

Creating New Value



“Capcom: Creator of entertainment culture that stimulates your senses”

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment. By taking advantage of our optimal use of our world-class development capabilities to create original content, which is our forte, we have been actively releasing many a number of products around the world.

Today, young and old, men and women enjoy a gaming experience all over the world. It is common to see people easily enjoying mobile content (games for cell phones) on streets or enjoying a game online with someone far away.

Moreover, game content is an artistic media product that fascinates people, consisting of highly creative, multi-faceted elements such as characters, storyline, a worldview and music. It has also evolved to be used in a wide range of areas of media such as Hollywood movies, TV animation programs and books.

As the ever-expanding entertainment industry becomes pervasive in our everyday lives, Capcom will continue to strive to be a unique company recognized for its world-class development capabilities by continuously creating content brimming with creativity.



ANNUAL REPORT 2009

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- 1 Head of Research and Development Keiji Inafune
- 3 R&D Strategic Planning Section Ryozo Tsujimoto / Hiroyuki Kobayashi / Jun Takeuchi
- 9 CS Quality Control Section Shutaro Kobayashi
- 11 Head of P&S Business Yoichi Egawa
- 13 Mobile Content Development Takeshi Tezuka / Manabu Seko





Home video game
"Monster Hunter Tri"



Home video game consoles:

As a hunting action game that firmly established the new way of playing, "cooperative gameplay with friends", the latest version "Monster Hunter Tri" was released on August 1, 2009. It has been steadily increasing fans since the release of the first version of the series, and its version for PSP became a smash hit. The number of units of "Monster Hunter Freedom Unite" shipped was more than 3.5 million, proving the solid popularity of the series.



PC online games:

In July 2007, "Monster Hunter Frontier Online", a PC online game based on the worldview of the home video game version, started its service. Since 2008, its service has also been available in Asia as part of its global promotion to increase the number of users.



PC online game
"Monster Hunter Frontier Online"



Mobile game
"Monster Hunter Mobile"



Mobile games:

The mobile game version of its home video game has been made available for cell phones in Japan. The series' regular monsters and items appear in this version. Its simple-to-play feature which allows a user to play alone is well-received.

Single Content × Multiple Usage

Developing products in a wide range of areas of media based on single hit content

The case of “Monster Hunter”

“Monster Hunter” is one of the major game series in Japan.

Since its release as a home video game in 2004, it has enjoyed popularity and caused a social phenomenon known as the “Mon-Hun Phenomenon”.

It is popular among users not only as a home video game but also in a wide range of areas of media, such as mobile games, PC online games, character goods, trading cards and orchestra concerts.



Character goods:

The game elements that together create the brilliant worldview of “Monster Hunter” can themselves be turned into items that fans covet. Releasing a variety of products such as CG art, source materials, action figures and trading cards contributes to the improved visibility of the brand.



Orchestra concert:

Music used for the “Monster Hunter” series is a collection of original musical pieces that expresses magnificent Mother Nature and the dynamism of monsters while bringing excitement to the game. In May 2009, the Tokyo Philharmonic played these musical pieces at their orchestra concert, captivating an audience of more than 3,500.



Monster Hunter 5-year Anniversary Orchestra Concert
- Hunting Music Festival -



Walkthrough and strategy guide:

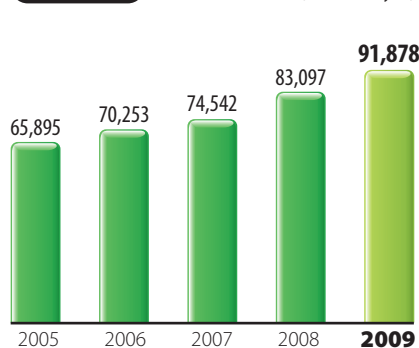
It covers information that users want to know, such as huge data on weapons, protective gear and items, which is unique to this series, as well as strategies for fighting against tough monsters. A number of guides are released for each title to meet the diversified demands of users ranging from beginners to core fans.

11-Year Summary

	1999	2000	2001	2002	2003					
For the Year:										
	Millions of yen									
Net sales	¥ 38,366	¥ 51,574	¥ 49,082	¥ 62,742	¥ 62,036					
Operating income	3,611	9,061	7,155	9,727	6,680					
Net income (loss) before income taxes	2,085	8,712	7,126	7,420	(30,049)					
Net income (loss)	1,507	9,700	6,007	4,912	(19,598)					
Depreciation & Amortization	2,817	2,623	2,411	2,172	2,202					
Capital expenditures	2,861	2,695	2,938	4,181	2,289					
R&D expenses	1,413	1,390	1,461	1,067	1,151					
At Year-End:										
	Millions of yen									
Total assets	98,127	107,776	113,493	128,512	106,648					
Net assets	30,123	51,320	62,965	68,233	42,888					
Cash Flows:										
	Millions of yen									
Cash flows from operating activities	—	14,252	3,652	3,315	3,635					
Cash flows from investing activities	—	3,338	(4,547)	(3,066)	(2,329)					
Cash flows from financing activities	—	(1,770)	(1,768)	8,589	(2,000)					
Per Share Data:										
	Yen									
Net income (loss) per share	43.00	273.01	109.90	84.21	(338.01)					
Cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00					
Net assets per share	862.96	1,372.16	1,081.62	1,168.51	753.47					
Financial Index:										
	%									
ROE	5.0	23.8	10.5	7.5	—					
ROA	1.5	9.4	5.4	4.1	—					
Net worth ratio	30.7	47.6	55.5	53.1	40.2					
Number of home video games sold										
	Thousands									
Total number of units	9,710	12,500	11,100	15,000	16,300					
Sales of Major titles										
	Resident Evil 2	1,210	Resident Evil 3	3,520	Onimusha	1,350	Devil May Cry	2,070	Devil May Cry 2	1,400
	Resident Evil DC Dual Shock edition	810	Dino Crisis	2,240	Dino Crisis 2	1,230	Onimusha 2	1,070	Resident Evil 0	1,130
	Street Fighter ZERO3	660	Resident Evil Code: Veronica	730	Breath of Fire IV	460	Mobile Suit Gundam: Federation vs. Zeon	890	Mega Man Battle Network 3	850

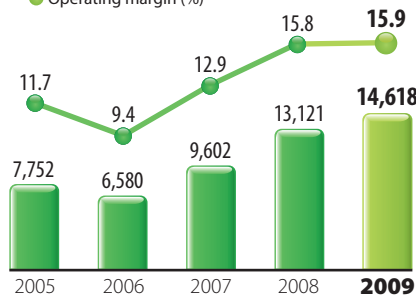
Net Sales

(Millions of yen)



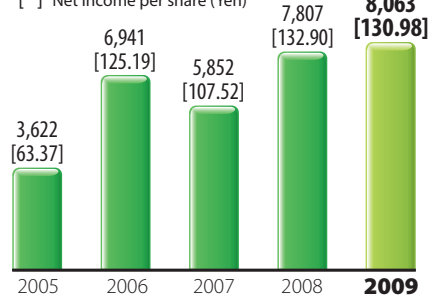
Operating Income/Operating Margin

■ Operating income (Millions of yen)
● Operating margin (%)



Net Income/Net Income Per Share

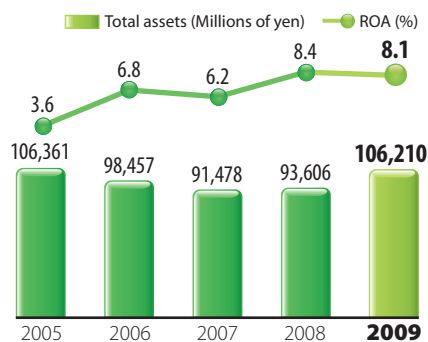
■ Net income (Millions of yen)
[] Net income per share (Yen)



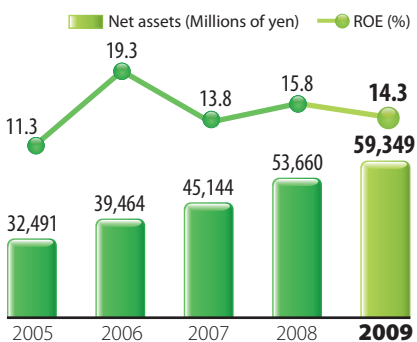
CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

2004	2005	2006	2007	2008	2009	2009					
Millions of yen					Thousands of U.S. dollars						
¥ 52,668	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	¥ 91,878	\$ 937,530					
1,402	7,752	6,580	9,602	13,121	14,618	149,168					
(6,900)	7,006	6,912	9,986	11,962	12,448	127,024					
(9,158)	3,622	6,941	5,852	7,807	8,063	82,281					
2,081	2,101	1,936	2,774	3,393	4,143	42,279					
4,678	1,665	1,600	4,495	4,503	2,906	29,654					
1,124	1,323	1,864	1,828	2,972	2,329	23,767					
Millions of yen					Thousands of U.S. dollars						
93,096	106,361	98,457	91,478	93,606	106,210	1,083,784					
31,854	32,491	39,464	45,144	53,660	59,349	605,608					
Millions of yen					Thousands of U.S. dollars						
5,577	7,977	13,921	16,063	7,452	(551)	(5,623)					
(5,011)	(1,099)	(1,779)	(6,715)	(3,374)	(2,715)	(27,706)					
(395)	6,251	(18,259)	(15,206)	(2,448)	(342)	(3,495)					
Yen					U.S. dollars						
(160.91)	63.37	125.19	107.52	132.90	130.98	1.34					
20.00	20.00	20.00	30.00	30.00	35.00	0.36					
559.66	589.99	716.91	799.35	881.31	961.38	9.81					
%											
—	11.3	19.3	13.8	15.8	14.3						
—	3.6	6.8	6.2	8.4	8.1						
34.2	30.5	40.1	49.3	57.3	55.9						
Thousands											
11,600	13,500	13,400	12,200	15,600	17,300						
Mega Man Battle Network 4	950	Resident Evil 4 (GC)	1,230	Resident Evil 4 (PS2)	1,810	Lost Planet Extreme Condition	1,370	Devil May Cry 4	2,320	Resident Evil 5	4,400
Onimusha 3	630	Devil May Cry 3	1,100	Onimusha DAWN of DREAMS	640	Dead Rising	1,220	Resident Evil 4 Wii edition	1,300	Street Fighter IV	2,500
Resident Evil Out Break	430	Resident Evil Out Break	820	Monster Hunter Freedom	610	Monster Hunter Freedom 2	1,220	Resident Evil: The Umbrella Chronicles	1,060	Monster Hunter Freedom Unite	2,200

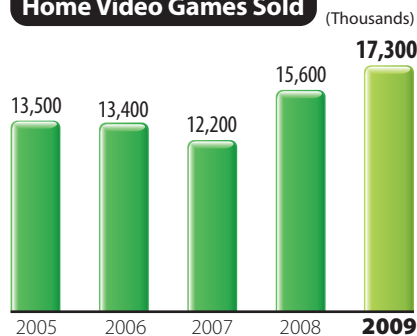
Total Assets/ROA

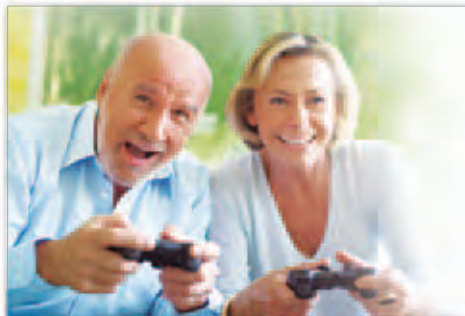


Net Assets/ROE



Total Number of Units of Home Video Games Sold





Home Video Games



This development and distribution of home video games constitutes the core business of Capcom, with sales accounting for approximately 70% of total sales. By concentrating our management resources in this field, we have developed game software for a wide-range of consumers. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.

⇒ P.25

% of Net Sales **68.5%**

Net Sales
¥62,892 million
(Up **21.7%** ↗ from the previous year)

Operating Margin
26.1%



Contents Expansion



We are expanding two other businesses based on the content used for our home video games making it possible for different businesses to create a synergetic effect. For example, Pachinko & Pachislo Business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software, whereas Mobile Content Business deals with the development and distribution of game content for mobile phones.

⇒ P.28

% of Net Sales **5.0%**

Net Sales
¥4,628 million
(Down **45.7%** ↘ from the previous year)

Operating Margin
-5.0%



Arcade Operations



We operate amusement facilities "Plaza Capcom" in Japan. We also operate our arcades predominantly in large commercial complexes and launch various events to attract families and female customers. We have diligently followed our policy of "scrap and build" to achieve the utmost efficiency in arcade operations.

⇒ P.31

% of Net Sales **14.7%**

Net Sales
¥13,509 million
(Up **0.8%** ↗ from the previous year)

Operating Margin
1.7%



Arcade Games Sales



We develop, produce and distribute arcade game for amusement facilities. We concentrate our efforts on the development of coin-operated and prize-winning games, which are high in demand, as well as supply software for arcade video games to secure a stable customer base.

⇒ P.33

% of Net Sales **8.7%**

Net Sales
¥8,031 million
(Up **22.2%** ↗ from the previous year)

Operating Margin
21.9%



Other Businesses



Based on our "Single Content Multiple Usage" strategy that develops our game content in broad business areas, we will pursue a variety of copyright-related business opportunities such as publishing (walkthrough and strategy guide as well as setting collections) and licensing (music CDs and licensed merchandise). Furthermore, diligent efforts are being made to develop more movies and TV animation programs as well.

⇒ P.35

% of Net Sales **3.1%**

Net Sales
¥2,824 million
(Down **4.2%** ↘ from the previous year)

Operating Margin
37.3%

Market Trends	Capcom's Strength and Strategy	Operating Results for This Fiscal Year
<ul style="list-style-type: none"> The market has expanded for 3 consecutive years due to an increase in the global gaming population and the rise of emerging markets. Wii has been successful in globally developing new users, especially women and the middle-aged, by providing a new way to play video games. Software manufacturers will have great opportunities to increase their sales over the next year or two as the market is expected to expand. The keys are dealing with diversifying users as well as responding to overseas markets. 	<ul style="list-style-type: none"> We have scores of long-lasting intellectual properties with universal market appeal such as million-selling titles and popular characters, the keys to "Single Content Multiple Usage" strategy. We maintain an advanced ability to develop original game content. We also possess a high level of technology, assisted by the "MT Framework", an integrated development environment built to provide common software development tools for a variety of video game consoles. We intend to reinforce development of titles for overseas users in partnership with overseas developers as well as to strengthen our overseas sales structures. 	<ul style="list-style-type: none"> A drastic increase in both sales and profit was achieved, thanks to 3 "double million" sellers (titles that sold more than 2 million units). "Resident Evil 5" and "Street Fighter IV", launched at the end of this fiscal year, both gained explosive popularity, selling more than 4.4 million units and 2.5 million units, respectively, and contributed to the expansion in overseas sales. "Monster Hunter Freedom Unite" released at the end of the previous year, also continued to achieve smooth growth thanks to its overwhelming popularity, selling 2.2 million units (accumulated total: 3.2 million units) including sales of the low-priced edition.
<ul style="list-style-type: none"> As for the market for Pachinko machines, relaxation of regulations in 2004 increased flexibility in designing and developing innovative Pachinko machines and encouraged launches of new products appealing to users. As for the market for Pachislo machines, on the other hand, a decrease in the number of both machines and customers, due to a tightening of regulations, caused companies to struggle. As for the mobile content market, worldwide growth has been experienced. This market is expected to continue to expand steadily in the future by acquiring new light users through a global widespread of mobile phones and an increase in the number of new devices such as the iPhone, as well as through its growing popularity in emerging markets. 	<ul style="list-style-type: none"> We can secure new profit opportunities by making multiple uses of our wealth of intellectual properties in a variety of areas. In the Pachinko & Pachislo Business, we subsidized Enterrise CO., LTD. in November 2008 and began our own frame development and manufacturing business, while supplying attractive software and other products for gaming machines that feature our proprietary content along with that of third-party developers. In the Mobile Content Business, we utilize expertise and content gained through developing home video games to deliver our popular home video game titles for mobile phones worldwide. We also supply some of our game titles actively for new devices, such as the iPhone. 	<ul style="list-style-type: none"> The Pachinko & Pachislo Business was lackluster due to poor sales of the eagerly-awaited "Chun-Li Ni Makase China" as well as the postponed release of a Pachislo machine. Consequently, an operating loss was posted. In the overseas Mobile Content Business, our share in the North American market was 5.4% (a 5th place ranking). Casual games linked with TV programs continued to be popular with light users. Furthermore, our strategic marketing of smartphone titles contributed to the success. In Japan, the demand for the "Ace Attorney" series, which has been the profit engine, peaked, and the overall sales slowed.
<ul style="list-style-type: none"> The market declined for the first time in 6 years. Factors contributing to this include a decrease in the number of customers at shopping centers due to the economic slowdown, a diminishing number of customers at arcade facilities in reaction to the huge success of home video games, and a lack of a new popular genre following card-based games. Recovery in each company's profitability is predicted as a large-scale consolidation of facilities is undertaken although the market is expected to continue to slump. 	<ul style="list-style-type: none"> We have specialized in opening mall-based large-scale facilities which secure a long-term, stable number of customers. We have built an organizational structure to design and operate sales venues supported by customers. We also maintain relatively higher profitability than the competition by either selling or closing unprofitable facilities in an attempt to secure a better return on investment. 	<ul style="list-style-type: none"> We opened 6 new facilities, mainly at large-scale shopping centers, while closing 8 unprofitable facilities. We now operate 40 facilities throughout Japan. We managed to increase sales due to the opening of new facilities; however, profit declined due to the stagnant market, sluggish sales at existing facilities and increased expenses for opening new stores.
<ul style="list-style-type: none"> The market has grown for 5 consecutive years but took a downward turn since facility operators are controlling capital investments as a result of economic stagnation. Prize-winning games and coin-operated games accounted for 41.0% of the market, while card-based games comprised 27.3% of the market. Yet, due to sluggish sales at mall-based facilities, the market is exhibiting a slowing trend across product categories. 	<ul style="list-style-type: none"> We retain the ability to provide high-quality arcade video games by making use of development capabilities for home video game software. In particular, combat-based fighting games, our flagship genre, allow us to maximize profits by launching the same content as home video games. We own company-managed facilities, enabling us to grasp real-time market trends such as in-store information of popular games. We gather and make use of opinions of both users and facility operators to develop popular game machines. 	<ul style="list-style-type: none"> We deployed titles based on home video games. We achieved steady growth of arcade video games such as "Street Fighter IV" and "Sengoku BASARA X (Cross)". We plan to form a business partnership with NAMCO BANDAI Games Inc., develop products supported by both companies' strengths and expand product lineups.
<ul style="list-style-type: none"> The market size of the global content-related industry is 177 trillion yen. In Japan, the size is approximately 14 trillion yen, which is the second largest in the world after the United States. The market size of movie, movie-related and publishing industry in Japan has grown steadily to approximately 10 trillion yen. The basis of future growth lies in overseas marketing. 	<ul style="list-style-type: none"> We create a strong synergy with our Home Video Games Business by making multidimensional use of our wealth of intellectual properties ("Single Content Multiple Usage"). Particularly, in the movie-related business, the brand value has been elevated by the high exposure provided by the media. This leads to greater sales expansion in video game software, completing an ideal sales cycle. 	<ul style="list-style-type: none"> As for the "Street Fighter" series, we introduced a new home video game, our core product, and licensed merchandise, as well as comics and soundtracks. Furthermore, we released the Hollywood movie "Street Fighter: The Legend of Chun-Li", achieving continuous operation of the content-related businesses over an extended period of time. As for another of our major brands, the "Resident Evil" series, we released our first full-CG animation movie, "Resident Evil: Degeneration". Its DVD version and other product versions recorded sales of more than 1.5 million units worldwide.

By business we will describe data on major works and their sales in fiscal year end in March 2009.



Home Video Games

We released **3** "double-million" titles and sold more than **9** million units in total.



"Resident Evil 5"

Release date	<Japan> March 5, 2009
	<North America> March 13, 2009
	<Europe> March 13, 2009
Corresponding hardware	PS3, Xbox 360
Areas for release	Worldwide

In addition to the powerful graphic visuals that only new game consoles can offer, the introduction of the film-making technology used in Hollywood helped accentuate a new type of "fear" that focuses on the "contrast of light and darkness". The cooperative gameplay mode, "Co-op", was introduced for the first time for this series, which led to a record number of units shipped for the series.



"Street Fighter IV"

Release date	<Japan> February 12, 2009
	<North America> February 17, 2009
	<Europe> February 20, 2009
Corresponding hardware	PS3, Xbox 360
Areas for release	Worldwide

The series' latest version was released for the first time in approximately 11 years. While maintaining the series' characters and worldview, it additionally featured beautiful graphics and new techniques, fully demonstrating the performance of the new game consoles. It was a huge hit and gained overwhelming support overseas.



2.2*
million
units

"Monster Hunter Freedom Unite"

*Best Price included

Release date	<Japan> March 27, 2009
Corresponding hardware	PSP
Areas for release	Japan

This home video game allows friends or strangers, up to four players, to cooperate with one another while playing simultaneously, offering the real thrill of communicative gameplay for users. Its popularity led to a social phenomenon in Japan. Since its release in March 2008, along with the low-priced edition released approximately six months later, its sales have been steady and regular.

Contribution to Sales Made by the Capcom Series Game Software (Low-priced edition)

Total of 5.4 million units of old video games' low-priced editions

5.4
million
units



"Resident Evil" Series

This is a series of horror-action games that completely realizes "fear" of escaping from zombies as a player controls the main character and makes full use of weapons and various items. The first edition was released in 1996 for PlayStation. Sequels were subsequently released for a variety of hardware platforms, and the series enjoys worldwide popularity.



"Devil May Cry" Series

Unique characters and refreshing gameplay are the popular features of this stylish action game. Since the release of its first game in 2001, it has been attracting users all over the world with its beautiful graphics using the latest technology for home video games.



"Ace Attorney" Series

The subject of this adventure game is trials. Either as a lawyer or as a public prosecutor, the player discovers discrepancies in testimonies by questioning witnesses and reveals the truth. The first game released in 2001 became popular, followed by the release of sequels.



"Mega Man" Series

In 1987, the first version was released for Nintendo Entertainment System (NES). The contrasting appeal of cute characters and serious game elements is the secret of the popularity of this game. Since the initial release, the production of this series has been done through various media.



Contents Expansion

Our Mobile Content Business is growing, holding the **5**th largest share in the North American market.

With regard to the Pachinko & Pachislo Business, we released the **1**st machine with our own frame.



Pachislo machine
"Chun-Li Ni Makase
China"



Mobile game
"Are You Smarter
Than A 5th Grader?"

Game Code ©2008 CAPCOM.
Produced under license from Fox
Broadcasting Co. Are You Smarter
Than A 5th Grader?™ and ©2008 JM, Inc.



Mobile game
"Who Wants To Be
A Millionaire?"

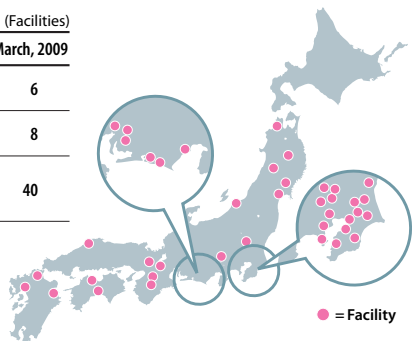
©Valleycrest Productions
Ltd. 2006



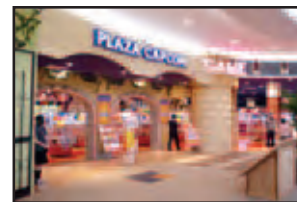
Arcade Operations

We opened **6** new facilities and operate **40** facilities in total.

	(Facilities)	
	March, 2008	March, 2009
Number of facilities opened	9	6
Number of facilities closed	0	8
Total number of facilities (cumulative total)	42	40



Plaza Capcom Inazawa
This facility opened in the City of Inazawa, Aichi Prefecture in March 2009. With a retro tin robot as the theme of the interior design, it has a large selection of the latest machines so that a wide range of customers can have fun.



Plaza Capcom Omagari
This facility opened at the AEON Omagari Shopping Center in Akita Prefecture in October 2008. The inside of the facility, inspired by German towns, provides an extraordinary atmosphere and is full of fun.



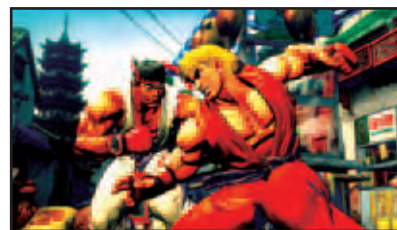
Arcade Games Sales

We shipped more than **10,000** units of arcade video games.

Genre	Title
Video games	Street Fighter IV
	Sengoku BASARA X (Cross)
	Fate Unlimited Codes
Prize-winning games	Bell Circle Sparkling Blue
Coin-operated games	Chibi Maruko Chan



"Sengoku BASARA X (Cross)"
This is the combat-based fighting game edition of our popular action game, the "Sengoku BASARA" series. While maintaining attractive characters and the dramatic action of the home video game, it introduced a system unique to the arcade video game as our new strategy.



"Street Fighter IV"
The combat-based fighting game, which became a big hit worldwide approximately 11 years ago, made a comeback as the latest version of the series. In conjunction with the home video game, this version contributed to the improved visibility of the series. It became an unprecedentedly popular title, which was shipped more than 3,000 units in Japan.



Other Businesses

We adapted **3** game titles into movies and theatrical productions.



Box-office revenue
12 million dollars
The Hollywood movie "Street Fighter: The Legend of Chun-Li" (Released in February 2009)

©CAPCOM CO., LTD. / Based on Capcom's Street Fighter Video Games

As part of the series' 20th anniversary project, we developed a movie with a story revolving around the main character "Chun-Li". Under our "Single Content Multiple Usage" strategy, we released the movie and the video game around the same time so that the movie would serve as a measure to promote the acquisition of new users as well as the return of existing users. The movie made a huge contribution to the reconstruction of the brand value.



Number of DVDs sold
1.5 million copies
CG movie "Resident Evil: Degeneration" (Released in October 2008)

©2008 CAPCOM CO., LTD. / Resident Evil CG Film Partners

This is a feature-length movie that describes the world of the home video game series "Resident Evil" by using full-CG for the first time. Despite the fact that the number of movie theaters and the period for screening were limited, this movie was received well, recording full houses for all showings, and its DVD version, Blu-ray version and UMD version, achieved sales of 1.5 million copies worldwide.



Number of audience
Over 23,000
Theatrical production "Phoenix Wright: Ace Attorney - The Truth Comes Back to Life" (Performed in February 2009)

©TAKARAZUKA REVUE COMPANY / ©CAPCOM

Exceeding the boundaries of the entertainment industry, the Takarazuka Revue Company, which enjoys overwhelming support and the solid trust of women, adapted "Ace Attorney", our home video game that appeals strongly to female users and light users, into their theatrical production. The unprecedented new collaboration was successful and the sequel is already scheduled for the summer of 2009.

Growing steadily in the industry said to be “recession-proof”.

It has been said that the world economy is currently facing a “once-in-a-century” recession. Although video games, which can be enjoyed at home, are known to be “relatively safe” from the effects of an economic slowdown, a prolonged recession can be a source of concern for our business performance. During such a period, the talent of the executives is what makes the difference. Capcom will continue to establish a solid management base and grow a business that will withstand economic ups and downs.

A photograph of two men in dark pinstriped suits standing on a staircase. The man on the left is older, wearing glasses and a patterned tie. The man on the right is younger, wearing a blue striped tie. They are both smiling slightly. The background shows the stone steps and a glass railing of the staircase.

辻本憲三

Kenzo Tsujimoto

Chairman and Chief Executive
Officer (CEO)

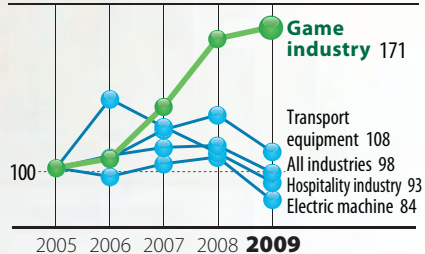
辻本春弘

Haruhiro Tsujimoto

President and Chief
Operating Officer (COO)

Net Sales Growth Rate of Japanese Industries

The game industry has marked a high rate of growth compared to other industries.



Net sales growth rate by counting 2005 as 100
 Source: Ministry of Finance "Financial Statements Statistics of Corporations by Industry, Annually"
 Game industry version was created by Capcom based on listed game manufacturers' brief announcement of financial results.
 (YEARS ENDED MARCH 31)

**Limited effect of the economic downturn on the video game market as a whole —
 Winners in the industry emerging clearly**

Following the financial crisis in the United States, the world economy saw an unparalleled recession during this fiscal year. This has impacted various industries in number of ways: Equipment investment has cooled significantly, and exports decreased along with plunging stock prices, the continued appreciation of the yen and worsening employment numbers.

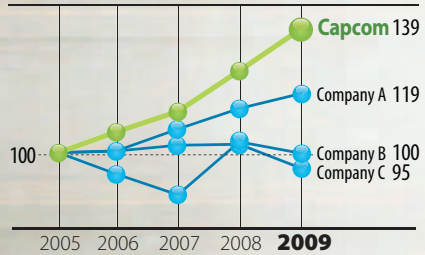
Nevertheless, the home video game market was worth 26,900 million dollars (up 11.2% from the previous year) in 2008 and continued to grow for the third consecutive year without feeling the effect of the recession. There are three reasons why the video game market has steadily grown and is considered to be one of the "defensive stocks" (a type of business resistant to a recession). First, the core users tend to purchase their favorite video games regardless of the economic conditions, which helps prop up the market. Secondly, consumers in general tend to avoid luxury items or expensive entertainment and vacations during tough economic times. Instead, they tend to stay home to "nest" and enjoy inexpensive entertainment products such as home video games. Lastly, home video game consoles are remodeled and launched every four to six years. The sales of video games tend to increase during the in-between period, in which the year 2008 was, in accordance with the consoles' popularity.

However, as a negative effect of the economy, we have seen electronics or toy retailers cutting back on their orders of home video games as they struggle with financing. These retailers cut back on the number of titles or units they order to secure their cash flow and reduce the size of their inventory to improve its turnover. Furthermore, they avoid casual titles, which tend to be "sleepers" rather than blockbusters. These factors have had an effect on software manufactures and, as a result, winners are now beginning to emerge clearly leaving others behind.

Nonetheless, the effect of the economy on this market as a whole is limited and the forecast is that the home video game market will continue its robust growth supported due to enthusiastic demand from its users.

Net Sales Growth Rate of Japanese Game Manufacturers

Capcom has marked steady growth since 2005.



Net sales growth rate by counting 2005 as 100
 Source: Created by Capcom based on listed game manufacturers' brief announcement of financial results.
 (YEARS ENDED MARCH 31)

**Yielding favorable results by taking advantage of our three strengths
 Our goal: Continued Steady Growth**

In the home video game market that continues its growth despite this bleak economic time, we have been able to steadily grow by taking advantage of our strengths. Our three strengths are: 1. We have many global million-selling titles and popular characters; 2. World-class development and technical capabilities that generate original gaming content; 3. Strong overseas marketing capabilities based on the local sales structure that fully takes into account local business practice. (See p.17 "Our Strategy for Growth" for more details) In fact, we have had a phenomenal fiscal year and produced three big hits that each shipped more than 2 million units.

Although, similar to any other export company, due to our high ratio of overseas sales, our operating income decreased by 600 million yen because of the strong yen; robust sales were more than enough to supplement the loss.

As you can see, we have achieved very favorable results in this fiscal year and also forecast an increase in both sales and profit. However, this is not the time to rest on our laurels. Rather, we will continue to build a solid management base by promoting organizational reform to address changes in our environment and enhancing our information system to take our company to the next level. We are fully aware of the fact that the direction we take during tough economic times will define our growth in the future. As CEO and COO, we will diligently carry out our duties in management and business operations, respectively, to manage the company rationally as well as efficiently.

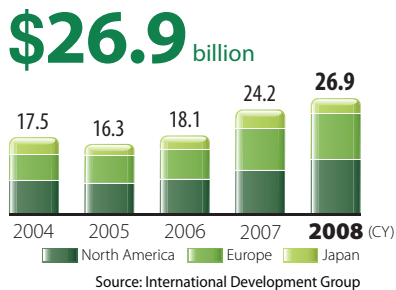
We will strive to continue to grow 10% annually by producing business results based on the results of the management structural reform.

The home video game market continues to expand during this global economic crisis. Even in this “recession-proof” industry, Capcom capitalized on its unique strengths and recorded an increase in both sales and profit for the third consecutive fiscal year. This was undoubtedly the result of our structural reform that has been carried out, though not without some pain, since 2002. Here, Chairman and CEO, Kenzo Tsujimoto will discuss the company’s overall performance during the current fiscal year and answer questions regarding its management plan, medium- and long-term goals as well as its financial policies. It is our hope that these questions and answers will be helpful in your gaining a deeper understanding of how the company is managed.

A photograph of Kenzo Tsujimoto, Chairman and CEO, sitting at a desk. He is wearing a light grey suit, a blue shirt, and a patterned tie. He has his hands clasped on a notebook and a pen. To his right is a laptop and a large green plant. The background shows a window with blinds.

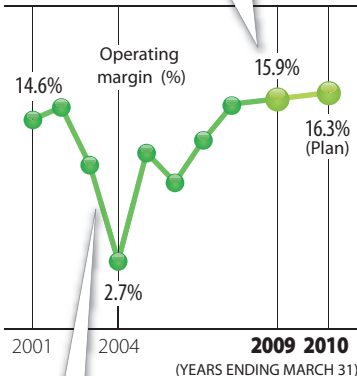
Kenzo Tsujimoto
Chairman and Chief Executive
Officer (CEO)

Game Software Markets (\$ Billion)



Structural Reform and Improvement of Management Efficiency

- Increase in our overseas sales ratio
- Production of four million-selling titles within a year



- Structural reform**
- Concentration of our management resources
 - Reform of our software development structure
 - Reform of our marketing/sales structure

Q.1 What is the reason why Capcom continues to grow steadily while many companies struggle due to this global economic slowdown?

A. It is because we implemented a structural reform to establish a solid management base that resists and minimizes the influence from the outside environment.

There are two major reasons why we were able to achieve an increase in both sales and profit during this global economic crisis. One is that the video game industry is relatively resistant to recession. (See p.9 “To Our Shareholders” for more details) The other reason is that we have been carrying out a structural reform since 2002 to establish a solid management base that resists and minimizes the influence from the outside environment, such as economic climate change. Here, I would like to elaborate on the latter.

As we expected that the costs for developing software for the next-generation consoles would skyrocket and the overseas market would experience a sudden and rapid growth, we have been implementing in preparation a structural reform centered around “establishing a solid financial base” and “reinforcing the development, sales and marketing structure” to realize medium- and long-term growth.

During the fiscal year 2003 ended in March, in order to establish a solid financial base, we have posted an appraisal loss on lands and buildings of 24,300 million yen and dissolved a financing subsidiary company so as to pursue aggressively the improvement of our balance sheet and accelerate the amalgamation of our management resources. Furthermore, due to the development of the discontinuation of unprofitable titles, we posted a loss of 5,300 million yen. As a result of implementing these measures accompanied by some pain, the final account for the fiscal year 2003 was 19,600 million yen while the fiscal year 2004 regrettably saw a net loss of 9,200 million yen.

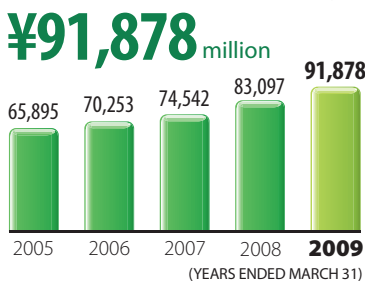
On the other hand, we pushed for a reform on the development, sales and marketing structure to secure our position of superior competitiveness. In the development department, the authority to make major decisions that determine the success or failure of a title such as selecting the compatible console, the regions to release the title, the timing of the release as well as budget setting was transferred from the producer to the management, which approves and makes the final decisions on these issues. The medium- and long-term development plan called “Title Portfolio”, mapping out a 60-month title development plan, helps us manage all titles on a timeline.

