

Mid-Term Financial Results (Consolidated bases) ended September 30, 2002

Date of Issue:
November 12, 2002

Company Name: CAPCOM Co., Ltd. Stock Exchange: Tokyo, Osaka
 Company Code: 9697 Location of Headquarters: Osaka Prefecture
 (URL http://www.capcom.co.jp/)
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 Approval of Mid-Term Financial Results by Board Members; November 12, 2002
 Application of US Accounting Standard: None

1. Results of the Mid-Term ended September 30, 2002 (April 1, 2002 – September 30, 2002)

(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, 2002	25,658	9.8	1,459	△38.6	1,513	△37.0
Mid-term Ended Sept. 30, 2001	23,376	—	2,377	—	2,400	—
Year Ended March 31, 2002	62,742		9,727		9,261	

	Net Income		Earnings Per Share of Common Stock		Earning Per share of Common Stock (Assuming Full Diluted)	
	Million Yen	%	Yen		Yen	
Mid-term Ended Sept. 30, 2002	△17,315	—	△296.40		—	
Mid-term Ended Sept. 30, 2001	1,409	—	24.19		22.76	
Year Ended March 31, 2002	4,912		84.21		76.61	

Note ① Investment Profit/Loss on Equity Method

Mid-term Ended Sept. 30, 2002 – Million yen Mid-term Ended Sept. 30, 2001 – Million yen Year Ended March 31, 2002 – Million yen

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

Mid-term Ended Sept. 30, 2002: 58,417,966 Mid-term Ended Sept. 30, 2001: 58,275,531 Year Ended March 31, 2002: 58,328,797

③ Change in Accounting Policies: Yes

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

(2) Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen Sen
Mid-term Ended Sept. 30, 2002	112,019	49,283	44.0	843.48
Mid-term Ended Sept. 30, 2001	107,135	63,462	59.2	1,087.15
As of March 31, 2002	128,512	68,233	53.1	1,168.51

Note: Number of shares outstanding:

Mid-term Ended Sept. 30, 2002: 58,428,987 Mid-term Ended Sept. 30, 2001: 58,375,037 Mid-term Ended March 31, 2002: 58,393,645

(3) Cash Flows

	Cash Flows from Operating	Cash Flows from Investing	Cash Flows from Financing	Cash and Cash Equivalents at end of period
	Million Yen	Million Yen	Million Yen	Million Yen
Mid-term Ended Sept. 30, 2002	△1,090	△1,429	2,924	34,761
Mid-term Ended Sept. 30, 2001	△3,260	△1,215	△7,122	13,629
Year Ended March 31, 2002	3,315	△3,066	8,589	35,000

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 10

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

Number of affiliated companies (equity method is applied): 0

(5) Change in Scope of Consolidation and Equity Method

Consolidation: Increase 0, Decrease 0

Equity Method: Increase 0, Decrease 0

2. Forecast for the Fiscal Year ending March 31, 2003 (From April 1, 2002 to March 31, 2003)

	Net Sales	Ordinary Income	Net Income
For Year ending March 31, 2003	Million Yen	Million Yen	Million Yen
	70,500	10,050	△12,700

(Reference) Expected Net Income per Share of Common Stock for Year ending March 31, 2003:

△217.36 (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), Capcom Eurosoft Ltd.(consolidated subsidiary), and Capcom Co., Ltd. are responsible for distribution of the game software. Flagship Co., Ltd.(consolidated subsidiary) and Capcom Digital Studios, Inc. are also participating in development.

[Arcade Games]

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

[Arcade Operations]

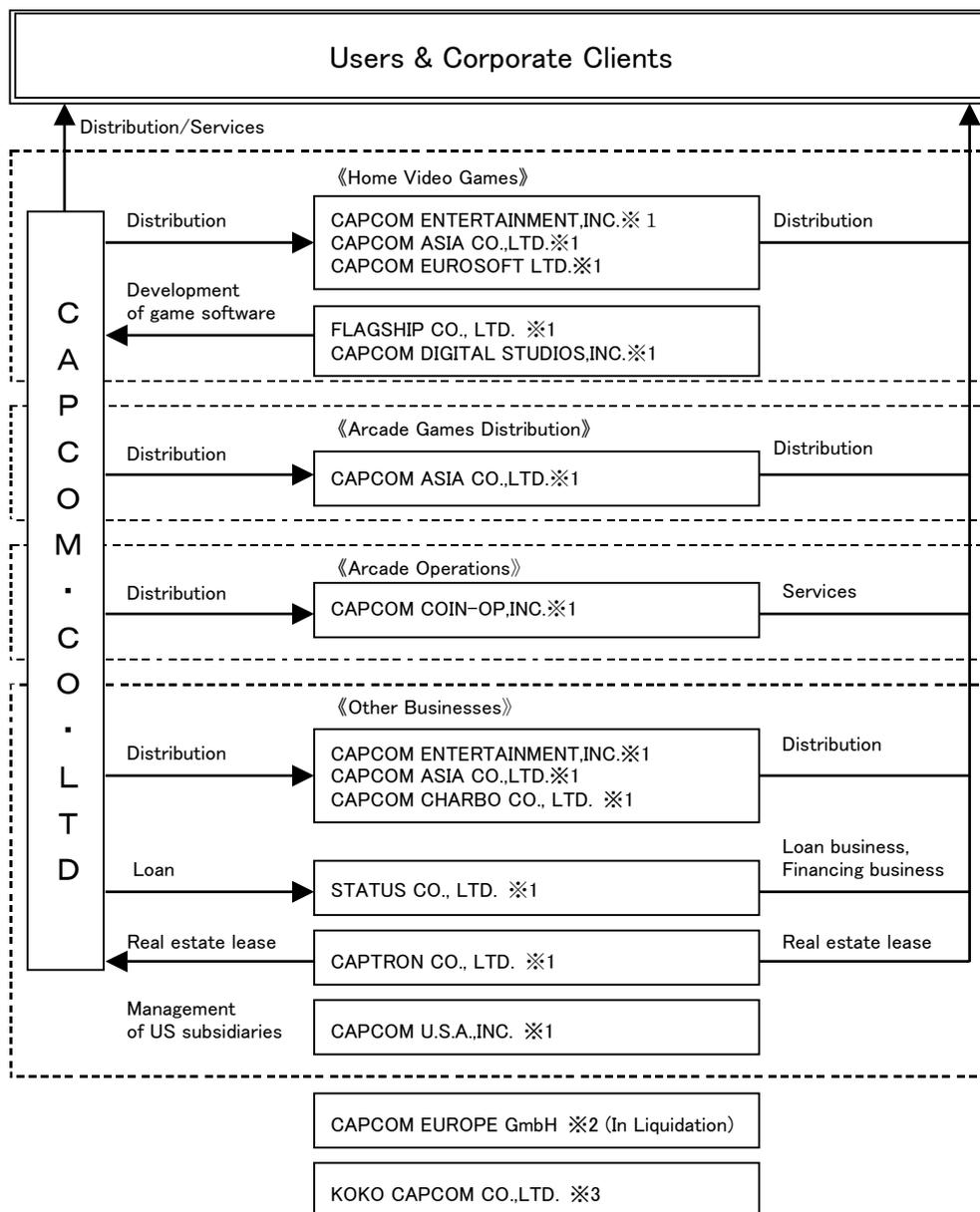
This division operates amusement facilities. Capcom Co., Ltd. and Capcom Coin-Op., Inc. conduct operations at these facilities. The amusement facility operation by Captron Co., Ltd. was divided and taken over by Capcom Co., Ltd.

[Other Businesses]

Capcom Co., Ltd. conducts various licensing businesses. The Company licenses Capcom characters and game contents. Capcom Entertainment, Inc., Capcom Asia Co., Ltd., and Capcom Co., Ltd. are responsible for licensing. Status Co., Ltd.(consolidated subsidiary) provides casualty insurance services and financial services. Capcom Charbo Co., Ltd. (consolidated subsidiary) provides support services in mobile communications, including cell phones. In addition, Captron Co., Ltd. started a real estate leasing business during this mid-term fiscal period. Capcom USA, Inc.(consolidated subsidiary) is a holding company of its US and UK subsidiaries; Capcom Coin-Op, Inc., Capcom Entertainment, Inc., Capcom Digital Studio, Inc. and Capcom Eurosoft Ltd., and their respective managements are under the control of Capcom USA, Inc..

Other affiliated companies include Koko Capcom Co., Ltd.(affiliated company not consolidated for equity method), a developer and distributor of game software, and Capcom Europe GmbH (non-consolidated subsidiary not consolidated for equity method), currently being liquidated.

