



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

Overview of Strategies and Plans
Fiscal Year ending March 31, 2009



< Contents >

1. The Businesses of Capcom	··· P2
2. Home Video Games	··· P6
3. Arcade Operations	··· P17
4. Arcade Game Sales	··· P22
5. Contents Expansion	··· P26
6. Other Businesses	··· P30
7. Forecasts for Fiscal 2008	··· P32



1. The Business of Capcom

1-1. The Businesses of Capcom

The Capcom business sphere is centered on content for Video and Arcade Games and encompasses many peripheral activities



1-2. Capcom's Competitive Edge

**Portfolio of many Home Video Game title brands
with strong global popularity**

1. Powerful lineup of titles

(1) Possession of many series titles, which is the key to success in the game software market and to the horizontal development of content

- Resident Evil Series: 50 titles, 34.5 million units
- Street Fighter Series: 59 titles, 25 million units
- Devil May Cry Series: 10 titles, 9.5 million units
- Monster Hunter Series: 10 titles, 6.3 million units

As of March 31, 2008

2. One of the few Japanese companies that can compete overseas

- (1) Able to launch the titles that sells over a million units annually in North America and Europe, which have very different market characteristics and business customs from those in Japan.
- (2) Overseas markets accounted for 80% of total sales of the top three titles of the FY ended March 31, 2008.

3. One of the world's leaders in game development and game technology

- (1) Capcom does not rely solely on established core game series, instead creating original content every year in order to constantly build a base for more growth.
- (2) Also working on basic research for game development. Now using the MT Framework, a highly sophisticated development environment created by Capcom for multi-platform compatibility.

1-3. “Single Content Multiple Usage” Strategy

Capcom can use its collection of powerful original game content for Home Video Consoles as well as in many other businesses.



