

Summary of Q&A at the Briefing of Financial Results of the Year ended March 31, 2010

Q.

Could you tell us why the sales plan for “Lost Planet 2” has been scaled down from FY2009 sales plan?

A.

As the release date approached, we comprehensively examined the market assessments and the situation of retail stores. This led us to revise our sales target.

Q.

I was wondering if you could tell us about the progress Capcom has made in entering the online gaming market in China.

A.

We are at now the stage in which we can officially announce that we are currently considering entering the Chinese market. However, I am afraid I can't go into any of the details because we are still finalizing everything.

Q.

You informed us that Capcom intends to launch new business fields in order to adjust to the changing business models in the video game industry. How do you intend to move forward with this and get all your employees on the same page?

A.

Most of the managers in our company have no qualms about entering new business fields. Thus, we believe that under their leadership there will be no problem making all of our employees aware of these new business fields. We are taking a bilateral approach by cultivating new managers and hiring game creators that are familiar with these new fields.

Q.

Could you tell us about the specific measures being taken to enhance Capcom's marketing structure in Europe and North America?

A.

Starting from the first quarter of FY2010, at Capcom we have been streamlining our organization to facilitate the strategic integration of our marketing structures in the European and North American markets. Our strategies will be formulated on a global basis, and we will adopt an approach suited to each region as we move forward with these strategies. This will enable us to conduct effective and meticulous marketing. In addition, we have been looking for a new manager to run our North American subsidiary. However, at this time, the

person responsible for operations in Japan regularly visits North America to take care of running the company.

Q.

Capcom set 20 million copies of video games as its sales plan for FY2010. I am interested to know the breakdown of the sales targets for the first half and second half of the year, as well as the sales projections for the fourth-quarter.

A.

At this time we haven't disclosed a detailed breakdown of each, but the figures are roughly the same for each half-year period. However, because we are planning to release "Monster Hunter Freedom 3rd" at the end of the year, we expect sales in the fourth quarter to be lower than in normal years.

Q.

If you have your prospects set on achieving JPY 15 billion in operating income, is there any chance you might adjust the release dates of some titles?

A.

We have been doing our best to reach our currently planned targets. We are not thinking about adjusting the release dates of certain game titles. This is because we determine release dates based on the marketing strategy for each respective title.

Q.

The number of employees at Capcom has been rising steadily. In which particular section do you hire workers? Looking to the future, do you plan to continuously increase the number of workers you employ?

A.

Essentially, we hire new workers for the development divisions. We have been strategically bolstering our video game development staff for existing businesses to meet the need of enhancing our lineup of game titles. At the same time, we are hiring more employees to work in product development for our online business. Right now we plan on hiring around 200 workers on a consolidated basis during this period, but like I said this is merely our plan. We do not know how things will actually turn out.

Q.

With the new segment classification, the combined business performance of the Mobile Contents business and the Arcade Equipment business is expected to improve dramatically, compared to the business performance of the former Contents Expansion business and Arcade Games Sales business. Could you tell us the reason why you expect this to occur?

A.

In the Arcade Games Sales business, we expect the strong sales of the arcade video game machine "Super Street Fighter IV" to make a major contribution, along with increases both in sales and profits in the Mobile Contents business. In the Pachinko & Pachislo business, we have bolstered our entrusted businesses. For these reasons, we are confident there will be an overall increase in sales and profits.

Q.

Compared to FY2009 plan, why do you think there has been a large increase in the selling, general, and administrative expenses (SG&A) for the current plan?

A.

The company anticipates about a JPY 6 billion increase in SG&A period-over-period, but we will not necessarily use the total amount. Because the sales trends of game titles cause SG&A to fluctuate, management will carefully consider cost-effective measures in order to curb the SG&A ratio.

Q.

Could you tell us about the so-called "hybrid development structure", which effectively utilizes outsourcing?

A.

In the past Capcom has teamed up with other developers on certain game titles, and looking ahead we are going to review the portion of work we outsource. We intend to handle game planning, which is the main part of product development, as well as quality control and schedule management while outsourcing peripheral work. Moreover, we will ensure product quality to enhance the management of outsourced developers. By establishing this system, we intend to shorten product development periods.

Q.

Do you think that outsourcing a portion of product development will lead to product inconsistency in the final stages of development?

A.

For the development of "Dead Rising 2" we set milestones, and gained firsthand experience in progress management and quality control. Thus we are confident that the company can avoid

that risk in the future by placing strict controls on progress and quality.

Q.

You mentioned accelerating the development and timing of releasing video game franchises to the market. When should we expect to see this come about?

A.

It generally takes around two years to develop a game. So, if everything goes smoothly, we anticipate those respective titles to hit the market in year after next.

Q.

In regards to the Online Contents business, I was wondering if you could elaborate on the actual performance of operating income in FY 2009, as well as the plan for this year.

A.

The net sales are listed in the handout, but we have not disclosed operating income. I ask for your understanding in this manner.

Q.

Do you also expect the establishment of the hybrid development system to help reduce development expenses?

A.

First of all, establishing this system is intended to shorten product development periods, enabling us to maximize our sales opportunities and continuously release video game franchises in order to expand Capcom's market share in the European and North American markets. Second, it is intended to enlist the help of other developers to cover the portion of development Capcom can't handle, allowing us to enrich our downloadable contents through the Internet, which has been a widely growing market in recent years. Taking these factors into account, we won't necessarily be able to significantly reduce development costs. However this doesn't mean we'll allow the cost of each video game title to go up. We also plan to review options for promoting the streamlining of development costs.

Q.

Could you tell us why there has been a great increase in the sales target for PS3 video game titles during this period, as compared to the year ending March 31, 2009?

A.

The reason is the figure for FY2010 includes the sales targets of all the big-hit titles, such as "Dead Rising 2" and "Lost Planet 2," distributed titles, lower priced titles, and others. In contrast, because repeat sales were appropriated in the following period, the sales target for the year ended March 31, 2009 was only 4.45 million copies, despite the fact that big-hit titles

such as "Resident Evil 5" and "Street Fighter IV" were released during that period.

Q.

I am interested in hearing Capcom's thoughts on creating 3D video games. Likewise, could you tell us about any plans Capcom may have for releasing 3D games in the future?

A.

There would be little increase in the development costs and time to make our games 3D. We feel that first we must examine the characteristics of each game title as well as the needs of our users, and then decide whether to incorporate 3D features into our video games. Moreover, as for our release schedule of video game titles with 3D features, we have already released the PC version of "Resident Evil 5".

Q.

As with animated feature films, do you have any plans to make and release 3D versions of classic Capcom titles?

A.

Because the rate of technological advancement, such as graphics, is far more accelerated than it was in the past, simply rehashing old games and creating 3D versions will make it difficult to survive as a business. That being said, we still feel it's possible to add 3D features to a remake of a past game.