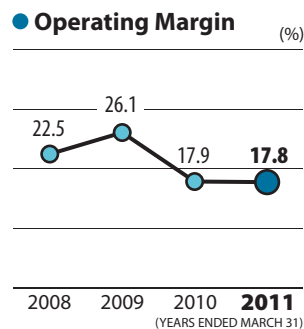
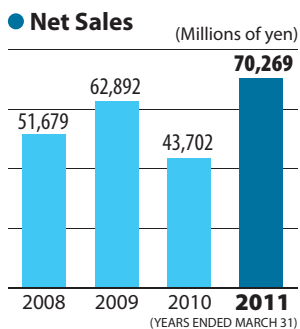




Consumer Online Games

This business is engaged in the development and sales of home video games and the development and operation of PC online games. We will continue concentrating management resources on this business, which represents 70% of company sales, and developing games that meet diverse user needs. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.



*1 Before the fiscal year ended March 31, 2009, the Consumer Online Games Business is described as the Home Video Games Business.
 *2 In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

SWOT Analysis

<ul style="list-style-type: none"> World-class development and technological capabilities Own a great number of original popular titles Ability to develop content that matches overseas user preferences 	<ul style="list-style-type: none"> Dependence on specific genres Lack of development staff
<ul style="list-style-type: none"> Expanding online game market in the Asian region Improved network infrastructure expanding download distribution market New generation game consoles signal beginning of new platform cycle 	<ul style="list-style-type: none"> Game presence diminished by diversity of play Rise of social games and other markets Falling average sales price of package games

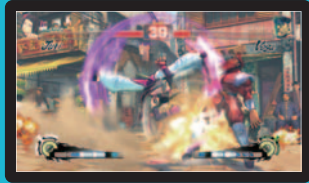
S: Strength W: Weakness O: Opportunities T: Threats

Market Trends

Although the package market is contracting, the online market continues to expand as platforms diversify.

In 2010, the home video game (package) market was worth 23.4 billion dollars (down 6.4% from the previous year), the second straight year of negative growth. As in the previous year, the reasons for this include (1) a decline in game console annual unit sales, as manufacturers have not introduced new hardware for five years, (2) lower average retail prices of game software as a result of intensified competition, (3) the diversification of sales into digital distribution and other forms, etc.

The market mainly consists of three regions: North America, Europe and Japan. While the ratio of each region's share was 5:3:2, respectively, around 2000, our overseas sales ratio is increasing every year due to the maturation of the Japanese market, caused by a falling birthrate and various other social factors, as well as the increase in the global gaming population combined with the growth of emerging gaming nations. In 2010, sales were 10.8 billion dollars (down 3.6% from the previous year) in North America, 9 billion dollars (down 11.8% from the previous year) in Europe and 3.6 billion dollars (up 5.9% from the previous year) in Japan, with foreign markets representing 85% of the overall market (See Diagram 27). The reason only the Japanese market experienced an increase was, as in the previous year, the domestic release of multiple major titles including "Monster Hunter Freedom 3".



"Super Street Fighter IV"



"Lost Planet 2"



"Dead Rising 2"



In the PC online game market and home video game software download content (PC consumer online) market, the establishment of a global network infrastructure spurred rapid growth in 2010 worth 14.4 billion dollars (up 23.1% from the previous year) (See Diagram 28).

In terms of the outlook for the next fiscal year (the period ending March 31, 2012), the package market in 2011 is expected to contract for the third straight year as a result of a new portable game console to be introduced for the Nintendo 3DS, with sales of the next generation console to hurt sales of the older console, being between seasons, and an expected market value of 19.9 billion dollars (down 15.0% from the previous year). From 2012, the full adoption of next generation consoles is expected to once again stimulate growth the market.

The PC and consumer online markets are expected to be worth 16.9 billion dollars (up 17.4% from the previous year) in 2011. The main driver of growth is the increase in the number of homes equipped with broadband and game consoles with network functionality. More importantly, the number of households with broadband, which is expected to grow from 311 million in 2010 to 415 million in 2015, means that the PC and consumer online markets can be expected to expand to 26.3 billion dollars, and the package market to grow to 23.8 billion dollars, by 2015.

Given the outlook for medium-term growth in the package and PC consumer online markets, the key for software makers in terms of maximizing earnings is investing each year in various software platforms with proven track records. However, that is only possible for companies that "possess multiple popular major titles" and "a development structure efficient enough to produce year after year". Going forward, the fight for survival among game software manufacturers will surely intensify.

Operating Results for This Fiscal Year

Achieved significantly higher sales and earnings on a solid performance in Online Games, with a record-breaking five titles selling over one million units.

Capcom's strength in the Home Video Games Business is threefold. First, we have scores of "long-lasting intellectual properties with universal market appeal" such as million-selling titles and popular characters (See Diagram 29).

Second, we maintain an "advanced ability to develop original game content" without relying on licenses obtained from external sources. We also possess a "high level of technology", assisted by the "MT Framework", an integrated development environment built to provide common development tools for Xbox 360, PS3 and PC, Wii and Nintendo 3DS platforms. Lastly, we have "strong overseas marketing capabilities" as represented by effective sales operations in overseas markets, which are the majority of our markets, with a proper understanding of regional preference for game titles, market characteristics and business practices.

This fiscal year (the period ended March 31, 2011), the feature title "Monster Hunter Freedom 3" (for PlayStation Portable), which was released on December 1, 2010 to long lines of customers nationwide, became a big hit with a total shipment of more than 4.6 million units and played the lead role in improving Capcom's business performance. Further, the major titles for PlayStation 3 and Xbox 360 targeted at overseas markets fully leveraged their characteristics to achieve market success, selling over one million units each with shipments totaling 2.2 million units for "Dead Rising 2", 2 million units for "MARVEL VS. CAPCOM 3 Fate of Two Worlds", 1.6 million units for "Super Street Fighter IV", and 1.5 million units for "Lost Planet 2". The result was a history-making milestone of five million-seller titles in total. Additionally, "Sengoku BASARA: Samurai Heroes" (for PlayStation 3 and Wii), the newest in the series that gained stable popularity, also enjoyed steady growth in sales.

