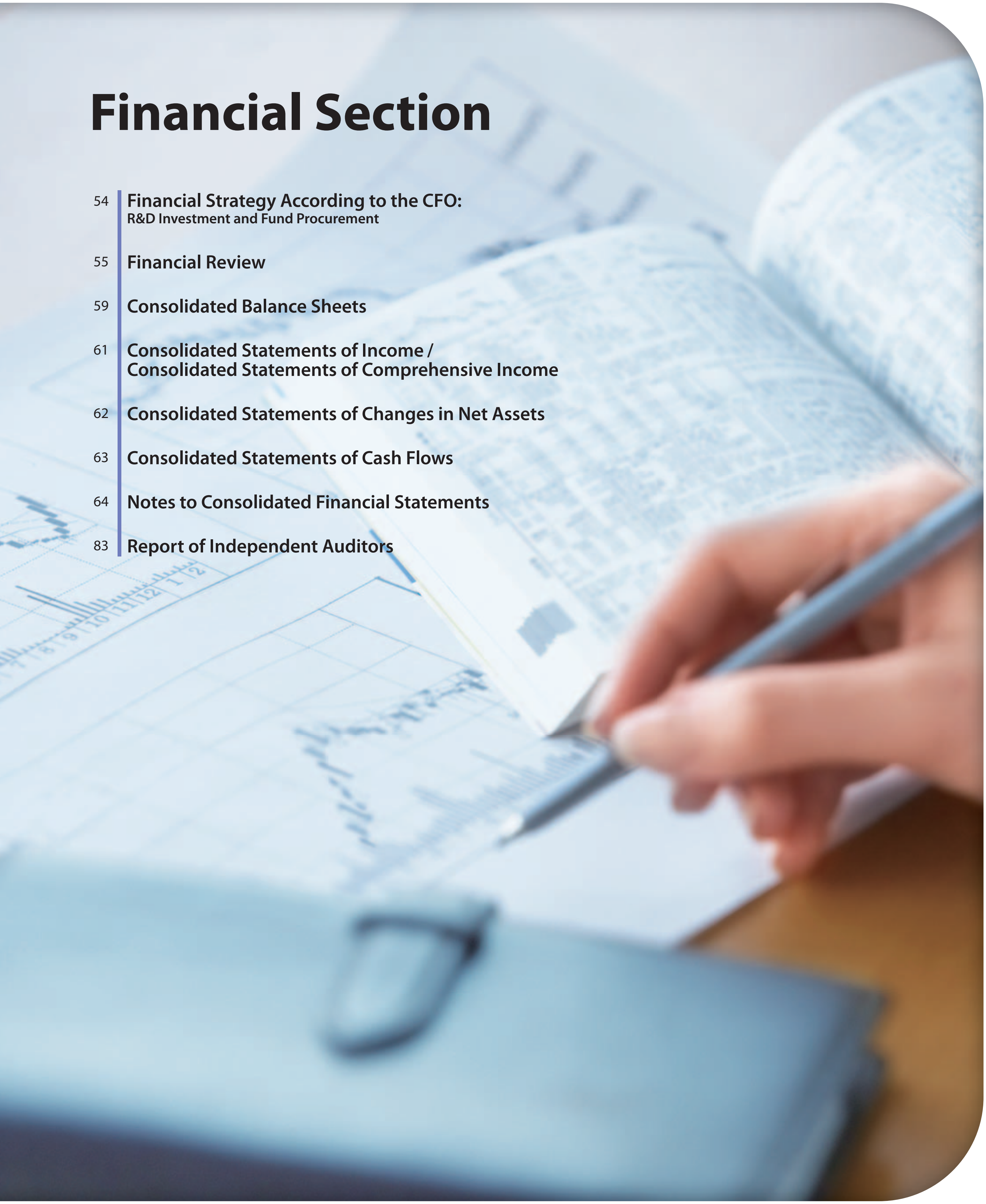
Financial Section



Net Cash Strategy for Supporting Investments in Online Game Development

Capcom has set a financial goal of improving net cash to build a lean financial foundation without waste while at the same time securing funding to invest in growth and increasing shareholder returns.

The reason behind the goal is the significant evolution underway in the game software market due to the incorporation of mobile and SNS platforms in addition to home games and PC online games, which represents a business opportunity for Capcom. We have therefore formulated growth strategies for our online and mobile businesses in addition to our basic strategy of developing high-quality content, and have sought to reinforce our investments in development.

We will seek stable growth over the medium- and long-term by raising profitability through our growth strategies and generating high level of cash flows.

Tamio Oda
Director and Executive Vice President and
Chief Financial Officer (CFO)

1. Securing Funding to Invest in Growth

Capcom believes this is the right time for investing in growth. We have therefore been improving our net cash position and preparing to meet the funding needs of annual growth in development investments by maximizing our free cash flows.

Net cash generated in the year ended March 2011 was 27.6 billion yen, due to factors including the success of several major titles, increasing by 15.5 billion yen over the previous year.

Analysis of past fiscal years showed that net cash used in the year ended March 1996 was 66.2 billion, excluding interest-bearing debt from cash deposits. Considering that net cash generated in the year ended March 2011 was 27.6 billion, this represents an improvement of nearly 100 billion yen over the past 15 years.

Next, from the standpoint of the "first stage of structural reforms" for substantially strengthening management, net cash used in the year ended March 2004 was 17 billion yen compared with 27.6 billion yen in net cash generated in the year ended March 2011. Following the first and second stage of structural reforms, our cash position has improved by approximately 45 billion yen over the past seven years. During this period, net cash used for convertible bonds was 13.5 billion yen, with 11.5 billion yen generated by issuing bonds and 25 billion yen used to redeem the bonds at maturity, which means we have been generating nearly 60 billion yen from operating activities to offset the net cash used.

2. Increasing Shareholder Returns

Capcom believes it is important to provide returns to shareholders and seeks to: (1) enhance corporate value by achieving growth through investments and other means and (2) maintain stable dividend payments commensurate with business performance.

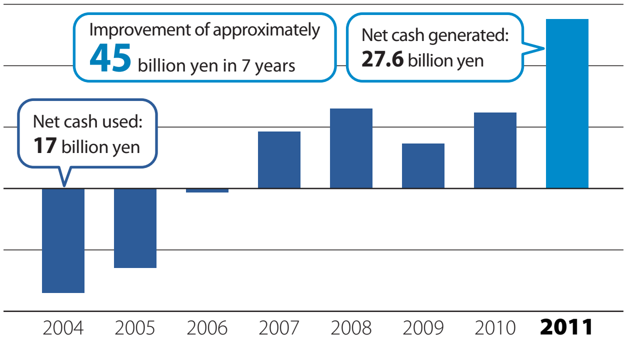
For the year ended March 2011, we raised our dividend payment by 5 yen to a total annual dividend of 40 yen. As a result, our payout ratio was 30.5%.

Following analysis of past fiscal years, Capcom paid 20 yen per share from the year ended March 1998 to the year ended March 2006. From the year ended March 2007, we increased dividends to 30 yen per share as the structural reforms enabled us to establish a stable profit base. Since the year ended March 2009, we had been paying 35 yen per share, but at present, we are paying a dividend of 40 yen per share.

We have also acquired approximately 13 billion yen in treasury stock since the year ended March 2004. We will seek further improvement in net cash to continue strengthening investments for growth and to deliver returns to shareholders.

Net Cash on Historical Basis

(Billions of yen)



(YEARS ENDED MARCH 31)

Financial Review

1. Operating Results

Capcom Co., Ltd. would like to announce that net sales for the current fiscal year increased to 97,716 million yen (up 46.2 % from the previous fiscal year). As for profits, operating income increased to 14,295 million yen (up 155.8 % from the previous fiscal year), and ordinary income increased to 12,861 million yen (up 132.6% from the previous fiscal year). Net income for the current fiscal year increased to 7,750 million yen (up 257.6% from the previous fiscal year) in spite of special losses on restructuring (1,453 million yen), disaster (105 million yen) and others.

2. Sales and Profits

(1) Net Sales

Net sales in the current fiscal year were 97,716 million yen (up 46.2% from the previous fiscal year). This was primarily a result of record-breaking sales of "Monster Hunter Freedom 3" for the PSP, a flagship title developed by our core Consumer Online Games Business that sold over 4.6 million units in the shortest time ever, playing a lead role in earnings improvement.

The major titles "Dead Rising 2" and "MARVEL VS. CAPCOM 3 Fate of Two Worlds" targeting overseas markets sold over 2 million units each, and through the success of the distinctive characteristics of each type of content, earnings received a boost from a total of five million-seller titles.

In the Mobile Contents Business, we began distributing "Smurfs' Village" through a tie-up with Facebook, and have received a far greater number of downloads than initially anticipated. In the Amusement Equipments Business, the "Sengoku BASARA 2" Pachislo machine continues to perform well, with the entire segment (excluding Arcade Operations) performing better than the previous fiscal year.

As a result of these conditions, net sales were significantly higher than the previous fiscal year, and the Company's highest net sales on record at 66,837 million yen.

(2) (Cost of sales, Selling, general and administrative expenses) Operating Income

Cost of sales was 60,371 million yen (up 42.6% from the previous fiscal year), gross profit was 37,304 million yen (up 50.9% from the previous fiscal year) and selling, general and administrative expenses were 23,009 million yen (up 20.3% from the previous fiscal year).

In the current fiscal year, the Consumer Online Business produced a total of five million-seller titles, and incurred development costs related to the sales of major titles, resulting in cost of sales increases of 18,032 million yen compared to the previous fiscal year.

Also, increased advertising expenses related to major titles developed by the Consumer Online Business resulted in selling, general and administrative expense increases of 3,876 million yen compared to the previous fiscal year.

As a result, operating income was 14,295 million yen (up 155.8% from the previous fiscal year) and the operating margin was 14.6%, a significant improvement in earnings.

