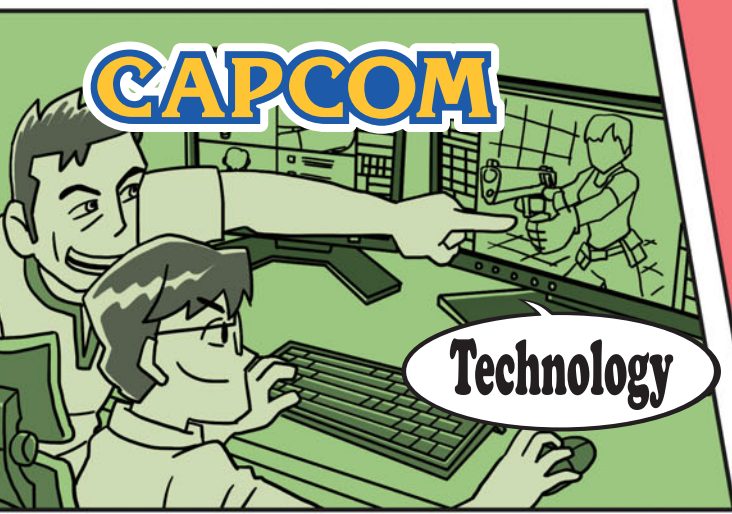


CAPCOM

**CAPCOM
INTEGRATED REPORT**

2015

**Governance for Growth,
Value and Enjoyment**

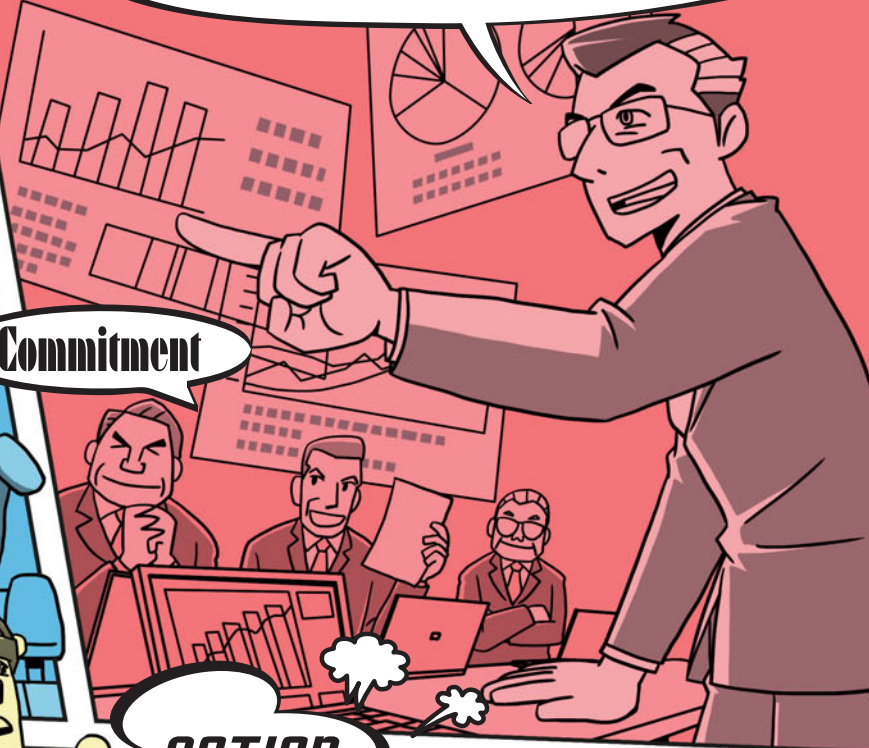


Technology

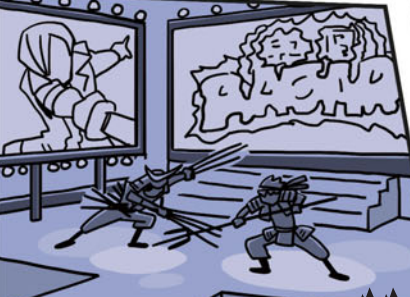


CREATIVE

Commitment

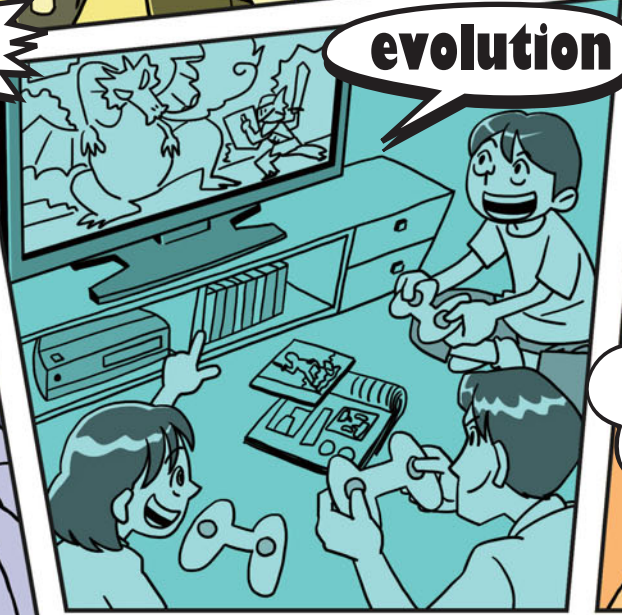


ACTION



impact

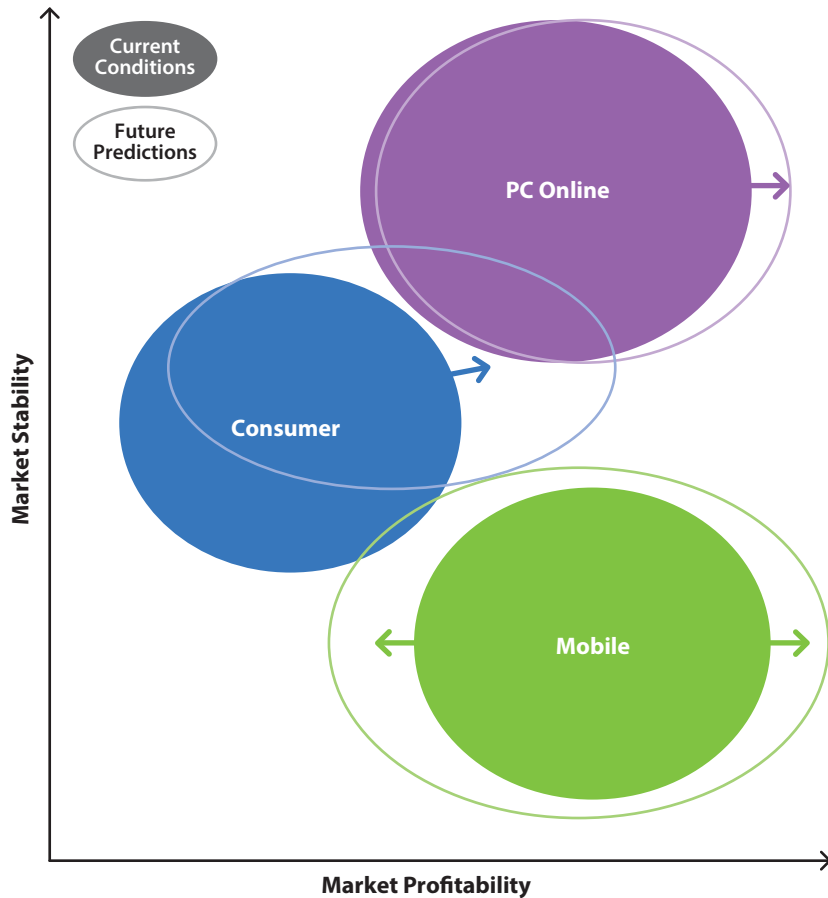
evolution



Quality

Game Industry Characteristics

Characteristics of Each Market



PC Online Market Characteristics

This is a 24.7 billion dollar market, forecast to grow to 26.6 billion dollars in 2019. The customer segment is primarily composed of core users who demonstrate the highest game loyalty. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. In terms of profitability, PC Online is comparatively high among the three markets, typically generating stable earnings over the long term. Going forward, we do not anticipate any major changes and expect the market to remain stable.

Consumer Market Characteristics (Package + Digital download contents)

Package and digital download contents are a 21.6 billion dollar market, forecast to grow to 25.6 billion dollars in 2019. The customer segment is composed mainly of core users with high game loyalty. They have a relatively high willingness to purchase sequels and a low sensitivity to price and economic conditions. This market is the lowest among the three in terms of margin, yet occupies a high position in the Japanese industry overall. Hereafter, we expect the digital sales ratio to increase, shrinking the gap between the other two markets' profitability.

Mobile Market Characteristics

This is a 22.5 billion dollar market, forecast to grow to 37.4 billion dollars in 2019. The customer segment is primarily composed of casual users, many of whom play games just to pass the time, thus they demonstrate the lowest game loyalty. They have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions. Although this is the most profitable among the three markets, only a limited number of titles are able to generate stable earnings over the long term. Going forward, we expect rapid growth to make smartphones the most pervasive game device.

Five Competitive Factors in Each Business (Five Forces Analysis)

| | Consumer (Package + Digital download contents) | Mobile Contents | PC Online |
|--|--|--|---|
| Threat of New Entrants | Normal High capital and differentiated technology requirements | Extremely high Few capital or differentiated technology requirements | Low Ongoing capital investment and cutting-edge technologies required |
| Threat of Substitute Services and Products | Normal Users somewhat compartmentalized | Low From standpoint of mobility, low user outflow to other two markets | Normal Users somewhat compartmentalized |
| Buyer Power | High Many transactions with major overseas retailers with strong purchase power | Low Direct sales to users | Low Direct sales to users |
| Supplier (Hardware Manufacturer) Power | Low Content is flexibly compatible with all platforms | Low Content is flexibly compatible with all platforms | Low Content is flexibly compatible with all platforms |
| Degree of Rivalry | Normal Appropriate environment at present, expected to soften somewhat in the future | High Many new entrants, tough environment | Normal Appropriate environment at present |

Editorial Policy

From this fiscal year forward, Capcom will issue "Integrated Report" containing substantially more non-financial content than in the past to provide shareholders, investors and all our stakeholders with a deeper understanding of Group management policies, business strategies and medium- to long-term value creation.

This report was created according to the "International Integrated Reporting Framework" announced by the International Integrated Reporting Council (IIRC).

This report includes numerous images and diagrams aimed at maximizing the readers' ability to visualize content in a sincere effort to facilitate understanding.

In addition to a print version, this report is also available online.

Period and Scope

This report reviews the fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015). When necessary, it also includes references to fiscal periods before and after this timeframe.

Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.

Subject Index

To find out about our business model and capital, see PP7–12 (PP7–8 provides a guide to capital details)

To find out about our management environment and market trends, see P1, PP17–20, PP29–32, PP35–44

To find out about our performance, see P10, PP13–14, PP15–16, PP17–19, PP35–44

To find out about our management and financial strategies, see P9, PP19–20, PP21–22, P26, PP28–34

To find out about our business segments, see PP13–14, PP27–28, PP35–44

To find out about stakeholder opinions, see PP33–34, P46, PP49–50, PP51–52, P64

To find out about ESG information, see P12, PP23–25, PP45–48, PP49–66

To find out about our development, see Separate volume: The Latest Development Report 2015

To find out about the game industry glossary, see Capcom's official website <http://www.capcom.co.jp/ir/english/glossary/>

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Capcom's Value Creation Activities

Messages from Management

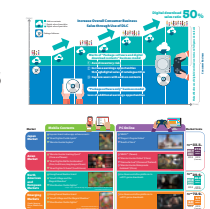
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Messages from Management

Our Strategy for Growth

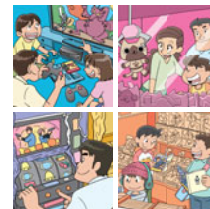
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Business Activities and Future Outlook

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CSR Activities

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Corporate Governance

Financial Section

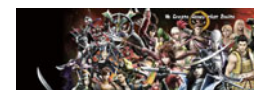
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Financial Section

Corporate Data

Separate Volume

The Latest Development Report 2015
We Create Games that Excite



To Our Stakeholders
(From the CEO & COO)

Aiming for Sustainable Growth and Enhancing Corporate Governance to Fulfill Our Responsibility to Stakeholders.



辻本 憲三

Kenzo Tsujimoto

Chairman and
Chief Executive Officer (CEO)

辻本 春弘

Haruhiro Tsujimoto

President and
Chief Operating Officer (COO)

Corporate Philosophy

“Capcom: Creator of Entertainment Culture that Stimulates Your Senses”

We Create Games that Excite

How do we create original games people will enjoy? This is the starting point of all Capcom activities. Creating “entertainment culture” through the development of “engaging games” that “excite” our customers is the linchpin of our business.

Our biggest strength is advanced development capabilities that continuously generate game content overflowing with creativity and fun. The multitude of original contents we send out into the world are highly creative works of media art, each crafted with a variety of elements, including intricately detailed game worlds and storylines, richly distinctive characters and powerful

music. In addition to games, this content is leveraged across a variety of media, including movies, TV animation, character merchandising and strategy books, providing even more people with excitement and entertainment. Our games are also part of the “Cool Japan” promotion of Japanese entertainment culture spreading throughout the world, which also contributes to stimulating interest in Japan itself.

Going forward, Capcom will make every effort to develop “entertaining games” that satisfy users while contributing to the benefit of society through our business activities.

Fulfilling Our Responsibilities to Stakeholders through Enhanced Corporate Governance

Capcom strives to create relationships of trust and improve stakeholder satisfaction through the promotion of business activities based on our corporate philosophy.

In particular, we believe the promotion of enhanced corporate governance and growth strategies are linked to increased corporate value contributing to benefits for all stakeholders.

Accordingly, we proactively engage shareholders and investors “in dialogue” and make use of external directors to enhance management transparency and soundness while promoting growth strategies enabling sustainable growth and shareholder returns.

With respect to customers, we make the most of our world-class development capabilities to create entertaining games in conjunction with our Single Content Multiple Usage strategy to leverage our brands across multiple forms of media with the aim of maximizing user satisfaction. We build mutually beneficial relationships with business partners and create new product value by combining Capcom content brand power with their unique development and sales know-how pertaining to regional business practices and customer preferences.

Capcom also uses its popular content to support regional growth through its multiple usage approach aimed at maximizing social benefits for local communities. To ensure the healthy development of young people, the entire industry adheres to voluntarily restrictions related to game content in an effort to

reduce or prevent adverse effects from our business activities.

All Capcom employees share management’s goal of “developing the world’s best games”. To this end, we promote the creation of an exciting work environment where employees can experience growth and are able to make the most of their abilities.

Underpinning all these efforts is our corporate philosophy of “creating entertaining games”. We will enhance corporate governance in line with this philosophy and achieve sustainable growth to fulfill our responsibility to all our stakeholders.

Capcom's Main Stakeholders



Capcom History

1983

Released our first originally developed coin-op "Little League".

1984

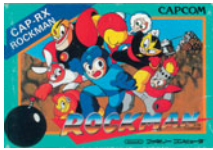
Released our first arcade video game "Vulgus".

1985

Released our first home video game "1942" for "Nintendo Entertainment System (NES)".

1987

Released "Mega Man" for "NES".



1992

Released "Street Fighter II" for "Super NES".

1993

Released "Breath of Fire" for "Super NES".

1996

Released "Resident Evil" for "PlayStation", a long selling title which had record breaking sales, and established the genre of survival horror.



From Capcom of Japan to

Genesis

In 1983, Capcom Co., Ltd., was established in Osaka as an arcade game sales company.

That same year marked the arrival of the "Nintendo Entertainment System (NES)", which at that time contained an 8-bit central processing unit (CPU). This made it difficult to create the high-quality, arcade-level content pursued by Capcom, so business development was focused on the creation of arcade games. Arcade games were developed using the CP System, a 16-bit high-spec circuit board.

Capcom Sales

Note: 1983-1988: Fiscal years ended December 31
1989-2015: Fiscal years ended March 31

1980s

1983 1984 1985 1986 1987 1988 1989

Big Hits Drive Business Expansion

In the 1990s, the arrival of "Super NES" featuring a 16-bit CPU enabled Capcom to formally enter home video game development. Numerous hit titles were created, including "Street Fighter II" and "Final Fight", which drew on Capcom's arcade game development expertise.

The Single Content Multiple Usage strategy was launched in 1994 with the release of a movie and TV animation series based on "Street Fighter". In the late 1990s, Capcom continued to create new content, such as "Resident Evil", with the arrival of each new game console.

1990s

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999

Game Industry History

1983

Sales of "Nintendo Entertainment System (NES)" were launched to massive success.



1990

Next-generation "Super NES" was launched.



1994

"PlayStation" was launched. 3D game popularity skyrockets.



2001

Released "Onimusha" for "PlayStation 2". The first game for "PlayStation 2" that becomes a million-seller in Japan. Released "Devil May Cry" for "PlayStation 2".



2005

Released "Sengoku BASARA" for "PlayStation 2", which enjoyed popularity especially among young gamers for its innovative worldview.



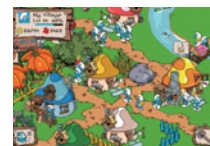
2006

Released "Dead Rising" for "Xbox 360". Became a million-seller, unprecedented for a new title created for new game console.



2010

Distribution of app "Smurfs' Village" for iOS began. It became the top download in approximately 100 countries around the world.



© Peyo - 2010 - Licensed through Lafiq Belgium - www.smurf.com. All game code © 2011 Beeline Interactive, Inc.

2013

Released "Monster Hunter 4" for "Nintendo 3DS". Return of the "Monster Hunter Craze" selling more than four million units. Released "Dead Rising 3" the first title in this series for "Xbox One". More than one million units sold.



Global Capcom

Going Global

In 2000, Capcom went public, listing its shares on the First Section of the Tokyo Stock Exchange.

In the 2000s, Capcom created one hit title after another that gained popularity overseas, including "Devil May Cry", "Dead Rising" and "Lost Planet". The Hollywood movie version of "Resident Evil", which earned 102 million dollars globally, is now part of a five title hit series that continues to expand the Capcom brand throughout the world.

Multimedia

With the adoption of smartphones and tablets, the market for game apps not requiring consoles is growing rapidly. Capcom established Beeline, a development company for smartphone game apps, which created "Smurfs' Village", an explosive hit that became the most downloaded app in more than 100 countries.

In recent years, the adoption of internet-connected consoles such as "PlayStation 4", "Xbox One" and "Wii U" are driving full-game download sales and the distribution of add-on contents.

2000s

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

2010s

2010 2011 2012 2013 2014 2015

2000

"PlayStation 2" was launched.



2005

Microsoft Corporation launched the "Xbox 360".



2010

Smartphone adoption increases, game apps not requiring a game console became popular.



2012

"Wii U" was launched.



2013

"PlayStation 4" was launched.

2013

"Xbox One" was launched.

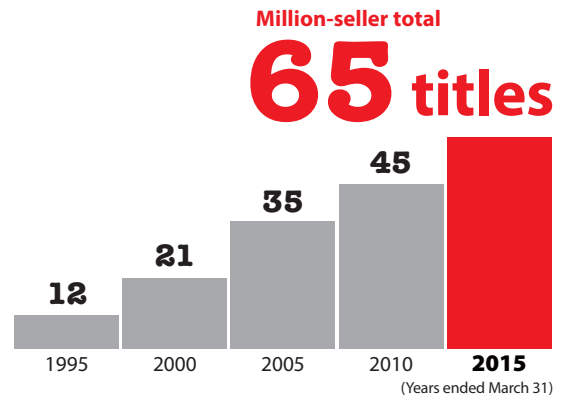


"Nintendo Entertainment System", "Super NES", Wii U logo and Wii U are registered trademarks of Nintendo Co., Ltd. PlayStation, PS4 and "PlayStation" are registered trademarks of Sony Computer Entertainment Inc. PS4 is a registered trademark of Sony Computer Entertainment Inc. "SONY" is a registered trademark of Sony Corporation. © Sony Computer Entertainment Inc.

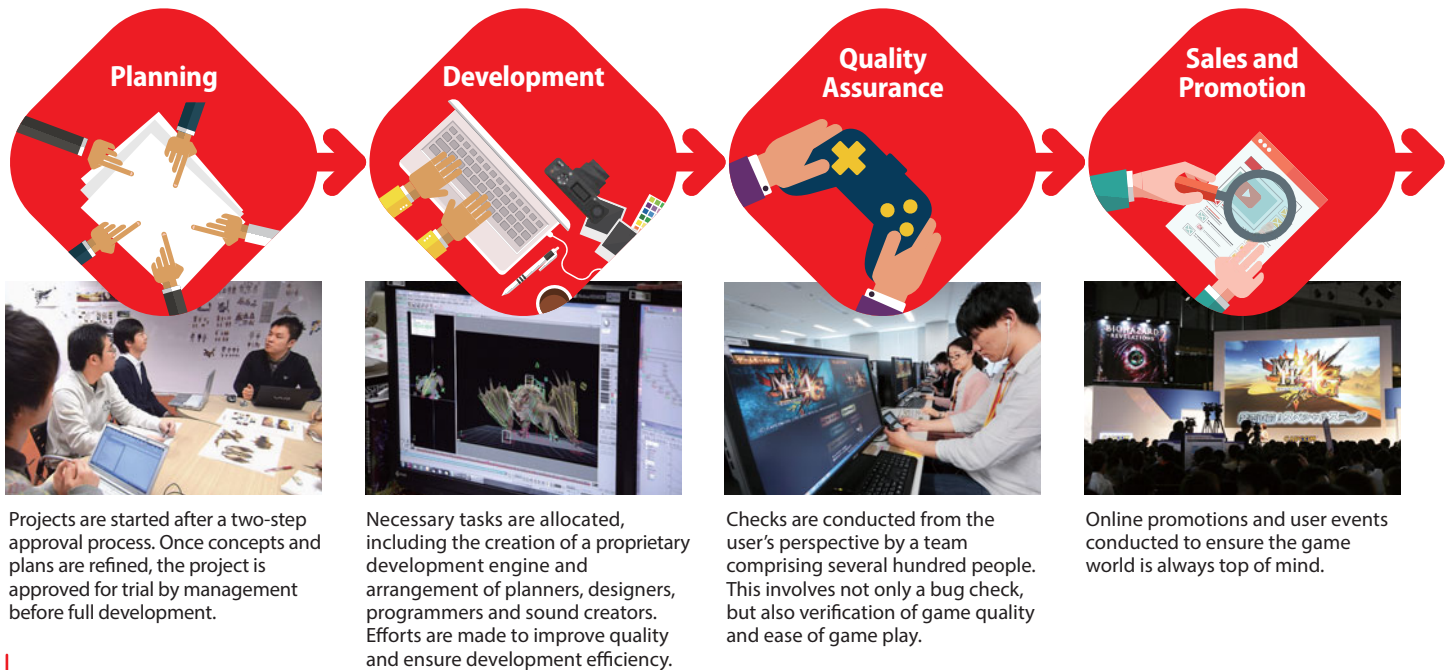
Capcom's Business Model

Single Content Multiple Usage

Capcom's strength lies in advanced development capabilities that create high-quality original content, which up to now has included "Resident Evil", "Street Fighter", "Monster Hunter" and a variety of other popular titles. Recognized throughout the world, this intellectual capital is regularly used to develop and sell a variety of products. All of Capcom's content is produced in-house and deployed across multiple game platforms and media using the Single Content Multiple Usage strategy, enabling full utilization that maximizes corporate value.



New Title Production Flow



Growth Strategy **1** Consumer Business Expansion Please refer to **page 29**

Main Capital Support for Capcom's Business



Financial Capital

Funds procured from stock markets and financial institutions and funds generated from business activities

- **Fund procurement** P.23
(Shareholders' equity/commitment lines)
- **Creation of net cash** P.26
(Net sales/operating income/net income/ROE)
- **Allocation/reinvestment** P.25
(Dividends/payout ratio/capital investment/development investment)



Production Capital

Buildings and equipment that underpin business activities; the social infrastructure required for business

- **Hardware manufacturer's game consoles** P.12
- **Smartphones and PCs** P.36
Game platform expansion in line with adoption of high-performance devices
- **Cutting-edge development environment (capital investment)** P.23, 36
Construction of a new development base containing the latest equipment



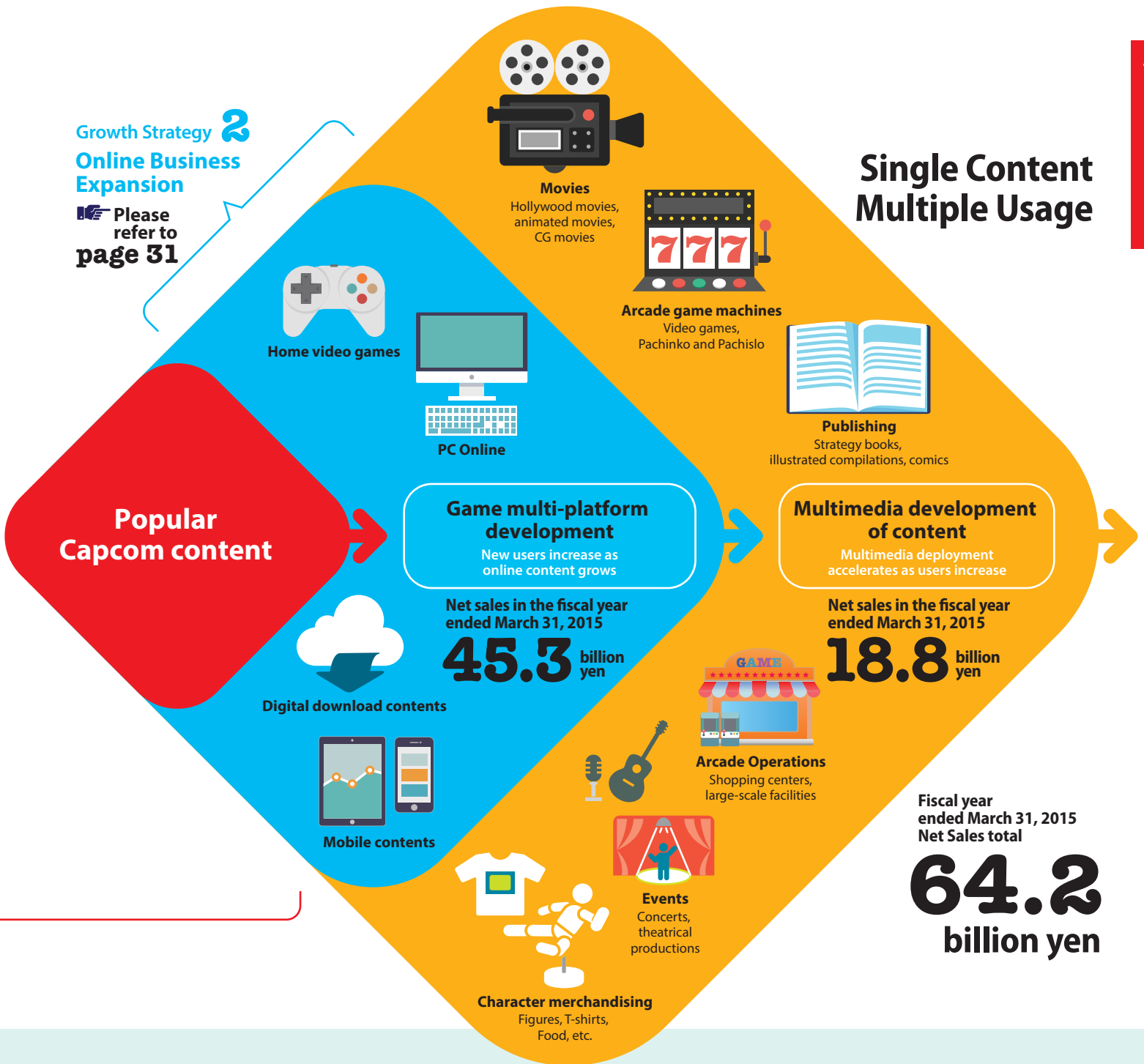
Intellectual Capital

Software and branding used to create value

- **Number of million-seller titles** P.7, 19
Using cumulative total of 65 million-seller titles to create series
- **Content brand power** P.19, 42, 44
Multimedia deployment of popular content (Single Content Multiple Usage)

Growth Strategy 
Online Business Expansion

 Please refer to page 31



Human Capital





The human skills, experience, drive and governance structures required to create value

- **Developers**  P.29, "The Latest Development Report" (separate volume)
Promoting internal development through aggressive recruitment and cultivation of human resources
- **Proprietary development structure**
 P.29, "The Latest Development Report" (separate volume)
Enhanced development efficiency via increased employee utilization rates
Creation of an environment where "staff can concentrate on development"
- **Promoting employee diversity**  P.47
Global utilization of the skills of women and foreigners



Society-Related Capital



Relationships, trust and mutual benefits with main stakeholders

- **Assessments from game users**  P.14
Recognition from Japan Game Awards, etc.
- **Membership in game industry associations**  P.48
- **Relationships with a variety of stakeholders**  P.45
Educational support and other social responsibility activities
Collaborations with local municipalities and other public institutions
- **Business partners**  P.32
Make use of one another's strengths to create new product value



Nature Capital

Environmental resources necessary for business activities

- **Energy conservation**  P.40, 47
Reduce CO₂ emissions, reduce energy consumption
- **Reducing waste and conserving resources**  P.47
Amusement equipment parts recycling
Resources conservation through game digitization

Strategy and Capital

Capcom provides the world with "entertaining games" through business activities utilizing a large amount of capital. The use of financial and non-financial capital necessary for promoting growth strategies to expand our core Consumer and Online businesses is linked to Capcom's further growth.

Growth Strategy

1

Consumer Business Expansion

Please refer to
pages 29-30



Goal

Expand scope of sales while maintaining a highly profitable structure and operating margins of **20%**

Measures

- 1 Strengthen digital download contents
- 2 Expand title lineup through full-fledged operation of a 60-month title development plan*

Note: Five-year game title release plan

Necessary resources (capital)

Investment capital



Development investment amount (consolidated)

25.3 billion yen

Usage policy

Expand lineup of major titles demanding a high degree of precision in line with high-performance hardware

Targeted effect

Create new brands and continuously release million-seller titles



Developers (consolidated)

1,902 people

Transition to development structure focused on internal title creation to develop high quality titles efficiently

Intensify efforts to secure talented human resources and enhance employee skills to expand sales and improve profitability

Goal

Achieve sales of **13.5** billion yen in the next fiscal year, resume growth trajectory

Measures

- 1 Strengthen marketing and monetization* (Mobile)
- 2 Enhance title lineup (PC Online)
- 3 Maintain business alliances in Asia region (Mobile and PC Online)

Note: Additional item purchases within games played for free

Necessary resources (capital)

Investment capital



Main business partners in Asia

8 companies

Usage policy

Avoid country risk by utilizing locally-based management companies

Targeted effect

Expand Mobile and PC Online sales in the Asia region



Million-seller titles

65 titles

Strengthen lineup by releasing popular titles in Mobile and PC Online businesses

Increase existing user satisfaction and expand user segment

Growth Strategy

2

Online Business Expansion

Please refer to
pages 31-32



Main Financial and Non-Financial Highlights

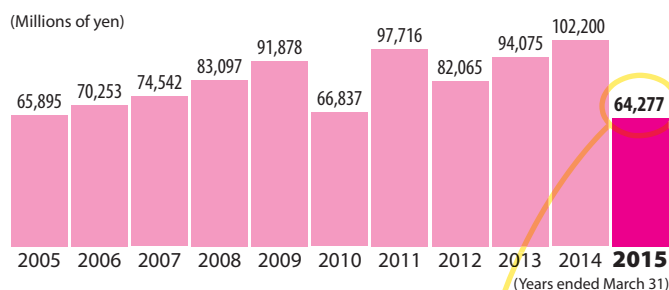
Financial Capital



1 Net Sales

Please refer to P.18

37.1% DOWN **64,277** million yen

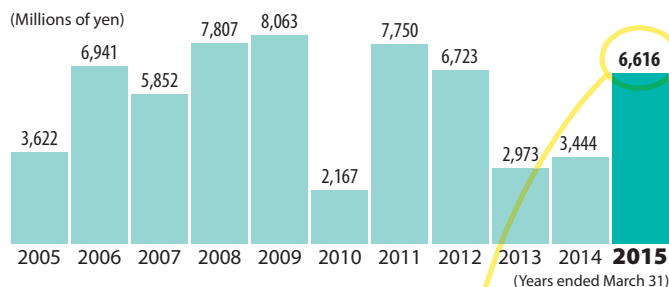


Sales grew for four consecutive fiscal years beginning in the fiscal years ended in March 2005 mainly because of an efficient development structure able to produce popular titles every year in the Consumer business. Although sales temporarily declined in from the fiscal years ended March 2010 to March 2012 due to the postponement of title releases, we subsequently engaged in structural reforms including strengthening Consumer digital download sales and expanding the Pachislo development structure, which resulted in achieving sales of 100 billion yen in the fiscal year ended March 2014 for the first time in Capcom's history. However, in the fiscal year ended March 2015, Pachislo machine sales declined due to revisions in model certification methods, resulting in substantially lower sales.

3 Net Income (Loss)

Please refer to P.18

92.1% UP **6,616** million yen



The main reasons for the decline in income during in the fiscal years ended in March 2010, 2013 and 2014 include (1) a complete overhaul to the Amusement Equipments' underperforming profit structure, (2) development structure revisions in line with enhanced Consumer business digital download and (3) strengthened Mobile Contents business management capabilities in line with development organization integration, which resulted in the recognition of special losses on restructuring and business restructuring expenses. In the fiscal years ended in March 2015, we began seeing results of development organization reforms conducted during the previous three years and special losses were eliminated, resulting in a significant increase in income.

2 Operating Income/Operating Margins

Please refer to P.18

Operating income (Millions of yen) **2.7% UP** **10,582** million yen
Operating margins (%) **6.4 point UP** **16.5%**

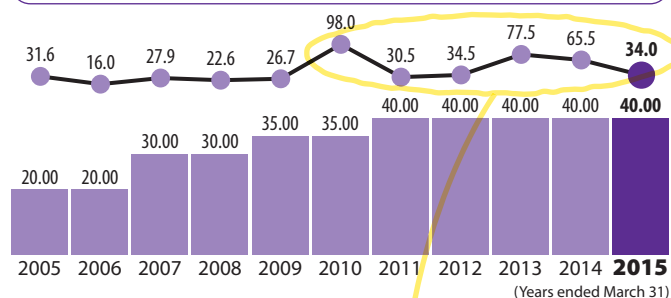


As with sales, structural reforms in the fiscal years ended in March 2004 caused operating income to grow steadily until the fiscal years ended in March 2009. Despite a temporary decline in income due to postponed sales of major titles in the fiscal years ended in March 2010, we have promoted significant improvements to our earnings composition since in the fiscal years ended in March 2011 aimed at enhancing DLC sales and efficient development investment. During these reforms, until in the fiscal years ended in March 2014 there was little growth in operating income and operating margins. In the fiscal years ended in March 2015, despite a substantial decline in sales, earnings increased due to improved cost ratios, mainly in Consumer and Pachinko & Pachislo business, resulting in dramatically improved earnings and an operating margin of 16.5%.

4 Dividend per Share/ Dividend Payout Ratio

Please refer to P.25

Dividend per share (yen) **±0** **40.00** yen
Dividend Payout Ratio (%) **31.5 point DOWN** **34.0%**



Capcom has its fundamental dividend policy of providing a continued and stable dividend to the shareholders. In accordance with its policy, an annual dividend of 20 yen per share was paid from the fiscal year ended March 1998 to that ended March 2006. Cash dividend per share for the fiscal year ended March 2007 to 2008 was raised to 30 yen thanks to its stable revenue base brought by its structural reform. Moreover, we continued to incrementally increase dividend payments in line with earnings based on our policy of providing stable dividends aiming for a payout ratio of 30%; from the fiscal year ended March 2009, the annual dividend was increased to 35 yen and again up to 40 yen since the fiscal year ended March 2011.

Main Financial and Non-Financial Highlights

Financial Capital

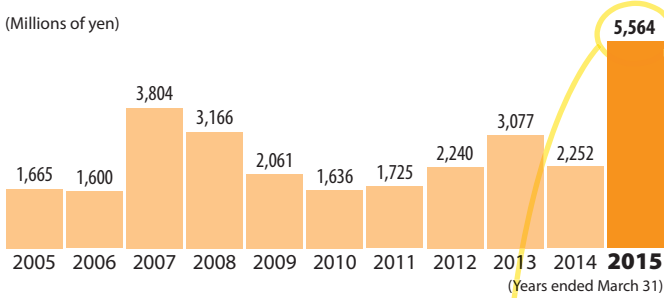


5 Capital Investments Costs

Please refer to P.23

147.1% UP **5,564** million yen

(Millions of yen)

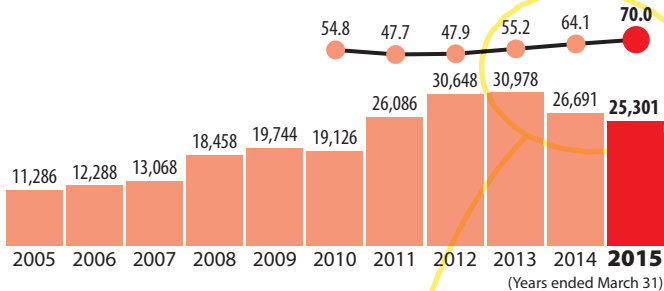


Capcom's capital investment is mainly used to (1) purchase development equipment, (2) expand business offices in Japan and overseas and (3) open new amusement arcade facilities. The reason investment increased between the fiscal years ended in March 2007 and 2009, and again in March 2013 was to upgrade our development environment in line with the transition to next generation game consoles in the Consumer area. In the fiscal years ended in March 2015, investment temporarily increased due to the construction of two new development buildings to accommodate the increase in developers required to expand our title lineup.

6 R&D Investment Costs/Internal R&D Ratio

Please refer to P.23, 30

5.2% DOWN **25,301** million yen
5.9 point UP **70.0%**



The creation of unique and innovative content is the source of Capcom's corporate growth, thus we place a priority on business investment. To achieve our medium-term business goals, 80% of more of our annual investment costs are allocated to the Digital Contents business to expand the lineup of major titles. In the past few years, although development costs have been increasing in the Consumer area due to the rise of high-performance game consoles, we have been promoting development efficiency through improved employee utilization rates, enabling us to control investment cost expansion. As a result, major increases in investment costs since the fiscal year ended in March 2008 have been gradually decreased from a peak of 30 billion yen. Going forward, we aim to contain investment costs to around 30 billion yen.

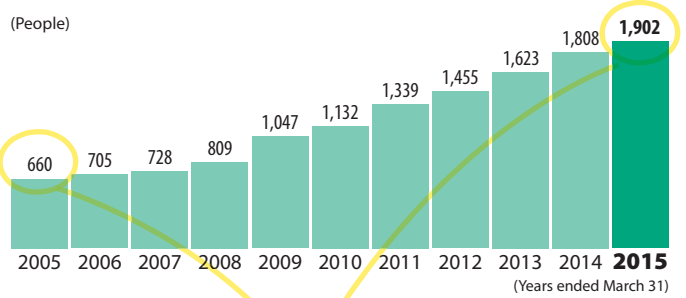
Non-Financial Capital

1 Content Developers (Human Capital)

Please refer to P.30

94 people UP **1,902** people

(People)

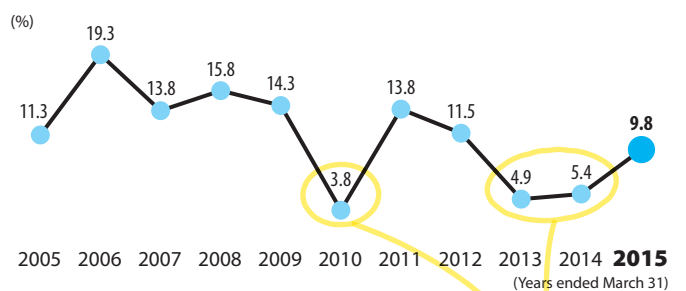


Developers engaged in the creation of content—the source of our competitive advantage—account for 70% of all Capcom employees. To promote our core Single Content Multiple Usage strategy, we strive to retain talented developers through aggressive hiring and training efforts. At the end of the fiscal year ended in March 2005, we employed 660 developers; over the next ten years we nearly tripled this number to 1,902 developers as of the fiscal year ended in March 2015. To strengthen the Consumer, PC Online and Mobile content businesses and make development more efficient, we switched to a development structure focused on internal production and have been hiring more than 100 developers each year since the fiscal year ended in March 2012.

7 Return on Equity (ROE)

Please refer to P.20

4.4 point UP **9.8%**



From the fiscal years ended in March 2005 to 2011, although net assets grew due to increases in retained earnings and common stock through the exercise of conversion rights of convertible bonds, we had been able to maintain ROE around 14% due to stable growth in net income. From the fiscal years ended in March 2010, 2013 and in the fiscal year ended in March 2014, this figure declined due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. The elimination of special losses in the fiscal year ended in March 2015 caused income to grow and ROE to once again increase.

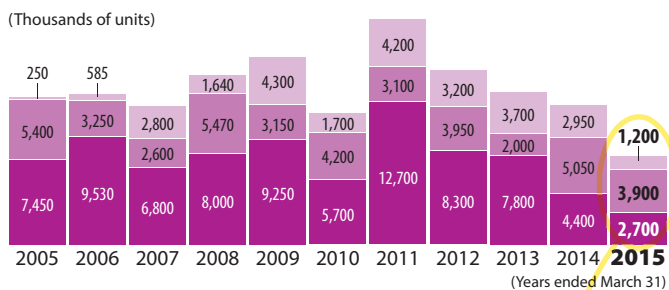
2 Software Shipments by Hardware Manufacturer (Production Capital)



Please refer to P.30

Sony: **2.7** million units Nintendo: **3.9** million units
 Microsoft: **1.2** million units

Legend: Sony (dark purple), Nintendo (medium purple), Microsoft (light purple)



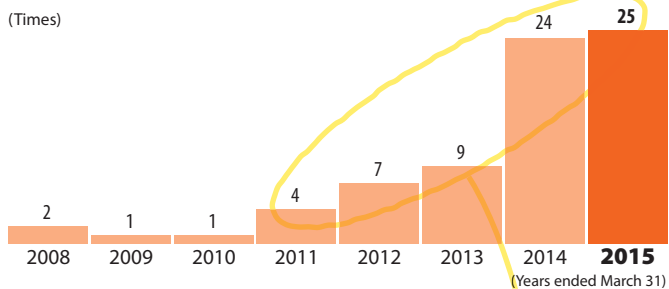
In the Digital Contents business, Capcom has established a basic "multiplatform strategy" aimed at providing content for all game platforms (hardware). After the success of the Nintendo DS and PSP handheld devices and the 2005 launch of PlayStation 3, Xbox 360 and Wii, hardware has continued to diversify amid accelerating adoption in a widening range of areas. In light of hardware attributes and prevalence, we are providing titles to maximize sales opportunities. **Although the number of units sold annually fluctuates depending on the release of major titles, we are focused on the stable sale of software for each hardware platform.**

4 Number of On-Site Classes Conducted (Society-Related Capital)



Please refer to P.45

1 time UP **25** times



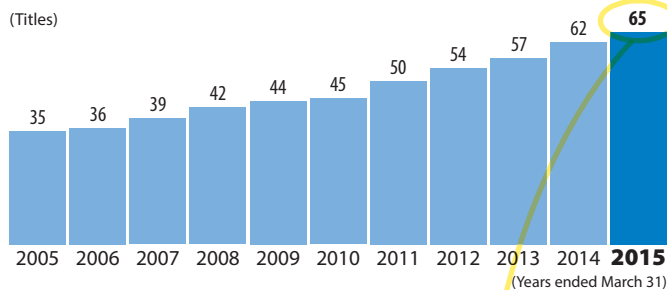
Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining educational aspects, there is a strong focus on the detrimental effects of violent content. At the same time, "game developer" ranks highly as a popular career choice among children. Consequently, Capcom hosts company visits and proactively conducts on-site classes for elementary school children. We develop programs in line with educational needs, including "career education support" to illustrate the value of work through game company jobs and "game literacy" to demonstrate the proper way to interact with video games. **Above all, we continue to increase the frequency of on-site class activities each year.** In the fiscal year ended in March 2015, we conducted a total of 73 classes for 7,242 students.

3 Cumulative Million-Seller Titles (Intellectual Capital)



Please refer to P.7, 19

3 titles UP Total of **65** titles



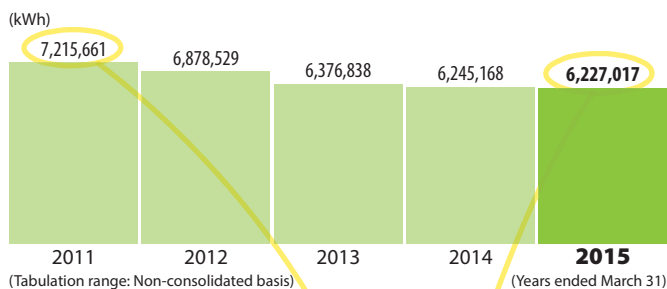
Capcom boasts the world's leading development capabilities, evidenced by the amount of original content we have generated. **Our content is popular around the world, and up to now, a total of over 60 titles have sold over one million units.** These include Consumer titles as well as titles for PC Online and Mobile, Pachislo machines, movies, toys and a wide range of other areas based on the promotion of the Single Content Multiple Usage strategy in an attempt to further improve brand value and profitability.

5 Energy Consumption (Nature Capital)



Please refer to P.47

0.3% DOWN **6,227,017** kWh



Each fiscal year, Capcom makes an effort to establish targets aimed at achieving reductions in electricity, fuel, water and gas usage to minimize the impact of our business activities on the natural environment. These include efforts focused on the large-capacity computers used by the core Digital Contents business, energy-saving development equipment and reduced power consumption in the Amusement Equipments business. A variety of energy-saving equipment has been incorporated into our new building (Technical Center), which began operation in the fiscal year ended in March 2015. **This has realized a nearly 14% reduction in energy consumed compared to the fiscal year ended in March 2011, the year we began tabulating these figures.**

Business Segments Highlights

Business Overview

Operating Results for This Fiscal Year



Digital Contents

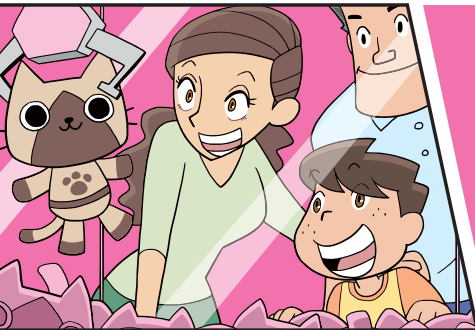
This business develops and sells package games and digital download content for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games involve creative original content focused on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in an attempt to maximize earnings.

Consumer (Package and Digital Download Contents)

- "Monster Hunter 4 Ultimate" sold 3.4 million units, largely in line with projections.
- "Resident Evil Revelations 2" sold 1.1 million units.
- The backlash from "Monster Hunter 4" last fiscal year caused unit sales to decline, resulting in substantially lower net sales.
- Unprofitable outsourced titles were eliminated in line with development structure revisions, profitability improved significantly due to favorable repeat sales of catalogue title download sales.

Mobile Contents

- Performance was flat due to a lack of new hits in both the Capcom and Beeline brands.
- Although the Capcom brand's "Monster Hunter Hunting Quest" did well, the lack of powerful titles made an already bitter competitive environment even harsher.



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 and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

- We focused efforts on cultivating new customer segments, including free game experience tours for senior citizens and the establishment of a timed rate structured play area for kids.
- One arcade was opened, one unprofitable arcade was closed.
- Sales at existing arcades slumped at 90% of those in the previous year.



Amusement Equipments

We are engaged in two businesses based on the contents used for our home video games. The Pachinko & Pachislo (PS) 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 sells arcade games for amusement facilities, creating synergy between businesses.

- Although PS sold 20,000 "Sengoku BASARA 3" Pachislo machines, revisions to Pachislo model certification methods resulted in some titles being postponed, which caused annual sales units to decline substantially.
- Existing coin-operated game machine sales supported arcade game sales.



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.

- Maximized earnings and strengthened brand power of proprietary content through execution of lateral development of integrated sales of games based on the Single Content Multiple Usage strategy.
- Conducted user-participatory events contributing to maximizing sales of major titles "Monster Hunter 4 Ultimate" and "Resident Evil"-related titles.

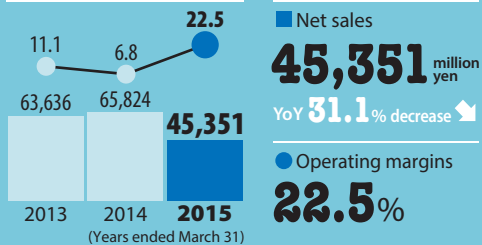
Main Products (Output)

- While the Beeline brand's "Smurfs' Village" continued on a stable track, there were no new hit titles.

PC Online

- Online game "Monster Hunter Frontier G" contributed to stability.

Net sales / Operating margins



"Monster Hunter 4 Ultimate"

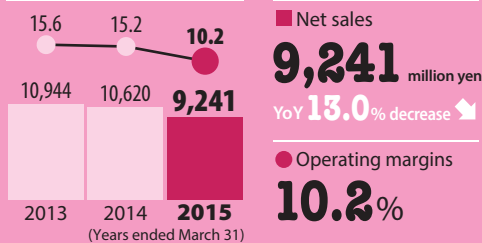
New monsters and a variety of new game elements were added to previous title "Monster Hunter 4". This title became the series' first million-seller title in Europe and the United States. Additionally, "Monster Hunter 4" won the Grand Award in the Games of the Year Division at the Japan Game Awards 2014. "Monster Hunter 4 Ultimate" won an award in the Future Division, in which users vote on upcoming titles they support the most.



"Resident Evil Revelations 2"

Noteworthy for sales measures that focused first on download sales, then disc sales after digital distribution. As with "Resident Evil Revelations", this title also proved popular, selling 1.1 million units.

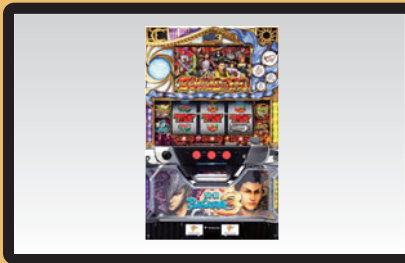
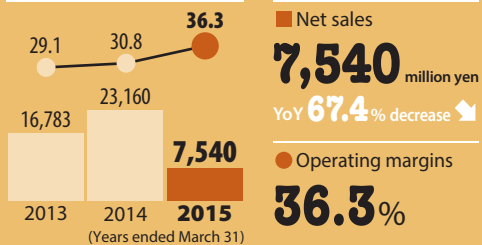
Net sales / Operating margins



Plaza Capcom Oita

In line with renovations, the "Monhan Sweets Airou Crepe Shop" was opened in collaboration with nationwide crepe specialty chain Harajuku Marion Crepe. This has proved popular, mainly among families.

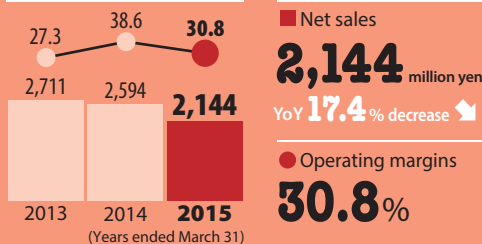
Net sales / Operating margins



Pachislo machine "Sengoku BASARA 3"

Achieved solid sales with Consumer games due to the strong popularity of the "Sengoku BASARA" series as well as the brand power and visual technologies that successfully draw in users. Production efficiencies, including the reuse of some materials, contributed to improved profitability.

Net sales / Operating margins



"Monster Hunter Festa 2015"

In conjunction with the release of "Monster Hunter 4 Ultimate", we held "Monster Hunter Festa 2015" in five locations across Japan starting in January 2015, which attracted approximately 50,000 people. In addition to holding the user participation-based timed-attack competition "Karioh Ketteisen", for the top parent-child and women hunters we provided a place for a wide range of fans of this series to play in an attempt to increase user satisfaction and cultivate a sense of excitement.

