

Summary of Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2006

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 Code Number : 9697
 (URL <http://www.capcom.co.jp/>)
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 Stock Listing : Tokyo, Osaka
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1. Preparation Basis for Consolidated Financial Results for the 3rd Quarter Ended December 31, 2005

- (1) Application of simple method to Accounting rules: Yes
 The simple method has been applied to the calculation of income taxes based upon the current effective tax rate.
 Estimations 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 3rd quarter reporting and the latest fiscal year closed: Yes
 Changes in Business Segmentation Information
- (3) Changes in scope of consolidation and application of equity method: Yes
 Consolidation: Increase 0, Decrease 1, Equity Method: Increase 0, Decrease 0

2. Summary of the 3rd Quarter ended December 31, 2005 (April 1, 2005 - December 31, 2005)

(1) Consolidated Results of Operations

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3rd Quarter Ended December 31, 2005	47,925	12.8	4,744	23.1	5,304	65.7	7,427	418.1
3rd Quarter Ended December 31, 2004	42,499	8.6	3,854	23.8	3,200	14.1	1,433	(2.7)
Year Ended March 31, 2005	65,895		7,752		7,399		3,622	

	Earnings per Share of Common Stock	Earnings per Share of Common Stock (Assuming Full Diluted)
	Yen	Yen
3rd Quarter Ended December 31, 2005	135.12	98.44
3rd Quarter Ended December 31, 2004	25.38	20.52
Year Ended March 31, 2005	63.37	50.28

Note: Percentage represents change against corresponding period of the previous 3rd 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 third quarter (ending December 31, 2005) grew from a leveled-off state and followed a smooth recovery track. This trend was supported by steady capital investments, the rapid rise in stock prices at the year-end, and increased consumer spending that resulted from improved income and employment situations.

As for the video game industry, the release of the new game console, "Xbox360", commenced the competition of the next-generation game console among home video game manufacturers that are eager to win the distinction of "hardware leader". Portable game consoles contributed to the expansion of the game hardware distribution, while powerful flagship software titles were released. All these favorable factors made year-end sales thrive.

In the arcade game market, the entire industry devoted its full-scale efforts to promote its market development projects. One example of such efforts was to hold various events or to offer customer appreciation services at game arcades across Japan on "Game Day", which is November 23rd.

Under these circumstances, Capcom Group tried to increase sales by implementing elaborate sales promotions, developing community-based facilities, and strengthening the management system through organizational reforms.

In addition, we placed an extra emphasis on the enhancement of the content-related business. Among such activities are distributing games to cellular phones and extending our game business into the fields of publications, toys, and character-related licensing business. The ultimate objective of these efforts is to take full advantage of our software assets and create synergy effects.

The resulting consolidated business performance for this third quarter was the net sales of 47,925 million yen (up 12.8 % from the same term last year), the operating income of 4,744 million yen (up 23.1 % from the same term last year), the ordinary income of 5,304 million yen (up 65.7 % from the same term last year), and the net profit of 7,427 million yen (up 418.1 % from the same term last year).

[Status of Each Operational Department]

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 Game Sales

In this business segment, “Resident Evil 4” (for PlayStation 2), one of our key software titles, showed a favorable sales growth backed by the strength of its established brand name. In addition, the online-capable “Monster Hunter Portable” (for PlayStation Portable) performed significantly beyond our projection and became a smash hit. “Megaman Battle Network 6” (for Game Boy Advance), the latest title of the series, achieved steady sales as well. In the overseas market, our lower-priced software titles grew steadily during the holiday shopping season.

The resulting net sales increased to 29,302 million yen (up 16.2 % from the same term last year) and the operating income increased to 2,299 million yen (up 64.2 % from the same term last year).

Arcade Operations

In this business segment, we have been trying to acquire new customers while increasing the loyalty of our existing customers through strategic operations. Such efforts included holding a variety of events and offering products that satisfy diverse customer needs.

