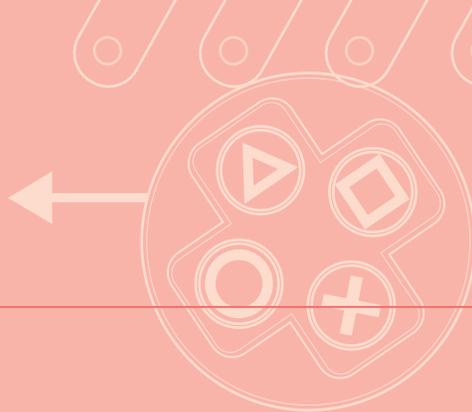


Sensation and Excitement



Committed to an Entirely New World of Sensation and Excitement



Company Profile

The background of CAPCOM comes from I.R.M. Corporation founded in 1979 with objectives to develop, manufacture and distribute electronic applied game machines. It was succeeded by CAPCOM CO., LTD., founded in 1983, when is its foundation year. The 20th anniversary as CAPCOM is in 2003.

From 1984 CAPCOM entered into development and sales of coin-operated game software and expanded its operation to build a worldwide distribution network. Here are some high-lights from the past;

In 1991 "STREET FIGHTER II" was released for coin-operated game machines. It is well known as leading software, enhancing the "Fighting" genre to a new level and it was popular among the players across the world.

In 1992, various game software for SUPER FAMICOM® was released to meet with market demands and to strengthen the home entertainment field in line with the market environment.

In 1996, "RESIDENT EVIL" was released, lasting over one (1) year among very competitive market conditions, finally resulting in remarkable sales as well as opening the new genre "horror-action adventure".

Thus, CAPCOM has been pushing the frontiers in developing new fields and solidifying its status in the amusement industry.

With more movie-oriented choreography, vivid graphics and realistic movements, game software content exceeding over million unit sales, such as "ONIMUSHA", "Devil May Cry" and others, have been produced. CAPCOM is striving to produce contents that deliver more innovative impressions and excitement to customers across the world, through its creative activities to immediately meet the demands of end users.

Contents

Company Profile/Contents	1
Financial Highlights	2
Our Vision	3
Research and Development	7
Review of Operations	9
Overseas Operations	13
Business Evaluation and Analysis	15
Five-Year Summary	17
Report of Independent Accountants	18
Consolidated Balance Sheets	19
Consolidated Statements of Income	21
Consolidated Statements of Shareholders' Equity	22
Consolidated Statements of Cash Flows	23
Notes to Consolidated Financial Statements	24
Corporate Information	31

Aiming to be
A Creator of
A Culture

Committed to an Entirely New World of
Sensation and Excitement

Sensa

On the frontiers
of Entertainment

Financial Highlights

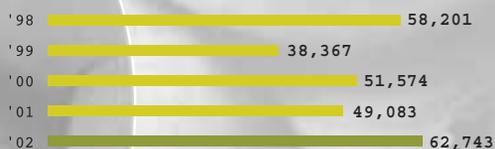
CAPCOM CO., LTD. and Its Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

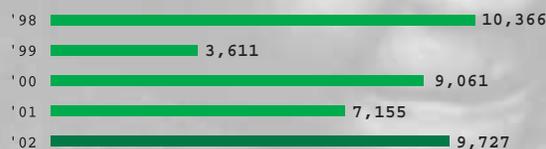
Consolidated basis	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥ 62,743	¥ 49,083	\$471,752
Operating income	9,727	7,155	73,135
Net income	4,912	6,007	36,932
Total assets	128,512	113,493	966,256
Total shareholders' equity	68,233	62,966	513,030
Amounts per share (in yen and U.S. dollars)			
Net income	¥ 84.21	¥ 109.90	\$ 0.63
Net income-diluted	76.61	98.47	0.58
Cash dividends applicable to the year	20.00	20.00	0.15

Note: U.S. dollar amounts are translated from yen at the rate of ¥133=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2002.

Net Sales (Millions of yen)



Operating Income (Millions of yen)



Total Assets (Millions of yen)



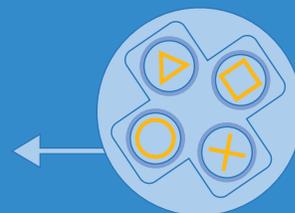
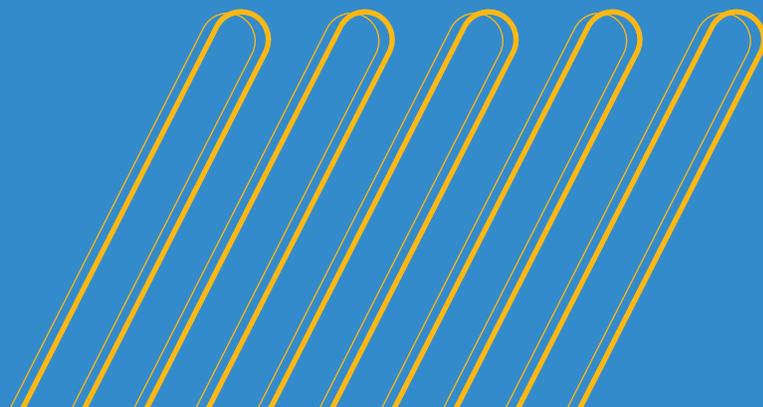
Total Shareholders' Equity (Millions of yen)





Kenzo Tsujimoto
President and CEO
CAPCOM CO., LTD.

“IMPRESSION”





Message from President and CEO

■ Operational and Financial Review of Fiscal Year 2001 (Consolidation basis)

The amusement industry showed transition signs in the first half of the fiscal year, moving slowly in anticipation of the new-generation competitive console platforms as hardware for the home entertainment market.

The second half of the fiscal year saw the rollout of such new platforms as NINTENDO GAMECUBE® and Xbox™, in addition to PlayStation® 2 already in the market, contributing to create competition between platforms. These advanced platforms resulted in pushing up the cost of software development as a new challenge to all software companies. Another challenge to the software companies was to face the attrition of children. Those challenges to many software companies triggered the acceleration of business tie-ups, consolidation processes for their survival and streamlining of distribution networks, as well as basic reviews of sales networks, including the second-hand software market.

Under these circumstances, CAPCOM focused its management efforts on enhancement of development on high-quality contents for home entertainment software and sales improvements to swiftly respond to diversified customers demands.

We also maintained our multi-platform strategy to equally supply our contents to all platforms with publishing strategy tie-ups with other companies to keep the product pipeline for various genres in domestic sales. Further, our internal efforts were poured into enhancement of our strengths in managing rising development costs, curtailed by outsourcing activities. Despite the fact that advanced platforms were introduced and our efforts to increase sales with more product line-up were made, we have been endeavoring to maintain our competitive edge in the market.

Committed to an Entirely New World of Sensation and Excitement

Furthermore, we reviewed unprofitable business segments such as the arcade game software sales and rental operations with downsizing and reorganizing sales offices and its staff to enhance business efficiency and consequently bring about more profit to our overall operation.

As a result of these efforts, consolidated total sales for the fiscal year were ¥62.7 billion, up 27.8% over the previous year. Ordinary income stood at ¥9.3 billion, an increase of 15.4%, after costs incurred from issuing unsecured convertible bonds in December 2001.

Due to reassessment of investment securities to match with accounting rules in Japan caused by a decline in stock prices of the holding stocks, appraisal losses were incurred as extraordinary losses; Net income for the year resulted in ¥4.9 billion, down 18.2% from the previous year.

Our Vision

Message from President and CEO

■Dedicated to create unique, innovative game contents that offer new sensations and excitement

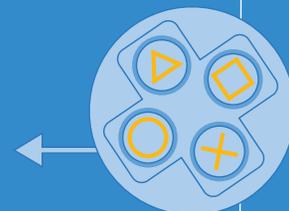
Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses we have been aiming to offer an entirely new level of game entertainment. With this objective, we have established a three-tiered system of R&D, marketing and sales, which realizes efficient development of unique, innovative and fascinating game software and timely release of such products onto the market. This approach has already proven effective with a number of several million-title sellers, such as "ONIMUSHA", "RESIDENT EVIL" and "Devil May Cry".

