

Mid-Term Financial Results (Consolidated basis) ended September 30, 2006 (Unaudited)

Company Name : CAPCOM Co., Ltd.

Code Number : 9697

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

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

Contact Person : Kazuhiko Abe, Director and Managing Corporate Officer

Approval of Financial Results by Board Members: November 9, 2006

Application of US Accounting Standard: None

Date of Issue: November 9, 2006

Stock Listing : Tokyo, Osaka

Location of Headquarters : Osaka Prefecture

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1. Results of the Mid-Term ended September 30, 2006 (April 1, 2006 - September 30, 2006)

(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, 2006	29,175	4.9	3,042	356.4	3,785	317.2
Mid-Term Ended Sept. 30, 2005	27,801	(2.6)	666	(62.5)	907	(38.9)
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
Mid-Term Ended Sept. 30, 2006	1,918	(38.6)	35.79	27.03
Mid-Term Ended Sept. 30, 2005	3,124	474.7	56.83	41.88
Year Ended March 31, 2006	6,941		125.19	93.49

Note: 1. Investment Profit / Loss on Equity Method

Mid-Term Ended Sept. 30, 2006: - million yen Mid-Term Ended Sept. 30, 2005: (1) million yen Year Ended March 31, 2006: (32) million yen

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

Mid-Term Ended Sept. 30, 2006: 53,608,558 Mid-Term Ended Sept. 30, 2005: 54,968,686 Year Ended March 31, 2006: 54,967,392

3. Change in Accounting Policies: No

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 Net Assets	Net Assets Ratio to Total Assets	Net Assets per Share
	Million Yen	Million Yen	%	Yen
Mid-Term Ended Sept. 30, 2006	96,168	37,213	38.7	709.33
Mid-Term Ended Sept. 30, 2005	92,058	35,660	38.7	648.76
Year Ended March 31, 2006	98,457	39,464	40.1	716.91

Note: Number of shares outstanding:

Mid-Term Ended Sept. 30, 2006: 52,462,671 Mid-Term Ended Sept. 30, 2005: 54,967,691 Year Ended March 31, 2006: 54,964,728

(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, 2006	3,330	(3,895)	(4,141)	35,871
Mid-Term Ended Sept. 30, 2005	2,091	(636)	(13,864)	33,867
Year Ended March 31, 2006	13,921	(1,779)	(18,259)	40,652

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 12

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 2, Decrease 1

Equity Method: Increase 0, Decrease 0

2. Forecast for the Fiscal Year ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
For Year Ending March 31, 2007	68,400	7,000	3,900

(Reference) Expected Net Income Per Share of Common Stock for Year ending March 31, 2007: 70.95 (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.

[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), CE Europe Ltd.(consolidated subsidiary) and CEG Interactive Entertainment GmbH(consolidated subsidiary) are responsible for distribution of the game software. Flagship Co., Ltd. (consolidated subsidiary) and Clover Studio Co., Ltd. are also participating in development, a developer of game software, has been qualified as one of consolidated companies since its importance to Capcom Co., Ltd. was increased.

Clover Studio Co., Ltd. is now under process of dissolution which was passed at the Board of Directors' meeting held on October 12, 2006. Capcom Studio 8, Inc. is suspending its operations to reform R&D structure in North America.

[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 commercial game equipments and integrated circuit boards. Capcom Co., Ltd. develops and manufactures products while Capcom Co., Ltd. is responsible for distribution of the products.

[Contents Expansion]

