

Briefing on Consolidated Financial Results for the Year ended March 31, 2009.

Explanatory Summary by Haruhiro Tsujimoto, President and Chief Operating Officer

I would like to explain our business strategies and plans for the Year ending March 31, 2010.

p.3-7 Capcom's Corporate Strategies

First of all, let me explain our company's business development. Capcom's primary business focus is producing leading video game contents, and we utilize these contents to operate across a wide business spectrum in the Home Video Game business and its peripheral businesses. During recent years, our Home Video Games business has been showing steady growth, comprising 68% of our total net sales. In regards to other businesses, net sales for Arcade Operations businesses were 24%, 5% for the Contents Expansion business, and 3% for the Licensing business .

Capcom's competitiveness arises primarily from its 1) strong product lineup, 2) overseas operational capability, and 3) world's leading game software development ability.

Beginning with the "Resident Evil" series, we have a large number of original video game contents, including "Lost Planet," "Dead Rising," "Monster Hunter," "Ace Attorney" and "Sengoku BASARA."

Moreover, by predominantly marketing these video game contents overseas, we consistently produce million-seller titles in both North America and Europe, and we expect to see further expansion in these markets. Overseas sales of "Resident Evil 5" and "Street Fighter IV" accounted for almost 90% of total sales in FY 2008, and were consistent with the market environment. We also focus on basic game development research: our uniquely developed "MT framework" is a cutting-edge video game development environment which permits multi-platform compatibility. This technology is currently being applied in product development.

Next, I shall describe Capcom's business performance trends for the past fiscal years. In recent years, our company has achieved increases both in sales and profit for three consecutive terms, remaining consistent with our medium term business objectives. In FY 2008, the strong performance of our Home Video Games business has contributed to our total business performance, offsetting the decline in sales for our Contents Expansion and Arcade Operation businesses.

This resulted in record-high net sales, achieving 110.6% of the previous year and 96.4% of our plan. Operating income is 111.4% of the previous term and 100.1% of the plan. We were largely able to achieve our initial targets while rival companies struggled to meet their respective sales goals. Although operating income of JPY 14.6 billion slightly exceeds our analyst consensus, there are those who think the sales performance of “Resident Evil 5” and “Street Fighter IV” may push this figure even higher. However, the postponed release of “Bionic Commando” and failing to meet the sales targets for the Wii version of “Dead Rising” did have an effect on sales. Likewise, a strong yen affected not only ordinary income, but also net sales and operating income, with about JPY 600 million affecting operating income. Taking all these factors into consideration, our operating income was about JPY14.6 billion.

Regarding earnings forecasts for the business term ending March 31, 2010, we anticipate an increase both in sales and profits, with 3.5% growth in net sales and a 16.3% increase in operating income.

P.8-18 Home Video Games Business

I shall now discuss the Home Video Games business. As shown in the handout, the console market is expected to peak in 2009, and the software market in 2010. Nevertheless, considering factors such as the growth trends in developing nations where games are becoming established, the rising number of gamers, and our console market recovery prospects due to price-cuts, etc., we don't anticipate our respective markets to shrink dramatically after 2010,. Even if the market scale were to contract, it is important for us to define North America and Europe as our strategic markets, regardless of the market situation, enabling us to improve our market share and achieve Capcom's successive growth by consistently releasing big-hit titles.

In CY 2008, our Japanese market share of approximately JPY 24 billion was listed as fourth among all game manufacturers. Capcom's total market share was 7.3%, an increase of 0.3% from the previous year. Since we were ranked seventh in Japan in CY 2006 and fifth in CY 2007, this marks the third consecutive year in which Capcom has expanded its market share. Contributing factors include the number one domestic hit, “Monster Hunter Portable 2nd G,” as well as the strong sales of “Devil May Cry 4.” Likewise, brisk repeat sales of the PSP the Best version of “Monster Hunter Freedom 2G” have continued into 2009. We shall strive to further expand our market share by releasing “Monster Hunter 3 (Tri),” “Ace Attorney Investigations: Miles Edgeworth” and “Sengoku BASARA:Battle Heroes,” and other titles.

