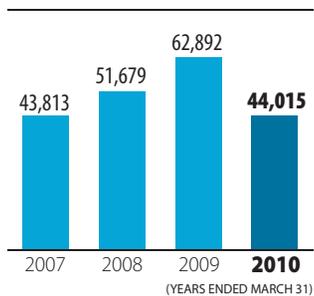




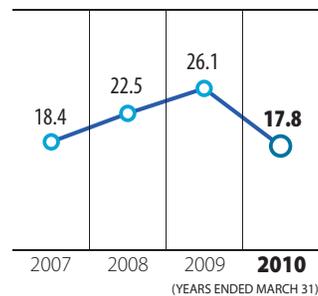
Home Video Games

In addition to the development and distribution of home video games, this business distributes PC online games, constituting the core business of Capcom, with sales accounting for approximately 70% 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.

Net Sales (Millions of yen)



Operating Margin (%)



Market Trends

As the market continued to contract, the growing demand for PC online games and downloadable content leveled off.

The home video game (package) market in 2009 was worth 25 billion dollars (down 7.1% from the previous year), the first negative growth in four years (For more details, please refer to "CEO Interview", item 1 of Q.1, "Market Environment" on P. 11).

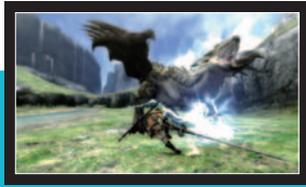
The market mainly consists of three regions: North America, Europe and Japan. While the ratio of each region's share was 5:3:2, respectively, around 2000, our overseas sales ratio is increasing every year due to the maturation of the Japanese market, caused by a falling birthrate and various other social factors, as well as the increase in the global gaming population combined with the growth of emerging gaming nations. In 2009, sales were 11.2 billion dollars (down 11.1% from the previous year) in North America, 10.2 billion dollars (down 7.3% from the previous year) in Europe, and 3.4 billion dollars (up 6.3% from the previous year) in Japan, showing that the foreign markets make up approximately 90% of this market (See Diagram 10). Only the Japanese market experienced an increase because of the domestic release of multiple major titles by all companies.

At the same time, as discussed in "Our Strategy for Growth" on P. 19, improvements in the global network infrastructure have led to rapid

SWOT Analysis

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

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



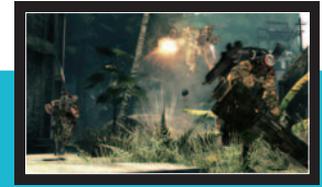
"Monster Hunter Tri"



"Resident Evil 5: Gold Edition"



"Ace Attorney Investigations: Miles Edgeworth"



"Lost Planet 2"

expansion in the PC online game and home video game markets. This growth sufficiently compensates for the contraction in the package market, and the speed at which software manufactures can respond to this market will certainly have a significant impact on their earnings (See Diagram 11).

The outlook for 2010 is for continued contraction of the package market, which is expected to worth 23 billion dollars (down 8.0% from the previous year). Despite the stimulation of new demand expected from the upcoming sales launch of Nintendo 3DS and new controllers for the Kinect and PlayStation Move, the impact of sales form diversification and lower average retail prices are expected to adversely affect the market until 2013. At the same time, additional contents including new scenarios and items in the premium download distribution business will provide advantages including (1) enabling the acquisition of additional profits by continuously adding new offerings and (2) extending the length of time users play by making use of online community features to acquire new users (package sales). Taking into account the premium download distribution business, the home video game (package and download) market in 2010 is expected to maintain the same level as in 2009.

However, the ability to reap benefits from additional downloads will be dependent on the popularity of major titles as well as the "presence or absence" and "number of hit titles", which will create a significant disparity in profit among game software manufactures in what will clearly be a struggle for existence.

Operating Results for This Fiscal Year

Despite the excellent performance of domestic titles, delay in sales of leading titles for Europe and the United States resulted in lower revenues and profits.

Capcom's strength in the Home Video Games Business is threefold. First, we

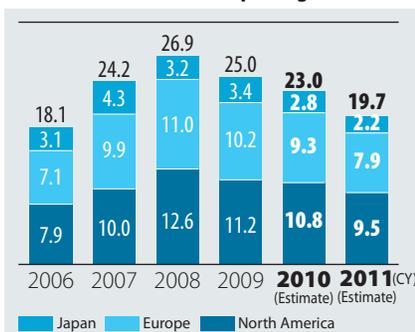
have scores of "long-lasting intellectual properties with universal market appeal" such as million-selling titles and popular characters (See Diagram 12). Second, we maintain an "advanced ability to develop original game content" without relying on licenses obtained from external sources. We also possess a "high level of technology", assisted by the "MT Framework", an integrated development environment built to provide common development tools for Xbox 360, PS3 and PC platforms. Lastly, we have "strong overseas marketing capabilities" as represented by effective sales operations in overseas markets, which are the majority of our markets, with a proper understanding of regional preference for game titles, market characteristics and business practices.

Major titles performed well, including "Monster Hunter Tri" for Wii with sales exceeding 1.1 million copies, "Ace Attorney Investigations: Miles Edgeworth" for Nintendo DS, which sold 400,000 copies, and "Resident Evil 5: Gold Edition" for PS3 and Xbox 360, which sold 500,000 copies. In addition, sales of "Monster Hunter Freedom Unite" for PSP were steady, achieving 900,000 units (accumulated total: 4.6 million units) on the brand power of this popular edition.

However, overseas sales of "Bionic Commando" for PS3 and Xbox 360, "Resident Evil: The Darkside Chronicles" for Wii and "Dark Void" for PS3 and Xbox 360 were weak, failing to achieve sales targets. Furthermore, earnings were lower overall as a result of the decision to delay the release of leading titles in Europe and North America, including "Lost Planet 2" for PS3 and Xbox 360 and "Super Street Fighter IV" for PS3 and Xbox 360, until the next fiscal year.

