

**Consolidated financial results for the 1st quarter  
of the fiscal year ending March 31, 2010 (Unaudited)**

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Dividend payment date: —

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for the 1st quarter ended June 30, 2009 (from April 1, 2009 to June 30, 2009)

(1) Financial results

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st quarter ended June 30, 2009	19,497	19.2	3,664	23.0	4,117	2.3	2,230	(6.4)
1st quarter ended June 30, 2008	16,352	—	2,978	—	4,024	—	2,382	—

  

	Earnings per share of common stock	Diluted earnings per share of common stock
	Yen	Yen
1st quarter ended June 30, 2009	36.08	35.95
1st quarter ended June 30, 2008	38.96	35.58

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets	Assets shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
1st quarter ended June 30, 2009	94,185	60,610	64.4	980.31
Fiscal year ended March 31, 2008	106,210	59,349	55.9	961.38

Reference: Shareholders' equity: 1st quarter ended June 30, 2009: 60,610 million yen Year ended March 31, 2009: 59,349 million yen

2. Dividends

Record date	Dividend per share				
	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2009	—	20.00	—	15.00	35.00
Year ending March 31, 2010 (Forecast)	—	15.00	—	20.00	35.00

(Note) 1. Changes in dividends forecast during the 1st quarter ended June 30, 2009 No

2. Breakdown of the dividends for the 2nd quarter ended September 30, 2009

5 yen commemorative dividend 15 yen ordinary dividend

3. Earnings forecast for the fiscal year ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending September 30, 2009	43,200	38.3	4,400	31.0	4,300	4.5	2,300	22.8	37.20
Year ending March 31, 2010	95,000	3.4	15,500	6.0	14,700	6.5	8,500	5.4	137.48

(Note) Changes in earnings forecast during the 1st quarter ended June 30, 2009 : No

#### 4. Others

- (1) Changes in significant consolidated subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Application of simplified methods in accounting principle for quarterly consolidated financial statements: Yes  
(Note: Please refer to [Qualitative information and Consolidated Financial Statements] on page 6, 4.Others for details.)
- (3) Changes in accounting principles, procedures and presentation for consolidated financial statements  
(those items listed under the "Major Changes in the Fundamental Items of Consolidated Financial Statements")
- |  |    |
|--|----|
| Changes resulting from amendment of the accounting standard: | No |
| Changes other than :   | No |
- (4) Number of shares outstanding (Common stock):
- |   |            |                                 |            |
|---|------------|---------------------------------|------------|
| Number of shares outstanding (including treasury stock) |            |                                 |            |
| 1st quarter ended June 30, 2009:                        | 67,489,062 | Year ended March 31, 2008:      | 67,394,568 |
| Number of treasury stock                                |            |                                 |            |
| 1st quarter ended June 30, 2009:                        | 5,661,236  | Year ended March 31, 2008:      | 5,660,792  |
| Average number of shares outstanding                    |            |                                 |            |
| 1st quarter ended June 30, 2009:                        | 61,826,818 | 1st quarter ended June 30, 2008 | 61,155,205 |

(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report. Please note that future events may cause the actual results to be significantly different from the forecasts.
- For the rational computation of forecasted net profit per share, the estimated average number of shares (61,827 thousand share for the 2nd quarter, 61,827 thousand shares for the full fiscal year) was used .

## **1. The progress of the consolidated business results including related qualitative information**

The Japanese economy during this first quarter, ended June 30, 2009, seemed to have bottomed out with a reduction of inventory, a rise in stock prices, and the decline in crude oil prices. However, the overall economy remained flat due to stagnating capital investment and consumer spending.

As for the video game industry, Capcom achieved favorable results in general especially in overseas markets. This is attributable to the increase in demand derived from the global recession that forced consumers to cut back on traveling and going out and to look for alternative “at-home” entertainment.

Under these circumstances, Capcom held the “CAPTIVATE 2009” press event in Monte Carlo, Monaco to accelerate our overseas business expansion. In addition, we explored our contents expansion business and decided to adapt “Sengoku BASARA” to a stage show and a TV anime.

Moreover, the popularity of “Sengoku BASARA” had unforeseen effects. For example, new food and beverage products went on sale that incorporated the characters of “Sengoku BASARA”. And tourism increased in areas that are historically associated with the military commanders that appear in the software, thus supporting community development.

The resulting net sales for the current period increased to 19,497 million yen (up 19.2 % from the same term last year), and the operating income increased to 3,664 million yen (up 23.0 % from the same term last year). Ordinary income increased to 4,117 million yen (up 2.3 % from the same term last year) due partially to the rebound from the foreign exchange gain recorded during the same term last year. Net profit for the current period decreased to 2,230 million yen (down 6.4 % from the same term last year).

