

Summary of Consolidated Financial Results for the 1st Quarter of the Fiscal Year  
Ending March 31, 2006(Unaudited)

Date of Issue: August 11, 2005

Company Name:	CAPCOM Co., Ltd.	Stock Exchange:	Tokyo, Osaka
Company Code:	9697	Location of Headquarters:	Osaka Prefecture
(URL <a href="http://www.capcom.co.jp/">http://www.capcom.co.jp/</a> )			
Representative:	Kenzo Tsujimoto, C.E.O. & President		
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1. Preparation Basis for Consolidated Financial Results for the 1st Quarter Ending June 30, 2005

(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 1st quarter reporting and the latest fiscal year closed: Yes

From this fiscal year, Accounting rules for the impairment of assets are applied to Consolidated Financial Results reporting and the rules are based on recommendation pertaining Accounting rules for the impairment of Assets dated August 9, 2002 by Business Accounting Council and Application rules for Accounting in compliance with Application rule No.6 by Business Accounting Council dated Oct 31, 2003.

(3) Changes in scope of consolidation and application of equity method: None

2. Summary of the 1st Quarter ended June 30, 2005 (April 1, 2005 - June 30, 2005)

(1) Consolidated Results of Operations

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
1st Quarter Ended June 30, 2005	11,431	4.1	891	24.1	1,073	16.3
1st Quarter Ended June 30, 2004	11,921	77.9	718	-	922	-
Year Ended March 31, 2005	65,895		7,752		7,399	

	Net Income		Earnings Per Share of Common Stock	Earnings Per share of Common Stock (Assuming Full Diluted)
	Million Yen	%	Yen	Yen
1st Quarter Ended June 30, 2005	608	19.5	11.07	8.26
1st Quarter Ended June 30, 2004	509	-	8.96	7.73
Year Ended March 31, 2005	3,622		63.37	50.28

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

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

The Japanese economy during this first quarter (ending June 30, 2005) started to show a sign of recovery in spite of high crude oil prices and a slow down in exports. The supporting factors to the economy were growing consumer spending, better employment situations, increased capital investments, and improved inventory adjustments.

As for the video game industry, the home video game market is waiting for the release of the next generation stationary game console and is also showing a sign of transition period. Under these circumstances, hardware sales grew steadily due partially to the enhanced popularization of new portable game consoles while software sales continued on a weak track lacking the leading software to stimulate the market.

Arcade operations and arcade game sales, although not stable, generally underwent a favorable growth.

As the existing market share alignment was being redrawn, the movements towards industry reorganization, including mergers and equity participations, have further accelerated among companies in order to survive in the industry.

Responding to these situations, the Capcom corporate group worked on strengthening the management system through organizational reforms, enhancing marketing strategies, implementing elaborate sales promotions, and organizing various types of events. The other area on which Capcom placed an extra emphasis was to reinforce the content-related business including the distribution of games to cellular phones and the provision of LCD devices for PACHISLO machines.

In addition, we advanced the re-structuring of the overseas business development, one of our most critical business strategies, as an attempt to strengthen the earning power of the entire Capcom group.

In June 2005, Kanagawa Prefecture in Japan designated our home video game software “Grand Theft Auto III” (for PlayStation2) as “harmful literature” and prohibited the software to be sold to people under age 18. The effect of this administrative ruling is quite minimal at this point; however, it is regrettable that our product became the subject of such restriction by a municipal body.

Since this incident is a concern to the corporate foundation of Capcom as software development is our core business, we will correspond by a calm and decisive posture including legal measures considering various circumstances.

The resulting consolidated business performance for this first quarter was the net sales of 11,431 million yen (down 4.1 % from the same term last year), the operating income of 891 million yen (up 24.1 % from the same term last year), the ordinary income of 1,073 million yen (up 16.3 % from the same term last year), and the net profit of 608 million yen (up 19.5 % from the same term last year).