Our market share in Japan, North America and Europe was 6.1% (down 1.2% from the previous year), 2.6% (up 1.6 from the previous year) and 2.1% (up 1.3% from the previous year), respectively, which illustrates an increase in our overseas share (See Diagram 13 on next page). This is due to the fact that no major titles were released within the calendar year, and demonstrative of our establishment of a presence overseas.

Diagram 10 Home Video Game Software Markets (package) (\$ Billion)



Source: International Development Group

Diagram 11 PC Online Game Market (¥ Billion)



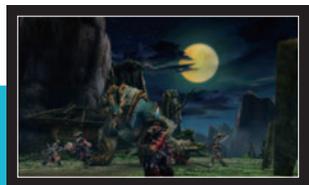
Source: ScreenDigest/GBC/IDC/ファミ通ゲーム白書
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Diagram 12 Total Number of Units of Major Titles Sold (As of March 2010)

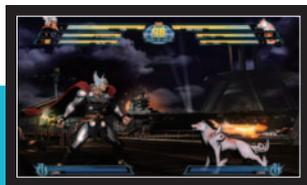
Major Titles	Number of Products	Total Number of Units Sold (Thousands)
Resident Evil	63 titles	44,000
Mega Man	126 titles	28,000
Street Fighter	63 titles	28,000
Monster Hunter	13 titles	11,000
Devil May Cry	13 titles	10,000
Ace Attorney	13 titles	3,900
Lost Planet	8 titles	2,800
Sengoku BASARA	13 titles	1,600



"Dead Rising 2"



"Monster Hunter Freedom 3"



"MARVEL VS. CAPCOM 3 Fate of Two Worlds"



"Monster Hunter Frontier Online"

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As a result, we released 72 new game titles, and shipped a total of 12.5 million units (down 27.7% from the previous year). Net sales were 44,015 million yen (down 30.0% from the previous year) and operating income was 7,846 million yen (down 52.1% from the previous year).

Outlook for the Next Fiscal Year

Targeting overseas sales ratio of 65% through more efficient development and the expanded online functionality of all major titles.

As a medium-term business goal, we give priority to growth in North America and Europe in an effort to respond to the size of each market. Ideally, our overseas market share should be 80-90%, equivalent to the market segment size. However, since the domestic market share is increasing, the goal for our overseas sales ratio is currently set at 65%. In order to achieve this medium-term business goal, we will be implementing business strategies mainly centered on (1) expanding support for multi-platforms, (2) shortening the major titles sales cycle, (3) promoting the development of titles for overseas markets and (4) strengthening our online business (See P.19 "Our Strategy for Growth" for more details).

With regard to (1) and (2), we are forming our domestic development

structure in an attempt to strengthen our lineup through more efficient development and reorganization. Through hybrid development, which involves outsourcing the labor-intensive aspects of core content developed in-house by Capcom to outside development companies, we can shorten the development period, increase the number of titles released in a single year, and expand profitability. Furthermore, we are strengthening our lineup by allocating 20-30% of funds set aside for investment in development toward new titles, while reusing past assets (titles). The sales launch of new titles including "Lost Planet 2", "Dead Rising 2", "Monster Hunter Freedom 3" and "MARVEL VS. CAPCOM 3 Fate of Two Worlds" are scheduled for the next fiscal year.

With regard to (3), we are proactively pursuing partnerships with overseas development companies to expand overseas sales and secure development resources. Outsourcing the development of "Dead Rising 2" and other popular series enables us to promote product development that combines "overseas tastes" with "Capcom tastes".

Finally, with regard to (4), we are aggressively developing the PC online game and download businesses. We are aiming for synergy between "Monster Hunter Frontier Online" for the PC, which is on track in Taiwan, with the domestic release for Xbox 360. With these initiatives, we expect to release of 75 new game titles and the shipment of 20 million units in the next fiscal year, and forecast net sales of 71.5 billion yen and operating income of 15.3 billion yen.

Diagram 13 Market Share by Region (CY2009)

Japanese Market

Company name	Sales (¥ Million)	Share (%)
1. Nintendo	68,000	20.9
2. Square-Enix	38,000	11.5
3. Namco Bandai	34,000	10.3
4. Pokemon	21,000	6.4
5. Konami	21,000	6.3
6. Capcom	20,000	6.1
7. Sega	13,000	4.1
8. Level Five	10,000	3.1
9. SCE	8,000	2.6
10. Koei	7,000	2.3
Others		26.4
Total		100.0

Source: Enterbrain, Inc.