We have also begun a management reform of our overseas subsidiaries. The overseas video game market accounts for more than 80% of the global market. It is therefore crucial to expand our overseas market share now if we are to continue to grow in the future. First, our subsidiary in the United States has gone through a drastic personnel change in management, established a much more detailed marketing plan and switched from indirect sales via local distributors to direct sales by our subsidiary. As a result of these measures, we have succeeded in significantly reducing unprofitable titles and expanding sales in the overseas market. We have also produced three million-selling titles each period and recorded favorable results. In the future, we will strive to repeat the results in the United States, and carry out a management reform of our local subsidiaries in Europe as well as in Asia in pursuit of even better profitability.

Q.2 What are some key points in your business results for this fiscal year?

A. Our net sales rose by 10.6% while operating income rose by 11.4%. Our net sales, especially, was the biggest ever. The reason why we were able to achieve an increase in both sales and profit for the third consecutive fiscal year is that the all out effort put into the structural reform is coming to fruition.

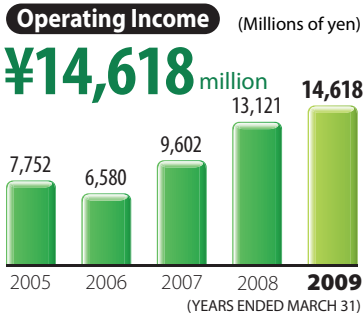
Net Sales (Millions of yen)



1. Market Environment

The home video game market in 2008 was worth 26,900 million dollars (up 11.2% from the previous year) and grew for the third consecutive year, mainly overseas.

This is due to (1) Approximately three years have passed since game console (hardware) manufacturers launched their new models, which is enough time for these consoles to be commonplace; (2) Software manufactures released many top-quality titles; (3) Newly established game markets such as Southern and Eastern Europe and Australia are growing steadily; and (4) While Wii and Nintendo DS have attracted casual users, PLAYSTATION®3 and Xbox 360 increased their core users, which resulted in an increase in the general gaming population. These three factors, — increase in the number of consoles (hardware), titles (software) and gaming population (users) — I believe, were the driving force behind the market expansion.



2. Actions Taken So Far

We have been implementing a structural reform (see Q1 for more details) since 2002 based on the belief that the video game market was about to expand. This reform then paved the way for our company to grow steadily.

To address the soaring costs of software development for the next-generation consoles, we shifted our strategy. Instead of choosing one specific console for which to develop software, we have decided to develop more profitable multi-platform software. Our own integrated software development environment, "MT Framework" made it possible to develop multi-platform video games efficiently while cutting costs. Furthermore, we have switched the sales structure overseas from indirect to direct to strengthen our sales network.

In the end, we succeeded in building a structure in which "high-quality products" are produced with "reasonable development costs" and offered to the public through our "global sales network".

3. Summary of Sales and Business Results in This Fiscal Year

In this fiscal year, our Home Video Games Business demonstrated the strength of the brand of two titles popular overseas. The much-awaited release of one of our major titles, "Resident Evil 5", at the end of the fiscal year was a huge success, with its initial shipping exceeding 4 million units worldwide while "Street Fighter IV" sold more than 2 million units. "Monster Hunter Freedom Unite", released at the end of the previous term also continued to do well as we released an inexpensive version this term to attract new users. It can be said that our achievement dominated the market.

However, the Arcade Operations market continued to move sluggishly as the distinction between arcade games and home video games became more and more blurred and there were not enough popular game machines to drive the market.

Furthermore, we continued to build a multi-faceted content-related business by creating a synergy effect with our video games. For example, a Hollywood film based on our popular video game "Street Fighter: The Legend of Chun-Li" was released worldwide, while, in collaboration with the Takarazuka Revue Company, a musical "Phoenix Wright : Ace Attorney-The Truth Comes back to Life" was staged.

We also wanted to select and amalgamate our management resources. To this end, we have founded a subsidiary Capcom Entertainment France SAS, which is our third European base, through our British subsidiary in order to accelerate our business expansion in the overseas market, which still has ample room to grow. Also, in order to cope with changes in market environment, we withdrew from the unprofitable sales of rechargers for cellular phones and made bold investment towards establishing new business segments.

I would also like to add that the remainder (14,993 million yen) of the fifth unsecured convertible bond, which matured in March, 2009, has now been paid back in full.

As a result, though the effect of the strong yen was indeed felt, our net sales reached 91,878 million yen (up 10.6% from the previous year), our best ever. As for the profits, operating income increased to 14,618 million yen (up 11.4% from the previous year) while ordinary income reached 13,808 million yen (up 12.6% from the previous year), which resulted in a net income of 8,063 million yen (up 3.3% from the previous year). Despite the global economic downturn, Capcom was able to record an increase in both sales and profit for the third consecutive year. (See p.25 "Overview of Capcom's Business and Outlook for the Future" for more details)

Q.3 We are not seeing the signs of economic recovery yet. Do you think you will be able to produce favorable results yet again in the next fiscal year?

A. Our goal is to finish the next fiscal year with an increase in both sales and profit for the fourth consecutive year by expanding our share in the overseas market and creating new businesses. Our ultimate goal is to record the best net sales and operating income ever.

Forecast for the Next Fiscal Year

	2009 (Millions of yen)	2010 Plan (Millions of yen)	Growth rate (%)
Net sales	91,878	95,000	3.4
Operating income	14,618	15,500	6.0
Net income	8,063	8,500	5.4

(YEARS ENDING MARCH 31)

1. Market Outlook

Although the home video game market is relatively recession-proof, if this downtrend in consumption drags on, it will be very difficult not to be affected by it. However, the overseas market, especially in Europe and in North America, is expected to see an increase in the number of users and new game consoles that will most likely continue to proliferate. For this reason, we expect the video game market to continue to grow and reach 27,600 million dollars (up 2.6% from the previous year) in size in the fiscal year 2009. (See p.25 "Overview of Capcom's Business and Outlook for the Future" for more details)

2. Strategy for the Next Fiscal Year

Our company is constantly looking to develop unique and attractive original titles, strengthen our existing series and discover new genres. Our Title Portfolio, mapping out a 60-month title development plan,

offers a point of view based on medium- and long-term goals and serves as the basis for our plan for expanding and improving the Development Department.

We also aim to capitalize on “numerous global million-selling titles and popular characters” and achieve a sales ratio that is proportionate to the market size (5:3:2 for North America, Europe and Japan). However, to achieve such a sales ratio, it is indispensable to expand our market share in both Europe and North America. To this end, three departments, Development, Sales and Marketing, will collaborate as one to develop and release games that respond to the needs of the local users and increase customer satisfaction. We are also going to improve our company’s name recognition and corporate image as well as the added value of our products through promotion activities that take market trends into consideration and mixed media marketing such as tie-ups with movies and TV programs. (See p.17 “Our Strategy for Growth” for more details)

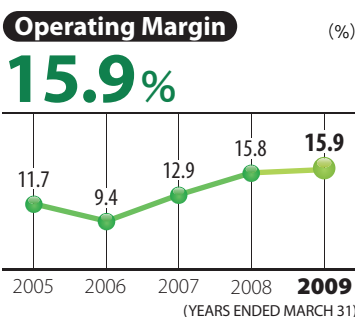
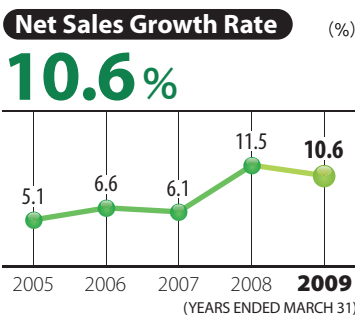
3. Business Results Forecast

During the next fiscal year, we will release many popular titles for the home video game market while concentrating our effort on our own frame business in the Pachinko & Pachislo market. As a result, our net sales is forecasted to reach 95,000 million yen (up 3.4% from the previous year) while operating income is forecasted to reach 15,500 million yen (up 6.0% from the previous year). We are expecting to see an increase in both sales and profit for the fourth consecutive year and to record the best net sales and operating income ever.

Medium- and Long-Term Goals

Medium- and Long-Term Business Goal

- Maintain an annual sales growth rate of **10%**
- Achieve an operating margin of **15%**



Q.4 What is the ultimate corporate image that Capcom strives to represent? Also, what are its medium- and long-term business goals?

A. As a comprehensive entertainment company with multi-faceted content development, our goal is to “maintain an annual sales growth rate of 10%” and to “achieve an operating margin of 15%”, and to reach a 5% market share in each market.

1. Corporate Philosophy and the Direction of the Management

Our corporate philosophy is to create entertainment culture through the development of highly creative software contents that excite our customers and stimulate their senses.

To realize this, our world-class R&D capabilities will serve as the basis for delivering globally popular titles and a multitude of content brimming with creativity. Furthermore, by developing our content further for various facets of the entertainment industry, we will be able to get more exposure and expand our fan base. A comprehensive entertainment company demonstrating steady growth and having a commanding presence in every business line we are involved in... That is the ideal we will continue to pursue.

2. Medium- and Long-term Business Goals

To achieve the goals mentioned above, Capcom has set two clear business targets: “maintain an annual sales growth rate of 10%” and “achieve an operating margin of 15%”.

So far, we have made very steady progress, which we believe is the result of actions taken as part our structural reform such as “strict cost and schedule management” and “development and sales strategies that take medium- and long-term results into account”. (See Q1 for more details)

3. Medium- and Long-term Strategies

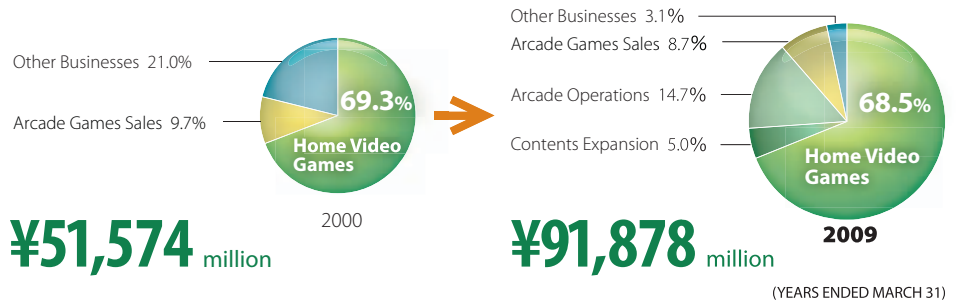
In order to continue to grow as a company, we believe that it is essential to increase our sales volume in the large overseas market with ample room for growth. For us to realize this, in addition to further strengthening our development capabilities and improving our product line-up, we will need to enhance and improve our overseas sales structure. Although we have succeeded in reinforcing our sales network in North America in the past several years, further effort is required in Europe, which is one of the three major markets. During this fiscal year, we have established a local subsidiary in France, our third after the one in the Great Britain and another in Germany.

These three countries account for 60% of the European market. We feel that, aggressively promoting the shift to direct sales structure in these countries will result in an increased profit, especially in European region, in the next fiscal year and beyond.

Another crucial strategy is “Single Content Multiple Usage”, which secures multi-faceted earning opportunities. As you can see on the folded page of this publication’s title page showing the marketing strategy for “Monster Hunter”, Capcom maximizes the profitability of single gaming content for the entire group by adapting our game content to other entertainment businesses. Creating new hit titles, therefore,

will bring about an increased profit not only for our Home Video Games Business, but for other branches. Moreover, as I mentioned in Q3, firmly implementing these strategies requires a solid management base on which pillars of our businesses are built. Instead of being too satisfied with our past results, we will further establish the separation between management and operations and continue to review our personnel organization. We will also push further with our management reform by, for example, introducing a new system to better understand global information and data. We will strive to achieve our medium- and long-term business targets based on these strategies.

Changes in Business Portfolio



Our Views on M&A

Q.5 We have seen game software manufacturers acquiring their competitors across the globe. What are your thoughts?

A. We will be actively pursuing friendly acquisitions and partnerships to gain creative gaming content, technologies and know-how.

1. Our Philosophy on Acquisitions and Partnerships

Capcom's stable future growth depends on whether we can increase our sales overseas whose significant home video game software market still has ample room for growth. Acquisitions and partnerships are part of our major strategies to realize this goal. We are actively pursuing acquisitions and partnerships that will allow us to "create gaming content with universal market appeal" and "gain technologies and know-how required for Single Content Multiple Usage". However, we have no plans to merge with any major Japanese video game publishers or toy manufacturers in the foreseeable future since it is unlikely to contribute to sales expansion overseas. Such a merger could also restrict our licensing business opportunities.

We also have no plans for Take Over Bid (TOB) as we understand that the human resources that create content are the most important assets in the entertainment industry. With TOB, it is possible that the value of the acquired company will be drastically reduced as a result of its employees leaving. We believe that choosing a partner company that complements our strengths leads to a successful acquisition and contributes to the growth of our business. Our first objective, therefore, would be to match our needs with theirs by forming a partnership.

2. Aims of Acquisitions and Partnerships During This Fiscal Year and Their Effects

Over this fiscal year, our domestic development lines were strengthened by making K2 Co., Ltd.,* which has had a business partnership with Capcom, a wholly owned subsidiary. Meanwhile, collaboration with local development companies, such as Monumental Games, boosted software development overseas.

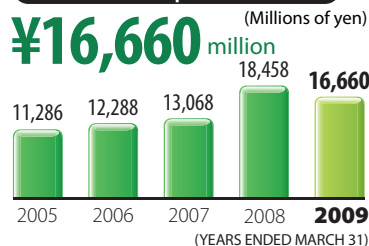
In addition, Enterrise CO., LTD. with whom we have had a close partnership developing and manufacturing devices for Pachislo machines, became our subsidiary when we purchased 90% of all issued stocks. Putting together their development capabilities to develop main substrates (winning-occurrence control program) and our development capabilities to develop sub-substrates (LCD imaging program) will allow us to maximize our profit and propel forward our "Single Content Multiple Usage" strategy.

We have already been able to capitalize on our strengths as well as theirs while producing three new machines to be launched during the next fiscal year, and we at Capcom are estimating that the effect of this acquisition will show soon thereafter.

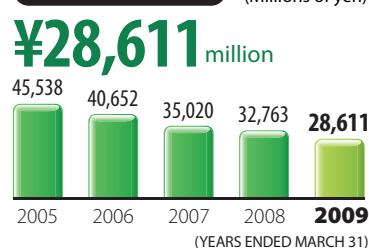
* K2 Co., Ltd. became a wholly owned subsidiary of Capcom this fiscal year, though announcement of its acquisition was made in the last fiscal year.

Capital Policies

Amount of Development Investment

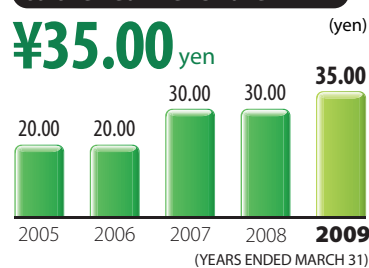


Cash and securities

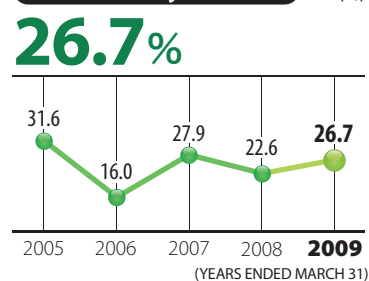


Returning Profit to Shareholders

Cash Dividends Applicable to the Year Per Share



Dividend Payout Ratio



Q.6 Equity financing seems to be declining worldwide. What are your methods and views on financing?

A. Our policy is to raise funds mostly by debt financing within a commitment line.

To achieve stable growth over the medium- to long-term, we are devising and implementing growth strategies in each of our business lines. The home video game market is now welcoming the harvest season as it continues to expand. In this market, it is our priority to secure sufficient investment. Furthermore, a certain amount of investment will be required if we are to nurture our next core businesses such as Pachinko & Pachislo and Mobile Content.

Major titles for home video games require more than two years of development time and it takes some time before we recover our investment. We, therefore, need to maintain a certain level of cash and cash equivalents. Also, we need to consider the risk of not recovering all accounts receivable as well as other accrued income due to difficult financing situations across the globe.

To address the financing issues, we will determine the level of cash and cash equivalents that needs to be maintained by using the reserve from the investment plan and risk management. This amount will then be supplemented with the cash on hand (28,600 million yen) as well as a 10,000 million yen commitment line of credit so as to maintain it within an appropriate range. We will continue with our financial strategy to raise funds mainly through debt financing within the commitment line for a period of time, while paying close attention to changes in the financial market.

Q.7 Are you planning on raising the dividend?

A. We will continue to pay stable dividends while making business investment our priority.

1. Fundamental Principle on Dividends

One of our management priorities is to pass on profits to all shareholders. Our fundamental principle is to provide stable and continuous dividends while taking into account our financial strength and future business strategies.

2. Views on Allocation of the Result of Business Investment (Ratio among dividends, internal reserve, etc.)

As I mentioned in Q6, we believe that now is the time to invest in our future growth.

For this reason, we feel that the free cash flow generated by businesses during this fiscal year should be first and foremost allocated to business investment while keeping our future in focus.

Therefore, our shareholders will continue to receive stable dividends while we increase our corporate value by growing as a company aided by new investment.

3. Dividends for This Fiscal Year and the Next

For the dividends for the this fiscal year, we added 5 yen to our ordinary dividend set at 30 yen, making it 35 yen, as an expression of our deep gratitude towards the support of our shareholders over the years and to celebrate our 25th anniversary. The dividend ratio was at 26.7%.

For the dividends for the next fiscal year, thanks to our strategies for growth and the resulting steady profit growth, the annual dividend will be 35 yen, 5 yen more than our ordinary dividend this year. We will continue to strengthen our profit return through strategies such as payback and gradually raising dividends proportionally to our profit growth while always securing investment resources.

I would like to express my gratitude to you as shareholders for your encouragement and guidance. We will continue to strive to be worthy of your continued support.

Further expanding profit opportunities by using overseas core business as an engine.

The company has continued to enjoy steady growth in the current fiscal year, increasing sales and profit in three consecutive fiscal years. Over the last few years, we have seen improved business results and strong growth despite the recession. This has been driven by the success of our growth strategies centered on our core business, home video games.

As COO, I would like to explain our business strategies to achieve medium-term business goals.

A photograph of Haruhiro Tsujimoto, President and Chief Operating Officer (COO), standing in a game store. He is wearing a dark pinstriped suit, a light blue shirt, and a light blue tie. He has his arms crossed and is looking directly at the camera. The background shows shelves of video games and promotional displays for Capcom games, including one for Street Fighter. The store is brightly lit, and the shelves are filled with various game titles.

Haruhiro Tsujimoto

President and Chief
Operating Officer (COO)

C ontinued growth with three strategies

Due to widespread ownership of new game consoles, such as PLAYSTATION®3, Xbox 360 and Wii, the global game software market grew to 26.9 billion dollars in 2008, up 11.2% from the previous year. It is expected that these game consoles will continue attracting new users and the game software market will reach 27.6 billion dollars in 2009.

As previously mentioned, the effect of the economic downturn is limited in the video game market, but even if it lingers and does have an effect, I believe our company will continue to grow in the future. This is because our ongoing structural reform (see Q1 on p.12 "Interview with CEO" for more details) has solidified our gaming content development capability, which is driving our growth.

We have a great deal evidence of our success. For example, during the current fiscal year we released three two-million-seller game titles and our content has been adapted into Hollywood movies and theaters. We are expecting the sale of three "double million" sellers in the next fiscal year as well.

The following three strategies hold the key to achieving stable future

growth as set by our medium-term business goals (annual sales growth rate of 10% and operating margin of 15%):

First, we will "strengthen our development capabilities" that create original content and blockbuster titles. To overcome such challenges as soaring development costs and diverse consumer preferences, we need to reevaluate our creative development process by converting it from an "individual-based" to "organizational-based" structure.

Secondly, we will promote our "Single Content Multiple Usage" strategy to maximize our profits. Attractive game content appeals to many users not only as a video game but also through many other facets of media, creating new profit opportunities.

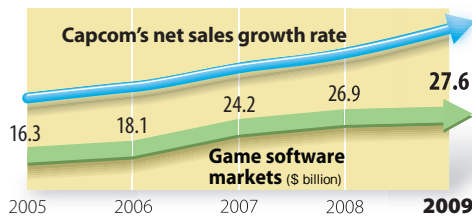
Finally, our strategy involves "deployment into the rapidly growing overseas market". The overseas game software market is nearly seven times larger than the Japanese counterpart, and is a promising market with annual expansion of over 10%. The success of a game software manufacturer rests on the fact whether or not it can capture the overseas market.

Next, I would like to elaborate on these three growth strategies in more detail.

The home video game market is expected to grow due to the popularity of game consoles and changes in the economic environment

STEP I

The year 2008 was a period of market expansion in which new game consoles became widespread. Consumers tend to go for inexpensive home entertainment products during a recession.

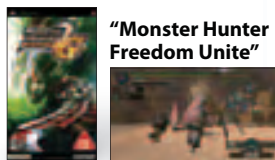


(YEARS ENDED MARCH 31)
Source: International Development Group

Sound development capabilities allowed us to create 3 hit titles in 2008

STEP II

By strengthening development capabilities through structural reform, our organizational framework is becoming more productive so that we can create an increased number of hit titles. This year, again, we expect to sell numerous million-selling titles by implementing three strategies for growth.



Our Strategy for Growth

STEP III



Strengthening development capabilities

⇒ PP.19-20

Creating excellent original content



Promoting the Single Content Multiple Usage strategy

⇒ PP.21-22

Facilitating "multiple usage" of popular brand titles



Overseas market development

⇒ PP.23-24

Expanding market share in North America, Europe and Asia

B uilding development structure with flexible personnel system

One of the competitive advantages of game software manufacturers is the value of game content they possess. "High quality," "originality" and "reasonable development costs" are its major prerequisites.

As the video game market is constantly growing, particularly overseas, it has become essential to build an organizational structure that supports the qualities of individual Japanese creators to create content which meets these prerequisites.

To address these issues, we initiated structural reform in 2002 (see Q1 on p.12 "Interview with CEO" for more details) and undertook a fundamental reassessment of our organizational structure of development system and development process.

Prior to 2002, we used an internal company system to manage profitability and encourage in-house competition for the Development Department. But as highly functional next-generation consoles have been introduced since 2000 and the development process became more complicated and larger, detrimental effects of the internal company system based on a vertical organizational structure became apparent. We experienced a delayed development schedule and increased development costs per game title caused by not sharing technology and expertise between departments and the decreased employee utilization rate due to a lack of personnel changes.

To implement organizational structural reform of development system, first we changed the organizational system from a vertical structure that assigns all job titles by companies to a horizontal structure that combines the personnel required for each title by creating new departments based on job titles. Secondly, we established the R&D Strategic Planning Section which handles title lineup and personnel planning to separate planning and production functions. Consequently, the new organizational structure enabled horizontal planning of development teams and flexible personnel

deployment according to development progress. Through company-wide use of the integrated development environment, "MT Framework" that enables multi-platform development, we have promoted sharing of expertise and improved the employee utilization rate, ensuring adherence to development schedules.

Moreover, mapping of a 60-month title development plan that integrates medium- and long-term development schedules of multiple titles is now performed by the R&D Strategic Planning Section. Planning a development team based on this plan allows us to launch sequels of multiple popular series every year, contributing to steady growth of the Home Video Games Business.

Regarding development process reform, we introduced the "two-step authorization process" which separates prototype development from full development. The "development approval meeting" involving the management and Marketing, Sales and Quality Control Departments makes decisions as to which platforms to support, when to introduce software titles, and how much of the budget to allocate to these tasks, all of which was formerly under the responsibility of producers. Checking the quality of game titles and profit forecast at the prototype development stage has increased the success rate of the full development that employs a large number of personnel and prevented us from developing unprofitable titles.

P romoting multi-platform development

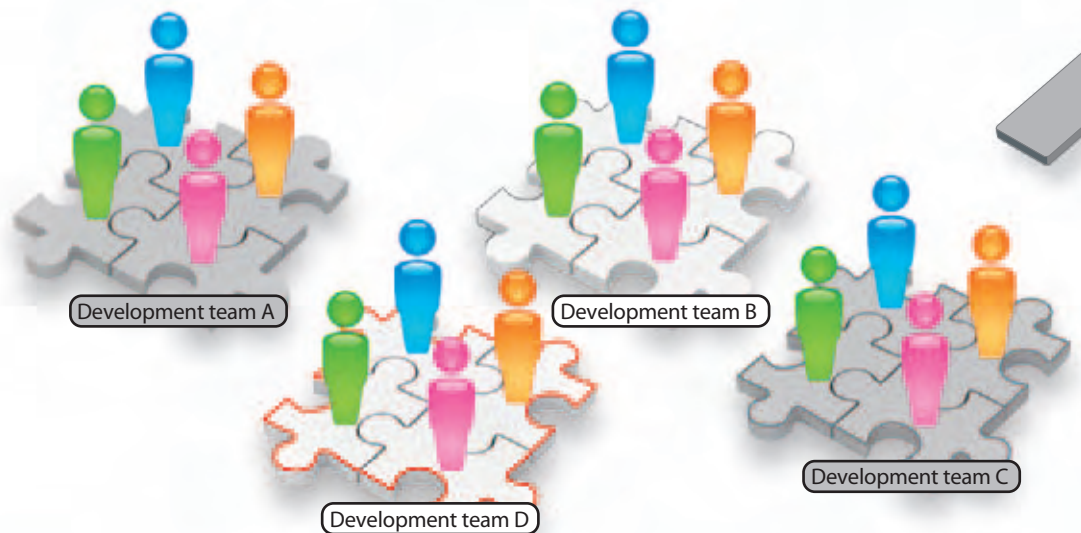
Multi-platform development, which adapts specific content to multiple game consoles, is our basic policy. Major advantages of this policy include "development cost efficiency" and "maximum number of units sold".

Game consoles will have higher performance and become more multifunctional as a new model is released with more elaborate graphics and added online functions. Accordingly, the game software development

Before

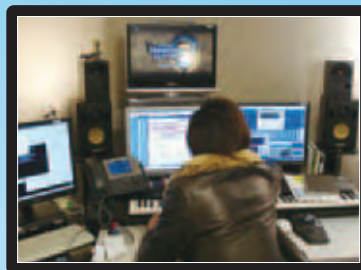
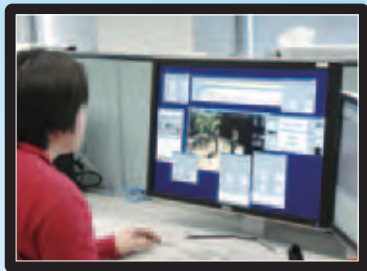
Development System before Structural Reform, with a Focus on "Individuality"

Each development team worked independently on an internal company system. There were virtually no personnel changes, and employees were utilized inefficiently.



Strengthening development capabilities

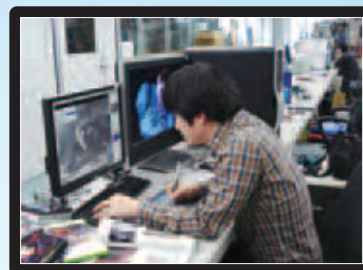
Creating excellent original content



After

Development System after Structural Reform, with a Focus on "Organization"

We created new departments based on job titles, such as R&D Strategic Planning Section to which producers belong and Planning Section to which planners belong. Management of development staff by departments enabled flexible personnel deployment according to the development progress of each development team.



process will become larger and longer with increased development costs. In addition, with various game consoles contending for supremacy and their penetration rate varying in Japan, North America and Europe, game software manufacturers must take actions to achieve a certain market share level. This requires us to simultaneously develop one title for several game consoles, minimize the effect on our sales the fluctuating popularity of game consoles would have, and maximize the number of units sold.

To promote multi-platform development, in September 2004, we initiated R&D of the integrated development environment "MT Framework" that provides common development tools for next-generation game consoles "Xbox 360" and "PS3", and PC platforms. Conventional game development required the program tools created by console (platform) and title, and additional development costs to support the software developed for one specific console in another console. But as the "MT Framework" standardizes nearly 80% of the development process, it can streamline the development process by considerably reducing costs for supporting several consoles and cutting the required time to 1/3.

We completed implementation of multi-platform development on major titles, and launched "Devil May Cry 4" and "Resident Evil 5" for several game consoles, selling 2.4 million and 4.4 million units, respectively. Considering that we sold 1.3 million and 1.6 million units of the predecessors of these titles, which were developed solely for a specific console, our profitability has dramatically improved. We will launch "Lost Planet 2", again for several game consoles, in the next fiscal year, and expect the number of units sold to significantly exceed that of its predecessor.

Recognized for epitomizing the concept of a game framework ahead of our competitors, we received an award in the programming and development environment category of the CEDEC Awards for our "MT

Framework". This prestigious award for game development technology has proven our strength in "game technology".

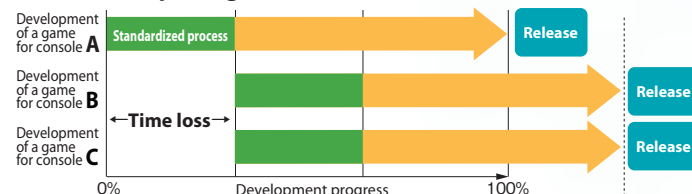
Efficient Development Utilizing "MT Framework"



"MT Framework" is a tool that allows simultaneous development of software to support "Xbox 360" and "PS3", as well as PC platforms. Since the "MT Framework" standardizes nearly 80% of the development process, it can significantly reduce the time and costs required for development.

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Conventional porting model



Porting model utilizing MT Framework





Promoting the Single Content Multiple Usage strategy

Facilitating “multiple usage” of popular brand titles

A multitude of popular titles gaining support from a wide range of users

In a history of 25 years in the business, we have been generating a number of hit titles. Having fully demonstrated our strength, “world-class development capabilities that produce new original content”, we have been introducing industry-leading game titles including a pioneer of the combat-based fighting game genre “Street Fighter II” and a survival horror game “Resident Evil”. The source of our development capabilities for creating brands which receive worldwide support comes from our corporate philosophy. Our ideal corporate image “a company that stimulates people’s senses (see p.1 “Corporate Philosophy” for more details)” is a developer of software that brings emotional richness such as excitement and surprise to many people. Through the practice of this philosophy, we have generated an array of hit titles.

During the current fiscal year, we have produced three million-selling titles. “Monster Hunter Freedom Unite”^{*} caused a social phenomenon known as the “Mon-Hun Phenomenon” in Japan, and “Street Fighter IV” has continued to draw support from fanatics for over twenty years since the release of the first version of the series, both recording “double million” sales. Moreover, we have shipped over 4.4 million units, the top level in the series, of our signature title “Resident Evil 5”. Consequently, we acquired an extensive customer base both at home and abroad.

^{*} Released in March 2008.

Expanding user base through diversified media development

A home video game is an artistic media product that consists of highly creative, multi-faceted elements such as images, storyline, a worldview, music and interactive gameplay. This is exactly why each of these constituent elements can be individually developed into an attractive product through different facets of media.

Therefore, we can expect the following four effects by developing each of these elements into different business fields: (1) creating new profit opportunities other than the Home Video Games Business; (2) creating heightened excitement through increased exposure by simultaneous multiple-field development (promotional effects); (3) absorbing customers obtained from other business segments as home video game users; and (4) reducing profit fluctuations through business portfolio creation (risk hedge). We own scores of intellectual properties based on popular content. By pushing the "Single Content Multiple Usage" strategy to utilize them in several applications, we can enjoy multiple profits.

This strategy allowed us to leverage the success of our Home Video Games Business to the success of other businesses. For example, in the movie-related business, the Hollywood movie, "Street Fighter: The Legend of Chun-Li", which was based on our original home video game, was released worldwide, and the feature-length full-CG animation, "Resident Evil: Degeneration" was released in Japan during this fiscal year. The products (DVD, Blu-ray, UMD) of this animation became a hit. We succeeded in

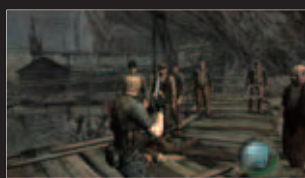
enhancing our brand value through the high visibility and heightened excitement it created not only among the fans of the series but also among those who had not played the game. Consequently, both of the home video games launched in the current fiscal year, "Street Fighter IV" and "Resident Evil 5" became "double million" sellers.

"Monster Hunter", which is celebrating its fifth anniversary, will be developed for many forms of media during the next fiscal year. In conjunction with the launch of the home video game "Monster Hunter Tri" in August 2009, we are working on this major project across the business segments by holding an orchestra concert and selling its licensed merchandise such as trading cards, books and action figures.

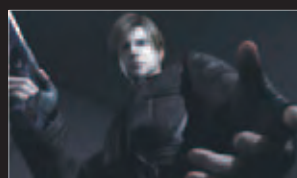
Actively capitalizing on great promotional effects of TV animation programs and theatrical productions for "Sengoku BASARA", which led to the recent Sengoku boom, in addition to "Ace Attorney", we will further increase the brand value of each series title. (See p.5 of the separate volume titled "The Latest Development Report 2009")

"Resident Evil" Series

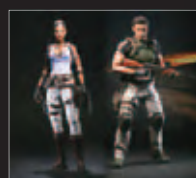
"Fear" of escaping from zombies is completely realized within the games as a player controls the main character and makes full use of weapons and various items. The reality of this game has caused global rage.



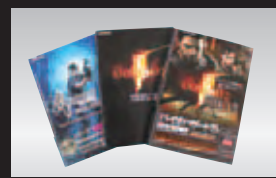
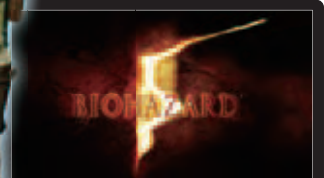
Home video game



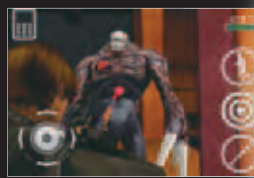
Movie



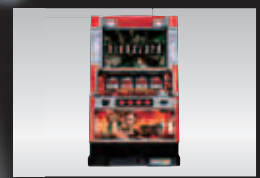
Character goods



Strategy guidebook



Mobile game

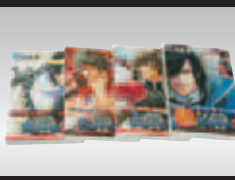


Pachislo machine

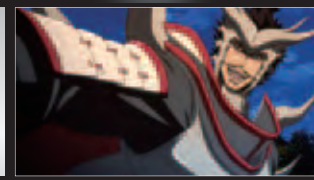
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Arcade video game



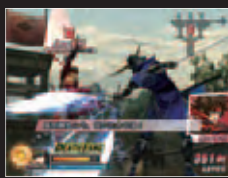
Comic



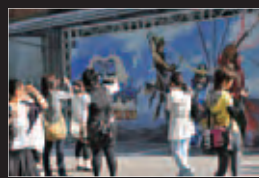
TV animation

"Sengoku BASARA" Series

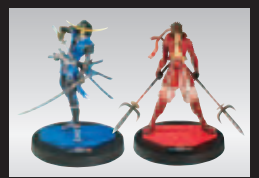
This Sengoku action game created an entirely new and unique worldview. The title has created synergetic effects using its content not only in the video games but also in a variety of media, such as TV animation programs, as well as in various related events and in licensed merchandise.