11-Year Summary of Consolidated Business Performance Indicators

Financial Index

| | | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------|--------------------|-----------------|----------|----------|----------|----------|
| For the Year: | | Millions of yen | | | | |
| Net sales | ▶ page 10 1 | ¥ 65,895 | ¥ 70,253 | ¥ 74,542 | ¥ 83,097 | ¥ 91,878 |
| Operating income | ▶ page 10 2 | 7,752 | 6,580 | 9,602 | 13,121 | 14,618 |
| Net income (loss) | ▶ page 10 3 | 3,622 | 6,941 | 5,852 | 7,807 | 8,063 |
| Depreciation & amortization | | 2,101 | 1,936 | 2,774 | 3,393 | 4,143 |
| Capital expenditures | | 1,665 | 1,600 | 4,495 | 4,503 | 2,906 |
| R&D expenses | | 1,323 | 1,864 | 1,828 | 2,972 | 2,329 |

| | | | | | | |
|----------------------------|--------------------|-----------------|----------|----------|----------|-----------|
| At Year-End: | | Millions of yen | | | | |
| Total assets | | ¥ 106,361 | ¥ 98,457 | ¥ 91,478 | ¥ 93,606 | ¥ 106,210 |
| Net assets | | 32,491 | 39,464 | 45,144 | 53,660 | 59,349 |
| Net cash | | (12,948) | (678) | 9,200 | 13,061 | 7,378 |
| Developer numbers (people) | ▶ page 11 1 | 660 | 705 | 728 | 809 | 1,047 |

| | | | | | | |
|--|--|-----------------|----------|----------|---------|---------|
| Cash Flows: | | Millions of yen | | | | |
| Cash flows from operating activities | | ¥ 7,977 | ¥ 13,921 | ¥ 16,063 | ¥ 7,452 | ¥ (551) |
| Cash flows from investing activities | | (1,099) | (1,779) | (6,715) | (3,374) | (2,715) |
| Cash flows from financing activities | | 6,251 | (18,259) | (15,206) | (2,448) | (342) |
| Cash and cash equivalents at end of year | | 45,538 | 40,652 | 35,020 | 32,763 | 28,611 |

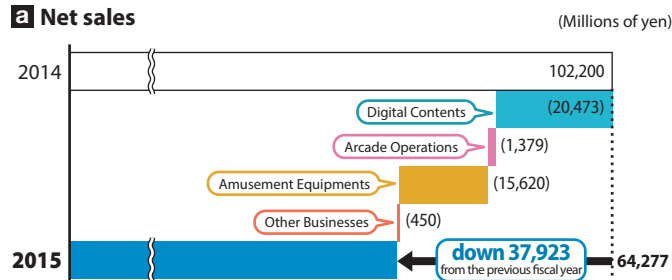
| | | | | | | |
|-----------------------------|--------------------|---------|----------|----------|----------|----------|
| Per Share Data: | | Yen | | | | |
| Net income (loss) per share | | ¥ 63.37 | ¥ 125.19 | ¥ 107.52 | ¥ 132.90 | ¥ 130.98 |
| Dividend per share | ▶ page 10 4 | 20.00 | 20.00 | 30.00 | 30.00 | 35.00 |
| Net assets per share | | 589.99 | 716.91 | 799.35 | 881.13 | 961.38 |

| | | | | | | |
|-------------------------|--------------------|-------|-------|-------|-------|-------|
| Financial Index: | | % | | | | |
| Operating margin | ▶ page 10 2 | 11.8 | 9.4 | 12.9 | 15.8 | 15.9 |
| ROE | ▶ page 11 7 | 11.3 | 19.3 | 13.8 | 15.8 | 14.3 |
| ROA | | 3.6 | 6.8 | 6.2 | 8.4 | 8.1 |
| Net worth ratio | | 30.5 | 40.1 | 49.3 | 57.3 | 55.9 |
| Debt-equity ratio | | 227.9 | 149.4 | 102.8 | 74.4 | 79.0 |
| Foreign investors | | 14.79 | 23.35 | 32.60 | 27.72 | 33.73 |

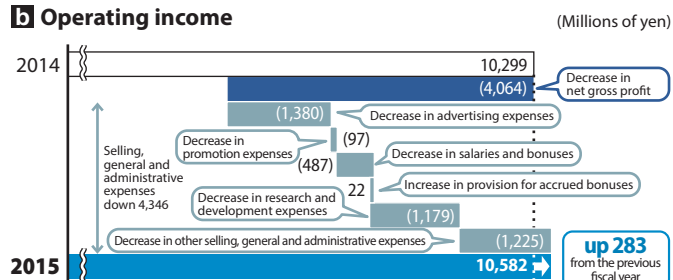
| | | | | | | |
|-----------------------------------|--|-----------------|--------|--------|--------|--------|
| Digital Contents Business: | | Billions of yen | | | | |
| Consumer business net sales | | ¥ 39.9 | ¥ 42.7 | ¥ 43.8 | ¥ 51.6 | ¥ 60.0 |
| Online business net sales | | — | 1.5 | 2.7 | 4.1 | 6.6 |

| | | | | | | | | | | |
|---|------------------------|-----------|-------------------------|--------|-------------------------------|--------|--|-------|--|-------|
| Consumer Game Sales (Package Software and Full-game Digital Content) | | Thousands | | | | | | | | |
| Total number of units | | 13,500 | 13,400 | 12,200 | 15,750 | 18,100 | | | | |
| Sales of major titles | Resident Evil 4 (GC) | 1,230 | Resident Evil 4 (PS2) | 1,810 | Lost Planet Extreme Condition | 1,370 | Devil May Cry 4 | 2,320 | Resident Evil 5 | 4,400 |
| | Devil May Cry 3 | 1,100 | Onimusha DAWN of DREAMS | 640 | Dead Rising | 1,220 | Resident Evil 4 Wii edition | 1,300 | Street Fighter IV | 2,500 |
| | Resident Evil Outbreak | 820 | Monster Hunter Freedom | 610 | Monster Hunter Freedom 2 | 1,220 | Resident Evil: The Umbrella Chronicles | 1,060 | Monster Hunter Freedom Unite (Best Price included) | 2,200 |

a Net sales



b Operating income

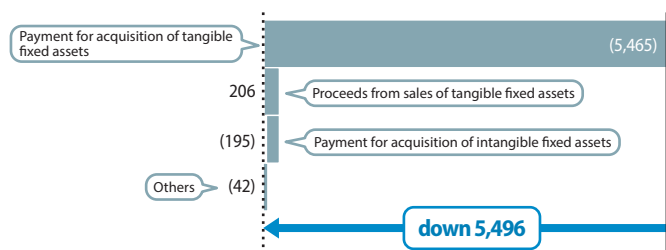


CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 |
|--|--|---|-------------------------|---------------------------------|-----------------------------------|-------------------------------|
| Millions of yen | | | | | | Thousands of U.S. dollars |
| ¥ 66,837 | ¥ 97,716 | ¥ 82,065 | ¥ 94,075 | ¥ 102,200 | ¥ 64,277 | ▼ a \$ 535,646 |
| 5,587 | 14,295 | 12,318 | 10,151 | 10,299 | 10,582 | ▼ b \$ 88,188 |
| 2,167 | 7,750 | 6,723 | 2,973 | 3,444 | 6,616 | \$ 55,140 |
| 3,368 | 3,315 | 3,123 | 3,406 | 4,638 | 3,535 | \$ 29,460 |
| 2,205 | 2,758 | 4,153 | 8,724 | 8,064 | 10,177 | \$ 84,811 |
| 2,125 | 2,924 | 2,236 | 1,982 | 2,002 | 823 | \$ 6,864 |
| Millions of yen | | | | | | Thousands of U.S. dollars |
| ¥ 86,621 | ¥ 90,408 | ¥ 98,247 | ¥ 104,365 | ¥ 96,611 | ¥ 100,773 | \$ 839,777 |
| 53,956 | 58,007 | 59,352 | 62,828 | 63,875 | 71,331 | \$ 594,426 |
| 12,299 | 27,655 | 11,348 | 14,327 | 22,670 | 21,212 | \$ 176,762 |
| 1,132 | 1,339 | 1,455 | 1,623 | 1,808 | 1,902 | |
| Millions of yen | | | | | | Thousands of U.S. dollars |
| ¥ 14,320 | ¥ 22,392 | ¥ (7,672) | ¥ 6,647 | ¥ 13,201 | ¥ 4,286 | ▼ c \$ 35,719 |
| (1,618) | (2,046) | (4,794) | (1,375) | (6,155) | (5,496) | ▼ d \$ (45,802) |
| (10,747) | (12,919) | 587 | 1,162 | (15,099) | 1,278 | \$ 10,650 |
| 29,815 | 35,011 | 22,287 | 31,522 | 26,118 | 27,998 | \$ 233,318 |
| Yen | | | | | | U.S. dollars |
| ¥ 35.71 | ¥ 131.18 | ¥ 116.10 | ¥ 51.64 | ¥ 61.11 | ¥ 117.67 | \$ 0.98 |
| 35.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | \$ 0.33 |
| 913.18 | 981.76 | 1,030.70 | 1,091.08 | 1,135.91 | 1,268.56 | \$ 10.57 |
| % | | | | | | |
| 8.4 | 14.6 | 15.0 | 10.8 | 10.1 | 16.5 | |
| 3.8 | 13.8 | 11.5 | 4.9 | 5.4 | 9.8 | |
| 2.3 | 8.8 | 7.1 | 2.9 | 3.4 | 6.7 | |
| 62.3 | 64.2 | 60.4 | 60.2 | 66.1 | 70.8 | |
| 60.5 | 55.9 | 65.5 | 66.1 | 51.2 | 41.3 | |
| 24.22 | 22.17 | 27.05 | 32.37 | 37.29 | 36.87 | |
| Billions of yen | | | | | | |
| ¥ 38.7 | ¥ 63.6 | ¥ 46.9 | ¥ 45.9 | ¥ 53.0 | ¥ 35.2 | |
| 8.5 | 10.5 | 12.9 | 17.7 | 12.8 | 10.1 | |
| Thousands | | | | | | |
| 13,900 | 21,700 | 17,000 | 16,700 | 17,500 | 13,000 | |
| Monster Hunter Freedom Unite (Best Price included) 1,350 | Monster Hunter Freedom 3 4,600 | Resident Evil: Operation Raccoon City 1,700 | Resident Evil 6 5,000 | Monster Hunter 4 4,100 | Monster Hunter 4 Ultimate 3,400 | |
| Monster Hunter Tri 1,150 | Dead Rising 2 2,300 | Monster Hunter 3 (Tri) G 1,600 | Dragon's Dogma 1,300 | Dead Rising 3 1,200 | Resident Evil Revelations 2 1,100 | |
| Resident Evil 5 950 | MARVEL VS. CAPCOM 3 Fate of Two Worlds 2,000 | Street Fighter X Tekken 1,400 | DmC Devil May Cry 1,200 | Resident Evil Revelations 1,200 | Resident Evil (HD Remastered) 900 | |

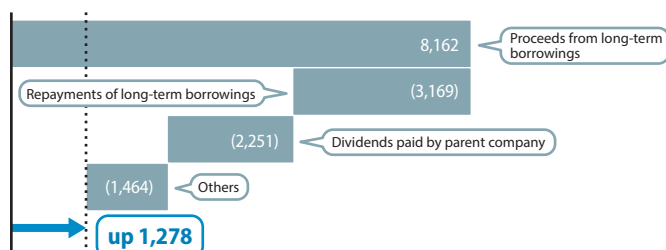
c Cash flows from investing activities

(Millions of yen)



d Cash flows from financing activities

(Millions of yen)



Two Consecutive Years of Operating Income Improvements are Proof Positive of Reorganization's Effectiveness. With an Eye Towards Sustained Growth, Next Year We Will Attain Our Third Straight Year of Growth in Operating Income.

Kenzo Tsujimoto

Chairman and
Chief Executive Officer (CEO)

In this section, I'd like to respond to investor and stakeholder concerns that came up in meetings during the past year. These concerns involved performance during this fiscal year (ended March 31, 2015), medium-term business goals and strategies, CSR, corporate governance and financial and dividend measures. These issues will be addressed on the following pages in a Q&A format.

This section is only an overview. For more detailed information, please see pages referenced in the text or visit our IR website.

Performance and Commitment

Q₁ What were the factors behind the increase in operating income this fiscal year despite a 37.1% decline in sales?

A₁ Among other effects from Stage 1 reorganization, operating income increased for the second straight year due to efficiencies in internal development and an increase in the ratio of download sales in the Consumer sub-segment.

1. Market Environment Surrounding Capcom

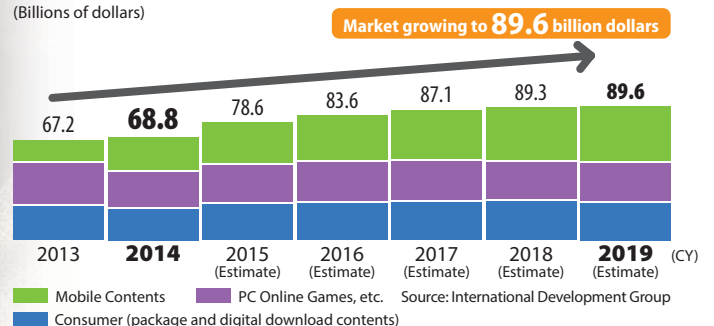
The game market surrounding Capcom, which has been expanding for several years, at present has three major components: the Consumer sub-segment, which consists of home video game package software and digital download contents, Mobile Contents and PC Online Games (the latter two will be defined as online games below). Together, these amounted to a game market worth 68.8 billion dollars in 2014 (up 2.4% from the previous year). **Diagram 1**

The reasons for the modest increase in 2014 compared to double-digit growth in the previous fiscal year include (1) rapid growth in global adoption of devices in the mobile market, contrasted with (2) a decline in game unit sales (despite robust sales of digital download contents, which was not enough to offset the difference) in the consumer package market due to it being the second year since the launch of the current

Diagram 1

Consumer, PC Online and Mobile Markets

(Billions of dollars)



generation of consoles (a transition period), and (3) lower PC online game sales on social networking services overseas.

2. Earnings Results Analysis

As a result of these conditions, earnings in the fiscal year ended March 31, 2015, involved a significant decline in sales but an increase in income, as net sales were 64,277 million yen (down 37.1% from the previous fiscal year), operating income was 10,582 million yen (up 2.7% from the previous fiscal year) and net income was 6,616 million yen (up 92.1% from the previous fiscal year). Above all, the operating margin significantly improved to 16.5% (6.4 percentage points higher than the previous year). **Diagram 2 3 4**

The decline in sales was attributable to (1) lower unit sales in the Consumer sub-segment due to a narrower focus on highly profitable titles and (2) the delayed sales launch of pachislo machines due to revised pachislo model certification* methods.

With regard to (2), not only Capcom, but all pachislo manufacturers were affected by these changes.

Main Reasons for the Decline in Sales

| | FY ended March 31, 2014 | FY ended March 31, 2015 | Difference |
|--|----------------------------|----------------------------|------------|
| Consumer games (Thousands of units) | 17,500 | 13,000 | - 4,500 |
| Pachislo machines (Units) | 71,000 | 24,000 | - 47,000 |

On the other hand, the reason operating income grew despite the significant decline in sales was due to changes to the structure of the core Consumer and Online business during the past two fiscal years as well as enhancements to our operations and management structures this fiscal year. The three-staged reform conducted over the past three fiscal years has substantially improved profitability.

In particular, a significant decline in the cost of sales due to cost ratio improvements in the Consumer sub-segment had a major influence.

Reforms Aimed at Increased Income

| | |
|------------------------------------|--|
| Stage 1 FY ended March 31, 2013 | Consumer Business Structure Changes Objectives: Strengthen digital download contents, shift to internal R&D |
| Stage 2 FY ended March 31, 2014 | Online Business Structure Changes Objective: Improve monetization (earnings from free content) in Mobile and PC Online sub-segments |
| Stage 3 FY ended March 31, 2015 | Strengthen Operating and Administrative Framework Objective: Switch to lean management and eliminate waste |

Specifically, the cost to sales ratio (59.7%) in the year under review improved by 11 percentage points compared to the previous fiscal year (70.7%), which effectively reduced the cost of sales to 7 billion yen. The main contributing factor was cost of sales improvements in the Consumer sub-segment, which included (1) improvements to title outsourcing consisting of the discontinuation of unprofitable title outsourcing in the previous fiscal year, which stopped losses with a 2 billion yen rebound, (2) optimizing internal title development by tightening the focus to highly profitable (major) titles and the impact of 2.1 billion yen from improvements to the employee utilization rate based on the 60-month title development plan as well as (3) an improved digital sales ratio due to growth in digital sales of catalog titles overseas amounting to 1 billion yen.

Furthermore, fixed expenses within selling, general and administrative expenses decreased 1.1 billion yen. Although the SG&A expenses ratio increased due to the decline in sales, labor costs decreased as a result of restructuring in Europe and the United States and other general expenses related to facilities declined.

As a result of these measures, the operating margin was 16.5% (up 6.4 percentage points from the previous year), enabling us to create a lean organization.

* A public test to verify whether or not gaming machines are in accordance with regulations conducted by the Security Communications Association on behalf of public safety commissions in each of Japan's administrative divisions.

3. Fulfilling Our Commitment

At the beginning of the year, I promised to address three issues. First, compared to our initial projection of 3.9 million units sold for "Monster Hunter 4 Ultimate", at the end of the fiscal year, unit sales were 3.4 million; however, cumulatively sales have amounted to 3.9 million units. Also, despite falling short of our sales projections in the Mobile Contents and PC Online Games sub-segments, operating margins were over 20% and over 15%, respectively, exceeding initial operating income projections at the beginning of the fiscal year.

Commitment Achievement Status in the Fiscal Year Ended March 31, 2015

(● Achieved, ○ Practically achieved, × Not achieved)

| | | |
|---|---|---|
| 1 | Reach sales projections of 3.9 million units for "Monster Hunter 4 Ultimate" | × |
| 2 | Create an organizational structure with stronger management capabilities via structural reforms in the Mobile Contents sub-segment and achieve projections for this fiscal year (net sales of 5 billion yen, operating margin of 10% or higher) | ○ |
| 3 | Carry out major updates to core titles to revitalize the PC Online Games sub-segment and meet projections for this fiscal year (net sales of 8 billion yen, operating margin of 10% or higher) | ○ |

Diagram 2

Net Sales

(Millions of yen)

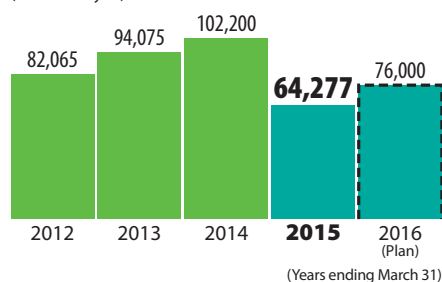


Diagram 3

Operating Income

(Millions of yen)

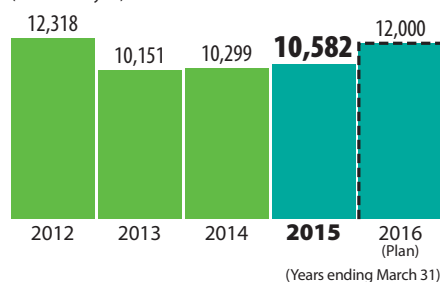
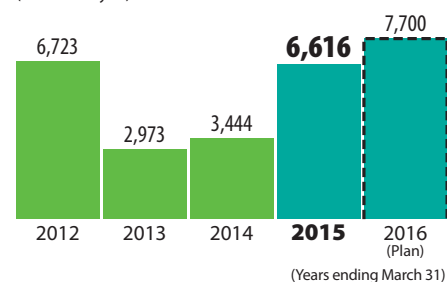


Diagram 4

Net Income

(Millions of yen)



Q2 Capcom is projecting growth in sales and income for the fiscal year ending March 31, 2016. Is this a manifestation of the effects of reforms conducted over the past three fiscal years?

A2 Effects from Three Stages of reforms are starting to affect our cost structure and Online business model, thus we forecast net sales to grow 18.2% and operating income to increase for a third straight year by 13.4%.

1. Market Outlook

We expect continued growth in the game market, which grew to 78.6 billion dollars (up 14.2% from the previous year) in 2015.

This was due to (1) the full-scale adoption of current game consoles in the consumer (package and digital) market, as well as significant digital growth, (2) continued expansion of the mobile market in Asia and (3) browser game expansion in PC online markets in Europe and Asia.

2. Foundation for Projected Growth in Sales and Income

Next fiscal year (ending March 31, 2016), Capcom is projecting growth in sales and income, with net sales of 76 billion yen (up 18.2% from the previous year), operating income of 12 billion yen (up 13.4% from the previous year) and net income of 7.7 billion yen (up 16.4% from the previous year). There are two major foundations for these projections.

First, in the Amusement Equipments business, the lineup will be bolstered with the addition of several new pachislo machines compliant with revised pachislo model certification methods. We are projecting sales of 45,000 machines (an increase of 21,000 machines from the previous year) amounting to sales of 15 billion yen (up 98.9% from the previous year).

Second, in the Digital Contents business, we will launch content utilizing popular intellectual property (IP) in the Consumer, Mobile and PC Online sub-segments that will expand our lineup, resulting in projected operating income of 11 billion yen (up 7.8% from the previous year).

3. A New Year, A New Commitment

I believe we have four major tasks ahead of us in the fiscal year ending March 31, 2016. (1) Achieving the combined total sales projection of 4.5 million units for the major titles "Monster Hunter X (Cross)" and

"Street Fighter V", (2) strengthening our digital business, which is necessary for our growth strategy, and achieving projections for the next fiscal year (sales of 9 billion yen), (3) ensuring "Monster Hunter Explore" is a hit, which is the key to the Mobile sub-segment counteroffensive, and (4) achieving next fiscal year projections (operating income of 3 billion yen) with sales of pachislo machines compliant with revised pachislo model certification methods.

To succeed in these tasks, we plan to eliminate waste and maintain a highly profitable lean structure while enhancing our title lineup via the full-scale execution of the 60-month title development plan and strengthening marketing and monetization in the Online sub-segment.

Commitments for the Next Fiscal Year (Ending March 31, 2016)

| | |
|---|--|
| 1 | Achieve the combined total sales projection of 4.5 million units for "Monster Hunter X (Cross)" and "Street Fighter V" |
| 2 | Achieve projections for the next fiscal year in digital download sales (sales of 9 billion yen) |
| 3 | Make "Monster Hunter Explore" a hit |
| 4 | Achieve next fiscal year projections (operating income of 3 billion yen) with sales of pachislo machines compliant with revised Pachislo model certification methods |

Medium-Term Business Goals

Q3 What progress have you made towards medium-term business goals?

A3 We were forced to revise our future pipeline due to changes in the pachislo model certification method, which lowered by 10 billion yen. At the same time, from a perspective emphasizing capital efficiency, we added an ROE target.

1. Corporate Philosophy and the Direction of Management

Our corporate philosophy is to create "entertainment culture" through the development of highly creative software contents that excite our customers and stimulate their senses. To make this a reality, as a company with world-leading development capabilities, we utilize our highly original IP to provide users with entertaining games that wholly satisfy.

Further, with our "Single Content Multiple Usage" strategy and

Diagram 5

Capcom Popular IPs and Single Content Multiple Usage Expansion

| Series Name | Initial Release | Number of Titles | Total Units Sold (in thousands) | Sub-segment | | | Other Mediums | | |
|----------------|-----------------|------------------|---------------------------------|-------------|--------|-----------|-----------------|-----------------|------------------|
| | | | | Consumer | Mobile | PC Online | Gaming Machines | Arcade Machines | Movies/Animation |
| Resident Evil | 1996 | 99 | 65,000 | ● | ● | ● | ● | | ● |
| Street Fighter | 1987 | 81 | 36,000 | ● | ● | ● | ● | ● | ● |
| Monster Hunter | 2004 | 30 | 32,000 | ● | ● | ● | ● | ● | ● |
| Mega Man | 1987 | 131 | 30,000 | ● | ● | ● | | ● | ● |
| Devil May Cry | 2001 | 23 | 14,000 | ● | ● | ● | ● | | ● |
| Dead Rising | 2006 | 13 | 8,300 | ● | ● | ● | | | ● |
| Lost Planet | 2006 | 17 | 5,800 | ● | ● | ● | | | |
| Ace Attorney | 2001 | 20 | 5,300 | ● | ● | ● | | | ● |
| Sengoku BASARA | 2005 | 26 | 3,600 | ● | ● | ● | ● | ● | ● |

(As of June 31, 2015)

five-year management planning as a base, we are leveraging our IP into various entertainment mediums thus increasing earnings and enlarging our fan base by delighting users outside of the game market, as we aim to be a comprehensive entertainment company boasting stable corporate growth and a commanding presence in all areas of operations. **Diagram 5**

2. Partial Revision to Medium-Term Business Goals and Addition of ROE Target

Capcom's medium-term business goals for the cumulative five year period from 2014 to 2018 (ending March 31) were (1) an operating income of 80 billion yen and (2) operating margins of 20% in the final year ending March 31, 2018. However, as a result of a reinvestigation due to circumstances described hereafter, we have revised these targets.

The revision involved lowering the cumulative operating income target from 80 billion yen to 70 billion yen. **Diagram 6**

Nevertheless, our operating margin target of 20% remains unchanged. We also announced a new target calling for ROE between 8-10% (a moving average for the three year period from 2015–2017 (ending March 31)). To meet shareholder expectations, we aim to exceed capital costs and become a value creation company. **Diagram 7**

3. Reasons for Target Revisions

Progress in the Amusement Equipments business was on track through the second year, surpassing the cumulative operating income target of 9.3 billion yen to achieve 9.8 billion yen amid fierce competition from other companies.

Despite this progress, the reason for the 10 billion yen downward revision to the cumulative operating income target was changes in the pachislo model certification method, which occurred in September 2014. These changes forced us to revise the specifications of machines under development, which in turn required us to revise the entire development schedule.

In the three year period beginning in the fiscal year ending March 31, 2016, we originally planned on releasing four new machines, however, taking into account the reduction of machines released due to the effects of the change in rules and as a result of assuming an annual operating income of 3-4 billion yen during the three year period moving forward, we revised the initial five-year cumulative operating income target of 30 billion yen to 20 billion yen.

Operating income targets for Other Businesses remain unchanged,

as do the operating margin targets for all business segments.

For a detailed analysis of our progress, please refer to the "Past, Present, Future" section on the next page.

4. Medium- and Long-Term Strategies

To recap the medium-term business goals through the second year of the plan, we have reached 20.8 billion yen of our initial 22.5 billion yen cumulative operating income target. In order to attain the remaining 1.7 billion yen and reach the target, it is essential that we promote the expansion of the Consumer and Online sub-segments, both of which are key elements of our growth strategy. Firstly, we will strive to maintain our initial high-profit structure in the Consumer sub-segment (operating margins in excess of 20%) while expanding our lineup of titles.

Specifically, we will strengthen our digital offerings with ongoing distribution of add-on DLC to lengthen the revenue cycle of each title and promote the transition from package to digital sales for full games to avoid inventory shortages and other lost sales opportunities as well as inventory risks. In addition, we will stably acquire additional revenue over the long term by capturing users through the ongoing distribution of add-on DLC. Furthermore, next fiscal year we will officially begin operation of our 60-month development plan, which encapsulates our title portfolio.

In terms of the Online sub-segment, we will (1) strengthen marketing and monetization, (2) enhance our lineup of titles developed internally and (3) promote business alliances in the Asia region. Considering country risk, up to this point we had been temperate with expansion into the Asia region in particular, however, having introduced a licensing model established via alliances with prominent local companies, we have mitigated this risk; moving forward we will increase management resources in the region for both the Mobile and PC Online sub-segments with a focus on China, a market of staggering size that maintains the potential for growth.

Specifically, we will increase the number of developers, who are the core of our management resources, from the current 1,900 people to 2,500 people over the next six years, while increasing the proportion of Online sub-segment sales. Through these strategies, we will expand sales and maintain an operating margin of 22% or more in the Digital Contents business to raise the company-wide consolidated operating margin to 20% in the fiscal year ending March 2018.

In terms of ROE, to achieve our goal we will promote the aforementioned strategies, focusing efforts on profitability (net margin) improvements, which Capcom considers to be of great importance.

Diagram 6

Medium-Term Business Goals

- **Cumulative targets for the 5 years starting FY ending March 2014**
 (1) **Cumulative operating income: 70 billion yen** (2014–2018 (ending March 31))
 (2) **Operating margins of 20% in FY ending March 2018**

■ Cumulative Operating Incomes & Operating Margins for FY ending March 2018 by Business Segment

| | Cumulative Operating Income | FY2018 Operating Margins |
|----------------------|-----------------------------|--------------------------|
| Digital Contents | 57.0 billion yen | 22% |
| Arcade Operations | 8.5 billion yen | 15% |
| Amusement Equipments | 20.0 billion yen | 27% |
| Other Businesses | 5.5 billion yen | 45% |
| Consolidated Total | 70.0 billion yen | 20% |

Revised from 30 billion yen to 20 billion yen

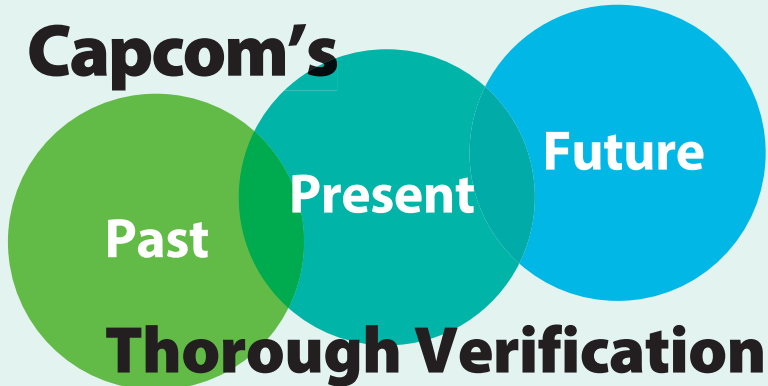
Revised from 80 billion yen to 70 billion yen

Diagram 7

ROE Achievements and Goals

| | |
|---|--------------|
| Moving average for three fiscal years ended Mar 2015 | 6.7% |
| Moving average for three fiscal years ending Mar 2017 | 8-10% |

Capcom's



In the fiscal year ended March 31, 2015, consolidated operating income was in line with projections, enabling us to realize from the fruits of reforms conducted during the past three years. At the same time, revised pachislo model certification methods forced us to update the specifications for all pachislo machines under development. As a result, we lowered our medium-term business goal for cumulative operating income by 10 billion yen. However, reforms in our core Digital Contents business are proceeding on track. This section will explain the verification of issues, measures and results in the current and next fiscal years.

Stage 1 (Fiscal year ended March 31, 2013)

The Past (Past two years)

Consumer Business Structure Changes

Measures

- Digital download content strengthened, increased internal R&D ratio
- Rigorously evaluated work-in-progress game software as part of business restructuring measures

Please refer to our website at: <http://www.capcom.co.jp/ir/ar/ppf14e.html>

Stage 2 (Fiscal year ended March 31, 2014)

Online Business (Mobile Contents PC Online Games) Structure Changes

Measures

- Rigorously evaluated work-in-progress game software in mobile and online games as part of business restructuring measures
- Drastically revised PC Online development flow, formulated new development map

Stage 3 (Fiscal year ended March 31, 2015)

The Present (Current fiscal year)

Strengthen Operating and Administrative Framework

Issues

Build a lean operating and administrative framework with absolutely no waste
(Improve cost to sales ratio 6.7 percentage points, raise operating margins 3 percentage points)

Results

Profitability significantly improved

Cost to sales ratio (company-wide) improved 11 percentage points to 59.7%

Operating margins (company-wide) rose 6.4 percentage points to 16.5%

▼ Assumptions at the beginning of the year

As the culmination of these three years, we will build a streamlined operating and administrative framework with absolutely no waste to get the biggest results from the first and second stages.

▼ Results at the end of the year

In terms of achievements, the cost to sales ratio improved 11 percentage points year on year, to 59.7%, while operating margins rose 6.4 percentage points to 16.5%. Both surpassed initial projections of a 6.7 percentage point improvement in the cost to sales ratio and a 3 percentage point improvement in operating margins. This significant improvement to profitability was due to structural revisions in the core Consumer Online business during the past two years, as well as operational and management structure enhancements during the fiscal year under review.

In addition, further progress from stage 1 results includes a digital download ratio improvement from 11% in fiscal 2012, to 18% in fiscal 2013, to 26% in fiscal 2014. Similarly, progress from stage 2 includes Online operating margins improving from a negative in fiscal 2013 to 15-20% in fiscal 2015.

▼ Factors behind these achievements

The main factors behind these achievements include the effects of reduced cost of sales (7 billion yen) and the realization of reductions in selling,

general and administrative expenses (1.1 billion yen in fixed expenses).

Specifically, these factors mainly involved the Consumer sub-segment and included (1) the discontinuation of unprofitable title outsourcing in the previous fiscal year, which stopped losses with a 2 billion yen rebound, (2) a tightened focus on highly profitable (major) titles and the impact of 2.1 billion yen from improvements to the employee utilization rate based on the 60-month title development plan and (3) growth in digital sales of catalog titles overseas amounting to 1 billion yen.

Furthermore, fixed expenses within selling, general and administrative expenses decreased 1.1 billion yen due to lower labor costs resulting from restructuring in Europe and the United States as well as a reduction in other general expenses related to facilities.

▼ Issues next fiscal year and beyond

Over the past three years, we have been able to see results from the nearly completed operation and management structure aimed at accelerating our growth strategy. Issues going forward include the achievement of our medium-term business goal for top line sales growth (cumulative operating income of 70 billion yen and operating margins of 20% in the final year ending March 31, 2018). Progress analysis and policies necessary to achieve these goals are explained on the next page.

The Future

Final Stage

Accelerating the growth strategy to achieve medium-term business goals

Issues

- Sales growth in the highly profitable Digital Contents business.

Measures

- Strengthen lineup for Consumer, Mobile and PC Online.
- Expand licensing in Asian regions.

▼ Medium-Term Business Goal Progress Analysis 1: Cumulative Operating Income

In Q3 on Page 19, we revised the medium-term business goals and updated progress on the Amusement Equipments business, which was the cause of the revision.

Next, in terms of progress during the second year of the plan in the Digital Contents business, which is the key to achieving these goals, cumulative operating income reached 14.7 billion yen, 1.2 billion yen short of the 15.9 billion yen projection.

Analyzing this 1.2 billion yen shortfall by sub-segment, (1) Consumer added 4.9 billion yen, (2) Mobile was negative 3.6 billion yen and (3) PC Online was negative 2.5 billion yen. Although each sub-segment performed well in the fiscal year ended March 31, 2015, it was not enough to make up for Mobile and PC Online shortfalls in the fiscal year ended March 31, 2014.

However, we think we can catch up by executing measures (discussed below) over the next three years, thus our projection of 57 billion yen remains unchanged.

Digital Contents Business: Cumulative Operating Income Progress (Billions of yen)

| 14/3 | | 15/3 | | Cumulative total | | | 16/3 |
|---------------------|----------------|---------------------|----------------|---------------------|----------------|------------|------|
| Initial Projections | Actual Results | Initial Projections | Actual Results | Initial Projections | Actual Results | Difference | Plan |
| 9.1 | 4.5 | 6.8 | 10.2 | 15.9 | 14.7 | -1.2 | 11 |

▼ Medium-Term Business Goal Progress Analysis 2: Operating Margins

Our goal of achieving operating margins of 20% in the fiscal year ending March 31, 2018, remains unchanged. Structural reforms over the past three years have led to significant improvements in the operating margin, and although this is not a low hurdle, we believe we can achieve the 20% goal.

In terms of what specifically constituted improvements, in the Consumer sub-segment it was due to (1) outsourced title profitability

improvements, (2) streamlining internal title production, and (3) increases in the DLC sales ratio.

In terms of business segments, the core Digital Contents business and the Amusement Equipments business both achieved their targets.

In the three years until March 31, 2018, if we are able to successfully implement the measures outlines below in these two businesses, we believe it is more than possible to achieve the 20% target.

Operating Margin Progress by Business Segment (%)

| | 14/3 | 15/3 | 18/3 |
|----------------------|----------------|----------------|-------|
| | Actual Results | Actual Results | Goals |
| Digital Contents | 6.8 | 22.5 | 22.0 |
| Arcade Operations | 15.2 | 10.2 | 15.0 |
| Amusement Equipments | 30.8 | 36.3 | 27.0 |
| Other Businesses | 38.6 | 30.8 | 45.0 |
| Total | 10.1 | 16.5 | 20.0 |

▼ Necessary Measures

In terms of issues going forward, we will promote the following measures in order to expand sales in the highly profitable Digital Contents business to increase consolidated operating income and operating margins and achieve our goals.

- (1) In the Consumer sub-segment, we will utilize leading IP to expand our lineup for current game consoles and further enhance digital sales (both full-game and add-on content).
- (2) In the Mobile Contents sub-segment, we will expand our lineup, beginning with distribution of "Monster Hunter Explore".
- (3) In the PC Online Games sub-segment, we will launch "Dragon's Dogma Online" as the next mainstay after "Monster Hunter Frontier G".
- (4) We will enhance expansion of licensing in Asia and expand profits in the Chinese market.

Executing these measures and expanding our lineup in each sub-segment and region will enable us to achieve post-revision medium-term business goals.

Main Pipeline (Fiscal Years 2013–2017)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ending March 31, 2016 and beyond | | |
|--|---|---|---|--|--|
| Consumer Business | <div style="background-color: #f08080; padding: 2px; margin-bottom: 2px;">Monster Hunter 4</div> <div style="background-color: #f08080; padding: 2px; margin-bottom: 2px;">Dead Rising 3</div> <div style="background-color: #add8e6; padding: 2px;">Resident Evil Revelations Unveiled Edition</div> | <div style="background-color: #add8e6; padding: 2px; margin-bottom: 2px;">Monster Hunter 4 Ultimate</div> <div style="background-color: #add8e6; padding: 2px; margin-bottom: 2px;">Resident Evil Revelations 2</div> <div style="background-color: #add8e6; padding: 2px;">Resident Evil HD Remaster</div> | <div style="background-color: #add8e6; padding: 2px; margin-bottom: 2px;">Monster Hunter X (Cross)</div> <div style="background-color: #f08080; padding: 2px; margin-bottom: 2px;">Street Fighter V</div> | <div style="border: 1px solid #ccc; padding: 2px; margin-bottom: 2px;">Resident Evil series</div> <div style="border: 1px solid #ccc; padding: 2px; margin-bottom: 2px;">Monster Hunter series</div> <div style="border: 1px solid #ccc; padding: 2px;">Dead Rising series</div> | <div style="border: 1px solid #ccc; padding: 2px; margin-bottom: 2px;">Devil May Cry series</div> <div style="border: 1px solid #ccc; padding: 2px; margin-bottom: 2px;">Street Fighter series</div> <div style="border: 1px solid #ccc; padding: 2px;">Other series</div> |
| Online Business (Mobile Contents and PC Online Games) | <div style="background-color: #90ee90; padding: 2px;">Monster Hunter Frontier G</div> | | <div style="background-color: #90ee90; padding: 2px; margin-bottom: 2px;">Dragon's Dogma Online</div> <div style="background-color: #90ee90; padding: 2px;">Monster Hunter Online*</div> | <div style="font-size: 0.8em;">*Managed by Tencent Holdings Ltd.</div> | |

■ Series numbered titles
 ■ Spin-off titles
 ■ PC online games

Fund Procurement

Q4 What are your thoughts regarding the investment strategy and fund procurement required to achieve medium-term business goals?

A4 Fund procurement will come mainly from cash on hand and debt financing, while approximately 80% of management resources will be allocated to our growth strategy to drive business growth.

1. Investment Size and Focus

Capcom is formulating and executing growth strategies in each business in the pursuit of stable medium- to long-term growth. We are cognizant that our top priority is to secure an amount sufficient to invest in high-growth Online businesses such as Mobile Contents and PC Online Games, as well as our largest market, the Consumer business, which acts as the source for our original IPs. Furthermore, we must invest in the construction of new development facilities and more developers to strengthen current game console R&D and expand our title lineup in each business.

Please refer to Q3: 4 "Medium- and Long-Term Strategies" on page 20.

People are the main investment for game software companies. Thus, we plan to increase the number of developers by 100 or more next fiscal year over the current 1,900 people. We will also promote development structure efficiencies by consolidating disparate development departments. To this end, we are investing a total of 8 billion yen in the construction of a new R&D building.

Accordingly, we will allocate about 80% of management resources (R&D investment and capital expenditure totaling 36.2 billion yen in the fiscal year ending March 31, 2016), amounting to an investment of 29.1 billion yen (up 28.3% from the previous fiscal year) into these growth strategies. **Diagram 8 9**

2. Fund Procurement

Consumer game software development expenses are on the rise in response to the arrival of high performance and multifunctional current game consoles. In addition to requiring a development period of two or more years for a major title and add-on contents, the investment payback period is lengthening. We must keep a certain amount of cash on hand to cover ongoing investments, including post-release upgrades to online games and network infrastructure maintenance. As a priority issue, we recognize the need to understand the global

economic situation, paying attention to the risk of not recovering receivables and the resultant need to ensure funding.

To address these funding procurement issues, we determine the level of cash and cash equivalents that needs to be maintained in consideration of reserves from the investment plan and risk management. This amount will then be supplemented with cash on hand (27,998 million yen) as well as an unused 26.7 billion yen commitment line of credit (total contract value: 26.7 billion yen) to maintain an appropriate range. We will continue with our financial strategy to raise funds mainly through debt financing within the commitment line for a period of time, while paying close attention to changes in the financial markets. **Diagram 10**

CSR (Corporate Social Responsibility)

Q5 What CSR initiatives are you currently focused on?

A5 Capcom CSR is focused on a fusion of Single Content Multiple Usage and ESG initiatives.

1. Basic Approach to CSR

Based on our corporate philosophy and management policies, I think corporate social responsibility at Capcom means our business activities benefit not only the company but also society, while lessening or preventing any burdens these activities place on the public. To fulfill this responsibility, management makes an effort to build relationships of trust and improve the satisfaction of shareholders, customers, employees and all our stakeholders. **Diagram 11**

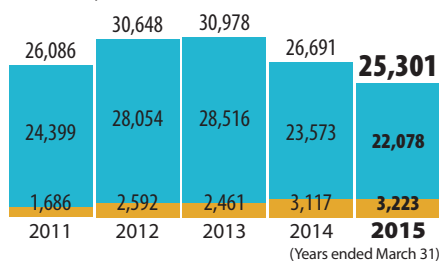
2. Our Important CSR Initiatives

The promotion of our Single Content Multiple Usage strategy provides society with a wide range of benefits. Specifically, these include the use of popular Capcom IPs in support of (1) regional economic development, (2) cultural enlightenment, (3) improved public safety and (4) encouraging involvement in elections. For example, (1) involves working with local municipalities to support the revitalization of towns. Holding events that make use of popular IPs or offering real-life experiences of game worlds appeals to young people and families which has a major impact on promoting tourism. Further, regarding (2)(3)(4), the common issue is attracting and approaching young people, to which we have proactively made proposals to museums,

Diagram 8

R&D Investment Costs

(Millions of yen)

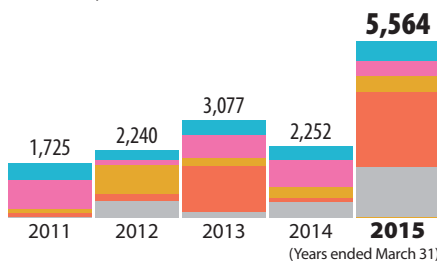


Note: Before March 2012, Digital Contents combined the Consumer Online Games and Mobile Contents businesses.

Diagram 9

Capital Investment

(Millions of yen)

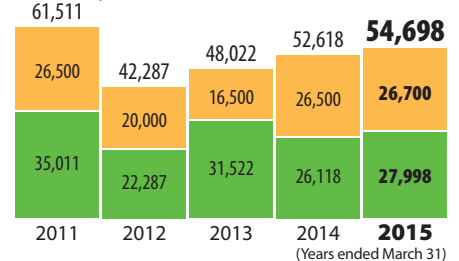


(Years ended March 31)

Diagram 10

Liquidity in Hand

(Millions of yen)



(Years ended March 31)

police departments and election committees and produced quantifiable results. In this way, via promoting Capcom's basic strategy of utilizing branded content, we are endeavoring to maximize benefits to both the company and society.

 Please refer to the Community Involvement section of our website at: <http://www.capcom.co.jp/english/csr/csr07.html>

Furthermore, in the realm of educational support activities, Capcom is unique in carrying out career education as well as game literacy education, which raises awareness regarding the proper way to interact with video games. These efforts are aimed at supporting the healthy development of young people and easing the concerns society has about the influence of video games.

 Please refer to "Company Visits for Children and On-Site Classes at Schools" on page 45

I am also aware of how important diversity is in the creation of content with global appeal, thus Capcom hires and carries out assessment of employees without regard for gender or nationality to ensure human resource diversity. These efforts include promoting women to management positions, creating systems that support continued employment after marriage or childbirth and securing and cultivating global human resources. As a result, we employ 433 women (accounting for 20% of our workforce), of which 20 are managers (accounting for 9.7% of managers), and 69 foreigners (accounting for 3.4% of our workforce). These numbers increase every year.

 Please refer to "Promoting Employee Diversity" on page 47

have an advantage in terms of swift management decision-making and responses to changes in the environment, but there is an inherent risk of arbitrary actions being taken without adequate consultation. Since the development divisions comprise the core of your business, don't the same risks also exist when talented developer egos are involved?"

Consequently, I introduced an external director system in the fiscal year ended March 31, 2002 and appointed two external directors. The next fiscal year I increased the number of external directors to three, bringing the ratio of external directors to 37.5%, which was a great surprise to our investors, however, in fiscal year ending March 31, 2016, we have improved the ratio of external directors to 42.9%. **Diagram 12**

2. Criteria for Appointing External Directors

The criteria used for appointing external directors has not changed since the system was introduced, but in short, we appoint directors who are specialists and command the highest level of 'insight' into their respective areas, and are able to objectively make decisions regarding Capcom's management and business activities.

Some investors have asked, "Wouldn't people with a background in the content industry be better able to provide useful business advice?" While they certainly have a point, I give priority to avoiding business investment risks and think appointing individuals from Japan's leadership class (in terms of business crisis management, law and government) who are able to provide sound opinions without making allowances for industry conditions and who are not intimidated by the company founder, contributes to the further enhancement of Capcom's corporate value.

In response to the suggestion that accounting personnel would be better able to check for irregularities, we established the Audit Committee in the fiscal year ending March 31, 2012. This committee is composed of members who formerly held positions of responsibility in accounting and development, backgrounds that heighten their potential ability to perceive business details that are difficult for those from outside the company to see; this, coupled with close coordination with the Board of Corporate Auditors (which includes two external auditors), provides the Board of Directors with reports that inform them of problems and enable appropriate management decision-making.

 Please refer to "External Directors and Auditors" on page 55

3. Ensuring Effective Governance

To ensure the effectiveness of governance, a company must be intent on utilizing its external directors; otherwise, they may only simply be creating an alibi. To make the system work, we need to be creative to enable

Corporate Governance

Q6 Strengthening governance is necessary for promoting growth strategies—what about Capcom's governance is unique?

A6 We have a high ratio of authoritative external directors on our board who enhance dialogues with shareholders and investors.

1. Increasing the Ratio of External Directors

Capcom is promoting a growth strategy aimed at attaining our medium-term business goals, some of which we are already beginning to achieve. At the same time, the business investment required for growth involves risks. I believe that, in order to mitigate or avoid these risks altogether, we must enhance corporate governance.

In early 2000, an investor pointed out "Founder-owned companies

Diagram 11

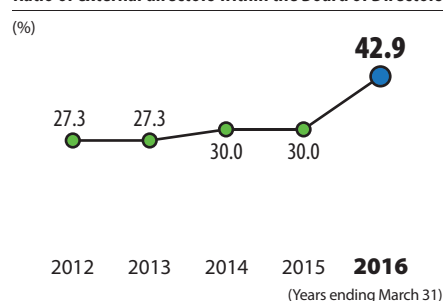
Priority Initiatives for the Environment, Society and Governance



| | Priority Initiatives | Page |
|-------------|--|--------|
| Governance | <ul style="list-style-type: none"> • Hold proactive dialogues with shareholders and investors • Improve ratio of external directors • Hold small meetings between external directors and investors • Establish Audit Committee and Remuneration Committee • Disclose details of discussions at Board of Directors meetings • Disclose non-financial information (developer interview videos, etc.) | P49-64 |
| Society | <ul style="list-style-type: none"> • Contribute to society using IPs • Host company visits and conduct on-site classes • Promote employee diversity • Contribute to communities in each region | P45-48 |
| Environment | <ul style="list-style-type: none"> • Reduce CO₂ emissions | P47 |

Diagram 12

Ratio of external directors within the Board of Directors



The CEO's Discussion of Performance Summary and Progress Towards Medium-Term Goals

shareholders to see and evaluate the work done by external directors. To this end, we conduct third party evaluations of Capcom governance and publish details of discussions held at Board of Director meetings to demonstrate the sharp tenor of the discussions at those meetings.

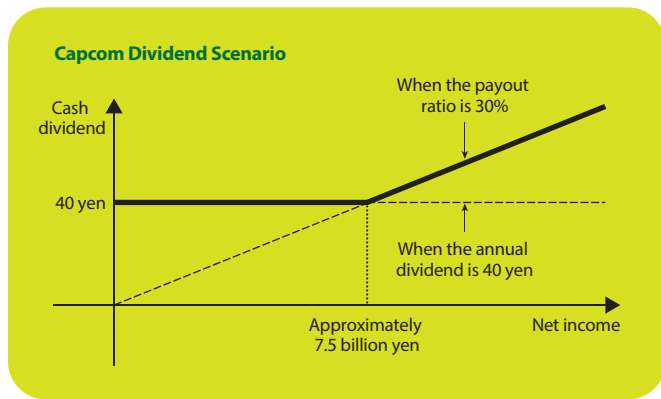
Please refer to "Third-Party Assessment" on page 56, "Principal Discussions at Board of Directors Meetings Held in Fiscal 2014" on pages 57-58

We employ a creative approach to ensure lively exchanges during these discussions. For example, in addition to monthly Board of Directors meetings, directors in charge meet with external directors to exchange information and opinions regarding current issues and the progress of various projects. In addition, we make an effort to build support and information sharing systems which include providing external directors with quantitative-focused materials used at Board of Directors meetings that enable them to visualize management.

Please refer to "An External Director's Perspective on Capcom's Governance" on pages 49-50

Furthermore, Capcom's proactive governance involves various policies that ensure transparency and the timely disclosure of information, protect shareholder rights and equality, and facilitate dialogues with shareholders. With regard to our takeover defense measures in particular, we have engaged in dialogues with investors in Japan and overseas to understand the reasons for their opposition. As a result, we were able to explain our thinking in detail and achieve a considerable amount of understanding, as well as gather numerous investor opinions that led us to make changes to several points, ensuring the appropriateness of procedures.

Going forward, we will continue to promote appropriate growth strategies while engaging in ongoing enhancements to our corporate governance structure.



Shareholder Return

Q7 Net income has grown consecutively for the past two fiscal years. What are your thoughts on increasing the dividend?

A7 In line with our basic policy, we will maintain the full-year dividend at 40 yen per share.

1. Basic Policy Regarding Dividends

One of our management priorities is to share profits with all our shareholders. Our basic policy is to provide stable and continuous dividends that take into account our financial condition and future business strategies.

Also, in terms of our thinking on the allocation of business investment results (dividend and internal reserve ratios), as I indicated in item 1 of Q4, "Investment Size and Focus", I see the changing times as a favorable opportunity to invest in our future growth. To this end, free cash flows generated from this fiscal year's business will be used as capital for business investment focused on future growth.

In terms of our shareholder return policy, (1) Capcom will enhance its corporate value through investment and growth; (2) **the Company will continue to provide shareholders with stable dividends in line with earnings (aiming for a payout ratio around 30%)** and (3) we will raise earnings per share through share buybacks.

2. Dividends for This Fiscal Year and the Next

In the fiscal year ended March 31, 2015, although sales declined due to the postponed launch of pachislo machine sales, reforms conducted over the past three years have led to improved profitability and increased operating income. Additionally, net income substantially increased after posting of a special loss in the previous fiscal year. Accordingly, in line with our basic policy, we maintained the full-year dividend at 40 yen per share, a payout ratio of 34.0%, in the fiscal year ended March 31, 2015. **Diagram 13**

In the fiscal year ending March 31, 2016, we plan on paying a full-year dividend of 40 yen per share, a payout ratio of 29.2%. **Diagram 14** Going forward, we will continue to strengthen shareholder return by securing investment capital, buying back shares and gradually raising the dividend in line with earnings. **Diagram 15**

I would like to express my gratitude to all our shareholders for your encouragement and guidance. We will continue striving to be worthy of your ongoing support.