During this third quarter, our existing arcades performed well though the heavy snowfall had negative effects on sales in certain areas. Those relatively new arcades that started operation in recent years also grew satisfactorily, serving as a sales growth engine.

We opened a new type of large-scale facility, “Plaza Capcom Mito”, in Ibaraki Prefecture under the diversified approach in selecting locations for new arcades. “Plaza Capcom Mito” is located roadside, and it offers a mature atmosphere that appeals to adult customers.

The current number of “Plaza Capcom” totals 31 after these activities.

The resulting net sales increased to 8,417 million yen (up 2.7 % from the same term last year), and the operating income decreased to 1,650 million yen (down 4.9 % from the same term last year).

Arcade Game Sales

In this business segment, “Donkey Kong Jungle Fever” and “Ghosts & Goblins” won first and second positions respectively in the single-medal division during last year’s Amusement Machine Show. These two games enjoyed healthy growth, and “Super Mario Fushigino Korokoro Party ” also experienced brisk sales.

The resulting net sales increased to 5,633 million yen (up 9.6 % from the same term last year), and the operating income decreased to 1,139 million yen (down 29.8 % from the same term last year).

Contents Expansion Business

One of the areas that we focused on in this business segment was the operation expansion through collaboration with other companies. Under this objective, we worked on increasing contract work for developing and distributing LCD display utilizing our expertise in software development. At the same time, we tried to enhance the distribution of games to cellular phones.

The resulting net sales increased to 2,881 million yen (up 29.3 % from the same term last year), and the operating income increased to 1,201 million yen (up 42.2 % from the same term last year).

Other Businesses

The net sales from other businesses, mainly licensing royalties, were 1,722 million yen (down 1.0 % from the same term last year), and the operating income was 184 million yen (the operating loss was 41 million yen in the same term last year).

(2) Consolidated Financial Position

	Total Assets	Total Shareholder's Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
3 rd Quarter Ended December 31, 2005	94,163	40,173	42.7	730.88
3 rd Quarter Ended December 31, 2004	102,486	30,024	29.3	546.19
As of March 31, 2005	106,361	32,491	30.5	589.99

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
3 rd Quarter Ended December 31, 2005	5,341	(1,346)	(18,014)	32,766
3 rd Quarter Ended December 31, 2004	1,460	(952)	6,796	39,281
As of March 31, 2005	7,977	(1,099)	6,251	45,538

[Overview of the Consolidated Financial Position]

Total assets as of the end of the nine-month period are 94,163 million yen, decreased by 12,197 million yen from the previous fiscal year. Shareholders' equity is 40,173 million yen, increased by 7,681 million yen from the previous fiscal year. This is mainly attributable to repayment by redemption of convertible bonds, repayment of short-term and long-term borrowings and increase of net income. Therefore, shareholders' equity ratio resulted in 42.7%.

Cash flow positions for each activity are as stated below.

(1) Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 3,880 million yen in comparison with the same period of the previous year. This is attributable to increase of net income before tax adjustment.

(2) Cash Flows From Investing Activities

Net cash decrease from investing activities amounted to 394 million yen in comparison with the same period of the previous year. This is mainly attributable to the acquisition of tangible fixed assets.

(3) Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 24,811 million yen. The decrease is due to repayment by redemption of convertible bonds, repayment of short-term and long-term borrowings.

As a result, cash and cash equivalents as of the nine-month period decreased by 6,514 million yen from the previous fiscal year to 32,766 million yen.

[Qualitative and other information regarding the business result prospects]

The prospects of the consolidated business results for the current fiscal year ending March 31, 2006 remain the same as what were projected at the mid-term financial results announcement on November 21, 2005.

(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.

As for the future prospects, new game consoles, “PlayStation 3” and “Revolution”(tentative name), are to be released this year. These new consoles along with “Xbox360” are expected to enter fierce competition for dominance in the market.

We are projecting that not only domestic but also overseas competition will be further intensified by the aggressive action of foreign game manufacturers. In addition, other factors such as an unusually severe winter or the Torino Olympics may also have certain influence on the market environment.

