

**Consolidated financial results for the 1st quarter
of the fiscal year ending March 31, 2011 (Japan GAAP - Unaudited)**

Company name: CAPCOM Co., Ltd.
Code number: 9 6 9 7
Representative: Haruhiro Tsujimoto, President and COO
Contact person: Tamio Oda, Director
Filing date for financial report : August 4, 2010
Quarterly earnings supplementary explanatory materials : Yes
Quarterly earnings presentation : No

Date of issue: July 29, 2010
Stock listing: Tokyo, Osaka
URL : <http://www.capcom.co.jp/>
Tel: +81-6-6920-3605

Dividend payment date: —

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for 3 months ended June 30, 2010 (from April 1, 2010 to June 30, 2010)

(1) Financial results

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2010	19,037	-2.4	1,005	-72.6	216	-94.8	213	-90.4
3 months ended June 30, 2009	19,497	19.2	3,664	23.0	4,117	2.3	2,230	-6.4

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
3 months ended June 30, 2010	3.62	—
3 months ended June 30, 2009	36.08	35.95

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets	Assets shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
1st quarter ended June 30, 2010	83,403	51,854	62.2	877.60
Fiscal year ended March 31, 2009	86,621	53,956	62.3	913.18

Reference: Shareholders' equity: 1st quarter ended June 30, 2010: 51,854 million yen Year ended March 31, 2010: 53,956 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Annual
Year ended March 31, 2010	—	15.00	—	20.00	35.00
Year ending March 31, 2011	—				
Year ending March 31, 2011 (Forecast)		15.00	—	20.00	35.00

(Note) Changes in dividends forecast during the 3 months ended June 30, 2010 : No

3. Earnings forecast for the fiscal year ending March 31, 2011 (from April 1, 2010 to March 31, 2011)

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending September 30, 2010	45,300	16.5	4,800	-13.9	4,700	-14.2	2,900	-2.3	49.08
Year ending March 31, 2011	95,000	42.1	15,000	168.5	14,000	153.1	8,000	269.1	135.39

(Note) Changes in earnings forecast during the 3 months ended June 30, 2010 : No

4. Others (Please refer to "Others" of [Attachement] on page 3 for more details.)

(1) Changes in significant consolidated subsidiaries during the period: No

(Note: Changes in specified subsidiaries due to changes in the scope of consolidation)

(2) Application of simplified methods in accounting principle for quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures and presentation for consolidated financial statements

① Changes resulting from amendment of the accounting standard: Yes

② Changes other than ①: No

(Note: Those items listed under the "Major Changes in the Fundamental Items of Consolidated Financial Statements")

(4) Number of shares outstanding (Common stock):

① Number of shares outstanding (including treasury stock)

1st quarter ended June 30, 2010:	67,723,244	Year ended March 31, 2010:	67,723,244
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② Number of treasury stock

1st quarter ended June 30, 2010:	8,636,722	Year ended March 31, 2010:	8,636,412
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③ Average number of shares outstanding

1st quarter ended June 30, 2010:	59,086,662	1st quarter ended June 30, 2009	61,826,818
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(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to [Qualitative information and Consolidated Financial Statements] on page 3 for more details.

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1. Qualitative information Regarding the Consolidated Business

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

The game industry during this first quarter ended June 30, 2010 saw a rapid growth of network games and new devices. This trend was caused by the expanding market of smart phones, a growing demand for SNS sites for mobile phone users, and the increasing popularity of multi-functional portable terminals such as the iPad.

Under these circumstances, Capcom focused on the development of games targeted for overseas markets and online games.

We held “Captivate 2010” in Hawaii, a press event for our new titles, as part of our efforts to accelerate overseas operations. In addition, we engaged in aggressive sales promotion campaigns with the aim of creating synergistic effects for our popular games. “Basara Festival 2010 – Spring” is just one example of such promotional events organized both domestically and internationally.

While US and European markets are shrinking under the stagnating economy, overall performance of our flagship title, “Lost Planet 2” (for PlayStation 3, Xbox 360), struggled to grow in these regions.

The resulting net sales for the current quarter was 19,037 million yen (down 2.4 % from the same term last year) partially due to the accelerated appreciation of the yen against the dollar and euro as well as the sluggish performance of home video game sales.

As for profits, operating income decreased to 1,005 million yen (down 72.6 % from the same term last year), ordinary income decreased to 216 million yen (down 94.8 % from the same term last year), and net income for the current period decreased to 213 million yen (down 90.4 % from the same term last year). These results are attributable to a decrease in sales and an increase in software development costs incurred by the release of flagship software products.

