

Consolidated financial results
for the 6 months ended September 30, 2010 (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

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Quarterly earnings supplementary explanatory materials : Yes

Quarterly earnings presentation :

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Stock listing: Tokyo, Osaka

URL : <http://www.capcom.co.jp/>

Tel: +81-6-6920-3605

Dividend payment date: November 19, 2010

Yes (For institutional investors)

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

1. Results for 6 months ended September 30, 2010 (from April 1, 2010 to September 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	%
6 months ended September 30, 2010	40,706	4.7	3,942	-29.3	2,880	-47.4	1,784	-39.9
6 months ended September 30, 2009	38,892	24.5	5,574	66.0	5,476	33.1	2,967	58.4

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
6 months ended September 30, 2010	30.20	—
6 months ended September 30, 2009	48.30	48.12

(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
2nd quarter ended September 30, 2010	90,408	52,897	58.5	895.26
Fiscal year ended March 31, 2010	86,621	53,956	62.3	913.18

Reference: Shareholders' equity: 2nd quarter ended September 30, 2010: 52,897 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	—	15.00	—	20.00	35.00
Year ending March 31, 2011 (Forecast)	—	—	—	20.00	35.00

(Note) Changes in dividends forecast during the 6 months ended September 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
Year ending March 31, 2011	91,000	36.2	13,000	132.7	11,000	98.9	6,500	199.9	110.01

(Note) Changes in earnings forecast during the 6 months ended September 30, 2010 : No

4. Others (Please refer to "Others" of [Attachement] on page 5 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)

2nd quarter ended September 30, 2010:	67,723,244	Year ended March 31, 2010:	67,723,244
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② Number of treasury stock

2nd quarter ended September 30, 2010:	8,636,982	Year ended March 31, 2010:	8,636,412
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③ Average number of shares outstanding

6 months ended September 30, 2010:	59,086,499	6 months ended September 30, 2009:	61,435,911
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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 4 for more details.

Attachment contents

1. Qualitative information regarding the consolidated business	2
(1) The progress of the consolidated business results including related qualitative information	2
(2) Qualitative information regarding the consolidated financial position	4
(3) Qualitative information regarding the consolidated business forecasts	4
2. Other information	5
(1) Transfer of major subsidiaries	5
(2) The application of simplified accounting procedures and those procedures specific	5
(3) Changes in the principle, procedures, and presentation methods	5
3. Summary of consolidated financial statements	6
(1) Consolidated balance sheets	6
(2) Summary of consolidated statements of income	8
(3) Summary of statements of cash flows	9
(4) Going concern assumptions	10
(5) Segment information	10
(6) Material changes in shareholders' equity	10
4. (Reference) Segment information	11
(1) (Reference) Business segments	11
(2) (Reference) Geographic areas	11
(3) (Reference) Overseas sales	12

1. Qualitative information regarding the consolidated business

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

Although the Japanese economy during the second quarter, ended September 30, 2010, saw solid consumer spending and exports, it is now entering a temporary lull because of the stagnant employment situation and concern about a slowdown in the U.S. economy, in addition to the prolonged appreciation of the yen and low stock prices.

As for the video game industry, the business environment remained sluggish due in part to the lack of high-performing home video games, as well as to the declining birth rate, aging population, and diversification of entertainment. At the same time, a new trend has emerged in the industry with the rapid growth of social games that allow users to interact as they enjoy games using devices other than game consoles, such as smartphones and multi-functional information terminals.

Under these circumstances, Capcom shifted its strategy to releasing flagship titles on a quarterly basis, taking market conditions into account, in order to equalize home video game sales that had tended to concentrate during the second half of the fiscal year.

We also focused on the development of games for overseas markets and online games.

Further, in an attempt to diversify revenue streams, Capcom began distributing games to Mobage-town operated by DeNA Co., Ltd., is planning to develop the vast overseas market by distributing social game software for iPhone/iPod Touch through Facebook (United States) with its 500 million subscribers worldwide, and opened a store in “Rakuten Ichiba”, a virtual shopping mall operated by Rakuten, Inc., to expand sales channels for video game-related products, such as books and toys.

