

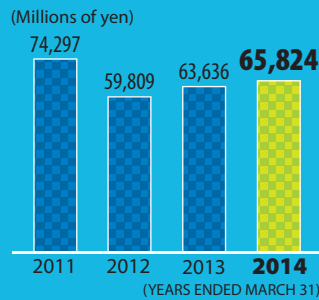


## Digital Contents

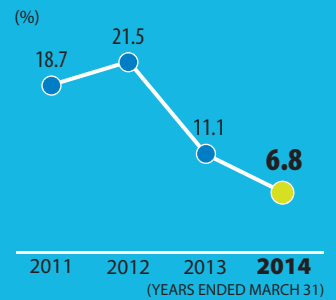
This business engages in the development and sales of consumer games (package software and digital download contents (DLC)) and the development and management of mobile content and PC online games. Original content created for consumer games is developed for a variety of platforms and distributed globally.



### Net Sales



### Operating Margin



### SWOT Analysis S: Strength W: Weakness O: Opportunities T: Threats

- | Strength (S)   | Weakness (W)  |
|--|---|
| <ul style="list-style-type: none"> <li>World-class development and technological capabilities</li> <li>Own a number of original popular titles</li> <li>PC online game management expertise</li> </ul>   | <ul style="list-style-type: none"> <li>Dependence on specific genres</li> <li>Lack of development staff</li> <li>Lack of native app game hit titles and management expertise</li> </ul>   |
| Opportunity (O)  | Threat (T)  |
| <ul style="list-style-type: none"> <li>Arrival of next generation consumer game consoles</li> <li>Expand digital download business</li> <li>Expanding PC online game genres and areas of adoption</li> <li>Increased users from global expansion of smartphone adoption</li> </ul> | <ul style="list-style-type: none"> <li>Consumer game presence diminished by diversity of play</li> <li>Falling average sales price of package games</li> <li>Low barriers for entry into mobile contents, large number of competitor firms</li> </ul> |

## Market Trends

### Consumer (Package and DLC)

#### DLC Expands Despite 7.1% Consumer Market Decline

In 2013, the consumer (Package and DLC) market was worth 23.7 billion dollars (down 7.1% from the previous year), the second straight year of negative growth. The reasons for this include (1) fewer consoles purchased, resulting in fewer software sales, due to the off-season before new next-generation consoles are released this year and (2) the declining average unit price of software. In the Consumer sub-segment package market, consisting primarily of North America, Europe and Japan, the 80% of the market accounting for North America and Europe contracted 10%, while in Japan, accounting for 20% of the overall, the market shrank more than 20% compared to the previous year. [Diagram 21](#)

At the same time, in line with network infrastructure developments

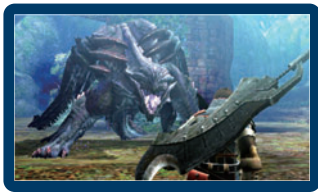
and the establishment of the online premium model, the DLC market, involving the download of full games and additional contents, is clearly growing, increasing to 7.4 billion dollars (up 4.2% from the previous year).

In terms of outlook for the future, we will upgrade title lineups for next-generation consoles sold in 2013 and DLC will continue to grow. We expect a recovery and forecast a slight increase in the global consumer market to 24.9 billion dollars (up 5.1% from the previous year). [Diagram 22](#)

### Mobile Contents

#### Solid Global Growth as Market Expands 19.5% in 2013

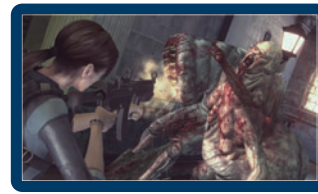
The 2013 mobile contents market achieved significant global growth, increasing to 14.7 billion dollars from 12.3 billion dollars in 2012 (up 19.5% from the previous year). [Diagram 23](#) The main reasons for this were (1) the ongoing adoption of smartphones in all countries of the world,



"Monster Hunter 4"



"Dead Rising 3"



"Resident Evil Revelations"



"Duck Tales"

© 1989, 2013 Disney Distributed by CAPCOM U.S.A., INC.

(2) the rise of sophisticated tablet devices and free communication apps such as LINE and (3) the spread of native app and social games due to the growing number of mobile users.

By region, the North American market was worth 3.9 billion dollars (up 38.5% from the previous year), the European market was worth 2.3 billion dollars (up 17.3% from the previous year) and the Asian market including Japan was worth 7 billion dollars (up 14.4% from the previous year). Furthermore, in emerging and Eastern European markets, as well as other areas, the global market grew steadily to 1.3 billion dollars (up 3.8% from the previous year).

The freemium (virtual item purchases/in-game purchases), a earnings model where users download a game for free, then purchase access to additional items and other game content as needed, has predominated in the market since about 2010. With freemium games, the key to manageability is using content power (brand/game content) to appeal to users and analyzing user activity after service provision begins to offer the appropriate services and premium games. For game companies with lots of popular software titles as well as mobile development companies with operational expertise, the opportunity to improve earnings is growing. In line with the movement from traditional feature phones to smartphones, a shift away from browser games requiring a web browser has made the distribution of native app-style games via direct download from the App Store or Google Play commonplace, demanding development structures able to respond to these changes.

Looking ahead, we forecast shipments in the 2014 smartphone market to grow to 1,204 million units (up 19.3% from the previous year) as they continue their spread across the world. We forecast tablet device shipments of 200 million units in 2014 (up 38.6% from the previous year) based on our assumption that mobile content users will continue to increase globally. Accordingly, we predict the mobile

contents market will grow to 28.6 billion dollars by 2018.