The biggest factor behind the emergence of these blockbuster products is our management strategy. While continuing to enhance the product development system, we strive to improve customer satisfaction and expand the fan base for our games.

■Building up a highly profitable structure that enables CAPCOM to adapt to changes in the business environments; establishing a corporate structure that will enhance the value of the company

As our medium-term business strategy, our management objectives are as shown in the following: We are coping with various environmental changes surrounding management, such as changes in market trends and introduction of new accounting standards in order to achieve high profitability.

- Striving to create corporate value as an entire CAPCOM Group by strategically consolidating business.
- Selectively utilize resources to make products that meet changes in the market, including rapid shifts in the management to meet these changes.
- Strengthen and explore network business structure with a view for market expansion into the internet.
- Ensure business opportunities by enhancing our product contents to create new markets and expanding our share in existing markets.
- Promoting and strengthening the CAPCOM Brand to create added value.
- Realizing a stable cash flow for each fiscal term by streamlining financial aspects.





Message from President and CEO

■ Enforcing Compliance in the corporation and continuing to produce a mechanism for effective implementation of Corporate Governance

We adopted a Corporate Officers structure and our management can be divided into two major tiers, one for implementing and executing operations as Corporate Officers and another for the decision-making process and management supervision of execution, consisting of Board of Directors. By adopting this structure, our management efficiency is greatly improved to meet with dynamic business operation needs of today.

At the annual shareholders' meeting held in 2001, two outside board members were appointed with an aim to strengthen management supervision and enhance transparency.

At the annual shareholders' meeting held in 2002, one outside board member, an attorney, was appointed to oversee enforcement of corporate Compliance and Governance.

■ Focusing corporate resources on the development of home entertainment software to increase our share in the existing market and explore new markets

We are now reinforcing our R&D staff in the Tokyo area, with the intention to focus corporate resources on the development of home entertainment software as a core business.

We also continue our efforts to expand our customer base with board games, exploitation of racing games with internet features as new genre to meet various customer demands. Furthermore, by undertaking development of other companies' contents, we are adding to our internal know-how and striving to stabilize our profitability.

For overseas business operations, we are strengthening our salesforce in the USA as well as in European areas to aggressively pursue our business opportunities. With the shift by our sales people to a direct distribution channel through wholesalers and retailers rapid responses to customer needs and a reduction in logistics costs were attainable.

Thus, CAPCOM is striving to expand our sales territories and to enhance our competitiveness in the worldwide market.

Kenzo Tsujimoto

President and CEO
CAPCOM CO., LTD.

Research and Development



Capable R&D staff maximize their proven abilities and potential to create unprecedented game contents with the aim of appealing to customers around the world

CAPCOM has been demonstrating its first-rate R&D capabilities in the market through products, such as "RESIDENT EVIL", "DINO CRISIS", "Devil May Cry" and "ONIMUSHA". These have been blockbuster software titles, and their success has been followed by the success of their sequels.

Our capable R&D staff have been taking up the challenge to fascinate customers around the world through their innovative and creative capabilities, appealing equally in Japan, North America and Europe. Currently R&D bases are located in Japan, as the major base as well as a controlling center, in the United States and in Korea.

R&D staff in the United States as well as in Korea are focusing their efforts on creating such contents that are appealing to their region, featuring regional characteristics and tastes.

Our R&D basic concept is always aiming at equally sellable and fascinating games for customers in our three major markets. In order to realize their objectives our R&D staff are working hard for creation of contents with a global perspective.





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

Title-based Profit Control System by Producers: Incentive System to motivate R&D people

Our development process for each game are under control of Producers in the company. The producers are held responsible for coordination of each different process of development, such as concept creation, plot creation, character design, programming and sound creation. They are also held accountable for R&D budget control, and costs related to the game software, including its promotional costs.

An uncontrolled R&D structure subject to rapid change in the management environment will be detrimental to the corporation overall, due to the rising development cost it brings, which consequently pushes up break-even point for each software title and unrecoverable R&D costs can be fatal.

The Producers, who have authorization to control and monitor costs, take proactive roles in the R&D process itself with a title-based profit control system. They are also tied to the sales division to work out sales plans for each software title under development.

In return, they get some portion of each title profit as a reward to motivate and give incentive to their R&D performance.



Xbox™

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GAME BOY ADVANCE™

GAME BOY ADVANCE IS TRADEMARK OF NINTENDO

GAME BOY ADVANCE™

GAME BOY ADVANCE IS TRADEMARK OF NINTENDO



NINTENDO GAMECUBE™
NINTENDO GAMECUBE AND THE NINTENDO GAME CUBE LOGO ARE TRADEMARKS OF NINTENDO

Review of Operations

Home Video Games



ONIMUSHA 2

This sales division is contributing to over 75% of total sales, and "ONIMUSHA" for PlayStation® 2 and "Devil May Cry", featuring realistic graphics as well as speedy action, have sold over 2 million units each worldwide, as blockbuster hit titles.

"ONIMUSHA 2", which was released in March 2002, also achieved over one million units in the domestic market only because of elevated software completion compared to the previous version, with features from the late movie actor Mr. Yusaku Matsuda and famous popular singer Mr. Tomoyasu Hotei.

"MEGAMAN" sequels and "BREATH OF FIRE" sequels in the form of GAMEBOY ADVANCE™ titles also achieved stable sales, as expected.

A new jury-themed content named "GYAKUTEN SAIBAN (Reversal of the verdict)" was well received by adult players in Japan.

Customers attention was drawn to "CAPCOM VS. SNK 2", the first interactive on-line game played through conventional telephone lines between different platforms (PlayStation® 2 and Dreamcast™). As a part of our multi-platform strategy, "GENMA ONIMUSHA" for Xbox™ was released and "RESIDENT EVIL" for NINTENDO GAMECUBE® was also released this fiscal year.

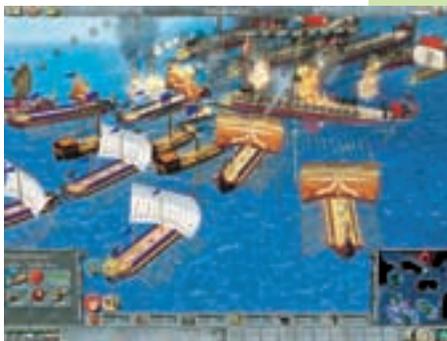
We also introduced PC software titles with on-line features, with a view for internet market expansion. "Empire Earth" was a prominent title amongst the PC titles.

"MOBILE SUIT GUNDAM THE EARTH FEDERATION VS. THE PRINCIPALITY OF ZEON DELUXE" for PlayStation® 2, in which we undertook the software creation as a part of our maximization of R&D capabilities, and other software titles in line with collaboration with other software companies, are contributing to increases in sales and profits for the division.

Operational results, were sales of ¥47,769 million, up 50.6% over the previous year and operating income of ¥11,257 million, also up 52.0% over the previous year.



Devil may Cry



Empire Earth



Maximo Ghosts to Glory



As a challenge to the Consumer Sales Division, to explore new market areas as well as build up new genres, our focus on "auto modellista" (the first auto-racing game for PlayStation® 2) and "Catan" will be heavily promoted to maximize their sales.

Highly anticipated software titles are to be released to various platforms via our multi-platform strategy. "RESIDENT EVIL 0" for NINTENDO GAMECUBE®, "STEEL BATTALION" for Xbox™ are highlights, and "MEGAMAN BATTLE NETWORK 3" for GAMEBOY ADVANCE™ and others, are sure to satisfy customers needs. Furthermore, we are trying to create new demands from customers, with the aim of meeting on-line play demands in the future.

"NETWORK RESIDENT EVIL(tentative)" will be a pioneering software title to canvass internet game players as a part of this strategy.

We are continuing our efforts to expand sales opportunities with a variety of network game innovative software titles expected to meet the demands from this market.