In regards to Capcom's overseas market shares, we ranked 18th in the North America, with a market share of 0.93%, a slight decrease from the previous year. These figures are based on sales for the 2008 calendar year, which only include the major title "Devil May Cry 4." The trend in Europe is relatively the same. If we include the two major titles in the previous term, "Street Fighter IV" and "Resident Evil 5," to evaluate performance in our fiscal year, we find that our market share in North America becomes 2.2%, a 0.3% increase from the 1.9% share in FY 2007. As with the European market, data based on performance over the fiscal year reveals a steady increase in our market share.

As for our business objectives in the Home Video Games business, our target is to achieve an overseas sales ratio of 65% in relation to market size. In order to realize this goal, we shall promote 1) our multi-platform strategy, 2) creating new franchises, and 3) developing game software overseas and further strengthening our overseas marketing structure.

Concerning topics for FY 2008, first of all I would like to highlight the success of large-scale overseas franchises. We shipped a total of around 7 million units of "Resident Evil 5" and "Street Fighter IV." The overseas sales ratio accounted for 90% of this amount, suggesting a significant increase in overseas sales in relation to the market structure. Total overseas shipments increased by 30% over FY 2007, with 11 million units sold. Thus, we believe Capcom successfully expanded its hard-core fan base, our company's main customers, in the growing North American and European markets.

In the Japanese market, sales of "Monster Hunter" really took off.

We posted cumulative sales of 3 million units of "Monster Hunter Freedom 2G", including the PSP the Best version, which was first in domestic sales for FY 2008. We are certain that this title established its undisputed position as the definitive Japanese game. The strategic release of the lower priced version also proved successful, achieving sales of a half million. This lower priced title enabled us to broaden our customer base, appealing to both casual gamers and families.

As for the previous term's performance, "Resident Evil 5," "Street Fighter IV" and "Monster Hunter Freedom 2G" each achieved sales of over 2 million, and combined to sell more than 9 million units, accounting for 53% of total sales. Repeat sales of these titles were still brisk as of the end of this April: shipments of "Resident Evil 5" were around 560,000 copies, "Street Fighter IV" at around 120,000 copies, and lower priced title shipments of "Monster Hunter Freedom 2G" at around 170,000 copies.

I would now like to highlight our company's development during this period.

Capcom platform strategy continues to focus on developing games for multiple platforms. We are utilizing our "MT framework" game engine to develop our leading titles for PlayStation3, Xbox 360 and PC. This enables us to appeal to the greatest number of customers and maximize our profits, regardless of how established these consoles may be.

We also plan to release key titles for the enormously popular Wii during FY2009. Our sales plan is to sell 4.2 million units across 9 titles, including "Monster Hunter 3 (Tri)" and "Resident Evil: The Darkside Chronicles." For handheld game consoles, we are preparing to release "Ace Attorney Investigations: Miles Edgeworth" (Nintendo DS), as well as the overseas PSP edition of "Monster Hunter Freedom 2G," known overseas as "Monster Hunter Freedom Unite"

Next I shall address our overseas strategy. Capcom intends to release new titles regularly from our existing hit series. In this period, we shall continuously release titles belonging to critically acclaimed series overseas, such as "Lost Planet 2" and "Resident Evil: The Darkside Chronicles." We will also remake and rebrand past series, such as "Street Fighter". Furthermore, we will work together with overseas developers to develop new titles, thereby increasing the number titles that appeal to local customers. "Dark Void" and "Spyborgs" are scheduled to be released during this period.

As for our marketing and sales system, starting this term our French subsidiary established last year will commence full operation, and contribute to our European sales. We will also continue to reinforce our sales system by increasing the number of sales representatives and conducting promotional activities together with video game console manufacturers.

Next I will discuss our titles sales plan for this term. Worldwide we expect to sell 2.7 million units of "Lost Planet 2" and 2 million units of "Monster Hunter 3 (Tri)" for the Wii. Moreover, we expect 2 million units sales for "Dark Void" across multiple platforms in North America and Europe, 0.9 million units sales for "Monster Hunter Freedom Unite," the overseas edition of "Monster Hunter Freedom 2G", and repeat sales of "Resident Evil 5" of 0.8 million units.