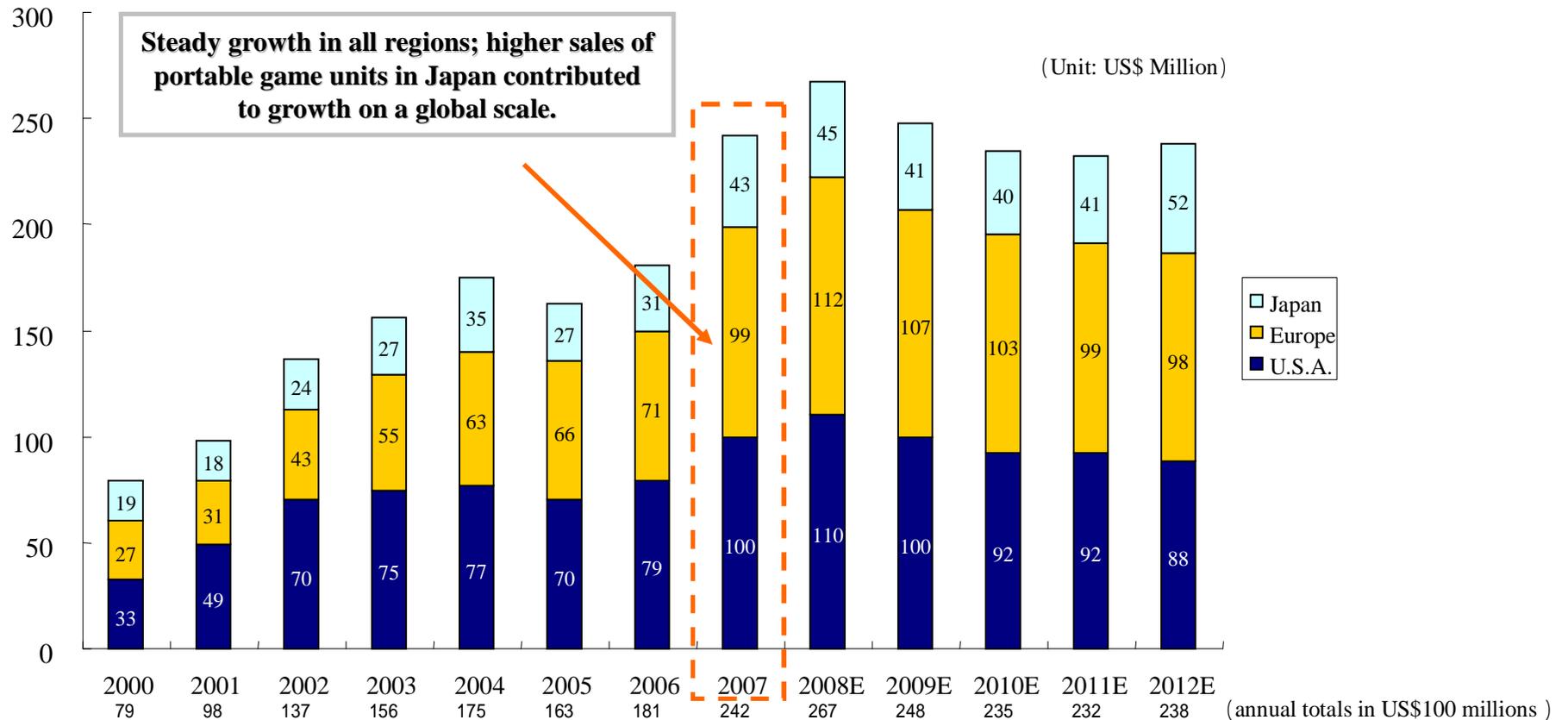


2. Home Video Games

2-1 . Market Overview – Size of the Video Game Software Market

CY 2007 was a period of growth in game software sales along with the popularity of new game units. Overall, game software sales growth met expectations.

Total Sales of Home Video Game Software



E: Estimate Source : International Development Group

2-2 . Market Overview – Market Share in Japan (2007)

Market share and ranking both increased due to success with the NDS, PSP and other popular game hardware products in Japan.

Market Share in Japan (CY2007)

	Sales	Share	Growth Rate
1. Nintendo	102,000	28.40%	1.50%
2. Namco Bandai	38,000	10.60%	-1.15%
3. Square-Enix	38,000	10.50%	-3.17%
4. Konami	26,000	7.40%	-0.23%
5. Capcom	25,000	7.00%	1.98%
6. Sega	15,000	4.20%	-1.89%
7. Pokemon	13,000	3.50%	-3.73%
8. Koei	12,000	3.20%	0.55%
9. Banpresto	10,000	2.90%	1.41%
10. SCE	10,000	2.80%	-1.01%
Others	-	19.50%	-
Total	-	100.00%	-

Source: Enterbrain

2-3 . Market Overview – Market Share in North America and Europe(2007)

Outside Japan, Capcom's ranking was unchanged due to the small number of major titles during the year.

Market Share in North America (CY2007)

Market Share in Europe (CY2007)

(Unit: \$1000)

	Sales	Share	Growth Rate
⋮	⋮	⋮	
15. Capcom	123,434	1.43%	-0.57%
			-
Total		100.00%	-

(Unit: \$1000)

	Sales	Share	Growth Rate
1. Electronic Arts	512,518	18.20%	-0.86%
2. Nintendo	444,461	15.80%	0.49%
3. Ubisoft	263,566	9.40%	2.12%
4. Activision	238,374	8.50%	1.02%
5. THQ	181,275	6.40%	-1.26%
6. Sony	171,530	6.10%	0.62%
7. Microsoft	167,902	6.00%	-1.85%
8. Sega	149,654	5.30%	-1.09%
⋮	⋮	⋮	
15. Capcom	39,962	1.40%	-0.59%
Others	644,719	22.90%	-
Total	2,813,961	100.00%	-

Source: The NPD Group/ Retail Tracking Service

compiled by Chart-Track, copyright ELSPA (UK) Ltd.

* Data for other companies not shown due to request from company supplying this information.

2-4. Objective of the Home Video Games Business

Capcom has established three business strategies in order to achieve its objective, and will execute these strategies by leveraging the many strengths created by reforming business operations.

Medium-term goal

Achieve sales composition that mirrors market size (U.S.: 5; Europe: 3; Japan: 2)

1. Hardware strategy

- Multi-platform approach

2. Brand strategy

- Create new franchises
- Enlarge the range of game genres

3. Global strategy

- Conduct development activities outside Japan
- Reinforce the framework for overseas sales

The 60 Month Map

- Position the above strategies on the medium-term title map with a five-year outlook, and constantly update goals

Reinforce the sales organization

- Build a powerful organization by expanding direct sales and PR activities that match the influence of retail stores and game titles.

MT framework

- Conduct unified development and simultaneous launches of titles for the Xbox 360, PS3 and PC platforms.

Two-stage development approval system

- Separate approval meetings for development of prototypes and of commercial products to rigorously examine quality and profitability.

