

Summary of Consolidated Financial Results for the 3rd Quarter of the Fiscal Year
Ending March 31, 2005(Unaudited)

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Company Code:	9697	Location of Headquarters:	Osaka Prefecture
(URL http://www.capcom.co.jp/)			
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1 . Preparation Basis for Consolidated Financial Results for the 3rd Quarter Ended December 31, 2004

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

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

Appropriation of reserves was also based on the simple method.

Other minor accounts were also computed by the simple method.

(2)Change in Accounting rules for the 3rd quarter reporting and the latest fiscal year closed: None

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

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

2 . Summary of the 3rd Quarter ended December 31, 2004 (April 1, 2004 - December 31, 2004)

(1)Consolidated Results of Operations

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3rd Quarter Ended December 31, 2004	42,499	8.6	3,854	23.8	3,200	14.1	1,433	2.7
3rd Quarter Ended December 31, 2003	39,130	3.9	3,113	27.7	2,805	9.2	1,472	-
Year Ended March 31, 2004	52,668		1,402		791		9,158	

	Earnings Per Share of Common Stock	Earnings Per share of Common Stock (Assuming Full Diluted)
	Yen	Yen
3rd Quarter Ended December 31, 2004	25.38	20.52
3rd Quarter Ended December 31, 2003	25.87	22.86
Year Ended March 31, 2004	160.91	-

Note: 1. Percentage represents change against corresponding period of the previous 3rd quarter on net sales, operating income, ordinary income and net income

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

The Japanese economy, in this third quarter ended December 31, 2004, showed a trend of strong yen and high crude oil prices, in addition to signs of export decline. However, the economy leveled-off due in part to healthy consumer spending, capital investments, and employment, as well as the improvement of income situations.

As for the video game industry, the Japanese domestic home video game market thrived for the first time in a long while supported by the brisk start of the “Nintendo DS” and “PlayStation Portable (PSP),” which were released December of last year, firing up the year-end sales battle.

Foreign markets also experienced a favorable growth with the series of newly-released large-scale software titles.

In addition, arcade game industry has been pumped up with the introduction of highly-elaborate game machines and the synergy effect of shopping malls. Additional momentum for this business segment was provided by the nationwide event to commemorate the 10th anniversary of the “Game Day” (November 23rd), in which the entire industry devoted their full-scale efforts.

Under these circumstances, Capcom Group carried out various management reforms and made strategic moves. Among these activities are: employing agile development strategies to adopt changes in market conditions; upgrading direct sales systems; enhancing marketing systems; promoting future-focused business plans; and re-structuring overseas business schemes.

The business performance for this third quarter resulted in the net sales of 42,499 million yen (up 8.6 % from the same term last year). As for the income, the operating income increased to 3,854 million yen (up 23.8 % from the same term last year) and the ordinary income increased to 3,200 million yen (up 14.1 % from the same term last year). However, the net profit for this third quarter decreased to 1,433 million yen (down 2.7 % from the same term last year).

[Status of Each Operational Department]

Home Video Game Sales

In the Japanese domestic market, "CAPCOM Fighting Jam" (for PlayStation2) showed strong sales supported by the synergy effect of arcade games, whereas the sales of "Viewtiful Joe 2" (for PlayStation2 and Nintendo GameCube) were not as strong. We introduced a new software title, "Vampire Chronicle," timed with the release of "PlayStation Portable (PSP)." "Megaman Battle Network 5" (for Game Boy Advance) also experienced a healthy growth.

In overseas markets, both "Megaman X8" (for PlayStation 2) and "Megaman Zero 3" (for Game Boy Advance) increased their sales steadily in general, and lower-priced software titles performed favorably as well.

The resulting net sales decreased to 25,219 million yen (down 1.8 % from the same term last year), and the operating income increased to 1,400 million yen (up 13.5 % from the same term last year).

Arcade Operations

While the market was on a recovery track we tried to increase sales both by holding a broad range of various events and installing diversified game machines which offer the high-level of excitement, that home vide games cannot achieve. We also focused on the operation of clean, bright, and comfortable game arcades that community residents love to visit in order to expand the customer base to family and female players, and to lock in repeat customers, based on our basic strategy of the "Chiiki Ichiban Ten" (No.1 Arcade in the Regional Community).

The resulting net sales increased to 8,199 million yen (up 14.6 % from the same term last year), and the operating income increased to 1,734 million yen (up 3.6 % from the same term last year), thanks partially to the positive effects from those new arcades which opened last year.

Arcade Game Sales

The medal game, "Super Mario Fushigino Korokoro Party," showed a steady sales growth and "Nihonzenkoku-katochan-no-kurukuru-ressya-de-Pe!" also performed favorably. "Super Mario Fushigino Korokoro Party" is fully-loaded with mini-games that exploit the quality of popular characters, whereas "Nihonzenkoku-katochan-no-kurukuru-ressya-de-Pe!" is one of those games that family members can enjoy together, regardless of their age.

