

CAPCOM

Year Ended March 31, 2008

ANNUAL REPORT

2008



“Capcom: Creator of entertainment culture that stimulates your senses”

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment. Today, young and old, men and women enjoy a gaming experience all over the world.

It is common to see people playing a game online with someone far away.

Game content has also evolved to be used in a wide range of areas of media such as Hollywood movies, TV animation programs and books. Video games are now cultural media products that fascinate people.

As the ever-expanding entertainment industry becomes pervasive in our everyday lives,

Capcom will continue to strive to be a unique company recognized for its world-class development capabilities by delivering users content brimming with creativity.



Celebrating our 25th anniversary

In 1983, coinciding with the sudden rise of the amusement industry, CAPCOM was founded to create content based on a new kind of entertainment: “people matching wits against computers.” The name CAPCOM comes from “CAPsule COMputer.” This phrase was symbolic of an internal company objective to create a new gaming experience that would exceed that of rival personal computers which had also been increasing in popularity during the same period. The “Capsule” segment of the CAPCOM name was based on 2 key concepts: “a container packed to the brim with fun” and “a desire to create securely packaged games to protect from illegal copies and inferior pirated materials.” The company celebrated its 25th anniversary on June 11, 2008. With the new management structure implemented in 2007, we have made steps towards further growth. We will continue pursuing steady business expansion with support from our shareholders.



3	Consolidated Financial Highlights
5	Business Segments Highlights

7 To Our Shareholders (From CEO & COO)

9	CEO Interview
---	---------------



13 Our Strategy to Growth (From COO)

15	① Adapting our popular content for a variety of media
17	② Striving for continued growth in the video game industry by increasing our overseas sales ratio
19	③ Increasing global gaming population: Cultivating a new genre with titles targeting casual users
20	④ Increasing Capcom fan-base with mobile games and PC games



21 Overview of Capcom's Business and Outlook for the Future

21	Home Video Games
24	Contents Expansion
27	Arcade Operations
29	Arcade Games Sales
31	Other Businesses



Search Index

To find out more about our business performance

PP3-4, PP5-6, P10 (Q1), PP21-31, PP39-44, PP47-70

To find out more about the business or market environment

P6, PP13-20, PP21-31

To find out more about our business strategy

P10 (Q2), PP13-20, P23, P26, P28, P30, P31

To find out more about our financial strategy

P12

To find out more about businesses Capcom is involved in

The folded page, PP15-20, PP21-31

To find out more about our corporate governance, compliance and internal control system

PP33-37

32 To Fulfill Corporate Social Responsibility

32	Corporate Social Responsibility (CSR)
33	Corporate Governance/ Compliance/ Internal Control System
35	Directors, Corporate Auditors and Corporate Officers



38 Financial Section

39	11-Year Summary	50	Consolidated Statements of Changes in Net Assets
41	Financial Review	51	Consolidated Statements of Cash Flows
44	Business Risks and Other Risks	52	Note to Consolidated Financial Statements
47	Consolidated Balance Sheets	71	Report of Independent Auditors
49	Consolidated Statements of Income		

72 Corporate Data

73 Corporate & Products History

75 Stock Data/ Investor Relations Website



Home video games:

The classic that firmly established the combat-based fighting games as a genre, "Street Fighter II" sold 6.3 million units worldwide. This major series, which boasts a total number of units shipped of 25 million, will welcome the latest addition "Street Fighter IV" in the year ended March 31, 2009 with heightened anticipation.



Home video game "Street Fighter II"



Arcade video games:

The history of the long string of brilliant hits generated by the "Street Fighter" series began in 1987 with the release of the arcade video game "Street Fighter." "Street Fighter II" followed in the footsteps of the original and became a huge hit in 1991. We are currently in the process of revamping the brand starting with the newest arcade video game "Street Fighter IV" set to be released in Summer 2008, which will be followed by its home video game version.



Arcade Video game "Street Fighter IV"



Online games:

The online version of "Street Fighter," long awaited by the fans of the series, will be released in the year ended March 31, 2009. Its easy gameplay that allows users to manipulate characters using just a mouse will break new ground in online game playing.



PC Online Game "Street Fighter Online Mouse Generation"



Movies:

The Hollywood-produced live-action movie "Street Fighter" is set to be released on February 2009. In addition to the profit share of the box-office that we have secured by providing the production company partial financing, we are also looking to take advantage of the ripple effect of the movie promotion for its home video game version as well as the arcade version.



Animated movie "Street Fighter II"

The movie "Street Fighter"
©CAPCOM CO., LTD./Based on Capcom's
Street Fighter Video Games





Mobile game "Street Fighter Alpha2"

Mobile games:

The mobile game version of its home video game has been made available for cell phones in Japan and overseas. The simple game rules that "Street Fighter" is based on make it accessible to everyone from casual users to hard-core users and has been well received for its user-friendliness.

Single Content × Multiple Usage

Developing products in a wide range of areas of media based on single hit content

The case of "Street Fighter"

"Street Fighter" is one of our major series. An arcade game, "Street Fighter II" launched in 1991 ignited a fighting game boom worldwide. It also became a record-breaking hit title later on. The title went on to be developed in a wide range of areas of media, such as movies, TV animation programs, books and mobile games, and has enjoyed popularity for years.



Comic "Street Fighter"

Publication:

The game elements that together create the brilliant worldview of "Street Fighter" can themselves be turned into items that fans covet. We will release a variety of spin-off products that cater to the needs of our fans such as "Making of" books that offer base illustrations for characters and other source materials, action figures and music CDs.

Financial index

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

	2004	2005	2006	2007	2008	2008	Rate of change
	Millions of yen				Thousands of U.S. dollars		
Net sales	¥ 52,668	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	\$ 830,975	UP 11.4% ↗
Operating income	1,402	7,752	6,580	9,602	13,121	131,213	UP 36.6% ↗
Net income (loss)	(9,158)	3,622	6,941	5,852	7,807	78,076	UP 33.4% ↗
Total assets	93,096	106,361	98,457	91,478	93,606	936,067	UP 2.3% ↗
Net assets	31,854	32,491	39,464	45,144	53,660	536,600	UP 18.9% ↗
	Yen				U.S. dollars		
Net income (loss) per share	¥ (160.91)	¥ 63.37	¥ 125.19	¥ 107.52	¥ 132.90	\$ 1.33	UP 23.6% ↗
Diluted net income per share	00.00	50.28	93.49	84.81	116.84	1.17	UP 37.8% ↗
Cash dividends applicable to the year per share	20.00	20.00	20.00	30.00	30.00	0.30	0% →
Net assets per share	559.66	589.99	716.91	799.35	881.13	8.81	UP 10.2% ↗
	%				%		
ROE	(24.5)	11.3	19.3	13.8	15.8	15.8	UP 2.0 Points ↗
ROA	(9.2)	3.6	6.8	6.2	8.4	8.4	UP 2.2 Points ↗
	%				%		
Price earnings ratio	—	16.5	9.7	15.7	25.6	25.6	UP 9.9 Points ↗
Price-book value ratio	1.84	1.77	1.69	2.12	3.86	3.86	UP 1.74 Points ↗

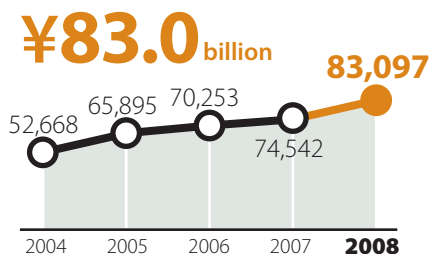
Note: U.S. dollar amounts are translated from yen at the rate of ¥100=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008.

Disclaimer Regarding Forward-looking Statements

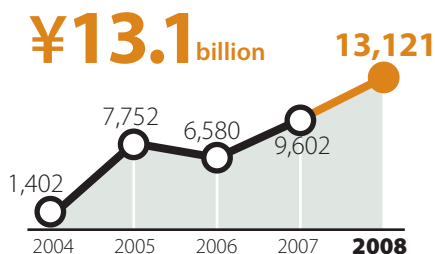
Management strategies, plans, projections and other statements excluding historical facts in this Annual Report are forecasts. Please note that the above business projections are based on the information that is available at the time of this announcement and certain assumptions that serve as the basis of rational judgments. Actual performance may vary substantially from these projections due to various contributing factors of the future. Additionally, changes in market environments, such as the diversification of user needs, may drastically affect the performance of this

industry in which our company operates. Factors contributing to performance fluctuations include but are not limited to: (1) the presence or absence of strong-selling titles and the number of units sold in the home video games which accounts for not less than 50% of our total sales; (2) the progress of home video games development; (3) the proliferation of home video game consoles; (4) overseas sales; (5) trends in stock prices and foreign exchange; (6) cooperation with other companies in development, sales, and operations; and (7) changes in market environments.

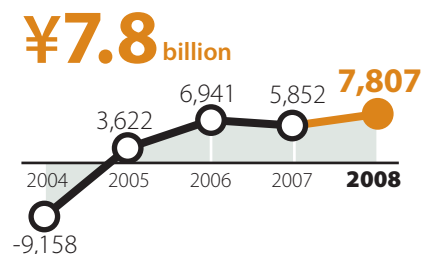
Net sales (Millions of yen)



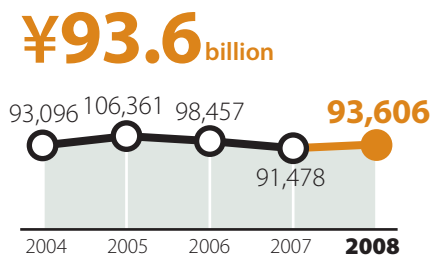
Operating income (Millions of yen)



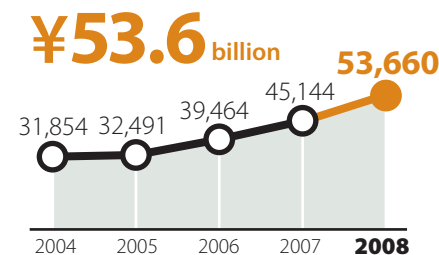
Net income (loss) (Millions of yen)



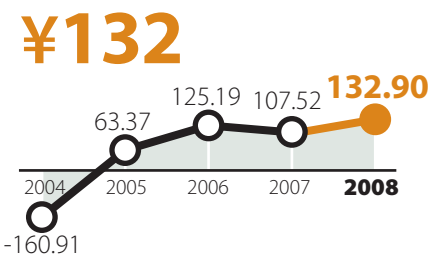
Total assets (Millions of yen)



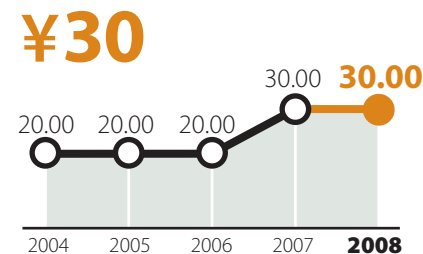
Net assets (Millions of yen)



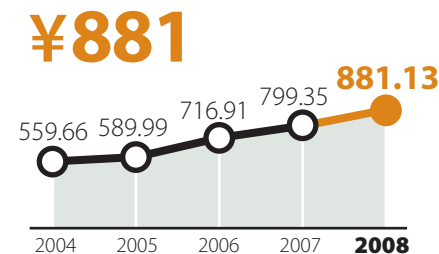
Net income (loss) per share (yen)



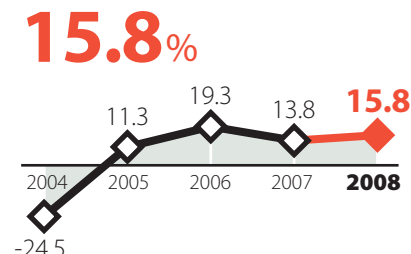
Cash dividends applicable to the year per share (yen)



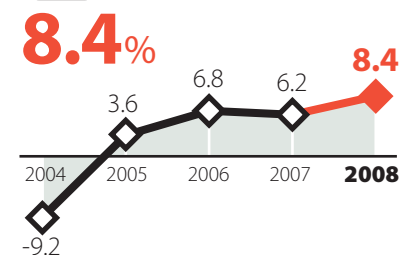
Net assets per share (yen)



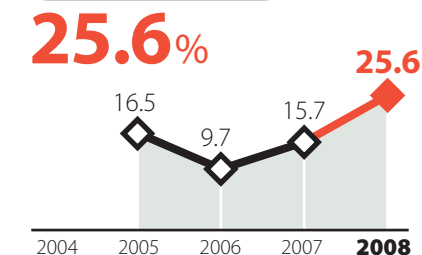
ROE (%)



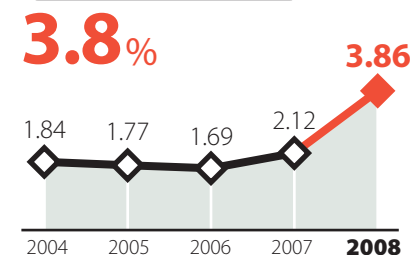
ROA (%)



Price earnings ratio (%)



Price-book value ratio (%)



Home Video Games



This development and distribution of home video games constitutes the core business of Capcom, with sales accounting for approximately 60% of total sales. By concentrating our management resources in this field, we have developed game software for a wide-range of consumers. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.

⇒ P21



% of Net Sales **62.2%**

Net sales
51,679 (¥ Million)
(Up **18.0%** ▲ from the previous year)

Operating income to sales
22.5%

Contents Expansion



We are expanding two other businesses based on the content used for our home video games making it possible for different businesses to create a synergetic effect. For example, Pachinko and Pachislo Business is involved in the development, manufacture and sales of LCD devices for gaming machines as well as software, whereas Mobile Content Business deals with the development and distribution of game content for cell phones.

⇒ P24



% of Net Sales **10.3%**

Net sales
8,525 (¥ Million)
(Up **20.0%** ▲ from the previous year)

Operating income to sales
30.9%

Arcade Operations



We operate amusement facilities "Plaza Capcom" in Japan. We also operate our arcades predominantly in large commercial complexes and launch various events to attract families and female customers. We have diligently followed our policy of "scrap and build" to achieve the utmost efficiency in arcade operations.

⇒ P27



% of Net Sales **16.1%**

Net sales
13,406 (¥ Million)
(Up **2.8%** ▲ from the previous year)

Operating income to sales
5.6%

Arcade Games Sales



We develop, produce and distribute coin-operated arcade games. We concentrate our efforts on the development of coin-operated and prize-winning games, which are high in demand, as well as supply software for arcade video games to secure a stable customer base.

⇒ P29



% of Net Sales **7.9%**

Net sales
6,574 (¥ Million)
(Up **18.4%** ▲ from the previous year)

Operating income to sales
18.0%

Other Businesses



Based on our "Single Content Multiple Usage" strategy that develops our game content in broad business areas, we will pursue a variety of copyright-related business opportunities such as publishing (walkthrough and strategy guide as well as setting collections) and licensing (music CDs and licensed merchandise). Furthermore, diligent efforts are being made to develop more movies and TV animation programs as well.

⇒ P31



% of Net Sales **3.5%**

Net sales
2,947 (¥ Million)
(Up **15.1%** ▲ from the previous year)

Operating income to sales
15.9%

Market Trends

- Three next-generation game consoles (Xbox 360, PS3 and Wii) have been released and the sales of portable game consoles (PSP and Nintendo DS) are also growing.
- Women and the middle-aged people have joined the market as new users and the gaming population is increasing worldwide.
- The European market is rapidly growing and close to catching up with the North American market.

- The Pachislo market is showing signs of decline while the Pachinko market in general remained soft in spite of the positive mood generated by new products made possible by relaxation of applicable regulations.
- The mobile content market is growing significantly worldwide. North America and Europe are especially the key markets where the popularity of high-performance devices such as PDAs and smartphones is growing.

- Although the market itself has been slowly expanding for 5 consecutive years, the number of facilities remains virtually unchanged as we undergo a shift to larger facilities.
- The market environment is worsening due to, for example, the popularity of home video games, which is in reverse correlation with the success of arcade games, and a reduced number of customers visiting our facilities in suburban shopping malls brought on by high gas prices.

- The market grew for the 5th consecutive year; however, the market size is beginning to shrink due to the weaker purchasing power of facility operators brought on by the worsening market condition for arcades.
- Prize-winning games and coin-operated games account for approximately 43% of the market.

- In the publishing business, commercially available walkthrough and strategy guides lost ground due to more and more users exchanging hints and tips on online message boards.
- The ever growing box-office revenue is up 10% worldwide and was worth 28 billion dollars.

Capcom's Strength and Strategy

- We own a wealth of strong properties including scores of million-selling titles and popular characters.
- We have the ability, the resources, and the experience to develop content that meets diversified customer needs. We were also able to shorten the time and reduce the cost of development with our integrated development environment "MT Framework."
- We will step up development and marketing efforts for the overseas market.

- We are in a position to take advantage of a synergetic effect of our popular home video games for our other products such as Pachinko and Pachislo machines and mobile content.
- We acquired a North American mobile content developer in 2006 to develop our mobile content business locally. With this acquisition, we were able to secure popular games for casual users as well as the right to directly distribute our content to wireless carriers.

- We established early on a business structure that brings in a large number of customers by specializing in mall-based large-scale facilities.
- In an attempt to secure a better return on investment, we have been scrapping and building facilities. The implementation of "scrap and build" allows us to maintain a higher profit margin than our competition.

- We develop games from each genre equally to respond to the market trends.
- We will continuously release video game titles that take advantage of our ability to develop home video games.
- Market research conducted at our company-managed arcade facilities enabled us to collect in-store information of popular games in a timely manner, which was then used to develop new products.

- We have created a value chain by, for example, making efficient use of our game characters and creating a synergetic effect.
- We developed products for businesses such as movies, publishing and character merchandising to retain our core fan base and create a sense of excitement and anticipation.

Operating Results for This Fiscal Year

- We generated hit titles for all new hardware platforms, resulting in increased sales as well as profits.
- "Devil May Cry 4" released for Xbox 360 and PS3 became a mega hit shipping more than 2 million units.
- "Monster Hunter Freedom 2G" for PSP became a huge hit and a social phenomenon.

- The Pachislo machine "Devil May Cry 3" was released for the Pachinko and Pachislo market; however, the sales have leveled off.
- The domestic mobile content market saw our "Ace Attorney" become a hit, which was one of the leading factors for our increased profits.
- The company was ranked 4th in market share in the North American mobile market, or first among Japanese publishers.

- We opened nine new facilities during the current fiscal year and now own forty-two facilities in Japan.
- Although the industry in general struggled, we were able to achieve an increase in sales compared to the previous fiscal year. Our profit margins declined due to the increased cost of opening new facilities; however, we were able to maintain a surplus.

- Due to the defect in our coin-operated game "Donkey Kong Banana Kingdom," both our income and profit decreased.
- We attempted to reverse the tide and went on an offensive by launching a popular video game at the end of the fiscal year.

- "Resident Evil: Extinction," the latest from one of our major brands "Resident Evil" series, was released worldwide and recorded the best box-office revenue of the series.
- Publishing business increased revenue and profit resulted from optimization of our inventory.



辻本憲三

Kenzo Tsujimoto

Chairman and Chief Executive
Officer (CEO)
CAPCOM CO., LTD.

辻本春弘

Haruhiro Tsujimoto

President and Chief
Operating Officer (COO)

We hope that this year has been yet another year of prosperity. Here for you to peruse is our annual report for the year ended March 31, 2008.

It has already been a year since Kenzo Tsujimoto and Haruhiro Tsujimoto have taken office as Chairman and Chief Executive Officer, and President and Chief Operating Officer, respectively. Since taking over in June 2007 they have led our company with a new management structure. This new management structure clearly defines the role of the Chairman as being responsible for our management strategy, whereas the President's responsibility lies in the operation of the company. We believe that this allowed us to continue to strive to respond to our shareholders' expectations by aggressively pursuing business expansion and making swift decisions to tackle issues. We are happy to report that, as a result, our business results over this fiscal year have shown favorable growth yet again.

In June 2008, we celebrated our 25th anniversary in the game industry business, which produced forty-seven million sellers. We have grown with the industry over the years and are extremely grateful for those hit titles much loved by our customers and for the fact that our new titles continue to inspire anticipation in them.

In this annual report for the current fiscal year, Kenzo Tsujimoto will present to you the management policy by which our strong growth is guided while Haruhiro Tsujimoto will elaborate on the company's business strategy, the driving force for our growth.

It is our hope that you will gain a detailed understanding of the company's management strategy and business development plan. We look forward to receiving your opinions and guidance.

**A year since establishing
the new management structure,
our business results are showing
favorable growth.**

As both home video game consoles and portable consoles become more and more commonplace worldwide, the video game industry, a major growing market, has carved itself a particular place in the world economy. The company's structural reform that began in 2002 in preparation for this growth period yielded favorable results and allowed us to record steady growth in both net sales and operating income yet again this fiscal year. Here, Chairman and CEO, Kenzo Tsujimoto will discuss the company's overall performance during the current fiscal year and answer questions regarding its management plan, medium- and long-term goals as well as its financial policies. It is our hope that these questions and answers will be helpful in your gaining a deeper understanding of how the company is managed.

Implementing bold reforms yielding significant results in the video game market entering a global expansion period.

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)
CAPCOM CO., LTD.



Q.1 How did Capcom perform this fiscal year? What is the outlook for the next fiscal year?

A Our structural reform has proven to be effective and we saw an increase in both sales and profit for the second consecutive fiscal year.

The home video game market is currently experiencing global growth during a favorable and expansive period. This trend was due to the fact that hardware manufacturers' new consoles have taken root. In addition, software manufacturers have responded by launching many major titles, which had a synergetic effect to increase the gaming population. Furthermore, regions such as Southern and Eastern Europe as well as Australia have formed an emerging game market, creating a mega- industry as a result.

The users are becoming more diverse as well. Business opportunities abound in the market that can provide many different types of users with a wide variety of genres and game consoles of their preference. Those users include casual users who have just discovered Wii or Nintendo DS and core users focused mainly on Xbox 360 that prefer the gaming experience via the Internet.

Our company began preparing for such a period of expansion in the home video game market in 2002 by implementing a structural reform, which has led to us having healthy growth ever since. As a measure to counter the soaring costs of software development for the next-generation consoles, which has been a cause for concern, we have shifted our focus to the multi-platform strategy. Furthermore, in order to make this shift possible, we have implemented the company-wide use of our own base technology for software development tool, "MT Framework." Our overseas expansion structure is also now well established as we gave priority to reinforcing North American and European sales subsidiaries. By ideally linking the entrance (the base technology for software development) and the exit (the global sales structure) of the business, we were able to make optimal use of our capabilities to create original content, which is our forte, and achieve phenomenal success. During the current fiscal year, we produced two million-seller titles and one "double-million" seller. As a result, net sales totaled 83,097 million yen (up 11.5% from the previous year), and operating income reached 13,121 million yen (up 36.6% from the previous year).

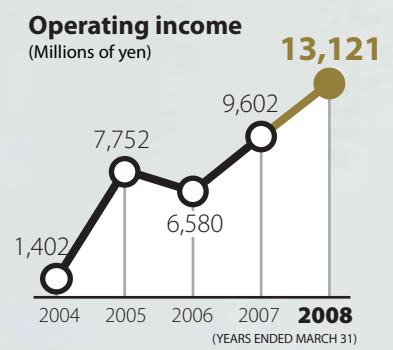
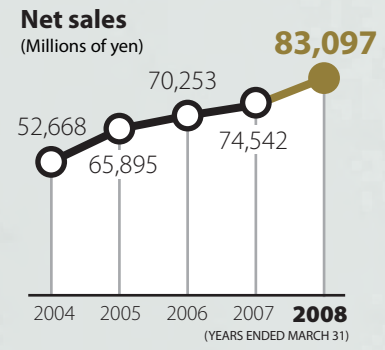
As for the business outlook for the next fiscal year, we project net sales of 95,300 million yen and operating income of 14,600 million yen. This forecast is mainly based on the expectation that our excellent title line-up produced by the Home Video Game Business will lead our business results while other businesses are expected to chart steady growth.

Q.2 Tell us about Capcom's medium-term business goals and strategies.

A Our goal is to "maintain an annual sales growth rate of 10%" and to "achieve an operating profit ratio of 15%." We will also aim to increase the number of units sold and to maximize the profit gained through our content.

The company has maintained continued growth in this rapidly changing industry with its globally popular title line-up based on its world-class R&D capabilities. Our strength also lies in our ability to steadily produce original content without relying solely on sequels of our popular series.

Our medium- and long-term business goal is to "maintain an annual growth rate of 10%" and to "achieve an operating profit ratio of 15%." We believe that we have made very steady progress and our business results have been more than satisfactory.



Forecast for the Next Fiscal Year

	2008 (Millions of yen)	2009 Plan (Millions of yen)	Growth rate (%)
Net sales	83,097	95,300	14.7
Operating income	13,121	14,600	11.3
Net income	7,807	8,600	10.1

(YEARS ENDED MARCH 31)

We feel the need to continue to increase the number of units sold in order to maintain this steady progress we have made so far, which can be done by further reinforcing our development capabilities and increasing our product line-up as well as achieving sales results proportional to the size of each market (North America 5, Europe 3, Japan 2). Over this fiscal year, our domestic development lines were strengthened by making K2 Corporation, which has had a business partnership with Capcom, a wholly owned subsidiary. Collaboration with local development companies meanwhile boosted software development overseas. We believe that both strategies will prove profitable during the next fiscal year.

It is also worth repeating the extreme importance of the "Single Content Multiple Usage" strategy that generates multi-faceted business opportunities. As you can see on the folded page of this publication's title page, the example of the development process of "Street Fighter" shows that a structure to maximize the profitability of single content within the group can be built by adapting our game content to other entertainment businesses. Creating new hit titles will thus lead to increased profit in the home video game business as well as in others.



Q.3 Tell us about your views on acquisitions and partnerships.

A We will be actively pursuing friendly acquisitions and partnerships.

In order to ensure stable and sustained growth, we must expand our business in the larger size overseas market where there is ample room for growth. We therefore have no plans to merge with any major Japanese video game publishers or toy manufacturers in the foreseeable future since it is unlikely to contribute to sales expansion overseas. Such a merger could also restrict our licensing business opportunities.

On the other hand, we are aggressively going after acquisition and partnership opportunities if they benefit our goal of creating gaming content with universal market appeal. As I mentioned earlier, K2 Corporation with whom we have developed titles for overseas was made our wholly owned subsidiary during this fiscal year. Our aggressive strategy on merger and acquisition has already begun producing good results. For example, our mobile game business in North America acquired during the last fiscal year posted a monthly surplus during this fiscal year. We will continue to realize mergers and acquisitions through friendly means in order to create more gaming content.

The implementation of anti-takeover measures was approved at the general shareholders' meeting in June 2008. These measures define clearly the procedure when a substantial amount, more than 20% of the stocks, were to be purchased. First and foremost, the main objective of these measures is to secure time to review necessary information for the shareholders to make the decision whether to accept or reject this large-scale offer to purchase. Our anti-takeover measures stipulate that the board of directors must analyze and evaluate the influence this large-scale purchase would have on the group's corporate value, as well as the profit for the group and the shareholders. The result of the evaluation will be communicated widely to our shareholders who will then take this information into account when making their decision. We will also give consideration to the needs for securing enough time and necessary information to submit alternative proposals as well as enough opportunities to discuss and negotiate with the party offering to make a large-scale purchase. At any rate, we firmly believe that the stock market will make its most appropriate judgment known in time if enough information is made available as a prior warning in advance of a large-scale purchase in order for us to make a sound investment decision without activating the anti-takeover measures.



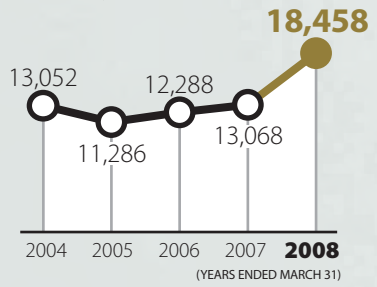
Q.4 What are your methods and views on financing?

A Our policy is to raise funds mostly by debt financing within a commitment line.

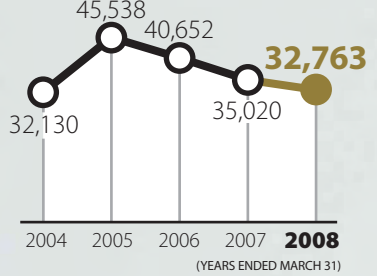
We are currently expanding investment in the home video game business, our core business, as we respond to the booming demand. Furthermore, as major titles require more than two years of development time, we need to prepare for the risk of titles not being profitable by maintaining a certain level of cash and cash equivalents.

To address the issue of the demand for capital, we will determine the level of cash and cash equivalents to maintain using the reserve from the investment plan and risk management. This amount will then be supplemented with the cash on hand as well as a 15 billion yen commitment line of credit so as to maintain it within an appropriate range. In regards to our financial strategy, taking capital cost into account, we have no immediate plans to raise funds through equity financing but to do so through debt financing mainly within the commitment line.

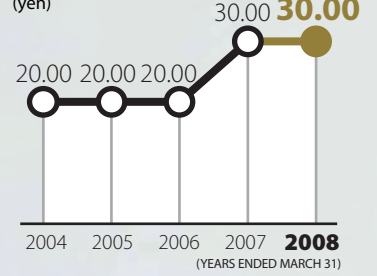
Amount of Development Investment
(Millions of yen)



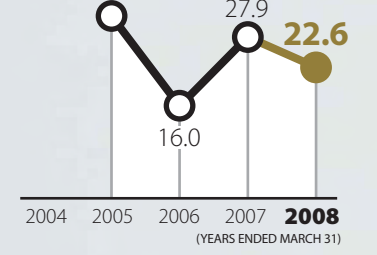
Cash and securities
(Millions of yen)



Cash dividends applicable to the year per share
(yen)



Dividend payout ratio
(%)



Q.5 What is your dividend policy?

A We will continue to pass on profit to shareholders with stable dividends and by buying back shares.

One of our management priorities is to pass on profits to all shareholders. To provide stable and continuous dividends is our basic policy, while taking into account our financial strength and future business strategies.