### **Status of Each Operational Department**

#### Home Video Games

In this business segment, “Ace Attorney INVESTIGATIONS: Miles Edgeworth” (for Nintendo DS), which was derived from Capcom’s popular software “Ace Attorney”, showed a favorable sales increase. “Resident Evil 5” (for PlayStation 3, Xbox 360), one of the most successful titles in the previous quarter, continued to grow, and “Monster Hunter Freedom Unite” (for PlayStation Portable) released in the last two years also enjoyed prolonged steadfast sales.

In addition “Sengoku BASARA Battle Heroes” (for PlayStation Portable), the latest addition of the series, made a favorable showing. The new software started the so-called “REKIJO” (Japanese

term for female Japanese history “Otaku”.) boom in Japan and generated public interest in Japan's “Warring States” (SENGOKU) era.

On the other hand, “Bionic Commando” (for PlayStation 3, Xbox 360), which was targeted to the overseas markets, underperformed its projected sales. “Monster Hunter Freedom Unite” (for PlayStation Portable) also performed weakly.

The resulting net sales increased to 14,148 million yen (up 36.0 % from the same term last year), and the operating income increased to 4,711 million yen (up 32.5 % from the same term last year).

#### Arcade Operations

In this softening market, we engaged in aggressive business operations trying to create demand and attract more customers. Holding customer appreciation events and introducing popular game machines that satisfy a wide customer base are just few examples of such efforts.

We did not open or close any facility during this period, and the total number of “Plaza Capcom” remained at 40.

The resulting net sales decreased to 2,926 million yen (down 6.5 % from the same term last year). However, the operating income increased to 114 million yen (the operating loss of 73 million yen was recorded in the same term last year) as a result of closing down unprofitable facilities, turning sales into the black.

#### Arcade Games Sales

In this business segment, we focused on the sales of renewing existing game machines to arcade operators as we went through the transitional period of our product provision cycle. However, overall sales remained soft partially due to market stagnation and a decrease in purchasing power from arcade operators.

The resulting net sales decreased to 313 million yen (down 69.1 % from the same term last year), and the operating loss was 168 million yen (the operating loss of 245 million yen was recorded in the same term last year).

#### Contents Expansion

In the business of game distribution to mobile phones, we established a new business strategy of “Single Contents Multiple Usage”. “Apollo Justice Ace Attorney” was released based on this new approach, and it achieved

healthy growth. Additionally, the global distribution of “Resident Evil: Degeneration” for iPhone and iPod touch was started, and it performed favorably attracting new users.

On the other hand, the Pachislo machine business struggled due to the harsh market environment as well as to the lack of products. We believe that this business segment is still in an early stage, and it may take some time before we see fully fledged business results.

The resulting net sales increased to 1,474 million yen (up 34.4 % from the same term last year), and the operating loss was 65 million yen (the operating income of 279 million yen was recorded in the same term last year).

#### Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, decreased to 635 million yen (down 10.6 % from the same term last year), and the operating income decreased to 239 million yen (down 20.9 % from the same term last year).

## **2. Qualitative Information Regarding the Consolidated Financial Position**

Total Assets as of the end of first quarter decreased by 12,025 million yen from the end of previous fiscal year to 94,185 million yen. The primary increases were 6,918 million yen in cash on hand and in banks and 1,408 million yen in work-in-progress for game software. The primary decrease was 20,769 million yen in notes and accounts receivable, trade.

Liabilities as of the end of first quarter decreased by 13,286 million yen from the previous fiscal year to 33,574 million yen. The primary decreases were 6,026 million yen in notes and accounts payable, trade, 5,055 million yen in short-term borrowings, and 761 million yen in accrued bonuses.

Net assets as of the end of first quarter increased by 1,261 million yen from the previous fiscal year to 60,610 million yen. The primary increase was 2,230 million yen in net income for the current period, and the primary decrease was 926 million yen in dividend paid.

## **3. Qualitative Information Regarding the Consolidated Business Forecasts**

The prospects of the consolidated business results for the current fiscal year ending March 31, 2010 remain the same as what was projected at the financial results announcement on May 8, 2009.

#### 4. Others

(1) Transfer of major subsidiaries during the current quarter (transfer of certain subsidiaries that requires modification to the scope of consolidation).

There were no applicable subsidiary transfers.

(2) The application of simplified accounting procedures and those procedures specific to the preparation of quarterly consolidated financial reports.

##### Computation method used for estimating bad debts in general receivables

The actual percentage of credit losses recorded at the end of the current quarter proved to be not significantly different from what was estimated at the previous fiscal year end. Therefore, the estimated bad debt is computed based on the actual percentage of credit losses at the previous fiscal year end.

