

Mid-Term Financial Results (Consolidated bases) ended
September 30, 2005 (Unaudited)

Date of Issue:
November 21, 2005
Tokyo, Osaka
Osaka Prefecture

Company Name: CAPCOM Co., Ltd.
Company Code: 9697

Stock Exchange:
Location of Headquarters:

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

Representative: Kenzo Tsujimoto, C.E.O. & President

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Approval of Mid-Term Financial Results by Board Members; November 21, 2005

Application of US Accounting Standard: None

1. Results of the Mid-Term ended September 30, 2005 (April 1, 2005 - September 30, 2005)

(1) Financial Results

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Mid-Term Ended Sept. 30, 2005	27,801	(2.6)	666	(62.5)	907	(38.9)
Mid-Term Ended Sept. 30, 2004	28,537	27.1	1,778	(3.6)	1,486	(5.4)
Year Ended March 31, 2005	65,895		7,752		7,399	

	Net Income		Earnings per Share of Common Stock	Earning per share of Common Stock (Assuming Full Diluted)
	Million Yen	%	Yen	Yen
Mid-Term Ended Sept. 30, 2005	3,124	474.7	56.83	41.88
Mid-Term Ended Sept. 30, 2004	543	(40.9)	9.60	8.45
Year Ended March 31, 2005	3,622		63.37	50.28

Note 1. Investment Profit/Loss on Equity Method

Mid-Term Ended Sept. 30, 2005: (1) million yen Mid-Term Ended Sept. 30, 2004: (21) million yen Year Ended March 31, 2005: (9) million yen

2. Average Number of Shares of Each Terms (Consolidated Basis)

Mid-Term Ended Sept. 30, 2005: 54,968,686 Mid-Term Ended Sept. 30, 2004: 56,651,785 Year Ended March 31, 2005: 56,218,063

3. Change in Accounting Policies: Yes

4. Percentage represents change against corresponding period of the previous year on net sales, operating income, ordinary income and net income.

(2) Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
Mid-Term Ended Sept. 30, 2005	92,058	35,660	38.7	648.76
Mid-Term Ended Sept. 30, 2004	92,071	31,684	34.4	561.06
As of March 31, 2005	106,361	32,491	30.5	589.99

Note: Number of shares outstanding:

Mid-Term Ended Sept. 30, 2005: 54,967,691 Mid-Term Ended Sept. 30, 2004: 56,471,602 Year Ended March 31, 2005: 54,969,432

(3) Cash Flows

	Cash Flows from Operating activities	Cash Flows from Investing activities	Cash Flows from Financing activities	Cash and Cash Equivalents at end of period
	Million Yen	Million Yen	Million Yen	Million Yen
Mid-Term Ended Sept. 30, 2005	2,091	(636)	(13,864)	33,867
Mid-Term Ended Sept. 30, 2004	1,194	(972)	(2,155)	30,832
Year Ended March 31, 2005	7,977	(1,099)	6,251	45,538

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 11

Number of unconsolidated subsidiaries (equity method is applied) : 0

Number of affiliated companies (equity method is applied): 1

(5) Change in Scope of Consolidation and Equity Method

Consolidation: Increase 0, Decrease 1

Equity Method: Increase 0, Decrease 0

2. Forecast for the Fiscal Year ending March 31, 2006 (From April 1, 2005 to March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
For Year ending March 31, 2006	70,000	7,400	8,900

(Reference) Expected Net Income Per Share of Common Stock for Year ending March 31, 2006: 161.91 (Yen)

Note: These forecast are based on the Company's current assumptions and beliefs in light of the information currently available to it, and involve known and unknown risks and uncertainties. The Company's actual results may differ materially from above mentioned forecast.

Status of Capcom Corporate Group

Major businesses of Capcom corporate group (Capcom Co., Ltd. and its affiliated companies) positioning of each affiliated company within the business segments are as described below.

From this mid-term period, business segments are changed from 4 categories (“Home Video Games”, “Arcade Operations”, “Arcade Games” and “Other Businesses”) to 5 categories (“Home Video Games”, “Arcade Operations”, “Arcade Games”, “Contents Expansion” and “Other Businesses”).

By establishing new division which is responsible for developing and distributing mobile contents as well as LCD display based on strategies of expansion of content into various business areas, Contents Expansion Business, which consisted of Other Businesses in the previous fiscal year, was distinguished from Other Businesses due to clarification of its business visibility.

[Home Video Games]

This division develops and distributes home video game software. Capcom Co., Ltd. develops video game software. Capcom Entertainment, Inc.(consolidated subsidiary), Capcom Asia Co., Ltd.(consolidated subsidiary), Capcom Eurosoft Ltd.(consolidated subsidiary), CE Europe Ltd.(consolidated subsidiary), CEG Interactive Entertainment GmbH(consolidated subsidiary), and Capcom Co., Ltd. are responsible for distribution of the game software. Flagship Co., Ltd. (consolidated subsidiary) and Capcom Studio 8, Inc. are also participating in development.

One of R&D division was divided into a new subsidiary under corporate dividing rules in Japan on July 1st and the new company name is Clover Studio Co., Ltd., Koko Capcom Co., Ltd., a developer and distributor of game software, has been qualified as one of consolidated companies since its importance to Capcom Co., Ltd. was increased.

[Arcade Operations]

This division operates amusement facilities. Capcom Co., Ltd. conducts arcade operations at various shopping malls and facilities in Japan.

[Arcade Games]

This division develops, manufactures, and distributes game products for commercial customers. Capcom Co., Ltd. develops and manufactures products while Capcom Asia Co., Ltd. and Capcom Co., Ltd. are responsible for distribution of the products.

[Contents Expansion]

This division develops and distributes mobile contents as well as LCD display. Capcom Co., Ltd. develops and distributes LCD display. As for mobile contents being developed by Capcom Co., Ltd.,

