

COMPANY PROFILE

NOV-2003



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Onimusha 3

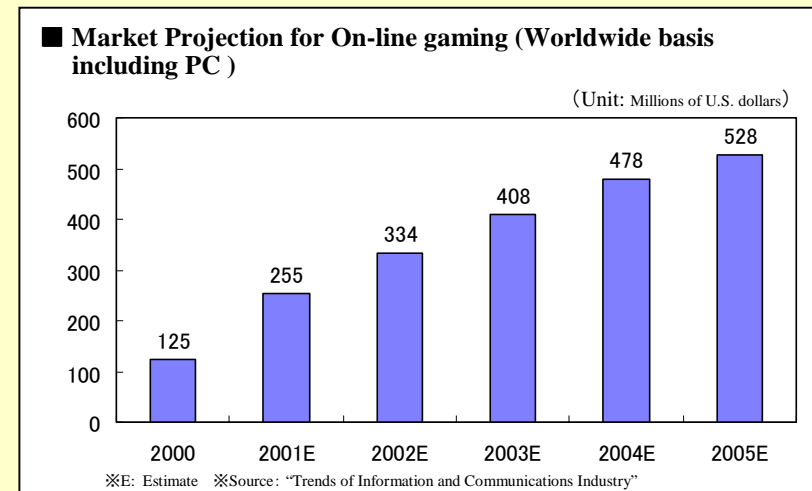
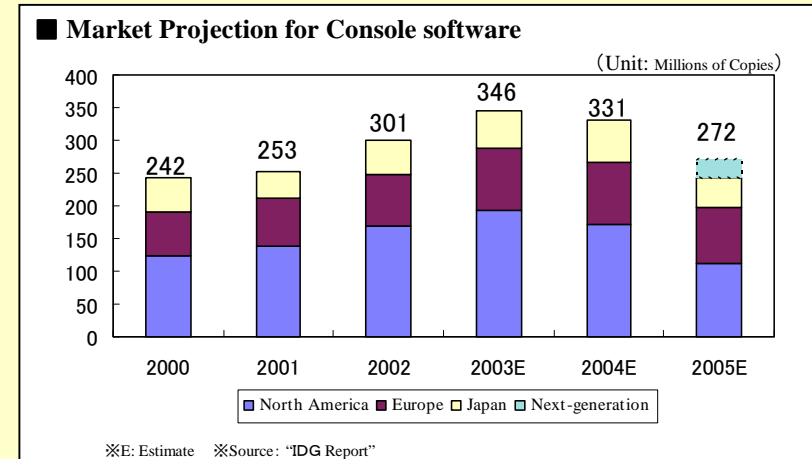
CAPCOM®

◆ Prospect of Game Market

■ Globalization of Game Market

- (1) Continuous growth in U.S. and European markets
 - ① Harvest time for software publishers in U.S. market
 - ② Promising harvest time till CY2005 for software publishers in European market due to late introductions
- (2) Moving toward on-line game software market
 - ① Establishment of infrastructure for network environments facilitates on-line gaming
 - ② On-line gaming proliferation helps more users to access
- (3) Market expansion through more mobile phone users in the market

Mobile phone to be another platform for entertainment games
- (4) Exploitation of the potential markets
 - ① Asian market as unexplored market
 - ② Release of console hardware as well as software in China



Capcom's position in the video game industry

FY2002 Financial Results comparison among the Japanese game software companies.

(Unit: 100 Millions of Yen)

	Nintendo	Square	Koei	Namco	Sega	Capcom	Enix	Konami
Net Sales	5,041	402	268	1,547	1,972	620	218	2,536
Operating Profit	1,001	125	107	94	92	66	46	-218
of Operating Profit	19.9%	31.3%	40.0%	6.1%	4.7%	10.8%	21.0%	-8.6%
Net Income	672	140	62	41	30	-195	24	-285

* 1. Source: "Financial Results for FY2002" by respective company

2. Ranked by Operating Profit

Japanese market share based on consumer game sales units in FY2002; and U.S. market share based on actual sales in FY2002

Japanese Market ('000 copies)

