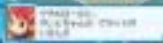
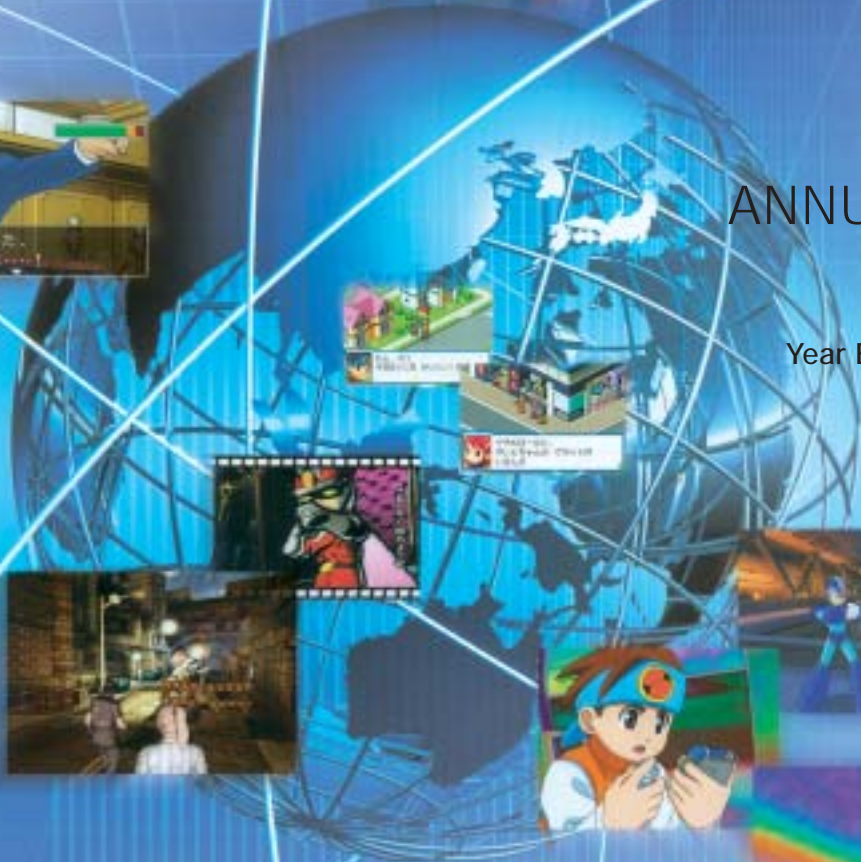


CAPCOM



ANNUAL REPORT 2004

Year Ended March 31, 2004



▶▶▶ Profile

Capcom's core business is developing and distributing home video game software. To date, we have created many hit titles, such as "Megaman" and "Resident Evil" series.

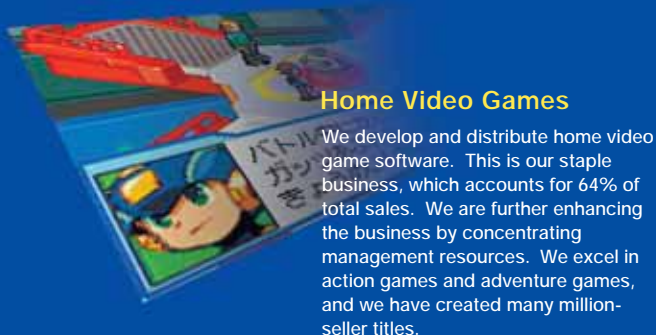
Capcom has its origins in a developer and distributor of electronic applied game machines, and was founded in 1983. In 1984, Capcom entered into the development and sales of coin-operated game software and started building a global distribution network aimed at actively carrying out overseas operations.

In 1991, we released "Street Fighter" for coin-operated game machines. This groundbreaking software title took the "fighting" genre to a new level, and became a massive hit both at home and abroad. On the other hand, we expanded into the home video game field, and expanded the size of our business through synergies with coin-operated game software. In 1996, we released the epoch-making hit title "Resident Evil" (for PlayStation). In this manner, Capcom has constantly been pushing the frontiers in developing new fields and solidifying its status in the amusement industry.

In recent years, we have been putting our efforts in arcade operations, which have grown into the second largest business following home video games, and we have been building up the steady business structures.

We will continue to be a creator of entertainment culture. Through the development of highly creative software contents that deliver more innovative impressions and excitement to customers, we will aim at offering an entirely new level of game entertainment.

▶▶▶ Line of Business



Home Video Games

We develop and distribute home video game software. This is our staple business, which accounts for 64% of total sales. We are further enhancing the business by concentrating management resources. We excel in action games and adventure games, and we have created many million-seller titles.



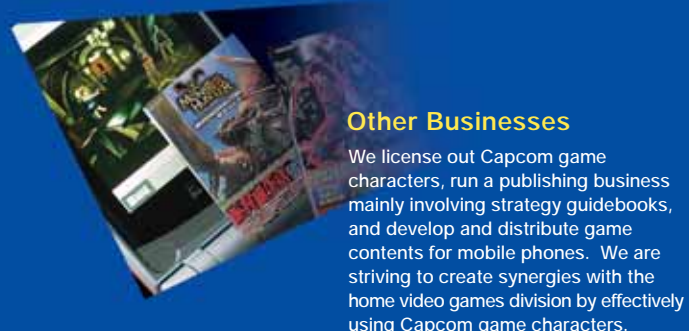
Arcade Operations

We operate amusement facilities in Japan. We are opening arcades mainly in large commercial complexes, and expanding the customer base to incorporate families by operating arcades designed to entice customers, including holding various events. We are also deploying arcades efficiently based on a scrap-and-build policy.



Arcade Games

We develop, manufacture and distribute coin-operated game software in Japan. We are directing our efforts towards developing prize-winning and medal games, which are in high demand in the market, and supplying video game software, which can capture stable core-users.



Other Businesses

We license out Capcom game characters, run a publishing business mainly involving strategy guidebooks, and develop and distribute game contents for mobile phones. We are striving to create synergies with the home video games division by effectively using Capcom game characters.

▶▶▶ Contents

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Disclaimer Regarding Forward-looking Statements

Management strategies, plans, projections and other statements excluding historical facts in this Annual Report are forecasts. Please note that the above business projections are based on the information that is available at the time of this announcement and certain assumptions that serve as the basis of rational judgments. Actual performance may vary substantially from these projections due to various contributing factors of the future. Additionally, changes in market environments, such as the diversification of user needs, may drastically affect the performance of this industry in which our company operates.

Factors contributing to performance fluctuations include but are not limited to: (1) the presence or absence of strong-selling titles and the number of units sold in the home video game software business which accounts for not less than 50% of our total sales; (2) the progress of home video game software development; (3) the proliferation of home video game consoles; (4) overseas sales; (5) trends in stock prices and foreign exchange; (6) cooperation with other companies in development, sales, and operations; and (7) changes in market environments.

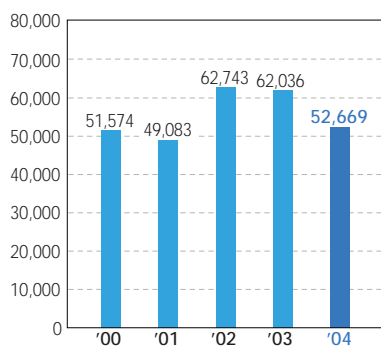
Consolidated Financial Highlights

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31

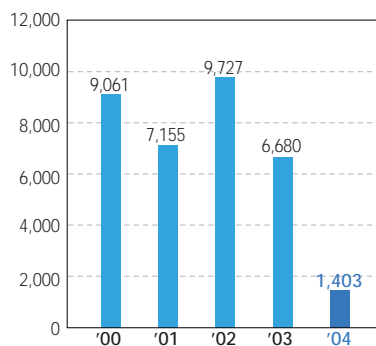
	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales	¥ 52,669	¥ 62,036	\$ 501,610
Operating income	1,403	6,680	13,362
Net loss	9,159	19,598	87,229
Total assets	93,096	106,648	886,629
Total shareholders' equity	31,854	42,888	303,372
	Yen		U.S. dollars
Net loss per share	¥ 160.91	¥ 338.01	\$ 1.53
Cash dividends applicable to the year per share	20.00	20.00	0.19
Shareholders' equity per share	559.66	753.47	5.33

Note: U.S. dollar amounts are translated from yen at the rate of ¥105=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2004.

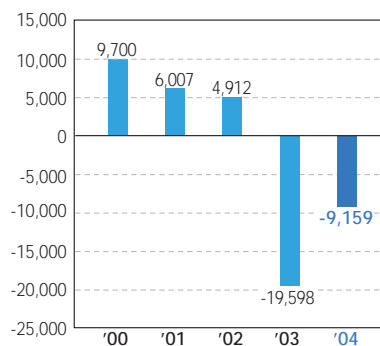
Net sales
(Millions of yen)



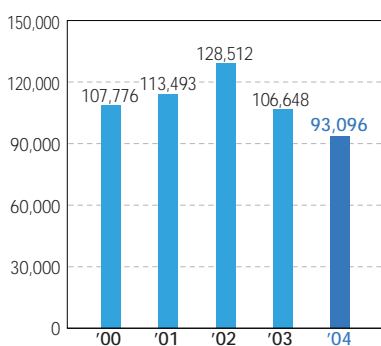
Operating income
(Millions of yen)



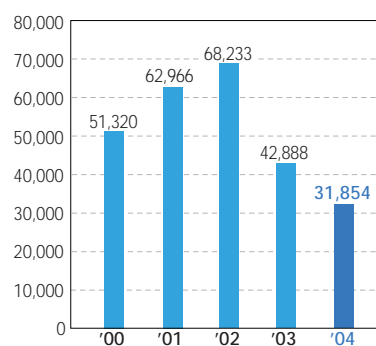
Net income (loss)
(Millions of yen)



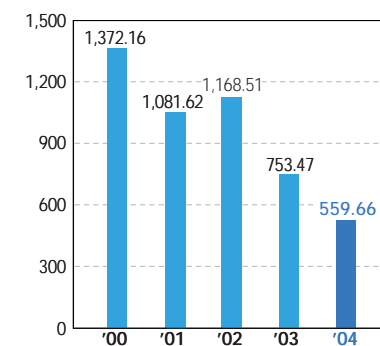
Total assets
(Millions of yen)



Total shareholders' equity
(Millions of yen)



Shareholders' equity per share
(Yen)



To Our Shareholders

In fiscal year 2003 (the period ending March 31, 2004), the Japanese economy experienced a sudden appreciation of the yen and delays in improvements to the personal income and employment environment, but in spite of these factors, because of the fact that exports to the US and Asia expanded sharply and capital investment followed a rising trend, business activity was undoubtedly on a pace toward recovery.

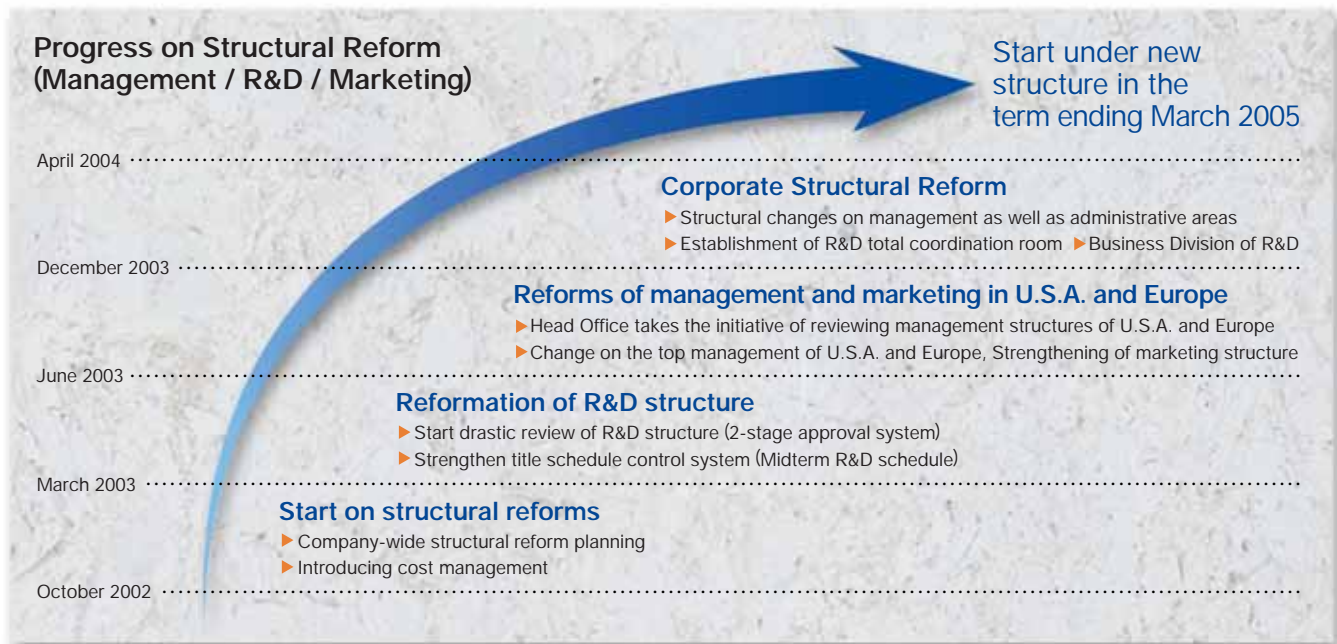
In the video game industry, although dissemination of hardware in the domestic home game market continued, the overall market saw sluggish growth due to diversification of consumer spendings, as well as the increase of low-priced software titles and the absence of any strong-selling software title.

In contrast, the US and European markets continued to be strong due largely to the success of game titles created around sports or the licensed properties of popular movies. Price reductions of hardware also supported the steady performance.

At Capcom, we have deployed promotional campaigns and events for newly-produced software titles nationwide and have been working toward expansion of sales. However, due to the effects of postponement of sales of major software titles and other factors, sales were sluggish. Moreover, due to liquidation of the subsidiary for financial activities and the like for business rationalization, the posting of special losses associated with this and allied items resulted in a net loss of 9,159 million yen (19,598 million yen in the previous year).

Kenzo Tsujimoto

President and CEO
CAPCOM CO., LTD.



Overview of this fiscal year

In this fiscal year, the arcade game sales business and the arcade operations business progressed satisfactorily. However, in the home video game sales business, because of the postponement of a major-title launch and poor performance in the much-hoped-for software titles in overseas markets, sales were 52,669 million yen (down 15.1% from the previous year). Due to reductions in sales, in-market inventory readjustments in the North American market, and other factors, operating profit was 1,403 million yen (down 79.0% from the previous year).