2-5. Home Video Games – Previous Fiscal Year

In FY07, performance benefited greatly from actions to create an efficient and optimized development system. There were enormous successes in all regions and product categories.

1. Successful transition to next-generation hardware

(1)Capcom’s exclusive “MT Framework” played a central role in the outstanding performance of the video game business

- Used the multi-platform approach for *Devil May Cry 4* and *Lost Planet*, two titles that were strong performers in FY07

(2) Produced hit titles for all new game consoles (see page 12 for sales volume)

- Xbox 360, PS3 *Devil May Cry 4*
- Wii *Resident Evil 4 Wii edition, Resident Evil: The Umbrella Chronicles*
- PSP *Monster Hunter series*
- NDS *Apollo Justice: Ace Attorney*

2. Monster Hunter series generates strong market response

(1) New original titles grew to rank among Japan’s leading titles after only three years

- Since the first title was introduced in 2004, there was explosive growth in the popularity of *Monster Hunter* as a new style of game centered on communication

(2) *Monster Hunter Portable 2nd G*, the latest title, has become a social phenomenon

- Shipments of this game topped 2 million on April 24, 2008, making it undeniably the most prominent game title in Japan.

2-6. Home Video Games – Sales by Title

Capcom launched four titles in FY07 that were sold about a million, irrefutable proof of Capcom's outstanding development skills.

Home Video Games – Sales by Title

(Unit: Thousand)

Title	Region	Released Date	Result	Total
X360 PS3 Devil May Cry 4	Japan	08/1/31	470	2,320
	North America	08/2/5	1,030	
	Europe	08/2/7	820	
Wii Resident Evil 4 Wii edition	Japan	07/5/31	170	1,300
	North America	07/6/19	590	
	Europe	07/6/29	540	
Wii Resident Evil: The Umbrella Chronicles	Japan	07/11/15	270	1,060
	North America	07/11/13	460	
	Europe	07/11/15	330	
PSP Monster Hunter Freedom 2G	Japan	08/3/27	990	990
PSP Monster Hunter Freedom 2 (Japan:Repeat / Overseas: Brand New)	Japan	07/2/22	700	950
	North America	07/8/28	110	
	Europe	07/9/7	140	
NDS Apollo Justice: Ace Attorney	Japan	07/4/12	500	560
	North America	08/2/19	60	

Sales for Japan include the entire Asian region.

2-7. Home Video Games – FY08 Goals (1)

Introduce new titles for the home game player market, which has reached the time to generate returns from past investments, also introduce titles developed for overseas markets to contribute to growth

1. Use the multi-platform strategy

(1) Completed work to multiplatform all major titles

- Now employing the “MT Framework” unified development technology to use the multi-platform approach for all new titles for home game consoles (PS3, Xbox 360, etc.)

Still using separate development line for Wii title

- The multi-platform approach is an ideal way to sell Capcom titles to the largest possible number of game players by breaking down barriers created by differing penetration rates of hardware in each region of the world.

Maximizes earnings and brand equity for each title

(2) FY08 multiplatform titles (planned)

- Resident Evil 5 Xbox 360, PS3
- Bionic Commando Xbox 360, PS3, PC
- Devil May Cry 4 PC (Xbox 360 and PS3 versions were launched in FY07)
- MotoGP 08 Xbox 360, PS3, PS2, Wii, PC

Also plan to launch titles that have not yet been announced.

2-8. Home Video Games – FY08 Goals (2)

2. Expansion of development lines

(1) Acquisition of K2

- Acquired K2, a company that has many accomplishments in developing Capcom products on an outsourcing basis.
- Will incorporate K2 in the Capcom development line while leaving the K2 organization intact.
- Will continue to consider mergers and acquisitions whenever attractive opportunities emerge.

(2) Expansion of Capcom development line

- Plan to recruit and train more development personnel in order to keep pace with the current phase of growth in the home video game market .

3. Introduce titles created with overseas development companies

(1) Develop titles that match the preferences of overseas customers.

- Goal is a further increase in market share in Europe and North America.
- Plan to introduce *Bionic Commando*, *MotoGP 08* and other titles in FY08.

(2) Continue to introduce titles developed outside Japan

- invest in development of titles for overseas markets while retaining the current focus on the development of games in Japan, and adapt with flexibility to shifts in overseas demand and the increasing variety of games on the market.

