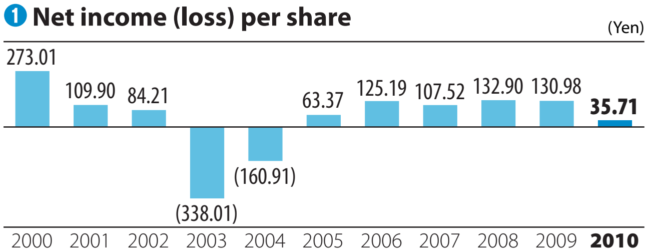
11-Year Summary of Consolidated Financial Indicators

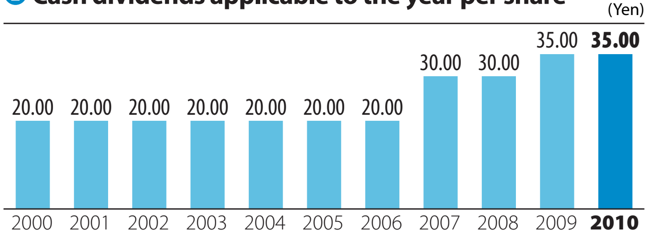
	2000	2001	2002	2003	2004
For the Year:			Millions of yen		
Net sales	¥ 51,574	¥ 49,082	¥ 62,742	¥ 62,036	¥ 52,668
Operating income	9,061	7,155	9,727	6,680	1,402
Net income (loss) before income taxes	8,712	7,126	7,420	(30,049)	(6,900)
Net income (loss)	9,700	6,007	4,912	(19,598)	(9,158)
Depreciation & amortization	2,623	2,411	2,172	2,202	2,081
Capital expenditures	2,695	2,938	4,181	2,289	4,678
R&D expenses	1,390	1,461	1,067	1,151	1,124
At Year-End:			Millions of yen		
Total assets	¥ 107,776	¥ 113,493	¥ 128,512	¥ 106,648	¥ 93,096
Net assets	51,320	62,965	68,233	42,888	31,854
Cash Flows:			Millions of yen		
Cash flows from operating activities	¥ 14,252	¥ 3,652	¥ 3,315	¥ 3,635	¥ 5,577
Cash flows from investing activities	3,338	(4,547)	(3,066)	(2,329)	(5,011)
Cash flows from financing activities	(1,770)	(1,768)	8,589	(2,000)	(395)
Net increase (decrease) in cash and cash equivalents	15,413	(1,763)	9,519	(1,555)	(1,313)
Cash and cash equivalents at end of year	27,439	25,675	35,000	33,444	32,131
Per Share Data:			Yen		
Net income (loss) per share ❶	¥ 273.01	¥ 109.90	¥ 84.21	¥ (338.01)	¥ (160.91)
Cash dividends applicable to the year per share ❷	20.00	20.00	20.00	20.00	20.00
Net assets per share	1,372.16	1,081.62	1,168.51	753.47	559.66
Stock Information:					
Number of outstanding shares (thousands shares)	37,627	58,308	58,435	58,435	58,435
Foreign Investors (%)	16.80	27.12	25.91	16.85	16.59
Financial Index:					
Operating margin (%) ❸	17.6	14.6	15.5	10.8	2.7
ROE (%) ❹	23.8	10.5	7.5	—	—
ROA (%)	9.4	5.4	4.1	—	—
Net worth ratio (%)	47.6	55.5	53.1	40.2	34.2
Interest coverage ratio (times)	25.9	8.7	14.2	14.6	20.3
Debt-equity ratio (%)	110.1	80.2	88.3	148.8	192.4
Price earnings ratio (times)	17.2	32.8	41.2	—	—

❶ Net income (loss) per share



Net income per share for the fiscal year ended March 2001 fell sharply due to decrease in the net income and the implementation of stock split. Net income (loss) per share for the fiscal years ended March 2002 to 2009 generally reflected net income (loss) for each fiscal year, even though increase in the number of shares by the exercise of conversion rights of the convertible bonds had a slight influence on the result. Net income per share for the fiscal year ended March 2010 decreased due to remarkable decrease in the net income.

❷ Cash dividends applicable to the year per share

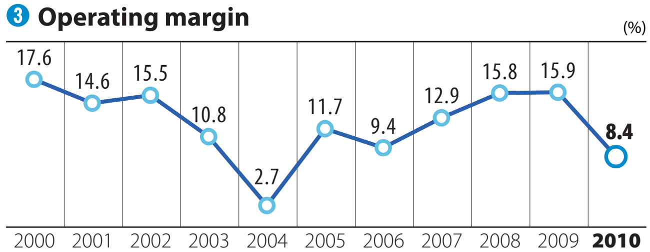


Capcom has its fundamental dividend policy of providing a continued and stable dividend to the shareholders. In accordance with its policy, an annual dividend of 20 yen per share was paid from the fiscal year ended March 1998 to that ended March 2006. Cash dividend per share for the fiscal years March 2007 to 2008 was raised to 30 yen thanks to its stable revenue base brought by its structural reform. Cash dividend per share for the fiscal year March 2009 was raised by 5 yen to 35 yen as a commemorative dividend to mark its 25th anniversary. For the fiscal year ended March 2010, it decided to raise its annual dividend to 35 yen per share as an ordinary dividend.

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

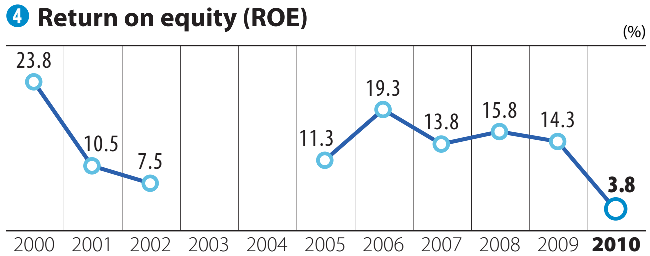
2005	2006	2007	2008	2009	**2010**	**2010**
		Millions of yen				Thousands of U.S. dollars
¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	¥ 91,878	**¥ 66,837**	**$ 718,681**
7,752	6,580	9,602	13,121	14,618	**5,587**	**60,078**
7,006	6,912	9,986	11,962	12,448	**1,124**	**12,089**
3,622	6,941	5,852	7,807	8,063	**2,167**	**23,308**
2,101	1,936	2,774	3,393	4,143	**3,368**	**36,220**
1,665	1,600	4,495	4,503	2,906	**2,205**	**23,717**
1,323	1,864	1,828	2,972	2,329	**2,125**	**22,859**
		Millions of yen				Thousands of U.S. dollars
¥ 106,361	¥ 98,457	¥ 91,478	¥ 93,606	¥ 106,210	**¥ 86,621**	**$ 931,418**
32,491	39,464	45,144	53,660	59,349	**53,956**	**580,179**
		Millions of yen				Thousands of U.S. dollars
¥ 7,977	¥ 13,921	¥ 16,063	¥ 7,452	¥ (551)	**¥ 14,320**	**$ 153,980**
(1,099)	(1,779)	(6,715)	(3,374)	(2,715)	**(1,618)**	**(17,402)**
6,251	(18,259)	(15,206)	(2,448)	(342)	**(10,747)**	**(115,560)**
13,406	(4,885)	(5,654)	(2,256)	(4,454)	**1,203**	**12,941**
45,538	40,652	35,020	32,763	28,611	**29,815**	**320,594**
		Yen				U.S. dollars
¥ 63.37	¥ 125.19	¥ 107.52	¥ 132.90	¥ 130.98	**¥ 35.71**	**$ 0.38**
20.00	20.00	30.00	30.00	35.00	**35.00**	**0.38**
589.99	716.91	799.35	881.31	961.38	**913.18**	**9.82**
58,435	58,435	62,269	66,719	67,394	**67,723**	
14.79	23.35	32.60	27.72	33.73	**24.22**	
11.7	9.4	12.9	15.8	15.9	**8.4**	
11.3	19.3	13.8	15.8	14.3	**3.8**	
3.6	6.8	6.2	8.4	8.1	**2.3**	
30.5	40.1	49.3	57.3	55.9	**62.3**	
30.0	82.6	237.3	103.7	—	**86.9**	
227.9	149.4	102.8	74.4	79.0	**60.5**	
16.5	9.7	15.7	25.6	13.3	**49.5**	

❸ Operating margin



Operating margin depends primarily on profitability of the home video game business, which accounts for about 70% of net sales. There was steady increase in operating margin as well as operating income from the fiscal year ended March 2007 to that ended March 2009 thanks to the establishment of Capcom's efficient developmental organization. However, operating margin for the fiscal year ended March 2010 worsened due to the postponement of launch of some major titles in consideration of its marketing strategy.

❹ Return on equity (ROE)



ROE for the fiscal year ended March 2000 significantly increased due to the remarkable increase in the net income. Net loss was run for the fiscal years ended March 2003 and 2004 due to the implementation of structural reform. ROE has been stable around 14% since the fiscal year ended March 2007(except for 2010), even though net assets increased due to increase in retained earnings and common stock etc. by the exercise of conversion rights of the convertible bonds. However, ROE for the fiscal year ended March 2010 temporarily decreased due to the postponement of launch of some major titles.

Financial Review

1. Operating Results

In fiscal year 2009, the year ended March 31, 2010, the resulting net sales decreased to 66,837 million yen (down 27.3 % from the previous year).

As for profits, operating income decreased to 5,587 million yen (down 61.8 % from the previous year), ordinary income decreased to 5,530 million yen (down 59.9 % from the previous year), and the net income year decreased to 2,167 million yen (down 73.1 % from the previous year).