"CAPCOM Fighting Jam," a fighting game for video game machines, achieved steady sales as well, thanks to the synergy effect of home video games.

The resulting net sales increased to 5,140 million yen (up 29.0 % from the same term last year), and the operating income increased to 1,624 million yen (up 10.8 % from the same term last year).

Other Businesses

The net sales from other businesses, mainly the sales of the liquid crystal display device designed for Pachislo machines, increased to 3,968 million yen (up 67.4 % from the same term last year), and the operating income increased to 803 million yen (up 58.3 % from the same term last year).

(2)Consolidated Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
3rd Quarter Ended December 31, 2004	102,486	30,024	29.3	546.19
3rd Quarter Ended December 31, 2003	104,908	42,122	40.1	740.05
As of March 31, 2004	93,096	31,854	34.2	559.66

(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
3rd Quarter Ended December 31, 2004	1,460	952	6,796	39,281
3rd Quarter Ended December 31, 2003	-	-	-	-
As of March 31, 2004	5,577	5,011	395	32,131

Note: No quarterly reporting about consolidated cash flow was made in the previous fiscal year ended March 31, 2004.

[Overview of the Consolidated Financial Position]

Total assets as of the end of the nine-month period are 102,486 million yen, increased by 9,389 million yen from the previous fiscal year. Shareholders' equity is 30,024 million yen, decreased by 1,830 million yen from the previous fiscal year. This is mainly attributable to issue of the Euro Yen Zero Coupon Convertible Bonds amounted 11.5 billion yen, acquisition of treasury stock by 1,944,400 shares and disbursement of dividend payment. Therefore, shareholders' equity ratio resulted in 29.3%. Cash flow positions for each activity are as stated below.

(1) Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 1,460 million yen in comparison with the same period of the previous year. This is attributable to the following; 3,163 million yen of net income before tax adjustment, 1,551 million yen of depreciation and increase of account receivable by 3,294 million.

(2) Cash Flows From Investing Activities

Net cash decrease from investing activities amounted to 952 million yen in comparison with the same period of the previous year. This is mainly attributable to the acquisition of tangible fixed assets.

(3) Cash Flows From Financing Activities

Net cash increase from financing activities amounted to 6,796 million yen. The increase is due to new issue of bond in a sum of 11,449 billion yen, whereas the decrease is acquisition of treasury stock and disbursement of dividend payment.

As a result, cash and cash equivalents as of the nine-month period increased by 7,150 million yen from the previous fiscal year to 39,281 million yen.

3 . Prospects of Consolidated Business Results for the Current Fiscal Year (April 1, 2004 – March 31, 2005).

At this point, the prospects of the consolidated business results for the current fiscal year ending March 31, 2005 remain the same as what were announced on November 19, 2004.

(Qualitative and other information regarding the business result prospects)

It is projected that the entire video game industry may be given a boost from the new portable games, which were released last year. It is anticipated that these new games will act as a growth engine, creating demands and expanding a borderless user base. Additionally, the next generation stationary game console is expected to make a debut in the near future, making it imperative for us to establish a software development structure which is capable of handling high-performance and multifunctional video games.

Under these situations, Capcom Group is determined to further cultivate the existing market while exploiting new markets through: strengthening our development team, pursuing new genres, and implementing precise marketing strategies to bring products into the market that satisfy specific consumer needs.

As we advance strategic international business operations, we are making conscious efforts to foster overseas human resources by projecting future manpower needs.

In the consideration of the Personal Information Protection Law, which becomes effective in April 2005, we are promoting necessary measures in order to ensure the full compliance with the law.

In the fourth quarter of the current fiscal year, we are undertaking an offensive with “Resident Evil 4,” which made a successful start in the US, our flagship title “Devil May Cry 3,” and “Onimusha 3,” a much-anticipated liquid crystal display device for Pachislo machines.

The above mentioned business results forecasts were prepared based on information that was available as of the announcement day of these materials. Please note that various future factors may cause the actual results to be materially different from the forecasts.

