



## **Financial Highlights and Basic Policies**

**First half of fiscal year ending March 31, 2009**

**Capcom Co., Ltd.**

**(Tokyo and Osaka Exchanges, First Section, 9697)**

# Precautions Concerning 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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# 1. First Half Consolidated Statements of Income

# First Half Consolidated Financial Highlights

## Sept. 2007 Results vs. Sept. 2008 Results

(Million yen)

	2007/9	2008/9	Difference
Net Sales	31,108	31,236	128
Operating Income	3,058	3,357	299
Ordinary Income	3,395	4,115	720
Net Income	1,603	1,873	270

**Sales and all earnings categories were higher than one year earlier**

**Big increase in ordinary income because of interest income (¥400 million)  
and foreign exchange gain (¥500 million)**

# First Half Consolidated Financial Highlights

## Sept. 2008 Plan vs. Sept. 2008 Results

(Million yen)

	2007/9Plan	2008/9	Difference
Net Sales	34,700	31,236	-3,464
Operating Income	3,300	3,357	57
Ordinary Income	3,400	4,115	715
Net Income	1,800	1,873	73

**All income categories exceeded the plan.**

**Sales were below the plan because of a big drop in Pachinko and Pachislo Business sales.**

**Home Video Game Business contributed to operating income because of strong repeat sales.**



## 2. First Half Segment Information

## First Half Segment Information (1)

### Business Segment Information FY3/08 1H vs. FY3/09 1H

(Million yen)

	2007/9	2008/9	Difference
<b>Home Video Games</b>	16,323	16,486	163
<b>Arcade Operations</b>	6,375	6,847	472
<b>Arcade Games Sales</b>	1,377	4,079	2,702
<b>Contents Expansion</b>	5,644	2,547	-3,097
<b>Other Business</b>	1,411	1,283	-128
<b>Total</b>	31,108	31,236	128

Please see to “Business Segment Highlights and Strategies” for details.

## First Half Segment Information (2)

### Geographic Segment Information FY3/08 1H vs. FY3/09 1H

(Million yen)

	2007/9	2008/9	Difference	
<b>Japan</b>	Net Sales	23,766	26,389	2,623
	Operating Income	4,515	5,529	1,014
	Operating Margin	19.0%	21.0%	-
<b>North America</b>	Net Sales	4,554	4,366	-188
	Operating Income	56	-228	-284
	Operating Margin	1.2%	-	-
<b>Europe</b>	Net Sales	2,529	2,183	-346
	Operating Income	191	20	-171
	Operating Margin	7.6%	0.9%	-

**Japan:** Performance was supported by strong repeat sales in the Home Video Game Business

**North America:** There was a loss as the volume of shipments declined due to the absence of new hit titles (planning on generating the majority of sales and earnings in the second half)

**Europe:** As in North America, sales and earnings were down due to the absence of new hit titles



### **3. First Half Consolidated Balance Sheets**

# First Half Consolidated Balance Sheets

## Balance Sheets March 31, 2008 vs. Sept. 30, 2008

(Million yen)

	2008/3	2008/9	Difference
<b>Current assets</b>	62,505	61,904	-601
<b>Fixed assets</b>	31,101	30,842	-259
<b>Total assets</b>	93,606	92,747	-859
<b>Current liabilities</b>	34,818	30,892	-3,926
<b>Long-term liabilities</b>	5,128	6,074	946
<b>Total liabilities</b>	39,946	36,967	-2,979
<b>Total net assets</b>	53,660	55,779	2,119
<b>Total liabilities and net assets</b>	93,606	92,747	-859

# First Half Consolidated Balance Sheet Highlights (1)

## Balance Sheet Major Changes in Assets

(Million yen)

	2008/3	2008/9	Difference
Notes and accounts receivable, trade	14,182	5,514	-8,668
Work-in-progress	774	2,635	1,861
Work-in-progress for game software	6,241	11,559	5,318

### (1) Notes and accounts receivable

Decreased because of collections of receivables from sales of titles released in FY3/08 (Monster Hunter Freedom 2G and others)

### (2) Work-in-progress

Materials used in Pachinko and Pachislo Business mainly responsible for this increase

### (3) Work-in-progress for game software

Big increase because of progress in developing major new titles that will be introduced in the second half

## First Half Consolidated Balance Sheet Highlights (2)

### Balance Sheet Major Changes in Liabilities

(Million yen)

	2008/3	2008/9	Difference
Short-term borrowings	2,015	773	-1,242
Current liabilities Other	7,147	6,197	-950
Long-term borrowings	1,470	2,422	952

#### **(4) Short-term borrowings**

Decreased because of repayments

#### **(5) Other current liabilities**

Decreased mainly because of payments of accounts due

#### **(6) Long-term borrowings**

Increased because of new borrowings



## **4. First Half Consolidated Statements of Cash Flows**

# First Half Consolidated Statements of Cash Flows

(Million yen)

	2007/9	2008/9	Difference
Cash flow from operating activities	203	2,722	2,519
Cash flow from investing activities	-1,276	-1,820	-544
Cash flow from financing activities	-1,205	-1,440	-235

## (1) Cash flows from operating activities

Major components of operating cash flows were net income, a decrease in receivables (¥8,828 million), an increase inventories (-¥2,497 million) and an increase in work-in-progress for game software (-¥5,155 million)

## (2) Cash flows from investing activities

Due to payments for acquisition of tangible fixed assets (-¥1,321 million)

## (3) Cash flows from financing activities

Due to proceeds from long-term borrowings (¥1,400 million) and repayments of long-term borrowings (-¥1,757 million)



## **5. Basic Financial Policies**

# Basic Financial Policies

## Basic Policies for Financial Activities

**With the aim of maximizing corporate value, Capcom**

**(1) Maintains sufficient funds for business investments**

**Procure and maintain sufficient funds for growth of established businesses, new projects and other investments with the potential for good returns.**

**(2) Maintain liquidity**

**Maintain credit facilities for supplemental liquidity (current unused balance is ¥15 billion) in order to procure funds whenever necessary**

**(3) Distribution of benefits of business and financial activities**

**Reinvest in businesses with potential for good returns and make other investments  
Steadily improve financial soundness by retaining earnings from business activities  
Consider ways to distribute earnings to shareholders**



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