To achieve stable growth over the medium- to long-term, we are devising and implementing growth strategies in each of our business lines. The home video game market is now welcoming the harvest season as it continues to expand. In this market, it is our priority to secure enough investment. Furthermore, a certain amount of internal reserve will be required if we are to nurture our next core businesses such as arcade operations, arcade game machine sales or mobile games. As well, Pachinko & Pachislo and mobile content are two markets that have seen steady growth in recent years.

Our dividend policy is therefore to give priority to our internal reserve for business investment. Our dividend for this fiscal year, as a result, reached 30 yen and the dividend ratio was 22.6%.

Should the business strategies enable us to increase our profit steadily, we will consider either progressively raising the dividend payouts or buying back shares to realize our policy of returning profits to our shareholders.

For the dividends for the next fiscal year, we will be adding 5 yen to our midterm dividend normally set at 15 yen, making it 20 yen, as an expression of our deep gratitude towards the support of our shareholders over the years and to celebrate our 25th anniversary. Consequently, our annual dividend for the next fiscal year is expected to be 35 yen. We will continue to strive for the next ten, twenty years to further expand our business to be deserving of your continued support and understanding as shareholders.

辻本憲三

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)
CAPCOM CO., LTD.

During the current fiscal year, our core business, home video games, has shown a strong trend of growth. We would like to take this opportunity to express our gratitude towards stakeholders for their understanding and support for our business strategies. As COO, I will elaborate on the business strategies that have contributed to the recovery of our business results over several years.

Maximizing the results of the reform to accelerate our growth in the global market.

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)



Making great strides to be a leading home video game developer and publisher with world-class software development capabilities.

I would like to draw everyone's attention to the fact that these favorable results are in large part a result of the business reforms we began implementing in the year 2002.

The company has been promoting a structural reform of the entire group in order to continue to make great strides forward in the next generation of the game market that changes drastically.

The year 2002 was a period of radical change in the game industry in which the overseas market was becoming enormous while simultaneously next-generation consoles were being introduced. Each company in the industry had to tackle difficult business issues: expanding sales in overseas and controlling increasing development cost.

Since being appointed COO, I have been responsible for carrying out many of these reforms. Much of my effort was focused on providing guidance and implementing the structural changes to improve the efficiency of our overseas operations. Also, I worked closely with R&D management when making structural reforms to R&D and the way we think about R&D in order to achieve the goals of "Overall growth of the video game business," "Making the development process more efficient," and "Providing a return on investment." As a part of these measures, we have made an effort to increase the strength of our brand while placing at the forefront "Multi-platform development," our basic development strategy that creates a single software content adapted for several game consoles.

1

Adapting our popular content for a variety of media

PP15-16

2

Striving for continued growth in the video game industry by increasing our overseas sales ratio

PP17-18

3

Increasing global gaming population: Cultivating a new genre with titles targeting casual users

P19

4

Increasing Capcom fan-base with mobile games and PC games

P20

The results have been demonstrated in both the previous and the current fiscal years. Over the current fiscal year, our original title "Monster Hunter" became one of the top titles in the Japanese market. Its huge popularity could have been called a social phenomenon. Overseas, meanwhile, we produced three million sellers and consequently achieved sales expansion in Japan, the USA and Europe. Our early implementation of reform has been most effective in dealing with the market environment in which users' preference and the hardware's popularity constantly change and allowed us to consider having our company become a developer with world-class software development capabilities.

Our popular titles and development capabilities are two prerequisites for another of our growth strategies "Single Content Multiple Usage" to be effectively implemented. Attractive game content has the potential to appeal to users not only as a video game but also through many other facets of media. A variety of peripheral businesses make this strategy a reality and comprise the system to maximize our profit as a home video game developer and publisher.



Synergetic effect realized through “Single Content Multiple Usage”

A home video game is a complex and multi-faceted product created by professionals with elements such as images, storyline, a worldview, music, and interactive gameplay to name just a few. It can be said that a home video game is an artistic media product that requires high creativity in its development. This is exactly why each of these elements of a home video game can be individually developed into an attractive product through different facets of media.

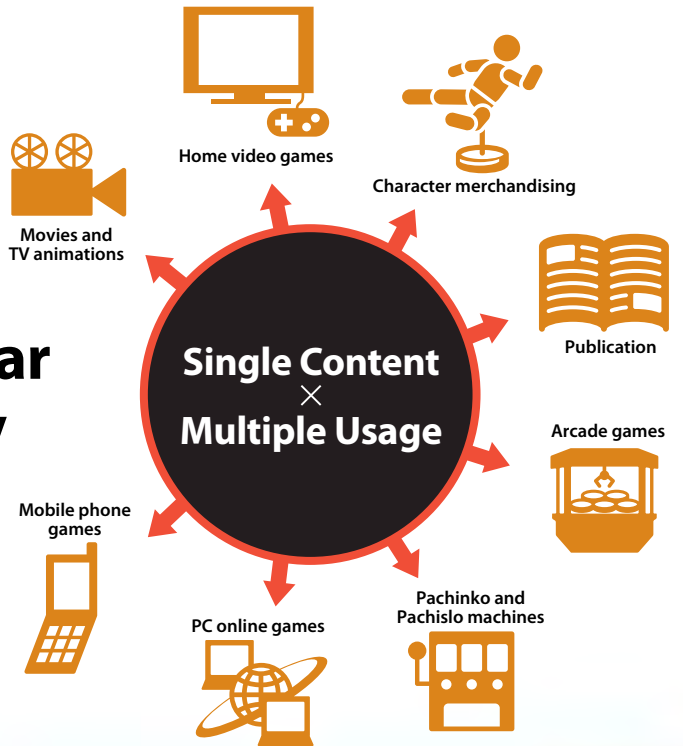
For twenty five years, Capcom has produced many hit titles based on our original content. We are ideally positioned as a company to push the “Single Content Multiple Usage” strategy as our home video games, for many of which we retain the intellectual properties, hold many promises for wide range development.

Business segments other than the Home Video Game Business are the driving force of this strategy and the range of development can be far reaching. In addition to game products such as arcade

games, mobile content (games for cell phones), online games, we have developed many lines of spin-off products such as movies, TV animation programs, Pachinko and Pachislo machines, book publication, character merchandises, and music CDs.

Let us take our home video production business for example. The movie “Resident Evil” released worldwide during this fiscal year that became a huge hit was based on our original home video game. By appealing to not only the fans of the series but also to those who had not played the game through a new form of media, we succeeded in

1 Adapting our popular content for a variety of media



Case 1: “Monster Hunter”

Since the series’ release in the fiscal year 2004, we have launched games for portable and home video game consoles, cell phones and an online game. Its PSP version broke a sales record and became the top-selling Japanese PSP game.



Case 2: “Ace Attorney”

This unique and innovative game based on court trials attracted many women and casual users. The fan base is still expanding with the help of its cell phone game version as well as related fan events.

increasing the strength of our brand and maximized its value through the high visibility and heightened excitement it created. As a result, taking advantage of the synergy effect, two of the titles launched under the "Resident Evil" series became million sellers.

"Street Fighter," a title whose return has been long awaited, will be developed for many forms of media during the next fiscal year in much the same fashion. Following the launch of the arcade video game "Street Fighter IV" in Summer 2008, its Hollywood movie version "Street Fighter" is set to be released worldwide in February 2009. We are also currently working on the home video game "Street Fighter IV" and its licensed merchandise. "Street Fighter" still enjoys a faithful

following and there are high expectations for this series' revival to become a major part of our content. A repeat performance of our "Single Content Multiple Usage" strategy proven by "Resident Evil" will help realize that in the next fiscal year. Furthermore, both "Onimusha" and "Resident Evil" series, which has become a major brand, are expected to be expanded on an ongoing basis for the movie industry. By taking full advantage of the high promotional effect of the industry, we will succeed in increasing the value of these titles. (See the separate volume on page 11 for details)

Our "Single Content Multiple Usage" strategy allows us to maximize our profit by utilizing our content, our business resources that give us a strong competitive edge, in the most effective and efficient fashion. Our ability to develop original content, which is our forte, make it possible for the cycle of this strategy to be expanded and reproduced.



 ©2007 Sony Pictures Entertainment(J) Inc. All Rights Reserved.



Strategy guidebook



The Hollywood movie



Soundtrack



Pachislo machine



Home video game

©YAMASA Co., Ltd. All Rights Reserved.

Case 3: "Resident Evil"

Its game software version sold 34.5 million units worldwide, while the Hollywood movie version became a huge hit. This series is one of our major titles, which has become globally popular and well known.

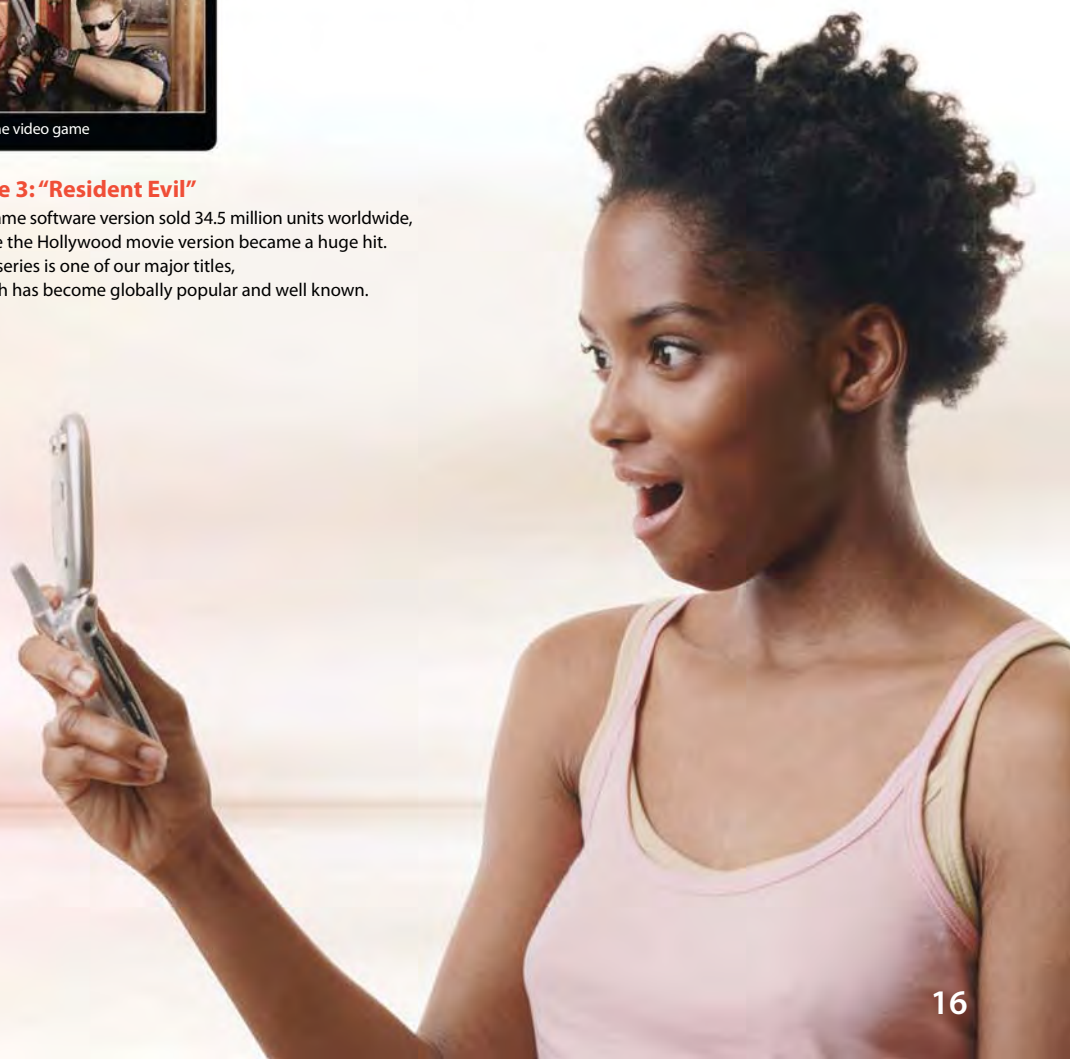


Mobile game



Comics

©カプコン/黒田研二/箭川かずお



Achieving expansive growth by shifting our focus to the overseas market before our competitors.

The home video game market was originally focused on Japan but that is a thing of the past. Nowadays, the main focus has shifted overseas and the video game industry is expanding worldwide.

As demonstrated by the numbers, overseas markets account for approximately a staggering 80% of the current video game market. The high rate of growth of overseas markets can be attributed to the fact that, in addition to young adults, women and the middle-aged have joined the market as casual users. Furthermore, gaming is becoming more accepted by people as part of the entertainment culture in countries such as Spain, Italy and Australia where game consoles were previously not very popular. As the market underwent major changes, we believed that it was extremely crucial for a Japanese game developer to swiftly organize a structure to create and sell hit titles overseas.

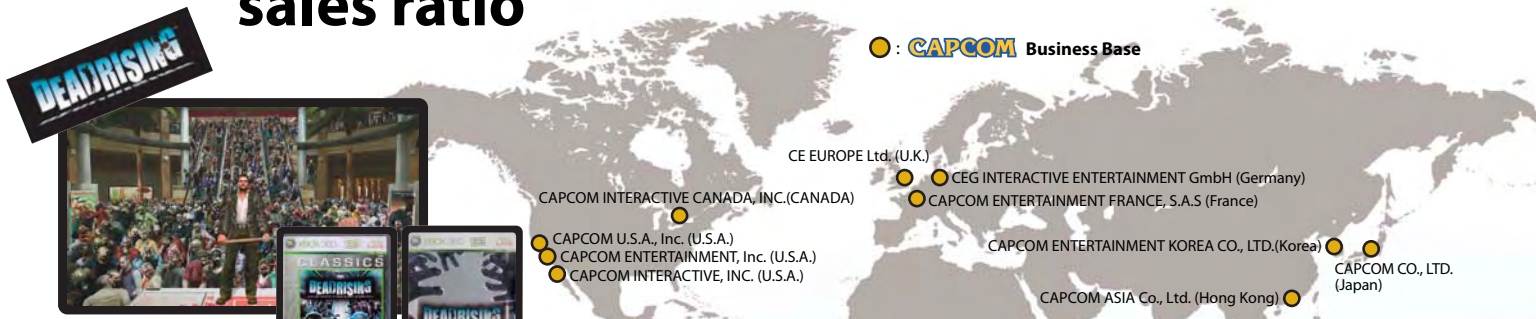
Although we faced these changes with apprehension and a sense of urgency, we also understood that the situation was a unique opportunity. We did recognize the need to review our overseas sales structure; however, we also had under our belt many globally popular game titles

such as "Resident Evil." It was therefore our belief that, by swiftly making improvements in our overseas business structure, we would be ahead of our Japanese competitors in achieving growth and expansion.

Management reforms were swiftly implemented in our overseas subsidiaries. For example, we shifted our focus from distributors to direct-sales, changed our promotional style to put emphasis on promotion on the Internet, put into practice a better and tighter control of inventory levels and made sure that the local market information was relayed to our product development. Furthermore, over this fiscal year, our "Multi-platform Development" strategy using our development engine "MT Framework" became the driving force for the major leap forward we made overseas. By simultaneously developing game software for several game consoles, we were able to address the market environment in which a variety of game consoles are waging war with one another and the most popular game consoles differ in Japan, the USA and Europe. This strategy served to minimize the effect on our sales that the fluctuating popularity of each game console would have while selling our video games to the maximum number of users.

These reforms overseas resulted in an astounding success. During the previous fiscal year, two of our titles for overseas became million sellers,

2 Striving for continued growth in the video game industry by increasing our overseas sales ratio



"Dead Rising"
Number of Game Software Units Sold (Thousands)

Overseas	1,350
Japan	50

"Resident Evil 4"
Number of Game Software Units Sold (Thousands)

Overseas	4,050
Japan	850

"Lost Planet"
Number of Game Software Units Sold (Thousands)

Overseas	2,000
Japan	150

whereas during this fiscal year, 80% of our Top 3 titles, all of them million sellers, were sold overseas. Our shift to overseas, ahead of our competitors, is now complete and our particular strength overseas will serve to reinforce our foothold to realize continued growth.

Reforming European sales structure and improving our line-up for overseas.

We also recognize the need to reevaluate our sales structure in the European market in the near future; however, we must consider several approaches to address the needs of the region, a group of nations where there are many emerging video game markets. Our plan is to determine the appropriate measures while taking into account the market trends.

The foundation and the basic strategy in the European region will be to promote a direct-sales structure. In the North American market where this strategy was implemented earlier, the direct-sales strategy accounts for 70% of our sales and an efficient structure for sales and inventory control as well as a mechanism that relays market information is already in place. On the other hand, as mentioned previously, it is crucial in the European market that we build a sales network that takes into account the particular business practice of

each country. It is therefore difficult to switch to the direct-sales system in the region within a short period of time. Our plan is to begin to implement the direct-sales system starting with countries where a video game market has already grown sufficiently. The company already has a business base in Great Britain and Germany where the switch has already been carried out. We are therefore planning on pushing the direct-sales structure in France during the first half of the next fiscal year and then in Spain the following fiscal year.

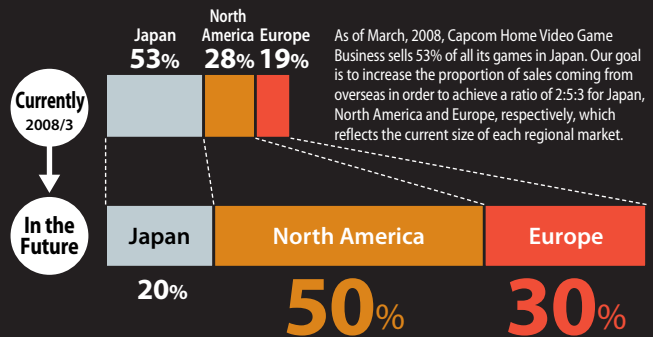
We are, however, not only focusing on the sales structure. A plan is also in place for launching several titles on which we have been working while collaborating with development companies overseas. These software titles have been developed with the taste of our overseas consumers in mind so as to realize further growth in the overseas market that is showing significant growth. Combining titles developed in Japan with titles developed locally overseas has enabled us to establish a structure that can steadily supply software titles worldwide.

We will continue to pursue further growth overseas while implementing aggressive measures such as strengthening the sales capabilities of our overseas subsidiaries and improving our product line-up targeting the overseas market.

"Bionic Commando"



Capcom's Sales Proportion by Region



Expanding a genre to respond to the increasing number of casual users.

As mentioned previously, the video game market is entering a period of significant growth. One of the factors for this phenomenon is an explosive increase of the number of so-called casual users.

With new-generation game consoles, it became possible to elevate the video game to a new height and offer entertainment that has an element of culture or education; something video games were not previously known for. Moreover, online games on the Internet as well as games via cell phones became more popular, creating a new means of communication. This consequently created a new generation of users in addition to previous video game users by introducing women and even seniors to the gaming experience, which meant that the video game market previously dependent on male core users succeeded in breaking down the traditional barrier.

It was clear what the company needed to do was to increase the number of casual users who were not yet familiar with video games:

To serve as a bridge between the casual users and the true excitement of gaming.

The company's forte is action and adventure video games. We therefore felt that the surest way to succeed in attracting casual users was to develop games in this genre that are easy for them to get into. Over the current fiscal year, we have had several big hits such as "Apollo Justice: Ace Attorney," a court case-based game that allows everyone to enjoy solving a mystery and the "Monster Hunter Freedom" series in which the player faces herculean monsters while teaming up with friends. The former targeted female users especially, while the latter was a result of a game previously targeting the core users being made more accessible to everyone.

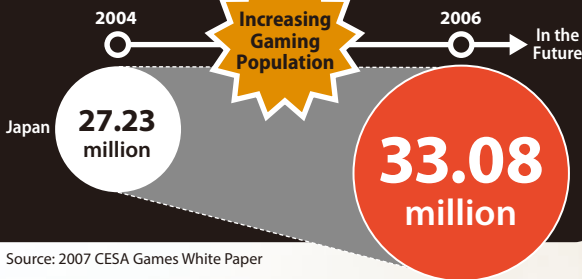
We are also planning to expand the genre itself to address the needs of an even wider range of users. Our first strategy in this endeavor is to expand into the sports genre. To this end, we produced a bike race game "Moto GP 07" in collaboration with an overseas development company and co-developed a golf game "We Love Golf!" with a Japanese software development company. We will

3 Increasing global gaming population: Cultivating a new genre with titles targeting casual users

Increasing Gaming Population

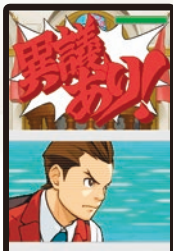
- Game consoles such as Wii and Nintendo DS became huge hits worldwide. (2006-2007)
- New genres such as "Brain Training" were introduced and generated hits.

Number of Game Users



Source: 2007 CESA Games White Paper

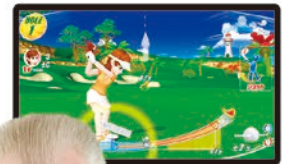
"Apollo Justice: Ace Attorney"



"Moto GP 07"



"Wantame Music Channel"



"We Love Golf!" ©CAPCOM / CAMELOT



continue to supply game titles in this genre by collaborating with companies with an already established record for developing sport-related games.

The North American mobile business has grown to be a key business in a short time.

Our mobile game market, mentioned briefly in the section explaining “Single Content Multiple Usage” (See page 15), is also about to experience a major period of change.

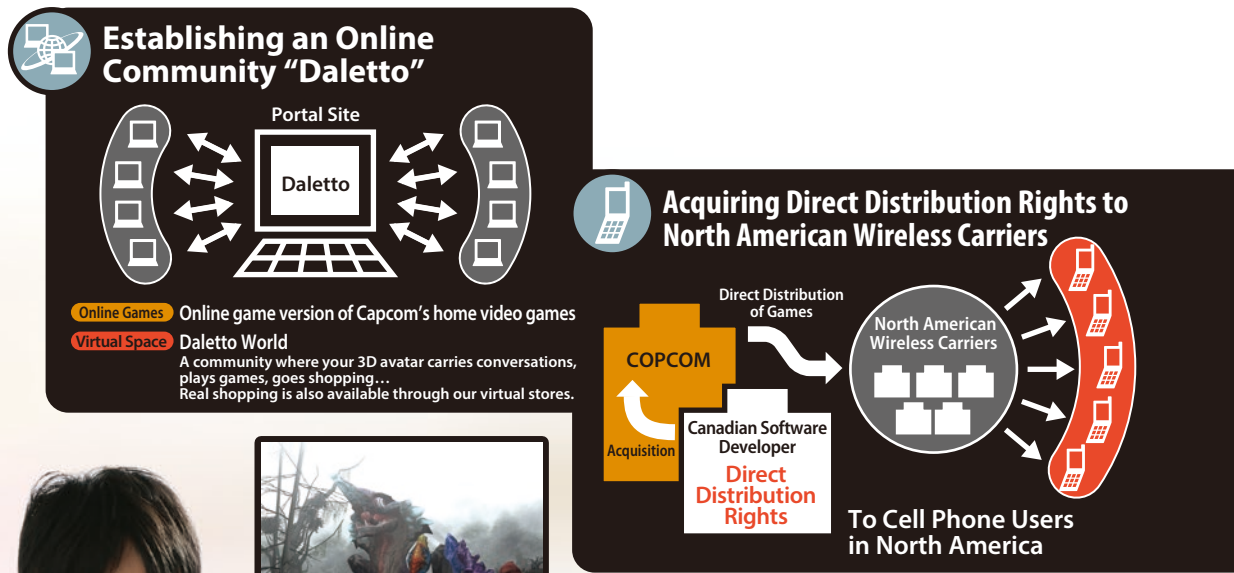
The market is showing remarkable growth overseas, especially in North America. As portable devices such as cell phones and portable digital music players become equipped to receive game content, the number of users who are familiar with mobile games has increased as never before. Consequently, a wider variety of games are now available in the mobile game market and high-performance mobile devices can now handle graphics fitting for game consoles. These factors serve in turn to add momentum to the growth trend.

The company purchased a Canadian mobile game developer in 2006 in order to break into the North America market. The rationale for this strategic acquisition was threefold: First, the developer had the advantage of doing business directly with leading wireless carriers in North America. Second, its intellectual property portfolio included game content popular with casual users. And third, it had technological expertise in making an individual title playable on different types of cell phones.

This purchase has begun to show positive results during the current fiscal year. We were able to create a full line-up by adding our game titles already popular in Japan to the games targeting casual users that the company owned. (See the separate volume on page 10 for details.) Consequently, our ranking in North America shot through from 62nd at the beginning to 4th as of January 2008, which is the highest ranking for a Japanese company.

We have the system and the capabilities necessary to realize our philosophy, “Delivering a wide variety of games to all types of users worldwide”; our mobile game business is transforming itself into one of our key businesses.

4 Increasing Capcom fan-base with mobile games and PC games

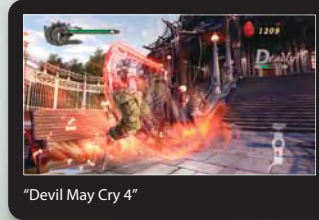


“Daletto World”



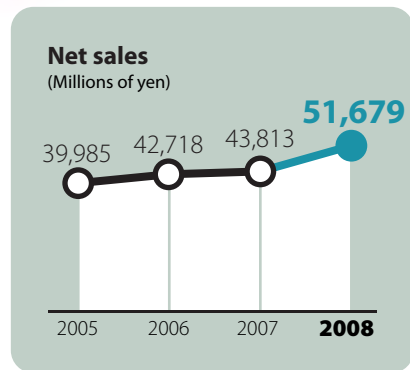
“Monster Hunter Frontier Online”



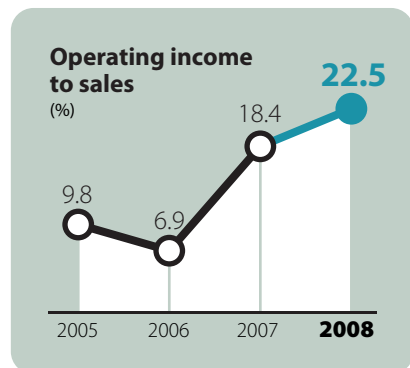


Home Video Games

This development and distribution of home video games constitutes the core business of Capcom, with sales accounting for approximately 60% of total sales. By concentrating our management resources in this field, we have developed game software for a wide-range of consumers. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.



(YEARS ENDED MARCH 31)



(YEARS ENDED MARCH 31)

Market Trends

Due to more widespread ownership of home video game consoles, the home video game market has grown by 34%. A high rate of growth is expected until 2010 due to the rise of emerging gaming nations and the increase in the gaming population.

The game market has formulated a 5-year cycle at the beginning of which a new game console is launched. The market has expanded steadily by continuing to bring in new users with game consoles becoming more and more appealing, offering higher performance and more functions, at the beginning of every cycle. As the new game consoles are more commonplace, we believe that now is the perfect timing to expand sales in software. The game software market has grown at an average annual growth rate of 17.3% since 2000 and was worth three times more or 24.2 billion dollars in 2007 (up 33.7% from the previous year). As for the three major markets, North America, Europe and Japan, they are worth 10 billion dollars (up 26.6% from the previous year), 9.9 billion dollars (up 39.4% from the previous year) and 4.3 billion dollars (up 38.7% from the previous year), respectively. The foreign markets make up 80% of the global video game software market. (See Diagram 1)

Playstation2 (PS2) had enjoyed an overwhelming global market share until Playstation3 (PS3), Xbox 360 and Wii were introduced to the market. As those new consoles put a strong and clear emphasis on their own uniqueness, each of them was able to attract an ample fan-base, and the preferences of the users in each region are manifested in their market shares.



"Apollo Justice: Ace Attorney"



"Resident Evil: The Umbrella Chronicles"



"Monster Hunter Freedom 2G"



"Lost Planet: Extreme Condition - Colonies Edition"



"Moto GP 08"

Game and Software ©2008 Capcom Entertainment, Inc. MotoGP™ 08 and ©2008 Dorna Sports, S.L. MotoGP and related logos, characters, names, and distinctive likenesses thereof are the exclusive property of Dorna Sports, S.L. and/or their respective owners. Used under license. All Rights Reserved.

Although Diagram 1 shows that the peak for the market will be in 2008, we forecast that it will be extended until 2010 because: 1) Wii has been successful in increasing the global gaming population by providing a new way to play video games and bringing in new users, especially women and the middle-aged; 2) The launch of each game console has been staggered resulting in varying peak periods for the fluctuation of software prices; 3) There still exists a very strong demand for older model game consoles among the low-income population; and 4) Emerging gaming nations such as Italy, Spain and Australia are still experiencing an increase in their markets.

The industry is now facing a new market environment in which game consoles are practically waging war against one another and we are forced to make swift changes in our software development structure. As other international software manufacturers have done, the company has been pushing for adopting the multi-platform format, which is still rare in Japan. Demonstrated by the fact that many global hits in this fiscal year have been multi-platform, it is becoming more and more apparent that only companies with proven development and technical capabilities will be able to continue to achieve growth in this complex market environment.

Operating Results for This Fiscal Year

4 million-seller titles released. A drastic increase in both sales and profit thanks to the multi-platform strategy.

Capcom's strength in the home video game business is threefold. First, we have "scores of long-lasting intellectual properties with universal market appeal" such as million-selling titles and popular characters. (See Diagram 2) Second, we have an "advanced ability to develop original game content" without relying on licenses obtained from external sources. We also possess a "high level of technology," assisted by the "MT Framework," an integrated

development environment built to provide common development tools for Xbox 360, PS3 and PC platforms. And third, we have "strong overseas marketing capabilities" as represented by effective sales operations in overseas markets, which are the majority of our markets, with a proper understanding of regional preference for game titles and market characteristics and business practices. (See the "Our Strategy to Growth" section on page 15 for details.)

This fiscal year saw the result of our multi-platform strategy, which succeeded with users' overwhelming support for "Devil May Cry 4" (for Xbox360 and PS3) produced using "MT Framework." It eventually became a mega hit, selling 2.32 million units.

