



Capcom Co., Ltd.
(Tokyo Exchanges,
First Section, 9697)

Overview of Strategies and Plans
Fiscal Year ending March 31, 2015

Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diversifying user needs and other changes in market conditions. Items that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) the popularity of home video game consoles; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.

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1. Mid-Term Goals

1. Mid-Term Goals

■ Targets (cumulative) for 5 years starting FY2013 (ending March 2014)

- **Cumulative operating income: 80 billion yen**
- **Operating margin of 20% in fiscal year ending March 2018**

■ Breakdown by Business Segments

	Cumulative operating income from FY2013 to FY2017	FY2017 Operating margin
Digital Contents	57.0 billion yen	22%
Arcade Operations	8.5 billion yen	15%
Amusement Equipments	30.0 billion yen	27%
Other Businesses	5.5 billion yen	45%

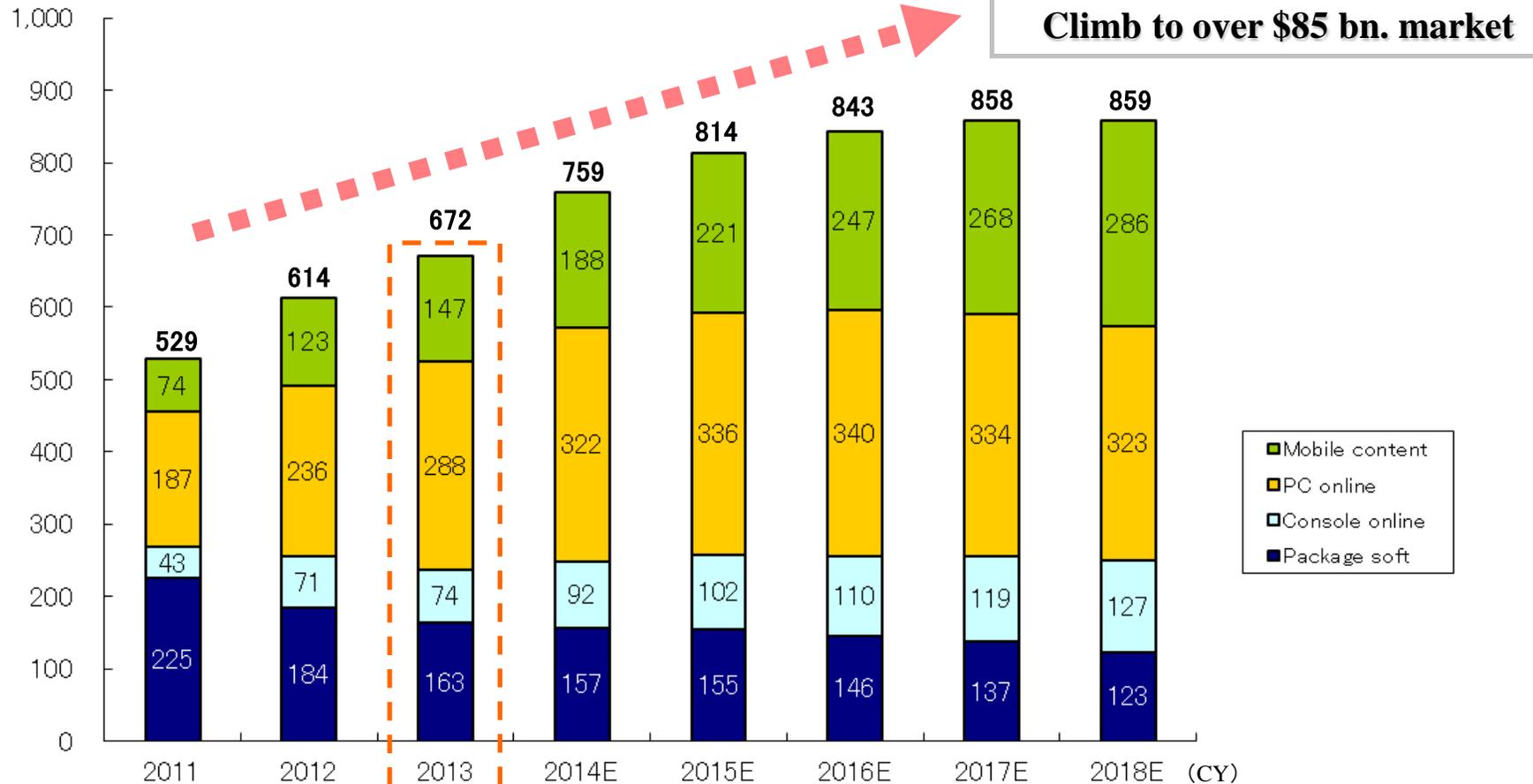
2. Strategies for Growth

2-1. Market Overview

The PC online and mobile markets are growing on a global scale
Growth is expected to continue