In order to achieve a sound financial structure, we moved ahead with rationalization extending to all aspects of management while reducing the number of businesses by selection and concentration. One example of this was the dissolution of STATUS Co., Ltd., which had been our subsidiary for financial activities. As a result, we posted 7,730 million yen as an extraordinary loss for inventory asset disposal losses, amount transferred to the allowance for bad debt, and the like. For this reason, the net loss in this fiscal year became 9,159 million yen (it was 19,598 million yen in the previous year), a result which is rather disappointing.

However, at Capcom we consider shareholder return an important theme for management and take the continuation of stable dividend distribution as a basic principle. Accordingly, we have decided to continue to distribute the annual 20 yen dividend for this fiscal year.

Major segment results classified by type of business are as follows.

In the home video game sales business, the imported title "Grand Theft Auto" (for PlayStation 2, hereafter PS2) unleashed an unprecedented hit, and sales of other main titles advanced generally solidly. However, by deferring sales to the next fiscal year of the major title "Resident Evil Outbreak" (for PS2) and by the selling of some software titles at low prices in the North American market aimed at alleviating our field inventory levels in addition to the fact that hoped-for software titles were held in check overseas, there were broad decreases in profits.

On the other hand, in the arcade operations business, the fact that we closed down unprofitable arcades and focused on arcades with commercial complexes resulted in increased sales and profits.

In addition, in the arcade game sales business, favorable sales of the video game "Mobile Suit Z Gundam A.E.U.G. vs. TITANS" made contributions, and both sales and profits broadly improved.

To Our Shareholders

Structural reform

In recent years, US and European game software manufacturers have increased sales of games with sports or popular movie themes. Also, newly emerging forces such as South Korea and Taiwan are vigorously taking the offensive in their online game development power. In the game software industry, this sort of rivalry among companies is intensifying domestically and overseas.

Under these environments, mergers, business consolidations and the like for survival are continuing, and the industry's map of forces is being remade.

In addition, the relative importance of the overseas market is increasing with the relative scale of the market size for home video game software being North America 5, Europe 3, and Japan 2. For this reason, expanding sales in US and Europe in particular is an important theme for Capcom.

(1) Strengthening of management structure

We are taking the net loss in this fiscal year continuing from the previous year with the utmost seriousness at Capcom. Henceforth, we will establish a corporate structure that can accommodate changes in business environments, and in order to expand market share, we are moving forward with structural reforms focused on management, development, and marketing.

Specifically, we are carrying out streamlining that covers management as a whole, such as cost reductions, improvements to the financial structure, making each department more efficient. Further, in order to strengthen the management structure, we are reviewing the sales structure of the overseas critical locations of North America and Europe, and we are addressing management reform of overseas local corporations. In this manner, in order to achieve success in the face of intense competition in the future, we are aggressively carrying out enterprise reform.

(2) Strengthening of R&D structure

Accompanying the addition of a high degree of functionality to game consoles, software development costs tend to rise steeply. In addition, due to used software sales taking root and other factors, the market environment is increasing in intensity. Under these

circumstances, in order to improve our business results, we are focusing business resources on our core-competence home video games business, and we are moving forward with restructuring R&D structure.

Particularly, we are separating the research and development process clearly into the two stages of prototype development to work out ideas and planning and full development that carries out commercialization of the product, and at each stage we are maintaining thorough controls of quality and cost. In addition, we are establishing R&D total coordination room, and by preparing a 5-year title map, we are taking a medium- and long-term perspective and moving forward with expansion of the software line-up. Furthermore, in order to create new genres and original titles, we have spun off a part of the R&D department and established Clover Studio Co., Ltd. In the manner above, we are striving to create efficient structures and seeking to enhance operational profits.

On top of the above, we are following our multiplatform strategy and carrying out software development that takes into account market trends. Along with bringing in various users from this, we are looking to disperse development costs. Furthermore, we are preparing structures that can release series titles such as "Resident Evil", "Onimusha", "Devil May Cry", and "Megaman" every year for which stable sales can be anticipated. In the manner above, we are securing competitive superiority.

(3) Strengthening of marketing structure

Over the past few years, sales in the game software industry have been diluted by experienced marketing strategy of overseas competitors, growth of online games, and other factors, and market competition has become increasingly intense.

Under these circumstances, in order to deploy well-targeted promotions and supply software that goes along with tastes of European and American users, we have welcomed in marketing specialists at overseas local corporations that have thorough-going knowledge of overseas markets. Under their



general guidance, we are working on the strengthening of product marketing, and are building a marketing structure that is able to respond appropriately to the global market.

In addition, we are aiming toward efficient business operations in which each of the three departments of research and development, sales, and marketing become a closely-connected trinity. For that reason, even in promotional campaigns, events, and rolling out of advertising, we are continually developing customer-oriented, agile businesses to increase sales and profits. Additionally, in order to increase the level of recognition of character brands, we are deploying a media mix strategy of overseas and domestic television animation, movies, and the like. In the above described manner, we are rolling out marketing that has a worldwide viewpoint.

Prospects for the next fiscal year

After the dissemination of existing game consoles, the video game industry is in the midst of a harvest season. There are also signs of market activation in addition to the appearance of PlayStation Portable, Nintendo DS (tentative name) due to the expansion the game market for online games that accompanies communication infrastructure development and mobile telephones.

In the meantime, the domestic amusement facilities market has come to be active and lively due to cooperative development with shopping centers and the like.

Under these circumstances, we are taking the fact that we have posted a net loss in two consecutive years with the utmost seriousness, and we are working toward the establishment of a corporate structure that can secure stable profits as the most important theme of the conduct of the business.

For this reason, we are pushing forward with strengthening of management structure that includes overseas and domestic related companies and with improvement of business processes. We are securing competitive superiority by the actualization of strategic group operations through new management structure.

Further, we will strengthen our R&D structure that is the source of competitive power, and we are putting the management of the newly spun-off development



subsidiary on a stable growth path. In the meantime, we plan to increase sales by launching products that meet user needs, by improving and strengthening of our marketing strategy, and other measures. Moreover, we are focusing on the content area for the publishing business and the like as a growth strategy. From the above we are improving the earnings structure.

In addition, in view of the financial conditions such as the introduction of new accounting standards, by attaching greater importance to cash flow management, which is a more impartial indicator as an assessment standard for operational judgments and corporate value, than accounting profits, which are undergoing changes with alterations to accounting treatment method, we are building a stable business foundation and enhancing the corporate to higher level.

By the above operational reforms, we will secure a corporate structure that can deal with changes of environment. Along with striving to increase the level of satisfaction of and build confidence with each of the stakeholders of shareholders, customers, employees, and others, we aim toward business development that takes mutual prosperity as its cornerstone.

In the next year, we are projecting sales of 65.5 billion yen, ordinary income of 6.8 billion yen, and current net profit of 3.9 billion yen.

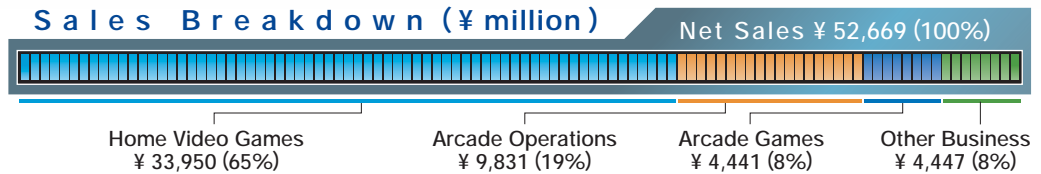
We would like to request all shareholders give us their continued support.

辻本 憲三

Kenzo Tsujimoto
President and CEO
CAPCOM CO., LTD.

Review of Operations by Business Segments

Sales Breakdown (¥ million)



Note 1. The Sales of each business segment in the above are those to the customers only.
 2. The sales of each business segment below are inclusive of inter-segment ones.

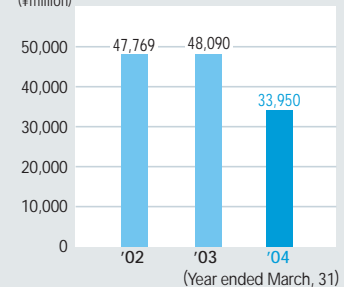
Home Video Games

64%

The segment develops and distributes home video game software, and also distributes video game software of other companies utilizing Capcom's distribution networks. This segment is our staple business, accounting for 64% of total sales.

The segment posted net sales in the amount of 33,950 million yen, down 29.4% from the previous fiscal year, and an operating loss of 972 million yen. This was largely attributable to the sluggish sales of video game software in overseas markets and field inventory adjustments in North America.

Sales
(¥million)



Megaman Battle Network 4 Blue Moon
 Megaman Battle Network 4 Red Sun



Monster Hunter
 Grand Theft Auto

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Overview: Sluggish Sales in Overseas Markets Impacted Overall Performance

Home Video Games

The Japanese home video game market experienced sluggish growth overall, despite the proliferation of stationary home video game consoles such as PlayStation 2 ("PS2") and the portable game console Game Boy Advance ("GBA"). Causes of slow-moving growth included the diversification of consumer spending, the increase in low-priced software titles and the absence of prominent software titles from software developers.

On the other hand, the European and American markets performed steadily, due largely to the success of game titles featuring sports and the licensed properties of popular movies, and the price reduction of game consoles, including PS2, Nintendo GameCube ("GC") and Xbox.

Under these circumstances, in the Japanese market, we made efforts to increase the number of core-users and capture light-users, by releasing series-products including "Resident Evil Outbreak", "Onimusha 3", and the online-ready original game software "Monster Hunter" for PS2. "Grand Theft Auto" (for PS2), which sold more than eight million units overseas, turned out to be an unusual success as an

overseas title introduced in the Japanese market. Further, software titles for GBA achieved solid sales, namely, "Megaman Battle Network 4 Red Sun", "Megaman Battle Network 4 Blue Moon" and "Gyakuten Saiban 3".

In overseas markets, sales of "Megaman Battle Network 3" (for GBA) showed healthy growth and our lower-priced software titles grew steadily in sales. However, other software titles were forced to struggle, due to the sluggish growth in sales of much-hoped-for titles such as "Viewtiful Joe" (for GC) and "Dino Crisis 3" (for Xbox), not to mention that the release of major title "Resident Evil Outbreak" (for PS2), which was supposed to be released in fiscal 2003 in the North American market, was postponed to fiscal 2004. Further, profits were squeezed by the selling of some software titles at low prices in the North American market, in order to alleviate our field inventory levels.

As a result, the segment posted net sales amounting to 33,950 million yen, down 29.4% year-on-year, and an operating loss of 972 million yen, despite releasing 91 titles and shipping 11.6 million units during fiscal 2003.

▶ Popular Game Titles



"Resident Evil" Series released 36 titles since 1996

A masterpiece, which created a new game genre, called "survival horror". The player's mission is to make the main character escape from biohazard-affected towns and facilities. Since the first installment was released in 1996, 36 titles have been released to date, achieving 24.7 million units in total worldwide.



"Onimusha" Series released 9 titles since 2001

This is a survival-action game featuring the civil war period in Japan boasting beautiful 3D graphics. The player's quest is to fight as a samurai against the army of demon led by Nobunaga Oda. Since the first installment was released in 2001, 9 titles have been released for PS2, Xbox, etc. to date, achieving 6 million units in total worldwide.



"Devil May Cry" Series released 3 titles since 2001

This is a 3D action-adventure game, which attracted a great deal of attention for its advanced action features. The player must fight against devils with swords and guns as a demon swordsman. Since the first installment was released in 2001, 3 titles have been released to date, achieving 4.5 million units in total worldwide.

"Megaman" Series released 87 titles since 1987

This is an action game featuring "Megaman" as the main character. Since the first installment was released in 1987, 87 titles have been released to date. It is Capcom's longest-surviving game title, and is appreciated by broad age groups, spanning from children to adults. The character itself is highly popular, and the TV animation version of "Megaman" is broadcasted worldwide. To date, 21.4 million units have been sold worldwide.

(As of March 31, 2004)



▶ Outlook: Aiming at Growth in European and American Markets

Home Video Games

Market vitalization is expected to take place in fiscal 2004. This is because the coming fiscal year will be a "harvesting period" for the industry, as the proliferation of existing game consoles such as PS2 and GC will complete its first round. Additionally, the introduction of new portable game consoles, namely, PSP and Nintendo DS (tentative name) are hoped to bring about new demands.

We will implement the following development strategies in order to expand our market share in Europe and the United States, which accounts for nearly 80% of the global home video game software market.

(1) Platform Strategy

Firstly, we will follow the multi-platform strategy, which involves supplying software titles to major game consoles. With this in mind, we will, as a general rule, carry out R&D for most prevailing platforms in the market. We will thereby build an efficient profit-making structure.

In the coming fiscal year, we will supply "Resident Evil Outbreak" series for PS2, the most widely-distributed platform, in addition to "Viewtiful Joe 2" and "Killer Seven" for PS2 and GC. Through these measures as well as others, we will mitigate the increasing development costs and strive to steadily improve profits.

▶ To the Next Page

▶ Outlook: Aiming at Growth in European and American Markets

Home Video Games

(2) Franchise Strategy

Capcom's sequel titles that are expected to stabilize revenues include "Resident Evil", "Onimusha", "Devil May Cry" and "Megaman". We will develop a framework that will enable us to release such sequel titles every fiscal year, and enhance the brand power of each title. Besides, we set the minimum requirement for serializing software titles at 200,000 units in sales, and a profit margin of 15%.

(3) Genre Strategy

We will spin off part of the development divisions, and make it responsible for developing and nurturing innovative genres and original titles to meet with various users' demands. We will properly distribute the management resources invested in

development, at a 3:7 ratio between the development of new titles and the development of sequel titles. We will thereby ensure the balance between "New Original Titles" to create new brands and "Sequel Titles" to produce profits.

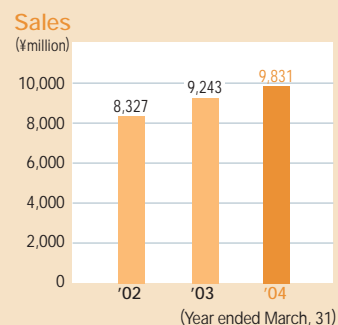
In fiscal year 2004, we plan to release 69 titles including major titles, and ship 13.5 million units. Specifically, much stronger titles we plan to release are "Devil May Cry 3" (for PS2) and "Resident Evil 4" (for GC) on worldwide basis and "Resident Evil Outbreak", "Onimusha 3", etc. for PS2 in overseas markets. We are projecting net sales in the amount of 41.7 billion yen, a year-on-year increase of 22.8%, and an operating income of 4.6 billion yen.

