

Summary of Q&A at the Conference Call
First-Quarter Consolidated Financial Results of the
Year ending March 31, 2014
(July 31, 2013)

- Q. Digitally distributed content (DLC) sales are higher than one year earlier. How does the ratio between package and DLC sales compare with your target?
- A. We have no particular target at this time. The DLC market has been changing greatly during recent years. We are responding to these changes while taking into account market conditions and the needs of users. Our basic stance is to continue focusing on the DLC sector as a growing market.
- Q. What are the domestic and overseas sales ratios for Mobile Contents and your upcoming plans for this business?
- A. In the first quarter, 60% of sales were in Japan and 40% overseas. There is no change in our Mobile Contents strategy of using both the Capcom and Beeline brands. We will use the Capcom brand for content based on our own intellectual property. The Beeline brand is used for the distribution of global content aimed at families and casual game players. By using this strategy, we plan to continue increasing our earnings in the growing mobile content market.
- Q. Will licensed titles remain the primary component of the Beeline brand?
- A. We plan to use both original titles and titles licensed from other companies.
- Q. What is the reason for the decline in unit selling prices of package software? Is the caused by the yen's weakness?
- A. Average unit prices of "Dragon's Dogma" and "Resident Evil Operation Raccoon City", two major titles of the previous fiscal year, increased because Japan accounted for a high share of sales. In this fiscal year, there has been an increase in overseas sales volume and titles with low unit prices, such as derivative versions. This has brought down the overall unit price. The effect of the weaker yen is negligible.
- Q. First quarter Mobile Contents sales were 1.9 billion yen. How does this compare with your target and what are the reasons for this performance?
- A. Sales were slightly below our target but operating income was generally in line with our plan. The primary causes of the small sales shortfall were weaker sales of existing social games and the lack of any new hits in the first quarter.

- Q. I have the impression that it is becoming increasingly difficult to create a hit title in the mobile contents category. If Capcom is unable to create successful new titles, won't this make it difficult to reach the fiscal year targets?
- A. Our plan assumes a certain contribution to sales and earnings from titles that we plan to start distributing. Even if all titles do not perform as planned, we believe that we can respond with flexibility by using swift management and operational measures. At this time, we are aiming to reach the fiscal year targets by introducing many new titles in the remaining three quarters.
- Q. What is Capcom doing about developing software for next-generation consoles?
- A. We are currently developing "deep down" for PlayStation®4 and "Dead Rising 3" for Xbox One®.
- Q. Does your strategic shift from outsourced to internal software production also mean a change in your investments?
- A. Although we are unable to provide any specific figures, internal software development expenditures were about two-thirds of our first quarter development expenses, which is higher than in prior years.
- Q. What is the download volume for major titles? Also, why were DLC sales higher than one year earlier?
- A. We are unable to provide download figures for individual titles at this time. Full title downloads account for approximately 80% of total DLC sales. Furthermore, the sales growth from one year earlier was not the result of higher sales of a particular title. We believe that this growth is due to the larger number of downloadable titles and the emerging benefits of our DLC strategy. DLC sales are increasing as expected regarding our target for the fiscal year.
- Q. Please provide more information about the online titles that will be announced on August 1 at the Capcom Network Game Conference.
- A. We plan to announce 13 new titles at this event. More information about these titles will be provided at the conference.
- Q. Are the titles you will announce at this conference included in the initial plan for this fiscal year?
- A. Titles to be launched in this fiscal year are already included in this plan.
- Q. What is your outlook for the mobile contents market in Japan?
- A. There are media reports of worries about this market shrinking. Capcom has no specific stance regarding this subject. Because of continuing growth in the number of smartphones used in Japan, we believe that there is an urgent need to continue supplying content that is highly appealing to users of mobile devices.

- Q. How did the performance of each business segment perform compare with your first quarter plans?
- A. Arcade Operations were slightly below our plan but performance in the Amusement Equipments business was better than we expected. In the Digital Contents business, sales were less than planned but operating income matched our plan.
- Q. Please explain the flexibility regarding expenses for Mobile Contents. If you expect sales to be less than planned, can you use cost management to meet the target for operating income?
- A. We are constantly working on cutting expenses and improving efficiency in all our operations regardless of the performance of a particular business segment with respect to our plans.
- Q. What are your plans for R&D investment in the next fiscal year and afterward?
- A. We plan on R&D investment of 31 billion yen in the current fiscal year and do not foresee any significant change in this figure over the next few years. We plan to increase the internal production ratio by recruiting and cultivating new graduates to work as creators and increasing the utilization rate of creators. We expect external development expenses to decline.
- Q. What are the multi-platform possibilities for smartphones and portable game consoles?
- A. For “Dragon’s Dogma Quest”, which we recently started distributing, we plan to release iOS and PlayStation® Vita versions. For freemium titles with item fees, we have no plans right now but will consider a multi-platform approach depending on demand for these titles.
- Q. How is the Chinese version of “Monster Hunter Online” performing? Also, please explain your business model with Tencent, Inc..
- A. Tencent, Inc. performed beta testing in June 2013 that was successful. We are not able to provide information about the business model, such as the division of earnings, because of the terms of our contract with them.
- Q. Why was the first quarter cost of sales about 1.3 billion yen higher than one year earlier?
- A. The main reason is the recording of expenses for developing titles that were launched in the first quarter.
- Q. Did the drop in package software earnings cause the sharp downturn in Digital Contents business earnings? If so, was there a loss in the Consumer business?
- A. Lower earnings in the Consumer business were the main reason for the decline in Digital Contents business earnings. There was a small loss in the Consumer business in the first quarter.