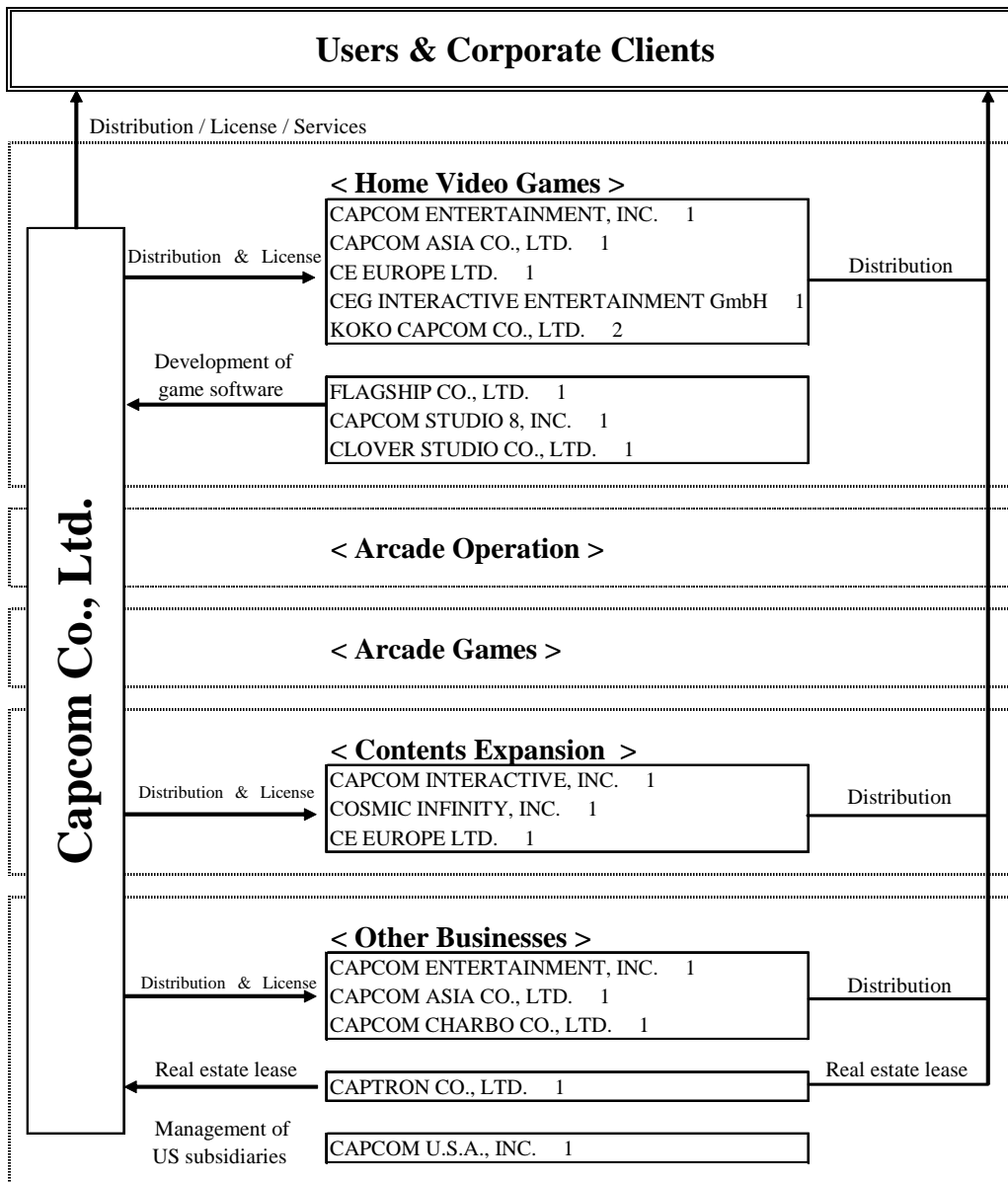
This division develops and distributes mobile contents as well as LCD display. As for mobile contents being developed by Capcom Co., Ltd. and Cosmic Infinity Inc. which Capcom Co., Ltd. acquired and made a subsidiary, Capcom Co., Ltd., CE Europe Ltd., Capcom Interactive, Inc. and Cosmic Infinity Inc. undertake their distribution through their telecommunications companies. Capcom Co., Ltd. develops, manufactures and distributes LCD display.

[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 subsidiaries; Capcom Entertainment, Inc., Capcom Studio 8, Inc. and Capcom Interactive, Inc. and their respective managements are under the control of Capcom USA., Inc..

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” (real management that generates cash) 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” as a very important factor for evaluating decision-making processes and corporate values.

4. Medium and Long Term Business Strategy

In addition to the sharp rise in development costs, the video game industry is facing increasing challenges. The struggle for survival in this small industry has caused fierce competition amongst global corporations, resulting in an increase in mergers, acquisitions and business integrations as well as more intensive corporate restructuring. Intensified competition from other business sectors that historically had same user groups as video game industry, including the mobile phone industry, also pose an increasing challenge to the industry.

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. Investment in growth field and the decision 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. The provision of the LCD device for PACHISLO machines is 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.

Operating Results & Financial Status

1 . Operating Results

(1) Overview of the Six-Month Period Ended September 30, 2006

The Japanese economy during this six-month period (ended September 30, 2006) was on a recovery path in spite of sluggish stock market and high crude oil prices. The supporting factors for the trend were solid capital investments, improved employment conditions and steady consumer spending.