North American Market

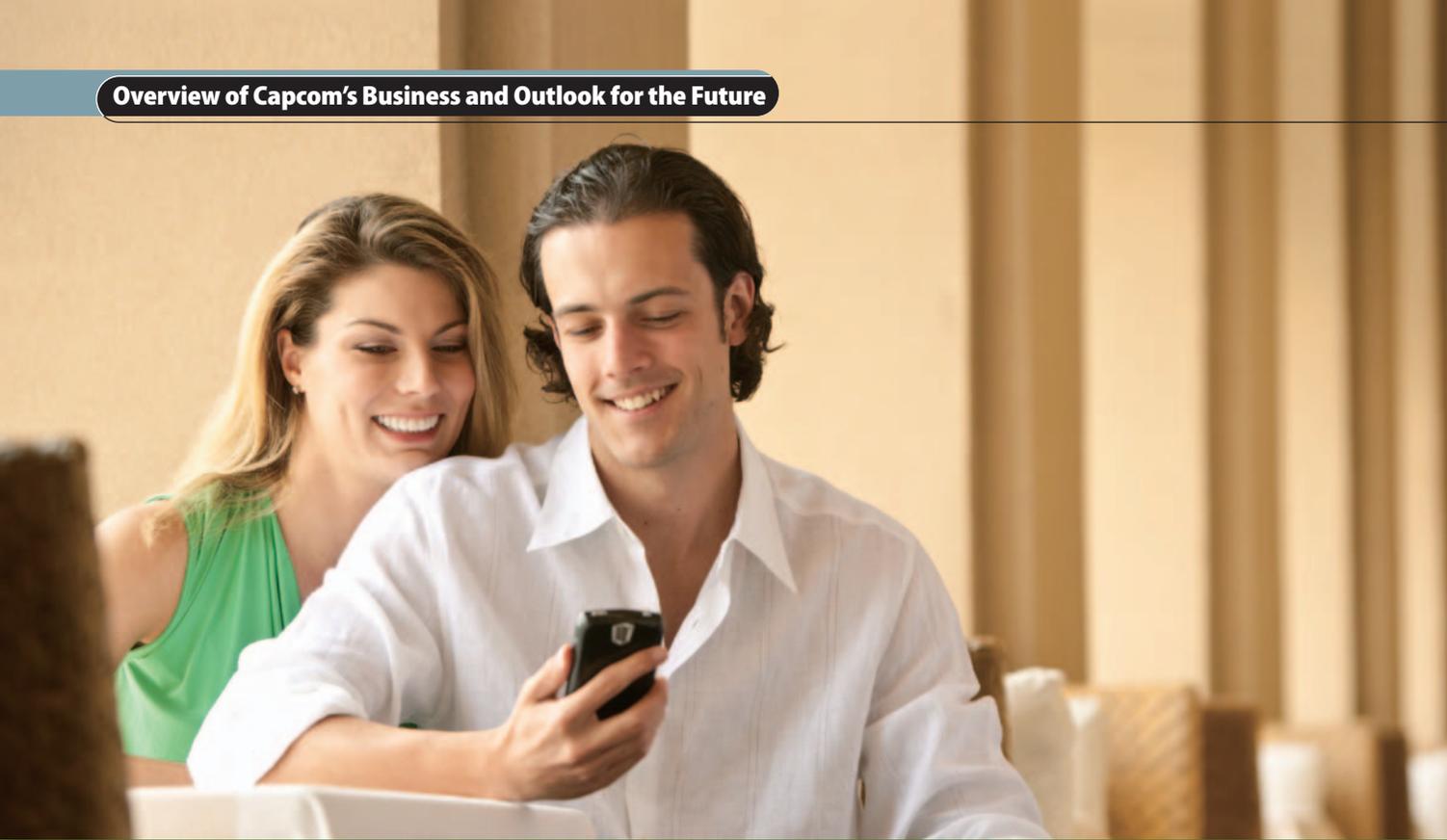
Company name	Sales (\$ Thousand)	Share (%)
1. A		
2. B		
3. C		
4. D		
5. E		
6. F		
7. G		
8. H		
⋮	⋮	⋮
10. Capcom	252,559	2.55%
Others		
Total		100.0

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

European (UK) Market

Company name	Sales (\$ Thousand)	Share (%)
1. Nintendo	437,654	16.5
2. Electronic Arts	432,257	16.3
3. Activision	398,115	15.0
4. Ubisoft	239,148	9.0
5. SCE	126,593	4.8
6. Sega	124,598	4.7
7. Microsoft	119,208	4.5
8. THQ	113,397	4.3
⋮	⋮	⋮
15. Capcom	54,958	2.1
Others		22.8
Total		100.0

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

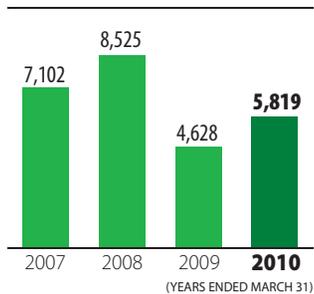


Contents Expansion

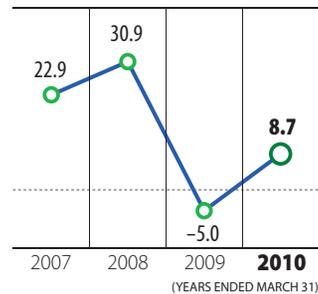
We are expanding two other businesses based on the content used for our home video games making it possible for different businesses to create a synergetic effect. For example, Pachinko & Pachislo Business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines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

Overview of Capcom's Business and Outlook for the Future

Net Sales (Millions of yen)



Operating Margin (%)



Market Trends

The Pachinko & Pachislo market remained sluggish, decreasing 15.8% from the previous year.

The Mobile content market continued to expand, increasing 15.5%.

The Contents Expansion Business consists of two businesses that develop the content of our home video games, the Pachinko & Pachislo Business and the Mobile Content Business.

The size of the Pachinko & Pachislo (gaming machines) market, including sales at Pachinko parlors, was 21,716 billion yen in 2008. Despite being the biggest entertainment market, it shrank by 1,264 billion yen (down 5.5% from the previous year) from its record low last year. Although the decrease itself is an improvement over last year, the overall market contraction has yet to be restrained. The market for Pachinko & Pachislo machines where we operate our business remained soft, worth 1,142.8 billion yen (down 15.8% from the previous year) in 2008 (See Diagram 14 on next page).

These sluggish conditions are mainly 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 number of core users continues to dwindle.

SWOT Analysis

<ul style="list-style-type: none"> Multiple usage of abundant proprietary content High degree of development technology capabilities 		<p>P&S</p> <ul style="list-style-type: none"> Fragile Company sales network Shortage of acquired titles
<p>Mobile Content</p> <ul style="list-style-type: none"> High-performance smartphone handsets Rise of social games and other new markets Expanding demand for mobile phones in emerging markets <p>P&S</p> <ul style="list-style-type: none"> Market recovery from relaxation of regulation on business affecting public morals 		<p>Mobile Content</p> <ul style="list-style-type: none"> Barriers to entry are low, significant competitor presence <p>P&S</p> <ul style="list-style-type: none"> Continued sluggishness in the gaming machine market

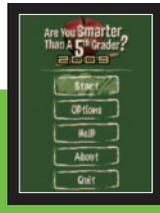
S: Strength W: Weakness O: Opportunities T: Threats



Pachislo machine
"Vampire"



Pachislo machine
"Beautiful Joe"

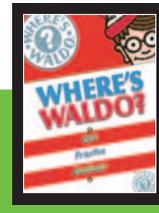


"Are You Smarter
Than A 5th Grader?"