Company Name	Sales Units	Share
1 Konami	5,800	12.42%
2 Nintendo	5,682	12.17%
3 Square	4,444	9.52%
4 Bandai	4,260	9.12%
5 Pokemon	4,144	8.88%
6 Capcom	3,065	6.56%
7 Namco	2,466	5.28%
8 Koei	2,424	5.19%
9 Sony	2,198	4.71%
10 Banprest	1,758	3.77%
Others	10,446	22.37%
Total	46,687	100.00%

※ Source: "The Analysis of Consumer Video Games 2002"

U.S. Market (Unit:US\$1,000)

Company Name	Sales	Share
1 EA	1,033,422	19.36%
2 Nintendo	468,150	8.77%
3 Sony	394,268	7.39%
4 Take2	367,843	6.89%
5 Activision	365,335	6.85%
6 THQ	318,987	5.98%
7 Infogrames	254,744	4.77%
8 Sega	194,911	3.65%
⋮	⋮	⋮
13 Capcom	139,115	2.61%
Others	1,111,532	20.83%
Total	5,336,562	100.00%

※ Source: "TRSTS Report"

Reformation of Management

◆ Medium-term consumer business targets

Increase profitability in U.S. and European markets, and grow on a worldwide basis

◆ Reformation of Management

Maximization of creative capability as well as management execution in R&D division

■ Implementation of Marketing-oriented management

R&D Mid-term objectives

Mid-term R&D process control and strategy on releasing contents

- ① Appropriate scheduling of release content and time in each region
- ② Stabilization of revenues

■ Marketing structure for globalized market

- ① Timely feed-back on R&D process based on analysis, competitors and users
- ② Strategic promotional activities to motivate more users

■ R&D reformation specialized in creativity

R&D environmental reformation to focus on creativity to meet markets demands

(1) R&D unit reformation

Appropriate grouping

(2) Dual approval system (Prototype R&D, Proper R&D) to upgrade quality

Prior consent with management for new title creation to ensure profitability

(3) Tighten measurements on title progress

Application of measurement tools for all titles, and taking necessary steps on title progress

◆ Consumer Business Strategy

■ Enhancement and creation of Mega-hit titles

(1) Maximization of content to enhance profitability and productivity

Allotment of R&D resources Mega-hit sequel 7, New content 3

① Sequel Titles: Secure revenues

② New Titles: Creation of new brands

(2) Develop software to U.S. an European market flavor

① Sequel Titles: “Resident Evil”, “Devil May Cry”

② New Titles: “Viewtiful Joe”

(3) Timely content release based on mid-term R&D strategy

Releasing sequel and new titles periodically to stabilize revenues

■ Publishing other third Parties' titles

Secure licenses of other companies' brand titles to increase revenues

① Overseas Publishing Titles

“Grand Theft Auto III”, “Getaway”, “Sprinter Cell”

② Domestic Publishing Titles

“Fire ProWrestling Z”, “Way of The Samurai 2”

■ Subcontract R&D of other company's brand titles

Accumulation of know-how and stable profits

“Mobile Suit Z Gundam A.E.U.G vs. TITANS”

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■ Preparation for Online Games

Accumulation of know-how and build up business structure in anticipation of online growth

(1) Multi-matching BB Online service provided by KDDI Corporation

① PS2 “Resident Evil Outbreak”

② PS2 “Monster Hunter”

③ PS2 “Auto modellista”

(2) PlayStation BB

PS2 “Catan”

(3) Xbox Live

① Xbox “Steel Battalion Line of Contact”

② Xbox “Auto modellista”

