Annual Report 2000

COMPANY PROFILE

A leading company in the entertainment industry, Capcom develops, publishes, and distributes a variety of software games for both home video consoles and arcade machines. Capcom also operates amusement facilities at 37 locations in Japan. Since the foundation of the Company in May 1979, Capcom has taken a leading role in the entertainment software industry and continues to amaze customers with an incredible lineup of spectacular products. The historic success of the Street Fighter series, originally introduced in 1991, established Capcom as a leader in the gaming industry. Blockbuster brands such as Mega Man and Breath of Fire continued to build Capcom's reputation as a premier publisher. The landmark development of the Resident Evil franchise in March 1996 established an entire new genre in gaming dubbed Survival Horror, which has since become one of the most popular segments of next-generation games. During fiscal 2000, Capcom introduced the newest major series, Dino Crisis, taking Survival Horror to a new level and appealing directly to millions of Survival Horror fans worldwide.

CONTENTS

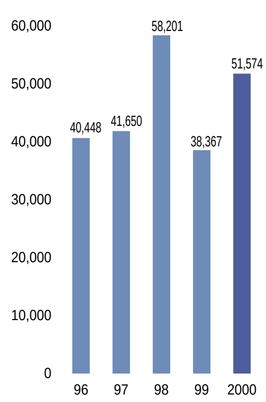
FINANCIAL HIGHLIGHTS

CAPCOM Co., Ltd. Years ended March 31, 2000 and 1999

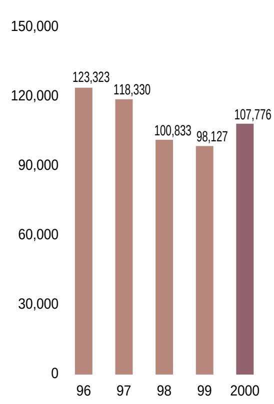
Consolidated basis	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Net sales	**¥51,574**	¥38,367	**$486,547**
Net income	**9,700**	1,507	**91,509**
Total assets	**107,776**	98,127	**1,016,754**
Total shareholders' equity	**51,320**	30,125	**484,151**
Amounts per share (in yen and U.S. dollars):			
Net income:	**¥273.01**	¥43.00	**$2.58**
Net income-diluted	**237.78**	—	**2.24**
Cash dividends applicable to the year	**20.00**	20.00	**0.19**

Note: U.S. dollar amounts are translated from yen at the rate of ¥106=US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2000.

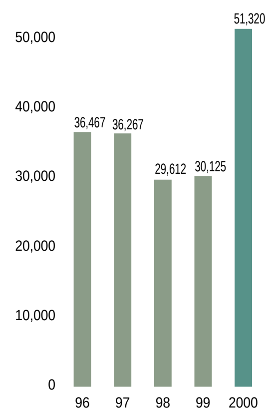
Net Sales
(Millions of yen)



Total Assets
(Millions of yen)



Total Shareholders' Equity
(Millions of yen)



PRESIDENT'S MESSAGE

It is my pleasure to report the results of our fiscal year 2000 for the Capcom Group. We posted extremely good financial results, our net consolidated sales were ¥51,574 million, up 34.4%, and our net income leaped to ¥9,700 million, or ¥273.01 per share. We have achieved our goal of expanding our position as a leading provider of high-quality interactive entertainment software on multiple hardware platforms, emphasizing profitability by controlling our costs, balancing cash flow, and managing the risks and rewards of successful software development.

Our financial position also took a great stride forward during the fiscal year under review. Moody's Investors Service recognized the surge in our performance by raising our convertible bond rating to Ba3. Cash position also improved, more than doubling to ¥27,439 million.

Let me briefly review some of our major accomplishments during this past year. We released approximately 4.53 million units of software into the marketplace, with full support for multiple hardware platforms, including Nintendo 64, SEGA Dreamcast, and Sony PlayStation. We expanded our offerings with the introduction of many new games for Nintendo's highly successful Color Game Boy handheld system. Our CAPCOM Eurosoft Division continued it's strong licensing operation, and our U.S. subsidiary Capcom Entertainment, Inc., expanded its sales opportunities by directly opening the Canadian marketplace for our products. This represents a significant step for the U.S. entity as one of very few video game publishers to have this kind of presence in that highly important and growing region.

At the turn of the millennium, we witnessed a change in the way our customers play games, with a switch in emphasis from traditional arcade video games toward in-home and network game play. We have begun to direct our development and planning efforts to respond to this market trend and intend to be fully prepared to change to a new paradigm to capitalize on this new opportunity. We are ready to utilize this knowledge to successfully implement a comprehensive network strategy.

During fiscal 2000, among many other milestones, we introduced our newest franchise property, Dino Crisis. Our U.S. operation was able to gain the support of Sony Computer Entertainment of America for the promotion of this software title, which contributed to our success in launching the product and firmly establishing this future growth franchise.

Similarly, marketing support from Sony, Sega, and Nintendo reached new levels for products on their respective platforms in the United States. This new direction of cooperation is attributed to the strength of Capcom franchises and brand awareness with consumers.

As we look forward to this next year, we see great opportunities to further develop our multi-platform strategies. In March 2000, Sony launched the next version of its highly successful PlayStation in Japan and will introduce it in the United States in fall 2000. Nintendo is also working towards the launch of their next generation system in the not too distant future. The industry will also see a major hardware competitor break into the video game market as Microsoft enters the U.S. marketplace with its Xbox game console. These announcements are tremendous opportunities for Capcom as the most comprehensive third-party provider of the highest-quality entertainment software. We believe the future will only strengthen our leadership position on all hardware platforms as valued consumers discover, "Wherever you go, Capcom is there."

Furthermore, to take advantage of the opportunities being opened up by new business channels, such as the Internet and cellular phones, we are concentrating on another core strategy: network business development. Keeping pace with the exciting developments in the IT field, we are targeting strengthening the Capcom brand name and pooling our business assets to focus on quick response to advances in technology. Our final goal is significant growth in market share in the medium term.

We wish to thank all of our employees, customers, and business partners for another successful year. And we thank you, our shareholders, for your continued support. We look forward to reporting on Capcom's progress in the months and years ahead.

Kenzo Tsujimoto
President

Network Technology Research and Application

Capcom was one of the first game publishers in Japan to begin developing software for the promising network game market. Earlier this year, Capcom launched a joint effort with KDD in Japan to offer its SEGA Dreamcast games on-line. Capcom has developed several interactive games for its high-speed network and has launched several network-compatible games, including MARVEL vs. CAPCOM 2 in March 2000 and POWERSTONE 2 in April 2000.

