

## Summary of Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2007(Unaudited)

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Company Name:	CAPCOM Co., Ltd.	Stock Exchange:	Tokyo, Osaka
Company Code:	9697	Location of Headquarters:	Osaka Prefecture
(URL <a href="http://www.capcom.co.jp/">http://www.capcom.co.jp/</a> )			
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### 1. Preparation Basis for Consolidated Financial Results for the 1st Quarter Ending June 30, 2006

#### (1) Application of simple method to Accounting rules: Yes

The simple method has been applied to the calculation of income taxes based upon effective tax rate.

Appropriation of reserves was also based on the simple method.

Other minor accounts were also computed by the simple method.

#### (2) Change in Accounting rules for the 1st quarter reporting and the latest fiscal year closed: No

#### (3) Changes in scope of consolidation and application of equity method: Yes

Consolidation: Increase 1, Decrease 0 Equity Method: Increase 0, Decrease 0

### 2. Summary of the 1st Quarter ended June 30, 2006 (April 1, 2006 - June 30, 2006)

#### (1) Consolidated Results of Operations

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
1st Quarter Ended June 30, 2006	10,571	(7.5)	1,320	48.0	1,404	30.9
1st Quarter Ended June 30, 2005	11,431	(4.1)	891	24.1	1,073	16.3
Year Ended March 31, 2006	70,253		6,580		7,016	

	Net Income		Earnings Per Share of Common Stock	Earnings Per share of Common Stock (Assuming Full Diluted)
	Million Yen	%	Yen	Yen
1st Quarter Ended June 30, 2006	808	32.9	14.81	11.24
1st Quarter Ended June 30, 2005	608	19.5	11.07	8.26
Year Ended March 31, 2006	6,941		125.19	93.49

Note: Percentage represents change against corresponding period of the previous 1st quarter on net sales, operating income, ordinary income and net income.

[The progress of the consolidated business results including related qualitative information]

The Japanese economy during this first quarter (ending June 30, 2006) started to show a clear recovery trend supported by steady capital investments and consumer spending in spite of the prolonged situations of high crude oil prices and sluggish stock market.

As for the video game industry, the home video game market leveled-off due to the fact that it was going through the hardware transition period waiting for the full-scale release of the next generation stationary game consoles. While the demand for the stationary game console slowed down, the demand for the portable game console grew favorably.

Online game market expanded steadily due partially to the diffusion of the internet-capable portable game consoles.

The overseas market also showed favorable growth. One of the supporting factors to the trend was the hardware price reduction in the North American market.

Arcade operations maintained their recovery supported by the growing popularity of trading card games as well as the increase in large-scale arcades.

Under these circumstances, the Capcom group pushed forward active product development, elaborate sales promotion events, and aggressive expansion of the arcades chain.

Additionally, Capcom was engaged in the development of diverse content-related businesses. One such activity was to distribute game music to iTunes Music Store, which delivers a wide variety of music to iPod, a popular portable music terminal. Another example of such efforts was the acquisition of Cosmic Infinity Inc., a mobile platform game company in Canada, for the purpose of strengthening the game distribution to mobile phones. We acquired all shares of the company through our US subsidiary, making Cosmic Infinity a full subsidiary of Capcom.

As for the resulting consolidated business performance for this first quarter, the net sales decreased to 10,571 million yen (down 7.5 % from the same term last year). However, due to a decrease in COGS, the operating income was 1,320 million yen (up 48.0 % from the same term last year), the ordinary income was 1,404 million yen (up 30.9 % from the same term last year), and the net profit for the quarter was 808 million yen (up 32.9 % from the same term last year).

## [Status of Each Operational Department]

### Home Video Game Sales

In this business segment, the innovative new software “Okami” (for PlayStation2), that embraced Japanese tradition, performed strongly along with “Megaman ZX” (for Nintendo DS). “Monster Hunter Freedom” (for PlayStation Portable), which became a big hit in the previous quarter, also continued to grow and contributed to the profit increase. “Megaman Battle Network 6” (for Game Boy Advance) was released in the overseas market and achieved healthy sales growth.

However, these activities did not increase the overall sales because the majority of the software sold in this first quarter consisted of small-scale titles as well as those titles developed under the collaboration with other companies. The operating income, on the other hand, moved upward due to a decrease in development cost.

The resulting net sales decreased to 4,529 million yen (down 13.1 % from the same term last year) and the operating income increased to 820 million yen (up 1,717.6 % from the same term last year).