#### [Status of Each Operational Department]

Each operational department was reported with 4 segments by the previous fiscal year. i.e. Home Video Game Sales, Arcade Operations, Arcade Game Sales and Other Businesses.

From this fiscal year, Contents Expansion Business, which consisted of Other Businesses in the previous fiscal year, was distinguished from Other Businesses due to sales increase as well as increasing business importance.

Contents Expansion Business includes R&D, distribution of mobile contents and R&D, manufacturing as well as distribution of LCD display.

#### Home Video Game Sales

As for this business segment, “Megaman Zero 4” (for Game Boy Advance) and “KENKA BANCHO” (for PlayStation2) experienced a healthy growth before the full-scale summer sales competition began. In overseas market, “Resident Evil Outbreak File 2” (for PlayStation2) grew favorably along with other lower-priced titles. However, the overall sales performance was sluggish due to the product line-up for the current quarter which consists of many small-scale titles and no leading product.

The resulting net sales decreased to 5,212 million yen (down 34.4 % from the same term last year), and the operating income decreased to 45 million yen (down 92.7 % from the same term last year).

#### Arcade Operations

We have been attracting old and new customers through our strategic approach of providing a “comfortable arcade”. Such efforts include holding a variety of events, renovating arcades, and selecting the right location to open a new facility based on the customers’ preference.

We opened “Plaza Capcom Nogata”, which resembles New York City in the shopping mall in Fukuoka Prefecture while closing down one arcade. The current number of “Plaza Capcom” totals 30 after these activities.

The resulting net sales decreased to 2,526 million yen (down 0.2 % from the same term last year), and the operating income decreased to 384 million yen (down 30.9 % from the same term last year).

#### Arcade Game Sales

In this business segment, we did not release any new product during this quarter; however, the existing products, namely “Super Mario Fushigino Korokoro Party” and “Alien,” continued to grow and contributed to the sales expansion.

The resulting net sales increased to 1,376 million yen (up 115.8 % from the same term last year), and the operating income increased to 105 million yen (the loss of 65 million was recorded for the same term last year).

#### Contents Expansion Business

As for this business segment, “Onimusha 3”, an LCD device designed for PACHISLO machines, continued the favorable performance of the previous term with increased sales serving as a sales growth engine.

The resulting net sales increased to 1,843 million yen (up 830.4 % from the same term last year), and the operating income increased to 769 million yen (up 736.3 % from the same term last year).

#### Other Businesses

The net sales from other businesses, mainly licensing royalties, were 483 million yen (down 22.2% from the same term last year), and the operating income was 201 million yen (up 46.1% from the same term last year).

## (2) Consolidated Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
1st Quarter Ended June 30, 2005	102,842	32,872	32.0	598.03
1st Quarter Ended June 30, 2004	91,277	31,466	34.5	557.19
As of March 31, 2005	106,361	32,491	30.5	589.99

## (3) Consolidated 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
1st Quarter Ended June 30, 2005	1,352	452	1,006	45,755
1st Quarter Ended June 30, 2004	908	205	1,560	31,534
As of March 31, 2005	7,977	1,099	6,251	45,538

### [Overview of the Consolidated Financial Position]

Total assets as of the end of this three-month period were decreased by 3,519 million yen from the previous fiscal year to 102,842 million yen.

Shareholders' equity was increased by 381 million yen to 32,872 million yen due to reimbursement of dividends and loan as well as net profit generated by 1st quarter. As a result, shareholders' equity ratio was up to 32.0%.

Cash flow positions for each activity are as stated below.

#### Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 1,352 million yen due to decrease of account receivables.

#### Cash Flows From Investing Activities

Net cash expense from investing activities amounted to 452 million yen. This decrease is attributable to the expense for the acquisition of property, plant and equipment for amusement facilities.

#### Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 1,006 million yen. This is attributable to reimbursement of dividends.

As a result, cash and cash equivalent as of the end of this three-month period were increased by 217 million yen from 45,755 million yen.

