Party! Kurukuru Carnival" sales were strong and repeat sales of existing products were also healthy.

Results were favorable, with net sales of 16,783 million yen (up 119.0% from the previous fiscal year) and operating profit of 4,892 million yen (up 449.3% from the previous fiscal year).

Diagram 38

Major Gaming Machines Market (New Machine Sales)

(Billions of yen)



Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2010-2012); Yano Research Institute Ltd.

Outlook for the Next Fiscal Year

P&S Business to Expand Sales of Outsourced and In-House Cases, Arcade Games to Focus on Popular Coin-Operated Game Content; Aiming for a 10% Increase in Net Sales

In terms of business development in the next fiscal year (ending March 31, 2014), we expect stable demand for Pachislo machines in the P&S business resulting from expanded demand for our specialty LCD display machines and aggressive use of popular characters. On the other hand, high-performance hardware and a spike in promotion expenses are intensifying competition among companies, resulting in further polarization. In light of this, Capcom will (1) expand the consignment business which is expected to contribute stable profits, (2) enter into an alliance with the Fields Corporation to enhance development capabilities and strengthen sales network and (3) introduce major popular home video game contents in an aim to ensure the number of outsourced and in-house cases sold.

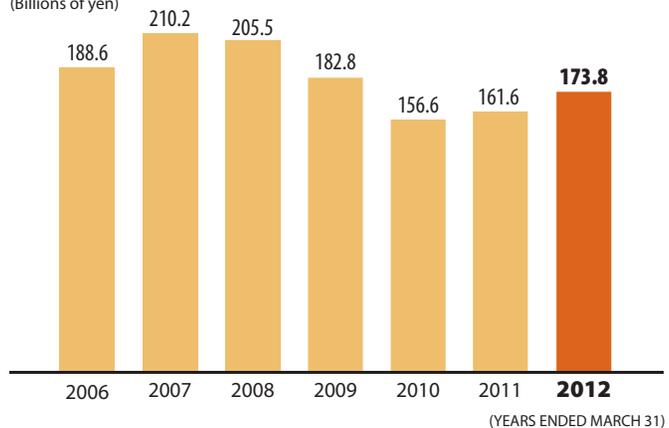
Regarding arcade game sales, the market has bottomed out and we think facilities operators will continue to increase investment. Capcom will focus on the development of coin-operated games using popular in-house and well-known content from other companies in an attempt to differentiate from other companies' products.

As a result of these measures, we forecast net sales of 18.5 billion yen and operating income of 4.3 billion yen.

Diagram 39

Arcade Game Market Trends

(Billions of yen)



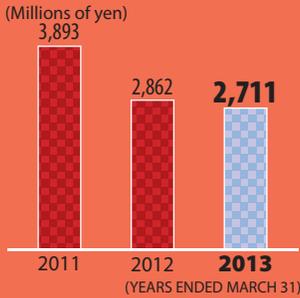
Source: JAMMA "Survey on the Amusement Industry"



Other Businesses

Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.

Net Sales



Operating Margin



SWOT Analysis S: Strength W: Weakness O: Opportunities T: Threats

- | | |
|--|---|
| <ul style="list-style-type: none"> ● Synergy effect from multiple use of abundant content ● Brand value increased through high media exposure ● High profitability | <ul style="list-style-type: none"> ● Low return of sales of licensed products |
| <ul style="list-style-type: none"> ● Expansion of film, animation, comics, stage productions, orchestras and other development media ● Contents business demand area expansion | <ul style="list-style-type: none"> ● Direct competition with other company's contents as a result of globalization |

Operating Results for This Fiscal Year

Collaborating with Other Industries on Film and Stage Productions of Popular Series to Gain New Fan Base

Capcom's strength in this category is its ability to take advantage of the strong synergy with the Home Video Games by making multifaceted use of its abundant intellectual properties. In particular, the brand value of our movie-related business has risen through extensive media exposure. This leads to greater sales of video game software, completing a virtuous sales cycle.

