

COMPANY PROFILE

A leading company in the amusement industry, Capcom develops, publishes and distributes a variety of software games for both arcade machines and home video consoles. We also operate amusement facilities at 47 locations in Japan. Since the foundation of the company in May 1979, we have taken a leading role in the entertainment software industry and have continued to respond to the demand and expectations of customers. In March 1991, we achieved the top position in the arcade game industry with the *Street Fighter* series. Subsequently we

have succeeded in producing one hit after another, and the release of *Resident Evil* in March 1996 established a new genre, "Survival Horror", which is unrivaled by our competitors. Popular all over the world, the outstanding *Resident Evil* series has contributed enormously to Capcom's growth. In addition to our existing overseas subsidiaries in the United States and Asia, we established Capcom Eurosoft in London, England in July 1998, as a main sales base for the European home video game market.

CAPCOM'S MANAGEMENT GOALS

- Producing multiple variations of high-quality software
- Delivering the enjoyment of our software games to more customers
- Financial management with emphasis on cash flow
- Cultivating professional human resources

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PRESIDENT'S MESSAGE



Fiscal 1999 was another highly successful and productive year at Capcom. We reported good financial results, with net sales at ¥38,367 million and net income at ¥1,507 million, or ¥43.00 per share. We released 54 products, many successful sequels becoming long-lasting franchises. We commanded 9.2% of the consumer game console market and entered the Nintendo 64 platform market. We released a number of products in Japan for the new Sega Dreamcast home video game console. And we took steps to maintain and build further on our creative leadership by strengthening our internal development groups and solidifying a multiple platform strategy.

We have strengthened our worldwide sales, marketing and distribution organizations to prepare for our most aggressive product lineup in years. To capitalize and enhance our strategic position in the European market, we created Capcom Eurosoft, a subsidiary of Capcom Entertainment, Inc.

Clearly we are pleased with the Company's progress during the year, and we believe Capcom is well positioned to build on this momentum and leverage the leadership role we have established in our growing industry. The resulting improvement in hardware technology has increased product realism, enhanced overall game play and attracted an increasing number of consumers, making interactive software a mainstream entertainment category. Capcom has capitalized on this market opportunity by continuing to develop high quality titles and key brands, and promoting them through targeted marketing initiatives including national television

advertising and incentive-based consumer promotions such as our innovative Fighters Edge program.

With the new millennium on the horizon, the business world is on the brink of change. We are entering an age where consumers will have the power of choice. Bidding farewell to mass consumption, we will see the development of an information-centered society which contributes to a higher level of customer satisfaction as well as increased environmental awareness. And in the years to come, the world will continue to change at a faster rate than ever.

At the leading edge of the software age, the amusement industry has achieved continuous growth by habitually absorbing and assimilating up-to-the-minute technology. Capcom has created original and unique game genres that surpass all others by constantly exploring the meaning of "amusement" and developing products that delight our customers. To reach this goal, we have strengthened our organizational skills by providing an environment that enables every employee to show their prowess and establishing a flexible system that can adapt to the changes of the times.

In our quest to provide unique experiences with images, music, screenplay, and amusement spots, Capcom aims to lead the software age and to take advantage of the unfolding possibilities in order to create inspiration for the 21st century.

Capcom's performance goals for fiscal 2000 are to expand our position as a leading provider of exciting, high-quality interactive entertainment software on multiple platforms, to continue to emphasize profitability by maintaining strict cost controls, and manage the risks associated with software development to maximize shareholder value.

We want to thank all of our employees, customers, and business partners for another year of success. And we thank you, our shareholders, for your continued support. We look forward to reporting on Capcom's progress in the months and years ahead.

Kenzo Tsujimoto
President

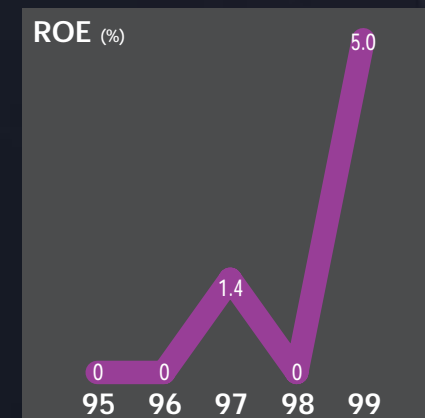
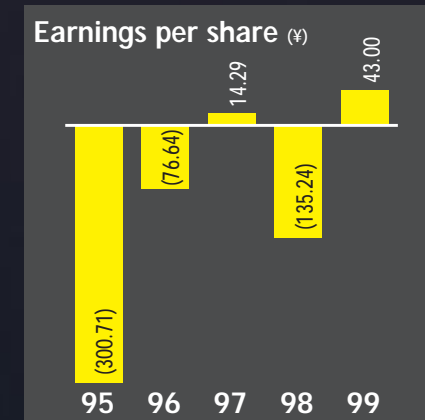
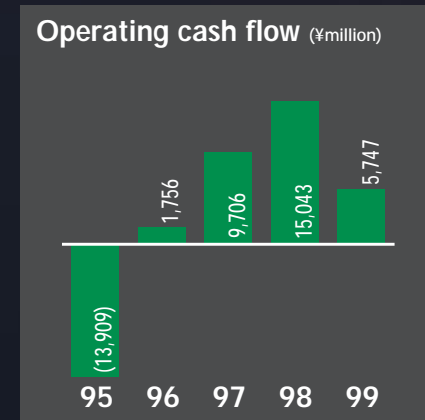
IMPROVING CASH FLOW THROUGH STRONGER MANAGEMENT

Today there are so many entertainment software companies that only the games which meet consumer demand with the power to really captivate players will endure. As hardware's technological advance continues, software development takes a longer period of time and more cost. Capcom established a strong financial control system and we are able to provide adequate financial resources to secure well experienced and highly talented development professionals.

Capcom's management strength lies in our organization structure which facilitates fast decision-making. We endeavor to take the necessary steps to evaluate and improve our financial status in a timely manner. Designating 1998 as "Cash Flow Year One", we have been working to strengthen our balance sheet position. Although we recorded special losses due to the liquidation of Capcom Mexico and re-evaluation of certain assets held by our subsidiaries, we were able to establish a base for cash flow expansion by liquidating

these unprofitable divisions and nonperforming assets. Aiming for management based on market value of assets and operations, we moved forward with our measures to reinforce management of cash flow, evaluation of profit by each game, and control of return on investment. Considering the rapidly changing market, we have repositioned our development staff in the arcade game and home video game divisions to maximize sales of game software with higher profit margins. By improving our financial position and achieving a higher operating income margin, our goal is to increase net worth ratio.

To reinforce our view on maximizing shareholders' value, we implemented a stock option program for all employees, the first company in the industry to do so. This program will boost the morale of our staff, enabling us to improve performance and strive for management innovation.