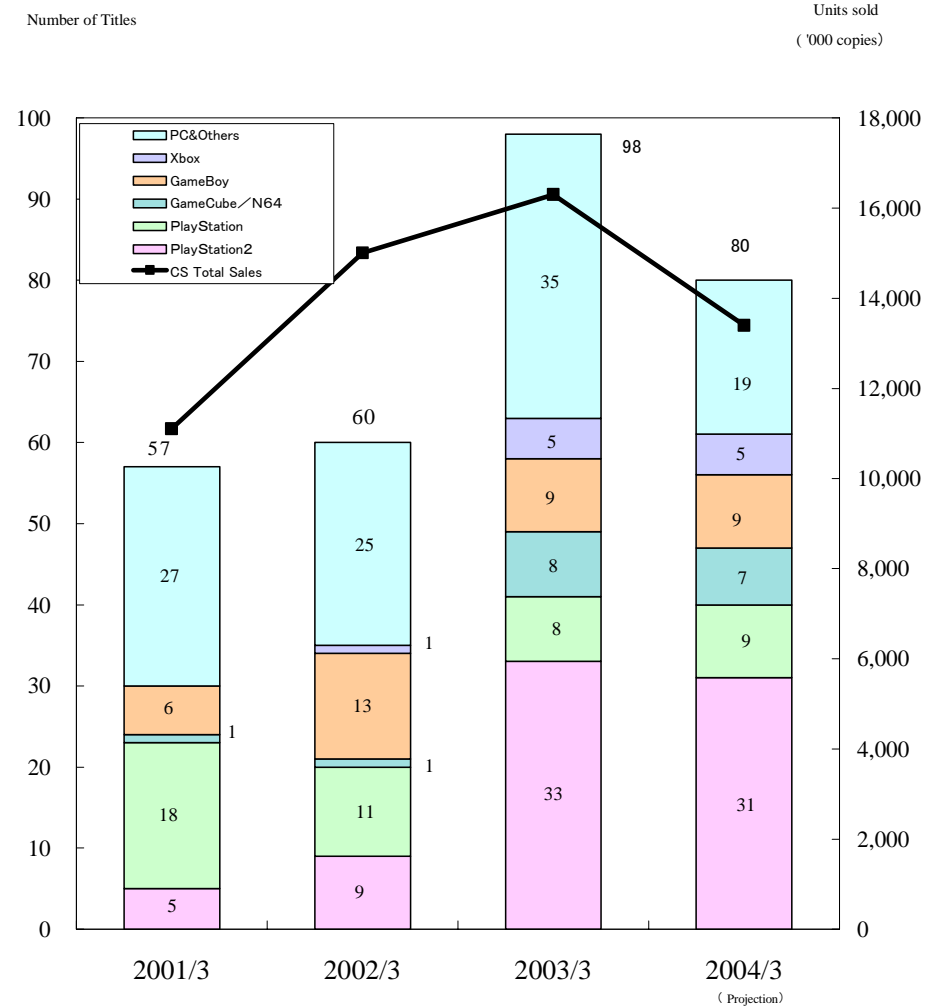
Number of Consumer Titles Developed

Sales Units shipped

('000 copies)

		2002/3	2003/3	2004/3	2003/9
Playstation 2	Total titles	9	33	31	11
	Domestic	3,200	2,200	3,950	715
	Overseas	4,000	4,630	3,650	1,200
	Sub Total	7,200	6,830	7,600	1,915
Playstation	Total titles	11	8	9	7
	Domestic	500	140	90	50
	Overseas	900	700	410	470
	Sub Total	1,400	840	500	520
Game Cube Nintendo 64	Total titles	1	8	7	4
	Domestic	290	1,000	300	265
	Overseas	110	2,230	1,900	355
	Sub Total	400	3,230	2,200	620
Game Boy	Total titles	13	9	9	6
	Domestic	1,050	2,100	1,100	530
	Overseas	3,800	2,700	940	950
	Sub Total	4,850	4,800	2,040	1,480
Xbox	Total titles	1	5	5	3
	Domestic	70	60	100	40
	Overseas	210	220	700	150
	Sub Total	280	280	800	190
PC & Others	Total titles	25	35	19	22
	Domestic	390	200	160	40
	Overseas	480	120	100	5
	Sub Total	870	320	260	45
Total	Total titles	60	98	80	53
	Domestic	5,500	5,700	5,700	1,640
	Overseas	9,500	10,600	7,700	3,130
	Total	15,000	16,300	13,400	4,770

Number of Consumer Software Titles released



Sales results in Sep/2003 and projections in 2nd Half of FY2003

◆ Main Titles Result released in 1H of FY2003 ('000 copies)

Title		Areas	Released Day	Result
GBA	Megaman ZERO 2	Japan	2-May	190
GC	Megaman Network Transmission	U.S.A	17-Jun	140
GBA	Megaman Battle Network 3	U.S.A	24-Jun	300
		Europe	20-Jun	20
PS2	Megaman X7	Japan	17-Jul	160
PS2	Grand Theft Auto III	Japan	25-Sep	290
PS2	Gregory Horror Show Soul Collector	Japan	7-Aug	10
Xbox	Dino Crisis 3	Japan	26-Jun	30
		U.S.A	Sep	60

