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1. Qualitative information Regarding the Consolidated Business

(1) The progress of the consolidated business results including related qualitative information

The game industry during this first quarter ended June 30, 2010 saw a rapid growth of network games and new devices. This trend was caused by the expanding market of smart phones, a growing demand for SNS sites for mobile phone users, and the increasing popularity of multi-functional portable terminals such as the iPad.

Under these circumstances, Capcom focused on the development of games targeted for overseas markets and online games.

We held “Captivate 2010” in Hawaii, a press event for our new titles, as part of our efforts to accelerate overseas operations. In addition, we engaged in aggressive sales promotion campaigns with the aim of creating synergistic effects for our popular games. “Basara Festival 2010 – Spring” is just one example of such promotional events organized both domestically and internationally.

While US and European markets are shrinking under the stagnating economy, overall performance of our flagship title, “Lost Planet 2” (for PlayStation 3, Xbox 360), struggled to grow in these regions.

The resulting net sales for the current quarter was 19,037 million yen (down 2.4 % from the same term last year) partially due to the accelerated appreciation of the yen against the dollar and euro as well as the sluggish performance of home video game sales.

As for profits, operating income decreased to 1,005 million yen (down 72.6 % from the same term last year), ordinary income decreased to 216 million yen (down 94.8 % from the same term last year), and net income for the current period decreased to 213 million yen (down 90.4 % from the same term last year). These results are attributable to a decrease in sales and an increase in software development costs incurred by the release of flagship software products.

Status of Each Operational Department

① Consumer Online Games

In this business segment, “Super Street Fighter IV” (for PlayStation 3, Xbox 360) and the online exclusive title “Monster Hunter Frontier Online” (for PC, Xbox 360) showed steady growth. However, overall sales remained stagnant due to weak performances of some titles: “Lost Planet 2” (for PlayStation 3, Xbox 360), one of our featured products, underperformed its projection substantially; “Monster Hunter Tri” (for Wii) grew at sluggish pace; newly-released “Ghost Trick” (for Nintendo DS) struggled.

The resulting net sales was 14,995 million yen, and the operating income was 1,784 million yen partially due to an increase in software development expenses for the release of flagship software products.

② Mobile Contents

The market for mobile phone games is growing rapidly. In order to expand our business, we started distributing “Resident Evil 4 iPad edition”, and the number of downloads of the software has been increasing gradually. In addition, those games released for iPhone/iPod touch in the previous term, namely “Street Fighter IV” and “Phoenix Wright: Ace Attorney”, achieved their projected sales.

The resulting net sales was 680 million yen, and the operating income was 97 million yen.

③ Arcade Operations

One of our main focuses in this business segment was to acquire new customers while retaining our existing ones. Organizing a variety of events, offering special discount days, and renovating arcades are just few examples of such efforts.

Improvement of profitability was another area we worked on by controlling investments, reducing operation costs, and planning business expansion in line with current market conditions. As part of such efforts, we closed one unprofitable arcade; therefore, the total number of our arcades became 37 as of the end of this fiscal period.

The resulting net sales decreased to 2,630 million yen, whereas the operating income increased to 178 million yen thanks to the success of our profitability improvement strategy.

④ Amusement Equipments

Under the circumstances whereby arcade operators are restricting their purchases, sales of arcade game machines remained sluggish. This unsatisfactory result is also attributable to a lack of new products which caused the main activity in this area to be the business of existing game machines. As for the Pachislo machine business, “Onimusha : Dawn of Dreams” grew steadily.

The resulting net sales decreased to 252 million yen, and the operating loss was 169 million yen.

⑤ Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, was 479 million yen, and the operating income was 30 million yen.

(2) Qualitative Information Regarding the Consolidated Financial Position

Total Assets as of the end of first quarter decreased by 3,218 million yen from the end of previous fiscal year to 83,403 million yen. The primary decreases were 1,129 million yen in cash on hand and in banks and 1,732 million yen in work-in-progress for game software.

Liabilities as of the end of first quarter decreased by 1,115 million yen from the previous fiscal year to 31,549 million yen. The primary decreases were 457 million yen in accrued income tax, 399 million yen in accrued bonuses.

Net assets as of the end of first quarter decreased by 2,102 million yen from the previous fiscal year to 51,854 million yen. The primary decrease were 1,181 million yen in cash dividends, 1,066 million yen in cumulative translation adjustments (for the foreign currency translation of the net assets of consolidated overseas subsidiaries).

(3) Qualitative Information Regarding the Consolidated Business Forecasts

The prospects of the consolidated business results for the current fiscal year ending March 31, 2011 remain the same as what was projected at the financial results announcement on May 7, 2010.

2. Other Information

(1) Transfer of major subsidiaries

There were no applicable subsidiary transfers.

(2) The application of simplified accounting procedures and those procedures specific.

① Computation method used for estimating bad debts in general receivables

The actual percentage of credit losses recorded at the end of the current quarter proved to be not significantly different from what was estimated at the previous fiscal year end. Therefore, the estimated bad debt is computed based on the actual percentage of credit losses at the previous fiscal year end.

② Valuation of inventory

We eliminated the process of taking a physical stock inventory at the end of current quarter, and instead adopted a rational computation method which uses the actual ending inventory of the previous fiscal year as a base. As for devaluating the book value of inventory assets, the devaluation is applied only to those inventories whose profitability clearly decreased. The devaluation is based on the estimated net sale value of such inventories.

③Computation method for corporation taxes, deferred tax assets, and deferred tax liabilities

The computation of corporation income taxes is based on the method that restricts taxable items, deductible items, or tax exempt items to only significant ones.

For computing the tax expenses of our consolidated subsidiaries, we made a realistic estimate of the effective tax rate after applying the income tax allocation accounting to the net profit before tax of the consolidated fiscal year including the current first quarter. We then applied the estimated effective tax rate to the net profit before tax of the current quarter. The adjustment of corporate tax and other tax is included in the corporate tax.

(3) Changes in the principle, procedures, and presentation methods.

①Application of Accounting Standard for Asset Retirement Obligations

Effective as of the first quarter of the current fiscal year, Capcom has applied Accounting Standard for Asset Retirement Obligations (Accounting Standard Board of Japan (ASBJ) Statement No. 18; March 31, 2008), and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21; March 31, 2008). As a result of these applications, both operating income and ordinary income decreased by 8 million yen, and net loss before income tax decreased by 212 million yen.

②Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Capcom is applying the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ PITF No.24, March 10, 2008) from this fiscal year, based on which it revised consolidated results where required. The changes did not affect ordinary income or quarterly net income before income taxes and minority interests.