



Capcom Co., Ltd.

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Results of Operations and Strategies

First half of fiscal year ending March 31, 2009

Precautions Concerning Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diversifying user needs and other changes in market conditions. Items that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) the popularity of home video game players; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.



Contents:

1. Home Video Games	· · · 3
2. Arcade Operations	· · · 9
3. Arcade Games Sales	· · · 11
4. Contents Expansion	· · · 13
5. Fiscal 2009 Forecast	· · · 15

Home Video Games: First Half Highlights

Sales increased despite the absence of major titles because of strong repeat sales of titles from the previous fiscal year.

1. Cumulative shipments of “Monster Hunter Freedom 2G” surpassed 2.5 million units

Cumulative shipments of this title, which was launched in the previous fiscal year, totalled 2.58 million units at the end of the first half (1.6 million during the first half), making it Japan’s leading video game and a social phenomenon.

2. Established a subsidiary in France (July 3, 2008)

Established Capcom Entertainment France S.A.S. with the goal of further increasing sales volume in Europe

3. Received the grand prize at the Japan Game Awards for the second consecutive year in 2008 (Capcom’s fifth grand prize, more than any other video game company)

Game of the Year, Grand Prize “Monster Hunter Freedom 2nd G”

Award for Excellence “Devil May Cry 4”

Future Division “Resident Evil 5”, “Monster Hunter 3 (Tri)”, “Gyakuten Kenji”

4. MT Framework Wins Grand Prize at CEDEC Awards

This multiplatform game development environment created by Capcom received high marks from specialists for its advanced integrated development environment.

Home Video Games: First Half Highlights

First Half Sales of Major Titles

Growth in repeat sales, particularly for “Monster Hunter Freedom 2G”

(thousand units)

	Title	Region	Date	Plan	Total
PSP	Monster Hunter Freedom 2G (Repeat)	Japan	3/27	1,600	1,600
Xbox 360 PC	Lost Planet Colonies	Japan	5/29	30	400
		USA	5/27	120	
		Europe	6/1	250	
Wii	Okami	USA	4/15	210	300
		Europe	4/15	90	



Home Video Games: First Half Highlights

First Half Home Video Game Sales

The volume of shipments was down, but there was a big improvement in profitability because of strong repeat sales.

(Million yen)

	2006/9	2007/9	2008/9	Difference
Net Sales	15,735	16,323	16,486	163
Operating Margin	14.4%	15.1%	22.1%	7.0%

(Thousand units)

	2006/9	2007/9	2008/9	Difference
Titles	32	50	50	0
Japan	1,700	2,900	3,000	100
North America	2,000	1,700	1,100	-600
Europe	850	1,200	800	-400
Asia	150	100	200	100
Total	4,700	5,900	5,100	-800

(Composition)

(Thousand units)

	2006/9	2007/9	2008/9	Difference
Distribution Titles	620	960	540	-420
Old Titles	1,500	2,100	3,500	1,400

Home Video Games: Second Half Strategic Goals

Increase market share outside Japan by introducing more titles and using the overseas strategy to produce concrete results

1. Apply the multi-platform strategy to all titles

Introduce major second-half titles using the multi-platform approach

Launch “Resident Evil 5” for the Xbox 360 and PS3

Launch “Street Fighter IV” for the Xbox 360, PS3 and PC (introduction date to be decided)

Add a Wii version of “Dead Rising Chop Till Your Drop,” which is already available for the Xbox 360

2. Develop more powerful titles overseas

Establish overseas game development bases to supply the types of games that local players want

Examples of titles developed overseas

“Bionic Commando” for PS3, Xbox360 and PC

“Moto GP 08” for Xbox 360, PS3, Wii, PS2 and PC

“Super Puzzle Fighter” Online distribution title (Xbox Live and PlayStation Network)

3. Use movies effectively as a promotional tool

Maximize sales volume by having movies and associated games debut at the same time

