



**Capcom Co., Ltd.**  
**(Tokyo and Osaka Exchanges,  
First Section, 9697)**

**1st Quarter Report**  
**Fiscal year ending March 31, 2011**

# Forward-looking Statements

**Information in these materials concerning strategies, plans, outlooks and all other items except historical facts are forward-looking statements. These statements are based on certain assumptions that use reasonable judgments in accordance with information that is currently available. Actual performance may differ significantly from these statements for a variety of reasons.**

**The operating results of all companies in the video and arcade game business may be highly volatile due to shifts in market conditions caused by changing user needs and other factors.**

**Factors that may affect operating results include, but are not limited to: 1) the ability to introduce hit products, and the volume of sales, in the home video games business, which accounts for the majority of sales; 2) progress in developing new home video games; 3) the popularity of home video game players; 4) sales outside Japan; 5) changes in stock prices and foreign exchange rates; 6) alliances with other companies concerning product development, sales and other operations; and 7) changes in market conditions.**

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# Financial Highlights

# Consolidated Business Results

## 3 months results in FY3/10 vs. FY3/11

(Million yen)

	2009/6	2010/6	Difference
Net sales	19,497	19,037	-460
Operating income	3,664	1,005	-2,659
Ordinary income	4,117	216	-3,901
Net income	2,230	213	-2,017

**Consumer Online Games Business sales and earnings were down**

**The number of new titles increased from the same term in the previous year, when most sales were made of repeat titles, resulting in higher game development costs**

**Foreign exchange losses caused sharp declines in 1st quarter ordinary income and net income**

## Financial Highlights (Financial Position)

### Balance sheets March 31, 2010 vs. June 30, 2010

(Million yen)

	2010/3	2010/6	Difference
<b>Current assets</b>	61,303	57,659	-3,644
<b>Fixed assets</b>	25,318	25,743	425
<b>Total assets</b>	86,621	83,403	-3,218

<b>Current liabilities</b>	25,211	23,977	-1,234
<b>Long-term liabilities</b>	7,453	7,571	118
<b>Total liabilities</b>	32,665	31,549	-1,116

<b>Total net assets</b>	53,956	51,854	-2,102
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<b>Total liabilities and net assets</b>	86,621	83,403	-3,218
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# Financial Highlights (Financial Position)

## Major changes in balance sheet items

(Million yen)

	2010/3	2010/6	Difference
Work-in-progress for game software	14,333	12,601	-1,732

### (1) Assets - Work-in-progress for game software

- Down due to introductions of major new titles

(Million yen)

	2010/3	2010/6	Difference
Cumulative translation adjustments	-4,752	-5,819	-1,067

### (2) Net Assets - Cumulative translation adjustments

- Down because of the yen's strength

# Financial Highlights (Financial Position)

## Consolidated statements of cash flows

(Million yen)

	2009/6	2010/6	Difference
Cash flows from operating activities	13,570	2,554	-11,016
Cash flows from investing activities	-425	-326	99
Cash flows from financing activities	-6,213	-1,446	4,767

### **(1) Cash flows from operating activities**

- Cash provided mainly because of net income and decrease in accounts receivable

### **(2) Cash flows from investing activities**

- Cash used mainly because of payment for acquisitions of tangible fixed assets

### **(3) Cash flows from financing activities**

- Cash used because of dividends and other payments



# Business Segments

## Business Segments ( Consumer Online Games Business )

Sales units exceeded the plan for most titles, although sales of “Lost Planet 2” and some other titles fell short of the projection

### Sales of major game titles in 3 months

(Unit: Thousand )

Platform	Title	Region	Date	Total
PS3 Xbox 360	Lost Planet 2	Japan	5/20	1,500
		North America	5/11	
		Europe	5/11	
PS3 Xbox 360	Super Street Fighter	Japan	4/28	1,350
		North America	4/27	
		Europe	4/30	
Wii	Monster Hunter Tri	North America	4/20	690
		Europe	4/23	

\*Sales for Japan include the entire Asian region.

## Business Segments ( Consumer Online Games Business )

**Profitability declined from the previous period because of the cost of developing newly released titles**

### Operating highlights for the 3 months

(Million yen)

	2008/6	2009/6	2010/6	Difference
Net sales	10,406	14,148	14,995	847
Operating income	3,556	4,711	1,784	-2,927
Operating margin	34.2%	33.3%	11.9%	-

(Thousand units)

	2008/6	2009/6	2010/6	Difference
Titles	20	19	16	-3
Japan	2,120	1,700	1,100	-600
North America	850	1,200	1,800	600
Europe	650	1,100	1,600	500
Asia	140	100	100	0
Total	3,760	4,100	4,600	500

(Composition)

(Thousand units)