▼ Arcade Operations

19%

The arcade operations segment runs amusement facilities primarily consisting of prize-winning games and medal games nationwide. It has gone on the growth path under the "Chiiki Ichiban Ten (No.1 Arcade in the Community)" strategy, and has been experiencing an increase in sales and profits over the past few years; it is now Capcom's second largest source of business, following home video games. We have endeavored to increase profitability by promoting a scrap-and-build policy, including pulling out from the unprofitable American market.

In the segment, net sales totaled 9,831 million yen, up 6.4% from the previous fiscal year, and operating income amounted to 2,327 million yen, up 8.7%, resulting in an increase in year-on-year sales and profits.



▶ Overview: Success of "Chiiki Ichiban Ten (No.1 Arcade in the Community)" Strategy

Arcade Operations

In the arcade facilities market, the recovery trend in the business environment became obvious. The recovery was driven by the high popularity of prize-winning games and medal games, which offer the type of excitement home video games cannot offer, and by the introduction of duel games, multiplayer games, utilizing networks and trading cards. We have also been opening more amusement arcades in commercial complexes in recent years, in order to bring about synergies with shopping malls that are capable of attracting many customers. Our customer base is broadening to the extent of even capturing women and families, in addition to the young generation who are the existing core user group.

In these circumstances, we are committed to executing efficient operations as follows, under the "Chiiki Ichiban Ten (No.1 Arcade in the Community)" strategy, which involves opening arcades in large commercial complexes that generate the greatest customer traffic in the region:

- 1) Actively open new arcades in large commercial complexes;
- 2) Close down unprofitable arcades with poor sales due to floor space less than 330 square meters;
- 3) Create a layout focusing on genres in consideration of the attributes of customers of commercial complexes, such as prize-winning games and medal games; and
- 4) Implement low-cost operation by strictly controlling the cost of prizes, etc.

In particular, as a policy for running arcades, we are installing arcade game machines that attract many customers according to user needs, and thereby increasing the number and the unit value of customers. We are also making elaborate efforts, including the establishment of Kid's Plaza for younger children inside the arcades. Through such measures, we have been running our arcades with the aim of making existing users become greater fans of Capcom, and tapping a new customer base including families.

We also actively implemented a scrap-and-build arcade operation in order to improve profitability. We opened four new arcades in commercial complexes during this fiscal year, namely, "Plaza Capcom Nara" (Nara Prefecture), "Plaza Capcom Morioka" (Iwate Prefecture), "Plaza Capcom Kyoto" (Kyoto Prefecture), and "Plaza Capcom Tsukuba" (Ibaraki Prefecture). On the other hand, we closed two arcades in Japan

and three arcades in the United States, marking our complete withdrawal from overseas amusement facilities operations.

As a result, the segment posted net sales in the amount of 9,831 million yen, up 6.4% from the previous year, operating income of 2,327 million yen, up 8.7%, and a record-high ratio of operating income to net sales of 23.7%.

▶ New Arcades Opened during Fiscal Year 2003



Plaza Capcom Nara

This arcade is located in a shopping mall and consists of two floors, each targeted at a different customer base by featuring a different concept. On the family floor, the Kid's Plaza equipped with rides that younger children can enjoy is inside the arcade.



Plaza Capcom Kyoto

The arcade is divided into two zones, one for young adults and the other for families. Each zone accommodates game machines tailored to the target customer base. The Kid's Plaza inside the arcade holds English conversation classes for younger children.



Plaza Capcom Morioka

This arcade is one of the biggest in Iwate Prefecture, and features many state-of-the-art game machines including prize-winning games and medal games. It is characterized by the classy interior design, targeted at young adults.



Plaza Capcom Tsukuba

This arcade mainly accommodates prize-winning games and medal games, in addition to the latest models of sensory game machines, print sticker machines, etc. The Kid's Plaza is inside the arcade in an independent area, and is the key to attracting customers of the shopping mall that accommodates the Plaza.

▶ Outlook: Aiming at Increasing Market Share

The amusement facilities market is expected to experience steady growth, due to the increase in large-scale commercial complexes. Capcom will expand its business based on its strategy to differentiate itself from rivals and to operate community-oriented facilities, under the slogan of "Chiiki Ichiban Ten (No.1 Arcade in the Community)". In fiscal year 2004, we plan to open one new arcade while closing down one existing arcade.

Arcade Operations

Based on the above, we are projecting net sales in the amount of 11.2 billion yen, up 13.9% year-on-year, and an operating income of 2.8 billion yen, up 20.3% year-on-year.

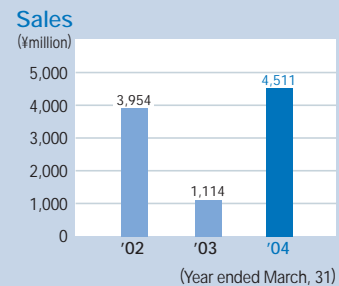


▼ Arcade Games

9%

The arcade games segment develops, manufactures and distributes prize-winning games and medal games for amusement facilities, software for video game machines, etc.

In the previous fiscal year, we posted a loss due to the lack of growth-driving products, as it was a period of transition from the development of video game machines to prize-winning games and medal games. However, operational achievements regained in fiscal 2003, following the release of stronger software titles for video game machines. The arcade games segment posted net sales in the amount of 4,511 million yen, up 305.1% from the previous year, and an operating income of 1,424 million yen.



Mecha Tore King



SUPER MARIO
FUSHIGI NO JANJANLAND

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► Overview: Recovery of Sales and Profits Driven by Videogame Title "Z Gundam"

Arcade Games

During fiscal 2003, the rising popularity of amusement facilities led to the broadening of the customer base, encompassing even women and family users. This resulted in an increase in demand for prize-winning games, medal games, etc., and brought about a favorable business environment.

Under these circumstances, we directed our efforts at developing prize-winning games and medal games which are in high demand in the market, and marketed "Mecha Tore King", a prize-winning game designed for families which is highly capable of attracting customers. The video game machine

"Mobile Suit Z Gundam A.E.U.G. vs. TITANS" also performed well, winning the hearts of a stable customer base, and served as a growth engine for sales in the segment. The game is the sequel to the massive hit "Mobile Suit Gundam The Earth Federation vs. The Principality of Zeon", part of the Mobile Suit Gundam series which enjoys persistent popularity.

As a result, the arcade games segment experienced a rapid recovery: net sales amounted to 4,511 million yen, up 305.1% from the previous year, and operating income was 1,424 million yen.

► Outlook: Focus on Development of Prize-winning and Medal Games

Arcade Games

In the coming fiscal year, the arcade games market is expected to grow, due to the brisk demand for prize-winning games, etc.

Capcom will continue to direct its efforts towards developing prize-winning games and medal games. We will also actively develop video game software titles that are expected to bring about synergies with the home video games segment.

Major new products due to be released next fiscal

year include the medal game "SUPER MARIO FUSHIGI NO JANJANLAND", the prize-winning game "Mecha-Tore3" and stable video game series "Mobile Suit Z Gundam A.E.U.G. vs. TITANS DX".

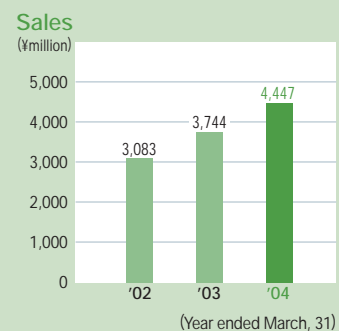
Based on the above, we are projecting net sales in the amount of 6.2 billion yen, a year-on-year increase of 37.4%, and an operating income of 1.4 billion yen, down 1.7%.

▼ Other Business

8%

Other businesses include the licensing-out of Capcom game characters and the distribution of contents for mobile phones. We are implementing a media mix strategy, which involves improving the recognition of Capcom characters through collaboration with movies and animations of Capcom major game content, aimed at increasing the sales of game software titles. In the new publishing business, we are stepping up our efforts to gain the synergies with the home video games segment.

In other businesses, net sales amounted to 4,447 million yen, up 18.8% from the previous year, and operating income was 940 million yen, up 167.5%.



► Overview: Strong Performance of Megaman, Expansion into Publishing Business

Other Business

Capcom's licensing-out business is based on a low-risk business model, which involves licensing out merchandising rights, movie and animation adaptation rights to production companies. In fiscal 2003, the latest TV animation version of the popular game character "Megaman" was broadcast from October 2003 in Japan, boosting the recognition of "Megaman". In the United States, we launched a promotion campaign in celebration of Megaman's 15th anniversary, including broadcasting TV animation programs across the United States. Through these measures, the enhancement of the brand power of the Megaman series helped increase the sales of its software titles.

In September 2004, movie "Resident Evil Apocalypse" will be released worldwide, starting in the United States. "Onimusha" and "Devil May Cry" are also due to be made into movies, in 2005 and 2006, respectively. We will aim at bringing about synergies with

the home video games segment when the content is made into a movie.

On the other hand, we expanded into the publishing business as part of our efforts to enhance the licensing business. We gear up its efforts into publishing activities by self-creation and self-distribution, aimed at improving profits through in-house publishing. As the first publication, we published a strategy guidebook for game software title "Onimusha 3" for PS2 in February 2004 (both games and books were released simultaneously).

In the mobile contents business, we distribute contents for mobile phones in Japan to NTT DoCoMo Inc., KDDI Corporation and Vodafone K.K. We distribute many contents to affiliates to the Vodafone Group in Europe, including "Ghost'n Goblin", "Commando" and "1942". As a result, net sales amounted to 4,447 million yen, up 18.8% from the previous year, and operating income was 940 million yen, up 167.5%.



TV Animation "Rockman EXE Ares" on air by TV Tokyo Every Saturday at 8:30 a.m. © CAPCOM, Shogakukan, ShoPro, TV Tokyo



Strategy guidebooks for "Onimusha 3" and "Monster Hunter"



Mobile phone contents service

► Outlook: Expansion of Licensing Business in the U.S.

Other Business

In fiscal 2004, we will enhance our source of profits by expanding our publishing business and our licensing-out business in the United States. We will also implement a global media mix strategy, including broadcasting a TV animation version of Megaman in Europe.

In the mobile contents business, we will direct our

efforts towards developing software adapted to 3G mobile phones. We will distribute diverse contents tailored to overseas markets with high growth potential.

Based on the above, we are projecting net sales in the amount of 6.4 billion yen, up 43.9% year-on-year, and an operating income of 900 million yen, down 4.3%.

► Licensing-out Business

Megaman's 15th Anniversary Project



In celebration of the 15th anniversary of Megaman, we launched a massive Megaman promotion campaign in the United States in 2003.

Specifically, we secured morning time slots in TV channels on Saturdays when many children's programs are broadcast, and aired the new animation program "Megaman NT Warrior". We also carried out a sales promotion campaign with the cooperation of major retailers, chains of game specialty stores, etc., and enhanced advertising in game magazines as well as online advertisements. In addition, we released snacks, soft drinks, figures and other products featuring the character, by forming a business alliance with food product makers and toy makers. We carried out the promotion campaign aggressively, as described above.

On the game software front, we released six new titles for all platforms during fiscal 2003, including "Megaman Battle Network 3", and achieved 1.5 million units in total in US.



Website



Six new titles



TV Animation in U.S.A. "Megaman NT Warrior"

© CAPCOM, Shogakukan, ShoPro, TV Tokyo 2002



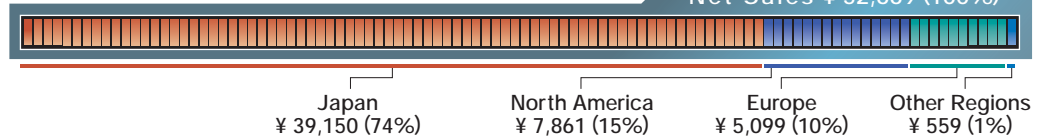
Plushie



Review of Operations by Geographical Segments

Sales Breakdown (¥ million)

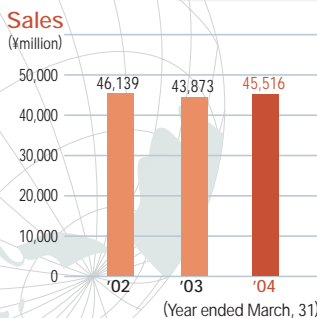
Net Sales ¥ 52,669 (100%)



Note 1. The Sales of each geographic area in the above are those to the customers only.
 Note 2. The sales of each geographic area below are inclusive of inter-segment ones.

Japan

77%



The domestic home video game market was slow-moving, due to the diversification of entertainments, the increase in sales of used software titles, etc.

In these circumstances, in the home video games segment, "Grand Theft Auto" (for PS2), an action game offering a high degree of freedom to the player, became an unusual hit as an imported title. "Megaman Battle Network 4 Red Sun" and "Megaman Battle Network 4 Blue Moon" for GBA performed well, due to synergies with the broadcast of the TV animation version. Leading game titles "Resident Evil Outbreak" and "Onimusha 3" for PS2 also

achieved fair results.

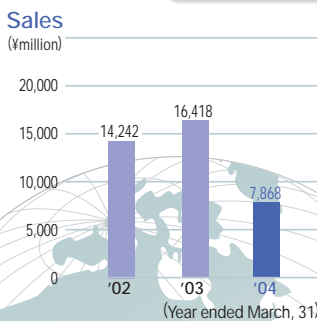
The arcade games segment experienced an improvement in business performance, assisted by the good performance of "Mobile Suit Z Gundam A.E.U.G. vs. TITANS". Arcade operations are steadily expanding profits, owing to the effectiveness of the scrap-and-build policy for arcades.

As a result, both sales and profits increased: net sales amounted to 45,516 million yen, up 3.7% from the previous year, and operating income was 8,013 million yen, up 32.7%.

During the next fiscal year, in the home video games segment, we plan to release "Resident Evil Outbreak File #2" for PS2 and "Resident Evil 4" for GC. In the field of arcade games, we plan to release leading software title such as "Mobile Suit Z Gundam A.E.U.G. vs. TITANS DX".

North America

13%



In North America, which is the world's biggest game market, the home video game market showed a favorable trend in general, supported by solid consumer spending.

