

March 28, 2008

Press Release

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## **K2 To Become Wholly Owned Subsidiary Through Simple Exchange of Stock**

The board of directors of Capcom Co., Ltd. approved a resolution today to conduct an exchange of stock on May 1, 2008 to make K2 Co., Ltd. a wholly owned subsidiary

### **1. Purpose of exchange of stock**

Upgrading development activities, which is the core competence of Capcom, is essential to the successful execution of the company's growth strategy. K2 has a proven record as a reliable provider of game development services for Capcom. By making this company a wholly owned subsidiary, Capcom plans to make its game development activities more efficient and speedy. Capcom also believes that pursuing a business strategy based on closer ties with K2 will help increase the value of the entire Capcom Group.

### **2. Summary of exchange of stock**

#### (1) Timetable

Approval of exchange of stock by directors (Capcom)	March 28, 2008
Extraordinary shareholders meeting to approve exchange of stock (K2)	March 28, 2008
Contract signing (both companies)	March 28, 2008
Planned date for exchange of stock (record date)	May 1, 2008 (tentative)
Delivery of stock certificates	Middle of June (tentative)

Note: Capcom plans to conduct this as a simple exchange of stock that does not require shareholder approval as prescribed in Article 796, Paragraph 3 of the Company Law.

#### (2) Exchange ratio

Company	Capcom Co., Ltd. (parent company)	K2 Co., Ltd. (wholly owned subsidiary)
Exchange ratio	1	3,362

Notes:

#### 1. Exchange ratio

K2 shareholders will receive 3,362 shares of Capcom common stock for each share of K2 common stock.

#### 2. Number of shares to be used for the exchange

201,720 shares of Capcom common stock

Capcom will use treasury stock for this exchange of stock. No new shares will be issued.

(3) Basis for determining exchange ratio

1) Basis and reasons for calculations

To ensure the fairness and suitability of calculations used to determine the exchange ratio, Capcom selected Ginza Tax Accountants to provide a third-party opinion concerning this ratio.

Since Capcom's shares are listed, Ginza Tax Accountants selected the market value method. Accordingly, this firm determined the value of Capcom stock by using the volume weighted average prices for the most recent six, three and one-month periods.

To determine the value of K2 shares, Ginza Tax Accounts combined the income approach (discounted cash flows) and payback period method because K2 is a privately owned company. The value was then calculated based on a comprehensive evaluation of the value of K2 shares.

Valuation range for exchange ratio: 2,957.98 to 5,148.46 shares

Based on these calculations, Capcom and K2 mutually agreed to use the above exchange ratio based on a conservative standpoint.

2) Relationship with Ginza Tax Accountants

Ginza Tax Accountants is not a related party of Capcom or K2.

(4) Handling of stock acquisition rights and convertible bonds of company to become wholly owned subsidiary

Not applicable

### 3. Profiles of Capcom and K2

(1) Name	Capcom Co., Ltd. (parent company) (As of Sept. 30, 2007)	K2 Co., Ltd. (wholly owned subsidiary) (As of July 31, 2007)
(2) Activities	Planning, development, production and sale of home video game software and arcade game machines, operation of amusement arcades	Development and sale of game software
(3) Established	May 30, 1979	August 4, 2000
(4) Head office	3-1-3 Uchi-hirano-machi, Chuo-ku, Osaka	6-15-21 Domyoji, Fujiidera, Osaka
(5) CEO	Haruhiro Tsujimoto, President & COO	Mitsuo Kodama, Representative Director
(6) Paid-in capital	31,479 million yen	3 million yen
(7) Shares issued	64,836,791	60
(8) Total assets	86,725 million yen (consolidated)	515 million yen
(9) Net assets	48,574 million yen (consolidated)	20 million yen
(10) Fiscal year end	March 31	July 31

(11) Employees	1,439	60
(12) Major customers	Sony Computer Entertainment Inc. Nintendo Co., Ltd. Microsoft Corporation	Capcom Co., Ltd. Marvelous Entertainment Inc. FromSoftware, Inc
(13) Major shareholders	Crossroad Limited. 11.47% Japan Trustee Services Bank Ltd. (Trust Account) 8.86% The Master Trust Bank of Japan Ltd. (Trust Account) 5.45% State Street Bank and Trust Company 4.81% Kenzo Tsujimoto 4.09%	Mitsuo Kodama 100.00%
(14) Banks	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15) Relationship between Capcom and K2	Capital	Not applicable
	Personnel	Not applicable
	Business	Capcom outsources some of its game software development to K2
	Related parties	Not applicable

Notes:

1. K2 converted from a *yugen kaisha* (limited liability company) to a *kabushiki kaisha* (joint stock company) on February 15, 2008.
2. Capcom stock ownership percentages do not include treasury stock (5,817,604 shares).

(16) Three-year financial highlights

	Capcom Co., Ltd. (parent company)			K2 Co., Ltd. (wholly owned subsidiary)		
	FY3/05	FY3/06	FY3/07	FY7/05	FY7/06	FY7/07
Net sales (million yen)	65,895	70,253	74,542	256	331	311
Operating income (million yen)	7,752	6,580	9,602	11	8	20
Ordinary income (million yen)	7,399	7,016	10,600	1	7	20
Net income (million yen)	3,622	6,941	5,852	1	4	11
Earnings per share (yen)	63.37	125.19	107.52	14,358.85	72,544.55	178,392.12
Dividend per share (yen)	20	20	30			
Net assets per share (yen)	589.99	716.91	799.35	77,398.22	149,942.77	328,334.88

Note: Consolidated figures are used for Capcom and non-consolidated figures for K2.

#### **4. Changes following exchange of stock**

(1) Name, activities, head office, title and name of CEO, paid-in capital and fiscal year

There will be no changes to the items listed in “3. Profiles of Capcom and K2” with regard to the names, activities, head offices, CEOs, paid-in capital and fiscal years of the two companies.

(2) Outlook

Capcom believes that making K2 a consolidated subsidiary will make it possible to allocate development resources more efficiently in response to shifts in market conditions. This is expected to facilitate the strategic development of software and create synergies. As a result, Capcom believes this exchange of stock will help improve customer satisfaction and make the company even more competitive.

This exchange of stock will have only a negligible effect on Capcom’s consolidated and non-consolidated performance.