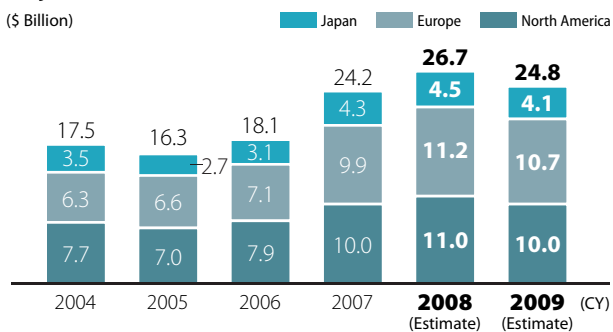
Furthermore, game titles for Wii, which is becoming more and more popular globally, "Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" shipped 1.3 million and 1.06 million units respectively, producing two million-seller titles.

As for mobile game titles, "Monster Hunter Freedom 2G" for PSP sold 0.99 million. If we add the number to the number of units sold for its predecessor "Monster Hunt Freedom 2" during this fiscal year, which was 0.95 million, the total number of sales for this series exceeds two million. We have also sold 0.56 million units of "Apollo Justice: Ace Attorney" for NDS, which meant that we had a hit title for all major hardware currently available.

In addition to the steady progress we have made in re-engineering our development process (two-step authorization process that significantly reduces unprofitable titles) and restructuring North American sales subsidiaries (see the "Our Strategy to Growth" section on page 17 for details), our multi-platform strategy (utilizing "MT Framework" to enhance efficiency) has contributed to our success. Moreover, we have cemented a solid business base for steady growth by mapping out a 60-month title development plan that serves as a plan that ensures that we can work constantly on major franchises every year.

Diagram 1

Major Game Software Markets



Source: "International Development Group Report"

Diagram 2

Total Number of Units of Major Titles Sold (As of March, 2008)

Major Titles	Number of Products	Total Number of Units Sold (Thousands)
"Devil May Cry" series	10 titles	9,500
"Monster Hunter" series	10 titles	6,300
"Street Fighter" series	59 titles	25,000
"Resident Evil" series	50 titles	34,500
"Ace Attorney" series	11 titles	2,800
"Mega Man" series	120 titles	28,000
"Onimusha" series	12 titles	7,800



"Bionic Commando"



"Street Fighter IV"



"Gyakuten Kenji" (for Japan)



"Resident Evil 5"

As a result, we released 106 new game titles and sold a total of 15.6 million units of old and new titles combined (up 27.9% from the previous year) during this fiscal year. Net sales for the year amounted to 51,679 million yen (up 18.0% from the previous year). Operating income reached 11,609 million (up 44.1% from the previous year and operating income to sales totaled 22.5% (up 4.1 points from a year earlier). The outstanding performance of this segment contributed to the excellent financial results of the company.

Outlook for the Next Fiscal Year

Further strengthening the development/sales structure to expand our market share in the fiercely fought-over overseas markets.

During the next fiscal year, the market will be welcoming a period of expansion due to a positive growth cycle experienced by both game consoles and home video games. To take advantage of this period in order to expand our business, we will pursue further expansion of our market share in the steadily growing overseas markets as well as firmly establishing our position for each game console, which continues to gain more popularity.

Our market share in Japan, North America and Europe were 7.0% (down 1.98% from the previous year), 1.43% (down 0.57% from the previous year) and 1.40% (down 0.59% from the previous year), respectively, which illustrates the fact that our overseas share has decreased slightly as foreign manufactures took the offensive. (See Diagram 3) We believe therefore that a policy to increase our share in the especially competitive overseas market is sorely needed.

To this end, we will be promoting business expansion mainly centered on 1) Completing implementation of multi-platform development on major titles; 2) Expanding our development lines; and 3) Reforming our European sales structure.

"Completing implementation of multi-platform development on major titles" means that all major titles launched during the next fiscal year or thereafter will be developed as multi-platform games. We will aim to increase revenue and dramatically increase the number of users by launching, for example, "Resident Evil 5," the newest addition to our biggest franchise (projected 2.3 million units), "Street Fighter IV" (projected 1.7 million units) and "Bionic Commando" (projected 1.5 million units). Specific strategies for each title are given in "The Latest Development Report."

As for "expanding our development lines," we acquired K2 Corporation in April 2008, a company with a reputation for its development capability, in order to strengthen our development lines. Furthermore, we are also planning on expanding into new genres as well as refining and improving home video games intended for overseas markets by collaborating with important foreign development companies. We will also bolster the recruiting process of new developers as well as staff education and training and improve the Development Department in order to respond to the demand of the market experiencing a growth period and increase the number of titles.

"Reforming our European sales structure" entails building an efficient sales structure in the European market, which is becoming the biggest market in the world. In addition to Great Britain and Germany, we will also be switching to a direct-sales system in France in the first half of the fiscal year, then in Spain. Moreover, increasing the size of our marketing staff will also contribute to our solidifying the base for overseas expansion.

With these initiatives, Capcom plans to release 78 new game titles and sell a total of 18 million units of old and new titles combined, with net sales expected to reach 58,300 million yen and operating income 12,700 million yen next fiscal year.

Diagram 3

Market Share by Region (CY2007)

Japanese Market			North American Market			European (UK) Market		
Company name	Sales (¥ Million)	Share (%)	Company name	Sales (\$ Thousand)	Share (%)	Company name	Sales (\$ Thousand)	Share (%)
1. Nintendo	102,000	28.4	1. A			1. Electronic Arts	512,518	18.2
2. Namco Bandai	38,000	10.6	2. B			2. Nintendo	444,461	15.8
3. Square-Enix	38,000	10.5	3. C			3. Ubisoft	263,566	9.4
4. Konami	26,000	7.4	4. D			4. Activision	238,374	8.5
5. Capcom	25,000	7.0	5. E			5. THQ	181,275	6.4
6. Sega	15,000	4.2	6. F			6. Sony	171,530	6.1
7. Pokemon	13,000	3.5	7. G			7. Microsoft	167,902	6.0
8. Koei	12,000	3.2	8. H			8. Sega	149,654	5.3
9. Banpresto	10,000	2.9	∴	∴	∴	∴	∴	∴
10. Sony	10,000	2.8	15. Capcom	123,434	1.43	15. Capcom	39,962	1.4
Others	-	19.5				Others	644,719	22.9
Total	-	100.0	Total		100.0	Total	2,813,961	100.0

Source: Enterbrain, Inc.

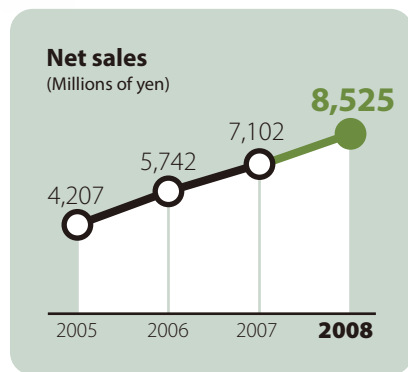
Source: "The NPD Group / Retail Tracking Service"
Data concerning our competitors are not disclosed by request of the market research company.

Source: "Chart Track / ELSPA"



Contents Expansion

We are expanding two other businesses based on the content used for our home video games making it possible for different businesses to create a synergetic effect. For example, Pachinko and Pachislo Business is involved in the development, manufacture and sales of LCD devices for gaming machines as well as software, whereas Mobile Content Business deals with the development and distribution of game content for cell phones.



(YEARS ENDED MARCH 31)



(YEARS ENDED MARCH 31)

Market Trends

The Pachinko and Pachislo Business hitting a plateau. Mobile content market grew worldwide by 34%.

Content Expansion Business is comprised of two businesses that laterally develop the content of our home video games. The Pachinko and Pachislo Business is involved in the development, manufacture and sales of LCD devices for gaming machines as well as software, whereas the Mobile Content Business deals with the development and distribution of game content for cell phones.

The Pachinko and Pachislo market represents a uniquely Japanese pastime worth 28 trillion yen. Although it is the biggest market in the category of amusement and leisure, this market has been on a downward trend since 1996.

This is due to the amendments to the Regulations on the Entertainment and Amusement Trades Rationalizing Act (hereinafter called "the Entertainment and Amusement Trade Regulations") that were enacted in July 2004. As the gaming aspect of Pachislo machines has been further restricted, the industry's focus has shifted to developing machines with a greater emphasis on the visuals and entertainment features of the machines so that users can play for a long period of time with a small amount of money. Regulations on Pachislo machines on the other hand, have eased, giving hardware manufacturers greater flexibility in designing and developing innovative products.



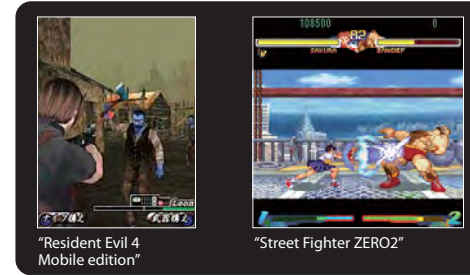
Pachislo machine
"Devil May Cry 3"

©CAPCOM CO., LTD.
2005 ALL RIGHTS RESERVED./
ILLUSTRATIONS: Kazuma
Kamekko/ATLUS
©Sammy ©RODEO



Pachislo machine
"biohazard"

©YAMASA Co., Ltd.
All Rights Reserved.



"Resident Evil 4
Mobile edition"

"Street Fighter ZERO2"

Although the Pachinko machine market recorded better results than the previous year as it saw new products launched, the Pachislo market failed to attract new users as it offered few machines that addressed the needs of the market. As a result, the market in general remains soft.

(See Diagram 4)

Although the Pachinko and Pachislo market is expected to face prolonged hard times, demand for Pachinko machines designed in compliance with the Entertainment and Amusement Trade Regulations is expected to be solid. Furthermore, it is expected that the Pachislo market will bottom out as manufacturers launch a variety of new machines.

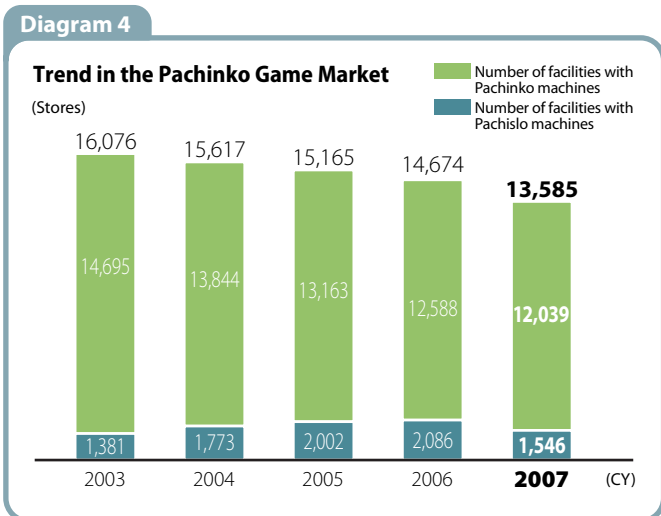
As for the mobile content market, it has been growing worldwide and was worth 3.9 billion dollars (up 34.1% from the previous year). (See Diagram 5) Some of the reasons for the significant growth are the global population growth, its popularity as an emerging market that provides low-cost entertainment, joint-ventures between software development companies and mobile operators that aggressively launch good content.

By region, the Asia-Pacific market including Japan was worth 2 billion dollars (up 28.8% from the previous year) due to an increase in the number of users in Asian emerging gaming nations. The mobile market in the region now exceeds the PC and home video game market. Meanwhile, in Japan and Korea where high-performance cell phones are well established, the market has a wide range of content from casual to advanced available to users with varying tastes; however it can also be said that the market is approaching maturity. The North American and European market where high-performance cell phones are becoming

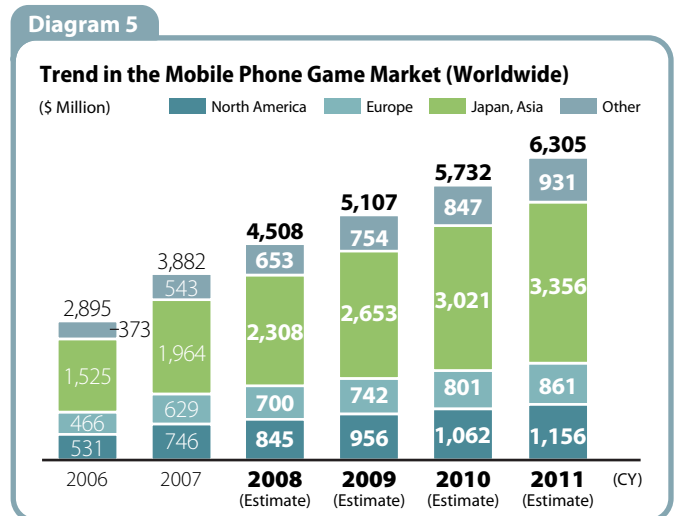
more commonplace, the market has reached 1.4 billion dollars (up 37.9% from the previous year). It should also be noted that the number of cell phone subscribers in the region exceeds significantly that of Japan and Korea. In this market environment, we believe that we can achieve success in the global market by building the basis for business expansion by securing the market share in the Asian market while at the same time pursuing the synergy effect with the home video game business in North America and Europe where high-performance cell phones are expected to take root.

The market offers mobile content to a wide range of users from the low-income population to business users and expands to adapt to new cell phone models as well as cell phones such as smartphones (multi-function telephones) and PDA (Sidekick, Blackberry and WindowsMobile). It is therefore expected that the global mobile content market will experience significant growth without being affected by the economic slowdown and be worth 6.3 billion dollars (average yearly growth of 10.2%) in 2011.

By region, the Asia-Pacific market including Japan is expected to increase to 3.4 billion dollars (yearly growth of 11.3%) due to general acceptance of high value-added content and India and China serving as an engine for growth. The introduction of new devices, especially smartphones and PDAs, was met with much enthusiasm in the European market. We see the market growing to be worth 2 billion dollars (yearly growth of 8.0%) as the number of users increases due to a variety of content that takes advantage of the functions that these cell phones offer.



Source: National Policy Agency



Source: Gartner Dataquest
©2008 Gartner, Inc. and/or its Affiliates. All Rights Reserved.



"Lost Planet"



"Sengoku BASARA tactics"



"Street Fighter II"



"Are You Smarter Than A 5th Grader?"



"Who Wants To Be A Millionaire?"



"Phoenix Wright" (Korea)

Game Code ©2008 CAPCOM.
Produced under license from Fox Broadcasting Co. Are You Smarter Than A 5th Grader? TM and ©2008 JMBP, Inc.

©Valleycrest Productions Ltd. 2006

Operating Results for This Fiscal Year

Maintaining a stable business results in the Pachinko and Pachislo Business. Good results in mobile content will push the operating income to increase by 62.1% compared to the previous year.

Capcom's strength in this business is that we can maintain high profitability by making multiple use of our wealth of intellectual properties in a variety of areas.

In the Pachinko and Pachislo business, Capcom has been developing attractive software that features our proprietary content and that of third-party developers, using out technological expertise in high-resolution image processing gained through the development of home video games. Also we have been supplying LCD devices to machine manufactures. During this fiscal year, our Pachislo machine "Devil May Cry 3" released by RODEO based on our home video game "Devil May Cry" was very well received. Moreover, we were involved in the sales of development software as well as LCD devices and achieved a result that was more or less comparable to that of the previous year.

In the mobile content business, we utilized know-how and existing intellectual property gained through developing home video games and succeeded in delivering our popular home video game titles for cell phones worldwide.

Although the market, mainly overseas, is in the process of expanding, the competition is also becoming fierce compared to the home video game market as the development cost tends to be inexpensive and the market's entry barrier is low. Especially in Europe, the competition is brutal as cell phone carriers narrow down the number of publishers to about five with which they enter into a direct distribution partnership. It is thus crucial to be chosen one of those five amid fierce competition in order to benefit from the market growth.

This fiscal year saw a domestic success of the "Ace Attorney" series based on our popular home video game title. In North America, with the purchase of a development company in 2006, we have put an emphasis on direct distribution to cell phone carriers and localized game development to suit the preferences of the users overseas. As a result, we produced popular titles for light users such as "Who Wants to Be a Millionaire?" and "Are You Smarter than A 5th Grader?" and achieved a market share of 5.4% in January 2008 in the North American mobile market to become the top Japanese publisher in the market. (See Diagram 6)

Resulting net sales were 8,525 million yen (up 20.0% from the previous year) with an operating income of 2,633 million yen (up 62.1% from the previous year).

Outlook for the Next Fiscal Year

Expanding business results in the Pachinko and Pachislo business by improving and refining our product line-up. Further global business expansion in mobile content.

In the next fiscal year, we predict that the demand for high-value-added gaming machines that are highly entertaining in and of itself will increase due to the amendments made to the Entertainment and Amusement Trade Regulations. We will therefore concentrate our efforts in two areas: 1) Increasing sales of our LCD devices and 2) Customized software development based on our own content and as well as others such as "Resident Evil" manufactured by Yamasa that takes full advantage of our technology for dramatic effects backed by our high development capabilities.

The driving force for steady profit necessary for our continued growth in the mobile content business will be, domestically, the synergetic effect achieved by collaborating with the home video game business and timing the launch of new games to coincide with their home video versions. For the overseas markets, we will improve and refine both our series titles popular with the core users and licensed titles popular with casual users while expanding in the European region by making optimal use of our successful experience in North America.

We project net sales for the next fiscal year will be 10,200 million yen with an operating income of 3,100 million yen.

Diagram 6

Market Share in the North American Mobile Game Market (Jan. 2008)

Company name	Share (%)
1. EA Mobile	30.7
2. Glu Mobile	11.0
3. Gameloft	10.1
4. Capcom Entertainment	5.4
5. Namco	4.7
6. Hands-On Mobile	2.7
7. GOSUB 60	2.6
8. Konami	2.6
9. Superscape	2.1
10. RealNetworks	2.1

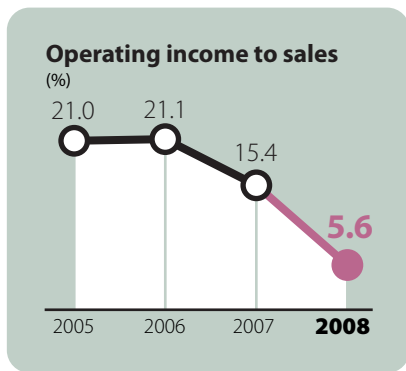
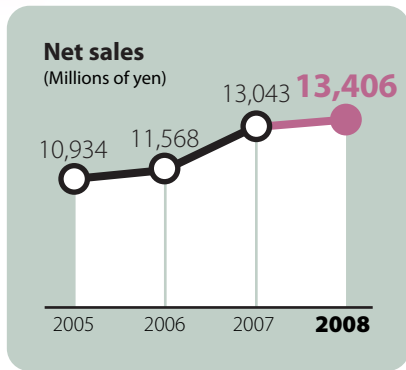
Source: comScore M:metrics



Arcade Operations

We operate amusement facilities "Plaza Capcom" in Japan.

We also operate our arcades predominantly in large commercial complexes and launch various events to attract families and female customers. We have diligently followed our policy of "scrap and build" to achieve the utmost efficiency in arcade operations.



Market Trends

The market has hit a plateau rather than recording a 5th consecutive year of growth.

The key is to launch new game machines to stimulate the market.

The domestic arcade facility market grew steadily and was worth 702.9 billion yen (up 3.0% from the previous year) in the previous year due to the stable popularity of coin-operated games and children's card games. (See Diagram 7) On the other hand, the total number of arcade facilities decreased to 23,613 locations (down 1.2% from the previous year) continuing the trend of the past several years. Small-scale facilities continued to shut down while the shift to large-scale facilities, for example, shopping malls, accelerated. The number of arcades with more than 101 gaming machines operating reached 6,390, which now accounts for more than a quarter of all our facilities. (See Diagram 8)

This fiscal year however saw the market temporarily hit a plateau partly due to the lack of a new popular genre following the card games and the huge success of the home video game market diminishing the number of customers at arcade facilities.

The outlook for the market in the near future seems to indicate a continued sluggishness as major companies in the industry announced a large-scale cutback in the number of facilities as well as reform policies. Smaller, less efficient facilities will also continue to be culled. However, there exists an inverse correlation between the arcade facility market's cycle and that of the home video game market. We are therefore predicting that, in the long term,



the market will expand yet again as the home video game market peaks out and arcade game companies launch new games they are now keenly developing.

Operating Results for This Fiscal Year

The aggressive opening of new facilities has helped increase revenue but resulted in lower profits due to the decline in sales at existing facilities.

Capcom was one of the first arcade operators to open and operate mall-based large-scale facilities which secure a long-term stable customer base. At the same time, we have designed and operated sales venues that are supported by our customers. In an attempt to secure a better return on investment, we have either sold or shut down unprofitable facilities. All of these efforts have allowed us to maintain relatively higher profitability than the competition. (See Diagram 9)

This fiscal year, in addition to placing a wide variety of games to address customer needs and hosting various events and fan-appreciation days, we focused on operating facilities that are clean and cheerful to attract families and female customers. The market conditions, however, worsened much more than first predicted and demonstrated, for example, a decrease in the number of customers. This condition produced lackluster results and sales at our existing arcade facilities declined by 14% from the previous year. We have opened nine new arcade facilities during this fiscal year based on our business expansion strategy with none closing, which put the total

number of facilities to forty-two as of March 2008.

Net sales grew to 13,406 million yen (up 2.8% from the previous year) partly due to the opening of new facilities while operating income declined to 753 million yen (down 62.5% from the previous year) due to factors such as sluggish sales at existing facilities and increased expenses for opening new ones. We succeeded, however, in maintaining a surplus thanks to our high profitability ratio.

Outlook for the Next Fiscal Year

We will maintain a 5% ratio of operating income to sales by increasing the management efficiency of existing facilities and closing down unprofitable ones.

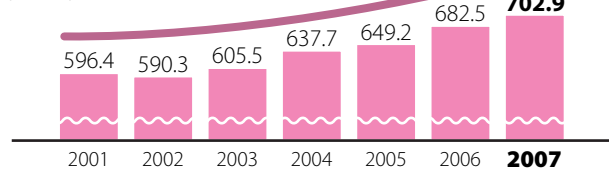
Taking into account that the overall condition of the arcade facility market is worsening and our existing facilities are struggling, we will be focusing on restoring profitability of our existing facilities over the next fiscal year. To this end, we will review and reduce facility expenses, renovate facilities and replace a significant number of machines so as to bring in more customers. As for opening new facilities, we will not continue the strategy based on expansion implemented up until the previous fiscal year, but rather open only a select number of highly efficient facilities to maintain a balance between sales and profitability. Our plan for the next fiscal year is to open three new facilities and close five.

We project net sales of 15,800 million yen with an operating income of 800 million yen for next fiscal year.

Diagram 7

Arcade Facilities Market Trends

(\$ Billion)

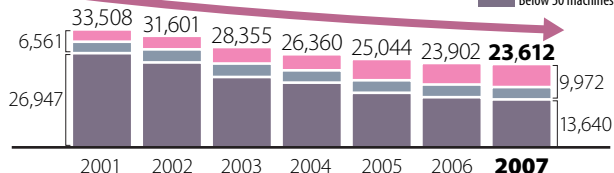


Source: JAMMA "Survey on the Amusement Industry" (YEARS ENDED MARCH 31)

Diagram 8

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

(Stores)



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

Diagram 9

Comparison of Arcade Operation Performance (2008)

Company Name	Net sales (¥ Million)	Share (%)	Operating income (¥ Million)	Operating income to sales (%)	Year-on-year rise (%)
Capcom	13,406	5.5	753	5.6	102.8
Adores	19,358	7.4	2,470	12.8	114.8
Aeon Fantasy	49,481	20.3	4,482	9.1	113.7
Namco Bandai	89,829	36.8	1,631	1.8	101.9
Sega Sammy	91,234	37.4	-9,807	-10.7	87.8
Total	243,942	100.0	-	-	-

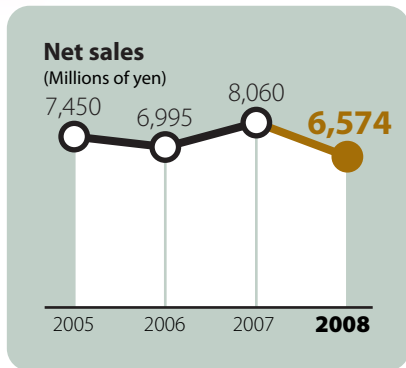
Source: Financial Results FY 2007 by respective company and support documentation (YEARS ENDED MARCH 31) (Aeon Fantasy fiscal end in February 2008)



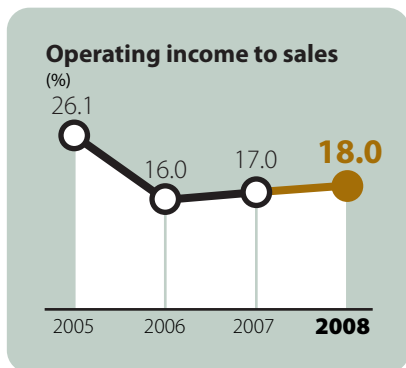
Arcade Games Sales

We develop, produce and distribute coin-operated arcade games.

We concentrate our efforts on the development of coin-operated and prize-winning games, which are high in demand, as well as supply software for arcade video games to secure a stable customer base.



(YEARS ENDED MARCH 31)



(YEARS ENDED MARCH 31)

Market Trends

Though card games led the domestic market's expansion, market growth will be sluggish in the short term due to the growth of the home video game market.

During the previous year, the market for arcade gaming machines grew steadily yet again. The average yearly growth of 10% was achieved with the domestic market reaching 210.2 billion yen (up 11.4% from the previous year) while the overseas was worth 13.2 billion yen (up 24.8% from the previous year). The combined market reached 223.4 billion yen (up 12.1% from the previous year). (See Diagram 10)

In terms of product category, thanks to popular card games (sales of satellite-type mass video packages with online connectivity and cards used for games) that were launched in the previous year, sales made a significant gain to reach 61.1 billion yen (up 32.2% from the previous year) and accounted for 29% of the market. In addition to the card games, prize games (prize-winning games) and coin-operated games accounted for 20.0% and 23.1% of the market, respectively, to make up the Top 3 product categories. Sales for prize games reached 42.1 billion yen (down 8.7% from the previous year) indicating that their sales have reached a point of saturation. In the coin-operated game category, many large game machines were launched in succession to help boost the sales to 48.5 billion yen (up 5.4% from the previous year). (See Diagram 11)

The above-mentioned trends in the arcade game market took a significant departure from those we have seen in the past. High-performance



Coin-operated game
"Chibi Maruko Chan"
©まくらプロダクション/日本アニメーション
CAPCOM CO., LTD. 2008 ALL RIGHTS RESERVED.



Prize-winning game
"Bell Circle Sparkling Blue"



Video game "Street Fighter IV"

video games accounted for the majority of the market share up to 2000; however, after 2001, the performance of home video games began to surpass that of arcade games, which led to the diminishment of their competitive edge. To address this change in the market environment, as we can see in many arcade facilities today, manufacturers have been striving to develop genres other than video games to produce games that attract a variety of customers such as families and couples.

In the short term, the market growth is predicted to be sluggish as the facility operators' motivation to invest in new gaming machines declined due to the decrease in the number of customers brought on by the success of the home video market and the lack of popular new products to follow in the footsteps of card machines. However, there exists an inverse correlation between the arcade facility market and the home video game market, and the customers are expected to return in the long term to put the market back on path to growth as popular products emerge and the home video market peaks out.

Operating Results for This Fiscal Year

Defective products caused low sales figures and led to a decrease in both income and profit.

The company's forte in this business category is its ability to provide high-quality arcade video games by making use of its development capabilities for home video game software. Combat-based fighting games, our flagship genre, also allowed us to maximize profits by launching the same content as a home video game.

The sales figures, however, for this fiscal year were weak ever since one of our major sellers, coin-operated "Donkey Kong Banana Kingdom," caused a fire incident. Furthermore, card sales for our card game, "Wantame Music Channel" and other sales of repeat products have failed to fulfill expectations due to the market's general sluggishness despite a popular video game launched towards the end of the fiscal year.

In regards to the above-mentioned incidents, we recognize the significance of these incidents during the period of expansion of the business and are currently conducting a review of the entire development structure. Some of the improvements being made are: 1) Establishing a department dedicated to quality control department; 2) Setting up a 5-step of quality control review based on specified points of verification before commercial production; 3) Expanding the product verification period using the actual product; 4) Clarification of standards for selecting product components. We expect that the positive results will become apparent from the next fiscal year on.

As a result, although we have maintained our operating income to sales ratio, sales were 6,574 million yen (down 18.4% from the previous year) while operating income reached 1,182 million yen (down 13.7% from the previous year), which unfortunately meant a decrease for both.

Outlook for the Next Fiscal Year

We will aim for a quick recovery by launching games based on our popular home video games while reforming the business structure.

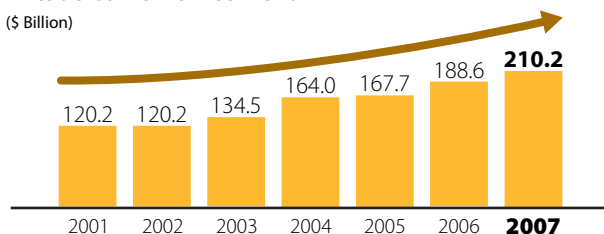
Our priority over the next fiscal year is to step up the reform of our business structure. We will also strive to put our business back on the path to growth by building a development structure that provides products with high added-value that are safe, reliable and easy to maintain, which is what users as well as facility operators desire. We will steadily release popular coin-operated games while also strengthening our video game line-up based on popular home video games. One such example will be "Street Fighter IV," the latest addition to one of our major arcade game series from the past, "Street Fighter."

With these initiatives, we project net sales in this business for next fiscal year to amount to 8,300 million yen with an operating income of 1,600 million yen.