Diagram 27 Home Video Game Software Markets (package) (\$ Billion)

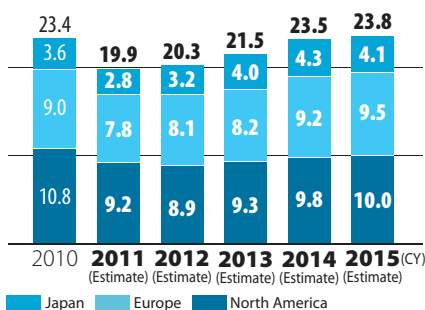


Diagram 28 PC and Consumer Online Games Market (\$ Billion)

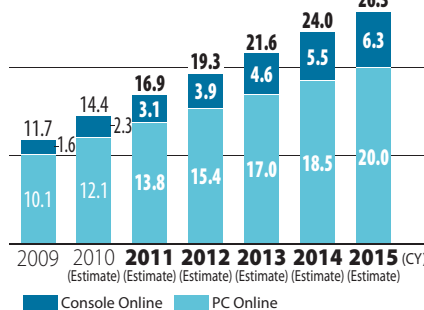
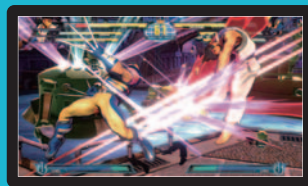


Diagram 29 Total Number of Units of Major Titles Sold (As of March 2011)

Major Titles	Number of Products	Total Number of Units Sold (Thousands)
Resident Evil	64 titles	45,000
Street Fighter	66 titles	31,000
Mega Man	128 titles	28,000
Monster Hunter	16 titles	18,000
Devil May Cry	13 titles	10,000
Lost Planet	11 titles	4,700
Dead Rising	6 titles	4,500
Ace Attorney	15 titles	4,100
Sengoku BASARA	15 titles	2,400

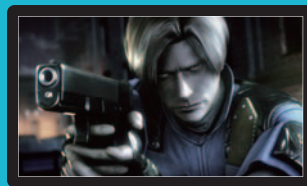


"Monster Hunter Freedom 3"

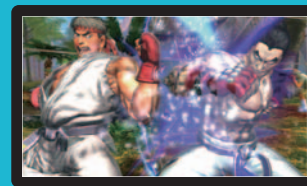


"MARVEL VS. CAPCOM 3 Fate of Two Worlds"

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"Resident Evil: Operation Raccoon City"



"Street Fighter X Tekken"

"MONHAN NIKKI POKAPOKA AIRU MURA" (for PlayStation Portable), a spin-off from the "Monster Hunter" series, which attracted users with its widely popular character "Airu" (known as "Felyne" in English) became a smash hit.

Meanwhile, the online exclusive title "Monster Hunter Frontier Online" (for PC, Xbox 360) also showed solid performance.

In 2010, our market shares in the respective markets where we operate were as follows: Japan 11.0% (up 4.9% from the previous year), North America 1.6% (down 1.0% from the previous year) and Europe 1.6% (down 0.5% from the previous year) (See Diagram 30). The reason for the increase in Japanese market share was due to major hit "Monster Hunter Freedom 3", while in North America, the decrease in market share was a reflection of the fact that only two major titles were released during the calendar year. Converting the accounting period the assumption for Europe and North America is approximately 2.0% or roughly the same as the previous year's share.

As a result, Capcom released a total of 53 titles and shipped a total of 20.5 million units (up 64.0% from the previous fiscal year). The resulting net sales increased to 70.269 billion yen (up 60.8% from the previous fiscal year), and the operating income was 12.499 billion yen (up 59.5% from the previous fiscal year).

Outlook for the Next Fiscal Year

Strengthening alliances with development companies in Japan and overseas, while focusing efforts on online games and the development of new series.

As a medium-term business goal, we give priority to growth in North America and Europe in an effort to respond to the size of each market. Ideally, our overseas market share should be 80-90%, equivalent to the market segment size. However, since the domestic market share is increasing, the goal for our overseas sales ratio is currently set at 65%. To

achieve this medium-term business goal, in the next fiscal year, we will continue promoting the business developments begun this fiscal year, namely (1) shortening of the series title sales cycle, (2) proactive use of overseas developers, (3) creation of new titles and (4) strengthening of online contents (See P19 "Our Strategy for Growth").

With respect to (1), we are renovating our domestic development structure in an attempt to strengthen our lineup through reorganization and more efficient development. Through hybrid development, which involves outsourcing the labor-intensive aspects of core content developed in-house by Capcom to outside developers, we can shorten the development period, increase the number of titles released in a single year, and expand profitability.

In terms of (2), we are proactively pursuing partnerships with overseas development companies to expand overseas sales and secure development resources. Outsourcing the development of "Resident Evil" and "Devil May Cry" enables us to promote product development that combines "overseas tastes" with "Capcom tastes".

With regard to (3), achieving the aforementioned efficiencies will enable us to allocate approximately 20% of development resources toward the development of new titles and the creation of the next generation of popular new series, further strengthening our future lineup.

Finally, with regard to (4), we are aggressively developing the PC online game and download businesses. We will improve earnings with a major domestic update to "Monster Hunter Frontier Online" for the PC, which we also continue to strengthen in the Asia region.

Furthermore, we plan to release several major titles in the next fiscal year, including "Resident Evil: Operation Raccoon City", "Street Fighter X Tekken", "Dragon's Dogma" and "Dead Rising 2: Off the Record".