In the region, "Megaman Battle Network 3" (for GBA) and other titles of the Megaman series performed well, due to the effects of the promotion campaign carried out in celebration of its 15th birthday, selling 1.5 million units in total. However, we struggled in the region as sales of "Viewtiful Joe" (for GC) and "Dino Crisis 3" (for Xbox) grew at a sluggish pace contrary to

our expectations, and the release of the major game title "Resident Evil Outbreak" (for PS2) was postponed. Further, profits were squeezed by the sale of titles at low prices aimed at promoting the sale of field inventories.

As a result, net sales decreased 52.1% year-on-year to 7,868 million yen, and operating loss was 4,627 million yen.

In fiscal year 2004, we plan to release major titles such as "Resident Evil Outbreak" and "Onimusha 3" for PS2.



Resident Evil Outbreak

▼ Europe

9%

The European market, which is centered on EU regions, was invigorated by the Christmas shopping spree. The trend of business



Onimusha 3

Character Samanosuke by
© Fu Long Production,
© CAPCOM CO., LTD.
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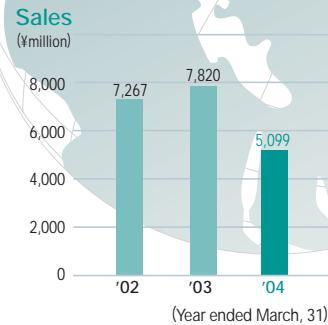
integration accelerated as the market was moving on to the next growth stage.

In these circumstances, much-hoped-for titles "Viewtiful Joe" (for GC) and "Dino Crisis 3" (for Xbox) performed lower than expected, not to mention

the fact that there were no big flagship software titles released during the year.

As a result, net sales amounted to 5,099 million yen, down 34.8% from the previous year, and operating income was 331 million yen, down 50.4%.

In fiscal year 2004, we plan to release major titles such as "Onimusha 3" (for PS2).



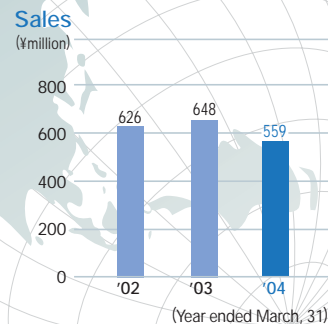
▼ Other Regions

1%

In other regions, the Asian market, including South Korea, Taiwan and China, is expected to rapidly grow into a massive market following the big three (i.e., the United States, Europe, and Japan), mainly with respect to online games for PCs.

However, these regions have deep-rooted copyright problems, including rampant piracy, and the full-scale proliferation of home video game consoles is still in the very early stage. Accordingly, sales of Capcom's home video game software were soft.

As a result, net sales amounted to 559 million yen, down 13.7% from the previous year, and operating income was 14 million yen.



▶ President in Europe and the U.S. Talks about Capcom's Overseas Strategies

To expand its shares in overseas markets, Capcom has been making efforts towards drastic reinforcement of marketing structures, which support development and sale. In 2003, as part of these efforts, two specialists in marketing were assigned to our subsidiaries in the U.S. and Europe, respectively. Both of them are quite familiar with the U.S. and European markets. Under the new reformed structures, Capcom will further carve out more shares in overseas markets.

Strategy in North America

The U.S. is the largest game software market in the world. To expand our share in the U.S., we will introduce the products that can match the needs of users in the U.S. while cooperating closely with our development division.

Also, our promising software products will be put on the market, targeting at the so-called "harvesting period" which comes after penetration of the current game machines. We will also make aggressive efforts toward development of the new titles and contents for new portable game players and online games, of which markets the growth can be expected. Taking these into account, we will develop the software product lineup from a mid- and long-term perspective, and thus secure the revenue which is reasonable for the market size ratio.

Strategy in Europe

The size of Europe's game software market is the second largest, following the U.S. market. To introduce game software products to this market, we must translate and localize our products into each of the European languages. In addition, it is important to implement subtle marketing strategies which correspond to diverse characteristics of the European markets.

To develop the software products which can match the European users' preferences, we will focus on the product marketing, aiming at the development structure that can handle the global market needs. Furthermore, we will rebuild the distribution structure, and thus reinforce our sales force to expand the share in the European markets.

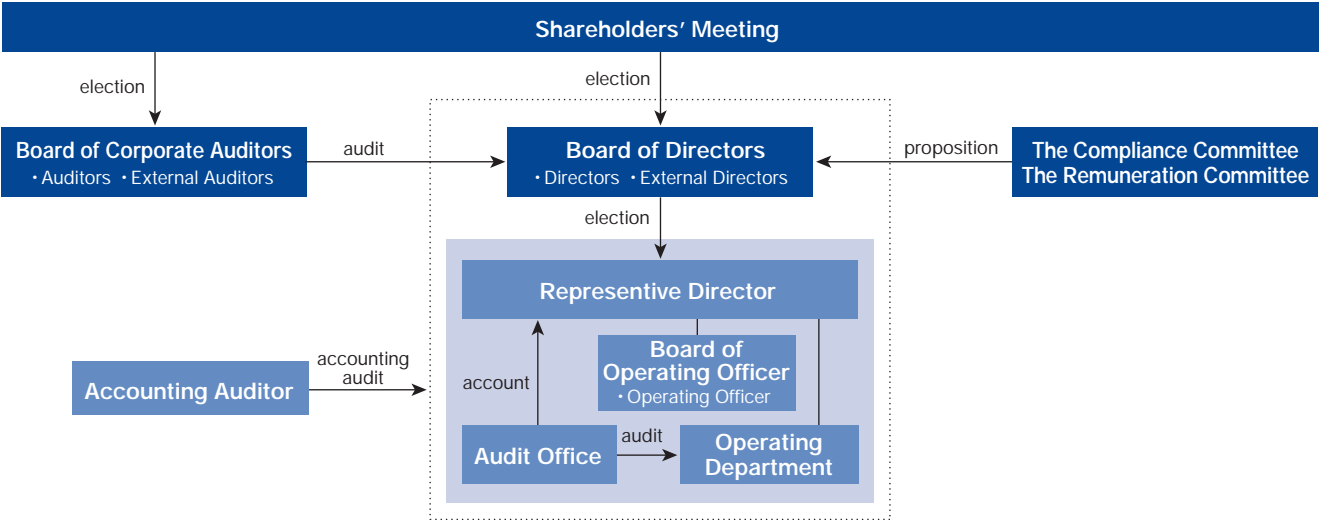
Hiroshi Tobisawa

Senior Corporate Officer, Capcom Co., Ltd.
President, Capcom U.S.A., Inc.
President, CE Europe Ltd.

Board of Directors and Corporate Auditors



Corporate Governance



Directors

Kenzo Tsujimoto President and CEO

1983 Representative Director of the former CAPCOM Co., Ltd.
1985 President and Representative Director of the Company (to present)
2001 Chief Executive Officer (CEO) of the Company (to present)

Heiji Oshima Executive Vice President and CFO

1983 General Manager of Accounting Dept. of the former CAPCOM Co., Ltd.
1984 Director of the said company
1989 Director of the Company
1996 Managing Director of the Company
1997 Senior Managing Director of the Company
2001 Executive Vice President and Chief Financial Officer (CFO) of the Company (to present)

Haruhiro Tsujimoto Senior Managing Director and COO

1987 Entered into the Company
1997 Director of the Company
1998 Branch Manager of Tokyo Branch of the Company
1999 Managing Director of the Company
2001 Senior Managing Director and Chief Operating Officer (COO) of Sales of the Company (to present)

Tamio Oda Managing Director

1969 Entered into The Sanwa Bank Limited (currently UFJ Bank, Limited)
1997 Branch Manager of Nakanoshima Branch of the Bank
2001 Advisor of the Company
2001 Director of the Company
2003 Managing Director of the Company (to present)

Kyouji Kitamura Director

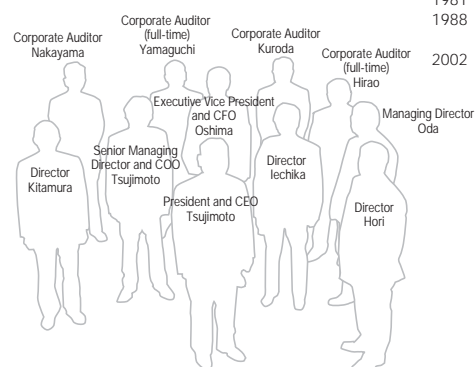
1956 Entered into Ministry of Finance
1973 Director-General of Research Dept. of Osaka Regional Taxation Bureau
1983 Director-General of Inspection Dept. of Banking Bureau
1986 Director-General of Securities Bureau
1994 President & CEO of The Osaka Securities Exchange
2001 Advisor of the Company
2001 Director of the Company (to present)

Kouichi Hori Director

1989 President and Representative Director of Boston Consulting Group
2000 President and Chief Executive Officer of Dream Incubator Inc. (to present)
2001 Director of the Company (to present)

Masanao Iechika Director

1962 Lawyer (to present)
1981 Vice President of Osaka Bar Association
1981 Director of Japan Federation of Bar Association
1988 Member of Commercial Law Committee of Judicial System and Research Dept. of Ministry of Justice
2002 Director of the Company (to present)



Corporate Auditors

Shoji Yamaguchi Corporate Auditor (full-time)

1962 Entered into National Tax Administration Agency
1990 Nagoya Regional Tax Tribunal Chief Appeals Judge
1992 Councilor of Business Promotion Dept. of The Sumitomo Trust & Banking Co., Ltd.
2001 Corporate Auditor of the Company (full-time) (to present)

Kazushi Hirao Corporate Auditor (full-time)

1975 Entered into Hitachi Zosen Corporation
1987 Assistant Manager of the said company
1988 Entered into the Company
1997 General Manager of Overseas Business Dept. of the Company
1999 Corporate Officer, General Manager of Overseas Business Dept. of the Company
2002 General Manager of General Affairs Dept. of the Company
2004 General Manager of Investor Relations Dept. of the Company (to present)
2004 Corporate Auditor of the Company (full-time) (to present)

Morio Kuroda Corporate Auditor

1954 Entered into National Tax Administration Agency
1980 Kumamoto Regional Tax Tribunal Chief Appeals Judge
1982 Entered into KYOCERA Co., Ltd.
1989 Advisor of the Company
1990 Corporate Auditor of the Company (full-time)
2001 Corporate Auditor of the Company (to present)
2002 Corporate Auditor (full-time) of CAPTRON Co., Ltd. (to present)

Yoshio Nakayama Corporate Auditor

1956 Entered into National Police Agency
1980 Chief of Ehime Police Headquarters
1983 Councilor of Security Bureau of National Police Agency
1985 Chief of Kanagawa Police Headquarters
2001 Corporate Auditor of the Company (to present)

Notes 1. Kyoji Kitamura, Kouichi Hori and Masanao Iechika are external directors prescribed under Paragraph 7-2, Section 2, Article 188 of the Commercial Code of Japan.

2. Each of Shoji Yamaguchi, Morio Kuroda and Yoshio Nakayama is an external auditor prescribed in Article 18, Section 1 of the Special Law of the Commercial Code Concerning the Audit of Corporation ("Kabusiki-Kaisha")

We acknowledge that one of our important management issues is to enhance corporate governance, in order to increase management efficiency, and to ensure the transparency and soundness of management.

In 1999, we introduced the "Operating Officer System", which enables quick decision-making and dynamic execution of operations, by clearly separating the Board of Directors, which focuses on decision-making relating to management policies, from the Operating Officers, who implement and execute the operation of the Corporation. The Board of Directors consists of seven directors, including three external directors. We are reinforcing the management monitoring function through external directors' advice and checkups.

We employ a "corporate auditor" system; the Board of Corporate Auditors consisting of three external auditors and one in-house auditor conducts appropriate audits over the Board of Directors. Further, the Remuneration Committee recommends the fair and reasonable amount of remuneration

for directors. In compliance with relevant laws and regulations, one of the external directors who is an attorney provides advice and guidance for important issues and problems when necessary. Through these efforts, we are further reinforcing the supervisory function of the Board of Directors and ensuring transparency of management. External directors and auditors are assisted by Capcom employees, so that they can smoothly fulfill their respective duties.

In 1998, we instituted the "Capcom Codes of Conduct". We are endeavoring to prevent illegal acts and misconducts and secure legal compliance by making the corporate ethics and principles widely known and accepted inside the company. The Compliance Committee, which includes an external director who practices law in Japan, is in charge of enhancing such internal control system. The Compliance Committee holds a meeting every three months, and strives to make the corporate governance system work effectively, by thoroughly enforcing corporate activities in compliance with the Codes of Conduct.

Business Risks and Other Risks

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated below, which are based on information that is available as of the end of fiscal 2003 and certain assumptions that serve as the basis of rational judgments.

1. Risks relating to Home Video Games

(1) Increase in Development Costs

In recent years, home video game consoles have become sophisticated partly due to the adoption of computer graphics technology, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

(2) Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including mobile phones and the Internet. Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

(3) Dependency on Popular Series

Capcom releases many game software titles in the market. Among them, a handful of titles tend to be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problems in these popular software titles or any changes in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

(4) Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games. Therefore, there is a risk that it may result in having an adverse effect on our business performance and corporate value.

(5) Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak

demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. In this manner, there is a risk that business performance may substantially fluctuate from quarter to quarter.

(6) Trends in Proliferation of Home Video Game Consoles
Our home video game software titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation.

Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setbacks in the proliferation trends or any problem in their game consoles.

(7) License Agreement with Console Manufactures
We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors. However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

(8) Technological enhancement of Home Video Game Platforms

New home video game platforms have been released every four to six years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

2. Risks relating to Other Businesses

(1) Arcade Operations

There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

(2) Arcade Games

There is a risk that our business performance may be adversely affected by the closing gap between arcades and home video game consoles, the decline in facility operators' purchasing power, changes in the business environment and uncertainties for growth.

3. Risks relating to Overseas Operations

(1) There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.

(2) There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

4. Risks relating to Financial Status and Operating Results

(1) As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.

