

Consolidated Financial Results of the Year ended March 31, 2009 (Unaudited)

Company Name : CAPCOM Co., Ltd.

Code Number : 9697

(URL <http://www.capcom.co.jp/>)

Representative : Haruhiro Tsujimoto, President and COO

Contact Person : Kazuhiko Abe, Managing Corporate Officer

Ordinary General Meeting of Shareholders : June 17, 2009

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Stock Listing: Tokyo, Osaka

Location of Headquarters: Osaka Prefecture

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Dividend Payment Date: June 18, 2009

(Note: Numbers are rounded down at Million Yen)

1. Results of the Year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

(1) Financial Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 31, 2009	91,878	10.6	14,618	11.4	13,808	12.6	8,063	3.3
Year ended March 31, 2008	83,097	11.5	13,121	36.6	12,267	15.7	7,807	33.4

	Earnings per Share of Common Stock	Earnings per Share of Common Stock (Assuming Full Diluted)	Return (net income) on Equity	Return (ordinary income) on Total Assets	Return (operating income) on Sales
	yen	yen	%	%	%
Year ended March 31, 2009	130.98	120.41	14.3	13.8	15.9
Year ended March 31, 2008	132.90	116.84	15.8	13.3	15.8

Reference: Investment Profit / Loss on Equity Method

Year ended March 31, 2009: (553) million yen

Year ended March 31, 2008: 0million yen

(2) Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Asset	Shareholders' Equity per Share
	Million Yen	Million Yen	%	yen
Year ended March 31, 2009	106,210	59,349	55.9	961.38
Year ended March 31, 2008	93,606	53,660	57.3	881.13

Reference: Shareholders' Equity

Year ended March 31, 2009: 59,349 million yen

Year ended March 31, 2008: 53,660 million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Balance of Cash and Cash Equivalents
	Million Yen	Million Yen	Million Yen	Million Yen
Year ended March 31, 2009	(551)	(2,715)	(342)	28,611
Year ended March 31, 2008	7,452	(3,374)	(2,448)	32,763

2. Dividends

	Dividend per Share					Total Dividend Payment (Annual)	Dividends Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Annual			
Year ended March 31, 2008	yen -	yen 15 00	yen -	yen 15 00	yen 30 00	Million Yen 1,798	% 22.6	% 3.6
Year ended March 31, 2009	yen -	yen 20 00	yen -	yen 15 00	yen 35 00	2,160	26.7	3.8
Year ending March 31, 2010 (Forecast)	yen -	yen 15 00	yen -	yen 20 00	yen 35 00		25.5	

3. Forecast for the Fiscal Year ending March 31, 2010 (April 1, 2009 - March 31, 2010)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	yen
Mid-Term Fiscal Period	43,200	38.3	4,400	31.0	4,300	4.5	2,300	22.8	37.20
Fiscal Year	95,000	3.4	15,500	6.0	14,700	6.5	8,500	5.4	137.48

4. Others

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

(2) Changes in Accounting Principles, Procedures and Presentation for Consolidated Financial Statements (those items listed under the “Major Changes in the Fundamental Items of Consolidated Financial Statements”)

① Changes resulting from the revision of the accounting principles: Yes

② Changes other than ① : No

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

①Number of shares outstanding at end of year (including treasury stock)

Year ended March 31, 2009: 67,394,568 Year ended March 31, 2008: 66,719,458

②Number of treasury stock at end of year

Year ended March 31, 2009: 5,660,792 Year ended March 31, 2008: 5,820,147

(Note)

The above-mentioned business forecasts were based on information available as of the release of this report.

Please note that future events may cause the actual results to be significantly different from the forecasts.

1. Operating Results

(1) Operating Results

Overview of the fiscal year ended March 31, 2009

The Japanese economy during the fiscal year ended March 31, 2009, continued to slow and started showing signs of an unprecedented serious economic crisis. Capital investments and exports decreased, affected by the depressing global economy triggered by the US financial crisis. Sluggish stock prices, sharp appreciation of the yen, and deteriorating employment conditions also facilitated the business decline.