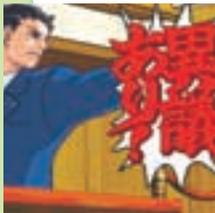
RESIDENT EVIL



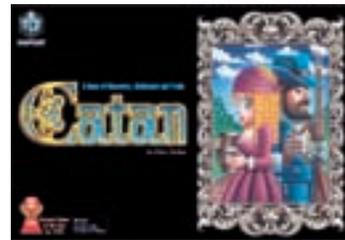
MEGAMAN BATTLE NETWORK 2



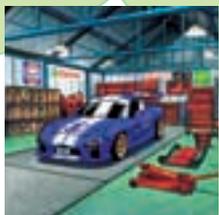
BREATH OF FIRE II



GYAKUTEN SAIBAN (Japanese title)



Catan



auto modellista (Japanese title)

Arcade Games

The Arcade Games market faced a sluggish business climate due to the pressure from home video game platforms with high quality and performance, as well as a lack of leading arcade game products.

Despite these circumstances, the "GUNDAM" Series, such as "MOBILE SUIT GUNDAM THE EARTH FEDERATION VS. THE PRINCIPALITY OF ZEON" and "MOBILE SUIT GUNDAM THE FEDERATION VS. THE PRINCIPALITY OF ZEON DELUXE" became so popular that people gathered at game arcades to play these games.

"CAPCOM VS. SNK 2" also obtained strong support from our core users.

Nevertheless, sales of other products were still sluggish, affected by the decline in demand from the video game segment.

As a result, net sales decreased 42.3% from the previous year to ¥3,954 million and operating loss increased by ¥543 million from the previous year to ¥456 million.



CAPCOM VS. SNK 2

Arcade Operations

The amusement facility industry faced a sluggish market climate attributable to diversification of lifestyle and leisure activities, stagnant consumption and difficulty in differentiation from home entertainment platforms. We will aim to reinvigorate the entire game industry market by making "The Game Day" (November 23, every year), when promotional events are held for arcade game fans.

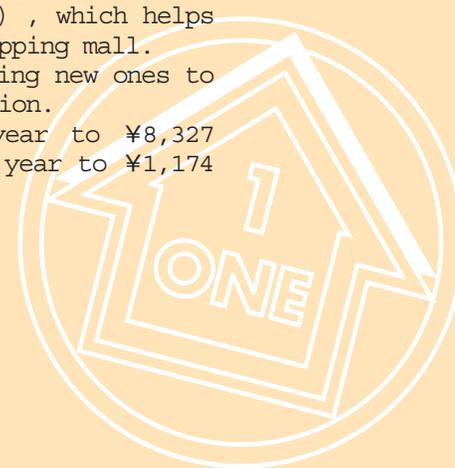
Under these circumstances, we hold a variety of events such as "CAPCOM VS. SNK 2 Millionaire Fighting 2001 Championship" held on a nationwide scale and generating much interest, plus "Fan Service Day", in order to attract many customers to our entertainment facilities, and extending our sincere thanks to our customers. We are taking the "number one game arcade in each region" strategy by securing locations in the largest shopping malls and having higher traffics drawing power in each region.

We also opened "Plaza Capcom Kurosaki" (in Fukuoka Prefecture) in Kyushu for the first time, embodying the key word "Festival". This is a very different concept from our other existing facilities.

We open new game arcades when the opportunities arise and agree with our strategy. We opened "Plaza Capcom Niihama" (in Ehime Prefecture), which helps to create excitement and enjoyment for our customers in that shopping mall.

we also closed down ten unprofitable game arcades and are building new ones to achieve more efficient management of our amusement arcade operation.

As a result, net sales increased 16.5% from the previous year to ¥8,327 million and operating income increased 55.3% from the previous year to ¥1,174 million.



Plaza Capcom Niihama



Plaza Capcom Kurosaki

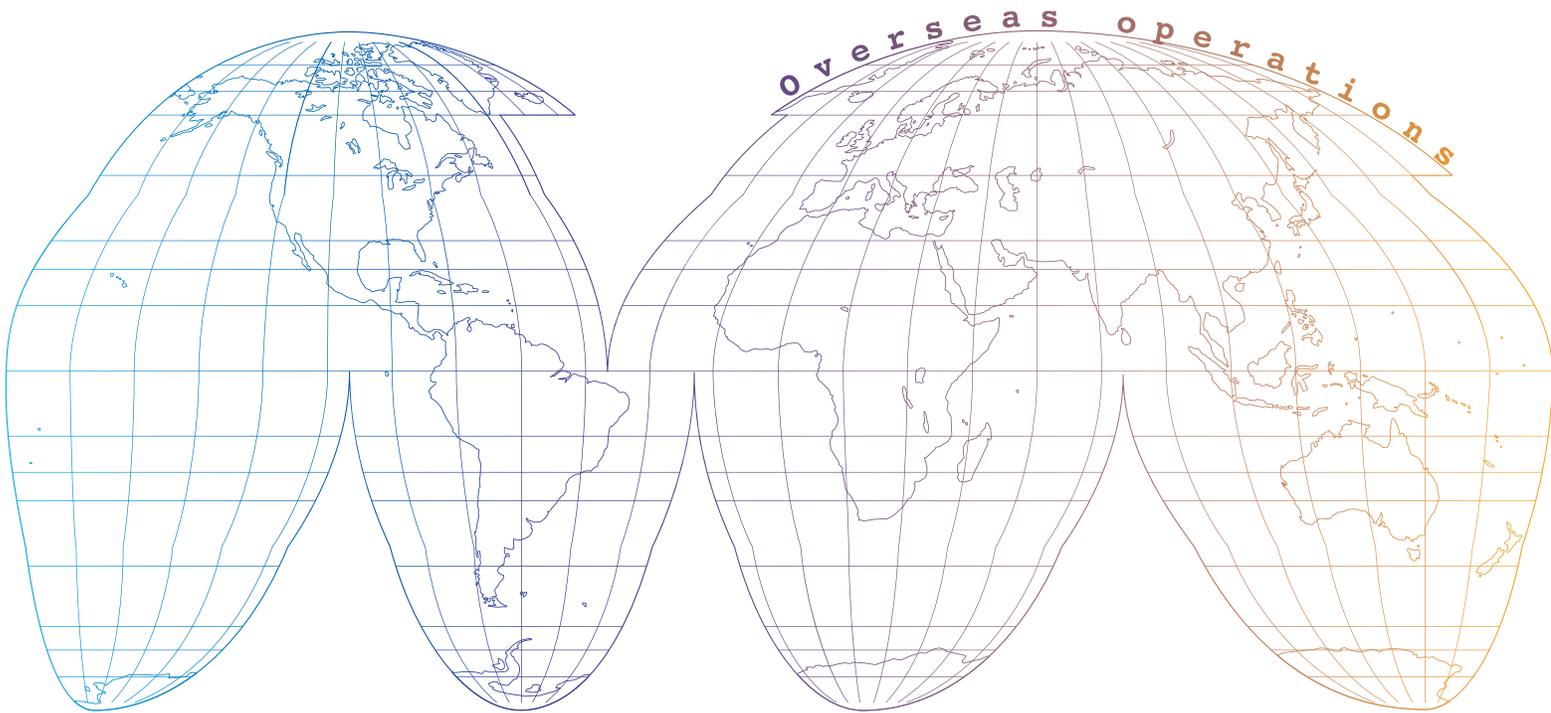


Other

Other revenue, include licensing fee revenues, mainly from Strategy guidebooks for the games and games character merchandise. Sales revenue was also obtained from LCD devices for pachinko machines, developed by utilizing our game software contents and our development know-how, and movie business licensing.

Total net sales, including our rental businesses, decreased 18.3% from the previous year to ¥3,083 million and operating income decreased 77.1% to ¥206 million.





Overseas Operations

We released more than 15 million units in total for our game software in this fiscal year, of which about 9.5 million units were released in overseas markets, indicating that our overseas market is increasing in importance every year.

We established Capcom U.S.A., Inc. in August of 1985 to promote sales of our products in the United States.

