

**Outline of Q&A at the Conference Call for the First-Quarter Financial Results
of the Year ending March 31, 2010**

Q.

Capcom's business performance during the first quarter was really strong. If profits for the second quarter is calculated by subtracting the first quarter figures from the company's published planned figures for the first half year, it will decline on a year-over-year basis. Would you be able to tell us more about Capcom's business projections for each of its business segments?

A.

- (1) We did not release our second quarter business plans for each segment. However, our financial condition in the first quarter was sound, and a partial reason of it was due to some slippage of SGA into the second quarter.
- (2) Regarding our Home Video Games business in the second quarter, because of the delay in the release of "Dark Void", both net sales and profits will be carried over and recorded in the second-half of this fiscal year. As we continue to implement cost-cutting measures, we anticipate our Arcade Operation business performance to proceed mostly according to plan. On the other hand, because we don't have any new title releases for the Arcade Games Sales business in the second quarter, we expect figures to be in the red, just as we originally planned. As for the Contents Expansion business, the sales of "Vampire" pachislo machines have been weak, with only about 1,100 units being sold. We don't expect strong repeat sales, so actual sales will be around 3,000 units short of our planned sales. Taking the above factors into consideration, we predict that both net sales and profits of the second quarter will fall below our initial targets.
- (3) In light of these circumstances, Capcom's business forecasts for the first half year remain the same. Moreover, our company's business results will depend largely on our own corporate efforts, such as how much we can reduce Selling, General and Administrative expenses (SGA), as well as product costs.

Q.

In terms of first quarter business performance, was Capcom aware that its strong performance exceeded its original projections?

A.

We didn't realize that our sales were so strong. The reasons our performance exceeded the consensus forecast were: 1) a slippage of several hundred million yen occurred in so-called SGA expenses, 2) effective cost control efforts, and 3) healthy repeat sales in the Home Video Games business, as well as brisk sales of small and medium scale titles in Japan.

Q.

Do you think “Monster Hunter Tri” will reach its domestic sales target in the second quarter?

A.

If all goes well, we believe that the initial shipment will sell out, but we can’t assume anything about subsequent repeat sales until we actually see the sell-through figures. We will continue to deliberate on the direction of our future shipments, taking into account the sell-through figures for August.

Q.

In regards to “Bionic Commando,” could you explain why it failed to reach its sales targets, despite having its original targets revised for this period?

A.

Our analysis indicates that the game elements were not well received by customers, and that our management of overseas subcontractors wasn’t thorough enough. Though we regrettably failed to produce positive results, we learned a valuable lesson from this setback. However, we feel that in the future we need to continue to outsource product development overseas. In order for the company to grow, Capcom must increase the number of product lines, but currently our internal production is at full capacity. Thus, we will achieve our goal of company growth by collaborating with subcontracted companies. Moreover, by outsourcing development we can also expect synergetic effects, namely in the area of product-development technologies. Establishing partnerships with subcontractors allows us to absorb their know-how and incorporate it into Capcom’s own development process. We will take what we learned from “Bionic Commando” and apply these lessons in the future.

Q.

Could you tell us the number of advance orders for “Monster Hunter Tri”?

A.

As we haven’t published the advance order figures yet, we would like to refrain from answering.

Q.

After experiencing sluggish sales in the Pachislo business, what kind of measures will Capcom take in the second-half of this fiscal year?

A.

Unlike the previous machine, we feel that the specifications for the “Vampire” pachislo machine are exactly what we envisioned. However, in the future, the company must choose content that is more popular, and use well-positioned personnel to enhance our sales and marketing structure. We plan to pursue this approach and develop machines that satisfy long-term market tastes, by looking ahead 2-3 years into the future, rather than just focusing on short-term trends.

Q.

Would you be able to tell us the shipment figures for “Monster Hunter Tri” Special Edition Bundle for the Wii?

A.

I am really sorry, but I’m afraid that the figures for the Special Edition Bundle haven’t been disclosed yet.

Q.

Looking at the entire game market, while it is said there is growing concern that sales of video game consoles in the U.S. and European markets will slow down, consumers eagerly await the PlayStation3 price-cut and other measures. What does Capcom think about future market trends?

A.

We feel that trends in both the North American and European markets are largely similar. Although it seems that sales of video game consoles are slumping for each company, trends in the home video game software market differ from those of the video game console market. The number of home video games customers is steadily increasing around the globe. It is highly possible that leading titles from each company slated for release toward the second half year will help revitalize the market. However, at the same time, the current situation suggests that the video game console market needs a catalyst for strong growth. Therefore, we will continue to pay close attention to market trends, including price-cuts.

At the same time, we expect the domestic market to really heat up when both “Dragon Quest IX” and Capcom’s highly anticipated “Monster Hunter 3 (tri)” are released.

Q.

I heard that overall demand for Nintendo DS games has greatly declined in Europe. How does Capcom perceive the state of casual gamers and hard-core gamers?

A.

We believe that the current situation is the result of casual gamers noticeably moving away from gaming consoles. In general, light users tend to purchase video game consoles when they appear on the market, but stop using them after a while. Therefore, I think it’s safe to say that worldwide there is a decreasing number of players who purchased a Nintendo DS and are still using it.

In contrast, we believe that hard-core gamer audience is expanding. Because Capcom’s major game titles targeting hard-core gamers have gained a large market share, we don’t feel there is a particularly heavy decline.