

Consolidated Financial Results of the Year ended March 31, 2008 (Unaudited)

Company Name : CAPCOM Co., Ltd.
Code Number : 9697
(URL <http://www.capcom.co.jp/>)

Date of Issue: May 20, 2008
Stock Listing: Tokyo, Osaka
Location of Headquarters: Osaka Prefecture
Tel: +81-6-6920-3605

Representative : Haruhiro Tsujimoto, President and COO
Contact Person : Kazuhiko Abe, Managing Corporate Officer
Ordinary General Meeting of Shareholders : June 19, 2008
Filing Date for Annual Financial Report : June 20, 2008

Dividend Payment Date: June 20, 2008

(Note: Numbers are rounded down at Million Yen)

1. Results of the Year ended March 31, 2008 (April 1, 2007 - March 31, 2008)

(1) Financial Results

Note: Percentage represents change against corresponding period of the previous year.

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 31, 2008	83,097	11.5	13,121	36.6	12,267	15.7	7,807	33.4
Year ended March 31, 2007	74,542	6.1	9,602	45.9	10,600	51.1	5,852	(15.7)

	Earnings per Share of Common Stock	Earnings per Share of Common Stock (Assuming Full Diluted)	Return (net income) on Equity	Return (ordinary income) on Total Assets	Return (operating income) on Sales
	yen	yen	%	%	%
Year ended March 31, 2008	132.90	116.84	15.8	13.3	15.8
Year ended March 31, 2007	107.52	84.81	13.8	11.2	12.9

Reference: Investment Profit / Loss on Equity Method

Year ended March 31, 2008: 0 million yen

Year ended March 31, 2007: -million yen

(2) Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Asset	Shareholders' Equity per Share
	Million Yen	Million Yen	%	yen
Year ended March 31, 2008	93,606	53,660	57.3	881.13
Year ended March 31, 2007	91,478	45,144	49.3	799.35

Reference: Shareholders' Equity

Year ended March 31, 2008:

53,660 million yen

Year ended March 31, 2007:

45,127 million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Balance of Cash and Cash Equivalents
	Million Yen	Million Yen	Million Yen	Million Yen
Year ended March 31, 2008	7,452	(3,374)	(2,448)	32,763
Year ended March 31, 2007	16,063	(6,715)	(15,206)	35,020

2. Dividends

	Dividend per Share			Total Dividend Payment (Annual)	Dividends Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	Interim	Year-end	Annual			
	yen	yen	yen	Million Yen	%	%
Year ended March 31, 2007	15 00	15 00	30 00	1,633	27.9	4.0
Year ended March 31, 2008	15 00	15 00	30 00	1,798	22.6	3.6
Year ending March 31, 2009 (Forecast)	20 00	15 00	35 00		24.9	

Note: Breakdown for Dividend Forecast Year ending March 31, 2009 ¥15 ordinary dividend

¥5 commemorative dividend

3. Forecast for the Fiscal Year ending March 31, 2009 (April 1, 2008 - March 31, 2009)

Note: Percentage represents change against corresponding period of the previous year.

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	yen
Mid-Term Fiscal Period	34,700	11.5	3,300	7.9	3,400	0.1	1,800	12.3	29.44
Fiscal Year	95,300	14.7	14,600	11.3	14,800	20.6	8,600	10.1	140.60

4. Others

(1) Changes in Major Subsidiaries during the Fiscal Year(changes in consolidated subsidiaries and affiliated companies with equity-method): No

(2) Changes in Accounting Principles, Procedures and Presentation for Consolidated Financial Statements (those items listed under the “Major Changes in the Fundamental Items of Consolidated Financial Statements”)
Changes resulting from the revision of the accounting principles: Yes
Changes other than : Yes

(3) Number of shares outstanding (Common stock):

Number of shares outstanding at end of year (including treasury stock)

Year ended March 31, 2008: 66,719,458 Year ended March 31, 2007: 62,269,007

Number of treasury stock at end of year

Year ended March 31, 2008: 5,820,147 Year ended March 31, 2007: 5,813,727

(Note)

The above-mentioned business forecasts were based on information available as of the release of this report.
Please note that future events may cause the actual results to be significantly different from the forecasts.

Operating Results

1. Operating Results

(1) Overview of the Fiscal Year ended March 31, 2008

The Japanese economy in this consolidated fiscal year (ended March 31, 2008) leveled-off despite steady exports and capital investments. We saw further signs of adverse business prospects including a downturn in stock prices, the accelerated appreciation of the yen, prolonged high crude oil prices, and a slowing US economy.

