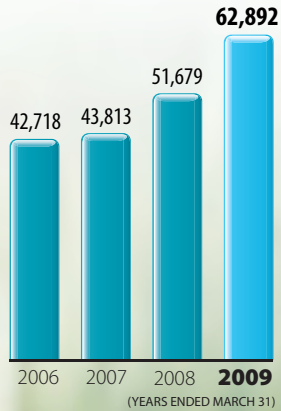




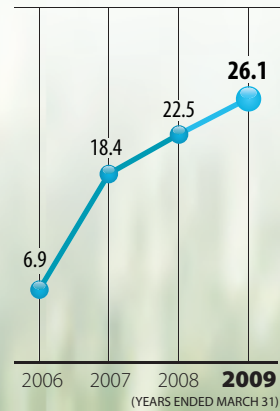
Home Video Games

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 (%)

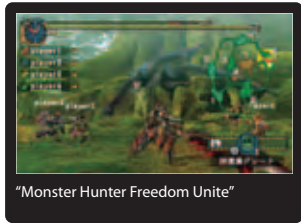


Market Trends

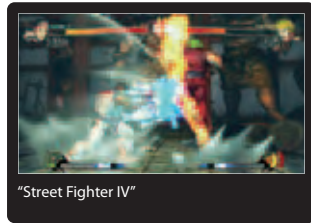
The market has expanded for 3 consecutive years despite an economic slump. Growth is expected until 2010 due to an increase in the gaming population and the rise of emerging markets.

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,

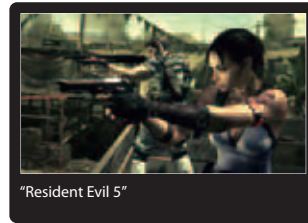




"Monster Hunter Freedom Unite"



"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)

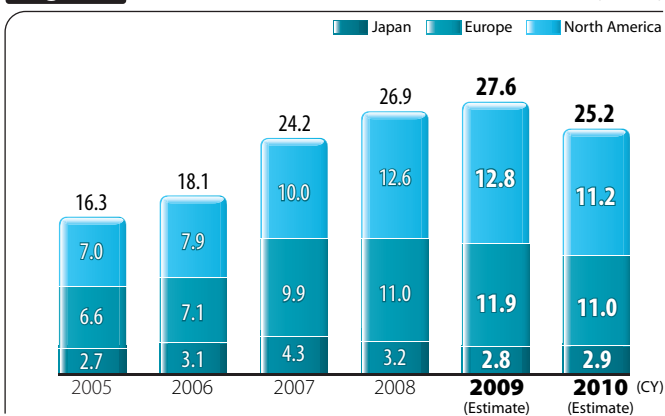
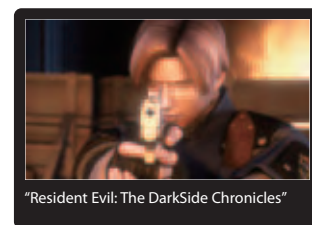
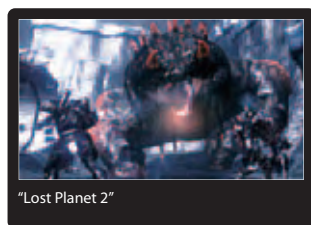
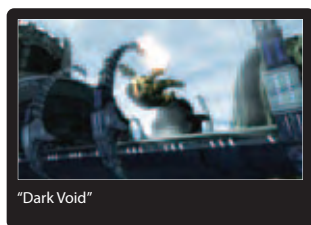
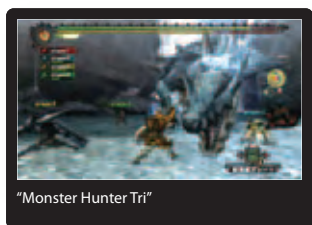


Diagram 2 Total Number of Units of Major Titles Sold (As of March 2009)