Resident Evil 2 for the PlayStation

Resident Evil 2 is the sequel that defined the survival horror genre. It is the game that embodies pure fear, suspense and terror in an experience like no other. It is nearly twice as large as its predecessor and features stunning computer rendered graphics. Worldwide sales of the series neared 11 million units.

SALES INNOVATION

INCREASING REVENUE WITH ORIGINAL MULTI-PLATFORM STRATEGY

The entertainment software market has experienced phenomenal growth with annual sales of more than ¥580 billion in Japan alone. While software companies traditionally develop products for specific game consoles, Capcom is a multi-platform developer and publisher. This term, we launched a total of 54 different titles, comprising 23 for Sony PlayStation, 14 for Sega Saturn, two for Sega Dreamcast, and one for Nintendo 64. Next term we plan to launch *Resident Evil 3 Nemesis* and a brand new game, *Dino Crisis*, for the PlayStation console, a new game called *Resident Evil Code Veronica* for the Dreamcast console, and *Resident Evil 2* for the Nintendo 64 console. Capcom is the first in the industry to attempt to produce hit games for all three of the major game console manufacturers. Through our multi-platform strategy, we are able to achieve a substantial income increase by multiplying the number of viable users. Furthermore, we are able to lay the foundations for future product development, using our accumulated assets of know-how and technology to produce games that make the best use of each console platform's special features. We implemented our multi-platform strategy with the belief that the most important factor in video game sales is enabling every fan with every platform to enjoy Capcom games.

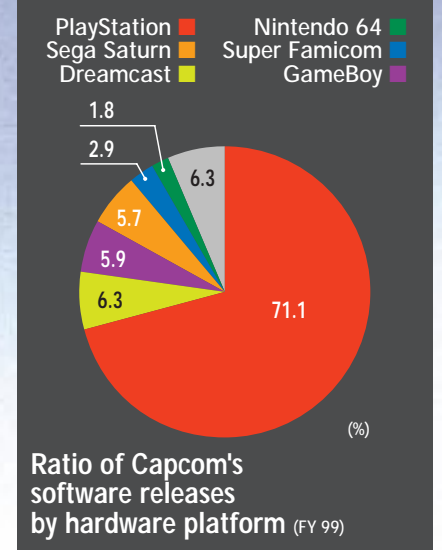
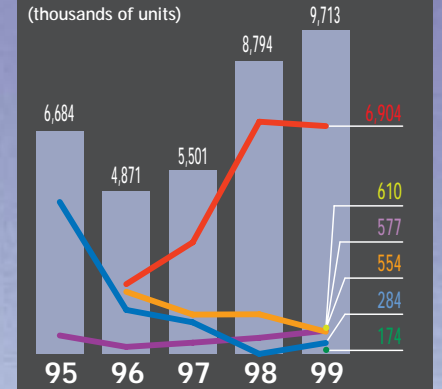
Introduced in the USA last year, the Fighters Edge program offers advantages to the consumer for purchasing multiple Capcom fighting games and benefits the retailer by generating store traffic. This program also provides advertising support to retail stores and largely contributes to increased sales by producing a strong affiliation with Capcom.

Taking further advantage of our coin-operated business, Capcom has entered another growing market — family amusement centers. Capcom's Nickel City family amusement facilities continue to grow at a steady rate across America. A growing trend in Japan and in the USA, Capcom's Nickel City has succeeded in attracting a large customer base, offering services that meet consumer's expectations, and contributing to the development of the region by providing a safe environment at a low price. Our continued awareness of the changing times, and our commitment to providing consumers with the high-quality products and services they require, allows Capcom to adapt and excel in this ever-changing market. Capcom currently has 47 arcade facilities in Japan and seven in the United States.



Street Fighter Alpha 3 for arcade games
The latest addition to the Street Fighter series that established Capcom as the leader in fighting games.

Game software sales by hardware platform



Plaza Capcom Kichijoji

Nickel City

D EVELOPMENT INNOVATION

CULTIVATING THE TALENT TO PRODUCE CHART-TOPPING GAMES

Capcom's research and development ability is one of the best in the interactive entertainment industry. Our Osaka, Japan office designs and develops coin-operated and home video games. In Tokyo, our Flagship Corporation is in charge of screenplay production and story line development. Digital Studios, our R&D division in Sunnyvale, California designs and develops original products for the US market.

Using the state-of-the-art 3D polygon techniques, Capcom's video games are known for incredibly realistic graphics, lifelike characters and powerful sound effects. The potential for developing games with a high level of perfection has been enhanced by intense internal competitiveness. Our development and research staff, whose work includes game concept planning, character design, background graphic design, sound production and programming, constitute 60% of the total work force. The internal development system has contributed enormously to the accumulation of know-how and cultivation of a talented work force. When it comes to investing in people Capcom spares no expense. Our producer system, which was started five years ago, has proved very successful in motivating each R&D staff member to produce excellent work, and 25 employees have now grown to become producers. The development and sale of simple yet advanced software generates revenue which in turn enables us to reinvest in

strengthening our development skills.

The establishment of screenplay-planning company Flagship is also helping to strengthen our game contents. The *Resident Evil* series, with its story line created by Flagship, requires players to crack the mystery and try to escape in addition to simply destroying the zombies, and has succeeded in attracting more users across a broader age spectrum. Flagship is enthusiastically working on new projects such as developing a series of games to be published on a monthly magazine-type basis.

In light of the popularization of network-type games in the USA, we are developing a network version of *Street Fighter Alpha 3* for Dreamcast in Japan, which will be released in July 1999. We will continue to develop network-type games as they grow in popularity.

The coin-operated game market continues to be a viable business and the springboard to which many of our home video games are conceived. Using Sega Dreamcast's coin-op PC board "Naomi," we developed *Power Stone* for arcades. One week after its release, we launched a home-video console version for the Dreamcast console. Producing this popular game for both arcade and home video games is one of our development strategies to achieve high profitability reaching a wide range of game players with lower development costs.



Mega Man Legends for the PlayStation
Capcom's famed video game hero goes 3D
in an all-new adventure for kids of all ages.

R&D Center



CAPCOM'S FRANCHISE ASSETS

CREATING NEW GAMES IN AN EVER-CHANGING MARKET

As many as 350 different games have been produced in Capcom's 16-year history. Many of Capcom's well-known titles continue to receive support from around the world. Examples include the timeless *Street Fighter* hero series, the ever-popular fast-paced *Mega Man* series, the comical *Darkstalkers* monster series, and the captivating *Breath of Fire* heroic fantasy series. Capcom has etched a firm position in the entertainment software industry by releasing one series after another of games with a wide range of characters that fascinate players of all ages.

Capcom is also well-known for establishing new genres with its pioneer spirit. It was *Resident Evil* that clearly paved the way for "survival horror," one of the most popular genres to date. Produced by Capcom, *Resident Evil* has been the driving force in positioning the PlayStation as the leading console in the home video game hardware market. Capcom is

one of the most influential software companies contributing to the success of new hardware platforms. The *Resident Evil* series, which includes *Resident Evil 2*, has already sold approximately 11 million units as of March 1999. *Resident Evil 3 Nemesis* will be released in the next fiscal year ending March 2000.

