

**Explanation Summary of Financial Results Briefing
for 2nd Quarter of the Year ending March 31, 2015
by Haruhiro Tsujimoto, President and Chief Operating Officer
(October 30, 2014)**

My presentation today will start with an explanation of our first half business segment results and end with a discussion of our strategies.

P6 Point of Financial Highlights

Point of Financial Highlights

Growth Strategy Initiatives

- **Improve the Consumer business**
 - **“Monster Hunter 4 Ultimate” shipments in Japan reached 2 million units**
*As of October 15, 2014, including full-game download sales
 - **The first half digital download sales ratio in the Consumer sub-segment was about 43%**

- **Strengthen the Online Games business**
 - **Started distribution of native apps and online games in Asia**



I will begin with an overview of progress involving our strategies for growth, which are a key aspect of our performance this year.

First is improving the Consumer sub-segment, an initiative that we started in the second half of fiscal 2012. We believe that the size of the consumer game market, including digital downloads, will stay at about the current level. In addition, we will continue to place emphasis on the Consumer business because this is the source of much of our content.

We launched “Monster Hunter 4 Ultimate” on October 11 in Japan and shipments had already reached 2 million units, including full-game download version, by October 15. Shipments are currently 2.2 million units and are continuing to climb.

Furthermore, the share of digital download sales in Consumer sub-segment rose to 43% in the first half, as a result of our strategy of strengthening digital download contents.

Second is strengthening the Online Games business.

Capcom will continue to focus on mobile contents and PC online games, a market sector that is growing worldwide. In this fiscal year, we are increasing activities in Asia involving the distribution of native apps and online games. In China, we started distributing “Onimusha Soul” on July 16. We plan to introduce six titles in China, Korea, Taiwan, Thailand and other Asian countries during this fiscal year.

My next subject is an overview of our business segment performance. I will begin with Digital Contents.

P9 Digital Contents – First Half Highlights (1)

Digital Contents – First Half Highlights (1)

Concentrating on repeat sales of current titles and digital download sales amid an absence of major new titles

■ First Half Highlights (Consumer)

- Sales down from one year earlier when “Monster Hunter 4” contributed to sales
- Sales of “Ultra Street Fighter IV” are as planned with shipments now more than 500,000 units
- Strong digital download (DLC) sales chiefly repeat titles, which have high profit margins

■ First Half Sales of Major Titles (Consumer)

(Thousand units)				
Platform	Title	Region	Date	Result
PS3 Xbox 360 PC	Ultra Street Fighter IV	Japan	8/7	500
		North America	8/5	
		Europe	8/8	

* Result includes the units of full-game download version
* Japan includes sales in other Asian countries

In the Digital Contents business, we concentrated on repeat sales of existing titles and digital download sales as there was no major new title.

Sales were decreased from one year earlier when we started selling “Monster Hunter 4”. Despite of this decline, sales are in line with our plans. For example, sales of “Ultra Street Fighter IV”, which we launched in August, have reached 500,000 units. Furthermore, digital download sales are strong, chiefly for highly profitable repeat titles.

Sales and earnings were lower, but Consumer sub-segment performed well as sales and earnings surpassed our first half plan. This was the result of eliminations of unprofitable titles, a cut in selling, general and administrative expenses, and other actions.

P10 Digital Contents – First Half Highlights (2)

Digital Contents – First Half Highlights (2)				
Sales volume down due to strong sales of a major title one year earlier, but full-game download sales were increased				
■ Unit Sales for the 6 Months (Consumer)				
(Thousand units)				
	2012/9	2013/9	2014/9	Difference
Titles	17	20	14	-6
Package				
Japan	1,800	3,800	600	-3,200
North America	3,100	1,600	1,050	-550
Europe	2,300	1,100	400	-700
Asia	200	200	50	-150
Package Total	7,400	6,700	2,100	-4,600
Digital download contents				
Full-game download	800	2,000	2,100	100
Total	8,200	8,700	4,200	-4,500
<small>* Titles includes the new titles available only for download</small>				

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My next subject is sales unit in the Consumer sub-segment.

There were 14 titles in this first half, a reduction of 6 as we focused only on our most important games.