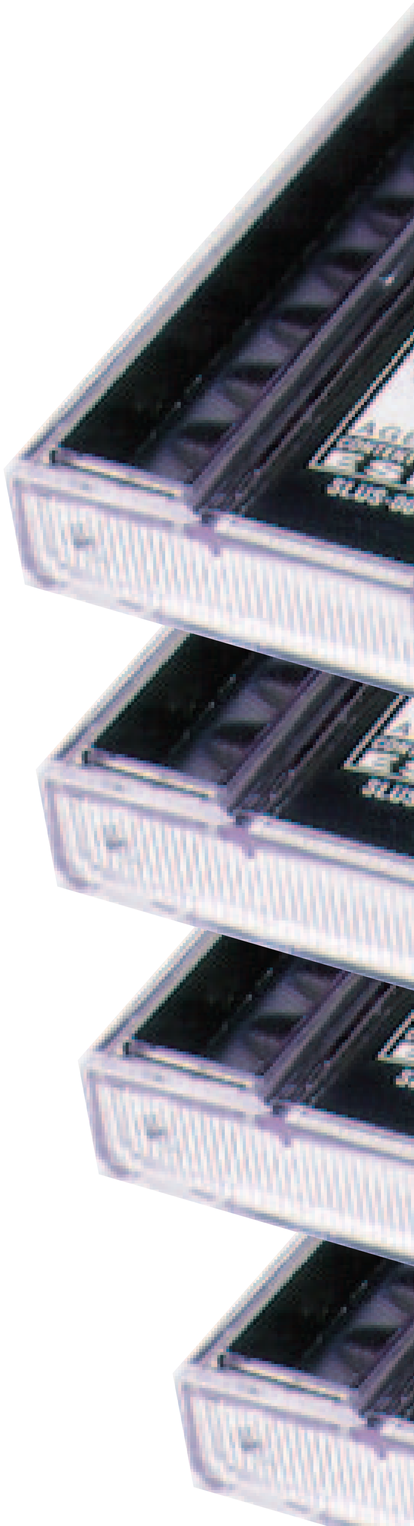
Due to the huge success of its network games, Capcom is planning to expand efforts in this area to create network game versions of titles being sold over the Internet as well as network game compliant versions of simple games.

Capcom's network game strategy will focus on developing game content while integrating its advanced know-how in server, network, and matching operations. Within an on-line Capcom game community, gamers will be able to purchase items, talk to other players using chat and bulletin board functions, and receive network game magazines by e-mail.

Because Capcom views cellular phones as a potential platform for games, the Company also has taken the initiative in developing this market. Using NTT DoCoMo's i-mode format, Capcom is developing contents for its Chaku Melo Collection machines and is already providing game contents for the i-mode format. The Company also is supplying game contents for this mode to other countries in Asia and is evaluating the potential of the markets in Europe and the United States.

The worldwide on-line game market has matured as the technology to support this genre of games has become both robust and widely accessible. Capcom is well positioned to capitalize on this market evolution due to its proven game appeal and by leveraging the world's most recognized video game franchises and characters. Our rollout strategies and technology are tailored to the individual territory.

The major advantage of this new technology and game genre is that Capcom will be able to keep much closer contact with its consumers—through its Web site, registration lists, e-mail newsletters, and subscription database. Direct marketing to consumers greatly increases the impact of new releases while lowering traditional marketing costs.



CAPCOM EVOLVES INTO A NETWORK COMPANY


PlayStation
CAPCOM
CAPCOM
CAPCOM
CAPCOM

REVIEW OF OPERATIONS

Home Video Games

Sales by the Home Video Games Division increased 59.3%, ¥35,753 million, thanks to robust sales of new titles. Dino Crisis and Resident Evil 3 Nemesis became million unit sellers during the fiscal year, and Resident Evil: CODE Veronica became a top SEGA Dreamcast seller when it was released in early 2000. This division generated 69.3% of consolidated net sales. We also saw growing demand for catalog products, as the Mega Man and Street Fighter series showed continuing strong sales as they reached into the value-priced market. Capcom holds a 4.7% share of the domestic home video game software market and 3.3% of the U.S. home video game market and is a leader in unit sales and in development resources.

To further expand our market share, we are not only developing our own software franchises but are also establishing a presence as a publisher by concluding agreements with other game software companies, including Game Arts Co., Ltd., of Japan; EIDOS INTERACTIVE LIMITED, of the United Kingdom; and Havas Interactive, Inc., of the United States, to market such popular software as Tomb Raider IV and Diablo II.

Capcom is also focusing on developing mobile and network games. Currently in Japan we provide game software for NTT DoCoMo's i-mode mobile phone service and interactive game software for KDD's high-speed network service. Capcom plans to actively develop network games in all territories for upcoming platforms, such as Sony's PlayStation 2, Microsoft's Xbox, and Nintendo's Dolphin and Game Boy Advanced.

Multi-platform Strategy

Our business strategy is to produce software across multiple hardware platforms. The Company presently places special emphasis on the PlayStation 2, SEGA Dreamcast, and Nintendo 64 consoles. The advantage of this strategy is that it facilitates stable performances. The risk in developing software for a specific game console is that its performance can be drastically affected if there is great demand for another game console. Under a multi-platform strategy, however, any drop in demand for one platform can be offset by the increase in demand for other platforms. This inherent balance avoids the risk of widely fluctuating performances and makes it possible to achieve stable revenues.

This strategy provides Capcom with other advantages as well. Brand development and extension is critical in the electronic entertainment business. Versions of hit titles can be developed or ported to other platforms, making consumers happy and providing additional revenues at small incremental development costs.

" ", " PS2 " and "PlayStation" are registered trademarks of Sony Computer Entertainment Inc.


PLAZA

Arcade Games

These operations develop and manufacture arcade game software and hardware for sales or rental to amusement facility operators. Divisional sales declined 25.2%, to ¥5,370 million, during the fiscal year under review, accounting for 10.4% of consolidated net sales. Although sales of Street Fighter III Third Strike and Street Fighter EX2 Plus were solid, sales softened due to overall weak market demand.

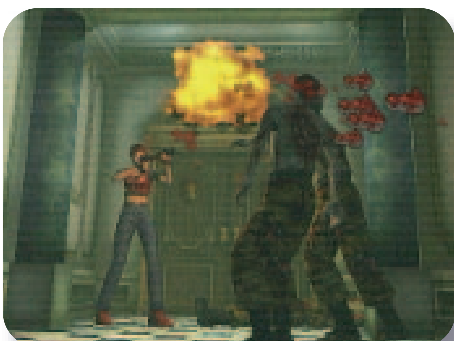
Seeking to breathe some life into these operations after a prolonged decline in the market, we introduced the Chaku Melo Collection machine during the fiscal year under review. We are now building on the success of Chaku Melo Collection by introducing an upgraded online version as a multimedia station. In combination with the scheduled introduction of the Internet-based Town Server AZ-NAVI, we expect these machines to support better performance in our coin-operated business.

Amusement Facilities

In our amusement facilities operations, we opened Plaza Capcom Kichijoji in Tokyo and Play Dome Tsuchiura in Ibaraki Prefecture during the fiscal year under review. We pursued revenue growth by introducing several products to suit a wide range of customers and by holding customized special events. In addition, we sought to capture customers and stimulate demand by opening regionally oriented amusement facilities.

We are targeting revenue growth in our amusement facilities operations through the addition of new facilities that will attract more customers. By opening more regionally oriented amusement facilities, we aim to be the number one game center in each region. These facilities represent Capcom's business roots, and we have confidence in being able to achieve and maintain a leadership position in the market.

Street Fighter EX3 for the PlayStation 2
Worldwide sales of the series neared 24 million units.



