



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

Results of Operations and Strategies
First half of fiscal year ending March 31, 2010

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.



Contents:

1. Home Video Games	···3
2. Arcade Operations	···9
3. Arcade Games Sales	···11
4. Contents Expansion	···13
5. Fiscal 2009 Forecast	···15

Home Video Games: First Half Highlights

**Strong performance due to solid lucrative repeat sales
and success of major titles**

1. Successful multi-platform approach for the “Monster Hunter” series

- “Monster Hunter Tri” becomes the first third-party Wii title to reach sales of one million units.
- “Monster Hunter Freedom 2G PSP The Best” cumulative sales top 1 million units, a remarkable feat for a lower-priced title; continuing to make shipments of this title, which is one of the best-selling PSP games.
- Number of members remains steady for the “Monster Hunter Frontier Online” PC online game.

2. Five Capcom titles selected at Japan Game Awards 2009

- The “Monster Hunter” development teams received the Minister of Economy, Trade and Industry Prize.
- “Resident Evil 5” received an Award of Excellence.
- “Monster Hunter Freedom 2G PSP The Best” received a Special Award.
- “Lost Planet 2” and “Ghost Trick” each won a Future Award.

3. Enlarged the horizontal expansion model based on the single content, multiple usage strategy

- “Ace Attorney” series: Takarazuka Revue stage presentation of “Phoenix Wright: Ace Attorney 2” (August)
- “Sengoku BASARA” series: Animated TV program (April), stage show (July), character for Miyagi prefecture election for governor (October), others

Home Video Games: First Half Highlights

First Half Sales of Major Titles

A consistent stream of hit titles from “Monster Hunter”, “Resident Evil” and other core game series

(Thousand units)

Platform	Title	Region	Date	Sales	Total
Wii	Monster Hunter Tri	Japan	8/1	1,100	1,100
PSP	Monster Hunter Freedom Unite (Best Price included)	Japan	2008/3/27	500	900
		North America	6/23	150	
		Europe	6/26	250	
PS3 Xbox 360	Resident Evil 5	Japan	3/5	100	750
		North America	3/13	420	
		Europe	3/13	230	
PS3 Xbox 360	Bionic Commando	Japan	6/25	40	670
		North America	5/19	280	
		Europe	5/22	350	

Home Video Games: First Half Highlights

First Half Home Video Game Sales

Higher profitability due to lucrative repeat sales and strong sales of major titles

(Million yen)

	2007/9	2008/9	2009/9	Difference
Net Sales	16,323	16,486	27,748	11,262
Operating income	2,458	3,637	7,299	3,662
Operating Margin	15.1%	22.1%	26.3%	4.2%

(Thousand units)

	2007/9	2008/9	2009/9	Difference
Titles	50	50	40	-10
Japan	2,900	3,000	3,600	600
North America	1,700	1,100	1,800	700
Europe	1,200	800	2,000	1,200
Asia	100	200	200	0
Total	5,900	5,100	7,600	2,500

(Composition)

(Thousand units)

	2007/9	2008/9	2009/9	Difference
Distribution Titles	960	540	500	-40
Old Titles	2,100	3,500	3,700	200

Home Video Games: Second Half Strategic Goals

Release more major titles; maximize sales volumes by increasing overseas market share and pursuing the online strategy

1. Assemble a lineup of titles with emphasis on overseas markets

- Plan to have overseas titles account for 75% of all titles
“Lost Planet 2”, “Dark Void”, “Resident Evil: The Darkside Chronicles”, and others

2. Focus on expanding the global online game business

- Strengthen operations for the “Monster Hunter Frontier Online” online game for PCs
Maintain stability of membership base by constantly updating the game
Target new users by extending operations to Korea, Taiwan and other areas of Asia
- Develop game software for online network game playing
Online connections for “Monster Hunter Tri” have exceeded the plan
For “Lost Planet 2”, plan to offer online playing for as many as 16 players

3. Use digital distribution to maximize opportunities to sell software

- Sell game software by using network downloads in order to give users more options.
“Marvel vs. Capcom 2”, “Fate / unlimited codes” (overseas), and others
- Constantly offer upgrades and earn profits by using PSN and XLA to distribute additional content.
Constantly sell “Resident Evil 5”, “Street Fighter IV” and other additional content

Home Video Games: Second Half Strategic Goals

Second Half Sales Plans for Major Titles

**Plan to launch several major titles during this fiscal year
Revised sales volume plans for some titles**

(Thousand units)