Package sales units were down 3.2 million to 0.6 million in Japan, mainly the result of strong sales of “Monster Hunter 4” one year earlier. In Europe and North America, sales units were down mostly because of strong sales one year earlier of overseas strategic titles, particularly “Resident Evil Revelations” and “Remember Me,” which were released in the prior fiscal year’s first half. North America sales decreased 0.55 million to 1.05 million units and Europe sales decreased 0.7 million to 0.4 million units. In Asia, sales decreased 150 thousand to 50 thousand units.

Sales of full-game digital versions increased 0.1 million to 2.1 million units. There were no new titles, but digital download sales were higher for “Resident Evil 6”, “Dead Rising 3” and other titles.

P11 Digital Contents – First Half Highlights (3)

Digital Contents – First Half Highlights (3)

Mobile Contents sales were lower because of ongoing structural reforms but PC and others sales were higher, mainly for major titles

- **First Half Highlights (Mobile Contents)**
 - The absence of major titles brought down sales for the Capcom and Beeline brands, but operating profit increased because of a decline in expenses
 - For the Capcom brand, the new title “Street Fighter IV Arena” launched in Korea in July 2014
 - For the Beeline brand, “Snoopy’s Sugar Drop” started in June 2014

- **First Half Highlights (PC Others)**
 - Sales of “Monster Hunter Frontier G”, the core title, were strong due in part to the August 2014 launch of a PlayStation Vita version
 - In China, distribution started for the PC browser game “Onimusha Soul” and the PC online game “Ghosts ‘n Goblins Online” in July 2014
 - Developing is proceeding on “Monster Hunter Online” in China with Tencent Holdings Limited



Next, I will discuss first half performance for Mobile Contents and PC Others sub-segments.

Mobile Contents sub-segment sales decreased as there were no major titles for both Capcom and Beeline brands. But cost reduction and a decline in selling, general and administrative expenses improved profitability.

For the Capcom brand, “Street Fighter IV Arena” was introduced in July in Korea and the Beeline brand title “Snoopy’s Sugar Drop” service started in June and is gradually being expanded to global coverage.

In PC Others, sales were in line with our plan. One reason was synergies created by the August 2014 introduction of the PlayStation Vita version of the core title “Monster Hunter Frontier G”.

In China, we started distributing the PC browser game “Onimusha Soul” and the PC online game “Ghosts ‘n Goblins Online” in July. We are developing “Monster Hunter Online” with Tencent Holdings Limited. This game attracted a lot of attention at the “China Joy” in Shanghai at the end of July, so we have high expectations for this title. The next step is another closed beta test. We will keep you informed as we make preparations for the launch.

P12 Digital Contents – First Half Performance

Digital Contents – First Half Performance				
Sales and earnings down due to absence of major titles, but rigorous cost controls raised profitability				
■ First Half Digital Contents Performance (100 million yen)				
	2012/9	2013/9	2014/9	Difference
Net sales	349	375	134	-241
Operating income	57	53	21	-32
Operating margin	16.5%	14.3%	16.0%	—
(Composition)				
Package	238	253	45	-208
Digital Download Contents	21	54	34	-20
Consumer total	259	307	79	-228
Mobile Contents	60	36	24	-12
PC Other	30	32	31	-1



In the first half, Digital Contents business sales and earnings decreased because there were no major titles. However, profitability improved because of the rigorous cost controls.

Even though the sales decreased 24.1 billion yen to 13.4 billion yen and operating income decreased 3.2 billion yen to 2.1 billion yen, the operating margin improved to 16.0%.

Package sales decreased 20.8 billion yen to 4.5 billion yen and digital download sales decreased 2.0 billion yen to 3.4 billion yen.

Strong sales one year earlier from “Monster Hunter 4” were the main cause of both declines. Mobile Contents sales were down 1.2 billion yen to 2.4 billion yen due to the absence of hit titles, and PC Others sales were about the same as one year earlier at 3.1 billion yen.

P13 Digital Contents – Second Half Strategies (1)

Digital Contents – Second Half Strategies (1)

**Concentrating on sales of major titles
and on increasing DLC sales**

■ Second Half Strategy (Consumer)

- Started selling “Monster Hunter 4 Ultimate” in Japan on October 11 and plan to launch in Europe and US early in 2015
- Plan to launch “Resident Evil Revelations 2” early in 2015 globally with the sales goal of one million units
- Plan to raise the DLC sales ratio by increasing sales of full-game downloads and add-on content downloads

■ Second Half Sales Plans for Major Titles (Consumer)

(Thousand units)				
Platform	Title	Region	Date	Plan
3DS	Monster Hunter 4 Ultimate	Japan	10/11	3,900
		North America	Early 2015	
		Europe	Early 2015	

* Result includes the units of full-game download version
* Japan includes other Asian countries



This page summarizes our second half strategies for Digital Contents business.

