

**Explanatory Summary of Financial Results Briefing
of the Full Year Results for FY 2010
by Chairman and Chief Executive Officer Kenzo Tsujimoto
(May 10, 2011)**

1. Introduction

(1) Remarks concerning the earthquake

I am Kenzo Tsujimoto, chairman and CEO of Capcom. First, I want to extend my deepest condolences to families of the victims of the Tohoku earthquake and tsunami and my wishes for an earliest recovery in the damaged areas.

(2) Greeting to people who attended the meeting

Thank you very much for taking the time from your busy schedules to attend the briefing of our financial results.

(3) Appreciation for cooperation with survey


I also want to extend my thanks to the more than 30 analysts and investors in Japan and other countries who take part in our survey every year. We appreciate very much your comments concerning our medium-term goals, business strategies, IR activities and other items. They are very useful as part of our process for reaching management decisions.

(4) Today's presentation

My presentation today is divided into three parts: a summary of results of operations and our dividend policy, an overview of the second phase of structural reforms, and our medium-term goals.

2. Summary of results of operations in fiscal year ended March 2011

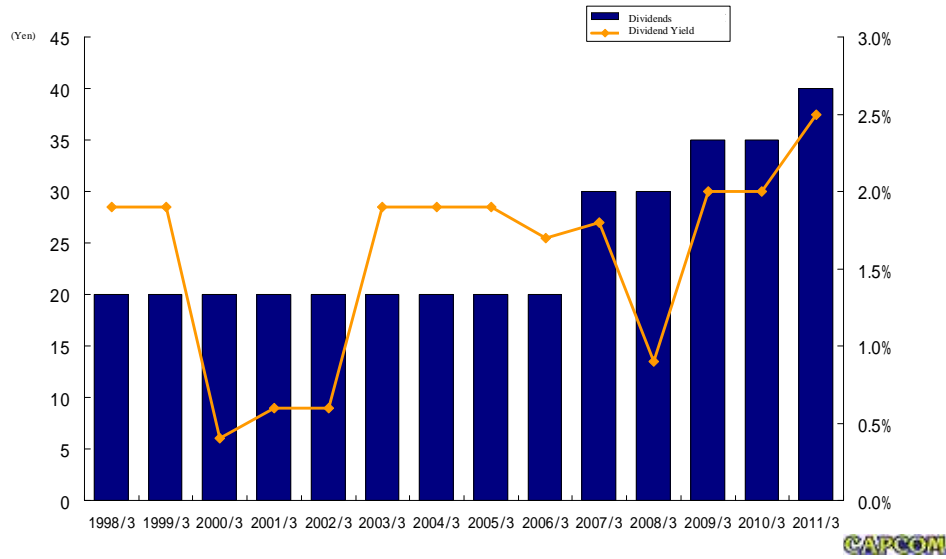
Summary of results of operations in fiscal year ended March 2011			
<u>Summary of results of operations in fiscal year ended March 2011</u>			
	2010/3	2011 /3	Difference
Net sales	66,837	97,716	146.2%
Operating income	5,587	14,295	255.9%
Ordinary income	5,530	12,861	232.6%
Net income	2,167	7,750	357.6%



- (1) My first subject is our performance in the past fiscal year. Results of operations in the fiscal year were higher than in the previous year and higher than our revised forecast.
- (2) Growth in sales and earnings was attributable primarily to five hit titles that each has sold more than one million units, including “Monster Hunter Freedom 3”, and to strong performances by the Mobile Contents business and P&S business.
- (3) On the other hand, there was a special loss for “loss on restructuring” in association with phase 2 of our structural reforms. I will touch upon this loss later.