Platform	Title	Region	Date	Plan
PS3 Xbox 360	Lost Planet 2	Japan	This Winter	3,700
		North America		
		Europe		
PS3 Xbox 360	Dark Void	North America	2010/1/12	1,300
		Europe	2010/1/15	
PS3 Xbox 360	SUPER STREET FIGHTER IV	Japan	Spring 2010	1,100
		North America		
		Europe		
Wii	Resident Evil : The Darkside Chronicles	Japan	2010/1/14	800
		North America	2009/11/17	
		Europe	2009/11/27	

Reference:

PS3 / Resident Evil 5 Alternative Edition / worldwide / spring 2010 / Plan:300 thousand units

Home Video Games: Second Half Strategic Goals

Fiscal Year Plan for Home Video Game Business

Raised sales plan for fiscal year due to strong online games sales and revised sales plans for titles to be released in the second half

(Million yen)

	2008/3	2009/3	2010/3 Plan	Difference
Net Sales	51,679	62,892	72,000	9,108
Operating income	11,609	16,392	19,000	2,608
Operating Margin	22.5%	26.1%	26.4%	0.3%

(Thousand units)

	2008/3	2009/3	2010/3 Plan	Difference
Titles	106	110	94	-16
Japan	7,100	6,300	5,100	-1,200
North America	4,700	6,000	7,700	1,700
Europe	3,450	4,500	6,900	2,400
Asia	350	500	300	-200
Total	15,600	17,300	20,000	2,700

(Composition)

(Thousand units)

	2008/3	2009/3	2010/3 Plan	Difference
Distribution Titles	1,650	1,350	600	-750
Old Titles	4,550	5,400	5,600	200

Arcade Operations: First Half Highlights

Sales down as the number of customers continued to fall, but earnings increased because of cost reductions

First Half Summary

- Sales were down 14% at existing arcades (-14% in Q1 and -15% in Q2)
- Existing arcades performed poorly due to the combination of the following factors:
 - Fewer customers due to outbreak of new strains of influenza
 - Absence of popular arcade machines

First Half Arcade Operations Business

(Million yen)

	2007/9	2008/9	2009/9	Difference
Net Sales	6,375	6,847	6,249	-598
Operating income	682	231	480	249
Operating margin	10.7%	3.4%	7.7%	4.3%
Year-to-Year Ratio of Existing arcades	88%	84%	86%	2%

Number of Arcades

(Facilities)

	2008/3	2009/3	2009/9	2010/3(Plan)
New arcades	9	6	0	0
Closing arcades	0	8	0	1
Total	42	40	40	39

Arcade Operations: Second Half Strategic Goals

Revised fiscal year plan due to consistent weakness in first half sales at existing arcades

Second half strategies

- **Build an efficient operating framework in order to generate profits by rigorously cutting costs.**
 - Carefully examine capital expenditures
 - Hold down personnel expenses by reexamining the use of human resources
 - Improve earnings by closing unprofitable arcades
- **Differentiate arcades from other locations by making extensive use of Capcom's own products.**

Second half plan

- **Plan to close one arcade in the second half (reducing the total to 39 locations)**
- **Revised second half existing arcade sales plan to a year-on-year decrease of 13%**

Fiscal Year Arcade Operations Business

(Million yen)

	2008/3	2009/3	2010/3 Plan	Difference
Net Sales	13,406	13,509	12,000	- 1,509
Operating income	753	224	600	376
Operating Margin	5.6%	1.7%	5.0%	3.3%
Year-to-Year Ratio of Existing Stores	86%	85%	87%	2%

Arcade Games Sales: First Half Highlights

Big declines in sales and earnings due to absence of new models

First Half Summary

- A loss (as planned) due to absence of new title releases in the first half as fixed expenses remained the same.
- Reviewed the deployment of game development and sales personnel

First half performance

- Sold 170 coin-operated, prize-winning and video game units.

First Half Arcade Games Sales

(Million yen)

	2007/9	2008/9	2009/9	Difference
Net Sales	1,353	4,071	656	-3,415
Operating income	-570	737	-334	-1,071
Operating margin	-42.1%	18.1%	-50.9%	-

Arcade Games Sales: Second Half Strategic Goals

Reduced the fiscal year plan based on a reexamination of the sales plan for new models because of declining demand caused by the economic downturn

Second half strategies

- Maximize sales volume by using the business alliance with NAMCO BANDAI Games Inc.
Conduct development and sales activities that take full advantage of the resources of both companies
- Considering a reorganization to create a unified development and business structure

Second half plan

- Plan to start selling the “Mario Party Fushigi no Korokoro Catcher” coin-operated game in November 2009.
- Plan to sell 280 units in fiscal 2009.

