

# Business Activity Achievements

Business Overview

Operating Results for This Fiscal Year

Main Products for This Fiscal Year (Output)



## Digital Contents

This business develops and sells package games and digital download content for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games produce creative original content with a focus on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in an attempt to maximize earnings.

### Consumer (Package + Digital Download Contents)

- *Monster Hunter X (Cross)* surpassed initial projections to sell 3.3 million units
- *Resident Evil Revelations 2* was released last year and maintained brisk sales at 850,000 units
- *Street Fighter V* sold 1.4 million units mainly overseas, falling short of sales projections

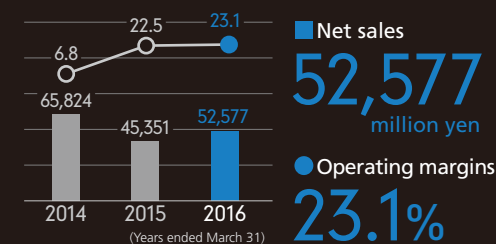
### Mobile Contents

- New app *Monster Hunter Explore* achieved more than 3 million downloads
- Existing titles under the Capcom and Beeline brands continued to struggle amid a fiercely competitive environment

### PC Online

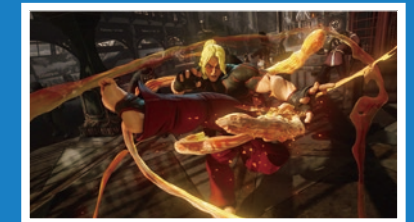
- Online game *Monster Hunter Frontier G* contributed to stability
- Sales of the new online game *Dragon's Dogma Online* were firm
- In China, *Monster Hunter Online* services were official launched

### Net sales/Operating margins



### Monster Hunter X (Cross)

The addition of new hunting techniques, hunting styles and other elements to the world and gameplay of the original series have proven popular, causing this spinoff title to surpass initial sales projections of 2.5 million units to sell 3.3 million units.



### Street Fighter V

The first title in this series to introduce cross-platform gameplay enabling players on PlayStation 4 and PCs to battle one another. Capcom plans to continuously update game content from the next fiscal year forward.

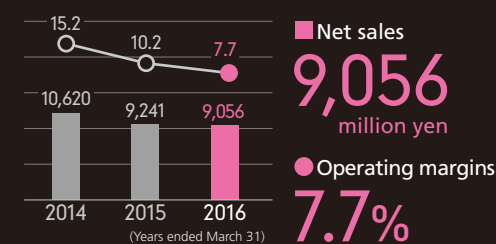


## Arcade Operations

We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

- We focused efforts on cultivating new customer segments, including free game experience tours for middle-aged and elderly persons, and the establishment of a timed rate structured play area for kids
- Four arcades were opened, three unprofitable arcades were closed
- Sales at existing arcades slumped at 96% of those in the previous year

### Net sales/Operating margins



### Capcom Café

In November 2015, we opened a themed restaurant enabling patrons to vicariously experience the world of Capcom games inside Aeon LakeTown kaze (Koshigaya, Saitama Prefecture). The restaurant offers food and beverages based on Capcom intellectual properties such as *Monster Hunter* and *Resident Evil* as well as the sale of limited-edition merchandise.

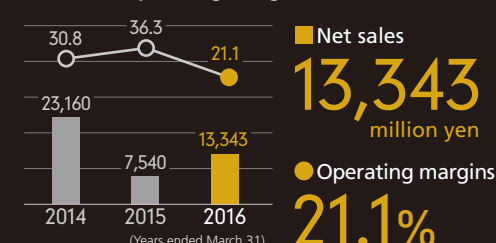


## Amusement Equipments

Here, we are engaged in two businesses based on the contents used for our home video games. The Pachinko & Pachislo (PS) business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and sells arcade games for amusement facilities, creating synergy between businesses.

- The pachislo machine *Resident Evil 6* sold 37,000 units
- In the Arcade Games Sales sub-segment, new arcade game machine *Luigi Mansion Arcade* and new music game *crossbeats REV* struggled

### Net sales/Operating margins



### Pachislo Machine Resident Evil 6

This new pachislo machine is part of the *Resident Evil* series, extremely popular in the home video game and pachislo machine markets. It incorporates *Movision*, a movable liquid crystal screen made popular by the *Resident Evil 5* machine, while faithfully recreating the world of *Resident Evil 6*, both of which garnered fan support and lead to sales of 37,000 units, surpassing projections.

