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Press Release

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Favorable Financial Results for the 1st Quarter ended June 30, 2008 !
15% increase in Net Sales, 44% increase in Operating Income
compared to previous term

- Best Q1 net sales and operating income since quarterly release announcements began -

Capcom Co., Ltd. is pleased to announce that net sales increased to 16,352 million yen (up 14.5% from the same term last year), operating income increased to 2,978 million yen (up 43.5% from the same term last year) and net income increased to 4,024 million yen (up 60.1% from the same term last year) in consolidated financial results for the 1st Quarter ended June 30, 2008.

In Home Video Games business, the sales of “Monster Hunter Freedom 2G” (for PlayStation Portable) have been skyrocketing since its release on March 27, 2008, becoming the first Japanese software title for PlayStation Portable to achieve record breaking sales of over 2 million units. The great contribution of “Monster Hunter Freedom 2G” drastically increased both sales and profits.

Arcade Operations, on the other hand, continued to struggle in the severe business environment and showed a weak performance, although that has been covered by the favorable results of Home Video Games Business.

Forecast for the fiscal year ending March 31, 2009 is not changed due to continuous weak performance of Arcade Operations business .

1. Consolidated Financial Results for the 1st Quarter ended June 30, 2008

	Net Sales	Operating Income	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen	Million Yen
1st Quarter ended June 30, 2008	16,352	2,978	4,024	2,382
1st Quarter ended June 30, 2007	14,277	2,075	2,513	1,130

2. Forecast for the Fiscal Year ending March 31, 2009

	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	34,700	3,300	3,400	1,800	29.40
Fiscal Year	95,300	14,600	14,800	8,600	140.36

3. Status of Each Operational Department

(1) Home Video Games

(Unit: Millions of Yen)

	1st Quarter ended June 30, 2007	1st Quarter ended June 30, 2008	Difference (%)
Net Sales	7,914	10,406	31.5%
Operating Income	1,872	3,556	90.0%
Operating Margin	23.7%	34.2%	-

In this business segment, “Monster Hunter Freedom 2G” (for PlayStation Portable) accomplished exceptional sales of approximately 2.4 million units, becoming the first Japanese software title for PlayStation Portable to achieve record breaking sales of over 2 million units. One of the most appealing characteristics of the software to its users was that they can fully enjoy the best of the Ad-hoc communications mode of PSP.

The performance of other software, mainly small-scale titles including spin-off software and repeated sales of existing products, underwent a favorable growth in general.

The resulting net sales increased to 1,046 million yen (up 31.5 % from the same term last year), and operating income increased to 3,556 million yen (up 89.9 % from the same term last year). The great contribution of “Monster Hunter Freedom 2G” drastically increased both sales and profits.

(2) Arcade Operations

(Unit: Millions of Yen)

	1st Quarter ended June 30, 2007	1st Quarter ended June 30, 2008	Difference (%)
Net Sales	2,937	3,128	6.5%
Operating Income	261	(73)	-
Operating Margin	8.9%	(2.3%)	-

In this business segment, we tried to create demands and expand our customer base with a community-based approach while engaging the turbulent business environment. Such efforts included improving the efficiency of arcades operation and holding a variety of customer appreciation events.

However, the number of customer visits and average customer spending grew at a sluggish pace reflecting market stagnation and declining customer confidence, forcing us to struggle.

We opened one new arcade in Shimane Prefecture during the first quarter.

The resulting net sales decreased to 3,128 million yen (up 6.5% from the same term last year) and operating loss was 73 million yen (operating income of the same term last year was 261 million yen).

(3) Arcade Games Sales

(Unit: Millions of Yen)

	1st Quarter ended June 30, 2007	1st Quarter ended June 30, 2008	Difference (%)
Net Sales	693	1,015	46.5%
Operating Income	(167)	(245)	-
Operating Margin	24.1%	(24.1%)	-

In this business segment, we introduced new video game machines, “Sengoku BASARA X (cross)” and “Fate/Unlimited Codes” with the purpose of taking full advantage of synergistic effects from our home video game software. We tried to expand sales through a differentiated marketing strategy, emphasizing the unique characteristics of each arcade game.

The introduction of a new game machine resulted in a successful outcome and the resulting net sales increased to 1,015 million yen (up 46.5 % from the same term last year). However operating loss of 245 million yen (operating loss of the same term last year was 167 million yen) was recorded due to an increase in development costs.

(4) Contents Expansion

(Unit: Millions of Yen)

	1st Quarter ended June 30, 2007	1st Quarter ended June 30, 2008	Difference (%)
Net Sales	2,174	1,097	(49.5%)
Operating Income	826	279	(66.2%)
Operating Margin	38.1%	25.4%	-

In this business segment, game distribution to mobile phones showed a healthy growth thanks to the stable income from “Ace Attorney” supported by its strong popularity. The sales of Pachislo-related devices remained weak due to the lack of shipments as we were in a preparation period, waiting for the full-scale operation to begin in the latter half of the current fiscal year..

The lack of the introduction of a new Pachislo-related device adversely affected the sales performance of this segment, and the resulting net sales decreased to 1,097 million yen (down 49.5 % from the same term last year) and operating income decreased to 279 million yen (down 66.3 % from the same term last year).

(5) Other Businesses

(Unit: Millions of Yen)

	1st Quarter ended June 30, 2007	1st Quarter ended June 30, 2008	Difference (%)
Net Sales	564	710	25.9%
Operating Income	134	302	125.4%
Operating Margin	23.8%	42.5%	-

The net sales from other businesses, mainly character-related licensing royalties, increased to 710 million yen (up 25.7 % from the same term last year), and operating income increased to 302 million yen (up 124.6 % from the same term last year).