The final topic concerning the Home Video Games business is its overall performance: net sales for the year ended March 31, 2009 were 97.8% of the revised plan, while operating income was 95.1% of the plan. Sales were 17.3 million units while the revised target was 19.2 million units. For the year ending March 31, 2010, we expect our sales to increase by 10% from the previous year, reaching 19 million units. The general impression may be that there will be little increase in profits when compared to the increase in sales units. This is not a result of a decline in sales price per unity, but because the sales of low-price PC versions are expected to exceed the previous year's by over one million units.

By region, the immense popularity of “Monster Hunter Portable 2nd G” in FY 2008 will cause sales in Japan to decrease from the previous year, while overseas sales will increase due to the release of a larger number of major titles. By platform, sales for PlayStation3, Xbox 360 and Wii are all expected to increase.

The number of game titles slated for release in this document is considerably less than the previous year’s 110 titles. This is because we only list the titles presently confirmed for distribution. The number of titles released is expected to increase throughout the term.

P.19-23 Arcade Operation Businesses

Next, I will introduce the Arcade Operation businesses.

The economic recession, home video game boom, and absence of popular arcade game machines all contributed to the difficult climate enveloping the arcade operation market. Though we were affected by these factors, we managed to show some gains as a result of our efforts to reduce costs and close unprofitable stores.

Taking the current market environment into consideration, during the upcoming period Capcom will focus on restructuring existing stores by curtailing the opening of new stores. In regards to store closings, we have already closed a number of unprofitable stores in the previous term. In the upcoming period we intend to close one store and open none, while seeking to assess the future market trends.

Our projected net sales from existing stores for this period are expected to be 93% of the previous year. Net sales for the whole business are expected to be JPY 13 billion, 96.2% of the previous year, JPY 0.5 billion in operating income due to fixed cost reduction, and an operating margin of 3.8%.

P.24-26 Arcade Games Sales Business

Next, I would like to discuss our Arcade Games Sales business.

As with the Arcade Operation businesses, the arcade game sales market has been affected by the difficult economic environment. Sales for prize-winning games, coin-operated games and card games machines remained brisk until 2006, but are now on the decline. Likewise, because the arcade game business in shopping malls remains sluggish, sales of arcade game machines, which account for a larger percentage of sales at game arcades, have been hit particularly hard. The same was true for FY 2008.

Regarding our strategy for this term, we will use fewer products to promote our business. This is because we anticipate further reduced operator investment as a result of the flagging markets. Among our product lineup, our focus will be on the sales of “Mario Party Mysterious Heart Catcher,” a coin-operated game in which multiple players can interact. Currently, we are reviewing our sales structure in order to expand our sales of this product.

Likewise, Capcom has no plan to sell arcade video game machines. This is because we believe now is the time to review our home video game title lineup, and evaluate our investment returns by adopting a wait-and-see attitude towards the market conditions.

The business performance of the Arcade Games Sales business was sound in FY 2008. As a result of strong arcade video game machine sales, such as “Street Fighter IV”, net sales were 104.4% of the revised plan, and operating income increased by 136.2%. However, in FY 2009, both net sales and operating income are expected to decrease significantly. This is because there is no plan for launching promising arcade video game machines, as well as the streamlining our product lineup due to the sluggish market. Planned results are JPY 4 billion in net sales, JPY 500 million in operating income, and an operating margin of 12.5%.

P.27-31 Contents Expansion Business

I will now discuss our Contents Expansion business.

First, we will look at the amusement market. The available data we have is for until FY 2007, which indicates that our pachislo machine sales in FY 2007 were JPY 495.2 billion, a slight increase from the previous year. Nevertheless, the number of installations has been declining by an average of around 10,000 units each month, and thus we expect conditions to remain tight. On the other hand, there is a growing expectation for deregulation. Consequently, Capcom anticipates the market will begin to bottom out in FY 2009.

Next we will examine the Mobile Contents business. The market has been steadily growing with emergence of the iPhone and other smartphones. Nonetheless, as the customers in the mobile content market are mostly casual gamers, we are concerned that the decelerating trends in both mobile phone and game content sales are the result of the present economic climate. Thus, there is a possibility that growth will slow.. Furthermore, currently a number of game publishers in North America and Europe are restructuring. Publishers who failed to digitally deliver games directly to their customers are withdrawing, enabling top-ranked companies to dominate the market.