Subsequently, we established subsidiaries in Europe and Asia. Thus, we have pursued the cultivation of overseas markets.

North America

In the North American market, the largest in the world, it was feared that consumption might decline due to the simultaneous terrorist attacks occurring in September, 2001. Nevertheless, the game market kept expanding because of the so-called "nesting effect", meaning people went out less, as experienced by the brisk Christmas sales. Under these circumstances, "ONIMUSHA" and "Devil May Cry", introduced for PlayStation® 2, sold very well in the United States market. "Maximo Ghosts to Glory" was popular at Electronic Entertainment Expo last year, and sold strongly. As a result, net sales increased 6.9% from the previous year to ¥14,242 million and operating income decreased 21.5% to ¥2,373 million.



Europe

The European market, one of three big markets in the world, remained weak in the first half of the year, but an upswing occurred in the second half of the year as PlayStation® 2 retail price decreased and because of good sales of GAMEBOY® COLOR. Under this market environment, sales increased dramatically, thanks to the direct sales distribution system implemented since February, 2001. "Devil May Cry" and "RESIDENT EVIL CODE:Veronica X" for PlayStation® 2 sold well too. Business as a whole continued to be successful. As a result, net sales increased a large 1,897.2% from the previous year to ¥7,267 million and operating income reached ¥1,043 million.

Other

In Asia, market climate remained sluggish as a whole, under stagnant economies. This year PlayStation® 2 was put on sale in Hong Kong, Singapore and Korea and a tendency toward a promising market in the future became more visible. As a result, net sales increased 4.2% from the previous year to ¥626 million and operating income decreased 20.3% from the previous year to ¥41 million.

Business Evaluation and Analysis

Financial Statement

In the amusement industry, a transitional period continued in the first half of this fiscal year in anticipation of the full line up of new-generation game platforms. However, in the second half of this fiscal year, the new platforms were released on the market on a full scale.

Alliances between companies aiming at survival were accelerated to cope with increasing development costs, to catch up with high quality of hardware and to address ongoing birth dearth.

Under these circumstances, net sales for this fiscal year on consolidated basis increased 27.8% from the previous year to ¥62,743 million.

Ordinary income increased 15.4% from the previous year to ¥9,261 million although issuing cost for the unsecured convertible bond issued in December 2001 was incurred.

Net income decreased 18.2% from the previous year to ¥4,912 million mainly due to extraordinary loss derived from valuation loss of investment securities, attributable to the decline of stock prices of the holding stocks.

General Overview of Each Business Segment

Home Video Games

"ONIMUSHA" released last year in Japan for PlayStation® 2 and "Devil May Cry" were big hits, both exceeding two million unit sales worldwide.

Furthermore, "CAPCOM VS. SNK 2" that enabled interactive network fighting for the first time between the different platforms of PlayStation® 2 and Dreamcast™, attracted the attention of end-users.

"ONIMUSHA 2", released in March this year has, already been a million-seller just in Japan, for many reasons, including the late Yusaku Matsuda acting as a hero and the famous artist Tomoyasu Hotei, producing its theme song, in addition to its high degree of sophistication, surpassing the original "ONIMUSHA".

"MEGAMAN" Series and other software for GAMEBOY ADVANCE™ also sold well among the young generation.

Pursuing a multi-platform strategy, we released "GENMA ONIMUSHA" for Xbox™ and "RESIDENT EVIL" for NINTENDO GAMECUBE®.

In view of expansion of the network game market in the future, we released many on-line game titles, such as "Empire Earth" for personal computers.

Several software titles we developed for other companies' were also big hits, such as "MOBILE SUIT GUNDAM THE EARTH FEDERATION VS. THE PRINCIPALITY OF ZEON DELUXE" for PlayStation® 2, contributing to an increase in sales and profit.

As a result, net sales increased 50.6% from the previous year to ¥47,769 million and operating income also increased 52.0% from the previous year to ¥11,257 million.

Arcade Games

The Arcade Games market contracted for reasons attributable to the slump in personal consumption and slowdown of arcade operators' business.

Despite these circumstances, the "GUNDAM" Series released last year, such as "MOBILE SUIT GUNDAM THE EARTH FEDERATION VS. THE PRINCIPALITY OF ZEON" and "MOBILE SUIT GUNDAM THE FEDERATION VS. THE PRINCIPALITY OF ZEON DELUXE" sold so well that people gathered at the arcades to play these games.

Nevertheless, sales of other products was still sluggish in general, affected by the decline in demand in the video game segment.

As a result, net sales decreased 42.3% from the previous year to ¥3,954 million and operating loss increased by ¥543 million from the previous year to ¥456 million, both on a consolidated basis.

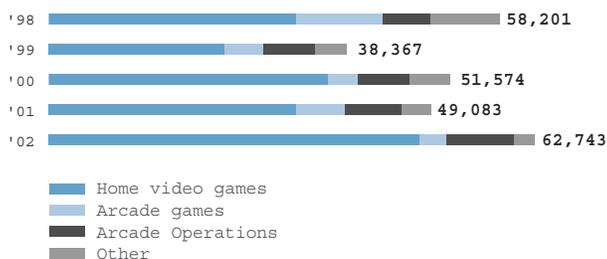
Arcade Operations

The entertainment facility industry faced a sluggish market climate attributable to diversification of lifestyle and leisure activities, stagnant consumption and difficulty in differentiation from home game machines. We endeavored to reinvigorate the game industry market by making "The Game Day" (November 23, every year) as a thank-you events for game fans.

Under similar circumstances, we hold a variety of events and a "Fan Service Day" in order to attract

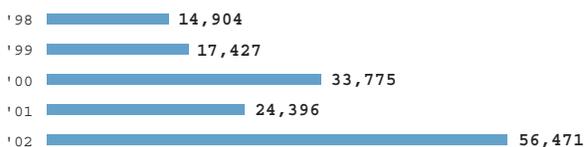
Net Sales by Business Segment

(Millions of yen)



Working Capital

(Millions of yen)



many customers to our entertainment facilities and extend our sincere thanks to our customers.

Our amusement centers aim to be "the number one arcades in each region", which we make our business principle.

We opened "Plaza Capcom Kurosaki" (in Fukuoka Prefecture) in Kyushu for the first time, embodying the key word "Festival", which is a very different concept from our other existing facilities.

We also opened "Plaza Capcom Niihama" (in Ehime Prefecture), which presents an exciting and pleasant space in a shopping center.

However, we also closed ten unprofitable centers and accelerated scrapping and building to achieve more efficient management of amusement operations.

As a result, net sales increased 16.5% from the previous year to ¥8,327 million and operating income increased 55.3% from the previous year to ¥1,174 million.

Other

Other revenue, include licensing fee revenue, sales revenue for LCD devices for pachinko machines, developed by utilizing our game software assets and our development know-how, and licensing to movie business.

Total net sales, including our rental businesses, decreased 18.3% from the previous year to ¥3,083 million and operating income decreased 77.1% to ¥206 million.

In this fiscal year, we reviewed our business segments and changed as follows.

Our business segments had been classified into three categories until the previous fiscal year (arcade games including rental business, home video games, and other).

From this fiscal year, we classified our business segments into four categories (home video games, arcade games, arcade operations, and other).

The amounts from the previous fiscal year by segment are adjusted in accordance with the new classification of segments for proper comparison with those of this fiscal year.

Financial Position

Cash and cash equivalents (hereafter referred to as "Cash") as of the end of this fiscal year increased by ¥9,324 million from the previous fiscal year to ¥35,000 million on a consolidated basis.

Cash flow positions for each activity are as stated below.

Cash Flows

Cash Flows from Operating Activities

Net cash generated by operating activities decreased 9.2% from the previous year to ¥3,316 million. This decrease mainly resulted from the increase of ¥3,470 million in inventories, primarily consisted of the capitalized development cost for game software.

Cash Flows from Investing Activities

Net cash decrease from investing activities amounted to ¥3,067 million. This decrease is attributable to the acquisition of property, plant and equipment for amusement facilities.