### Arcade Operations

We have been trying to attract more customers with various strategies to reenergize this business segment. Such activities included holding customer appreciation events, renovating existing arcade stores, and introducing popular game machines that precisely satisfy diverse customer needs. At the same time, we were engaged in an ambitious operation development to expand our business base.

We opened three new arcades in Chiba Prefecture under the purpose of solidifying the business foundation in the Metropolitan area. With the opening of “Plaza Capcom Chiba New Town”, “Plaza Capcom Chiba Naganuma”, and “Plaza Capcom Marinpia Senmonkan”, the current number of arcade stores we are operating totals 33.

The resulting net sales increased to 2,891 million yen (up 14.4% from the same term last year) and the operating income increased to 398 million yen (up 3.6 % from the same term last year).

### Arcade Game Sales

While the main activity of this business segment during this first quarter continued to be the sales of existing products, “Mobile Suit Gundam SEED DESTINY: Federation vs. Z.A.F.T. II” served as a sales growth engine backed by the established popularity of Gundam series.

The resulting net sales increased to 2,135 million yen (up 55.2 % from the same term last year) and the operating income increased to 479 million yen (up 354.3 % from the same term last year).

### Contents Expansion Business

In this business segment, the game distribution to mobile phones experienced relatively sluggish growth due to the lack of major software titles.

As part of our efforts to enhance the overseas strategy, we acquired a Canadian mobile game development company, making it a full subsidiary of Capcom. Such activity placed us in a favorable position in North America where the market still has the capacity to grow.

The provision of the LCD unit for game machines remained at a low level as we went into the preparation period for the full-fledged business expansion which will come in the latter half of this fiscal year.

The resulting net sales decreased to 507 million yen (down 72.5 % from the same term last year) and the operating income decreased to 110 million yen (down 85.6 % from the same term last year).

### Other Businesses

The net sales from other businesses, mainly character-related licensing royalties and income from real estate leasing, increased to 515 million yen (up 6.5 % from the same term last year) and the operating income decreased to 149 million yen (down 25.7 % from the same term last year).

## (2) Consolidated Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
1st Quarter Ended June 30, 2006	95,867	37,610	39.2	701.26
1st Quarter Ended June 30, 2005	102,842	32,872	32.0	598.03
As of March 31, 2006	98,457	39,464	40.1	716.91

## Consolidated 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
1st Quarter Ended June 30, 2006	(62)	(2,882)	(2,388)	35,098
1st Quarter Ended June 30, 2005	1,352	(452)	(1,006)	45,755
As of March 31, 2006	13,921	(1,779)	(18,259)	40,652

### [Overview of the Consolidated Financial Position]

Total assets as of the end of this three-month period were decreased by 2,589 million yen from the previous fiscal year to 95,867 million yen. Shareholders' equity was decreased by 1,853 million yen from the previous fiscal year to 37,610 million yen due to reimbursement of dividends and acquisition of treasury stock as well as net profit generated by 1st quarter. As a result, shareholders' equity ratio was up to 39.2%.

Cash flow positions for each activity are as stated below.

#### Cash Flows From Operating Activities

Net cash decrease from operating activities amounted to 62 million yen due to decrease of account receivables and corporate and other tax payment.

#### Cash Flows From Investing Activities

Net cash decrease from investing activities amounted to 2,882 million yen. This decrease is attributable to the expense for acquisition of investment securities.

#### Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 2,388 million yen. This decrease is attributable to reimbursement of dividends and acquisition of treasury stock.

As a result, cash and cash equivalent as of the end of this three-month period were decreased by 5,554 million yen from 35,098 million yen.

### 3. Qualitative and other information regarding business result prospects (from April 1, 2006 to March 31, 2007)

The prospects of the consolidated business results for the current fiscal year ending March 31, 2007 remain the same as what were projected at the financial results announcement on May 23, 2006.

The above-mentioned business forecasts were prepared based on the 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.

It is expected that the competition will be further intensified among hardware and software manufacturers, as the game industry is waiting for the full release of the next generation stationary game consoles by the end of this year.

It is also possible that existing market shares will be reordered with new players from other industries entering into the market, thus causing a major reformation of the industry.

Under these circumstances, Capcom will concentrate its business development resources on the year-end sales season, the biggest shopping time of the year. Some other areas we are addressing include introducing highly novel products, strengthening our sales system, upgrading marketing strategy, and implementing elaborate projects to attract more customers. The goals of these efforts are to improve customer satisfaction and to establish a superior competitive edge.

