

Kenzo Tsujimoto, Chairman and CEO Statement
at May 22, 2008
Fiscal Year 2007 Results Meeting

1. Greetings

- (1) My name is Kenzo Tsujimoto, and the Chairman and CEO of Capcom Co., Ltd. I would like to thank you for attending this briefing of our financial results today, during the busy financial season.
- (2) As for Capcom's business performance at the time of these financial results, as you may know, we revised earning forecasts upward twice because of healthy home video game software sales. However, due to smooth business in the fourth quarter, our performance greatly exceeds the revised earning presented on the February 6th.
- (3) Mr. Abe, Director, Managing Corporate Officer, and CFO, will explain the concrete contents of these financial results, while President Tsujimoto will later explain the business strategies by segment.
- (4) Now, I will cover investors' concerns toward our company, reflecting on our IR activities and a study of our perception at home and overseas.
- (5) Of the six items I listed here, I will go over the first three management issues, President Tsujimoto will explain the execution issues, and CFO Abe will explain our financial affairs.

[Concerns from the stock market]

- * Is the medium-term target of 10% annual growth in net sales and 15% operating margin too low?
- * Is Capcom at a level from which it can grow in the long term?
- * Is there any possibility the company will be taken over?
- * Isn't Capcom going to withdraw from the Arcade Operation business?
- * Should Capcom focus more strongly on products for Wii and Nintendo DS?
- * Is Capcom considering implementing a shareholder return?

2. Is the medium-term target of 10% annual growth in net sales and 15% operating margin too low?

- (1) You are primarily concerned that our medium-term goal of 10% annual growth in net sales and 15% operating margin is too low.
- (2) The reason for the concern is that if the company sales growth matches the market's growth of 10%, then our market share will not increase, while the market is expected to grow 10% as the game software market approaches its peak for this generation.
- (3) In particular, Capcom has a special reputation in terms of the following three points: 1) we are one of "global leaders in game development and technology," which enables us to consistently supply million-sellers, 2) we have established "strong lineup of game titles," and 3) we have "overseas operational capability," which means we are able to produce and sell software that meets the tastes of foreign customers. Therefore, we have been told to expect that it may be possible to achieve higher growth for these next two or three years".
- (4) Looking at our business performance for the fiscal year ended March 31, 2007, net sales growth was 6.1%, and our operating margin was 12.9%, while for the fiscal year ended March 31, 2008, net sales growth was 11.5% and our operating margin was 15.8%. Regarding our forecasts for the fiscal year ending March 31, 2009, net sales is forecast to grow by 14.5%, and the operating margin is expected to be 15.3%. We are well on our way toward achieving our goals in two consecutive terms (Show the chart for 2007/3-2011/3).
- (5) It has also been pointed out that because we have already achieved our medium-term target, we should set a new one. However, these targeted values are our minimum commitments from the management side. For this reason, we are continually going to grow in each term based on this numerical value.
- (6) In addition, although each business base has been improving, we have still many tasks ahead of us. Since it will surely take one to two years to complete these tasks, these target values take such risks into account.

3. Is Capcom at a level from which it can grow in the long term?

- (1) On the other hand, some shareholders are concerned that it may be difficult to achieve 10% annual growth in net sales and 15% operating margin in the long-term.
- (2) That is to say some shareholders are worried about whether or not it is possible to accomplish stable growth because the game software market is now shifting to its next cycle. In effect, the concern is that because we are currently in a transition period, we cannot expect growth in the Home Video Game Business.
- (3) First of all, as for the game software market, we think demand will not drop much even if we face a period of transition. From the characteristics and diffusion trends of the consoles, we expect the current platform cycle to be prolonged. Furthermore, in the first place, our overseas share is around 2%, and this is not a scale greatly controlled by the market environment.
- (4) All things aside, we believe the following factors will contribute to our steady growth in the long-term and extend our coverage of the overseas market into areas we haven't tried thus far:
 - 1) The number of titles exceeding one million sales is increasing steadily and we're creating an organization to release multiple titles of popular series every year,
 - 2) The number of titles for overseas sales are increasing, and
 - 3) We are strengthening our overseas sales system and tapping new overseas market.
- (5) Regarding other businesses besides the Home Video Game Business, we expect the Arcade Game Sales market to recover in the long term because its business (operation of arcade stores, machinery sales) has an inverse correlation with the home video game software market. Our Arcade Operation Business is, during this worst period, maintaining a 5% profit yet, so the contribution of these two businesses to the overall profit will increase with future market recovery.
- (6) Moreover, we think that the second element of growth following the Home Video Game Business has been emerging. I cannot talk about this issue at this point, but we shall announce it in due course.