With these initiatives, we expect to release 55 new game titles and ship 18 million units in the next fiscal year. We forecast net sales of 58 billion yen and operating income of 12.5 billion yen.

Diagram 30 Market Share by Region (CY2010)

Japanese Market		North American Market		European (UK) Market	
Company name	Share (%)	Company name	Share (%)	Company name	Share (%)
1. Nintendo	18.7	1. A		1. Electronic Arts	17.9
2. Namco Bandai	12.1	2. B		2. Activision	14.4
3. Capcom	11.0	3. C		3. Nintendo	12.3
4. Square-Enix	10.7	4. D		4. Ubisoft	11.0
5. Pokemon	8.4	5. E		5. Microsoft	6.0
6. Konami	8.4	6. F		6. TAKE 2	6.0
7. Sega	5.1	7. G		7. SCE	5.2
8. SCE	3.6	8. H		8. Sega	4.5
9. TECMO KOEI GAMES	2.9	∴	∴	∴	∴
10. Level Five	2.9	13. Capcom	1.6	14. Capcom	1.6
Others	16.2			Others	21.1
Total	100.0	Total	100.0	Total	100.0

Source: Enterbrain, Inc.

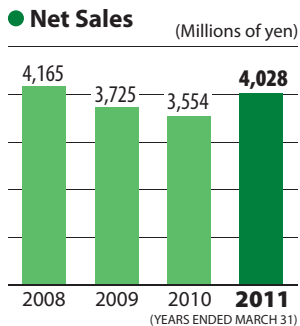
Source: "The NPD Group / Retail Tracking Service"
* Data concerning our competitors are not disclosed by request of the market research company.

Source: Chart-Track, copyright ELSPA (UK) Ltd.

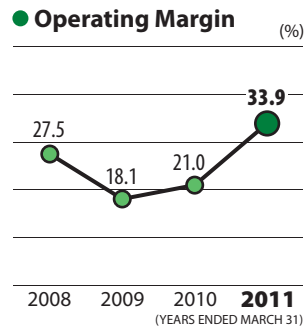


Mobile Contents

This business segment develops and distributes games for mobile phones. In the high growth mobile content market, we are able to respond flexibly to advances in smart phones and tablet PCs with our own brand titles and licensed content from other companies, enabling us to expand earnings even further.



* In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.



SWOT Analysis

<ul style="list-style-type: none"> Pioneering position in overseas social game market Practical use of plentiful in-house content Possess overseas social game management expertise 	<ul style="list-style-type: none"> Lack of domestic social game expertise Lack of development staff
<ul style="list-style-type: none"> Improved game quality resulting from high-performance handsets Rise of other social games and new genres Expanded adoption of smartphones in developing regions 	<ul style="list-style-type: none"> Standard mobile phone usage decline Barriers to entry are low, significant competitor presence

S: Strength W: Weakness O: Opportunities T: Threats

Market Trends

Rapid growth increased the global mobile contents market by 15.5% Expanding opportunities for development companies.

The mobile content market has been growing worldwide and was worth 6.93 billion dollars (up 15.5% from the previous year) in 2010 (See Diagram 31). Factors underlying this growth include the worldwide spread of standard mobile phones, as well as the rise of smartphones led by the iPhone, driven by the growth of developing nation economies and the burgeoning world population.

By region, the North American market was worth 1.12 billion dollars (up 11.7% from the previous year) and the European market was worth 830 million dollars (up 17.3% from the previous year) and the Far East/China market including Japan was worth 3.8 billion dollars (up 14.0% from the previous year). Emerging market India was worth 230 million dollars (up 73.9% from the previous year) due to a sudden and significant increase in mobile phone subscribers.

For the past two years, the mobile content market has been in a period of great upheaval. This is because of (1) changes in the ways that users purchase games and (2) changes in development company business models.

With regard to the first point, up to now games were purchased using a "sell-out" model, where the user purchased a single download of their



"MONHAN NIKKI MOBILE AIRU MURA"



"Sengoku BASARA Mobile"



"Ghost Trick"



"Street Fighter IV"



"Smurfs' Village"

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chosen game. Recently, the trend has shifted toward the "Freemium" model, where the game can be downloaded for free, but a premium is charged for access to additional items and other game content the user may require. As a result, of the 4.4 billion dollars generated by the "sell-out" model, more than half (63.5%) was contributed by the "Freemium" model, which grew 28.2% over the previous year.

In regards to the second point, for development companies, the standard mobile phone market has been largely unprofitable for two reasons. (1) The OS used for the handsets of each mobile phone company differed, and distributing games across a jumble of disparate networks required transplantation costs, and (2) to distribute games to users required interfacing with several companies (the handset maker, the telecommunications provider, etc.), which led to high fees (50% of sales in the United States and Europe). However, with the introduction of open source operating systems such as Apple's iOS and Google's Android in the smartphone market, (1) development companies are now able to distribute content to a wide range of users with these limited OS platforms without the need for transplantation costs and (2) with fewer companies to interface with along the way, fees are lower (30% of sales with iOS). For development companies, this represents a significant opportunity for improved profitability (See Diagram 32).

Looking ahead, in anticipation of an increase in App Stores and other global distribution systems, as well as an increase in the smartphone population, we forecast shipments of smartphones in excess of about 630 million, and shipments of computers to surpass 430 million in 2012 (See Diagram 33). For development companies, high-performance handsets and a limited OS enables the multi-development of home video games, which in turn

enables the provision of games that appeal to a broad segment of consumers around the world, from light to core users. As a result, the mobile contents market is expected to grow significantly over the next few years, and forecast to be worth 11.23 billion dollars by 2015 (an annual growth rate of 11.0%).