Additionally, we will be engaged in the expansion of business fields to develop a new income base. The collaboration with TakaraTomy is just one example of such activities, and we will be working together with the company in the areas of marketing and development of character-related products. We will pursue the opportunity to collaborate with other corporations taking full advantage of our popular content.

Another area that Capcom will focus on is the enhancement of corporate quality to respond to changes in the managerial environment. The improvement of operation efficiency, reformation of the financial structure, and promotion of partnerships with other companies are among such efforts to achieve this goal.

Financial Instruments and Exchange Law, which is enacted in June 2006, requires listed companies to issue management assessment report for fiscal year ending March 31, 2009 to enhance internal control over financial reporting. Capcom is currently enhancing internal control system and started preparation for the new requirements.

## Summary of Consolidated Balance Sheets (Unaudited)

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This 1st Quarter		Difference	Previous 1st Quarter	
	(As of March 31, 2006)		(As of June 30, 2006)			(As of June 30, 2005)	
	Amount	%	Amount	%		Amount	%
(Assets)							
Current assets							
1 Cash and cash equivalents	40,453		34,898		(5,554)	44,756	
2 Notes and accounts receivable	12,812		9,080		(3,732)	8,777	
3 Negotiable securities	199		199		-	999	
4 Inventories	3,741		3,470		(270)	3,816	
5 Game software products in-progress	6,348		7,635		1,287	10,252	
6 Deferred income taxes	3,266		3,320		54	4,081	
7 Short-term loans receivable	1,277		1,261		(15)	1,282	
8 Other	1,272		5,300		4,027	2,442	
9 Allowance for doubtful accounts	(1,295)		(1,289)		6	(1,137)	
Total current assets	68,075	69.1	63,877	66.6	(4,197)	75,273	73.2
Fixed assets							
(1) Tangible fixed assets							
1 Buildings and structures	6,366		6,282		(83)	6,594	
2 Machinery and vehicle	107		96		(11)	86	
3 Tool, fixture and furniture	529		512		(16)	581	
4 Rental equipment	199		448		248	103	
5 Equipments for amusement facilities	2,064		2,761		697	2,138	
6 Land	4,480		4,478		(1)	4,474	
7 Construction-in-progress	73		2		(71)	-	
Total tangible fixed assets	13,820	14.0	14,582	15.2	762	13,978	13.6
(2) Intangible fixed assets							
1 Other	333		260		(73)	599	
Total intangible fixed assets	333	0.4	260	0.3	(73)	599	0.6
(3) Investments and other assets							
1 Investments in securities	2,305		3,612		1,306	1,699	
2 Long-term loans receivable	807		807		-	857	
3 Deferred income taxes	8,624		8,156		(467)	5,991	
4 Claim in bankruptcy and reorganization	107		107		-	108	
5 Other	5,095		5,174		78	4,746	
6 Allowance for doubtful accounts	(712)		(711)		0	(411)	
Total investments and other assets	16,227	16.5	17,146	17.9	919	12,990	12.6
Total fixed assets	30,381	30.9	31,989	33.4	1,607	27,569	26.8
Total assets	98,457	100.0	95,867	100.0	(2,589)	102,842	100.0