Cash Flows from Financing Activities

Net cash increase from financing activities amounted to ¥8,589 million. This increase is attributable to the revenue of the fourth and fifth unsecured convertible bonds, amounting to ¥25,000 million, and to the redemption of the second unsecured convertible bond amounting to ¥13,865 million.

Cash Flows in the Next Fiscal Year

We strive to increase the net cash in the next fiscal year by operating activities aiming at increases in net sales and net income.

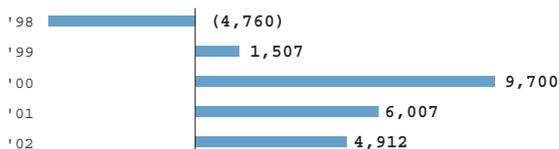
In investing activities, investments in the new amusement arcades are scheduled.

In financing activities, we are considering acquisition of treasury stocks to more rapidly cope with environmental change.

We continue to strive to strengthen and expand our cash at hand.

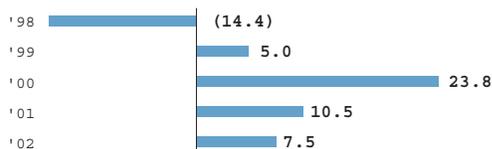
Net Income (Loss)

(Millions of yen)



Return On Equity

(Percent)



Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2002	2001	2000	1999	1998	2002
Net sales	¥62,743	¥49,083	¥51,574	¥38,367	¥58,201	\$471,752
Operating income	9,727	7,155	9,061	3,611	10,366	73,135
Income before income taxes	7,420	7,127	8,712	2,085	(3,696)	55,789
Net income	4,912	6,007	9,700	1,507	(4,760)	36,932
	Yen					U.S. dollars
Earnings per share	¥ 84.21	¥ 109.90	¥ 273.01	¥ 43.00	¥ (135.24)	\$0.63
Cash dividends per share	20.00	20.00	20.00	20.00	20.00	0.15
Shareholders' equity per share	1,168.51	1,081.62	1,372.16	862.96	841.35	8.79
	Millions of yen					Thousands of U.S. dollars
Total assets	¥128,512	¥113,493	¥107,776	¥98,127	¥100,833	\$966,256
Total shareholders' equity	68,233	62,966	51,320	30,125	29,612	513,030
Depreciation & amortization	2,172	2,411	2,623	2,818	3,243	16,331
Capital expenditure	4,182	2,939	2,695	2,862	2,557	31,444
R&D expenses	1,067	1,461	1,390	1,414	2,948	8,023
ROE (%)	7.5	10.5	23.8	5.0	(14.4)	
ROA (%)	4.1	5.4	9.4	1.5	(4.3)	
Net worth ratio (%)	53.1	55.5	47.6	30.7	29.4	

- Notes: 1. U.S. dollar amounts are translated from yen at the rate of ¥133=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2002.
2. Amounts per share are computed based upon weighted average number of shares of common stock outstanding during each fiscal year and adjusted for the effect of the stock splits.

Report of Independent Accountants

June 21, 2002

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, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in accordance 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 14 to the consolidated financial statements, the Companies changed their business segment information during the year ended March 31, 2002.

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 consolidated financial statements.

The logo for PricewaterhouseCoopers, written in a cursive, handwritten-style font.

(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 sheets 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

March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 35,000	¥ 25,676	\$263,158
Notes and accounts receivable -			
Trade	15,240	15,390	114,586
Other	637	422	4,789
Allowance for doubtful accounts	(1,717)	(2,455)	(12,910)
Short-term loans receivable	4,948	5,337	37,203
Inventories (Note 4)	6,517	4,964	49,000
Capitalized development costs	11,218	8,729	84,346
Prepaid expenses	2,174	639	16,346
Deferred income taxes (Note 8)	2,522	1,513	18,962
Other	335	20	2,520
Total current assets	76,874	60,235	578,000
Investments and other assets:			
Investments in securities (Note 5)	2,006	2,768	15,083
Investments in an unconsolidated company and an affiliated company	604	-	4,541
Long-term loans receivable	5,919	8,134	44,504
Long-term prepaid expenses	101	181	759
Deferred income taxes (Note 8)	1,230	2,278	9,248
Other	7,089	6,810	53,301
Allowance for doubtful accounts	(4,538)	(5,104)	(34,120)
Total investments and other assets	12,411	15,067	93,316
Property, plant and equipment (Notes 6 and 7):			
Land	26,500	26,493	199,248
Buildings and structures	13,417	13,388	100,880
Machinery and equipment	13,920	13,097	104,662
Construction-in-progress	45	-	338
Accumulated depreciation	(14,655)	(14,787)	(110,188)
Total property, plant and equipment	39,227	38,191	294,940
Total assets	¥128,512	¥113,493	\$966,256

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Liabilities, minority interest and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 7)	¥ 8,640	¥ 9,886	\$ 64,962
Current portion of long-term debt (Note 7)	141	14,458	1,060
Notes and accounts payable	4,743	5,024	35,662
Accrued expenses	2,109	1,751	15,857
Accrued income taxes (Note 8)	1,436	2,233	10,797
Other	3,334	2,487	25,068
Total current liabilities	20,403	35,839	153,406
Long-term liabilities:			
Long-term debt (Note 7)	37,352	12,515	280,842
Accrued retirement benefits for employees (Note 9)	705	277	5,301
Other	1,757	1,866	13,211
Total long-term liabilities	39,814	14,658	299,354
Minority interest in a consolidated subsidiary	62	30	466
Shareholders' equity (Note 10):			
Common stock,			
Authorized - 150,000,000 shares			
Issued 2002 - 58,435,217 shares	27,580	-	207,368
Issued 2001 - 58,308,777 shares	-	27,370	-
Capital surplus	30,465	30,255	229,060
Retained earnings	8,777	5,219	65,992
Unrealized loss on revaluation of securities	(94)	(160)	(707)
Cumulative translation adjustments	1,551	369	11,663
Treasury stock (Note 11)	(46)	(87)	(346)
Total shareholders' equity	68,233	62,966	513,030
Total liabilities, minority interest and shareholders' equity	¥128,512	¥113,493	\$966,256

Consolidated Statements of Income

CAPCOM Co., Ltd. and Its Consolidated Subsidiaries

Year Ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Net sales	¥62,743	¥49,083	\$471,752
Cost of sales	38,229	29,765	287,436
Gross profit	24,514	19,318	184,316
Selling, general and administrative expenses	13,720	10,702	103,158
Research and development expenses	1,067	1,461	8,023
Operating income	9,727	7,155	73,135
Other income (expense):			
Interest and dividend income	277	552	2,083
Interest expense	(325)	(426)	(2,444)
Exchange gain, net	127	100	955
Provision for allowance for doubtful accounts	(603)	(559)	(4,534)
Loss on sale or disposal of property, plant and equipment	(108)	(124)	(812)
Write-off of investments in securities	(1,036)	(18)	(7,789)
Gain on sale of treasury stock	9	368	68
Bond issue expenses	(579)	-	(4,353)
Other, net	(69)	79	(520)
Income before income taxes	7,420	7,127	55,789
Income taxes (Note 8):			
Current	2,753	2,557	20,699
Deferred	(277)	(1,437)	(2,083)
	2,476	1,120	18,616
Minority interest in a consolidated subsidiary	32	0	241
Net income	¥ 4,912	¥ 6,007	\$ 36,932
	Yen		U.S. dollars
Per share data	2002	2001	2002
Net income	¥84.21	¥109.90	\$0.63
Net income-diluted	76.61	98.47	0.58
Cash dividends paid	20.00	20.00	0.15