Resident Evil: Code Veronica for the Dreamcast
Worldwide sales of the series neared 17 million units.

Dino Crisis for the PlayStation
Worldwide sales of the series neared 2 million units.

Misadventures of Tron Bonne for the PlayStation
Worldwide sales of the series neared 13 million units.

RESEARCH & DEVELOPMENT

Constant Pursuit of the Gaming Aspect of Story Lines

Capcom has numerous top-level game creators in the interactive entertainment field. Realizing that customers enjoy games because of the intrigue and complexity of the story line, Capcom has enjoyed worldwide success by focusing on developing products with in-depth plots. To further enhance our screenplays and story lines, we have outsourced some of the story development creation to Flagship Corporation, a screenplay-planning subsidiary in the Capcom Group. The contributions from this division have ensured the continued success of the multimillion unit seller Resident Evil series. In addition, through Capcom Digital Studios, Inc., of the United States, Capcom develops and creates screenplays designed for the U.S. market. Through constant pursuit of developing games with story lines, Capcom continues to publish compelling products that captivate users.

Strong cost management and incentive systems

Capcom's research and development staff accounts for nearly 60% of our employees. This proportion reflects our belief that our game creators are one of our greatest resources. This group of talented employees includes game concept planners, character designers, background graphic designers, sound designers, software programmers, arcade designers, and network systems designers. We further sharpen the game development capabilities of our staff by fostering an intensely competitive environment within the Company. Through our programs, we are steadily accumulating game development know-how and giving top priority to human resource

development in our corporate organization. Producers manage a staff on an individual title basis and encourage skill development. Since producers are responsible for the entire process, from development to marketing to sales, they manage the profitability of each title.

Under the producer management system, individual profit centers are created for each title, allowing project costs to be strictly controlled. In addition, producers can contribute to reducing the Company's fixed costs by outsourcing work wherever appropriate. Our profit management index is set at a targeted operating profit of more than two times R&D and sales promotion expenses. We continue to introduce various incentive systems to motivate our employees, implementing an annual salary system and a bonus system linked to the profitability of each title in April 1996 and a stock option plan, that began in March 1999.

OVERSEAS OPERATIONS

As Capcom sets forth into the 21st century, its goal to be a global player positioned in all major territories has become a reality. During the past year, the worldwide organizations have been set in place to optimize our business well into the foreseeable future. Since 1979, Capcom products have proven to be products that span the cultural and demographic sphere. Capcom's primary worldwide mission is to be everywhere consumers are playing games: in the home, in arcade and amusement centers, and on-line.

North America

Capcom U.S.A., Inc., is a major publisher on all platforms enjoying the fruits of successful launches of versions of Resident Evil on the Sony PlayStation, Nintendo 64, Sega Dreamcast, and PC. The relationship between Capcom U.S.A. and its retail partners in Canada, Mexico, and the United States has enabled the Company to achieve record sales and profits while delivering the Capcom franchises on all platforms. Our coin-op group has done an excellent job of optimizing the sales of the games from Japan in what most consider a market in transition. Our U.S. amusement facilities have proven to be a force in the Chicago, San Francisco, and San Diego markets, attracting more than 50,000 visitors monthly. North American sales were up 85.8%, to ¥17,966 million.

Europe

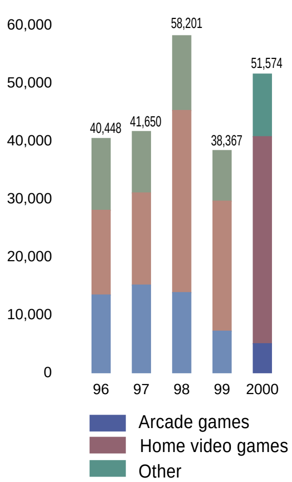
Capcom Eurosoft continues to be a focal point for our European growth. Our products and brand are well positioned to take advantage of the next-generation game systems. As well as our hardware partners, we believe that the European market will continue to grow in size and accordance for our future business. This next year will see infrastructure growth and continuing emphasis on our franchise products and brand development.

Asia

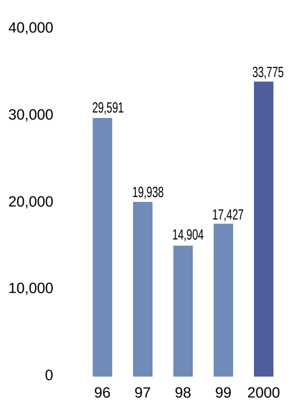
Our Asian market is building on the recent launches of key products and the continuing growth of console systems throughout the region. We firmly believe that this region, including China and the rest of Southeast Asia, will have tremendous growth over the coming years. As the globalization of Asia takes place, Capcom and its products will be at the forefront of this opportunity.

© NINTENDO

Net Sales by Business Segment
(Millions of yen)



Working Capital
(Millions of yen)



During the fiscal year under review, stable sales of major software series supported a 34.4% increase in consolidated net sales, to ¥51,574 million. Net income was ¥9,700 million.

GENERAL OVERVIEW OF EACH BUSINESS SEGMENT

Arcade Games

Amid continued weakness in demand and the market itself, Street Fighter III Third Strike and Street Fighter EX2 Plus continued to elicit strong support based on the popularity of the series. However, our high expectations for Spawn, a game version of the MARVEL Comic series that is popular overseas, were disappointed and, overall, the sales of other games suffered. Sales declined 25.2%, to ¥5,370 million. Operating loss was ¥2,027 million, a decrease of ¥521 million from the previous fiscal year. (The arcade game segment develops, manufactures, distributes, and sells or rents arcade game software and hardware to amusement facility operators.)

Home Video Games

During the fiscal year, the Sony PlayStation version of Dino Crisis became a major hit, while Resident Evil 3 Nemesis and Resident Evil SURVIVOR recorded firm sales based on the well-established popularity of the series. In March 2000, we launched Street Fighter EX3 at the same time as the release of Sony's PlayStation 2. We also actively developed new game products, making a full-scale entrance into the network game market with the launch of MARVEL vs. CAPCOM 2 for KDD's high-speed network service. Consequently, sales rose 59.3%, to ¥35,753 million, and operating income soared 81.3%, to ¥12,150 million.

Other

In our amusement facilities operations, we redoubled our efforts to maintain our repeat customers and attract more women and families through local-oriented management, including holding special events and discount days according to the preferences of local customers. We also targeted expansion in our customer base by developing regionally oriented facilities. During fiscal 2000, we opened Plaza Capcom Kichijoji, which is our first directly managed facility in Tokyo and incorporates a New York atmosphere, as well as four other stores. Seeking to improve profitability, we also continued our scrap and build program, closing 11 facilities. Consequently, revenues, including sales of liquid crystal displays (LCDs) for pachinko machines, expanded 18.2%, to ¥10,812 million. Operating income increased 20.4%, to ¥827 million.

FINANCIAL POSITION

Total assets at the end of the term expanded 9.8%, to ¥107,776 million. This increase can mainly be attributed to net sales growth and an increase in cash and time deposits because of the collection of loans receivable.

