

CAPCOM

Year Ended March 31, 2012

ANNUAL REPORT

2012

BORDER-LESS. INTERACT MORE.



Code Number: 9697

“Capcom: Creator of Entertainment Culture that Stimulates Your Senses”

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment.

By taking advantage of our optimal use of our world-class development capabilities to create original content, which is our forte, we have been actively releasing a number of products around the world. Today, young and old, men and women enjoy a gaming experience all over the world. It is now common to see people easily enjoying mobile content (games for cell phones) on streets or enjoying an exchange through an online game with someone far away. Moreover, game content is an artistic media product that fascinates people, consisting of highly creative, multi-faceted elements such as characters, storyline, a worldview and music. It has also evolved to be used in a wide range of areas of media such as Hollywood movies, TV animation programs and books.

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



Editorial Policy

This report was prepared for a wide range of readers, from individual shareholders to institutional investors, and is intended as a tool to aid in the understanding of Capcom management policies and business strategies.

We strive to go beyond simply presenting company earnings and provide insight into game and entertainment market trends; we have also compiled a glossary of game industry glossary included at the end of this report. Furthermore, in response to investor concerns, we have enhanced financial analysis, governance and other information.

To the extent possible, we attempt to make data and content understood visually by making full use of photographs, graphics and other design elements.

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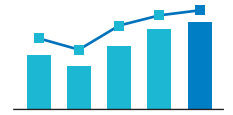


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Capcom's Strength

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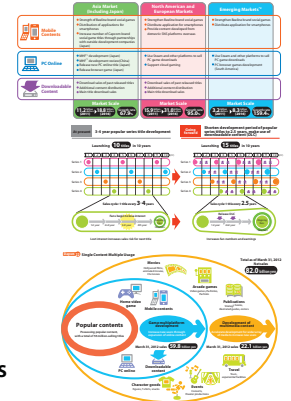
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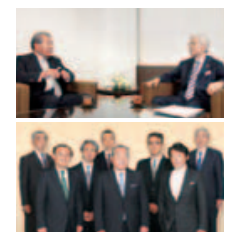
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Corporate Data

separate volume

THE LATEST DEVELOPMENT REPORT **2012**
MADE TO BE PLAYED.

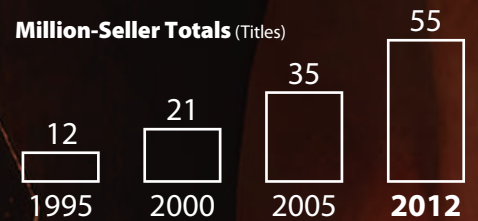


Strength 1

55 Total Million-Seller Titles

One of the World's Leading Creative Groups Generating Original Content

Scene after scene overflows with presence in creative and minutely detailed worlds with attractive characters able to be manipulated at will. Capcom games, consisting of original content not dependent on licenses from other companies, has generated over 55 million-selling hit titles up to now. The world's leading creative group—that's Capcom.



(As of June 30, 2012)

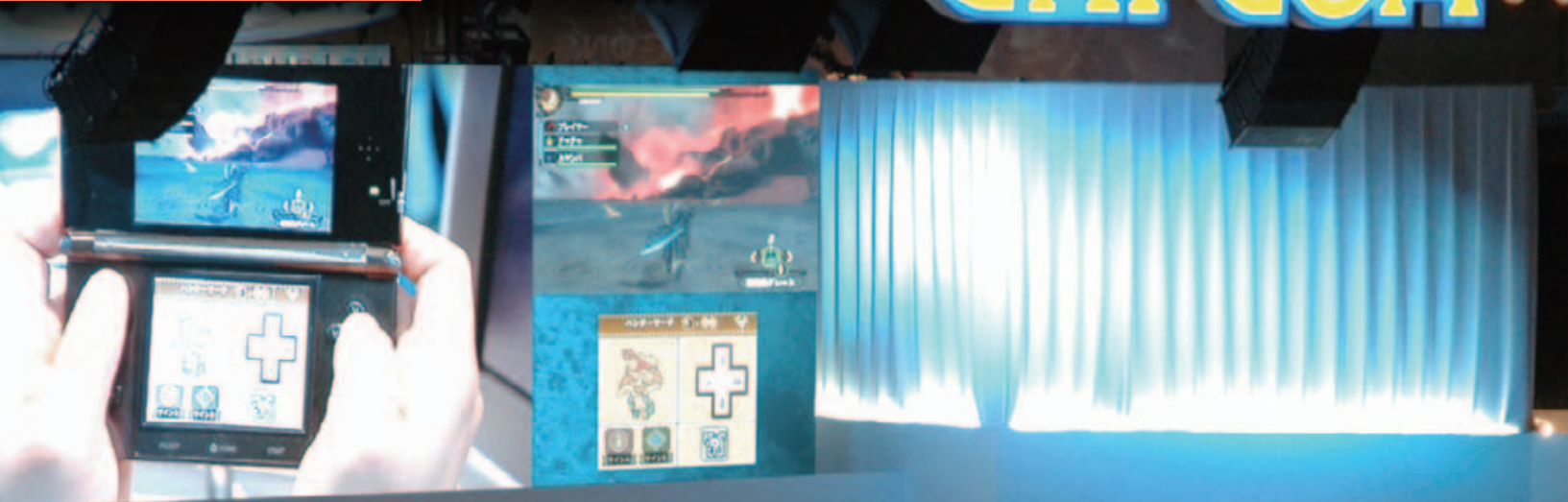


A Development Environment that Achieves a Combination of High Quality and Efficiency

Detailed development plans are indispensable for titles with presence and precisely timed releases. To create games according to development planning, Capcom efficiently develops high-quality products using the integrated development environment "MT Framework", the culmination of development expertise accumulated in-house, to develop games for multiple game consoles.



CAPCOM



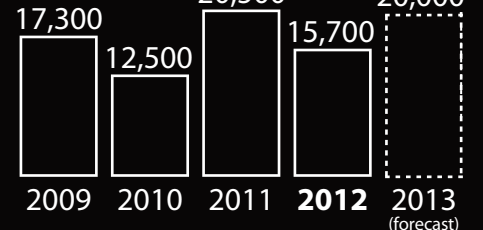
Strength 2

Annual Sales of 15,700,000 Units

Passionate Support from Fans Sparks Major Movement

Popular for cooperative play between multiple users, the "Monster Hunter" series created a social phenomenon in Japan. Fans in North America and Europe are crazy about the "Resident Evil" series. Even in developing countries, mobile games are popular. Capcom games attract multitudes of fans across borders.

Capcom Home Video Game Unit Shipments
(Thousands of units)



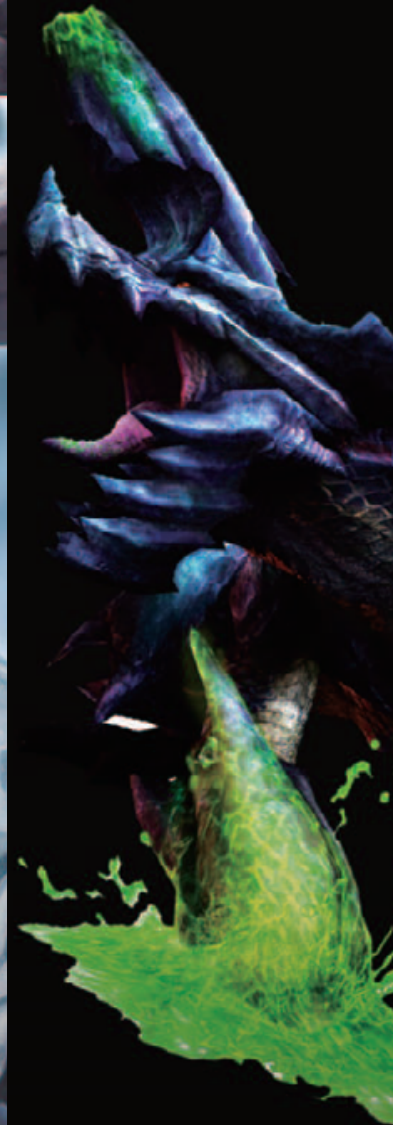
戦国
BASARA
HD Collection



BIOHAZARD.



MONSTER
HUNTER
3G



Capcom's
Strength

Strength 3

6 Hollywood Films Bring in 800 Million Dollars* at Box Office

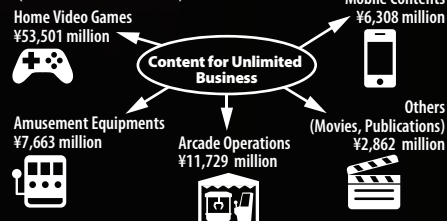
Possessing an Abundance of Powerful Content for Unlimited Business Expansion

Since our establishment in 1983, Capcom has continued to create new titles and popular series, possessing a wealth of powerful original content. Furthermore, we develop these creative worlds in a wide range of areas including film, television, publications, merchandise and gaming machines in an attempt to expand our business field and maximize profits.

* Box office total for Hollywood films based on Capcom games.

Single Content Multiple Usage Achievements

(Fiscal 2012 Net Sales)



11-Year Summary of Consolidated Business Performance Indicators

Financial Index

	2002	2003	2004	2005	2006
For the Year:					
	Millions of yen				
Net sales	¥ 62,742	¥ 62,036	¥ 52,668	¥ 65,895	¥ 70,253
Operating income	9,727	6,680	1,402	7,752	6,580
Net income (loss)	4,912	(19,598)	(9,158)	3,622	6,941
Depreciation & amortization	2,172	2,202	2,081	2,101	1,936
Capital expenditures	4,181	2,289	4,678	1,665	1,600
R&D expenses	1,067	1,151	1,124	1,323	1,864

	Millions of yen				
At Year-End:					
Total assets	¥ 128,512	¥ 106,648	¥ 93,096	¥ 106,361	¥ 98,457
Net assets	68,233	42,888	31,854	32,491	39,464
Net cash	(11,132)	(14,894)	(16,957)	(12,948)	(678)

	Millions of yen				
Cash Flows:					
Cash flows from operating activities	¥ 3,315	¥ 3,635	¥ 5,577	¥ 7,977	¥ 13,921
Cash flows from investing activities	(3,066)	(2,329)	(5,011)	(1,099)	(1,779)
Cash flows from financing activities	8,589	(2,000)	(395)	6,251	(18,259)
Cash and cash equivalents at end of year	35,000	33,444	32,131	45,538	40,652

	Yen				
Per Share Data:					
Net income (loss) per share	¥ 84.21	¥ (338.01)	¥ (160.91)	¥ 63.37	¥ 125.19
Cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00
Net assets per share	1,168.51	753.47	559.66	589.99	716.91

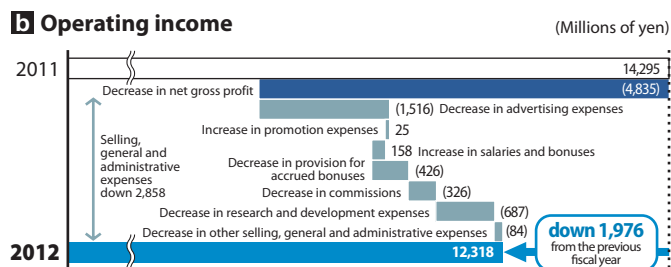
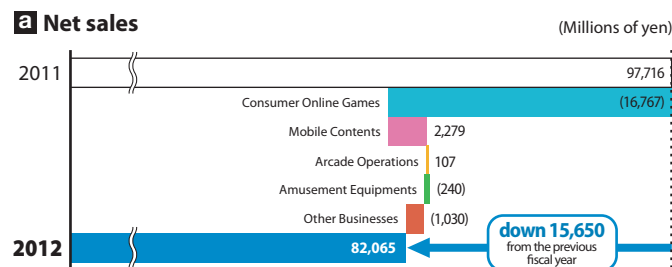
	%				
Financial Index:					
Operating margin	15.5	10.8	2.7	11.7	9.4
ROE	7.5	—	—	11.3	19.3
ROA	4.1	—	—	3.6	6.8
Net worth ratio	53.1	40.2	34.2	30.5	40.1
Debt-equity ratio	88.3	148.8	192.4	227.9	149.4
Foreign investors	25.91	16.85	16.59	14.79	23.35

	Millions of yen				
Net Sales of Consumer Online Games business*^{1,2}					
Consumer Online Games business	¥ 47,769	¥ 48,090	¥ 33,949	¥ 39,985	¥ 42,718

	Thousands				
Number of Home Video Games Sold:					
Total number of units	15,000	16,300	11,600	13,500	13,400
Sales of major titles	Devil May Cry 2,070	Devil May Cry 2 1,400	Mega Man Battle Network 4 950	Resident Evil 4 (GC) 1,230	Resident Evil 4 (PS2) 1,810
	Onimusha 2 1,070	Resident Evil 0 1,130	Onimusha 3 630	Devil May Cry 3 1,100	Onimusha DAWN of DREAMS 640
	Mobile Suit Gundam: Federation vs. Zeon 890	Mega Man Battle Network 3 850	Resident Evil Outbreak 430	Resident Evil Outbreak 820	Monster Hunter Freedom 610

*1 Before the fiscal year ended March 31, 2009, the Consumer Online Games business is described as the Home Video Games business.

*2 In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

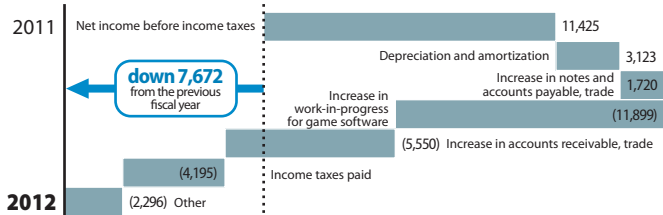


CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

2007	2008	2009	2010	2011	2012	2012					
Millions of yen						Thousands of U.S. dollars					
¥ 74,542	¥ 83,097	¥ 91,878	¥ 66,837	¥ 97,716	¥ 82,065	\$ 1,000,801					
9,602	13,121	14,618	5,587	14,295	12,318	150,226					
5,852	7,807	8,063	2,167	7,750	6,723	81,999					
2,774	3,393	4,143	3,368	3,315	3,123	38,091					
4,495	4,503	2,906	2,205	2,758	4,153	50,647					
1,828	2,972	2,329	2,125	2,924	2,236	27,277					
Millions of yen						Thousands of U.S. dollars					
¥ 91,478	¥ 93,606	¥ 106,210	¥ 86,621	¥ 90,408	¥ 98,247	\$ 1,198,141					
45,144	53,660	59,349	53,956	58,007	59,352	723,809					
9,200	13,061	7,378	12,299	27,655	11,348	138,394					
Millions of yen						Thousands of U.S. dollars					
¥ 16,063	¥ 7,452	¥ (551)	¥ 14,320	¥ 22,392	¥ (7,672)	\$ (93,560)					
(6,715)	(3,374)	(2,715)	(1,618)	(2,046)	(4,794)	(58,469)					
(15,206)	(2,448)	(342)	(10,747)	(12,919)	587	7,169					
35,020	32,763	28,611	29,815	35,011	22,287	271,796					
Yen						U.S. dollars					
¥ 107.52	¥ 132.90	¥ 130.98	¥ 35.71	¥ 131.18	¥ 116.10	\$ 1.42					
30.00	30.00	35.00	35.00	40.00	40.00	0.48					
799.35	881.31	961.38	913.18	981.76	1,030.70	12.57					
%											
12.9	15.8	15.9	8.4	14.6	15.0						
13.8	15.8	14.3	3.8	13.8	11.5						
6.2	8.4	8.1	2.3	8.8	6.8						
49.3	57.3	55.9	62.3	64.2	60.4						
102.8	74.4	79.0	60.5	55.9	65.5						
32.60	27.72	33.73	24.22	22.17	27.05						
Millions of yen						Thousands of U.S. dollars					
¥ 43,813	¥ 51,679	¥ 62,892	¥ 43,702	¥ 70,269	¥ 53,501	\$ 652,461					
Thousands											
12,200	15,600	17,300	12,500	20,500	15,700						
Lost Planet Extreme Condition	1,370	Devil May Cry 4	2,320	Resident Evil 5	4,400	Monster Hunter Freedom Unite (Best Price included)	1,350	Monster Hunter Freedom 3	4,600	Resident Evil: Operation Raccoon City	1,700
Dead Rising	1,220	Resident Evil 4 Wii edition	1,300	Street Fighter IV	2,500	Monster Hunter Tri	1,150	Dead Rising 2	2,200	Monster Hunter 3 (Tri) G	1,600
Monster Hunter Freedom 2	1,220	Resident Evil: The Umbrella Chronicles	1,060	Monster Hunter Freedom Unite (Best Price included)	2,200	Resident Evil 5	950	MARVEL VS. CAPCOM 3 Fate of Two Worlds	2,000	Street Fighter X Tekken	1,400

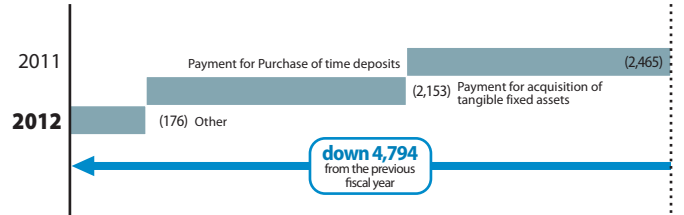
c CF from operating activities

(Millions of yen)



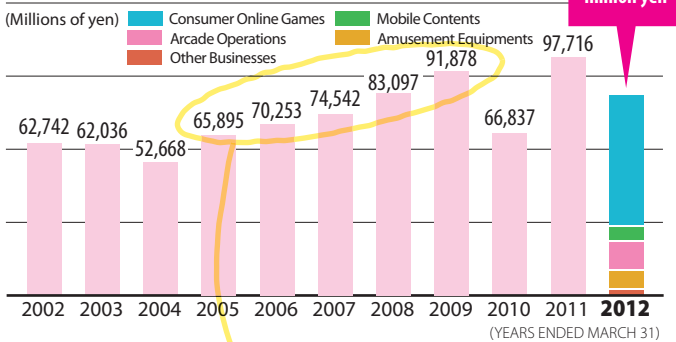
d CF from investing activities

(Millions of yen)



1 Net sales

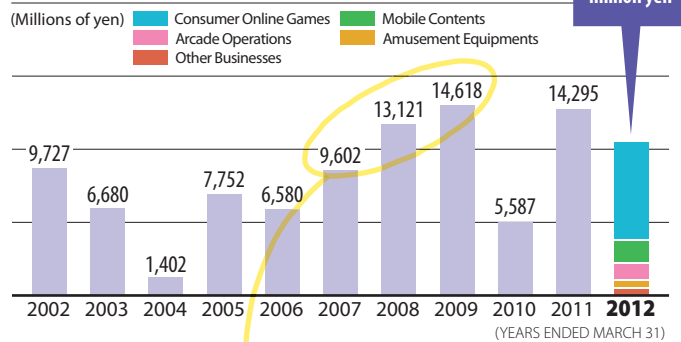
16.0% DOWN ▼



Structural reforms enacted in the fiscal years that ended in March 2003 and 2004 set the stage for stable growth in sales starting in the fiscal year ended in March 2005. In prior years, there were big differences in sales from year to year depending on whether or not any products became major hits. By creating an efficient development structure primarily in the Consumer Online Games business, Capcom is able to release highly profitable popular titles each fiscal year. However, in the most recent fiscal year ended March 2012, net sales were down 16.0% from the previous fiscal year due to delays in the release of major titles and the backlash from the release of major titles in the previous year.

2 Operating income

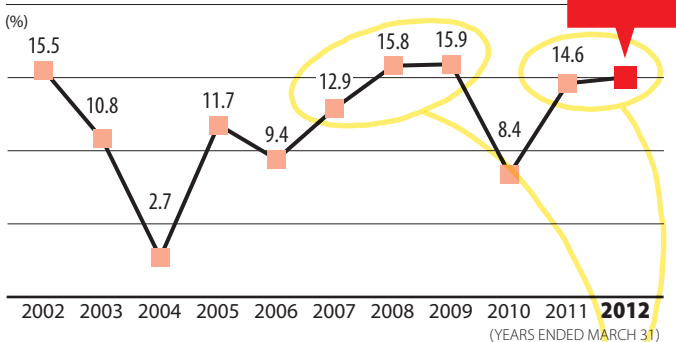
13.8% DOWN ▼



Structural reforms have enabled Capcom to sustain consistent growth in operating income. In the past, operating income varied greatly each year depending on the number of major hits, just as with sales. However, operating income started benefiting from structural reforms about two years after sales because a few years are normally required to develop new games. Starting in the fiscal year ended 2007, Capcom has been using a new game development framework to improve operating income by focusing activities on the most profitable titles. In the fiscal year ended 2012, operating income declined 13.8% on efficient cost management and the expansion of highly profitable online content.

3 Operating margin

0.4point UP ▲

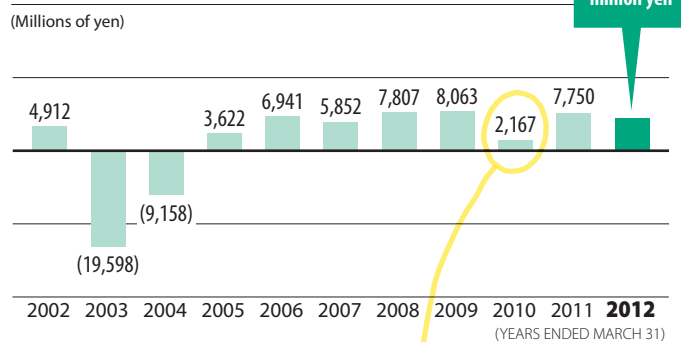


Operating margin depends primarily on profitability of the Consumer Online Games business, which accounts for about 65% of net sales. There was steady increase in operating margin as well as operating income from the fiscal year ended March 2007 thanks to the establishment of the efficient developmental organization.

In the fiscal year ended 2012, despite the large decline, efficient cost management and the expansion of online content resulted in an operating margin of 15.0%.

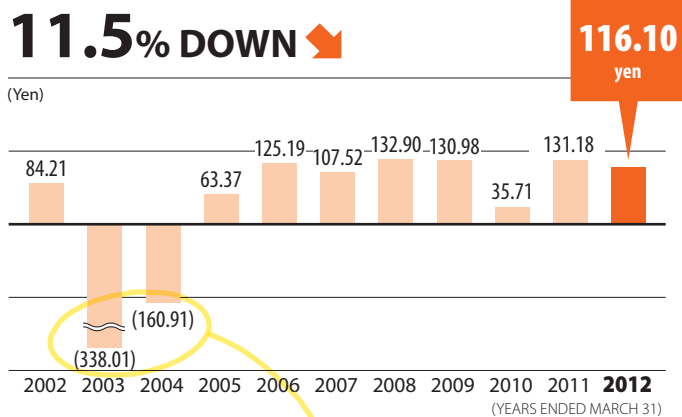
4 Net income (loss)

13.2% DOWN ▼



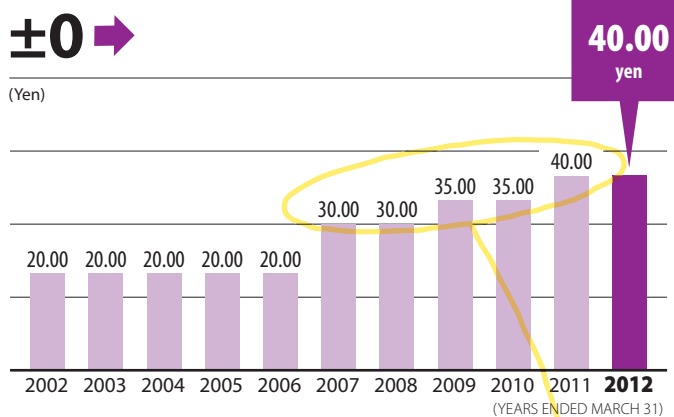
In the fiscal years that ended in March 2003 and 2004, Capcom posted large net losses because of special losses. One cause was valuation losses on land, buildings and structures and losses from termination game development projects, both associated with structural reforms. In the fiscal year ended 2010, recorded a loss on restructuring in accordance with a drastic review of poorly performing businesses as a secondary structural reform to adequately respond to market volatility, resulting in a significant decrease in net income. Since the fiscal year ended 2011, this has been generally linked to the rise and fall of sales.

5 Net income (loss) per share



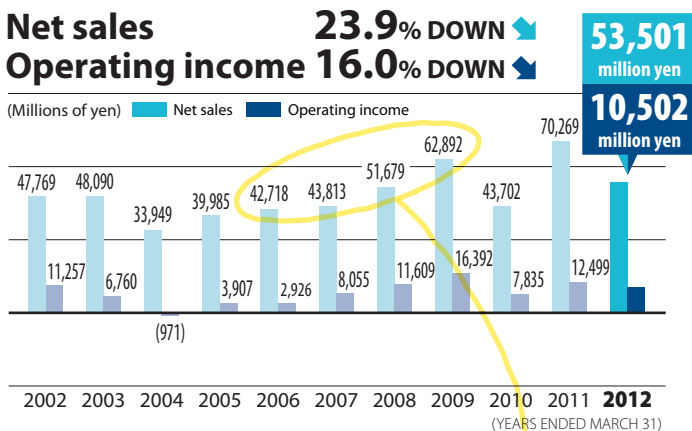
Net income (loss) per share for the fiscal years ended March 2002 to 2009 generally reflected net income (loss) for each fiscal year, even though increase in the number of shares by the exercise of conversion rights of the convertible bonds had a slight influence on the result. For the fiscal years ended March 2003 to 2004, net income (loss) was in the red due to special losses on valuation actually stemming from structural reform, resulting in a significant decline in net income (loss) per share. Since the fiscal year ended 2010, acquisition of treasury stock has been generally linked to the rise and fall of net income.

6 Cash dividends applicable to the year per share



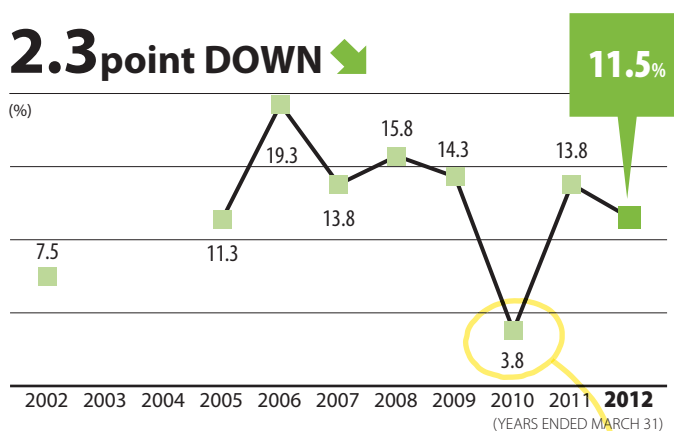
Capcom has its fundamental dividend policy of providing a continued and stable dividend to the shareholders. In accordance with its policy, an annual dividend of 20 yen per share was paid from the fiscal year ended March 1998 to that ended March 2006. Cash dividend per share for the fiscal years ended March 2007 to 2008 was raised to 30 yen thanks to its stable revenue base brought by its structural reform. Moreover, we continued to incrementally increase dividend payments in line with earnings; from the fiscal year ended March 2009, the annual dividend was increased to 35 yen, and again up to 40 yen in the fiscal year ended March 2011.

7 Consumer Online Games business*1, 2



This core business accounts for approximately 65% of net sales. Performance in this segment is significantly affected by the presence or absence of hit titles, which has resulted in repeated erratic fluctuation. However, structural reforms in pursuit of higher quality and profitability implemented in the fiscal year ended in March 2003, including a “two-step authorization process” and the introduction of a common development engine, resulted in more efficient title distinction and development. Consequently, growth has continued with a steady stream of million-selling hits since the fiscal year ended 2006. Although Capcom created three million-selling hit titles in the fiscal year ended 2012, sales and profits declined due to delays in the release of major titles and the backlash from the release of five major titles in the previous year.

8 Return on equity (ROE)



Net loss was run for the fiscal years ended March 2003 and 2004 due to the implementation of structural reform. ROE has been stable around 14% since the fiscal year ended March 2005 (except for 2010), even though net assets increased due to increase in retained earnings and common stock etc. By the exercise of conversion rights of the convertible bonds, ROE for the fiscal year ended March 2010 temporarily decreased due to the postponement of launch of some major titles, however, levels are generally returning to at or near those of fiscal year ended March 2011.

*1 Before the fiscal year ended March 31, 2009, the Consumer Online Games business is described as the Home Video Games business.

*2 In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

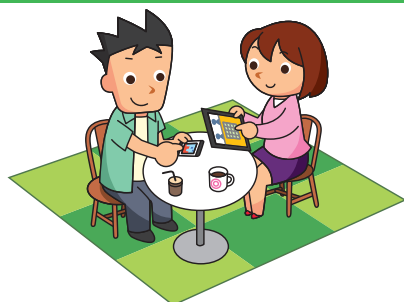
Business Profile



Consumer Online Games

This business is engaged in the development and sales of home video games and the development and operation of PC online games. We will continue concentrating management resources on this business, which represents 65% of company sales, and developing games that meet diverse user needs. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.

Sales breakdown



Mobile Contents

This business segment develops and distributes games for mobile phones. In the high growth mobile content market, we are able to respond flexibly to advances in smart phones and tablet PCs with our own brand titles and licensed content from other companies, enabling us to expand earnings even further.

Sales breakdown



Arcade Operations

We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

Sales breakdown



Amusement Equipments

We are engaged in two other businesses based on the content used for our home video games. The Pachinko & Pachislo business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and distributes arcade games for amusement facilities, creating synergy between businesses.

Sales breakdown



Other Businesses

Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.

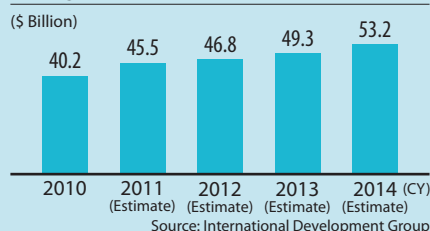
Sales breakdown



Market Trends

- Lower annual sales of game consoles due to market saturation and lower unit prices continued lackluster conditions in the home video game (package) market.
- Diversified forms of marketing through digital distribution, downloadable contents (DLC) and other online networks.
- The PC online game market in the Asia region is growing on track and is expected to grow to a scale equal in size to the home video game market in the future.

Package Software, PC Online and DLC Markets

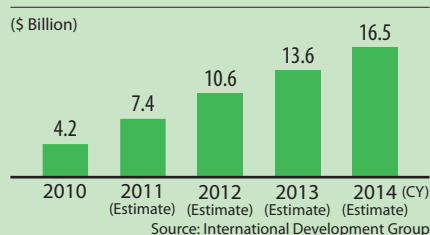


Capcom's Strength and Strategy

- We own numerous "intellectual properties with universal market appeal", the key to our Single Content Multiple Usage strategy.
- We maintain an advanced ability to develop original game content. We also possess a high level of technology, assisted by the "MT Framework", an integrated development environment built to provide common software development tools for a variety of devices.
- Our overseas development capabilities include solid local sales structures and an understanding of market characteristics and product customs.

- With the worldwide adoption of smartphones and tablet devices, the market is experiencing rapid growth.
- The advent of App Stores and the establishment of other global platforms are opening up a whole new segment of game users in new regions such as the Middle East and Asia.
- Spawned from the popularity of social games with added friend communication functionality, a new light game user segment is emerging.

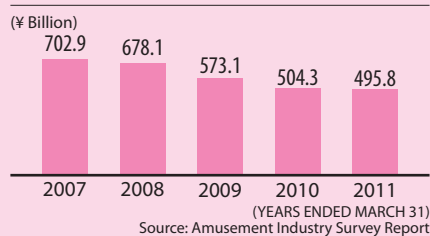
Mobile Content Market



- The Beeline brand distributes social games for smartphones around the world in an attempt to capture the light user segment (women, families) rather than the traditional Capcom user.
- We will continue to develop popular series for mobile phones by making effective use of the content and expertise accumulated over years of consumer game development with the Capcom brand.

- Arcade numbers continue to decline after three consecutive years of rapid contraction in the industry.
- The market remains strong as the orientation toward inexpensive, nearby and short-duration activities after the Great East Japan Earthquake resulted in arcade facilities being seen as nearby entertainment.
- Release of popular character-themed prizes stimulating demand among new customers.
- Number of new products to market expected to be nearly the same as last year, market appears to have hit bottom, calling for stability going forward.

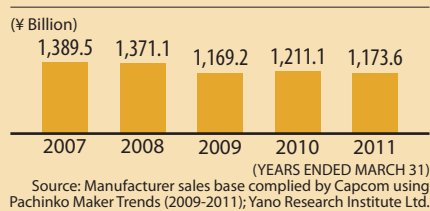
Amusement Arcade Market



- We specialize in opening mall-based large-scale facilities which secure a long-term, stable number of customers.
- We have built an organizational structure to design and operate sales venues supported by customers.
- We also maintain relatively higher profitability than the competition by either selling or closing unprofitable facilities in an attempt to secure a better return on investment.

- The market contracted slightly despite increased unit sales from the swing back to Pachislo machines, while at the same time Pachinko machine sales declined in the amusement equipment market.
- The arcade game market is trending at nearly the same level as last year on the recovery of arcade operator appetite for capital expenditure and the release of popular character-themed merchandise.
- Although the future for both markets is unclear, we expect to improve by releasing new types of machines that meet market needs.

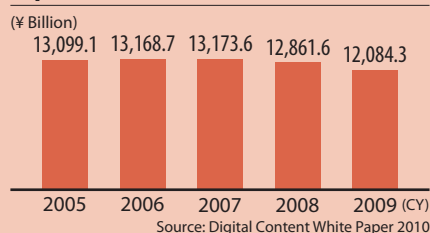
Major Gaming Machines Market (New Machine Sales)



- We establish new revenue streams using our rich in-house content.
- The Pachinko & Pachislo business Division uses capabilities developed creating the Home Video Games business to develop machines from our proprietary and other content.
- Using content developed from home games, the Arcade Game Sales business released coin-operated game machines with popular content, which are in high demand.

- The global contents market was worth 130 trillion yen. The Japanese contents market was worth 12 trillion yen, second to only to the United States.
- The Japanese movie, video and publishing market remained on track and was worth 10 trillion yen. Overseas expansion is the key to growth in this market.

Japanese Content Market Trends



- We create a strong synergy with our Consumer Online Games business by making multidimensional use of our wealth of intellectual properties Single Content Multiple Usage.
- Particularly, in the movie-related business, the brand value has been elevated by the high exposure provided by the media. This leads to greater sales expansion in video game software, completing an ideal sales cycle.

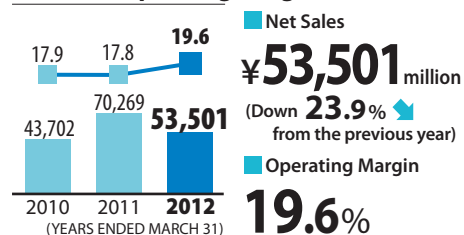
Operating Results for This Fiscal Year



Consumer Online Games

- With sales in excess of 1.6 million units, "Monster Hunter 3 (Tri) G" for the Nintendo 3DS continues to perform well.
- Shipment of overseas titles "Resident Evil: Operation Raccoon City" at 1.7 million units and "Street Fighter X Tekken" at 1.4 million units continue at a steady pace.
- Sales of online game "Monster Hunter Frontier Online" for the PC and Xbox 360 also performed favorably.

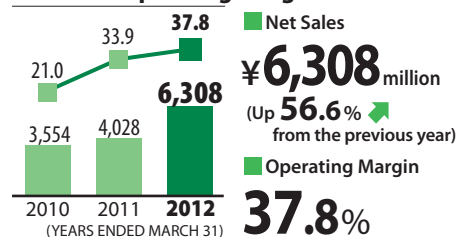
Net Sales/Operating Margin



Mobile Contents

- "Beeline brand" title "Smurfs Village" continues to do well as new title "Snoopy's Street Fair" performs solidly in Japan and Asia.
- "Beeline brand" boasts cumulative downloads in excess of 56 million.
- "Capcom brands" "Resident Evil: Outbreak Survive", "Monhan Tankenki Maboroshi no Shima" and "Minna to Monhan Card Master" performing well with over one million members each.

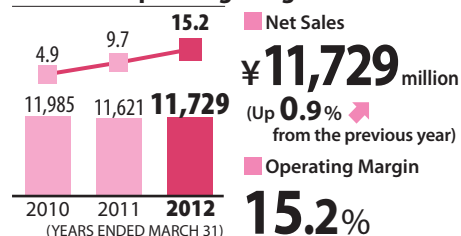
Net Sales/Operating Margin



Arcade Operations

- Capcom promoted customer-oriented community-based arcades by holding events and renovating existing arcades to expand women, family and other customer segments.
- No arcades were closed; strictly managed costs of existing arcades.
- Sales at existing arcades 101% of previous year's sales, first growth in three years.

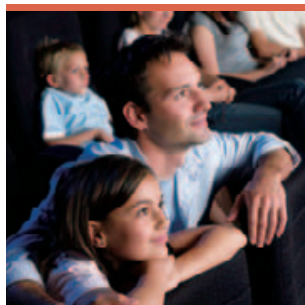
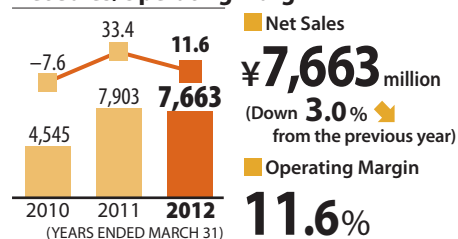
Net Sales/Operating Margin



Amusement Equipments

- Along with sales of approximately 7,000 "Street Fighter IV" cases created in-house for the Pachinko and Pachislo business, outsourced "Monster Hunter" cases are also performing well.
- In the Arcade Games Sales business, sales of coin-operated game machines "Monster Hunter Medal Hunting" and "MONHAN NIKKI SUGOROKU AIRU MURA" featuring "Monster Hunter" series content are solid.

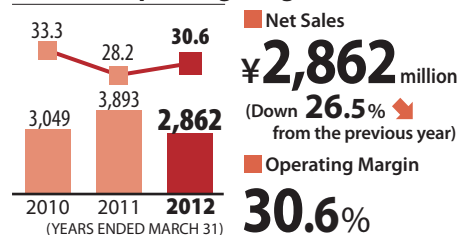
Net Sales/Operating Margin



Other Businesses

- Maximize earnings and strengthen brand power of proprietary content through execution of lateral development of integrated sales of home video games based on the Single Content Multiple Usage strategy.
- Promote use of our original contents as the subject for movies and imaging.
- Engaged in various collaborations and media developments, including TV animation and comics to maximize sales of home video game "Monster Hunter".

Net Sales/Operating Margin



This Year's Major Titles



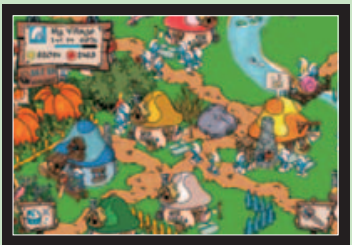
"Monster Hunter 3 (Tri) G"

Not only can players enjoy three-dimensional images on a new platform with the Nintendo 3DS, they can also enjoy extremely challenging G-rank quests and monsters new to the "Monster Hunter" series, features that are very popular with a broad range of current and new users.



"Resident Evil: Operation Raccoon City"

Capcom partnered with Slant Six Games to reconstruct the "Resident Evil" format and create a shooting game clearly different from other titles in the series.



"Smurfs' Village"

The high degree of freedom, lovable characters and ability to link to and communicate through Facebook enabled this title to become the top-grossing app on Apple's App Store in 80 countries.

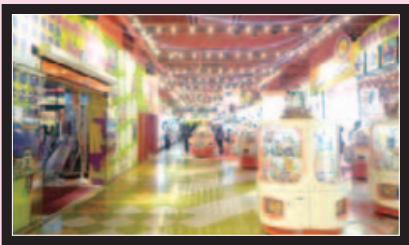


"Minna to Monhan Card Master"

This title's accessibility, communication-rich social elements and effective promotional campaign has helped to attract both fans of the "Monster Hunter" series and new users.

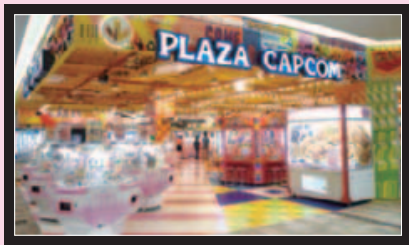
© Peyo - 2010 - Licensed through Lafig Belgium - www.smurf.com. All game code © 2011 Beeline Interactive, Inc.

©CAPCOM developed by gloops



Plaza Capcom Oita

Made efforts to draw traditional and new customers with major renovations.



Plaza Capcom Kyoto

Invited seniors over 50 to event offering an opportunity to play coin-operated and prize games for free in an attempt to increase awareness of arcades, promote future growth among the senior segment and expand earnings.



Pachislo Machine "Monster Hunter"

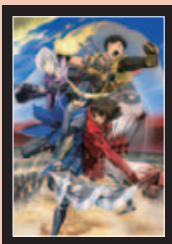
The synergy created between Capcom's brand strength and image engineering capabilities and the case development prowess of RODEO Co., Ltd., resulted in record sales well above projections.

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Coin-Operated Game "Monster Hunter Medal Hunting"

Supported brand expansion with appeal using "Monster Hunter" series brand power to target home video game users and existing arcade customers.



"Sengoku BASARA -The Last Party-"

Beginning with the TV animation broadcast in 2009 to "Sengoku BASARA 2" in 2010, this much-awaited theatrical version opened in June 2011. It became a huge hit, drawing an audience of 210,000 and earning 300 million yen at the box office.

©CAPCOM/TEAM BASARA



Movie "Ace Attorney"

Based on the popular home video game series, the live-action film "Ace Attorney" opened in February 2012 to a big response, bringing in 520 million yen at the box office.

©2012 CAPCOM / "Ace Attorney" FILM PARTNERS



"Monster Hunter The Real"

In August 2011, Capcom held an event in collaboration with Universal Studios Japan with the aim of raising awareness and expanding the "Monster Hunter" series community. The response to the event was tremendous, drawing 200,000 people.

**To Our Shareholders
(From CEO & COO)**

辻本 憲三

Kenzo Tsujimoto

Chairman and
Chief Executive Officer (CEO)

辻本 春弘

Haruhiro Tsujimoto

President and
Chief Operating Officer (COO)

CEO's Discussion

Summary of This Year's Performance and Progress
Toward Medium - and Long -Term Business Goals

- | | |
|--|---|
| P17 Performance and Commitment | P21 Our Views on M&A and Business Partnerships |
| P19 Second Stage of Structural Reforms | P21 R&D Investment and Fund Procurement |
| P20 Medium-Term Business Goals and Progress | P22 Shareholder's Return |

**From COO Our
Strategy for Growth**

- | | |
|--|---|
| P25 Growth Strategy 1
Market Strategy | Strengthening Online Businesses Worldwide, the Pillar of Growth |
| P27 Growth Strategy 2
Development Strategy | Creating a Stable Title Portfolio by Shortening Cycle for Release of Popular Series |
| P29 Growth Strategy 3
Media Strategy | Expanding Single Content Multiple Usage Development |

Strengthening Development in the Expanding Online Market to Become Number One Across All Game Platforms.

Expanding the Game Market through Platform Diversification

In 2011, the global economy once again showed signs of deceleration. In addition to the dampening effects of economic stimulus in developed nations and the European financial crisis, surging prices in developing economies and continued tight monetary policy softened domestic demand. In Japan, despite signs of recovery on the heels of a depreciating yen and a rise in stock prices near fiscal year-end, the export environment continued to deteriorate from the sharp rise in the value of the yen and a temporary lull prevailed over the economy due to falling stock prices.

In our industry, with the rise of mobile and smart phones, the game platform is expanding; online businesses such as PC online and downloadable content (DLC), including low-priced mobile content with low barriers to entry, continue to rise. Consequently, the size of the game market continued to grow robustly, reaching 52.9 billion dollars in 2011 (up 19.1% from the previous year). Core users of home video games are predominately located in Japan, North American and Europe, while mobile content is centered on casual users from over 100 different countries across the globe. Investors are concerned about cannibalization, but there is none; these coexist as platforms and are growing. As the game population expands in accordance with the spread of mobile contents and social games, there is strong potential for benefit when this content functions as a bridge to home video games. Accordingly, to increase market share in the global game market, Capcom will (1) increase the number of online business titles with high growth potential, (2) allocate management resources (development staff) to home video games, which comprise half the market despite sluggish growth rates (3) and, more than anything, create an extensive collection of popular contents to capture a wide user segment around the world.