As for the video game industry, the profusion of current hardware has impacted the home video game market. While waiting for the full-scale release of the next generation game consoles, the portable game console led market growth, expanding its user base into novice female and the middle-aged game players.

The online game market grew steadily due partially to the diffusion of the internet-capable portable game consoles.

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

Arcade operations stayed on a recovery path backed up by the growing popularity of card-dispensing games and the construction of large-scale arcades.

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

Additionally, Capcom acquired 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 part of the efforts to diversify our customer base to include girls and younger children, we collaborated with TakaraTomy in the areas of sales and development of character-related products. We advanced a cooperative business development plan that takes full advantage of our popular products. In addition, we entered into the market of trading card game, which are popular among the young, with the expectation of creating synergistic effects from the characters and products.

The resulting net sales were 29,175 million yen (up 4.9 % from the same term last year).

As for profits, the operating income increased to 3,042 million yen (up 356.4 % from the same term last year) and the ordinary income also increased to 3,785 million yen (up 317.2 % from the same term last year), due to a decrease in COGS. However the net profit for the current mid-term period decreased to 1,918 million yen (down 38.6 % from the same term last year). One of the major reasons for the decrease in net profit was simply that the tax rate went back to the standard rate. During the same term last year, we reviewed the valuation reserve for the deferred tax assets and posted adjustments to be recorded in related accounts including corporation taxes. As a result, the net profit for the period increased last year.

(2) Status of Each Operational Department

Home Video Game

In this business segment, “Dead Rising” (for Xbox 360) performed beyond our expectations and became a hit in the North American and European markets. “Devil Kings 2” (for PlayStation 2) also grew favorably.

The innovative new software “Okami” (for PlayStation 2), that embraced Japanese tradition, performed strongly along with “Phoenix Wright: Ace Attorney (Best Price!)” (for Nintendo DS). “Monster Hunter Freedom” (for PlayStation Portable), which was released in the previous term, also achieved continuous growth supported by repeat orders.

Net sales increased to 15,735 million yen (up 9.5 % from the same term last year), the operating

income increased to 2,262 million yen realized through controlled development costs.

Arcade Operations

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

Having the strategy of “Chiiki Ichiban Ten” (No.1 Arcade in the Regional Community) as a base, we opened three new facilities in Chiba Prefecture to solidify the business foundation in the Metropolitan area. With the opening of “Plaza Capcom Chiba New Town”, “Plaza Capcom Chiba Naganuma”, and “Plaza Capcom Chiba Marinpia Senmonkan”, the current number of “Plaza Capcom” totals 33.

The resulting net sales increased to 6,466 million yen (up 14.6 % from the same term last year) and the operating income decreased to 1,137 million yen (down 3.2 % from the same term last year).

Arcade Games

Sales of “Mobile Suit Gundam SEED DESTINY: Federation vs. Z.A.F.T. II” steadily expanded thanks to its established popularity. “Wantame Music Channel” was released in the end of September 2006. The much-admired “Wantame Music Channel” targeted girls and younger children and received great publicity. However, sales of other major games were not favorable and net sales decreased slightly from the same term last year.

The resulting net sales were 4,367 million yen (down 0.8 % from the same term last year) and the operating income was 893 million yen (down 10.0 % from the same term last year).

Contents Expansion

In this business segment, the game distribution to mobile phones, especially to i-Mode, expanded steadily.

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 PACHINKO and PACHISLO machines remained at a low level as we went into preparation for the full-fledged operation expansion. While waiting for this expansion, which is to come in the latter half of this fiscal year, the overall performance was very sluggish (in comparison with that of the same term last year).

The resulting net sales decreased to 1,333 million yen (down 39.7 % from the same term last year), and the operating income decreased to 72 million yen (down 90.8 % from the same term last year).

Other Businesses

The net sales from other businesses, mainly character-related licensing royalties, increased to 1,291 million yen (up 8.7 % from the same term last year), and the operating income decreased to 42 million yen.

(3) Overview of Business Performance in Each Region

Japan

The majority of the software sold consisted of small-scale titles as well as those titles developed under the collaboration with other companies; thus, the overall sales remained low.

However, “Devil Kings 2” (for PlayStation 2) grew steadily and “Okami” (for PlayStation 2) along with “Phoenix Wright: Ace Attorney (Best Price!)” (for Nintendo DS) performed favorably. “Monster Hunter Freedom” (for PlayStation Portable), which became a big hit in the previous term, also showed continuous growth.