“Resident Evil: Degeneration” October 2008 debut

“Street Fighter: The Legend of Chun Li” Scheduled for February 2009 debut

Home Video Games: Second Half Strategic Goals

Second Half Sales Plans for Major Titles

Planning launches of several major titles
 Raised planned sales for “Resident Evil 5”

(Thousand units)

Title		Region	Date	Plan
Xbox 360 PS3	Resident Evil 5	Japan	Mar. 12	3,250
		USA	Mar. 13	
		Europe		
Xbox 360 PS3 PC	Street Fighter	Japan	Winter 2009	1,700
		USA		
		Europe		
Xbox 360 PS3 PC	Bionic Commando	Japan	Early 2009	1,500
		USA		
		Europe		
Wii	Dead Rising Chop Till You Drop	Japan	Feb. 2009	500
		USA		
		Europe		

Home Video Games: Second Half Strategic Goals

Fiscal Year Plan for Home Video Game Business

Raised fiscal year sales plan due to increase in planned sales volume in second half

(Million yen)

	2007/3	2008/3	2009/3 Plan	Difference
Net Sales	43,813	51,679	64,300	12,621
Operating Margin	18.4%	22.5%	26.9%	4.4%

(Thousand units)

	2007/3	2008/3	2009/3 Plan	Difference
Titles	90	106	89	-17
Japan	5,200	7,100	6,000	-1,100
North America	4,300	4,700	5,900	1,200
Europe	2,400	3,450	6,900	3,450
Asia	300	350	400	50
Total	12,200	15,600	19,200	3,600

(Composition)

(Thousand units)

	2007/3	2008/3	2009/3 Plan	Difference
Distribution Titles	1,200	1,650	1,400	-250
Old Titles	3,100	4,550	3,750	-800

Arcade Operations: First Half Highlights

Performance below plan due to consistently weak market conditions

First Half Summary

- Existing arcade sales decreased to 84% YoY comparison (each 84% the YoY performance in 1st and 2nd quarters)
- The following factors combined to hold down performance at existing arcades
 - Fewer customers at shopping centre arcades due to high cost of crude oil
 - Lack of popular games
 - Popularity of home video games is reducing the number of arcade game players

First Half Arcade Operations Business

(Million yen)

	2006/9	2007/9	2008/9	Difference
Net Sales	6,466	6,375	6,847	472
Operating Margin	17.6%	10.7%	3.4%	-7.3%
Year-to-Year Ratio of Existing arcades	99%	88%	84%	-4%

Number of Arcades

(Locations)

	2007/3	2008/3	2008/9	2009/3(Plan)
New arcades	6	9	1	6
Closing arcades	3	0	1	5
Total	33	42	42	43

Arcade Operations: Second Half Strategic Goals

Reduced fiscal year plan due to challenging operating environment

Fiscal year goals

Extensive arcade rebuilding program with measures to improve efficiency

- Move faster to close unprofitable locations
- Carefully study locations to open arcades that can be highly profitable
- Cut operating expenses by negotiating lower wages

Second half outlook

- No prospects for rapid rebound in sales at existing arcades, but will aim to avoid losses by taking the above actions
- Plan to close four arcades in the second half, total of five during FY3/09
- Revised second-half plan with 93% sales at existing arcades

Fiscal Year Arcade Operations Business

(Million yen)

	2007/3	2008/3	2009/3 Plan	Difference
Net Sales	13,043	13,406	14,200	794
Operating Margin	15.4%	5.6%	0.0%	-5.6%
Year-to-Year Ratio of Existing Stores	96%	86%	88%	2%

Arcade Games Sales: First Half Highlights

Sales and earnings generally matched the plan due to sales of video game machines and machines for card games

First Half Summary

- First half repeat sales of video game and card game machine sales were strong.
- Operating income was about as planned since performance was no longer affected by the prior fiscal year's problem with medal-winning game machines.

