

Mid-Term Financial Results (Consolidated bases) ended  
September 30, 2004 (Unaudited)

Date of Issue:  
November 19, 2004  
Tokyo, Osaka  
Osaka Prefecture

Company Name: CAPCOM Co., Ltd.  
Company Code: 9697  
(URL <http://www.capcom.co.jp/>)

Stock Exchange:  
Location of Headquarters:

Representative: Kenzo Tsujimoto, C.E.O. & President  
Contact Person: Tamio Oda, Director and Executive Corporate Officer  
Approval of Mid-Term Financial Results by Board Members; November 19, 2004  
Application of US Accounting Standard: None

Tel: +81-6-6920-3605

1. Results of the Mid-Term ended September 30, 2004 (April 1, 2004 - September 30, 2004)

(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, 2004	28,537	27.1	1,778	3.6	1,486	5.4
Mid-Term Ended Sept. 30, 2003	22,452	12.5	1,844	26.3	1,570	3.8
Year Ended March 31, 2004	52,668		1,402		791	

	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, 2004	543	40.9	9.60	8.45
Mid-Term Ended Sept. 30, 2003	919	-	16.14	14.30
Year Ended March 31, 2004	9,158		160.91	-

Note Investment Profit/Loss on Equity Method

Mid-Term Ended Sept. 30, 2004 21 Million yen Mid-Term Ended Sept. 30, 2003 - Million yen Year Ended March 31, 2004 - Million yen  
Average Number of Shares of Each Terms (Consolidated Basis)

Mid-Term Ended Sept. 30, 2004: 56,651,785 Mid-Term Ended Sept. 30, 2003: 56,920,101 Year Ended March 31, 2004: 56,919,319

Change in Accounting Policies: None

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' Ratio to Total Assets	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
Mid-Term Ended Sept. 30, 2004	92,071	31,684	34.4	561.06
Mid-Term Ended Sept. 30, 2003	105,882	42,401	40.0	744.93
As of March 31, 2004	93,096	31,854	34.2	559.66

Note: Number of shares outstanding:

Mid-Term Ended Sept. 30, 2004: 56,471,602 Mid-Term Ended Sept. 30, 2003: 56,919,689 Year Ended March 31, 2004: 56,917,769

(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, 2004	1,194	972	2,155	30,832
Mid-Term Ended Sept. 30, 2003	565	4,947	1,258	28,148
Year Ended March 31, 2004	5,577	5,011	395	32,131

(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 1, Decrease 0

Equity Method: Increase 1, Decrease 0

2. Forecast for the Fiscal Year ending March 31, 2005 (From April 1, 2004 to March 31, 2005)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
For Year ending March 31, 2005	65,500	6,800	3,900

(Reference) Expected Net Income Per Share of Common Stock for Year ending March 31, 2005: 69.06 (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), CE Europe Ltd.(consolidated subsidiary), CEG Interactive Entertainment GmbH(consolidated subsidiary), and Capcom Co., Ltd. are responsible for distribution of the game software. Flagship Co., Ltd. (consolidated subsidiary) and Capcom Studio 8, Inc. are also participating in development.