Status of Each Operational Department

① Consumer Online Games

In this business segment, “Super Street Fighter IV” (for PlayStation 3, Xbox 360) and the online exclusive title “Monster Hunter Frontier Online” (for PC, Xbox 360) showed steady growth. However, overall sales remained stagnant due to weak performances of some titles: “Lost Planet 2” (for PlayStation 3, Xbox 360), one of our featured products, underperformed its projection substantially; “Monster Hunter Tri” (for Wii) grew at sluggish pace; newly-released “Ghost Trick” (for Nintendo DS) struggled.

The resulting net sales was 14,995 million yen, and the operating income was 1,784 million yen partially due to an increase in software development expenses for the release of flagship software products.

② Mobile Contents

The market for mobile phone games is growing rapidly. In order to expand our business, we started distributing “Resident Evil 4 iPad edition”, and the number of downloads of the software has been increasing gradually. In addition, those games released for iPhone/iPod touch in the previous term, namely “Street Fighter IV” and “Phoenix Wright: Ace Attorney”, achieved their projected sales.

The resulting net sales was 680 million yen, and the operating income was 97 million yen.

③ Arcade Operations

One of our main focuses in this business segment was to acquire new customers while retaining our existing ones. Organizing a variety of events, offering special discount days, and renovating arcades are just few examples of such efforts.

Improvement of profitability was another area we worked on by controlling investments, reducing operation costs, and planning business expansion in line with current market conditions. As part of such efforts, we closed one unprofitable arcade; therefore, the total number of our arcades became 37 as of the end of this fiscal period.

The resulting net sales decreased to 2,630 million yen, whereas the operating income increased to 178 million yen thanks to the success of our profitability improvement strategy.

④ Amusement Equipments

Under the circumstances whereby arcade operators are restricting their purchases, sales of arcade game machines remained sluggish. This unsatisfactory result is also attributable to a lack of new products which caused the main activity in this area to be the business of existing game machines. As for the Pachislo machine business, "Onimusha : Dawn of Dreams" grew steadily.

The resulting net sales decreased to 252 million yen, and the operating loss was 169 million yen.

⑤ Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, was 479 million yen, and the operating income was 30 million yen.

(2) Qualitative Information Regarding the Consolidated Financial Position

Total Assets as of the end of first quarter decreased by 3,218 million yen from the end of previous fiscal year to 83,403 million yen. The primary decreases were 1,129 million yen in cash on hand and in banks and 1,732 million yen in work-in-progress for game software.

Liabilities as of the end of first quarter decreased by 1,115 million yen from the previous fiscal year to 31,549 million yen. The primary decreases were 457 million yen in accrued income tax, 399 million yen in accrued bonuses.

Net assets as of the end of first quarter decreased by 2,102 million yen from the previous fiscal year to 51,854 million yen. The primary decrease were 1,181 million yen in cash dividends, 1,066 million yen in cumulative translation adjustments (for the foreign currency translation of the net assets of consolidated overseas subsidiaries).

(3) Qualitative Information Regarding the Consolidated Business Forecasts

The prospects of the consolidated business results for the current fiscal year ending March 31, 2011 remain the same as what was projected at the financial results announcement on May 7, 2010.

2. Other Information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

(2) The application of simplified accounting procedures and those procedures specific.

① Computation method used for estimating bad debts in general receivables

The actual percentage of credit losses recorded at the end of the current quarter proved to be not significantly different from what was estimated at the previous fiscal year end. Therefore, the estimated bad debt is computed based on the actual percentage of credit losses at the previous fiscal year end.

② Valuation of inventory

We eliminated the process of taking a physical stock inventory at the end of current quarter, and instead adopted a rational computation method which uses the actual ending inventory of the previous fiscal year as a base. As for devaluating the book value of inventory assets, the devaluation is applied only to those inventories whose profitability clearly decreased. The devaluation is based on the estimated net sale value of such inventories.

③Computation method for corporation taxes, deferred tax assets, and deferred tax liabilities

The computation of corporation income taxes is based on the method that restricts taxable items, deductible items, or tax exempt items to only significant ones.

For computing the tax expenses of our consolidated subsidiaries, we made a realistic estimate of the effective tax rate after applying the income tax allocation accounting to the net profit before tax of the consolidated fiscal year including the current first quarter. We then applied the estimated effective tax rate to the net profit before tax of the current quarter. The adjustment of corporate tax and other tax is included in the corporate tax.

(3) Changes in the principle, procedures, and presentation methods.

①Application of Accounting Standard for Asset Retirement Obligations

Effective as of the first quarter of the current fiscal year, Capcom has applied Accounting Standard for Asset Retirement Obligations (Accounting Standard Board of Japan (ASBJ) Statement No. 18; March 31, 2008), and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21; March 31, 2008). As a result of these applications, both operating income and ordinary income decreased by 8 million yen, and net loss before income tax decreased by 212 million yen.

②Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Capcom is applying the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ PITF No.24, March 10, 2008) from this fiscal year, based on which it revised consolidated results where required. The changes did not affect ordinary income or quarterly net income before income taxes and minority interests.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Current 1st quarter (as of June 30, 2010)	Previous fiscal year (as of March 31, 2010)
Assets		
Current assets		
Cash on hand and in banks	28,735	29,865
Notes and accounts receivable, trade	5,902	6,288
Merchandise and finished goods	916	849
Work-in-progress	432	183
Raw materials and supplies	1,297	1,698
Work-in-progress for game software	12,601	14,333
Other	7,816	8,132
Allowance for doubtful accounts	(43)	(48)
Total current assets	57,659	61,303
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	14,127	14,049
Intangible fixed assets		
Goodwill	134	179
Other	3,219	3,048
Total intangible fixed assets	3,353	3,227
Investments and other assets		
Other	9,281	9,060
Allowance for doubtful accounts	(1,018)	(1,019)
Total investments and other assets	8,262	8,040
Total fixed assets	25,743	25,318
Total assets	83,403	86,621

(Unit: Millions of yen)

	Current 1st quarter (as of June 30, 2010)	Previous fiscal year (as of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	3,606	3,477
Short-term borrowings	13,211	13,211
Accrued income taxes	206	663
Accrued bonuses	918	1,318
Allowance for sales returns	100	90
Other	5,933	6,451
Total current liabilities	23,977	25,211
Long-term liabilities		
Long-term borrowings	4,247	4,355
Accrued retirement benefits for employees	1,423	1,388
Other	1,900	1,708
Total long-term liabilities	7,571	7,453
Total liabilities	31,549	32,665
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	16,294	17,262
Treasury stock	(13,141)	(13,141)
Total shareholders' equity	57,721	58,689
Valuation and translation adjustments		
Net unrealized gain on securities, net of tax	(47)	19
Cumulative translation adjustments	(5,819)	(4,752)
Total valuation and translation adjustments	(5,866)	(4,732)
Total net assets	51,854	53,956
Total liabilities and net assets	83,403	86,621

(2) Summary of consolidated statements of income

	(Unit: Millions of yen)	
	Previous 3 months from April 1, 2009 to June 30, 2009	Current 3 months from April 1, 2010 to June 30, 2010
Net sales	19,497	19,037
Cost of sales	10,596	12,386
Gross profit	8,901	6,651
Reversal of allowance for sales returns	21	—
Provision of allowance for sales returns	—	10
Net gross profit	8,923	6,640
Selling, general and administrative expenses	5,258	5,635
Operating income	3,664	1,005
Non-operating income		
Interest income	53	68
Dividend income	16	16
Exchange gain, net	367	—
Other	85	37
Total non-operating income	523	122
Non-operating expenses		
Interest expense	51	38
Exchange loss, net	—	852
Other	18	21
Total non-operating expenses	70	912
Ordinary income	4,117	216
Special gains		
Reserve for allowance for doubtful accounts	16	0
Total special gains	16	0
Special losses		
Loss on sales and /or disposal of fixed assets	7	15
Loss on revaluation of investments in securities	—	257
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	204
Other	—	1
Total special losses	7	478
Net (loss) income before income taxes	4,126	(261)
Income taxes-current	2,239	185
Income taxes-deferred	(343)	(661)
Total income taxes	1,895	(475)
Net income before minority interests in gain or loss	—	213
Net income	2,230	213

(3) Summary of statements of cash flows

	(Unit: Millions of yen)	
	Previous 3 months from April 1, 2009 to June 30, 2009	Current 3 months from April 1, 2010 to June 30, 2010
Cash flows from operating activities		
Net (loss) income before income taxes	4,126	(261)
Depreciation and amortization	801	726
Amortization of goodwill	92	44
Decrease in allowance for doubtful accounts	(80)	(3)
Interest and dividend income	(70)	(84)
Interest expense	51	38
Exchange loss (gain), net	(23)	874
Loss on sales and/or disposal of fixed assets	7	15
Loss on revaluation of investments in securities	—	257
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	204
Decrease in notes and accounts receivable, trade	20,781	217
Decrease in inventories	574	28
Decrease (increase) in work-in-progress for game software	(1,465)	1,682
Increase (decrease) in notes and accounts payable, trade	(6,037)	239
Other	(3,449)	(749)
Sub total	<u>15,309</u>	<u>3,228</u>
Interest and dividends received	68	82
Interest paid	(50)	(36)
Payment of legal settlement	—	(161)
Income taxes paid	(1,757)	(557)
Net cash provided by operating activities	<u>13,570</u>	<u>2,554</u>
Cash flows from investing activities		
Payment for acquisitions of tangible fixed assets	(493)	(368)
Payment for acquisitions of intangible fixed assets	(118)	(235)
Other	187	277
Net cash used in investing activities	<u>(425)</u>	<u>(326)</u>
Cash flows from financing activities		
Repayments of short-term borrowings	(5,055)	—
Repayments of long-term borrowings	(107)	(107)
Payment for repurchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	—	0
Dividend paid	(927)	(1,182)
Other	(121)	(155)
Net cash used in financing activities	<u>(6,213)</u>	<u>(1,446)</u>
Effect of exchange rate changes on cash and cash equivalents	(69)	(1,861)
Net increase(decrease) in cash and cash equivalents	6,862	(1,079)
Cash and cash equivalents at beginning of year	<u>28,611</u>	<u>29,815</u>
Cash and cash equivalents at end of year	<u>35,474</u>	<u>28,735</u>