The total of current liabilities and long-term liabilities decreased

17.0%, to ¥56,426 million. Among current liabilities, short-term borrowings principally declined because bank loans are being repaid annually in fixed amounts through an agreement with the bank. Among long-term liabilities, the decrease in long-term debt was due to the conversion of convertible bonds into shares. As a result, total short-term borrowings and long-term debt contracted 23.4%, to ¥44,469 million.

At the end of the term, shareholders' equity was ¥51,320 million, up 70.4% from the previous fiscal year.

CASH FLOW

Cash and cash equivalents at the end of fiscal 2000 were ¥27,439 million, an increase of 128.2% from the previous fiscal year. Although long-term debt and short-term borrowings decreased and the Company booked game software inventory expenses, these negative effects on cash flow were more than offset by the growth in income before income taxes and the collection of long-term loans receivable, resulting in a net increase.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥14,253 million. This amount was mainly accounted for by net income, which at ¥9,700 million was at a high level because of the strong sales of hit products in the Home Video Games business segment.

Cash Flows from Investing Activities

Net cash provided by investing activities was ¥3,338 million. A decrease in long-term loans receivable of ¥6,798 million, offset somewhat by an increase in the acquisition of property, plant and equipment because of a greater number of openings of amusement facilities, was mainly responsible for this reversal from net cash used in the previous fiscal year.

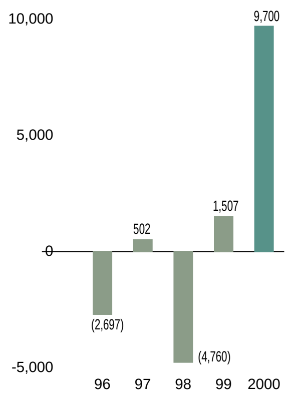
Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,770 million. This amount was mainly generated by net repayments of short-term borrowings and cash dividends paid.

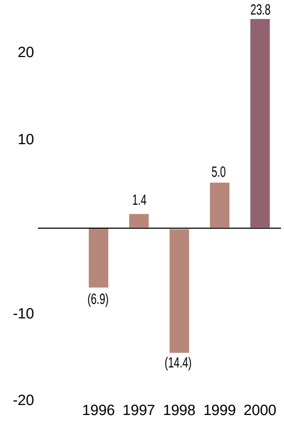
OUTLOOK

During fiscal 2001, we expect that revenues from the Arcade Games business segment will continue to contract. However, we plan to minimize the decline in net sales based on major software releases for Sony's PlayStation 2, our full-scale entrance into the network game market, and other areas.

Net Income
(Millions of yen)



Return on Equity
(Percent)



FIVE-YEAR SUMMARY

	Millions of yen					Thousands of U.S. dollars
	2000	1999	1998	1997	1996	**2000**
Net sales	**51,574**	38,367	58,201	41,650	40,448	**486,547**
Operating income	**9,061**	3,611	10,366	5,296	1,139	**85,481**
Income before income taxes	**8,712**	2,085	(3,696)	3,995	(497)	**82,188**
Net income	**9,700**	1,507	(4,760)	502	(2,697)	**91,509**
	Yen					U.S dollars
Earnings per share	**273.01**	43.00	(135.24)	14.29	(76.64)	**2.58**
Cash dividends per share	**20.00**	20.00	20.00	53.00	15.00	**0.19**
Total assets	**107,776**	98,127	100,833	118,330	123,323	**1,016,754**
Total shareholders' equity	**51,320**	30,125	29,612	36,267	36,467	**484,151**
	Yen					U.S dollars
Shareholders' equity per share	**1,372.16**	862.96	841.35	1,030.42	1,036.11	**12.94**
Depreciation & amortization	**2,623**	2,818	3,243	3,833	4,715	**24,745**
Capital expenditure	**2,695**	2,862	2,557	2,092	6,341	**25,424**
R&D	**1,390**	1,414	2,948	2,611	3,041	**13,113**
ROE (%)	**23.8**	5.0	(14.4)	1.4	(6.9)	
ROA (%)	**9.4**	1.5	(4.3)	0.4	(2.1)	
Net worth ratio (%)	**47.6**	30.7	29.4	30.6	29.6	
Net sales by business segment:						
Arcade games	**5,370**	7,177	13,834	15,138	13,420	**50,660**
Home video games	**35,753**	22,451	31,453	15,904	14,630	**337,292**
Other	**10,812**	9,148	13,347	10,765	12,703	**102,000**

REPORT OF INDEPENDENT ACCOUNTANTS

June 23, 2000

To the Board of Directors and
Shareholders of
Capcom Co., Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Capcom Co., Ltd. and its consolidated subsidiaries at March 31, 2000 and 1999, and the results of their income and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit of these statements in accordance with auditing standards generally accepted in Japan which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

As discussed in Note 2 to the financial statements, the Company changed its depreciation method and its method of accounting for development costs incurred at subcontractors during the year ended March 31, 1999.

The amounts expressed in U.S. dollars have been provided solely for the convenience of readers and have been translated on the basis set forth in Note 1 to the accompanying financial statements.

PricewaterhouseCoopers

(Notice to readers)

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accordingly the accompanying consolidated balance sheet and related consolidated statements of income, shareholders' equity and cash flows, and their utilization, are not designed for those who are not informed about Japanese accounting principles, procedures and practices.

The standards, procedures and practices utilized in Japan to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Japan.

CONSOLIDATED BALANCE SHEETS

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

Assets	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note1) 2000
Current assets:			
Cash and cash equivalents	**¥27,439**	¥12,026	**$258,859**
Notes and accounts receivable			
Trade	**9,378**	8,074	**88,472**
Other	**235**	2,948	**2,217**
Allowance for doubtful accounts	**(2,843)**	(2,912)	**(26,821)**
Short-term loans receivable	**3,602**	3,372	**33,981**
Inventories (Note 4)	**5,493**	5,632	**51,821**
Capitalized development costs	**8,873**	7,790	**83,707**
Prepaid expenses	**927**	870	**8,745**
Deferred income taxes (Note 8)	**1,821**	7	**17,179**
Other	**318**	734	**3,000**
Total current assets	**55,243**	38,541	**521,160**
Investments and other assets:			
Investments in securities (Note 5)	**2,646**	2,067	**24,962**
Long-term loans receivable	**8,226**	15,577	**77,604**
Long-term prepaid expenses	**476**	1,147	**4,491**
Deferred income taxes (Note 8)	**33**	138	**311**
Other	**6,309**	5,111	**59,519**
Allowance for doubtful accounts	**(4,590)**	(3,784)	**(43,302)**
Total investments and other assets	**13,100**	20,256	**123,585**
Property, plant and equipment (Notes 6 and 7):			
Land	**26,480**	26,277	**249,811**
Buildings and structures	**13,351**	13,436	**125,953**
Machinery and equipment	**12,960**	14,352	**122,264**
Construction in progress	**9**	83	**85**
Accumulated depreciation	**(14,531)**	(15,526)	**(137,085)**
Total property, plant and equipment	**38,269**	38,622	**361,028**
Excess cost over net assets of acquired subsidiaries	**—**	32	**—**
Translation adjustments	**1,164**	676	**10,981**
Total assets	**¥107,776**	¥98,127	**$1,016,754**