Summary of results of operations in fiscal year ended March 2011

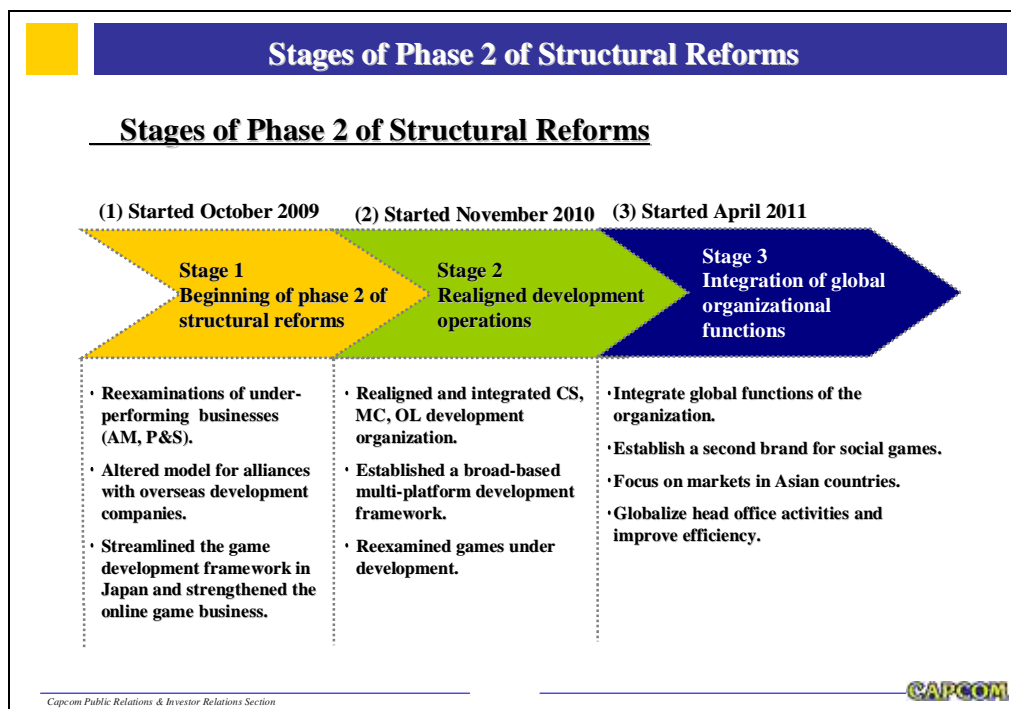
Dividends in historical basis



(4) Dividend policy

- Becoming more profitable in order to return earnings consistently to shareholders is one of our highest priorities.
- In the past fiscal year, we were able to achieve growth in sales and earnings that surpassed our most recent forecast, including an increase in sales to an all-time high. We accomplished this even as we faced intense competition from other companies.
- Due to this performance, we increased our forecast for the year-end dividend from 20 yen to 25 yen per share. With the interim dividend of 15 yen, this will result in a dividend of 40 yen per share for the fiscal year.
- We plan to pay a dividend of 40 yen per share again for the fiscal year ending in March 2012. We will continue to place emphasis on paying a stable dividend while also making dividend distributions that reflect our results of operations.