◆ Main Titles Projection released in 2H of FY2003 ('000 copies)

Title		Areas	Released Day	Plan
Xbox	Dino Crisis 3	Europe	3rd Quarter	220
GC	Viewtiful Joe	U.S.A	7-Oct	400
		Europe	24-Oct	200
PS2	Maximo vs Army of Zin	U.S.A	4th Quarter	250
		Europe	4th Quarter	130
PS2	Onimusha Blade Warriors	Japan	27-Nov	300
		U.S.A	4th Quarter	100
PS2	Resident Evil Outbreak	Japan	11-Dec	500
		U.S.A	4th Quarter	700
GBA	Megaman Battle Network 4	Japan	12-Dec	400
PS2	Onimusha 3	Japan	Mar	700

Million Titles & Sequel Titles

Million titles		('000 copies)		
	Release	Title 1985/12~2003/9	Platform	Units
1	1992/6	Street Fighter	Super NES	6,300
2	1998/1	Resident Evil 2	Play Station	4,960
3	1993/6	Street Fighter Turbo	Super NES	4,100
4	1999/9	Resident Evil 3 Nemesis	Play Station	3,500
5	1996/3	Resident Evil	Play Station	2,750
6	1999/7	Dino Crisis	Play Station	2,400
7	2001/8	Devil May Cry	Play Station 2	2,160
8	2001/1	Onimusha : Warlords	Play Station 2	2,020
9	1994/6	Super Street Fighter	Super NES	2,000
10	2002/3	Onimusha 2 : Samurai's Destiny	Play Station 2	1,990
11	1993/11	Aladdin	Super NES	1,750
12	1989/9	Duck Tales	NES	1,670
13	1993/9	Street Fighter II ' Plus	Genesis	1,665
14	1986/6	Ghosts'n Goblins	NES	1,640
15	1988/12	Megaman 2	NES	1,510
16	2003/1	Devil May Cry 2	Play Station 2	1,500
17	1990/12	Final Fight	Super NES	1,480
18	1990/9	Duck Tales	Game Boy	1,430
19	2001/3	Resident Evil Code Veronica X	Play Station 2	1,320
20	2002/3	Resident Evil	Game Cube	1,240
21	1992/11	Magical Quest Starring Mickey	Super NES	1,210
22	1998/8	Resident Evil DC Dual Shock	Play Station	1,200
23	1990/5	Chip'n Dale Rescue Rangers	NES	1,195
24	2002/11	Resident Evil 0	Game Cube	1,190
25	2000/9	Dino Crisis 2	Play Station	1,190
26	1993/12	Megaman X	Super NES	1,165
27	2000/2	Resident Evil Code Veronica	Dream Cast	1,140
28	1986/9	Commando	NES	1,137
29	1997/9	Resident Evil Director's Cut	Play Station	1,130
30	1991/9	Super Ghoul'n Ghosts	Super NES	1,090
31	1990/9	Megaman 3	NES	1,080
32	1993/5	Final Fight 2	Super NES	1,030
33	1998/12	Street Fighter Alpha 3	Play Station	1,000

Sales Window for Major Titles by Genre		
('000 copies)		
◆ Genre/Major Title	# of Titles	Unit Sales
◆ Shooting Game		
1942 Series	6 titles	1,300
◆ Action Game		
Ghosts 'n Goblins Series	13 titles	4,100
Commando Series	3 titles	1,200
Mega Man Series	82 titles	20,000
Disney Series	29 titles	12,900
Final Fight Series	8 titles	3,100
Onimusha Series	6 titles	4,900
Devil May Cry Series	3 titles	4,400
◆ Fighting Game		
Street Fighter Series	47 titles	23,000
◆ RPG		
Breath of Fire Series	12 titles	2,800
◆ Adventure		
Resident Evil Series	32 titles	24,000
Dino Crisis Series	10 titles	4,200

Arcade Operation, Arcade Sales Business

◆ Arcade Operation

- The market size progressed further than it had in recent years, suggesting a recovery (up +2.6% from FY2002)

Efficient management by scrapping unprofitable arcades and opening ones in large community

Over-all Market Size of Arcade Operation

(Unit: 100 Millions of Yen)	2001/3	2002/3	2003/3	Growth Rate
Arcade Operation Sales	5,964	5,903	6,055	+2.6%