### 3. Forecast for the fiscal year ending March 31, 2006 (From April 1, 2005 to March 31, 2006)

Forecast for the fiscal year ending March 31, 2006 was not changed from the projection we announced in financial results ended March 31, 2005 as of May 23, 2005 due to anticipated operations as projected.

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.

Summary of Consolidated Balance Sheets (Unaudited)

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This 1st Quarter		Difference	Previous 1st Quarter	
	(As of March 31, 2005)		(As of June 30, 2006)			(As of June 30, 2004)	
	Amount	%	Amount	%		Amount	%
(Assets)							
Current assets							
1 Cash and cash equivalents	43,538		44,756		1,217	31,534	
2 Notes and accounts receivable	14,417		8,777		5,639	6,510	
3 Negotiable Securities	1,999		999		999		
4 Inventories	3,912		3,816		96	4,145	
5 Game software products in-progress	9,399		10,252		852	10,602	
6 Deferred income taxes	4,004		4,081		77	5,048	
7 Short-term loans receivable	1,285		1,282		2	1,556	
8 Other	1,455		2,442		987	2,713	
9 Allowance for doubtful accounts	1,128		1,137		8	762	
Total current assets	78,884	74.2	75,273	73.2	3,611	61,348	67.2
Fixed assets							
(1) Tangible fixed assets							
1 Buildings and structures	6,677		6,594		83	6,886	
2 Machinery and vehicle	84		86		2	104	
3 Tool, fixture and furniture	588		581		7	610	
4 Rental equipment	107		103		4	128	
5 Equipments for amusement facilities	1,878		2,138		260	2,213	
6 Land	4,472		4,474		2	4,473	
7 Construction-in-progress	72				72	135	
Total tangible fixed assets	13,881	13.0	13,978	13.6	97	14,552	16.0
(2) Intangible fixed assets							
1 Other	636		599		36	852	
Total intangible fixed assets	636	0.6	599	0.6	36	852	0.9
(3) Investments and other assets							
1 Investments in securities	1,562		1,699		136	2,084	
2 Long-term loans receivable	865		857		8	3,629	
3 Deferred income taxes	6,029		5,991		38	7,960	
4 Claim in bankruptcy and reorganization	108		108			118	
5 Other	4,804		4,746		58	4,838	
6 Allowance for doubtful accounts	410		411		0	4,108	
Total investments and other assets	12,959	12.2	12,990	12.6	30	14,523	15.9
Total fixed assets	27,476	25.8	27,569	26.8	92	29,928	32.8
Total assets	106,361	100.0	102,842	100.0	3,519	91,277	100.0

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This 1st Quarter		Difference	Previous 1st Quarter	
	(As of March 31, 2005)		(As of June 30, 2005)			(As of June 30, 2004)	
	Amount	%	Amount	%		Amount	%
(Liabilities)							
Current liabilities							
1 Notes and accounts payable	8,472		5,788		2,684	3,908	
2 Short-term borrowings	4,893		4,542		350	5,944	
3 Convertible bonds repayable within 1 year	12,262		12,262				
4 Accrued income taxes	559		179		379	160	
5 Accrued bonus	1,137		433		703	393	
6 Reserve for return goods	210		170		40	354	
7 Other	3,809		4,149		340	5,020	
Total current liabilities	31,344	29.5	27,526	26.7	3,817	15,781	17.3
Long-term liabilities							
1 Convertible bonds payable	25,000		25,000		-	37,262	
2 Convertible bonds issued after April 1st,2002	11,500		11,500				
3 Long-term debt	4,830		4,725		105	5,425	
4 Accrued retirement benefits for employees	740		756		15	870	
5 Other	454		461		6	472	
Total fixed liabilities	42,525	40.0	42,442	41.3	82	44,029	48.2
Total liabilities	73,869	69.5	69,969	68.0	3,900	59,811	65.5
(Shareholders' Equity)							
Common stock	27,581	25.9	27,581	26.8	-	27,581	30.2
Capital surplus	15,336	14.4	15,336	14.9	0	15,337	16.8
Retained earnings	4,681	4.4	4,683	4.5	1	7,233	7.9
Unrealized profit and loss on revaluation of securities	470	0.4	564	0.5	93	482	0.5
Cumulative translation adjustments	1,103	1.0	813	0.8	289	1,066	1.1
Treasury stock	5,111	4.8	5,112	4.9	0	3,634	4.0
Total shareholders' equity	32,491	30.5	32,872	32.0	381	31,466	34.5
Total liabilities, minority interest and shareholders' equity	106,361	100.0	102,842	100.0	3,519	91,277	100.0

