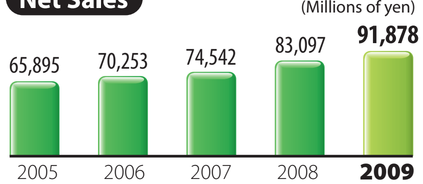
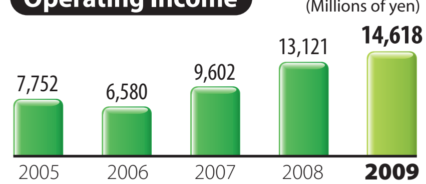
11–Year Summary

	1999	2000	2001	2002	2003
For the Year:			Millions of yen		
Net sales	¥ 38,366	¥ 51,574	¥ 49,082	¥ 62,742	¥ 62,036
Operating income	3,611	9,061	7,155	9,727	6,680
Net income (loss) before income taxes	2,085	8,712	7,126	7,420	(30,049)
Net income (loss)	1,507	9,700	6,007	4,912	(19,598)
Depreciation & Amortization	2,817	2,623	2,411	2,172	2,202
Capital expenditures	2,861	2,695	2,938	4,181	2,289
R&D expenses	1,413	1,390	1,461	1,067	1,151
At Year-End:			Millions of yen		
Total assets	98,127	107,776	113,493	128,512	106,648
Net assets	30,123	51,320	62,965	68,233	42,888
Cash Flows:			Millions of yen		
Cash flows from operating activities	—	14,252	3,652	3,315	3,635
Cash flows from investing activities	—	3,338	(4,547)	(3,066)	(2,329)
Cash flows from financing activities	—	(1,770)	(1,768)	8,589	(2,000)
Net increase (decrease) in cash and cash equivalents	—	15,413	(1,763)	9,519	(1,555)
Cash and cash equivalents at end of year	12,026	27,439	25,675	35,000	33,444
Per Share Data:			Yen		
Net income (loss) per share	43.00	273.01	109.90	84.21	(338.01)
Cash dividends applicable to the year per share	20.00	20.00	20.00	20.00	20.00
Net assets per share	862.96	1,372.16	1,081.62	1,168.51	753.47
Stock Information:					
Number of outstanding shares (thousands shares)	35,196	37,627	58,308	58,435	58,435
Foreign Investors (%)	6.42	16.80	27.12	25.91	16.85
Financial Index:					
Operating margin (%)	9.4	17.6	14.6	15.5	10.8
ROE (%)	5.0	23.8	10.5	7.5	—
ROA (%)	1.5	9.4	5.4	4.1	—
Net worth ratio (%)	30.7	47.6	55.5	53.1	40.2
Interest coverage ratio (times)	—	25.9	8.7	14.2	14.6
Debt-equity ratio (%)	225.7	110.1	80.2	88.3	148.8
Price earnings ratio (times)	29.3	17.2	32.8	41.2	—

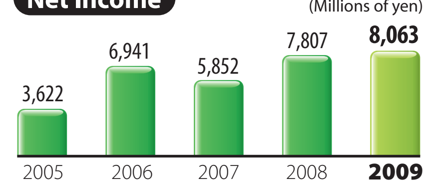
Net Sales (Millions of yen)



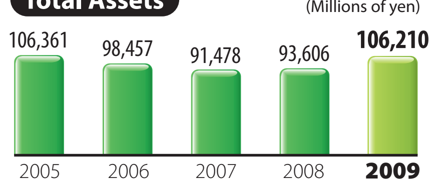
Operating Income (Millions of yen)



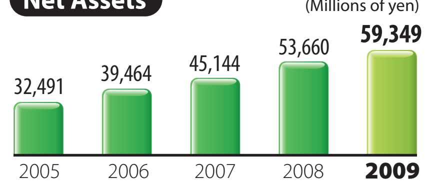
Net Income (Millions of yen)



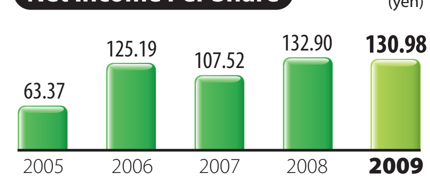
Total Assets (Millions of yen)



Net Assets (Millions of yen)

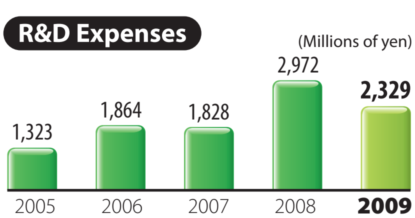


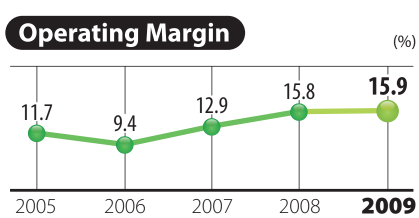
Net Income Per Share (yen)

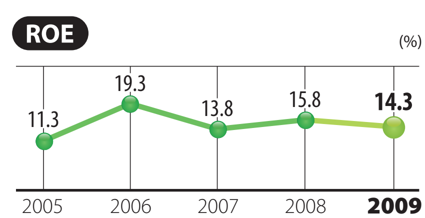


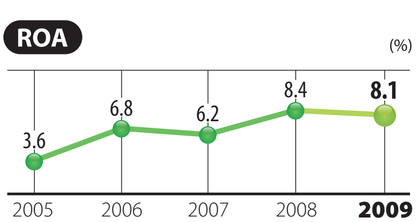
CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

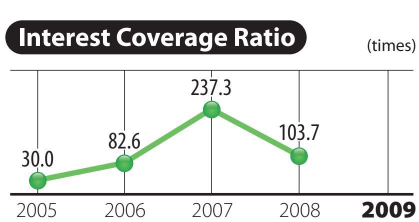
	2004	2005	2006	2007	2008	**2009**	**2009**
			Millions of yen				Thousands of U.S. dollars
	¥ 52,668	¥ 65,895	¥ 70,253	¥ 74,542	¥ 83,097	**¥ 91,878**	**$ 937,530**
	1,402	7,752	6,580	9,602	13,121	**14,618**	**149,168**
	(6,900)	7,006	6,912	9,986	11,962	**12,448**	**127,024**
	(9,158)	3,622	6,941	5,852	7,807	**8,063**	**82,281**
	2,081	2,101	1,936	2,774	3,393	**4,143**	**42,279**
	4,678	1,665	1,600	4,495	4,503	**2,906**	**29,654**
	1,124	1,323	1,864	1,828	2,972	**2,329**	**23,767**
			Millions of yen				Thousands of U.S. dollars
	93,096	106,361	98,457	91,478	93,606	**106,210**	**1,083,784**
	31,854	32,491	39,464	45,144	53,660	**59,349**	**605,608**
			Millions of yen				Thousands of U.S. dollars
	5,577	7,977	13,921	16,063	7,452	**(551)**	**(5,623)**
	(5,011)	(1,099)	(1,779)	(6,715)	(3,374)	**(2,715)**	**(27,706)**
	(395)	6,251	(18,259)	(15,206)	(2,448)	**(342)**	**(3,495)**
	(1,313)	13,406	(4,885)	(5,654)	(2,256)	**(4,454)**	**(45,451)**
	32,131	45,538	40,652	35,020	32,763	**28,611**	**291,955**
			Yen				U.S. dollars
	(160.91)	63.37	125.19	107.52	132.90	**130.98**	**1.34**
	20.00	20.00	20.00	30.00	30.00	**35.00**	**0.36**
	559.66	589.99	716.91	799.35	881.31	**961.38**	**9.81**
	58,435	58,435	58,435	62,269	66,719	**67,394**	
	16.59	14.79	23.35	32.60	27.72	**33.73**	
	2.7	11.7	9.4	12.9	15.8	**15.9**	
	—	11.3	19.3	13.8	15.8	**14.3**	
	—	3.6	6.8	6.2	8.4	**8.1**	
	34.2	30.5	40.1	49.3	57.3	**55.9**	
	20.3	30.0	82.6	237.3	103.7	**—**	
	192.4	227.9	149.4	102.8	74.4	**79.0**	
	—	16.5	9.7	15.7	25.6	**13.3**	

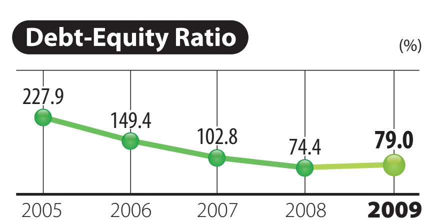












Financial Section

Financial Review

1. Operating Results

In fiscal year 2008, the year ended March 31, 2009, the resulting net sales increased to 91,878 million yen (up 10.6 % from the previous fiscal year).

As for profits, operating income increased to 14,618 million yen (up 11.4 % from the previous fiscal year), ordinary income increased to 13,808 million yen (up 12.6 % from the previous fiscal year), and the net income increased to 8,063 million yen (up 3.3% from the previous fiscal year).

2. Status of Each Operational Department

(1) Home Video Games

In this business segment, the flagship title released in the end of the current fiscal year, "Resident Evil 5" (for PlayStation 3, Xbox 360), became a mega hit with the first shipment of over four million copies worldwide. In addition, "Street Fighter IV" (for PlayStation 3, Xbox 360), the latest of the popular series that took the game market by storm, performed strongly supported by its familiar brand name and the healthy US and European home video game markets. These two titles served as the sales growth engine overseas.

"Monster Hunter Freedom Unite" (for PlayStation Portable), which was released in the end of the previous fiscal year, continued solid growth supported by its overwhelming popularity. The software dominated the portable game market and contributed significantly to the improvement of our business performance. This software won the first prize in Famitsu's "Top 100 Best Selling Software in 2008" with a shipment of over 2.55 million copies. Famitsu is one of the most authoritative game magazines in Japan.

In addition, our lower-priced title, "Monster Hunter Freedom Unite PSP the Best" (for PlayStation Portable), showed strong performance supported by its loyal fans. "Grand Theft Auto IV" (for PlayStation 3, Xbox 360), the latest title of the series and "Mega Man Star Force 3" (for Nintendo DS) also achieved solid growth.

The resulting net sales increased to 62,892 million yen (up 21.7% from the previous fiscal year), and operating income increased to 16,392 million yen (up 41.2 % from the previous fiscal year).

(2) Arcade Operations

Within this prolonged softening market, we tried to reach a new user base including women and families while holding on to existing customers. Organizing various events, offering special discount days, and renovating arcades are just a few examples of such efforts.

Under the influence of this sluggish market, existing arcades struggled with a decreased number of visitors. This was due partially to the lack of sales-inducing games, and to the fact that the difference between home video games and arcade games has become negligible.

We opened two new facilities in Aichi Prefecture, followed by a total of six arcades in Akita, Shiga, Shimane, and Nara Prefectures. As for low-productive facilities, we closed down eight such arcades through our "scrap & build" strategy.

The number of "Plaza Capcom" as of the end of the current fiscal year totals 40 after these efforts.

The resulting net sales increased to 13,509 million yen (up 0.8% from the previous fiscal year), thanks to the contribution from newly opened facilities and from those that opened in the previous fiscal year. However, the operating income decreased to 224 million yen (down 70.2 % from the previous fiscal year) due to the market stagnation and the increased expense in opening new facilities.