Diagram 10

Arcade Game Market Trend

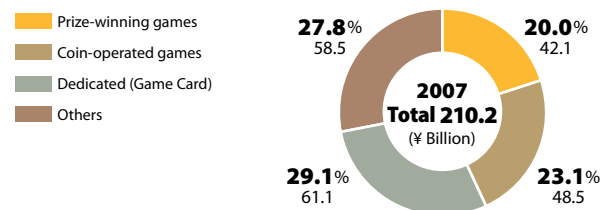
(\$ Billion)



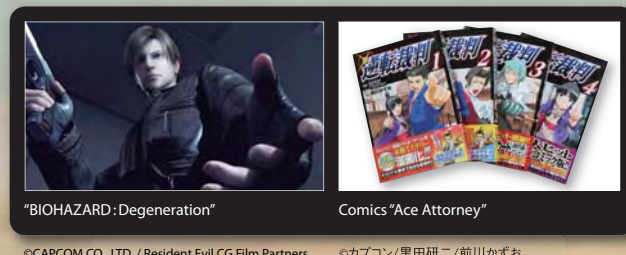
Source: JAMMA "Survey on the Amusement Industry"
(YEARS ENDED MARCH 31)

Diagram 11

Breakdown of the Arcade Game Market by Game Type



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



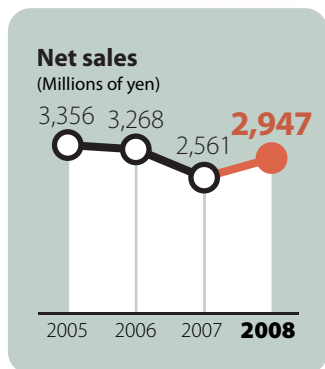
©CAPCOM CO., LTD. / Resident Evil CG Film Partners

©カプコン/黒田研二/前川かずお

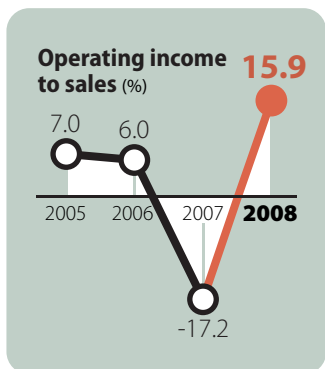


Other Businesses

Based on our "Single Content Multiple Usage" strategy that develops our game content in broad business areas, we will pursue a variety of copyright-related business opportunities such as publishing (walkthrough and strategy guide as well as setting collections) and licensing (music CDs and licensed merchandise). Furthermore, diligent efforts are being made to develop more movies and TV animation programs as well.



(YEARS ENDED MARCH 31)



(YEARS ENDED MARCH 31)

Operating Results for This Fiscal Year

The movie "Resident Evil: Extinction" becomes the biggest hit of the series. Improving our profitability by optimizing the inventory in our publishing business.

Capcom's strength in this business is in our ability to take advantage of the strong synergy with our home video game business by making multidimensional use of our wealth of intellectual properties.

During this fiscal year, "Resident Evil: Extinction" the newest movie out of our popular series was released worldwide and its box-office profits exceeded 140 million dollars. We also pushed for optimizing the inventory

in our publishing business involved in publishing walkthrough and strategy guides, novels and comics, which led to improved profitability. Our licensing business earned royalties by securing licensing deals for the production of merchandise using popular Capcom characters.

As a result, this business segment went back to generating a surplus. Resulting sales were 2,947 million yen (up 15.1% from the previous year) with an operating income of 468 million yen.

Outlook for the Next Fiscal Year

Combining profit from movie and other movie-related products with the result of the ripple effect in home video game sales created by the movie promotion.

Over the next fiscal year, we will continue to base our strategy on "Single Content Multiple Usage" (see p. 15) and strive to strengthen our game content brand and maximize our profits. Our particular focus will be on the movie-related business. The Hollywood movie "Street Fighter" is set to be released in February 2009 while the full-3D animation "BIOHAZARD: Degeneration" and the Hollywood movie "Onimusha" are in production. Centered on licensing deals such as these, the brand value of these titles will be elevated by the high exposure provided by the media. An ideal sales cycle is completed by sales expansion in video game software.

With these efforts, we project net sales for the next fiscal year to be 2,700 million yen with an operating income of 600 million yen.

Corporate Social Responsibility (CSR)

Promoting a better understanding of video games in the society by providing educational support to children who will lead the next generation.

Our basic philosophy in management is to create a play culture via the entertainment medium known as home video games, and to become a company that cultivates people's emotional richness, focusing on developing software that brings excitement and joy to many people.

Home video games is a relatively new culture that has yet to receive adequate academic study. Due to this, society at large has not recognized the positive cultural aspects of the medium and only stresses its influence during acts of violence. However it is equally true that the idea of working in this field as a home video game creator is very popular among children, who often cite this as their future choice of career. In recent years, women and the middle-aged have become much more familiar with video games as they have now some gaming experience due to the success of NintendoDS and Wii. As a result, the trend of harsh "game bashing" seems to have subsided.

As a home video games company, we conduct awareness campaigns to promote the proper understanding of home video games, by providing educational support to students and through social education. As part of this, we advocate the significance of the Ministry of Education, Culture, Sports, Science and Technology's new teaching guidelines, "Integrated Learning," and have been actively inviting students to visit our company. To date, 398 students from 82 schools (as of the end of March 2008), mainly elementary and junior high schools, have visited us.

Moreover, in an effort to step up our support and to proactively respond to a request made by the educational community for our deeper involvement, this fiscal year we started a new educational support program under which Capcom joined forces with the Tokyo Stock Exchange and the Japan Securities Dealers Association to hold on-site classes to provide assistance in students' research at a junior high school in Saitama Prefecture in June 2007. By explaining the occupational significance of home video game development and the process of producing home video games to them, as well as fostering their understanding of the social import of such aspects, we aim to help students determine a career path.



Students on a visit to our company



On-site class at school

We published an educational comic book used in "Integrated Learning" as an educational textbook, enhancing public interest and the understanding of home video games.

In May 2007, we published an educational comic book, "The Secrets of Video Games" jointly with Gakken Co., Ltd. (Gakken). This publication is a treasure trove of knowledge, containing the same information we give to people during company visits, such as information about the home video game industry, the development process, how to best interact with home video games, learning how to become a video game creator, and much more. It also is used in "Integrated Learning" as an educational textbook endorsed by the National Congress of Parents & Teachers Association of Japan. Moreover, it is useful for parents as the content takes into consideration the current situation under which home video games have become widespread in homes by, for example, detailing the key points of how children can best interact with home video games and by discussing the recent debate on potential brain damage caused by video games. Furthermore, this publication explains in detail the rating system for video games to help parents and children understand the reasoning behind it and use it appropriately. We have donated this publication to 24,000 elementary schools and 2,700 public libraries around the nation, so that more people can have access to its contents.

We regard children as our main users and the leaders of tomorrow for the industry. We will continuously seek to enhance public understanding of home video games and help them mature as a form of culture, through our continued educational support for children.



Gakken's "Understanding" Series: "Secrets of Video Games"

Rating Symbol

Corporate Governance

Compliance

A structure that enables swift decision making and enhances the transparency and reliability of corporate management.

We have an internal auditor system in our corporate governance system, with a Board of Corporate Auditors comprising of four members, including two external Auditors from outside. They are responsible for developing auditing policies and discussing audit results. It also reports substantive matters in the audit to the president, and exchanges opinions and information with an auditing firm. In addition, we have introduced a Corporate Officer System to allow speedier decision-making and flexible execution of operations, under which the Board of Directors, which focus on management policy decision-making, from the Corporate Officers, who implement and execute the day-to-day operations of the company.

The Board of Directors consists of nine directors and convenes for regular board meetings once a month. An extraordinary board meeting is held when the need arises. Three of the nine directors are outside directors. The Board of Directors has been vitalized and its transparency and credibility have improved, while the management monitoring function has been reinforced by accepting advice, opinions and screening from the outside directors. Moreover, we have established a Remuneration Committee, chaired by an outside director, to determine fair and relevant compensation plans for directors.

We have also set up an internal audit office under the direct control of the president, which is independent from the business divisions and serves as an internal auditing organization. It is tasked with conducting internal audits for all divisions of Capcom, working with corporate auditors when necessary in order to verify and ensure the legal compliance and efficiency of the company's operations. At the same time, the audit office ensures that internal control works effectively for every division in the company, and gives recommendations for correction and improvement to relevant divisions based on their findings.

Instituting "Capcom Code of Conduct" to ensure all employees and officers have a thorough understanding of legal compliance.

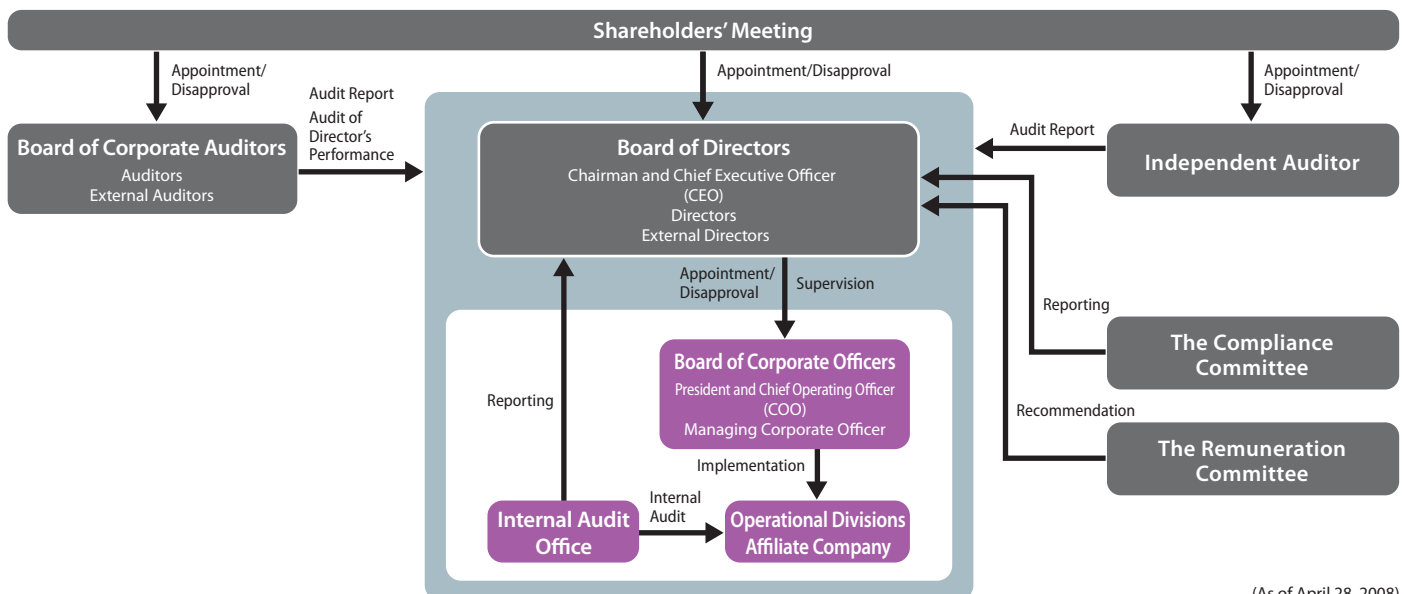
To manage the various risks posed to the company, we established a Compliance Committee, chaired by an attorney who is one of the three outside directors, that meets once every three months.

We review the status of risk management implementation in each division and department every three months using a Periodic Compliance Check, and the results are reported to the Board of Directors through the Compliance Committee. Counseling, advice and supervisory warnings are given to concerned parties as circumstances demand.

In addition, we instituted the "Capcom Code of Conduct" to strengthen our internal control system. We are dedicated to proactively preventing illegal acts and misconduct, and to ensure legal compliance through the promulgation of corporate ethics and principles.

With regard to the Act on the Protection of Personal Information (Personal Information Protection Law), we have taken measures such as developing a "Personal Information Protection Program" and instituting "Basic Policies on Information Security" and "Personal Information Protection Rules." Additionally, we disclose and disseminate our privacy policies both inside the company and to the public. We will further implement training programs and awareness-raising activities among our employees so that the systems for privacy protection will continue to work effectively.

Legal compliance is the backbone of corporate governance and is fundamental in fulfilling Corporate Social Responsibility (CSR). To this end, we will continue to propagate and instill this message in all our officers and employees.



(As of April 28, 2008)

Internal Control System

Promoting our business practices being carried out in compliance with regulations and in an efficient manner by implementing an internal control system.

As part of our directors' duty of due care, we have implemented the following internal control system based on the Company Act and its enforcement regulations to ensure that our group-wide business practices are carried out compliant with regulations and in an efficient manner.

1. Implementation of a system to ensure that directors' execution of their duties is compliant with laws and regulations.

On the recommendation of the three external directors, the Board of Directors has been given increased responsibilities for oversight and asked to play a more active role. The Compliance Committee is tasked with conducting internal monitoring on a regular basis in order to prevent illegal acts and misconduct, and to ensure legal compliance. This enhanced management oversight is expected to increase our corporate value.

2. We have been implementing the following measures to ensure that our business practices are conducted appropriately and are consistent with compliance rules.

(1) Retention and Administration of Information

The retention and administration of documents and information as records of execution of important management operations by the directors, such as the minutes of board meetings, is carried out in accordance with the "Document Administration Rules."

(2) Risk Management

Risk management measures are being implemented across the company as specified

by the "Crisis Management Rules," in order to prevent crisis from taking place and to take appropriate action in case an unforeseen event has occurred.

(3) Efficient Execution of Business Operations

We have adopted a Corporate Officer System under which Board of Directors responsible for management policy decision-making is separated from corporate officers responsible for day-to-day operational decision-making, enabling smooth and flexible business operations and raising the efficiency of management.

(4) Reinforcing Legal Compliance

We have instituted "Capcom Code of Conduct" as a basis for legal compliance. We are committed to the prevention of illegal acts and misconduct by implementing promulgation, training and monitoring programs for employees, such as a weekly online survey via an intranet to gauge employees' compliance with the Personal Information Protection Law.

(5) Managing the Entire Group Companies

We have a group-wide legal compliance framework in place to make sound corporate governance work and to better manage compliance risks, maintaining close parent-subsidiary communication and ties through monthly subsidiary board meetings and the implementation of the "Subsidiaries Management Rules."

(6) Operation Audit

Auditors are responsible for auditing business operations executed by officers and employees, and for ensuring that internal control functions effectively by submitting auditor's reports, recommendations for corrective measures and advices when appropriate. In order for auditors to perform their auditing work smoothly and appropriately, a dedicated staff member is assigned to assist them, whose personnel changes are carried out with the consent of auditors.

Basic policies for IR (Investor Relations)

1. Basic policy for disclosure

We believe it is incumbent upon a listed company like us to make timely and appropriate disclosure of information and to ensure accountability to our shareholders and investors and that it is imperative from a corporate governance standpoint.

Therefore, we operate the following basic policy for IR activities:

(1) establishing a responsible IR framework, (2) enforcing an adequate information disclosure, and (3) creating a timely disclosure system, to enhance the transparency of management.

2. Criteria for disclosure

We make timely disclosures in accordance with the Securities and Exchange Law and abide by regulations such as the "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security" (hereinafter referred to as Timely Disclosure Rules) stipulated in the Financial Instruments and Exchange Law and Tokyo Stock Exchange.

It is our policy to actively disclose as much information as possible that is not required by the Timely Disclosure Rules, so as to accommodate our investors' needs.

We also make disclosures via our Web site with the aim of speedy and fair disclosure. Our shareholders are informed of operating results and state of the business through the issuance of business reports and annual reports.

3. Quiet period

In order to prevent unauthorized leaks of earnings (including quarterly and interim, the same hereafter) information prior to its official announcement, we have set a quiet period lasting for one month prior to the date of announcement. During this period, we shall decline all inquiries relating to our business performance. However, should the expectation for a large fluctuation arise in our

earnings outlook within this quiet period, we shall make disclosures pursuant to the Timely Disclosure Rules, in a timely and appropriate manner.

4. External assessments of our IR activities

As a result of our ongoing and active drive for timely and appropriate information disclosure, we have received a number of awards from external assessment organizations in recognition of our efforts for our IR activities and various IR tools.

During the current fiscal year, we received an award at the Nikkei Annual Report Awards 2006. Furthermore, our IR Web site was ranked 6th by the 2007 Best All Listed Company Homepage Comprehensive Rankings and received the 2007 Internet IR Best Corporate Award.

We will continue to acknowledge the importance placed on accountability toward the market. We will constantly endeavor to win the trust of our investors and improve on our timely disclosure system.

5. IR activity framework

Currently, seven dedicated staff members led by the president and IR director are actively engaged in IR activities on behalf of our shareholders and investors at home and abroad.

For inquiries relating to IR information such as earnings, please contact the following.

Public Relations & Investor Relations Section

PHONE: 81-6-6920-3623

E-mail: ir@capcom.co.jp

Business Hours:

9:00-12:00, 13:00-17:30

(excluding weekends and public holidays)



Director of Investor Relations and Investor Relations Staff

Directors, Corporate Auditors and Corporate Officers

Directors



Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

- Jun 1983 Representative Director of CAPCOM Co., LTD.
- Jul 1985 President and Representative Director of the Company
- Apr 2001 Chief Executive Officer (CEO) of the Company (to present)
- Jul 2007 Chairman and Representative Director of the Company (to present)

Sumitaka Hatsuno

Director

- Dec 1989 Entered into the Company
- Apr 1993 General Manager of Arcade Operations Dept. of the Company
- Jun 1999 Officer & General Manager of Arcade Operations Dept. of the Company
- Jul 2004 Managing Corporate Officer of the Company
- Apr 2005 In charge of Domestic Business Operations of the Company
- Jun 2005 Director of the Company
- Apr 2006 Director, in charge of Arcade Operations, Arcade Game Sales and Pachinko & Pachislo Business of the Company (to present)

Kazuhiko Abe

Director and Managing Corporate Officer
Chief Financial Officer (CFO)

- Apr 1987 Entered into The Mitsubishi Bank, Limited. (currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)
- Jul 1994 Deputy Manager of New York Branch, The Mitsubishi Bank, Limited.
- Nov 2000 Executive Officer, Hikari Tsushin, Inc.
- Jan 2002 Executive Officer, Intuit Kabushiki Kaisha (currently Yayoi Co., Ltd.)
- Mar 2003 Entered into the Company
- Jul 2003 General Manager of Management Planning Dept. of the Company
- Apr 2004 Corporate Officer and General Manager of Management Planning Dept. of the Company
- Apr 2006 Managing Corporate Officer of the Company (to present)
- Jun 2006 Director and Chief Financial Officer (CFO) of the Company (to present)
- Jul 2007 In charge of Group Management (to present)

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

- Apr 1987 Entered into the Company
- Jun 1997 Director of the Company
- Feb 1999 Managing Director of the Company
- Apr 2001 Senior Managing Director of the Company
- Jul 2004 Director and Executive Corporate Officer of the Company
- Apr 2006 Director and Executive Vice President of the Company
- Jun 2007 Representative Director of the Company
- Jul 2007 Representative Director, President, COO, in charge of Consumer Entertainment Business, R&D, R&D Administration and Online Business of the Company (to present)

Hiroshi Tobisawa

Director

- Aug 1997 Entered into the Company
- Apr 1998 General Manager of Corporate Planning Dept. of the Company
- Jun 1999 Officer & General Manager of Home Video Games Domestic Sales Business of the Company
- Apr 2001 Managing Corporate Officer of the Company
- Jan 2004 President of CAPCOM U.S.A. INC. and CE EUROPE LTD.
- Jun 2005 Director of the Company (to present)
- Jul 2007 In charge of Overseas Business of the Company (to present)

Tamio Oda

Director

- Apr 1969 Entered into The Sanwa Bank, Limited. (Currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)
- Jun 1997 Branch Manager of Nakanoshima Branch of the said bank
- May 2001 Advisor of the Company
- Jun 2001 Director of the Company
- Jun 2003 Managing Director of the Company
- Jul 2004 Director, Executive Corporate Officer and Chief Financial Officer (CFO) of the Company
- Mar 2006 Director of the Company (to present)
- Jun 2006 In charge of Special Mission of the Company
- Jul 2007 In charge of Corporate Management of the Company (to present)

External Directors



Koichi Hori

Director

- Jun 1989 President and Representative Director of Boston Consulting Group
- Jun 2000 President and Chief Executive Officer of Dream Incubator Inc.
- Jun 2001 Director of the Company (to present)
- Jun 2006 Chairman and Representative Director of Dream Incubator Inc. (to present)

Promoting swift resolution of problems and seeking the tangible results of reforms.

With my experience working as a corporate consultant at home and abroad for many years, I think I'm in a good position to provide objective guidance and advice to Capcom's management team. Also, I try to be candid in voicing my opinions at board meetings so that I can exercise management oversight appropriately and help the Board of Directors play a more active role.

Over the current fiscal year, we have had game titles that became huge hits in Japan, which began to show signs of contributing to our steady medium and long-term growth. Similarly, we are seeing the beginning of a structure that can steadily provide million-seller titles in the overseas market. On the other hand, we have occasionally encountered problems such as the decline in sales from the arcade facility market and accidental fires caused by products manufactured by our arcade games sales business. These types of incidents require an immediate response if we are to achieve our medium-term goals. My role is to oversee the measures taken to address these various problems and seek tangible results. Furthermore, I will strictly monitor if soaring development investment as well as selling, general and administrative expenses are appropriate. I will continue to offer suggestions from diversified standpoints while taking into consideration a comprehensive and panoramic view of the external and internal business environments.



Hiroshi Yasuda

Director

- Apr 1957 Entered into the Ministry of Finance
- Nov 1973 Personal Secretary to the Minister of Finance
- Jan 1977 Personal Secretary to the Prime Minister
- Jun 1988 Deputy Vice Minister of Finance
- Jun 1990 Director-General, Budget Bureau
- Jun 1991 Administrative Vice Minister of Finance
- May 1994 Governor, the Export-Import Bank of Japan
- Oct 1999 Governor, Japan Bank for International Cooperation
- Sep 2001 Advisor, the Kansai Electric Power Co., Inc. (to present)
- Jan 2002 Chairman, Yomiuri International Economic Society (to present)
- Jul 2002 President, Japan Investor Protection Fund
- Jun 2004 External Corporate Auditor, Shiseido Co., Ltd.
- Aug 2004 President, Capital Market Promotion Foundation (to present)
- Jun 2007 Director of the Company (to present)

Fostering an open and fair management culture based on a viewpoint of "outside looking in."

Japan's new Corporate Law enacted last year clearly stipulates the disclosure on corporate governance and requires the information about outside directors. This shows that more significance has been attached to having independent outside directors on the board. It is imperative to have an internal control system work effectively in order to prevent illegal acts and misconduct and to ensure that operations of a company are conducted appropriately.

In July of last year, Capcom implemented a new management structure that separates management and operations, intended to expedite management decisions and to enhance oversight of the execution of day-to-day operations. As an outside director, I'm in a position to voice my opinions and offer recommendations concerning issues of which insiders may not be aware, but that need to be addressed in all aspects of management from a perspective closer to external stakeholders, such as shareholders and customers. By doing so, I hope I will make a meaningful contribution in helping the Board of Directors play a more active role and to exercising effective supervision of day-to-day business operations.



Makoto Matsuo

Director

- Apr 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
- Aug 1978 Weil, Gotshal & Manges in New York
- Mar 1979 Admitted to New York Bar
- Apr 1989 Partner, Momo-o, Matsuo & Namba (to present)
- Apr 1997 Lecturer, Nihon University, Faculty of Law: International Transaction Law
- Jun 1999 Corporate Auditor, Victor Company of Japan, Limited (JVC) (to present)
- Jun 2003 Corporate Auditor, Yamanouchi Pharmaceutical, Co., Ltd.
- Jun 2004 Corporate Director, Yamanouchi Pharmaceutical, Co., Ltd.
- Apr 2005 Corporate Director, Astellas Pharma Inc. (to present)
- Lecturer, Hitotsubashi University Faculty and Graduate School of Law: World Business Law (to present)
- Jun 2007 Director of the Company (to present)

Making optimal use of experience and expertise in the legal profession to reinforce legal compliance and improve risk management.

Japan has entered an era of mergers and acquisitions lately, and the game industry's hasty move to realign itself that took place a few years ago has run its course. In particular, the ban on triangle mergers has been lifted since last year, which is expected to pave the way to large corporate takeovers, prompting Japanese companies to implement measures to thwart takeover attempts. It is still fresh in our memory that the battle for control of a food company was widely reported in the mass media.

Although the company has implemented preventative anti-takeover measures, I believe that the best anti-takeover measure is to increase our corporate value through efforts made by our officers as well as employees. In other words, it is to fulfill our shareholders' expectations by producing favorable business results and raising the company's stock price. Another crucial element in increasing our corporate value is implementing CSR management practices completely and thoroughly.

I will utilize my experience and expertise accumulated in the legal profession when I voice objective and well-balanced opinions in an effort to exercise stronger management oversight of day-to-day operations, promoting legal and ethical compliance. Also, I will ensure that the company will be well prepared to take timely and appropriate actions when an unforeseeable event arises, by having systems for legal compliance and risk management firmly in place.

Notes: Messrs. Koichi Hori, Hiroshi Yasuda and Makoto Matsuo are External Directors.

Auditors



More strict oversight of the internal control system to ensure appropriate business conduct.

Capcom's Board of Corporate Auditors consists of four auditors including two from outside the company.

We perform our daily audit responsibilities in accordance with the auditing policy and job descriptions established by the Board of Auditors. To do so, we maintain close communication with the Board of Directors, the Internal Audit Office and other employees to collect relevant information and to lay the groundwork for audits. Also, we attend important corporate meetings such as board meetings to receive activity reports from directors and other key managers on their day-to-day execution of operational duties, ask them for clarification as required, review documents of important corporate decisions, and investigate the status of operations and financial status of the company.

Additionally, since last year, it has become our responsibility to monitor and verify the effectiveness of the system that ensures directors' day-to-day execution of their duties is compliant with laws and regulations, as well as of the internal control system designed to ensure the company's business operations are conducted appropriately. We maintain close communication with directors at our subsidiaries, exchange information with them and obtain updated business reports from them as the need arises.

Shoji Yamaguchi

Corporate Auditor (full-time)

- Apr 1962 Entered into National Tax Administration Agency
- Jun 1990 Nagoya Regional Tax Tribunal Chief Appeals Judge
- Aug 1992 Councilor of Business Promotion Dept. of The Sumitomo Trust & Banking Co., Ltd.
- Jun 2001 Corporate Auditor of the Company (full-time) (to present)

Notes: Messrs. Shoji Yamaguchi, Koji Takito are External Auditors.

