



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

3rd Quarter Report
Fiscal year ending March 31, 2009

Contents

	page
Financial Highlights	2 ~ 6
Consolidated Business Results	2
Performance by Business Segment	3
Non-operating Items	4
Financial Condition	5
Topics	6
Business Segment Summary	7 ~ 11
Home Video Games	7 ~ 8
Arcade Operations	9
Arcade Games Sales	10
Contents Expansion	11
Fiscal 2008 Forecasts	12

Financial Highlights

Consolidated Business Results

- Performance in the three quarters was weak, with sales and earnings lower than one year earlier.
- Sales were less than planned, but operating income is generally in line with the fiscal year plan.

(Million yen)	FY07/Q3	FY08/Q3	YoY change(%)
• Net Sales	51,655	47,223	-8.6%
• Operating income	6,101	2,613	-57.2%
(Operating Margin)	11.8%	5.5%	-6.3%
• Ordinary income	6,520	2,107	-67.7%
• Net income	3,574	179	-95.0%
• Earning per share	¥61.45	¥2.92	-95.2%

Financial Highlights

Performance by Business Segment

- Sales were less than planned because of a shortfall in sales of some titles in the Home Video Games segment and weakness in the Arcade Operations segment.
- Earnings were generally in line with the plan due to the contribution to earnings from solid sales of lower-priced products in the Home Video Games segment.

		FY07/Q3	FY08/Q3	YoY change(%)
(Million Yen)				
Home Video Games	Net sales	30,852	26,709	-13.4%
	Operation income	6,039	4,404	-27.1%
Arcade Operations	Net sales	9,577	10,039	+4.8%
	Operation income	573	113	-80.3%
Arcade Game Sales	Net sales	2,198	4,848	+120.6%
	Operation income	-692	381	-
Contents Expansion	Net sales	7,042	3,801	-46.0%
	Operation income	2,282	188	-91.8%
Other Business	Net sales	2,012	1,832	-8.9%
	Operation income	366	633	+73.0%

Financial Highlights

Non-operating expenses

- **There was a foreign exchange loss of 939 million yen because of the yen 's strength**
Projected exchanged rates were ¥100/\$1 and ¥155/euro
Actual rates at end of 3Q were ¥91/\$1 and ¥127/euro

Special losses

- **Posted ¥866 million impairment loss for the online content at DALETTO. Co., Ltd, an affiliated company**
- **Posted loss of ¥468 million associated with the faster closing of arcades, part of restructuring initiatives in the Arcade Operations**
Plan to close 3 more arcades than initially planned (a total of 8 locations)

Financial Highlights

Financial Condition

- Reasons for major changes in balance sheet items are as follows. (changes vs. FY 2007 are shown in parentheses)

Assets

(million yen)

· Cash on hand and in banks	23,783	(- 8,980)
· Work- in-progress for game software	12,488	(+ 6,247)

- Due to absence of introductions of major new titles and to work under way for titles to be launched in fourth quarter and afterward

Liabilities

· Convertible bonds issued after April 1st, 2002	-	(- 1,220)
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- Due to transfer to Current portion of convertible bonds issued after April 1st, 2002

Topics

- **Extended use of game content to other media based on Capcom's "single content – multiple usage" strategy.**

Strong DVD sales of the computer graphics movie Resident Evil: Degeneration (sales began in December 2008)

Takarazuka Revue production of Phoenix Wright: Ace Attorney – The Truth Comes Back to Life (to debut in February 2009)

TV animation program based on Sengoku Basara (to debut in the spring of 2009)

- **Announcement of dissolution of Capcom Charbo and liquidation loss (December 17)**

Began liquidation proceedings for wholly owned subsidiary Capcom Charbo

Decision to liquidate was made due to poor prospects for growth at Capcom Charbo because changes in market conditions have greatly reduced the need for the sale and rental of cell phone rechargers, this subsidiary's main business.

The effect on our consolidated business results is insignificant.

Business Segment Summary

Home Video Games – 1

- Sales volume was low because there were no major title introductions during third quarter, but operations were profitable due to solid sales of lower-priced games.

Cumulative sales through Q3: 8.7 million units (FY2007 3Q: 10.4 million units)

Breakdown	Japan	4.6 mil. Units		
	North America	2.2 mil. Units	Titles of other companies	1.05 mil units
	Europe	1.7 mil. Units	Old titles/Lower-priced version	4.8 mil units
	Asia	0.2 mil. Units		

FY08 Q3 Sales of Major Titles

	Platform	Region	Sales	FY2008 Plan
Moto GP 08	X360, PS3, PS2	North America/Europe	0.53 mil. Units	Not Announced
Monster Hunter Freedom 2G PSP the Best	PSP	Japan	0.36 mil. Units	Not Announced
Grand Theft Auto	X360, PS3	Japan	0.28 mil. Units	Not Announced

Sales for Japan include the entire Asian region



Business Segment Summary

Home Video Games – 2

- Fiscal year sales will depend on the popularity of new titles to be introduced in the fourth quarter.

