

Consolidated Financial Results of the Year ended March 31, 2007 (Unaudited)

Company Name : CAPCOM Co., Ltd.

Code Number : 9697

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

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

Contact Person : Kazuhiko Abe, Director and Managing Corporate Officer

Ordinary General Meeting of Shareholders: June 21, 2007

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Stock Listing : Tokyo, Osaka

Location of Headquarters : Osaka Prefecture

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Dividend Payment Date: June 22, 2007

1. Results of the Year ended March 31, 2007 (April 1, 2006 - March 31, 2007)

(1) Financial Results

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Year Ended March 31, 2007	74,542	6.1	9,602	45.9	10,600	51.1	5,852	(15.7)
Year Ended March 31, 2006	70,253	6.6	6,580	(15.1)	7,016	(5.2)	6,941	91.6

Note: Percentage represents change against corresponding period of the previous year.

	Earnings Per Share of Common Stock	Earnings Per share of Common Stock (Assuming Full Diluted)	Return (net income) on equity	Return (ordinary income) on total assets	Return (operating income) on sales
	yen	yen	%	%	%
Year Ended March 31, 2007	107.52	84.81	13.8	11.2	12.9
Year Ended March 31, 2006	125.19	93.49	19.3	6.9	9.4

Reference: Investment Profit / Loss on Equity Method

Year Ended March 31, 2007: - million yen

Year Ended March 31, 2006: (32) million yen

(2) Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	yen
Year Ended March 31, 2007	91,478	45,144	49.3	799.35
Year Ended March 31, 2006	98,457	39,464	40.1	716.91

Reference: Shareholders' Equity

Year Ended March 31, 2007: 45,127 million yen

Year Ended March 31, 2006: - million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Ending Balance of Cash and Cash Equivalents
	Million Yen	Million Yen	Million Yen	Million Yen
Year Ended March 31, 2007	16,063	(6,715)	(15,206)	35,020
Year Ended March 31, 2006	13,921	(1,779)	(18,259)	40,652

2. Dividends

	Dividend per Share			Total dividend payment (Annual)	Dividends payout ratio (Consolidated)	Dividends on equity (Consolidated)
	Interim	Year-end	Annual			
	yen	yen	yen	Million Yen	%	%
Year Ended March 31, 2006	10.00	10.00	20.00	1,099	16.0	3.1
Year Ended March 31, 2007	15.00	15.00	30.00	1,633	27.9	4.0
Year Ended March 31, 2008 (Forecast)	15.00	15.00	30.00		27.3	

3. Forecast for the Fiscal Year ending March 31, 2008 (April 1, 2007 - March 31, 2008)

	Net Sales		Operating Income		Ordinary income		Net Income		Earnings Per Share of Common Stock
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	yen
Mid-Term Fiscal Period	29,300	0.4	1,500	(50.7)	1,800	(52.5)	750	(60.9)	13.28
Fiscal year	78,000	4.6	10,000	4.1	11,000	3.8	6,200	5.9	109.82

Note: Percentage represents change against corresponding period of the previous year.

4. Others

(1) Changes in Major Subsidiaries during the Fiscal Year (changes in consolidated subsidiaries and affiliated companies with equity-method): No

(2) Changes in Accounting Principles, Procedures and Presentation for Consolidated Financial Statements (those items listed under the “Major Changes in the Fundamental Items of Consolidated Financial Statements”)

① Changes resulting from the revision of the accounting principles: Yes

② Changes other than ① : No

(3) Number of shares outstanding (Common stock):

① Number of shares outstanding at end of year (including treasury stock)

Year ended March 31, 2007: 62,269,007

Year ended March 31, 2006: 58,435,819

② Number of treasury stock at end of year

Year ended March 31, 2007: 5,813,727

Year ended March 31, 2006: 3,471,091

Operating Results

1. Operating Results

(1) Overview of the fiscal year ended March 31, 2007

The Japanese economy in this consolidated fiscal year which ended March 31, 2007, sustained a recovery trend despite of higher price-level of crude oil and sluggish personal consumption. Supporting factors to this trend were steady capital investment, better employment, and improved income situations.

As for the video game industry, portable game consoles stimulated demand, led market growth, and expanded its user base into novice game players, such as middle aged players and females. Year-end-sales thrived thanks to the full release of the next generation stationary game consoles, which also started the fierce competition among game hardware manufacturers.

The online game market grew steadily thanks to the diffusion of network-ready terminals, including PCs, home video game consoles, and mobile phones.

The overseas market showed healthy growth in general. One of the supporting factors was the favorable sales performance of new game consoles in the North American market.

As for arcade operations, the construction of large-scale arcades was further advanced while the performance of existing facilities was unsatisfactory.

Under these circumstances, the Capcom group emphasized effective product development that closely serves the diverse needs of both domestic and overseas customers. Additionally, we engaged in nation-wide sales-promotion events and the aggressive expansion of our amusement arcade chain.

One of the most critical sales strategies for Capcom is the enhancement of our overseas operations. As part of such efforts, we focused on the improvement of our sales promotion activities to respond appropriately to our customer needs, and we enhanced our direct sales system in North America, the largest game market in the world. These efforts were successful and led to sales expansion in the overseas market.

One of the significant accomplishments is that both “Dead Rising” and “Lost Planet” for Xbox360 achieved sales of one million copies due to their great popularity in the US and Europe. They have now joined our team of brand-name titles.

In addition, “Monster Hunter Freedom 2nd” (for PlayStation Portable) also attained sales of one million copies in

Japan, responding to the high expectation of users who have awaited its release. Achieving sales of one million copies with three different titles was realized through the synergistic effects of our marketing strategy and product development that responds to market trends.

As part of our efforts to strategically optimize the operation of the entire Capcom group, we acquired a mobile platform game company "Capcom Interactive Canada, Inc." through our US subsidiary, making the company a full subsidiary of Capcom. In addition, we established Daletto Co., Ltd., the online portal site management company, while deciding to dissolve Clover Studio Co., Ltd., one of the game software development subsidiaries. And thus, we reorganized the business portfolio by selecting and concentrating management resources. We have been also working on the improvement of the operating results through global business development under which Capcom works closely with affiliated organizations with enhanced centralized management.

The resulting net sales increased to 74,542 million yen (up 6.1 % from the previous year).

