



November 5th, 2008

Press Release

Company Name Capcom Co., Ltd.
Representative Haruhiro Tsujimoto, President and COO
 (Company Code: 9697, Tokyo-Osaka Stock Exchange)
Contact Public Relations Office
Phone Number +81-6-6920-3623

Favorable Financial Results for the 2nd Quarter ended Sep. 30, 2008 !
0.4% increase in Net Sales, 9.8% increase in Operating Income
compared to previous term

- Acceleration of business for big titles coming up in 2nd-half year -

Capcom Co., Ltd. is pleased to announce that net sales increased to 31,236 million yen (up 0.4% from the same term last year), operating income increased to 3,357 million yen (up 9.8% from the same term last year), ordinary income increased to 4,115 million yen (up 21.2% same term last year) and net income increased to 1,873 million yen (up 16.8% from the same term last year) in consolidated financial results for the 2nd Quarter ended Sep. 30, 2008.

In Home Video Games, the sales of “Monster Hunter Freedom 2G” (for PlayStation Portable) have been skyrocketing since its release on March 27, 2008, becoming a major phenomenon with people in all walks of life to achieve record breaking sales of over 2.5 million units. The great contribution of “Monster Hunter Freedom 2G” drastically increased both sales and profits.

In Arcade Operations, on the other hand, continued to struggle in the severe business environment and showed a weak performance. As a result, operating income decreased in comparison with same term last year. This is mainly attributable to decline of profit margins in existing arcades.

In Contents Expansion, furthermore, Pachislo machine named “Chun-Li Ni Makase China” severely underperformed our expectations.

As a result, both sales and profits increased compared to same term last year by the favorable results of Home Video Games although Arcade Operations and Contents Expansion showed a weak performance.

Forecast for the fiscal year ending March 31, 2009 is not changed due to continuous weak performance of Arcade Operations and Contents Expansion despite steady growth of Home Video Games.

1. Consolidated Financial Results for the 2nd Quarter ended Sep. 30, 2008

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
2nd Quarter ended Sept 30, 2008	31,236	-	3,357	-	4,115	-	1,873	-
2nd Quarter ended Sept 30, 2007	31,108	6.6	3,058	0.5	3,395	(10.3)	1,603	(16.4)

2. Forecast for the Fiscal Year ending March 31, 2009

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
For Year Ending March 31, 2009	95,300	14.7	14,600	11.3	14,800	20.6	8,600	10.1	139.70

3. Status of Each Operational Department

(1) Home Video Games

(Unit: Millions of Yen)

	2nd Quarter ended Sep. 30, 2007	2nd Quarter ended Sep. 30, 2008	Difference (%)
Net Sales	16,323	16,486	1.0%
Operating Income	2,458	3,637	47.9%
Operating Margin	15.1%	22.1%	-

In this business segment, “Monster Hunter Freedom 2G” (for PlayStation Portable) continued solid growth supported by its overwhelming popularity. The software took the market by storm achieving sales of 2.5 million units. The rapid growth of the Monster Hunter series played a major role in the diffusion of the portable game console, PlayStation Portable, and the media and market-related professionals closely monitored this trend.

The sales of other software, mainly small-scale titles and those developed under the partnership with other companies, grew satisfactorily in general.

The resulting net sales increased to 16,486 million yen (up 1.0 % from the same term last year), and the operating income increased to 3,637 million yen (up 47.9 % from the same term last year). “Monster Hunter Freedom 2G” contributed the increase in both sales and profits.

(2) Arcade Operations

(Unit: Millions of Yen)

	2nd Quarter ended Sep. 30, 2007	2nd Quarter ended Sep. 30, 2008	Difference (%)
Net Sales	6,375	6,847	7.4%
Operating Income	682	231	-66.1%
Operating Margin	10.7%	3.4%	-

In this business segment, we tried to attract more customers, including women and families, and to assure repeated visits by current customers, while the market was stagnant and adversely affected by the economic downturn. Such efforts included offering clean, bright and fun arcades that reflect customers’ preference.

However, we struggled in this area due to a lack of strong sales-inducing machines, intensified interregional competition, and a decrease in both the number of customer visits and average customer spending. We are expecting this severe business environment for the arcade operation to continue, and the recovery of this market will take some time.

We opened one arcade in Shimane Prefecture while closing down one unprofitable arcade. The current number of “Plaza Capcom” at the end of 2nd Quarter totals 42 after these activities.

The resulting net sales decreased to 6,847 million yen (down 7.4 % from the same term last year), and the operating loss of 231 million yen was recorded (down 66.1 % from the same term last year).

(3) Arcade Games Sales

(Unit: Millions of Yen)

	2nd Quarter ended Sep. 30, 2007	2nd Quarter ended Sep. 30, 2008	Difference (%)
Net Sales	1,353	4,071	196.2%
Operating Income	-570	737	-
Operating Margin	-42.1%	18.1%	-

Note:

1. The Sales of each business segment in the above are those to the customers only.
2. The sales of each business segment below are inclusive of inter-segment ones.

Whereas arcade operators were holding down their investments responding to the weakening demands in the market, the sales of “Street Fighter ” grew steadily taking full advantage of the synergistic effects from our home video game software. “Street Fighter ” won first prize in the video board category in “AOU 2008 Amusement Expo”. “Sengoku BASARA X (cross)” and “Fate/Unlimited Codes” also performed strongly supported by their popularity and through a differentiated marketing strategy that emphasizes the unique characteristics of each arcade game.

The introduction of new arcade games resulted in a successful outcome, and the net sales increased to 4,079 million yen (up 196.2 % from the same term last year). The operating income turned profitable and reached 737million yen (the operating loss of 570 million yen was recorded in the same term last year).

(4) Contents Expansion

(Unit: Millions of Yen)

	2nd Quarter ended Sep. 30, 2007	2nd Quarter ended Sep. 30, 2008	Difference (%)
Net Sales	5,644	2,547	-54.9%
Operating Income	1,863	261	-86.0%
Operating Margin	33.0%	10.2%	-

We have been trying to introduce our popular software into this business segment. However, the overall performance remained weak partially due to the declining popularity of “Ace Attorney”, which had been leading game distribution to mobile phones. As for the Pachislo machine business, “Resident Evil” showed healthy growth, while the highly anticipated “Chun-Li Ni Makase China” underperformed our expectations. Thus, overall sales of this business segment remained at low levels.

The resulting net sales decreased to 2,547 million yen (down 54.9 % from the same term last year), and the operating income decreased to 261 million yen (down 86.0 % from the same term last year).

(5) Other Businesses

(Unit: Millions of Yen)

	2nd Quarter ended Sep. 30, 2007	2nd Quarter ended Sep.30, 2008	Difference (%)
Net Sales	1,411	1,283	-9.1%
Operating Income	307	522	69.7%
Operating Margin	21.8%	40.7%	-

The net sales from other businesses, mainly character-related licensing royalties, decreased to 1,283 million yen (down 9.1 % from the same term last year), and the operating income increased to 522 million yen (up 69.7 % from the same term last year).