

**Remarks by Kenzo Tsujimoto, Chairman and CEO,
at Announcement of First Half Results
for Fiscal Year Ending in March 2009
(November 6, 2008)**

1. Greetings

- (1) I am Kenzo Tsujimoto, chairman of Capcom. Thank you for taking the time during the busy first half earnings announcement season to attend today's information meeting about our first half results of operations.
- (2) In the first half, our performance was generally in line with our forecast. Although we are having difficulties in our Amusement Operations Business, operating income was higher than planned because of strong sales in the Home Video Games Business.
- (3) Today, I would like to take this opportunity to explain the reasons for our recently announced decision to acquire Enterrise as a subsidiary.

2. Background of making Enterrise a subsidiary

- (1) Contents Expansion, which is one of our business segments, includes a pachinko and pachislo business. Since 1996, this business has been supplying software and LCD devices for amusement machines on a contracted basis.
- (2) The pachinko and pachislo business has been growing steadily since 1996 through a steadfast commitment to R&D activities. Backed by its reputation for trust among amusement equipment manufacturers, this business started contributing to our earnings in fiscal 2004.
- (3) Our new subsidiary Enterrise, which was established in 2002, develops, designs, manufactures and sells pachislo and other amusement machines. This company has exclusive technologies and other expertise concerning

amusement machines that conform to restrictions on these machines in Japan. To take full advantage of this knowledge, Enterrise announced plans to start manufacturing amusement machines on its own starting in 2006.

- (4) As one of Enterrise's partners, we decided to supply this company with software for its pachislo machines, just as we do for other amusement equipment manufacturers, in order to further expand our contracted business.

3. Objective of making Enterrise a subsidiary

- (1) For the reasons I have just explained, we started supplying content to Enterrise. In October, this company began selling its first pachislo machine: Chunri ni Makase China.
- (2) Unfortunately, sales of this machine have been far below initial expectations. The main causes were the weakness of the Enterrise brand for finished products and an inadequate sales strategy.
- (3) In response, Enterrise asked us to consider making an investment. Enterrise wanted the stability provided by membership in a corporate group in order to make up-front investments and conduct other activities.
- (4) After carefully studying this matter, we reached the decision to make Enterrise a subsidiary. This decision was based mainly on three factors. First, Enterrise is one of our partner companies. Secondly, our contracted business is vulnerable to changes in the activities of amusement equipment manufacturers. Since the operating environment makes it difficult to maintain consistent earnings, we needed to take steps to stabilize the performance of this business. Thirdly, we expect to capture more synergies by conducting joint business activities that leverage the respective strengths of Capcom and Enterrise.

4. Strategic objectives

- (1) Our strategy is to stabilize amusement machine earnings by basing our operations on two businesses: the sale of software and components for pachislo machines and the manufacture of these machines.
- (2) However, making amusement machines is a new business for us, and we do not expect this business to become successful overnight. In the second half of this fiscal year, this business will post a large loss. We believe that more time will be required to establish a sound base of operations.
- (3) Some investors may be concerned about our decision to concentrate on this business even though the pachislo market has been weak in recent years. I am convinced that there are plenty of opportunities for new entrants because the pachislo industry is so large. We may see more changes in the prices of pachislo machines. But I foresee no change in the structurally high profit margins of the pachislo machine industry.
- (4) We have three initiatives in the pachislo machine business. The first is to make this business an integral part of the Capcom Group's operations. The second is to reexamine models now under development. And the third is to rebuild our sales strategy for pachislo machines.
- (5) Until now, we have separated the development of primary boards, which control how often a player wins, and secondary boards, which control a machine's display. With Enterrise as a subsidiary, we can now develop pachislo machines in a unified manner. Going forward, we will focus on creating amusement machines that meet market needs with the goal of achieving sustained growth.

5. Closing remarks

This concludes my presentation concerning our decision to acquire Enterrise. Next, Kazuhiko Abe, who is a director and managing corporate officer, will discuss our first half operating results. You will then hear from Haruhiro Tsujimoto, who is the president of Capcom, about specific strategies for each business unit.