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This 1st Quarter		Difference	Previous 1st Quarter	
	(As of March 31, 2006)		(As of June 30, 2006)			(As of June 30, 2005)	
	Amount	%	Amount	%		Amount	%
<b>(Liabilities)</b>							
Current liabilities							
1 Notes and accounts payable	7,213		7,533		320	5,788	
2 Short-term borrowings	700		700		-	4,542	
3 Convertible bonds repayable within 1 year	10,000		10,000		-	12,262	
4 Accrued income taxes	2,196		65		(2,130)	179	
5 Accrued bonus	1,062		404		(657)	433	
6 Reserve for return goods	349		173		(175)	170	
7 Other	5,420		7,559		2,138	4,149	
Total current liabilities	26,942	27.4	26,437	27.6	(504)	27,526	26.7
Long-term liabilities							
1 Convertible bonds payable	15,000		15,000		-	25,000	
2 Convertible bonds issued after April 1st, 2002	11,500		11,500		-	11,500	
3 Long-term debt	4,130		4,025		(105)	4,725	
4 Accrued retirement benefits for employees	816		847		31	756	
5 Other	604		446		(157)	461	
Total fixed liabilities	32,050	32.5	31,819	33.2	(230)	42,442	41.3
Total liabilities	58,992	59.9	58,257	60.8	(735)	69,969	68.0
<b>(Shareholders' Equity)</b>							
Common stock	27,581	28.0	-	-	-	27,581	26.8
Capital surplus	15,336	15.6	-	-	-	15,336	14.9
Retained earnings	1,099	1.1	-	-	-	(4,683)	(4.5)
Unrealized profit and loss on revaluation of securities	793	0.8	-	-	-	564	0.5
Cumulative translation adjustments	(228)	(0.2)	-	-	-	(813)	(0.8)
Treasury stock	(5,117)	(5.2)	-	-	-	(5,112)	(4.9)
Total shareholders' equity	39,464	40.1	-	-	-	32,872	32.0
Total liabilities and shareholders' equity	98,457	100.0	-	-	-	102,842	100.0
<b>(Net Assets)</b>							
Shareholder's equity							
1 Paid in capital	-		27,581		-	-	
2 Capital surplus	-		15,336		-	-	
3 Returned earnings	-		1,299		-	-	
4 Treasury stock	-		(6,801)		-	-	
Total shareholder's equity	-	-	37,415	39.0	-	-	-
Value adjustments of securities							
1 Value of investment securities	-		677		-	-	
2 Deferred profit and loss on hedging instruments	-		5		-	-	
3 Foreign currency translation adjustment	-		(487)		-	-	
Total value adjustments of securities	-	-	195	0.2	-	-	-
Total net asset	-	-	37,610	39.2	-	-	-
Total liabilities and net assets	-	-	95,867	100.0	-	-	-

## Summary of Consolidated Statements of Income (Unaudited)

(Unit: Millions of Yen)

Account Title	Previous 1st Quarter			This 1st Quarter			Difference	Previous Fiscal Year		
	From April 1, 2005 To June 30, 2005			From April 1, 2006 To June 30, 2006				From April 1, 2005 To March 31, 2006		
	Amount	%		Amount	%			Amount	%	
Net sales		11,431	100.0		10,571	100.0	(860)		70,253	100.0
Cost of sales		7,688	67.3		6,619	62.6	(1,068)		47,799	68.0
Gross profit		3,743	32.7		3,952	37.4	208		22,454	32.0
Reserve for return goods		-	-		-	-	-		138	0.2
Reserve adjustment for return goods		40	0.4		175	1.6	135		-	-
Net gross profit balance		3,783	33.1		4,128	39.0	344		22,315	31.8
Selling, general and administrative expenses		2,891	25.3		2,807	26.5	(83)		15,735	22.4
Operating income		891	7.8		1,320	12.5	428		6,580	9.4
Other income										
1 Interest income	109			143				507		
2 Dividend income	13			15				13		
3 Exchange gain	102			-				493		
4 Other	21	247	2.2	6	164	1.6	(82)	74	1,089	1.5
Other expense										
1 Interest expense	62			17				171		
2 Exchange loss	-			44				-		
3 Loss on transfer of allowance for doubtful accounts	-			-				317		
4 Other	3	65	0.6	18	80	0.8	14	165	653	0.9
Ordinary income		1,073	9.4		1,404	13.3	331		7,016	10.0
Extraordinary gain										
1 Gain on sale of fixed asset	-			-				1		
2 Gain on bad debt recovered	-			-				114	116	0.1
Extraordinary loss										
1 Loss on sale of fixed asset	10			33				65		
2 Retirement gratuity to director to resign	-			-				44		
3 Loss on revaluation of investment in securities	-			-				63		
4 Other extraordinary loss	-	10	0.1	-	33	0.3	22	47	220	0.3
Net profit or loss before taxes		1,062	9.3		1,371	13.0	308		6,912	9.8
Corporate tax and other tax		454	4.0		562	5.3	108		(28)	(0.1)
Net profit or loss		608	5.3		808	7.7	200		6,941	9.9

## Summary of Consolidated Statements of Cash Flows (Unaudited)

(Unit: Millions of Yen)