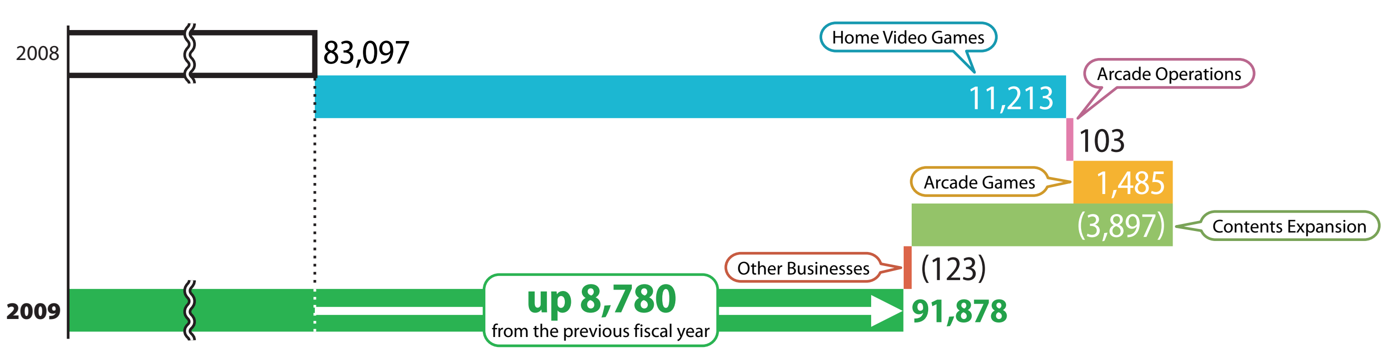
(3)Arcade Games

Whereas arcade operators were not reinvesting in their businesses due to the weakening demand in the market, we released the video game machine, "Street Fighter IV", with the aim of taking full advantage of the synergistic effects from our home video game software. "Street Fighter IV" won first prize in the video board category in "AOU 2008 Amusement Expo" by All Nippon Amusement Machine Operator's Union.

In addition, we introduced a powerful new video game machine through the collaboration with another company at the end of the current fiscal year. Such aggressive action turned our sales performance

Net Sales

(Millions of yen)



around, and we were able to achieve satisfactory results even under the current market environment.

The resulting net sales increased to 8,031 million yen (up 22.2% from the previous fiscal year), and operating income increased to 1,758 million yen (up 48.8 % from the previous fiscal year).

(4) Contents Expansion

Overall performance of this business segment remained weak though we have been trying to apply the synergy from our popular software into the area of game distribution for mobile phones. One of the main reasons for this unfavorable performance was that demand ended for "Ace Attorney", which had been leading sales in this business segment. No other leading software was available to increase sales.

As for the Pachislo machine business, which has been in a downturn market, "Resident Evil" showed healthy growth, while the highly anticipated "Chun-Li Ni Makase China" struggled. In addition, the worsening business environment as well as limited product lineups placed us in a difficult situation.

The resulting net sales decreased to 4,628 million yen (down 45.7% from the previous fiscal year), and operating loss was 230 million yen (operation income in the previous fiscal year was 2,633 million yen).

(5) Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, decreased to 2,824 million yen (down 4.2 % from the previous fiscal year), and operating income increased to 1,053 million yen (up 125.0% from the previous fiscal year).

3. Overview of Business Performance in Each Region

(1) Japan

In the business of home video games, "Resident Evil 5" (for PlayStation 3, Xbox 360) showed healthy growth. "Monster Hunter Freedom Unite" (for PlayStation Portable), which was released at the end of previous fiscal year, continued to grow and contributed substantially to the overall profit increase. Additionally, our lower-priced software "Monster Hunter Freedom Unite PSP the Best" (for PlayStation Portable) grew steadily.

As for the arcade operations, we tried to attract customers through a community-based approach. However, the business remained at a low level due to market stagnation.

In arcade game, video game machine including "Street Fighter IV" performed satisfactorily fighting against the economical downturn.

In the segment of contents expansion, the overall performance remained weak due to a lack of appealing contents and products.

The resulting net sales increased to 63,431 million yen (up 1.2% from the previous fiscal year), and operating income increased to 13,198 million yen (up 6.4 % from the previous fiscal year).

(2) North America

In North America, which is one of the main overseas markets, we were forced to struggle under the flagging economy triggered by the US financial crisis. The majority of our business in the region consisted of sales of lower-priced software, small-scale titles, and existing products until the third quarter. However, the flagship title released in the forth quarter of this fiscal year, "Resident Evil 5" (for PlayStation 3, Xbox 360), along with "Street Fighter IV" (for PlayStation 3, Xbox 360) became million-seller products. These two titles increased sales and helped us to achieve prospective sales figures.

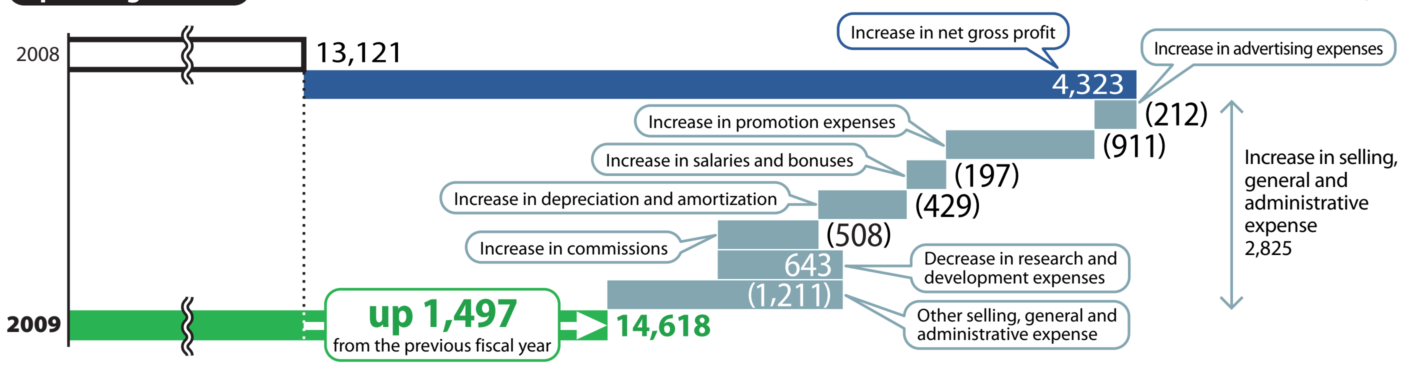
The resulting net sales increased to 24,863 million yen (up 53.4% from the previous fiscal year), and operating income increased to 4,054 million yen (up 74.2 % from the previous fiscal year).

(3) Europe

The game industry in Europe has been expanding in recent years. The main business activities in the region continued to be the sales of lower-priced software and small-scale titles until the third quarter. The flagship title released in the forth quarter of this fiscal year, "Resident Evil 5" (for PlayStation 3, Xbox 360), achieved the sales of over a million copies, and "Street Fighter IV" (for PlayStation 3, Xbox 360) also showed steady performance. The contribution of these two titles resulted in favorable growth.

Operating Income

(Millions of yen)



The resulting net sales increased to 14,167 million yen (up 44.8% from the previous fiscal year), and operating income decreased to 1,556 million yen (down 14.5 % from the previous fiscal year).

(4) Other Regions

Asian countries are some of our main sales targets and future market growth is expected there. However, the sales of packaged products is restricted because of the unresolved problem of pirated software in Asia. The situation forces the core of the market to be online games for PC's.

Under these circumstances, "Resident Evil 5" (for PlayStation 3, Xbox 360), which was released in the fourth quarter of this fiscal year, and "Street Fighter IV" (for PlayStation 3, Xbox 360) experienced healthy growth. In addition, "Monster Hunter Freedom 2G" (for PlayStation Portable), which became a huge hit in Japan, also showed prolonged steady sales.

The resulting net sales increased to 1,698 million yen (up 57.6% from the previous fiscal year), and operating income increased to 365 million yen (up 156.1 % from the previous fiscal year).

4. Analysis of assets, liabilities and net assets

(1) Assets

Total assets increased by 12,604 million yen from the previous fiscal year to 106,210 million yen. The major reasons for the increase are the 13,711 million yen increase in Notes and accounts receivable, trade, whereas the decrease is mainly attributable to the decrease of Investments in securities by 807 million yen.

(2) Liabilities

Liabilities increased by 6,914 million yen from the previous fiscal year to 46,861 million yen. The increase is mainly attributable to the following: 2,379 million yen in Notes and accounts payable, trade; 13,751 million yen in Short-term borrowings; 3,597 million yen in long-term borrowings. The decrease is mainly attributable to the redemption of the outstanding convertible bonds amounted to 14,997 million yen.

(3) Net Assets

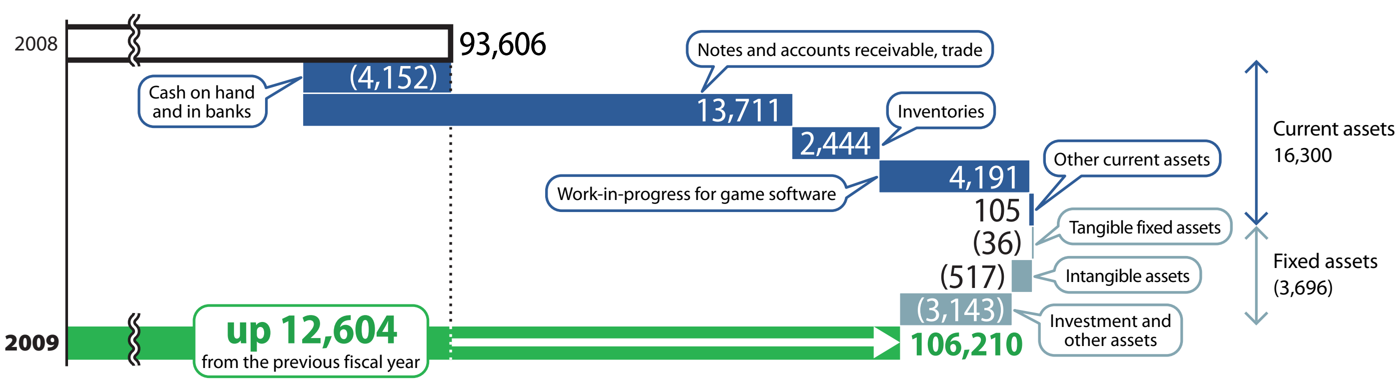
Net Assets increased by 5,689 million yen from the previous fiscal year to 59,349 million yen. The increase portion is mainly attributable to the increase in Net income by 8,063 million yen, whereas the decrease is attributable to the cash dividends of 2,148 million yen.

5. Analysis of cash flow

Cash and cash equivalents (hereafter referred to as "Cash") as of the end of the current fiscal year decreased by 4,152 million yen from the previous fiscal year to 28,611 million yen. Cash flow positions of each activity as of the end of the current fiscal year and their factors are described below.

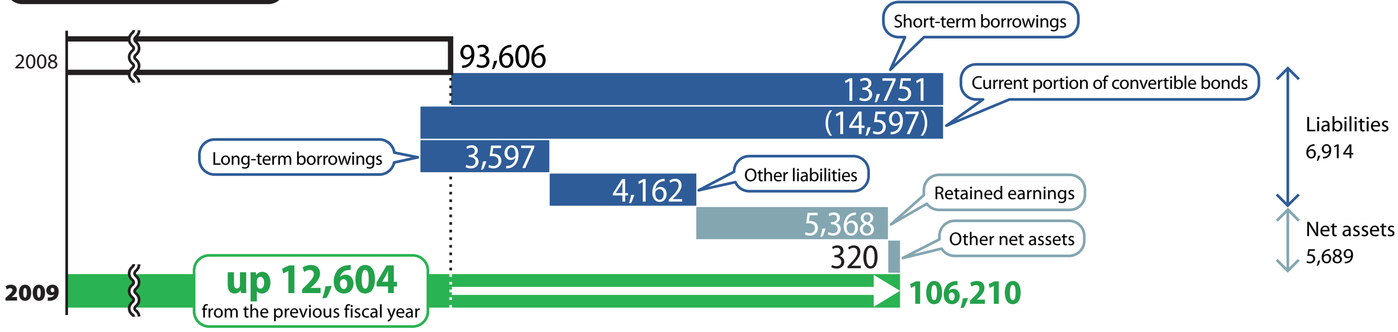
Assets

(Millions of yen)



Liabilities, Net Assets

(Millions of yen)



(1) Cash Flows From Operating Activities

Net cash used in operating activities totaled 551 million yen. Some of the main contributors to the increase are the following: 12,448 million yen in Net income before income taxes; 4,143 million yen in Depreciation and amortization; 1,146 million yen in Impairment loss; 481 million yen in Amortization of goodwill. The decrease is attributable mainly to the increase of Accounts receivable trade and Work-in-progress for game software by 14,933 million yen and 4,052 million yen, respectively.

