

# COMPANY PROFILE

## MAY-2002



*Onimusha 2 – Samurai's destiny*



*MegaMan Battle Network 2*



*Devil May Cry 2*



*Resident Evil 0*

**CAPCOM®**

## Capcom's position in the video game industry

(Unit: 100 Millions of Yen )

	Nintendo	Konami	Sega	Capcom	Koei	Enix	Namco	Square
Net Sales	5,548	2,255	2,063	627	240	248	1,521	366
Operating Profit	1,191	268	142	97	91	74	61	54
of Operating Profit	21.5%	11.9%	6.9%	15.5%	37.9%	29.8%	4.0%	14.8%
Net Income	1,064	135	-178	49	55	42	20	-165

\* 1. Source "Financial Statement for FY2001" by respective company

2. Ranked by Operating Profit

Japanese market share based on consumer game sales in FY2001; and U.S. market share based on actual sales in FY2001

Japanese Market

( '000 copies)

Company Name	Sales Units	Share
1 . Nintendo	7,615	16.50%
2 . Konami	5,366	11.63%
3 . Sony	4,553	9.86%
<b>4 . Capcom</b>	<b>3,623</b>	<b>7.85%</b>
5 . Square	3,591	7.78%
6 . Bandai	3,311	7.17%
7 . Enix	2,643	5.73%
8 . Sega	2,326	5.04%
9 . Namco	1,988	4.31%
10 . Koei	1,468	3.18%
Others	9,673	20.96%
Total	46,157	100.00%

※Source:Media Works co.,ltd "The Analysis of Consumer Video Games FY2001"

U.S. Market

(Unit:US\$1,000)

Company Name	Sales	Share
1. EA	509,539	20.29%
2. Take2	260,425	10.37%
3. Sony	189,690	7.55%
4. Sega	185,899	7.40%
5. Microsoft	151,377	6.03%
6. Konami	132,735	5.29%
7. Activision	119,624	4.76%
8. Nintendo	109,888	4.38%
9. Acclaim	98,277	3.91%
<b>10. Capcom</b>	<b>80,347</b>	<b>3.20%</b>
Others	673,359	26.81%
Total	2,511,162	100.00%

※Software sales for 32 bit hardwares or above.

※Source:TRSTS Report

## Management Objectives

### ◆ Medium-term business strategy

- Develop highly creative game software as a leading content provider.
- Strengthen the Capcom brand.
- Selectively utilize resources to make products that meet changes in the market environment.
- Strengthen and explore the network business structure with a view for the Internet market expansion .
- Stable cash flow.