Providing High-Quality Content for All Platforms

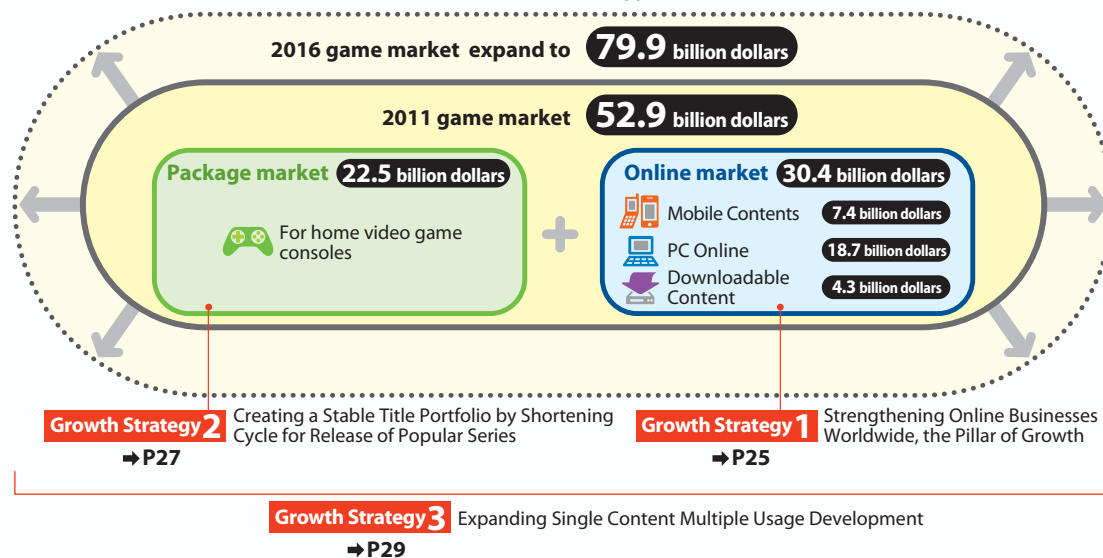
Given these conditions, to meet our medium-term business goals, we are promoting three strategies: “strengthen the online business”, “enhance the development of home video games” and “expand Single Content Multiple Usage”.

Above all, we are engaged in increasing the number of social games for mobile/PC, enhancing home video game DLC, developing online business by region and strengthening development teams. Also, in terms of organizational structure, we integrated our global organizational function, unified the vertically divided consumer, mobile and PC online development structures and changed to a new multi-platform development structure to support all hardware. And, we added world famous content such as “Resident Evil” and “Street Fighter” to each platform. As a result, this year sales of online content were 15,700 million yen (up 21.7% from the previous year) and we forecast sales of 23,000 million yen in the next fiscal year, a dramatic increase of 46.5% on the realization of our growth strategy.

To accomplish our medium-term management targets of (1) operating margin of 15% or higher and (2) net sales of 500,000 million yen and operating income of 75,000 million yen (cumulative total for five years from the year ended March 2011 through the year ending March 2015), Capcom will invest 90% of its management resources into growth strategies.

On the following pages, we provide details useful for analysis by shareholders and investors. CEO Kenzo Tsujimoto will explain management policy, and COO Haruhiro Tsujimoto will explain business strategy.

Game Market Expansion Forecast and Capcom’s Strategy





Earnings were lower compared to last fiscal year, but we forecast our highest earnings ever in the next fiscal year as we progress on-track toward achieving our medium-term management goals.

In this section, I'd like to respond to investor concerns that came up in meetings during the past year, namely, performance during this fiscal year (ended March 31, 2012), medium-term business goals and strategies, the progress of structural reforms and financial and dividend policies. These issues will be addressed on the following pages in a Q&A format.

This section is only an overview. For more detailed information, please see pages referenced in text.

Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

Performance and Commitment

Q₁ What caused the declines in sales and profits in the fiscal year ended March 31, 2012?

A₁ Releasing only a few major titles was a big factor. Nonetheless, we generally achieved all our targets.

1. The Market Environment Surrounding Video Games

The market environment surrounding games has four major components: home video game packages up to now, mobile contents, PC online games and downloadable content for home video game consoles (the latter three are hereinafter referred to as the "Online businesses").

The total 2011 game market grew vigorously to 52.9 billion dollars (up 19.1% from the previous year). **Diagram 1** This can be attributed to

(1) the off-season before the release of next generation game consoles. Accordingly, sales of software are sluggish and unit prices are low, yet at the same time, (2) growth in the mobile and PC online markets was robust as the global adoption of mobile technology continued its rapid spread.

2. Factors Contributing to Declines in Sales and Profits

Given these conditions, net sales were 82,065 million yen (down 16.0% from the previous year), operating income was 12,318 million yen (down 13.8% from the previous year) and net income was 6,723 million yen (down 13.2% from the previous year). **Diagram 2 3 4**

The main factors behind the decline in sales and profits in the Consumer Online Games business include fewer major software releases, which decreased from five to just three compared to the

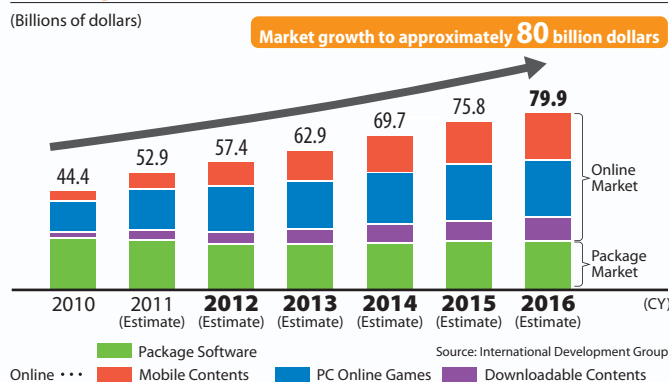
Profile

Kenzo Tsujimoto was born in Nara Prefecture in 1940. After graduating Unebi high-school (part-time), he worked at the family business while studying accounting. He left at the age of 22 to open a confectionery store in Osaka, where he started selling cotton candy machines.

In 1970, after seeing a pachinko machine designed for children, he began selling gaming machines. Sales of the popular "Space Invaders" game made the company very successful, but performance dropped sharply after initial popularity waned.

Tsujimoto then turned his attention to developing game software by establishing Capcom in 1983. Initially, the company developed mostly arcade machines, but then the "Nintendo Entertainment System (NES)" took off and Capcom began developing software for home video games, creating hit after hit in Japan and other countries. Capcom went public in 1990. Tsujimoto's decisive action on several structural improvements grew Capcom into one of the world's leading video game makers.

Diagram 1 Game Market Conditions and Forecast



previous year, as well as the postponed sales of leading software, resulting in 15.7 million units sold (down 23.4% from the previous year).

However, net sales declined 4.6%, operating profit increased 1.8% and net sales decreased 4.0% compared to official projections, while the strength of the Mobile Contents business and efficient cost management enabled us generally to achieve our goals.

Major Package Software Comparison

Year ended March 2011		
	1. Monster Hunter Freedom 3	4.6 million units
	2. Dead Rising 2	2.2 million units
	3. MARVEL VS. CAPCOM 3: Fate of Two Worlds	2 million units
	4. Super Street Fighter IV	1.6 million units
	5. Lost Planet 2	1.5 million units
Year ended March 2012		
	1. Resident Evil: Operation Raccoon City	1.7 million units
	2. Monster Hunter 3 (Tri) G	1.6 million units
	3. Street Fighter X Tekken	1.4 million units

3. Fulfilling Our Commitment

At the beginning of the year, I promised to address three issues. Responding to each issue: first, by strengthening mobile contents development, (net sales up 56.6% from the previous year) and thoroughly eliminating unnecessary costs in development, sales and management, we can improve the consolidated operating margin by 0.4 point. Next, we are adjusting our structure to shorten the series title lifecycle and plan to release four major titles in the next fiscal year.

As a result, despite the decline in sales and profits this fiscal year, Capcom should be able to fulfill the promises of growth in the next fiscal year.

See PP. 33-38 "Overview of Capcom's Business and Outlook for the Future" for more details.

Achievement of This Fiscal Year's Commitments

		Achieved
1	Improve operating margin with thorough cost management.	○
2	Strengthen major title lineup; create system for stable profits each year.	○
3	Strengthen development of Mobile Contents business; achieve growth higher than the market growth rate.	△

*○ Achieved △ Somewhat achieved

Q₂ In the fiscal year ending March 31, 2013 you expect a complete turnaround, and are forecasting the highest ever earnings for Capcom. What is the basis for this outlook? Also, has Capcom been impacted by the so-called 'complete gacha' mechanics regulations?

A₂ By releasing major package game titles and upgrading and expanding the Online business, we anticipate net sales to increase by 27.9% and operating profit to increase 28.3%. Capcom has not been impacted by the so-called 'complete gacha' mechanics regulations.

'Complete Gacha' Mechanics Regulations

Based on capsule toy machines common in Japan, 'complete gacha' involves purchasing single random items needed to collect complete sets of specific items in social games. Collecting complete sets enables the player to acquire even rarer prize items. In May 2012, the Japan Consumer Affairs Agency announced that 'complete gacha' mechanics violate laws regarding prize representation.

1. Market Outlook

We expect continued growth in the game market, which grew to 57.4 billion million dollars (up 8.5% from the previous year) in 2012. This is because (1) in the package market, despite a prolonged "transitional period" as consumers postponed purchases in anticipation of the release of next generation game consoles, (2) network advancements in the mobile and PC markets indicate high growth. **Diagram 1**

2. Factors Contributing to Increases in Sales and Profits

In contrast, next fiscal year, we are plan to achieve our highest earnings ever, with net sales of 105,000 million yen (up 27.9% from the previous year), operating profit of 15,800 million yen (up 28.3% from the previous year) and net income of 9,800 million yen (up 45.7% from the previous year). **Diagram 2 3 4** There are three main factors behind the anticipated increase in sales and profits: first, in terms of package games, with a major

Planned Package Software

Year ending March 2013		
	1. Resident Evil 6	7 million units
	2. DmC Devil May Cry	2 million units
	3. Dragon's Dogma	1.5 million units
	4. Lost Planet 3	1.4 million units

Diagram 2 Net Sales

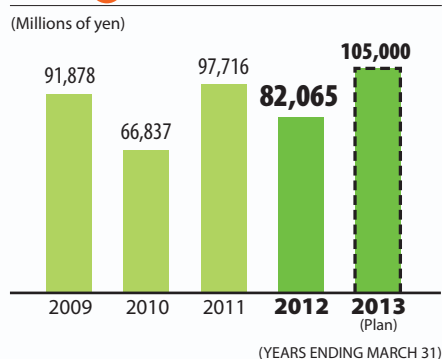


Diagram 3 Operating Income

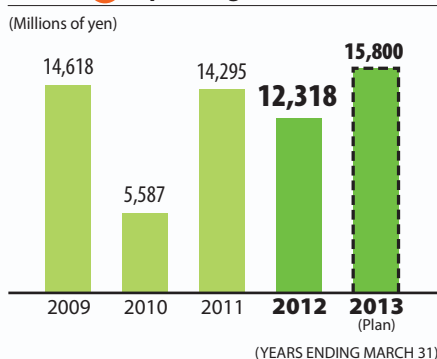
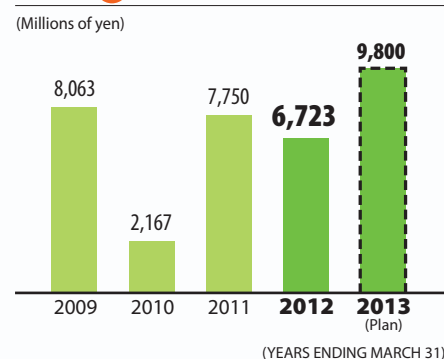


Diagram 4 Net Income



title lineup including “Resident Evil 6”, we plan on sales of 20 million units (up 27.4% from the previous year), coming close to our all-time high in the fiscal year ended March 31, 2011. The second, by upgrading and expanding mobile contents and DLC titles, the Online business will grow to 23,000 million yen (up 46.5% from the previous year). **Diagram 5** Third, Arcade Operations, Amusement Equipments and all businesses (excluding Other Businesses) are forecast to see an increase in sales and profits.

Regarding ‘complete gacha’ mechanics regulations, as Capcom is limited to one of these titles per year, and since we are not planning any of these titles in the coming fiscal year, there is no impact.

Note: From the fiscal year ending March 31, 2013, Capcom will change its business segment classification. See P.35 and P.38 for more details.

3. A New Year, A New Commitment

Issues faced in the fiscal year ending March 31, 2013 are clear.

These are (1) achieving our highest earnings ever in terms of sales, profits and all other measures, (2) creating a top-selling title with “Resident Evil 6” and achieving the series’ highest sales of more than 7 million units around the world, (3) establishing Capcom and “Beeline” brands in mobile contents, grow core business supporting Capcom and (4) getting the P&S in-house case business on track and establishing a stable business foundation.

To realize these goals, we will attempt to improve the quality of our contents by increasing the number of titles for each platform through the realignment of our development structure and enhancement of our development staff.

See P. 23-30 “Growth Strategy” for more details.

Commitment

1	Achieve highest earnings ever in terms of sales, profits and all other measures.
2	Create global top-selling titles.
3	Grow Mobile Contents, core businesses supporting Capcom.
4	Get P&S in-house case business on track.

“Beeline Brand”

“Beeline Interactive, Inc.” established in April 2011, is a separate brand mainly producing mobile content and distributing social games for smartphones targeting the family and light-user segments. With three development bases in Japan, North America and Europe, Beeline advances global development focused on rapidly increasing smartphone users, with over 56 million total downloads (as of March 31, 2012).

Second Stage of Structural Reforms

Q3 What were the results of Capcom’s second stage of structural reforms?

A3 In the final stage beginning April 2011, we integrated our global organization function, strengthening the Online business.

In the contents industry, the market continues to grow in response to changes that occur approximately every 10 years, but developments in the global economy last year and the rise of cloud computing and ubiquitous services indicate the market is facing a period of unprecedented upheaval.

For the game industry—and Capcom—the time has come to change to change the business model in step with these drastic changes. Rapid growth in the smartphone and social games markets is eroding the boundary between platforms in what up to now have been main channels for package sales in independent areas: home video game and PC software. Capcom is already releasing content in these markets and views these changes as an opportunity. If we don’t quickly construct an organization and strategy in response to these market changes, we will be unable to transform into a globally competitive company on a stable growth track.

To sort out these issues, we pushed through the second stage of structural reforms started in October 2009 and created new organization and strategy.

After the first and second stages, in the final third stage that began in April 2011, we integrated organization functions globally around social games for mobile and PC to strengthen the Online business—the linchpin of our growth strategy. **Diagram 6**

Capcom has upgraded to a structure equipped for the next five years to achieve our growth strategy in each region, including initiatives focused on the online business in burgeoning Asia.

Asia Online Business

In July 2012, Capcom established its first development base in Taiwan in an attempt to maximize profits through the expanded distribution of online and social games in Asia, primarily in the Southeast Asian region.

Diagram 5 Growth in Sales of Online Contents

(Billions of yen)

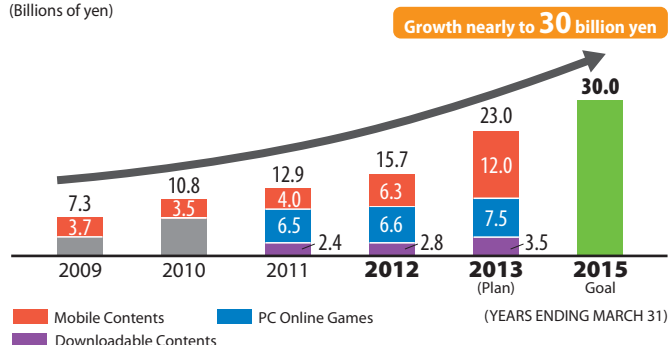
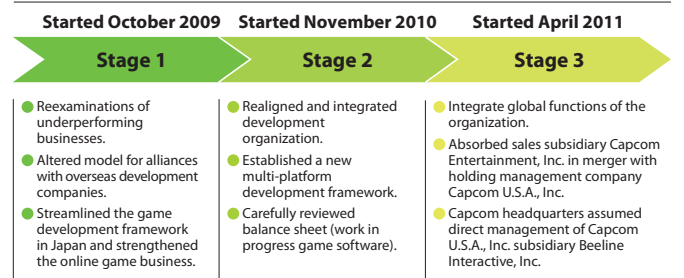


Diagram 6 Second Stage of Structural Reforms



Medium-Term Business Goals and Progress

Q4 Last year Capcom announced new medium-term business goals. How much progress have you made and what is the strategy going forward?

A4 We are on track, having already achieved 36% of sales and 35% of operating profit goals over the past two fiscal years. Our strategy is to promote the expansion and upgrade of our development lineup and the strengthening of our Online business.

1. Corporate Philosophy and the Direction of Management

Our corporate philosophy is to create “entertainment culture” through the development of highly creative software contents that “excite” our customers and “stimulate” their senses. To realize this, our world-class R&D capabilities will serve as the basis for delivering globally popular titles and a multitude of content brimming with creativity in the home video game area.

Furthermore, by developing our content further for various facets in a range of entertainment areas, we will be able to get more exposure and expand our fan base. We aim to become a comprehensive entertainment company that demonstrates steady growth and has a commanding presence in every business line in which we are involved. We will continue to pursue this ideal.

2. Capcom’s 5-Year Management

First, I’d like to explain what we mean by Capcom’s 5-year management.

The environment surrounding the contents industry is constantly changing, and for that reason We take a look at the state of the company every five years. Of course, looking at single-year, sales decrease compared to previous years, product sales often appear to fall short of forecasts, but the important thing is that you learn to see when times are changing.

We create a report with calculations in five-year increments then compare current numbers with numbers from five years ago and rates of change become apparent. When times are changing growth has stopped in one area, while changes are clearly taking place in another area where new elements are emerging, indicating new opportunities. In this way, five years is a very important time frame for Capcom management.

3. Medium-Term Business Goals and Progress

Capcom’s medium-term business goals for the five years from the fiscal year ended March 31, 2011 through the fiscal year ending March 31, 2015 are (1) operating margin of 15% or higher and (2) net sales of 500,000 million yen (up 29.3% compared to past five years) and operating income of 75,000 million yen (up 51.5% compared to past five years). **Diagram 7**

At present, in terms of progress over the past two fiscal years, we are on track with cumulative sales of 179,700 million yen (36% achieved), operating profit of 26,600 million yen (35% achieved) and an operation margin of 14.8%. **Diagram 8**

4. Medium- and Long-Term Strategies

Our growth strategy of expanding and upgrading our development lineup while strengthening the Online business is the key to achieving our medium- term business goals.

First of all, expanding and upgrading our traditional home video game development lineup by shortening the series title sales cycle and establishing new titles, we will increase Single Content Multiple Usage development of popular content.

We will also strengthen the Online business, which has strong potential for growth. Specifically, we will (1) increase the number of mobile and PC social games, (2) enhance downloadable content for home video games, (3) promote PC browser games in our traditional areas of business, Japan, North America, Europe and Asia, as well as South America and Eastern Europe as a means of developing Online business by region.

To this end, next fiscal year, we will increase Consumer, Mobile and PC Online development staff to 100 people each.

As a result, we aim for sales in the highly profitable Online business to increase from 15,700 million yen at the end of the fiscal year ended March 31, 2012 to 30,000 million yen in the fiscal year ending March 31, 2015. **Diagram 5** By increasing the Online business sales composition, we will gradually improve the consolidated earnings operating margin above 15%.

Furthermore, Capcom will make an effort to stabilize earnings by placing mature businesses on the periphery and investing 10% of management resources into profit-maximizing Single Content Multiple Usage developments to seize diverse profit opportunities.

Diagram 7 Medium-Term Business Goals (for the five years ending 2015)

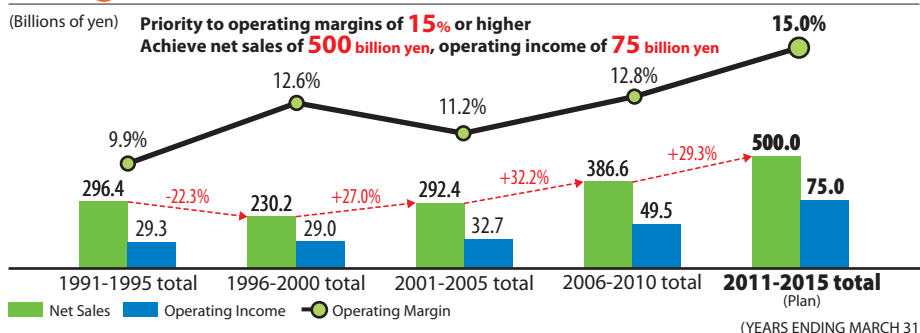
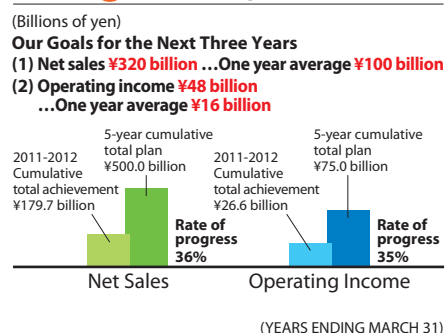


Diagram 8 Medium-Term Business Goals Progress



Our Views on M&A and Business Partnerships

Q5 **Capcom is intensifying M&A activities to achieve global growth; what are your thoughts on buyouts and affiliations?**

A5 **We develop overseas titles and strengthen Online business conducting buyouts and affiliations in an amicable way.**

1. Basic Position on Acquisitions and Partnerships

To achieve stable growth going forward, Capcom must increase its share in the giant overseas market **Diagram 9** for consumer online games and expand earnings in the burgeoning online business and other new markets. To expand market share, corporate buyouts and affiliations are an important strategy, one Capcom proactively pursues in an aim to “create gaming content with universal market appeal” and “acquire technology and expertise for new businesses”.

We also have no plans to make any Take Over Bids (TOBs) as we recognize that the human resources that create content are the most important assets in the entertainment industry. With a TOB, it is possible that the value of the acquired company will be drastically reduced as a result of employee departures. We believe choosing a partner company that complements our strengths will lead to a successful acquisition and contribute to the growth of our business. Our first objective, therefore, is to form partnerships that meet mutual needs.

2. Aims and Effects of Acquisitions and Partnerships

This fiscal year, although there were no buyouts, we hastened **affiliations with domestic and international development companies** in all our businesses. In package games, we teamed with Slant Six Games (Canada) to sell software and partnered with overseas developers Ninja Theory (UK) and Spark Unlimited (USA) on the development of major software. In mobile contents, to counter the lag in domestic initiatives compared to Beeline’s on-track overseas development, we made an effort to acquire expertise in this new market by working with recognized leaders gloops, Inc. and gumi Inc. on the development and operation of social games.

Reviewing the results of buyouts and affiliations up to now, Capcom has achieved success already, with 1.7 million copies of “Resident Evil: Operation Raccoon City” sold primarily overseas in fiscal 2012 and two social game titles boasting over one million members each. Going

forward, we will continue to regularly review affiliations and distribute development resources appropriately.

Next fiscal year, we will aim for all-time high sales of 20 million units though the release of multiple major in-house titles and affiliations with other leading development companies.

Affiliations This Fiscal Year

Overseas Package game co-developers	Slant Six Games (Canada)	Resident Evil: Operation Raccoon City
	Ninja Theory (UK)	DmC Devil May Cry
	Spark Unlimited (USA)	Lost Planet 3
Domestic Social game co-developers	gloops Inc.	Minna to Monhan Card Master
	gumi Inc.	Monhan Tankenki Maboroshi no Shima

R&D Investment and Fund Procurement

Q6 **What investment strategies and means of fund procurement will you employ to achieve your medium-term business goals?**

A6 **We will focus investment on the Consumer Online Games and Mobile Contents businesses. Fund procurement will be primarily through debt finance.**

1. Investment Size and Focus

Capcom is formulating and executing growth strategies in each business in the pursuit of stable medium- to long-term growth. Above all, in addition to the Consumer Business, where there is room to increase share in this large-scale market, we are aware that a priority issue is ensuring sufficient investment in the Mobile Contents business, expected to be the next core business (See Q4.4. Medium- and Long-Term Strategies). Furthermore, we must invest in our developers to strengthen foundational research in next-generation consoles and increase title lineups in the Online and P&S businesses.

Accordingly, we will invest 90% of our management resources (development investment funds and capital expenditures amounting to 38.2 billion yen), or 34.2 billion yen (up 20.0% from the previous fiscal year) on growth businesses. **Diagram 10**

Diagram 9 Overseas Sales

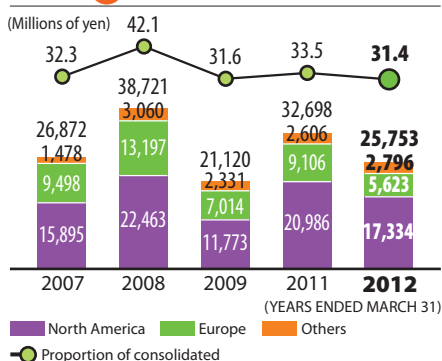


Diagram 10 Capital Expenditure and R&D Investment Cost

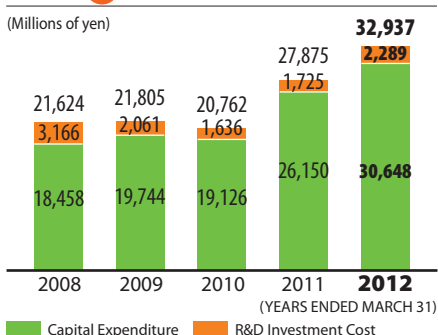
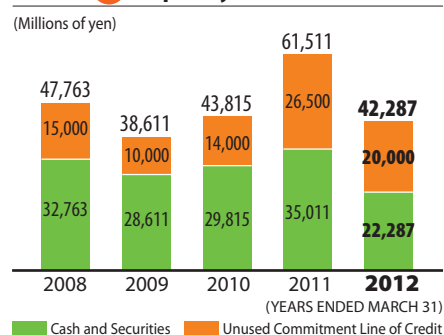


Diagram 11 Liquidity in Hand



2. Fund Procurement

Major home video game titles require more than two years from development to sales, making the return on investment a long-term prospect, and the development line is also increasing. Furthermore, we must maintain a certain level of cash and cash equivalents, as online games require regular upgrades after initial sales, and network infrastructure maintenance requires ongoing investment. We recognize as a priority issue the need to understand the global economic situation, paying attention to the risk of not recovering receivables and the resultant need to ensure funding.

To address these funding procurement issues, we determine the level of cash and cash equivalents that needs to be maintained using reserves from the investment plan and risk management. This amount will then be supplemented with cash on hand (22,287 million yen) as well as an unused 20,000 million yen commitment line of credit to maintain an appropriate range. We will continue with our financial strategy to raise funds mainly through debt financing within the commitment line for a period of time, while paying close attention to changes in the financial markets. **Diagram 11**

Shareholder's Return

Q7 Given the decline in sales and profits, will dividends also decrease?

A7 In accordance with our basic policy, we will continue to provide an annual dividend of 40 yen.

1. Basic Policy Regarding Dividends

One of our management priorities is to share profits with all our shareholders. Our basic policy is to provide stable and continuous dividends that take into account our financial condition and future business strategies.

Also, in terms of our thinking on the allocation of business investment results (dividend and internal reserve ratios), as I indicated in item 1 of Q6, "Investment Size and Focus", we believe that now is the time to invest in our future growth. To this end, free cash flows generated from this fiscal year's business will be used as capital for business investment focused on future growth.

In terms of shareholder return, (1) Capcom will enhance its corporate

value through investment and growth; (2) the company will continue to provide shareholders with stable dividends in line with earnings.

2. Dividends for This Fiscal Year and the Next

This fiscal year there were declines in sales and profits as a result of the release of several major titles last year. However, in consideration of our basic policy on stable dividends, as well as the forecast for operating profit, we will continue to pay an annual dividend of 40 yen per share for fiscal 2012. **Diagram 12**

As a result, the dividend payout ratio increased to 34.5%. **Diagram 13**

Also, Capcom acquired 1.5 million shares of its own stock.

The next fiscal year (ending March 31, 2013), we expect to maintain an annual dividend of 40 yen (payout ratio of 23.5%). Going forward, we will continue to strengthen shareholder return by securing investment capital, **buying back shares** and gradually raising the dividend in line with earnings. **Diagram 14**

I would like to express my gratitude to all our shareholders for your encouragement and guidance. We will continue striving to be worthy of your ongoing support.

Results of Stock Repurchase

Acquisition period	Number of shares acquired	Total acquisition
June 9, 2011—July 20, 2011	1,500,000 shares	2,701,644,300 yen
January 4, 2010—January 29, 2010	1,502,700 shares	2,420,722,500 yen
August 1, 2009—August 31, 2009	1,471,900 shares	2,703,220,800 yen



Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

Diagram 12 Cash Dividends Applicable to the Year Per Share

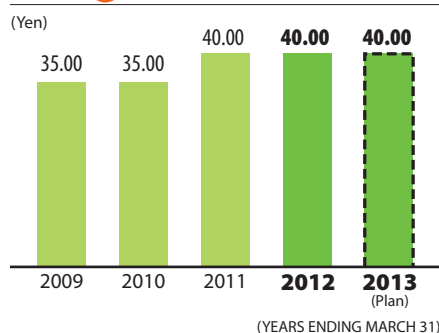


Diagram 13 Dividend Payout Ratio

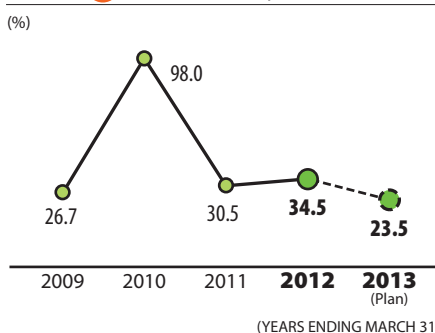
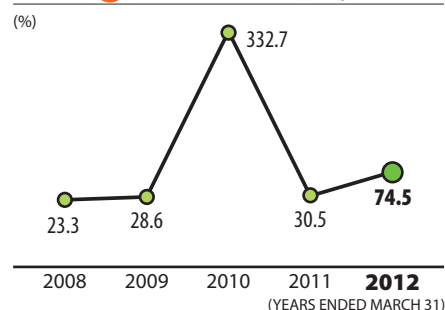


Diagram 14 Dividend on Equity Ratio



Armed with “World-Class Development Capabilities” and “Leading Contents”, Capcom Aims to Maximize Profits through Opportunities in the Rapidly Changing Game Market

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)



Despite lower sales and profits in the fiscal year ended March 2012 due to the backlash of releasing of multiple major titles in the previous fiscal year, Capcom is realizing steady achievement with 21.7% growth in the Online business, the core of our growth strategy.

The following is an explanation of Capcom’s strategy for achieving its medium-term business goals by turning new changes in the game market into profit opportunities based on a robust development structure created via structural reforms up to now.

Capcom’s No. 1 Strength

Development Capabilities as Competitive Advantage for Global Success

In the contents industry, generation of new content is the source of a company’s competitiveness. One of the reasons Capcom has continued to grow is due to our core Consumer Online Games business’ “ability to provide superior content” through the utilization of strong development capabilities for creating a large amount of original game content.

Capcom’s superior development capabilities maintain “developer creativity” and an “organizational structure that enables developers to hone their skills”, two factors successfully realized through the next several structural reforms.

Capcom’s No. 2 Strength

Extensive Collection of World-Class Leading Content

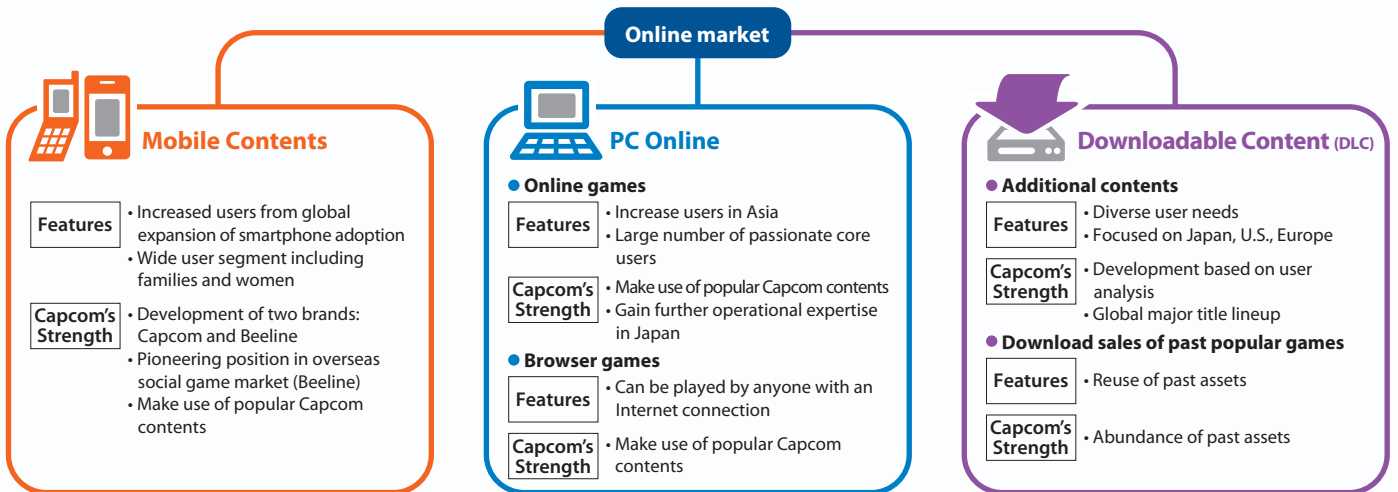
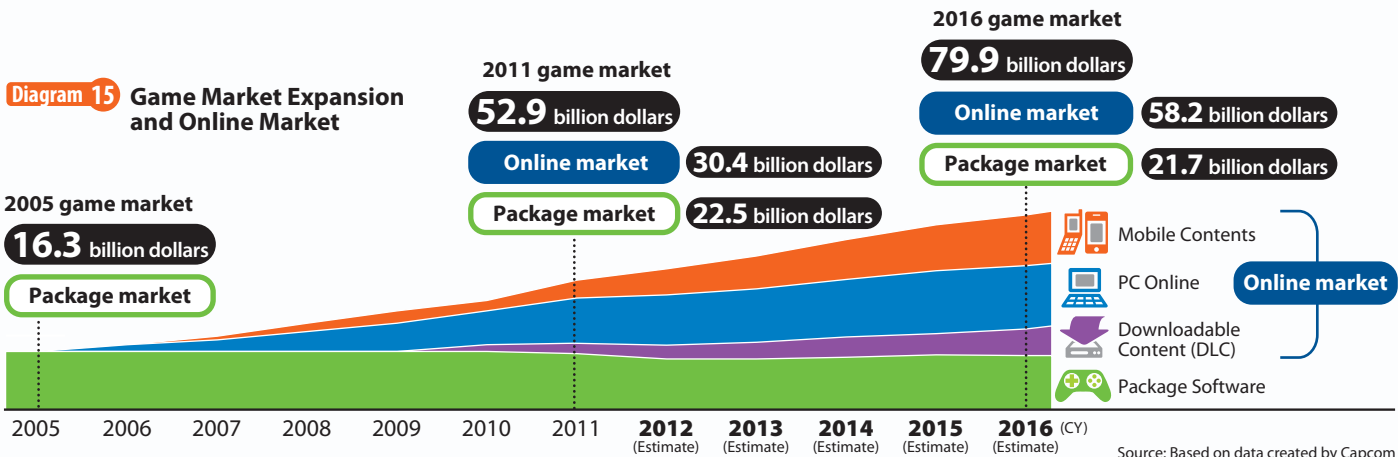
The originality of content created by Capcom using the world-class development capability is, naturally, held in high esteem by users. We attempt to secure stable earnings by creating new million-seller titles once every two or three years, and introducing the sequels of these titles regularly, such as “Street Fighter” and “Resident Evil”, which have sold over one million copies worldwide. We possess the most popular contents among Japanese game software manufactures, and development capabilities continue to be one of our biggest strengths.

Furthermore, possessing scores of content with universal market appeal enables us to develop our Single Content Multiple Usage strategy worldwide. Based on our success in the Consumer Online Games business, we have engaged in the multiple development of popular content for various forms of media which has led to success in other businesses, and we are now creating a business model to realize multiple profits in the contents market as well.

Strategy for Growth

Three Growth Strategies For Achieving Medium-Term Business Goals

As a result of last fiscal year’s platform expansion, the game market was worth 52.9 billion dollars in 2011 (up 19.1% from the previous year). The market is expected to expand significantly, reaching 79.9 billion dollars in 2016.



The online game market expanded rapidly to 30.4 billion dollars (up 44.8% from the previous year) in 2011. Reasons for this include, in accordance with advances in broadband networks, (1) high-speed PC and mobile phone communications, (2) the spread of smartphones and tablets, (3) the expansion of social networking services (SNS) and (4) home video game console online functionality that enables online game platform connecting high-performance devices such as PC, smartphone, iPad and a wide range of other consoles to the home video game console. As a result, the online game market is expected to grow steadily to 58.2 billion dollars in 2016 (up 91.4% from 2011). **Diagram 15**

The traditional home video game market was worth 22.5 billion dollars in 2011 (down 3.8% from the previous year). The market is expected to remain flat, growing slightly to 21.7 billion dollars in 2016 (down 3.6% from 2011). Despite this outlook, we nevertheless foresee maintaining these operations as a primary point in the game market five years hence.

In response to the changing market environment, and to achieve our medium-term business goals (please see "CEO's Discussion on the Summary of This Year's Performance and Medium- and Long-Term Business Goals", Q4, on P. 20), Capcom has outlined three major strategies for growth, which are: "strengthening of our Online business", "expanding our line-up of games under development" and the "expansion of Single Content Multiple Usage", and will allocate 90% of management resources to the Consumer Online Games and Mobile Contents businesses promoting these strategies.

One factor behind the forecast for Capcom's best performance ever next fiscal year (ending March 2013) is that our growth strategy is already beginning to achieve success. Also, to further ensure the achievement of medium-term business goals, we will expand the platform and territory of the Online Games business and increase share in the mobile and PC online markets. Additionally, we will attempt to shorten the sales cycle of major titles through development staff enhancements and design process efficiency, creating a structure to deliver stable earnings every year. Furthermore, we will continue to focus efforts on the development of Single Content Multiple Usage, which is at the core of our business development.

On the following pages, I will explain each of our three growth strategies.

- Growth Strategy**
1

Market Strategy → P25
Strengthening Online Businesses Worldwide, the Pillar of Growth
- Growth Strategy**
2

Development Strategy → P27
Creating a Stable Title Portfolio by Shortening Cycle for Release of Popular Series
- Growth Strategy**
3

Media Strategy → P29
Expanding Single Content Multiple Usage Development

Strengthening Online Businesses Worldwide, the Pillar of Growth

Diagram 16 Capcom Online Strategy (Matrix)

	Asia Market (Including Japan)	North American and European Markets	Emerging Markets ^{*2}
Mobile Contents	<ul style="list-style-type: none"> Strength of Beeline brand social games Distribution of applications for smartphones Increase number of Capcom brand social game titles through partnerships with outside development companies (Japan) 	<ul style="list-style-type: none"> Strengthen Beeline brand social games Distribute application for smartphones Provide content developed from domestic SNS platforms overseas 	<ul style="list-style-type: none"> Strengthen Beeline brand social games Distribute application for smartphones
PC Online	<ul style="list-style-type: none"> MHF^{*1} development (Japan) MHF^{*1} development review (China) Release new PC online title (Japan) Release browser game (Japan) 	<ul style="list-style-type: none"> Use Steam and other platforms to sell PC game downloads Support cloud gaming 	<ul style="list-style-type: none"> Use Steam and other platforms to sell PC game downloads PC browser games development (South America)
Downloadable Content	<ul style="list-style-type: none"> Download sales of past released titles Additional content distribution Main title download sales 	<ul style="list-style-type: none"> Download sales of past released titles Additional content distribution Main title download sales 	
Market Scale	<p>11.2 billion dollars (2011) → 18.8 billion dollars (2016) Growth rate 67.9%</p>	<p>15.9 billion dollars (2011) → 31.0 billion dollars (2016) Growth rate 95.0%</p>	<p>3.2 billion dollars (2011) → 8.3 billion dollars (2016) Growth rate 159.4%</p>

*1 MHF : Monster Hunter Frontier Online

*2: South America, Africa, Middle East, etc.

Aiming for Online Business Sales of 30,000 Million Yen in 2015

Here, I'd like to explain the "strengthening of the Online business", the first of our growth strategies for achieving medium-term business goals. **Diagram 16**

Online business measures include (1) increasing the number of mobile and PC social games, (2) enhancing downloadable content (DLC) for home video games, (3) developing PC online games by region and (4) enhancing development staff. By implementing these measures, we will grow Online business sales to 23,000 million yen (up 46.5% from the previous year) in the fiscal year ending March 2013 and 30,000 million by the fiscal year ending March 2015. **Diagram 17**

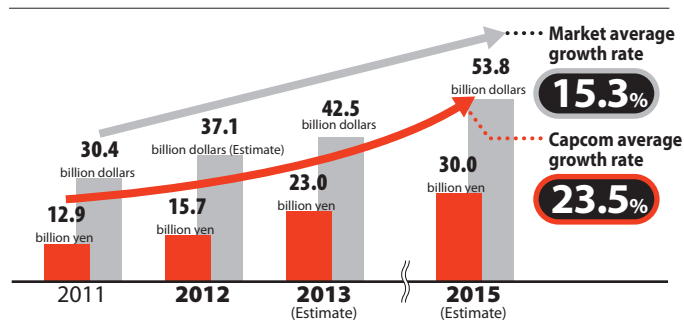
Measure 1

Increase Number of Mobile and PC Social Games

This measure has three points. First, expand domestic market share by increasing social game titles making use of the "Capcom brand". Second, acquire a wide range of customers by strengthening "Beeline brand" management structure and releasing major titles. Third, introduce a new PC browser game into the market. These three actions will intensify connections with users and bring in new customers.

"Capcom brand" strategy, with regard to the first point in particular, is to attract mobile lights users to home video games and home video game core users to mobile content with the development of social

Diagram 17 Online Market and Capcom Online Sales Growth Rate Forecast



games utilizing the brand power of popular Capcom titles created in Japan. Furthermore, we will actively provide content by significantly increasing the number of social games released through alliances with proven outside development companies such as gumi Inc. and gloops, Inc., while developing GREE and other domestic platforms for overseas distribution. **Diagram 18**

The second point is that we will continue to strengthen social games for smartphones with the "Beeline brand" strategy. The reason for creating a separate brand stems from Capcom brand games having an image of difficulty and complexity about them, creating a barrier that would prevent most light users who normally don't play games from purchasing a casual download. The appeal of a new brand is more effective. Furthermore, development facilities in North America,

Diagram 18 Mobile Contents and Two Brand Strategy



Our Strategy for Growth

Europe and Japan are developing social games that incorporate distinctive characteristics to acquire users in developing regions where home video game consoles have yet to be adopted. With major title "Smurfs' Village" ranking as the "top-selling app" in the App Store sales rankings in 80 countries and downloads of "Beeline" titles in Japan and overseas in excess of 56 million, we are already realizing the achievement of our growth strategy. Moreover, with 43% men, 57% women and approximately 1.5 million active players over 50, "Beeline" user composition is extremely well-balanced. In terms of the overseas title lineup, next fiscal year (ending March 2013), Beeline will release 15 titles, including "Shrek's Fairytale Kingdom" featuring popular Western character from another company "Shrek", accelerating growth with Mobile Contents sales of 12,000 million yen (up 90.5% from the previous year). **Diagram 18**

The third point involves establishing a new revenue source with the release of PC browser games "Onimusha Soul" and "Browser Sengoku BASARA".

Measure 2 Expand Downloadable Content for Home Video Games

All major titles will be put online and made available for download. By introducing a system that enables users to play one another across the globe, and by continually introducing additional downloadable content (DLC), user playing time will increase, and we can acquire new users who cross over from package users while receiving addition revenue in the form of additional item purchases. Also, we will promote sales of downloads of past popular video games through the effective use of our extensive collection of titles to achieve sales of 3,500 million yen (up 25.0% from the previous year) next fiscal year.