Diagram 13

Dividend per Share

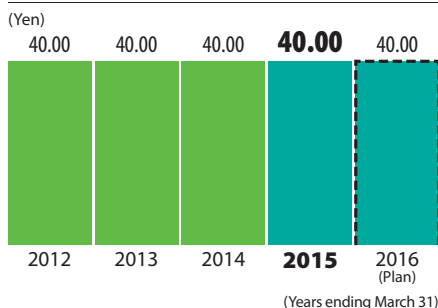


Diagram 14

Dividend Payout Ratio

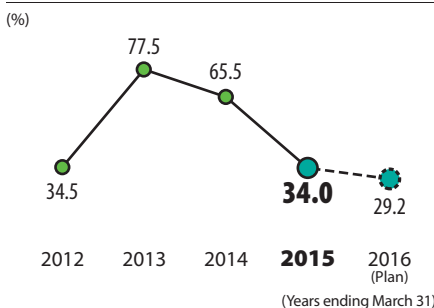
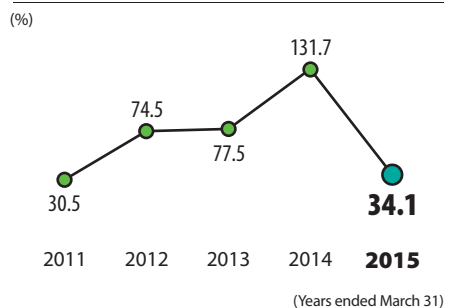


Diagram 15

Total Return Ratio



Financial Strategies Supporting Investment in Development Aimed at Achieving Medium-Term Business Goals

Capcom is engaged in improving net cash and increasing capital efficiency as two financial strategies aimed at building a lean financial foundation and securing funding to invest in growth.

The reason for these goals is the significant expansion underway in the game software market amid the incorporation of home video games as well as mobile and PC online games, which represent a market growth opportunity for Capcom. We have therefore formulated basic strategies for our online and mobile platforms in addition to our basic strategy of developing high-quality content, and have sought to reinforce our investments in development.

Through these financial strategies, we will support the promotion of growth strategies aimed at achieving our medium-term business goals on the funding side.

Director,
Executive Vice President and
Chief Financial Officer (CFO)

Tamio Oda



1. Securing Net Cash

In the fiscal year ended March 31, 2015, net cash decreased 1.4 billion yen year on year, to 21.2 billion yen. Despite higher net income from a rise in cash reserves, the decline was due to increased borrowings of approximately 3 billion yen used for investment in development in accordance with strengthening our lineup of titles in development aimed at growth from the next fiscal year forward.

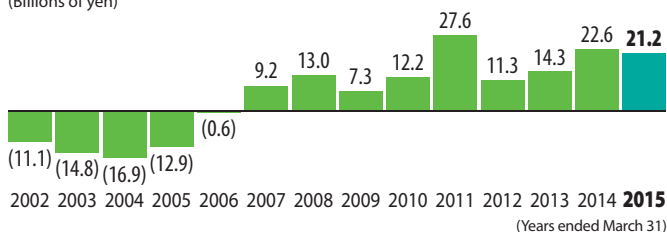
However, in terms of trends in past fiscal years, in the fiscal year ended March 31, 2002, when I was appointed as a director, net cash (cash minus interest bearing debt) was negative 11.1 billion yen. In the fiscal year ended March 31, 2015, net cash was 21.2 billion yen, revealing that our cash position has improved 32.3 billion yen in the past 13 years. **Diagram 16**

For Capcom to efficiently generate net cash, we formulated two new financial strategies focused on generating cash flows through process management. The first is to thoroughly manage return on investment. Accordingly, we manage a database able to compare the ROI status of each title by category, such as brand or producer, while ascertaining and analyzing the investment profitability of each project. The second strategy is to maximize working capital efficiency. To this end, we are expanding the invested capital management system of each business and creating a framework to manage our investment turnover period and turnover ratio in a more visible manner.

Diagram 16

Net Cash on a Historical Basis

(Billions of yen)



2. Increasing Capital Efficiency

As Capcom aims for sustainable growth and improved corporate value over the medium- to long-term, we established the following ROE targets as an index of capital efficiency.

| ROE Achievements and Goals | Moving average for three fiscal years ended Mar 2015 | Moving average for three fiscal years ending Mar 2017 |
|----------------------------|--|---|
| | 6.7% | 8–10% |

In light of the 6.7% average recorded during the past three fiscal years ending March 31, 2015, we made raising the average to 8–10% the foremost goal during the three fiscal year period ending March 31, 2017.

To achieve this goal, I believe there are three ROE components we need to address.

| ROE components | 2012/3 | 2013/3 | 2014/3 | 2015/3 |
|---------------------------------|--------|--------|--------|--------|
| Net margin (%) | 8.2 | 3.2 | 3.4 | 10.3 |
| TAT (%) | 83.5 | 90.1 | 105.8 | 63.8 |
| Financial leverage (multiplier) | 1.66 | 1.66 | 1.51 | 1.41 |

The most critical component we must give priority to is net margin improvement.

During the past three years, changes to the Digital Contents business and enhancements to our operation and management structures have substantially improved the net margin. Going forward, we will aim for further margin improvements through the steady execution of growth strategies and enhancements to our lineup of titles.

Regarding TAT and financial leverage, we are cognizant that these are issues we need to address going forward. To this end, we will raise funds mainly through debt financing within the commitment line. We will consider the use of treasury stock during discussions at Board of Directors meetings and make an effort to conduct management focused on capital efficiency.

We will utilize our ability to create original content to focus on maximizing profitability in the core Consumer and Online businesses and achieve our medium-term business goals.



Haruhiro Tsujimoto
President and
Chief Operating Officer (COO)

Business Characteristics Underpinning Our Strategy

With Single Content Multiple Usage as the basic strategy underpinning Capcom's business overall, we make the development of highly creative content the source of our corporate value creation, and via multifaceted and global expansion of this content into multiple businesses, we have built a business model that enjoys repeated earnings. At the same time, the creation of content (upstream) and subsequent deployment in each business (downstream) is not a seamless process, and at present, we have not yet maximized our earning potential. **Diagram 17**

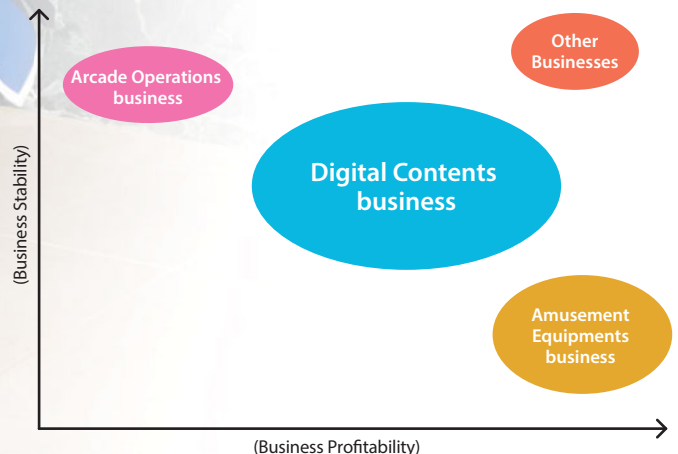
● Digital Contents business (Proportion of Net Sales: 71%)

Accounting for over 70% of Capcom's net sales, this is our core business, comprising the Consumer, Mobile Contents and PC Online Game sub-segments. The Consumer sub-segment creates a wide variety of popular, original content using world-class development capabilities, which is then leveraged across an array of platforms to maximize sales volume. At the same time, insufficient mobile management experience and strong dependence on certain PC Online titles continue to adversely affect earnings stability.

● Arcade Operations business (Proportion of Net Sales: 14%)

This business specializes in opening large commercial complexes in Japan, and maintaining margins of 10% or more by ensuring a stable stream of customers. At the same time, the sales growth rate in this business is low due to our strategy of carefully limiting the number of our facilities.

Diagram 17 Business Portfolio (Stability/Profitability)



Medium-Term Business Goals Goals for the five-year period beginning FY2014 (cumulative)

Cumulative Operating Income
(Cumulative totals for the period between March 31, 2014 and March 31, 2018)

70.0 billion yen

Operating Margin
(FY ending March 31, 2018)

20%

| Plans and Achievements by Business | Projected | | Results of the First Two Fiscal Years | |
|------------------------------------|-------------------------------|--------------------------|---------------------------------------|-------------------------|
| | FY2014–2018 (ending March 31) | FY2018 (ending March 31) | FY2014–2015 (ended March 31) | FY2015 (ended March 31) |
| | Cumulative Operating Income | Operating Margins | Cumulative Operating Income | Operating Margins |
| ● Digital Contents business | 57.0 billion yen | 22% | 14.7 billion yen | 22.5% |
| ● Arcade Operations business | 8.5 billion yen | 15% | 2.5 billion yen | 10.2% |
| ● Amusement Equipments business | 20.0 billion yen | 27% | 9.8 billion yen | 36.3% |
| ● Other Businesses | 5.5 billion yen | 45% | 1.6 billion yen | 30.8% |
| Total | 70.0 billion yen | 20% | 20.8 billion yen | 16.5% |

● Amusement Equipments business (Proportion of Net Sales: 12%)

The gaming machine (Pachinko and Pachislo) and Arcade Games Sales sub-segments maintain margins around 30% due to the release of machines using popular Capcom content and the culmination of development expertise. At the same time, legal changes and other external factors impacting the gaming machine business may pose a significant risk of postponed sales, so this business experiences substantial earnings volatility.

● Other Businesses (Proportion of Net Sales: 3%)

Our character licensing business involves the use of popular Capcom characters in Japan and overseas, providing high profitability and stable margins around 30%. At the same time, licensed products bring in a low return, as the scale of sales in this business is small at this moment.

Achieving Medium-Term Business Goals

I believe Capcom's strength lies in its development capabilities that create highly creative content. Furthermore, our Single Content Multiple Usage strategy enabling the multifaceted and global use of IP across multiple businesses places us in a highly advantageous competitive position.

Capcom possesses a wealth of IPs, including a total of 60 titles that have each sold over a million units. The multifaceted use of this content enables us to expect the following three effects:

First, it creates a synergetic effect between businesses. Multifaceted development creates new profit opportunities in businesses beyond Consumer, while drawing customers acquired through other businesses to home video games as new users.

Second, it has a promotional effect. Leveraging IP across multiple mediums at once enables us to cultivate fads while gaining wide-ranging exposure.

Third, it enables us to hedge risks. The formation of a business portfolio enables us to control earnings volatility.

Specifically, in terms of the first point (creating a synergetic effect between businesses), in addition to focusing efforts on rolling out PC

Online and Mobile content, wide-ranging development involving pachislo machines and arcade games, movies, TV animation and toys, and food and beverages enables us to further improve brand value and profitability. Making use of digital content strengths, such as resilience against illegal copying, we can maintain our competitive position through expansion in growing Asian markets, enabling the cultivation of new business opportunities.

With this basic strategy, I want to focus efforts on driving our growth strategy to expand the Consumer, Mobile Contents and PC Online sub-segments. In the next fiscal year, we will realize results incrementally to ensure achievement of our medium-term business goals.

Growth Strategy 1

Consumer Business Expansion

👉 please refer to pages 29-30

Goal

Expand scope of sales while maintaining a highly profitable structure and operating margins of **20%**

Measures

- 1 Strengthen digital download contents
- 2 Expand title lineup through full-fledged operation of the 60-month title development plan

Growth Strategy 2

Online Business Expansion

👉 please refer to pages 31-32

Goal

Achieve sales of **13.5 billion yen** in next fiscal year, resume growth trajectory

Measures

- 1 Strengthen marketing and monetization (Mobile)
- 2 Enhance titles developed internally (PC Online)
- 3 Promote business alliances in Asia region (Mobile and PC Online)

Expand scope of sales while maintaining a highly profitable structure and operating margins of 20%

As stated in the CEO's message, the Consumer market at present is going through huge changes due to the expansion of the digital download market and the transition to the next generation of game consoles (current game consoles). Please refer to Q2 on page 19

Three years ago, Capcom was late responding to the rise of digital download contents and we had quality issues with titles outsourced overseas, both of which impacted our performance. However, we swiftly implemented improvement measures in stage 1 of our reform efforts, which significantly increased profitability and lifted operating margins from the single digits into the 20% range during the fiscal year ended March 31, 2015.

In terms of the Consumer market going forward, even the stock market is divided. Some investors are worried that development costs skyrocketing amid the continued adoption of current game consoles and the rise of mobile content will cause profitability to plummet. On the other hand, some investors expect that since a large number of software companies have been shaken out of the Consumer market, the survivors who are able to secure capital and ensure high quality will be able to reap their rewards.

I tend to agree with the latter of these two opinions. The reasons for this include the fact that (1) even in 2019, the Consumer market is still expected to be a major market accounting for approximately 30% of the overall game market, (2) Capcom possesses a large amount of popular IPs, (3) Capcom is ensuring a sufficient number of development personnel and capital to expand our title lineup and (4) we have quickly responded to DLC and other new business models. As a result, we expect operating margins of 20% or higher.

Going forward, the issues will be maintaining a high profit structure

with an operating margin of 20% while expanding the scale of sales and achieving the medium-term business goal for cumulative operating income.

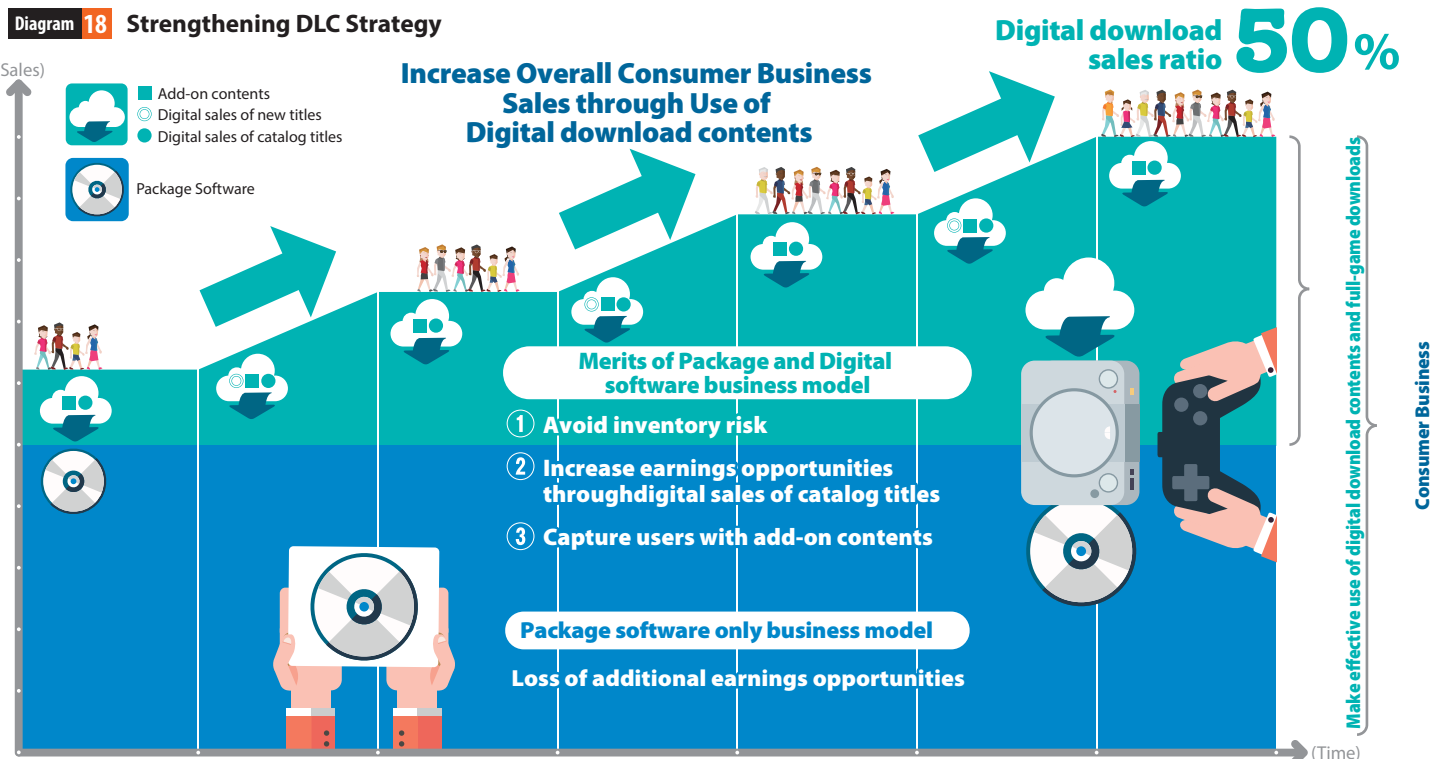
To this end, Capcom is strengthening digital download content and expanding our title lineup through full-fledged operation of the 60-month title development plan, and will create a title portfolio enabling sustainable growth over the medium- to long-term.

Creating a Development Structure Focused on Internal Game Creation and Expertise

In addition to the above, another factor behind achieving a 20% operating margin in the Consumer sub-segment is our intention to improve product quality and accumulate expertise through the transition to in-house game creation rather than outsourcing. This was a significant factor that had the effect of reducing the cost of sales by 4.1 billion yen compared to the previous fiscal year.

In general, compared to internal development, outsourcing is recognized as involving less risk from the perspectives of fixed expenses and technologies. However, changes to business models and technologies in the game industry are often drastic, and since time is required to change agreements with outsourcers pertaining to specifications and other conditions, and an increasing number of development companies are late to respond to technological changes, occasionally titles that do not meet market needs and do not achieve appropriate sales can be seen.

Thus, given the massive changes in market environment conditions at present, including the entrance of the current game consoles and DLC market expansion, I have determined that the transition to an internal game creation development structure is the best policy, as it will enable us to learn about the new technologies surrounding current-generation game consoles, which will lead to improved quality,



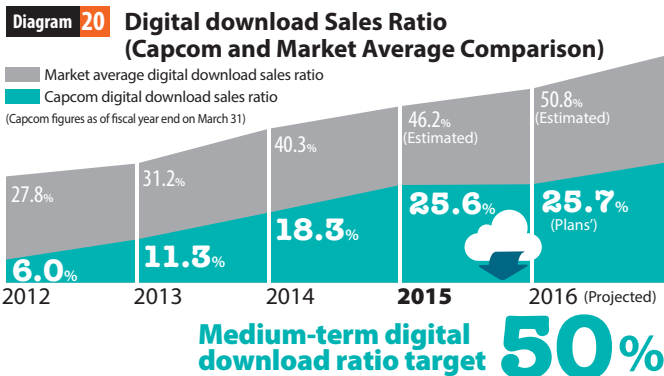
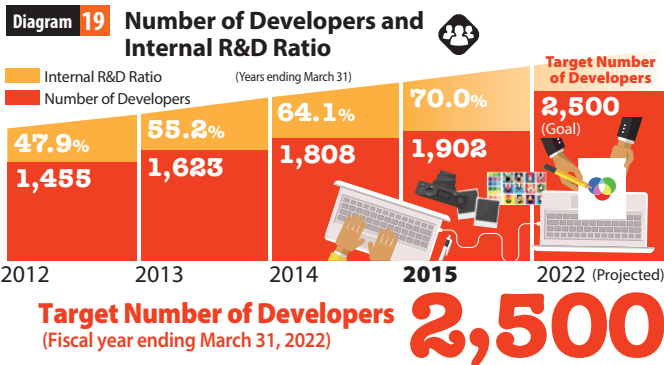
as well as allow us to accumulate management business expertise with respect to the strategic release of add-on content. In addition, we have adopted a 52-week map to strengthen the management of development staff allocation and improve our employee utilization rate. These initiatives have also contributed to achieving operating margins of 20% in the Consumer sub-segment.

Measure 1 Strengthening digital download contents

Efforts to further strengthen digital download contents resulted in a digital download sales ratio of 26% this fiscal year, which we will continue to improve. The aims behind improving the DLC ratio include (1) avoiding inventory risk and reducing package production costs through full-game downloads, (2) additional earnings opportunities through full-game downloads of catalog titles whose package sales are difficult for retailers and (3) capturing users through ongoing add-on contents and stable acquisition of additional revenue over the long term. These are one countermeasure aimed at concerns over rising development costs and increased volatility (relying on hit titles) in the consumer business, as pointed out by investors. **Diagram 18**

In terms of the results of reforms promoted over the past two years, (1)(2) have led to growth in full-game downloads, with the digital download sales ratio increasing each year, from 11% two years ago, to 18% one year ago, then to 26%. **Diagram 20** As a result, profitability increased and the cost of sales in the fiscal year under review declined to 1 billion yen.

Going forward, in addition to (1)(2) we will strengthen (3) to improve Capcom's DLC ratio to be in line with the overall Consumer market's ratio of 50%. Specifically, we will simultaneously launch download and package versions of "Monster Hunter X (Cross)" and "Street Fighter V" while selling full-title digital versions in developing

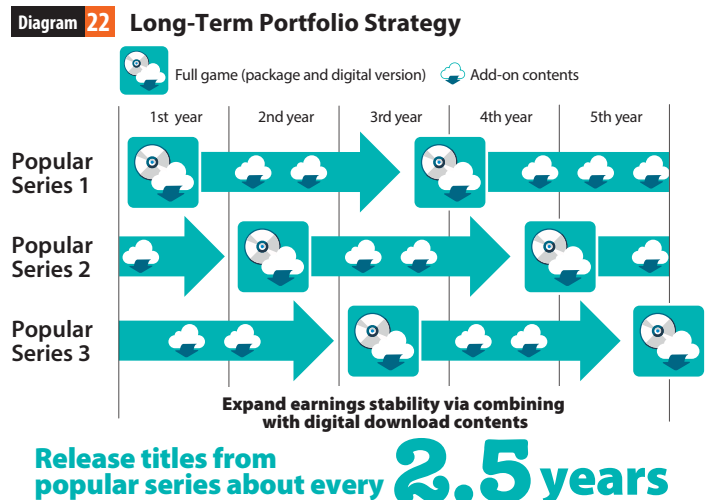
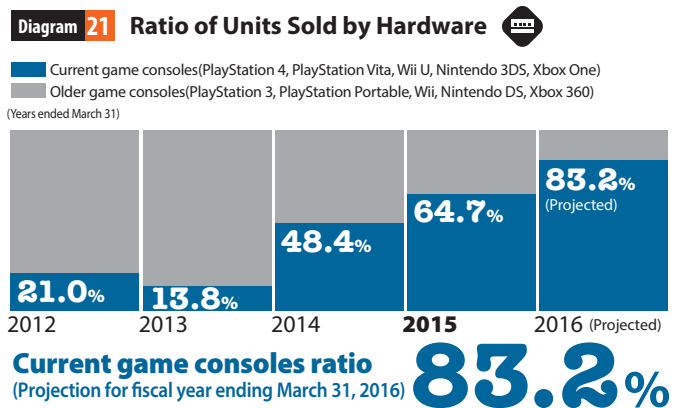


countries through Steam and other online platforms. After the sales launch of major titles, we will strategically release add-on DLC to lengthen game lifetimes.

Measure 2 Expand Title Lineup through the Full-Fledged Operation of the 60-Month Title Development Plan

We will create a title portfolio with ongoing growth potential through the full-fledged operation of our medium-term strategic 60-month title development plan. Specifically, we will (1) promote support for multiple platforms, both current and older game consoles, **Diagram 21** and (2) release new titles in popular series once every 2.5 years. **Diagram 22**

The reasons for this are, with regard to (1), while the older game consoles has a larger install-base its popularity has peaked, whereas the current game consoles is hot but not yet fully adopted, thus to maximize earnings we will release one popular title for both game consoles. In terms of (2), three to four years are required to develop a major title, and if we only have a small number of hit titles, it will be difficult to launch a series every year, which will create unstable earnings. Accordingly, it is important we stabilize earnings by either creating a large number of popular titles, or by shortening the time required to launch new titles. Capcom will proceed with both (1) and (2) to pursue stable earnings and growth, increasing the number of titles launched each year. At the same time, strengthening DLC will allow us to improve profitability and maximize earnings.



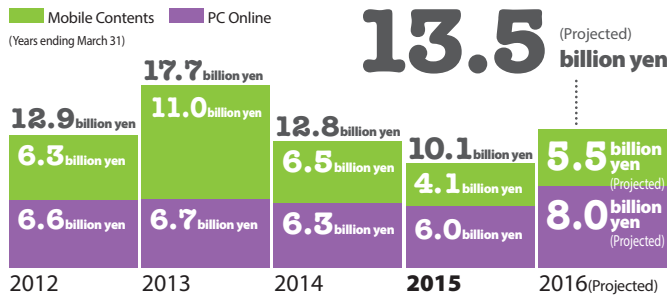
Achieve Sales of 13.5 Billion Yen in Next Fiscal Year, Resume Growth Trajectory

In the Online business (Mobile Contents + PC Online Games) we will pursue measures aimed at (1) strengthening marketing and monetization, (2) enhancing our lineup of titles created internally and (3) promoting business alliances in the Asia region.

In the high growth rate Online market, the previous fiscal year was an uphill battle as the Mobile sub-segment plunged into the red. However, thanks to stage 2 reforms involving decisive actions being taken on structural and policy revisions based on analysis of issues and factors behind missed targets, the Online sub-segment significantly recovered, with operating margins that had been in the red the previous year improving to approximately 20%.

However, I think we have yet to sufficiently allay the concerns of investors with respect to our (Online) growth strategy. The reason for this is because the elimination of unprofitable titles and cost revisions contributed greatly to this improvement in profitability, and sales for the period were 10.1 billion yen, which is lower than the 12.8 billion

Diagram 23 Capcom Online Sales



yen in sales from the previous fiscal year.

Accordingly, the issue we are facing in the next fiscal year is returning to a growth trajectory in terms of sales. We will promote the following three measures to achieve net sales of 13.5 billion yen in the next fiscal year (an increase of 33.7% compared to this fiscal year) in order to change investor concerns into hopes. **Diagram 23**

Measure 1 Strengthening Marketing and Monetization (Mobile)

To succeed in the Mobile business, it is important to maintain (1) popular content that can be differentiated from a sea of competition and has low barriers to entry and (2) operational expertise developed by analyzing user behavior post-launch, then providing feedback to development.

Despite owning a number of popular IPs such as "Resident Evil" under the Capcom brand, insufficient knowledge regarding native app management domestically last fiscal year resulted in an uphill battle in terms of earnings across the board. Consequently, as part of stage 2 reforms, parallel mobile development teams in Tokyo and Osaka were unified under the Tokyo team, which has a wealth of Online management business experience. As a result, we were able to make efficient use of management know-how and internal human resources.

At the same time, the Beeline brand also struggled in the last fiscal year. This was due to focusing too much on further growth and allocating resources to titles targeting male users and other areas traditionally not part of this brand's strength. Accordingly, in stage 2 reforms, we redirected focus to the female casual user segment, Beeline's traditional strength.

During the fiscal year under review, the immediate effect of eliminating unprofitable titles and revising costs resulted in sales of 4.1 billion yen (down 36.9% over the previous fiscal year) while the

Diagram 24 Capcom Online Strategy (Matrix)



* MHFG: "Monster Hunter Frontier G"

operating margin recovered to the 20% range. Next fiscal year, we are projecting increased sales amounting to 5.5 billion yen (up 34.1% from this fiscal year) due to an enhanced title lineup and expansion into Asia (Measure 3). We recognize next fiscal year as one in which the true value of our structure based on use of popular content and management expertise will be put to the test. The key to achieving these goals are “Monster Hunter Explore” and “Smurfs Village and the Magical Meadow”. **Diagram 24**

Measure 2 **Enhancing Titles Developed Internally (PC Online)**

In the PC Online sub-segment, profitability declined significantly to the break-even point in the previous fiscal year due to intense competition from other companies' titles and the late execution of brand strategy. The issue was breaking dependence on “Monster Hunter Frontier G”, in other words, making our title lineup more robust and efficient. Consequently, stage 2 reforms involved a drastic revision to the flow of Online development and the formulation of a new development map to establish a structure for medium-term growth.

This year, as in the Mobile sub-segment, the immediate effect of measures including the elimination of unprofitable titles and cost revisions resulted in sales of 6 billion yen (down 4.8% from the previous fiscal year), and the operating margin recovering to the 15% level. Next fiscal year, we are projecting increased sales amounting to 8 billion yen (up 33.3% from this fiscal year) due to an enhanced title lineup and expansion into Asia (Measure 3); we must make the coming year the starting point of full-scale growth. The key to achieving this, outside of titles targeting Asia, are the titles “Dragon's Dogma Online” and “Breath of Fire 6”. **Diagram 24**

Measure 3 **Maintaining Business Alliances in the Asia Region (Mobile and PC Online)**

I think expansion into Asia has the potential to dramatically accelerate Capcom's growth. **Diagram 25** There are two methods of approaching this. The first method involves internal development and management through our Taiwan subsidiary, who is currently distributing “Onimusha Soul” and “Monster Hunter Frontier G” in Taiwan.

The other method involves development and management through business alliances with Asia's leading operating companies. The graphic below **Diagram 26** indicates the companies with which we have licensing agreements in China, the largest market in the world, as well as South Korea and Thailand. In particular, our collaboration with China's Tencent Holdings Ltd. on “Monster Hunter Online” (which began closed beta testing in April 2015), has been well-received by users. Furthermore, in terms of Mobile content, we are using existing apps to expand titles including “Monster Hunter Hunting Quest” in the Asia market, where the adoption of smartphones continues at a rapid pace. **Diagram 24**

The reasons why we are promoting business alliances in addition to internal development are to avoid country risk and gain management expertise. Thus, we have determined that at this time, alliances with leading companies in countries other than Taiwan are an effective means of maximizing earnings.

I consider the Online business to be the core of our growth strategy. The growth potential of this market also applies to management expertise and an increased digital download ratio in the Consumer sub-segment. In other words, sharing information and expertise with the Digital Contents business maximizes the synergetic effect.

As the COO and head of Capcom's development, I will do everything in my power to achieve success with this strategy and meet investor expectations.

Diagram 25 Business Alliances in the Asia Region



Diagram 26 List of Licensed Titles in Asia

| Title | Region | Alliances |
|---|---------------------------------------|--|
| Mobile Contents | | |
| “Monster Hunter Hunting Quest” (Simplified Chinese character version) | China | Qihoo 360 Technology Co., Ltd. |
| “Street Fighter Battle Combination” | China, South Korea, Taiwan, Hong Kong | Teeplay Interactive Ltd. |
| “Street Fighter IV Arena” | South Korea | Nexon Korea Corporation |
| PC Online Games | | |
| “Monster Hunter Online” | China | Tencent Holdings Ltd. |
| “Ghosts'n Goblins Online” | China, South Korea | Shanda Games Ltd. |
| PC Browser Games | | |
| “Onimusha Soul” (Simplified Chinese version) | China | Cayenne Entertainment Technology Co., Ltd. (Taiwan) BLUE PANDA Network Technology Co., Ltd. (China) |
| “Onimusha Soul” (Thai version) | Thailand | Asiasoft Corporation Public Co., Ltd. |
| “Monster Hunter Mezeboruta Kaitakuki” (Simplified Chinese version) | China | Tencent Holdings Ltd. |

Discussion: Mobile Breakthroughs and New Business Opportunities in the Consumer Business

Amid rapid expansion in the mobile game market and structural changes in consumer game distribution, the market environment surrounding the game industry continues to undergo dramatic changes. How does Capcom view the changing environment, and what strategies will be employed to target further growth? Analyst Kenji Kido speaks with President and Chief Operating Officer Haruhiro Tsujimoto.

Response to Mobile Game Market

Kido I'd like to begin with the mobile game market, which is the most active area within the game industry at present. Capcom's position in this market up to now has recovered profitability, yet it hasn't been all that successful. What are the reasons for this?

Tsujimoto It is clear that smart devices as a game platform will further expand going forward. We recognize this is a crucial area, so Capcom will by necessity employ a multiplatform strategy. The biggest reason why we have not had obvious success up to now is because we did not have sufficient business knowledge in this area. Mobile games are basically free to play and attract many users, some of whom purchase additional content, which is how this business model generates earnings. We need to develop management capabilities that enable ongoing additional content purchases to be successful. Although we were successful with browser games, I think we need to enhance our knowledge of apps.

Kido To that end, don't you first need to increase your number of experience points? To generate a hit, you multiply "at bats" by "batting average". I get a sense you haven't had many "at bats". Can't you acquire new knowledge through the experience of creating a slew of different titles?

Tsujimoto In the fiscal year ending March 31, 2016, we will increase the number of mobile game releases compared to the previous fiscal year, but I don't think simply launching a variety of different titles is the answer. Given the extreme level of competition in the current market, users don't accept mediocre titles regardless of how many we put out there.

Kido Well, the mobile game market certainly does

seem to be coalescing around top-rate content, so I suppose it would be difficult to generate a hit with a new title released at this time. In that sense, rather than trying to monetize the market, shouldn't Capcom position mobile games as an entry platform for widening user perspectives and instead focus development investment on your forte in consumer games?

Tsujimoto Of course, we are focused on supporting current game consoles and the consumer segment as the top priority. However, once we generate a mobile hit in Japan, we can license it out for deployment in 200 countries around the world, including the massive

Asian market. In this way, even a modest hit in Japan can generate a profitable synergetic effect. There are many regions that are highly profitable and pose no harm to consumer games, so rather than looking at mobile as a side business, we are making an all-out effort to move this business forward. This fiscal year, we will heighten our presence in the market, beginning with domestic distribution of "Monster Hunter Explore".

Distribution Structure Changes in the Core User Market

Tsujimoto Regarding consumer games, there are dramatic changes taking place in this market's distribution structure. Up to now, package games sat in distribution warehouses or on retail store shelves, and profitability was limited due to allowance for sales returns and other problems. The arrival of digital download sales was a turning point. Accurately responding to these dramatic changes will lead to enormous business opportunities.

Kido So changes in the distribution structure of games for core

Haruhiro Tsujimoto

President and Chief Operating Officer (COO), Capcom Co., Ltd.



users will bring about an environment in which Capcom can easily make the most of its strengths?

Tsujimoto Yes, that's right. For example, last year we launched "Resident Evil" (HD Remastered), which was available overseas via download only and performed extremely well. Regarding package sales in North America and Europe, up to now, major titles took up most of the space on retail store shelves, making it difficult for small and medium-sized titles to be seen, but digital download sales enable a direct connection with users. Going forward, we can approach users by appealing to the quality of each title.

Kido I think this is an opportunity for Capcom, as you possess numerous powerful IP (content). However, in the core user market overseas there is strong competition from Activision and other companies, which makes for somewhat challenging conditions. If other companies adopt a similar focus on the download business, we can expect that competition will intensify going forward. How would you compete in such an environment and what strategies would you employ?

Tsujimoto First, we will launch titles with superior IP, our strength, on an approximate 2.5 year cycle. Second, after launching the full game, we will regularly release add-on content over the long term to ensure users do not lose interest. Third, we will make use of existing assets, as we did with "Resident Evil" (HD Remastered). Our strength lies in our IP brand power and the numerous titles we possess, so we invest the most in releases



Kenji Kido

Senior Analyst, Active Strategic Operations Division,
Mizuho Trust & Banking Co., Ltd.



to enhance our core title lineup. From next fiscal year forward, I think we will be able to provide more tangible results.

The Future of the Game Market and Capcom's Strategy

Kido Focusing on changes in the market environments of mobile, consumer and PC online games, I'd like Capcom to move steadily forward to the future and do what needs to be done. However, I feel there is a bottleneck in terms of human resources. For the past two years, you have focused on in-house software development as you attempt to respond to a variety of changes, but do you have enough personnel to get the job done?

Tsujimoto At present, we are engaged in efficient, high-quality game development through title enhancement via increasingly complex game development, in-house development engine R&D and improved staff productivity. We are aware that domestic game manufacturers are taking fairly independent paths, so rather than outsourcing personnel, we are cultivating them in-house. We will proactively promote hiring based on a plan to increase the number of developers we employ to 2,500 people by 2022. We are casting a wide net to attract personnel with proven success in areas other than games.

Kido Are you confident these attempts will enable Capcom to secure talented staff?

Tsujimoto With unique stories, characters and the development of multiple worldviews, Capcom game content has garnered numerous fans over the years. Among these, there are in fact many talented people who want to create games at Capcom. In recent years, we have proactively hired new graduates, as well as conducted a wide range of employment activities, including job fairs and developer performance seminars overseas. These efforts have enabled us to make modest progress in securing personnel with strong global potential.

After the Conversation

At present, Capcom has a minor presence in the mobile game market. In terms of pursuing the Single Content Multiple Usage strategy, mobile success or failure will have a major impact on achieving medium-term business goals. At the same time, in the consumer games market, Capcom should allocate resources to areas where returns can be expected using IP accumulated up to now. From my perspective, the structural changes in game distribution are still in the initial stages, so if Capcom moves quickly, there is strong potential for first-mover profits.

In terms of in-house development, I thought cultivating personnel would take time and be very risky, but I now understand that the internal know-how already exists and I recognize the merits of being able to exert control. Rather than simply increasing the number of personnel, the issue going forward will be the degree to which Capcom is able to retain high-quality personnel. (Kido)

Analyst Dialogue Profile: Kenji Kido

March 1993 Graduates Hiroshima University of Economics
April 1993 Joins Yasuda Trust & Banking (now Mizuho Trust & Banking)
1994 Became analyst covering game and amusement sector

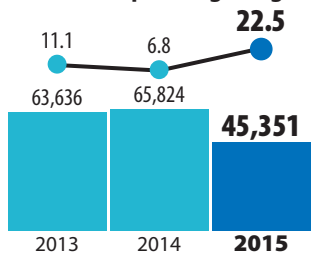
Business Activities and Future Outlook



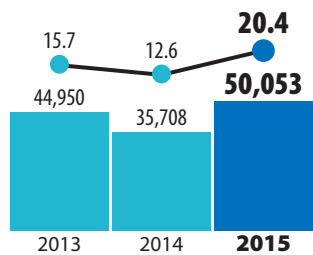
Digital Contents

This business develops and sells package games and digital download contents for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games involve creative original content focused on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in an attempt to maximize earnings.

Net Sales/Operating Margin



Assets/ROA



SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- World-class development and technological capabilities
- Own a number of original popular titles
- PC online game management expertise



- Decreased competition in Consumer business
- Expand digital download business
- Expanding PC online game genres and areas of adoption
- Increased users from global expansion of smartphone adoption

- Dependence on specific genres
- Lack of development staff
- Lack of native app game hit titles and management expertise

- Consumer game presence diminished by diversity of entertainment
- Falling average sales price of Consumer games
- Low barriers for entry into mobile contents, large number of competitor firms



"Monster Hunter 4 Ultimate"

Market Trends

Consumer (Package and Digital Download Contents)

Despite Continued Growth in Digital Download Contents, the Market Declined 8.9% in 2014

In 2014, the consumer (Package and digital download contents) market was worth 21.6 billion dollars (down 8.9% from the previous year), the third straight year of negative growth. This was due to (1) a limited supply of major titles despite the steadily increasing switchover to current game consoles and (2) the declining average unit price of software. The consumer market is primarily comprised of North America, Europe and Japan. In Europe and the United States, representing approximately 80% of the market, although download sales expanded along with the increasing spread of current game consoles, (1) and (2) resulted in a 5.3% decline year on year. In Japan, competition among apps for smartphones led to a 25% decline compared to the previous year.

However, in line with network infrastructure developments and the establishment of the online premium model, the digital download market, involving the download of full games, add-on content and past archive titles, is clearly growing, providing a degree support to the slumping market, which expanded globally to 8.7 billion dollars (up 17.6% compared to the previous year).

We expect a recovery and forecast a slight increase in the global consumer market to 24.7 billion dollars in 2015 (up 14.4% from the previous year) due to expanded title lineups for the PlayStation 4 and Xbox One and further digital download growth. **Diagram 27**

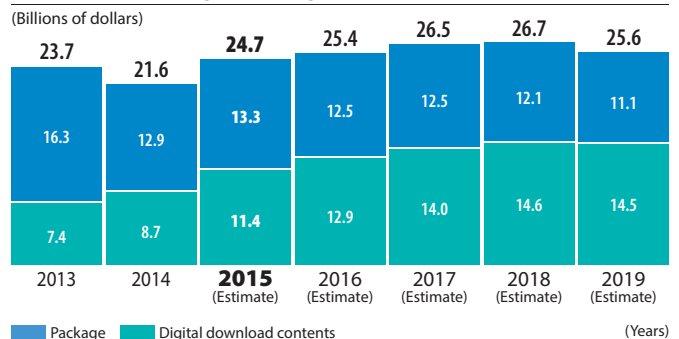
Mobile Contents

The Market Expanded 53.1% in 2014 on Eye-Opening Growth in Japan and Asia

The Mobile Contents market grew from 14.7 billion dollars in 2013 to

Diagram 27

Consumer (Package and Digital Download Contents) Market



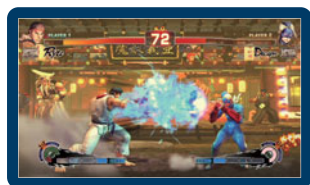
Source: International Development Group



Production Capital

Creating a Cutting-Edge Development Environment

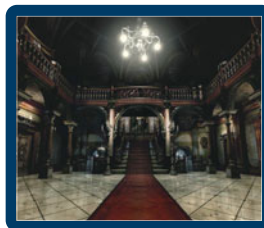
Capcom is constructing two research and development buildings near the Osaka headquarters, one of which is already completed. In addition to a motion capture room and a Foley studio for creating and recording sound effects, these new R&D buildings include a multi-purpose space accommodating more than 100 people and incorporate the latest equipment, which will help improve development quality.



"Ultra Street Fighter IV"



"Resident Evil Revelations 2"



"Resident Evil" (HD Remastered)

22.5 billion dollars in 2014 (up 53.1% from the previous year), expanding to the same size as the Consumer market.

The main reasons for this were (1) the ongoing adoption of smartphones in all countries of the world, (2) the rise of sophisticated tablet devices and free communication apps such as LINE and (3) the growing game user population in line with the spread of native app games.

By region, the North American market was worth 5.4 billion dollars (up 38.5% from the previous year), the European market was worth 3.5 billion dollars (up 52.2% from the previous year) and the Asian market including Japan was worth 11.6 billion dollars (up 64.7% from the previous year). Furthermore, in emerging and Eastern European markets, as well as other areas, the global market grew steadily to 1.9 billion dollars (up 46.2% from the previous year).

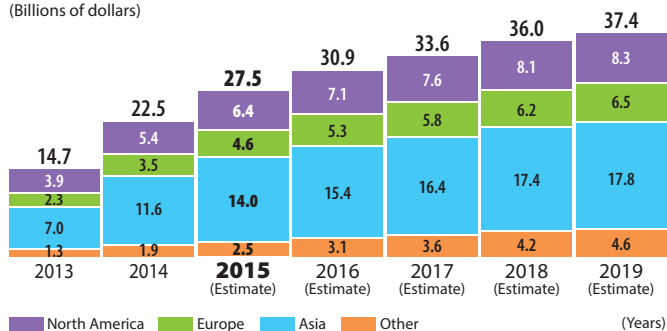
The freemium (virtual item purchases/in-game purchases), a earnings model where users download a game for free, then purchase access to additional items and other game content as needed, has predominated in the market since about 2010. With freemium games, the key to manageability is using content power (brand/game function) 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 2014, smartphone shipments amounted to 1,252.3 million units (up 23.8% from the previous year), maintaining double-digit growth that is forecast to continue in 2015 amid the ongoing adoption of smartphones worldwide. Furthermore, higher demand for game devices in Japan and Asia and the expansion of popular content worldwide is expected to support ongoing expansion in the market. As a result, we forecast growth in the mobile contents market to 37.4 billion dollars in 2019 (up 66.2% compared to 2014). **Diagram 28**

Diagram 28

Mobile Contents Market

(Billions of dollars)



Source: International Development Group

PC Online

SNS Game Sluggishness Caused the Market to Shrink 14.2% in 2014

Despite contributions from the spread of cloud game services and digital sales in Europe and the United States, and an increase in Massively Multiplayer Online (MMO) game users in the Asian region, games played on Facebook and other SNS were sluggish, resulting in the 2014 PC online market declining to 24.7 billion dollars (down 14.2% from the previous year).

We expect growth to resume in 2015 and forecast the market to expand to 26.4 billion dollars (up 6.9% from the previous year). In the Asian market in particular, continued expansion mainly of MMO games is expected to drive growth from 9.1 billion dollars in 2014 to 9.8 billion dollars in 2019 (up 7.7% compared to 2014). As a result, the PC online game market is forecast at 26.6 billion dollars in 2019. **Diagram 29**

Operating Results for This Fiscal Year

Consumer (Package and Digital Download Contents)

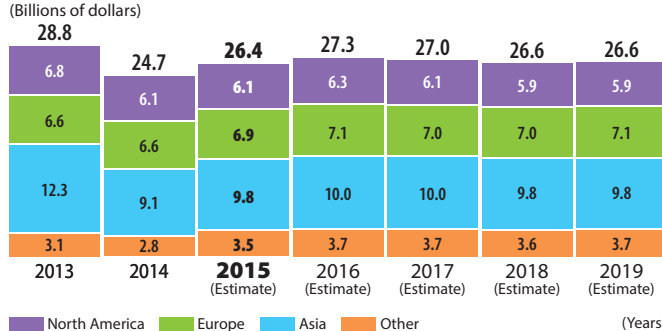
Despite the Repercussion from Lower Sales Last Fiscal Year, Sales Declined While Profit Increased Due to Earnings Composition Improvements Sales Were 35.2 Billion Yen (Down 33.6% From Last Fiscal Year)

Core title "Monster Hunter 4 Ultimate" generally met projections, selling 3.4 million units while "Ultra Street Fighter IV" targeting overseas users enjoyed brisk sales. "Resident Evil Revelations 2" made use of a variety of sales methods including download sales of episodes and package sales after digital distribution to become a million-seller title with 1.1

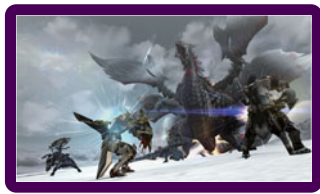
Diagram 29

PC Online Market

(Billions of dollars)



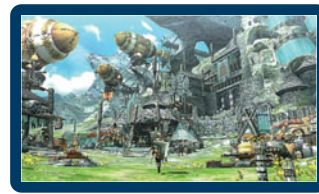
Source: International Development Group



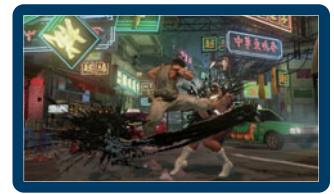
"Monster Hunter Frontier G"



"Monster Hunter Mezeoporuta Kaitakuki"



"Monster Hunter X (Cross)"



"Street Fighter V"

million units sold. Furthermore, "Resident Evil" (HD Remastered), a high-quality version of the original "Resident Evil" created for current game consoles, sold via download overseas is performing well and has already surpassed the sales projection of 900,000 units. However, the backlash from sales of major title "Monster Hunter 4" last fiscal year and a narrowing down of core software titles led to a significant decline in sales compared to the previous fiscal year.

At the same time, development structure revisions aimed at eliminating unprofitable outsourced titles and steady growth in the unit sales of previously developed repeat titles with wide profit margins resulted in an improved digital download sales ratio, from 18.3% last fiscal year to 25.6% this fiscal year, which significantly improved profitability.

As a result, package and full-game download sales totaled 13 million units (down 25.7% from the previous year), package sales were 26.2 billion yen (down 39.5% from the previous year), digital download sales were 9 billion yen (down 7.2% from the previous year) and Consumer sales were 35.2 billion yen (down 33.6% from the previous year), yet the operating margin still increased into the 20% range.

Mobile Contents

A Lack of Leading Titles Under the Capcom and Beeline Brands Resulted in Sales of 4.1 Billion Yen (Down 36.9% From the Previous Year)

Existing titles were unable to support the lack of leading titles under the Capcom and Beeline brands. Despite the success of some titles, including "Monster Hunter Hunting Quest" and "Monster Hunter Freedom Unite for iOS" under the Capcom brand, and "Smurfs' Village" under the Beeline brand, the intensely competitive environment posed an uphill battle dulling these achievements.

As a result, net sales tumbled to 4.1 billion yen (down 36.9% from

the previous fiscal year). In terms of profits, the earnings composition was successfully restructured, raising the operating margin into the 20% range.

PC Online

Stable Contribution from "MHF" Maintained Nearly the Same Level of Sales as Last Year at 6 Billion Yen (Down 4.8% Year on Year)

"Monster Hunter Frontier G" (MHF), which is extremely popular in Japan, provided a stable contribution to earnings. We also released a new browser game "Monster Hunter Mezeoporuta Kaitakuki".

As a result, sales were generally on track, amounting to 6 billion yen (down 4.8% from the previous year). In terms of profit, the success of cost reductions and selling, general and administrative expense revisions raised operating margins to the 15-20% range.

Summary

As a result, the Digital Contents business this fiscal year achieved sales of 45,351 million yen (down 31.1% from the previous fiscal year) and operating income of 10,208 million yen (up 127.4% from the previous fiscal year). **Diagram 30**

Outlook for the Next Fiscal Year

Consumer (Package and Digital Download Contents)

Projecting Sales of 35 Billion Yen (Down 0.6% From the Previous Year) Based on the Release of Two Core Titles and Enhanced Digital Downloads, Maintaining the Same Level with a Lean Organizational Structure

To achieve the medium-term business goals, we are engaged in (1) strengthening digital download and (2) enhancing our title lineup

Diagram 30

Sales by Genre

(Billions of yen)

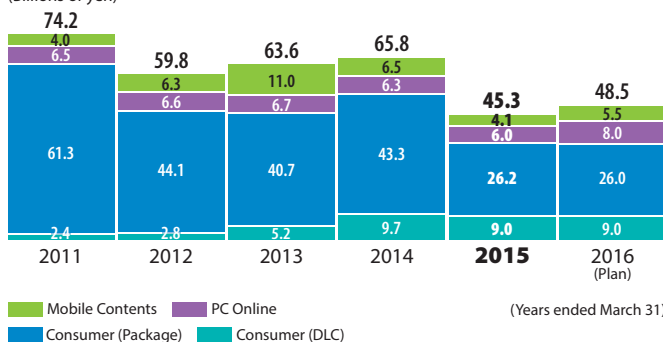
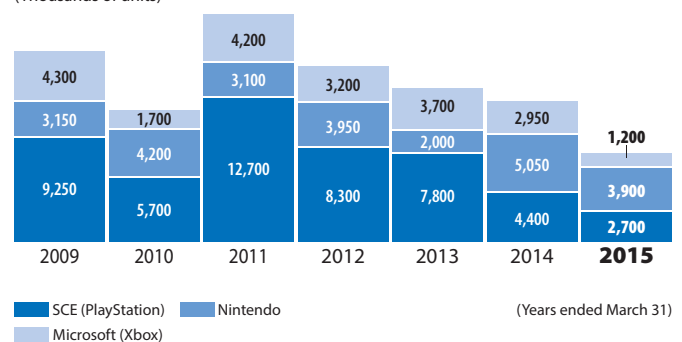


Diagram 31

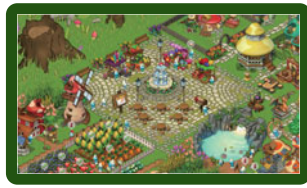
Units Shipped by Hardware (Package Only)

(Thousands of units)





"Monster Hunter Explore"

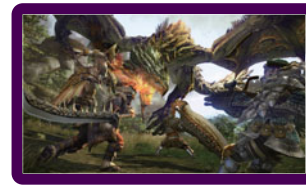


"Smurfs Village and the Magical Meadow"

© PeYo - 2015 - Licensed through Lafig Belgium - www.smurf.com. All game code © 2014 Beeline Interactive, Inc.



"Dragon's Dogma Online"



"Monster Hunter Online"

through the full-fledged operation of a 60-month title development plan.

Efforts within (1) include expanding unit sales by strategically releasing full-game and add-on contents. Also, we will utilize one of our existing intellectual properties to proactively release an HD remastered version of a previous title for download sales in an attempt to create sales opportunities and increase the digital download sales ratio.

In terms of (2), we will (a) promote compatibility with multiple platforms aimed at both current and older game consoles **Diagram 31** and (b) release a new title within an existing popular series every 2.5 years based on our 60-month map title portfolio.

Next fiscal year, we will release core titles "Monster Hunter X (Cross)" and "Street Fighter V" while further strengthening download sales, forecasting 13 million unit sales again this year. Accordingly, we anticipate sales of 35 billion yen (down 0.6% from the previous year). Operating margins are also expected to remain at nearly the same levels as this fiscal year due to stage 3 reforms aimed at creating a lean organizational structure. **Diagram 32**

Mobile Contents

Forecasting Sales of 5.5 Billion Yen (Up 34.1% From the Previous Year) on Release of Highly Anticipated Title Releases in Japan and Overseas

Focusing efforts on creating the next hit titles, Mobile Contents will (1) make use of proprietary brands and accumulated management knowledge in the Capcom brand and (2) return to the source of our area of expertise in the Beeline brand. **Diagram 33**

With respect to (1), Capcom brand development structure reforms were completed in the previous fiscal year, thus we are aiming for a solid hit in the domestic market using this new structure. We will combine the content power of the Consumer sub-segment with PC

Online sub-segment management capabilities to release the highly anticipated title "Monster Hunter Explore" and distribute carefully selected native app games. We will also expand aggressively into the Asian market, including China, where smartphones continue to spread rapidly.