■ Total of Home Video Games, PC Online and Mobile Contents Market

(US\$ 100 Million)



E: Estimate *Source : Data prepared from International Development Group

Strategies for Growth

■ Strategy 1: Improve the Consumer business

- Reinforce the DLC (digital download contents) strategy
- Upgrade quality and accumulate know-how by developing more titles internally
- Realign the lineup of titles

■ Strategy 2: Strengthen the Online Games business

- Reinforce marketing activities and measures to monetize these games
- Realign the lineup of titles
- Aim for growth of PC Online business outside Japan

3. Forecasts for FY 2014

3. Forecasts for FY 2014

**Expect lower sales following strong sales of major titles in prior year
but higher earnings resulting from cost cutting**

(Million yen)

	2014/3	2015/3Plan	Difference
Net sales	102,200	80,000	-22,200
Operating income	10,299	10,500	201
Operating margin	10.1%	13.1%	-
Ordinary income	10,946	10,200	-746
Net income	3,444	6,600	3,156

- **Expect lower sales chiefly in Digital Contents and Amusement Equipments but higher operating income because of cost cutting**
- **Earnings per share forecast is 117.37 yen**
- **Forecast a 15 yen interim dividend and 25 yen year-end dividend, resulting in a 40 dividend for the fiscal year**

4. Business Segments Highlights

4-1. Digital Contents

4-1. Digital Contents – Strategic Objectives and Plan (1)

**Aiming to improve Consumer business profitability
by focusing on fewer titles**

■ Consumer– Strategic Objectives

- **Develop titles for Japan and overseas
while increasing development-marketing collaboration**
 - ⇒ Plan to introduce “Monster Hunter 4 Ultimate”, “Ultra Street Fighter IV” and other titles
 - ⇒ Plan to develop titles exclusively for online games, such as “deep down” for the PS4

- **Strengthen sales of digital download contents**
 - ⇒ For full-game digital contents, strengthen sales of past releases and lower-priced versions
 - ⇒ Strategically launch add-on DLC for major titles to extend their lives
 - ⇒ Activities targeting developing Country by STEAM and other online platforms

4-1. Digital Contents – Strategic Objectives and Plan (2)

■ FY2014 Sales Plan for Major Consumer Titles

(Thousand units)

Hard	Title	Region	Releasing Date	Plan
3DS	Monster Hunter 4 Ultimate	Japan	Autumn 2014	3,900
		North America	Early 2015	
		Europe		

* Result includes the units of download sales

* Japan includes other Asian countries



“Monster Hunter 4 Ultimate”

4-1. Digital Contents – Strategic Objectives and Plan (3)

Foresee drop in sales volume caused by dual effects of hardware transitional period and business restructuring

■ FY2014 Unit Sales Plan (Consumer)

(Thousand units)

	2013/3	2014/3	2015/3 Plan	Difference
Titles	46	42	25	-17
Package				
Japan	4,500	6,700	5,200	-1,500
North America	5,400	3,800	2,600	-1,200
Europe	3,600	1,900	1,000	-900
Asia	500	300	200	-100
Package Total	14,000	12,700	9,000	-3,700
digital download contents				
Full-game	2,700	4,800	4,000	-800
Total	16,700	17,500	13,000	-4,500

4-1. Digital Contents – Strategic Objectives and Plan (4)

**Restructure operations and focus on creating hit titles
in the Mobile Contents**

■ Mobile Contents– Strategic Objectives

▪ **Capcom brand: Centralize development operations,
upgrade monetizing measures**

⇒ Accumulate operational know-how by focusing on internal production

⇒ Launch “Monster Hunter Freedom Unite for iOS” in May 2014

⇒ Plan to launch “Monster Hunter Smart” in 2014

▪ **Beeline brand: Refocus activities on core strengths**

⇒ Use existing game series to launch titles
targeting female casual game users



“Monster Hunter Smart”