Fiscal Year Arcade Games Sales Business

(Million yen)

	2008/3	2009/3	2010/3 Plan	Difference
Net Sales	6,538	8,023	2,200	-5,823
Operating income	1,182	1,758	-400	-2,158
Operating margin	18.1%	21.9%	-18.2%	-

Contents Expansion: First Half Highlights

Operating loss for the Pachinko & Pachislo business because of weak sales of Capcom's own models

Pachinko & Pachislo first half summary

- Introduced “Vampire”, Capcom’s second model, but sales were below the plan.
Sold 1,100 units

Mobile Contents business first half summary

- Started selling “Apollo Justice: Ace Attorney” in Japan; sales were generally as planned.
- Sold titles of popular home video game series as content for the iPhone / iPod touch.
Makes possible the efficient horizontal expansion of “Resident Evil:Degeneration”, “resident evil 4,” and other existing brands.

First Half Content Expansion Business Performance

(Million yen)

	2007/9	2008/9	2009/9	Difference
Net Sales	5,644	2,547	2,560	13
Operating income	1,863	261	-403	-664
Operating margin	33.0%	10.2%	-15.7%	-

*Pachinko & pachislo is about 30% of sales and mobile content about 70%

Contents Expansion Business: Second Half Strategic Goals

Lowered the fiscal year plan due to first half weakness in the Pachinko & Pachislo business

Pachinko & Pachislo second half strategies

- Review the lineup of titles and release only one new model in the second half (plan 3,000 units)
- Upgrade sales operations and the quality of products by using the business alliance with a major distributor
- Merged Enterrise Co., Ltd.'s Development Division with Capcom to consolidate game machine development operations.
- Resume developing titles for other companies to reduce the risk of becoming unprofitable
Plan to start sales in the second half of one model made by another company

Mobile Contents second half strategies

- Effectively use Capcom content for distribution to Japanese cell phone carriers and develop titles for casual game users
“Monster Hunter Mobile,” “Apollo Justice: Ace Attorney,” “Are You Smarter Than A 5th Grader? 2009” etc.
- Rapidly accumulate development expertise by quickly adapting content for use in new handset models
“Ghosts'n Goblins” (for iPhone / iPod touch) and others.

Fiscal Year Contents Expansion Business

(Million yen)

	2008 /3	2009/3	2010/3 Plan	Difference
Net Sales	8,525	4,628	5,500	872
Operating income	2,633	-230	400	630
Operating margin	30.9%	-5.0%	7.3%	-

Forecast for Fiscal Year Ending March 2010

No change in fiscal year plan as better than expected performance in the Home Video Games and Arcade Operations segments will probably be offset by weakness in other businesses

(Million yen)

	2009/3	2010/3Plan	Difference
Net Sales	91,878	95,000	3,122
Operating Income	14,618	15,500	882
Ordinary Income	13,808	14,700	892
Net Income	8,063	8,500	437

No change in fiscal year forecast

- Increased earnings forecast mainly due to revision in sales volume plan in the Home Video Games segment (operating income: + ¥2.4 billion)
- Reduced earnings forecast mainly due to weak sales in the Arcade Game Sales segment and Pachinko & Pachislo business (operating income: -¥2.3 billion)
- Higher eliminations and corporate expenses (operating income: -¥0.1 billion)

Earnings per share forecast: ¥139.31

FY09 dividend forecast: ¥15 interim and ¥20 year-end dividend for total of ¥35 per share



Data File

Selected Financial Data (FY3/08- FY3/10 1H, FY3/10 plan)

Profit and Loss Sheet

(Million yen)

	2008/3	2009/3	2010/3 E	%	2009/9
Net Sales	83,097	91,878	95,000	103.4%	38,892
Gross Profit	32,594	36,917	38,500	104.3%	15,883
% of Gross Profit	39.2%	40.2%	40.5%	0.3%	40.8%
Sales and G&A Expenses	19,473	22,299	23,000	103.1%	10,336
Operating Income	13,121	14,618	15,500	106.0%	5,574
% of Operating Income	15.8%	15.9%	16.3%	0.4%	14.3%
Ordinary Income	12,267	13,808	14,700	106.5%	5,476
% of Ordinary Income	14.8%	15.0%	15.5%	0.5%	14.1%
Net Income	7,807	8,063	8,500	105.4%	2,967
% of Net Income	9.4%	8.8%	8.9%	0.1%	7.6%

Sales by Business Segments

(Million yen)