In terms of (2) the Beeline brand, we will distribute titles globally for the casual user segment making use of popular content including "Smurfs Village and the Magical Meadow" and "Ghostbusters Puzzle Fighter" while focusing efforts on managing existing titles such as "Snoopy's Sugar Drop" in Japan. As a result of these measures, we forecast Mobile Content sales of 5.5 billion yen (up 34.1% from the previous year). Operating income is also expected to increase compared to the previous fiscal year.

PC Online

Projecting Sales of 8 Billion Yen (Up 33.3% From the Previous Fiscal Year) Due to Stronger New Title Releases in Japan and Asia

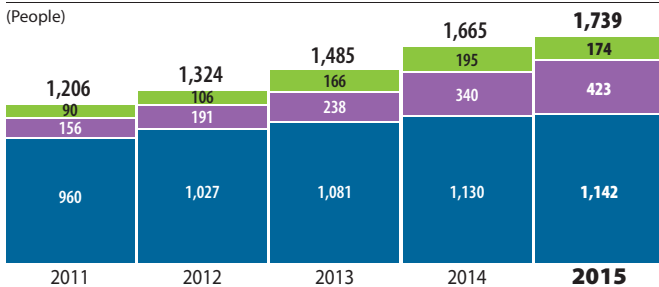
In addition to a major "MHF" update, we will release "Dragon's Dogma Online" and "Breath of Fire 6", titles using popular IP expected to contribute to earnings. We will deploy "Monster Hunter Online" in the Chinese market through an alliance with China's Tencent Holdings Ltd, among other efforts to strengthen licensing in the Asian region. As a result of these measures, we forecast sales of 8 billion yen.

Summary

In summary, we expect both sales and income to grow, mainly in the PC Online and Mobile Contents sub-segments, and forecast net sales of 48.5 billion yen (up 6.9% from the previous year) and operating income of 11 billion yen (up 7.8% from the previous year) next fiscal year.

Diagram 32

Digital Contents Business Development Staff



Mobile Contents PC Online Consumer

(Years ended March 31)

Diagram 33

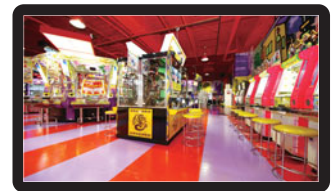
Two Mobile Contents Brand Strategies

| Brands | Targets | User Attributes |
|---------------|------------------------------|--|
| Capcom brand | Mainly Japanese user segment | Traditional Capcom fans |
| Beeline brand | Global user segment | High percentage of female and senior users |

Business Activities and Future Outlook



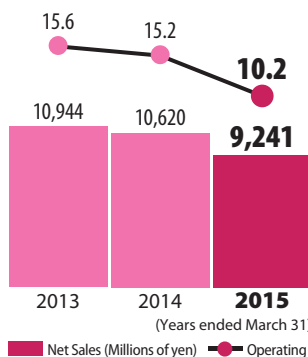
Arcade Operations



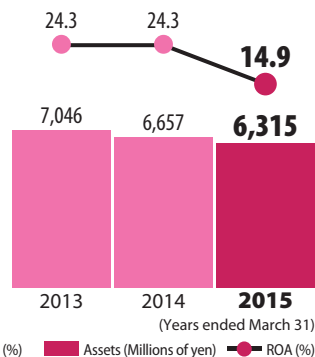
Plaza Capcom Isogo

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

Net Sales/Operating Margin



Assets/ROA



SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> Specialize in opening mall-based large-scale facilities to secure a stable customer base Thorough scrap-and-build focused on investment efficiency to ensure sustainable earnings | | <ul style="list-style-type: none"> Low sales growth from small number of carefully selected facilities Little synergy with proprietary contents |
| <ul style="list-style-type: none"> Expand ability to draw customers by introducing popular machines Increase customers with appeals targeting seniors and children Multifaceted deployment of attractions using Capcom contents | | <ul style="list-style-type: none"> Existing users on the decline due to falling birth rate Increased consumption tax Entertainment diversification due to rapid growth of games for smartphones |

Market Trends

2.9% Market Contraction Indicates Continued Downward Trend, Signs of Roadside Arcade Recovery

During the previous fiscal year (ended March 31, 2014), the size of the domestic arcade facilities market decreased slightly to 456.4 billion yen (down 2.9% from the previous fiscal year). **Diagram 34** This was due to a decline in the number of arcades and the number of machines per arcade, the absence of a major hit product gaining traction in the market, competition from apps in line with the ongoing adoption of smartphones and increased diversity in how people spend their leisure time.

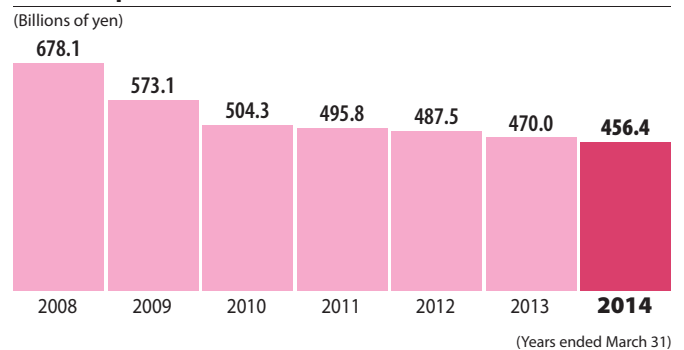
Furthermore, although the number of facilities decreased to 16,069 (down 5.4% from the previous fiscal year) **Diagram 35**, there was a slight increase in the number of machines per arcade, which was 32.7 (up 0.5 machine from the previous fiscal year), and sales per facility, which was 28.40 million yen (up 2.7% from the previous fiscal year). Many companies closed unprofitable arcades, successfully promoting management efficiency.

During the fiscal year under review, the market continued to contract as in the previous fiscal year. Despite the popularity of some prizes utilizing popular contents, the April 2014 consumption tax hike caused a drop in consumer confidence resulting in fewer customers and lower customer unit prices that drove the ongoing closure of unprofitable arcades throughout the industry.

In terms of outlook for the future, although conditions vary from one arcade to the next, we expect the market to remain somewhat weak overall. Specifically, arcades in shopping centers will continue to face severe business conditions due to declining customer numbers at large commercial facilities and merchandise lineups that do not sufficiently appeal to families. At the same time, the introduction of character merchandise popular with young people and leading music game machines are expected to maintain brisk business at roadside arcades.

Diagram 34

Arcade Operations Market



Source: JAMMA "Survey on the Amusement Industry"



Nature Capital

Energy Conservation Initiatives

Electricity usage and other utility expenses are one variable element associated with facility operating costs within Arcade Operations. We are engaged in proactive initiatives that consider the environment and reduce costs, including the introduction of LED lighting and energy-efficient air conditioning systems in new arcades.



Plaza Capcom Oita
"Monhan Sweets Airou Crepe Shop"



Plaza Capcom Kyoto
"Asobi Oukoku Peekaboo"



"Asobi Library Kawaguchi"

Operating Results for This Fiscal Year

Despite Attempts to Cultivate New Segments (Seniors and Children) and Deepen Existing Segments (Women and Families), Sales and Profits are Expected to Decline Due To Market Weakness

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. **Diagram 36**

This fiscal year (ended March 31, 2015), amid a soft market, we attempted to expand customer segments by focusing efforts on capturing seniors and families by offering free game experience tours for senior citizens and creating "Asobi Oukoku Peekaboo" play areas for young children in five locations across Japan. Other measures included cafes and restaurants incorporating character motifs from the "Monster Hunter" series.

However, market contraction resulted in existing store sales at 90% of the previous fiscal year, as the impact of the consumption tax and unseasonable weather kept customers away.

This year, we opened one arcade in Saitama Prefecture and closed one unprofitable arcade, bringing the total number of arcades in operation at the end of this fiscal year to 33.

As a result, net sales were 9,241 million yen (down 13.0% from the previous fiscal year) and operating income was 940 million yen (down 41.8% from the previous fiscal year).

Outlook for the Next Fiscal Year

Planning to Open Four Arcades and Close Two, Maintaining Operating Margins at 10% Amid a Severe Market Environment

In terms of business developments next fiscal year (ending March 31, 2016), we expect the market to continue its gradual decline. Above all, we will strive to ensure profits in the severe shopping center arcade environment by continuing to promote the cultivation of new segments and improving management efficiency at existing arcades.

In addition to ongoing senior citizen events aimed at attracting middle-aged and senior customers, we will aim for a synergetic effect by appealing to both game users and the women and family segments with Capcom character-themed cafes and restaurants and escape attractions among other efforts to invigorate our facilities and draw more customers.

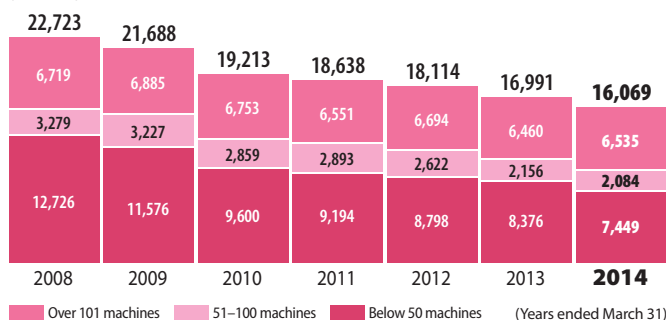
In terms of the opening and closing of facilities, we will further strengthen efficient facilities and close unprofitable ones, while moving forward with the establishment of new facilities in areas with a high concentration of customers to establish new revenue streams. Next fiscal year, we plan to open four arcades, including "Asobi Library Kawaguchi" in Saitama Prefecture, and close two arcades, which will bring the total number of arcades in operation to 35.

As a result of these measures, we forecast existing arcade sales up 1% from the previous year, which is sales of 10 billion yen and operating income of 1.1 billion yen.

Diagram 35

Number of Amusement Arcades (by number of machines)

(Facilities)



Source: JAMMA "Survey on the Amusement Industry" (Years ended March 31)

Diagram 36

Comparison of Arcade Operations Performance (Year ended March 31, 2015)

| | Net sales (Billions of yen) | Operating income (Billions of yen) | Operating margin |
|--------------|--------------------------------|---------------------------------------|------------------|
| Capcom | 9.2 | 0.9 | 10.2% |
| Adores | 13.3 | 0.7 | 5.9% |
| Aeon Fantasy | 46.6 | 2.6 | 5.6% |
| Sega Sammy | 41.4 | -0.9 | - |
| Bandai Namco | 55.5 | -2.2 | - |

Source: Financial reports and earnings materials of each company (Aeon Fantasy fiscal year ended February 2015)
Note: Segments include businesses other than arcade facilities operations and exclude corporate.

Business Activities and Future Outlook



Amusement Equipments

We are engaged in two businesses based on the contents used for our home video games. The Pachinko & Pachislo (PS) 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 sells arcade games for amusement facilities, creating synergy between businesses.



"crossbeats REV."



"CYTUS Ω"

Market Trends

The Pachislo Market Significantly Contracted Due to Model Certification Method Revisions*1*2 as the Arcade Games for Amusement Facilities Market Struggled Amid Effects of the Consumption Tax Hike

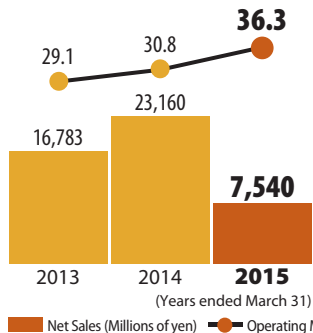
During the previous fiscal year (ended March 31, 2014), the Pachinko and Pachislo market declined to 1,083.2 billion yen (down 10.0% from the previous year). The main reason for this was a fourth consecutive year of contraction in the Pachinko machine market. At the same time, the increasing size of new facilities contributed to the Pachislo market, which grew for the fourth consecutive year, to 473.3 billion yen (up 10.1% from the previous year), propping up the market. **Diagram 37**

Classic characters and prizes using popular content led to brisk sales in the arcade games for amusement facilities market, amounting to 36.6 billion yen (up 18.4% from the previous year). However, coin-operated games, accounting for 15% of the market, were pushed back by a stream of low-cost products from Asia, resulting in sales of 24.5 billion yen (down 29.8% from the previous year). As a result, the overall arcade games for amusement facilities market remained nearly the same at 163.5 billion yen (down 2.4% from the previous year). **Diagram 38**

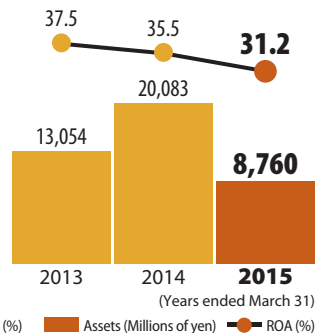
This fiscal year (ended March 31, 2015), the Pachislo market contracted significantly due to a decline in the number of new machines caused by a change to the rules governing Pachislo machine model certification methods*1, which the Security Communications Association made effective in September 2014. Furthermore, the arcade games for amusement facilities market declined due to a loss of investment appetite caused by the April 2014 consumption tax hike.

In terms of the future outlook, despite the elimination of changes to the rules governing Pachislo machine model certification methods*2, we plan to implement functional limitations on sub-substrates in December 2015 and expect ongoing uncertainty in the second half of the fiscal year. Also, in the arcade games for amusement facilities market, we anticipate sales of music game machines, card game machines and a variety of other prominent machines will likely spur investment among facility operators and maintain market stability.

Net Sales/Operating Margin



Assets/ROA



SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- High quality development capabilities cultivated through home video games
- Multiple usage of plentiful in-house contents
- Ability to observe real time market movements through company-owned arcades



- Market recovery via introduction of popular machines
- Long-term profit opportunity with pay-as-you-go model
- Introduction of music games and other new genres

- Lack of title lineup

- Declining operator and hall investment appetite
- Long-term market stagnation
- Market fluctuations resulting from changes to The Entertainment Establishments Control Law and certification rules

| | |
|--------------------------------------|---|
| *1. Model certification | A public test to verify whether or not gaming machines are in accordance with regulations conducted by the Security Communications Association on behalf of public safety commissions in each of Japan's administrative divisions. |
| *2. Changes to certification methods | Three self-imposed restraints implemented in stages. Up to November 2014 (1) guarantee a minimum (55%) ball dispensing ratio, (2) implement limits on penalty functions, and from December 2015 (3) implement functional limitations in sub-substrates. |



"Sengoku BASARA 3"



"Resident Evil 6"



Intellectual Capital

Popular Game Character Utilization

Gaming machines and arcade game machines are developed using popular intellectual property (IP) from a variety of home video games. For example, the Pachislo machine "Resident Evil 6" made use of the "Movision" movable liquid crystal screen, made popular in "Resident Evil 5", in addition to other elements that convey the world of this game and win user hearts.



Operating Results for This Fiscal Year

Pachislo Model Certification Method Revisions and a Lack of Major Arcade Games for Amusement Facilities Drove Sales Down 67.4% and Reduced Operating Income 61.6%

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 PS 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 year (ended March 31, 2015), the PS sub-segment sold 20,000 units of "Sengoku BASARA 3" as highly profitable repeat sales supported earnings. However, the sale of new machines was postponed due to Pachislo model certification method revisions implemented in September 2014, resulting in a weak product lineup.

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, no major new products were released, leaving only coin-operated machines and existing products as the main drivers of sales. The lack of products resulted in overall poor performance in this sub-segment.

Consequently, sales were 7,540 million yen (down 67.4% from the previous year) and operating income was 2,736 million yen (down 61.6% from the previous year), resulting in an unavoidable decline in sales and profits.

Outlook for the Next Fiscal Year

Sales of New Machines Using Popular Contents Are Projected to Increase Sales 98.9% and Improve Operating Income 9.6%

In terms of business development in the next fiscal year (ending March 31, 2016) in the PS sub-segment, although companies will be releasing machines compliant with the new model certification rules, and despite the rules being implemented in three stages, we expect the market environment to remain uncertain. In addition, we think competition between companies will intensify due to differentiation via advanced hardware and cabinet designs and sharp distinctions in hall investment models. Thus, 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) aim to increase sales by introducing unique Pachislo machines with elaborately planned playing styles and visual elements using popular Consumer business contents.

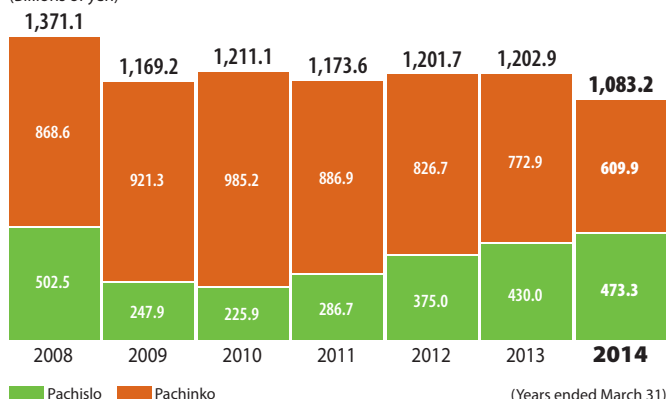
Also, regarding sales of Arcade Games for amusement facilities, we think the release of music game machines, card game machines and a variety of other prominent machines will spur investment among facility operators. Accordingly, we will develop coin-operated games using popular Capcom contents in an attempt to differentiate from other companies' products. Furthermore, we will release new music games employing the pay-as-you-go model intended to create long-term earning opportunities.

As a result of these measures, we expect sales and profits to rise in the next fiscal year. We forecast sales of 15 billion yen (up 98.9% from the previous year) and operating income of 3 billion yen (up 9.6% from the previous year).

Diagram 37

Gaming Machines Market

(Billions of yen)

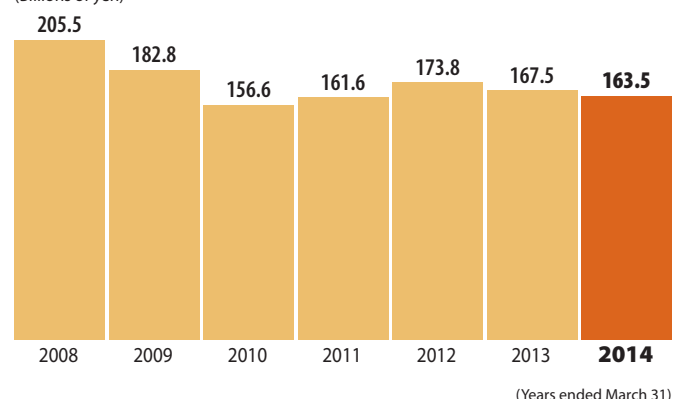


Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2012, 2013, 2014); Yano Research Institute Ltd.

Diagram 38

Arcade Game Market

(Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"

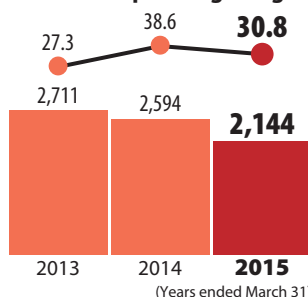
Business Activities and Future Outlook



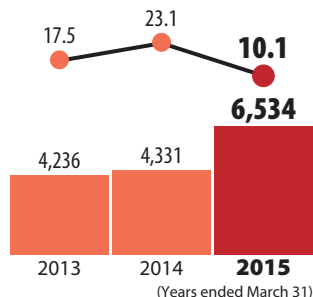
Other Businesses

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.

Net Sales/Operating Margin



Assets/ROA



SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

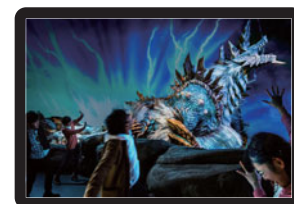
- Synergy effect from multiple use of abundant contents
- Brand value increased through high media exposure
- High profitability

- Low return of sales from licensed products



- Expansion of film, animation, comics, stage productions, orchestras and other development media
- Contents business demand area expansion

- Direct competition with other company's contents as a result of globalization



"Monster Hunter the Real 2015"

Operating Results for This Fiscal Year

Streamlining Titles Led to Decrease in Related Products Resulting in a 17.4% Decline in Sales and 34.0% Drop in Operating Income

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.

This fiscal year (ended March 31, 2015), we implemented a variety of projects within each title based on our continued Single Content Multiple Usage strategy.

Please refer to "Capcom's Business Model" on pages 7-8.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile contents, 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 39**

Specifically, we focused on increasing the "film and visual versions 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 40**

This fiscal year, we continued to promote various collaborations with other industries and hold experience-based events for users of each series. Starting in January 2015, we held "Monster Hunter Festa '15" events in five cities across Japan to coincide with the launch of core title "Monster Hunter 4 Ultimate" and collaborated with Universal Studios Japan on experience-based events including "Universal Cool Japan" held in January 2015, "Resident Evil the Escape" and "Monster Hunter the Real" to promote existing user solicitation and acquire new fans.

Furthermore, in addition to holding the "Monster Hunter x Shibu Hot Springs Resort in Nagano Prefecture" tourist event, the "Sengoku BASARA" series was developed as TV animation and a stage production in an ongoing effort to promote this title among non-game users.

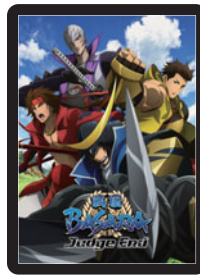
We are also promoting a number of other multi-development projects involving "Street Fighter", "Dead Rising" and "Ace Attorney".



"Resident Evil the Escape"



"Resident Evil the Real 3"



"Sengoku BASARA - Judge End"

©CAPCOM / BASARA JE



Intellectual Capital

Single Content Multiple Usage Strategy

Capcom establishes a business model able to enjoy continuous profits by promoting a Single Content Multiple Usage strategy, whereby the wide range of popular content created by the Consumer business is used for multiple intellectual properties including films and theatrical productions.

Please refer to "Capcom's Business Model" on pages 7-8.

That being said, this fiscal year we streamlined the number of titles under development in line with development structure revisions in the Consumer business. This resulted in a smaller number of titles, less related merchandise within large products and lackluster product sales.

Consequently, sales and profits declined. Sales were 2,144 million yen (down 17.4% from the previous year) and operating income was 661 million yen (down 34.0% from the previous year).

Diagram 39

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

| | Year | Adaptation Type | Original 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 3D |
| | Sep. 2010 | Hollywood movie | Resident Evil: Afterlife 3D |
| | Jun. 2011 | Animated movie | Sengoku BASARA –The Last Party– |
| | Feb. 2012 | Movie | Ace Attorney |
| | Sep. 2012 | Hollywood movie | Resident Evil: Retribution |
| Oct. 2012 | CG movie | Resident Evil: Damnation | |
| Nov. 2012 | Movie | Sengoku BASARA –MOONLIGHT PARTY–Remix | |
| 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– | |
| Oct. 2014 | Theatrical production | Sengoku BASARA 4 | |
| Apr. 2015 | Theatrical production | "Ace Attorney 2–Saraba Gyakuten" | |
| Aug. 2015 | Theatrical production | Sengoku BASARA vs Devil May Cry | |
| Oct. 2015 | Theatrical production | BIOHAZARD THE STAGE | |
| TV drama | Jul. 2012 | TV drama | Sengoku BASARA –MOONLIGHT PARTY– |

Outlook for the Next Fiscal Year

Further Progress with Our Single Content Multiple Usage Strategy Anticipating Increased Sales and Profits through Global Licensing Development Enhancements

In terms of business development in the next fiscal year (ending March 31, 2016), we will continue to aggressively promote our Single Content Multiple Usage strategy.

We will continue our successful collaboration with Universal Studios Japan, including "Resident Evil the Real 3" held from July 2015, then in August the "Monster Hunter Orchestra Concert –Shuryo Ongakusai 2015–" now in its fifth year, among other experience-based event projects and developments aimed at expanding user segments.

Furthermore, we are strengthening sales development within the "Sengoku BASARA" and "Ace Attorney" series through various collaborations with other industries and participation-based events for users in conjunction with the release of Consumer sub-segment games. We are also making efforts to expand earnings from licensing and enhance brand value globally by developing events and merchandise in conjunction with the release of new titles in series such as "Street Fighter" that are popular overseas.

In light of these efforts, we forecast net sales in the next fiscal year of 2.5 billion yen and operating income of 1 billion yen.

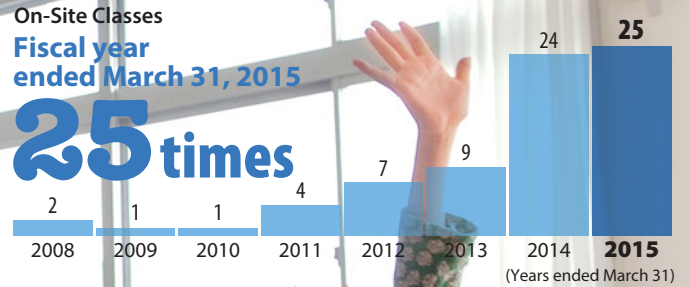
Diagram 40

Revenue Ranking of Japanese Game Contents that Have Been Adapted into Hollywood Movies

| Title | Original writer company | Box-office revenue (worldwide) |
|--------------------------------------|-------------------------|--------------------------------|
| 1. RESIDENT EVIL: AFTERLIFE | 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, 2015 (Capcom figures)

CSR Activities (Corporate Social Responsibility)



Company Visits for Children and On-Site Classes at Schools

Why We Began Our Educational Support Programs as a Game Company

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, discussions tend to focus on the detrimental effects of violent content. For example, some local municipalities have designated certain games to be harmful to the healthy development of young people.

At the same time, the idea of a “future career” as a video game creator is very popular among children, and some schools have even begun to incorporate handheld video game consoles into the classroom in recent years.

Given this situation, and in recognition of the fact that some Capcom games contain intense imagery, we believe it necessary to proactively engage in eliminating concerns regarding the healthy development of young people. To fulfill our corporate social responsibility (CSR) as a game maker, Capcom provides instruction on the appropriate way to interact with games. And since 2005 has conducted educational support activities targeting elementary and middle school students to assist career development.

Initial Program

Since January 2005, Capcom has supported company visits, welcoming elementary and middle schools with an interest in touring Capcom while on school trips or as part of their integrated learning activities. In 2007, we began dispatching instructors to schools to conduct on-site classes. Programs utilizing these initiatives go

beyond instructor lecturing by incorporating the abundant use of video to stimulate the interest of participants. For example, during “career education” we provide video of rarely seen development activities to give children a concrete image of development work that previously they could only imagine. “The literacy education” portion is persuasive in its use of video in which experts discuss topics like “Why do people get addicted to video games?” and provide What to watch out for when playing games.

New Programs for the Current Generation

Having received a variety of feedback from educational institutions since launching these initiatives in 2005, we created two new specialized programs reflecting these opinions in addition to the career education program already in use to bring the total number of programs up to three.

In line with new educational guidelines implemented in 2011, the first program eliminates the literacy segment of the on-site classes and expands the career education segment. In addition to introducing localizers who translate and arrange games for overseas markets, game salespeople, finance staff who manage the company’s money and a variety of occupations other than game developers, we ask students to think about (1) what job they want to do, (2) the reason they want to do it and (3) what skills they will need, then provide them with time to announce their decision to the rest of the class.

The second program is called “Capcom Work x Mathematics”. Since 2012, there is a growing concern regarding children’s deteriorating arithmetic skills. In April 2013, we launched the development of a new career education program using arithmetic



On-Site Classes

(Fiscal year ended
March 31, 2015)



Hyogo

Support organizations: **1**

Fukuoka

Junior Chamber: **1**

Osaka

Middle schools: **5**

Elementary schools: **2**

Special support schools: **2**

Tokyo

District committees: **1**

Middle schools: **3**

Chiba

Middle schools: **3**

Elementary schools: **3**

Kagoshima

Elementary schools: **1**

Ehime

Middle schools: **1**

Okayama

Middle schools: **1**

Kanagawa

Elementary schools: **1**



and mathematics to strengthen the children's foundation in "monozukuri" (manufacturing). Beyond introducing future careers, this program allows children to learn the degree to which proportions, equations, combinations and other aspects of arithmetic and mathematics are used in the workplace, enabling students to understand the link between what they are learning in the classroom and their future jobs.

We also distribute the "The Encyclopedia of Work and Mathematics" as a supplemental educational material, which contains interviews with developers and introduces concepts not covered in the classroom to learn at home.

Upcoming Challenges

2015 marks the 11th year since Capcom launched education support activities in 2005.

Initially, on-site classes were conducted at elementary and middle schools. At present, we are expanding the scope of on-site class activities to organizations other than educational institutions, including reform schools, temporary housing in disaster-stricken areas and regional municipalities.

However, compared to 10 years ago when these activities began, the environment surrounding children is undergoing tremendous change. This means the appeal of games and the way people interact with games are also changing. Thus, to continue using games to communicate the importance of work and the proper way to interact with games, Capcom will promote activities enabling an even greater response to educational needs based on advice from university education specialists as well as feedback from schools.

Capcom School Visit Feedback

We received a wide range of comments after our Capcom school visits and student company visits.

- From now on, I will play games on some days, but not others, and set a time limit on how long I play. (Elementary school student)
- Capcom provided very detailed information, such as the meaning of the icons on the game packages, which was very useful. The presentation gave me a lot to think about as a parent regarding raising children and video games. (Parent of elementary school student)
- I thought everyone who works at a game company was a creator, so I was surprised to learn about promotion and lots of other jobs. (Middle school student)
- The presentation helped me develop a love for mathematics. (Middle school student)
- The idea of keeping a journal and noting motivation before class was good. I also applaud Capcom for pointing out the negative aspects of playing games for an extended period of time. (Middle school teacher)
- The students really got the important points regarding work, which I hope they make use of in the future. However, I wish they would provide more data and detailed explanations regarding the adverse effects of playing games for long periods of time. (Middle school teacher)

Capcom is focusing efforts on ESG initiatives to realize mutual benefits with stakeholders and the general public. Specifically, we promote CSR activities contributing to the social good through our business.

Environmental CSR Initiatives

Digital Content software development and sales account for more than 70% of Capcom's consolidated net sales, thus our environmental impact is low compared to typical product manufacturers. Our main environmental impact comes from office work and product distribution, areas in which we strive to conserve energy.

New Building Innovations

10% Reduction in CO₂ Emissions Throughout the Entire Building

The new "Capcom Technical Center", which began operation in fiscal 2015, utilizes the energy-conserving equipment indicated below. As a result, we expect to reduce CO₂ emissions by approximately 10%* throughout the entire building.

■ Energy-Conserving Effect of New Building Equipment*

- (1) Exterior thermal insulation: 5% reduction
- (2) LED lighting: 40% reduction
- (3) Human/daylight sensors: 20% reduction
- (4) Air conditioning/heating monitors: 30% reduction

Note: Assumes energy consumption of 100% without introduction of this equipment.

Innovations in Amusement Equipments

Efficient Use of Pachislo Frame Materials

Part of the frame used for the Pachislo machine "Sengoku BASARA 3", released in fiscal 2014, incorporated material from previous frames, employing an assembly method minimizing frame replacement parts.

This enables us to reduce waste materials and conserve resources.

Innovations in Product Distribution

Sharing Distribution Networks with Other Companies in the Same Industry

Sharing distribution networks with other companies in the same industries when shipping products enables the efficient supply of products. As a result, we are able to realize reductions in packing materials, fuel and emissions.

Paperless Instruction Manuals

Older game consoles included a printed instruction manual inside the package, but with current game consoles, manuals are now included as data within the software in an attempt to save paper. This enables us to eliminate approximately 7 million game units' worth of paper shipped annually.

The Social Dimension of CSR Activities

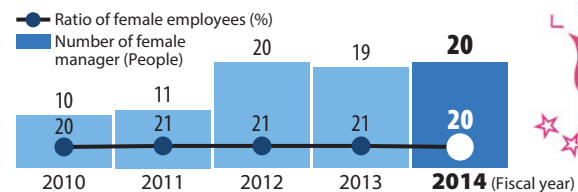
Promoting Employee Diversity

Initiatives Aimed at Improving the Work Environment for Women, Promoting Gender Equality and Proactively Hiring Foreigners

Capcom is currently engaged in initiatives aimed at improving the work environment for women, promoting gender equality and proactively hiring foreigners.

In terms of improving the work environment for women, we introduced systems enabling women to take a leave of absence before/after giving birth, childcare leave and shortened working hours, which are promoted throughout the company. In fiscal 2014, 21 employees utilized the childcare leave system, of which five were men. Utilization rate among women was 100% (in fiscal 2013, 18 employees utilized this system, of which three were men and the utilization rate among women was 100%). The return rate after childcare leave was also high. In fiscal 2014, 17 employees returned to the workplace. Excluding those on vacation, 94.4% returned (in fiscal 2013, 14 employees returned, a return rate of 100%). As a result, in the Japanese game industry, known for being a male-dominated industry, nearly 20% of Capcom's developers are women, and we have 20 female managers (representing 9.7% of managers overall). To further increase the proactive involvement of women, we are considering the addition of a daycare facility to the R&D building in 2016. In recognition of Capcom's efforts toward improving the workplace environment for women, since 2012 we have earned the "Kurumin" mark, the symbol of a "company supporting childcare", from the Ministry of Health, Labor and Welfare.

■ Ratio of Female Employees and Number of Female Managers (Tabulation range: Non-consolidated basis)



"Kurumin" mark



In terms of the proactive employment of foreigners, Capcom is making efforts to strengthen overseas development capabilities including hiring programmers from areas such as Dalian, China. We currently employ 69 foreigners (representing 3.4% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including the support for career advancement and the promotion of foreign managers.

Enhancing Employee Skills

Level-Based and Non-Regular Training

To provide career paths and improve the work environment, Capcom

provides the following level-based skills enhancement training opportunities.

Major Training Programs

| | |
|--------------------------|---|
| Early Career (Years 1-3) | <ul style="list-style-type: none"> • Training for new hires • Follow-up Training (Years 1 & 3) • Mentoring Program |
| Mid-Career | Leadership Training |
| Others | <ul style="list-style-type: none"> • English Instruction • Mental Healthcare • Management by Objectives (MBO) |

Corporate Governance and CSR

Action Criteria and Compliance-Related Employee Education

The “Capcom Code of Conduct” calls for “free competition and fair trade”, “respect for human rights and individuality and the prohibition of discrimination” and “environmental conservation and protection”. To ensure a concrete understanding of these concepts, we created the “Capcom Group Code of Conduct Handbook”, which is distributed to all employees and contains illustrated case studies presented in an easily understandable Q&A format.

We also make use of the company intranet to provide “e-learning sessions on legal compliance” and disseminate “personal information protection rules” to all employees.

Action criteria and compliance are the lynchpin of corporate governance and the foundation upon which we fulfill CSR. Capcom will continue to instill this understanding in all its officers and employees.



Capcom Group Code of Conduct Handbook

Ensuring Employee Health

Monthly Health and Safety Committee Meetings

Monthly Health and Safety Committee meetings include the attendance of an employee representative, an observer and a company representative.

At these meetings, the results of hours worked are analyzed in terms of overtime and workload appropriateness, causal factors and improvement policies are discussed and occupational injuries and workplace environment conditions are reported to the committee to promote the creation of a “comfortable working environment”. Attention is also focused on prevalent illnesses and ailments common among game creators, with public health and industrial doctors regularly invited to perform physical exams and reexaminations to ascertain employee health conditions.

These activities have resulted in a steady increase in the number of employees submitting medical certificates for physical examinations and reexaminations each year.

For the Healthy Development of Young People

Compliance with the CERO Rating System and Independent Public Relations Activities

NPO Computer Entertainment Rating Organization (CERO) was created to provide age-appropriate ratings for video games. Capcom complies with the CERO rating system and rules in addition to

developing independent public relations activities.

The video game industry voluntarily restricts game content and sales methods to limit access to sexual and violent content for the healthy development of young people. Age ratings on game packaging provides purchasers with information pertaining to the age appropriateness of game content, classified into one of five categories: All ages (category A), 12 years or older (category B), 15 years or older (category C), 17 years or older (category D) and restricted to 18 years or older (category Z). CERO members voluntarily prohibit sales of category Z games to users under 18 years old, with 99.6%* of retailers separating game displays by ratings category and checking purchaser identification to confirm age.

In addition, the latest home video game consoles include a parental control function that enables parents to limit the online purchase and use of certain games according to their ratings.

The industry is making a concerted effort to promote the adoption of this ratings system and improve its efficacy. Capcom has made an effort to promote a greater understanding of this ratings system through detailed explanations in the educational comic “The Secrets of Video Games”, which was distributed to elementary schools and libraries across Japan and used during student visits to the company and on-site classes.

* From the results of “The 4th CERO Age-Based Ratings System Field Survey”

Contributing to Regional Developments

Using Popular Games to Attract Customers and Raise Awareness

Capcom also engages in CSR activities using popular content to support regional invigoration activities and improve public safety.

In 2014, Capcom partnered with police departments in Osaka, Kyoto and Hyogo Prefectures, using “Sengoku BASARA” to raise awareness and aid prevention of vehicle-related thefts. The display of 10,000 posters and distribution of 250,000 leaflets improved conditions in Osaka, Japan’s car theft capital. Efforts were also made to reduce the incidence of vandalism in Kyoto and Hyogo Prefectures.

Characters from this series were also used for regional invigoration and the promotion of tourism in Kofu, Yamanashi Prefecture. To this end, the city of Kofu signed a regional invigoration and inclusion agreement with Capcom. In 2019, Kofu will celebrate 500 years since its founding and plans to hold a variety of events in which Capcom will participate. Furthermore, in 2015, Capcom cosponsored a special exhibit of famous warlord weapons and armor that included an appearance by “Sengoku BASARA” at the Saitama Prefectural Museum of History and Folklore to support cultural and historical awareness.

Going forward, Capcom will continue using games to contribute to regional invigoration and improved public safety as a good corporate citizen.



“500 Years x Sengoku BASARA” poster



“Vehicle-related theft” damage prevention awareness poster

Establishing a More Proactive Governance via Decisions Based on Transparent Operations and Judgments Made from Society's Perspective

Japan's Corporate Governance Code, formulated by the Tokyo Stock Exchange, went into force on June, 2015. This code requires listed companies in Japan to observe global standards for governance. Chairman Kenzo Tsujimoto and External Director Makoto Matsuo discuss the proactive governance targeted by Capcom and the role of external directors in achieving this objective.

Strengthening Dialogue with Shareholders in Advance of Governance Code

Matsuo Up to now, corporate governance in Japan has placed emphasis on defensive measures such as enhancing internal controls and mitigating risks. However, the focus going forward will be on offensive measures such as improving profitability and capital efficiency. I applaud Capcom for being one of the first corporations in Japan to revise their governance. In light of new developments such as the Corporate Governance Code, I am interested to once again hear your thoughts on corporate governance.

Tsujimoto Up to now, Capcom has strengthened governance from the perspectives of effectiveness and visualization while ensuring management transparency, soundness and legal compliance in recognition of the fact that sustainable growth is a necessary condition for appropriate corporate governance. Likewise, in terms of the Corporate Governance Code emphasis on dialogue with shareholders, we have always focused on our obligations to shareholders and investors.

Matsuo I was surprised by the numerous measures Capcom undertook during the past year in anticipation of the Governance Code. First of all, the notice for the shareholders' meeting was impressive. You reported on enhancements to Capcom's governance structure, including increasing the ratio of external directors on the Board, while addressing the necessity of takeover defense measures within the growth strategy. You also provided extremely detailed explanations using charts and graphs to ensure shareholder and investor understanding.

Tsujimoto At the shareholders' meeting in the previous fiscal year the takeover defense measure had been rejected, so during the past year we proactively engaged in dialogue pertaining to this item with shareholders and institutional investors more than we have in the past. Presently, there is significant opposition to corporate takeover defense measures in general, thus shareholder and institutional investor resistance is not limited to Capcom. However, if a large-scale purchaser could easily change development policies, potentially weakening the development structure, I think this would result in reducing Capcom's corporate value.

Following through with growth strategies, enhancing corporate value over the medium- to long-term, increasing ROE and fulfilling our responsibility to shareholders and investors—this is Capcom's management approach.

Matsuo External directors were also of the opinion that improving performance and raising the share price were the best defense measures, but management is already cognizant of this as a major premise. In addition, we stressed that since the value of our IPs are not accounted for on the balance sheet,

they are thus not reflected in the economic valuation of the company.

Tsujimoto Throughout more than 30 years of history, Capcom has generated a copious amount of brands via our content, which are recognized the world over. Any attempt to take those brands, with no development policies in place, and simply try to make money off of them, will result in damaging the brands' value. This must be prevented for the sake of shareholders' interests as well. In addition to clearly conveying this idea, we revised the content based on a wide solicitation of shareholder opinions, resulting in a 75% approval and passage at this year's shareholders' meeting for the takeover defense measures that had been rejected just last year.

Matsuo This is surely the result of the increased efforts to engage shareholders in dialogue. However, the takeover defense measures are a double-edged sword, as we cannot forget that not all shareholders gave their approval.

Tsujimoto I got that feeling during conversations with shareholders, and I always keep minority shareholder opinions in mind. Also, behind the success of these dialogues over the past year, external director calls for explaining whether or not there are actual takeover threats, as well

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO), Capcom Co., Ltd.





as the necessity for introducing these measures and the rationale involved, have been huge. Given that measures were rejected last fiscal year, they suggested we provide shareholders with more thorough explanations.

Matsuo In order for us external directors to understand that these measures are not to protect management, but rather are a necessary aspect of the growth strategy, we frequently demanded more explanations, repeatedly posing the question, “Is that explanation good enough to satisfy our investors?” Hearing the opinions of all external directors and engaging in thorough discussions during Board of Directors meetings was extremely worthwhile from a governance standpoint. At the same time, the confidence in these measures means increased shareholder demands for the promotion of growth strategies and the achievement of medium-term business goals (cumulative operating income and ROE). As representatives of shareholders and other stakeholders, we external directors will continue to monitor your progress toward these goals.

Tsujimoto Exactly. We have stressed the need for this measure to achieve sustainable growth and increase corporate value over the medium- to long-term, and we are thus prepared to accelerate our growth strategy and achieve our goals. We are creating opportunities to explain progress toward the medium-term business goals within and outside the company on a regular basis. One of our new initiatives with respect to the Governance Code are small meetings for institutional investors led by External Director Takayuki Morinaga.

Matsuo It is extremely rare for an external director to engage in dialogue with investors. I am sure it was a good opportunity for investors to confirm that external directors are actually fulfilling their management supervisory roles. On the other hand, since this was the first time this initiative was conducted, we received feedback indicating

there is room for further improvement in terms of responses to questions and management itself. We external directors will redouble our efforts during Board of Directors meetings so we are able to respond more satisfactorily to shareholder and investor inquiries.

Capcom’s Goal of Proactive Governance and the Role Demanded of External Directors

Matsuo External directors consist of former corporate managers and legal specialists from various areas. On the other hand, we do not have backgrounds in the content industry nor are we deeply familiar with it, so what role do you expect external directors to play?

Tsujimoto Companies must always hone their unique corporate characteristics to beat the competition. However, if that is all they pursue, there is a possibility they will become overly specialized, and lose sight of social common sense. At Board of Directors meetings, internal directors tend to lead discussions, but I want external directors to validate judgments from an outside perspective and, if necessary, state their objections. External directors are appointed with consideration for their specialization and their command of the highest level of insight in their respective areas and their ability to make objective decisions with regard to Capcom’s management and business activities. I think there is tremendous value in looking at management from the perspective of the general public, including that of shareholders and other stakeholders. I expect external directors to determine whether management is adequate from the perspective of the general public and bring risks to our attention.

Matsuo From my experience not only as an attorney, but also as an external director for other companies who has monitored the management of various corporations, I think successful companies can get trapped by fixating on their successful experiences. For this reason, I will continue to ask, “Is this really alright?” That being said, highly transparent documentation and explanations are also indispensable for objective judgment.

Tsujimoto To visualize actual business conditions, the material distributed at Board of Directors meetings is mainly quantitative data from management meetings. Of course, we explain the issues pertaining to each item for discussion, but since it is difficult to make correct judgments without knowing the background of decisions made in executive divisions, we think it necessary to provide all background quantitative data.

Matsuo Certainly, attaching all related background data aids understanding and prevents fudging the numbers. To conclude, Capcom has already announced its growth strategy and is engaged in enhancing corporate value, but promoting the growth strategy also invites the potential for a variety of risks. What steps is management taking to mitigate risk?

Tsujimoto From the perspective of earnings fluctuation risk, we are constructing a business portfolio with the Single Content Multiple Usage strategy to distribute risk. However, management decision risk is most important, so a mechanism preventing incorrect judgment is essential. To this end, we are taking steps to visualize management quantitatively, identify problems as quickly as possible and address them. I have heard that visualization is also useful for management supervision and monitoring by external directors and external auditors. We also established an Audit Committee consisting of members with backgrounds in accounting and development who monitor operations in conjunction with two veteran external auditors familiar with a wide range of operations. Additionally, this year, we will increase the ratio of external directors on the Board of Directors to 43%, the highest level ever, as part of our efforts to establish more proactive governance. I look forward to your continued cooperation.

Makoto Matsuo

External Director, Capcom Co., Ltd.



Tamio Oda

Director
Executive Vice President and
Chief Financial Officer (CFO)
Capcom Co., Ltd.

Takayuki
Morinaga

External Director
Capcom Co., Ltd.

Held June 2015 Small Meeting with Investors

Dialogue Between an External Director and Institutional Investors

In conjunction with the launch of the Tokyo Stock Exchange Corporate Governance Code, the role of external directors is more important than ever.

In response to questions including “Are external directors really expressing brutally honest opinions at Board of Director meetings?” and “What exactly does the function of an external director entail?” Capcom held its first-ever small meeting with institutional investors, who met with External Director Takayuki Morinaga. The following page provides excerpts from this dialogue.

Takayuki Morinaga, External Director

My role as external director is to enhance corporate value, which consists of two aspects: economic value and social value.

While I think it is of course important to pursue profits and enhance economic value, it is also important to provide social value required by the public. Without that, it will be difficult to maintain economic value.

Social value involves a variety of aspects. In the context of games, it is not absurd to suppose that by playing games more you could make yourself smarter, improve your character or keep your mind sharp, and if this were the case, it significantly increases our social value, which would then tie into an increase in our economic value.

We at Capcom also wish to focus on social value along with economic value as we move forward.

I admire both the number and diversity of external directors (including corporate auditors) present at Capcom Board of Directors meetings. As the founder is running the company, I was concerned that his views would go unchallenged; however this was absolutely not the case at Capcom. Board of Directors meeting discussions are lively, and thanks to the visualization of management via quantitative data, materials provided to the Board have been put together in a highly intelligible manner.

We engaged in a diverse range of discussions at Board of Directors meetings regarding this year’s resubmission of the takeover defense measures. Based on my corporate management experience up to now, there are two types of takeovers: one that benefits the shareholders, and one that does not. In the case of the latter, corporate value is destroyed, resulting in potential losses for shareholders. Personally, I think the above measures are necessary to eliminate these potential

losses. By leaving the final decision to the judgment of the shareholders at the general shareholders’ meeting, I feel the interests of shareholders have been secured.

Q&A Summary

Q Currently, it is set up so that should Capcom move to invoke the takeover defense measures, an emergency shareholders’ meeting will be held; however, is it not the case that this ensures neither the validity nor the transparency of said takeover defense? Supposing 75% agree to implement the measures, but 25% oppose them; is it not true that the interests of the 25% minority of shareholders are being damaged?

A Actually, we will disclose a variety of information before we actually put the measures into practice, which will provide those shareholders who are in opposition with enough time to sell their shares if they so choose.

At the same time, asking for approval to invoke takeover defense measures at the emergency general shareholders’ meeting is a last resort and not the meeting’s main purpose. The source of Capcom’s content development is its people, thus development expenses consist in large part of labor costs. In this context, the purpose was to create a place and time to discuss development policies with buyers so as to avoid distressing our developers, who are the backbone of the company.

Furthermore, with respect to the establishment of an independent committee in the event takeover defense measures were to be actuated, investors told us that “independent committees are meaningless; all decisions should be made at Board of Directors meetings”. However,



Materials used during the small meeting

as Capcom is a company with a board of corporate auditors, we think an independent committee would be effective in terms of reflecting the opinions of corporate auditors in the discussion. We were also criticized regarding whether people external to the company are of any use in an emergency situation. We accept this criticism and are in the process of making improvements.

Q External director neutrality is critical, but if one serves on the board long term, doesn't one tend to take the company's position? What does Capcom do to prevent this situation?

A An outside perspective is critical, but it is also important to build a certain degree of relationships within the company as well. Without prerequisite knowledge and information, one cannot provide appropriate advice, nor can they be very convincing. In my (Morinaga) case, I want to maintain a balance in light of my experience.

External directors and corporate auditors are appointed from a diverse range of backgrounds, so there is no issue in terms of transparency. In fact, at Board of Director meetings, we make extremely critical observations, so there is no concern regarding our neutrality.

Please refer to "Principal Discussions at Board of Directors Meetings held in Fiscal 2014" on page 57.

Q On what basis are external directors appointed? Shouldn't people with a more detailed knowledge of the contents industry be appointed? From the outside, it seems like external directors are appointed based on their friendship with management. What do you think about standards for replacing external directors?

A At present, Capcom has not made the standards by which external directors are appointed explicit to the public. That being said, in as much as possible we select individuals from as wide a range of areas, bearing in mind we want people who are specialists with the highest level of insight in their field, who are able to deliver objective decisions regarding Capcom management and business activities. It is not at all the case that friendship is the reason individuals are appointed. To dismiss such concerns, I would like to further improve the basis for appointments going forward.

Q What do you think about risks and issues pertaining to owner-run companies?

A I think there are many positive aspects of owner-run companies. An owner should never become an autocrat, and decisions should be made by the Board of Directors, not only by the owner. If a governance structure is in place, the speed of the owner's independent decision-making capabilities, their consciousness, and their reform capabilities are effective in propelling corporate growth. In companies where visualization of quantitative data is advanced such as Capcom, maintaining checks and balances from outside the company is more than possible.

Q In the event the owner is taking the company in the wrong direction, are external directors able to call the appropriateness of it into question as a third party?

A For external directors, Chairman Tsujimoto is not an absolute presence; we external directors provide our opinions at Board of Directors meetings without reserve until we are satisfied. Furthermore, the Chairman listens thoughtfully to our opinions. Considering Capcom introduced the external director system in 2001, Chairman Tsujimoto has been proactively listening to differing opinions for quite some time now.

Q When discussing governance, the focus is usually on governance demanded by investors and governance that facilitates corporate management. It is ideal when both these approaches are in congruence, but the most important thing is enhancing the quality of corporate management. The more skillful a manager is, the stronger his power, which in turn makes it easier for him to become an autocrat. To avoid this risk, I hope you engage in vigorous debates to ensure corporate management does not wander off course.

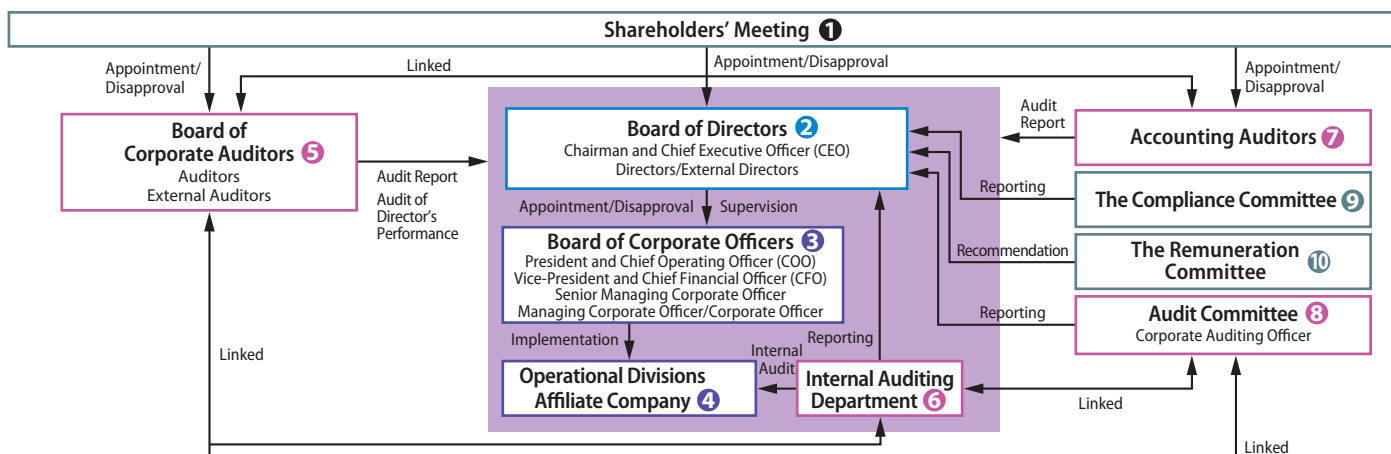
A Understood. This is the first opportunity I have had to engage in dialogue like this, and there are probably a few areas where my answers weren't as detailed as they could have been, but I will continue to monitor and support management in light of the opinions you shared today. I hope we have a chance to meet and engage in dialogue again next time.