As for the video game industry in Japan, the market slowed down due to drastic market expansion during the previous fiscal year and the saturation of new-generation game consoles in households.

On the other hand, the overseas markets, namely the US and Europe, continued expanding even under the global recession. This is attributed partially to the recession that forced consumers to cut back on traveling and going out, and to look for alternative “at-home” entertainment instead.

Under these circumstances, Capcom released the long-awaited flagship title, “Resident Evil 5” (for PlayStation 3, Xbox 360), at the end of this fiscal year. The software became a mega hit with a first shipment of over four million copies worldwide. “Street Fighter IV” (for PlayStation 3, Xbox 360) also broke the two million mark. Thanks to those two titles with strong brand names and popularity in overseas markets, sales accelerated in the fourth quarter.

In addition, “Monster Hunter Freedom 2G” (for PlayStation Portable), which was released at the end of the previous fiscal year, took the market by storm with solid growth.

The arcade industry continued to struggle due to the lack of appealing products, and due to the fact that home video games have become so similar to arcade games that they now offer a similar experience.

In this area, Capcom promoted aggressive sales activities and held various marketing events. “Ace Attorney Special Courtroom 2008 Orchestra Concert”, “Mega Man Summer Festival 2008”, and “Capcom Daikakutosai – Oreyori Tsuyoiyatsuni Aini Iku 2008 (Capcom Fighting Festival – Going to Meet Someone Stronger Than Myself 2008)” are a few examples of such events.

Capcom made a strong effort to develop new content businesses in diverse fields, taking full advantage of the synergistic effects from our game software. As a result of such efforts, the Hollywood movie, “Street Fighter: The Legend of Chun-Li,” was produced and screened around the world. We also worked with the Takarazuka Revue Company on the production of the musical revue, “Phoenix Wright: Ace Attorney”.

Under the objective of expanding overseas operations, which have a large capacity to grow, we established Capcom Entertainment France, S.A.S., through our subsidiary in UK. Capcom Entertainment France is our third operational base in Europe.

The selection and concentration of management resources was another area on which we worked. Responding to the

changes in market environments, we closed down unprofitable businesses while investing in the expansion of our business territories.

The fifth series unsecured convertible bonds matured in March 2009, and its outstanding balance (14,993 million yen) was fully redeemed.

The resulting net sales increased to 91,878 million yen (up 10.6 % from the previous year), while still under the influence of yen appreciation.

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

Status of Each Operational Department

① Home Video Games

In this business segment, the flagship title released in the end of this 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 2G” (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 2G 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 year), and operating income increased to 16,392 million yen (up 41.2 % from the previous 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 this fiscal year totals 40 after these efforts.

The resulting net sales increased to 13,509 million yen (up 0.8 % from the previous 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 year) due to the market stagnation and the increased expense in opening new facilities.

③ Arcade Game Sales

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 this fiscal year. Such aggressive action turned our sales performance 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 year), and operating income increased to 1,758 million yen (up 48.8 % from the previous 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 year), and operating loss was 230 million yen (operation income in the previous 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 year), and operating income increased to 1,053 million yen (up 125.0% from the previous year).

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 2G” (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 2G 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 sales, video game machines 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 year), and operating income increased to 13,198 million yen (up 6.4 % from the previous 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 fourth 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 year), and operating income increased to 4,054 million yen (up 74.2 % from the previous 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 fourth 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.

The resulting net sales increased to 14,167 million yen (up 44.8 % from the previous year), and operating income decreased to 1,556 million yen (down 14.5 % from the previous 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 year), and operating income increased to 365 million yen (up 156.1 % from the previous year).

Prospects for the Next Fiscal Year

The game software industry is generally considered not to be affected significantly by economic fluctuation. However, if the current declining consumer consumption is prolonged, the industry may be hit by the recession.