### PC Online

#### In 2013 the Market Expanded Favorably by 22.0%

In the PC online market, the spread of cloud game services and digital sales in North America and Europe, the rise of a new genre of browser games, and a growing number of Massively Multiplayer Online (MMO) game users in Asia resulted in solid market expansion to 28.8 billion dollars (up 22.0% from the previous year).

In 2014, this market is expected to continue growing steadily to 32.2 billion dollars (up 11.8% from the previous year). The Asia market in particular is expected to continue expanding, driven primarily by MMO games, from 12.3 billion dollars in 2013 to 13.1 billion dollars by 2018 (up 6.8% from 2013). Accordingly, the PC game market is expected to surpass the consumer game market and grow to 32.3 billion dollars by 2018. Diagram 24

### Operating Results for This Fiscal Year

#### Consumer (Package and DLC)

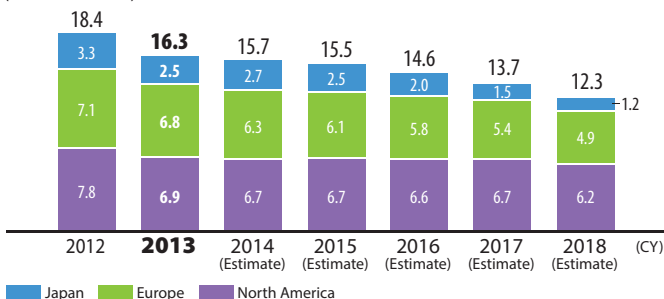
#### Sales and Profits Rise on Big Hit "Monster Hunter 4" with Net Sales of 53 Billion Yen (Up 15.5%)

In the Consumer sub-segment, there were three million-seller titles. The overwhelming popularity of core title "Monster Hunter 4" drove sales of 4.1 million units, greatly surpassing sales projections of 2.8 million, while "Dead Rising 3" for the U.S. and European markets (1.2 million) and "Resident Evil Revelations" (1.2 million) sold over one million units each. Furthermore, New DLC titles such as "Monster Hunter 4" and "Duck Tales" sold well in Japan and overseas, contributing to overall sales. At the same time, although "Lost Planet 3" for overseas markets never really took

Diagram 21

#### Package Markets

(Billions of dollars)

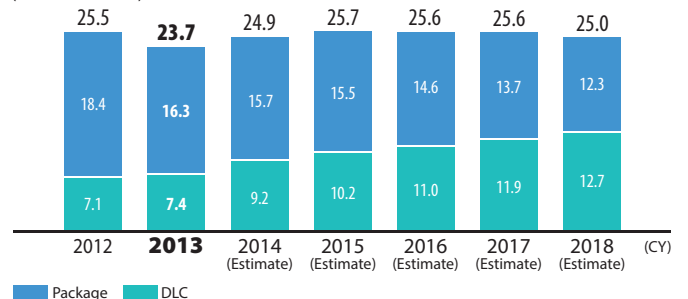


Source: International Development Group

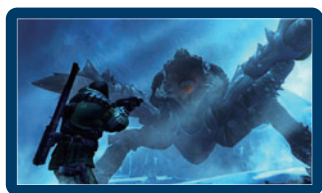
Diagram 22

#### Consumer (Package and DLC) Market

(Billions of dollars)



Source: International Development Group



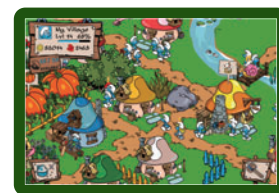
"Lost Planet 3"



"Resident Evil: Clan Master"  
©CAPCOM developed by gloops



"Monster Hunter Hunting Quest"



"Smurfs' Village"  
© Peyo - 2010 - Licensed through Lafig Belgium - www.smurf.com. All game code © 2011 Beeline Interactive, Inc.

off and sold just 400,000 units, package and full game download sales totaled 17.5 million units (up 4.8% from the previous fiscal year).

As a result, package net sales were 43.3 billion yen (up 6.4% from the previous fiscal year), digital download sales net sales were 9.7 billion yen (up 86.5% from the previous fiscal year) and Consumer net sales were 53 billion yen (up 15.5% from the previous fiscal year).

### Mobile Contents

#### Capcom and Beeline Brands Performing Weakly with Sales of 6.5 Billion Yen (Down 40.9%)

In Mobile Contents, amid the growing prevalence of smartphones, although existing Capcom brand browser-type game "Resident Evil: Clan Master" (Mobage) and recently launched Capcom brand native app game "Monster Hunter Hunting Quest" (iOS/Android) performed steadily, the lack of strong titles and a bitterly competitive environment made these achievements an uphill battle. At the same time, under the Beeline brand, core title "Smurfs' Village" performed solidly. Although it contributed to earnings stability, the inability to produce a new hit kept the market soft.

As a result, net sales tumbled to 6.5 billion yen (down 40.9% from the previous fiscal year). The dearth of new titles caused the cost and sales ratio to worsen and earnings to dip into the red.

### PC Online

#### Net Sales Stagnate at 6.3 Billion Yen (Down 6.0%) Due to Intensifying Competition and Struggling New Titles

In the PC online sub-segment, earnings expanded as a result of the extreme popularity of "Monster Hunter Frontier G" (PC and Xbox 360) and services related to the launch of PlayStation 3 in November 2013 and Wii U in December 2013. However, the market stagnated due to

intensifying competition and struggling new titles.

As a result, net sales were lower than last year at 6.3 billion yen (down 6.0% from the previous fiscal year) as the dearth of new titles caused the cost and sales ratio to worsen and profitability to decrease.

### Summary

As a result, the Digital Contents business this fiscal year achieved sales of 65,824 million yen (up 3.4% from the previous fiscal year) and operating income of 4,489 million yen (down 36.4% from the previous fiscal year).