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

### [ Arcade Operations ]

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

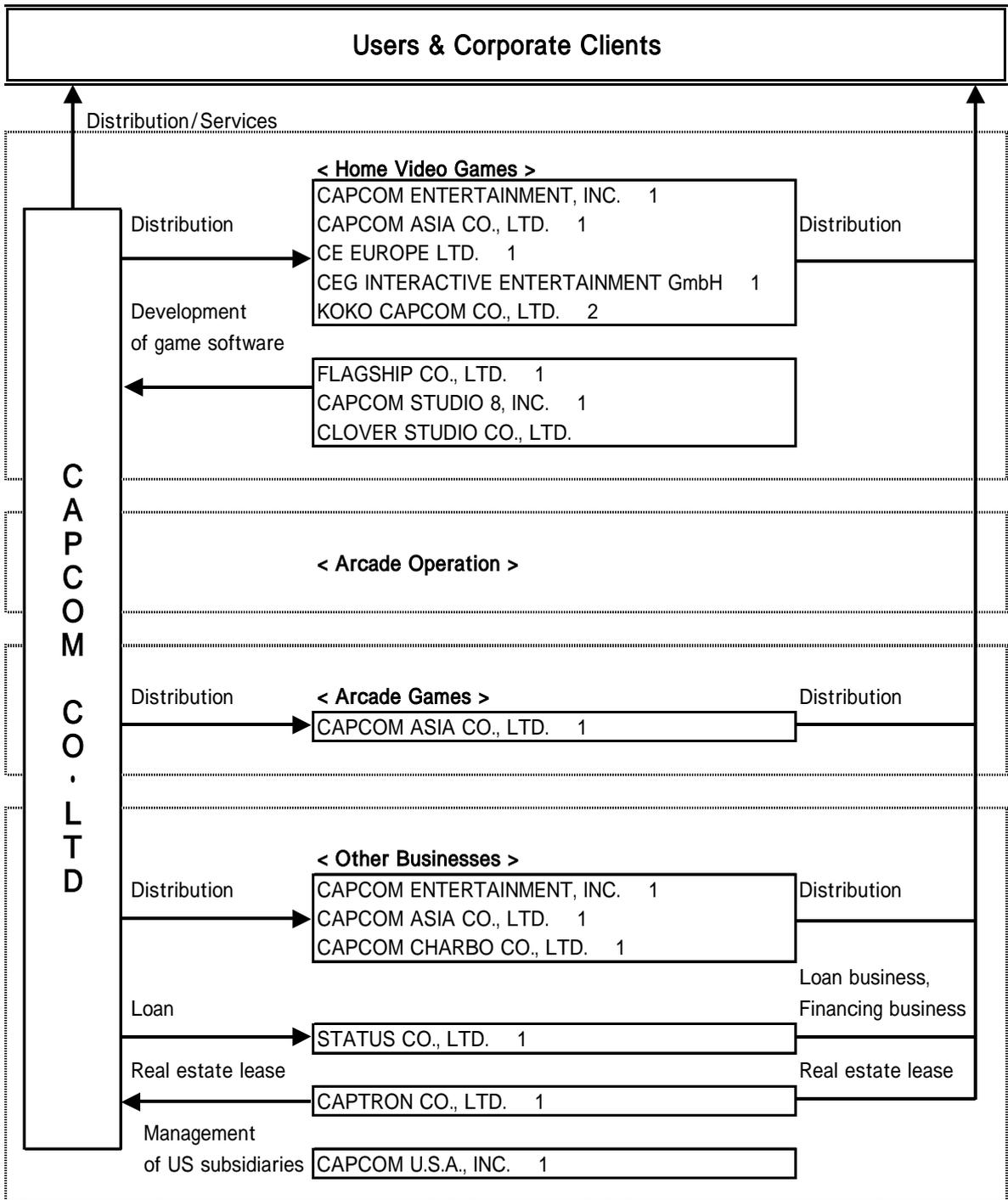
### [ Arcade Games ]

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

### [ 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. 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. Status Co., Ltd. (consolidated subsidiary), which used to provide casualty insurance services and financial services, is now under process of dissolution of the business by assignment and transfer of the services. Capcom USA, Inc.(consolidated subsidiary) is a holding company of its US and UK subsidiaries; Capcom Coin-Op, Inc., Capcom Entertainment, Inc., Capcom Studio 8, Inc. and Capcom Eurosoft Ltd., 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” has become an important factor -- more important than to make up financial statements utilizing changes in accounting standards. We do not set actual target figures on specific fields because we understand “Cash-Flow Management” (real management that generates cash) as a very important factor for evaluating decision-making processes and corporate values.

### 4. Medium Term Business Strategy

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

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

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

- (1) Focusing on our core business - developing and marketing creative home video game software  
- by concentrating our resources
- (2) Strengthening and exploring multi platform strategy for home video game software based on market demands.
- (3) Expanding arcade operations business, which has become the second largest source of business for us, in order to continuously secure stable revenues.
- (4) Strengthen the online 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 such as publication and expanding our share in existing markets.
- (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

Generating corporate vitalities from clear vision and responsive management is part of our efforts for the effective usage of the development resources. In addition, we are pushing through a business strategy that concentrates management resources on the selected business to make the most of the collective power of the entire Capcom group. The decision to spin-off a part of the development division, which is expected to grow in the future, is just one example of such activities.

(4) Expansion of the business field

We will focus on expanding our business by growing the content-related business to accommodate changes in the managerial environments. To begin with, we are entering into the publishing business.

(5) Enhancement of the corporate quality

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

6. Corporate Governance issues

(1) Basic understanding of Corporate Governance

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

(2) Current condition of measures for implementing corporate governance

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

We are employing a “corporate auditor” system for our corporate governance system.

There are three external directors, out of 7 board members, and three external auditors, out of 4 corporate auditors in office.