The Japanese domestic game market is shrinking with decentralizing entertainment, diversifying consumer spending, and diminishing users due to the low birthrate and longevity. Under these severe circumstances, competition for market initiative will become intensified further, and we may be seeing a clear distinction of “winners” and “losers” with a restructuring of market share through M&A and management integration.

Based on our strategic planning with a mid to long-term perspective, we will strengthen our development division in order to produce creative and enticing original titles, while reinforcing our series products. Accommodating diverse customer preferences in both domestic and overseas markets is one of our most challenging goals. We will be engaged in the exploration of new business genres and in collaboration with partner companies to achieve this goal. Other areas we will be emphasizing are improving the added-value of our products and expanding business opportunities utilizing the synergistic effects from our popular software.

A successful overseas operation is essential for the realization of our growth strategy, as the domestic market is reaching its maturation in Japan.

In recent years, some of our software products achieved sales of over a million copies in US and Europe, while our fan base is steadily growing in these areas. We now hold many software titles that made strong showings overseas, and our asset of game contents is appreciating in value.

Under these circumstances, Capcom is determined to increase the ratio of overseas sales to overall sales, getting the most out of our excellent software assets. In order to achieve this goal, the divisions of development, sales, and marketing must work very closely especially in US and Europe, the top two markets in the world. Such collaboration among these three divisions will allow us to develop and introduce software products that precisely meet the needs of these markets. Our ultimate goal is to increase market share through the improvement of customer satisfaction.

We will implement sales promotion activities corresponding to market trends, and in addition, we will enforce our “media-mix” operation through the partnership with movies and TV. Such efforts will result in the improvement of our brand recognition and corporate image, thus advocating “MADE IN CAPCOM”.

The popularity of Japanese pop culture (culture for the general public, including games, animation, and “MANGA” cartoons) will facilitate our activity of developing software that enthralls children and young people in the world. We will try to penetrate the recognition of “Cool Capcom” among users, thus sharpening the competitive edge in overseas markets. We will work on the expansion of business operations by establishing the three-way global management system centering US, Japan and Europe.

We are determined to form a robust base of business management foundation and to reestablish profit structure through a strategic group management. We will place extra emphasis on the following areas to achieve these goals: reforming organizational structure to respond to changes in the business environment; improving information systems; getting those companies that recently became subsidiaries of Capcom on a growth track.

As part of our risk management procedures, we are currently implementing hygienic countermeasures for the possible influenza outbreak. We have distributed alcohol disinfectant to all of our offices and stockpiled enough hygiene kits that include masks and mouthwash for all employees. We are dedicated to be prepared for various contingency situations.

(2) Analysis of the Consolidated Financial Position

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, whereas the decrease is mainly attributable to the decrease of 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; 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 payment of 2,148 million yen.

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.

① Cash flows from operating activities

Net cash used for 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 Loss due to impairment; 481 million yen in Amortization of goodwill. The decrease is attributable mainly to the increase of Accounts receivable and Work-in-progress by 14,933 million yen and 4,052 million yen, respectively.

② Cash flows from investing activities

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

③ Cash flows from financing activities

Net cash spent for financing activities amounted to 342 million yen. This increase portion mainly attributable to the increase in cash flows from financing activities by 15,000 million yen, whereas the decrease is attributable to the redemption of convertible bonds of 14,993 million yen.

(Reference) Trends of Cash Flow Indicators

	Year ended March 2006	Year ended March 2007	Year ended March 2008	Year ended March 2009
Shareholders' equity ratio to total assets (%)	40.1	49.3	57.3	55.9
Shareholders' equity ratio to total assets based on fair market value (%)	67.5	104.4	221.2	101.5
Debt amortization schedule (number of years)	37.9	28.6	46.8	-
Interest coverage ratio (times)	82.6	237.3	103.7	-

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

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

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

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

(Note 1) Total market value of shares is calculated based on the number of shares 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 omitted debt amortization ratio to cash flows from operating activities and interest coverage ratio.