The release of the next-generation game console started the trend of rising development costs. In order to hold down this trend, Capcom group will be addressing such issues as improving the efficiency of our development division.

Capcom is determined to improve customer satisfaction and create demand through exploring new business genres based on our marketing strategy, upgrading and expanding our online games, and introducing original and appealing software. These activities will make it possible for us to respond to the diverse user needs worldwide.

While taking into account the current market trends, we are continuing the multi-platform strategy by which we provide software for various hardware manufacturers.

Finally, Capcom will continue to reinforce our management structure to establish a profit system that places importance on cash flow and ensures secure profits. The areas in which we are engaging to achieve these goals are selecting the right location to open a new facility based on customers’ preference, carrying out thorough inventory reduction, lowering distribution costs, and improving financial structure.

Summary of Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This 3rd Quarter		Difference	Previous 3rd Quarter	
	(As of March 31, 2005)		(As of December 31, 2005)			(As of December 31, 2004)	
	Amount	%	Amount	%	Amount	Amount	%
(Assets)							
Current assets							
1 Cash and cash equivalents	43,538		32,566		(10,971)	37,969	
2 Notes and accounts receivable	14,417		12,390		(2,027)	12,314	
3 Negotiable securities	1,999		199		(1,800)	1,311	
4 Inventories	3,912		3,857		(54)	3,685	
5 Game software products in-progress	9,399		9,638		239	10,981	
6 Deferred income taxes	4,004		3,845		(159)	4,192	
7 Short-term loans receivable	1,285		1,277		(7)	1,569	
8 Other	1,455		1,121		(333)	2,797	
9 Allowance for doubtful accounts	(1,128)		(1,146)		(17)	(1,644)	
Total current assets	78,884	74.2	63,752	67.7	(15,132)	73,177	71.4
Fixed assets							
(1) Tangible fixed assets							
1 Buildings and structures	6,677		6,438		(238)	6,775	
2 Machinery and vehicle	84		101		17	63	
3 Tool, fixture and furniture	588		555		(33)	589	
4 Rental equipment	107		82		(25)	115	
5 Equipments for amusement facilities	1,878		2,198		320	2,005	
6 Land	4,472		4,480		8	4,470	
7 Construction-in-progress	72		36		(35)	20	
Total tangible fixed assets	13,881	13.0	13,893	14.7	12	14,039	13.7
(2) Intangible fixed assets							
1 Other	636		446		(189)	703	
Total intangible fixed assets	636	0.6	446	0.5	(189)	703	0.7
(3) Investments and other assets							
1 Investments in securities	1,562		2,431		868	2,026	
2 Long-term loans receivable	865		827		(37)	3,594	
3 Deferred income taxes	6,029		8,308		2,278	7,909	
4 Claim in bankruptcy and reorganization	108		108		(0)	113	
5 Other	4,804		4,839		35	4,815	
6 Allowance for doubtful accounts	(410)		(443)		(33)	(3,893)	
Total investments and other assets	12,959	12.2	16,071	17.1	3,111	14,565	14.2
Total fixed assets	27,476	25.8	30,411	32.3	2,934	29,308	28.6
Total assets	106,361	100.0	94,163	100.0	(12,197)	102,486	100.0