Operating Results for This Fiscal Year

With successive smash hit SNS games in and outside Japan, we established our position as a top brand, with net sales increasing 13.3% and operating income soaring 83.2%.

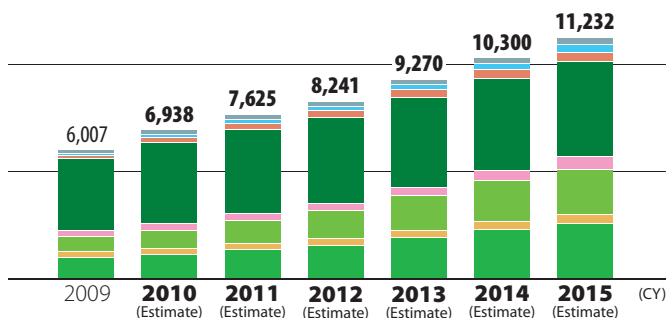
One of Capcom's strengths in the Mobile Contents Business is our ability to make effective use of the expertise and content developed through home video games under the Capcom brand, which is then distributed to mobile phones worldwide. Another of our strengths is the ability to acquire light users who differ from traditional Capcom users by using popular characters and novel content from other companies in games distributed to smartphones globally.

Amid the rapid growth of social games, which are highly compatible with mobile phones, we surpassed one million members for distribution of "MONHAN NIKKI MOBILE AIRU MURA" through Japan's largest mobile social game site "Mobage". "Ghost Trick", released in this fiscal year (the period ended March 31, 2011) for the iPhone/iPod touch/iPad is faring well, and "Street Fighter IV", released in the previous fiscal year (the period ended March 31, 2010), continues to perform on track.

In terms of overseas developments, we joined with Facebook to begin distribution of "Smurfs' Village", which ranked first as the "Top Selling App" in Apple's App Store in 62 countries. Nearly 90% of iTunes Store user reviews gave the game five stars, the highest rating in the freemium market,

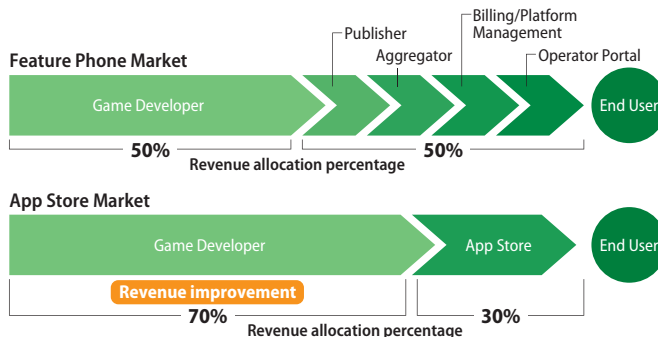
Diagram 31 Mobile Content Market

(\$ Million)



Source: Juniper Research 2010

Diagram 32 Comparison of Feature Phone and Smartphone Markets





"Zombie Cafe"



"Lil' Pirates"



"Monster Hunter Dynamic Hunting"



demonstrating the wide appeal the game has around the world and its firmly established position as the top brand. In addition, "Zombie Cafe" and "Lil' Pirates" membership also increased significantly, with all three titles achieving a total of 15 million downloads among other pleasant surprises.

As a result, net sales were 4,028 million yen (up 13.3% from the previous fiscal year) and operating income was 1,366 million yen (up 83.2% from the previous fiscal year).

Outlook for the Next Fiscal Year

Strengthen global smartphone and SNS contents with two brands—Capcom and Beeline—and increase net sales by 16.7%.

Regarding business developments in the next year (the period ending March 31, 2012), we will continue to focus on developing content for the smartphone and SNS game markets, where high growth remains the forecast for the foreseeable future both in Japan and overseas.

We have a two-pronged strategy that involves (1) making thorough use of the Capcom brand to target our core segment and (2) establishing a second brand to target light and other users in non-core customer segments.

The Capcom brand strategy attempts to achieve synergy with home video games through multi-platform development using the brand power of popular Capcom titles created in Japan. For example, "Sengoku BASARA" and "Resident Evil", which are distributed on leading Japanese social game sites "Mobage" and "GREE", not only appeal to the casual user, they also serve as a link to the promotion of the home version of the game. In this way, the mobile version draws the light user to the home version, and the home version draws the core user to the mobile version. Similarly, we are

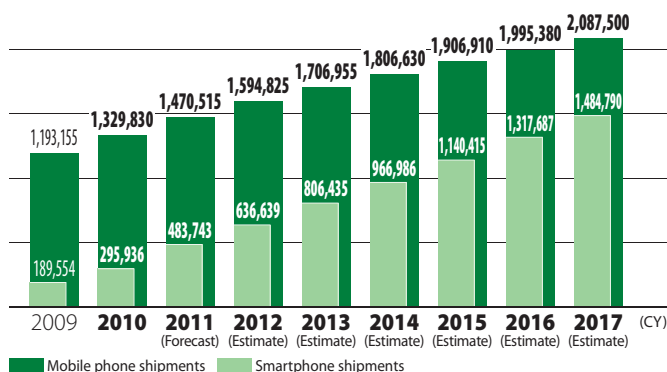
further striving to acquire light users with content for smartphones based on popular home video game series "Monster Hunter Dynamic Hunting".

Our "second brand" strategy making use of the "Beeline" brand is focused on strengthening our social games for smartphones. The reason for creating a second brand is because Capcom brand games have an image of difficulty and complexity about them, creating obstacles that would prevent most light users who normally don't play games from purchasing a casual download. Developing a new brand circumvents these obstacles altogether. Furthermore, development facilities in North America, Europe and Japan—where a new facility was completed in April—are developing social games that incorporate distinctive characteristics to acquire users in developing regions where home video game consoles have yet to be adopted. In the next fiscal year, the overseas title lineup will include eight social game titles that make use of popular characters from other companies. We will attempt to establish brands like "Smurfs' Village" early on.