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



※1 Consolidated subsidiary

※2 Non-consolidated subsidiary

※3 Affiliated companies not 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. Furthermore, we are endeavoring to improve our ROE as well as ROA by enhancement of our managements and improvements on our assets management.

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. Medium-term business strategy

As our medium-term business strategy, our management objectives are as shown in the following: We are coping with various environmental changes surrounding management, such as changes in market trends and introduction of new accounting standards in order to achieve high profitability.

- (1) Striving to create corporate value as an entire Capcom Group by strategically consolidating business.
- (2) Selectively utilize resources to make products that meet changes in the market, including rapid shifts in the management to meet these changes.
- (3) Strengthen and explore network business structure with a view for market expansion into

the internet.

- (4) Ensure business opportunities by enhancing our product contents to create new markets and expanding our share in existing markets.
- (5) Promoting and strengthening the Capcom Brand to create added value
- (6) Realizing a stable cash flow for each fiscal term by streamlining financial aspects.

4. Measures for Enhancing the Business Management Structure

As part of the management reformation, we have introduced the **“Operating Officer System.”** Under this system, the Board of Directors are focusing on decision-making while the Operating Officers implement and execute the operations of the Corporation. This structure greatly enhances management efficiency on operations and enables us to develop business flexibility.

In addition, we retained three external directors for the purpose of enhancing both management monitoring and transparency. Our objectives are to establish a corporate structure in which the corporate governance fully functions and to improve compliance with applicable laws.

5. Issues To Be Addressed

We are taking drastic measures, such as recognizing an appraisal loss of real estate in September, to improve the transparency of our Balance Sheets and to achieve early financial restoration. We will continue to act upon our management enhancement to secure the confidence of our shareholders.

As the video game industry is reaching a major structural turning point, we are establishing a corporate culture that has the ability to respond to changes in this business environment. Our efforts include improving customer satisfaction, through product diversification and precise marketing strategies; providing software products that conform to market needs; and rationalizing various aspects of the operation, such as increasing the efficiency in each department.

We will concentrate our Company’s resources to the growing business areas and to the creation of new demands. This will be achieved through our flexible business operations whose objective is to promote consolidated management. We are also revitalizing the entire corporate group by restructuring our business and by introducing a performance-based wage system. Through financial

structure reformation and cash flow management, we will establish a profit-generating structure that secures a stable income. We will also make conscious efforts to strengthen our management bases.

Operating Results and Financial Status

1. Operating Results

(1) Overview of mid-term fiscal period 2002

In the mid-term fiscal period 2002, the Japanese economy experienced free-falling stock prices; depressed capital expenditures and consumer spending; and sluggish exports. In addition, there were concerns about a faltering US economy. All of these factors accelerated concerns for the stalled economy.

As for the video game industry, the business environment remained rather humble due to a depressed desire for consumption, a lack of strong software products, and intensified competition from other business sectors, including cell phone and Internet that historically had same user groups as video game industry.

Meanwhile, overseas markets showed strong progress attributable to the successful price cuts of PlayStation 2, Nintendo GameCube, and Xbox in Europe and the United States

Under these circumstances, we increased capabilities of our R&D division and developed software that satisfies various user needs. We have also been trying to stimulate the existing user demands and cultivating new markets through nationwide sales/promotion campaigns and events, such as “CAPCOM Game Fair 2002” and “Catan World Championship – Japan Series”.

The Hollywood movie “Resident Evil” was the film adaptation of our popular software. It was released this spring, starting in the US. The movie, which had a large audience in Japan and other countries, produced secondary effects such as improvement of our brand recognition and our company image. The movie also gave a boost to the expansion of our intellectual property strategy.

In addition, we took over all the amusement facilities from CAPTRON Co., Ltd. one of our subsidiary companies, while transferring all of our land and buildings to the company in order to achieve the efficient managements of those fixed assets as well as revitalization of the entire CAPCOM group.

We have been improving corporate culture with these fundamental reorganizations. However, our business growth was weakened by a stagnant domestic market, unaccomplished performances of prospective software products, and the procrastination of a strong software release for the second half of the fiscal year.

The net sales of this mid-term fiscal period increased to 25,658 million yen (up 9.8 % from the same term last year), however ordinary income decreased to 1,513 million yen (down 37.0 % from the same term last year), due to the increased ratio of sales and general administrative expenses. The mid-term net income was, regretfully, forced to record the substantial loss of 17,315 million yen because of the extraordinary loss recognized, including the real estate appraisal loss incurred upon the transfer of land and buildings described previously.

(2) Status of Each Operational Department

① Home Video Game Sales

We released new software titles, that employed Japanese “anime” drawing technique “toon-rendering”, “Gun Survivor 3 Dino Crisis” (for PlayStation 2) and a racing game called “Auto Modellista” (for PlayStation 2), under the depressed domestic market. Neither of these titles saw satisfactory sales growth.

On the other hand, “Megaman” series (for Game Boy Advance), including “MegamanZERO” and “Megaman & Bass”, showed healthy sales results supported by its strong popularity.

We also released a new board game called “Catan” which was originated in Germany. This new flagship game allows users to experience “intellectual entertainment,” and it captured market attention.

As for the overseas operations, the sales of “Resident Evil” (for Nintendo GameCube) and

inexpensive “Onimusha Greatest Hits” (for PlayStation 2) grew favorably, supported by a healthy US market.

As a result, net sales increased to 18,753 million yen (up 25.6 % from the same term last year), and the operating income was 1,556 million yen (down 41.1 % from the same term last year).

② Arcade Game Sales

We concentrated our management resources to the development of products that attract many customers and yield high per-customer transactions, including prize-games (prize-winning games) and medal-winning games, in order to rekindle the sluggish arcade game market and re-establish earning models. “Mecha-tore” and “Bell-catcher Twin” were released as a result of these efforts. However, the net sales of this business segment was significantly decreased due to the lack of powerful demand-generating products and the shrinking of arcade operators’ business.

Net sales decreased to 795 million yen (down 76.1% from the same term last year) and operating loss totaled 264 million yen.

③ Arcade Operations

We have been trying to acquire new customers as well as increase customer loyalty through opening new arcade in the number one regional mall. Some of our efforts included holding various events, implementing “fan service day”, and renovating facilities. These efforts evolved under the slogan of “Chiiki Ichiban Ten (No.1 Arcade in the region)” and they were based on the concept of “clean, bright and comfortable arcades”.

We opened a large-scale arcade “Plaza Capcom – Oita” in the biggest commercial complex in Oita Prefecture. “Plaza Capcom – Oita” had an excellent start, and it has been maintaining a good profit level thanks to the well-received marketing strategy that created the sense of excitement and thrill. The revenue and profit from this business segment have been increasing over the last few years, and its business base has been steadily expanding. The total number of arcades became 40 after closing one of the unprofitable stores in the US.

The resulted net sales totaled 4,544 million yen (up 8.1% from the same term last year), and the operating income increased to 968 million yen (up 62.6 % from the same term last year).

④ Other Businesses

Other incomes are derived from other businesses including royalties from licensing. The net sales of this segment increased to 1,646 million yen (up 52.5 % from the same term last year), and the operating income totaled 410 million yen (up 225.9 % from the same term last year).

(3) Overview of Business Performance in Each Region

① Japan

Japanese domestic market showed slow growth and generally remained quiet due to the lack of strong software products and diversified customer consumption.

Under these circumstances, we released new software titles, that employed Japanese “anime” drawing technique “toon-rendering”, “Gun Survivor 3 Dino Crisis” (for PlayStation 2) and a racing game called “Auto Modellista” (for PlayStation 2). Neither of these titles saw satisfactory sales growth.

On the other hand, “Megaman” series (for Game Boy Advance), including “MegamanZERO” and “Megaman & Bass”, showed healthy sales results supported by a firm popularity among end-users.

We also released a new flagship product -- a board game developed in Germany called “Catan,” -- that captured market attention.

As for arcade operations, we opened a large-scale arcade called “Plaza Capcom – Oita” in the biggest commercial complex in Oita Prefecture under the slogan of “Chiiki Ichiban Ten (No.1 Arcade in each region)”. “Plaza Capcom – Oita” had an excellent start, and it has been maintaining the best possible condition. The revenue and profit from this business segment have been increasing over last few years, and its business base has been steadily expanding. The resulted net sales totaled 17,733 million yen (down 2.4 % from the same term last year), and the operating income decreased to 1,995 million yen (down 32.1 % from the same term last year).

② North America

The North American market underwent an expansion attributable to the “nesting effect” (meaning people went out less) due to last year’s terrorist attack as well as the successful price cuts of

PlayStation 2, Nintendo GameCube, and Xbox.

Under these circumstances the sales of “Resident Evil” (for Nintendo GameCube) and inexpensive titles for PlayStation 2, such as “Onimusha Greatest Hits” and “Resident Evil Code Veronica X Greatest Hits”, grew favorably.