Measure 3 Regional Development of PC Online Games

Capcom will develop PC online games in Asia and South America, utilizing popular home video games with a global appeal. At present, we distribute "Monster Hunter Frontier Online" (MHF) in Japan with an eye towards development in China, soon to be the world's largest online market, expanding distribution regions by region. Also, to avoid country risks and acquire management experience in these regions, we will develop business partnerships with leading local companies. At the same time, while releasing new titles in Japan, we will make regular major updates to MHF to maintain user interest and improve earnings stability. We forecast sales in the next fiscal year (ending March 2013) of 7,500 million yen (up 13.6% from the previous year).

Measure 4 Strengthening Development Structure and Increasing Development Staff

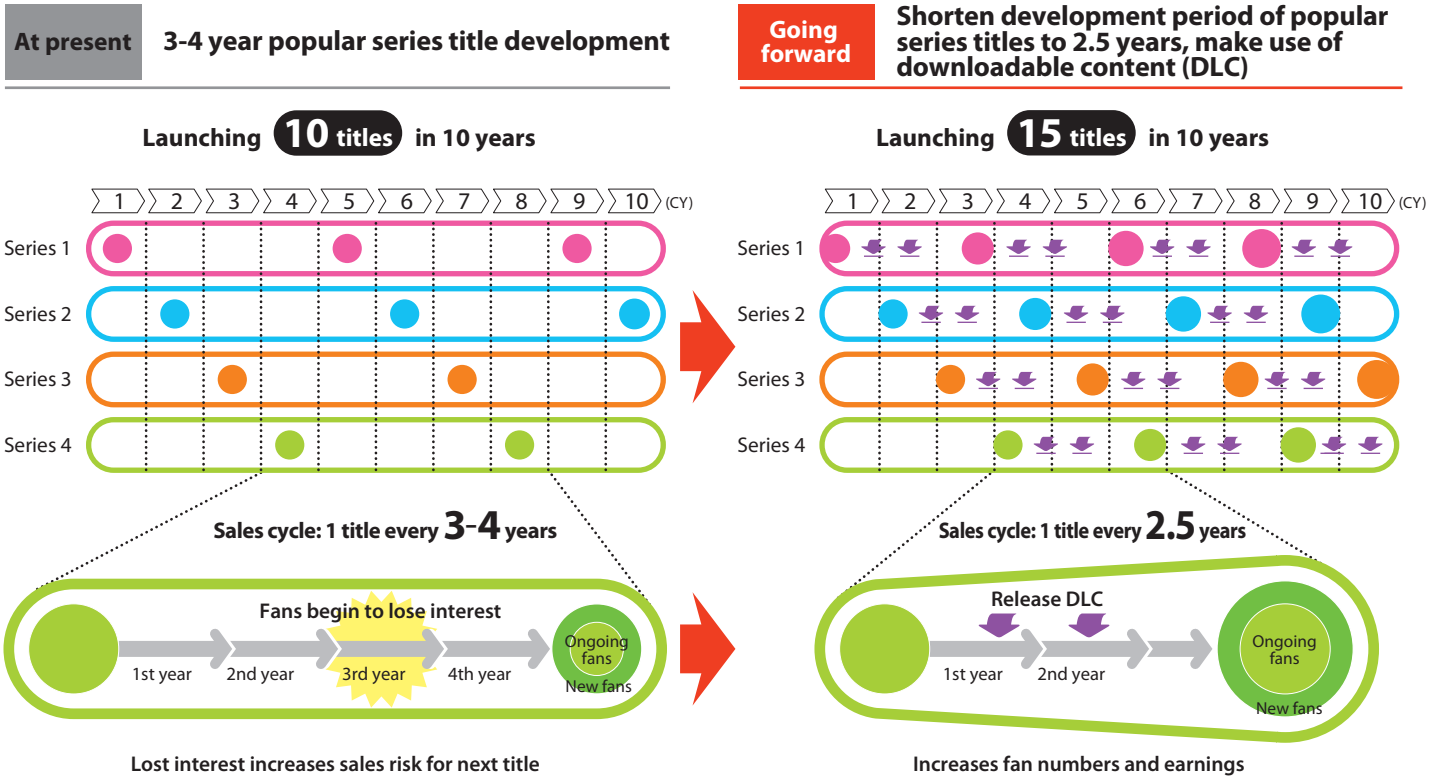
In this second phase of structural reforms, Capcom Integrated its vertically segmented consumer, mobile and online development structures, switching to a new multi-platform development system compatible with all types of hardware. Additionally, we integrated global organizational functions with new facilities and absorption of organizations around social games.

Moreover, we will increase development staff and provide in-house training. We plan on hiring 300 new employees, mainly new graduates, next fiscal year to implement above measures 1-3.

Creating a Stable Title Portfolio by Shortening Cycle for Release of Popular Series

Diagram 19 Shorten Sales Launch Plans of Popular Series Titles

● Package Software ▼ DLC



Note: The above figures are provided as an example to facilitate understanding of the strategy. This is not the official plan.

Aiming for Medium- to Long-Term Growth by Increasing Number of Package Titles Released in a Single Year

This section explains the second component of our growth strategy, which involves “expanding our line-up of games under development”, necessary for achieving medium-term business goals.

For Capcom to achieve sustainable and stable growth in the game software industry, where the presence or absence of hit products dictates performance, we mapped out a 60-month title development plan that lays out a medium- and long-term development schedule for multiple major titles in the first phase of structural reforms. By organizing efficient development teams according to this plan, we are able to invest in sequels to multiple popular games each year, which enables stable growth in the Consumer Online Games business. Also, we must further increase single-year sales of major software to achieve medium-term business goals. **Diagram 19**

To this end, we are promoting (1) a shorter sales cycle for popular series titles and (2) the launch of new titles to create a title portfolio facilitating sustainable growth over the medium- to long-term.

Measure 1

Shortening the Development Cycle of Popular Series Sequels with an Efficient Development Structure

(1) “In terms of shortening the sales cycle of popular series titles”, we launch sales of popular series titles held by the Company approximately every 2.5 years. This is because the development of a single major title usually requires 3-4 years; in the event that there are few hits, it will be difficult to create a series title every year and earnings will be adversely impacted. For this reason, it is important either to maintain a large number of popular titles or shorten the sales cycle to ensure stable earnings. Among the multitude of major titles held by Capcom, such as “Monster Hunter”, “Street Fighter”, “Resident Evil”, “Devil May Cry”, “Lost Planet”, “Dead Rising” and many others, we will promote shortening of the sales cycle in pursuit of further earnings stabilization and growth.

Specifically, teams developing major titles will be limited to 100 members, with multiple sequel titles developed at the same time. Also, as it will be necessary to create a large-scale development structure for shortening the development process, we will strengthen in-house

Diagram 20 Adding Downloadable Content to Package Software

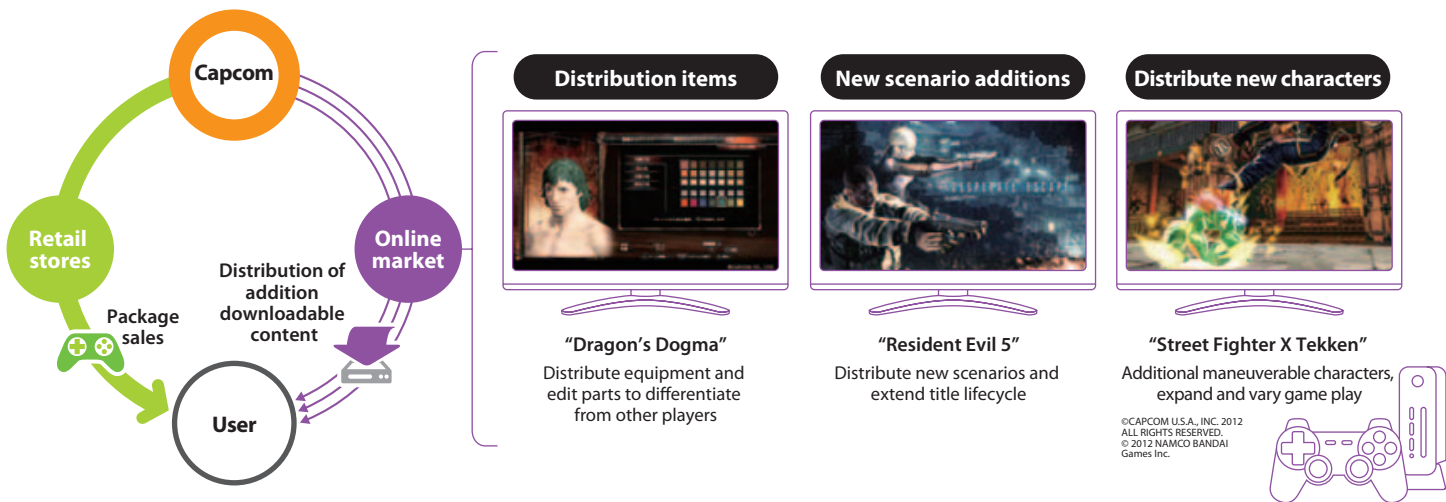


Diagram 21 New Package Title List (2011-2012)

Sales launch	Title name
6/19/2010	Ghost Trick (Nintendo DS)
7/15/2010	LAST RANKER (PSP)
8/4/2011	Nazowakuyakata Oto no ma ni ma ni (Nintendo 3DS) ①
2/23/2012	ASURA'S WRATH (PS3, Xbox 360) ②
5/24/2012	Dragon's Dogma (PS3, Xbox 360) ③
11/22/2012	E.X. TROOPERS (PS3, Nintendo 3DS) ④



development staff recruitment. In addition, we will increase the number of titles released in a single year and expand earnings using a hybrid development model whereby the core portions of the project are developed in-house by Capcom and the process-work is outsourced to outside development companies. Furthermore, 80% of Capcom's proprietary integrated development environment "MT Framework" development process is common to the Xbox 360, PS3 and PC platforms, realizing development efficiency that significantly reduces costs and shortens time to completion to one-third of the traditional time required for development. In response to market needs, we are always expanding platform compatibility, which now includes the Nintendo 3DS, Wii and the iPhone.

In addition, through ongoing download sales of new items and scenarios online during the 2.5 year period required to release a title, users will be captive fans until the release of a sequel as we acquire revenue from the sales of additional items to maximize profits. **Diagram 20**

Measure 2

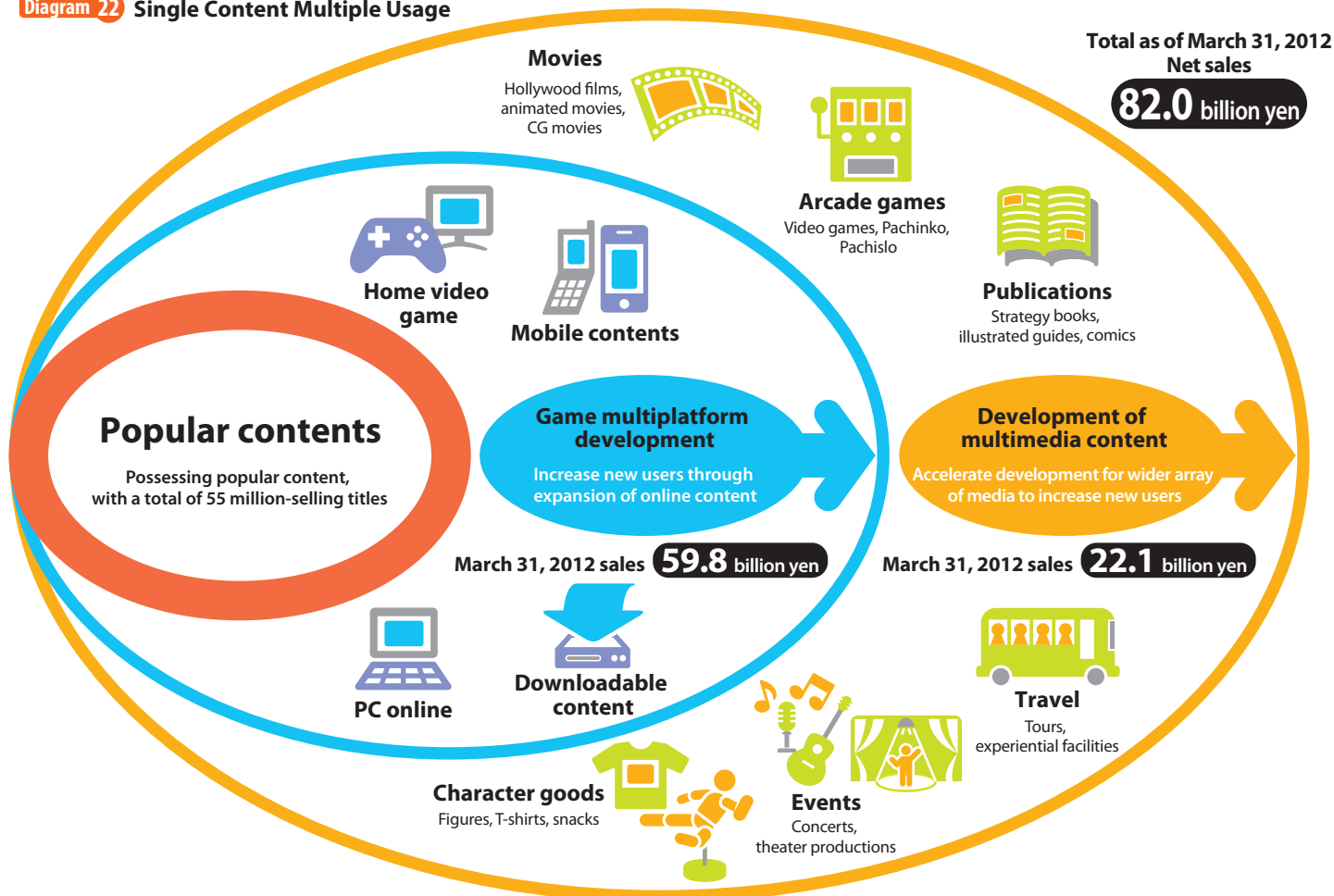
Strengthen Portfolio with Launch of New Titles

(2) Having established the new brand, Capcom will allocate approximately 20% of development investment funds to enhance the strength of a new hit title-creating lineup. The reason is because popular games have a solid fan base, and when they become a series, there is a high probability that users and retailers will purchase and stock the sequel based on past game content and sales performance, which, in turn, increases the likelihood of a string of hits. In the next fiscal year (ending March 2013), we plan to release new titles including "Dragon's Dogma". **Diagram 21**

In this way, we will create a title portfolio enabling sustainable growth over the medium- to long-term by shortening the sales cycle, regularly distributing DLC during blank periods while releasing series titles at the appropriate time and strengthening our lineup with the launch of new titles.

Expanding Single Content Multiple Usage Development

Diagram 22 Single Content Multiple Usage



Multiple Revenue Streams from Single Popular Content

This section will explain the “expansion of Single Content Multiple Usage” in terms of the aforementioned three growth strategies formulated to achieve the medium-term business goals.

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

Therefore, we can expect the following four effects by developing each of these elements into different business fields: (1) creating new profit opportunities other than the Consumer Online Games business; (2) creating heightened excitement through increased exposure by simultaneous multiple-field development (promotional effects); (3) absorbing customers obtained from other business segments as home video game users; and (4) reducing profit fluctuations through business

portfolio creation (risk hedge).

We own scores of intellectual properties based on popular content. We are now creating a business model to enjoy multiple profits by promoting Single Content Multiple Usage strategy in several applications.

This strategy will allow us to leverage the success of our Consumer Online Games business with the aim of maximizing profits and achieving success in other businesses (Mobile, Pachinko & Pachislo, Arcade Games, Movies, Publishing, Character Goods, etc.). **Diagram 22**

Media Development Incorporating Various User Segments

This fiscal year (ended March 2012) in the film-related business, “Sengoku BASARA -The Last Party-” drew 210,000 people to the theatre and brought in 300 million yen at the box office, while “Ace Attorney” was a big hit with a box office take of 520 million yen and 405,000 in attendance.

Other examples of multi-development include “Monster Hunter”



Our Strategy for Growth

with the launch of home video game "Monster Hunter 3 (Tri) G", the release of home video games "Monster Hunter Freedom 3 HD Ver." and "MONHAN NIKKI POKAPOKA AIRU MURA G", as well as the distribution of social games "Monhan Tankenki Maboroshi no Shima" and "Minna to Monhan Card Master". In addition, we held "Monster Hunter Festival 2011" in six locations across Japan, the "Monster Hunter World" event at amusement park Greenland (Kumamoto Prefecture) where fans can experience the "Monster Hunter" world and "Monster Hunter the Real 2011" at Universal Studios Japan (USJ). Furthermore, we held "Monster Hunter Orchestra Concert: Hunting Music Festival 2011" with the Tokyo Philharmonic Orchestra and the "Monster Hunter X Shinshu Hot Springs" tourism event was held at the hot spring resort Shibu in Nagano Prefecture attracting many fans and creating synergy with games.

The film release and "BASARA Festival 2011 – the Summer Campaign" event were timed to coincide with the launch of home video games "Sengoku BASARA: Chronicle Heroes" and "Sengoku BASARA 3 Utage" and a "Sengoku BASARA" attraction was installed at Fuji-Q

Highland. Also, we helped contribute to regional vitalization through tie-ups with the Bizen Osafune Japanese Sword Museum.

In collaboration with Pasela Resorts Shinjuku's main store we opened the Capcom Bar, which serves Capcom game-themed food and drinks in an effort to create a buzz and expand our fan segment.

With the objective of continuous multimedia development of popular Capcom content focused mainly on "Monster Hunter", "Sengoku BASARA" and "Resident Evil", starting next fiscal year we will attempt to improve brand value and profitability by not only making as wide an appeal to as many customers as possible, but also by contributing to regional vitalization.

Conversation: An Analyst's Perspective on Capcom's Strategy for Growth



Haruhiro Tsujimoto

President and Chief Operating Officer (COO)
Capcom Co., Ltd.

Conversation

Mia Nagasaka

Vice President, Equity Research Dept.,
Research Supervisory Headquarters
Morgan Stanley MUFG Securities Co., Ltd.

An Analyst's Perspective on Capcom's Strategy for Growth

Growth to Accelerate Capcom's Future with a Solid Footing in Online Business

Capcom is stepping up online business development, from social games to PC online games and the downloadable content business. Game industry analyst Mia Nagasaka discusses Capcom's strengths in the online domain and the adequacy of Capcom's growth strategy going forward with President and Chief Operating Officer Haruhiro Tsujimoto.

Accelerating Online Strategy

Nagasaka Capcom's online development is garnering attention from the market. In particular, mobile social game "Smurfs' Village", released under the Beeline brand in 2010, was a global success; you have also begun aggressively distributing content on GREE and Mobage.

Tsujimoto With regard to online development, we were a bit late to enter the domestic social game domain, but we have finally solidified our lineup and gained expertise along the way. From now, we will develop social games from popular package games with the objective of getting this area on track. "Resident Evil: Outbreak Survive"(GREE), which began distribution in June 2011, already has more than two million members. "Monhan Tankenki Maboroshi no Shima" (GREE) and "Minna to Monhan Card Master" (Mobage) have over one million members each, and we feel this response means we are winning support among a wider

population outside traditional game users.

Nagasaka Besides social games, with PC online games like "Monster Hunter Frontier Online", package game downloadable content and Capcom's entry into the recently rising PC browser market, it appears you are stepping-up online development. How do you see each platform growing?

Tsujimoto What is important for Capcom, rather than how each platform will grow, is to create better games that more people can enjoy playing for a longer time. For example, the traditional package game usually ended when the story was cleared, but upgrades to hardware and telecommunications technology and the advent of the paid content in-game system enable the download and enjoyment of new stories. Anticipating these kinds of changes, I think overall expansion of the online business domain is important.



Nagasaka I see. In that context, it is clear to see why Capcom employed its multiplatform strategy early on. You are not a hardware manufacturer; your strength lies in being able to provide games quickly to the platform users want.

Tsujimoto Yes, and of course, we need to respond quickly to rapid advances in devices and hardware. However, pursuing something because it is popular takes place after the fact. If we release superior game content, it has the ability to sell compatible hardware as well. To forward planning and development focused on these possibilities, from fiscal 2012(ended march 31, 2012) we integrated the consumer, PC online and mobile development structures. Motivated by Beeline's eye-opening success, we are promoting awareness-raising in the development division and throughout the entire company.

Capcom's Strengths and Responding to Changes

Nagasaka In terms of promoting strategy, what are Capcom's strengths?

Tsujimoto The first is the originality of our content. The majority of our games have highly original stories and characters. And, the root of all this is the ongoing creation of content intended to always satisfy users. Second, is the Single Content Multiple Usage strategy, which we have pursued for some time. We grow our fan segment by developing game content for multiple media. Our third strength is global development. I think expanding our content not only domestically and in developed countries, but also in developing countries and throughout the entire world, will enhance our brand power.

Nagasaka Because of expansion in the online domain, I suspect traditional thinking may no longer apply in some areas. In fact, given the extreme complexity of business composition, it is difficult to understand conditions looking at the stock market; have any new issues spring up in response to changes in the business environment?

Tsujimoto There is no doubt that the business environment is undergoing tremendous changes. However, I think these changes offer new opportunities for growth. For example, in Asian nations, even with brand recognition, there were profitability issues in the package business. However, going forward, with the rise of smartphones and tablets, we will attempt to improve profitability through the distribution of online content.

This means that the time has come to restructure this into a companywide profit model. The game distribution structure is going through significant changes, so the issue is whether we can seize this opportunity- I think this is the key to success. Traditional business ended with package games sold at stores, but now it begins after sales. Direct confirmation of user satisfaction linked to more satisfying projects and services will become integral to the game business going forward.

A Corporate Culture Able to Continue Taking on Challenges

Nagasaka Globally, there are many new players entering the game industry. It appears that market competition is entering a new phase; what is your outlook for future growth?

Tsujimoto Many new players are evidence of the industry's potential. An insular industry is one that is on the decline. Given present conditions where individual manufacturers are able to engage in steady and direct contact with each user, it is possible that a giant market may suddenly emerge unexpectedly. This age of unpredictability is also one of great opportunities. Platform diversification and global expansion are driving up development costs every year, but as it is management's mission to generate steady profits, I want to aggressively invest in growth.

Nagasaka This fiscal year, you released the first new title in a while with "Dragon's Dogma". How is it going?

Tsujimoto I think stable growth is difficult with only the titles we have now. We invigorate the company by creating new titles. Actually, from this year we increased the number of new graduates we employ, plan to increase our development staff by 100 people each year and are strengthening our educational system. Always striving to continually improve is Capcom's corporate culture. I think that, just like life, this is growth.

After the Conversation

The important point when evaluating game companies is the strength of their content. In addition to this, global business development, approach to pursuit of profit opportunities and commitment to constant objectives are also important. Capcom aggressively engages in all these initiatives. In particular, I highly commend their pursuit of originality and acceptance of risk symbolized by new title "Dragon's Dogma". In terms of global development, I have high expectations that their use of the Beeline brand will increase user segment. Because of the complexities of online business, it is difficult to see progress in each area; from now, changes in the number of members for each titles and disclosure of other detailed information will further heighten market expectations. (Mia Nagasaka)

Mia Nagasaka (Profile)

Mia Nagasaka joined Morgan Stanley MUFG Securities in July 2010. Previously she worked at Bank of Tokyo-Mitsubishi UFJ and Barclays Capital Securities, and has covered the game sector since 2007. She graduated from Keio University's Department of Humanities and Social Science and received a Master's Degree from Keio Business School. While in graduate school she studied at the Wharton School at University of Pennsylvania.



Overview of Capcom's Business and Outlook for the Future

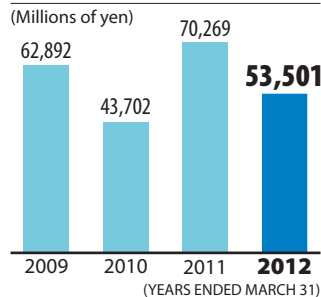


Consumer Online Games

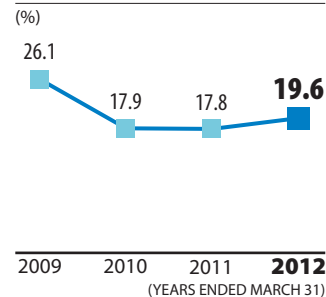
This business is engaged in the development and sales of home video games and the development and operation of PC online games. We will continue concentrating management resources on this business, which represents 65% of company sales, and developing games that meet diverse user needs. We consider action and adventure games our forte, and have released many creative million-seller titles worldwide.



Net Sales

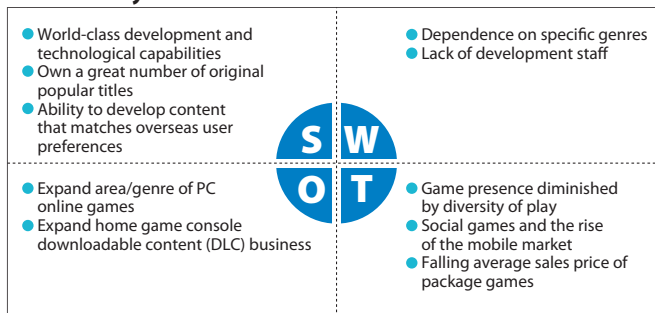


Operating Margin



*1 Before the fiscal year ended March 31, 2009, the Consumer Online Games business is described as the Home Video Games business.
 *2 In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

SWOT Analysis



S: Strength W: Weakness O: Opportunities T: Threats

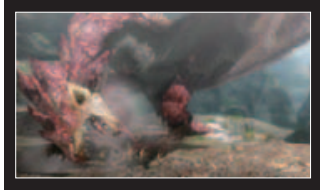
Market Trends

Although the package market contracted 3.8% from the previous year, downloadable content (DLC) increased 53.6% and the rapidly expanding PC online market increased 33.6%

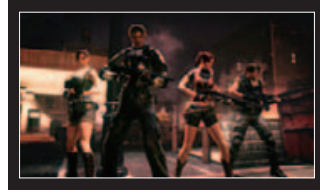
In 2011, the home video game (package) market was worth 22,500 million dollars (down 3.8% from the previous year), the third straight year of negative growth. As in the previous year, the reasons for this include (1) a decline in game console annual unit sales, as manufacturers have not introduced new hardware for six years, (2) lower average retail prices of package software as a result of intensified competition, (3) the diversification of sales into digital distribution and other forms, etc.

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 2011, sales were 10.1 billion dollars (down 6.5% from the previous year) in North America, 8.9 billion dollars (down 1.1% from the previous year) in Europe and 3.5 billion dollars (down 2.8% from the previous year) in Japan, with foreign markets representing 85% of the overall market. **Diagram 23**

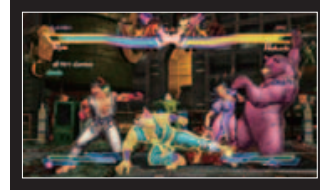
In contrast, the DLC market expanded significantly to 4.3 billion dollars (up 53.6% from the previous year), a result of companies beginning to focus on DLC associated with major titles and the



"Monster Hunter 3 (Tri) G"



"Resident Evil: Operation Raccoon City"



"Street Fighter X Tekken"

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"Onimusha Soul"

advance of global network infrastructure improvements. Consequently, the home video game market is trending higher than the previous year on the combination of package games and DLC.

The PC online game market, with an increase in users due to the rise of new genres such as Facebook and other SNS browser games, grew rapidly to 18.7 billion dollars (up 33.6% from the previous year).

Diagram 24

As for the outlook for the next fiscal year, although Nintendo will release the new game console Wii U and the market will be continue to be invigorated by the increase of DLC, time is required before the next generation console cycle begins in earnest. We expect the total market for package games and DLC to decline slightly to 26,000 million dollars (down 3.0% from the previous year).

At the same time, the 2012 PC online game market is forecast to continue expanding to 20,800 million dollars (up 11.2% from the previous year). Improvements to the global network environment and an increase in households with broadband will be the drivers of growth. In addition to the growth in households with broadband from 334 million in 2011 to 442 million by 2016, and the introduction of new channels such as game services using cloud computing, we expect the package game market to expand to over 26,200 million dollars by 2016.

With the package market maintaining a fixed scale and the DLC and PC online markets growing over the medium term, the key for software makers in terms of maximizing earnings is investing each year in various software platforms with proven track records. However, that is only possible for companies that "possess multiple popular major titles" and "a development structure efficient enough to produce year after year". Going forward, the fight for survival among game software manufacturers will surely intensify.

Operating Results for This Fiscal Year

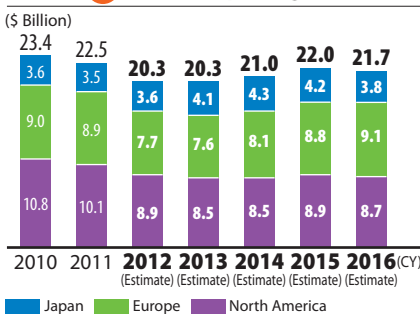
Release of Three Million-Seller Titles Amidst Lower Sales and Earnings and Decreasing Repercussions from Sale of Several Major Titles Last Year

Capcom's strength in the Consumer Online Games business is threefold. First, we have scores of "long-lasting intellectual properties with universal market appeal" such as million-seller titles and popular characters. **Diagram 25** 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, PC, Wii, Nintendo 3DS and PlayStation Vita 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.

This fiscal year (ended March 31, 2012), sales of home video game major title "Monster Hunter 3 (Tri) G" for the Nintendo 3DS surpassed 1.6 million units, well above the projected number of units. Also, "Resident Evil: Operation Raccoon City"(PS3, Xbox 360), a title created in collaboration with overseas developer Slant Six Games, showed steady growth, shipping 1.7 million units. Meanwhile, "Street Fighter X Tekken" (PS3, Xbox 360), despite oversupply in the fighting genre, sold 1.4 million units, lower than projected, but enough to make it the third million-seller title this year.

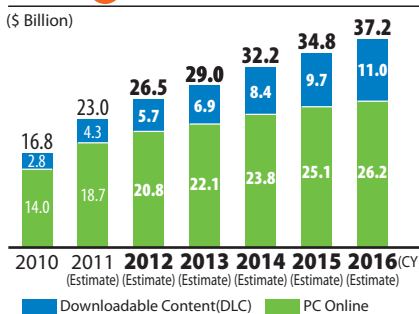
We also released several software tie-ups, including titles derived from popular series "Resident Evil: Revelations" (Nintendo 3DS) and "Ultimate Marvel vs. Capcom 3" (PS3, Xbox 360, PlayStation Vita).

Diagram 23 Home Video Game Software Markets (package)



Source: International Development Group

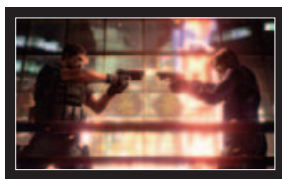
Diagram 24 PC Online and DLC Market



Source: International Development Group

Diagram 25 Total Number of Units of Major Titles Sold (As of March 31, 2012)

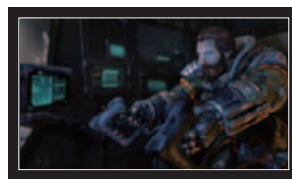
Major Titles	Number of Products	Total Number of Units Sold (Thousands)
Resident Evil	73 titles	49,000
Street Fighter	73 titles	33,000
Mega Man	129 titles	29,000
Monster Hunter	21 titles	21,000
Devil May Cry	15 titles	10,000
Dead Rising	11 titles	5,300
Lost Planet	13 titles	4,800
Ace Attorney	16 titles	4,300
Sengoku BASARA	21 titles	3,100



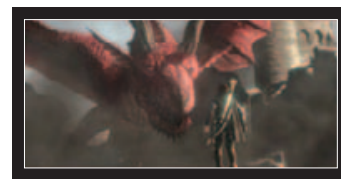
"Resident Evil 6"



"DmC Devil May Cry"



"Lost Planet 3"



"Dragon's Dogma"

We also released a diverse array of elaborately planned software, including new title "Asura's Wrath" (PS3, Xbox 360).

At the same time, online game "Monster Hunter Frontier Online" (PC, Xbox 360) has been consistently popular from start to finish.

In 2011, as a result of repercussions from the global sale of several major titles in the previous year, our market shares in the respective markets where we operate were as follows: Japan 7.6% (down 3.4 points from the previous year), North America 1.5% (down 0.1 points from the previous year) and Europe 0.8% (down 0.8 points from the previous year). **Diagram 26**

Consequently, Capcom released a total of 68 titles and shipped a total of 15.7 million units (down 23.4% from the previous fiscal year). The resulting net sales increased to 53,501 million yen (down 23.9% from the previous fiscal year), and the operating income was 10,502 million yen (down 16.0% from the previous fiscal year).

Outlook for the Next Fiscal Year

4th Million-Seller Game with Flagship Software "Resident Evil 6", Improving Profitability through Aggressive Distribution of Downloadable Content (DLC)

Capcom's medium-term business goal call for expanding our share in the package game market and expanding DLC and PC online game sales—including online content—to 30,000 million yen by March 2015. To achieve this medium-term business goal, in the next fiscal year (ending March 31, 2013), we will continue promoting the business developments begun this fiscal year, namely (1) shorten the series title sales cycle, (2) strengthen online contents, (3) create new franchise and (4) enhance development staff (See P23 "Our Strategy for Growth").

In regards to (1), we will shorten the development period and develop series products in 2.5 years by creating core game elements in-house and outsourcing other operations to outside development companies. In terms of (2), we are aggressively developing the PC online and DLC businesses. In addition to new PC online game titles, we will offer new browser games "Onimusha Soul" and "Browser Sengoku BASARA". We will also consider expanding "Monster Hunter Frontier Online" in Asia. Regarding DLC, in addition to strengthening download sales related to package software, we aim to expand all-around earnings by considering main title download distribution in line with package sales. In regard to (3), we will create new popular next generation franchise, allocating 20% of development investment to new products through efficient development in (1). Regarding (4), we aim to expand the scale of our business through the proactive hiring of 1,000 new employees over the next 10 years.

New titles next fiscal year include the release of "Resident Evil 6", the first new title for this series in three and a half years, "DmC Devil May Cry", "Lost Planet 3" and "Dragon's Dogma".

Furthermore, in consideration of the volatile market environment and our business structure, we will merge the Consumer Online Games and Mobile Contents businesses under the new name Digital Contents business to unify organizational management.

As a result of the aforementioned policy changes, we forecast net sales of 80,000 million yen and operating income of 15,000 million yen for the Digital Contents business next year.

Diagram 26 Market Share by Region (CY2011 Amount of Sales for Package Software)

Japanese Market

Company name	Share (%)
1. Namco Bandai	18.6
2. Nintendo	18.4
3. Square-Enix	9.6
4. Capcom	7.6
5. Konami	6.7
6. Koei	4.7
7. Sega	4.2
8. Level Five	3.9
9. SCE	3.1
10. Pokemon	2.1
Others	21.1
Total	100.0

Source: Enterbrain, Inc.
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North American Market

Company name	Share (%)
1. A	
2. B	
3. C	
4. D	
5. E	
6. F	
7. G	
8. H	
⋮	⋮
13. Capcom	1.5
Total	100.0

Source: The NPD Group/ Retail Tracking Service

European (UK) Market

Company name	Share (%)
1. Electronic Arts	20.1
2. Activision Blizzard	13.2
3. Nintendo	9.8
4. UBI Soft	9.3
5. Microsoft	6.1
6. THQ	5.1
7. SCE	4.3
8. Bethesda Softworks	4.3
⋮	⋮
19. Capcom	0.8
Others	27.0
Total	100.0

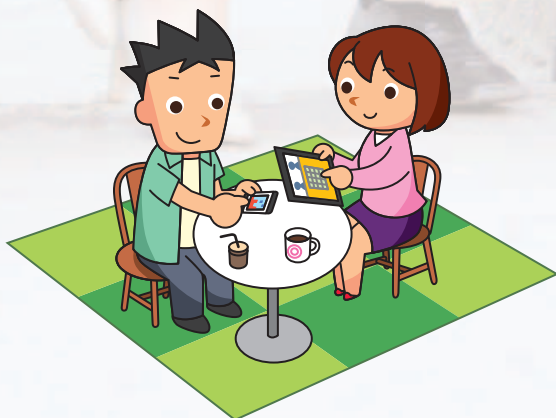
Source: ChartTrack / ELSPA

Overview of Capcom's Business and Outlook for the Future



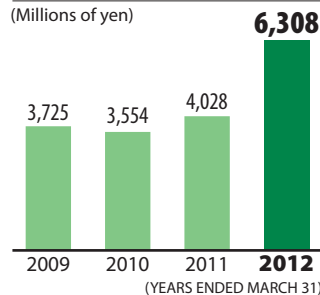
Mobile Contents

This business segment develops and distributes games for mobile phones. In the high growth mobile content market, we are able to respond flexibly to advances in smart phones and tablet PCs with our own brand titles and licensed content from other companies, enabling us to expand earnings even further.



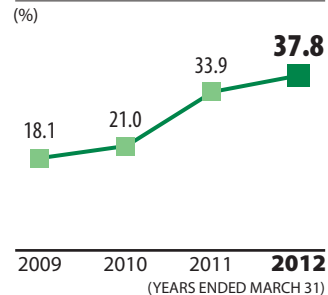
Net Sales

(Millions of yen)



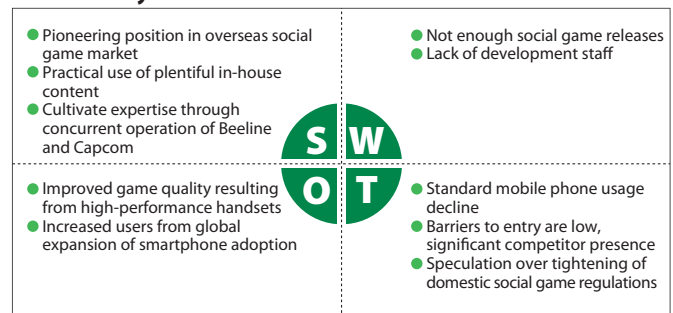
Operating Margin

(%)



* In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

SWOT Analysis



S: Strength W: Weakness O: Opportunities T: Threats

Market Trends

76.2% Increase in Rapidly Growing Global Mobile Contents Market Chance to Expand Earnings for Companies Possessing Numerous Popular Software Properties

The 2011 mobile contents market achieved significant global growth, increasing to 7,400 million dollars from 4,200 million dollars in 2010 (up 76.2% from the previous year). **Diagram 27** The main reasons for this were (1) the advance of smartphones and other mobile devices in all countries of the world, (2) the rise of high-performance tablet devices and (3) the spread of social games due to the increase in mobile users.

By region, the advanced North American market was worth 1,970 million dollars (up 75.9% from the previous year) and the European market was worth 1,280 million dollars (up 70.7% from the previous year) and the Asian market including Japan was worth 3,230 million dollars (up 77.5% from the previous year). Furthermore, in emerging and Eastern European markets, as well as other areas, the global market grew rapidly to 910 million dollars (up 84.6% from previous fiscal year).

For the past three years, the mobile content market has been in a period of great upheaval. This is because of (1) changes in the ways that users purchase games and (2) changes in development company business models.

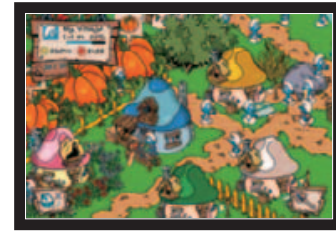
With regard to the first point, up to now games were purchased using a "sell-out" model, where the user purchased a single download of their chosen game. Recently, the trend has shifted toward the "Freemium" model, where the game can be downloaded for free, but



Phoenix Wright: Ace Attorney 123HD



Street Fighter IV: Volt



"Smurfs' Village"

© Poyo - 2010 - Licensed through Lafag Belgium - www.smurf.com.
All game code © 2011 Beeline Interactive, Inc.

a premium is charged for access to additional items and other game content the user may require.

In regards to the second point, for development companies, the standard mobile phone market has been largely unprofitable for two reasons. (a) The OS used for the handsets of each mobile phone company differed, and distributing games across a jumble of disparate networks required transplantation costs, and (b) to distribute games to users required interfacing with several companies (the handset maker, the telecommunications provider, etc.), which led to high fees (50% of sales in the United States and Europe). However, with the introduction of open source operating systems such as Apple's iOS and Google's Android in the smartphone market, (i) development companies are now able to distribute content to a wide range of users with these limited OS platforms without the need for transplantation costs and (ii) with fewer companies to interface with along the way, fees are lower (30% of sales with iOS). As a result, companies possessing numerous notably popular software properties are able to release several leading titles as one part of multiplatform development, expanding opportunities to improve profits. **Diagram 28**

In terms of future outlook, given the global distribution system including Apple's App Store and Google's Google Market Place, Capcom expects smartphone shipments to exceed the 480 million units (up 63.5% from previous year) shipped in 2012. **Diagram 29** Also, the rapid spread of tablet devices is expected to drive expansion in the mobile market as its share grows from 1.9% in 2011 to 34.4% by 2016.

As a result, Capcom expects the mobile content market to grow to 21,000 million dollars in 2016 (an average annual growth rate of 23.2%), growth roughly on track with the home video game market.

Furthermore, in the domestic social game market, although the Japan Consumer Affairs Agency introduced regulation on "complete

gacha" mechanics causing concern the market would shrink, part of the regulation lessened the impact. Formulating guidelines regarding in-game representations, each operating company strengthened voluntary initiatives to improve the game environment and provide users with peace of mind, safety and enjoyment. Capcom expects this market to grow as game developers, no longer dependent on speculation, will continue to provide wholesome and original games.

Operating Results for This Fiscal Year

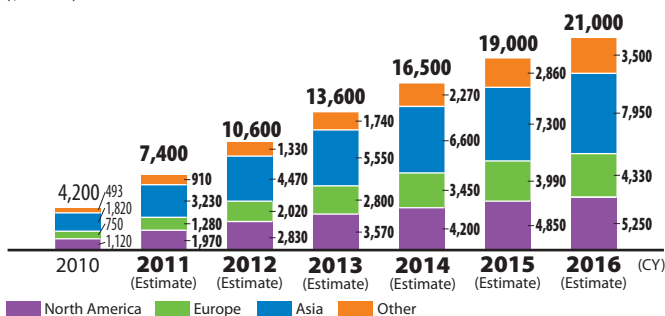
Beeline and Capcom Brands Doing Well Sales Up 56.6%, Operating Income Up 74.6%

One of Capcom's strengths in the Mobile Contents business is our ability to make effective use of the expertise and content developed through home video games under the Capcom brand, which is then distributed to mobile phones worldwide. Another of our strengths is the ability to acquire light users who differ from traditional Capcom users through the Beeline Brand using popular characters and novel content from other companies in games distributed to smartphones globally.

This fiscal year (ended March 31, 2012) major title "Smurfs' Village" was ranked the App Store's top seller, reaching number one in 80 countries. It continued to perform well as "Snoopy's Street Fair" continued to make a vigorous effort in Japan and Asia. As a result, Capcom's strategic brand Beeline surpassed 56 million downloads worldwide, significantly contributing to increased profitability. **Diagram 30** Also, U.S. subsidiary affiliate Beeline Interactive Inc. became a direct subsidiary of Capcom and we established Beeline Interactive Europe Ltd. in an attempt to strengthen the link between the three development bases and speed up decision making.

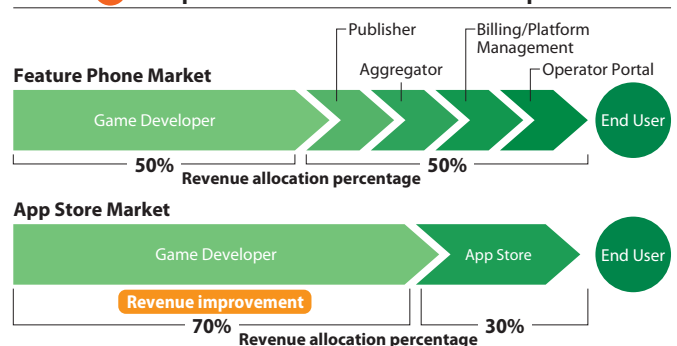
Diagram 27 Mobile Content Market

(\$ Million)



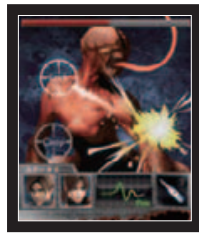
Source: IDG

Diagram 28 Comparison of Feature Phone and Smartphone Markets

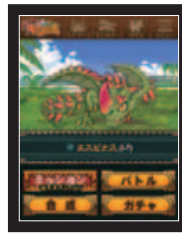




"Snoopy's Street Fair"
© 2011 Peanuts Worldwide LLC



"Resident Evil: Outbreak Survive"



"Monhan Tankenki Maboroshi no Shima"
©CAPCOM 2011 developed by gum!