2. Status of Each Operational Department

(1) Home Video Games

In this business segment, our flagship title "Monster Hunter Tri" (for Wii) achieved healthy growth, while "Ace Attorney Investigations: Miles Edgeworth" (for Nintendo DS) and "Resident Evil 5: Alternative Edition" (for PlayStation and Xbox 360) also performed satisfactorily.

"Monster Hunter Freedom Unite" (for PlayStation Portable), along with its lower-priced versions, showed strong sales growth supported by its established brand strength. "Resident Evil 5" (for PlayStation 3 and Xbox 360), one of the most successful titles in the previous year, continued to grow backed by its popularity.

"Sengoku Basara Battle Heroes" (for PlayStation Portable), which is the latest addition of the Sengoku Basara series, also grew on a steady basis. This software started the so-called "Rekijo" (Japanese term for female history "Otaku") boom in Japan and generated much public interest in Japan's "Warring States" (Sengoku) era. In addition, the software gained public attention outside of the game industry when its characters appeared in the official election notice posters by the Miyagi Prefecture municipal government for the election of the governor of Miyagi.

However, the three software titles that were released in the overseas markets, namely "Bionic Commando" (for PlayStation 3 and Xbox 360), "Resident Evil: The Darkside Chronicles" (for Wii), and "Dark Void" (for PlayStation 3 and Xbox 360), underperformed their sales and remained weak.

Additionally, the releases of "Lost Planet 2" (for PlayStation 3 and Xbox 360) and "Super Street Fighter IV" (for PlayStation 3 and Xbox 360) were postponed to the next fiscal year. Lacking these sales-inducing software titles also depressed sales in overseas markets.

The resulting net sales decreased to 44,015 million yen (down 30.0 % from the previous year), and the operating income decreased to 7,846 million yen (down 52.1 % from the previous year).

(2) Arcade Operations

One of our main focuses in this business segment was to increase demand in this slowly recovering market. As part of such efforts, we held a variety of events, offered special discount days, and created a comfortable environment for customers to attract more women and families, while continuing to hold on to our core users. However, customer traffic did not improve despite our efforts, and sales were restrained due to declining consumer spending and to the trend in which consumers looked for alternative "at-home entertainment".

We worked on profitability improvement through streamlining business structure including reduction of operation costs. Closing down 2 unprofitable arcades is another example of our operational strategy for increasing profits and adopting to changes in the market environment. The number of our arcades total 38 after these activities as of the end of this fiscal year.

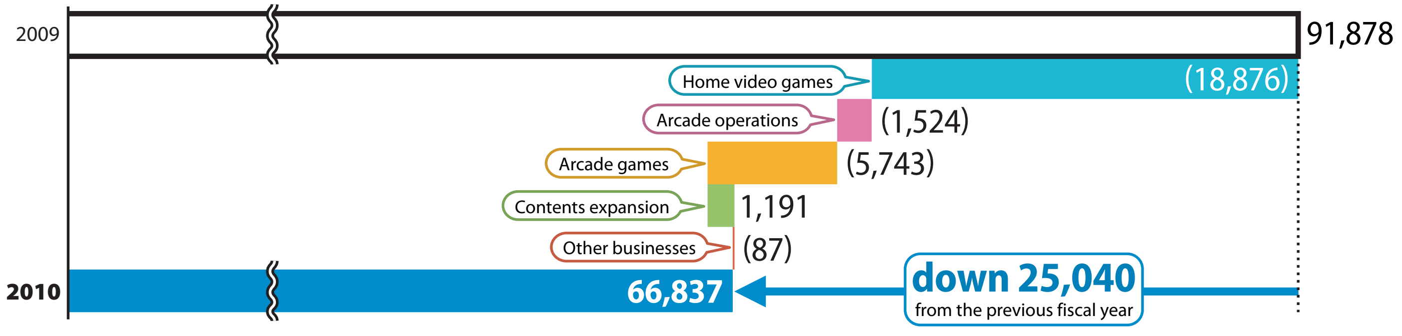
The resulting net sales decreased to 11,985 million yen (down 11.3 % from the previous year), whereas the operating income increased to 590 million yen (up 162.9 % from the previous year) thanks to the success of our profitability improvement strategy.

(3)Arcade Games

Within this stagnating market, Capcom released the coin-operated game machine, "Mario Party Fushigino Korokoro Catcher", with the aim of reaching a new user base as well as holding onto existing customers. We concentrated our efforts in sales expansion to make a breakthrough in the current market. As part of such activities, we went into partnership with Namco Bandai Games. Despite all of our best efforts, we still struggled with this business segment, and thus the restructuring of the operational system became inevitable.

Net sales

(Millions of yen)



The resulting net sales decreased to 2,280 million yen (down 71.6 % from the previous year), and the operating loss was 203 million yen (the operating income of the previous year was 1,758 million yen).

(4) Contents Expansion

Overall, this segment achieved its projectioned sales. In the area of content distribution for mobile phones, "Apollo Justice: Ace Attorney" showed healthy growth, and the iPhone/iPod touch version of "Resident Evil: Degeneration" also expanded its user base.

The segment of the Pachislo machine business, on the other hand, continued to suffer lacking a sales-inducing product in the severe business environment. "Viewtiful Joe", which was released in the 4th quarter of this fiscal year, showed solid sales, and "Shin Onimusha: Dawn of Dreams" as a part of cooperation expansion also began to show signs to perform favorably supported by its established brand power.

The resulting net sales increased to 5,819 million yen (up 25.7 % from the previous year), and the operating income was 509 million yen (the operating loss of the previous year was 230 million yen).

(5) Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, decreased to 2,736 million yen (down 3.1 % from the previous year), and the operating income increased to 1,097 million yen (up 4.1 % from the previous year).

3. Overview of Business Performance in Each Region

(1) Japan

In the segment of home vide games, our flagship title "Monster Hunter Tri" (for Wii) achieved healthy growth supported by its established popularity, while both "Ace Attorney Investigations: Miles Edgeworth" (for Nintendo DS) and "Sengoku Basara Battle Heroes" (for PlayStation Portable) also performed favorably. In addition, "Monster Hunter Freedom Unite" (for PlayStation Portable), along with its lower-priced versions, showed steady sales increase backed by its brand strength.

"Resident Evil 5" (for PlayStation 3 and Xbox 360), one of the most successful titles in the previous year, continued to grow contributing to the overall profit improvement.

Arcade operations saw sluggish growth affected by the weakening demand. However, profits for this segment increased through the successful earning recovery strategies such as fixed cost reduction.

The arcade games sales remained lackluster due to the stagnating market and the lack of appealing products.

In the segment of contents expansion, the business of content distribution for mobile phones achieved projected sales, whereas the Pachislo machine related business struggled without sales-inducing content and products, however, began to show signs of recovery.

The resulting net sales decreased to 53,960 million yen (down 14.9 % from the previous year), and the operating income decreased to 11,775 million yen (down 10.8 % from the previous year).

(2) North America

In North America, sales remained weak due partially to the fact that the main activity in this region was the sales of existing products such as "Resident Evil 5" (for PlayStation 3 and Xbox 360), and that the majority of products sold were lower-priced.

Highly expected software "Dark Void" (for PlayStation 3 and Xbox 360) and "Bionic Commando" (for PlayStation 3 and Xbox 360) both grew at a slow pace. In addition, the release of flagship titles, "Lost Planet 2" (for PlayStation 3 and Xbox 360) and "Super Street Fighter IV" (for PlayStation 3 and Xbox 360), was postponed to the next fiscal year, depressing overall sales.

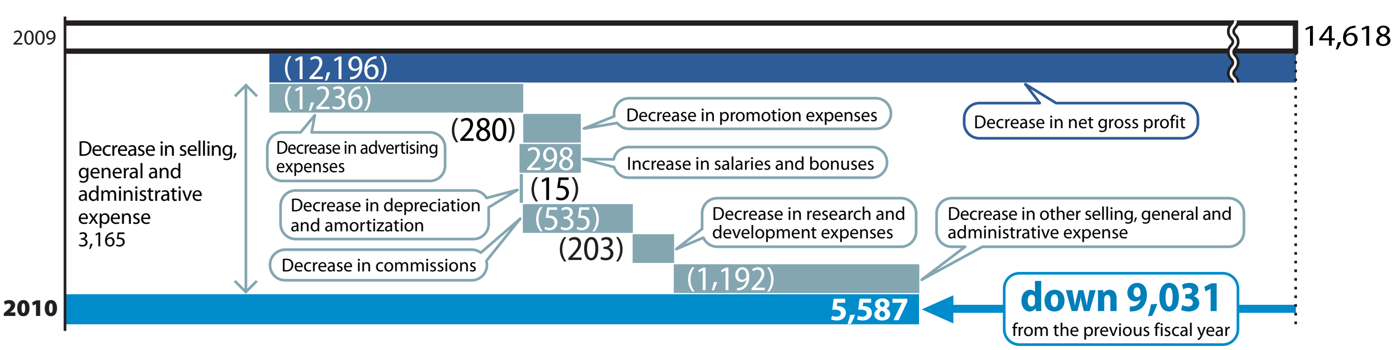
The resulting net sales decreased to 12,543 million yen (down 49.6 % from the previous year), and the operating loss was 2,072 million yen (the operating income of 4,054 million yen was recorded in the previous year).

(3) Europe

In Europe, sales were restrained due partially to the fact that the main activity in this region was the sales of small-scale titles and existing products such as "Resident Evil 5" (for PlayStation 3 and Xbox 360).

