



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

Results of Operations and Strategies
First half of fiscal year ending March 31, 2011

Precautions Concerning Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diversifying user needs and other changes in market conditions. Items that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) the popularity of home video game players; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.



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Consolidated Financial Highlights

First Half Consolidated Financial Highlights

Sales were higher than one year earlier but earnings lower because of development expenses and the impact of the yen's appreciation.

(Million yen)

	2009/9	2010/9	Difference
Net sales	38,892	40,706	1,814
Operating income	5,574	3,942	-1,632
Ordinary income	5,476	2,880	-2,596
Net income	2,967	1,784	-1,183

Sales increased mainly because of the introduction of several major titles in the Consumer Online Games segment.

Operating income was down as higher sales could not offset higher development expenses and impact of the stronger yen.

Ordinary income and net income were down even more due to a foreign exchange loss of ¥1,097 million.

Net income per share was ¥30.20



Growth Strategy Progress Report

Growth Strategy Progress Report

Progress has been made in all areas by forcefully pursuing the growth strategies announced at the beginning of FY2010.

1. Structural reforms for development operations

- The business model of using alliances with overseas development companies has produced benefits.

Completed to take Blue Castle Games, the developer of “Dead Rising 2”, into one of subsidiaries

2. Strengthen the online game business

- Strong sales of “Monster Hunter Frontier Online” for the PC and Xbox 360 platforms

3. More content for smartphones and social networking services (SNS)

- Registered members for “Monhan Nikki Mobile Airu Mura”, Capcom’s first game for the SNS market, topped one million.



Business Segment Information

Consumer Online Games – First Half Highlights

First Half Sales of Major Titles

**Major titles were launched in each quarter.
Sales of titles for Japan were strong.**

(Thousand units)

Platform	Title	Region	Date	Result
PS3 X360 PC	Dead Rising 2	Japan	9/30	1,800
		North America	9/28	
		Europe	9/24	
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	1,400
		North America	4/27	
		Europe	4/30	
PS3 Wii	Sengoku BASARA: Samurai Heroes	Japan	7/29	550
PSP	MONHAN NIKKI POKAPOKA AIRU MURA	Japan	8/26	500

*Japan includes other Asian countries.

*The PC version of “Dead Rising 2” will be launched in Japan on October 28.

Consumer Online Games – First Half Highlights

First Half Consumer Online Games Performance

Sales of titles for Japan were strong but development expenses and foreign exchange rates brought down profitability.

(Million yen)

	2008/9	2009/9	2010/9	Difference
Net sales	16,486	27,748	30,773	3,025
Operating income	3,637	7,299	4,530	-2,769
Operating Margin	22.1%	26.3%	14.7%	-

(Thousand units)

	2008/9	2009/9	2010/9	Difference
Titles	50	40	27	-13
Japan	3,000	3,600	3,100	-500
North America	1,100	1,800	2,800	1,000
Europe	800	2,000	2,800	800
Asia	200	200	300	100
Total	5,100	7,600	9,000	1,400

(Composition)

(Thousand units)

	2008/9	2009/9	2010/9	Difference
Distribution Titles	540	500	350	-250
Old Titles	3,500	3,700	2,500	-1,200

Consumer Online Games – Second Half Strategies

More major titles will be introduced in the second half and the game development framework for the following fiscal years will be established.

1. Concentrate on sales of major titles

- Planning extensive promotional activities for “Monster Hunter Freedom 3”, which is scheduled for a December 1 launch

Distribution of free trial version linked to the “Monhan Club” official fan club and other activities

2. Sweeping reexamination of the internal game development framework

- Change development management and reexamine the CS development organization
- Combine the consumer, online and mobile sections to establish a full-scale multi-platform structure

3. Build a more efficient game development model by using alliances with external development companies

- Plan to launch “DmC Devil May Cry”, “Steel Battalion”, “Asura s Wrath” and other new titles

Consumer Online Games – Second Half Strategies

Second Half Sales Plans for Major Titles

**Plan to launch major titles of FY2010 during the second half
No change in sales plan for titles to be introduced in the second half**

(Thousand units)

Platform	Title	Region	Date	Plan
PSP	Monster Hunter Freedom 3	Japan	12/1	3,600
PS3 Xbox 360	MARVEL VS. CAPCOM 3 Fate of Two Worlds	Worldwide	Spring 2011	2,000

(reference)

PS3 X360 PC	Dead Rising 2	Japan	9/30	2,100
		North America	9/28	
		Europe	9/24	

*Japan includes other Asian countries.