During this fiscal year (ended March 31, 2013), we continued to execute our Single Content Multiple Usage strategy (see "Growth Strategy 3" on page 29), conducting various projects based on each game title to enhance the branding of our game content and maximize profits.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile content, walkthrough and strategy guides and character goods, as well as movie and TV animation programs and other events in connection with the release of our home video games. [Diagram 40](#)

Specifically, we focused on increasing the "film version of Capcom contents", which strengthens the promotion and sales of home video games. Although other Japanese software manufacturers have made similar moves, the number of Capcom game titles adapted into movies and the attendant box-office revenues demonstrate our clear competitive advantage in this area. This success is a result of (1) our strength in creating original content,

Diagram 40

List of Our Content that Has Been Adapted into Movies and Theatrical Productions

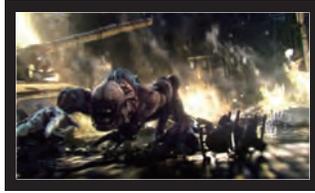
| | | | |
|-------|-----------|-----------------|---------------------------------------|
| Movie | Aug. 1994 | Animated movie | Street Fighter II |
| | Dec. 1994 | Hollywood movie | Street Fighter |
| | Mar. 2002 | Hollywood movie | Resident Evil |
| | Sep. 2004 | Hollywood movie | Resident Evil: Apocalypse |
| | Mar. 2005 | Animated movie | Mega Man Battle Network |
| | Nov. 2007 | Hollywood movie | Resident Evil: Extinction |
| | Oct. 2008 | CG movie | Resident Evil: Degeneration |
| | Feb. 2009 | Hollywood movie | Street Fighter: The Legend of Chun-Li |
| | Aug. 2010 | Movie | ZOMBREX DEAD RISING SUN |
| | Sep. 2010 | Hollywood movie | Resident Evil: Afterlife 3D |
| | Jun. 2011 | Animated movie | Sengoku BASARA -The Last Party- |
| | Feb. 2012 | Movie | Ace Attorney |
| | Sep. 2012 | Hollywood movie | Resident Evil: Retribution |
| | Oct. 2012 | CG movie | Resident Evil: Damnation |
| | Nov. 2012 | Movie | Sengoku BASARA -MOONLIGHT PARTY-Remix |

Continued on next page ↗





"Resident Evil: Retribution"
©2012 Screen Gems, Inc. All Rights Reserved.



"Resident Evil: Damnation"
©2012 CAPCOM CO., LTD. / Resident Evil CG2 Film Partners



"Halloween Horror Night"



"MONSTER HUNTER THE REAL 2012"



"Prosecutor Miles Edgeworth: Ace Attorney 3"
©TAKARAZUKA REVUE COMPANY / ©CAPCOM

underpinned by owning more proprietary content than our competitors and (2) the global popularity of our titles, which are suitable for adaptation into movies for global distribution.

As an example this fiscal year, the release of Hollywood movie "Resident Evil: Retribution" and CG animation "Resident Evil: Damnation" were timed to coincide with the sales launch of our core software "Resident Evil 6". The Hollywood film earned 0.24 billion dollars at the box office, significantly contributing to new fan base acquisition. **Diagram 41**

We also engaged in various measures, such as "Halloween Horror Night", a "Resident Evil" series tie-up held in conjunction with Universal Studios Japan's (USJ) "Universal Surprise Halloween" event, as well as the creation of a "Resident Evil Café and Grill S.T.A.R.S." inside Shibuya PARCO, both of which had a big impact on game software sales. Furthermore, we promoted cross-industry collaborations involving popular series including a "Monster Hunter The Real" event at USJ, a "Sengoku BASARA: Samurai Heroes" stage production, and a "Phoenix Wright: Ace Attorney—Trials and Tribulations" stage production performed by the Takarazuka Revue Company in an effort to appeal to ongoing users.

Capcom is also moving forward with a number of multi-development projects involving "Street Fighter", "Devil May Cry" and "Dead Rising".

These activities resulted in net sales of 2,711 million yen (down 5.3% from the previous fiscal year) and operating income of 740 million yen (down 15.6% from the previous fiscal year), with net sales generally at the same level as the previous fiscal year.

Outlook for the Next Fiscal Year

Further Progress with Our Single Content Multiple Usage Strategy, Expecting 10.7% Growth in Net Sales, 62.2% Growth in Operating Profit with Development of Large-Scale Projects Aimed at Children

Looking ahead to the next fiscal year (ending March 31, 2014), we will continue to execute our Single Content Multiple Usage strategy.