4-1. Digital Contents – Strategic Objectives and Plan (5)

**Use major updates to energize major titles
Reinforce the profit structure
by introducing new titles in Japan and Asia**

■ PC Other– Strategic Objectives

▪ Reinvigorate major titles with major updates and other actions

⇒ Started services for “Monster Hunter Frontier GG” PC online game on April 23, 2014

▪ Introduce new titles for sale in Japan and Asia

⇒ Plan to launch “Breath of Fire 6” (PC/Tablet/iOS/Android),
the latest version of this popular franchise, in the summer of 2014

⇒ Plan to launch “Monster Hunter Mezoporuta Kaitakuki” (PC) in the autumn of 2014

⇒ In China, plan to use collaboration with Tencent Holdings Limited
to develop “Monster Hunter Online” and start beta testing in the summer of 2014

4-1. Digital Contents – Strategic Objectives and Plan (6)

Expect lower sales following strong sales of major titles in prior year but higher earnings resulting from a tightly focused lineup and cost cutting

■ Digital Contents Plan

(100 million yen)

	2013/3	2014/3	2015/3Plan	Difference
Net sales	636	658	500	-158
Operating income	70	44	68	24
Operating margin	11.1%	6.8%	13.6%	—
(Composition)				
Package	407	433	290	-143
Digital Download Contents	52	97	80	-17
Consumer total	459	530	370	-160
Mobile Contents	110	65	50	-15
PC Other	67	63	80	17

4-2. Arcade Operations

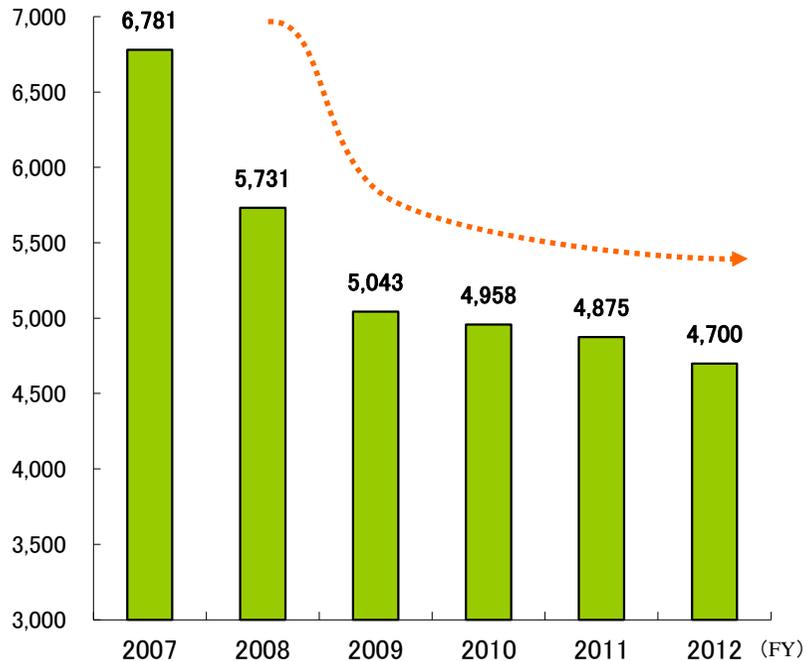
4-2. Arcade Operations – Market Overview

Arcade market continues to shrink slowly
Effect of consumption tax hike is the key factor in FY3/15

Amusement Arcade Market

(100 million yen)