As for the video game industry, this market thrived with the accelerated diffusion of new game consoles, as well as the expanded user base with increased novice users including seniors and females.

The arcade industry, on the other hand, struggled due to the growing popularity of home video game consoles. This market also lacked appealing products that could attract customers, and saw sluggish growth overall.

Software development costs have increased as new game consoles have been released. In response to this situation, Capcom has been engaged in software development under thorough revenue management. The usage of "MT Framework", Capcom's original software development tool, is just one example of such efforts. "MT Framework" makes it possible to simultaneously develop a software for various hardware, including Playstation 3, Xbox 360, and PCs, and, therefore, reduces time and costs associated with development.

We placed extra emphasis on the distribution of games to mobile phones in both domestic and overseas markets in order to strengthen our profit base. Additionally, we have been building a management framework to prepare for the full-scale operation of online business.

In the home video game segment, which is one of the core businesses of Capcom, "Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" (for Wii) increased their sales satisfactorily especially in the US and Europe.

In addition, "Devil May Cry 4" (for Xbox 360 and Playstation 3), which targeted overseas markets, also proved to have real value and achieved sales of over two million units exceeding our projection significantly.

These flagship titles made strong showings in overseas markets, and the shipments of these three titles surpassed one million units, just as they did in the previous year. These successful results indicate that our business development, which specifically follows market trends, is heading in the right direction.

The resulting net sales increased to 83,097 million yen (up 11.5 % from the previous year). As for profits, operating income increased to 13,121 million yen (up 36.6 % from the previous year), ordinary income increased to 12,267 million yen (up 15.7 % from the previous year), and the net profit for the current fiscal year increased to 7,807 million yen (up 33.4 % from the previous year).

(2) Status of Each Operational Department

Home Video Games

In this business segment, "Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" (for Wii) increased their brand recognition especially in overseas markets. Their shipment surpassed one million units, greatly exceeding our projection.

"Devil May Cry 4" (for Xbox 360 and Playstation 3) gained overwhelming popularity as soon as it was released and continued to achieve smooth growth in the US and Europe. This software achieved record sales for Capcom in recent years with over two million units sold.

"Monster Hunter Freedom 2nd G" (for PlayStation Portable), which was released in the end of this fiscal year, also made a strong start, and almost one million units were sold.

These leading software titles continued to be a tremendous success for Capcom.

In addition, Capcom's original courtroom simulation game, "Apollo Justice: Ace Attorney" (for Nintendo DS) reached the sales of over 500,000 copies, achieving the highest sales of the series. "Monster Hunter Freedom 2nd (for PlayStation Portable), which was a huge success in the previous term, also continued to grow and contributed to overall profit increase.

The resulting net sales increased to 51,679 million yen (up 18.0 % from the previous year), and the operating income increased to 11,609 million yen (up 44.1 % from the previous year) contributing to the improvement of overall operating results.

Arcade Operations

In this business segment, we tried to attract more customers including women and families while assuring repeated visits by current customers. Such efforts included offering clean, bright and fun arcades; holding various marketing events; implementing special discount days; and introducing a wide variety of game machines that satisfy customer demands.

However, this business segment had sluggish growth under adverse market conditions. There were several factors that negatively affected performance: the dissemination of home video game machines, intensified competition, declining popularity of card dispensing games for children, and the decrease of visitors to those arcades located in suburban shopping malls due to rising gasoline/petrol prices.

As for the new arcades, we opened nine stores this year: "Plaza Capcom Iruma", "Plaza Capcom Elumi Konosu", and "Plaza Capcom Hanyu" in Saitama Prefecture; "Plaza Capcom Rock City Sanuma" and "Plaza Capcom Sendai Izumi" in Miyagi Prefecture; "Plaza Capcom Chiharadai" in Chiba Prefecture; "Plaza Capcom Kofu" in Yamanashi Prefecture; "Plaza Capcom Rinku" in Osaka Prefecture; "Plaza Capcom Ashikaga" in Tochigi Prefecture.

The current number of Plaza Capcoms totals 42 at the end of this fiscal year.

The resulting net sales increased to 13,406 million yen (up 2.8 % from the previous year), while the operating income decreased to 753 million yen (down 62.5 % from the previous year) due to the increased expense associated with the opening of new arcades.

Arcade Games Sales

In this business segment, we struggled until the third quarter of this fiscal year as the market was shrinking drastically due to the weakening demand and decrease in purchasing power of arcade operators. Other factors that burdened our performance were machine malfunction in "Donkey Kong Banana Kingdom" and the fact that the main activity of this business segment was the sale of peripheral products such as trading cards for "Wan! Tertainment Music Channel", a card-dispensing game machine.