Since we are committed to providing games that live up to expectations, there are occasions when our dedication to creating an outstanding product extends the development span. *Dino Crisis*, for example, was originally slated for release within the fiscal year ended March 1999 and then unavoidably postponed until next term. *Dino Crisis*, a dinosaur horror game, has been rendered with extremely close attention to detail, and enormous amounts of data were used to accurately reproduce the dinosaurs. We anticipate that the release of this game will establish a new genre called "panic horror."



Power Stone



Resident Evil 2



Breath of Fire III



Number of game releases in Capcom's history

Arcade Game	Home Video Game
4	85
4	86
6	87
5	88
10	89
10	90
10	91
7	92
5	93
7	94
10	95
10	96
9	97
11	98
10	99
118 Total	232

Dino Crisis for the PlayStation
 Primal fear grabs you on this new journey into horror from the creators of *Resident Evil* and *Resident Evil 2*. It features all new characters, a suspenseful story line, huge 3D environments and, as the title suggests, the relentless pursuit of predatory dinosaurs.

Corporate History

1979

May Capcom is established as a manufacturer and distributor of electronic game machines.

1983

Oct. Tokyo branch office opens.

1985

Jul. A contract is concluded with Nintendo Co., Ltd. for the sale of Nintendo Entertainment System software.

Aug. Capcom U.S.A., Inc. is established in California.

1988

May An important contract is concluded with Walt Disney Company for the development and marketing of games featuring Disney characters.

Jul. The CP System, Capcom's unique hardware system for arcade game machines, is put on the market.

1989

Apr. Capcom enters the rental arcade game machine business.

May Matsubara Works opens in Osaka Prefecture.

1990

Mar. The head office building opens.

Oct. Over-the-counter trading of Capcom stock begins.

Dec. Employee recreation facilities in Mie Prefecture are completed.

1991

Feb. Sapporo sales office opens.

Apr. Fukuoka sales office opens.

Nov. Convertible bonds due 1996 (SF100 million) payable in Swiss francs are issued.

1992

Feb. Hirano Works opens in Osaka Prefecture. Capcom Europe GmbH is established in Germany to spearhead sales for the European region.

Jul. Sendai sales office opens.

Sep. Nagoya sales office opens.

Oct. Convertible bonds due 1996 (¥20 billion) are issued. Kanto, Kinki, and Okayama sales offices open.

1993

Mar. Contract with Sega Enterprises, Ltd. is concluded for the manufacture and sale of video game software.

Apr. Capcom enters the amusement facilities business.

May Convertible bonds due 1997 (¥12 billion) are issued.

Jul. Capcom Asia Co., Ltd. is established in Hong Kong to lead sales for the China and Southeast Asia region. Niigata sales office opens.

Aug. Trading unit changes from 1,000 to 100.

Oct. The company's stock is listed in the second section of the Osaka Securities Exchange. Capcom Mexico S.A. DE C.V. is established, bringing the company into the growing Central and South American markets.

1994

May Ueno Works opens in Mie Prefecture.

Jun. Convertible bonds due 2001 (¥25 billion) are issued. Convertible bonds due 2005 (¥20 billion) are issued.

Jul. New head office opens.

Aug. Release of the animated movie *Street Fighter II*.

Dec. Release of the action movie *Street Fighter*.

1995

Jun. Capcom Coin-Op Inc., Capcom Entertainment, Inc. and Capcom Digital Studios, Inc. are established with Capcom U.S.A., Inc. as the holding company.

Aug. Matsubara Works is merged into Ueno Works and shuts down.

1996

Mar. Construction of Research and Development Building begins. Hirano Works is merged into Ueno Works and shuts down.

1998

Jul. Capcom Eurosoft. Ltd. is established to sell Capcom's products in Europe.

1999

Mar. Kita Kanto sales office opens.

Five-Year Summary

Years ended March 31, 1999, 1998, 1997, 1996 and 1995

	Millions of yen, except per share amounts					Thousands of U.S. dollars, except per share amounts (Note 1)
	1999	1998	1997	1996	1995	1999
For the Year:						
Net sales	¥ 38,367	¥ 58,201	¥ 41,650	¥ 40,448	¥ 52,250	\$ 319,725
Operating income	3,611	10,366	5,296	1,139	(7,403)	30,092
Income (loss) before income taxes	2,085	(3,696)	3,995	(497)	(10,871)	17,375
Net income (loss)	1,507	(4,760)	502	(2,697)	(10,583)	12,558
Per Share Data:						
Net income (loss) per share, primary	43.00	(135.24)	14.29	(76.64)	(300.71)	0.36
Cash dividends	20.00	20.00	53.00	15.00	30.00	0.17
At Year-end:						
Total assets	98,127	100,833	118,330	123,323	129,777	817,725
Shareholders' equity	30,125	29,612	36,267	36,467	41,734	251,042
Shareholders' equity per share	862.96	841.35	1,030.42	1,036.11	1,185.92	7.19
Ratios (%):						
Return on equity (ROE)	5.0	—	1.4	—	—	
Return on assets (ROA)	1.5	—	0.4	—	—	
Net worth ratio	30.7	29.4	30.6	29.6	32.2	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120 to \$1.

Amounts per share are computed based on weighted average method and are retroactively adjusted for the effect of the stock splits.

Business Evaluation and Analysis

Due to such factors as the postponed release of mainstream games, net sales decreased 34.1% to ¥38,367 million and net income at ¥1,507 million over last term.

General Overview of Each Business Segment

Arcade Games

Street Fighter Alpha 3 enjoyed firm popularity and steady sales both in Japan and overseas, and *Street Fighter Ex 2* and *JOJO's Venture* also produced good results. However, sluggish demand had a negative impact on the industry's business climate, causing sales of other products to level off, and net sales in this division decreased 48.1% to ¥7,177 million over last term. We also recorded an operating loss of ¥1,506 million, a substantial decrease by ¥2,476 million over last term. (The arcade game segment develops, manufactures, distributes and/or rents arcade game software and hardware to amusement facility operators.)

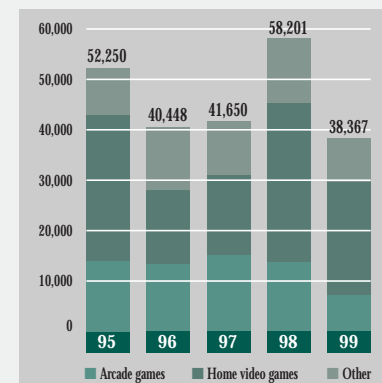
Home Video Games

Resident Evil 2 commanded good sales, especially in Europe, and existing games such as *Resident Evil 2 Dual Shock Version*

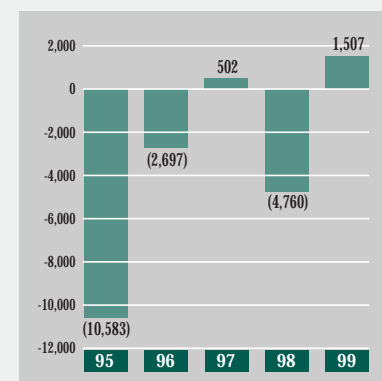
and *Resident Evil Director's Cut Dual Shock Version* were selling well both in Japan and overseas since the brand has become a household name. However, with the release of the highly anticipated *Dino Crisis* pushed back to next term, net sales were down 28.6% to ¥22,451 million and operating income fell 42.8% to ¥6,700 million over last term.