*The PC version of “Dead Rising 2” will be launched in Japan on October 28.

Consumer Online Games – Second Half Strategies

FY2010 Consumer Online Games Business Plan

Review of FY2010 plan to reflect the effect of changes in exchange rates

(Million yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net sales	62,892	44,015	66,000	21,985
Operating income	16,392	7,846	12,100	4,254
Operating Margin	26.1%	17.8%	18.3%	-

(Thousand units)

	2009/3	2010/3	2011/3 Plan	Difference
Titles	110	72	55	-17
Japan	6,300	5,200	8,000	2,800
North America	6,000	3,600	6,000	2,400
Europe	4,500	3,400	4,500	1,100
Asia	500	300	500	200
Total	17,300	12,500	19,000	6,500

(Composition)

(Thousand units)

	2009/3	2010/3	2011/3 Plan	Difference
Distribution Titles	1,350	1,000	450	-550
Old Titles	5,400	5,500	4,000	-1,500

Mobile Content – First Half Highlights

Performance was generally in line with the plan by distributing content primarily for smartphones and the SNS market.

First Half Highlights

- “Street Fighter IV” downloads continued to increase due strong customer response to continuous updates
- Sold downloads and used item-billed distribution (micro transaction) for “Ghosts ‘n Goblins Gold Knights II” for the iPhone
- Started provision of SNS content to Mobage-Town

Registered members for “Monhan Nikki Mobile Airu Mura” topped 1 million.

First Half Mobile Content Performance

(Million yen)

	2008/9	2009/9	2010/9	Difference
Net sales	-	-	1,365	-
Operating income	-	-	300	-
Operating margin	-	-	22.0%	-

Mobile Content – Second Half Strategies

Aggressively entry to a new market as the growing area

Second half strategies

- Target the overseas SNS market

Distribute SNS content for the iPhone with links to “Face Book”

(“Lil’ Pirates”, “Zombie Café”, “THE SMURFS”)

- Expand the lineup of titles for additional content for the iPhone in Japan

“CAPCOM ARCADE” for the iPhone



“Lil’ Pirates”

FY2010 Mobile Content Business Plan

(Million yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net sales	-	-	4,000	-
Operating income	-	-	900	-
Operating margin	-	-	22.5%	-

Arcade Operations – First Half Highlights

Signs of a market recovery began to emerge
Used an efficient operating framework to improve profitability

First Half Highlights

- First half existing-arcade sales were down 2% from one year earlier (down 8% in 1Q and up 2% in 2Q).
- Performance is recovering as monthly sales have been up year-on-year since July.

First Half Arcade Operations Performance

(Million yen)

	2008/9	2009/9	2010/9	Difference
Net sales	6,847	6,249	5,916	-333
Operating income	231	480	732	252
Operating margin	3.4%	7.7%	12.4%	-
Year-to-Year Ratio of Existing arcades	84%	86%	98%	-

Number of Arcades

(Facilities)

	2009/3	2010/3	2010/9	2011/3 Plan
New arcades	6	0	0	0
Closing arcades	8	2	1	1
Total	40	38	37	37

Arcade Operations – Second Half Strategies

**Fiscal-year forecast revised upward to reflect
(or factor in) recovery in existing arcade sales.**

Second Half Strategies

- Continue to implement rigorous cost-cutting measures to generate earnings.

Second Half Plan

- No plans for opening or closing arcades in the second half (total of 37 arcades)
- Revised plan for FY2010 existing arcade sales to year-on-year decrease of 2%

FY2010 Arcade Operations Business Plan

(Million yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net sales	13,509	11,985	11,500	-485
Operating income	224	590	1,000	410
Operating margin	1.7%	4.9%	8.7%	-
Year-to-Year Ratio of Existing arcades	85%	86%	98%	-

Amusement Equipments – First Half Highlights

Performance surpassed the initial plan because of strong repeat sales of products developed for other companies in the P&S business.