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

CAPCOM Co., Ltd. and Its Consolidated Subsidiaries

Year Ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Common stock:			
Balance at beginning of year	¥27,370	¥24,268	\$205,789
Shares issued upon conversion of bonds	210	3,102	1,579
Balance at end of year	¥27,580	¥27,370	\$207,368
Capital surplus:			
Balance at beginning of year	¥30,255	¥27,154	\$227,481
Excess of principal amount of bonds converted over the amount credited to common stock issued	210	3,101	1,579
Balance at end of year	¥30,465	¥30,255	\$229,060
Retained earnings:			
Balance at beginning of year	¥ 5,219	¥ 213	\$ 39,241
Net income for the year	4,912	6,007	36,932
Cash dividends	(1,166)	(941)	(8,767)
Bonuses to directors and statutory auditors	(60)	(60)	(451)
Effect of changing reporting entities	(128)	-	(963)
Balance at end of year	¥ 8,777	¥ 5,219	\$ 65,992
Unrealized loss on revaluation of securities	¥ (94)	¥ (160)	\$ (707)
Cumulative translation adjustments	¥ 1,551	¥ 369	\$ 11,663
Treasury stock	¥ (46)	¥ (87)	\$ (346)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

CAPCOM Co., Ltd. and Its Consolidated Subsidiaries

Year Ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash flows from operating activities:			
Net income	¥ 4,912	¥ 6,007	\$ 36,932
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	2,172	2,411	16,331
Write-off of investment in securities	1,036	-	7,789
Increase (decrease) in allowance for doubtful accounts	944	(56)	7,098
Decrease (increase) in notes and accounts receivable	86	(5,469)	647
Decrease (increase) in inventories	(3,470)	393	(26,090)
Increase (decrease) in notes and accounts payable	(349)	723	(2,624)
Increase in accrued retirement benefits for employees	428	63	3,218
Other, net	(2,443)	(419)	(18,369)
Total adjustments	(1,596)	(2,354)	(12,000)
Net cash provided by operating activities	3,316	3,653	24,932
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	101	186	759
Acquisition of property, plant and equipment	(2,696)	(1,830)	(20,271)
Acquisition of investment in securities	(200)	-	(1,504)
Acquisition of investment in an affiliated company	(47)	-	(353)
Proceeds from sales of investment in securities	43	-	323
Decrease (increase) in short-term loans receivable	212	(1,686)	1,594
Decrease in long-term loans receivable	18	-	135
Other, net	(498)	(1,218)	(3,743)
Net cash used in investing activities	(3,067)	(4,548)	(23,060)
Cash flows from financing activities:			
Net repayment of short-term borrowings	(1,325)	(1,234)	(9,962)
Repayment of current portion of long-term debt	(13,985)	(189)	(105,150)
Extension of long-term debt	25,000	-	187,970
Cash dividends paid	(1,151)	(941)	(8,654)
Other, net	50	595	375
Net cash provided by (used in) financing activities	8,589	(1,769)	64,579
Effect of exchange rate changes on cash and cash equivalents	681	901	5,120
Net increase (decrease) in cash	9,519	(1,763)	71,571
Change in reporting entities	(195)	-	(1,466)
Cash and cash equivalents at beginning of year	25,676	27,439	193,053
Cash and cash equivalents at end of year	¥35,000	¥25,676	\$263,158

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

CAPCOM Co., Ltd. and Its Consolidated Subsidiaries

March 31, 2002 And 2001

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 from 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 rate of ¥133=U.S.\$ 1, the approximate current rate prevailing on March 31, 2002, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, U.S. dollars at this or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of Capcom Co., Ltd. (the "Company") and its 10 subsidiaries (all 11 companies referred to collectively as the "Companies") at the relevant balance sheet date. All significant inter-company transactions and accounts are eliminated. The investment in an unconsolidated company and an affiliated company are stated at cost.

(2) 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 the face amount at any time without penalty.

(3) Translation of foreign currencies

All foreign currency monetary assets and liabilities to be translated into Japanese yen at the rates prevailing at the balance sheet date. Income and expenses in foreign currency are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or charged to income as incurred. In preparing the consolidated financial statements, assets and liabilities of foreign subsidiaries are translated into Japanese yen at the rates in effect at the balance sheet date. Income and expenses of foreign subsidiaries are translated into Japanese yen at the monthly average rate for the year then ended. Shareholders' equity in foreign subsidiaries is translated into Japanese yen at the rates prevailing at the time when the transactions occurred. Cumulative translation adjustments, which resulted from the above translation procedures, were

credited to "Shareholders' equity" on the consolidated balance sheet.

(4) Inventories

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

Capitalized development costs for game software, including development costs incurred by 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.

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

(5) Financial instruments

Available-for-sale securities are stated at fair value with unrealized gains or losses being recorded as a separate component of shareholders' equity, net of applicable taxes. The cost of securities sold is determined based on the average cost of all such securities held at the time of sale.

In accordance with the new accounting standard in Japan the "Accounting Standard for Financial Instruments", effective from April 1, 2000, marketable securities and investments in securities are classified into three categories; held-to-maturity, trading, and available-for-sale securities. The Companies hold securities in one of three categories; available-for-sale securities. The effect of adoption of this standard was to increase "Income before income taxes" for the year ended March 31, 2001 by ¥304 million.

(6) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is principally computed using the declining balance method at rates based on the estimated useful lives of the assets, except for buildings, where it is computed using the straight-line method.

(7) Income taxes

The income statements of the Companies include many income and expense items for financial reporting purposes which are not currently deductible or taxable. With respect to all such temporary differences, the Companies follow the practice of inter-period tax allocation based on methods generally accepted in the respective country where each entity is located.

(8) Accrued retirement benefits for employees
Accrued retirement benefits for employees are calculated based on the estimated amount of the projected benefit obligations and the fair value of the plan assets at the year end. The unrecognized net transition obligation is amortized over 15 years. Unrecognized actuarial net gains or losses are amortized over 13 years, the average remaining service period, commencing from the period following that in which they arise.

For the year ended March 31, 2001, in accordance with the new accounting standard in Japan the "Accounting Standard for Employees' Retirement Benefits", effective from April 1, 2000, a company is required to recognize a pension liability to cover the amount of projected benefit obligations in excess of plan assets at fair value, taking into consideration unrecognized items, plus previously recognized unfunded accrued retirement benefits. The effect of adoption of this standard was to decrease "Income before income taxes" for the year ended March 31, 2001 by ¥9 million.

(9) Revenue recognition

Revenue from sales of products are recognized when those products are shipped to customers.

Motion picture revenue is recognized on the date of showing.

(10) Research and development expenses

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

(11) Per share data

The computation of net income per share is based on the weighted average number of common stock shares 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 shareholder approval is obtained.

(12) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(13) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3. CASH FLOW INFORMATION:

Interest paid for the years ended March 31, 2002 and 2001 amounted to ¥233 million (\$1,752 thousand) and ¥419 million, respectively and income taxes paid for the years ended March 31, 2002 and 2001 amounted to ¥3,155 million (\$23,722 thousand) and ¥481 million, respectively.

4. INVENTORIES:

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods and merchandise	¥3,344	¥1,772	\$25,143
Work-in-process	100	67	752
Raw materials	1,164	1,534	8,752
Supplies	625	181	4,699
Films	1,284	1,410	9,654
Total	¥6,517	¥4,964	\$49,000

5. SECURITIES:

The following tables are summary of investments in securities that were classified as available-for-sale securities at March 31, 2002 and 2001.

As of March 31, 2002

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	849	-	(163)	686
Total	849	-	(163)	686

As of March 31, 2002

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	6,384	-	(1,226)	5,158
Total	6,384	-	(1,226)	5,158

As of March 31, 2001

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	1,923	30	(306)	1,647
Total	1,923	30	(306)	1,647

6. PROPERTY, PLANT AND EQUIPMENT:

Depreciation charges for the years ended March 31, 2002 and 2001 amounted to ¥1,903 million (\$14,308 thousand) and ¥2,058 million, respectively. The 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 3 to 20 years (principally 3 years) for machinery and equipment.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings at March 31, 2002 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Bank overdrafts with interest ranging from 0.880% to 1.375% per annum	¥8,640	\$64,962
Total	¥8,640	\$64,962

Long-term debt at March 31, 2002 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Convertible bonds		
1.0% interest-due 2005	¥12,264	\$ 92,211
No interest-due 2007	10,000	75,188
No interest-due 2009	15,000	112,782
Loans payable to banks and other financial institutions due 2002-2003, with interest ranging from 0.757%-5.900%		
Secured	21	158
Unsecured	208	1,563
	¥37,493	\$281,902
Less: portion due within one year	(141)	(1,060)
Total	¥37,352	\$280,842

The aggregate annual maturities of long-term debt as at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
2003 (current portion)	¥ 141	\$ 1,060
2004	88	661
2005	12,264	92,211
2007	10,000	75,188
2009	15,000	112,782
Total	¥37,493	\$281,902

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

The no interest convertible bonds, due 2007, were issued on December 20, 2001 and are convertible into common stock at a conversion price of ¥4,037.00 per share. From February 1, 2002 the Company can redeem all of the bonds, if the closing price of the shares for each of the 20 consecutive trading days is more than 130% of the conversion price in effect on each such trading day.