In the Consumer sub-segment, we started selling “Monster Hunter 4 Ultimate” in Japan on October 11 and plan to start selling this title in Europe and the United States early in 2015. I believe that we can reach our initial worldwide sales goal of 3.9 million units.

We plan to launch “Resident Evil Revelations 2” globally early in 2015. Our goal is to make this game a million seller just like its predecessor.

In the digital download category, we plan to use both new titles like “Monster Hunter 4 Ultimate” and repeat titles to increase full-game download sales. Furthermore, we will use sales methods that take advantage of the unique characteristics of digital download in order to maximize earnings for each title. For example, we will distribute separate scenarios of “Resident Evil Revelations 2” with downloads.

P14 Digital Contents – Second Half Strategies (2)

Digital Contents – Second Half Strategies(2)				
Expect sales volume to surpass the initial plan of 13,000 thousand units due to strong DLC sales				
■ 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
DLC				
Full-game download	2,700	4,800	6,000	1,200
Total	16,700	17,500	15,000	-2,500
<small>* Titles includes the new titles available only for download</small>				

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For the fiscal year, we have raised our plan for digital download sales volume due to the good performance in the first half.

In terms of number of titles, as in our original plan for the fiscal year, we plan to introduce 25 titles, 17 fewer than in the previous fiscal year.

There is no change in our original plan for package sales volume regarding both total and regional sales. The decline from the previous fiscal year is mostly the result of the smaller number of titles distributed in Japan and the smaller number of strategic titles like “Dead Rising 3” for overseas markets.

For full-game downloads sales volume, we have raised our initial plan to 6 million units, 2 million more than the original 4 million units.

As a result, our fiscal year plan for package and digital download sales volume is now 15 million units, 2 million more than the original goal of 13 million units.

P15 Digital Contents – Second Half Strategies (3)

Digital Contents – Second Half Strategies(3)

**Goal is to create hit titles in the mobile and PC online categories
by introducing many titles**

■ Second Half Strategy (Mobile Contents)

- **Capcom brand:**
 - ⇒ **Plan to introduce many native apps that use existing brands**
 - “**Monster Hunter Hunting Quest**” (Simplified Chinese character version)
plan to start distribution in 2014 for iOS/Android,
 - “**Street Fighter Puzzle Spirits**” **plan to start distribution in this winter**
for iOS/Android, and other apps
- **Beeline brand:**
 - ⇒ **Plan to launch new titles targeting female casual game players**



“**Monster Hunter Hunting Quest**”
(Simplified Chinese character version)

■ Second Half Strategy (PC Others)

- **For the PC browser game “**Monster Hunter Mezeoporuta Kaitakuki**”,
plan to start offering services on November 27, 2014**
- **Plan to launch “**Breath of Fire 6**” in the spring of 2015**



For Mobile Contents and PC Others sub-segments, our second half goal is to build a stronger profit structure. In the Mobile Contents category, we will use the benefits of structural reforms to introduce titles with the aim of creating new hits. In the PC Online category as well, we will launch new titles.

For Mobile Contents, we will continue to introduce Capcom brand titles that use “Monster Hunter”, “Street Fighter” and other core intellectual property. In China, we will start distributing “Monster Hunter Hunting Quest”, which has recorded more than 1.6 million downloads in Japan. We will also start distribution in China of “Street Fighter Puzzle Spirits”, a new puzzle role-playing game.

For the Beeline brand, we plan to launch a number of titles targeting female casual game players.

In the PC Others category, we will further invigorate the key “Monster Hunter Frontier G” franchise by introducing the update “Monster Hunter Frontier G6” in November. Creating new core titles is another goal. We plan to start offering services on November 27 for the PC browser game “Monster Hunter Mezeoporuta Kaitakuki” and to start selling “Breath of Fire 6” in the spring of 2015.

In both the Mobile Contents and PC Others categories, we plan to grow in Asia by introducing titles for sale in China, Korea, Taiwan and Thailand.