"Minna to Monhan Card Master"
©CAPCOM developed by gloops



"Shrek's Fairytale Kingdom"
Shrek and all related characters ©2012 DreamWorks Animation L.L.C. All rights reserved. All game code ©2012 Beeline Interactive, Inc.

At the same time, we integrated the Mobile Contents, Home Video Game and PC Online game development divisions, realizing a more flexible development structure through organizational integration.

"Resident Evil: Outbreak Survive" which began distribution in June 2011 on GREE, a major Japanese mobile phone social game site, "Monhan Tankenki Maboroshi no Shima" released in December (GREE) and "Minna to Monhan Card Master" (Mobage) released in February 2012 have more than one million members each, demonstrating their potential.

As a result, net sales were 6,308 million yen (up 56.6% from the previous fiscal year) and operating income was 2,385 million yen (up 74.6% from the previous fiscal year).

Outlook for the Next Fiscal Year

Aiming for 90.2% Sales Growth by Expanding User Numbers in Japan and Overseas, Increasing Number of Beeline and Capcom Brand Titles

Regarding business developments in the next fiscal year (ending March 31, 2013), we will continue to focus on developing content for the smartphone and SNS game markets, where high growth remains the forecast for the foreseeable future both in Japan and overseas.

In terms of strategy, Capcom will (1) expand domestic market share by increasing the number of social games under the Capcom brand and (2) strengthen Beeline's management structure and release major titles targeting a wider customer segment in an aim to intensify relations with existing users and acquire new customers.

The Capcom brand strategy attempts to achieve synergy with home video games through multi-platform development using the brand

power of popular Capcom titles created in Japan. In this way, the mobile version draws the light user to the home version, and the home version draws the core user to the mobile version. Furthermore, Capcom will significantly expand number of social game releases through proactive employment of developers and collaboration with outside companies, and provide content from domestic platforms such as GREE for overseas development. Additionally, Capcom will start developing original content as well as popular home video game content.

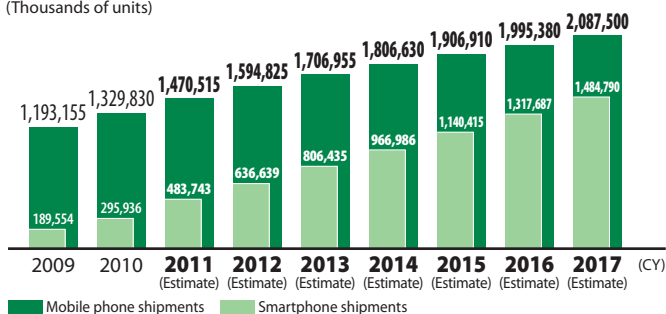
At the same time, Beeline brand strategy will continue to focus on strengthening social games for smartphones. The reason for creating a second brand is because Capcom brand games have an image of difficulty and complexity about them, creating obstacles that would prevent most light users who normally don't play games from purchasing a casual download. Developing a new brand circumvents these obstacles altogether. Furthermore, development facilities in North America, Europe and Japan are developing social games that incorporate distinctive characteristics to acquire users in developing regions where home video game consoles have yet to be adopted. In terms of the title lineup for next year, "Shrek's Fairytale Kingdom", featuring DreamWorks character Shrek, popular in Western countries, and 15 other titles will be released in an attempt to establish a brand like "Smurfs' Village" as soon as possible.

Furthermore, from next fiscal year, in consideration of major changes in market environment and business structure, Capcom will merge the Mobile Contents and Consumer Online Games businesses to create the Digital Contents business.

As a result of these changes, Capcom forecasts sales of 80,000 million yen and operating income of 15,000 million yen in the Digital Contents business next year.

Diagram 29 Mobile Phone Market Shipments

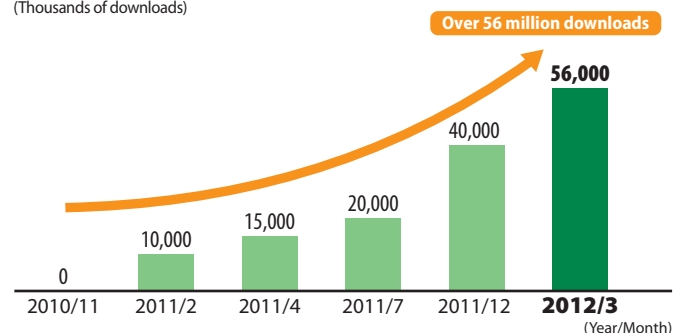
(Thousands of units)



Source: "Results of Smartphone Market-Related Research 2011" by Yano Research Institute Ltd. (July 26, 2012)
*1 On a manufacturer shipment basis *2 Forecasts and estimates are as of June 2011
*3 32 countries and one region covered in target region *4 While smartphones are included in mobile phone market shipment figures, PHS, digital photo frames and tablet PCs are not.

Diagram 30 Capcom SNS Game Downloads

(Thousands of downloads)



Overview of Capcom's Business and Outlook for the Future

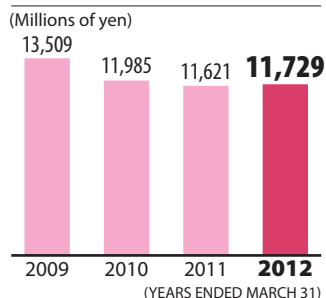


Arcade Operations

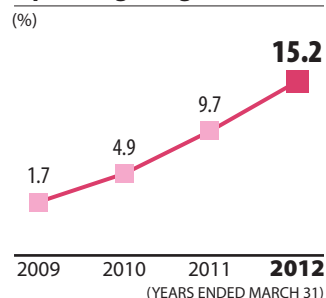
We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.



Net Sales



Operating Margin



SWOT Analysis

- | | |
|--|--|
| <ul style="list-style-type: none"> Specialize in opening mall-based large-scale facilities which secure a stable customer base Thorough scrap-and-build focused on investment efficiency ensure sustainable earnings | <ul style="list-style-type: none"> Low sales growth from small number of carefully selected facilities Little synergy with proprietary contents |
| <ul style="list-style-type: none"> Expanded ability to attract customers through installation of new machines Hedges risks through inverse relationship to home video game market | <ul style="list-style-type: none"> Reduced desire to consume resulting from natural disasters or brownouts Decline in number of suburban mall-based large-scale facilities |

S: Strength W: Weakness O: Opportunities T: Threats

Market Trends

Market Declines Slightly by 1.7%, Near Last Year's Level on Inexpensive, Nearby and Short-Duration Leisure Activities Market Has Stabilized from Stronger Management of Each Company's Existing Facilities

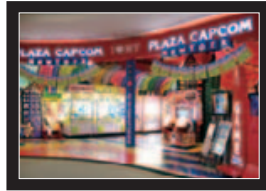
During the previous fiscal year (ended March 31, 2011), the number of facilities decreased after the domestic arcade facility market contracted for three straight years, its value decreasing to 495.8 billion yen (down 1.7% from the previous year); the rapid decline, which started in fiscal 2007 and lasted for three years has temporarily ceased. **Diagram 31** Facilities decreased slightly to 18,638 locations (down 3.0% from the previous year). **Diagram 32**

This fiscal year (ended March 31, 2012) despite the voluntary restraint resulting from the Great East Japan Earthquake of March 2011 and its impact on consumer consciousness, inexpensive, nearby and short-duration leisure activities fueled the renewal of arcade facilities. However, electricity conservation from summer resulted in shorter hours of operation and flagging popularity of prizes, resulting in a market nearly the same as last year.

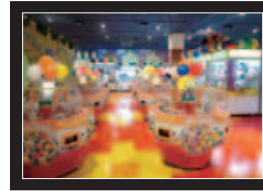
In terms of outlook for the future, concerns over planned power outages in certain areas and repercussions from last year's expansion of short-distance leisure cannot dispel the uncertainties. However, closing unprofitable facilities and augmenting investment in existing facilities, we expect to secure about the same level of investment in the development of new products as last year as the market stabilizes.



Plaza Capcom Oita



Plaza Capcom Morioka



Plaza Capcom Omagari



Plaza Capcom Ishinomaki

Operating Results for This Fiscal Year

Net Sales Up 0.9%, Operating Income Up 58.0%, Achieved First Increase in Sales and Profits in Three Years by Establishing Customer-Oriented Community-Based Facilities

Capcom's strengths in this business category are: (1) specialization in opening mall-based large-scale facilities that quickly secure a long-term stable customer base, (2) the planning and operation of sales venues popular with customers and (3) the ability to maintain higher profitability than the competition by selling or shutting down unprofitable facilities to raise return on investment.

In this fiscal year, we held various events, updated existing facilities and implemented a "service day" in an attempt to create new demand, establishing customer-oriented community-based facilities. Furthermore, in addition to holding arcade experience tours for people 50 years and older, Capcom also worked to expand its customer base to include female, family and older-generation customers, while endeavoring to improve the earning capacity by controlling investments, reducing costs, and operating arcades in line with current market conditions.

Despite a slowdown in customer traffic and intensification of competition with other game consoles including smartphones, with which there is an overlap of the customer base, sales per customer increased as a result of these measures, along with the contribution mainly of proprietary coin-operated games.

In the absence of closing or opening of arcades during the current period, the total number of arcades remained the same as the end of the previous fiscal period at 37.

Achieving 101% of previous year existing store sales, net sales increased to 11,729 million yen (up 0.9% from the previous year) and

operating income increased to 1,787 million yen (up 58.0% from the previous year), the first increase in sales and earnings in three years.

Outlook for the Next Fiscal Year

Thorough and Efficient Facilities Management, Closure of Unprofitable Facilities Increased Capital Expenditure Improves Earnings, Forecasting Operating Margin of 15.8%

Next fiscal year (ending March 31, 2013), although the arcade facilities market will likely bottom out, it will take time for a full-fledged recovery from the repercussions of the uptick in inexpensive, nearby and short-duration leisure activities after the earthquake disaster. Capcom will ensure profits through the continued efficiency of its management structure. We also aim to improve the earnings of existing facilities by increasing the amount of capital expenditure and carefully selecting existing facilities for upgrades and machines for investment.

In terms of the opening and closing of facilities, we will further strengthen efficient facilities and close unprofitable ones, while moving forward with the establishment of new facilities in areas with a high concentration of customers to establish new revenue streams. In the next fiscal year, we plan to open two new facilities, and close three old ones.

We forecast net sales of 12,000 million yen and operating income of 1,900 million yen in the next fiscal year.

Diagram 31 Arcade Facilities Market Trends

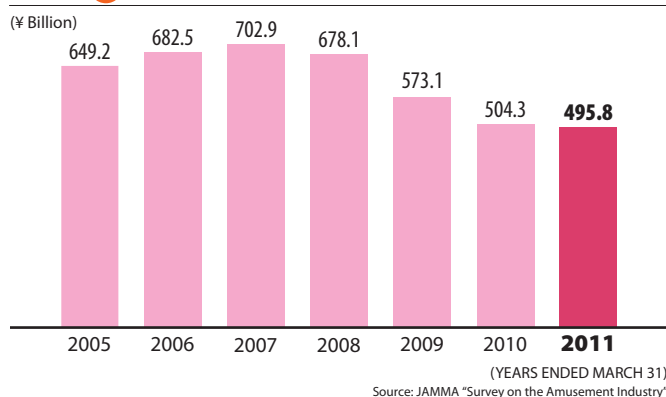
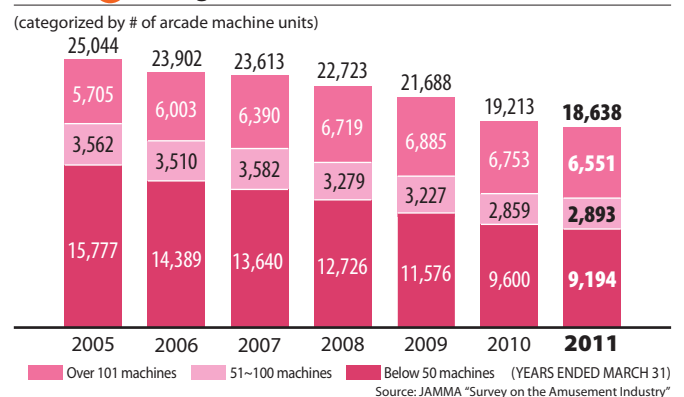


Diagram 32 Change in Number of Storefronts



Overview of Capcom's Business and Outlook for the Future

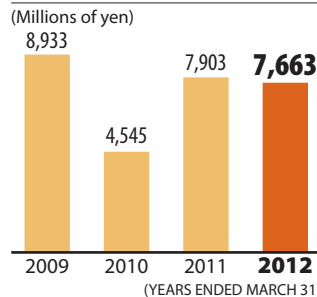


Amusement Equipments

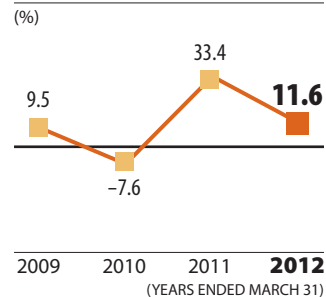
We are engaged in two other businesses based on the content used for our home video games. The Pachinko & Pachislo business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and distributes arcade games for amusement facilities, creating synergy between businesses.



Net Sales

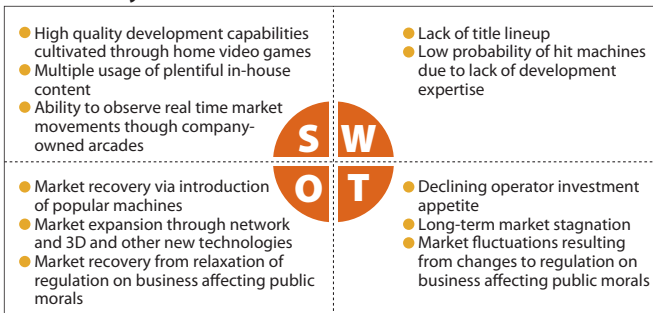


Operating Margin



* In the fiscal year ended March 31, 2011, Capcom restructured its business segment divisions, and as a result, some figures before the fiscal year ended March 31, 2009 have been retroactively adjusted.

SWOT Analysis



Market Trends

Pachinko Machine Market Contracts by 10.0%, Pachislo Machine Market Expands 26.9% and Arcade Game Market Bottoms Out, Heads for Recovery

The Amusement Equipments business consists of two businesses that develop the content of our home video games, the Pachinko & Pachislo business and the Arcade Games Sales business.

The size of the Pachinko & Pachislo sales market during the previous fiscal year (ended March 31, 2011) contracted slightly to 1173.6 billion yen (down 3.1% from the previous year). **Diagram 33** This was primarily due to significant contraction in the Pachinko machine market, which accounts for 60-70% of the market.

During this fiscal year (ended March 31, 2012), in accordance with the modification to the gaming aspect of Pachinko machines under the "Regulations on the Entertainment and Amusement Trades Rationalizing Act" revised in 2004, although the market has until now continued to focus on decreasing Pachislo and increasing Pachinko, with Pachinko machine oversupply and the greatly improved operational experience of Pachislo machines, the Pachislo machine backlash continues.

In terms of the outlook for the future, with respect to Pachislo machines, the arrival of major hit machines selling over 50,000 units, as well as the development of cases that meet market needs stimulating purchase intention of Pachislo halls, we expect the market to be revitalized.

Next, in the previous fiscal year, in line with the bottoming out of the amusement facilities market, the arcade games domestic product sales market surpassed the previous year for the first time in four years, growing to 161.6 billion yen (up 3.2% from the previous year) . **Diagram 34** By genre, prize game machines (accounting for 20.4% of the market),



"Super Street Fighter IV"



"Monster Hunter"

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©Sammy ©RODEO



"CR Sengoku BASARA 3
—Sekigahara Battle—"

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"Monster Hunter Medal Hunting"



"MONHAN NIKKI SUGOROKU
AIRU MURA"

which are easily affected by the economy, increased to 32.9 billion yen (up 9.3% from the previous year). Other factors affecting market recovery were coin-operated games (accounting for 18.9% of the market), which grew to 30.6 billion yen (up 5.9% from the previous year). In this fiscal year, the market is nearly on track with last year due to the return of facility operators' need for capital expenditure and additional customers from the release of popular character-themed products.

In terms of the outlook for the future, although there is apprehension over repercussions from inexpensive, nearby and short-duration leisure activities that intensified after the earthquake, with new prize products and coin-operated game machines, as well as the release of network machines, a gentle recovery should be on the way.

Operating Results for This Fiscal Year

Repercussions from Last Year Lower Pachislo Machine Profitability, "Monster Hunter" Series Arcade Games Doing Well

Capcom's strength in this business is our ability to maintain high profitability through the multiple usage of our wealth of intellectual properties in a variety of areas.

In the Pachinko & Pachislo business, Capcom develops attractive software featuring our proprietary content along with that of other companies, using our technological expertise in high-resolution image processing cultivated through the development of home video games is our strength. In the P&S business this fiscal year, sales of approximately 7,000 "Street Fighter IV" Pachislo machines with cases created in house and favorable sales of outsourced Pachislo machine "Monster Hunter" contributed to earnings. However, margins were lower compared to the high margins of last year's cases developed in-house.

Making use of the high awareness of Capcom content, the strength of the Arcade Games Sales business is the ability to develop coin-operated game machines that anticipate steady sales by meeting stringent market needs. This fiscal year, although the effect of the Great East Japan

Earthquake has impacted consumer consciousness, the Arcade Games Sales business is heading in a favorable direction on arcade invigoration from inexpensive, nearby and short-duration leisure activities and brisk sales of "Monster Hunter" branded coin-operated game machine "Monster Hunter Medal Hunting" and "MONHAN NIKKI SUGOROKU AIRU MURA". Capcom also promoted cost reductions and rationalization across all businesses.

The resulting net sales increased to 7,663 million yen (down 3.0% from the previous fiscal year), and the operating income was 890 million yen (down 66.2% from the previous fiscal year).

Outlook for the Next Fiscal Year

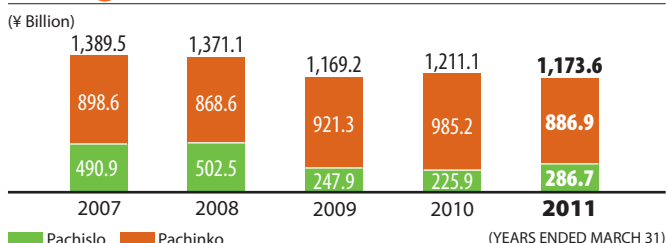
P&S business to Strengthen Sales of Outsourced and In-House Cases Arcades Games Sales to Concentrate on the Popular Content of Coin-Operated Games

Next fiscal year (ending March 31, 2013), P&S business developments will include the release of a higher number of Pachislo machines as a result of increased demand for Capcom's specialized machines fitted with LCD screens. High performance hardware and a spike in promotion expenses are intensifying competition among companies, resulting in further polarization. In light of this, Capcom will (1) expand the consignment business which is expected to contribute stable profits, (2) enter into an alliance with the Fields Corporation to enhance development capabilities and strengthen sales network and (3) introduce major popular home video game contents in an aim to increase the number of outsourced and in-house cases sold.

At the same time, although the market has bottomed out, in the Arcade Games Sales business facility operators will continue to be cautious about the selection and concentration of their investments. Capcom will focus on the development of coin-operated games using popular in-house and well-known content from other companies in an attempt to differentiate from other company's products.

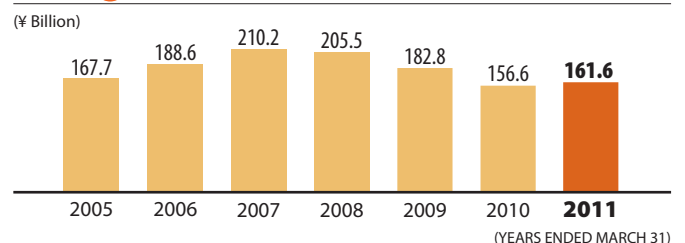
As a result of these measures, we forecast net sales of 10,000 million yen and operating income of 2,300 million yen.

Diagram 33 Major Gaming Machines Market (New Machine Sales)



Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2009-2011); Yano Research Institute Ltd.

Diagram 34 Arcade Game Market Trends

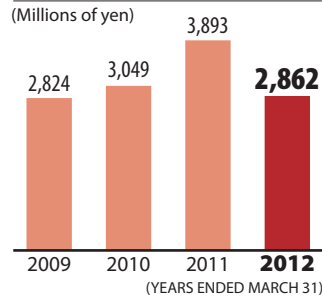


Source: JAMMA "Survey on the Amusement Industry"

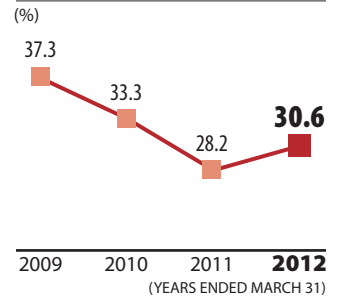
Overview of Capcom's Business and Outlook for the Future



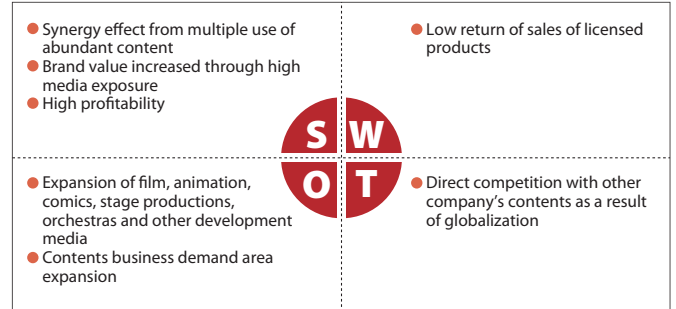
Net Sales



Operating Margin



SWOT Analysis



S: Strength W: Weakness O: Opportunities T: Threats

Other Businesses

Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.



Operating Results for This Fiscal Year

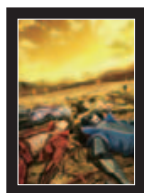
Despite Progress on Several Projects Involving Popular Series, Fewer Major Game Titles Compared to Last Year Resulted in Lower Sales and Profits

Capcom's strength in this category is its ability to take advantage of the strong synergy with the Home Video Games business by making multifaceted use of its abundant intellectual properties. In particular, the brand value of our movie-related business has risen through extensive media exposure. This leads to greater sales of video game software, completing a virtuous sales cycle.

During this fiscal year (ended March 31, 2012), we continued to execute our Single Content Multiple Usage strategy (see "Growth Strategy 3" on P29), conducting various projects based on each game title to enhance the branding of our game content and maximize profits.

These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile content, walkthrough and strategy guides and character goods, as well as movie and TV animation programs and other events in connection with the release of our home video games. [Diagram 35](#)

Specifically, we focused on increasing the "film version of Capcom contents", which strengthens the promotion and sales of home video games. Although other Japanese software manufacturers have made similar moves, the number of Capcom game titles adapted into movies and the attendant box-office revenues demonstrate our clear competitive advantage in this area. [Diagram 36](#) This success is a result of (1) our strength in creating original content, underpinned by owning more proprietary content than our competitors and (2) the global popularity



"Sengoku BASARA
—The Last Party—"
©CAPCOM/TEAM BASARA



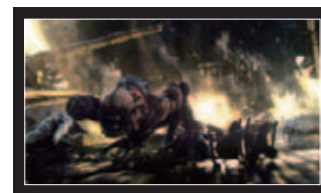
"Ace Attorney" Movie
©2012 CAPCOM / "Ace Attorney"
FILM PARTNERS



"Monster Hunter The Real"



"Resident Evil: Retribution"
©2012 Screen Gems, Inc. All Rights Reserved.



"Resident Evil: Damnation"
©2012 CAPCOM CO., LTD. / Resident Evil CG2 Film Partners

of our titles, which are suitable for adaptation into movies for global distribution.

For example, movies that received a great response were "Sengoku BASARA -The Last Party-" drew 210,000 viewers and earned 300 million yen at the box office; in February 2012, the release of the film version of "Ace Attorney" drew 405,000 people and earned 520 million yen at the box office.

Ahead of the release of "Monster Hunter 3 (Tri) G", Capcom held a "Monster Hunter Festa '11" in six cities across Japan and engaged in aggressive promotion activities at amusement park Greenland (Kumamoto Prefecture), Universal Studios Japan (USJ, Osaka) and held related events at the hot spring resort Shibu in Nagano Prefecture.

Furthermore, Capcom made efforts to expand its fan base with a Tokyo Philharmonic Orchestra concert and the opening of the Capcom Bar offering game-related food and drinks.

Capcom is also moving forward with a number of multi-development projects including "Resident Evil", "Street Fighter", "Devil May Cry" and "Dead Rising". Given the above, as well as lower sales of walkthroughs and related products resulting from the lack of major titles compared to the previous fiscal year, net sales increased to 2,862 million yen (down 26.5% from the previous fiscal year), and the operating income was 877 million yen (down 20.1% from the previous fiscal year).

Outlook for the Next Fiscal Year

Accelerating Collaborations with Other Industries in Pursuit of Synergy between Hollywood Movies and Home Video Games

Looking ahead to the next fiscal year (ending March 31, 2013), we will continue to execute our Single Content Multiple Usage strategy. We will attempt to maximize sales of home video games and promote the "Resident Evil" brand to a wide spectrum of the customer segment with the global release of "Resident Evil 6", Hollywood movie "Resident Evil: Retribution" and CG animation "Resident Evil: Damnation". Also we will continue to try new ideas, including a tie-up with a real escape game and the opening of an official "Resident Evil" restaurant.

As for titles in Japan, we will continue to hold plays and fan appreciation events in addition to the "Sengoku BASARA" television drama. Capcom will also continue the "Monhan" movement with "Monster Hunter" orchestral concerts and a second USJ event in an attempt to develop various events for the casual user.

Functioning as horizontal deployment for game content, these cross-industry collaborations enable our products to reach a wider audience and enhance our brand value.

In light of these efforts, we forecast net sales in the next fiscal year of 3,000 million yen and operating income of 800 million yen.

Diagram 35 List of Our Content that Has Been Adapted into Movies and Theatrical Productions

	Year	Production Type	Adapted Content
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
	Oct. 2008	CG movie	Resident Evil: Degeneration
	Feb. 2009	Hollywood movie	Street Fighter: The Legend of Chun-Li
	Aug. 2010	Movie	ZOMBREX DEAD RISING SUN
	Sep. 2010	Hollywood movie	Resident Evil: Afterlife 3D
TV animation	Jun. 2011	Animated movie	Sengoku BASARA -The Last Party-
	Feb. 2012	Movie	Ace Attorney
	Sep. 2012	Hollywood movie	Resident Evil: Retribution
	Oct. 2012	CG movie	Resident Evil: Damnation
	Apr. 1995	TV animation	Street Fighter II V
	Mar. 2002	TV animation	Mega Man Battle Network
	Oct. 2004	TV animation	Viewtiful Joe
	Oct. 2006	TV animation	Mega Man Star Force
	Jun. 2007	TV animation	Devil May Cry
	Apr. 2009	TV animation	Sengoku BASARA
Jul. 2010	TV animation	Sengoku BASARA2	
Aug. 2010	TV animation	MONHAN NIKKI GIRIGIRI AIRU MURA KIKI IPPATSU	
Jul. 2011	TV animation	MONHAN NIKKI GIRIGIRI AIRU MURA G	
Autumn 2012	TV animation	IXION SAGA DT	
Theatrical production	Feb. 2009	Takarazuka Revue Company	Phoenix Wright: Ace Attorney - The Truth Comes Back to Life
	Jul. 2009	Theatrical production	Sengoku BASARA
	Aug. 2010	Takarazuka Revue Company	Phoenix Wright: Ace Attorney 2
	Apr. 2010	Theatrical production	Sengoku BASARA Stage Adaptation second stage
	Oct. 2011	Theatrical production	Sengoku BASARA: Samurai Heroes
May 2012	Theatrical production	Sengoku BASARA 2	
TV drama	Jul. 2012	TV drama	Sengoku BASARA -MOONLIGHT PARTY-

Diagram 36 Revenue Ranking of Japanese Game Content that Has Been Adopted into Movies

Title	Original writer company	Box-office revenue (worldwide)
1. RESIDENT EVIL: AFTERLIFE 3D	Capcom	\$296,221,663
2. RESIDENT EVIL: EXTINCTION	Capcom	\$147,717,833
3. RESIDENT EVIL: APOCALYPSE	Capcom	\$129,394,835
4. RESIDENT EVIL	Capcom	\$102,441,078
5. STREET FIGHTER	Capcom	\$99,423,521
6. SILENT HILL	Konami	\$97,607,453
7. FINAL FANTASY: THE SPIRITS WITHIN	Square	\$85,131,830
8. SUPER MARIO BROS.	Nintendo	\$20,915,465
9. HOUSE OF THE DEAD	Sega	\$13,818,181
10. STREET FIGHTER: THE LEGEND OF CHUN-LI	Capcom	\$12,764,201

As of June 30, 2012. (Capcom figures)

Conversation: An Corporate Auditor's Perspective on Capcom's Governance



Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)
Capcom Co., Ltd.

Conversation

Masanao Iechika

Attorney at Law
Corporate Auditor, Capcom Co., Ltd.

A Balanced Approach to Corporate Governance Equally Incorporating Creativity, Legality, Efficiencies and Social Responsibilities

Capcom Chairman and CEO Kenzo Tsujimoto and Corporate Auditor Masanao Iechika, Attorney at Law, discuss how the company should maintain and strengthen its checks-and-balances system for management today when the corporate governance of Japanese companies has been called into question. They also talk about the role corporate auditors should play in these efforts.

Capcom's Vision of Corporate Governance and the Role of Corporate Auditors

Tsujimoto You were appointed as one of Capcom's external directors for a five-year period starting in 2002, so you don't fulfill the requirements of external auditor legally speaking, but you have been helping us to perform audits with the perspective of an external auditor. Today, I'd like to discuss Capcom's corporate governance from an external perspective.

Iechika The corporate governance of Japanese companies has become a topic of debate due to scandals that plagued a number of leading companies last year. In light of the recent revisions made to both TSE regulations^{*1} and to guidelines on securities reports^{*2}, particular focus is being placed on how to ensure external officers' independence. Capcom was among the first in Japan to appoint external auditors and external directors more than ten years ago. Why do you think having an external perspective is important?

Tsujimoto The objective of corporate activities is to continually increase profits and achieve growth. In order to do so, a company must tackle

creative challenges like no other competitor can. In the case of Capcom, this holds all the more true because we are a company with a creativity-focused corporate philosophy that has grown thanks to its original video game content and proprietary business model. Yet, focusing solely on challenges means a company may forget to check its actions from a societal standpoint. I want us to proactively engage in original projects that cannot be copied by other companies, but I don't want these projects to go against our responsibility to society. To uphold our corporate social responsibility, we were among the first to implement an external director system. Today, people with the highest level of sound judgment

in each respective field have been delegated to help us make decisions.

Iechika Corporate governance is a way for companies to oversee how they achieve their objectives, so its basic elements include, of





course, not only the legality of management, but also increasing efficiencies —neither of which inhibits the growth of a company. However, it's important for corporate governance to strike a sound balance between efficiencies and legality as well as corporate social responsibilities. Corporate officers focused on maximizing profits should not be placed in control of everything. This is why I believe the importance of external officers is growing because they serve as coordinators in this regard.

Tsujimoto Just as you point out, this balance is extremely vital. A company must not engage in actions contrary to its social responsibilities just for the sake of profits, but on the other hand, a company must not lose its creativity, or the source of its competitiveness, by getting too caught up in common practices. To strike a balance, each department must quickly identify any of its functions that are not working effectively and implement continual improvements after thoroughly addressing the problem.

As for our internal control in terms of finances, we closely monitor management indicators using a company-wide information system, with top management constantly checking numbers worldwide and for every business division to immediately identify problems. In 2011, we instituted an Corporate Auditing officer system to develop a more detailed check system for each of our operations. Nevertheless, there is still the potential for top management to neglect its duty of legal compliance, so external officers are in place to point out issues. I believe this structure helps ensure Capcom's steady profitability.

Iechika In addition to rigorous accounting checks, we have also begun audits performed by officers well versed in the video game industry through the establishment of our own operational audit officer system. In this sense, I believe we have a well-balanced system in place. I am also aware that our role as corporate auditors to govern this system has become even more important.

Reinforcing the Company's Audit Functions Requires All Divisions to Change Their Mindset

Iechika Japan's corporate auditor system has seen the role of corporate auditors independent from management strengthened over the last half century or so. Of course, mechanisms have been developed to this end, but in order to achieve the true function of this system it's just as important to cultivate the human resources needed to run the system and to ensure the entire company has a solid awareness of the importance of this system.

Tsujimoto The same can be said for Capcom's corporate auditor system.

Iechika Similar to what I just mentioned, Capcom has a highly developed corporate auditor system and organizational system, and the company runs these systems very effectively. If I had one request it would be to step up support provided from each division, since it's almost impossible for the current number of corporate auditors to perform audits on all business divisions. In other words, I'd like all groups and divisions to be fully aware that thorough audits are very important for the company.

Tsujimoto I also believe this change in mindset is important. Unlike the time of our founding, we have grown into a large company, and have more shareholders with high expectations of us. In this regard, all employees must be keenly aware of safeguarding our profitability. The

key to this will be developing a corporate culture where managers frankly report projects that are not making progress according to plan and then action is taken as an entire organization to make improvements. Hiding failures will cause the eventual downfall of the company. Senior management will also ensure that those in charge of our frontlines in the Accounting Department, Finance Department and General Affairs Department will act with shareholder returns in mind.

Iechika This type of corporate culture will ensure that employees properly report problems when they are found so that the entire organization is aware. This will enable top management to take the most appropriate measure. This will also make our work as corporate auditors easier as well.

Preventing Improprieties before They Happen and Reinforcing the Company's Overseas Auditing Set to Become Key Issues

Tsujimoto What are some of the things you place the most emphasis on as a corporate auditor?

Iechika A corporate auditor's fundamental mission is to find management improprieties, but I believe working to prevent these improprieties from occurring in the first place is even more important. In recent years, the law world calls it "preventative legal work". Essentially, appropriate measures are taken well in advance to stave off potential future disputes. In this regard, we have also coined the phrase "preventative audit work". Although it may be quite difficult, I believe this "preventative work" will grow even more important going forward from the perspective of incorporating greater external perspectives.

Tsujimoto I feel the same way about preventing improprieties before they occur. In order to meet the expectations of stakeholders and shareholders, I'd like Capcom to strive to prevent improprieties using a rigorous system of checks. This is because even the smallest incident, if left unattended, can develop into a major scandal in the future.

Iechika Another important topic for the future is audits outside of Japan. With the growth of our business around the world, we will need to further strengthen audits of our overseas subsidiaries. Capcom is focusing particularly on growth in Asia, so we will also need to raise the bar of our auditing functions globally.

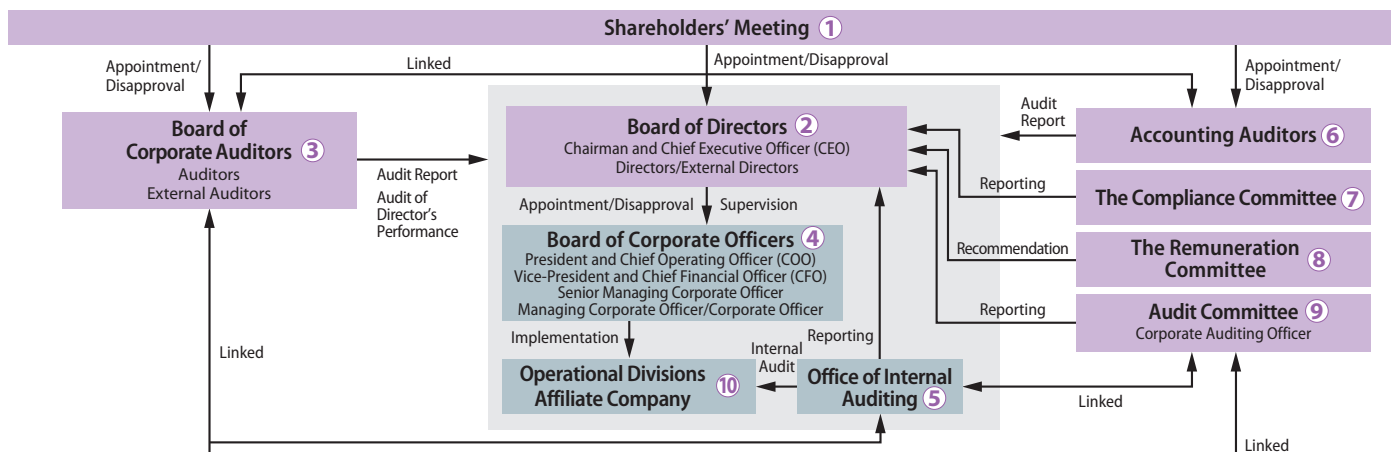
Tsujimoto We have been performing rigorous checks of our overseas subsidiaries for some time now using the aforementioned management information system. The focus of these audits was subsidiaries in the United States and Europe, which made it quite easy to create an auditing system. As you point out, though, emerging countries in Asia have far different business practices and cultures, and legal revisions occur much more frequently. This means that we need to perform rigorous audits not only with internal resources, but also using external professionals as well. At present, our auditing company has created a special team for us in local markets, and I also hope that our corporate auditors will broaden their auditing focus as well. This will mean that you [Mr. Iechika] will be requested to do more, so I ask for your understanding and assistance in this manner going forward.

*1 In May 2012, the Tokyo Stock Exchange (TSE) made revisions to its listing regulations, which included an entry on expanding information disclosures pertaining to "independent directors".

*2 In March 2012, a Cabinet Office Order was promulgated and enacted to reinforce disclosures on "independent directors" in securities reports and other corporate filings.

Corporate Governance Structure and Initiatives

Shareholders and investors have made the practical and effective functioning of internal control into a key issue amidst an epidemic of corporate misconduct in Japan and overseas. In this section, Capcom will explain the corporate governance structure and mechanisms that it has initiated so far based on the key concepts of effectiveness and visibility in terms of the results of third party assessment. (Assessment areas are highlighted in yellow)



Corporate Governance Structure

Enhancing Management Health and Transparency while Responding to Changes in the Environment

Capcom is aware that comprehensive corporate governance ranks among management's most important priorities. We make the utmost effort to enhance management health and transparency and maintain an organization that is responsive to changes in the business environment while focusing efforts on improving the satisfaction of shareholders, customers, employees and all our stakeholders. The introduction of a Corporate Officer System, part of our management system reforms, established a clear separation between the responsibilities of the Board of Directors and the corporate officers and facilitates faster decision-making and more flexible execution of operations while heightening management efficiency. In addition, we make an effort to ensure fairness and improve reliability by raising the level of our Board of Directors monitoring function with three external directors and two external auditors.

① Shareholders' Meeting

Avoiding the Same Meeting Date as Other Companies and Encouraging Shareholders to Exercise Their Voting Rights

Capcom's general shareholders' meeting serves as its highest decision-making body and determines important matters as well as reports audit results of consolidated financial statements.

We have scheduled the meeting to take place around 10 days prior to the date on which most other companies in Japan hold their general shareholders' meetings to ensure as many shareholders as possible can be in attendance. We have also made it possible for shareholders to exercise their voting rights over the Internet using a computer or smartphone. In addition, we participate in an electronic voting rights exercise platform for institutional investors.

A total of six resolutions were proposed at this year's shareholders' meeting, including on the issues of the "Proposed Appropriation of Retained Earnings" and the "Election of Four Corporate Auditors". Each of the six resolutions were approved and passed.

For more details, please see "Shareholders' Meeting Resolutions" on page 50.

② Board of Directors

Management Decisions that Incorporate Outside Opinions

The Board of Directors consists of 11 members, meets regularly once a month and holds extraordinary meetings when necessary. Three of the 11 members are external directors, whose opinions, advice and feedback invigorate and improve the transparency and reliability of the Board of Directors while strengthening the management monitoring function. During the period under review, the Board of Directors met 16 times, engaging in lively discussions concerning reported items and matters for resolution. Moreover, we established a Remuneration Committee chaired by an external director to determine fair and appropriate compensation for directors. Also, two external directors appointed independent directors to avoid any conflict of interest among general shareholders in terms of decision-making.

Capcom has established a database of information on the company's business conditions, including at its overseas subsidiaries, so that its directors can correct monitor the status of the entire company.

For more on external directors, please see "External Director/External Auditor" on page 49.

■ Officer Remuneration (Fiscal 2011)

	No. of People	Remuneration Amount
Directors (External Directors)	11 (3)	¥573 million (¥32 million)
Corporate Auditors (External Auditors)	5 (3)	¥42 million (¥16 million)

* Above includes director's bonus of ¥127 million for business activities in this fiscal year.

③ Board of Corporate Auditors


Accounting Auditors Partner with Internal Auditing Department to Monitor Management

Capcom has adopted a corporate auditor system consisting of four members, two of whom are external auditors. In addition to formulating auditing policies and providing consultation regarding audit results, members of the Board of Corporate Auditors submit items identified in the audit to the president and

exchange opinions and information with accounting auditors when appropriate.

Capcom adopted the corporate auditor system over a company with committees because, in addition to the introduction of a Corporate Officer System, we had already introduced the company with committees concept of separating the monitoring and business operation functions through the appointment of three external directors and the establishment of a Remuneration Committee.

Moreover, to improve the effectiveness and efficiency of the auditing function, the Audit Committee, Audit Office and auditors mutually.

 For more on external auditors, please see “External Director/External Auditor” on page 49.

4 Board of Corporate Officers

Executing Operations Based on a Clear Management Policy

The Board of Corporate Officers is composed of 15 members selected by the Board of Directors. Under the supervision of the Board of Directors, corporate officers promptly and precisely execute business activities based on management policy determined by the Board of Directors and take agile and appropriate response to rapid changes in the management environment when deemed necessary.

5 Office of Internal Auditing

Ensuring and Verifying Legal Compliance and Operating Efficiencies

The audit office conducts internal audits on all divisions of Capcom and works with corporate auditors to verify and ensure the legal compliance and efficiency of the company’s operations. The audit office makes an effort to ensure that internal controls work effectively in every division and recommends improvements to audited divisions based on their findings.

6 Accounting Auditors

Ensuring and Verifying Accounting Transparency

Capcom has engaged KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no relationship involving financial or other interests between Capcom and this audit corporation or the individuals at this firm who perform audits at Capcom.

Auditor Remuneration (Fiscal 2011)

	Remuneration Based on Audit Operations	Remuneration Based on Non-Audit Operations
Delivery company	¥55 million	—
Consolidated subsidiary	¥2 million	—
Total	¥57 million	—

Auditing Company	Name of Certified Public Accountants	
PricewaterhouseCoopers	Designated and Engagement partner	Shigeru Takahama
		Masahiko Hagimori

* Assistants to accounting audit operations
Certified public accountants: 4

Persons in charge of system audits and that have passed the certified public accountant exam: 13

* Capcom’s contract with PricewaterhouseCoopers expired on June 15, 2012, and the company decided to engage KPMG AZSA LLC as its new auditing company.

7 The Compliance Committee

Focusing on Compliance as an Important Management Issue

The Compliance Committee, chaired by an external director licensed to practice law, meets quarterly to address various risks facing the company. The Compliance Committee receives reports on “period compliance checks” that investigate the business operations of each department semiannually and on the nature of inquiries made at the “Compliance Hotline”, which serves as a whistle-blowing system for the company. These reports are also presented to the board of directors through the Compliance Committee, and when necessary, it will issue reminders and recommendations as well as provide advice.

8 The Remuneration Committee

Reporting Details of Director Compensation

Based on the amount agreed upon at the general shareholder’s meeting, the Remuneration Committee recommends remuneration for each board member to the Board of Directors that is befitting and determined with consideration for each board member’s title, duties, tenure, full/part-time service, etc., as well as Capcom’s earnings and individual job performance. To ensure fairness and transparency, the committee chairman is an external director.