Kazushi Hirao

Corporate Auditor (full-time)

- Apr 1975 Entered into Hitachi Zosen Corporation
- Apr 1987 Assistant Manager of the said company
- Jun 1988 Entered into the Company
- Apr 1997 General Manager of Overseas Business Dept. of the Company
- Jul 1999 Corporate Officer, General Manager of Overseas Business Dept. of the Company
- Oct 2002 General Manager of General Affairs Dept. of the Company
- Jun 2004 Corporate Auditor of the Company (full-time) (to present)

Masanao Iechika

Corporate Auditor

- Apr 1962 Lawyer (to present)
- Apr 1981 Vice President of Osaka Bar Association, Director of Japan Federation of Bar Association
- Mar 1988 Member of Commercial Law Committee of Judicial System and Research Dept. of Ministry of Justice
- Jun 2002 Director of the Company
- Jun 2004 Professor of the Konan Law School (to present)
- Jun 2008 Corporate Auditor of the Company (to present)

Koji Takito

Corporate Auditor

- Apr 1967 Entered National Police Agency
- Aug 1970 Chief of Foreign Affairs Section, Security Bureau, Yamaguchi Prefectural Police Headquarters
- Jul 1978 Chief of Public Security First Section, Public Security Bureau, Tokyo Metropolitan Police Department
- Apr 1986 Chief of Security Office, Public Security Second Section, Security Bureau, National Police Agency
- Aug 1986 Head of Security Police Training Division, National Police Academy
- Sep 1990 Chief, Okayama Prefectural Police Headquarters
- Sep 1992 Deputy Director-General of Secretariat of the Commissioner General, National Police Agency
- Apr 1994 Chief, Hyogo Prefectural Police Headquarters
- Aug 1996 Deputy Superintendent-General, Tokyo Metropolitan Police Department
- Jul 2004 Chairman of the Board, Horse Racing Security Association
- May 2008 Advisor, Mitsubishi Motors Corporation (to present)
- Jun 2008 Corporate Auditor of the Company (to present)

Corporate Officers



Yoshifumi Yamashita
Managing Corporate Officer
Human Resources Division & Development Management



Keiji Inafune
Managing Corporate Officer
Head of Research & Development Management Group and Online Business



Katsuhiko Ichii
Managing Corporate Officer
Head of Consumer Entertainment Business Management Group and Home Video Games Business



Yoshiki Noro
Managing Corporate Officer
Head of IT Department



Setsuo Yamada
Corporate Officer
Head of Executive Support Department & Internal Control Division



Yoichi Egawa
Corporate Officer
Head of Pachinko and Pachislo Business



Osamu Izumi
Corporate Officer
Head of Arcade Games Research & Development Department



Motohide Imaizumi
Corporate Officer
Head of Arcade Operations Business



Toshihiro Tokumaru
Corporate Officer
Head of Character Contents Business



Nobuyuki Matsushima
Corporate Officer
Head of Home Video Games Research & Development Department



Kazuo Tanigawa
Corporate Officer
Head of Finance and Business Management & Group Management



Koji Yokota
Corporate Officer
General Affairs and Head of Legal & Intellectual Property Division



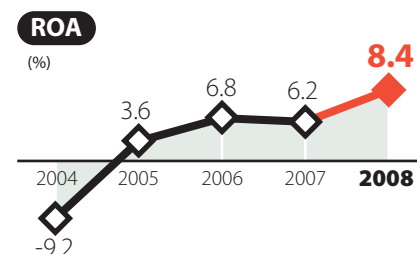
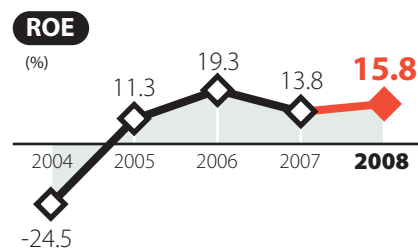
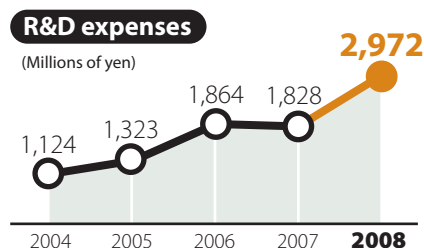
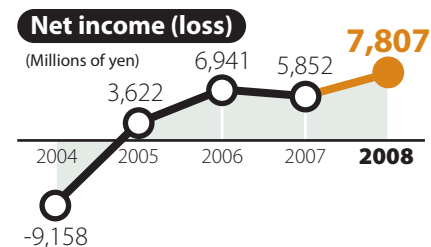
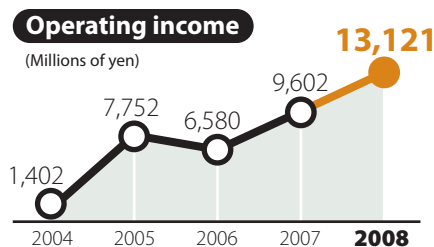
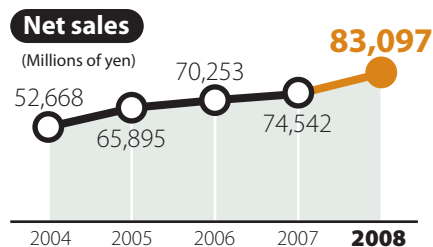
Shigeki Mori
Corporate Officer
Head of Arcade Games Business

Financial Section

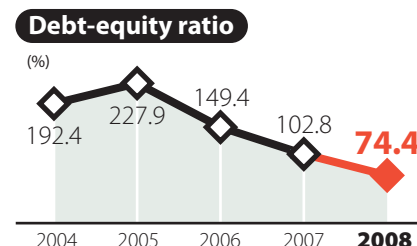
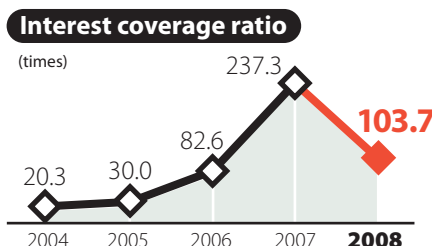
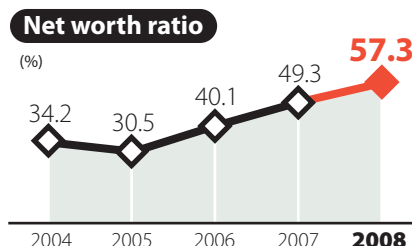
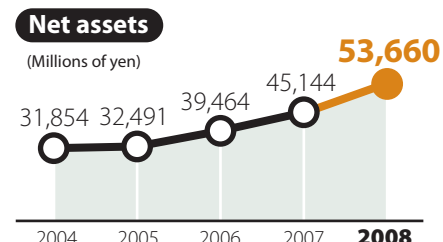
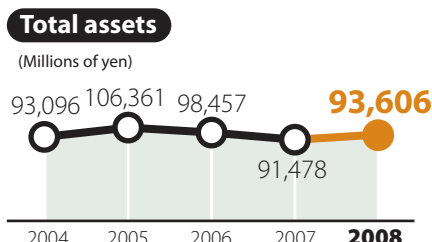
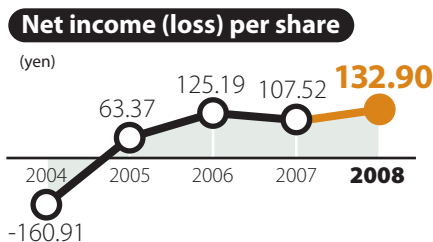
- 39 11-Year Summary
- 41 Financial Review
- 44 Business Risks and Other Risks
- 47 Consolidated Balance Sheets
- 49 Consolidated Statements of Income
- 50 Consolidated Statements of Changes in Net Assets
- 51 Consolidated Statements of Cash Flows
- 52 Note to Consolidated Financial Statements
- 71 Report of Independent Auditors

11-Year Summary

	1998	1999	2000	2001	2002
	Millions of yen				
Net sales	¥ 58,201	¥ 38,366	¥ 51,574	¥ 49,082	¥ 62,742
Operating income	10,423	3,611	9,061	7,155	9,727
Income (loss) before income taxes	(3,639)	2,085	8,712	7,126	7,420
Net income (loss)	(4,759)	1,507	9,700	6,007	4,912
	yen				
Net income (loss) per share	(135.24)	43.00	273.01	109.90	84.21
Cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00
Net assets per share	841.35	862.96	1,372.16	1,081.62	1,168.51
	Millions of yen				
Total assets	100,833	98,127	107,776	113,493	128,512
Net assets	29,611	30,123	51,320	62,965	68,233
Depreciation & Amortization	3,243	2,817	2,623	2,411	2,172
Capital expenditures	2,556	2,861	2,695	2,938	4,181
R&D expenses	2,948	1,413	1,390	1,461	1,067
Operating income to sales (%)	17.9	9.4	17.6	14.6	15.5
ROE (%)	(14.4)	5.0	23.8	10.5	7.5
ROA (%)	(4.3)	1.5	9.4	5.4	4.1
Net worth ratio (%)	29.4	30.7	47.6	55.5	53.1
Interest coverage ratio (times)	—	—	25.9	8.7	14.2
Debt-equity ratio (%)	240.1	225.7	110.1	80.2	88.3
Price earnings ratio (times)	—	29.3	17.2	32.8	41.2



2003	2004	2005	2006	2007	2008	2008
Millions of yen					Thousands of U.S. dollars	
¥ 62,036	¥ 52,668	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	\$ 830,975
6,680	1,402	7,752	6,580	9,602	13,121	131,213
(30,049)	(6,900)	7,006	6,912	9,986	11,962	119,622
(19,598)	(9,158)	3,622	6,941	5,852	7,807	78,076
yen					U.S. dollars	
(338.01)	(160.91)	63.37	125.19	107.52	132.90	1.33
20.00	20.00	20.00	20.00	30.00	30.00	0.30
753.47	559.66	589.99	716.91	799.35	881.13	8.81
Millions of yen					Thousands of U.S. dollars	
106,648	93,096	106,361	98,457	91,478	93,606	936,067
42,888	31,854	32,491	39,464	45,144	53,660	536,600
2,202	2,081	2,101	1,936	2,774	3,393	33,936
2,289	4,678	1,665	1,600	4,495	4,503	45,032
1,151	1,124	1,323	1,864	1,828	2,972	29,724
10.8	2.7	11.7	9.4	12.9	15.8	15.8
(35.3)	(24.5)	11.3	19.3	13.8	15.8	15.8
(16.7)	(9.2)	3.6	6.8	6.2	8.4	8.4
40.2	34.2	30.5	40.1	49.3	57.3	57.3
14.6	20.3	30.0	82.6	237.3	103.7	103.7
148.8	192.4	227.9	149.4	102.8	74.4	74.4
—	—	16.5	9.7	15.7	25.6	25.6



Financial Review

1. Operating Results

In fiscal year 2007, the year ended March 31, 2008, the resulting net sales increased to 83,097 million yen (up 11.5 % from the previous year).

As for profits, operating income increased to 13,121 million yen (up 36.6 % from the previous year), ordinary income increased to 12,267 million yen (up 15.7 % from the previous year), and the net profit for the current fiscal year increased to 7,807 million yen (up 33.4 % from the previous year).

2. Status of Each Operational Department

(1) Home Video Games

In this business segment, "Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" (for Wii) increased their brand recognition especially in overseas markets. Their shipment surpassed one million units, greatly exceeding our projection.

"Devil May Cry 4" (for Xbox 360 and Playstation 3) gained overwhelming popularity as soon as it was released and continued to achieve smooth growth in the US and Europe. This software achieved record sales for Capcom in recent years with over two million units sold.

"Monster Hunter Freedom 2G" (for PlayStation Portable), which was released in the end of this fiscal year, also made a strong start, and almost one million units were sold. These leading software titles continued to be a tremendous success for Capcom.

In addition, Capcom's original courtroom simulation game, "Apollo Justice: Ace Attorney" (for Nintendo DS) reached the sales of over 500,000 copies, achieving the highest sales of the series. "Monster Hunter Freedom 2nd" (for PlayStation Portable), which was a huge success in the previous term, also continued to grow and contributed to overall profit increase.

The resulting net sales increased to 51,679 million yen (up 18.0 % from the previous year), and the operating income increased to 11,609 million yen (up 44.1 % from the previous year) contributing to the improvement of overall operating results.

(2) Arcade Operations

In this business segment, we tried to attract more customers including women and families while assuring repeated visits by current customers. Such efforts included offering clean, bright and fun arcades; holding various marketing events; implementing special discount days; and introducing a wide variety of game machines that satisfy customer demands.

However, this business segment had sluggish growth under adverse market conditions. There were several factors that negatively affected performance: the dissemination of home video game machines, intensified competition, declining popularity of card dispensing games for children, and the decrease of visitors to those arcades located in suburban shopping malls due to rising gasoline/petrol prices.

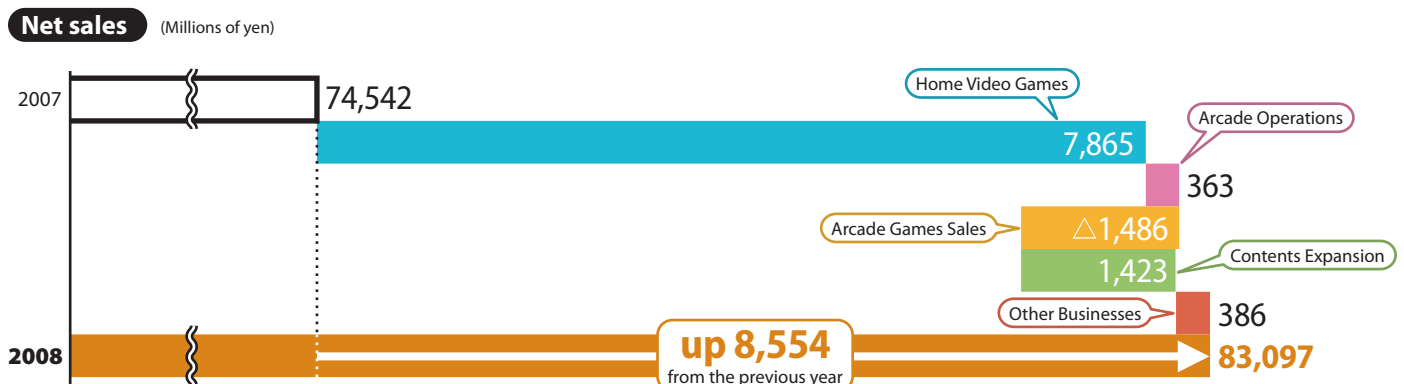
As for the new arcades, we opened nine stores this year: "Plaza Capcom Iruma", "Plaza Capcom Elumi Konosu", and "Plaza Capcom Hanyu" in Saitama Prefecture; "Plaza Capcom Rock City Sanuma" and "Plaza Capcom Sendai Izumi" in Miyagi Prefecture; "Plaza Capcom Chiharadai" in Chiba Prefecture; "Plaza Capcom Kofu" in Yamanashi Prefecture; "Plaza Capcom Rinku" in Osaka Prefecture; "Plaza Capcom Ashikaga" in Tochigi Prefecture.

The current number of Plaza Capcoms totals 42 at the end of this fiscal year.

The resulting net sales increased to 13,406 million yen (up 2.8 % from the previous year), while the operating income decreased to 753 million yen (down 62.5 % from the previous year) due to the increased expense associated with the opening of new arcades.

(3) Arcade Games Sales

In this business segment, we struggled until the third quarter of this fiscal year as the market was shrinking drastically due to the weakening demand and decrease in purchasing power of arcade operators. Other factors that burdened our performance were machine malfunction in "Donkey Kong Banana Kingdom" and the fact that the main activity of this business segment was the sale of peripheral products such as trading cards for "Wantame Music



Channel”, a card-dispensing game machine.

Under these circumstances, we introduced a promising video game machine at the end of this fiscal year trying to push up the slow sales. However, overall sales still remained at low levels affected by the lapse during this term.

The resulting net sales decreased to 6,574 million yen (down 18.4 % from the previous year), and the operating income decreased to 1,182 million yen (down 13.7 % from the previous year).

(4) Contents Expansion

In this business segment, we tried to take full advantage of the synergistic effects from our home video game software into the distribution of games to mobile phones. As a result of such efforts, we saw satisfactory sales increase with “Ace Attorney” serving as a sales growth engine.

As for LCD device for Pachislo machines, the overall sales remained unchanged with the introduction of “Devil May Cry 3”.

The resulting net sales increased to 8,525 million yen (up 20.0 % from the previous year), and the operating income increased to 2,633 million yen (up 62.1 % from the previous year) supported by the contribution from game distribution to mobile phones.

(5) Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, increased to 2,947 million yen (up 15.1 % from the previous year), and the operating income increased to 468 million yen (operating loss of the previous year was 439 million yen).

3. Overview of Business Performance in Each Region

(1) Japan

In the segment of home video games, “Monster Hunter Freedom 2G” (for PlayStation Portable) achieved favorable sales growth, while the shipment of “Apollo Justice: Ace Attorney” (for Nintendo DS) surpassed 500,000 copies, achieving the highest sales of the series.

“Resident Evil 4 Wii edition” and “Resident Evil: The Umbrella

Chronicles” (for Wii) also made a strong showing that exceeded our projection. “Devil May Cry 4” (for Xbox 360 and Playstation 3) also underwent healthy growth.

“Monster Hunter Freedom 2” (for PlayStation Portable), which was a huge hit in the previous term, received repeated orders and served as a sales growth engine.

The segment of arcade operations saw sluggish growth affected by the softening market, while the sale of arcade games remained at low levels partially due to a weak product lineup.

As for the contents expansion segment, game distribution to mobile phones performed strongly thanks to the synergistic effects from our home video game software, namely “Ace Attorney”. LCD device sales for “Devil May Cry 3” Pachislo machines also underwent steady growth.

The resulting net sales increased to 62,660 million yen (up 10.5 % from the previous year) and the operating income increased to 12,407 million yen (up 23.3 % from the previous year). These results reflect the fact that those healthy segments, including home video games, absorbed the downturn of other struggling segments such as arcade games.

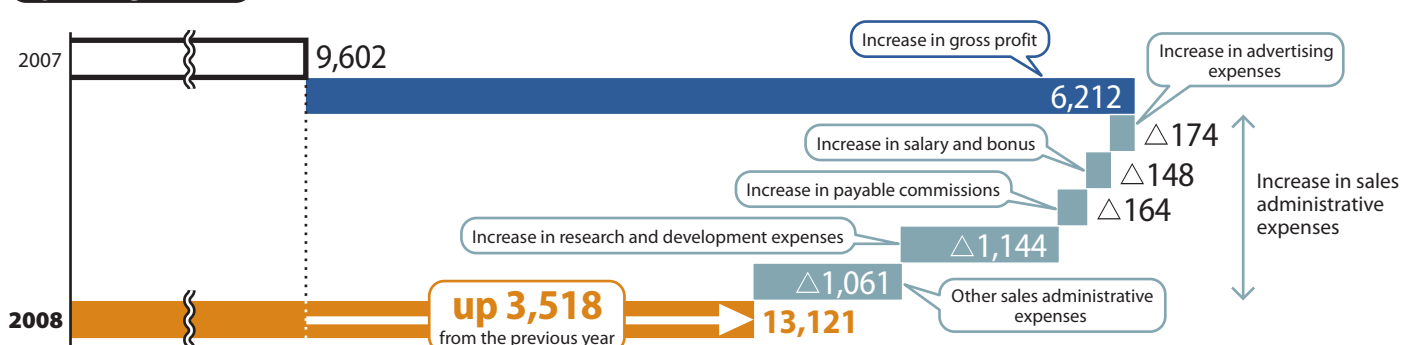
(2) North America

In the North American market, which is considered to be the most competitive market in the world, “Resident Evil 4 Wii edition” and “Resident Evil: The Umbrella Chronicles” (for Wii) increased their sales steadily supported by their established fan base.

Capcom’s long-awaited software, “Devil May Cry 4” (for Xbox 360 and Playstation 3), was developed based on our precise marketing activities. The software became a big hit by winning overwhelming popularity among users. This software showed strong brand recognition in overseas markets and achieved solid growth, exceeding our projections.

The resulting net sales increased to 16,204 million yen (up 2.8 % from the previous year), and the operating income increased to 2,326 million yen (up 61.2 % from the previous year).

Operating income (Millions of yen)



(3) Europe

“Resident Evil 4 Wii edition” and “Resident Evil: The Umbrella Chronicles” (for Wii) increased their sales steadily, as they did in North America, while “Devil May Cry 4” (for Xbox360 and PlayStation 3) also showed healthy growth. Business results that surpassed our projection indicated the success of our strategic product development had accurately aligned with the preferences of European users.

The resulting net sales increased to 9,782 million yen (up 20.9 % from the previous year), and the operating income increased to 1,819 million yen (up 79.1 % from the previous year) through the reduction of sales costs and SGA expense.

(4) Other Regions

Asia is one of our main sales targets besides the US and Europe. However, the problem of illegally copied software is still unresolved in Asia, except for certain areas including Hong Kong and Taiwan. This situation places limitations on the sales of packaged products, forcing the core of the Asian game market to be online games.

Under these circumstances, sales of “Monster Hunter Freedom 2nd” (for PlayStation Portable), being marketed from previous fiscal year, has been increasing, and “Monster Hunter Freedom 2G” being introduced in March, has been a driving force in growing sales for home video games, the overall performance has been steady in this region.

The resulting net sales increased to 1,078 million yen (up 16.2 %

from the previous year), and the operating income was 142 million yen (up 14.6% from the previous year).

4. Analysis of assets, liabilities and net assets

(1) Assets

Assets as of this fiscal year period were increased by 2,128 million yen from the previous fiscal year to 93,606 million yen. This is mainly attributable to increase in notes and account receivable, trade by 2,765 million yen, and to increase in game software products in-progress by 2,826 million yen.

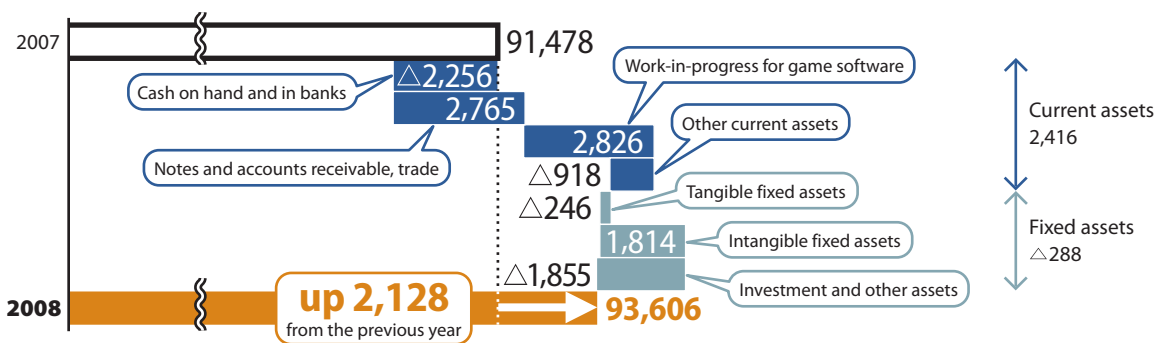
(2) Liabilities

Liabilities as of this fiscal year period were decreased by 6,387 million yen from the previous fiscal year to 39,946 million yen. This is mainly attributable to exercise of the stock acquisition rights of Euro-Yen convertible bonds by 5,415 million yen.

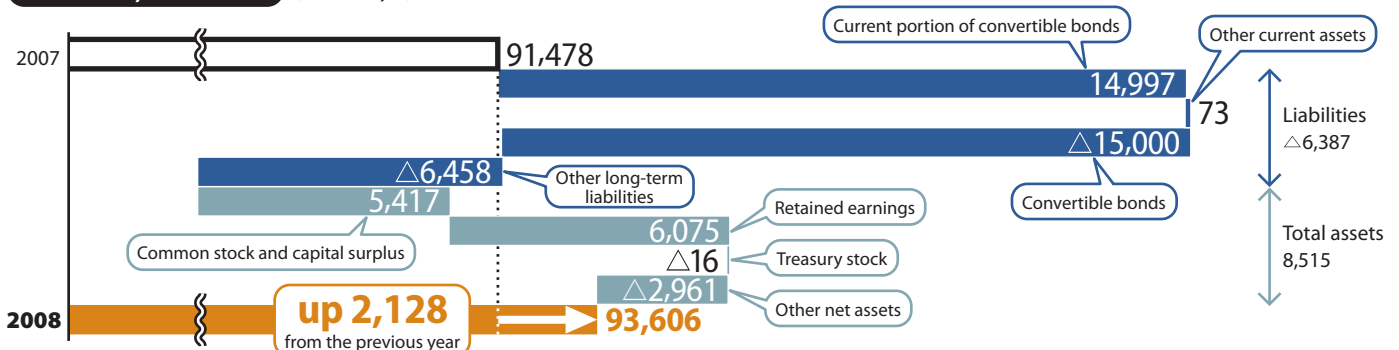
(3) Net Assets

Net assets as of this fiscal year period were increased by 8,515 million yen from the previous fiscal year to 53,660 million yen. This is mainly attributable to increase of net income by 7,807 million yen, increase of paid in capital and capital surplus by 5,418 million yen by exercise of the stock acquisition rights of Euro-Yen convertible bonds.

Assets (Millions of yen)



Liabilities, Net assets (Millions of yen)



5. Analysis of cash flow

Cash and cash equivalents (hereafter referred to as "Cash") as of this fiscal year period decreased by 2,256 million yen from the previous fiscal year to 32,763 million yen. Cash flow positions for each activity are as stated below.

(1) Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 7,452 million yen, decreased by 8,610 million yen in comparison with the previous year. This is attributed to the following; Net income before tax adjustment resulted in 11,962 million yen, increase of note and accounts receivable by 3,911 million yen, increase of work-in-progress for game software by 2,962 million yen.

(2) Cash Flows From Investing Activities

Net cash decrease from investing activities amounted to 3,374 million yen, decrease by 3,341 million yen in comparison with the previous year. This decrease is attributable to the expense of 3,119 million yen for the acquisition of tangible fixed assets, and the acquisition of intangible fixed assets by 1,271 million yen.

(3) Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 2,448 million yen, decreased by 12,757 million yen in comparison with the previous year. This is attributable to repayments of long term borrowings by 700 million yen, and disbursement of dividend by 1,732 million yen.

Trends of Cash Flow Indicators

	Year ended March 2006	Year ended March 2007	Year ended March 2008
Shareholders' equity ratio to total assets (%)	40.1	49.3	57.3
Shareholders' equity ratio to total assets based on fair market value (%)	67.5	104.4	221.2
Debt amortization ratio to cash flows from operating activities (%)	37.9	28.6	46.8
Interest coverage ratio (times)	82.6	237.3	103.7

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 schedule = 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 outstanding as of the end of 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.

Business Risks and Other Risks

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated below, which are based on information that is available as of March 31, 2008 and certain assumptions that serve as the basis of rational judgments.

1. Risks relating to Home Video Games

(1) Increase in Development Costs

In recent years, home video game consoles have become sophisticated partly due to the adoption of computer graphics technology, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

(2) Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including mobile phones and the Internet.

Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

(3) Dependency on Popular Series

Capcom releases many game titles in the market. Among them, a handful of titles tend to be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problem in these popular software titles or any change in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

(4) Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games.

Therefore, there is a risk that it may result in having an adverse effect on our business performance, corporate value and narrowed distribution channel under instructions by the relevant authorities.

(5) Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. In this manner, there is a risk that business performance may substantially fluctuate from quarter to quarter.

(6) Trends in Proliferation of Home Video Game Consoles

Our home video game titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation.

Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

(7) License Agreement with Console Manufacturers

We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors.

However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

(8) Technological enhancement of Home Video Game Platforms

New home video game platforms have been released every four to six years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

(9) Expansion of Used Software Market

Currently, the used software in the domestic market is estimated as a third of the new one, and is tending towards expansion. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

2. Risks relating to Other Businesses**(1) Arcade Operations**

There is a risk that customer traffic and the unit value of customers

may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

(2) Arcade Games

There is a risk that our business performance may be adversely affected by the closing gap between arcades and home video game consoles, the decline in facility operators' purchasing power, changes in the business environment and uncertainties for growth.

(3) Contents Expansion

The number of customers to whom we provide peripheral devices for game machines is quite limited. And the performance of "Contents Expansion Business" relies heavily on the sale of these devices. Under the provision of the "Entertainment and Amusement Trade and the Implementation Rules for the Entertainment and Amusement Trades Rationalizing Act", we are allowed to sell the peripheral devices for only those machines which passed the test of the Security Electronics and Communications Technology Association. The performance of this business segment may be affected significantly by the trend of such industry systems. Thus, it is possible that changes in such a trend could negatively affect the operating results of the entire Capcom Group.

3. Risks relating to Overseas Operations

(1) There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.

(2) As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.

(3) There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

4. Risks relating to Financial Status and Operating Results

(1) As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.

(2) As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

5. Risks relating to Development Technologies

Products relating to game machines including home video game consoles are subject to rapid technological progress, and are constantly evolving.

Therefore, there is a risk that sales opportunities may be lost due to delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

6. Legislative Risks

Arcade operations are controlled by the "Entertainment Establishments Control Law" and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

7. Risks relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc. Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party's intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

8. Risks relating to Lawsuits

As we are engaged in content business, we have been to a court of law both as a plaintiff and as a defendant. Due to the nature of our business, there is a possibility that we may be taken to court in the future. There is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

9. Risks related to the leakage of private information

Capcom established the guidelines regarding the protection of personal information. It is our mission to disseminate the guidelines to all of our employees and to heighten the awareness about this critical matter. As part of such efforts, we are conducting an in-house. If private information should leak outside of the company, not only the corporate image of Capcom will be destroyed, but we will be responsible for damages. Therefore, the operating results and financial position of the Capcom group may be negatively affected by these incidents.

10. Development and Assurance of Human Resources

The expression, "the business is all about its people", means that the future success and growth of any corporation depends upon competent employees. Although Capcom group is actively engaged in recruiting, educating, and securing excellent human resources, the mobility of personnel is relatively high in the game industry, and it is possible that our business activities will be disturbed if any of our talented employees decide to resign or to move to our competitors. Therefore, the operating results and financial position of the Capcom group may be affected negatively by these factors.