The no interest convertible bonds, due 2009, were issued on December 20, 2001 and are convertible into common stock at a conversion price of ¥3,774.00 per share. From February 1, 2002 the Company can redeem all of the bonds, if the closing price of the shares for each of the 20 consecutive trading days is more than 130% of the conversion price in effect on each such trading day.

At March 31, 2002, the following assets were pledged as collateral for long-term debt and other liabilities:

	Millions of yen	Thousands of U.S. dollars
Land	¥6,108	\$45,925
Buildings and structures, net of accumulated depreciation	628	4,722
Total	¥6,736	\$50,647

8. INCOME TAXES:

The Company is subject to several taxes based on income which, in aggregate, resulted in a normal effective tax rate of approximately 42% in the periods ended March 31, 2002 and 2001.

Reconciliation of the difference between the normal effective tax rate and the income tax rate in the accompanying consolidated statements of income are as follows:

	2002	2001
Normal effective tax rate	42.0%	42.0%
Change in valuation allowance	(6.0)	(31.2)
Other	(2.6)	4.9
Income tax rate per statements of income	33.4%	15.7%

The significant components of deferred tax assets at March 31, 2002 and 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars	
	2002	2001	2002
Inventories	¥ 189	¥ 374	\$ 1,421
Allowance for doubtful accounts	1,677	384	12,609
Accrued expenses	541	506	4,068
Accrued enterprise taxes	123	167	925
Accrued retirement benefits for employees	189	14	1,421
Unrealized loss on revaluation of securities	68	116	511
Tax loss carry forwards in consolidated subsidiaries	2,806	4,574	21,098
Other	228	232	1,713
Sub-total	5,821	6,367	43,766
Less: valuation allowance	(2,069)	(2,576)	(15,556)
Deferred tax assets	¥3,752	¥3,791	\$28,210

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

9. ACCRUED RETIREMENT BENEFITS FOR EMPLOYEES:

The Company and its domestic consolidated subsidiaries have unfunded lump-sum benefit plans and funded non-contributory pension plans, generally covering all employees. Under the terms of the Company's and its domestic subsidiaries' retirement plans, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefits is, in general, based on the length of service, basic salary at the time of retirement, and reason for retirement.

The non-contributory pension plans of the company and its domestic subsidiaries, which cover those employees who have served with those companies for more than 10 years and have already reached the age of 45, generally provide for pension payments for a period of ten years subsequent to retirement (or a lump-sum payment at the retiring employee's option). The annual charge for current service costs in respect of these plans is determined actuarially and funded currently through outside trustees.

The following tables set forth the changes in projected benefit obligations, plan assets and funded status of the Company and its domestic consolidated subsidiaries at March 31, 2002 and 2001.

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Projected benefit obligations at end of year	¥1,929	¥1,333	\$14,504
Fair value of plan assets at end of year	503	469	3,782
Funded status:			
Projected benefit obligations in excess of plan assets	1,426	864	10,722
Unrecognized transition obligation	479	515	3,601
Unrecognized actuarial differences	242	72	1,820
Accrued pension liability recognized in the consolidated balance sheet	¥ 705	¥ 277	\$ 5,301

Retirement pension costs of the Company and its domestic consolidated subsidiaries for the years ended March 31, 2002 and 2001 were as follows.

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Service cost	¥497	¥121	\$3,737
Interest cost	52	42	391
Expected return on plan assets	(16)	(16)	(120)
Amortization:			
Transition obligation	37	37	278
Actuarial differences	14	-	105
Allowance for early retirement	109	-	820
Net periodic benefit costs	¥693	¥184	\$5,211

Assumptions used in the accounting for the defined benefit plans for the year ended March 31, 2002 and 2001 were as follows:

	2002	2001
Method of attributing the projected benefit obligations to periods of service	Straight-line basis	Straight-line basis
Discount rate	2.5%	3.5%
Long-term rate of return on plan assets	3.5%	3.5%
Amortization period for transition obligation	15years	15years
Amortization period for actuarial differences	13years	13years

10. COMMON STOCK:

Changes in the number of issued shares of common stock during the years ended March 31, 2002 and 2001 are summarized below:

	Thousands of shares	
	2002	2001
Balance at beginning of year	58,309	37,627
Issued upon conversion of bonds	126	1,868
Stock split	-	18,814
Balance at end of year	58,435	58,309

The stock split was resolved upon by the Board of Directors and represented distributions of new shares of the Company's common stock to the existing shareholders for no consideration. Therefore no accounting entries were required.

The stock split was made on May 19, 2000 to the shareholders registered as of March 31, 2000, in the ratio of 0.5 shares for every one share held based on the resolution passed by the Board of Directors of the Company on February 28, 2000.

11. TREASURY STOCK:

During the year ended March 31, 1999, the Company introduced a management incentive plan or scheme giving the Company's directors and employees an option to acquire the common stock of the Company, as defined.

The Company held 39,100 shares of the common stock of the Company outstanding at March 31, 2002 amounting to ¥36 million (\$271 thousand) and this was included in "Treasury stock" in the accompanying balance sheet.

12. APPROPRIATION OF RETAINED EARNINGS AND LEGAL RESERVE:

The Japanese Commercial Code requires that all appropriations of retained earnings, except for interim cash dividends, 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 shareholder approval has been obtained.

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and directors bonuses etc. paid be appropriated and set aside as a legal reserve. Before September 30, 2001, no further appropriation was required when the legal reserve equal to 25% of common stock. As a result of amendment of the Japanese Commercial Code, from October 1, 2001, no further appropriation is required when the sum of legal reserve and capital surplus equals 25% of common stock. The legal reserve and capital surplus may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and capital surplus remains being equal to or exceeding 25% of common stock, they are available for distribution and certain other purposes by resolution of the shareholders' meeting. Legal reserve is included in retained earnings in the accompanying consolidated financial statements. The maximum amount that the Company can distribute as dividends calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Commercial Code. In addition, unrecognized holdings gains on securities, net of related taxes is not available for distribution as cash dividends and bonuses to directors and statutory auditors.

The following appropriations of retained earnings of the Company were proposed and resolved at the general meeting of shareholders held on June 21, 2002.

	Millions of yen	Thousands of U.S. dollars
Balance at March 31, 2002	¥4,431	\$33,316
Appropriations -		
Cash dividends (¥10 per share outstanding at March 31, 2002)	(584)	(4,391)
Bonuses to directors and statutory auditors	(60)	(451)
General reserve	(2,000)	(15,038)
Balance after appropriations	¥1,787	\$13,436

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

Balances due to and transactions of the Company with related parties for the year ended March 31, 2002 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
An affiliated company:		
KOKO CAPCOM CO., LTD.		
Accounts receivable-Trade	¥94	\$707
Net sales	¥94	\$707

14. SEGMENT INFORMATION:

(1) Business segments

Business segment information was previously provided on the basis of a three-segment classification, "Home video games", "Arcade games" and "Other". From April 1, 2002 the Companies have divided the "Arcade games" and "Other" segments to "Arcade games", "Arcade operations" and "Other", bringing the total number of business segments to four. The fiscal 2001 business segment information has therefore been restated based on the new classifications, so that comparisons and analysis between fiscal 2001 and 2002 can be made.