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

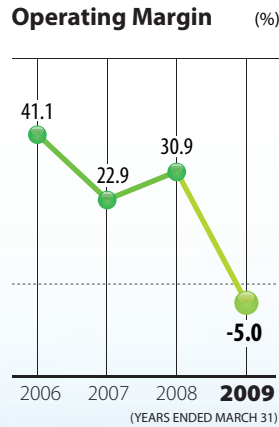
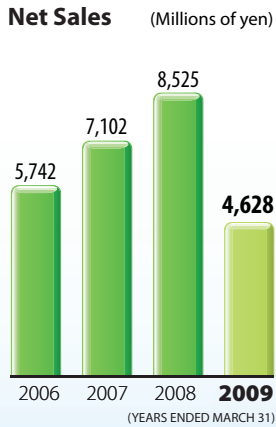
Company name	Sales (\$ Thousand)	Share (%)
1. Nintendo	587,908	17.7
2. Electronic Arts	476,150	14.4
3. Activision	326,700	9.9
4. Ubisoft	294,080	8.9
5. Sega	234,558	7.1
6. Take two	233,832	7.1
7. THQ	164,527	5.0
8. Microsoft	133,678	4.0
⋮	⋮	⋮
15. Capcom	27,237	0.8
Others		25.1
Total		100.0

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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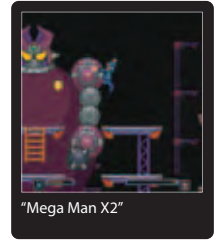
Pachislo machine
"Vampire"



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.

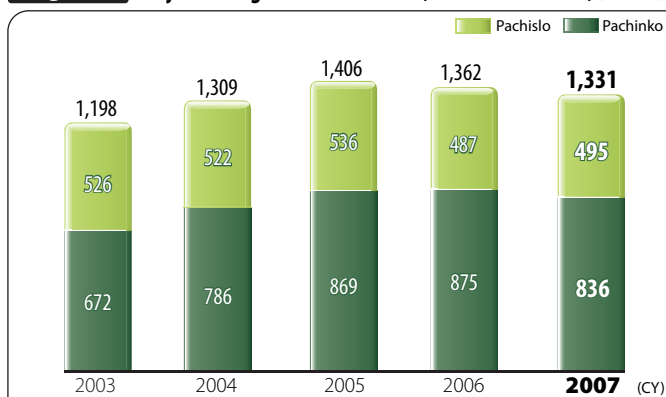
Operating Results for This Fiscal Year

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.

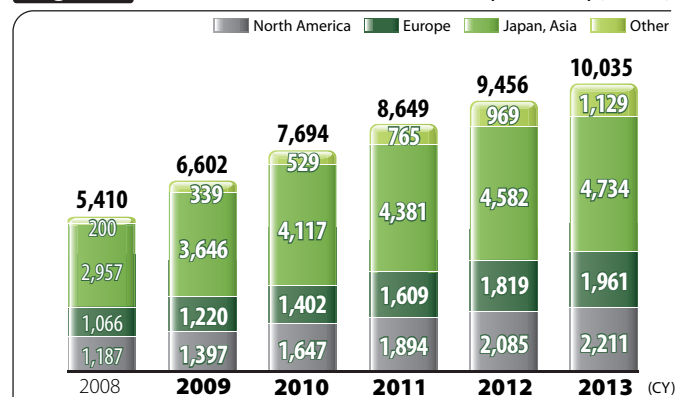
In the Pachinko & Pachislo Business, Capcom has been developing attractive software that features our proprietary content along with that of third-party developers, using our technological expertise in high-resolution image processing gained through the development of home video games. Also we have been 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)

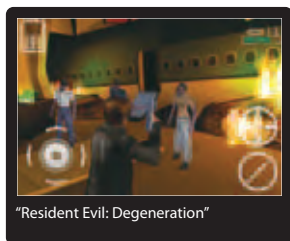


Source: Yano Research Institute Ltd.

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



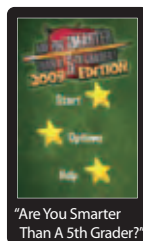
Source: Juniper Research



"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.