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



"Cash Cab After Dark: Las Vegas"
Cash Cab © 2010 & TM Discovery
Communications, LLC. All rights reserved.



"Where's Waldo?"

Where's Waldo?
©2009 Classic Media.
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At the same time, with respect to Pachinko machines, these amendments to the Regulations gave hardware manufacturers greater flexibility in designing and developing innovative products, encouraging the launch of new products appealing to users. As a result, sales were steady.

The outlook for the Pachislo market calls for a shift to the development of machines with a greater emphasis on entertainment so that users can play for a long period of time with a small amount of money in an effort to develop the beginning users segment. This is expected to result in the gradual appearance of machines more aligned with market needs in preparation for the eventual recovery trend. The outlook for the pachinko (new machine sales) market is for a leveling off resulting from the expansion of the low-cost game machine market, including one yen Pachinko machines.

The mobile content market has been growing worldwide and was worth 4.72 billion dollars (up 15.5% from the previous year) in 2009 (See Diagram 15). Factors underlying this growth include the spread of mobile phones driven by a growing world population and the rise of smartphones such as the iPhone, both of which contributed to the significant increase in the number of users who play mobile games to 546 million people (up 85.8% from the previous year).

By region, the North American market was worth 1.13 billion dollars (up 20.0% from the previous year) and the European market was worth 1.68 billion dollars (up 46.3% from the previous year) as a result of significant expansion of the smartphone market. Despite an increase in users in China and other developing countries in Asia, declining numbers of users in Japan resulted in an Asia-Pacific market including Japan worth 1.81 billion dollars (down 6.1% from the previous year).

The outlook for this market is for an increase in "application stores" that

sell downloadable application software for smartphones, as well as an increase in smartphone users (see Diagram 16), which are expected to represent 38% of mobile phone sales by 2013. In addition, newly released operating systems enable software companies to develop games that maximize hardware functionality, enabling the provision of games that appeal to a wide segment, from light users to core game fans. As a result, significant growth is forecast for the global mobile content market, which is expected to reach 11.42 billion dollars in 2014 (an average annual growth rate of 19.4%).

Operating Results for This Fiscal Year

Despite a slowdown in the Pachinko & Pachislo Business, the Mobile Content Business maintained steady sales and returned to profitability.

Capcom's strength in this business is our ability to maintain high profitability through the multiple usage of our wealth of intellectual properties in a variety of areas.

In the Pachinko & Pachislo Business, Capcom develops attractive software featuring our proprietary content along with that of third-party developers, using our technological expertise in high-resolution image processing cultivated through the development of home video games. Also, we have been supplying LCD devices to machine manufacturers. Moreover, we have been supplying LCD devices to machine manufacturers. Moreover, we acquired Enterrise CO., LTD., a manufacturer of equipment related to Pachislo machines, as a subsidiary in November 2008. This allowed us to start our own frame business using Enterrise's main board development capabilities (program for controlling the number of balls dispensed).

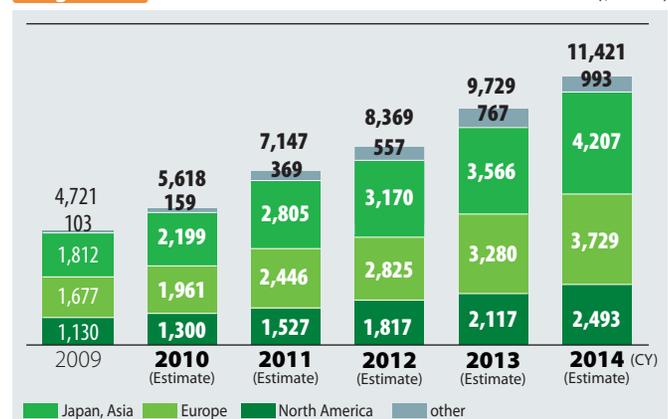
Diagram 14 Major Gaming Machines Market (New Machine sales) (¥ Billion)



Source: Figures by Capcom, based on "Research Results of the Pachinko-Related Machine Markets 2008" and "Research Results of the Pachinko-Related Machine Markets 2009" from Yano Research Institute Ltd.

Diagram 15 Mobile Content Market

(\$ Million)



Source: Gartner Dataquest 2010



"Apollo Justice: Ace Attorney"



"Resident Evil: Degeneration"



"Street Fighter IV"



"MONHAN NIKKI MOBILE AIRU MURA"

During this fiscal year, the market for equipment related to gaming machines remained in a slump as a result of the difficult business environment, the of unfavorable performance of "Vampire". However, "Beautiful Joe", which was introduced in the fourth quarter, sold 2,500 units and continues to demonstrate steady sales. Entrusted development product "Onimusha: Dawn of Dreams", part of our collaborative development, firmly established its brand power, selling 28,000 units. Despite these glimmers of hope, performance was sluggish from beginning to end.

In the Mobile Content Business, as part of our "Single Content Multiple Usage" strategy, we utilize expertise and content cultivated through the development of home video games to deliver our popular home video game titles for mobile phones worldwide.

In the overseas business, we introduced the latest the series of casual games linked with popular TV programs "Who Wants to Be a Millionaire?" and "Are You Smarter Than A 5th Grader?" while "Cash Cab After Dark: Las Vegas" and "Where's Waldo?" which make use of copyrights from another company, became best sellers for all mobile phone companies, providing stable sales composition as a new series for the light user segment. As a result, our share in the North American mobile content market was 3.3% (a fifth place ranking) in 2009.