Summary of Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Balance Sheet of Previous Fiscal Year (As of March 31, 2004)		This 3rd Quarter (As of December 31, 2004)		Difference	Previous 3rd Quarter (As of December 31, 2003)	
	Amount	%	Amount	%	Amount	Amount	%
(Assets)							
Current assets							
1 Cash and cash equivalents	29,809		37,969		8,160	24,018	
2 Notes and accounts receivable	8,922		12,314		3,391	13,421	
3 Negotiable Securities	2,321		1,311		1,010	3,818	
4 Inventories	4,338		3,685		652	5,973	
5 Game software products in-progress	9,640		10,981		1,341	12,319	
6 Deferred income taxes	4,989		4,192		797	3,482	
7 Short-term loans receivable	1,555		1,569		14	4,282	
8 Other	2,544		2,797		252	3,727	
9 Allowance for doubtful accounts	1,164		1,644		479	534	
Convertible bond with stock acquisition rights							
Total current assets	62,957	67.6	73,177	71.4	10,220	70,510	67.2
Fixed assets							
(1) Tansible fixed assets							
6 Buildings and structures	6,959		6,775		183	7,122	
2 Machinery and vehicle	112		63		48	111	
3 Tool, fixture and furniture	642		589		52	677	
4 Rental equipment	135		115		19	147	
5 Equipments for amusement facilities	2,245		2,005		240	2,168	
6 Land	4,471		4,470		1	4,472	
7 Construction-in-progress	11		20		8	32	
Total tansible fixed assets	14,577	15.7	14,039	13.7	537	14,732	14.0
(2) Intansible fixed assets							
1 Other	934		703		231	992	
Total intansible fixed assets	934	1.0	703	0.7	231	992	1.0
(3) Investments and other assets							
1 Investments in securities	2,195		2,026		169	2,311	
2 Long-term loans receivable	3,638		3,594		44	914	
3 Deferred income taxes	7,960		7,909		50	10,613	
4 Claim in bankruptcy and reorganization	108		113		4	108	
5 Other	4,821		4,815		6	5,187	
6 Allowance for doubtful accounts	4,097		3,893		204	462	
Total investments and other assets	14,627	15.7	14,565	14.2	61	18,672	17.8
Total fixed assets	30,138	32.4	29,308	28.6	830	34,398	32.8
Total assets	93,096	100.0	102,486	100.0	9,389	104,908	100.0

(Unit: Millions of Yen)

Account Title	Balance Sheet of Previous Fiscal Year (As of March 31, 2004)		This 3rd Quarter (As of December 31, 2004)		Difference Amount	Previous 3rd Quarter (As of December 31, 2003)	
	Amount	%	Amount	%		Amount	%
	(Liabilities)						
Current liabilities							
1 Notes and accounts payable	4,497		5,108		610	4,452	
2 Short-term borrowings	6,295		5,243		1,051	6,646	
3 Convertible bonds repayable within 1 year	-		12,262		12,262	-	
4 Accrued income taxes	152		185		32	74	
5 Accrued bonus	1,114		390		724	283	
6 Reserve for return goods	699		285		414	390	
7 Other	4,369		6,236		1,866	6,368	
Total current liabilities	17,129	18.4	29,711	29.0	12,581	18,215	17.4
Long-term liabilities							
1 Convertible bonds payable	37,262		25,000		12,262	37,262	
2 Convertible bonds issued after April 1st, 2002	-		11,500		11,500	-	
3 Long-term debt	5,530		5,075		455	5,775	
4 Deferred tax liability	-		-		-	161	
5 Accrued retirement benefits for employees	847		714		132	837	
6 Other	472		460		11	534	
Total fixed liabilities	44,111	47.4	42,750	41.7	1,361	44,570	42.5
Total liabilities	61,241	65.8	72,462	70.7	11,220	62,785	59.9
(Shareholders' Equity)							
Common stock	27,581	29.6	27,581	26.9	-	27,581	26.3
Capital surplus	24,852	26.7	15,337	15.0	9,515	24,852	23.7
Retained earnings	16,727	18.0	6,870	6.7	9,856	6,096	5.8
Unrealized profit and loss on revaluation of securities	589	0.6	508	0.5	80	236	0.2
Cumulative translation adjustments	1,340	1.4	1,421	1.4	80	1,351	1.3
Treasury stock	3,099	3.3	5,111	5.0	2,011	3,099	3.0
Total shareholders' equity	31,854	34.2	30,024	29.3	1,830	42,122	40.1
Total Liabilities, minority Interest and shareholders' equity	93,096	100.0	102,486	100.0	9,389	104,908	100.0