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Short-term borrowings (Note 7)	**¥11,120**	¥12,373	**$104,906**
Current portion of long-term debt (Note 7)	**186**	645	**1,755**
Notes and accounts payable	**4,210**	2,911	**39,717**
Accrued expenses	**2,612**	1,772	**24,641**
Accrued income taxes (Note 8)	**118**	223	**1,113**
Other	**3,222**	3,190	**30,396**
Total current liabilities	**21,468**	21,114	**202,528**
Long-term liabilities:			
Long-term debt (Note 7)	**33,163**	45,035	**312,858**
Accrued retirement allowances (Note 9)	**214**	168	**2,019**
Other	**1,581**	1,658	**14,915**
Total long-term liabilities	**34,958**	46,861	**329,792**
Minority interest in a consolidated subsidiary	**30**	27	**283**
Shareholders' equity (Note 11):			
Common stock, ¥50 par value—			
Authorized—69,000,000 shares			
Issued—37,627,444 shares	**24,268**	18,211	**228,943**
Capital surplus	**27,154**	21,098	**256,170**
Retained earnings (accumulated deficit)	**213**	(8,786)	**2,009**
Treasury stock (Note 10)	**(315)**	(398)	**(2,971)**
Total shareholders' equity	**51,320**	30,125	**484,151**
Total liabilities, minority interest and shareholders' equity	**¥107,776**	¥98,127	**$1,016,754**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Net sales	**¥51,574**	¥38,367	**$486,547**
Cost of sales	**30,107**	22,723	**284,028**
Gross profit	**21,467**	15,644	**202,519**
Selling, general and administrative expenses	**11,016**	10,619	**103,925**
Research and development expenses	**1,390**	1,414	**13,113**
Operating income	**9,061**	3,611	**85,481**
Other income (expense):			
Interest and dividend income	**339**	348	**3,198**
Interest expenses	**(529)**	(616)	**(4,991)**
Exchange loss, net	**(385)**	(598)	**(3,632)**
Gain on sales of investments in securities	**—**	307	**—**
Loss on sales or disposition of property, plant and equipment	**(300)**	(88)	**(2,830)**
Write off of investments in securities	**(124)**	(143)	**(1,170)**
Gain on sales of treasury stock	**235**	—	**2,217**
Other, net	**415**	(736)	**3,915**
Income before income taxes	**8,712**	2,085	**82,188**
Income taxes (Note 8):			
Current	**784**	317	**7,396**
Deferred	**(1,774)**	255	**(16,736)**
	(990)	572	**(9,340)**
Minority interest in a consolidated subsidiary	**2**	6	**19**
Net income	**¥9,700**	¥1,507	**$91,509**
	Yen		U.S. dollars
Net income	**¥273.01**	¥43.00	**$2.58**
Net income—diluted	**237.78**	—	**2.24**
Cash dividends paid	**20.00**	20.00	**0.19**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Common stock:			
Balance at beginning of year	**¥18,211**	¥18,211	**$171,802**
Shares issued upon conversion of bonds	**6,057**	—	**57,141**
Balance at end of year	**¥24,268**	¥18,211	**$228,943**
Capital surplus:			
Balance at beginning of year	**¥21,098**	¥21,098	**$199,038**
Excess of principal amount of bonds converted over the amount credited to common stock issued	**6,056**	—	**57,132**
Balance at end of year	**¥27,154**	¥21,098	**$256,170**
Retained earnings (accumulated deficit):			
Balance at beginning of year	**(¥8,786)**	(¥9,697)	**($82,887)**
Net income for the year	**9,700**	1,507	**91,509**
Cash dividends	**(701)**	(701)	**(6,613)**
Effect of changing reporting entities	**—**	105	**—**
Balance at end of year	**¥213**	(¥8,786)	**$2,009**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Cash flows from operating activities:			
Net income	**¥9,700**	¥1,507	**$91,509**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	**2,623**	2,828	**24,745**
Provision for doubtful accounts	**923**	887	**8,708**
Decrease (increase) in notes and accounts receivable	**(1,613)**	(1,068)	**(15,217)**
Decrease (increase) in inventories	**(992)**	(2,626)	**(9,359)**
Increase (decrease) in notes and accounts payable	**1,447**	(1,192)	**13,651**
Other	**2,165**	5,411	**20,425**
Total adjustments	**4,553**	4,240	**42,953**
Net cash provided by operating activities	**14,253**	5,747	**134,462**
Cash flows from investing activities:			
Proceeds from sales of facilities	**497**	116	**4,689**
Acquisition of property, plant and equipment	**(2,895)**	(2,346)	**(27,311)**
Decrease (increase) in short-term loans receivable	**(244)**	(1,454)	**(2,302)**
Decrease (increase) in long-term loans receivable	**6,798**	—	**64,132**
Other	**(818)**	393	**(7,717)**
Net cash provided by (used in) investing activities	**3,338**	(3,291)	**31,491**
Cash flows from financing activities:			
Net repayments of short-term borrowings and current portion of long-term debt	**(1,230)**	(997)	**(11,604)**
Repayments of long-term debt	**(158)**	(309)	**(1,491)**
Cash dividends paid	**(701)**	(701)	**(6,613)**
Other	**319**	(132)	**3,010**
Net cash used in financing activities	**(1,770)**	(2,139)	**(16,698)**
Effect of exchange rate changes on cash	**(408)**	(1,265)	**(3,849)**
Net increase (decrease) in cash	**15,413**	(948)	**145,406**
Cash and cash equivalents at beginning of year	**12,026**	12,974	**113,453**
Cash and cash equivalents at end of year	**¥27,439**	¥12,026	**$258,859**

The accompanying notes are an integral part of these statements.

1 MAJOR POLICIES IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements which are a translation of those publicly issued in Japan after modification to enhance readers' understanding, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Accounting Standards.

In addition, the notes to the consolidated financial statements include financial information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

The U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, U.S. dollars. The amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures. The rate of ¥106=US$, the approximate current rate prevailing on March 31, 2000, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES:

(1) Consolidation and accounting for investments in affiliates

The consolidated financial statements consist of the accounts of Capcom Co., Ltd. (the "Company") and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet date. All significant inter-company transactions and accounts are eliminated.

Investments in unconsolidated subsidiaries are accounted for on a cost basis because their effect on the consolidated financial statements is insignificant.

The difference between the cost of investments and underlying net equity of investments in consolidated subsidiaries and affiliates accounted for on an equity basis is allocated to identifiable assets based on their fair values at the date of acquisition. The unallocated cost is being deferred and amortized over the estimated period of their over profitability to conform with an amendment to the Japanese Securities and Exchange Law and related accounting regulations. Previously the unallocated cost was amortized principally over five years. The effect of this change is immaterial.

(2) Revenue recognition

Revenues from sales of products are recognized when products are shipped to customers.

Motion picture revenue is recognized on the dates of theatrical exhibition.

(3) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, which can be withdrawn at least at face amount at any time without penalty. The Companies changed the scope of cash equivalents to conform with an amendment to the Japanese Securities and Exchange Law and related accounting regulations effective April 1, 1999. Previously the Company classified all time deposits with original maturities of one year or less as cash equivalents. The effect of this change is immaterial.

