

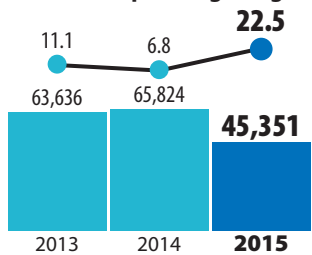
## Business Activities and Future Outlook



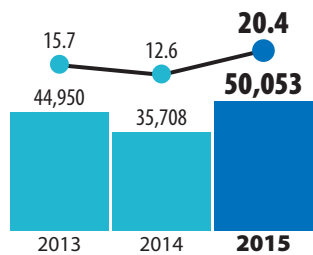
## Digital Contents

This business develops and sells package games and digital download contents for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games involve creative original content focused on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in an attempt to maximize earnings.

### Net Sales/Operating Margin



### Assets/ROA



### SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- World-class development and technological capabilities
- Own a number of original popular titles
- PC online game management expertise



- Decreased competition in Consumer business
- Expand digital download business
- Expanding PC online game genres and areas of adoption
- Increased users from global expansion of smartphone adoption

- Dependence on specific genres
- Lack of development staff
- Lack of native app game hit titles and management expertise

- Consumer game presence diminished by diversity of entertainment
- Falling average sales price of Consumer games
- Low barriers for entry into mobile contents, large number of competitor firms



"Monster Hunter 4 Ultimate"

## Market Trends

### Consumer (Package and Digital Download Contents)

#### Despite Continued Growth in Digital Download Contents, the Market Declined 8.9% in 2014

In 2014, the consumer (Package and digital download contents) market was worth 21.6 billion dollars (down 8.9% from the previous year), the third straight year of negative growth. This was due to (1) a limited supply of major titles despite the steadily increasing switchover to current game consoles and (2) the declining average unit price of software. The consumer market is primarily comprised of North America, Europe and Japan. In Europe and the United States, representing approximately 80% of the market, although download sales expanded along with the increasing spread of current game consoles, (1) and (2) resulted in a 5.3% decline year on year. In Japan, competition among apps for smartphones led to a 25% decline compared to the previous year.

However, in line with network infrastructure developments and the establishment of the online premium model, the digital download market, involving the download of full games, add-on content and past archive titles, is clearly growing, providing a degree support to the slumping market, which expanded globally to 8.7 billion dollars (up 17.6% compared to the previous year).

We expect a recovery and forecast a slight increase in the global consumer market to 24.7 billion dollars in 2015 (up 14.4% from the previous year) due to expanded title lineups for the PlayStation 4 and Xbox One and further digital download growth. **Diagram 27**

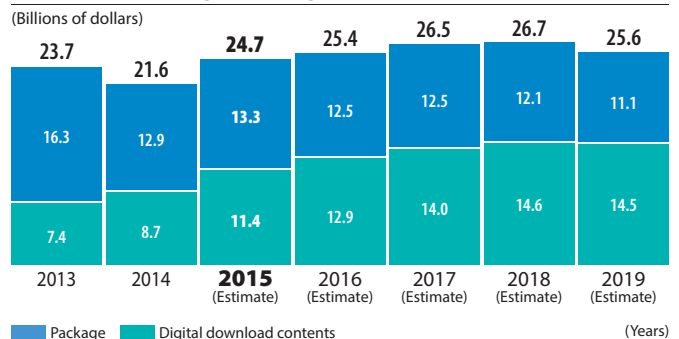
### Mobile Contents

#### The Market Expanded 53.1% in 2014 on Eye-Opening Growth in Japan and Asia

The Mobile Contents market grew from 14.7 billion dollars in 2013 to

**Diagram 27**

### Consumer (Package and Digital Download Contents) Market



Source: International Development Group



## Production Capital

### Creating a Cutting-Edge Development Environment

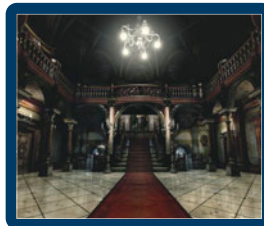
Capcom is constructing two research and development buildings near the Osaka headquarters, one of which is already completed. In addition to a motion capture room and a Foley studio for creating and recording sound effects, these new R&D buildings include a multi-purpose space accommodating more than 100 people and incorporate the latest equipment, which will help improve development quality.



"Ultra Street Fighter IV"



"Resident Evil Revelations 2"



"Resident Evil" (HD Remastered)

22.5 billion dollars in 2014 (up 53.1% from the previous year), expanding to the same size as the Consumer market.

The main reasons for this were (1) the ongoing adoption of smartphones in all countries of the world, (2) the rise of sophisticated tablet devices and free communication apps such as LINE and (3) the growing game user population in line with the spread of native app games.

By region, the North American market was worth 5.4 billion dollars (up 38.5% from the previous year), the European market was worth 3.5 billion dollars (up 52.2% from the previous year) and the Asian market including Japan was worth 11.6 billion dollars (up 64.7% from the previous year). Furthermore, in emerging and Eastern European markets, as well as other areas, the global market grew steadily to 1.9 billion dollars (up 46.2% from the previous year).

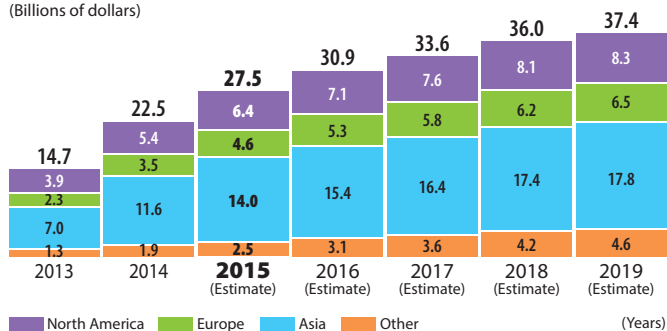
The freemium (virtual item purchases/in-game purchases), a earnings model where users download a game for free, then purchase access to additional items and other game content as needed, has predominated in the market since about 2010. With freemium games, the key to manageability is using content power (brand/game function) to offer the appropriate services and premium games. For game companies with lots of popular software titles as well as mobile development companies with operational expertise, the opportunity to improve earnings is growing.