We have voluntarily established the Remuneration Committee, headed by an external director, to determine fair and relevant compensation for directors. We also have the Compliance Committee for the purpose of building a corporate structure based on corporate governance.

Although no full-time staff has been assigned to assist external directors or auditors, three personnel from the secretary’s office at the main office and two staff employees from our Tokyo branch office are assisting the external directors.

The Board of Directors has been vitalized and the management monitoring function has been reinforced by accepting advice and opinions from the external directors. This also helps to increase corporate value.

In addition to the Compliance Committee, we are in the process of establishing a risk management system reinforcing our internal control system in order to ensure the management monitoring function work.

One of our external directors is an attorney, who is a leading authority in the field, will provide advice and guidance for important issues or problems. This reinforces the supervisory function of the board of directors and ensures reliability and transparency.

Interests with external directors and external auditors

No external directors or external auditors have any personal relationship, capital relationship, business relationship, or other interest with the Company.

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

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

The Compliance Committee, which includes an external director who practices law in Japan, holds a meeting every three months to provide substance to the Codes of Conduct, aiming to ensure the corporate governance system work effectively.

## Operating Results & Financial Status

### 1. Operating Results

#### (1) Overview of the Six-Month Period Ended September 30, 2004

Contrary to concerns about the economy slowdown due to high crude oil prices, the Japanese economy during this six-month period sustained a recovery trend supported by healthy capital investments, exports and consumer spending, as well as the positive effects from the Athens Olympics and the heat wave of this summer.

As for the video game industry, the Japanese domestic home video game market experienced a brief pause as the profusion of hardware completed its first round. At the same time, we started to see new waves towards the next growth level of the industry. For example, there have been demand-creation movements based on the anticipation that the next-generation game console will be released soon. The “Tokyo Game Show 2004,” one of the largest game exhibitions in Japan, had more visitors than last year.

In foreign markets, Europe and U.S. underwent a steady growth in general, due to the effects of hardware price reduction and the favorable performance of those games that were produced based on sports or licensed properties of popular movies.

Arcade game sales experienced a favorable growth as the user base of female and family players became firmly established. This was realized by the successful development of large-scale new amusement facilities, introduction of network games, and the strategy to differentiate arcade games from home video games through the installation of highly elaborate game machines.

Under these circumstances, Capcom has been making efforts to promote structural reforms in order to ameliorate our management practice and to increase business profitability. Such efforts include introducing user-oriented products, holding various types of events, and more collaboration with other publishers and the distribution of games for cellular phones at home and overseas to satisfy diversified customer needs.

The Hollywood movie “Resident Evil: Apocalypse” was released this fall in the US and Japan, and became a huge hit. The movie, which was produced based on “Resident Evil,” the flagship software title of the Capcom group, created secondary effects of publicity of the content and enhanced brand value.

“Monster Hunter” (for PlayStation2) received “Most Distinguished Game Content Award” in the “8<sup>th</sup> CESA Game Awards” which was sponsored by the Computer Entertainment Software Association (CESA). “Monster Hunter” also won the grand prize, as well as other high prizes in many different categories, in the “Famitsu Awards 2004 - for the first half year.” “Famitsu” is one of the well-distinguished Japanese video game magazines.

In September 2004, we passed the issuance of the Euro Yen Zero Coupon Convertible Bonds due 2009 (bonds with stock acquisition rights) in the executive board meeting.

The resulting net sales for this six-month period increased to 28,537 million yen (up 27.1 % from the same term last year). However the increased cost and selling expenses to sales ratio adversely affected our profits, making the ordinary income decrease to 1,486 million yen (down 5.4 % from the same term last year) and the net profit down to 543 million yen (down 40.9% from the same term last year).

## (2) Status of Each Operational Department

### Home video Game Sales

“Grand Theft Auto Vice City” (for PlayStation2) persisted as a big hit for an imported title, following the success of “Grand Theft Auto III” (for PlayStation2) in the previous fiscal period. However “Resident Evil Outbreak File 2” (for PlayStation2) grew at a sluggish pace.

The Mega Man series (for Game Boy Advance), including “Mega Man Zero 3” and “Mega Man Battle Network 4.5,” saw a solid sales growth supported by its steady popularity.

In overseas markets, both “Mega Man Anniversary Collection” (for PlayStation2 and Nintendo GameCube) and “Mega Man Battle Network 4” (for Game Boy Advance) had a healthy sales growth supported by the robust U.S. market. In addition, “Resident Evil Outbreak” (for PlayStation2) achieved brisk sales results and our lower-priced software titles performed favorably as well, though sales of “Onimusha 3” were less robust.