Investors in Attendance

Ichiro Yamaguchi (Daiwa Asset Management Co. Ltd.)/Yasushi Arakawa (DIAM Co., Ltd.)/Daisuke Oshidari (JPMorgan Asset Management (Japan) Ltd.)/Masayuki Yonezawa (Mitsubishi UFJ Kokusai Asset Management Co., Ltd.)/Kenji Kido (Mizuho Trust & Banking Co., Ltd.)/Jiro Nakano (Nikko Asset Management Co., Ltd.)/Naoki Iwata (Nomura Asset Management Co., Ltd.)/Akira Namegawa (Schroder Investment Management (Japan) Limited)/Akio Otani (Tokio Marine Asset Management Co., Ltd.)

Corporate Governance Structure and Initiatives

Shareholders and investors have made the practical and effective functioning of internal control into a key issue amidst an epidemic of corporate misconduct in Japan and overseas. In this section, Capcom will explain the corporate governance structure and mechanisms that it has initiated so far based on the key concepts of “effectiveness and visibility” in terms of the results of third party assessment. (Assessment areas are highlighted in yellow.)



Corporate Governance Structure

Enhancing Management Health and Transparency while Responding to Changes in the Environment

Capcom is aware that comprehensive corporate governance ranks among management’s most important priorities. We make the utmost effort to enhance management health and transparency and maintain an organization that is responsive to changes in the business environment while focusing efforts on improving the satisfaction of shareholders, customers, employees and all our stakeholders. The introduction of a Corporate Officer System, part of our management system reforms, established a clear separation between the responsibilities of the Board of Directors and the corporate officers, facilitating faster decision-making and more flexible execution of operations while heightening management efficiency. In addition, we make an effort to ensure fairness and improve reliability by raising the level of our Board of Directors monitoring function with three external directors and two external auditors.

1 Shareholders’ Meeting Convened on June 12, 2015

Avoiding the Same Meeting Date as Other Companies and Encouraging Shareholders to Exercise Their Voting Rights

Capcom’s general shareholders’ meeting serves as its highest decision-making body and determines important matters as well as reports audit results of consolidated financial statements.

We have scheduled the meeting to take place around 10 days prior to the date on which most other companies in Japan hold their general shareholders’ meetings to ensure as many shareholders as possible can be in attendance.

We have also made it possible for shareholders to exercise their voting rights over the Internet using a computer or smartphone. In addition, we participate in an electronic voting rights exercise platform for institutional investors.

Three resolutions were brought up for discussion at this year’s shareholders’ meeting, all of which were approved and passed.

Please refer to “Shareholders’ Meeting Resolutions” on page 56.

2 Board of Directors Convened 16 Times in year ended March 31, 2015

Super-
vision

Management Decisions that Incorporate Outside Opinions

The Board of Directors consists of 7 members, meets regularly once a month and holds extraordinary meetings when necessary. Three of the 7 members are external directors, whose opinions, advice and feedback invigorate and improve the transparency and reliability of the Board of Directors while strengthening the management monitoring function. During the period under review, the Board of Directors met 16 times, engaging in lively discussions concerning reported items and matters for resolution. Moreover, we established a Remuneration Committee chaired by an external director to determine fair and appropriate compensation for directors. Also, three external directors were appointed as independent directors to avoid any conflict of interest among general shareholders in terms of decision-making. From fiscal 2013, one additional independent director was appointed.

Capcom has established a database of information on the company’s business conditions, including at its overseas subsidiaries, so that its directors can correctly monitor the status of the entire company.

For more on external directors, please refer to “External Directors and Auditors” on page 55.

Officer Remuneration (Year ended March 31, 2015)

| Category | Paid Personnel | Total Remuneration |
|--|----------------|----------------------------|
| Directors (External directors) | 10 (3) | ¥485 million (¥32 million) |
| Corporate auditors (External auditors) | 4 (2) | ¥52 million (¥24 million) |
| Total | 14 (5) | ¥537 million (¥56 million) |

Notes:

- The above includes director’s bonuses of 62 million yen (external directors excluded) for business activities in the fiscal year.
- At the 32nd General Shareholder’s Meeting held on June 17, 2011, a resolution was passed limiting director’s remuneration to no more than 650 million yen (or no more than 50 million yen for external directors) per year. For corporate auditors, a resolution was passed limiting remuneration to no more than 85 million yen per year at the 33rd General Shareholder’s Meeting held on June 15, 2012.

3 Board of Corporate Officers Convened 12 Times in year ended March 31, 2015 **Implementation**

Executing Operations Based on a Clear Management Policy

The Board of Corporate Officers is composed of 19 members selected by the Board of Directors. Under the supervision of the Board of Directors, corporate officers promptly and precisely execute business activities based on management policy determined by the Board of Directors, taking agile and appropriate response to rapid changes in the management environment when deemed necessary.

4 Affiliate Companies **Implementation**

Ensuring Effective Government through Close, Group-wide Collaboration

We have developed a group-wide internal controls framework through close communication and collaboration between parent company and subsidiaries based on monthly subsidiary board meetings and the "Management Regulations for Subsidiaries". Through this framework, we ensure that our operations are being undertaken properly so that corporate governance functions effectively.


5 Board of Corporate Auditors Convened 12 Times in year ended March 31, 2015 **Audit**

Accounting Auditors Partner with Internal Auditing Department to Monitor Management

Capcom has adopted a corporate auditor system consisting of four members, two of whom are external auditors. In addition to formulating auditing policies and providing consultation regarding audit results, members of the Board of Corporate Auditors submit items identified in the audit to the president and exchange opinions and information with accounting auditors when appropriate.

Capcom adopted the corporate auditor system over a company with committees because, in addition to the introduction of a Corporate Officer System, we had already introduced the company with committees concept of separating the monitoring and business operation functions through the appointment of three external directors and the establishment of a Remuneration Committee.

Moreover, to improve the effectiveness and efficiency of the auditing function, the Audit Committee, Internal Auditing Department and auditors mutually coordinate to exchange views and information when necessary.

 For more on external auditors, please refer to "External Directors and Auditors" on page 55.

6 Internal Auditing Department **Audit**

Ensuring and Verifying Legal Compliance and Operating Efficiencies

As an internal auditing function established to be independent from business execution, the Internal Auditing Department conducts internal audits on all divisions of Capcom, working with corporate auditors to verify and ensure the legal compliance and efficiency of the company's operations. The audit office strives to ensure internal controls work effectively in each division by recommending improvements to audited divisions based on their findings.

7 Accounting Auditors **Audit**

Ensuring and Verifying Accounting Transparency

Capcom has engaged KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no relationship involving financial

or other interests between Capcom and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

Auditor Remuneration (Year ended March 31, 2015)

| | Audit Operations | Non-Audit Operations |
|-------------------------|------------------|----------------------|
| Delivery company | ¥41 million | 0 |
| Consolidated subsidiary | ¥2 million | — |
| Total | ¥43 million | 0 |

| Auditing Company | Names of Certified Public Accountants | |
|------------------|---------------------------------------|---------------|
| KPMG AZSA LLC | Designated and Engagement Partner | Masaaki Doi |
| | | Hiroshi Miura |
| | | Takuya Obata |

Note: Assistants to certified audit operations
 Certified public accountants: 10; Others: 11 (those who have passed the certified public accountant exam and persons in charge of system audits)

8 Audit Committee Convened 41 Times in year ended March 31, 2015 **Audit**

Auditing Operations from a Risk Management Perspective

The Audit Committee conducts audits from a different perspective than the auditors and the Internal Auditing Division. They focus on risk management in all businesses and regularly monitor execution of business duties in group companies. They also collect and compile information through individual business auditor investigations, providing analysis and reports to the Board of Directors. Based on these reports, the board works to prevent risks and executes business reforms while accurately ascertaining business inefficiencies and business risks inherent in the group. And, in the event of an unforeseen situation, the Audit Committee contributes to the formulation of appropriate management decisions by quickly providing the Board of Directors with a report examining and analyzing the causal factors in an attempt to minimize losses to the company.

9 The Compliance Committee Convened Four Times in year ended March 31, 2015

Focusing on Compliance as an Important Management Issue

The Compliance Committee, including external directors licensed to practice law as members, meets quarterly to address various risks facing the company. The Compliance Committee receives results and internal reports on "periodic compliance checks" that investigate the business operations of each division semiannually and on the nature of inquiries made at the "Compliance Hotline", which serves as a whistle-blowing system for the company, issuing reminders and recommendations as well as providing advice as necessary.

10 The Remuneration Committee Convened Two Times in the fiscal year ended March 31, 2015

Recommending Details of Director Compensation

Based on the amount agreed upon at the general shareholder's meeting, the Remuneration Committee recommends remuneration for each board member to the Board of Directors that is befitting and determined with consideration for each board member's title, duties, tenure, full/part-time service, etc., as well as Capcom's earnings and individual job performance. To ensure fairness and transparency, the committee chairman is an external director.

Corporate Governance Structure and Initiatives

External Directors and Auditors

Using External Perspectives to Ensure Effective Governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance and Remuneration Committees. They also focus efforts on compliance and the prevention of corrupt or illegal activities, and **openly exchange opinions and provide counsel at Board of Directors meetings in an effort to strengthen the**

management audit function.

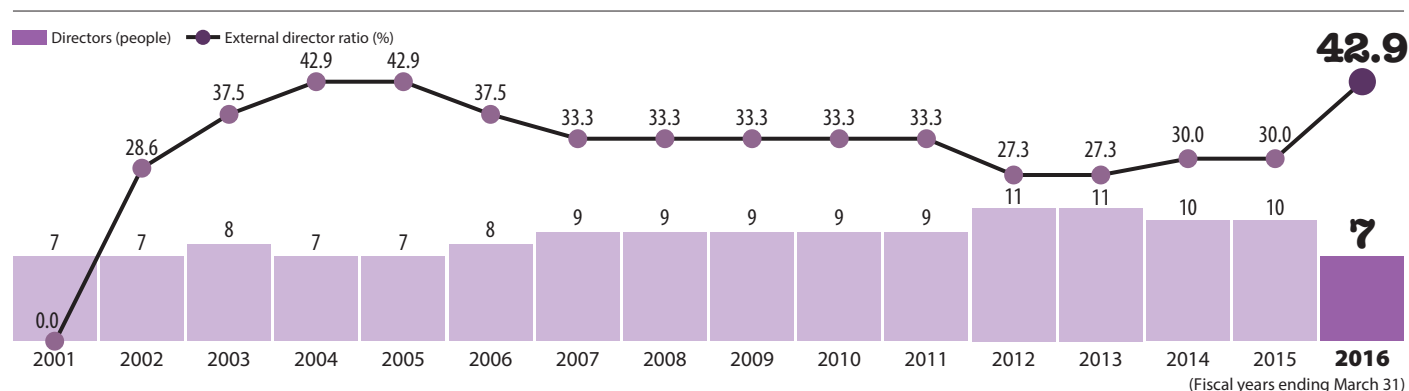
External auditors participate in Board of Directors and other important meetings, evaluating the directors' execution of their duties with an opinion of objectivity and fairness from the perspective of compliance and appropriateness.

In addition, the Executive Secretariat Office (nine staff) and Internal Audit Office (seven staff) provide support work to ensure that our external directors and external auditors can perform their duties effectively.

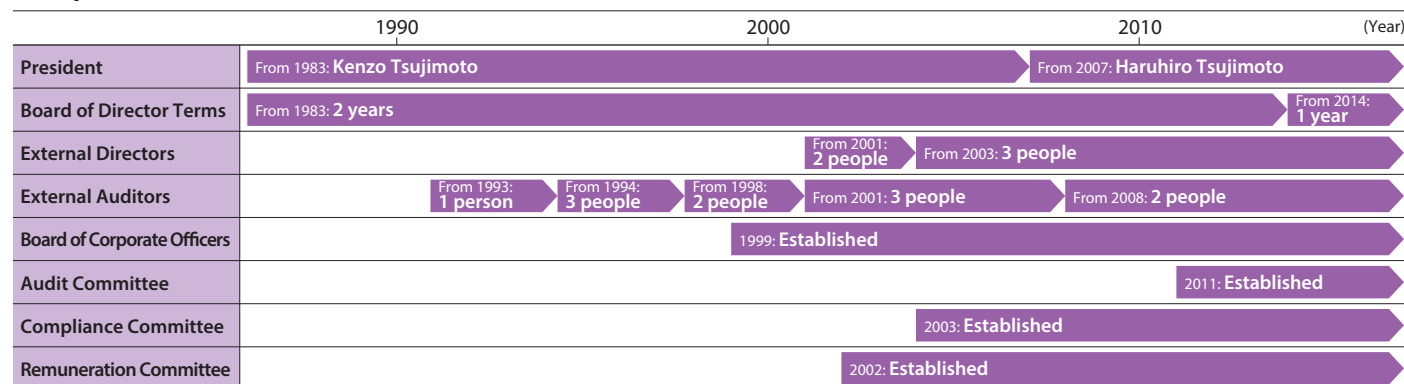
Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2015)

| | Name | Independent director | Reasons for selection | Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2015) |
|--------------------|-------------------|----------------------|---|---|
| External Directors | Hiroshi Yasuda | ○ | Appointed with overall consideration for character, business acumen and successive appointments to important posts | Board of Directors Attended 16 of 16 meetings (100%) |
| | Makoto Matsuo | ○ | A legal professional able to provide precise guidance and advice and ensure the effectiveness of corporate governance | Board of Directors Attended 14 of 16 meetings (87.5%) |
| | Takayuki Morinaga | ○ | Appointed with overall consideration for management experience at other companies, professional career, track record, and personal connections in the business world | Board of Directors Attended 16 of 16 meetings (100%) |
| External Auditors | Yoshihiko Iwasaki | ○ | It was determined that his professional experience in tax administration would be of benefit to the company | Board of Directors Attended 16 of 16 meetings (100%) Board of Corporate Auditors Attended 16 of 16 meetings (100%) |
| | Akihiko Matsuzaki | ○ | Appointed to leverage the wealth of experience and knowledge accumulated during many years in law enforcement administration to help the company further enhance its corporate governance | Board of Directors Attended 16 of 16 meetings (100%) Board of Corporate Auditors Attended 16 of 16 meetings (100%) |

Ratio of Internal Directors to External Directors



Corporate Governance Initiatives



Third-Party Assessment

Promoting More “Visible” Governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom’s corporate governance shows that the company ranked 39th among 3,422 listed companies in Japan in the “NEEDS-Cges” assessment developed by Nikkei Digital Media, Inc.

“NEEDS-Cges” has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including “capital efficiency”, “information disclosure”, and “shareholder and capital composition”, among others, assigned based on some 130 indicators calculated from data of publicly released company documents, such as financial reports.

Capcom’s total score was 8.75 points, placing us in the top 1.2% of Japan’s listed companies. Our score also exceeded the average for all

listed companies and for the industry, at 5.43 points and 7.60 points, respectively. Compared to last fiscal year, our score increased by 0.46 points. This was mainly because of an increase from 5 to 9 points in our “Board of Directors (organization)” rating due to improved ratio of external directors and reduced number of internal directors. We continued to receive the full 10 points for “shareholder and capital composition” and “information disclosure” important for corporate governance.

The main reasons for each of these perfect scores are given in the chart provided below, but in particular areas highlighted in yellow indicate measures that received particular notice.

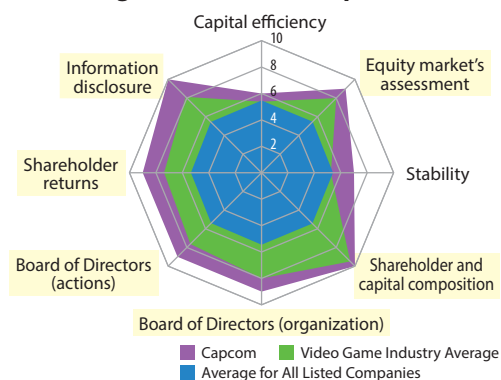
Going forward, we continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external visibility of our governance by posting this and other data on our corporate website.

Third-Party Assessment Results of Capcom’s Corporate Governance

Details of Capcom’s Corporate Governance Assessment

| Total Score | 8.75 |
|-------------------------------------|-------|
| Rank | 39 |
| Categories | Score |
| Capital efficiency | 6 |
| Equity market’s assessment | 9 |
| Stability | 7 |
| Shareholder and capital composition | 10 |
| Board of Directors (organization) | 9 |
| Board of Directors (actions) | 9 |
| Shareholder returns | 9 |
| Information disclosure | 10 |

Comparison of the Industry Average and the Average for All Listed Companies



Details of Highest Rated Categories

| Highest Rated Categories | Score | Areas that Received Particular Notice |
|-------------------------------------|-------|--|
| Equity market’s assessment | 9 | Tobin’s Q-related values PBR-related values |
| Shareholder and capital composition | 10 | Ratio of institutional investor shareholdings Ratio of foreign investor shareholdings Cross-shareholding ratio |
| Board of Directors (organization) | 9 | Board of Director members Managing Corporate Officers External director ratio |
| Board of Directors (actions) | 9 | Amount of director treasury stock holdings Amount of president’s treasury stock holding |
| Shareholder returns | 9 | Shareholder return ratio Dividend payout ratio (non-consolidated) |
| Information disclosure | 10 | Changes in accounting policy Date of general shareholders’ meeting Corporate website |

* Source: NEEDS-Cges from Nikkei Digital Media Inc.

Shareholders’ Meeting Resolutions

The following presents the number of votes in favor, opposed or abstained for the matters to be resolved at the year ended March 31, 2015, general shareholders’ meeting, the requirements for the resolutions to be passed and the results of voting.

| Resolutions | Approval Votes | Votes Opposed | Abstained Votes | Approval Rate (%) | Voting Results |
|---|----------------|---------------|-----------------|-------------------|----------------|
| First proposal: Proposed Appropriation of Retained Earnings | 488,992 | 237 | 1,184 | 99.54 | Approved |
| Second proposal: Appointment of 7 Directors | | | | | |
| Kenzo Tsujimoto | 485,411 | 3,820 | 1,184 | 98.81 | Approved |
| Haruhiro Tsujimoto | 482,577 | 6,654 | 1,184 | 98.23 | Approved |
| Tamio Oda | 469,558 | 19,672 | 1,184 | 95.58 | Approved |
| Yoichi Egawa | 469,560 | 19,670 | 1,184 | 95.58 | Approved |
| Hiroshi Yasuda | 485,744 | 3,487 | 1,184 | 98.88 | Approved |
| Makoto Matsuo | 451,507 | 37,723 | 1,184 | 91.91 | Approved |
| Takayuki Morinaga | 488,600 | 631 | 1,184 | 99.46 | Approved |
| Third proposal: Introduction of Countermeasures in Response to a Large-Scale Purchase of Shares of the Company (Takeover Defense) | 367,305 | 121,925 | 1,184 | 74.77 | Approved |

Notes: Conditions for each proposal to be passed

- (1) A majority of shareholders in attendance approved the first and third proposals.
- (2) The second proposal could be approved with at least one-third of the company’s shareholders with voting rights in attendance and with a majority approval of the voting rights of the applicable shareholders in attendance.
- (3) The percentage of approval is calculated according to the following formula.
Percentage of approval = number of voting rights for approval (votes exercised prior to the meeting + certain shareholders in attendance on the day of the meeting) ÷ number of votes (votes exercised prior to the meeting + shareholders in attendance on the day of the meeting)
- (4) Reason why certain voting rights of shareholders in attendance were not added to the total number of voting rights
The total confirmed number of votes in approval from the votes exercised prior to the meeting and certain shareholders in attendance on the day of the meeting fulfilled the requirements for each proposal. As a result, the number of voting rights for which confirmation was not made in terms of approval, opposition or abstention from shareholders in attendance on the day of the meeting were not counted because the proposals were legitimately approved in accordance with the Companies Act of Japan.

Principal Discussions at Board of Directors Meetings Held in Fiscal 2014

At Capcom Board of Directors Meetings, three external directors take the lead in offering aggressive opinions and advice to ensure management transparency and corporate health. We strive to ensure corporate governance is functioning properly through lively and detailed discussions regarding appropriate disclosure and accountability to shareholders and investors. This page provides examples of the heated discussions led by external directors.

Item 1

Measures Related to Earnings Outlook Revisions During the Fiscal Year Ending March 31, 2015

Morinaga (In response to an explanation) I want to ask about the explanatory materials announcing the downward revision to earnings.

In addition to the PS business as one contributing factor, what is the reason for the launch timing change of some game titles?

Ichii Changes to the "Title A"'s development structure were a major factor. Although the development structure was changed in consideration of the 52-week map, under the current structure, it is difficult to supply personnel for the development of core title sequels. Thus, we reallocated some developers involved with "Title A" to the development of core titles. This delayed the launch window of "Title A" but along with improving the finished product's design, it enabled us to maintain the sales launch timing of core titles.

Matsuo I have a question regarding operating income being unaffected by the 19% drop in sales proceeds. Without the revision to the rules for administering Pachislo model certification methods, net sales and operating income should be increasing significantly. Does this not contradict the external explanations and announcements up to this point?

Kenzo Tsujimoto Operating income declined 1.3 billion yen due to the delayed launch of Pachislo machines in the Amusement Equipments business. At the same time, ongoing digital download sales of highly profitable catalogue titles in Europe and the United States, as well as mobile and PC Online cost of sales and SG&A expense reductions caused the Digital Contents sub-segment to increase 1.5 billion yen.

In each business profitability improvements surpassed the figures

upon which we based our outlook, and as a result of each division making modest efforts, we were able to supplement the decrease in profit from the decrease in sales.

Oda There were no problems with external announcements. Of course, this did not fall under the Tokyo Stock Exchange timely disclosure standards (30% or higher increase/decrease in net sales or 10% or higher in increase/decrease in profits). We probably should provide a slight supplement to explanatory details in the second quarter reporting, but the reason for the change was explained in detail and resolved.

Also, from the stock market's perspective, although net sales declined significantly, the company should be commended for its efforts in maintaining operating income. I imagine we might get questions like, (1) "How were you able to maintain operating income despite the 15 billion yen drop in net sales?" (2) "Can you continue the effect of (1) into fiscal 2015?" (3) "If net sales recover, profit will grow significantly, so how do plan to improve sales?"

Morinaga If we answer in that way, will the stock market understand? For example, can we explain the decline in operating income in terms of the 15 billion drop in net sales, or that business structure reform cost reductions are one factor in maintaining operating profit?

Oda Analysts are aware of each of our businesses' markets when conducting detailed analysis on Capcom, so if we explain segment conditions I do not think there will be a problem. However, assuming an explanation will be necessary, we should prepare data for each figure. Also, as we posted special losses three times since fiscal 2010, I suspect the market will want to know if we are going to post another one this fiscal year, so we need to let them know there will be no special losses this fiscal year.



Item 2

Discussion on Corporate Governance Codes

Note: This discussion includes those that took place at Board of Director meetings, as well as in individual meetings, phone conversations and other non-official locations.

Kenzo Tsujimoto I would like to have a serious discussion about the proper form for Capcom's unique governance structure in light of revisions to the Companies Act and the enforcement of the Corporate Governance Code (hereinafter the "Code") between May and June 2015. The objective is to promote an appropriate growth strategy. Additionally, promoting a growth strategy will increase management risks, so one use of governance is to provide a mechanism for risk control. There are many items worth considering, for example, a company with an audit and supervisory committee, Board of Director duties, a remuneration system, and so forth. Going forward, I want to establish regular discussions along these lines.

External director I know this discussion is forthcoming, but what is the reason for introducing a company with an audit and supervisory committee? This year, approximately 190 companies have moved in that direction, but I don't see any companies who can convincingly explain the reason for this move. Is it simply to address concerns about easily securing external directors?

Oda For example, currently a company with a corporate auditor system naturally has no voting rights at Board of Director meetings. With a corporate auditor committee, directors (corporate auditor committee members) will have voting rights, which makes it easier not only in terms of legal compliance as corporate auditor committee members, but also in terms of auditing legitimacy, which strengthens the auditing function. This is the idea I want to discuss going forward.


External auditor Regarding the remuneration system, it is true that at present, set amounts are based on monthly compensation incorporating bonuses and separate performance-based incentives. If remuneration is linked too heavily to performance, won't this impact management decision-making? What about introducing a stock-based compensation system?

Oda We'd have to start from scratch, but I'd like to discuss it in terms of the necessity of reviewing the remuneration system. Even if we were to increase the performance-based ratio and link it to medium- to long-term performance, we should consider it an incentive as the result of sustainable growth.

External auditor As an initiative ahead of the Code going into effect,

what do you think about strengthening dialogue with shareholders in terms of takeover defense measures?

Oda That was rejected last year, but we are considering it again this year. We need stable management to advance the growth strategy, so we think these measures are necessary. The specific reasons are (1) IP value is the core of Capcom's corporate value, (2) if an entity purchased the company and tampered with or changed development policies, some developers might quit, affecting future game development and (3) our IP is off-balance sheet, so any corporate valuation by a purchaser would have to be judged to determine whether or not it's appropriate. For this reason, I think we need to set aside time to discuss management and development policies.

 Please refer to "Takeover Defense Measures" on Capcom's IR website. <http://www.capcom.co.jp/ir/english/president/defence.html>

External director We've seen cases where foreign investors increased their holdings and repealed takeover defense measures, as well as examples where the measures were abandoned just before the general shareholders' meeting. However, if a company is firmly committed to its stance that this measure is necessary to execute growth strategy, they should submit the measure for approval at the general shareholders' meeting. Fulfilling management responsibilities is also the reason why the term for directors was changed to one year, a change shaped from the evolution of our stance up to this point.

External director Management is aware that the best way to prevent takeovers is to raise performance and increase the share price. At present we are working to accelerate the growth strategy, and as a company, if this requires that we have a takeover defense in place, it should absolutely be brought up at the shareholders' meeting.

External director The takeover defense measure proposal was rejected last year, and this year we are facing conditions that are even more severe. However, in the past year we have enhanced dialogue with institutional investors and announced an ROE growth target in light of investor opinions, which is a big step forward compared to last year's proposal. These measures are necessary to alleviate concerns including those pertaining to business development in the Asia region. If management is intent on respecting shareholder opinions, this issue should be brought up.

Kenzo Tsujimoto We plan to submit a report based on the Code by the end of this year. Critical items will be thoroughly discussed up until the deadline. We want to skillfully employ corporate governance to achieve ongoing, sustainable growth. To this end, I ask for your continued cooperation.



Internal Management Structure and Initiatives

Status of Internal Control System

Strengthening Risk Management through the Development of Our Internal Control System

As part of directors' due diligence, Capcom developed the following internal control system based on the Companies Act and its enforcement regulations to ensure that all Group company practices comply with regulations and are executed in an efficient manner.

1. Creation of a Structure to Ensure Directors Perform their Duties in Accordance with Laws and Regulations

To strengthen the management monitoring function and enhance corporate value, Capcom strives to prevent illegal activities and ensure compliance through regular Compliance Committee checks while attempting to invigorate and heighten the monitoring function of the Board of Directors in accordance with advice and recommendations from the three external directors.

2. Internal Control over Financial Reporting

Based on our "internal control rules", Capcom has developed and continues to operate the necessary systems in order to guarantee reliable financial reporting and ensure proper internal control over financial reporting, in accordance with the Financial Instruments and Exchange Act. Our internal control system over consolidated financial reporting at the end of the period under review has been determined as effective and the results of this assessment have been reported to the Director-General of the Kanto Regional Finance Bureau in the form of an internal control report. The results have also been disclosed through EDINET and our corporate website.

3. Develop a System to Maintain Appropriate Business Practices

(1) Information Management and Storage

The management and storage of documents and information such as the minutes from board meetings is conducted in accordance with "document management regulations".

(2) Risk Management

A risk management structure and "crisis management regulations" were created to proactively prevent crises and execute the appropriate actions if one occurs.

(3) Efficient Execution of Business Operations

Capcom introduced a Corporate Officer System under which the duties of the Board of Directors and corporate officers are separated to enable smooth and flexible business operations and enhance management efficiency.

(4) Legal Compliance System

The "Capcom Code of Conduct" is our guideline for legal compliance. We seek to prevent illegal activities and misconduct through employee training and monitoring programs.

(5) Operational Audit Structure

In accordance with auditing policies, the execution of operations by Board of Directors are audited, with recommendations for improvements indicated in auditor reports as necessary to ensure internal controls function effectively. To enable auditors to perform their duties smoothly and appropriately, two employees are selected with the consent of auditors to provide assistance.

4. Basic Policy and Framework for the Eradication of Antisocial Forces

Capcom takes a firm stand against antisocial forces that threaten social order and the safety of citizens, and strictly prohibits any association with such groups at the organizational, employee and individual levels. If we are contacted by such groups, in addition to swift organizational measures, we will cooperate with the police and other relevant authorities to firmly refuse unlawful demands.

While Capcom attempts to remain aware of information related to these groups in order to avoid contact or involvement, if we discover that we have unknowingly become involved with them, we will immediately terminate the association with the help of the police and other relevant authorities.

Initiatives to Strengthen Compliance

Focusing on the Viability and Effectiveness of Our Compliance System

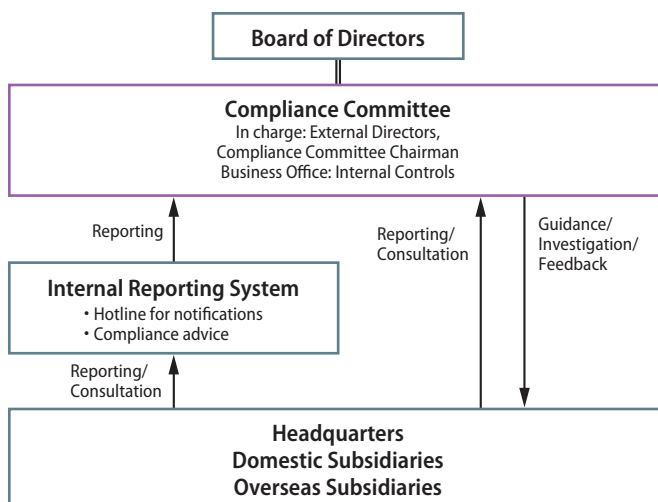
As noted on page 54, Capcom has established a Compliance Committee consisting of external directors, some of whom are lawyers, who regularly report to the Board of Directors and issue reminders and recommendations. A secretariat was established in the Internal Controls Department, which works to enhance the viability of the entire Capcom Group compliance system by planning and operating the internal compliance system and functioning as the department that provides consultations and receives notifications to prevent legal violations before they occur.

Furthermore, the "Capcom Code of Conduct" was formulated to strengthen our compliance system. Capcom is dedicated to proactively preventing illegal acts and misconduct, and ensuring legal compliance through the promulgation of corporate ethics and principles.

During the period under review, the Compliance Committee met four times and conducted compliance training sessions for new employees. Also, "e-learning sessions on legal compliance and personal information protection rules" were given to all employees.

Compliance is the foundation of corporate governance and the basis for the fulfillment of corporate social responsibility. Capcom will continue to instill this understanding in all its officers and employees.

Compliance Structure



**■ Status of Training Programs
(Year ended March 31, 2015)**

| Activity | No. of Times | Target |
|---|--------------|---------------|
| Compliance training curriculum | 2 | All employees |
| Personal information protection training curriculum | 2 | All employees |

Periodic Compliance Checks

Compliance Status Checked Regularly

Capcom conducts “periodic compliance checks” to regularly monitor the operational status of each of its departments. Twice each year, more than 30 items, including fair business practices, workplace health and safety, and information asset management, are checked using a check sheet, while compliance officers covering each department are also interviewed individually to confirm the effectiveness of our overall compliance system.

Also, in response to feedback received from interviews and questions during the “periodic compliance check”, such as on protocol for issuing documents to business partners and proper document management practices, clear-cut answers are provided to related persons and when necessary, all employees are notified and made aware using the intranet.

Compliance Hotline

Special Hotline Set Up for Compliance Issues

Capcom established the “Compliance Hotline” as a self-corrective function to uncover and prevent risks in order for the company to thoroughly practice compliance-focused management. This enables the company to smoothly address whistle-blowing reports from employees and have in place an environment to prevent legal violations or illegal behaviors as well as take corrective action.

Information Security Initiatives

Building Mechanisms for the Appropriate Protection of Information Assets

As a company primarily engaged in the planning and development of software, Capcom is an environment where the latest information technology is always in use. Compared to companies in other lines of business, we face relatively high information security risks.

Accordingly, to protect Capcom’s information assets from a variety of threats and maintain an information security policy appropriate for a corporation trusted by society, we publish internal information regulation collections, including “Basic Security Policies”, “System Usage Policies” and “Basic Disclosure Policies”, etc.

We use a firewall to protect us from external attacks via the Internet, and our internal system requires each user to have a unique ID, password and PIN to access the system, thereby reducing the risk of unwelcome intruders.

Furthermore, we are in the process of patching known security holes. Over the past few years, we have been implementing measures to prevent information leaks, which include the (1) identification of information leak risks, (2) creation of an early response structure to

respond to information leaks and (3) establishment of a response process to minimize damage in event information is leaked.

Above all, in (1) we will reconfirm the importance of information assets held by each department with the aim of clarifying critical risks and create a manual detailing procedures related to (2), while (3) will involve a system capable of quickly auditing the information log to find the cause and prevent the reoccurrence of problems. In this manner, we are focusing our efforts on using our expertise to enhance our internal response capabilities.

Moreover, to prevent the remote takeover of computers and other cyber-attacks that are on the rise recently, we constantly monitor for suspicious communications with external networks and implement virus detection on computers issued to employees.

In addition, regarding critical online services, we outsource the constant monitoring of security and communications to an external security specialist who also conducts regular diagnostics.

To improve security literacy among all our employees, we are implementing internal training to raise awareness and educate on the topic of information leak risks. Through these and other initiatives, Capcom is striving to create a structure for making an appropriate first response in the event information is leaked or an accident occurs.

Business Continuity Plan (BCP) Initiatives

Strengthening Our Crisis Management System

Capcom is working to strengthen its crisis management system in order to minimize damages, losses and disrepute, and ensure the company continues to function, based on an appropriate and smooth response, in the event of an emergency, such as a natural disaster or accident. If an emergency occurs, under our crisis management rules, a task force consisting of top management will be set up to assess the extent of damage to the company. In addition, we have established action criteria and an emergency contact route in our crisis management manual in order to ensure an appropriate response and convey information to one another in a prompt manner.

In the wake of the Great East Japan Earthquake, we are striving to build a crisis management system that will ensure our business continuity in the event of an unforeseen incident or natural disaster. This will be made possible by strengthening our risk management through the stockpiling of disaster-relief supplies, implementation of a safety confirmation system, and storage of “health kits for flu”, to ensure that we can properly and quickly respond to these emergencies.

Risk Management

Various Risk Management Efforts to Achieve Stable Earnings

Capcom faces many risks (see below) that have the potential to affect operating performance and the company's financial condition. A risk management system has been created to minimize the impact of these risks on operating and other performance.

For example, in terms of intellectual property rights, the legal affairs department (composed of patent and trademark copyright teams) conducts preliminary audits and submits the required applications during the planning and production stages of development in an effort to avoid the risk of infringement in terms of the acquisition and maintenance of rights. Capcom also focuses on internal education by holding in-house intellectual property study groups on a regular basis and conducting activities to impart legal knowledge.

Furthermore, in terms of "risks related to overseas operations", in consideration of the culture, religion and customs of each country the legal affairs division and quality control departments conduct game content checks in addition to those conducted by the research department, and the legal affairs division consults with local legal teams as necessary to ensure compliance with local laws. Regarding the increased tax risk of expanding overseas operations, Capcom consents to advance pricing agreements (APA) to limit transfer pricing risk.

Risks Affecting Operating Results

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated in writing below, which are based on information that is available as of March 31, 2015 and certain assumptions by the Capcom Group that serve as the basis of rational judgments.

1. Risks Relating to Digital Contents

(1) Increase in Development Costs

In recent years, home video games have increased in sophistication and functional diversity due to computer graphics and Internet technology initiatives, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

(2) Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including smartphones and the Internet. Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

(3) Dependency on Popular Series

Capcom releases many game titles in the market. Among them, a handful of titles tend to be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problem in these popular software titles or any change in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

(4) Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and

text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games. Therefore, there is a risk that it may result in having an adverse effect on our business performance, corporate value and a narrowed distribution channel under orders from the relevant authorities.

(5) Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. Accordingly, there is a risk that business performance may substantially fluctuate from quarter to quarter.

(6) Trends in Proliferation of Home Video Game Consoles

Our home video game titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation. Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

(7) License Agreements with Console Manufacturers

We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors. However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

(8) Technological Enhancement of Home Video Game Platforms

New home video game platforms have been released every three to seven years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

(9) About the Used Software Market

Currently, used software accounts for approximately one-fourth of the domestic software market. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. As a result, it is gradually becoming more difficult to recover development costs.

There is a risk that it may adversely affect our operating results, depending on the trends in the market.

(10) Internet Market Expansion, etc.

The Internet market has expanded in recent years as a result of the rapid adoption of smartphones and other mobile devices. An inability to keep up with new technologies can prevent the smooth provision of games and other digital content. Additionally, if the number of game users were to decline due to the further diversification of consumer entertainment needs, there is a risk that Capcom Group performance and financial conditions may be adversely affected.

2. Risks Relating to Other Businesses

(1) Arcade Operations

There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rates, intensified

competition and changes in the market environment and other such factors.

(2) Amusement Equipments

In terms of Pachislo machines, there is a risk that we may only sell machines to a small number of business partners, as the performance of the Amusement Equipments segment may depend heavily on the sale of these devices, which in recent years has grown from a majority to the largest portion of sales in this segment. Also, under the provision of the “The Entertainment Establishments Control Law”, we are allowed to sell peripheral devices only for those machines that meet Security Communications Association requirements. Performance in this business segment may be significantly affected by the aforementioned systemic industry trends.

At the same time, There is a risk that business performance may be adversely affected by the narrowing gap between arcade games and home video games, a decline in facility operators’ purchasing power, changes in the business environment and uncertainties regarding growth.

As a result of the above factors, there is a risk that Capcom Group performance and financial conditions may be adversely affected.

3. Risks Relating to Overseas Operations

- (1) There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.
- (2) As the volume of overseas transactions expand, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom Group may be affected negatively by these conditions.
- (3) There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

4. Risks Relating to Financial Status and Operating Results

- (1) As mentioned before, home video games, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.
- (2) As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to a fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

5. Risks Relating to Development Technologies

Products relating to game machines including home video games are subject to rapid technological progress, and are constantly evolving. Therefore, there is a risk that sales opportunities may be lost due to

delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

6. Legislative Risks

Arcade operations are controlled by the “Entertainment Establishments Control Law” and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

7. Risks Relating to Intellectual Property Rights

The development and distribution of game software and arcade game machines involves intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc.

Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party’s intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

8. Risks Relating to Lawsuits

In the past, Capcom has sued over copyright infringement or been sued in other cases. In addition, as the company expands its business domain, it is possible Capcom may be taken to court in the future over product liability, labor or intellectual property rights related issues. As a result, there is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

9. Risks Relating to Information Leaks

It is possible for hardware, software and databases to be compromised through unauthorized access via technology exceeding our assumptions, computer viruses, and other unforeseeable events. Accordingly, in the event that confidential information related to individual persons or game development was leaked, damages may have to be paid, the company’s image may be tarnished and development may be brought to a halt. Therefore, the operating results and financial position of the Capcom Group may be negatively affected by these incidents.

10. Development and Assurance of Human Resources

The expression, “the business is all about its people”, means that the future success and growth of any corporation depends upon competent employees. Although Capcom Group is actively engaged in recruiting, educating, and securing excellent human resources, the mobility of personnel is relatively high in the game industry, and it is possible that our business activities will be disturbed if any of our talented employees decide to resign or to move to our competitors.

Therefore, the operating results and financial position of the Capcom Group may be affected negatively by these factors.

Creating Relationships with Shareholders and Investors

Initiatives for the General Shareholders' Meeting

Making Shareholders' Meetings Lively and Facilitating the Exercise of Voting Rights

To ensure our General Shareholder's Meetings are lively, we hold our meeting about 10 days before the period when most Japanese companies typically hold their meetings in an attempt to encourage the attendance of as many shareholders as possible.

In addition, voting rights can be exercised via computer, smartphone, mobile phone and Internet. Participating in the digital exercise of voting rights platform, institutional investors are ensured a sufficient amount of time to consider proposals starting on the day the convocation notices are distributed. We also post convocation notices in English on our corporate website to promote the exercise of voting rights by shareholders in Japan and overseas.

Basic Policies Regarding IR Activities

1. Disclosure Policies

Capcom believes that the timely and appropriate disclosure of information is the duty of every listed company, and that accountability to our shareholders and investors is indispensable from the perspective of corporate governance.

To this end, our basic policy for IR activities involves (1) the establishment of a responsible investor relations framework, (2) the thorough disclosure of information, and (3) the creation of a system for the timely disclosure of information to enhance management transparency.

2. Disclosure Criteria

Capcom provides timely disclosure in accordance with the Securities and Exchange Law and other regulations including the "Rules on Timely Disclosure of Corporate Information" by Issuer of Listed Security (hereinafter Timely Disclosure Rules) stipulated by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange.

It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely Disclosure Rules and other regulations, to accommodate our investors' needs.

We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters.

3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting one month prior to the scheduled earnings announcement. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose this information pursuant to the Timely Disclosure Rules and other regulations.

Third-Party Assessment of IR Activities

High Praise for Proactive IR Initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. In addition to receiving the Award for Excellence at the Nikkei Annual Report Awards 2014 in the fiscal year

ended March 2015, our IR website was selected by Daiwa Investor Relations for the Internet IR Grand Prize and we ranked third overall in the Fiscal 2014 Listed Company Website Quality Ranking.

With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and provide timely disclosure.

Fiscal 2014 Third Party Evaluations

| | |
|---------------|---|
| IR Activities | Institutional Investor magazine 2014 All-Japan Executive Team Best IR Companies, Software (Entertainment) category. |
| Annual Report | Nikkei Annual Report Awards 2014, Award for Excellence |
| | League of American Communications Professionals (LACP) 2013 Vision Awards Annual Report Competition, Silver Award, Technology/Software category |
| IR Website | Daiwa Investor Relations Co., Ltd. 2014 Internet IR Grand Prize |
| | Morningstar Inc./Gómez Consulting Ranked 2nd overall in Gomez IR Website Ranking 2014 |
| | Nikko Investor Relations Co., Ltd. Ranked 3rd overall in the Fiscal 2014 Listed Company Website Quality Ranking |

Making Use of Shareholder and Investor Opinions

Reflecting Results of Dialogues with Investor and Analysts in Management

Through meetings with the stock market, Capcom's IR Department attempts to promote an understanding of management policies, strategies and future outlook among investors and analysts. Furthermore, stock market opinions are gathered and provided to management, which is utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with the stock market enable us to minimize asymmetric information as we strive to achieve appropriate corporate value. This fiscal year, meetings with investors in Japan and overseas and conference calls amounted to nearly 350 points of contact with investors.

Fiscal 2014 IR Measures

| By category | Frequency |
|----------------------------|-----------|
| Coverage requests | 173 |
| Visited domestic investors | 85 |
| Visited overseas investors | 94 |
| Total | 352 |

In addition, we conducted various initiatives ahead of the Corporate Governance Code going into effect. Specifically, our General Affairs Section collaborated with the Investor Relations Section on takeover defense measures, arranging meeting opportunities with shareholders in Japan and overseas. In these meetings, we made an effort to promote understanding of the necessity of these measures by repeatedly emphasizing the validity of our arguments and making changes where necessary.

Next, we set up small meetings between external directors and investors to facilitate frank discussions pertaining to governance. We also arranged opportunities for senior management to exchange opinions directly with investors, who were provided with a chance to experience the latest virtual reality(VR) technologies. At our earnings presentation, we

showed videos of developer interviews related to new titles investors are focused on, as well as a variety of other new initiatives aimed at reflecting stock market opinions and demands. In addition, Capcom conducts a perception gap study every year targeting investors and analysts in Japan and overseas. Being aware of investor perception gaps with regard to management objectives, business strategy and shareholder's return enables us to fine-tune corporate management and IR activities. Questionnaires are also given to attendees at our semiannual Presentation of Financial Results and individual investor briefing sessions, which we make proactive use of as one management criterion to determine stock market opinion.

Specific examples of how this information is used include (1) medium-term business goal revisions, (2) enhanced business strategies, (3) information disclosure content and timing reviews and (4) group meetings with management.



Perception gap study feedback report



Developer interview video

IR Events

| Event | Details |
|---|---|
| CEO small meeting | Speaker: Kenzo Tsujimoto, Chairman and CEO |
| External director small meetings | Speaker: Takayuki Morinaga, External Director |
| Earnings supplementary explanatory administrative officer conference call | Quantitative-related supplemental conference calls before/after earnings announcement |
| Latest technology experience-based event | Conducted experience-based demonstration of latest VR technologies, promoted understanding of Capcom development technologies |
| Showed developer interviews during earnings presentation | Used developer videos to explain development status of latest titles of high interest to the market |
| Conducted perception gap study | Conducted assessment survey targeting investors and analysts in Japan and overseas regarding Capcom's management targets, strategies and IR activities, provided feedback to management |

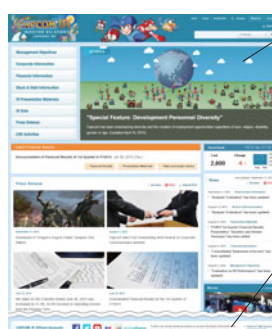
Perception Gap Study Investor Feedback (Excerpts)

- Operating income and operating margins are included in the medium-term business goals, but from the perspective of capital efficiency, ROE should also be included.
- In terms of shortening the development period for popular series titles, other than "Monster Hunter" the lineup was not mentioned, so I am uneasy about its progress. To maintain the trust of the stock market, this needs to be clarified in the upcoming fiscal year.
- Leaving 17% of treasury stock on the balance sheet long term is a problem. In principle, it should be retired, or at the very least, an explanation regarding its use should be provided.
- I want the developers to conduct an explanatory meeting. I think it would have merit for both investors and Capcom in terms of inculcating an awareness of external accountability among persons in charge in each business division.

IR Activities Making Use of Our Website

Utilizing a Website Easily Accessed by Everyone

Since 2001, Capcom has made proactive use of its corporate website as a tool for disseminating information pertaining to IR activities. The main reasons for this are to emphasize the importance of information disclosure procedures within corporate governance, to ensure fairness for a wide range of stakeholders, including investors, analysts, the mass media and job-seekers, and because it easily ensures information is available for inspection immediately in Japan and over 200 countries worldwide. Capcom's corporate website is positioned as our most cost-effective tool from the perspective of printing and shipping costs.



<http://www.capcom.co.jp/ir/english/>

IR Topics

Visually announce IR activities currently in focus as main visual and respond with RSS system enabling quick confirmation of the latest information.

Capcom IR Official Social Media Accounts

Disseminating information including press releases and coverage in newspapers, television and other media through social media including Twitter and Facebook.

Capcom IR for iOS App for the iPhone (Japanese Only)

This app delivers up to date IR information, including the latest press releases and earnings information. Using the simple touchscreen interface, IR materials such as financial result summaries, presentation materials and integrated reports can viewed and saved, users can sign up to receive announcements regarding press releases and other breaking news and register for IR events. We encourage everyone to make use of this application.



IR Team

Full-Time Staff Engaged in a Wide Variety of Activities

Capcom IR activities are conducted by two full-time staff members in addition to the chairman, the president and the IR director on behalf of shareholders and investors in Japan and overseas. For earnings information and other IR-related inquiries, please contact the IR team.



Investor Relations Staff (Full-time/Concurrent)

Public Relations & Investor Relations Section

PHONE: +81-6-6920-3623
E-mail: ir@capcom.co.jp

Business Hours:
9:00-12:00, 13:00-17:30 (JST)
(excluding weekends and public holidays)

Directors and Corporate Auditors

Directors



Tamio Oda

Kenzo Tsujimoto

Haruhiro Tsujimoto

Yoichi Egawa

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

Jul. 1985 President and Representative Director of the Company
 Apr. 2001 Chief Executive Officer (CEO) of the Company (to present)
 Jul. 2007 Chairman and Representative Director of the Company (to present)

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

Apr. 1987 Entered into the Company
 Jun. 1997 Director of the Company
 Feb. 1999 Managing Director of the Company
 Apr. 2001 Senior Managing Director of the Company
 Jul. 2004 Director and Executive Corporate Officer of the Company
 Apr. 2006 Director and Executive Vice President of the Company
 Jul. 2007 Representative Director, President and Chief Operating Officer (COO) of the Company (to present)
 Feb. 2015 Representative Director, in charge of Consumer Games Business of the Company (to present)

Tamio Oda

Director, Executive Vice President and Chief Financial Officer (CFO)

May 2001 Advisor of the Company
 Jun. 2001 Director of the Company
 Jun. 2003 Managing Director of the Company
 Jul. 2004 Director, Executive Corporate Officer, Chief Financial Officer (CFO) and in charge of Corporate Strategies, Administration, President's Office, Affiliated Companies' Management of the Company
 Jul. 2007 Director, in charge of Corporate Management of the Company (to present)
 Jul. 2010 Director, Chief Financial Officer (CFO) of the Company (to present)
 Apr. 2011 Director, Executive Vice President of the Company (to present)

Yoichi Egawa

Director and Executive Corporate Officer

Apr. 1985 Entered into the Company
 Apr. 1999 General Manager of Creative Division 5 of the Company
 Aug. 1999 Corporate Officer, General Manager of Creative Division 5 of the Company
 Apr. 2005 Corporate Officer, Head of Contents Expansion Business Division of the Company
 Apr. 2006 Corporate Officer, Head of Pachinko & Pachislo Business Division of the Company
 Apr. 2011 Managing Corporate Officer of the Company
 Apr. 2013 Executive Corporate Officer of the Company (to present)
 Jun. 2013 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company
 Apr. 2015 Director, in charge of Amusement Equipments Business and Arcade Operation Business of the Company (to present)

External Directors



Takayuki Morinaga Hiroshi Yasuda Makoto Matsuo

Hiroshi Yasuda

Director

| | |
|-----------|---|
| Apr. 1957 | Entered into the Ministry of Finance |
| Nov. 1973 | Personal Secretary to the Minister of Finance |
| Jan. 1977 | Executive Secretary to the Prime Minister |
| Jun. 1988 | Deputy Vice Minister of Finance |
| Jun. 1990 | Director-General, Budget Bureau of the Ministry of Finance |
| Jun. 1991 | Administrative Vice Minister of Finance |
| May 1994 | Governor of the Export-Import Bank of Japan |
| Oct. 1999 | Governor of Japan Bank for International Cooperation |
| Sep. 2001 | Advisor of the Kansai Electric Power Co., Inc. |
| Jan. 2002 | Chairman of Yomiuri International Economic Society (to present) |
| Jul. 2002 | President of Japan Investor Protection Fund |
| Jun. 2004 | External Corporate Auditor of Shiseido Co., Ltd. |
| Aug. 2004 | President of Capital Market Promotion Foundation (Currently Capital Market Promotion Public Interest Incorporated Foundation) |
| Jun. 2007 | External Director of the Company (to present) |
| Jan. 2014 | Advisor of Capital Market Promotion Public Interest Incorporated Foundation (to present) |

Note: Messrs. Hiroshi Yasuda, Makoto Matsuo and Takayuki Morinaga are External Directors.