2-9. Home Video Games – Sales Plan by Title

FY08 Sales Plans for Individual Game Titles

(Unit: Thousand)

Title		Region	Releasing Date	Plan
X360 PS3	Resident Evil 5	Worldwide	FY2008	2,300
X360 PS3 PC	Bionic Commando	Worldwide	FY2008	1,500
PSP	Monster Hunter Freedom 2G (Repeat)	Japan	08/3/27	1,500
X360 PC	Lost Planet Colonies	Japan	08/5/29	610
		North America	08/5/27	
		Europe	08/6/06	

Sales for Japan include the entire Asian region



“Resident Evil 5”



“Bionic Commando”

2-10. Home Video Games – FY08 Targets

Aim to sustain solid growth by introducing *Resident Evil 5* and titles in other core franchises

Business Plan for Home Video Games

(Unit: Million yen)

	2007/3	2008/3	2009/3Plan	Difference
Net Sales	43,813	51,679	58,300	6,621
Operating Margin	18.4%	22.5%	21.8%	-0.7%

(Unit: Thousand)

Titles	90	106	78	-28
Japan	5,200	7,100	5,700	-1,400
North America	4,300	4,700	5,500	800
Europe	2,400	3,450	6,400	2,950
Asia	300	350	400	50
Total	12,200	15,600	18,000	2,400

(Breakdown)

(Unit: Thousand)

Distribution Titles	1,200	1,650	1,400	-250
Old and Lower PriceTitles	3,100	4,550	3,500	-1,050

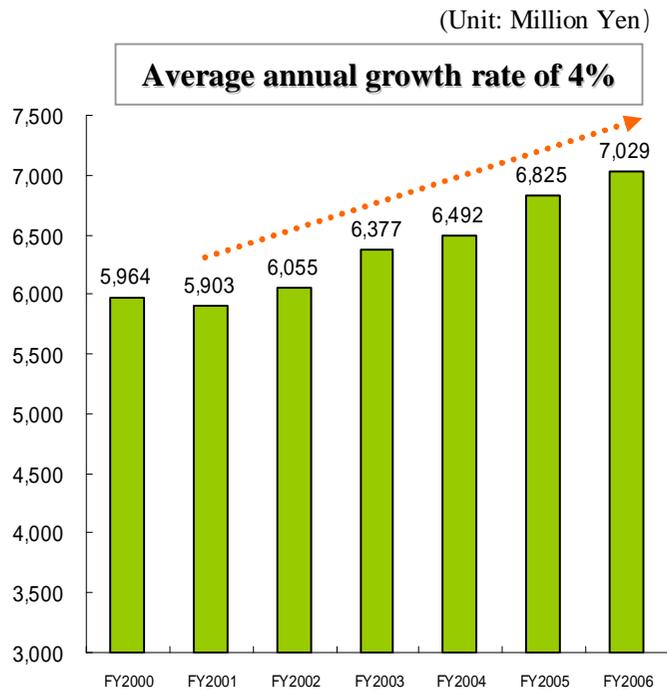


3. Arcade Operations

3-1. Arcade Operations – Market Analysis

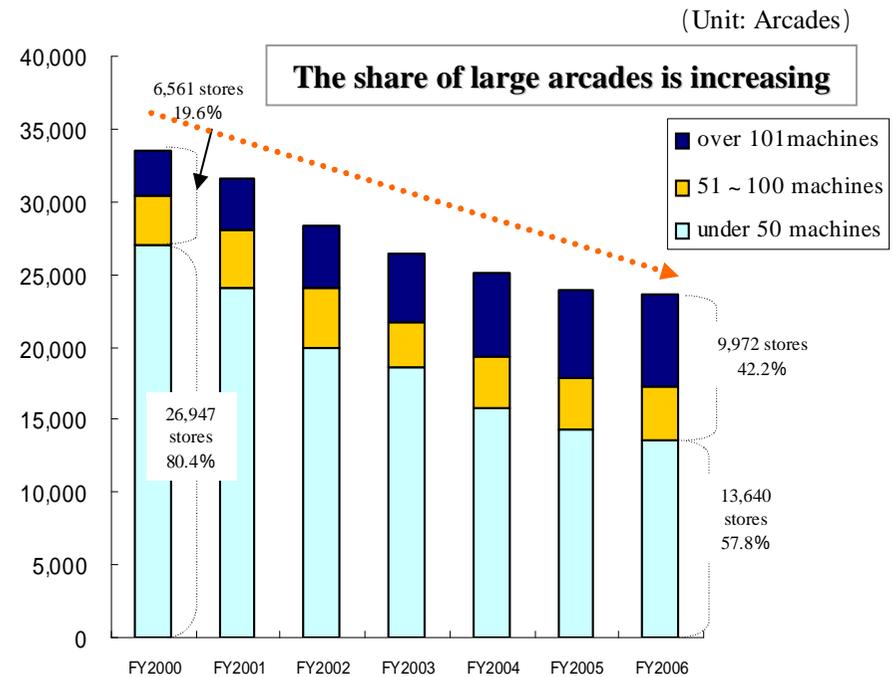
Growth expected to continue in the arcade market, although revenues are currently flat. But the decline in the number of arcades continues as the size of each arcade increases.