Summary of Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous 3rd Quarter			This 3rd Quarter			Difference	Previous Fiscal Year		
	From April 1, 2003 To December 31, 2003			From April 1, 2004 To December 31, 2004				From April 1, 2003 To March 31, 2004		
	Amount	%		Amount	%			Amount	%	
Net sales	39,130	100.0		42,499	100.0		3,368		52,668	100.0
Cost of sales	26,235	67.0		28,506	67.1		2,271		37,276	70.8
Gross profit	12,895	33.0		13,992	32.9		1,097		15,392	29.2
Reserve for return goods	-	-		-	-		-		86	0.1
Reserve adjustment for return goods	222	0.5		414	1.0		191		-	-
Net gross profit balance	13,118	33.5		14,407	33.9		1,288		15,305	29.1
Selling, general and administrative expenses	10,004	25.5		10,552	24.8		547		13,902	26.4
Operating income	3,113	8.0		3,854	9.1		740		1,402	2.7
Other income										
1 Interest income	132			143					207	
2 Dividend income	2			13					2	
3 Exchange gain	-			142					-	
4 6 Other	78	213	0.5	89	388	0.9	175		120	330
Other expense										
1 Interest expense	178			204					276	
2 Exchange loss	291			-					381	
3 Transfer of allowance for doubtful accounts	-			665					97	
4 Other	51	521	1.3	172	1,043	2.5	521		187	942
Ordinary income		2,805	7.2		3,200	7.5		394		791
Extraordinary gain										
1 Gain on sale of fixed asset	33			-					38	
2 Gain on sale of investment in securities	91			67					-	
3 Gain on assignment of business	-			66					-	
4 Gain on transfer of allowance for doubtful accounts	10	135	0.3	-	134	0.3	1		-	38
Extraordinary loss										
1 Loss on sale of fixed asset	96			108					177	
2 Loss on revaluation of investment in securities	-			62					192	
3 Loss on sale of investment in securities	173			-					158	
4 Loss on sale or disposal of inventories	-			-					3,057	
5 Loss on transfer of allowance for doubtful	-	269	0.7	-	171	0.4	98		4,144	7,730
Net profit or loss () before taxes		2,671	6.8		3,163	7.4	491		6,900	13.1
Corporate tax, local tax, and enterprise tax		1,214	3.1		1,729	4.0	515		2,273	4.3
Minority interest loss		15	0.0		-	-	15		15	0.0
Net profit or loss ()		1,472	3.7		1,433	3.4	39		9,158	17.4

Summary of Statements of Cash Flows

(Unit: Millions of Yen)

Account Title	This 3rd Quarter Fiscal Year	Previous Fiscal Year
	From April 1, 2004 To December 31, 2004	From April 1, 2003 To March 31, 2004
	Amount	Amount
Cash flows from operating activities		
1 Net profit or loss () before income taxes	3,163	6,900
2 Depreciation and amortization	1,551	2,081
3 Increase in allowance for doubtful accounts (reduction)	695	4,375
4 Interest revenue and dividend income	157	209
5 Interests paid	204	276
6 Gain on sale of fixed assets	67	-
7 Increase (decrease) in account receivable (increase)	3,294	4,300
8 Increase (decrease) in inventories (increase)	473	1,892
9 Increase (decrease) in game software products in-progress (increase)	1,108	693
10 Increase (decrease) in accounts payable (reduction)	554	567
11 Other	279	756
Sub total	1,734	6,696
12 Interest and dividend received	157	139
13 Interest payment	162	275
14 Corporate and other tax payment	269	983
Cash flows from operating activities	1,460	5,577
Cash flows from investing activities		
1 Acquisition of property, plant and equipment	1,136	4,558
2 Proceeds from sale of investments in securities	106	232
3 Other	76	685
Cash flows from investing activities	952	5,011
Cash flows from financing activities		
1 Repayment of short-term borrowings	1,051	1,822
2 Proceeds from long-term borrowings	-	2,800
3 Repayment of long-term borrowings	455	227
4 Proceeds from issue of new convertible bond	11,449	-
5 Proceeds from sale of treasury stock	0	0
6 Acquisition of treasury stock	2,011	4
7 Dividend paid by parent company	1,134	1,141
Cash flows from financing activities	6,796	395
Effect of exchange rate changes on cash and cash equivalents	154	1,484
Increase (decrease) in cash and cash equivalents (reduction)	7,150	1,313
Beginning balance of cash and cash equivalents	32,131	33,444
Ending balance of Cash and cash equivalents	39,281	32,131

4 . Segment Information

[Operating segments]

Nine-month Period ended December 31, 2003 (from April 1, 2003 to December 31, 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	25,678	7,156	3,925	2,370	39,130	(-)	39,130
(2) Inter-segment sale or transfer	-	-	59	-	59	(59)	-
Total	25,678	7,156	3,984	2,370	39,190	(59)	39,130
operating expense	24,444	5,481	2,518	1,862	34,307	1,709	36,017
operating profit or loss ()	1,234	1,674	1,466	507	4,882	(1,768)	3,113

(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 1,787 million yen. The major part of this expense is related to corporate G&A.

Nine-month Period ended December 31, 2004 (from April 1, 2004 to December 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	25,219	8,199	5,112	3,968	42,499	(-)	42,499
(2) Inter-segment sale or transfer	-	-	28	-	28	(28)	-
Total	25,219	8,199	5,140	3,968	42,528	(28)	42,499
operating expense	23,818	6,464	3,516	3,165	36,965	1,679	38,644
operating profit or loss ()	1,400	1,734	1,624	803	5,562	(1,707)	3,854

(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 1,707 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 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 2,341 million yen. The major part of this expense is related to corporate management.