Other

Capcom's Nickel City family amusement facilities continued to grow both in Japan and overseas. Nickel city is a new type of amusement facility that provides a low-cost arcade experience in a family-oriented atmosphere while charging admission. By providing a safe environment at a reasonable price, we are contributing to the development of the community. We also held a variety of other events. Through these operations we endeavored to attract a broader spectrum of users including families and casual game players. However, revenue from the screening of Hollywood mega hit *Street Fighter* decreased slightly, and sales of LCDs for pachinko machines were held back until next term. As a result, net sales fell 31.5% to ¥9,148 million, and operating income increased by ¥750 million to ¥687 million.



NET SALES BY BUSINESS SEGMENT (millions of yen)



NET INCOME (millions of yen)

Financial Situation

Total assets at the end of the term were down 2.7% to ¥98,127 million because investments and other assets as well as fixed assets decreased. The total of current liabilities and fixed liabilities decreased 4.5% to ¥67,975 million. Short-term borrowings, which come under current liabilities, decreased mainly because as of fiscal 1998, loans from banks are to be repaid annually in fixed amounts through an agreement with the bank. Long-term debt, which comes under fixed liabilities, decreased because items due to be repaid within one year were transferred to the current portion of long-term debt. As a result, the total of short-term borrowings and long-term debt decreased 4.0% to ¥58,053 million.

At the end of the term, shareholder's equity was up 1.7% over last term to ¥30,125 million.

Cash Flow

Due to the delayed release of mainstream software, cash and time deposits at the end of the term decreased 7.3% to ¥12,026 million.

We are endeavoring to improve our financial constitution by focusing on

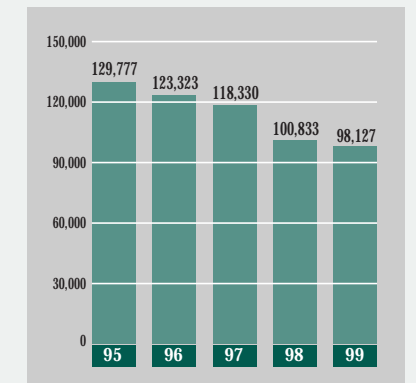
a consolidated accounting system and working to strengthen the balance sheet. We are also striving to maintain a stable financial base in order to expand cash flow. By continuing to launch high-quality unique products on the market, we aim to further increase cash flow, which will enable us to repay convertible bonds due in September 2001 and September 2005 using our own funds.

The Year 2000 Issue

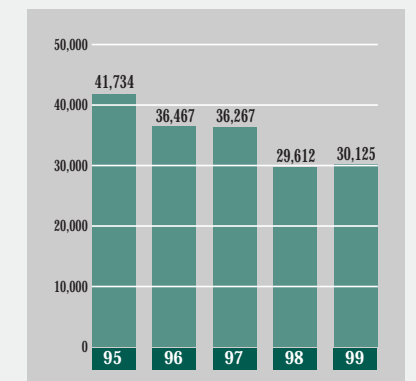
We are working throughout the company to achieve Year 2000 compliance for our entire product lineup as well as internal information systems. Furthermore, we are conducting research on actual conditions and implementing measures with close attention to Y2K impact on both profit and society. We are also fully prepared with a contingency plan to cover fiscal 2000.

Outlook

During fiscal 2000, with the launch of the postponed mainstream games and new games in the internationally acclaimed *Resident Evil* series, we anticipate that net sales and operating income will increase over this term.



TOTAL ASSETS (millions of yen)



TOTAL SHAREHOLDERS' EQUITY (millions of yen)

Consolidated Balance Sheets

Capcom Co., Ltd. and its consolidated subsidiaries • March 31, 1999 and 1998

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Current assets:			
Cash and time deposits	¥ 12,026	¥ 12,974	\$ 100,217
Notes and accounts receivable —			
Trade	8,074	8,064	67,283
Other	2,948	2,454	24,567
Allowance for doubtful accounts	(2,912)	(2,512)	(24,267)
Short-term loans receivable	3,372	1,712	28,100
Inventories (Note 4)	5,632	7,251	46,933
Capitalized development costs	7,790	3,533	64,917
Prepaid expenses	870	2,789	7,250
Deferred income taxes	7	4	58
Other	734	2,290	6,117
Total current assets	38,541	38,559	321,175
Investments and other assets:			
Investments in securities (Note 5)	2,067	2,375	17,225
Long-term loans receivable	15,577	20,696	129,808
Long-term prepaid expenses	1,147	1,374	9,558
Deferred income taxes	138	396	1,150
Other	5,111	5,524	42,592
Allowance for doubtful accounts	(3,784)	(8,482)	(31,533)
Total investments and other assets	20,256	21,883	168,800
Property, plant and equipment (Notes 6 and 7):			
Land	26,277	26,298	218,975
Buildings and structures	13,436	13,706	111,967
Machinery and equipment	14,352	14,991	119,600
Construction in progress	83	13	691
Accumulated depreciation	(15,526)	(15,511)	(129,383)
Total property, plant and equipment	38,622	39,497	321,850
Excess cost over net assets of acquired subsidiaries	32	114	267
Translation adjustments	676	780	5,633
Total assets	¥ 98,127	¥ 100,833	\$ 817,725

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Current liabilities:			
Short-term borrowings (Note 7)	¥ 12,373	¥ 14,279	\$ 103,108
Current portion of long-term debt (Note 7)	645	386	5,375
Notes and accounts payable	2,911	4,229	24,258
Accrued expenses	1,772	1,765	14,767
Accrued income taxes (Note 8)	223	130	1,858
Other	3,190	2,866	26,584
Total current liabilities	21,114	23,655	175,950
Long-term liabilities:			
Long-term debt (Note 7)	45,035	45,786	375,292
Accrued retirement allowances (Note 9)	168	130	1,400
Other	1,658	1,628	13,816
Total long-term liabilities	46,861	47,544	390,508
Minority interest in a consolidated subsidiary	27	22	225
Shareholders' equity (Note 11):			
Common stock, ¥50 par value —			
Authorized — 69,000,000 shares			
Issued — 35,196,011 shares	18,211	18,211	151,758
Capital surplus	21,098	21,098	175,817
Accumulated deficit	(8,786)	(9,697)	(73,217)
Treasury stock (Note 10)	(398)	—	(3,316)
Total shareholders' equity	30,125	29,612	251,042
Total liabilities and shareholders' equity	¥ 98,127	¥ 100,833	\$ 817,725