First Half Sales by Category

- Medal-winning games 30 units
- Prize-winning games 30 units
- Video games 5,300 units

“Sengoku BASARA X ” “Fate/Unlimited Codes” “Street Fighter ”

First Half Arcade Games Sales

(Million yen)

	2006/9	2007/9	2008/9	Difference
Net Sales	4,348	1,353	4,079	2,726
Operating Margin	20.5%	-42.1%	18.1%	-

Arcade Games Sales: Second Half Strategic Goals

Lowered the fiscal year sales plan due to a downturn in demand caused by the deteriorating the amusement market

Second Half Outlook

- As in the first half, newly introduced video game machines and repeat sales of card game machines will probably account for most sales
- Goal is to generate sales and earnings that match the business plan

Second Half Sales Plan by Category

- Medal-winning games 11 units
- Prize-winning games 30 units
- Video games 6,800 units

“Tatsunoko vs. Capcom CROSS GENERATION OF HEROES” and one other title

Fiscal Year Arcade Games Sales Business

(Million yen)

	2007/3	2008/3	2009/3 Plan	Difference
Net Sales	8,021	6,538	7,700	1,162
Operating Margin	17.1%	18.1%	16.9%	-1.2%

Contents Expansion: First Half Highlights

Performance was well below the plan due to weakness in the Pachinko and Pachislo Business and a slowdown in the Mobile Content Business

Pachinko and Pachislo First Half Summary

- Yamasa introduced its Resident Evil pachislo machine and recording sales as planned.
- Performance was hurt by a big shortfall in sales vs. the plan for the newly introduced “Chun-li ni makase China” pachislo machine of Enterrise

Mobile Content First Half Summary

- In Japan, sales of the “Apollo Justice: Ace Attorney” series started declining in the second quarter.
- Overseas, sequels of popular titles are selling well in North America

First Half Content Expansion Business Performance

(Million yen)

	2006/9	2007/9	2008/9	Difference
Net Sales	1,333	5,644	2,547	-3,097
Operating Margin	5.4%	33.0%	10.2%	-22.8%

*Pachinko and pachislo is about 20% of sales and mobile content about 80%

Contents Expansion Business: Second Half Strategic Goals

Lowered the fiscal year plan because of first half weakness in the Pachinko and Pachislo Business and revised outlook for both businesses in the second half

Pachinko and Pachislo Second Half Outlook

- Entered the pachislot machine business by making Enterrise a subsidiary
- Number of units sold far below the plan due to delays in the launch of new models
- Plan to recover by focusing on the launch of one pachislot machine model

Mobile Content Second Half Outlook

- Expect a decline in earnings from “Apollo Justice: Ace Attorney” in Japan but a contribution from “Monster Hunter,” where popularity is growing thanks to the single-content multiple-usage strategy
- Plan to use existing titles and the launch of new ones (like “Pang 3”) to increase sales in North America and Europe

Fiscal Year Contents Expansion Business

(Million yen)

	2007/3	2008/3	2009/3 Plan	Difference
Net Sales	7,102	8,525	6,100	-2,425
Operating Margin	22.9%	30.9%	-8.1%	-

Forecast for Fiscal Year Ending March 2009

The fiscal year plan is unchanged because an upward revision in the Home Video Game Business forecast has been offset by weakness in all other businesses.

(Million yen)

	2008/3	2009/3Plan	Difference
Net Sales	83,097	95,300	12,203
Operating Income	13,121	14,600	1,479
Ordinary Income	12,267	14,800	2,533
Net Income	7,807	8,600	793

No change in fiscal year forecasts

Upward revision in Home Video Game Business because of increase in sales volume forecast
(operating income: +¥4.6 billion)

Revisions in business plans for all other businesses (operating income: -¥4.3 billion)

Increase in eliminations and corporate expenses (operating income: -¥0.3 billion)

Earnings per share forecast is ¥139.70

Annual dividend forecast is ¥35 (Interim dividend: ¥20 (including ¥5 commemorative dividend), Year-end dividend: ¥15)



Data File

Selected Financial Data (FY3/08, FY3/09 1H, FY3/09 plan)

