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1. Qualitative information Regarding the Consolidated Business

(1) The progress of the consolidated business results including related qualitative information

During the first quarter ended June 30, 2011, the video game industry saw the home video game machine market continue to contract unchecked, due in part the Great East Japan Earthquake (Higashi Nihon Dai-Shinsai), as next generation video game Consoles, which included portable and stationary models, were released one after another.

Meanwhile, there is an increasing presence of the social game market owing mainly to its rapid growth attributable to the low entry barrier to the market, in line with the rapid popularization of smartphones.

Under these circumstances, Capcom made efforts to expand its customer base by developing new demands and cultivating existing markets in accordance with a multifaceted content strategy in order to address the new trends.

Further, Capcom launched “Beeline” in April 2011 as an innovative new brand for smartphones, while establishing Beeline Interactive Japan Co., Ltd. to develop and distribute games.

The resulting net sales for the first quarter were 11,953 million yen (down 37.2 % from the same term last year), operating income was 775 million yen (down 22.9 % from the same term last year), ordinary income was 546 million yen (up 152.8 % from the same term last year), and net income for the current period was 338 million yen (up 58.2 % from the same term last year).

Status of Each Operational Department

Consumer Online Games

In this business segment, in addition to the continued success of “Monster Hunter Freedom 3” (for PlayStation Portable), which was a big hit last fiscal year, “Resident Evil: The Mercenaries 3D” (for Nintendo 3DS), “Super Street Fighter IV Arcade Edition” (for PlayStation 3, Xbox 360) and the online exclusive title “Monster Hunter Frontier Online Forward.1” (for PC, Xbox 360) basically achieved projected sales.

The resulting net sales were 6,462 million yen (down 56.9 % from the same term last year), and the operating income was 419 million yen (down 76.5 % from the same term last year).

Mobile Contents

The social game market expanded rapidly. “Smurfs' Village”, a big hit since its launch through Facebook last year, continued to enjoy extreme success. Social games continued strong performance, as exemplified by the total number of downloads of “Smurfs' Village” in excess of 19 million, together with “Zombie Cafe” and “Lil' Pirates”, which also underwent growth, served as the driving force in increasing revenues.

In addition to “Monster Hunter: Dynamic Hunting” for iPhone / iPod touch faring well, the distribution of “Resident Evil: Outbreak Survive” for “GREE”, one of the most popular SNS in Japan with “Mobage” was commenced in June, while also providing “Sengoku BASARA: Mobile” for “Mobage”.

The resulting net sales were 1,223 million yen (up 79.8 % from the same term last year), and the operating income was 451 million yen (up 362.2% from the same term last year).

Arcade Operations

Ten of Capcom's arcades in the Kanto and Tohoku regions were seriously affected by the Great East Japan Earthquake in March 2011, including damages to the building, flooding and breakage of equipment. Although they were forced to shut down temporarily, intense recovery efforts subsequently enabled all arcades to reopen for business in April 2011.

In this environment, arcades are regaining ground as they are re-evaluated as readily accessible entertainment that is “affordable, close (to home) and brief (short-term)” owing to the waning of excessive self-restraint that was evident immediately after the earthquake, further helped by the tail wind of inclination to economize.

In the absence of the closing and the opening of arcades during the current period, the total number of arcades remains the same as at the end of the previous fiscal period, at 37.

The resulting net sales were 2,832 million yen (up 7.7 % from the same term last year), and the operating income was 521 million yen (up 192.5 % from the same term last year).

Amusement Equipments

As regards arcade game machines, with the product supply cycle entering a slow period, Capcom made efforts to promote the sale of existing products in addition to releasing “New Super Mario Brothers: Wii Coin World”.

As for the Pachislo machines, Capcom was forced to engage in repeat sales with no shipment of new products, the business having entered the sowing period.

The resulting net sales were 870 million yen (up 245.3% from the same term last year), and the operating income was 6 million yen (the operating loss of the same term last year was 169 million yen).

Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, were 564 million yen (up 17.8 % from the same term last year), and the operating income was 254 million yen (up 729.2% from the same term last year).

(2) Qualitative Information Regarding the Consolidated Financial Position

Total assets as of the end of first quarter decreased by 5,281 million yen from the end of previous fiscal year to 85,127 million yen. The primary increase was 3,755 million yen in work-in progress for game software. The primary decreases were 6,494 million yen in notes and accounts receivable, trade and 3,112 million yen in cash on hand and in banks.

Liabilities as of the end of first quarter decreased by 1,373 million yen from the end of the previous fiscal year to 31,027 million yen. The primary increase was 5,000 million yen in short-term borrowings. The primary decreases were 3,248 million yen in accrued income taxes, 1,911 million yen in notes and accounts payable, trade, and 1,430 million yen in accrued bonuses.

Net assets as of the end of first quarter decreased by 3,907 million yen from the end of the previous fiscal year to 54,099 million yen. The primary increase was 338 million yen in net income for 3 months period. The primary decreases were 2,374 million yen in treasury stock and 1,477 million yen in cash dividends.

(3) Qualitative Information Regarding the Consolidated Business Forecasts

The prospects of the consolidated business results for the current fiscal year ending March 31, 2012 remain the same as what was projected at the financial results announcement on May 6, 2011.

2. Other Information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

(2) Use of special accounting methods for the quarterly consolidated financial statements

Calculation of tax expense

Tax expense for consolidated subsidiaries is calculated by determining a reasonable estimate of the effective tax rate after the application of tax-effect accounting for income before income taxes in the fiscal year, including the first quarter, and multiplying income before income taxes by this estimated effective tax rate.

(3) Changes in the principle, procedures, and retrospective restatement

Not applicable

(4) Additional Information

Changes in accounting policies resulting from amendment of the accounting standard

Capcom started applying Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24 December 4, 2009) for accounting changes and the past error corrections since the beginning of this quarter.