



Capcom Co., Ltd.

(Tokyo-Osaka Stock Exchange Symbol: 9697)

FY2007 Mid-Term Financial Results Briefing Session
Segment Overview and Strategy

Disclaimer Regarding Forward-looking Statements

Management strategies, plans, projections and other statements excluding historical facts in these presentation materials are forecasts.

Please note that the business projections herein are based on the information that is available at the time of the Mid-Term Financial Result announcement and certain assumptions that serve as the basis of rational judgments have been made. Actual performance may vary substantially from these projections due to various contributing factors in the future.

Additionally, changes in market environments, such as the diversification of user needs, may drastically affect the performance of this industry in which our company operates.

Factors contributing to performance fluctuations include, but are not limited to: (1) the presence or absence of strong-selling titles and the number of units sold in the home video game software business, which accounts for not less than 50% of our total sales; (2) the progress of home video game software development; (3) the proliferation of home video game consoles; (4) sales in overseas markets; (5) trends in stock prices and foreign exchange; (6) cooperation with other companies in development, sales and operations; and (7) changes in market environments.



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Although we had no major hit titles in the 1st half, robust sales were maintained. A favorable result was attained.

1. 1st Half Shipment of “Ace Attorney” Series at Approximately 1 million games

- “Apollo Justice Ace Attorney” (520,000 units sold) and low-price series titles sold very well and were established as the new NDS franchise.
- We succeeded in establishing a new customer base of casual users and women

2. “Resident Evil 4 Wii edition” breaks 1 million mark (as of October 30, 2007)

- First time for a domestic third-party title to hit one million
- Development strength demonstrated on new hardware with the timely introduction of titles suitable for the Wii features and new hardware

3. Winning the Japan Game Awards 2007, we have now 7 awards, the highest number of any software companies in the industry

- “Monster Hunter Freedom 2nd” won the Grand Award, Game of the Year Division
- “Okami” and “Lost Planet” won the Award to Excellence and “Dead Rising” won the Global Award-Japanese Product of the Year Division
- “Devil May Cry 4”, “Sengoku BASARA 2 HEROS” and “Zack & Wiki: Quest for Barbaros' Treasure” won the Future Division

4. Official service started for “Monster Hunter Frontier” (PC online game)

- Official service started on July 5th
- With the accumulation of experience in online games, a first for Capcom, new titles are being developed

Home Video Games Business for 1st Half Ended September 30, 2007

Major title results for 1st half ended September 30, 2007

Whether for Wii or NDS, hit titles are launched respectively and a shift to new hardware development structure is realized

(‘000 copies)

| | Title | Region | Date | Result | Total |
|-----|--------------------------------|-----------|---------|--------|-------|
| Wii | Resident Evil 4 Wii edition | USA | Jun. 19 | 420 | 970 |
| | | Europe | Jun. 29 | 410 | |
| | | Japan | May. 31 | 140 | |
| NDS | Apollo Justice Ace Attorney | Japan | Apr. 12 | 520 | 520 |
| PSP | Monster Hunter Freedom 2 | Japan | - | 250 | 470 |
| | | Overseas | Aug. 28 | 220 | |
| PC | Lost Planet (PC version) | Worldwide | Jun. 26 | 310 | 310 |



Home Video Games Business for 1st Half Ended September 30, 2007

■ Home video games business for 1st half ended September 30, 2007

With “Resident Evil 4 Wii edition” and “Apollo Justice Ace Attorney” taking the lead, each title sold very well, exceeding expectations

(Millions of Yen)

| | 2005/9 | 2006/9 | 2007/9 | Difference |
|------------------|--------|--------|--------|------------|
| Net Sales | 14,373 | 15,735 | 16,323 | 588 |
| Operating Margin | -8.1% | 14.4% | 15.1% | 0.7% |

(‘000 copies)

| | 2005/9 | 2006/9 | 2007/9 | Difference |
|---------------|--------|--------|--------|------------|
| Titles | 36 | 32 | 50 | 18 |
| Japan | 1,540 | 1,700 | 2,900 | 1,200 |
| North America | 1,530 | 2,000 | 1,700 | -300 |
| Europe | 1,150 | 850 | 1,200 | 350 |
| Asia | 100 | 150 | 100 | -50 |
| Total | 4,320 | 4,700 | 5,900 | 1,200 |