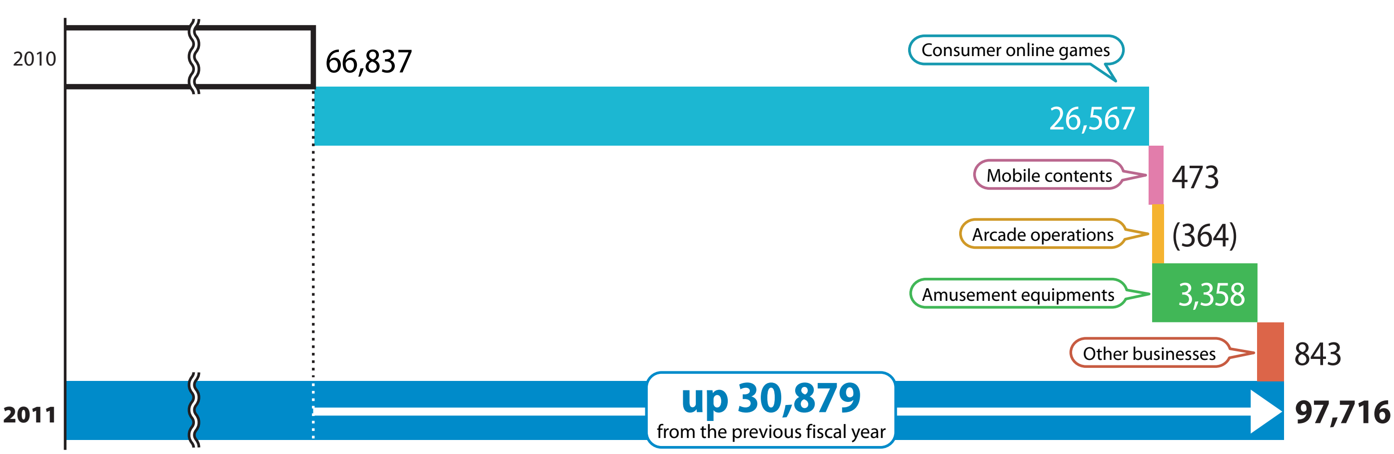
(3) Other Earnings (expenses), Net Income

Non-operating income in the current fiscal year totaled 231 million yen, and non-operating expenses, which posted foreign exchange loss on assets denominated in foreign currencies, was 1,664 million yen.

Also, in the current fiscal year, execution of the second phase of our structural reforms required us to record a 1,453 million yen loss on restructuring resulting from a review of the development title lineup in our Consumer Online Business, among other activities. Furthermore, the Great East Japan Earthquake, which struck on March 2011 and damaged arcade operations in the Tohoku and Kanto regions, required the Company to record further losses of 105 million yen.

Net sales

(Millions of yen)



Note: Figures for the fiscal year ended March 31, 2010, have been retroactively adjusted to match the new segment classifications.

As a result, despite recording special losses totaling 2,281 million yen, Capcom recorded net income of 7,750 million yen (up 257.6% from the previous fiscal year).

3. Status of Each Operational Department

(1) Consumer Online Games

In this business segment, 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. "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.

The resulting net sales increased to 70,269 million yen (up 60.8% from the previous fiscal year), and the operating income was 12,499 million yen (up 59.5% from the previous fiscal year).

(2) Mobile Contents

As social games that are highly compatible with mobile phones underwent rapid growth, we were able to reach diverse new users, with members exceeding one million people for "MONHAN NIKKI MOBILE AIRU MURA" distributed exclusively through one of the Japanese mobile SNS "Mobage".

In addition to "Ghost Trick" that was released for iPhone/iPod touch fared well, "Street Fighter IV" released in the previous term also achieved its projected sales.

Meanwhile, there have been positive surprises as well, such as the number of downloads of "Smurfs' Village", distributed through Facebook, United States, exceeding our projection by far, as well as the steady increase in the membership of "Zombie Cafe".

The resulting net sales increased to 4,028 million yen (up 13.3 % from the previous fiscal year), and the operating income was 1,366 million yen (up 83.2 % from the previous fiscal year).

(3) Arcade Operations

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.

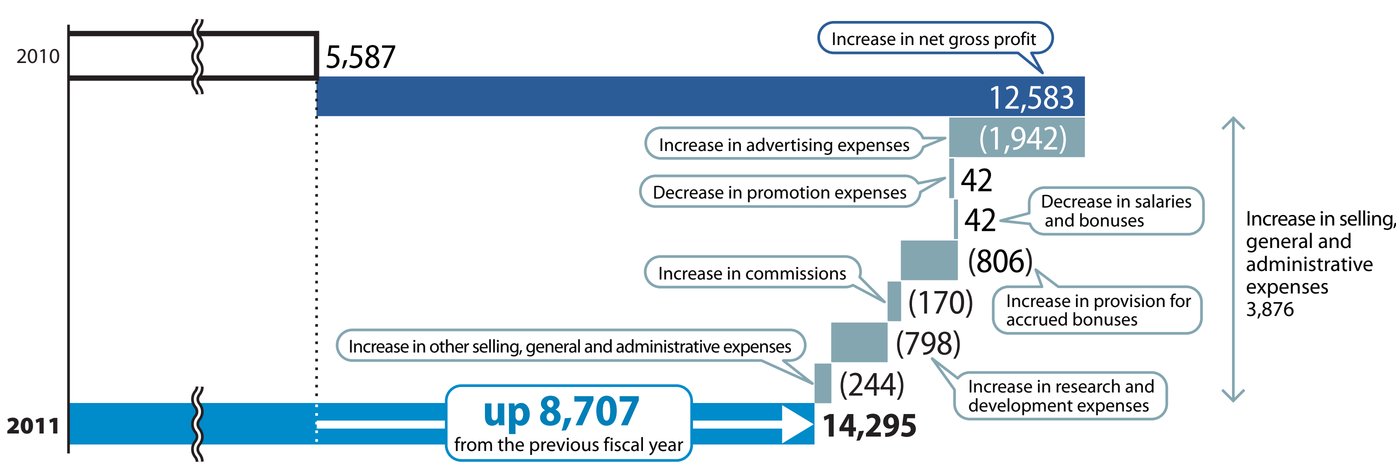
Meanwhile, ten of Capcom's arcades seriously suffered damages and loss of properties by the Great East Japan Earthquake in March 2011. Although they were forced to shut down temporarily, three of the ten subsequently managed to reopen for business.

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

As a result, while net sales decreased to 11,621 million yen (down 3.0%

Operating income

(Millions of yen)



Financial Section

from the previous fiscal year), the operating income increased to 1,131 million yen (up 91.5% from the previous fiscal year).

(4) Amusement Equipments

While the market conditions remained soft for arcade game machines, this business segment saw the video game machine "Super Street Fighter IV: Arcade Edition" perform solidly.

As for the Pachislo machine business, in addition "Sengoku BASARA 2" showing strong performance, "Onimusha: Dawn of Dreams" launched during the previous fiscal year remained a long-seller, contributing to improved profit.

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

The resulting net sales increased to 7,903 million yen (up 73.9% from the previous fiscal year), and the operating income was 2,638 million yen (compared with the operating loss of 347 million yen for the previous fiscal year).

(5) Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, increased to 3,893 million yen (up 27.7% from the previous fiscal year), and the operating income was 1,098 million yen (up 8.0% from the previous fiscal year).

4. Analysis of Assets, Liabilities and Net Assets

(1) Assets

Total assets increased by 3,786 million yen from the previous fiscal year to 90,408 million yen.

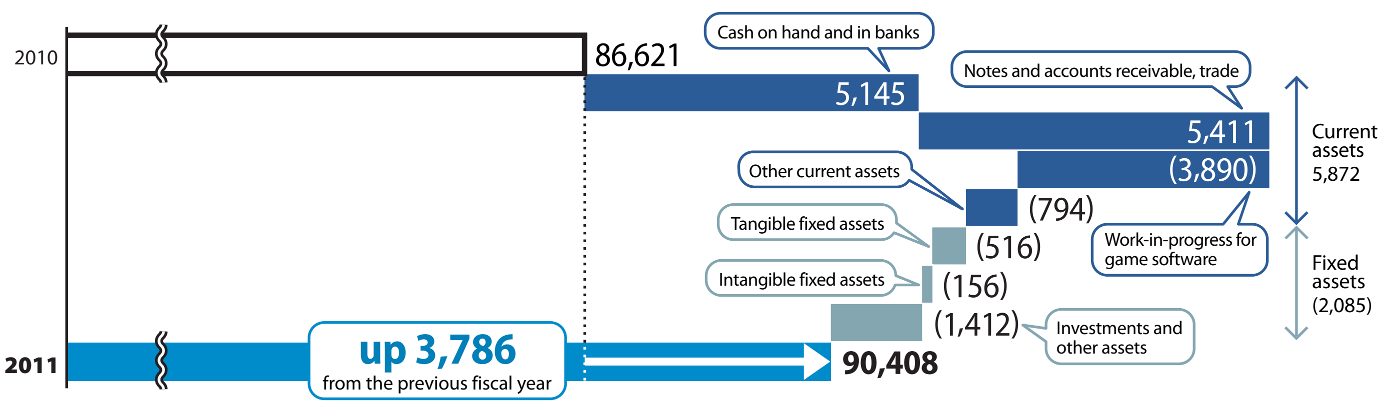
The primary components of the change were increase in cash on hand and in banks of 5,145 million yen and in notes and accounts receivable, trade of 5,411 million yen, and decrease in work-in-progress for game software of 3,890 million yen.

(2) Liabilities

Liabilities decreased by 264 million yen from the previous fiscal year

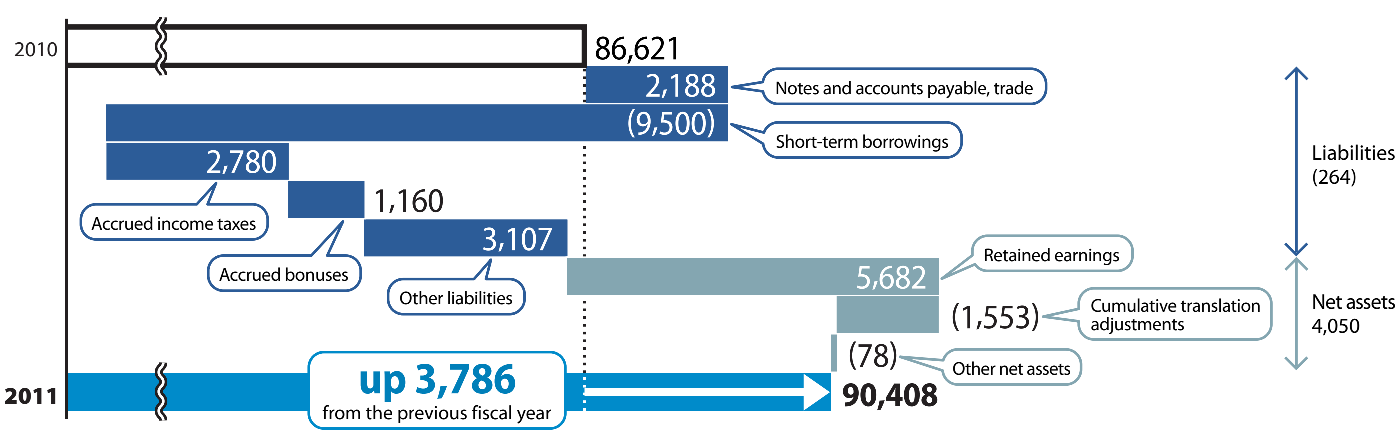
Assets

(Millions of yen)



Liabilities, Net assets

(Millions of yen)



to 32,400 million yen.

The primary components of the change were increase in accrued income taxes of 2,780 million yen, in notes and accounts payable, trade of 2,188 million yen and in accrued bonuses of 1,160 million yen, and decrease in short-term borrowings of 9,500 million yen.