※Source: "Report in Amusement Industry"

- Open a new store to be #1 arcade in each regional largest mall

- (1) Open arcades in large commercial complexes, which annual sales are more than ¥1.2 billion, to secure parking space over 2,000
- (2) Achieved sales growth almost flat and profit gross more than +13% at existing arcades on a year to year basis
- (3) New Store ... 26% of Operating Profit

% of Operating Profit

(Unit: 100 Millions of Yen)

	2002/3	2003/3	2004/3	2003/9
Net Sales	83	92	101	47
of Opreting Profit	14.1%	23.2%	23.2%	23.8%

◆ Arcade Sales

- The market size shrank less this past year than it had in recent years, suggesting a recovery (up +12.2% from FY2002)

- (1) Dedicated Machine... WCCF, Online Mah-jongg Game
- (2) Prize-winning Games ... Crane Machine
- (3) Medal Games... Pusher for multiple players

Over-all Market Size of Arcade Sales

(Unit: 100 Millions of Yen)	2002/3	2003/3	Component	Growth Rate
Prize	352	472	35.1%	34.1%
Medal	223	271	20.1%	21.5%
Printing	180	188	14.0%	4.4%
Dedicated	93	134	10.0%	44.1%
Video	152	93	6.9%	-38.8%
Music Game	49	34	2.5%	-30.6%
Others	151	154	11.4%	2.0%
Total	1,200	1,346	100.0%	12.2%

※ Source: "Report in Amusement Industry"

- Focus on developing Prize-winning and Medal Games

Releasing Prize-winning and Medal having the large market share

- ① Prize-winning Games "Mecha-tore"
- ② Medal Games "Asian Kitchen"

Other Business

◆ Licensing -Out

■ Strengthen the game brand in tie up with Media

(1) TV animation “Megaman NT Warriors”

- ① Japan 2003/10/4～ Rating 5.5% TV Tokyo
- ② U.S.A. 2003/winter (plan)～ Rating 4.0% WBkids
- ③ Europe 2004/spring (plan)～

(2) Collaboration with “Movie”

- ① “Resident Evil Apocalypse” To be released in October in 2004 (plan)
- ② “Onimusha” To be released at the end of CY2005 (plan)
- ③ “Devil May Cry” To be released in CY2006 (plan)

■ Strengthen sales product to expand business

DVD Product

- ① “Mutant X” Series
- ② “Overseas SF TV Program” Series

◆ Mobile Contents

■ Market size of Mobile Games

(Unit: 100 Millions of Yen)

Areas	Overview	2004/3(Plan)
Japan	Maturity	210
Korea	Maturity	250
Europe	Growth	270
U.S.A	Infancy	360
China	Infancy	90

※Source: Our estimate based on data from Zappallas, Inc., Netsize Group and Living Mobile, Inc.

■ Exploitation of mobile contents

(1) Current Mobile Contents business

- ① Supplying contents in overseas area from September, 2002
- ② Supplying 11 titles in 17 countries such as Asia and Europe
- ③ Net Sales in FY2003 (Plan): ¥1 billion

(2) Business Opportunities

- ① Supplying games in U.S.A.
- ② Supplying games in China

Consolidated Financial Review on FY2002, Sep/2003 and Projection for FY2003

● Profit and Loss Sheet

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Net Sales	62,036	63,000	101.6%	22,452
Gross Profit	22,838	22,600	99.0%	8,167
% of Gross Profit	36.8%	35.9%		36.4%
Sales and G&A Expenses	16,158	15,100	93.5%	6,323
Operating Income	6,680	7,500	112.3%	1,844
% of Operating Income	10.8%	11.9%		8.2%
Ordinary Income	6,797	7,300	107.4%	1,570
% of Ordinary Income	11.0%	11.6%		7.0%
Net Income	△ 19,598	4,200	-	919
% of Net Income	-31.6%	6.7%		4.1%

● Sales by Business segments

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Consumer	48,090	45,107	93.8%	13,409
Arcade Operation	9,242	10,133	109.6%	4,679
Arcade Game Sales	959	1,989	207.3%	2,706
Others	3,743	5,771	154.2%	1,656
Total	62,036	63,000	101.6%	22,452