9 Audit Committee

Auditing Operations from a Risk Management Perspective

The Audit Committee conducts audits from a different perspective than the auditors in the Audit Office. They focus on risk management in all businesses and regularly monitor execution of business duties in Group companies. They also collect and compile information through individual business auditor investigations, providing analysis and reports to the Board of Directors. Based on these reports, the board works to prevent risks and executes business reforms while accurately ascertaining business inefficiencies and business risks inherent in the Group from the perspectives of compliance, validity and efficiency. And, in the event of an unforeseen situation, the Audit Committee contributes to the formulation of appropriate management decisions by quickly providing the Board of Directors with a report examining and analyzing the causal factors in an attempt to minimize losses to the company.

10 Affiliate Companies

Ensuring Effective Government through Close, Group-wide Collaboration

We have developed a group-wide compliance framework through close communication and collaboration between parent company and subsidiaries based on monthly subsidiary board meetings and the “Management Regulations for Subsidiaries”. Through this framework, we ensure that our operations are being undertaken properly so that corporate governance functions effectively.

Corporate Governance Structure and Initiatives

External Director/External Auditor

Using External Perspectives to Ensure Effective Governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance and Remuneration Committees. They also focus efforts on compliance and the prevention of corrupt or illegal activities, and **openly exchange opinions and provide counsel at Board of Director meetings in an effort to strengthen the management audit function.**

External auditors participate in Board of Directors and other important meetings, evaluating the directors' execution of their duties with an opinion of objectivity and fairness from the perspective of compliance and appropriateness.

In addition, the Executive Secretariat Office (7 staff) and Audit Office (4 staff) provide support work to ensure that our external directors and external auditors can perform their duties effectively.

Board of Directors/Board of Corporate Auditors Rate of Attendance (Fiscal 2011)

	Name	Board of Directors/Board of Corporate Auditors Rate of Attendance
External Director	Hiroshi Yasuda	Attended all board meetings in fiscal 2011
	Makoto Matsuo	Attended all board meetings in fiscal 2011
	Takayuki Morinaga	Attended 15 of 16 (93.8%) board meetings in fiscal 2011
External Auditor	Koji Takito	Attended all board meetings and all corporate auditor meetings in fiscal 2011
	Shigeru Miki	Attended all five board meetings and all five corporate auditor meetings held after his appointment on December 1, 2011
	Shoji Yamaguchi	Did not attend any of the board meetings, but did attend two of nine (22.2%) corporate auditor meetings, held until his resignation on November 30, 2011

Reason for the Selection of External Directors (June 2012)

Hiroshi Yasuda: Mr. Yasuda was selected as external director based his personality, acumen and previous appointments to important positions during his career. Mr. Yasuda serves as a member of the independent committee on takeover defense measures in his capacity as an external director independent from the executive management team. We have also determined none of the criteria inhibiting director independence as stipulated by the Tokyo Stock Exchange applies to him. Consequently, we have determined there is no potential conflict of interest with general shareholders in terms of his decision making.

Makoto Matsuo: Mr. Matsuo was selected as external director in order to ensure the effectiveness of corporate governance through the appointment of a legal professional that can provide apt guidance and advice on the company's legal compliance.

Takayuki Morinaga: Mr. Morinaga was selected as external director based on his management experience at other companies, professional career, track record, and personal connections in the business world. Mr. Morinaga serves as a member of the independent committee on takeover defense measures in his capacity as an external director independent from the executive management team. We have also determined none of the criteria inhibiting director independence as stipulated by the Tokyo Stock Exchange applies to him. Consequently, we have determined there is no potential conflict of interest with general shareholders in terms of his decision making.

Reason for the Selection of External Auditors (June 2012)

Yoshihiko Iwasaki: Mr. Iwasaki was selected as external auditor because it was determined that his professional experience in tax administration will be of benefit to the company.

Yoshihiko Matsuzaki: Mr. Matsuzaki was selected as external auditor so that he can leverage his wealth of experience and knowledge from his many years in law enforcement administration to help the company further enhance its corporate governance.

Comments from External Director

Makoto Matsuo Director



I will work to fulfill my duty to ensure effective internal control and legal compliance

The recent rash of scandals that has hit Japanese and foreign companies alike has caused investors to demand companies strengthen their internal control. Furthermore, the Companies Act and Financial Instruments and Exchange Act require the establishment of a "basic policy on internal control systems" to ensure the accuracy of financial reporting, legal compliance and management efficiency as well as the submission of an "internal control report" on the company's financial reporting. On top of this, Capcom is proactively expanding overseas and working to ensure management transparency by making "clearer quantitative management targets" for all of its group companies, in conjunction with their business growth. I am also aware of the importance found in building an optimum governance framework that encompasses global risk management and information management systems.

I will leverage my many years of professional experience and expertise as an attorney to strengthen Capcom's operational audits so as to enhance internal control and legal compliance based on objective and fair communication. I will also work to promote the enhancement of Capcom's compliance and risk management frameworks in order to respond smoothly and appropriately to unforeseen incidents should they occur.

Comments from Auditor

Kazushi Hirao Corporate Auditor (Full-time)



I will rigorously audit the performance of the company in conjunction with its diversifying business operations

Capcom's team of corporate auditors consists of four individuals, including two external auditors.

Daily audit operations are implemented in accordance with the audit policy and segregation of duties determined by the Board of Corporate Auditors. To perform our duties, we communicate with the board of directors, Auditors Office and other persons within the company, and work to ensure a suitable audit environment is in place. In addition, collaborating with the Audit Committee newly established in the previous fiscal year, we constantly share information and views in order to reinforce operational audits. We also audit and verify frameworks that ensure director duties conform to laws and the company's articles of incorporate as well as frameworks for ensuring the appropriate operations of the company (internal control system).

Corporate auditors attend board of directors and other important company meetings, and based on reports from directors on their duties, when necessary, we request further explanations and browse important decision-making documents to investigate the status of Capcom's operations and assets.

With Capcom set to accelerate its global expansion going forward, I would like to strengthen our communication and information exchange with directors at our overseas subsidiaries and perform rigorous audits that incorporate external perspectives.

Third-Party Assessment

Promoting More “Visible” Governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom’s corporate governance shows that the company ranked 58th among listed companies in Japan in the “NEEDS-Cges” quantitative corporate governance assessment developed by Nikkei Digital Media, Inc..

“NEEDS-Cges” has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 0 to 10 for eight categories, including “capital efficiency”, “information disclosure”, and “shareholder and capital composition”, among others, assigned based on some 130 indicators calculated from data of publicly released company documents, such as financial reports.

Capcom’s total score was 8.54 points, placing it in the top 1.7% of Japan’s 3,412 listed companies. Our score also greatly exceeded the average for all listed companies and for the industry, at 5.44 points and 7.34 points, respectively. Capcom achieved a perfect score of 10 for four of the eight categories, including “capital efficiency”, “shareholder and capital composition”, “shareholder returns” and “information disclosure”.

The main reasons for each of these perfect scores are given in the chart provided below, but in particular areas highlighted in yellow indicate measures that received particular notice.

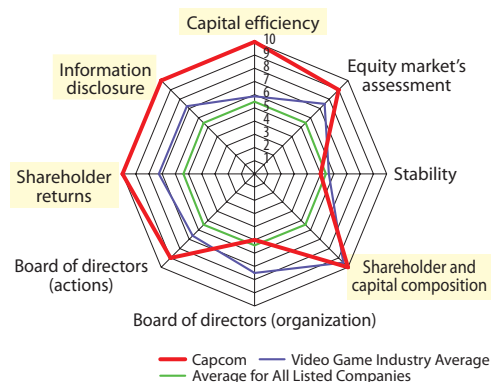
Moving forward, we will strive to continuously improve upon our results using such external data to achieve even more positive assessments. In addition, we will also promote more “visible” governance by publishing the details of this data on our corporate website.

Third-Party Assessment Results of Capcom’s Corporate Governance

Details of Capcom’s Corporate Governance Assessment

Rank	Company	Total Score
58	Capcom	8.54
Categories		Score
Capital efficiency		10
Equity market’s assessment		9
Stability		5
Shareholder and capital composition		10
Board of directors (organization)		5
Board of directors (actions)		9
Shareholder returns		10
Information disclosure		10

Comparison of the Industry Average and the Average for All Listed Companies



Details of Highest Rated Categories

Highest Rated Categories	Score	Areas that Received Particular Notice
Capital efficiency	10	ROA ROE Cash flow
Shareholder and capital composition	10	Ratio of institutional investor shareholdings Ratio of foreign investor shareholdings Cross-shareholding ratio
Shareholder returns	10	Shareholder return ratio Increase in per share dividend
Information disclosure	10	Changes in accounting policy Date of general shareholders’ meeting Corporate website

* Source: NEEDS-Cges from Nikkei Digital Media Inc.

Shareholders’ Meeting Resolutions

The following presents the number of votes in favor, opposed or abstained for the matters to be resolved at the fiscal 2011 general shareholders’ meeting, the requirements for the resolutions to be passed and the results of voting.

Resolutions	Approval Votes	Votes Opposed	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings for the 33rd fiscal year	418,406	156	282	98.18	Resolved
Second proposal: Election of Four (4) Corporate Auditors					
Kazushi Hirao	413,502	5,060	282	97.03	Resolved
Masanao Iechika	413,436	5,126	282	97.01	Resolved
Yoshihiko Iwasaki	418,322	240	282	98.16	Resolved
Akihiko Matsuzaki	418,313	249	282	98.16	Resolved
Third proposal: Election of One (1) Substitute Auditor	418,348	214	282	98.17	Resolved
Fourth proposal: Election of Accounting Auditor	417,951	611	282	98.07	Resolved
Fifth proposal: Revision of Remuneration to Corporate Auditors as a Group	387,144	31,418	282	90.84	Resolved
Sixth proposal: Renewal of Countermeasures (Takeover Defense) in response to a Large-Scale Purchase of Shares	251,104	167,458	282	58.92	Resolved

*1 Conditions for each proposal to be passed

(1) The first, third, fourth, fifth and sixth proposals could be approved with a majority approval of the voting rights of the shareholders in attendance.

(2) The second proposal could be approved with at least one-third of the company’s shareholders with voting rights in attendance and with a majority approval of the voting rights of the applicable shareholders in attendance.

(3) The percentage of approval is calculated according to the following formula.

Percentage of approval = number of voting rights for approval (votes exercised until the day prior to the meeting + certain shareholders in attendance on the day of the meeting) ÷ number of votes (votes exercised until the day prior to the meeting + shareholders in attendance on the day of the meeting)

*2 Reason why certain voting rights of shareholders in attendance were not added to the total number of voting rights

The total confirmed number of votes in approval from the votes exercised until the day prior to the meeting and certain shareholders in attendance on the day of the meeting fulfilled the requirements for each proposal. As a result, the number of voting rights for which confirmation was not made in terms of approval, opposition or abstention from shareholders in attendance on the day of the meeting were not counted because the proposals were legitimately approved in accordance with the Companies Act of Japan.

Corporate Governance Structure and Initiatives

Internal Control System Status

Strengthening Risk Management through the Development of Our Internal Control System

As part of directors' due diligence, Capcom developed the following internal control system based on the Companies Act and its enforcement regulations to ensure that all Group company practices comply with regulations and are executed in an efficient manner.

1. Creation of a Structure to Ensure Directors Perform their Duties in Accordance with Laws and Regulations

To strengthen the management monitoring function and enhance corporate value, Capcom strives to prevent illegal activities and ensure compliance through regular Compliance Committee checks while attempting to invigorate and heighten the monitoring function of the Board of Directors in accordance with advice and recommendations from the three external directors.

2. Internal Control over Financial Reporting

Based on our internal control rules, Capcom has developed and continues to operate the necessary systems in order to guarantee reliable financial reporting and ensure proper internal control over financial reporting, in accordance with the Financial Instruments and Exchange Act. Our internal control system over consolidated financial reporting at the end of the period under review has been determined as effective and the results of this assessment have been reported to the Director-General of the Kanto Regional Finance Bureau in the form of an internal control report. The results have also been disclosed through EDINET and our corporate website.

3. Develop a System to Maintain Appropriate Business Practices

(1) Information Management and Storage

The management and storage of documents and information such as the minutes from board meetings is conducted in accordance with "document management regulations".

(2) Risk Management

A risk management structure and "crisis management regulations" were created to proactively prevent crises and execute the appropriate actions if one occurs.

(3) Efficient Execution of Business Operations

Capcom introduced a Corporate Officer System under which the duties of the Board of Directors and corporate officers are separated to enable smooth and flexible business operations and enhance management efficiency.

(4) Legal Compliance System

The "Capcom Code of Conduct" is our guideline for legal compliance. We seek to prevent illegal activities and misconduct through employee training and monitoring programs.

(5) Operational Audit Structure

In accordance with auditing policies, the execution of operations by corporate officers are audited, with recommendations for improvements indicated in auditor reports as necessary to ensure internal controls function effectively. To enable auditors to perform their duties smoothly

and appropriately, an employee is selected with the consent of auditors to provide assistance.

4. Basic Policy and Framework for the Eradication of Antisocial Forces

Capcom takes a firm stand against antisocial forces that threaten social order and the safety of citizens, and strictly prohibits any association with such groups at the organizational, employee and individual levels. If we are contacted by such groups, in addition to swift organizational measures, we will cooperate with the police and other relevant authorities to firmly refuse unlawful demands.

While Capcom attempts to remain aware of information related to these groups in order to avoid contact or involvement, if we discover that we have unknowingly become involved with them, we will immediately terminate the association with the help of the police and other relevant authorities.

Initiatives to Strengthen Compliance

Focusing on the Viability and Effectiveness of Our Compliance System

As noted on page 48, Capcom has established a Compliance Committee chaired by an external director that periodically reports to the board of directors and issues reminders and recommendations as well as provides advice based on reports from local compliance committees. The Internal Auditing Department, which has been established as the committee's secretariat, works to enhance the viability of the entire Capcom Group's compliance system by planning and operating the internal compliance system and functioning as the department that provides consultations and receives notifications to prevent legal violations before they occur.

Furthermore, the "Capcom Code of Conduct" was formulated to strengthen our compliance system. Capcom is dedicated to proactively preventing illegal acts and misconduct, and ensuring legal compliance through the promulgation of corporate ethics and principles.

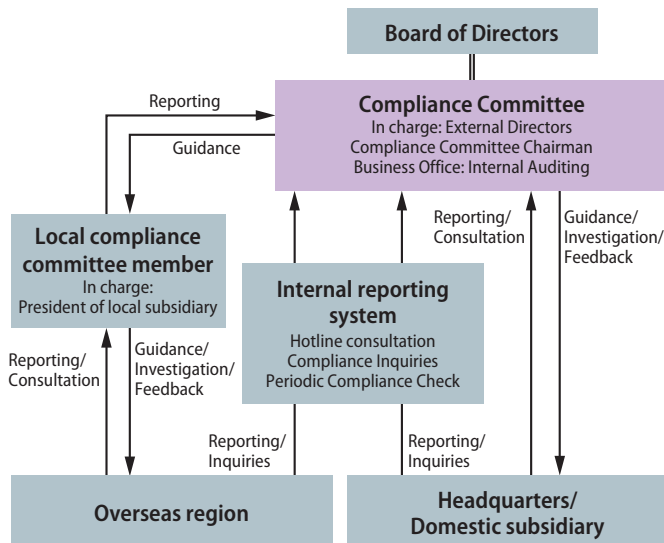
During the period under review, the Compliance Committee met four times and conducted compliance training sessions for new employees. Also, "e-learning sessions on legal compliance and personal information protection rules" were given to all employees.

Compliance is the foundation of corporate governance and the basis for the fulfillment of corporate social responsibility. Capcom will continue to instill this understanding in all its officers and employees.

■ Status of Training and Other Programs (Fiscal 2011)

Activity	No. of Times	Target
Compliance training	1	New employees
Sessions on legal compliance	2	All employees
Sessions on personal information protection rules	2	All employees

■ Compliance Structure



Periodic Compliance Checks

Compliance Status Checked Regularly

Capcom conducts “periodic compliance checks” to regularly monitor the operational status of each of its departments. Every six months more than 30 items, including fair business practices, workplace health and safety, and information asset management, are checked using a paper questionnaire, while more than 40 compliance officers covering each department are also interviewed individually to confirm the effectiveness of our overall compliance system.

In response to feedback received from interviews and questions during the “periodic compliance check”, such as on protocol for issuing documents to business partners and proper document management practices, clear-cut answers are provided to related persons and when necessary, all employees are notified and made aware using the intranet.

Compliance Hotline

Special Hotline Set Up for Compliance Issues

Capcom established the “Compliance Hotline” and “Corporate Ethics Hotline Rules” in accordance with the Whistle-Blower Protection Act of Japan and as a means to prevent and uncover risks in order for the company to thoroughly practice compliance-focused management.

This hotline enables the company to smoothly address whistle-blowing complaints from employees and have in place an environment to prevent legal violations or illegal behaviors as well as take corrective action.

Information Security Initiatives

Building Mechanisms for the Appropriate Protection of Information Assets

As a company primarily engaged in the planning and development of software, Capcom is an environment where the latest information

technology is always in use. Compared to companies in other lines of business, we face relatively high information security risks.

Capcom protects its information assets from theft, loss, accident and threat of damage, and has formulated an information security policy appropriate for a corporation trusted by society.

We also provide employees with a self-learning environment via the company intranet, and publish internal information regulation collections including “Basic Security Policies”, “System Usage Policies” and “Basic Disclosure Policies”.

We use a firewall to protect us from external attacks via the Internet, and our internal system requires each user to have a unique ID, password and PIN to access the system, thereby reducing the risk of unwelcome intruders.

Furthermore, we are in the process of patching known security holes. Furthermore, over the next few years we will implement measures to prevent information leaks, which will include (1) identification of information leak risks, (2) creation of an early response structure to respond to information leaks and (3) establish response process to minimize damage in event information is leaked.

We will require the help of an outside investigative company to conduct the inspection and diagnosis of our information management system involved in (1) to clearly identify the critical risks we face, while (3) will involve a system capable of quickly auditing the information log to find the cause and prevent the reoccurrence of problems. In this manner, we are focusing our efforts on using our expertise to enhance our internal response capabilities.

To improve security literacy among all our employees, we are implementing internal training to raise awareness and educate on the topic of information leak risks.

Through these and other initiatives, Capcom is striving to create a structure for making an appropriate first response in the event information is leaked or an accident occurs.

Business Continuity Plan (BCP) Initiatives

Strengthening Our Crisis Management System

Capcom is working to strengthen its crisis management system in order to minimize damages, losses and disrepute, and ensure the company continues to function, based on an appropriate and smooth response, in the event of an emergency, such as a natural disaster or accident. If an emergency occurs, under our crisis management rules, a task force consisting of top management will be set up to assess the extent of damage to the company. In addition, we have established action criteria and an emergency contact route in our crisis management manual in order to ensure an appropriate response and convey information to one another in a prompt manner.

In the wake of the Great East Japan Earthquake, we are striving to build a crisis management system that will ensure our business continuity in the event of an unforeseen incident or natural disaster. This will be made possible by strengthening our risk management through the stockpiling of disaster-relief supplies, implementation of a safety confirmation system, and storage of Health Kits for flu, to ensure that we can properly and quickly respond to these emergencies.

IR Activities

Basic Policies Regarding IR Activities

1. Disclosure Policies

Capcom believes that the timely and appropriate disclosure of information is the duty of every listed company, and that accountability to our shareholders and investors is indispensable from the perspective of corporate governance.

To this end, our basic policy for IR activities involves (1) the establishment of a responsible investor relations framework, (2) the thorough disclosure of information, and (3) the creation of a system for the timely disclosure of information to enhance management transparency.

2. Disclosure Criteria

Capcom provides timely disclosure in accordance with the Securities and Exchange Law and other regulations including the "Rules on Timely Disclosure of Corporate Information" by Issuer of Listed Security (hereinafter Timely Disclosure Rules) stipulated by the Financial Instruments and Exchange Law and the Tokyo Stock Exchange. It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely Disclosure Rules, to accommodate our investors' needs.

We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through business reports.

3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting one month prior to the scheduled earnings announcement. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose this information pursuant to the Timely Disclosure Rules.

4. Third-Party Assessments of IR Activities

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. In the period under review, we received the "Best IR Award 2011", an Award for Excellence at the "Nikkei Annual Report Awards 2011", and our IR website placed first in the Gomez Consulting Co., Ltd's "Investor Relations Site Ranking 2011" for the third consecutive year.

With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and provide timely disclosure.

5. IR Team

Capcom IR activities are conducted by four full-time staff members in addition to the chairman, the president and the IR director on behalf of shareholders and investors in Japan and overseas.

For earnings information and other IR-related inquiries, please contact the IR team.



Investor Relations Staff

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(excluding weekends and
public holidays)

CSR Initiatives

Offering Educational Assistance as Part of Our Social Responsibilities as a Game Software Manufacturer

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, theories about the detrimental effects resulting from violent content have been persistently trumpeted to the general public. Nevertheless, the idea of a "future career" as a video game creator is very popular among children, and some schools have even begun to incorporate portable video game consoles into the classroom in recent years.

As part of our corporate social responsibilities as a game software manufacturer, we believe that fostering an understanding about video games by inviting elementary and junior high school students to visit our company and proactively participate in classroom activities at schools. We conduct two highly acclaimed programs: the "Career Education Support program" providing an overview of the company, focusing on the rewards and challenges of developing video game software; and the "Game Literacy Education Support program" teaching students how to develop a healthy relationship with video games.

In the period under review, we launched a new educational program focused on the "Career Education Support program" based on the Ministry of Education, Culture, Sports, Science and Technology's new guidelines on fostering "zest for life". This program represents our commitment to continually improve our educational assistance based on feedback received from educators.

As a result, as of March 31, 2012, 1,256 students from 177 schools had visited the company, and Capcom school visits have been held for a cumulative total 1,455 students in 15 schools, including Takarabe Kita Elementary School in Kagoshima Prefecture.

For the next fiscal year, based on the advice of a university education specialist and feedback received from schools, we will initiate a new program using the "Pictorial Book for Mathematics Used at Work" (tentative name) in collaboration with the NPO Association of Corporation and Education. This will enable us to promote CSR activities more aligned to the needs of schools today.

■ Educational Support Programs

	Fiscal 2011		Cumulative (fiscal 2005 to 2011)	
	Schools	Participants	Schools	Participants
Capcom school visits	7	665	15	1,455
Company visits	28	246	177	1,256

Capcom School Visit Case Study

June 24, 2011: Soo Municipal Takarabe Kita Elementary School in Kagoshima Prefecture

On June 24, 2011, Capcom visited Soo Municipal Takarabe Kita Elementary School in Kagoshima Prefecture. Other students from nearby elementary and junior high schools were also invited to attend the class. Takarabe Kita Elementary School is promoting the “Dream Building Project” where people from various industries are invited to give a presentation at the school to help students achieve their dreams for the future.

This marked the first time that we held the program more focused on career education. A total of 58 students learned about the type of work performed at a video game company through popular video games. All of the students showed a strong interest the work of video game developers and their workplace environment. During the part of the presentation when asked what type of skills were need to work at a video game company, many students raised their hand and shared their guesses, providing a lively and fun classroom experience.



Capcom School Visit Feedback

We received a wide range of comments after our Capcom school visits and student company visits.

- I felt like I wanted to become a programmer. I also found that it’s important for a programmer to be able to reflect many different views from within the company in their work (elementary school student).
- The class taught me that it takes the teamwork of many different people just to make one video game (junior high school student).
- It was very meaningful for the children to learn about the work of video game creators in one of Japan’s most prominent industries (public library employee).
- I felt it was a great opportunity for children to learn not only about work at a video game company, but also about what it takes to be a contributing member of society. It was also a great chance for parents to be more aware of how they can communicate with their children through video games (parent of elementary school student).
- Having the chance to learn directly from video game professional in a classroom format will likely leave a lasting impression on students (elementary school teacher).
- I found that students listened quite attentively and felt it was a good opportunity for students to learn from and interact with working adults other than their teachers (junior high school teacher).

Providing Free Copies of “Secrets of Video Games” to Schools and Public Libraries

Capcom publishes the educational comic “Secrets of Video Games” in cooperation with Gakken Co., Ltd. The comic offers insights into the game development process, promotes healthy relationships with video games and provides information on what to study to become a video game creator.

The comic is distributed free of charge to 24,000 elementary schools and 2,700 public libraries across Japan, as well as to students as an educational material in advance of a Capcom visit to their school. It is also recommended by the National Congress of Parents and Teachers Association of Japan for use as a secondary teaching material in integrated courses and other classroom settings.

Rating System for the Sound Development of Youth

The video game industry voluntarily restricts game content and sales methods to limit access to sexual and violent content for the healthy development of young people who frequently play home video games. Specifically, before all home video games are sold, they are given a rating by the Computer Entertainment Rating Organization (CERO) that informs consumers of the nature of the content and age-appropriateness via a label on the game package. The industry voluntarily prohibits the sale of software intended for users 18 years or older (category Z) to consumers who are under 18, with 99% of retailers* separating game displays by ratings category and checking purchaser identification to confirm age. Furthermore, to ensure fairness, CERO is not affiliated with any company or organization, but exists and operates independently.

In addition, the latest home video game consoles include a parental control function that enables parents to limit the purchase and use of certain games according to their ratings. The industry is making a concerted effort to promote the adoption of this ratings system and improve its efficacy.

In the period under review, Capcom made an effort to promote a greater understanding of this ratings system through detailed explanations in “Secrets of Video Games” and on its corporate website, as well as during student visits to the company and presentations at schools.

* From the results of the 4th CERO Age-Based Ratings System Field Survey



Gakken’s “Understanding” Series:
“Secrets of Video Games”

Rating Symbol

Risk Management

Various Risk Management Efforts to Achieve Stable Earnings

Capcom faces many risks (see below) that have the potential to affect operating performance and the company's financial condition. A risk management system has been created to minimize the impact of these risks on operating and other performance.

For example, in terms of intellectual property rights, the legal affairs department (composed of patent and trademark copyright teams) conducts preliminary audits and submits the required applications during the planning and production stages of development in an effort to avoid the risk of infringement in terms of the acquisition and maintenance of rights. Capcom also focuses on internal education by holding in-house intellectual property study groups on a regular basis and conducting activities to impart legal knowledge.

Furthermore, in terms of "risks related to overseas operations", in consideration of the culture, religion and customs of each country the legal affairs division and quality control departments conduct game content checks in addition to those conducted by the research department, and the legal affairs division consults with local legal teams as necessary to ensure compliance with local laws. Regarding the increased task risk of expanding overseas operations, Capcom requests advanced pricing agreements to limit transfer pricing risk.

Risks Affecting Operating Results

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated in writing below, which are based on information that is available as of March 31, 2012 and certain assumptions by the Group that serve as the basis of rational judgments.

1. Risks Relating to Consumer Online Games

(1) Increase in Development Costs

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

(2) Obsolescence of Game Software

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

(3) Dependency on Popular Series

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

(4) Violent Scenes and Depictions

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

(5) Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. Accordingly, there is a risk that business performance may substantially fluctuate from quarter to quarter.

(6) Trends in Proliferation of Home Video Game Consoles

Our home video game titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation. Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

(7) License Agreements with Console Manufacturers

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

(8) Technological Enhancement of Home Video Game Platforms

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

(9) Expansion of Used Software Market

Currently, used software accounts for approximately one-third of the domestic software market. Also, the flood of pirated copies in the Asian market is becoming increasingly serious.

Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

2. Risks Relating to Other Businesses

(1) Mobile Content

In recent years, the Internet market has been expanding on the rapid growth of smartphones and other mobile handsets, but if hardware development lags new technology, it may become impossible to ensure the smooth provision of games and other digital content. Furthermore, in the event that the number of users declined on SNS sites where we distribute content as a result of decentralized amusement or diversification of consumer needs, there is a risk that it may adversely affect our operating results.

(2) Arcade Operations

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

(3) Amusement Equipments

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

At the same time, the number of customers to whom we provide peripheral devices for game machines is quite limited. And, the performance of the "Amusement Equipment business" may depend heavily on the sale of these devices in some fiscal years. Under the provision of the "Entertainment and Amusement Trade and the Implementation Rules for the Entertainment and Amusement Trades Rationalizing Act", we are allowed to sell the peripheral devices for only those machines which passed the test of the Security Electronics and Communications Technology Association. The performance of this business segment may be affected significantly by the trend of such industry systems.

Thus, it is possible that changes in such a trend could negatively affect the operating results of the entire Capcom Group.

3. Risks Relating to Overseas Operations

- (1) There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.
- (2) As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.
- (3) There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

4. Risks Relating to Financial Status and Operating Results

- (1) As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.
- (2) As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

5. Risks Relating to Development Technologies

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

6. Legislative Risks

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

7. Risks Relating to Intellectual Property Rights

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

8. Risks Relating to Lawsuits

In the past, Capcom has sued over copyright infringement or been sued in other cases. In addition, as the company expands its business domain, it is possible Capcom may be taken to court in the future over product liability, labor or intellectual property rights related issues. As a result, there is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

9. Risks Relating to Information Leaks

It is possible for hardware, software and databases to be compromised through unauthorized access via technology exceeding our assumptions, computer viruses, and other unforeseeable events. Accordingly, in the event that confidential information related to individual persons or game development was leaked, damages may have to be paid, the company's image may be tarnished and development may be brought to a halt. Therefore, the operating results and financial position of the Capcom group may be negatively affected by these incidents.

10. Development and Assurance of Human Resources

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

Therefore, the operating results and financial position of the Capcom group may be affected negatively by these factors.

Directors and Corporate Auditors

Directors



Kenzo Tsujimoto

Chairman and Chief Executive Officer (CEO)

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

Haruhiro Tsujimoto

President and Chief Operating Officer (COO)

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

Tamio Oda

Director, Executive Vice President and Chief Financial Officer (CFO)

Apr. 1969 Entered into The Sanwa Bank, Limited. (Currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)
Jun. 1991 Managing Director of Unicharm Corporation
Jun. 1997 Branch Manager of Nakanoshima Branch of the said bank
Jun. 1999 Managing Director of Daisue Construction Co., Ltd.
May 2001 Advisor of the Company
Jun. 2001 Director of the Company
Jun. 2003 Managing Director of the Company
Jul. 2004 Director, Executive Corporate Officer, Chief Financial Officer (CFO) and in charge of Corporate Strategies, Administration, President's Office, Affiliated Companies' Management of the Company
Jul. 2007 Director, in charge of Corporate Management of the Company (to present)
Jul. 2010 Director, Chief Financial Officer (CFO) of the Company (to present)
Apr. 2011 Director, Executive Vice President of the Company (to present)

Kazuhiko Abe

Director and Executive Corporate Officer

Apr. 1987 Entered into The Mitsubishi Bank, Limited. (Currently The Bank of Tokyo-Mitsubishi UFJ, Limited.)
Jul. 1994 Deputy Manager of New York Branch, the said Bank
Nov. 2000 Executive Officer, Hikari Tsushin, Inc.
Jan. 2002 Executive Officer, Intuit Co., Ltd. (Currently Yayoi Co., Ltd.)
Mar. 2003 Entered into the Company
Jul. 2003 General Manager of Corporate Planning Dept. of the Company
Jul. 2003 Corporate Officer of the Company
Apr. 2004 Managing Corporate Officer of the Company
Apr. 2006 Director, Chief Financial Officer (CFO) of the Company
Jun. 2006 Director, in charge of Group Management of the Company
Jul. 2007 Director, in charge of Overseas Business of the Company
Jul. 2010 Director, in charge of Overseas Business of the Company (to present)
Apr. 2011 Director, Executive Corporate Officer of the Company (to present)

Yoshifumi Yamashita

Director and Executive Corporate Officer

Feb. 1992 Entered into the Company
Apr. 1997 General Manager, Business Dept. in R&D Division of the Company
May 2001 Corporate Officer and Head of Budget Control Office of the Company
Jul. 2003 Managing Corporate Officer, Head of Creative Division of the Company
Apr. 2011 Executive Corporate Officer (to present), Head of Human Resources, IT and Research & Development Management
Jun. 2011 Director, in charge of Human Resources, IT and Research & Development Management of the Company (to present)

Katsuhiko Ichii

Director and Executive Corporate Officer

Aug. 2004 Entered into the Company
Oct. 2004 General Manager of Home Video Games Business of the Company
Apr. 2005 Corporate Officer Head of Home Video Games Business Strategy Division of the Company
Apr. 2006 Managing Corporate Officer and Head of Home Video Games Business of the Company
Apr. 2011 Executive Corporate Officer (to present), General Manager of Consumer Entertainment Business Management Group and Head of Consumer Games Business Division and Consumer Games R&D Division of the Company
Jun. 2011 Director, in charge of Consumer Games Business of the Company (to present)

Sumitaka Hatsuno

Director

Dec. 1989 Entered into the Company
Apr. 1993 General Manager of Arcade Operations Dept. of the Company
Jun. 1999 Corporate Officer and General Manager of Arcade Operations Dept. of the Company
Jul. 2004 Managing Corporate Officer of the Company
Jun. 2005 Director of the Company
Apr. 2006 Director, Executive Corporate Officer of the Company
Jul. 2007 Director, in charge of Arcade Operations, Arcade Game Sales and Pachinko & Pachislo Business of the Company
Jan. 2010 Director, in charge of Arcade Game Sales, Pachinko & Pachislo Business, Purchasing Dept., Ueno Branch and Dedicated Dabinet QC Dept. of the Company (to present)
Apr. 2010 Director, in charge of Arcade Business, Pachinko & Pachislo Business and Production Control Department of the Company
Jun. 2011 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company (to present)

Hiroshi Tobisawa

Director

Aug. 1997 Entered into the Company
Apr. 1998 General Manager of Corporate Planning Dept. of the Company
Jun. 1999 Corporate Officer & General Manager of Home Video Games Domestic Sales Division of the Company
Apr. 2001 Managing Corporate Officer of the Company
Jun. 2005 Director of the Company
Jul. 2007 Director, in charge of Overseas Business of the Company
Jul. 2010 Director, in charge of Special Missions of the Company
Apr. 2011 Director, in charge of Asian countries of the Company (to present)

External Directors



Takayuki Morinaga

Makoto Matsuo

Hiroshi Yasuda

Hiroshi Yasuda

Director

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

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

Makoto Matsuo

Director

- Apr. 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o Weil, Gotshal & Manges in New York
- Mar. 1979 Admitted to New York Bar
- Apr. 1989 Partner, Momo-o, Matsuo & Namba (to present)
- Apr. 1997 Lecturer, Nihon University, Faculty of Law: International Transaction Law
- Jun. 1999 External Corporate Auditor, Victor Company of Japan, Limited
- Jun. 2000 External Corporate Auditor, Billing System Corporation (to present)
- Jun. 2003 External Corporate Auditor, Yamanouchi Pharmaceutical, Co., Ltd.
- Jun. 2004 External Director, Yamanouchi Pharmaceutical, Co., Ltd.
- Apr. 2005 External Director, Astellas Pharma Inc. Lecturer, Hitotsubashi University Faculty and Graduate School of Law: World Business Law (to present)
- Jun. 2007 External Director of the Company (to present)
- Oct. 2008 External Director, JVC KENWOOD Holdings, Inc.
- Jun. 2009 External Corporate Auditor, Toray Industries, Inc. (to present)

Takayuki Morinaga

Director

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

Auditors



Masanao Iechika

Akihiko Matsuzaki

Kazushi Hirao

Yoshihiko Iwasaki

Kazushi Hirao

Corporate Auditor (full-time)

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

Yoshihiko Iwasaki

Corporate Auditor (full-time)

- Apr. 1979 Entered into National Tax Agency
- Jul. 1986 District Director of Ijuin Tax Office
- Jul. 1997 Deputy Commissioner (Revenue Management and Collection) of Hiroshima Regional Taxation Bureau Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
- Jul. 2003 Director of Commissioner's Secretariat, the National Tax Agency
- Jul. 2007 Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
- Jul. 2008 Executive Director of National Tax College
- Jul. 2009 Director-General of Kanazawa Regional Tax Tribunal
- Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
- Jul. 2011 Vice President of National Tax College
- Jun. 2012 External Corporate Auditor of the Company (full-time)(to present)

* Messrs. Yoshihiko Iwasaki, Akihiko Matsuzaki are External Auditors.

Masanao Iechika

Corporate Auditor

- Apr. 1962 Registered Lawyer (Osaka Bar Association)
- Apr. 1981 Vice President of Osaka Bar Association, Governor of Japan Federation of Bar Association
- Mar. 1988 Member of Commercial Code Committee of Judicial System and Research Dept. of Ministry of Justice
- Jun. 1994 Outside Corporate Auditor of Mitsubishi Tanabe Pharma Corporation (to present)
- Jun. 1998 Outside Corporate Auditor of Keihan Electric Railway Co., Ltd. (to present)
- Apr. 2001 Outside Corporate Auditor of ES-CON JAPAN Ltd. (to present)
- Jun. 2002 Director of the Company
- Jun. 2004 Professor of the Konan Law School
- Dec. 2007 Executive Partner of Daiichi Law Office, P.C. (to present)
- Jun. 2008 Corporate Auditor of the Company (to present)

Akihiko Matsuzaki

Corporate Auditor

- Apr. 1968 Entered into National Police Agency
- Feb. 1975 Chief of Foreign Affairs Section, Security Bureau, Hyogo Prefectural Police Headquarters
- May 1979 First Secretary of Embassy of Japan in Thailand
- Jul. 1988 Chief of Tottori Prefectural Police Headquarters
- Apr. 1993 Chief of Nagano Prefectural Police Headquarters
- Aug. 1996 Director General of Chubu Regional Police Bureau
- Sep. 1997 Director of the Board, Japan Road Traffic Information Center
- Apr. 2002 Auditor of Japan Police Mutual Aid Association
- Sep. 2003 Director of the Board, Japan Police Mutual Aid Association
- Mar. 2005 President of Kioi Kyosai Co., Ltd.
- Jul. 2009 Auditor of Japan Police Cooperative (Part-time) (to present)
- Jun. 2012 External Corporate Auditor of the Company (to present)



Financial Section

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Net Cash Strategy for Supporting Investments in Online Game Development

Capcom has set a financial goal of improving net cash to build a lean financial foundation without waste while at the same time securing funding to invest in growth and increasing shareholder returns.

The reason behind the goal is the significant evolution underway in the game software market due to the incorporation of mobile and social games in addition to home games and PC online games, which represents a business opportunity for Capcom. We have therefore formulated growth strategies for our online and mobile businesses in addition to our basic strategy of developing high-quality content, and have sought to reinforce our investments in development.

We will seek stable growth over the medium- and long-term by raising profitability through our growth strategies and generating high level of cash flows.

Tamio Oda

Director and Executive
Vice President and
Chief Financial Officer (CFO)



1. Securing Funding to Invest in Growth

Capcom believes now is the right time for investing in growth. We are therefore aiming to increase our net cash position further by maximizing our free cash flows and making investments in development.

In order to fulfill this policy, we will institute two new financial strategies focused on generating cash flows through process management. The first strategy is to take a thorough approach to managing the recovery of investments. In this regard, we will expand current title-by-title investment management system using a comparable category-by-category database based on information covering our brands and producers. The second strategy is to maximize working capital efficiency. Under this strategy, we will expand our business-by-business investor capital management system and establish a framework to manage our investment turnover period and turnover ratio in a more visible manner. Net cash generated in the year ended March 2012 was 11,300 million yen, marking a decrease of 16,300 million yen over the previous fiscal year, due to factors including the lack of major titles.

Nevertheless, analysis of past fiscal years shows that our net cash position, or cash deposits less interest-bearing debt, as of the fiscal year ended March 1996 was negative 66,200 million yen. Considering that our net cash position in the year ended March 2012 was 11,300 million yen, this represents an improvement of nearly 77,500 million yen over the past 15 years.

2. Increasing Shareholder Returns

Capcom believes it is important to provide returns to shareholders and seeks to: (1) enhance corporate value by achieving growth through investments and other means and (2) maintain stable dividend payments

commensurate with business performance.

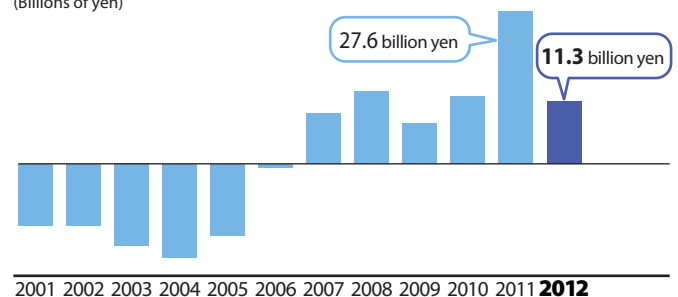
For the year ended March 2012, the total annual dividend was 40 yen, the same as the previous fiscal year. As a result, our payout ratio was 34.5%.

Following analysis of past fiscal years, Capcom paid 20 yen per share from the year ended March 1998 to the year ended March 2006. From the year ended March 2007, we increased dividends to 30 yen per share as the structural reforms enabled us to establish a stable profit base. Since the year ended March 2009, we had been paying 35 yen per share, but as of the year ended March 2011, we are paying a dividend of 40 yen per share.

We have also acquired approximately 13,000 million yen in treasury stock since the year ended March 2004. We will seek further improvement in net cash to continue strengthening investments for growth and to deliver returns to shareholders.

Net Cash on Historical Basis

(Billions of yen)



2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 **2012**

(YEARS ENDED MARCH 31)

11-Year Summary of Consolidated Financial Indicators

	2002	2003	2004	2005	2006
For the Year:					
	Millions of yen				
Net sales	¥ 62,742	¥ 62,036	¥ 52,668	¥ 65,895	¥ 70,253
Operating income	9,727	6,680	1,402	7,752	6,580
Net income (loss) before income taxes	7,420	(30,049)	(6,900)	7,006	6,912
Net income (loss)	4,912	(19,598)	(9,158)	3,622	6,941
Depreciation & amortization	2,172	2,202	2,081	2,101	1,936
Capital expenditures	4,181	2,289	4,678	1,665	1,600
R&D expenses	1,067	1,151	1,124	1,323	1,864
At Year-End:					
	Millions of yen				
Total assets	¥ 128,512	¥ 106,648	¥ 93,096	¥ 106,361	¥ 98,457
Net assets	68,233	42,888	31,854	32,491	39,464
Net cash	(11,132)	(14,894)	(16,957)	(12,948)	(678)
Cash Flows:					
	Millions of yen				
Cash flows from operating activities	¥ 3,315	¥ 3,635	¥ 5,577	¥ 7,977	¥ 13,921
Cash flows from investing activities	(3,066)	(2,329)	(5,011)	(1,099)	(1,779)
Cash flows from financing activities	8,589	(2,000)	(395)	6,251	(18,259)
Net increase (decrease) in cash and cash equivalents	9,519	(1,555)	(1,313)	13,406	(4,885)
Cash and cash equivalents at end of year	35,000	33,444	32,131	45,538	40,652
Per Share Data:					
	Yen				
Net income (loss) per share	¥ 84.21	¥ (338.01)	¥ (160.91)	¥ 63.37	¥ 125.19
cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00
Net assets per share	1,168.51	753.47	559.66	589.99	716.91
Financial Index:					
Operating margin (%)	15.5	10.8	2.7	11.7	9.4
ROE (%)	7.5	—	—	11.3	19.3
ROA (%)	4.1	—	—	3.6	6.8
Net worth ratio (%)	53.1	40.2	34.2	30.5	40.1
Interest coverage ratio (times)	14.2	14.6	20.3	30.0	82.6
Debt-equity ratio (%)	88.3	148.8	192.4	227.9	149.4
Stock Information:					
Price earnings ratio (times)	41.2	—	—	16.5	9.7
Number of outstanding shares (thousands shares)	58,435	58,435	58,435	58,435	58,435
Foreign investors (%)	25.91	16.85	16.59	14.79	23.35

11-Year Summary of Consolidated Business Performance Indicators
 ➔ See page 7

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

2007	2008	2009	2010	2011	2012	2012
Millions of yen					Thousands of U.S. dollars	
¥ 74,542	¥ 83,097	¥ 91,878	¥ 66,837	¥ 97,716	¥ 82,065	\$ 1,000,801
9,602	13,121	14,618	5,587	14,295	12,318	150,226
9,986	11,962	12,448	1,124	10,807	11,425	139,340
5,852	7,807	8,063	2,167	7,750	6,723	81,999
2,774	3,393	4,143	3,368	3,315	3,123	38,091
4,495	4,503	2,906	2,205	2,758	4,153	50,647
1,828	2,972	2,329	2,125	2,924	2,236	27,277
Millions of yen					Thousands of U.S. dollars	
¥ 91,478	¥ 93,606	¥ 106,210	¥ 86,621	¥ 90,408	¥ 98,247	\$ 1,198,141
45,144	53,660	59,349	53,956	58,007	59,352	723,809
9,200	13,061	7,378	12,299	27,655	11,348	138,394
Millions of yen					Thousands of U.S. dollars	
¥ 16,063	¥ 7,452	¥ (551)	¥ 14,320	¥ 22,392	¥ (7,672)	\$ (93,560)
(6,715)	(3,374)	(2,715)	(1,618)	(2,046)	(4,794)	(58,469)
(15,206)	(2,448)	(342)	(10,747)	(12,919)	587	7,169
(5,654)	(2,256)	(4,454)	1,203	5,196	(12,724)	(155,171)
35,020	32,763	28,611	29,815	35,011	22,287	271,796
Yen					U.S. dollars	
¥ 107.52	¥ 132.90	¥ 130.98	¥ 35.71	¥ 131.18	¥ 116.10	\$ 1.42
30.00	30.00	35.00	35.00	40.00	40.00	0.48
799.35	881.31	961.38	913.18	981.76	1,030.70	12.57
12.9	15.8	15.9	8.4	14.6	15.0	
13.8	15.8	14.3	3.8	13.8	11.5	
6.2	8.4	8.1	2.3	8.8	6.8	
49.3	57.3	55.9	62.3	64.2	60.4	
237.3	103.7	—	86.9	155.8	—	
102.8	74.4	79.0	60.5	55.9	65.5	
15.7	25.6	13.3	49.5	12.1	16.3	
62,269	66,719	67,394	67,723	67,723	67,723	
32.60	27.72	33.73	24.22	22.17	27.05	

Financial Review

1. Operating Results

Capcom Co., Ltd. would like to announce that net sales for the current fiscal year stood at 82,065 million yen (down 16.0% from the previous fiscal year). As for profits, operating income amounted to 12,318 million yen (down 13.8% from the previous fiscal year), and ordinary income stood at 11,819 million yen (down 8.1% from the previous fiscal year). Net income for the current fiscal year amounted to 6,723 million yen (down 13.2% from the previous fiscal year).