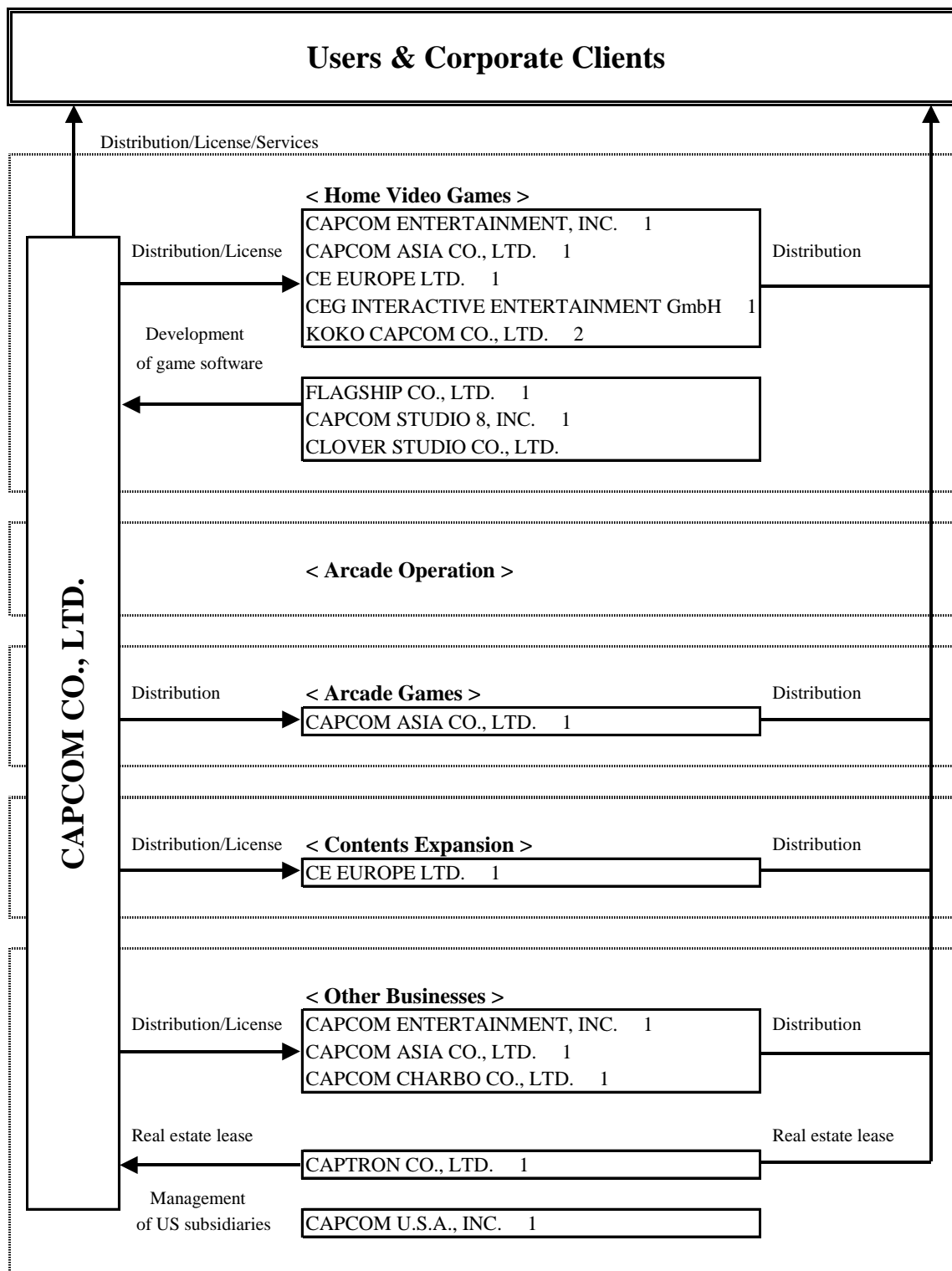
Capcom Co., Ltd. and CE Europe Ltd. undertake their distribution through their telecommunications companies.

[Other Businesses]

Capcom Co., Ltd. conducts various licensing businesses. The Company licenses Capcom characters and game contents out. Capcom Entertainment, Inc., Capcom Asia Co., Ltd., and Capcom Co., Ltd. are responsible for licensing. Capcom Charbo Co., Ltd. (consolidated subsidiary) provides support services in mobile communications, including cell phones. In addition, Captron Co., Ltd. (consolidated subsidiary) is responsible for a real estate leasing business. Capcom USA, Inc.(consolidated subsidiary) is a holding company of its US and UK subsidiaries; Capcom Entertainment, Inc., Capcom Studio 8, Inc. and Capcom Eurosoft Ltd., and their respective managements are under the control of Capcom USA, Inc..

Status Co., Ltd. completed its dissolution on August 30, 2005.

All the explanations described above are shown in the following organizational diagram.



1 Consolidated subsidiary

2 Affiliated companies consolidated for equity method

Business Policy

1. Management Principle

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment.

Our management objectives are also on strengthening relationships with shareholders, clients and our employees to satisfy demands and to bring about prosperous benefits.

2. Principle related to dividends

One of our priorities is on stable and continuous dividends to all shareholders. In order to enable us to implement the objective, we are striving to generate retained earnings in line with our future business strategies as well as our financial strength.

3. Business Targets

As financial conditions in Japan change, such as the implementation of new accounting standards, we believe “Cash-Flow Management” has become an important factor -- more important than to make up financial statements utilizing changes in accounting standards. We do not set actual target figures on specific fields because we understand “Cash-Flow Management” (real management that generates cash) as a very important factor for evaluating decision-making processes and corporate values.

4. Medium Term Business Strategy

In addition to the sharp rise in development costs, the video game industry is facing challenges. International competitions are getting fiercer struggling for survival being resulted in increase in mergers, acquisitions and business integrations as corporate restructuring becomes more intense.

Under this severe situation, we believe that establishing a management system capable of adapting to changes in the business environment is one of our most important managerial goals. In order for us to accomplish this goal, we will reinforce R&D to reform profit structure. We will also work on revitalizing the corporation in order to create corporate values by reforming organization and staff perception including implementing a performance-based incentive program and clarifying accountabilities for management, officers and staff.

As our medium-term business strategy, our management objectives are as shown in the following:

- (1) Focusing on our core business - developing and marketing creative home video game software - by concentrating our resources.
- (2) Strengthening and exploring multi platform strategy for home video game software based on market demands.
- (3) Expanding arcade operations business, which has become the second largest source of business for us, in order to continuously secure stable revenues.
- (4) Strengthen the on-line game business with the improvement of the telecommunication infrastructure.
- (5) Expanding sales overseas by aggressive business deployment, including establishing overseas offices.
- (6) Pioneer business opportunities by enhancing our product contents to create new markets and expanding our share in existing markets. Exploit new business opportunities with the provision on LCD device for PACHISLO machines and more focus on publishing.
- (7) Promoting and strengthening the Capcom Brand to create added value.
- (8) Realizing a stable cash flow for each fiscal term by streamlining financial aspects.

5. Issues to be addressed

Major issues to be addressed taking in consideration surrounding business environments and future market trends:

(1) Consolidation of the critical strategic divisions

We will concentrate our management resources in the home video game software segment, which is our core business, especially in its development and marketing divisions in order to strengthen the competitive edge.