Meanwhile, the worldwide release this autumn of “Resident Evil: AfterLife 3D”, a Hollywood film based on our flagship title “Resident Evil”, resulted in increased publicity, enhanced brand value, and other secondary effects. However, overall sales remained stagnant due in part to the delay in the release of major title “Dead Rising 2” (for PlayStation 3 and Xbox 360), in addition to the sharp appreciation of the yen and the substantial underperformance of “Lost Planet 2” (for PlayStation 3 and Xbox 360) relative to projections.

The resulting net sales for the second quarter was 40,706 million yen (up 4.7 % from the same term last year). As for profits, operating income decreased to 3,942 million yen (down 29.3 % from the same term last year) due to the sluggish performance of home video game sales as well as the appreciation of the yen, ordinary income decreased to 2,880 million yen (down 47.4 % from the same term last year) due in part to loss on foreign exchange, and net income for the current period decreased to 1,784 million yen (down 39.9 % from the same term last year).

Status of each operational department

① Consumer Online Games

In this business segment, the flagship title “Dead Rising 2” (for PlayStation 3 and Xbox 360) was released in September.

In addition to “Super Street Fighter IV” (for PlayStation 3 and Xbox 360) and “Sengoku BASARA: Samurai Heroes” (for PlayStation 3 and Wii), the online exclusive title “Monster Hunter Frontier Online” (for PC and Xbox 360) also showed steady growth. “MONHAN NIKKI POKAPOKA AIRU MURA” (for PlayStation Portable), a spin-off from the “Monster Hunter” series, which attracted users with its widely popular character “Airu” (known as “Felyne” in English) became a smash hit.

However, overall sales remained stagnant due to the substantial underperformance of feature title “Lost Planet 2” (for PlayStation 3 and Xbox 360) relative to projections, coupled with the delay in the release of “Dead Rising 2” (for PlayStation 3 and Xbox 360).

The resulting net sales was 30,773 million yen, and the operating income was 4,530 million yen partially due to an increase in the development expenses for the release of flagship software products.

② Mobile Contents

As social games that are highly compatible with mobile phones underwent rapid growth, the business segment saw an increase the number of downloads of “Resident Evil 4 iPad Edition”, which we started distributing in order to expand our business. Furthermore, we were able to reach diverse new users, with members exceeding 500,000 people for “MONHAN NIKKI MOBILE AIRU MURA” distributed exclusively through the mobile phone networking website “Mobage-town”. In addition, “Ghosts 'n Goblins Gold Knights II” was released this term for iPhone/iPod Touch, and those other games released in the previous term, namely “Street Fighter IV” and “Phoenix Wright: Ace Attorney”, also achieved their projected sales.

The resulting net sales was 1,365 million yen, and the operating income was 300 million yen.

③ Arcade Operations

One of our main focuses in this business segment was to acquire female and family customers while retaining our existing customers by promoting community-based arcades that are greatly enjoyed by neighborhood residents. Organizing a variety of events, offering special discount days, and renovating arcades are just a few examples of such efforts. Improvement of earning capacity was another area we worked on by controlling investments, reducing costs, and operating arcades in line with current market conditions.

As part of such efforts, we closed 1 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 5,916 million yen , whereas the operating income increased to 732 million yen thanks to the success of our profitability improvement strategy.

④ Amusement Equipments

Under the circumstances in which the market remained sluggish due in part to arcade operators restricting their purchases, sales of arcade game machines remained slow in spite of efforts to stimulate demand and develop new customers. This unsatisfactory result is also attributable to a lack of new products.

As for the Pachislo machine business, “Onimusha: Dawn of Dreams” remained a long-seller.

The resulting net sales was 1,406 million yen, and the operating income was 19 million yen.

⑤ Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, was 1,244 million yen, and the operating income was 227 million yen.

(2) Qualitative information regarding the consolidated financial position

Total assets as of the end of second quarter increased by 3,786 million yen from the end of previous fiscal year to 90,408 million yen. The primary increases were 3,588 million yen in Cash on hand and in banks, and 3,313 million yen in notes and accounts receivable, trade. The primary decrease was 2,278 million yen in work-in-progress for game software.