### ◆ Medium-term business targets

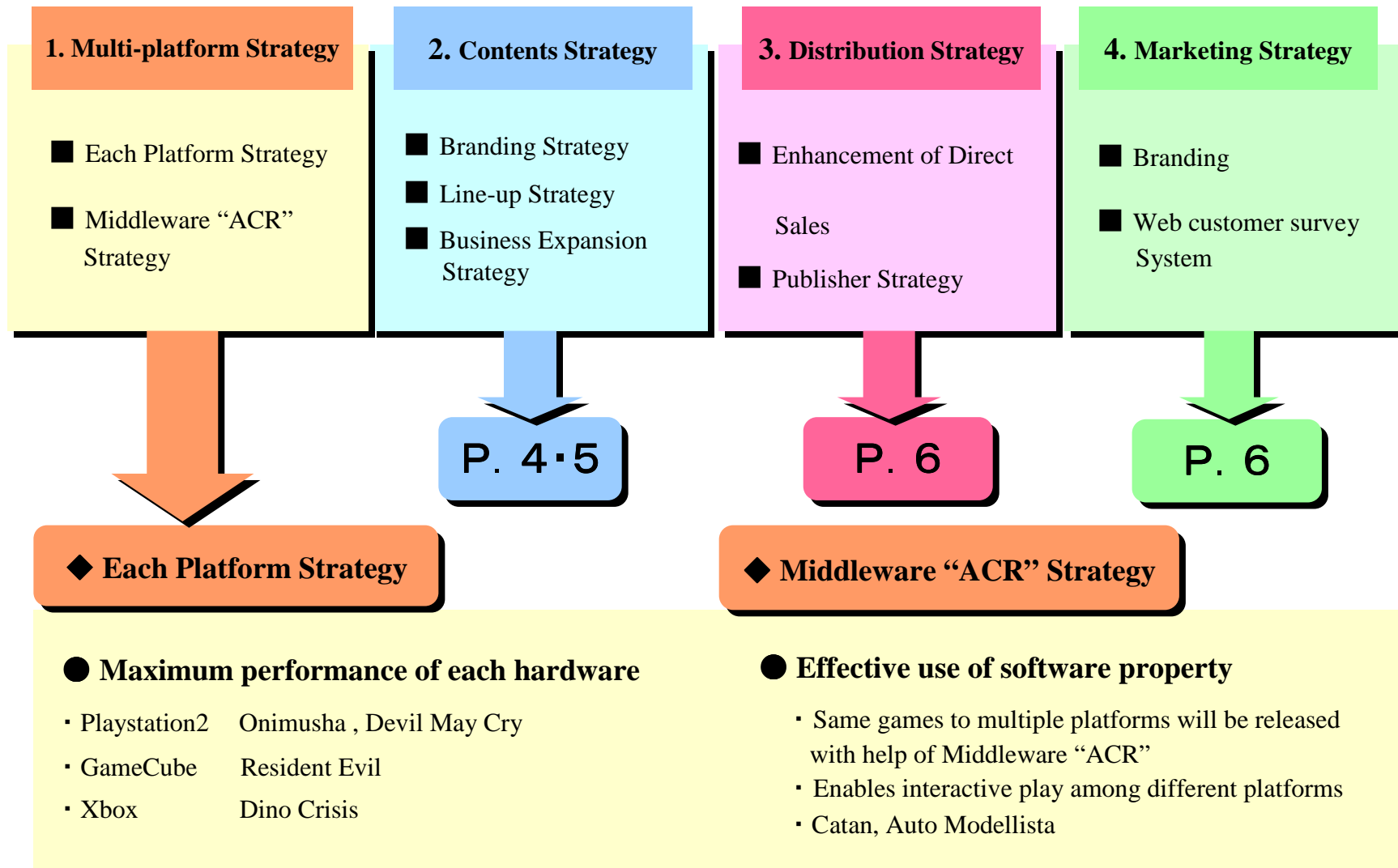
FY2004 (year ending March, 2005) - Target of ¥100 billion for net sales, ¥21 billion for operating profit, and ¥12 billion for net profit

### ◆ FY2002 Management Objectives

- Consumer: Strengthen R&D, Marketing and Distribution channel as a whole unit.
- Arcade Operation: Higher profitability by scrapping & building stores.
- Other Business: Enhancement by using derivatives of Game contents.

# Consumer Business Strategy ~ I ~

## Strive for Number One Publishing Company



# Consumer Business Strategy ~ II ~

## ◆ Branding Strategy

### ● Enhancement and creation of Mega-hit titles

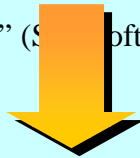
#### ~ Establishment of Major Brands ~

- Onimusha
- Devil May Cry
- Resident Evil
- Dino Crisis
- Breath of Fire
- Megaman Battle Network
- Auto Modellista

### ● Secure other companies' brand titles

#### and transform into our titles

- "Clock Tower 3" (Softbank co.,ltd.)



### ● Contribution to stable results

- "Resident Evil" Series Total 20 million of units
- "Onimusha" Series Total 3.5 million of units
- "Devil May Cry" Series Total 2.1 million of units

Million Titles ('000copies)				
	Release	1985/12 ~ 2001/9	Platform	Units
1	1992/6	Street Fighter	Super NES	6,300
2	1998/1	Resident Evil 2	Play Station	4,950
3	1993/6	Street Fighter Turbo	Super NES	4,100
4	1999/9	Resident Evil 3 Nemesis	Play Station	3,500
5	1996/3	Resident Evil	Play Station	2,750
6	1999/7	Dino Crisis	Play Station	2,400
7	2001/8	Devil May Cry	Play Station2	2,100
8	2001/1	Onimusha Warlords	Play Station2	2,020
9	1994/6	Super Street Fighter	Super NES	2,000
10	1993/11	Aladdin	Super NES	1,750
11	1989/9	Duck Tales	NES	1,670
12	1993/9	Street Fighter II ' Plus	Genesis	1,665
13	1986/6	Ghosts'n Goblins	NES	1,640
14	1988/12	Megaman 2	NES	1,510
15	1990/12	Final Fight	Super NES	1,480
16	1990/9	Duck Tales	Game Boy	1,430
17	2001/3	Resident Evil Code Veronica X	Play Station2	1,320
18	1992/11	Magical Quest Starring Mickey	Super NES	1,210
19	1998/8	Resident Evil DC Dual Shock	Play Station	1,200
20	1990/5	Chip'n Dale Rescue Rangers	NES	1,195
21	2000/9	Dino Crisis 2	Play Station	1,180
22	1993/12	Megaman X	Super NES	1,165
23	2000/2	Resident Evil Code Veronica	Dream Cast	1,140
24	1986/9	Commando	NES	1,137
25	1997/9	Resident Evil Director's Cut	Play Station	1,120
26	2002/3	Onimusha 2	Play Station2	1,100
27	1991/9	Super Ghoul'n Ghosts	Super NES	1,090
28	1990/9	Megaman 3	NES	1,080
29	1993/5	Final Fight 2	Super NES	1,030