(2) Focus on the overseas operations

Making strong efforts in developing overseas markets is the key to the future business growth as the Japanese domestic market matures. We are determined to execute the strategic overseas operation deployment through the group-wide global business restructuring. One such effort will be to conduct corporate reforms of overseas subsidiaries including Capcom U.S.A., Inc., one of our crucial subsidiaries.

(3) Selection and concentration of business

We are focused on setting a clear vision for the future by harnessing our corporate strength through the effective use of our research and development resources. In addition, we are pushing through a strategy that concentrates management resources on selected business to make the most of the collective power of the entire Capcom group, thus increasing our corporate value. The decision to spin-off a part of the development division, which is expected to grow in the future, and to close down unprofitable businesses, are examples of such activities.

(4) Expansion of the business field

We will focus on growing the content-related business to expand our business fields in response to changes in the managerial environments. Publishing and the provision of the LCD device for PACHISLO machines are among those segments we will give high priorities to achieve this goal.

(5) Enhancement of the corporate quality

We are trying to realize flexible business operations and to improve our operation efficiency through the management innovation. At the same time we are building a framework that enhances our revenue base. As part of such efforts to enhance our business foundation, we are pursuing the strategic group operation and financial structure reformation by reinforcing the management system of both domestic and foreign subsidiaries.

6. Corporate Governance issues

(1) Basic understanding of Corporate Governance

We have introduced the “Operating Officer System” for developing business flexibility and increasing management efficiency, which clearly separates the Board of Directors which focus on decision-making from the Operating Officers which implement and execute the operation of the Corporation. In addition, we retain 3 external directors as well as 3 external auditors for the purpose of enhancing both management monitoring and transparency.

(2) Current condition of measures for implementing corporate governance

Status of the corporate governance systems, including management organizations that are involved in the managerial decision making, execution, and supervision.

- We are employing a “Corporate Auditor” system for our corporate governance system. 3 out of our 4 corporate auditors are “external” auditors.

The board of corporate auditors, which is currently consist of 4 members, allocates work responsibilities and develops audit policies. After an audit is conducted based on these policies, the board discusses substantive matters in the audit, presents matters to be addressed to the president, and exchanges opinions and information with accounting auditors accordingly.

- 3 out of our 8 directors are “external” directors.
As a general rule, a regular board meeting is held once a month, and an extraordinary board meeting is held as needed.
- We have voluntarily established the Remuneration Committee, headed by an external director, to determine fair and relevant compensation for directors.
- Although no full-time staff has been assigned to assist external directors or auditors, three personnel from the secretary’s office, three personal from the internal audit office at the main office and one staff employee from our Tokyo branch office are assisting the external directors and auditors.
- The Board of Directors has been vitalized and the management monitoring function has been reinforced by accepting advice and opinions from the external directors. This also helps to increase corporate value.
- One of our external directors is an attorney, who is a leading authority in the field, will provide advice and guidance for important issues or problems. This reinforces the supervisory function of the board of directors and ensures reliability and transparency.
- In terms of enforcing the risk-management structure, we set up the Compliance Committee to make the corporate governance function effectively. The committee holds a meeting every three months and includes an attorney who is one of the “external” directors.

In addition, we are examining the status of the risk management implementation every three months using “Periodic Compliance Check,” and its results are reported to the board of directors. Counseling, advisory, and alerts are given to the concerned parties as circumstances demand.

We instituted the “Capcom Codes of Conduct” to strengthen our internal control system. We are trying to prevent illegal acts and misconduct and to secure legal compliance through the promulgation of the corporate ethics and principles.

Interests with external directors and external auditors

Mr. Kouichi Hori acts at the same time as President and Chief Executive of Dream Incubator Inc., with which the company makes transactions related to consulting services. Other external directors or external auditors have no personal relationship, capital relationship, business relationship, nor other interest with the Company.

Condition on implementation of any activities promoting corporate governance of this fiscal year.

In order to prepare for the Personal Information Protection Law, which became effective in April 2005, we have been taking required measures to ensure the full compliance with the law. Examples of such measures are: developing “Personal Information Protection Program” at an early stage, and instituting “Basic Policies of Information Security” and “Personal Information Protection Rules.”

Additionally, we are disclosing and disseminating our privacy policies to both inside the company and to the public. We will further promote educational campaigns and awareness-raising activities among our employees to make the systems for privacy protection continue to function effectively.

Accounting audit

Capcom has a contract with ChuoAoyama PriceWaterhouseCoopers as an accounting auditor defined in the Commercial Code and to conduct an accounting audit based on the Securities and Exchange Act. There are no conflicts of interest between Capcom and this auditing firm or between Capcom and the partners of this auditing firm who conduct an audit of Capcom.

Following is the information regarding the certified public accountants who conducted an audit of Capcom for this fiscal year. The information includes the names of the accountants, and the composition of assistants who were engaged in the auditing operations.

- The names of the certified public accountants who performed the auditing operations.
Appointed Partners of the firm CPA who conducted the operations:
 - Mr. Kagetoyo Ohtsu
 - Mr. Akinobu Miwaka
- The composition of the staff engaged in the auditing operations of Capcom:
3 certified public accountants and 5 junior accountants

Internal audit

Capcom set up an internal audit office under the direct control of the president. The audit office is independent from the business operation divisions and serves as an internal auditing organization. One of the main responsibilities of the audit office is to conduct internal audits for all divisions of Capcom, working with corporate auditors when necessary, in order to verify and guarantee the legal compliance and efficiency of company's operations. The audit office tries to ensure that the internal control functions effectively for every division in the company, and gives recommendations, such as matters to be improved, to the relevant divisions based on the auditing results.

7. Business Risks and Other Risks

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated below, which are based on information that is available as of November 21, 2005 and certain assumptions that serve as the basis of rational judgments.

(1) Risks relating to Home Video Games

Increase in Development Costs

In recent years, home video game consoles have become sophisticated partly due to the adoption of computer graphics technology, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including mobile phones and the Internet. Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

Dependency on Popular Series

Capcom releases many game software titles in the market.

Among them, a handful of titles tend to be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problem in these popular

software titles or any change in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games.

Therefore, there is a risk that it may result in having an adverse effect on our business performance, corporate value and narrowed distribution channel under instructions by the relevant authorities.

Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. In this manner, there is a risk that business performance may substantially fluctuate from quarter to quarter.

Trends in Proliferation of Home Video Game Consoles

Our home video game software titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation.

Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

License Agreement with Console Manufactures

We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors.

However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

Technological enhancement of Home Video Game Platforms

New home video game platforms have been released every four to six years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

Expansion of Used Software Market

Currently, the used software in the domestic market is estimated as a third of the new one, and is tending towards expansion. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

(2) Risks relating to Other Businesses

Arcade Operations

There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

Arcade Games

There is a risk that our business performance may be adversely affected by the closing gap between arcades and home video game consoles, the decline in facility operators' purchasing power, changes in the business environment and uncertainties for growth.