(3) Principles of profit share and dividends for the current and next fiscal year

One of our management priorities is paying stable and continuous dividends to all shareholders, taking account of our future business strategies as well as our management environment. The year-end dividends for the current fiscal year are expected to be 15 yen per share.

The interim dividend paid for the current fiscal year was 20 yen per share, which was the total of the ordinary dividend of 15 yen plus the 5 yen per share 25th anniversary commemorative dividend.

Therefore, the annual dividend is expected to be 35 yen per share.

Based on our business prospects, we are planning to pay 35 yen per share (of which the interim dividend is 15 yen) during the next fiscal year.

2. Status of Capcom Corporate Group

There is no significant change from either section of "Business Diagram (business contents)" or "The Status of the Affiliated Companies" in the most recent security report (submitted on June 20, 2008), and the report on the status of business group is omitted.

3. Business Policy

There is no significant change in business policy from the Mid-Term Financial Results ended September 30,

2007 disclosed on November 8, 2007. Therefore it is omitted to describe this item.

It is available through following URL:

Capcom Corporate Web

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

Tokyo Stock Exchange

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

4. Consolidated Financial Statements
 1) Consolidated Balance Sheets

	Millions of yen	
	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)
Assets		
Current assets		
Cash on hand and in banks	32,763	28,611
Notes and accounts receivable, trade	14,182	27,894
Inventories	4,144	—
Commercial products	—	1,746
Work-in-progress	—	2,097
Raw materials and inventory goods	—	2,745
Work-in-progress for game software	6,241	10,432
Deferred tax assets	3,009	2,712
Other	2,620	2,949
Allowance for doubtful accounts	(456)	(383)
Total current assets	<u>62,505</u>	<u>78,806</u>
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures	5,442	5,452
Machinery and vehicles	61	66
Tools, fixtures and furniture	894	943
Rental equipment	321	137
Equipment for amusement facilities	3,849	2,892
Land	4,391	4,391
Leased assets	—	1,258
Construction-in-progress	291	74
Total tangible fixed assets	<u>15,253</u>	<u>15,217</u>
Intangible assets		
Goodwill	894	419
Other	3,197	3,154
Total intangible assets	<u>4,091</u>	<u>3,574</u>
Investments and other assets		
Investments in securities	1,728	920
Long-term loans receivable	523	90
Deferred tax assets	2,989	1,425
Claim in bankruptcy and reorganization	890	870
Lease deposits	5,947	5,672
Other	856	676
Allowance for doubtful accounts	(1,179)	(1,042)
Total investments and other assets	<u>11,755</u>	<u>8,612</u>
Total fixed assets	<u>31,101</u>	<u>27,404</u>
Total assets	<u>93,606</u>	<u>106,210</u>

	Millions of yen	
	Previous fiscal year (As of March 31, 2008)	Current fiscal year (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	7,303	9,682
Short-term borrowings	2,015	15,766
Current portion of convertible bonds	14,997	—
Current portion of convertible bonds issued after April 1st, 2002	—	400
Lease obligations	—	492
Accrued income taxes	892	1,923
Deferred tax liabilities	—	243
Accrued bonuses	2,057	2,091
Allowance for sales returns	405	313
Other	7,147	7,501
Total current liabilities	34,818	38,415
Long-term liabilities		
Convertible bonds issued after April 1st, 2002	1,220	—
Long-term borrowings	1,470	5,067
Lease obligations	—	833
Accrued retirement benefits for employees	1,048	1,171
Accrued retirement benefits for directors	372	406
Other	1,018	967
Total long-term liabilities	5,128	8,445
Total liabilities	39,946	46,861
Net Assets		
Shareholders' equity		
Common stock	32,626	33,039
Capital surplus	20,344	21,129
Retained earnings	11,631	17,000
Treasury stock	(8,155)	(8,015)
Total shareholders' equity	56,447	63,152
Valuation and translation adjustments		
Net unrealized gain on securities, net of tax	127	(12)
Deferred hedges, net of tax	0	—
Cumulative translation adjustments	(2,914)	(3,790)
Total valuation and translation adjustments	(2,787)	(3,803)
Total net assets	53,660	59,349
Total liabilities and net assets	93,606	106,210