(Breakdown)

(‘000 copies)

| | 2005/9 | 2006/9 | 2007/9 | Difference |
|---------------------|--------|--------|--------|------------|
| Distribution Titles | 910 | 620 | 960 | 340 |
| Old Titles | 880 | 1,500 | 2,100 | 600 |

Home Video Games Business Strategy for 2nd Half of Fiscal Year 2007

■ Scheduled release dates of major titles coming up in the 2nd half of FY 2007

Maximize sales for the following strategic titles and attain 2nd half goals heavily weighted in the business plan

| | | ('000 copies) | | |
|-----------------|--|---------------|--------------|-------|
| | Title | Region | Date | Plan |
| Xbox 360 PS3 | Devil May Cry 4 | Japan | Jan.31, 2008 | 1,800 |
| | | USA | Feb.2008 | |
| | | Europe | | |
| PSP | Monster Hunter Freedom 2 G | Japan | Mar.2008 | 500 |
| Wii | Resident Evil The Umbrella Chronicles | Japan | Nov. 15 | 620 |
| | | USA | Nov. 13 | |
| | | Europe | Nov. 30 | |



Home Video Games Business Strategy for 2nd Half of Fiscal Year 2007

■ Home video games business for fiscal year 2007

Taking favorable 1st half results into account and making an upward revision of the plan for the full term

(Millions of Yen)

| | 2006/3 | 2007/3 | 2008/3 Plan | Difference |
|------------------|--------|--------|-------------|------------|
| Net Sales | 42,718 | 43,813 | 45,300 | 1,487 |
| Operating Margin | 6.8% | 18.4% | 18.3% | -0.1% |

('000 copies)

| | 2006/3 | 2007/3 | 2008/3 Plan | Difference |
|---------------|--------|--------|-------------|------------|
| Titles | 88 | 90 | 113 | 23 |
| Japan | 5,400 | 5,200 | 5,400 | 200 |
| North America | 4,700 | 4,300 | 4,900 | 600 |
| Europe | 3,120 | 2,400 | 3,000 | 600 |
| Asia | 180 | 300 | 200 | -100 |
| Total | 13,400 | 12,200 | 13,500 | 1,300 |

(Breakdown)

('000 copies)

| | 2006/3 | 2007/3 | 2008/3 Plan | Difference |
|---------------------|--------|--------|-------------|------------|
| Distribution Titles | 1,400 | 1,200 | 1,430 | 230 |
| Old Titles | 2,000 | 3,100 | 4,000 | 900 |

Arcade Operations Business for 1st Half Ended September 30, 2007

Results lower than planned due to lackluster performance at existing arcades

■ Overview of 1st half ended September 30, 2007

- Revenues of existing arcades decreased to 88% against the same period last year (Q1 revenue was 90% against the same period last year, Q2 revenue was 87% against the same period last year)
- Existing arcades experiencing rough time due to the following composite factors
 - Less customers due to popularity of new hardware in the home video games
 - Bad climate · Lower sales in prize-winning machines
 - Intensification of competition due to opening of competitors' new arcades

■ Arcade operations business for 1st half ended September 30, 2007

(Millions of Yen)

| | 2005/9 | 2006/9 | 2007/9 | Difference |
|--|--------|--------|--------|------------|
| Net Sales | 5,642 | 6,466 | 6,375 | -91 |
| Operating Margin | 20.8% | 17.6% | 10.7% | -6.9% |
| Year-to-Year Ratio of Existing arcades | 95% | 99% | 88% | -11% |

■ Number of arcade stores

(Unit: locations)

| | 2006/3 | 2006/9 | 2007/9 | 2008/3(Plan) |
|-----------------|-----------|-----------|-----------|--------------|
| New arcades | 2 | 6 | 2 | 8 |
| Closing arcades | 2 | 3 | 0 | 3 |
| Total | 30 | 33 | 35 | 38 |

Arcade Operations Business Strategy for 2nd Half of Fiscal Year 2007

Considering the unfavorable results in the 1st half , the plan for the full period was downwardly adjusted