## Summary of Consolidated Statements of Income (Unaudited)

(Unit: Millions of Yen)

Account Title	Previous 1st Quarter		This 1st Quarter		Difference	Previous Fiscal Year	
	From April 1, 2004 To June 30, 2004		From April 1, 2005 To June 30, 2005			From April 1, 2004 To March 31, 2005	
	Amount	%	Amount	%		Amount	%
Net sales	11,921	100.0	11,431	100.0	489	65,895	100.0
Cost of sales	8,016	67.3	7,688	67.3	328	43,640	66.2
Gross profit	3,904	32.7	3,743	32.7	161	22,255	33.8
Reserve adjustment for return goods	345	2.9	40	0.4	305	489	0.7
Net gross profit balance	4,250	35.6	3,783	33.1	466	22,744	34.5
Selling, general and administrative expenses	3,531	29.6	2,891	25.3	639	14,991	22.8
Operating income	718	6.0	891	7.8	173	7,752	11.7
Other income							
1 Interest income	32		109			216	
2 Dividend income	10		13			13	
3 Exchange gain	218		102			340	
4 Other	53	315	21	247	2.2	67	149
Other expense							
1 Interest expense	68		62			265	
2 Loss on transfer of allowance for doubtful accounts	-		-			625	
3 Other	42	111	3	65	0.6	45	181
Ordinary income	922	7.7	1,073	9.4	150	7,399	11.2
Extraordinary gain							
1 Gain on sale of fixed asset	-		-			66	
2 Gain on sale of investment in securities	67	67	-	-	-	-	66
Extraordinary loss							
1 Loss on sale of fixed asset	27		10			121	
2 Loss on revaluation of investment in securities	-		-			314	
3 Loss on sale of investment securities	-	27	-	10	0.1	16	22
Net profit or loss ( ) before taxes	963	8.1	1,062	9.3	99	7,006	10.6
Corporate tax, local tax, and enterprise tax	454	3.8	454	4.0	0	3,383	5.1
Minority interest profit or loss ( )							
Net profit or loss ( )	509	4.3	608	5.3	99	3,622	5.5

## Summary of Consolidated Statements of Cash Flows (Unaudited)

(Unit: Millions of Yen)