As for profits, operating income increased to 9,602 million yen (up 45.9 % from the previous year) and ordinary income also increased to 106 million yen (up 51.1 % from the previous year). However, the net profit for the current fiscal year decreased to 5,852 million yen (down 15.7 % from the previous year).

One of the major reasons for the decrease in net profit was that we reviewed the valuation reserve for deferred tax assets and posted adjustments, to be recorded in related accounts including corporation taxes, in the previous year.

(2) Status of Each Operational Department

① Home Video Game

New software titles for Xbox 360, "Dead Rising" and "Lost Planet", became a huge hit with over a million copies sold in the US and Europe. The preference of overseas users was well reflected in these software, and they served as a sales growth engine in the overseas markets.

"Monster Hunter Freedom 2nd" (for PlayStation Portable), in which requests from our customers were fulfilled, also became a million unit seller and joined the family of Capcom flagship products. On the day of its release, there were long lines of people waiting to purchase the software.

Three versions of "Mega Man Star Force" (for Nintendo DS) performed strongly backed by its steady popularity. This software is the latest addition of the "Mega Man" series that marked its 20th anniversary during this fiscal year.

"Devil Kings 2" (for PlayStation 2), which gained popularity among female users, increased sales steadily along with the imported title "Grand Theft Auto: San Andreas" (for PlayStation 2). The innovative new software

“Okami” (for PlayStation 2) also experienced healthy growth.

Additionally, lower-priced software titles, namely “Resident Evil 4 PlayStation 2 the Best” (for PlayStation 2) and “Monster Hunter Freedom PSP the Best” (for PlayStation Portable), showed strong sales.

Resulting net sales increased to 43,813 million yen (up 2.6 % from the previous year) and operating income also increased significantly to 8,055 million yen (up 175.2 % from the previous year). These results were realized by highly profitable software as well as lowered development costs, and they contributed to the improvement of business performance of this fiscal year.

② Arcade Operations

In this business segment, we tried to expand our customer base with a community-based approach, supporting core-users while attracting more females and families. Such efforts included renovating facilities, holding a variety of customer-appreciation events, and implementing a special discount day. As a result of these efforts, the number of visitors to our arcades increased but the overall performance remained at lower level than expected due partially to the declined per-customer sales.

Having the strategy of “Chiiki Ichiban Ten” (No. 1 Arcade in the Regional Community), we worked on aggressive facility development through “scrap & build” strategy. We opened three new arcades in the Metropolitan area of Chiba Prefecture, “Plaza Capcom Chiba New Town”, “Plaza Capcom Chiba Naganuma”, and “Plaza Capcom Chiba Marinpia Senmonkan”. Additionally, we opened “Plaza Capcom Okegawa” in Saitama Prefecture, “Plaza Capcom Saga” in Saga Prefecture, and “Plaza Capcom Ishinomaki in Miyagi Prefecture, while closing down three low-productive facilities. The current number of “Plaza Capcom” now totals 33 after these efforts.

The resulting net sales increased to 13,043 million yen (up 12.8 % from the previous year); however, operating income decreased to 2,009 million yen (down 17.6 % from the previous year) due partially to the sluggish growth of existing facilities as well as the increase in the cost of opening new facilities.

③ Arcade Games

“Mobile Suit Gundam SEED DESTINY: Federation vs. Z.A.F.T. II” served as a sales growth engine backed by its continued popularity. The card-dispensing game machine for girls, “Wantame Music Channel”, also experienced a healthy growth. The game machine was developed through collaboration with Takara Tomy Co., Ltd. with the purpose of tapping the market of younger audience.

On the other hand, the medal/prize game machine “Donkey Kong Banana Kingdom” struggled due to some defects, despite its steady sales.

The resulting net sales increased to 8,060 million yen (up 15.2 % from the previous year), and operating income increased to 1,369 million yen (up 22.7 % from the previous year).

④ Contents Expansion

In this business segment, the distribution of games to mobile phones underwent healthy growth. The “Phoenix Wright” series performed strongly and became a stable income source.

Additionally, the provision of peripheral devices for gaming machines achieved satisfactory results and made a significant contribution to sales growth. However, profit was lower due to an increase in the development cost.

Resulting net sales increased to 7,102 million yen (up 23.7 % from the previous year), and operating income decreased to 1,624 million yen (down 31.2 % from the previous year).

⑤ Other Businesses

Net sales from other businesses, mainly character-related licensing royalties, decreased to 2,561 million yen (down 21.6 % from the previous year), and operating income decreased to 439 million yen.

(3) Overview of Business Performance in Each Region

① Japan

“Monster Hunter Freedom 2nd” (for PlayStation Portable) enjoyed a great deal of popularity and became a mega hit with over a million copies. “Mega Man Star Force” (for Nintendo DS) and “Grand Theft Auto: San Andreas” (for PlayStation 2) increased sales satisfactorily backed by their steady popularity. “Devil Kings 2” (for PlayStation 2), which gained popularity among female users, as well as the innovative new software “Okami” (for PlayStation 2) made a strong showing. In addition, “Phoenix Wright: Ace Attorney (Best Price!)” also experienced brisk sales.

As for the arcade operations, we pursued a profit increase by promoting the aggressive expansion of the arcade chain and by implementing a scrap-and-build strategy. The performance of existing arcades was unsatisfactory.

In the business segment of arcade game sales, “Mobile Suite Gundam SEED DESTINY: Federation vs. Z.A.F.T. II” increased its sales and contributed to the overall sales growth.

In the contents expansion business, the provision of peripheral devices for gaming machines, along with the distribution of games to mobile phones, underwent healthy growth.

Resulting net sales decreased to 56,726 million yen (up 4.5 % from the previous year), and operating income increased to 10,065 million yen (up 15.1 % from the previous year).

② North America

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

Our elaborate promotion activities along with the improved direct sales system had successful results, and both “Dead Rising” and “Lost Planet” (for Xbox360) became huge hits attaining sales of one million copies. They triggered the overseas sales expansion and led the income growth.

Our titles showed a great sales in Japan also sold well in North America. Among such titles are “Monster Hunter Freedom” (for PlayStation Portable) and “Resident Evil 4 Premium” (for PlayStation 2). “Devil May Cry 3 Special Edition” (for PlayStation 2) also performed strongly.