As a result, the net sales increased to 7,098 million yen (up 55.0 % from the same term last year), and the operating income was 378 million yen (down 36.5 % from the same term last year).

③ Europe

The European market grew strongly, in general, despite of the appreciating Euro and serious flood damage in the central Europe, including Germany. This market condition was supported by the price-cut of individual game hardware, as well as the completed full line-up of next-generation game platforms, subsequently to the Japanese and US markets.

The sales of “Resident Evil” (for Nintendo GameCube) and “Onimusha 2” (for PlayStation 2) showed steady growth.

Under these circumstances, the net sales increased to 3,518 million yen (up 65.1 % from the same term last year) and the operating profit increased to 329 million yen (up 241.2 % from the same term last year).

④ Other Regions

Among the major sales regions in Asia are Hong Kong, Taiwan, and Malaysia. Sales in these regions remained modest, while the overall demand lacked a significant increase. These market conditions were created by the fact that the home video game market is still in its infancy period, and software piracy is prevalent in these countries.

Net sales were 253 million yen (down 10.4 % from the same term last year) and the operating loss was 47 million yen.

2. Prospects for the Entire Fiscal Year

The video game industry is changing rapidly. The number of youths, the main users of video games, is decreasing, individual consumption is being diversified, and the sale of used software has been legitimized. We have been pushed to come up with new solutions for these issues.

As the Japanese domestic market reaches its maturation, competitors are scrambling for a piece of market share and the competition is intensified. It is anticipated that the industry restructuring, including alliances between companies with the aim of survival and/or the sharing of distribution infrastructures, will be accelerated.

On the other hand, the entire video game industry is striving to foster and expand a healthy market. As a part of the market advancement efforts, CERO (Computer Entertainment Rating Organization), which is an ethical review entity for game software, was established this summer.

We will go on the offensive in the second half of this fiscal year with “Resident Evil 0” for Nintendo GameCube, and “Devil May Cry 2”, “Breath of Fire V Dragon Quarter”, and “Clock Tower 3” for PlayStation 2. The overseas markets, including Europe, US, and Asia, have more space to grow compared to the Japanese market. But it is anticipated that the competition in these markets will get tougher as well. Our overseas business development strategy is to increase our market share by introducing products that were popular at E3 (Electronic Entertainment Expo) in the US, including “Steel Battalion” (for Xbox) and “Marvel vs. Capcom 2” (for PlayStation 2 and Xbox), in addition to the software described above.

Among Japan, US and Europe, the European market is expected to see the biggest growth. Therefore, will try to expand the business base in Europe by enhancing direct sales structures and product line-ups.

We are projecting the net sales of 70,500 million yen, the ordinary income of 10,050 million yen, and the net loss of 12,700 million yen in consolidated business performance for this fiscal year.

3. Financial Conditions

Cash and cash equivalents (hereafter referred to as “Cash”) as of the end of this mid-term fiscal

period decreased by 238 million yen from the previous fiscal year to 34,761 million yen. Cash flow positions for each activity are as stated below.

(1) Cash flows from operating activities

Net cash decrease from operating activities amounted to 1,090 million yen. The net loss before income tax was 27,943 million yen. Some of the major factors in this condition are 24,331 million yen increase in the appraisal loss of land and buildings, 3,110 million yen increase in the allowance for doubtful accounts, and 2,331 million yen increase in the products in progress.

(2) Cash flows from investing activities

Net cash decrease from investing activities amounted to 1,429 million yen. This decrease is attributable to the expense of 1,251 million yen for the acquisition of property, plant and equipment for amusement facilities.

(3) Cash flows from financing activities

Net cash increase from financing activities amounted to 2,924 million yen. This is attributable to the increase of 4,200 million yen in long-term debt.

Mid-Term Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (As of September 30, 2001)		This Mid-Term Fiscal Period (As of September 30, 2002)		Balance Sheet of Previous Fiscal Year (As of March 31, 2002)	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current assets						
1 Cash and cash equivalents	13,629		32,594		27,661	
2 Notes and accounts receivable ※4	16,983		15,174		15,240	
3 Negotiable Securities	—		2,167		7,338	
4 Inventories	6,665		5,208		6,516	
5 Game software products in-progress	10,445		13,549		11,218	
6 Deferred income taxes	1,597		4,473		2,521	
7 Short-term loans receivable	5,175		4,223		4,948	
8 Other	1,957		2,689		3,146	
9 Allowance for doubtful accounts	△2,337		△2,462		△1,717	
Total current assets	54,117	50.5	77,616	69.3	76,874	59.8
II Fixed assets						
(1) Tansible fixed assets ※1						
1 Buildings and structures ※2	7,557		4,949		7,400	
2 Machinery and vehicle	216		184		220	
3 Tool, fixture and furniture	676		796		709	
4 Rental equipment	1		2,034		2,015	
5 Equipments for amusement facilities	2,448		2,376		2,335	
6 Land ※2	26,489		4,702		26,499	
7 Construction-in-progress	2		16		45	
Total tansible fixed assets	37,392	34.9	15,061	13.5	39,227	30.5
(2) Intansible fixed assets						
1 Other	1,139		1,164		1,084	
Total intansible fixed assets	1,139	1.1	1,164	1.0	1,084	0.9
(3) Investments and other assets						
1 Investments in securities ※3	2,458		2,053		2,053	
2 Long-term loans receivable	5,586		6,203		5,755	
3 Deferred income taxes	2,655		9,881		1,229	
4 Claim in bankruptcy and reorganization	1,755		145		163	
5 Other ※3	6,679		6,483		6,662	
6 Allowance for doubtful accounts	△4,649		△6,589		△4,537	
Total investments and other assets	14,485	13.5	18,176	16.2	11,326	8.8
Total fixed assets	53,017	49.5	34,402	30.7	51,637	40.2
Total assets	107,135	100.0	112,019	100.0	128,512	100.0

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (As of Sept. 30, 2001)		This Mid-Term Fiscal Period (As of Sept. 30, 2002)		Balance Sheet of Previous Fiscal Year (As of March 31, 2002)	
	Amount	%	Amount	%	Amount	Percent
(Liabilities)						
I Current liabilities						
1 Notes and accounts payable ※4	5,089		4,266		4,742	
2 Short-term borrowings ※2	17,444		8,538		8,780	
3 Accrued income taxes	1,418		28		1,435	
4 Accrued bonus	212		334		461	
5 Reserve for return goods	—		348		—	
6 Other	4,715		5,615		4,981	
Total current liabilities	28,880	27.0	19,133	17.1	20,402	15.9
II Long-term liabilities						
1 Convertible bonds payable	12,264		37,262		37,264	
2 Long-term debt ※2	147		3,807		87	
3 Accrued retirement benefits for employees	545		760		705	
4 Other ※2	1,789		1,726		1,757	
Total fixed liabilities	14,746	13.8	43,556	38.9	39,814	31.0
Total liabilities	43,627	40.8	62,690	56.0	60,216	46.9
(Minority Interest)						
Minority interest	45	0.0	45	0.0	62	0.0
(Shareholders' Equity)						
I Common stock						
	27,580	25.7	—	—	27,580	21.5
II Capital reserve						
	30,464	28.4	—	—	30,464	23.7
III Retained earnings						
	5,858	5.5	—	—	8,776	6.8
IV Unrealized loss on revaluation of securities						
	△437	△0.4	—	—	△94	△0.1
V Cumulative translation adjustments						
	52	0.0	—	—	1,551	1.2
	63,518	59.2	—	—	68,278	53.1
VI Treasury stock						
	△55	△0.0	—	—	△45	△0.0
Total shareholders' equity	63,462	59.2	—	—	68,233	53.1
I Common stock						
	—	—	27,581	24.6	—	—
II Capital surplus						
	—	—	30,471	27.2	—	—
III Retained earnings						
	—	—	△9,182	△8.2	—	—
IV Unrealized loss on revaluation of securities						
	—	—	△20	△0.0	—	—
V Cumulative translation adjustments						
	—	—	457	0.4	—	—
	—	—	49,307	44.0	—	—
VI Treasury stock						
	—	—	△23	△0.0	—	—
Total shareholders' equity	—	—	49,283	44.0	—	—
Total Liabilities, minority Interest and shareholders' equity	107,135	100.0	112,019	100.0	128,512	100.0

