

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

- Q. You have announced “Monster Hunter Explorer” today. How does it actually differ from “Monster Hunter Smart”?
- A. One can play this title on Android in addition to iOS. Four players can cooperatively play in real time. Furthermore, several features such as the method of play, the manner of operation have also been improved. The game is being re-developed as a fresh title.
- Q. Is the development cost of “Monster Hunter Explorer” likely to exceed the initial estimate by a wide margin?
- A. It is true that development costs rose because distribution was scheduled to start in 2015. However, the cost of development of this type of game is lower compared to that of home video games, so it will have no insignificant impact on the total development budget.
- Q. What are reasons for the year-on-year decline sales in the “PC Other” sub-segment?
- A. The primary reason is the decline in sales of titles for the Asian markets. These titles made a contribution to sales in the previous fiscal year.
- Q. Please explain the cost reduction measures you have implemented in each business segment?
- A. Compared to the previous fiscal year we reduced selling and general administration expenses by approximately 1.7 billion yen. The primary reasons for the reduction are as follows. We launched fewer titles so that sales promotion activities were also carried out more efficiently. As a result, sales promotion expenses came down by about 800 million yen. Reduction of administrative expenses across the company and a review of the timing of payments also contributed to bringing down expenses.
- Q. Please explain the trend in orders for in-house developed pachislo machine “Sengoku BASARA3”?
- A. We are aggressively selling “Sengoku BASARA3”. I am pleased to report that the order flow has been in line with our plan. We expect to reach the goal of selling 20,000 units.
- Q. Do you have any plans to release new titles at events such as the Tokyo Game Show?
- A. A major title scheduled for this year, “Monster Hunter 4 Ultimate”, has already been announced. We are now in the process of drawing up detailed plans for events such as the Tokyo Game Show. I am not in a position to provide you with more details at this moment.
- Q. Why have you partnered with multiple local partners for expanding business in Asia?
- A. We are focusing on achieving efficiency through decentralization, while taking operational work load per title into consideration.

Q. Do your business plans for the current fiscal year include expansion of online and mobile games in Asia?

A. The fiscal year plan includes online and mobile games related sales. However, I must point out that total sales will not be significant this year. We plan to expand steadily starting in the current fiscal year. We are also aiming at strengthening our earnings base by increasing the number of titles in these categories.

Q. Please provide a breakdown of the 1.4 billion yen in mobile content sub-segment sales.

A. A breakdown of 3 months sales shows that the Capcom brand contributed 70% while the Beeline brand accounted for 30%. At present, the Capcom brand generates most of the operating income. We are on track to achieve the operating income target. I expect the ratio of the Capcom brand to the Beeline brand to be 6:4 in the current fiscal year.

Q. Please explain the progress so far in reducing outsourcing of game development that is, developing more games in house?

A. Investment in in-house game development in the three months is in line with the initial plan. At the same time, outsourcing expenses are on the decline. I believe that the shift toward in-house game development is progressing faster than anticipated.

Q. What is the outlook for reducing selling expenses for the whole fiscal year?

A. I am not in a position to disclose any concrete figures. All I can say at this point is that the review of sales promotion expenses, including enhancement of the efficiency of sales promotion activities, is an ongoing theme.

Q. When it comes to expanding in the online and mobile markets in China, how do you view potential regulatory risks and risks arising from differences in preferences between gamers in Japan and China?

A. As a content developer, we are keenly aware of the difficulties associated with expanding business in China. For us, this will be the first attempt to get into the Chinese mobile and online game markets so I have nothing to add at this moment. Even if a problem surfaces after operations have commenced, in cooperation with our partners we will evaluate the options we have to solve the issue.

Q. Have the changes you have instituted in the mobile game development organization started to produce results?

A. We completed organizational restructuring at the end of the previous fiscal year. Now, game development is being carried out under the new organization. Moreover, since issues related to individual projects have been clarified I believe that we now have a forward-looking development environment.

Q. Please explain your position on free-to-play home video games (basically free, items are chargeable).

A. There is little precedent when it comes to free-to-play home video games. I believe “deep down”, which we are in the process of developing, is an interesting title. Since this will be a new free-to-play title, it will increase the opportunities for signing up more users on more platforms. I see free-to-play games as a business model worthy of exploration.