(2) As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

(3) Expansion of Used Software Market
Currently, the used software in the domestic market is estimated as a third of the new one, and is tending towards expansion. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

5. Risks relating to Development Technologies

Products relating to game machines including home video game consoles are subject to rapid technological progress, and are constantly evolving. Therefore, there is a risk that sales opportunities may be lost due to delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

6. Legislative Risks

Arcade operations are controlled by the “Entertainment Establishments Control Law” and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

7. Risks relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc. Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party’s intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

8. Risks relating to Lawsuits

As we are engaged in content business, we have been to a court of law both as a plaintiff and as a defendant. Due to the nature of our business, there is a possibility that we may be taken to court in the future. There is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

9. Risks relating to Dilution of Stock Value

The outstanding issue of unsecured convertible bonds of Capcom amounts to 37,262 million yen. If the conversion rights are exercised, dilution of stock value will occur; there is a risk that it may affect our stock price.

10. Risks relating to Stock Price Volatility

Our stock price has substantially fluctuated in the past, and there is a possibility that it will dramatically fluctuate in the future, due to the risk factors stated above, changes in the market environment, unexpected circumstances and other causes. The risk factors vary widely, including but not limited to those attributable to Capcom, changes in the business environment of the game industry, analysis data of research agencies such as securities analysts and investor trends, and stock market conditions.

Financial Section

► Five-Year Summary

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31

	Millions of yen					Thousands of U.S. dollars
	2004	2003	2002	2001	2000	2004
Net sales	¥ 52,669	¥ 62,036	¥ 62,743	¥ 49,083	¥ 51,574	\$ 501,610
Operating income	1,403	6,680	9,727	7,155	9,061	13,362
Income (loss) before income taxes	(6,901)	(30,049)	7,420	7,127	8,712	(65,724)
Net Income (loss)	(9,159)	(19,598)	4,912	6,007	9,700	(87,229)
			Yen			dollars
Net income (loss) per share	(160.91)	(338.01)	84.21	109.90	273.01	(1.53)
Cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00	0.19
Shareholders' equity per share	559.66	753.47	1,168.51	1,081.62	1,372.16	5.33
			Millions of yen			Thousands of U.S. dollars
Total assets	93,096	106,648	128,512	113,493	107,776	886,629
Total shareholders' equity	31,854	42,888	68,233	62,966	51,320	303,372
Depreciation & Amortization	2,081	2,203	2,172	2,411	2,623	19,819
Capital expenditure	4,678	2,290	4,182	2,939	2,695	44,552
R&D expenses	1,124	1,151	1,067	1,461	1,390	10,705
			(%)			
ROE	(24.5)	(35.3)	7.5	10.5	23.8	(24.5)
ROA	(9.2)	(16.7)	4.1	5.4	9.4	(9.2)
Net worth ratio	34.2	40.2	53.1	55.5	47.6	34.2

Note1: U.S. dollar amounts are translated from yen at the rate of ¥105=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2004.

2: Amounts per share are computed based upon weighted average number of shares of common stock outstanding during each fiscal year and adjusted for the stock splits.

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1. Operating Results

In fiscal year 2003, the year ended March 31, 2004, the resulting net sales decreased to 52,669 million yen (down 15.1 % from the previous year). The ordinary income was 791 million yen (down 88.4 % from the previous year) due to the reduction in sales and loss on inventory disposition. In addition, we recorded the extraordinary loss of 7,730 million yen, which included the transfer to the allowance for bad debt, under the purpose of advancing the corporate structural reformation. The resulting net loss decreased to 9,159 million yen (it was 19,598 million yen in the previous year).

2. Status of Each Operational Department is as Stated Below.

(1) Home Video Game Sales

We released series-products including "Resident Evil Outbreak", "Onimusha 3", and "Onimusha Blade Warrior" for stationary PlayStation 2. "Grand Theft Auto III" (for PlayStation 2) turned out to be an unusual success as an overseas imported title. The online-ready original game software, "Monster Hunter", (for PlayStation 2) was also released, and recorded preferable sales. "Megaman Battle Network 4 Red Sun", "Megaman Battle Network 4 Blue Moon" and "Gyakuten Saiban 3", software titles for the portable game player, Game Boy Advance, achieved brisk sales.

In overseas markets, "Megaman Battle Network 3" (for Game Boy Advance) showed a healthy growth and our lower-priced software titles grew steadily.

However, the sales in overseas markets was forced

to struggle because the software title sales in general, including that of leading products, was flat, and the release of some leading software titles for overseas markets was postponed till next fiscal period.

The resulting net sales decreased to 33,950 million yen (down 29.4 % from previous year), and the operating loss was 972 million yen.

(2) Arcade Operations

We implemented a scrap-and-build arcade operation, and opened "Plaza Capcom Nara" (Nara Prefecture), "Plaza Capcom Morioka" (Iwate Prefecture), "Plaza Capcom Kyoto" (Kyoto Prefecture), and "Plaza Capcom Tsukuba" (Ibaraki Prefecture) in commercial complexes during this fiscal year, while closing five stores.

The resulting net sales increased to 9,831 million yen (up 6.4 % from the previous year), and the operating income went up to 2,327 million yen (up 8.7 % from the previous year).

(3) Arcade Game Sales

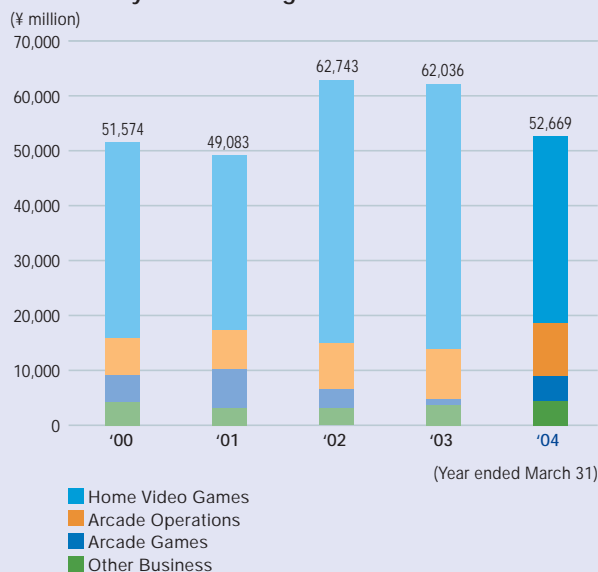
The video game machine, "Mobile Suit Z Gundam A.E.U.G. vs. TITANS", performed well, serving as a growth engine for our sales. "Mecha Tore King", a prize-winning game, also performed well.

The resulting net sales were 4,511 million yen (up 305.1 % from the previous year), and the operating income was 1,424 million yen.

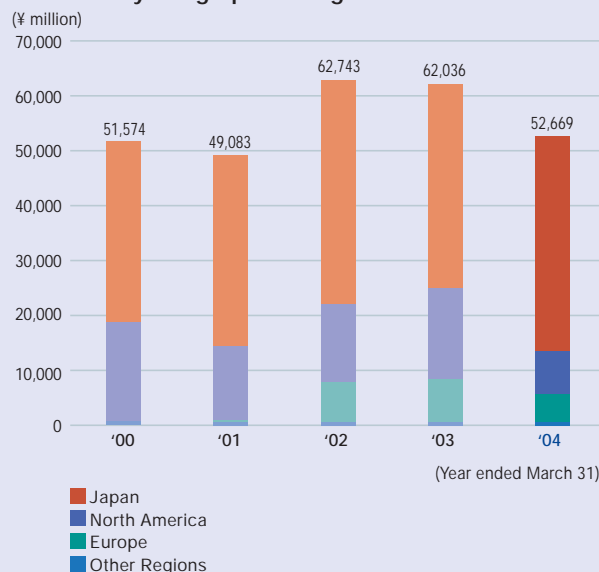
(4) Other Businesses

The net sales from other businesses totaled to 4,447

Net Sales by Business Segment



Net Sales by Geographical Segment



million yen (up 18.8% from the previous year), and the operating income was 940 million yen (up 167.5% from the previous year), which was mainly licensing royalties.

3. Overview of Business Performance in Each Region

(1) Japan

“Grand Theft Auto III” (for PlayStation 2) became an unusual hit as an imported title. “Megaman Battle Network 4 Red Sun” and “Megaman Battle Network 4 Blue Moon” (for Game Boy Advance) also gained steady sales. The sales of leading game titles such as “Onimusha 3”, “Resident Evil Outbreak” and “Monster Hunter” for on-line ready (all for PlayStation 2) were almost as anticipated, led the overall performance being flat.

As for the arcade operations, our strategies of the community-based operation and the collaboration with shopping malls took effect and we achieved a satisfactory growth.

In arcade game sales, the “Mobile Suit Z Gundam A.E.U.G. vs. TITANS”, boasted overwhelming popularity and served as a sales engine.

The resulting net sales were 45,516 million yen (up 3.7 % from the previous year), and the operating income was 8,013 million yen (up 32.7 % from the previous year).

(2) North America

“Megaman Battle Network 3” (for Game Boy Advance) and “Chaos Legion” (for PlayStation 2) underwent a healthy growth, whereas “Dino Crisis 3” (for Xbox) and “Viewtiful Joe” (for Nintendo GameCube) grew at a sluggish pace

contrary to our expectations. The sales promotion of the inventory in circulation declined the profitability, and furthermore the delay of “Resident Evil Outbreak” (for PlayStation 2) release to the next fiscal year affected the performance negatively. As a result, the sales in North America remained to be on a weak note.

The resulting net sales decreased to 7,868 million yen (down 52.1 % from the previous year), and the operating loss was 4,627 million yen.

(3) Europe

The sales in this region remained weak due to the sluggish growth of “Chaos Legion” (for PlayStation 2), “Dino Crisis 3” (for Xbox), and “Viewtiful Joe” (for Nintendo GameCube). The fact that there were many small-scale titles and no leading software title also burdened the performance.

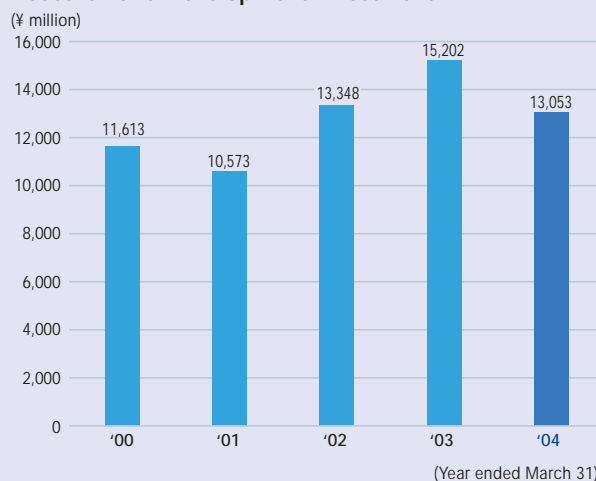
The resulting net sales were 5,099 million yen (down 34.8 % from the previous year), and the operating income was 331 million yen (down 50.4 % from the previous year).

(4) Other regions

The full-scale proliferation of stationary home video game consoles is still in the very early stage. Although the sales of home video game software in these areas went soft, Asia remained a vital market for online games for PCs.

The resulting net sales were 559 million yen (down 13.7 % from the previous year) and the operating income was 14 million yen.

Research and Development Investment



4. Financial Conditions

Cash and cash equivalents (hereafter referred to as "Cash") as of the end of this fiscal year period decreased by 1,314 million yen from the previous fiscal year to 32,131 million yen. Cash flow positions for each activity are as stated below.

(1) Cash Flows from Operating Activities

Net cash increase from operating activities amounted to 5,577 million yen (up 1,941 million (53.4 %) from the previous year). Although net loss before income tax was 6,901 million yen, this was largely due to increase of the allowance for doubtful accounts, totaling 4,375 million yen, which has no cash involvement and 4,300 million yen decrease of account receivables.

(2) Cash Flows from Investing Activities

Net cash expense from investing activities amounted to 5,011 million yen (down 2,682 million (115.1%) from the previous year). This is largely attributable to the expense of 4,558 million yen for the acquisition of property and equipment for amusement facilities.

(3) Cash Flows from Financing Activities

Net cash decrease from financing activities amounted to 395 million yen (up 1,605 million (80.2%) from previous year). This is largely attributable to the payment of 1,142 million yen related to dividends.

Trends of Cash Flow Indicators

Year ended March 31	2002	2003	2004
Ratio of capital stock (%)	53.1	40.2	34.2
Ratio of capital stock based on fair market value (%)	157.6	55.1	63.1
Debt amortization schedule (number of years)	6.5	6.5	4.4
Interest coverage ratio (times)	14.2	14.6	20.3

Ratio of capital stock = Capital stock / Total assets

Ratio of capital stock based on fair market value = Total of the capital stock at market price / Total assets

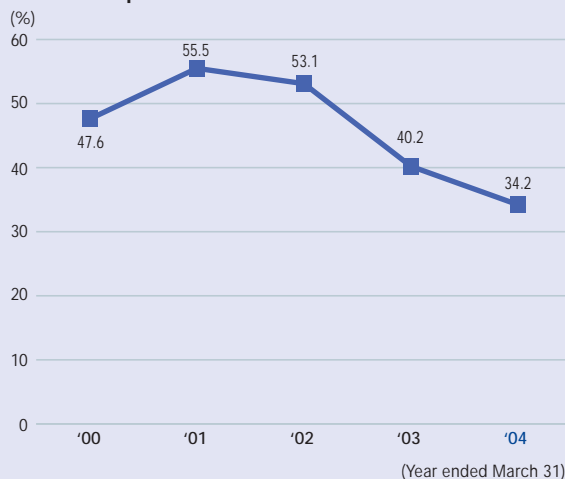
Debt amortization schedule = Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest payments

(1) Indicators are calculated using financial numbers in consolidated basis.