Profit and Loss Sheet

(Unit: Millions of yen)

	2008/3	2009/3(E)	%	2008/9
Net Sales	83,097	95,300	114.7%	31,236
Gross Profit	32,536	42,000	129.1%	12,004
% of Gross Profit	39.2%	44.1%	-	38.4%
Sales and G&A Expenses	19,473	27,400	140.7%	8,716
Operating Income	13,121	14,600	111.3%	3,357
% of Operating Income	15.8%	15.3%	-	10.7%
Ordinary Income	12,267	14,800	120.6%	4,115
% of Ordinary Income	14.8%	15.5%	-	13.2%
Net Income	7,807	8,600	110.2%	1,873
% of Net Income	9.4%	9.0%	-	6.0%

Sales by Business Segments

(Unit: Millions of yen)

	2008/3	2009/3(E)	%	2008/9
Home Video Games	51,679	64,300	124.4%	16,486
Arcade Operations	13,406	14,200	105.9%	6,847
Arcade Games Sales	6,538	7,700	117.8%	4,079
Contents Expansion	8,525	6,100	71.6%	2,547
Others	2,947	3,000	101.8%	1,283
Total	83,097	95,300	114.7%	31,236

Sales by Geographic Area

(Unit: Millions of yen)

	2008/3	2009/3(E)	%	2008/9
Japan	56,457	55,500	98.3%	26,389
North America	15,796	23,000	145.6%	4,366
Europe	9,782	15,500	158.5%	2,183
Other territories	1,060	1,300	122.6%	570
Total	83,097	95,300	114.7%	31,236

Promotional Expense

(Unit: Millions of yen)

	2008/3	2009/3(E)	%	2008/9
Capcom Japan	3,773	3,500	92.8%	1,150
Consolidated	5,693	8,000	140.5%	1,852

Number of Arcades

(Unit: locations)

	2007/3	2008/3	2009/3(E)	2008/9
Consolidated	33	42	43	42

Capital Expenditure

(Unit: Millions of yen)

	2008/3	2009/3(E)	%	2008/9
Capcom Japan	2,915	2,800	96.1%	913
Consolidated	3,166	3,000	94.8%	1,093

Depreciation

(Unit: Millions of yen)

	2008/3	2009/3(E)	%	2008/9
Capcom Japan	2,825	3,100	109.7%	1,443
Consolidated	3,393	3,900	114.9%	1,839

Number of Employees

(Unit: Persons)

	2008/3	2009/3(E)	%	2008/9
Capcom Japan	1,324	1,524	115.1%	1,466
Consolidated	1,506	1,752	116.3%	1,752

R&D Investment Cost

(Unit: Millions of Yen)

	2008/3	2009/3(E)	%	2008/9
R&D Investment Cost	18,458	24,700	133.8%	10,520
Technical R&D Cost	2,972	2,700	90.8%	1,076

Sales Units Shipped

(Unit: '000 copies)

		2007/3	2008/3	2008/9	2009/3(Plan)
Playstation 2	Total Titles	46	29	7	11
	Sub Total	4,100	3,100	550	500
Playstation 3	Total Titles	0	8	3	10
	Sub Total	0	1,750	150	4,900
PSP	Total Titles	20	16	8	8
	Sub Total	2,700	3,150	2,000	2,450
Wii	Total Titles	0	13	5	14
	Sub Total	0	2,930	790	2,200
Game Cube	Total Titles	1	0	0	
	Sub Total	300	140	60	
Game Boy	Total Titles	3	0		
	Sub Total	100	10		
NintendoDS	Total Titles	1	27	22	29
	Sub Total	500	2,400	800	2,100
Xbox	Total Titles	2	0		0
	Sub Total	100	20		0
Xbox360	Total Titles	3	10	3	11
	Sub Total	2,700	1,620	400	4,550
PC & Others	Total Titles	0	3	2	6
	Sub Total	0	480	350	2,500
Total	Total Titles	90	106	50	89
	Sub Total	12,200	15,600	5,100	19,200