### Outlook for the Next Fiscal Year

#### Consumer (Package and DLC)

#### Net Sales of 37 Billion Yen (Down 30.2%) Affected by Off-Season, Significantly Improved Earnings Forecast Due to Refocus on Highly Profitable Titles

In the Consumer segment, we are engaged in initiatives aimed at (1) strengthening our digital download strategy, (2) improving quality as we transition to in-house title creation and (3) revising our title lineup to achieve medium-term business goals.

In terms of (1), we will launch simultaneous package and full title download sales of core title "Monster Hunter 4 Ultimate" in an attempt to expand marketing channels and improve the digital download sales ratio.

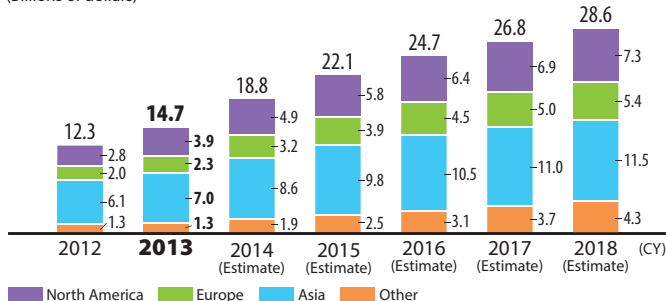
Moving on to (2), we will make an effort to reduce the outsource ratio (approximately 36% last year) by increasing the operating ratio of our in-house staff and enhancing the efficiency of our development process to improve the cost to sales ratio.

Finally, with respect to (3), we will review our title lineup by redrawing

### Diagram 23

#### Mobile Contents Market

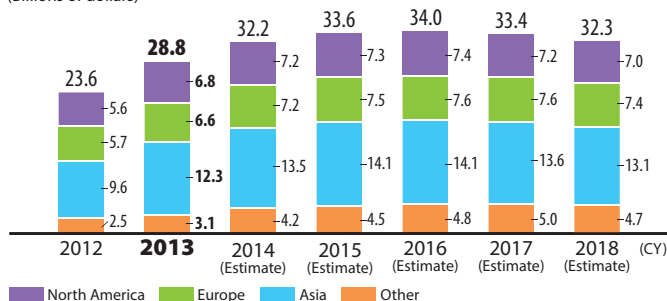
(Billions of dollars)

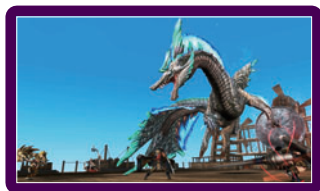


### Diagram 24

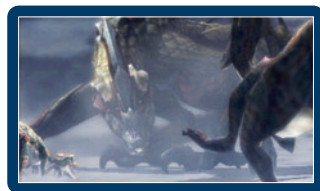
#### PC Online Market

(Billions of dollars)

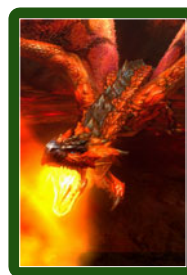




"Monster Hunter Frontier G"



"Monster Hunter 4 Ultimate"



"Monster Hunter Explore"



"Breath of Fire 6"

our 60-month map and restructure such that we are able to continually produce highly profitable core series sequels. **Diagram 25** Next fiscal year, we plan to release new titles from core series including "Monster Hunter 4 Ultimate" and "Ultra Street Fighter IV".

However, due to the market continuing to be in between sales cycles as next-generation consoles continue to spread, and in anticipation of the opposite impact from last year's hits, we forecast net sales of 37 billion yen (down 30.2% from the previous fiscal year). **Diagram 26** We expect significantly improved earnings as a result of eliminating unprofitable titles and costs.

#### Mobile Contents

### Expecting Net Sales of 5 Billion Yen (Down 23.1%) and Operating Margins of 10% or Higher on Structural Improvements and Core Title Refocus

In Mobile Contents, we are focusing efforts on (1) accumulating online management expertise within the Capcom brand and (2) reorganizing our development structure and creating the next hit by returning to the source of our area of expertise within the Beeline brand.

Under the Capcom brand, we will create a development process optimized for ongoing business by integrating the disparate Tokyo and Osaka development divisions to create synergies from the fusion of consumer content creation capabilities and PC online management capabilities. Specifically, we will release carefully selected core brand native app games like "Monster Hunter Explore". We will also develop the Asia market (including China) where smartphones continue to spread at a rapid pace.

Turning to the Beeline brand, we will focus on our traditional strengths in the women's casual segments by returning to the development of titles making use of popular content featuring world-famous

characters like "The Smurfs" and "Snoopy". We will also develop games incorporating distinctive regional characteristics at our development facilities in North America, Europe and Japan and acquire users in developing regions where home video game consoles have yet to be adopted. Next year (ending March 31, 2015), our overseas title lineup will include the release of "Smurfette's Magic Match" and "Snoopy's Sugar Drop".

In light of these measures, although mobile content net sales were 5 billion yen (down 23.1% from the previous fiscal year) after a reduction in the number of titles for distribution, we forecast a return to profitability including operating margins of 10% or higher. **Diagram 26**

#### PC Online

### Strengthening Development in Japan and Asia, Forecasting Sales of 8 Billion Yen (Up 27.0%)

In the PC online segment, we expect earnings contributions from a major update to "Monster Hunter Frontier GG" and the distribution of new titles including "Breath of Fire 6". We will also strengthen our business in the Asia region through developments in the China market with the "Monster Hunter Online" collaboration with Chinese firm Tencent Holdings Limited.

Accordingly, we forecast net sales of 8 billion yen. **Diagram 26**

#### Summary

In light of the above, we forecast Digital Contents net sales of 50 billion yen (down 24.0% from the previous fiscal year) next fiscal year. We also forecast operating income of 6.8 billion yen (up 51.5% from the previous fiscal year) and an operating margin of 13.6% (up 6.8 percentage points from the previous fiscal year) as a result of a focus on highly profitable titles.