● Sales by Geographic Areas

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Japan	37,191	40,477	108.8%	15,215
North America	16,417	14,996	91.3%	4,655
Europe	7,819	6,939	88.7%	2,425
Other territories	607	588	96.8%	155
Total	62,036	63,000	101.6%	22,452

● Promotional Expense

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Promotional Expense	7,272	6,246	85.9%	2,138

● R&D Investment Cost

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Internal R&D Cost	8,112	8,500	104.8%	3,875
Subcontracting R&D Cost	5,673	5,200	91.7%	2,311
Technical R&D Cost	1,151	1,300	112.9%	464
Total	14,936	15,000	100.4%	6,650

● Number of Employees

(Unit: Persons)

	2003/3	2004/3	%	2003/9
Capcom Japan	1,162	1,086	93.5%	1,072
Consolidated Subsidiaries	143	158	110.5%	135
Total	1,305	1,244	95.3%	1,207

● Number of R&D Employees

(Unit: Persons)

	2003/3	2004/3	%	2003/9
R&D Employee	761	724	95.1%	707
R&D Contracted Employee	112	108	96.4%	105
Total	873	832	95.3%	812

● Depreciation

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Capcom Japan	1,724	1,884	109.2%	665
Consolidated Subsidiaries	478	432	90.4%	243
Total	2,202	2,316	105.2%	908

● Capital Expenditure

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Capcom Japan	1,404	2,391	170.3%	822
Consolidated Subsidiaries	407	3,000	737.1%	2,910
Total	1,811	5,391	297.7%	3,733

Non-consolidated Financial Review on FY2002, Sep/2003 and Projection for FY2003

● Profit and Loss Sheet

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Net Sales	43,454	45,500	104.7%	16,895
Gross Profit	13,678	14,500	106.0%	5,685
% of Gross Profit	31.5%	31.9%		33.6%
Sales and G&A Expenses	9,449	9,400	99.5%	3,993
Operating Income	4,229	5,100	120.6%	1,691
% of Operating Income	9.7%	11.2%		10.0%
Ordinary Income	4,302	5,100	118.5%	1,485
% of Ordinary Income	9.9%	11.2%		8.8%
Net Income	△ 13,741	3,000	-	830
% of Net Income	-31.6%	6.6%		4.9%

● Sales by Segments

(Unit: Millions of Yen)

		2003/3	2004/3	%	2003/9
Consumer (including PC)	Domestic	22,661	22,663	100.0%	6,037
	Overseas	7,472	6,203	83.0%	2,081
	Sub Total	30,133	28,866	95.8%	8,119
Arcade Game Sale	Domestic	1,085	2,019	186.1%	2,744
	Overseas	5	-	-	-
	Sub Total	1,090	2,019	185.2%	2,744
Arcade Operation	Domestic	9,046	10,133	112.0%	4,679
Movie Project	Domestic	8	1	12.5%	2
	Overseas	407	250	61.4%	141
	Sub Total	415	251	60.5%	143
Royalty revenue and Others	Domestic	2,497	3,940	157.8%	1,091
	Overseas	243	290	119.3%	118
	Sub Total	2,740	4,230	154.4%	1,209
Pachinko-system	Domestic	27	-	-	-
Total		43,454	45,500	104.7%	16,895

● Break-down of Major Expenses

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Promotion Expense	3,691	3,680	99.7%	1,141
Personnel Expense	9,847	10,172	103.3%	4,822

● Break-down of Depreciation

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
G&A Expenses	799	763	95.5%	312
Revenue Share Equipment	-	-	-	-
Arcade Equipment	925	1,121	121.2%	352
Total	1,724	1,884	109.3%	665

● Capital Expenditure

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Arcade Operation	1,040	1,969	189.3%	689
Others	364	422	115.9%	132
Total	1,404	2,391	170.3%	822

● Number of Arcades

(Unit: locations)

	2003/3	2004/3	2003/9
Cap.com Japan	30	33	31
Consolidated Subsidiaries	3	0	1
Total	33	33	32

● Domestic/Overseas Sales Ratio

(Unit: Millions of Yen)

	2003/3	2004/3	%	2003/9
Domestic	35,326	38,757	109.7%	14,553
Overseas	8,128	6,743	83.0%	2,342
Total	43,454	45,500	104.7%	16,895