

Summary of Q&A at the Briefing of Financial Results of the Year ended March 31, 2012

- Q Your planned advertising expenses in the current fiscal year have increased significantly to 10.6 billion yen. Please explain the reasons for this increase, including increasingly fierce competition.
- A In recent years, some major titles have posted solid growth in sales volumes in the global market. On the other hand, there is a tendency for new titles as well as midrange and small titles to face difficulties. Overall, the environment for marketing activities is challenging. After taking into consideration the importance of proactive sales promotion activities, we established a plan to make the expenditures required to achieve our sales plans for major titles in this fiscal year.
- Q Regarding the outlook for the fiscal year ending in March 2014, isn't there a possibility of declines in sales and earnings in the wake of contributions from major titles in the previous year? Or is your policy to maintain steady growth every year?
- A We are unable to say anything specific about our performance in the March 2014 fiscal year at this time. We cannot deny the possibility of ups and downs in our performance in individual fiscal years amid rapid changes in our markets and changes in game platforms. However, in the March 2014 fiscal year as well, we aim to fulfill the targets in our five-year medium-term management plan: 1) place priority on achieving an operating margin of at least 15% every year; 2) accumulative sales of 500 billion yen and operating income to 75 billion yen over the five-year period ending in March 2015.
- Q What is your view of the social game Complete Gotcha?
- A We believe that some rules must be established so that people can enjoy social games properly. Capcom has no social games that incorporate Complete Gotcha at present. Furthermore, with respect to the global use of social games, business models like the one used by Complete Gotcha are rarely used. Capcom wants to use a different approach to be a source of fun for our customers.
- Q If you become confident of reaching your operating income goal of 15.8 billion yen in the current fiscal year, is there a possibility of pushing back launches of titles planned for late in the fiscal year to the next fiscal year?
- A Our forecast for performance in this fiscal year reflects a variety of risks involving the operating environment as well as investments for future activities and other items. Since we believe this is a suitable forecast, we do not foresee any launch postponements at this time. To maximize our sales volume, we select the best timing for launches with respect to both our development and sales operations.
- Q In the Mobile Contents business, are there any geographic areas in which you are particularly interested?
- A We are not placing priority on any particular market. Due to the increasing use of smartphones, it is possible to distribute content worldwide, particularly for iOS by using the App Store. We believe that the major strength of this business is that there is no need to view North America, Europe and Asia separately. Our goal remains to increase awareness of the Capcom and Beeline brands on a global scale.
- Q Do you believe that the gross average revenue per paying user (ARPPU) is suitable in overseas markets (Beeline)?
- A The gross ARPPU for Beeline users is about 25 US dollars. We believe that we are maintaining prices that are both suitable and high.
- Q Please provide a breakdown of your 30 billion yen target for online sales in the fiscal year ending in March 2015.
- A We are unable to disclose more information about this target. We foresee different rates of growth in three categories: DLC (downloadable content), mobile contents and PC and others. We plan to reach the 30 billion yen target due to the steady growth of all three of these categories.

- Q What are the major titles that will contribute to your DLC sales plan of 3.5 billion yen in the current fiscal year?
- A Our basic stance is to use DLC for major titles, but we cannot name any specific titles at this time. Furthermore, we will also continue to introduce as DLC the titles that we launched in prior years.
- Q What is the division between sales in Japan and overseas in the Mobile Contents business?
- A We expect that sales will be approximately evenly divided between Japan and overseas. But we are unable to provide you with any more information.
- Q Are you making progress regarding sales of PC online games in Asia?
- A We continue to consider starting these sales because Asia is a major market for online games. We have nothing specific to say at this time, but we can say that we are moving ahead with various preparations in Asian markets, including China.
- Q Please provide a breakdown of online content sales in the fiscal year that ended in March 2010.
- A We will answer this question later.
* FY3/10 online content sales: DLC 2.5 billion yen, mobile contents 3.5 billion yen, PC and others 4.8 billion yen
- Q Why do you expect a large increase in Mobile Contents sales to 12 billion yen in the current fiscal year?
- A We expect sales to grow in Japan and overseas because of the increasing number of newly launched social games.
- Q Are there any money-losing titles in the Consumer Online Games business?
- A Some titles become unprofitable when sales are weaker than we anticipated. But the percentage of money-losing titles is very small because we carefully manage costs and schedules.
- Q What are your thoughts about the realignment of the game software industry and what is Capcom's M&A strategy?
- A We are unable to make a comment about the M&A activities of other companies. Capcom has acquired software development companies for the purposes of creating content that will be successful worldwide and expanding our development lineup. Our fundamental policy is to aim for organic growth through aggressive recruiting and training activities.
- Q What is your view of the performance of "Monster Hunter 3 (Tri) G"?
- A Sales volume of this title has surpassed our initial plan. Furthermore, this title has created a new community in the Nintendo 3DS market, a development that is extremely beneficial for the Monster Hunter series. We therefore believe that this title has been at reasonable success level.
- Q How do you assess the performance of titles that were introduced in the fourth quarter of the previous fiscal year?
- A Sales of "Street Fighter X Tekken" have fallen short of our plan. We believe one of causes is cannibalism because of the large number of other games in this genre that were launched within a short time. "Resident Evil: Operation Raccoon City" has reached shipments of 2 million units (as of May 10, 2012). This shows the success of our decision to try the new approach of using an alliance with an overseas development company.
- Q Have you succeeded in reducing the time needed to develop games? Please tell us about the current game development environment?
- A For "Resident Evil 6", we improved efficiency by using a new alignment of internal developers. For "Lost Planet 3", we are using an alliance with an overseas development company with the goal of launching this title 2.5 years after the previous title in this series. So we have succeeded in greatly reducing the development time compared with prior titles. Overall, we believe that we are making steady progress in shortening development times by efficiently utilizing our own workforce and making effective use of external development companies.