Resulting net sales increased to 15,766 million yen (up 29.1 % from the previous year), and operating income significantly increased to 1,443 million yen (up 731.7 % from the previous year) contributing to the income growth of the entire Capcom Group.

③ Europe

In Europe, one of the three major markets in the world, “Dead Rising” and “Lost Planet” (for Xbox 360) became mega hits, as they did in North America, and achieved robust sales. “Monster Hunter Freedom” (for PlayStation Portable) and “Devil May Cry 3 Special Edition” (for PlayStation 2) also performed favorably.

Resulting net sales decreased to 8,090 million yen (down 11.7 % from the previous year), but operating income remained almost unchanged at 1,016 million yen (up 2436.6 % from the previous year) due to a decrease in costs.

④ Other Regions

Asia is expected to be a market for future growth in addition to the three major markets of the US, Europe, and Japan. However, the problem of illegally copied software is still unresolved in the region and this situation places limitations on the sales of packaged products, resulting in the core of the Asian game market being online games for PCs. Under these circumstances, we carried out an aggressive business development program, and as a result, the software for PlayStation Portable performed strongly, leading sales in the region.

Resulting net sales increased to 927 million yen (up 29.4 % from the previous year), and operating income turned slightly black to 124 million yen (up 71.7 % from the previous year).

(4) Prospects for the Next Fiscal Year

It is expected that the competition for dominance in the hardware market will intensify now that the next-generation of stationary game consoles have all been released. These new machines are sophisticated and multifunctional with Internet connection and DVD playback capabilities. Ever-popular portable games will also facilitate the escalation of such competition.

Software manufacturing trends hold a key for game console diffusion, and they will have an influence on the increasing competition for market shares among both hardware and software manufacturers. We may be seeing a clear distinction of “winners” and “losers” with a redrawn market share alignment of the industry.

Under these fast changing environments, we will be revitalizing the entire Capcom Group through global structure reformation and quick decision-making. The improvement of corporate quality is another area on which we will focus in order to establish a solid profit base that endures through changes in the business environment.

To achieve these goals, we will aggressively pursue facility expansion while developing products and sales strategies that correspond not only to customers needs but also to hardware diffusion trends in the US, Europe, and Japan, the top three world game markets.

We will devote our entire energy for sales growth to the improvement of our content expansion business in the areas of online gaming, mobile games, and portal site operations. The objectives of such efforts are to heighten customer satisfaction across our operations, to strengthen our competitive edge, and to revitalize existing markets while exploring new markets.

As part of our development strategy to reinforce the core competence of Capcom, we will secure and foster excellent human resources, in addition to employing an effective PC-based product development method. This method will allow us to develop multi-platform products, as well as to control rising development costs associated with the release of the new generation game consoles.

We will pursue new business opportunities through the multi-usage of our brand-titles in the areas of movies, music, animation, toys, and distribution of games to mobile phones.

Additionally, Capcom will strengthen its management foundation to fulfill our growth plans through the development of an inter-office network for encouraging information sharing and operation efficiency throughout the Capcom group. We will be addressing the acceleration of overseas operations, the reformation of the financial structure, and the promotion of partnerships with other companies in order to adapt to changes in the business environment.

We ask our stockholders for their continued support.

2. Analysis of the Consolidated Financial Position

(1) Analysis of assets, liabilities and total shareholders' equity

① Total assets

Total assets as of this fiscal year period were decreased by 6,978 million yen from the previous fiscal year to 91,478 million yen. This is mainly attributable to decrease of cash and cash equivalents by payment on redemption of 4th unsecured convertible bonds.

② Liabilities

Liabilities as of this fiscal year period were decreased by 12,658 million yen from the previous fiscal year to 46,334 million yen. This is mainly attributable to payment on redemption of 4th unsecured convertible bonds and exercise of the stock acquisition rights of Euro-Yen convertible bonds.

③ Total shareholders' equity

Total shareholders' equity as of this fiscal year period amounted to 45,144 million yen. This is mainly attributable to increase of net income by 5,852 million yen, increase of paid in capital and capital surplus by 4,635 million yen by exercise of the stock acquisition rights of Euro-Yen convertible bonds.

(2) Analysis of cash flow

Cash and cash equivalents (hereafter referred to as "Cash") as of this fiscal year period decreased by 5,631 million yen from the previous fiscal year to 35,020 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 16,063 million yen, increased by 2,141 million yen in comparison with the previous year. This is attributed to the following; Net income before tax adjustment resulted in 9,986 million yen, decrease of depreciation and amortization by 2,774 million yen and decrease of accounts receivable by 1,659 million yen.

② Cash Flows From Investing Activities

Net cash decrease from investing activities amounted to 6,715 million yen, an increased of 4,935 million yen in comparison with the previous year. This decrease is attributable to the expense of 3,804 million yen for the acquisition of property, plant and equipment for amusement facilities, and the acquisition of new consolidated subsidiaries' stock such as Canadian game development company for mobile phone by 1,612 million yen.

③ Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 15,206 million yen. This is attributable to redemption of convertible bonds of 10,000 million yen, acquisition of treasury stock by 3,251 million yen, and disbursement of dividend by 1,337 million yen.

(Reference) Trends of Cash Flow Indicators

	Year ended March 2005	Year ended March 2006	Year ended March 2007
Shareholders' equity ratio to total assets (%)	30.5	40.1	49.3
Shareholders' equity ratio to total assets based on fair market value (%)	54.1	67.5	104.4
Debt amortization schedule (number of years)	2.8	0.4	0.3
Interest coverage ratio (times)	30.0	82.6	237.3

Shareholders' equity ratio to total assets= Shareholders' equity / Total assets

Shareholders' equity ratio to total assets based on fair market value = Total of the capital stock at market price / Total assets

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

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

(Note 1) Total market value of shares is calculated based on the number of shares as of the end of fiscal year excluding treasury stock.

(Note 2) The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

3. Principle related to dividends

One of our management priorities is on stable and continuous dividends to all shareholders, taking account of our future business strategies as well as our management environment. Our year-end dividend will be raised to 15 yen per share, up 5 yen from the previous year. Annual dividends in this fiscal year will be 30 yen per share, as we paid interim dividends of 15 yen per share, up 5 yen from the same term last year. For the next fiscal year, we plan to pay year-end dividends of 30 yen per share (including interim dividends of 15 yen) based on forecast for the fiscal year ending March 31, 2008.