Arcade Games Sales First Half Highlights

- Repeat sales of existing products along with cuts in fixed expenses.
- Mainly repeated sales of “Mario Party Fushigi no Korokoro Catcher”

Pachinko/Pachislo Business First Half Highlights

- Strong repeat sales of “Onimusha: Dawn of Dreams”, a product developed for another company, contributed to earnings.

Amusement Equipment First Half Performance

(Million yen)

	2008/9	2009/9	2010/9	Difference
Net sales	-	-	1,406	-
Operating income	-	-	19	-
Operating margin	-	-	1.4%	-

- First half segment sales were divided approximately evenly between the Arcade Game Sales and Pachinko & Pachislo businesses.

Amusement Equipment – Second Half Strategies

Both the Arcade Game Sales and Pachinko & Pachislo businesses are introducing major new titles in FY2010.

Arcade Game Sales Business Second Half Strategies

- Launch medal-winning games and video games that use popular characters

Plan to introduce “Super Street Fighter IV” in December 2010

Pachinko & Pachislo Business Second Half Strategies

- Launch the pachislo machine, which uses Capcom’s own content.
- Use the alliance with Fields to strengthen sales operations and upgrade the quality of products.

FY2010 Amusement Equipment Business Plan

(Million yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net sales	-	-	6,000	-
Operating income	-	-	2,000	-
Operating margin	-	-	33.3%	-

*Fiscal year segment sales are expected to be about 40% from Arcade Game Sales and 60% from the Pachinko & Pachislo business.



Forecast for Year Ending March 31, 2011

Fiscal 2010 Forecast

Initial plan for FY3/11 has been revised because of a change in foreign exchange rates, growth in sales and earnings is expected to continue.

(Million yen)

	2010/3	2011/3Plan	Difference
Net sales	66,837	91,000	24,163
Operating income	5,587	13,000	7,413
Ordinary income	5,530	11,000	5,470
Net income	2,167	6,500	4,333

Reduced the FY2010 forecast (October 4, 2010)

- Revised foreign exchange rates lowered sales and earnings.

Forecast for earnings per share is ¥110.01.

Forecast ¥15 interim dividend and ¥20 year-end dividend for a total dividend of ¥35 per share applicable to FY2010.



Data File

Selected Financial Data (FY3/09- FY3/11 1H, FY3/11 plan)

Profit and Loss Sheet

(Million yen)

	2009/3	2010/3	2011/3 E	%	2010/9
Net sales	91,878	66,837	91,000	136.2%	40,706
Gross profit	36,917	24,720	37,000	149.7%	14,618
% of Gross profit	40.2%	37.0%	40.5%	-	35.9%
Sales and G&A expenses	22,299	19,133	24,000	125.4%	10,675
Operating income	14,618	5,587	13,000	89.3%	3,942
% of Operating income	15.9%	8.4%	16.3%	-	9.7%
Ordinary income	13,808	5,530	11,000	198.9%	2,880
% of Ordinary income	15.0%	8.3%	15.5%	-	7.1%
Net income	8,063	2,167	6,500	300.0%	1,784
% of Net income	8.8%	3.2%	8.9%	-	4.4%

Sales by Business Segments

(Million yen)

		2009/3	2010/3	2011/3 E	%	2010/9
Consumer Online Games	Net sales	62,892	44,015	66,000	149.9%	30,773
	Operating income	16,392	7,846	12,100	154.2%	4,530
	Operating margin	26.1%	17.8%	18.3%	-	14.7%
Mobile Content	Net sales	-	-	4,000	-	1,365
	Operating income	-	-	900	-	300
	Operating margin	-	-	22.5%	-	22.0%
Arcade Operations	Net sales	13,509	11,985	11,500	96.0%	5,916
	Operating income	224	590	1,000	169.5%	732
	Operating margin	1.7%	4.9%	8.7%	-	12.4%
Amusement Equipments	Net sales	-	-	6,000	-	1,406
	Operating income	-	-	2,000	-	19
	Operating margin	-	-	33.3%	-	1.4%
Others	Net sales	2,824	2,736	3,500	127.9%	1,244
	Operating income	1,053	1,097	1,000	91.2%	227
	Operating margin	37.3%	40.1%	28.6%	-	18.2%