(3) Risks relating to Overseas Operations

There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.

There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

(4) Risks relating to Financial Status and Operating Results

As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.

As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

(5) Risks relating to Development Technologies

Products relating to game machines including home video game consoles are subject to rapid technological progress, and are constantly evolving. Therefore, there is a risk that sales opportunities may be lost due to delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

(6) Legislative Risks

Arcade operations are controlled by the “Entertainment Establishments Control Law” and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

(7) Risks relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc.

Therefore, there is a probability that the development and distribution of game software may become difficult if we cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party’s intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

(8) Risks relating to Lawsuits

As we are engaged in content business, we have been to a court of law both as a plaintiff and as a defendant. Due to the nature of our business, there is a possibility that we may be taken to court in the future. There is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

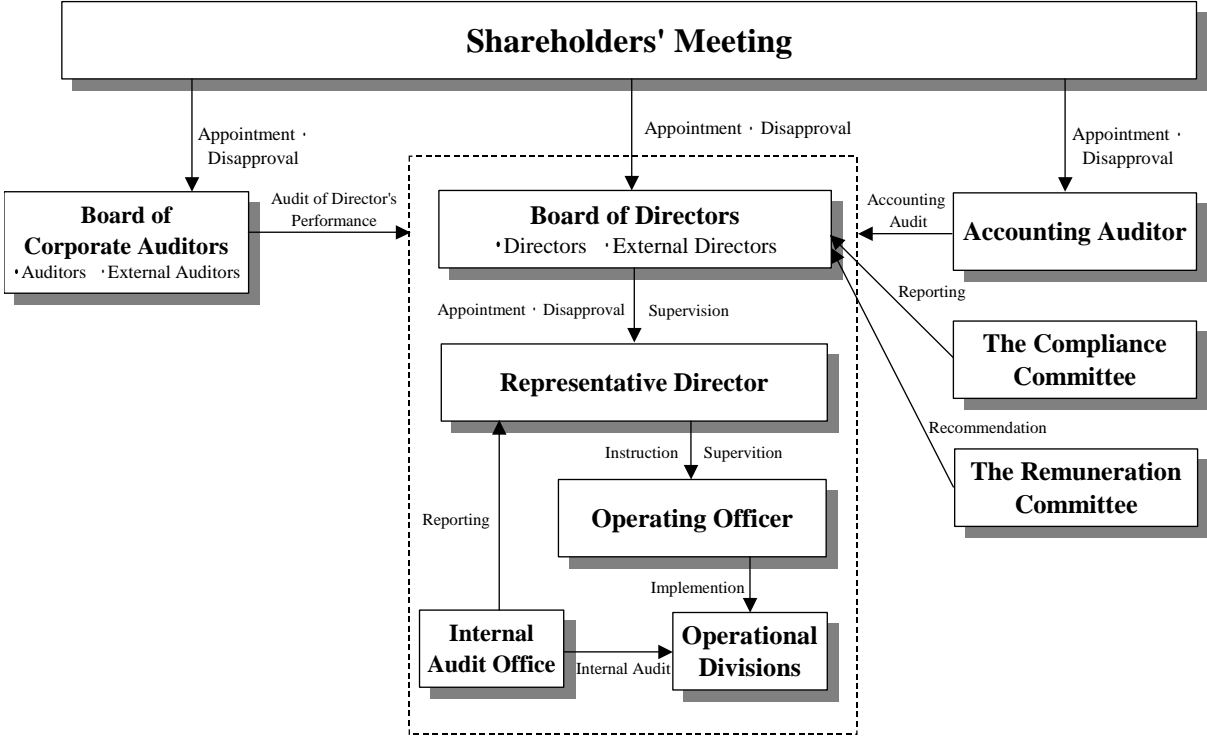
(9) Risks relating to Dilution of Stock Value

The outstanding issue of unsecured convertible bonds is 25,000 million yen and convertible bond, issued after April 1st 2002, of 11,500 million yen. If the conversion rights are exercised, dilution of stock value will occur; there is a risk that it may affect our stock price.

(10) Risks relating to Stock Price Volatility

Our stock price has substantially fluctuated in the past, and there is a possibility that it will dramatically fluctuate in the future, due to the risk factors stated above, changes in the market environment, unexpected circumstances and other causes. The risk factors vary widely, including but not limited to those attributable to Capcom, changes in the business environment of the game industry, analysis data of research agencies such as securities analysts and investor trends, and stock market conditions.

Following is the status of the corporate system improvement on management supervision, operation execution, and internal control.



Operating Results & Financial Status

1 . Operating Results

(1) Overview of the Six-Month Period Ending September 30, 2005

The Japanese economy during this six-month period (ending September 30, 2005) grew from the leveled-off state and brought itself back on a slow recovery track, in spite of high crude oil prices and the slackening growth of exports. Supporting factors to this trend were steady consumer spending and capital investments, better employment situations, and upgrades in stock prices.

The video game industry saw a healthy growth in general. The new portable game consoles, released at the end of last year, served as a growth engine and increased summer sales.

In addition, those looking for new revenue bases accelerated the online game industry along with the advancement of the telecommunication infrastructure.

As for the arcade operations, the number of large-scale facilities increased as a result of the “scrap & build” strategy under which we opened a new arcade in a large commercial complex. Revenues of the new facilities made up for the sluggish performance of the existing arcades.

We are expecting a huge wave of change in the industry responding to the advancement of the Japanese domestic market maturation, as well as the forthcoming release of the next generation of high-performance, multi-function stationary game consoles.

Under these circumstances, the Capcom corporate group worked on strengthening the management system through organizational reforms, while engaging in the aggressive business development. As part of such activities, we enhanced the promotion of existing popular products and sold software titles developed through a partnership with other companies under the objective of satisfying diverse customer needs both domestically and internationally.

The other area on which Capcom placed an extra emphasis was to reinforce the content-related business including the distribution of games to cellular phones and the provision of LCD device for PACHISLO machines. In addition, we implemented the re-structuring of the overseas business operations, one of our most critical business strategies, as an attempt to improve the earning power of the entire Capcom group.

The resulting consolidated net sales were 27,801 million yen (down 2.6% from the same term last year). As for the profits, the consolidated operating income was 666 million yen (down 62.5% from the same term last year), and the consolidated ordinary income was 907 million yen (down 38.9% from the same term last year). We reviewed the valuation reserve for the deferred tax assets and posted the corporate tax adjustments in this six-month period. As a result, the consolidated net profit increased to 3,124 million yen (up 474.7% from the same term last year).