We are aggressively developing various collaborations to accompany the launch of "Monster Hunter 4" software for the Nintendo 3DS. In particular, we will hold user participatory events including a "Monster Hunter Festa 2013" tie-up with the Shibu hot springs resort in Nagano Prefecture and USJ to further cultivate a sense of unity.

Also, in the fall of 2013, as part of our new multiple usage development, we will conduct a large-scale multiple usage development project aimed at children involving toy and animation collaborations with various companies to accompany the launch of new title "Gaist Crusher".

Furthermore, we will continue to engage in stage productions and fan appreciation events involving "Sengoku BASARA" and "Ace Attorney".

Functioning as horizontal deployment for game content, these cross-industry collaborations enable our products to reach a wider audience and enhance our brand value.

In light of these efforts, we forecast net sales in the next fiscal year of 3.0 billion yen and operating income of 1.2 billion yen.

Diagram 41

Revenue Ranking of Japanese Game Content that Has Been Adopted into Movies

| Title | Original writer company | Box-office revenue (worldwide) |
|--------------------------------------|-------------------------|--------------------------------|
| 1. RESIDENT EVIL: AFTERLIFE 3D | Capcom | \$296,221,663 |
| 2. RESIDENT EVIL: RETRIBUTION | Capcom | \$240,159,255 |
| 3. RESIDENT EVIL: EXTINCTION | Capcom | \$147,717,833 |
| 4. RESIDENT EVIL: APOCALYPSE | Capcom | \$129,394,835 |
| 5. RESIDENT EVIL | Capcom | \$102,441,078 |
| 6. STREET FIGHTER | Capcom | \$99,423,521 |
| 7. SILENT HILL | Konami | \$97,607,453 |
| 8. FINAL FANTASY: THE SPIRITS WITHIN | Square | \$85,131,830 |
| 9. SUPER MARIO BROS. | Nintendo | \$20,915,465 |
| 10. HOUSE OF THE DEAD | Sega | \$13,818,181 |

As of June 30, 2013 (Capcom figures)

| | | | |
|-----------------------|--------------------------|--|---|
| TV animation | Apr. 1995 | TV animation | Street Fighter II V |
| | Mar. 2002 | TV animation | Mega Man Battle Network |
| | Oct. 2004 | TV animation | Viewtiful Joe |
| | Oct. 2006 | TV animation | Mega Man Star Force |
| | Jun. 2007 | TV animation | Devil May Cry |
| | Apr. 2009 | TV animation | Sengoku BASARA |
| | Jul. 2010 | TV animation | Sengoku BASARA2 |
| | Aug.2010 | TV animation | MONHAN NIKKI GIRIGIRI AIRU MURA AIRU KIKI IPPATSU |
| | Jul. 2011 | TV animation | MONHAN NIKKI GIRIGIRI AIRU MURA G |
| | Oct. 2012 | TV animation | IXION SAGA DT |
| Oct. 2013 | TV animation | Gaist Crusher (planned) | |
| Theatrical production | Feb. 2009 | Takarazuka Revue Company | Phoenix Wright: Ace Attorney – The Truth Comes Back to Life |
| | Jul. 2009 | Theatrical production | Sengoku BASARA |
| | Aug.2009 | Takarazuka Revue Company | Phoenix Wright: Ace Attorney 2 |
| | Apr. 2010 | Theatrical production | Sengoku BASARA Stage Adaptation second stage |
| | Oct. 2011 | Theatrical production | Sengoku BASARA: Samurai Heroes |
| | May 2012 | Theatrical production | Sengoku BASARA 2 |
| | Nov.2012 | Theatrical production | Sengoku BASARA 3 Setouchi Kyoran, Stage Adaptation |
| | Jan. 2013 | Takarazuka Revue Company | Prosecutor Miles Edgeworth: Ace Attorney 3 |
| Apr. 2013 | Theatrical production | Sengoku BASARA 3 Utage | |
| Jun. 2013 | Takarazuka Revue Company | Sengoku BASARA | |
| Jul. 2013 | Theatrical production | Phoenix Wright: Ace Attorney – Gyakuten no spotlight | |
| TV drama | Jul. 2012 | TV drama | Sengoku BASARA -MOONLIGHT PARTY- |