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This 3rd Quarter		Difference	Previous 3rd Quarter	
	(As of March 31, 2005)		(As of December 31, 2005)			(As of December 31, 2004)	
	Amount	%	Amount	%	Amount	Amount	%
(Liabilities)							
I Current liabilities							
1 Notes and accounts payable	8,472		5,136		(3,336)	5,108	
2 Short-term borrowings	4,893		700		(4,193)	5,243	
3 Convertible bonds repayable within 1 year	12,262		-		(12,262)	12,262	
4 Accrued income taxes	559		44		(515)	185	
5 Accrued bonus	1,137		217		(919)	390	
6 Reserve for return goods	210		181		(29)	285	
7 Other	3,809		5,540		1,731	6,236	
Total current liabilities	31,344	29.5	11,820	12.5	19,523	29,711	29.0
II 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		-	11,500	
3 Long-term debt	4,830		4,375		(455)	5,075	
4 Accrued retirement benefits for employees	740		815		74	714	
5 Other	454		479		25	460	
Total long-term liabilities	42,525	40.0	42,170	44.8	(355)	42,750	41.7
Total liabilities	73,869	69.5	53,990	57.3	(19,879)	72,462	70.7
(Shareholders' Equity)							
I Common stock	27,581	25.9	27,581	29.3	-	27,581	26.9
II Capital surplus	15,336	14.4	15,336	16.3	(0)	15,337	15.0
III Retained earnings	(4,681)	(4.4)	1,586	1.7	6,268	(6,870)	(6.7)
IV Unrealized profit and loss on revaluation of securities	470	0.4	799	0.8	329	508	0.5
V Cumulative translation adjustments	(1,103)	(1.0)	(14)	(0.0)	1,089	(1,421)	(1.4)
VI Treasury stock	(5,111)	(4.8)	(5,116)	(5.4)	(4)	(5,111)	(5.0)
Total shareholders' equity	32,491	30.5	40,173	42.7	7,681	30,024	29.3
Total liabilities and shareholders' equity	106,361	100.0	94,163	100.0	(12,197)	102,486	100.0

Summary of Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous 3rd Quarter		This 3rd Quarter		Difference	Previous Fiscal Year	
	From April 1, 2004 To December 31, 2004		From April 1, 2005 To December 31, 2005			From April 1, 2004 To March 31, 2005	
	Amount	%	Amount	%		Amount	Amount
I Net sales	42,499	100.0	47,925	100.0	5,426	65,895	100.0
II Cost of sales	28,506	67.1	31,791	66.3	3,284	43,640	66.2
Gross profit	13,992	32.9	16,134	33.7	2,141	22,255	33.8
Reserve adjustment for return goods	414	1.0	29	0.0	(385)	489	0.7
Net gross profit balance	14,407	33.9	16,163	33.7	1,756	22,744	34.5
III Selling, general and administrative expenses	10,552	24.8	11,419	23.8	866	14,991	22.8
Operating income	3,854	9.1	4,744	9.9	889	7,752	11.7
IV Other income							
1 Interest income	143		359			216	
2 Dividend income	13		13			13	
3 Exchange gain	142		441			340	
4 Other	89	388	11	825	1.7	437	149
719							1.1
V Other expense							
1 Interest expense	204		148			265	
2 Transfer of allowance for doubtful accounts	665		45			625	
3 Other	172	1,043	71	265	0.5	(777)	181
1,073							1.6
Ordinary income	3,200	7.5	5,304	11.1	2,104	7,399	11.2
VI Extraordinary gain							
1 Gain on bad debt recovered	-		114			-	
2 Gain on assignment of business	66		-			66	
3 Gain on sale of investment in securities	67	134	-	114	0.2	(19)	66
66							0.1
VII Extraordinary loss							
1 Loss on sale of fixed asset	108		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	-	171	-	122	0.2	(48)	22
459							0.7
Net profit before taxes	3,163	7.4	5,296	11.1	2,133	7,006	10.6
Corporate tax, local tax and enterprise tax	1,729	4.0	(2,130)	4.4	(3,860)	3,383	5.1
Net profit	1,433	3.4	7,427	15.5	5,993	3,622	5.5

Summary of Statements of Cash Flows

(Unit: Millions of Yen)