(3) Net assets

Net assets increased by 4,050 million yen from the previous fiscal year to 58,007 million yen.

The primary components of the change were net income of 7,750 million yen, cash dividends of 2,068 million yen and decrease in cumulative translation adjustments of 1,553 million yen (for the foreign currency translation of the net assets of consolidated overseas subsidiaries).

5. Analysis of Cash Flow

Cash and cash equivalents (hereafter referred to as "Cash") as of the end of the current fiscal year increased by 5,196 million yen from the previous fiscal year to 35,011 million yen. Cash flow positions of each activity and their factors are described below.

(1) Cash flows from operating activities

Net cash provided by operating activities increased to 22,392 million yen (14,320 million yen in the previous fiscal year).

Some of the main contributors to the increase were the following: 10,807 million yen in net income before income taxes (1,124 million yen in the previous fiscal year); increase in other current liabilities of 3,186 million yen (decrease of 1,296 million yen in the previous fiscal year); depreciation and amortization of 3,315 million yen (3,368 million yen in the previous fiscal year); decrease in work-in-progress for game software of 3,246 million yen (increase of 5,545 million yen in the previous fiscal year); increase in notes and accounts payable, trade of 2,264 million yen (decrease of 5,952 million yen in the previous fiscal year); increase in accrued bonuses of 1,180 million yen (decrease of 755 million yen in the previous fiscal year). The decrease is attributable mainly to increase in notes and accounts receivable, trade of 5,531 million yen (decrease of 20,897 million yen in the previous fiscal year).

(2) Cash flows from investing activities

Net cash used in investing activities increased to 2,046 million yen (1,618 million yen in the previous fiscal year).

Some of the main contributors to the increase were the following: 1,734 million yen in payment for acquisitions of tangible fixed assets (1,693 million yen in the previous fiscal year); 482 million yen in purchase of investments in subsidiaries; 429 million yen in payment for acquisitions of intangible fixed assets (289 million yen in the previous fiscal year). The decrease was attributable mainly to 290 million yen in Proceeds from sales of investments in securities.

(3) Cash flows from financing activities

Net cash used in financing activities increased to 12,919 million yen (10,747 million yen in the previous fiscal year).

This increase was mainly attributable to the following: 12,500 million yen in repayments of short-term borrowings (2,555 million yen in the previous fiscal year); 2,064 million yen in dividends paid by parent company (1,829 million yen in the previous fiscal year). The decrease was attributable mainly to 3,000 million yen in proceeds from long-term borrowings.

Trends of Cash Flow Indicators

	Year ended March 2009	Year ended March 2010	**Year ended March 2011**
Shareholders' equity ratio to total assets (%)	55.9	62.3	**64.2**
Shareholders' equity ratio to total assets based on fair market value (%)	101.5	120.5	**103.9**
Debt amortization ratio to cash flows from operating activities (%)	—	122.7	**32.8**
Interest coverage ratio (times)	—	86.9	**155.8**

Shareholders' equity ratio to total assets: Shareholders' equity / Total assets

Shareholders' equity ratio to total assets based on fair market value: Total of the capital stock at market price / Total assets

Debt amortization ratio to cash flows: Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest payments

(Note 1) Total market value of shares is calculated based on the number of shares as of the end of the fiscal year excluding treasury stock.

(Note 2) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

(Note 3) As the cash flows from operating activities fell into red in fiscal year ended March 2009, debt amortization ratio to cash flows from operating activities and interest coverage ratio have been omitted.

Consolidated Balance Sheets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2011 AND 2010

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Assets)			
Current assets :			
Cash on hand and in banks [Note 10 (1) and 12]	29,865	**35,011**	**421,824**
Notes and accounts receivable, trade [Note 12]	6,288	**11,700**	**140,969**
Merchandise and finished goods	849	**849**	**10,235**
Work-in-progress	183	**340**	**4,100**
Raw materials and supplies	1,698	**1,075**	**12,960**
Work-in-progress for game software	14,333	**10,443**	**125,825**
Deferred tax assets [Note 15 (1)]	3,204	**5,210**	**62,775**
Other	4,927	**2,582**	**31,115**
Allowance for doubtful accounts	(48)	**(37)**	**(454)**
Total current assets	61,303	**67,176**	**809,351**
Fixed assets :			
Tangible fixed assets, net of accumulated depreciation [Note 6 (1)]			
Buildings and structures, net [Note 6 (2)]	5,259	**5,455**	**65,733**
Machinery and vehicles, net	43	**28**	**346**
Tools, fixtures and furniture, net	823	**894**	**10,771**
Rental equipment, net	13	**0**	**0**
Equipment for amusement facilities, net	2,251	**1,815**	**21,868**
Land [Note 6 (2)]	4,386	**4,408**	**53,118**
Leased assets, net [Note 11 (2)]	965	**924**	**11,140**
Construction-in-progress	305	**5**	**68**
Total tangible fixed assets	14,049	**13,532**	**163,047**
Intangible assets			
Goodwill	179	**412**	**4,973**
Other	3,048	**2,658**	**32,030**
Total intangible assets	3,227	**3,071**	**37,003**
Investments and other assets			
Investments in securities [Notes 6 (3) and 13]	957	**390**	**4,702**
Long-term loans receivable	0	**—**	**—**
Deferred tax assets [Note 15 (1)]	1,339	**1,150**	**13,861**
Claim in bankruptcy and reorganization	909	**922**	**11,112**
Lease deposits [Note 12]	5,266	**4,741**	**57,128**
Other	586	**392**	**4,726**
Allowance for doubtful accounts	(1,019)	**(968)**	**(11,674)**
Total investments and other assets	8,040	**6,628**	**79,858**
Total fixed assets	25,318	**23,232**	**279,909**
Total assets	86,621	**90,408**	**1,089,260**

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2011 AND 2010

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
Current liabilities :			
Notes and accounts payable, trade [Note 12]	3,477	**5,665**	**68,257**
Short-term borrowings [Notes 6 (2), 12 and 24]	13,211	**3,711**	**44,711**
Lease obligations [Note 24]	578	**507**	**6,114**
Accrued income taxes	663	**3,443**	**41,488**
Deferred tax liabilities [Note 15 (1)]	58	**30**	**372**
Accrued bonuses	1,318	**2,478**	**29,864**
Allowance for sales returns	90	**130**	**1,576**
Other	5,814	**8,982**	**108,220**
Total current liabilities	25,211	**24,950**	**300,604**
Long-term liabilities :			
Long-term borrowings [Notes 6 (2), 12 and 24]	4,355	**3,644**	**43,911**
Lease obligations [Note 24]	459	**461**	**5,557**
Deferred tax liabilities [Note 15 (1)]	4	**232**	**2,801**
Accrued retirement benefits for employees [Note 14 (2)]	1,388	**1,383**	**16,670**
Asset retirement obligations [Notes 17 and 25]	—	**340**	**4,107**
Other	1,244	**1,387**	**16,720**
Total long-term liabilities	7,453	**7,450**	**89,768**
Total liabilities	32,665	**32,400**	**390,372**
(Net assets)			
Shareholders' equity :			
Common stock	33,239	**33,239**	**400,473**
Capital surplus	21,328	**21,328**	**256,974**
Retained earnings	17,262	**22,945**	**276,448**
Treasury stock	(13,141)	**(13,143)**	**(158,350)**
Total shareholders' equity	58,689	**64,370**	**775,545**
Accumulated other comprehensive income :			
Net unrealized gain or loss on securities, net of tax	19	**(56)**	**(683)**
Cumulative translation adjustments	(4,752)	**(6,305)**	**(75,974)**
Total accumulated other comprehensive income	(4,732)	**(6,362)**	**(76,657)**
Total net assets	53,956	**58,007**	**698,887**
Total liabilities and net assets	86,621	**90,408**	**1,089,260**

The accompanying notes are an integral part of these financial statements.

Financial Section

Consolidated statements of income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2009 to March 31, 2010) Millions of yen	**Current fiscal year (From April 1, 2010 to March 31, 2011)** Millions of yen	**Current fiscal year (From April 1, 2010 to March 31, 2011)** Thousands of U.S. dollars
Net sales	66,837	**97,716**	**1,177,306**
Cost of sales	42,339	**60,371**	**727,370**
Gross profit	24,497	**37,344**	**449,936**
Reversal of allowance for sales returns	222	**—**	**—**
Provision of allowance for sales returns	—	**40**	**485**
Net gross profit	24,720	**37,304**	**449,451**
Selling, general and administrative expenses [Notes 7 (1) and (3)]	19,133	**23,009**	**277,221**
Operating income	5,587	**14,295**	**172,229**
Non-operating income :			
Interest income	411	**122**	**1,479**
Dividend income	26	**19**	**235**
Other	193	**89**	**1,074**
Total	631	**231**	**2,788**
Non-operating expenses :			
Interest expense	165	**143**	**1,732**
Exchange loss, net	171	**1,102**	**13,283**
Provision of allowance for doubtful accounts	2	**—**	**—**
Commissions	119	**60**	**726**
Loss on closing amusement facilities	121	**—**	**—**
Contributions	—	**141**	**1,698**
Other	106	**217**	**2,615**
Total	687	**1,664**	**20,056**
Ordinary income	5,530	**12,861**	**154,962**
Special gains :			
Reversal of allowance for doubtful accounts	70	**38**	**459**
Reversal of accrued bonuses	162	**—**	**—**
Gain on sales of investments in securities	—	**45**	**542**
Net gain on the change of the retirement benefits plans [Note 14 (2)]	—	**139**	**1,676**
Other	—	**4**	**53**
Total	233	**226**	**2,731**
Special losses :			
Loss on sales and/or disposal of fixed assets [Note 7 (2)]	76	**95**	**1,146**
Loss on revaluation of investments in securities [Note 13 (2)]	5	**259**	**3,125**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**204**	**2,460**
Impairment loss [Note 7 (4)]	223	**149**	**1,806**
Loss on settlement of litigation	152	**—**	**—**
Loss on restructuring [Note 7 (5)]	4,182	**1,453**	**17,507**
Loss on disaster	—	**105**	**1,276**
Other	—	**13**	**165**
Total	4,639	**2,281**	**27,487**
Net income before income taxes	1,124	**10,807**	**130,205**
Income taxes-current	1,299	**4,654**	**56,082**
Income taxes-from previous fiscal years	(1,761)	**—**	**—**
Income taxes-deferred	(582)	**(1,598)**	**(19,261)**
Total	(1,043)	**3,056**	**36,821**
Net income before minority interests	—	**7,750**	**93,384**
Net income	2,167	**7,750**	**93,384**

Consolidated statements of comprehensive income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEAR ENDED MARCH 31