Operating income

(Millions of yen)



Both "Dark Void" (for PlayStation 3 and Xbox 360) and "Bionic Commando" (for PlayStation 3 and Xbox 360) grew at a sluggish pace, and the release of the highly expected "Lost Planet 2" (for PlayStation 3 and Xbox 360) was postponed to the next fiscal year.

The resulting net sales decreased to 7,933 million yen (down 44.0 % from the previous year), and the operating income decreased to 136 million yen (down 91.2 % from the previous year).

(4) Other Regions

In Asian markets, we struggled to market lower-priced titles, and those titles developed under the partnership with other companies. The release of "Monster Hunter Tri" (for Wii) and "Resident Evil: The Darkside Chronicles" (for Wii) did not achieve projected sales as well.

The resulting net sales decreased to 982 million yen (down 42.2 % from the previous year), and the operating income decreased to 153 million yen (down 57.9 % from the previous year).

4. Analysis of Assets, Liabilities and Net Assets

(1) Assets

Total assets decreased by 19,588 million yen from the previous fiscal year to 86,621 million yen. The primary increase is 3,901 million yen in work-in-progress for game software, and the primary decrease is 21,605 million yen in notes and accounts receivable, trade and 896 million yen in merchandise and finished goods.

(2) Liabilities

Liabilities decreased by 14,195 million yen from the previous fiscal year to 32,665 million yen. The decrease is mainly attributable to the following: 6,205 million yen in notes and accounts payable, 2,555 million yen in short-term borrowings, 1,259 million yen in accrued income taxes.

(3) Net Assets

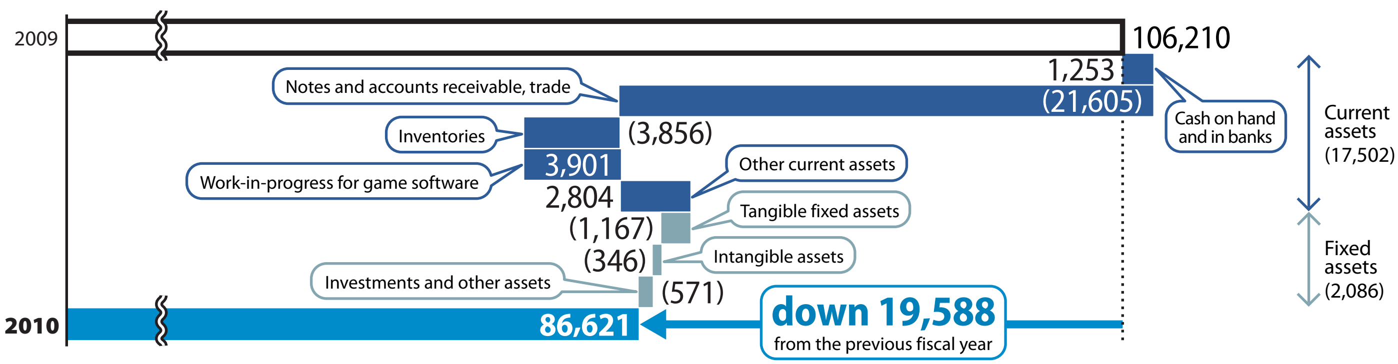
Net assets decreased by 5,392 million yen from the previous fiscal year to 53,956 million yen. The primary increase is 2,167 million yen in net income for the current fiscal year, and the decrease is attributable to 5,125 million yen in the repurchase of treasury stock and 1,831 million yen in payment of cash dividends from retained earnings.

5. Analysis of Cash Flow

Cash and cash equivalents (hereafter referred to as "Cash") as of the end of the current fiscal year increased by 1,203 million yen from the previous fiscal year to 29,815 million yen. Cash flow positions of each activity and their factors are described below.

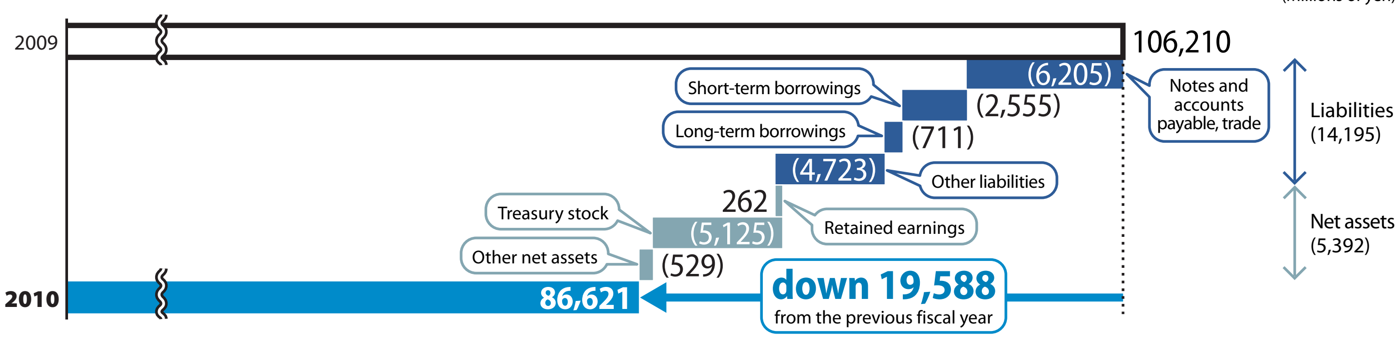
Assets

(Millions of yen)



Liabilities, Net assets

(Millions of yen)



(1) Cash Flows from Operating Activities

Net cash provided by operating activities increased by 14,871 million yen from the previous fiscal year to 14,320 million yen. Some of the main contributors to the increase are the following: 20,897 million yen in decrease in notes and accounts receivable, trade; 3,368 million yen in depreciation and amortization; 1,124 million yen in net income before income taxes. The decrease is attributable mainly to 5,952 million yen in decrease in notes and accounts payable, trade and 5,545 million yen in increase work-in- progress for game software.

(2) Cash Flows from Investing Activities

Net cash used in investing activities decreased by 1,096 million yen from the previous fiscal year to 1,618 million yen. The decrease is mainly attributed to the payment of 1,693 million yen for payment for acquisition of tangible fixed assets.

(3) Cash Flows from Financing Activities

Net cash used in financing activities increased by 10,404 million yen from the previous fiscal year to 10,747 million yen. This increase is mainly attributable to the following: 5,125 million yen in payment for repurchase of treasury stock; 2,555 million yen in repayments of short-term borrowings; 1,829 million yen in dividends paid by parent company.

Trends of Cash Flow Indicators

	Year ended March 2008	Year ended March 2009	**Year ended March 2010**
Shareholders' equity ratio to total assets (%)	57.3	55.9	**62.3**
Shareholders' equity ratio to total assets based on fair market value (%)	221.2	101.5	**120.5**
Debt amortization ratio to cash flows from operating activities (%)	46.8	—	**122.7**
Interest coverage ratio (times)	103.7	—	**86.9**

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

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

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

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

(Note 1) Total market value of shares is calculated based on the number of shares as of the end of thefiscal year excluding treasury stock.
(Note 2) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.
(Note 3) As the cash flows from operating activities fell into red in fiscal year ended March 2009, we have ommitted debt amortization ratio to cash flows from operating activities and interest coverage ratio.

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, 2009 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 Manufactures

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 Sales

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" may depend heavily on the sale of these devices in some fiscal years. 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 obsoleteness.

(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 trategies 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.

Consolidated Balance Sheets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2010 AND 2009

	Previous fiscal year (As of March 31, 2009) Millions of yen	**Current fiscal year (As of March 31, 2010)** Millions of yen	**Current fiscal year (As of March 31, 2010)** Thousands of U.S. dollars
(Assets)			
Ⅰ **Current assets :**			
1 Cash on hand and in banks [Note 8 (1)]	28,611	**29,865**	**321,136**
2 Notes and accounts receivable, trade	27,894	**6,288**	**67,621**
3 Merchandise and finished goods	1,746	**849**	**9,137**
4 Work-in-progress	2,097	**183**	**1,968**
5 Raw materials and supplies	2,745	**1,698**	**18,268**
6 Work-in-progress for game software	10,432	**14,333**	**154,127**
7 Deferred tax assets [Note 13]	2,712	**3,204**	**34,460**
8 Other	2,949	**4,927**	**52,980**
9 Allowance for doubtful accounts	(383)	**(48)**	**(522)**
Total current assets	78,806	**61,303**	**659,177**
Ⅱ **Fixed assets :**			
1 Tangible fixed assets, net of accumulated depreciation [Note 5 (1)]			
(1) Buildings and structures, net [Note 5 (2)]	5,452	**5,259**	**56,550**
(2) Machinery and vehicles, net	66	**43**	**464**
(3) Tools, fixtures and furniture, net	943	**823**	**8,859**
(4) Rental equipment, net	137	**13**	**149**
(5) Equipment for amusement facilities, net	2,892	**2,251**	**24,210**
(6) Land [Note 5 (2)]	4,391	**4,386**	**47,170**
(7) Leased assets, net [Note 9 (2)]	1,258	**965**	**10,387**
(8) Construction-in-progress	74	**305**	**3,282**
Total tangible fixed assets	15,217	**14,049**	**151,073**
2 Intangible assets			
(1) Goodwill	419	**179**	**1,925**
(2) Other	3,154	**3,048**	**32,781**
Total intangible assets	3,574	**3,227**	**34,707**
3 Investments and other assets			
(1) Investments in securities [Notes 5 (3) and 11]	920	**957**	**10,290**
(2) Long-term loans receivable	90	**0**	**9**
(3) Deferred tax assets [Note 13]	1,425	**1,339**	**14,407**
(4) Claim in bankruptcy and reorganization	870	**909**	**9,779**
(5) Lease deposits	5,672	**5,266**	**56,633**
(6) Other	676	**586**	**6,302**
(7) Allowance for doubtful accounts	(1,042)	**(1,019)**	**(10,962)**
Total investments and other assets	8,612	**8,040**	**86,460**
Total fixed assets	27,404	**25,318**	**272,241**
Total assets	106,210	**86,621**	**931,418**