P16 Digital Contents Plan

Digital Contents Plan				
Revised the fiscal year Consumer business plan due to strong repeat sale in the first half				
■ FY2014 Digital Contents Plan				
(100 million yen)				
	2013/3	2014/3	2015/3Plan	Difference
Net sales	636	658	565	-93
Operating income	70	44	80	36
Operating margin	11.1%	6.8%	14.2%	—
(Composition)				
Package	407	433	320	-113
Digital Download Contents	52	97	115	18
Consumer total	459	530	435	-95
Mobile Contents	110	65	50	-15
PC Other	67	63	80	17

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This table shows our Digital Contents business fiscal year sales plan and the plan for each category of this segment. We have revised our original fiscal year plan because of strong repeat sales in the first half.

The sales plan has been increased from 50 billion yen to 56.5 billion yen and the operating income plan has been increased from 6.8 billion yen to 8.0 billion yen compared to the original plan. The operating margin plan is now 14.2% as a result.

For the Consumer sub-segment, we raised package sales by 3 billion yen from 29 billion yen to 32 billion yen and digital download sales by 3.5 billion yen from 8 billion yen to 11.5 billion yen. There are no changes to the plans for Mobile Contents and PC Others.

P18 Arcade Operations – First Half Highlights

Arcade Operations – First Half Highlights

Sales and earnings down due to lower existing arcade sales and the impact of the consumption tax hike

■ **First Half Highlights**

- Existing arcade sales down 8% from one year earlier (down 7% in Q1 and 9% in Q2)
- Closed one arcade (the Iruma arcade in July 2014)

■ **First Half Arcade Operations Performance**

(100 million yen)

	2012/9	2013/9	2014/9	Difference
Net sales	56	54	48	-6
Operating income	9	9	6	-3
Operating margin	17.5%	17.9%	13.7%	-
<small>Year-to-Year Ratio of Existing arcades</small>	-6%	-5%	-8%	-

■ **Number of Arcades**

(Facilities)

	2013/3	2014/3	2014/9	2014/3 Plan
New arcades	0	1	0	3
Closing arcades	3	2	1	1
Total	34	33	32	35



In the Arcade Operations business, sales and earnings were decreased from one year earlier.

One cause was the challenging operating environment resulting from the diversification of entertainment activities and other reasons. The April 2014 consumption tax increase also had a negative impact on this segment's performance.

Existing arcade sales were decreased by 8%, with unfavorable weather also contributing to the decline. One arcade was closed during the first half, reducing the number of arcades to 32.

The result was a 600 million yen decrease in segment sales from one year earlier to 4.8 billion yen. Operating income decreased 300 million yen to 600 million yen and the operating margin was 13.7%.

P19 Arcade Operations – Second Half Strategies

Arcade Operations – Second Half Strategies

Lowered the earnings plan due to the first half performance and aiming to generate earnings by operating arcades efficiently

■ Second Half Strategy

- Plan to attract more customers by adding content and holding events for younger age segments, seniors and women
- Plan to add the “Asobi Oukoku peekaboo” kids corner with fees based on time at about three arcades in a year

■ Second Half Plan

- Plan to open three arcades and close no arcades (resulting in total of 35 arcades)
- Existing arcade sales plan through fiscal year : Down by 5%

■ FY2014 Arcade Operations Plan

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	109	106	100	-6
Operating income	17	16	13	-3
Operating margin	15.6%	15.2%	13.0%	-
Year-to-Year Ratio of Existing Stores	-5%	-5%	-5%	-



In the Arcades Operations business, we will continue to work on attracting more customers by offering new content and holding events for young people, seniors and women.

We plan to add the “Asobi Oukoku peekaboo” kids corner, which have fees based on time, at about three arcades every year.

We also plan to open three arcades in the second half, raising the number of arcades to 35 by the end of the fiscal year. Based on first half sales, we have lowered the fiscal year existing arcade sales plan from a 2% decrease to a 5% decrease.

For the fiscal year, there is no change in our sales plan of 10 billion yen. But we reduced the operating income plan by 200 million yen to 1.3 billion yen and now expect an operating margin of 13.0%.