3. Overview of the second phase of structural reforms

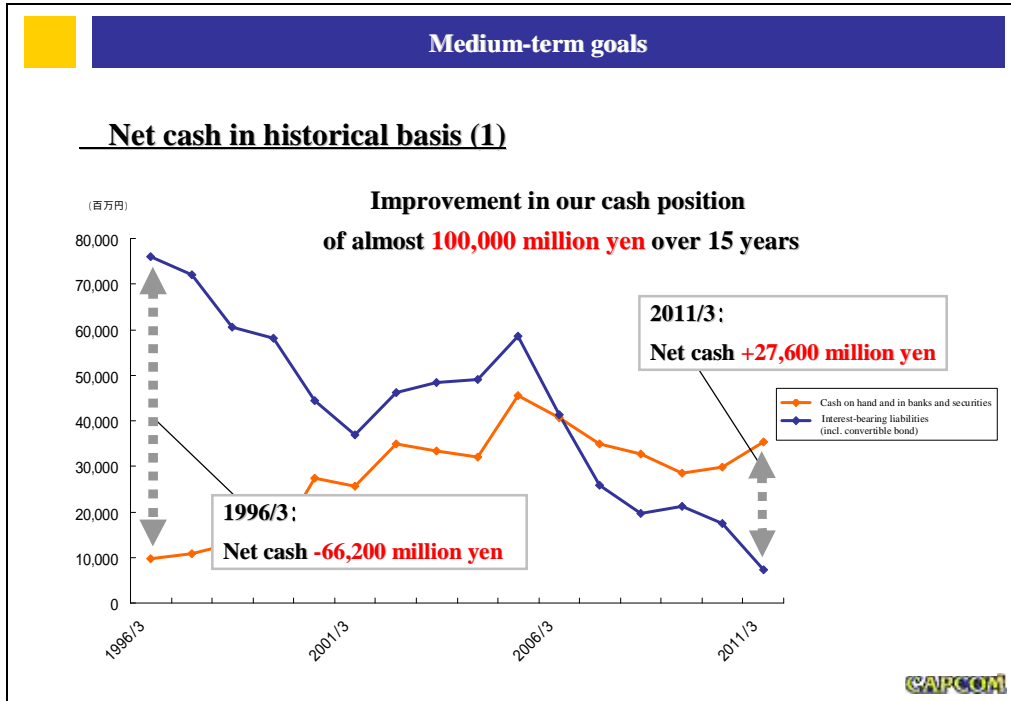


(1) Summary of the structural reforms

- The second phase of our structural reforms has entered the final stage. We have almost completed work on building a framework for our progress over the next five years.
- We are enacting these reforms because of the dramatic changes taking place in the game software industry. Major events include the ongoing changes in the global economic environment and the emergence of cloud computing.
- In addition, the boundaries that used to separate different types of platforms are quickly disappearing. This is taking place in markets for consumer game software and PC software, where packaged software previously accounted for most sales. Growth of downloadable content and the rapid expansion of the cell phone game and SNS markets are also causing these boundaries to disappear.
- Due to these major changes in the game market, we decided that we had entered a period in which Capcom had to immediately take actions to respond these events. This is why we started phase 2 of structural reforms in October 2009.
- Mr. Nomura will provide more information on this subject. But I want to say now that I believe completing the three stages of these structural reforms will transform Capcom into an organization that can compete and win worldwide. Furthermore, I believe these reforms will allow us to return to a growth trajectory in the fiscal year ending in March 2013.

4. Medium-term goals

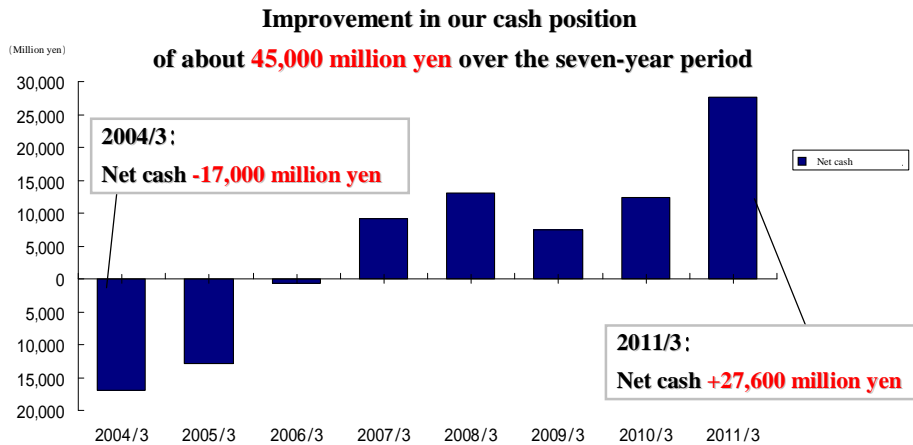
(1) Improve cash flows



- Before I talk about our medium-term goals, I would like to talk about how our performance and financial condition has changed since our initial public offering.
- Regarding our financial condition, this graph shows our cash and deposits and interest-bearing liabilities over the 15-year period that ended in March 2011.
- In the March 1996 fiscal year, we had negative net cash of 66,200 million yen, which is calculated by deducting cash and deposits from interest-bearing liabilities. By March 2011, we had positive net cash of 27,600 million yen. This is an improvement in our cash position of almost 100,000 million yen over 15 years.

Medium-term goals

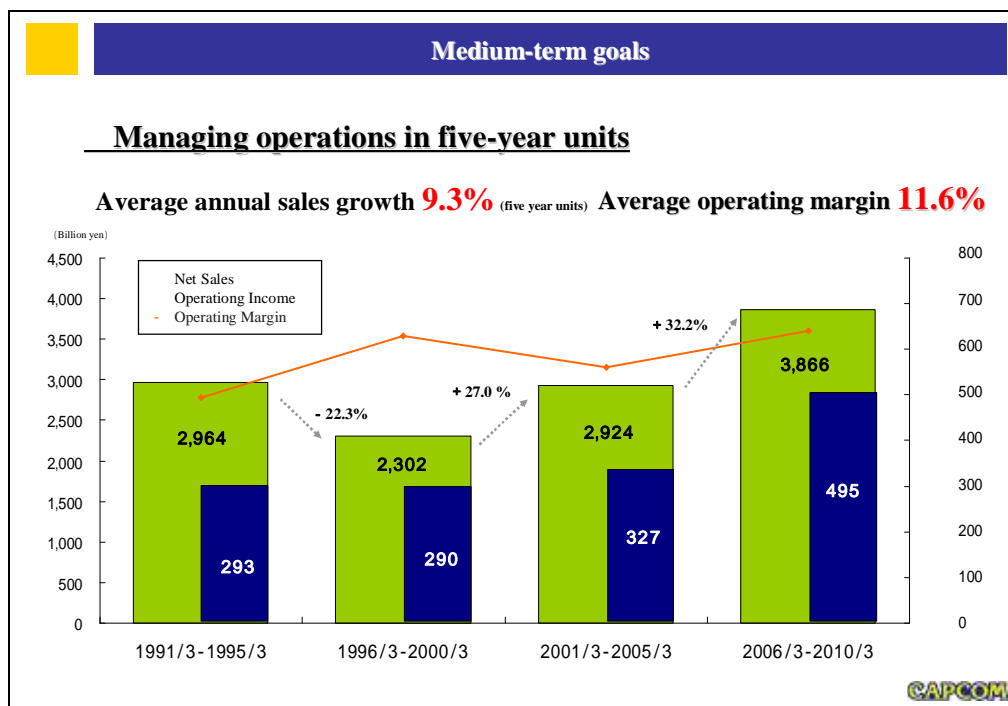
Net cash in historical basis (2)