Mid-Term Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2001 To September 30, 2001		This Mid-Term Fiscal Period From April 1, 2002 To September 30, 2002		Income Statements Summary of Previous Fiscal Year From April 1, 2001 To March 31, 2002	
	Amount	%	Amount	%	Amount	%
	I Net sales	23,376	100.0	25,658	100.0	62,742
II Cost of sales	14,724	63.0	15,729	61.3	38,229	60.9
Gross profit	8,651	37.0	9,929	38.7	24,513	39.1
Reserve for return goods	—		348	1.4	—	
Net gross profit balance	8,651	37.0	9,580	37.3	24,513	39.1
III Selling, general and administrative expenses ※1	6,274	26.8	8,120	31.6	14,786	23.6
Operating income	2,377	10.2	1,459	5.7	9,727	15.5
IV Other income						
1 Interest income	164		102		273	
2 Dividend income	2		3		3	
3 Rental income	54		49		108	
4 Gain on sale of treasury stock	5		—		9	
5 Exchange gain	6		—		126	
6 Other	49	282	69	224	130	650
Operating income		1.2		0.9		1.0
V Other expense						
1 Interest expense	181		106		325	
2 Bond issue expense	—		—		579	
3 Bond redemption expense	48		—		48	
4 Other	29	259	64	171	164	1,116
Operating income		1.1		0.7		1.7
Ordinary income	2,400	10.3	1,513	5.9	9,261	14.8
VI Extraordinary gain						
1 Gain on sale of fixed asset ※2	0		0		1	
2 Gain on sale of investment securities	—		—		5	
3 Gain on recovery of bad debts	—		—		31	
4 Gain on transfer of allowance for doubtful accounts	56	57	—	0	0	38
Operating income		0.2		0.0		0.0
VII Extraordinary loss						
1 Loss on sale of fixed asset ※3	39		46		107	
2 Loss on revaluation of real estate ※4	—		24,331		—	
3 Loss on revaluation of investment in securities	78		219		1,036	
4 Loss on sale of investment securities	0		—		0	
5 Loss on revaluation of other financial products	4		—		22	
6 Loss on sale or disposal of inventories	—		1,389		—	
7 Loss on suspension of product development	—		516		—	
8 Loss on consolidation of business	—		304		—	
9 Loss on transfer of allowance for doubtful accounts	—		2,375		603	
10 Extraordinary retirement allowance	—		—		109	
11 Other extraordinary loss ※5	—	121	271	29,456	—	1,879
Operating income		0.5		114.8		3.0
Net profit or loss before taxes	2,335	10.0	△27,943	△108.9	7,420	11.8
Corporate tax, local tax, and enterprise tax ※6	1,269		316		2,753	
Corporate tax refund from previous period	—		△221		—	
Adjustment of Corporate tax and other tax	△371	897	△10,705	△10,611	△276	2,476
Minority interest profit (Exemption)	—	27	—	△16	—	31
Net profit or loss	—	0.1	—	△0.0	—	0.1
	1,409	6.0	△17,315	△67.5	4,912	7.8

Mid-Term Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2001 To September 30, 2001		This Mid-Term Fiscal Period From April 1, 2002 To September, 30, 2002		Previous fiscal year From April 1, 2001 To March 31, 2002	
	Amount		Amount		Amount	
I Beginning balance of retained earnings		5,218		—		5,218
II Decrease in retained earnings						
1 Dividend	582		—		1,165	
2 Bonuses to directors	60		—		60	
3 Decrease in retained earnings by changing reporting entities	127	770	—	—	127	1,353
III Net profit for this mid-term fiscal period		1,409		—		4,912
IV Retained earnings						
Ending balance of this mid-term fiscal period		5,858		—		8,776
(Capital surplus)						
I Beginning balance of capital surplus						
Beginning balance of capital reserve	—	—	30,464	30,464	—	—
II Increase in capital surplus						
1 Capitalization of convertible bond conversion	—		0		—	
2 Gain on sale of treasury stock	—	—	5	6	—	—
III Ending balance of capital surplus for this mid-term fiscal period		—		30,471		—
(Retained earnings)						
I Beginning balance of retained earnings						
Beginning balance of consolidated retained earnings	—	—	8,776	8,776	—	—
II Decrease in retained earnings						
1 Mid-term net loss	—		17,315		—	
2 dividend	—		583		—	
3 Bonuses to directors	—	—	60	17,959	—	—
III Mid-term ending balance of retained earnings		—		△9,182		—

Mid-term consolidated statements of cash flows

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period	This Mid-Term Fiscal Period	Statement of cash flows of previous fiscal year
	From April 1, 2001 To September 30, 2001	From April 1, 2002 To September 30, 2002	From April 1, 2001 To March 31, 2002
	Amount	Amount	Amount
I Cash flows from operating activities			
1 Net profit or loss (Δ) before income taxes	2,335	Δ 27,943	7,420
2 Depreciation and amortization	1,027	1,043	2,172
3 Increase in allowance for doubtful accounts	214	3,110	943
4 Increase (decrease) in accrued bonuses and unpaid bonus (Δreduction)	Δ 79	Δ 61	198
5 Increase in reserve for loss on goods unsold	—	348	—
6 Increase in accrued retirement benefits for employees	—	55	428
7 Interest revenue and dividend income	Δ 167	Δ 105	Δ 276
8 Interests paid	181	106	325
9 Exchange gain	—	Δ 41	—
10 Gain on sale of fixed assets	Δ 0	Δ 0	Δ 1
11 Loss on sale or disposal of fixed assets	39	46	107
12 Loss on revaluation of real estate	—	24,331	—
13 Gain on sale of treasury stock	Δ 5	—	Δ 9
14 Gain on sale of investment securities	—	—	Δ 5
15 Loss on sale of investment securities	—	—	0
16 Loss on revaluation of investment securities	78	219	1,036
17 Loss on revaluation of other financial products	4	4	22
18 Increase (decrease) in account receivable (Δincrease)	Δ 2,097	Δ 256	86
19 Increase (decrease) in inventories (Δincrease)	Δ 1,212	1,256	Δ 981
20 Increase in game software products in-progress	Δ 1,716	Δ 2,331	Δ 2,489
21 Increase (decrease) in accounts payable (Δreduction)	99	Δ 396	Δ 348
22 Increase (decrease) in other current assets (Δincrease)	Δ 668	306	Δ 1,846
23 Increase (decrease) in other current liabilities (Δreduction)	685	670	Δ 95
24 Bonus paid to directors	Δ 60	Δ 60	Δ 60
25 Other	229	Δ 172	Δ 76
Sub total	Δ 1,111	130	6,550
26 Interest and dividend received	108	107	152
27 Interest payment	Δ 194	Δ 101	Δ 232
28 Corporate and other tax payment	Δ 2,063	Δ 1,227	Δ 3,155
Cash flows from operating activities	Δ 3,260	Δ 1,090	3,315
II Cash flows from investing activities			
1 Acquisition of property, plant and equipment	Δ 766	Δ 1,251	Δ 2,696
2 Proceeds from sale of property, plant and equipment	81	58	100
3 Acquisition of intangible fixed asset	Δ 457	Δ 214	Δ 484
4 Acquisition of investment securities	Δ 247	Δ 92	Δ 247
5 Proceeds from sales of investment securities	—	—	43
6 Expenditure for loans	Δ 8	—	Δ 28
7 Proceeds from collection of loans	179	0	258
8 Expenditure for other investing activities	Δ 104	Δ 124	Δ 398
9 Proceeds from other investing activities	106	195	385
Cash flows from investing activities	Δ 1,215	Δ 1,429	Δ 3,066
III Cash flows from financing activities			
1 Proceeds from short-term borrowings	8,703	—	8,682
2 Repayment of short-term borrowings	Δ 1,320	Δ 641	Δ 10,007
3 Proceeds from long-term borrowings	—	4,200	—
4 Repayment of long-term borrowings	Δ 98	Δ 79	Δ 120
5 Proceeds from convertible bond issue	—	—	25,000
6 Expenditure for conversion of convertible bond	Δ 0	Δ 0	Δ 0
7 Expenditure for redemption of convertible bond	Δ 13,865	—	Δ 13,865
8 Proceeds from sale of treasury stock	36	41	50
9 Acquisition of treasury stock	—	Δ 14	—
10 Dividend paid by parent company	Δ 578	Δ 583	Δ 1,151
Cash flows from financing activities	Δ 7,122	2,924	8,589
IV Effect of exchange rate changes on cash and cash equivalents	Δ 252	Δ 642	681
V Decrease in cash and cash equivalents	Δ 11,851	Δ 238	9,519
VI Beginning balance of cash and cash equivalents	25,675	35,000	25,675
VII Decrease in cash and cash equivalents by changing reporting entities	Δ 194	—	Δ 194
Ending balance of cash and cash equivalents	13,629	34,761	35,000

Major Accounting Policies in Preparing Mid-term Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 10

Capcom USA, Inc.

Capcom Coin-Op, Inc.