Growth of Japan's Arcade Market



Source: Amusement Industry Survey Report

Growth in Number of Arcades (by numbers of machines)



Source: Amusement Industry Survey Report

3-2. Arcade Operations – Peer Company Comparisons

Even though the market conditions are challenging for the arcade industry, arcade operators remain profitable, although profit margins are declining.

Amusement Arcade Sales (Year ended March 2008)

(Unit: Million Yen)

	Net Sales	% of Share	Operating Income	Operating Margin	Year-on-Year sales
ADORES , Inc .	19,358	7.4%	2,470	12.8%	114.8%
Aeon Fantasy	49,481	18.8%	4,482	9.1%	113.7%
Capcom	13,406	5.1%	753	5.6%	102.8%
Namco Bandai	89,829	34.1%	1,631	1.8%	101.9%
SegaSammy	91,234	34.6%	-9,807	-10.7%	87.8%
Total for 5 companies	263,308	100.0%	-	-	-

Source: Earnings announcements of each company and supplementary materials (Aeon Fantasy is for year ended February 2008)

3-3. Arcade Operations – Strategies

Aim to use strength at large arcades at shopping centers to increase earnings while raising the profit margin by quickly reaching decisions concerning arcade closings and openings.

Strategies for arcade operations

(1) Continue opening arcades in large shopping centers

- Use extensive knowledge of the arcade business to operate large arcades as a tenant in major shopping centers of the Aeon Group and other companies, capturing synergies to attract more customers for both arcades and shopping centers.

(2) Carefully select sites for new arcades and work on improving performance of existing arcades.

- Limit the pace of new arcade openings while carefully selecting new locations that can produce high returns on investments.
- At existing arcades, cut costs, replace most machines with more productive models and renovate facilities to achieve a recovery in profitability.

(3) Use an extensive scrap and build program to generate earnings

- Quickly close and sell underperforming arcades to raise operating efficiency
- Plan to close five arcades during FY08

3-4. Arcade Operations – FY08 Targets

In FY08, Capcom aims to maintain profitability by opening arcades in carefully selected locations while taking steps to achieve a recovery in the performance of existing arcades.

Arcade Operations

(Unit: Arcades)

	2006/3	2007/3	2008/3	2009/3Plan
New Stores	2	6	9	3
Closing Stores	2	3	0	5
Total	30	33	42	40

· Arcades as of May 2008: Shopping centers, 36
Free-standing, 5
Others, 1



Plaza Capcom chiharadai Arcade

Business Plan for Arcade Operations

(Unit: Million Yen)

	2007/3	2008/3	2009/3Plan	Difference
Net Sales	13,043	13,406	15,800	2,394
Operating Margin	15.4%	5.6%	5.1%	-0.6%
Year-to-year ratio of existing stores	96%	86%	99%	13.0%



