

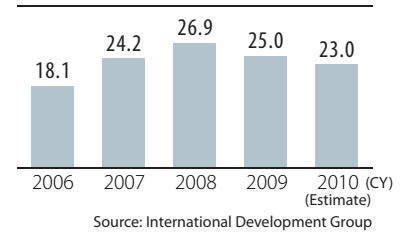
Market Trends

Home Video Games



- For the first time in four years, the home video game (package) software market contracted as a result of lower average unit prices and flat new video game console sales.
- Overall market scale leveled off as a result of sales format diversification, including online downloadable content sales and digital distribution.
- New demand was generated by Nintendo 3DS sales and the introduction of new game consoles such as the Kinect and PlayStation Move.

Game Software Markets (\$ Billion)

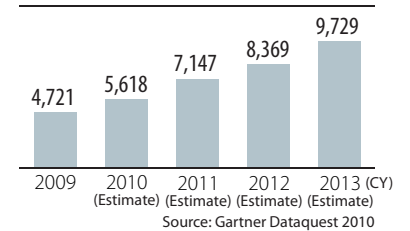


Contents Expansion



- In the Pachinko machine market, relaxation of regulations in 2004 increased flexibility in designing and developing innovative Pachinko machines and encouraged launches of new products appealing to users. In the Pachislo machine market, a decrease in the number of both machines and customers due to a tightening of regulations caused companies to struggle.
- The mobile content market grew worldwide. This market is expected to continue to expand steadily in the future through new users of mobile phones and smartphones.

Mobile Content Market (\$ Million)

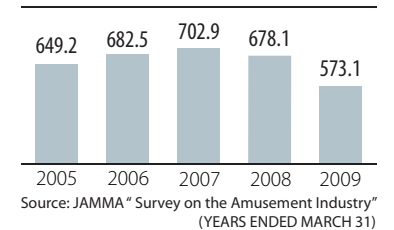


Arcade Operations



- The market contracted significantly on the decrease in customer per-unit sales and flat online game console sales.
- The number of major arcades operated by game companies closed continued to increase as the overall number of arcades continued its diminishing trend.
- Time will be required to address structural issues afflicting the market, where gradual contraction is expected to continue.

Arcade Facilities Market Trends (¥ Billion)

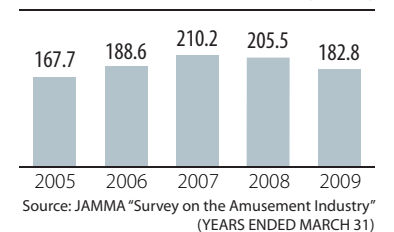


Arcade Games Sales



- The market continued to shrink as the arcade operators reduced their level of investment for the first time in five years as a result of the flagging economy.
- Prize-winning and coin-operated games, which represent 40.1% of the market, experienced a downward trend as a result of low activity at shopping malls.
- Arcade operators are extremely cautious with regard to capital expenditure, and therefore, sluggishness in the sales market is expected to continue.

Arcade Game Market Trends (¥ Billion)

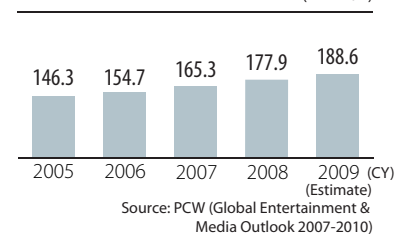


Other Businesses



- The market for the global contents industry was worth 1.3 trillion dollars and the Japanese contents industry was worth 14 trillion yen, second only to the United States.
- The Japanese movie, video and publishing market remained on track and was worth 10 trillion yen. Overseas expansion is the key to growth in this market.

Content Market Trends (¥ Trillion)



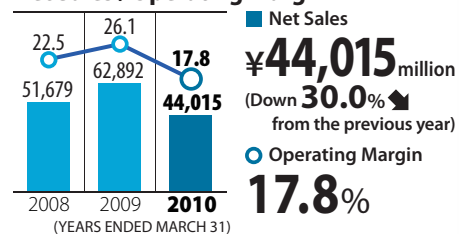
Capcom's Strength and Strategy

- We own numerous "intellectual properties with universal market appeal", the key to our "Single Content Multiple Usage" strategy.
- We maintain an advanced ability to develop original game content. We also possess a high level of technology, assisted by the "MT Framework", an integrated development environment built to provide common software development tools for a variety of video game consoles.
- Our overseas development capabilities include solid local sales structures and title lineups that match overseas preferences.