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

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2010 AND 2009

	Previous fiscal year (As of March 31, 2009)	**Current fiscal year (As of March 31, 2010)**	**Current fiscal year (As of March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
Ⅰ **Current liabilities :**			
1 Notes and accounts payable, trade	9,682	**3,477**	**37,389**
2 Short-term borrowings [Notes 5 (2) and 21]	15,766	**13,211**	**142,058**
3 Current portion of convertible bonds [Note 20]	400	**—**	**—**
4 Lease obligations [Notes 21]	492	**578**	**6,219**
5 Accrued income taxes	1,923	**663**	**7,132**
6 Deferred tax liabilities [Note 13]	243	**58**	**629**
7 Accrued bonuses	2,091	**1,318**	**14,175**
8 Allowance for sales returns	313	**90**	**974**
9 Other	7,501	**5,814**	**62,517**
Total current liabilities	38,415	**25,211**	**271,095**
Ⅱ **Long-term liabilities :**			
1 Long-term borrowings [Notes 5 (2) and 21]	5,067	**4,355**	**46,835**
2 Lease obligations [Notes 21]	833	**459**	**4,943**
3 Accrued retirement benefits for employees [Note 12]	1,171	**1,388**	**14,933**
4 Accrued retirement benefits for directors	406	**—**	**—**
5 Deferred tax liabilities [Note 13]	—	**4**	**45**
6 Other	967	**1,244**	**13,384**
Total long-term liabilities	8,445	**7,453**	**80,143**
Total liabilities	46,861	**32,665**	**351,239**
(Net assets)			
Ⅰ **Shareholders' equity :**			
1 Common stock	33,039	**33,239**	**357,411**
2 Capital surplus	21,129	**21,328**	**229,343**
3 Retained earnings	17,000	**17,262**	**185,616**
4 Treasury stock	(8,015)	**(13,141)**	**(141,302)**
Total shareholders' equity	63,152	**58,689**	**631,068**
Ⅱ **Valuation and translation adjustments :**			
1 Net unrealized gain or loss on securities, net of tax	(12)	**19**	**212**
2 Cumulative translation adjustments	(3,790)	**(4,752)**	**(51,101)**
Total valuation and translation adjustments	(3,803)	**(4,732)**	**(50,889)**
Total net assets	59,349	**53,956**	**580,179**
Total liabilities and net assets	106,210	**86,621**	**931,418**

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

Consolidated Statements of Income

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2010 AND 2009

	Previous fiscal year (From April 1, 2008 to March 31, 2009) Millions of yen	**Current fiscal year (From April 1, 2009 to March 31, 2010)** Millions of yen	**Current fiscal year (From April 1, 2009 to March 31, 2010)** Thousands of U.S. dollars
I Net sales	91,878	**66,837**	**718,681**
II Cost of sales	55,052	**42,339**	**455,261**
Gross profit	36,825	**24,497**	**263,419**
Reversal of allowance for sales returns	91	**222**	**2,394**
Net gross profit	36,917	**24,720**	**265,813**
III Selling, general and administrative expenses [Notes 6 (1) and (3)]	22,299	**19,133**	**205,734**
Operating income	14,618	**5,587**	**60,078**
IV Non-operating income :			
1 Interest income	902	**411**	**4,428**
2 Dividend income	21	**26**	**281**
3 Other	153	**193**	**2,077**
Total	1,077	**631**	**6,787**
V Non-operating expenses :			
1 Interest expense	86	**165**	**1,779**
2 Exchange loss, net	882	**171**	**1,849**
3 Provision for allowance for doubtful accounts	162	**2**	**26**
4 Equity in losses of affiliates	553	**—**	**—**
5 Commission	—	**119**	**1,283**
6 Loss on closing amusement facilities	—	**121**	**1,310**
7 Other	201	**106**	**1,147**
Total	1,887	**687**	**7,396**
Ordinary income	13,808	**5,530**	**59,470**
VI Special gains :			
1 Reversal of allowance for doubtful accounts	115	**70**	**762**
2 Reversal of accrued bonuses	—	**162**	**1,746**
3 Gain on collection of receivable written off	58	**—**	**—**
4 Gain on sales of investments in securities	0	**—**	**—**
Total	174	**233**	**2,508**
VII Special losses :			
1 Loss on sales and/or disposal of fixed assets [Note 6 (2)]	44	**76**	**821**
2 Loss on revaluation of investments in securities	13	**5**	**54**
3 Impairment loss [Note 6 (4)]	1,146	**223**	**2,408**
4 Loss on settlement of litigation	126	**152**	**1,636**
5 Loss on closing amusement facilities	202	**—**	**—**
6 Loss on restructuring [Note 6 (5)]	—	**4,182**	**44,968**
7 Other	1	**—**	**—**
Total	1,534	**4,639**	**49,889**
Net income before income taxes	12,448	**1,124**	**12,089**
Income taxes-current	2,125	**1,299**	**13,978**
Income taxes-from previous fiscal years	—	**(1,761)**	**(18,937)**
Income taxes-deferred	2,258	**(582)**	**(6,260)**
Total	4,384	**(1,043)**	**(11,219)**
Net income	8,063	**2,167**	**23,308**

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

Consolidated Statements of Changes in Net Assets

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009) Millions of yen	**Current fiscal year (From April 1, 2009 to March 31, 2010) Millions of yen**	**Current fiscal year (From April 1, 2009 to March 31, 2010) Thousands of U.S. dollars**
Shareholders' equity			
Common stock			
Opening balance	32,626	**33,039**	**355,259**
Change of items during the fiscal year			
Issuance of new stocks	412	**200**	**2,152**
Total changes of items during the fiscal year	412	**200**	**2,152**
Ending balance	33,039	**33,239**	**357,411**
Capital surplus			
Opening balance	20,344	**21,129**	**227,194**
Change of items during the fiscal year			
Issuance of new stocks	411	**199**	**2,148**
Disposition of treasury stock	0	**0**	**0**
Increase by stock exchange	372	**—**	**—**
Total changes of items during the fiscal year	784	**199**	**2,148**
Ending balance	21,129	**21,328**	**229,343**
Retained earnings			
Opening balance	11,631	**17,000**	**182,796**
Decrease by change in accounting policies for foreign subsidiaries [Notes 7 (4)]	(546)	**(74)**	**(796)**
Change of items during the fiscal year			
Cash dividends [Notes 7 (3)]	(2,148)	**(1,831)**	**(19,691)**
Net income	8,063	**2,167**	**23,308**
Total changes of items during the fiscal year	5,915	**336**	**3,616**
Ending balance	17,000	**17,262**	**185,616**
Treasury stock			
Opening balance	(8,155)	**(8,015)**	**(86,187)**
Change of items during the fiscal year			
Repurchase of treasury stock	(144)	**(5,125)**	**(55,117)**
Disposition of treasury stock	283	**0**	**3**
Total changes of items during the fiscal year	139	**(5,125)**	**(55,114)**
Ending balance	(8,015)	**(13,141)**	**(141,302)**
Total shareholders' equity			
Opening balance	56,447	**63,152**	**679,062**
Decrease by change in accounting policies for foreign subsidiaries	(546)	**(74)**	**(796)**
Change of items during the fiscal year			
Issuance of new stocks	823	**400**	**4,301**
Cash dividends	(2,148)	**(1,831)**	**(19,691)**
Net income	8,063	**2,167**	**23,308**
Repurchase of treasury stock	(144)	**(5,125)**	**(55,117)**
Disposition of treasury stock	284	**0**	**3**
Increase by stock exchange	372	**—**	**—**
Total changes of items during the fiscal year	7,252	**(4,389)**	**(47,196)**
Ending balance	63,152	**58,689**	**631,068**

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009) Millions of yen	**Current fiscal year (From April 1, 2009 to March 31, 2010) Millions of yen**	**Current fiscal year (From April 1, 2009 to March 31, 2010) Thousands of U.S. dollars**
Valuation and translation adjustments			
Net unrealized gain or loss on securities, net of tax			
Opening balance	127	**(12)**	**(138)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(140)	**32**	**350**
Total changes of items during the fiscal year	(140)	**32**	**350**
Ending balance	(12)	**19**	**212**
Deferred hedges, net of tax			
Opening balance	0	**—**	**—**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(0)	**—**	**—**
Total changes of items during the fiscal year	(0)	**—**	**—**
Ending balance	—	**—**	**—**
Cumulative translation adjustments			
Opening balance	(2,914)	**(3,790)**	**(40,755)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(875)	**(962)**	**(10,346)**
Total changes of items during the fiscal year	(875)	**(962)**	**(10,346)**
Ending balance	(3,790)	**(4,752)**	**(51,101)**
Total valuation and translation adjustments			
Opening balance	(2,787)	**(3,803)**	**(40,894)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(1,015)	**(929)**	**(9,995)**
Total changes of items during the fiscal year	(1,015)	**(929)**	**(9,995)**
Ending balance	(3,803)	**(4,732)**	**(50,889)**
Total net assets			
Opening balance	53,660	**59,349**	**638,168**
Decrease by change in accounting policies for foreign subsidiaries	(546)	**(74)**	**(796)**
Change of items during the fiscal year			
Issuance of new stocks	823	**400**	**4,301**
Cash dividends	(2,148)	**(1,831)**	**(19,691)**
Net income	8,063	**2,167**	**23,308**
Repurchase of treasury stock	(144)	**(5,125)**	**(55,117)**
Disposition of treasury stock	284	**0**	**3**
Increase by stock exchange	372	**—**	**—**
Net changes of items other than shareholders' equity	(1,015)	**(929)**	**(9,995)**
Total changes of items during the fiscal year	6,236	**(5,318)**	**(57,191)**
Ending balance	59,349	**53,956**	**580,179**