Plaza Capcom Rinku Arcade

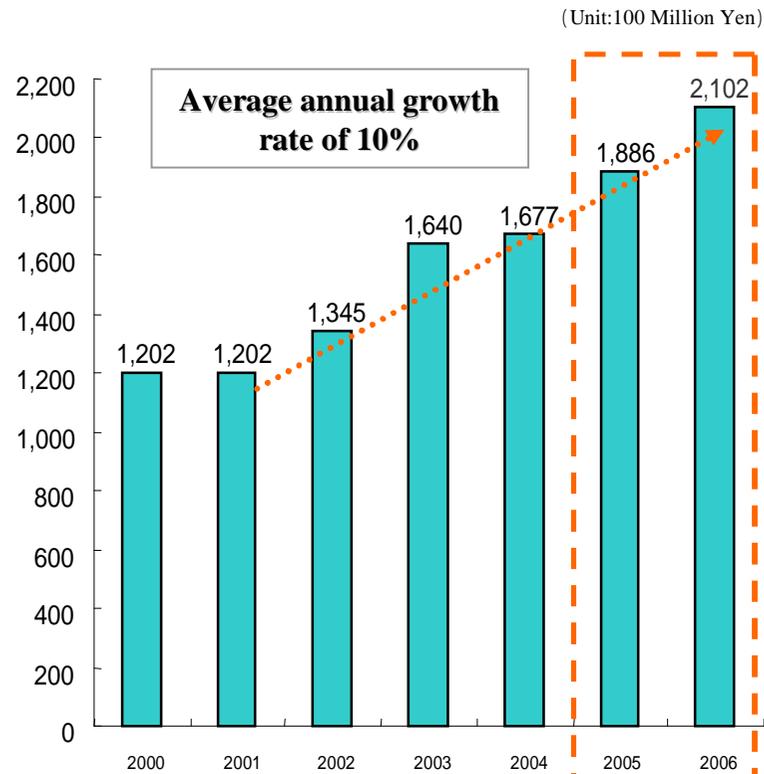


4. Arcade Games Sales

4-1. Arcade Games Sales – Market Analysis

Just as in the arcade market, arcade game sales are expected to be flat. By category, the share of card-based game machines is increasing rapidly.

Growth of Japan's Arcade Game Market



Source: Amusement Industry Survey Report

Sales of Arcade Games by Category

(Unit: 100 Million Yen)

	2006/3	2007/3	Component	Growth Rate
Prize	461	421	20.0%	-8.7%
Coin Operated	460	485	23.1%	5.4%
Dedicated	249	287	13.7%	15.3%
Game Card	115	324	15.4%	181.7%
Video	235	215	10.2%	-8.5%
Printing	193	184	8.8%	-4.7%
Music Game	34	34	1.6%	0.0%
Others	139	152	7.2%	9.4%
Total	1,886	2,102	100.0%	-

Source: Amusement Industry Survey Report

4-2. Arcade Games Sales – Strategies

FY07 performance was lackluster because of problems involving game machines. Goal in FY08 is to continue executing business reforms to set the stage for future growth.

Strategies for arcade games sales

- (1) Develop various types of game machines in a balanced manner that reflects market trends.**
- (2) Develop medium and large-scale titles for medal-winning games in response to the increasing floor area of amusement arcades.**
- (3) Leverage skill in developing home video games to continue introducing titles for arcade video game machines.**
- (4) Now rebuilding the operating framework to establish a base that can generate consistent growth.**
 - Executing a stringent quality control program and upgrading development skills in response to the prior FY's incidents involving machines that caught fire.
 - Adopted a development management system that covers every aspect of activities and uses the same schedule management technique that was successful in the development of home video games.

4-3. Arcade Games Sales – FY08 Targets

Making progress with business reforms is the highest priority in FY08. Goals are to achieve a V-shaped recovery and return to consistent growth.

Product lineup by category

- **Video game machine plan: 12,500 units**
 - Including “Street Fighter ” and more
- **Prize-winning game machine plan: 210 units**
- **Coin-operated game machine plan: 85 units**



“Street Fighter ”

Business Plan for Arcade Game Sales

(Unit: Million Yen)

	2007/3	2008/3	2009/3 Plan	Difference
Net Sales	8,021	6,538	8,300	1,762
Operating Margin	17.1%	18.1%	19.3%	1.2%



5. Contents Expansion

5-1. Contents Expansion – Strategies and Plans

Make extensive use of Capcom's property and title development skills to focus on businesses that are efficient and highly profitable.

Strategies for contents expansion business

- Focus on the horizontal expansion of Capcom content utilization by targeting the pachinko/pachislo and cell phone game markets.
- Maintain a highly profitable operating structure by sharing business resources (content).
- Continue developing contents expansion into a new core business by achieving more growth during FY08 in both the pachinko/pachislo and mobile content businesses.