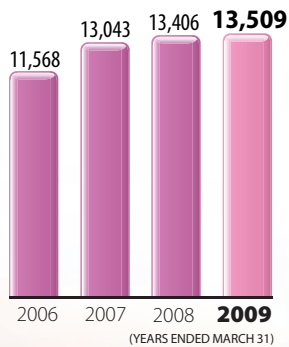


Arcade Operations

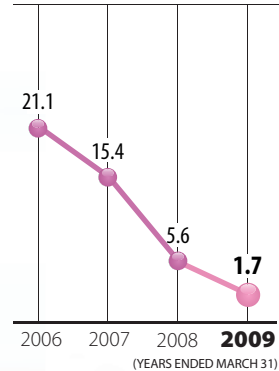
We operate amusement facilities "Plaza Capcom" in Japan.

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)

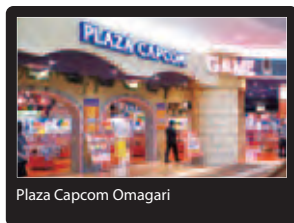
This fiscal year saw the market continue to slump. Each company in the industry was forced to struggle, causing net sales at existing facilities to decrease by more than 10 points from the previous year. Main factors contributing to this include: (1) decrease in the number of customers at shopping centers 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

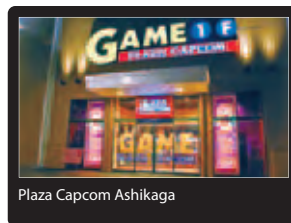




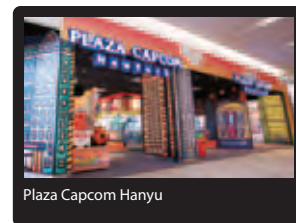
Plaza Capcom Inazawa



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)

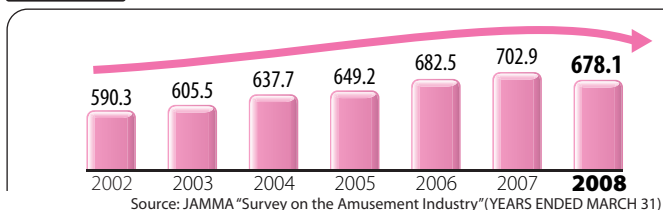


Diagram 8 Change in Number of Storefronts (categorized by # of arcade machine units)

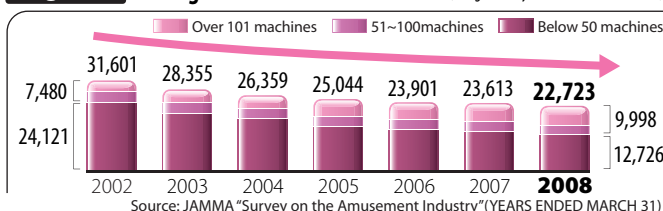


Diagram 9 Comparison of Arcade Operation Performance (March 2009)

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	-	-	-

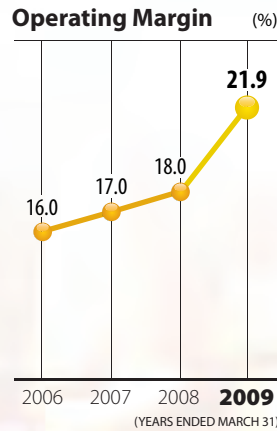
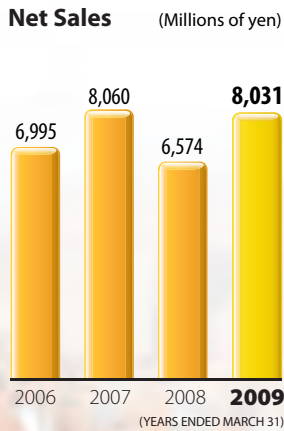
Source: Financial Results FY 2008 by respective company and support documentation (Aeon Fantasy fiscal end in February 2009)



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,

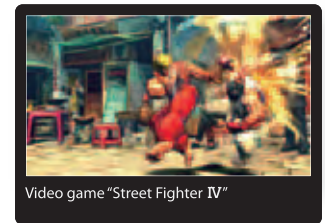




Coin-operated game
"Chibi Maruko Chan"
© さくらプロダクション/日本アニメーション
CAPCOM CO., LTD. 2008 ALL RIGHTS RESERVED.