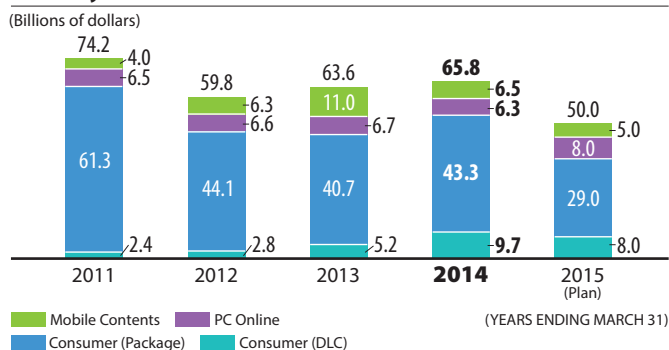
Diagram 25

#### Total Number of Units of Major Titles Sold (As of March 31, 2014)

Major Titles	Number of Titles	Total Number of Units Sold (Thousands)
Resident Evil	89 titles	61,000
Street Fighter	77 titles	35,000
Mega Man	129 titles	30,000
Monster Hunter	28 titles	28,000
Devil May Cry	19 titles	13,000
Dead Rising	12 titles	7,500
Lost Planet	17 titles	5,600
Ace Attorney	17 titles	5,100
Sengoku BASARA	26 titles	3,600

Diagram 26

#### Sales by Genre





## Arcade Operations

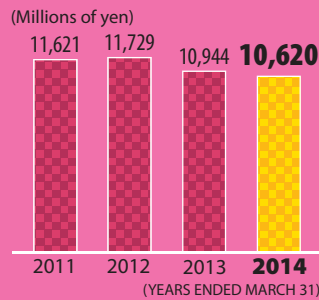
We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families, women and senior customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.



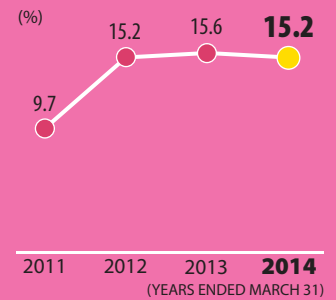
**Yoichi Egawa**  
Director and Executive Corporate Officer in charge of Arcade Business and Pachinko & Pachislo Business



### Net Sales



### Operating Margin



### SWOT Analysis S: Strength W: Weakness O: Opportunities T: Threats

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>Specialize in opening mall-based large-scale facilities to secure a stable customer base</li> <li>Thorough scrap-and-build focused on investment efficiency to ensure sustainable earnings</li> </ul>                                       |  | <ul style="list-style-type: none"> <li>Low sales growth from small number of carefully selected facilities</li> <li>Little synergy with proprietary contents</li> </ul>                          |
| <ul style="list-style-type: none"> <li>Expanded ability to attract customers through installation of new machines</li> <li>Hedges risks through inverse relationship to home video game market</li> <li>Expand customer base through appeal to senior and kids segments</li> </ul> |  | <ul style="list-style-type: none"> <li>Existing users on the decline due to falling birth rate</li> <li>Lower growth potential of overseas markets</li> <li>Increased consumption tax</li> </ul> |

## Market Trends

### 3.6% Market Contraction Indicates Continued Downward Trend, Continued Monitoring of Consumption Tax Increase Impacts Essential

During the previous fiscal year (ended March 31, 2013), the size of the arcade facilities market was 470 billion yen (down 3.6% from the previous fiscal year). [Diagram 27](#) This was due to a decrease in the number of company-owned arcades, which have a large sales volume per facility, the absence of a major hit product gaining traction in the market and competition from app games in line with the ongoing adoption of smartphones.

Furthermore, although the number of facilities decreased to 16,992 (down 6.2% from the previous fiscal year), there was a slight increase in the number of machines per arcade (up 0.5 machines from the previous fiscal year) and sales per facility (up 2.8% from the previous

fiscal year) amid accelerated growth in large-scale company-owned arcades and a decline in small scale rental facilities. [Diagram 28](#)

This fiscal year (ended March 31, 2014), although there was an increase in the popularity of some prize products, there were not as many hit products as last year. As a result, despite the increased operating efficiency of existing arcades at all companies, the ongoing closure of unprofitable arcades led to a somewhat soft market.

In terms of outlook for the future, price pass-through has become difficult for the one coin business structure due to the April 2014 consumption tax increase. In addition, concerns over declining customer numbers due to a drop in consumer confidence are expected to result in a weaker market as company priorities will focus on improving profitability through narrowed-down investment, operational efficiency, scrap and build policies and other initiatives.



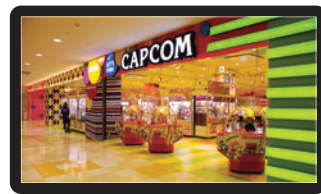
Plaza Capcom Oita  
"Monhan Sweets Airou Crepe Shop"



Plaza Capcom Hanyu



Plaza Capcom Shitoro  
"Asobi Oukoku peekaboo"



MARK IS Shizuoka Amusement Park

## Operating Results for This Fiscal Year

### Promoting New Businesses Targeting Seniors and Kids Amid Lower Sales and Profits Due to Market Sluggishness

Capcom's strengths in this business category are: (1) early specialization in opening mall-based large-scale facilities that ensure a long-term stable customer base, (2) the planning and operation of sales venues popular with customers and (3) the ability to maintain higher profitability than the competition by instituting a strict scrap and build policy and sound management structure to raise return on investment.