Under these circumstances, we introduced a promising video game machine at the end of this fiscal year trying to push up the slow sales. However, overall sales still remained at low levels affected by the lapse during this term.

The resulting net sales decreased to 6,574 million yen (down 18.4 % from the previous year), and the operating income decreased to 1,182 million yen (down 13.7 % from the previous year).

Contents Expansion

In this business segment, we tried to take full advantage of the synergistic effects from our home video game software into the distribution of games to mobile phones. As a result of such efforts, we saw satisfactory sales increase with "Ace Attorney" serving as a sales growth engine.

As for LCD device for Pachislo machines, the overall sales remained unchanged with the introduction of "Devil May Cry 3".

The resulting net sales increased to 8,525 million yen (up 20.0 % from the previous year), and the operating income increased to 2,633 million yen (up 62.1 % from the previous year) supported by the contribution from game distribution to mobile phones.

Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, increased to 2,947 million yen (up 15.1 % from the previous year), and the operating income increased to 468 million yen (operating loss of the previous year was 439 million yen).

(3) Overview of Business Performance in Each Region

Japan

In the segment of home video games, "Monster Hunter Freedom 2nd G" (for PlayStation Portable) achieved favorable sales growth, while the shipment of "Apollo Justice: Ace Attorney" (for Nintendo DS) surpassed 500,000 copies, achieving the highest sales of the series.

"Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" (for Wii) also made a strong showing that exceeded our projection. "Devil May Cry 4" (for Xbox 360 and Playstation 3) also underwent healthy growth.

"Monster Hunter Freedom 2" (for PlayStation Portable), which was a huge hit in the previous term, received repeated orders and served as a sales growth engine.

The segment of arcade operations saw sluggish growth affected by the softening market, while the sale of arcade games remained at low levels partially due to a weak product lineup.

As for the contents expansion segment, game distribution to mobile phones performed strongly thanks to

the synergistic effects from our home video game software, namely "Ace Attorney". LCD device sales for "Devil May Cry 3" Pachislo machines also underwent steady growth.

The resulting net sales increased to 62,660 million yen (up 10.5 % from the previous year) and the operating income increased to 12,407 million yen (up 23.3 % from the previous year). These results reflect the fact that those healthy segments, including home video games, absorbed the downturn of other struggling segments such as arcade games.

North America

In the North American market, which is considered to be the most competitive market in the world, "Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" (for Wii) increased their sales steadily supported by their established fan base.

Capcom's long-awaited software, "Devil May Cry 4" (for Xbox 360 and Playstation 3), was developed based on our precise marketing activities. The software became a big hit by winning overwhelming popularity among users. This software showed strong brand recognition in overseas markets and achieved solid growth, exceeding our projections.

The resulting net sales increased to 16,204 million yen (up 2.8 % from the previous year), and the operating income increased to 2,326 million yen (up 61.2 % from the previous year).

Europe

"Resident Evil 4 Wii edition" and "Resident Evil: The Umbrella Chronicles" (for Wii) increased their sales steadily, as they did in North America, while "Devil May Cry 4" (for Xbox360 and PlayStation 3) also showed healthy growth. Business results that surpassed our projection indicated the success of our strategic product development had accurately aligned with the preferences of European users.

The resulting net sales increased to 9,782 million yen (up 20.9 % from the previous year), and the operating income increased to 1,819 million yen (up 79.1 % from the previous year) through the reduction of sales costs and SGA expense.

Other Regions

Asia is one of our main sales targets besides the US and Europe. However, the problem of illegally copied software is still unresolved in Asia, except for certain areas including Hong Kong and Taiwan. This situation places limitations on the sales of packaged products, forcing the core of the Asian game market to be online games.

Under these circumstances, sales of "Monster Hunter Freedom 2nd" (for PlayStation Portable), being marketed from previous fiscal year, has been increasing, and "Monster Hunter Freedom 2nd G" being introduced in March, has been a driving force in growing sales for home video games, the overall performance has been steady in this region.

The resulting net sales increased to 1,078 million yen (up 16.2 % from the previous year), and the operating income was 142 million yen (up 14.6% from the previous year).

(4) Prospects for the Next Fiscal Year

The game market is expected to enter an expansion phase due to the positive growth cycle of hardware and software.

At the same time, game software manufacturers will be facing the issue of rising development costs as well as intensifying competition. We will soon be seeing a clear distinction of "winners" and "losers" in the industry.

Under these circumstances, Capcom Group is preparing to move to a new level of growth. As part of such efforts, we are strengthening our development division that serves as the foundation of our business operations, as well as promoting the "Multi-platform" development method. This method allows us to develop multi-platform products and will help us accommodate diverse customer demands of both domestic and international markets.