		2008/3	2009/3	2010/3 E	%	2009/9
Home Video Games	Net Sales	51,679	62,892	72,000	114.5%	27,748
	Operating Income	11,609	16,392	19,000	115.9%	7,299
	Operating Margin	22.5%	26.1%	26.4%	0.3%	26.3%
Arcade Operations	Net Sales	13,406	13,509	12,000	88.8%	6,249
	Operating Income	753	224	600	267.9%	480
	Operating Margin	5.6%	1.7%	5.0%	3.3%	7.7%
Arcade Games Sales	Net Sales	6,538	8,023	2,200	27.4%	656
	Operating Income	1,182	1,758	-400	-	-334
	Operating Margin	18.1%	21.9%	-18.2%	-	-50.9%
Contents Expansion	Net Sales	8,525	4,628	5,500	118.8%	2,560
	Operating Income	2,633	-230	400	-	-403
	Operating Margin	30.9%	-5.0%	7.3%	-	-15.7%
Others	Net Sales	2,947	2,824	3,300	116.9%	1,676
	Operating Income	468	1,053	900	85.5%	668
	Operating Margin	15.9%	37.3%	27.3%	-10.0%	39.9%

Sales by Geographic Area

(Million yen)

	2008/3	2009/3	2010/3 E	%	2009/9
Japan	56,457	54,193	47,500	87.6%	27,906
North America	15,796	21,851	31,500	144.2%	6,098
Other territories	9,782	14,167	14,900	105.2%	4,371
Total	1,060	1,665	1,100	66.1%	515

Selected Financial Data (FY3/08- FY3/10 1H, FY3/10 plan)

Promotional Expense					(Million yen)
	2008/3	2009/3	2010/3 E	%	2009/9
Capcom Japan	3,773	2,925	3,100	106.0%	1,828
Consolidated	5,693	6,815	7,500	110.1%	3,115

Number of Arcades					(Facilities)
	2008/3	2009/3	2010/3 E	%	2009/9
Consolidated	33	40	39	-1	40

Capital Expenditure					(Million yen)
	2008/3	2009/3	2010/3 E	%	2009/9
Capcom Japan	2,915	1,817	1,500	82.6%	440
Consolidated	3,166	2,062	2,000	97.0%	721

Depreciation					(Million yen)
	2008/3	2009/3	2010/3 E	%	2009/9
Capcom Japan	2,825	3,391	3,000	88.5%	1,349
Consolidated	3,393	4,143	3,500	84.5%	1,595

Number of Employees					(Persons)
	2008/3	2009/3	2010/3 E	%	2009/9
Capcom Japan	1,324	1,455	1,694	116.4%	1,587
Consolidated	1,506	1,813	2,075	114.5%	1,932

R&D Investment Cost					(Million yen)
	2008/3	2009/3	2010/3 E	%	2009/9
R&D Investment Cost	18,458	16,660	23,000	138.1%	9,817
Technical R&D Cost	2,972	2,329	2,100	90.2%	1,147

Foreign Exchange Rate (End of period)					(Yen)
	2008/3	2009/3	2010/3 E	%	2009/9
USD/¥	100	98	95	96.9%	90
Euro/¥	158	129	115	89.1%	132

Selected Financial Data (FY3/08- FY3/10 1H, FY3/10 plan)

Sales Units Shipped <platform> (Thousand Units)

		2008/3	2009/3	2010/3 E	Difference	2009/9
Playstation 2	Total Titles	29	10	10	0	8
	Sub Total	3,100	1,550	600	38.7%	400
Playstation 3	Total Titles	8	15	15	0	5
	Sub Total	1,750	4,450	5,700	128.1%	1,100
PSP	Total Titles	16	18	14	-4	10
	Sub Total	3,150	3,250	2,100	64.6%	1,550
Game Cube	Total Titles	-	-	-	-	-
	Sub Total	140	100	-	-	-
Wii	Total Titles	13	14	9	-5	4
	Sub Total	2,930	1,700	3,800	223.5%	2,000
NintendoDS	Total Titles	27	37	28	-9	6
	Sub Total	2,400	1,350	1,200	88.9%	800
Xbox	Total Titles	-	-	-	-	-
	Sub Total	20	-	-	-	-
Xbox360	Total Titles	10	12	12	0	4
	Sub Total	1,620	4,300	5,400	125.6%	950
PC & Others	Total Titles	3	4	6	2	3
	Sub Total	490	600	1,200	200.0%	800
Total	Total Titles	106	110	94	-16	40
	Sub Total	15,600	17,300	20,000	115.6%	7,600

Sales Units Shipped <geographic> (Thousand Units)

	2008/3	2009/3	2010/3 E	Difference	2009/9
Japan	7,100	6,300	5,100	81.0%	3,600
North America	4,700	6,000	7,700	128.3%	1,800
Europe	3,450	4,500	6,900	153.3%	2,000
Asia	350	500	300	60.0%	200
Total	15,600	17,300	20,000	115.6%	7,600