Liabilities as of the end of second quarter increased by 4,846 million yen from the end of the previous fiscal year to 37,511 million yen. The primary increases were 2,644 million yen in Long-term borrowings, 1,134 million yen in Notes and accounts payable, trade.

Net assets as of the end of second quarter decreased by 1,059 million yen from the end of the previous fiscal year to 52,897 million yen. The primary increase was 1,784 million yen in net income for the first half of the fiscal year. The primary decreases were 1,181 million yen in cash dividends, and 1,553 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 for the consolidated business results for the current fiscal year ending March 31, 2011 were revised on October 4, 2010 from what was projected on May 7, 2010.

For details, please refer to the press release “Notice of Revision of Earnings Forecast” (October 4, 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.

③ Computation 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 second 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.

① Application 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 16 million yen, and net loss before income tax decreased by 220 million yen.

② Application 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 2nd quarter (as of September 30, 2010)	Previous fiscal year (as of March 31, 2010)
Assets		
Current assets		
Cash on hand and in banks	33,454	29,865
Notes and accounts receivable, trade	9,601	6,288
Merchandise and finished goods	1,345	849
Work-in-progress	469	183
Raw materials and supplies	1,165	1,698
Work-in-progress for game software	12,055	14,333
Other	7,415	8,132
Allowance for doubtful accounts	(45)	(48)
Total current assets	65,462	61,303
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	14,128	14,049
Intangible fixed assets		
Goodwill	89	179
Other	3,345	3,048
Total intangible fixed assets	3,435	3,227
Investments and other assets		
Other	8,403	9,060
Allowance for doubtful accounts	(1,020)	(1,019)
Total investments and other assets	7,382	8,040
Total fixed assets	24,946	25,318
Total assets	90,408	86,621

(Unit: Millions of yen)

	Current 2nd quarter (as of September 30, 2010)	Previous fiscal year (as of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	4,611	3,477
Short-term borrowings	13,211	13,211
Accrued income taxes	820	663
Accrued bonuses	429	1,318
Allowance for sales returns	80	90
Other	7,837	6,451
Total current liabilities	26,991	25,211
Long-term liabilities		
Long-term borrowings	7,000	4,355
Accrued retirement benefits for employees	1,475	1,388
Other	2,044	1,708
Total long-term liabilities	10,520	7,453
Total liabilities	37,511	32,665
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	17,864	17,262
Treasury stock	(13,141)	(13,141)
Total shareholders' equity	59,290	58,689
Valuation and translation adjustments		
Net unrealized gain on securities, net of tax	(88)	19
Cumulative translation adjustments	(6,305)	(4,752)
Total valuation and translation adjustments	(6,393)	(4,732)
Total net assets	52,897	53,956
Total liabilities and net assets	90,408	86,621

(2) Summary of consolidated statements of income

(Unit: Millions of yen)

	Previous 6 months from April 1, 2009 to September 30, 2009	Current 6 months from April 1, 2010 to September 30, 2010
Net sales	38,892	40,706
Cost of sales	23,008	26,098
Gross profit	15,883	14,607
Reversal of allowance for sales returns	27	10
Net gross profit	15,911	14,618
Selling, general and administrative expenses	10,336	10,675
Operating income	5,574	3,942
Non-operating income		
Interest income	143	92
Dividend income	16	16
Other	126	49
Total non-operating income	286	158
Non-operating expenses		
Interest expense	88	78
Provision for allowance of doubtful accounts	2	—
Commission	92	—
Exchange loss, net	167	1,097
Other	32	44
Total non-operating expenses	384	1,220
Ordinary income	5,476	2,880
Special gains		
Gain on sales of tangible fixed assets	—	1
Reversal of allowance for doubtful accounts	17	1
Total special gains	17	2
Special losses		
Loss on sales and /or disposal of fixed assets	23	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	23	478
Net income before income taxes	5,470	2,404
Income taxes-current	2,284	784
Income taxes-deferred	219	(163)
Total income taxes	2,503	620
Net income before minority interests in gain or loss	—	1,784
Net income	2,967	1,784

(3) Summary of statements of cash flows

(Unit: Millions of yen)

