

**Briefing on the 2nd Quarter Financial Results for the Fiscal Year Ending March 31, 2010
(October 30, 2009) Explanatory Summary**

Mr. Kenzo Tsujimoto, Chairman, Representative Director and CEO

1. Greetings

My name is Mr. Tsujimoto, and I am the Chairperson and CEO of Capcom Co., Ltd. First of all, I would like to thank you for attending this briefing regarding Capcom's financial results, as I know there are many other companies presenting their financial statements today.

2. Summary of the 2nd Quarter Financial Results

- 1) Our performance in the 2nd quarter financial results is as follows; net sales increased to JPY 38,892 million, up by 24.5% year-on-year, the ordinary income increased to JPY 5,476 million, up by 33% year-on-year, and net income for the 2nd quarter increased to JPY 2,967 million, up by 58% year-on-year.

- 2) Our cash flow increased by around JPY 9.8 billion. This was achieved by adding and subtracting cash flows from operating activities, financing activities, and investing activities. As a result our cash flow has improved considerably, compared to the decrease of around JPY 500 million that we suffered in FY 2008. The reason for our increased cash flow is the collection of accounts receivable for two titles that were released at the end of the last fiscal year. In addition, our net cash balance (the amount obtained by subtracting loans payable from cash and deposits) for the first half of this fiscal year was over JPY 20 billion. We believe that these results reflect our efforts to be fiscally healthy.

3. Management Tasks in the Future

- 1) First of all, let me explain why net sales fell 10% short of our projected target. Capcom has been focusing on business for the 2nd half of the fiscal year; thus a portion of our net sales for the first half of the year might account for around 20-30% of the total sales. We believe that raising our sales target to nearly 40% for the first half of the operating plan caused net sales to fall short of our sales target.

- 2) Usually, if net sales are 10% short of their projected target, costs and SG&A are 100% of the operating plan, which presumed that the operating margin will decrease. However, in our case, net sales were 90% of the previous year, while costs and SG&A were held to around 80%. This was achieved by restructuring our organization and supplementing decreased income, thereby enabling us to improve profitability.

- 3) Moreover, even when both ordinary income and operating income increase, if our cash and deposits are insufficient, our investments and inventory will be ineffective. This in turn generates problems for operations and management. Capcom has been strictly controlling our cash and deposits balance in order to achieve sound management. We seek to establish a system for securing cash and deposits in accordance with our income.

4. Our Tasks and Measures (1): Development Organization

- 1) One of the tasks Capcom will address during the 2nd half of the fiscal year is our product development organization, including overseas development.
- 2) Compared to our Japanese division, the overseas development division that we launched two years ago lacks a complete development schedule and quality management. Thus, we have entrusted Mr. Inafune, Head of Research & Development Management Group, with the task of reorganizing our overseas operations. We believe that it is impossible to ensure level of quality in Capcom products developed overseas without the direction of on-site managers.
- 3) Furthermore, within Capcom there has been a tendency towards rising product development costs as well as creating large scale titles, both in Japan and overseas. To facilitate complete management in development schedule and project progress, it is essential to establish a more systematic structure.
- 4) In addition to production teams, Capcom is proactively creating “supportive operations teams” in Japan. The company will concentrate on developing sophisticated technological skills that will serve as our base of competitiveness. This includes supporting new technology developments in software development, such as Capcom’s superior “MT Framework”, as well as development schedules and project progress.

5. Our Tasks and Measures (2): Arcade Games Sales business

- 1) Regarding the Arcade Games Sales business, on a whole the market environment is sluggish.
- 2) Capcom will fundamentally restructure this business and strive to achieve around JPY 15 billion in sales, as well as secure about 5% of the market share within a JPY 500 billion market. We will promote competitive product development and sales by creating product development strategies that are integrated with the Arcade Operation business strategies, as well as collaborating with NAMCO BANDAI Games Inc. in sales operations.

6. Our Tasks and Measures (3): Pachinko & Pachislo Business

- 1) Since the previous term our Pachinko & Pachislo Business has been facing an uphill battle. The key aspects for this business are 1) high-quality content, 2) sophisticated technologies and development capability, and 3) sales networks.
- 2) In regards to content, Capcom has a variety of first-class content, and thus far we have been mainly licensing out them to other companies. However, in the future we will actively use this high-quality content for our own in-house game machines.

- 3) In the field of sales, we will work to enhance our sales capacity by seeking to establish business partnerships with major sales companies that operate nationwide. We will strive to improve at least two of the previously mentioned business aspects by the next period, or the period after the next, as well as create a sound business environment.

7. Closing Remarks

- 1) In addition to moving forward with the tasks previously mentioned, Capcom recognizes that it must concentrate on the Mobile and Online Businesses, which are projected to become the main business fields within the next 5 years. COO Mr. Tsujimoto will be in charge of leading Capcom in these business fields. Together we will work to improve the foundations of these Businesses by the end of this fiscal term, and prepare to focus on medium-to-long term projects beginning next term.

- 2) Setting our net sales target at JPY 100 billion, we will implement a variety of measures in order to establish business foundation capable of achieving a net income of around JPY 10 billion. As I have already stated, we face a number of issues. However, if we address these problems individually, I am confident that Capcom will be able to rise up and achieve this goal at the earliest opportunity.