Slow decline in market size

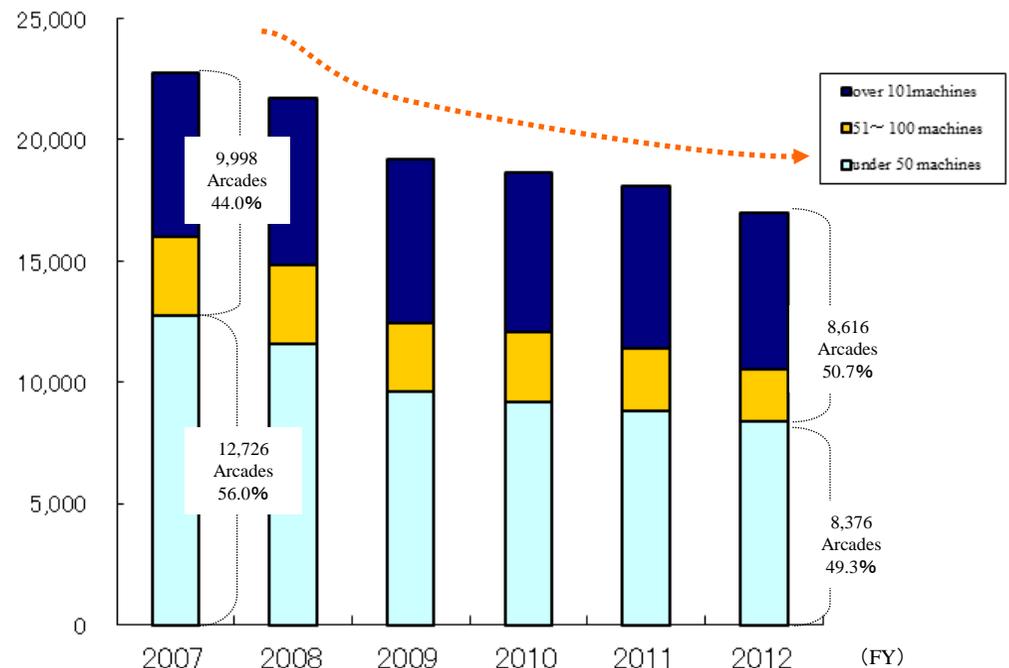


*Source: Amusement Industry Survey Report

Number of Amusement Arcades (by number of machines)

(Unit: Facilities)

Slow decline in number of arcades



*Source: Amusement Industry Survey Report

4-2. Arcade Operations – Strategic Objectives and Plan

Goal is to hold sales and earnings steady by attracting more seniors and kids and using other actions

■ Arcade Operations – Strategic Objectives

• Increase efficiency and target new user segments

⇒ Hold events for seniors and operate kids' corners with fees based on time

⇒ Sell food at arcades that uses themes linked to Capcom characters

⇒ Planning on a 2% decrease in sales on an existing-arcade basis

⇒ Plan to open 3 arcades and close 1 in FY3/15, total of 35 facilities



“Plaza Capcom Hanyu”

■ Arcade Operations Plan

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	109	106	100	-6
Operating income	17	16	15	-1
Operating margin	15.6%	15.2%	15.0%	-
Year-to-year ratio off existing stores	-5%	-5%	-2%	-