We are determined to ensure our competitive edge through various activities: exploring new business genres, introducing new software developed under the collaboration with partner companies, improving product lineup, and implementing development strategy that responds to market trends promptly.

An aggressive overseas operation is a necessity in order to realize our growth strategy in the extremely competitive market in Japan. In addition to the issues such as maturation of market, low birthrate, and aging of society, we are facing the fierce competition with players from other industries, namely mobile phone and Internet, that share common users with game industry.

In recent years, Japanese games are gaining popularity among young people in foreign countries following the "Cool Japan" trend created by Japanese animation and "Manga" comic books. Games are becoming a universal language among those young populations.

Responding to this favorable market trends, Capcom will focus its management resources on exploring overseas markets more than ever, through the enhanced marketing activities, improved sales structure, and the introduction of software that satisfies overseas users. We will work on establishing a strong footing in the market by improving customer satisfaction and thus demonstrating the quality of Capcom products. Our goal is to indoctrinate the brand name of Capcom into users to heighten our presence in the market.

A Hollywood movie, based on one of our popular games, was released last year throughout the world, and the movie was a huge success. We will continue to take full advantage of our high-profile game characters to produce synergistic effects and extend this "value chain" into other business areas.

We will restructure our global information system to correct the information disparity and to promote the information sharing among organizations in the Capcom Group. The improved information system will facilitate business operations and lead us to quick decision making. Another area that we will focus on is the "hybrid management" which adapts to changes in the business environment. The ultimate goal of such strategy is to improve the corporate strength of the entire Capcom Group through efficient of business resources.

2. Analysis of the Consolidated Financial Position

(1) Analysis of assets, liabilities and net assets

Assets

Assets as of this fiscal year period were increased by 2,128 million yen from the previous fiscal year to 93,606 million yen. This is mainly attributable to increase in notes and account receivable, trade by 2,765 million yen, and to increase in game software products in-progress by 2,826 million yen.

Liabilities

Liabilities as of this fiscal year period were decreased by 6,387 million yen from the previous fiscal year to 39,946 million yen. This is mainly attributable to exercise of the stock acquisition rights of Euro-Yen convertible bonds by 5,415 million yen.

Net Assets

Net assets as of this fiscal year period were increased by 8,515 million yen from the previous fiscal year to 53,660 million yen. This is mainly attributable to increase of net income by 7,807 million yen, increase of paid in capital and capital surplus by 5,418 million yen by exercise of the stock acquisition rights of Euro-Yen convertible bonds.

(2) Analysis of cash flow

Cash and cash equivalents (hereafter referred to as "Cash") as of this fiscal year period decreased by 2,256 million yen from the previous fiscal year to 32,763 million yen. Cash flow positions for each activity are as stated below.

Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 7,452 million yen, decreased by 8,610 million yen in comparison with the previous year. This is attributed to the following; Net income before tax adjustment resulted in 11,962 million yen, increase of note and accounts receivable by 3,911 million yen, increase of work-in-progress for game software by 2,962 million yen.

Cash Flows From Investing Activities

Net cash decrease from investing activities amounted to 3,374 million yen, decrease by 3,341 million yen in comparison with the previous year. This decrease is attributable to the expense of 3,119 million yen for the acquisition of tangible fixed assets, and the acquisition of intangible fixed assets by 1,271 million yen.

Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 2,448 million yen, decreased by 12,757 million yen in comparison with the previous year. This is attributable to repayments of long term borrowings by 700 million yen, and disbursement of dividend by 1,732 million yen.

(Reference) Trends of Cash Flow Indicators

	Year ended March 2006	Year ended March 2007	Year ended March 2008
Shareholders' equity ratio to total assets (%)	40.1	49.3	57.3
Shareholders' equity ratio to total assets based on fair market value (%)	67.5	104.4	221.2
Debt amortization ratio to cash flows from operating activities (%)	37.9	28.6	46.8
Interest coverage ratio (times)	82.6	237.3	103.7

Shareholders' equity ratio to total assets= Shareholders' equity / Total assets

Shareholders' equity ratio to total assets based on fair market value = Total of the capital stock at market price / Total assets

Debt amortization schedule = Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest payments

(Note 1) Total market value of shares is calculated based on the number of shares outstanding as of the end of fiscal year excluding treasury stock.

(Note 2) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

3. Principle related to dividends

One of our management priorities is on stable and continuous dividends to all shareholders, taking account of our future business strategies as well as our management environment. Our year-end dividend will be 15 yen per share. Annual dividends in this fiscal year will be 30 yen per share, as we paid interim dividends of 15 yen per share.