As for the arcade operations, we pursued profit increases by promoting the aggressive expansion of the arcade chain and implementing a scrap-and-build strategy.

In the arcade game sales, “Mobile Suit Gundam SEED DESTINY: Federation vs. Z.A.F.T. II” performed strongly while others did not reach our expectations.

In the contents expansion business, the game distribution to mobile phones showed a healthy growth, while the provision of the LCD unit for PACHINKO and PACHISLO machines struggled. The overall performance of this segment remained at low levels.

The resulting net sales decreased to 21,727 million yen (down 1.1 % from the same term last year) and the operating income increased to 2,941 million yen (up 19.3 % from the same term last year).

North America

The North American market expanded partially due to the healthy growth of “Xbox 360”, which was released in November 2005. Under these circumstances, “Dead Rising” (for Xbox 360) performed beyond our expectations. “Monster Hunter Freedom” (for PlayStation Portable), which was popular in Japan, achieved steady sales, and “Devil May Cry 3 Special Edition” (for PlayStation 2) also had performed well.

We have been working on operational restructuring to push forward global management reforms. Such activities included enhancing marketing strategies as well as improving management structures of the US subsidiary.

The resulting net sales increased to 6,778 million yen (up 43.7 % from the same term last year) and the operating income increased significantly to 955 million yen.

Europe

In Europe, one of the three major markets in the world, “Dead Rising” (for Xbox 360) achieved healthy growth. “Monster Hunter Freedom” (for PlayStation Portable) and “Devil May Cry 3 Special Edition” (for PlayStation 2) also performed favorably, but other products struggled due partially to the lack of leading software titles.

The resulting net sales decreased to 3,090 million yen (down 2.8 % from the same term last year), however the operating income improved to 455 million yen because of a reduction in costs.

Other Regions

In Asia, the problem of illegally copied software is still unsolved. This situation places limitations on the sales of the packaged products, resulting in the core of the Asian game market being online games for PCs.

Under these circumstances, we carried out an aggressive business development, and the software for PlayStation Portable performed strongly, leading sales in the region.

The resulting net sales increased to 538 million yen (up 319.3 % from the same term last year), and the operating income turned slightly into the black to 82 million yen.

(4) Prospects for the Current Financial Year

It is expected that the competition in the home video game market will further intensify when the full release of the internet-capable next generation game consoles is completed by the end of this year.

The game industry may go through a major reformation as new competitors from other industries enter into both the hardware and software markets. We will soon be seeing a clear distinction of “winners” and “losers” in the industry.

Under these circumstances, Capcom will concentrate its business resources for the Christmas-New Year season, the biggest shopping time of the year for home video games. Those areas on which we are focusing include introducing products that precisely match market demands, improving sales systems, and strengthening marketing strategies. In arcade operations, we will implement elaborate projects to attract more customers. The goals of such effort are to improve customer satisfaction in every business segment of Capcom, to establish a superior competitive edge, and to increase sales and profits.

As part of our development strategy to reinforce the core competence of Capcom, we are employing PC-based product development as used by game software manufacturers in the US and Europe. This method will allow us to efficiently develop multi-platform products, as well as to control rising development costs associated with the release of the next generation game consoles. Another area on which we are focusing is the enhancement of online games to meet the rapidly growing network game market.

Capcom started extensive operations for expanding business fields and obtaining new customers. As part of such activities, we co-founded Daletto Co., Ltd., the online portal site management company, with the Dwango Group in October, 2006.

Capcom will strengthen its business by fulfilling our growth plans and adapting to changes in the managerial environment. The improvement of operation efficiency, the reformation of the financial structure, and the promotion of partnerships with other companies are among such efforts to achieve these goals.

We are projecting the net sales of 68,400 million yen, the ordinary income of 7,000 million yen, and the net profit of 3,900 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.

2 . Financial Conditions

Cash and cash equivalents (hereafter referred to as “Cash”) as of the end of this six-month period decreased by 4,780 million yen from the previous fiscal year to 35,871 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 3,330 million yen, increased by 1,238 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 3,361 million yen, depreciation and amortization by 1,297 million yen and decrease of account receivable by 1,573 million, both of which involve no cash involvement, although the payment of corporate and other tax by 2,022 million yen.