2. Sales and Profits

(1) Net Sales

Net sales for the current fiscal year were 82,065 million yen (down 16.0% from the previous fiscal year). This was primarily the result of a substantial 23.9% decline in sales from the previous fiscal year in the core Consumer Online Games business. In addition to "Monster Hunter 3 (Tri) G", which expanded steadily with sales topping 1.6 million copies, "Monster Hunter Frontier Online," the online exclusive title for PC and Xbox 360, maintained its strong performance supported by its stable popularity. Nevertheless, these factors could not compensate for the impact of the reaction to the successive release of major titles, including "Monster Hunter Freedom 3", in the previous fiscal year and the postponement of a major title "Dragon's Dogma", which had been scheduled to be released in this fiscal year, to the next fiscal year.

Meanwhile, the Mobile Contents business registered substantial growth in sales. This was attributable to the continued success of "Smurfs' Village" as well as a steady increase in the membership of social games in Japan, such as "Minna to Monhan Card Master" and "Monhan

Tankenki Maboroshi no Shima", which contributed to earnings. As a result, net sales were 82,065 million yen (down 16.0% from the previous fiscal year), which failed to break the record high marked in the previous fiscal year.

(2) (Cost of sales, Selling, general and administrative expenses)

Operating Income
Cost of sales was 49,609 million yen (down 17.8% from the previous fiscal year), gross profit was 32,456 million yen (down 13.1% from the previous fiscal year and selling, general and administrative expenses were 20,150 million yen (down 12.4% from the previous fiscal year).

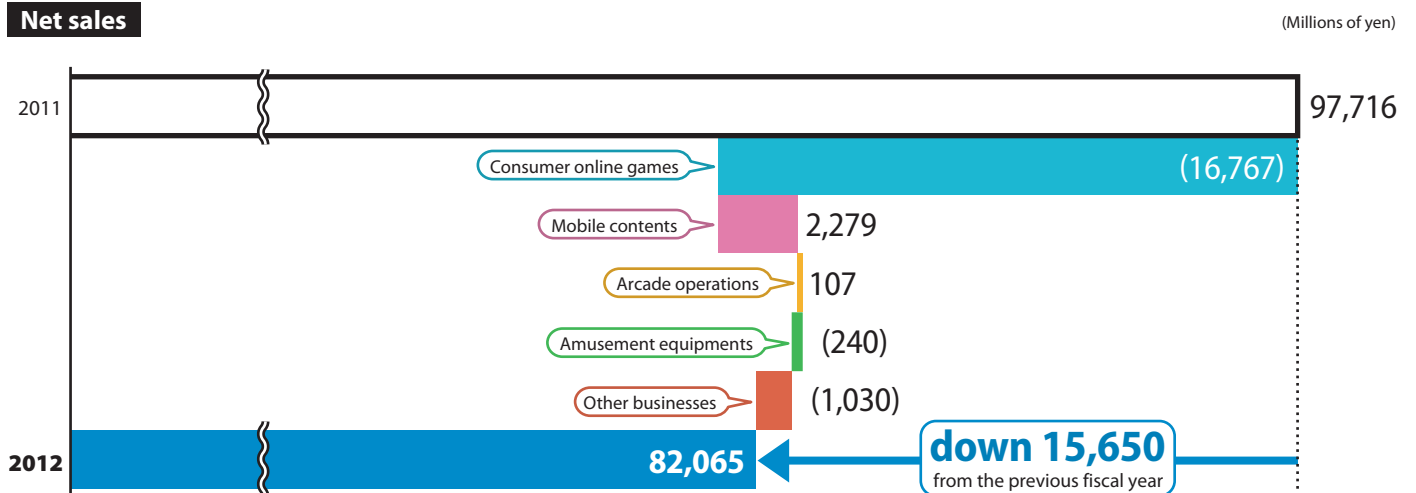
In the current fiscal year, development costs reduced significantly with fewer major titles for the Consumer Online business, resulting in decrease in cost of sales of 10,700 million yen from the previous fiscal year. The ratio of cost of sales stood at 60.5%, roughly the same as that for the previous fiscal year.

Also, factors such as decrease in advertising expenses related to major titles for the Consumer Online Business as well as thorough cost-cutting efforts resulted in decrease in selling, general and administrative expenses of 2,858 million yen from the previous fiscal year.

As a result, operating income was 12,318 million yen (down 13.8% from the previous fiscal year), and operating margin was 15.0%, improving by 0.4% from the previous fiscal year.

(3) Other Earnings (expenses), Net Income

Non-operating income for the current fiscal year totaled 289 million yen (up 25.1% from the previous fiscal year), and non-operating expenses were 788 million (down 52.6% from the previous fiscal year) as a result of decrease in exchange loss on assets denominated in foreign currencies. As a result, ordinary income totaled 11,819 million yen (down 8.1% from the previous fiscal year), and ordinary



income ratio was 14.4%, improving by 1.2% from the previous fiscal year.

Also in the current fiscal year, there was a major decrease in special losses to 402 million yen (down 82.4% from the previous fiscal year) due to no loss on restructuring and no loss on disaster, which Capcom recorded in the previous fiscal year.

As a result, Capcom recorded net income of 6,723 million yen (down 13.2% from the previous fiscal year), and profit margin improved by 0.3 points.

3. Status of Each Operational Department

(1) Consumer Online Games

In this business segment, in addition to steady growth in sales of "Monster Hunter 3 (Tri) G", a feature title for Nintendo 3DS, topping 1.6 million copies, "Resident Evil: Operation Raccoon City" another flagship title launched around the end of the fiscal year for PlayStation 3 and Xbox 360 also got off to a good start. However, sales of "Street Fighter X Tekken" (for PlayStation 3 and Xbox 360) were sluggish.

Nevertheless, as each title sold more than 1 million copies, Capcom successfully launched three million-seller titles.

Moreover, in addition to an array of unique titles such as "Asura's Wrath" (for PlayStation 3 and Xbox 360), "Resident Evil: Revelations" (for Nintendo 3DS) and "Ultimate Marvel vs. Capcom 3" (for PlayStation 3, Xbox 360 and PlayStation Vita), the Consumer Online Games Business also released a number of distribution titles developed in cooperation with third parties as part of its product diversification efforts.

As for online game titles "Monster Hunter Frontier Online" (PC, Xbox 360) has been constantly popular.

As a result, net sales amounted to 53,501 million yen (down

23.9% from the previous fiscal year), and operating income was 10,502 million yen (down 16.0% from the previous fiscal year), due in part to the reaction to the release of multiple major titles in the previous fiscal year and to the postponement of the launch of a major title "Dragon's Dogma" (for PlayStation 3 and Xbox 360) to the next fiscal year.

(2) Mobile Contents

The Mobile Contents business showed its underlying strength through the strong performance of "Snoopy's Street Fair" in Japan and Asia and the steady increase in membership for "Monhan Tankenki Maboroshi no Shima," which is part of the "Monster Hunter" series for GREE, and "Minna to Monhan Card Master" distributed through Mobage. The number of the membership for these game titles recorded one million or more for the respective titles.

Moreover, "Smurf's Village" distributed in partnership with Facebook, the world's biggest SNS, continued to enjoy success. As a result, Capcom's strategic brand Beeline recorded domestic and overseas downloads totaling more than 56 million, both of which contributed significantly to improving profitability for this business segment.

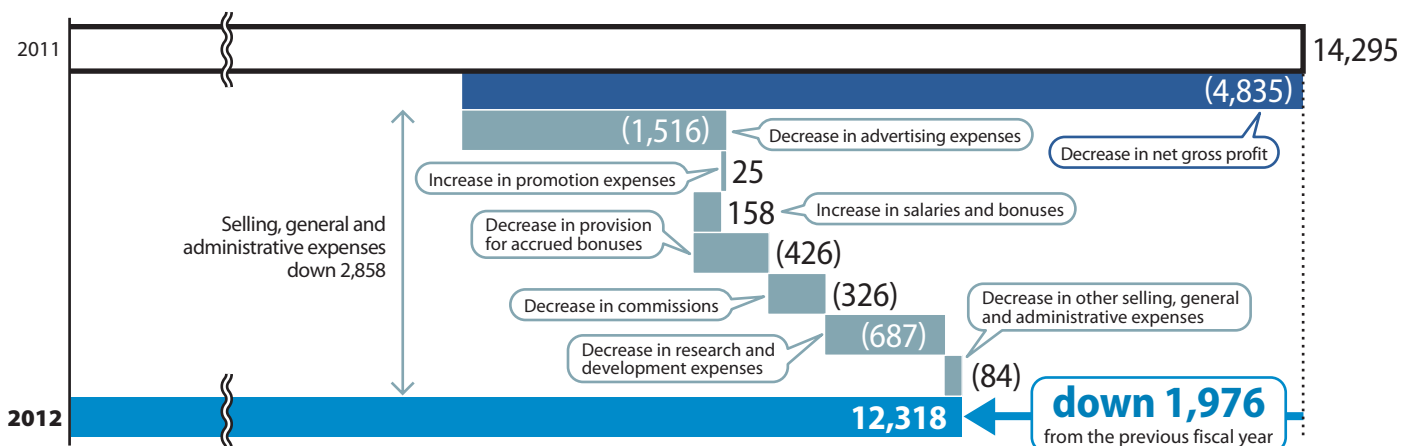
As a result, net sales increased to 6,308 million yen (up 56.6% from the previous fiscal year), and operating income was 2,385 million yen (up 74.6% from the previous fiscal year).

(3) Arcade Operations

Despite a slowdown in customer traffic due to the effects of the mood of voluntary restraint in the wake of the Great East Japan Earthquake, which occurred in March 2011, and diversification in entertainment preferences and consumer spending patterns, arcades have been regaining ground as they are re-evaluated as readily accessible entertainment that is inexpensive, nearby and short-duration and are also supported by budget-minded consumers.

Operating income

(Millions of yen)



Under these circumstances, Capcom held various events, updated existing facilities and implemented a "service day" in an attempt to create new demand, establishing customer-oriented community-based facilities.

Despite a slowdown in customer traffic and intensification of competition with other game consoles including smartphones, with which there is an overlap of the customer base, sales per customer increased as a result of these measures, along with the contribution mainly of proprietary coin-operated games.

As no arcades were closed or opened during the current fiscal year, the total number of arcades remained the same as the end of the previous fiscal year at 37.

As a result, net sales increased to 11,729 million yen (up 0.9% from the previous fiscal year), and operating income was 1,787 million yen (up 58.0% from the previous fiscal year).

(4) Amusement Equipments

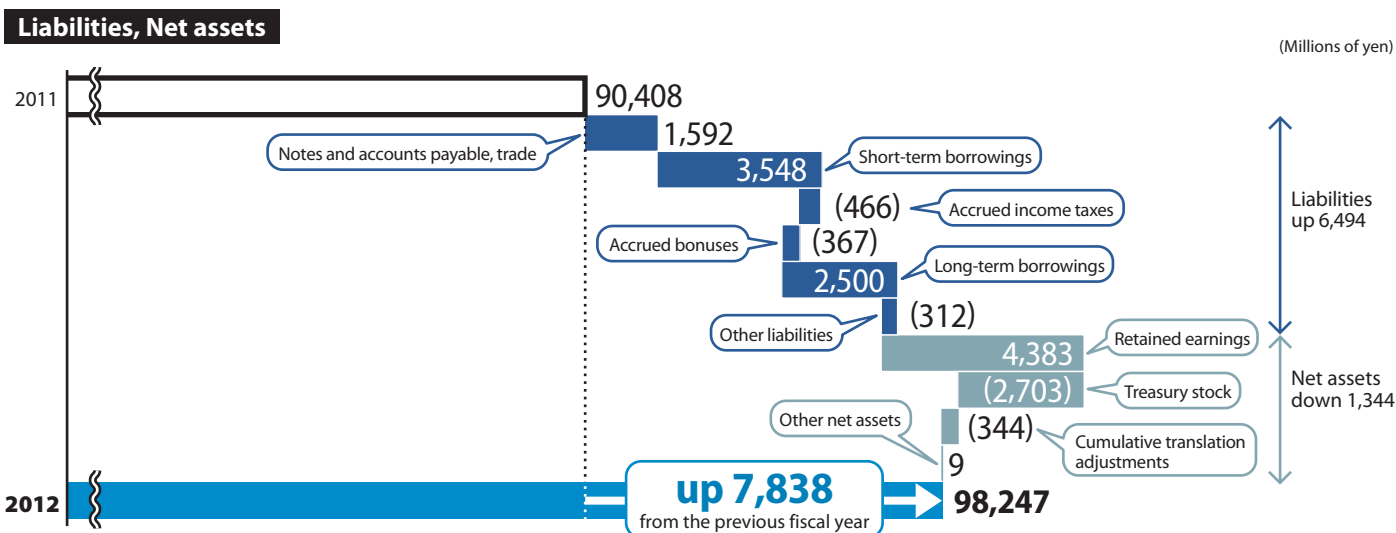
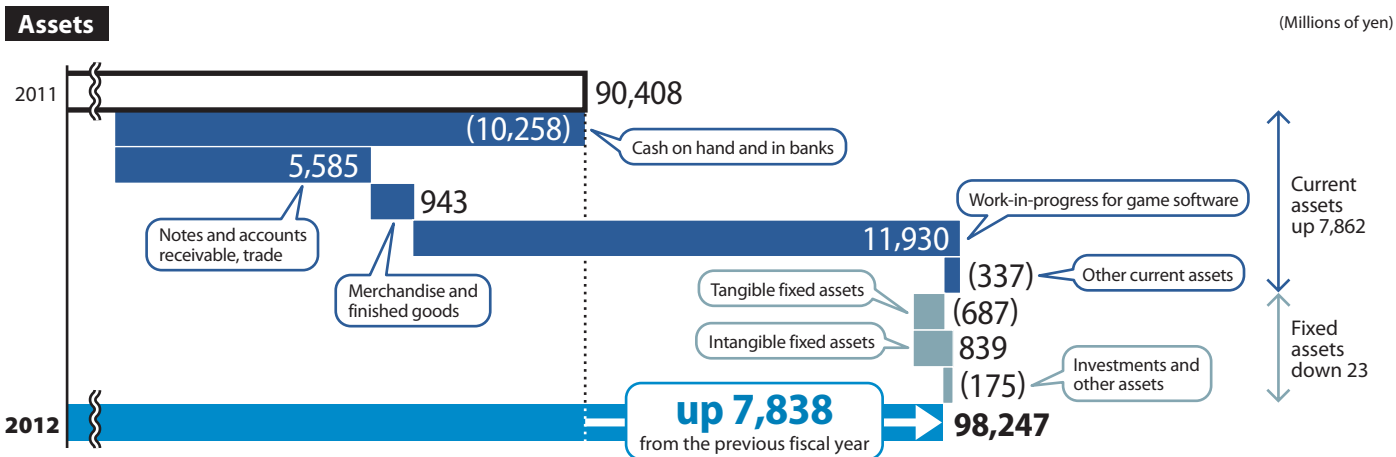
In this business segment, coin-operated games "Monster Hunting: Medal Hunting" and "MONHAN NIKKI SUGOROKU AIRU MURA" were released.

In the Pachislo machine business, "Street Fighter IV" remained steady, and Capcom also took part in contracted development.

As a result, net sales were 7,663 million yen (down 3.0% from the previous fiscal year), and operating income was 890 million yen (down 66.2% from the previous fiscal year).

(5) Other Businesses

Net sales from other businesses, mainly character-related licensing business were 2,862 million yen (down 26.5% from the previous fiscal year), and operating income was 877 million yen (down 20.1% from the previous fiscal year).



4. Analysis of Assets, Liabilities and Net Assets

(1) Assets

Total assets increased by 7,838 million yen from the previous fiscal year to 98,247 million yen.

The primary components of the change were increase in work-in-progress for game software of 11,930 million yen, in notes and accounts receivable, trade of 5,585 million yen and in merchandise and finished goods of 943 million yen, and decrease in cash on hand and in banks of 10,258 million yen.

(2) Liabilities

Liabilities increased by 6,494 million yen from the previous fiscal year to 38,895 million yen.

The primary components of the change were increase in short-term borrowings of 3,548 million yen, in long-term borrowings of 2,500 million yen and in notes and accounts payable, trade of 1,592 million yen, and decrease in accrued income taxes of 466 million yen and in accrued bonuses of 367 million yen.

(3) Net assets

Net assets increased by 1,344 million yen from the previous fiscal year to 59,352 million yen.

The primary components of the change were net income of 6,723 million yen, increase in treasury stock of 2,703 million yen, cash dividends of 2,340 million yen, and decrease in cumulative translation adjustments of 344 million yen (which arises from translating foreign currency financial statements for foreign subsidiaries).

5. Analysis of Cash Flow

Cash and cash equivalents (hereinafter referred to as "Cash") as of the end of the current fiscal year decreased by 12,724 million yen from the previous fiscal year to 22,287 million yen. The analysis of cash flows from respective activities is as follows.

(1) Cash flows from operating activities

Net cash used in operating activities was 7,672 million yen (22,392 million yen provided in the previous fiscal year).

The increase was mainly attributable to net income before income taxes of 11,425 million yen (10,807 million yen in the previous fiscal year), depreciation and amortization of 3,123 million yen (3,315 million yen in the previous fiscal year) and increase in notes and accounts payable, trade of 1,720 million yen (2,264 million yen in the previous fiscal year). The decrease was mainly attributable to increase in work-in-progress for game software of 11,899 million yen (decrease of 3,246 million yen in the previous fiscal year); increase in notes and accounts receivable, trade of 5,550 million yen (5,531 million yen in the previous fiscal year); and income tax paid of 4,195 million yen.

(2) Cash flows from investing activities

Net cash used in investing activities increased to 4,794 million yen (2,046 million yen in the previous fiscal year).

The primary components of the change were purchase of time deposits of 2,465 million yen (no purchase in the previous fiscal year) and payment for acquisition of tangible fixed assets of 2,153 million yen (1,734 million yen in the previous fiscal year).

(3) Cash flows from financing activities

Net cash provided by financing activities was 587 million yen (12,919 million yen used in the previous fiscal year).

The increase was mainly attributable to net increase in short-term borrowings of 6,760 million yen (net decrease of 12,500 million yen in the previous fiscal year) and proceeds from long-term borrowings of 3,000 million yen (3,000 million yen in the previous fiscal year). The decrease was mainly attributable to repayment of long-term borrowings of 3,711 million yen (711 million yen in the previous fiscal year), payment for repurchase of treasury stock of 2,703 million yen (2 million yen in the previous fiscal year) and dividends paid by parent company of 2,339 million yen (2,064 million yen in the previous fiscal year).

Trends of Cash Flow Indicators

	Year ended March 2010	Year ended March 2011	Year ended March 2012
Shareholders' equity ratio to total assets (%)	62.3	64.2	60.4
Shareholders' equity ratio to total assets based on fair market value (%)	120.5	103.9	110.8
Debt amortization ratio to cash flows from operating activities (%)	122.7	32.8	—
Interest coverage ratio (times)	86.9	155.8	—

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

Shareholders' equity ratio to total assets based on fair market value: Total of the capital stock at market price / Total assets

Debt amortization ratio to cash flows: Interest-bearing debt / Cash flows from operating activities

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

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

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

(Note 3) As the cash flows from operating activities fell into red in fiscal year ended March 2012, debt amortization ratio to cash flows from operating activities and interest coverage ratio have been omitted.

Consolidated Balance Sheets

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2012 AND 2011

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Assets)			
Current assets :			
Cash on hand and in banks [Notes 9 (1) and 11]	35,011	24,752	301,865
Notes and accounts receivable, trade [Notes 5 (4) and 11]	11,700	17,285	210,799
Merchandise and finished goods	849	1,793	21,868
Work-in-progress	340	443	5,403
Raw materials and supplies	1,075	1,417	17,289
Work-in-progress for game software	10,443	22,373	272,852
Deferred tax assets [Note 14]	5,210	4,239	51,702
Other	2,582	2,791	34,039
Allowance for doubtful accounts	(37)	(58)	(711)
Total current assets	67,176	75,038	915,109
Fixed assets :			
Tangible fixed assets, net of accumulated depreciation [Note 5 (1)]			
Buildings and structures, net [Note 5 (2)]	5,455	5,125	62,509
Machinery and vehicles, net	28	21	263
Tools, fixtures and furniture, net	894	1,052	12,835
Rental equipment, net	0	—	—
Equipment for amusement facilities, net	1,815	1,637	19,966
Land [Note 5 (2)]	4,408	4,298	52,424
Leased assets, net [Note 10 (2)]	924	709	8,647
Construction-in-progress	5	—	—
Total tangible fixed assets	13,532	12,844	156,645
Intangible assets			
Goodwill	412	291	3,553
Other	2,658	3,619	44,142
Total intangible assets	3,071	3,911	47,696
Investments and other assets			
Investments in securities [Notes 5 (3) and 12]	390	368	4,496
Deferred tax assets [Note 14]	1,150	908	11,073
Claim in bankruptcy and reorganization	922	265	3,231
Lease deposits [Note 11]	4,741	4,522	55,156
Other	392	663	8,094
Allowance for doubtful accounts	(968)	(275)	(3,363)
Total investments and other assets	6,628	6,452	78,690
Total fixed assets	23,232	23,208	283,032
Total assets	90,408	98,247	1,198,141

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

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
Current liabilities :			
Notes and accounts payable, trade [Notes 5 (4) and 11]	5,665	7,257	88,505
Short-term borrowings [Notes 5 (2) (5), 11 and 23]	3,711	7,259	88,528
Lease obligations [Note 23]	507	322	3,937
Accrued income taxes	3,443	2,977	36,307
Deferred tax liabilities [Note 14]	30	7	95
Accrued bonuses	2,478	2,111	25,745
Allowance for sales returns	130	118	1,441
Asset retirement obligations [Notes 16 and 24]	—	19	232
Other	8,982	9,254	112,862
Total current liabilities	24,950	29,327	357,656
Long-term liabilities :			
Long-term borrowings [Notes 5 (2) (5), 11 and 23]	3,644	6,145	74,943
Lease obligations [Note 23]	461	429	5,235
Deferred tax liabilities [Note 14]	232	225	2,746
Accrued retirement benefits for employees [Note 13 (2)]	1,383	1,509	18,412
Asset retirement obligations [Notes 16 and 24]	340	325	3,971
Other	1,387	932	11,367
Total long-term liabilities	7,450	9,567	116,676
Total liabilities	32,400	38,895	474,332
(Net assets)			
Shareholders' equity :			
Common stock	33,239	33,239	405,356
Capital surplus	21,328	21,328	260,108
Retained earnings	22,945	27,328	333,271
Treasury stock	(13,143)	(15,846)	(193,253)
Total shareholders' equity	64,370	66,049	805,483
Accumulated other comprehensive income :			
Net unrealized gain or loss on securities, net of tax	(56)	(46)	(572)
Cumulative translation adjustments	(6,305)	(6,650)	(81,102)
Total accumulated other comprehensive income	(6,362)	(6,697)	(81,674)
Total net assets	58,007	59,352	723,809
Total liabilities and net assets	90,408	98,247	1,198,141

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

Consolidated Statements of Income / Consolidated Statements of Comprehensive Income

Consolidated statements of income

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	97,716	82,065	1,000,801
Cost of sales	60,371	49,609	604,991
Gross profit	37,344	32,456	395,809
Reversal of allowance for sales returns	—	12	154
Provision of allowance for sales returns	40	—	—
Net gross profit	37,304	32,469	395,963
Selling, general and administrative expenses [Notes 6 (1) and (3)]	23,009	20,150	245,737
Operating income	14,295	12,318	150,226
Non-operating income :			
Interest income	122	85	1,037
Dividend income	19	10	122
Settlement received	—	67	821
Other	89	126	1,547
Total	231	289	3,529
Non-operating expenses :			
Interest expense	143	115	1,409
Exchange loss, net	1,102	456	5,561
Commissions	60	66	807
Contributions	141	—	—
Other	217	151	1,841
Total	1,664	788	9,620
Ordinary income	12,861	11,819	144,135
Special gains :			
Reversal of allowance for doubtful accounts	38	—	—
Gain on sales of investments in securities	45	8	109
Net gain on the change of the retirement benefits plans [Note 13 (2)]	139	—	—
Other	4	—	—
Total	226	8	109
Special losses :			
Loss on sales and/or disposal of fixed assets [Note 6 (2)]	95	321	3,926
Loss on revaluation of investments in securities [Note 12 (3)]	259	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	204	—	—
Impairment loss [Note 6 (4)]	149	80	978
Loss on restructuring [Note 6 (5)]	1,453	—	—
Loss on disaster	105	—	—
Other	13	—	—
Total	2,281	402	4,904
Net income before income taxes	10,807	11,425	139,340
Income taxes-current [Note 14]	4,654	3,513	42,852
Income taxes-deferred [Note 14]	(1,598)	1,188	14,488
Total	3,056	4,701	57,341
Net income before minority interests	7,750	6,723	81,999
Net income	7,750	6,723	81,999

Consolidated statements of comprehensive income

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income before minority interests	7,750	6,723	81,999
Other comprehensive income [Note 7 (1)]			
Net unrealized gain or loss on securities, net of tax	(76)	9	119
Cumulative translation adjustments	(1,553)	(344)	(4,201)
Total other comprehensive income	(1,629)	(334)	(4,082)
Comprehensive income	6,121	6,389	77,917
Comprehensive income attributable to:			
Owners of the parent	6,121	6,389	77,917
Minority interests	—	—	—

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

Consolidated Statements of Changes in Net Assets

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shareholders' equity			
Common stock			
Opening balance	33,239	33,239	405,356
Change of items during the fiscal year			
Total changes of items during the fiscal year	—	—	—
Ending balance	33,239	33,239	405,356
Capital surplus			
Opening balance	21,328	21,328	260,108
Change of items during the fiscal year			
Disposition of treasury stock	(0)	0	0
Total changes of items during the fiscal year	(0)	0	0
Ending balance	21,328	21,328	260,108
Retained earnings			
Opening balance	17,262	22,945	279,819
Change of items during the fiscal year			
Cash dividends [Note 8 (3)]	(2,068)	(2,340)	(28,547)
Net income	7,750	6,723	81,999
Total changes of items during the fiscal year	5,682	4,383	53,451
Ending balance	22,945	27,328	333,271
Treasury stock			
Opening balance	(13,141)	(13,143)	(160,281)
Change of items during the fiscal year			
Repurchase of treasury stock	(2)	(2,703)	(32,972)
Disposition of treasury stock	0	0	0
Total changes of items during the fiscal year	(2)	(2,703)	(32,971)
Ending balance	(13,143)	(15,846)	(193,253)
Total shareholders' equity			
Opening balance	58,689	64,370	785,003
Change of items during the fiscal year			
Cash dividends	(2,068)	(2,340)	(28,547)
Net income	7,750	6,723	81,999
Repurchase of treasury stock	(2)	(2,703)	(32,972)
Disposition of treasury stock	0	0	0
Total changes of items during the fiscal year	5,680	1,679	20,480
Ending balance	64,370	66,049	805,483

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

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated other comprehensive income			
Net unrealized gain or loss on securities, net of tax			
Opening balance	19	(56)	(691)
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(76)	9	119
Total changes of items during the fiscal year	(76)	9	119
Ending balance	(56)	(46)	(572)
Cumulative translation adjustments			
Opening balance	(4,752)	(6,305)	(76,901)
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(1,553)	(344)	(4,201)
Total changes of items during the fiscal year	(1,553)	(344)	(4,201)
Ending balance	(6,305)	(6,650)	(81,102)
Total accumulated other comprehensive income			
Opening balance	(4,732)	(6,362)	(77,592)
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(1,629)	(334)	(4,082)
Total changes of items during the fiscal year	(1,629)	(334)	(4,082)
Ending balance	(6,362)	(6,697)	(81,674)
Total net assets			
Opening balance	53,956	58,007	707,410
Change of items during the fiscal year			
Cash dividends	(2,068)	(2,340)	(28,547)
Net income	7,750	6,723	81,999
Repurchase of treasury stock	(2)	(2,703)	(32,972)
Disposition of treasury stock	0	0	0
Net changes of items other than shareholders' equity	(1,629)	(334)	(4,082)
Total changes of items during the fiscal year	4,050	1,344	16,398
Ending balance	58,007	59,352	723,809

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

Consolidated Statements of Cash Flows

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities :			
Net income before income taxes	10,807	11,425	139,340
Depreciation and amortization	3,315	3,123	38,090
Impairment loss	149	80	978
Amortization of goodwill	239	112	1,366
Increase (decrease) in allowance for doubtful accounts	(56)	9	119
(Decrease) increase in accrued bonuses	1,180	(362)	(4,417)
(Decrease) increase in allowance for sales returns	40	(12)	(154)
Increase (decrease) in accrued retirement benefits for employees	(4)	126	1,541
Interest and dividend income	(142)	(95)	(1,159)
Interest expense	143	115	1,409
Exchange loss, net	1,039	424	5,171
Loss on sales and/or disposal of fixed assets	95	321	3,926
Gain on sales of investment in securities	(45)	(8)	(109)
Loss on revaluation of investments in securities	259	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	204	—	—
Loss on restructuring	1,453	—	—
Loss on disaster	105	—	—
Increase in accounts receivable, trade	(5,531)	(5,550)	(67,684)
(Increase) decrease in inventories	409	(1,450)	(17,694)
(Increase) decrease in work-in-progress for game software	3,246	(11,899)	(145,118)
Increase in notes and accounts payable, trade	2,264	1,720	20,978
(Increase) decrease in other current assets	57	(309)	(3,772)
Increase in other current liabilities	3,186	202	2,464
Other	913	(1,419)	(17,315)
Sub total	23,331	(3,447)	(42,038)
Interest and dividends received	141	86	1,055
Interest paid	(144)	(115)	(1,413)
Payment for settlement of litigation	(161)	—	—
Income taxes paid	(774)	(4,195)	(51,164)
Net cash (used in) provided by operating activities	22,392	(7,672)	(93,560)
Cash flows from investing activities :			
Payments into time deposits [Note 9 (1)]	—	(2,465)	(30,069)
Payment for acquisition of tangible fixed assets	(1,734)	(2,153)	(26,260)
Proceeds from sales of tangible fixed assets	1	434	5,303
Payment for acquisition of intangible assets	(429)	(527)	(6,435)
Payment for purchase of investments in securities	(12)	(12)	(152)
Proceeds from sales of investments in securities	290	47	581
Collection of loans receivable	1	0	10
Purchase of investments in subsidiaries	(482)	—	—
Payment for other investing activities	(166)	(379)	(4,624)
Proceeds from other investing activities	485	260	3,177
Net cash used in investing activities	(2,046)	(4,794)	(58,469)
Cash flows from financing activities :			
Net increase (decrease) in short - term borrowings	(12,500)	6,760	82,439
Proceeds from long-term borrowings	3,000	3,000	36,585
Repayments of long-term borrowings	(711)	(3,711)	(45,256)
Repayments of lease obligations	(640)	(418)	(5,098)
Payment for repurchase of treasury stock	(2)	(2,703)	(32,972)
Proceeds from sales of treasury stock	0	0	0
Dividends paid by parent company	(2,064)	(2,339)	(28,528)
Net cash provided by (used in) financing activities	(12,919)	587	7,169
Effect of exchange rate changes on cash and cash equivalents	(2,230)	(845)	(10,310)
Net (decrease) increase in cash and cash equivalents	5,196	(12,724)	(155,171)
Cash and cash equivalents at beginning of year	29,815	35,011	426,968
Cash and cash equivalents at end of year [Note 9 (1)]	35,011	22,287	271,796

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

1. Major policies in preparing consolidated financial statements:

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

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

The rate of ¥82=U.S.\$1, the approximate current rate of exchange prevailing on March 31, 2012, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Significant accounting policies:

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and those of its 14 majority-owned subsidiaries (all 15 companies are referred to collectively as the "Companies") at the relevant balance sheet date.

All significant inter-company transactions and accounts have been eliminated.

The investment in 20% to 50% owned companies (hereinafter referred to as "Affiliated companies") are, with minor exceptions, accounted for under the equity method.

The 14 subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)
 CAPCOM GAME STUDIO VANCOUVER, INC. (Canada)
 BEELINE INTERACTIVE, INC. (U.S.A.)
 BEELINE INTERACTIVE CANADA, INC. (Canada)
 BEELINE INTERACTIVE JAPAN, INC. (Japan)
 BEELINE INTERACTIVE EUROPE LTD. (U.K.)
 CE EUROPE LTD. (U.K.)
 CEG INTERACTIVE ENTERTAINMENT GmbH (Germany)
 CAPCOM ENTERTAINMENT FRANCE SAS (France)
 CAPCOM ASIA CO., LTD. (Hong Kong)
 CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
 CAPTRON CO., LTD. (Japan)
 K2 CO., LTD. (Japan)
 ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end.

Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets", at the net of tax amount.

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

Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

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

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

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

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

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

(4) Tangible fixed assets, except for leased assets

Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful lives of the respective assets, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

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

(5) Intangible assets, except for leased assets

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

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

The amortization period for computer software and online game contents is based upon the estimated period of internal use (3 to 5 years) and the estimated period of online game services (2 to 3 years), respectively.

(6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee. Depreciation of such leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

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

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

Leases that transfer ownership of the leased assets to the lessee. Depreciation methods for such leased assets are the same with those applied to the Companies-owned tangible fixed assets.

(7) Allowance for doubtful accounts

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

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

(8) Accrued bonuses

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

(9) Accrued retirement benefits for employees

The accrual for retirement benefits for employees is calculated based on the estimated amount of projected benefit obligations at the year-end.

The unrecognized net transition obligation (¥552 million (\$6,737 thousand)) is amortized over 15 years.

Unrecognized prior service liabilities are amortized over 8 years, the average remaining service period, commencing from the date on which they are incurred.

Unrecognized actuarial net gains or losses are amortized over 8 to 9 years, the average remaining service period, commencing from the following year in which they arise.

(10) Allowance for sales returns

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

(11) Amortization of goodwill

Goodwill is amortized by the straight-line method over 4 years.

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

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

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

(13) Other

Accounting for consumption taxes

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

3. Changes in presentation

(1) Consolidated statements of cash flows

Effective from the fiscal year ended March 31, 2012, cash flow relating to short-term borrowings for "Cash flows from investing activities", which was presented gross for the previous fiscal year has been presented net in order to disclose consolidated statements of cash flows more appropriately.

As a result, "Repayments of short-term borrowings" for the previous fiscal year has been presented as "Net decrease in short-term borrowings" of ¥12,500 million.

4. Additional information

Effective from the fiscal year ended March 31, 2012, the Companies have adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standard Board of Japan (ASBJ) Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009) for accounting changes and past error corrections.

5. Notes to consolidated balance sheets**(1) Accumulated depreciation of tangible fixed assets**

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	16,688	16,712	203,814

(Note) The above balances include the accumulated impairment loss of tangible fixed assets.

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
① Pledged assets			
Buildings	4,285	3,817	46,558
Land	3,902	3,314	40,415
Total	8,187	7,131	86,973
② Secured debts			
Short-term borrowings	—	260	3,170
Long-term borrowings due within one year	700	490	5,975
Long-term borrowings	630	140	1,707
Total	1,330	890	10,853

(3) Investments in affiliated companies

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments in securities	0	—	—

(4) Notes that matured on the balance sheet day of the fiscal year

Although the balance sheet day for the current fiscal year was not a business day, the notes that matured on this day were treated as if they were settled on the date.

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable	—	1	12
Notes payable	—	41	511

(5) Credit line

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

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

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total credit line	26,500	26,500	323,170
Borrowings	—	6,500	79,268
Unexercised balance	26,500	20,000	243,902

6. Notes to consolidated statements of income

(1) Major items and the amounts under "Selling, general and administrative expenses"

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	5,622	4,105	50,069
Promotion expenses	1,576	1,601	19,531
Salaries and bonuses	4,431	4,589	55,970
Depreciation and amortization	867	795	9,706
Provision for accrued bonuses	1,275	848	10,350
Commissions	1,382	1,055	12,874
Research and development expenses	2,924	2,236	27,277

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	4	33	413
Tools, fixtures and furniture	13	11	137
Equipment for amusement facilities	71	5	66
Land	—	117	1,431
Other	4	153	1,876
Total	95	321	3,926

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	2,924	2,236	27,277

(4) Impairment loss

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

Usage	Account	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets to be disposed of	Equipment for amusement facilities	149	18	224
Assets to be disposed of	Buildings and structures	—	23	291
Assets to be disposed of	Land	—	37	462

(Previous fiscal year)

To measure an impairment, assets are principally grouped based on business segments such as "Consumer online games", "Arcade operations", etc. Whereas, rental assets, idle assets and online game contents are evaluated as separate groups. The Companies made a decision on changing some business policies to a few stores in the "Arcade operations" business. As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of and recognized the impairment loss as shown above. The recoverable value for the assets to be disposed of was estimated at zero.

(Current fiscal year)

To measure an impairment, assets are principally grouped based on business segments such as "Consumer online games", "Arcade operations", etc. Whereas, rental assets, idle assets, assets to be disposed and online game contents are evaluated as separate groups. The Companies made a decision on changing some business policies and disposing of some assets. As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of and recognized the impairment loss as shown above. The recoverable value for the assets to be sold was computed based on their net realizable value, which was appraised by a real estate appraiser, and that for those to be otherwise disposed of was estimated at zero.

(5) Loss on restructuring

① Previous fiscal year (From April 1, 2010 to March 31, 2011)

The Companies examined profitability for each business segment, and restructured the developmental organization of the online game business etc. As a result, the Companies wrote down some of the assets and booked ¥1,453 million of loss on restructuring.

② Current fiscal year (From April 1, 2011 to March 31, 2012)

Not applicable

7. Notes to consolidated statements of comprehensive income**Current fiscal year (From April 1, 2011 to March 31, 2012)**

(1) Amount of recycling and income tax effect associated with other comprehensive income

	Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities		
Amount arising during the current fiscal year	18	227
Amount of recycling	(8)	(108)
Net gain before income tax effect	9	119
Income tax effect	—	—
Net unrealized gain or loss on securities, net of tax	9	119
Cumulative translation adjustment		
Amount arising during the current fiscal year	(344)	(4,201)
Total other comprehensive income	(334)	(4,082)

8. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2010 to March 31, 2011)

(1) Number of outstanding shares

Type of share	Number of shares as of April 1, 2010	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2011
Common stock (thousand shares)	67,723	—	—	67,723

(Note) No change in the number of shares during the previous fiscal year

(2) Number of treasury stocks

Type of share	Number of shares as of April 1, 2010	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2011
Common stock (thousand shares)	8,636	1	0	8,637

(Note) The reason for the increase in the number of shares is as follows.

Increase due to purchase of less-than-one-unit shares 1 thousands shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 18, 2010	Common stock	¥1,181 million	20	March 31, 2010	June 21, 2010 (Effective after the meeting)
Board of directors' meeting held on October 28, 2010	Common stock	¥886 million	15	September 30, 2010	November 19, 2010

② Dividends whose effective date was to be after the end of previous fiscal year and record date was included in the previous fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2011	Common stock	¥1,477 million	Retained earnings	25	March 31, 2011	June 20, 2011

Current fiscal year (From April 1, 2011 to March 31, 2012)

(1) Number of outstanding shares

Type of share	Number of shares as of April 1, 2011	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2012
Common stock (thousand shares)	67,723	—	—	67,723

(Note) No change in the number of shares during the current fiscal year

(2) Number of treasury stocks

Type of share	Number of shares as of April 1, 2011	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2012
Common stock (thousand shares)	8,637	1,501	0	10,138

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

Increase due to purchase of treasury stocks	1,500 thousand shares
Increase due to purchase of less-than-one-unit shares	1 thousand shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2011	Common stock	¥1,477 million	25	March 31, 2011	June 20, 2011
Board of directors' meeting held on October 26, 2011	Common stock	¥863 million	15	September 30, 2011	November 17, 2011

Resolution	Type of share	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2011	Common stock	\$18,013 thousand	0.30	March 31, 2011	June 20, 2011
Board of directors' meeting held on October 26, 2011	Common stock	\$10,533 thousand	0.18	September 30, 2011	November 17, 2011

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

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 15, 2012	Common stock	¥1,439 million	Retained earnings	25	March 31, 2012	June 18, 2012

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 15, 2012	Common stock	\$17,556 thousand	Retained earnings	0.30	March 31, 2012	June 18, 2012

9. Notes to consolidated statements of cash flows

(1) Cash and cash equivalents at end of year

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	35,011	24,752	301,865
Time deposits with maturities over three months	—	(2,465)	(30,069)
Cash and cash equivalents	35,011	22,287	271,796

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011) Millions of yen	Current fiscal year (From April 1, 2011 to March 31, 2012) Millions of yen	Current fiscal year (From April 1, 2011 to March 31, 2012) Thousands of U.S. dollars
Acquisition of leased assets	590	321	3,917

10. Accounting for leases

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

The note is omitted due to the minor of the total amount.

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

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

• Leased assets:

Intangible assets

Major assets are software for the business segment of "Amusement equipments".

• Depreciation method:

See "(6) Leased assets of 2. Significant accounting policies".

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

• Leased assets:

Tangible fixed assets

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

• Depreciation method:

See "(6) Leased assets of 2. Significant accounting policies".

(3) Operating leases

① Future lease payments

	Previous fiscal year (From April 1, 2010 to March 31, 2011) Millions of yen	Current fiscal year (From April 1, 2011 to March 31, 2012) Millions of yen	Current fiscal year (From April 1, 2011 to March 31, 2012) Thousands of U.S. dollars
Due within one year	212	272	3,317
Due over one year	410	876	10,683
Total	622	1,148	14,001

(For impairment loss)

No impairment losses were recognized for leased assets.

11. Financial instruments

① Conditions of financial instruments

(1) Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of the interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration.

