

Summary of Q&A at the Conference Call
Third-Quarter Consolidated Financial Results of the
Year ending March 31, 2015
(February 4, 2015)

- Q. Do you think structural reforms will continue to produce benefits (improvement in the cost to sales ratio) in the Consumer sub-segment in the next fiscal year?
- A. Since the previous fiscal year, we have been realigning our content development process management system. The goals are to increase the ratio of internal development, which has a higher profit margin, and use our development personnel more efficiently. Taking these actions has enabled us to use our people and manage costs with more flexibility. As a result, we have largely completed the establishment of a framework that can more easily generate earnings. In addition, we believe that we can achieve more gains in efficiency by revising this organizational framework as it is used in order to more closely match our business operations. Consequently, we believe that benefits will continue to emerge for our development operations in the next fiscal year and the following years.
- Q. In the fourth quarter, will Mobile Contents sub-segment sales be less than in the previous quarter again?
- A. Although we plan to launch new titles in the fourth quarter, we do not expect a significant increase in sales at this time. We believe that a contribution to earnings from the introduction of major new titles will start in the next fiscal year.
- Q. Please provide information about your title lineup for the fiscal year ending in March 2016.
- A. We are currently developing a number of games, including major titles. We foresee more growth in our title lineup than in this fiscal year. But we are unable to provide more information because we are still working on the timetable for launching these titles and our plans for sales volume.
- Q. What specific actions have you taken to develop titles internally more efficiently?
- A. We are unable to give you any details. But our actions primarily involved increasing visualization for the deployment of our development personnel in the Consumer sub-segment. This allows us to monitor with much accuracy how we are utilizing these people. We can reassign these creators with the proper timing and numbers as needed in order to prevent teams from having too many or too few members. We plan to further strengthen the use of this operating framework.
- Q. What are the potential risk factors concerning fourth quarter operating income?
- A. There are no risk factors specific to any particular titles. In the fourth quarter, we will launch two major titles. One is “Monster Hunter 4 Ultimate”, where we will start full-scale overseas distribution. The other is “Resident Evil Revelations 2”, a title where we will for the first time start distributing episodes through digital download prior to the introduction of the complete game. Therefore, fourth quarter performance may differ somewhat from our current outlook.

Q. Since your January 9 forecast revision, has there been any change in the impact of the alterations in the method used for testing new models by the Security Communications Association on the Amusement Equipments business?

A. There is no change. We are currently working on revisions to pachislo machine specifications and on the development of new models based on the revised rules.

Q. How much do you expect to cut costs in the next fiscal year and afterward?

A. For fixed costs, we believe that we currently have an extremely lean operating framework. We will not place excessive emphasis on cost cutting from now on due to the risk of missing business opportunities by eliminating necessary expenses. For variable expenses, we can hold down costs in a manner that is linked to changes in sales. We plan to adopt a flexible approach to controlling these costs based the ratio of variable expenses to our sales plan. In addition, for the developing cost, we will continue to reduce the ratio of outsourcing while increasing the percentage of content we develop ourselves.

Q. In Mobile Contents sub-segment, shouldn't Capcom form alliances with content development companies in order to develop games faster and gain more expertise involving the operation of content development activities?

A. In the Consumer sub-segment, we are shifting from external to internal development. But we need to outsource development tasks to other companies in some cases, such as when we require a specialized technology. For Mobile Contents, there have been many alliances involving content development and operations. So developing content internally is not always our highest priority. We will retain a flexible stance regarding this matter based on our workforce and our timetable for developing titles.