This fiscal year (ended March 31, 2014), amid continued market sluggishness, we focused efforts on cultivating new customers through concepts aimed at attracting customers including comprehensive arcade renovations, free game experience tours for senior citizens and themed areas for kids to expand customer segments. We also made efforts to capture a wider range of users, including a collaboration with Gakken Holdings Co., Ltd., and Dai Nippon Printing Co., Ltd., to introduce "Asobi Oukoku peekaboo", a timed rate structured play area for kids.

Nevertheless, insufficient machine traction and increased competition from other forms of entertainment combined with unseasonable weather resulted in fewer customers.

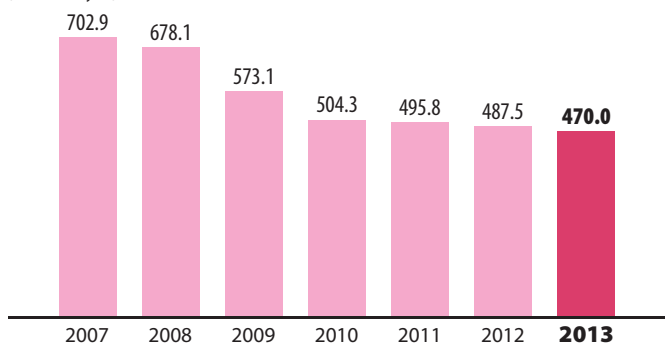
This fiscal year, we promoted a scrap and build policy in response to changes in the environment, opening one new arcade in Shizuoka City and closing two other unprofitable arcades, bringing the total number of arcades in operation at the end of this fiscal year to 33.

As a result, net sales were 10,620 million yen (down 3.0% from the previous fiscal year) and operating income was 1,617 million yen (down 5.4% from the previous fiscal year).

Diagram 27

### Arcade Operations Market

(Billions of yen)



(YEARS ENDED MARCH 31)

Source: JAMMA "Survey on the Amusement Industry"

## Outlook for the Next Fiscal Year

### Planning to Open Three Arcades and Close One Next Fiscal Year, Maintaining Operating Margins at 15% Amid a Severe Market Environment

In terms of business development next fiscal year (ending March 31, 2015), the arcade facilities market faces concerns over declining customer numbers caused by a drop in consumer confidence as price pass-through will be difficult due to the April 2014 consumption tax increase. Capcom will make an effort to ensure profitability through ongoing operational efficiencies at existing facilities and the cultivation of new customers.

Capcom will focus efforts on attracting a greater number of customers and aim for synergies in the game users, women and family segments through ongoing senior events that attract customers from the middle-aged segment, the development of timed rate structured play areas for kids and the establishment of themed food shops making use of Capcom characters.

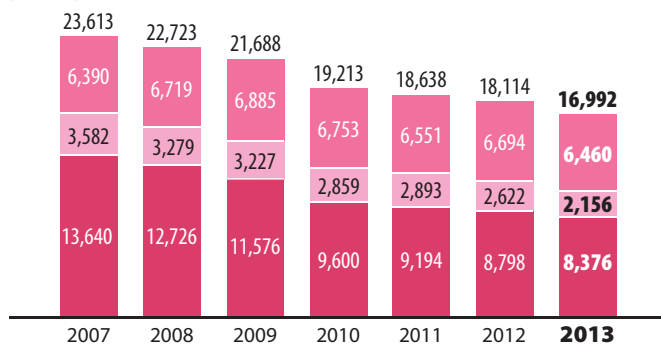
In terms of the opening and closing of facilities, we will further strengthen efficient facilities and close unprofitable ones, while moving forward with the establishment of new facilities in areas with a high concentration of customers to establish new revenue streams. In the next fiscal year, we plan to open three new facilities, and close one existing facility.

We forecast net sales of 10 billion yen and operating income of 1.5 billion yen in the next fiscal year.

Diagram 28

### Number of Amusement Arcades (by number of machines)

(Facilities)



(YEARS ENDED MARCH 31)

Source: JAMMA "Survey on the Amusement Industry"



## Amusement Equipments

We are engaged in two other businesses based on the content used for our home video games. The Pachinko & Pachislo (P&S) business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and distributes arcade games for amusement facilities, creating synergy between businesses.

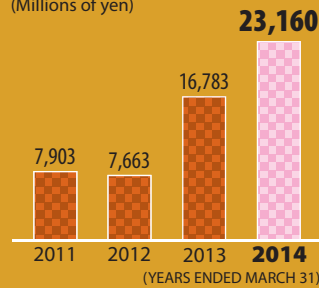


**Yoichi Egawa**  
Director and Executive Corporate Officer in charge of Arcade Business and Pachinko & Pachislo Business



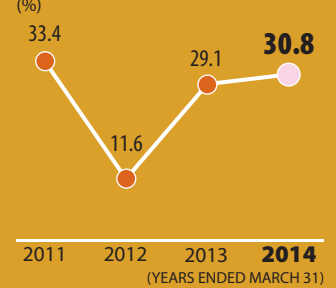
### Net Sales

(Millions of yen)



### Operating Margin

(%)



### SWOT Analysis

S: Strength W: Weakness O: Opportunities T: Threats

- | Strength (S)  | Weakness (W)   |
|---|--|
| <ul style="list-style-type: none"> <li>High quality development capabilities cultivated through home video games</li> <li>Multiple usage of plentiful in-house content</li> <li>Ability to observe real time market movements through company-owned arcades</li> </ul>      | <ul style="list-style-type: none"> <li>Lack of title lineup</li> </ul>   |
| Opportunity (O)   | Threat (T)   |
| <ul style="list-style-type: none"> <li>Market recovery via introduction of popular machines</li> <li>Market expansion through network and 3D and other new technologies</li> <li>Market recovery from relaxation of The Entertainment Establishments Control Law</li> </ul> | <ul style="list-style-type: none"> <li>Declining operator and hall investment appetite</li> <li>Long-term market stagnation</li> <li>Market fluctuations resulting from changes to The Entertainment Establishments Control Law</li> </ul> |

## Market Trends

### Gaming Machine Market Stable at Previous Year's Levels on Popular Pachislo Machines, Arcade Game Machines Contract 3.6% During Transitional Period

The Amusement Equipments business consists of two businesses that develop the content of our home video games, the Pachinko & Pachislo (P&S) business and the Arcade Games Sales business.