Sales by Geographic Area

(Million yen)

	2009/3	2010/3	2011/3 E	%	2010/9
Japan	54,193	47,269	60,500	128.0%	24,300
North America	21,851	10,825	19,500	180.1%	9,782
Europe	14,167	7,813	10,000	128.0%	5,775
Other territories	1,665	928	1,000	107.8%	847

Selected Financial Data (FY3/09- FY3/11 1H, FY3/11 plan)

Promotional Expense

(Million yen)

	2009/3	2010/3	2011/3 E	%	2010/9
Capcom Japan	2,926	2,686	3,700	137.8%	1,522
Consolidated	6,816	5,299	7,300	137.8%	3,834

Number of Arcades

(Facilities)

	2009/3	2010/3	2011/3 E	%	2010/9
Consolidated	40	38	37	-1	37

Capital Expenditure

(Million yen)

	2009/3	2010/3	2011/3 E	%	2010/9
Capcom Japan	1,817	1,276	2,200	172.4%	607
Consolidated	2,062	1,636	2,600	158.9%	1,052

Depreciation

(Million yen)

	2009/3	2010/3	2011/3 E	%	2010/9
Capcom Japan	3,390	2,876	2,700	93.9%	1,278
Consolidated	4,143	3,368	3,000	89.1%	1,481

Number of Employees

(Persons)

	2009/3	2010/3	2011/3 E	%	2010/9
Capcom Japan	1,455	1,620	1,790	110.5%	1,624
Consolidated	1,813	1,930	2,140	110.9%	1,924

R&D Investment Cost

(Million yen)

	2009/3	2010/3	2011/3 E	%	2010/9
R&D Investment Cost	19,744	19,126	27,000	141.2%	11,052
Technical R&D Cost	2,329	2,125	2,600	122.4%	978

Foreign Exchange Rate (End of period)

(Yen)

	2009/3	2010/3	2011/3 E	%	2010/9
USD/¥	98	93	84	90.3%	84
Euro/¥	129	124	110	88.7%	114

Selected Financial Data (FY3/09- FY3/11 1H, FY3/11 plan)

Sales Units Shipped <platform>

(Thousand Units)

		2009/3	2010/3	2011/3 E	Difference	2010/9
Playstation 2	Total Titles	10	10	2	-8	1
	Sub Total	1,550	600	300	50.0%	100
Playstation 3	Total Titles	15	11	13	2	5
	Sub Total	4,450	2,700	5,200	192.6%	3,600
PSP	Total Titles	18	20	11	-9	5
	Sub Total	3,250	2,400	5,200	216.7%	1,200
Game Cube	Total Titles	-	-	-	-	-
	Sub Total	100	-	-	-	-
Wii	Total Titles	14	8	3	-5	2
	Sub Total	1,700	3,200	1,600	50.0%	1,000
NintendoDS	Total Titles	37	12	11	-1	5
	Sub Total	1,350	1,000	2,000	200.0%	400
Xbox360	Total Titles	12	8	12	4	7
	Sub Total	4,300	1,700	4,200	247.1%	2,600
PC & Others	Total Titles	4	3	3	0	2
	Sub Total	600	900	500	55.6%	100
Total	Total Titles	110	72	55	-17	27
	Sub Total	17,300	12,500	19,000	152.0%	9,000

Sales Units Shipped <geographic>

(Thousand Units)

	2009/3	2010/3	2011/3 E	Difference	2010/9
Japan	6,300	5,200	8,000	153.8%	3,100
North America	6,000	3,600	6,000	166.7%	2,800
Europe	4,500	3,400	4,500	132.4%	2,800
Asia	500	300	500	166.7%	300
Total	17,300	12,500	19,000	152.0%	9,000