Capcom Entertainment, Inc.

Capcom Eurosoft Ltd.

Capcom Digital Studios, Inc.

Status Co., Ltd.

Captron Co., Ltd.

Capcom Asia Co., Ltd.

Flagship Co., Ltd.

Capcom Charbo Co., Ltd.

Number of non-consolidated subsidiaries: 1

Capcom Europe GmbH

Capcom Europe GmbH is currently being liquidated. The company was excluded from the consolidation because none of its total assets, net sales, mid-term net income (loss), or retained earnings had a significant influence on the mid-term consolidated financial statement.

2. Scope of Equity Method

We did not apply equity method to Capcom Europe GmbH (non-consolidated subsidiary), Koko Capcom Co., Ltd (affiliated company), and Tele-net JR Co., Ltd. for which Capcom acquired the stocks during this mid-term fiscal period, because these companies had only a minor influence on the net income(loss) or retained earnings of this mid-term fiscal period.

3. Mid-term Fiscal Closing Dates of Consolidated Subsidiaries

All the mid-term fiscal closing dates of consolidated subsidiaries are the same as those stated on this mid-term consolidated financial statement.

4. Policies of Accounting Procedures

A) Standard and method for valuation of major assets

① Negotiable securities:

Other negotiable securities

Other negotiable securities with market value are stated at the market value as of the mid-term fiscal period end, with unrealized gains or losses being recorded as a separate component of shareholders' equity, net of applicable taxes. The cost of securities sold is computed based on the periodic average method.

Other negotiable securities without market value are stated at cost based on the periodic average method.

② Inventories are mainly stated at the lower of cost or market value, based on the moving-average method. Motion picture films are stated at cost based on the identified cost method.

③ Game software products in progress are stated at cost based on the identified cost method.

B) Depreciation and amortization method for major depreciable/amortizable assets

① Tangible fixed assets: Depreciation of buildings is computed using the straight-line method, and depreciation of other tangible fixed assets is computed using the fixed-rate method. Straight-line method is used for overseas consolidated subsidiaries. Asset life used mainly is listed below.

Buildings and structures	3-50 years
Equipments for rental	3-5 years
Equipments for amusement facilities	3-20 years

② Intangible fixed assets: The straight-line method based on the usable life of 5 years is used for those software to be used in-house.

③ Long-term prepaid expense: The straight-line method is used.

C) Recognition standard for major allowance reserve

① Allowance for bad debt

We recognize an estimated amount of irrecoverable receivables in order to prepare for uncollectible account receivables or bad debt. This amount is determined and recognized based on the bad debt percentage of past performance for general receivables, and well-examined individual collection risk for specific receivables including doubtful debt.

② Accrued bonus

The recognizing amount of accrued bonus is a portion of the projected employee bonus whose exact amount is not yet determined at the end of this mid-term fiscal period but needs to be absorbed during this period.

③ Accrued retirement benefits for employees

Accrued retirement benefits for employees are calculated based on the estimated amount of the projected benefit obligations and the fair value of the plan assets at the year end. The unrecognized net transition obligation (552 million yen) is amortized over 15 years. Unrecognized actuarial net gains or losses are amortized over 13 years -- the average remaining service period -- commencing from the period following that in which they arise.

④ Reserve for return goods

Reserve for return goods is recognized in order to cover the loss from product returns that occur after the end of this mid-term fiscal period. The recognizing amount is estimated based on the product return performance in the past.

(Change in accounting policies)

Loss by return goods has been historically recognized as an expense of the fiscal year in which the product return physically took place. However, due to the diversification of distribution channels, the significance of the amount has become greater than before. Therefore, we started to recognize reserve for return goods, based on the past product return performance, to make the calculation of profits and losses for the

fiscal period more appropriate. As a result of this change, the net sales, operating income, and ordinary income decreased by 348 million yen, and the net loss before tax increased by 348 million yen, compared to the statement based on the previous accounting method.

D) Accounting procedures for major leases

As for those financing leases which do not transfer ownership of the leased assets to the lessee, accounting procedures based on the methods commonly used for lease transaction are applied.

E) Other major policies in preparing the mid-term consolidated financial statement

① Revenue recognition

Among licensing businesses, motion picture revenue is recognized on the dates released in theaters during this fiscal period.

② Consumption tax

Tax excluded method is used.

5. Scope of Cash in the Mid-term Cash Flow Statements

Cash (cash and cash equivalents) in the mid-term cash flow statement includes cash on hand, bank money, and short-term investments that mature within 3 months from the date of acquisition, which carry only little risk of price fluctuation and can be easily redeemed.

Additional Information

(Accounting Standard for Treasury Stock and Statutory Reserve)

Effective as of this mid-term fiscal period, our accounting group started to use “Accounting Standard for Treasury Stock and Statutory Reserve” (Statutory Accounting Standards No.1). The resulted effects to the profit or loss for this mid-term fiscal period is minor. In response to the revision of accounting principles for Mid-term consolidated financial statements, the asset section of the balance sheet for this mid-term fiscal period was prepared based on the revised rules.

Notes

(for mid-term consolidated balance sheets)

Previous mid-term fiscal period As of September 30, 2001	This mid-term fiscal period As of September 30, 2002	Previous fiscal year As of March 31, 2002
*1 Accumulated depreciation of tangible fixed assets 14,239 million yen	*1 Accumulated depreciation of tangible fixed assets 8,920 million yen	*1 Total depreciation and amortization of tangible fixed assets 14,655 million yen
*2 Pledged assets (1) Assets in security Land 6,097 million yen Buildings 574 million yen Total 6,672 million yen	*2 Pledged assets (1) Assets in security Land 4,030 million yen Buildings 3,074 million yen Total 7,105 million yen	*2 Pledged assets (1) Assets in security Land 6,107 million yen Buildings 628 million yen Total 6,736 million yen
(2) Liabilities equivalent to the assets in security Long-term debt due within one year ("Short-term borrowings" in Current liabilities) 55 million yen Unexpired lease payments 1,800 million yen Long-term money entrusted ("Other" in Long-term liabilities) 1,200 million yen Total 3,055 million yen	(2) Liabilities equivalent to the assets in security Long-term debt due within one year ("Short-term borrowings" in Current liabilities) 420 million yen Unexpired lease payments 1,800 million yen Long-term money entrusted ("Other" in Long-term liabilities) 1,200 million yen Long-term debt 3,780 million yen Total 7,200 million yen	(2) Liabilities equivalent to the assets in security Long-term borrowing planned to repay within one year ("Short-term borrowing" of Current liabilities) 20 million yen Unexpired leasing rates 1,800 million yen Long-term money entrusted ("Other" of Fixed liabilities) 1,200 million yen Total 3,020 million yen
*3 --	*3 --	*3 Shares of the unconsolidated subsidiary and the affiliated company Securities for investment 47 million yen Investments 556 million yen ("Other" of Investment and other assets)
*4 Account procedures for notes that mature on the last day of the mid-term fiscal period -- Although the last day of this mid-term fiscal period was not a business day for financial institutions, notes that matured on this day were treated as if they were settled on this day. Notes matured on the last day of this mid-term fiscal period: Notes receivable 4 million yen Notes payable 344 million yen	*4 Although the last day of this mid-term fiscal period was not a business day for financial institutions, notes that matured on this day were treated as if they were settled on this day. Notes matured on the last day of this mid-term fiscal period: Notes receivable 4 million yen Notes payable 344 million yen	*4 Account procedures for notes that mature on the last day of the fiscal year -- Although the last day of this fiscal year was not a business day for financial institutions, notes that matured on this day were treated as if they were settled on this day. Notes matured on the last day of this fiscal year: Notes receivable 2 million yen Notes payable 68 million yen

Note

(for mid-term statements of income)