At the same time, sales of the "Apollo Justice : Ace Attorney", which has been the domestic profit engine, continued growing steadily. We acquired new users through the release of "Resident Evil: Degeneration" and "Street Fighter IV" for the iPhone, results that were roughly as planned.

As a result of these factors, net sales were 5,819 million yen (up 25.7% from the previous year) and operating income was 509 million yen (compared to an operating loss of 230 million yen at the previous year), reflecting a return to profitability.

Outlook for the Next Fiscal Year

We will strengthen consigned development and sales in our Pachinko & Pachislo Business.

We will focus efforts on smartphones in our Mobile Content Business.

In the next fiscal year, we predict that a rebound in the Pachinko & Pachislo business will be difficult as no revisions are expected to the amendments made to the Entertainment and Amusement Trade Regulations. However, we will reduce risks by strengthening our consigned development business and introducing major titles

"Beautiful Joe", which was released in the previous period and surpassed sales expectations, is the result of various improvements, including (1) the promotion of efficient development by consolidating the development departments at the Headquarters and our subsidiary Enterrise, and (2) the strengthening of our distribution network through consignment of sales to a major sales company. To improve the overall profitability of this business next year, we will (1) expand the consignment business which is expected to contribute stable profits, (2) improve development quality through business partnerships with major sales companies, and (3) introduce major popular home video game contents. In addition to the promotion of these initiatives, we are scheduled to release two new machines.

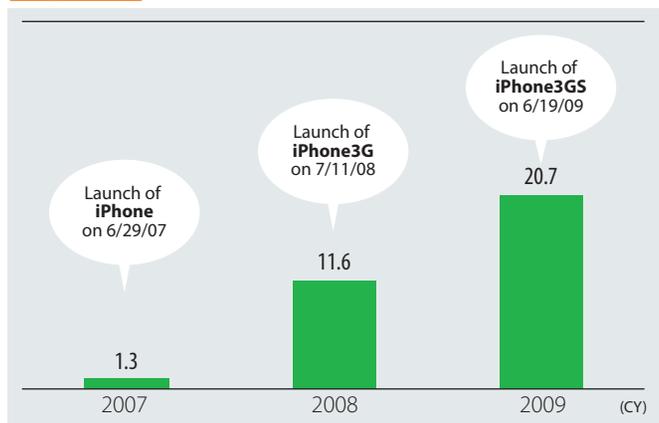
In the Mobile Content Business, we will focus efforts on developing content for smartphones, a market where high growth is expected both in Japan and overseas. We aim to improve "sales price" and the "number of downloads" by introducing popular Capcom titles to the high average purchase price core user segment, while making use of copyrighted content from other companies focused on the large casual user segment. Also, with respect to the remarkable growth of the social game market, we will fuse Capcom content with communication systems to provide service that makes use of our strengths. For example, through a tie-up with DeNA Co., Ltd., we will deliver "Monster Hunter" on Japan's largest platform. In this way, we can engage a wide range of diverse home video game and mobile user segments, differentiate ourselves in the mobile game market and move closer to our objective of becoming the frontrunner in social gaming.

Moreover, next year we will move the Pachinko & Pachislo Business segment from "Contents Expansion" to "Arcade Equipments Business (currently Arcade Game Sales)", and spin-off the high growth potential Mobile Content Business as an independent segment.

We project net sales for the next fiscal year will be 4 billion yen with an operating income of 900 million yen.

Diagram 16 Sales Volume of iPhone

(Millions of units)

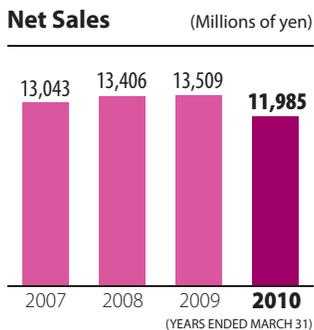


Source: Information announced by Apple



Arcade Operations

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



Market Trends

The market continues to contract as a result of fewer customers and the absence of popular game machines.

The domestic arcade facility market shrank for the second year in a row, with its value decreasing to 573.1 billion yen (down 15.5% from the previous year), reflecting the negative effect of the economic downturn on per customer sales of prize-winning games and the peaking of demand for multiplayer online games, which until now had led the market (See Diagram 17). In addition, the number of facilities run by major game center operators came to 21,688 (down 4.6% from the previous year), continuing the downward trend that began a few years ago. At the same time, the growth rate of shopping malls and other large-scale facilities was higher than last year, despite signs of slowing. The number of arcades with more than 100 game machines grew to 6,885, comprising more than one-third of all facilities (See Diagram 18).

During the period under review, the market remained weak, with existing arcade net sales declining by approximately 10% throughout the industry, forcing companies to restructure. Major contributors to this situation were (1) fewer customers at shopping centers, caused by the sluggish economy and concerns over new strains of influenza, (2) a declining number of customers at arcade facilities as a result of the huge success of home video games and (3) the

SWOT Analysis

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

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



Plaza Capcom Inazawa



Plaza Capcom Omagari



Plaza Capcom Hanyu



Plaza Capcom Kyoto

absence of a popular new game genre to follow multiplayer online games.

Looking ahead, we forecast improved annual net sales on a per-store basis as a result of industrywide, large-scale arcade adjustments and investment in new products using 3D technology. However, we also believe it will take time to solve the structural problems mentioned above, with sluggish market conditions continuing for some time.

Operating Results for This Fiscal Year

Despite a decline in existing arcade net sales to 86% of the previous year's figure, income was 162.9% of the previous year's figure on the successful implementation of measures to improve earnings.

Capcom's strengths in this business category are: (1) specialization in opening mall-based large-scale facilities that quickly secure a long-term stable customer base, (2) the planning and operation of sales venues popular with customers and (3) the ability to maintain higher profitability than the competition by selling or shutting down unprofitable facilities to raise return on investment (See Diagram 19).