(2) Cash Flows from Investing Activities

Net cash decrease from investing activities amounted to 3,895 million yen, a decrease of 3,259 million yen from the same term last year. This is attributable to the acquisition of new consolidated subsidiaries' stock such as Canadian game development company for mobile phone by 1,554 million yen, and the expense of 1,879 million yen for acquiring tangible fixed assets, such as buildings and equipment for amusement facilities.

(3) Cash Flows from Financing Activities

Net cash decrease from financing activities amounted to 4,141 million yen, a decrease of 9,723 million yen from the same term last year. This is due mainly to the acquisition of treasury stock by 3,241 million yen.

(4) Trends of Cash Flow Indicators

	Year ended March 2005	Six-Month Period ended Sept. 2005	Year ended March 2006	Six-Month Period ended Sept. 2006
Net assets ratio to total assets (%)	30.5	38.7	40.1	38.7
Net assets ratio to total assets based on fair market value (%)	54.1	74.6	67.5	93.6
Debt amortization schedule (number of years)	2.8	2.2	0.4	0.7
Interest coverage ratio (times)	30.0	16.9	82.6	92.7

Net assets ratio to total assets = (Net assets – Stock acquisition rights – Minority interests) / Total assets

Net assets ratio to total assets 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

Indicators are calculated using financial numbers in consolidated basis.

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.

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.

3. 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 9, 2006 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.

As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.

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 related to the leakage of private information

Capcom established the guidelines regarding the protection of personal information. It is our mission to disseminate the guidelines to all of our employees and to heighten the awareness about this critical matter. As part of such efforts, we are conducting an in-house education program once a week in which our employees review and study the Private Information Protection Law. If private information should leak outside of the company, not only the corporate image of Capcom will be destroyed, but we will be responsible for damages. Therefore, the operating results and financial position of the Capcom group may be negatively affected by these incidents.

(10) Development and assurance of human resources

The expression, “the business is all about its people”, means that the future success and growth of any corporation depends upon competent employees. Although Capcom group is actively engaged in recruiting, educating, and securing excellent human resources, the mobility of personnel is relatively high in the game industry, and it is possible that our business activities will be disturbed if any of our talented employees decide to resign or to move to our competitors. Therefore, the operating results and financial position of the Capcom group may be affected negatively by these factors.

(11) Risks related to Dilution of Stock Value

We issued unsecured convertible bonds and convertible bond which was issued after April 1st 2002. If the conversion rights are exercised, dilution of stock value will occur; there is a risk that it may affect our stock price.

(12) 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.

Mid-Term Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (as of September 30, 2005)		This Mid-Term Fiscal Period (as of September 30, 2006)		Balance Sheet of Previous Fiscal Year (as of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
	(Assets)					
I Current assets						
1 Cash and cash equivalents	33,667		35,871		40,453	
2 Notes and accounts receivable	9,955		11,496		12,812	
3 Negotiable Securities	199		-		199	
4 Inventories	3,183		3,012		3,741	
5 Game software products in-progress	9,633		5,427		6,348	
6 Deferred income taxes	4,106		2,733		3,266	
7 Short-term loans receivable	1,280		1,243		1,277	
8 Other	1,433		5,431		1,272	
9 Allowance for doubtful accounts	(1,146)		(1,305)		(1,295)	
Total current assets	62,313	67.7	63,910	66.5	68,075	69.1
II Fixed assets						
1 Tansible fixed assets						
(1) Buildings and structures	6,503		6,208		6,366	
(2) Machinery and vehicle	93		94		107	
(3) Tool, fixture and furniture	584		605		529	
(4) Rental equipment	92		244		199	
(5) Equipments for amusement facilities	2,057		2,856		2,064	
(6) Land	4,476		4,480		4,480	
(7) Construction-in-progress	-		144		73	
Total tansible fixed assets	13,808	15.0	14,634	15.2	13,820	14.0
2 Intansible fixed assets						
(1) Goodwill	-		1,021		-	
(2) Other	523		837		333	
Total intansible fixed assets	523	0.6	1,859	1.9	333	0.4
3 Investments and other assets						
(1) Investments in securities	2,022		2,117		2,305	
(2) Long-term loans receivable	836		837		807	
(3) Deferred income taxes	8,158		8,135		8,624	
(4) Claim in bankruptcy and reorganization	108		163		107	
(5) Other	4,730		5,256		5,095	
(6) Allowance for doubtful accounts	(442)		(746)		(712)	
Total investments and other assets	15,413	16.7	15,764	16.4	16,227	16.5
Total fixed assets	29,745	32.3	32,257	33.5	30,381	30.9
Total assets	92,058	100.0	96,168	100.0	98,457	100.0