(2) Cash Flows From Investing Activities

Net cash used in investing activities amounted to 2,715 million yen. This is mainly attributed to the payment of 2,419 million yen for the acquisition of tangible fixed assets.

(3) Cash Flows From Financing Activities

Net cash used in financing activities amounted to 342 million yen. This increase portion mainly attributable to the proceeds from short-term borrowings 15,000 million yen, whereas the decrease is attributable to the redemption of convertible bonds of 14,993 million yen.

Trends of Cash Flow Indicators

	Year ended March 2007	Year ended March 2008	**Year ended March 2009**
Shareholders' equity ratio to total assets (%)	49.3	57.3	**55.9**
Shareholders' equity ratio to total assets based on fair market value (%)	104.4	221.2	**101.5**
Debt amortization ratio to cash flows from operating activities (%)	28.6	46.8	—
Interest coverage ratio (times)	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 as of the end of the 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.

(Note 3) As the cash flows from operating activities fell into red, we have ommitted debt amortization ratio to cash flows from operating activities and interest coverage ratio.

Business Risks and Other Risks

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated below, which are based on information that is available as of March 31, 2009 and certain assumptions that serve as the basis of rational judgments.

1. Risks relating to Home Video Games

(1) Increase in Development Costs

In recent years, home video game consoles have become sophisticated partly due to the adoption of computer graphics technology, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

(2) Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including mobile phones and the Internet.

Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

(3) Dependency on Popular Series

Capcom releases many game titles in the market. Among them, a handful of titles tend to be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problem in these popular software titles or any change in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

(4) Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games.

Therefore, there is a risk that it may result in having an adverse effect on our business performance, corporate value and narrowed distribution channel under instructions by the relevant authorities.

(5) Seasonal Fluctuations
Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. In this manner, there is a risk that business performance may substantially fluctuate from quarter to quarter.

(6) Trends in Proliferation of Home Video Game Consoles
Our home video game titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation.

Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

(7) License Agreement with Console Manufactures
We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors.

However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

(8) Technological enhancement of Home Video Game Platforms
New home video game platforms have been released every four to six years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

(9) Expansion of Used Software Market
Currently, the used software in the domestic market is estimated as a third of the new one, and is tending towards expansion. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

2. Risks relating to Other Businesses

(1) Arcade Operations
There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

(2) Arcade Games
There is a risk that our business performance may be adversely affected by the closing gap between arcades and home video game consoles, the decline in facility operators' purchasing power, changes in the business environment and uncertainties for growth.

(3) Contents Expansion
The number of customers to whom we provide peripheral devices for game machines is quite limited. And the performance of "Contents Expansion Business" may depend heavily on the sale of these devices in some fiscal years. Under the provision of the "Entertainment and Amusement Trade and the Implementation Rules for the Entertainment and Amusement Trades Rationalizing Act", we are allowed to sell the peripheral devices for only those machines which passed the test of the Security Electronics and Communications Technology Association. The performance of this business segment may be affected significantly by the trend of such industry systems. Thus, it is possible that changes in such a trend could negatively affect the operating results of the entire Capcom Group.

3. Risks relating to Overseas Operations
(1) There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.

(2) As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.

(3) There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

4. Risks relating to Financial Status and Operating Results

(1) As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsoleteness.

(2) As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management trategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

5. Risks relating to Development Technologies

Products relating to game machines including home video game consoles are subject to rapid technological progress, and are constantly evolving.

Therefore, there is a risk that sales opportunities may be lost due to delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

6. Legislative Risks

Arcade operations are controlled by the "Entertainment Establishments Control Law" and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

7. Risks relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc. Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party's intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

8. Risks relating to Lawsuits

As we are engaged in content business, we have been to a court of law both as a plaintiff and as a defendant. Due to the nature of our business, there is a possibility that we may be taken to court in the future. There is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

9. Risks related to the leakage of private information

Capcom established the guidelines regarding the protection of personal information. It is our mission to disseminate the guidelines to all of our employees and to heighten the awareness about this critical matter. As part of such efforts, we are conducting an in-house. If private information should leak outside of the company, not only the corporate image of Capcom will be destroyed, but we will be responsible for damages. Therefore, the operating results and financial position of the Capcom group may be negatively affected by these incidents.

10. Development and Assurance of Human Resources

The expression, "the business is all about its people", means that the future success and growth of any corporation depends upon competent employees. Although Capcom group is actively engaged in recruiting, educating, and securing excellent human resources, the mobility of personnel is relatively high in the game industry, and it is possible that our business activities will be disturbed if any of our talented employees decide to resign or to move to our competitors. Therefore, the operating results and financial position of the Capcom group may be affected negatively by these factors.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Assets)			
Ⅰ **Current assets :**			
1 Cash on hand and in banks [Note 8 (1)]	32,763	**28,611**	**291,955**
2 Notes and accounts receivable, trade	14,182	**27,894**	**284,637**
3 Inventories	4,144	**—**	**—**
4 Merchandise and finished goods	—	**1,746**	**17,817**
5 Work-in-progress	—	**2,097**	**21,399**
6 Raw materials and supplies	—	**2,745**	**28,014**
7 Work-in-progress for game software	6,241	**10,432**	**106,456**
5 Deferred tax assets [Note 12]	3,009	**2,712**	**27,679**
6 Other	2,620	**2,949**	**30,095**
7 Allowance for doubtful accounts	(456)	**(383)**	**(3,909)**
Total current assets	62,505	**78,806**	**804,145**
Ⅱ **Fixed assets :**			
1 Tangible fixed assets, net of accumulated depreciation [Note 5 (1)]			
(1) Buildings and structures, net [Note 5 (2)]	5,442	**5,452**	**55,632**
(2) Machinery and vehicles, net	61	**66**	**678**
(3) Tools, fixtures and furniture, net	894	**943**	**9,630**
(4) Rental equipment, net	321	**137**	**1,401**
(5) Equipment for amusement facilities, net	3,849	**2,892**	**29,515**
(6) Land [Note 5 (2)]	4,391	**4,391**	**44,815**
(7) Leased assets, net [Note 9 (2)]	—	**1,258**	**12,844**
(8) Construction-in-progress	291	**74**	**763**
Total tangible fixed assets	15,253	**15,217**	**155,281**
2 Intangible assets			
(1) Goodwill	894	**419**	**4,284**
(2) Other	3,197	**3,154**	**32,190**
Total intangible assets	4,091	**3,574**	**36,474**
3 Investments and other assets			
(1) Investments in securities [Notes 5 (3) and 10]	1,728	**920**	**9,392**
(2) Long-term loans receivable	523	**90**	**921**
(3) Deferred tax assets [Note 12]	2,989	**1,425**	**14,545**
(4) Claim in bankruptcy and reorganization	890	**870**	**8,879**
(5) Lease deposits	5,947	**5,672**	**57,879**
(6) Other	856	**676**	**6,900**
(7) Allowance for doubtful accounts	(1,179)	**(1,042)**	**(10,637)**
Total investments and other assets	11,755	**8,612**	**87,881**
Total fixed assets	31,101	**27,404**	**279,638**
Total assets	93,606	**106,210**	**1,083,784**

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Liabilities)			
Ⅰ **Current liabilities :**			
1 Notes and accounts payable, trade	7,303	**9,682**	**98,804**
2 Short-term borrowings [Notes 5 (2) and 19]	2,015	**15,766**	**160,886**
3 Current portion of convertible bonds [Note 18]	14,997	**400**	**4,081**
4 Lease obligations [Notes 19]	—	**492**	**5,030**
5 Accrued income taxes	892	**1,923**	**19,624**
6 Deferred tax liabilities [Note 12]	—	**243**	**2,489**
7 Accrued bonuses	2,057	**2,091**	**21,339**
8 Allowance for sales returns	405	**313**	**3,196**
9 Other	7,147	**7,501**	**76,546**
Total current liabilities	34,818	**38,415**	**391,999**
Ⅱ **Long-term liabilities :**			
1 Convertible bonds [Note 18]	1,220	**—**	**—**
2 Long-term borrowings [Notes 5 (2) and 19]	1,470	**5,067**	**51,705**
3 Lease obligations [Notes 19]	—	**833**	**8,502**
4 Accrued retirement benefits for employees [Note 11]	1,048	**1,171**	**11,951**
5 Accrued retirement benefits for directors	372	**406**	**4,147**
6 Other	1,018	**967**	**9,868**
Total long-term liabilities	5,128	**8,445**	**86,176**
Total liabilities	39,946	**46,861**	**478,175**
(Net assets)			
Ⅰ **Shareholders' equity :**			
1 Common stock	32,626	**33,039**	**337,133**
2 Capital surplus	20,344	**21,129**	**215,602**
3 Retained earnings	11,631	**17,000**	**173,470**
4 Treasury stock	(8,155)	**(8,015)**	**(81,789)**
Total shareholders' equity	56,447	**63,152**	**644,416**
Ⅱ **Valuation and translation adjustments :**			
1 Net unrealized gain or loss on securities, net of tax	127	**(12)**	**(131)**
2 Deferred hedges, net of tax	0	**—**	**—**
3 Cumulative translation adjustments	(2,914)	**(3,790)**	**(38,676)**
Total valuation and translation adjustments	(2,787)	**(3,803)**	**(38,807)**
Total net assets	53,660	**59,349**	**605,608**
Total liabilities and net assets	93,606	**106,210**	**1,083,784**

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Ⅰ **Net sales**	83,097	**91,878**	**937,530**
Ⅱ **Cost of sales**	50,560	**55,052**	**561,758**
Gross profit	32,536	**36,825**	**375,772**
Reversal of allowance for sales returns	57	**91**	**937**
Net gross profit	32,594	**36,917**	**376,710**
Ⅲ **Selling, general and administrative expenses [Notes 6 (1) and (4)]**	19,473	**22,299**	**227,541**
Operating income	13,121	**14,618**	**149,168**
Ⅳ **Non-operating income :**			
1 Interest income	1,139	**902**	**9,211**
2 Dividend income	21	**21**	**215**
3 Other	254	**153**	**1,563**
Total	1,416	**1,077**	**10,990**
Ⅴ **Non-operating expenses :**			
1 Interest expense	71	**86**	**880**
2 Exchange loss, net	2,086	**882**	**9,001**
3 Provision for allowance for doubtful accounts	26	**162**	**1,660**
4 Equity in losses of affiliates	—	**553**	**5,652**
5 Other	84	**201**	**2,060**
Total	2,269	**1,887**	**19,255**
Ordinary income	12,267	**13,808**	**140,903**
Ⅵ **Special gains :**			
1 Gain on sales of fixed assets [Note 6 (2)]	396	**—**	**—**
2 Reversal of allowance for doubtful accounts	97	**115**	**1,181**
3 Gain on collection of receivable written off	233	**58**	**599**
4 Gain on sales of investments in securities	34	**0**	**2**
Total	762	**174**	**1,783**
Ⅶ **Special losses :**			
1 Loss on sales and/or disposal of fixed assets [Note 6 (3)]	76	**44**	**451**
2 Provision for retirement benefits for directors	350	**—**	**—**
3 Loss on revaluation of investments in securities	39	**13**	**139**
4 Impairment loss [Note 6 (5)]	181	**1,146**	**11,703**
5 Loss on settlement of litigation	420	**126**	**1,286**
6 Loss on closing amusement facilities	—	**202**	**2,065**
7 Other	—	**1**	**16**
Total	1,068	**1,534**	**15,662**
Net income before income taxes	11,962	**12,448**	**127,024**
Income taxes-current	1,040	**2,125**	**21,693**
Income taxes-deferred	3,131	**2,258**	**23,048**
Total	4,171	**4,384**	**44,742**
Minority interests in loss of consolidated subsidiaries	16	**—**	**—**
Net income	7,807	**8,063**	**82,281**