In 2014, smartphone shipments amounted to 1,252.3 million units (up 23.8% from the previous year), maintaining double-digit growth that is forecast to continue in 2015 amid the ongoing adoption of smartphones worldwide. Furthermore, higher demand for game devices in Japan and Asia and the expansion of popular content worldwide is expected to support ongoing expansion in the market. As a result, we forecast growth in the mobile contents market to 37.4 billion dollars in 2019 (up 66.2% compared to 2014). **Diagram 28**

**Diagram 28**

### Mobile Contents Market

(Billions of dollars)



Source: International Development Group

### PC Online

### SNS Game Sluggishness Caused the Market to Shrink 14.2% in 2014

Despite contributions from the spread of cloud game services and digital sales in Europe and the United States, and an increase in Massively Multiplayer Online (MMO) game users in the Asian region, games played on Facebook and other SNS were sluggish, resulting in the 2014 PC online market declining to 24.7 billion dollars (down 14.2% from the previous year).

We expect growth to resume in 2015 and forecast the market to expand to 26.4 billion dollars (up 6.9% from the previous year). In the Asian market in particular, continued expansion mainly of MMO games is expected to drive growth from 9.1 billion dollars in 2014 to 9.8 billion dollars in 2019 (up 7.7% compared to 2014). As a result, the PC online game market is forecast at 26.6 billion dollars in 2019. **Diagram 29**

### Operating Results for This Fiscal Year

#### Consumer (Package and Digital Download Contents)

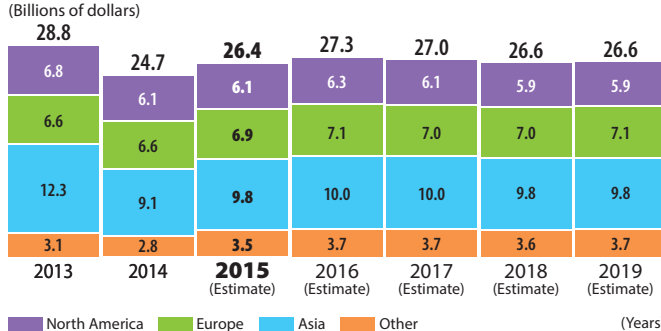
### Despite the Repercussion from Lower Sales Last Fiscal Year, Sales Declined While Profit Increased Due to Earnings Composition Improvements Sales Were 35.2 Billion Yen (Down 33.6% From Last Fiscal Year)

Core title "Monster Hunter 4 Ultimate" generally met projections, selling 3.4 million units while "Ultra Street Fighter IV" targeting overseas users enjoyed brisk sales. "Resident Evil Revelations 2" made use of a variety of sales methods including download sales of episodes and package sales after digital distribution to become a million-seller title with 1.1

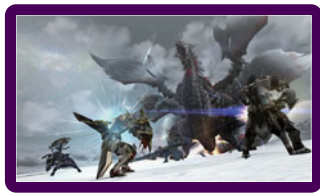
**Diagram 29**

### PC Online Market

(Billions of dollars)



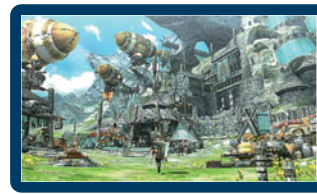
Source: International Development Group



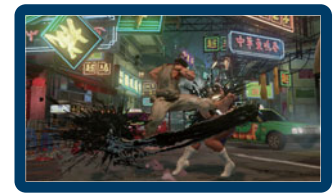
"Monster Hunter Frontier G"



"Monster Hunter Mezeoporuta Kaitakuki"



"Monster Hunter X (Cross)"



"Street Fighter V"

million units sold. Furthermore, "Resident Evil" (HD Remastered), a high-quality version of the original "Resident Evil" created for current game consoles, sold via download overseas is performing well and has already surpassed the sales projection of 900,000 units. However, the backlash from sales of major title "Monster Hunter 4" last fiscal year and a narrowing down of core software titles led to a significant decline in sales compared to the previous fiscal year.

At the same time, development structure revisions aimed at eliminating unprofitable outsourced titles and steady growth in the unit sales of previously developed repeat titles with wide profit margins resulted in an improved digital download sales ratio, from 18.3% last fiscal year to 25.6% this fiscal year, which significantly improved profitability.

As a result, package and full-game download sales totaled 13 million units (down 25.7% from the previous year), package sales were 26.2 billion yen (down 39.5% from the previous year), digital download sales were 9 billion yen (down 7.2% from the previous year) and Consumer sales were 35.2 billion yen (down 33.6% from the previous year), yet the operating margin still increased into the 20% range.

#### Mobile Contents

### A Lack of Leading Titles Under the Capcom and Beeline Brands Resulted in Sales of 4.1 Billion Yen (Down 36.9% From the Previous Year)

Existing titles were unable to support the lack of leading titles under the Capcom and Beeline brands. Despite the success of some titles, including "Monster Hunter Hunting Quest" and "Monster Hunter Freedom Unite for iOS" under the Capcom brand, and "Smurfs' Village" under the Beeline brand, the intensely competitive environment posed an uphill battle dulling these achievements.

As a result, net sales tumbled to 4.1 billion yen (down 36.9% from

the previous fiscal year). In terms of profits, the earnings composition was successfully restructured, raising the operating margin into the 20% range.