CAPCOM

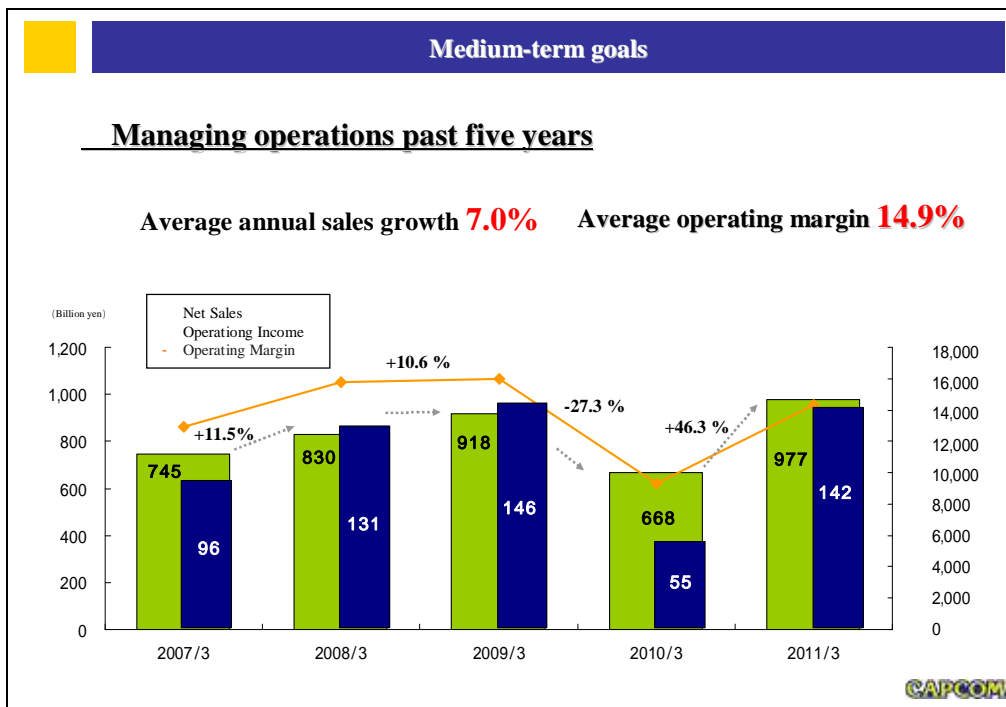
- Let's look at the period starting with the first phase of our structural reforms, which we enacted to strengthen all aspects of management. We had negative net cash of 17,000 million yen in the March 2004 fiscal year and positive net cash of 27,600 million yen in the past fiscal year. That means we achieved an improvement in our cash position of about 45,000 million yen over the seven-year period covered by phase one and two of our structural reforms.
- During this period, we sold 11,500 million yen of convertible bonds and redeemed bonds totaling 25,000 million yen, which reduced net cash by 13,500 million yen. Consequently, the cash position improvement of 45,000 million yen means that we generated almost 60,000 million yen in cash from our operating activities.
- As you are aware of it, we acquire treasury stock of 13,000 million worth and doubled up dividend during this period.
- We will continue to work on improving our net cash and creating a streamlined financial position. At the same time, we will continue to make investments aimed at growth while increasing earnings distributions for shareholders.

(1) Managing operations in five-year units



- My next subject is Capcom's basic stance concerning management.
- The operating environment in the game content industry is constantly changing. As I discussed briefly in my previous presentation, we view the operations of Capcom in five-year units. Of course, there are many changes from year to year. For example, sales may decrease or product sales may fall below the forecast. However, accurately identifying major shifts in our markets is the most important point.
- We prepare financial statements that combine figures for five years. Then we compare those figures with the previous five years in order to reveal rates of change and other differences. When a major shift in our markets takes place, some business sectors stop growing. But other business sectors that differ from sectors the previous market era emerge that have solid prospects for growth. This creates excellent opportunities. Therefore, we place emphasis on five-year periods for the purpose of seeing changes in our markets and other items.