Previous mid-term fiscal period From April 1, 2001 To September 30, 2001	This mid-term fiscal period From April 1, 2002 To September 30, 2002	Previous fiscal year From April 1, 2001 To March 31, 2002
*1 Major items and their amounts under "Cost of sales" and "General administrative expenses" are as follows.	*1 Major items and their amounts under "Cost of sales" and "General administrative expenses" are as follows.	*1 Major items and their amounts under "Cost of sales" and "General administrative expenses" are as follows.
Advertising expenses 1,105 million yen	Advertising expenses 2,744 million yen	Advertising expenses 3,401 million yen
Promotion expense 871 million yen	Promotion expense 728 million yen	Promotion expense 2,237 million yen
Salaries and bonuses 1,698 million yen	Salaries and bonuses 1,701 million yen	Salaries and bonuses 3,717 million yen
Depreciation and amortization 294 million yen	Depreciation and amortization 296 million yen	Depreciation and amortization 635 million yen
Accrued bonus forwarded 107 million yen	Accrued bonus forwarded 114 million yen	Accrued bonus forwarded 210 million yen
Accrued retirement benefits for employees forwarded 36 million yen	Accrued retirement benefits for employees forwarded 20 million yen	Accrued retirement benefits for employees forwarded 73 million yen
Allowance for bad debt forwarded 0 million yen	Allowance for bad debt forwarded 20 million yen	Payment fee 775 million yen
Research and development expenses 465 million yen	Research and development expense 607 million yen	Allowance for bad debt forwarded 10 million yen
		Research and development expenses 1,067 million yen
*2 The breakdown of gains on sale of fixed assets are as follows.	*2 The breakdown of gains on sale of fixed assets are as follows.	*2 The breakdown of gains on sale of fixed assets are as follows.
Machinery and vehicles 0 million yen		Machinery and vehicles 0 million yen
Equipments for amusement facilities 0 million yen	Equipments for amusement facilities 0 million yen	Equipments for amusement facilities 1 million yen
Total 0 million yen	Total 0 million yen	Total 1 million yen
*3 The breakdown of loss on sale or disposal of fixed assets are as follows.	*3 The breakdown of loss on sale or disposal of fixed assets are as follows.	*3 The breakdown of loss on sale or disposal of fixed assets are as follows.
Buildings and structures 0 million yen	Buildings and structures 26 million yen	Buildings and structures 3 million yen
	Machinery and structures 1 million yen	
Tool, fixture and furniture 28 million yen	Tool, fixture and furniture 13 million yen	Tool, fixture and furniture 31 million yen
Rental equipments 5 million yen		Rental equipments 7 million yen
Equipments for amusement facilities 5 million yen	Equipments for amusement facilities 6 million yen	Equipments for amusement facilities 65 million yen
Total 39 million yen	Total 46 million yen	Total 107 million yen

*4 –	*4 The breakdown of loss on revaluation of land and buildings are as follows. Buildings and structures 2,317 million yen Tool, fixture and furniture 0 million yen Land 22,013 million yen Total 24,331 million yen	*4 –
*5 –	*5 Other major extraordinary loss is as follows. Loss on the discontinuance of system development in past fiscal years 198 million yen	*5 –
*6 Corporate taxes Tax expense of consolidated subsidiaries for this mid-term fiscal period are computed based on the assumption method and corporate tax adjustments are included in "Corporate tax, resident tax and enterprise tax".	*6 Corporate taxes See box to left	*6 –

(Mid-term statements of cash flows)

Previous mid-term fiscal period From April 1, 2001 To September 30, 2001	This mid-term fiscal period From April 1, 2002 To September 30, 2002	Previous fiscal year From April 1, 2001 To March 31, 2002
1 The ending balance of cash and cash equivalents and the amounts of corresponding account titles listed in balance sheet.	1 The ending balance of cash and cash equivalents and the amounts of corresponding account titles listed in balance sheet.	1 The ending balance of cash and cash equivalents and the amounts of corresponding account titles listed in balance sheet.
Cash and cash accounts 13,629 million yen Cash and cash equivalents 13,629 million yen	Cash and cash accounts 32,594 million yen Short-term investments that mature within 3 months from the date of acquisition (Negotiable securities) 2,167 million yen Cash and cash equivalents 34,761 million yen	Cash and cash accounts 27,661 million yen Short-term investments that mature within 3 months after the date of acquisition (Negotiable securities) 7,338 million yen Cash and cash equivalents 35,000 million yen

(Leases)

Unit: Millions of yen

Previous mid-term fiscal period From April 1, 2001 To September 30, 2001				This mid-term fiscal period From April 1, 2002 To September 30, 2002				Previous fiscal year From April 1, 2001 To March 31, 2002			
1. Notes for financing leases that do not transfer ownership of the leased assets to lessees.				1. Notes for financing leases that do not transfer ownership of the leased assets to lessees..				1. Notes for financing leases that do not transfer ownership of the leased assets to lessees.			
① Assumed amounts of acquisition cost, accumulated depreciation, and net book value at the mid-term fiscal period end for the leased assets				① Assumed amounts of acquisition cost, accumulated depreciation, and net book value at the mid-term fiscal period end for the leased assets				① Assumed amounts of acquisition cost, accumulated depreciation, and net book value at the fiscal year end for the leased assets			
	Acquisition cost	Accumulated depreciation	Net book value at mid-term fiscal period end		Acquisition cost	Accumulated depreciation	Net book value at mid-term fiscal period end		Acquisition cost	Accumulated depreciation	Net book value at mid-term fiscal period end
Machinery and vehicles	319	202	117	Machinery and vehicles	226	157	69	Machinery and vehicles	295	202	93
Tool, fixture and furniture	2,261	1,353	908	Tool, fixture and furniture	1,744	1,034	709	Tool, fixture and furniture	1,944	1,197	747
Equipments for amusement facilities	2,300	1,302	998	Equipments for amusement facilities	2,162	1,014	1,148	Equipments for amusement facilities	2,135	1,234	901
Total	4,882	2,857	2,024	Total	4,134	2,206	1,927	Total	4,375	2,634	1,741

<p>Assumed amounts of acquisition costs were computed based on the "Lease balance with interests because the proportion of unexpired leasing fees in tangible fixed assets at the mid-term fiscal period end was small.</p>	<p>Assumed amounts of acquisition costs were computed excluding the paid-interest because the proportion of unexpired leasing fees in tangible fixed assets at the mid-term fiscal period end increased.</p> <p>The assumed amounts of acquisition costs computed based on the "Lease balance with interests are shown below.</p> <table border="1" data-bbox="630 571 1045 945"> <thead> <tr> <th></th> <th>Acquisition cost</th> <th>Accumulated depreciation</th> <th>Net book value at mid-term fiscal period end</th> </tr> </thead> <tbody> <tr> <td>Machinery and vehicles</td> <td>229</td> <td>159</td> <td>69</td> </tr> <tr> <td>Tool, fixture and furniture</td> <td>1,868</td> <td>1,121</td> <td>747</td> </tr> <tr> <td>Equipments for amusement facilities</td> <td>2,288</td> <td>1,080</td> <td>1,207</td> </tr> <tr> <td>Total</td> <td>4,387</td> <td>2,361</td> <td>2,025</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Net book value at mid-term fiscal period end	Machinery and vehicles	229	159	69	Tool, fixture and furniture	1,868	1,121	747	Equipments for amusement facilities	2,288	1,080	1,207	Total	4,387	2,361	2,025	<p>Assumed amounts of acquisition costs were computed based on the "Lease balance with interests because the proportion of unexpired leasing fees in tangible fixed assets at the fiscal year end was small.</p>				
	Acquisition cost	Accumulated depreciation	Net book value at mid-term fiscal period end																							
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Total	4,387	2,361	2,025																							
<p>②The assumed net book value of future lease payments for unexpired leases at the mid-term fiscal period end is shown below.</p> <table data-bbox="183 1041 598 1131"> <tr> <td>Due within one year</td> <td>1,012</td> </tr> <tr> <td>Due after one year</td> <td>1,012</td> </tr> <tr> <td>Total</td> <td>2,024</td> </tr> </table> <p>The assumed net book values of future lease payments for unexpired leases were computed based on the "Lease balance with interests because the proportion of unexpired leasing fees in tangible fixed assets at the mid-term fiscal end was small.</p>	Due within one year	1,012	Due after one year	1,012	Total	2,024	<p>②The assumed net book value of future lease payments for unexpired leases at the mid-term fiscal period end is shown below.</p> <table data-bbox="630 1041 1045 1131"> <tr> <td>Due within one year</td> <td>989</td> </tr> <tr> <td>Due after one year</td> <td>973</td> </tr> <tr> <td>Total</td> <td>1,963</td> </tr> </table> <p>The assumed net book values of future lease payments for unexpired leases were computed excluding the paid-interest because the proportion of unexpired leasing fees in tangible fixed assets at the mid-term fiscal end increased.</p> <p>The assumed net book values computed based on the "Lease balance with interests are shown below.</p> <table data-bbox="630 1400 1045 1489"> <tr> <td>Due within one year</td> <td>1,037</td> </tr> <tr> <td>Due after one year</td> <td>988</td> </tr> <tr> <td>Total</td> <td>2,025</td> </tr> </table>	Due within one year	989	Due after one year	973	Total	1,963	Due within one year	1,037	Due after one year	988	Total	2,025	<p>②The assumed net book value of future lease payments for unexpired leases at the fiscal year end is shown below.</p> <table data-bbox="1077 1064 1444 1153"> <tr> <td>Due within one year</td> <td>935</td> </tr> <tr> <td>Due after one year</td> <td>805</td> </tr> <tr> <td>Total</td> <td>1,741</td> </tr> </table> <p>The assumed net book values of future lease payments for unexpired leases were computed based on the "Lease balance with interests because the proportion of unexpired leasing fees in tangible fixed assets at the fiscal year end was small.</p>	Due within one year	935	Due after one year	805	Total	1,741
Due within one year	1,012																									
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<p>③Assumed amounts of financing lease payment and depreciation for the mid-term fiscal period.</p> <table data-bbox="183 1579 598 1646"> <tr> <td>Financing lease payment</td> <td>621</td> </tr> <tr> <td>Depreciation</td> <td>621</td> </tr> </table>	Financing lease payment	621	Depreciation	621	<p>③Assumed amounts of financing lease payment, depreciation, and paid-interest for the mid-term fiscal period.</p> <table data-bbox="630 1579 1045 1668"> <tr> <td>Financing lease payment</td> <td>593</td> </tr> <tr> <td>Depreciation</td> <td>554</td> </tr> <tr> <td>Paid-interest</td> <td>25</td> </tr> </table>	Financing lease payment	593	Depreciation	554	Paid-interest	25	<p>③Assumed amounts of financing lease payment and depreciation for the fiscal year.</p> <table data-bbox="1077 1579 1444 1646"> <tr> <td>Financing lease payment</td> <td>1,207</td> </tr> <tr> <td>Depreciation</td> <td>1,207</td> </tr> </table>	Financing lease payment	1,207	Depreciation	1,207										
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Depreciation	1,207																									