During the period under review, we focused on retaining core users and expanding the number of female and family users by hosting various events, conducting promotions and creating comfortable environments to stimulate demand amid a sluggish market recovery. However, weak consumption and "nesting consumers" adversely affected our ability to draw in customers, resulting in existing arcade net sales of 86% of the previous year's figure.

We also strove to improve profitability by reducing arcade operating costs, closing two unprofitable arcades and other structural revisions that

reduced the number of arcades in operation to 38 as of March 31, 2010.

As a result of these factors, while net sales declined to 11,985 million yen (down 11.3% from the previous year), the successful implementation of measures to improve earnings resulted in operating income of 590 million yen (up 162.9% from the previous year).

Outlook for the Next Fiscal Year

We have frozen the opening of new arcades, as we concentrate on improving earnings at existing facilities. We forecast an operating margin of 5.5%.

In the next fiscal year, despite signs that declines in the amusement market have bottomed out we believe a self-sustained recovery amid the continued sluggish economy will require more time, so for the time being, we are freezing the opening of new arcades to concentrate on improving the earnings of existing facilities. We will attempt to enhance the efficiency of our operating structure with a thorough review of all expenses, starting with rent and the depreciation of prizes and components with high fixed cost ratios, while controlling capital expenditure through carefully selected investments in machines to reduce depreciation and amortization expenses.

Having completed the closing of unprofitable facilities this year, to stabilize earnings we will suspend the opening of new facilities until market conditions improve. Accordingly, in the fiscal year ending March 31, 2011, we will open no new facilities and plan to close one.

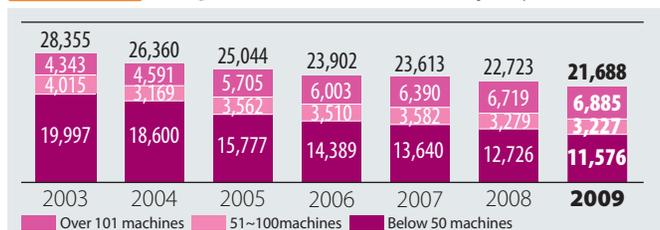
We forecast net sales of 11 billion yen and operating income of 600 million yen in the fiscal year ending March 31, 2011.

Diagram 17 Arcade Facilities Market Trends (¥ Billion)



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

Diagram 18 Change in Number of Storefronts (categorized by # of arcade machine units)



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

Diagram 19 Comparison of Arcade Operation Performance (March 2010)

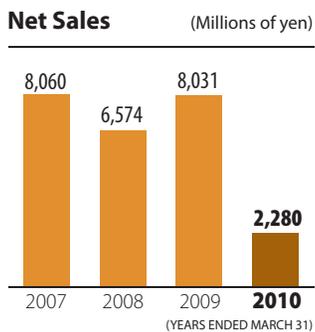
	Net sales (¥ Million)	Share (%)	Operating income (¥ Million)	Operating margin (%)	Year-on-year rise (%)
Aeon Fantasy	43,706	21.6	2,514	5.8	89.9
Capcom	11,985	5.9	590	4.9	88.7
Adores	26,034	12.9	848	3.3	94.7
Namco Bandai Holdings	65,362	32.4	284	0.4	84.6
Sega Sammy Holdings	54,835	27.2	-1,338	-2.4	76.9
Total	201,922	100.0	-	-	-

Source: Financial Results FY 2009 by respective company and support documentation (Aeon Fantasy fiscal end in February 2010)



Arcade Game Sales

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



Market Trends

The market continued to shrink for the second straight year, as the number of visitors to mall-based facilities declined.

After growing for the five consecutive years through 2007, the market for arcade machines, which took a slight downward turn in 2008, remained adversely affected by the global recession. The domestic market was worth 182.8 billion yen (down 11.0% from the previous year), while the overseas market amounted to 11.3 billion yen (down 1.6% from the previous year). The combined market was worth 196.2 billion yen (down 10.5% from the previous year) (See Diagram 20).

As for market trends by product category, prize-winning games accounted for 19.8% of the market, with sales totaling 36.2 billion yen (down 10.0% from the previous year) due to this segment's particular sensitivity to business conditions. Coin-operated game accounted for 20.3% of the market, with sales totaling 37.1 billion yen (down 15.7% from the previous year), reflecting the peak in demand for large game machines and sluggish pachislo coin-operated game sales (See Diagram 21). During the period under review, a significant number of mall-based facilities managed by major game software companies, which comprise a large percentage of this segment, were closed.

The current trends in the arcade game market are focused on network game machines targeting the core user segment, which has a high percentage

SWOT Analysis

<ul style="list-style-type: none"> High quality video game machines make use of home video game development capabilities Maximize profits through link with home video game consoles Ability to observe real time market movements through company-owned arcades 	<ul style="list-style-type: none"> Lack of title lineup Low profitability
<ul style="list-style-type: none"> Market recovery via introduction of popular machines Market expansion through network and 3D and other new technologies 	<ul style="list-style-type: none"> Declining operator investment appetite Long-term market stagnation

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



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Coin-operated game "Mario party Fushigi no Korokoro Catcher"



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日本アニメーション
CAPCOM CO., LTD. 2008
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Coin-operated game "Chibi Maruko Chan"



Prize-winning game "Bell Circle Sparkling Blue"



Arcade video game "Super Street Fighter IV"

of sales per customer and repeat users. Efforts are being made to earn additional profits and reduce operator investment with respect to network game machines by introducing content billing and shared sales models designed to provide mutual benefits. At the same time, investment in the development of products appealing to families, couples and other members of the casual user segment has been shifted to small- and medium-sized game machines due to a major decline in the number of these customers.