# Consumer Business Strategy ~ III ~

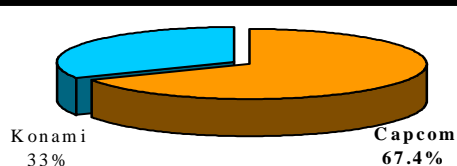
## ◆ Line-up Strategy

- **Diversification of products line-up**
  - Racing Game “Auto Modellista”
- **Amplification of our strong genres**
  - 【Horror Adventure】 ~Share up~**
    - Share up by “Resident Evil”
    - Release of “Clock Tower 3”, “Alone in the Dark”
  - 【Action】 ~Revitalization~**
    - Hit of “Onimusha“, “Devil May Cry”.
    - Release of “Dino Crisis”, “Maximo”
  - 【Fighting】 ~Supporting more titles~**
    - Maximize know-how through “Street Fighter II ”
    - Release of “VS. series”, “UFC”, “Pride”

## ◆ Business Expansion Strategy

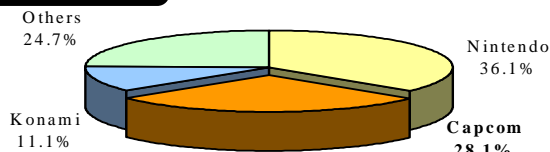
- **Subcontract R&D of other company’s brand titles**  
~ Accumulation of know-how and stable profits ~
  - Mobile Suits Gundam ©Sotsu Agency Sunrise
  - Legend of ZELDA ©2001 Nintendo
- **Focus on Online Games**
  - Release of “Network Resident Evil”, “Automodellista”, “Catan”
  - Accumulation of know-how through joint venture company in Korea
- **Reinforcement of developing contents for mobile phone**
  - Supply java application contents on a worldwide basis

## ◆ Japanese Market Share by Genre in FY2001



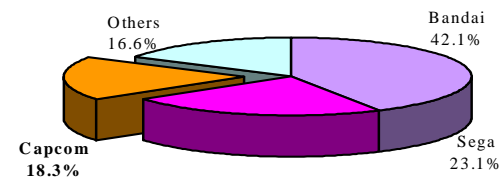
### ● Horror Adventure

Company Name	Share
1. <b>Capcom</b>	<b>67.4%</b>
2. Konami	32.6%



### ● Action Game

Company Name	Share
1. Nintendo	36.1%
2. <b>Capcom</b>	<b>28.1%</b>
3. Konami	11.1%



### ● Fighting Game

Company Name	Share
1. Bandai	42.1%
2. Sega	23.1%
3. <b>Capcom</b>	<b>18.3%</b>

※Source: "The Analysis of Consumer Video Games 2001"

# Consumer Business Strategy ~IV~

## ◆ Distribution Strategy

### ● Enhancement of Direct Distribution

#### 【Overseas Distribution Channel】

- Starting Direct Sales in Korea from Feb, 2002.
- Planning to start Direct Sales in Germany from Summer, 2002.
- Planning to start Direct Sales in South East Asia.

#### 【Japanese Distribution Channel】

- Planning to start PC software Direct Sales
- Strengthening Sales forces

### ● Publishing other third Parties' titles

- Sierra Studios
- Infograms
- Havas Interactive
- Crave Entertainment
- THQ and others

**Publisher Titles** (‘000copies)

	2001/3	2002/3	2003/3
Number of Titles	7	16	25
Sales Units	530	280	700

## ◆ Marketing Strategy

### ● Build title branding on a worldwide basis

- Reinforcement of Marketing Strategy Conference  
→Unifying Marketing Strategy with each regional executive

### ● Constructing Marketing support system

- Build “Web customer survey system” (collaboration with NEC)
- Build software quality rating department “Megaman Club”

### ● Effective Promotion

- Control advertising cost by Title-based Profit Control System
- Control advertising cost by using fee based agencies.