P21 Amusement Equipments – First Half Highlights

Amusement Equipments – First Half Highlights

Sales down due to lower sales of pachislo machines and arcade games
Earnings up because of sales of high-margin Capcom pachislo machines

■ Pachinko&Pachislo First Half Highlights

- Sales of the “Sengoku BASARA 3” pachislo machine have reached 20,000 units following the September 2014 launch
- Repeat sales of the “Monster Hunter Gekka Raimei” pachislo machine contributed to sales

■ Arcade Games Sales First Half Highlights

- Started sales of the new coin-operated game “Onimusha Soul Card Rush” in June 2014

■ First Half Amusement Equipments Performance

	2012/9	2013/9	2014/9	(100 million yen) Difference
Net sales	35	89	68	-21
Operating income	13	25	31	6
Operating margin	37.2%	28.2%	45.9%	-

*Arcade Games Sales is about 10% of net sales, and Pachinko & Pachislo about 90%



“Sengoku BASARA 3”



In the Amusement Equipments business, first half sales were declined because of the lack of sales volume from the new machines in both Pachinko & Pachislo (P&S) and Arcade Games Sales.

But sales of high-margin Capcom pachislo machines raised earnings.

In the Pachinko & Pachislo (P&S) sub-segment, the “Sengoku BASARA 3” pachislo machine that went on sale in September 2014 posted sales of 20,000 units as planned. There were also repeat sales of “Monster Hunter Gekka Raimei”, which was introduced in the previous fiscal year.

In the Arcade Games Sales sub-segment, sales of the new coin-operated game “Onimusha Soul Card Rush” started in June.

Segment sales were decreased by 2.1 billion yen from one year earlier to 6.8 billion yen but operating income increased 600 million yen to 3.1 billion yen and the operating margin was 45.9%.

P22 Amusement Equipments – Second Half Strategies

Amusement Equipments – Second Half Strategies

**Plan to launch a new pachislo machine in the second half
Expect sales and earnings to fall short of the initial plan**

- **Pachinko & Pachislo Second Half Strategies**
 - Revised fiscal year plan due to revision in pachislo testing method by the Security Communications Association
 - Plan to launch one new pachislo machine instead of the two machines initially planned
- **Arcade Game Sales Second Half Strategies**
 - Concentrating on repeat sales of existing titles
- **FY2014 Amusement Equipments Plan**

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	167	231	110	-121
Operating income	48	71	40	-31
Operating margin	29.1%	30.8%	36.4%	-

*Arcade Games Sales is about 10% of net sales, and Pachinko & Pachislo about 90%

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Although we plan to introduce a new pachislo machine in the second half, we foresee sales and earnings below our initial plan for the fiscal year.

In the Pachinko & Pachislo (P&S) sub-segment, we plan to start selling one new model instead of two as originally planned. The reason is the revision by the Security Communications Association in the method for testing pachislo machines.

In the Arcade Games Sales sub-segment, we will concentrate on repeat sales of existing titles and others.

In the Amusement Equipments business, the revised sales plan has been lowered from the original plan by 6.5 billion yen from 17.5 billion yen to 11 billion yen and the operating income will be revised by 1 billion yen from 5 billion yen to 4 billion yen. We expect an operating margin of 36.4%.

P24 Forecast for Year Ending March 31, 2014

Forecast for Year Ending March 31, 2015			
No change in initial plan – Priorities are sales of major titles and energizing the lineup of online contents			
<small>(Million yen)</small>			
	2014/3	2015/3 Plan	Difference
Net sales	102,200	80,000	-22,200
Operating income	10,299	10,500	201
Ordinary income	10,946	10,200	-746
Net income	3,444	6,600	3,156
<ul style="list-style-type: none">■ No change in initial forecast for the current fiscal year■ Fiscal year EPS forecast is 117.37 yen■ Forecast first half dividend of 15 yen and year-end dividend of 25 yen, resulting in a FY3/15 dividend of 40 yen			
			

This is our forecast for the fiscal year ending in March 2015.

There are no revisions to our initial plan for sales or earnings. We believe that the contributions from sales in Japan and overseas of our key title “Monster Hunter 4 Ultimate” and sales from energizing online contents, which is a growing market sector, will offset the negative impact of the new testing method on pachislo machine sales.

Consequently, we forecast sales of 80 billion yen, operating income of 10.5 billion yen, ordinary income of 10.2 billion yen and net income of 6.6 billion yen.

There is also no change in our outlook for earnings per share of 117.37 yen and a fiscal year dividend of 40 yen, the sum of a 15 yen first half and 25 yen year-end dividend.

Everyone at Capcom is determined to do what is needed to achieve these sales and earnings goals for the fiscal year. This completes my presentation.