	Previous fiscal year (From April 1, 2009 to March 31, 2010) Millions of yen	**Current fiscal year (From April 1, 2010 to March 31, 2011)** Millions of yen	**Current fiscal year (From April 1, 2010 to March 31, 2011)** Thousands of U.S. dollars
Net income before minority interests	—	**7,750**	**93,384**
Other comprehensive income [Note 8 (2)]			
Net unrealized gain or loss on securities, net of tax	—	**(76)**	**(921)**
Cumulative translation adjustments	—	**(1,553)**	**(18,715)**
Total other comprehensive income	—	**(1,629)**	**(19,637)**
Comprehensive income [Note 8 (1)]	—	**6,121**	**73,747**
Comprehensive income attributable to:			
Owners of the parent	—	**6,121**	**73,747**
Minority interests	—	**—**	**—**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2010 to March 31, 2011)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shareholders' equity			
Common stock			
Opening balance	33,039	**33,239**	**400,473**
Change of items during the fiscal year			
Issuance of new stocks	200	**—**	**—**
Total changes of items during the fiscal year	200	**—**	**—**
Ending balance	33,239	**33,239**	**400,473**
Capital surplus			
Opening balance	21,129	**21,328**	**256,974**
Change of items during the fiscal year			
Issuance of new stocks	199	**—**	**—**
Disposition of treasury stock	0	**(0)**	**(0)**
Total changes of items during the fiscal year	199	**(0)**	**(0)**
Ending balance	21,328	**21,328**	**256,974**
Retained earnings			
Opening balance	17,000	**17,262**	**207,979**
Decrease by change in accounting policies for foreign subsidiaries [Note 9 (4)]	(74)	**—**	**—**
Change of items during the fiscal year			
Cash dividends [Note 9 (3)]	(1,831)	**(2,068)**	**(24,916)**
Net income	2,167	**7,750**	**93,384**
Total changes of items during the fiscal year	336	**5,682**	**68,468**
Ending balance	17,262	**22,945**	**276,448**
Treasury stock			
Opening balance	(8,015)	**(13,141)**	**(158,326)**
Change of items during the fiscal year			
Repurchase of treasury stock	(5,125)	**(2)**	**(24)**
Disposition of treasury stock	0	**0**	**0**
Total changes of items during the fiscal year	(5,125)	**(2)**	**(24)**
Ending balance	(13,141)	**(13,143)**	**(158,350)**
Total shareholders' equity			
Opening balance	63,152	**58,689**	**707,101**
Decrease by change in accounting policies for foreign subsidiaries	(74)	**—**	**—**
Change of items during the fiscal year			
Issuance of new stocks	400	**—**	**—**
Cash dividends	(1,831)	**(2,068)**	**(24,916)**
Net income	2,167	**7,750**	**93,384**
Repurchase of treasury stock	(5,125)	**(2)**	**(24)**
Disposition of treasury stock	0	**0**	**0**
Total changes of items during the fiscal year	(4,389)	**5,680**	**68,444**
Ending balance	58,689	**64,370**	**775,545**

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	Current fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2010 to March 31, 2011)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated other comprehensive income			
Net unrealized gain or loss on securities, net of tax			
Opening balance	(12)	**19**	**238**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	32	**(76)**	**(921)**
Total changes of items during the fiscal year	32	**(76)**	**(921)**
Ending balance	19	**(56)**	**(683)**
Cumulative translation adjustments			
Opening balance	(3,790)	**(4,752)**	**(57,258)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(962)	**(1,553)**	**(18,715)**
Total changes of items during the fiscal year	(962)	**(1,553)**	**(18,715)**
Ending balance	(4,752)	**(6,305)**	**(75,974)**
Total accumulated other comprehensive income			
Opening balance	(3,803)	**(4,732)**	**(57,020)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(929)	**(1,629)**	**(19,637)**
Total changes of items during the fiscal year	(929)	**(1,629)**	**(19,637)**
Ending balance	(4,732)	**(6,362)**	**(76,657)**
Total net assets			
Opening balance	59,349	**53,956**	**650,080**
Decrease by change in accounting policies for foreign subsidiaries	(74)	**—**	**—**
Change of items during the fiscal year			
Issuance of new stocks	400	**—**	**—**
Cash dividends	(1,831)	**(2,068)**	**(24,916)**
Net income	2,167	**7,750**	**93,384**
Repurchase of treasury stock	(5,125)	**(2)**	**(24)**
Disposition of treasury stock	0	**0**	**0**
Net changes of items other than shareholders' equity	(929)	**(1,629)**	**(19,637)**
Total changes of items during the fiscal year	(5,318)	**4,050**	**48,806**
Ending balance	53,956	**58,007**	**698,887**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities :			
Net income before income taxes	1,124	**10,807**	**130,205**
Depreciation and amortization	3,368	**3,315**	**39,946**
Impairment loss	223	**149**	**1,806**
Amortization of goodwill	229	**239**	**2,885**
Decrease in allowance for doubtful accounts	(351)	**(56)**	**(685)**
Increase (decrease) in accrued bonuses	(755)	**1,180**	**14,220**
Increase (decrease) in allowance for sales returns	(222)	**40**	**485**
Decrease (increase) in accrued retirement benefits for employees	216	**(4)**	**(56)**
Decrease in accrued retirement benefits for directors	(406)	**—**	**—**
Interest and dividend income	(438)	**(142)**	**(1,714)**
Interest expense	165	**143**	**1,732**
Exchange loss, net	162	**1,039**	**12,529**
Loss on sales and/or disposal of fixed assets	76	**95**	**1,146**
Gain on sales of investment in securities	—	**(45)**	**(542)**
Loss on revaluation of investments in securities	5	**259**	**3,125**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**204**	**2,460**
Loss on settlement of litigation	152	**—**	**—**
Loss on restructuring	4,182	**1,453**	**17,507**
Loss on disaster	—	**105**	**1,276**
Increase (decrease) in accounts receivable, trade	20,897	**(5,531)**	**(66,645)**
Decrease in inventories	1,095	**409**	**4,932**
Decrease (increase) in work-in-progress for game software	(5,545)	**3,246**	**39,108**
Increase (decrease) in notes and accounts payable, trade	(5,952)	**2,264**	**27,282**
Decrease (increase) in other current assets	(230)	**57**	**696**
Increase (decrease) in other current liabilities	(1,296)	**3,186**	**38,393**
Bonuses to directors	(84)	**—**	**—**
Other	225	**913**	**11,011**
Sub total	16,839	**23,331**	**281,107**
Interest and dividends received	335	**141**	**1,707**
Interest paid	(167)	**(144)**	**(1,743)**
Payment for settlement of litigation	—	**(161)**	**(1,948)**
Income taxes paid	(2,687)	**(774)**	**(9,330)**
Net cash provided by operating activities	14,320	**22,392**	**269,791**
Cash flows from investing activities :			
Payment for acquisition of tangible fixed assets	(1,693)	**(1,734)**	**(20,903)**
Proceeds from sales of tangible fixed assets	0	**1**	**15**
Payment for acquisition of intangible assets	(289)	**(429)**	**(5,171)**
Payment for purchase of investments in securities	(12)	**(12)**	**(149)**
Proceeds from sales of investments in securities	—	**290**	**3,498**
Collection of loans receivable	44	**1**	**14**
Purchase of investments in subsidiaries	—	**(482)**	**(5,814)**
Payment for other investing activities	(225)	**(166)**	**(2,001)**
Proceeds from other investing activities	557	**485**	**5,852**
Net cash used in investing activities	(1,618)	**(2,046)**	**(24,659)**
Cash flows from financing activities :			
Repayments of short-term borrowings	(2,555)	**(12,500)**	**(150,602)**
Proceeds from long-term borrowings	—	**3,000**	**36,144**
Repayments of long-term borrowings	(711)	**(711)**	**(8,571)**
Repayments of lease obligations	(525)	**(640)**	**(7,721)**
Payment for repurchase of treasury stock	(5,125)	**(2)**	**(24)**
Proceeds from sales of treasury stock	0	**0**	**0**
Dividends paid by parent company	(1,829)	**(2,064)**	**(24,877)**
Net cash used in financing activities	(10,747)	**(12,919)**	**(155,652)**
Effect of exchange rate changes on cash and cash equivalents	(751)	**(2,230)**	**(26,876)**
Net increase in cash and cash equivalents	1,203	**5,196**	**62,603**
Cash and cash equivalents at beginning of year	28,611	**29,815**	**359,220**
Cash and cash equivalents at end of year [Note 10 (1)]	29,815	**35,011**	**421,824**

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing consolidated financial statements:
The accompanying consolidated financial statements of CAPCOM CO., LTD. (hereinafter referred to as the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of translation into U.S. dollar, it is rounded down to 1 thousand dollars).

The rate of ¥83=U.S.$1, the approximate current rate of exchange prevailing on March 31, 2011, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Significant accounting policies:
(1) Principles of consolidation
The consolidated financial statements consist of the accounts of the Company and those of its 13 majority-owned subsidiaries (all 14 companies are referred to collectively as the "Companies") at the relevant balance sheet date.

All significant inter-company transactions and accounts have been eliminated.

The investment in 20% to 50% owned companies (hereinafter referred to as "Affiliated companies") are, with minor exceptions, accounted for under the equity method.

The 13 subsidiaries are as follows:
CAPCOM U.S.A., INC. (U.S.A.)
CAPCOM ENTERTAINMENT, INC. (U.S.A.)
CAPCOM INTERACTIVE, INC. (U.S.A.)
CAPCOM GAME STUDIO VANCOUVER, INC. (Canada)
CAPCOM INTERACTIVE CANADA, INC. (Canada)
CE EUROPE LTD. (U.K.)
CEG INTERACTIVE ENTERTAINMENT GmbH (Germany)
CAPCOM ENTERTAINMENT FRANCE SAS (France)
CAPCOM ASIA CO., LTD. (Hong Kong)
CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
CAPTRON CO., LTD. (Japan)
K2 CO., LTD. (Japan)
ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:
STREET FIGHTER FILM, LLC (U.S.A.)

DELLGAMADAS CO., LTD., which is an affiliated company, is not accounted for under the equity method, as its impact is not significant to the consolidated net income or loss, or consolidated retained earnings.

(2) Investments in securities
Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end.

Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets", at the net of tax amount.

The cost of securities sold is determined based on the average cost of all such securities held at the time of sale.

Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods", "Work-in-progress", "Raw materials and supplies") and "Work-in-progress for game software"
Inventories are stated at the acquisition cost, cost being principally determined by the moving average cost method. (Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.)

Work-in-progress for game software, including development costs incurred by subcontractors for game machines, are stated at accumulated cost on a specific project basis. (Work-in-progress for game software are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.)

(4) Tangible fixed assets, except for leased assets
Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful lives of the respective assets, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets
Amortization of intangible assets is computed by the straight-line method.

The amortization period, except for computer software and online game contents, is based upon the individual estimated useful lives of the assets.

The amortization period for computer software and online game contents is based upon the estimated period of internal use (2 to 5 years) and the estimated period of online game services (2 to 3 years), respectively.

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(6) Leased assets

Depreciation of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

In the case there is any contract on guaranteed residual value for the lease, such guaranteed residual value is used as accounting residual one.