Business Plan for Contents Expansion (Pachinko/Pachislo and Mobile Content)

(Unit: Million Yen)

	2007/3	2008/3	2009/3Plan	Difference
Net Sales	7,102	8,525	10,200	1,675
Operating Margin	22.9%	30.9%	30.4%	-0.5%

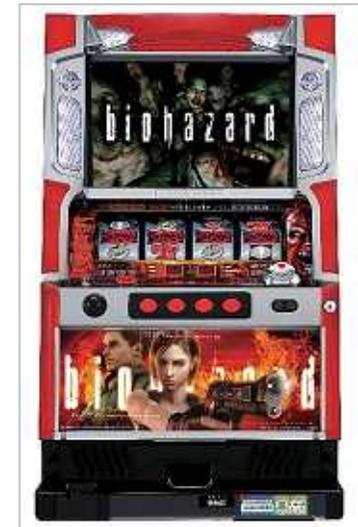
***In FY07, pachinko/pachislo accounted for about 50% of sales in this business and mobile content for about 50%.**

5-2. Pachinko & Pachislo Business Strategies

Use Capcom's experience and accomplishments in this business to further enlarge the lineup and achieve consistent growth in sales and earnings.

Pachinko & Pachislo business

- **Develop products in a manner that backs up Capcom's game content portfolio and development skills.**
- **Use collaboration with major pachinko/pachislo machine manufacturers to sustain consistent growth.**
- **FY 2007 sales**
 - *Devil May Cry 3* for RODEO pachislo machines and other titles.
- **FY 2008 sales plan**
 - **YAMASA's Pachislo machine "biohazard"**
 - **Planning sales for several pachinko/pachislo machine models and other, including LCD substrates and software.**



Pachislo "biohazard"
(C) YAMASA Co., Ltd. All Rights Reserved.

5-3. Mobile Content Business Strategies

Sustain growth on a global scale through the acquisition of companies in North America

Mobile content business

- **Make Capcom's current properties suitable for use in mobile content**
Select home video games that are best suited for cell phone games and commercialize these games.
Aggressively purchase rights from other companies for games targeting casual game players in response to the diversifying range of user needs.
- **In Japan, aim for reliable growth centered mainly on core game series**
Also strengthen activities involving new titles, chiefly for the *Ace Attorney* series.
- **Continue to grow in North America**
Acquired overseas company is playing a primary role on growing the business outside Japan.
Capcom ranks fourth in North America with a market share of 5.4%, but is first among Japanese publishers. *Source: 「M Metrics」
Use the successful North American business model in Europe as well to achieve more growth.



“Phoenix Wright 2: Ace Attorney”



“Who wants to be a Millionaire?”

(c) Valleycrest Productions Ltd. 2006



6. Other Businesses

6. Other Businesses

Use other businesses as the core for the horizontal expansion of
Capcom's game content utilization

Use content for animation and other programs, toys, publications, and
other applications

Strategy for character content

- Reinforce the card-based game business
 - Have established a department solely for this business and started taking actions to expand this business.
 - Plan to increase sales mainly by using a *Monster Hunter* card-based game.



Monster Hunter card-based game

Strategy for picture entertainment

- Increase activities to develop and sell animation and other entertainment programming that uses Capcom's content
 - In addition to earning profits directly from picture entertainment, maximize earnings from all Capcom Group content by using PR linked to home video games.
 - In FY08, major activities will include the *Street Fighter* movie and a 3D animation production of *Resident Evil*.



"Street Fighter"

(c) CAPCOM CO., LTD. / Based on Capcom's
Street Fighter Video Games

CAPCOM



7. Forecasts for FY 2008

7. Forecasts for Year ending March 2009

Capcom anticipates steady growth in sales and earnings based on plans calling for solid growth in all businesses.

(Unit: Million Yen)

	2007/3	2009/3Plan	Difference
Net sales	83,097	95,300	12,203
Operating income	13,121	14,600	1,479
Ordinary income	12,267	14,800	2,533
Net income	7,807	8,600	793

Net income per share forecast: ¥ 140.60

**Dividend forecast: Interim dividend ¥ 15 and commemorative dividend ¥ 5 ,
year-end dividend ¥ 15, annual dividend ¥ 35**

Summary of Major Financial Information

Profit and Loss Sheet

(Unit: Millions of yen)

	2007/3	2008/3	%	2009/3E
Net Sales	74,542	83,097	111.5%	95,300
Gross Profit	26,496	32,536	122.8%	42,000
% of Gross Profit	35.5%	39.2%	-	44.1%
Sales and G&A Expenses	16,779	19,473	116.1%	27,400
Operating Income	9,602	13,121	136.6%	14,600
% of Operating Income	12.9%	15.8%	-	15.3%
Ordinary Income	10,600	12,267	115.7%	14,800
% of Ordinary Income	14.2%	14.8%	-	15.5%
Net Income	5,852	7,807	133.4%	8,600
% of Net Income	7.9%	9.4%	-	9.0%