11. Risks related to Dilution of Stock Value

We issued unsecured convertible bonds and convertible bond, issued after April 1st 2002. If the conversion rights are exercised, dilution of stock value will occur; there is a risk that it may affect our stock price.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2008 AND 2007

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars [Note 1]
(Assets)			
I Current assets :			
1 Cash on hand and in banks [Note 8 (1)]	35,020	32,763	327,637
2 Notes and accounts receivable, trade [Note 5 (5)]	11,417	14,182	141,827
3 Inventories	3,488	4,144	41,442
4 Work-in-progress for game software	3,415	6,241	62,412
5 Deferred tax assets [Note 12]	3,215	3,009	30,090
6 Short-term loans receivable	1,204	—	—
7 Other	3,871	2,620	26,206
8 Allowance for doubtful accounts	(1,543)	(456)	(4,561)
Total current assets	60,089	62,505	625,057
II Fixed assets :			
1 Tangible fixed assets, net of accumulated depreciation [Note 5 (1)]			
(1) Buildings and structures [Note 5 (2)]	6,091	5,442	54,429
(2) Machinery and vehicles	160	61	619
(3) Tools, fixtures and furniture	790	894	8,943
(4) Rental equipment	667	321	3,213
(5) Equipment for amusement facilities	3,022	3,849	38,496
(6) Land [Note 5 (2)]	4,480	4,391	43,919
(7) Construction-in-progress	287	291	2,915
Total tangible fixed assets	15,500	15,253	152,538
2 Intangible assets			
(1) Goodwill	1,058	894	8,946
(2) Other	1,219	3,197	31,970
Total intangible assets	2,277	4,091	40,916
3 Investments and other assets			
(1) Investments in securities [Notes 5 (3) and 10]	1,794	1,728	17,284
(2) Long-term loans receivable	907	523	5,236
(3) Deferred tax assets [Note 12]	5,786	2,989	29,891
(4) Claim in bankruptcy and reorganization	161	890	8,906
(5) Lease deposits	5,002	5,947	59,470
(6) Other	564	856	8,566
(7) Allowance for doubtful accounts	(605)	(1,179)	(11,799)
Total investments and other assets	13,611	11,755	117,556
Total fixed assets	31,389	31,101	311,010
Total assets	91,478	93,606	936,067

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

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars [Note 1]
(Liabilities)			
I Current liabilities :			
1	Notes and accounts payable, trade [Note 5 (5)]	7,489	7,303
2	Short-term borrowings [Notes 5 (2) and 18]	755	2,015
3	Current portion of convertible bonds [Note 17]	—	14,997
4	Accrued income taxes	875	892
5	Accrued bonuses	1,746	2,057
6	Allowance for sales returns	462	405
7	Other	8,417	7,147
	Total current liabilities	19,747	34,818
II Long-term liabilities :			
1	Convertible bonds [Note 17]	21,635	1,220
2	Long-term borrowings [Notes 5 (2) and 18]	3,430	1,470
3	Accrued retirement benefits for employees [Note 11]	933	1,048
4	Accrued retirement benefits for directors	—	372
5	Other	588	1,018
	Total long-term liabilities	26,586	5,128
	Total liabilities	46,334	39,946
(Net assets)			
I Shareholders' equity :			
1	Common stock	29,915	32,626
2	Capital surplus	17,637	20,344
3	Retained earnings	5,555	11,631
4	Treasury stock	(8,138)	(8,155)
	Total shareholders' equity	44,970	56,447
II Valuation and translation adjustments :			
1	Net unrealized gain on securities, net of tax	482	127
2	Deferred hedges, net of tax	1	0
3	Cumulative translation adjustments	(326)	(2,914)
	Total valuation and translation adjustments	157	(2,787)
III Minority interests in consolidated subsidiaries			
		16	—
	Total net assets	45,144	53,660
	Total liabilities and net assets	91,478	93,606

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

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2008 AND 2007

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars [Note 1]
I Net sales	74,542	83,097	830,975
II Cost of sales	48,046	50,560	505,607
Gross profit	26,496	32,536	325,367
Provision for allowance for sales returns	113	—	—
Reversal of allowance for sales returns	—	57	577
Net gross profit	26,382	32,594	325,945
III Selling, general and administrative expenses [Notes 6 (1) and (4)]	16,779	19,473	194,731
Operating Income	9,602	13,121	131,213
IV Non-operating income :			
1 Interest income	882	1,139	11,399
2 Dividend income	17	21	216
3 Exchange gain, net	444	—	—
4 Other	60	254	2,545
Total	1,405	1,416	14,161
V Non-operating expenses :			
1 Interest expense	72	71	716
2 Exchange loss, net	—	2,086	20,865
3 Provision for allowance for doubtful accounts	151	26	269
4 Other	184	84	845
Total	407	2,269	22,697
Ordinary income	10,600	12,267	122,677
VI Special gains :			
1 Gain on sales of fixed assets [Note 6 (2)]	1	396	3,968
2 Reversal of allowance for doubtful accounts	—	97	975
3 Gain on collection of receivable written off	—	233	2,337
4 Gain on settlement of litigation	103	—	—
5 Gain on sales of investments in securities	—	34	343
Total	104	762	7,626
VII Special losses :			
1 Loss on sales and/or disposal of fixed assets [Note 6 (3)]	173	76	762
2 Provision for retirement benefits to directors	—	350	3,503
3 Loss on revaluation of investments in securities	103	39	391
4 Impairment loss [Note 6 (5)]	—	181	1,813
5 Loss on settlement of litigation	—	420	4,209
6 Loss on abandonment of development game software [Note 6 (6)]	442	—	—
Total	718	1,068	10,680
Net income before income taxes	9,986	11,962	119,622
Income taxes-current	1,085	1,040	10,401
Income taxes-deferred	3,058	3,131	31,313
Total	4,143	4,171	41,715
Minority interests in loss of consolidated subsidiaries	9	16	169
Net income	5,852	7,807	78,076

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

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

	Millions of yen										
	Shareholders' equity				Valuation and translation adjustments						
	Common stock [Note 7 (1)]	Capital surplus	Retained earnings	Treasury stock [Note 7 (2)]	Total shareholders' equity	Net unrealized gain on securities, net of tax	Deferred hedges, net of tax	Cumulative translation adjustments	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2006	27,581	15,336	1,099	(5,117)	38,900	793	—	(228)	564	—	39,464
Changes of items during the previous fiscal year											
Issuance of new stocks (1)	2,334	2,330			4,665						4,665
Cash dividends [Note 7 (3)] and (2)			(1,336)		(1,336)						(1,336)
Bonuses to directors			(60)		(60)						(60)
Net income			5,852		5,852						5,852
Repurchase of treasury stock				(3,251)	(3,251)						(3,251)
Disposition of treasury stock (3)		(29)		230	200						200
Net changes of items other than shareholders' equity						(310)	1	(97)	(407)	16	(390)
Total changes of items during the previous fiscal year	2,334	2,300	4,455	(3,021)	6,069	(310)	1	(97)	(407)	16	5,679
Balance as of March 31, 2007	29,915	17,637	5,555	(8,138)	44,970	482	1	(326)	157	16	45,144

	Millions of yen										
	Shareholders' equity				Valuation and translation adjustments						
	Common stock [Note 7 (1)]	Capital surplus	Retained earnings	Treasury stock [Note 7 (2)]	Total shareholders' equity	Net unrealized gain on securities, net of tax	Deferred hedges, net of tax	Cumulative translation adjustments	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2007	29,915	17,637	5,555	(8,138)	44,970	482	1	(326)	157	16	45,144
Changes of items during the current fiscal year											
Issuance of new stocks (1)	2,711	2,706			5,417						5,417
Cash dividends [Note 7 (3)]			(1,732)		(1,732)						(1,732)
Net income			7,807		7,807						7,807
Repurchase of treasury stock				(16)	(16)						(16)
Disposition of treasury stock		0		0	0						0
Net changes of items other than shareholders' equity						(355)	(1)	(2,587)	(2,944)	(16)	(2,961)
Total changes of items during the current fiscal year	2,711	2,706	6,075	(16)	11,477	(355)	(1)	(2,587)	(2,944)	(16)	8,515
Balance as of March 31, 2008	32,626	20,344	11,631	(8,155)	56,447	127	0	(2,914)	(2,787)	—	53,660

	Thousands of U.S. dollars [Note 1]										
	Shareholders' equity				Valuation and translation adjustments						
	Common stock [Note 7 (1)]	Capital surplus	Retained earnings	Treasury stock [Note 7 (2)]	Total shareholders' equity	Net unrealized gain on securities, net of tax	Deferred hedges, net of tax	Cumulative translation adjustments	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2007	299,155	176,373	55,558	(81,385)	449,701	4,823	16	(3,267)	1,571	169	451,442
Changes of items during the current fiscal year											—
Issuance of new stocks (1)	27,112	27,067			54,179						54,179
Cash dividends [Note 7 (3)]			(17,321)		(17,321)						(17,321)
Net income			78,076		78,076						78,076
Repurchase of treasury stock				(167)	(167)						(167)
Disposition of treasury stock		1		1	2						2
Net changes of items other than shareholders' equity						(3,551)	(14)	(25,877)	(29,443)	(169)	(29,612)
Total changes of items during the current fiscal year	27,112	27,069	60,755	(166)	114,770	(3,551)	(14)	(25,877)	(29,443)	(169)	85,158
Balance as of March 31, 2008	326,267	203,442	116,313	(81,551)	564,472	1,271	1	(29,144)	(27,871)	—	536,600

(Note) 1. This is attributable to exercise of the stock acquisition rights of Euro yen convertible bonds.

2. This includes appropriation of retained earnings by the general shareholders' meeting for the previous fiscal year.

3. This includes collateral treasury stock distribution by exercise of the stock acquisition rights of Euro yen convertible bonds.

The accompanying notes are an integral part of this financial statement.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2008 AND 2007

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars [Note 1]
I Cash flows from operating activities :			
1 Net income before income taxes	9,986	11,962	119,622
2 Depreciation and amortization	2,774	3,393	33,936
3 Impairment loss	—	181	1,813
4 Amortization of goodwill	2	0	4
5 (Decrease) increase in allowance for doubtful accounts	137	(99)	(998)
6 Increase in accrued bonuses	676	345	3,456
7 (Decrease) increase in allowance for sales returns	113	(57)	(577)
8 Increase in accrued retirement benefits for employees	117	115	1,151
9 Increase in accrued retirement benefits for directors	—	372	3,720
10 Interest and dividend income	(900)	(1,161)	(11,616)
11 Interest expense	72	71	716
12 Exchange loss (gain), net	(396)	1,601	16,019
13 Equity in net earnings of affiliates	—	(0)	(6)
14 Gain on sales of fixed assets	(1)	(396)	(3,968)
15 Loss on sales and/or disposal of fixed assets	173	76	762
16 Gain on sales of investment in securities	—	(34)	(343)
17 Loss on revaluation of investments in securities	103	39	391
18 Gain on collection of receivable written off	—	(233)	(2,337)
19 Gain on settlement of litigation	(103)	—	—
20 Loss on settlement of litigation	—	420	4,209
21 (Increase) decrease in accounts receivable, trade	1,659	(3,911)	(39,112)
22 Increase in inventories	(252)	(782)	(7,825)
23 (Increase) decrease in work-in-progress for game software	2,933	(2,962)	(29,621)
24 Increase in accounts payable, trade	186	56	561
25 Increase in other current assets	(331)	(989)	(9,899)
26 Increase in other current liabilities	528	1,033	10,339
27 Bonuses to directors	(60)	(60)	(600)
28 Other	177	(1,153)	(11,533)
Sub total	17,596	7,826	78,265
29 Interest and dividends received	876	1,160	11,609
30 Interest paid	(67)	(71)	(718)
31 Proceeds from gain on settlement of litigation	103	—	—
32 Payment for settlement of litigation	—	(420)	(4,209)
33 Income taxes paid	(2,444)	(1,041)	(10,417)
Net cash provided by operating activities	16,063	7,452	74,529
II Cash flows from investing activities :			
1 Payment for acquisition of tangible fixed assets	(3,804)	(3,119)	(31,193)
2 Proceeds from sales of tangible fixed assets	40	922	9,224
3 Payment for acquisition of intangible fixed assets	(671)	(1,271)	(12,716)
4 Proceeds from sales of intangible assets	7	—	—
5 Payment for purchase of investments in securities	(116)	(565)	(5,653)
6 Proceeds from sales of investments in securities	—	44	444
7 Payment for loans receivable	(100)	—	—
8 Collection of loans receivable	73	1,570	15,709
9 Payment for purchase of shares in a subsidiary [Note 8 (2)]	(1,612)	—	—
10 Payment for other investing activities	(688)	(1,140)	(11,400)
11 Proceeds from other investing activities	157	184	1,846
Net cash used in investing activities	(6,715)	(3,374)	(33,740)
III Cash flows from financing activities :			
1 Proceeds from short-term borrowings	55	—	—
2 Repayments of long-term borrowings	(700)	(700)	(7,000)
3 Redemption of convertible bonds	(10,000)	—	—
4 Proceeds from sales of treasury stock	0	0	2
5 Payment for repurchase of treasury stock	(3,251)	(16)	(167)
6 Dividends paid by parent company	(1,337)	(1,732)	(17,321)
7 Proceeds from issuing shares for minority shareholders	26	—	—
Net cash used in financing activities	(15,206)	(2,448)	(24,486)
IV Effect of exchange rate changes on cash and cash equivalents	203	(3,887)	(38,871)
V Net decrease in cash and cash equivalents	(5,654)	(2,256)	(22,568)
VI Cash and cash equivalents at beginning of year	40,652	35,020	350,206
VII Increase due to change in scope of consolidated subsidiaries	22	—	—
VIII Cash and cash equivalents at end of year [Note 8 (1)]	35,020	32,763	327,637

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 Securities and Exchange Law of Japan.

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 ¥100=U.S.\$1, the approximate current rate of exchange prevailing on March 31, 2008, 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 INTERACTIVE CANADA, INC. (Canada)
 CE EUROPE LTD. (U.K.)
 CEG INTERACTIVE ENTERTAINMENT GmbH (Germany)
 CAPCOM ASIA CO., LTD. (Hong Kong)
 CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
 CAPTRON CO., LTD.
 CAPCOM CHARBO CO., LTD.
 DALETTO, INC.
 CLOVER STUDIO CO., LTD.
 BLUE HARVEST, LLC

Affiliated companies accounted for under the equity method are as follows:

KOKO CAPCOM CO., LTD.
 STREET FIGHTER FILM, LLC

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.

Regarding the fiscal year end of consolidated subsidiaries, except for CLOVER STUDIO CO., LTD., all consolidated subsidiaries have adopted March 31 as their fiscal year end.

The closing date of CLOVER STUDIO CO., LTD. was March 15, 2008.

(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 and work-in-progress for game software

Inventories are stated at the lower of cost or market value, cost being principally determined by the average cost method.

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.

(4) Tangible fixed 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 in accordance with the accounting standards of the countries in which they are located.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Rental equipment	3-5 years
Equipment for amusement facilities	3-20 years

(5) Intangible 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 life of the assets.

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

(Additional information)

As the Company and some domestic subsidiaries have provided online game services during the current fiscal year, the development cost of online game contents is capitalized as intangible assets and online game contents which are released in the market are amortized over the estimated period of online services.

(6) 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.

(7) 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.

(8) 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 (\$5,524 thousand)) is amortized over 15 years.

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 amortization period of unrecognized actuarial net gains or losses has been changed from 13 years to 9 years as the average remaining service year has been shortened from 13 years to 9 years as a result of an updated actuarial calculation. The effect of this change in estimation is minor on the consolidated financial statements.

(9) Accrued retirement benefits for directors

The Company and its domestic subsidiaries estimate accrued retirement benefits for directors and corporate auditors in preparation for the future payment based on their service period.

(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) Leases

Under Japanese accounting practice, capital leases must be capitalized by the lessees except for those leases that do not transfer ownership of the leased asset to the lessee as part of the lease.

Such exceptions can be accounted for either as capital leases or operating leases with an appropriate footnote disclosure.

In such cases, the Companies elect to account for the leases as operating leases.

(12) Significant hedge accounting**① Hedge accounting**

Gains or losses arising from changes in the fair value of derivatives designated as hedging instruments are deferred and recorded as "Deferred hedges, net of tax" as a part of "Net assets".

② Hedging instruments and hedge items

The Companies enter into interest swap contracts to manage interest rate risk exposure on certain borrowings.

③ Hedging policy

The execution and control of derivatives is performed by the finance department in accordance with internal policies and rules. It is the Companies' policy to use derivatives only for the purpose of reducing interest rate risk associated with assets and liabilities and, therefore, the Companies do not enter into derivatives for trading or speculative purposes.

④ Assessment of the effectiveness of hedging

The Companies assess hedge effectiveness based on an annual analysis of the cumulative amount of change in cash flows of hedged items and fluctuations in market price.

(13) 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.

(14) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries acquired through business combinations are recorded at fair value at the time of acquisition.

(15) Amortization of goodwill

Goodwill is amortized by the straight-line method over 5 years.

For the goodwill purchased at the US subsidiary, SFAS No.142 "Goodwill and Other Intangible Assets" has been adopted.

It requires the goodwill not be amortized, but instead it is subject to at least an annual assessment for impairment by applying a fair value approach.

(16) 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) Depreciation method of tangible fixed assets**

Effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to an amendment of Japanese corporate tax law.

This accounting change has decreased operating income, ordinary income and net income before income taxes by ¥251 million (\$2,510 thousand) for the fiscal year ended March 31, 2008, respectively.

The impact on the segment information is disclosed in the relevant footnotes.

(Additional information)

Due to a change in Japanese corporate tax law, effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have depreciated the carrying value of the tangible fixed assets acquired on or before March 31, 2007 by a five-year straight-line method.

This change has decreased operating income, ordinary income and net income before income taxes by ¥30 million (\$303 thousand) for the fiscal year ended March 31, 2008, respectively.

(2) Accrued retirement benefits for directors

On April 13, 2007, the Japanese Institute of Certified Public Accountants issued Auditing and Assurance Committee Statement No.42, "Audit Treatment for Reserves of Special Taxation Measures

Law, and Allowances or Reserves of Special Law". Among other things, the aforementioned statement requires companies to account for the retirement benefits of directors and corporate auditors using the accrual basis of accounting as services are provided. The Company adopted the above statement as of April 1, 2007. Prior to April 1, 2007, the Company and its domestic subsidiaries recognized the retirement expense under the cash basis of accounting.

This accounting change has decreased operating income and ordinary income by ¥28 million (\$281 thousand) respectively, and net income before income taxes by ¥378 million (\$3,784 thousand) for the fiscal year ended March 31, 2008.

The effect on the segment information is disclosed in the relevant footnotes.

4. Changes in presentation**(1) Consolidated balance sheets****① Short term loans receivable**

"Short term loans receivable" has been reported as "Other" in the "Current assets" from the current fiscal year, as its balance is under 5% of the total assets.

The balance of "Short term loans receivable" reported as "Other" as of March 31, 2008 is ¥100 million (\$1,000 thousand).

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	11,147	12,549	125,493

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
① Pledged assets			
Land	3,902	3,902	39,023
Buildings	4,992	4,770	47,707
Total	8,895	8,673	86,730
② Secured debts			
Long-term borrowings due within one year	700	1,960	19,600
Long-term borrowings	3,430	1,470	14,700
Total	4,130	3,430	34,300

(3) Investments in affiliated companies

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments in securities	38	503	5,030

(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, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total credit line	15,000	15,000	150,000
Borrowings	—	—	—
Unexercised balance	15,000	15,000	150,000

(5) Accounting procedure for notes that mature on the balance sheet day of the previous fiscal year

Although the balance sheet date of the previous fiscal year was not a business day, notes that matured on this day were treated as if they were settled on that date.

Notes that matured on the last day of the previous fiscal year are as follows:

Notes receivable ¥72 million

Notes payable ¥51 million

6. Notes to consolidated statements of income**(1) Major items and the amounts under "Selling, general and administrative expenses"**

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	4,530	4,704	47,046
Promotion expenses	986	988	9,883
Salaries and bonuses	3,829	3,978	39,784
Depreciation and amortization	517	430	4,308
Provision for accrued bonuses	739	785	7,853
Provision for retirement benefits for employees	63	70	706
Provision for retirement gratuities for directors	—	28	281
Commissions	1,074	1,239	12,396
Research and development expenses	1,828	2,972	29,724

(2) The breakdown of gain on sales of fixed assets

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	—	322	3,227
Machinery and vehicles	0	0	3
Tools, fixtures and furniture	1	8	85
Land	—	65	652
Total	1	396	3,968

(3) The breakdown of loss on sales and/or disposal of fixed assets

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Tools, fixtures and furniture	15	36	360
Rental equipment	0	27	272
Other	158	12	128
Total	173	76	762

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

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	1,828	2,972	29,724

(5) Impairment loss

The Companies recognized an impairment loss of ¥181 million (\$1,813 thousand) in the current 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.

At the end of the current fiscal year, the companies amended the revenue forecast for the online game contents.

As a result of the amendment, the book value of the asset below exceeded the recoverable value, which was estimated at its use value with the future cash flow discounted at a rate of 8.6%.

The asset was written down to the recoverable value and the Companies recognized the loss of ¥181 million (\$1,813 thousand) as an extraordinary loss. The asset, for which the impairment loss was recognized, is as follows:

Usage	Account
Online game contents	"Other" of Intangible fixed assets

(6) The loss was incurred by the resolution on liquidation of CLOVER STUDIO CO., LTD. and merger with FLAGSHIP CO., LTD.

7. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2006 to March 31, 2007)

(1) Number of outstanding shares

	Number of shares as of March 31, 2006	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2007
Common stock (thousands shares)	58,435	3,833	—	62,269

(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 3,833 thousands shares

(2) Number of treasury stocks

	Number of shares as of March 31, 2006	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2007
Common stock (thousands shares)	3,471	2,507	164	5,813

(Note) The reasons for the increase or decrease in the number of shares are as follows:

Increase due to purchase based on the resolution by the board of directors for May 23, 2006 1,000 thousands shares
 Increase due to purchase based on the resolution by the board of directors for June 23, 2006 1,500 thousands shares
 Increase due to purchase of less-than-one-unit shares 7 thousands shares
 Decrease due to transfer of shares by the exercise of conversion rights 164 thousands shares
 Decrease due to request for purchase of less-than-one-unit shares by shareholders 0 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 23, 2006	Common stock	¥549 million	10	March 31, 2006	June 23, 2006 (Effective after the meeting)
Board of directors' meeting held on November 9, 2006	Common stock	¥786 million	15	September 30, 2006	November 30, 2006

② Dividends whose effective date is after the end of the fiscal year and record date is included in the 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 21, 2007	Common stock	¥846 million	Retained earnings	15	March 31, 2007	June 22, 2007

Current fiscal year (From April 1, 2007 to March 31, 2008)**(1) Number of outstanding shares**

	Number of shares as of March 31, 2007	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2008
Common stock (thousands shares)	62,269	4,450	—	66,719

(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 4,450 thousands shares

(2) Number of treasury stocks

	Number of shares as of March 31, 2007	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2008
Common stock (thousands shares)	5,813	6	0	5,820

(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 6 thousands shares
Decrease due to request for purchase of less-than-one-unit shares by shareholders 0 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 21, 2007	Common stock	¥846 million	15	March 31, 2007	June 22, 2007 (Effective after the meeting)
Board of directors' meeting held on November 8, 2007	Common stock	¥885 million	15	September 30, 2007	November 30, 2007

Resolution	Type of share	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 21, 2007	Common stock	\$8,468 thousand	0.15	March 31, 2007	June 22, 2007 (Effective after the meeting)
Board of directors' meeting held on November 8, 2007	Common stock	\$8,852 thousand	0.15	September 30, 2007	November 30, 2007

② Dividends 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 19, 2008	Common stock	¥913 million	Retained earnings	15	March 31, 2008	June 20, 2008

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 19, 2008	Common stock	\$9,134 thousand	Retained earnings	0.15	March 31, 2008	June 20, 2008

8. Notes to consolidated statements of cash flows**(1) Cash and cash equivalents as of the year end**

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	35,020	32,763	327,637
Cash and cash equivalents	35,020	32,763	327,637

(2) The breakdown of assets and liabilities of the subsidiary acquired during the fiscal year by purchasing its shares

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
CAPCOM INTERACTIVE CANADA, INC.			
Current assets	174	Not applicable	Not applicable
Fixed assets	1,537		
Total assets	1,712		
Current liabilities	99		
Total liabilities	99		

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

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Exercise of stock acquisition rights of convertible bonds			
Increase in paid in capital due to exercise of stock acquisition rights of convertible bonds	2,334	2,711	27,112
Increase in capital surplus due to exercise of stock acquisition rights of convertible bonds	2,330	2,706	27,067
Transfer of treasury stocks in response to exercise of stock acquisition rights of convertible bonds	229	—	—
Decrease in capital surplus due to transfer of treasury stocks	(29)	—	—
Decrease in convertible bonds due to exercise of stock acquisition rights of convertible bonds	4,865	5,418	54,180

9. Accounting for leases

(1) Capital leases that do not transfer ownership of the leased assets to lessees.

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

	Previous fiscal year (From April 1, 2006 to March 31, 2007)			Current fiscal year (From April 1, 2007 to March 31, 2008)			Current fiscal year (From April 1, 2007 to March 31, 2008)		
	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	4	3	0	6	4	1	62	43	19
Tools, fixtures and furniture	330	231	98	331	176	155	3,311	1,760	1,551
Equipment for amusement facilities	5,011	2,463	2,547	5,320	2,245	3,074	53,203	22,458	30,744
Total	5,346	2,699	2,647	5,657	2,426	3,231	56,577	24,262	32,315

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

② Future lease payments

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	1,251	1,533	15,332
Due over one year	1,248	1,707	17,071
Total	2,500	3,240	32,403

(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, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease payments	1,561	1,626	16,268
Depreciation expense	1,548	1,574	15,745
Estimated interest expense	54	67	674

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) Operating leases

① Future lease payments

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	77	139	1,399
Due over one year	542	339	3,399
Total	619	479	4,798

(For impairment loss)

No impairment losses were recognized for leased assets.

10. Investments in securities

(1) Previous fiscal year (From April 1, 2006 to March 31, 2007)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2007)

Classification	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost			
(1) Equity securities	358	1,175	817
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	358	1,175	817
Securities with book value not exceeding their acquisition cost			
(1) Equity securities	9	7	2
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	9	7	2

(Note) In the previous fiscal year, the impairment of ¥2 million for stocks with a readily determinable fair value was recorded.

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 without a readily determinable fair value (As of March 31, 2007)

	Millions of yen
Investments in securities	
Unlisted equity securities	525
Investments in limited partnership	48

(2) Current fiscal year (From April 1, 2007 to March 31, 2008)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2008)

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	350	650	299	3,507	6,500	2,992
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	350	650	299	3,507	6,500	2,992
Securities with book value not exceeding their acquisition cost						
(1) Equity securities	9	4	5	98	44	53
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	9	4	5	98	44	53

(Note) In the current fiscal year, an impairment loss of ¥5 million (\$53 thousand) for stocks with a readily determinable fair value was recorded.

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 current fiscal year

Classification	Millions of yen			Thousands of U.S. dollars		
	Amount of sales	Total gain on sales of security	Total gain on sales of security	Amount of sales	Total gain on sales of security	Total gain on sales of security
(1) Equity securities	44	34	—	444	343	—
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	44	34	—	444	343	—

③ Investments in securities without a readily determinable fair value (As of March 31, 2008)

	Millions of yen	Thousands of U.S. dollars
Investments in securities		
Unlisted equity securities	524	5,247
Investments in limited partnership	46	461

11. Retirement benefits for employees**(1) Summary of retirement benefit plan**

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and funded non-contributory pension plans. Some foreign subsidiaries have defined contribution pension plans.

(2) Accrued retirement benefits

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Projected benefit obligations	(2,017)	(2,215)	(22,153)
B. Fair value of plan assets	887	800	8,000
C. Unfunded benefit obligations (A+B)	(1,130)	(1,415)	(14,153)
D. Unrecognized transition obligation	294	257	2,578
E. Unrecognized actuarial differences	(97)	109	1,093
F. Accrued pension liability recognized in the consolidated balance sheet (C+D+E)	(933)	(1,048)	(10,481)
G. Accrued retirement benefits for employees	(933)	(1,048)	(10,481)

(Note) Some subsidiaries apply simplified method to compute pension liabilities.

(3) Retirement and pension cost

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Service costs	185	180	1,808
B. Interest costs	23	24	241
C. Expected return on plan assets	(19)	(22)	(221)
D. Amortization of transition obligation	36	36	368
E. Amortization of actuarial differences	12	15	159
F. Net periodic benefit costs (A+B+C+D+E)	238	235	2,356

Previous fiscal year

Current fiscal year

(Note) Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥18 million during the year.

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥18 million (\$180 thousand) during the year.

2. Retirement cost for some subsidiaries which have adopted the simplified method are included in the "Service costs".

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

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	A. Method of attributing the projected benefit obligations to periods of service	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 actuarial differences	13 years	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.)	The same method with the previous fiscal year
E. Amortization period for transition obligation	15 years	15 years

12. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Allowance for doubtful accounts	366	410	4,109
Accrued bonuses	594	710	7,100
Accrued retirement benefits for employees	357	425	4,251
Accrued retirement benefits for directors	—	151	1,510
Allowance for sales returns	187	164	1,644
Inventories	2,081	2,011	20,114
Prepaid expenses	263	443	4,432
Tax loss carry-forwards in the Company	6,855	3,539	35,396
Tax loss carry-forwards in the subsidiaries	1,051	1,218	12,188
Accumulated depreciation expenses	151	281	2,813
Other	1,508	1,235	12,357
Sub-total	13,417	10,591	105,819
Valuation allowance	(3,914)	(3,777)	(37,779)
Total deferred tax assets	9,503	6,814	68,140
(Deferred tax liabilities)			
Unrealized gains on securities	(329)	(159)	(1,599)
Tax-deductible inventories for a foreign subsidiary	—	(445)	(4,452)
Other	(171)	(210)	(2,107)
Total deferred tax liabilities	(501)	(815)	(8,158)
Net deferred tax assets	9,002	5,998	59,982
Net deferred tax assets are reflected in the consolidated balance sheets as follows:			
Current assets—deferred tax assets	3,215	3,009	30,090
Non current assets—deferred tax assets	5,786	2,989	29,891
Total	9,002	5,998	59,982

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

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)
		%
Statutory income tax rate	The note is omitted due to the minor of the difference between the two rates.	40.6
(Reconciliation)		
Change in valuation allowance		(1.1)
Foreign tax credit		(0.6)
Elimination of inter company unrealized gains		(1.2)
Different tax rates applied to foreign subsidiaries		(2.4)
Others		(0.4)
Effective income tax rate		34.9

13. Segment information

(1) Business segments

① Previous fiscal year (From April 1, 2006 to March 31, 2007)

	Millions of yen						Elimination and corporate	Consolidated total
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total		
I. Net sales and operating income								
Net sales								
(1) Customers	43,813	13,043	8,021	7,102	2,561	74,542	(—)	74,542
(2) Inter-segment	—	—	39	—	—	39	(39)	—
Total	43,813	13,043	8,060	7,102	2,561	74,581	(39)	74,542
Operating expenses	35,757	11,033	6,691	5,477	3,000	61,961	2,977	64,939
Operating income (loss)	8,055	2,009	1,369	1,624	(439)	12,619	(3,017)	9,602
II. Assets, depreciation and capital expenditures								
Total assets	21,552	10,161	7,157	6,759	3,682	49,314	42,164	91,478
Depreciation	335	1,141	667	134	354	2,632	141	2,774
Capital expenditures	782	2,157	740	265	119	4,065	429	4,495

(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.

(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) Contents expansion.....This division develops and distributes mobile contents as well as LCD display.

(5) Other businesses.....Other businesses include licensing business and other businesses.

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,036 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 ¥42,179 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 Current fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen						Elimination and corporate	Consolidated total
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total		
I. Net sales and operating income								
Net sales								
(1) Customers	51,679	13,406	6,538	8,525	2,947	83,097	(—)	83,097
(2) Inter-segment	—	—	35	—	—	35	(35)	—
Total	51,679	13,406	6,574	8,525	2,947	83,133	(35)	83,097
Operating expenses	40,069	12,653	5,391	5,892	2,479	66,486	3,489	69,976
Operating income	11,609	753	1,182	2,633	468	16,646	(3,525)	13,121
II. Assets, depreciation, impairment loss and capital expenditures								
Total assets	27,106	11,793	7,071	5,275	4,709	55,956	37,649	93,606
Depreciation	739	1,615	433	185	272	3,246	147	3,393
Impairment loss	181	—	—	—	—	181	—	181
Capital expenditures	862	2,460	26	65	8	3,424	1,078	4,503

	Thousands of U.S. dollars						Elimination and corporate	Consolidated total
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total		
I. Net sales and operating income								
Net sales								
(1) Customers	516,792	134,067	65,380	85,259	29,476	830,975	(—)	830,975
(2) Inter-segment	—	—	359	—	—	359	(359)	—
Total	516,792	134,067	65,740	85,259	29,476	831,335	(359)	830,975
Operating expenses	400,696	126,533	53,918	58,926	24,794	664,868	34,893	699,761
Operating income	116,095	7,534	11,821	26,332	4,681	166,466	(35,253)	131,213
II. Assets, depreciation, impairment loss and capital expenditures								
Total assets	271,069	117,936	70,717	52,752	47,092	559,568	376,499	936,067
Depreciation	7,396	16,158	4,332	1,854	2,722	32,463	1,473	33,936
Impairment loss	1,813	—	—	—	—	1,813	—	1,813
Capital expenditures	8,629	24,600	268	659	88	34,246	10,786	45,032

(Note) 1. Same with the previous fiscal year

2. Same with the previous fiscal year

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,544 million (\$35,442 thousand). 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 ¥37,659 million (\$376,592 thousand). 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. Same with the previous fiscal year

6. Change in accounting policies

(1) Depreciation method of tangible fixed assets

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to the amended Japanese corporate tax law. The effect of this change was to increase operating expenses in the "Home video games" segment by ¥25 million (\$253 thousand), Arcade operations, by ¥196 million (\$1,965 thousand), Arcade games by ¥18 million (\$186 thousand), "Contents expansion" by ¥4 million (\$45 thousand), "Other businesses" by ¥0 million (\$1 thousand) and "Elimination and corporate" by ¥5 million (\$58 thousand), and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Accrued retirement benefits for directors

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have adopted "Auditing and Assurance Committee Statement No. 42". The effect of this change was to increase operating expenses in "Elimination and corporate" by ¥28 million (\$281 thousand), and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Geographic areas

① Previous fiscal year (From April 1, 2006 to March 31, 2007)

	Millions of yen					Elimination and corporate	Consolidated total
	Japan	North America	Europe	Other regions	Total		
I. Net sales and operating income							
Net sales							
(1) Customers	50,074	15,450	8,090	927	74,542	(—)	74,542
(2) Inter-segment	6,652	315	—	—	6,967	(6,967)	—
Total	56,726	15,766	8,090	927	81,510	(6,967)	74,542
Operating expenses	46,660	14,322	7,074	803	68,860	(3,920)	64,939
Operating income	10,065	1,443	1,016	124	12,650	(3,047)	9,602
II. Total assets	40,782	8,050	3,534	219	52,587	38,891	91,478

(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 ¥3,036 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 ¥42,179 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.

