

**Explanation Summary for the Briefing Regarding
2nd Quarter Financial Results of the
Year ending March 31, 2011
by Kenzo Tsujimoto, Chairman and CEO
(October 29, 2010)**

1. Greetings

My name is Mr. Tsujimoto, Chairperson and CEO of Capcom Co., Ltd. While there are many other companies presenting their financial statements today, I would like to personally thank all of you for taking the time to attend Capcom's briefing on our financial results.

2. Summary of the 2nd-Quarter Financial Results

- (1) The financial results for Capcom's performance in the second quarter are as follows. Net sales decreased to JPY 40,706 million, down 10.1% from the plan set out at the beginning of FY2010. Likewise, the operating income fell to JPY 3,942 million, down 17.8% from the initial plan, while ordinary income fell to JPY 2,880 million, down 38.7% from the initial plan. In addition, the net income for the 2nd quarter fell to JPY 1,784 million, down 38.4% from the initial plan.
- (2) These decreases are largely the result of two factors: the appreciation of the yen in foreign exchange markets, and the decrease in the volume of "Dead Rising 2" due to the postponed release. However, these figures mark a slight improvement over the revised business performance forecast announced on October 4.

3. Reviewing Capcom's R&D System

- (1) Awareness of the market environment
The content industry has continued its growth over the years by coping with changes in the market that have occurred each decade. However, in recent years, the market environment has entered an unprecedented period of volatile change resulting from the shift occurring in the economic environment around the globe, and the emergence of new technologies and concepts such as cloud computing and ubiquitous services. As a result, the make up of the entire market has been drastically altered. The gaming industry, of which Capcom is a part, has reached a stage where it must reformulate its business model in order to survive within this period of radical change.

Although software for home video games and PCs have long been sold as individually packaged titles, the rapid growth of the markets for mobile games and SNS (social networking service) games has blurred the traditional boundaries among the various computing platforms. Capcom has been releasing video games aimed at the SNS market for a while already. The company views the changes in the market as potential business opportunities, and thus plans to swiftly form an organization and formulate strategies to address these changes.

(2) Our present situation

When examining the trends within Capcom's sales for each of the five-year periods over the last 15 years, you will notice the company's growth has been in phases. In addition, when looking at the financial aspect, it is evident that our cash flow has improved considerably over the past 15 years. We believe these trends represent the fruition of our efforts to restore stability to Capcom's business structure, and feel that we are now ready to move forward into the future and maintain sustainable growth.

(3) The future R&D system

Managing Corporate Officer Mr. Keiji Inafune is expected to leave Capcom at the end of November this year. Therefore, in light of Mr. Inafune's departure, we are going to accelerate our structural reform plan that was initially scheduled to begin in April of 2011. The company aims to achieve future growth through our new R&D organization, which will handle both the roles of marketing and product development. This will enable us to better adapt to the increasingly complex market, as well as review our past methods for success.

Recently we appointed Managing Corporate Officer Mr. Katsuhiko Ichii to be the person in charge of the development headquarters. To help move forward with our reforms, we also intend to appoint 5 people to support him by acting as the leading figures responsible for drawing up strategy plans in our new development organization.

(4) Under the new leadership of the development division, the streamlined and up-to-date R&D organization will enable Capcom to adapt to markets that are becoming increasingly larger and more complex.

4. Closing Remarks

- (1) We have been working hard over the last 15 years to revitalize Capcom's financial situation. While things have improved, we are fully aware that it is our mission to deliver further shareholder returns to investors. With this in mind, we will strive to boost our profits over the next 5 years.
- (2) To better cope with the upheaval in the market, the company will commit itself to achieving its mid-to-long term goals through a reinvigorated R&D organization that reflects the current trends of the gaming markets.