



Capcom Co., Ltd.
(Tokyo-Osaka Stock Exchange,
First Section, 9697)

Third Quarter Report
Fiscal Year ending March 31, 2008

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Financial Highlights

Consolidated Performance

Sales in the first three quarters of FY07 were higher than in the previous fiscal year but earnings declined

(Millions of Yen)	FY06/Q1-Q3	FY07/Q1-Q3	YoY change
Net sales	49,283	51,655	+4.8%
Operating income	6,648	6,101	-8.2%
(Operating margin)	13.5%	11.8%	-1.7%
Ordinary income	7,701	6,520	-15.3%
Net income	4,347	3,574	-17.8%
Net income per share	¥79.38	¥61.45	-22.6%

Financial Highlights

Balance Sheets

Significant changes in balance sheet items were as follows
(Figures in parentheses are changes vs. end of Sept. '07)

Assets		(Millions of Yen)
Investments in securities	2,019	(+493)
<hr/>		
Investment in Street Fighter Film, LLC (producer of the Street Fighter movie)		
Liabilities		(Millions of yen)
Convertible bonds issued after April 1st, 2002	1,845	(-1,665)

Declined due to conversion of bonds into stock

Financial Highlights

Topics (Sept. ~ Dec. '07)

Reinforced the multiple-platform strategy with a full-scale launch of Wii titles

Shipments of “Resident Evil 4 Wii edition” exceeded one million copies
(October 30)

Shipments of “Resident Evil :The Umbrella Chronicles”, a new title for the Wii,
is nearly reaching one million copies

Announced plans to sell Wii version of “Monster Hunter 3 (tri-)”

“Monster Hunter Freedom 2” became the number-one title in Japan for PSP

Shipments in Japan reach 1.5 million units (December 4)

Number one in Japan in 2007 for PSP and number two for all platforms combined
(source: Enterbrain)

Financial Highlights

Business Segments

Home Video Games segment enjoyed a steady growth because of several hit titles, but greater than expected weakness in the Arcade Operations segment had a significant impact on consolidated performance

(Millions of Yen)		FY06/Q1-Q3	FY07/Q1-Q3	YoY change
Home Video Games	Net sales	25,012	30,852	+23.3%
	Operating income	4,369	6,039	+38.2%
Arcade Operations	Net sales	9,627	9,577	-0.5%
	Operating income	1,516	573	-62.2%
Arcade Games Sales	Net sales	6,834	2,170	-68.2%
	Operating income	947	-692	-
Contents Expansion	Net sales	6,056	7,042	+16.3%
	Operating income	1,888	2,282	+20.9%
Other Businesses	Net sales	1,753	2,012	+14.8%
	Operating income	-41	366	-

Business Units

Home Video Games

A steady performance as sales of core titles in the first three quarters exceeded plans

(‘000 copies)

Cumulative sales through Q3: 10,400,000 copies (8,200,000 in the same term last year)

Breakdown	Japan	5,000		
	North America	3,100	Titles of other companies	1,440
	Europe	2,150	Old titles/Lower-priced versions	3,650
	Asia	150		

(‘000 copies)

FY07 Q1-Q3 Sales of Major Titles

	Platform	Region	Sales	Plan
Resident Evil: The Umbrella Chronicles	Wii	Worldwide	950	620
Zack & Wiki: Quest for Barbaros' Treasure	Wii	Worldwide	300	Not announced
MotoGP 07	PS2	Worldwide	280	Not announced
Monster Hunter Freedom 2	PSP	Worldwide	270	Not announced

(repeat during period)

Business Units

Home Video Games

Launch of two major titles in Q4 may have a big impact on FY07 performance

The plans for major two titles are revised

”Devil May Cry 4” 1,800,000 copies revised up to 1,900,000 copies

”Monster Hunter Freedom 2 G” 500,000 copies revised up to 900,000 copies

(‘000 copies)

Plans for Major New Titles

	Platform	Region	Release Date	Plan
Devil May Cry 4	X360, PS3	Worldwide	Japan Jan.31 North America Feb.5 Europe Feb.8	1,900
Monster Hunter Freedom 2 G	PSP	Japan	Mar.27	900