② Current fiscal year (From April 1, 2007 to March 31, 2008)

	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	56,457	15,796	9,782	1,060	83,097	(—)	83,097
(2) Inter-segment	6,202	407	—	17	6,627	(6,627)	—
Total	62,660	16,204	9,782	1,078	89,725	(6,627)	83,097
Operating expenses	50,252	13,877	7,962	935	73,028	(3,052)	69,976
Operating income	12,407	2,326	1,819	142	16,696	(3,575)	13,121
II. Total assets	44,361	9,385	5,168	702	59,616	33,989	93,606

	Thousands of U.S. dollars						
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income							
Net sales							
(1) Customers	564,576	157,967	97,823	10,609	830,975	(—)	830,975
(2) Inter-segment	62,025	4,078	—	172	66,276	(66,276)	—
Total	626,601	162,045	97,823	10,781	897,252	(66,276)	830,975
Operating expenses	502,525	138,777	79,629	9,355	730,287	(30,526)	699,761
Operating income	124,076	23,267	18,193	1,426	166,964	(35,750)	131,213
II. Total assets	443,613	93,850	51,682	7,023	596,169	339,897	936,067

(Note) 1. Same with the previous fiscal year

2. Same with the previous fiscal year

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,544 million (\$35,442 thousand). 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 ¥37,659 million (\$376,592 thousand). 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. Change in accounting policies

(1) Depreciation method of tangible fixed assets

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to the amended Japanese corporate tax law. The effect of this change was to increase operating expenses in Japan by ¥245 million (\$2,452 thousand) and "Elimination and corporate" by ¥5 million (\$58 thousand), and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Accrued retirement benefits for directors

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have adopted "Auditing and Assurance Committee Statement No. 42". The effect of this change was to increase operating expenses in "Elimination and corporate" by ¥28 million (\$281 thousand), and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(3) Overseas sales

① Previous fiscal year (From April 1, 2006 to March 31, 2007)

	Millions of yen			
	North America	Europe	Other regions	Total
I. Overseas sales	15,488	7,697	1,481	24,667
II. Consolidated net sales				74,542
III. Percentage of foreign sales included in consolidated net sales	20.8%	10.3%	2.0%	33.1%

(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).

② Current fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen			
	North America	Europe	Other regions	Total
I. Overseas sales	15,895	9,498	1,478	26,872
II. Consolidated net sales				83,097
III. Percentage of foreign sales included in consolidated net sales	19.1%	11.4%	1.8%	32.3%

	Thousands of U.S. dollars			
	North America	Europe	Other regions	Total
I. Overseas sales	158,951	94,988	14,780	268,720
II. Consolidated net sales				830,975
III. Percentage of foreign sales included in consolidated net sales	19.1%	11.4%	1.8%	32.3%

(Note) 1. Same with the previous fiscal year
 2. Same with the previous fiscal year
 3. Same with the previous fiscal year

14. Related party transactions

(1) Previous fiscal year (From April 1, 2006 to March 31, 2007)

① Directors and major individual shareholders

Category	Name	Address	Amount of capital (¥ million)	Nature of business	Proportionate interest (%)	Relationship			Amount of transactions (¥ million)	Account	Balance as of March 31, 2007 (¥ million)
						Concurrent directors	Business relationship	Nature of transaction			
Director and close relatives	CROSS ROAD LIMITED PRIVATE COMPANY	Habikino city Osaka pref.	8	Asset management	Direct 12.0	2	Office rent	Office rent	3	Deposits received of "Other" in "Long-term liabilities"	1

(Note) Consumption taxes are excluded from the amount of transactions.

(Business policy on terms and conditions)

Office rent is decided based upon market quotations for similar space in the local area.

(2) Current fiscal year (From April 1, 2007 to March 31, 2008)

(Additional information)

Effective from the fiscal year ended March 31, 2008, the Company applied the early adoption provisions of the "Accounting Standard for Related Party Disclosures" (The Accounting Standards Board of Japan (ASBJ) - Statement No. 11; October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 : October 17, 2006).

Not applicable for the current fiscal year.

15. Per share information

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net assets per share	799.35	881.13	8.81
Basic net income per share	107.52	132.90	1.33
Diluted net income per share	84.81	116.84	1.17

(Note) 1. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2007)	Current fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	45,144	53,660	536,600
Amounts to be deducted from total amount of net assets (Minority interests)	16	—	0
Ending balance of net assets attributable to common stock	45,127	53,660	536,600
Number of common stocks used for computation of net assets per share (thousands shares)	56,455	60,899	60,899

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

	Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2007 to March 31, 2008)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic net income per share			
Net income	5,852	7,807	78,076
Amount not allocated to common stock (Bonuses to directors by appropriation of retained earnings)	—	—	—
Net income allocated to common stock	5,852	7,807	78,076
Average number of common stock outstanding during the fiscal year (thousands shares)	54,432	58,747	58,747
Diluted net income per share			
Adjustment made on net income	24	6	68
(Interest paid with tax adjustment)	—	—	—
(Administrative fees to commission banks with tax adjustment)	24	6	68
Increase of common stocks (thousands shares)	14,869	8,135	8,135
(Convertible bonds (thousands shares))	14,869	8,135	8,135

16. Significant subsequent events

Previous fiscal year (From April 1, 2006 to March 31, 2007)	Current fiscal year (From April 1, 2007 to March 31, 2008)
Not applicable	<p>The Company acquired K2 CO., LTD. on May 1, 2008 by stock exchange to make this company a wholly owned subsidiary.</p> <p>(1) Purpose In order to implement the growth strategy of the Companies, it is essential to upgrade the development activities, which are the core competence for the Company. K2 CO., LTD. has a good and reliable track record in game software development consigned by the Company. By Making this company a wholly owned subsidiary, the Companies are able to increase the entire corporate value, constructing the growth strategy with it and achieving efficient and flexible development of game software.</p> <p>(2) Details ① The Company exchanged 3,362 shares of the Company for one share of K2 CO., LTD. ② Number of shares granted 201,720 shares The Company did not issue new shares, as treasury stocks were granted to the shareholders of K2 CO., LTD. ③ The amount of common stock for the Company was not increased by this stock exchange. ④ This stock exchange was conducted through the simplified method specified in the section 3 of the article 796 of the Companies act.</p>

17. Supplemental schedule of bonds

Issuer	Name of bond	Issuance date	Balance as of March 31, 2007 (¥ million)	Balance as of March 31, 2008 (¥ million)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD.	5th unsecured convertible bonds	December 20, 2001	15,000	14,997 (14,997)	—	Unsecured	March 31, 2009
CAPCOM CO., LTD.	Zero coupon convertible bonds due 2009	October 8, 2004	6,635	1,220	—	Unsecured	October 8, 2009
Total	—	—	21,635	16,217 (14,997)	—	—	—

Issuer	Name of bond	Issuance date	Balance as of March 31, 2007 (\$ thousand)	Balance as of March 31, 2008 (\$ thousand)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD.	5th unsecured convertible bonds	December 20, 2001	150,000	149,970 (149,970)	—	Unsecured	March 31, 2009
CAPCOM CO., LTD.	Zero coupon convertible bonds due 2009	October 8, 2004	66,350	12,200	—	Unsecured	October 8, 2009
Total	—	—	216,350	162,170 (149,970)	—	—	—

(Note) 1. The amount in the bracket for "Balance as of March 31, 2008" indicates the balance to be redeemed within one year.

2. Description of unsecured convertible bonds

Name of bond	Conditions of conversion	Stock types to be issued by conversion	Exercisable terms of conversion
5th unsecured convertible bonds	Conversion price of 3,020 yen (30.20 U.S. dollars) per share	Common stock of CAPCOM CO., LTD.	From February 1, 2002 to March 30, 2009

3. Description of zero coupon convertible bonds

Type of stocks to be issued	Price of conversion rights	Exercise price (yen)	Total exercise price (¥ million)	Amount of stocks issued due to exercise of conversion rights (¥ million)	Ratio (%)	Exercisable terms of conversion	Substitute deposits
Common stocks of CAPCOM CO., LTD.	Free of charge	1,217	11,500	5,415	100	From October 15, 2004 to October 2, 2009	Note

Type of stocks to be issued	Price of conversion rights	Exercise price (U.S. dollars)	Total exercise price (\$ thousand)	Amount of stocks issued due to exercise of conversion rights (\$ thousand)	Ratio (%)	Exercisable terms of conversion	Substitute deposits
Common stocks of CAPCOM CO., LTD.	Free of charge	12.17	115,000	54,150	100	From October 15, 2004 to October 2, 2009	Note

(Note) When the holders request for exercise of the conversion rights, the exercise price is deemed to be paid from maturity payment. Also, if the conversion rights are exercised, it is treated that such request is made.

4. Redemption schedule of bonds for 5 years subsequent to March 31, 2008

Due within one year (¥ million)	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)
14,997	1,220	—	—	—

Due within one year (\$ thousand)	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)
149,970	12,200	—	—	—

18. Supplemental schedule of borrowings

Category	Balance as of March 31, 2007 (¥ million)	Balance as of March 31, 2008 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	55	55	2.3	—
Current portion of long-term borrowings due within one year	700	1,960	1.9	—
Long-term borrowings (Excluding current portion)	3,430	1,470	1.8	From April 1, 2008 to September 28, 2012
Total	4,185	3,485	1.9	—

Category	Balance as of March 31, 2007 (\$ thousand)	Balance as of March 31, 2008 (\$ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	555	555	2.3	—
Current portion of long-term borrowings due within one year	7,000	19,600	1.9	—
Long-term borrowings (Excluding current portion)	34,300	14,700	1.8	From April 1, 2008 to September 28, 2012
Total	41,855	34,855	1.9	—

(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 debt for 5 years subsequent to March 31, 2008 (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	420	420	420	210

	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	4,200	4,200	4,200	2,100

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, 2008, and the related consolidated statements of 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, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008, 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.

As described in Note 3 (2) to the consolidated financial statements, effective as of April 1, 2007, the Company and its domestic subsidiaries changed the accounting policy for retirement benefits for directors and corporate auditors.



PricewaterhouseCoopers Aarata

July 24, 2008



Head Office



Tokyo Branch



R&D Building

Corporate Profile

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	<ol style="list-style-type: none"> 1. Planning, development and sale of home video games 2. Planning, development, manufacture and sale of arcade games 3. Management of amusement arcades
Paid-in Capital	¥ 32,626 million
End of Term	March 31
Number of Employees	1,506 (Including consolidated subsidiaries) 1,324 (Capcom CO., LTD.)

Capcom's Subsidiaries

- CAPCOM U.S.A., INC.**
 800 Concar Drive, Suite 300 San Mateo, California 94402 U.S.A.
 PHONE: 1-650-350-6500 FAX: 1-650-350-6655
<http://www.capcom.com/>
 Paid-in Capital: US\$ 159,949 thousand
 Business Segment: Holding company and administration of subsidiary in U.S.
- CAPCOM ENTERTAINMENT, INC.**
 800 Concar Drive, Suite 300 San Mateo, California 94402 U.S.A.
 PHONE: 1-650-350-6500 FAX: 1-650-350-6655
 Paid-in Capital: US\$ 1,000 thousand
 Business Segment: Sale of home video games
- CAPCOM INTERACTIVE, INC.**
 10960 Wilshire Blvd. Suite 1500, Los Angeles, CA 90024 U.S.A.
 PHONE: 1-310-943-5470 FAX: 1-310-943-5489
<http://www.capcommobile.com/>
 Paid-in Capital: US\$ 0 thousand
 Business Segment: Distribution of mobile phone games
- CAPTRON CO., LTD.**
 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-3626 FAX: 81-6-6920-5126
 Paid-in Capital: ¥ 1,640 million
 Business Segment: Rent, lease and operation of real estate properties
- CAPCOM ASIA CO., LTD.**
 Units 1510-1511, North Tower Concordia Plaza, No.1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong
 PHONE: 852-2366-1001 FAX: 852-2366-1985
<http://www.capcomasia.com.hk/>
 Paid-in Capital: HK\$ 21,500 thousand
 Business Segment: Sale of home video games
- K2 Co., Ltd.**
 2nd Floor, Mifune Kita Umeda Building, 4-3-32 Nakazakinishi, Kita-ku, Osaka 530-0015, Japan
 PHONE: 81-6-4802-4557 FAX: 81-6-4802-4559
 Paid-in capital: 3 million yen
 Activities: Development and sale of game software
- Capcom Entertainment Korea CO., LTD.**
 Dong IL Highvill Office 410 1542-1 Seocho-dong Seocho-gu, Seoul, Korea
 PHONE: 82-2-525-2160 FAX: 82-2-525-2161
<http://www.capcomkorea.com/>
 Paid-in Capital: KRW 1,000 million
 Business Segment: Sale of home video games, Operation and development of online games
- CAPCOM CHARBO CO., LTD.**
 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-3616 FAX: 81-6-6920-5170
<http://www.juden.net/>
 Paid-in Capital: ¥ 300 million
 Business Segment: Rental, maintenance and lease of electronic game machines
- DALETTO CO., LTD.**
 26th Floor, Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0425, Japan
 PHONE: 81-3-3340-0696 FAX: 81-3-3340-0655
<http://www.daletto.co.jp/>
 Paid-in Capital: ¥ 90 million
 Business Segment: Online Portal Site Management
- CE EUROPE LTD.**
 9th Floor, 26-28 Hammersmith Grove, Hammersmith, London W6 7HA, U.K.
 PHONE: 44-20-8846-2550 FAX: 44-20-8741-4176
<http://www.capcom-europe.com/>
 Paid-in Capital: £ 1 thousand
 Business Segment: Sale of home video games
- CEG INTERACTIVE ENTERTAINMENT GmbH.**
 Barmbeker Str.4b 22303 Hamburg Germany
 PHONE: 49-40-6965-620 FAX: 49-40-6965-6222
 Paid-in Capital: € 25 thousand
 Business Segment: Sale of home video games

Major Offices

Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100
R&D Building	3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698
Tokyo Branch	Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

By continuously creating original content, CAPCOM of Japan has transformed itself into CAPCOM of the world.

Since its inception, Capcom has been creating a series of industry-leading game titles with remarkable commercial success around the globe, including the classic "Street Fighter," which was the rage of the times, and the worldwide blockbuster survival horror game "Resident Evil" to name two. All of these original and innovative games have helped make the Capcom brand a household name. Commemorating the 25th anniversary of its founding, we continue to aspire to be a company that entertains people around the world and touches their heart.

1983

Jul. Released our first originally developed coin-op "Little League".

Oct. Released the coin-op "Fever Chance".

Dec. Opened "Acty 24", a video arcade under the direct management of Capcom.



1984

May. Released our first arcade video game "Vulgus".

Dec. Released the arcade video game "1942".



1985

May. Released the arcade video game "Commando".

Sep. Released the arcade video game "Ghosts'n Goblins".

Dec. Released our first home video game "1942" for Nintendo Entertainment System (NES).



1986

Jun. Released "Ghosts'n Goblins" for NES.

Sep. Released "Commando" for NES.

1987

Aug. Released the arcade video game "Street Fighter".

Dec. Released "Mega Man" for NES.



1989

Dec. Released the arcade video game "Final Fight".

1991

Mar. Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.



1992

Jun. Released "Street Fighter II" for Super NES, and it was a mega-hit.



1993

Apr. Released "Breath of Fire" for Super NES.

Jul. Opened "CapcoCircus Nigata East", the largest arcade in Nigata.



1994

Aug. Premiere of the animated movie "Street Fighter II".

Dec. Premiere of the Hollywood movie "Street Fighter".



1979~

- May. 1979**
Established I.R.M Corporation (capital of 10 million yen) with objectives of developing and selling electric applied game machines in Matsubara, Osaka.
- May. 1981**
Established the subsidiary JAPAN CAPSULE COMPUTER CO., LTD.
- Sep. 1981**
Corporate name was changed to SAMBI CO., LTD., and the head office was moved to Habikino, Osaka.
- Jun. 1983**
Established old CAPCOM CO., LTD., (capital of 10 million yen) in Hirano, Osaka for the purpose of selling software.
- Oct. 1983**
Established Tokyo Branch in Shinjuku, Tokyo.

1985~

- Aug. 1985**
Established CAPCOM U.S.A., INC., in California for distribution of Capcom's products in the U.S.A.
- Jan. 1989**
Old CAPCOM CO., LTD., was merged with SANBI. Corporate name was changed to CAPCOM CO., LTD., and the head office was moved to Higashi-ku, Osaka.
- Aug. 1989**
Established a resident office in the U.K.

1990~

- Oct. 1990**
Stocks registered as OTC securities with the Japan Securities Dealers Association.
- Feb. 1991**
Purchased YUNIKA CO., LTD. and turned it into a 100% subsidiary.
- Dec. 1991**
Changed the name of YUNIKA CO., LTD. to CAPTRON CO., LTD.
- Jul. 1993**
Established CAPCOM ASIA CO., LTD. in Hong Kong for distribution of Capcom's products in China and Southeast Asia.
- Oct. 1993**
Stock was listed on the second section of the Osaka Stock Exchange.
- May. 1994**
Constructed Ueno facility in Mie.
- Jul. 1994**
Constructed head office, which was relocated to Uchihirano-machi, Chuo-ku, Osaka.



2001

Jan. Released "Onimusha" for PlayStation 2, and it sold over a million copies, a first for a PlayStation 2 title.



Aug. Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.



Oct. Released "Phoenix Wright" for Game Boy Advance, and it drew public attention as a courtroom battle title.



2002

Mar. Began broadcasting the TV animation based on the hit title "Mega man Battle Network".

Mar. Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.



2004

Feb. Entered the publishing business and released the first strategy guidebook for "Onimusha 3".



Sep. Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.

Oct. "Monster Hunter" won the grand award at the 8th annual CESA GAME AWARDS.



2005

Mar. Premiere of the animated movie "Mega man".



2006

Jul. Capcom and TOMY COMPANY, LTD. co-launch "Wantame Music Channel", a card game machine geared towards girls under 10.

2007

Mar. "Monster Hunter Freedom 2" becomes the first Japanese PSP software to exceed 1 million units shipped.

Nov. The Hollywood movie "Resident Evil: Extinction" was released. Its box-office revenue exceeded 147 million dollars.



2008

Mar. "Plaza Capcom Sendai Izumi" opens in Miyagi Prefecture.

Apr. "Monster Hunter Freedom 2G" achieves a rare feat in recent years by reaching 2 million sales units earning it the title of "double million."



Jun. Capcom celebrates its 25th anniversary.

©2002 CONSTANTIN FILM PRODUKTION GMBH/NEW LEGACY FILM LTD
 ©2004 DAVIS FILMS IMPACT (CANADA) INC./CONSTANTIN FILM (UK) LIMITED.
 All Rights Reserved.
 ©CAPCOM, Shogakukan, ShoPro, TV Tokyo 2002, 2006 All Rights Reserved.
 ©2007 Sony Pictures Entertainment(U) Inc. All Rights Reserved.

1995

Apr. Began broadcasting the TV animation "Street Fighter IV".

1996

Mar. Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.



1999

Jul. Released "Dino Crisis" for PlayStation, and it was a mega-hit.



1995~

Jun. 1995
 Established CAPCOM ENTERTAINMENT, INC. and CAPCOM DIGITAL STUDIOS, INC. (currently CAPCOM STUDIO 8, INC.), which CAPCOM U.S.A., INC. holds for the purposes of enhancing and maximizing functions such as management, distribution, and R&D in U.S.A.
Apr. 1997
 Established FLAGSHIP CO., LTD. with a view of game scenario creation.
Sep. 1999
 Stock changed listing to the First Section of the Osaka Securities Exchange.

2000~

Oct. 2000
 Stock was listed on the First Section of the Tokyo Stock Exchange.
Sep. 2001
 Established 100% subsidiary CAPCOM CHARBO CO., LTD. for the purpose of offering support services for communication tools such as mobile phones.
Nov. 2002
 Established CE EUROPE LTD. in U.K.
Feb. 2003
 Established CEG INTERACTIVE ENTERTAINMENT GmbH in Germany.

2005~

Jun. 2006
 CAPCOM INTERACTIVE, INC., tasked with developing and distributing mobile games in the overseas market, is established in the United States and makes CAPCOM INTERACTIVE CANADA, INC. (the formerly COSMIC INFINITY, INC.) a wholly-owned subsidiary by buying all its shares.
Oct. 2006
 CAPCOM CO., LTD. and the DWANGO group co-found DALETTO CO., LTD., responsible for managing a portal site.
Mar. 2007
 CAPCOM ENTERTAINMENT KOREA CO., LTD., a wholly-owned subsidiary of Capcom, is established to oversee marketing operations for the Asian market.
Mar. 2007
 CAPCOM ENTERTAINMENT, INC. acquires CAPCOM STUDIO 8, INC.
Jun. 2007
 CAPCOM CO., LTD. acquires FLAGSHIP CO., LTD.
May. 2008
 K2 Co., Ltd becomes a wholly-owned subsidiary through a simple exchange of stocks.

Anniversary

Stock Data

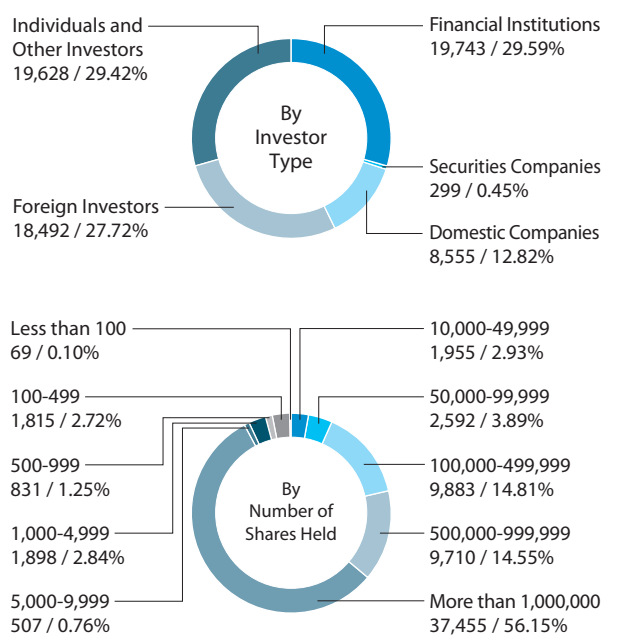
Number of Shares Authorized ————— 150,000,000 shares
 Number of Shares Issued ————— 66,719,458 shares
 Number of Shareholders ————— 14,209 shareholders

Major Shareholders

Major Shareholders	Number of Shares Held (in thousands)	Investment Ratio (%)
Crossroad Limited	6,771	11.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,470	8.98
Japan Trustee Services Bank, Ltd. (Trust Account)	5,384	8.84
Trust & Custody services Bank, Ltd. (Trust Account Y)	2,678	4.40
Kenzo Tsujimoto	2,416	3.97
Yoshiyuki Tsujimoto	1,669	2.74
State Street Bank and Trust Company	1,605	2.64
Haruhiro Tsujimoto	1,546	2.54
Ryozo Tsujimoto	1,545	2.54
Morgan Stanley & Co. International plc	1,376	2.26

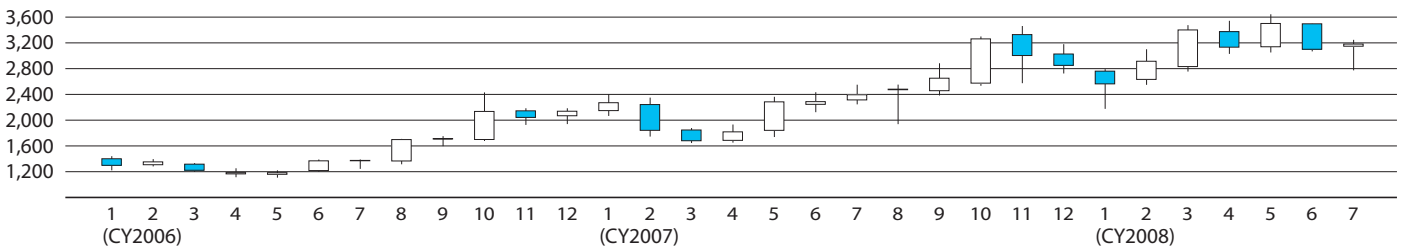
Note : Paccom owns 5,820 thousand stocks as treasury stocks.
 The stocks owned by the company are excluded from the above list.

Shareholders' Breakdown



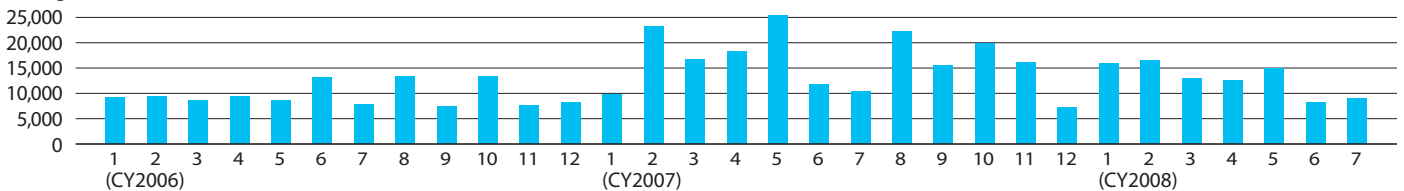
Stock Price Range

Stock Price (Yen)



Trading Volume

Trading Volume (thousand shares)



11 Year Trend of Stock Price and Trading Volume

	1998.3	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3	2005.3	2006.3	2007.3	2008.3
Stock Price	1,080	1,080	4,700	3,580	3,470	1,033	1,032	1,047	1,209	1,692	3,400
High	1,960	1,280	6,140	4,360 (5,100)	4,460	3,860	1,685	1,246	1,450	2,445	3,490
Low	867	667	970	2,935 (2,975)	2,400	999	857	884	1,000	1,110	1,660
Trading Volume	8,121,000	6,859,000	76,522,000	54,022,000	59,785,000	69,891,000	109,458,000	90,897,000	93,992,000	137,965,000	191,793,900

Note : 1 Stock prices are adjusted for stock splits, up to fiscal year ended March 31, 2000.
 2 Stock prices in brackets and stock prices up to fiscal year ended March 31, 2000 are those quoted on the Osaka Securities Exchange Co., Ltd.

Capcom Investor Relations Website <http://ir.capcom.co.jp/english/>

We have been focusing on IR activities by providing our shareholders and investors with timely and updated information through our website. The CAPCOM IR website provides a whole range of information, such as management strategies, in addition to financial data and stock information.



Capcom's IR website has been highly acclaimed in various website rankings for the extensiveness of information it provides and its ease of use.

What's New

Appearing in the center of the IR top page, the What's New section lists notable new IR information and has an RSS (Really Simple Syndication) option which sends new information and press releases out using an RSS feed, enabling users to view the latest information as soon as it becomes available.

IR Presentation Materials

We have posted marketing data and unit sales of popular game software using easy to understand layout that includes charts and images. Moreover, in addition to making footage of conference calls available for viewing on a computer, we have also made them compatible with graphic podcasts, thus offering a wealth of information to our users.



Capcom IR Mail

Register your email address here to receive information about press releases and financial results by e-mail.

Mobile Phone Access <http://m-ir.jp/c/9697>



In addition to financial result summaries and stock information, Capcom's closing stock price and latest press release information can be obtained by accessing the Capcom website from a mobile phone. If you have a mobile phone that reads QR codes (two-dimensional bar codes), scan the image on the left for easy access to the site.

* See your mobile phone manual for information on how to scan QR codes. * This service supports only Japanese.

CAPCOM CO., LTD.

3-1-3 Uchihirano-machi, Chuo-ku,
Osaka, 540-0037, Japan
PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100

<http://www.capcom.co.jp/>

©CAPCOM CO., LTD. ALL RIGHTS RESERVED.



Please visit our IR site.

<http://ir.capcom.co.jp/english/>



The print of this catalog uses
environment-friendly botanical soybean oil ink.



CAPCOM

The Latest Development Report

2008

**Conceptualizing
Creativity**



High motivation of the development staff generates one hit title after another

Keiji Inafune

Managing Corporate Officer
Head of Research & Development
Management Group and Online Business

We believe that hit games are born when the staff members enjoy developing them. When a talented group of development staff members is given an opportunity to work on titles that inspire interest and hard work, the group's motivation is naturally elevated. Because they are working on something that they truly want to work on, obstacles such as deadlines and sales targets are no longer daunting. The staff members will literally bury themselves in work to develop their games and work as one. This motivation is Capcom's strength in creating one hit title after another that users love.

The producer is the person responsible for managing such a development process in its entirety. Capcom has begun, ahead of its competitors, to initiate a plan for an efficient organization and established a structure with the producer as its head. He/She is charged with managing duties such as costs and process management, staff care and professional development in order to create an environment where the staff members can focus on their tasks.