(4) Translation of foreign currencies

Foreign currency amounts are translated into Japanese yen at the rates prevailing at the relevant balance sheet date for short-term assets and liabilities and at historical rates for long-term assets and liabilities. When the historical exchange rates differ significantly from the year-end rates, the year-end rates are used to translate the long-term assets or liabilities. Receivables and payables in foreign currencies hedged by forward exchange contracts are translated into Japanese yen at the contracted rates of exchange. Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transactions. Resulting exchange gains or losses are credited or charged to income as incurred.

All assets, liabilities, income and expenses of foreign subsidiaries in the financial statements of foreign subsidiaries are translated into Japanese yen at the rates in effect at the balance sheet date, except for shareholders' equity which are translated at the rates prevailing at the time when transaction occurred and the resulting translation differences are debited or credited to the translation adjustments accounts of the consolidated financial statements in accordance with "Accounting Standards for Foreign Currency Transactions, etc.".

(5) Marketable securities and investments in securities

Marketable equity securities and other marketable securities both of current and non-current nature are stated at the lower of cost or market value. Other security investments are stated at cost.

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

(6) Inventories

Inventories are stated at the lower of cost or market value, cost being principally determined by the average cost method.

Capitalized development costs of game software, including the development costs incurred at subcontractors, for 32-bit, 64-bit and 128-bit game machines are stated at accumulated cost on a specific project basis.

Production, print and certain advertising costs relating to specific motion picture titles comprise motion picture film costs and are presented as inventories.

The motion picture film costs are amortized in proportion to the revenue earned to total estimated revenue. Unamortized motion picture film costs are compared with estimated net realizable value on an individual film basis and a write-down is recorded if required.

(7) Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining balance method at rates based on estimated useful lives of the assets, except for buildings and structures, which is computed by straight-line method.

During the year ended March 31, 1999, the depreciation method for buildings and structures was changed from the declining balance method to the straight-line method. As a result of this change, depreciation charges for the year ended March 31, 1999 decreased by ¥148 million and income before income taxes and net income increased by ¥148 million respectively. The Company shortened the useful life of buildings and structures in the year ended March 31, 1999. These changes were made following the amendments to Corporate Tax Law in 1998. As a result of this change, depreciation charges for the year ended March 31, 1999 increased by ¥20 million and income before income taxes and net income decreased by ¥20 million respectively.

Significant renewals and additions are capitalized at cost. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

(8) Research and development expenses
Research and development expenses for the improvement of existing products or development of products other than capitalized costs of game software for 32-bit, 64-bit and 128-bit game machines, including basic research and development costs, are charged to income when incurred.

(9) Pension plan and accrued retirement allowances
The Company has a non-contributory pension plan which covers those employees who have served with the Company for more than 10 years and have reached at the age of 45. In consideration of contributions, a trust banking corporation provides approximately a 50% portion of retirement allowances as annuity payments over a 10-year period subsequent to retirement (or a lump-sum payment at the retiring employees' option); the remaining portion will be paid by the Company a lump-sum.

The Company's policy is to accrue and fund pension costs in accordance with amounts permitted by tax regulations, which approximate amounts determined actuarially. Pension expenses for the plan include amortization of past service costs over 5 years. The amount of the annuity of lump-sum varies based on current basic rate of pay, length of services and conditions under which the employees retire.

The employees of the Company not covered by the above pension plan are also entitled to lump-sum indemnities when they separate from the Company. For these employees and the portion not covered by the pension plan for the employees expected to qualify to receive the annuity payments, the Company accrues retirement allowances at 40% of the amounts which would be required if all employees voluntarily retired at the balance sheet date.

(10) Income taxes
The income statements of the Company and its consolidated subsidiaries include many items for financial reporting purposes which, in the case of costs and expenses, are not currently deductible and, in the case of income, are not currently taxable. With respect to all such temporary differences, the Company and its consolidated subsidiaries follow the practice of inter-period tax allocation based on the methods generally accepted in the respective country where each entity is located.

(11) Amounts per share
The computation of net income per share is based on the weighted average number of common stock outstanding during each year. Cash dividends per share are based on the number of shares outstanding at the end of each period and reflect the appropriations applicable to each period rather than to the period in which shareholders' approval is obtained (Note 11).

(12) Reclassifications
Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3 CASH FLOW INFORMATION:

Cash payments for interest expenses for the years ended March 31, 2000 and 1999 amounted to ¥551 million ($5,198 thousand) and ¥636 million, respectively and cash payments (refunds) for income taxes for the years ended March 31, 2000 and 1999 amounted to ¥873 million ($8,236 thousand) and (¥699) million respectively.

4 INVENTORIES:

Inventories at March 31 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Finished goods and merchandise	**¥1,277**	¥985	**$12,047**
Work in process	**64**	72	**604**
Raw materials	**2,407**	2,525	**22,708**
Supplies	**220**	380	**2,075**
Films	**1,525**	1,670	**14,387**
	¥5,493	¥5,632	**$51,821**

5 MARKETABLE EQUITY SECURITIES:

At March 31, the cost and market value of marketable equity securities wholly included in investments in securities (non-current assets) are presented below.

	Millions of yen		Thousands of U.S. dollar
	2000	1999	**2000**
Cost	**¥1,885**	¥1,972	**$17,783**
Market value	**5,109**	3,043	**48,198**
Unrealized gain (loss)	**¥3,224**	¥1,071	**$30,415**
Represented by:			
Gross unrealized gains	**¥3,225**	¥1,071	**$30,424**
Gross unrealized losses	**(1)**	—	**(9)**

6 PROPERTY, PLANT AND EQUIPMENT:

Depreciation charges for the years ended March 31, 2000 and 1999 amounted to ¥2,208 million ($ 20,830 thousand) and ¥2,367 million, respectively. Estimated useful lives of the major classes of depreciable assets ranged from 3 to 50 years (principally 47 years) for buildings and structures and from 2 to 30 years (principally 3 years) for machinery and equipment.

7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings at March 31, 2000 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Bank overdraft with interest ranging from 0.890% to 1.875% per annum	**¥10,820**	**$102,076**
Notes payable with interest 0.900% per annum	**300**	**2,830**
	¥11,120	**$104,906**

Long-term debt at March 31, 2000 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
0.8% convertible bonds due 2001	**¥18,719**	**$176,594**
1.0% convertible bonds due 2005	**14,033**	**132,387**
Loans payable to banks and other financial institutions due 2000 – 2005, with interest at 0.712% - 6.9425%		
Secured	**¥149**	**$1,406**
Unsecured	**448**	**4,226**
	¥33,349	**$314,613**
Less portion due within one year	**(186)**	**(1,755)**
	¥33,163	**$312,858**

The aggregate annual maturities of long-term debt as at March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
2001 (current portion)	¥186	$1,755
2002	18,905	178,349
2003	137	1,292
2004	88	830
2005	14,033	132,387
	¥33,349	$314,613

The 0.8% convertible bonds due 2001 were issued on June 17, 1994 and are convertible into common stock at a conversion price of ¥4,982 per share. These convertible bonds are redeemable at Company's option in the period from October 1, 1998 to September 27, 2001 as provided in the indentures. With effect from April 1, 2000, the conversion price was adjusted to ¥3,321.30 per share due to the stock split described in Note 10.