Consolidated Statements of Operations

Capcom Co., Ltd. and its consolidated subsidiaries • Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Net sales	¥ 38,367	¥ 58,201	\$ 319,725
Cost of sales	22,723	33,300	189,358
Gross profit	15,644	24,901	130,367
Selling, general and administrative expenses	10,619	11,587	88,492
Research and development expenses	1,414	2,948	11,783
Operating income	3,611	10,366	30,092
Other income (expense):			
Interest and dividend income	348	743	2,900
Interest expenses	(616)	(1,001)	(5,133)
Exchange gain, net	(598)	623	(4,983)
Gain on sales of investments in securities	307	—	2,558
Loss on sales or disposition of property, plant and equipment	(88)	(311)	(734)
Write off of investments in securities	(143)	(670)	(1,192)
Special losses, mainly for liquidation of an unconsolidated subsidiary (Note 12)	—	(12,867)	—
Other, net	(736)	(579)	(6,133)
Income (loss) before income taxes	2,085	(3,696)	17,375
Income taxes (Note 8):			
Current	317	160	2,642
Deferred	255	912	2,125
	572	1,072	4,767
Minority interest in a consolidated subsidiary, credit	(6)	8	(50)
Net income (loss)	¥ 1,507	(¥ 4,760)	\$ 12,558
Per share amounts:	yen		U.S. dollars
Net income (loss)	¥ 43.00	(¥ 135.24)	\$ 0.36
Cash dividends paid	20.00	20.00	0.17

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Capcom Co., Ltd. and its consolidated subsidiaries • Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Common stock:			
Balance at beginning of year	¥ 18,211	¥ 18,211	\$ 151,758
Balance at end of year	¥ 18,211	¥ 18,211	\$ 151,758
Capital surplus:			
Balance at beginning of year	¥ 21,098	¥ 21,098	\$ 175,817
Balance at end of year	¥ 21,098	¥ 21,098	\$ 175,817
Accumulated deficit:			
Balance at beginning of year	(¥ 9,697)	(¥ 3,042)	(\$ 80,808)
Net income (loss) for the year	1,507	(4,760)	12,558
Cash dividends	(701)	(1,865)	(5,842)
Bonuses to directors and statutory auditors	—	(30)	—
Effect of changing reporting entities	105	—	875
Balance at end of year	(¥ 8,786)	(¥ 9,697)	(\$ 73,217)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Capcom Co., Ltd. and its consolidated subsidiaries • Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Cash flows from operating activities:			
Net income (loss)	¥ 1,507	(¥ 4,760)	\$ 12,558
Adjustments to reconcile net income (loss) to net cash provided by operating activities —			
Depreciation and amortization	2,828	3,157	23,567
Provision for doubtful accounts	887	962	7,392
Special losses, mainly for liquidation of an unconsolidated subsidiary	—	12,867	—
Decrease (increase) in notes and accounts receivable	(1,068)	(447)	(8,900)
Decrease (increase) in inventories	(2,626)	4,919	(21,883)
Increase (decrease) in notes and accounts payable	(1,192)	1,115	(9,933)
Other	5,411	(2,770)	45,091
Total adjustments	4,240	19,803	35,334
Net cash provided by operating activities	5,747	15,043	47,892
Cash flows from investing activities:			
Proceeds from sales of facilities	116	1,454	967
Acquisition of property, plant and equipment	(2,346)	(2,490)	(19,550)
Decrease (increase) in short-term loans receivable	(1,454)	1,123	(12,117)
Decrease in marketable securities	—	6,351	—
Other	393	(756)	3,275
Net cash provided by (used in) investing activities	(3,291)	5,682	(27,425)
Cash flows from financing activities:			
Net repayments of short-term borrowings and current portion of long-term debt	(997)	(11,068)	(8,308)
Repayments of long-term debt	(309)	(610)	(2,575)
Cash dividends paid	(701)	(1,895)	(5,842)
Other	(132)	1,515	(1,100)
Net cash used in financing activities	(2,139)	(12,058)	(17,825)
Effect of exchange rate changes on cash	(1,265)	(267)	(10,542)
Net increase (decrease) in cash	(948)	8,400	(7,900)
Cash and time deposits at beginning of year	12,974	4,574	108,117
Cash and time deposits at end of year	¥ 12,026	¥ 12,974	\$ 100,217

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Capcom Co., Ltd. and its consolidated subsidiaries • Years ended March 31, 1999 and 1998

1. MAJOR POLICIES IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements which are a translation of those publicly issued in Japan after modification to enhance readers' understanding are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Accounting Standards.

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

The U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into, U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the rate of ¥120=US\$1, the approximate current rate prevailing on March 31, 1999, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

(1) Consolidation and accounting for investments in affiliates

The consolidated financial statements consist of the accounts of Capcom Co., Ltd. (the "Company") and, with minor exceptions, those of its majority-owned subsidiaries at the relevant balance sheet date. All significant inter-company transactions and accounts are eliminated.

Investments in unconsolidated subsidiaries are accounted for on a cost basis because their effect on the consolidated financial statements is insignificant.

The difference between the cost and underlying net equity of investments in consolidated subsidiaries is deferred and amortized on a straight line method over a five-year period, with the exception of minor differences which are charged or credited to income in the period of acquisition.

(2) Revenue recognition

Revenue from sales of products are recognized when products are shipped to customers.

Motion picture revenue is recognized on the dates of theatrical exhibition.

(3) Statement of cash flows

A portion of cash in excess of daily requirements is invested in temporary cash investments, mainly consisting of time deposits, which are low risk short-term financial instruments readily convertible to known amounts of cash. The Company deems the time deposits as cash equivalents for the purposes of the statement of cash flows.

(4) Translation of foreign currencies

Foreign currency amounts are translated into Japanese yen at the rates prevailing at the relevant balance sheet date for short-term assets and liabilities and at historical rates for long-term assets and liabilities. When the historical exchange rates differ significantly from the year-end rates, the year-end rates are used to translate the long-term assets or liabilities. Receivable and payable in foreign currency hedged by forward exchange contracts are translated into Japanese yen at the contracted rates of exchange. Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transactions. Resulting exchange gains or losses are credited or charged to income as incurred.

All of assets, liabilities, income and expenses of foreign subsidiaries in the financial statements of foreign subsidiaries are translated into Japanese yen at the rates in effect at the balance sheet date, except for shareholders' equity which is translated at the rates prevailing at the time when transaction occurred and the resulting translation differences are debited or credited to the translation adjustments accounts of the consolidated financial statements in accordance with "Accounting Standards for Foreign Currency Transactions, etc."

(5) Marketable securities and investments in securities

Marketable equity securities and other marketable securities both of current and non-current nature are stated the lower of cost or market. Other security investments are stated at cost.

The cost of securities sold is determined based on the average cost of all such securities held at the time of sale.