4. Business Risks and Other Risks

Capcom is exposed to risks which may affect its operating results, financial status, stock price and its operational environments, including but not limited to those stated below, which are based on information that is available as of May 18, 2007 and certain assumptions that serve as the basis of rational judgments.

(1) Risks relating to Home Video Games

① Increase in Development Costs

In recent years, home video game consoles have become sophisticated partly due to the adoption of computer graphics technology, and the development costs have tended to increase. Therefore, there is a risk that the development costs may become irrecoverable with respect to some software titles, including those which have failed to fulfill the sales plan.

② Obsolescence of Game Software

Game users are mainly children and young people. In addition, competition against other industries which have the same customer base is intensifying, including mobile phones and the Internet. Therefore, the life of products is not necessarily long, and games become outdated quickly; there is a risk that product inventory may increase and development costs may become irrecoverable.

③ Dependency on Popular Series

Capcom releases many game software titles in the market. Among them, a handful of titles tend to

be dominant in terms of popularity. Further, sequel titles undergo limited volatility in terms of sales, and help stabilize our business performance. However, we may lose users in the event of any problem in these popular software titles or any change in the market environment. There is a risk that it may result in having an adverse effect on our future business strategies and business performance.

④ Violent Scenes and Depictions

Some of our popular software titles have provocative graphics and text, such as violent and grotesque scenes. Accordingly, in the event of violent incidents and other criminal cases involving juveniles, we may be subject to a smear campaign by some sections of the mass media which often point out the correlation between crime and games.

Therefore, there is a risk that it may result in having an adverse effect on our business performance, corporate value and narrowed distribution channel under instructions by the relevant authorities.

⑤ Seasonal Fluctuations

Trends in the demand for games fluctuate substantially throughout the year. As the market experiences peak demand during the Christmas season until New Year's Day, the first quarter of the year tends to be relatively quiet. In this manner, there is a risk that business performance may substantially fluctuate from quarter to quarter.

⑥ Trends in Proliferation of Home Video Game Consoles

Our home video game software titles are primarily supplied to game consoles made by Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation.

Therefore, there is a risk that our business strategies and business performance may be adversely affected in the event of any setback in the proliferation trends or any problem in their game consoles.

⑦ License Agreement with Console Manufactures

We take a multi-platform approach, which involves supplying home video game software titles to all existing game platforms. Accordingly, we have a license for manufacturing and distributing game software from Sony Computer Entertainment Inc., Nintendo Co., Ltd. and Microsoft Corporation, who are also our competitors.

However, there is a risk that amendments to the licensing agreements and new terms and conditions of the agreements may have an adverse effect on our future development strategies and business performance.

⑧ Technological enhancement of Home Video Game Platforms

New home video game platforms have been released every four to six years in the past. In the hardware transition stage, users tend to be reluctant to purchase new software. Therefore, there is a risk that our business performance may be adversely affected by sluggish sales in the transition stage.

⑨ Expansion of Used Software Market

Currently, the used software in the domestic market is estimated as a third of the new one, and is tending towards expansion. Also, the flood of pirated copies in the Asian market is becoming increasingly serious. Therefore, it is gradually becoming more difficult to recover the development costs. There is a risk that it may adversely affect our operating results, depending on the trends in the market.

(2) Risks relating to Other Businesses

① Arcade Operations

There is a risk that customer traffic and the unit value of customers may be adversely affected by the popularity of installed machines, diversification of entertainment, falling birth rate, intensified competition and changes in the market environment and other such factors.

② Arcade Games

There is a risk that our business performance may be adversely affected by the closing gap between arcades and home video game consoles, the decline in facility operators' purchasing power, changes

in the business environment and uncertainties for growth.

③ Contents Expansion

The number of customers to whom we provide peripheral devices for game machines is quite limited. And the performance of “Contents Expansion Business” relies heavily on the sale of these devices. Under the provision of the “Entertainment and Amusement Trade and the Implementation Rules for the Entertainment and Amusement Trades Rationalizing Act”, we are allowed to sell the peripheral devices for only those machines which passed the test of the Security Electronics and Communications Technology Association. The performance of this business segment may be affected significantly by the trend of such industry systems. Thus, it is possible that changes in such a trend could negatively affect the operating results of the entire Capcom Group.

(3) Risks relating to Overseas Operations

① There is a risk that our business strategies and business performance may be adversely affected by market trends and the existence of competitors in other countries within our sales territory, in addition to other various country risks including political, economic, legislative, cultural, religious, custom and foreign currency risks.

② As the volume of the overseas transaction expands, it is possible that the loss or expense burden (i.e.; tax rates and custom duties) will increase depending on the regulations or the interpretation of the accounting laws by the audit authorities. The operating results and financial position of the Capcom group may be affected negatively by these conditions.

③ There is a risk that our business performance may be adversely affected by the increase in expenses and the failure to recover overseas investment in the event of unforeseeable circumstances which cannot be predicted by feasibility studies.

(4) Risks relating to Financial Status and Operating Results

① As mentioned before, home video game software, which is our principal business, is exposed to the risk of increasing inventories, as the products generally have a short life and become obsolete quickly. There is a risk that our financial status and operating results may be adversely affected by their obsolescence.

② As already explained, our business performance may substantially fluctuate from quarter to quarter, as the market environment may change throughout the year in our industry. Also, cash flows may not be generated as originally planned, due to the fall in sales, changes in management strategies and other factors. There is a risk that it may result in having an adverse effect on the operating results in the following years.

(5) Risks relating to Development Technologies

Products relating to game machines including home video game consoles are subject to rapid technological progress, and are constantly evolving. Therefore, there is a risk that sales opportunities may be lost due to delays in responding to technological progress, which may result in having an adverse effect on our operating results and product quality.

(6) Legislative Risks

Arcade operations are controlled by the “Entertainment Establishments Control Law” and its related regulations and ordinances. Due to the amendment and establishment of the laws and ordinances in the future, the scope of business activities may be subject to changes or preliminary examination, inspection and other procedures carried out by regulatory agencies may become stricter. There is a risk that it may result in impeding our business plans, and adversely affecting the business and operating results.