The resulting net sales increased to 17,387 million yen (up 29.7 % from the same term last year), and the operating income decreased to 321 million yen (down 33.3 % from the same term last year).

## Arcade Operations

We have been trying to pull more customers and tap demands through a community-based approach such as holding a variety of events, implementing a special discount day, and renovating facilities. These efforts evolved around the business concept of providing “clean, bright, and comfortable arcades,” based on the basic strategy of Capcom, the “Chiiki Ichiban Ten (No.1 Arcade in the Regional Community).

Under our strategic arcade operations to improve profitability, we opened “Plaza Capcom - Shitoro” in one of the largest commercial complexes in Shizuoka Prefecture, while closing down 1 unprofitable arcade. As a result of these activities, the current number of “Plaza Capcom” totals to 32.

The resulting net sales increased to 5,582 million yen (up 19.3 % from the same term last year) and the operating income went up to 1,272 million yen (up 14.1% from the same term last year).

## Arcade Game Sales

While the tone of the market was one of recovery, “Mobile Suit Z Gundam A.E.U.G vs. TITANS DX” showed a healthy growth supported by its solid popularity, serving as an engine for sales expansion. The medal games, “Super Mario Wonder Janjanland” and “Chibimaruko-chan Minnade Sugoroku Asobi no Maki,” also performed well.

The resulting net sales increased to 2,990 million yen (up 8.7% from the same term last year) and the operating income decreased to 843 million yen (down 20.5 % from the same term last year).

## Other Businesses

The net sales from other businesses, mainly licensing royalties, were 2,594 million yen (up 56.7 % from the same term last year), and the operating income was 495 million yen (up 33.7 % from the same term last year).

### (3) Overview of Business Performance in Each Region

#### Japan

“Grand Theft Auto Vice City” (for PlayStation2) persisted as a big hit for an imported title, following the success of “Grand Theft Auto III” (for PlayStation2) in the previous fiscal period. However “Resident Evil Outbreak File 2” (for PlayStation2) grew at a sluggish pace.

The Mega Man series (for Game Boy Advance), including “Mega Man Zero 3” and “Mega Man Battle Network 4.5,” saw a solid sales growth supported by its steady popularity.

The resulting net sales were 20,095 million yen (up 16.7% from the same term last year), and the operating income was 2.322 million yen (down 28.2% from the same term last year).

#### North America

The North America market, which is in the course of maturation stage, showed a steady growth in video game sales while the software sales of portable game consoles also achieved a great success.

Under these circumstances, “Mega Man Anniversary Collection (for PlayStation2 and Nintendo GameCube) and “Mega Man Battle Network 4” (for Game Boy Advance) underwent a healthy sales growth, while “Onimusha 3” (for PlayStation2) was forced to struggle, against our expectations.

“Street Fighter Anniversary Collection” (for PlayStation2) performed favorably with its strongly-rooted brand power, and our lower-priced software titles also showed a solid sales performance.

The resulting net sales were 7,609 million yen (up 63.4 % from the same term last year) and the operating income was 654 million yen.

## Europe

The European market has been on a smooth growth track thanks to a demand-stimulating approach, which includes the price reduction of hardware.

“Onimusha 3” and “Resident Evil Outbreak” (for PlayStation2) showed firm sales performance, whereas the most of other software titles in this market remained flat.

The resulting net sales were 3,386 million yen (up 39.6 % from the same term last year) and the operating loss was 68 million yen.

## Other Regions

The video game industry is still revolving around the online games for PCs in Asia, and the market of home video games is still emerging, due partially to the problem of pirated software. Therefore, the sales of the packaged product for home video game consoles remained at a low level.

The resulting net sales were 128 million yen (down 17.1 % from the same term last year) and the operating loss was 5 million yen.

## 2. Prospects for the Current Fiscal Year

New portable game consoles, namely Nintendo DS and PlayStation Portable (PSP), will be launched this winter, stimulating the year-end sales battle. A series of large-scale software titles are also to be released during the later part of this fiscal year. All these factors along with the wealth of product line-ups are expected to activate the video game industry for the first time in a long while.

The improvement of the telecommunication infrastructure, including broadband connections (high-speed and large volume data transfer), will make more players in this industry seek to expand their business territories. Thus, the profusion of online games will be accelerated, leading to the expansion of their market size.