■ Strategy of opening new arcades

- Favorable locations secured prior to the enactment of the amended three urbanization laws
 - Secure locations for arcades in large commercial complexes
 - Accelerate the opening of roadside arcades
- Profit-building by implementing our “scrap-and-build” plan

■ Prospects for 2nd half of fiscal year 2007

- A quick recovery year-to-year in sales by existing arcades is hardly expected, while the plan for the full term is adjusted to 94%, incorporating the backlash from further decreases after the 4th quarter of last period
- Plans to establish six new arcades in the 2nd half (3 arcades already opened in October)

■ Arcade operations business for fiscal year 2007

(Millions of Yen)

| | 2006/3 | 2007/3 | 2008/3 Plan | Difference |
|--|--------|--------|-------------|------------|
| Net Sales | 11,568 | 13,043 | 14,400 | 1,357 |
| Operating Margin | 21.1% | 15.4% | 9.0% | -6.4% |
| Year-to-Year Ratio of Existing Stores | 100% | 96% | 94% | -2% |

Arcade Game Sales Business for 1st Half Ended September 30, 2007

During the 1st half, results were quite unfavorable due to disappointing sales of coin-operated and prize-winning games, greatly missing the planned targets

■ Overview of 1st half ended September 30, 2007

- The 1st half had some growth in repeat titles, while sales were lackluster and expenses were incurred as planned, which led to operating loss
- Donkey Kong Banana Kingdom (mid-sized coin-operated machine)···33 units
 - Sales missed the planned target due to trouble with the machine
- Prize-winning games repeat order ····101 units
 - Sales for all prize-winning machines greatly missed the planned number of units

■ Arcade game sales business for 1st half ended September 30, 2007

(Millions of Yen)

| | 2005/9 | 2006/9 | 2007/9 | Difference |
|------------------|--------|--------|--------|------------|
| Net Sales | 4,387 | 4,348 | 1,353 | -2,995 |
| Operating Margin | 22.6% | 20.5% | -42.1% | - |

**As a result of trouble with the coin-operated machine,
we are now restructuring our operations**

Overview of trouble

- **Fire in the mid-sized coin-operated machine “Donkey Kong Banana Kingdom”**
 - Request to cut power to the machine was made to every customer on the day the trouble was reported. (289 units affected) Immediate investigation of the trouble was started
 - Nine days after the trouble, replacement of the faulty components specified as the cause was made
 - An apology for the trouble was publicized in industry publications for operators
- **Main cause of trouble determined to be outsourced components**
 - Repair costs as a result of the trouble coordinated with associated companies
 - Responses to customers concluded fairly well, however, some customers are still under process of adjustment

■ Restructuring of arcade games sales business

- **Revision of development system that caused the trouble and establishment of measures to improve quality**
 - New establishment of a quality control division, longer machine verification period and acquisition of S-Mark Certification from a third certifying party
 - Establishment of a 5-point inspection review before production (cross-check of design, layout and quality among AM related divisions)
 - Sharing of development information and improvement on a technological level through the clarification of specs and material determination criteria
- **Not resting only on appeal, through the supply of stable and high quality products to the market, we are to regain trust from the amusement machine industry**

Arcade Games Sales Business Strategy for 2nd Half of Fiscal Year 2007

Full term plan revised downward due to missed 1st half goals and weak repeat sales

■ Release date of main titles coming up for 2nd half of fiscal year 2007

· Video game …… 7,000 units planned

· MOBILE SUIT GUNDAM GUNDAM V.S. GUNDAM

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■ Prospects for 2nd half of fiscal year 2007

· Because 1st half goal was unattained and the downward trend in repeat sales may continue in the 2nd half, the full term plan is revised incorporating this risk

■ Arcade games sales business for fiscal year 2007

(Millions of Yen)

| | 2006/3 | 2007/3 | 2008/3 Plan | Difference |
|------------------|--------|--------|-------------|------------|
| Net Sales | 6,956 | 8,021 | 6,400 | -1,621 |
| Operating Margin | 16.0% | 17.1% | 12.5% | 1.1% |