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

Consolidated Statements of Cash Flows

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2010 AND 2009

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Ⅰ Cash flows from operating activities :			
1 Net income before income taxes	12,448	**1,124**	**12,089**
2 Depreciation and amortization	4,143	**3,368**	**36,220**
3 Impairment loss	1,146	**223**	**2,408**
4 Amortization of goodwill	481	**229**	**2,464**
5 Decrease in allowance for doubtful accounts	(198)	**(351)**	**(3,780)**
6 Decrease (increase) in accrued bonuses	43	**(755)**	**(8,124)**
7 Decrease in allowance for sales returns	(91)	**(222)**	**(2,394)**
8 Increase in accrued retirement benefits for employees	119	**216**	**2,331**
9 Decrease (increase) in accrued retirement benefits for directors	34	**(406)**	**(4,370)**
10 Interest and dividend income	(923)	**(438)**	**(4,709)**
11 Interest expense	86	**165**	**1,779**
12 Exchange loss, net	40	**162**	**1,746**
13 Equity in net losses of affiliates	553	**—**	**—**
14 Loss on sales and/or disposal of fixed assets	44	**76**	**821**
15 Gain on sales of investment in securities	(0)	**—**	**—**
16 Loss on revaluation of investments in securities	13	**5**	**54**
17 Gain on collection of receivable written off	(58)	**—**	**—**
18 Loss on settlement of litigation	126	**152**	**1,636**
19 Loss on restructuring	—	**4,182**	**44,968**
20 Decrease (increase) in notes and accounts receivable, trade	(14,933)	**20,897**	**224,702**
21 Decrease (increase) in inventories	(2,345)	**1,095**	**11,775**
22 Increase in work-in-progress for game software	(4,052)	**(5,545)**	**(59,630)**
23 Decrease (increase) in notes and accounts payable, trade	2,945	**(5,952)**	**(64,010)**
24 Increase in other current assets	(134)	**(230)**	**(2,477)**
25 Decrease (increase) in other current liabilities	1,104	**(1,296)**	**(13,945)**
26 Bonuses to directors	(84)	**(84)**	**(904)**
27 Other	(701)	**225**	**2,421**
Sub total	(192)	**16,839**	**181,072**
28 Interest and dividends received	948	**335**	**3,609**
29 Interest paid	(88)	**(167)**	**(1,804)**
30 Payment for settlement of litigation	(126)	**—**	**—**
31 Income taxes paid	(1,092)	**(2,687)**	**(28,896)**
Net cash provided by (used in) operating activities	(551)	**14,320**	**153,980**
Ⅱ Cash flows from investing activities :			
1 Payment for acquisition of tangible fixed assets	(2,419)	**(1,693)**	**(18,211)**
2 Proceeds from sales of tangible fixed assets	24	**0**	**4**
3 Payment for acquisition of intangible assets	(964)	**(289)**	**(3,109)**
4 Payment for purchase of investments in securities	(12)	**(12)**	**(132)**
5 Proceeds from sales of investments in securities	4	**—**	**—**
6 Collection of loans receivable	436	**44**	**476**
7 Purchase of investments in subsidiaries	(18)	**—**	**—**
8 Payment for other investing activities	(118)	**(225)**	**(2,421)**
9 Proceeds from other investing activities	352	**557**	**5,991**
Net cash used in investing activities	(2,715)	**(1,618)**	**(17,402)**
Ⅲ Cash flows from financing activities :			
1 Proceeds from short-term borrowings	15,000	**—**	**—**
2 Repayments of short-term borrowings	(6)	**(2,555)**	**(27,478)**
3 Proceeds from long-term borrowings	4,400	**—**	**—**
4 Repayments of long-term borrowings	(2,119)	**(711)**	**(7,649)**
5 Repayments of lease obligations	(334)	**(525)**	**(5,647)**
6 Redemption of convertible bonds	(14,993)	**—**	**—**
7 Proceeds from sales of treasury stock	1	**0**	**3**
8 Payment for repurchase of treasury stock	(144)	**(5,125)**	**(55,117)**
9 Dividends paid by parent company	(2,147)	**(1,829)**	**(19,669)**
Net cash used in financing activities	(342)	**(10,747)**	**(115,560)**
Ⅳ Effect of exchange rate changes on cash and cash equivalents	(845)	**(751)**	**(8,076)**
Ⅴ Net increase (decrease) in cash and cash equivalents	(4,454)	**1,203**	**12,941**
Ⅵ Cash and cash equivalents at beginning of year	32,763	**28,611**	**307,652**
Ⅶ Increase due to change in scope of consolidated subsidiaries	302	**—**	**—**
Ⅷ Cash and cash equivalents at end of year [Note 8 (1)]	28,611	**29,815**	**320,594**

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

1. Major policies in preparing consolidated financial statements:

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

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

The rate of ¥93=U.S.$1, the approximate current rate of exchange prevailing on March 31, 2010, 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 ENTERTAINMENT FRANCE SAS (France)
- CAPCOM ASIA CO., LTD. (Hong Kong)
- CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
- CAPTRON CO., LTD. (Japan)
- DALETTO, CO., LTD. (Japan)
- K2 CO., LTD. (Japan)
- ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

- STREET FIGHTER FILM, LLC (U.S.A.)

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

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end.

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

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

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

(3) Inventories ("Merchandise and finished goods", "Work-in-progress", "Raw materials and supplies") and "Work-in-progress for game software"

Inventories are stated at the acquisition cost, cost being principally determined by the moving average cost method. (Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.)

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

(4) Tangible fixed assets, except for leased assets

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

The primary useful lives are as follows:

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

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method.

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

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

(6) Leased assets

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

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

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

(7) Allowance for doubtful accounts

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

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

(8) Accrued bonuses

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

(9) Accrued retirement benefits for employees

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

The unrecognized net transition obligation (¥552 million ($5,940 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.

(10) Accrued retirement benefits for directors

The Company and some of its domestic subsidiaries have so far estimated accrued retirement benefits for directors and corporate auditors in preparation for the future payment based on their service rendered. However, the Company and its domestic subsidiaries have decided to abolish the retirement benefits plans for directors and corporate auditors based on the resolution of each general shareholders' meeting. The balance of the accrued retirement benefits for directors is disclosed on the "Other" of the long-term liabilities, and its payment for their service rendered up to the date of the above resolution is to be made when they retire.

(11) 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.

(12) 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.

(13) 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.

(14) Amortization of goodwill

Goodwill is amortized by the straight-line method over 3 years.

In the case its amount is minor, it is amortized at one time.

(15) 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) Accrued retirement benefits for employees

Effective from the fiscal year ended March 31, 2010, the Company and its domestic subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)." (The Accounting Standard Board of Japan (hereinafter referred to as "ASBJ") Statement No.19 issued on July 31, 2008).

This accounting change has no impact on the amounts of operating income, ordinary income and net income before income taxes as well as the balance of projected benefit obligations.

4. Changes in presentation

(1) Consolidated statements of income

"Commission", which was included in "Other" in the fiscal year ended March 31, 2009 has been disclosed separately, as its amount has exceeded 10% of the total non-operating expenses.

The amount of "Commission" reported as "Other" in the previous fiscal year was ¥112 million.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2009) Millions of yen	**Current fiscal year (As of March 31, 2010)** Millions of yen	**Current fiscal year (As of March 31, 2010)** Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	14,431	**16,105**	**173,180**

(Note)The above balance for the current fiscal year includes the accumulated impairment loss of tangible fixed assets.

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2009) Millions of yen	**Current fiscal year (As of March 31, 2010)** Millions of yen	**Current fiscal year (As of March 31, 2010)** Thousands of U.S. dollars
①Pledged assets			
Land	3,902	**3,902**	**41,960**
Buildings	4,604	**4,411**	**47,435**
Total	8,507	**8,313**	**89,396**
②Secured debts			
Long-term borrowings due within one year	700	**700**	**7,526**
Long-term borrowings	2,030	**1,330**	**14,301**
Total	2,730	**2,030**	**21,827**

(3) Investments in affiliated companies

	Previous fiscal year (As of March 31, 2009) Millions of yen	**Current fiscal year (As of March 31, 2010)** Millions of yen	**Current fiscal year (As of March 31, 2010)** Thousands of U.S. dollars
Investments in securities	5	**0**	**0**

(4) Credit line

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

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

	Previous fiscal year (As of March 31, 2009) Millions of yen	**Current fiscal year (As of March 31, 2010)** Millions of yen	**Current fiscal year (As of March 31, 2010)** Thousands of U.S. dollars
Total credit line	25,000	**26,500**	**284,946**
Borrowings	15,000	**12,500**	**134,408**
Unexercised balance	10,000	**14,000**	**150,537**

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, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	4,916	**3,680**	**39,574**
Promotion expenses	1,899	**1,619**	**17,411**
Salaries and bonuses	4,175	**4,473**	**48,102**
Depreciation and amortization	859	**844**	**9,078**
Provision for accrued bonuses	797	**469**	**5,044**
Provision for retirement benefits for employees	68	**94**	**1,018**
Provision for retirement benefits for directors	48	**—**	**—**
Commissions	1,747	**1,212**	**13,034**
Research and development expenses	2,329	**2,125**	**22,859**

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Tools, fixtures and furniture	9	**16**	**182**
Equipment for amusement facilities	24	**7**	**78**
Software	—	**48**	**516**
Other	10	**4**	**44**
Total	44	**76**	**821**

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	2,329	**2,125**	**22,859**

(4) Impairment loss

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

Usage	Account	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Online game contents etc.	"Other" of intangible assets etc.	866	**—**	**—**
Assets to be disposed of etc.	Equipment for amusement facilities	280	**124**	**1,339**
Assets to be disposed of etc.	Tools, fixtures and furniture	0	**—**	**—**
Assets to be disposed of etc.	Rental equipment	—	**47**	**515**
Assets to be disposed of etc.	Leased assets	—	**37**	**399**
Idle assets	Land	—	**5**	**54**
Other	Goodwill	—	**9**	**98**

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.