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	Previous fiscal year (From April 1, 2007 to March 31, 2008) Millions of yen	Current fiscal year (From April 1, 2008 to March 31, 2009) Millions of yen	Current fiscal year (From April 1, 2008 to March 31, 2009) Thousands of U.S. dollars
Shareholders' equity			
Common stock			
Opening balance	29,915	**32,626**	**332,926**
Change of items during the fiscal year			
Issuance of new stocks	2,711	**412**	**4,207**
Total changes of items during the fiscal year	2,711	**412**	**4,207**
Ending balance	32,626	**33,039**	**337,133**
Capital surplus			
Opening balance	17,637	**20,344**	**207,594**
Change of items during the fiscal year			
Issuance of new stocks	2,706	**411**	**4,200**
Disposition of treasury stock	0	**0**	**7**
Increase by stock exchange	—	**372**	**3,800**
Total changes of items during the fiscal year	2,706	**784**	**8,008**
Ending balance	20,344	**21,129**	**215,602**
Retained earnings			
Opening balance	5,555	**11,631**	**118,687**
Decrease by change in accounting policies for foreign subsidiaries	—	**(546)**	**(5,578)**
Change of items during the fiscal year			
Cash dividends [Notes 7 (3)]	(1,732)	**(2,148)**	**(21,920)**
Net income	7,807	**8,063**	**82,281**
Total changes of items during the fiscal year	6,075	**5,915**	**60,361**
Ending balance	11,631	**17,000**	**173,470**
Treasury stock			
Opening balance	(8,138)	**(8,155)**	**(83,215)**
Change of items during the fiscal year			
Repurchase of treasury stock	(16)	**(144)**	**(1,472)**
Disposition of treasury stock	0	**283**	**2,897**
Total changes of items during the fiscal year	(16)	**139**	**1,425**
Ending balance	(8,155)	**(8,015)**	**(81,789)**
Total shareholders' equity			
Opening balance	44,970	**56,447**	**575,992**
Decrease by change in accounting policies for foreign subsidiaries	—	**(546)**	**(5,578)**
Change of items during the fiscal year			
Issuance of new stocks	5,417	**823**	**8,408**
Cash dividends	(1,732)	**(2,148)**	**(21,920)**
Net income	7,807	**8,063**	**82,281**
Repurchase of treasury stock	(16)	**(144)**	**(1,472)**
Disposition of treasury stock	0	**284**	**2,904**
Increase by stock exchange	—	**372**	**3,800**
Total changes of items during the fiscal year	11,477	**7,252**	**74,003**
Ending balance	56,447	**63,152**	**644,416**

The accompanying notes are an integral part of these financial statements.

	Previous fiscal year (From April 1, 2007 to March 31, 2008) Millions of yen	Current fiscal year (From April 1, 2008 to March 31, 2009) Millions of yen	Current fiscal year (From April 1, 2008 to March 31, 2009) Thousands of U.S. dollars
Valuation and translation adjustments			
Net unrealized gain or loss on securities, net of tax			
Opening balance	482	**127**	**1,297**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(355)	**(140)**	**(1,429)**
Total changes of items during the fiscal year	(355)	**(140)**	**(1,429)**
Ending balance	127	**(12)**	**(131)**
Deferred hedges, net of tax			
Opening balance	1	**0**	**1**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(1)	**(0)**	**(1)**
Total changes of items during the fiscal year	(1)	**(0)**	**(1)**
Ending balance	0	**—**	**—**
Cumulative translation adjustments			
Opening balance	(326)	**(2,914)**	**(29,739)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(2,587)	**(875)**	**(8,936)**
Total changes of items during the fiscal year	(2,587)	**(875)**	**(8,936)**
Ending balance	(2,914)	**(3,790)**	**(38,676)**
Total valuation and translation adjustments			
Opening balance	157	**(2,787)**	**(28,440)**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(2,944)	**(1,015)**	**(10,367)**
Total changes of items during the fiscal year	(2,944)	**(1,015)**	**(10,367)**
Ending balance	(2,787)	**(3,803)**	**(38,807)**
Minority interests in consolidated subsidiaries			
Opening balance	16	**—**	**—**
Change of items during the fiscal year			
Net changes of items other than shareholders' equity	(16)	**—**	**—**
Total changes of items during the fiscal year	(16)	**—**	**—**
Ending balance	—	**—**	**—**
Total net assets			
Opening balance	45,144	**53,660**	**547,551**
Decrease by change in accounting policies for foreign subsidiaries	—	**(546)**	**(5,578)**
Change of items during the fiscal year			
Issuance of new stocks	5,417	**823**	**8,408**
Cash dividends	(1,732)	**(2,148)**	**(21,920)**
Net income	7,807	**8,063**	**82,281**
Repurchase of treasury stock	(16)	**(144)**	**(1,472)**
Disposition of treasury stock	0	**284**	**2,904**
Increase by stock exchange	—	**372**	**3,800**
Net changes of items other than shareholders' equity	(2,961)	**(1,015)**	**(10,367)**
Total changes of items during the fiscal year	8,515	**6,236**	**63,635**
Ending balance	53,660	**59,349**	**605,608**

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. MARCH 31, 2009 AND 2008

	Previous fiscal year (From April 1, 2007 to March 31, 2008) Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009) Millions of yen**	**Current fiscal year (From April 1, 2008 to March 31, 2009) Thousands of U.S. dollars**
Ⅰ Cash flows from operating activities :			
1 Net income before income taxes	11,962	**12,448**	**127,024**
2 Depreciation and amortization	3,393	**4,143**	**42,279**
3 Impairment loss	181	**1,146**	**11,703**
4 Amortization of goodwill	0	**481**	**4,916**
5 Decrease in allowance for doubtful accounts	(99)	**(198)**	**(2,025)**
6 Increase in accrued bonuses	345	**43**	**444**
7 Decrease in allowance for sales returns	(57)	**(91)**	**(937)**
8 Increase in accrued retirement benefits for employees	115	**119**	**1,215**
9 Increase in accrued retirement benefits for directors	372	**34**	**351**
10 Interest and dividend income	(1,161)	**(923)**	**(9,426)**
11 Interest expense	71	**86**	**880**
12 Exchange loss, net	1,601	**40**	**414**
13 Equity in net losses (earnings) of affiliates	(0)	**553**	**5,652**
14 Loss (gain) on sales and/or disposal of fixed assets	(320)	**44**	**451**
15 Gain on sales of investment in securities	(34)	**(0)**	**(2)**
16 Loss on revaluation of investments in securities	39	**13**	**139**
17 Gain on collection of receivable written off	(233)	**(58)**	**(599)**
18 Loss on settlement of litigation	420	**126**	**1,286**
19 Increase in accounts receivable, trade	(3,911)	**(14,933)**	**(152,380)**
20 Increase in inventories	(782)	**(2,345)**	**(23,938)**
21 Increase in work-in-progress for game software	(2,962)	**(4,052)**	**(41,354)**
22 Increase in accounts payable, trade	56	**2,945**	**30,059**
23 Increase in other current assets	(989)	**(134)**	**(1,369)**
24 Increase in other current liabilities	1,033	**1,104**	**11,266**
25 Bonuses to directors	(60)	**(84)**	**(857)**
26 Other	(1,153)	**(701)**	**(7,154)**
Sub total	7,826	**(192)**	**(1,960)**
27 Interest and dividends received	1,160	**948**	**9,674**
28 Interest paid	(71)	**(88)**	**(903)**
29 Payment for settlement of litigation	(420)	**(126)**	**(1,286)**
30 Income taxes paid	(1,041)	**(1,092)**	**(11,147)**
Net cash (used in) provided by operating activities	7,452	**(551)**	**(5,623)**
Ⅱ Cash flows from investing activities :			
1 Payment for acquisition of tangible fixed assets	(3,119)	**(2,419)**	**(24,689)**
2 Proceeds from sales of tangible fixed assets	922	**24**	**247**
3 Payment for acquisition of intangible assets	(1,271)	**(964)**	**(9,842)**
4 Payment for purchase of investments in securities	(565)	**(12)**	**(124)**
5 Proceeds from sales of investments in securities	44	**4**	**48**
6 Collection of loans receivable	1,570	**436**	**4,455**
7 Purchase of investments in subsidiaries	—	**(18)**	**(187)**
8 Payment for other investing activities	(1,140)	**(118)**	**(1,213)**
9 Proceeds from other investing activities	184	**352**	**3,598**
Net cash used in investing activities	(3,374)	**(2,715)**	**(27,706)**
Ⅲ Cash flows from financing activities :			
1 Proceeds from short-term borrowings	—	**15,000**	**153,061**
2 Repayments of short-term borrowings	—	**(6)**	**(61)**
3 Proceeds from long-term borrowings	—	**4,400**	**44,897**
4 Repayments of long-term borrowings	(700)	**(2,119)**	**(21,625)**
5 Repayments of lease obligations	—	**(334)**	**(3,415)**
6 Redemption of convertible bonds	—	**(14,993)**	**(152,989)**
7 Proceeds from sales of treasury stock	0	**1**	**20**
8 Payment for repurchase of treasury stock	(16)	**(144)**	**(1,472)**
9 Dividends paid by parent company	(1,732)	**(2,147)**	**(21,910)**
Net cash used in financing activities	(2,448)	**(342)**	**(3,495)**
Ⅳ Effect of exchange rate changes on cash and cash equivalents	(3,887)	**(845)**	**(8,626)**
Ⅴ Net decrease in cash and cash equivalents	(2,256)	**(4,454)**	**(45,451)**
Ⅵ Cash and cash equivalents at beginning of year	35,020	**32,763**	**334,324**
Ⅶ Increase due to change in scope of consolidated subsidiaries	—	**302**	**3,083**
Ⅷ Cash and cash equivalents at end of year [Note 8 (1)]	32,763	**28,611**	**291,955**

The accompanying notes are an integral part of these financial statements.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES.

1. Major policies in preparing consolidated financial statements:
The accompanying consolidated financial statements of CAPCOM CO., LTD. (hereinafter referred to as the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (In the case of translation into U.S. dollar, it is rounded down to 1 thousand dollars).

The rate of ¥98=U.S.$1, the approximate current rate of exchange prevailing on March 31, 2009, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Significant accounting policies:
(1) Principles of consolidation
The consolidated financial statements consist of the accounts of the Company and those of its 15 majority-owned subsidiaries (all 16 companies are referred to collectively as the "Companies") at the relevant balance sheet date.

All significant inter-company transactions and accounts have been eliminated.

The investment in 20% to 50% owned companies (hereinafter referred to as "Affiliated companies") are, with minor exceptions, accounted for under the equity method.