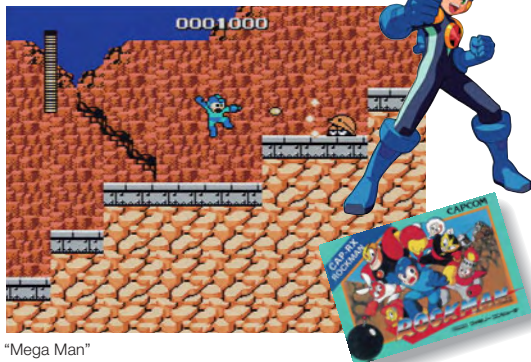
Another major duty of the producer is to create games that sell. The "management efficiency" often comes into conflict with the "desire to create something truly interesting" partly because the process of game development is immensely costly and time-consuming. The producer puts together the plan, the prototype, the budget and other information and directly submits them to the management who will make decisions on title development from the business point of view. A good producer does not give up when faced with disagreements. What separates an excellent producer from an ordinary one is the ability to break an impasse and to make the most of the limited time and budget to establish a structure that will generate a hit game. In the midst of the "battle" between "the soul of a developer" vs. "risk hedge", the task of a producer is to generate ideas with both sides and to lead the team to the best solution. This dialogue elevates the productivity of the organization and serves as a rigorous selection process for games to be developed and, ultimately, leads to new hit titles being born.



Leading Capcom's Development Department with a goal of making Capcom the world's best game developer

I strongly feel that one of the pillars of Capcom's strategy to growth, "Reinforcing our expansion overseas", is an especially important element. The main stage of the games market is no longer in Japan but rather overseas. The size of its market is incomparable. We are therefore implementing three development strategies centered on the concept of "overseas". First, we will strengthen our development process of titles for overseas. Making use of the expertise gained through our first successful titles for overseas "Dead Rising" and "Lost Planet", we will continue to develop titles that suit the tastes of users overseas. The next strategy entails collaboration with overseas software developers. There are many independent developers overseas with genius development capabilities. Collaborating with these developers will firmly establish our position as "Capcom of the world" and further strengthen the title brand. The third strategy is based on our common engine that facilitates simultaneous development of different platforms of the next-generation hardware such as Xbox 360, PlayStation3 and PC. We have spent close to two years developing a common tool "MT Framework", which is currently used to develop "Resident Evil 5" and other titles in progress.

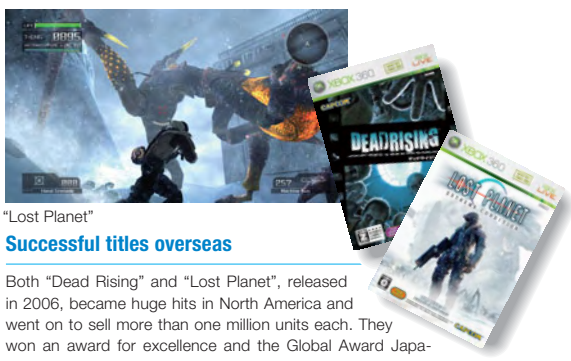
Likewise, reinforcing our online business is also essential to our future growth. As the Head of the Development Department, I have in the past played a leadership role in business and development with future potential in mind. Although it is important to produce titles that sell today, one cannot ignore the importance of establishing a business model that is not limited by platforms. Just as the iPod came up with a new business model in which people "download" music, the games industry will enter the same phase. Our online business will make it possible for us to ride this wave of change. My mission is to foresee the direction Capcom should take in five, ten years into the future and to reflect it in our development strategies, which, I firmly believe, will lead the way for Capcom to become the world's best game developer.



"Mega Man"



"Dead Rising"



"Lost Planet"

Successful titles overseas

Both "Dead Rising" and "Lost Planet", released in 2006, became huge hits in North America and went on to sell more than one million units each. They won an award for excellence and the Global Award Japanese Product, respectively, at the 2007 Japan Game Awards.



"Street Fighter II"



"Resident Evil"

Continuously releasing original content worldwide

Capcom continues to release many original and creative game titles such as "Mega Man", "Street Fighter" and "Resident Evil" worldwide. This year, as Capcom celebrates its 25th anniversary, we renew our commitment and determination to expand the field of entertainment.



"Monster Hunter Frontier Online"

Taking our popular titles online

Capcom will release the online version of its popular title such as "Monster Hunter", "Street Fighter" and "Phoenix Wright". The number of users who do not own a game console but play games on their computer is expected to increase even more in the future.

Creating graphics that break down the barrier between games and movies like never before

Jun Takeuchi

General Manager of
R&D Strategic Planning Department

The latest addition to the series, "Resident Evil 5", offers the players a movie-like experience by allowing them to develop their own plot. Our promotional efforts are currently underway towards the release date while development is still ongoing.

CAPCOM's strategy is to make this game available to as many users as possible around the world without relying on a specific platform (game console). To this end, "Resident Evil 5" has been made available to Xbox 360 and PlayStation 3, allowing for dramatically advanced graphics. Its development has fully utilized CAPCOM's original developmental tool "MT Framework", which facilitates multi-platform game development and has made it possible to cut development time and transfer costs as well as efficiently utilize our human resources.

In addition to developing tools, we have also strengthened our game development structure. As more than 400 people including company employees and outside contractors are working on this particular title, we have reorganized the structure to assign appropriate human resources, manage development process and offer mental

health care to staff in order to ensure smooth operation. Our belief while developing "Resident Evil 5" was that no detail was too small when it came to graphics. Our determination to achieve more realistic effects than ever led us to Hollywood where we had our material shots filmed to serve as the base for the 3DCG. At first, the staff in Hollywood were somewhat dismissive of filming for a game. However, when they saw CAPCOM's graphics in progress, they were so impressed with the quality that a mere "game" could offer that they proposed to shoot again from the beginning. From then on, we were able to proceed with screen development that was at the same time professional yet competitive. Once they understood our objective was to create graphics and effects like no other, they were even able to develop a capture system that would facilitate the project's completion.

I believe that this game, when finished, will astound users with the quality of its unprecedented graphics. Our hope is that "Resident Evil 5", when it is released, will be the ultimate culmination of the series by breaking down the barrier between movies and games.



Release of “Resident Evil 5” is approaching: Experience the fear interwoven with light and darkness

Humans instinctively fear darkness. The Resident Evil series is a horror-action game that explores this fear. Its plot revolves around a virus developed as a biological weapon wrecking havoc against the backdrop of old mansions and fictional American cities.

In “Resident Evil 5”, the story takes place in a much different setting: Africa. The main character faces fear and confusion lurking in its dry desert regions. At first glance, the sun-filled screen shots may not seem like your run-of-the-mill horror game but, as you play, you will soon discover darkness waiting in buildings. This title takes full advantage of high-performance platforms, Xbox 360 and PlayStation 3, and can display images, such as diffusing sunlight, that were not possible before, which helps create our world of fear as light and darkness interplay.

The previous title, “Resident Evil 4” was a huge hit that sold five million units worldwide. The sales expectation for this title therefore is set at more than two million units based on its international popularity. Worldwide promotional efforts are underway in Japan, the USA and Europe. In addition to using specialty magazines as a tool, we have participated in a game exposition, Electronic Entertainment Expo (E3) and distributed on the Internet promotional movies produced using high-vision to bolster enthusiasm among users all around the world.



Experience terror in simulation

One of the selling points is the game's interactive capability in which the user manipulates the main character and develops his own plots. The user experiences terror that feels real while playing.



Insisting on the tiniest detail on the screen to set the right tone

Every piece of clothing the main character wears from the shoes to the gloves is based on actual clothing. We faithfully recreate even the texture and weaving of the material of the clothing.



Africa, our new stage, realistically recreated on the screen

Our staff visited Africa, a new backdrop in the series, to experience the real Africa where the contrast between light and the darkness is stunning.



© 2008 Microsoft Corporation. All rights reserved.
© 2006 Sony Computer Entertainment Inc. All rights reserved.
Design and specifications are subject to change without notice.

Integrated development environment “MT Framework”

CAPCOM spent almost two years in developing MT Framework, a game developing tool that works with Xbox 360, PlayStation 3 and PC platforms. This groundbreaking tool makes it possible to share technologies, information, and know-how, and reduce development time and cost.

Ryozo Tsujimoto

R&D Strategic Planning Section Producer

More than 1.5 million units of “Monster Hunter Freedom 2G” for PlayStation Portable (PSP) have been shipped in less than two weeks since its release. This unexpectedly huge figure had the development staff beaming. Although the “Monster Hunter” series was launched in 2004 as software for PlayStation 2, its popularity has really caught fire since the introduction of the software for the portable game console PSP. Thanks to the fun multiple-player cooperative gameplay, existing users brought in new users and its sales grew gradually.

Obviously, multi-faceted promotional efforts have also contributed to its success. To bolster the enthusiasm of the existing users, we have continuously done PR activities for a year and one month since the release of the previous title “Monster Hunter 2” by taking advantage of the Tokyo Game Show and using specialty

Users' ability to “play together” and focused team spirit are the driving force of the series

magazines. Furthermore, in order to attract new users, we have promoted heavily on the feature that lets beginners play the game on the same playing field as experienced users. To drive this point, the game's TV commercial features four celebrities with varying gaming experience enjoying playing together. In addition, we have developed character goods to appeal to women and children.

However, the most important factor in the impressive growth of this series lies in its clear vision to develop an “action game everyone can play” right from the start and the focused team spirit of its development staff. New ideas about new gameplay elements and the monster's facial expressions are generated with ease in an atmosphere that makes everyone's opinion count. This new addition to the series is the culmination of the basic knowledge of action sequences and the expertise in online gaming brought by each individual's past experiences. I believe that my mission as the producer is to foster an environment where anyone can propose an idea and ensure that this environment continues to be well managed.





Breaking the domestic sales record for PSP software “Monster Hunter”: the new national pastime

Our latest “Monster Hunter Freedom 2G” has been a huge success. Its sales have now reached two million since its release and broke the previous record for domestic sales of PSP software.

The basic concept of “Monster Hunter” is to hunt. After receiving orders in villages and towns, the player heads for the field as a hunter. The hunter can cooperate with others or set traps in order to capture specific monsters. Our star monster this time is a speedy Nargakurga that lives in an ocean of trees, which is also a new playing field in this PSP version, and challenges any hunter in his path with astonishing fierceness. This game allows up to four players to play simultaneously, which makes it more strategically interesting. Even when playing alone, the player can bring a Buddy Felyne (new for this game, an updated version of the ever popular Felyne) along to enjoy playing with another character that not only participates in fights but also helps the player around, for example, when collecting items. This game offers features such as these to attract users and capture their interest.

Furthermore, the “Monster Hunter Fest '08” we hosted in five cities nationwide has been hugely popular. Participants enjoyed playing the game and making new “hunter friends” in a special facility that recreated the game's world in real life. These hands-on events take advantage of the portability of PSP to bring in new fans into the world of Monster Hunt.



Developing various goods

The unique worldview based on the theme of “hunting” captures its users’ imagination. In addition to “Monster Ecology Complete Book”, a set of a booklet and action figures, other various goods such as trading cards have been developed. We have also made a tie-up merchandise deal for the drink that the hunter drinks in the game to regain strength.



Our popular character Felyne

Buddy Felyne is a new addition in “Monster Hunter Freedom 2G” that the hunter can bring along for the hunt. To attract women and children, we have come up with goods that would appeal to them such as stuffed animals, masks and the Felyne stick.



Facing Nargakurga

A new monster has been created for “Monster Hunter Freedom 2G”. Unlike other monsters in the past, this one has tricky moves to dazzle hunters. Unique monsters like this one set the right tone of the series.



User events Monster Hunter Fest '08

Beginning in April, 2008 in Fukuoka, we have hosted “Monster Hunter Fest '08” in five cities nationwide and offered users many fun events such as “Japan’s Fastest Hunter Showdown” in which players compete for the fastest time to clear quests in “Monster Hunter Freedom 2G”.

Amid clashes among ideas of Japanese, American and European developers, “Bionic Commando” is reborn



Ben Judd

R&D Strategic Planning Section Producer

It is not widely known that CAPCOM has many titles that were huge hits overseas but didn't do as well in Japan. The “Bionic Commando” series is one of these. Since its release in 1987 as an arcade game, it has been renamed and released several times over the years, but 1992 was the last year CAPCOM released any new additions to the series. However, in North America, people have responded well to the series' unique characteristics (the main character's main mode of transportation is a grappling wire fired from his “Bionic Arm”) and some fanatics are said to have followed the game for twenty years. Having grown up in North America and worked at CAPCOM's North American branch, I knew and felt the potential of this series as well as the need for this type of game in the market. Since I began working in Japan, I became convinced that I was the only one that could revive the title and so I came up with a project proposal while taking in-

to account the needs that existed overseas. The proposal I submitted to the head of R&D was eventually deemed to have a lot of potential, a credit to CAPCOM's status as a company that does not shy away from trying new ideas. Thus the work of developing 2D and 3D versions of the game began.

We proceeded with the development in conjunction with Swedish production studio GRIN, communicating with them via a TV conferencing system. While GRIN produced the game, CAPCOM oversaw the general operation, as well as character design and setting. GRIN's programming skill and efficiency-driven development capability complimented well with CAPCOM's uncompromising design and planning know-how. Although there have been some clashes between the two due to differences in style, the end result is an innovative game that has exceeded our expectations.



After 20 long years, two new titles are ready for release

Two new titles will be released as a part of the “Bionic Commando” series - a modern remake that brings 2D gaming back to life, and an action-packed, stunningly-realized 3D version.

The 3D version, “Bionic Commando”, will be released for Xbox 360, PlayStation 3 and PC. It is a cinematic third-person shooter, in which the hero fights his way through a breathtaking 3D world in the ruins of city devastated by a terrorist bombing. The hero swings through the air by hooking his wire on distant objects. As he fights his enemies while swinging from one suspended column to another, the user can experience some truly exhilarating vistas.

The 2D version, “Bionic Commando Rearmed”, will be distributed online via Xbox LIVE Arcade and PLAYSTATION Network. We also added “Rearmed” has rebuilt the world of the original 8-bit 2D game from the ground up. It keeps the game’s 2D mechanics intact, but the world has been created using modern 3D graphics - appealing to the nostalgia users in the 30s feel for the game, while bringing something new for users in their 20s.

We also made it possible to use a costume based on the original character design in the 3D version if you own Bionic Commando Rearmed on the same hardware. This data link between the two will add more fun to the users’ gaming experience.



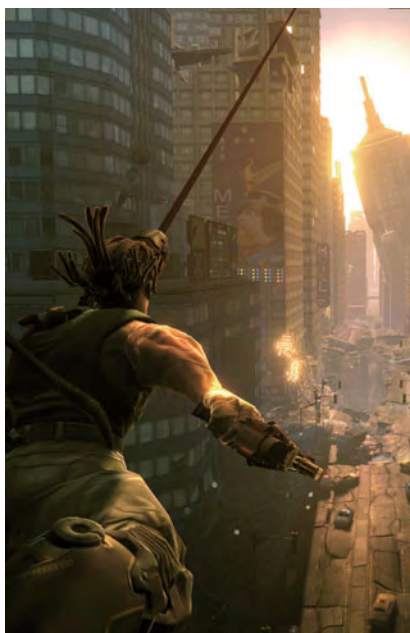
All-new multiplayer and co-op modes

Rearmed contains all-new 2-player co-op and multiplayer modes that were not in the original 8-bit game, as well as online leaderboards and stat tracking.



Starring the voice talent of popular rock star, Mike Patton

Mike Patton, the former lead vocalist of the classic rock band Faith No More, lends his voice to the hero, Nathan Spencer.



Experience the thrill of swing action

Bionic Commando transposes the swing-and-shoot gameplay of the 8-bit original to a stunning 3D environment of towering buildings, suspended roadways and monorails, deep canyons and sheer rock faces, where every environment is scalable. Fight enemies while walking up walls, and feel your heart in your throat as you leap from a towering skyscraper.



Tapping into the hidden potential of the mobile game market

At the end of March 2008, there were 103 million mobile phone and PHS units in use in Japan, which means that 84% of the entire population* has one. The mobile game market is the frontier of game platform. All these users are our potential customers.

Although it can be said that the nature of the mobile unit may limit the potential on the hardware side, I believe that, with time, this will eventually be a non-issue. According to mobile phone carriers, the biggest seller in the digital content market is games, and they too would like to see growth in this market. I would like to develop high-quality games that take advantage of the benefits the cell phone platform offers and see this newly formed market grow significantly.

* Data by Telecommunications Carriers Association as of March 2008



Takeshi Tezuka

General Manager of Mobile Content Development Department

Increasing the CAPCOM fan base by offering content that appeals to a wide range of users

One customer, a fan of TV dramas, once mentioned that he tried "Ace Attorney" for the first time because he had some unexpected free time and enjoyed it so much that he went and bought the Nintendo DS version of it.

We at CAPCOM approach attracting new users with two phases in mind: how to bring customers into the mobile game market when it is not their main interest; and how to turn them into customers who are more open to gaming in general.

"Ace Attorney" for cell phones

Live the experience of a mystery novel with a hugely popular courtroom adventure game "Ace Attorney" and enjoy the thrill of presenting irrefutable evidence to your opponent.

Expanding to the Asian market such as South Korea, Hong Kong and Taiwan

CAPCOM has been putting a lot of energy into Asia, especially in South Korea, Hong Kong and Taiwan. In South Korea, we distributed titles such as "Ace Attorney" and "Street Fighter" series through a Korean publisher whereas titles are produced and distributed mainly through CAPCOM Asia in Hong Kong in conjunction with local software developers. "Street Fighter" series especially is becoming a very popular title in Asia as well as around the world.





Midori Yuasa

President,
CAPCOM INTERACTIVE, INC.

Climbing the charts and becoming a top three publisher in North American

CAPCOM INTERACTIVE, INC. was created in 2006 to capitalize on the potential growth area of mobile gaming in North America. During our first month of operation, we were ranked 62nd by market share. A mere two years later, and CAPCOM INTERACTIVE, INC. has achieved astonishing results becoming a top-five publisher.

One of our drivers to success has been the launch of high-quality sellable games such as “Mega Man 2” and “Street Fighter II”. Additionally, in 2007 we acquired the license for the hit television game show “Are You Smarter Than A 5th Grader?” in an effort to appeal to women. The title gradually climbed the sales charts until it peaked right behind perpetual top-seller “Tetris”. This was a moment of great pride for our entire staff, all of whom worked extremely hard to make the title a success.

Our next major goal is to become one of the top three mobile publishers in North America. To this end, we have collaborated with Mr. Tezuka’s team in Japan to introduce 3D technologies to the North American market, and we are working closely with where the hardware and business practices are similar to North America.



“Are You Smarter Than A 5th Grader?”

A popular TV program in the US where adults struggle with questions based on the curriculum of 1st through 5th graders. The mobile game version has been very well received by families as it allows them to enjoy the gaming experience without investing in a console.

Game Code © 2008 CAPCOM. Produced under license from Fox Broadcasting Co. Are You Smarter Than A 5th Grader? TM and © 2008 JMBP, Inc.

Hardware advancements heighten competition

Since the touch-screen based iPhone launched, important changes have been taking place in the North American mobile market. As consumers flock to more advanced touch-screen enabled handsets, it is expected that the cycle of upgrading cell phones will shorten and, as the user-base that enjoys mobile games widens, the competition will become more and more fierce. In order to not only remain competitive, but to excel, we launched a 3D “Devil May Cry” title in May. Additional high-quality 3D mobile games based on Capcom IP are slated to launch in the coming year. Capcom will also continue our successful strategy of creating games based on select licensed IP by publishing a game based on the hit MGM “American Gladiators” television show in the fall.



Appropriate sales promotion tool for the target audience

The target audience for “Are You Smarter Than A 5th Grader?” is families, especially mothers. To appeal to this particular group, we utilized a promotional item based on a children’s lunch box.



Toshihiro Tokumaru

Corporate Officer
Head of Character Contents Business

The potential of a game title is reborn in a new light as a movie

We at CAPCOM have implemented the Single Content Multiple Usage strategy in which the original content of a game title is developed for other outlets such as a TV animation program or a movie. CAPCOM does not own the image copyright of three films released so far based on the “Resident Evil” series as these have been licensed out to other companies. It is our policy that, from now on, CAPCOM will keep the copyright for its original content along with its potential earning power within the company as it develops movies based on games.

Being one of our flagship games, we have chosen “Street Fighter” in our first attempt at producing a movie based on our content. The production of this movie is a joint venture with an American film distribution company, Hyde Park Entertainment. Together, we set up a movie production company in early 2006 and began production with CAPCOM retaining control over the project.

First, we spent time formulating the concept for the movie, in other words, the kind of movie we wanted to make. To

satisfy the audience, it is crucial that there be a drama that portrays the subtlety of human emotions. For this reason, Chun-Li was thought to be a good fit for the main character. Although only one of the female characters in the game, she was transformed into a fantastic heroine with a dark past. This is yet another testament to CAPCOM's long-cherished tradition of insisting on every detail with everything we produce.

We visited the Cannes Film Festival in order to negotiate a contract with the director and cast members as well as procure financing for the production. We succeeded in selling the distribution rights for “Street Fighter” due to the game's high name recognition as well as anticipation based on CAPCOM's reputation as a company that is passionate about pictures and graphics and the filming thus began. We will strive to create Hollywood-level content as a comprehensive entertainment company that goes beyond the traditional boundaries set for a game company.

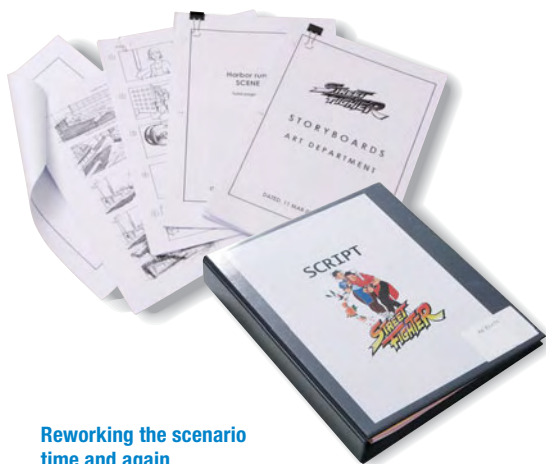


Live-action film "Street Fighter" finally set to be released next spring

The live-action film "Street Fighter" will be distributed by 20th Century Fox in North America with a release date in February, 2009. This movie is one of the special projects commemorating the 20th anniversary of the first release of "Street Fighter" in the US. The filming, which began in March 2008, is progressing smoothly.

The director, Andrzej Bartkowiak, was the cinematographer for films such as "Speed" and "Lethal Weapon 4". The main character, Chun-Li will be played by Kristin Kreuk. The storyline in the game version "Street Fighter" remains the same in which the lead character searches for her father who has mysteriously disappeared. In addition to exquisite action sequences, the audience will also appreciate the human side of this movie as the daughter yearns and searches for her father.

In advance of the film's release, there are many projects in progress. One of them is the latest in the series, "Street Fighter IV" that will be launched for arcade in Summer 2008. We will be busy with many international events, such as an official website launch and a trailer screening in Cannes, right up to the film's release.



Reworking the scenario time and again

Being the only daughter of a wealthy family, why would Chun-Li, a dainty little girl, choose the path of a street fighter? We have reworked the scenario time and again to include not only action but also a human side to the story. There will also be a few secrets not revealed in the game.

Hyde Park Entertainment

Hyde Park is an internationally renowned film production company. It has worked with many major Hollywood studios such as 20th Century Fox and Disney through production financing as well as foreign sales.



Deluxe cast

The main character will be played by Kristin Kreuk known for her role in the TV drama "Smallville". The filming began in March 2008 with a deluxe cast that also includes Michael Clarke Duncan, Neal McDonough and Taboo.



Film adaptation "Street Fighter" in '94

CAPCOM has actually already produced a live-action film version in Hollywood in 1994, which is why CAPCOM has a reputation as a company that is passionate about creating pictures and images.

The movie "Resident Evil"

It is based on CAPCOM's popular game series "Resident Evil" that sold 34.5 million units worldwide. Mila Jovovich played the main character who faces the fear of evil.

©2007 Sony Pictures Entertainment (J) Inc. All Rights Reserved



Yoshinori Ono
Head of Online Development Department



“Street Fighter IV”

“Street Fighter IV”'s selling point is its powerful 3D graphics made possible by the latest high-performance substrate. We have also introduced an ID card for the first time to take advantage of the characteristic of the arcade as a place where people meet face to face. The user can also join a community by using this card and a cell phone.

Arcade games that different generations can enjoy

Our video game “Street Fighter IV” being launched this summer is our first in about 10 years for arcades. Since the very first game of the series was introduced in 1987, this combat-based fighting game has been extremely popular worldwide. There are many users who still play it, especially in North America and Europe, and they have voiced their desire for a new addition. As the production of the live-action film version was confirmed, we began developing that new game. There was a feeling within the company that the timing is right to release a new addition of the series, which the film was based on. Our concept in developing this new game is “Back to Basic”, which meant that we kept the combat-based style of the game while rendering everything including the characters and the background in 3D, making it more visually pleasing. Those who enjoyed playing the game twenty years ago as youngsters are now parents themselves. We are thus hoping that they will enjoy playing combat games again, but with their children just like they enjoy playing sports together. We have conducted field tests in our own arcades and measured the reactions of our customers. The feedback we received has been extremely positive to the point where we have had people waiting in line, which we feel will lead to good sale results.

ORGANIZATIONAL STRENGTH

Ensuring the safety of commercial game machines expanding the safety-check system

We are seeing nowadays customers from every age group visiting arcades and the market share is increasing for game machines that a wide range of customers can enjoy. To respond to the changes of time such as this and to address an increase in demand, we have developed medal- and prize-based game machines in addition to conventional commercial video game machines. Because many different customers play commercial game machines, which are located in an environment where many people gather, we insist on the safety of our machines. Our past development process has therefore been reviewed to put an emphasis on the underlining concept of developing machines that are 100% safe as we strive to produce machines that are fun as well as safe.

Osamu Izumi
Corporate Officer
Head of Arcade Games Research & Development Department





Jyunya Aoki
 Deputy General Manager
 of Arcade Development
 Department Arcade Operations Business

A variety of site proposals to meet the expectations of our customers

The most important part of the job at the Site Development Department is to offer our customers an arcade that makes and keeps them happy. When submitting a proposal for our directly owned amusement arcade “Plaza Capcom” to a shopping center, a competition is held in most cases. In order to obtain approval, our team works as one to generate ideas so that we can submit a proposal that is beyond our customer’s expectations. Here, it is important to note that not only do we need to make the company that owns the shopping center happy as a customer, we also have to keep in mind the general public as our customers as well. For example, at “Plaza Capcom Hanyu”, we have placed a super-size monitor at the entrance to produce a light and fun atmosphere, whereas for “Plaza Capcom Chiharadai” we hired an illustrator, Ryutaro Odagiri, to design the arcade to create a world where a story unfolds. The creative and original proposals CAPCOM has offered such as these have been very well received by the owner companies. It’s a win-win situation when we build a trusting relationship with them, based on which we will come out on top of the ever more fierce competition in the amusement business industry.



Building unique arcades

To offer our customers a space where they can spend time having fun, CAPCOM builds unique arcades that fit a location whether it be at a shopping center or a stand-alone rather than mass-producing look-alikes. It is part of what attracts customers to our arcades. (Photo: Plaza Capcom Chiharadai)

ORGANIZATIONAL STRENGTH

Striving for more business expansion with our comprehensive capability to develop and manage

Motohide Imaizumi
 Corporate Officer
 Head of Arcade Operations Business

The strength of CAPCOM’s arcade operation is its ability to develop a high-quality arcade that attracts large crowds and manages it efficiently by eliminating waste. Early on, CAPCOM gained expertise in developing and managing arcades that are appreciated by customers especially in shopping centers. We have become one of the best in per-site profit in the industry by aggressively pursuing business expansion while grasping accurately the break-even point for each site in order to make swift business decisions to “scrap and build.” A good site is made not only by the development capability of the company but also by the quality of the customer service provided by the staff involved in operations. With our comprehensive capability to develop and manage, we will continue to aim for further business expansion.



Corporate Profile

(As of March 31, 2008)

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	1. Planning, development and sale of home video games 2. Planning, development, manufacture and sale of arcade games 3. Management of amusement arcades
Paid-in Capital	¥ 32,626 million
End of Term	March 31
Number of Employees	1,506 (Including consolidated subsidiaries), 1,324 (Capcom CO., LTD.)
Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100
R&D Building	3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698
Tokyo Branch	Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

History

1990

Dec. Released "Final Fight" for Super Nintendo Entertainment System (Super NES).

1991

Mar. Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.

1992

Jun. Released "Street Fighter II" for Super NES, and it was a mega-hit.

1993

Jul. Opened "CapcoCircus Nigata East", the largest arcade in Nigata.

1994

Dec. Premiere of the Hollywood movie "Street Fighter."

1996

Mar. Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.

2001

Jan. Released "Onimusha" for PlayStation 2, and it sold over a million copies, a first for a PlayStation 2 title.

Aug. Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.

Oct. Released "Phoenix Wright" for Game Boy Advance, and it drew public attention as a courtroom battle title.

2002

Mar. Began broadcasting the TV animation based on the hit title "Mega man Battle Network".

Mar. Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.

2004

Feb. Entered the publishing business and released the first strategy guidebook for "Onimusha 3".

Sep. Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.

2005

Mar. Premiere of the animated movie "Mega man".

2007

Mar. "Monster Hunter Freedom 2" becomes the first Japanese PSP software to exceed 1 million units shipped.

2008

Mar. "Plaza Capcom Sendai Izumi" opens in Miyagi Prefecture.

Apr. "Monster Hunter Freedom 2G" achieves a rare feat in recent years by reaching 2 million sales units earning it the title of "double million."

Jun. Capcom celebrates its 25th anniversary.

CAPCOM CO., LTD.

3-1-3 Uchihirano-machi, Chuo-ku,
Osaka, 540-0037, Japan
PHONE: 81-6-6920-3600
FAX: 81-6-6920-5100

<http://www.capcom.co.jp/>

© CAPCOM CO., LTD. ALL RIGHTS RESERVED.