2) Consolidated Statements of Income

	Millions of yen	
	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Net sales	83,097	91,878
Cost of sales	50,560	55,052
Gross profit	32,536	36,825
Reversal of allowance for sales returns	57	91
Net gross profit	32,594	36,917
Selling, general and administrative expenses	19,473	22,299
Operating income	13,121	14,618
Non-Operating income		
Interest income	1,139	902
Dividend income	21	21
Other	254	153
Total non-operating income	1,416	1,077
Non-operating expenses		
Interest expense	71	86
Exchange loss, net	2,086	882
Provision for allowance for doubtful accounts	26	162
Investment loss on equity method	—	553
Other	84	201
Total non-operating expenses	2,269	1,887
Ordinary income	12,267	13,808
Special gains		
Gain on sales of fixed assets	396	—
Reversal of allowance for doubtful accounts	97	115
Gain on collection of receivable written off	233	58
Gain on sales of investments in securities	34	0
Total special gains	762	174
Special losses		
Loss on sales and/or disposal of fixed assets	76	44
Provision for retirement benefits to directors	350	—
Loss on revaluation of investments in securities	39	13
Impairment loss	181	1,146
Loss on settlement of litigation	420	126
Loss on closed store	—	202
Other	—	1
Total special losses	1,068	1,534
Net income before income taxes	11,962	12,448
Income taxes-current	1,040	2,125
Income taxes-deferred	3,131	2,258
Total income taxes	4,171	4,384
Minority interests in loss of consolidated subsidiaries	(16)	—
Net income	7,807	8,063

3) Consolidated Statements of Changes in Net Assets

	Millions of yen	
	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Shareholders' equity		
Common stock		
Balance as of March 31, 2008	29,915	32,626
Changes of items during the current fiscal year		
Issuance of new stocks	2,711	412
Total changes of items during the current fiscal year	2,711	412
Balance as of March 31, 2009	32,626	33,039
Capital surplus		
Balance as of March 31, 2008	17,637	20,344
Changes of items during the current fiscal year		
Issuance of new stocks	2,706	411
Disposition of treasury stock	0	0
Gain by stock exchange	—	372
Total changes of items during the current fiscal year	2,706	784
Balance as of March 31, 2009	20,344	21,129
Retained earnings		
Balance as of March 31, 2008	5,555	11,631
Changes by accounting change of controlled foreign corporation	—	(546)
Changes of items during the current fiscal year		
Cash dividends	(1,732)	(2,148)
Net income	7,807	8,063
Total changes of items during the current fiscal year	6,075	5,915
Balance as of March 31, 2009	11,631	17,000
Treasury stock		
Balance as of March 31, 2008	(8,138)	(8,155)
Changes of items during the current fiscal year		
Repurchase of treasury stock	(16)	(144)
Disposition of treasury stock	0	283
Total changes of items during the current fiscal year	(16)	139
Balance as of March 31, 2009	(8,155)	(8,015)
Total shareholders' equity		
Balance as of March 31, 2008	44,970	56,447
Changes by accounting change of controlled foreign corporation	—	(546)
Changes of items during the current fiscal year		
Issuance of new stocks	5,417	823
Cash dividends	(1,732)	(2,148)
Net income	7,807	8,063
Repurchase of treasury stock	(16)	(144)
Disposition of treasury stock	0	284
Gain by stock exchange	—	372
Total changes of items during the current fiscal year	11,477	7,252
Balance as of March 31, 2009	56,447	63,152