(2) Status of Each Operational Department

Home Video Game Sales

As for this business segment, “Megaman Zero 4” (for Game Boy Advance) and “Megaman Battle Network 5” (for Nintendo DS) achieved brisk sales supported by their well-established popularity. “Devil Kings” (for PlayStation 2), in which feudal warlords from the age of Japanese provincial wars battle one another, also gained in popularity.

The original “Phoenix Wright” was developed for Game Boy Advance and became a big hit. And the remade version of the “Phoenix Wright” was produced for Nintendo DS and showed steady growth.

In the overseas market, “Killer 7” (for PlayStation 2 and Nintendo GameCube) and “Darkwatch” (for PlayStation 2 and Xbox), which was developed through a partnership with other companies, increased sales favorably. Other lower-priced titles also had a strong showing.

However, the overall sales performance remained on a soft note due partially to the fact that most of the major software titles are to be released in the later half of this fiscal year and the current product line-up consisted of many smaller-scale titles in the first half of this fiscal year. Another negative factor was that the sales of “Beatdown” (for PlayStation 2 and Xbox) and “Demento” (for PlayStation2) struggled in the US

and in Europe.

The resulting net sales decreased to 14,373 million yen (down 17.3% from the same term last year) and the operating loss was 1,170 million yen.

Arcade Operations

We have been trying to diversify our customer base in order to attract more females and families while continuing to hold on to old customers. Such efforts included holding a variety of events, renovating arcades to provide a “comfortable place for entertainment”, and selecting the right location to open a new facility based on the customers’ preference.

We opened “Plaza Capcom Nogata,” which resembles New York City, in the shopping mall in Fukuoka Prefecture and closed down one arcade during this six-month period. The current number of “Plaza Capcom” totals 30 after these activities.

The resulting net sales increased to 5,642 million yen (up 1.1% from the same term last year), and the operating income decreased to 1,174 million yen (down 7.7% from the same term last year).

Arcade Game Sales

In this business segment, “Super Mario Fushigino Korokoro Party”, a medal game machine released in the previous fiscal year, continued to grow and contributed to the sales expansion. Additionally, the video game console “Mobile Suit Gundam SEED Federation vs. Z.A.F.T.” increased sales backed by its rooted popularity, and the medal game machine “Donkey Kong Jungle Fever” performed favorably as well.

The resulting net sales increased to 4,404 million yen (up 47.3% from the same term last year), and the operating income increased to 992 million yen (up 17.7% from the same term last year).

Contents Expansion Business

In this business segment, “Onimusha 3”, an LCD device designed for PACHISLO machines has been a growth engine since the previous term. The distribution of games to cellular phones also experienced a healthy growth.

The resulting net sales increased to 2,210 million yen (up 47.2% from the same term last year), and the operating income increased to 785 million yen (up 39.2% from the same term last year).

Other Businesses

The net sales from other businesses, mainly licensing royalties, were 1,187 million yen (up 8.7% from the same term last year), and the operating loss was 15 million yen.

(3) Overview of Business Performance in Each Region

Japan

In the segment of home video game software, “Megaman Zero 4” (for Game Boy Advance) and “Megaman Battle Network 5” (for Nintendo DS) from the Megaman series showed a steady performance, along with our original title “Devil Kings” (for PlayStation 2). However, other titles grew generally on a weak note.

As for the arcade operations, we achieved the results equivalent to that of the same term last year. In the arcade game sales, “Super Mario Fushigino Korokoro Party”, the medal game released in the previous fiscal year, continued to grow. In the contents expansion business segment, “Onimusha 3”, an LCD device designed for PACHISLO machines, also increased sales. However, these favorable performances were not sufficient to offset the decline in the home video game software sales.

The resulting net sales were 21,961 million yen (up 25.5% from the same term last year) and operating income was 2,465 million yen (up 6.2% from the same term last year).

North America

In North America, which is the world's largest game market, “Killer7” (for PlayStation 2 and Nintendo GameCube) and “Darkwatch” (for PlayStation 2, and Xbox) had steady sales, and other lower-priced software titles underwent healthy growth. However, targeted sales were not achieved due to the fact that sales of “Beatdown” (for PlayStation 2, and Xbox) and “Demento” (for PlayStation 2) struggled, and there were many small-scale titles but no introduction of major titles that would have led sales.

The resulting net sales decreased to 4,717 million yen (down 37.3% from the same

term last year) and operating loss was 161 million yen.

Europe

In Europe, overall business performance remained weak. “Resident Evil Outbreak File 2” (for PlayStation 2) did not reach the projected sales, though it still made a strong showing. “Beatdown” (for PlayStation2, and Xbox) and “Demento” (for PlayStation 2) also performed below our expectation. The product line-up, which consisted mostly of small-scale titles and lacked a flagship product, was another contributing factor for the unsatisfactory performance.

The resulting net sales decreased to 3,179 million yen (down 6.1% from the same term last year) and operating loss was 577 million yen.

Other Regions

In Asia, the problem of pirated software is still unsolved, and there are numerous illegal copies of software in the market. This situation places limitations on the sales of the packaged products for home video game consoles, resulting in the core of the Asian game market being online games for PCs.

We carried out an aggressive business development in these circumstances, though the overall sales performance remained on a low note.

The resulting net sales decreased to 128 million yen (down 0.3% from the same term last year) and operating loss was 11 million yen.

2. Prospects for the Current Financial Year

It is projected that the video game industry may be given a boost from the next-generation game hardware that will be released at the end of this year and continuing through the new year. This will intensify the competition over the market initiative in the game industry.

The launch of the advanced game hardware will necessitate the upgrade of development systems as an urgent need for software makers.

It is possible that the existing market share alignment will be totally redrawn with new players

from other industries, including movie, music, toy, and media, entering into the video game business.

Under this rapidly advancing industry re-structuring, the Capcom group is determined to contemplate the environmental changes and accommodate these changes with an autonomous and flexible hybrid-management based on the mid-to-long term planning. Some of the areas in which we will make extra efforts are: strengthening existing business divisions, revising business compositions, establishing the competitive edge, and improving the financial position.

We will upgrade and expand the product development division, deploy appropriate marketing strategies, and introduce new products that precisely grasp domestic and international market needs. In addition, an extra emphasis will be placed on the LCD device for PACHISLO machines that utilizes our game software, thus enhancing the added value of Capcom products. Our management resources will focus on supporting growing business as well as on developing new business opportunities.

Global business development is one of our strategies to enhance the corporate quality of Capcom. To achieve this goal, we are actively seeking the most effective operational allocation for the entire Capcom group, while vitalizing their business activities. Such efforts include reinforcing the overseas subsidiaries and re-configuring the business structure for all subsidiaries.