The 15 subsidiaries are as follows:
CAPCOM U.S.A., INC. (U.S.A.)
CAPCOM ENTERTAINMENT, INC. (U.S.A.)
CAPCOM INTERACTIVE, INC. (U.S.A.)
CAPCOM INTERACTIVE CANADA, INC. (Canada)
CE EUROPE LTD. (U.K.)
CEG INTERACTIVE ENTERTAINMENT GmbH (Germany)
CAPCOM ENTERTAINMENT FRANCE SAS (France)
CAPCOM ASIA CO., LTD. (Hong Kong)
CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
CAPTRON CO., LTD. (Japan)
CAPCOM CHARBO CO., LTD. (Japan)
DALETTO, INC. (Japan)
BLUE HARVEST, LLC (Japan)
K2 CO., LTD. (Japan)
ENTERRISE CO., LTD. (Japan)

Affiliated companies accounted for under the equity method are as follows:
KOKO CAPCOM CO., LTD. (South Korea)
STREET FIGHTER FILM, LLC (U.S.A.)

DELLGAMADAS CO., LTD., which is an affiliated company, is not accounted for under the equity method, as its impact is not significant to the consolidated net income or loss, or consolidated retained earnings.

Regarding the fiscal year end of consolidated subsidiaries, except for CAPCOM CHARBO CO., LTD., all consolidated subsidiaries have adopted March 31 as their fiscal year end.

The closing date of CAPCOM CHARBO CO., LTD. was January 31, 2009.

(2) Investments in securities
Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end.

Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets", at the net of tax amount.

The cost of securities sold is determined based on the average cost of all such securities held at the time of sale.

Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods", "Work-in-progress", "Raw materials and supplies") and "Work-in-progress for game software"
Inventories are stated at the acquisition cost, cost being principally determined by the moving average cost method.

(Inventories are stated at cost with the book value reducition method based on a decline in profitability for balance sheet carrying amounts.)

Work-in-progress for game software, including development costs incurred by subcontractors for game machines, are stated at accumulated cost on a specific project basis.

(Work-in-progress for game software are stated at cost with the book value reducition method based on a decline in profitability for balance sheet carrying amounts.)

(4) Tangible fixed assets, except for leased assets
Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful lives of the respective assets, except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), for which depreciation is computed using the straight-line method. Foreign subsidiaries, except for some subsidiaries, compute depreciation on a straight-line basis.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Rental equipment	3-5 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method.

The amortization period, except for computer software and online game contents, is based upon the individual estimated useful lives of the assets.

The amortization period for computer software and online game contents is based upon the estimated period of internal use (2 to 5 years), and the estimated period of online game services (2 years), respectively.

(6) Leased assets

Depreciation of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

In the case there is any contract on guaranteed residual value for the lease, such guaranteed residual value is used as accounting residual one.

Leases that do not transfer ownership of the leased assets to the lessee as part of the lease, the contracts of which were made on or before March 31, 2008, are accounted for in a similar manner with ordinary rental transactions.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end.

This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of the bonus to be paid to employees based on their services provided during the fiscal year.

(9) Accrued retirement benefits for employees

The accrual for retirement benefits for employees is calculated based on the estimated amount of projected benefit obligations and the fair value of the plan assets at the year-end.

The unrecognized net transition obligation (¥552 million ($5,637 thousand)) is amortized over 15 years.

Unrecognized actuarial net gains or losses are amortized over 9 years, the average remaining service period, commencing from the following year in which they arise.

(10) Accrued retirement benefits for directors

The Company and its domestic subsidiaries estimate accrued retirement benefits for directors and corporate auditors in preparation for the future payment based on their service period.

(11) Allowance for sales returns

The allowance for sales returns is provided for estimated losses resulting from sales returns subsequent to the balance sheet date and is based on prior loss experience.

(12) Significant hedge accounting

①Hedge accounting

Gains or losses arising from changes in the fair value of derivatives designated as hedging instruments are deferred and recorded as "Deferred hedges, net of tax" as a part of "Net assets".

②Hedging instruments and hedge items

The Companies enter into interest swap contracts to manage interest rate risk exposure on certain borrowings.

③Hedging policy

The execution and control of derivatives is performed by the finance department in accordance with internal policies and rules. It is the Companies' policy to use derivatives only for the purpose of reducing interest rate risk associated with assets and liabilities and, therefore, the Companies do not enter into derivatives for trading or speculative purposes.

④Assessment of the effectiveness of hedging

The Companies assess hedge effectiveness based on an annual analysis of the cumulative amount of change in cash flows of hedged items and fluctuations in market price.

(13) Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

(14) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries acquired through business combinations are recorded at fair value at the time of acquisition.

(15) Amortization of goodwill

Goodwill is amortized by the straight-line method over 3 years.

In the case its amount is minor, it is amortized at one time.

(16) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

3. Changes in accounting policies

(1) Valuation standard and method for major assets

Effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (The Accounting Standard Board of Japan (hereinafter referred to as "ASBJ") Statement No.9 issued on July 5, 2006).

This accounting change has no impact on the income statement for the fiscal year ended March 31,2009.

(2) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the fiscal year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006) and made an adjustment necessary for consolidation procedure.

This accounting change has decreased operating income and ordinary income by ¥299 million ($3,057 thousand) and retained earnings by ¥546 million ($5,578 thousand), respectively for the fiscal year ended March 31, 2009.

The effect on the segment information is disclosed in the relevant footnotes.

(3) Accounting standard for lease transactions

The Company and its domestic subsidiaries have so far accounted for capital leases that do not transfer ownership of the leased assets as part of the lease as operating leases.

Effective from the fiscal year ended March 31, 2009, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions"(ASBJ Statement No.13 issued on June 17, 1993 and revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions"(ASBJ Guidance No.16 issued on January 18, 1994 and revised on March 30, 2007) and capitalized capital lease transactions.

Depreciation of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero.

In the case there are any leases with guaranteed residual value, such value is regarded as accounting residual one.

Leases that do not transfer ownership of the leased assets to the lessee as part of the lease, the contracts of which were made on or before March 31, 2008, are accounted for in a similar manner with ordinary rental transactions.

4. Changes in presentation

(1) Consolidated balance sheets

On August 7, 2008, the cabinet office regulation on partial amendments to regulations for financial statements (Cabinet Office Ordinance No.50) was issued and came into effect.

As a result, the accounts which were classified as "Inventories" in the fiscal year ended March 31, 2008 have been disclosed as "Merchandise and finished goods", "Work-in-progress", and "Raw materials and supplies" separately for the fiscal year ended March 31, 2009.

The balances for "Merchandise and finished goods", "Work-in-progress", and "Raw materials and supplies", which were disclosed as "Inventories" in the fiscal year ended March 31, 2008 have been ¥1,813 million, ¥774 million and ¥1,556million, respectively.

(2) Consolidated statements of cash flows

Effective from the fiscal year ended March 31, 2009, the Company combined "Gain on sales of fixed assets"and "Loss on sales and/or disposal of fixed assets" on the cash flows from operating activities, which had been disclosed separately for the fiscal year ended March 31, 2008, into "Gain or loss on sales and/or disposal of fixed assets".

"Gain on sales of fixed assets"and "Loss on sales and/or disposal of fixed assets" for the fiscal year ended March 31, 2008 were ¥396 million and ¥76 million, respectively.

"Loss on sales and/or disposal of fixed assets" for the fiscal year ended March 31, 2009 was ¥44 million ($451 thousand).

And also the Company changed "Gain or loss on sales of investment in securities"and "Gain or loss on revaluation of investment in securities" for the fiscal year ended March 31, 2008 into "Gain on sales of investment in securities" and "Loss on revaluation of investment in securities", respectively for the fiscal year ended March 31, 2009.

These changes are because the Financial Service Agency has introduced the XBRL to its EDINET (Electronics Disclosure for Investors' NETwork) system to improve the comparability of consolidated financial statements.

5. Notes to consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	12,549	**14,431**	**147,260**

(Note)The above balance for the current fiscal year includes the accumulated impairment loss of tangible fixed assets.

(2) Pledged assets and secured debts

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
①Pledged assets			
Land	3,902	**3,902**	**39,819**
Buildings	4,770	**4,604**	**46,988**
Total	8,673	**8,507**	**86,808**
②Secured debts			
Long-term borrowings due within one year	1,960	**700**	**7,142**
Long-term borrowings	1,470	**2,030**	**20,714**
Total	3,430	**2,730**	**27,857**

(3) Investments in affiliated companies

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments in securities	503	**5**	**51**

(4) Credit line

The Company has entered into a line of credit agreement with its banks by syndicate financing for the purpose of efficient and sustainable financing, and improvement of efficiency of funds operations and the company's financial flexibility.

The credit line under this contract and the unexercised balance at the end of the fiscal year are shown below:

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total credit line	15,000	**25,000**	**255,102**
Borrowings	—	**15,000**	**153,061**
Unexercised balance	15,000	**10,000**	**102,040**

6. Notes to consolidated statements of income

(1) Major items and the amounts under "Selling, general and administrative expenses"

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	4,704	**4,916**	**50,171**
Promotion expenses	988	**1,899**	**19,385**
Salaries and bonuses	3,978	**4,175**	**42,607**
Depreciation and amortization	430	**859**	**8,775**
Provision for accrued bonuses	785	**797**	**8,137**
Provision for retirement benefits for employees	70	**68**	**694**
Provision for retirement benefits for directors	28	**48**	**498**
Commissions	1,239	**1,747**	**17,834**
Research and development expenses	2,972	**2,329**	**23,767**

(2) The breakdown of "Gain on sales of fixed assets"

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	322	**—**	**—**
Machinery and vehicles	0	**—**	**—**
Tools, fixtures and furniture	8	**—**	**—**
Land	65	**—**	**—**
Total	396	**—**	**—**

(3) The breakdown of "Loss on sales and/or disposal of fixed assets"

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Tools, fixtures and furniture	36	**9**	**97**
Equipment for amusement facilities	—	**24**	**249**
Other	40	**10**	**104**
Total	76	**44**	**451**

(4) Research and development expenses included in general and administrative expenses

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	2,972	**2,329**	**23,767**

(5) Impairment loss

The assets, for which the impairment losses were recognized, are as follows.

Usage	Account	Previous fiscal year (From April 1, 2007 to March 31, 2008) Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009)** Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009)** Thousands of U.S. dollars
Online game contents etc.	"Other" of Intangible assets	181	**759**	**7,745**
Online game contents etc.	Buildings and structures	—	**15**	**162**
Online game contents etc.	Tools, fixtures and furniture	—	**26**	**270**
Online game contents etc.	"Other" of current assets	—	**65**	**668**
Assets to be disposed of etc.	Equipment for amusement facilities	—	**280**	**2,857**
Assets to be disposed of etc.	Tools, fixtures and furniture	—	**0**	**0**

To measure an impairment, assets are principally grouped based on business segments such as "Home video games", "Arcade games", etc. Whereas, rental assets, idle assets and online game contents are evaluated as separate groups.
The Companies amended the revenue forecast for the online game contents etc..
As a result of the amendment, the Companies wrote down the book value of the online game contents etc. to the recoverable value to recognize that as the impairment loss as shown above.
The Companies made a decision on closing some amusement facilities.
As a result of the decision, the Companies did not make sure of recoverabilities of the book value of the assets to be disposed of etc. to recognize the impairment loss as shown above.
The recoverable value for the online game contents etc. was computed based on their value in use, which was estimated at zero for the current fiscal year (with future cash flow discounted at a rate of 8.6% for the previous fiscal year).
The recoverable value for assets to be disposed of was estimated at zero for the current fiscal year.