Account Title	Previous 1st Quarter	This 1st Quarter	Difference	Previous Fiscal Year
	From April 1, 2005 To June 30, 2005	From April 1, 2006 To June 30, 2006		From April 1, 2005 To March 31, 2006
	Amount	Amount		Amount
Cash flows from operating activities				
1 Net profit or loss before income taxes	1,062	1,371	308	6,912
2 Depreciation and amortization	442	505	63	1,936
3 Increase (decrease) in allowance for doubtful accounts	6	(4)	(11)	458
4 Interest revenue and dividend income	(122)	(158)	(35)	(521)
5 Interests paid	62	17	(44)	171
6 Increase (decrease) in account receivable	5,556	3,719	(1,837)	1,795
7 Decrease in inventories	103	263	159	193
8 Increase (decrease) in game software products in-progress	(852)	(1,287)	(434)	3,051
9 Increase (decrease) in account payable	(2,671)	326	2,997	(1,334)
10 Other	(1,757)	(2,952)	(1,194)	1,746
Sub total	1,829	1,800	(29)	14,409
11 Interest and dividend received	127	147	20	513
12 Interest payment	(26)	(12)	13	(168)
13 Corporate and other tax payment	(578)	(1,998)	(1,420)	(832)
Cash flows from operating activities	1,352	(62)	(1,415)	13,921
Cash flows from investing activities				
1 Acquisition of property, plant and equipment	(431)	(1,228)	(797)	(1,512)
2 Proceeds from sales of investment securities	(2)	(1,484)	(1,481)	(61)
3 Other	(18)	(168)	(150)	(205)
Cash flows from investing activities	(452)	(2,882)	(2,429)	(1,779)
Cash flows from financing activities				
1 Repayment of short-term borrowings	(350)	-	350	(4,193)
2 Repayment of long-term borrowings	(105)	(105)	-	(700)
3 Proceeds from convertible bonds issued after April 1st, 2002	-	-	-	(12,262)
4 Proceeds from sale of treasury stock	0	0	0	0
5 Acquisition of treasury stock	(0)	(1,733)	(1,732)	(6)
6 Dividend paid by parent company	(550)	(550)	(0)	(1,098)
Cash flows from financing activities	(1,006)	(2,388)	(1,381)	(18,259)
Effect of exchange rate changes on cash and cash equivalents				
Increase (decrease) in cash and cash equivalents	324	(221)	(545)	1,232
Beginning balance of cash and cash equivalents	217	(5,554)	(5,772)	(4,885)
Ending balance of cash and cash equivalents	45,538	40,652	(4,885)	45,538
Ending balance of cash and cash equivalents	45,755	35,098	(10,657)	40,652

#### 4. Segment Information

##### [Operating segments]

Three-month Period ended June 30, 2006 (from April 1, 2006 to June 30, 2006)

(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 profit or loss								
Net Sales	4,529	2,891	2,128	507	515	10,571	(-)	10,571
(1) External customers								
(2) Inter-segment Sale or transfer	-	-	7	-	-	7	(7)	-
Total	4,529	2,891	2,135	507	515	10,579	(7)	10,571
Operating expense	3,709	2,492	1,656	397	365	8,620	630	9,251
Operating profit or loss	820	398	479	110	149	1,958	(638)	1,320

(Note)

- Business segments above are split based upon for internal management disposition.
- Principal products and operations of each business segment
  - Home video games: This sales division develops and distributes home video game software.
  - Arcade operations: This division operates amusement facilities.
  - Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
  - Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
  - Other businesses: Other businesses include licensing business and other businesses.
- Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 644 million yen. The major part of this expense is related to corporate G&A.

Three-month Period ended June 30, 2005 (from April 1, 2005 to June 30, 2005)

(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 profit or loss								
Net Sales	5,212	2,526	1,366	1,843	483	11,431	(-)	11,431
(1) External customers								
(2) Inter-segment Sale or transfer	-	-	10	-	-	10	(10)	-
Total	5,212	2,526	1,376	1,843	483	11,441	(10)	11,431
Operating expense	5,166	2,141	1,270	1,074	282	9,935	604	10,540
Operating profit or loss	45	384	105	769	201	1,506	(614)	891

(Note) Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 616 million yen. The major part of this expense is related to corporate G&A.

Year ended March 2006 (from April 1, 2005 to March 31, 2006)

(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 profit or loss								
Net Sales	42,718	11,568	6,956	5,742	3,268	70,253	(-)	70,253
(1) External customers								
(2) Inter-segment Sale or transfer	-	-	39	-	-	39	(39)	-
Total	42,718	11,568	6,995	5,742	3,268	70,292	(39)	70,253
Operating expense	39,791	9,130	5,879	3,379	3,070	61,251	2,421	63,673
Operating profit or loss	2,926	2,438	1,116	2,362	197	9,041	(2,460)	6,580

(Note) Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 2,484 million yen. The major part of this expense is related to corporate G&A.