Leases that do not transfer ownership of the leased assets to the lessee as part of the lease, the contracts of which were made on or before March 31, 2008, are accounted for in a similar manner with ordinary rental transactions.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end.

This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Accrued retirement benefits for employees

The accrual for retirement benefits for employees is calculated based on the estimated amount of projected benefit obligations and the fair value of the plan assets at the year-end.

The unrecognized net transition obligation (¥552 million ($6,656 thousand)) is amortized over 15 years.

Unrecognized prior service liabilities are amortized over 8 years, the average remaining service period,commencing from the date on which they are incurred.

Unrecognized actuarial net gains or losses are amortized over 9 years, the average remaining service period, commencing from the following year in which they arise.

(Additional information)

The Company and some of its domestic subsidiaries have abolished the funded non contributory pension plans to replace them with the defined contribution pension plans since January 1, 2011. The Company and some of its domestic subsidiaries treated the above change as "Net gain on the change of the retirement benefits plans" to book ¥139 million ($1,676 thousand) in accordance with "Guidance on Accounting for Transfers between Retirement Benefit Plans" (The Accounting Standard Board of Japan (hereinafter referred to as "ASBJ") Guidance No.1 issued on January 31, 2002).

(10) Allowance for sales returns

The allowance for sales returns is provided for estimated losses resulting from sales returns subsequent to the balance sheet date and is based on prior loss experience.

(11) Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

(12) Amortization of goodwill

Goodwill is amortized by the straight-line method over 3 to 4 years. In the case its amount is minor, it is amortized at one time.

(13) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

3. Changes in accounting policies

(1) Equity method

Effective from the fiscal year ended March 31, 2011, the Companies have adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No.24 issued on March 10, 2008).

This accounting change has no impact on the consolidated statement of income for the current fiscal year.

(2) Asset retirement obligations

Effective from the fiscal year ended March 31, 2011, the Companies have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008).

This accounting change has decreased operating income and ordinary income by ¥33 million ($401 thousand) , respectively and net income before income taxes by ¥237 million ($2,861 thousand) for the current fiscal year.

(3) Business combinations

Effective from the fiscal year ended March 31, 2011, the Companies have adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7 issued on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on December 26, 2008), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on December 26, 2008).

4. Changes in presentation

(1) Consolidated statements of income

Effective from the fiscal year ended March 31, 2011, the Companies have adopted the Cabinet Office Ordinance No.5 issued on March 24, 2009 for partial amendment to regulations for the financial statements in accordance with "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008).

As a result, "Net income before minority interests" has been separately presented for the current fiscal year.

5. Additional information

(1) Consolidated statements of comprehensive income

Effective from the fiscal year ended March 31, 2011, the Companies have adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010).

However, "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" as of March 31, 2010 on the accompanying balance sheet were presented as "Valuation and translation adjustments" and "Total valuation and translation adjustments", respectively in the previous fiscal year.

6. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	16,105	**16,688**	**201,070**

(Note) The above balances include the accumulated impairment loss of tangible fixed assets.

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
① Pledged assets			
Land	3,902	**3,902**	**47,016**
Buildings	4,411	**4,285**	**51,630**
Total	8,313	**8,187**	**98,647**
② Secured debts			
Long-term borrowings due within one year	700	**700**	**8,433**
Long-term borrowings	1,330	**630**	**7,590**
Total	2,030	**1,330**	**16,024**

(3) Investments in affiliated companies

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments in securities	0	**0**	**0**

(4) Credit line

The Company has entered into a line of credit agreement with its banks by syndicate financing for the purpose of efficient and sustainable financing, and improvement of efficiency of funds operations and the company's financial flexibility.

The credit line under this contract and the unexercised balance at the end of the fiscal year are shown below:

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total credit line	26,500	**26,500**	**319,277**
Borrowings	12,500	**—**	**—**
Unexercised balance	14,000	**26,500**	**319,277**

7. Notes to consolidated statements of income

(1) Major items and the amounts under "Selling, general and administrative expenses"

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	3,680	**5,622**	**67,742**
Promotion expenses	1,619	**1,576**	**18,992**
Salaries and bonuses	4,473	**4,431**	**53,385**
Depreciation and amortization	844	**867**	**10,449**
Provision for accrued bonuses	469	**1,275**	**15,365**
Provision for retirement benefits for employees	94	**85**	**1,030**
Commissions	1,212	**1,382**	**16,657**
Research and development expenses	2,125	**2,924**	**35,232**

(2) The breakdown of "Loss on sales and / or disposal of fixed assets"

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Tools, fixtures and furniture	16	**13**	**165**
Equipment for amusement facilities	7	**71**	**863**
Other	52	**9**	**117**
Total	76	**95**	**1,146**

(3) Research and development expenses included in general and administrative expenses

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	2,125	**2,924**	**35,232**

(4) Impairment loss

The assets, for which the impairment losses were recognized, are as follows.

Usage	Account	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets to be disposed of	Equipment for amusement facilities	124	**149**	**1,806**
Assets to be disposed of	Rental equipment	47	**—**	**—**
Assets to be disposed of	Leased assets	37	**—**	**—**
Idle assets	Land	5	**—**	**—**
Other	Goodwill	9	**—**	**—**

(Previous fiscal year)
To measure an impairment, assets are principally grouped based on business segments such as "Home video games", "Arcade games", etc.
Whereas, rental assets, idle assets and online game contents are evaluated as separate groups.
The Companies made a decision on disposing of some assets to be disposed of.
As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of and recognize the impairment loss as shown above. The recoverable value for the assets to be disposed of was estimated at zero.
The Companies appraised the idle assets.
As a result of the appraisal, the Companies did not make sure of recoverabilities of the book value of the idle assets to recognized the impairment loss as shown above. The recoverable value for the idle assets was computed based on their net realizable value, which was appraised by a real estate appraiser.
The Companies faced remarkable changes in business environment due to their business restructuring.
As a result of the change, the Companies did not make sure of recoverabilities of the book value of the goodwill and recognized the impairment loss as shown above.
The recoverable value for the goodwill was estimated at zero.

(Current fiscal year)
To measure an impairment, assets are principally grouped based on business segments such as "Consumer online games", "Arcade operations", etc.
Whereas, rental assets, idle assets, assets to be disposed and online game contents are evaluated as separate groups.
The Companies made a decision on changing some business policies to a few stores in the "Arcade operations" business.
As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of and recognized the impairment loss as shown above. The recoverable value for the assets to be disposed of was estimated at zero.

(5) Loss on restructuring

(Previous fiscal year)

The Companies examined profitability for each business segment, and restructured the developmental organization of the pachinko and pachislot business etc.

As a result, the Companies wrote down some of the assets and booked ¥4,182 million of loss on restructuring for the previous fiscal year.

(Current fiscal year)

The Companies examined profitability for each business segment, and restructured the developmental organization of the online game business etc.

As a result, the Companies wrote down some of the assets and booked ¥1,453 ($17,507 thousand) million of loss on restructuring for the current fiscal year.

8. Notes to consolidated statements of comprehensive income

Current fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen	Thousands of U.S. dollars
(1) Comprehensive income for the previous fiscal year		
Comprehensive income attributable to:		
Owners of the parent	**1,238**	**14,917**
Minority interests	**—**	**—**
Total	**1,238**	**14,917**

	Millions of yen	Thousands of U.S. dollars
(2) Other comprehensive income for the previous fiscal year		
Net unrealized gain or loss on securities, net of tax	**32**	**393**
Cumulative translation adjustments	**(962)**	**(11,592)**
Total	**(929)**	**(11,199)**

9. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2009 to March 31, 2010)

(1) Number of outstanding shares

Type of share	Number of shares as of March 31, 2009	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2010
Common stock (thousands shares)	67,394	328	—	**67,723**

(Note) The reasons for the increase in the number of shares are as follows.
Increase due to issuance of new shares by the exercise of conversion rights 328 thousands shares

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2009	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2010
Common stock (thousands shares)	5,660	2,975	0	**8,636**

(Note) The reasons for the increase or decrease in the number of shares are as follows.
Increase due to purchase of less-than-one-unit shares 1 thousands shares
Increase due to repurchase of treasury stocks 2,974 thousands shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	¥926 million	15	March 31, 2009	June 18, 2009 (Effective after the meeting)
Board of directors' meeting held on October 29, 2009	Common stock	¥905 million	15	September 30, 2009	November 20, 2009

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②Dividends whose effective date is after the end of previous fiscal year and record date is included in the previous fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 18, 2010	Common stock	¥1,181 million	Retained earnings	20	March 31, 2010	June 21, 2010

(4) Decrease by change in accounting policies for foreign subsidiaries

The Company's U.S. and Canadian subsidiaries have adopted "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB statement No.109" (FASB Interpretation (FIN) No. 48) effective from the fiscal year ended 31 March, 2010.

As a result, the Companies booked ¥74 million of decrease in retained earnings as the cumulative effect up to the end of the previous fiscal year.

Current fiscal year (From April 1, 2010 to March 31, 2011)

(1) Number of outstanding shares

Type of share	Number of shares as of March 31, 2010	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2011
Common stock (thousands shares)	67,723	—	—	**67,723**

(Note) No change in the number of shares during the current fiscal year

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2010	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2011
Common stock (thousands shares)	8,636	1	0	**8,637**

(Note) The reasons for the increase in the number of shares are as follows.
Increase due to purchase of less-than-one-unit shares 1 thousands shares

(3) Dividend

①Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 18, 2010	Common stock	¥1,181 million	20	March 31, 2010	June 21, 2010 (Effective after the meeting)
Board of directors' meeting held on October 28, 2010	Common stock	¥886 million	15	September 30, 2010	November 19, 2010

Resolution	Type of share	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 18, 2010	Common stock	$14,237 thousand	0.24	March 31, 2010	June 21, 2010 (Effective after the meeting)
Board of directors' meeting held on October 28, 2010	Common stock	$10,678 thousand	0.18	September 30, 2010	November 19, 2010

②Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2011	Common stock	¥1,477 million	Retained earnings	25	March 31, 2011	June 20, 2011

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2011	Common stock	$17,796 thousand	Retained earnings	0.30	March 31, 2011	June 20, 2011

10. Notes to consolidated statements of cash flows

(1) Cash and cash equivalents at end of year

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	29,865	**35,011**	**421,824**
Time deposits with maturities over three months	(50)	**—**	**—**
Cash and cash equivalents	29,815	**35,011**	**421,824**

(2) Significant non-cash transactions during the fiscal year

The Companies booked ¥237 million of the acquisition cost of the leased assets for the previous fiscal year and ¥590 million ($7,112 thousand) for the current fiscal year, respectively.

The Companies booked ¥340 million ($4,107 thousand) of the principal of the asset retirement obligations for the current fiscal year.

11. Accounting for leases

(1) Capital leases that do not transfer ownership of the leased assets to lessees, the contracts of which were made on or before March 31, 2008.