Home video game



Event



Character goods

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Building local development system and direct-sales channel in North America and Europe

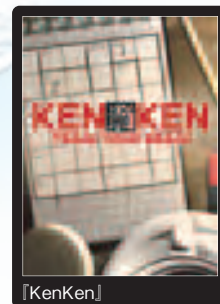
The user base we should attract in the future is threefold: (1) core users in the home video game market in North America and Europe; (2) light users in the mobile content market in North America and Europe; and (3) users in the PC online market in Asia. To reinforce the strength of our brand through synergetic effects obtained by increasing profit in each of these markets, we aim to acquire a 5% share in respective markets.

First, due to the expanding overseas user base and rise of emerging gaming nations, the global home video game market is steadily growing. The market composition ratio for Japan, North America and Europe is 2:5:3, and the growth rate as well as the size are significantly higher abroad than at home. The important task for Japanese game soft manufacturers is to increase sales in the overseas market instead of the sluggish domestic market suffering from a falling birth rate.

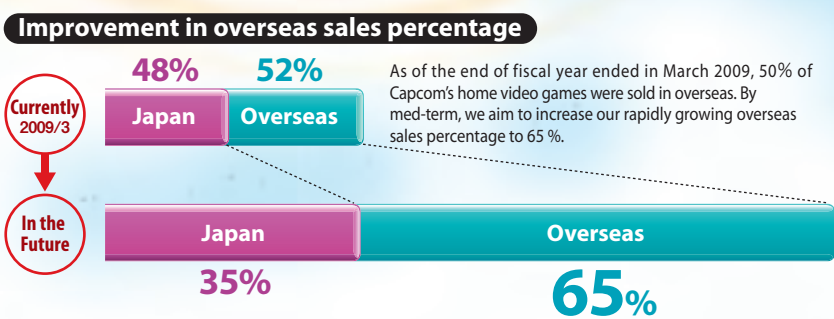
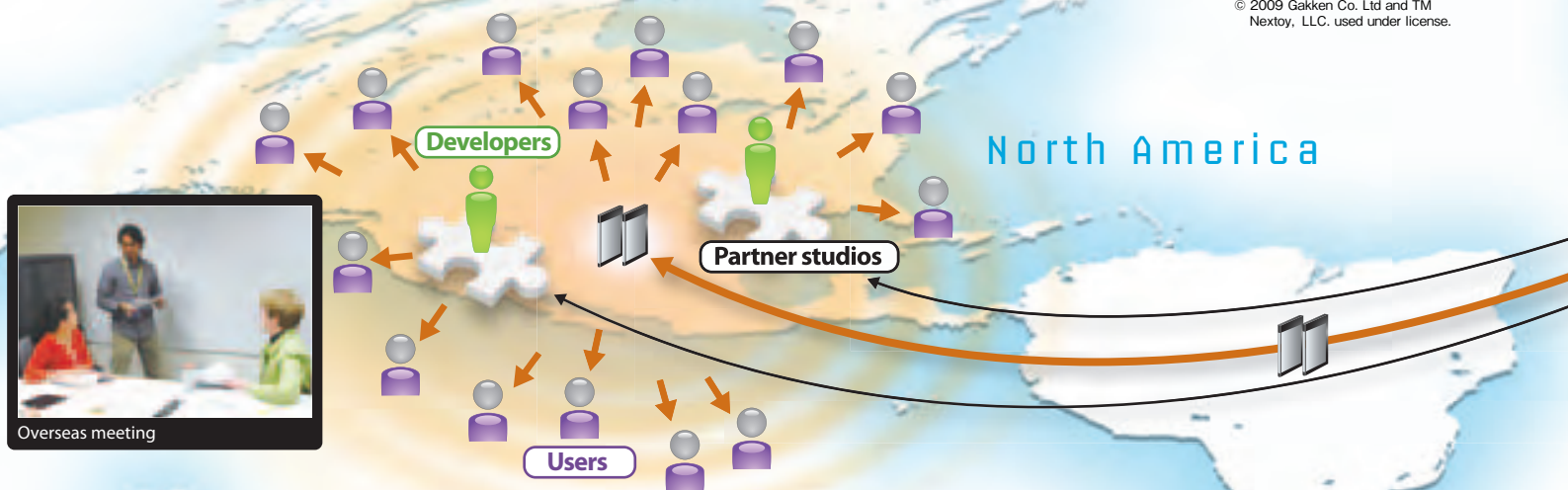
Starting five years ago, we implemented a series of development and sales strategies focused on overseas markets. These strategies are well underway, boosting our overseas sales percentage to 52% as of the current fiscal year. Taking these business strategies ahead of our Japanese competitors has contributed to our success. Our development strategies facilitate: (1) regular introduction of the sequels of popular titles with universal market appeal to ensure stable profits; (2) revival of a series of titles that were popular overseas to capture old and new users; and (3)

development of new titles that suit the preferences of the overseas customers in partnership with overseas developers. In particular, collaboration with leading local developers enables us to further increase titles for overseas. Recently, overseas collaboration titles including "Moto GP 08" and "Bionic Commando" have accomplished positive results, contributing to our business performance.

Regarding the sales system, we are promoting the adoption of a direct-sales system in North America and Europe. In North America, we switched from indirect sales via local distributors to direct sales by our local subsidiary in 2006. The direct-sales strategy currently accounts for over 70% of our sales, enabling efficient sales and inventory control and collection of market information. On the other hand, in Europe, since business practices vary from country to country, we have been implementing the direct-sales system starting with countries where the market size is relatively large and major retailers comprise a large proportion of sales channels. We founded a local subsidiary in France in the current fiscal year, and our sales bases in UK, Germany and France represent 60% of the European market. As Japanese game content is particularly popular in France, we are expecting to clearly see direct-sales results in the next fiscal year and beyond.



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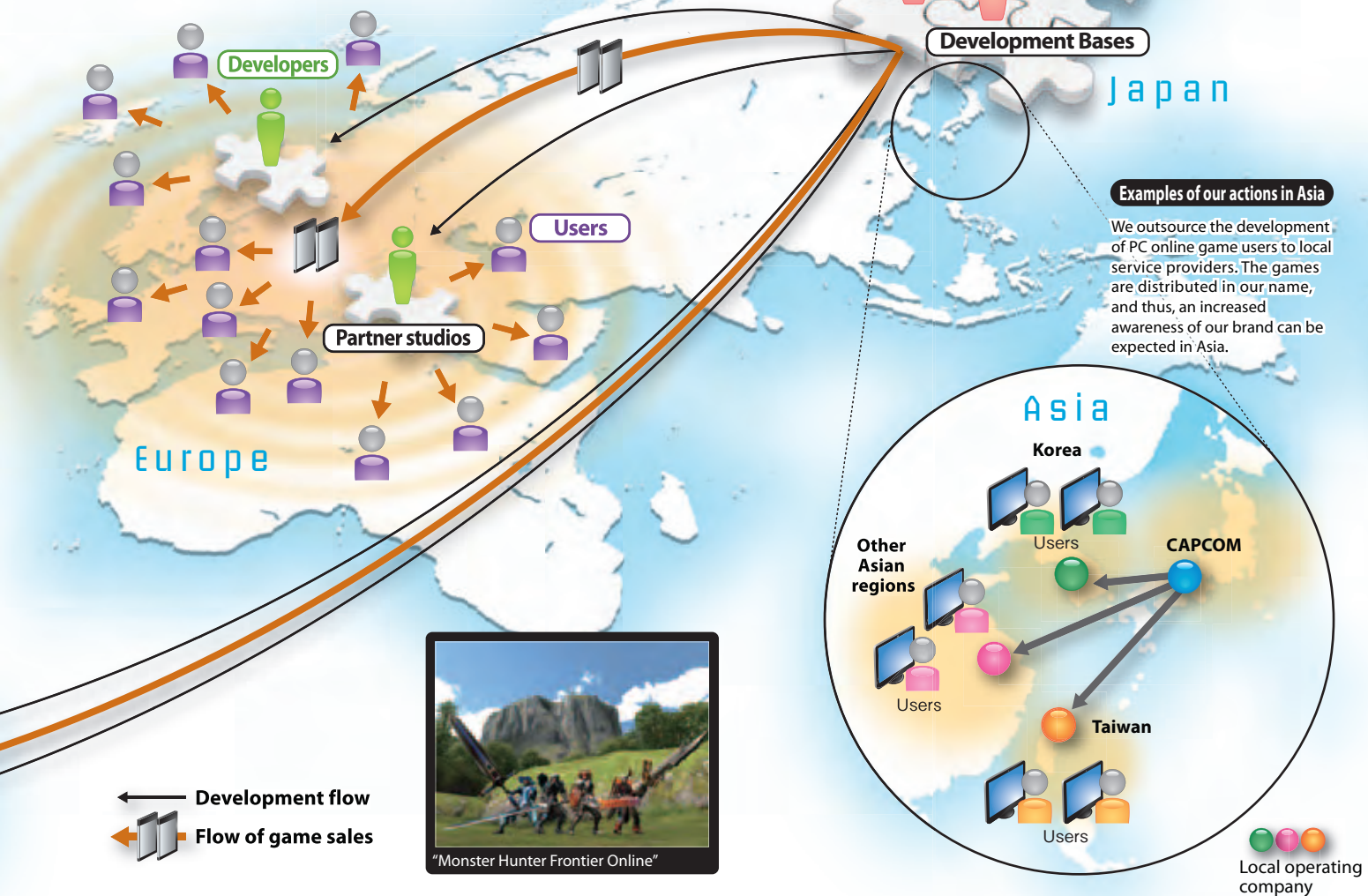


Overseas market development

Expanding market share in North America, Europe and Asia

Examples of our actions in Europe and North America

We develop video game titles for overseas markets in collaboration with leading local developers and sell them to local users through direct sales systems. We plan to increase the number of partner studios as well as the number of titles.



Examples of our actions in Asia

We outsource the development of PC online game users to local service providers. The games are distributed in our name, and thus, an increased awareness of our brand can be expected in Asia.

E xpanding mobile business to capture light users

The mobile content market, worth 5.4 billion dollars (up 23.0% from the previous year), is steadily growing, especially in North America, owing to the rise of iPhones and other smartphones and the use by a wide range of customers. The mobile content is becoming more important in order to increase the number of home video game users as it triggers the interest of light users.

We purchased a Canadian mobile game developer in 2006 and acquired the games targeting light users owned by this developer. Moreover, we have released a number of our popular games and successfully cultivated a wide spectrum of users. Consequently, the North American market share has jumped in ranking from 62nd in 2006 to 5th in 2008, establishing our manufacturer presence. In light of the success in North America, we are distributing the shared game content in Europe, aimed at increasing market share in the next fiscal year.

See p.28 "Overview of Capcom's Business and Outlook for the Future" for details of market trends and business strategies.

N ew business development in Asia

The PC online market is growing particularly in Asia. Although home video games are also popular in Asia, the prevailing problem of illegally copied software is restricting our business activities mainly to the billing and sales of PC online games based on personal authentication. Our home video game content commands huge popularity in this region and converting the existing popular series into online games will attract Asian users, difficult to do with home video games. We outsource billing and server operation functions to experienced local service providers from the perspective of country risk management.

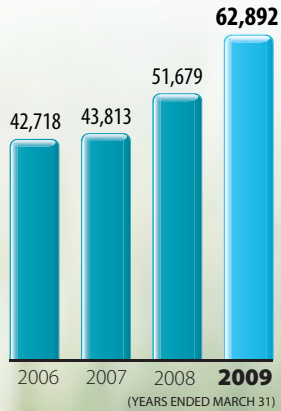
Currently, we are distributing the PC online game "Monster Hunter Frontier Online" in Japan and Korea with some successful results. This game is part of the "Monster Hunter" series, which boasts over 8.5 million units of sales to date. We are planning business development in Taiwan in the future to further increase awareness of our game content and establish a beachhead in the Asian market.



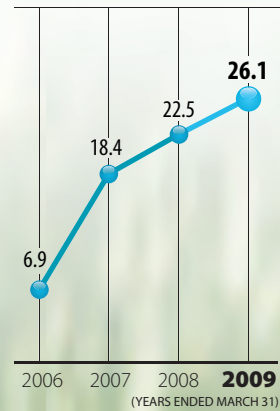
Home Video Games

This development and distribution of home video games constitutes the core business of Capcom, with sales accounting for approximately 70% of total sales. By concentrating our management resources in this field, we have developed game software for a wide range of consumers. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.

Net Sales (Millions of yen)



Operating Margin (%)

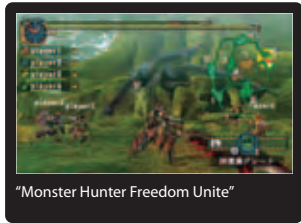


Market Trends

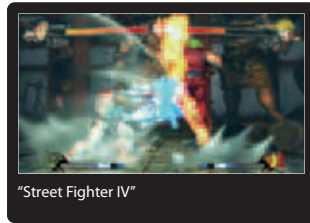
The market has expanded for 3 consecutive years despite an economic slump. Growth is expected until 2010 due to an increase in the gaming population and the rise of emerging markets.

The home video game market in 2008 was worth 26.9 billion dollars (up 11.2% from the previous year). It has grown by 3.4 times at an average annual growth rate of 16.5% since 2000. Despite the concern for a market slowdown due to a global economic slump, the market continued to expand for three consecutive years, thanks to not only the video game industry's resistance to a slow economy (see p.9) but also the following reasons, among others: (1) New home video game consoles are launched at a five- or six-year cycle and the number of consoles spread accumulates by the time the latter half of the cycle starts, increasing the number of video games sold; and (2) Each cycle offers various game consoles ranging from high-performance,

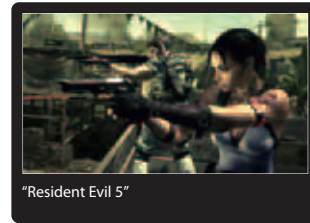




"Monster Hunter Freedom Unite"



"Street Fighter IV"



"Resident Evil 5"



"Mega Man Star Force 3"

multi-function types to casual ones, attracting a wide variety of users and increasing the gaming population.

The market mainly consists of three regions: North America, Europe and Japan. While the ratio of each region's share was 5:3:2, respectively around 2000, our overseas sales ratio is increasing every year due to the maturation of the Japanese market, caused by a falling birthrate and various other social factors, as well as the increase in the global gaming population combined with the growth of emerging gaming nations. In 2008, sales were 12.6 billion dollars (up 26.0% from the previous year) in North America, 11.0 billion dollars (up 11.1% from the previous year) in Europe, and 3.2 billion dollars (down 25.6% from the previous year) in Japan, showing that the foreign markets make up approximately 90% of this market. (See Diagram 1)

It is expected that the market will continue to expand in 2009 and reach 27.6 billion dollars (up 2.6% from the previous year). Although Diagram 1 shows that the peak for the market will be in 2009, we forecast that it will be extended until 2010 because: (1) Wii has been successful in globally bringing in new users, especially women and the middle-aged, by providing a new way to play video games; (2) Emerging gaming nations such as Italy and Australia are still experiencing an increase in their markets; (3) A reduction in the price of each game console generates demand among the low-income population; and (4) Launches of new models for portable game consoles, such as Nintendo DSi and PSP go, will reverse the mobile market trend.

Video game manufacturers will have great opportunities to increase their sales over the next year or two as the market is expected to expand. However, they will also need some skillful maneuvering to deal with diversifying users and game consoles as well as to respond to expanding overseas markets.

Operating Results for This Fiscal Year

The explosive popularity of our major titles gave momentum to the expansion in overseas sales.
A drastic 41.2% increase in profits gained after shipping approx. 10% more video games than last year.

Capcom's strength in the Home Video Games Business is threefold. First, we have scores of long-lasting intellectual properties with universal market appeal such as million-selling titles and popular characters. (See Diagram 2) Second, we maintain an advanced ability to develop original game content without relying on licenses obtained from external sources. We also possess a high level of technology, assisted by the "MT Framework", an integrated development environment built to provide common development tools for Xbox 360, PS3 and PC platforms. Lastly, we have strong overseas marketing capabilities as represented by effective sales operations in overseas markets, which are the majority of our markets, with a proper understanding of regional preference for game titles, market characteristics and business practices. (See p.17 "Our Strategy for Growth" for more details)

Our major title "Resident Evil 5" (for PS3 and Xbox 360) launched at the end of this fiscal year gained explosive popularity, selling more than 4.4 million units. Furthermore, we sold 2.5 million units of "Street Fighter IV" (for PS3 and Xbox 360), the latest version of the series which was the rage of the times, thanks to its persistent popularity as a brand and stable European and North American markets. The success led by these titles using the "MT Framework" gave momentum to the expansion in overseas sales.

"Monster Hunter Freedom Unite" for PSP released at the end of the previous year also continued to achieve smooth growth, thanks to its overwhelming popularity, selling 2.2 million units (accumulated total: 3.2 million units) including sales of the low-priced edition. Moreover, "Grand Theft Auto IV"

Diagram 1 Game Software Markets (\$ Billion)

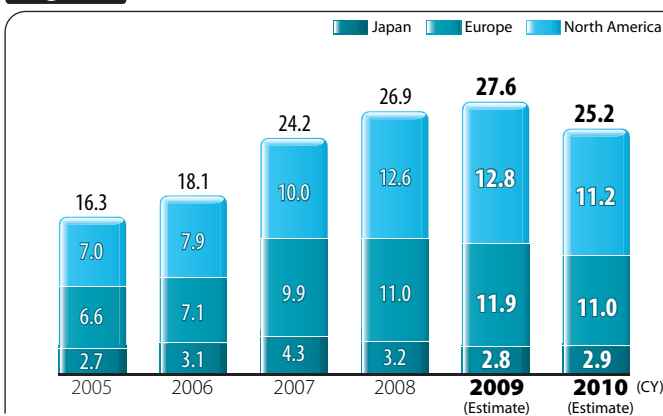
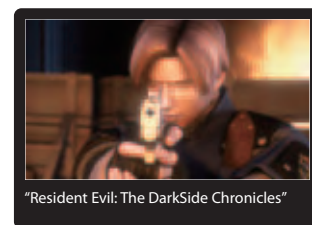
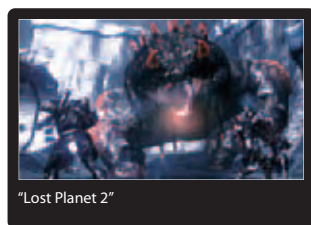
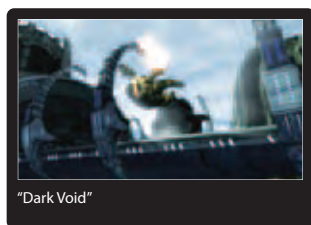
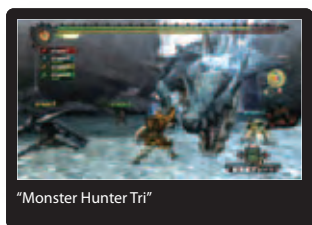


Diagram 2 Total Number of Units of Major Titles Sold (As of March 2009)

Major Titles	Number of Products	Total Number of Units Sold (Thousands)
Resident Evil	56 titles	40,000
Mega Man	124 titles	28,000
Street Fighter	62 titles	27,000
Devil May Cry	11 titles	10,000
Monster Hunter	11 titles	8,500
Ace Attorney	12 titles	3,200
Lost Planet	7 titles	2,700
Sengoku BASARA	10 titles	1,200



(for PS3 and Xbox 360), the latest version of the series, did well, thanks to its steady fan base, selling 300,000 units. We also sold 200,000 units of "Mega Man Star Force 3" for Nintendo DS, showing it to be a steady selling product.

Our market share in Japan, North America and Europe was 7.3% (up 0.3% from the previous year), 0.93% (down 0.5% from the previous year) and 0.8% (down 0.6% from the previous year), respectively, which illustrates the decrease in our overseas share. (See Diagram 3) This is due to the fact that no major titles were released within the calendar year. Our share during the fiscal year, however, was 2.0% (up 0.1% from the previous year) in North America, while our share has also increased in European market. Our presence in overseas markets is steadily increasing.

As a result, we released 110 new game titles and sold a total of 17.30 million units of old and new titles combined (up 10.9% from the previous year) during this fiscal year. Net sales for the year amounted to 62,892 million yen (up 21.7% from the previous year). Operating income reached 16,392 million yen (up 41.2% from the previous year) and operating margin totaled 26.1% (up 3.6 points from a year earlier). The outstanding performance of this segment contributed to the excellent financial results of the company.

Outlook for the Next Fiscal Year

We will give priority to the promotion of our growth in North American and European markets by adopting the multi-platform format expansively and reinforcing the development of titles for overseas.

As a medium-term business goal, we give priority to growth in North America and Europe in an effort to respond to the size of each market. Ideally, our overseas market share should be 80-90%, equivalent to the market segment size. However, since the domestic market share is increasing, the goal for our overseas sales ratio is currently set at 65%. In order to achieve this

medium-term business goal, we will be implementing business strategies mainly centered on (1) adopting the multi-platform format expansively, (2) promoting the development of titles for overseas markets, and (3) reinforcing our overseas marketing and sales structures. (See p.18 "Our Strategy for Growth" for more details)

As for "adopting the multi-platform format expansively", we will launch major titles for Wii, which holds more than a 50% share of the stationary video game console market, and for PS3 and Xbox 360, which hold the remaining 50%. For Wii, we will launch such games as "Monster Hunter Tri" and "Resident Evil: The DarkSide Chronicles", planning to sell a total of 4.2 million units (1.7 million units sold during the previous year). We will also release major titles including "Lost Planet 2" for PS3 and Xbox 360.

We have three strategies for "promoting the development of titles for overseas markets": the regular introduction of the sequels of popular titles, such as "Lost Planet 2" and "Monster Hunter Tri", with universal market appeal to ensure stable profits; revival of a series of titles that were popular overseas, such as "Marvel vs. Capcom 2"; to capture old and new users; and development of new titles that suit the preferences of the overseas customers, like "Bionic Commando" and "Dark Void", in partnership with overseas developers.

"Reinforcing our overseas marketing and sales structures" entails increasing the size of our marketing staff and building a detailed sales strategy as well as expanding our sales figures in Europe by getting our sales subsidiary in France, which was founded in the previous year, on track. Moreover, we will push forward with promotional efforts by working closely with each hardware manufacturer in order to increase sales quantity per title.

With these initiatives, Capcom plans to release 79 new game titles and sell a total of 19 million units of old and new titles combined, with net sales expected to reach 65,600 million yen and operating income of 16,700 million yen next fiscal year.

Diagram 3 Market Share by Region (CY2008)

Japanese Market

Company name	Sales (¥ Million)	Share (%)
1. Nintendo	95,000	28.9
2. Namco Bandai	47,000	14.2
3. Konami	29,000	8.7
4. Capcom	24,000	7.3
5. Square-Enix	20,000	6.1
6. Sega	15,000	4.6
7. Pokemon	15,000	4.6
8. SCE	9,000	2.8
9. Koei	9,000	2.7
10. Level Five	6,000	1.7
Others	-	18.4
Total	-	100.0

Source: Enterbrain, Inc.

North American Market

Company name	Sales (\$ Thousand)	Share (%)
1. A		
2. B		
3. C		
4. D		
5. E		
6. F		
7. G		
8. H		
⋮	⋮	⋮
18. Capcom	102,353	0.93
Others		
Total		100.0

Source: "The NPD Group / Retail Tracking Service"
Data concerning our competitors are not disclosed
by request of the market research company.

European (UK) Market

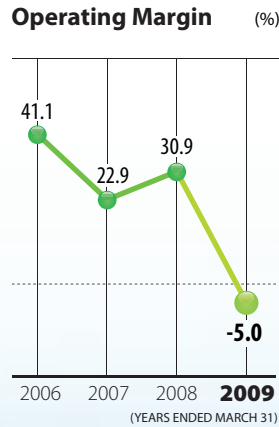
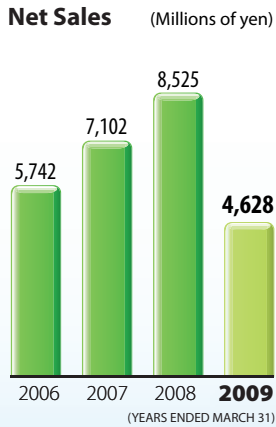
Company name	Sales (\$ Thousand)	Share (%)
1. Nintendo	587,908	17.7
2. Electronic Arts	476,150	14.4
3. Activision	326,700	9.9
4. Ubisoft	294,080	8.9
5. Sega	234,558	7.1
6. Take two	233,832	7.1
7. THQ	164,527	5.0
8. Microsoft	133,678	4.0
⋮	⋮	⋮
15. Capcom	27,237	0.8
Others		25.1
Total		100.0

Source: Chart-Track, copyright ELSPA (UK) Ltd.



Contents Expansion

We are expanding two other businesses based on the content used for our home video games making it possible for different businesses to create a synergetic effect. For example, Pachinko & Pachislo Business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software, whereas Mobile Content Business deals with the development and distribution of game content for mobile phones.



Market Trends

The Pachinko & Pachislo market decreased by 2.1% from the previous year, showing a continuous downward trend. Mobile content market is growing significantly worldwide, recording a 23% increase.

Contents Expansion Business consists of two businesses that develop the content of our home video games; the Pachinko and Pachislo Business and the Mobile Content Business.

As for the Pachinko & Pachislo market, its market size including sales at Pachinko parlors was 22.9 trillion yen in 2007. Despite being the biggest entertainment market, it has been on a downward trend since 1996. In particular, the market shrank significantly in 2007, decreasing by 4.5 trillion yen from the previous year. The market for Pachinko and Pachislo machines where we operate our business remained soft, worth 1,331.6 billion yen (down 2.3% from the previous year) in 2007. (See Diagram 4)





Pachislo machine
"biohazard"
©YAMASA Co., Ltd.
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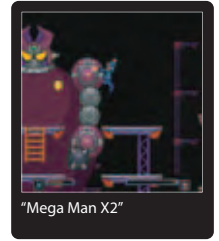
Pachislo machine
"Vampire"



Pachislo machine
"Chun-Li Ni Makase China"



"Apollo Justice: Ace Attorney"



"Mega Man X2"

This is mainly due to the amendments to the Regulations on the Entertainment and Amusement Trades Rationalizing Act (hereinafter called "the Entertainment and Amusement Trade Regulations") that were enacted in July 2004. As the gaming aspect of Pachislo machines has been further restricted, the industry's focus has shifted to developing machines with a greater emphasis on the entertainment features of the machines so that users can play for a long period of time with a small amount of money. The goal here was to acquire a wider variety of users. However, the number of users decreased due to a lack of market-needed machines, causing companies to struggle.

As for Pachinko machines, however, the amendments to the Regulations gave hardware manufacturers greater flexibility in designing and developing innovative products, encouraging launches of new products appealing to users. As a result, steady sales were achieved.

The Pachinko market is expected to remain strong, thanks to steady demand. Meanwhile, the Pachislo market is facing prolonged hard times. Positive signs of recovery are rarely seen and the decrease in the number of both machines and customers is expected to continue for a while, indicating polarization among manufacturers will progress.

As for the mobile content market, it has been growing worldwide and was worth 5.41 billion dollars (up 23.0% from the previous year) in 2008. (See Diagram 5) Some of the reasons for the significant growth are: (1) spread of mobile phones generated by growing world population, (2) increase in the number of new light users, thanks to the increase in large-screen, high-definition touch-screen devices such as the iPhone, and (3) its growing popularity in emerging markets as it provides low-cost entertainment.

By region, the Asia-Pacific market including Japan was worth 2.96 billion dollars (up 29.5% from the previous year) due to an increase in the number of users in China and Asian emerging gaming nations. The mobile market in the region now exceeds the PC and home video game market.

The North American and European markets are worth 1.19 billion dollars (up 16.1% from the previous year) and 1.07 billion dollars (up 8.1% from the previous year) respectively. The number of mobile phone subscribers exceeds significantly that of Japan and Korea due to the rising iPhone market.

The market is expected to serve a wide range of users from light users to core game fans as the mobile user base expands with the accelerated spread of new mobile phones such as smartphones (multi-function telephones), including the iPhone, and PDAs (Sidekick, Blackberry, WindowsMobile, etc.). It is, therefore, expected that the global mobile content market will experience significant growth and be worth 10.03 billion dollars (average yearly growth of 13.2%) in 2013.

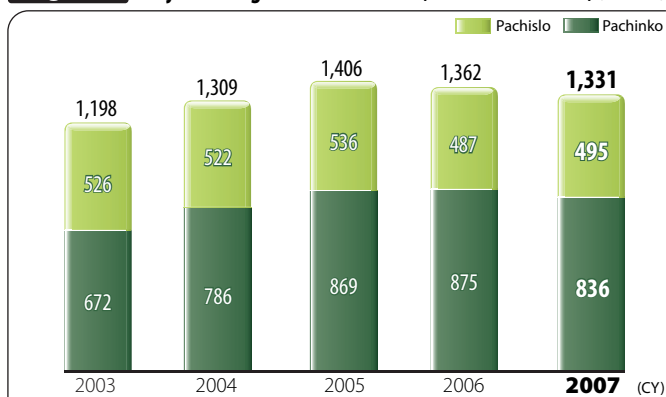
Operating Results for This Fiscal Year

Despite our robust mobile content business boasting the 5th biggest share in North America, an operating loss was posted due to a deficit in the Pachinko & Pachislo business.

Capcom's strength in this business is that we can maintain high profitability by making multiple uses of our wealth of intellectual properties in a variety of areas.

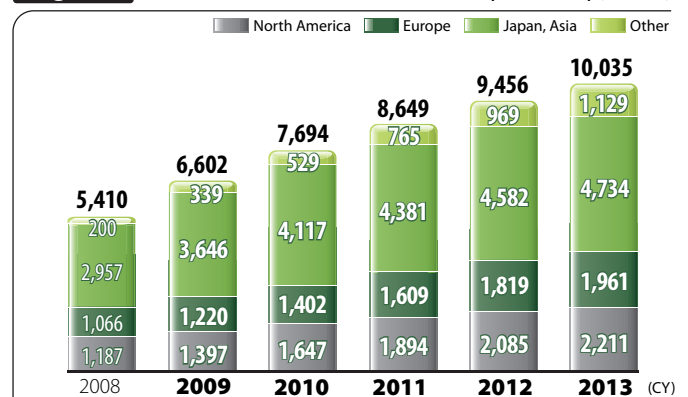
In the Pachinko & Pachislo Business, Capcom has been developing attractive software that features our proprietary content along with that of third-party developers, using our technological expertise in high-resolution image processing gained through the development of home video games. Also we have been supplying LCD devices to machine manufacturers. Moreover, we acquired as a subsidiary Enterrise CO., LTD. a manufacturer of equipment related to Pachislo machines in November 2008. This allowed us to start our own frame business by using this subsidiary's ability to develop main board (program for controlling the number of balls dispensed). The

Diagram 4 Major Gaming Machines Markets (New Machine Sales) (¥ Billion)



Source: Yano Research Institute Ltd.

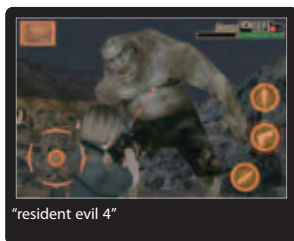
Diagram 5 Trend in the Mobile Phone Game Market (Worldwide) (\$ Million)



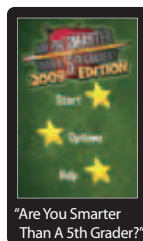
Source: Juniper Research



"Resident Evil: Degeneration"



"resident evil 4"



"Are You Smarter Than A 5th Grader?"

Game Code
©2008 CAPCOM.
Produced under license
Fox Broadcasting Co.
Are You Smarter
Than A 5th Grader?™
and ©2008 JM, Inc.



"Who Wants To Be A Millionaire?"

©Valleycrest Productions
Ltd. 2006



"Phoenix Wright- Ace Attorney" (Korea)

reasons for the acquisition are that our past consigned development business was influenced by the gaming machine manufacturer's intentions and therefore had difficulty securing stable profits for the business year. Also, we can expect a synergetic effect by combining both companies' strengths. (See Q5 on p.15 "Interview with CEO" for more details)

During this fiscal year, the market for equipment related to gaming machines was in a prolonged slump. Although "biohazard" released by YAMASA Co., LTD. sold well, this category was lackluster, falling significantly below last year's level, and went into red due to poor sales and weak product lineup of the eagerly-awaited "Chun-Li Ni Makase China" as well as the postponed release of a Pachislo machine for the next fiscal year.

In the Mobile Content Business, as part of our "Single Content Multiple Usage" strategy, we utilize expertise and content gained through developing home video games to deliver our popular home video game titles for mobile phones worldwide.

As for our overseas business during this fiscal year, we moved forward with developing games that met overseas users' needs mainly through the development company we acquired in North America in 2006. Consequently, casual games linked with popular TV programs such as "Who Wants to Be a Millionaire?" and "Are You Smarter Than a 5th Grader?" continued to be popular with light users. Furthermore, thanks to our strategic marketing of smartphone titles over the past two years, our share in the North American mobile content market was 5.4% (a fifth place ranking) in 2008. (See Diagram 6) Meanwhile, sales of the "Ace Attorney" series, which has been the domestic profit engine, slowed as the demand peaked.

Resulting net sales were 4,628 million yen (down 45.7% from the previous year) with an operating loss of 230 million yen (operating income of 2,633 million yen at the previous year), recording a decrease in both sales and profit.

Diagram 6 Market Share in the North American Mobile Game Market (2008)

Company Name	Share (%)
1. EA Mobile	26.3
2. Glu Mobile	11.6
3. Gameloft	11.1
4. Namco	6.2
5. Capcom Entertainment	5.4
5. Hands-On Mobile	5.4
7. Sony Pictures Mobile	3.9
8. THQ Wireless	3.5
9. Real Arcade	2.9
10. Oberon/iPlay	2.7

Source : Nielsen Research 08

Outlook for the Next Fiscal Year

We will reinforce our frame development and sales structure in the Pachinko & Pachislo Business and strive to acquire light users in the Mobile Content Business.

In the next fiscal year, we predict that the Pachislo market's downward trend will continue due to the amendments made to the Entertainment and Amusement Trade Regulations. However, we will reduce risks by managing both our own frame business and consigned development business.

The causes of the failure in "Chun-Li Ni Makase China", the first Pachislo machine with our own frame released in this fiscal year, were: (1) dispersion of development organizations, (2) weak sales channels, and (3) lack of sales staff's knowledge and sales promotion activities. To overcome these issues, in the next fiscal year, we will implement measures such as (1) promoting efficient development by combining the development department at the Headquarters and our subsidiary, Enterrise, (2) covering the entire domestic market by increasing the number of distributors and (3) reinforcing sales staff's training and promotion activities. We plan to sell 14,000 units through the promotion of three Pachislo machines. Moreover, we will continue to focus on consigned software development with superior dramatic effects by using our own as well as other companies' content.

In the overseas Mobile Content Business, we will establish an efficient business structure through collective management in Europe and North America, striving to increase profits by improving the title lineup for existing mobile devices. At the same time, we will gain growth in the future by investing in Internet delivery (open) type devices such as smartphones since this field is expected to grow. As there are many casual users in the overseas market, we will improve the portfolio of games for light users by developing not only our own content but also multiple content using other companies' copyrights.

In Japan, we will launch "Apollo Justice: Ace Attorney", the latest version of our popular series, aiming to regain users. As mobile content provides the first opportunity for light users to recognize home video games, acquisition of mobile content users will contribute to home video game profits.

We project net sales for the next fiscal year will be 9,200 million yen with an operating income of 1,800 million yen.

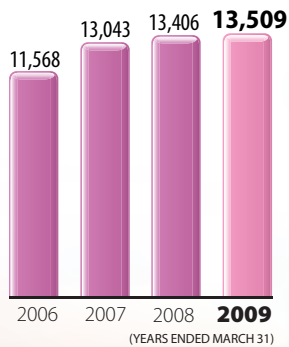


Arcade Operations

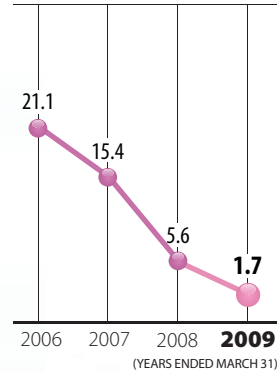
We operate amusement facilities "Plaza Capcom" in Japan.