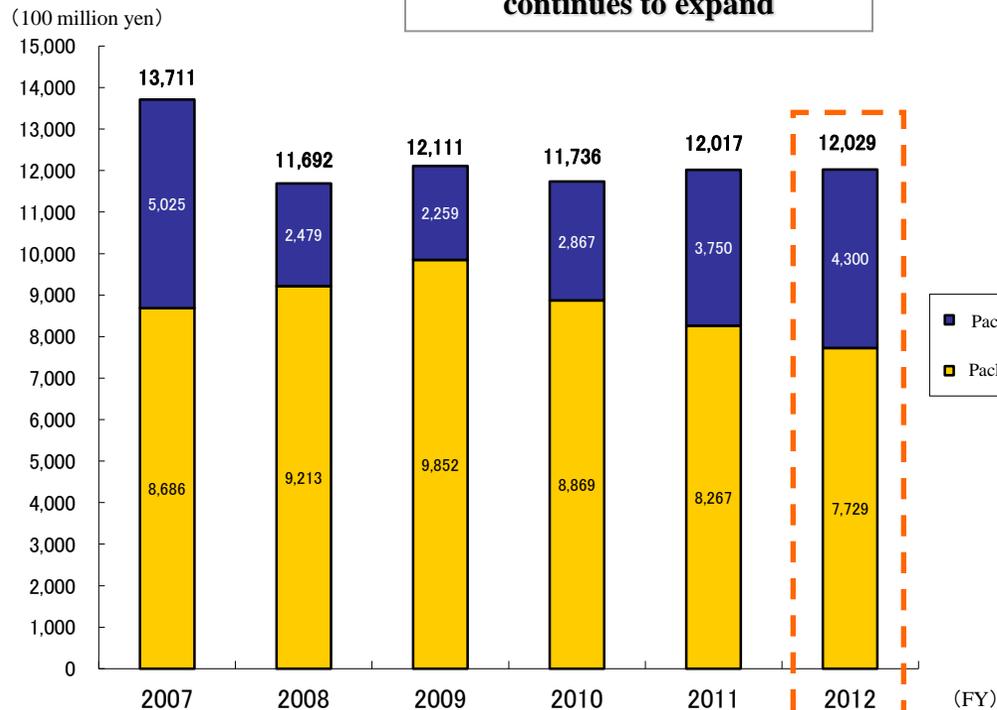
4-3. Amusement Equipments

4-3. Amusement Equipments – Market Overview

The pachislo machine market in Japan is growing
The arcade game market is generally flat

■ Pachinko & Pachislo Machines Market

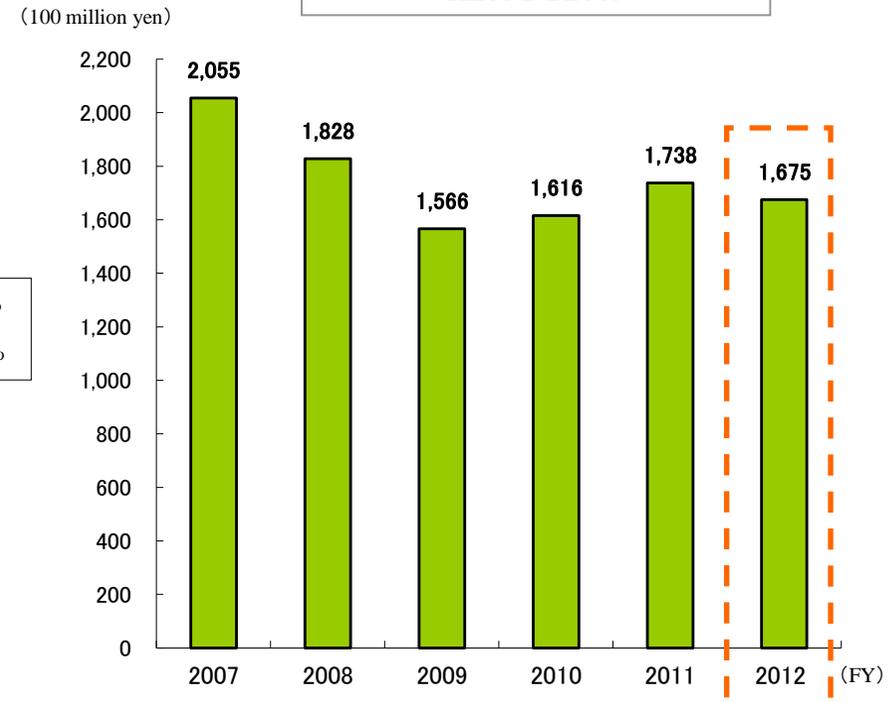
The pachislo machine market continues to expand



*Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2011-2013); Yano Research Institute Ltd.

■ Arcade Machines Market

Sales are mostly unchanged since FY2009



*Source: Amusement Industry Survey Report

4-3. Amusement Equipments – Strategic Objectives and Plan

Expanding the Pachinko & Pachislo business to three new models per year, but expect downturn by the backlash of hit titles

■ Pachinko & Pachislo – Strategic Objectives

- **Strengthen production of Capcom models and subcontracting business**
⇒ Plan to introduce three new Capcom pachislo machines

■ Arcade Games Sales – Strategic Objectives

- **Earn profits by consistently launching new products**
⇒ Plan to launch “Ultra Street Fighter IV” (video game)
and “Onimusha Soul Card Rush” (coin-operated game)

■ Amusement Equipments Plan (Sum of Pachinko & Pachislo and Arcade Games Sales)

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	167	231	175	-56
Operating income	48	71	50	-21
Operating margin	29.1%	30.8%	28.6%	-

*FY2014 sales will be 9: 1 between Pachinko & Pachislo and Arcade Games Sales

4-4. Other Businesses

4-4. Other Businesses – Strategic Objectives and Plan

**Maximize the value of our main contents
by the Single Content Multiple Usage strategy**

■ Character Contents – Strategic Objectives

- **Raise awareness of characters by using TV programs and stage productions based on home video games**