For the next fiscal year, we plan to pay year-end dividends of 35 yen per share (including interim dividends of 15 yen) based on forecast for the fiscal year ending March 31, 2009. As for interim dividends, we plan to add 5 yen per share 25th anniversary dividend to the 15 yen per share ordinary dividend for the first half. This will result in a total dividend of 20 yen per share for the first half of the fiscal year ending March 31, 2009.

Status of Capcom Corporate Group

There is no significant change in the organizational diagram of businesses and status of affiliated companies from the Annual Securities Report (Yuuka Shouken Houkokusho) filed on June 22, 2007. Therefore it is omitted to describe this item.

Business Policy

There is no significant change in business policy from the Mid-Term Financial Results ended September 30, 2007 disclosed on November 8, 2007. Therefore it is omitted to describe this item.
It is available through following URL:

Capcom Corporate Web

<http://ir.capcom.co.jp/english/data/result.html>

Tokyo Stock Exchange

<http://www.tse.or.jp/listing/ocompanysearch/index.html> (Japanese)

Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year (as of March 31, 2007)		This Fiscal Year (as of March 31, 2008)		Difference Amount
	Amount	%	Amount	%	
	(Assets)				
Current assets:					
1 Cash on hand and in banks	35,020		32,763		(2,256)
2 Notes and accounts receivable, trade	11,417		14,182		2,765
3 Inventories	3,488		4,144		655
4 Work-in-progress for game software	3,415		6,241		2,826
5 Deferred tax assets	3,215		3,009		(206)
6 Short-term loans receivable	1,204		-		(1,204)
7 Other	3,871		2,620		(1,250)
8 Allowance for doubtful accounts	(1,543)		(456)		1,087
Total current assets	60,089	65.7	62,505	66.8	2,416
Fixed assets:					
1 Tangible fixed assets, net of accumulated depreciation					
(1) Buildings and structures	6,091		5,442		(648)
(2) Machinery and vehicles	160		61		(98)
(3) Tools, fixtures and furniture	790		894		104
(4) Rental equipment	667		321		(346)
(5) Equipment for amusement facilities	3,022		3,849		827
(6) Land	4,480		4,391		(88)
(7) Construction-in-progress	287		291		4
Total tangible fixed assets	15,500	16.9	15,253	16.3	(246)
2 Intangible fixed assets					
(1) Goodwill	1,058		894		(163)
(2) Other	1,219		3,197		1,977
Total intangible fixed assets	2,277	2.5	4,091	4.4	1,814
3 Investments and other assets					
(1) Investments in securities	1,794		1,728		(66)
(2) Long-term loans receivable	907		523		(383)
(3) Deferred tax assets	5,786		2,989		(2,797)
(4) Claim in bankruptcy and reorganization	161		890		728
(5) Lease deposits	5,002		5,947		944
(6) Other	564		856		292
(7) Allowance for doubtful accounts	(605)		(1,179)		(574)
Total investments and other assets	13,611	14.9	11,755	12.5	(1,855)
Total fixed assets	31,389	34.3	31,101	33.2	(288)
Total assets	91,478	100.0	93,606	100.0	2,128

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year (as of March 31, 2007)		This Fiscal Year (as of March 31, 2008)		Difference Amount
	Amount	%	Amount	%	
(Liabilities)					
Current liabilities:					
1 Notes and accounts payable, trade	7,489		7,303		(186)
2 Short-term borrowings	755		2,015		1,260
3 Current portion of convertible bonds	-		14,997		14,997
4 Accrued income taxes	875		892		16
5 Accrued bonuses	1,746		2,057		311
6 Allowance for sales returns	462		405		(57)
7 Other	8,417		7,147		(1269)
Total current liabilities	19,747	21.6	34,818	37.2	15,070
Long-term liabilities:					
1 Convertible bonds	15,000		-		(15000)
2 Convertible bonds issued after April 1st, 2002	6,635		1,220		(5415)
3 Long-term borrowings	3,430		1,470		(1960)
4 Accrued retirement benefits for employees	933		1,048		114
5 Accrued retirement gratuities to directors	-		372		372
6 Other	588		1,018		429
Total long-term liabilities	26,586	29.1	5,128	5.5	(21458)
Total liabilities	46,334	50.7	39,946	42.7	(6387)
Net assets					
Shareholders' equity:					
1 Common stock	29,915		32,626		2,711
2 Capital surplus	17,637		20,344		2,706
3 Retained earnings	5,555		11,631		6,075
4 Treasury stock	(8138)		(8155)		(16)
Total shareholders' equity	44,970	49.1	56,447	60.3	11,477
Valuation and translation adjustments:					
1 Net unrealized gain on securities, net of tax	482		127		(355)
2 Deferred hedges, net of tax	1		0		(1)
3 Cumulative translation adjustments	(326)		(2914)		(2587)
Total valuation and translation adjustments	157	0.2	(2787)	(3.0)	(2944)
Minority interests in consolidated subsidiaries	16	0.0	-	-	(16)
Total net assets	45,144	49.3	53,660	57.3	8,515
Total liabilities and net assets	91,478	100.0	93,606	100.0	2,128

Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous Fiscal Period		This Fiscal Period		Difference Amount
	From April 1, 2006 to March 31, 2007		From April 1, 2007 to March 31, 2008		
	Amount	%	Amount	%	
Net sales	74,542	100.0	83,097	100.0	8,554
Cost of sales	48,046	64.5	50,560	60.8	2,514
Gross profit	26,496	35.5	32,536	39.2	6,040
Provision for allowance for sales returns	113	0.1	-	-	(113)
Reserve adjustment for return goods	-	-	57	0.0	57
Net gross profit	26,382	35.4	32,594	39.2	6,212
Selling, general and administrative expenses	16,779	22.5	19,473	23.4	2,693
Operating income	9,602	12.9	13,121	15.8	3,518
Non-operating income:					
1 Interest income	882		1,139		
2 Dividend income	17		21		
3 Exchange gain, net	444		-		
4 Other	60	1.405	254	1.416	10
Non-operating expenses:					
1 Interest expense	72		71		
2 Exchange loss, net	-		2,086		
3 Provision for allowance for doubtful accounts	151		26		
4 Other	184	0.407	84	2.269	1,861
Ordinary income		10,600		12,267	1,667
Special gains:					
1 Gain on sales of fixed assets	1		396		
2 Gain on transfer of allowance for doubtful accounts	-		97		
3 Reversal of allowance for doubtful accounts	-		233		
4 Gain on settlement of litigation	103		-		
5 Gain on sales of investment in securities	-	0.104	34	0.762	658
Special losses:					
1 Loss on sales and/or disposal of fixed assets	173		76		
2 Reserve for retirement gratuities to directors from the previous period	-		350		
3 Loss on revaluation of investments in securities	103		39		
4 Impairment losses	-		181		
5 Loss on settlement of litigation	-		420		
6 Loss on abandon of development game software	442	0.718	-	1,068	349
Net income before income taxes		9,986		11,962	1,976
Income taxes-current	1,085		1,040		
Income taxes-deferred	3,058	0.4143	3,131	0.4171	27
Minority interests in loss of consolidated subsidiaries		9		16	7
Net income		5,852		7,807	1,955

Consolidated Statements of Changes in Net Assets

Previous Fiscal Year (from April 1, 2006 to March 31, 2007)

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	27,581	15,336	1,099	(5,117)	38,900
Changes of items during previous fiscal period					
Issuance of new stocks 1	2,334	2,330			4,665
Cash dividends 2			(1,336)		(1,336)
Bonuses to directors 2			(60)		(60)
Net income			5,852		5,852
Repurchase of treasury stock				(3,251)	(3,251)
Disposal of treasury stock 3		(29)		230	200
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	2,334	2,300	4,455	(3,021)	6,069
Balance as of March 31, 2007	29,915	17,637	5,555	(8,138)	44,970

	Total valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gain on securities, net of tax	Deferred hedges, net of tax	Cumulative translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	793	-	(228)	564	-	39,464
Changes of items during previous fiscal period						
Issuance of new stocks 1						4,665
Cash dividends 2						(1,336)
Bonuses to directors 2						(60)
Net income						5,852
Repurchase of treasury stock						(3,251)
Disposal of treasury stock 3						200
Net changes of items other than shareholders' equity	(310)	1	(97)	(407)	16	(390)
Total changes of items during the current fiscal year	(310)	1	(97)	(407)	16	5,679
Balance as of March 31, 2007	482	1	(326)	157	16	45,144

1 This is attributable to exercise of the stock acquisition rights of Euro yen convertible bonds.

2 This includes appropriation of retained earnings by the general shareholders' meeting for the Fiscal Year ended March 31, 2006.

3 This includes collateral treasury stock distribution by exercise of the stock acquisition rights of Euro yen convertible bonds.

