



Capcom Co., Ltd.
(Tokyo and Osaka Exchanges,
First Section, 9697)

3rd Quarter Report
Fiscal year ending March 31, 2011

Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diversifying user needs and other changes in market conditions. Items that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) the popularity of home video game players; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.

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Financial Highlights

Consolidated Business Results

■ 9 months results in FY3/10 vs. FY3/11

(Million yen)

	2009/12	2010/12	Difference
Net sales	49,987	70,773	20,786
Operating income	4,817	12,769	7,952
Ordinary income	4,795	11,303	6,508
Net income	1,731	6,836	5,105

- Major titles in the Consumer Online Games business contributed to earnings
- Results of operations in other business segments also generally surpassed the plan as all of businesses performed well
- Sales and earnings were much higher than the same term last year with all categories of earnings up

Financial Highlights (Financial Position)

■ Balance sheets as of March 31, 2010 vs. December 31, 2010

(Million yen)

	2010/3	2010/12	Difference
Current assets	61,303	65,780	4,477
Fixed assets	25,318	25,363	45
Total assets	86,621	91,144	4,523

Current liabilities	25,211	23,706	-1,505
Long-term liabilities	7,453	10,754	3,301
Total liabilities	32,665	34,461	1,796

Total net assets	53,956	56,683	2,727
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Total liabilities and net assets	86,621	91,144	4,523
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Financial Highlights (Financial Position)

■ Major changes in balance sheet items

(Million yen)

	2010/3	2010/12	Difference
Notes and accounts receivable, trade	6,288	16,092	9,804
Work-in-progress for game software	14,333	12,217	-2,116

(1) Notes and accounts receivable, trade

- Release of “Monster Hunter Freedom 3” caused receivables to increase

(2) Work-in-progress for game software

- Down mainly because of the release of new major titles

(Million yen)

	2010/3	2010/12	Difference
Short-term borrowings	13,211	4,711	-8,500

(3) Short-term borrowings

- Down because of repayments

Financial Highlights (Financial Position)

■ Consolidated statements of cash flows

(Million yen)

	2009/12	2010/12	Difference
Cash flows from operating activities	14,845	10,474	-4,371
Cash flows from investing activities	-1,111	-1,909	-798
Cash flows from financing activities	-10,423	-8,496	1,927

(1) Cash flows from operating activities

- In the previous fiscal year, steady progress in recovering receivables related to major titles contributed to cash flows. On the contrary, the launch of “Monster Hunter Freedom 3” in Dec. 2010 caused receivables to increase in the current fiscal year

(2) Cash flows from investing activities

- Decreased by Payment for purchase of shares in a subsidiary

(3) Cash flows from financing activities

- Since the level of loans is largely unaffected, cash flows reflect the effect of cash (2,704 million yen) used for acquiring treasury stock in the previous fiscal year



Point of Financial Highlights

(1) Progress with the 2nd stage of structural reforms

- **Stage 1 (started in December 2009)**
 - **Sweeping review of businesses with low profitability**
 - **Change in model for alliances with overseas developers**
 - **Realign the development framework in Japan and strengthen the online game business**
- **Stage 2 (started in November 2010)**
 - **Reorganize and integrate the consumer games, mobile contents and online games development sections**
- **Stage 3 (starting in April 2011)**
 - **Unify organizational functions on a global scale**

(2) Benefits of the 2nd stage of structural reforms **(at present)**

- **More games for SNS**
 - **Using a multi-platform approach for Capcom's current franchises that are extremely popular**
 - **Distributing new content that targets casual game players, mainly in overseas markets**
- **Established solid presence in PC online game market**
 - **Strong sales of “Monster Hunter Frontier Online”**
- **Outsourcing tasks to overseas developers**
 - **Gained expertise from the success of “Dead Rising 2”**



Business Segments

Business Segments (Consumer Online Games Business)

**Sales of “Monster Hunter Freedom 3” top 4 million units in Japan,
which is 4th title to surpass 1 million units**

■ Sales of major titles for the 9 months

(Unit: Thousand)

Platform	Title	Region	Date	Total
PSP	Monster Hunter Freedom 3	Japan	12/1	4,100
PS3 Xbox 360 PC	Dead Rising 2	Japan	9/30	2,200
		North America	9/28	
		Europe	9/24	
PS3 Xbox 360	Super Street Fighter	Japan	4/28	1,600
		North America	4/27	
		Europe	4/30	
PS3 Xbox 360	Lost Planet 2	Japan	5/20	1,500
		North America	5/11	
		Europe	5/11	

*Sales for Japan include the entire Asian region.

Business Segments (Consumer Online Games Business)

Big increases in sales and earnings due to the success of new major titles in Japan and overseas

■ Operating highlights for the 9 months

(Million yen)

	2008/12	2009/12	2010/12	Difference
Net sales	26,709	33,426	54,057	20,631
Operating income	4,404	6,994	12,941	5,947
Operating margin	16.5%	20.9%	23.9%	-

(Unit: Thousand)

	2008/12	2009/12	2010/12	Difference
Titles	82	55	37	-18
Japan	4,600	4,300	7,500	3,200
North America	2,200	2,400	3,900	1,500
Europe	1,700	2,400	3,700	1,300
Asia	200	200	400	200
Total	8,700	9,300	15,500	6,200

(Composition)

(Unit: Thousand)

	2008/12	2009/12	2010/12	Difference
Distribution titles	1,050	750	550	-200
Old titles	4,800	4,500	3,700	-800

Business Segments (Consumer Online Games Business)

Popularity of “Monster Hunter Freedom 3” and other major titles generates much higher sales and earnings