The outlook for the foreseeable future is the continued stagnation of the sales market, as facilities operators remain cautious about capital expenditure owing to signs that the facilities market has bottomed out. The facilities operations business will continue to struggle in the face of declining numbers of customers at shopping malls due to the sluggish economy and concerns over swine influenza, the repercussions of a prosperous home video game market on the number of customers visiting amusement facilities and the absence of popular new machines to follow in the footsteps of multi-player online games.

Operating Results for This Fiscal Year

A cooling of the market resulted in business restructuring and major declines in sales and profits.

One strength in this business category lies in our ability to provide high-quality arcade video games by making use of development capabilities for home video game software. In particular, combat-based fighting games, our flagship genre, allow us to maximize profits by launching the same content as for home video games.

Another strength comes from the fact that we own company-managed facilities, enabling an awareness of market trends in real-time, such as in-store information related to popular games. We introduce trial game machines at company-based facilities to gather opinions of users and facility operators that are then used to develop popular game machines. In light of the sluggish market environment in fiscal 2009, we made an effort to expand our existing customer base and create new customers through the release of "Mario Party

Fushigi no Korokoro Catcher" and other medal game machines. Also, despite a business partnership with NAMCO BANDAI Games Inc. in an attempt to break the market deadlock and an all-out effort to expand sales, we faced an uphill battle in terms of the business development surrounding repeat main products, and were ultimately forced to restructure this business.

As a result, net sales were 2,280 million yen (down 71.6% from the previous year), while operating income was 203 million yen (compared to 1,758 million yen in the previous year).

Outlook for the Next Fiscal Year

We will take decisive actions on organizational reforms and focus efforts on market-oriented product development.

In the next fiscal year, facility operators' investment "selection and concentration" will continue despite indications that the market decline has stopped. We will ensure profitability by investing in video game machines, focusing on popular machines with proven track records.

At the same time, in consideration of our significant losses in the previous fiscal year, we will conduct major organizational reforms. By combining our Arcade Operations and Arcade Game Sales businesses, we will be able to focus on market-oriented product development. In addition, we will strengthen our title lineup through the implementation of our "Single Content Multiple Usage" strategy.

Furthermore, we will integrate our Development Department, which is currently divided between Tokyo and Osaka, as well as consolidate our manufacturing sites to accelerate the speed at which we introduce products.

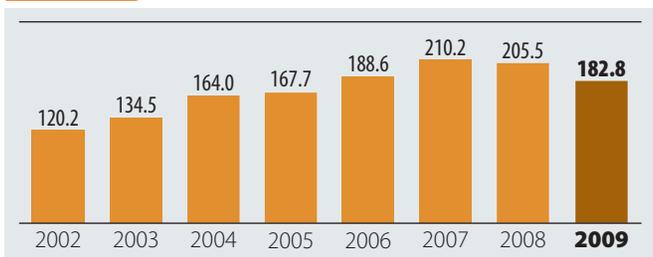
We plan to concentrate on the highly profitable "Super Street Fighter IV" as our core product, in addition to the release of one other coin-operated video game.

From the next fiscal year, we will move the Pachinko & Pachislo Business (currently part of Contents Expansion) to Arcade Games Sales as the "Amusement Equipments Business".

As a result of these measures and changes, we forecast segment net sales of 5 billion yen and operating income of 1.2 billion yen.

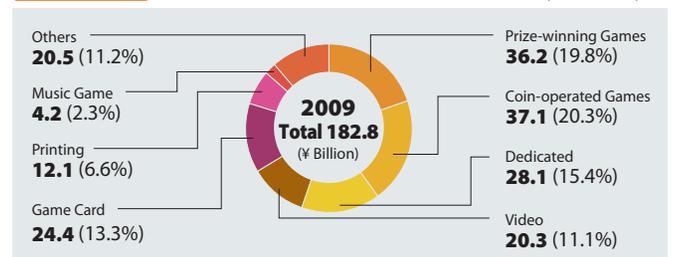
Diagram 20 Arcade Game Market Trends

(¥ Billion)



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

Diagram 21 Breakdown of the Arcade Game Market by Game Type



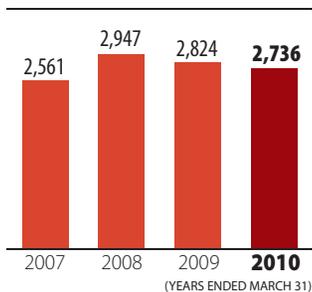
Source: JAMMA "Survey on the Amusement Industry" (YEARS ENDED MARCH 31)



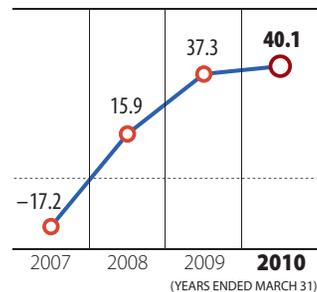
Other Businesses

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

Net Sales (Millions of yen)



Operating Margin (%)



Operating Results for This Fiscal Year

The successful development of our "Single Content Multiple Usage" long-term strategy resulted in higher profits despite lower revenues.

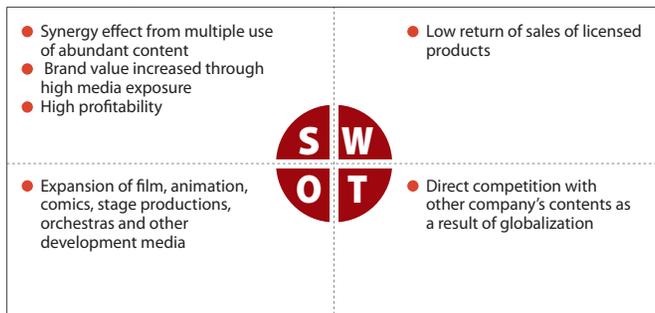
Capcom's strength in this category is its ability to take advantage of the strong synergy with the Home Video Games Business by making multifaceted use of its abundant intellectual properties. In particular, the brand value of our movie-related business has risen through extensive media exposure. This leads to greater sales of video game software, completing a virtuous sales cycle.