① Acquisition cost, accumulated depreciation, and net book value at the fiscal year end for the leased assets

	Previous fiscal year (From April 1, 2009 to March 31, 2010)			**Current fiscal year (From April 1, 2010 to March 31, 2011)**			**Current fiscal year (From April 1, 2010 to March 31, 2011)**		
	Millions of yen			Millions of yen			Thousands of U.S. dollars		
	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery and vehicles	13	9	4	**12**	**10**	**1**	**149**	**128**	**21**
Tools, fixtures and furniture	145	80	65	**119**	**81**	**37**	**1,434**	**977**	**457**
Equipment for amusement facilities	2,071	1,512	559	**275**	**199**	**76**	**3,316**	**2,399**	**916**
Total	2,230	1,601	629	**406**	**290**	**115**	**4,900**	**3,505**	**1,395**

(Note) The assumed interest paid is excluded from the above acquisition cost.

② Future lease payments

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	553	**74**	**893**
Due over one year	119	**44**	**542**
Total	652	**119**	**1,435**

(Note) The assumed interest paid is excluded from the above balance.

③ Lease payments, depreciation expense, estimated interest expense and impairment loss

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease payments	978	**394**	**4,749**
Depreciation expense	938	**377**	**4,544**
Estimated interest expense	27	**8**	**98**

④ Calculation method of assumed amount of depreciation and interest paid
- Depreciation:
  Straight-line method using leasing term as asset life with residual value of zero.
- Interest expense:
  Interest method with the assumed interest expense allocated to each fiscal year.

(2) Capital leases, the contracts of which were made on or after April 1, 2008.

① Capital leases that transfer ownership of the leased assets to lessees
Not applicable

② Capital leases that do not transfer ownership of the leased assets to lessees
- Leased assets:
  Tangible fixed assets
  Major assets are equipment for amusement facilities for the business segment of Arcade operations.
- Depreciation method:
  Depreciation expense of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.
  In the case there are any leases with guaranteed residual value, such value is regarded as accounting residual one.

(3) Operating leases

① Future lease payments

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	234	**212**	**2,557**
Due over one year	581	**410**	**4,941**
Total	816	**622**	**7,499**

(For impairment loss)
No impairment losses were recognized for leased assets.

12. Financial instruments

① Conditions of financial instruments

(1) Management policy
The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of the interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration.
The Companies raise funds through borrowings from financial institutions, such as banks etc.
The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk, and do not enter into derivative financial instruments for speculative purposes.

(2) Financial instruments, risks, and risk management
Notes and accounts receivable, trade are exposed to credit risk of customers. To minimize such risk, the Companies regularly monitor credit status of major customers as well as perform due date control and balance control for each customer according to importance of business in accordance with credit exposure management rules.
The investments in securities the Company holds mainly consist of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the board of directors' meeting.
As for notes and accounts payable, trade, due date of payment is within one year.
Short-term borrowings are mainly for fund raising related to normal operating activities, and long-term borrowings are mainly for fund raising related to capital investments.
Notes and accounts payable, trade and borrowings are exposed to liquidity risk. The Companies minimize such risk by forecasting cash flows on a monthly basis.

(3) Supplemental information on fair value of financial instruments
Not applicable

② Fair value of financial instruments
The carrying value on the consolidated balance sheets, fair value, and differences are as follows.

(1) Previous fiscal year (As of March 31, 2010)

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	29,865	29,865	—
(2) Notes and accounts receivable, trade	6,288	6,288	—
(3) Lease deposits	5,266	5,056	(210)
Total	41,421	41,210	(210)
(1) Notes and accounts payable, trade	3,477	3,477	—
(2) Short-term borrowings	13,211	13,211	—
(3) Long-term borrowings	4,355	4,377	22
Total	21,044	21,065	22

(2) Current fiscal year (As of March 31, 2011)

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	**35,011**	**35,011**	**—**	**421,824**	**421,824**	**—**
(2) Notes and accounts receivable, trade	**11,700**	**11,700**	**—**	**140,969**	**140,969**	**—**
(3) Lease deposits	**4,741**	**4,637**	**(104)**	**57,128**	**55,874**	**(1,254)**
Total	**51,453**	**51,349**	**(104)**	**619,922**	**618,667**	**(1,254)**
(1) Notes and accounts payable, trade	**5,665**	**5,665**	**—**	**68,257**	**68,257**	**—**
(2) Short-term borrowings	**3,711**	**3,711**	**—**	**44,711**	**44,711**	**—**
(3) Long-term borrowings	**3,644**	**3,619**	**(24)**	**43,911**	**43,612**	**(299)**
Total	**13,021**	**12,996**	**(24)**	**156,880**	**156,581**	**(299)**

(Note 1) Fair value measurement of financial instruments

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable, trade

The fair value is assumed to be the same with carrying value, as it approximates fair value because of the short maturity of these instruments.

(3) Lease deposits

The fair value is measured at the present value of future cash flows discounted using the yield of a national government bond according to periods until repayments.

Liabilities

(1) Notes and accounts payable, trade and (2) Short-term borrowings

The fair value is assumed to be the same with carrying value, as it approximates fair value because of the short maturity of these instruments.

(3) Long-term borrowings

The fair value of long-term borrowings with variable interest rates is measured at carrying value, as it approximates fair value. (The market interest rate fluctuation is reflected in the variable interest rate in short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rate.)

The fair value of long-term borrowings with fixed rate is measured at the present value of future cash flow (principal plus interest) discounted using the assumed interest rate of similar type of new borrowings.

(Note 2) Redemption schedule for monetary assets with maturity date subsequent to the consolidated balance sheets date

(1) Previous fiscal year (As of March 31, 2010)

	Millions of yen			
	April 1, 2010 to March 31, 2011	April 1, 2011 to March 31, 2015	April 1, 2015 to March 31, 2020	April 1, 2020 and thereafter
(1) Cash on hand and in banks	29,865	—	—	—
(2) Notes and accounts receivable, trade	6,288	—	—	—
(3) Lease deposits	851	3,115	868	381
Total	37,005	3,115	868	381

(Additional information)

Effective from the fiscal year ended 31 March, 2010, the Companies have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 Guidance, March 10, 2008)

(2) Current fiscal year (As of March 31, 2011)

	Millions of yen				Thousands of U.S. dollars			
	April 1, 2011 to March 31, 2012	April 1, 2012 to March 31, 2016	April 1, 2016 to March 31, 2021	April 1, 2021 and thereafter	April 1, 2011 to March 31, 2012	April 1, 2012 to March 31, 2016	April 1, 2016 to March 31, 2021	April 1, 2021 and thereafter
(1) Cash on hand and in banks	**35,011**	**—**	**—**	**—**	**421,824**	**—**	**—**	**—**
(2) Notes and accounts receivable, trade	**11,700**	**—**	**—**	**—**	**140,969**	**—**	**—**	**—**
(3) Lease deposits	**671**	**3,247**	**530**	**291**	**8,090**	**39,130**	**6,396**	**3,512**
Total	**47,383**	**3,247**	**530**	**291**	**570,883**	**39,130**	**6,396**	**3,512**

13. Investments in securities

(1) Previous fiscal year (From April 1, 2009 to March 31, 2010)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2010)

Classification	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost			
(1) Equity securities	123	78	44
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	123	78	44
Securities with book value not exceeding their acquisition cost			
(1) Equity securities	284	309	(24)
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	284	309	(24)

(Note) In regards to the impairment of stocks, impairment is recorded when the fair value of the stock falls below 50% of its cost at the end of the fiscal year.
In addition, unless the stock is recognized to have the potential for recovery, impairment is recorded when the rate of stock price decline is between 30% and 50% at the end of the fiscal year.
The recognition of impairment is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of securities, and examination of various financial analysis data of listed companies.

② Investments in securities sold during the previous fiscal year

Not applicable

(2) Current fiscal year (From April 1, 2010 to March 31, 2011)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2011)

Classification	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost						
(1) Equity securities	**102**	**78**	**24**	**1,234**	**942**	**291**
(2) Bonds	**—**	**—**	**—**	**—**	**—**	**—**
(3) Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**102**	**78**	**24**	**1,234**	**942**	**291**
Securities with book value not exceeding their acquisition cost						
(1) Equity securities	**240**	**321**	**(80)**	**2,898**	**3,873**	**(974)**
(2) Bonds	**—**	**—**	**—**	**—**	**—**	**—**
(3) Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**240**	**321**	**(80)**	**2,898**	**3,873**	**(974)**

(Note) The same with the previous fiscal year

② Investments in securities sold during the current fiscal year

Classification	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
(1) Equity securities	**290**	**45**	**—**	**3,498**	**542**	**—**
(2) Bonds	**—**	**—**	**—**	**—**	**—**	**—**
(3) Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**290**	**45**	**—**	**3,498**	**542**	**—**

③ Investments in securities impaired during the current fiscal year

The acquisition cost on the "① Available-for-sale securities with a readily determinable fair value" is the book value after impairment. During the current fiscal year, the Companies booked "Loss on revaluation of investments in securities" of ¥259 million ($3,125 thousand).

14. Retirement benefits for employees

(1) Summary of retirement benefit plan

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans, which have replaced the conventional funded non-contributory pension plans since 1st January, 2011. Some foreign subsidiaries have defined contribution pension plans.

(2) Accrued retirement benefits

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Projected benefit obligations	(2,699)	**(1,459)**	**(17,586)**
B. Fair value of plan assets	915	**—**	**0**
C. Unfunded benefit obligations (A+B)	(1,783)	**(1,459)**	**(17,586)**
D. Unrecognized transition obligation	184	**63**	**760**
E. Unrecognized actuarial differences	211	**106**	**1,287**
F. Unrecognized prior service liabilities	—	**(94)**	**(1,133)**
G. Accrued pension liabilities recognized in the consolidated balance sheet (C+D+E+F)	(1,388)	**(1,383)**	**(16,670)**
H. Prepaid pension expenses	0	**—**	**—**
I. Accrued retirement benefits for employees (G - H)	(1,388)	**(1,383)**	**(16,670)**

(Note) Some subsidiaries apply simplified method to compute pension liabilities.
The effect of the change of the retirement benefits plans is as follows.

	Millions of yen	Thousands of U.S. dollars
Decrease in projected benefit obligations	**1,334**	**16,074**
Decrease in plan assets	**(955)**	**(11,514)**
Decrease in unrecognized transition obligations	**(89)**	**(1,077)**
Decrease in unrecognized actuarial differences	**(149)**	**(1,805)**
Decrease in unrecognized prior service liabilities	**—**	**—**
Decrease in accrued retirement benefits for employees	**139**	**1,676**

The total amount of the plan assets transferred to the defined contribution pension plans was ¥955 million ($11,514 thousand).