We also operate our arcades predominantly in large commercial complexes and launch various events to attract families and female customers. We have diligently followed our policy of "scrap and build" to achieve the utmost efficiency in arcade operations.

Net Sales (Millions of yen)



Operating Margin (%)



Market Trends

The market has decreased by 3.5% for the first time in 6 years, forcing companies to struggle.

The downward trend will continue due to the consolidation of arcade facilities.

The domestic arcade facility market declined for the first time in six years and was worth 678.1 billion yen (down 3.5% from the previous year) in the previous year because the demand for new prize-winning games that provide large prizes peaked and the boom in children's card-based games ended. (See Diagram 7) Additionally, as small-scale facilities continued to shut down, the total number of arcade facilities decreased to 22,723 (down 3.8% from the previous year) continuing the trend of the past several years. In the meantime, the shift to large-scale facilities, such as shopping malls, accelerated. The number of arcades with more than 100 arcade machines operating reached 6,719, which now accounts for more than one third of all our facilities. (See Diagram 8)

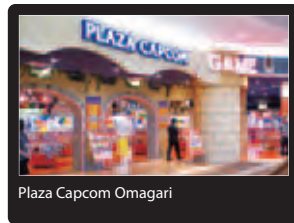
This fiscal year saw the market continue to slump. Each company in the industry was forced to struggle, causing net sales at existing facilities to decrease by more than 10 points from the previous year. Main factors contributing to this include: (1) decrease in the number of customers at shopping centers due to the economic slowdown, (2) diminishing number of customers at arcade facilities in reaction to the huge success of home video games and (3) lack of a new popular genre following the card-based games.

The outlook for the future market predicts recovery in each company's

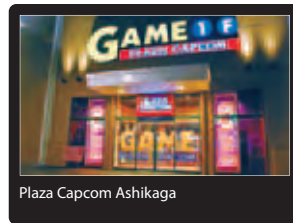




Plaza Capcom Inazawa



Plaza Capcom Omagari



Plaza Capcom Ashikaga



Plaza Capcom Hanyu

profitability since fierce competition among facilities will be lessened as a large-scale consolidation of facilities is undertaken. Although market size is expected to be on the decrease for a while, as there exists an inverse correlation between the arcade facility market's cycle and that of the home video game market, we are predicting that, in the long term, the market will bottom out and turn around as the home video game market faces a changeover and each company launches new games.

Operating Results for This Fiscal Year

The effective opening of new facilities has helped maintain increased revenue but resulted in 70.2% profit decline due to a sluggish market and decline in sales at existing facilities.

Capcom's strengths in this business category are: (1) having become specialized in opening mall-based large-scale facilities which secure a long-term stable customer base early, (2) designing and operating sales venues supported by customers and (3) maintaining relatively higher profitability than the competition by either selling or shutting down unprofitable facilities in an attempt to secure a better return on investment. (See Diagram 9)

This fiscal year, we attracted customers by hosting various events and fan-appreciation days and renovating facilities, to acquire new customers such as families and female customers as well as to increase the rate of repeated visits by existing customers. However, net sales at our existing facilities struggled, recording 85% of the previous year's figure, due to the poor differentiation from home video games and the decrease in the number of customers caused by lack of games driving the market.

To break through this situation, we focused on our "scrap and build" policy for operating the arcades during this fiscal year, closing eight

unprofitable facilities while opening six new facilities mainly at large-scale shopping centers. The number of facilities was 40 as of March 2009.

Net sales were 13,509 million yen (up 0.8% from the previous year) partly due to additional sales from new facilities and the opening of new facilities in the previous year. However, operating income declined to 224 million yen (down 70.2% from the previous year) due to factors such as the stagnant market, sluggish sales at existing facilities and increased expenses for opening new stores.

Outlook for the Next Fiscal Year

Opening and closedown of facilities will be restrained to assess the market trends. We expect an operating margin of 3.8% while focusing on improving existing facilities' profitability.

Considering it is uncertain when the arcade facility market will cease to fall and it is, in fact, worsening steadily, we will focus on restructuring the operating system of our existing facilities and improving their profitability over the next fiscal year. We will thoroughly improve the basics by reducing fixed costs including prize and parts costs and reviewing the number of staff members at our facilities. In addition, we will scale back capital investment by selecting equipment for investment and reduce depreciation expenses.

As for the opening and closedown of facilities, as the closedown of unprofitable facilities was basically completed during this fiscal year, we will refrain from opening new facilities in order to assess market trends. We will give top priority to improving profitability. Therefore, our plan for the next fiscal year is to open zero facilities and close one.

We project net sales of 13,000 million yen with an operating income of 500 million yen for the next fiscal year.

Diagram 7 Arcade Facilities Market Trends (¥ Billion)

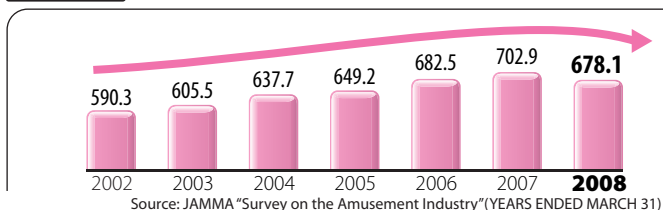


Diagram 8 Change in Number of Storefronts (categorized by # of arcade machine units)

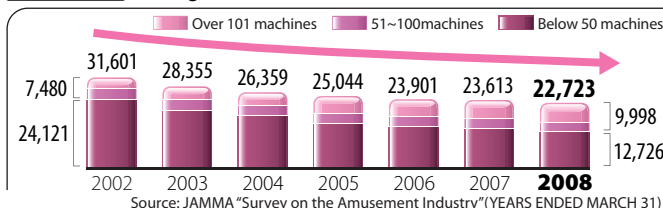


Diagram 9 Comparison of Arcade Operation Performance (March 2009)

Company Name	Net sales (¥ Million)	Share (%)	Operating income (¥ Million)	Operating margin (%)	Year-on-year rise (%)
Capcom	13,509	5.8	224	1.7	100.8
Adores	20,719	9.0	463	2.2	107.0
Aeon Fantasy	48,069	20.8	3,625	7.5	97.1
Namco Bandai	77,269	33.5	393	0.5	86.0
Sega Sammy	71,330	30.9	-7,520	-10.5	78.2
Total	230,896	100	-	-	-

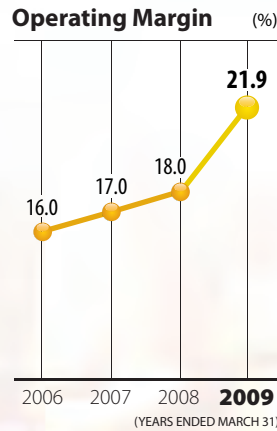
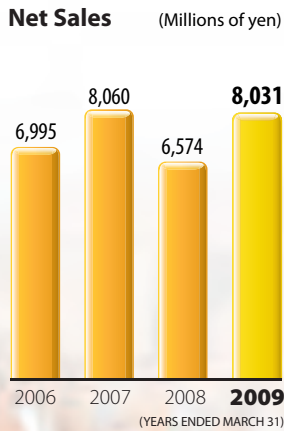
Source: Financial Results FY 2008 by respective company and support documentation (Aeon Fantasy fiscal end in February 2009)



Arcade Games Sales

We develop, produce and distribute arcade games for amusement facilities.

We concentrate our efforts on the development of coin-operated and prize-winning games, which are high in demand, as well as supply software for arcade video games to secure a stable customer base.



Market Trends

The market shrank for the first time in six years by 2.2%. This follows the cooling of the boom in popular products and slump in mall-based facilities.

The market for arcade machines grew for five consecutive years until 2007. However, it took a slight downward turn in the previous fiscal year as a result of economic stagnation. The domestic market was worth 205.5 billion yen (down 2.2% from the previous year) while the overseas reached 13.6 billion yen (up 2.7% from the previous year). The combined market was worth 219.1 billion yen (down 1.9% from the previous year). (See Diagram 10)

As for trends by product category, while card-based games (sales of satellite-type mass video packages with network and online connectivity and cards used for games), which have been leading the market lately, are still the key category, making up 27.3% of the market, this category is about to hit a plateau with its net sales decreased to 56.2 billion yen (down 8.0% from the previous year) due to the cooling of the boom in mega-hit products. Moreover, prize-winning games and coin-operated games accounted for 19.6% and 21.4% of the market with sales totaling 40.2 billion yen (down 4.5% from the previous year) and 44.0 billion yen (down 9.1% from the previous year), respectively, indicating that the demand for large game machines reached a point of saturation. (See Diagram 11) These results were also due to sluggish sales at mall-based facilities where these games account for a large proportion of sales.

The current trends in the arcade game market are dominated by product development targeting casual users such as families and couples. At the same time, development of network game machines is also underway as they generate a high repeat rate among core users. As for network game machines,

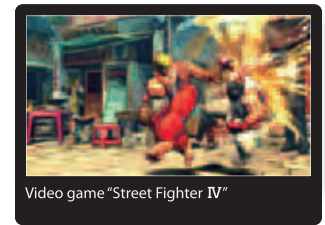




Coin-operated game
"Chibi Maruko Chan"
©さくらプロダクション/日本アニメーション
CAPCOM CO., LTD. 2008 ALL RIGHTS RESERVED.



Coin-operated game
"Mario party Fushigi no
Korokoro Catcher"
Licensed by Nintendo ©2007 Nintendo /
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Video game "Street Fighter IV"

efforts are being made to earn additional profits and reduce the operators' investment share by introducing a content billing model and a shared sales model.

In the short term, the market is expected to be stagnant since facility operators control capital investments by strictly selecting which machines to invest in. This is because their facility operating business is struggling due to the decrease in the number of customers at mall-based facilities caused by economic slowdown, the decrease in the number of customers at amusement facilities brought on by the success of the home video game market, and the lack of popular new products to follow in the footsteps of card-based games.

However, there exists an inverse correlation between the arcade facility market and the home video game market, and customers are expected to return in the long term to put the market back on path to growth as popular products emerge and the active home video game market slows down.

Operating Results for This Fiscal Year

Effective launch of titles linked with popular home video games led to increased sales and profits despite weakening demand.

Capcom's strength in this business category is its ability to provide high-quality arcade video games by making use of development capabilities for home video game software. In particular, combat-based fighting games, our flagship genre, allow us to maximize profits by launching the same content as home video games.

Another strength is that we own company-managed facilities, enabling us to grasp real-time market trends such as in-store information of popular games. By introducing trial game machines at company-based facilities, we gather opinions of both users and facility operators to develop popular game machines. Based on the expanded light user base generated by the recent increase in large-scale and mall-based facilities, we are also advancing the development of increasingly popular coin-operated and prize-winning games.

During this fiscal year our strategy was to deploy titles based on home video games. Though facility operators restrained investment due to weakening demand, we launched "Street Fighter IV", a video game that

ranked No.1 in popularity in the video substrate category of the "AOU2008 Amusement Expo". We also collaboratively released a popular video game with another company at the end of this term. Such efforts to reverse the tide were successful, generating certain results under current circumstances dominated by a sense of stagnation. Furthermore, we achieved steady growth of "Sengoku BASARA X (Cross)" and "Fate Unlimited Codes", thanks to the solid popularity and unique product lineup of each brand.

Resulting net sales were 8,031 million yen (up 22.2% from the previous year) while operating income reached 1,758 million yen (up 48.8% from the previous year).

Outlook for the Next Fiscal Year

We will break the market's deadlock by offering product lineups consisting of only popular machines and increasing product types in cooperation with another company.

Our strategy over the next fiscal year is to secure profits by offering product lineups consisting of only popular, time-proven products as it is predicted that facility operators will further restrain capital investments due to market slowdown.

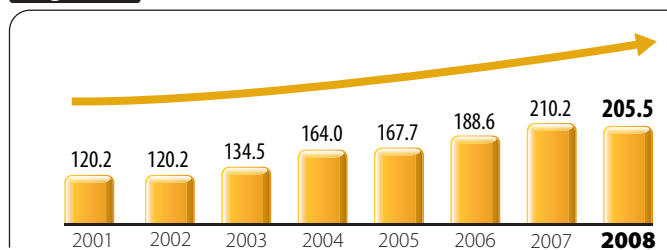
In the meantime, aiming to break the current market's deadlock, we will form a business partnership with NAMCO BANDAI Games Inc. and cooperate in developing and selling arcade games. Through this future collaborative effort, we aim to develop products supported by both companies' strengths and expand product lineups. Moreover, as part of our "Single Content Multiple Usage" strategy, we will reinforce the title line-up using our company's content.

As our core product, we plan to focus on "Mario party Fushigi no KoroKoro Catcher", a coin-operated game that won first place in the coin-operated game category of the "Amusement Machine Show". There is no plan to release video games during the next fiscal year as we are reviewing our video game development lines based on a prediction that the market will recover in a few years.

With these initiatives, we project net sales for next fiscal year to be 4,000 million yen with an operating income of 500 million yen.

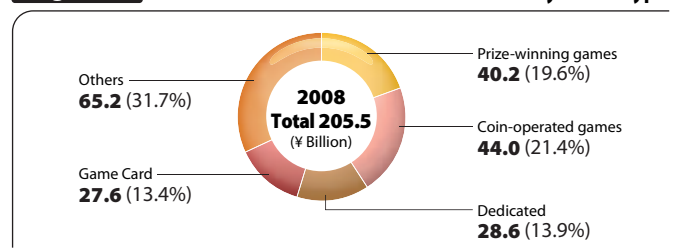
Diagram 10 Arcade Game Market Trend

(¥ Billion)



Source: JAMMA "Survey on the Amusement Industry"
(YEARS ENDED MARCH 31)

Diagram 11 Breakdown of the Arcade Game Market by Game Type



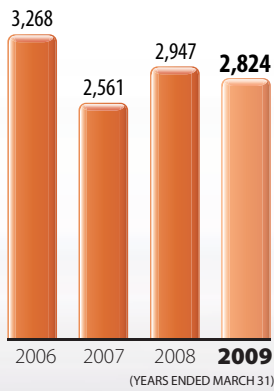
Source: JAMMA "Survey on the Amusement Industry"
(YEARS ENDED MARCH 31)



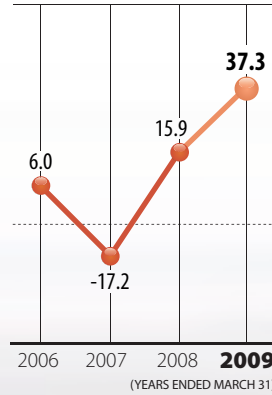
Other Businesses

Based on our "Single Content Multiple Usage" strategy that develops our game content in broad business areas, we will pursue a variety of copyright-related business opportunities such as publishing (walkthrough and strategy guide as well as setting collections) and licensing (music CDs and licensed merchandise). Furthermore, diligent efforts are being made to develop more movies and TV animation programs as well.

Net Sales (Millions of yen)



Operating Margin (%)



Operating Results for This Fiscal Year

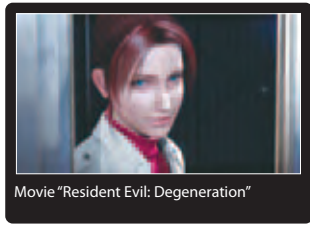
Our continuous project development in broad business areas has paid off. With the synergistic effects, the licensing business has increased its profit, up 125% from the previous year.

Capcom's strength in this category is our ability to take advantage of the strong synergy with our Home Video Games Business by making multidimensional use of our wealth of intellectual properties. Particularly, in the movie-related business, the brand value has been elevated by the high exposure provided by the media. This leads to greater sales expansion in video game software, completing an ideal sales cycle.

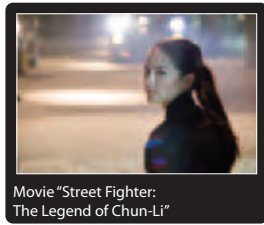
During this fiscal year, we continued to base our strategy on "Single Content Multiple Usage" (see p.21 "Our Strategy for Growth") and conducted various projects under each title to strengthen our game content brand and maximize our profits. These projects were implemented across our business segments. In connection with the release of our home video games, various divisions and departments launched arcade games, mobile content, walkthrough and strategy guides and character goods, developed more movies and TV animation programs, and organized events. (See Diagram 13)

We have particularly focused on strengthening the adaptation of our game content into Hollywood movies that can generate a strong promotional





Movie "Resident Evil: Degeneration"
©CAPCOM CO., LTD. / Resident Evil CG Film Partners



Movie "Street Fighter: The Legend of Chun-Li"
©CAPCOM CO., LTD. / Based on Capcom's Street Fighter Video Games



Theatrical production "Phoenix Wright: Ace Attorney - The Truth Comes Back to Life"
©TAKARAZUKA REVUE COMPANY / ©CAPCOM



Character goods "Monster Hunter Hunting Card"

effect on the sale of home video games. Other domestic software manufacturers have tried the same; however, our competitive advantage has been distinctive with the number of titles adapted into movies and their box-office revenues. (See Diagram 12) The reasons are: (1) Because of our strength in the capabilities to create original content, we own more content that completely belongs to our company than our competitors do; and (2) As our titles are globally popular, they are suitable for adaptation into Hollywood movies targeting the global market.

There are a multitude of development projects in progress that involves a variety of business segments, including "Street Fighter", "Resident Evil", "Ace Attorney", "Sengoku BASARA" and "Monster Hunter". For example, as a part of the special project commemorating the 20th anniversary of the first release of "Street Fighter", we firstly launched an arcade video game in July 2008, followed by various events offered from August including the "Street Fighter IV National Convention". Next, we released the walkthrough and strategy guides in October and licensed merchandise in December. Furthermore, in February 2009, we released the Hollywood movie "Street Fighter: The Legend of Chun-Li" while introducing a home video game, the core product. The content-related business was continuously operated over an extended period of time through various launches of various products including comics and soundtracks. The success in the increase of user awareness through our continuous project development partially contributed to the sales of 2 million units of its home video game and our broad business operation achieved solid growth.

As for "Resident Evil", in order to make the latest "Resident Evil 5" successful, we developed it for many forms of media with our focus on movie-related business. Upon the screening of the feature-length full-CG animation "Resident Evil: Degeneration" in movie theaters in Japan, its DVD recorded remarkable sales of 1.5 million units, thanks to the strong support from the fans. It eventually led to the selling of over 4 million units of "Resident Evil 5".

Diagram 12 List of Japanese game content that has been adapted into movies

Rank	Title	Original writer company	Box-office revenue (worldwide)
1.	RESIDENT EVIL: EXTINCTION	Capcom	\$147,717,833
2.	RESIDENT EVIL: APOCALYPSE	Capcom	\$129,394,835
3.	RESIDENT EVIL	Capcom	\$102,441,078
4.	STREET FIGHTER	Capcom	\$99,423,521
5.	SILENT HILL	Konami	\$97,607,453
6.	FINAL FANTASY: THE SPIRITS WITHIN	Square	\$85,131,830
7.	SUPER MARIO BROS.	Nintendo	\$20,915,465
8.	HOUSE OF THE DEAD	Sega	\$13,818,181
9.	STREET FIGHTER: THE LEGEND OF CHUN-LI	Capcom	\$12,078,658
10.	DOA: DEAD OR ALIVE	Tecmo	\$7,500,497

As of June, 2009
(Capcom figures)

As a result, net sales were 2,824 million yen (down 4.2% from the previous year) with an operating income of 1,053 million yen (up 125.0% from the previous year).

Outlook for the Next Fiscal Year

To expand the customer base, we will further pursue the "Single Content Multiple Usage" strategy by adapting our titles into movies, TV animation programs and theatrical productions.

Over the next fiscal year, we will even more proactively pursue our "One Content Multiple Usage" strategy.

In our movie-related business, titles targeting the world market are continuously in production for Hollywood movies. Currently, "Onimusha" and "Lost Planet" are going to be adapted into movies. For titles targeting the domestic market, adaptation into theatrical productions and TV animation programs is mainly enhanced. In addition to the theatrical performance of "Ace Attorney" by Takarazuka Revue Company and the adaptation of "Sengoku BASARA" into theatrical productions and TV animation programs, the "Monster Hunter 5-year Anniversary Orchestra Concert -Hunting Music Festival-" will be held in collaboration with the Tokyo Philharmonic. (See Diagram 13) The inter-professional collaboration with theaters or orchestras can not only achieve a promotional effect but also expand our user bases by attracting new customers whom we were unable to reach before. With regard to the peripheral business, we will launch the latest version of "Monster Hunter Hunting Card" to expand the highly profitable card-based game business.

With these efforts, we project net sales for the next fiscal year to be 3,200 million yen with an operating income of 900 million yen.

Diagram 13 List of our content that has been adapted into movies and theatrical productions

Movie	Aug. 1994	Animated movie	Street Fighter II
	Dec. 1994	Hollywood movie	Street Fighter
	Mar. 2002	Hollywood movie	Resident Evil
	Sep. 2004	Hollywood movie	Resident Evil: Apocalypse
	Mar. 2005	Animated movie	Mega Man Battle Network
TV animation	Nov. 2007	Hollywood movie	Resident Evil: Extinction
	Oct. 2008	CG movie	Resident Evil: Degeneration
	Feb. 2009	Hollywood movie	Street Fighter: The Legend of Chun-Li
	Apr. 1995	TV animation	Street Fighter II V
Theatrical production	Mar. 2002	TV animation	Mega Man Battle Network
	Oct. 2006	TV animation	Mega Man Star Force 3
	Jun. 2007	TV animation	Devil May Cry
	Apr. 2009	TV animation	Sengoku BASARA
Theatrical production	Feb. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney - The Truth Comes Back to Life
	Jul. 2009	Theatrical production	Sengoku BASARA
	Aug. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney 2

Corporate Social Responsibility (CSR)

Promoting a better understanding of video games in the society by providing educational support

Our basic philosophy in management is to create an entertainment culture through development of highly creative software contents that excite people and stimulate their senses.

Home video games are a relatively new cultural phenomenon that has yet to receive adequate academic study. Due to this, society at large has not recognized the positive educational aspects of the medium and only stresses its influence during acts of violence. However it is equally true that the idea of working in this field as a home video game creator is very popular among children, who often cite this as their future choice of career. In recent years, portable video game consoles have been recognized for their educational benefits as they are beginning to be used in some classrooms and society as a whole appears to be more open to video games.

At Capcom, we strongly believe that, as a manufacturer of video games, it is part of our corporate social responsibility (CSR) to promote a better understanding toward video games among children, teachers and parents. To this end, we have conducted awareness campaigns in the past by providing support to educational institutions and communities.

In addition to these campaigns, as a proactive response to the request made by the educational community, we developed a new classroom support program in February 2009, which is made up of two components: the "Carrier Education Support" program that presents what a video game company does as well as the rewards and the challenges of working at one, and the "Game Literacy Education Support" program that encourages children to get to know their video games and their pros and cons in order to make good choices when handling video games in their daily lives.

Furthermore, we published an educational comic book, "The Secrets of Video Games" jointly with Gakken Co., Ltd. (Gakken) and donated this publication, which is also used as the pre-visit material for our on-site classes, to 24,000 elementary schools and 2,700 public libraries around the nation. It is also endorsed by the National Congress of Parents & Teachers Association of Japan and provides information about the home video game industry, the development process, how to best handle home video games in daily life, learning how to become a video game creator, and much more.

It is also used as the classroom support material for "Integrated Learning".

As another important element of these supportive educational activities, we advocate the significance of the Ministry of Education, Culture, Sports, Science and Technology's new teaching guidelines, "Integrated Learning", and have been actively inviting students to visit our company. To date, 551 students from 103 schools (as of the end of March 2009), mainly elementary and junior high schools, have visited us.

Moreover, Capcom joined forces with the Tokyo Stock Exchange and the Japan Securities Dealers Association to hold on-site classes to provide assistance in students' research and visited three elementary schools (approximately 160 students as of the end of March, 2009) in Chiba Prefecture to give an on-site class titled "What You Do Toward Your Dream for the Future". By explaining the occupational significance of home video game software company and how to best handle video games in daily life to them, we aim to help students determine a career path.

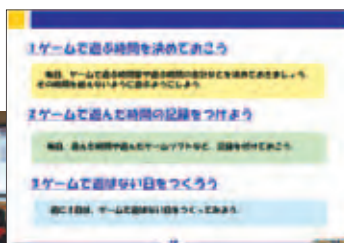
Supporting the healthy development of youth by respecting and promoting the CERO Rating System

The majority of the home video game users are young people. To foster their healthy development, the home video game industry voluntarily regulates the content and expressions of its video games which are sexual or violent in nature, which ensures that our youth are not exposed to material meant for adults. The package of every video game displays a rating symbol for its appropriate age group to provide customers with useful information when purchasing. The industry voluntarily prohibits the sale of video games that fall under "18 or older" (Category Z) to minors in its effort to foster the healthy development of our youth. This system seems to be taking root as one recent survey demonstrated that 75.8% of retailers surveyed said their customers were more aware of the rating system.

During the current fiscal year, Capcom has poured its energy into promoting this rating system by donating "The Secrets of Video Games", which explains in detail the rating system among other topics, to boards of education and other local authorities and conducting company visits by students and holding on-site lessons at schools.



On-site class at school



Educational support program



Gakken's "Understanding" Series: "Secrets of Video Games"

Rating Symbol

Corporate Governance

Speedier decision making, seamless and flexible operations

We have an internal auditor system in our corporate governance system, with a Board of Corporate Auditors comprising of four members, including two external Auditors from outside. They are responsible for developing auditing policies and discussing audit results. It also reports substantive matters in the audit to the president, and exchanges opinions and information with an auditing firm. In addition, we have introduced a Corporate Officer System to allow speedier decision-making and flexible execution of operations, under which the Board of Directors, which focus on management policy decision-making, from the Corporate Officers, who implement and execute the day-to-day operations of the company.

Capcom chose to govern itself using the internal auditor system rather than the committee-based system. This decision was made due to the fact that we already have a Corporate Officer System in place. In addition, our management has already adopted a part of the spirit of the committee-based system of separating Management and Operations by including three External Directors and setting up the Remuneration Committee.

Management Monitoring System: Board of Directors and Remuneration Committee centering around External Directors

The Board of Directors consists of nine directors and convenes for regular board meetings once a month. An extraordinary board meeting is held when the need arises. Three of the nine directors are outside directors. The Board of Directors has been vitalized and its transparency and credibility have improved, while the management monitoring function has been reinforced by accepting advice, opinions and screening from the outside directors. Moreover, we have established a Remuneration Committee, chaired by an outside director, to determine fair and relevant compensation plans for directors.

For the current fiscal year, we also submitted a report on the Board of Directors recommended remuneration for each director, which had been determined based on the remuneration agreed upon during a general shareholders' meeting.

Internal Audit System implemented by independent Audit Office

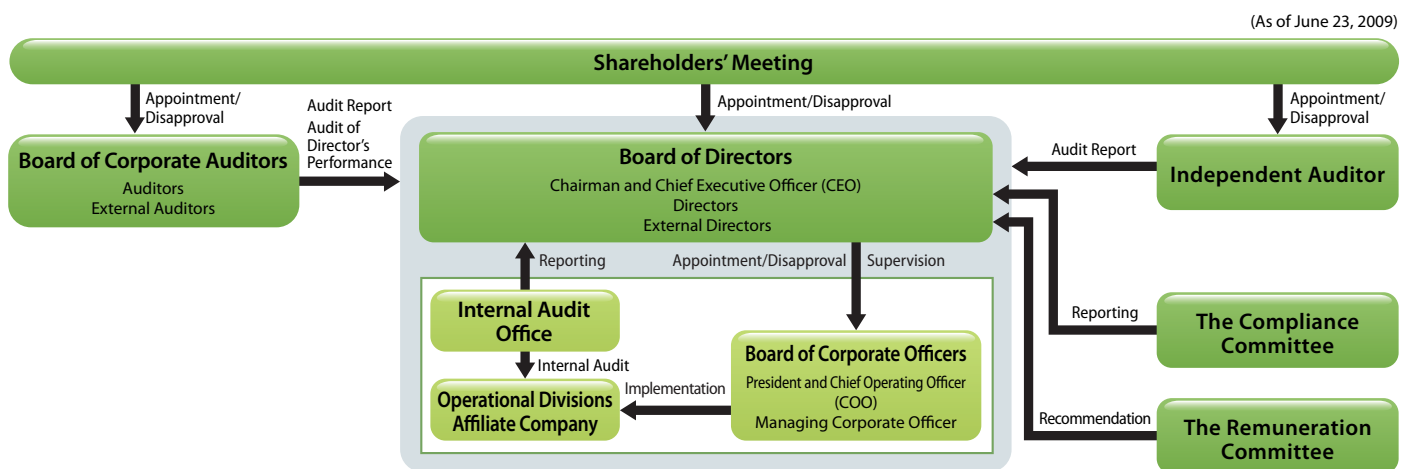
We have also set up an internal audit office under the direct control of the president, which is independent from the business divisions and serves as an internal auditing organization. It is tasked with conducting internal audits for all divisions of Capcom, working with corporate auditors when necessary in order to verify and ensure the legal compliance and efficiency of the company's operations. At the same time, the audit office ensures that internal control works effectively for every division in the company, and gives recommendations for correction and improvement to relevant divisions based on their findings.

Compliance

Promoting deeper and thorough understanding of legal compliance among all officers and employees

To manage the various risks posed to the company, we established a Compliance Committee, chaired by an attorney who is one of the three outside directors, that meets once every three months. We review the status of risk management implementation in each division and department every three months using a Periodic Compliance Check, and the results are reported to the Board of Directors through the Compliance Committee. Counseling, advice and supervisory warnings are given to concerned parties as circumstances demand.

In addition, we instituted the "Capcom Code of Conduct" to strengthen our internal control system. We are dedicated to proactively preventing illegal acts and misconduct, and to ensure legal compliance through the promulgation of corporate ethics and principles. With regard to the Act on the Protection of Personal Information (Personal Information Protection Law), we have taken measures such as developing a "Personal Information Protection Program" and instituting "Basic Policies on Information Security" and "Personal Information Protection Rules". Additionally, we disclose and



disseminate our privacy policies both inside the company and to the public. We will further implement training programs and awareness-raising activities among our employees so that the systems for privacy protection will continue to work effectively.

Initiatives During Current Fiscal Year: Training and e-learning

During the current fiscal year, the Compliance Committee met four times and gave training sessions targeting personnel responsible for legal compliance in each division. Furthermore, we also set up an “e-learning Educational Curriculum: Legal Compliance” as well as an “e-learning Educational Curriculum: Rules on Personal Information Protection” targeting all other employees.

Legal compliance is the backbone of corporate governance and is fundamental in fulfilling Corporate Social Responsibility (CSR). To this end, we will continue to propagate and instill this message in all our officers and employees.

Reorganizing our internal control system to make our operations more accurate and efficient

As part of our directors’ duty of due care, we have implemented the following internal control system based on the Company Act and its enforcement regulations to ensure that our group-wide business practices are carried out compliant with regulations and in an efficient manner.

1. Implementation of a system to ensure that directors’ execution of their duties is compliant with laws and regulations.

On the recommendation of the three external directors, the Board of Directors has been given increased responsibilities for oversight and asked to play a

more active role. The Compliance Committee is tasked with conducting internal monitoring on a regular basis in order to prevent illegal acts and misconduct, and to ensure legal compliance. This enhanced management oversight is expected to increase our corporate value.

2. We have been implementing the following measures to ensure that our business practices are conducted appropriately and are consistent with compliance rules.

(1) Retention and Administration of Information

The retention and administration of documents and information as records of execution of important management operations by the directors, such as the minutes of board meetings, is carried out in accordance with the “Document Administration Rules”.

(2) Risk Management

Risk management measures are being implemented across the company as specified by the “Crisis Management Rules”, in order to prevent crisis from taking place and to take appropriate action in case an unforeseen event has occurred.

(3) Efficient Execution of Business Operations

We have adopted a Corporate Officer System under which Board of Directors responsible for management policy decision-making is separated from corporate officers responsible for day-to-day operational decision-making, enabling smooth and flexible business operations and raising the efficiency of management.

(4) Reinforcing Legal Compliance

We have instituted “Capcom Code of Conduct” as a basis for legal compliance. We are committed to the prevention of illegal acts and misconduct by implementing promulgation, training and monitoring programs for employees, such as a weekly online survey via an intranet to gauge employees’ compliance with the Personal Information Protection Law.

(5) Managing the Entire Group Companies

We have a group-wide legal compliance framework in place to make sound corporate governance work and to better manage compliance risks, maintaining close parent-subsidiary communication and ties through monthly subsidiary board meetings and the implementation of the “Subsidiaries Management Rules”.

(6) Operation Audit

Auditors are responsible for auditing business operations executed by officers, and for ensuring that internal control functions effectively by submitting auditor’s reports, recommendations for corrective measures and advices when appropriate. In order for auditors to perform their auditing work smoothly and appropriately, a dedicated staff member is assigned to assist them, whose personnel changes are carried out with the consent of auditors.

External Directors’ Comments

Director **Hiroshi Yasuda**

Fostering an open and fair management culture based on a viewpoint of “outside looking in”

Japan’s new Corporate Law enacted in 2007 clearly stipulates the disclosure on corporate governance and requires the information about outside directors. This shows that more significance has been attached to having independent outside directors on the board. It is imperative to have an internal control system work effectively in order to prevent illegal acts and misconduct and to ensure that operations of a company are conducted appropriately.

In 2007, Capcom implemented a new management structure that separates management and operations, intended to expedite management decisions and to enhance oversight of the execution of day-to-day operations. As an outside director, I’m in a position to voice my opinions and offer recommendations concerning issues of which insiders may not be aware, but that need to be addressed in all aspects of management from a perspective closer to external stakeholders, such as shareholders and customers. By doing so, I hope I will make a meaningful contribution in helping the Board of Directors play a more active role and to exercising effective supervision of day-to-day business operations.

Director **Makoto Matsuo**

Enhancing Oversight of Internal Control and Legal Compliance.

The problem of inadequate internal control has been raised every time a corporate scandal came to light over the past few years, giving rise to calls for the development and enhancement of systems for legal compliance. Large companies like Capcom are now obliged to establish “basic policies for internal control systems” that highlight ‘legal compliance and management efficiency’ under Japan’s new Corporate Law, in addition to submitting an “internal control report” that evaluates the internal control of financial reporting by Capcom and its affiliates as a new requirement under the Financial Instruments and Exchange Act since FY2008. Given Capcom’s aggressive business activities expanding into overseas markets, we acknowledge that the issue of developing global risk management and information management systems is a pressing one.

I will utilize my experience and expertise accumulated in the legal profession when I voice objective and well-balanced opinions in an effort to exercise stronger management oversight of day-to-day operations, promoting internal control and legal compliance. Also, I will ensure that the company will be well prepared to take timely and appropriate actions when an unforeseeable event arises, by having systems for legal compliance and risk management firmly in place.

3. Our basic policy and system to work towards eradicating illegal organizations/criminals

Capcom takes a firm stand against illegal organizations or criminals that threaten the social order and safety of citizens and is against the corporation or its employees as private citizens ever having any association with these organizations. If we are contacted by these organizations or individuals, we will handle the matter immediately and systematically. With

cooperation from the police and other relevant authorities, we will firmly refuse to comply if an unlawful demand is made. Information regarding these organizations and individuals and recent developments will be scrutinized to prepare for an unfortunate but possible encounter. Should we ever associate with them in some form without being aware of their nature, we will immediately terminate the association with the help of the police and other relevant authorities.