In terms of overseas social game development, we will introduce the Capcom Real-time Analysts for Marketing (CRAM) system. CRAM analyzes the user line of flow and estimates the efficacy of advertising. In addition, it also functions as a means of announcing new titles and content renewal to existing users, and contributes to helping track user activity. In light of these initiatives, we aim for a total of 45 million overseas social game downloads by fiscal year end (See Diagram 34).

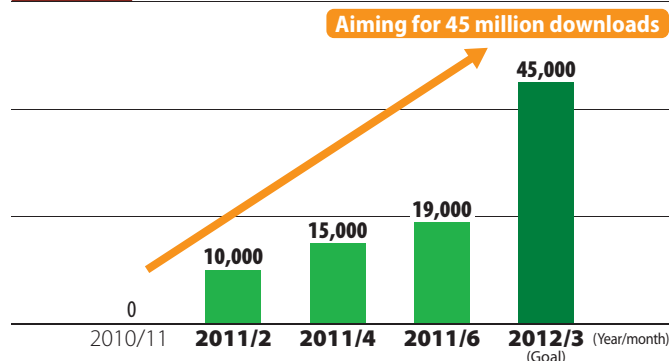
The forecast for the Mobile Contents Business in the next fiscal year is for net sales of 4.7 billion yen and operating income of 800 million yen.

Diagram 33 Mobile Phone Market Shipments (Thousands of units)



Source: "Results of Smartphone Market-Related Research 2011" by Yano Research Institute Ltd. (July 26, 2011)
 *1 On a manufacturer shipment basis *2 Forecasts and estimates are as of June 2011
 *3 32 countries and one region covered in target region *4 While smartphones are included in mobile phone market shipment figures, PHS, digital photo frames and tablet PCs are not.

Diagram 34 Capcom SNS Game Downloads (Thousands of downloads)



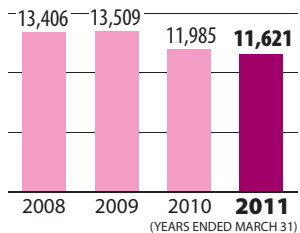


Arcade Operations

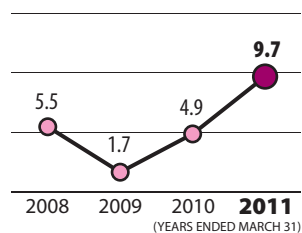
We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.



● Net Sales (Millions of yen)



● Operating Margin (%)



● SWOT Analysis

<ul style="list-style-type: none"> Specialize in opening mall-based large-scale facilities which secure a stable customer base Thorough scrap and build focused on investment efficiency ensure sustainable earnings 	<ul style="list-style-type: none"> Low profitability compared to other business Little synergy with proprietary contents
<ul style="list-style-type: none"> Expanded ability to attract customers through installation of new machines Hedges risks through inverse relationship to home video game market 	<ul style="list-style-type: none"> Reduced desire to consume resulting from natural disasters or brownouts Decline in number of suburban mall-based large-scale facilities

S: Strength W: Weakness O: Opportunities T: Threats

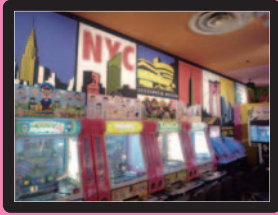
Market Trends

Leisure activities that are inexpensive, nearby and short in duration are expected to intensify, with sales of existing operations rising above last years, indicating signs of a recovery.

During the previous fiscal year (the period ended March 31, 2010), the domestic arcade facility market shrank for the third straight year, its value decreasing to 504.3 billion yen (down 12.0% from the previous year). This reflects the impact of a stagnant domestic economy as well as the spreading fear of swine flu contamination that gave rise to "nesting consumers" who avoided going out, resulting in fewer customers in arcades. At the same time, multi-player network games grew in popularity, further reducing the number of customers to arcades (See Diagram 35). Also, facilities operated by major game center operators continued to close, with a total of 19,213 facilities (down 11.4% from the previous year). Plagued by low profitability and poor future viability, these numbers will surely continue to fall in the years to come.

The growth rate of shopping malls and other large-scale facilities was the same as last year. The number of arcades with more than 101 game machines grew to 6,753, comprising more than 35% of all facilities (See Diagram 36).

In this fiscal year (the period ended March 31, 2011), the market was expectedly weak, but from summer, sales in each company picked up, indicating a turnaround. Indicators of a recovery included (1) each company reducing facility numbers, thereby lessening competition and (2) "nesting



Plaza Capcom Kichijoji



Plaza Capcom Kyoto



Plaza Capcom Hanyu



consumers” being provided with some relief from the sense that the Japanese economy had bottomed out.

Regarding the future outlook, while the effect of the Great East Japan Earthquake has withered the consumer mind, and the rolling blackouts affect and shorten facility business hours, consumers will likely exercise voluntary restraint with respect to large-scale leisure activities, preferring instead inexpensive, nearby and short-duration leisure activities—such as arcades—which can be expected to experience heightened activity. In this way, the disaster will likely continue to have both positive and negative impacts.

Operating Results for This Fiscal Year

Although some of our facilities were badly damaged in the disaster, the impact on sales was negligible, as we achieved profits 91.5% higher than the previous year.

Capcom’s strengths in this business category are: (1) specialization in opening mall-based large-scale facilities that quickly secure 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 selling or shutting down unprofitable facilities to raise return on investment.

In this fiscal year, with the entire industry focusing on energizing the market through implementing customer appreciation day on a “Game Day” (November 23 each year) to thank arcade fans, customer-oriented efforts were made in operating the arcades in this business segment. Sponsoring a variety of events, renovating arcades, and offering special discount days are just a few examples of such efforts.

