

## **Briefing on Consolidated Financial Results for the Year ended March 31, 2011**

### **Explanatory Summary by Kenkichi Nomura, Managing Corporate Officer**

#### Progress with Phase 2 of Structural Reforms

With regard to the highlights of our results of operations in the past fiscal year, I will discuss primarily the second phase of our structural reforms. We started these reforms in October 2009 and are now, after about a year and a half, in the final stage.

As the first stage of these reforms, we started taking decisive actions in October 2009 that targeted underperforming businesses such as arcade game sales and the P&S business. Next, in May 2010 we revised our model for alliances with overseas development companies, streamlined our game development operations in Japan, and strengthened our online game business with necessary measures that included expanding the lineup of downloadable content.

In the second stage, which started in November 2010, we moved up the timing of major revisions to our game development workforce and organization following the resignation of a game development executive. In the past, we had a vertically aligned game development organization with separate units for consumer, mobile and online games. In November, we switched to a broad-based multi-platform framework capable of creating games compatible with all types of hardware. This allows us to adapt swiftly to changes in the game market. Furthermore, we have been taking many actions to target opportunities in new market sectors like smartphones and social games.

We have also been reexamining our lineup of consumer and online game titles, a process that ended this March. This process also included a thorough study from the standpoint of asset soundness of projects outsourced to other companies in Japan and overseas. This examination of game software under development resulted in charges during the past fiscal year for writing down assets and losses from the termination of development projects.

We will not disclose the amount of the write-down of assets, but the loss on games under development is included in extraordinary losses.

The second phase of structural reforms has almost ended. We are positioning the first half of the fiscal year ending in March 2012 as a period to put the finishing touches on these reforms. Specifically, in conjunction with the establishment of Beeline Interactive Japan, which we announced this April, we are launching a second brand that does not use Capcom content. We plan to grow simultaneously in mobile game markets in Japan and overseas. We will also place emphasis on initiatives involving our online game business that is currently expanding in Asia. Collectively, these measures will complete the second phase of our structural reforms.

#### Examination of game software under development

As I just mentioned, we have reexamined the lineup of titles in our development pipeline for the Consumer Online Games business. This review caused work-in-progress for game software to decline to 10,400 million yen as of March 31, 2011. There are three major causes: 1) we recorded a business reorganization loss; 2) we revalued some titles; and 3) the cost of development increased in association with the launch of major titles.

This completes my remarks.