Makoto Matsuo

Director

| | |
|-----------|--|
| Apr. 1975 | Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-Wei, Gotshal & Manges in New York |
| Aug. 1978 | Admitted to New York Bar |
| Mar. 1979 | Partner of Momo-o, Matsuo & Namba (to present) |
| Apr. 1989 | Lecturer of Nihon University, Faculty of Law; International Transaction Law |
| Apr. 1997 | External Corporate Auditor of Victor Company of Japan, Limited |
| Jun. 1999 | External Corporate Auditor of Billing System Corporation |
| Jun. 2000 | External Corporate Auditor of Yamanouchi Pharmaceutical, Co., Ltd. |
| Jun. 2003 | External Director of the said Company |
| Jun. 2004 | External Director of Astellas Pharma Inc. |
| Apr. 2005 | Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law |
| Jun. 2007 | External Director of the Company (to present) |
| Oct. 2008 | External Director of JVC KENWOOD Holdings, Inc. |
| Jun. 2009 | External Corporate Auditor of Toray Industries, Inc. (to present) |
| Mar. 2015 | External Director of TonenGeneral Sekiyu K.K. (to present) |

Takayuki Morinaga

Director

| | |
|-----------|--|
| Apr. 1964 | Entered into The Export-Import Bank of Japan |
| Apr. 1992 | General Manager of Personnel Division of the said Bank |
| Apr. 1994 | General Manager, Osaka Branch of the said Bank |
| Apr. 1996 | Senior General Manager of the said Bank |
| Sep. 1998 | Managing Director of Yazaki Corporation |
| Sep. 2000 | Senior Managing Director of the said Company |
| Jun. 2006 | Vice Chairman of the said Company |
| Jun. 2007 | Director and Executive Councilor of the said Company |
| Jun. 2008 | Advisor of the said Company |
| Jun. 2009 | External Director of the Company (to present) |

Corporate Auditors



Akihiko Matsuzaki Yoshihiko Iwasaki Kazushi Hirao Masanao Ichika

Kazushi Hirao

Corporate Auditor (full-time)

| | |
|-----------|--|
| Apr. 1975 | Entered into Hitachi Zosen Corporation |
| Apr. 1987 | Assistant Manager of the said Company |
| Jun. 1988 | Entered into the Company |
| Apr. 1997 | General Manager of Overseas Business Dept. of the Company |
| Jul. 1999 | Corporate Officer, General Manager of Overseas Business Dept. of the Company |
| Oct. 2002 | General Manager of General Affairs Dept. of the Company |
| Apr. 2004 | Senior Manager of Investor Relations Section of the Company |
| Jun. 2004 | Corporate Auditor of the Company (full-time)(to present) |

Yoshihiko Iwasaki

Corporate Auditor (full-time)

| | |
|-----------|---|
| Apr. 1979 | Entered into National Tax Agency |
| Jul. 1986 | District Director of Ijuin Tax Office |
| Jul. 1997 | Deputy Commissioner (Revenue Management and Collection) of Hiroshima Regional Taxation Bureau |
| Jul. 1999 | Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau |
| Jul. 2003 | Director of Commissioner's Secretariat, the National Tax Agency |
| Jul. 2007 | Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau |
| Jul. 2008 | Executive Director of National Tax College |
| Jul. 2009 | Director-General of Kanazawa Regional Tax Tribunal |
| Jul. 2010 | Director-General of Sapporo Regional Tax Tribunal |
| Jul. 2011 | Vice President of National Tax College |
| Jun. 2012 | External Corporate Auditor of the Company (full-time)(to present) |

Note: Messrs. Yoshihiko Iwasaki and Akihiko Matsuzaki are External Corporate Auditors.

Masanao Ichika

Corporate Auditor

| | |
|-----------|--|
| Apr. 1962 | Registered Lawyer (Osaka Bar Association) |
| Apr. 1981 | Vice President of Osaka Bar Association, Governor of Japan Federation of Bar Association |
| Mar. 1988 | Member of Commercial Code Committee of Judicial System and Research Dept. of Ministry of Justice |
| Jun. 1994 | Outside Corporate Auditor of Mitsubishi Tanabe Pharma Corporation (to present) |
| Jun. 1998 | Outside Corporate Auditor of Keihan Electric Railway Co., Ltd. (to present) |
| Apr. 2001 | Outside Corporate Auditor of ES-CON JAPAN Ltd. (to present) |
| Jun. 2002 | External Director of the Company |
| Jun. 2004 | Professor of the Konan Law School |
| Dec. 2007 | Executive Partner of Daiichi Law Office, P.C. (to present) |
| Jun. 2008 | Corporate Auditor of the Company (to present) |

Akihiko Matsuzaki

Corporate Auditor

| | |
|-----------|--|
| Apr. 1968 | Entered into National Police Agency |
| Feb. 1975 | Chief of Foreign Affairs Section, Security Bureau, Hyogo Prefectural Police Headquarters |
| May 1979 | First Secretary of Embassy of Japan in Thailand |
| Jul. 1988 | Chief of Tottori Prefectural Police Headquarters |
| Apr. 1993 | Chief of Nagano Prefectural Police Headquarters |
| Aug. 1996 | Director General of Chubu Regional Police Bureau |
| Sep. 1997 | Director of the Board, Japan Road Traffic Information Center |
| Apr. 2002 | Auditor of Japan Police Mutual Aid Association |
| Sep. 2003 | Director of the Board, Japan Police Mutual Aid Association |
| Mar. 2005 | President of Kiou Kyoasai Co., Ltd. |
| Jul. 2009 | Auditor of Japan Police Cooperative (Part-time) (to present) |
| Jun. 2012 | External Corporate Auditor of the Company (to present) |

11-Year Summary of Consolidated Financial Indicators

Financial Performance

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------------------------|-----------------|----------|----------|----------|----------|
| For the Year: | Millions of yen | | | | |
| Net sales | ¥ 65,895 | ¥ 70,253 | ¥ 74,542 | ¥ 83,097 | ¥ 91,878 |
| Operating income | 7,752 | 6,580 | 9,602 | 13,121 | 14,618 |
| Net income (loss) before income taxes | 7,006 | 6,912 | 9,986 | 11,962 | 12,448 |
| Net income (loss) | 3,622 | 6,941 | 5,852 | 7,807 | 8,063 |
| Depreciation & amortization | 2,101 | 1,936 | 2,774 | 3,393 | 4,143 |
| Capital expenditures | 1,665 | 1,600 | 4,495 | 4,503 | 2,906 |
| R&D expenses | 1,323 | 1,864 | 1,828 | 2,972 | 2,329 |

| | | | | | |
|---------------------|-----------------|----------|----------|----------|-----------|
| At Year-End: | Millions of yen | | | | |
| Total assets | ¥ 106,361 | ¥ 98,457 | ¥ 91,478 | ¥ 93,606 | ¥ 106,210 |
| Net assets | 32,491 | 39,464 | 45,144 | 53,660 | 59,349 |
| Net cash | (12,948) | (678) | 9,200 | 13,061 | 7,378 |

| | | | | | |
|--|-----------------|----------|----------|---------|---------|
| Cash Flows: | Millions of yen | | | | |
| Cash flows from operating activities | ¥ 7,977 | ¥ 13,921 | ¥ 16,063 | ¥ 7,452 | ¥ (551) |
| Cash flows from investing activities | (1,099) | (1,779) | (6,715) | (3,374) | (2,715) |
| Cash flows from financing activities | 6,251 | (18,259) | (15,206) | (2,448) | (342) |
| Net increase (decrease) in cash and cash equivalents | 13,406 | (4,885) | (5,654) | (2,256) | (4,454) |
| Cash and cash equivalents at end of year | 45,538 | 40,652 | 35,020 | 32,763 | 28,611 |

| | | | | | |
|-----------------------------|---------|----------|----------|----------|----------|
| Per Share Data: | Yen | | | | |
| Net income (loss) per share | ¥ 63.37 | ¥ 125.19 | ¥ 107.52 | ¥ 132.90 | ¥ 130.98 |
| Dividend per share | 20.00 | 20.00 | 30.00 | 30.00 | 35.00 |
| Net assets per share | 589.99 | 716.91 | 799.35 | 881.13 | 961.38 |

| | | | | | |
|---------------------------------|-------|-------|-------|-------|------|
| Financial Index: | | | | | |
| Operating margin (%) | 11.8 | 9.4 | 12.9 | 15.8 | 15.9 |
| ROE (%) | 11.3 | 19.3 | 13.8 | 15.8 | 14.3 |
| ROA (%) | 3.6 | 6.8 | 6.2 | 8.4 | 8.1 |
| Net worth ratio (%) | 30.5 | 40.1 | 49.3 | 57.3 | 55.9 |
| Interest coverage ratio (times) | 30.0 | 82.6 | 237.3 | 103.7 | — |
| Debt-equity ratio (%) | 227.9 | 149.4 | 102.8 | 74.4 | 79.0 |

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Stock Information: | | | | | |
| Price earnings ratio (times) | 16.5 | 9.7 | 15.7 | 25.6 | 13.3 |
| Number of outstanding shares (thousands shares) | 58,435 | 58,435 | 62,269 | 66,719 | 67,394 |
| Foreign investors (%) | 14.79 | 23.35 | 32.60 | 27.72 | 33.73 |

"11-Year Summary of Consolidated Business Performance Indicators"
 Please refer to pages 15-16

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 |
|-----------------|----------|-----------|-----------|-----------|---------------------------|-------------------|
| Millions of yen | | | | | Thousands of U.S. dollars | |
| ¥ 66,837 | ¥ 97,716 | ¥ 82,065 | ¥ 94,075 | ¥ 102,200 | ¥ 64,277 | \$ 535,646 |
| 5,587 | 14,295 | 12,318 | 10,151 | 10,299 | 10,582 | 88,188 |
| 1,124 | 10,807 | 11,425 | 3,719 | 5,315 | 10,701 | 89,177 |
| 2,167 | 7,750 | 6,723 | 2,973 | 3,444 | 6,616 | 55,140 |
| 3,368 | 3,315 | 3,123 | 3,406 | 4,638 | 3,535 | 29,460 |
| 2,205 | 2,758 | 4,153 | 8,724 | 8,064 | 10,177 | 84,811 |
| 2,125 | 2,924 | 2,236 | 1,982 | 2,002 | 823 | 6,864 |
| Millions of yen | | | | | Thousands of U.S. dollars | |
| ¥ 86,621 | ¥ 90,408 | ¥ 98,247 | ¥ 104,365 | ¥ 96,611 | ¥ 100,773 | \$ 839,777 |
| 53,956 | 58,007 | 59,352 | 62,828 | 63,875 | 71,331 | 594,426 |
| 12,299 | 27,655 | 11,348 | 14,327 | 22,670 | 21,212 | 176,766 |
| Millions of yen | | | | | Thousands of U.S. dollars | |
| ¥ 14,320 | ¥ 22,392 | ¥ (7,672) | ¥ 6,647 | ¥ 13,201 | ¥ 4,286 | \$ 35,719 |
| (1,618) | (2,046) | (4,794) | (1,375) | (6,155) | (5,496) | (45,802) |
| (10,747) | (12,919) | 587 | 1,162 | (15,099) | 1,278 | 10,650 |
| 1,203 | 5,196 | (12,724) | 9,235 | (5,404) | 1,879 | 15,665 |
| 29,815 | 35,011 | 22,287 | 31,522 | 26,118 | 27,998 | 233,318 |
| Yen | | | | | U.S. dollars | |
| ¥ 35.71 | ¥ 131.18 | ¥ 116.10 | ¥ 51.64 | ¥ 61.11 | ¥ 117.67 | \$ 0.98 |
| 35.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 0.33 |
| 913.18 | 981.76 | 1,030.70 | 1,091.08 | 1,135.91 | 1,268.56 | 10.57 |
| 8.4 | 14.6 | 15.0 | 10.8 | 10.1 | 16.5 | |
| 3.8 | 13.8 | 11.5 | 4.9 | 5.4 | 9.8 | |
| 2.3 | 8.8 | 7.1 | 2.9 | 3.4 | 6.7 | |
| 62.3 | 64.2 | 60.4 | 60.2 | 66.1 | 70.8 | |
| 86.9 | 155.8 | — | 62.4 | 136.8 | 50.2 | |
| 60.5 | 55.9 | 65.5 | 66.1 | 51.2 | 41.3 | |
| 49.5 | 12.1 | 16.3 | 28.6 | 32.0 | 20.3 | |
| 67,723 | 67,723 | 67,723 | 67,723 | 67,723 | 67,723 | |
| 24.22 | 22.17 | 27.05 | 32.37 | 37.29 | 36.87 | |

Financial Review

1. Operating Results

Capcom Co., Ltd. announced that net sales decreased to 64,277 million yen (down 37.1% from the previous fiscal year) fiscal year ended March 31, 2015. As for profits, operating income was 10,582 million yen (up 2.7% from the previous fiscal year), ordinary income was 10,851 million yen (down 0.9% from the previous fiscal year), and net income was 6,616 million yen (up 92.1% from the previous fiscal year).

2. Sales and Profits

(1) Net Sales

In this fiscal year, net sales were 64,277 million yen (down 37.1% from the previous fiscal year). This was primarily attributable to the Digital Contents business, which declined 31.1% from the previous fiscal year due to the lack of a hit title in the Mobile Contents sub-segment and pullback after last year's major title "Monster Hunter 4". Nevertheless, consumer flagship title "Monster Hunter 4 Ultimate" was generally on track and we achieved a million-seller with "Resident Evil Revelations 2", which involves a new sales model whereby separate digital download sales of each episode are followed by package sales. In the Amusement Equipments business, despite selling 20 thousand units of "Sengoku BASARA 3" pachislo machines, the product lineup lacked variety due to the delayed introduction of new models caused by a revision in the Pachislo model certification method by the Security Communications Association, causing sales to drop 67.4% from the previous fiscal year.

(2) Operating Income

Cost of sales decreased significantly to 38,379 million yen (down 46.9% from the previous fiscal year). This was mainly due to (1) development structure revisions resulting in a tighter lineup of titles outsourced overseas and reduced outsourcing expenses, (2) title reductions aimed at a more efficient internal production development process and (3) cost of sales reductions resulting from a higher ratio of digital download sales, mainly in the Digital Contents

business. The lower cost of sales improved the cost of sales ratio to 59.7% (down 11 percentage points from the previous fiscal year).

Although SG&A as a percentage of sales increased 4.7 percentage points to 24.0%, the decline in net sales caused the fixed overhead rate to increase. Selling, general and administrative expenses shrank substantially to 15,403 million yen (down 22.0% from the previous fiscal year).

As a result, operating income increased slightly to 10,582 million yen (up 2.7% from the previous fiscal year) due to the significant decrease in sales, while profitability substantially increased as the operating margin rose to 16.5% (up 6.4 percentage points from the previous fiscal year).

(3) Net Income

Non-operating income this fiscal year was 664 million yen due to the recognition of 292 million yen in foreign exchange gains arising from the continued weakening of the yen. Non-operating expenses were 396 million yen, primarily due to arcade closures in the Arcade Operations business, which recorded a 142 million yen loss on closing amusement stores. As a result, ordinary income was 10,851 million yen (down 0.9% from the previous fiscal year).

After recognizing a restructuring loss in the previous fiscal year, net income this fiscal year soared to 6,616 million yen (up 92.1% from the previous fiscal year). Net margins grew significantly to 10.3% (up 6.9 percentage points from the previous fiscal year).

3. Status of Each Operational Department

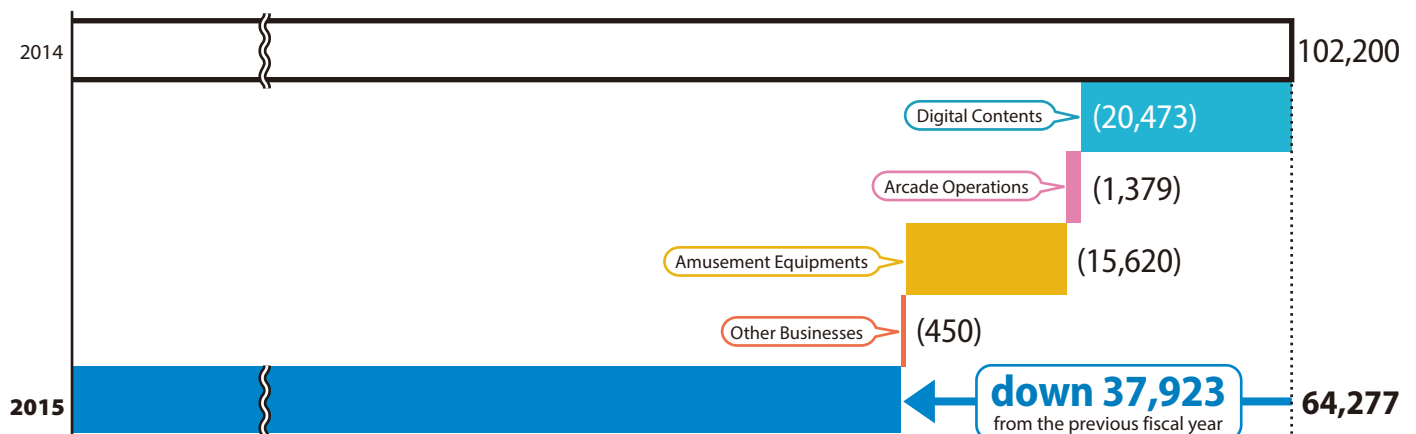
(1) Digital Content business

In the Digital Contents business, sales of the special feature title "Monster Hunter 4G" (including "Monster Hunter 4 Ultimate") (for New Nintendo 3DS and Nintendo 3DS) were largely in line with the plan and sales of "Ultra Street Fighter IV" (for PlayStation 3, Xbox 360, and PC) targeting overseas markets were also solid, reflecting its strong popularity.

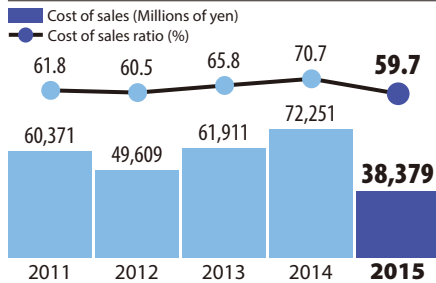
"Resident Evil Revelations 2" (for PlayStation 3, PlayStation 4, Xbox 360, Xbox One, and PC), which is sold in a variety of purchase options (separate digital download sales of each episode followed by package sales), has also made a strong start.

Net Sales

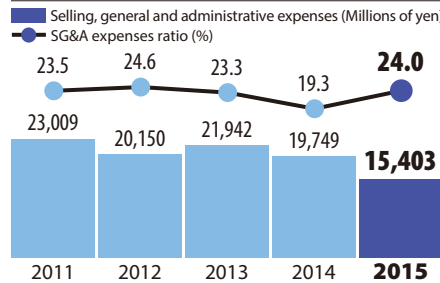
(Millions of yen)



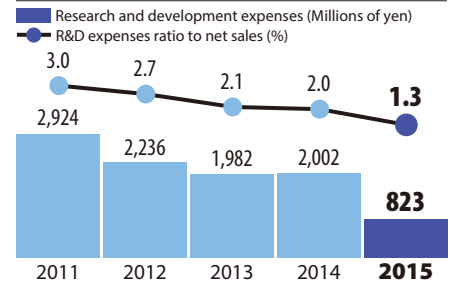
Cost of sales/Cost of sales ratio



Selling, general and administrative expenses/SG&A expenses ratio



Research and development expenses/R&D expenses ratio to net sales



In addition to the satisfactory sales of "Dead Rising 3" (for Xbox One and PC), which was a million seller in the previous fiscal year, a steady increase in the sales volume of digital download sales of repeat titles contributed to profits due to their high profitability.

On the other hand, sales of "Gaist Crusher God" (for Nintendo 3DS) were below expectations. Moreover, although there was a lack of major titles among Capcom's mobile phone contents with certain exceptions including "Monster Hunter Freedom Unite for iOS", the overhaul of the profit structure contributed to profitability improvement.

However, overall sales did not offset the aforementioned downturn in "Monster Hunter 4" (for Nintendo 3DS).

The resulting net sales were 45,351 million yen (down 31.1% from the previous fiscal year), and operating income was 10,208 million yen (up 127.4% from the previous fiscal year).

(2) Arcade Operations business

In the Arcade Operations business, with the market continuing to be weak due to the increased diversity in how people spend leisure time, a lack of products that attract new customers, and other factors, Capcom strived to expand its customer base by acquiring new visitors such as senior and family customers in addition to the core younger generation customers. Specific measures taken included free experience tour offerings for elderly persons and the nationwide opening of five "Asobi Oukoku Peekaboo" sites

targeting younger children.

However, business remained weak due to the underperformance of existing arcades, in addition to the impact of the consumption tax hike and fickle weather. During the fiscal year under review, a new arcade was open in Saitama Prefecture while one unprofitable arcade was closed, bringing the total number of arcades to 33.

The resulting net sales were 9,241 million yen (down 13.0% from the previous fiscal year), and operating income was 940 million yen (down 41.8% from the previous fiscal year).

(3) Amusement Equipments business

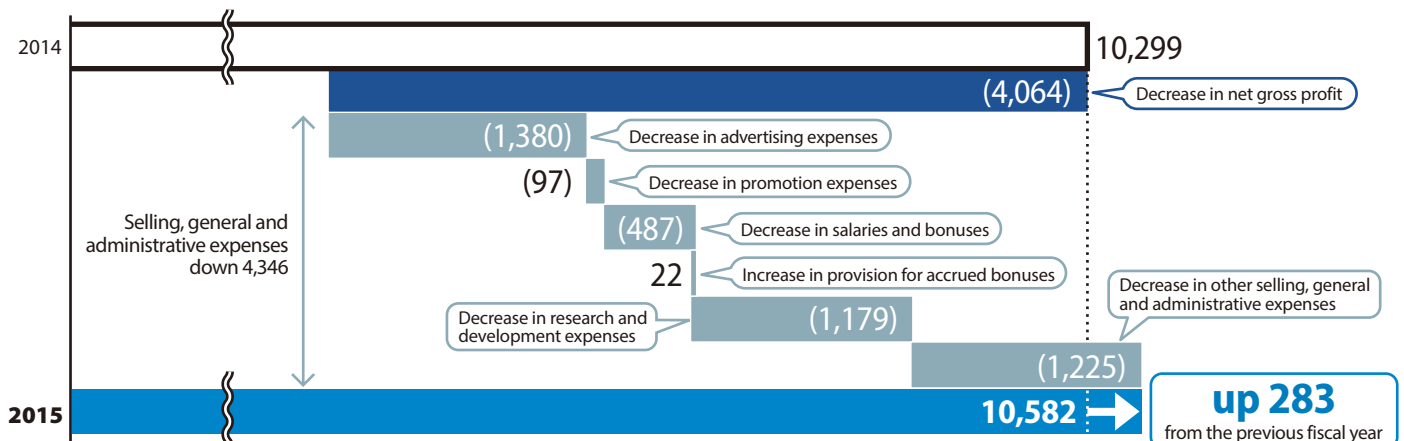
In the Pachinko & Pachislo sub-segment, although the product lineup lacked variety to some extent due to the delay in the introduction of a new model caused by the revision in pachislo model certification method by the Security Communications Association, "Sengoku BASARA 3" introduced in the first half of the current fiscal year as well as highly profitable repeat sales supported the revenue stream.

In the Arcade Games Sales sub-segment, business was generally weak due to a lack of strong products as sales centered on existing products.

The resulting net sales were 7,540 million yen (down 67.4% from the previous fiscal year), and operating income was 2,736 million yen (down 61.6% from the previous fiscal year).

Operating Income

(Millions of yen)



Financial Review

(4) Other Businesses

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and the sales of related goods, were 2,144 million yen (down 17.4% from the previous fiscal year), and operating income was 661 million yen (down 34.0% from the previous fiscal year).

4. Analysis of Assets, Liabilities and Net Assets

(1) Assets

Total assets as of the end of the fiscal year ended March 31, 2015 increased by 4,162 million yen from the end of the previous fiscal year to 100,773 million yen.

Primary increases were followings: 6,478 million yen in work-in-progress for game software, 3,347 million yen in online contents in progress, 2,497 million yen in construction-in-progress and 2,483 million yen in cash on hand and in banks. Primary decreases were 10,129 million yen in notes and accounts receivable, trade.

(2) Liabilities

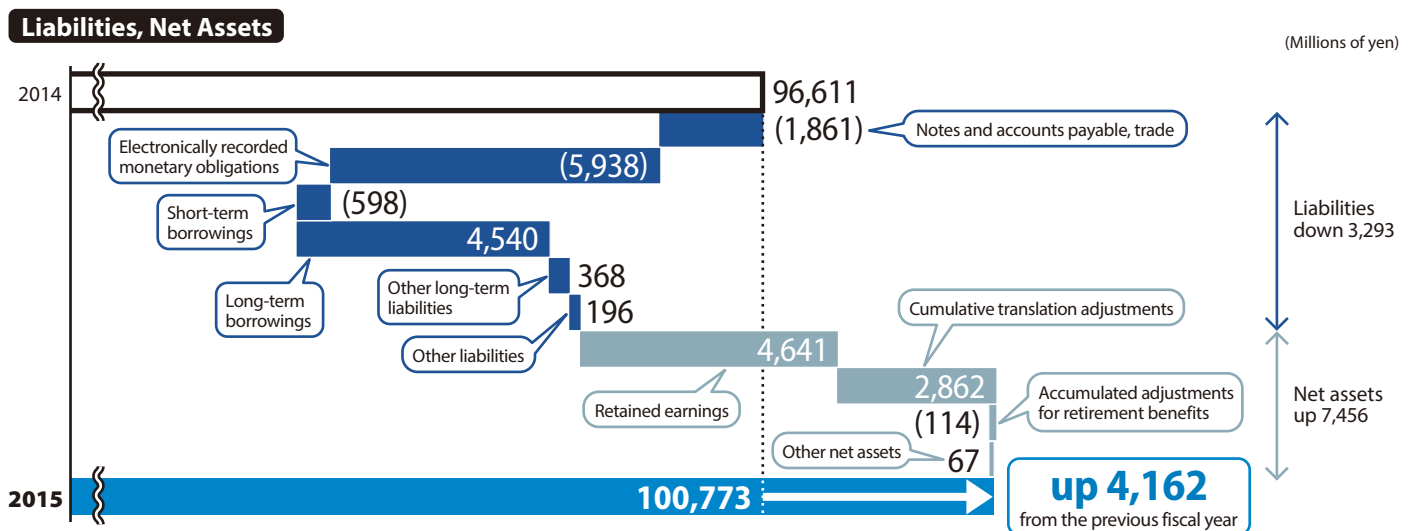
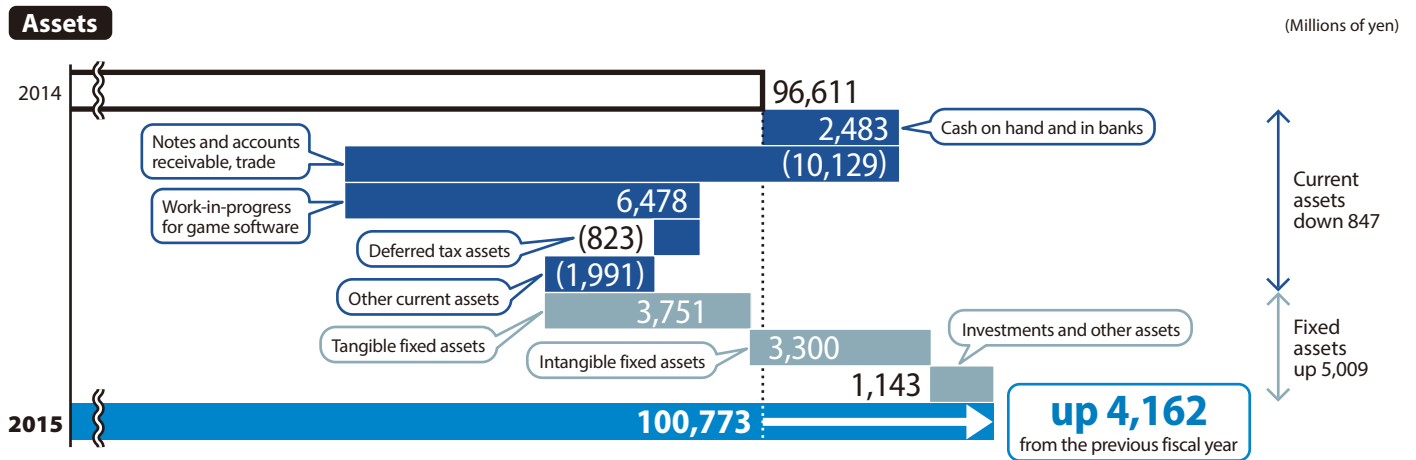
Total liabilities as of the end of the fiscal year ended March 31, 2015 decreased by 3,292 million yen from the end of the previous fiscal year to 29,442 million yen.

Primary increase was 4,540 million yen in long-term borrowings. Primary decreases were 5,937 million yen in electronically recorded monetary liabilities and 1,860 million yen in notes and accounts payable, trade.

(3) Net assets

Net assets as of the end of the fiscal year ended March 31, 2015 increased by 7,455 million yen from the previous fiscal year to 71,331 million yen.

Primary increases were 6,616 million yen in net income for the year and 2,863 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries. Primary decrease was 2,249 million yen in cash dividends.



5. Analysis of Cash Flow

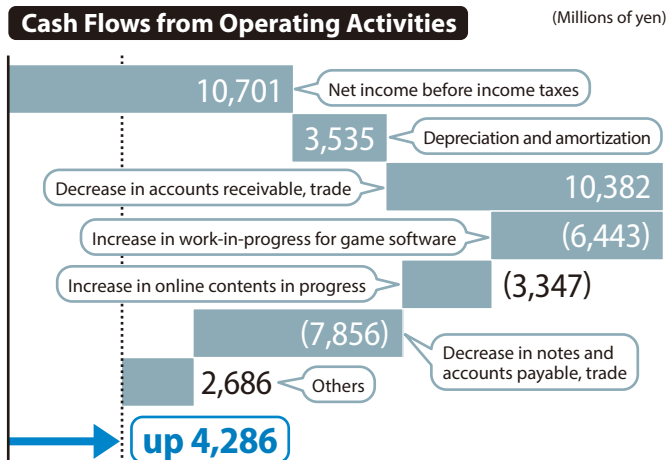
Cash and cash equivalents as of the end of the fiscal year ended March 31, 2015 increased by 1,879 million yen from the end of the previous fiscal year to 27,998 million yen.

Cash flow positions of each activity and their factors are described below.

(1) Cash flows from operating activities

Net cash gained from operating activities was 4,286 million yen (13,201 million yen in the previous fiscal year).

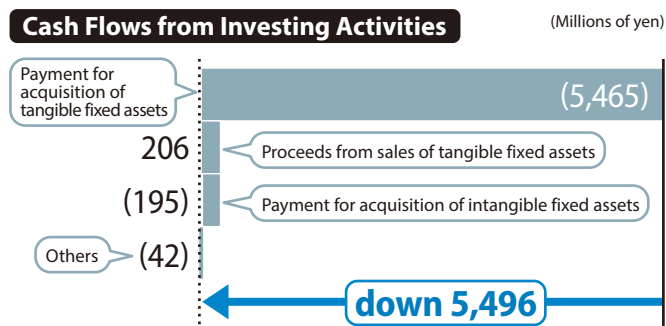
Primary items increasing cash flows were 10,701 million yen in net income before income taxes (5,315 million yen in the previous fiscal year), 10,382 million yen decrease in accounts receivable, trade (increase of 6,351 million yen in the previous fiscal year). Primary item decreasing cash flows were followings: 7,856 million yen decrease in notes and accounts payable, trade (increase of 4,806 million yen in the previous fiscal year), 6,443 million yen increase in work-in-progress for game software (decrease of 6,010 million yen in the previous fiscal year) and 3,347 million yen increase in online contents in progress (1,741 million yen in the previous fiscal year).



(2) Cash flows from investing activities

Net cash used in investing activities was 5,496 million yen (6,155 million yen in the previous fiscal year).

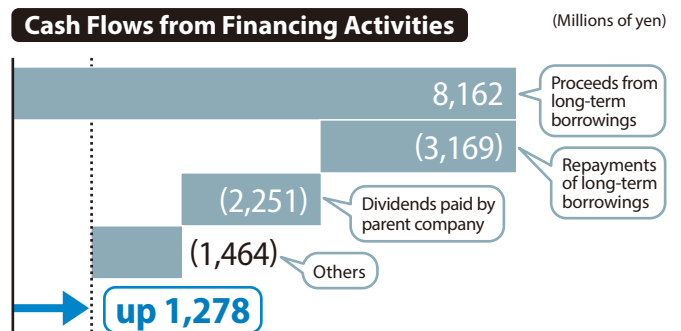
Primary item used was 5,465 million yen in payment for acquisition of tangible fixed assets (2,203 million yen in the previous fiscal year).



(3) Cash flows from financing activities

Net cash gained from financing activities was 1,278 million yen (15,099 million yen used in the previous fiscal year).

Primary item provided was 8,162 million yen provided from long-term borrowings (no long-term borrowings in the previous fiscal year). Primary items used were 3,169 million yen in repayments of long-term borrowings (145 million yen in the previous fiscal year), 2,251 million yen in dividends paid by parent company (2,283 million yen in the previous fiscal year) and 1,050 million yen net decrease in short-term borrowings (10,000 million yen in the previous fiscal year).



Trends of Cash Flow Indicators

| | Year ended March 2013 | Year ended March 2014 | Year ended March 2015 |
|---|--------------------------|--------------------------|--------------------------|
| Shareholders' equity ratio to total assets (%) | 60.2 | 66.1 | 70.8 |
| Shareholders' equity ratio to total assets based on fair market value (%) | 81.4 | 114.0 | 133.3 |
| Debt amortization ratio to cash flows (%) | 258.7 | 53.4 | 256.5 |
| Interest coverage ratio (times) | 62.4 | 136.8 | 50.2 |

Shareholders' equity ratio to total assets: Shareholders' equity / Total assets

Shareholders' equity ratio to total assets based on fair market value: Total of the capital stock at market price / Total assets

Debt amortization ratio to cash flows: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payments

(Note 1) Percentage figures are calculated on a consolidated basis.

(Note 2) Total market value of shares is calculated based on the number of shares as of the end of the fiscal year excluding treasury stock.

(Note 3) Cash flows are used for cash flows from operating activities.

(Note 4) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

Consolidated Balance Sheets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2015 AND 2014

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|--|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| (Assets) | | | |
| Current assets: | | | |
| Cash on hand and in banks [Notes 9(1) and 11] | 29,720 | 32,204 | 268,367 |
| Notes and accounts receivable, trade [Notes 5(3) and 11] | 18,134 | 8,005 | 66,710 |
| Merchandise and finished goods | 1,191 | 1,225 | 10,213 |
| Work in progress | 942 | 1,672 | 13,933 |
| Raw materials and supplies | 996 | 1,020 | 8,502 |
| Work in progress for game software | 10,355 | 16,833 | 140,282 |
| Deferred tax assets [Note 14] | 2,865 | 2,042 | 17,021 |
| Other | 2,355 | 2,712 | 22,603 |
| Allowance for doubtful accounts | (55) | (56) | (473) |
| Total current assets | 66,506 | 65,659 | 547,162 |
| Fixed assets: | | | |
| Tangible fixed assets, net of accumulated depreciation [Note 5(1)] | | | |
| Buildings and structures, net [Note 5(2)] | 4,998 | 6,136 | 51,134 |
| Machinery and vehicles, net | 15 | 22 | 186 |
| Tools, fixtures and furniture, net | 1,208 | 1,578 | 13,152 |
| Equipment for amusement facilities, net | 1,431 | 1,101 | 9,178 |
| Land [Note 5(2)] | 5,052 | 4,953 | 41,276 |
| Leased assets, net [Note 10(2)] | 825 | 995 | 8,294 |
| Construction in progress | 44 | 2,541 | 21,180 |
| Total tangible fixed assets | 13,577 | 17,328 | 144,401 |
| Intangible assets | | | |
| Goodwill | 67 | — | — |
| Online contents in progress | 4,547 | 7,895 | 65,796 |
| Other | 2,753 | 2,772 | 23,105 |
| Total intangible assets | 7,368 | 10,668 | 88,902 |
| Investments and other assets | | | |
| Investments in securities [Note 12] | 542 | 621 | 5,180 |
| Claims in bankruptcy and reorganization | 65 | 66 | 556 |
| Lease deposits [Note 11] | 4,108 | 4,036 | 33,636 |
| Deferred tax assets [Note 14] | 3,699 | 1,595 | 13,293 |
| Other | 819 | 876 | 7,301 |
| Allowance for doubtful accounts | (77) | (78) | (657) |
| Total investments and other assets | 9,159 | 7,117 | 59,310 |
| Total fixed assets | 30,104 | 35,113 | 292,614 |
| Total assets | 96,611 | 100,773 | 839,777 |

The accompanying notes are an integral part of these financial statements.

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|---|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| (Liabilities) | | | |
| Current liabilities: | | | |
| Notes and accounts payable, trade [Notes 5(3) and 11] | 4,950 | 3,089 | 25,749 |
| Electronically recorded monetary obligations [Note 11] | 6,926 | 988 | 8,240 |
| Short-term borrowings [Notes 5(2) , 11 and 20] | 4,050 | 3,452 | 28,770 |
| Lease obligations [Notes 11 and 20] | 370 | 483 | 4,025 |
| Accrued income taxes | 758 | 823 | 6,861 |
| Deferred tax liabilities [Note 14] | 93 | 147 | 1,228 |
| Accrued bonuses | 1,802 | 1,832 | 15,273 |
| Allowance for sales returns | 87 | — | — |
| Asset retirement obligations [Notes 15 and 21] | 8 | 6 | 57 |
| Other | 6,499 | 6,421 | 53,510 |
| Total current liabilities | 25,547 | 17,246 | 143,718 |
| Long-term liabilities: | | | |
| Long-term borrowings [Notes 5(2) , 11 and 20] | 3,000 | 7,540 | 62,834 |
| Lease obligations [Notes 11 and 20] | 519 | 589 | 4,914 |
| Deferred tax liabilities [Note 14] | 46 | 48 | 404 |
| Liabilities for retirement benefits for employees [Note 13] | 2,158 | 2,101 | 17,512 |
| Asset retirement obligations [Notes 15 and 21] | 404 | 489 | 4,075 |
| Other | 1,059 | 1,427 | 11,891 |
| Total long-term liabilities | 7,187 | 12,195 | 101,633 |
| Total liabilities | 32,735 | 29,442 | 245,351 |
| (Net assets) | | | |
| Shareholders' equity: | | | |
| Common stock | 33,239 | 33,239 | 276,993 |
| Capital surplus | 21,328 | 21,328 | 177,741 |
| Retained earnings | 29,160 | 33,801 | 281,676 |
| Treasury stock | (18,134) | (18,140) | (151,172) |
| Total shareholders' equity | 65,593 | 70,228 | 585,238 |
| Accumulated other comprehensive income: | | | |
| Net unrealized gain or loss on securities, net of tax | 99 | 170 | 1,422 |
| Cumulative translation adjustments | (1,647) | 1,215 | 10,130 |
| Accumulated adjustments for retirement benefits | (169) | (283) | (2,365) |
| Total accumulated other comprehensive income | (1,717) | 1,102 | 9,187 |
| Total net assets | 63,875 | 71,331 | 594,426 |
| Total liabilities and net assets | 96,611 | 100,773 | 839,777 |

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

Consolidated statements of income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Net sales | 102,200 | 64,277 | 535,646 |
| Cost of sales | 72,251 | 38,379 | 319,825 |
| Gross profit | 29,949 | 25,898 | 215,820 |
| Reversal of allowance for sales returns | 100 | 87 | 726 |
| Net gross profit | 30,049 | 25,985 | 216,546 |
| Selling, general and administrative expenses [Notes 6(1) and (3)] | 19,749 | 15,403 | 128,358 |
| Operating income | 10,299 | 10,582 | 88,188 |
| Non-operating income: | | | |
| Interest income | 97 | 98 | 823 |
| Dividend income | 10 | 13 | 109 |
| Settlement received | 210 | 92 | 771 |
| Exchange gains, net | 566 | 292 | 2,434 |
| Other | 238 | 168 | 1,400 |
| Total | 1,122 | 664 | 5,539 |
| Non-operating expenses: | | | |
| Interest expense | 96 | 85 | 715 |
| Commission fees | 69 | 83 | 692 |
| Loss on closing amusement stores | 142 | 142 | 1,188 |
| Other | 166 | 84 | 702 |
| Total | 475 | 396 | 3,300 |
| Ordinary income | 10,946 | 10,851 | 90,427 |
| Special losses: | | | |
| Loss on sales and/or disposal of fixed assets [Note 6(2)] | 93 | 100 | 839 |
| Impairment loss [Note 6(4)] | — | 49 | 410 |
| Loss on restructuring [Note 6(5)] | 5,537 | — | — |
| Total | 5,630 | 150 | 1,250 |
| Net income before income taxes | 5,315 | 10,701 | 89,177 |
| Income taxes-current [Note 14] | 950 | 1,146 | 9,558 |
| Income taxes-deferred [Note 14] | 920 | 2,937 | 24,478 |
| Total | 1,870 | 4,084 | 34,036 |
| Net income before minority interests | 3,444 | 6,616 | 55,140 |
| Net income | 3,444 | 6,616 | 55,140 |

Consolidated statements of comprehensive income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|---|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Net income before minority interests | 3,444 | 6,616 | 55,140 |
| Other comprehensive income [Note 7(1)] | | | |
| Net unrealized gain or loss on securities, net of tax | 8 | 71 | 594 |
| Cumulative translation adjustments | 2,333 | 2,863 | 23,860 |
| Adjustments for retirement benefits | — | (114) | (954) |
| Total other comprehensive income | 2,341 | 2,820 | 23,500 |
| Comprehensive income | 5,786 | 9,436 | 78,640 |
| Comprehensive income attributable to: | | | |
| Owners of the parent | 5,786 | 9,436 | 78,640 |
| Minority interests | — | — | — |

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| Millions of yen | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2013 | 33,239 | 21,328 | 27,998 | (15,848) | 66,718 |
| Cumulative effect due to changes in accounting policies | | | | | |
| Balance as of April 1, 2013 | 33,239 | 21,328 | 27,998 | (15,848) | 66,718 |
| Changes of items during the current fiscal year | | | | | |
| Cash dividends [Note 8(3)] | | | (2,283) | | (2,283) |
| Net income | | | 3,444 | | 3,444 |
| Repurchase of treasury stock | | | | (2,286) | (2,286) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the current fiscal year | — | 0 | 1,161 | (2,286) | (1,124) |
| Balance as of March 31, 2014 | 33,239 | 21,328 | 29,160 | (18,134) | 65,593 |

| Millions of yen | Accumulated other comprehensive income | | | | Total net assets |
|---|---|------------------------------------|---|--|------------------|
| | Net unrealized gain or loss on securities, net of tax | Cumulative translation adjustments | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | |
| Balance as of March 31, 2013 | 91 | (3,981) | — | (3,889) | 62,828 |
| Cumulative effect due to changes in accounting policies | | | | | |
| Balance as of April 1, 2013 | 91 | (3,981) | — | (3,889) | 62,828 |
| Changes of items during the current fiscal year | | | | | |
| Cash dividends [Note 8(3)] | | | | | (2,283) |
| Net income | | | | | 3,444 |
| Repurchase of treasury stock | | | | | (2,286) |
| Disposal of treasury stock | | | | | 0 |
| Net changes of items other than shareholders' equity | 8 | 2,333 | (169) | 2,172 | 2,172 |
| Total changes of items during the current fiscal year | 8 | 2,333 | (169) | 2,172 | 1,047 |
| Balance as of March 31, 2014 | 99 | (1,647) | (169) | (1,717) | 63,875 |

| Millions of yen | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2014 | 33,239 | 21,328 | 29,160 | (18,134) | 65,593 |
| Cumulative effect due to changes in accounting policies | | | 273 | | 273 |
| Balance as of April 1, 2014 | 33,239 | 21,328 | 29,433 | (18,134) | 65,866 |
| Changes of items during the current fiscal year | | | | | |
| Cash dividends [Note 8(3)] | | | (2,249) | | (2,249) |
| Net income | | | 6,616 | | 6,616 |
| Repurchase of treasury stock | | | | (5) | (5) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the current fiscal year | — | 0 | 4,367 | (5) | 4,361 |
| Balance as of March 31, 2015 | 33,239 | 21,328 | 33,801 | (18,140) | 70,228 |

| Millions of yen | Accumulated other comprehensive income | | | | Total net assets |
|---|---|------------------------------------|---|--|------------------|
| | Net unrealized gain or loss on securities, net of tax | Cumulative translation adjustments | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | |
| Balance as of March 31, 2014 | 99 | (1,647) | (169) | (1,717) | 63,875 |
| Cumulative effect due to changes in accounting policies | | | | | 273 |
| Balance as of April 1, 2014 | 99 | (1,647) | (169) | (1,717) | 64,149 |
| Changes of items during the current fiscal year | | | | | |
| Cash dividends [Note 8(3)] | | | | | (2,249) |
| Net income | | | | | 6,616 |
| Repurchase of treasury stock | | | | | (5) |
| Disposal of treasury stock | | | | | 0 |
| Net changes of items other than shareholders' equity | 71 | 2,863 | (114) | 2,820 | 2,820 |
| Total changes of items during the current fiscal year | 71 | 2,863 | (114) | 2,820 | 7,181 |
| Balance as of March 31, 2015 | 170 | 1,215 | (283) | 1,102 | 71,331 |

| Thousands of U.S. dollars | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|------------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2014 | 276,993 | 177,740 | 243,001 | (151,123) | 546,612 |
| Cumulative effect due to changes in accounting policies | | | 2,278 | | 2,278 |
| Balance as of April 1, 2014 | 276,993 | 177,740 | 245,279 | (151,123) | 548,891 |
| Changes of items during the current fiscal year | | | | | |
| Cash dividends [Note 8(3)] | | | (18,744) | | (18,744) |
| Net income | | | 55,140 | | 55,140 |
| Repurchase of treasury stock | | | | (49) | (49) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the current fiscal year | — | 0 | 36,396 | (49) | 36,347 |
| Balance as of March 31, 2015 | 276,993 | 177,741 | 281,676 | (151,172) | 585,238 |

| Thousands of U.S. dollars | Accumulated other comprehensive income | | | | Total net assets |
|---|---|------------------------------------|---|--|------------------|
| | Net unrealized gain or loss on securities, net of tax | Cumulative translation adjustments | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | |
| Balance as of March 31, 2014 | 828 | (13,729) | (1,411) | (14,312) | 532,299 |
| Cumulative effect due to changes in accounting policies | | | | | 2,278 |
| Balance as of April 1, 2014 | 828 | (13,729) | (1,411) | (14,312) | 534,578 |
| Changes of items during the current fiscal year | | | | | |
| Cash dividends [Note 8(3)] | | | | | (18,744) |
| Net income | | | | | 55,140 |
| Repurchase of treasury stock | | | | | (49) |
| Disposal of treasury stock | | | | | 0 |
| Net changes of items other than shareholders' equity | 594 | 23,860 | (954) | 23,500 | 23,500 |
| Total changes of items during the current fiscal year | 594 | 23,860 | (954) | 23,500 | 59,847 |
| Balance as of March 31, 2015 | 1,422 | 10,130 | (2,365) | 9,187 | 594,426 |

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|---|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Cash flows from operating activities: | | | |
| Net income before income taxes | 5,315 | 10,701 | 89,177 |
| Depreciation and amortization | 4,638 | 3,535 | 29,460 |
| Impairment loss | — | 49 | 410 |
| Amortization of goodwill | 131 | 63 | 526 |
| Decrease in allowance for doubtful accounts | (16) | (1) | (13) |
| (Decrease) increase in accrued bonuses | 88 | (3) | (31) |
| Decrease in allowance for sales returns | (100) | (87) | (726) |
| Increase in liabilities for retirement benefits for employees | 195 | 207 | 1,727 |
| Interest and dividend income | (107) | (111) | (933) |
| Interest expense | 96 | 85 | 714 |
| Exchange (gains) losses, net | (435) | (188) | (1,574) |
| Loss on sales and/or disposal of fixed assets | 93 | 100 | 835 |
| Loss on restructuring | 5,537 | — | — |
| Decrease (increase) in accounts receivable, trade | (6,351) | 10,382 | 86,524 |
| (Increase) decrease in inventories | 1,196 | (764) | (6,372) |
| (Increase) decrease in work in progress for game software | 6,010 | (6,443) | (53,697) |
| Increase in online contents in progress | (1,741) | (3,347) | (27,899) |
| (Decrease) increase in notes and accounts payable, trade | 4,806 | (7,856) | (65,471) |
| (Increase) decrease in other current assets | 1,975 | (239) | (1,999) |
| Decrease in other current liabilities | (2,709) | (497) | (4,144) |
| Other | (3,219) | (393) | (3,281) |
| Subtotal | 15,404 | 5,187 | 43,232 |
| Interest and dividends received | 86 | 118 | 984 |
| Interest paid | (98) | (85) | (710) |
| Income taxes paid | (2,190) | (934) | (7,786) |
| Net cash provided by operating activities | 13,201 | 4,286 | 35,719 |
| Cash flows from investing activities: | | | |
| Payments into time deposits [Note 9(1)] | (3,517) | — | — |
| Payment for acquisition of tangible fixed assets | (2,203) | (5,465) | (45,542) |
| Proceeds from sales of tangible fixed assets | 1 | 206 | 1,724 |
| Payment for acquisition of intangible assets | (497) | (195) | (1,630) |
| Payment for purchase of investments in securities | (12) | (12) | (107) |
| Payment for other investing activities | (115) | (141) | (1,177) |
| Proceeds from other investing activities | 189 | 111 | 931 |
| Net cash used in investing activities | (6,155) | (5,496) | (45,802) |
| Cash flows from financing activities: | | | |
| Net (decrease) increase in short-term borrowings | (10,000) | (1,050) | (8,750) |
| Proceeds from long-term borrowings | — | 8,162 | 68,016 |
| Repayments of long-term borrowings | (145) | (3,169) | (26,411) |
| Repayments of lease obligations | (383) | (406) | (3,391) |
| Payment for repurchase of treasury stock | (2,286) | (5) | (49) |
| Proceeds from sales of treasury stock | 0 | 0 | 0 |
| Dividends paid by parent company | (2,283) | (2,251) | (18,764) |
| Net cash provided by (used in) financing activities | (15,099) | 1,278 | 10,650 |
| Effect of exchange rate changes on cash and cash equivalents | 2,648 | 1,811 | 15,098 |
| Net increase (decrease) in cash and cash equivalents | (5,404) | 1,879 | 15,665 |
| Cash and cash equivalents at beginning of year | 31,522 | 26,118 | 217,652 |
| Cash and cash equivalents at end of year [Note 9(1)] | 26,118 | 27,998 | 233,318 |

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the "Company") and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of translation into U.S. dollars, it is rounded down to the nearest 1 thousand U.S. dollars).

The rate of ¥120 to U.S.\$1.00, the approximate current rate of exchange prevailing on March 31, 2015, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Summary of significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 16 majority owned subsidiaries (the "Companies") at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated.

The investments in 20% to 50% owned companies ("Affiliated companies") are, with minor exceptions, accounted for under the equity method. The 16 subsidiaries are as follows:

- CAPCOM U.S.A., INC. (U.S.A.)
- CAPCOM GAME STUDIO VANCOUVER, INC. (Canada)
- BEELINE INTERACTIVE, INC. (U.S.A.)
- BEELINE INTERACTIVE CANADA, INC. (Canada)
- BEELINE INTERACTIVE JAPAN, INC. (Japan)
- BEELINE INTERACTIVE EUROPE LTD. (U.K.)
- BEELINE INTERACTIVE THAILAND LTD. (Thailand)
- CE EUROPE LTD. (U.K.)
- CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)
- CAPCOM ENTERTAINMENT FRANCE SAS (France)
- CAPCOM ASIA CO., LTD. (Hong Kong)
- CAPCOM TAIWAN CO., LTD. (Taiwan)
- CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
- CAPTRON CO., LTD. (Japan)
- K2 CO., LTD. (Japan)
- ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

- STREET FIGHTER FILM, LLC (U.S.A.)

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end.

Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets," at the net of tax amount.

The cost of securities sold is determined based on the average cost of all such securities held at the time of sale.

Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods," "Work in progress," "Raw materials and supplies") and "Work in progress for game software"

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs

incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

(4) Tangible fixed assets, except for leased assets

Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respective asset, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

| | |
|------------------------------------|------------|
| Buildings and structures | 3-50 years |
| Equipment for amusement facilities | 3-20 years |

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method. The amortization period, except for computer software and online game contents, is based upon the individual estimated useful life of the asset.

The amortization period for computer software and online game contents is based upon the estimated period of internal use (5 years) and the estimated period of online game services (2 to 3 years), respectively.

(6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee. Depreciation of such leased assets is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero.

If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.

Leases that transfer ownership of the leased assets to the lessee. Depreciation methods for such leased assets are the same with those applied to the tangible fixed assets owned by the Companies.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end. This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on benefit formula method.

Transition obligations (¥552 million (\$4,604 thousand)) are amortized over 15 years.

Prior service liabilities are amortized over 8 years, the average remaining service period, commencing from the date on which they are incurred.

Actuarial net gains or losses are amortized over 8 to 14 years, commencing from the following year in which they arise.

(10) Allowance for sales returns

The allowance for sales returns is provided for estimated losses resulting from sales returns subsequent to the balance sheet date and is based on prior loss experience.

(11) Amortization of goodwill

Goodwill is amortized by the straight-line method over 4 years. When the amount is insignificant, it is amortized at one time.