The 1.0% convertible bonds due 2005 were issued on June 17, 1994 and are convertible into common stock at a conversion price of ¥4,982 per share. These convertible bonds are redeemable at Company's option in the period from October 1, 2000 to September 29, 2005 as provided in the indentures. With effect from April 1, 2000, the conversion price was adjusted to ¥3,321.30 per share due to the stock split described in Note 10.

At March 31, 2000, the following assets were pledged as collateral for long-term debt and other liabilities.

	Millions of yen	Thousands of U.S. dollars
Land	**¥6,087**	**$57,424**
Buildings and structures, net of accumulated depreciation	**539**	**5,085**
	¥6,626	**$62,509**

8 INCOME TAXES:

The companies are subject to several taxes based on income which, in the aggregate, resulted in a normal effective tax rate of approximately 42% in Japan in the period ended March 31, 2000.
Reconciliation of the difference between normal effective tax rate and income tax rate in the accompanying consolidated statement of income is as follows:

Normal effective tax rate	42.0%
Utilization of tax loss carry forward	(36.0)
Change in valuation allowance for tax loss carry forward	(18.2)
Other	0.8
Income tax rate per statement of income	(11.4%)

The significant components of deferred tax assets at March 31, 2000 are as follows:

(1) Current:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets		
Tax loss carry forward of foreign subsidiary	**¥1,518**	**$14,321**
Accrued expenses	**177**	**1,670**
Other	**126**	**1,188**
Total deferred tax assets	**¥1,821**	**$17,179**

(2) Noncurrent:

Deferred tax assets		
Accrued retirement allowances	**¥14**	**$132**
Other	**19**	**179**
Total deferred tax assets	**¥33**	**$311**

Filing of a consolidated tax return by a group of corporations is not permitted in Japan, irrespective of the percentage of ownership.

9 PENSION PLAN AND ACCRUED RETIREMENT ALLOWANCES:

The amounts charged to income for the years ended March 31, 2000 and 1999 with respect to the pension plan and retirement allowances were ¥159 million ($1,500 thousand) and ¥138 million, respectively.

Pension assets (based on the latest available information) of the pension plan at March 31, 2000 and 1999 amounted to ¥ 451 million ($ 4,255 thousand) and ¥328 million, respectively.

Unamortized past service costs of pension plan have been substantially amortized.

10 COMMON STOCK:

The changes in the number of issued shares of common stock during the years ended March 31, 2000 and 1999 are summarized below:

	Thousands of shares	
	2000	1999
Balance at beginning of year	**35,196**	35,196
Issued upon conversion of bonds	**2,431**	—
Balance at end of year	**37,627**	35,196

The stock split was resolved upon by Board of Directors and represented distributions of new shares of the Company's common stock to the existing shareholders without consideration and not requiring any accounting entries.

Stock split was made on May 19, 2000 to the shareholders registered as of March 31, 2000 in ratio of 0.5 shares for every one share held based on the resolution of the board of directors of the Company held on February 28, 2000.

For the year ended March 31, 2000, the Company acquired shares of its common stock to reserve for stock options given to directors and employees approved by the general shareholders meeting held on June 26, 1998.

At March 31, 2000, the outstanding shares and amount of treasury stock in this plan were 226,000 and ¥315 million ($ 2,971 thousand) respectively.

11 APPROPRIATION OF RETAINED EARNINGS AND LEGAL RESERVE:

The Japanese Commercial Code provides that all appropriations of retained earnings, except for interim cash dividends, must be approved at an ordinary general meeting of shareholders. In accordance with customary practice in Japan, the appropriation of retained earnings is not accrued in the financial statements for the year to which it relates, but is recorded in the subsequent accounting year after shareholders' approval has been obtained.

The following appropriations of retained earnings of the Company were proposed and resolved at the general meeting of shareholders held on June 23 , 2000.

	Millions of yen	Thousands of U.S. dollars
Balance at March 31, 2000	**¥5,730**	**$54,057**
Appropriations—		
Transfer to legal reserve	**(43)**	**(406)**
Cash dividends (¥10 per share outstanding at March 31, 2000)	**(374)**	**(3,528)**
Bonus to directors and statutory auditors	**(60)**	**(566)**
General reserve	**(3,500)**	**(33,019)**
Balance after appropriations	**¥1,753**	**$16,538**

The Japanese Commercial Code provides that an amount equal to at least 10% of cash disbursement (principally, dividends and bonus to directors and statutory auditors) for appropriation of retained earnings of each period must be appropriated as a legal reserve until such reserve equals 25% of the common stock account. This reserve may be used to reduce a deficit or it may be transferred to stated capital by appropriate legal procedures.

12 SEGMENT INFORMATION:

(1) Business segment

The Company and its consolidated subsidiaries operate principally within three business segments; arcade games, home video games and other. The arcade game segment develops, manufactures, distributes and/or rents arcade game software and hardware to amusement facility operators. The other segment mainly comprises the operation of amusement facilities. The following tables present certain information regarding the business segments for the years ended March 31, 2000 and 1999.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Net sales:			
Arcade games—			
Customers	**¥5,009**	¥6,768	**$47,255**
Intersegment	**361**	409	**3,405**
	5,370	7,177	**50,660**
Home video games—			
Customers	**35,753**	22,451	**337,292**
Other—			
Customers	**10,812**	9,148	**102,000**
Sub-total	**51,935**	38,776	**489,952**
Eliminations	**(361)**	(409)	**(3,405)**
Consolidated	**¥51,574**	¥38,367	**$486,547**
Cost of sales and direct expenses:			
Arcade games	**¥7,397**	¥8,683	**$69,783**
Home video games	**23,603**	15,751	**222,670**
Other	**9,985**	8,461	**94,198**
Sub-total	**40,985**	32,895	**386,651**
Corporate expenses and Eliminations	**1,528**	1,861	**14,415**
Consolidated	**¥42,513**	¥34,756	**$401,066**
Operating income (loss):			
Arcade games	**(¥2,027)**	(¥1,506)	**($19,123)**
Home video games	**12,150**	6,700	**114,622**
Other	**827**	687	**7,802**
Sub-total	**10,950**	5,881	**103,301**
Adjustments	**(1,889)**	(2,270)	**(17,820)**
Consolidated	**¥9,061**	¥3,611	**$85,481**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Total assets:			
Arcade games	**¥18,386**	¥21,138	**$173,453**
Home video games	**26,964**	23,898	**254,377**
Other	**20,196**	19,018	**190,528**
Sub-total	**65,546**	64,054	**618,358**
Corporate assets and Eliminations	**42,230**	34,073	**398,396**
Consolidated	**¥107,776**	¥98,127	**$1,016,754**
Depreciation:			
Arcade games	**¥956**	¥1,225	**$9,019**
Home video games	**284**	246	**2,679**
Other	**1,123**	1,074	**10,594**
Sub-total	**2,363**	2,545	**22,292**
Corporate expenses and Eliminations	**260**	273	**2,453**
Consolidated	**¥2,623**	¥2,818	**$24,745**
Capital expenditure:			
Arcade games	**¥755**	¥964	**$7,123**
Home video games	**340**	384	**3,207**
Other	**1,546**	1,355	**14,585**
Sub-total	**2,641**	2,703	**24,915**
Corporate expenditure and Eliminations	**54**	159	**509**
Consolidated	**¥2,695**	¥2,862	**$25,424**