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (as of September 30, 2005)		This Mid-Term Fiscal Period (as of September 30, 2006)		Balance Sheet of Previous Fiscal Year (as of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
	(Liabilities)					
I Current liabilities						
1 Notes and accounts payable	4,908		8,142		7,213	
2 Short-term borrowings	4,192		700		700	
3 Convertible bonds repayable within 1 year	-		10,000		10,000	
4 Accrued income taxes	230		453		2,196	
5 Accrued bonus	232		346		1,062	
6 Reserve for return goods	111		132		349	
7 Other	4,448		7,471		5,420	
Total current liabilities	14,124	15.4	27,246	28.3	26,942	27.4
II Long-term liabilities						
1 Convertible bonds payable	25,000		15,000		15,000	
2 Convertible bonds issued after April 1st, 2002	11,500		11,500		11,500	
3 Long-term debt	4,480		3,780		4,130	
4 Accrued retirement benefits for employees	780		880		816	
5 Other	512		547		604	
Total fixed liabilities	42,273	45.9	31,708	33.0	32,050	32.5
Total liabilities	56,397	61.3	58,955	61.3	58,992	59.9
(Shareholders' Equity)						
I Paid in capital	27,581	30.0	-	-	27,581	28.0
II Capital surplus	15,336	16.7	-	-	15,336	15.6
III Retained earnings	(2,167)	(2.4)	-	-	1,099	1.1
IV Unrealized profit and loss on revaluation of securities	583	0.6	-	-	793	0.8
V Cumulative translation adjustments	(558)	(0.6)	-	-	(228)	(0.2)
VI Treasury stock	(5,113)	(5.6)	-	-	(5,117)	(5.2)
Total shareholders' equity	35,660	38.7	-	-	39,464	40.1
Total liabilities and shareholders' equity	92,058	100.0	-	-	98,457	100.0
(Net Assets)						
I Shareholders' equity						
1 Paid in capital	-		27,581		-	
2 Capital surplus	-		15,336		-	
3 Retained earnings	-		2,408		-	
4 Treasury stock	-		(8,358)		-	
Total shareholder's equity	-	-	36,968	38.4	-	-
II Value of adjustments securities						
1 Unrealized profit and loss on revaluation of securities	-		636		-	
2 Deferred income and loss on hedging instruments	-		0		-	
3 Cumulative translation adjustments	-		(391)		-	
Total value adjustments of securities	-	-	244	0.3	-	-
Total net assets	-	-	37,213	38.7	-	-
Total liabilities and net assets	-	-	96,168	100.0	-	-

Mid-Term Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2005 to September 30, 2005		This Mid-Term Fiscal Period From April 1, 2006 to September 30, 2006		Previous Fiscal Year From April 1, 2005 to March 31, 2006	
	Amount	%	Amount	%	Amount	%
I Net sales	27,801	100.0	29,175	100.0	70,253	100.0
II Cost of sales	20,517	73.8	19,098	65.5	47,799	68.0
Gross income	7,283	26.2	10,077	34.5	22,454	32.0
Reserve for return goods	-	-	-	-	138	0.2
Reserve adjustment for return goods	99	0.4	216	0.8	-	-
Net gross income balance	7,383	26.6	10,293	35.3	22,315	31.8
III Selling, general and administrative expenses	6,716	24.2	7,251	24.9	15,735	22.4
Operating income	666	2.4	3,042	10.4	6,580	9.4
IV Other income						
1 Interest income	232		359		507	
2 Dividend income	13		15		13	
3 Exchange gain	201		471		493	
4 Other	7	454	19	865	74	1,089
V Other expense						
1 Interest expense	123		35		171	
2 Loss on transfer of allowance for doubtful accounts	32		10		317	
3 Other	57	213	74	121	165	653
Ordinary income		907		3,785		7,016
3.3						
VI Extraordinary gain						
1 Gain on sale of fixed asset	-		1		1	
2 Legal settlement	-		103		-	
3 Gain on bad debt recovered	114	114	-	104	114	116
0.4						
VII Extraordinary loss						
1 Loss on sale of fixed asset	18		128		65	
2 Retirement gratuity to director to resign	44		-		44	
3 Loss on revaluation of investment in securities	59		35		63	
4 Loss on suspension of product development	-		365		-	
5 Other extraordinary loss	-	122	-	528	47	220
0.5						
Net income before taxes		899		3,361		6,912
3.2						
Corporate tax, local tax, and enterprise tax	272		361		551	
Corporate tax from previous period	39		-		1,832	
Adjustment of corporate tax and other tax	(2,536)	(2,224)	1,081	1,442	(2,413)	(28)
(8.0)						
Net income		3,124		1,918		6,941
11.2						
6.6						
9.9						