It is believed that we will soon see a clear bipolar industry of “winners” and “losers” picture due to the disintegration of consumptions that currently share a common customer-base, such as cellular phones and internet, along with the intensified enterprise competition which causes “the weakest always goes to the wall.” As a result of these movements, the

video game industry is expected to reach its turning point.

In Japan, “The Law Concerning the Creation, Protection and Utilization, and Facilitation of Content” (commonly known as the “Content Promotion Law”) was enacted in May 2004; the new law is expected to support the expansion of the game industry.

Under these circumstances, we are determined to expand our user base through enforcing tie-up software titles and developing new game genres. We are strengthening our development team and responding to diverse customer needs in order to achieve this goal. In addition, we will place more emphasis on the distribution of online games and contents through a variety of distribution mediums, both domestically and internationally.

We are planning to undertake the multi-dimensional business development with our mixed media strategy, aiming for the synergy effects from other media. Examples of such efforts include the release of Hollywood movies based on our popular game software titles “Onimusha” and “Devil May Cry,” and the TV broadcast of animated “Mega Man Battle Network” and “Viewtiful Joe.”

We will be working on operation efficiency improvement and cost reduction with the aim of rationalizing overall corporate management and establishing a solid profit-making structure.

For the current fiscal year, we are projecting the net sales of 65,500 million yen, ordinary income of 6,800 million yen, and net profit of 3,900 million yen.

### 3. Financial Conditions

Cash and cash equivalents (hereafter referred to as “Cash”) as of the six-month period decreased by 30,832 million yen from the previous fiscal year to 1,298 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 1,194 million yen, increased by 1,759 yen in comparison with the same period of the previous year. This is mainly attributable to the following; Net income before tax adjustment was increased by 1,476 million yen, depreciation by 1,048 million yen and increase of allowance of doubtful account by 653 million, both of which involve no cash transaction despite of cash decrease by 2,224 million yen due to increase of account receivables.

## (2) Cash Flows From Investing Activities

Net cash decrease from investing activities to 972 million yen, which is decreased by 3,974 million yen in comparison with the same period of the previous year. This decrease is mainly attributable to the expense of 1,053 million yen for the acquisition of property, plant and equipment for amusement facilities.

## (3) Cash Flows From Financing Activities

2,155 million yen was expensed by financing activities, which is increased by 3,414 million yen in comparison with the same period of the previous year. This is mainly due to repayment in an sum of 1,051 million yen with regard to short and long-term loan, acquisition of treasury stock in an sum of 536 million and disbursement of cash dividend in an sum of 568 million yen.

## 4. Trends of Cash Flow Indicators

	Year ended March 2003	Six-Month Period ended Sept. 2003	Year ended March 2004	Six-Month Period ended Sept. 2004
Ratio of capital stock (%)	40.2	40.0	34.2	34.4
Ratio of capital stock based on fair market value (%)	55.1	74.2	63.1	61.0
Debt amortization schedule (number of years)	6.5	-	4.4	9.8
Interest coverage ratio (times)	14.6	-	20.3	8.6

Ratio of capital stock = Capital stock / Total assets

Ratio of capital stock based on fair market value = Total of the capital stock at market price / Total assets

Debt amortization schedule = Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest payments

(1) Indicators are calculated using financial numbers in consolidated basis.

(2) Cash flows from operating activities use the “cash flows from operating activities” in the consolidated statements of cash flows. The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

(3) For the basis of calculation of debt amortization schedule, double of cash flow from operating activities was used as estimated annual figures.

(4) Debt amortization schedule and Interest coverage ratio are not noted on six-month period ended Sept. 2003 due to minus figures of cash follow.