(6) Inventories

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

Capitalized development costs of game software for 32-bit and 64-bit game machines are stated at accumulated cost on a specific project basis.

Development costs incurred at subcontractors are presented as capitalized development costs and are charged to cost of sales when revenues are recognized for the year ended March 31, 1999. Until and including the year ended March 31, 1998, such development costs incurred at subcontractors had been presented as prepaid expenses and had been charged to research and development expenses when revenues had been recognized. As a result of this change, cost of sales for this fiscal year increased by ¥2,245 million and research and development expenses decreased by ¥2,245 million. There are no effects of this change in operating income, income before income taxes and net income respectively.

Production, print and certain advertising costs relating to specific motion picture titles comprise motion picture film costs and are presented as inventories.

The motion film costs are amortized in proportion to the revenue earned to total estimated revenue. Unamortized motion picture film costs are compared with estimated net realizable value on an individual film basis and write-downs is recorded as required.

(7) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is principally computed by the declining balance method at rates based on estimated useful lives of the assets, except for buildings and structures. During the year ended March 31, 1999 the depreciation method for buildings and structures was changed from the declining

Notes to Consolidated Financial Statements

Capcom Co., Ltd. and its consolidated subsidiaries • Years ended March 31, 1999 and 1998

balance method to the straight-line method. As a result of this change, depreciation charges for the year ended March 31, 1999 decreased by ¥148 million and income before income taxes and net income increased by ¥148 million respectively. The Company shortened useful life of buildings and structures in the year ended March 31, 1999. These changes were made following the amendments to Corporate Tax Law in 1998. As a result of these changes, depreciation charges for the year ended March 31, 1999 increased by ¥20 million and income before income taxes and net income decreased by ¥20 million respectively.

Significant renewals and additions are capitalized at cost. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

(8) Research and development expenses

Research and development expenses for improvement of existing products or development of products other than capitalized costs of game software for 32-bit and 64-bit game machines, including basic research and development costs, are charged to income when incurred.

(9) Pension plan and accrued retirement allowances

The Company has a non-contributory pension plan which covers those employees who have served with the Company for more than 10 years and have reached at the age of 45. In consideration of contributions, a trust banking corporation provides approximately 50% portion of retirement allowances as annuity payments over a 10-year period subsequent to retirement (or a lump-sum payment at retiring employees' option); the remaining portion will be paid by the Company as a lump-sum.

The Company's policy is to accrue and fund pension costs in accordance with amounts permitted by tax regulations, which approximate amounts are determined actuarially. Pension expenses for the plan include amortization of past service cost over five years. The amount of annuity of lump-sum varies based on current basic rate of pay, length of services and conditions under which the employees retire.

The employees of the Company not covered by the above pension plan are also entitled to lump-sum indemnities when they separate from the Company. For these employees and the portion not covered by the pension plan for the employees expected to qualify to receive the annuity payments, the Company accrues retirement allowances at 40%, which is stipulated in the Japanese Corporation Tax Law, of the amounts which would be required if all employees voluntarily retired at the balance sheet date.

(10) Income taxes

The income statements of the Company and its consolidated subsidiaries include many items for financial reporting purposes which, in the case of costs and expenses, are not currently deductible and, in the case of income, are not currently taxable. With respect to all such temporary differences, the Company and its consolidated subsidiaries follow the practice of inter-period tax allocation based on the methods generally accepted in the respective country where each entity is located.

(11) Amounts per share

The computation of net income per share is based on the weighted average number of common stock outstanding during each year, after appropriate retroactive adjustment for the effect of the stock splits made by the Company. Cash dividends per share are based on the

number of shares outstanding at the end of each period after retroactive adjustment for the effect of the stock splits mentioned above and reflect the appropriations applicable to each period rather than to the period in which shareholders' approval is obtained (Note 11).

(12) Reclassifications

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

3. CASH FLOW INFORMATION:

Cash payments for interest expenses for the years ended March 31, 1999 and 1998 amounted to ¥636 million (\$5,300 thousand) and ¥1,019 million respectively, and cash payments [refunds] for income taxes for the years ended March 31, 1999 and 1998 amounted to [¥699 million (\$5,825 thousand)] and ¥2,575 million respectively.

4. INVENTORIES:

Inventories at March 31 consisted of:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Finished goods and merchandise	¥ 985	¥ 1,685	\$ 8,208
Work in process	72	360	600
Raw materials	2,525	2,499	21,042
Supplies	380	521	3,167
Films	1,670	2,186	13,916
	¥ 5,632	¥ 7,251	\$ 46,933

5. MARKETABLE EQUITY SECURITIES:

At March 31, the cost and market value of marketable equity securities wholly included in investments in securities (non-current assets) are presented below.

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Cost	¥ 1,972	¥ 1,454	\$ 16,433
Market	3,043	1,451	25,358
Unrealized gain (loss)	¥ 1,071	(¥ 3)	\$ 8,925
Represented by:			
Gross unrealized gains	¥ 1,071	¥ —	\$ 8,925
Gross unrealized losses	—	3	—

6. PROPERTY, PLANT AND EQUIPMENT:

Depreciation charges for the years ended March 31, 1999 and 1998 amounted to ¥2,367 million (\$19,725 thousand) and ¥2,610 million respectively. Estimated useful lives of the major classes of depreciable assets ranged from 3 to 50 years (principally 47 years) for buildings and structures, and from 2 to 15 years (principally 3 years) for machinery and equipment.

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

Short-term borrowings at March 31, 1999 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Bank overdraft with interest ranging from 1.375% to 2.375% per annum	¥ 9,683	\$ 80,692
Unsecured loan payable to banks with interest 1.5% per annum	2,440	20,333
Notes payable with interest 1.75% per annum	250	2,083
	¥ 12,373	\$ 103,108

Long-term debt at March 31, 1999 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
0.8% convertible bonds due 2001	¥ 25,000	\$ 208,333
1.0% convertible bonds due 2005	19,866	165,550
Loans payable to banks and other financial institutions due 1999 - 2005, with interest at 1.294% - 15.275%		
Secured	¥ 247	\$ 2,059
Unsecured	567	4,725
	¥ 45,680	\$ 380,667
Less portion due within one year	(645)	(5,375)
	¥ 45,035	\$ 375,292

The aggregate annual maturates of long-term debt at March 31, 1999 were as follows:

	Millions of yen	Thousands of U.S. dollars
2000 (current portion)	¥ 645	\$ 5,375
2001	75	625
2002	25,075	208,958
2003	19	159
2004	—	—
Thereafter	19,866	165,550
	¥ 45,680	\$ 380,667

The 0.8% convertible bonds due 2001 were issued on June 17, 1994 and are convertible into common stock at conversion price of ¥4,982 per share. These convertible bonds are redeemable at Company's option in the period from October 1, 1998 to September 27, 2001 as provided in the indentures.