<p>④Computation method for assumed amount of depreciation.</p> <p>The assumed amount of depreciation is computed based on the straight-line method using the leasing term as asset life and assuming the residual value to be zero.</p>	<p>④Computation method for assumed amount of depreciation and paid-interest.</p> <p>(Computation method for Assumed amount of depreciation) The Assumed amount of depreciation is computed based on the straight-line method using the leasing term as asset life and assuming the residual value to be zero</p> <p>(Computation method for Assumed amount of paid-interest) The difference between the total amount of lease payments and the assumed amount of acquisition cost is the assumed amount of paid-interest. The distribution of the paid-interest to each fiscal period is based on the interest method.</p>	<p>④Computation method for assumed amount of depreciation.</p> <p>The assumed amount of depreciation is computed based on the straight-line method using the leasing term as asset life and assuming the residual value to be zero.</p>																								
<p>2. Operating leases</p> <table border="0"> <tr> <td colspan="2">Unexpired lease payments</td> </tr> <tr> <td>Due within one year</td> <td style="text-align: right;">546</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">2,155</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">2,701</td> </tr> </table>	Unexpired lease payments		Due within one year	546	Due after one year	2,155	Total	2,701	<p>2. Operating leases</p> <table border="0"> <tr> <td colspan="2">Unexpired lease payments</td> </tr> <tr> <td>Due within one year</td> <td style="text-align: right;">546</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">1,608</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">2,155</td> </tr> </table>	Unexpired lease payments		Due within one year	546	Due after one year	1,608	Total	2,155	<p>2. Operating leases</p> <table border="0"> <tr> <td colspan="2">Unexpired lease payments</td> </tr> <tr> <td>Due within one year</td> <td style="text-align: right;">546</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">1,882</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">2,428</td> </tr> </table>	Unexpired lease payments		Due within one year	546	Due after one year	1,882	Total	2,428
Unexpired lease payments																										
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Total	2,428																									

(Negotiable securities)

(Previous mid-term fiscal period ended September 30, 2001)

1. Other negotiable securities with market value

Unit: Millions of Yen

Classification	Acquisition cost	Book value	Gross unrealized gains(losses)
Stocks	1,844	1,090	(754)
Total	1,844	1,090	(754)

2. Major items of negotiable securities without market value and their recognized amount on the mid-term balance sheet.

Other negotiable securities

Unlisted stocks: 1,320 million yen

(excluding those stocks traded in the over-the-counter market)

Stocks of subsidiaries and affiliated companies

Unlisted stocks: 47 million yen

(Note) As for those negotiable securities with market value, the depletion of 78 million yen was recorded in this mid-term fiscal period. In regards to the depletion of stocks, depletion is recorded when the market value of the stock falls below 50% of its acquired cost at the end of the mid-term fiscal period, unless the stock is recognized to have the potential for recovery. In addition, unless the stock is recognized to have the potential for recovery, depletion is recorded when the rate of stock price decline is greater than 30% and less than 50% at the end of the mid-term fiscal period. The recognition of depletion is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of holding negotiable securities, and various financial analysis data of stock issued companies.

(This mid-term fiscal period ended September 30, 2002)

1. Other negotiable securities with market value

Unit: Millions of Yen

Classification	Acquisition cost	Book value	Gross unrealized gains(losses)
Stocks	799	763	(35)
Total	799	763	(35)

2. Major items of negotiable securities without market value and their recognize amount an the mid-term balance sheet.

Other negotiable securities

Unlisted stocks:	997 million yen
(excluding those stocks traded in the over-the-counter market)	
Convertible bonds:	45 million yen
Commercial papers:	2,167 million yen

Stocks of subsidiaries and affiliated companies

Unlisted stocks:	247 million yen
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(Note) In regards to the depletion of stocks, depletion is recorded when the market value of the stock falls below 50% of its cost at the end of the mid-term fiscal period, unless the stock is recognized to have the potential for recovery. In addition, unless the stock is recognized to have the potential for recovery, depletion is recorded when the rate of stock price decline is greater than 30% and less than 50% at the end of the mid-term fiscal period. The recognition of depletion is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices,, understanding of average market value of holding negotiable securities, and examination of various financial analysis data of stock issued companies.

(Previous fiscal year ended March 31, 2002)

1. Other negotiable securities with market value (as of March 31, 2002)

Unit: Millions of Yen

Classification	Acquisition cost	Book value	Gross unrealized gains(losses)
Stocks	848	685	(162)
Total	848	685	(162)

(Note) As for those negotiable securities with market value, the depletion of 1,036 million yen was recorded in this mid-term fiscal period. In regards to the depletion of stocks, depletion is recorded when the market value of the stock falls below 50% of its cost at the end of this mid-term fiscal period, unless the stock is recognized to have the potential for recovery. In addition, unless the stock is recognized to have the potential for recovery, depletion is recorded when the rate of stock price decline is greater than 30% and less than 50% at the end of this mid-term fiscal period. The recognition of depletion is determined after investigating related factors comprehensively. Among those factors are the comparison of the gap between market prices for a certain period and acquired prices, understanding of average market value of holding negotiable securities, and examination of various financial analysis data of stock issued companies.

2. Major items of negotiable securities without market value and their recognize amount an the mid-term balance sheet (as of March 31, 2002).

Other negotiable securities

Unlisted stocks:	1,275 million yen
(excluding those stocks traded in the over-the-counter market)	
Convertible bonds:	45 million yen
Commercial papers:	7,338 million yen

(Derivatives)

Unit: Millions of Yen

Previous mid-term fiscal period Form: April 1, 2001 To: September 30, 2001	This mid-term fiscal period Form: April 1, 2002 To: September 30, 2002	Previous fiscal year Form: April 1, 2001 To: September 30, 2001
Capcom corporate group is not using derivative transactions and there is no applicable item.	Same as in the left	Same as in the left

(Segment Information)

(A) Operating segments

Previous mid-term fiscal period (from April 1, 2001 to September 30, 2001)

Unit: Millions of Yen

	Home video games	Arcade games	Arcade operations	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
(1) External customers	14,927	3,163	4,205	1,080	23,376	(---	23,376
(2) Inter-segment sale or transfer	—	161	—	—	161	(161)	—
Total	14,927	3,324	4,205	1,080	23,537	(161)	23,376
operating expense	12,283	3,021	3,609	954	19,868	1,130	20,999
operating profit	2,643	303	595	125	3,668	(1,291)	2,377

(Note)

1. Business segments above are split based upon internal management disposition.
2. Principal products and operations of each business segment
 - (1) Home vide games: This sales division develops and distributes home video game software.
 - (2) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (3) Arcade operations: This division operates amusement facilities.
 - (4) Other businesses: Other businesses include licensing business and arcade game rental business.

3. Among operating expenses, undistributed operating expenses to each business segment above is included in the “Elimination and corporate ” amounted to 1,293 million yen. The major part of this expense is related to corporate management.