The "Home video games" segment develops and distributes home video game software. The "Arcade games" segment develops, manufactures and distributes arcade game software and hardware to amusement facility operators. The "Arcade operations" segment operates amusement facilities. The "Other segment" mainly comprises the distribution of motion picture films and rented battery chargers.

The following tables present certain information regarding the business segments for the years ended March 31, 2002 and 2001.

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Net sales:			2002
Home video games:			
Customers	¥47,769	¥31,727	\$359,165
Arcade games:			
Customers	3,565	6,433	26,805
Inter-segment	389	423	2,924
	3,954	6,856	29,729
Arcade operations:			
Customers	8,327	7,147	62,609
Other:			
Customers	3,082	3,776	23,173
Inter-segment	1	-	8
	3,083	3,776	23,181
Sub-total	63,133	49,506	474,684
Eliminations and corporate	(390)	(423)	(2,932)
Consolidated	¥62,743	¥49,083	\$471,752

Cost of sales and direct expenses:

Home video games	¥36,512	¥24,323	\$274,526
Arcade games	4,410	6,769	33,158
Arcade operations	7,153	6,391	53,782
Other	2,877	2,878	21,632
Sub-total	50,952	40,361	383,098
Eliminations and corporate	2,064	1,567	15,519
Consolidated	¥53,016	¥41,928	\$398,617

Operating income (loss):

Home video games	¥11,257	¥7,404	\$84,639
Arcade games	(456)	87	(3,429)
Arcade operations	1,174	756	8,827
Other	206	898	1,549
Sub-total	12,181	9,145	91,586
Eliminations and corporate	(2,454)	(1,990)	(18,451)
Consolidated	¥ 9,727	¥7,155	\$73,135

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Total assets:			2002
Home video games	¥ 42,717	¥ 32,860	\$321,180
Arcade games	12,545	16,865	94,323
Arcade operations	9,757	9,775	73,361
Other	16,357	14,639	122,986
Sub-total	81,376	74,139	611,850
Eliminations and corporate	47,136	39,354	354,406
Consolidated	¥128,512	¥113,493	\$966,256

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Depreciation:			2002
Home video games	¥ 400	¥ 269	\$ 3,008
Arcade games	226	494	1,699
Arcade operations	1,086	1,036	8,165
Other	72	373	542
Sub-total	1,784	2,172	13,414
Eliminations and corporate	388	239	2,917
Consolidated	¥2,172	¥2,411	\$16,331

Capital expenditure:

Home video games	¥ 379	¥ 295	\$ 2,850
Arcade games	90	148	677
Arcade operations	1,098	1,386	8,256
Other	2,086	412	15,683
Sub-total	3,653	2,241	27,466
Eliminations and corporate	529	698	3,978
Consolidated	¥4,182	¥2,939	\$31,444

(2) Geographic areas

Previously the geographic area information was split between "Japan", "North America" and "Other". From April 1, 2002 the Companies split the "Other" segment into "Europe" and "Other". The fiscal 2001 geographic area information has therefore been re-stated based on the new classifications, so that comparisons and analysis between fiscal 2001 and 2002 can be made.

The following tables present certain information regarding the geographic area for the years ended March 31, 2002 and 2001.

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Net sales:			2002
Japan:			
Customers	¥40,666	¥34,839	\$305,759
Inter-segment	5,473	3,757	41,150
	46,139	38,596	346,909
North America:			
Customers	14,236	13,326	107,038
Inter-segment	6	0	45
	14,242	13,326	107,083
Europe:			
Customers	7,267	362	54,639
Inter-segment	-	2	-
	7,267	364	54,639

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales:			
Other:			
Customers	¥ 574	¥ 556	\$ 4,316
Inter-segment	52	46	391
	<u>626</u>	<u>602</u>	<u>4,707</u>
Sub-total	68,274	52,888	513,338
Eliminations and corporate	(5,531)	(3,805)	(41,586)
Consolidated	<u>¥62,743</u>	<u>¥49,083</u>	<u>\$471,752</u>

Cost of sales and direct expenses:			
Japan	¥37,409	¥32,583	\$281,270
North America	11,869	10,303	89,241
Europe	6,224	372	46,797
Other	585	550	4,399
Sub-total	<u>56,087</u>	<u>43,808</u>	<u>421,707</u>
Eliminations and corporate	(3,071)	(1,880)	(23,090)
Consolidated	<u>¥53,016</u>	<u>¥41,928</u>	<u>\$398,617</u>

Operating income (loss):			
Japan	¥ 8,730	¥6,013	\$65,639
North America	2,373	3,023	17,842
Europe	1,043	(8)	7,842
Other	41	52	308
Sub-total	<u>12,187</u>	<u>9,080</u>	<u>91,631</u>
Eliminations and corporate	(2,460)	(1,925)	(18,496)
Consolidated	<u>¥ 9,727</u>	<u>¥7,155</u>	<u>\$73,135</u>

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Total assets:			
Japan	¥ 70,377	¥ 66,584	\$529,150
North America	9,969	9,241	74,955
Europe	3,231	961	24,293
Other	345	160	2,594
Sub-total	<u>83,922</u>	<u>76,946</u>	<u>630,992</u>
Eliminations and corporate	44,590	36,547	335,264
Consolidated	<u>¥128,512</u>	<u>¥113,493</u>	<u>\$966,256</u>

(3) Foreign sales

Foreign sales information had previously been divided between "North America" and "Other". However, from April 1, 2002 the Companies split the "Other" segment into "Europe" and "Other". The fiscal 2001 foreign sales information has therefore been restated based on the new classifications, so that comparisons and analysis between fiscal 2001 and 2002 can be made.

The following table presents certain information regarding sales of the Companies outside Japan for the years ended March 31, 2002 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales:			
North America	¥15,337	¥12,431	\$115,316
Europe	7,410	1,660	55,714
Other	782	1,104	5,880
	<u>¥23,529</u>	<u>¥15,195</u>	<u>\$176,910</u>

	Percentage	
	2002	2001
Percentage of such sales included in consolidated net sales	37.5%	31.0%

15. LEASES:

(a) Financing lease

Lease transactions as a lessee

Payments in respect of financing leases, which do not transfer ownership of the leased assets to the lessee, for the years ended March 31, 2002 and 2001 were ¥1,207 million (\$9,075 thousand) and ¥1,237 million, respectively.

Future lease payments for financing leases, which do not transfer ownership of the leased assets, including amounts representing interest, at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 936	¥1,100	\$ 7,038
Due more than one year	806	1,218	6,060
	<u>¥1,742</u>	<u>¥2,318</u>	<u>\$13,098</u>

(b) Operating leases

Future lease payments under non-cancelable operating leases at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 546	¥ 546	\$ 4,105
Due more than one year	1,883	2,429	14,158
	<u>¥2,429</u>	<u>¥2,975</u>	<u>\$18,263</u>

Corporate Information

Corporate Data

Name of Company: CAPCOM CO., LTD.
Date of Establishment: May 30, 1979
Paid-in Capital: ¥27,580 million
(US\$207,368 thousand)
End of Term: March 31
Number of Employees: 1,269 (Consolidated basis)

Head Office: 3-1-3 Uchihirano-machi, Chuo-ku,
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Fax: 81-6-6920-5108
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Tokyo 163-0411, Japan
Phone: 81-3-3340-0710
Fax: 81-3-3340-0711

(As of March 31, 2002)

Directors and Statutory Auditors

President and CEO: Kenzo Tsujimoto
Executive Vice President and CFO: Heiji Oshima
Senior Managing Directors and COO: Haruhiro Tsujimoto
Yoshiki Okamoto
Directors: Tamio Oda
Kyouji Kitamura
Kouichi Hori
Masanao Iechika
Statutory Auditors: Shoji Yamaguchi
Shigeo Konishi
Morio Kuroda
Yoshio Nakayama

(As of June 30, 2002)

Consolidated Subsidiaries

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CAPCOM ASIA Co., Ltd.
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CAPCOM DIGITAL STUDIOS, Inc.
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