⇒ Stage production “Ace Attorney - Gyakuten no Spotlight” April 2014 debut

⇒ Stage production “Sengoku BASARA 3 -Togakuruwasikizuna -” April 25, 2014

⇒ Animated TV program “Sengoku BASARA Judge End” to start in 2014

- **Sell character products that use characters of major game series**

⇒ Launch many products in conjunction with the 10th anniversary of the “Monster Hunter” series

■ Other Businesses Plan

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	27	25	25	0
Operating income	7	10	9	-1
Operating margin	27.3%	38.6%	36.0%	-



10th anniversary of the “Monster Hunter” series

5. Additional Information (1)

About Capcom

5-1. The Businesses of Capcom

Capcom uses its game content as the basis for a broad range of business activities

Mature Businesses

% of Net Sales : **30%**

- * Deepen relationships with core fans
- * Increase brand value

Publishing, Video and Characters business

- * Products using characters in games
- * Movies, animation and plays based on games

Pachinko & Pachislo

- * Develop, manufacture and sell machines that use popular content
- * Develop machines for other companies

Arcade Games Sales

- * Development of arcade machines using Capcom content

- * Feedback of data from operations
- * Installation of Capcom products

Arcade Operations

CAPCOM
Capcom's Content Portfolio

Growth Potential Businesses

% of Net Sales : **70%**

Consumer business

- * Development and sale of games for home video game units
- * Download sales of main title and additional content
- * Creation of new brands by developing original content

* Activities that capture synergies

PC Other

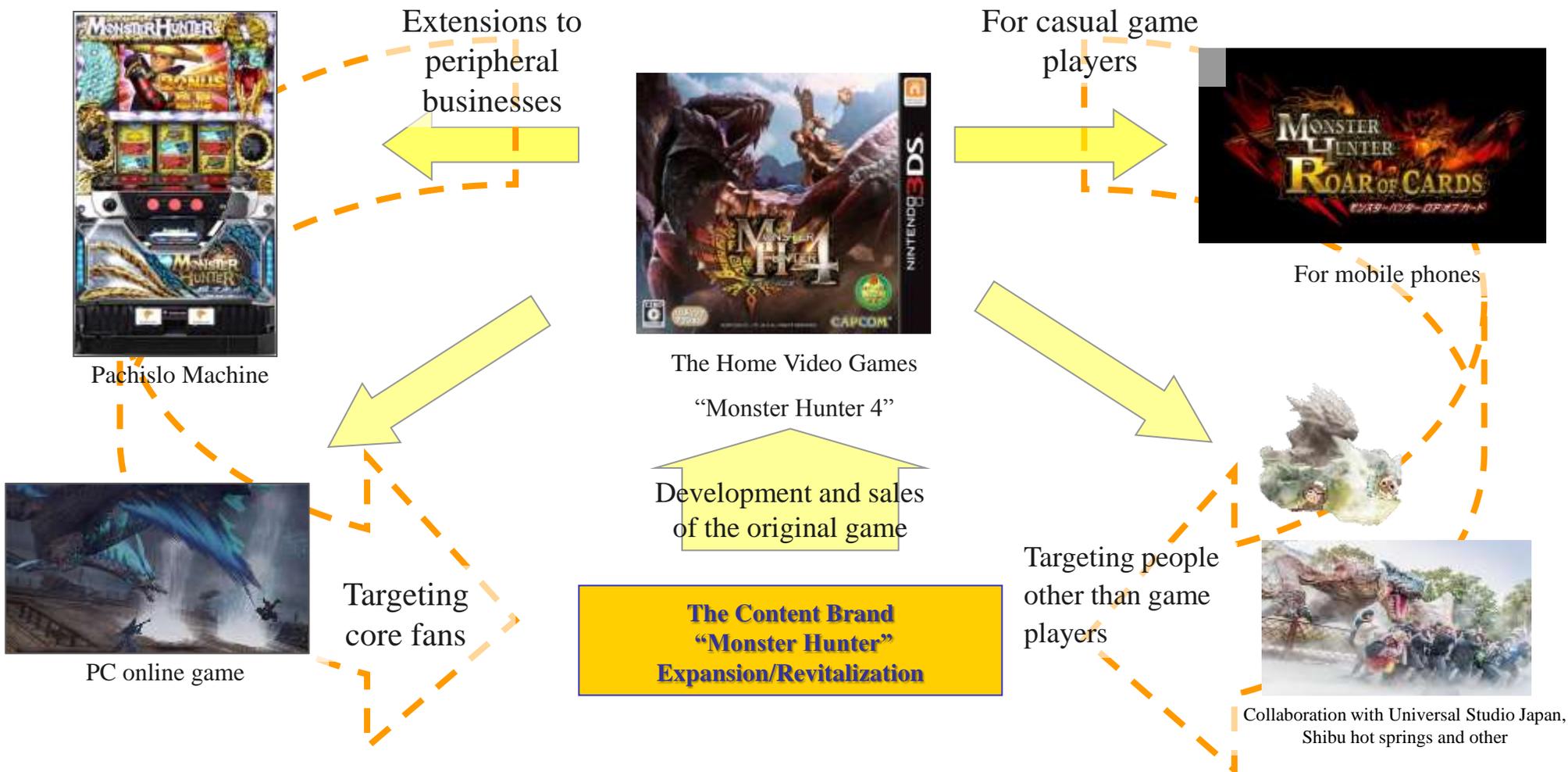
- * Operation of PC online games
- * PC browser games and other new content

