



Home Video Games



This development and distribution of home video games constitutes the core business of Capcom, with sales accounting for approximately 70% of total sales. By concentrating our management resources in this field, we have developed game software for a wide-range of consumers. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.

⇒ P.25



Net Sales
¥62,892 million
(Up **21.7%** ↗ from the previous year)

Operating Margin
26.1%



Contents Expansion



We are expanding two other businesses based on the content used for our home video games making it possible for different businesses to create a synergetic effect. For example, Pachinko & Pachislo Business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software, whereas Mobile Content Business deals with the development and distribution of game content for mobile phones.

⇒ P.28



Net Sales
¥4,628 million
(Down **45.7%** ↘ from the previous year)

Operating Margin
-5.0%



Arcade Operations



We operate amusement facilities "Plaza Capcom" in Japan. We also operate our arcades predominantly in large commercial complexes and launch various events to attract families and female customers. We have diligently followed our policy of "scrap and build" to achieve the utmost efficiency in arcade operations.

⇒ P.31



Net Sales
¥13,509 million
(Up **0.8%** ↗ from the previous year)

Operating Margin
1.7%



Arcade Games Sales



We develop, produce and distribute arcade game for amusement facilities. We concentrate our efforts on the development of coin-operated and prize-winning games, which are high in demand, as well as supply software for arcade video games to secure a stable customer base.

⇒ P.33



Net Sales
¥8,031 million
(Up **22.2%** ↗ from the previous year)

Operating Margin
21.9%



Other Businesses



Based on our "Single Content Multiple Usage" strategy that develops our game content in broad business areas, we will pursue a variety of copyright-related business opportunities such as publishing (walkthrough and strategy guide as well as setting collections) and licensing (music CDs and licensed merchandise). Furthermore, diligent efforts are being made to develop more movies and TV animation programs as well.

⇒ P.35



Net Sales
¥2,824 million
(Down **4.2%** ↘ from the previous year)