## Mid-Term Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period		This Mid-Term Fiscal Period		Balance Sheet of Previous Fiscal Year	
	(As of September 30, 2003)		(As of September 30, 2004)		(As of March 31, 2004)	
	Amount	%	Amount	%	Amount	%
(Assets)						
Current assets						
1 Cash and cash equivalents	27,590		29,832		29,809	
2 Notes and accounts receivable	10,476		11,243		8,922	
3 Negotiable Securities	557		999		2,321	
4 Inventories	7,008		3,792		4,338	
5 Game software products in-progress	13,288		10,047		9,640	
6 Deferred income taxes	3,553		4,298		4,989	
7 Short-term loans receivable	4,324		1,567		1,555	
8 Other	4,403		1,929		2,544	
9 Allowance for doubtful accounts	504		1,769		1,164	
Total current assets	70,699	66.8	61,943	67.3	62,957	67.6
Fixed assets						
(1) Tansible fixed assets						
1 Buildings and structures	7,277		6,941		6,959	
2 Machinery and vehicle	132		68		112	
3 Tool, fixture and furniture	715		587		642	
4 Rental equipment	158		121		135	
5 Equipments for amusement facilities	2,234		2,430		2,245	
6 Land	4,475		4,475		4,471	
7 Construction-in-progress	5		4		11	
Total tansible fixed assets	14,999	14.1	14,628	15.9	14,577	15.7
(2) Intansible fixed assets						
1 Other	1,052		770		934	
Total intansible fixed assets	1,052	1.0	770	0.8	934	1.0
(3) Investments and other assets						
1 Investments in securities	2,409		1,918		2,195	
2 Long-term loans receivable	928		3,603		3,638	
3 Deferred income taxes	10,613		7,909		7,960	
4 Claim in bankruptcy and reorganization	116		114		108	
5 Other	5,532		4,911		4,821	
6 Allowance for doubtful accounts	470		3,726		4,097	
Total investments and other assets	19,131	18.1	14,729	16.0	14,627	15.7
Total fixed assets	35,183	33.2	30,128	32.7	30,138	32.4
Total assets	105,882	100.0	92,071	100.0	93,096	100.0

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period (As of September 30, 2003)		This Mid-Term Fiscal Period (As of September 30, 2004)		Balance Sheet of Previous Fiscal Year (As of March 31, 2004)	
	Amount	%	Amount	%	Amount	%
	<b>(Liabilities)</b>					
<b>Current liabilities</b>						
1 Notes and accounts payable	5,525		5,038		4,497	
2 Short-term borrowings	7,024		5,594		6,295	
3 Convertible bonds repayable within 1 year	-		12,262		-	
4 Accrued income taxes	203		117		152	
5 Accrued bonus	339		442		1,114	
6 Reserve for return goods	375		274		699	
7 Other	5,426		5,319		4,369	
Total current liabilities	18,895	17.9	29,048	31.6	17,129	18.4
<b>Long-term liabilities</b>						
1 Convertible bonds payable	37,262		25,000		37,262	
2 Long-term debt	5,880		5,180		5,530	
3 Deferred tax liability	89		-		-	
4 Accrued retirement benefits for employees	822		692		847	
5 Other	532		466		472	
Total fixed liabilities	44,585	42.1	31,339	34.0	44,111	47.4
Total liabilities	63,481	60.0	60,387	65.6	61,241	65.8
<b>(Shareholders' Equity)</b>						
Common stock	27,581	26.0	27,581	30.0	27,581	29.6
Capital surplus	24,852	23.4	15,337	16.7	24,852	26.7
Retained earnings	6,080	5.7	7,196	7.8	16,727	18.0
Unrealized profit and loss on revaluation of securities	130	0.1	389	0.4	589	0.6
Cumulative translation adjustments	985	0.9	791	0.9	1,340	1.4
Treasury stock	3,097	2.9	3,635	4.0	3,099	3.3
Total shareholders' equity	42,401	40.0	31,684	34.4	31,854	34.2
Total Liabilities, minority Interest and shareholders' equity	105,882	100.0	92,071	100.0	93,096	100.0

Mid-Term Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2003 To September 30, 2003		This Mid-Term Fiscal Period From April 1, 2004 To September 30, 2004		Previous Fiscal Year From April 1, 2003 To March 31, 2004	
	Amount	%	Amount	%	Amount	%
	Net sales	22,452	100.0	28,537	100.0	52,668
Cost of sales	14,522	64.7	19,758	69.2	37,276	70.8
Gross profit	7,929	35.3	8,779	30.8	15,392	29.2
Reserve for return goods	-	-	-	-	86	0.1
Reserve adjustment for return goods	237	1.1	425	1.5	-	-
Net gross profit balance	8,167	36.4	9,204	32.3	15,305	29.1
Selling, general and administrative expenses	6,323	28.2	7,426	26.0	13,902	26.4
Operating income	1,844	8.2	1,778	6.3	1,402	2.7
Other income						
1 Interest income	105		95		207	
2 Dividend income	2		13		2	
3 Exchange gain	-		366		-	
4 Other	40	148	86	561	120	330
Other expense						
1 Interest expense	131		138		276	
2 Exchange loss	240		-		381	
3 Transfer of allowance for doubtful accounts	-		615		97	
4 Other	49	422	100	853	187	942
Ordinary income		1,570		1,486		791
Extraordinary gain						
1 Gain on sale of fixed asset	13		-		38	
2 Gain on sale of investment in securities	-		67		-	
3 Gain on assignment of business	-		66		-	
4 Gain on transfer of allowance for doubtful accounts	10	24	-	134	-	38
Extraordinary loss						
1 Loss on sale of fixed asset	45		80		177	
2 Loss on revaluation of investment in securities	-		62		192	
3 Loss on sale of investment in securities	-		-		158	
4 Loss on sale or disposal of inventories	-		-		3,057	
5 Loss on transfer of allowance for doubtful	-	45	-	143	4,144	7,730
Net profit or loss ( ) before taxes		1,548		1,476		6,900
Corporate tax, local tax, and enterprise tax	26		193		601	
Corporate tax refund from previous period	-		49		71	
Adjustment of Corporate tax and other tax	617	644	788	933	1,742	2,273
Minority interest loss		15		-		15
Net profit or loss ( )		919		543		9,158