The 1.0% convertible bonds due 2005 were issued on June 17, 1994 and convertible into common stock at conversion price of ¥4,982 per share. These convertible bonds are redeemable at Company's option in the period from October 1, 2000 to September 29, 2005 as provided in the indentures.

At March 31, 1999 the following assets were pledged as collateral for short-term borrowings and long-term debt.

	Millions of yen	Thousands of U.S. dollars
Land	¥ 6,098	\$ 50,817
Buildings and structures, net of accumulated depreciation	634	5,283
	¥ 6,732	\$ 56,100

8. INCOME TAXES:

The Company and its Japanese consolidated subsidiaries are subject to a number of different income taxes which, in the aggregate, indicate effective statutory tax rates of approximately 46%. The ordinary relationship between income tax expenses and pretax accounting income is distorted by a number of items including various tax credits, tax effect to temporary differences, permanent non-deductibility of certain expenses and operating losses incurred by the consolidated subsidiaries.

The substantial difference between the tax rate in the income statements and the effective statutory tax rates for the years ended March 31, 1999 and 1998 was caused by the operating losses of consolidated subsidiaries.

Filing of a consolidated tax return by a group of corporations is not permitted in Japan, irrespective of percentage of ownership.

9. PENSION PLAN AND ACCRUED RETIREMENT ALLOWANCES:

The amounts charged to income for the years ended March 31, 1999 and 1998 with respect to the pension plan and retirement allowances were ¥138 million (\$1,150 thousand) and ¥93 million respectively.

Pension assets (based on the latest available information) of the pension plan at March 31, 1999 and 1998 amounted to ¥328 million (\$2,733 thousand) and ¥290 million respectively.

Unamortized past service costs of pension plan have been substantially amortized.

10. TREASURY STOCK:

During the year ended March 31, 1999, the Company introduced a management incentive plan or scheme giving the Company's directors and employees an option to acquire the common stock of the Company as defined.

In order to reserve for this plan, the general shareholders meeting held on June 26, 1998 approved the Company to acquire 288,000 shares of the common stock of the Company by ¥398 million (\$3,317 thousand) which were outstanding at March, 1999 and included in "Treasury stock" in the accompanying balance sheet.

11. APPROPRIATION OF RETAINED EARNINGS AND LEGAL RESERVE:

The Japanese Commercial Code provides that all appropriations of retained earnings, except for interim cash dividends, must be approved at an ordinary general meeting of shareholders. In accordance with customary practice in Japan, the appropriation of retained earnings is not accrued in the financial statements for the year to which it relates, but is recorded in the subsequent accounting year after shareholder approval has been obtained.

Notes to Consolidated Financial Statements

Capcom Co., Ltd. and its consolidated subsidiaries • Years ended March 31, 1999 and 1998

The following appropriations of retained earnings of the Company were proposed and resolved at the general meeting of shareholders held on June 25, 1999.

	Millions of yen	Thousands of U.S. dollars
Balance at March 31, 1999	¥ 2,131	\$ 17,758
Appropriations —		
Transfer to legal reserve	(35)	(292)
Cash dividends (¥10 per share outstanding at March 31, 1999)	(349)	(2,908)
Balance after appropriations	¥ 1,747	\$ 14,558

The Japanese Commercial Code provides that an amount equal to at least 10% of cash disbursement (principally, dividends and directors' bonuses) for appropriation of retained earnings of each period be appropriated as a legal reserve until such reserve equals 25% of the common stock account. This reserve may be used to reduce a deficit or it may be transferred to stated capital by appropriate legal procedures.

12. SPECIAL LOSSES, MAINLY FOR LIQUIDATION OF AN UNCONSOLIDATED SUBSIDIARY:

Special losses for the year ended March 31, 1998 comprised as follows:

	Millions of yen	Thousands of U.S. dollars
Liquidation losses of a subsidiary, CAPCOM MEXICO S.A. DE C.V. excluded from 1998 consolidation	¥ 7,791	\$ 59,023
Allowance for doubtful accounts of a consolidated subsidiary	3,045	23,068
Write off of short-term loans to an overseas business agent	2,031	15,387
	¥ 12,867	\$ 97,478

13. SEGMENT INFORMATION:

(1) Business Segment

The Company and its consolidated subsidiaries operate principally within three business segments: "arcade games," "home video games," and "other." The "arcade game" segment develops, manufactures, distributes and/or rents arcade game software and hardware to amusement facility operators. The "other" segment mainly comprises the operation of amusement facilities. The following tables present certain information regarding the business segments for the years ended March 31, 1999 and 1998.

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net sales:			
Arcade games —			
Customers	¥ 6,768	¥ 13,402	\$ 56,400
Intersegment	409	432	3,408
	7,177	13,834	59,808
Home video games —			
Customers	22,451	31,453	187,092
Other —			
Customers	9,148	13,347	76,233
Sub-total	38,776	58,634	323,133
Eliminations	(409)	(433)	(3,408)
Consolidated	¥ 38,367	¥ 58,201	\$ 319,725
Cost of sales and direct expenses:			
Arcade games	¥ 8,683	¥ 12,864	\$ 72,358
Home video games	15,751	19,737	131,258
Other	8,461	13,410	70,509
Sub-total	32,895	46,011	274,125
Corporate expenses and eliminations	1,861	1,824	15,508
Consolidated	¥ 34,756	¥ 47,835	\$ 289,633
Operating income (loss):			
Arcade games	(¥ 1,506)	¥ 970	(\$ 12,550)
Home video games	6,700	11,716	55,833
Other	687	(63)	5,725
Sub-total	5,881	12,623	49,008
Adjustments	(2,270)	(2,257)	(18,916)
Consolidated	¥ 3,611	¥ 10,366	\$ 30,092
Total assets:			
Arcade games	¥ 21,138	¥ 23,271	\$ 176,150
Home video games	23,898	19,245	199,150
Other	19,018	21,607	158,483
Sub-total	64,054	64,123	533,783
Corporate assets and eliminations	34,073	36,710	283,942
Consolidated	¥ 98,127	¥ 100,833	\$ 817,725
Depreciation:			
Arcade games	¥ 1,225	¥ 1,406	\$ 10,208
Home video games	246	389	2,050
Other	1,074	1,195	8,950
Sub-total	2,545	2,990	21,208
Corporate expenses and eliminations	273	253	2,275
Consolidated	¥ 2,818	¥ 3,243	\$ 23,483
Capital expenditure:			
Arcade games	¥ 964	¥ 1,041	\$ 8,033
Home video games	384	84	3,200
Other	1,355	1,370	11,292
Sub-total	2,703	2,495	22,525
Corporate expenditure and eliminations	159	62	1,325
Consolidated	¥ 2,862	¥ 2,557	\$ 23,850

(2) Geographic Area

The following tables present certain information regarding operations by geographic area for the years ended March 31, 1999 and 1998.