(Previous fiscal year)
The Companies amended the revenue forecast for the online game contents etc.
As a result of the amendment, the Companies wrote down the book value of the online game contents etc. to the recoverable value to recognize the impairment loss as shown above. The recoverable value for the online game contents etc. was computed based on their value in use, which was estimated at zero.
The Companies made a decision on closing some amusement facilities.
As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of etc. to recognize the impairment loss as shown above. The recoverable value for assets to be disposed of etc. was estimated at zero.

(Current fiscal year)
The Companies made a decision on disposing of some "assets to be disposed of etc".
As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of etc. to recognize the impairment loss as shown above. The recoverable value for the assets to be disposed of etc. was estimated at zero.
The Companies appraised the idle assets.
As a result of the appraisal, the Companies did not make sure of recoverabilities of the book value of the idle assets to recognize the impairment loss as shown above.
The recoverable value for the idle assets was computed based on their net realizable value, which was appraised by a real estate appraiser.
The Companies faced remarkable changes in business environment due to their business restructuring.
As a result of the change, the Companies did not make sure of recoverabilities of the book value of the goodwill to recognize the impairment loss as shown above.
The recoverable value for the goodwill was estimated at zero.

(5) Loss on restructuring

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

As a result, the Companies wrote down some of the assets and booked ¥4,182 million ($44,968 thousand) of loss on restructuring for the current fiscal year.

7. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2008 to March 31, 2009)

(1) Number of outstanding shares

Type of share	Number of shares as of March 31, 2008	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2009
Common stock (thousands shares)	66,719	675	—	**67,394**

(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 673 thousands shares

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2008	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2009
Common stock (thousands shares)	5,820	43	202	**5,660**

(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
Increase due to request for purchase of shares by shareholders	36 thousands shares
Decrease due to stock exchange with K2., CO. LTD.	201 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 19, 2008	Common stock	¥913 million	15	March 31, 2008	June 20, 2008 (Effective after the meeting)
Board of directors' meeting held on November 5, 2008	Common stock	¥1,234 million	20	September 30, 2008	November 28, 2008

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

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	¥926 million	Retained earnings	15	March 31, 2009	June 18, 2009

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

(1) Number of outstanding shares

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

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

(2) Number of treasury stocks

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

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

(3) Dividend

①Amount of dividends paid

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

Resolution	Type of share	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	$9,957 thousand	0.16	March 31, 2009	June 18, 2009 (Effective after the meeting)
Board of directors' meeting held on October 29, 2009	Common stock	$9,734 thousand	0.16	September 30, 2009	November 20, 2009

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

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

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 18, 2010	Common stock	$12,706 thousand	Retained earnings	0.22	March 31, 2010	June 21, 2010

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

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

As a result, the Companies booked ¥74 million ($ 796 thousand) of decrease in retained earnings as the cumulative effect up to the end of the previous fiscal year.

8. Notes to consolidated statements of cash flows

(1) Cash and cash equivalents at end of year

	Previous fiscal year (As of March 31, 2009)	**Current fiscal year (As of March 31, 2010)**	**Current fiscal year (As of March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	28,611	**29,865**	**321,136**
Time deposits with maturities over three months	—	**(50)**	**(541)**
Cash and cash equivalents	28,611	**29,815**	**320,594**

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

The Companies booked ¥1,581 million of the acquisition cost of the leased assets for the previous fiscal year and ¥237 million ($2,549 thousand) for the current fiscal year.

9. Accounting for leases

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

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009)			**Current fiscal year (From April 1, 2009 to March 31, 2010)**			**Current fiscal year (From April 1, 2009 to March 31, 2010)**		
	Millions of yen			Millions of yen			Thousands of U.S. dollars		
	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery and vehicles	13	6	7	**13**	**9**	**4**	**144**	**97**	**47**
Tools, fixtures and furniture	212	111	101	**145**	**80**	**65**	**1,566**	**864**	**701**
Equipment for amusement facilities	3,972	2,399	1,572	**2,071**	**1,512**	**559**	**22,275**	**16,260**	**6,014**
Total	4,198	2,517	1,680	**2,230**	**1,601**	**629**	**23,985**	**17,221**	**6,763**

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

②Future lease payments

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	1,018	**533**	**5,733**
Due over one year	675	**119**	**1,282**
Total	1,694	**652**	**7,016**

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

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease payments	1,560	**978**	**10,522**
Depreciation expense	1,447	**938**	**10,092**
Estimated interest expense	57	**27**	**292**

④Calculation method of assumed amount of depreciation and interest paid

• Depreciation:

Straight-line method using leasing term as asset life with residual value of zero.

• Interest expense:

Interest method with the assumed interest expense allocated to each fiscal year.

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

①Capital leases that transfer ownership of the leased assets to lessees

Not applicable

②Capital leases that do not transfer ownership of the leased assets to lessees

• Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for the business segment of Arcade operations.

• Depreciation method:

Depreciation expense of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero. In the case there are any leases with guaranteed residual value, such value is regarded as accounting residual one.

(3) Operating leases

①Future lease payments

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	225	**234**	**2,521**
Due over one year	790	**581**	**6,255**
Total	1,015	**816**	**8,777**

(For impairment loss)

No impairment losses were recognized for leased assets.

10. Financial instruments

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

①Conditions of financial instruments

(1) Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of the interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration.

The Companies raise funds through borrowings from financial institutions, such as banks etc.

The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk, and do not enter into derivative financial instruments for speculative purposes.

(2) Financial instruments, risks, and risk management

Notes and accounts receivable, trade are exposed to credit risk of customers. To minimize such risk, the Companies regularly monitor credit status of major customers as well as perform due date control and balance control for each customer according to importance of business in accordance with credit exposure management rules.

The investments in securities the Company holds mainly consist of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the board of directors' meeting.

As for notes and accounts payable, trade, due date of payment is within one year.

Short-term borrowings are mainly for fund raising related to normal operating activities, and long-term borrowings are mainly for fund raising related to capital investments.

Notes and accounts payable, trade and borrowings are exposed to liquidity risk. The Companies minimize such risk by forecasting cash flows on a monthly basis.

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

② Fair value of financial instruments
The carrying value on the consolidated balance sheets, fair value, and differences as of March 31, 2010 are as follows.

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	**29,865**	**29,865**	**—**	**321,136**	**321,136**	**—**
(2) Notes and accounts receivable, trade	**6,288**	**6,288**	**—**	**67,621**	**67,621**	**—**
(3) Lease deposits	**5,266**	**5,056**	**(210)**	**56,633**	**54,368**	**(2,264)**
Total	**41,421**	**41,210**	**(210)**	**445,390**	**443,125**	**(2,264)**
(1) Notes and accounts payable, trade	**3,477**	**3,477**	**—**	**37,389**	**37,389**	**—**
(2) Short-term borrowings	**13,211**	**13,211**	**—**	**142,058**	**142,058**	**—**
(3) Long-term borrowings	**4,355**	**4,377**	**22**	**46,835**	**47,067**	**231**
Total	**21,044**	**21,065**	**22**	**226,283**	**226,515**	**231**

(Note 1) Fair value measurement of financial instruments

Assets
(1) Cash on hand and in banks and (2) Notes and accounts receivable, trade
The fair value is assumed to be the same with carrying value, as it approximates fair value because of the short maturity of these instruments.
(3) Lease deposits
The fair value is measured at the present value of future cash flows discounted using the yield of a national government bond according to periods until repayments.

Liabilities
(1) Notes and accounts payable, trade and (2) Short-term borrowings
The fair value is assumed to be the same with carrying value, as it approximates fair value because of the short maturity of these instruments.
(3) Long-term borrowings
The fair value of long-term borrowings with variable interest rates is measured at carrying value, as it approximates fair value.
(The market interest rate fluctuation is reflected in the variable interest rate in short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rate.)
The fair value of long-term borrowings with fixed rate is measured at the present value of future cash flow (principal plus interest) discounted using the assumed interest rate of similar type of new borrowings.

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

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

	Thousands of U.S. dollars			
	April 1, 2010 to March 31, 2011	April 1, 2011 to March 31, 2015	April 1, 2015 to March 31, 2020	April 1, 2020 and thereafter
(1) Cash on hand and in banks	**321,136**	**—**	**—**	**—**
(2) Notes and accounts receivable, trade	**67,621**	**—**	**—**	**—**
(3) Lease deposits	**9,151**	**33,499**	**9,339**	**4,105**
Total	**397,908**	**33,499**	**9,339**	**4,105**

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

11. Investments in securities

(1) Previous fiscal year (From April 1, 2008 to March 31, 2009)

①Available-for-sale securities with a readily determinable fair value (As of March 31, 2009)

	Millions of yen		
Classification	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost			
(1) Equity securities	39	76	37
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	39	76	37
Securities with book value not exceeding their acquisition cost			
(1) Equity securities	335	285	(50)
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	335	285	(50)

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

②Investments in securities sold during the previous fiscal year

The note is omitted due to the minor of the total amount of gain or loss on sales of investments in securities.