	Previous 6 months from April 1, 2009 to September 30, 2009	Current 6 months from April 1, 2010 to September 30, 2010
Cash flows from operating activities		
Net income before income taxes	5,470	2,404
Depreciation and amortization	1,595	1,481
Amortization of goodwill	137	89
Increase (decrease) in allowance for doubtful accounts	(144)	1
Interest and dividend income	(160)	(108)
Interest expense	88	78
Exchange loss (gain), net	265	1,101
Loss on sales and/or disposal of fixed assets	23	14
Loss on revaluation of investments in securities	—	257
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	204
Increase (decrease) in accounts receivable, trade	24,379	(3,551)
Increase (decrease) in inventories	1,018	(304)
Decrease (increase) in work-in-progress for game software	(2,891)	2,076
Increase (decrease) in accounts payable, trade	(6,903)	1,266
Increase (decrease) in other current liabilities	(1,175)	1,577
Other	(146)	(426)
Sub total	<u>21,557</u>	<u>6,162</u>
Interest and dividends received	161	106
Interest paid	(94)	(79)
Payment of legal settlement	—	(161)
Income taxes paid	(1,678)	(606)
Net cash provided by operating activities	<u>19,946</u>	<u>5,420</u>
Cash flows from investing activities		
Payment for acquisitions of tangible fixed assets	(775)	(751)
Payment for acquisitions of intangible fixed assets	(204)	(215)
Other	112	360
Net cash used in investing activities	<u>(867)</u>	<u>(605)</u>
Cash flows from financing activities		
Repayments of short-term borrowings	(5,055)	—
Proceeds from long-term borrowings	—	3,000
Repayments of long-term borrowings	(355)	(355)
Payment for repurchase of treasury stock	(2,704)	(0)
Proceeds from sales of treasury stock	0	0
Dividend paid	(923)	(1,179)
Other	(160)	(300)
Net cash used in financing activities	<u>(9,199)</u>	<u>1,163</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,191)</u>	<u>(2,338)</u>
Net increase in cash and cash equivalents	<u>8,687</u>	<u>3,639</u>
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>37,299</u>	<u>33,454</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 6 months (from April 1, 2010 to September 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	30,773	1,365	5,916	1,406	39,462	1,244	40,706	—	40,706
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	30,773	1,365	5,916	1,406	39,462	1,244	40,706	—	40,706
Operating income	4,530	300	732	19	5,583	227	5,810	(1,867)	3,942

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

2. Adjustments of segments (-1,867 million yen) include unallocated corporate operating expenses (-1,867 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 6 months (from April 1, 2009 to September 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	27,748	6,249	656	2,560	1,676	38,892	—	38,892
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	27,748	6,249	656	2,560	1,676	38,892	—	38,892
Operating income or loss	7,299	480	(334)	(403)	668	7,711	(2,137)	5,574

(2) (Reference) Geographic areas

Previous 6 months (from April 1, 2009 to September 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	27,906	6,098	4,371	515	38,892	—	38,892
(2) Inter-segment	3,272	654	54	29	4,011	(4,011)	—
Total	31,179	6,752	4,425	545	42,903	(4,011)	38,892
Operating income	7,738	(454)	255	118	7,657	(2,083)	5,574

Current 6 months (from April 1, 2010 to September 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	24,300	9,782	5,775	847	40,706	—	40,706
(2) Inter-segment	4,968	943	72	21	6,006	(6,006)	—
Total	29,268	10,726	5,847	869	46,712	(6,006)	40,706
Operating income	3,985	1,270	351	204	5,810	(1,867)	3,942

(3) (Reference) Overseas sales

Previous 6 months (from April 1, 2009 to September 30, 2009)

(Unit: Millions of yen)

	North America	Europe	Other regions	Total
I Overseas sales	6,499	3,850	1,389	11,739
II Consolidated net sales				38,892
III Percentage of overseas sales included in consolidated net sales (%)	16.7	9.9	3.6	30.2

Current 6 months (from April 1, 2010 to September 30, 2010)

(Unit: Millions of yen)

	North America	Europe	Other regions	Total
I Overseas sales	10,598	5,229	1,626	17,454
II Consolidated net sales				40,706
III Percentage of overseas sales included in consolidated net sales (%)	26.0	12.8	4.0	42.9