This Fiscal Year (from April 1, 2007 to March 31, 2008)

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	29,915	17,637	5,555	(8,138)	44,970
Changes of items during this fiscal period					
Issuance of new stocks	2,711	2,706			5,417
Cash dividends			(1,732)		(1,732)
Net income			7,807		7,807
Repurchase of treasury stock				(16)	(16)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the current fiscal year	2,711	2,706	6,075	(16)	11,477
Balance as of March 31, 2008	32,626	20,344	11,631	(8,155)	56,447

	Total valuation and translation adjustments				Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized gain on securities, net of tax	Deferred hedges, net of tax	Cumulative translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	482	1	(326)	157	16	45,144
Changes of items during this fiscal period						
Issuance of new stocks						5,417
Cash dividends						(1,732)
Net income						7,807
Repurchase of treasury stock						(16)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	(355)	(1)	(2,587)	(2,944)	(16)	(2,961)
Total changes of items during the current fiscal year	(355)	(1)	(2,587)	(2,944)	(16)	8,515
Balance as of March 31, 2008	127	0	(2,914)	(2,787)	-	53,660

This is attributable to exercise of the stock acquisition rights of Euro yen convertible bonds.

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Account Title	Previous Fiscal Period 〔 From April 1, 2006 to March 31, 2007 〕	This Fiscal Period 〔 From April 1, 2007 to March 31, 2008 〕	Difference
	Amount	Amount	Amount
Cash flows from operating activities			
1 Net income before income taxes	9,986	11,962	1,976
2 Depreciation and amortization	2,774	3,393	619
3 Amortization of goodwill	2	0	(2)
4 Decrease (increase) in allowance for doubtful accounts	137	(99)	(237)
5 Increase in accrued bonuses	676	345	(331)
6 Decrease (increase) in allowance for sales returns	113	(57)	(171)
7 Increase in Accrued retirement benefits for employees	117	115	(2)
8 Increase in Accrued retirement gratuities to directors	-	372	372
9 Interest and dividend income	(900)	(1,161)	(261)
10 Interest expense	72	71	(0)
11 Exchange gain(loss), net	(396)	1,601	1,998
12 Investment gain on equity method	-	(0)	(0)
13 Gain on sales of fixed assets	(1)	(396)	(395)
14 Loss on sales and/or disposal of fixed assets	173	76	(97)
15 Gain on sales of investment in securities	-	(34)	(34)
16 Loss on revaluation of investments in securities	103	39	(63)
17 Reversal of allowance for doubtful accounts	-	(233)	(233)
18 Impairment losses	-	181	181
19 Gain on settlement of litigation	(103)	-	103
20 Loss on settlement of litigation	-	420	420
21 Increase(decrease) in accounts receivable, trade	1,659	(3,911)	(5,570)
22 Increase in inventories	(252)	(782)	(529)
23 Increase (decrease) in work-in-progress for game software	2,933	(2,962)	(5,895)
24 Increase in accounts payable, trade	186	56	(129)
25 Increase in other current assets	(331)	(989)	(658)
26 Increase in other current liabilities	528	1,033	505
27 Bonuses to directors	(60)	(60)	-
28 Other	177	(1,153)	(1,331)
Sub total	17,596	7,826	(9,769)
29 Interest and dividends received	876	1,160	284
30 Interest paid	(67)	(71)	(4)
31 Proceeds from gain on settlement of litigation	103	-	(103)
32 Payment for loss on settlement of litigation	-	(420)	(420)
33 Income taxes paid	(2,444)	(1,041)	1,402
Net cash provided by operating activities	16,063	7,452	(8,610)
Cash flows from investing activities:			
1 Payment for acquisitions of tangible fixed assets	(3,804)	(3,119)	685
2 Proceeds from sales of tangible fixed assets	40	922	882
3 Payment for acquisitions of intangible fixed assets	(671)	(1,271)	(600)
4 Proceeds from sales of intangible fixed assets	7	-	(7)
5 Payment for purchase of investments in securities	(116)	(565)	(448)
6 Proceeds from sales of investments in securities	-	44	44
7 Payment for loans receivable	(100)	-	100
8 Collection of loans receivable	73	1,570	1,497
9 Payment for purchase of shares in a subsidiary	(1,612)	-	1,612
10 Payment for other investing activities	(688)	(1,140)	(451)
11 Proceeds from other investing activities	157	184	27
Net cash provided by investing activities:	(6,715)	(3,374)	3,341
Cash flows from financing activities:			
1 Proceeds from short-term borrowings	55	-	(55)
2 Repayments of long-term borrowings	(700)	(700)	-
3 Redemption of convertible bonds	(10,000)	-	10,000
4 Proceeds from sales of treasury stock	0	0	(0)
5 Payment for repurchase of treasury stock	(3,251)	(16)	3,235
6 Dividends paid by parent company	(1,337)	(1,732)	(394)
7 Proceeds from issuing shares for minority shareholders	26	-	(26)
Net cash provided by financing activities:	(15,206)	(2,448)	12,757
Effect of exchange rate changes on cash and cash equivalents	203	(3,887)	(4,090)
Net decrease in cash and cash equivalents	(5,654)	(2,256)	3,397
Cash and cash equivalents at beginning of year	40,652	35,020	(5,631)
Increase due to change in scope of consolidated subsidiaries	22	-	(22)
Cash and cash equivalents at end of year	35,020	32,763	(2,256)

