

**Explanation Summary of Financial Results Briefing  
for the 2nd Quarter of the Year ending March 31, 2011.  
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I would like to discuss the current state of each of Capcom's business segments for the first half of the year ending March 31, 2011, and introduce our plan for the second half.

**P.5 Growth Strategy: Progress Report**

First I will discuss the progress of our growth strategy.

In the midst of the structural reform of the R&D organization at Capcom, which aims to strengthen the R&D line by expanding business alliances with Japanese and overseas developers, we decided to make the development studio Blue Castle Games one of our subsidiaries. The development of "Dead Rising 2" brought this company great success. Capcom officially completed the acquisition after obtaining the approval of the Canadian government.

In our efforts to reinforce the online business, we released "Monster Hunter Frontier Online" for Xbox 360, which has been selling well, along with the PC version of the same game. We have also been successful in our efforts to expand our range of video game content for smartphones and SNS. One of these games is "MONHAN NIKKI MOBILE AIRU MURA", which was launched in August and now has over one million memberships.

**P.7-12 Consumer Online Games Business**

First I'd like to outline the actual achievements of the Consumer Online Games business for the first half of the fiscal year.

Looking at the sales of our major titles during the first half of the fiscal year, as of October 28, 2010 sales for "Dead Rising 2" had surpassed 2 million units, even though the delayed release date caused the sales levels to be lower than originally anticipated. Even though sales of "Lost Planet 2" also fell short of the target set out by our plan, overall sales still managed to exceed that of the first title in the series. Sales of "Super Street Fighter IV" were strong, surpassing the expected goal of 1.4 million units, while both "Sengoku BASARA: Samurai Heroes" and "MONHAN NIKKI POKAPOKA AIRU MURA" sold over a half million units.

Although the release of major titles and the brisk domestic sales of game titles led to an increase in revenue from the previous term, the increase in R&D costs and the effect of the strong yen caused Capcom's profits for the first half of the fiscal year to decline. Furthermore, compared to the previous term there was a decline in the average sales price. However, this decline was the result of a fluctuation in foreign exchange rates, and thus when rates are adjusted the price was nearly the same as it was in the previous year. The decrease in the number of titles sold was mainly caused by a decline in the number of distributed titles on the market.

By region, compared to the previous term our sales volume in Japan fell, namely because the sales of titles aimed at Japanese gamers were strong last year. These titles include "Monster Hunter Freedom Unite", "Monster Hunter Tri", "Sengoku BASARA: Battle Heroes", and "Ace Attorney Investigations: Miles Edgeworth". In the European and North American markets, our sales volume for the current term increased by 1.8 million units when compared to the previous term. This increase was largely due to the brisk sales of "Dead Rising 2", "Lost Planet 2", and "Super Street Fighter IV" during the first half of this year.

The sales volume of titles from other companies in Japan for the first half fell from the previous term. This was because the Japanese version of the "Grand Theft Auto" series was released last year.

Sales of older and lower-priced titles during the first half FY2010 also fell, with 1.2 million fewer units sold than in the period from the previous year, because we experienced steady repeat sales of titles such as "Resident Evil 5", "Monster Hunter Freedom Unite", and "Street Fighter IV" in the first half of FY2009.

Next, I would like to speak about our strategy for the second half of this fiscal year.

During the second half of FY2010 we intend to focus on preparing to release big-hit titles and upgrading the R&D system.

With the upcoming release of "Monster Hunter Freedom 3" on December 1st, Capcom has began distributing free demos of the game in tandem with its official fan club "Monster Hunter Club", and it seems that there has been strong response from users. Likewise, in conjunction with spin-off titles for PSP and mobile phones, the company is aiming to achieve its best sales yet in the Monster Hunter series and further expand the fan base.

In addition, beginning in the second half of the fiscal year we plan to overhaul Capcom's R&D framework. We are looking to restructure the company in stages by integrating the Consumer, Online, and Mobile Contents development sections in the future. This will create a structure that allows us to develop products and conduct marketing in an integrated fashion throughout the company.

In addition, Capcom will continue working together with outside developers to establish an effective model for product development.

Just as we announced at the Tokyo Game Show 2010, we intend to create new game titles together with developers who are already known for making great games: for example, “DmC: Devil May Cry” with Ninja Theory Limited, “Steel Battalion” with FromSoftware, Inc., and “Asura's Wrath” with CyberConnect2 Co., Ltd. We will also work to revitalize the gaming market by developing crossover titles in collaboration with other companies, such as “Street Fighter X Tekken” created together NAMCO BANDAI Games Inc. and “Professor Layton VS. Ace Attorney”, a game made in collaboration with LEVEL-5 Inc.