Basic policies for IR (Investor Relations)

1. Basic policy for disclosure

We believe it is incumbent upon a listed company like us to make timely and appropriate disclosure of information and to ensure accountability to our shareholders and investors and that it is imperative from a corporate governance standpoint.

Therefore, we operate the following basic policy for IR activities: (1) establishing a responsible IR framework, (2) enforcing an adequate information disclosure, and (3) creating a timely disclosure system, to enhance the transparency of management.

2. Criteria for disclosure

We make timely disclosures in accordance with the Securities and Exchange Law and abide by regulations such as the "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security" (hereinafter referred to as Timely Disclosure Rules) stipulated in the Financial Instruments and Exchange Law and Tokyo Stock Exchange. It is our policy to actively disclose as much information as possible that is not required by the Timely Disclosure Rules, so as to accommodate our investors' needs.

We also make disclosures via our Web site with the aim of speedy and fair disclosure. Our shareholders are informed of operating results and state of the business through the issuance of business reports and annual reports.

3. Quiet period

In order to prevent unauthorized leaks of earnings (including quarterly and interim, the same hereafter) information prior to its official announcement, we have set a quiet period lasting for one month prior to the date of announcement. During this period, we shall decline all inquiries relating to our business performance. However, should the expectation for a large fluctuation arise in our earnings outlook within this quiet period, we shall make disclosures pursuant to the Timely Disclosure Rules, in a timely and appropriate manner.

4. External assessments of our IR activities

As a result of our ongoing and active drive for timely and appropriate information disclosure, we have received a number of awards from external assessment organizations in recognition of our efforts for our IR activities and various IR tools.

During the current fiscal year, we received an award at the Nikkei Annual Report Awards 2008 amongst others. Furthermore, our IR Web site was ranked 4th by the 2008 Best All Listed Company Homepage Comprehensive Rankings and 1st by the 2009 Gomez IR Site Ranking.

We will continue to acknowledge the importance placed on accountability toward the market. We will constantly endeavor to win the trust of our investors and improve on our timely disclosure system.

5. IR activity framework

Currently, seven dedicated staff members led by the president, the chairman and the IR director are actively engaged in IR activities on behalf of our shareholders and investors at home and abroad.

For inquiries relating to IR information such as earnings, please contact the following.

Public Relations & Investor Relations Section
PHONE: 81-6-6920-3623
E-mail: ir@capcom.co.jp
 Business Hours:
 9:00-12:00, 13:00-17:30
 (excluding weekends and public holidays)



Director of Investor Relations and Investor Relations Staff



Briefing session for individual investors

Director Takayuki Morinaga

Strictly enforcing risk management by making optimal use of experience in other countries.

Capcom has been improving its business performance thanks to sound management, in contrast with the deteriorating performance of other companies due to such factors as the impact of the worldwide recession. It is a great honor for me to have been appointed to director of such company, and at the same time, I acknowledge the significance of my responsibility associated with this appointment.

Needless to say, the external director's role is to enhance the governance function by separating the supervision of day-to-day business operations from the execution of such operations, and of course, to prevent illegal acts, misconduct and other such incidents from arising by creating a sense of tension within the Board of Directors. As external director, I intend to pinpoint the areas where improvement or advice is required and fulfill my role and responsibility by taking an objective view of the Company as a whole.

In recent years, it has become necessary to develop a crisis management framework to tackle unexpected events such as the H1N1 influenza pandemic, as well as natural disasters including but not limited to earthquakes and fire. I believe the establishment a framework to take appropriate action in the event of unexpected circumstances so that we can continue running our business will help improve Capcom's credibility and its corporate image. I have worked overseas for an extended period of time and engaged especially in risk management overseas, so I intend to take advantage of my international experience in boosting Capcom's corporate value with enhanced social attributes.

Corporate Auditors' Comments

Shoji Yamaguchi Corporate Auditor (full-time) **Kazushi Hirao** Corporate Auditor (full-time) **Masanao Ichika** Corporate Auditor **Koji Takito** Corporate Auditor

More strict oversight of the internal control system to ensure appropriate business conduct.

Capcom's Board of Corporate Auditors consists of four auditors including two from outside the company.

We perform our daily audit responsibilities in accordance with the auditing policy and job descriptions established by the Board of Corporate Auditors. To do so, we maintain close communication with the Board of Directors, Office of Internal Auditing and other employees to collect relevant information and to lay the groundwork for audits. Also, we attend important corporate meetings such as board meetings to receive activity reports from directors and other key managers on their day-to-day execution of operational duties, ask them for clarification as required, review documents of important corporate decisions, and investigate the status of operations and financial status of the company.

Since fiscal 2006, it has become our responsibility to monitor and verify the effectiveness of the system that ensures directors' day-to-day execution of their duties is compliant with laws and regulations, as well as of the internal control system designed to ensure the company's business operations are conducted appropriately. We maintain close communication with directors at our subsidiaries, exchange information with them and obtain updated business reports from them as the need arises.

Directors, Corporate Auditors and Corporate Officers

Directors



Tamio Oda

Hiroshi Tobisawa

Kazuhiko Abe

Sumitaka Hatsuno

Kenzo Tsujimoto

Haruhiro Tsujimoto

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

- Jul 1985 President and Representative Director of the Company
- Apr 2001 Chief Executive Officer (CEO) of the Company (to present)
- Jul 2007 Chairman and Representative Director of the Company (to present)

Sumitaka Hatsuno

Director

- Dec 1989 Entered into the Company
- Apr 1993 General Manager of Arcade Operations Dept. of the Company
- Jun 1999 Officer & General Manager of Arcade Operations Dept. of the Company
- Jul 2004 Managing Corporate Officer of the Company
- Jun 2005 Director of the Company
- Apr 2006 Director, Executive Corporate Officer of the Company
- Jul 2007 Director, In charge of Arcade Operations, Arcade Game Sales and Pachinko & Pachislo Business of the Company (to present)

Kazuhiko Abe

Director and Managing Corporate Officer
Chief Financial Officer (CFO)

- Apr 1987 Entered into The Mitsubishi Bank, Limited (currently The Bank of Tokyo-Mitsubishi UFJ, Limited)
- Jul 1994 Deputy Manager of New York Branch, the said Bank
- Nov 2000 Executive Officer, Hikari Tsushin, Inc.
- Jan 2002 Executive Officer, Intuit Kabushiki Kaisha (currently Yayoi Co., Ltd.)
- Mar 2003 Entered into the Company
- Jul 2003 General Manager of Management Planning Dept. of the Company
- Apr 2004 Corporate Officer of the Company
- Apr 2006 Managing Corporate Officer of the Company (to present)
- Jun 2006 Director, Chief Financial Officer (CFO) of the Company (to present)
- Jul 2007 In charge of Group Management of the Company (to present)

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

- Apr 1987 Entered into the Company
- Jun 1997 Director of the Company
- Feb 1999 Managing Director of the Company
- Apr 2001 Senior Managing Director of the Company
- Jul 2004 Director and Executive Corporate Officer of the Company
- Apr 2006 Director and Executive Vice President of the Company
- Jun 2007 Representative Director, President and Chief Operating Officer (COO) of the Company (to present)

Hiroshi Tobisawa

Director

- Aug 1997 Entered into the Company
- Apr 1998 General Manager of Corporate Planning Dept. of the Company
- Jun 1999 Officer & General Manager of Home Video Games Domestic Sales Division of the Company
- Apr 2001 Managing Corporate Officer of the Company
- Jun 2005 Director of the Company (to present)
- Jul 2007 In charge of Overseas Business of the Company (to present)

Tamio Oda

Director

- Apr 1969 Entered into The Sanwa Bank, Limited (Currently The Bank of Tokyo-Mitsubishi UFJ, Limited)
- Jun 1991 Managing Director of Unicharm Corporation
- Jun 1997 Branch Manager of Nakanoshima Branch of the said bank
- Jun 1999 Managing Director of Daisue Construction Co., Ltd.
- May 2001 Advisor of the Company
- Jun 2001 Director of the Company
- Jun 2003 Managing Director of the Company
- Jul 2004 Director, Executive Corporate Officer, Chief Financial Officer (CFO) and in charge of Corporate Strategies, Administration, President's Office, Affiliated Companies' Management of the Company
- Mar 2006 Director of the Company (to present)
- Jul 2007 In charge of Corporate Management of the Company (to present)

External Directors



Takayuki Morinaga Director

- Apr 1964 Entered into The Export-Import Bank of Japan (Currently Japan Bank for International Cooperation)
- Apr 1992 General Manager of Personnel Division of the said Bank
- Apr 1994 General Manager, Osaka Branch of the Bank
- Apr 1996 Senior General Manager of the Bank
- Sep 1998 Managing Director, Yazaki Corporation
- Sep 2000 Senior Managing Director, Yazaki Corporation
- Jun 2006 Vice Chairman, Yazaki Corporation
- Jun 2007 Director and Executive Councilor, Yazaki Corporation
- Jun 2008 Advisor of Yazaki Corporation (to present)
- Jun 2009 Director of the Company (to present)

Hiroshi Yasuda Director

- Apr 1957 Entered into the Ministry of Finance
- Nov 1973 Personal Secretary to the Minister of Finance
- Jan 1977 Personal Secretary to the Prime Minister
- Jun 1988 Deputy Vice Minister of Finance
- Jun 1990 Director-General, Budget Bureau
- Jun 1991 Administrative Vice Minister of Finance
- May 1994 Governor, the Export-Import Bank of Japan (Currently Japan Bank for International Cooperation)
- Oct 1999 Governor, Japan Bank for International Cooperation
- Sep 2001 Advisor, the Kansai Electric Power Co., Inc. (to present)
- Jan 2002 Chairman, Yomiuri International Economic Society (to present)
- Jul 2002 President, Japan Investor Protection Fund
- Jun 2004 External Corporate Auditor, Shiseido Co., Ltd.
- Aug 2004 President, Capital Market Promotion Foundation (to present)
- Jun 2007 Director of the Company (to present)

Makoto Matsuo Director

- Apr 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o Weil, Gotshal & Manges in New York
- Aug 1978 Weil, Gotshal & Manges in New York
- Mar 1979 Admitted to New York Bar
- Apr 1989 Partner, Momo-o, Matsuo & Namba (to present)
- Apr 1997 Lecturer, Nihon University, Faculty of Law: International Transaction Law
- Jun 2000 Corporate Auditor, Billing System Corporation (to present)
- Jun 2003 Corporate Auditor, Yamanouchi Pharmaceutical, Co., Ltd.
- Jun 2004 Corporate Director, Yamanouchi Pharmaceutical, Co., Ltd.
- Apr 2005 Corporate Director, Astellas Pharma Inc. (to present)
- Lecturer, Hitotsubashi University Faculty and Graduate School of Law: World Business Law (to present)
- Jun 2007 Director of the Company (to present)
- Oct 2008 Director of JVC KENWOOD Holdings, Inc. (to present)

Notes: Messrs. Hiroshi Yasuda, Makoto Matsuo and Takayuki Morinaga are External Directors.

Auditors



Shoji Yamaguchi Corporate Auditor (full-time)

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

Kazushi Hirao Corporate Auditor (full-time)

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

Koji Takito Corporate Auditor

- Apr 1967 Entered National Police Agency
- Aug 1970 Chief of Foreign Affairs Section, Security Bureau, Yamaguchi Prefectural Police Headquarters
- Jul 1978 Chief of Public Security First Section, Public Security Bureau, Tokyo Metropolitan Police Department
- Apr 1986 Chief of Security Office, Public Security Second Section, Security Bureau, National Police Agency
- Aug 1986 Head of Security Police Training Division, National Police Academy
- Sep 1990 Chief, Okayama Prefectural Police Headquarters
- Sep 1992 Deputy Director-General of Secretariat of the Commissioner General, National Police Agency
- Apr 1994 Chief, Hyogo Prefectural Police Headquarters
- Aug 1996 Deputy Superintendent-General, Tokyo Metropolitan Police Department
- Jul 2004 Chairman of the Board, Horse Racing Security Association
- May 2008 Advisor, Mitsubishi Motors Corporation (to present)
- Jun 2008 Corporate Auditor of the Company (to present)

Masanao Iechika Corporate Auditor

- Apr 1962 Lawyer (to present)
- Apr 1981 Vice President of Osaka Bar Association, Director of Japan Federation of Bar Association
- Mar 1988 Member of Commercial Law Committee of Judicial System and Research Dept. of Ministry of Justice
- Jun 2002 Director of the Company
- Jun 2004 Professor of the Konan Law School
- Jun 2008 Corporate Auditor of the Company (to present)

Notes: Messrs. Shoji Yamaguchi, Koji Takito are External Auditors.

Corporate Officers



Yoshifumi Yamashita
Managing Corporate Officer
Human Resources Division & Development Management



Keiji Inafune
Managing Corporate Officer
Head of Research & Development Management Group, Online Business and Contents Management Division



Katsuhiko Ichii
Managing Corporate Officer
Head of Consumer Entertainment Business Management Group and Home Video Games Business



Yoshiki Noro
Managing Corporate Officer
Head of IT Department



Yoichi Egawa
Corporate Officer
Head of Pachinko and Pachislo Business



Osamu Izumi
Corporate Officer
Head of Arcade Games Research & Development Department



Motohide Imaizumi
Corporate Officer
Head of Arcade Operations Business



Toshihiro Tokumaru
Corporate Officer
Head of Character Contents Business



Nobuyuki Matsushima
Corporate Officer
Head of Home Video Games Research & Development Department



Kazuo Tanigawa
Corporate Officer
Head of Finance and Business Management & Group Management



Koji Yokota
Corporate Officer
General Affairs and Head of Legal & Intellectual Property Division



Shigeki Mori
Corporate Officer
Head of Arcade Games Business



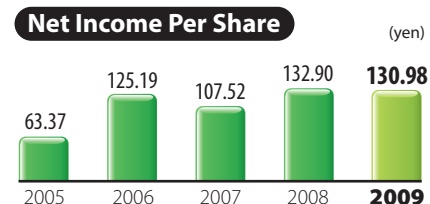
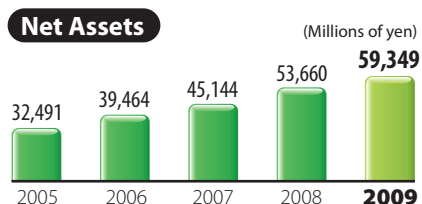
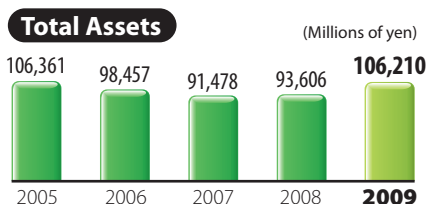
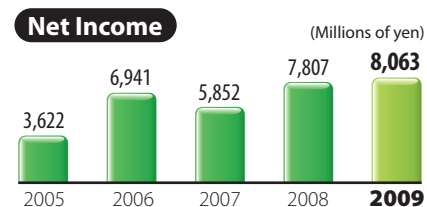
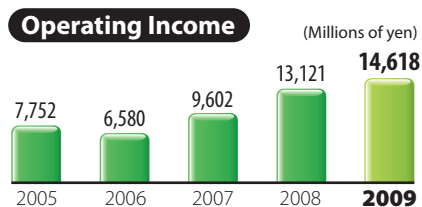
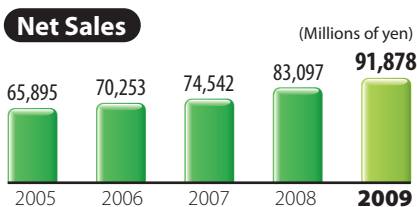
Atsuo Itsuji
Corporate Officer
Head of IT Division



Kenkichi Nomura
Corporate Officer
Head of IT Internal Control Division

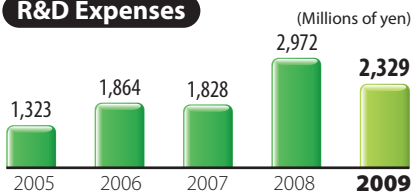
11-Year Summary

	1999	2000	2001	2002	2003
For the Year:					
	Millions of yen				
Net sales	¥ 38,366	¥ 51,574	¥ 49,082	¥ 62,742	¥ 62,036
Operating income	3,611	9,061	7,155	9,727	6,680
Net income (loss) before income taxes	2,085	8,712	7,126	7,420	(30,049)
Net income (loss)	1,507	9,700	6,007	4,912	(19,598)
Depreciation & Amortization	2,817	2,623	2,411	2,172	2,202
Capital expenditures	2,861	2,695	2,938	4,181	2,289
R&D expenses	1,413	1,390	1,461	1,067	1,151
At Year-End:					
	Millions of yen				
Total assets	98,127	107,776	113,493	128,512	106,648
Net assets	30,123	51,320	62,965	68,233	42,888
Cash Flows:					
	Millions of yen				
Cash flows from operating activities	—	14,252	3,652	3,315	3,635
Cash flows from investing activities	—	3,338	(4,547)	(3,066)	(2,329)
Cash flows from financing activities	—	(1,770)	(1,768)	8,589	(2,000)
Net increase (decrease) in cash and cash equivalents	—	15,413	(1,763)	9,519	(1,555)
Cash and cash equivalents at end of year	12,026	27,439	25,675	35,000	33,444
Per Share Data:					
	Yen				
Net income (loss) per share	43.00	273.01	109.90	84.21	(338.01)
Cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00
Net assets per share	862.96	1,372.16	1,081.62	1,168.51	753.47
Stock Information:					
Number of outstanding shares (thousands shares)	35,196	37,627	58,308	58,435	58,435
Foreign Investors (%)	6.42	16.80	27.12	25.91	16.85
Financial Index:					
Operating margin (%)	9.4	17.6	14.6	15.5	10.8
ROE (%)	5.0	23.8	10.5	7.5	—
ROA (%)	1.5	9.4	5.4	4.1	—
Net worth ratio (%)	30.7	47.6	55.5	53.1	40.2
Interest coverage ratio (times)	—	25.9	8.7	14.2	14.6
Debt-equity ratio (%)	225.7	110.1	80.2	88.3	148.8
Price earnings ratio (times)	29.3	17.2	32.8	41.2	—

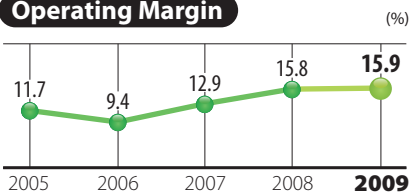


2004	2005	2006	2007	2008	2009	2009
Millions of yen					Thousands of U.S. dollars	
¥ 52,668	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	¥ 91,878	\$ 937,530
1,402	7,752	6,580	9,602	13,121	14,618	149,168
(6,900)	7,006	6,912	9,986	11,962	12,448	127,024
(9,158)	3,622	6,941	5,852	7,807	8,063	82,281
2,081	2,101	1,936	2,774	3,393	4,143	42,279
4,678	1,665	1,600	4,495	4,503	2,906	29,654
1,124	1,323	1,864	1,828	2,972	2,329	23,767
Millions of yen					Thousands of U.S. dollars	
93,096	106,361	98,457	91,478	93,606	106,210	1,083,784
31,854	32,491	39,464	45,144	53,660	59,349	605,608
Millions of yen					Thousands of U.S. dollars	
5,577	7,977	13,921	16,063	7,452	(551)	(5,623)
(5,011)	(1,099)	(1,779)	(6,715)	(3,374)	(2,715)	(27,706)
(395)	6,251	(18,259)	(15,206)	(2,448)	(342)	(3,495)
(1,313)	13,406	(4,885)	(5,654)	(2,256)	(4,454)	(45,451)
32,131	45,538	40,652	35,020	32,763	28,611	291,955
Yen					U.S. dollars	
(160.91)	63.37	125.19	107.52	132.90	130.98	1.34
20.00	20.00	20.00	30.00	30.00	35.00	0.36
559.66	589.99	716.91	799.35	881.31	961.38	9.81
58,435	58,435	58,435	62,269	66,719	67,394	
16.59	14.79	23.35	32.60	27.72	33.73	
2.7	11.7	9.4	12.9	15.8	15.9	
—	11.3	19.3	13.8	15.8	14.3	
—	3.6	6.8	6.2	8.4	8.1	
34.2	30.5	40.1	49.3	57.3	55.9	
20.3	30.0	82.6	237.3	103.7	—	
192.4	227.9	149.4	102.8	74.4	79.0	
—	16.5	9.7	15.7	25.6	13.3	

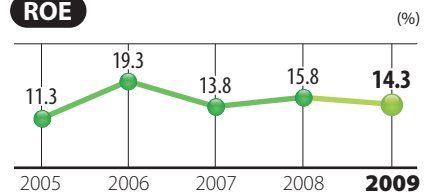
R&D Expenses



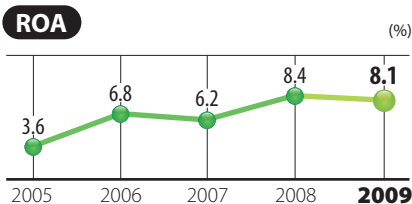
Operating Margin



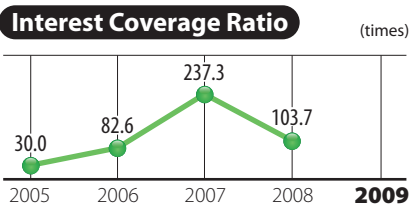
ROE



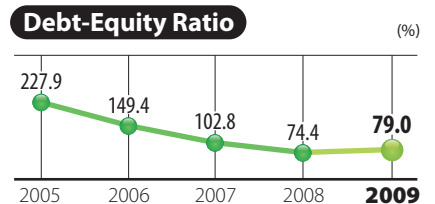
ROA



Interest Coverage Ratio



Debt-Equity Ratio



Financial Review

1. Operating Results

In fiscal year 2008, the year ended March 31, 2009, the resulting net sales increased to 91,878 million yen (up 10.6 % from the previous fiscal year).

As for profits, operating income increased to 14,618 million yen (up 11.4 % from the previous fiscal year), ordinary income increased to 13,808 million yen (up 12.6 % from the previous fiscal year), and the net income increased to 8,063 million yen (up 3.3% from the previous fiscal year).

2. Status of Each Operational Department

(1) Home Video Games

In this business segment, the flagship title released in the end of the current fiscal year, "Resident Evil 5" (for PlayStation 3, Xbox 360), became a mega hit with the first shipment of over four million copies worldwide. In addition, "Street Fighter IV" (for PlayStation 3, Xbox 360), the latest of the popular series that took the game market by storm, performed strongly supported by its familiar brand name and the healthy US and European home video game markets. These two titles served as the sales growth engine overseas.

"Monster Hunter Freedom Unite" (for PlayStation Portable), which was released in the end of the previous fiscal year, continued solid growth supported by its overwhelming popularity. The software dominated the portable game market and contributed significantly to the improvement of our business performance. This software won the first prize in Famitsu's "Top 100 Best Selling Software in 2008" with a shipment of over 2.55 million copies. Famitsu is one of the most authoritative game magazines in Japan.

In addition, our lower-priced title, "Monster Hunter Freedom Unite PSP the Best" (for PlayStation Portable), showed strong performance supported by its loyal fans. "Grand Theft Auto IV" (for PlayStation 3, Xbox 360), the latest title of the series and "Mega Man Star Force 3" (for Nintendo DS) also achieved solid growth.

The resulting net sales increased to 62,892 million yen (up 21.7% from the previous fiscal year), and operating income increased to 16,392 million yen (up 41.2 % from the previous fiscal year).

(2) Arcade Operations

Within this prolonged softening market, we tried to reach a new user base including women and families while holding on to existing customers. Organizing various events, offering special discount days, and renovating arcades are just a few examples of such efforts.

Under the influence of this sluggish market, existing arcades struggled with a decreased number of visitors. This was due partially to the lack of sales-inducing games, and to the fact that the difference between home video games and arcade games has become negligible.

We opened two new facilities in Aichi Prefecture, followed by a total of six arcades in Akita, Shiga, Shimane, and Nara Prefectures. As for low-productive facilities, we closed down eight such arcades through our "scrap & build" strategy.

The number of "Plaza Capcom" as of the end of the current fiscal year totals 40 after these efforts.

The resulting net sales increased to 13,509 million yen (up 0.8% from the previous fiscal year), thanks to the contribution from newly opened facilities and from those that opened in the previous fiscal year. However, the operating income decreased to 224 million yen (down 70.2 % from the previous fiscal year) due to the market stagnation and the increased expense in opening new facilities.

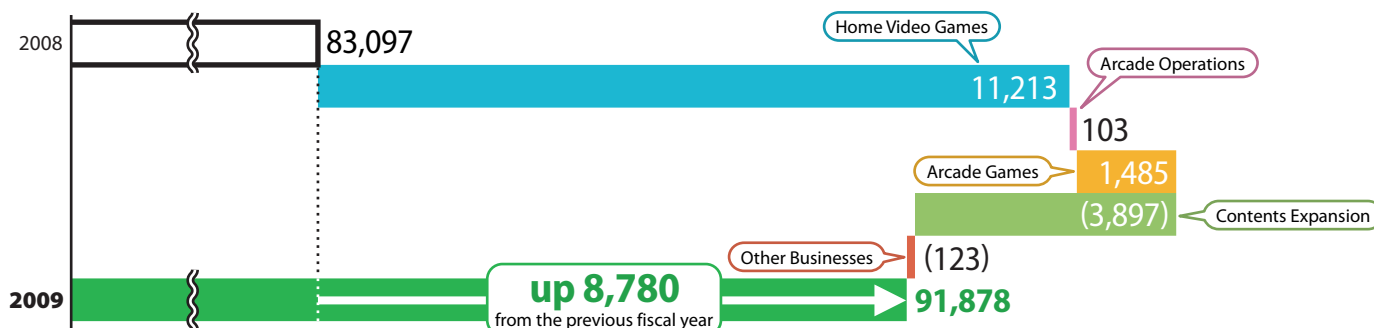
(3) Arcade Games

Whereas arcade operators were not reinvesting in their businesses due to the weakening demand in the market, we released the video game machine, "Street Fighter IV", with the aim of taking full advantage of the synergistic effects from our home video game software. "Street Fighter IV" won first prize in the video board category in "AOU 2008 Amusement Expo" by All Nippon Amusement Machine Operator's Union.

In addition, we introduced a powerful new video game machine through the collaboration with another company at the end of the current fiscal year. Such aggressive action turned our sales performance

Net Sales

(Millions of yen)



around, and we were able to achieve satisfactory results even under the current market environment.

The resulting net sales increased to 8,031 million yen (up 22.2% from the previous fiscal year), and operating income increased to 1,758 million yen (up 48.8 % from the previous fiscal year).

(4) Contents Expansion

Overall performance of this business segment remained weak though we have been trying to apply the synergy from our popular software into the area of game distribution for mobile phones. One of the main reasons for this unfavorable performance was that demand ended for "Ace Attorney", which had been leading sales in this business segment. No other leading software was available to increase sales.

As for the Pachislo machine business, which has been in a downturn market, "Resident Evil" showed healthy growth, while the highly anticipated "Chun-Li Ni Makase China" struggled. In addition, the worsening business environment as well as limited product lineups placed us in a difficult situation.

The resulting net sales decreased to 4,628 million yen (down 45.7% from the previous fiscal year), and operating loss was 230 million yen (operation income in the previous fiscal year was 2,633 million yen).

(5) Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, decreased to 2,824 million yen (down 4.2 % from the previous fiscal year), and operating income increased to 1,053 million yen (up 125.0% from the previous fiscal year).

3. Overview of Business Performance in Each Region

(1) Japan

In the business of home video games, "Resident Evil 5" (for PlayStation 3, Xbox 360) showed healthy growth. "Monster Hunter Freedom Unite" (for PlayStation Portable), which was released at the end of previous fiscal year, continued to grow and contributed substantially to the overall

profit increase. Additionally, our lower-priced software "Monster Hunter Freedom Unite PSP the Best" (for PlayStation Portable) grew steadily.

As for the arcade operations, we tried to attract customers through a community-based approach. However, the business remained at a low level due to market stagnation.

In arcade game, video game machine including "Street Fighter IV" performed satisfactorily fighting against the economical downturn.

In the segment of contents expansion, the overall performance remained weak due to a lack of appealing contents and products.

The resulting net sales increased to 63,431 million yen (up 1.2% from the previous fiscal year), and operating income increased to 13,198 million yen (up 6.4 % from the previous fiscal year).

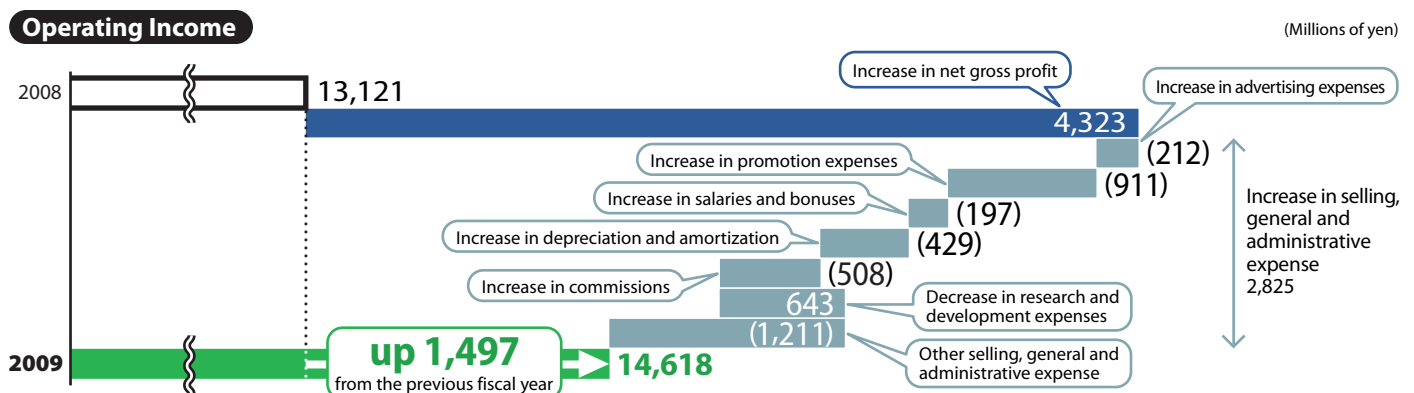
(2) North America

In North America, which is one of the main overseas markets, we were forced to struggle under the flagging economy triggered by the US financial crisis. The majority of our business in the region consisted of sales of lower-priced software, small-scale titles, and existing products until the third quarter. However, the flagship title released in the fourth quarter of this fiscal year, "Resident Evil 5" (for PlayStation 3, Xbox 360), along with "Street Fighter IV" (for PlayStation 3, Xbox 360) became million-seller products. These two titles increased sales and helped us to achieve prospective sales figures.

The resulting net sales increased to 24,863 million yen (up 53.4% from the previous fiscal year), and operating income increased to 4,054 million yen (up 74.2 % from the previous fiscal year).

(3) Europe

The game industry in Europe has been expanding in recent years. The main business activities in the region continued to be the sales of lower-priced software and small-scale titles until the third quarter. The flagship title released in the fourth quarter of this fiscal year, "Resident Evil 5" (for PlayStation 3, Xbox 360), achieved the sales of over a million copies, and "Street Fighter IV" (for PlayStation 3, Xbox 360) also showed steady performance. The contribution of these two titles resulted in favorable growth.



The resulting net sales increased to 14,167 million yen (up 44.8% from the previous fiscal year), and operating income decreased to 1,556 million yen (down 14.5 % from the previous fiscal year).

(4) Other Regions

Asian countries are some of our main sales targets and future market growth is expected there. However, the sales of packaged products is restricted because of the unresolved problem of pirated software in Asia. The situation forces the core of the market to be online games for PC's.

Under these circumstances, "Resident Evil 5" (for PlayStation 3, Xbox 360), which was released in the fourth quarter of this fiscal year, and "Street Fighter IV" (for PlayStation 3, Xbox 360) experienced healthy growth. In addition, "Monster Hunter Freedom 2G" (for PlayStation Portable), which became a huge hit in Japan, also showed prolonged steady sales.

The resulting net sales increased to 1,698 million yen (up 57.6% from the previous fiscal year), and operating income increased to 365 million yen (up 156.1 % from the previous fiscal year).

4. Analysis of assets, liabilities and net assets

(1) Assets

Total assets increased by 12,604 million yen from the previous fiscal year to 106,210 million yen. The major reasons for the increase are

the 13,711 million yen increase in Notes and accounts receivable, trade, whereas the decrease is mainly attributable to the decrease of Investments in securities by 807 million yen.

(2) Liabilities

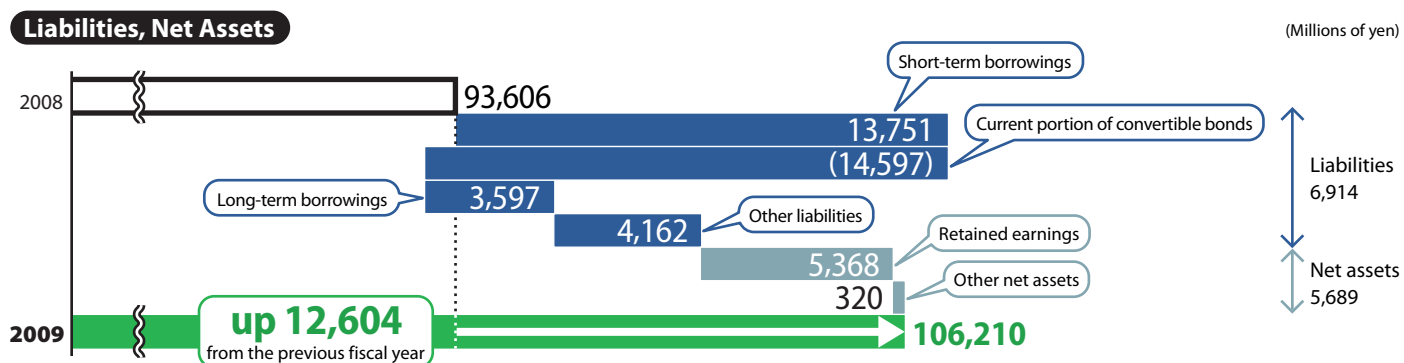
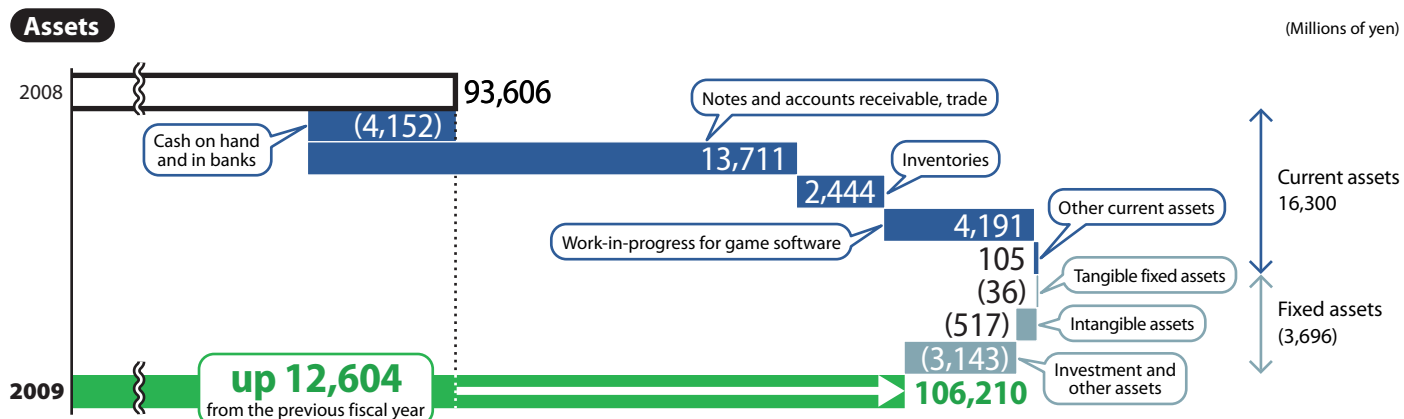
Liabilities increased by 6,914 million yen from the previous fiscal year to 46,861 million yen. The increase is mainly attributable to the following: 2,379 million yen in Notes and accounts payable, trade; 13,751 million yen in Short-term borrowings; 3,597 million yen in long-term borrowings. The decrease is mainly attributable to the redemption of the outstanding convertible bonds amounted to 14,997 million yen.