During the previous fiscal year (ended March 31, 2013), the Pachinko and Pachislo market maintained the same levels as the previous fiscal year, totaling 1,202.9 billion yen (up 0.1% from the previous fiscal year). This was partly due to the third straight year of contraction in the Pachinko machine market (down 6.5% from the previous fiscal year), which accounts for more than half the overall market. At the same time, the market has been sustained by Pachislo machine market growth, which has expanded in each of the last three years (up 14.7% from the previous fiscal year). [Diagram 29](#)

This fiscal year (ended March 31, 2014), the Pachislo machine market remained stable and showed signs of recovery, such as the number of new arcade openings returning to pre-Great East Japan Earthquake levels and expanded sales per arcade in accordance with the increase in large-scale facilities with more than 1,000 machines, which indicate the market has bottomed out.

However, in terms of the future outlook, the Pachinko machine market is expected to remain soft, while there are indications demand has returned to the Pachislo machine market, potentially the beginning of a turning point.

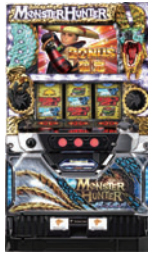
Next, in the previous fiscal year, the arcade games domestic product sales market shrank to 167.5 billion yen (down 3.6% from the previous fiscal year) due to contraction in the arcade facilities market and the effects of the transitional period between new product sales cycles. [Diagram 30](#)  
By genre, sales of additional items in the content of consoles with networking functions increased significantly to 23.9 billion yen (up



"DEVIL MAY CRY 4"



"Resident Evil 5"



"Monster Hunter Gekka Raimei"



"Monster Hunter Medal Hunting Compact"



"Mario Party-Fushigi no Korokoro Catcher 2"

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30.6% from the previous fiscal year), while high-sales-ratio coin-operated games (accounting for 20.8% of the market) tracked slightly lower to 34.9 billion yen (down 3.6% from the previous fiscal year).

This fiscal year (ended March 31, 2014), the market remained firm on the launch of several major coin-operated games and higher sales of upgraded network game consoles requiring little investment.

In terms of the outlook for the future, the facilities market will continue to be in a slump due to the consumption tax increase. To ensure profitability, facility operators will narrow down new arcade openings and capital expenditure, which we think will result in a softer market.

## Operating Results for This Fiscal Year

### Contributing to Profitability with Smash Hit "Monster Hunter Gekka Raimei" Pachislo Machine Created In-House. Coin-Operated Games Maintain Position Among Arcade Games. Sales Increased 38.0%, Operating Income Increased 45.8%

Capcom's strength in this business is our ability to maintain high profitability through the multiple usage of our wealth of intellectual properties in a variety of areas.

In the P&S sub-segment, Capcom develops attractive software featuring our proprietary content along with that of other companies, using our technological expertise in high-resolution image processing cultivated through the development of home video games is our strength. This fiscal year, in the P&S sub-segment, the "Monster Hunter Gekka Raimei" Pachislo machine created in-house sold approximately 46,000 units and "DEVIL MAY CRY 4" sold over 25,000 units, exceeding all expectations and significantly contributing to profitability. The contracted product development business also contributed to this segment's solid performance.

In terms of Arcade Games Sales sub-segment, we will make use of widely recognized Capcom content and our strength in developing

coin-operated games, an area where we anticipate heightened market needs and steady sales. This fiscal year, arcade game machine sales were led by the new coin-operated games "Monster Hunter Medal Hunting Compact" and "Mario Party-Fushigi no Korokoro Catcher 2". As a result, sales and profits increased, with sales of 23,160 million yen (up 38.0% from the previous fiscal year) and operating profit of 7,131 million yen (up 45.8% from the previous fiscal year).

## Outlook for the Next Fiscal Year

### Expecting Sales to Drop 24.4% and Operating Profit to Decline 29.9% in P&S and Arcade Games Sales Due to Reverse Impact of Hit Products Last Year

In terms of business development in the next fiscal year (ending March 31, 2015) in the P&S sub-segment, we expect the need for Pachislo machines to remain stable in line with the growing demand for higher quality visuals and popular content. At the same time, we anticipate increased competition between companies distinguished by high-performance hardware and investment opportunities. Capcom will (1) strengthen the consignment business which is expected to contribute stable profits, (2) enter into an alliance with the Fields Corporation to enhance development capabilities and strengthen sales network and (3) introduce major popular home video game contents in an aim to ensure machine sales.

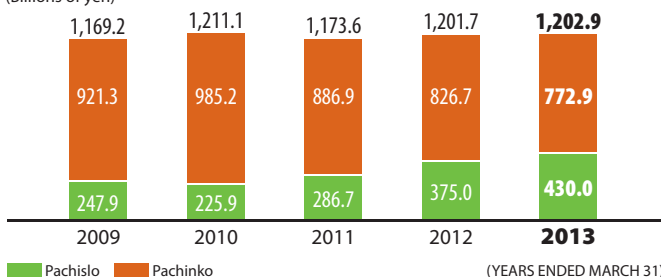
With respect to the Arcade Game Sales sub-segment, we expect facility operator appetite for investment to decline as a result of the consumption tax increase. Capcom will focus on the development of coin-operated games using popular, highly recognizable proprietary content in an attempt to differentiate from other companies' products.