(2) Cash flows from operating activities use the "cash flows from operating activities" in the consolidated statements of cash flows. The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

Ratio of capital stock



Interest coverage ratio



▶ CONSOLIDATED BALANCE SHEETS

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
MARCH 31, 2004 AND 2003

	Millions of yen		Thousands of U.S. dollars (Note1)
	2004	2003	2004
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 32,131	¥ 33,445	\$ 306,010
Notes and accounts receivable	8,922	15,567	84,971
Short-term loans receivable	1,555	4,337	14,810
Inventories (Note 4)	4,339	6,361	41,324
Capitalized development costs	9,640	10,331	91,810
Prepaid expenses	1,489	405	14,181
Deferred tax assets (Note 10)	4,990	4,354	47,524
Other	1,056	2,393	10,055
Allowance for doubtful accounts	(1,165)	(2,595)	(11,095)
Total current assets	62,957	74,598	599,590
Fixed assets:			
Property and equipment, net of accumulated depreciation (Note 6)			
Land (Note 8)	4,471	4,701	42,581
Buildings and structures (Note 8)	6,960	4,710	66,287
Amusement facilities	2,245	1,949	21,381
Machinery, equipment and other	890	1,022	8,476
Construction-in-progress	11	27	104
Total property and equipment	14,577	12,409	138,829
Intangible fixed assets (Note 7)	934	1,152	8,895
Investments and other assets			
Investments in securities (Note 5)	1,948	1,782	18,552
Investments in an unconsolidated company and affiliated companies	247	804	2,352
Long-term loans receivable	3,639	7,220	34,657
Deferred tax assets (Note 10)	7,960	10,535	75,810
Other	4,932	4,752	46,973
Allowance for doubtful accounts	(4,098)	(6,604)	(39,029)
Total investments and other assets	14,628	18,489	139,315
Total fixed assets	30,139	32,050	287,039
Total assets	¥ 93,096	¥ 106,648	\$ 886,629

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Liabilities, minority interest and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 8)	¥ 5,596	¥ 6,997	\$ 53,295
Current portion of long-term debt (Note 8)	700	508	6,667
Notes and accounts payable	4,497	5,174	42,829
Accrued expenses	2,339	2,371	22,276
Accrued income taxes (Note 10)	153	649	1,457
Allowance for sales returns	700	613	6,667
Other	3,145	4,006	29,952
Total current liabilities	17,130	20,318	163,143
Long-term liabilities:			
Long-term debt (Note 8)	42,792	40,832	407,543
Accrued retirement benefits for employees (Note 11)	848	804	8,076
Other	472	1,775	4,495
Total long-term liabilities	44,112	43,411	420,114
Minority interest in a consolidated subsidiary	—	31	—
Shareholders' equity :			
Common stock (Note 12), Authorized - 150,000,000 shares Issued - 58,435,819 shares at March 31, 2004 and 2003	27,581	27,581	262,676
Additional paid-in capital (Notes 12 and 13)	24,852	30,472	236,686
Accumulated deficit (Notes 12 and 13)	(16,728)	(12,050)	(159,314)
Unrealized holding gains and losses on available-for-sale securities (Notes 5 and 13)	589	(161)	5,610
Cumulative translation adjustments	(1,340)	143	(12,762)
Treasury stock (Note 14)	(3,100)	(3,097)	(29,524)
Total shareholders' equity	31,854	42,888	303,372
Total liabilities, minority interest and shareholders' equity	¥ 93,096	¥ 106,648	\$ 886,629

► CONSOLIDATED STATEMENTS OF INCOME

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Net sales	¥ 52,669	¥ 62,036	\$ 501,610
Cost of sales	37,363	39,198	355,839
Gross profit	15,306	22,838	145,771
Selling, general and administrative expenses	12,779	15,007	121,704
Research and development expenses	1,124	1,151	10,705
Operating income	1,403	6,680	13,362
Other income (expense):			
Interest and dividend income	210	200	2,000
Interest expense	(276)	(255)	(2,629)
Exchange gain (loss), net	(382)	145	(3,638)
Provision for allowance for doubtful accounts	(4,242)	(2,709)	(40,400)
Loss on disposal of inventories	(3,057)	(1,429)	(29,114)
Loss on disposal of capitalized development costs	—	(5,284)	—
Loss on write-down of investments in securities	(193)	(619)	(1,838)
Loss on write-down of land and buildings	—	(24,332)	—
Loss on write-down of inventories	—	(1,508)	—
Other, net	(364)	(938)	(3,467)
Loss before income taxes	(6,901)	(30,049)	(65,724)
Income taxes (Note 10):			
Current	602	1,105	5,733
Prior year adjustment	(71)	(221)	(676)
Deferred	1,742	(11,304)	16,591
	2,273	(10,420)	21,648
Minority interest in net loss of a consolidated subsidiary	(15)	(31)	(143)
Net loss	(¥ 9,159)	(¥ 19,598)	(\$ 87,229)

	Yen		U.S. dollars
	2004	2003	2004
Per share data			
Net loss	(¥ 160.91)	(¥ 338.01)	(\$ 1.53)
Cash dividends paid	20.00	20.00	0.19

The accompanying notes are an integral part of these statements.

► CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Common stock:			
Balance at beginning of year	¥ 27,581	¥ 27,580	\$ 262,676
Shares issued upon conversion of bonds	—	1	—
Balance at end of year	¥ 27,581	¥ 27,581	\$ 262,676
Additional paid-in capital:			
Balance at beginning of year	¥ 30,472	¥ 30,465	\$ 290,210
Excess of principal amount of bonds converted over the amount credited to common stock issued	—	1	—
Cash dividends	(569)	—	(5,419)
Gain (loss) on sale of treasury stock	(1)	6	(10)
Transfer to accumulated deficit	(5,050)	—	(48,095)
Balance at end of year	¥ 24,852	¥ 30,472	\$ 236,686
Retained earnings (Accumulated deficit):			
Balance at beginning of year	(¥ 12,050)	¥ 8,777	(\$ 114,761)
Net loss for the year	(9,159)	(19,598)	(87,229)
Transfer from additional paid-in capital	5,050	—	48,095
Cash dividends	(569)	(1,169)	(5,419)
Bonuses to directors and statutory auditors	—	(60)	—
Balance at end of year	(¥ 16,728)	(¥ 12,050)	(\$ 159,314)
Unrealized holding gains and losses on available-for-sale securities			
	¥ 589	(¥ 161)	\$ 5,610
Cumulative translation adjustments			
	(¥ 1,340)	¥ 143	(\$ 12,762)
Treasury stock			
	(¥ 3,100)	(¥ 3,097)	(\$ 29,524)

The accompanying notes are an integral part of these statements.

► CONSOLIDATED STATEMENTS OF CASH FLOWS

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
YEAR ENDED MARCH 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Loss before income taxes	(¥ 6,901)	(¥ 30,049)	(\$ 65,724)
Adjustments to reconcile loss before income taxes to net cash provided by operating activities -			
Depreciation and amortization	2,081	2,203	19,819
Loss on write-down of land and buildings	—	24,332	—
Loss on write-down of investments in securities	193	619	1,838
Increase in allowance for doubtful accounts	4,375	3,286	41,667
Increase in allowance for sales return	87	613	829
Decrease (increase) in notes and accounts receivable	4,300	(736)	40,952
Decrease in inventories	1,893	2,064	18,029
Decrease in capitalized development costs	694	887	6,610
Increase (decrease) in notes and accounts payable	(568)	513	(5,410)
Other, net	682	1,823	6,494
Sub total	6,836	5,555	65,104
Interest paid	(275)	(249)	(2,619)
Income taxes paid	(984)	(1,670)	(9,371)
Net cash provided by operating activities	5,577	3,636	53,114
Cash flows from investing activities:			
Acquisition of property and equipment	(4,558)	(1,812)	(43,410)
Proceeds from sale of property and equipment	331	125	3,152
Acquisition of investments in securities	—	(773)	—
Proceeds from sale of investments in securities	233	180	2,219
Decrease (increase) in short-term loans receivable	200	(79)	1,905
Decrease in long-term loans receivable	—	97	—
Repayment of deposit received	(1,200)	—	(11,429)
Other, net	(17)	(67)	(161)
Net cash used in investing activities	(5,011)	(2,329)	(47,724)
Cash flows from financing activities:			
Net repayment of short-term borrowings	(1,822)	(1,642)	(17,352)
Borrowings of long-term debt	2,800	4,200	26,667
Repayment of long-term debt	(228)	(349)	(2,171)
Payment for purchase of treasury stock	(4)	(3,087)	(38)
Cash dividends paid	(1,142)	(1,164)	(10,876)
Other, net	1	42	8
Net cash used in financing activities	(395)	(2,000)	(3,762)
Effect of exchange rate changes on cash and cash equivalents	(1,485)	(862)	(14,142)
Net decrease in cash and cash equivalents	(1,314)	(1,555)	(12,514)
Cash and cash equivalents at beginning of year	33,445	35,000	318,524
Cash and cash equivalents at end of year	¥ 32,131	¥ 33,445	\$ 306,010

The accompanying notes are an integral part of these statements.

▶ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
MARCH 31, 2004 AND 2003

1. MAJOR POLICIES IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements of CAPCOM CO., LTD. (hereinafter referred to as the "Company") and its subsidiaries, after modification to enhance readers' understanding, are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include financial information, which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

The rate of ¥105=U.S.\$ 1, the approximate current rate prevailing on March 31, 2004, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, U.S. dollars at this or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and, with minor exceptions, those of its 11 majority-owned subsidiaries (all 12 companies being referred to collectively as the "Companies") at the relevant balance sheet date. All significant inter-company transactions and accounts have been eliminated.

The investment in 20% to 50% owned companies (hereinafter referred to as the "Affiliated companies") are stated at cost due to immateriality. In the case of a change in reporting entities, the consolidated financial statements are not restated, but the effect of the change on retained earnings at the beginning of the period is directly debited or credited to retained earnings during the period.

(2) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of change in value.

(3) Translation of foreign currencies

All foreign currency monetary assets and liabilities are translated into Japanese yen at the rates prevailing at the balance sheet date. Income and expenses in foreign currency are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or charged to income as incurred. In preparing the consolidated financial statements, assets and liabilities of foreign subsidiaries are translated into Japanese yen at the rates in effect at the balance sheet date. Income and expenses of foreign subsidiaries are translated into Japanese yen at the monthly average rate for the year then ended.

Shareholders' equity in foreign subsidiaries is translated into Japanese yen at the rates prevailing at the time when the transactions occurred. Cumulative translation adjustments, resulting from the above translation procedures, have been reported as a separate component of "Shareholders' equity" on the consolidated balance sheet.

(4) Inventories and capitalized development costs

Inventories are stated at the lower of cost or market value, cost being principally determined by the average cost method.

Motion picture film costs, comprising production, print and certain advertising costs relating to specific motion picture titles are presented as inventories.

Motion picture film costs are amortized using a ratio representing the proportion of revenue earned to total estimated revenue. Unamortized motion picture film costs are compared with the estimated net realizable value on an individual film basis and a rewritten-down if required.

Capitalized development costs for game software, including development costs incurred by subcontractors for game machines, are stated at accumulated cost on a specific project basis.

(5) Financial instruments

Investments in securities

Available-for-sale securities with market quotations are stated at fair value at the fiscal year end. Net unrealized gains or losses on these securities are recorded as a separate component of "Shareholders' equity", at the net of applicable taxes amount. The cost of securities sold is determined based on the average cost of all such securities held at the time of sale. Other securities without market quotations are stated at cost, cost being determined by the average cost method.

Hedge accounting

The Companies mainly use the deferral method of hedge accounting for interest rate swaps.

a. Hedging instruments and hedged items

Hedging instruments : Derivative transactions (Interest rate swaps)

Hedged items : Items with exposure to fluctuations in market interest rates (Variable interest payable with regard to long-term debt)

b. Hedging policy

In accordance with the risk management policy defined in the Company's internal accounting rules, the Company hedges the risk of changes in interest rates.

c. Method of assessing the effectiveness of hedging

For interest rate swap transactions, the Company assesses the effectiveness of its hedging by computing the ratio between the amount of change accumulated, from the beginning to date, in the cash flows of the hedged items and that of the hedging instruments.

(6) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the aggregated of the maximum amount, which is calculated based on the prior loss experience

and the estimated amount of probable individual bad debts at the accounting period end. This amount is considered sufficient to cover possible losses on collection.

(7) Property and equipment

Property and equipment is stated at cost. The Company and domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful lives of the respective assets, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), where it is computed using the straight-line method. Foreign subsidiaries compute depreciation on a straight-line basis in accordance with the accounting standards of the countries in which they are located.

(8) Intangible fixed assets

Amortization of intangible fixed assets, except for computer software for internal use, is computed by the straight-line method over the individual estimated useful life. Amortization of computer software for internal use is computed by the straight-line method and related useful life is determined by the estimated period of internal use (5 years).

(9) Accounting for leases

Capital leases, which do not transfer ownership of the leased assets to the lessee at the end of the lease term, are principally accounted for as operating leases.

(10) Allowance for sales returns

An allowance for sales returns is provided for estimated losses resulting from sales returns subsequent to the balance sheet date based on prior loss experience.

During the year ended March 31, 2003, the Company changed its method of accounting for losses resulting from sales returns from recognizing such losses at the time of actual receipt of the product returns to providing an allowance for future sales returns, based on prior loss experience, at the fiscal year-end. As a result, "Gross profit" and "Operating income" in 2003 decreased by ¥ 613 million and "Loss before income taxes" increased by ¥ 613 million compared with the amounts that would have been reported had the previous accounting method been applied consistently.

(11) Income taxes

The statements of income of the Companies include many income and expense items for financial reporting purposes which are not currently deductible or taxable. With respect to all such temporary differences, the Companies follow the practice of inter-period tax allocation based on methods generally accepted in the respective countries where each entity is located.

(12) Accrued retirement benefits for employees

Accrued retirement benefits for employees are calculated based on the estimated amount of projected benefit obligations and the fair value of the plan assets at the year-end. The unrecognized net transition obligation is amortized over 15 years. Unrecognized actuarial net gains or losses are amortized over 13 years, the average remaining service period,

commencing from the period following that in which they arise.

(13) Revenue recognition

Revenue from the sale of products is recognized when those products are shipped to customers.

(14) Research and development expenses

Research and development expenses (including basic research and development expenses) for the improvement of existing products or the development of products, other than the capitalized cost of game software, are charged to income when incurred.

(15) Per share data

The computation of net income per share is based on the weighted average number of common stock shares outstanding during each year. Cash dividends per share are based on the number of shares outstanding at the end of each period and reflect the appropriations applicable to each period rather than to the period in which shareholder approval is obtained.

(16) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(17) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

(18) Adoption of new standards

Accounting Standard for Treasury Stock and Reversal of Legal Reserve, etc. Effective from the year ended March 31, 2003, the Company adopted the new Japanese accounting standard "Accounting for Treasury Stock and Reversal of Legal Reserve, etc." (Corporate Accounting Standard, No. 1 issued by the Corporate Accounting Standards Committee on February 21, 2002). The effect of this change on profit and loss was immaterial.

Accounting Standard for Earnings per Share Effective from the year ended March 31, 2003, the Company adopted the new Japanese accounting standard "Accounting for Earnings per Share" (Corporate Accounting Standard No.2 issued by the Corporate Accounting Standards Committee on September 25, 2002) and "Guidelines for the Application of Accounting for Earnings per Share" (Corporate Accounting Standard No.4 issued by the Corporate Accounting Standards Committee on September 25, 2002). The effect of this change was immaterial.