(3) Net Assets

Net Assets increased by 5,689 million yen from the previous fiscal year to 59,349 million yen. The increase portion is mainly attributable to the increase in Net income by 8,063 million yen, whereas the decrease is attributable to the cash dividends of 2,148 million yen.

5. Analysis of cash flow

Cash and cash equivalents (hereafter referred to as "Cash") as of the end of the current fiscal year decreased by 4,152 million yen from the previous fiscal year to 28,611 million yen. Cash flow positions of each activity as of the end of the current fiscal year and their factors are described below.



(1) Cash Flows From Operating Activities

Net cash used in operating activities totaled 551 million yen. Some of the main contributors to the increase are the following: 12,448 million yen in Net income before income taxes; 4,143 million yen in Depreciation and amortization; 1,146 million yen in Impairment loss; 481 million yen in Amortization of goodwill. The decrease is attributable mainly to the increase of Accounts receivable trade and Work-in-progress for game software by 14,933 million yen and 4,052 million yen, respectively.

(2) Cash Flows From Investing Activities

Net cash used in investing activities amounted to 2,715 million yen. This is mainly attributed to the payment of 2,419 million yen for the acquisition of tangible fixed assets.

(3) Cash Flows From Financing Activities

Net cash used in financing activities amounted to 342 million yen. This increase portion mainly attributable to the proceeds from short-term borrowings 15,000 million yen, whereas the decrease is attributable to the redemption of convertible bonds of 14,993 million yen.

Trends of Cash Flow Indicators

	Year ended March 2007	Year ended March 2008	Year ended March 2009
Shareholders' equity ratio to total assets (%)	49.3	57.3	55.9
Shareholders' equity ratio to total assets based on fair market value (%)	104.4	221.2	101.5
Debt amortization ratio to cash flows from operating activities (%)	28.6	46.8	—
Interest coverage ratio (times)	237.3	103.7	—

Shareholders' equity ratio to total assets = Shareholders' equity / Total assets

Shareholders' equity ratio to total assets 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

(Note 1) Total market value of shares is calculated based on the number of shares as of the end of the fiscal year excluding treasury stock.

(Note 2) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

(Note 3) As the cash flows from operating activities fell into red, we have omitted debt amortization ratio to cash flows from operating activities and interest coverage ratio.

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 March 31, 2009 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 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 problem in these popular software titles or any change 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, corporate value and narrowed distribution channel under instructions by the relevant authorities.

(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 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 setback in the proliferation trends or any problem in their game consoles.

(7) License Agreement with Console Manufacturers

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.

(9) 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.

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) Contents Expansion

The number of customers to whom we provide peripheral devices for game machines is quite limited. And the performance of "Contents Expansion Business" may depend heavily on the sale of these devices in some fiscal years. Under the provision of the "Entertainment and Amusement Trade and the Implementation Rules for the Entertainment and Amusement Trades Rationalizing Act", we are allowed to sell the peripheral devices for only those machines which passed the test of the Security Electronics and Communications Technology Association. The performance of this business segment may be affected significantly by the trend of such industry systems. Thus, it is possible that changes in such a trend could negatively affect the operating results of the entire Capcom Group.

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) As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.

(3) 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.

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 related to the leakage of private information

Capcom established the guidelines regarding the protection of personal information. It is our mission to disseminate the guidelines to all of our employees and to heighten the awareness about this critical matter. As part of such efforts, we are conducting an in-house. If private information should leak outside of the company, not only the corporate image of Capcom will be destroyed, but we will be responsible for damages. Therefore, the operating results and financial position of the Capcom group may be negatively affected by these incidents.

10. Development and Assurance of Human Resources

The expression, "the business is all about its people", means that the future success and growth of any corporation depends upon competent employees. Although Capcom group is actively engaged in recruiting, educating, and securing excellent human resources, the mobility of personnel is relatively high in the game industry, and it is possible that our business activities will be disturbed if any of our talented employees decide to resign or to move to our competitors. Therefore, the operating results and financial position of the Capcom group may be affected negatively by these factors.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Assets)			
I Current assets :			
1 Cash on hand and in banks [Note 8 (1)]	32,763	28,611	291,955
2 Notes and accounts receivable, trade	14,182	27,894	284,637
3 Inventories	4,144	—	—
4 Merchandise and finished goods	—	1,746	17,817
5 Work-in-progress	—	2,097	21,399
6 Raw materials and supplies	—	2,745	28,014
7 Work-in-progress for game software	6,241	10,432	106,456
5 Deferred tax assets [Note 12]	3,009	2,712	27,679
6 Other	2,620	2,949	30,095
7 Allowance for doubtful accounts	(456)	(383)	(3,909)
Total current assets	62,505	78,806	804,145
II Fixed assets :			
1 Tangible fixed assets, net of accumulated depreciation [Note 5 (1)]			
(1) Buildings and structures, net [Note 5 (2)]	5,442	5,452	55,632
(2) Machinery and vehicles, net	61	66	678
(3) Tools, fixtures and furniture, net	894	943	9,630
(4) Rental equipment, net	321	137	1,401
(5) Equipment for amusement facilities, net	3,849	2,892	29,515
(6) Land [Note 5 (2)]	4,391	4,391	44,815
(7) Leased assets, net [Note 9 (2)]	—	1,258	12,844
(8) Construction-in-progress	291	74	763
Total tangible fixed assets	15,253	15,217	155,281
2 Intangible assets			
(1) Goodwill	894	419	4,284
(2) Other	3,197	3,154	32,190
Total intangible assets	4,091	3,574	36,474
3 Investments and other assets			
(1) Investments in securities [Notes 5 (3) and 10]	1,728	920	9,392
(2) Long-term loans receivable	523	90	921
(3) Deferred tax assets [Note 12]	2,989	1,425	14,545
(4) Claim in bankruptcy and reorganization	890	870	8,879
(5) Lease deposits	5,947	5,672	57,879
(6) Other	856	676	6,900
(7) Allowance for doubtful accounts	(1,179)	(1,042)	(10,637)
Total investments and other assets	11,755	8,612	87,881
Total fixed assets	31,101	27,404	279,638
Total assets	93,606	106,210	1,083,784

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
I Current liabilities :			
1	Notes and accounts payable, trade	7,303	9,682
2	Short-term borrowings [Notes 5 (2) and 19]	2,015	15,766
3	Current portion of convertible bonds [Note 18]	14,997	400
4	Lease obligations [Notes 19]	—	492
5	Accrued income taxes	892	1,923
6	Deferred tax liabilities [Note 12]	—	243
7	Accrued bonuses	2,057	2,091
8	Allowance for sales returns	405	313
9	Other	7,147	7,501
	Total current liabilities	34,818	38,415
II Long-term liabilities :			
1	Convertible bonds [Note 18]	1,220	—
2	Long-term borrowings [Notes 5 (2) and 19]	1,470	5,067
3	Lease obligations [Notes 19]	—	833
4	Accrued retirement benefits for employees [Note 11]	1,048	1,171
5	Accrued retirement benefits for directors	372	406
6	Other	1,018	967
	Total long-term liabilities	5,128	8,445
	Total liabilities	39,946	46,861
(Net assets)			
I Shareholders' equity :			
1	Common stock	32,626	33,039
2	Capital surplus	20,344	21,129
3	Retained earnings	11,631	17,000
4	Treasury stock	(8,155)	(8,015)
	Total shareholders' equity	56,447	63,152
II Valuation and translation adjustments :			
1	Net unrealized gain or loss on securities, net of tax	127	(12)
2	Deferred hedges, net of tax	0	—
3	Cumulative translation adjustments	(2,914)	(3,790)
	Total valuation and translation adjustments	(2,787)	(3,807)
	Total net assets	53,660	59,349
	Total liabilities and net assets	93,606	1,083,784

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
I Net sales	83,097	91,878	937,530
II Cost of sales	50,560	55,052	561,758
Gross profit	32,536	36,825	375,772
Reversal of allowance for sales returns	57	91	937
Net gross profit	32,594	36,917	376,710
III Selling, general and administrative expenses [Notes 6 (1) and (4)]	19,473	22,299	227,541
Operating income	13,121	14,618	149,168
IV Non-operating income :			
1 Interest income	1,139	902	9,211
2 Dividend income	21	21	215
3 Other	254	153	1,563
Total	1,416	1,077	10,990
V Non-operating expenses :			
1 Interest expense	71	86	880
2 Exchange loss, net	2,086	882	9,001
3 Provision for allowance for doubtful accounts	26	162	1,660
4 Equity in losses of affiliates	—	553	5,652
5 Other	84	201	2,060
Total	2,269	1,887	19,255
Ordinary income	12,267	13,808	140,903
VI Special gains :			
1 Gain on sales of fixed assets [Note 6 (2)]	396	—	—
2 Reversal of allowance for doubtful accounts	97	115	1,181
3 Gain on collection of receivable written off	233	58	599
4 Gain on sales of investments in securities	34	0	2
Total	762	174	1,783
VII Special losses :			
1 Loss on sales and/or disposal of fixed assets [Note 6 (3)]	76	44	451
2 Provision for retirement benefits for directors	350	—	—
3 Loss on revaluation of investments in securities	39	13	139
4 Impairment loss [Note 6 (5)]	181	1,146	11,703
5 Loss on settlement of litigation	420	126	1,286
6 Loss on closing amusement facilities	—	202	2,065
7 Other	—	1	16
Total	1,068	1,534	15,662
Net income before income taxes	11,962	12,448	127,024
Income taxes-current	1,040	2,125	21,693
Income taxes-deferred	3,131	2,258	23,048
Total	4,171	4,384	44,742
Minority interests in loss of consolidated subsidiaries	16	—	—
Net income	7,807	8,063	82,281

The accompanying notes are an integral part of these financial statements.

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

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shareholders' equity			
Common stock			
Opening balance	29,915	32,626	332,926
Change of items during the fiscal year			
Issuance of new stocks	2,711	412	4,207
Total changes of items during the fiscal year	2,711	412	4,207
Ending balance	32,626	33,039	337,133
Capital surplus			
Opening balance	17,637	20,344	207,594
Change of items during the fiscal year			
Issuance of new stocks	2,706	411	4,200
Disposition of treasury stock	0	0	7
Increase by stock exchange	—	372	3,800
Total changes of items during the fiscal year	2,706	784	8,008
Ending balance	20,344	21,129	215,602
Retained earnings			
Opening balance	5,555	11,631	118,687
Decrease by change in accounting policies for foreign subsidiaries			
	—	(546)	(5,578)
Change of items during the fiscal year			
Cash dividends [Notes 7 (3)]	(1,732)	(2,148)	(21,920)
Net income	7,807	8,063	82,281
Total changes of items during the fiscal year	6,075	5,915	60,361
Ending balance	11,631	17,000	173,470
Treasury stock			
Opening balance	(8,138)	(8,155)	(83,215)
Change of items during the fiscal year			
Repurchase of treasury stock	(16)	(144)	(1,472)
Disposition of treasury stock	0	283	2,897
Total changes of items during the fiscal year	(16)	139	1,425
Ending balance	(8,155)	(8,015)	(81,789)
Total shareholders' equity			
Opening balance	44,970	56,447	575,992
Decrease by change in accounting policies for foreign subsidiaries			
	—	(546)	(5,578)
Change of items during the fiscal year			
Issuance of new stocks	5,417	823	8,408
Cash dividends	(1,732)	(2,148)	(21,920)
Net income	7,807	8,063	82,281
Repurchase of treasury stock	(16)	(144)	(1,472)
Disposition of treasury stock	0	284	2,904
Increase by stock exchange	—	372	3,800
Total changes of items during the fiscal year	11,477	7,252	74,003
Ending balance	56,447	63,152	644,416

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Valuation and translation adjustments			
Net unrealized gain or loss on securities, net of tax			
Opening balance	482	127	1,297
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(355)	(140)	(1,429)
Total changes of items during the fiscal year	(355)	(140)	(1,429)
Ending balance	127	(12)	(131)
Deferred hedges, net of tax			
Opening balance	1	0	1
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(1)	(0)	(1)
Total changes of items during the fiscal year	(1)	(0)	(1)
Ending balance	0	—	—
Cumulative translation adjustments			
Opening balance	(326)	(2,914)	(29,739)
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(2,587)	(875)	(8,936)
Total changes of items during the fiscal year	(2,587)	(875)	(8,936)
Ending balance	(2,914)	(3,790)	(38,676)
Total valuation and translation adjustments			
Opening balance	157	(2,787)	(28,440)
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(2,944)	(1,015)	(10,367)
Total changes of items during the fiscal year	(2,944)	(1,015)	(10,367)
Ending balance	(2,787)	(3,803)	(38,807)
Minority interests in consolidated subsidiaries			
Opening balance	16	—	—
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(16)	—	—
Total changes of items during the fiscal year	(16)	—	—
Ending balance	—	—	—
Total net assets			
Opening balance	45,144	53,660	547,551
Decrease by change in accounting policies for foreign subsidiaries			
	—	(546)	(5,578)
Change of items during the fiscal year			
Issuance of new stocks	5,417	823	8,408
Cash dividends	(1,732)	(2,148)	(21,920)
Net income	7,807	8,063	82,281
Repurchase of treasury stock	(16)	(144)	(1,472)
Disposition of treasury stock	0	284	2,904
Increase by stock exchange	—	372	3,800
Net changes of items other than shareholders' equity	(2,961)	(1,015)	(10,367)
Total changes of items during the fiscal year	8,515	6,236	63,635
Ending balance	53,660	59,349	605,608

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
I Cash flows from operating activities :			
1 Net income before income taxes	11,962	12,448	127,024
2 Depreciation and amortization	3,393	4,143	42,279
3 Impairment loss	181	1,146	11,703
4 Amortization of goodwill	0	481	4,916
5 Decrease in allowance for doubtful accounts	(99)	(198)	(2,025)
6 Increase in accrued bonuses	345	43	444
7 Decrease in allowance for sales returns	(57)	(91)	(937)
8 Increase in accrued retirement benefits for employees	115	119	1,215
9 Increase in accrued retirement benefits for directors	372	34	351
10 Interest and dividend income	(1,161)	(923)	(9,426)
11 Interest expense	71	86	880
12 Exchange loss, net	1,601	40	414
13 Equity in net losses (earnings) of affiliates	(0)	553	5,652
14 Loss (gain) on sales and/or disposal of fixed assets	(320)	44	451
15 Gain on sales of investment in securities	(34)	(0)	(2)
16 Loss on revaluation of investments in securities	39	13	139
17 Gain on collection of receivable written off	(233)	(58)	(599)
18 Loss on settlement of litigation	420	126	1,286
19 Increase in accounts receivable, trade	(3,911)	(14,933)	(152,380)
20 Increase in inventories	(782)	(2,345)	(23,938)
21 Increase in work-in-progress for game software	(2,962)	(4,052)	(41,354)
22 Increase in accounts payable, trade	56	2,945	30,059
23 Increase in other current assets	(989)	(134)	(1,369)
24 Increase in other current liabilities	1,033	1,104	11,266
25 Bonuses to directors	(60)	(84)	(857)
26 Other	(1,153)	(701)	(7,154)
Sub total	7,826	(192)	(1,960)
27 Interest and dividends received	1,160	948	9,674
28 Interest paid	(71)	(88)	(903)
29 Payment for settlement of litigation	(420)	(126)	(1,286)
30 Income taxes paid	(1,041)	(1,092)	(11,147)
Net cash (used in) provided by operating activities	7,452	(551)	(5,623)
II Cash flows from investing activities :			
1 Payment for acquisition of tangible fixed assets	(3,119)	(2,419)	(24,689)
2 Proceeds from sales of tangible fixed assets	922	24	247
3 Payment for acquisition of intangible assets	(1,271)	(964)	(9,842)
4 Payment for purchase of investments in securities	(565)	(12)	(124)
5 Proceeds from sales of investments in securities	44	4	48
6 Collection of loans receivable	1,570	436	4,455
7 Purchase of investments in subsidiaries	—	(18)	(187)
8 Payment for other investing activities	(1,140)	(118)	(1,213)
9 Proceeds from other investing activities	184	352	3,598
Net cash used in investing activities	(3,374)	(2,715)	(27,706)
III Cash flows from financing activities :			
1 Proceeds from short-term borrowings	—	15,000	153,061
2 Repayments of short-term borrowings	—	(6)	(61)
3 Proceeds from long-term borrowings	—	4,400	44,897
4 Repayments of long-term borrowings	(700)	(2,119)	(21,625)
5 Repayments of lease obligations	—	(334)	(3,415)
6 Redemption of convertible bonds	—	(14,993)	(152,989)
7 Proceeds from sales of treasury stock	0	1	20
8 Payment for repurchase of treasury stock	(16)	(144)	(1,472)
9 Dividends paid by parent company	(1,732)	(2,147)	(21,910)
Net cash used in financing activities	(2,448)	(342)	(3,495)
IV Effect of exchange rate changes on cash and cash equivalents	(3,887)	(845)	(8,626)
V Net decrease in cash and cash equivalents	(2,256)	(4,454)	(45,451)
VI Cash and cash equivalents at beginning of year	35,020	32,763	334,324
VII Increase due to change in scope of consolidated subsidiaries	—	302	3,083
VIII Cash and cash equivalents at end of year [Note 8 (1)]	32,763	28,611	291,955

The accompanying notes are an integral part of these financial statements.

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 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 Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (In the case of translation into U.S. dollar, it is rounded down to 1 thousand dollars).

The rate of ¥98=U.S.\$1, the approximate current rate of exchange prevailing on March 31, 2009, 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, 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 those of its 15 majority-owned subsidiaries (all 16 companies are 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 "Affiliated companies") are, with minor exceptions, accounted for under the equity method.

The 15 subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)
 CAPCOM ENTERTAINMENT, INC. (U.S.A.)
 CAPCOM INTERACTIVE, INC. (U.S.A.)
 CAPCOM INTERACTIVE CANADA, INC. (Canada)
 CE EUROPE LTD. (U.K.)
 CEG INTERACTIVE ENTERTAINMENT GmbH (Germany)
 CAPCOM ENTERTAINMENT FRANCE SAS (France)
 CAPCOM ASIA CO., LTD. (Hong Kong)
 CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
 CAPTRON CO., LTD. (Japan)
 CAPCOM CHARBO CO., LTD. (Japan)
 DALETTO, INC. (Japan)
 BLUE HARVEST, LLC (Japan)
 K2 CO., LTD. (Japan)
 ENTERRISE CO., LTD. (Japan)

Affiliated companies accounted for under the equity method are as follows:

KOKO CAPCOM CO., LTD. (South Korea)
 STREET FIGHTER FILM, LLC (U.S.A.)

DELLGAMADAS CO., LTD., which is an affiliated company, is not accounted for under the equity method, as its impact is not significant to the consolidated net income or loss, or consolidated retained earnings.

Regarding the fiscal year end of consolidated subsidiaries, except for CAPCOM CHARBO CO., LTD., all consolidated subsidiaries have adopted March 31 as their fiscal year end.

The closing date of CAPCOM CHARBO CO., LTD. was January 31, 2009.

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable 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 "Net assets", at the net of tax 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 whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods", "Work-in-progress", "Raw materials and supplies") and "Work-in-progress for game software"

Inventories are stated at the acquisition cost, cost being principally determined by the moving average cost method.

(Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.)

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

(Work-in-progress for game software are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.)

(4) Tangible fixed assets, except for leased assets

Tangible fixed assets are stated at cost. The Company and its 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), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Rental equipment	3-5 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method.

The amortization period, except for computer software and online game contents, is based upon the individual estimated useful lives of the assets.

The amortization period for computer software and online game contents is based upon the estimated period of internal use (2 to 5 years), and the estimated period of online game services (2 years), respectively.

(6) Leased assets

Depreciation of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

In the case there is any contract on guaranteed residual value for the lease, such guaranteed residual value is used as accounting residual one.

Leases that do not transfer ownership of the leased assets to the lessee as part of the lease, the contracts of which were made on or before March 31, 2008, are accounted for in a similar manner with ordinary rental transactions.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end.

This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Accrued retirement benefits for employees

The accrual for retirement benefits for employees is 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 (¥552 million (\$5,637 thousand)) is amortized over 15 years.

Unrecognized actuarial net gains or losses are amortized over 9 years, the average remaining service period, commencing from the following year in which they arise.

(10) Accrued retirement benefits for directors

The Company and its domestic subsidiaries estimate accrued retirement benefits for directors and corporate auditors in preparation for the future payment based on their service period.

(11) Allowance for sales returns

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

(12) Significant hedge accounting**① Hedge accounting**

Gains or losses arising from changes in the fair value of derivatives designated as hedging instruments are deferred and recorded as "Deferred hedges, net of tax" as a part of "Net assets".

② Hedging instruments and hedge items

The Companies enter into interest swap contracts to manage interest rate risk exposure on certain borrowings.

③ Hedging policy

The execution and control of derivatives is performed by the finance department in accordance with internal policies and rules. It is the Companies' policy to use derivatives only for the purpose of reducing interest rate risk associated with assets and liabilities and, therefore, the Companies do not enter into derivatives for trading or speculative purposes.

④ Assessment of the effectiveness of hedging

The Companies assess hedge effectiveness based on an annual analysis of the cumulative amount of change in cash flows of hedged items and fluctuations in market price.

(13) Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

(14) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries acquired through business combinations are recorded at fair value at the time of acquisition.

(15) Amortization of goodwill

Goodwill is amortized by the straight-line method over 3 years.

In the case its amount is minor, it is amortized at one time.

(16) Cash and cash equivalents in the consolidated statements of cash flows

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 an insignificant risk of change in value.

3. Changes in accounting policies

(1) Valuation standard and method for major assets

Effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (The Accounting Standard Board of Japan (hereinafter referred to as "ASBJ") Statement No.9 issued on July 5, 2006).

This accounting change has no impact on the income statement for the fiscal year ended March 31, 2009.

(2) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the fiscal year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006) and made an adjustment necessary for consolidation procedure.

This accounting change has decreased operating income and ordinary income by ¥299 million (\$3,057 thousand) and retained earnings by ¥546 million (\$5,578 thousand), respectively for the fiscal year ended March 31, 2009.

The effect on the segment information is disclosed in the relevant footnotes.

(3) Accounting standard for lease transactions

The Company and its domestic subsidiaries have so far accounted for capital leases that do not transfer ownership of the leased assets as part of the lease as operating leases.

Effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 issued on June 17, 1993 and revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 issued on January 18, 1994 and revised on March 30, 2007) and capitalized capital lease transactions.

Depreciation of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

In the case there are any leases with guaranteed residual value, such value is regarded as accounting residual one.

Leases that do not transfer ownership of the leased assets to the lessee as part of the lease, the contracts of which were made on or before March 31, 2008, are accounted for in a similar manner with ordinary rental transactions.

4. Changes in presentation

(1) Consolidated balance sheets

On August 7, 2008, the cabinet office regulation on partial amendments to regulations for financial statements (Cabinet Office Ordinance No.50) was issued and came into effect.

As a result, the accounts which were classified as "Inventories" in the fiscal year ended March 31, 2008 have been disclosed as "Merchandise and finished goods", "Work-in-progress", and "Raw materials and supplies" separately for the fiscal year ended March 31, 2009.

The balances for "Merchandise and finished goods", "Work-in-progress", and "Raw materials and supplies", which were disclosed as "Inventories" in the fiscal year ended March 31, 2008 have been ¥1,813 million, ¥774 million and ¥1,556million, respectively.

(2) Consolidated statements of cash flows

Effective from the fiscal year ended March 31, 2009, the Company combined "Gain on sales of fixed assets" and "Loss on sales and/or disposal of fixed assets" on the cash flows from operating activities, which had been disclosed separately for the fiscal year ended March 31, 2008, into "Gain or loss on sales and/or disposal of fixed assets".

"Gain on sales of fixed assets" and "Loss on sales and/or disposal of fixed assets" for the fiscal year ended March 31, 2008 were ¥396 million and ¥76 million, respectively.

"Loss on sales and/or disposal of fixed assets" for the fiscal year ended March 31, 2009 was ¥44 million (\$451 thousand).

And also the Company changed "Gain or loss on sales of investment in securities" and "Gain or loss on revaluation of investment in securities" for the fiscal year ended March 31, 2008 into "Gain on sales of investment in securities" and "Loss on revaluation of investment in securities", respectively for the fiscal year ended March 31, 2009.

These changes are because the Financial Service Agency has introduced the XBRL to its EDINET (Electronic Disclosure for Investors' Network) system to improve the comparability of consolidated financial statements.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	12,549	14,431	147,260

(Note)The above balance for the current fiscal year includes the accumulated impairment loss of tangible fixed assets.

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
① Pledged assets			
Land	3,902	3,902	39,819
Buildings	4,770	4,604	46,988
Total	8,673	8,507	86,808
② Secured debts			
Long-term borrowings due within one year	1,960	700	7,142
Long-term borrowings	1,470	2,030	20,714
Total	3,430	2,730	27,857

(3) Investments in affiliated companies

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments in securities	503	5	51

(4) Credit line

The Company has entered into a line of credit agreement with its banks by syndicate financing for the purpose of efficient and sustainable financing, and improvement of efficiency of funds operations and the company's financial flexibility.

The credit line under this contract and the unexercised balance at the end of the fiscal year are shown below:

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total credit line	15,000	25,000	255,102
Borrowings	—	15,000	153,061
Unexercised balance	15,000	10,000	102,040

6. Notes to consolidated statements of income**(1) Major items and the amounts under "Selling, general and administrative expenses"**

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	4,704	4,916	50,171
Promotion expenses	988	1,899	19,385
Salaries and bonuses	3,978	4,175	42,607
Depreciation and amortization	430	859	8,775
Provision for accrued bonuses	785	797	8,137
Provision for retirement benefits for employees	70	68	694
Provision for retirement benefits for directors	28	48	498
Commissions	1,239	1,747	17,834
Research and development expenses	2,972	2,329	23,767

(2) The breakdown of "Gain on sales of fixed assets"

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	322	—	—
Machinery and vehicles	0	—	—
Tools, fixtures and furniture	8	—	—
Land	65	—	—
Total	396	—	—

(3) The breakdown of "Loss on sales and/or disposal of fixed assets"

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Tools, fixtures and furniture	36	9	97
Equipment for amusement facilities	—	24	249
Other	40	10	104
Total	76	44	451

(4) Research and development expenses included in general and administrative expenses

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	2,972	2,329	23,767

(5) Impairment loss

The assets, for which the impairment losses were recognized, are as follows.

Usage	Account	Previous fiscal year	Current fiscal year	Current fiscal year
		(From April 1, 2007 to March 31, 2008)	(From April 1, 2008 to March 31, 2009)	(From April 1, 2008 to March 31, 2009)
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Online game contents etc.	"Other" of Intangible assets	181	759	7,745
Online game contents etc.	Buildings and structures	—	15	162
Online game contents etc.	Tools, fixtures and furniture	—	26	270
Online game contents etc.	"Other" of current assets	—	65	668
Assets to be disposed of etc.	Equipment for amusement facilities	—	280	2,857
Assets to be disposed of etc.	Tools, fixtures and furniture	—	0	0

To measure an impairment, assets are principally grouped based on business segments such as "Home video games", "Arcade games", etc. Whereas, rental assets, idle assets and online game contents are evaluated as separate groups. The Companies amended the revenue forecast for the online game contents etc.

As a result of the amendment, the Companies wrote down the book value of the online game contents etc. to the recoverable value to recognize that as the impairment loss as shown above.

The Companies made a decision on closing some amusement facilities.

As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of etc. to recognize the impairment loss as shown above.

The recoverable value for the online game contents etc. was computed based on their value in use, which was estimated at zero for the current fiscal year (with future cash flow discounted at a rate of 8.6% for the previous fiscal year).

The recoverable value for assets to be disposed of was estimated at zero for the current fiscal year.

7. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2007 to March 31, 2008)

(1) Number of outstanding shares

Type of share	Number of shares as of March 31, 2007	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2008
Common stock (thousands shares)	62,269	4,450	—	66,719

(Note) The reasons for the increase in the number of shares are as follows:

Increase due to issuance of new shares by the exercise of conversion rights 4,450 thousands shares

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2007	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2008
Common stock (thousands shares)	5,813	6	0	5,820

(Note) The reasons for the increase or decrease in the number of shares are as follows:

Increase due to purchase of less-than-one-unit shares 6 thousands shares
 Decrease due to request for purchase of less-than-one-unit shares by shareholders 0 thousands shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 21, 2007	Common stock	¥846 million	15	March 31, 2007	June 22, 2007 (Effective after the meeting)
Board of directors' meeting held on November 8, 2007	Common stock	¥885 million	15	September 30, 2007	November 30, 2007

② Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	¥913 million	Retained earnings	15	March 31, 2008	June 20, 2008

Current fiscal year (From April 1, 2008 to March 31, 2009)**(1) Number of outstanding shares**

Type of share	Number of shares as of March 31, 2008	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2009
Common stock (thousands shares)	66,719	675	—	67,394

(Note) The reasons for the increase in the number of shares are as follows:

Increase due to issuance of new shares by the exercise of conversion rights 673 thousands shares

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2008	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2009
Common stock (thousands shares)	5,820	43	202	5,660

(Note) The reasons for the increase or decrease in the number of shares are as follows:

Increase due to purchase of less-than-one-unit shares 6 thousands shares
 Increase due to request for purchase of shares by shareholders 36 thousands shares
 Decrease due to stock exchange with K2., CO. LTD. 201 thousands shares

(3) Dividend**① Amount of dividends paid**

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	¥913 million	15	March 31, 2008	June 20, 2008 (Effective after the meeting)
Board of directors' meeting held on November 5, 2008	Common stock	¥1,234 million	20	September 30, 2008	November 28, 2008

Resolution	Type of share	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	\$9,321 thousand	0.15	March 31, 2008	June 20, 2008 (Effective after the meeting)
Board of directors' meeting held on November 5, 2008	Common stock	\$12,599 thousand	0.20	September 30, 2008	November 28, 2008

② Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	¥926 million	Retained earnings	15	March 31, 2009	June 18, 2009

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	\$9,449 thousand	Retained earnings	0.15	March 31, 2009	June 18, 2009

8. Notes to consolidated statements of cash flows**(1) Cash and cash equivalents as of the year end**

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	32,763	28,611	291,955
Cash and cash equivalents	32,763	28,611	291,955

(2) Significant non-cash transactions during the fiscal year

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Exercise of stock acquisition rights of convertible bonds			
Increase in paid in capital due to exercise of stock acquisition rights of convertible bonds	2,711	Note is omitted due to the minor of the total amount.	Note is omitted due to the minor of the total amount.
Increase in capital surplus due to exercise of stock acquisition rights of convertible bonds	2,706		
Decrease in convertible bonds due to exercise of stock acquisition rights of convertible bonds	5,418		

The Companies booked ¥1,581 million (\$16,141 thousand) of the acquisition cost of the leased assets for the current fiscal year.

9. Accounting for leases

(1) Capital leases that do not transfer ownership of the leased assets to lessees, the contracts of which were made on or before March 31, 2008.

① Acquisition cost, accumulated depreciation, and net book value at the fiscal year end for the leased assets

	Previous fiscal year (From April 1, 2007 to March 31, 2008)			Current fiscal year (From April 1, 2008 to March 31, 2009)			Current fiscal year (From April 1, 2008 to March 31, 2009)		
	Millions of yen			Millions of yen			Thousands of U.S. dollars		
	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery and vehicles	6	4	1	13	6	7	136	64	72
Tools, fixtures and furniture	331	176	155	212	111	101	2,172	1,139	1,032
Equipment for amusement facilities	5,320	2,245	3,074	3,972	2,399	1,572	40,532	24,486	16,045
Total	5,657	2,426	3,231	4,198	2,517	1,680	42,841	25,690	17,150

(Note) The assumed interest paid is excluded from the above acquisition cost.

② Future lease payments

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	1,533	1,018	10,395
Due over one year	1,707	675	6,892
Total	3,240	1,694	17,287

(Note) The assumed interest paid is excluded from the above balance.

③ Lease payments, depreciation expense, estimated interest expense and impairment loss

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease payments	1,626	1,560	15,922
Depreciation expense	1,574	1,447	14,768
Estimated interest expense	67	57	581

④ Calculation method of assumed amount of depreciation and interest paid

• Depreciation:

Straight-line method using leasing term as asset life with residual value of zero.

• Interest expense:

Interest method with the assumed interest expense allocated to each fiscal year.

(2) Capital leases, the contracts of which were made on or after April 1, 2008.

① Capital leases that transfer ownership of the leased assets to lessees

Not applicable

② Capital leases that do not transfer ownership of the leased assets to lessees

• Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for the business segment of Arcade operations.

• Depreciation method:

Depreciation expense of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

In the case there are any leases with guaranteed residual value, such value is regarded as accounting residual one.

(3) Operating leases

① Future lease payments

	Previous fiscal year	Current fiscal year	Current fiscal year
	(From April 1, 2007 to March 31, 2008)	(From April 1, 2008 to March 31, 2009)	(From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	139	225	2,300
Due over one year	339	790	8,061
Total	479	1,015	10,361

(For impairment loss)

No impairment losses were recognized for leased assets.

10. Investments in securities

(1) Previous fiscal year (From April 1, 2007 to March 31, 2008)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2008)

Classification	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost			
(1) Equity securities	350	650	299
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	350	650	299
Securities with book value not exceeding their acquisition cost			
(1) Equity securities	9	4	(5)
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	9	4	(5)

(Note) In the previous fiscal year, an impairment loss of ¥5 million for stocks with a readily determinable fair value was recorded.

In regards to the impairment of stocks, impairment is recorded when the fair value of the stock falls below 50% of its cost at the end of the fiscal year.

In addition, unless the stock is recognized to have the potential for recovery, impairment is recorded when the rate of stock price decline is between 30% and 50% at the end of the fiscal year.

The recognition of impairment is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of securities, and examination of various financial analysis data of listed companies.

② Investments in securities sold during the previous fiscal year

Classification	Millions of yen		
	Amount of sales	Total gain on sales of security	Total loss on sales of security
(1) Equity securities	44	34	—
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	44	34	—

③ Investments in securities without a readily determinable fair value (As of March 31, 2008)

Investments in securities

Unlisted equity securities	¥524 million
Investments in limited partnership	¥46 million

(2) Current fiscal year (From April 1, 2008 to March 31, 2009)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2009)

Classification	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost						
(1) Equity securities	39	76	37	403	784	380
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	39	76	37	403	784	380
Securities with book value not exceeding their acquisition cost						
(1) Equity securities	335	285	(50)	3,423	2,912	(511)
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	335	285	(50)	3,423	2,912	(511)

(Note) In regards to the impairment of stocks, impairment is recorded when the fair value of the stock falls below 50% of its cost at the end of the fiscal year.

In addition, unless the stock is recognized to have the potential for recovery, impairment is recorded when the rate of stock price decline is between 30% and 50% at the end of the fiscal year.

The recognition of impairment is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of securities, and examination of various financial analysis data of listed companies.

② Investments in securities sold during the current fiscal year

The note is omitted due to the minor of the total amount of gain or loss on sales of investments in securities.

③ Investments in securities without a readily determinable fair value (As of March 31, 2009)

	Millions of yen	Thousands of U.S. dollars
Investments in securities		
Unlisted equity securities	511	5,214
Investments in limited partnership	42	430

11. Retirement benefits for employees

(1) Summary of retirement benefit plan

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and funded non-contributory pension plans. Some foreign subsidiaries have defined contribution pension plans.