(4) Going concern assumptions: Not applicable

(5) Segment Information

1. Outline of business segment reported

The business segments the Company reports are the business units for which the Company is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of management resources and evaluate their business performance.

The Company has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore the Company's business segments reported are based on the products and services its operational headquarters deal in and are composed of the following 4 units; "Consumer online games", "Mobile contents", "Arcade operations" and "Amusement equipments"

"Consumer online games" develops video games for consumers.

"Mobile contents" develops mobile games to distribute to mobile phone users.

"Arcade operations" operates amusement stores which install amusement equipments.

"Amusement equipments" manufactures arcade game machines etc. to be distributed to arcade operators.

2. Information on sales and income (loss) by business segment reported

Current 3 months (from April 1, 2010 to June 30, 2010)

(Unit: Millions of yen)

	Business segment reported					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Consumer online games	Mobile contents	Arcade operations	Amusement equipments	Total				
Sales									
(1) Customers	14,995	680	2,630	252	18,558	479	19,037	—	19,037
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	14,995	680	2,630	252	18,558	479	19,037	—	19,037
Operating income or loss	1,784	97	178	(169)	1,891	30	1,922	(916)	1,005

(Note) 1. "Other" incorporates operations not included in business segments reported, including character contents business etc.

2. Adjustments of segments (-916 million yen) include unallocated corporate operating expenses (-916 million yen).

3. Operating income (loss) for segment is adjusted on operating income on the quarterly consolidated statements of income.

(Additional information)

Effective from the 1st quarter ended June 30, 2010, the Company adopted the "Revised accounting standard for disclosures about segments of an enterprise and related information" (ASBJ statement No. 17 of March 27, 2009) and "Guidance on accounting standard for disclosures about segments of an enterprise and related information" (ASBJ Guidance No. 20 of March 21, 2009).

(6) Material changes in shareholders' equity Not applicable

4 (Reference) Segment Information

(1) (Reference) Business segments

Previous 3 months (from April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss								
Net sales								
(1) Customers	14,148	2,926	313	1,474	635	19,497	—	19,497
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	14,148	2,926	313	1,474	635	19,497	—	19,497
Operating income or loss	4,711	114	(168)	(65)	239	4,830	(1,165)	3,664

(2) (Reference) Geographic areas

Previous 3 months (from April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss							
Net sales							
(1) Customers	11,871	4,169	3,090	365	19,497	—	19,497
(2) Inter-segment	2,288	403	1	2	2,694	(2,694)	—
Total	14,160	4,572	3,091	368	22,192	(2,694)	19,497
Operating income	3,597	767	271	83	4,719	(1,055)	3,664

Current 3 months (from April 1, 2010 to June 30, 2010)

(Unit: Millions of yen)

	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss							
Net sales							
(1) Customers	9,680	5,350	3,626	379	19,037	—	19,037
(2) Inter-segment	2,688	1,121	31	5	3,848	(3,848)	—
Total	12,369	6,472	3,658	385	22,885	(3,848)	19,037
Operating income	1,523	419	302	81	2,326	(1,320)	1,005

(3) (Reference) Overseas sales

Previous 3 months (from April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	North America	Europe	Other regions	Total
I Overseas sales	4,378	2,708	797	7,884
II Consolidated net sales				19,497
III Percentage of overseas sales included in consolidated net sales (%)	22.5	13.9	4.1	40.4

Current 3 months (from April 1, 2010 to June 30, 2010)

(Unit: Millions of yen)

	North America	Europe	Other regions	Total
I Overseas sales	5,571	3,449	743	9,763
II Consolidated net sales				19,037
III Percentage of overseas sales included in consolidated net sales (%)	29.3	18.1	3.9	51.3