Overview of Contents Expansion Business for 1st Half Ended September 30, 2007

In the 1st half, the P&S and mobile contents business achieved their targets as planned

■ Overview of pachinko & pachislo business for 1st half ended September 30, 2007

- Current term “Devil May Cry 3” device launched and sales progressing as planned
- 2 additional products, total of 3 launched

Overview of mobile contents business for 1st half ended September 30, 2007

- Domestically, the “Ace Attorney” series is a hit product with NDS and sales are going well
- Overseas sales, on the other hand, were weak due to postponement of some titles as a result of the carrier’s trouble

■ Contents expansion business for 1st half ended September 30, 2007

(Millions of Yen)

| | 2005/9 | 2006/9 | 2007/9 | Difference |
|------------------|--------|--------|--------|------------|
| Net Sales | 2,210 | 1,333 | 5,644 | 4,311 |
| Operating Margin | 35.5% | 5.4% | 33.0% | 27.6% |

* Sales comparison P&S segment : MC segment = 6 : 4

Currently, there are no factors that would greatly affect results, therefore full term expectations are unchanged

■ Pachinko & pachislo business prospects for 2nd half of fiscal year 2007

- Results were overemphasized in the 1st half, however, we predict sales will continue to be as planned in the 2nd half (two products planned for the 2nd half)

■ Mobile content business for 2nd half of fiscal year 2007

- Pre-installation sales of Resident Evil 4 Mobile Edition for W54S (Sony Ericsson) to au
- Casual game “Are You Smarter Than a 5th Grader?” introduced in North America

■ Contents expansion business for fiscal year 2007

(Millions of Yen)

| | 2006/3 | 2007/3 | 2008/3 Plan | Difference |
|------------------|--------|--------|-------------|------------|
| Net Sales | 5,742 | 7,102 | 8,900 | 1,798 |
| Operating Margin | 41.1% | 22.9% | 28.1% | 5.2% |

Business Forecast for Fiscal Year 2007

Better results in 1st half than planned were included, however, full-term goals remain unchanged due to arcade operation business and arcade game sales business downward revision.

(Millions of Yen)

| | 2007/3 | 2008/3Plan | Difference |
|-------------------------|--------|------------|------------|
| Net Sales | 74,542 | 78,000 | 3,458 |
| Operating Income | 9,602 | 10,000 | 398 |
| Ordinary Income | 10,600 | 11,000 | 400 |
| Net Income | 5,852 | 6,200 | 348 |

■ Full-period forecasts unchanged

- Favorable 1st half Home Video Game business results included
(Operating income : +18,000 million yen)
- Arcade Operations business foreseeing risk of downward trend at existing arcades
(Operating income : -11,000 million yen)
- Risk of 1st half loss in the Arcade Game Sales business, weak repeat sales foreseen
(Operating income : -7,000 million yen)

■ Expect net income per share of common stock for year ending March 31, 2008: 105.77 yen

■ A planning annual dividend of 30 yen per share (mid-term 15 yen, end of term 15 yen)



Data File

Consolidated Financial Review for Fiscal Year 2006, Projection for Fiscal Year 2007, and Actual of Sep. 2007

Profit and Loss Sheet

(Millions of yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|------------------------|--------|-----------|--------|--------|
| Net Sales | 74,542 | 78,000 | 104.6% | 31,108 |
| Gross Profit | 26,496 | 29,000 | 109.5% | 11,029 |
| % of Gross Profit | 35.5% | 37.2% | | 35.5% |
| Sales and G&A Expenses | 16,779 | 19,000 | 113.2% | 8,079 |
| Operating Income | 9,602 | 10,000 | 104.1% | 3,058 |
| % of Operating Income | 12.9% | 12.8% | | 9.8% |
| Ordinary Income | 10,600 | 11,000 | 103.8% | 3,395 |
| % of Ordinary Income | 14.2% | 14.1% | | 10.9% |
| Net Income | 5,852 | 6,200 | 105.9% | 1,603 |
| % of Net Income | 7.9% | 7.9% | | 5.2% |