Notes to Consolidated Financial Statements

(12) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

(13) Other

Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

3. Changes in accounting policies

Effective from the fiscal year ended March 31, 2015, the Companies have adopted the provision of Article 35 for "Accounting Standard for Retirement Benefits" (Accounting Standard Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and the provision of Article 67 for "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), thereby reviewing the calculation method of projected benefit obligations and service costs and changing the attribution of projected retirement benefits from the straight line method to the benefit formula method and changing the method used to determine the discount rate from the method in which the average remaining service years are regarded as almost the same as the bond maturity to the method in which the single weighted average discount rate reflecting the estimated timing and amount of benefit payment is used.

In applying the above standard and guidance, the Companies have followed the transition measures provided in the Article 37 and adjusted the impact caused by this change on the beginning balance of retained earnings. As a result, the beginning balance of liabilities for retirement benefits has decreased by ¥423 million (\$3,532 thousand) and the beginning balance of retained earnings increased by ¥273 million (\$2,278 thousand). The impact on the consolidated statement of income for the current fiscal year is insignificant, and the impact on the per share information is disclosed in the pertinent note.

4. Changes in presentations

(Consolidated balance sheet)

Effective from the fiscal year ended March 31, 2015, "Online contents in progress," which was included in "Other" for "Intangible assets" in the previous fiscal year, has been disclosed separately due to increase in materiality. To reflect this change, the consolidated balance sheet for the previous fiscal year has been restated. As a result, ¥7,300 million (\$60,840 thousand) of "Other" disclosed in "Intangible assets" for the balance sheet for the previous fiscal year has been reclassified into ¥4,547 million (\$37,897 thousand) of "Online contents in progress" and ¥2,753 million (\$22,942 thousand) of "Other."

(Consolidated statement of income)

Effective from the fiscal year ended March 31, 2015, "Compensation expenses," which was separately disclosed in "Non-operating expenses" in the previous fiscal year, has been included in "Other" due to decrease in materiality. To reflect this change, the consolidated statement of income for the previous fiscal year has been restated. As a result, ¥138 million (\$1,156 thousand) of "Compensation expenses" and ¥27 million (\$230 thousand) of "Other" disclosed in "Non-operating expenses" for the previous fiscal year has been reclassified into ¥166 million (\$1,387 thousand) of "Other."

(Consolidated statement of cash flow)

Effective from the fiscal year ended March 31, 2015, "Increase in online contents in progress," which was included in "Other" for "Cash flows from operating activities" in the previous fiscal year, has been disclosed separately due to increase in materiality. To reflect this change, the consolidated statement of cash flow for the previous fiscal year has been restated. As a result, ¥4,960 million (\$41,341 thousand) of "Other" disclosed in "Cash flows from operating activities" for the previous fiscal year has been reclassified into ¥1,741 million (\$14,515 thousand) of "Increase in online contents in progress" and ¥3,219 million (\$26,826 thousand) of "Other."

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|---|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Accumulated depreciation of tangible fixed assets | 17,288 | 18,112 | 150,934 |

(Note) The above balances include the accumulated impairment loss on tangible fixed assets.

(2) Pledged assets and secured debts

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|--|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| ① Pledged assets | | | |
| Buildings | 1,767 | — | — |
| Land | 2,341 | — | — |
| Total | 4,109 | — | — |
| ② Secured debts | | | |
| Short-term borrowings | 1,050 | — | — |
| Long-term borrowings due within one year | — | — | — |
| Total | 1,050 | — | — |

(3) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements and credit line agreements with some banks by syndicate financing for the purpose of efficient and sustainable financing, and improving the efficiency of funds operations and the Company's financial flexibility.

The balance of unexercised loans, etc., based on these agreements at the end of the fiscal year were as follows:

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|--|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Total amount of overdraft limit and credit line agreements | 26,500 | 26,700 | 222,500 |
| Borrowings | — | — | — |
| Unexercised balance | 26,500 | 26,700 | 222,500 |

6. Notes to consolidated statements of income

(1) Major items and the amounts under "Selling, general and administrative expenses"

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|-------------------------------|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Advertising expenses | 3,358 | 1,978 | 16,490 |
| Promotion expenses | 953 | 856 | 7,137 |
| Salaries and bonuses | 5,300 | 4,813 | 40,113 |
| Provision for accrued bonuses | 930 | 952 | 7,934 |

(2) The breakdown of "Loss on sales and / or disposal of fixed assets"

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|------------------------------------|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Buildings and structures | 75 | 1 | 8 |
| Tools, fixtures and furniture | 15 | 5 | 45 |
| Equipment for amusement facilities | 1 | 51 | 426 |
| Land | — | 42 | 358 |
| Other | 1 | 0 | 0 |
| Total | 93 | 100 | 839 |

(3) Research and development expenses included in general and administrative expenses

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|-----------------------------------|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Research and development expenses | 2,002 | 823 | 6,864 |

(4) Impairment loss

The assets, for which the impairment losses were recognized, were as follows:

| Usage | Account | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--------------------------|------------------------------------|---|--|--|
| | | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Assets to be disposed of | Equipment for amusement facilities | — | 49 | 410 |

Current fiscal year (From April 1, 2014 to March 31, 2015)

To measure an impairment, assets are principally grouped based on business segments such as "Digital contents," "Arcade operations," etc. Whereas, rental assets, idle assets, assets to be disposed of and online game contents are evaluated as separate groups. The Companies made a decision to dispose of some assets. As a result of the decision, the Companies did not make sure of the recoverability of the book value of the assets to be disposed of and recognized the impairment loss as shown above.

Notes to Consolidated Financial Statements

(5) Loss on restructuring

① Previous fiscal year (From April 1, 2013 to March 31, 2014)

The Companies restructured the developmental organization of the digital contents business and developmental process. As a result, the Companies booked a loss on restructuring after reviewing future profitability.

7. Notes to consolidated statements of comprehensive income

(1) Amount of recycling and income tax effect associated with other comprehensive income

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|---|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Net unrealized gain or loss on securities | | | |
| Amount arising during the fiscal year | 8 | 71 | 594 |
| Amount of recycling | — | — | — |
| Net gain before the effect of income taxes | 8 | 71 | 594 |
| Effect of Income taxes | — | — | — |
| Net unrealized gain or loss on securities, net of tax | 8 | 71 | 594 |
| Cumulative translation adjustment | | | |
| Amount arising during the fiscal year | 2,333 | 2,863 | 23,860 |
| Adjustments for retirement benefits | | | |
| Amount arising during the fiscal year | — | (189) | (1,577) |
| Amount of recycling | — | 33 | 275 |
| Net gain before the effect of income taxes | — | (156) | (1,301) |
| Effect of Income taxes | — | 41 | 346 |
| Adjustments for retirement benefits, net of tax | — | (114) | (954) |
| Total other comprehensive income | 2,341 | 2,820 | 23,500 |

8. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2013 to March 31, 2014)

(1) Number of outstanding shares

| Type of shares | Number of shares as of April 1, 2013 | Increase in the number of shares | Decrease in the number of shares | Number of shares as of March 31, 2014 |
|--------------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| Common stock (thousand shares) | 67,723 | — | — | 67,723 |

(Note) No change in the number of shares during the previous fiscal year

(2) Number of treasury stocks

| Type of shares | Number of shares as of April 1, 2013 | Increase in the number of shares | Decrease in the number of shares | Number of shares as of March 31, 2014 |
|--------------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| Common stock (thousand shares) | 10,139 | 1,350 | 0 | 11,490 |

(Note) The reasons for the increase or decrease in the number of shares were as follows:

| | |
|---|-----------------------|
| Increase due to purchase of treasury stock | 1,347 thousand shares |
| Increase due to purchase of less-than-one-unit shares | 3 thousand shares |
| Decrease due to request for purchase of less-than-one-unit shares by shareholders | 0 thousand shares |

(3) Dividend

① Amount of dividends paid

| Resolution | Type of shares | Amount of dividends | Dividend per share (yen) | Record date | Effective date |
|--|----------------|---------------------|--------------------------|--------------------|-------------------|
| General shareholders' meeting held on June 18, 2013 | Common stock | ¥1,439 million | 25 | March 31, 2013 | June 19, 2013 |
| Board of Directors' meeting held on October 31, 2013 | Common stock | ¥843 million | 15 | September 30, 2013 | November 18, 2013 |

② Dividends whose effective date was to be after the end of current fiscal year and record date was included in the previous fiscal year.

| Resolution | Type of shares | Amount of dividends | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|----------------|---------------------|---------------------|--------------------------|----------------|----------------|
| General shareholders' meeting held on June 16, 2014 | Common stock | ¥1,405 million | Retained earnings | 25 | March 31, 2014 | June 17, 2014 |

Current fiscal year (From April 1, 2014 to March 31, 2015)

(1) Number of outstanding shares

| Type of shares | Number of shares as of April 1, 2014 | Increase in the number of shares | Decrease in the number of shares | Number of shares as of March 31, 2015 |
|--------------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| Common stock (thousand shares) | 67,723 | — | — | 67,723 |

(Note) No change in the number of shares during the current fiscal year

(2) Number of treasury stocks

| Type of shares | Number of shares as of April 1, 2014 | Increase in the number of shares | Decrease in the number of shares | Number of shares as of March 31, 2015 |
|--------------------------------|--------------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| Common stock (thousand shares) | 11,490 | 3 | 0 | 11,493 |

(Note) The reasons for the increase or decrease in the number of shares were as follows:

| | |
|---|-------------------|
| Increase due to purchase of less-than-one-unit shares | 3 thousand shares |
| Decrease due to request for purchase of less-than-one-unit shares by shareholders | 0 thousand shares |

(3) Dividend

① Amount of dividends paid

| Resolution | Type of shares | Amount of dividends | Dividend per share (yen) | Record date | Effective date |
|--|----------------|---------------------|--------------------------|--------------------|-------------------|
| General shareholders' meeting held on June 16, 2014 | Common stock | ¥1,405 million | 25 | March 31, 2014 | June 17, 2014 |
| Board of Directors' meeting held on October 29, 2014 | Common stock | ¥843 million | 15 | September 30, 2014 | November 17, 2014 |

| Resolution | Type of shares | Amount of dividends | Dividend per share (U.S. dollars) | Record date | Effective date |
|--|----------------|---------------------|-----------------------------------|--------------------|-------------------|
| General shareholders' meeting held on June 16, 2014 | Common stock | \$11,715 thousand | 0.21 | March 31, 2014 | June 17, 2014 |
| Board of Directors' meeting held on October 29, 2014 | Common stock | \$7,028 thousand | 0.13 | September 30, 2014 | November 17, 2014 |

② Dividends whose effective date was to be after the end of current fiscal year and record date was included in the current fiscal year.

| Resolution | Type of shares | Amount of dividends | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|----------------|---------------------|---------------------|--------------------------|----------------|----------------|
| General shareholders' meeting held on June 12, 2015 | Common stock | ¥1,405 million | Retained earnings | 25 | March 31, 2015 | June 15, 2015 |

| Resolution | Type of shares | Amount of dividends | Source of dividends | Dividend per share (U.S. dollars) | Record date | Effective date |
|---|----------------|---------------------|---------------------|-----------------------------------|----------------|----------------|
| General shareholders' meeting held on June 12, 2015 | Common stock | \$11,714 thousand | Retained earnings | 0.21 | March 31, 2015 | June 15, 2015 |

Notes to Consolidated Financial Statements

9. Notes to consolidated statements of cash flows

(1) Cash and cash equivalents at end of year

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|---|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Cash on hand and in banks | 29,720 | 32,204 | 268,367 |
| Time deposits with maturities over three months | (3,602) | (4,205) | (35,049) |
| Cash and cash equivalents | 26,118 | 27,998 | 233,318 |

10. Accounting for leases

(1) Capital leases which do not transfer ownership of the leased assets to the lessee and were made on or before March 31, 2008.

The note is omitted due to the insignificance of the total amount.

(2) Capital leases which were made on or after April 1, 2008.

① Capital leases which transfer ownership of the leased assets to the lessee. ② Capital leases which do not transfer ownership of the leased assets to the lessee.

• Leased assets:

Intangible assets

Major assets are software for "Amusement equipments" segment.

• Depreciation method:

See Note 2(6), "Summary of significant accounting policies - Leased assets."

• Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for the "Arcade operations" segment.

• Depreciation method:

See Note 2(6), "Summary of significant accounting policies - Leased assets."

(3) Operating leases

① Future lease payments

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|---------------------|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Due within one year | 487 | 408 | 3,400 |
| Due over one year | 2,208 | 1,454 | 12,118 |
| Total | 2,696 | 1,862 | 15,518 |

11. Financial instruments

① Conditions of financial instruments

(1) Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration.

The Companies raise funds through borrowings from financial institutions, such as banks, etc.

The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk, and do not enter into derivative financial instruments for speculative purposes.

(2) Financial instruments, risks, and risk management

Notes and accounts receivable, trade are exposed to credit risk of customers. To minimize such risk, the Companies regularly monitor the credit status of major customers as well as perform due date control and balance control for each customer according to importance of business in accordance with credit exposure management rules.

The investments in securities the Company holds consist mainly of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the board of directors' meeting.

As for notes and accounts payable, trade, due date of payment is within one year.

Short-term borrowings are mainly for normal operating activities, and long-term borrowings are mainly for capital investments.

Notes and accounts payable, trade and borrowings are exposed to liquidity risk.

The Companies minimize such risk by forecasting cash flows on a monthly basis.

(3) Supplemental information on the fair value of financial instruments

Not applicable

② Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and any differences between the two were as follows:

(1) Previous fiscal year (As of March 31, 2014)

| | Millions of yen | | |
|--|-----------------|---------------|-------------|
| | Carrying value | Fair value | Difference |
| (1) Cash on hand and in banks | 29,720 | 29,720 | — |
| (2) Notes and accounts receivable, trade | 18,134 | 18,134 | — |
| (3) Lease deposits | 4,108 | 4,087 | (21) |
| Total | 51,963 | 51,942 | (21) |
| (1) Notes and accounts payable, trade | 4,950 | 4,950 | — |
| (2) Electronically recorded monetary obligations | 6,926 | 6,926 | — |
| (3) Short-term borrowings | 4,050 | 4,050 | — |
| (4) Long-term borrowings | 3,000 | 3,009 | 9 |
| Total | 18,927 | 18,937 | 9 |

(2) Current fiscal year (As of March 31, 2015)

| | Millions of yen | | | Thousands of U.S. dollars | | |
|--|-----------------|---------------|-------------|---------------------------|----------------|--------------|
| | Carrying value | Fair value | Difference | Carrying value | Fair value | Difference |
| (1) Cash on hand and in banks | 32,204 | 32,204 | — | 268,367 | 268,367 | — |
| (2) Notes and accounts receivable, trade | 8,005 | 8,005 | — | 66,710 | 66,710 | — |
| (3) Lease deposits | 4,036 | 4,021 | (14) | 33,636 | 33,515 | (120) |
| Total | 44,245 | 44,231 | (14) | 368,714 | 368,593 | (120) |
| (1) Notes and accounts payable, trade | 3,089 | 3,089 | — | 25,749 | 25,749 | — |
| (2) Electronically recorded monetary obligations | 988 | 988 | — | 8,240 | 8,240 | — |
| (3) Short-term borrowings | 3,452 | 3,452 | — | 28,770 | 28,770 | — |
| (4) Long-term borrowings | 7,540 | 7,514 | (25) | 62,834 | 62,624 | (210) |
| Total | 15,071 | 15,046 | (25) | 125,595 | 125,385 | (210) |

(Note 1) Fair value measurement of financial instruments

Assets

- (1) Cash on hand and in banks and (2) Notes and accounts receivable, trade
The fair value is assumed to be the same as the carrying value as it approximates fair value because of the short maturity of these instruments.
- (3) Lease deposits
The fair value is measured at the present value of future cash flows discounted using the yield of national government bonds according to periods until repayment.

Liabilities

- (1) Notes and accounts payable, trade, (2) Electronically recorded obligations and (3) Short-term borrowings

The fair value is assumed to be the same as the carrying value as it approximates fair value because of the short maturity of these instruments.

- (4) Long-term borrowings
The fair value of long-term borrowings with variable interest rates is measured at the carrying value as it approximates fair value.
(The market interest rate fluctuation is reflected in the variable interest rates in the short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rates.)
The fair value of long-term borrowings with fixed rates is measured at the present value of future cash flow (principal plus interest) discounted using the assumed interest rate of similar new borrowings.

(Note 2) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (As of March 31, 2014)

| | Millions of yen | | | |
|--|---------------------------------|---------------------------------|---------------------------------|------------------------------|
| | April 1, 2014 to March 31, 2015 | April 1, 2015 to March 31, 2019 | April 1, 2019 to March 31, 2024 | April 1, 2024 and thereafter |
| (1) Cash on hand and in banks | 29,720 | — | — | — |
| (2) Notes and accounts receivable, trade | 18,134 | — | — | — |
| (3) Lease deposits | 1,484 | 2,325 | 296 | 2 |
| Total | 49,339 | 2,325 | 296 | 2 |

(2) Current fiscal year (As of March 31, 2015)

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|--|---------------------------------|---------------------------------|---------------------------------|------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
| | April 1, 2015 to March 31, 2016 | April 1, 2016 to March 31, 2020 | April 1, 2020 to March 31, 2025 | April 1, 2025 and thereafter | April 1, 2015 to March 31, 2016 | April 1, 2016 to March 31, 2020 | April 1, 2020 to March 31, 2025 | April 1, 2025 and thereafter |
| (1) Cash on hand and in banks | 32,204 | — | — | — | 268,367 | — | — | — |
| (2) Notes and accounts receivable, trade | 8,005 | — | — | — | 66,710 | — | — | — |
| (3) Lease deposits | 1,298 | 2,189 | 545 | 2 | 10,822 | 18,246 | 4,544 | 22 |
| Total | 41,508 | 2,189 | 545 | 2 | 345,900 | 18,246 | 4,544 | 22 |

(Note 3) Repayment schedule for long-term borrowings and lease obligations with maturity dates subsequent to the consolidated balance sheets date

Notes to Consolidated Financial Statements

(1) Previous fiscal year (As of March 31, 2014)

| | Millions of yen | | | | | |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
| | April 1, 2014 to March 31, 2015 | April 1, 2015 to March 31, 2016 | April 1, 2016 to March 31, 2017 | April 1, 2017 to March 31, 2018 | April 1, 2018 to March 31, 2019 | April 1, 2019 and thereafter |
| (1) Short-term borrowings | 4,050 | — | — | — | — | — |
| (2) Long-term borrowings | — | 3,000 | — | — | — | — |
| Total | 4,050 | 3,000 | — | — | — | — |

(2) Current fiscal year (As of March 31, 2015)

| | Millions of yen | | | | | |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
| | April 1, 2015 to March 31, 2016 | April 1, 2016 to March 31, 2017 | April 1, 2017 to March 31, 2018 | April 1, 2018 to March 31, 2019 | April 1, 2019 to March 31, 2020 | April 1, 2020 and thereafter |
| (1) Short-term borrowings | 3,452 | — | — | — | — | — |
| (2) Long-term borrowings | — | 634 | 3,610 | 610 | 566 | 2,120 |
| Total | 3,452 | 634 | 3,610 | 610 | 566 | 2,120 |

| | Thousands of U.S. dollars | | | | | |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
| | April 1, 2015 to March 31, 2016 | April 1, 2016 to March 31, 2017 | April 1, 2017 to March 31, 2018 | April 1, 2018 to March 31, 2019 | April 1, 2019 to March 31, 2020 | April 1, 2020 and thereafter |
| (1) Short-term borrowings | 28,770 | — | — | — | — | — |
| (2) Long-term borrowings | — | 5,283 | 30,083 | 5,083 | 4,716 | 17,667 |
| Total | 28,770 | 5,283 | 30,083 | 5,083 | 4,716 | 17,667 |

12. Investments in securities

(1) Available-for-sale securities with a readily determinable fair value

① Previous fiscal year (As of March 31, 2014)

| Classification | Millions of yen | | |
|---|-----------------|------------------|------------|
| | Carrying value | Acquisition cost | Difference |
| Securities with book value exceeding acquisition cost | | | |
| (1) Equity securities | 498 | 399 | 99 |
| (2) Bonds | — | — | — |
| (3) Others | — | — | — |
| Subtotal | 498 | 399 | 99 |
| Securities with book value not exceeding acquisition cost | | | |
| (1) Equity securities | — | — | — |
| (2) Bonds | — | — | — |
| (3) Others | — | — | — |
| Subtotal | — | — | — |
| Total | 498 | 399 | 99 |

② Current fiscal year (As of March 31, 2015)

| Classification | Millions of yen | | | Thousands of U.S. dollars | | |
|---|-----------------|------------------|------------|---------------------------|------------------|--------------|
| | Carrying value | Acquisition cost | Difference | Carrying value | Acquisition cost | Difference |
| Securities with book value exceeding acquisition cost | | | | | | |
| (1) Equity securities | 582 | 412 | 170 | 4,857 | 3,435 | 1,422 |
| (2) Bonds | — | — | — | — | — | — |
| (3) Others | — | — | — | — | — | — |
| Subtotal | 582 | 412 | 170 | 4,857 | 3,435 | 1,422 |
| Securities with book value not exceeding acquisition cost | | | | | | |
| (1) Equity securities | — | — | — | — | — | — |
| (2) Bonds | — | — | — | — | — | — |
| (3) Others | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — |
| Total | 582 | 412 | 170 | 4,857 | 3,435 | 1,422 |

(2) Investments in securities sold during the fiscal year

① Previous fiscal year (From April 1, 2013 to March 31, 2014)
Not applicable

② Current fiscal year (From April 1, 2014 to March 31, 2015)
Not applicable

13. Retirement benefits for employees

1. Summary of retirement benefit plans

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans. Some foreign subsidiaries have defined contribution pension plans.

2. Defined benefit plans (excluding simplified method)

(1) Change in projected benefit obligations

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Projected benefit obligations at beginning of year | 1,951 | 2,123 | 17,694 |
| Cumulative effect due to changes in accounting policies | — | (423) | (3,532) |
| Renewed projected benefit obligations at beginning of year | 1,951 | 1,699 | 14,161 |
| Service costs | 167 | 181 | 1,514 |
| Interest costs | 24 | 20 | 169 |
| Actuarial gain or loss incurred | 15 | 189 | 1,577 |
| Payment of retirement benefits | (34) | (37) | (312) |
| Projected benefit obligations at end of year | 2,123 | 2,053 | 17,110 |

(2) Change in plan assets
Not applicable

(3) Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|---|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Projected benefit obligations for unfunded plan | 2,123 | 2,053 | 17,110 |
| Net balance presented in the consolidated balance sheet | 2,123 | 2,053 | 17,110 |
| Liabilities for retirement benefits for employees | 2,123 | 2,053 | 17,110 |
| Net balance presented in the consolidated balance sheet | 2,123 | 2,053 | 17,110 |

(4) Breakdown of retirement and pension cost

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Service costs | 167 | 181 | 1,514 |
| Interest costs | 24 | 20 | 169 |
| Amortization of actuarial differences | 25 | 29 | 245 |
| Amortization of prior service costs | (12) | (12) | (101) |
| Amortization of transition obligations | 15 | 15 | 131 |
| Net periodic benefit costs | 220 | 235 | 1,959 |

Notes to Consolidated Financial Statements

(5) Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|---------------------------|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Prior service liabilities | — | (12) | (101) |
| Actuarial differences | — | (159) | (1,331) |
| Transition obligations | — | 15 | 131 |
| Total | — | (156) | (1,301) |

(6) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Unrecognized prior service liabilities | (57) | (45) | (379) |
| Unrecognized actuarial differences | 304 | 464 | 3,868 |
| Unrecognized transition obligations | 15 | — | — |
| Total | 262 | 418 | 3,489 |

(7) Plan assets

① Breakdown of plan assets

Not applicable for the previous fiscal year and the current fiscal year, respectively

② Long-term rate of return on plan assets

Not applicable for the previous fiscal year and the current fiscal year, respectively

(8) Actuarial assumption

Major actuarial assumption (on weighted average)

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|---------------|---|--|
| Discount rate | 1.5% | 0.6% |

3. Defined benefit plans for simplified method

(1) Change in projected benefit obligations

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Projected benefit obligations at beginning of year | 22 | 34 | 290 |
| Service costs | 14 | 31 | 263 |
| Payment of retirement benefits | (4) | (22) | (183) |
| Other | 2 | 3 | 30 |
| Projected benefit obligations at end of year | 34 | 48 | 401 |

(2) Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

| | Previous fiscal year (As of March 31, 2014) | Current fiscal year (As of March 31, 2015) | Current fiscal year (As of March 31, 2015) |
|---|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Projected benefit obligations for unfunded plan | 34 | 48 | 401 |
| Net balance presented in the consolidated balance sheet | 34 | 48 | 401 |
| Liabilities for retirement benefits for employees | 34 | 48 | 401 |
| Net balance presented in the consolidated balance sheet | 34 | 48 | 401 |

(3) Retirement and pension cost

Retirement and pension cost for the simplified method: ¥14 million for the previous fiscal year and ¥31 million (\$263 thousand) for the current fiscal year

4. Defined contribution plans

The Companies contributed ¥281 million and ¥280 million (\$2,338 thousand) to their defined contribution plans for the previous fiscal year and the current fiscal year, respectively.

14. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|--|------------------------|------------------------|---------------------------|
| | (As of March 31, 2014) | (As of March 31, 2015) | (As of March 31, 2015) |
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| (Deferred tax assets) | | | |
| Accrued bonuses | 540 | 531 | 4,432 |
| Liabilities for retirement benefits for employees | 761 | 672 | 5,601 |
| Accrued retirement benefits for directors | 133 | 121 | 1,009 |
| Inventories | 831 | 815 | 6,795 |
| Unearned revenue | 344 | 333 | 2,783 |
| Investments in subsidiaries and affiliated companies | 176 | 160 | 1,336 |
| Allowance for sales returns | 30 | — | — |
| Tax loss carryforwards in the Company | 1,939 | 170 | 1,418 |
| Tax loss carryforwards in the subsidiaries | 845 | 916 | 7,641 |
| Tax credits carryforwards in the subsidiaries | 766 | 1,191 | 9,928 |
| Intangible assets | 1,479 | 790 | 6,587 |
| Depreciation and amortization | 324 | 283 | 2,365 |
| Impairment loss | 17 | 16 | 135 |
| Other | 957 | 1,143 | 9,527 |
| Subtotal | 9,149 | 7,147 | 59,561 |
| Valuation allowance | (1,899) | (2,457) | (20,479) |
| Total deferred tax assets | 7,250 | 4,689 | 39,082 |
| (Deferred tax liabilities) | | | |
| Tax deductible inventories for a foreign subsidiary | (430) | (823) | (6,865) |
| Other | (395) | (424) | (3,534) |
| Total deferred tax liabilities | (825) | (1,248) | (10,400) |
| Net deferred tax assets | 6,424 | 3,441 | 28,682 |
| Net deferred tax assets are reflected in the consolidated balance sheets as follows: | | | |
| Current assets—deferred tax assets | 2,865 | 2,042 | 17,021 |
| Fixed assets—deferred tax assets | 3,699 | 1,595 | 13,293 |
| Current liabilities—deferred tax liabilities | (93) | (147) | (1,228) |
| Long-term liabilities—deferred tax liabilities | (46) | (48) | (404) |

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

| | Previous fiscal year | Current fiscal year |
|--|------------------------|------------------------|
| | (As of March 31, 2014) | (As of March 31, 2015) |
| | % | % |
| Statutory income tax rate | 37.9 | 35.5 |
| (Reconciliation) | | |
| Change in valuation allowance | 2.0 | 0.6 |
| Tax credit | (0.4) | (1.3) |
| Amortization of goodwill | 0.9 | 0.2 |
| Different tax rates applied to foreign subsidiaries | (3.0) | (1.3) |
| Permanent difference (meals and entertainment, etc.) | 0.3 | (0.1) |
| Unappropriated retained earnings of foreign subsidiaries | 1.2 | 0.7 |
| Tax adjustments resulting from consolidation elimination entries, etc. | (6.6) | 1.7 |
| Decrease in deferred tax assets due to change in statutory income tax rate | 4.0 | 2.2 |
| Others | (1.2) | 0.1 |
| Effective income tax rate | 35.2 | 38.2 |

(3) Change in deferred tax assets and liabilities due to change of corporate tax rate

The "Act for Partial Amendment of the Income Tax Act, etc.," and the "Act for Partial Amendment of the Council Tax Act, etc.," were promulgated on March 31, 2015.

In response, the Company and its domestic subsidiaries changed their statutory income tax rate to compute the deferred tax assets and the deferred tax liabilities as of March 31, 2015 from 35.5% for the previous fiscal year to 33.0% for items which were expected to be realized or settled in the fiscal year starting on April 1, 2015 and to 32.2% for items which were expected to be realized or settled in the fiscal year starting on April 1, 2016 and thereafter.

As a result, the balance of deferred tax assets (net of deferred tax liabilities) decreased by ¥244 million (\$2,035) and the amount of income taxes - deferred and the amount of accumulated adjustments for retirement benefits for the current fiscal year increased by ¥230 million (\$1,920 thousand) and ¥13 million (\$115 thousand), respectively.

15. Asset retirement obligations

Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations

Obligations to restore business offices and amusement stores in the "Arcade operations" segment to their original state, which are specified in the real estate lease agreements.

② Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted.

For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to respective depreciation periods are used as their discount rates (mainly 1.042 to 1.885%).

For the amusement facilities, their lease periods (mainly 6 to 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to respective lease periods are used as their discount rates (mainly 0.564 to 1.885%).

③ Increase or decrease in asset retirement obligations

| | Previous fiscal year (From April 1, 2013 to March 31, 2014) | Current fiscal year (From April 1, 2014 to March 31, 2015) | Current fiscal year (From April 1, 2014 to March 31, 2015) |
|--|---|--|--|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Beginning balance | 349 | 412 | 3,438 |
| Increase due to purchase of tangible fixed assets | 141 | 100 | 839 |
| Adjustment due to passage of time | 4 | 4 | 37 |
| Decrease due to settlement of asset retirement obligations | (83) | (22) | (183) |
| Ending balance | 412 | 495 | 4,132 |

16. Investment and rental property

The note is omitted due to the insignificance of the total amount.

17. Segment information

1. Outline of reportable segments

(1) Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance.

The Company has several operational headquarters, which plan comprehensive business strategies in the domestic and overseas markets for their products and services, and develop its business activities.

Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 segments: "Digital contents," "Arcade operations" and "Amusement equipments."

(2) Product and service line

The "Digital contents" segment develops and distributes video and mobile games for consumers.

The "Arcade operations" segment operates amusement stores which install amusement equipments.

The "Amusement equipments" segment manufactures arcade game machines and pachinko gambling machines, etc. to be distributed to arcade operators and pachinko parlors.

2. Method of calculating sales and income (loss), identifiable assets and liabilities and other items by reportable segment

The accounting procedures for the reportable segment are based on those in "Summary of significant accounting policies."

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

As described in "Changes in accounting policies," effective from the fiscal year ended March 31, 2015, the Companies have changed the calculation method of projected benefit obligations and service costs. This has led to change in the calculation method of projected benefit obligations and service costs for each reportable segment as well.

The impact on the segment income for the current fiscal year due to the change is insignificant.

3. Information on net sales and operating income (loss), identifiable assets and liabilities and other items by reportable segment

① Previous fiscal year (From April 1, 2013 to March 31, 2014)

| | Millions of yen | | | | | | | |
|---|---------------------|----------------------|-------------------------|--------|-------------------|---------|------------------------|-----------------------------------|
| | Reportable segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated total (Note 3) |
| | Digital contents | Arcade operations | Amusement equipments | Total | | | | |
| Net sales | | | | | | | | |
| (1) Customers | 65,824 | 10,620 | 23,160 | 99,605 | 2,594 | 102,200 | — | 102,200 |
| (2) Intersegment | — | — | — | — | — | — | — | — |
| Total | 65,824 | 10,620 | 23,160 | 99,605 | 2,594 | 102,200 | — | 102,200 |
| Segment income | 4,489 | 1,617 | 7,131 | 13,238 | 1,001 | 14,240 | (3,940) | 10,299 |
| Segment assets | 35,708 | 6,657 | 20,083 | 62,449 | 4,331 | 66,780 | 29,830 | 96,611 |
| Other items | | | | | | | | |
| Depreciation | 2,529 | 998 | 385 | 3,913 | 249 | 4,162 | 475 | 4,638 |
| Increase in tangible and intangible fixed assets | 6,227 | 881 | 327 | 7,436 | 127 | 7,563 | 500 | 8,064 |

(Note) 1. "Other" incorporates operations not included in reportable segments, including the character contents business, etc.

2. Adjustments were as follows:

(1) Adjustments of segment income of (¥3,940) million include unallocated corporate operating expenses of (¥3,940) million. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.

(2) Adjustments of segment assets of ¥29,830 million include unallocated corporate identifiable assets of ¥29,830 million.

(3) Adjustments of increase in tangible and intangible fixed assets of ¥500 million are capital investments by headquarters.

3. Segment income is adjusted on operating income of the consolidated statements of income.

② Current fiscal year (From April 1, 2014 to March 31, 2015)

| | Millions of yen | | | | | | | |
|---|---------------------|----------------------|-------------------------|---------------|-------------------|---------------|------------------------|-----------------------------------|
| | Reportable segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated total (Note 3) |
| | Digital contents | Arcade operations | Amusement equipments | Total | | | | |
| Net sales | | | | | | | | |
| (1) Customers | 45,351 | 9,241 | 7,540 | 62,133 | 2,144 | 64,277 | — | 64,277 |
| (2) Intersegment | — | — | — | — | — | — | — | — |
| Total | 45,351 | 9,241 | 7,540 | 62,133 | 2,144 | 64,277 | — | 64,277 |
| Segment income | 10,208 | 940 | 2,736 | 13,884 | 661 | 14,545 | (3,963) | 10,582 |
| Segment assets | 50,053 | 6,315 | 8,760 | 65,128 | 6,534 | 71,662 | 29,110 | 100,773 |
| Other items | | | | | | | | |
| Depreciation | 1,772 | 1,006 | 169 | 2,949 | 250 | 3,199 | 335 | 3,535 |
| Increase in tangible and intangible fixed assets | 5,103 | 504 | 526 | 6,134 | 2,368 | 8,502 | 1,674 | 10,177 |

| | Thousands of U.S. dollars | | | | | | | |
|---|---------------------------|----------------------|-------------------------|----------------|-------------------|----------------|------------------------|-----------------------------------|
| | Reportable segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated total (Note 3) |
| | Digital contents | Arcade operations | Amusement equipments | Total | | | | |
| Net sales | | | | | | | | |
| (1) Customers | 377,928 | 77,011 | 62,835 | 517,775 | 17,871 | 535,646 | — | 535,646 |
| (2) Intersegment | — | — | — | — | — | — | — | — |
| Total | 377,928 | 77,011 | 62,835 | 517,775 | 17,871 | 535,646 | — | 535,646 |
| Segment income | 85,067 | 7,838 | 22,800 | 115,707 | 5,508 | 121,215 | (33,027) | 88,188 |
| Segment assets | 417,111 | 52,627 | 73,000 | 542,740 | 54,451 | 597,191 | 242,585 | 839,777 |
| Other items | | | | | | | | |
| Depreciation | 14,772 | 8,390 | 1,413 | 24,576 | 2,085 | 26,661 | 2,798 | 29,460 |
| Increase in tangible and intangible fixed assets | 42,532 | 4,203 | 4,386 | 51,121 | 19,733 | 70,855 | 13,955 | 84,811 |

(Note) 1. "Other" incorporates operations not included in reportable segments, including the character contents business, etc.

2. Adjustments were as follows:

(1) Adjustments of segment income of (¥3,963) million ((\$33,027) thousand) include unallocated corporate operating expenses of (¥3,963) million ((\$33,027) thousand).

The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.

(2) Adjustments of segment assets of ¥29,110 million (\$242,585 thousand) include unallocated corporate identifiable assets of ¥29,110 million (\$242,585 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥1,674 million (\$13,955 thousand) are capital investments by headquarters.

3. Segment income is adjusted on operating income of the consolidated statements of income.

Notes to Consolidated Financial Statements

[Related information]

1. Information by product and service line

The information is omitted as the same kind of information is disclosed in Note 17, "Segment information."

2. Information by country or region

(1) Net sales

① Previous fiscal year (From April 1, 2013 to March 31, 2014)

| Millions of yen | | | | |
|-----------------|---------------|--------|---------------|---------|
| Japan | North America | Europe | Other regions | Total |
| 76,685 | 19,133 | 4,233 | 2,148 | 102,200 |

② Current fiscal year (From April 1, 2014 to March 31, 2015)

| Millions of yen | | | | | Thousands of U.S. dollars | | | | |
|-----------------|---------------|--------------|---------------|---------------|---------------------------|----------------|---------------|---------------|----------------|
| Japan | North America | Europe | Other regions | Total | Japan | North America | Europe | Other regions | Total |
| 45,954 | 13,014 | 3,324 | 1,984 | 64,277 | 382,950 | 108,455 | 27,701 | 16,538 | 535,646 |

(Note) 1. The sales amounts are classified by country or region where customers are located.

2. Countries or regions that are not in Japan

(1) North America.....United States of America

(2) Europe.....European countries

(3) Other regions.....Asia and others

(2) Tangible fixed assets

The information is omitted as the balance of tangible fixed assets in Japan exceeded 90% or more of the total balance of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

① Previous fiscal year (From April 1, 2013 to March 31, 2014)

| Millions of yen | | |
|--------------------|---------------------|----------------------|
| Customer | Amount of net sales | Reportable segment |
| Fields Corporation | 18,918 | Amusement equipments |

② Current fiscal year (From April 1, 2014 to March 31, 2015)

The information is omitted as the Companies do not have any major customers the amount of which accounted for 10% or more of the total sales amount of the consolidated statement of income.

[Impairment loss by reportable segment]

(1) Previous fiscal year (From April 1, 2013 to March 31, 2014)

Not applicable

(2) Current fiscal year (From April 1, 2014 to March 31, 2015)

| | Millions of yen | | | | | Thousands of U.S. dollars | | | | |
|-----------------|--------------------|-----------|-------|--------------------------|-----------|---------------------------|------------|-------|--------------------------|------------|
| | Reportable segment | | Other | Corporate or elimination | Total | Reportable segment | | Other | Corporate or elimination | Total |
| | Arcade operations | Subtotal | | | | Arcade operations | Subtotal | | | |
| Impairment loss | 49 | 49 | — | — | 49 | 410 | 410 | — | — | 410 |

[Amortization and balance of goodwill by reportable segment]

(1) Previous fiscal year (From April 1, 2013 to March 31, 2014)

| | Millions of yen | | | | |
|--------------|--------------------|----------|-------|--------------------------|-------|
| | Reportable segment | | Other | Corporate or elimination | Total |
| | Digital contents | Subtotal | | | |
| Amortization | 131 | 131 | — | — | 131 |
| Balance | 67 | 67 | — | — | 67 |

(2) Current fiscal year (From April 1, 2014 to March 31, 2015)

| | Millions of yen | | | | | Thousands of U.S. dollars | | | | |
|--------------|--------------------|-----------|-------|--------------------------|-----------|---------------------------|------------|-------|--------------------------|------------|
| | Reportable segment | | Other | Corporate or elimination | Total | Reportable segment | | Other | Corporate or elimination | Total |
| | Digital contents | Subtotal | | | | Digital contents | Subtotal | | | |
| Amortization | 63 | 63 | — | — | 63 | 526 | 526 | — | — | 526 |
| Balance | — | — | — | — | — | — | — | — | — | — |

[Negative goodwill by reportable segment]

(1) Previous fiscal year (From April 1, 2013 to March 31, 2014)

Not applicable

(2) Current fiscal year (From April 1, 2014 to March 31, 2015)

Not applicable

18 . Per share information

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|----------------------|--|--|--|
| | (From April 1, 2013 to March 31, 2014) | (From April 1, 2014 to March 31, 2015) | (From April 1, 2014 to March 31, 2015) |
| | Yen | Yen | U.S. dollars |
| Net assets per share | 1,135.91 | 1,268.56 | 10.57 |
| Net income per share | 61.11 | 117.67 | 0.98 |

(Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies have no residual securities.

2. As described in "Changes in accounting policies," the Companies have adopted the new accounting standard and its guidance and followed the transition measures provided in article 37 of the standard. As a result, net assets per share have decreased by ¥4.86 (\$0.04). The impact on the net income per share is insignificant.

3. The basis for computation of net assets per share was as follows:

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|--|------------------------|------------------------|---------------------------|
| | (As of March 31, 2014) | (As of March 31, 2015) | (As of March 31, 2015) |
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Total amount of net assets | 63,875 | 71,331 | 594,426 |
| Amounts to be deducted from total amount of net assets | — | — | — |
| Ending balance of net assets attributable to common stock | 63,875 | 71,331 | 594,426 |
| Number of shares of common stocks used for computation of net assets per share (thousand shares) | 56,233 | 56,229 | 56,229 |

4. The basis for the computation of net income per share was as follows:

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|---|--|--|--|
| | (From April 1, 2013 to March 31, 2014) | (From April 1, 2014 to March 31, 2015) | (From April 1, 2014 to March 31, 2015) |
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Net income | 3,444 | 6,616 | 55,140 |
| Amount not allocated to common stock | — | — | — |
| Net income allocated to common stock | 3,444 | 6,616 | 55,140 |
| Average number of shares of common stock outstanding during the fiscal year (thousand shares) | 56,377 | 56,231 | 56,231 |

19. Supplemental schedules of bonds

Not applicable

20. Supplemental schedules of borrowings

| Category | Balance as of March 31, 2014 (Millions of yen) | Balance as of March 31, 2015 (Millions of yen) | Average interest rate (%) | Date of maturity |
|---|---|---|------------------------------|-------------------|
| Short-term borrowings | 1,050 | — | — | — |
| Current portion of long-term borrowings due within one year | 3,000 | 3,452 | 0.8 | — |
| Current portion of lease obligations | 370 | 483 | 1.2 | — |
| Long-term borrowings (Excluding current portion) | 3,000 | 7,540 | 0.8 | From 2017 to 2025 |
| Lease obligations (Excluding current portion) | 519 | 589 | 1.2 | From 2016 to 2020 |
| Other interest bearing debt | — | — | — | — |
| Total | 7,939 | 12,065 | — | — |

Notes to Consolidated Financial Statements

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES.

| Category | Balance as of March 31, 2014 (Thousands of U.S. dollars) | Balance as of March 31, 2015 (Thousands of U.S. dollars) | Average interest rate (%) | Date of maturity |
|---|---|---|------------------------------|-------------------|
| Short-term borrowings | 8,750 | — | — | — |
| Current portion of long-term borrowings due within one year | 25,000 | 28,770 | 0.8 | — |
| Current portion of lease obligations | 3,086 | 4,025 | 1.2 | — |
| Long-term borrowings (Excluding current portion) | 25,000 | 62,834 | 0.8 | From 2017 to 2025 |
| Lease obligations (Excluding current portion) | 4,326 | 4,914 | 1.2 | From 2016 to 2020 |
| Other interest bearing debt | — | — | — | — |
| Total | 66,162 | 100,544 | — | — |

(Note) 1. The average interest rate represents the weighted average rate applicable to the ending balance.

2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for five years subsequent to March 31, 2015 (excluding the current portion).

| | Due after 1 year but within 2 years (Millions of yen) | Due after 2 years but within 3 years (Millions of yen) | Due after 3 years but within 4 years (Millions of yen) | Due after 4 years but within 5 years (Millions of yen) |
|----------------------|--|---|---|---|
| Long-term borrowings | 634 | 3,610 | 610 | 566 |
| Lease obligations | 339 | 212 | 29 | 8 |

| | Due after 1 year but within 2 years (Thousands of U.S. dollars) | Due after 2 years but within 3 years (Thousands of U.S. dollars) | Due after 3 years but within 4 years (Thousands of U.S. dollars) | Due after 4 years but within 5 years (Thousands of U.S. dollars) |
|----------------------|--|---|---|---|
| Long-term borrowings | 5,283 | 30,083 | 5,083 | 4,716 |
| Lease obligations | 2,831 | 1,770 | 243 | 68 |

21. Supplemental schedules of asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year was 1 % or less than the total balance of the liabilities and the net assets as of the beginning and the end of the current fiscal year, respectively.

22. Supplemental schedules of other

Quarterly sales, etc., for the current fiscal year

| | 1st quarter (From April 1, 2014 to June 30, 2014) | 2nd quarter (From April 1, 2014 to September 30, 2014) | 3rd quarter (From April 1, 2014 to December 31, 2014) | 4th quarter (From April 1, 2014 to March 31, 2015) |
|--|---|--|---|--|
| Net sales (Millions of yen) | 9,575 | 25,917 | 47,830 | 64,277 |
| Net income before income taxes (Millions of yen) | 1,221 | 4,530 | 10,062 | 10,701 |
| Net income (Millions of yen) | 765 | 2,973 | 6,540 | 6,616 |
| Net income per share (yen) | 13.62 | 52.89 | 116.31 | 117.67 |

| | 1st quarter (From April 1, 2014 to June 30, 2014) | 2nd quarter (From April 1, 2014 to September 30, 2014) | 3rd quarter (From April 1, 2014 to December 31, 2014) | 4th quarter (From April 1, 2014 to March 31, 2015) |
|--|---|--|---|--|
| Net sales (Thousands of U.S. dollars) | 79,796 | 215,979 | 398,587 | 535,646 |
| Net income before income taxes (Thousands of U.S. dollars) | 10,177 | 37,751 | 83,853 | 89,177 |
| Net income (Thousands of U.S. dollars) | 6,382 | 24,782 | 54,502 | 55,140 |
| Net income per share (U.S. dollars) | 0.11 | 0.44 | 0.97 | 0.98 |

| | 1st quarter (From April 1, 2014 to June 30, 2014) | 2nd quarter (From July 1, 2014 to September 30, 2014) | 3rd quarter (From October 1, 2014 to December 31, 2014) | 4th quarter (From January 1, 2015 to March 31, 2015) |
|----------------------------|---|---|---|--|
| Net income per share (yen) | 13.62 | 39.27 | 63.42 | 1.36 |

| | 1st quarter (From April 1, 2014 to June 30, 2014) | 2nd quarter (From July 1, 2014 to September 30, 2014) | 3rd quarter (From October 1, 2014 to December 31, 2014) | 4th quarter (From January 1, 2015 to March 31, 2015) |
|-------------------------------------|---|---|---|--|
| Net income per share (U.S. dollars) | 0.11 | 0.33 | 0.53 | 0.01 |

Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd.

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollars amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollars amounts and, in our opinion, such translation has been made on the basis described in Note1 to the consolidated financial statements.

KPMG AZISA LLC

July 29, 2015
Osaka, Japan

Stock Data

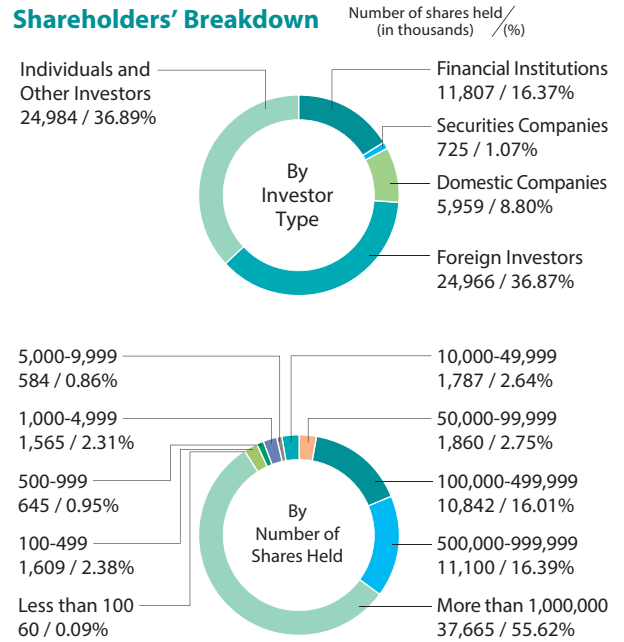
Number of Shares Authorized ————— 150,000,000 shares
 Number of Shares Issued ————— 67,723,244 shares
 Number of Shareholders ————— 13,312

Major Shareholders (Top 10)

| Major Shareholders | Number of Shares Held (in thousands) | Percentage of Shareholding (%) |
|--|--------------------------------------|--------------------------------|
| Crossroad Limited | 5,276 | 9.38 |
| J.P. Morgan Chase Bank 385632 | 4,635 | 8.24 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 2,207 | 3.93 |
| State Street Bank and Trust Company 505223 | 2,121 | 3.77 |
| Kenzo Tsujimoto | 2,008 | 3.57 |
| Misako Tsujimoto | 1,964 | 3.49 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,715 | 3.05 |
| Yoshiyuki Tsujimoto | 1,669 | 2.97 |
| Haruhiro Tsujimoto | 1,548 | 2.75 |
| Ryozo Tsujimoto | 1,545 | 2.75 |

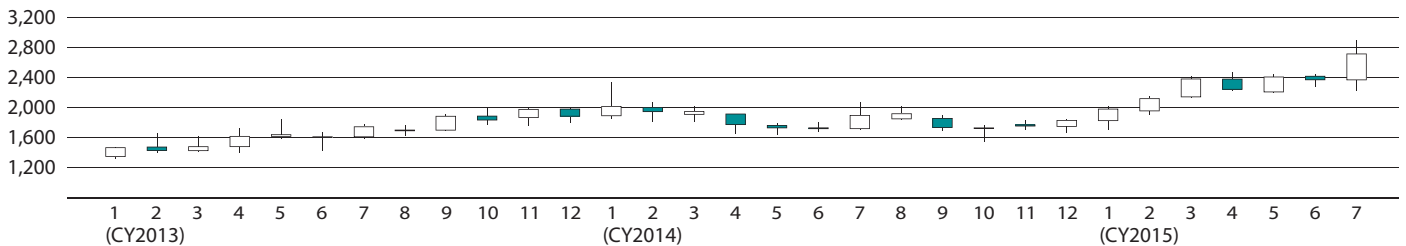
* Capcom owns 11,493 thousand stocks as treasury stocks.
 The stocks owned by the company are excluded from the above list.

Shareholders' Breakdown



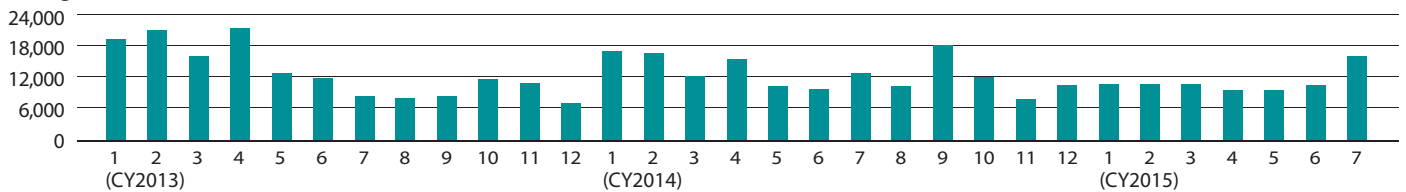
Stock Price Range

Stock Price (Yen)



Trading Volume

Trading Volume (thousand shares)



11-Year Trend of Stock Price and Trading Volume

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Stock Price | 1,047 | 1,209 | 1,692 | 3,400 | 1,746 | 1,766 | 1,590 | 1,891 | 1,476 | 1,958 | 2,389 |
| High | 1,246 | 1,450 | 2,445 | 3,490 | 3,640 | 2,010 | 1,907 | 2,311 | 1,959 | 2,330 | 2,413 |
| Low | 880 | 1,000 | 1,102 | 1,660 | 1,475 | 1,297 | 1,145 | 1,473 | 1,250 | 1,396 | 1,541 |
| Trading Volume (shares) | 90,898,400 | 93,995,100 | 137,965,900 | 191,795,000 | 179,636,900 | 181,065,800 | 149,613,900 | 227,386,800 | 178,008,200 | 150,408,300 | 143,234,700 |

(Years ended March 31)



Head Office



Tokyo Branch



R&D Building

Corporate Profile

| | |
|-----------------------|---|
| Name of Company | CAPCOM CO., LTD. |
| Date of Establishment | May 30, 1979 |
| Date of Initiation | June 11, 1983 |
| Business Segments | Planning, development, manufacture, sale and distribution of home video games, online games, mobile games and arcade games as well as management of amusement arcades |
| Paid-in Capital | ¥ 33,239 million |
| End of Term | March 31 |
| Number of Employees | 2,681 (Including consolidated subsidiaries) 2,033 (Capcom CO., LTD.) |

Major Offices

| | |
|---------------|--|
| Head Office | 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100 |
| R&D Building | 3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698 |
| Tokyo Branch | Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0448, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711 |
| Ueno Facility | 3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044 |

Capcom's Subsidiaries

CAPTRON CO., LTD. / K2 CO., LTD. / ENTERRISE CO., LTD. / BEELINE INTERACTIVE JAPAN, CO., LTD. / CAPCOM U.S.A., INC. / CAPCOM ASIA CO., LTD. / CE EUROPE LTD. / CAPCOM ENTERTAINMENT GERMANY GmbH / BEELINE INTERACTIVE, INC. / BEELINE INTERACTIVE CANADA, INC. / CAPCOM ENTERTAINMENT KOREA CO., LTD. / CAPCOM ENTERTAINMENT FRANCE, SAS / CAPCOM GAME STUDIO VANCOUVER, INC. / BEELINE INTERACTIVE EUROPE LTD. / CAPCOM TAIWAN CO., LTD.