Mid-Term Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2005 to September 30, 2005		Previous Fiscal Year From April 1, 2005 to March 31, 2006	
	Amount		Amount	
(Capital surplus)				
I Beginning balance of retained earnings		15,336		15,336
II Decrease in retained earnings				
1 Loss on sale of treasury stock	0	0	0	0
III Retained earnings				
Ending balance of this mid-term fiscal period		15,336		15,336
(Retained earnings)				
I Beginning balance of retained earnings		(4,681)		(4,681)
II Increase in retained earnings				
1 Mid-Term Net income	3,124	3,124	6,941	6,941
III Decrease in retained earnings				
1 Dividend	549		1,099	
2 Bonuses to directors	60	609	60	1,159
IV Retained earnings				
Ending balance of this mid-term fiscal period		(2,167)		1,099

Mid-Term Consolidated Statements of Changes in Net Assets

[Six-month Period ended September 30, 2006]

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Ending balance of previous fiscal year	27,581	15,336	1,099	(5,117)	38,900
Changes of items during this mid-term fiscal period					
Dividends from surplus			(549)		(549)
Bonuses to directors and corporate auditors			(60)		(60)
Net income			1,918		1,918
Repurchase of treasury stock				(3,241)	(3,241)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during this mid-term fiscal period	-	(0)	1,308	(3,240)	(1,931)
Ending balance of this mid-term fiscal period	27,581	15,336	2,408	(8,358)	36,968

	Valuation and translation adjustments				Total net assets
	Valuation and translation adjustments	Deferred income and loss on hedging instruments	Foreign currency translation adjustments	Total value adjustments	
Ending balance of previous fiscal year	793	-	(228)	564	39,464
Changes of items during this mid-term fiscal period					
Dividends from surplus					(549)
Bonuses to directors and corporate auditors					(60)
Net income					1,918
Repurchase of treasury stock					(3,241)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	(156)	0	(162)	(319)	(319)
Total changes of items during this mid-term fiscal period	(156)	0	(162)	(319)	(2,251)
Ending balance of this mid-term fiscal period	636	0	(391)	244	37,213

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, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
	Amount	Amount	Amount
I Cash flows from operating activities			
1 Net income before income taxes	899	3,361	6,912
2 Depreciation and amortization	913	1,297	1,936
3 Amortization of difference from consolidation	1	-	2
4 Amortization of goodwill	-	1	-
5 Increase in allowance for doubtful accounts	44	38	458
6 Increase in accrued bonuses and unpaid bonus	(341)	10	(87)
7 Decrease in reserve for loss on goods unsold	(99)	(216)	138
8 Interest revenue and dividend income	(245)	(374)	(521)
9 Interests paid	123	35	171
10 Gain on sale of fixed asset	-	(1)	(1)
11 Loss on sale or disposal of fixed assets	18	128	65
12 Loss on revaluation of investment securities	59	35	111
13 Increase (decrease) in account receivable	4,471	1,573	1,795
14 Increase (decrease) in inventories	741	331	193
15 Increase (decrease) in game software products in-progress	(233)	920	3,051
16 Increase (decrease) in accounts payable	(3,581)	846	(1,334)
17 Increase (decrease) in other current assets	(341)	(4,145)	(119)
18 Increase (decrease) in other current liabilities	38	1,178	1,341
19 Other	223	(15)	295
Sub total	2,692	5,006	14,409
20 Interest and dividend received	245	382	513
21 Interest payment	(123)	(35)	(168)
22 Corporate and other tax payment	(721)	(2,022)	(832)
Cash flows from operating activities	2,091	3,330	13,921
II Cash flows from investing activities			
1 Acquisition of property, plant and equipment	(661)	(1,879)	(1,512)
2 Proceeds from sale of property, plant and equipment	33	18	52
3 Acquisition of intangible fixed asset	(67)	(154)	(85)
4 Proceeds from sale of intangible fixed assets	-	7	0
5 Acquisition of investment securities	(5)	(111)	(61)
6 Proceeds from sales of investment securities	-	-	45
7 Acquisition of interest in subsidiaries newly consolidated, net of cash acquired	-	(1,554)	-
8 Expenditure for loans	-	(30)	-
9 Proceeds from collection of loans	28	34	66
10 Expenditure for other investing activities	(69)	(287)	(546)
11 Proceeds from other investing activities	106	61	262
Cash flows from investing activities	(636)	(3,895)	(1,779)
III Cash flows from financing activities			
1 Repayment of short-term borrowings	(701)	-	(4,193)
2 Repayment of long-term borrowings	(350)	(350)	(700)
3 Payment on redemption of convertible bonds	(12,262)	-	(12,262)
4 Proceeds from sale of treasury stock	0	0	0
5 Acquisition of treasury stock	(2)	(3,241)	(6)
6 Dividend paid by parent company	(549)	(550)	(1,098)
Cash flows from financing activities	(13,864)	(4,141)	(18,259)
IV Effect of exchange rate changes on cash and cash equivalents	737	(97)	1,232
V Increase (decrease) in cash and cash equivalents	(11,670)	(4,803)	(4,885)
VI Beginning balance of cash and cash equivalents	45,538	40,652	45,538
Increase in cash and cash equivalents due to newly consolidated companies	-	22	-
Ending balance of this mid-term fiscal period	33,867	35,871	40,652