**Advertising Cost** (100Millions of Yen)

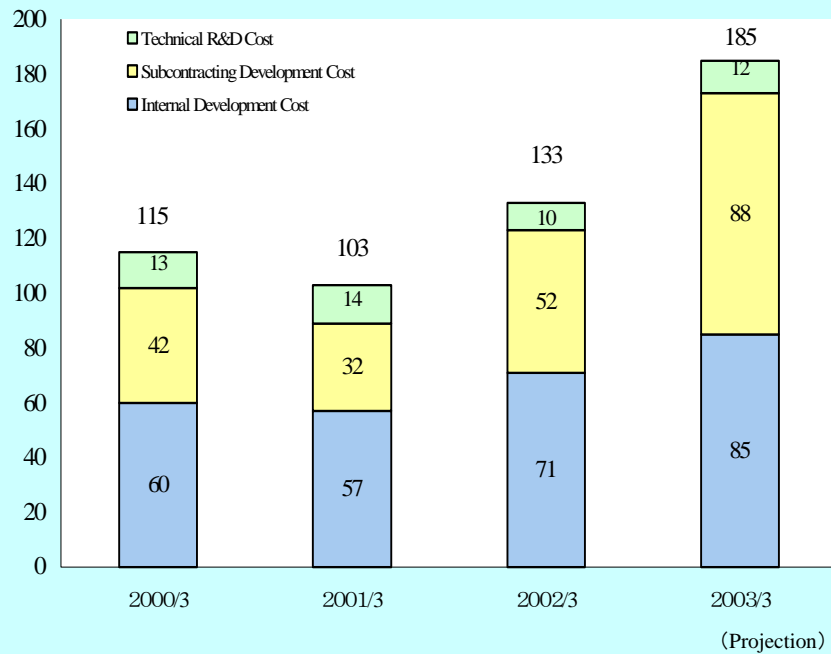
	2001/3	2002/3	2003/3
Non-Consolidated	23	30	38
Consolidated	38	56	56

# R&D Control System

## ◆ R&D Cost

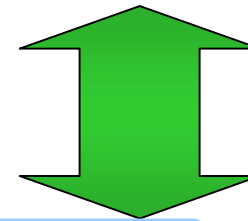
- Reinforcement of development staff
- R&D bases in Japan, U.S.A and Korea

(Unit: 100 Million of Yen)



## ◆ R&D Management Control

- Producer System
- Title-based Profit Control System
  - Minimum Operating Profit = (R&D Cost + Promotional Expense) x 2
- Strengthen title evaluating process
  - Unifying Marketing Strategy with each regional executive



## ◆ Incentive Program

- R&D Incentive Program based on Profit Contribution by Division
- R&D Incentive Program based on Profit Contribution by title
- Stock Option Program