Operating Result for This Fiscal Year

- Core game "Monster Hunter Tri" was the first third party game to achieve one million sales.
- Last year's big hit "Resident Evil 5" and "Monster Hunter Freedom Unite", including sales of the low-priced edition, continued to do well.
- All new overseas titles were bearish, failing to achieve sales targets.
- The delay of the sales launch of core titles "Lost Planet 2" and "Super Street Fighter IV" in the United States and Europe resulted in lower revenues overall.

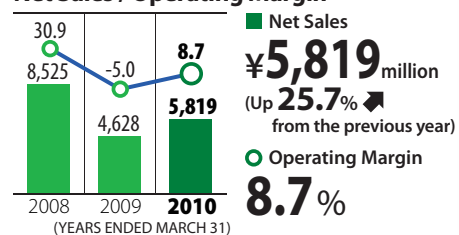
Net Sales / Operating Margin



- We can secure new profit opportunities by making multiple uses of our wealth of intellectual properties in a variety of areas.
- In the Pachinko & Pachislo Business, we aim to maximize profits through the in-house development and production of cabinets and outsourcing the use of proprietary and third party content for gaming machine software.
- In the Mobile Content Business, we utilize expertise and content gained through developing home video games to deliver our popular home video game titles for mobile phones worldwide. We also supply some of our game titles actively for new devices, such as the iPhone.

- The severe business environment surrounding the Pachinko & Pachislo Business was a factor in the lackluster performance of "Vampire", which continues to do poorly. However, "Beautiful Joe", which was released in the fourth quarter achieved a certain degree of success. Consigned development business product "Onimusha: Dawn of Dreams" performed well and shows signs of improvement.
- In the Mobile Content Business, the aggressive provision of "Resident Evil: Degeneration", "Street Fighter IV" and other popular content for new handsets including the iPhone continued to achieve favorable results.

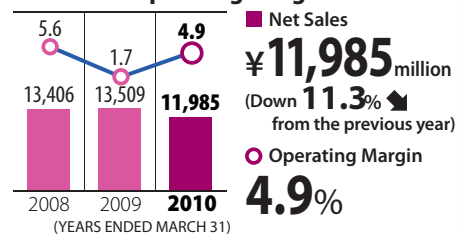
Net Sales / Operating Margin



- We specialize in opening mall-based large-scale facilities which secure a long-term, stable number of customers.
- We have built an organizational structure to design and operate sales venues supported by customers.
- We also maintain relatively higher profitability than the competition by either selling or closing unprofitable facilities in an attempt to secure a better return on investment.

- Sluggish consumption and fewer outings by "nesting consumers" has lowered customer visits, resulting in net sales at our existing facilities reaching only 86% of the previous year's sales amid a continued declining trend.
- We focused efforts on improving profitability and reviewing our profit structure, including postponing the opening of new arcades, reducing arcade operation costs and closing two unprofitable arcades.

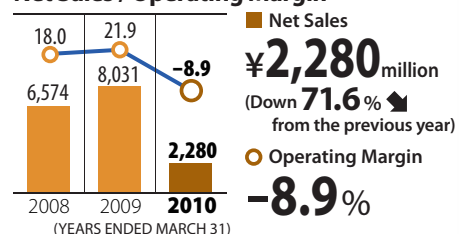
Net Sales / Operating Margin



- We retain the ability to provide high-quality arcade video games by making use of development capabilities for home video game software. In particular, combat-based fighting games, our flagship genre, allow us to maximize profits by launching the same content as home video games.
- We own company-managed facilities, enabling us to grasp real-time market trends such as in-store information of popular games. We gather and make use of opinions of both users and facility operators to develop popular game machines.

- We focused efforts on pursuing the expansion of existing and new customers with new games including coin-operated game "Mario party Fushigi no Korokoro Catcher".
- We aimed to expand sales through a business partnership with NAMCO BANDAI Games Inc. and were forced to restructure the development of our main existing products business.

Net Sales / Operating Margin



- We create a strong synergy with our Home Video Games Business by making multidimensional use of our wealth of intellectual properties "Single Content Multiple Usage".
- Particularly, in the movie-related business, the brand value has been elevated by the high exposure provided by the media. This leads to greater sales expansion in video game software, completing an ideal sales cycle.

- We aimed to maximize profits by strengthening our contents branding and developing projects around various titles based on our "Single Content Multiple Usage" strategy.
- We sought to improve brands, focusing on home video game "Sengoku BASARA", through the development of various media including TV animation program, travel packages, and stage productions. Furthermore, these characters were used for PR activities surrounding the Miyagi Prefecture gubernatorial election, the realization of content development beyond the game category.

Net Sales / Operating Margin