[Segment Information]

(A) Operating segments

Six-month Period ended September 30, 2005 (from April 1, 2005 to September 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 income or loss								
Net Sales								
(1) External customers	14,373	5,642	4,387	2,210	1,187	27,801	(-)	27,801
(2) Inter-segment sale or transfer	-	-	17	-	-	17	(17)	-
Total	14,373	5,642	4,404	2,210	1,187	27,818	(17)	27,801
Operating expense	15,543	4,467	3,411	1,424	1,203	26,050	1,084	27,134
Operating income or loss	(1,170)	1,174	992	785	(15)	1,767	(1,101)	666

(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 1,116 million yen. The major part of this expense is related to corporate G&A.

Six-month Period ended September 30, 2006 (from April 1, 2006 to September 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 income or loss								
Net Sales								
(1) External customers	15,735	6,466	4,348	1,333	1,291	29,175	(-)	29,175
(2) Inter-segment sale or transfer	-	-	18	-	-	18	(18)	-
Total	15,735	6,466	4,367	1,333	1,291	29,194	(18)	29,175
Operating expense	13,473	5,328	3,474	1,261	1,333	24,871	1,262	26,133
Operating income or loss	2,262	1,137	893	72	(42)	4,323	(1,280)	3,042

(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 1,290 million yen. The major part of this expense is related to corporate G&A.

Previous Fiscal Year (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 income or loss								
Net Sales								
(1) External customers	42,718	11,568	6,956	5,742	3,268	70,253	(-)	70,253
(2) Inter-segment sale or transfer	-	-	39	-	-	39	(39)	-
Total	42,718	11,568	6,695	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 income or loss	2,926	2,438	1,116	2,362	197	9,041	(2,460)	6,580

(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 2,484 million yen. The major part of this expense is related to corporate G&A.

(B) Geographic segments

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 income 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 income 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.

Six-month Period ended September 30, 2006 (from April 1, 2006 to September 30, 2006)

(Unit: Millions of Yen)

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss							
Net Sales							
(1) External customers	18,978	6,568	3,090	538	29,175	(-)	29,175
(2) Inter-segment sale or transfer	2,749	210	-	-	2,959	(2,959)	-
Total	21,727	6,778	3,090	538	32,135	(2,959)	29,175
Operating expense	18,785	5,822	2,635	456	27,699	(1,566)	26,133
Operating income or loss	2,941	955	455	82	4,435	(1,393)	3,042

(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 1,290 million yen. The major part of this expense is related to corporate management.

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

(Unit: Millions of Yen)

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating income or loss							
Net Sales							
(1) External customers	46,863	11,748	9,105	717	70,253	(-)	70,253
(2) Inter-segment sale or transfer	5,620	465	62	-	6,148	(6,148)	-
Total	54,303	12,213	9,167	717	76,401	(6,148)	70,253
Operating expense	45,554	12,039	9,127	644	67,366	(3,693)	63,673
Operating income or loss	8,749	173	40	72	9,035	(2,454)	6,580

(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 2,484 million yen. The major part of this expense is related to corporate management.