(3) Retirement and pension cost

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Service costs	234	**221**	**2,663**
B. Interest costs	30	**30**	**363**
C. Expected return on plan assets	(17)	**(17)**	**(206)**
D. Amortization of transition obligation	36	**31**	**380**
E. Amortization of actuarial differences	69	**44**	**531**
F. Amortization of prior service liabilities	—	**(3)**	**(36)**
G. Net periodic benefit costs (A+B+C+D+E+F)	353	**306**	**3,695**
H. Net gain on the change of the retirement benefits plans	—	**(139)**	**(1,676)**
I. Other	—	**58**	**704**
J. Total (G+H+I)	353	**225**	**2,722**

Previous fiscal year

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥20 million during the year.
2. Retirement cost for some subsidiaries which have adopted the simplified method are included in the "Service costs".

Current fiscal year

(Note) 1. "Other" means the contribution to the defined contribution pension plans.
2. The same with the previous fiscal year

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(4) Assumptions used in calculation of retirement benefits for employees

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
A. Method of attributing the projected benefit obligations to periods of service	Straight-line	Straight-line
B. Discount rate	1.5%	1.5%
C. Long-term rate of return on plan assets	2.5%	2.5%
D. Amortization period for prior service liabilities	—	8 years (based on the straight-line method over the average estimated service years of employees)
E. Amortization period for actuarial differences	9 years (based on the straight-line method over the average estimated service years of employees from the next fiscal period of year when the differences are computed)	9 years The same method with the previous fiscal year
F. Amortization period for transition obligations	15 years	15 years

15. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Allowance for doubtful accounts	447	**233**	**2,807**
Accrued bonuses	514	**835**	**10,070**
Accrued retirement benefits for employees	562	**559**	**6,745**
Accrued retirement benefits for directors	166	**166**	**2,007**
Inventories	2,136	**2,947**	**35,515**
Prepaid expenses	365	**273**	**3,300**
Tax loss carry-forwards in the subsidiaries	1,124	**416**	**5,015**
Investments in subsidiaries and affiliated companies	224	**224**	**2,706**
Depreciation	179	**84**	**1,013**
Impairment loss	384	**140**	**1,698**
Unearned revenue	135	**555**	**6,697**
Other	1,576	**1,612**	**19,430**
Sub-total	7,817	**8,051**	**97,009**
Valuation allowance	(2,679)	**(1,262)**	**(15,206)**
Total deferred tax assets	5,137	**6,789**	**81,803**
(Deferred tax liabilities)			
Tax-deductible inventories for a foreign subsidiary	(643)	**(629)**	**(7,584)**
Other	(12)	**(62)**	**(755)**
Total deferred tax liabilities	(655)	**(692)**	**(8,339)**
Net deferred tax assets	4,482	**6,097**	**73,463**
Net deferred tax assets are reflected in the consolidated balance sheets as follows.			
Current assets—deferred tax assets	3,204	**5,210**	**62,775**
Non current assets—deferred tax assets	1,339	**1,150**	**13,861**
Current liabilities—deferred tax liabilities	(58)	**(30)**	**(372)**
Non current liabilities—deferred tax liabilities	(4)	**(232)**	**(2,801)**
Total	4,482	**6,097**	**73,463**

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**
	%	%
Statutory income tax rate	40.6	**40.6**
(Reconciliation)		
Change in valuation allowance	47.7	**(13.1)**
Tax credit	12.8	**0.5**
Amortization of goodwill	8.6	**0.9**
Different tax rates applied to foreign subsidiaries	(2.7)	**(1.2)**
Permanent difference (meals and entertainment etc.)	3.2	**0.7**
Unappropriated retained earnings of foreign subsidiaries	(5.1)	**0.4**
Tax adjustments resulting from consolidation elimination entries etc.	(14.6)	**0.4**
Income transferred from subsidiaries to the Company resulting from mutual agreement procedure of transfer pricing	(110.1)	**—**
Tax refund resulting from mutual agreement procedure of transfer pricing	(75.0)	**—**
Others	1.8	**(0.9)**
Effective income tax rate	(92.8)	**28.3**

16. Business combinations

(1) Previous fiscal year (From April 1, 2009 to March 31, 2010)
Not applicable

(2) Current fiscal year (From April 1, 2010 to March 31, 2011)
The note is omitted due to the minor of the total amount.

17. Asset retirement obligations

(1) Current fiscal year (As of March 31, 2011)
Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations
Obligations etc. to restore business offices and amusement facilities in the business of "Arcade operations" to their original state, which are specified in the real estate lease agreements.

② Calculation of asset retirement obligations
Asset retirement obligations are calculated with the future cash flows discounted.
For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to respective depreciation periods are used as their discount rates (mainly 1.885%).
For the amusement facilities, their lease periods (mainly 6 to 10 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to respective lease periods are used as their discount rates (mainly 0.723 to 1.395%).

③ Increase or decrease of the asset retirement obligations during the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Opening balance (Note)	**309**	**3,724**
Increase due to purchase of tangible fixed assets	**—**	**—**
Adjustment due to passage of time	**31**	**382**
Decrease due to settlement of asset retirement obligations	**—**	**—**
Ending balance	**340**	**4,107**

(Note) The amount is the opening balance as of April 1, 2010 booked in accordance with "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008), which the Companies have adopted effective from the fiscal year ended March 31, 2011.

18. Investment and rental property

(1) Previous fiscal year (From April 1, 2009 to March 31, 2010)
The note is omitted due to the minor of the total amount.

(2) Current fiscal year (From April 1, 2010 to March 31, 2011)
The note is omitted due to the minor of the total amount.

(Additional information)
Effective from the fiscal year ended March 31, 2010, the Companies have adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental property" (ASBJ Statement No. 20, November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental property" (ASBJ Guidance No. 23, November 28, 2008)

19. Segment information

(1) Business segments

①Previous fiscal year (From April 1, 2009 to March 31, 2010)

	Millions of yen							
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income								
Net sales								
(1) Customers	44,015	11,985	2,280	5,819	2,736	66,837	(—)	66,837
(2) Inter-segment	—	—	—	—	—	—	(—)	—
Total	44,015	11,985	2,280	5,819	2,736	66,837	(—)	66,837
Operating expenses	36,168	11,394	2,483	5,310	1,639	56,996	4,253	61,250
Operating income (loss)	7,846	590	(203)	509	1,097	9,840	(4,253)	5,587
Ⅱ. Assets, depreciation, impairment loss and capital expenditures								
Total assets	31,257	9,797	3,241	4,339	2,221	50,857	35,764	86,621
Depreciation	509	1,744	136	239	228	2,859	509	3,368
Impairment loss	—	161	47	9	—	218	5	223
Capital expenditures	543	800	59	83	249	1,736	469	2,205

(Note) 1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
(1) Home video games……This division develops and distributes home video game software as well as develops and operates online game software.
(2) Arcade operations……This division operates amusement facilities.
(3) Arcade games……This division develops, manufactures, and distributes commercial game equipment and integrated circuit boards.
(4) Contests expansion……This division develops and distributes mobile contents as well as develops, manufactures and distributes pachinko and pachislot machines.
(5) Other businesses……Other businesses include licensing business and other businesses.
3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,253 million. The major part of this expense is related to the corporate division of the Companies.
4. Corporate assets in the column "Elimination and corporate" were ¥35,872 million. Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.
5. Depreciation and capital expenditures include long-term prepaid expenses and amortization of them.

(2) Geographic areas

①Previous fiscal year (From April 1, 2009 to March 31, 2010)

	Millions of yen						
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income							
Net sales							
(1) Customers	47,269	10,825	7,813	928	66,837	(—)	66,837
(2) Inter-segment	6,690	1,717	119	54	8,581	(8,581)	—
Total	53,960	12,543	7,933	982	75,419	(8,581)	66,837
Operating expenses	42,185	14,615	7,796	828	65,426	(4,176)	61,250
Operating income	11,775	(2,072)	136	153	9,992	(4,405)	5,587
Ⅱ. Total assets	41,632	6,431	4,841	734	53,640	32,981	86,621

(Note) 1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan.
(1) North America……United States of America
(2) Europe……European countries
(3) Other regions……Asia and others
3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,253 million. The major part of this expense is related to the corporate division of the Companies.
4. Corporate assets in the column "Elimination and corporate" were ¥35,872 million. Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.

(3) Overseas sales

①Previous fiscal year (From April 1, 2009 to March 31, 2010)

	Millions of yen			
	North America	Europe	Other regions	Total
Ⅰ. Overseas sales	11,773	7,014	2,331	21,120
Ⅱ. Consolidated net sales				66,837
Ⅲ. Percentage of foreign sales included in consolidated net sales	17.6%	10.5%	3.5%	31.6%

(Note) 1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan.
(1) North America··········United States of America
(2) Europe·························European countries
(3) Other regions············Asia and others
3. Foreign net sales represents the total of all the sales outside Japan by CAPCOM CO., LTD. and its consolidated subsidiaries (excluding internal sales between consolidated subsidiaries).

1. Outline of reportable segment

The business segments the Company reports are the business units for which the Company is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

The Company has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 4 units; "Consumer online games", "Mobile contents", "Arcade operations" and "Amusement equipments".

"Consumer online games" develops and distributes video games for consumers.

"Mobile contents" develops mobile games to be distributed to mobile phone users.

"Arcade operations" operates amusement stores which install amusement equipments.

"Amusement equipments" manufactures arcade game machines and pachinko gambling machines etc. to be distributed to arcade operators and pachinko parlors.

2. Method of calculating sales and income (loss), identifiable assets and liabilities, and other items by reportable segment

The accounting procedure for the reportable segment is based on "Significant accounting policies".

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

3. Information on net sales and operating income (loss), identifiable assets and liabilities, and other items by reportable segment

①Previous fiscal year (From April 1, 2009 to March 31, 2010)

	Millions of yen								
	Reportable segment								
	Consumer online games	Mobile contents	Arcade operations	Amusement equipments	Total	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Net sales									
(1) Customers	43,702	3,554	11,985	4,545	63,787	3,049	66,837	—	66,837
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	43,702	3,554	11,985	4,545	63,787	3,049	66,837	—	66,837
Operating income (loss)	7,835	745	590	(347)	8,824	1,016	9,841	(4,253)	5,587
Identifiable assets	31,185	1,161	9,797	6,418	48,563	2,294	50,857	35,764	86,621
Other items									
Depreciation	488	134	1,744	242	2,610	249	2,859	509	3,368
Increase in tangible and intangible fixed assets	508	26	800	115	1,451	284	1,736	469	2,205

(Note) 1. "Other" incorporates operations not included in reportable segments, including character contents business etc.
2. Adjustments are as follows.
(1) Adjustments of operating income (loss) of (¥4,253) million include unallocated corporate operating expenses of (¥4,253) million. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
(2) Adjustments of identifiable assets of ¥35,764 million include unallocated corporate identifiable assets of ¥35,872 million.
(3) Adjustments of increase in tangible and intangible fixed assets of ¥469 million are capital investment by headquarters.
3. Operating income (loss) for segment is adjusted on operating income on the consolidated statements of income.