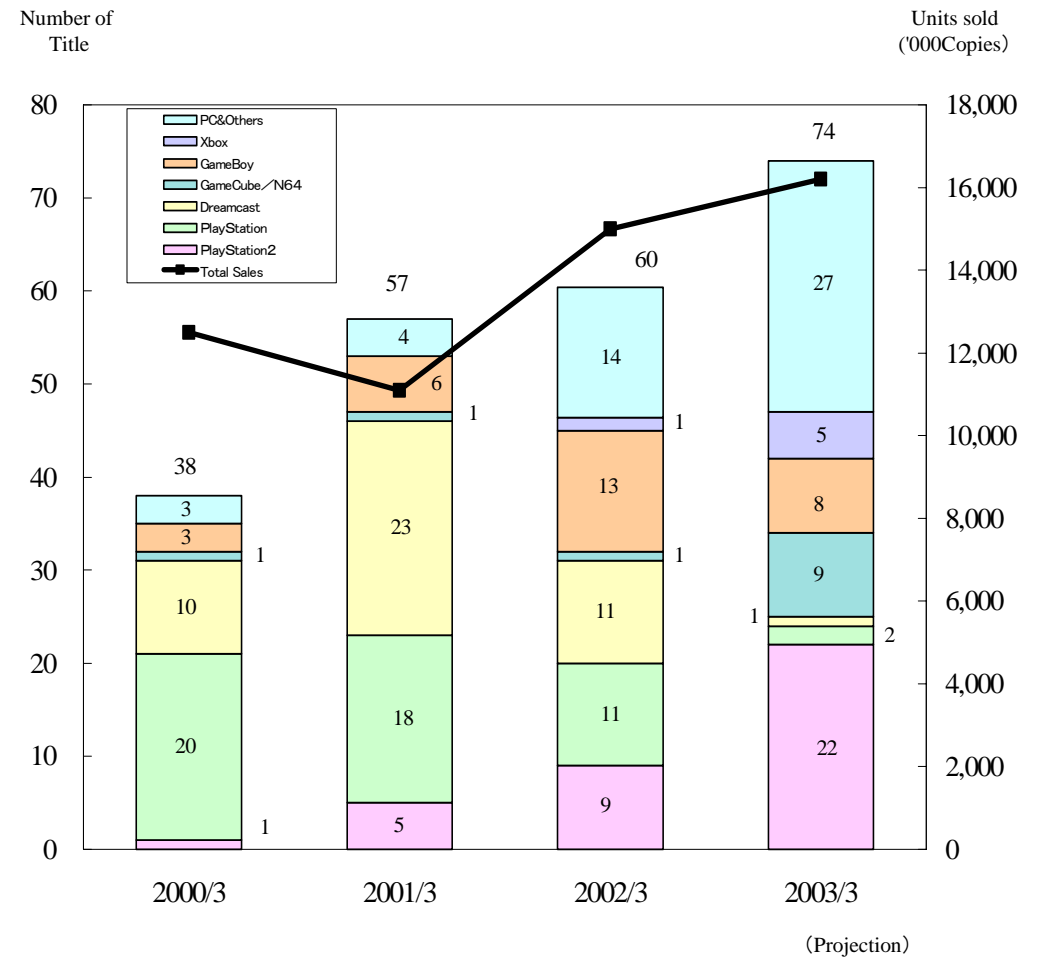


# Number of Consumer Titles Developed

## ◆ Sales Units shipped

		( 1,000 units)			
		2000/3	2001/3	2002/3	2003/3
Playstation 2	Total titles	1	5	9	22
	Domestic	210	1,700	3,200	3,720
	Overseas	0	500	4,000	5,030
	Sub Total	210	2,200	7,200	8,750
Playstation	Total titles	20	18	11	2
	Domestic	3,550	1,300	500	30
	Overseas	5,700	2,800	900	70
	Sub Total	9,250	4,100	1,400	100
Dream Cast	Total titles	10	23	11	1
	Domestic	600	800	150	50
	Overseas	1,200	1,950	280	0
	Sub Total	1,800	2,750	430	50
Game Cube Nintendo 64	Total titles	1	1	1	9
	Domestic	70	50	290	1,450
	Overseas	470	100	110	1,750
	Sub Total	540	150	400	3,200
Game Boy	Total titles	3	6	13	8
	Domestic	50	1,050	1,050	1,550
	Overseas	300	150	3,800	1,550
	Sub Total	350	1,200	4,850	3,100
Xbox	Total titles	-	-	1	5
	Domestic	-	-	70	200
	Overseas	-	-	210	400
	Sub Total	-	-	280	600
PC & Others	Total titles	3	4	14	27
	Domestic	50	200	240	200
	Overseas	300	500	200	200
	Sub Total	350	700	440	400
Total	Total titles	38	57	60	74
	Domestic	4,530	5,100	5,500	7,200
	Overseas	7,970	6,000	9,500	9,000
	Sub Total	12,500	11,100	15,000	16,200

## ◆ Number of Consumer Software Titles released



# Arcade Operation, Other Business Strategy

## ◆ Arcade Operation

### ● Open a new store to be #1 arcade in each regional largest mall.

- Opening a large store over 23,000 square feet.
- Secure parking space over 2,500 cars.

#### Number of Arcades

	2000/3	2001/3	2002/3	2003/3
New Stores	4	5	2	1
Close Stores	7	6	10	0
Total	49	48	40	41

### ● Improve Operating Profit Margin

- New Store ... 25% of Operating Profit
- Achieved sales growth more than 105% and profit gross more than 120% at existing arcades on a year to year basis.