Further, Capcom also worked to expand its customer base to include female, family and older-generation customers, while endeavoring to improve the earning capacity by controlling investments, reducing costs, and operating arcades in line with current market conditions.

Meanwhile, 10 of Capcom’s arcades seriously suffered damages and loss of properties by the Great East Japan Earthquake in March 2011. Although they were forced to shut down temporarily, three of the 10

subsequently managed to reopen for business. All arcades were able to resume business by April.

Since we closed one unprofitable arcade, the total number of our arcades became 37 as of this fiscal year.

As a result, despite achieving 99% of previous year existing store sales, net sales decreased to 11.621 billion yen (down 3.0% from the previous fiscal year) while operating income increased to 1.131 billion yen (up 91.5% from the previous fiscal year).

Outlook for the Next Fiscal Year

The disaster has created many uncertainties in the market. Nevertheless, we will attempt to increase capital expenditure and improve the profitability of existing operations.

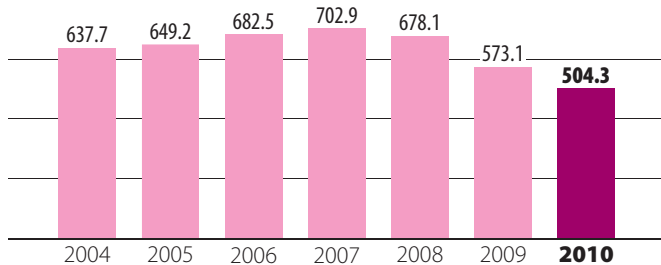
Regarding business developments next fiscal year (the period ending March 31, 2012), despite indications of a recovery in the arcade operations market, the impact of the Great East Japan Earthquake has created uncertainties under which some facilities will have to shorten, temporarily halt or permanently cease operations. A considerable amount of time is necessary before the situation returns to normal. For now, Capcom will restrict the opening of new facilities while increasing capital expenditure and investing in carefully selected projects, including renovation of existing facilities and machines, to improve the profitability of existing operations. As in the previous fiscal year, we will strive to further improve operating efficiency by thoroughly reviewing all expense items, materials, prizes and components with high fixed-cost ratios.

Having closed unprofitable facilities this fiscal year, and in light of the disaster, to improve earnings we will limit the opening of new facilities until market conditions improve. Accordingly, in the next fiscal year, we will only open one new facility, and plan to close none.

We forecast net sales of 11 billion yen and operating income of 0.8 billion yen in the next fiscal year.

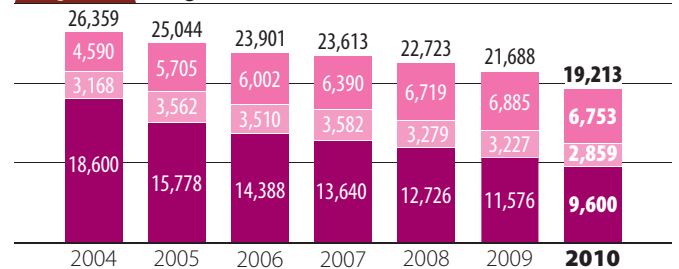
Diagram 35 Arcade Facilities Market Trends

(¥ Billion)



Source: JAMMA “Survey on the Amusement Industry” (YEARS ENDED MARCH 31)

Diagram 36 Change in Number of Storefronts (categorized by # of arcade machine units)



Source: JAMMA “Survey on the Amusement Industry” (YEARS ENDED MARCH 31)

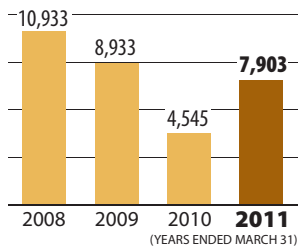


Amusement Equipments

We are engaged in two other businesses based on the content used for our home video games. The Pachinko & Pachislo 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 distributes arcade games for amusement facilities, creating synergy between businesses.

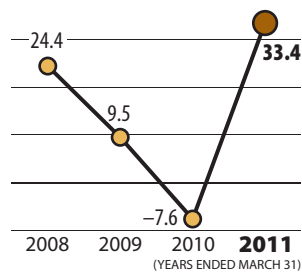


● Net Sales (Millions of yen)



* In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

● Operating Margin (%)



● SWOT Analysis

<ul style="list-style-type: none"> ● High quality development capabilities cultivated through home video games ● Multiple usage of plentiful in-house content ● Ability to observe real time market movements through company-owned arcades 	<ul style="list-style-type: none"> ● Lack of title lineup ● Low profitability
<ul style="list-style-type: none"> ● Market recovery via introduction of popular machines ● Market expansion through network and 3D and other new technologies ● Market recovery from relaxation of regulation on business affecting public morals 	<ul style="list-style-type: none"> ● Declining operator investment appetite ● Long-term market stagnation ● Market fluctuations resulting from changes to regulation on business affecting public morals

S: Strength W: Weakness O: Opportunities T: Threats

Market Trends

The Pachinko & Pachislo market expanded for the first time in four years, as the arcade game market contracted for the third consecutive year.

The Amusement Equipments Business consists of two businesses that develop the content of our home video games, the Pachinko & Pachislo Business and the Arcade Games Sales Business.

This size of the Pachinko & Pachislo sales market during the previous fiscal year (the period ended March 31, 2010) was 1,204.7 billion yen (up 3.3% from the previous year), the first growth in four years (See Diagram 37). The reason for this can be attributed to the fact that many pachinko machine models with comparatively high gaming aspects were sold, and while the numbers were low, the unit prices were high.