(19) New accounting pronouncements

Accounting Standard for Impairment of Fixed Assets — On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or

changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. The Company is in the process of determining the impact that the adoption of this new accounting standard will have on its results of operations and financial position.

3. CASH FLOW INFORMATION:

Cash and cash equivalents at March 31, 2004 and 2003 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and deposits	¥ 29,809	¥ 30,446	\$283,896
Commercial paper	2,322	2,999	22,114
	¥ 32,131	¥ 33,445	\$306,010

Non-cash financial activities during the years were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Conversion of bonds			
Increase of common stock	—	¥ 1	—
Increase of additional paid-in capital ..	—	¥ 1	—

4. INVENTORIES:

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods and merchandise	¥ 3,671	¥ 3,465	\$ 34,962
Work-in-progress	456	110	4,343
Raw materials	145	1,296	1,381
Supplies	67	603	638
Films	—	887	—
Total	¥ 4,339	¥ 6,361	\$ 41,324

5. SECURITIES:

The following tables contain a summary of investments in securities that were classified as available-for-sale securities at March 31, 2004 and 2003:

As of March 31, 2004

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	¥ 401	¥ 595	(¥ 6)	¥ 990

As of March 31, 2004

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	\$ 3,819	\$ 5,667	(\$ 57)	\$ 9,429

As of March 31, 2003

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Equity securities	¥ 612	¥ 2	(¥ 163)	¥ 451

6. PROPERTY AND EQUIPMENT:

Depreciation charges for the years ended March 31, 2004 and 2003 amounted to ¥ 1,721 million (\$16,390 thousand) and ¥1,876 million, respectively. The estimated useful lives of the major classes of depreciable assets ranged from 3 to 50 years (principally 47 years) for buildings and structures and from 3 to 20 years (principally 3 years) for amusement facilities.

Accumulated depreciation at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Buildings and structures	¥ 1,003	¥ 580	\$ 9,552
Amusement facilities	4,653	5,056	44,314
Machinery, equipment and other	2,290	2,725	21,810
Total	¥ 7,946	¥ 8,361	\$ 75,676

7. INTANGIBLE FIXED ASSETS:

Amortization charge for the year ended March 31, 2004 and 2003 amounted to ¥326 million (\$3,105 thousand) and ¥288 million, respectively.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings of ¥5,596 million (\$53,295 thousand) at March 31, 2004, bearing interest ranging from 0.89% to 1.375% per annum, comprised bank overdrafts.

Long-term debt at March 31, 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Convertible bonds			
1.0% interest- due 2005	¥ 12,262		\$116,781
No interest- due 2007	10,000		95,238
No interest- due 2009	15,000		142,857
Loans payable to banks and other financial institutions due 2004-2009, with interest ranging from 1.090% - 1.800%			
Secured	6,230		59,334
	¥ 43,492		\$414,210
Less: portion due within one year	(700)	(6,667)	
Total	¥ 42,792		\$407,543

The aggregate annual maturities of long-term debt as at March 31, 2004 were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2005(current portion)	¥ 700	\$ 6,667
2006	12,962	123,448
2007	10,700	101,905
2008	700	6,667
2009 and thereafter	18,430	175,523
Total	¥ 43,492	\$414,210

The 1.0% convertible bonds, due 2005, were issued on June 17, 1994 and are convertible into common stock at a conversion price of ¥3,321.30 per

share. These convertible bonds are redeemable at the Company's option in the period from October 1, 2000 to September 29, 2005 as provided in the indentures.

The no interest convertible bonds, due 2007, were issued on December 20, 2001 and are convertible into common stock at a conversion price of ¥3,230.00 per share. From February 1, 2002 the Company can redeem all of the bonds, if the closing price of the shares for each of the 20 consecutive trading days is more than 130% of the conversion price in effect on each such trading day.

The no interest convertible bonds, due 2009, were issued on December 20, 2001 and are convertible into common stock at a conversion price of ¥3,020.00 per share. From February 1, 2002 the Company can redeem all of the bonds, if the closing price of the shares for each of the 20 consecutive trading days is more than 130% of the conversion price in effect on each such trading day.

At March 31, 2004, the following assets were pledged as collateral for long-term debt:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 3,902	\$ 37,162
Buildings and structures, net of accumulated depreciation	5,915	56,333
Total	¥ 9,817	\$ 93,495

9. DERIVATIVE FINANCIAL INSTRUMENTS:

The Companies use derivative financial instruments ("derivatives") to reduce their exposure to the adverse impact of fluctuations in interest rates. The principal derivatives used by the Companies are interest rate swaps.

The derivatives are subject to market risk and credit risk. Market risk means that gains or losses in the value of the derivatives could result from fluctuations in interest rates. Gains or losses on the derivatives are, however, effectively offset by gains and losses on the underlying liabilities since they also result from fluctuations in interest rates.

Credit risk means that the Companies are exposed to losses which could result from the default of counter parties. The Company believes, however, that risk of loss due to default from counter parties is extremely small because the Companies limit their dealings with counter parties to only financial institutions with higher credit ratings.

10. INCOME TAXES:

The Company is subject to several taxes based on income which, in aggregate, resulted in a statutory tax rate of approximately 41% in the period ended March 31, 2004 (42% in 2003).

A reconciliation of the difference between the statutory tax rate and the effective income tax rate was not prepared due to "Loss before income taxes" amounting to ¥6,901 million (\$65,724 thousand) in 2004 and ¥30,049 million in 2003, respectively.

The significant components of deferred tax assets at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Inventories	¥ 478	¥ 516	\$ 4,552
Allowance for doubtful accounts	1,980	2,351	18,857
Accrued expenses	1,484	1,249	14,133
Accrued retirement benefits for employees	302	254	2,876
Loss on disposal of capitalized development costs	—	1,798	—
Loss on disposal of inventories	1,798	—	17,124
Tax loss carry-forwards in the Company	9,294	9,930	88,514
Tax loss carry-forwards in the consolidated subsidiaries	3,647	1,204	34,733
Other	1,069	903	10,182
Sub-total	20,052	18,205	190,971
Less: valuation allowance	(7,102)	(3,316)	(67,637)
Deferred tax assets	¥ 12,950	¥ 14,889	\$ 123,334

11. ACCRUED RETIREMENT BENEFITS FOR EMPLOYEES:

The Company and its domestic consolidated subsidiaries have unfunded lump-sum benefit plans and funded non-contributory pension plans, generally covering all employees. Under the terms of the Company's and its domestic subsidiaries' retirement plans, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefits is, in general, based on the length of service, basic salary at the time of retirement, and reason for retirement.

The non-contributory pension plans of the Company and its domestic subsidiaries, which cover those employees who have served with those companies for more than 10 years and have already reached the age of 45, generally provide for pension payments for a period of ten years subsequent to retirement (or a lump-sum payment at the retiring employee's option). The annual charge for current service costs in respect of these plans is determined actuarially and funded currently through outside trustees.

The following tables set forth the changes in the projected benefit obligations, plan assets and funded status of the Company and its domestic consolidated subsidiaries at March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligations at end of year	¥ 2,156	¥ 1,976	\$ 20,533
Fair value of plan assets at end of year	556	467	5,295
Funded status:			
Projected benefit obligations in excess of plan assets	1,600	1,509	15,238
Unrecognized transition obligation	405	442	3,857
Unrecognized actuarial differences	347	263	3,305
Accrued pension liability recognized in the consolidated balance sheet	¥ 848	¥ 804	\$ 8,076

Retirement and pension costs of the Company and its domestic consolidated subsidiaries for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 169	¥ 158	\$ 1,609
Interest cost	30	48	286
Expected return on plan assets	(12)	(18)	(114)
Amortization:			
Transition obligation	37	37	352
Actuarial differences	22	19	210
Special allowance for early retirement	—	82	—
Additional retirement allowance paid	19	—	181
Net periodic benefit costs	¥ 265	¥ 326	\$ 2,524

The assumptions used to account for the defined benefit plans for the years ended March 31, 2004 and 2003 were as follows:

	2004	2003
Method of attributing the projected benefit obligations to periods of service	Straight-line basis	Straight-line basis
Discount rate	1.5%	2.5%
Long-term rate of expected return on plan assets	2.5%	2.5%
Amortization period for transition obligation	15 years	15 years
Amortization period for actuarial differences	13 years	13 years

12. COMMON STOCK, ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS (ACCUMULATED DEFICIT):

Changes in the number of issued shares of common stock during the years ended March 31, 2004 and 2003 are summarized below:

	Thousands of shares	
	2004	2003
Balance at beginning of year	58,436	58,435
Issued upon conversion of bonds	—	1
Balance at end of year	58,436	58,436

On the accompanying consolidated financial statements, "Additional paid-in capital" consists of the capital reserve pursuant to the Japanese Commercial Code, amounts transferred from common stock and/or the capital reserve and proceeds from the resale of treasury stock in excess of their cost (collectively, the "other capital reserves") etc., and "Retained earnings (Accumulated deficit)" consists of the earned reserve pursuant to the Japanese Commercial Code, voluntary reserves, unappropriated retained earnings (undisposed accumulated deficit), etc.

13. APPROPRIATION OF UNAPPROPRIATED RETAINED EARNINGS (DISPOSAL OF ACCUMULATED DEFICIT) OR OTHER CAPITAL RESERVES AND LEGAL RESERVE:

The Japanese Commercial Code requires that all appropriations of unappropriated retained earnings, except for interim cash dividends, be

approved at an ordinary general meeting of shareholders. In accordance with customary practice in Japan, the appropriation of unappropriated retained earnings is not accrued in the financial statements for the year to which it relates, but is recorded in the subsequent accounting year after shareholder approval has been obtained.

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and directors bonuses etc. paid be appropriated and set aside as the earned reserve. No further appropriation is required when the sum of the earned reserve and the capital reserve pursuant to the Japanese Commercial Code (collectively, the "legal reserves") equals 25% of common stock. The legal reserves may be used to eliminate or reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Commercial Code. In addition, unrealized holding gains on available-for-sale securities, net of related taxes, are not available for distribution as cash dividends or bonuses to directors and/or statutory auditors. Under the amended Japanese Commercial Code, amounts transferred from common stock and/or the capital reserve is available for distribution as cash dividends.

The following disposal of accumulated deficit and appropriations of other capital reserves of the Company were proposed and resolved at the general meeting of shareholders held on June 18, 2004.

(1) Disposal of accumulated deficit —

	Millions of yen	Thousands of U.S. dollars
Balance of accumulated deficit at March 31, 2004	(¥ 8,946)	(\$ 85,200)
Disposal -		
Reversal of other capital reserves (amounts transferred from capital reserve)	8,946	(85,200)
Balance of accumulated deficit after disposal	¥ —	\$ —

(2) Appropriation of other capital reserves —

	Millions of yen	Thousands of U.S. dollars
Balance of other capital reserves at March 31, 2004	¥ 17,387	\$ 165,590
Appropriations -		
Cash dividends (¥10 per share outstanding at March 31, 2004)	(570)	(5,428)
Reversal of the balance of amounts transferred from the capital reserve for elimination of the accumulated deficit	(8,946)	(85,200)
Balance of other capital reserves after appropriations	¥ 7,871	\$ 74,962

14. TREASURY STOCK:

Under the amended Japanese Commercial Code, the Company is allowed to acquire its own shares to the extent that the aggregate cost of treasury stock does not exceed the maximum amount available for dividends. Treasury stock is stated at cost within "Shareholders' equity" on the accompanying consolidated balance sheets. Net gains on the resale of

treasury stock are included in "Additional paid-in capital" on the accompanying consolidated balance sheets.

1,518,050 of the Company's common stock shares were outstanding at March 31, 2004.

15. BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

Balances due to and transactions of the Company with related parties other than consolidated subsidiaries for the years ended March 31, 2004 and 2003 can be summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
An affiliated company:			
KOKO CAPCOM CO., LTD.			
Accounts receivable-trade	¥ 98	¥ 176	\$ 933
Net sales	¥ 104	¥ 265	\$ 990

16. SEGMENT INFORMATION:

(1) Business segments

The Companies have four business segments. The "Home video games" segment develops and distributes home video game software. The "Arcade operations" segment operates amusement facilities. The "Arcade games" segment develops, manufactures and distributes arcade game software and hardware to amusement facility operators. The "Other segment" mainly comprises the distribution of motion picture films and licensing-out.