Business Units

Arcade Operations

Performance fell short of the plan in first three quarters due to a persistently difficult operating environment, mainly at existing arcades

For first three quarters, sales at existing arcades were 86% of sales in same period of prior FY (Q3 sales were 80% of sales in Q3 of prior FY)

No significant changes from 1st-half trends; challenging market conditions due to falling demand caused by strong popularity of home video games and more competition as new arcades are opened

Posted a loss because of higher costs for opening new arcades; 6 arcades opened during the third quarter

FY07 Q1-Q3 Arcade Openings and Closings

	Arcades opened	Arcades closed	Total
April to September '07	2	0	35
October to December '07	6	0	41
(Plan for FY07)	9	0	42

In Q4, existing arcades will work on improving profitability; now making significant revisions to FY08 arcade opening plans

Reviewing prizes and operations at all arcades and replacing game machines with updated models

FY08 priority is improving the operating margin; will temporarily reduce investments to open new arcades

Arcade Games Sales

Higher loss due to absence of sales from core titles and up-front game development expenses

Focusing sales activities on shipments of repeat titles

Repeat shipments continued for coin-operated games and prize-winning games, but up-front expenses prevented a recovery in performance

Performance was impacted somewhat by an earlier than expected drop in sales of the “Wantame Music Channel” card game

Plan to achieve sales and earnings goals due to contributions from launch of major video game in fourth quarter

Plan to launch “MOBILE SUIT GUNDAM GUNDAM VS. GUNDAM” in March '08

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Now accepting orders and expect to meet the goal of 7,000 units

Increasingly likely to reach the plan; although Capcom is taking actions regarding risks involving card games, sales of core video games are expected to reach the plan

Contents Expansion

Performance through the first three quarters is in line with plans

No launches of major new titles in the pachinko and pachislo business

Strong sales in the mobile content business, led by the popularity in Japan of the Ace Attorney series. Following the acquisition and start of operations in North America, operations in this region became profitable in December, making a contribution to earnings.

The cumulative sales composition of Q3 Pachinko & Pachislo : Mobile = 6 : 4

Expect to reach FY sales plan for FY2007

Pachinko & Pachislo
business

Sales planned for Q4 from some titles have been pushed back to FY09

Mobile contents
business

Operations in Japan remain firmly in the black mainly due to the popularity of the Ace Attorney series. Overseas, Capcom aims to further expand operations by offering a balanced lineup of titles for both casual players and core players.

Fiscal 2007 Forecast

Fiscal Year 2007 Forecast

(Millions of Yen)	Net sales	Operating income	Ordinary income	Net income	Net income per share
FY2006 Results	74,542	9,602	10,600	5,852	¥107.52
FY2007 Previous Forecast	78,000	10,000	11,000	6,200	¥105.77
FY2007 Revised Forecast	81,600	11,500	11,000	6,200	¥105.59
Difference	+4.6%	+15.0%	-	-	-

Revising up earning forecast for the fiscal year 2007

We revised up earning forecast due to the strong perform of the sales and pre-order for the two major title launching in Q4 in Home Video Games business

The projection of sales units for “Devil May Cry 4” and “Monster Hunter Freedom 2 G” was revised up

Arcade Operations business may continue to have a negative impact on consolidate performance

Disclaimer Regarding Forward-looking Statements

Management strategies, plans, projections and other statements excluding historical facts in these presentation materials are for forecast purposes. Please note that the above business projections are based on the information that is available at the time of this announcement and certain assumptions that serve as the basis of rational judgments have been made. Actual performance may vary substantially from these projections due to various contributing factors to the future.

Additionally, changes in market environments, such as the diversification of user needs, may drastically affect the performance of this industry in which our company operates.

Factors contributing to performance fluctuations include but are not limited to: (1) the presence or absence of strong-selling titles and the number of units sold in the home video game software business which accounts for not less than 50% of our total sales; (2) the progress of home video game software development; (3) the proliferation of home video game consoles; (4) sales in overseas markets; (5) trends in stock prices and foreign exchange; (6) cooperation with other companies in development, sales, and operations; and (7) changes in market environments.