During this fiscal year (the period ended March 31, 2011), in accordance with the modification to the gaming aspect of Pachinko machines under the "Regulations on the Entertainment and Amusement Trades Rationalizing Act" revised in 2004, the market has until now continued to focus on decreasing Pachislo and increasing Pachinko, heightening the backlash of Pachinko machine's speculative characteristics, with players even sometimes seen avoiding new machines, placing a drag on overall business.

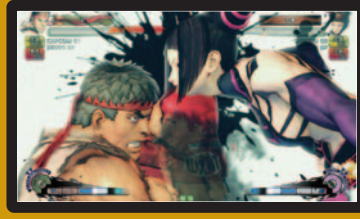
In terms of the outlook for the future, the uncertainties caused by the Great East Japan Earthquake may cause players to play less pachinko, resulting in an even more challenging operating environment. On the other hand, advancements in the quality of Pachislo machines fitted with LCD screens, including a hit model that shipped over 50,000 units, means that we should be able to expect growth in parlors.



"Onimusha: Dawn of Dreams"
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©RODEO



"Sengoku BASARA 2"



"Super Street Fighter IV Arcade Edition"



"New Super Mario Brothers Wii Coin World"

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Next, in the previous fiscal year, the arcade game domestic product sales market was, like the facilities market, affected by the sluggish economy and in contraction for the third consecutive year, totaling 156.6 billion yen in value (down 14.3% from the previous year) (See Diagram 38). In terms of trends by genre, game machines easily affected by the economy (prize-winning games, accounting for 19.2% of the market) totaled 30.1 billion yen (down 16.9% from the previous year). Despite the vigorousness of bold new large-game machines, coin-operated games (accounting for 18.5% of the market) did not see a surge in demand for new machines, ending at 28.9 billion yen (down 22.0% from the previous year).

In this fiscal year, although the facilities market seemed to be emerging from its slump, facilities operators nevertheless maintained a very cautious position with respect to its capital expenditure position as the sales market remains weak.

In terms of the outlook for the future, although there is still much uncertainty, while the Great East Japan Earthquake is expected to adversely affect the consumer mind, game centers are predicted to become sources of inexpensive, nearby and short-duration leisure activities.

Operating Results for This Fiscal Year

In addition to hit Pachislo machines two years in a row, video game console sales are also doing well, which resulted in significantly higher sales and earnings.

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 Pachinko & Pachislo Business, 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.

In this fiscal year, the Pachinko & Pachislo Business sold 16,000 units of a "Sengoku BASARA 2" themed Pachislo machine, as well as launched "Onimusha: Dawn of Dreams" during the previous fiscal year, which remained a long-seller, contributing to improved profit.

The strength of the Arcade Games Sales Business lies in our 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 for home video games.

While the market conditions remained weak for arcade game machines in the Arcade Games Sales Business in this fiscal year, this business segment saw the video game machine "Super Street Fighter IV Arcade Edition" perform solidly.

Meanwhile, profitability improved, thanks to cost reduction and other business-wide streamlining efforts.

The resulting net sales increased to 7.903 billion yen (up 73.9% from the previous fiscal year), and the operating income was 2.638 billion yen (the operating loss of the previous fiscal year was 347 million yen).

Outlook for the Next Fiscal Year

Capcom tends to lead the Pachislo market, and our arcade games are strongly differentiated from the products of other companies.

In terms of business developments in the next fiscal year, in the Pachinko & Pachislo Business, while the effects of the disaster are a concern, our specialized built-in LCD display technology is expected to stimulate demand and turn around the Pachislo market. To this end, we will employ the same successful strategy as with last year's "Sengoku BASARA 2", namely (1) expand 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) introduce major popular home video game contents.

In the Arcade Games Sales Business, the maturity of the market and the impact of the disaster make us think that facility operators will continue to be cautious about the selection and concentration of their investments. For this reason, Capcom is concentrating on the development of coin-operated games that make use of extremely familiar and popular proprietary and other content including "New Super Mario Brothers Wii Coin World" in an attempt to differentiate our products from the competitors.

As a result of these measures, we forecast net sales of 8.8 billion yen and operating income of 1.2 billion yen.

Diagram 37 Major Gaming Machines Market (New Machine Sales) (¥ Billion)

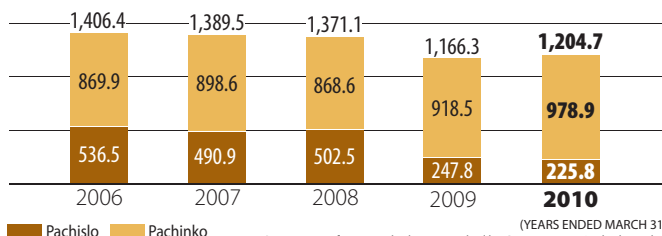
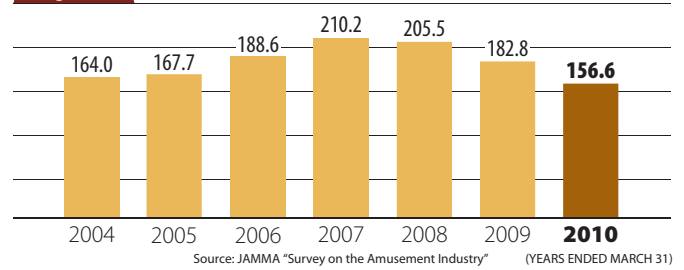


Diagram 38 Arcade Game Market Trends (¥ Billion)



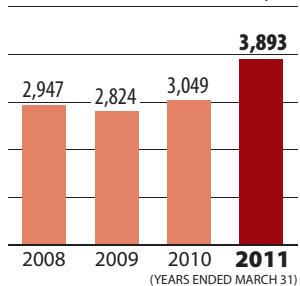


Other Businesses

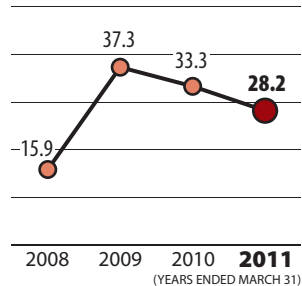
Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.