#### Operating Profit

(100Millions of Yen)

	2000/3	2001/3	2002/3	2003/3
Net Sales	66	71	83	87
of Opreting Profit	6.2%	10.6%	14.1%	15.9%

## ◆ Other Business

### ● Challenging Board Game business

- Synergy effects among “Analog”(Board Game), “Digital”(Video Game) and “Network”(among different platform)

#### ▪ 「Catan」

→ Sales proven-title in Germany  
( Sales Units: 6 millions)



#### ▪ “LORD of the RINGS”

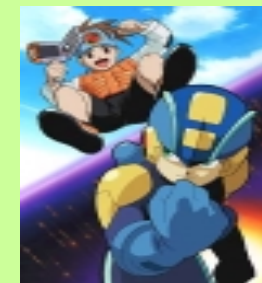
→ Development of board game based on popular movie

### ● Reinforcement of Pachinko business

- Increasing Profit by manufacturing LCD

### ● Amplification of character merchandising

- Collaboration with media
- Direct Sales of licensed goods



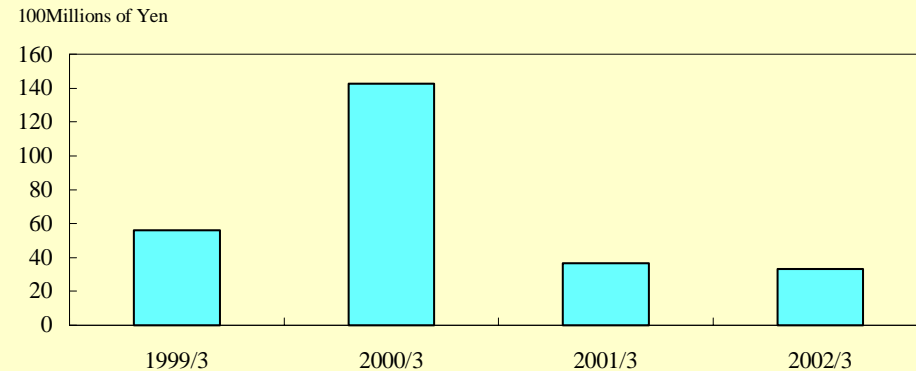
# Financial Strategy, Management System

## ◆ Finance Strategy

### ● Cash Flow Management ~Stable cash flow~

- Tighten control over Account Receivables and inventory
- Tighten control over each title profitability

Consolidated Cash Flows from Operations



	1999/3	2000/3	2001/3	2002/3
Consolidated Cash Flows from Operations	56	143	37	33
Cash Balances	120	274	257	350
Balance of Liabilities with Interests	580	444	368	460

## ◆ Management System

### ● Enhancement of Corporate Governance

- 2 Board members from outside of the company
- 3 auditors from outside of the company
- Attorney as Board member from outside of the company (plan)

# Consolidated Financial Review on FY 2001, Projection for FY 2002

## Profit and Loss Sheet

(Millions of Yen)

	Capcom Japan				Captron				Status				Flagship			
	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%
Net Sales	37,488	45,015	51,000	113.3%	1,213	1,141	24	2.1%	325	332	300	90.4%	180	640	538	84.1%
Gross Profit	11,819	15,267	16,500	108.1%	243	231	24	10.4%	15	73	75	102.7%	46	123	215	174.8%
% of Gross Profit	31.5%	33.9%	32.4%		20.0%	20.2%	100.0%		4.6%	22.0%	25.0%		28.8%	19.2%	40.0%	
Sales and G&A Expenses	8,218	9,080	9,900	109.0%	100	88	6	6.7%	45	36	38	105.6%	55	102	176	172.5%
Operating Income	3,801	6,197	6,600	106.7%	144	143	18	12.6%	△30	37	38	102.7%	△8	21	39	185.7%
% of Operating Income	9.6%	13.7%	12.9%		11.9%	12.5%	75.0%		-9.2%	11.1%	12.7%		-5.0%	3.3%	7.2%	
Ordinary Income	4,260	5,937	6,650	113.9%	138	133	18	13.5%	△33	35	38	102.9%	1	35	48	137.1%
% of Ordinary Income	11.4%	13.0%	13.0%		11.4%	11.7%	75.0%		-10.2%	10.5%	12.0%		0.6%	5.5%	8.9%	
Net Income	2,749	3,342	3,900	113.7%	81	83	10	15.9%	△383	△1,378	40	-	0	74	28	37.8%
% of Net Income	7.3%	7.4%	7.5%		6.7%	5.5%	41.7%		-117.8%	-415.1%	13.3%		0.0%	11.6%	5.2%	