#### PC Online

### Stable Contribution from "MHF" Maintained Nearly the Same Level of Sales as Last Year at 6 Billion Yen (Down 4.8% Year on Year)

"Monster Hunter Frontier G" (MHF), which is extremely popular in Japan, provided a stable contribution to earnings. We also released a new browser game "Monster Hunter Mezeoporuta Kaitakuki".

As a result, sales were generally on track, amounting to 6 billion yen (down 4.8% from the previous year). In terms of profit, the success of cost reductions and selling, general and administrative expense revisions raised operating margins to the 15-20% range.

#### Summary

As a result, the Digital Contents business this fiscal year achieved sales of 45,351 million yen (down 31.1% from the previous fiscal year) and operating income of 10,208 million yen (up 127.4% from the previous fiscal year). **Diagram 30**

### Outlook for the Next Fiscal Year

#### Consumer (Package and Digital Download Contents)

### Projecting Sales of 35 Billion Yen (Down 0.6% From the Previous Year) Based on the Release of Two Core Titles and Enhanced Digital Downloads, Maintaining the Same Level with a Lean Organizational Structure

To achieve the medium-term business goals, we are engaged in (1) strengthening digital download and (2) enhancing our title lineup

Diagram 30

### Sales by Genre

(Billions of yen)

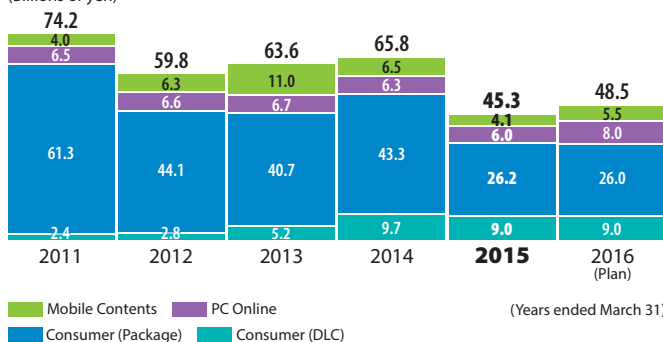
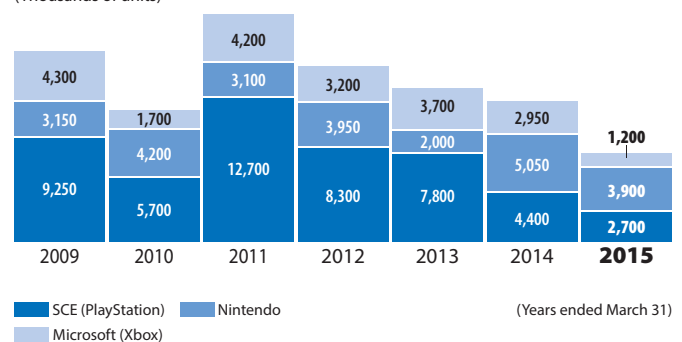


Diagram 31

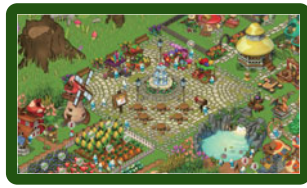
### Units Shipped by Hardware (Package Only)

(Thousands of units)





"Monster Hunter Explore"

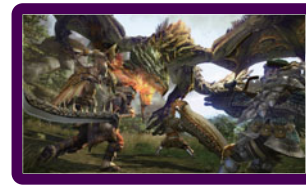


"Smurfs Village and the Magical Meadow"

© PeYo - 2015 - Licensed through Lafig Belgium - www.smurf.com. All game code © 2014 Beeline Interactive, Inc.



"Dragon's Dogma Online"



"Monster Hunter Online"

through the full-fledged operation of a 60-month title development plan.

Efforts within (1) include expanding unit sales by strategically releasing full-game and add-on contents. Also, we will utilize one of our existing intellectual properties to proactively release an HD remastered version of a previous title for download sales in an attempt to create sales opportunities and increase the digital download sales ratio.

In terms of (2), we will (a) promote compatibility with multiple platforms aimed at both current and older game consoles **Diagram 31** and (b) release a new title within an existing popular series every 2.5 years based on our 60-month map title portfolio.

Next fiscal year, we will release core titles "Monster Hunter X (Cross)" and "Street Fighter V" while further strengthening download sales, forecasting 13 million unit sales again this year. Accordingly, we anticipate sales of 35 billion yen (down 0.6% from the previous year). Operating margins are also expected to remain at nearly the same levels as this fiscal year due to stage 3 reforms aimed at creating a lean organizational structure. **Diagram 32**

**Mobile Contents**

**Forecasting Sales of 5.5 Billion Yen (Up 34.1% From the Previous Year) on Release of Highly Anticipated Title Releases in Japan and Overseas**

Focusing efforts on creating the next hit titles, Mobile Contents will (1) make use of proprietary brands and accumulated management knowledge in the Capcom brand and (2) return to the source of our area of expertise in the Beeline brand. **Diagram 33**

With respect to (1), Capcom brand development structure reforms were completed in the previous fiscal year, thus we are aiming for a solid hit in the domestic market using this new structure. We will combine the content power of the Consumer sub-segment with PC

Online sub-segment management capabilities to release the highly anticipated title "Monster Hunter Explore" and distribute carefully selected native app games. We will also expand aggressively into the Asian market, including China, where smartphones continue to spread rapidly.

In terms of (2) the Beeline brand, we will distribute titles globally for the casual user segment making use of popular content including "Smurfs Village and the Magical Meadow" and "Ghostbusters Puzzle Fighter" while focusing efforts on managing existing titles such as "Snoopy's Sugar Drop" in Japan. As a result of these measures, we forecast Mobile Content sales of 5.5 billion yen (up 34.1% from the previous year). Operating income is also expected to increase compared to the previous fiscal year.