Operating Margin
37.3%

Market Trends	Capcom's Strength and Strategy	Operating Results for This Fiscal Year
<ul style="list-style-type: none"> The market has expanded for 3 consecutive years due to an increase in the global gaming population and the rise of emerging markets. Wii has been successful in globally developing new users, especially women and the middle-aged, by providing a new way to play video games. Software manufacturers will have great opportunities to increase their sales over the next year or two as the market is expected to expand. The keys are dealing with diversifying users as well as responding to overseas markets. 	<ul style="list-style-type: none"> We have scores of long-lasting intellectual properties with universal market appeal such as million-selling titles and popular characters, the keys to "Single Content Multiple Usage" strategy. We maintain an advanced ability to develop original game content. We also possess a high level of technology, assisted by the "MT Framework", an integrated development environment built to provide common software development tools for a variety of video game consoles. We intend to reinforce development of titles for overseas users in partnership with overseas developers as well as to strengthen our overseas sales structures. 	<ul style="list-style-type: none"> A drastic increase in both sales and profit was achieved, thanks to 3 "double million" sellers (titles that sold more than 2 million units). "Resident Evil 5" and "Street Fighter IV", launched at the end of this fiscal year, both gained explosive popularity, selling more than 4.4 million units and 2.5 million units, respectively, and contributed to the expansion in overseas sales. "Monster Hunter Freedom Unite" released at the end of the previous year, also continued to achieve smooth growth thanks to its overwhelming popularity, selling 2.2 million units (accumulated total: 3.2 million units) including sales of the low-priced edition.
<ul style="list-style-type: none"> As for the market for Pachinko machines, relaxation of regulations in 2004 increased flexibility in designing and developing innovative Pachinko machines and encouraged launches of new products appealing to users. As for the market for Pachislo machines, on the other hand, a decrease in the number of both machines and customers, due to a tightening of regulations, caused companies to struggle. As for the mobile content market, worldwide growth has been experienced. This market is expected to continue to expand steadily in the future by acquiring new light users through a global widespread of mobile phones and an increase in the number of new devices such as the iPhone, as well as through its growing popularity in emerging markets. 	<ul style="list-style-type: none"> We can secure new profit opportunities by making multiple uses of our wealth of intellectual properties in a variety of areas. In the Pachinko & Pachislo Business, we subsidized Enterrise CO., LTD. in November 2008 and began our own frame development and manufacturing business, while supplying attractive software and other products for gaming machines that feature our proprietary content along with that of third-party developers. In the Mobile Content Business, we utilize expertise and content gained through developing home video games to deliver our popular home video game titles for mobile phones worldwide. We also supply some of our game titles actively for new devices, such as the iPhone. 	<ul style="list-style-type: none"> The Pachinko & Pachislo Business was lackluster due to poor sales of the eagerly-awaited "Chun-Li Ni Makase China" as well as the postponed release of a Pachislo machine. Consequently, an operating loss was posted. In the overseas Mobile Content Business, our share in the North American market was 5.4% (a 5th place ranking). Casual games linked with TV programs continued to be popular with light users. Furthermore, our strategic marketing of smartphone titles contributed to the success. In Japan, the demand for the "Ace Attorney" series, which has been the profit engine, peaked, and the overall sales slowed.
<ul style="list-style-type: none"> The market declined for the first time in 6 years. Factors contributing to this include a decrease in the number of customers at shopping centers due to the economic slowdown, a diminishing number of customers at arcade facilities in reaction to the huge success of home video games, and a lack of a new popular genre following card-based games. Recovery in each company's profitability is predicted as a large-scale consolidation of facilities is undertaken although the market is expected to continue to slump. 	<ul style="list-style-type: none"> We have specialized in opening mall-based large-scale facilities which secure a long-term, stable number of customers. We have built an organizational structure to design and operate sales venues supported by customers. We also maintain relatively higher profitability than the competition by either selling or closing unprofitable facilities in an attempt to secure a better return on investment. 	<ul style="list-style-type: none"> We opened 6 new facilities, mainly at large-scale shopping centers, while closing 8 unprofitable facilities. We now operate 40 facilities throughout Japan. We managed to increase sales due to the opening of new facilities; however, profit declined due to the stagnant market, sluggish sales at existing facilities and increased expenses for opening new stores.
<ul style="list-style-type: none"> The market has grown for 5 consecutive years but took a downward turn since facility operators are controlling capital investments as a result of economic stagnation. Prize-winning games and coin-operated games accounted for 41.0% of the market, while card-based games comprised 27.3% of the market. Yet, due to sluggish sales at mall-based facilities, the market is exhibiting a slowing trend across product categories. 	<ul style="list-style-type: none"> We retain the ability to provide high-quality arcade video games by making use of development capabilities for home video game software. In particular, combat-based fighting games, our flagship genre, allow us to maximize profits by launching the same content as home video games. We own company-managed facilities, enabling us to grasp real-time market trends such as in-store information of popular games. We gather and make use of opinions of both users and facility operators to develop popular game machines. 	<ul style="list-style-type: none"> We deployed titles based on home video games. We achieved steady growth of arcade video games such as "Street Fighter IV" and "Sengoku BASARA X (Cross)". We plan to form a business partnership with NAMCO BANDAI Games Inc., develop products supported by both companies' strengths and expand product lineups.
<ul style="list-style-type: none"> The market size of the global content-related industry is 177 trillion yen. In Japan, the size is approximately 14 trillion yen, which is the second largest in the world after the United States. The market size of movie, movie-related and publishing industry in Japan has grown steadily to approximately 10 trillion yen. The basis of future growth lies in overseas marketing. 	<ul style="list-style-type: none"> We create a strong synergy with our Home Video Games Business by making multidimensional use of our wealth of intellectual properties ("Single Content Multiple Usage"). Particularly, in the movie-related business, the brand value has been elevated by the high exposure provided by the media. This leads to greater sales expansion in video game software, completing an ideal sales cycle. 	<ul style="list-style-type: none"> As for the "Street Fighter" series, we introduced a new home video game, our core product, and licensed merchandise, as well as comics and soundtracks. Furthermore, we released the Hollywood movie "Street Fighter: The Legend of Chun-Li", achieving continuous operation of the content-related businesses over an extended period of time. As for another of our major brands, the "Resident Evil" series, we released our first full-CG animation movie, "Resident Evil: Degeneration". Its DVD version and other product versions recorded sales of more than 1.5 million units worldwide.