(7) Risks relating to Intellectual Property Rights

The development and distribution of game software involve intellectual property rights such as patent rights, trademark rights, utility model rights, design rights, copyrights, etc. Therefore, there is a probability that the development and distribution of game software may become difficult if we

cannot acquire intellectual property rights. Also, one cannot deny the risk of a third party's intellectual property rights being violated by us. There is a risk that they may adversely affect our operating results.

(8) Risks relating to Lawsuits

As we are engaged in content business, we have been to a court of law both as a plaintiff and as a defendant. Due to the nature of our business, there is a possibility that we may be taken to court in the future. There is a risk that they may adversely affect our operating results, depending on the type of the lawsuit and the amount claimed in the lawsuit.

(9) Risks related to the leakage of private information

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

(10) Risks related to Dilution of Stock Value

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

(11) Risks relating to Stock Price Volatility

Our stock price has substantially fluctuated in the past, and there is a possibility that it will dramatically fluctuate in the future, due to the risk factors stated above, changes in the market environment, unexpected circumstances and other causes. The risk factors vary widely, including but not limited to those attributable to Capcom, changes in the business environment of the game industry, analysis data of research agencies such as securities analysts and investor trends, and stock market conditions.

Status of Capcom Corporate Group

Major businesses of Capcom corporate group (Capcom Co., Ltd. and its affiliated companies) positioning of each affiliated company within the business segments are as described below.

[Home Video Games]

This division develops and distributes home video game software. Capcom Co., Ltd. develops video game software. Capcom Entertainment, Inc.(consolidated subsidiary), Capcom Asia Co., Ltd.(consolidated subsidiary), CE Europe Ltd.(consolidated subsidiary),and CEG Interactive Entertainment GmbH(consolidated subsidiary) are responsible for distribution of the game software. Daletto Co., Ltd. is engaged in the online portal site management. Capcom Entertainment Korea Co., Ltd. (consolidated subsidiary), founded in March, 2007, is planned to engage into home-video software sales as well as on-line business in Korea. Clover Studio is now under process of dissolution which was passed at the Board of Directors' meeting held on October 12, 2006. Capcom Studio 8, Inc. is consolidated into Capcom Entertainment, Inc. as of March, 2007. Flagship Co., Ltd. is also to be consolidated into Capcom Co., Ltd. based on the resolution made on April 12, 2007.

[Arcade Operations]

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

[Arcade Games]

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

[Contents Expansion]

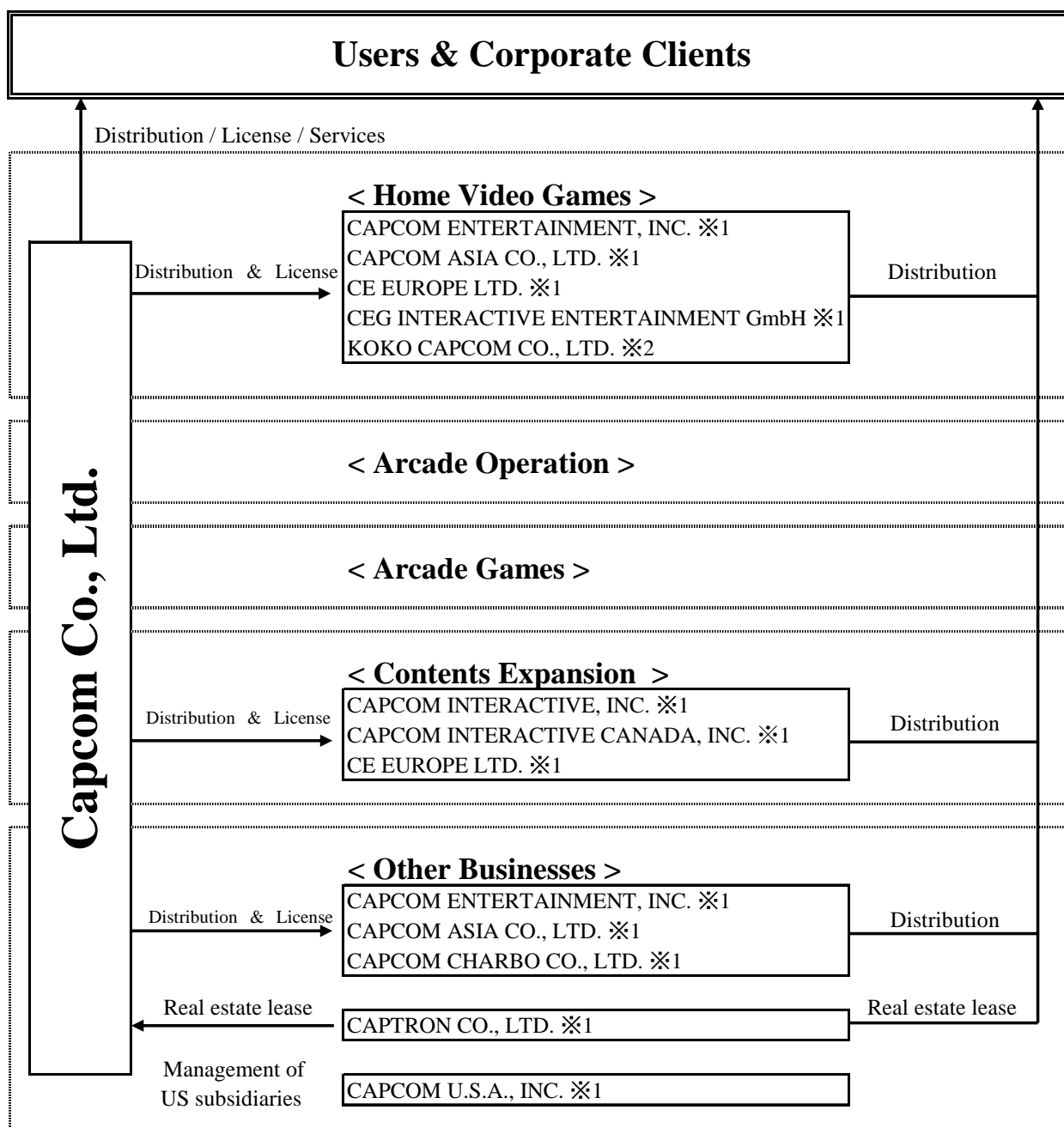
This division develops and distributes mobile contents as well as LCD display. As for mobile contents being developed by Capcom Co., Ltd. and Capcom Interactive Canada, Inc., which Capcom Interactive Inc. acquired and made a subsidiary in Canada, Capcom Co., Ltd., CE Europe Ltd., Capcom Interactive,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

[Other Businesses]

Capcom Co., Ltd. conducts various licensing businesses. The Company licenses Capcom characters and game contents out. Capcom Entertainment, Inc., Capcom Asia Co., Ltd. and Capcom Co., Ltd. are responsible for licensing. Capcom Charbo Co., Ltd. (consolidated subsidiary) provides support services in mobile communications, including cell phones. In addition, Captron Co., Ltd. (consolidated subsidiary) is responsible for a real estate leasing business.

