



March 30, 2004

Capcom Company. Ltd.  
3-1-3 Uchihirano-machi, Chuo-ku,  
Osaka 540-0037, Japan

## Notice about Business Division of R&D Under Corporate Dividing Rules

Capcom Co., Ltd., hereby announces that it was decided at the board meeting held on March 30, 2004 that one of R&D division will be divided into a new subsidiary under corporate dividing rules in Japan and the new company name is to be Clover Studio Co., Ltd.

### 1. Objective for New Business Division

Our company started its overall company restructuring since October 2002 in order to have competitiveness in the worldwide market and have the company stepped up to another growth curve with a view of reformation of operations as well as its organization from the scratch.

Since April 2004, review on R&D structure and marketing divisions as key management functions has been made and necessary structural changes were taken from time to time. As a part of those restructuring processes, our company determined that one of R&D divisions for Consumer products will be spun off as a new subsidiary to generate maximum profits as a group through "New Value Creation".

Through pursuit of unique and original titles creation, our group keeps enhancing original-brand values and will endeavor to improve profitability of the business through visible management accountability.

### 2. Major Points of Business Division under Corporate Dividing rules

#### (1) Schedule

Board Meeting approval: March 30, 2004

Dividing date: July 1, 2004 (plan)

Registry of New Company: July 1, 2004 (plan)

This business division process is based on Summary New corporate foundation granted under dividing rules in Japanese Commercial code Article 374-6 without going through the annual shareholders meeting process.

#### (2) Business Division Method

##### 1. Dividing Method

Capcom is as a dividing party and Clover Studio Co., Ltd., is as a divided and succeeding party. The method is a new business division corporate method, which means that a divided party will issue its share to the dividing party.

##### 2. The reason why Capcom adopted the method is as follows;

This business division is based on the strategy that it is crucial for our group to generate maximum corporate value by improving its profits with a swift decision process as well as clear accountability.

#### (3) Allotment of New Issuing Shares

The new corporate as a wholly owned subsidiary will issue its share of 1,800 and all the shares will be allotted to the dividing corporate.

(4) Cash distribution upon business division and transfer

There will be no cash distribution in relation to the business division and transfer.

(5) The assets, liability, rights and obligations to be succeeded by the new corporate

The new corporate will succeed all its assets and liability No. 9 R&D Division will have as of the business division date.

(6) Implementation of debt obligations

Both the dividing corporate and the new company will implement any debt due after the business division date.

(7) Board Members of New Company

Board of Directors: M/S Atsushi Inaba, Ryuta Takahashi, Shinnji Utsunomiya, Kenzo Tsujimoto, Haruhiro Tsujimoto, Tamio Oda and Yoshifumi Yamashita

Statutory Auditors: M/S Morio Kuroda, Shigeo Konishi

3. Basic Information for Capcom Co., Ltd. and the New Company

(1) Trade Name	Capcom Co., Ltd.(company to divide a unit)	Clover Studio Co., Ltd. (succeeding company)
(2) Principal Businesses	Planning, development and sale of software	Development of software
(3) Date of Establishment	May 30, 1979	July 1, 2004
(4) Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka 540-0037, Japan	3-2-8 Uchihirano-machi, Chuo-ku, Osaka 540-0037, Japan
(5) Representative	Kenzo Tsujimoto, President and CEO	Atsushi Inaba, President and CEO
(6) Paid-in Capital (millions of yen)	27,581	90
(7) Shares Issued	58,435,819 shares	1,800 shares
(8) Shareholders' Equity (millions of yen)	49,906	243
(9) Total Assets (millions of yen)	105,613	272
(10) Financial Closing Date	March 31	March 31
(11) Number of Employees	1,162	64
(12) Major Partners	Sony Computer Entertainment Inc., Nintendo Co.,Ltd., and Microsoft Corporation	Capcom Co., Ltd.
(13) Major Shareholders and Shareholdings	Crossroad Limited 11.59% Kenzo Tsujimoto 6.97% Japan Trustee Services Bank,Ltd. (Trust Account) 5.53% Master Trust Bank of Japan, Ltd. (Trust Account) 5.46% UFJ Trust Bank Lmd. (Trust Account : A) 2.79%	Capcom Co., Ltd. 100%