[Segment Information]

(A) Operating segments

Previous Fiscal Year (from April 1, 2006 to March 31, 2007)

(Unit: Millions of Yen)

	Home Video Games	Arcade Operations	Arcade Games Sales	Contents Expansion	Other Business	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales								
(1) External customers	43,813	13,043	8,021	7,102	2,561	74,542	(-)	74,542
(2) Inter-segment sale or transfer	-	-	39	-	-	39	(39)	-
Total	43,813	13,043	8,060	7,102	2,561	74,581	(39)	74,542
Operating expense	35,757	11,033	6,691	5,477	3,000	61,961	2,977	64,939
Operating income or loss	8,055	2,009	1,369	1,624	(439)	12,619	(3,017)	9,602

- (Note) 1 Business segments above are split based upon for internal management disposition.
2 Principal products and operations of each business segment
(1) Home Video Games: This sales division develops and distributes home video game software.
(2) Arcade Operations: This division operates amusement facilities.
(3) Arcade Games Sales: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
(4) Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
(5) Other Businesses: Other businesses include licensing business and other businesses.
3 Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 3,036 million yen. The major part of this expense is related to corporate G&A.

This Fiscal Year (from April 1, 2007 to March 31, 2008)

(Unit: Millions of Yen)

	Home Video Games	Arcade Operations	Arcade Games Sales	Contents Expansion	Other Businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales								
(1) External customers	51,679	13,406	6,538	8,525	2,947	83,097	(-)	83,097
(2) Inter-segment sale or transfer	-	-	35	-	-	35	(35)	-
Total	51,679	13,406	6,574	8,525	2,947	83,133	(35)	83,097
Operating expense	40,069	12,653	5,391	5,892	2,479	66,486	3,489	69,976
Operating income	11,609	753	1,182	2,633	468	16,646	(3,525)	13,121

- (Note) 1 Business segments above are split based upon for internal management disposition.
2 Principal products and operations of each business segment
(1) Home Video Games: This sales division develops and distributes home video game software.
(2) Arcade Operations: This division operates amusement facilities.
(3) Arcade Games Sales: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
(4) Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
(5) Other Businesses: Other businesses include licensing business and other businesses.
3 Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 3,544 million yen. The major part of this expense is related to corporate G&A.

(B)Geographic segments

Previous Fiscal Year (from April 1, 2006 to March 31, 2007)

(Unit: Millions of Yen)

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	50,074	15,450	8,090	927	74,542	(-)	74,542
(2) Inter-segment sale or transfer	6,652	315	-	-	6,967	(6,967)	-
Total	56,726	15,766	8,090	927	81,510	(6,967)	74,542
Operating expense	46,660	14,322	7,074	803	68,860	(3,920)	64,939
Operating income	10,065	1,443	1,016	124	12,650	(3,047)	9,602

- (Note) 1 The segmentation of country or region is based on the geographical proximity.
2 Major countries and regions that are not in Japan
(1) North America: United States of America
(2) Europe: European countries
(3) Other regions: Asia and others
3 Among operating expenses, undistributed operating expenses to these business segment above is included in the "Elimination and corporate" amounted to 3,036 million yen. The major part of this expense is related to corporate management.

This Fiscal Year (from April 1, 2007 to March 31, 2008)

(Unit: Millions of Yen)

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	56,457	15,796	9,782	1,060	83,097	(-)	83,097
(2) Inter-segment sale or transfer	6,202	407	-	17	6,627	(6,627)	-
Total	62,660	16,204	9,782	1,078	89,725	(6,627)	83,097
Operating expense	50,252	13,877	7,962	935	73,028	(3,052)	69,976
Operating income	12,407	2,326	1,819	142	16,696	(3,575)	13,121

- (Note) 1 The segmentation of country or region is based on the geographical proximity.
2 Major countries and regions that are not in Japan
(1) North America: United States of America
(2) Europe: European countries
(3) Other regions: Asia and others
3 Among operating expenses, undistributed operating expenses to these business segment above is included in the "Elimination and corporate" amounted to 3,544 million yen. The major part of this expense is related to corporate management.