Account Title	Previous 1st Quarter	This 1st Quarter	Difference	Previous Fiscal Year
	From April 1, 2004 To June 30, 2004 Amount	From April 1, 2005 To June 30, 2005 Amount		From April 1, 2004 To March 31, 2005 Amount
Cash flows from operating activities				
1 Net profit or loss ( ) before income taxes	963	1,062	99	7,006
2 Depreciation and amortization	478	442	36	2,101
3 Increase (decrease) in allowance for doubtful accounts ( decrease)	397	6	404	544
4 Interest revenue and dividend income	42	122	80	229
5 Interests paid	68	62	6	265
6 Gain on sale of investment securities	67		67	-
7 Increase (decrease) in account receivable ( increase)	2,429	5,556	3,127	5,400
8 Decrease in inventories	225	103	121	454
9 Increase (decrease) in game software products in-progress ( increase)	961	852	108	240
10 Increase (decrease) in account payable ( decrease)	614	2,671	2,056	3,929
11 Other	944	1,757	813	623
Sub total	1,137	1,829	692	8,289
12 Interest and dividend received	47	127	80	238
13 Interest payment	30	26	4	265
14 Corporate and other tax payment	245	578	332	285
Cash flows from operating activities	908	1,352	444	7,977
Cash flows from investing activities				
1 Acquisition of property, plant and equipment	322	431	108	1,320
2 Proceeds from sales of investment securities	107		107	218
3 Other	9	21	31	2
Cash flows from investing activities	205	452	247	1,099
Cash flows from financing activities				
1 Repayment of short-term borrowings	350	350	-	1,402
2 Repayment of long-term borrowings	105	105	-	700
3 Proceeds from convertible bonds issued after April 1st,2002	-	-	-	11,500
4 Proceeds from sale of treasury stock	0	0	0	0
5 Acquisition of treasury stock	535	0	534	2,013
6 Dividend paid by parent company	569	550	19	1,133
Cash flows from financing activities	1,560	1,006	553	6,251
Effect of exchange rate changes on cash and cash equivalents	260	324	63	277
Decrease in cash and cash equivalents	597	217	814	13,406
Beginning balance of cash and cash equivalents	32,131	45,538	13,406	32,131
Ending balance of cash and cash equivalents	31,534	45,755	14,221	45,538

#### 4. Segment Information

##### [Operating segments]

Three-month Period ended June 30, 2005 (from April 1, 2005 to June 30, 2005)

(Unit:Millions of Yen)

	Home Video games	Arcade Operations	Arcade Games	Contents Expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales	5,212	2,526	1,366	1,843	483	11,431	( )	11,431
(1) External customers								
(2) Inter-segment Sale or transfer			10			10	(10)	
Total	5,212	2,526	1,376	1,843	483	11,441	(10)	11,431
Operating expense	5,166	2,141	1,270	1,074	282	9,935	604	10,540
Operating profit or loss ( )	45	384	105	769	201	1,506	(614)	891

(Note)

- Business segments above are split based upon for internal management disposition.
- Principal products and operations of each business segment
  - Home video games: This sales division develops and distributes home video game software.
  - Arcade operations: This division operates amusement facilities.
  - Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
  - Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
  - Other businesses: Other businesses include licensing business and other businesses.
- Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 616 million yen. The major part of this expense is related to corporate G&A.
- From this fiscal year, Contents Expansion Business, which consisted of Other Businesses in the previous fiscal year, was distinguished from Other Businesses due to sales increase as well as increasing business importance.

Three-month Period ended June 30, 2004 (from April 1, 2004 to June 30, 2004)

(Unit:Millions of Yen)

	Home Video games	Arcade Operations	Arcade Games	Contents Expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales	7,940	2,532	628	198	621	11,921	( )	11,921
(1) External customers								
(2) Inter-segment Sale or transfer			9			9	(9)	
Total	7,940	2,532	637	198	621	11,930	(9)	11,921
Operating expense	7,326	1,975	702	106	483	10,594	608	11,202
Operating profit or loss ( )	614	556	65	92	137	1,336	(617)	718

(Note) Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 627 million yen. The major part of this expense is related to corporate G&A.



Year ended March 2004 (from April 1, 2003 to March 31, 2004)

(Unit:Millions of Yen)

	Home Video games	Arcade Operations	Arcade Games	Contents Expansion	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales	39,985	10,934	7,411	4,207	3,356	65,895	( )	65,895
(1) External customers								
(2) Inter-segment Sale or transfer			38			38	(38)	
Total	39,985	10,934	7,450	4,207	3,356	65,933	(38)	65,895
Operating expense	36,077	8,638	5,505	2,464	3,121	55,807	2,336	58,143
Operating profit or loss ( )	3,907	2,296	1,944	1,742	235	10,126	(2,374)	7,752

(Note) Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 2,401 million yen. The major part of this expense is related to corporate G&A.