(2) Performance vs. medium-term goal

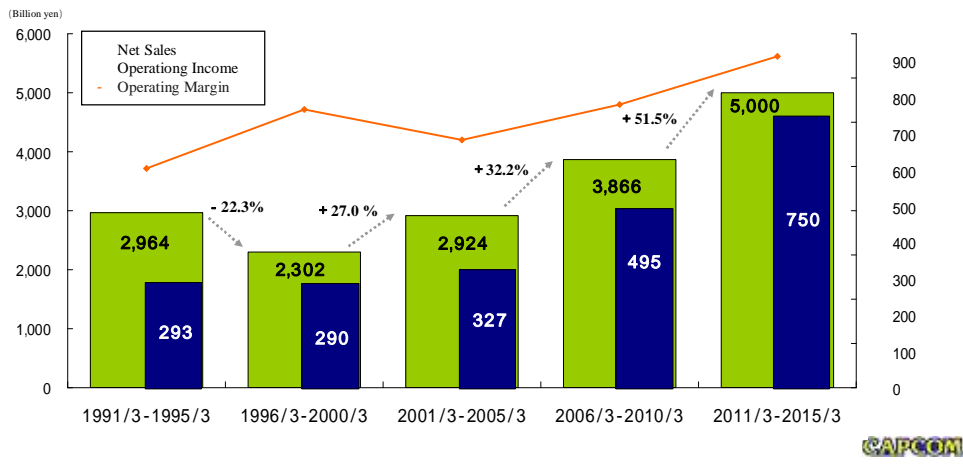


- My next topic is our medium-term goal. The past four years since the fiscal year ended March 2007, our medium-term goal was sales growth of 10% and an operating margin of at least 15% in every fiscal year. First, let's see how we did over the past four fiscal years in relation to this goal.
- As you can see in this graph, we fell short of this goal in the March 2010 fiscal year but reached the goal in the other three fiscal years. Over this four-year period, our average annual sales growth was 7.0% and the average operating margin was 14.9%. Although we did not achieve the "every fiscal year" portion of our goal, I think our performance was generally satisfactory.
- Over the past two years, though, we had to revise our forecasts because of delays in game title launches and sales shortfalls of some titles, the yen's strength and other factors. In addition, we are aware of concerns among investors about the instability of our performance during the late stage of the current game platform cycle.
- To overcome these challenges, we used the phase 2 of our structural reforms to reorganize and restructure our operations, as I explained earlier. Furthermore, as the president will explain later, we aim to achieve consistent growth by using the Capcom growth strategy.

Medium-term goals

Our Midium-term goal (During the five-year period ending in March 2015)

- 1) Place priority on achieving an operating margin of **at least 15%** while
- 2) Accumulative sales to **500,000 million yen** and operating income to **75,000 million yen**



- Based on our management in five-year units and our performance in relation to our medium-term goal, we have established the following new medium-term goals.
- During the five-year period ending in March 2015, our goal is to:
 - 1) **Place priority on achieving an operating margin of at least 15% while**
 - 2) **Accumulative sales to 500,000 million yen and operating income to 75,000 million yen**
- We made this change because the “10% sales growth every year” goal tends to cause people to adopt a short-term view. This made it difficult in some ways to adapt quickly to market changes because we had to make prior investments. Another reason is that investors told us that we should not focus too much on performance in individual fiscal years.
- Our plan is to achieve growth within this five-year framework. Slowly improving the operating margin to 15% is our highest priority. As we do so, we plan to increase sales to 500 billion yen and operating income to 75 billion yen.



Medium-term goals

(1) Enlarge games lineup of under development

- **Make extensive use of overseas development companies**
- **Shorten the development-to-launch cycle**

(2) Strengthen the online games business

- **PC online game**
- **Social game**
- **Downloadable content**



- To accomplish our new medium-term goals, we will continue to pursue the growth strategies that I first explained last year.
- Above all, we must fundamentally alter the structure of our business activities. For example, the profitability of online game operations is extremely high because the concept of cost of production does not apply to this category.
- Capcom's goal is to increase sales in the highly profitable online game business from 13 billion yen in the past fiscal year to 30 billion yen in the fiscal year ending in March 2015.
- As online game sales account for a larger share of our total sales, we expect to see the consolidated operating margin slowly climb to 15%.

This completes my remarks.