- (7) The more important condition for the success of long-term growth is, among other things, whether or not we have established a strong management base. Recent business performance has been a result of clarifying management roles and execution roles to make better use of their respective strengths. For this reason, we are going to speed up management in the future to seek long-term growth.

4. Is there any possibility the company will be taken over?

- (1) The next point I would like to mention is the concern that we may be bought by another company because Capcom's aggregate market value is at a medium to small level.
- (2) This concern arose from the thought that our company, which has globally established "strong lineup of game titles," could become a perfect target during realignment of domestic and foreign corporate.
- (3) As a matter of fact, I cannot assert that it will not happen at all, since our stock is listed in the market. However, I believe that we have two significant measures to implement. The first, which I think is a basic measure, is to improve our corporate value so as not to leave our company at a relatively low situation in the stock market. Another measure is to employ early warning defense measures against acquisition.
- (4) The first way to increase corporate value is to continue being a company that has the characteristics of high profitability and sustainable growth. To do so, we will proceed with necessary mergers and acquisitions from our side, and we will actualize growth strategies in the medium to long-term as I have just explained.
- (5) With the goal of "creating world-class content", Capcom is going to actively implement M&A, and will seek business partners. In the first half year, we have engaged in business relationships with Milestone for "MotoGP 07" in Europe, and with Camelot Co., Ltd., for joint development of "WE LOVE GOLF!". Moreover, we are working on the acquisition of K2 Co., Ltd., a company we have commissioned for product development until now, and have aligned with European Grin Corporation for "Bionic Commando". So we have several new engagements.

- (6) K2 Co., Ltd. in particular has high technological development standards, so we believe that our acquisition of the company will greatly help to expand our title lineup.
- (7) We believe that matching the characteristics of both our business partners and our company will lead to successful M&A and alignments as well as business growth. From these measures, we are planning to improve our corporate value.
- (8) As for the second point, we plan to discuss an introduction of defense measures against acquisition at the general shareholders meeting in June, so we are preparing our procedures if a large-scale purchase of more than 20% of our stock shares take place. The purpose of this matter is primarily to ensure we have the necessary information and time to examine for equity shareholders, and whether or not we should accept large-scale purchases.
- (9) In our defense measures against acquisition, our board meeting will analyze the corporate values of our group companies and the influence of any large-scale purchase on the shareholders' common interests. It will then feed back the results to shareholders for their information when making their decision.
- (10) Moreover, we will also take into consideration the necessity of securing adequate information and time to suggest alternative proposals from our company, and will consider consultation and negotiation opportunities with a large-scale buyer.
- (11) In any case, we strongly believe that we will have the most appropriate judgment from the stock market if we implement early warning measures to provide enough information for investment decisions without exercising takeover-defense measures when large-scale purchases of stocks take place.

8. Closing Remarks

- (1) In closing, Capcom will celebrate our 25th year in business this June 11. In order to show our thanks to shareholders for their many years of support, our interim dividend will be a total of 20 yen per share, by adding a 5 yen commemorative dividend for our 25th year in business to the 15 yen of the common dividend.
- (2) We deeply appreciate your continued understanding and encouragement, as our company takes a significant leap forward toward further business growth in the following 10 to 20 years.

With that, I shall end my remarks. Next, Mr. Abe will tell you about the concrete contents of this financial result, and Mr. Tsujimoto will explain the specific strategies of each business.