Mobile Contents

- * Develop games suited for smartphones and cell phones
- * Supply content for tablets, e-book readers and many other types of hardware

5-2. Example : Expansion of “Monster Hunter”

Capcom can use its collection of powerful original game content for home video consoles as well as in many other businesses



5-3. Capcom's Competitive Edge

**Global popularity backed by many well-known brands
for home video games**

■ A lineup of powerful titles

(1) Successful home video games along with a large volume of proprietary content, the key to horizontal growth

- “Resident Evil” series: 61 million units
- “Street Fighter” series: 35 million units
- “Monster Hunter” series: 28 million units
- “Devil May Cry” series: 13 million units
- “Dead Rising” series: 7.5 million units
- “Lost Planet” series: 5.6 million units

※as of March 31, 2014

■ A world leader in game development and technology

- (1) Rather than relying solely on our major game titles, we create original content every year to establish new sources of growth.**
- (2) Basic research involving game development is another strength; we are now using a highly advanced software development tool that we created to facilitate producing games for multiple platforms.**



6. Additional Information (2)

Summary of Major Financial Information

6-1. Summary of Major Financial Information (1)

● Profit and Loss Sheet

(Million Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
Net Sales	82,065	94,075	102,200	108.6%	80,000	78.3%
Gross Profit	32,456	32,163	29,949	93.1%	28,800	96.2%
% of Gross Profit	39.5%	34.2%	29.3%	-	36.0%	-
Sales and G&A Expenses	20,150	21,942	19,749	90.0%	18,300	92.7%
Operating Income	12,318	10,151	10,299	101.5%	10,500	102.0%
% of Operating Income	15.0%	10.8%	10.1%	-	13.1%	-
Ordinary Income	11,819	10,944	10,946	100.0%	10,200	93.2%
% of Ordinary Income	14.4%	11.6%	10.7%	-	12.8%	-
Net Income	6,723	2,973	3,444	115.8%	6,600	191.6%
% of Net Income	8.2%	3.2%	3.4%	-	8.3%	-

● Sales by Business Segments

(Million Yen)

		2012/3	2013/3	2014/3	%	2015/3 Plan	%
Digital Contents	Net sales	59,809	63,636	65,824	103.4%	50,000	76.0%
	Operating income	12,887	7,062	4,489	63.6%	6,800	151.5%
	Operating margin	21.5%	11.1%	6.8%	-	13.6%	-
Arcade Operations	Net sales	11,729	10,944	10,620	97.0%	10,000	94.2%
	Operating income	1,787	1,709	1,617	94.6%	1,500	92.8%
	Operating margin	15.2%	15.6%	15.2%	-	15.0%	-
Amusement Equipments	Net sales	7,663	16,783	23,160	138.0%	17,500	75.6%
	Operating income	890	4,892	7,131	145.8%	5,000	70.1%
	Operating margin	11.6%	29.1%	30.8%	-	28.6%	-
Others	Net sales	2,862	2,711	2,594	95.7%	2,500	96.4%
	Operating income	877	740	1,001	135.3%	900	89.9%
	Operating margin	30.6%	27.3%	38.6%	-	36.0%	-

*Results of Digital Contents business consists of past "Consumer Online Games business" and "Mobile Contents business".