Sales by Business Segments

(Unit: Millions of yen)

	2007/3	2008/3	%	2009/3E
Home Video Games	43,813	51,679	118.0%	58,300
Arcade Operations	13,043	13,406	102.8%	15,800
Arcade Games Sales	8,021	6,538	81.5%	8,300
Contents Expansion	7,102	8,525	120.0%	10,200
Others	2,561	2,947	115.1%	2,700
Total	74,542	83,097	111.5%	95,300

Sales by Geographic Area

(Unit: Millions of yen)

	2007/3	2008/3	%	2009/3E
Japan	50,074	56,457	112.7%	60,500
North America	15,450	15,796	102.2%	21,800
Europe	8,090	9,782	120.9%	11,700
Other territories	927	1,060	114.3%	1,300
Total	74,542	83,097	111.5%	95,300

Promotional Expense

(Unit: Millions of yen)

	2007/3	2008/3	%	2009/3E
Capcom Japan	2,901	3,773	130.1%	3,500
Consolidated	5,516	5,693	103.2%	8,000

Number of Arcades

(Unit: locations)

	2006/3	2007/3	2008/3	2009/3
Consolidated	30	33	42	40

Capital Expenditure

(Unit: Millions of yen)

	2007/3	2008/3	%	2009/3E
Capcom Japan	3,594	2,915	81.1%	2,500
Consolidated	3,804	3,166	83.2%	3,300

Depreciation

(Unit: Millions of yen)

	2007/3	2008/3	%	2009/3E
Capcom Japan	2,217	2,825	127.4%	3,300
Consolidated	2,774	3,393	122.3%	4,300

Number of Employees

(Unit: Persons)

	2007/3	2008/3	%	2009/3E
Capcom Japan	1,196	1,324	110.7%	1,524
Consolidated	1,320	1,506	114.1%	1,752

R&D Investment Cost

(Unit: Millions of Yen)

	2007/3	2008/3	%	2009/E
R&D Investment Cost	13,068	18,458	141.2%	24,300
Technical R&D Cost	1,828	2,972	162.6%	2,700

Sales Units Shipped

(Unit: '000 copies)

		2006/3	2007/3	2008/3	2009/3 Plan
Playstation 2	Total Titles	40	51	29	10
	Sub Total	7,300	7,930	3,100	500
Playstation 3	Total Titles			8	12
	Sub Total			1,750	4,400
PSP	Total Titles	1	15	16	6
	Sub Total	150	1,600	3,150	2,200
Game Cube	Total Titles	5	2	0	-
	Sub Total	2,000	800	140	-
Wii	Total Titles			13	10
	Sub Total			2,930	2,200
Game Boy	Total Titles	7	2	0	-
	Sub Total	3,400	1,500	10	-
NintendoDS	Total Titles		4	27	22
	Sub Total		950	2,400	2,100
Xbox	Total Titles	7	12	0	-
	Sub Total	250	580	20	-
Xbox360	Total Titles		1	10	10
	Sub Total		5	1,620	4,100
PC & Others	Total Titles	11	1	3	8
	Sub Total	400	35	480	2,500
Total	Total Titles	71	88	106	78
	Sub Total	13,500	13,400	15,600	18,000

Assumed Exchange Rate
1 dollar: 100 yen, 1 euro: 155 yen

Forward-looking Statements

Information in these materials concerning strategies, plans, outlooks and all other items except historical facts are forward-looking statements. These statements are based on certain assumptions that use reasonable judgments in accordance with information that is currently available. Actual performance may differ significantly from these statements for a variety of reasons.

The operating results of all companies in the video and arcade game business may be highly volatile due to shifts in market conditions caused by changing user needs and other factors.

Factors that may affect operating results include, but are not limited to: 1) the ability to introduce hit products, and the volume of sales, in the home video games business, which accounts for the majority of sales; 2) progress in developing new home video games; 3) the popularity of home video game players; 4) sales outside Japan; 5) changes in stock prices and foreign exchange rates; 6) alliances with other companies concerning product development, sales and other operations; and 7) changes in market conditions.