No change in planned sales volume based on current market conditions

Pushed back launch of Bionic Commando to the next FY for sales strategies

FY08 Q4 Plans for Major New Titles

	Platform	Region	Release date	Plan
Resident Evil 5	X360, PS3	Worldwide	Japan Mar/5 North America Mar/13 Europe Mar/13	3.25 mil. units
Street Fighter 4	X360,PS3, PC	Worldwide	Japan Feb/12 North America Feb/17 Europe Feb/20	1.7 mil. units
Dead Rising Chop Till You Drop	Wii	Worldwide	Japan Feb/19 North America Feb/24 Europe Feb/27	0.5 mil. units

Business Segment Summary

Arcade Operations

- Performance is weak as the impact of the economic downturn was greater than expected in the third quarter

Earnings were down for three quarters due to the inability to stop declines in customer traffic and revenue per customer

3Q Existing arcade sales YoY change(%)

3Q 88 %

FY2008(Revised) 88% (2H : 93%)

- Decided to close 3 more arcades as part of restructuring and posted extraordinary loss

FY08 3Q Arcade Openings and Closings

	Arcade opened	Arcade closed	Total
As of March 31	-	-	42
1 st Half ended Sept. 30, 2008	1	1	42
3 rd Quarter ended Dec. 31,2008	4		44
Plan for FY 2008	6	8	40

- Expect FY performance to generally match the plan

Performance was generally in line with the plan, which was revised in the second quarter based on conservative assumptions

Arcade Game Sales

- **Earnings down in three quarters due to absence of launches of major titles in 3Q**

Most titles are for arcade video game machines

**Video game machine “Tatsunoko vs. Capcom: Cross Generation of Heroes”
(648 units sold)**

**No new products for prize and medal game machines, so sales came only from
small amount of repeat sales**

- **Aiming to meet the FY plan with sales from major title introductions in 4Q**

Will launch one new video game machine and anticipate sales of 6,000 units

Expect performance for the fiscal year to be about the same as planned

Contents Expansion

- **Performance for three quarters was generally as planned**

No major new titles were introduced in the pachinko/pachislo business

No major new titles were introduced in Japan or overseas in the mobile content business, with performance approximately as planned

For three quarters, about 20% of sales was from the pachinko/pachislo business and 80% from mobile content

- **No change in outlook for the fiscal year**

In the pachinko/pachislo business, the launch of a Capcom machine that was scheduled for the fourth quarter of this fiscal year was pushed back to the next fiscal year

A rush of orders for pachinko/pachislo machines is very likely to occur at the end of March 2009 due to revisions to Japan's pachinko regulations. Since these orders will use substantial funds at pachinko halls, the launch of this new machine was pushed back to avoid this period.

No change in plans for the mobile content business

Fiscal 2008 Forecasts

Forecast for Fiscal Year Ending March 2009

(Million yen)	Net Sales	Operating Income	Ordinary income	Net Income	Net income per share
FY07 Results	83,097	13,121	12,267	7,807	¥132.90
FY08 Q3 Results	47,223	2,613	2,107	179	¥2.92
FY08 Forecast	95,300	14,600	14,800	8,600	¥139.73
Change	+14.7%	+11.3%	+20.6%	+10.1%	+5.1%

· No change in forecast for the fiscal year

The forecast will depend on the performance of new game titles that are to be introduced in the fourth quarter

Forward-looking Statements

Information in these materials concerning strategies, plans, outlooks and all other items except historical facts are forward-looking statements. These statements are based on certain assumptions that use reasonable judgments in accordance with information that is currently available. Actual performance may differ significantly from these statements for a variety of reasons.

The operating results of all companies in the video and arcade game business may be highly volatile due to shifts in market conditions caused by changing user needs and other factors.

Factors that may affect operating results include, but are not limited to: 1) the ability to introduce hit products, and the volume of sales, in the home video games business, which accounts for the majority of sales; 2) progress in developing new home video games; 3) the popularity of home video game players; 4) sales outside Japan; 5) changes in stock prices and foreign exchange rates; 6) alliances with other companies concerning product development, sales and other operations; and 7) changes in market conditions.