(2) Accrued retirement benefits

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Projected benefit obligations	(2,215)	(2,411)	(24,606)
B. Fair value of plan assets	800	692	7,064
C. Unfunded benefit obligations (A+B)	(1,415)	(1,719)	(17,542)
D. Unrecognized transition obligation	257	220	2,255
E. Unrecognized actuarial differences	109	326	3,355
F. Accrued pension liability recognized in the consolidated balance sheet (C+D+E)	(1,048)	(1,171)	(11,951)
G. Accrued retirement benefits for employees	(1,048)	(1,171)	(11,951)

(Note) Some subsidiaries apply simplified method to compute pension liabilities.

(3) Retirement and pension cost

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Service costs	180	203	2,077
B. Interest costs	24	27	278
C. Expected return on plan assets	(22)	(20)	(204)
D. Amortization of transition obligation	36	36	375
E. Amortization of actuarial differences	15	40	416
F. Net periodic benefit costs (A+B+C+D+E)	235	288	2,944

Previous fiscal year

Current fiscal year

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥18 million during the year.

2. Retirement cost for some subsidiaries which have adopted the simplified method are included in the "Service costs".

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥21 million (\$224 thousand) during the year.

2. The same with the previous fiscal year

(4) Assumptions used in calculation of retirement benefits for employees

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	A. Method of attributing the projected benefit obligations to periods of service	Straight-line
B. Discount rate	1.5%	1.5%
C. Long-term rate of return on plan assets	2.5%	2.5%
D. Amortization period for actuarial differences	9 years	9 years
	(based on the straight-line method over the average estimated service years of employees from the next fiscal period of year when the differences are computed.)	The same method with the previous fiscal year
E. Amortization period for transition obligation	15 years	15 years

12. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Allowance for doubtful accounts	410	334	3,417
Accrued bonuses	710	714	7,287
Accrued retirement benefits for employees	425	475	4,852
Accrued retirement benefits for directors	151	165	1,684
Allowance for sales returns	164	127	1,297
Inventories	2,011	1,423	14,524
Prepaid expenses	443	213	2,177
Tax loss carry-forwards in the Company	3,539	342	3,499
Tax loss carry-forwards in the subsidiaries	1,218	1,919	19,590
Investments in subsidiaries and affiliated companies	87	225	2,299
Depreciation	281	271	2,772
Impairment loss	73	436	4,449
Tax credit	208	401	4,101
Other	865	1,436	14,656
Sub-total	10,591	8,487	86,609
Valuation allowance	(3,777)	(3,458)	(35,286)
Total deferred tax assets	6,814	5,029	51,322
(Deferred tax liabilities)			
Tax-deductible inventories for a foreign subsidiary	(445)	(1,073)	(10,956)
Other	(370)	(61)	(631)
Total deferred tax liabilities	(815)	(1,135)	(11,587)
Net deferred tax assets	5,998	3,894	39,735
Net deferred tax assets are reflected in the consolidated balance sheets as follows:			
Current assets—deferred tax assets	3,009	2,712	27,679
Non current assets—deferred tax assets	2,989	1,425	14,545
Non current liabilities—deferred tax liabilities	—	(243)	(2,489)
Total	5,998	3,894	39,735

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)
	%	%
Statutory income tax rate	40.6	40.6
(Reconciliation)		
Change in valuation allowance	(1.1)	(2.6)
Tax credit	(0.6)	(3.3)
Amortization of goodwill	0.0	1.5
Different tax rates applied to foreign subsidiaries	(2.4)	(2.2)
Others	(1.5)	1.3
Effective income tax rate	34.9	35.2

13. Business combinations

Previous fiscal year (From April 1, 2007 to March 31, 2008)

Not applicable

Current fiscal year (From April 1, 2008 to March 31, 2009)**(Purchase method)**

- (1) Name of acquired company and its business segment, purpose, date, legal form, name of acquired enterprise after business combination and ratio of acquired right to vote
- ① Name of acquired company and its business segment
Name of acquired company: K2 CO., LTD.
Business segment: Home video games (Game software development)
- ② Purpose of business combination
In order to implement the growth strategy of the Companies, it is essential to upgrade the development activities, which are the core competence for the Company. K2 CO., LTD. has a good and reliable track record in game software development consigned by the Company.
By Making this company a wholly owned subsidiary, the Companies are able to increase the entire corporate value, constructing the growth strategy with it and achieving efficient and flexible development of game software.
- ③ Date of business combination May 1, 2008
- ④ Legal form of business combination Stock exchange
- ⑤ Name of acquired company after business combination No change
- ⑥ Ratio of acquired right to vote 100%
- (2) Business term of acquired enterprise reflected on consolidated financial statements
From April 1, 2008 to March 31, 2009

- (3) Acquisition cost for acquired company and its detail Consideration
The Company's common shares ¥655 million (\$6,685 thousand)
- (4) Exchange ratio of shares, its computation, number of shares granted and value
- ① Exchange ratio of shares
The Company's 3,362 common shares:
K2 CO., LTD's one common share
- ② Computation of exchange ratio of shares
The Company consigned the computation to a professional firm.
The Company and its counterparties negotiated and decided on the ratio based on the professional report.
- ③ Number of shares granted and value
- | | |
|--------------------------|---------------------------------|
| Number of shares granted | 201,720 shares |
| Value | ¥655 million (\$6,685 thousand) |
- (5) Amount of goodwill arisen, reason, and amortization method and period
- ① Amount of goodwill arisen ¥537 million (\$5,480 thousand)
- ② Reason of goodwill arisen
The acquisition cost exceeded the fair value of the net asset for K2 CO., LTD. The difference was recognized as the goodwill.
- ③ Amortization method and period
Straight-line method over 3 years

14. Segment information**(1) Business segments****① Previous fiscal year (From April 1, 2007 to March 31, 2008)**

	Millions of yen						Elimination and corporate	Consolidated total
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total		
I. Net sales and operating income								
Net sales								
(1) Customers	51,679	13,406	6,538	8,525	2,947	83,097	(—)	83,097
(2) Inter-segment	—	—	35	—	—	35	(35)	—
Total	51,679	13,406	6,574	8,525	2,947	83,133	(35)	83,097
Operating expenses	40,069	12,653	5,391	5,892	2,479	66,486	3,489	69,976
Operating income	11,609	753	1,182	2,633	468	16,646	(3,525)	13,121
II. Assets, depreciation and capital expenditures								
Total assets	27,106	11,793	7,071	5,275	4,709	55,956	37,649	93,606
Depreciation	739	1,615	433	185	272	3,246	147	3,393
Impairment loss	181	—	—	—	—	181	—	181
Capital expenditures	862	2,460	26	65	8	3,424	1,078	4,503

(Note) 1. Business segments above are split based upon for internal management disposition.

2. Principal products and operations of each business segment

- (1) Home video games.....This division develops and distributes home video game software.
- (2) Arcade operations.....This division operates amusement facilities.
- (3) Arcade games.....This division develops, manufactures, and distributes commercial game equipment and integrated circuit boards.
- (4) Contents expansion.....This division develops and distributes mobile contents as well as LCD display.
- (5) Other businesses.....Other businesses include licensing business and other businesses.

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,544 million. The major part of this expense is related to the corporate division of the Companies.

4. Corporate assets in the column "Elimination and corporate" were ¥37,659 million. Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.

5. Depreciation and capital expenditures include long-term prepaid expenses and amortization of them.

6. Change in accounting policies

(1) Depreciation method of tangible fixed assets

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to the amended Japanese corporate tax law. The effect of this change was to increase operating expenses in the "Home video games" segment by ¥25 million, Arcade operations, by ¥196 million, Arcade games by ¥18 millions, "Contents expansion" by ¥4 million, "Other businesses" by ¥0 million and "Elimination and corporate" by ¥5 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Accrued retirement benefits for directors

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have adopted "Auditing and Assurance Committee Statement No. 42". The effect of this change was to increase operating expenses in "Elimination and corporate" by ¥28 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

② Current fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen						Elimination and corporate	Consolidated total
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total		
I. Net sales and operating income								
Net sales								
(1) Customers	62,892	13,509	8,023	4,628	2,824	91,878	(—)	91,878
(2) Inter-segment	—	—	7	—	—	7	(7)	—
Total	62,892	13,509	8,031	4,628	2,824	91,885	(7)	91,878
Operating expenses	46,499	13,285	6,272	4,859	1,770	72,687	4,572	77,259
Operating income (loss)	16,392	224	1,758	(230)	1,053	19,198	(4,579)	14,618
II. Assets, depreciation, impairment loss and capital expenditures								
Total assets	46,602	11,595	6,171	6,342	2,436	73,148	33,062	106,210
Depreciation	864	2,050	229	348	242	3,736	406	4,143
Impairment loss	866	280	—	—	—	1,146	—	1,146
Capital expenditures	434	1,172	50	70	38	1,765	1,140	2,906

	Thousands of U.S. dollars						Elimination and corporate	Consolidated total
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total		
I. Net sales and operating income								
Net sales								
(1) Customers	641,757	137,855	81,873	47,226	28,817	937,530	(—)	937,530
(2) Inter-segment	—	—	79	—	—	79	(79)	—
Total	641,757	137,855	81,953	47,226	28,817	937,610	(79)	937,530
Operating expenses	474,485	135,562	64,008	49,582	18,069	741,707	46,654	788,362
Operating income (loss)	167,272	2,292	17,944	(2,355)	10,748	195,902	(46,733)	149,168
II. Assets, depreciation, impairment loss and capital expenditures								
Total assets	475,535	118,318	62,971	64,721	24,863	746,410	337,374	1,083,784
Depreciation	8,823	20,924	2,339	3,557	2,477	38,122	4,156	42,279
Impairment loss	8,846	2,857	—	—	—	11,703	—	11,703
Capital expenditures	4,431	11,965	511	720	390	18,020	11,634	29,654

(Note) 1. Same with the previous fiscal year

2. Principal products and operations of each business segment

(1) Home video games.....This division develops and distributes home video game software as well as develops and operates online game software.

(2) Arcade operations.....This division operates amusement facilities.

(3) Arcade games.....This division develops, manufactures, and distributes commercial game equipment and integrated circuit boards.

(4) Contents expansion.....This division develops and distributes mobile contents as well as develops, manufactures and distributes pachinko and pachislot machines.

(5) Other businesses.....Other businesses include licensing business and other businesses.

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,579 million (\$46,733 thousand). The major part of this expense is related to the corporate division of the Companies.

4. Corporate assets in the column "Elimination and corporate" were ¥33,359 million (\$340,403 thousand). Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.

5. Same with the previous fiscal year

6. Change in accounting policies

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The effect of this change was to decrease operating income by ¥299 million (\$3,057 thousand) and total assets by ¥791(\$8,072 thousand) in the "Contents expansion" compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Geographic areas

① Previous fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen						Consolidated total
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	
I. Net sales and operating income							
Net sales							
(1) Customers	56,457	15,796	9,782	1,060	83,097	(—)	83,097
(2) Inter-segment	6,202	407	—	17	6,627	(6,627)	—
Total	62,660	16,204	9,782	1,078	89,725	(6,627)	83,097
Operating expenses	50,252	13,877	7,962	935	73,028	(3,052)	69,976
Operating income	12,407	2,326	1,819	142	16,696	(3,575)	13,121
II. Total assets	44,361	9,385	5,168	702	59,616	33,989	93,606

(Note) 1. The segmentation of country or region is based on the geographical proximity.

2. Major countries and regions that are not in Japan.

(1) North America.....United States of America

(2) Europe.....European countries

(3) Other regions.....Asia and others

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,544 million. The major part of this expense is related to the corporate division of the Companies.

4. Corporate assets in the column "Elimination and corporate" were ¥37,659 million. Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.

5. Change in accounting policies

(1) Depreciation method of tangible fixed assets

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to the amended Japanese corporate tax law. The effect of this change was to increase operating expenses in Japan by ¥245 million and "Elimination and corporate" by ¥5 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Accrued retirement benefits for directors

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have adopted "Auditing and Assurance Committee Statement No. 42". The effect of this change was to increase operating expenses in "Elimination and corporate" by ¥28 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

② Current fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen						Consolidated total
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	
I. Net sales and operating income							
Net sales							
(1) Customers	54,193	21,851	14,167	1,665	91,878	(—)	91,878
(2) Inter-segment	9,238	3,012	—	33	12,283	(12,283)	—
Total	63,431	24,863	14,167	1,698	104,161	(12,283)	91,878
Operating expenses	50,232	20,809	12,611	1,333	84,987	(7,727)	77,259
Operating income	13,198	4,054	1,556	365	19,174	(4,555)	14,618
II. Total assets	50,922	19,320	10,597	1,214	82,055	24,155	106,210

	Thousands of U.S. dollars						Consolidated total
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	
I. Net sales and operating income							
Net sales							
(1) Customers	552,992	222,973	144,566	16,997	937,530	(—)	937,530
(2) Inter-segment	94,266	30,735	—	339	125,340	(125,340)	—
Total	647,259	253,709	144,566	17,336	1,062,871	(125,340)	937,530
Operating expenses	512,579	212,341	128,688	13,608	867,218	(78,856)	788,362
Operating income	134,679	41,367	15,877	3,727	195,653	(46,484)	149,168
II. Total assets	519,620	197,145	108,134	12,395	837,296	246,488	1,083,784

(Note) 1. Same with the previous fiscal year

2. Same with the previous fiscal year

3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,579 million (\$46,733 thousand). The major part of this expense is related to the corporate division of the Companies.

4. Corporate assets in the column "Elimination and corporate" were ¥33,359 million (\$340,403 thousand). Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.

5. Change in accounting policies

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The effect of this change was to decrease operating income by ¥299 million (\$3,057 thousand) and total assets by ¥791 (\$8,072 thousand) in North America compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(3) Overseas sales

① Previous fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen			Total
	North America	Europe	Other regions	
I. Overseas sales	15,895	9,498	1,478	26,872
II. Consolidated net sales				83,097
III. Percentage of foreign sales included in consolidated net sales	19.1%	11.4%	1.8%	32.3%

(Note) 1. The segmentation of country or region is based on the geographical proximity.

2. Major countries and regions that are not in Japan.

(1) North America.....United States of America

(2) Europe.....European countries

(3) Other regions.....Asia and others

3. Foreign net sales represents the total of all the sales outside Japan by CAPCOM CO., LTD. and its consolidated subsidiaries (excluding internal sales between consolidated subsidiaries).

② Current fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen			Total
	North America	Europe	Other regions	
I. Overseas sales	22,463	13,197	3,060	38,721
II. Consolidated net sales				91,878
III. Percentage of foreign sales included in consolidated net sales	24.4%	14.4%	3.3%	42.1%

	Thousands of U.S. dollars			Total
	North America	Europe	Other regions	
I. Overseas sales	229,222	134,669	31,225	395,116
II. Consolidated net sales				937,530
III. Percentage of foreign sales included in consolidated net sales	24.4%	14.4%	3.3%	42.1%

(Note) 1. Same with the previous fiscal year

2. Same with the previous fiscal year

3. Same with the previous fiscal year

15. Related party transactions

(1) Previous fiscal year (From April 1, 2007 to March 31, 2008)

Not applicable

(Additional information)

Effective from the fiscal year ended March 31, 2008, the Company applied the early adoption provisions of the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11; October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 : October 17, 2006).

(2) Current fiscal year (From April 1, 2008 to March 31, 2009)

Not applicable

16. Per share information

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Yen	Yen	U.S. dollars
Net assets per share	881.13	961.38	9.81
Basic net income per share	132.90	130.98	1.34
Diluted net income per share	116.84	120.41	1.23

(Note) 1. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	53,660	59,349	605,608
Amounts to be deducted from total amount of net assets	—	—	—
Ending balance of net assets attributable to common stock	53,660	59,349	605,608
Number of common stocks used for computation of net assets per share (thousands shares)	60,899	61,733	61,733

2. The basis for computation of basic and diluted net income per share is as follows:

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2008 to March 31, 2009)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic net income per share			
Net income	7,807	8,063	82,281
Amount not allocated to common stock	—	—	—
Net income allocated to common stock	7,807	8,063	82,281
Average number of common stock outstanding during the fiscal year (thousands shares)	58,747	61,561	61,561
Diluted net income per share			
Adjustment made on net income	6	6	62
(Interest paid with tax adjustment)	—	—	—
(Administrative fees to commission banks with tax adjustment)	6	6	62
Increase of common stocks (thousands shares)	8,135	5,458	5,458
(Convertible bonds (thousands shares))	8,135	5,458	5,458

17. Significant subsequent events

Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
<p>The Company acquired K2 CO., LTD. on May 1, 2008 by stock exchange to make this company a wholly owned subsidiary.</p> <p>(1) Purpose In order to implement the growth strategy of the Companies, it is essential to upgrade the development activities, which are the core competence for the Company. K2 CO., LTD. has a good and reliable track record in game software development consigned by the Company. By Making this company a wholly owned subsidiary, the Companies are able to increase the entire corporate value, constructing the growth strategy with it and achieving efficient and flexible development of game software.</p> <p>(2) Details ① The Company exchanged 3,362 shares of the Company for one share of K2 CO., LTD. ② Number of shares granted 201,720 shares The Company did not issue new shares, as treasury stocks were granted to the shareholders of K2 CO., LTD. ③ The amount of common stock for the Company was not increased by this stock exchange. ④ This stock exchange was conducted through the simplified method specified in the section 3 of the article 796 of the Companies act.</p>	<p>The Company made a resolution to repurchase treasury stock through the board of directors' meeting held on July 30, 2009 in accordance with the articles of incorporation applied under the section 1 of the article 156 and the section 3 of the article 165 of the Companies act.</p> <p>(1) Details ① Type of share Common stock ② Number of shares to be repurchased Up to 3 million shares ③ Amount of shares to be repurchased Up to ¥5,500 million (\$56,122 thousand) ④ Repurchase period From August 1, 2009 to August 31, 2009 ⑤ Method of repurchase Repurchase in the market (2) Purpose To flexibly implement capital policies to meet with changes in the business environment.</p>

18. Supplemental schedule of bonds

Issuer	Name of bond	Issuance date	Balance as of March 31, 2008 (¥ million)	Balance as of March 31, 2009 (¥ million)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD. (Note) 2	5th unsecured convertible bonds	December 20, 2001	14,997	—	—	Unsecured	March 31, 2009
CAPCOM CO., LTD. (Note) 1, 3, 4	Zero coupon convertible bonds due 2009	October 8, 2004	1,220	400 (400)	—	Unsecured	October 8, 2009
Total	—	—	16,217	400 (400)	—	—	—

Issuer	Name of bond	Issuance date	Balance as of March 31, 2008 (\$ thousand)	Balance as of March 31, 2009 (\$ thousand)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD. (Note) 2	5th unsecured convertible bonds	December 20, 2001	153,030	—	—	Unsecured	March 31, 2009
CAPCOM CO., LTD. (Note) 1, 3, 4	Zero coupon convertible bonds due 2009	October 8, 2004	12,448	4,081 (4,081)	—	Unsecured	October 8, 2009
Total	—	—	165,479	4,081 (4,081)	—	—	—

(Note) 1. The amount in the bracket for "Balance as of March 31, 2009" indicates the balance to be redeemed within one year.

2. Description of unsecured convertible bonds

Name of bond	Conditions of conversion	Stock types to be issued by conversion	Exercisable terms of conversion
5th unsecured convertible bonds	Conversion price of 3,020 yen (30.82 U.S. dollars) per share	Common stock of CAPCOM CO., LTD.	From February 1, 2002 to March 30, 2009

3. Description of zero coupon convertible bonds

Type of stocks to be issued	Price of conversion rights	Exercise price (yen)	Total exercise price (¥ million)	Amount of stocks issued due to exercise of conversion rights (¥ million)	Ratio (%)	Exercisable terms of conversion	Substitute deposits
Common stocks of CAPCOM CO., LTD.	Free of charge	1,217	11,500	820	100	From October 15, 2004 to October 2, 2009	Note

Type of stocks to be issued	Price of conversion rights	Exercise price (U.S. dollars)	Total exercise price (\$ thousand)	Amount of stocks issued due to exercise of conversion rights (\$ thousand)	Ratio (%)	Exercisable terms of conversion	Substitute deposits
Common stocks of CAPCOM CO., LTD.	Free of charge	12.42	117,346	8,367	100	From October 15, 2004 to October 2, 2009	Note

(Note) When the holders request for exercise of the conversion rights, the exercise price is deemed to be paid from maturity payment. Also, if the conversion rights are exercised, it is treated that such request is made.

4. Redemption schedule of bonds for 5 years subsequent to March 31, 2009

Due within one year (¥ million)	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
400	—	—	—	—
Due within one year (\$ thousand)	Due after 1 year but within 2 years (\$ thousand)	Due after 2 years but within 3 years (\$ thousand)	Due after 3 years but within 4 years (\$ thousand)	Due after 4 years but within 5 years (\$ thousand)
4,081	—	—	—	—

19. Supplemental schedule of borrowings

Category	Balance as of March 31, 2008 (¥ million)	Balance as of March 31, 2009 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	55	15,055	0.9	—
Current portion of long-term borrowings due within one year	1,960	711	1.6	—
Current portion of lease obligations	—	492	2.4	—
Long-term borrowings (Excluding current portion)	1,470	5,067	1.4	From April 1, 2010 to September 28, 2012
Lease obligations (Excluding current portion)	—	833	2.4	From April 1, 2010 to October 31, 2013
Total	3,485	22,160	—	—

Category	Balance as of March 31, 2008 (\$ thousand)	Balance as of March 31, 2009 (\$ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	566	153,627	0.9	—
Current portion of long-term borrowings due within one year	20,000	7,259	1.6	—
Current portion of lease obligations	—	5,030	2.4	—
Long-term borrowings (Excluding current portion)	15,000	51,705	1.4	From April 1, 2010 to September 28, 2012
Lease obligations (Excluding current portion)	—	8,502	2.4	From April 1, 2010 to October 31, 2013
Total	35,566	226,126	—	—

(Note) 1. The average interest rate represents the weighted-average rate applicable to the ending balance.

2. The following table shows the aggregate annual maturities of Long-term borrowings and lease obligation for 5 years subsequent to March 31, 2009 (excluding the current portion).

	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
Long-term borrowings	711	3,711	499	144
Lease obligations	518	299	9	5

	Due after 1 year but within 2 years (\$ thousand)	Due after 2 years but within 3 years (\$ thousand)	Due after 3 years but within 4 years (\$ thousand)	Due after 4 years but within 5 years (\$ thousand)
Long-term borrowings	7,259	37,871	5,094	1,472
Lease obligations	5,294	3,055	101	51

20. Supplemental schedule of other

Quarterly sales etc. for the current fiscal year

	1st quarter (From April 1, 2008 to June 30, 2008)	2nd quarter (From July 1, 2008 to September 30, 2008)	3rd quarter (From October 1, 2008 to December 31, 2008)	4th quarter (From January 1, 2009 to March 31, 2009)
Sales (¥ million)	16,352	14,883	15,986	44,654
Net income (loss) before income taxes (¥ million)	4,028	(57)	(3,249)	11,727
Net income (loss) (¥ million)	2,382	(509)	(1,693)	7,884
Net income (loss) per share (yen)	38.96	(8.27)	(27.44)	127.71

	1st quarter (From April 1, 2008 to June 30, 2008)	2nd quarter (From July 1, 2008 to September 30, 2008)	3rd quarter (From October 1, 2008 to December 31, 2008)	4th quarter (From January 1, 2009 to March 31, 2009)
Sales (\$ thousand)	166,865	151,874	163,130	455,660
Net income (loss) before income taxes (\$ thousand)	41,109	(585)	(33,162)	119,663
Net income (loss) (\$ thousand)	24,310	(5,197)	(17,283)	80,452
Net income (loss) per share (U.S. dollars)	0.40	(0.08)	(0.28)	1.30

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

We have audited the accompanying consolidated balance sheet of CAPCOM CO., LTD. ("the Company") and its subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in net assets and cash flows for the year 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 audit.

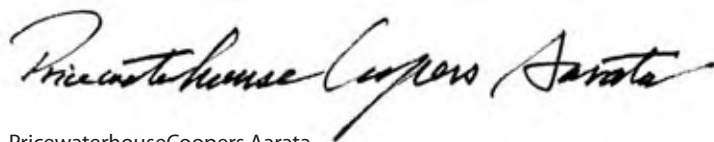
We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 17 to the consolidated financial statements, the Company's Board of Directors resolved to repurchase its treasury stock on July 30, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



PricewaterhouseCoopers Aarata

August 5, 2009



Head Office



Tokyo Branch



R&D Building

Corporate Profile

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	1. Planning, development and sale of home video games 2. Planning, development, manufacture and sale of arcade games 3. Management of amusement arcades
Paid-in Capital	¥ 33,039 million
End of Term	March 31
Number of Employees	1,813 (Including consolidated subsidiaries) 1,455 (Capcom CO., LTD.)

Capcom's Subsidiaries

- CAPCOM U.S.A., INC.**
 800 Concar Drive, Suite 300 San Mateo, California 94402 U.S.A.
 PHONE: 1-650-350-6500 FAX: 1-650-350-6655
<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.**
 800 Concar Drive, Suite 300 San Mateo, California 94402 U.S.A.
 PHONE: 1-650-350-6500 FAX: 1-650-350-6655
 Paid-in Capital: US\$ 2,000 thousand
 Business Segment: Sale of home video games
- CAPCOM INTERACTIVE, INC.**
 10960 Wilshire Blvd. Suite 1500, Los Angeles, CA 90024 U.S.A.
 PHONE: 1-310-943-5470 FAX: 1-310-943-5489
<http://www.capcommobile.com/>
 Paid-in Capital: US\$ 0 thousand
 Business Segment: Distribution of mobile phone games
- 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.**
 Units 1510-1511, North Tower Concordia Plaza, No.1 Science Museum Road, Tsimshatsui 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
- K2 Co., LTD.**
 7th Floor, Shogyo Building, 5-6-10 Toyosaki, Kita-ku, Osaka 531-0072, Japan
 PHONE: 81-6-4802-4557 FAX: 81-6-4802-4559
 Paid-in capital: ¥ 3 million
 Activities: Development of game software
- CAPCOM ENTERTAINMENT KOREA CO., LTD.**
 Dong IL Highvill Office 410 1542-1 Seocho-dong Seocho-gu, Seoul, 137-872, Korea
 PHONE: 82-2-525-2160 FAX: 82-2-525-2161
<http://www.capcomkorea.com/>
 Paid-in Capital: KRW 1,000 million
 Business Segment: Sale of home video games, Operation and development of online games
- ENTERRISE CO., LTD.**
 NOE Building 2-5-1 Taitou, Taitou-ku, Tokyo, 110-0016, Japan
 PHONE: 81-3-5812-8725 FAX: 81-3-5812-8731
<http://www.enterrise.co.jp/>
 Paid-in Capital: ¥ 30 million
 Business Segment: Sale, Development and Manufacture of amusement equipment
- DALETTO CO., LTD.**
 Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0425, Japan
 PHONE: 81-3-3340-0696 FAX: 81-3-3340-0655
<http://www.dalletto.co.jp/>
 Paid-in Capital: ¥ 1,090 million
 Business Segment: Online Portal Site Management
- CE EUROPE LTD.**
 9th Floor, 26-28 Hammersmith Grove, London W6 7HA, U.K.
 PHONE: 44-20-8846-2550 FAX: 44-20-8741-4176
<http://www.capcom-europe.com/>
 Paid-in Capital: £ 1 thousand
 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
- CAPCOM ENTERTAINMENT FRANCE, SAS**
 30 bis, rue du Viel Abreuvoir 78100 SAINT GERMAIN EN LAYE
 PHONE: 33-1-30-61-86-61 FAX: 33-1-39-73-16-15
 Paid-in Capital: € 37 thousand
 Business Segment: Sale of home video games

Major Offices

Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100
R&D Building	3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698
Tokyo Branch	Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

By continuously creating original content, CAPCOM of Japan has transformed itself into CAPCOM of the world.

1979~

- May. 1979**
Established I.R.M Corporation (capital of 10 million yen) with objectives of developing and selling electric applied game machines in Matsubara, Osaka.
- May. 1981**
Established the subsidiary JAPAN CAPSULE COMPUTER CO., LTD.
- Sep. 1981**
Corporate name was changed to SAMBI CO., LTD., and the head office was moved to Habikino, Osaka.
- Jun. 1983**
Established old CAPCOM CO., LTD., (capital of 10 million yen) in Hirano, Osaka for the purpose of selling software.
- Oct. 1983**
Established Tokyo Branch in Shinjuku, Tokyo.
- Aug. 1985**
Established CAPCOM U.S.A., INC., in California for distribution of Capcom's products in the U.S.A.
- Jan. 1989**
Old CAPCOM CO., LTD., was merged with SANBI. Corporate name was changed to CAPCOM CO., LTD., and the head office was moved to Higashi-ku, Osaka.
- Aug. 1989**
Established a resident office in the U.K.

1983

- Jul.** Released our first originally developed coin-op "Little League".
- Oct.** Released the coin-op "Fever Chance".



Dec.

Opened "Acty 24", a video arcade under the direct management of Capcom.

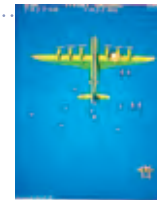
1984

- May.** Released our first arcade video game "Vulgus".



Dec.

Released the arcade video game "1942".



1985

- May.** Released the arcade video game "Commando".

Sep.

Released the arcade video game "Ghosts'n Goblins".



Dec.

Released our first home video game "1942" for Nintendo Entertainment System (NES).

1986

Jun.

Released "Ghosts'n Goblins" for NES.

Sep.

Released "Commando" for NES.



1987

Aug.

Released the arcade video game "Street Fighter".

Dec.

Released "Mega Man" for NES.



1989

Dec.

Released the arcade video game "Final Fight".

1990~

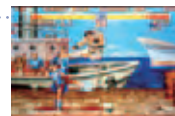
- Oct. 1990**
Stocks registered as OTC securities with the Japan Securities Dealers Association.
- Feb. 1991**
Purchased YUNIKA CO., LTD. and turned it into a 100% subsidiary.
- Dec. 1991**
Changed the name of YUNIKA CO., LTD. to CAPTRON CO., LTD.
- Jul. 1993**
Established CAPCOM ASIA CO., LTD. in Hong Kong for distribution of Capcom's products in China and Southeast Asia.
- Oct. 1993**
Stock was listed on the second section of the Osaka Stock Exchange.
- May. 1994**
Constructed Ueno facility in Mie.
- Jul. 1994**
Constructed head office, which was relocated to Uchihirano-machi, Chuo-ku, Osaka.
- Jun. 1995**
Established CAPCOM ENTERTAINMENT, INC. and CAPCOM DIGITAL STUDIOS, INC. (currently CAPCOM STUDIO 8, INC.), which CAPCOM U.S.A., INC. holds for the purposes of enhancing and maximizing functions such as management, distribution, and R&D in U.S.A.
- Apr. 1997**
Established FLAGSHIP CO., LTD. with a view of game scenario creation.
- Sep. 1999**
Stock changed listing to the First Section of the Osaka Securities Exchange.

1990

- Dec.** Released "Final Fight" for Super NES.

1991

- Mar.** Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.



1992

- Jun.** Released "Street Fighter II" for Super NES, and it was a mega-hit.



1993

- Apr.** Released "Breath of Fire" for Super NES.



Jul.

Opened "CapcoCircus Nigata East", the largest arcade in Nigata.

1994

Aug.

Premiere of the animated movie "Street Fighter II".



Dec.

Premiere of the Hollywood movie "Street Fighter".

1995

Apr.

Began broadcasting the TV animation "Street Fighter II V".

1996

Mar.

Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.



1999

Jul.

Released "Dino Crisis" for PlayStation, and it was a mega-hit.



Since its inception, Capcom has been creating a series of industry-leading game titles with remarkable commercial success around the globe, including the classic "Street Fighter," which was the rage of the times, and the worldwide blockbuster survival horror game "Resident Evil" to name two. All of these original and innovative games have helped make the Capcom brand a household name. We continue to aspire to be a company that entertains people around the world and touches their heart.

2000~

Oct. 2000

Stock was listed on the First Section of the Tokyo Stock Exchange.

Nov. 2002

Established CE EUROPE LTD. in U.K.

Feb. 2003

Established CEG INTERACTIVE ENTERTAINMENT GmbH in Germany.

Jun. 2006

CAPCOM INTERACTIVE, INC., tasked with developing and distributing mobile games in the overseas market, is established in the United States and makes CAPCOM INTERACTIVE CANADA, INC. (the formerly COSMIC INFINITY, INC.) a wholly-owned subsidiary by buying all its shares.

Oct. 2006

CAPCOM CO., LTD. and the DWANGO group co-found DALETTO CO., LTD., responsible for managing a portal site.

Mar. 2007

CAPCOM ENTERTAINMENT KOREA CO., LTD., a wholly-owned subsidiary of Capcom, is established to oversee marketing operations for the Asian market.

CAPCOM ENTERTAINMENT, INC. acquires CAPCOM STUDIO 8, INC.

Jun. 2007

CAPCOM CO., LTD. acquires FLAGSHIP CO., LTD.

2001

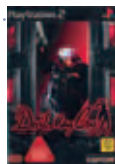
Jan.

Released "Onimusha" for PlayStation 2, and it sold over a million copies, a first for a PlayStation 2 title.



Aug.

Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.



Oct.

Released "Phoenix Wright" for Game Boy Advance, and it drew public attention as a courtroom battle title.



2002

Mar.

Began broadcasting the TV animation based on the hit title "Mega man Battle Network".

Mar.

Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.



2004

Feb.

Entered the publishing business and released the first strategy guidebook for "Onimusha 3".

Sep.

Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.



Oct.

"Monster Hunter" won the grand award at the 8th annual CESA GAME AWARDS.

2005

Mar.

Premiere of the animated movie "Mega man".

Jul.

Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.



2006

Jul.

Capcom and TOMY COMPANY, LTD. co-launch "Wantame Music Channel", a card game machine geared towards girls under 10.

Aug.

Released "Dead Rising" for Xbox 360. More than 1 million units were sold, an extraordinary feat for a new title for a new game console.



Dec.

Released software "Lost Planet" for Xbox 360. Over 1 million units were sold following the trails of "Dead Rising", another exceptional accomplishment for a new title.



2007

Mar.

"Monster Hunter Freedom 2" becomes the first Japanese PSP software to exceed 1 million units shipped.

Nov.

The Hollywood movie "Resident Evil: Extinction" was released. Its box-office revenue exceeded 147 million dollars.



2008/2009

May. 2008

K2 Co., Ltd becomes a wholly-owned subsidiary through a simple exchange of stocks.

Jul. 2008

CAPCOM ENTERTAINMENT FRANCE, SAS is established through the acquisition of all of its shares by CE EUROPE LTD.

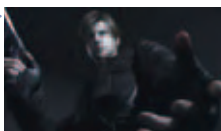
Nov. 2008

Acquired 90% of shares of Enterise CO., LTD. for the purpose of developing, designing, producing and selling gaming machines.

2008

Oct.

Premier of the first full-CG movie in the series "Resident Evil: Degeneration". Sales of DVDs and other product versions reached 1.5 million units.



2009

Feb.

Hollywood movie "Street Fighter: The Legend of Chun-Li" was released worldwide.

Feb.

Takarazuka Revue Company launches theatrical performance of "Ace Attorney: Truth Reborn".



Mar.

"Plaza Capcom Inazawa" opens in Aichi Prefecture.

Apr.

Began broadcasting the TV animation program "Sengoku BASARA".