**PC Online**

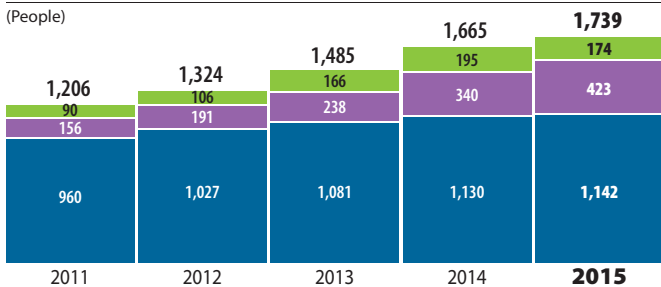
**Projecting Sales of 8 Billion Yen (Up 33.3% From the Previous Fiscal Year) Due to Stronger New Title Releases in Japan and Asia**

In addition to a major "MHF" update, we will release "Dragon's Dogma Online" and "Breath of Fire 6", titles using popular IP expected to contribute to earnings. We will deploy "Monster Hunter Online" in the Chinese market through an alliance with China's Tencent Holdings Ltd, among other efforts to strengthen licensing in the Asian region. As a result of these measures, we forecast sales of 8 billion yen.

**Summary**

In summary, we expect both sales and income to grow, mainly in the PC Online and Mobile Contents sub-segments, and forecast net sales of 48.5 billion yen (up 6.9% from the previous year) and operating income of 11 billion yen (up 7.8% from the previous year) next fiscal year.

**Diagram 32** Digital Contents Business Development Staff



Mobile Contents PC Online Consumer (Years ended March 31)

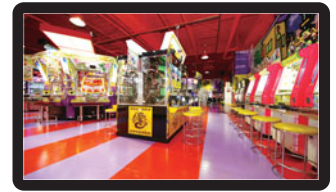
**Diagram 33** Two Mobile Contents Brand Strategies

Brands	Targets	User Attributes
Capcom brand	Mainly Japanese user segment	Traditional Capcom fans
Beeline brand	Global user segment	High percentage of female and senior users

## Business Activities and Future Outlook



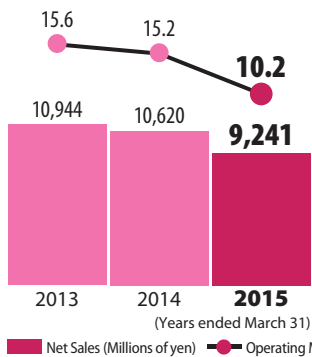
# Arcade Operations



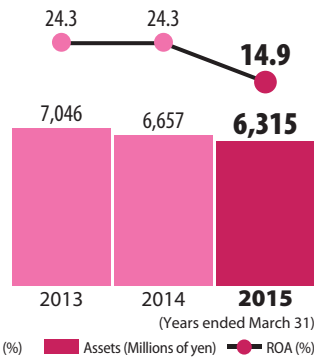
Plaza Capcom Isogo

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



### Assets/ROA



### SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- | Strengths (S)  | Weaknesses (W)  | Opportunities (O)  | Threats (T)  |
|--|---|--|--|
| <ul style="list-style-type: none"> <li>Specialize in opening mall-based large-scale facilities to secure a stable customer base</li> <li>Thorough scrap-and-build focused on investment efficiency to ensure sustainable earnings</li> </ul> | <ul style="list-style-type: none"> <li>Low sales growth from small number of carefully selected facilities</li> <li>Little synergy with proprietary contents</li> </ul> | <ul style="list-style-type: none"> <li>Expand ability to draw customers by introducing popular machines</li> <li>Increase customers with appeals targeting seniors and children</li> <li>Multifaceted deployment of attractions using Capcom contents</li> </ul> | <ul style="list-style-type: none"> <li>Existing users on the decline due to falling birth rate</li> <li>Increased consumption tax</li> <li>Entertainment diversification due to rapid growth of games for smartphones</li> </ul> |

## Market Trends

### 2.9% Market Contraction Indicates Continued Downward Trend, Signs of Roadside Arcade Recovery

During the previous fiscal year (ended March 31, 2014), the size of the domestic arcade facilities market decreased slightly to 456.4 billion yen (down 2.9% from the previous fiscal year). **Diagram 34** This was due to a decline in the number of arcades and the number of machines per arcade, the absence of a major hit product gaining traction in the market, competition from apps in line with the ongoing adoption of smartphones and increased diversity in how people spend their leisure time.

Furthermore, although the number of facilities decreased to 16,069 (down 5.4% from the previous fiscal year) **Diagram 35**, there was a slight increase in the number of machines per arcade, which was 32.7 (up 0.5 machine from the previous fiscal year), and sales per facility, which was 28.40 million yen (up 2.7% from the previous fiscal year). Many companies closed unprofitable arcades, successfully promoting management efficiency.

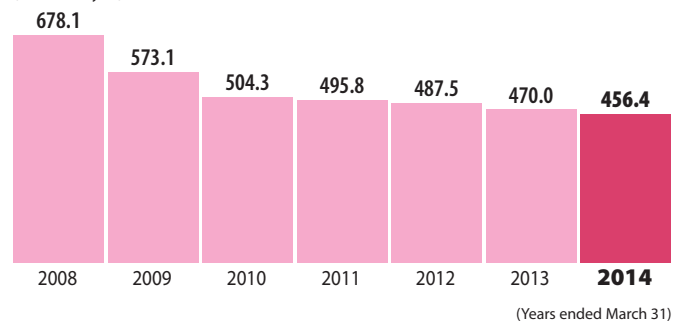
During the fiscal year under review, the market continued to contract as in the previous fiscal year. Despite the popularity of some prizes utilizing popular contents, the April 2014 consumption tax hike caused a drop in consumer confidence resulting in fewer customers and lower customer unit prices that drove the ongoing closure of unprofitable arcades throughout the industry.