The Companies raise funds through borrowings from financial institutions, such as banks etc.

The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk, and do not enter into derivative financial instruments for speculative purposes.

(2) Financial instruments, risks, and risk management

Notes and accounts receivable, trade are exposed to credit risk of customers. To minimize such risk, the Companies regularly monitor credit status of major customers as well as perform due date control and balance control for each customer according to importance of business in accordance with credit exposure management rules.

The investments in securities the Company holds mainly consist of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize such risk, the Company states the fair value of these securities on a quarterly basis to report it to the board of directors' meeting.

As for notes and accounts payable, trade, due date of payment is within one year.

Short-term borrowings are mainly for fund raising related to normal operating activities, and long-term borrowings are mainly for fund raising related to capital investments.

Notes and accounts payable, trade and borrowings are exposed to liquidity risk. The Companies minimize such risk by forecasting cash flows on a monthly basis.

(3) Supplemental information on fair value of financial instruments

Not applicable

② Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and differences are as follows.

(1) Previous fiscal year (As of March 31, 2011)

	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	35,011	35,011	—
(2) Notes and accounts receivable, trade	11,700	11,700	—
(3) Lease deposits	4,741	4,637	(104)
Total	51,453	51,349	(104)
(1) Notes and accounts payable, trade	5,665	5,665	—
(2) Short-term borrowings	3,711	3,711	—
(3) Long-term borrowings	3,644	3,619	(24)
Total	13,021	12,996	(24)

(2) Current fiscal year (As of March 31, 2012)

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash on hand and in banks	24,752	24,752	—	301,865	301,865	—
(2) Notes and accounts receivable, trade	17,285	17,285	—	210,799	210,799	—
(3) Lease deposits	4,522	4,470	(52)	55,156	54,516	(640)
Total	46,561	46,508	(52)	567,822	567,182	(640)
(1) Notes and accounts payable, trade	7,257	7,257	—	88,505	88,505	—
(2) Short-term borrowings	7,259	7,259	—	88,528	88,528	—
(3) Long-term borrowings	6,145	6,151	6	74,943	75,018	75
Total	20,662	20,668	6	251,977	252,052	75

(Note 1) Fair value measurement of financial instruments

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable, trade
The fair value is assumed to be the same with carrying value, as it approximates fair value because of the short maturity of these instruments.

(3) Lease deposits
The fair value is measured at the present value of future cash flows discounted using the yield of a national government bond according to periods until repayments.

Liabilities

(1) Notes and accounts payable, trade and (2) Short-term borrowings
The fair value is assumed to be the same with carrying value, as it approximates fair value because of the short maturity of these instruments.

(3) Long-term borrowings

The fair value of long-term borrowings with variable interest rates is measured at carrying value, as it approximates fair value. (The market interest rate fluctuation is reflected in the variable interest rate in short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rate.)

The fair value of long-term borrowings with fixed rate is measured at the present value of future cash flow (principal plus interest) discounted using the assumed interest rate of similar type of new borrowings.

(Note 2) Redemption schedule for monetary assets with maturity date subsequent to the consolidated balance sheets date

(1) Previous fiscal year (As of March 31, 2011)

	Millions of yen			
	April 1, 2011 to March 31, 2012	April 1, 2012 to March 31, 2016	April 1, 2016 to March 31, 2021	April 1, 2021 and thereafter
(1) Cash on hand and in banks	35,011	—	—	—
(2) Notes and accounts receivable, trade	11,700	—	—	—
(3) Lease deposits	671	3,247	530	291
Total	47,383	3,247	530	291

(2) Current fiscal year (As of March 31, 2012)

	Millions of yen				Thousands of U.S. dollars			
	April 1, 2012 to March 31, 2013	April 1, 2013 to March 31, 2017	April 1, 2017 to March 31, 2022	April 1, 2022 and thereafter	April 1, 2012 to March 31, 2013	April 1, 2013 to March 31, 2017	April 1, 2017 to March 31, 2022	April 1, 2022 and thereafter
(1) Cash on hand and in banks	24,752	—	—	—	301,865	—	—	—
(2) Notes and accounts receivable, trade	17,285	—	—	—	210,799	—	—	—
(3) Lease deposits	1,552	2,531	434	4	18,932	30,871	5,303	49
Total	43,591	2,531	434	4	531,598	30,871	5,303	49

12. Investments in securities

(1) Available-for-sale securities with a readily determinable fair value

① Previous fiscal year (As of March 31, 2011)

Classification	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities with book value exceeding their acquisition cost			
(1) Equity securities	102	78	24
(2) Bonds	—	—	—
(3) Others	—	—	—
Sub - total	102	78	24
Securities with book value not exceeding their acquisition cost			
(1) Equity securities	240	321	(80)
(2) Bonds	—	—	—
(3) Others	—	—	—
Sub - total	240	321	(80)
Total	343	399	(56)

② Current fiscal year (As of March 31, 2012)

Classification	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities with book value exceeding their acquisition cost						
(1) Equity securities	55	39	15	672	482	190
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Sub - total	55	39	15	672	482	190
Securities with book value not exceeding their acquisition cost						
(1) Equity securities	271	334	(62)	3,311	4,073	(762)
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Sub - total	271	334	(62)	3,311	4,073	(762)
Total	326	373	(46)	3,984	4,556	(572)

(2) Investments in securities sold during the fiscal year

① Previous fiscal year (From April 1, 2010 to March 31, 2011)

Classification	Millions of yen		
	Amount of sales	Total gain on sales	Total loss on sales
(1) Equity securities	290	45	—
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	290	45	—

② Current fiscal year (From April 1, 2011 to March 31, 2012)

Classification	Millions of yen			Thousands of U.S. dollars		
	Amount of sales	Total gain on sales	Total loss on sales	Amount of sales	Total gain on sales	Total loss on sales
(1) Equity securities	47	8	—	580	108	—
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	47	8	—	580	108	—

(3) Investments in securities impaired during the fiscal year

The acquisition cost on the “(1) Available-for-sale securities with a readily determinable fair value” is the book value after impairment.

① Previous fiscal year (From April 1, 2010 to March 31, 2011)

During the previous fiscal year, the Companies booked “Loss on revaluation of investments in securities” of ¥259 million.

② Current fiscal year (From April 1, 2011 to March 31, 2012)

Not applicable

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

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

The recognition of impairment is determined after investigating related factors comprehensively.

Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of securities, and examination of various financial analysis data of listed companies.

13. Retirement benefits for employees

(1) Summary of retirement benefit plan

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans, which have replaced the conventional funded non-contributory pension plans since 1st January, 2011. Some foreign subsidiaries have defined contribution pension plans.

(2) Accrued retirement benefits

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Projected benefit obligations	(1,459)	(1,798)	(21,931)
B. Fair value of plan assets	—	—	—
C. Unfunded benefit obligations (A+B)	(1,459)	(1,798)	(21,931)
D. Unrecognized transition obligations	63	47	577
E. Unrecognized actuarial differences	106	321	3,925
F. Unrecognized prior service liabilities	(94)	(80)	(982)
G. Accrued pension liabilities recognized in the consolidated balance sheet (C+D+E+F)	(1,383)	(1,509)	(18,412)
H. Prepaid pension expenses	—	—	—
I. Accrued retirement benefits for employees (G - H)	(1,383)	(1,509)	(18,412)

(Note) Some subsidiaries apply a simplified method of computing pension liabilities.
The effect of the change of the retirement benefits plans was as follows.

	Millions of yen
Decrease in projected benefit obligations	1,334
Decrease in plan assets	(955)
Decrease in unrecognized transition obligations	(89)
Decrease in unrecognized actuarial differences	(149)
Decrease in unrecognized prior service liabilities	—
Decrease in accrued retirement benefits for employees	139

The total amount of the plan assets transferred to the defined contribution pension plans was ¥955 million

(3) Retirement and pension cost

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Service costs	221	123	1,503
B. Interest costs	30	16	200
C. Expected return on plan assets	(17)	—	—
D. Amortization of transition obligations	31	15	192
E. Amortization of actuarial differences	44	15	186
F. Amortization of prior service liabilities	(3)	(13)	(163)
G. Net periodic benefit costs (A+B+C+D+E+F)	306	157	1,918
H. Net gain on the change of the retirement benefits plans	(139)	—	—
I. Other	58	193	2,356
J. Total (G+H+I)	225	350	4,275

(Note) 1. Retirement cost for some subsidiaries which have adopted the simplified method are included in the "Service costs".

2. "Other" means the contribution to the defined contribution pension plans.

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

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)
A. Method of attributing projected benefits to periods of service	Straight-line	Straight-line
B. Discount rate	1.5%	1.5%
C. Long-term rate of return on plan assets	2.5%	—
D. Amortization period for prior service liabilities	8 years (based on the straight-line method over the average estimated service years of employees)	8 years The same method with the previous fiscal year
E. Amortization period for actuarial differences	9 years (based on the straight-line method over the average estimated service years of employees from the next fiscal period of year when the differences are computed)	8 to 9 years The same method with the previous fiscal year
F. Amortization period for transition obligations	15 years	15 years

14. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Allowance for doubtful accounts	233	14	179
Accrued bonuses	835	754	9,199
Accrued retirement benefits for employees	559	534	6,516
Accrued retirement benefits for directors	166	141	1,725
Inventories	2,947	2,247	27,405
Prepaid expenses	273	118	1,442
Tax loss carry-forwards in the subsidiaries	416	252	3,081
Investments in subsidiaries and affiliated companies	224	196	2,395
Depreciation	84	117	1,436
Impairment loss	140	108	1,326
Unearned revenue	555	440	5,369
Other	1,612	1,565	19,091
Sub-total	8,051	6,491	79,168
Valuation allowance	(1,262)	(1,200)	(14,634)
Total deferred tax assets	6,789	5,291	64,534
(Deferred tax liabilities)			
Tax-deductible inventories for a foreign subsidiary	(629)	(367)	(4,484)
Other	(62)	(9)	(115)
Total deferred tax liabilities	(692)	(377)	(4,600)
Net deferred tax assets	6,097	4,914	59,933
Net deferred tax assets are reflected in the consolidated balance sheets as follows.			
Current assets—deferred tax assets	5,210	4,239	51,702
Non current assets—deferred tax assets	1,150	908	11,073
Current liabilities—deferred tax liabilities	(30)	(7)	(95)
Non current liabilities—deferred tax liabilities	(232)	(225)	(2,746)
Total	6,097	4,914	59,933

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

	Previous fiscal year	Current fiscal year
	(As of March 31, 2011)	(As of March 31, 2012)
	%	%
Statutory income tax rate	40.6	—
(Reconciliation)		
Change in valuation allowance	(13.1)	—
Tax credit	0.5	—
Amortization of goodwill	0.9	—
Different tax rates applied to foreign subsidiaries	(1.2)	—
Permanent difference (meals and entertainment etc.)	0.7	—
Unappropriated retained earnings of foreign subsidiaries	0.4	—
Tax adjustments resulting from consolidation elimination entries etc.	0.4	—
Others	(0.9)	—
Effective income tax rate	28.3	—

(Note) The note is omitted due to the minor of the difference between the two rates.

(3) Change in deferred tax assets and liabilities due to change of corporate tax rate

The "Amendment to the 2011 Tax Reform" and the "Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake" were promulgated.

In response to that, the Company and its domestic subsidiaries changed their statutory income tax rate to compute the deferred tax assets and the deferred tax liabilities as of March 31, 2012 which were expected to be realized or settled on and after April 1, 2012 from 40.6% for the previous fiscal year to 37.9% and 35.5% for items expected to be realized or settled between April 1, 2012 and March 31, 2015 and those on or after April 1, 2015, respectively. As a result, the balance of deferred tax assets (net of deferred tax liabilities) decreased by ¥312 million (\$3,814 thousand) and the amount of income tax - deferred increased by ¥312 million (\$3,814 thousand) for the current fiscal year.

15. Business combinations

The note is omitted due to the minor of the total amount.

16. Asset retirement obligations

Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations

Obligations etc. to restore business offices and amusement facilities in the business of "Arcade operations" to their original state, which are specified in the real estate lease agreements.

② Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted.

For the business offices, their depreciation periods (mainly 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which correspond to respective depreciation periods are used as their discount rates (mainly 1.885%).

For the amusement facilities, their lease periods (mainly 6 to 10 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to respective lease periods are used as their discount rates (mainly 0.723 to 1.395%).

③ Increase or decrease in the asset retirement obligations

	Previous fiscal year	Current fiscal year	Current fiscal year
	(From April 1, 2010 to March 31, 2011)	(From April 1, 2011 to March 31, 2012)	(From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Opening balance (Note)	309	340	4,157
Increase due to purchase of tangible fixed assets	—	—	—
Adjustment due to passage of time	31	4	58
Decrease due to settlement of asset retirement obligations	—	(0)	(11)
Ending balance	340	344	4,203

(Note) The opening balance for the previous fiscal year was booked in accordance with "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008), which the Companies have adopted effective from the fiscal year ended March 31, 2011.

17. Investment and rental property

The note is omitted due to the minor of the total amount.

18. Segment information

1. Outline of reportable segment

The business segments the Company reports are the business units for which the Company is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

The Company has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore the Company's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 4 units; "Consumer online games", "Mobile contents", "Arcade operations" and "Amusement equipments".

"Consumer online games" develops and distributes video games for consumers.

"Mobile contents" develops mobile games to be distributed to mobile phone users.

"Arcade operations" operates amusement stores which install amusement equipments.

"Amusement equipments" manufactures arcade game machines and pachinko gambling machines etc. to be distributed to arcade operators and pachinko parlors.

2. Method of calculating sales and income (loss), identifiable assets and liabilities, and other items by reportable segment

The accounting procedure for the reportable segment is based on "Significant accounting policies".

Income by reportable segment is calculated based on operating income on the consolidated statements of income.

3. Information on net sales and operating income (loss), identifiable assets and liabilities, and other items by reportable segment

① Previous fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen								
	Reportable segment				Total	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Consumer online games	Mobile contents	Arcade operations	Amusement equipments						
Net sales									
(1) Customers	70,269	4,028	11,621	7,903	93,823	3,893	97,716	—	97,716
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	70,269	4,028	11,621	7,903	93,823	3,893	97,716	—	97,716
Operating income	12,499	1,366	1,131	2,638	17,636	1,098	18,734	(4,439)	14,295
Identifiable assets	30,038	1,936	8,668	9,136	49,779	2,767	52,547	37,861	90,408
Other items									
Depreciation	591	52	1,708	127	2,480	263	2,743	571	3,315
Increase in tangible and intangible fixed assets	1,404	86	926	171	2,588	115	2,703	54	2,758

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

2. Adjustments are as follows.

(1) Adjustments of operating income of (¥4,439) million include unallocated corporate operating expenses of (¥4,439) million. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.

(2) Adjustments of identifiable assets of ¥37,861 million include unallocated corporate identifiable assets of ¥37,966 million.

(3) Adjustments of increase in tangible and intangible fixed assets of ¥54 million are capital investment by headquarters.

3. Operating income for segment is adjusted on operating income on the consolidated statements of income.

② Current fiscal year (From April 1, 2011 to March 31, 2012)

	Millions of yen								
	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Consumer online games	Mobile contents	Arcade operations	Amusement equipments	Total				
Net sales									
(1) Customers	53,501	6,308	11,729	7,663	79,202	2,862	82,065	—	82,065
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	53,501	6,308	11,729	7,663	79,202	2,862	82,065	—	82,065
Operating income	10,502	2,385	1,787	890	15,566	877	16,444	(4,125)	12,318
Identifiable assets	48,559	2,983	8,006	8,294	67,844	2,931	70,776	27,471	98,247
Other items									
Depreciation	696	50	1,380	114	2,242	276	2,518	605	3,123
Increase in tangible and intangible fixed assets	1,830	501	936	232	3,500	509	4,009	143	4,153

	Thousands of U.S. dollars								
	Reportable segment					Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Consumer online games	Mobile contents	Arcade operations	Amusement equipments	Total				
Net sales									
(1) Customers	652,461	76,930	143,040	93,456	965,888	34,912	1,000,801	—	1,000,801
(2) Inter-segment	—	—	—	—	—	—	—	—	—
Total	652,461	76,930	143,040	93,456	965,888	34,912	1,000,801	—	1,000,801
Operating income	128,081	29,096	21,797	10,861	189,837	10,704	200,541	(50,315)	150,226
Identifiable assets	592,191	36,387	97,641	101,153	827,373	35,750	863,123	335,017	1,198,141
Other items									
Depreciation	8,491	618	16,837	1,395	27,342	3,367	30,710	7,380	38,090
Increase in tangible and intangible fixed assets	22,324	6,112	11,420	2,829	42,687	6,209	48,896	1,750	50,647

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

2. Adjustments are as follows.

(1) Adjustments of operating income of (¥4,125) million ((\$50,315) thousand) include unallocated corporate operating expenses of (¥4,125) million ((\$50,315) thousand). The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.

(2) Adjustments of identifiable assets of ¥27,471 million (\$335,017 thousand) include unallocated corporate identifiable assets of ¥27,471 million (\$335,017 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥143 million (\$1,750 thousand) are capital investment by headquarters.

3. Operating income for segment is adjusted on operating income on the consolidated statements of income.

[Related information]

1. Information by product and service line

The Company's reportable segments are based on the products and services its operational headquarters deal in, and the details are as shown on "Sales (1) Customers" of "3. Information on net sales and operating income (loss), identifiable assets, and other items by reportable segment".

2. Information by country or region

(1) Net sales

① Previous fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen				
	Japan	North America	Europe	Other regions	Total
Net sales	65,017	20,986	9,106	2,606	97,716

② Current fiscal year (From April 1, 2011 to March 31, 2012)

	Millions of yen					Thousands of U.S. dollars				
	Japan	North America	Europe	Other regions	Total	Japan	North America	Europe	Other regions	Total
Net sales	56,311	17,334	5,623	2,796	82,065	686,727	211,396	68,575	34,102	1,000,801

(Note) 1. The sales amounts are classified by country or region where customers are located.

2. Countries or regions that are not in Japan.

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

(2) Europe.....European countries

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

(2) Tangible fixed assets

The information is omitted as the balance of tangible fixed assets in Japan exceeded 90% or more of the total balance of tangible fixed assets of the consolidated balance sheet.

3. Information by major customer

The information is omitted as the Companies did not have any major customers the sales amount of which accounted for 10% or more of the total sales amount of the consolidated statement of income.

[Impairment loss by reportable segment]

(1) Previous fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen				
	Reportable segment		Other	Corporate or elimination	Total
	Arcade operations	Sub-total			
Impairment loss	149	149	—	—	149

(2) Current fiscal year (From April 1, 2011 to March 31, 2012)

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment		Other	Corporate or elimination	Total	Reportable segment		Other	Corporate or elimination	Total
	Arcade operations	Sub-total				Arcade operations	Sub-total			
Impairment loss	80	80	—	—	80	978	978	—	—	978

[Amortization and balance of goodwill by reportable segment]

(1) Previous fiscal year (From April 1, 2010 to March 31, 2011)

	Millions of yen				Total
	Reportable segment		Other	Corporate or elimination	
	Consumer online games	Sub-total			
Amortization	239	239	—	—	239
Balance	412	412	—	—	412

(2) Current fiscal year (From April 1, 2011 to March 31, 2012)

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment		Other	Corporate or elimination	Total	Reportable segment		Other	Corporate or elimination	Total
	Consumer online games	Sub-total				Consumer online games	Sub-total			
Amortization	112	112	—	—	112	1,366	1,366	—	—	1,366
Balance	291	291	—	—	291	3,553	3,553	—	—	3,553

[Negative goodwill by reportable segment](1) Previous fiscal year (From April 1, 2010 to March 31, 2011)
Not applicable**(2) Current fiscal year (From April 1, 2011 to March 31, 2012)**
Not applicable**19. Related party transactions**(1) Previous fiscal year (From April 1, 2010 to March 31, 2011)
Not applicable**(2) Current fiscal year (From April 1, 2011 to March 31, 2012)**
Not applicable**20 . Per share information**

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Yen	Yen	U.S. dollars
Net assets per share	981.76	1,030.70	12.57
Net income per share	131.18	116.10	1.42

(Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies have no residual securities.

2. The basis for computation of net assets per share is as follows.

	Previous fiscal year (As of March 31, 2011)	Current fiscal year (As of March 31, 2012)	Current fiscal year (As of March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	58,007	59,352	723,809
Amounts to be deducted from total amount of net assets	—	—	—
Ending balance of net assets attributable to common stock	58,007	59,352	723,809
Number of common stocks used for computation of net assets per share (thousand shares)	59,085	57,584	57,584

3. The basis for computation of net income per share is as follows.

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Current fiscal year (From April 1, 2011 to March 31, 2012)	Current fiscal year (From April 1, 2011 to March 31, 2012)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	7,750	6,723	81,999
Amount not allocated to common stock	—	—	—
Net income allocated to common stock	7,750	6,723	81,999
Average number of common stock outstanding during the fiscal year (thousand shares)	59,086	57,913	57,913

21. Significant subsequent events

Not applicable

22. Supplemental schedule of bonds

Not applicable

23. Supplemental schedule of borrowings

Category	Balance as of April 1, 2011 (¥ million)	Balance as of March 31, 2012 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	—	6,760	0.5	—
Current portion of long-term borrowings due within one year	3,711	499	1.2	—
Current portion of lease obligations	507	322	1.5	—
Long-term borrowings (Excluding current portion)	3,644	6,145	0.7	From 2013 to 2015
Lease obligations (Excluding current portion)	461	429	1.5	From 2013 to 2017
Other interest-bearing debt	—	—	—	—
Total	8,324	14,156	—	—

Category	Balance as of April 1, 2011 (\$ thousand)	Balance as of March 31, 2012 (\$ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	—	82,439	0.5	—
Current portion of long-term borrowings due within one year	45,256	6,089	1.2	—
Current portion of lease obligations	6,188	3,937	1.5	—
Long-term borrowings (Excluding current portion)	44,447	74,943	0.7	From 2013 to 2015
Lease obligations (Excluding current portion)	5,625	5,235	1.5	From 2013 to 2017
Other interest-bearing debt	—	—	—	—
Total	101,518	172,644	—	—

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

2. The following table shows the aggregate annual maturities of Long-term borrowings and lease obligation for 5 years subsequent to March 31, 2013 (excluding the current portion).

	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
Long-term borrowings	144	3,000	3,000	—
Lease obligations	230	128	48	21

	Due after 1 year but within 2 years (\$ thousand)	Due after 2 years but within 3 years (\$ thousand)	Due after 3 years but within 4 years (\$ thousand)	Due after 4 years but within 5 years (\$ thousand)
Long-term borrowings	1,763	36,594	36,585	—
Lease obligations	2,814	1,572	585	263

24. Supplemental schedule of asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and that as of the end of the current fiscal year were 1 % or less than the total balance of the liabilities and the net assets as of the beginning and that as of the end of the current fiscal year, respectively.

25. Supplemental schedule of other

Quarterly sales etc. for the current fiscal year

	1st quarter (From April 1, 2011 to June 30, 2011)	2nd quarter (From April 1, 2011 to September 30, 2011)	3rd quarter (From April 1, 2011 to December 31, 2011)	4th quarter (From April 1, 2011 to March 31, 2012)
Net sales (¥ million)	11,963	29,252	50,270	82,065
Net income before income taxes (¥ million)	540	1,796	5,707	11,425
Net income (¥ million)	338	906	3,242	6,723
Net income per share (yen)	5.75	15.56	55.88	116.10

	1st quarter (From April 1, 2011 to June 30, 2011)	2nd quarter (From April 1, 2011 to September 30, 2011)	3rd quarter (From April 1, 2011 to December 31, 2011)	4th quarter (From April 1, 2011 to March 31, 2012)
Net sales (\$ thousand)	145,776	356,736	613,052	1,000,801
Net income before income taxes (\$ thousand)	6,586	21,903	69,605	139,340
Net income (\$ thousand)	4,126	11,054	39,541	81,999
Net income per share (U.S. dollars)	0.07	0.19	0.68	1.42

	1st quarter (From April 1, 2011 to June 30, 2011)	2nd quarter (From July 1, 2011 to September 30, 2011)	3rd quarter (From October 1, 2011 to December 31, 2011)	4th quarter (From January 1, 2012 to March 31, 2012)
Net income per share (yen)	5.75	9.86	40.57	60.46

	1st quarter (From April 1, 2011 to June 30, 2011)	2nd quarter (From July 1, 2011 to September 30, 2011)	3rd quarter (From October 1, 2011 to December 31, 2011)	4th quarter (From January 1, 2012 to March 31, 2012)
Net income per share (U.S. dollars)	0.07	0.12	0.49	0.74

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of CAPCOM CO., LTD. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

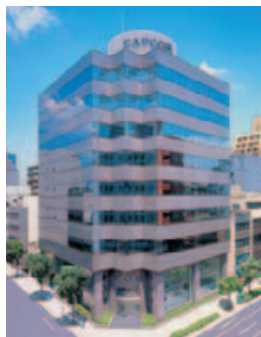
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



July 30, 2012

PricewaterhouseCoopers Aarata

BREEZE TOWER 24th Floor, 2-4-9 Umeda, Kita-ku, Osaka-shi, Osaka 530-0001, Japan
T: +81(6)6442 3150, F: +81(6)6442 3151, www.pwc.com/jp/assurance



Head Office



Tokyo Branch



R&D Building

Corporate Profile

(As of March 31, 2012)

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	Planning, development, manufacture and sale of home video games, online games, mobile games and arcade games as well as management of amusement arcades.
Paid-in Capital	¥ 33,239 million
End of Term	March 31
Number of Employees	2,265 (Including consolidated subsidiaries) 1,698 (Capcom CO., LTD.)

Capcom's Subsidiaries

- CAPTRON CO., LTD.**
 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-3626 FAX: 81-6-6920-5126
 Paid-in Capital: ¥ 1,640 million
 Business Segment: Rent, lease and operation of real estate properties
- K2 CO., LTD.**
 7th Floor, Shogyo Building, 5-6-10 Toyosaki, Kita-ku, Osaka, 531-0072, Japan
 PHONE: 81-6-4802-4557 FAX: 81-6-4802-4559
<http://www.kei-two.co.jp/>
 Paid-in capital: ¥ 3 million
 Business Segment: Development of home video games
- ENTERRISE CO., LTD.**
 NOE Building 2-5-1 Taitou, Taitou-ku, Tokyo, 110-0016, Japan
 PHONE: 81-3-5812-8725 FAX: 81-3-5812-8731
<http://www.enterrise.co.jp/>
 Paid-in Capital: ¥ 30 million
 Business Segment: Sale and Manufacture of amusement equipment
- BEELINE INTERACTIVE JAPAN, CO., LTD.**
 2-2-14 Awaji-cho, Chuo-ku, Osaka, 541-0047, Japan
 PHONE: 81-6-6920-7011 FAX: 81-6-6223-8007
<http://www.beeline-i.info/bij/index.html>
 Paid-in Capital: ¥ 300 million
 Business Segment: Development and distribution of mobile phone content
- CAPCOM U.S.A., INC.**
 800 Concar Drive, Suite 300 San Mateo, California 94402 U.S.A.
 PHONE: 1-650-350-6500 FAX: 1-650-350-6655
<http://www.capcom.com/us/>
 Paid-in Capital: US\$ 159,949 thousand
 Business Segment: Development and sale of home video games
- CAPCOM ASIA CO., LTD.**
 Unit 504-5, New East Ocean Centre, No.9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong
 PHONE: 852-2366-1001 FAX: 852-2366-1985
<http://www.capcomasia.com.hk/>
 Paid-in Capital: HK\$ 21,500 thousand
 Business Segment: Sale of home video games
- CE EUROPE LTD.**
 The Metro Building, 3rd Floor, 1 Butterwick, Hammersmith, London W6 8DL, U.K.
 PHONE: 44-20-8600-6100 FAX: 44-20-8600-6197
<http://www.capcom-europe.com/>
 Paid-in Capital: £ 1 million
 Business Segment: Sale of home video games
- CEG INTERACTIVE ENTERTAINMENT GmbH**
 Barmbeker Str.4b 22303 Hamburg Germany
 PHONE: 49-40-6965-620 FAX: 49-40-6965-6222
 Paid-in Capital: € 25 thousand
 Business Segment: Sale of home video games
- BEELINE INTERACTIVE, INC.**
 10960 Wilshire Blvd. Suite 1500, Los Angeles, CA 90024 U.S.A.
 PHONE: 1-310-943-5470 FAX: 1-310-943-5489
<http://www.beeline-i.com/>
 Paid-in Capital: US\$ 0 thousand
 Business Segment: Distribution of mobile phone games
- BEELINE INTERACTIVE CANADA, INC.**
 401 The West Mall, Suite 415, Toronto ON, Canada, M9C 5J5
 PHONE: 1-647-788-1600 FAX: 1-647-788-1601
 Paid-in Capital: Canada\$ 0 thousand
 Business Segment: Development and distribution of mobile phone games
- CAPCOM ENTERTAINMENT KOREA CO., LTD.**
 Dong IL Highvill Office 410 1542-1 Seocho-dong Seocho-gu, Seoul, 137-872, Korea
 PHONE: 82-2-525-2160 FAX: 82-2-525-2161
<http://www.capcomkorea.com/>
 Paid-in Capital: KRW 1,000 million
 Business Segment: Sale of home video games, Operation and development of online games
- CAPCOM ENTERTAINMENT FRANCE, SAS**
 30 bis, rue du Viel Abreuvoir 78100 SAINT GERMAIN EN LAYE France
 PHONE: 33-1-30-61-86-61 FAX: 33-1-39-73-16-15
 Paid-in Capital: € 37 thousand
 Business Segment: Sale of home video games
- CAPCOM GAME STUDIO VANCOUVER, INC.**
 4401 Still Creek Drive, Suite200, Burnaby, BC, Canada V5C 6G9
 PHONE: 1-604-299-5626 FAX: 1-604-299-5653
<http://capcomvancouver.com/>
 Paid-in Capital: Canada\$ 2,961 thousand
 Business Segment: Development of home video games
- BEELINE INTERACTIVE EUROPE LTD.**
 The Metro Building 3rd Floor, 1 Butterwick, Hammersmith, London W6 8DL, U.K.
 PHONE: 00-44-208-600-6100 FAX: 00-208-600-6197
 Paid-in Capital: € 2,500 thousand
 Business Segment: Development and distribution of mobile phone games

Major Offices

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

A-D

Amusement arcades

Amusement arcades are operated in many types of formats. Two frequent formats are arcades within shopping centers and arcades in separate buildings along highways.

Amusement equipment (commercial use)

These arcade machines that are used at amusement arcades and other locations allow visitors to enjoy games in a manner that is not possible at home. Categories of these machines include medal games, prize games, video games and other types of games.

ARPPU

Average revenue per paid user at Capcom is primarily the average monthly revenue per paid user of the company's social games.

Cannibalization

When user movement between different genres, such as home video games, online games and mobile games, causes erosion and competition in the market.

Casual users

Beginning game players who usually do not play video games for a long time.

CERO

The Computer Entertainment Rating Organization, which is a non-profit organization located in Japan, issues age-appropriateness ratings for computer games as the selection of these games becomes more diverse along with the increasing popularity of computer entertainment. These ratings provide information that is required to select game software. The objectives are to contribute to the sound development of young people and to maintain a proper level of social ethical standards. (from CERO website) Capcom receives a CERO rating before launching new home video game titles.

CESA

The Computer Entertainment Supplier's Association supports the advancement of the computer entertainment industry by performing studies of the industry as well as research, promotional, educational and other activities. The objectives are to contribute to the sound development of the computer entertainment

industry in Japan and to enriching the lives of the Japanese public. (from CERO website)

Core users (Heavy users)

Core users are people who are very knowledgeable about video games and have become experts regarding specific games by playing these games for a long time.

Developer

A company or organization that develops game content.

Downloadable content

Downloadable content is an intangible form of game content that is sold (distributed) through the Internet and thus requires no physical packaging. This content is available on networks linked to home video game consoles, such as PlayStation Network, Xbox Live and Wii Ware. This content can also be downloaded to a computer and obtained in other ways.

F-H

Feature phone

A feature phone is a conventional cell phone of the type that was used before the emergence of smartphones. Capcom has for some time been distributing relatively simple games based on its game content, ring tones, stand-by screen images and other content for these phones.

First party

A company or organization that supplies game hardware or platforms.

Freemium

Freemium is a business model in which users can download a basic game or service at no charge and then pay for additional components and special functions. Freemium is also a generic name of games played in this fashion. It is rapidly increasing market share as game content for mobile phones and smartphones.

Game content

Game content encompasses game software along with the game's characters, music, images and all other components. This is also called digital content when the content is stored digitally using an intangible format rather than on a physical object such as a disk.

Handheld game console

This term refers to all game consoles that are small and light enough to be carried with ease.

Hardware (home video game console)

A dedicated device that is required to operate game software.

Home game console

Home video games are games being played on a specific type of console. These games are made for home consoles such as the PlayStation 3, Xbox 360 and Wii as well as handheld consoles such as the Nintendo 3DS and PlayStation Vita. Capcom has developed these games for a broad array of consoles.

I-L

Internally produced

The process of developing a product entirely within a single company, rather than outsourcing tasks to a third-party company or organization.

Launch title

Launch title is either the introduction of a title simultaneously with the introduction of a new game console or the product that is launched simultaneously.

License-out

Granting rights to a third-party company or organization for the use of a Capcom character, title logo or other item.

M-P

MT Framework

"MT Framework" is an integrated game development environment created by Capcom. In particular, this framework provides shared software development tools for about 80% of the development process for games used on the Xbox360, PlayStation 3 and PCs. Using this shared process greatly reduces game development expenses and cuts development time by two-thirds. In response to market needs, Capcom has made the MT Framework compatible with more types of consoles. Currently, the framework can also be used to develop games for the Nintendo 3DS, Wii and iPhone. "MT" stands for meta-tool, multi-thread, multi-target and other characteristics of this framework.

Multi-platform

With the multi-platform approach, game content is supplied for a variety of platforms rather than only a single platform. This makes it possible to reach more people, maximize profitability and reduce the time and cost needed to develop content. This is one of Capcom's core strategies. Furthermore, Capcom uses its exclusive MT Framework, an integrated game development environment, to make the development process more efficient.

Next-generation console

New types of game consoles are usually released about every five years in the home video game market. These next-generation consoles offer users new functions along with new or additional ways to play games.

Original content

Original content is content created by using completely original elements. There can be no other original story or third-party oversight. Capcom is able to use its content in many ways due to the ability to create a large volume of original game content.

Outsourcing

Outsourcing is the process of placing an order to a third-party company or other organization to develop all or part of a particular product.

Packaged software

This is generally software or media that is sold at stores or on the Internet for use with home video game consoles. Software is sold on DVDs, Blu-ray discs and other media depending on the format of each console.

PC online games

These are games that can be played over the Internet on a PC because they do not require a dedicated game console. Players can play a game along with or against other players via a network of users established by accessing the portal site for that game.

Platform

A platform is the environment required to operate game content. Capcom supplies game content for home video game consoles and PCs as well as for cell phones, smartphones and a steadily increasing number of other devices.

Premium

A conventional generic name (or common name) used to refer to mobile content service (or mobile phone content service). It refers to a business model designed as a pay-service for a single content or other services, or a fixed monthly rate membership service for game content.

Publisher

A company or organization that develops and sells game content.

R-W

Rating

Video games receive age-appropriateness ratings based on the characteristics of each game after undergoing an examination by the CERO (Computer Entertainment Rating Organization). In Japan, all home video games must undergo this examination and display the resulting rating (A, B, C, D or Z) along with the associated precaution icon.

Remake

The process of updating an older game to utilize the advanced capabilities of a new game console or platform or the updated product itself.

Series

A game series consists of number of titles based on the same content. This is also called a franchise. Capcom has created many very successful game franchises, including Street Fighter, Resident Evil, Monster Hunters and others.

Single Content Multiple Usage

Single content multiple usage is a core Capcom strategy in which the company's popular original content is used for home video games as well as for character merchandise, movies and many other uses in order to maximize earnings.

Smartphone

Smartphones are high-performance, multi-function cell phones that are similar to PCs and can access the Internet. Recent rapid progress with smartphone performance has made these devices a popular platform for playing games.

Social games

Social games are online games that are played with others by communicating over a network rather than alone. These games are provided

over social networking services (SNS) and each game incorporates a link to its respective SNS. The popularity of social games is increasing rapidly on a global scale as people discover this new way to enjoy games.

Software (Home video games, consumer games)

Software refers to game content that is either incorporated in a game console or installed separately on a computer, cell phone or other device. Software is sold mainly in packages or through Internet downloads.

Spin-off titles

A title in a game series that, rather than being a pure sequel, uses selected components of the game to create a side story or other new element.

Standing console

Refers to game console hardware that is set up in a fixed location, usually connected to a TV or monitor.

Third party

A third party is a company or organization that supplies software or game content to the first party.

Title

A title is a particular game or the name of a particular game.

Transition period

This is the transition period between a current game console and the launch of its next-generation version. Normally, sales of the current game console decrease during this transition period to the next generation.

Transplanting

Transplanting is the process of altering specifications of the original game software so that it can be released again for use on a different platform (game console).

Work-in-progress for game software

This accounting term refers to game software development expenses that are treated as future assets. These expenses are included in the assets section of the balance sheet until the game launch date.

Stock Data

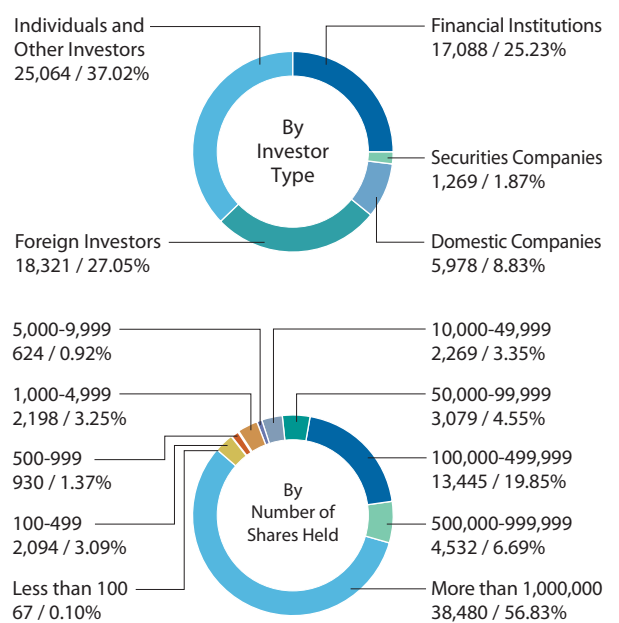
Number of Shares Authorized ————— 150,000,000 shares
 Number of Shares Issued ————— 67,723,244 shares
 Number of Shareholders ————— 16,963 shareholders

Major Shareholders

Major Shareholders	Number of Shares Held (in thousands)	Investment Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	5,772	10.02
Crossroad Limited	5,276	9.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,779	6.56
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRNCY JP STOCK LEADERS FD	2,442	4.24
Kenzo Tsujimoto	2,007	3.49
Misako Tsujimoto	1,964	3.41
Yoshiyuki Tsujimoto	1,669	2.90
Haruhiro Tsujimoto	1,547	2.69
Ryozo Tsujimoto	1,545	2.68
Goldman Sachs & Co. Regular Account	1,189	2.07

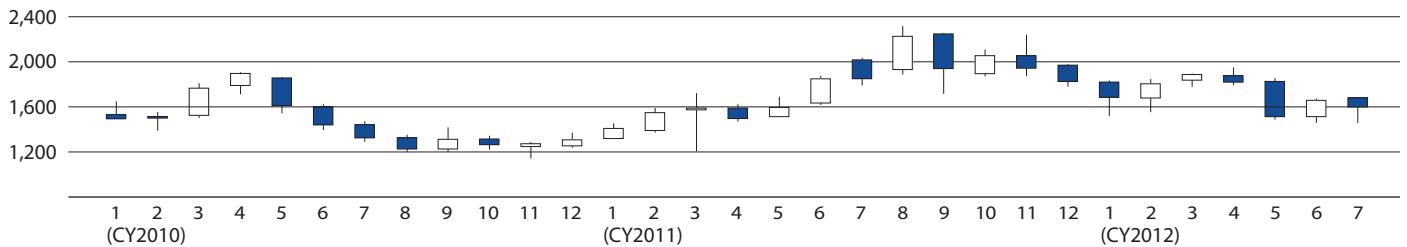
* Capcom owns 10,138 thousand stocks as treasury stocks.
 The stocks owned by the company are excluded from the above list.

Shareholders' Breakdown



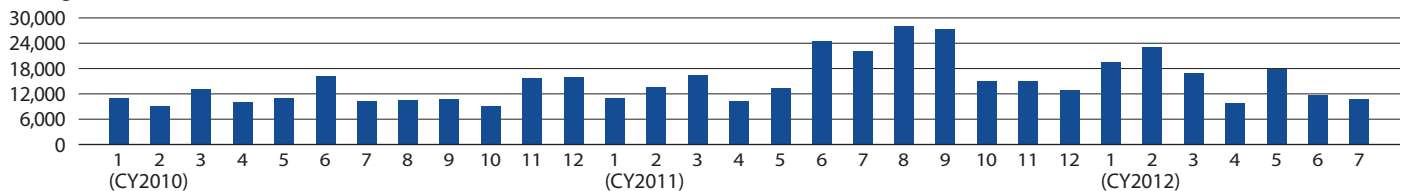
Stock Price Range

Stock Price (Yen)



Trading Volume

Trading Volume (thousand shares)



11 Year Trend of Stock Price and Trading Volume

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Stock Price	3,470	1,033	1,032	1,047	1,209	1,692	3,400	1,746	1,766	1,590	1,891
High	4,460	3,860	1,685	1,246	1,450	2,445	3,490	3,640	2,010	1,907	2,311
Low	2,400	999	857	884	1,000	1,110	1,660	1,475	1,297	1,145	1,473
Trading Volume	59,785,000	69,891,000	109,458,000	90,897,000	93,992,000	137,965,000	191,793,900	179,636,900	181,065,800	149,613,900	227,386,600

(YEARS ENDED MARCH 31)

History

CAPCOM of Japan Has Transformed Itself into CAPCOM of the World.

Products History

Jul. 1983

Released our first originally developed coin-op "Little League".



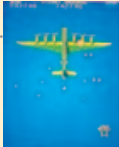
May 1984

Released our first arcade video game "Vulgus".



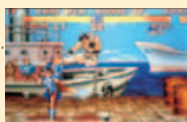
Dec. 1985

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



Dec. 1987

Released "Mega Man" for NES.

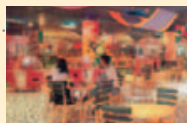


Mar. 1991

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

Jul. 1993

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



Dec. 1994

Premiere of the Hollywood movie "Street Fighter".

Mar. 1996

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

Aug. 2001

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

Oct. 2001

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

Jul. 2005

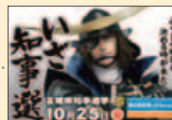
Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.

Aug. 2006

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

Dec. 2006

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



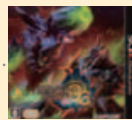
Oct. 2009

"Sengoku BASARA" character Date Masamune used for PR activities in support of the Miyagi Prefecture gubernatorial elections.



Nov. 2010

Distribution of social game "Smurfs' Village" for iPhone began. It became the top download in 80 countries around the world.



Dec. 2011

Released "Monster Hunter 3 (Tri) G" for Nintendo 3DS, which became the Capcom's first title that was sold one million units in Japan for Nintendo 3DS.

Corporate History

May 1979

Established I.R.M Corporation (capital of 10 million yen) with objectives of developing and selling electric applied game machines in Matsubara, Osaka.

May 1981

Established the subsidiary JAPAN CAPSULE COMPUTER CO., LTD.

Sep. 1981

Corporate name was changed to SAMBI CO., LTD., and the head office was moved to Habikino, Osaka.

Jun. 1983

Established old CAPCOM CO., LTD., (capital of 10 million yen) in Hirano, Osaka for the purpose of selling software.

Oct. 1983

Established Tokyo Branch in Shinjuku, Tokyo.

Jan. 1989

Old CAPCOM CO., LTD., was merged with SANBI. Corporate name was changed to CAPCOM CO., LTD., and the head office was moved to Higashi-ku, Osaka.

Oct. 1990

Stocks registered as OTC securities with the Japan Securities Dealers Association.