Millions of yen

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Valuation and translation adjustments		
Net unrealized gain on securities, net of tax		
Balance as of March 31, 2008	482	127
Changes of items during the current fiscal year		
Net changes of items other than shareholders' equity	(355)	(140)
Total changes of items during the current fiscal year	(355)	(140)
Balance as of March 31, 2009	127	(12)
Deferred hedges, net of tax		
Balance as of March 31, 2008	1	0
Changes of items during the current fiscal year		
Net changes of items other than shareholders' equity	(1)	(0)
Total changes of items during the current fiscal year	(1)	(0)
Balance as of March 31, 2009	0	—
Cumulative translation adjustments		
Balance as of March 31, 2008	(326)	(2,914)
Changes of items during the current fiscal year		
Net changes of items other than shareholders' equity	(2,587)	(875)
Total changes of items during the current fiscal year	(2,587)	(875)
Balance as of March 31, 2009	(2,914)	(3,790)
Total valuation and translation adjustments		
Balance as of March 31, 2008	157	(2,787)
Changes of items during the current fiscal year		
Net changes of items other than shareholders' equity	(2,944)	(1,015)
Total changes of items during the current fiscal year	(2,944)	(1,015)
Balance as of March 31, 2009	(2,787)	(3,803)
Minority interests in consolidated subsidiaries		
Balance as of March 31, 2008	16	—
Changes of items during the current fiscal year		
Net changes of items other than shareholders' equity	(16)	—
Total changes of items during the current fiscal year	(16)	—
Balance as of March 31, 2009	—	—
Total net assets		
Balance as of March 31, 2008	45,144	53,660
Changes by accounting change of controlled foreign corporation	—	(546)
Changes of items during the current fiscal year		
Issuance of new stocks	5,417	823
Cash dividends	(1,732)	(2,148)
Net income	7,807	8,063
Repurchase of treasury stock	(16)	(144)
Disposition of treasury stock	0	284
Gain by stock exchange	—	372
Net changes of items other than shareholders' equity	(2,961)	(1,015)
Total changes of items during the current fiscal year	8,515	6,236
Balance as of March 31, 2009	53,660	59,349

4) Consolidated Statements of Cash Flows

	Millions of yen	
	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Cash flows from operating activities :		
Net income before income taxes	11,962	12,448
Depreciation and amortization	3,393	4,143
Impairment loss	181	1,146
Amortization of goodwill	0	481
(Decrease) increase in allowance for doubtful accounts	(99)	(198)
(Decrease) increase in accrued bonuses	345	43
(Decrease) increase in allowance for sales returns	(57)	(91)
(Decrease) increase in accrued retirement benefits for employees	115	119
(Decrease) increase in accrued retirement benefits for directors	372	34
Interest and dividend income	(1,161)	(923)
Interest expense	71	86
Exchange loss (gain), net	1,601	40
Loss (gain) from a company by equity method	(0)	553
Loss (gain) on sales and/or disposal of fixed assets	(320)	44
Loss (gain) on sales of investment in securities	(34)	(0)
Loss (gain) on revaluation of investments in securities	39	13
Gain on collection of receivable written off	(233)	(58)
Loss on settlement of litigation	420	126
(Increase) decrease in accounts receivable, trade	(3,911)	(14,993)
(Increase) decrease in inventories	(782)	(2,345)
(Increase) decrease in work-in-progress for game software	(2,962)	(4,052)
(Decrease) increase in accounts payable, trade	56	2,945
(Increase) decrease in other current assets	(989)	(134)
(Decrease) increase in other current liabilities	1,033	1,104
Bonuses to directors	(60)	(84)
Other	(1,153)	(701)
Sub total	<u>7,826</u>	<u>(192)</u>
Interest and dividends received	1,160	948
Interest paid	(71)	(88)
Payment for loss on settlement of litigation	(420)	(126)
Income taxes paid	<u>(1,041)</u>	<u>(1,092)</u>
Net cash provided by operating activities	<u>7,452</u>	<u>(551)</u>