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net sales:			
Japan —			
Customers	¥ 27,864	¥ 44,722	\$ 232,200
Intersegment	3,607	4,009	30,058
	31,471	48,731	262,258
North America —			
Customers	9,647	11,781	80,391
Intersegment	20	57	167
	9,667	11,838	80,558
Other —			
Customers	855	1,699	7,125
Intersegment	624	299	5,201
	1,479	1,998	12,326
Sub-total	42,617	62,567	355,142
Eliminations	(4,250)	(4,366)	(35,417)
Consolidated	¥ 38,367	¥ 58,201	\$ 319,725
Costs of sales and direct expenses:			
Japan	¥ 27,428	¥ 38,201	\$ 228,567
North America	8,341	10,229	69,508
Other	1,022	1,634	8,517
Sub-total	36,791	50,064	306,592
Adjustments	(2,035)	(2,229)	(16,959)
Consolidated	¥ 34,756	¥ 47,835	\$ 289,633
Operating profit (loss):			
Japan	¥ 4,043	¥ 10,530	\$ 33,692
North America	1,326	1,609	11,050
Other	457	364	3,808
Sub-total	5,826	12,503	48,550
Adjustments	(2,215)	(2,137)	(18,458)
Consolidated	¥ 3,611	¥ 10,366	\$ 30,092
Total assets:			
Japan	¥ 62,065	¥ 62,031	\$ 517,208
North America	3,864	5,852	32,200
Other	1,252	850	10,434
Sub-total	67,181	68,733	559,842
Corporate assets and eliminations	30,946	32,100	257,883
Consolidated	¥ 98,127	¥ 100,833	\$ 817,725
(3) Foreign Sales			
The following table presents certain information regarding the sales outside Japan of the Company and its consolidated subsidiaries for the years ended March 31, 1999 and 1998.			
	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net sales:			
North America	¥ 10,952	¥ 13,636	\$ 91,267
Other	3,450	3,635	28,750
	¥ 14,402	¥ 17,271	\$ 120,017

Percentage of such sales in consolidated net sales

	Percentage
	37.5%
	29.7%

14. LEASES:

The following information is disclosed to conform with an amendment to the Japanese securities and exchange law and related accounting regulations, which are applicable to the information effective the year ended March 31, 1999.

(a) Financing lease

Lease transaction as lessee

Payments of financing leases which do not transfer ownership of the leased assets to the lessee for the years ended March 31, 1999 were ¥1,190 million (\$9,917 thousand).

The future lease payments for financing leases which do not transfer ownership of the leased assets including amounts representing interest at March 31, 1999 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 1,120	\$ 9,333
Due later	1,446	12,050
	¥ 2,566	\$ 21,383

The leased assets at March 31, 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Accumulated depreciation	Net	Net
Machinery and equipment	¥ 360	¥ 96	¥ 264	\$ 2,200
Tools, furniture and fixtures	3,698	2,096	1,602	13,350
Instruments in amusement facilities	1,257	557	700	5,833
	¥ 5,315	¥ 2,749	¥ 2,566	\$ 21,383

(b) Operating lease

The future lease payments under non-cancellable operating leases at March 31, 1999 are as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 546	\$ 4,550
Due later	3,521	29,342
	¥ 4,067	\$ 33,892

Report of Independent Accountants



Osaka Center Building
1-3, Kyutaro-machi 4-chome
Chuo-ku, Osaka 541-0056

June 25, 1999

To the Board of Directors and Shareholders of Capcom Co., Ltd.

Report of Independent Accountants

In our opinion, based upon our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Capcom Co., Ltd. and its consolidated subsidiaries at March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries which statements reflect total assets of ¥14,444 million and ¥15,592 million at March 31, 1999 and 1998, respectively, and total revenues of ¥10,362 million and ¥12,369 million for the years ended March 31, 1999 and 1998, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits of these statements in accordance with generally accepted auditing standard which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for the opinion expressed above.

As discussed in Note 2 to the financial statements, the Company changed its depreciation method and its method of accounting for development costs incurred at subcontractors during the year ended March 31, 1999.

(Notice to readers)

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accordingly the accompanying consolidated balance sheet and related consolidated statements of income, shareholders' equity and cash flows, and their utilization, are not designed for those who are not informed about Japanese accounting principles, procedures and practices.

The standards, procedures and practices utilized in Japan to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Japan.

Shareholder Information

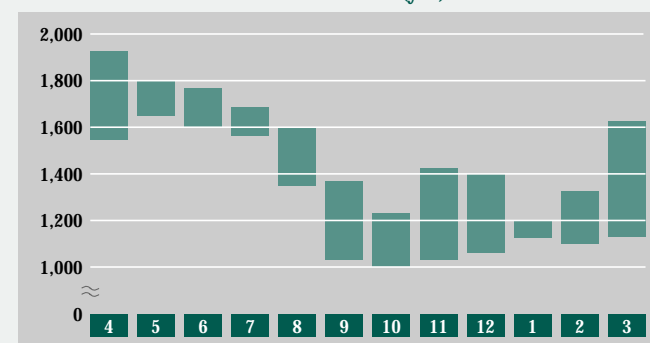
LISTING OF SECURITIES

Osaka Securities Exchange 2nd Section
(Transferred to the 1st section of the Osaka Securities Exchange on September 1, 1999.)

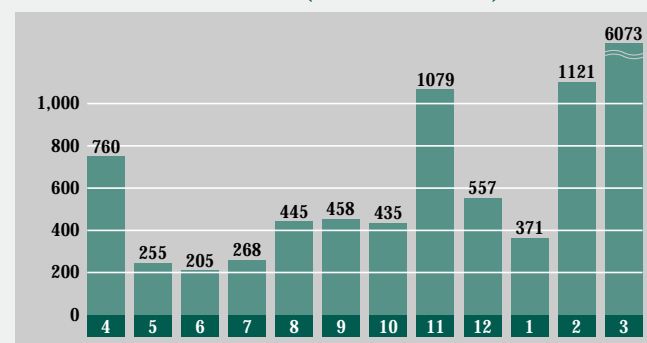
TRANSFER AGENT

The Toyo Trust & Banking Co., Ltd.
4-3, Marunouchi 1-chome, Chuo-ku, Tokyo

MONTHLY HIGH-LOW SHARE PRICE (yen)



MONTHLY SHARE VOLUME (Thousands of shares)



Corporate Information

As of June 30, 1999

CORPORATE DATA

Name of Company:
Capcom Co., Ltd.

Date of Establishment:
May 30, 1979

Paid-in Capital:
¥18,211 million
(US \$151,758 thousand)

End of Term:
March 31

Number of Employees:
1,017

Head Office:

3-1-3 Uchihirano-machi, Chuo-ku, Osaka 540-0037, Japan
Phone: 06-6920-3600
Fax: 06-6920-5100
Website: <http://www.capcom.co.jp/>

Tokyo Branch:

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Phone: 03-3340-0710
Fax: 03-3340-0711



CONSOLIDATED SUBSIDIARIES

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CAPTRON Co., Ltd.

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STATUS Co., Ltd.

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