● Sales by Geographic Area

(Million Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
Japan	57,899	65,873	86,532	131.4%	69,000	79.7%
North America	15,867	17,377	10,179	58.6%	7,500	73.7%
Europe	6,930	9,406	4,320	45.9%	2,200	50.9%
Others	1,368	1,417	1,167	82.4%	1,300	111.4%

6-2. Summary of Major Financial Information (2)

● Promotional Expense

(Million Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
	2,833	2,632	3,074	116.8%	3,100	100.8%
Consolidated	5,639	6,875	4,269	62.1%	4,100	96.0%

● Number of Arcades

(facilities)

	2012/3	2013/3	2014/3	difference	2015/3 Plan	difference
Consolidated	37	34	33	-1	35	2

● Capital Expenditure

(Million Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
Capcom Japan	1,519	1,364	1,846	135.3%	3,200	173.3%
Consolidated	2,240	3,077	2,252	73.2%	8,200	364.1%

● Depreciation

(Million Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
Capcom Japan	2,606	2,891	4,130	142.9%	3,000	72.6%
Consolidated	3,123	3,406	4,638	136.2%	3,400	73.3%

● Number of Employees

(Persons)

	2011/3	2012/3	2013/3	%	2015/3 Plan	%
Capcom Japan	1,698	1,820	1,951	107.2%	2,211	113.3%
Consolidated	2,265	2,476	2,601	105.0%	2,906	111.7%

● R&D Investment Cost

(Million Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
R&D Investment Cost	30,648	30,978	26,691	86.2%	28,000	104.9%
Technical R&D Cost	2,236	1,982	2,002	101.0%	1,500	74.9%

● Foreign Exchange Rate (end of March)

(Yen)

	2012/3	2013/3	2014/3	%	2015/3 Plan	%
USD/¥	82	94	102	108.5%	100	98.0%
Euro/¥	109	120	141	117.5%	135	95.7%

6-3. Summary of Major Financial Information (3)

● Sales Units Shipped <platform>

(Thousand Units)

		2012/3	2013/3	2014/3	Difference	2015/3 Plan	Difference
Playstation 2	Total Titles	0	0	0	0	-	-
	Sub Total	200	100	0	0.0%	-	-
Playstation 3	Total Titles	25	21	17	-4	-	-
	Sub Total	6,200	7,100	4,200	59.2%	-	-
PSP	Total Titles	9	4	0	-4	-	-
	Sub Total	1,900	600	200	33.3%	-	-
Wii	Total Titles	4	2	2	0	-	-
	Sub Total	650	700	350	50.0%	-	-
NintendoDS	Total Titles	12	7	4	-3	-	-
	Sub Total	3,300	1,300	4,700	361.5%	-	-
Xbox 360	Total Titles	16	8	11	3	-	-
	Sub Total	3,200	3,700	2,950	79.7%	-	-
PC & Others	Total Titles	2	4	5	1	-	-
	Sub Total	250	500	300	60.0%	-	-
Package total	Total Titles	68	46	39	-7	25	-14
	Sub Total	15,700	14,000	12,700	90.7%	9,000	70.9%
Full-game download	Total Titles	0	0	3	3	-	-3
	Sub Total	1,300	2,700	4,800	177.8%	4,000	83.3%
Total	Total Titles	68	46	42	-4	25	-17
	Sub Total	17,000	16,700	17,500	104.8%	13,000	74.3%

*Full-game download includes the titles distributed only by download

● Sales Units Shipped <platform>

(Thousand Units)

	2012 /3	2013/3	2014/3	Difference	2015/3 Plan	Difference
Distribution titles	1,250	550	1,400	254.5%	450	32.1%
Old titles	3,900	3,900	5,700	146.2%	6,000	105.3%

● Sales Units Shipped <geographic>

(Thousand Units)

	2012/3	2013/3	2014/3	Difference	2015/3 Plan	Difference
Japan	6,800	4,500	6,700	148.9%	5,200	77.6%
North America	5,100	5,400	3,800	70.4%	2,600	68.4%
Europe	3,300	3,600	1,900	52.8%	1,000	52.6%
Asia	500	500	300	60.0%	200	66.7%
Full-game download (global)	1,300	2,700	4,800	177.8%	4,000	83.3%
Total	17,000	16,700	17,500	104.8%	13,000	74.3%