7. Notes to consolidated statements of changes in net assets

Previous fiscal year (From April 1, 2007 to March 31, 2008)

(1) Number of outstanding shares

Type of share	Number of shares as of March 31, 2007	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2008
Common stock (thousands shares)	62,269	4,450	—	**66,719**

(Note) The reasons for the increase in the number of shares are as follows:
Increase due to issuance of new shares by the exercise of conversion rights 4,450 thousands shares

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2007	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2008
Common stock (thousands shares)	5,813	6	0	**5,820**

(Note) The reasons for the increase or decrease in the number of shares are as follows:
Increase due to purchase of less-than-one-unit shares 6 thousands shares
Decrease due to request for purchase of less-than-one-unit shares by shareholders 0 thousands shares

(3) Dividend

① Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 21, 2007	Common stock	¥846 million	15	March 31, 2007	June 22, 2007 (Effective after the meeting)
Board of directors' meeting held on November 8, 2007	Common stock	¥885 million	15	September 30, 2007	November 30, 2007

② Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	¥913 million	Retained earnings	15	March 31, 2008	June 20, 2008

Current fiscal year (From April 1, 2008 to March 31, 2009)

(1) Number of outstanding shares

Type of share	Number of shares as of March 31, 2008	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2009
Common stock (thousands shares)	66,719	675	—	**67,394**

(Note) The reasons for the increase in the number of shares are as follows:
Increase due to issuance of new shares by the exercise of conversion rights 673 thousands shares

(2) Number of treasury stocks

Type of share	Number of shares as of March 31, 2008	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2009
Common stock (thousands shares)	5,820	43	202	**5,660**

(Note) The reasons for the increase or decrease in the number of shares are as follows:
Increase due to purchase of less-than-one-unit shares 6 thousands shares
Increase due to request for purchase of shares by shareholders 36 thousands shares
Decrease due to stock exchange with K2., CO. LTD. 201 thousands shares

(3) Dividend

①Amount of dividends paid

Resolution	Type of share	Amount of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	¥913 million	15	March 31, 2008	June 20, 2008 (Effective after the meeting)
Board of directors' meeting held on November 5, 2008	Common stock	¥1,234 million	20	September 30, 2008	November 28, 2008

Resolution	Type of share	Amount of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 19, 2008	Common stock	$9,321 thousand	0.15	March 31, 2008	June 20, 2008 (Effective after the meeting)
Board of directors' meeting held on November 5, 2008	Common stock	$12,599 thousand	0.20	September 30, 2008	November 28, 2008

②Dividends whose effective date is after the end of current fiscal year and record date is included in the current fiscal year.

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	¥926 million	Retained earnings	15	March 31, 2009	June 18, 2009

Resolution	Type of share	Amount of dividends	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2009	Common stock	$9,449 thousand	Retained earnings	0.15	March 31, 2009	June 18, 2009

8. Notes to consolidated statements of cash flows

(1) Cash and cash equivalents as of the year end

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	32,763	**28,611**	**291,955**
Cash and cash equivalents	32,763	**28,611**	**291,955**

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(2) Significant non-cash transactions during the fiscal year

	Previous fiscal year (As of March 31, 2008) Millions of yen	**Current fiscal year (As of March 31, 2009)** Millions of yen	**Current fiscal year (As of March 31, 2009)** Thousands of U.S. dollars
Exercise of stock acquisition rights of convertible bonds		Note is omitted due to the minor of the total amount.	Note is omitted due to the minor of the total amount.
Increase in paid in capital due to exercise of stock acquisition rights of convertible bonds	2,711		
Increase in capital surplus due to exercise of stock acquisition rights of convertible bonds	2,706		
Decrease in convertible bonds due to exercise of stock acquisition rights of convertible bonds	5,418		

The Companies booked ¥1,581 million ($16,141 thousand) of the acquisition cost of the leased assets for the current fiscal year.

9. Accounting for leases

(1) Capital leases that do not transfer ownership of the leased assets to lessees, the contracts of which were made on or before March 31, 2008.

①Acquisition cost, accumulated depreciation, and net book value at the fiscal year end for the leased assets

	Previous fiscal year (From April 1, 2007 to March 31, 2008)			**Current fiscal year (From April 1, 2008 to March 31, 2009)**			**Current fiscal year (From April 1, 2008 to March 31, 2009)**		
	Millions of yen			Millions of yen			Thousands of U.S. dollars		
	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value	Estimated acquisition cost	Accumulated depreciation	Estimated value
Machinery and vehicles	6	4	1	**13**	**6**	**7**	**136**	**64**	**72**
Tools, fixtures and furniture	331	176	155	**212**	**111**	**101**	**2,172**	**1,139**	**1,032**
Equipment for amusement facilities	5,320	2,245	3,074	**3,972**	**2,399**	**1,572**	**40,532**	**24,486**	**16,045**
Total	5,657	2,426	3,231	**4,198**	**2,517**	**1,680**	**42,841**	**25,690**	**17,150**

(Note) The assumed interest paid is excluded from the above acquisition cost.

②Future lease payments

	Previous fiscal year (From April 1, 2007 to March 31, 2008) Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009)** Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009)** Thousands of U.S. dollars
Due within one year	1,533	**1,018**	**10,395**
Due over one year	1,707	**675**	**6,892**
Total	3,240	**1,694**	**17,287**

(Note) The assumed interest paid is excluded from the above balance.

③Lease payments, depreciation expense, estimated interest expense and impairment loss

	Previous fiscal year (From April 1, 2007 to March 31, 2008) Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009)** Millions of yen	**Current fiscal year (From April 1, 2008 to March 31, 2009)** Thousands of U.S. dollars
Lease payments	1,626	**1,560**	**15,922**
Depreciation expense	1,574	**1,447**	**14,768**
Estimated interest expense	67	**57**	**581**

④Calculation method of assumed amount of depreciation and interest paid

- Depreciation:
  Straight-line method using leasing term as asset life with residual value of zero.
- Interest expense:
  Interest method with the assumed interest expense allocated to each fiscal year.

(2) Capital leases, the contracts of which were made on or after April 1, 2008.

① Capital leases that transfer ownership of the leased assets to lessees

Not applicable

② Capital leases that do not transfer ownership of the leased assets to lessees

• Leased assets:

Tangible fixed assets

Major assets are equipment for amusement facilities for the business segment of Arcade operations.

• Depreciation method:

Depreciation expense of leased assets is computed by the straight-line method with lease term regarded as useful lives and residual value at zero. In the case there are any leases with guaranteed residual value, such value is regarded as accounting residual one.

(3) Operating leases

① Future lease payments

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	139	**225**	**2,300**
Due over one year	339	**790**	**8,061**
Total	479	**1,015**	**10,361**

(For impairment loss)

No impairment losses were recognized for leased assets.

10. Investments in securities

(1) Previous fiscal year (From April 1, 2007 to March 31, 2008)

① Available-for-sale securities with a readily determinable fair value (As of March 31, 2008)

Classification	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost			
(1) Equity securities	350	650	299
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	350	650	299
Securities with book value not exceeding their acquisition cost			
(1) Equity securities	9	4	(5)
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	9	4	(5)

(Note) In the previous fiscal year, an impairment loss of ¥5 million for stocks with a readily determinable fair value was recorded.
In regards to the impairment of stocks, impairment is recorded when the fair value of the stock falls below 50% of its cost at the end of the fiscal year.
In addition, unless the stock is recognized to have the potential for recovery, impairment is recorded when the rate of stock price decline is between 30% and 50% at the end of the fiscal year.
The recognition of impairment is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of securities, and examination of various financial analysis data of listed companies.

②Investments in securities sold during the previous fiscal year

Classification	Millions of yen		
	Amount of sales	Total gain on sales of security	Total loss on sales of security
(1) Equity securities	44	34	—
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	44	34	—

③ Investments in securities without a readily determinable fair value (As of March 31, 2008)

Investments in securities

Unlisted equity securities ¥524 million

Investments in limited partnership ¥46 million

(2) Current fiscal year (From April 1, 2008 to March 31, 2009)

①Available-for-sale securities with a readily determinable fair value (As of March 31, 2009)

Classification	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities with book value exceeding their acquisition cost						
(1) Equity securities	**39**	**76**	**37**	**403**	**784**	**380**
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	**39**	**76**	**37**	**403**	**784**	**380**
Securities with book value not exceeding their acquisition cost						
(1) Equity securities	**335**	**285**	**(50)**	**3,423**	**2,912**	**(511)**
(2) Bonds	—	—	—	—	—	—
(3) Others	—	—	—	—	—	—
Total	**335**	**285**	**(50)**	**3,423**	**2,912**	**(511)**

(Note) In regards to the impairment of stocks, impairment is recorded when the fair value of the stock falls below 50% of its cost at the end of the fiscal year.
In addition, unless the stock is recognized to have the potential for recovery, impairment is recorded when the rate of stock price decline is between 30% and 50% at the end of the fiscal year.
The recognition of impairment is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of securities, and examination of various financial analysis data of listed companies.

②Investments in securities sold during the current fiscal year

The note is omitted due to the minor of the total amount of gain or loss on sales of investments in securities.

③Investments in securities without a readily determinable fair value (As of March 31, 2009)

	Millions of yen	Thousands of U.S. dollars
Investments in securities		
Unlisted equity securities	**511**	**5,214**
Investments in limited partnership	**42**	**430**

11. Retirement benefits for employees

(1) Summary of retirement benefit plan

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and funded non-contributory pension plans. Some foreign subsidiaries have defined contribution pension plans.

(2) Accrued retirement benefits

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Projected benefit obligations	(2,215)	**(2,411)**	**(24,606)**
B. Fair value of plan assets	800	**692**	**7,064**
C. Unfunded benefit obligations (A+B)	(1,415)	**(1,719)**	**(17,542)**
D. Unrecognized transition obligation	257	**220**	**2,255**
E. Unrecognized actuarial differences	109	**326**	**3,355**
F. Accrued pension liability recognized in the consolidated balance sheet (C+D+E)	(1,048)	**(1,171)**	**(11,951)**
G. Accrued retirement benefits for employees	(1,048)	**(1,171)**	**(11,951)**

(Note) Some subsidiaries apply simplified method to compute pension liabilities.

(3) Retirement and pension cost

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
A. Service costs	180	**203**	**2,077**
B. Interest costs	24	**27**	**278**
C. Expected return on plan assets	(22)	**(20)**	**(204)**
D. Amortization of transition obligation	36	**36**	**375**
E. Amortization of actuarial differences	15	**40**	**416**
F. Net periodic benefit costs (A+B+C+D+E)	235	**288**	**2,944**

Previous fiscal year

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥18 million during the year.
2. Retirement cost for some subsidiaries which have adopted the simplified method are included in the "Service costs".