Account Title	Previous 3rd Quarter	This 3rd Quarter	Difference	Previous Fiscal Year
	From April 1, 2004 To December 31, 2004 Amount	From April 1, 2005 To December 31, 2005 Amount	Amount	From April 1, 2004 To March 31, 2005 Amount
I Cash flows from operating activities				
1 Net profit before income taxes	3,163	5,296	2,133	7,006
2 Depreciation and amortization	1,551	1,453	(97)	2,101
3 Increase in allowance for doubtful accounts	695	58	(637)	544
4 Interest revenue and dividend income	(157)	(373)	(216)	(229)
5 Interests paid	204	148	(56)	265
6 Gain on sale of investment securities	(67)	-	67	-
7 Increase (decrease) in account receivable	(3,294)	2,163	5,458	(5,400)
8 Decrease in inventories	473	79	(393)	454
9 Increase (decrease) in game software products in-progress	(1,108)	(239)	869	240
10 Increase (decrease) in accounts payable	554	(3,388)	(3,942)	3,929
11 Other	(279)	831	1,110	(623)
Sub total	1,734	6,031	4,296	8,289
12 Interest and dividend received	157	371	214	238
13 Interest payment	(162)	(142)	20	(265)
14 Corporate and other tax payment	(269)	(918)	(649)	(285)
Cash flows from operating activities	1,460	5,341	3,880	7,977
II Cash flows from investing activities				
1 Acquisition of property, plant and equipment	(1,136)	(1,010)	126	(1,320)
2 Proceeds from sale of investments in securities	106	-	(106)	218
3 Other	76	(336)	(413)	2
Cash flows from investing activities	(952)	(1,346)	(394)	(1,099)
III Cash flows from financing activities				
1 Repayment of short-term borrowings	(1,051)	(4,193)	(3,141)	(1,402)
2 Repayment of long-term borrowings	(455)	(455)	-	(700)
3 Proceeds from convertible bonds issued after April 1st, 2002	11,449	-	(11,449)	11,500
4 Payment on redemption of convertible bonds	-	(12,262)	(12,262)	-
5 Proceeds from sale of treasury stock	0	0	0	0
6 Acquisition of treasury stock	(2,011)	(4)	2,006	(2,013)
7 Dividend paid by parent company	(1,134)	(1,099)	34	(1,133)
Cash flows from financing activities	6,796	(18,014)	(24,811)	6,251
IV Effect of exchange rate changes on cash and cash equivalents	(154)	1,248	1,402	277
V Increase (decrease) in cash and cash equivalents	7,150	(12,771)	(19,921)	13,406
VI Beginning balance of cash and cash equivalents	32,131	45,538	13,406	32,131
VII Ending balance of cash and cash equivalents	39,281	32,766	(6,514)	45,538

Segment Information

[Operating Segments]

Nine-month Period ended December 31, 2005 (from April 1, 2005 to December 31, 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								
(1) External Customers	29,302	8,417	5,601	2,881	1,722	47,925	(-)	47,925
(2) Inter-Segment Sale or Transfer	-	-	31	-	-	31	(31)	-
Total	29,302	8,417	5,633	2,881	1,722	47,956	(31)	47,925
Operating Expense	27,003	6,767	4,493	1,679	1,537	41,481	1,699	43,181
Operating Profit	2,299	1,650	1,139	1,201	184	6,475	(1,731)	4,744

(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 content-related businesses.
- Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 1,749 million yen. The major part of this expense is related to corporate G&A.
- 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.

Nine-month Period ended December 31, 2004 (from April 1, 2004 to December 31, 2004)

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								
(1) External Customers	25,219	8,199	5,122	2,228	1,740	42,499	(-)	42,499
(2) Inter-Segment Sale or Transfer	-	-	28	-	-	28	(28)	-
Total	25,219	8,199	5,140	2,228	1,740	42,528	(28)	42,499
Operating Expense	23,818	6,464	3,516	1,383	1,781	36,965	1,679	38,644
Operating Profit or Loss	1,400	1,734	1,624	844	(41)	5,562	(1,707)	3,854

(Note) Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and Corporate" amounted to 1,707 million yen. The major part of this expense is related to corporate G&A.

Previous fiscal year (from April 1, 2004 to March 31, 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								
(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	39,985	10,934	7,450	4,207	3,356	65,933	(38)	65,895
Operating Expense	36,077	8,638	5,505	2,464	3,121	55,807	2,336	58,143
Operating Profit	3,907	2,296	1,944	1,742	235	10,126	(2,374)	7,752

(Note) 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.