This mid-term fiscal period (from April 1, 2002 to September 30, 2002)

Unit: Millions of Yen

	Home video games	Arcade games	Arcade operations	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
(1)External customers	18,753	713	4,544	1,646	25,658	(---	25,658
(2)Inter-segment sale or transfer	—	82	—	—	82	(82)	—
Total	18,753	795	4,544	1,646	25,741	(82)	25,658
operating expense	17,197	1,060	3,576	1,236	23,070	1,128	24,199
operating profit or loss (△)	1,556	△264	968	410	2,670	(1,211)	1,459

(Note)

1. Business segments above are split based upon internal management disposition.
2. Principal products and operations of each business segment
 - (1) Home vide games: This sales division develops and distributes home video game software.
 - (2) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (3) Arcade operations: This division operates amusement facilities.
 - (4) Other businesses: Other businesses include licensing business and arcade game rental business.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the “Elimination and corporate” amounted to 1,212 million yen. The major part of this expense is related to corporate management.

Previous fiscal year (from April 1, 2001 to March 31, 2002)

Unit: Millions of Yen

	Home video games	Arcade games	Arcade operations	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
(1) External customers	47,769	3,564	8,327	3,081	62,742	(---	62,742
(2) Inter-segment sale or transfer	—	389	—	0	389	(389)	—
Total	47,769	3,954	8,327	3,082	63,132	(389)	62,742
operating expense	36,512	4,410	7,152	2,876	50,951	2,063	53,015
operating profit or loss (Δ)	11,257	Δ456	1,174	205	12,180	(2,453)	9,727

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
 - (1) Home video games: This sales division develops and distributes home video game software.
 - (2) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (3) Arcade operations: This division operates amusement facilities.
 - (4) Other businesses: Other businesses include licensing business and arcade game rental business.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 2,458 million yen. The major part of this expense is related to corporate management.

(B) Geographic segments

Previous mid-term fiscal period (from April 1, 2001 to September 30, 2001)

Unit: Millions of Yen

	Japan	North America	Other regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss						
(1) External customers	16,408	4,580	2,387	23,376	(---)	23,376
(2) Inter-segment sale or transfer	1,759	—	26	1,786	(1,786)	—
Total	18,167	4,580	2,414	25,162	(1,786)	23,376
operating expense	15,228	3,983	2,280	21,492	(493)	20,999
operating profit	2,939	596	133	3,669	(1,292)	2,377

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
 - (1) North America: United States of America
 - (2) Other regions: Asia and Europe
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the “Elimination and corporate” amounted to 1,293 million yen. The major part of this expense is related to corporate management.

This mid-term fiscal period (from April 1, 2002 to September 30, 2002)

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
(3) External customers	14,809	7,098	3,518	232	25,658	(---	25,658
(4) Inter-segment sale or transfer	2,923	—	—	21	2,944	(2,944)	—
Total	17,733	7,098	3,518	253	28,603	(2,944)	25,658
operating expense	15,738	6,719	3,188	301	25,947	(1,747)	24,199
operating profit or loss (Δ)	1,995	378	329	Δ47	2,656	(1,197)	1,459

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
 - (1) North America: United States of America
 - (2) Europe: European countries
 - (3) Other regions: Asia and others
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 1,212 million yen. The major part of this expense is related to corporate management.
4. Change in the geographical segmentation
 Previously Europe was included in "Other Regions". However the percentage of the sales in Europe had increased to more than 10 % of all segments, and "Other Regions" has been split to "Europe" and "Other Regions" since the previous fiscal year. Net sales (sales to external customers), operating expenses, and operating loss of "Europe" that was part of "Other Regions" in the previous mid-term fiscal period were 2,131 million yen, 2,034 million yen, and 96 million yen respectively.

Previous fiscal year (from April 1, 2001 to March 31, 2002)

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
(1) External customers	40,666	14,236	7,266	573	62,742	(---)	62,742
(2) Inter-segment sale or transfer	5,472	5	—	53	5,531	(5,531)	—
Total	46,138	14,241	7,266	626	68,274	(5,531)	62,742
operating expense	37,408	11,868	6,224	585	56,087	(3,071)	53,015
operating profit	8,730	2,373	1,042	41	12,186	(2,459)	9,727

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
 - (1) North America: United States of America
 - (2) Europe: European countries
 - (3) Other regions: Asia and others
3. Among operating expenses, undistributed operating expenses to these business segment above is included in the “Elimination and corporate” amounted to 2,458 million yen. The major part of this expense is related to corporate management.

(C) Foreign sales

Previous mid-term fiscal period (from April 1, 2001 to September 30, 2001)

Unit: Millions of Yen

	North America	Other Regions	Total
(I) Foreign Sales	4,692	2,590	7,283
(II) Consolidated Total			23,376
(III) Percentage of foreign sales included in consolidated net sales	20.1%	11.1%	31.2%

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
 - North America: United States of America
 - Other regions: Asia, Europe
3. Foreign net sales represents the total of all the sales achieved outside Japan by Capcom Co., Ltd. and its consolidated subsidiaries (excluding internal sales between consolidated subsidiaries).

This mid-term fiscal period (from April 1, 2002 to September 30, 2002)

Unit: Millions of Yen

	North America	Europe	Other Regions	Total
(I) Foreign Sales	7,532	3,634	302	11,469
(II) Consolidated Total				25,658
(III) Percentage of foreign sales included in consolidated net sales	29.4%	14.2%	1.2%	44.7%

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
 - North America: United States of America
 - Europe: European countries
 - Other regions: Asia, Europe
3. Foreign net sales represents the total of all the sales achieved outside Japan by Capcom Co., Ltd. and its consolidated subsidiaries (excluding internal sales between consolidated subsidiaries).
4. Change in the geographical segmentation

Previously Europe was included in “Other Regions”. However the percentage of the sales in Europe had increased to more than 10 % of all segments, and “Other Regions” has been split to “Europe” and “Other Regions” since the previous fiscal year. Net sales of “Europe” that was part of “Other Regions” in the previous mid-term fiscal period was 2,217 million yen, the percentage of European sales included in consolidated net sales was 9.5%.

Previous fiscal year (from April 1, 2001 to March 31, 2002)

Unit: Millions of Yen

	North America	Europe	Other Regions	Total
(I) Foreign Sales	15,336	7,409	783	23,529
(II) Consolidated Total				62,742
(III) Percentage of foreign sales included in consolidated net sales	24.4%	11.8%	1.3%	37.5%

(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, Europe
- Foreign net sales represents the total of all the sales achieved outside Japan by Capcom Co., Ltd. and its consolidated subsidiaries (excluding internal sales between consolidated subsidiaries).

Status of Manufacturing, Orders Received, and Distributions

(1) Manufacturing Performance

Performances of manufacturing by business segment are as shown below.

Previous mid-term fiscal period (from April 1, 2001 to September 30, 2001)

Unit: Millions of Yen

Type of business segment	Total	Comparison with the same term last year (%)
Home video games	3,866	102.8
Arcade games	2,395	118.2
Total	6,262	108.2

This mid-term fiscal period (from April 1, 2002 to September 30, 2002)

Unit: Millions of Yen

Type of business segment	Total	Comparison with the same term last year (%)
Home video games	4,226	109.3
Arcade games	756	31.6
Total	4,983	79.6

Previous fiscal year (from April 1, 2001 to March 31, 2002)

Unit: Millions of Yen

Type of business segment	Total	Comparison with the same term last year (%)
Home video games	12,316	131.8
Arcade games	3,536	79.1
Total	15,852	114.8

(Note)

Above amounts are computed based on the cost of goods manufactured.

Above amount are computed based on the price without consumption tax.

Above amounts include the development cost of game software.

(2) Status of Orders Received

We are not conducting “build-to-order manufacturing”.

(3) Sales Performance

Performances of manufacturing by business segment are as shown below.

Previous mid-term fiscal period (from April 1, 2001 to September 30, 2001)

Unit: Millions of Yen

Type of business segment	Total	Comparison with the same term last year (%)
Home video games	14,927	127.5
Arcade games	3,163	113.4
Arcade operations	4,205	121.2
Other businesses	1,080	49.1
Total	23,376	115.9

This mid-term fiscal period (from April 1, 2002 to September 30, 2002)

Unit: Millions of Yen

Type of business segment	Total	Comparison with the same term last year (%)
Home video games	18,753	125.6
Arcade games	713	22.6
Arcade operations	4,544	108.1
Other businesses	1,646	152.5
Total	25,658	109.8

Previous fiscal year (from April 1, 2001 to March 31, 2002)

Unit: Millions of Yen

Type of business segment	Total	Comparison with the same term last year (%)
Home video games	47,769	150.6
Arcade games	3,564	55.4
Arcade operations	8,327	116.5
Other businesses	3,081	81.6
Total	62,742	127.8

(Note)

1. Transactions among segments are offset.
2. Sales performance stated separately by each major customer and the percentage of these sales to the total sales were left out because these percentages were less than 10%.
3. Consumption tax is not included in the amounts listed above.