(14)Main Banks	Mizuho Corporate Bank, Ltd., Mitsubishi Tokyo Financial Group, Inc. (MTFG), UFJ Bank Limited, Sumitomo Mitsui Banking Corporation	To be decided.
(15) Relationship between Capcom Co., Ltd. and the New Company	Capital:	Capcom Co., Ltd. will hold 100% equity share in New Company.
	Personnel:	Capcom Co., Ltd. will assign its Directors to New Company. Employees are expected to enter the new company after retirement of Capcom Co., Ltd.
	Transactions:	Capcom Co., Ltd. sells software developed by Clover Studio Co., Ltd. Capcom Co., Ltd. will farm out development of game software to Clover Studio Co.,Ltd.

Notes: Information of Capcom Co., Ltd. is mentioned as of March 31, 2003 and of Clover Studio Co., Ltd. (New Company) as of anticipation at the time of its establishment.

#### (16) Financial Result for The Most Recent Three Fiscal Year

(Millions of Yen, except per share amounts)

Capcom Co., Ltd (company to divide a unit)			
Financial Term	2001/3	2002/3	2003/3
Net Sales	37,488	45,015	43,454
Operating Income	3,601	6,187	4,229
Ordinary Income	4,260	5,837	4,302
Net Income	2,749	3,342	-13,741
Earnings Per Share (Yen)	50.10	57.30	-237.00
Dividends Per Share (Yen)	20.00	20.00	20.00
Shareholders' Equity Per Share (Yen)	1127.31	1169.45	876.77

#### 4. Description of The Business to be Divided

##### (1) Business to Be Divided

Development of Game Software

##### (2) Financial Result of The Business to Be Divided in FY2002

(Millions of Yen)

	Business to Be Divided	2003/3(b)	Percentage (b/a)
Net Sales	658	43,454	1.5%
Gross Income	199	13,678	1.5%
Operating Income	109	4,229	2.6%

Notes: Financial Result of the business to be divided is based on figures in inter-company transaction

##### (3) Assets and Liabilities of The Business to Be Divided

( forecast February 29, 2004)

(Millions of Yen)

Account Title	Book Value	Account Title	Book Value
Current Asset	186	Current Liabilities	77
Fixed Asset	35		
Total	221	Total	77

#### 5. Information about Capcom Co., Ltd. upon Business Division

##### (1) Trade Name, Principal Businesses, Head Office, Representative, Paid-in Capital,

Total Asset and Financial Closing Date

Capcom Co., Ltd. expects that the business division will have no impact.

##### (2) Impact on Financial Forecast

Capcom Co., Ltd. expects that the business division will have no material impact on the company's financial performance.

#### Disclaimer Regarding Forward-Looking Statements

Capcom sometimes provides projection as well as guidance concerning the future prospects in addition to profit estimates to be submitted to the Tokyo Stock Exchange, in order to assist investors and securities analysts to make their own estimates about the performance of Capcom.

Statements made on this press release with respect to Capcom plans, policy, estimates and strategies, and other matters that are not historical facts, are forward-looking expectations about the future performance of Capcom. These forward-looking expectations are based on the current assumptions of Capcom in light of the information currently available to and comprehended by Capcom. Please be aware that a number of important factors and uncertainties could cause actual results to differ materially from those mentioned in the forward-looking expectations.

Accordingly, when evaluating our performance or value as a going concern, you are requested not to rely on these projections entirely.

Factors and uncertainties that might affect performance of Capcom include, but are not limited to

- (1) general economic conditions in the video game industry
  - (2) economic trend, such as consumer spending, capital expenditure, exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies, and the stock market.
  - (3) sudden change in social situation and occurrence of unexpected situation.
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