③ Investments in securities without a readily determinable fair value (As of March 31, 2009)

Investments in securities

Unlisted equity securities ¥511 million

Investments in limited partnership ¥42 million

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

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

	Millions of yen			Thousands of U.S. dollars		
Classification	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost						
(1) Equity securities	**123**	**78**	**44**	**1,322**	**841**	**481**
(2) Bonds	**—**	**—**	**—**	**—**	**—**	**—**
(3) Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**123**	**78**	**44**	**1,322**	**841**	**481**
Securities with book value not exceeding their acquisition cost						
(1) Equity securities	**284**	**309**	**(24)**	**3,055**	**3,323**	**(268)**
(2) Bonds	**—**	**—**	**—**	**—**	**—**	**—**
(3) Others	**—**	**—**	**—**	**—**	**—**	**—**
Total	**284**	**309**	**(24)**	**3,055**	**3,323**	**(268)**

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

②Investments in securities sold during the current fiscal year

Not applicable

12. 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, 2009)	**Current fiscal year (As of March 31, 2010)**	**Current fiscal year (As of March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Projected benefit obligations	(2,411)	**(2,699)**	**(29,027)**
B. Fair value of plan assets	692	**915**	**9,848**
C. Unfunded benefit obligations (A+B)	(1,719)	**(1,783)**	**(19,178)**
D. Unrecognized transition obligation	220	**184**	**1,980**
E. Unrecognized actuarial differences	326	**211**	**2,270**
F. Accrued pension liability recognized in the consolidated balance sheet (C+D+E)	(1,171)	**(1,388)**	**(14,928)**
G. Prepaid pension expenses	—	**0**	**5**
H. Accrued retirement benefits for employees (F - G)	(1,171)	**(1,388)**	**(14,933)**

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

(3) Retirement and pension cost

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Service costs	203	**234**	**2,519**
B. Interest costs	27	**30**	**327**
C. Expected return on plan assets	(20)	**(17)**	**(186)**
D. Amortization of transition obligation	36	**36**	**396**
E. Amortization of actuarial differences	40	**69**	**747**
F. Net periodic benefit costs (A+B+C+D+E)	288	**353**	**3,804**

Previous fiscal year

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥21 million during the year.
2. Retirement cost for some subsidiaries which have adopted the simplified method are included in the "Service costs".

Current fiscal year

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥20 million ($221 thousand) during the year.
2. The same with the previous fiscal year

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
A. Method of attributing the projected benefit obligations to periods of service	Straight-line	Straight-line
B. Discount rate	1.5%	1.5%
C. Long-term rate of return on plan assets	2.5%	2.5%
D. Amortization period for actuarial differences	9 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

13. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2009)	**Current fiscal year (As of March 31, 2010)**	**Current fiscal year (As of March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Allowance for doubtful accounts	334	**447**	**4,807**
Accrued bonuses	714	**514**	**5,530**
Accrued retirement benefits for employees	475	**562**	**6,043**
Accrued retirement benefits for directors	165	**166**	**1,791**
Allowance for sales returns	127	**49**	**531**
Inventories	1,423	**2,136**	**22,972**
Prepaid expenses	213	**365**	**3,929**
Tax loss carry-forwards in the Company	342	**—**	**—**
Tax loss carry-forwards in the subsidiaries	1,919	**1,124**	**12,094**
Investments in subsidiaries and affiliated companies	225	**224**	**2,415**
Depreciation	271	**179**	**1,930**
Impairment loss	436	**384**	**4,134**
Tax credit	401	**170**	**1,832**
Other	1,436	**1,491**	**16,041**
Sub-total	8,487	**7,817**	**84,055**
Valuation allowance	(3,458)	**(2,679)**	**(28,813)**
Total deferred tax assets	5,029	**5,137**	**55,241**
(Deferred tax liabilities)			
Tax-deductible inventories for a foreign subsidiary	(1,073)	**(643)**	**(6,918)**
Other	(61)	**(12)**	**(130)**
Total deferred tax liabilities	(1,135)	**(655)**	**(7,048)**
Net deferred tax assets	3,894	**4,482**	**48,193**
Net deferred tax assets are reflected in the consolidated balance sheets as follows.			
Current assets—deferred tax assets	2,712	**3,204**	**34,460**
Non current assets—deferred tax assets	1,425	**1,339**	**14,407**
Current liabilities—deferred tax liabilities	(243)	**(58)**	**(629)**
Non current liabilities—deferred tax liabilities	—	**(4)**	**(45)**
Total	3,894	**4,482**	**48,193**

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

	Previous fiscal year (As of March 31, 2009)	**Current fiscal year (As of March 31, 2010)**
	%	%
Statutory income tax rate	40.6	**40.6**
(Reconciliation)		
Change in valuation allowance	(2.6)	**47.7**
Tax credit	(3.3)	**12.8**
Amortization of goodwill	1.5	**8.6**
Different tax rates applied to foreign subsidiaries	(2.2)	**(2.7)**
Permanent difference (meals and entertainment etc.)	2.9	**3.2**
Unappropriated retained earnings of foreign subsidiaries	(0.4)	**(5.1)**
Tax adjustments resulting from consolidation elimination entries etc.	0.2	**(14.6)**
Income transferred from subsidiaries to the Company resulting from mutual agreement procedure of transfer pricing	—	**(110.1)**
Tax refund resulting from mutual agreement procedure of transfer pricing	—	**(75.0)**
Others	(1.5)	**1.8**
Effective income tax rate	35.2	**(92.8)**

14. Business combinations

Previous fiscal year (From April 1, 2008 to March 31, 2009)

(Purchase method)

(1) Name of acquired company and its business segment, purpose, date, legal form, name of acquired enterprise after business combination and ratio of acquired right to vote

① Name of acquired company and its business segment
Name of acquired company: K2 CO., LTD.
Business segment: Home video games (Game software development)

② Purpose of business combination
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.

③ Date of business combination May 1, 2008

④ Legal form of business combination Stock exchange

⑤ Name of acquired company after business combination No change

⑥ Ratio of acquired right to vote 100%

(2) Business term of acquired enterprise reflected on consolidated financial statements
From April 1, 2008 to March 31, 2009

(3) Acquisition cost for acquired company and its detail Consideration
The Company's common shares ¥655 million

(4) Exchange ratio of shares, its computation, number of shares granted and value

① Exchange ratio of shares
The Company's 3,362 common shares:
K2 CO., LTD's one common share

② Computation of exchange ratio of shares
The Company consigned the computation to a professional firm.
The Company and its counterparties negotiated and decided on the ratio based on the professional report.

③ Number of shares granted and value
Number of shares granted 201,720 shares
Value ¥655 million

(5) Amount of goodwill arisen, reason, and amortization method and period

① Amount of goodwill arisen ¥537 million

② Reason of goodwill arisen
The acquisition cost exceeded the fair value of the net asset for K2 CO., LTD.
The difference was recognized as the goodwill.

③ Amortization method and period
Straight-line method over 3 years

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

15. Investment and rental property

The note is omitted due to the minor of the total amount.

(Additional information)

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

16. Segment information

(1) Business segments

①Previous fiscal year (From April 1, 2008 to March 31, 2009)

	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
	Millions of yen							
Ⅰ. Net sales and operating income								
Net sales								
(1) Customers	62,892	13,509	8,023	4,628	2,824	91,878	(—)	91,878
(2) Inter-segment	—	—	7	—	—	7	(7)	—
Total	62,892	13,509	8,031	4,628	2,824	91,885	(7)	91,878
Operating expenses	46,499	13,285	6,272	4,859	1,770	72,687	4,572	77,259
Operating income (loss)	16,392	224	1,758	(230)	1,053	19,198	(4,579)	14,618
Ⅱ. Assets, depreciation, impairment loss and capital expenditures								
Total assets	46,602	11,595	6,171	6,342	2,436	73,148	33,062	106,210
Depreciation	864	2,050	229	348	242	3,736	406	4,143
Impairment loss	866	280	—	—	—	1,146	—	1,146
Capital expenditures	434	1,172	50	70	38	1,765	1,140	2,906

(Note) 1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
(1) Home video games··············This division develops and distributes home video game software as well as develops and operates online game software.
(2) Arcade operations················This division operates amusement facilities.
(3) Arcade games························This division develops, manufactures, and distributes commercial game equipment and integrated circuit boards.
(4) Contests expansion··············This division develops and distributes mobile contents as well as develops, manufactures and distributes pachinko and pachislot machines.
(5) Other businesses··················Other businesses include licensing business and other businesses.
3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,579 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 ¥33,359 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.
6. Change in accounting policies
Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The effect of this change was to decrease operating income by ¥299 million and total assets by ¥791 million in the "Contents expansion" compared with the corresponding amounts which would have been recorded if the previous method had been followed.