The following tables present certain information regarding the business segments for the years ended March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales:			
Home video games:			
Customers	¥ 33,950	¥ 48,090	\$323,333
Arcade operations:			
Customers	9,831	9,243	93,629
Arcade games:			
Customers	4,441	960	42,295
Inter-segment	70	154	667
	4,511	1,114	42,962
Other:			
Customers	4,447	3,744	42,352
Sub-total	52,739	62,191	502,276
Eliminations and corporate	(70)	(155)	(666)
Consolidated	¥ 52,669	¥ 62,036	\$501,610

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cost of sales and direct expenses:			
Home video games	¥ 34,922	¥ 41,329	\$332,590
Arcade operations	7,504	7,102	71,467
Arcade games	3,087	1,648	29,400
Other	3,507	3,393	33,400
Sub-total	49,020	53,472	466,857
Eliminations and corporate	2,246	1,884	21,391
Consolidated	¥ 51,266	¥ 55,356	\$488,248

Operating income (loss):

Home video games	(¥ 972)	¥ 6,761	(\$ 9,257)
Arcade operations	2,327	2,141	22,162
Arcade games	1,424	(534)	13,562
Other	940	351	8,952
Sub-total	3,719	8,719	35,419
Eliminations and corporate	(2,316)	(2,039)	(22,057)
Consolidated	¥ 1,403	¥ 6,680	\$ 13,362

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Total assets:			
Home video games	¥ 28,418	¥ 38,742	\$270,648
Arcade operations	7,794	7,217	74,229
Arcade games	3,801	5,225	36,200
Other	8,657	14,708	82,447
Sub-total	48,670	65,892	463,524
Eliminations and corporate	44,426	40,756	423,105
Consolidated	¥ 93,096	¥106,648	\$886,629

Depreciation:

Home video games	¥ 456	¥ 461	\$ 4,343
Arcade operations	820	1,033	7,810
Arcade games	63	78	600
Other	501	264	4,771
Sub-total	1,840	1,836	17,524
Eliminations and corporate	241	367	2,295
Consolidated	¥ 2,081	¥ 2,203	\$ 19,819

Capital expenditure:

Home video games	¥ 1,800	¥ 570	\$ 17,143
Arcade operations	1,280	809	12,190
Arcade games	405	30	3,857
Other	934	577	8,895
Sub-total	4,419	1,986	42,085
Eliminations and corporate	259	304	2,467
Consolidated	¥ 4,678	¥ 2,290	\$ 44,552

(2) Geographic areas

The following tables present certain geographic area information for the years ended March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales:			
Japan:			
Customers	¥ 39,150	¥ 37,191	\$372,857
Inter-segment	6,366	6,682	60,629
	45,516	43,873	433,486
North America:			
Customers	7,861	16,418	74,867
Inter-segment	7	—	67
	7,868	16,418	74,934
Europe:			
Customers	5,099	7,820	48,562
Other:			
Customers	559	608	5,323
Inter-segment	—	40	—
	559	648	5,323
Sub-total	59,042	68,759	562,305
Eliminations and corporate	(6,373)	(6,723)	(60,695)
Consolidated	¥ 52,669	¥ 62,036	\$501,610

Cost of sales and direct expenses:

Japan	¥ 37,503	¥ 37,836	\$357,171
North America	12,495	14,258	119,000
Europe	4,768	7,154	45,410
Other	545	690	5,190
Sub-total	55,311	59,938	526,771
Eliminations and corporate	(4,045)	(4,582)	(38,523)
Consolidated	¥ 51,266	¥ 55,356	\$488,248

Operating income (loss):

Japan	¥ 8,013	¥ 6,037	\$ 76,315
North America	(4,627)	2,160	(44,066)
Europe	331	666	3,152
Other	14	(42)	133
Sub-total	3,731	8,821	35,534
Eliminations and corporate	(2,328)	(2,141)	(22,172)
Consolidated	¥ 1,403	¥ 6,680	\$ 13,362

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Total assets:			
Japan	¥ 43,031	¥ 50,950	\$409,819
North America	4,917	11,279	46,829
Europe	2,830	7,034	26,952
Other	376	302	3,581
Sub-total	51,154	69,565	487,181
Eliminations and corporate	41,942	37,083	399,448
Consolidated	¥ 93,096	¥106,648	\$886,629

(3) Foreign sales

The following table presents certain information regarding sales of the Companies outside Japan for the years ended March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales:			
North America	¥ 8,470	¥ 17,419	\$ 80,667
Europe	5,172	8,081	49,257
Other	681	816	6,486
	¥ 14,323	¥ 26,316	\$136,410

	Percentage	
	2004	2003
Percentage of such sales included in consolidated net sales	27.2%	42.4%

17. LEASES:

(1) Financing leases

Lease transactions as a lessee

Payments in respect of financing leases that do not transfer ownership of the leased assets to the lessee, for the years ended March 31, 2004 and 2003 were ¥1,130 million (\$10,762 thousand) and ¥1,183 million, respectively.

The future lease payments at March 31, 2004 and 2003, excluding amounts representing interest, are as shown below:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 988	¥ 886	\$ 9,409
Due after more than one year	1,048	748	9,981
	¥ 2,036	¥ 1,634	\$ 19,390

(2) Operating leases

Future lease payments under non-cancelable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 1	¥ 546	\$ 10
Due after more than one year	0	1,336	0
	¥ 1	¥ 1,882	\$ 10

Report of Independent Auditors

To the Board of Directors and
Shareholders of
CAPCOM CO., LTD.

We have audited the accompanying consolidated balance sheets of CAPCOM CO., LTD. and its consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CAPCOM CO., LTD. and its consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Chuo Aoyama Pricewaterhouse Coopers

Osaka, Japan
June 18, 2004

Corporate History

- 1979 May.** Established I.R.M Corporation (capital of ¥10 million) with objectives of developing and selling electric applied game machines in Matsubara, Osaka.
- 1981 Sep.** Corporate name was changed into "SAMBI Co., Ltd.", and a head office was moved to Habikino, Osaka.
- 1983 Jun.** Established old CAPCOM Co., Ltd. (capital of ¥10 million) in Hirano, Osaka for the purpose of selling software.
- Oct.** Established Tokyo Branch in Shinjuku, Tokyo.
- 1984 May.** Releasing "VULGUS" for the first arcade video game.
- 1985 Aug.** Established CAPCOM U.S.A., Inc. in California for distribution of Capcom's products in U.S.A.
- 1989 Jan.** Old CAPCOM Co., Ltd. was merged with SANBI. Corporate name was changed into CAPCOM Co., Ltd. and a head office was moved to Higashi-ku, Osaka.
- 1990 Oct.** Stocks registered as OTC securities with the Japan Securities Dealers Association.
- 1991 Mar.** Released "Street Fighter " for arcade video game machine and it has triggered "Street Fighter " boom.
- 1992 Jun.** "Street Fighter " for Super NES has made a mega-hit.
- 1993 Jul.** Established CAPCOM ASIA Co., Ltd. in Hong Kong for distribution of Capcom's products in SouthEast Asia.
- Oct.** Stock was listed on the second section of the Osaka Securities Exchange.
- 1994 May.** Constructed Ueno facility in Ueno, Mie.
- Jul.** Constructed head office which was relocated to Uchihirano-machi, Chuo-ku, Osaka.
- 1995 Jun.** Established CAPCOM COIN-OP, Inc., CAPCOM ENTERTAINMENT, Inc. and CAPCOM DIGITAL STUDIOS, Inc. which CAPCOM U.S.A., Inc. holds with objectives of enhancing and maximizing functions such as management, distribution and R&D in U.S.A. (CAPCOM DIGITAL STUDIOS, Inc. changed its corporate name to CAPCOM STUDIO 8, Inc.)
- 1996 Mar.** "Resident Evil" for PlayStation has made blockbuster sales.
- 1997 Apr.** Established FLAGSHIP Co., Ltd. for the purpose of planning and development of game software.
- 1998 Jul.** Established CAPCOM EUROSOFT Ltd. in U.K. for distribution of Capcom's products in European areas.
- 1999 Jul.** Released "Dino Crisis" for PlayStation and have made a mega-hit.
- Sep.** Stock changed list on the First Section of the Osaka Securities Exchange.
- 2000 Oct.** Stock was listed on the First Section of the Tokyo Stock Exchange.
- 2001 Jan.** Releasing "Onimusha" for PlayStation2 and has sold over a million copies for the first time for all PlayStation2 titles.
- Jun.** Established KOKO CAPCOM Co., Ltd. in Korea for the purpose of distribution and R&D bases in Korea.
- Sep.** Established CAPCOM CHARBO Co., Ltd. for the purpose of distribution and rental of battery charger for mobile-phone.
- 2002 Feb.** Released "Onimusha" and "Devil May Cry" for PlayStation2 and have sold over each 2 million copies worldwide.
- Mar.** Released "Onimusha2" for PlayStation2 and has sold over a million copies in Japan.
- Nov.** Established CE EUROPE LTD. in U.K.
- 2003 Feb.** Established CEG INTERACTIVE ENTERTAINMENT GmbH in Germany.
- 2004 Jul.** Established CLOVER STUDIO Co., Ltd. for the purpose of development of game software R&D.



Megaman



Street Fighter



Resident Evil



Dino Crisis



Onimusha



Devil May Cry

Corporate Profile

Name of Company	Capcom Co., Ltd.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segment	Planning, development, and sale of software Management of amusement arcades
Paid-in Capital	¥ 27,581 million
End of Term	March 31
Number of Employee	1,061 (Capcom Co., Ltd.) 1,206 (including consolidated subsidiaries)

Major Offices

Head Office	PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
R & D Building	PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698 3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
Tokyo Branch	PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711 Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan



Head Office



Tokyo Branch



R & D Building

Capcom's Subsidiaries

CAPCOM U.S.A., Inc. (U.S.A.)
475 Oakmead Parkway, Sunnyvale, California 94085 U.S.A.
PHONE: 1-408-774-0500 FAX: 1-408-774-3994
<http://www.capcom.com/>
Paid-in Capital: US\$ 159,949 thousand
Business Segment: Holding company and administration of subsidiary in U.S.

CAPCOM ENTERTAINMENT, Inc. (U.S.A.)
475 Oakmead Parkway, Sunnyvale, California 94085 U.S.A.
PHONE: 1-408-774-0500 FAX: 1-408-774-3995
Paid-in Capital: US\$ 1 million
Business Segment: Sale of home video games

CAPCOM STUDIO 8, Inc. (U.S.A.)
475 Oakmead Parkway, Sunnyvale, California 94085 U.S.A.
PHONE: 1-408-774-0500 FAX: 1-408-774-3955
Paid-in Capital: US\$ 1 million
Business Segment: Development of game software

CAPCOM EUROSOFT Ltd. (U.K.)
9th Floor, 26-28 Hammersmith Grove,
Hammersmith, London W6 7HA, U.K.
PHONE: 44-20-8846-2550 FAX: 44-20-8741-4176
Paid-in Capital: £ 5 million
Business Segment: Sale of home video games

STATUS Co., Ltd.
3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
PHONE: 81-6-6920-3655 FAX: 81-6-6920-5154
Paid-in Capital: ¥ 32 million
Business Segment: Nonlife insurance agency and financial businesses

CAPTRON Co., Ltd.
3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
PHONE: 81-6-6920-3626 FAX: 81-6-6920-5126
Paid-in Capital: ¥ 1,640 million
Business Segment: Rent, lease and operation of real estate properties

CAPCOM ASIA Co., Ltd. (Hong Kong)
Units 1205-6, 12/F, New East Ocean Centre, 9 Science Museum Rd.,
T.S.T. East, Kowloon, Hong Kong
PHONE: 852-2366-1001 FAX: 852-2366-1985
<http://www.capcomasia.com.hk/>
Paid-in Capital: HK\$ 21,500 thousand
Business Segment: Sale of home video games and arcade games

FLAGSHIP Co., Ltd.
Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku,
Tokyo, 163-0025, Japan
PHONE: 81-3-5328-8071 FAX: 81-3-5328-8072
Paid-in Capital: ¥ 70 million
Business Segment: Planning and development of game software

CAPCOM CHARBO Co., Ltd.
3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
PHONE: 81-6-6920-3616 FAX: 81-6-6920-5170
<http://www.juden.net/>
Paid-in Capital: ¥ 300 million
Business Segment: Rental, maintenance and lease of electronic game machines

CE EUROPE Ltd. (U.K.)
9th Floor, 26-28 Hammersmith Grove, Hammersmith,
London W6 7HA, U.K.
PHONE: 44-20-8846-2550 FAX: 44-20-8741-4176
<http://www.capcom-europe.com/>
Paid-in Capital: £ 1 million
Business Segment: Sale of home video games

CEG INTERACTIVE ENTERTAINMENT GmbH
Barmbeker Str.4b 22303 Hamburg Germany
PHONE: 49-40-6965-620 FAX: 49-40-6965-6222
Paid-in Capital: € 25 thousand
Business Segment: Sale of home video games

Stock Data

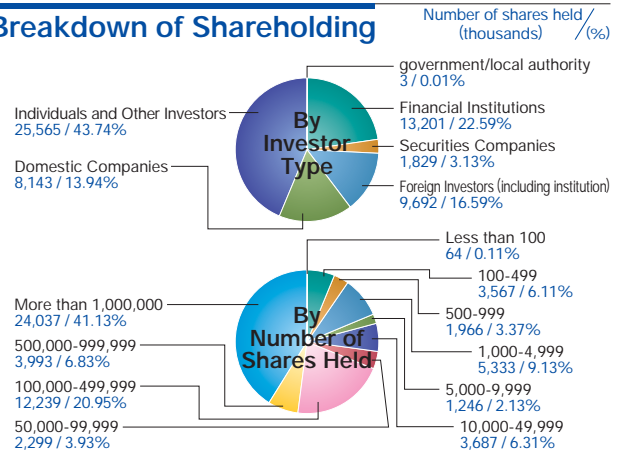
Stock Exchange Listings	Tokyo, Osaka
Number of Shares Authorized	150,000,000 shares
Number of Shares Issued	58,435,819 shares
Number of Shareholders	26,831 shareholders

Major Shareholders

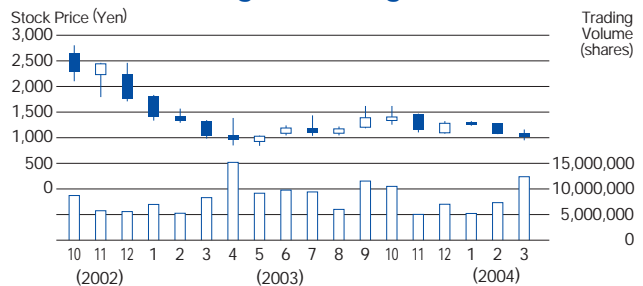
Major Shareholders	Number of Shares Held (in thousands)	Shareholding Ratio (%)
Crossroad Limited	6,772	11.59
Kenzo Tsujimoto	4,070	6.97
Japan Trustee Services Bank, Ltd. (Trust Account)	3,592	6.15
Master Trust Bank of Japan, Ltd. (Trust Account)	2,126	3.64
Yoshiyuki Tsujimoto	1,669	2.86
Ryozo Tsujimoto	1,545	2.65
Haruhiro Tsujimoto	1,545	2.64
State Street Trust and Banking Co., Ltd. (Account : OTB)	1,196	2.05
Misako Tsujimoto	895	1.53
Mizuho Corporate Bank, Ltd.	699	1.20

Note: Capcom owns 1,518,050 stocks as treasury stocks.
The stocks owned by the company are excluded from the above list.

Breakdown of Shareholding



Stock Price Range / Trading Volume



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Top Page ▶▶▶ <http://www.capcom.co.jp/>



CLICK!

For the purpose of providing its shareholders and investors with the latest information of Capcom, we are committed to the IR activities utilizing the website. Our IR website provides various information including financial data, stock-related information, and management strategies.

According to the issue of "The Reuters Institutional Investor: The Japan Equities Investment Report 2003", most prestigious financial magazines in the world, Capcom was ranked as 1st in terms of "Overall sell-side ranking: best company IR" in all the Japanese listed companies of software industry

IR Website ▶▶▶ <http://www.capcom.co.jp/ir/english/>



Financial Information

This section provides financial results, indices and other data with easy-to-understand graphs, etc.

IR Materials

This section provides documents of financial results presentation to supply latest information including management strategy.

Capcom IR Newsletter

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