

**Summary of Q&A at the Briefing on the Consolidated Financial Results
for the Second Quarter of the Year ending March 31, 2013
(November 1, 2012)**

- Q. Why is game software work-in-progress higher even after you finished development major new titles?
- A. We released “Dragon’s Dogma” and “Resident Evil 6” in the first half of this fiscal year, but work-in-progress continues to increase because we are using development resources for the expansion of our lineup of game titles in the next fiscal year and afterward.
- Q. Overseas user reviews have not been very positive about “Resident Evil 6”. What is your strategy for strengthening the brands outside Japan?
- A. “Resident Evil 6” continues to generate repeat sales in Japan and overseas. Furthermore, initial shipments set a new record for a Capcom title. So this game has been successful to some degree. We therefore believe it is too early to reach a conclusion about how users view this game. We always listen carefully to the feedback from users and use this information when developing games.
- Q. What is your outlook for online content sales in the next fiscal year and what will be the drivers of growth?
- A. We are unable to make a statement at this time about the outlook for the next fiscal year. We believe that we can sustain the rate of growth in the current fiscal year in the Mobile Contents business while focusing on global social games using the Beeline and Capcom brands.
- Q. Beeline does not appear to have any hit titles since “Smurfs’ Village”. What is your view of the current situation?
- A. “Smurfs’ Village” became popular among a large number of light smartphone users in part because the start of distribution coincided with the emergence of the social game market. We are currently seeing rapid growth in user segments for social games and the number of titles. We believe that we are now at the stage of continuing to take on various challenges for creating new hit games that can target the increasingly diverse preferences of social game users.
- Q. What are your plans for Asia?
- A. In the current fiscal year, we set up game development bases in Taiwan and South Korea and we established Beeline Interactive Thailand Co., Ltd.. In addition, we plan to start distribution of mobile content in Indonesia in this fiscal year. These development bases will start operations in the second half of the fiscal year and our goal is to have them begin contributing to earnings in the next fiscal year.
- Q. Please explain your revision of the sales plan for “Resident Evil 6” and your confidence about reaching the target.
- A. Our revision of the sales volume is based on a comprehensive decision that reflects a variety of factors and risks at this time. We believe that prospects are good for reaching our goal of 6

million units. We are confident because of the approaching overseas Christmas and New Year selling season, past sales of titles in this series, and for other reasons.

- Q. Regarding the allocation of your development resources, how many developers do you have now and what are your plans for the future?
- A. As of September 30, 2012, we had about 1,500 game developers. Regarding our priorities, we will continue to allocate people to content development in the Home Video Game sector while recruiting and training more people to create games in our Mobile Contents and PC Online Game sectors.
Our goal is to increase the number of developers by 1,000 over the next 10 years. We want to further improve the quality of our games by maintaining an internal game development team.
- Q. If you increase the number of game developers to 2,500, about how much will you invest in development activities?
- A. The purpose of increasing our game developer team is to create a larger percentage of our games internally. Therefore, we believe that there will be no significant change in total development expenditures mainly because we will be shifting outsourced operations to our own workforce.
- Q. Why has “Browser Sengoku BASARA” not been performing well?
- A. We believe that one reason is the difference between the user segments that we initially targeted with this game and the segments that are actually playing this game.
- Q. Please provide information about downloadable content (DLC) sales for “Dragon’s Dogma” and other major titles. Also, how do you record development expenses for DLC?
- A. We are unable to disclose DLC sales figures. For “Dragon’s Dogma” the number of paid downloads is a very high percentage of the number of units of this game that we sold. We record DLC development expenses when the distribution of this content starts.
- Q. The iOS market in Japan is growing fast. What is Beeline doing in Asia in this market sector and other categories?
- A. Beeline Interactive Japan Co., Ltd. sells iOS content in Japan and we plan to start distributing more titles in Japan, including “Chibimaruko-chan to Okashi no Kuni”. In Asia, we will strengthen our social game operations in Southeast Asia with the newly established “Beeline Interactive Thailand Co., Ltd.” playing a central role.
- Q. Please provide an overview of your current PC online game operations in South Korea.
- A. We are not selling any PC online game titles in Korea right now, but we plan to start operations after determining a strategy for each title. Operations of the development section of our Korean subsidiary have started. The next step is developing titles and conducting operations that match the needs of consumers in Korea.
- Q. What is the difference between Beeline’s new game “Smurf Life” and “Smurfs’ Village”? Also, what is your rough expectation for revenue per customer (ARPPU)?
- A. Unlike “Smurfs’ Village”, “Smurf Life” is a game that incorporates a story. Furthermore, players themselves can create Smurfs. Elements like these give the game a sense of adventure. We do not envision a particularly high ARPPU for “Smurfs’ Village” and are placing priority on increasing the number of users. Our policy for “Smurf Life” is the same.

- Q. What is your view of the performance of the P&S business and what are your plans for this business?
- A. We have accumulated considerable expertise by creating and selling five machines of our own. We believe this know-how is responsible for the success of the “Resident Evil 5” machine. We plan to establish a framework capable of creating several new Capcom machines every year as we continue to focus on capturing orders from other companies.
- Q. Please explain your basic stance regarding the profitability of the P&S business.
- A. Just as in the Home Video Games business, the P&S business has high marginal earnings once sales surpass the cost of development. As a result, earnings increase in proportion to growth in sales volume.
- Q. In the Arcade Operations business, what is your policy for opening new arcades?
- A. There is no change in our policy of opening arcades in large shopping centers.
- Q. In the Arcade Operations business, what customer segments are you targeting and what actions are you taking?
- A. To attract more customer segments, we are going beyond the traditional family user segment by making arcades more appealing to seniors. We hold lectures to explain how to play our arcade games, hold senior tours to give people hands-on experience and hold other events on a regular basis.
- Q. According to Capcom’s annual report, “Little synergy with Capcom’s proprietary contents” is one weakness of the Arcade Operations business. Please explain this point.
- A. With regard to the use of our characters under our “Single Content Multiple Usage” strategy, we believe there is room for improvement in the Arcade Operations business in relation to the synergies in our other businesses.
- Q. What is your strategy for “Monster Hunter 4”?
- A. Naturally, we want sales volume to be higher than for the previous title in this series. In addition, we want to enlarge the worldview of “Monster Hunter” by using initiatives other than games in order to build even stronger relationships with current user segments.
- Q. How did each business segment perform in the first half in relation to your plan?
- A. All business segments except Arcade Operations exceeded our plan for the first half. In the Digital Contents business as well, performance surpassed our plan in all categories: Home Video Games, Mobile Contents and PC Online Games.
- Q. Why did you increase your fiscal-year plan for the Mobile Contents business?
- A. We raised our fiscal year sales plan by 2 billion yen for two reasons. First is the growth in sales of “Minna to Monhan Card Master” and other social games in Japan. Second is the steady growth in sales of Beeline titles.