Now I will highlight the strategies and plans for the entire Contents Expansion business.

In both the Pachinko & Pachislo business as well as the mobile phone game business, Capcom will promote horizontal expansion of our game contents as a part of our single-content-multiple-usage strategy. The company will also establish a highly profitable business model, utilizing Capcom’s game development and content assets. We shall promote various measures to overcome the difficulties we encountered in the previous period, thus enabling both ventures to grow into medium-term businesses.

In regards to the performance of the Contents Expansion business in FY 2008, strategy mishaps and postponed title releases in both the Pachinko & Pachislo business and Mobile Contents business negatively affected results. Net sales were 75.9% of the revised plan, and while operating income was slightly less than the JPY 0.5 billion deficit of the revised plan, there was still a significant drop in revenue and an increase in losses. Looking at business performance in FY 2009, we expect JPY 9.2 billion in net sales, and JPY 1.8 billion in operating income, and an operating margin of 19.6%. The percentage of net sales in both businesses is 50%.

Next, I will discuss the strategies for each individual business.

First, let's look at our Pachinko & Pachislo business strategy.

Essentially, we are going to reduce our business risks by achieving a healthy balance between the in-house game machines business and contracted business. Based on lessons learned from our experience in the previous term, we aim to improve the following points: 1) dispersed product development structure, 2) weak sales outlets, 3) sales representatives' lack of knowledge, and 4) lack of promotional activities. As for product development structure, we intend to integrate Enterrise Co., Ltd. and our development branch in order to establish an effective product development system capable of creating hit products. We also have been increasing the number of distribution agents in efforts to expand nationwide sales outlets; currently we have finalized contracts with more than 40 distributors. Furthermore, in order to improve results for our second in-house game machine, we are striving to strengthen the marketing division and promotional activities for our products, as well as thoroughly train sales representatives.

We are planning to launch three models of our in-house game machines and sell 14,000 total units. The second model, "Vampire," will be on the market in July 2009.

Now let's examine our Mobile Contents business.

In order to regain profits, Capcom will actively release games for the iPhone and other new mobile phones, and utilize our existing game contents by releasing new games for our domestically popular series. The first step is to release the newest title in the "Ace Attorney" series, "Apollo Justice: Ace Attorney," in efforts to broaden our name recognition and attract new customers. In North American and European markets, we will establish an effective business organization by administering it unilaterally, and enrich title lineups for existing mobile phones, with the goal of improving profitability. Moreover, focusing on the digital distribution of video games on smart phones as a growing market, we will increase the number of titles released. This will help us to better consolidate a portfolio of games aimed at the casual gamer.

P.32-33 Other Business

Next I will highlight the strategies and our plans for other businesses.

Businesses included in the other business category form the primary focus of Capcom's single-content-multiple-usage strategy, and are utilized to improve both profits and our brand value. In the field of licensing-out movie and video production domestically and abroad, the animated television program "Sengoku BASARA" began airing in April 2009. We will hold various events, such as stage adaptations and orchestral performance that incorporate our video game contents, as well as reinforcing other promotional activities. We believe that holding events appeals to both existing customers and potential new customers. The "Orchestral concert for 5th anniversary of Monster Hunter" held on May 6, 2009 was a great success; a sequel to the stage adaptation of "Ace Attorney" by the Takarazuka Revue Company is also planned. We will also look to expand our card-based game business, primarily focusing the "Monster Hunter Trading Card Game."

P.34-35 Earnings forecasts for the year ending March 31, 2010

Here I will discuss our earnings forecasts for the year ending March 31, 2010.

As a result of the growing Home Video Games business and the improved Contents Expansion business, we anticipate JPY 95 billion in net sales, JPY 15.5 billion in operating income, an operating margin of 16.3%, JPY 14.7 billion in ordinary income, and JPY 8.5 billion in net income. Net income per share is expected to be 137.48 yen. Regarding common dividends, the interim dividend in the second quarter will be 15 yen per share, while the year-end dividend will be 20 yen per share, combining for a total annual dividend of 35 yen per share.

We ask for your continued support throughout this term as we, the companies of the group, work together to achieve the goals of this plan.