Millions of yen

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Current fiscal year (From April 1, 2008 to March 31, 2009)
Cash flows from investing activities :		
Payment for acquisition of tangible fixed assets	(3,119)	(2,419)
Proceeds from sales of tangible fixed assets	922	24
Payment for acquisition of intangible fixed assets	(1,271)	(964)
Payment for purchase of investments in securities	(565)	(12)
Proceeds from sales of investments in securities	44	4
Collection of loans receivable	1,570	436
Payment for purchase of shares in a subsidiary	—	(18)
Payment for other investment activities	(1,140)	(118)
Proceeds from other investment activities	184	352
Net cash used in investing activities	<u>(3,374)</u>	<u>(2,715)</u>
Cash flows from financing activities :		
Proceeds from short-term borrowings	—	15,000
Repayments of short-term borrowings	—	(6)
Proceeds from long-term borrowings	—	4,400
Repayments of long-term borrowings	(700)	(2,119)
Expense of repayments of lease obligations	—	(334)
Redemption of convertible bonds	—	(14,993)
Proceeds from sales of treasury stock	0	1
Payment for repurchase of treasury stock	(16)	(144)
Dividends paid	(1,732)	(2,147)
Net cash used in financing activities	<u>(2,448)</u>	<u>(342)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,887)</u>	<u>(845)</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,256)</u>	<u>(4,454)</u>
Cash and cash equivalents at beginning of year	35,020	32,763
Increase due to change in scope of consolidated subsidiaries	—	302
Cash and cash equivalents at end of year	<u>32,763</u>	<u>28,611</u>

[Segment Information]

Operating segments

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

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

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

This Fiscal Year (from April 1, 2008 to March 31, 2009)

	Home Video Games (Millions of Yen)	Arcade Operations (Millions of Yen)	Arcade Games Sales (Millions of Yen)	Contents Expansion (Millions of Yen)	Other Business (Millions of Yen)	Total (Millions of Yen)	Elimination and corporate (Millions of Yen)	Consolidated total (Millions of Yen)
Net sales and operating profit or loss								
Net Sales								
(1) External customers	62,892	13,509	8,023	4,628	2,824	91,878	(—)	91,878
(2) Inter-segment sale or transfer	—	—	7	—	—	7	(7)	—
Total	62,892	13,509	8,031	4,628	2,824	91,885	(7)	91,878
Operating expense	46,499	13,285	6,272	4,859	1,770	72,687	4,572	77,259
Operating income or loss	16,364	224	1,758	(230)	1,053	19,198	(4,579)	14,618

- (Note) 1 Business segments above are split based upon for internal management disposition.
- 2 Principal products and operations of each business segment
- (1) Home Video Games: This sales division develops and distributes home video game software.
- (2) Arcade Operations: This division operates amusement facilities.
- (3) Arcade Games Sales: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
- (4) Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
- (5) Other Businesses: Other businesses include licensing business and other businesses.
- 3 Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 4,579 million yen. The major part of this expense is related to corporate G&A.

Geographic segments

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

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

(Note) 1 The segmentation of country or region is based on the geographical proximity.

2 Major countries and regions that are not in Japan

(1) North America: United States of America

(2) Europe: European countries

(3) Other regions: Asia and others

3 Among operating expenses, undistributed operating expenses to these business segment above is included in the “Elimination and corporate” amounted to 3,544 million yen. The major part of this expense is related to corporate management.

This Fiscal Year (from April 1, 2008 to March 31, 2009)

	Japan (Millions of Yen)	North America (Millions of Yen)	Europe (Millions of Yen)	Other Regions (Millions of Yen)	Total (Millions of Yen)	Elimination and corporate (Millions of Yen)	Consolidated total (Millions of Yen)
Net sales and operating profit or loss							
Net Sales							
(1) External customers	54,193	21,851	14,167	1,665	91,878	(—)	91,878
(2) Inter-segment sale or transfer	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 expense	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

(Note) 1 The segmentation of country or region is based on the geographical proximity.

2 Major countries and regions that are not in Japan

(1) North America: United States of America

(2) Europe: European countries

(3) Other regions: Asia and others

3 Among operating expenses, undistributed operating expenses to these business segment above is included in the “Elimination and corporate” amounted to 4,579 million yen. The major part of this expense is related to corporate management.