(2)Geographic Area

The following tables present certain information regarding operations by geographic area for the years ended March 31, 2000 and 1999.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Net sales:			
Japan—			
Customers	**¥32,863**	¥27,864	**$310,028**
Intersegment	**5,212**	3,607	**49,170**
	38,075	31,471	**359,198**
North America—			
Customers	**17,958**	9,647	**169,415**
Intersegment	**8**	20	**75**
	17,966	9,667	**169,490**
Other—			
Customers	**754**	855	**7,113**
Intersegment	**99**	624	**934**
	853	1,479	**8,047**
Sub-total	**56,894**	42,617	**536,735**
Eliminations	**(5,320)**	(4,250)	**(50,188)**
Consolidated	**¥51,574**	¥38,367	**$486,547**
Cost of sales and direct expenses:			
Japan	**¥31,442**	¥27,428	**$296,623**
North America	**13,385**	8,341	**126,273**
Other	**1,011**	1,022	**9,538**
Sub-total	**45,838**	36,791	**432,434**
Adjustments	**(3,325)**	(2,035)	**(31,368)**
Consolidated	**¥42,513**	¥34,756	**$401,066**

Operating profit (loss):			
Japan	**¥6,633**	¥4,043	**$62,575**
North America	**4,581**	1,326	**43,217**
Other	**(158)**	457	**(1,490)**
Sub-total	**11,056**	5,826	**104,302**
Adjustments	**(1,995)**	(2,215)	**(18,821)**
Consolidated	**¥9,061**	¥3,611	**$85,481**
Total assets:			
Japan	**¥60,806**	¥62,065	**$573,641**
North America	**6,346**	3,864	**59,868**
Other	**842**	1,252	**7,943**
Sub-total	**67,994**	67,181	**641,452**
Corporate assets and Eliminations	**39,782**	30,946	**375,302**
Consolidated	**¥107,776**	¥98,127	**$1,016,754**

(3) Foreign sales

The following table presents certain information regarding the sales outside Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2000 and 1999.

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Net sales:			
North America	**¥16,178**	¥10,952	**$152,623**
Other	**4,476**	3,450	**42,226**
	¥20,654	¥14,402	**$194,849**

	Percentage	
Percentage of such sales in Consolidated net sales	**40.0%**	37.5%

13 LEASES:

The following information is disclosed to conform with an amendment to the Japanese Securities and Exchange Law and relating accounting regulation, which are applicable to the information effective the year ended March 31, 2000.

(a) Financing lease

Lease transactions as lessee

Payments of financing leases which do not transfer ownership of the leased assets to the lessee for the years ended March 31, 2000 were ¥1,278 million ($ 12,057 thousand).

The future lease payments for financing leases which do not transfer ownership of the leased assets including amounts representing interest, at March 31, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥1,026**	**$9,679**
Due later	**1,312**	**12,377**
	¥2,338	**$22,056**

The leased assets at March 31, 2000 are as follows

	Millions of yen			Thousands of U.S. dollars
	Cost	Accumulated depreciation	Net	Net
Machinery and Equipment	**¥355**	**¥138**	**¥217**	**$2,047**
Tools, furnitures and Fixtures	**3,230**	**1,983**	**1,247**	**11,764**
Instruments in amusement facilities	**1,554**	**680**	**874**	**8,245**
	¥5,139	**¥2,801**	**¥2,338**	**$22,056**

(b) Operating Lease

The future lease payments under noncancellable operating leases at March 31, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥546**	**$5,151**
Due later	**2,975**	**28,066**
	¥3,521	**33,217**

CORPORATE DATA

Name of Company:	Capcom Co., Ltd.
Date of Establishment:	May 30, 1979
Paid-in Capital:	¥24,268 million (US$228,943 thousand)
End of Term:	March 31
Number of Employees:	1,143

Head Office: 3-1-3 Uchihirano-machi, Chuo-ku, Osaka 540-0037, Japan
Phone: 06-6920-3600
Fax: 06-6920-5100
Website: http://www.capcom.co.jp/

Tokyo Branch: Shinjuku Mitsui Building
2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0411, Japan
Phone: 03-3340-0710
Fax: 03-3340-0711

DIRECTORS AND STATUTORY AUDITORS

President:	Kenzo Tsujimoto
Senior Managing Director:	Heiji Oshima
Managing Directors:	Takashi Aoki Yoshiki Okamoto Masatoshi Yoshida Haruhiro Tsujimoto Noritaka Funamizu
Statutory Auditors:	Morio Kuroda Fumiaki Kawamoto Shizuhiko Yamamoto Tadashi Kadowaki

CONSOLIDATED SUBSIDIARIES

CAPCOM U.S.A., Inc.
475 Oakmead Parkway, Sunnyvale, California 94086, U.S.A.
Phone: 1-408-774-0500
Fax: 1-408-774-3994
Website: http://www.capcom.com/

CAPTRON Co., Ltd.
3-1-3 Uchihirano-machi
Chuo-ku, Osaka 540-0037, Japan
Phone: 06-6920-3637
Fax: 06-6920-5138

STATUS Co., Ltd.
2-1-12 Tokiwa-machi, Chuo-ku, Osaka 540-0028, Japan
Phone: 06-6920-3655
Fax: 06-6920-5154

CAPCOM ASIA Co., Ltd.
Units 1205-6, 12/F, New East Ocean Centre
9 Science Museum Rd., T.S.T. East, Kowloon, Hong Kong
Phone: 852-2366-1001
Fax: 852-2366-1985
Website: http://www.capcomasia.com.hk/

CAPCOM COIN-OP, Inc.
475 Oakmead Parkway, Sunnyvale, California 94086, U.S.A.
Phone: 1-408-774-0500
Fax: 1-408-522-5331

CAPCOM ENTERTAINMENT, Inc.
475 Oakmead Parkway, Sunnyvale, California 94086, U.S.A.
Phone: 1-408-774-0500
Fax: 1-408-774-3995

CAPCOM DIGITAL STUDIOS, Inc.
475 Oakmead Parkway, Sunnyvale, California 94086, U.S.A.
Phone: 1-408-774-0500
Fax: 1-408-774-3995

FLAGSHIP Co., Ltd
Shinjuku Mitsui Building
2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0411, Japan
Phone: 03-3340-0710
Fax: 03-3340-0711

CAPCOM EUROSOFT Limited
30-35 Pall Mall, London SW1Y 5LP, United Kingdom
Phone: 44-207-925-2565
Fax: 44-207-930-4725

As of June 30, 2000

CAPCOM Co., Ltd.
3-1-3 Uchihirano-machi, Chuo-ku, Osaka 540-0037, Japan
Phone: 81-6-6920-3600 Fax: 81-6-6920-5100 Website: http://www.capcom.co.jp/

Printed in Japan