We are projecting the net sales of 70,000 million yen, the ordinary income of 7,400 million yen, and the net profit of 8,900 million yen for the current fiscal year.

(Note) The above mentioned business forecasts were prepared based on information available as of the release of this report. Please note that various future events may cause the actual results to be significantly different from the forecasts.

3 . Financial Conditions

Cash and cash equivalents (hereafter referred to as “Cash”) as of the end of this six-month period decreased by 11,670 million yen from the previous fiscal year to 33,867 million yen. Cash flow positions for each activity are as stated below.

(1) Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 2,091 million yen, increased by 897 million yen in comparison with the same period of the previous year. This is attributable to the following; Net income before tax adjustment was increased by 899 million yen, depreciation and amortization by 913 million yen and decrease of account receivable by 4,471 million, both of which involve no cash involvement. Other aspect is the decrease in accounts payable by 3,581 million yen.

(2) Cash Flows From Investing Activities

Net cash expense from investing activities amounted to 636 million yen, a decrease of 336 million yen from the same term last year. This is attributable to the expense of 661 million yen for acquiring tangible fixed assets, such as buildings and equipment for amusement facilities.

(3) Cash Flows From Financing Activities

Net cash increase from financing activities amounted to 13,864 million yen, a increase of 11,708 million yen from the same term last year. This is due mainly to repayment by redemption of convertible bonds of 12,262 million yen, repayment of short-term and long-term borrowings by 1,051 million yen, and disbursement of dividend by 549 million yen.

4. Trends of Cash Flow Indicators

	Year ended March 2004	Six-Month Period ended Sept. 2004	Year ended March 2005	Six-Month Period ended Sept. 2005
Ratio of capital stock(%)	34.2	34.4	30.5	38.7
Ratio of capital stock based on fair market value(%)	63.1	61.0	54.1	74.6
Debt amortization schedule (number of years)	4.4	9.8	2.8	2.2
Interest coverage ratio (times)	20.3	8.6	30.0	16.9

Ratio of capital stock = Capital stock / Total assets

Ratio of capital stock 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

- (1) Indicators are calculated using financial numbers in consolidated basis.
- (2) Cash flows from operating activities use the “cash flows from operating activities” in the (six-month) consolidated statements of cash flows. The interest-bearing debt refers to the debts posted in the (six-month) consolidated balance sheets for which we are paying interests.
- (3) Cash flows from operating activities were negative both in the six-month period ended September 2002 and the current six-month period ended September 2003, thus the debt amortization schedule and the interest coverage ratio are not listed for these periods.

Mid-Term Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (as of September 30, 2004)		This Mid-Term Fiscal Period (as of September 30, 2005)		Balance Sheet of Previous Fiscal Year (as of March 31, 2005)	
	Amount	%	Amount	%	Amount	%
(Assets)						
Current assets						
1 Cash and cash equivalents	29,832		33,667		43,538	
2 Notes and accounts receivable	11,243		9,955		14,417	
3 Negotiable Securities	999		199		1,999	
4 Inventories	3,792		3,183		3,912	
5 Game software products in-progress	10,047		9,633		9,399	
6 Deferred income taxes	4,298		4,106		4,004	
7 Short-term loans receivable	1,567		1,280		1,285	
8 Other	1,929		1,433		1,455	
9 Allowance for doubtful accounts	(1,769)		(1,146)		(1,128)	
Total current assets	61,943	67.3	62,313	67.7	78,884	74.2
Fixed assets						
(1) Tansible fixed assets						
1 Buildings and structures	6,941		6,503		6,677	
2 Machinery and vehicle	68		93		84	
3 Tool, fixture and furniture	587		584		588	
4 Rental equipment	121		92		107	
5 Equipments for amusement facilities	2,430		2,057		1,878	
6 Land	4,475		4,476		4,472	
7 Construction-in-progress	4		-		72	
Total tansible fixed assets	14,628	15.9	13,808	15.0	13,881	13.0
(2) Intansible fixed assets						
1 Other	770		523		636	
Total intansible fixed assets	770	0.8	523	0.6	636	0.6
(3) Investments and other assets						
1 Investments in securities	1,918		2,022		1,562	
2 Long-term loans receivable	3,603		836		865	
3 Deferred income taxes	7,909		8,158		6,029	
4 Claim in bankruptcy and reorganization	114		108		108	
5 Other	4,911		4,730		4,804	
6 Allowance for doubtful accounts	(3,726)		(442)		(410)	
Total investments and other assets	14,729	16.0	15,413	16.7	12,959	12.2
Total fixed assets	30,128	32.7	29,745	32.3	27,476	25.8
Total assets	92,071	100.0	92,058	100.0	106,361	100.0

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (as of September 30, 2004)		This Mid-Term Fiscal Period (as of September 30, 2005)		Balance Sheet of Previous Fiscal Year (as of March 31, 2005)	
	Amount	%	Amount	%	Amount	%
	(Liabilities)					
Current liabilities						
1 Notes and accounts payable	5,038		4,908		8,472	
2 Short-term borrowings	5,594		4,192		4,893	
3 Convertible bonds repayable within 1 year	12,262		-		12,262	
4 Accrued income taxes	117		230		559	
5 Accrued bonus	442		232		1,137	
6 Reserve for return goods	274		111		210	
7 Other	5,319		4,448		3,809	
Total current liabilities	29,048	31.6	14,124	15.4	31,344	29.5
Long-term liabilities						
1 Convertible bonds payable	25,000		25,000		25,000	
2 Convertible bonds issued after April 1st, 2002	-		11,500		11,500	
3 Long-term debt	5,180		4,480		4,830	
4 Accrued retirement benefits for employees	692		780		740	
5 Other	466		512		454	
Total fixed liabilities	31,339	34.0	42,273	45.9	42,525	40.0
Total liabilities	60,387	65.6	56,397	61.3	73,869	69.5
(Shareholders' Equity)						
Common stock	27,581	30.0	27,581	30.0	27,581	25.9
Capital surplus	15,337	16.7	15,336	16.7	15,336	14.4
Retained earnings	(7,196)	(7.8)	(2,167)	(2.4)	(4,681)	(4.4)
Unrealized profit and loss on revaluation of securities	389	0.4	583	0.6	470	0.4
Cumulative translation adjustments	(791)	(0.9)	(558)	(0.6)	(1,103)	(1.0)
Treasury stock	(3,635)	(4.0)	(5,113)	(5.6)	(5,111)	(4.8)
Total shareholders' equity	31,684	34.4	35,660	38.7	32,491	30.5
Total Liabilities, minority Interest and shareholders' equity	92,071	100.0	92,058	100.0	106,361	100.0