②Current fiscal year (From April 1, 2009 to March 31, 2010)

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

	Thousands of U.S. dollars							
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income								
Net sales								
(1) Customers	**473,282**	**128,876**	**24,520**	**62,576**	**29,424**	**718,681**	**(—)**	**718,681**
(2) Inter-segment	**—**	**—**	**—**	**—**	**—**	**—**	**(—)**	**—**
Total	**473,282**	**128,876**	**24,520**	**62,576**	**29,424**	**718,681**	**(—)**	**718,681**
Operating expenses	**388,907**	**122,525**	**26,705**	**57,097**	**17,628**	**612,864**	**45,738**	**658,602**
Operating income (loss)	**84,375**	**6,351**	**(2,184)**	**5,478**	**11,795**	**105,817**	**(45,738)**	**60,078**
Ⅱ. Assets, depreciation, impairment loss and capital expenditures								
Total assets	**336,106**	**105,349**	**34,855**	**46,656**	**23,891**	**546,859**	**384,559**	**931,418**
Depreciation	**5,474**	**18,760**	**1,471**	**2,577**	**2,461**	**30,745**	**5,475**	**36,220**
Impairment loss	**—**	**1,739**	**515**	**98**	**—**	**2,353**	**54**	**2,408**
Capital expenditures	**5,847**	**8,611**	**636**	**895**	**2,683**	**18,674**	**5,043**	**23,717**

(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 ¥4,253 million ($45,738 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 ¥35,872 million ($385,721 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

(2) Geographic areas

①Previous fiscal year (From April 1, 2008 to March 31, 2009)

	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	54,193	21,851	14,167	1,665	91,878	(—)	91,878
(2) Inter-segment	9,238	3,012	—	33	12,283	(12,283)	—
Total	63,431	24,863	14,167	1,698	104,161	(12,283)	91,878
Operating expenses	50,232	20,809	12,611	1,333	84,987	(7,727)	77,259
Operating income	13,198	4,054	1,556	365	19,174	(4,555)	14,618
Ⅱ. Total assets	50,922	19,320	10,597	1,214	82,055	24,155	106,210

(Note) 1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan.
(1) North America··········United States of America
(2) Europe··························European countries
(3) Other regions·············Asia and others
3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,579 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 ¥33,359 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. Change in accounting policies
Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The effect of this change was to decrease operating income by ¥299 million and total assets by ¥791 million in North America compared with the corresponding amounts which would have been recorded if the previous method had been followed.

②Current fiscal year (From April 1, 2009 to March 31, 2010)

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

	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	**508,277**	**116,403**	**84,021**	**9,978**	**718,681**	**(—)**	**718,681**
(2) Inter-segment	**71,944**	**18,469**	**1,280**	**583**	**92,277**	**(92,277)**	**—**
Total	**580,222**	**134,873**	**85,301**	**10,562**	**810,959**	**(92,277)**	**718,681**
Operating expenses	**453,605**	**157,160**	**83,836**	**8,910**	**703,512**	**(44,909)**	**658,602**
Operating income (loss)	**126,616**	**(22,287)**	**1,465**	**1,652**	**107,446**	**(47,367)**	**60,078**
Ⅱ. Total assets	**447,665**	**69,152**	**52,057**	**7,902**	**576,778**	**354,640**	**931,418**

(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 ¥4,253 million ($45,738 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 ¥35,872 million ($385,721 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.

(3) Overseas sales

①Previous fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen			
	North America	Europe	Other regions	Total
Ⅰ. Overseas sales	22,463	13,197	3,060	38,721
Ⅱ. Consolidated net sales				91,878
Ⅲ. Percentage of foreign sales included in consolidated net sales	24.4%	14.4%	3.3%	42.1%

(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).

②Current fiscal year (From April 1, 2009 to March 31, 2010)

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

	Thousands of U.S. dollars			
	North America	Europe	Other regions	Total
Ⅰ. Overseas sales	**126.597**	**75,429**	**25,071**	**227,098**
Ⅱ. Consolidated net sales				**718,681**
Ⅲ. Percentage of foreign sales included in consolidated net sales	**17.6%**	**10.5%**	**3.5%**	**31.6%**

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

17. Related party transactions

(1) Previous fiscal year (From April 1, 2008 to March 31, 2009)

Not applicable

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

Not applicable

18. Per share information

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Yen	Yen	U.S. dollars
Net assets per share	961.38	**913.18**	**9.82**
Basic net income per share	130.98	**35.71**	**0.38**
Diluted net income per share	120.41	**35.64**	**0.38**

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

	Previous fiscal year (As of March 31, 2009)	**Current fiscal year (As of March 31, 2010)**	**Current fiscal year (As of March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	59,349	**53,956**	**580,179**
Amounts to be deducted from total amount of net assets	—	**—**	**—**
Ending balance of net assets attributable to common stock	59,349	**53,956**	**580,179**
Number of common stocks used for computation of net assets per share (thousands shares)	61,733	**59,086**	**59,086**

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

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic net income per share			
Net income	8,063	**2,167**	**23,308**
Amount not allocated to common stock	—	**—**	**—**
Net income allocated to common stock	8,063	**2,167**	**23,308**
Average number of common stock outstanding during the fiscal year (thousands shares)	61,561	**60,707**	**60,707**
Diluted net income per share			
Adjustment made on net income	6	**0**	**3**
(Interest paid with tax adjustment)	—	**—**	**—**
(Administrative fees to commission banks with tax adjustment)	6	**0**	**3**
Increase of common stocks (thousands shares)	5,458	**119**	**119**
(Convertible bonds (thousands shares))	5,458	**119**	**119**
Outline of residual securities not included in the above computation of diluted net income per share due to lack of dilutive effect	—	**—**	**—**

Financial Section

19. Significant subsequent events

Previous fiscal year (From April 1, 2008 to March 31, 2009)	**Current fiscal year (From April 1, 2009 to March 31, 2010)**
The Company made a resolution to repurchase treasury stock through the board of directors' meeting held on July 30, 2009 in accordance with the articles of incorporation applied under the section 1 of the article 156 and the section 3 of the article 165 of the Companies act. (1) Details ① Type of share Common stock ② Number of shares to be repurchased Up to 3 million shares ③ Amount of shares to be repurchased Up to ¥5,500 million ④ Repurchase period From August 1, 2009 to August 31, 2009 ⑤ Method of repurchase Repurchase in the market (2) Purpose To flexibly implement capital policies to meet with changes in the business environment.	Not applicable

20. Supplemental schedule of bonds

Issuer	Name of bond	Issuance date	Balance as of March 31, 2009 (¥ million)	Balance as of March 31, 2010 (¥ million)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD. (Note) 1	Zero coupon convertible bonds due 2009	October 8, 2004	400	—	—	Unsecured	October 8, 2009
Total	—	—	400	—	—	—	—

Issuer	Name of bond	Issuance date	Balance as of March 31, 2009 ($ thousand)	Balance as of March 31, 2010 ($ thousand)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD. (Note) 1	Zero coupon convertible bonds due 2009	October 8, 2004	4,301	—	—	Unsecured	October 8, 2009
Total	—	—	4,301	—	—	—	—

(Note) 1. 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	400	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	13.09	123,655	4,301	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.

21. Supplemental schedule of borrowings

Category	Balance as of March 31, 2009 (¥ million)	Balance as of March 31, 2010 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	15,055	12,500	0.7	—
Current portion of long-term borrowings due within one year	711	711	1.4	—
Current portion of lease obligations	492	578	2.3	—
Long-term borrowings (Excluding current portion)	5,067	4,355	1.2	From April 1, 2011 to June 2, 2014
Lease obligations (Excluding current portion)	833	459	2.3	From April 1, 2011 to February 29, 2016
Other interest-bearing dept	—	—	—	—
Total	22,160	18,605	—	—

Category	Balance as of March 31, 2009 ($ thousand)	Balance as of March 31, 2010 ($ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	161,887	134,408	0.7	—
Current portion of long-term borrowings due within one year	7,649	7,649	1.4	—
Current portion of lease obligations	5,301	6,219	2.3	—
Long-term borrowings (Excluding current portion)	54,485	46,835	1.2	From April 1, 2011 to June 2, 2014
Lease obligations (Excluding current portion)	8,960	4,943	2.3	From April 1, 2011 to February 29, 2016
Other interest-bearing dept	—	—	—	—
Total	238,283	200,057	—	—

(Note) 1. The average interest rate represents the weighted-average rate applicable to the ending balance.
2. The following table shows the aggregate annual maturities of Long-term borrowings and lease obligation for 5 years subsequent to March 31, 2010 (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	3,711	499	144	0
Lease obligations	373	71	10	3

	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	39,907	5,368	1,551	7
Lease obligations	4,017	769	108	40

22. Supplemental schedule of other

Quarterly sales etc. for the current fiscal year

	1st quarter (From April 1, 2009 to June 30, 2009)	2nd quarter (From July 1, 2009 to September 30, 2009)	3rd quarter (From October 1, 2009 to December 31, 2009)	4th quarter (From January 1, 2010 to March 31, 2010)
Sales (¥ million)	19,497	19,394	11,094	16,850
Net income (loss) before income taxes (¥ million)	4,126	1,344	(4,979)	632
Net income (loss) (¥ million)	2,230	736	(1,235)	435
Net income (loss) per share (yen)	36.08	12.06	(20.39)	7.34

	1st quarter (From April 1, 2009 to June 30, 2009)	2nd quarter (From July 1, 2009 to September 30, 2009)	3rd quarter (From October 1, 2009 to December 31, 2009)	4th quarter (From January 1, 2010 to March 31, 2010)
Sales ($ thousand)	209,655	208,543	119,298	181,183
Net income (loss) before income taxes ($ thousand)	44,371	14,454	(53,542)	6,805
Net income (loss) ($ thousand)	23,987	7,917	(13,282)	4,686
Net income (loss) per share (U.S. dollars)	0.39	0.13	(0.22)	0.08

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheet of CAPCOM CO., LTD. ("the Company") and its subsidiaries as of March 31, 2010, 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, 2010, 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, 2010, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata
August 3, 2010