Current fiscal year

(Note) 1. Some foreign subsidiaries have adopted defined contribution pension plans and contributed ¥21 million ($224 thousand) during the year.
2. The same with the previous fiscal year

(4) Assumptions used in calculation of retirement benefits for employees

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
A. Method of attributing the projected benefit obligations to periods of service	Straight-line	Straight-line
B. Discount rate	1.5%	1.5%
C. Long-term rate of return on plan assets	2.5%	2.5%
D. Amortization period for actuarial differences	9 years (based on the straight-line method over the average estimated service years of employees from the next fiscal period of year when the differences are computed.)	9 years The same method with the previous fiscal year
E. Amortization period for transition obligation	15 years	15 years

Financial Section

12. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Allowance for doubtful accounts	410	**334**	**3,417**
Accrued bonuses	710	**714**	**7,287**
Accrued retirement benefits for employees	425	**475**	**4,852**
Accrued retirement benefits for directors	151	**165**	**1,684**
Allowance for sales returns	164	**127**	**1,297**
Inventories	2,011	**1,423**	**14,524**
Prepaid expenses	443	**213**	**2,177**
Tax loss carry-forwards in the Company	3,539	**342**	**3,499**
Tax loss carry-forwards in the subsidiaries	1,218	**1,919**	**19,590**
Investments in subsidiaries and affiliated companies	87	**225**	**2,299**
Depreciation	281	**271**	**2,772**
Impairment loss	73	**436**	**4,449**
Tax credit	208	**401**	**4,101**
Other	865	**1,436**	**14,656**
Sub-total	10,591	**8,487**	**86,609**
Valuation allowance	(3,777)	**(3,458)**	**(35,286)**
Total deferred tax assets	6,814	**5,029**	**51,322**
(Deferred tax liabilities)			
Tax-deductible inventories for a foreign subsidiary	(445)	**(1,073)**	**(10,956)**
Other	(370)	**(61)**	**(631)**
Total deferred tax liabilities	(815)	**(1,135)**	**(11,587)**
Net deferred tax assets	5,998	**3,894**	**39,735**
Net deferred tax assets are reflected in the consolidated balance sheets as follows:			
Current assets—deferred tax assets	3,009	**2,712**	**27,679**
Non current assets—deferred tax assets	2,989	**1,425**	**14,545**
Non current liabilities—deferred tax liabilities	—	**(243)**	**(2,489)**
Total	5,998	**3,894**	**39,735**

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**
	%	%
Statutory income tax rate	40.6	**40.6**
(Reconciliation)		
Change in valuation allowance	(1.1)	**(2.6)**
Tax credit	(0.6)	**(3.3)**
Amortization of goodwill	0.0	**1.5**
Different tax rates applied to foreign subsidiaries	(2.4)	**(2.2)**
Others	(1.5)	**1.3**
Effective income tax rate	34.9	**35.2**

13. Business combinations

Previous fiscal year (From April 1, 2007 to March 31, 2008)

Not applicable

Current fiscal year (From April 1, 2008 to March 31, 2009)

(Purchase method)

(1) Name of acquired company and its business segment, purpose, date, legal form, name of acquired enterprise after business combination and ratio of acquired right to vote

① Name of acquired company and its business segment
Name of acquired company: K2 CO., LTD.
Business segment: Home video games (Game software development)

② Purpose of business combination
In order to implement the growth strategy of the Companies, it is essential to upgrade the development activities, which are the core competence for the Company.
K2 CO., LTD. has a good and reliable track record in game software development consigned by the Company.
By Making this company a wholly owned subsidiary, the Companies are able to increase the entire corporate value, constructing the growth strategy with it and achieving efficient and flexible development of game software.

③ Date of business combination May 1, 2008

④ Legal form of business combination Stock exchange

⑤ Name of acquired company after business combination No change

⑥ Ratio of acquired right to vote 100%

(2) Business term of acquired enterprise reflected on consolidated financial statements
From April 1, 2008 to March 31, 2009

(3) Acquisition cost for acquired company and its detail Consideration
The Company's common shares ¥655 million ($6,685 thousand)

(4) Exchange ratio of shares, its computation, number of shares granted and value

① Exchange ratio of shares
The Company's 3,362 common shares:
K2 CO., LTD's one common share

② Computation of exchange ratio of shares
The Company consigned the computation to a professional firm.
The Company and its counterparties negotiated and decided on the ratio based on the professional report.

③ Number of shares granted and value
Number of shares granted 201,720 shares
Value ¥655 million ($6,685 thousand)

(5) Amount of goodwill arisen, reason, and amortization method and period

① Amount of goodwill arisen ¥537 million ($5,480 thousand)

② Reason of goodwill arisen
The acquisition cost exceeded the fair value of the net asset for K2 CO., LTD.
The difference was recognized as the goodwill.

③ Amortization method and period
Straight-line method over 3 years

14. Segment information

(1) Business segments

①Previous fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen							
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income								
Net sales								
(1) Customers	51,679	13,406	6,538	8,525	2,947	83,097	(—)	83,097
(2) Inter-segment	—	—	35	—	—	35	(35)	—
Total	51,679	13,406	6,574	8,525	2,947	83,133	(35)	83,097
Operating expenses	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
Ⅱ. Assets, depreciation and capital expenditures								
Total assets	27,106	11,793	7,071	5,275	4,709	55,956	37,649	93,606
Depreciation	739	1,615	433	185	272	3,246	147	3,393
Impairment loss	181	—	—	—	—	181	—	181
Capital expenditures	862	2,460	26	65	8	3,424	1,078	4,503

(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 division develops and distributes home video game software.
(2) Arcade operations····················This division operates amusement facilities.
(3) Arcade games·····························This division develops, manufactures, and distributes commercial game equipment and integrated circuit boards.
(4) Contests 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. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,544 million. The major part of this expense is related to the corporate division of the Companies.
4. Corporate assets in the column "Elimination and corporate" were ¥37,659 million. Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.
5. Depreciation and capital expenditures include long-term prepaid expenses and amortization of them.
6. Change in accounting policies
(1) Depreciation method of tangible fixed assets
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to the amended Japanese corporate tax law. The effect of this change was to increase operating expenses in the "Home video games" segment by ¥25 million, Arcade operations, by ¥196 million, Arcade games by ¥18 millions, "Contents expansion" by ¥4 million, "Other businesses" by ¥0 million and "Elimination and corporate" by ¥5 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.
(2) Accrued retirement benefits for directors
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have adopted "Auditing and Assurance Committee Statement No. 42". The effect of this change was to increase operating expenses in "Elimination and corporate" by ¥28 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

②Current fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen							
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income								
Net sales								
(1) Customers	**62,892**	**13,509**	**8,023**	**4,628**	**2,824**	**91,878**	**(—)**	**91,878**
(2) Inter-segment	**—**	**—**	**7**	**—**	**—**	**7**	**(7)**	**—**
Total	**62,892**	**13,509**	**8,031**	**4,628**	**2,824**	**91,885**	**(7)**	**91,878**
Operating expenses	**46,499**	**13,285**	**6,272**	**4,859**	**1,770**	**72,687**	**4,572**	**77,259**
Operating income (loss)	**16,392**	**224**	**1,758**	**(230)**	**1,053**	**19,198**	**(4,579)**	**14,618**
Ⅱ. Assets, depreciation, impairment loss and capital expenditures								
Total assets	**46,602**	**11,595**	**6,171**	**6,342**	**2,436**	**73,148**	**33,062**	**106,210**
Depreciation	**864**	**2,050**	**229**	**348**	**242**	**3,736**	**406**	**4,143**
Impairment loss	**866**	**280**	**—**	**—**	**—**	**1,146**	**—**	**1,146**
Capital expenditures	**434**	**1,172**	**50**	**70**	**38**	**1,765**	**1,140**	**2,906**

	Thousands of U.S. dollars							
	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income								
Net sales								
(1) Customers	**641,757**	**137,855**	**81,873**	**47,226**	**28,817**	**937,530**	**(—)**	**937,530**
(2) Inter-segment	**—**	**—**	**79**	**—**	**—**	**79**	**(79)**	**—**
Total	**641,757**	**137,855**	**81,953**	**47,226**	**28,817**	**937,610**	**(79)**	**937,530**
Operating expenses	**474,485**	**135,562**	**64,008**	**49,582**	**18,069**	**741,707**	**46,654**	**788,362**
Operating income (loss)	**167,272**	**2,292**	**17,944**	**(2,355)**	**10,748**	**195,902**	**(46,733)**	**149,168**
Ⅱ. Assets, depreciation, impairment loss and capital expenditures								
Total assets	**475,535**	**118,318**	**62,971**	**64,721**	**24,863**	**746,410**	**337,374**	**1,083,784**
Depreciation	**8,823**	**20,924**	**2,339**	**3,557**	**2,477**	**38,122**	**4,156**	**42,279**
Impairment loss	**8,846**	**2,857**	**—**	**—**	**—**	**11,703**	**—**	**11,703**
Capital expenditures	**4,431**	**11,965**	**511**	**720**	**390**	**18,020**	**11,634**	**29,654**

(Note) 1. Same with the previous fiscal year

2. Principal products and operations of each business segment
   - (1) Home video games……This division develops and distributes home video game software as well as develops and operates online game software.
   - (2) Arcade operations……This division operates amusement facilities.
   - (3) Arcade games……This division develops, manufactures, and distributes commercial game equipment and integrated circuit boards.
   - (4) Contests expansion……This division develops and distributes mobile contents as well as develops, manufactures and distributes pachinko and pachislot machines.
   - (5) Other businesses……Other businesses include licensing business and other businesses.
3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,579 million ($46,733 thousand). The major part of this expense is related to the corporate division of the Companies.
4. Corporate assets in the column "Elimination and corporate" were ¥33,359 million ($340,403 thousand). Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.
5. Same with the previous fiscal year
6. Change in accounting policies
   Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
   As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The effect of this change was to decrease operating income by ¥299 million ($3,057 thousand) and total assets by ¥791($8,072 thousand) in the "Contents expansion" compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(2) Geographic areas

①Previous fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen						
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income							
Net sales							
(1) Customers	56,457	15,796	9,782	1,060	83,097	(—)	83,097
(2) Inter-segment	6,202	407	—	17	6,627	(6,627)	—
Total	62,660	16,204	9,782	1,078	89,725	(6,627)	83,097
Operating expenses	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
Ⅱ. Total assets	44,361	9,385	5,168	702	59,616	33,989	93,606

(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. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥3,544 million. The major part of this expense is related to the corporate division of the Companies.
4. Corporate assets in the column "Elimination and corporate" were ¥37,659 million. Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.
5. Change in accounting policies
(1) Depreciation method of tangible fixed assets
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 due to the amended Japanese corporate tax law. The effect of this change was to increase operating expenses in Japan by ¥245 million and "Elimination and corporate" by ¥5 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.
(2) Accrued retirement benefits for directors
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2008, the Company and its domestic subsidiaries have adopted "Auditing and Assurance Committee Statement No. 42". The effect of this change was to increase operating expenses in "Elimination and corporate" by ¥28 million, and to decrease operating income by the same amount compared with the corresponding amounts which would have been recorded if the previous method had been followed.

②Current fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen						
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income							
Net sales							
(1) Customers	**54,193**	**21,851**	**14,167**	**1,665**	**91,878**	**(—)**	**91,878**
(2) Inter-segment	**9,238**	**3,012**	**—**	**33**	**12,283**	**(12,283)**	**—**
Total	**63,431**	**24,863**	**14,167**	**1,698**	**104,161**	**(12,283)**	**91,878**
Operating expenses	**50,232**	**20,809**	**12,611**	**1,333**	**84,987**	**(7,727)**	**77,259**
Operating income	**13,198**	**4,054**	**1,556**	**365**	**19,174**	**(4,555)**	**14,618**
Ⅱ. Total assets	**50,922**	**19,320**	**10,597**	**1,214**	**82,055**	**24,155**	**106,210**

	Thousands of U.S. dollars						
	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Ⅰ. Net sales and operating income							
Net sales							
(1) Customers	**552,992**	**222,973**	**144,566**	**16,997**	**937,530**	**(—)**	**937,530**
(2) Inter-segment	**94,266**	**30,735**	**—**	**339**	**125,340**	**(125,340)**	**—**
Total	**647,259**	**253,709**	**144,566**	**17,336**	**1,062,871**	**(125,340)**	**937,530**
Operating expenses	**512,579**	**212,341**	**128,688**	**13,608**	**867,218**	**(78,856)**	**788,362**
Operating income	**134,679**	**41,367**	**15,877**	**3,727**	**195,653**	**(46,484)**	**149,168**
Ⅱ. Total assets	**519,620**	**197,145**	**108,134**	**12,395**	**837,296**	**246,488**	**1,083,784**

(Note) 1. Same with the previous fiscal year
2. Same with the previous fiscal year
3. Unallocated corporate operating expenses included in "Elimination and corporate" amounted to ¥4,579 million ($46,733 thousand). The major part of this expense is related to the corporate division of the Companies.
4. Corporate assets in the column "Elimination and corporate" were ¥33,359 million ($340,403 thousand). Corporate assets mainly represent surplus operating funds (cash and cash equivalents, available-for-sale securities), long-term investment funds (investments in securities) and assets held by the corporate division of the Companies.
5. Change in accounting policies
Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in "Changes in accounting policies", effective from the fiscal year ended March 31, 2009, the Company adopted "Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The effect of this change was to decrease operating income by ¥299 million ($3,057 thousand) and total assets by ¥791($8,072 thousand) in North America compared with the corresponding amounts which would have been recorded if the previous method had been followed.