During this fiscal year, we continued to execute our "Single Content Multiple Usage" strategy (see "Our Strategy for Growth" on P. 25), conducting various projects based on each game title to enhance the branding of our game content and maximize profits.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile content, walkthrough and strategy guides and character goods, as well as movie and TV animation programs and other events in connection with the release of our home video games (See Diagram 22).

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

SWOT Analysis



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



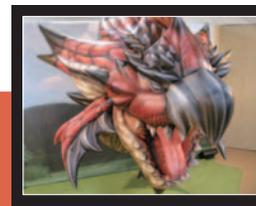
Election promotion poster
"Sengoku BASARA"



Movie "Resident Evil: Afterlife 3D"
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Movie "ZOMBREX
DEAD RISING SUN"



Event "Monster Hunter World"

Although other Japanese software manufacturers have made similar moves, the number of Capcom game titles adapted into movies and the attendant box-office revenues demonstrate our clear competitive advantage in this area.

This success is a result of (1) our strength in creating original content, underpinned by owning more proprietary content than our competitors and (2) the global popularity of our titles, which are suitable for adaptation into Hollywood movies for global distribution (See Diagram 23).

For example, we timed the April 2009 sales launch of home video game "Sengoku BASARA Battle Heroes" to coincide with the start of the TV animation broadcast, and in June we began offering a related package tour through a tie-up with the Japan Travel Bureau (JTB) Corporation. In July, we began stage performances and launched a merchandise series and printed materials. Furthermore, the character was used in PR activities conducted for the Miyagi Prefecture gubernatorial election in an attempt to go beyond the gaming framework and develop content over the long-term.

Such ongoing projects are successful at creating trends like the "Rekijo" (women who like history) and "Sengoku", increasing the brand value of "Sengoku BASARA".

We also promoted several multi-development projects, including those involving "Street Fighter", "Resident Evil", "Ace Attorney", "Monster Hunter" and "Dead Rising".

As a result of these efforts, net sales during the period under review declined to 2,736 million yen (down 3.1% from the previous year), while

operating income increased to 1,097 million yen (up 4.1% from the previous year).

Outlook for the Next Fiscal Year

We will engage in multi-development projects including Hollywood movie adaptations and new theme park attractions.

Looking ahead, we will continue to execute our "Single Content Multiple Usage" strategy.

In the movie-related business, global titles for movie adaptation will include "Resident Evil: Afterlife 3D", "Onimusha", "Lost Planet" and "Clock Tower". We will also test a new promotional development by streaming a movie adaptation of "Dead Rising" on the Internet. "Sengoku BASARA" will be adapted for the second round of the stage, TV animation and package tour offered by JTB. Also, a new attraction based on "Sengoku BASARA" is scheduled for installation at Fuji-Q Highland in Yamanashi Prefecture. Other content development includes a new attraction based on "Monster Hunter" that is scheduled to be installed at an amusement park, Greenland in Kumamoto Prefecture, with the distribution of goods for amusement facilities slated to coincide with the year-end sales launch of software for home video games.

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

In light of these efforts, we forecast net sales in the next fiscal year of 3.5 billion yen and operating income of 1 billion yen.

Diagram 22 List of our content that has been adapted into movies and theatrical productions

	Year	Medium	Title
Movie	Aug. 1994	Animated movie	Street Fighter II
	Dec. 1994	Hollywood movie	Street Fighter
	Mar. 2002	Hollywood movie	Resident Evil
	Sep. 2004	Hollywood movie	Resident Evil: Apocalypse
	Mar. 2005	Animated movie	Mega Man Battle Network
	Nov. 2007	Hollywood movie	Resident Evil: Extinction
	Oct. 2008	CG movie	Resident Evil: Degeneration
	Feb. 2009	Hollywood movie	Street Fighter: The Legend of Chun-Li
	Aug. 2010	Movie	ZOMBREX DEAD RISING SUN
	Sep. 2010	Hollywood movie	Resident Evil: Afterlife 3D
TV animation	Apr. 1995	TV animation	Street Fighter II V
	Mar. 2002	TV animation	Mega Man Battle Network
	Oct. 2006	TV animation	Mega Man Star Force
	Jun. 2007	TV animation	Devil May Cry
	Apr. 2009	TV animation	Sengoku BASARA
	Jul. 2010	TV animation	Sengoku BASARA2
	Aug. 2010	TV animation	MONHAN NIKKI GIRIGIRI AYRU MURA AIRU KIKI IPPATSU
Theatrical production	Feb. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney - The Truth Comes Back to Life
	Jul. 2009	Theatrical production	Sengoku BASARA
	Aug. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney 2
	Apr. 2010	Theatrical production	Sengoku BASARA Stage Adaptation second stage

Diagram 23 List of Japanese game content that has been adapted into movies

Title	Original writer company	Box-office revenue (worldwide)
1. RESIDENT EVIL: EXTINCTION	Capcom	\$147,717,833
2. RESIDENT EVIL: APOCALYPSE	Capcom	\$129,394,835
3. RESIDENT EVIL	Capcom	\$102,441,078
4. STREET FIGHTER	Capcom	\$99,423,521
5. SILENT HILL	Konami	\$97,607,453
6. FINAL FANTASY: THE SPIRITS WITHIN	Square	\$85,131,830
7. SUPER MARIO BROS.	Nintendo	\$20,915,465
8. HOUSE OF THE DEAD	Sega	\$13,818,181
9. STREET FIGHTER: THE LEGEND OF CHUN-LI	Capcom	\$12,764,201
10. DOA: DEAD OR ALIVE	Tecmo	\$7,516,532
- TEKKEN	NAMCO BANDAI Games	Unpublished

As of June, 2010
(Capcom figures)