### Mid-Term Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Account Title	Previous Mid-Term Fiscal Period From April 1, 2003 To September 30, 2003		This Mid-Term Fiscal Period From April 1, 2004 To September 30, 2004		Previous Fiscal Year From April 1, 2003 To March 31, 2004	
	Amount		Amount		Amount	
(Capital surplus )						
Beginning balance of retained earnings		30,471		24,852		30,471
Decrease in retained earnings						
1 Dividend	569		569		569	
2 Loss on sale of treasury stock	0		0		0	
3 Decrease in capital and capital reserve	5,049	5,619	8,945	9,515	5,049	5,619
Retained earnings		24,852		15,337		24,852
Ending balance of this mid-term fiscal period						
(Retained earnings)						
Beginning balance of retained earnings		12,049		16,727		12,049
Beginning balance of consolidated retained earnings						
Increase in retained earnings						
1 Mid-Term Net profit	919		543		-	
2 Decrease in capital and capital reserve	5,049		8,945		5,049	
3 Increase in retained earnings for increase of equity method affiliate	-	5,968	42	9,531	-	5,049
Decrease in retained earnings						
1 Dividend	-		-		569	
2 Net loss	-	-	-	-	9,158	9,728
Retained earnings						
Ending balance of this mid-term fiscal period		6,080		7,196		16,727

### 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, 2003 To September 30, 2003	From April 1, 2004 To September 30, 2004	From April 1, 2003 To March 31, 2004
	Amount	Amount	Amount
Cash flows from operating activities			
1 Net profit or loss ( ) before income taxes	1,548	1,476	6,900
2 Depreciation and amortization	908	1,048	2,081
3 Amortization of difference from consolidation	-	1	1
4 Increase in allowance for doubtful accounts ( reduction)	9	653	4,375
5 Increase in accrued bonuses and unpaid bonus ( reduction)	200	231	40
6 Increase in reserve for loss on goods unsold ( reduction)	237	425	86
7 Interest revenue and dividend income	107	108	209
8 Interests paid	131	138	276
9 Gain on sale of fixed assets	13	-	38
10 Loss on sale or disposal of fixed assets	45	80	177
11 Gain on sale of investment securities	-	67	-
12 Loss on sale of investment securities	-	-	158
13 Loss on revaluation of investment securities	-	62	192
14 Loss on revaluation of other financial products	1	2	1
15 Gain on assignment of business	-	66	-
16 Increase (decrease) in account receivable ( increase)	2,867	2,224	4,300
17 Increase (decrease) in inventories ( increase)	758	366	1,892
18 Increase (decrease) in game software products in-progress ( increase)	2,957	174	693
19 Increase (decrease) in accounts payable ( reduction)	397	484	567
20 Increase (decrease) in other current assets ( increase)	1,643	103	49
21 Increase (decrease) in other current liabilities ( reduction)	294	293	228
22 Other	212	77	316
Sub total	110	1,491	6,696
23 Interest and dividend received	109	109	139
24 Interest payment	132	139	275
25 Corporate and other tax payment	432	267	983
Cash flows from operating activities	565	1,194	5,577
Cash flows from investing activities			
1 Acquisition of property, plant and equipment	3,733	1,053	4,558
2 Proceeds from sale of property, plant and equipment	286	-	331
3 Acquisition of intangible fixed asset	48	3	97
4 Acquisition of investment securities	-	-	30
5 Proceeds from sales of investment securities	-	106	232
6 Proceeds from collection of loans	32	23	199
7 Return of guarantee	1,200	-	1,200
8 Gain on assignment of business	-	66	-
9 Expenditure for other investing activities	349	250	322
10 Proceeds from other investing activities	65	138	431
Cash flows from investing activities	4,947	972	5,011
Cash flows from financing activities			
1 Repayment of short-term borrowings	911	701	1,822
2 Proceeds from long-term borrowings	2,800	-	2,800
3 Repayment of long-term borrowings	60	350	227
4 Proceeds from sale of treasury stock	-	0	0
5 Acquisition of treasury stock	1	536	4
6 Dividend paid by parent company	569	568	1,141
Cash flows from financing activities	1,258	2,155	395
Effect of exchange rate changes on cash and cash equivalents	1,042	636	1,484
Decrease in cash and cash equivalents	5,296	1,298	1,313
Beginning balance of cash and cash equivalents	33,444	32,131	33,444
Cash and cash equivalents			
Ending balance of this mid-term fiscal period	28,148	30,832	32,131