	2008/6	2009/6	2010/6	Difference
Distribution titles	210	200	250	50
Old titles	2,800	2,500	1,300	-1,200

## Business Segments ( Mobile Contents Business )

**Generally in line with plans due to consistent earnings from mobile phone and smartphone applications**

### Operating highlights for the 3 months

- Launched new titles for new devices, such as “Resident Evil 4 iPad edition” for the iPad
- Steady growth in downloads of “Street Fighter IV,” “Phoenix Wright Ace Attorney” and other titles introduced in the previous fiscal year

### Business results for the 3 months

(Million Yen )

	2008/6	2009/6	2010/6	Difference
Net sales	-	-	680	-
Operating income	-	-	97	-
Operating margin	-	-	14.3%	-

## Business Segments ( Arcade Operations Business )

**Earnings higher than plan due to rigorous measures to cut arcade operating costs**

### Operating highlights for the 3 months

- Performance up year-on-year on existing-arcade basis, indicating that the market downturn has ended
- Earnings benefited from lower investments and cuts in fixed expenses

### Business results for the 3 months

(Million Yen)

	2008/6	2009/6	2010/6	Difference
Net sales	3,128	2,926	2,630	-296
Operating income	-73	114	178	64
Operating margin	-2.3%	3.9%	6.8%	-
Year-to-Year Ratio of existing arcades	84%	86%	92%	-

### Number of arcades

(Facilities)

	2009/3	2010/3	2010/6	2011/3(Plan)
New arcades	6	0	0	0
Closing arcades	8	2	1	1
<b>Total</b>	<b>40</b>	<b>38</b>	<b>37</b>	<b>37</b>

## Business Segments ( Amusement Equipments Business )

**1st quarter loss due to small number of new models, but sales were higher than planned because of strong repeat sales in the P&S business**

### Operating highlights for the 3 months (P&S Business)

- No new models were introduced
- Strong repeat sales of “Onimusha : Dawn of Dreams”

### Operating highlights for the 3 months (Arcade Games Sales Business)

- Mainly repeat sales of arcade games already introduced
- Performance as planned because of up-front expenses

### Business results for the 3 months

(Million Yen )

	2008/6	2009/6	2010/6	Difference
Net sales	-	-	252	-
Operating income	-	-	-169	-
Operating margin	-	-	-67.1%	-

\*Pachinko & Pachislo is about 20% of net sales, and Arcade Games Sales about 80%



# Growth Strategy Progress Report

# Strategies for Growth

## Strategy 1:

### Enlarge product lineup through reorganization and improved efficiency of development activities

Renovation of product development activities in Japan  
Update the model for alliances with overseas development companies

## Strategy 2:

### Strengthen the online game business, which has much growth potential

Increase activities aimed at expanding PC online game operations in Asia  
Increase the number of home video games available for downloading  
Add more games for smartphones

### Strategy 2:

### Strengthen the online game business, which has much growth potential

**Increase activities aimed at expanding PC online game operations in Asia**

- **PC version of “Monster Hunter Frontier Online”**

**Plan major update in September 2010 (in Japan)**

- **Xbox 360 version of “Monster Hunter Frontier Online”**

**Officially started this service in Japan (July 7, 2010)**

**Shipped 130,000 units in Japan (as of July 20, 2010)**

### **Strategy 2:**

### **Strengthen the online game business, which has much growth potential**

**Introduce more game titles for smartphones and SNS**

- **Distribute new social games in the “Monster Hunter” series for Mobage-Town, Japan’s major mobile SNS and game portal site**

**Official start of “Monhan Nikki Mobile Airu Mura”  
service planned for August 2010**



# **Forecast for Year ending March 31, 2011**

## Forecast for Year Ending March 2011

**No change in consolidated plan, but we will monitor sales of major titles to be introduced later in the fiscal year**

(Million Yen)

	<b>June. 30, 2010</b>	<b>Sep. 31, 2010 (Forecast)</b>	<b>March 31, 2011 (Forecast)</b>	<b>Difference (%)</b>
Net sales	<b>19,037</b>	<b>45,300</b>	<b>95,000</b>	<b>142.1%</b>
Operating income	<b>1,005</b>	<b>4,800</b>	<b>15,000</b>	<b>268.5%</b>
Ordinary income	<b>216</b>	<b>4,700</b>	<b>14,000</b>	<b>253.1%</b>
Net income	<b>213</b>	<b>2,900</b>	<b>8,000</b>	<b>369.1%</b>

**No change in fiscal year forecast announced on May 7, 2010**

**Forecast earnings per share of 135.39 yen**

**Forecast dividend per share of 35 yen, the sum of a 15 yen 1st half- end dividend and 20 yen year-end dividend**