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Representative Director in charge of Consumer Games Business

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Jun Takeuchi
Managing Corporate Officer
Head of Consumer Games Development Division 1

Division 2
Yoshinori Ono
Corporate Officer
Head of Consumer Games Development Division 2

p4 Division 3
Ryozo Tsujimoto
Corporate Officer
Head of Consumer Games Development Division 3

Asia
Yuichi Ochi
General Manager of Asia Business R&D Department
Consumer Games Development Division 2

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The Story behind Development of "Sengoku BASARA" 10th Anniversary

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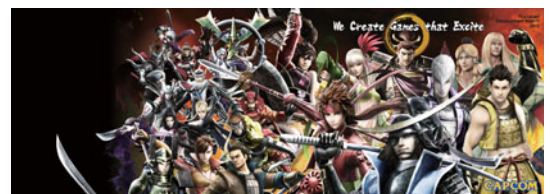


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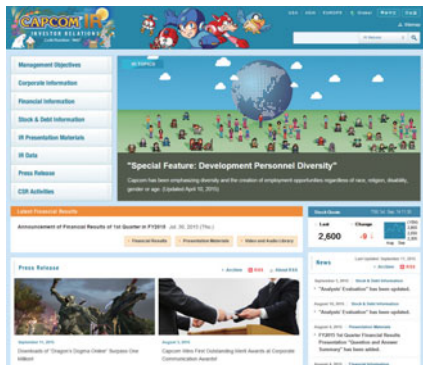
<http://www.capcom.co.jp/>

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Capcom Investor Relations Website

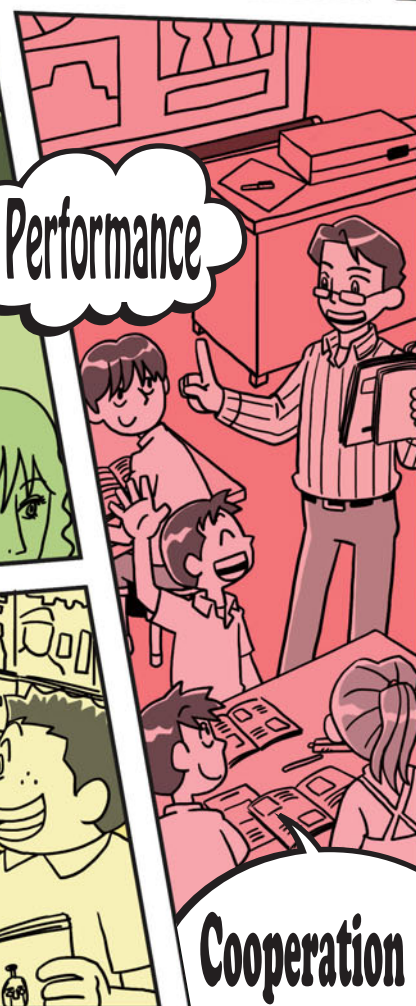
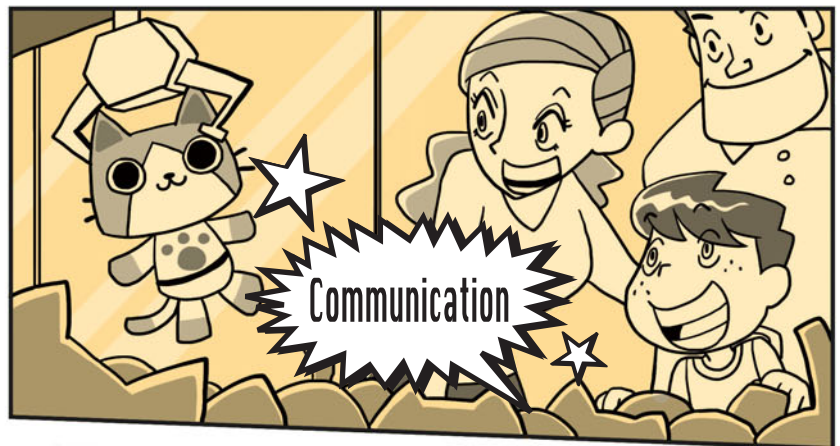
<http://www.capcom.co.jp/ir/english/>

We have been focusing on IR activities by providing our shareholders and investors with timely and updated information through our website.



Smartphone Access

If you have a smartphone that reads QR codes (two-dimensional bar codes), scan the image on the right for easy access to the site.



The print of this catalog uses environment-friendly vegetable oil ink.

We Create Games that Excite



CAPCOM

The Head of Development Discusses Capcom's Development Policies

As a result of organizational restructuring conducted in February 2015, COO Haruhiro Tsujimoto was appointed Representative director in charge of the Consumer Games Business for the company. With the president leading development in this new structure, what are Capcom's next steps?



Taking the Lead to Drive Innovation

From the spread of new platforms, such as tablets and smartphones, to the rise of freemium apps and new microtransaction systems, the environment surrounding the games industry continues to undergo rapid changes. The advancement of internet-connected game consoles is also substantially changing the business model. In light of these changes in the market environment, the aim of our organizational restructuring was to position myself closer to development, driving company-wide innovation to return Capcom to a growth trajectory.

During the past few years, we have increased the ratio of titles developed in-house. There are several reasons for this, but the most important is to support the transformation of our business model. Unlike the past, when we focused on selling through stock of packaged games, the game business today demands diversified support, both paid and free, after a game is sold.



Thus, there is a limit to what we can achieve by outsourcing. Also, we must cultivate internal resources to respond to this new business model. Furthermore, Capcom is considering the deployment of a completely new approach in the games industry, for which stronger in-house development capabilities are absolutely imperative.

Providing Society with Games Users Think Are Interesting

Be that as it may, we remain true to our nature in terms of doing what must be done.

What is the essence of Capcom's business? The conclusion I have arrived at based on

my years of management experience is simple: Creating high-quality, entertaining games that are enjoyed by as many users as possible. This is my relentless demand to all of our staff, as the head of development.

Games differ from basic needs like food, clothing and shelter in that people can get by without them. Games require users to dedicate their time and concentrate all their senses on playing. Why do users choose such a product? Users sometimes give up sleep and food to play games because games provide enjoyment and entertainment value like no other product.



Conversely, if games were not able to provide such value, they would not be accepted by society. Providing society with games that users think are entertaining is the linchpin of Capcom's corporate value.

Fostering an Environment Where All Staff Can Move Projects Forward Easily

How are entertaining games created? In principle, I think this should be left up to the development staff. People are Capcom's biggest asset. The numerous hit titles we have created up to now are the fruits of our gifted creators' labor.

What is my role? My main role is twofold: Creating an environment enabling all staff in the development organization to dedicate themselves to production, and adherence to deadlines and costs.

I provide support for the creation of quality games through the provision of cutting-edge development facilities and tools, as well as the

creation of systems that make working easier. Of course, it is also important to adhere to the schedules promised to users, and we cannot allow the company to become unprofitable. In other words, we must maintain a balance, satisfying both groups of people. To this end, I am prepared to build consensus as the head of development, engaging in active discussions with management in some situations and the development department in others.

Maintaining Success in an Unpredictable World

In the past, I also served as the head of the Development department. What has changed since then is the accumulation of experience



beyond my years. I said this is the age of a great transformation, but looking back, numerous innovations have taken place leading up to the present. From the era of arcade games, to the introduction of home video game consoles, to internet-connected online games, I have witnessed all of these transitions up to now. In light of the history of these transformations, I take pride in the experience that enables me to see the way ahead by understanding what stage we currently find ourselves in, and what our next steps should be.

Our industry, which is deeply connected to cutting-edge IT, is an unpredictable world where major transformations continually occur whether we want them to or not. However, this also means that our industry has a future. The market environment will continue to change. There is no guarantee that those who are successful today will continue being successful tomorrow. With this in mind, we will continue moving forward one step at a time, doing what must be done to be a successful game maker.



Creating High-Quality, Entertaining Games the Essence of Our Business

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)
Representative director in charge of Consumer Games Business

Appointed as a Director in 1997. After serving as Managing Director and Senior Managing Director, in 2004 appointed as Director and Executive Corporate Officer in charge of company-wide structural reforms, engaging in the organizational restructuring of Home Video Games and other businesses. In 2006, appointed as Director and Executive Vice President of the Company. In 2007, appointed as Representative Director, President and Chief Operating Officer (COO).

1

DIVISION

Setting Sail into the Vast Ocean of the Virtual Reality Game Market

Developing global intellectual properties with a diverse group of colleagues

"Wow, that was scary, but I want to keep playing—I can't stop!" Development Division 1 aims to create games that users want to play over and over again. Beginning with "Resident Evil", our team is focused on developing intellectual property (IP) with strong global demand. At the core of these efforts is our aim to create must-play games and to demonstrate the true value of entertaining games. Users constantly demand innovative new games. However we cannot simply indulge their needs with superficial responses. The point is to be able to develop something that is a half-step ahead of user expectations—expectations which aren't readily apparent in the marketing data. To achieve this, we create teams that band

tightly together while making use of each member's individual skills. As we are setting out into unexplored territory there are plenty of obstacles to overcome, but we do this together and enjoy the adventure; in this sense, we have to create a team similar to a band of pirates.

At present, we are focusing our energy on challenging the virtual reality (VR) game market. In this terrifying world, you can twist and turn as you like, but there's no escaping the creatures closing in on you...until you remove your VR headset and return to reality, that is. We delivered this very experienced with our "KITCHEN" VR technical demo at E3 2015. The response was excellent. Currently, we are building a new game development engine able to support VR, which is the hottest market right now, while simultaneously developing titles for current game consoles. We have just set sail on our latest voyage.



Managing Corporate Officer
Head of Consumer Games
Development Division 1

Takeuchi worked as producer on "Lost Planet 2" and "Resident Evil 5". He focuses on the development of global titles.

Jun Takeuchi



An unmatched horror experience making use of the immersive experience only possible with a VR headset.

2

DIVISION

Creating the Next Generation of Increasingly Realistic Online Games

Promoting a service-oriented business integrating development, management and operations

The challenge really begins after the game is purchased—that is how Development Division 2 creates games. Our division has been involved in the "Monster Hunter Frontier" series and numerous other online games. The key to success in this market is management and services that continually entertain users. This is a service-oriented rather than a sell-through-oriented business. Thus, Development Division 2 practices integrated game creation, combining development, management and operations. Naturally, we create games that maximize the value of Capcom's intellectual property (IP), while also listening to user feedback and leveraging our know-how to enable the management of games that remain interesting day after day, week after week and month after month.

Because our business provides online play, strong IPs have the potential to



"Street Fighter V": The highly anticipated new title in the landmark "Street Fighter" series.



Corporate Officer
Head of Consumer Games
Development Division 2

Yoshinori Ono

Ono is Executive Producer of a number of popular home video game and online game titles, including the "Street Fighter" and "Monster Hunter Frontier" series.

expand beyond international borders. At present, we localize titles for distribution in Asia and mainland China through collaborations with local, prominent companies in this region. We are also establishing a title development and management structure with an eye to developing new business opportunities in North America. The litmus test for this endeavor is the release of "Street Fighter V", scheduled for spring 2016. Are you familiar with "eSports"? This is a new breed of sports featuring competitive-multiplayer video game matches held in various countries around the world—complete with fireworks and an audience. Loaded with online community functionality, "Street Fighter V" is aimed at the "versus fighting game" market, whose passionate fan-base has driven eSports' growth. Through competitive events such as the Capcom Pro Tour, we will communicate the appeal of games while introducing new ways to enjoy them.

Bonds and Relationships Between Colleagues Key to Developing Buzz-Creating “Monster Hunter” Games

Everything we do aimed at providing users with a new dimension of fun

“Monster Hunter” was born in an environment where technologies and ideas were teased out in a brainstorming free-for-all, by team members who are focused on creating an entertaining game everyone can get excited about. This marks the eleventh year since the very first game was released. With more than 30 titles, the series, affectionately nicknamed “Mon-Hun”, has become a national pastime in Japan. As Capcom’s most symbolic intellectual property (IP), a comprehensive array of merchandise, promotions, event planning, and development have been derived from this game.

Multiple titles are being simultaneously developed in order to not only meet the expectations of our fans, but also to attract new users. I think an important aspect in all of this is the relationships between our colleagues. We cut down on superfluous

documentation and meetings while closely carrying out necessary communication. Our environment is tuned to facilitate flexible responses, like when someone thinks “this game element is interesting, let’s try it in this other game”. Furthermore, we have weekly meetings to strengthen the coordination between development and promotion. Ideally, everyone involved in a game’s development should be moving forward rapidly in the same direction.

We plan to release a new series, “Monster Hunter X (Cross)” on November 28, 2015, as well as the “Monster Hunter” series’ first RPG, “Monster Hunter Stories”, in 2016. After restructuring in July 2015, the “Sengoku BASARA” and “Ace Attorney” series are now also under the Development Division 3 umbrella. Going forward we will pull together and make every effort to provide users with fresh surprises and fun experiences.

Corporate Officer Head of Consumer Games Development Division 3

Tsujimoto worked as a planner in arcade game development before being put in charge of console title development. He has served as producer of the “Monster Hunter” series since the 2007 launch of “Monster Hunter Freedom 2”.

Ryozo Tsujimoto



“Monster Hunter” is pushing forward into a wide range of genres with “Monster Hunter” amusement card game machines and the RPG.

Asia Advancing the Licensing Business in China and Asian Markets

Increasing the ratio of hit titles through the combination of local partnerships and Capcom’s intellectual properties (IP)

There is no doubt that cultivating the Asian market represents a significant opportunity for Capcom. Without taking on this challenge, we cannot know what market trends or results to expect. Our first steps were taken with the establishment of Capcom Taiwan in 2012, which is currently engaged in game development and operations in the Taiwanese market, as well as localization and licensing aimed at China and Southeast Asia.

In terms of the huge Chinese market, we are currently collaborating with Tencent Holdings Ltd. in China to develop “Monster Hunter Online”. Capcom oversees the game content and Tencent is responsible for seeing that development and operations are suited to Chinese user preferences. By promoting

Main Capcom Bases



General Manager of
Asia Business R&D Department
Consumer Games Development Division 2

Yuichi Ochi

Ochi is in charge of the online and mobile business in Asia, and is president of Capcom Taiwan (established in 2012). He worked to distribute the popular PC browser game “Onimusha Soul” and smartphone app “Monster Hunter Hunting Quest” in the Asian market.

development and operations tailored to each country or region’s characteristics, Capcom wishes to expand its business so that both users and partner companies alike are satisfied.



“Sengoku BASARA” Special Feature #1



The Story behind Development of “Sengoku BASARA”

10th Anniversary

Director
Makoto Yamamoto

After joining Capcom as a Designer, appointed as Director of “Sengoku BASARA”, a position he has maintained throughout the entire series.

Producer
Hiroyuki Kobayashi

As a Producer, he is responsible for “Sengoku BASARA”, “Dragon’s Dogma”, “Devil May Cry” and “Resident Evil”.

A Narrated Account Based on the Facts

Launch

Part 1:
Winter 2003

"Hmm... A new kind of action game featuring a main character based on a real-life feudal warlord..." muttered one corporate director.

The deafening silence of the meeting room was difficult to describe. The directors, general managers and head of R&D looked over the proposal Hiroyuki Kobayashi had handed out with silent, stern looks on their faces.

This scene made it feel as if everyone sitting there was an enemy character. As Kobayashi proceeded with the presentation, he felt his heart becoming heavier.

November 2003

An enterprising, young producer, Kobayashi was in a marketing meeting focused on his proposal for a new game. Before him stood a barrier more impenetrable than he had ever imagined.

"You understand the situation we're facing right now, don't you?" asked a director.

At this time, Capcom's business was in dire straits, having plunged into the red for two consecutive fiscal periods and posted a 45 billion yen extraordinary loss. The tremendous amount of time and budget required to develop a new game posed a significant risk to the company. Kobayashi had expected there would be a certain amount of pushback from management.

"I do understand that, which is why I am proposing this as a project to increase earnings!" asserted Kobayashi as he stared intently at the director.

"We cannot afford any more losses. Rather than new titles, we are focusing on sequels to hit titles that are expected to provide stable earnings. That's the theory,

"We need to challenge ourselves even in difficult times."

right?" said another director.

"This is a game for the casual user segment unlike anything we have done before. If we only play it safe, we will keep sliding downhill," countered Kobayashi.

The person in charge of sales spoke up. "Don't we already have a feudal warlord game?"

This was true. Two years earlier, Capcom had released "Onimusha", a survival-action game based on a Warring States Period motif.

"Onimusha" is totally different. Please read the proposal more carefully!"

"Won't this result in cannibalization?"

"Our target users are different. Cannibalization is not an issue!"

"I wonder if it is right to put out such a frivolous game under the Capcom name."

The critical opinions continued to rain down, threatening to

drown the spirit of the normally resilient Kobayashi. He knew this was no time to lose his composure. He absolutely had to gain their approval. Kobayashi lifted his head and stared unflinchingly into the eyes of the directors.

At that moment, the silence was broken by a lively voice that reverberated throughout the room.

"Why don't we give it a try?"

It was Capcom president (now chairman) Kenzo Tsujimoto. Everyone in the room focused their attention on him.

"As Kobayashi has said, we need to challenge ourselves even in difficult times. Am I wrong?"

Tsujimoto, who founded Capcom and played a leading role in the Japanese game industry, had identified numerous talented young creators up to now who had gone on to generate hit titles. Everyone in the company had the utmost respect for his ability to spot genius. And of course, the company wanted a hit game. If the head of

"Sengoku BASARA" Series History

2005
07

PS2



"Sengoku BASARA"

The series debut title featuring distinctive warlords, "Masamune Date" and "Yukimura Sanada".

2006
07

PS2



"Sengoku BASARA 2"

Warlord "Keiji Maeda" joins the battle as a new character bringing not only more action but also a new depth to the story.

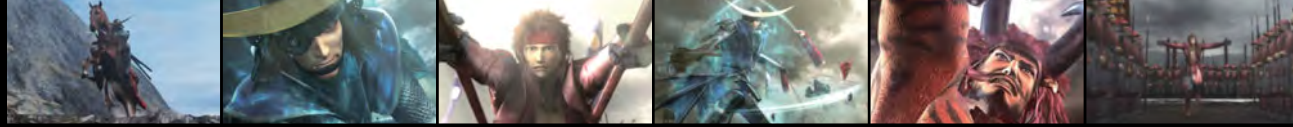
2007
11

PS2
Wii



"Sengoku BASARA 2 Heroes"

Enemy warlord "Hisahide Matsunaga" joins the battle! Develops action and story angles further than was possible in "2".



the company approved, it was probably a good idea to give the new title a chance. Kobayashi's frantic and fervent speech combined with Tsujimoto's approval gradually changed the atmosphere. An hour later, Kobayashi received approval to develop the new game, which he called "Sengoku BASARA".

However, the real challenge lay ahead.

Chaos

Part 2:
Summer 2004

"Put me on any team, just not 'Sengoku BASARA!'"

"Right. I feel sorry for whoever's making that game, it will never sell."

Kobayashi overheard comments like these as he walked down the hall outside the development room. For the last few months word had been going around the company, and though he had known that few people supported his effort, the murmuring took an emotional toll nonetheless.



July 2004.

Eight months had passed since production of "Sengoku BASARA" began, with only 10 months left until completion. It felt as if even after the title was finished, it would continue to receive a chilly response internally. It wasn't as if Kobayashi didn't understand the feelings of his colleagues. In a sense, this was new territory for Capcom, so he didn't expect everyone to understand. But still. . .

There was another reason Kobayashi felt uneasy. The development team was losing its sense of unity, and fast. The biggest reason for this was because both the section leaders and the director did not understand the direction development was taking.

The game concept Kobayashi envisioned was a Japanese warrior action game anyone could enjoy. However, this was different from what had become conventional thinking at Capcom. The problem was the idea of a game "anyone could enjoy". In other words, the simplicity of the gameplay.

Capcom's specialty was action games, which were popular in part because of their difficulty. Enemies were vanquished using advanced techniques requiring precision command of game controller buttons. The joyous taste of victory was savored only by those passionate and skilled enough to achieve it. These games are fun precisely because they are difficult. This was the conventional line of thinking with regards to action games.

Even members of his own development team frequently raised doubts, asking Kobayashi, "What's so interesting about a game where you can mow through enemies with a push of a button?"

However, his aim was to create a game anyone could play. While Capcom action games had a passionate fan base, they had earned a reputation for being too difficult for beginners. Kobayashi wanted to remove this barrier completely and cultivate a new fan segment. The challenge was: what would replace "difficulty" as the game's appeal? Kobayashi himself had yet to discover the answer to this question.

Amid impatience and frustration over the inability to move forward, conflicts within the team began to increase. As the situation began to escalate, Kobayashi was worried things were out of control. A month later, he decided to replace the director.

Like the director of a movie, the director of a game development team plays the leading role. Changing the director mid-development is like changing directors on a movie and having to reshoot all the existing scenes. Considering how little time was left, it seemed a reckless decision. Yet if a change was not made, the project would end in failure, just as others in the company had predicted all along.

Kobayashi had only one person in mind as a candidate for the new director position: game designer Makoto Yamamoto. The two men had worked together a

What could replace "difficulty" as the game's appeal?



How would you like to become the director of “Sengoku BASARA”?

number of times in the past, but they didn't know each other on a close personal basis. Nevertheless, Kobayashi had a feeling Yamamoto would be able to straighten out the situation.

Yep, he's the one... Kobayashi thought, determined as he reached for the phone.

The Tipping Point **Part 3:** Summer 2004

“How would you like to become the director of ‘Sengoku BASARA?’”

Yamamoto still remembers his surprise and the mixed emotions that sent his heart racing upon hearing Kobayashi's offer.

Yamamoto was, of course, well aware of the cool looks the “Sengoku BASARA” team received inside the company. He also remembers witnessing internal clashes on the team, and feeling sympathy for those who appeared to be struggling. However, that was someone else's problem. He could never get involved in such a troublesome project. After all, they only had nine months left...

Yet, amidst feelings of disquiet, the resolve to fight quietly welled up inside of him. Yamamoto believed no matter how difficult the situation, saying ‘no’ is never an option. If anything, adverse conditions were a source of motivation. He burned with the desire to overcome any

obstacle, no matter how high.

After a short pause, Yamamoto answered.

“I'll do it,” he said decisively. “Let's go for it!”

“Thank you so much!” said Kobayashi who looked as though tears were welling up in his eyes.

As a matter of fact, Yamamoto saw a way to break the development deadlock on “Sengoku BASARA”. Two years earlier (in 2002), Yamamoto had joined Capcom mid-career and began working in the development division. Thus, he did not have a fixed idea of what constituted the “Capcom way”. At his previous job, he had been involved in action, sports and a wide range of game genres. Armed with the perspective of a different culture, Yamamoto soon discovered the key to making Kobayashi's concept a reality.

His idea focused on the character element.

If the characters controlled by the player exuded outlandish personalities and presence, even with simple battles, the player would project themselves onto the characters and become immersed in the game. It was actually better if the battles were simple, since that gives the team leeway to incorporate more elements for enjoying the characters' personalities.

“We are going to redesign the characters. I want to create extremely distinctive feudal warlord characters, the likes of which have never been seen before,” Yamamoto

“Sengoku BASARA” Series History

2008
06




“Sengoku BASARA X (Cross)”

The series' first 2D combat-based fighting game developed so that fighting game users can also enjoy “Sengoku BASARA”.

2009
04




“Sengoku BASARA Battle Heroes”

The first title for handheld game devices realizing team battles involving up to 30 popular warlords.

announced to Kobayashi one week after taking over as director.

“I hadn't thought of that!” said Kobayashi, who immediately saw what Yamamoto intended. It can be said this was the birth of “Sengoku BASARA” character-driven game concept, which has been carried forward throughout the series.

“OK! We only have nine months left, so let's focus all our energy onto creating characters!”





Creation

Part 4: Winter 2004

"What? Masamune Date is going to speak English?!"

Yamamoto responded to the surprised staff with a nod and a smile.

"That's right, the Date clan engaged in foreign diplomacy throughout the Warring States period. Of course, they probably didn't use English, but we want to create distinctive characters while maintaining a link to those kinds of historical facts."

When using an actual warlord as the model for a



character, convention calls for the design to be faithful to historical fact. However, Kobayashi and Yamamoto established a developmental policy where they turned up the dial on historical fact, from a baseline of 1 all the way to 100. Their line of thinking was, even when based on historical fact, imagination should be used freely to thoroughly distort and expand those facts to create a completely off-the-wall feudal warlord character.

"A warlord named Tadakatsu Honda fought 100 battles throughout his life and never lost once."

"Let's run with that and make him the game's strongest character."

"Why not go further? Let's make him a steel robot, impervious to swords."

"You know what'd be cool? If we made Lord Ieyasu Tokugawa a young boy and had him control the robot."

Open discussions such as these between Kobayashi and Yamamoto gave rise to a host of ideas. Through this, they realized that the mishmash of various entertainment themes created a patchwork feeling. Turning Tadakatsu Honda into a robot was a touch of science fiction; other elements were borrowed from young girls' comics, horror, the occult and comedy, all to add color to the characters and create a sense of excitement since no one would know what to expect next.

One other element that enhanced the characters' presence was conversation. Characters rarely speak in

action games, as there is little time for idle chatter while engaged in heated battle. But in "Sengoku BASARA", which places more emphasis on characters than battles, dialogue like Masamune Date's English are an important part of the character's distinctiveness. Lines were given not only to main characters and enemies, but also to the legions of rank and file soldiers who are noisily taken down in battle. Even warlords not present on the battlefield speak freely to provide commentary on the battle action.

These conversations are made more appealing through the use of voice overs. At the time "Sengoku BASARA" was being developed, game character lines were typically displayed as subtitles, but text alone would have left the characters feeling flat.

"Let's add voices. And let's use first-rate voice actors," suggested Kobayashi.

"Using talented, top flight voice actors will really boost the presence of each character, and in itself create some major buzz."

"Yes, but it will also increase expenses."

"I'll take care of the budget. Let's get premiere voice actors for all 22 characters."

One month later, a test run of the game screen was conducted incorporating voice overs provided by the actors. The excited reaction of the staff was unlike anything up to that point.

Open discussions between Kobayashi and Yamamoto gave rise to a host of ideas.



“Sengoku BASARA” kicks off an unanticipated social phenomenon.

“I’ve never seen an action game like this!”

“I finally understand the vision for this game that Kobayashi and Yamamoto had talked about!”

Thus the unique appeal of the “Sengoku BASARA” world, which had not been experienced before, came clearly into focus. This was definitely going to sell; every one of the staff sensed a hit in the making.

Expansion Part 5: Summer 2009

“That’s one more down. There’s just no end to it, huh?” said Yamamoto to Kobayashi who had just walked out of a meeting room after finishing an interview with a magazine.

“Thanks to this history fad, the interview requests keep pouring in. I can’t get any work done,” complained Kobayashi as a smile crept across his face. “Well, all in a day’s work for our producer,” laughed Yamamoto.

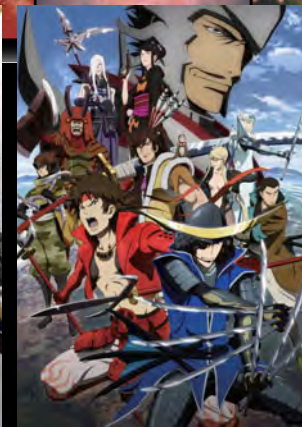
July 2009

Four years have passed since the original “Sengoku BASARA” was released.

During these four years, the two men continued to release sequels at the rate of one title per year, while expanding the series into other media including drama CDs, comics, TV animation and stage performances. “Sengoku BASARA” had now become a popular brand with a firmly established position in the company.

At the same time, the series had kicked off an unanticipated social phenomenon: the female history buff fad.

From around 2007, the media noticed that young women were getting excited about sharing information on sightseeing involving historical sites related to feudal warlords and traditional events. “Sengoku BASARA” is considered to have started this fad, so as the game’s



TV animation “Sengoku BASARA”
©CAPCOM/TEAM BASARA

producer Kobayashi had recently been overwhelmed with interview requests from game magazines, regional newspapers and general newspapers.

“Was today’s interview about women history buffs again?”

“Yes, and as expected, I got asked, ‘As the creator of this trend, how do you feel about it?’”

Typical action games base their appeal on difficulty, and because women in Japan have traditionally shied away from action-intense games, there are few female fans. “Sengoku BASARA”, however, is so easy to play even

“Sengoku BASARA” Series History



“Sengoku BASARA 3”

The first title for the PS3 offering substantially advanced graphics and action. Features the debut of new characters “Ieyasu Tokugawa” and “Mitsunari Ishida” focused mainly on the Battle of Sekigahara.



“Sengoku BASARA Chronicle Heroes”

The second title for handheld devices adding characters from “Battle Heroes” and “3” and the enjoyment of team battle.



“Sengoku BASARA 3 Utage”

Side story title with story and action elements not presented in “3”.



“Sengoku BASARA HD Collection”

“Sengoku BASARA”, “Sengoku BASARA 2” and “Sengoku BASARA 2 Heroes” for the new PS3 enabling play in HD.



people without much gaming experience are able to mow down large numbers of enemies. The characters are stylish and handsome men, who bring an enjoyable variety of colorfulness to the game depending on the character chosen. This unique appeal has captured the hearts of numerous women. Even non-playable supporting characters have passionate female fans—fans who surprise local residents when they flood into related historical sites in droves.

“Trendsetters, huh? Well, it’s not like we had planned for this to happen.”

“True, from the start I did decide not to include blood or other things women tend to dislike. However, I never imagined there would be so many female fans. I said as much again in today’s interview.”

“By the way, apparently we have a request from Miyagi Prefecture to use our Masamune Date character.”

“I know. Thinking about it, it’s really amazing, isn’t it? The idea of using a video game character for a gubernatorial election poster.”

The worlds created by video games can have a significant impact on society. The two men had a renewed sense of the deep and profound potential of video games.



Frustration **Part 6:** Summer 2013

“You call this action? This is nothing like what I was talking about!”

“But Mr. Yamamoto, you said you wanted the action to be ‘more dynamic!’”

“This isn’t what I meant at all! The character is just jumping around!”

“So, what exactly do you want me to do?”

July 2013. It had been a while since Kobayashi had visited the development floor, but what jumped out at him was the heated discussion between Yamamoto and the programming team leader. None of the other staff seemed to be paying any attention. Apparently, they had gotten used to this scene, as if it were a daily routine. Everyone stared at their screens, quietly engaged in their own tasks. It was as if the brutal air of a battle corps camp had enveloped the development team.

“There’s less than six months until we release ‘Sengoku BASARA 4’, is everything going alright?” Kobayashi asked Yamamoto in a meeting room.

“Yes, we’re doing everything we can,” answered Yamamoto with an unusually stern expression.

That’s probably true, thought Kobayashi. He had complete trust in Yamamoto’s abilities as a director. He was thoroughly aware of all game elements: from characters, story, design and action, to music, scenario and voice actors— and still continued to provide one creative idea after another, using concrete images to lead the staff and realize his vision. It was his uncommon ability that had brought “Sengoku BASARA” this far.

However, rather than the enthusiasm of creation, what he now felt more than anything else among the development team was an irritating frustration. His work as a producer had kept him busy, and for the past several months he had left everything to Yamamoto. Maybe the pressure was too great?

“Things have gotten pretty hectic since the team grew so large, haven’t they?” suggested Kobayashi subtly.

Three years earlier, in the summer of 2010, Kobayashi and Yamamoto had poured their all into “Sengoku BASARA 3”, which captured the hearts of fans and became a hit, selling over 500,000 copies. Consequently, there were huge expectations for “Sengoku BASARA 4”, which now boasted a development structure over three times larger than that of the original.

“Yes, the team has grown quite large, and my job is to keep it going forward,” said Yamamoto with the same hard expression.

“Yes, we’re doing everything we can,” answered Yamamoto with an unusually stern expression.



**“If we can put together the right team, the next title will definitely be a hit. I believe that.”
This would not be the end.**

He never does let his guard down. That I can count on. However, as the number of people in an organization increases, the more difficult it becomes to maintain control. Communicating your vision as a director to everyone on a massive team is no easy task. I wonder if he really is alright, thought Kobayashi, feeling slightly uneasy.

Recovery **Part 7:**
Winter 2014

Kobayashi’s unease was realized six months later when “Sengoku BASARA 4” was released in January 2014 and failed to achieve its sales targets. “The warlord fad has peaked.” “There is too much action and other new elements.” “The game wasn’t promoted properly to capture new fan segments.” These and other factors were cited internally as the reason for the poor sales performance. Certainly, there is some truth in all these factors. But they are not the main issue, thought Kobayashi.

“It’s frustrating,” said Kobayashi to Yamamoto, entering the same meeting room from six months earlier.

“Yeah...it certainly is. More than feeling frustrated, I can’t think of anything right now,” mumbled Yamamoto with a vacant look in his eyes. Looking at him, Kobayashi decided to say what was on his mind.

“There are a lot of things being said internally, but I don’t think our game design was off the mark.”

Yamamoto lifted his head with an inquisitive look. “Perhaps the real problem is that we have not adequately communicated the vision for ‘Sengoku BASARA 4’ that’s in our heads to the rest of the team.” Yamamoto listened quietly as Kobayashi continued.

“During development, I spoke to team leaders about a number of things, but I often heard them say ‘we don’t understand what Mr. Yamamoto wants.’ Is it possible that your ideas often weren’t understood?”

After thinking in silence for a brief period, Yamamoto slowly began to speak.

“You know, you’re probably right. I wanted to do whatever it took to surpass ‘Sengoku BASARA 3’ and got so worked up, I didn’t spend enough time thoroughly explaining everything to the team. Rather than directing them, I guess I was just forcing my ideas on them.”

“It’s understandable; there was a tremendous amount of pressure on you. I share in the responsibility, as I should have done a better job of following up. The bigger the

“Sengoku BASARA” Series History



“Sengoku BASARA 4”

Based on the creative Warring States concept focused on “Masamune Date,” “Mitsunari Ishida” and all 32 warlords with action and story elements that enable users to experience an entirely new Warring States period.



“Sengoku BASARA 4 SUMERAGI”

This title commemorates the series’ tenth anniversary. “Yoshiteru Ashikaga,” “Sen no Rikyu” and “Maria Kyogoku” join the battle as player characters! Packed with the action and stories of all 40 warlords, we take pride in this title, which offers the largest volume of the series.

project, the more difficult it is to ensure everyone is on the same page.”

“Before creating a game, you need to create a team. Perhaps we forgot that basic idea,” said Yamamoto. The light had finally returned to his eyes. Kobayashi nodded his head.

“And if we can accomplish that, the next title will definitely be a hit. I believe that.”

Yamamoto nodded in agreement. It would not end here. Kobayashi could see that old fighting spirit quietly welling up inside Yamamoto once more.

THE END



Development Anecdote

Commemorating the 10th year of the series, newest title "Sengoku BASARA 4 Sumeragi" is the first game of the series available on PlayStation 4, and showcases a host of new gameplay features while boasting the most action and story to date. For this reason, the development team faced numerous challenges in making the game.



Members convey and share all their game concepts. It is important to continually maintain mutual understanding through close communication.

Development from a Director's Perspective

User enjoyment is the driving force behind our team.

Emphasizing the new title's value and significance won development approval.

"How can we get development approval from management?" Makoto Yamamoto anxiously thought. It was the summer of 2013, and they were working through the final stage of development on "Sengoku BASARA 4". Along with producers Kobayashi and Kadowaki, Yamamoto went into the development approval meeting for the next title in the series. July 2015 marked the 10th anniversary of "Sengoku BASARA", and Yamamoto had his sights set on releasing a major title to commemorate this milestone; a game of remarkable size that would excite users, packed with more playable warlords and featuring casino-like game mechanics. The concept, sales targets, and development cost were all included in the plan proposed at the development meeting, but the management

team looked unconvinced. That was to be expected, as the game market was in a period of upheaval. Orders for the previous title, "Sengoku BASARA 4", had fallen short of the target, so they were in no situation to gain development approval simply based on expectations and enthusiasm alone.

However, Yamamoto and the others did not back down. "Please think about it this way: continuing the 'Sengoku BASARA' series with a new title opens the door to a wide range of opportunities: from animation and companion books, to merchandise, stage performances, collaborations with local municipalities and Pachislo machines. This new title can be the source of all that!" "Sengoku BASARA" had indeed sparked a renewed interest in history and been utilized in regional municipality collaborations, facts that merited attention; further, there was no doubt this multiuse of the property contributed to profits. The management team's position gradually began to soften. "When they approved the proposal, I was extremely relieved. At the same time, we had gone in with an unwavering resolve, which was appropriate for a title marking the series' 10th anniversary."

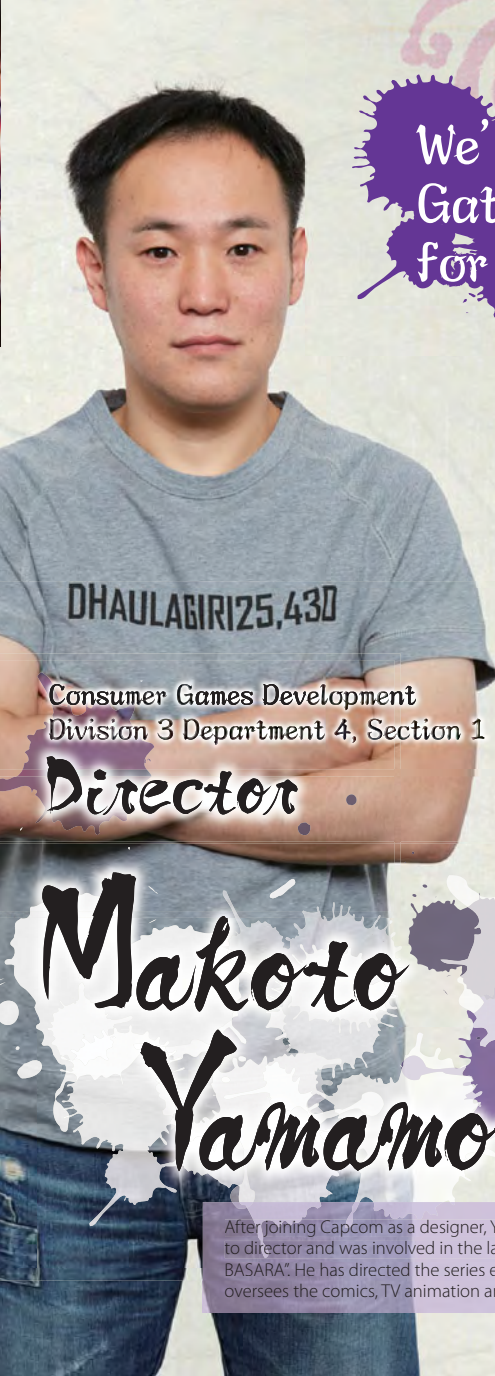
"Sengoku BASARA" contents are scalable. "The title can be experienced through a variety of entertainment, including TV animation, comics, stage performances and theme parks," notes Yamamoto.

With the development team assembled, the race against time begins

The first order of business was the development structure. Reflecting on the extreme disorder of the development structure for the previous title, "Sengoku BASARA 4", Yamamoto created a new structure to facilitate idea creation while building mutual understanding. Centering on those with previous experience developing for "Sengoku BASARA", he assembled a team that included planners, designers, sound creators and programmers. Some members were appointed as section leaders for the first time; it was a team built to engage younger staff in pushing their upper limits for the title—and once organized, the race against time was on. Title launch was scheduled for July 2015.

However, as soon as work began, a major change to the game's specifications became necessary: it would have to be compatible with the PlayStation 4 (PS4) next-generation console. Retailers and users were already moving in this direction. "In addition to PlayStation 3 compatibility, we also need to develop this game for the PS4. Our users are expecting it!" There was no time to waste. The development schedule was revised and the team worked feverishly on.





We're ready to face the trials ahead.
Gather all forces and prepare
for battle!

Uniting team capabilities to create a title befitting the 10th anniversary

With section leaders at the forefront, the team pushed to meet Yamamoto's expectations, bringing both action and overall size to levels that were sure to satisfy. And then it was July 2015. The appellation "Sumeragi" (an old Japanese word referring to the first emperor or the imperial line) was derived from the main warlord in the game, Ashikaga Yoshiteru, known as the emperor; thus the title became "Sengoku BASARA 4 Sumeragi". In addition to an epic story of the warring states, the game features 40 playable warlords—the most in series' history—a new "battle roulette" gameplay mechanic, and the same exhilarating action and uplifting enthusiasm the series is known for. "I directed the development team to include as many gameplay elements as they could within our limited schedule. This was no small task, but I think each of their individual efforts was instrumental in moving this project toward completion. The team pulled together behind the idea of making a game users enjoy, and their dedication overcame all obstacles to make this a success." The "Sengoku BASARA" 10th anniversary—it seems this year again promises another heated battle will unfold.

Consumer Games Development
Division 3 Department 4, Section 1

Director

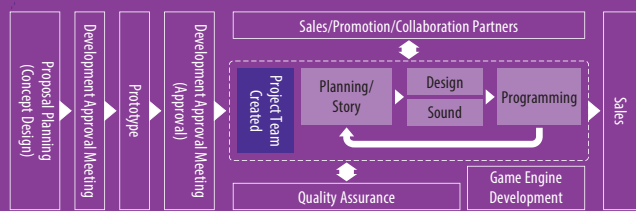
Makoto
Yamamoto

After joining Capcom as a designer, Yamamoto was promoted to director and was involved in the launch of "Sengoku BASARA". He has directed the series ever since and also oversees the comics, TV animation and stage performances.



Development Workflow

After development approval, various professionals and departments cooperated in accordance with the schedule.





Development from a Planner's Perspective

Expanding the World of "Sengoku BASARA" via Various Perspectives and Ideas

Revising the new casino gameplay mechanic in pursuit of the "Sengoku BASARA" feel

"The most challenging aspect of creating this title was the new 'battle roulette' feature," says main planner Teranishi, adding, "Yamamoto, the director, talked about including a casino element from the conceptual phase, but wasn't sure about the specifications." Initially, Yamamoto

envisioned a standard casino game scenario where players would use medals to place bets in an attempt to win more medals, which could then be traded for weapons or other prizes. "That was the best proposal Yamamoto could come up with considering the development schedule and cost. However, once the design doc was created and development began, it didn't feel sufficient in terms of promoting the distinctive, exhilarating action

'Sengoku BASARA' is known for."

Amid backlash from the development team—who questioned whether this really was interesting, and thought action elements needed to be incorporated rather than simply offering a game of roulette—main planner Teranishi gathered the team consensus and made a proposal to Yamamoto, asking, "won't you rethink this feature one more time?" Despite the shorter-than-usual development period and internally feeling the need to hurry, the entire team wanted to create an interesting game appropriate for the 10th anniversary. Yamamoto listened and decided to halt development of the battle roulette feature to rethink the concept.

Battle roulette offers a variety of devices to expand playing fun

Mindful of making the most of limited development time, section leaders engaged in numerous discussions, and after sorting through a number of choices decided on a proposal whereby the roulette wheel appears and adds various gameplay elements to the battlefield, giving users a wider array of

Consumer Games Development Division 3 Department 4, Section 1

Main Planner

Keiji Teranishi

After entering Capcom mid-career as a planner, Teranishi joined development on "Sengoku BASARA 4", which was already underway. He also coordinated the development team on Sumeragi as a main planner.





gameplay to enjoy during battles. Once the roulette wheel is spun, different pockets appear at random, such as a winning pocket that awards medals, a losing pocket that exacts a punishment, or a character-change pocket that switches the player character. Presenting both opportunities and risks, this "battle casino" skillfully combines action and roulette.

"The roulette feature involved feedback not only from the planners, but from all members throughout the team. As the series' 10th anniversary title, we wanted to make the best game possible, so the inclusion of diverse perspectives from everyone involved in "Sengoku BASARA" up to now was indispensable." In this way, more and more unique ideas for

"Sengoku BASARA 4 Sumeragi" offers the most game content of the series. Even those who played the previous installment can enjoy the new gameplay offered by battle roulette.



roulette were devised: Musashi Miyamoto of "Sengoku BASARA 2" might come chasing after players, or players might get to operate the mechanical weapon Akatsukimaru to blast through swarms of enemies, or metal basins might come raining down on player's heads. "The designers and programmers really came through with the creation of fantastic, over-the-top action for the battle roulette that perfectly gelled with the "BASARA" universe."

Close communication made the game even more interesting



According to Teranishi, the reason the team was able to proceed with development so quickly yet maintain a high level of quality was pin-point progress management and getting all team members aligned in the goal of creating a title users would enjoy. "When important decisions had to be

made, we looked to the director, Yamamoto. He has been in charge throughout the entire 'Sengoku BASARA' series and has the deepest understanding of this intellectual property's world. However, I would raise concerns if the user perspective had gotten lost or when I felt the gameplay was not interesting." Ideas were exchanged until everyone was satisfied, as Capcom facilitates an environment enabling such a process. To ensure even smoother progress management, design and programming leaders worked closely to exchange information. "15 minutes before the end of each workday, we met to confirm the progress of each section. Tasks were written down and copied onto white boards to thoroughly visualize the project." This enabled the team to engage in daily work process improvements. The ever-evolving game development environment; it is here that the games users choose are born.



All ideas that seemed promising were brought out and judged on their merits. It was always rewarding for planners to see their ideas included in the game.

We Need to Emphasize the Fun of Playing and the Distinctiveness of "Sengoku BASARA"



Development from a Programmer's Perspective

Refining "Sengoku BASARA" is an Ongoing Challenge

We must understand what users truly want, and give it to them.

"What? You want two new moves for all 40 warlords? And we're revising the battle roulette feature now!?" The news of the director's idea came as a bit of a shock to Shigeyoshi, who had just returned from vacation.

As the main programmer responsible for keeping a team together, the only thing he could think to say was "impossible". He had already established a schedule and allocated tasks to staff members in line with the project details. In terms of man-hours, there was not enough time to give each warlord two new fighting techniques. When he tried pleading with director Yamamoto he was told, "The game isn't meaty enough. We need to add more gameplay elements. You can combine existing assets used up to now if you want."

Whatever the means, I need you to get this done." Shigeyoshi could understand the director's intentions, but internally he remained skeptical. "If the quality suffers by adding these techniques, will that make users happy? Is that really what they want from this game?" Shigeyoshi was worried, but he had to persevere. He pondered how best to approach this situation.

Through teamwork, all 40 warlord's new techniques are created

"Rather than stringing old techniques into a one new one, I decided to create fresh techniques that played off of the originality of each character." Shigeyoshi was aware of user feedback for "Sengoku BASARA 4" that indicated the desire for "even newer discoveries and gameplay surprises." He figured he could come up with at least one technique—and if that technique provided brisk, new gameplay, Shigeyoshi believed users would certainly be satisfied.

Improvements are not limited to characters and techniques; menu transitions and control-feel have also been refined. Programming has been used to enhance usability and provide more immersive game play.



First, he had to get the director to agree. He proposed two ideas from which to choose: the first was a throwaway proposal, and merely an extension of the existing techniques; the other was a prototype of an all-new flamboyant, action technique. When the director played the original, new technique Shigeyoshi proposed, he was amazed at the quality and praised it for adding a new dimension to the gameplay. His proposal now accepted, Shigeyoshi got down to work.

Making time between his main job of leading programming, coordinating the planning and design teams and managing schedules, Shigeyoshi created actions from the ideas and insights he had been nurturing. However, creating unique techniques for 40 characters was not an easy task. "Seeing me struggle, other team members pitched in to help. Once these techniques were completed, I had such a feeling of accomplishment and was so deeply moved by the cooperation I received," Shigeyoshi remembers with a smile.





Game Creation is a Battlefield Where Departmental Barriers are Overcome

images on the screen were, Shigeyoshi's sense of accomplishment made all the hard work worthwhile.

Game creation is a place where taking on challenges gives rise to entertainment.

Perhaps it is even a battlefield where departmental barriers are overcome.



Close collaboration within the team. Adjustments can be made in real-time while running the program.

Unknown worlds: taking on programming for the PlayStation 4

On this title, there was one other mountain to climb: simultaneous development and release for both the PlayStation 3 (PS3) and the PlayStation 4 (PS4).

For development, Capcom was using its "MT Framework" proprietary game development engine; however, this engine is compatible with the Xbox 360, PS3 and Windows OS. At the time, development for the PS4 was an unknown world. First, the team developed the game for the PS3, and then began development for the PS4. They took great pains to create beautiful visuals rendered in high-resolution, full HD1080p, and by cooperating with the team creating the new, next-gen development engine internally, they were able to realize stable movements in full high-definition, despite a tight schedule. Further, up to now, two-player mode had been rendered in 30 frames per second (fps), but on the PS4 version they were able to up this to 60fps, enabling gameplay at the same tempo as single-player mode. In seeing how much smoother and more beautiful the

Consumer Games Development Department 4, Section 1

Main Programmer

Shinya

Shigeyoshi

After joining Capcom in 2006 as a programmer, Shigeyoshi worked on "Devil May Cry 4", "Sengoku BASARA 3" and "Sengoku BASARA 4". He has worked as a Main Programmer since working on "Sengoku BASARA 4".



Corporate Profile

(As of March 31, 2015)

| | |
|-----------------------|--|
| Name of Company | CAPCOM CO., LTD. |
| Date of Establishment | May 30, 1979 |
| Date of Initiation | June 11, 1983 |
| Business Segments | Planning, development, manufacture, sale and distribution of home video games, online games, mobile games and arcade games as well as management of amusement arcades. |
| Paid-in Capital | ¥ 33,239 million |
| End of Term | March 31 |
| Number of Employees | 2,681 (Including consolidated subsidiaries) 2,033 (Capcom CO., LTD.) |
| Head Office | 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100 |
| R&D Building | 3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698 |
| Tokyo Branch | Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711 |
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Please see the Capcom Integrated Report 2015.

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History

- Mar. 1991** Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.
- Jun. 1992** Released "Street Fighter II" for Super NES, and it was a mega-hit.
- Jul. 1993** Opened "CapcoCircus Nigata East", the largest arcade in Nigata.
- Dec. 1994** Premiere of the Hollywood movie "Street Fighter".
- Mar. 1996** Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.
- Aug. 2001** Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.
- Oct.** Released "Phoenix Wright: Ace Attorney" for Game Boy Advance, and it drew public attention as a courtroom battle title.
- Mar. 2002** Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.
- Sep. 2004** Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.
- Jul. 2005** Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.
- Aug. 2006** Released "Dead Rising" for Xbox 360. More than 1 million units were sold, an extraordinary feat for a new title for a new game console.
- Dec.** Released software "Lost Planet" for Xbox 360. Over 1 million units were sold following the trails of "Dead Rising", another exceptional accomplishment for a new title.
- Mar. 2007** "Monster Hunter Freedom 2" becomes the first Japanese PSP software to exceed 1 million units shipped.
- Nov.** The Hollywood movie "Resident Evil: Extinction" was released. Its box-office revenue exceeded 147 million dollars.
- Feb. 2009** Takarazuka Revue Company launches theatrical performance of "Phoenix Wright: Ace Attorney - The Truth Comes Back to Life".
- Apr.** Began broadcasting the TV animation program "Sengoku BASARA".
- Jul.** Initial shipments of "Monster Hunter Tri", a third-party title for the Wii, surpass one million units.
- Oct.** "Sengoku BASARA" character Masamune Date used for PR activities in support of the Miyagi Prefecture gubernatorial elections.
- Nov. 2010** Distribution of social game "Smurfs' Village" for iPhone began. It became the top download in 100 countries around the world.
- Dec. 2013** Released "Monster Hunter 4" for Nintendo 3DS. The "Monster Hunter Craze" sparked again with the sales over 4 million units sales.
- Dec.** Released "Dead Rising 3" for Xbox One. Capcom's first title for this new game console, marked over 1 million units sales.
- Mar. 2015** Signed a regional invigoration and inclusion agreement with the city of Kofu for the use of "Sengoku BASARA" characters in regional invigoration activities and the promotion of tourism in Kofu, Yamanashi Prefecture.