In terms of outlook for the future, although conditions vary from one arcade to the next, we expect the market to remain somewhat weak overall. Specifically, arcades in shopping centers will continue to face severe business conditions due to declining customer numbers at large commercial facilities and merchandise lineups that do not sufficiently appeal to families. At the same time, the introduction of character merchandise popular with young people and leading music game machines are expected to maintain brisk business at roadside arcades.

### Diagram 34

### Arcade Operations Market

(Billions of yen)



(Years ended March 31)

Source: JAMMA "Survey on the Amusement Industry"



## Nature Capital

### Energy Conservation Initiatives

Electricity usage and other utility expenses are one variable element associated with facility operating costs within Arcade Operations. We are engaged in proactive initiatives that consider the environment and reduce costs, including the introduction of LED lighting and energy-efficient air conditioning systems in new arcades.



Plaza Capcom Oita  
"Monhan Sweets Airou Crepe Shop"



Plaza Capcom Kyoto  
"Asobi Oukoku Peekaboo"



"Asobi Library Kawaguchi"

## Operating Results for This Fiscal Year

### Despite Attempts to Cultivate New Segments (Seniors and Children) and Deepen Existing Segments (Women and Families), Sales and Profits are Expected to Decline Due To Market Weakness

Capcom's strengths in this business category are: (1) early specialization in opening mall-based large-scale facilities that ensure 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 and sound management structure to raise return on investment. **Diagram 36**

This fiscal year (ended March 31, 2015), amid a soft market, we attempted to expand customer segments by focusing efforts on capturing seniors and families by offering free game experience tours for senior citizens and creating "Asobi Oukoku Peekaboo" play areas for young children in five locations across Japan. Other measures included cafes and restaurants incorporating character motifs from the "Monster Hunter" series.

However, market contraction resulted in existing store sales at 90% of the previous fiscal year, as the impact of the consumption tax and unseasonable weather kept customers away.

This year, we opened one arcade in Saitama Prefecture and closed one unprofitable arcade, bringing the total number of arcades in operation at the end of this fiscal year to 33.

As a result, net sales were 9,241 million yen (down 13.0% from the previous fiscal year) and operating income was 940 million yen (down 41.8% from the previous fiscal year).

## Outlook for the Next Fiscal Year

### Planning to Open Four Arcades and Close Two, Maintaining Operating Margins at 10% Amid a Severe Market Environment

In terms of business developments next fiscal year (ending March 31, 2016), we expect the market to continue its gradual decline. Above all, we will strive to ensure profits in the severe shopping center arcade environment by continuing to promote the cultivation of new segments and improving management efficiency at existing arcades.

In addition to ongoing senior citizen events aimed at attracting middle-aged and senior customers, we will aim for a synergistic effect by appealing to both game users and the women and family segments with Capcom character-themed cafes and restaurants and escape attractions among other efforts to invigorate our facilities and draw more customers.

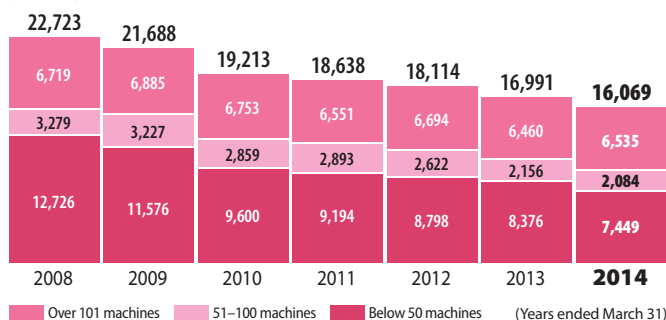
In terms of the opening and closing of facilities, we will further strengthen efficient facilities and close unprofitable ones, while moving forward with the establishment of new facilities in areas with a high concentration of customers to establish new revenue streams. Next fiscal year, we plan to open four arcades, including "Asobi Library Kawaguchi" in Saitama Prefecture, and close two arcades, which will bring the total number of arcades in operation to 35.

As a result of these measures, we forecast existing arcade sales up 1% from the previous year, which is sales of 10 billion yen and operating income of 1.1 billion yen.

**Diagram 35**

### Number of Amusement Arcades (by number of machines)

(Facilities)



Source: JAMMA "Survey on the Amusement Industry" (Years ended March 31)