Capcom USA., Inc.(consolidated subsidiary) is a holding company of its US subsidiaries; Capcom Entertainment, Inc. and Capcom Interactive Inc. and their respective managements are under the control of Capcom USA., Inc..

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



※1 Consolidated subsidiary

※2 Affiliated companies consolidated for equity method

Business Policy

1. Management Principle

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment. Our management objectives are also on strengthening relationships with shareholders, clients and our employees to satisfy demands and to bring about prosperous benefits.

2. Business Targets

As financial conditions in Japan change, such as the implementation of new accounting standards, we believe “Cash-Flow Management” (real management that generates cash) has become an important factor - more important than to make up financial statements utilizing changes in accounting standards. We do not set actual target figures on specific fields because we understand “Cash-Flow Management” as a very important factor for evaluating decision-making processes and corporate values.

3. Medium and Long 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.

- (1) Focusing on our core business - developing and marketing creative home video game software - by concentrating our resources.
- (2) Strengthening and exploring multi platform strategy for home video game software based on market demands.
- (3) Expanding arcade operations business, which has become the second largest source of business for us, in order to continuously secure stable revenues.
- (4) Strengthen the on-line game business with the improvement of the telecommunication infrastructure.
- (5) Expanding sales overseas by aggressive business deployment, including establishing overseas offices.
- (6) Pioneer business opportunities by enhancing our product contents to create new markets and expanding our share in existing markets. Exploit new business opportunities with focus on the provision of peripheral devices for game machines and entry of operating online portal site.
- (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.

4. Issues to be addressed

Major issues to be addressed taking in consideration surrounding business environments and future market trends:

(1) Consolidation of the critical strategic divisions

We will concentrate our management resources in the home video game software segment, which is our core business, especially in its development and marketing divisions in order to strengthen the competitive edge.

(2) Focus on the overseas operations

Making strong efforts in developing overseas markets is the key to the future business growth as the Japanese domestic market matures. We are determined to execute the strategic overseas operation deployment through the group-wide global business restructuring. One such effort will be to conduct corporate reforms of overseas subsidiaries including Capcom U.S.A., Inc., one of our crucial subsidiaries.

(3) Selection and concentration of business

We are focused on setting a clear vision for the future by harnessing our corporate strength through the effective use of our research and development resources. In addition, we are pushing through a strategy that concentrates management resources on selected business to make the most of the collective power of the entire Capcom group, thus increasing our corporate value. Investment in growth field and the decision to close down unprofitable businesses are examples of such activities.

(4) Expansion of the business field

We will focus on growing the content-related business to expand our business fields in response to changes in the managerial environments. Focus on distribution of games to mobile phones and entry of operating online portal site are among those segments we will give high priorities to achieve this goal.

(5) Enhancement of the corporate quality

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

Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This Fiscal Year		Difference Amount
	(as of March 31, 2006)		(as of March 31, 2007)		
	Amount	%	Amount	%	
(Assets)					
I Current assets					
1 Cash and cash equivalents	40,453		35,020		(5,432)
2 Notes and accounts receivable	12,812		11,417		(1,395)
3 Negotiable securities	199		—		(199)
4 Inventories	3,741		3,488		(252)
5 Game software products in-progress	6,348		3,415		(2,933)
6 Deferred income taxes	3,266		3,215		(50)
7 Short-term loans receivable	1,277		1,204		(73)
8 Other	1,272		3,871		2,598
9 Allowance for doubtful accounts	(1,295)		(1,543)		(248)
Total current assets	68,075	69.1	60,089	65.7	(7,986)
II Fixed assets					
1 Tansible fixed assets					
(1) Buildings and structures	6,366		6,091		(274)
(2) Machinery and vehicle	107		160		53
(3) Tool, fixture and furniture	529		790		260
(4) Rental equipment	199		667		468
(5) Equipments for amusement facilities	2,064		3,022		957
(6) Land	4,480		4,480		0
(7) Construction-in-progress	73		287		213
Total tansible fixed assets	13,820	14.0	15,500	16.9	1,679
2 Intansible fixed assets					
(1) Goodwill	—		1,058		1,058
(2) Other	333		1,219		885
Total intansible fixed assets	333	0.4	2,277	2.5	1,944
3 Investments and other assets					
(1) Investments in securities	2,305		1,794		(510)
(2) Long-term loans receivable	807		907		100
(3) Deferred income taxes	8,624		5,786		(2,837)
(4) Claim in bankruptcy and reorganization	107		161		54
(5) Lease deposits	—		5,002		5,002
(6) Other	5,095		564		(4,531)
(7) Allowance for doubtful accounts	(712)		(605)		106
Total investments and other assets	16,227	16.5	13,611	14.9	(2,616)
Total fixed assets	30,381	30.9	31,389	34.3	1,007
Total assets	98,457	100.0	91,478	100.0	(6,978)