Mid-Term Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2004 to September 30, 2004		This Mid-Term Fiscal Period From April 1, 2005 to September 30, 2005		Previous Fiscal Year From April 1, 2004 to March 31, 2005	
	Amount	%	Amount	%	Amount	%
	Net sales	28,537	100.0	27,801	100.0	65,895
Cost of sales	19,758	69.2	20,517	73.8	43,640	66.2
Gross profit	8,779	30.8	7,283	26.2	22,255	33.8
Reserve adjustment for return goods	425	1.5	99	0.4	489	0.7
Net gross profit balance	9,204	32.3	7,383	26.6	22,744	34.5
Selling, general and administrative expenses	7,426	26.0	6,716	24.2	14,991	22.8
Operating income	1,778	6.3	666	2.4	7,752	11.7
Other income						
1 Interest income	95		232		216	
2 Dividend income	13		13		13	
3 Exchange gain	366		201		340	
4 Other	86	561	7	454	149	719
Other expense						
1 Interest expense	138		123		265	
2 Transfer of allowance for doubtful accounts	615		32		625	
3 Other	100	853	57	213	181	1,073
Ordinary income	1,486	5.2	907	3.3	7,399	11.2
Extraordinary gain						
1 Gain on bad debt recovered	-		114		-	
2 Gain on sale of investment in securities	67		-		-	
3 Gain on assignment of business	66	134	-	114	66	66
Extraordinary loss						
1 Loss on sale of fixed asset	80		18		121	
2 Retirement gratuity to director to resign	-		44		-	
3 Loss on revaluation of investment in securities	62		59		314	
4 Loss on sale of investment in securities	-	143	-	122	22	459
Net profit before taxes	1,476	5.2	899	3.2	7,006	10.6
Corporate tax, local tax, and enterprise tax	193		272		628	
Corporate tax from previous period	-		39		-	
Corporate tax refund from previous period	(49)		-		(58)	
Adjustment of Corporate tax and other tax	788	933	(2,536)	(2,224)	2,813	3,383
Net profit	543	1.9	3,124	11.2	3,622	5.5

Mid-Term Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2004 to September 30, 2004		This Mid-Term Fiscal Period From April 1, 2005 to September 30, 2005		Previous Fiscal Year From April 1, 2004 to March 31, 2005	
	Amount		Amount		Amount	
(Capital surplus)						
Beginning balance of retained earnings		24,852		15,336		24,852
Decrease in retained earnings						
1 Dividend	569		-		569	
2 Loss on sale of treasury stock	0		0		0	
3 Decrease in capital and capital reserve	8,945	9,515	-	0	8,945	9,515
Retained earnings		15,337		15,336		15,336
Ending balance of this mid-term fiscal period						
(Retained earnings)						
Beginning balance of retained earnings		(16,727)		(4,681)		(16,727)
Beginning balance of consolidated retained earnings						
Increase in retained earnings						
1 Mid-Term Net profit	543		3,124		3,622	
2 Decrease in capital and capital reserve	8,945		-		8,945	
3 Increase in retained earnings for increase of equity method affiliate	42	9,531	-	3,124	42	12,610
Decrease in retained earnings						
1 Dividend	-		549		564	
2 Bonuses to directors	-	-	60	609	-	564
Retained earnings		(7,196)		(2,167)		(4,681)
Ending balance of this mid-term fiscal period						

Mid-Term Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Year	This Mid-Term Fiscal Year	Previous Fiscal Year
	From April 1, 2004 To September 30, 2004	From April 1, 2005 To September 30, 2005	From April 1, 2004 To March 31, 2005
	Amount	Amount	Amount
Cash flows from operating activities			
1 Net profit before income taxes	1,476	899	7,006
2 Depreciation and amortization	1,048	913	2,101
3 Amortization of difference from consolidation	1	1	2
4 Increase in allowance for doubtful accounts	653	44	544
5 Increase in accrued bonuses and unpaid bonus	(231)	(341)	22
6 Decrease in reserve for loss on goods unsold	(425)	(99)	(489)
7 Interest revenue and dividend income	(108)	(245)	(229)
8 Interests paid	138	123	265
9 Loss on sale or disposal of fixed assets	80	18	122
10 Gain on sale of investment securities	(67)	-	-
11 Loss on sale of investment securities	-	-	22
12 Loss on revaluation of investment securities	62	59	314
13 Loss on revaluation of other financial products	2	-	2
14 Gain on assignment of business	(66)	-	(66)
15 Increase (decrease) in account receivable	(2,224)	4,471	(5,400)
16 Increase (decrease) in inventories	366	741	454
17 Increase (decrease) in game software products in-progress	(174)	(233)	240
18 Increase (decrease) in accounts payable	484	(3,581)	3,929
19 Increase (decrease) in other current assets	103	(341)	(150)
20 Increase (decrease) in other current liabilities	293	38	(583)
21 Other	77	223	179
Sub total	1,491	2,692	8,289
22 Interest and dividend received	109	245	238
23 Interest payment	(139)	(123)	(265)
24 Corporate and other tax payment	(267)	(721)	(285)
Cash flows from operating activities	1,194	2,091	7,977
Cash flows from investing activities			
1 Acquisition of property, plant and equipment	(1,053)	(661)	(1,320)
2 Proceeds from sale of property, plant and equipment	-	33	0
3 Acquisition of intangible fixed asset	(3)	(67)	(38)
4 Acquisition of investment securities	-	(5)	(4)
5 Proceeds from sales of investment securities	106	-	218
6 Proceeds from collection of loans	23	28	42
8 Gain on assignment of business	66	-	66
9 Expenditure for other investing activities	(250)	(69)	(288)
10 Proceeds from other investing activities	138	106	225
Cash flows from investing activities	(972)	(636)	(1,099)
Cash flows from financing activities			
1 Repayment of short-term borrowings	(701)	(701)	(1,402)
2 Repayment of long-term borrowings	(350)	(350)	(700)
3 Proceeds from convertible bonds issued after April 1st, 2002	-	-	11,500
4 Payment on redemption of convertible bonds	-	(12,262)	-
5 Proceeds from sale of treasury stock	0	0	0
6 Acquisition of treasury stock	(536)	(2)	(2,013)
7 Dividend paid by parent company	(568)	(549)	(1,133)
Cash flows from financing activities	(2,155)	(13,864)	6,251
Effect of exchange rate changes on cash and cash equivalents	636	737	277
Increase (decrease) in cash and cash equivalents	(1,298)	(11,670)	13,406
Beginning balance of cash and cash equivalents	32,131	45,538	32,131
Cash and cash equivalents			
Ending balance of this mid-term fiscal period	30,832	33,867	45,538

[Segment Information]

(A) Operating segments

Six-month Period ended September 30, 2004 (from April 1, 2004 to September 30, 2004)

(Unit: Millions of Yen)

	Home video games	Arcade operation	Arcade Games	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	17,387	5,582	2,973	2,594	28,537	(-)	28,537
(2) Inter-segment sale or transfer	-	-	17	-	17	(17)	-
Total	17,387	5,582	2,990	2,594	28,555	(17)	28,537
operating expense	17,065	4,309	2,147	2,099	25,622	1,137	26,759
operating profit or loss	321	1,272	843	495	2,932	(1,154)	1,778

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
 - (1) Home vide games: This sales division develops and distributes home video game software.
 - (2) Arcade operations: This division operates amusement facilities.
 - (3) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (4) Other businesses: Other businesses include licensing business and other content-related businesses.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 1,156 million yen. The major part of this expense is related to corporate G&A.