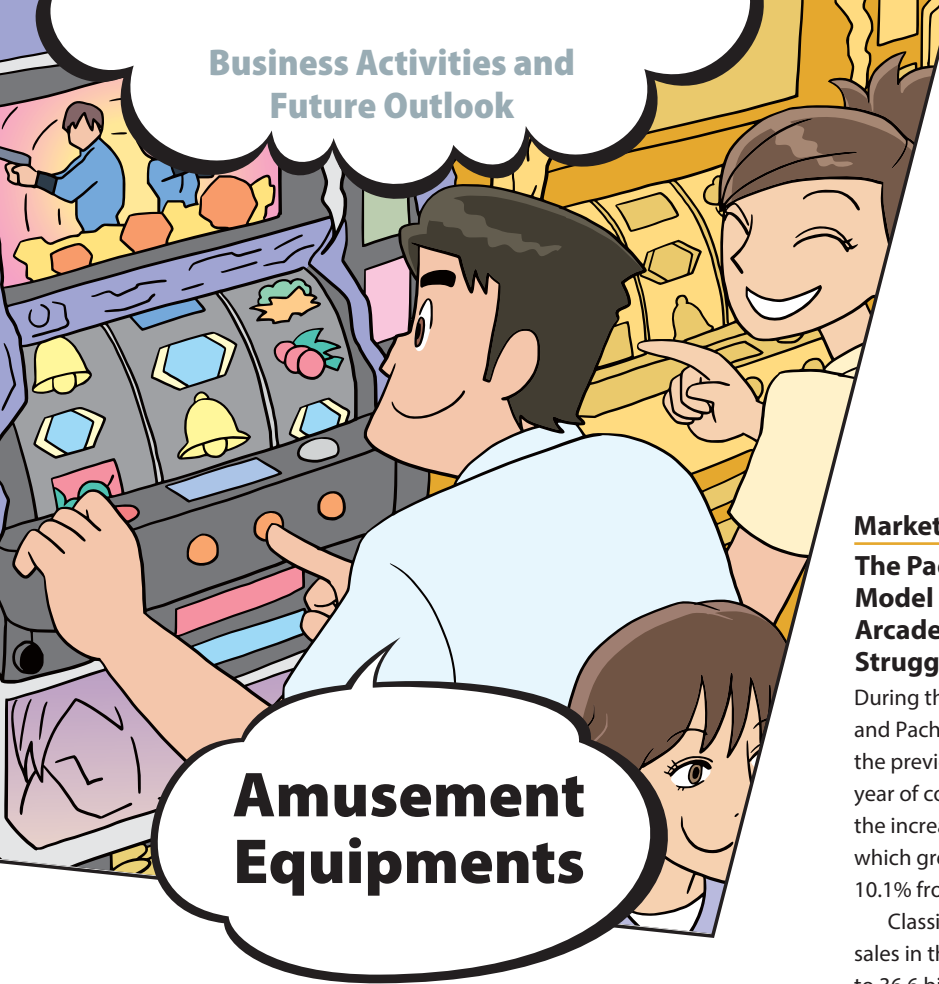
**Diagram 36**

### Comparison of Arcade Operations Performance (Year ended March 31, 2015)

	Net sales (Billions of yen)	Operating income (Billions of yen)	Operating margin
Capcom	9.2	0.9	10.2%
Adores	13.3	0.7	5.9%
Aeon Fantasy	46.6	2.6	5.6%
Sega Sammy	41.4	-0.9	-
Bandai Namco	55.5	-2.2	-

Source: Financial reports and earnings materials of each company (Aeon Fantasy fiscal year ended February 2015)  
Note: Segments include businesses other than arcade facilities operations and exclude corporate.

## Business Activities and Future Outlook



# Amusement Equipments

We are engaged in two businesses based on the contents used for our home video games. The Pachinko & Pachislo (PS) 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 sells arcade games for amusement facilities, creating synergy between businesses.



"crossbeats REV."



"CYTUS Ω"

### Market Trends

#### The Pachislo Market Significantly Contracted Due to Model Certification Method Revisions\*1\*2 as the Arcade Games for Amusement Facilities Market Struggled Amid Effects of the Consumption Tax Hike

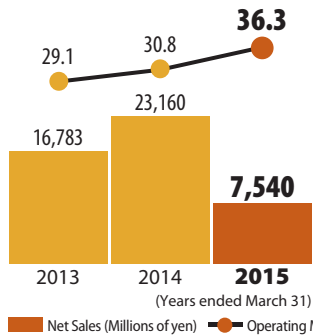
During the previous fiscal year (ended March 31, 2014), the Pachinko and Pachislo market declined to 1,083.2 billion yen (down 10.0% from the previous year). The main reason for this was a fourth consecutive year of contraction in the Pachinko machine market. At the same time, the increasing size of new facilities contributed to the Pachislo market, which grew for the fourth consecutive year, to 473.3 billion yen (up 10.1% from the previous year), propping up the market. **Diagram 37**

Classic characters and prizes using popular content led to brisk sales in the arcade games for amusement facilities market, amounting to 36.6 billion yen (up 18.4% from the previous year). However, coin-operated games, accounting for 15% of the market, were pushed back by a stream of low-cost products from Asia, resulting in sales of 24.5 billion yen (down 29.8% from the previous year). As a result, the overall arcade games for amusement facilities market remained nearly the same at 163.5 billion yen (down 2.4% from the previous year). **Diagram 38**

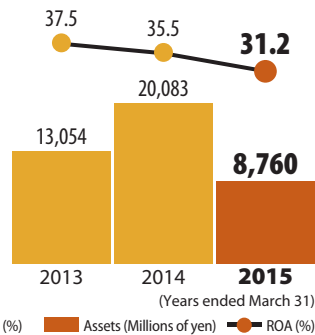
This fiscal year (ended March 31, 2015), the Pachislo market contracted significantly due to a decline in the number of new machines caused by a change to the rules governing Pachislo machine model certification methods\*1, which the Security Communications Association made effective in September 2014. Furthermore, the arcade games for amusement facilities market declined due to a loss of investment appetite caused by the April 2014 consumption tax hike.

In terms of the future outlook, despite the elimination of changes to the rules governing Pachislo machine model certification methods\*2, we plan to implement functional limitations on sub-substrates in December 2015 and expect ongoing uncertainty in the second half of the fiscal year. Also, in the arcade games for amusement facilities market, we anticipate sales of music game machines, card game machines and a variety of other prominent machines will likely spur investment among facility operators and maintain market stability.