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year (as of March 31, 2006)		This Fiscal Year (as of March 31, 2007)		Difference Amount
	Amount	%	Amount	%	
(Liabilities)					
I Current liabilities					
1 Notes and accounts payable	7,213		7,489		276
2 Short-term borrowings	700		755		55
3 Convertible bonds repayable within 1 year	10,000		—		(10,000)
4 Accrued income taxes	2,196		875		(1,321)
5 Accrued bonus	1,062		1,746		684
6 Reserve for return goods	349		462		113
7 Other	5,420		8,417		2,996
Total current liabilities	26,942	27.4	19,747	21.6	(7,194)
II Long-term liabilities					
1 Convertible bonds payable	15,000		15,000		—
2 Convertible bonds issued after April 1st, 2002	11,500		6,635		(4,865)
3 Long-term debt	4,130		3,430		(700)
4 Accrued retirement benefits for employees	816		933		117
5 Other	604		588		(16)
Total fixed liabilities	32,050	32.5	26,586	29.1	(5,463)
Total liabilities	58,992	59.9	46,334	50.7	(12,658)
(Shareholders' Equity)					
I Paid in capital	27,581	28.0	—	—	—
II Capital surplus	15,336	15.6	—	—	—
III Retained earnings	1,099	1.1	—	—	—
IV Value of investment securities	793	0.8	—	—	—
V Cumulative translation adjustments	(228)	(0.2)	—	—	—
VI Treasury stock	(5,117)	(5.2)	—	—	—
Total shareholders' equity	39,464	40.1	—	—	—
Total liabilities and shareholders' equity	98,457	100.0	—	—	—
(Net Assets)					
I Shareholders' equity					
1 Paid in capital	—		29,915		—
2 Capital surplus	—		17,637		—
3 Retained earnings	—		5,555		—
4 Treasury stock	—		(8,138)		—
Total shareholders' equity	—	—	44,970	49.1	—
II Value of adjustments securities					
1 Value of investment securities	—		482		—
2 Deferred profit and loss on hedging instruments	—		1		—
3 Cumulative translation adjustments	—		(326)		—
Total value adjustments of securities	—	—	157	0.2	—
III Minority interests	—	—	16	0.0	—
Total net asset	—	—	45,144	49.3	—
Total liabilities and net assets	—	—	91,478	100.0	—

Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Previous Fiscal Period		This Fiscal Period		Difference Amount
	From April 1, 2005 to March 31, 2006		From April 1, 2006 to March 31, 2007		
	Amount	%	Amount	%	
I Net sales	70,253	100.0	74,542	100.0	4,289
II Cost of sales	47,799	68.0	48,046	64.5	247
Gross profit	22,454	32.0	26,496	35.5	4,042
Reserve for return goods	138	0.2	113	0.1	(24)
Net gross profit balance	22,315	31.8	26,382	35.4	4,066
III Selling, general and administrative expenses	15,735	22.4	16,779	22.5	1,044
Operating Income	6,580	9.4	9,602	12.9	3,022
IV Other income					
1 Interest income	507		882		
2 Dividend income	13		17		
3 Exchange gain	493		444		
4 Other	74	1.5	60	1.9	315
V Other expense					
1 Interests paid	171		72		
2 Loss on transfer of allowance for doubtful accounts	317		151		
3 Other	165	0.9	184	0.6	(245)
Ordinary income	7,016	10.0	10,600	14.2	3,584
VI Extraordinary gain					
1 Gain on sale of fixed asset	1		1		
2 Gain on bad debt recovered	114		—		
3 Legal settlement	—	0.1	103	0.2	(12)
VII Extraordinary loss					
1 Loss on sale of fixed asset	65		173		
2 Retirement gratuity to director to resign	44		—		
3 Loss on revaluation of investment in securities	63		103		
4 Loss on suspension of product development	—		442		
5 Other extraordinary loss	47	0.3	—	1.0	498
Net profit or loss before income taxes	6,912	9.8	9,986	13.4	3,073
Corporate tax, local tax, and enterprise tax	551		1,085		
Corporate tax from previous period	1,832		—		
Adjustment of corporate tax and other tax	(2,413)	(0.1)	3,058	5.5	4,172
Minority loss	—	—	9	0.0	9
Net Income	6,941	9.9	5,852	7.9	(1,088)

Consolidated Statement of Retained Earnings

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year	
	From April 1, 2005 to March 31, 2006	
	Amount	
(Capital surplus)		
I Beginning balance of retained earnings		15,336
II Decrease in retained earnings		
1 Loss on sale of treasury stock		0
III Retained earnings		15,336
(Retained earnings)		
I Beginning balance of retained earnings		(4,681)
II Increase in retained earnings		
1 Net profit		6,941
III Decrease in retained earnings		
1 Dividend	1,099	
2 Bonus paid to directors	60	1,159
IV Ending balance of retained earnings		1,099

Consolidated Statements of Changes in Net Assets

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Ending balance of previous fiscal year	27,581	15,336	1,099	(5,117)	38,900
Changes of items during this fiscal period					
Issue of new stocks ※1	2,334	2,330			4,665
Dividends from surplus			(1,336)		(1,336)
Bonuses to directors and corporate auditors			(60)		(60)
Net income			5,852		5,852
Repurchase of treasury stock				(3,251)	(3,251)
Disposal of treasury stock ※2		(29)		230	200
Net changes of items other than shareholders' equity					
Total changes of items during this fiscal period	2,334	2,300	4,455	(3,021)	6,069
Ending balance of this fiscal period	29,915	17,637	5,555	(8,138)	44,970

	Value of adjustment securities				Minority interests	Total net assets
	Valuation and translation adjustments	Deferred income and loss on hedging instruments	Foreign currency translation adjustments	Total value adjustments		
Ending balance of previous fiscal year	793	—	(228)	564	—	39,464
Changes of items during this fiscal period						
Issue of new stocks ※1						4,665
Dividends from surplus						(1,336)
Bonuses to directors and corporate auditors						(60)
Net income						5,852
Repurchase of treasury stock						(3,251)
Disposal of treasury stock ※2						200
Net changes of items other than shareholders' equity	(310)	1	(97)	(407)	16	(390)
Total changes of items during this fiscal period	(310)	1	(97)	(407)	16	5,679
Ending balance of this fiscal period	482	1	(326)	157	16	45,144

※1 This is attributable to exercise of the stock acquisition rights of Euro yen convertible bonds.

※2 This includes collateral treasury stock distribution by exercise of the stock acquisition rights of Euro yen convertible bonds.

Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Account Title	Previous Fiscal Period	This Fiscal Period	Difference
	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	
	Amount	Amount	Amount
I Cash flows from operating activities			
1 Net profit or loss before income taxes	6,912	9,986	3,073
2 Depreciation and amortization	1,936	2,774	837
3 Amortization of difference from consolidation	2	2	-
4 Increase in allowance for doubtful accounts	458	137	(321)
5 Increase in accrued bonuses and unpaid bonus	(87)	676	764
6 Decrease in reserve for loss on goods unsold	138	113	(24)
7 Increase (decrease) in accrued retirement benefits for employees	75	117	41
8 Interest revenue and dividend income	(521)	(900)	(378)
9 Interests paid	171	72	(99)
10 Exchange gain (loss)	(360)	(396)	(36)
11 Investment loss on equity method	32	-	(32)
12 Gain on sale of fixed asset	(1)	(1)	0
13 Loss on sale of fixed asset	65	173	108
14 Loss on revaluation of investment in securities	63	103	39
15 Other extraordinary loss	47	-	(47)
16 Increase (decrease) in account receivable	1,795	1,659	(136)
17 Increase (decrease) in inventories	193	(252)	(446)
18 Increase (decrease) in game software products in-progress	3,051	2,933	(117)
19 Increase (decrease) in account payable	(1,334)	186	1,520
20 Increase (decrease) in other current assets	(119)	(331)	(212)
21 Increase (decrease) in other current liabilities	1,341	528	(813)
22 Bonus paid to directors and corporate auditors	(60)	(60)	-
23 Other	607	177	(429)
Sub total	14,409	17,699	3,290
24 Interest and dividend received	513	876	362
25 Interest payment	(168)	(67)	100
26 Corporate and other tax payment	(832)	(2,444)	(1,611)
Cash flows from operating activities	13,921	16,063	2,141
II Cash flows from investing activities			
1 Acquisition of property, plant and equipment	(1,512)	(3,804)	(2,292)
2 Proceeds from sale of property, plant and equipment	52	40	(11)
3 Acquisition of intangible fixed asset	(85)	(671)	(585)
4 Proceeds from sale of intangible fixed assets	0	7	6
5 Acquisition of investment securities	(61)	(116)	(55)
6 Proceeds from sales of investment securities	45	-	(45)
7 Expenditure for loans	-	(100)	(100)
8 Proceeds from collection of loans	66	73	7
9 Acquisition of interest in subsidiaries newly consolidated, net of cash acquired	-	(1,612)	(1,612)
10 Expenditure for other investing activities	(546)	(688)	(142)
11 Proceeds from other investing activities	262	157	(105)
Cash flows from investing activities	(1,779)	(6,715)	(4,935)
III Cash flows from financing activities			
1 Proceeds from short-term borrowings	-	55	55
2 Repayment of short-term borrowings	(4,193)	-	4,193
3 Repayment of long-term borrowings	(700)	(700)	-
4 Proceeds from convertible bonds issued after April 1st, 2002	(12,262)	(10,000)	2,262
5 Proceeds from sale of treasury stock	0	0	0
6 Acquisition of treasury stock	(6)	(3,251)	(3,245)
7 Dividend paid by parent company	(1,098)	(1,337)	(238)
8 Proceeds from minority shareholders' financing	-	26	26
Cash flows from financing activities	(18,259)	(15,206)	3,053
IV Effect of exchange rate changes on cash and cash equivalents	1,232	203	(1,028)
V Increase (decrease) in cash and cash equivalents	(4,885)	(5,654)	(769)
VI Beginning balance of cash and cash equivalents	45,538	40,652	(4,885)
VII Increase in cash and cash equivalents due to newly consolidated companies	-	23	23
VIII Ending balance of cash and cash equivalents	40,652	35,020	(5,631)

[Segment Information]
(A) Operating segments

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

(Unit: Millions of Yen)

	Home Video Games	Arcade Operations	Arcade Games	Contents Expansion	Other Businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss								
Net Sales								
(1) External customers	42,718	11,568	6,956	5,742	3,268	70,253	(—)	70,253
(2) Inter-segment sale or transfer	—	—	39	—	—	39	(39)	—
Total	42,718	11,568	6,995	5,742	3,268	70,292	(39)	70,253
Operating expense	39,791	9,130	5,879	3,379	3,070	61,251	2,421	63,673
Operating income	2,926	2,438	1,116	2,362	197	9,041	(2,460)	6,580

(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 Operations: This division operates amusement facilities.
 - (3) Arcade Games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (4) Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
 - (5) Other Businesses: Other businesses include licensing business and other businesses.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 2,484 million yen. The major part of this expense is related to corporate G&A.

This Fiscal Year (from April 1, 2006 to March 31, 2007)

(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								
(1) External customers	43,813	13,043	8,021	7,102	2,561	74,542	(—)	74,542
(2) Inter-segment sale or transfer	—	—	39	—	—	39	(39)	—
Total	43,813	13,043	8,060	7,102	2,561	74,581	(39)	74,542
Operating expense	35,757	11,033	6,691	5,477	3,000	61,961	2,977	64,939
Operating income or loss	8,055	2,009	1,369	1,624	(439)	12,619	(3,017)	9,602

(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 Operations: This division operates amusement facilities.
 - (3) Arcade Games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
 - (4) Contents Expansion: This division develops and distributes mobile contents as well as LCD display.
 - (5) Other Businesses: Other businesses include licensing business and other businesses.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 3,036 million yen. The major part of this expense is related to corporate G&A.

(B) Geographic segments

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

(Unit: Millions of Yen)

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	48,683	11,748	9,105	717	70,253	(—)	70,253
(2) Inter-segment sale or transfer	5,620	465	62	—	6,148	(6,148)	—
Total	54,303	12,213	9,167	717	76,401	(6,148)	70,253
Operating expense	45,554	12,039	9,127	644	67,366	(3,693)	63,673
Operating income	8,749	173	40	72	9,035	(2,454)	6,580

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

This Fiscal Year (from April 1, 2006 to March 31, 2007)

(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	50,074	15,450	8,090	927	74,542	(—)	74,542
(2) Inter-segment sale or transfer	6,652	315	—	—	6,967	(6,967)	—
Total	56,726	15,766	8,090	927	81,510	(6,967)	74,542
Operating expense	46,660	14,322	7,074	803	68,860	(3,920)	64,939
Operating income	10,065	1,443	1,016	124	12,650	(3,047)	9,602

(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 3,036 million yen. The major part of this expense is related to corporate management.