**[Segment Information]**

**(A) Operating segments**

**Six-month Period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)**

(Unit: Millions of Yen)

	Home video games	Arcade operation	Arcade games	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	13,409	4,679	2,706	1,656	22,452	( - )	22,452
(2) Inter-segment Sale or transfer	-	-	44	-	44	(44)	-
Total	13,409	4,679	2,751	1,656	22,497	(44)	22,452
Operating expense	12,928	3,563	1,691	1,285	19,468	1,138	20,607
Operating profit or loss ( )	481	1,115	1,060	370	3,028	(1,183)	1,844

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
  - (1) Home vide games: This sales division develops and distributes home video game software.
  - (2) Arcade operations: This division operates amusement facilities.
  - (3) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
  - (4) Other businesses: Other businesses include licensing business and other content-related businesses.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 1,196 million yen. The major part of this expense is related to corporate G&A.
4. Since this Six-month Period ended September 30, 2003, Arcade operation and Arcade games are interchanged its order.

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

(Unit: Millions of Yen)

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

(Note)

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

**Previous fiscal year (from April 1, 2003 to March 31, 2004)**

(Unit: Millions of Yen)

	Home video games	Arcade operation	Arcade games	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	33,949	9,830	4,440	4,447	52,668	( - )	52,668
(2) Inter-segment Sale or transfer	—	—	70	—	70	(70)	—
Total	33,949	9,830	4,511	4,447	52,739	(70)	52,668
Operating expense	34,921	7,503	3,086	3,507	49,019	2,245	51,265
Operating profit or loss ( )	971	2,326	1,424	939	3,719	(2,316)	1,402

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
  - (1) Home vide games: This sales division develops and distributes home video game software.
  - (2) Arcade operations: This division operates amusement facilities.
  - (3) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
  - (4) Other businesses: Other businesses include licensing business.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the “Elimination and corporate” amounted to 2,341 million yen. The major part of this expense is related to corporate management.
4. Since this fiscal year ended March 31, 2004, Arcade operation and Arcade games are interchanged its order.

**(B) Geographic segments****Six-Month Period ended September 2003 (from April 1, 2003 to September 30, 2003)**

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	15,215	4,655	2,425	155	22,452	( - )	22,452
(2) Inter-segment sale or transfer	2,004	—	—	—	2,004	(2,004)	—
Total	17,219	4,655	2,425	155	24,456	(2,004)	22,452
Operating expense	13,986	4,963	2,283	163	21,397	(790)	20,607
Operating profit or loss ( )	3,232	308	142	8	3,058	(1,213)	1,844

(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
2. Among operating expenses, undistributed operating expenses to these business segments above is included in the "Elimination and corporate" amounting to 1,196 million yen. The major part of this expense is related to corporate management.

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

Unit: Millions of Yen

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

(Note)

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 1,156 million yen. The major part of this expense is related to corporate management.

**Previous fiscal year (from April 1, 2003 to March 31, 2004)**

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External Customers	39,150	7,861	5,098	558	52,668	( - )	52,668
(2) Inter-segment Sale or transfer	6,366	6	—	—	6,372	(6,372)	—
Total	45,516	7,867	5,098	558	59,041	(6,372)	52,668
Operating expense	37,503	12,495	4,768	544	55,310	(4,045)	51,265
Operating profit or loss ( )	8,013	4,627	330	14	3,730	(2,327)	1,402

(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 2,341 million yen. The major part of this expense is related to corporate management.