#### Net Sales/Operating Margin



#### Assets/ROA



#### SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>High quality development capabilities cultivated through home video games</li> <li>Multiple usage of plentiful in-house contents</li> <li>Ability to observe real time market movements through company-owned arcades</li> </ul> | <ul style="list-style-type: none"> <li>Lack of title lineup</li> </ul>   |
| <ul style="list-style-type: none"> <li>Market recovery via introduction of popular machines</li> <li>Long-term profit opportunity with pay-as-you-go model</li> <li>Introduction of music games and other new genres</li> </ul>   | <ul style="list-style-type: none"> <li>Declining operator and hall investment appetite</li> <li>Long-term market stagnation</li> <li>Market fluctuations resulting from changes to The Entertainment Establishments Control Law and certification rules</li> </ul> |

*1. Model certification	A public test to verify whether or not gaming machines are in accordance with regulations conducted by the Security Communications Association on behalf of public safety commissions in each of Japan's administrative divisions.
*2. Changes to certification methods	Three self-imposed restraints implemented in stages. Up to November 2014 (1) guarantee a minimum (55%) ball dispensing ratio, (2) implement limits on penalty functions, and from December 2015 (3) implement functional limitations in sub-substrates.



"Sengoku BASARA 3"



"Resident Evil 6"



## Intellectual Capital

### Popular Game Character Utilization

Gaming machines and arcade game machines are developed using popular intellectual property (IP) from a variety of home video games. For example, the Pachislo machine "Resident Evil 6" made use of the "Movision" movable liquid crystal screen, made popular in "Resident Evil 5", in addition to other elements that convey the world of this game and win user hearts.



## Operating Results for This Fiscal Year

### Pachislo Model Certification Method Revisions and a Lack of Major Arcade Games for Amusement Facilities Drove Sales Down 67.4% and Reduced Operating Income 61.6%

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 PS sub-segment, 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 year (ended March 31, 2015), the PS sub-segment sold 20,000 units of "Sengoku BASARA 3" as highly profitable repeat sales supported earnings. However, the sale of new machines was postponed due to Pachislo model certification method revisions implemented in September 2014, resulting in a weak product lineup.

In terms of Arcade Games Sales sub-segment, we will make use of widely recognized Capcom content and our strength in developing coin-operated games, an area where we anticipate heightened market needs and steady sales. This fiscal year, no major new products were released, leaving only coin-operated machines and existing products as the main drivers of sales. The lack of products resulted in overall poor performance in this sub-segment.

Consequently, sales were 7,540 million yen (down 67.4% from the previous year) and operating income was 2,736 million yen (down 61.6% from the previous year), resulting in an unavoidable decline in sales and profits.

## Outlook for the Next Fiscal Year

### Sales of New Machines Using Popular Contents Are Projected to Increase Sales 98.9% and Improve Operating Income 9.6%

In terms of business development in the next fiscal year (ending March 31, 2016) in the PS sub-segment, although companies will be releasing machines compliant with the new model certification rules, and despite the rules being implemented in three stages, we expect the market environment to remain uncertain. In addition, we think competition between companies will intensify due to differentiation via advanced hardware and cabinet designs and sharp distinctions in hall investment models. Thus, Capcom will (1) strengthen 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) aim to increase sales by introducing unique Pachislo machines with elaborately planned playing styles and visual elements using popular Consumer business contents.

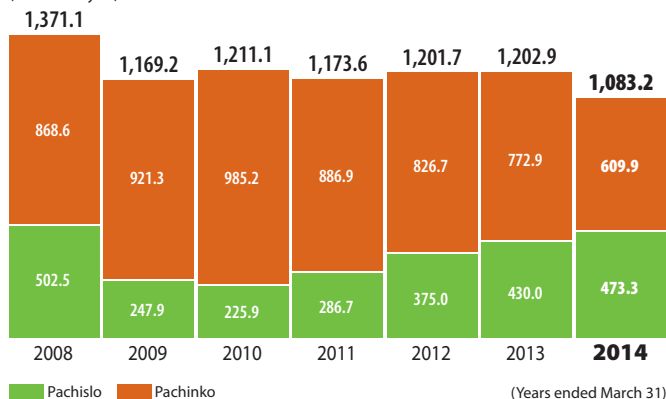
Also, regarding sales of Arcade Games for amusement facilities, we think the release of music game machines, card game machines and a variety of other prominent machines will spur investment among facility operators. Accordingly, we will develop coin-operated games using popular Capcom contents in an attempt to differentiate from other companies' products. Furthermore, we will release new music games employing the pay-as-you-go model intended to create long-term earning opportunities.

As a result of these measures, we expect sales and profits to rise in the next fiscal year. We forecast sales of 15 billion yen (up 98.9% from the previous year) and operating income of 3 billion yen (up 9.6% from the previous year).

Diagram 37

### Gaming Machines Market

(Billions of yen)

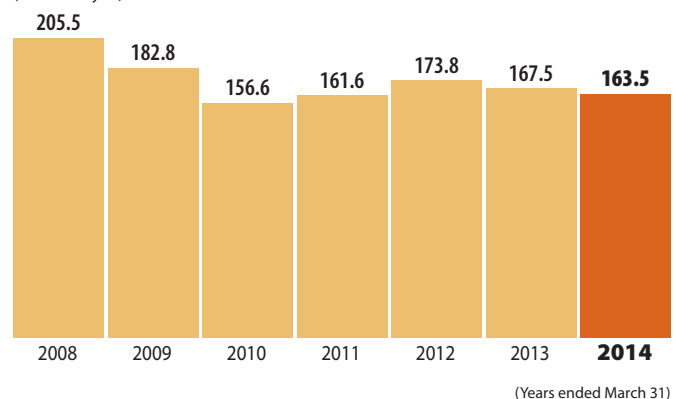


Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2012, 2013, 2014); Yano Research Institute Ltd.