Sales by Business segments

(Millions of yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|--------------------|--------|-----------|--------|--------|
| Home Video Games | 43,813 | 45,300 | 103.4% | 16,323 |
| Arcade Operations | 13,043 | 14,400 | 110.4% | 6,375 |
| Arcade Games Sales | 8,021 | 6,400 | 79.8% | 1,353 |
| Contents Expansion | 7,102 | 8,900 | 125.3% | 5,644 |
| Others | 2,561 | 3,000 | 117.1% | 1,411 |
| Total | 74,542 | 78,000 | 104.6% | 31,108 |

Sales by Geographic Area

(Millions of yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|-------------------|--------|-----------|--------|--------|
| Japan | 50,074 | 52,600 | 105.0% | 23,766 |
| North America | 15,450 | 16,300 | 105.5% | 4,554 |
| Europe | 8,090 | 8,400 | 103.8% | 2,529 |
| Other territories | 927 | 700 | 75.5% | 257 |
| Total | 74,542 | 78,000 | 104.6% | 31,108 |

Promotional Expense

(Millions of yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|--------------|--------|-----------|--------|--------|
| Capcom Japan | 2,901 | 3,200 | 110.3% | 1,460 |
| Consolidated | 5,516 | 5,400 | 97.9% | 1,978 |

Number of Arcades

(Unit: locations)

| | 2006/3 | 2007/3 | 2008/3(E) | 2007/9 |
|--------------|--------|--------|-----------|--------|
| Consolidated | 30 | 33 | 38 | 35 |

Capital Expenditure

(Millions of yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|--------------|--------|-----------|--------|--------|
| Capcom Japan | 3,594 | 3,600 | 100.2% | 1,499 |
| Consolidated | 3,804 | 3,700 | 97.3% | 1,688 |

Depreciation

(Millions of yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|--------------|--------|-----------|--------|--------|
| Capcom Japan | 2,217 | 2,900 | 130.8% | 1,156 |
| Consolidated | 2,774 | 3,300 | 119.0% | 1,434 |

Number of Employees

(Unit: Persons)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|--------------|--------|-----------|--------|--------|
| Capcom Japan | 1,196 | 1,346 | 112.5% | 1,304 |
| Consolidated | 1,320 | 1,490 | 112.9% | 1,439 |

R&D Investment Cost

(Millions of Yen)

| | 2007/3 | 2008/3(E) | % | 2007/9 |
|---------------------|--------|-----------|--------|--------|
| R&D Investment Cost | 13,068 | 16,500 | 126.3% | 8,576 |
| Technical R&D Cost | 1,828 | 2,500 | 136.8% | 1,357 |

Sales Units Shipped

('000 copies)

| | | 2006/3 | 2007/3 | 2008/3(Plan) | 2007/9 |
|---------------|--------------|--------|--------|--------------|--------|
| Playstation 2 | Total Titles | 51 | 46 | 33 | 16 |
| | Sub Total | 7,930 | 4,100 | 1,800 | 1,330 |
| Playstation 3 | Total Titles | | | 9 | 3 |
| | Sub Total | | | 1,400 | 60 |
| PSP | Total Titles | 15 | 20 | 17 | 10 |
| | Sub Total | 1,600 | 2,700 | 1,900 | 1,210 |
| Wii | Total Titles | | 3 | 9 | 2 |
| | Sub Total | | 100 | 3,400 | 980 |
| Game Cube | Total Titles | 2 | 1 | | 0 |
| | Sub Total | 800 | 300 | | 90 |
| Game Boy | Total Titles | 2 | 1 | | 0 |
| | Sub Total | 1,500 | 500 | | 10 |
| NintendoDS | Total Titles | 4 | 14 | 30 | 12 |
| | Sub Total | 950 | 1,700 | 2,800 | 1,480 |
| Xbox | Total Titles | 12 | 2 | | 0 |
| | Sub Total | 580 | 100 | | 20 |
| Xbox360 | Total Titles | 1 | 3 | 9 | 4 |
| | Sub Total | 5 | 2,700 | 1,600 | 320 |
| PC & Others | Total Titles | 1 | 0 | 6 | 3 |
| | Sub Total | 35 | 0 | 600 | 400 |
| Total | Total Titles | 88 | 90 | 113 | 50 |
| | Sub Total | 13,400 | 12,200 | 13,500 | 5,900 |