However, the reverse impact from hit products in the P&S and Arcade Games Sales sub-segment is expected to result in a decrease in sales and profits, forecast at 17.5 billion yen and 5 billion yen, respectively.

Diagram 29

### Gaming Machines Market (New Machine Sales)

(Billions of yen)

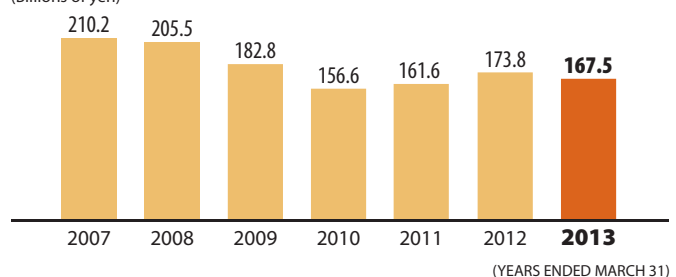


Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2011, 2012, 2013); Yano Research Institute Ltd.

Diagram 30

### Arcade Game Market

(Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"





## Other Businesses

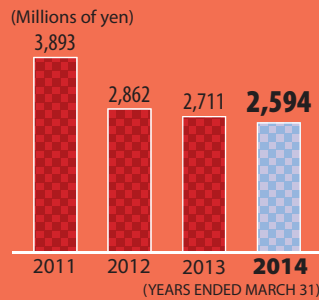
Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.



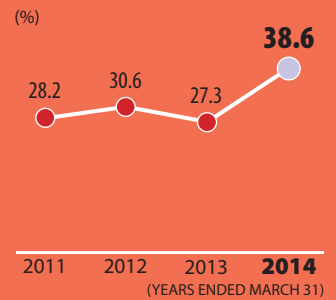
**Katsuhiko Ichii**  
Director and Executive Corporate Officer in charge of Consumer Games Business



### Net Sales



### Operating Margin



### SWOT Analysis S: Strength W: Weakness O: Opportunities T: Threats

- | Strength (S)  | Weakness (W)   | Opportunities (O)  | Threats (T)   |
|---|--|--|---|
| <ul style="list-style-type: none"> <li>Synergy effect from multiple use of abundant content</li> <li>Brand value increased through high media exposure</li> <li>High profitability</li> </ul> | <ul style="list-style-type: none"> <li>Low return of sales from licensed products</li> </ul> | <ul style="list-style-type: none"> <li>Expansion of film, animation, comics, stage productions, orchestras and other development media</li> <li>Contents business demand area expansion</li> </ul> | <ul style="list-style-type: none"> <li>Direct competition with other company's contents as a result of globalization</li> </ul> |

### Operating Results for This Fiscal Year

**Despite a 4.3% Dip in Sales, Operating Profit Soared 35.2% Amid Acquisition of New Fans Through Cross-Industry Collaborations on Movies, Theatrical Performances and Other Popular Series**

Capcom's strength in this category is its ability to take advantage of the strong synergy with the home video games by making multifaceted use of its abundant intellectual properties. In particular, the brand value of our movie-related business has risen through extensive media exposure. This leads to greater sales of video game software, completing a virtuous sales cycle.

During this fiscal year (ended March 31, 2014), we continued to execute our Single Content Multiple Usage strategy (see "Growth Strategy 3" on page 33), conducting various projects based on each game title to enhance the branding of our game content and maximize profits.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile content, walkthrough and strategy guides and character goods, as well as movie and TV animation programs and other events in connection with the release of our home video games. **Diagram 31** Specifically, we focused on increasing the "film version of Capcom contents", which strengthens the promotion and sales of home video games. Although other Japanese software manufacturers have made similar moves, the number of Capcom game titles adapted into movies and the attendant box-office revenues demonstrate our clear competitive advantage in this area. This success is a result of (1) our strength in creating original content, underpinned by owning more proprietary content than our competitors and (2) the global popularity of our titles, which are suitable for adaptation into movies for global distribution. **Diagram 32**

This fiscal year, to commemorate our 30th anniversary, we held a



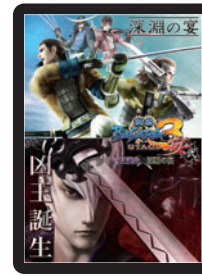
"Monster Hunter Festa '13"



"Monster Hunter the Real 2014"  
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"Monster Hunter × Shibu hot springs resort in Nagano prefecture"



"Sengoku BASARA 3 Utage 2"



"Sengoku BASARA -Judge End-"  
©CAPCOM / BASARA JE

"Capcom summer festival in Huis Ten Bosch" in Nagasaki Prefecture. We also held "Monster Hunter Festa '13" events in five cities across Japan to coincide with the launch of "Monster Hunter 4" and collaborated with Universal Studios Japan on "Monster Hunter the Real 2014". We held other events in an attempt to expand our user base, including regional promotional events in conjunction with the Shibu hot springs resort in Nagano Prefecture.

Capcom promotes cross-industry collaborations, such as the "Sengoku BASARA 3 Utage 2" theatrical production, in an ongoing effort to appeal to a wide variety of users.

In the "Phoenix Wright: Ace Attorney" series, we kept users captivated with theatrical production "Ace Attorney -Gyakuten no Spotlight" and the return of hands-on detective game "Ace Attorney in Joypolis".

We are also moving forward with several multi-development projects involving "Street Fighter".

These activities resulted in a slight drop in sales but significantly

higher income, as net sales were 2,594 million yen (down 4.3% from the previous fiscal year) and operating income was 1,001 million yen (up 35.2% from the previous fiscal year).