● Net Sales (Millions of yen)



● Operating Margin (%)



● SWOT Analysis

<ul style="list-style-type: none"> ● Synergy effect from multiple use of abundant content ● Brand value increased through high media exposure ● High profitability 	<ul style="list-style-type: none"> ● Low return of sales of licensed products
<ul style="list-style-type: none"> ● Expansion of film, animation, comics, stage productions, orchestras and other development media 	<ul style="list-style-type: none"> ● Direct competition with other company's contents as a result of globalization

S: Strength W: Weakness O: Opportunities T: Threats

Operating Results for This Fiscal Year

In line with its Single Content Multiple Usage strategy, Capcom completed several film projects, which contributed a 27.7% increase to sales and a 8.0% increase to operating income.

Capcom's strength in this category is its ability to take advantage of the strong synergy with the Home Video Games Business 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.

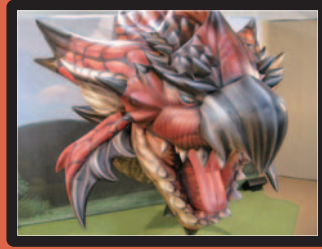
During this fiscal year (the period ended March 31, 2011), we continued to execute our Single Content Multiple Usage strategy (see "Growth Strategy 3" on P25), conducting various projects based on each game title to enhance the branding of our game content and maximize profits.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile content, 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 (See Diagram 39).

Specifically, we focused on increasing the "adaptation of our game content into Hollywood movies", which strengthens the promotion and sales of home video games. Although other Japanese software manufacturers



Movie "Resident Evil: Afterlife 3D"
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Event "Monster Hunter World"



Movie "Sengoku BASARA
-The Last Party-"
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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 (See Diagram 40).

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 Hollywood movies for global distribution.

For example, the box-office take for the September release of "Resident Evil: Afterlife 3D" was a record-smashing 300 million dollars. One example of multi-development involves "Monster Hunter" when, in promotion to the lead up to the December 2010 launch of "Monster Hunter Freedom 3". In March, a theme park in Kumamoto Prefecture was transformed into Greenland, and an event was held where fans could have an authentic Monster Hunter experience. In August, TV animation broadcasts began. Even after the sales launch, events were held at the hot spring resort Shibu in Nagano Prefecture and at game spaces in collaboration with Shidax Community Corporation, bringing together more than 10,000 and 30,000 fans respectively, and creating a sense of synergy.

The result of this continuous, cross-sectional multiple-development is the social phenomenon known as "Monster Hunter Craze", which contributed to the huge hit which shattered the record with 4.6 million sales.

Other multi-development projects underway include titles such as "Street Fighter", "Resident Evil", "Ace Attorney", "Sengoku BASARA", "Devil May Cry" and "Dead Rising".

The resulting net sales increased to 3.893 billion yen (up 27.7% from the previous fiscal year), and the operating income was 1.098 billion yen

(up 8.0% from the previous fiscal year).

Outlook for the Next Fiscal Year

In addition to multiple film projects spanning several titles, Capcom furthered efforts to expand its user base through various events and other activities.

Looking ahead to the next fiscal year (the period ending March 31, 2012), we will continue to execute our Single Content Multiple Usage strategy. We are moving forward with the fifth installment of the "Resident Evil" series, and in the movie-related business, global titles for movie adaptation will include "Devil May Cry" and "Clock Tower".

Regarding domestic titles, in addition to "Sengoku BASARA" being used to create an animated movie, a theatrical production and a fan appreciation event, it will also be used in collaborations with regional municipalities. "Monster Hunter" continues the trend with the Monster Hunter Festival 2011, expected to draw 50,000 visitors and be the largest event for this series so far. The "Monster Hunter" fad will be sustained with a concert by the Tokyo Philharmonic Orchestra, an event held at Universal Studios Japan and other events in an attempt to draw as many and varied casual users as possible.

Functioning as horizontal deployment for game content, these cross-industry collaborations enable our products to reach a wider audience and enhance our brand value.

In light of these efforts, we forecast net sales in the next fiscal year of 3.5 billion yen and operating income of 0.8 billion yen.

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

Diagram 39	Movies and Theatrical Productions		
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 SUN
	Sep. 2010	Hollywood movie	Resident Evil: Afterlife 3D
Jun. 2011	Animated movie	Sengoku BASARA -The Last Party-	
TV animation	Apr. 1995	TV animation	Street Fighter II V
	Mar. 2002	TV animation	Mega Man Battle Network
	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	
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

Revenue Ranking of Japanese Game Content that Has Been Adopted into Movies

Diagram 40	Title	Original writer company	Box-office revenue (worldwide)
1.	RESIDENT EVIL: AFTERLIFE 3D	Capcom	\$296,221,663
2.	RESIDENT EVIL: EXTINCTION	Capcom	\$147,717,833
3.	RESIDENT EVIL: APOCALYPSE	Capcom	\$129,394,835
4.	RESIDENT EVIL	Capcom	\$102,441,078
5.	STREET FIGHTER	Capcom	\$99,423,521
6.	SILENT HILL	Konami	\$97,607,453
7.	FINAL FANTASY: THE SPIRITS WITHIN	Square	\$85,131,830
8.	SUPER MARIO BROS.	Nintendo	\$20,915,465
9.	HOUSE OF THE DEAD	Sega	\$13,818,181
10.	STREET FIGHTER: THE LEGEND OF CHUN-LI	Capcom	\$12,764,201

* As of June, 2011 (Capcom figures)