②Current fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen								
	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Consumer online games	Mobile contents	Arcade operations	Amusement equipments	Total				
Net sales									
(1) Customers	70,269	4,028	11,621	7,903	93,823	3,893	97,716	—	97,716
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	70,269	4,028	11,621	7,903	93,823	3,893	97,716	—	97,716
Operating income	12,499	1,366	1,131	2,638	17,636	1,098	18,734	(4,439)	14,295
Identifiable assets	30,038	1,936	8,668	9,136	49,779	2,767	52,547	37,861	90,408
Other items									
Depreciation	591	52	1,708	127	2,480	263	2,743	571	3,315
Increase in tangible and intangible fixed assets	1,404	86	926	171	2,588	115	2,703	54	2,758

	Thousands of U.S. dollars								
	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Consumer online games	Mobile contents	Arcade operations	Amusement equipments	Total				
Net sales									
(1) Customers	846,620	48,540	140,017	95,223	1,130,401	46,904	1,177,306	—	1,177,306
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	846,620	48,540	140,017	95,223	1,130,401	46,904	1,177,306	—	1,177,306
Operating income	150,600	16,468	13,627	31,788	212,484	13,234	225,718	(53,489)	172,229
Identifiable assets	361,915	23,327	104,440	110,074	599,757	33,343	633,100	456,159	1,089,260
Other items									
Depreciation	7,128	631	20,586	1,540	29,885	3,173	33,059	6,886	39,946
Increase in tangible and intangible fixed assets	16,917	1,037	11,167	2,064	31,186	1,387	32,574	654	33,229

(Note) 1. "Other" incorporates operations not included in reportable segments, including character contents business etc.
2. Adjustments are as follows.
(1) Adjustments of operating income of (¥4,439) million (($53,489) thousand)) include unallocated corporate operating expenses of (¥4,439) million (($53,489) thousand).
The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
(2) Adjustments of identifiable assets of ¥37,861 million ($456,159 thousand) include unallocated corporate identifiable assets of ¥37,966 million ($457,430 thousand).
(3) Adjustments of increase in tangible and intangible fixed assets of ¥54 million ($654 thousand) are capital investment by headquarters.
3. Operating income for segment is adjusted on operating income on the consolidated statements of income.

(Additional information)

Effective from the fiscal year ended March 31, 2011, the Companies have adopted "Revised accounting standard for disclosures about segments of an enterprise and related information" (ASBJ statement No. 17 of March 27, 2009) and "Guidance on accounting standard for disclosures about segments of an enterprise and related information" (ASBJ Guidance No. 20 of March 21, 2008).

[Related information]

(1) Current fiscal year (From April 1, 2010 to March 31, 2011)

1. Information by product and service line

The Company's reportable segments are based on the products and services its operational headquarters deal in, and the details are as shown on "Sales (1) Customers" of "3. Information on net sales and operating income (loss), identifiable assets, and other items by reportable segment".

2. Information by country or region

(1) Net sales

	Millions of yen					Thousands of U.S. dollars				
	Japan	North America	Europe	Other regions	Total	Japan	North America	Europe	Other regions	Total
Net sales	**65,017**	**20,986**	**9,106**	**2,606**	**97,716**	**783,337**	**252,846**	**109,721**	**31,401**	**1,177,306**

(Note) 1. The sales amounts are classified by country or region where customers are located.
2. Countries or regions that are not in Japan.
(1) North America··········United States of America
(2) Europe·························European countries
(3) Other regions············Asia and others

(2) Tangible fixed assets

The information is omitted as the balance of tangible fixed assets in Japan has exceeded 90% or more of the total balance of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

The information is omitted as the Companies do not have any major customers the sales amount of which has accounted for 10% or more of the total sales amount of the consolidated statement of income.

[Impairment loss by reportable segment]

(1) Current fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment		Other	Corporate or elimination	Total	Reportable segment		Other	Corporate or elimination	Total
	Arcade operations	Sub-total				Arcade operations	Sub-total			
Impairment loss	**149**	**149**	**—**	**—**	**149**	**1,806**	**1,806**	**—**	**—**	**1,806**

[Amortization and balance of goodwill by reportable segment]

(1) Current fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment		Other	Corporate or elimination	Total	Reportable segment		Other	Corporate or elimination	Total
	Consumer online games	Sub-total				Consumer online games	Sub-total			
Amortization	**239**	**239**	**—**	**—**	**239**	**2,885**	**2,885**	**—**	**—**	**2,885**
Balance	**412**	**412**	**—**	**—**	**412**	**4,973**	**4,973**	**—**	**—**	**4,973**

[Negative goodwill by reportable segment]

(1) Current fiscal year (From April 1, 2010 to March 31, 2011)

Not applicable

20. Related party transactions

(1) Previous fiscal year (From April 1, 2009 to March 31, 2010)

Not applicable

(2) Current fiscal year (From April 1, 2010 to March 31, 2011)

Not applicable

21. Per share information

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Yen	Yen	U.S. dollars
Net assets per share	913.18	**981.76**	**11.83**
Basic net income per share	35.71	**131.18**	**1.58**
Diluted net income per share	35.64	**—**	**—**

(Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies have no residual securities.
2. The basis for computation of net assets per share is as follows.

	Previous fiscal year (As of March 31, 2010)	**Current fiscal year (As of March 31, 2011)**	**Current fiscal year (As of March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	53,956	**58,007**	**698,887**
Amounts to be deducted from total amount of net assets	—	**—**	**—**
Ending balance of net assets attributable to common stock	53,956	**58,007**	**698,887**
Number of common stocks used for computation of net assets per share (thousands shares)	59,086	**59,085**	**59,085**

3. The basis for computation of basic and diluted net income per share is as follows.

	Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic net income per share			
Net income	2,167	**7,750**	**93,384**
Amount not allocated to common stock	—	**—**	**—**
Net income allocated to common stock	2,167	**7,750**	**93,384**
Average number of common stock outstanding during the fiscal year (thousands shares)	60,707	**59,086**	**59,086**
Diluted net income per share			
Adjustment made on net income	0	**—**	**—**
(Interest paid with tax adjustment)	—	**—**	**—**
(Administrative fees to commission banks with tax adjustment)	0	**—**	**—**
Increase of common stocks (thousands shares)	119	**—**	**—**
(Convertible bonds (thousands shares))	119	**—**	**—**
Outline of residual securities not included in the above computation of diluted net income per share due to lack of dilutive effect	—	**—**	**—**

22. Significant subsequent events

Previous fiscal year (From April 1, 2009 to March 31, 2010)	**Current fiscal year (From April 1, 2010 to March 31, 2011)**
Not applicable	The Company made a resolution to repurchase treasury stock through the board of directors' meeting held on June 8, 2011 in accordance with the articles of incorporation applied under the section 1 of the article 156 and the section 3 of the article 165 of the Companies act. The details are as follows. ① Reason for repurchase: To flexibly implement capital policies to meet with changes in the business environment. ② Type of shares: Common stock ③ Number of shares to be repurchased: Up to 1.5 million shares ④ Amount of shares to be repurchased: Up to ¥3,000 million ($36,144 thousand) ⑤ Period of repurchase: From June 9, 2011 to July 20, 2011 ⑥ Method of repurchase: Repurchase in the market

23. Supplemental schedule of bonds

Not applicable

24. Supplemental schedule of borrowings

Category	Balance as of March 31, 2010 (¥ million)	Balance as of March 31, 2011 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	12,500	—	—	—
Current portion of long-term borrowings due within one year	711	3,711	1.2	—
Current portion of lease obligations	578	507	1.8	—
Long-term borrowings (Excluding current portion)	4,355	3,644	0.8	From April 1, 2012 to September 14, 2015
Lease obligations (Excluding current portion)	459	461	1.8	From April 1, 2012 to April 4, 2017
Other interest-bearing dept	—	—	—	—
Total	18,605	8,324	—	—

Category	Balance as of March 31, 2010 ($ thousand)	Balance as of March 31, 2011 ($ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	150,602	—	—	—
Current portion of long-term borrowings due within one year	8,571	44,711	1.2	—
Current portion of lease obligations	6,968	6,114	1.8	—
Long-term borrowings (Excluding current portion)	52,478	43,911	0.8	From April 1, 2012 to September 14, 2015
Lease obligations (Excluding current portion)	5,539	5,557	1.8	From April 1, 2012 to April 4, 2017
Other interest-bearing dept	—	—	—	—
Total	224,160	100,294	—	—

(Note) 1. The average interest rate represents the weighted-average rate applicable to the ending balance.
2. The following table shows the aggregate annual maturities of Long-term borrowings and lease obligation for 5 years subsequent to March 31, 2012 (excluding the current portion).

	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
Long-term borrowings	639	4	0	3,000
Lease obligations	221	131	53	36

	Due after 1 year but within 2 years ($ thousand)	Due after 2 years but within 3 years ($ thousand)	Due after 3 years but within 4 years ($ thousand)	Due after 4 years but within 5 years ($ thousand)
Long-term borrowings	7,706	51	8	36,144
Lease obligations	2,665	1,580	648	443

25. Supplemental schedule of asset retirement obligations

The note is omitted because the balances of the asset retirement obligations as of the end of the previous and the current fiscal year are respectively 1% or less than the total balance of the liabilities and the net assets as of the end of the current fiscal year.

26. Supplemental schedule of other

Quarterly sales etc. for the current fiscal year

	1st quarter (From April 1, 2010 to June 30, 2010)	2nd quarter (From July 1, 2010 to September 30, 2010)	3rd quarter (From October 1, 2010 to December 31, 2010)	4th quarter (From January 1, 2011 to March 31, 2011)
Sales (¥ million)	19,037	21,669	30,067	26,942
Net income (loss) before income taxes (¥ million)	(261)	2,666	8,450	(48)
Net income (loss) (¥ million)	213	1,570	5,052	914
Net income (loss) per share (yen)	3.62	26.58	85.51	15.47

	1st quarter (From April 1, 2010 to June 30, 2010)	2nd quarter (From July 1, 2010 to September 30, 2010)	3rd quarter (From October 1, 2010 to December 31, 2010)	4th quarter (From January 1, 2011 to March 31, 2011)
Sales ($ thousand)	229,364	261,073	362,258	324,610
Net income (loss) before income taxes ($ thousand)	(3,155)	32,127	101,813	(579)
Net income (loss) ($ thousand)	2,576	18,919	60,874	11,014
Net income (loss) per share (U.S. dollars)	0.04	0.32	1.03	0.19

Report of Independent Auditors

To the Board of Directors of CAPCOM CO., LTD.

We have audited the accompanying consolidated balance sheet of CAPCOM CO., LTD. ("the Company") and its subsidiaries as of March 31, 2011, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following: As discussed in Note 22 to the consolidated financial statements, the Company's Board of Directors resolved to repurchase its treasury stock on June 8, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Aarata
August 3, 2011