The next topic I will touch upon is our sales plan for our premier game titles during the second half of this year.

To serve as the major driving force for the full fiscal year, we plan to sequentially release our leading titles during the second half of FY2010. We do not make any revisions to our sales plan for the titles scheduled in the second half of this fiscal year.

We predict that “Monster Hunter Freedom 3”, which is scheduled to go on sale December 1st, will sell 3.6 million units. Taking into consideration the enthusiastic response we received at the Tokyo Game Show this year and the number of demos that have been downloaded, we are confident that we will achieve this target. Moreover, in the spring 2011 we are planning to release “MARVEL VS. CAPCOM 3 Fate of Two Worlds”, the third title in this popular franchise, and we expect 2 million units to ship worldwide. The sales target for “Dead Rising 2,” for which we already have shipped two million units, was revised to 2.1 million units.

Next, I will discuss our business plan for the full fiscal year.

We decided to revise our plan for the full fiscal year in light of the effect caused by the exchange rate. The net sales and operating income targets for our initial plan have been scaled down by JPY 5.5 billion and JPY 3.2 billion, respectively. These changes were the result of our actual sales volume in the first half falling 1 million units short of our projection, and also because of the appreciation of the yen. Due to the decrease in the number of distributed titles, we reduced the number of game titles to be released from 75, which was our original projection at the beginning of FY2010, to 55 titles. Compared to the previous term, we are expecting to release 17 fewer titles.

By region, we anticipate the sales volume in Japan to surpass 8 million units, which is 1 million higher than the initial target of 7 million units. This increase is largely due to the strong sales of “Sengoku BASARA: Samurai Heroes”, “MONHAN NIKKI POKAPOKA AIRU MURA”, and “Monster Hunter Freedom Unite” during the first half of the fiscal year. However in the USA and Europe we anticipate the total sales volume to fall 2 million units below the initial projection of 12.5 million units. This decrease is largely due to the sales of “Lost Planet 2” and “Dead Rising 2” in the first half of the fiscal year falling below their initial projections.

We anticipate the sales of distributed titles to shrink by 50,000 copies and fall below their initial projection of a half million copies, which is as we expected. Compared to last year, sales are expected to drop by 550,000 units, largely as a result of the sales of titles related to “Grand Theft Auto” series last year.

In light of the repeat sales of titles such as “Monster Hunter Freedom Unite” in the first half of the fiscal year, the sales of lower-priced titles are expected to surpass their initial projection of 3.5 million by more than a half a million units. However, the number of copies sold will be 1.5 million units less than the period from the previous year, because there were the repeat sales of premier titles such as “Resident Evil 5”, “Street Fighter IV”, and “Monster Hunter Freedom Unite” last year.

### **P.13-14 Mobile Contents Business**

Next I would like to talk about the general state of the Mobile Contents business.

Overall, business progressed rather smoothly according to plan, with contents being delivered mainly for smartphones and SNS during the first half of the fiscal year. “Street Fighter IV” for iPhone, the distribution of which began on March 10, 2010, was well received. The distribution of additional free contents for the video game and other marketing efforts helped us to attract new customers, resulting in brisk sales and securing a high spot in the iTunes rankings. In regards to “Ghosts’n Goblins Gold Knights II” for iPhone, the digital distribution of which began on August 9, the company charges users the normal digital distribution fees, as well as charging them for microtransactions when purchasing items. The distribution of the SNS “MONHAN NIKKI MOBILE AIRU MURA” has done incredibly well, with the number of memberships surpassing one million within the first two months of distribution. As was previously stated, Capcom’s business performance for the first half of the fiscal year largely progressed as we projected.

Now I would like to discuss our strategy for the second half of the fiscal year.

We will proactively move into new genres in the second half, positioning the Mobile Contents business as a growing industry.

Working together with Facebook, the company also plans to enter the SNS markets outside Japan by distributing SNS games for iPhone users such as “Lil’ Pirates”, “Zombie Café”, and “The SMURFS”, all of which were created in North America. Targeting Japanese iPhone users, we began the distribution of “CAPCOM ARCADE”, which allows gamers to enjoy classic Capcom arcade games. “CAPCOM ARCADE” features a microtransaction system through which members can purchase additional games.

No revisions have been made to our performance plan for the full fiscal year. Therefore, remaining consistent with the initial plan, we project JPY 4 billion in net sales and JPY 0.9 billion in operating income, respectively.