(3) Overseas sales

①Previous fiscal year (From April 1, 2007 to March 31, 2008)

	Millions of yen			
	North America	Europe	Other regions	Total
Ⅰ. Overseas sales	15,895	9,498	1,478	26,872
Ⅱ. Consolidated net sales				83,097
Ⅲ. Percentage of foreign sales included in consolidated net sales	19.1%	11.4%	1.8%	32.3%

(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. Foreign net sales represents the total of all the sales outside Japan by CAPCOM CO., LTD. and its consolidated subsidiaries (excluding internal sales between consolidated subsidiaries).

②Current fiscal year (From April 1, 2008 to March 31, 2009)

	Millions of yen			
	North America	Europe	Other regions	Total
Ⅰ. Overseas sales	**22,463**	**13,197**	**3,060**	**38,721**
Ⅱ. Consolidated net sales				**91,878**
Ⅲ. Percentage of foreign sales included in consolidated net sales	**24.4%**	**14.4%**	**3.3%**	**42.1%**

	Thousands of U.S. dollars			
	North America	Europe	Other regions	Total
Ⅰ. Overseas sales	**229,222**	**134,669**	**31,225**	**395,116**
Ⅱ. Consolidated net sales				**937,530**
Ⅲ. Percentage of foreign sales included in consolidated net sales	**24.4%**	**14.4%**	**3.3%**	**42.1%**

(Note) 1. Same with the previous fiscal year
2. Same with the previous fiscal year
3. Same with the previous fiscal year

15. Related party transactions

(1) Previous fiscal year (From April 1, 2007 to March 31, 2008)

Not applicable

(Additional information)

Effective from the fiscal year ended March 31, 2008, the Company applied the early adoption provisions of the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11; October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 : October 17, 2006).

(2) Current fiscal year (From April 1, 2008 to March 31, 2009)

Not applicable

16. Per share information

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Yen	Yen	U.S. dollars
Net assets per share	881.13	**961.38**	**9.81**
Basic net income per share	132.90	**130.98**	**1.34**
Diluted net income per share	116.84	**120.41**	**1.23**

(Note) 1. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2008)	**Current fiscal year (As of March 31, 2009)**	**Current fiscal year (As of March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	53,660	**59,349**	**605,608**
Amounts to be deducted from total amount of net assets	—	**—**	**—**
Ending balance of net assets attributable to common stock	53,660	**59,349**	**605,608**
Number of common stocks used for computation of net assets per share (thousands shares)	60,899	**61,733**	**61,733**

2. The basis for computation of basic and diluted net income per share is as follows:

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic net income per share			
Net income	7,807	**8,063**	**82,281**
Amount not allocated to common stock	—	**—**	**—**
Net income allocated to common stock	7,807	**8,063**	**82,281**
Average number of common stock outstanding during the fiscal year (thousands shares)	58,747	**61,561**	**61,561**
Diluted net income per share			
Adjustment made on net income	6	**6**	**62**
(Interest paid with tax adjustment)	—	**—**	**—**
(Administrative fees to commission banks with tax adjustment)	6	**6**	**62**
Increase of common stocks (thousands shares)	8,135	**5,458**	**5,458**
(Convertible bonds (thousands shares))	8,135	**5,458**	**5,458**

17. Significant subsequent events

Previous fiscal year (From April 1, 2007 to March 31, 2008)	**Current fiscal year (From April 1, 2008 to March 31, 2009)**
The Company acquired K2 CO., LTD. on May 1, 2008 by stock exchange to make this company a wholly owned subsidiary. (1) Purpose In order to implement the growth strategy of the Companies, it is essential to upgrade the development activities, which are the core competence for the Company. K2 CO., LTD. has a good and reliable track record in game software development consigned by the Company. By Making this company a wholly owned subsidiary, the Companies are able to increase the entire corporate value, constructing the growth strategy with it and achieving efficient and flexible development of game software. (2) Details ① The Company exchanged 3,362 shares of the Company for one share of K2 CO., LTD. ② Number of shares granted 201,720 shares The Company did not issue new shares, as treasury stocks were granted to the shareholders of K2 CO., LTD. ③ The amount of common stock for the Company was not increased by this stock exchange. ④ This stock exchange was conducted through the simplified method specified in the section 3 of the article 796 of the Companies act.	The Company made a resolution to repurchase treasury stock through the board of directors' meeting held on July 30, 2009 in accordance with the articles of incorporation applied under the section 1 of the article 156 and the section 3 of the article 165 of the Companies act. (1) Details ① Type of share Common stock ② Number of shares to be repurchased Up to 3 million shares ③ Amount of shares to be repurchased Up to ¥5,500 million ($56,122 thousand) ④ Repurchase period From August 1, 2009 to August 31, 2009 ⑤ Method of repurchase Repurchase in the market (2) Purpose To flexibly implement capital policies to meet with changes in the business environment.

Financial Section

18. Supplemental schedule of bonds

Issuer	Name of bond	Issuance date	Balance as of March 31, 2008 (¥ million)	Balance as of March 31, 2009 (¥ million)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD. (Note) 2	5th unsecured convertible bonds	December 20, 2001	14,997	—	—	Unsecured	March 31, 2009
CAPCOM CO., LTD. (Note) 1, 3, 4	Zero coupon convertible bonds due 2009	October 8, 2004	1,220	400 (400)	—	Unsecured	October 8, 2009
Total	—	—	16,217	400 (400)	—	—	—

Issuer	Name of bond	Issuance date	Balance as of March 31, 2008 ($ thousand)	Balance as of March 31, 2009 ($ thousand)	Interest rate	Type	Date of maturity
CAPCOM CO., LTD. (Note) 2	5th unsecured convertible bonds	December 20, 2001	153,030	—	—	Unsecured	March 31, 2009
CAPCOM CO., LTD. (Note) 1, 3, 4	Zero coupon convertible bonds due 2009	October 8, 2004	12,448	4,081 (4,081)	—	Unsecured	October 8, 2009
Total	—	—	165,479	4,081 (4,081)	—	—	—

(Note) 1. The amount in the bracket for "Balance as of March 31, 2009" indicates the balance to be redeemed within one year.

2. Description of unsecured convertible bonds

Name of bond	Conditions of conversion	Stock types to be issued by conversion	Exercisable terms of conversion
5th unsecured convertible bonds	Conversion price of 3,020 yen (30.82 U.S. dollars) per share	Common stock of CAPCOM CO., LTD.	From February 1, 2002 to March 30, 2009

3. Description of zero coupon convertible bonds

Type of stocks to be issued	Price of conversion rights	Exercise price (yen)	Total exercise price (¥ million)	Amount of stocks issued due to exercise of conversion rights (¥ million)	Ratio (%)	Exercisable terms of conversion	Substitute deposits
Common stocks of CAPCOM CO., LTD.	Free of charge	1,217	11,500	820	100	From October 15, 2004 to October 2, 2009	Note

Type of stocks to be issued	Price of conversion rights	Exercise price (U.S. dollars)	Total exercise price ($ thousand)	Amount of stocks issued due to exercise of conversion rights ($ thousand)	Ratio (%)	Exercisable terms of conversion	Substitute deposits
Common stocks of CAPCOM CO., LTD.	Free of charge	12.42	117,346	8,367	100	From October 15, 2004 to October 2, 2009	Note

(Note) When the holders request for exercise of the conversion rights, the exercise price is deemed to be paid from maturity payment. Also, if the conversion rights are exercised, it is treated that such request is made.

4. Redemption schedule of bonds for 5 years subsequent to March 31, 2009

Due within one year (¥ million)	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
400	—	—	—	—

Due within one year ($ thousand)	Due after 1 year but within 2 years ($ thousand)	Due after 2 years but within 3 years ($ thousand)	Due after 3 years but within 4 years ($ thousand)	Due after 4 years but within 5 years ($ thousand)
4,081	—	—	—	—

19. Supplemental schedule of borrowings

Category	Balance as of March 31, 2008 (¥ million)	Balance as of March 31, 2009 (¥ million)	Average interest rate (%)	Date of maturity
Short-term borrowings	55	15,055	0.9	—
Current portion of long-term borrowings due within one year	1,960	711	1.6	—
Current portion of lease obligations	—	492	2.4	—
Long-term borrowings (Excluding current portion)	1,470	5,067	1.4	From April 1, 2010 to September 28, 2012
Lease obligations (Excluding current portion)	—	833	2.4	From April 1, 2010 to October 31, 2013
Total	3,485	22,160	—	—

Category	Balance as of March 31, 2008 ($ thousand)	Balance as of March 31, 2009 ($ thousand)	Average interest rate (%)	Date of maturity
Short-term borrowings	566	153,627	0.9	—
Current portion of long-term borrowings due within one year	20,000	7,259	1.6	—
Current portion of lease obligations	—	5,030	2.4	—
Long-term borrowings (Excluding current portion)	15,000	51,705	1.4	From April 1, 2010 to September 28, 2012
Lease obligations (Excluding current portion)	—	8,502	2.4	From April 1, 2010 to October 31, 2013
Total	35,566	226,126	—	—

(Note) 1. The average interest rate represents the weighted-average rate applicable to the ending balance.
2. The following table shows the aggregate annual maturities of Long-term borrowings and lease obligation for 5 years subsequent to March 31, 2009 (excluding the current portion).

	Due after 1 year but within 2 years (¥ million)	Due after 2 years but within 3 years (¥ million)	Due after 3 years but within 4 years (¥ million)	Due after 4 years but within 5 years (¥ million)
Long-term borrowings	711	3,711	499	144
Lease obligations	518	299	9	5

	Due after 1 year but within 2 years ($ thousand)	Due after 2 years but within 3 years ($ thousand)	Due after 3 years but within 4 years ($ thousand)	Due after 4 years but within 5 years ($ thousand)
Long-term borrowings	7,259	37,871	5,094	1,472
Lease obligations	5,294	3,055	101	51

20. Supplemental schedule of other

Quarterly sales etc. for the current fiscal year

	1st quarter (From April 1, 2008 to June 30, 2008)	2nd quarter (From July 1, 2008 to September 30, 2008)	3rd quarter (From October 1, 2008 to December 31, 2008)	4th quarter (From January 1, 2009 to March 31, 2009)
Sales (¥ million)	16,352	14,883	15,986	44,654
Net income (loss) before income taxes (¥ million)	4,028	(57)	(3,249)	11,727
Net income (loss) (¥ million)	2,382	(509)	(1,693)	7,884
Net income (loss) per share (yen)	38.96	(8.27)	(27.44)	127.71

	1st quarter (From April 1, 2008 to June 30, 2008)	2nd quarter (From July 1, 2008 to September 30, 2008)	3rd quarter (From October 1, 2008 to December 31, 2008)	4th quarter (From January 1, 2009 to March 31, 2009)
Sales ($ thousand)	166,865	151,874	163,130	455,660
Net income (loss) before income taxes ($ thousand)	41,109	(585)	(33,162)	119,663
Net income (loss) ($ thousand)	24,310	(5,197)	(17,283)	80,452
Net income (loss) per share (U.S. dollars)	0.40	(0.08)	(0.28)	1.30

To the Board of Directors of CAPCOM CO., LTD.

We have audited the accompanying consolidated balance sheet of CAPCOM CO., LTD. ("the Company") and its subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 17 to the consolidated financial statements, the Company's Board of Directors resolved to repurchase its treasury stock on July 30, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Aarata
August 5, 2009