	Capcom USA Total				Capcom Asia				Capcom Europe				Capcom Charbo			
	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%
Net Sales	13,883	21,509	26,367	123.5%	602	627	954	152.2%	5	-	-	-	-	18	988	-
Gross Profit	6,398	8,561	9,919	114.7%	245	178	259	145.5%	0	-	-	-	-	2	434	-
% of Gross Profit	46.8%	39.8%	37.0%		40.7%	28.4%	27.1%		0.0%	-	-	-	-	11.1%	44.0%	
Sales and G&A Expenses	3,436	5,155	6,556	127.2%	194	138	170	125.0%	31	-	-	-	-	331	399	117.5%
Operating Income	2,862	3,406	3,263	95.8%	32	41	86	214.6%	△31	-	-	-	-	△328	45	-
% of Operating Income	21.8%	15.9%	12.3%		8.6%	6.5%	9.2%		-	-	-	-	-	-	4.8%	
Ordinary Income	3,454	3,643	3,523	96.7%	37	44	86	200.0%	△10	-	-	-	-	△337	7	-
% of Ordinary Income	25.2%	16.9%	13.3%		9.5%	7.0%	9.2%		-	-	-	-	-	-	0.7%	
Net Income	4,074	2,401	2,150	89.5%	35	44	86	200.0%	△4	-	-	-	-	△341	7	-
% of Net Income	29.8%	11.2%	8.1%		9.1%	7.0%	9.2%		-	-	-	-	-	-	0.7%	

	Elimination				Year Total			
	2001/3	2002/3	2003/3	%	2001/3	2002/3	2003/3	%
Net Sales	△4,396	△6,538	△9,868	-	49,082	62,742	70,500	112.4%
Gross Profit	551	79	△326	-	18,318	24,513	27,000	110.1%
% of Gross Profit	-	-	-		39.4%	39.1%	38.3%	
Sales and G&A Expenses	83	△143	△235	-	12,163	14,786	17,000	115.0%
Operating Income	466	222	△90	-	7,155	9,727	10,000	102.9%
% of Operating Income	-	-	-		14.6%	15.5%	14.2%	
Ordinary Income	156	△129	△319	-	8,022	9,261	10,050	108.5%
% of Ordinary Income	-	-	-		16.3%	14.8%	14.3%	
Net Income	△566	706	△224	-	8,007	4,912	5,900	120.1%
% of Net Income	-	-	-		12.2%	7.8%	8.4%	

## Sales by Business segments

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Consumer	31,727	47,769	56,649	118.8%
Com-op	7,108	3,584	1,537	49.1%
Arcade Operation	7,147	8,327	8,651	103.9%
Others	3,089	3,081	3,664	118.9%
Total	49,082	62,742	70,500	112.4%

## Depreciation

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Capcom Japan	2,054	1,815	2,298	126.6%
Consolidated Subsidiaries	357	357	622	174.2%
Capcom Total	2,411	2,172	2,920	134.4%

## Capital Expenditure

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Capcom Japan	1,824	1,355	1,824	134.6%
Consolidated Subsidiaries	307	2,297	1,627	70.8%
Capcom Total	2,132	3,652	3,450	84.5%

## Sales by Geographic Area

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Japan	34,838	40,668	44,132	108.5%
North America	13,326	14,236	18,987	118.3%
Europe	361	7,266	6,500	117.0%
Other territories	556	573	882	153.9%
Total	49,082	62,742	70,500	112.4%

## Non-consolidated Financial Review on FY 2001, Projection for FY 2002

### ● Profit and Loss Sheet

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Net Sales	37,488	45,015	51,000	113.3%
Gross Profit	11,819	15,267	16,500	108.1%
% of Gross Profit	31.5%	33.9%	32.4%	
Sales and G&A Expenses	8,217	9,080	9,900	109.0%
Operating Income	3,601	6,187	6,600	106.7%
% of Operating Income	9.6%	13.7%	12.9%	
Ordinary Income	4,260	5,837	6,650	113.9%
% of Ordinary Income	11.4%	13.0%	13.0%	
Net Income	2,749	3,342	3,800	113.7%
% of Net Income	7.3%	7.4%	7.5%	

### ● Sales by Segments

(Millions of Yen)