Six-month Period ended September 30, 2005 (from April 1, 2005 to September 30, 2005)

Unit: Millions of Yen

	Home video games	Arcade operation	Arcade games	Contents Expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales	14,373	5,642	4,387	2,210	1,187	27,801	(-)	27,801
(1)External customers								
(2)Inter-segment sale or transfer	-	-	17	-	-	17	(17)	-
Total operating expense	14,373	5,642	4,404	2,210	1,187	27,818	(17)	27,801
	15,543	4,467	3,411	1,424	1,203	26,050	1,084	27,134
operating profit or loss	(1,170)	1,174	992	785	(15)	1,767	(1,101)	666

(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: 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, development and distribution of LCD device.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 1,116 million yen. The major part of this expense is related to corporate management.
4. Change of business segments
 From this mid-term period, business segments are changed from 4 categories ("Home Video Games", "Arcade Operations", "Arcade Games" and "Other Businesses") to 5 categories ("Home Video Games", "Arcade Operations", "Arcade Games", "Contents Expansion" and "Other Businesses").
 By establishing new division which is responsible for developing and distributing mobile contents as well as LCD display based on strategies of expansion of content into various business areas, Contents Expansion Business, which consisted of Other Businesses in the previous fiscal year, was distinguished from Other Businesses due to clarification of its business visibility.

Six-month Period ended September 30, 2004 (from April 1, 2004 to September 30, 2004)

Unit: Millions of Yen

	Home video games	Arcade operation	Arcade games	Contents Expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales	17,387	5,582	2,973	1,501	1,093	28,537	(-)	28,537
(1)External customers								
(2)Inter-segment sale or transfer	-	-	17	-	-	17	(17)	-
Total operating expense	17,387	5,582	2,990	1,501	1,093	28,555	(17)	28,537
	17,065	4,309	2,147	937	1,162	25,622	1,137	26,759
operating profit or loss	321	1,272	843	564	(68)	2,932	(1,154)	1,778

Previous Fiscal Year (from April 1, 2004 to March 31, 2005)

Unit: Millions of Yen

	Home video games	Arcade operation	Arcade games	Contents Expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales								
(1)External customers	39,985	10,934	7,411	4,207	3,356	65,895	(-)	65,895
(2)Inter-segment sale or transfer	-	-	38	-	-	38	(38)	-
Total operating expense	39,985	10,934	7,450	4,207	3,356	65,933	(38)	65,895
	36,077	8,638	5,505	2,464	3,121	55,807	2,336	58,143
operating profit or loss	3,907	2,296	1,944	1,742	235	10,126	(2,374)	7,752

Previous Fiscal Year (from April 1, 2004 to March 31, 2005)

Unit: Millions of Yen

	Home video games	Arcade operation	Arcade games	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1)External customers	39,985	10,934	7,411	7,563	65,895	(-)	65,895
(2)Inter-segment sale or transfer	-	-	38	-	38	(38)	-
Total operating expense	39,985	10,934	7,450	7,563	65,933	(38)	65,895
	36,077	8,638	5,505	5,586	55,807	2,336	58,143
operating profit or loss	3,907	2,296	1,944	1,977	10,126	(2,374)	7,752

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
 - (1) Home vide games: This sales division develops and distributes home video game software.
 - (2) Arcade operations: This division operates amusement facilities.
 - (3) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (4) Other businesses: Other businesses include licensing business and other content-related businesses.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 2,401 million yen. The major part of this expense is related to corporate G&A.

(B) Geographic segments**Six-month Period ended September 30, 2004 (from April 1, 2004 to September 30, 2004)**

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	17,500	7,522	3,386	128	28,537	(-)	28,537
(2) Inter-segment sale or transfer	2,594	87	-	-	2,681	(2,681)	-
Total	20,095	7,609	3,386	128	31,219	(2,681)	28,537
operating expense	17,772	6,955	3,454	134	28,317	(1,557)	26,759
operating profit or loss	2,322	654	(68)	(5)	2,902	(1,123)	1,778

(Note)

- The segmentation of country or region is based on the geographical proximity.
- Major countries and regions that are not in Japan
 - North America: United States of America
 - Europe: European countries
 - Other regions: Asia and others
- Among operating expenses, undistributed operating expenses to these business segment above is included in the "Elimination and corporate" amounted to 1,156 million yen. The major part of this expense is related to corporate management.

Six-month Period ended September 30, 2005 (from April 1, 2005 to September 30, 2005)

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	19,822	4,670	3,179	128	27,801	(-)	27,801
(2) Inter-segment sale or transfer	2,138	47	-	-	2,186	(2,186)	-
Total	21,961	4,717	3,179	128	29,987	(2,186)	27,801
operating expense	19,495	4,879	3,756	139	28,271	(1,136)	27,134
operating profit or loss	2,465	(161)	(577)	(11)	1,716	(1,049)	666

(Note)

- The segmentation of country or region is based on the geographical proximity.
- Major countries and regions that are not in Japan
 - North America: United States of America
 - Europe: European countries
 - Other regions: Asia and others
- Among operating expenses, undistributed operating expenses to these business segment above is included in the "Elimination and corporate" amounted to 1,116 million yen. The major part of this expense is related to corporate management.

Previous Fiscal Year (from April 1, 2004 to March 31, 2005)

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	42,358	14,721	8,389	426	65,895	(-)	65,895
(2) Inter-segment sale or transfer	5,928	235	-	-	6,164	(6,164)	-
Total	48,287	14,956	8,389	426	72,059	(6,164)	65,895
operating expense	39,989	13,523	8,002	442	61,957	(3,814)	58,143
operating profit or loss	8,298	1,433	386	(15)	10,102	(2,349)	7,752

(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 2,401 million yen. The major part of this expense is related to corporate management.