Oct. 1993

Stock was listed on the second section of the Osaka Stock Exchange.

Jul. 1994

Constructed head office, which was relocated to Uchihirano-machi, Chuo-ku, Osaka.

Sep. 1999

Stock changed listing to the First Section of the Osaka Securities Exchange.

Oct. 2000

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

separate volume

THE LATEST DEVELOPMENT REPORT 2012 MADE TO BE PLAYED.

P1



Development Management

Seeing Market Changes as Opportunities and Focusing Overall Efforts on Becoming No.1 in the World

Katsuhiko Ichii

Director and Executive Corporate Officer in charge of Consumer Games Business

P3



Digital Contents business (Home Video Games)

Overwhelming Quality Makes Users Feel Real Fear, Excitement and Emotion

Yoshiaki Hirabayashi

Producer, Development Strategy and Support, Consumer Games Development

P5



Digital Contents business (Home Video Games)

Venturing into the Global Market with Launch of Revamped Popular Title "Devil May Cry"

Motohide Eshiro

Producer, Development Strategy and Support, Consumer Games Development

P7



Digital Contents business (Social Games)

Building Games for Smartphones and Tablets the Whole Family Can Enjoy

Midori Yuasa

CEO
Beeline Interactive, Inc.

P9



Digital Contents business (Online/Social Games)

Online/Social Games are the Ultimate Service Industry. We Aim to Make Even Greater Strides by Increasing the Quality of Management

Kazunori Sugiura

General Manager, Tokyo Product Development, Consumer Games Development

P11



Amusement Equipments

Combining Attraction of Capcom Titles with Playfulness of Pachislo to Create Consecutive Hits

Yoichi Egawa

Managing Corporate Officer, Head of P&S Business Division

P13



Special Feature The Monster Hunter Hit Trajectory

Katsuhiro Eguchi, Planner, Game Design, Osaka Product Development

Kaname Fujioka, Director, Creative Direction and Execution, Osaka Product Development

Yasunori Ichinose, Director, Creative Direction and Execution, Osaka Product Development

Naoto Minamide, License Team, Merchandising Section

Yoshinori Ishida, Deputy Head of Consumer Games Business Division

Ryozo Tsujimoto, Producer, Production Planning and Administration, Development Strategy and Support

Corporate Data

CAPCOM CO., LTD.

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

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

Capcom Investor Relations Website

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

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



Mobile Phone Access

<http://2mobile.jp/9697/>

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

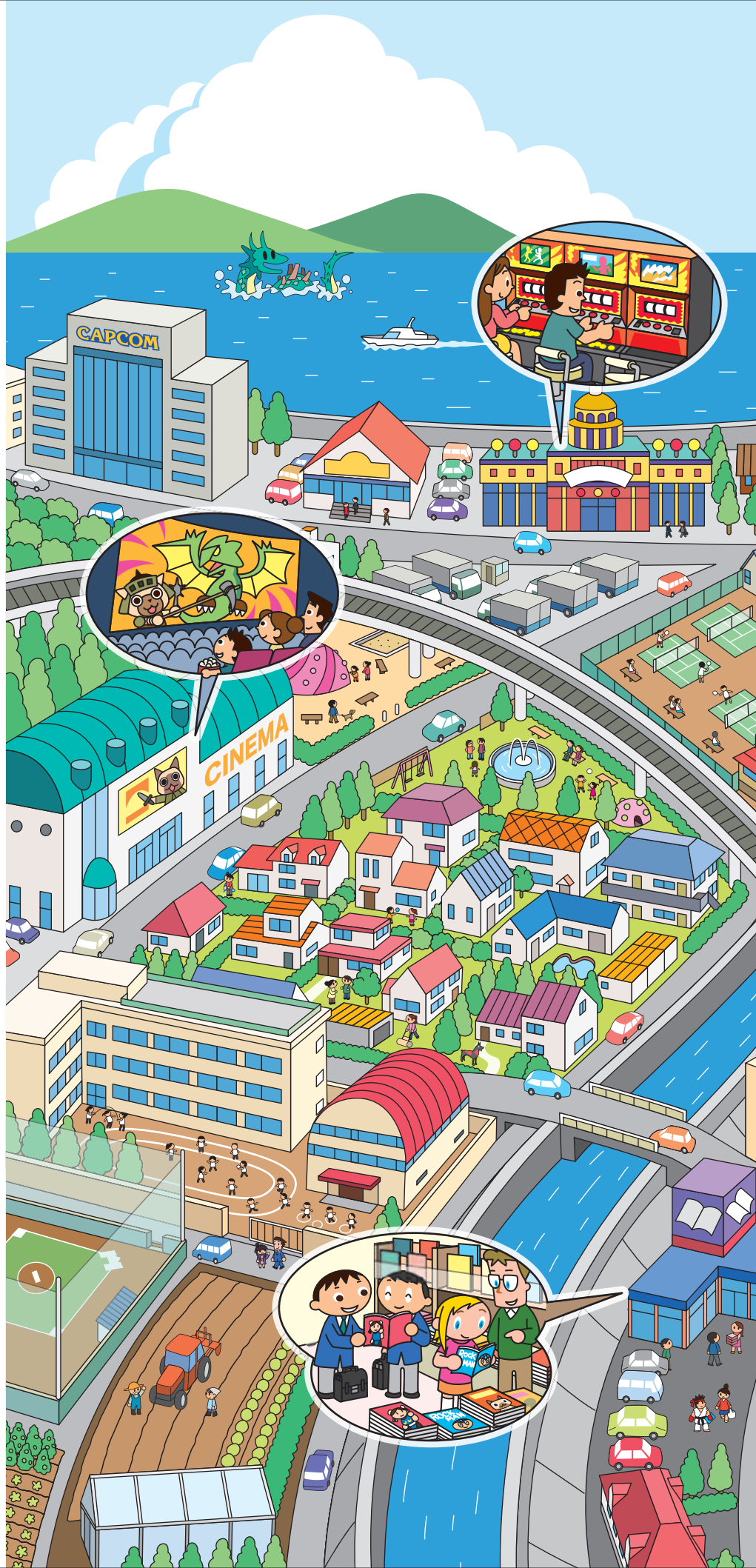


* See your mobile phone manual for information on how to scan QR codes.
* This service supports only Japanese.



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CAPCOM

CAPCOM

**THE LATEST
DEVELOPMENT REPORT**

2012

MADE TO BE PLAYED.

Seeing Market Changes as Opportunities and Focusing Overall Efforts on Becoming No.1 in the World

From home consoles and PCs to mobile phones, Capcom is moving forward with a multi-platform strategy for fun games across various platforms. We will respond to new markets supported by our organizational strengths, from development to operations.

Katsuhiko Ichii

**Director and Executive Corporate Officer
in charge of Consumer Games Business**

After integrating marketing, appointed as Managing Corporate Officer in 2006. From April 2011, appointed as General Manager of Consumer Entertainment Business Management Group and integrator of Consumer Games Development, focusing on global development and restructuring development organization. At current post since June 2011.

Strength in Ability to Respond Flexibly to New Waves in Game Market

Right now, major changes are happening on a global scale in the game industry. Game console content quality is increasing, the online market is rapidly expanding and hardware is becoming more diversified. Above all, from the perspective of hardware diversification, the explosive spread of smartphones, tablets and other powerfully expressive multifunctional devices demands a rapid responsiveness from industry players. Given these conditions, Capcom is adapting to market changes by fusing development expertise gained from home video game and online game development and sales with research advancing basic technologies for all hardware.

Capcom's strength is not its scale; its strength is "flexibility" enabling Capcom to adapt its development and sales to changing market needs, as well as "the creative power of its content" not captured by the hardware. In other words, more than anything else, these big changes are "a big business opportunity for Capcom".

A Global Strategy in Line with Regional Characteristics

In addition to growth, another critical issue for Capcom is success in global markets. To this end, we focus on "local optimization". Just as popular music and films differ by country, so do preferences for certain games. The reason for this, rather than simply a problem of language, is actually rooted in culture. In Japan, friends like to "hunt" with each other in "Monster Hunter", but in North America,

the survival horror action game "Resident Evil" has captured many user hearts. With this understanding of regional characteristics, we will continue to strengthen title development and localization incorporating overseas developers.

At present, we are moving forward with the expansion of a localization project in conjunction with local marketing and development staff. We focus not only on big markets such as North America and Europe, but also on Asia and developing markets. We are establishing a base in Taiwan this July in an aim to expand regional distribution and focus on the Chinese market.

Four Development Organizations with Different Approaches to Changing Markets

As the future of the games business undergoes major changes, Capcom unceasingly approaches markets and promotes development via four bodies.

The first, established in 2011, is "Beeline", which develops social games for the smartphone and does not use "Capcom brands". "Smurf's Village" is very popular in North America and Europe, and has been successful at attracting new users. The second is the Tokyo Product Development, established in April 2012, which combines PC online, mobile and social games. Staff assigned to this division has a wide range of experience in online games, and our management service, the key to success or failure, enables us to flexibly respond to the B2C game business. The third is the Osaka Product Development, which in addition to high quality home video games, continues to work daily on mobile game development. The

fourth is Capcom Game Studio Vancouver, Inc., which is focused on developing titles for the American and European market. These four organizations strengthen our service capabilities and make possible various fun platforms ("Capcom brands").

Using Profits Earned for Next Developments in a Continually Challenging Environment

Each year, we hold a strategy meeting for all Capcom development staff responsible for game creation to share ideas and increase motivation.

There, we declare two objectives: the first is a commitment to quality; "we want to be number one in the world according to user feedback". The second is "to be the most profitable company in the world". We strive to profit by earning user praise for Capcom games and use profits earned for the development of the next hit title. We generate this virtuous cycle by sharing knowledge.

New things originate from today's younger generation. We intend to recruit and employ young people with "a sense for current trends". Leveraging these new strengths, we want to continue to release titles with presence each year.





Overwhelming Quality Makes Users Feel Real Fear, Excitement and Emotion

Created in 1996, “Resident Evil” is Capcom’s flagship title, boasting a total of 50 million units* sold for the entire series. 15 years later, and three and a half years since the last new title, we are set to release “Resident Evil 6”.

* As of June 30, 2012.

Yoshiaki Hirabayashi

Producer, Development Strategy and Support, Consumer Games Development

Became designer of “Resident Evil” series after joining company, principally as an image supervising editor. Worked with Hollywood production team to create an even more realistic “Resident Evil” world in “Resident Evil 5”. Now focused on his debut work as a producer.



Taking Over as Producer of Evolving “Resident Evil” DNA

The “Resident Evil” series continue to fascinate fans the world over. This title, which pioneered the survival horror genre, has continually evolved through a pursuit of dramatic excellence and high quality images, the game’s essence. When I was a student, I was hooked on “Resident Evil 2” and was amazed at how scary it was; a few years later, I started working at Capcom. I began as development staff, working on “Resident Evil” for the Nintendo GameCube. I have been immersed in the “Resident Evil” world ever since.

Now, I am in a position to produce the latest addition to the series; I inherit the “Resident Evil” DNA constructed by my predecessors and am determined to ceaselessly continue the evolution, creating dramatic horror that will become the best of the series in all aspects.

Aiming for New User Acquisition with Unimaginable Story Development and Feeling of Terror

During the planning stages of “Resident Evil 6” the concept of a “group performance” in “Resident Evil” became an important aspect. We decided to add variety



The story of this latest addition to the series centers around fighting bioterrorism on a global scale.

to the story by introducing several main characters facing the horror of global bioterrorism. In addition to series main characters “Leon” and “Chris” appearing together for the first time, there is also new character “Jake”. Four stories focused on seven characters including the three main characters, their partners and “Ada”, develop and eventually crossover in a dramatic turn of events. Of course, as the story crosses over, so does the game. To experience the real charm of “group performance”, not only can it be played by one player, but now up to four players can play cooperatively.

Furthermore, we came up with a way to convey the terror synonymous with “Resident Evil” through dramatic elements, images and even the game controllers. I am confident that creating games in this way will satisfy fans around the world and win new users.

Attempting to Create the Ultimate Horror Entertainment with the Biggest Project Structure in Our History

The staff involved in the development of this title, both in-house and external, numbered over 600 people. My role was to create an environment that maximized their capabilities.

The development organization was a patchwork

of small units arranged together within my area of responsibility. Responsibilities and rights were delegated to the leaders of each unit, making development easier to conduct. The merit of this organizational configuration is that it cultivates character by pitting units against one another to see who can come up with most interesting ideas. When necessary, new sections are created to realize new ideas. Research is conducted by a scalable and flexible organization responsive to any situation, utilizing outside creators and collaboration with companies overseas.

Capcom’s original integrated development environment “MT Framework” was the tool used for development. We used it to speed up development while determining overall quality, cost and schedules.

At present, we are promoting the release around the world, October 4, 2012 in Japan and October 2, 2012 in the U.S. and Europe. Our sales target is to sell more than 7 million units! We will work together to continue the “Resident Evil” evolution with the ultimate in horror entertainment and exceed fan expectations.



Waiting for the main characters are zombies, new enemy J’avo and an unknown virus.



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The release of Hollywood film “Resident Evil: Retribution”, CG animation “Resident Evil: Damnation” and “Resident Evil 6” game are timed simultaneously.



Venturing into the Global Market with Launch of Revamped Popular Title “Devil May Cry”

The “Devil May Cry” series was well-received worldwide as a stylish action game. Since its debut in 2001, this popular title has sold over 11 million units* for the entire series. The release of new title “DmC Devil May Cry” will introduce many innovative new elements not present in the series until now.

* As of June 30, 2012.

Motohide Eshiro

Producer, Development Strategy and Support, Consumer Games Development

After working as a programmer on “Street Fighter II” and other projects, involved in “Onimusha 2” and “Shadow of Rome” as a director. From 2006, a producer of hits such as “Ace Attorney Investigations: Miles Edgeworth” and “Okamiden”.



Breathing New Life into “Devil May Cry”

After seeing promotion videos, some overseas fans were heard to say: A new “Devil May Cry”? It’s supposed to be a total rebirth, but what will happen to the game?

To demonstrate the appeal of the series globally and acquire new users, “DmC Devil May Cry” is a title “reborn” with a restructured concept. Main character Dante’s appearance and background are new, so somewhat of a backlash from passionate fans has been expected since development began. In fact, this backlash is proof of the love they have developed for the series. Raising fans’ expectations, if we are able to create a high-quality game that will make fans think “this new Dante is actually pretty cool”, they will surely become strong advocates. To make this happen, we are promoting with overseas strategic and sales teams.

“Reborn” in World with Western Angel and Devil Motif

This new title incorporates Western tastes into “Devil May Cry”. To create a product totally



The newly “reborn” Dante is half angel, half devil. His angel powers and devil powers can be used separately.

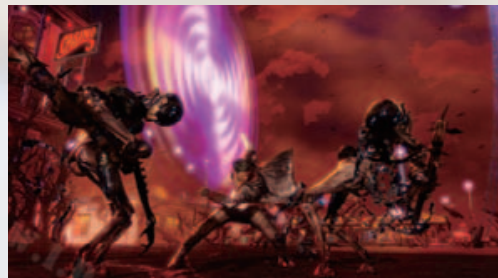
different from previous titles, we worked with U.K. development studio Ninja Theory on development.

We were particularly conscious of the Western angel and devil. Up to now, main character Dante has been half human and half devil, but in this latest game he is changed to half angel and half devil. We also pursued reality in the story. Tragic events occurring in modern society are actually the work of devils, but because they live as normal humans, no one notices they are devils. The game takes place in a world controlled by devils with Dante battling against them.

Of course, the stylishness and exhilarating feeling of non-stop action synonymous with “Devil May Cry” will not change. A fusion of Ninja Theory’s specialty, masterful image rendering, and Capcom’s action game expertise, I am proud to have made the “reborn” “Devil May Cry” even more appealing.

Global Development/Sales Initiatives via Japan/U.S./U.K. Three-pronged Structure

We faced some challenges making this new title. We employed a Japan-U.S. double producer system, with Capcom Japan and Capcom U.S.A.



Limbo, the space positioned between the real world and Hell’s minions where Dante fights with the Devil.

working together to oversee management. Close communication between Japan, the U.S. and U.K. via video conferencing and face-to-face meetings enabled various items to be resolved.

As cultures and customs differ, we sometimes had differences of opinion over means of expression or development procedures. However, by respecting each other’s culture, we learned about each other and got a lot out of it. This experience will, in the future, enable Capcom to create more hits in less time, and we think the time working with excellent development studios in Japan and overseas is very useful.

We are nearing the final stages of development ahead of the January 2013 release. We will continue with localized promotion in Japan, the U.S. and the U.K.; look forward to “DmC Devil May Cry”, which we hope will surpass its predecessors in this series.



The latest news about “DmC Devil May Cry” is on Capcom Unity, which provides news and updates in a blog format.



Digital Contents business (Social Games)

Family Communication via “Smurfs’ Village”

In 2011, the number of smartphone units shipped surpassed those of PCs, heralding the advent of the mobile golden age. From children to seniors, everyone began enjoying games on their smartphones and tablets.

With widespread appeal among new users, “Smurfs’ Village” achieved the top spot on the App Store in 80 countries. “Smurfs’ Village” is a fun social game featuring Belgium’s popular “Smurf” characters where players create custom villages. The “heartwarming” game enables players to cultivate, harvest and send gifts to others. The title is easy and intuitive to play and given the multigenerational nature of our audience more than a few grandchildren must have played together with their grandparents.

The “basic unit of society” is the “family”; as a company specializing in social games, we love the idea of creating games that can bring families together.



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“Smurfs’ Village”

The colorful, comical world of the Smurf’s has captured the imagination of many players.

The Challenge of Bringing International Markets Friendly Games

It’s relatively easy to publish a smartphone game globally. Once the game is developed you can publish it worldwide with a click of a button. However, localizing for national or regional languages and cultural norms is also critical for creating a hit game. To this end, production teams in Canada, Japan and London localize for specific markets in accordance with strategy formulated at the Los Angeles headquarters.

However, focusing publishing efforts on developed markets, such as the United States and Europe, is not enough. Since mobile games are distributed around the world on digital storefronts, physical barriers like shipping are easily overcome allowing us to penetrate countries that have historically proven challenging. From Brazil, Russia and South Korea, to the Middle East and Africa, giant markets are popping up worldwide. With many logistical issues now removed because of the digital nature of our product, Beeline can focus on creating family friendly games with worldwide appeal.



Shrek and all related characters © 2012 DreamWorks Animation L.L.C. All rights reserved. All game code ©2012 Beeline Interactive, Inc.

“Shrek’s Fairytale Kingdom”

The title character “Shrek” goes on multiple quests and adventures to rescue Fiona throughout the game. The game captures key events in a colorful storybook format for players to reference.



Shrek and all related characters © 2012 DreamWorks Animation L.L.C. All rights reserved.

Shrek is a CG animation movie that won an Oscar in 2001 for Best Animated Feature Film.



Midori Yuasa

CEO
Beeline Interactive, Inc.

While president of Capcom Interactive, Inc. the predecessor of Beeline Interactive, Inc., laid the foundation for the company’s success in the Mobile Contents business within North America and Europe. As CEO, continues to helm company’s efforts within the rapidly growing category of smartphone gaming.



Making Beeline the World's Best Company with Games No Other Company Can Match

Downloads for Beeline games, including “Smurfs’ Village” and “Snoopy’s Street Fair”, total more than 65 million*. We believe the popularity of our titles stems in part from our attention to game detail, innovative graphics and a very palpable “cuteness” that appeals to our players. As a matter of course, we only green-light games for development if it’s something we as a team want to play. We also analyze trends, track user behavior and incorporate the results into our game development. By leveraging our own instincts along with hard data we’ve crafted an approach to casual game creation that’s difficult for other companies to duplicate.

This approach was brought to bear on the June 2012 release of “Shrek’s Fairytale Kingdom”.

Based on the popular film “Shrek”, players go on quests with Shrek, Donkey and Fiona while building and exploring memorable scenes from the film. Naturally, this is a game the whole family can enjoy.



On the company’s first anniversary we adopted the “Beeline Creed” which will serve to guide and define the organization as it moves forward.

* As of June 30, 2012.

“Beeline Creed” Formulated in April 2012 on the First Anniversary of the Company’s Establishment

Bee Outstanding	Always keep ahead of the pack
Bee Innovative	Always strive for ingenuity
Bee Humble	Always be modest and open to learning
Bee Friendly	Create friendly games and be kind to coworkers, colleagues and customers

Building Games for Smartphones and Tablets the Whole Family Can Enjoy

Beeline is a strategic brand created to attract new players by publishing unique mobile content not based on existing Capcom IP.



Online/Social Games are the Ultimate Service Industry. We Aim to Make Even Greater Strides by Increasing the Quality of Management

Growing robustly for the last two to three years, social games are played on social networking services (SNS) with other users who communicate during game play. Capcom formally entered the social game business in 2011.

Kazunori Sugiura

General Manager, Tokyo Product Development,
Consumer Games Development

Joined Capcom in 2006 after working at an online game management company. Served as managing producer of "Monster Hunter Frontier Online", leading it to become the biggest title in Japanese online gaming. At present, responsible for all online and social games as head of the Tokyo Product Development.



Entering the Social Game Market with a Newly Restructured Development/Management Organization

With the call to not only strengthen online games, but also fully enter the social game market from Ichii, head of the Consumer Games business and Ono, deputy head of the Consumer Games Development, the social games development department was created in the Tokyo Product Development and Capcom took its first step into the expanding social game market.

Similar to online games like “Monster Hunter Frontier Online”, the social games business is a direct link to users and management skills after distribution are the key to success or failure. We watch the reaction of users when releasing updates and holding events—it is important to continue entertaining users for as long as possible.

After the establishment of the social game development department, the first title was “Resident Evil: Outbreak Survive” distributed on GREE in June 2011. This expansion and upgrade to our ongoing services earned more than two million members, while “Monhan Tankenki Maboroshi no Shima” has attracted over one million members and “Minna to Monhan Card Master” distributed on Mobage has



©CAPCOM developed by gloops

“Minna to Monhan Card Master” for Mobage

“Monhan” became a social phenomenon. A game that can be enjoyed even by people who never played “Monster Hunter” before.

1.5 million members. Despite being somewhat of a latecomer, these results are a testament to the popularity and potential of the “Capcom brand”.

Enhancing Detailed Services Tailored to User Personalities

Many users say they started playing social games because they were free and looked easy to enjoy. “Not being familiar with games”, they quickly give up if a game is not right for them. We are gaining expertise in “service that entertains customers in online games”, but social games are about constantly winning the hearts of users, which is difficult. We analyze data logs indicating how users play games to continually improve game elements and strengthen management to make users feel they want to play more.

At the same time, we must also improve the quality of our games. Evolution, such as the advances in high-performance and high-resolution home video game consoles, will likely occur in the social game market as well. From 2D to 3D graphics, the day is coming when users will demand content on par with home video games. History repeats itself, as the saying goes, so we are moving forward with the creation of games focused on the next five years.



“Onimusha Soul” for the PC/Smartphone

All 47 prefectures and cities in Japan compete against one another in this innovative warring states browser game, which features over 400 military commanders.

Battling in the World Market with Brand Power and Service Power as Our Weapons

The Tokyo Product Development aims to go beyond games to pursue customer satisfaction in various ways. We must respond flexibly, always being cognizant of how to make users feel happy and empathetic. To this end, we have interacted with users by holding events in all 47 prefectures and cities for the past three years. Also, game developers post their intentions on YouTube. We listen and respond to user complaints and criticisms in an effort to strengthen communication.



In the fiscal year ending March 31, 2013, we will distribute “Onimusha Soul” for the PC and smartphone in Japan and “Dead Rising: The Survival” in Europe and North America among other titles. We announced massively updated “Monster Hunter Frontier G”. We also have several developments planned for developing countries and Asia.

We hope you look forward to the future as Capcom launches into the hottest growth market in the world.



Online Game “Monster Hunter Frontier G” for the PC/Xbox 360 Online version of “Monster Hunter” game. The biggest title in online games continues to evolve with this massive update.



Amusement Equipments

Popular Pachislo Machine “Monster Hunter” Makes Full Use of Game’s Allure

In March 2012, POP displays declaring “Hunting Season Open!” featuring the Pachislo machine “Monster Hunter” were installed in major Pachinko and Pachislo parlors across Japan. The parlors were bustling for several days in a row, and in market where 50,000 machines make a hit, that same month we sold 56,000 machines. As of the end of May, sales of the popular machine were approaching 90,000.

Continuing on after major hit “Onimusha: Dawn of Dreams”, we tapped RODEO Co., Ltd., for outsourcing video production for Pachislo machine “Monster Hunter”. The reason for its popularity was our success at combining the worldview and

appeal of home video game social phenomenon “Monster Hunter” into Pachislo. We recreated the game element of stripping the hunted monster of its materials in the “Strip Down Challenge”. The reward for stripping down is increased opportunities to acquire payout; “ART” becomes the mechanism for number of games. Of course, the reward changes depending



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Pachislo Machine
“Monster Hunter”

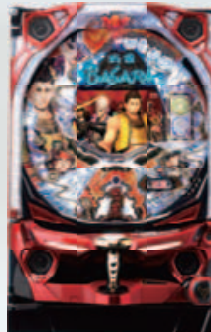
Enjoying the “Monster Hunter” world via slots created a buzz before release. More games can be played by subjugating monsters. Main characters “Felyne” (AIRU) and Pugi also make an appearance.

on the monsters subjugated. We also used expressive video and rendering successfully to maintain user expectations, wondering “What kind of monster will I meet next?” All these fun elements make a hit.

Heightening Presence as Pachislo Maker While Also Providing Pachinko Content

Pachislo machines developed in-house are also bearing fruit. “Sengoku BASARA 2”, released in February 2011, exceeded its targets to become a huge hit. November that same year, we released “Street Fighter IV” that, affected by the release of a major title by another company, has been following a slightly weaker trajectory. However, by releasing machines into the Pachislo market multiple times each year, we have been able to establish the name of Enterrise CO., LTD. I feel that we are finally on solid ground and able to compete in the Pachislo market.

We aim to increase profitability in the Pachinko area by outsourcing development. In July 2012, we launched sales of a Pachinko machine “CR Sengoku BASARA 3—Sekigahara Battle—”, created by Bisty Co., Ltd., through the FIELDS CORPORATION. This game provides video to stir the hearts of users enlivened by beautiful graphics and rendering of a warlord unleashing hearty action.



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©Bisty

Pachinko Machine
“CR Sengoku BASARA 3
—Sekigahara Battle—”

Recreates world of home video game console game “Sengoku BASARA 3”. Stylish video and sense of speed accentuates game experience.

Expanding Business Opportunities by Clarifying Objectives and Strengthening Structure

User demands on level of video quality and excitement of performance rise each year. To meet these expectations and develop high quality Pachislo machines, we changed our development structure to a producer-led organization, clarifying production responsibilities for each project. The design of the frames on the upcoming Pachislo machines scheduled for release next year is also new. We hope users will be looking forward to a Pachislo machine that exudes the appeal of Capcom titles from every angle.

Our development strategy involves planning development with the objective of releasing a new machine developed in-house each quarter. To achieve this, we need to operate at least six development lines. With outsourcing, we think we can ensure 10 lines.

With a solid organization, we will not only develop machines using popular Capcom titles, but we also want to develop P&S business original character Pachislo machines. Going forward, we will continue accept challenges as only the P&S business can, expanding business opportunities.



“Sengoku BASARA”, popular with a wide range of fans and “Monster Hunter”, a big hit due to its fun cooperative play. Prospective new users can enjoy these popular titles on Pachinko and Pachislo.

Combining Attraction of Capcom Titles with Playfulness of Pachislo to Create Consecutive Hits

Established the P&S business in 1996, gained expertise through Capcom titles making use of outsourced development. In 2008, formally entered the Pachislo market with Pachislo machine manufacturing subsidiary Enterise CO., LTD., a move that continues to bear fruit.

Yoichi Egawa

Managing Corporate Officer,
Head of P&S Business Division

After joining Capcom, was engaged in the development of templates for arcade games. Created and established the Pachinko & Pachislo business in 1996 and the Mobile Contents business in 1999. Became Head of P&S business Division from 2006 in an attempt to expand business through the promotion of M&A and organizational restructuring.



Special
Feature

The Monster Hunter Hit Trajectory



Boasting 21 million units* for the entire series and creating a social phenomenon referred to as the “Monster Hunter Craze”, we trace the development of Capcom’s flagship “Monster Hunter” from inception to hit status.

* As of June 30, 2012.

- **“Monster Hunter” Created as Title in Response to Online Play**
- **Focused on the Next Generation**

“Mega Man”, “Street Fighter”, “Resident Evil” and “Devil May Cry” are all franchise titles representing Capcom. Possessing a multitude of powerful contents, Capcom establishes new franchises from the creation of new brands as its basic strategy, and will regularly release newly completed titles into the market.

The first title of new brand “Monster Hunter” was released in March 2004. At that time, the network environment was just beginning to be upgraded, and Capcom was on the lookout for entertainment using this telecommunications environment, with several home video game titles supporting online play under

development. Among these, based on the concept of an action game anyone can enjoy and play collaboratively with multiple players while communicating with other users through the network, the title most focused on the next generation was the “Monster Hunter” project.



This year marks the eighth year for the “Monster Hunter” series, which has sold 21 million units*.

* As of June 30, 2012.

Capcom’s First Challenge: An Action Game that Anyone Can Enjoy and Play Collaboratively with Multiple Players

Katsuhiro Eguchi, Planner, Game Design, Osaka Product Development

Up to then, Capcom has primarily created fighting games, so the creation of a collaborative game was a new experience. However, I also remember it being somewhat daunting to create an original title from scratch.

Compared to offline games, network games have quite a few restrictions, so the selection of elements is critical. We decided that only large monsters would be synchronized in “Monster Hunter”, prioritizing accurate player manipulation of characters in an aim to create an action game that anyone can play comfortably.



Fun Collaboration with Friends in Online Action with Mass Appeal

Online games played with total strangers are likely to create pressure to hinder or help their progress, which causes hesitation among some people. “Monster Hunter” alleviates this pressure by aiming for mass appeal from the very first title, a game that anyone can enjoy.

One example of this is a system whereby rewards are earned by subduing monsters. “Monster Hunter” is an action game in which monsters are hunted and stripped of their items, and items and money rewards are acquired after a level is cleared, but just being active in the game does not necessarily mean rewards can be acquired. Suppose that specs were set to change rewards into damage proportional to monster. This would result in players fighting each other and transforming the game into a bloodthirsty battle. To avoid this, conditions under which rewards are

acquired are equal for players lethally damaged by monsters as well as players with no damage at all. If one is confident with their chances against a monster, they can battle away to their heart’s content. If not, they can relax in the safety zone. With a wide variety of permissible actions, this is one online game that anyone can participate in comfortably.

“Monster Hunter” was created with these kinds of particulars, but it was not an explosive hit right from start. In addition to complicated manipulation using all the buttons on the controller, the networking potential of home video game consoles was still undeveloped. Compared to today, the equipment and network settings were extremely labor intensive, so the game did not immediately take off among players used to offline games and only garnered the support of a few core users. However, less than a year after the release of “Monster Hunter” the second title in the series “Monster Hunter G” went on sale. The heat generated in the market never cooled and continued as word of mouth among fans steadily increased its popularity.

Features of Hunting Action Game “Monster Hunter”

Kaname Fujioka, Director, Creative Direction and Execution, Osaka Product Development

Regarding monsters, not only do players charge ahead recklessly, they also anticipate attacks while waiting during breaks after monster attacks. “Monster Hunter” was created with this kind of tactical action in mind. Tactical assessment of the monster’s actions is one way we made use of our experience creating fighting games. In the beginning, we created a system to inculcate the importance of tactics, including a “teaching” monster so users could understand how to get around in the game. We were careful to ensure players would naturally become familiar with the game.



“Monster Hunter” the new generation born in 2004. It wasn’t an explosive hit, but it did capture the imagination of some users.

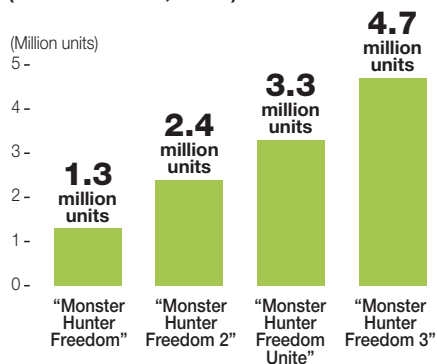


“Monster Hunter G”, the second title in the series, introduced new weapons and monsters.



(Left) First million-selling title in the series “Monster Hunter Freedom 2”. Users carry the game around and play anywhere, around the time the so-called “Monster Hunter Craze” started.
 (Right) “Monster Hunter Freedom 3” the biggest hit of the series. Sold an unprecedented 4.7 million units.

“Monster Hunter Freedom” Series Sales (As of June 30, 2012)



Delivering an Explosive Hit and Portable Device Launch Opportunity

As the number of “Monster Hunter” players gradually began to expand, market monitoring revealed that, since players wanted to play with many different people, a lot of users were telling others about “Monster Hunter”.

Given this information, we started a project with the idea of making introduction of the game to others as easy as possible, and so created “Monster Hunter Freedom” for handheld devices. Portable devices facilitate a simple product presentation: users can introduce the game to others anyplace, any time, and the friend can try the game out immediately.

We also make an effort to distribute ongoing downloadable content. Regardless of the effort we put into the production of a game, once the fad is over, no one will introduce the game. We regularly distribute new event quests and other downloadable content so

that users can continue to enjoy games anew even after their launch.

Furthermore, quasi-online play became possible without the need for laborious and complicated settings, increasing popularity. Ad hoc connections enabled local network play, creating a new playing style where users gather to play and communicate casually with one another, expanding the game’s popularity even further.

The second title for portable devices “Monster Hunter Freedom 2” was the first title in the series to sell over one million units. By adding new monsters, an assist function for solo play and a variety of other elements, the fan segment continued to expand with each new title in the series. “Monster Hunter Freedom Unite” sold 3.3 million units* while “Monster Hunter Freedom 3” sold an unprecedented 4.7 million units.*

* As of June 30, 2012.



The New Charm of “Monster Hunter” for Portable Devices

Yasunori Ichinose, Director, Creative Direction and Execution, Osaka Product Development

Producing content for portable devices, we focus on maximizing convenience while walking around. To enable play for short periods of time while moving from one place to another, we added new “farm-like” elements such as mini games where users catch insects and fish. We also lengthened running time so that finding items in quests is more comfortable, making adjustments differently compared to home video consoles. Also, rather than multiple button issues, we had to come up with a whole new way of controlling the game. Creating something new while preserving past elements was extremely hard work, but after much trial and error, we were able to establish a definitive control method, one that continues to be used today.

Dual Development Promotion Strategy to Heighten Anticipation and Improve Popularity

Finally, “Monster Hunter” became Capcom’s hallmark title, but it’s not only because the game is fun that it became such a hit. Regardless of how fun developers make a game, if that fun is not communicated to users, no one will buy the game. Promotions such as events to attract new users and collaborations with other industries also played a major role.

As multiplayer experience is the game’s selling point, we held “Monster Hunter Festival”, an event providing users with an environment to facilitate this feature. The event featured a “Real Gathering Hall”, where users who had never met before enjoyed multiplayer gaming. Both users who want to play with many people, as well as solo players who never tried multiplayer games before enjoyed the event, and this has become a popular sell-out booth at these events.

Another effect of holding these events is that they

raise awareness among non-game users. Die-hard users will be playing games all the way to and from the event venue. Other people see them and wonder what it is they are playing, which can influence their interest in games.

Capcom proactively engages in collaborations with other industries, including “Monster Hunter” T-shirts with UNIQLO CO., LTD., the development of a GariGariKun popsicle package illustration for AKAGI NYUGYO Co., Ltd., and events at Universal Studios Japan, in an attempt to raise visibility among light users. Around the launch of “Monster Hunter Freedom 3”, with the understanding and support of the local merchants association, we created a buzz when we used the hot spring resort town of Shibu in Nagano Prefecture as the setting for a promotional event that transformed the area into “Yukumo Village”, where the game takes place, complete with structures and street facades from the game.

Introducing games to new users are none other than existing users. Collaborations and events following our dual development of creating a sense

of anticipation that makes users want to introduce it to friends, as well as raising awareness so those being introduced have already heard of “Monster Hunter”, is behind our success at expanding the user segment.



Throngs of users gather at every Real Gathering Hall to enjoy multiplayer fun with new friends.

Attempting the Unprecedented: Behind the Scenes at the Shibu Hot Springs Collaboration

Naoto Minamide, License Team, Merchandising Section

At first there were many people at Shibu hot springs who were unfamiliar with the game’s content, and there were concerns about damage to traditions or customs as a result of the collaboration. We overcame these barriers not by exposing them to the game, but rather by an experience of various events that led a deeper understanding of the game. The project itself, turning a hot springs resort into a fantasy village, was presented as a win-win proposition, creating a bond of trust with the locals. The result of this approach was we were able to hold an event that even first-timers enjoyed with “Monster Hunter” as the common language, an extremely significant achievement, I think.



Shibu hot springs in Nagano Prefecture transformed into “Yukumo Village”. A specially decorated train transported visitors, with more than 10,000 people in attendance despite being off-season.



When games sales reach three million, an announcement such as the one pictured is distributed in an attempt to gain even more recognition in the market.



"MONFAN" newsletter distributed at participating retailers. Provides information beyond games including events, etc.



For game elements that can't be communicated by playing, attendant staff provides thorough explanation.

Game Image Spread Successfully Using Sales Measures Unbiased by Existing Methods

Linking attention-grabbing games with the maximization of sales, the sales department provides "Monster Hunter" information to the world throughout the year to create an environment where sharing games with friends is as easy as possible.

In addition to events, such as the aforementioned "Monster Hunter Festival" and test play events, we announce game sales milestone achievements and emphasize how popular our games are around the world in an attempt to perpetuate popularity. We also work with retailers to secure long-term shelf space and set up the "Monster Hunter Support Shop", and we distribute "MONFAN" newsletter in an effort to provide continuous information.

With "Monster Hunter", we were creative with the timing of releases. Lower-priced versions are usually released around the time sales begin to flatten, but

with "Monster Hunter" it was sooner, being released about six months after sales launch, providing incentive for users who otherwise would have had to buy a whole new game device or were hesitant about purchasing because of the price. Considering this is a game where users invite each other to play, rather than waiting until after sales peak, more games will be purchased if we sell while the game is still hot around the world, or else the effort is meaningless. This policy resulted in "Monster Hunter Freedom Unite PSP the Best" becoming an unprecedented million-selling lower-priced title.

The release date is also important for creating a buzz. Most "Monster Hunter" users are middle and high school students. We interject promotions and release date decisions with measures reflecting target user lifestyle, which students tell each other about at school.

The result of these initiatives was, in the past, when we started taking sales reservations at some retailers, reservations for four games at a time suddenly increased. This was proof that the market recognized that "Monster Hunter" is a game played together by four people.

Deepening Understanding of New Games with Knowledgeable Staff at Test Play Events

Yoshinori Ishida, Deputy Head of Consumer Games Business Division

We made an effort to see how much understanding we could facilitate with the first "Monster Hunter". With completely new titles, it is hard to understand the game just by playing it a little. Dispatching knowledgeable staff to explain game content at events so users can enjoy test playing new games, we were able to respond to user uncertainties and opinions. We continue to consistently employ this method in an effort to provide a precise follow-up to anyone experiencing "Monster Hunter" for the first time.



Already at Top Speed, “Monster Hunter” Evolves Along with Users

In December 2011, “Monster Hunter 3 (Tri) G” for the Nintendo 3DS was released. It was a title that brought many rewards, including favorable sales of 1.6 million units despite the challenge of a completely new device as well as knowledge for future title developments. In the spring of 2013 we will release new title “Monster Hunter 4”, which is jam-packed with all kinds of new elements.

Developing this new “Monster Hunter” title, we upgraded and created various elements not present in the series up to now, including a time attack element where players see how quickly they can take down monsters, as well as “Felyne Comrades” who help players take on monsters. Rooted in the idea of a game that anyone can enjoy, all these elements were devised for a wide user segment, from core to light users. The basic concept established in the beginning

continues unabated.

For the eight years since the series debut in 2004, “Monster Hunter” staff always wants to do what has never been done before. This is all so that users will enjoy our games. We have gotten this far because of the existence of understanding users. Going forward, we will continue to evolve the “Monster Hunter” with users as Capcom’s representative title.

Note: As of June 30, 2012.



Day for Release of “Monster Hunter 3 (Tri) G”. Despite being early morning, huge lines form before opening.



The first title for the Nintendo 3DS “Monster Hunter 3 (Tri) G” sold 1.6 million units.



“Monster Hunter 4” for the Nintendo 3DS is scheduled to be released in the spring of 2013.

The Aim of New Title “Monster Hunter 4”

Ryozo Tsujimoto, Producer, Production Planning and Administration, Development Strategy and Support

“Monster Hunter 4” is being developed to include all the fun we have come to expect from the series yet with a feeling of newness. We aim to create a long-lived series that kids playing the game today will want to enjoy with their own kids someday. I would be happy if this evolution makes people think “Monster Hunter 4” is why the series kept going.



Corporate Profile

(As of March 31, 2012)

Name of Company	CAPCOM CO., LTD.
Date of Establishment	May 30, 1979
Date of Initiation	June 11, 1983
Business Segments	Planning, development, manufacture and sale of home video games, online games, mobile games and arcade games as well as management of amusement arcades.
Paid-in Capital	¥ 33,239 million
End of Term	March 31
Number of Employees	2,265 (Including consolidated subsidiaries) 1,698 (Capcom CO., LTD.)
Head Office	3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-3600 FAX: 81-6-6920-5100
R&D Building	3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan PHONE: 81-6-6920-7600 FAX: 81-6-6920-7698
Tokyo Branch	Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0425, Japan PHONE: 81-3-3340-0710 FAX: 81-3-3340-0711
Ueno Facility	3902 Hatta, Iga, Mie, 518-1155, Japan PHONE: 81-595-20-2030 FAX: 81-595-20-2044



Please see the Annual Report 2012.

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History

- Mar. 1991** Released the arcade video game "Street Fighter II" and it triggered the "Street Fighter II" boom.
- Jun. 1992** Released "Street Fighter II" for Super NES, and it was a mega-hit.
- Jul. 1993** Opened "CapcoCircus Nigata East", the largest arcade in Nigata.
- Dec. 1994** Premiere of the Hollywood movie "Street Fighter".
- Mar. 1996** Released "Resident Evil" for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.
- Aug. 2001** Released "Devil May Cry" for PlayStation 2, and it was a mega-hit.
- Oct.** Released "Phoenix Wright: Ace Attorney" for Game Boy Advance, and it drew public attention as a courtroom battle title.
- Mar. 2002** Premiere of the Hollywood movie "Resident Evil" which recorded sales of 102 million dollars worldwide.
- Sep. 2004** Premiere of the Hollywood movie "Resident Evil: Apocalypse" and it grossed 100 million dollars worldwide.
- Jul. 2005** Released "Sengoku BASARA" for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.
- Aug. 2006** Released "Dead Rising" for Xbox 360. More than 1 million units were sold, an extraordinary feat for a new title for a new game console.
- Dec.** Released software "Lost Planet" for Xbox 360. Over 1 million units were sold following the trails of "Dead Rising", another exceptional accomplishment for a new title.
- Mar. 2007** "Monster Hunter Freedom 2" becomes the first Japanese PSP software to exceed 1 million units shipped.
- Nov.** The Hollywood movie "Resident Evil: Extinction" was released. Its box-office revenue exceeded 147 million dollars.
- Feb. 2009** Takarazuka Revue Company launches theatrical performance of "Phoenix Wright: Ace Attorney - The Truth Comes Back to Life".
- Apr.** Began broadcasting the TV animation program "Sengoku BASARA".
- Jul.** Initial shipments of "Monster Hunter Tri", a third-party title for the Wii, surpass one million units.
- Oct.** "Sengoku BASARA" character Date Masamune used for PR activities in support of the Miyagi Prefecture gubernatorial elections.
- Nov. 2010** Distribution of social game "Smurfs' Village" for iPhone began. It became the top download in 80 countries around the world.
- Dec. 2011** Released "Monster Hunter 3 (Tri) G" for Nintendo 3DS, which became the Capcom's first title that was sold one million units in Japan for Nintendo 3DS.