Diagram 38

### Arcade Game Market

(Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"



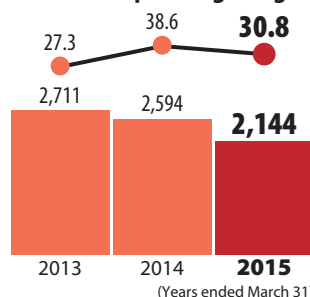
## Business Activities and Future Outlook



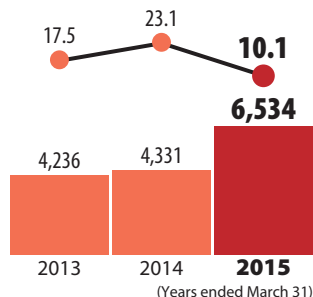
## Other Businesses

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



### Assets/ROA



### SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

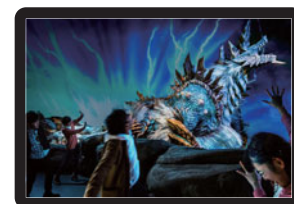
- Synergy effect from multiple use of abundant contents
- Brand value increased through high media exposure
- High profitability

- Low return of sales from licensed products



- Expansion of film, animation, comics, stage productions, orchestras and other development media
- Contents business demand area expansion

- Direct competition with other company's contents as a result of globalization



"Monster Hunter the Real 2015"

### Operating Results for This Fiscal Year

#### Streamlining Titles Led to Decrease in Related Products Resulting in a 17.4% Decline in Sales and 34.0% Drop in Operating Income

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.

This fiscal year (ended March 31, 2015), we implemented a variety of projects within each title based on our continued Single Content Multiple Usage strategy.

Please refer to "Capcom's Business Model" on pages 7-8.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile contents, 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 39**

Specifically, we focused on increasing the "film and visual versions 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, 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. **Diagram 40**

This fiscal year, we continued to promote various collaborations with other industries and hold experience-based events for users of each series. Starting in January 2015, we held "Monster Hunter Festa '15" events in five cities across Japan to coincide with the launch of core title "Monster Hunter 4 Ultimate" and collaborated with Universal Studios Japan on experience-based events including "Universal Cool Japan" held in January 2015, "Resident Evil the Escape" and "Monster Hunter the Real" to promote existing user solicitation and acquire new fans.

Furthermore, in addition to holding the "Monster Hunter x Shibu Hot Springs Resort in Nagano Prefecture" tourist event, the "Sengoku BASARA" series was developed as TV animation and a stage production in an ongoing effort to promote this title among non-game users.

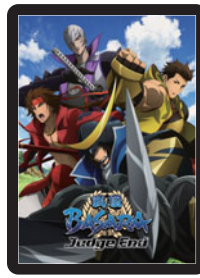
We are also promoting a number of other multi-development projects involving "Street Fighter", "Dead Rising" and "Ace Attorney".



"Resident Evil the Escape"



"Resident Evil the Real 3"



"Sengoku BASARA - Judge End-"

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## Intellectual Capital

### Single Content Multiple Usage Strategy

Capcom establishes a business model able to enjoy continuous profits by promoting a Single Content Multiple Usage strategy, whereby the wide range of popular content created by the Consumer business is used for multiple intellectual properties including films and theatrical productions.

Please refer to "Capcom's Business Model" on pages 7-8.

That being said, this fiscal year we streamlined the number of titles under development in line with development structure revisions in the Consumer business. This resulted in a smaller number of titles, less related merchandise within large products and lackluster product sales.

Consequently, sales and profits declined. Sales were 2,144 million yen (down 17.4% from the previous year) and operating income was 661 million yen (down 34.0% from the previous year).

#### Diagram 39

### 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 3D
	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	
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
Jul. 2014	TV animation	Sengoku BASARA –Judge End–	
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	Ace Attorney –Gyakuten no Spotlight
Nov. 2013	Theatrical production	Sengoku BASARA 3 Utage 2	
Apr. 2014	Theatrical production	Sengoku BASARA 3 –Togakuruwasikizuna–	
Oct. 2014	Theatrical production	Sengoku BASARA 4	
Apr. 2015	Theatrical production	"Ace Attorney 2–Saraba Gyakuten"	
Aug. 2015	Theatrical production	Sengoku BASARA vs Devil May Cry	
Oct. 2015	Theatrical production	BIOHAZARD THE STAGE	
TV drama	Jul. 2012	TV drama	Sengoku BASARA –MOONLIGHT PARTY–

## Outlook for the Next Fiscal Year

### Further Progress with Our Single Content Multiple Usage Strategy Anticipating Increased Sales and Profits through Global Licensing Development Enhancements

In terms of business development in the next fiscal year (ending March 31, 2016), we will continue to aggressively promote our Single Content Multiple Usage strategy.

We will continue our successful collaboration with Universal Studios Japan, including "Resident Evil the Real 3" held from July 2015, then in August the "Monster Hunter Orchestra Concert –Shuryo Ongakusai 2015–" now in its fifth year, among other experience-based event projects and developments aimed at expanding user segments.

Furthermore, we are strengthening sales development within the "Sengoku BASARA" and "Ace Attorney" series through various collaborations with other industries and participation-based events for users in conjunction with the release of Consumer sub-segment games. We are also making efforts to expand earnings from licensing and enhance brand value globally by developing events and merchandise in conjunction with the release of new titles in series such as "Street Fighter" that are popular overseas.

In light of these efforts, we forecast net sales in the next fiscal year of 2.5 billion yen and operating income of 1 billion yen.

#### Diagram 40

### Revenue Ranking of Japanese Game Contents that Have Been Adapted into Hollywood Movies

Title	Original writer company	Box-office revenue (worldwide)
1. RESIDENT EVIL: AFTERLIFE	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, 2015 (Capcom figures)