Stock Data

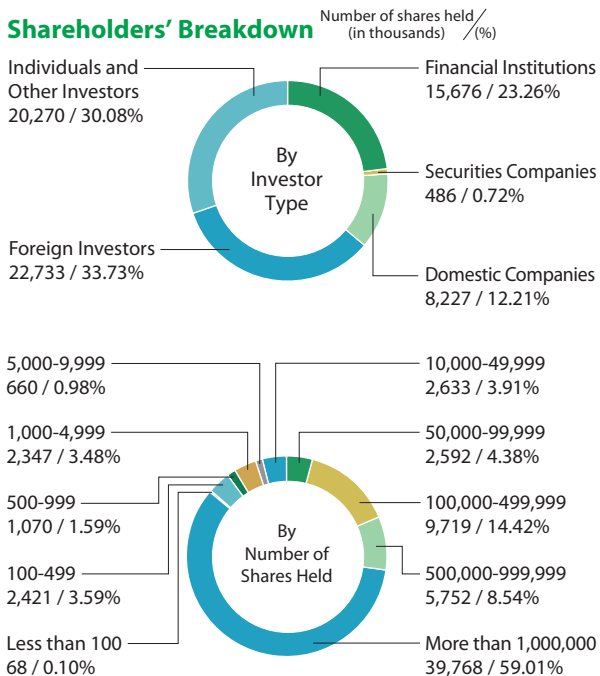
Number of Shares Authorized — 150,000,000 shares
 Number of Shares Issued — 67,394,568 shares
 Number of Shareholders — 18,866 shareholders

Major Shareholders

Major Shareholders	Number of Shares Held (in thousands)	Investment Ratio (%)
Crossroad Limited	6,771	10.97
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,568	7.40
Japan Trustee Services Bank, Ltd. (Trust Account)	4,399	7.13
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	3,123	5.06
Kenzo Tsujimoto	2,206	3.57
Goldman Sachs & Co. REG	1,958	3.17
Yoshiyuki Tsujimoto	1,669	2.70
Haruhiro Tsujimoto	1,546	2.51
Ryozo Tsujimoto	1,545	2.50
Morgan Stanley & Company Inc.	1,506	2.44

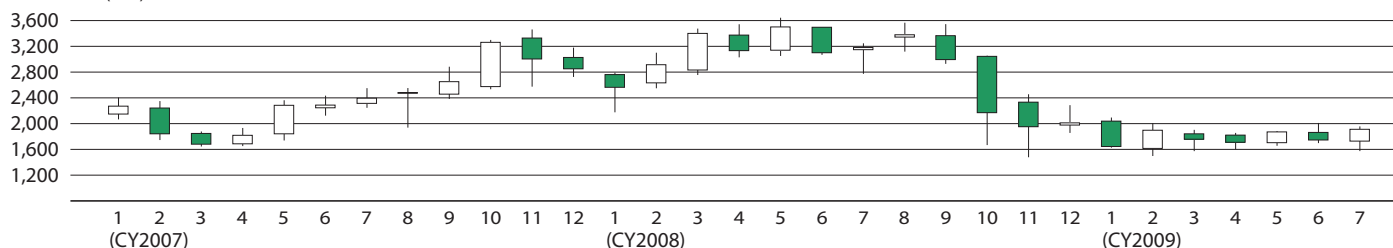
Note: Capcom owns 5,660 thousand stocks as treasury stocks.
 The stocks owned by the company are excluded from the above list.

Shareholders' Breakdown



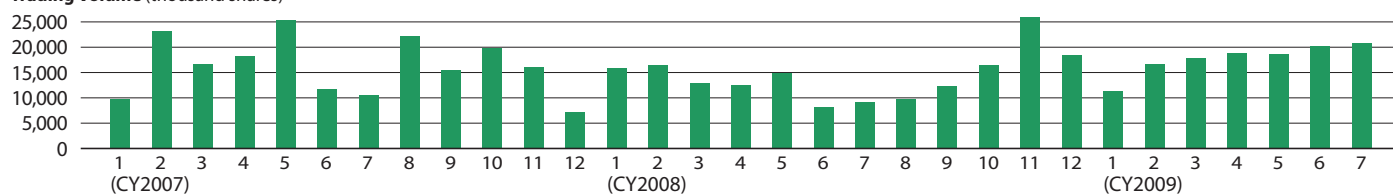
Stock Price Range

Stock Price (Yen)



Trading Volume

Trading Volume (thousand shares)



11 Year Trend of Stock Price and Trading Volume

	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3	2005.3	2006.3	2007.3	2008.3	2009.3
Stock Price	1,080	4,700	3,580	3,470	1,033	1,032	1,047	1,209	1,692	3,400	1,746
High	1,280	6,140	4,360 (5,100)	4,460	3,860	1,685	1,246	1,450	2,445	3,490	3,640
Low	667	970	2,935 (2,975)	2,400	999	857	884	1,000	1,110	1,660	1,475
Trading Volume	6,859,000	76,522,000	54,022,000	59,785,000	69,891,000	109,458,000	90,897,000	93,992,000	137,965,000	191,793,900	179,636,900

Note: 1 Stock prices are adjusted for stock splits, up to fiscal year ended March 31, 2000.
 2 Stock prices in brackets and stock prices up to fiscal year ended March 31, 2000 are those quoted on the Osaka Securities Exchange Co., Ltd.

Capcom Investor Relations Website <http://ir.capcom.co.jp/english/>

We have been focusing on IR activities by providing our shareholders and investors with timely and updated information through our website. The CAPCOM IR website provides a whole range of information, such as interviews with developers and analysts' consensus, in addition to stock information and management strategies.



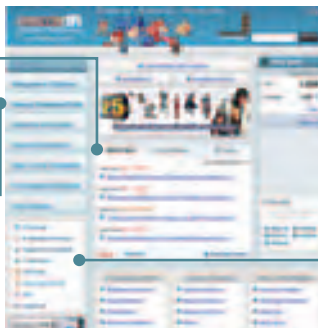
Capcom's IR website has been highly acclaimed in various website rankings for the extensiveness of information it provides and its ease of use.

What's New

Appearing in the center of the IR top page, the What's New section lists notable new IR information and has an RSS (Really Simple Syndication) option which sends new information and press releases out using an RSS feed, enabling users to view the latest information as soon as it becomes available.

Business Strategy & IR Data

The market environment of Capcom's businesses and its strategies for the future are explained in detail by using a combination of graphs and text. Unit sales of Capcom's popular game software and other such information are presented in an easy-to-understand format by using many images and videos.



Capcom IR Mail

Register your email address here to receive information about press releases and financial results by e-mail.

Mobile Phone Access <http://m-ir.jp/c/9697>



In addition to financial result summaries and stock information, Capcom's closing stock price and latest press release information can be obtained by accessing the Capcom website from a mobile phone. If you have a mobile phone that reads QR codes (two-dimensional bar codes), scan the image on the left for easy access to the site.

* See your mobile phone manual for information on how to scan QR codes. * This service supports only Japanese.

CAPCOM CO., LTD.

3-1-3 Uchihirano-machi, Chuo-ku,
Osaka, 540-0037, Japan
PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100

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

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Please visit our IR site.

<http://ir.capcom.co.jp/english/>



The print of this catalog uses
environment-friendly botanical soybean oil ink.

Ideas ▶ Action ▶ !
Creativity from the ground up.





Building a development structure that generates one hit title after another

Capcom Co., Ltd., experienced substantial growth in revenue and profits in the year ended March 31, 2009, fueled by smash hits “Resident Evil 5,” with 5 million units shipped worldwide, and “Monster Hunter Freedom Unite,” with 3.5 million units shipped in Japan (including “Monster Hunter Freedom Unite the Best”). We believe this achievement is due to the structural reforms we have advanced since 2002 in our quest to be a content maker with world-class development capabilities.

The largest of these reforms has been the restructuring of our development structure. In place of the former system of having a separate development department for each title, we have set up departments by task type. For example, producers are now affiliated with the R&D Strategic Planning Section and planners belong to the Planning Section. In this more open structure, titles are advanced across multiple departments under the supervision of the producer. Besides making progress monitoring and other development processes more transparent, the new structure promotes information sharing and uniform technology levels by facilitating communication among employees within the same task category.

Under this flexible system, ideas nurtured for years by the development staff as seeds for growth are now coming into bloom. Capcom is always looking ahead and orienting

Keiji Inafune

Managing Corporate
Officer Head of R & D
Management Group and
Online Business
Division and Contents
Management Division

Ever increasing growth by leveraging on strong development capabilities to succeed in the global market

its game development toward the future to enable these ideas to continue blossoming.

Broadening employee horizons to create better games

I believe game development is all about human development. No matter how many ideas someone may have, there is only so much one can do alone. An individual needs some producers who comprehend his or her ideas, planners and product managers who share the producers' vision, and creators in various fields to lend their support. Only with their assistance can an idea expand many times over to become an entertaining game. This kind of human resource development and enhancement of group cohesion is another important pursuit.

To bolster individual productive capacity, Capcom holds seminars in which development staff can freely participate. Each weekly session offers guidance on a different theme in game development philosophy or technical knowledge. For example, themes include creating new value by spotting contradiction and ways to tackle challenges by thinking "outside the box." I would like to see our employees produce groundbreaking games by boldly taking on new endeavors while remaining open to input from others.

Employing assistance from outside developers to create the next hit

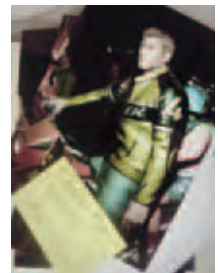
Capcom's current strong performance predisposes the Company toward stability-oriented policies and avoidance of risk. However, I believe now is not the time to be conservative, but rather to plant the seeds for upcoming

hits and strive to cultivate them even when the going gets tough. Otherwise Capcom will have no future as a truly global corporation that steadily generates successful titles. To these ends, we are taking the initiative in tackling development projects that entail significant risk.



One such project is "Dead Rising 2," which we are developing in cooperation with an overseas developer. At a private show held in Monaco in spring 2009, the title received a satisfying response and a strong reception from the media, which stated, "Capcom has retained its trademark quality and exceeded expectations despite employing outside staff." Rather than stubbornly relying on in-house production, we also take advantage of high-quality external resources. It is important that we take the lead as a game maker able to skillfully manage developers worldwide.

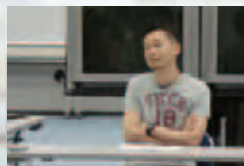
I would like to lead Capcom to the next stage of its growth by continuing to take on new challenges at the forefront of entertainment as a developer who understands business management.



"Dead Rising 2"



Seminars for development staff



Inafune explains, "What young game creators need is not the power to 'make 10 from 1,' but to 'make 1 from 0.' In other words, we aim to cultivate people who can 'make something out of nothing.'"

A new "Monster Hunter" made with careful attention to detail

March 2009 marked the fifth year since the release of the first game in the "Monster Hunter" series. "Monster Hunter Freedom Unite," which was released last year for the PSP, has shipped more than 3.5 million units in Japan (including "Monster Hunter Freedom Unite the Best") and continues to break PSP software sales records. In this tradition comes the latest title in a series that has become a national pastime: "Monster Hunter Tri" for the Wii.



For this game, we returned to the original "monster hunting" theme, and remade the entire system from the ground up. With deeper game aspects, such as detailed in-game monster ecology, the title successfully retains familiarity for previous "Monster Hunter" players while offering fresh gameplay through new game elements. The title truly aims to capture the fun of the "Monster Hunter" with home video consoles.

We have also included two control schemes: one that uses the Nunchuk and Wii Remote controller for a new gaming experience, and one that uses the Classic Controller format familiar to existing fans of the series. The game allows players to choose their favorite control scheme.

Moreover, players can use the Wii's communication function through an Internet connection to link up with other "hunters" across Japan and go hunting together.

Producers promote a favorable development environment for staff

The mission of a producer is to create an environment that allows the development team to focus closely on game development. Producers work to ensure that staff can channel their enthusiasm into creating fun games while remaining conscious of schedules and costs. One example is sending employees overseas, such as for the recording of game music in Prague. Exposure to new sights and experiences provides a wellspring of development ideas.

We also encourage participation in Monster Hunter-related and other events to create new chances for staff to witness user reactions directly. Developers can then use these impressions as hints in implementing their own concepts and ideas. Direct exposure to user reactions leads to new inspirations.



An orchestra in Prague performs a number of famous pieces that enliven video games.

Home Video Games

We have devoted special effort to "Monster Hunter Tri," the newest title in a series that is breaking sales records as a national phenomenon

Ryozo Tsujimoto

Producer
R&D Strategic Planning Section



Expanding the realm of “Monster Hunter” from Japan to the world

Since its first release, the “Monster Hunter” series has retained the concept of ‘an action game that anyone can easily learn,’ featuring a variety of creative elements designed to satisfy everyone from beginners to experienced users. In addition to the games themselves, this concept is carried through to television commercials, hands-on events and promotions—such as the Monster Hunter official fan club: ‘Monster Hunter Club.’ Nothing brings us more joy than to experience user reactions to these efforts in the form of conversations about “Monster Hunter” heard by chance on street corners. Such moments make us realize that our ideas as creators are effectively reaching many



people.

We aim to cultivate “Monster Hunter” into a world-class brand. This endeavor will require promotions meticulously tailored to each country to

draw their users in and earnestly convey the attraction of this game. On a global basis, “Monster Hunter” is just getting warmed up.

“Monster Hunter Tri”



This title adds the new challenge of hunting underwater. Pictured is a cooperative hunt of the sea dragon Lagiacrus.



A new, form-changing weapon called the Switch Axe, with an extensive array of variations.



A limited edition series available exclusively through e-CAPCOM to commemorate the launch of “Monster Hunter Tri.”



The multipronged media deployment of the “Sengoku” action games boosts their appeal as they continue to capture new fans

Hiroyuki Kobayashi

Producer
R&D Strategic Planning Section



Capturing the hearts of fans through attractive games and motivating events

On May 2, 2009, Hibiya Public Hall in Tokyo was enveloped in an air of excitement as it housed the fan appreciation event ‘BASARA Festival 2009: Spring Battle.’ “Sengoku BASARA Battle Heroes” had just been released on April 9 as the latest title in the series. The primarily young, female fans instantly became excited when the popular voice actors for the characters in the game made their appearance.

The “Sengoku BASARA” series features the historical Japanese warlords Masamune Date, Yukimura Sanada and Nobunaga Oda battling to dominate the whole country. The series is enjoyed by a broad age range, thanks to a readily understandable “heroes and villains” depiction, attractive characters and difficulty settings that effectively accommodate beginners. As a spark for the recent resurgence in popular interest in history, the series has drawn in a new group of young, female video game fans.

The most recent title in the series takes advantage of



The fans gathered at BASARA Festival 2009: Spring Battle were mostly young women.



PSP hardware functionality to allow players to enjoy team battles of up to four people with their family and friends. The game also features a story mode for each of the 30 characters to enable engrossing single-player action, along with 150 mission modes. Such elements offer players a vast array of play options.

Continually enticing users through aggressive multimedia deployment

Capcom is successfully promoting a “Single Content Multiple Usage” strategy that capitalizes on the potential of a game title in a wide variety of media. To



keep user interest high until the next “Sengoku BASARA” release, we are channeling that brand power into comic books, novels, audio drama CDs, music CDs, figurines, stationery and a broad range of other merchandise. An



The many media incarnations of the “Sengoku BASARA” series



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Comic books, novels, audio drama CDs, music CDs, figurines, stationery and many other forms of merchandise are being sold and gaining popularity.



animated television series was launched in April 2009, and a theatrical adaptation was also realized in July.

In advancing our multimedia strategy, we often approach publishers and production companies with proposals. We feel that collaboration with cartoonists, authors and other creators in different fields imbues “Sengoku BASARA” with new appeal and depth.

Recently, in addition to normal merchandise, special local products depicting “Sengoku BASARA” characters on their packaging have appeared. Rice and microbrews featuring the characters have been released in Miyagi Prefecture, where Masamune Date once ruled. Other unexpected popular developments include a travel agency launching a ‘Sengoku BASARA Date Bus Tour.’

Driving fan base expansion by linking games with history

Such remarkable breadth of media expansion was possible because the heroes in “Sengoku BASARA” are real historical

figures. For instance, users who got interested in Masamune Date through the games would read about him and gain the actual historical knowledge. This new knowledge fuels their interest in playing the games, which further whets their appetites and perpetuates the fun of the game and interest in history.



The series continues to grow by steadily drawing in new fans from groups that previously had little interest in video games, such as young women and senior citizens. At the same time, as a producer I sense that there is still much to achieve, and that we could be satisfying fans more fully. We aim to deepen the game world and continue our multifaceted media expansion to keep the flame of “Sengoku BASARA” boom alive in the hearts of fans.

Customization and four-player simultaneous cooperative play offer an array of gaming options

"Lost Planet 2" is currently in development as the latest title in the "Lost Planet" series, which spans Xbox 360, PS3 and PC platforms. We are advancing development with the producer, Jun Takeuchi, continuing from the previous title.

The "Lost Planet" series has captured the hearts of North American and European users with its third-person shooting style and highly realistic graphics, recording sales of 2.2 million units with its first title. Many overseas users have also expressed their excitement about the release of the next title.

The latest title offers dramatic scenarios and detailed

customization functions, with the goal of creating an original shooting game that defies genre stereotypes as only Capcom can. While the plot development of the previous game focused on one main character, "Lost Planet 2" will advance the game in omnibus style. Moreover, players can design their own characters, and we are adding a four-player co-op and multiplayer mode that lets up to four players participate in the same battle. Users now have the option not only of deep single-player action, but also of teaming up to defeat enemies using coordinated attacks only possible with multiple players where the users can enjoy the new play elements of the game.

Home Video Games

"Lost Planet 2" a cutting-edge shooting game that mobilizes Capcom's technology and brings it to the world

Jun Takeuchi

General Manager of R&D Strategic Planning Department



“Lost Planet 2”



The game is set some 10 years after the previous title.



Players team up to take on a giant indigenous creature called an “Akrid.”



The characters have more presence, and players can enjoy more intense battle scenes.



Players board robotic weapons called “Vital Suits” and cross a snowfield dotted with beautiful.



Achieving high quality and efficiency by creating our own game engine and development system

Capcom’s original game development engine ‘MT Framework VER. 2.0’ enables beautiful, high-quality rendering of all manner of game scenes, from frigid, snow-swept fields to jungles. The engine, which is refined on a daily basis, speeds up development, reduces costs and boosts efficiency.

However, generating attractive content also matters. Since naturally people supply the plans and ideas, it is essential to create an environment that nurtures human resources. In addition to focusing on education, we encourage a fluid flow of members between production teams. Our development system enables employees to bring the expertise they have gained working on one series over to a team undertaking a different series. The ideal process is one where employees grow by honing their skills in various teams assigned to a number of series that enjoy popularity within the Company.



Building a rich community to inspire users in North America and Europe

“Lost Planet 2” is a strategic title targeting North America and Europe, which hold the key to Capcom’s future growth. Our promotion efforts will be tailored to the needs of each country, leveraging the brand power gained from the previous hit. We will showcase the appeal of the title as we strengthen the online community and other social resources that help users appreciate the game. We aim to spark discussion about the game within the community to take advantage of word-of-mouth as a powerful publicity tool by which current users can bring in new users. We hope that users attracted by word of mouth will cooperate with each other in online play and spread the word to more new users, to keep enthusiasm about the game alive and ensure its lasting popularity.

Our highly aggressive Multiple Usage strategy for “Lost Planet series” also includes plans for the release of a Hollywood-produced movie and a mobile phone game in 2011. We want the release of this shooting game to fill users with amazement about what next-generation game consoles can do.

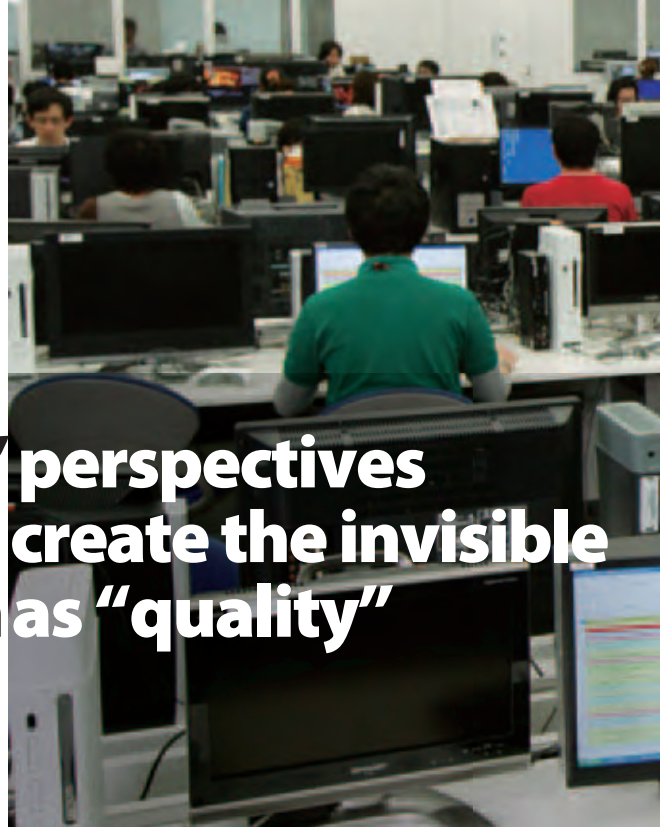


Quality Control

Incorporating users' perspectives in development to create the invisible form of trust known as "quality"

Shutaro Kobayashi

Senior Manager of CS Quality Control Section



Taking on multifaceted checking functions as a guardian of quality

Quality management is tasked with constantly seeking perfection. What distinguishes Capcom's CS Quality Control Section is its pursuit of customer satisfaction even as it fulfills that important obligation.

Although quality management in game development normally focuses on bug checking—finding and correcting program errors and malfunctions—Capcom's quality management goes further. One example is the role of 'tuning.' A new title will feature novel elements to make players happy, but do the players really enjoy the new elements? Might they be too abruptly presented, or too difficult? We investigate such matters in depth. We propose to the development team the approach that seems best from the player's perspective, to avoid betraying the expectations of users who have spent several thousand yen to purchase a game. Attitude surveys and 'monitoring' performed within our section are also important for predicting demand before a title's release.



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Engaging in development not as a creator, but as a representative of the user

The CS Quality Control Section works alongside the development team from the beginning to the end of the devel-

opment process. In the many development approval meetings Capcom holds leading up to a title's commercialization, the CS Quality Control Section represents the users by offering opinions and submitting reports.

After a title is approved, development has officially started and the project is halfway complete, we form a dedicated team when and begin full-fledged 'bug checking' and 'tuning.' The most important task at this time is to uncover bugs related to the core game elements. If uncorrected, such errors can prove fatal later in the development process. To avoid these issues, we employ an online Bug Tracking System (BTS) that enables real-time sharing of bug data, correction history and other information between the development teams and the CS Quality Control Section. The system also shortens lead times and boosts efficiency.

Pursuing the goal of "users first" by bringing together 300 unique personalities

The most important element of Capcom's distinctive quality management system is human resources. The CS Quality Control Section has approximately 300 members, each of whom has a unique personality and loves video games. The assets of the CS Quality Control Section are the unique perspectives of these members as game players. We survey new employees in detail on their individual preferences. In addition to game-related information, such as favorite titles and game platforms played, the survey covers personal characteristics—for example, hob-



bies, areas of intimate knowledge and everyday traits. We put this important data to use when organizing dedicated teams for each title. By considering each member's preferences and balancing the ones who are new to a title with veteran players, we can reflect the perspectives of all levels of users in the checking process.

The CS Quality Control Section must be the section within the Company that always maintains a "users first" mindset with which to view development titles objectively. It is the last bastion of Capcom's quality protection. We work with pride and awareness of our responsibility that if we miss a problem in quality management, we end up passing on an incomplete product to the users. Our driving force is the smiling faces of users at stores on the day of a title's release when they excitedly take our products in hand.

Scenes from the Quality Control floor



We make a variety of efforts to enhance mutual understanding among members.



New employees study basic quality management techniques at a training session.

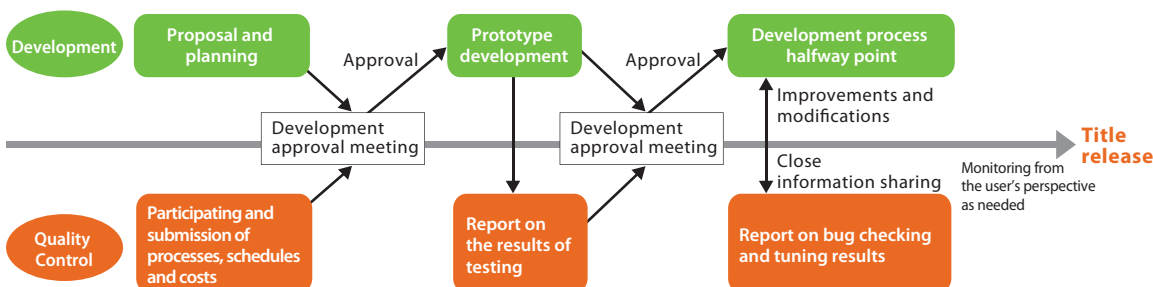


Educational trainers offer guidance and support.



Quality relies on detailed checking.

Quality management flow from proposal and planning to title release



From content provider to strategic pachislo manufacturer

Pachislo is Japan's unique version of slot machines in which players attempt to line up numbers or symbols. Although pachislo was formerly popular for its highly skilled gaming aspect, it transitioned to a more purely entertainment-based pastime when the gaming aspect was prohibited by an amendment to the Regulations on the Entertainment and Amusement Trades Rationalizing Act enacted in July 2004.

Making games more entertaining is Capcom's forte. We have previously earned revenues by providing gaming machine makers with in-house content from video games, such as "Onimusha" and "Resident Evil," and image processing software for visual presentation. However, we were unable to propose sales strategies, because machine sales are mainly handled by manufacturers.

We needed an edge that would enable strategic product development to secure stable revenues year after year. To gain this advantage, in November 2008 Capcom took on medium-sized manufacturer Enterise CO. LTD. as a subsidiary, and effectively entered the pachislo market. The groundwork has now been laid for pursuing steady revenues based on our own planning and sales strategy. We will of course continue to value business relationships with the manufacturers to which we have been providing content and software up to now.



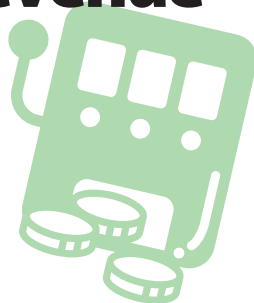
product development to secure stable revenues year after year. To gain this advantage, in November 2008 Capcom took on medium-sized manufacturer Enterise CO. LTD. as a subsidiary, and effectively entered the pachislo market. The groundwork has now been laid for pursuing steady revenues based on our own planning and sales strategy. We will of course continue to value business relationships with the manufacturers to which we have been providing content and software up to now.

Contents Expansion Pachinko and Pachislo Machines

Making a full-scale entry into the pachislo market to leverage in-house content and expand revenue

Yoichi Egawa

Corporate Officer
Head of P&S Business



Aiming to develop gaming machines that attract repeat users and are appealing to pachislo halls.

Where pachislo machine developers can really shine is in maximizing the tension and anticipation users feel when pulling the lever or pushing the button, and in innovative visuals and other presentation elements that entice people to play over and over again. To handle these elements, Capcom developed its own system board, which presents impressive visuals on a large LCD screen. Meanwhile, Enterise K.K. handles the "brain" of the machine, which controls the gaming aspect of how jackpots are hit and determines other gaming characteristics. In 2008, the two companies completed joint development on the first machine type and brought it to market. However, due to our overly optimistic development and sales



strategy, the first machine fell short of sales expectations and was not very successful overall.

This harsh experience prompted us to have Enterrise CO. LTD. rework its development and sales strategies into ones more suitable for the debut as pachislo manufacturer. At the same time, the subsidiary launched a branding campaign to raise its visibility as a manufacturer over the medium term. We are creating a system that will attract repeat users and ensure high revenues so that pachislo halls will trust and confidently purchase Capcom machines.

Placing the pachislo business on a stable trajectory by releasing a new machine type each quarter

Under the new system, the second machine “Vampire” was released in July 2009 as a strategic product. Capcom

handled the visual presentation, while Enterrise CO. LTD. was in charge of the machine’s main control “brain.” However, the two companies often entered each other’s fields and exchanged requests to achieve the common goal of creating a quality pachislo machine. There were some disagreements between the developers, but we managed to harmonize the two sides as an intermediary. As our reward, we think we have cultivated “Vampire” into a machine that is both fun for players and attuned to pachislo hall operations. Little by little, we are also starting to see positive results in product development.

Gaming machines are a large, ¥1.3 trillion market. We strive to effectively leverage Capcom titles to release highly polished gaming machine models and set the business on a stable growth path as early as possible.



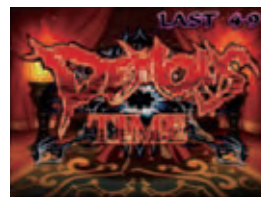
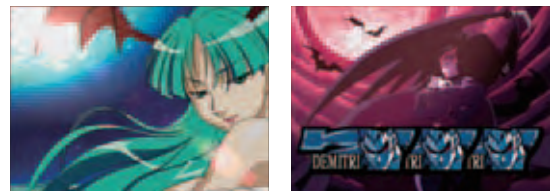
Pachislo machines developed in-house



At left is our first machine, “Chun-Li Ni Makase China,” which features the character Chun-Li from “Street Fighter.”

At right is our second machine, “Vampire,” which was released in July 2009.

Attractively presented screens



In addition to the gaming aspect, “Vampire” features sophisticated 3D visual effects to satisfy the video game generation.





**Contents Expansion
Mobile Game Development
(Japan, Asia)**

Capcom's strong content capabilities open up the future of digital distribution

Takeshi Tezuka

General Manager of Mobile Content Development Department

Mobilizing content that strongly satisfies users in a hotly contested market

The appearance of the iPhone changed the playing field of the mobile content industry. The business model up to now has been led by carriers providing communications services by region, but is now shifting to one dominated by handset manufacturers and firms that develop operating systems for mobile phones, such as Apple and Google. In other words, the industry is transitioning from limited regional platforms to a common global platform.

In Japan, although changes to the sales system have

dramatically reduced the number of mobile phones sold and slowed the growth of the digital content market, sales of the Capcom flagship titles "Mega Man" and "Street Fighter" are strong, buoyed by the many repeat customers who enjoy the games. The results of customer satisfaction surveys performed by research firms show that fans are satisfied with, and remain loyal to, Capcom's games for their quality and design philosophy. The strength of such content capabilities is Capcom's biggest asset in capitalizing on this major digital distribution trend.

Leveraging a common global platform to capture users in one fell swoop

The distribution of quality Capcom titles on a common global platform provides the chance to gain all at once a whole class of users who are being exposed to video games for the first time through their mobile phones. Moreover, this strategy is advantageous in terms of cost performance, compared with developing separate titles for carriers' handsets in each region. We aim to achieve Capcom brand penetration and expand revenue by bringing "Resident Evil" and other games to this market.

At the same time, we intend to make forays into emerging markets with untapped potential, such as India, Brazil and Russia—which have populations on a whole different scale from Japan, as well as the coastal areas of China. We consider now to be the perfect opportunity to enter a new area, just as a new environment is being created across national and regional borders that can give full play to Capcom's content capabilities.

iPhone version of "Resident Evil: Degeneration"



The title makes ubiquitous use of iPhone features. Not only is the touch panel employed, but zombies can be driven away by shaking the handset. The attractiveness of the game is such tactile play options.

Expanding in the North American mobile phone market by creating quality products

Capcom Interactive Canada, Inc., has grown rapidly in the mere three years since its establishment in 2006, and maintains the No. 5 position by share in the North American mobile games market. In keeping with the expanding business, game downloads rose substantially, from 7.5 million to 10 million.

There are two reasons for the company's growth. One is our technical capabilities, which enable error-free operation on more than 500 new and legacy handsets through exhaustive quality assurance (QA) and backfilling (porting programs to each handset type). The other is an ongoing strategy of carefully re-releasing games based on both Capcom brands as well as licensed properties.

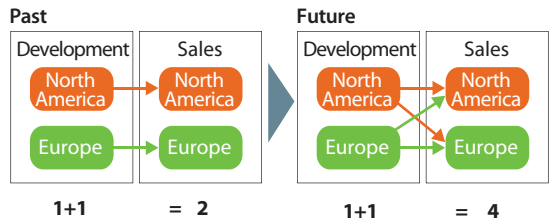
Furthermore, the company has won the carriers' trust by providing quality games skillfully tailored to the North American and European markets. Consequently, Capcom titles are awarded premium deck slots at most major carriers, which allows us to sell our games to a wide audience.

Doubling sales through synergies between North American and Europe Striving to capture new fans

In response to having an expanding market share in North America and Europe, we have followed a strategy of integrating the management of the two regions since 2008. Titles that, until now, had been developed in North America and only sold there are now released in North American and European simultaneously. The same is true for the European titles.

With the slogan of "turning 1+1=2 into 1+1=4," the plan

Strategy for simultaneous development and release in North America and Europe



aims to double total North American and European sales. The first instance of this strategy was the April/May 2009 release of North America-developed "Where's Waldo?" and European-developed "Ken Ken," both of which were deployed cross territory.

The next theme will be to release hit titles for the iPhone and other new touch screen devices. We anticipate gaining new fans as these more powerful and exciting devices capture more of the market.

Titles developed in North America and Europe



Developed in North America: "Where's Waldo?"

Developed in Europe: "Ken Ken"

Both titles target new users seeking convenient entertainment options.

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Ken Ken™ © 2009 Gakken Co. Ltd and TM Nexttoy, LLC, used under license.

Contents Expansion Mobile Game Development (United States, Europe)

Winning over mobile game fans in the United States and Europe with attractive, quality titles

Manabu Seko

Capcom Interactive Canada, Inc.
Head of Americas and EMEA Studio



Corporate Profile

(As of March 31, 2009)

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	1. Planning, development and sale of home video games 2. Planning, development, manufacture and sale of arcade games 3. Management of amusement arcades
Paid-in Capital	¥ 33,039 million
End of Term	March 31
Number of Employees	1,813 (Including consolidated subsidiaries), 1,455 (Capcom CO., LTD.)
Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100
R&D Building	3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698
Tokyo Branch	Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044

History

1990	Dec.	Released "Final Fight" for Super Nintendo Entertainment System (Super NES).
1991	Mar.	Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.
1992	Jun.	Released "Street Fighter II" for Super NES, and it was a mega-hit.
1993	Jul.	Opened "Capco Circus Nigata East," the largest arcade in Nigata Prefecture.
1994	Dec.	Premiere of the Hollywood movie "Street Fighter."
1996	Mar.	Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.
2001	Aug.	Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.
	Oct.	Released "Phoenix Wright" for Game Boy Advance, and it drew public attention as a courtroom battle title.
2002	Mar.	Premiere of the Hollywood movie "Resident Evil," which recorded sales of 102 million dollars worldwide.
2004	Sep.	Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.
2005	Jul.	Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.
2006	Aug.	Released "Dead Rising" for Xbox 360. More than 1 million units were sold, an extraordinary feat for a new title for a new game console.
	Dec.	Released software "Lost Planet" for Xbox 360. Over one million units were sold following the trails of "Dead Rising", a rare accomplishment for a new title.
2007	Mar.	"Monster Hunter Freedom 2" became the first PSP software to exceed 1 million units shipped.
	Nov.	The Hollywood movie "Resident Evil: Extinction" was released. Its box-office revenue exceeded 147 million dollars.
2008	Oct.	Premier of the first full-CG movie in the series "Resident Evil: Degeneration." Sales of DVDs and other product versions reached 1.5 million units.
2009	Feb.	Hollywood movie "Street Fighter: The Legend of Chun-Li" was released worldwide.
	Feb.	Takarazuka Revue launches theatrical performance of "Phoenix Wright: Ace Attorney."
	Mar.	"Plaza Capcom Inazawa" opened in Aichi Prefecture.
	Apr.	Began broadcasting the TV animation "Sengoku BASARA."

CAPCOM CO., LTD.

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Please see the Annual Report 2009.