■ Plan for FY3/11

(Million yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net Sales	62,892	44,015	66,000	21,985
Operating income	16,392	7,846	12,100	4,254
Operating Margin	26.1%	17.8%	18.3%	-

(Unit: Thousand)

	2009/3	2010/3	2011/3 Plan	Difference
Titles	110	72	55	-17
Japan	6,300	5,200	8,000	2,800
North America	6,000	3,600	6,000	2,400
Europe	4,500	3,400	4,500	1,100
Asia	500	300	500	200
Total	17,300	12,500	19,000	6,500

(Composition)

(Unit: Thousand)

	2009/3	2010/3	2011/3 Plan	Difference
Distribution titles	1,350	1,000	450	-550
Old titles	5,400	5,500	4,000	-1,500

Business Segments (Mobile Contents Business)

Efficient utilization of Capcom content and that of other companies supported sales activities and extended the user bases

■ Operating highlights for the 9 months

- Full-scale launch of SNS games in Japan and overseas

“The Smurfs’ Village” placed 1st in 52 countries among best-selling apps

Success of “MONHAN NIKKI MOBILE AIRU MURA,” which is a spin-off of the PSP version, enabled this game series to attract new users

■ Business results for the 9 months

(Million Yen)

	2008/12	2009/12	2010/12	Difference
Net sales	-	-	2,383	-
Operating income	-	-	472	-
Operating margin	-	-	19.8%	-

Business Segments (Mobile Contents Business)

**Focusing on developing content for the SNS and smartphone markets
with the goal of creating a new core business**

■ Outlook for remainder of FY3/11

- Launched the new SNS title “Zombie Café” and other titles outside Japan
- Quickly started distributing “Ghost Trick” and other games for the iPhone in Japan to build on existing relationships with home video game users

■ Plan for FY3/11

(Million Yen)

	2009 /3	2010/3	2011/3 Plan	Difference
Net sales	-	-	4,000	-
Operating income	-	-	900	-
Operating margin	-	-	22.5%	-

Business Segments (Arcade Operations Business)

Solid performance due to extensive measures to cut operating expenses along with a recovery in results at existing arcades

■ Operating highlights for the 9 months

- In 9 months, existing-arcade sales were unchanged from one year earlier (± 0%)
- Growth in the number of customers and other improvements show that the arcade market is recovering

■ Business results for the 9 months

(Million Yen)

	2008/12	2009/12	2010/12	Difference
Net sales	10,039	8,935	8,727	-208
Operating income	113	448	938	490
Operating margin	1.1%	5.0%	10.7%	-
Year-to-Year Ratio of existing arcades	88%	84%	100%	-

■ Number of arcades

(Facilities)

	2009/3	2010/3	2010/12	2011/3(Plan)
New arcades	6	0	0	0
Closing arcades	8	2	1	1
Total	40	38	37	37

Business Segments (Arcade Operations Business)

Aiming for a further improvement in profitability backed by the market recovery and more initiatives to operate arcades efficiently

■ Outlook for remainder of FY3/11

- Continuing to cut costs in order to operate more efficiently
- FY3/11 plan is for a 2% year-on-year decline in existing-arcade sales

■ Plan for FY3/11

(Million Yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net Sales	13,509	11,985	11,500	-485
Operating income	224	590	1,000	410
Operating Margin	1.7%	4.9%	8.7%	-
Year-to-Year Ratio of Existing Stores	85%	86%	98%	-

Business Segments (Amusement Equipments Business)

Pachinko/pachislo business was profitable due to repeat sales and strong sales of new products in the arcade game sales business

■ Operating highlights for the 9 months (P&S Business)

- No new titles
- Strong repeat sales of “Onimusha: Dawn of Dreams”, a machine manufactured on contract

■ Operating highlights for the 9 months (Arcade Games Sales Business)

- Launch of new video game machines improved profitability
- Introduced “Super Street Fighter IV Arcade Edition” in December 2010

■ Business results for the 9 months

(Million Yen)

	2008/12	2009/12	2010/12	Difference
Net sales	-	-	2,849	-
Operating income	-	-	444	-
Operating margin	-	-	15.6%	-

*Pachinko & Pachislo is about 50% of net sales, and Arcade Games Sales about 50%

Business Segments (Amusement Equipments Business)

Anticipate big improvement in pachinko/pachislo profitability
due primarily to launch of Capcom's own models

■ Outlook for remainder of FY3/11 (P&S Business)

- Plan to launch Capcom's "Sengoku BASARA 2" machine in February 2011
- Plan to use the alliance with Fields to enlarge the sales network

■ Outlook for remainder of FY3/11(Arcade Games Sales Business)

- Plan to launch the new title "New Super Mario Brothers Wii Coin World"
(a coin - operated game machine) after end of March, 2011

■ Plan for FY3/11

(Million Yen)

	2009/3	2010/3	2011/3 Plan	Difference
Net Sales	-	-	6,000	-
Operating income	-	-	2,000	-
Operating margin	-	-	33.3%	-

*Pachinko & Pachislo is about 60% of net sales, and Arcade Games Sales about 40%

**Forecast for fiscal year ending
March 31, 2011**

Fiscal 2010 Forecasts

No change in forecast because performance will be influenced by fourth quarter sales of major titles and progress with structural reforms.

(Million yen)

	9 months ended Dec. 31, 2010	March 31, 2011 (Forecast)	Vs. FY3/10 (%)
Net sales	70,773	91,000	136.2%
Operating income	12,769	13,000	232.7%
Ordinary income	11,303	11,000	198.9%
Net income	6,836	6,500	300.0%

- No change in fiscal year forecast announced on October 4, 2010
- Forecast earnings per share of 110.01 yen
- Forecast dividend per share of 35 yen, the sum of a 15 yen 1st half-end dividend and 20 yen year-end dividend