##### Valuation of inventory

We eliminated the process of taking a physical stock inventory at the end of current quarter, and instead adopted a rational computation method which uses the actual ending inventory of the previous fiscal year as a base. As for devaluing the book value of inventory assets, the devaluation is applied only to those inventories whose profitability clearly decreased. The devaluation is based on the estimated net sale value of such inventories.

##### Computation method for corporation taxes, deferred tax assets, and deferred tax liabilities

The computation of corporation income taxes is based on the method that restricts taxable items, deductible items, or tax exempt items to only significant ones.

As for judging the ability to collect deferred tax assets, we confirmed that there has been no significant change in the business environments or in the generation of temporary difference since the previous fiscal year end. Therefore, we are applying the method that is based on the business prospects and tax planning used in the previous fiscal year.

For computing the tax expenses of our consolidated subsidiaries, we made a realistic estimate of the effective tax rate after applying the income tax allocation accounting to the net profit before tax of the consolidated fiscal year including the current first quarter. We then applied the estimated effective tax rate to the net profit before tax of the current quarter. The adjustment of corporate tax and other tax is included in the corporate tax.

(3) Changes in the principle, procedures, and presentation methods in the preparation of consolidated quarterly financial reports

There were no applicable changes.

5 . Summary of consolidated financial statements

(1) Summary of consolidated balance sheets

(Unit: Millions of yen)

	Current 1st quarter (as of June 30, 2009)	Previous fiscal year (as of March 31, 2009)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	35,530	28,611
Notes and accounts receivable, trade	7,125	27,894
Merchandise and finished goods	1,314	1,746
Work-in-progress	1,838	2,097
Raw materials and supplies	2,846	2,745
Work-in-progress for game software	11,841	10,432
Other	7,018	5,661
Allowance for doubtful accounts	(308)	(383)
Total current assets	67,206	78,806
Fixed assets		
Tangible fixed assets, net of accumulated depreciation	15,001	15,217
Intangible fixed assets		
Goodwill	327	419
Other	3,081	3,154
Total intangible fixed assets	3,408	3,574
Investments and other assets		
Other	9,608	9,654
Allowance for doubtful accounts	(1,039)	(1,042)
Total investments and other assets	8,568	8,612
Total fixed assets	26,979	27,404
Total assets	94,185	106,210

(Unit: Millions of yen)

	Current 1st quarter (as of June 30, 2009)	Previous fiscal year (as of March 31, 2009)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	3,656	9,682
Short-term borrowings	10,711	15,766
Current portion of convertible bonds	285	400
Accrued income taxes	2,321	1,923
Accrued bonuses	1,330	2,091
Allowance for sales returns	291	313
Other	6,805	8,238
Total current liabilities	<u>25,401</u>	<u>38,415</u>
Long-term liabilities		
Long-term borrowings	4,959	5,067
Accrued retirement benefits for employees	1,223	1,171
Accrued retirement gratuities to directors	-	406
Other	1,990	1,800
Total long-term liabilities	<u>8,173</u>	<u>8,445</u>
Total liabilities	<u>33,574</u>	<u>46,861</u>
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,096	33,039
Capital surplus	21,186	21,129
Retained earnings	18,304	1,700
Treasury stock	(8,016)	(8,015)
Total shareholders' equity	<u>64,571</u>	<u>63,152</u>
Valuation and translation adjustments		
Net unrealized gain on securities, net of tax	59	(12)
Cumulative translation adjustments	(4,020)	(3,790)
Total valuation and translation adjustments	<u>(3,961)</u>	<u>(3,803)</u>
Total net assets	<u>60,610</u>	<u>59,349</u>
Total liabilities and net assets	<u>94,185</u>	<u>106,210</u>

## (2) Summary of consolidated statements of income

(Unit: Millions of yen)

	Previous 1st quarter from April 1, 2008 to June 30, 2008	Current 1st quarter from April 1, 2009 to June 30, 2009
Net sales	16,352	19,497
Cost of sales	9,285	10,596
Gross profit	7,066	8,901
Reversal of allowance for sales returns	26	21
Net gross profit	7,093	8,923
Selling, general and administrative expenses	4,114	5,258
Operating income	2,978	3,664
Non-operating income		
Interest income	200	53
Dividend income	17	16
Investment gain on equity method	0	-
Exchange gain, net	843	367
Other	22	85
Total non-operating income	1,085	523
Non-operating expenses		
Interest expense	17	51
Commission	11	-
Other	10	18
Total non-operating expenses	39	70
Ordinary income	4,024	4,117
Special gains		
Reserve for allowance for doubtful accounts	4	16
Total special gains	4	16
Special losses		
Loss on sales and /or disposal of fixed assets	-	7
Total special losses	-	7
Net income before income taxes	4,028	4,126
Income taxes-current	192	2,239
Income taxes-deferred	1,453	(343)
Total income taxes	1,646	1,895
Net income	2,382	2,230