## Outlook for the Next Fiscal Year

### Further Progress with Our Single Content Multiple Usage Strategy and Promotion of a "Monster Hunter" 10 Year Anniversary Project Expected to Maintain Net Sales and Operating Income at Last Year's Levels

Looking ahead to the next fiscal year (ending March 31, 2015), we will continue to execute our Single Content Multiple Usage strategy.

Capcom is proactively developing various collaborations to coincide with the "Monster Hunter" series 10th anniversary as well as the launch of "Monster Hunter 4 Ultimate" for Nintendo 3DS. Specifically, we will attempt to forge closer bonds with users through ongoing participatory-based events, including the "Monster Hunter 10th Anniversary Orchestra Concert -Shuryo Ongakusai 2014-" and "10th Anniversary Monster Hunter Exhibition", both slated for August 2014.

As for the "Sengoku BASARA" series, Capcom is planning a "Sengoku BASARA 3 -Togakuruwasikizuna-" theatrical production and the broadcast of TV animation "Sengoku BASARA -Judge End-" in July 2014. Furthermore, we are making efforts to increase brand value through ongoing stage and screen projects involving the "Phoenix Wright: Ace Attorney" and "Gaist Crusher" series.

Functioning as horizontal deployment for game content, these cross-industry collaborations enable our products to reach a wider audience and enhance our brand value.

In light of these efforts, we forecast net sales in the next fiscal year of 2.5 billion yen and operating income of 0.9 billion yen.

## Diagram 31

### List of Our Content that Has Been Adapted into Movies and Theatrical Productions

	Year	Content Type	Adapted Content
Movie	Aug. 1994	Animated movie	Street Fighter II
	Dec. 1994	Hollywood movie	Street Fighter
	Mar. 2002	Hollywood movie	Resident Evil
	Sep. 2004	Hollywood movie	Resident Evil: Apocalypse
	Mar. 2005	Animated movie	Mega Man Battle Network
	Nov. 2007	Hollywood movie	Resident Evil: Extinction
	Oct. 2008	CG movie	Resident Evil: Degeneration
	Feb. 2009	Hollywood movie	Street Fighter: The Legend of Chun-Li
	Aug. 2010	Movie	ZOMBREX DEAD RISING SUN
	Sep. 2010	Hollywood movie	Resident Evil: Afterlife 3D
	Jun. 2011	Animated movie	Sengoku BASARA -The Last Party- Ace Attorney
Feb. 2012	Movie	Resident Evil: Retribution	
Sep. 2012	Hollywood movie	Resident Evil: Damnation	
Oct. 2012	CG movie	Sengoku BASARA -MOONLIGHT PARTY-Remix	
Nov. 2012	Movie		
TV animation	Apr. 1995	TV animation	Street Fighter II V
	Mar. 2002	TV animation	Mega Man Battle Network
	Oct. 2004	TV animation	Viewtiful Joe
	Oct. 2006	TV animation	Mega Man Star Force
	Jun. 2007	TV animation	Devil May Cry
	Apr. 2009	TV animation	Sengoku BASARA
	Jul. 2010	TV animation	Sengoku BASARA2
	Aug. 2010	TV animation	MONHAN NIKKI GIRIGIRI AIRU MURA AIRU KIKI IPPATSU
	Jul. 2011	TV animation	MONHAN NIKKI GIRIGIRI AIRU MURA G
	Oct. 2012	TV animation	IXION SAGA DT
Oct. 2013	TV animation	Gaist Crusher	
Jul. 2014	TV animation	Sengoku BASARA -Judge End-	
Theatrical production	Feb. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney -The Truth Comes Back to Life
	Jul. 2009	Theatrical production	Sengoku BASARA
	Aug. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney 2
	Apr. 2010	Theatrical production	Sengoku BASARA Stage Adaptation second stage
	Oct. 2011	Theatrical production	Sengoku BASARA: Samurai Heroes
	May 2012	Theatrical production	Sengoku BASARA 2
	Nov. 2012	Theatrical production	Sengoku BASARA 3 Setouchi Kyoran, Stage Adaptation
	Jan. 2013	Takarazuka Revue Company	Prosecutor Miles Edgeworth: Ace Attorney 3
	Apr. 2013	Theatrical production	Sengoku BASARA 3 Utage
	Jun. 2013	Takarazuka Revue Company	Sengoku BASARA
Jul. 2013	Theatrical production	Ace Attorney -Gyakuten no Spotlight	
Nov. 2013	Theatrical production	Sengoku BASARA 3 Utage 2	
Apr. 2014	Theatrical production	Sengoku BASARA 3 -Togakuruwasikizuna-	
TV drama	Jul. 2012	TV drama	Sengoku BASARA -MOONLIGHT PARTY-

## Diagram 32

### Revenue Ranking of Japanese Game Content that Has Been Adapted into Hollywood Movies

Title	Original writer company	Box-office revenue (worldwide)
1. RESIDENT EVIL: AFTERLIFE 3D	Capcom	\$296,221,663
2. RESIDENT EVIL: RETRIBUTION	Capcom	\$240,159,255
3. RESIDENT EVIL: EXTINCTION	Capcom	\$147,717,833
4. RESIDENT EVIL: APOCALYPSE	Capcom	\$129,394,835
5. RESIDENT EVIL	Capcom	\$102,441,078
6. STREET FIGHTER	Capcom	\$99,423,521
7. SILENT HILL	Konami	\$97,607,453
8. FINAL FANTASY: THE SPIRITS WITHIN	Square	\$85,131,830
9. SUPER MARIO BROS.	Nintendo	\$20,915,465
10. HOUSE OF THE DEAD	Sega	\$13,818,181

As of June 30, 2014 (Capcom figures)