### **P.15-16 Arcade Operations Business**

I will now touch upon the state of the Arcade Operations business.

By streamlining our operations structure we were able to improve our profit margin in the Arcade Operations business during the first half of the fiscal year. In addition, conditions in the market were also positive and showed signs of a recovery.

Net sales on a like-for-like basis in the first half year were 98%, a 1% improvement from the projected 97% of our initial plan. Net sales in the second quarter (three months) were 102% on a year-over-year basis, an improvement from the same period last year. When we compare our business performance during the first half of this year with the projections we laid out at the beginning of the fiscal year, we see that net sales reached the same level, while operating income exceeded our projections. Compared to the previous term net sales on a like-for-like basis fell, but thorough cost reductions enabled us to boost our profit ratio. In regards to the number of stores, we closed one store in the first half of the fiscal year, thereby causing the number of stores we operate to fall to 37.

Because we expect existing store businesses to recover during the second half of the year, our targets for net sales and profit in the full-fiscal year plan were revised upward. We will continue our efforts to secure a sound profit ratio by conducting thorough cost cuts and enhance synergy among the different business sectors by reinforcing the medal games and prize-winning games business and holding events related to "Monster Hunter Freedom 3".

In our plan for the second half of the fiscal year, the number of stores will remain at 37, which is consistent with the projection we made in our initial plan of the year. We have also raised the net sales of existing stores from 97% to 98% of sales for the previous term. In addition, I light of the expected recovery of the business conditions for existing stores, we anticipate net sales and operating income to increase by JPY 0.5 billion and JPY 0.4 billion, respectively, in comparison to our initial projections for the period.

### **P.17-18 Amusement Equipments Business**

Next, I would like to describe the state of the Amusement Equipments business.

This business category is comprised of the Arcade Games Sales business and the Pachinko & Pachislo business.

Looking at business for the first half of this fiscal year, we did not release any new products for the Arcade Games Sales business, so we conducted repeat sales of our existing products while reducing fixed costs by reforming the R&D and sales structures. One of our major repeat sales items was the medal game machine “Mario Party - Fushigi no Korokoro Catcher”. Although there was no new titles released in the Pachinko & Pachislo business, repeat sales were favorable for “Onimusha: Dawn of Dreams”, a commissioned manufacturing product launched at the end of the previous fiscal year. Compared to the projections of our original plan at the beginning of the fiscal year, the performance of the Arcade Games Sales business was characterized by a decrease in sales and increase in profit, while the Pachinko & Pachislo business saw both an increase in sales and profit. Thus the overall performance of the entire Amusement Equipments business exceeded the projections of the initial plan. Incidentally, the sales composition ratio for the two categories in this business is 5:5.

Moving on, I would like to highlight our strategy for this business category in the second half of the year.

Capcom is planning to launch new game products in both businesses.

In the Arcade Games Sales business, the company is planning to utilize popular characters and release new medal game machines and arcade video game machines for “Super Street Fighter IV” (scheduled to be out in December, 2010), while continuing repeat sales of “Mario Party - Fushigi no Korokoro Catcher” machines. In the Pachinko & Pachislo business, we plan to utilize our original contents and bring new pachislo machines out on the market. Partnering with Fields Corporation, we aim to strengthen our sales system and improve product quality.

Looking at our performance plan for the full fiscal year, compared to the projections in our initial plan at the beginning of the fiscal year we predict that our net sales will increase by JPY 1.5 billion, and that operating income will be up by JPY 0.8 billion. Although there is no change in net sales of the Arcade Games Sales business, we expect to see an increase in revenue by lowering the fixed costs of this business. We are also confident the Pachinko & Pachislo business will experience increases both in sales and profit in light of the strong sales in the first half of this fiscal year. Compared to the previous fiscal year, both businesses are expected to see increases in sales and profits.

**P.19-20 Business Forecast for the Year Ending March 31, 2011**

To conclude this presentation, I would like to describe Capcom's consolidated business performance for the year ending March 31, 2011.

According to our revised plan for the full fiscal year that we announced on October 4, 2010, we predict our net sales will finish at JPY 91.0 billion, operating income at JPY 13.0 billion, ordinary income at JPY 11.0 billion, net income at JPY 6.5 billion, and net income per share at JPY 110.01. In regards to dividends, our interim dividend will be 15 yen per share, and the year-end dividend will be 20 yen per share, totaling 35 yen per share for the year.

Capcom will put forth its collective strengths and work towards achieving our revised goals. We greatly appreciate your continued input and support.