

Press Release

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 Capcom Co., Ltd.
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Sluggish Financial Results for ended June 30, 2010
2.4% decrease in Net Sales, 72.6% decrease in Operating Income Compared to Previous Term
 - Exchange loss also affected to a decline of Ordinary income and Net Income -

Capcom Co., Ltd. would like to announce that net sales decreased to 19,037 million yen (down 2.4% from the previous year). As for profits, operating income decreased to 1,005 million yen (down 72.6 % from the previous year), and ordinary income decreased to 216 million yen (down 94.8 % from the previous year). Net income for the current period decreased to 213 million yen (down 90.4 % from the previous year).

In flagship Consumer Online Games Business, profitability was drastically declined because the performance of “Lost Planet 2” (for PlayStation 3, Xbox 360) struggled to grow. Furthermore, the increase of new flagship titles release from the same term of the previous year, when most sales were made of repeat titles, resulted in the higher game development costs.

In addition, while US and European markets are shrinking under the stagnating economy, Exchange loss, net (852 million yen) had a negative impact on Ordinary income and Net income.

Forecast for the fiscal year ending March 31, 2011 is not changed because of 2nd half major title releases in Consumer Online Games Business.

1. Results for the 1st quarter ended June 30, 2010 (from April 1, 2010 to June 30, 2010)

	Net sales	Operating income	Ordinary income	Net income
	Million Yen	Million Yen	Million Yen	Million Yen
3 months ended June 30, 2010	19,037	1,005	216	213
3 months ended June 30, 2009	19,497	3,664	4,117	2,230

2. Earnings forecast for the fiscal year ending March 31, 2011

	Net Sales	Operating Income	Ordinary Income	Net Income	Earnings per Share of Common Stock
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
6 months ending September 30, 2010	45,300	4,800	4,700	2,900	49.08
Year ending March 31, 2011	95,000	15,000	14,000	8,000	135.39

3. Status of Each Operational Department

(1) Consumer Online Games

(Unit: Million Yen)

	3 months ended June 30, 2009	3 months ended June 30, 2010	Difference (%)
Net sales	14,148	14,995	6.0%
Operating income	4,711	1,784	-62.1%
Operating margin	33.3%	11.9%	-

- a. 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.
- b. 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

(Unit: Million Yen)

	3 months ended June 30, 2009	3 months ended June 30, 2010	Difference (%)
Net sales	-	680	-
Operating income	-	97	-
Operating margin	-	14.3%	-

- a. 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.

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

(3) Arcade Operations

(Unit: Million Yen)

	3 months ended June 30, 2009	3 months ended June 30, 2010	Difference (%)
Net sales	2,926	2,630	-10.1%
Operating income	114	178	56.1%
Operating margin	3.9%	6.8%	-

- a. 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.
- b. 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.
- c. 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

(Unit: Million Yen)

	3 months ended June 30, 2009	3 months ended June 30, 2010	Difference (%)
Net sales	-	252	-
Operating income	-	-169	-
Operating margin	-	-67.1%	-

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

(5) Other Businesses

(Unit: Million Yen)

	3 months ended June 30, 2009	3 months ended June 30, 2010	Difference (%)
Net sales	635	479	-24.6%
Operating income	239	30	-87.4%
Operating margin	37.6%	6.3%	-

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