		2001/3	2002/3	2003/3	%
Consumer (including PC)	Domestic	18,313	25,275	29,251	115.7%
	Overseas	3,889	6,347	7,808	123.0%
	Sub Total	22,202	31,622	37,060	117.2%
Coin-Op	Domestic	5,442	3,557	1,414	39.8%
	Overseas	399	34	0	-
	Sub Total	5,842	3,591	1,414	39.4%
Revenue Share	Domestic	674	492	0	-
Arcade Operation	Domestic	5,924	7,020	8,310	118.4%
Movie Project	Domestic	11	11	50	454.5%
	Overseas	196	271	100	36.9%
	Sub Total	207	282	150	53.2%
Royalty revenue and Others	Domestic	1,439	1,501	3,561	-
	Overseas	223	220	350	159.1%
	Sub Total	1,662	1,721	3,911	-
Pachinko-system	Domestic	974	284	156	54.9%
<b>Total</b>		<b>37,488</b>	<b>45,015</b>	<b>51,000</b>	<b>113.3%</b>

### ● Domestic/Overseas Sales Ratio

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Domestic	32,780	38,142	43,021	112.8%
Overseas	4,708	6,873	7,979	116.1%
<b>Total</b>	<b>37,488</b>	<b>45,015</b>	<b>51,000</b>	<b>113.3%</b>

### ● Break-down of Major Expenses

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Promotion Expense	2,427	3,019	3,745	124.0%
Personnel Expense	7,349	8,987	10,189	113.4%
Technical R&D Cost	1,452	999	1,240	124.1%

### ● Number of Employees

(Unit: Persons)

	2001/3	2002/3	2003/3	%
Capcom Japan	1,009	1,107	1,171	105.8%
Consolidated Subsidiaries	141	162	174	107.4%
Capcom Total	1,150	1,269	1,345	106.0%
R&D	586	672	711	105.8%

### ● Break-down of Depreciation

(Millions of Yen)

	2001/3	2002/3	2003/3	%
G&A Expenses	927	923	1,248	135.2%
Revenue Share Equipment	346	56	0	-
Arcade Equipment	781	836	1,051	125.7%
<b>Total</b>	<b>2,054</b>	<b>1,815</b>	<b>2,298</b>	<b>126.6%</b>

### ● Capital Expenditure

(Millions of Yen)

	2001/3	2002/3	2003/3	%
Arcade Operation	1,638	999	1,115	111.6%
Others	186	356	709	199.2%
<b>Total</b>	<b>1,824</b>	<b>1,355</b>	<b>1,824</b>	<b>134.6%</b>

### ● Sales Units shipped of Coin-Op

(Unit: copies)

		2001/3	2002/3	2003/3
Coin-Op PCB	Total titles	10	7	-
	Domestic	17,000	16,000	-
	Overseas	4,000	4,000	-
	<b>Total</b>	<b>21,000</b>	<b>20,000</b>	<b>-</b>

### ● Number of Arcades

(Unit: locations)

	2001/3	2002/3	2003/3
Domestic	42	34	35
Overseas	6	6	6
<b>Total</b>	<b>48</b>	<b>40</b>	<b>41</b>

## *Sales results in FY2001 and projections in FY2002*

● Main Titles Result released in FY2001 ( '000copies)

Title		Areas	Released Day	Result
PS2	Devil May Cry	Japan	23-Aug	650
		U.S.A	17-Oct	720
		Europe	7-Dec	700
PS2	Mobile Suit Gundam	Japan	6-Dec	890
GBA	Megaman Battle Network 2	Japan	14-Dec	310
PS2	Maximo	Japan	27-Dec	120
		U.S.A	1-Feb	400
		Europe	15-Mar	180
Xbox	Genma Onimusha	Japan	22-Feb	75
		U.S.A	29-Jan	140
		Europe	March	70
PS2	Onimusha2	Japan	7-Mar	1,070
GC	Resident Evil	Japan	22-Mar	290

● Main Titles Projection released in FY2002 ( '000copies)

Title		Areas	Released Day	Plan
PS2	Onimusha2	U.S.A	1st half	700
		Europe	2nd half	400
GC	Resident Evil	U.S.A	1-May	250
		Europe	1st half	180
GBA	MegamanZERO	Japan	26-Apr	200
		U.S.A	1st half	125
		Europe	1st half	20
PS2	Auto Modellista	Japan	Summer	450
		U.S.A	2nd half	200
		Europe	2nd half	200
GC	Resident Evil 0	Japan	1st half	400
		U.S.A	2nd half	520
		Europe	2nd half	250
PS2	Devil May Cry2	Japan	2nd half	650
		U.S.A	2nd half	700
		Europe	2nd half	430