## (3) Summary of statements of Cash Flows

(Unit: Millions of yen)

	Previous 1st quarter from April 1, 2008 to June 30, 2008	Current 1st Quarter from April 1, 2009 to June 30, 2009
Cash flows from operating activities		
Net income before income taxes	4,028	4,126
Depreciation and amortization	769	801
Amortization of goodwill	123	92
Decrease in allowance for doubtful accounts	(49)	(80)
Interest and dividend income	(218)	(70)
Interest expense	17	51
Exchange gain, net	(625)	(23)
Investment gain on equity method	(0)	-
loss on sales and/or disposal of fixed assets	-	7
Decrease in accounts receivable, trade	7,985	20,781
Decrease (increase) in inventories	(1,488)	574
Increase in work-in-progress for game software	(2,297)	(1,465)
Decrease in accounts payable, trade	(2,181)	(6,037)
Other	(3,277)	(3,449)
Sub total	2,785	15,309
Interest and dividends received	245	68
Interest paid	(10)	(50)
Income taxes paid	(853)	(1,757)
Net cash provided by operating activities	2,167	13,570
Cash flows from investing activities		
Payment for acquisitions of tangible fixed assets	(569)	(493)
Proceeds from sales of tangible fixed assets	3	-
Payment for acquisitions of intangible fixed assets	(101)	(118)
Other	(105)	187
Net cash used in investing activities	(773)	(425)
Cash flows from financing activities		
Repayments of short-term borrowings	(3)	(5,055)
Repayments of long-term borrowings	(105)	(107)
Payment for repurchase of treasury stock	(131)	(0)
Proceeds from sales of treasury stock	0	-
Dividend paid	(876)	(927)
Other	(19)	(121)
Net cash used in financing activities	(1,135)	(6,213)
Effect of exchange rate changes on cash and cash equivalents	1,592	(69)
Net increase in cash and cash equivalents	1,850	6,862
Cash and cash equivalents at beginning of year	32,763	28,611
Increase due to change in scope of consolidated subsidiaries	220	-
Cash and cash equivalents at end of year	34,834	35,474

(4) Going concern assumptions: Not applicable

(5) Segment Information

[Business segments]

Previous 1st quarter (from April 1, 2008 to June 30, 2008)

(Unit: Millions of yen)

	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss								
Net sales								
(1) Customers	10,406	3,128	1,010	1,097	710	16,352	-	16,352
(2) Inter-segment	-	-	5	-	-	5	(5)	-
Total	10,406	3,128	1,015	1,097	710	16,357	(5)	16,352
Operating income or loss	3,556	(73)	(245)	279	302	3,818	(840)	2,978

Current 1st quarter (from April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	Home video games	Arcade operations	Arcade games	Contents expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss								
(1) Customers	14,148	2,926	313	1,474	635	19,497	-	19,497
(2) Inter-segment	-	-	-	-	-	-	-	-
Total	14,148	2,926	313	1,474	635	19,497	-	19,497
Operating income or loss	4,711	114	(168)	(65)	239	4,830	(1,165)	3,664

[Geographic areas]

Previous 1st quarter (from April 1, 2008 to June 30, 2008)

(Unit: Millions of yen)

	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss							
Net sales							
(1) Customers	12,874	1,820	1,349	308	16,352	-	16,352
(2) Inter-segment	801	133	-	-	934	(934)	-
Total	13,675	1,954	1,349	308	17,287	(934)	16,352
Operating income or loss	3,968	(330)	106	32	3,775	(797)	2,978

Current 1st quarter (from April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	Japan	North America	Europe	Other regions	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss							
Net sales							
(1) Customers	11,871	4,169	3,090	365	19,497	-	19,497
(2) Inter-segment	2,288	403	1	2	2,694	(2,694)	-
Total	14,160	4,572	3,091	368	22,192	(2,694)	19,497
Operating income or loss	3,597	767	271	83	4,719	(1,055)	3,664

[Overseas sales]

Previous 1st quarter (from April 1, 2008 to June 30, 2008)

(Unit: Millions of yen)

	North America	Europe	Other regions	Total
Overseas sales	1,864	1,250	429	3,545
Consolidated net sales				16,352
Percentage of overseas sales included in consolidated net sales	11.4	7.7	2.6	21.7

Current 1st quarter (from April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	North America	Europe	Other regions	Total
Overseas sales	4,378	2,708	797	7,884
Consolidated net sales				19,497
Percentage of overseas sales included in consolidated net sales	22.5	13.9	4.1	40.4

(6) Significant change in the amount of the shareholders' equity during the current 1st quarter: Not applicable