

**Explanatory Summary of Financial Results Briefing
of the Full Year Results for FY 2009
by Chairman and Chief Executive Officer Kenzo Tsujimoto
(May 10, 2010)**

1. Greetings

My name is Mr. Tsujimoto, Chairman and CEO of Capcom Co., Ltd. While many companies are announcing financial statements, I would like to personally thank you for taking the time today to attend the briefing of our financial results.

2. Summary of Capcom's business performance during the fiscal year ended March 2010

- (1) Unfortunately, Capcom's business performance for the fiscal year ended March 2010 is as follows: net sales decreased to JPY 66,837 million, down 27% from the previous year; operating income decreased to JPY 5,587 million, down 61% from the previous year; ordinary income decreased to JPY 5,530 million, down 59% from the previous year; and net income decreased to JPY 2,167 million, down 73% from the previous year.
- (2) The primary reasons for these results were that we 1) postponed the release of three leading titles in the Home Video Games Business, 2) recorded extraordinary losses for business restructuring expenses in the Pachislo Business, and 3) registered the previous year's income tax refund in relation to transfer pricing taxation for net profits.

3. Emerging challenges from the stock market

- (1) Capcom currently acknowledges that, from the view of our stockholders, the following three points are the chief issues we face.
- (2) The first point is related to our mid- to long-term growth strategy.
- (3) The second point concerns whether now is the time for us to finally review Capcom's conventional business portfolio.
- (4) The last point concerns our approach to emerging and rapidly growing markets, such as online games, smartphones, and social networking services (SNS).

4. Our tasks and measures (1): Mid-to long- term growth scenario

- (1) The first thing I would like to discuss is the size of each individual market in which Capcom is involved. The market for packaged video game software is expected to shrink to between JPY 2.3 trillion and 1.8 trillion over the next five years, while the online gaming market for PC is forecasted to surpass 1 trillion yen. We expect the mobile gaming market to reach between JPY 1.1 trillion and 1.2 trillion, but the market for the arcade operations business will continue to shrink. Moreover, due to the plunging gaming machine market, we anticipate the market will shrink to a total of 1 trillion yen (of which the market size of pachislo machines accounts for about JPY 200 to 300 billion). The total market size comprising these markets is huge, exceeding 4 trillion yen globally. Compared to a decade ago, the entire market is steadily expanding, and we believe it will continue to grow in the future.

- (2) While Capcom is active in each business, we aspire to obtain 5% of the market share in each of these individual markets. We have formulated our new mid- to long-term plans for each business segment in an effort to further develop and expand our businesses while those markets continue to exist. The markets are continuously evolving, causing net sales and profit levels to fluctuate in each individual market. In light of these circumstances, the company believes that the key point for our businesses lies in how efficiently we manage costs, sales, general and administrative expenses (SG&A) to ensure profits.
- (3) There are three key measures needed to ensure a certain level of the market share: 1) Streamline development processes and improve product quality, 2) Coordination of the sales divisions and development divisions to thoroughly manage the progress of product development, and 3) thorough cost management to secure profits.
- (4) Reviewing the above-mentioned points once more, we aim to realize our market share goals over the next five years.

5. Our tasks and measures (2): Business portfolio management

- (1) First of all, in order to diversify our business portfolio, the company needs to generate stable profits. Because trends in the game industry are ever-changing, we need to avoid concentrating all of our resources in one business category, and diversify our risks by improving the quality of each business.
- (2) As we work to achieve this goal, we will clearly distinguish between businesses that we aim to focus on and those we continue to run in a stable manner. This will enable us to realize the distribution of our management resources by focusing on profitability.

6. Our tasks and measures (3): Approaches toward emerging markets

- (1) Finally, regarding our strategy for newly developing fields such as online games, smartphones and SNS, we must actively approach these fields by effectively spreading our own popular contents into each genre.
- (2) In addition, we need to continue searching for ways to fully exploit Capcom's strengths by working together beyond the bounds of Divisions and Development sections.

7. Closing Remarks

Although we have described a number of issues regarding our business performance for the fiscal year ended March 31, 2010, Capcom will tackle these issues individually, and assert itself to achieve our earnings forecasts (95 billion yen in net sales and 15 billion yen in operating income).