Coin-operated game
"Mario party Fushigi no
Korokoro Catcher"
Licensed by Nintendo ©2007 Nintendo /
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CO.,LTD.2009 ALL RIGHTS RESERVED.



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.

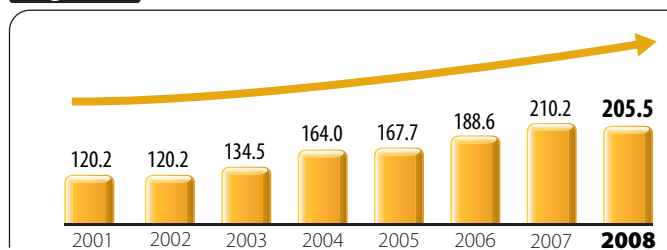
In the meantime, aiming to break the current market's deadlock, we will form a business partnership with NAMCO BANDAI Games Inc. and cooperate in developing and selling arcade games. Through this future collaborative effort, we aim to develop products supported by both companies' strengths and expand 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.

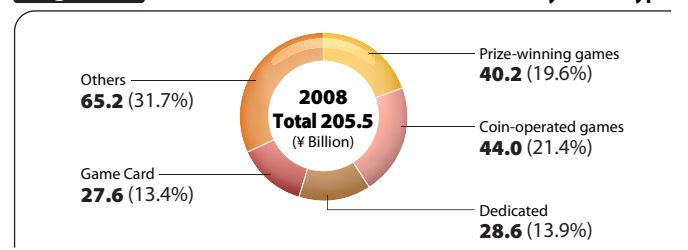
Diagram 10 Arcade Game Market Trend

(¥ Billion)



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

Diagram 11 Breakdown of the Arcade Game Market by Game Type



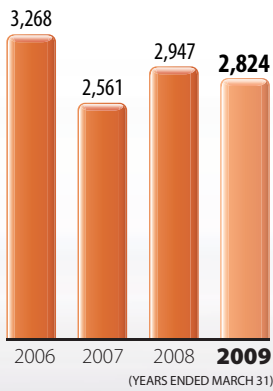
Source: JAMMA "Survey on the Amusement Industry"
(YEARS ENDED MARCH 31)



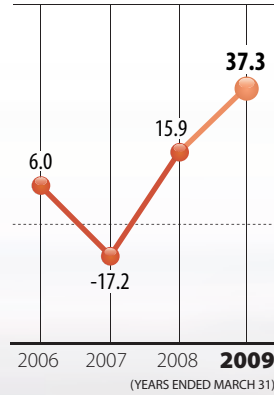
Other Businesses

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

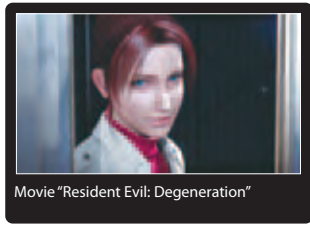
Our continuous project development in broad business areas has paid off. With the synergistic effects, the licensing business has increased its profit, up 125% from the previous year.

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.

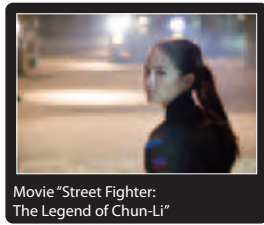
During this fiscal year, we continued to base our strategy on "Single Content Multiple Usage" (see p.21 "Our Strategy for Growth") and conducted various projects under each title to strengthen our game content brand and maximize our profits. These projects were implemented across our business segments. 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
	Nov. 2007	Hollywood movie	Resident Evil: Extinction
TV animation	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
	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	