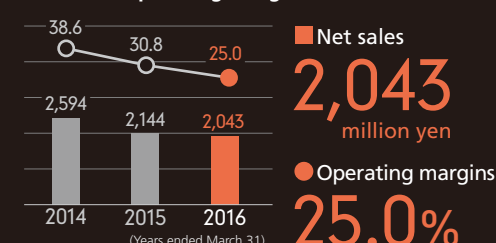


## Other Businesses

Based on our Single Content Multiple Usage strategy of developing game content for various media, we pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.

- Maximized earnings and strengthened brand power of proprietary content through execution of lateral development of integrated sales of games based on the Single Content Multiple Usage strategy
- Held events contributing to maximizing sales of major titles *Monster Hunter X (Cross)* and *Resident Evil*-related titles

### Net sales/Operating margins



### Monster Hunter Festa'16

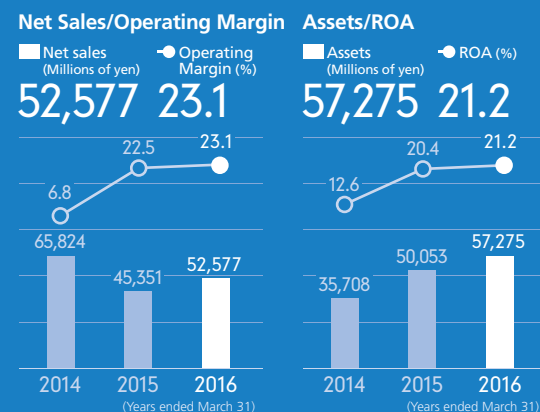
In conjunction with the sales launch of core title *Monster Hunter X (Cross)*, *Monster Hunter Festa'16* was held in five locations across Japan in January 2016. 50,000 people came out for this event, which included the "Karioh Ketteisen" to determine Japan's top hunters and stage events featuring game developers.





## Digital Contents

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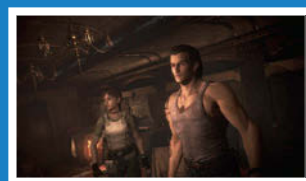


### SWOT Analysis

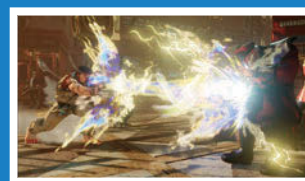
- S: Strengths W: Weaknesses O: Opportunities T: Threats
- World-class development and technological capabilities
  - Own many original popular titles (intellectual capital)
  - PC online game management expertise
  - Dependence on specific genres
  - Shortage of development staff
  - Insufficient smartphone app game hit titles and management expertise
  - Decreased competition in Consumer business and DLC market growth
  - Expansion of peripheral businesses in Consumer sub-segment (VR and eSports, etc.)
  - Mobile contents market expansion
  - Consumer game presence diminished by diversity of entertainment
  - Falling average sales price of Consumer games
  - Low barriers for entry into mobile contents, large number of competitor firms



Monster Hunter X (Cross)



Resident Evil 0 HD Remaster



Street Fighter V

## Consumer (Package + Digital Download Contents) Business

### Market Trends and Operating Results for This Fiscal Year

#### First Market Expansion in Four Years, Higher Sales of Flagship Titles and Digital Downloads Drive 19.6% Net Sales Growth

In 2015, the consumer (package + digital download contents) market was worth 21.7 billion dollars (up 0.5% from the previous year), halting three straight years of negative growth. This was due to (1) continued steady switchover to current game consoles, (2) the progressive supply of major titles for current game consoles and (3) growth in the digital download sales market. The consumer market is primarily comprised of North America, Europe and Japan. The U.S. and European markets, which account for approximately 85% of this market, were particularly robust. In terms of overall trends, while package sales contracted slightly, the highly profitable digital download market grew steadily to account for 43% of the consumer market. [Diagram21]

800,000 units and catalog title *Resident Evil Revelations 2* sold 850,000 units, pushing earnings higher. At the same time, although *Street Fighter V*, which enjoys solid popularity mainly overseas, performed well, unit sales fell short of projections. In digital downloads, sales of catalog titles with wide profit margins accelerated in the U.S. and Europe, resulting in solid sales growth to 6.1 million units amounting to 10.9 billion yen, an increase of 21.1% compared to digital download sales in the previous year.

As a result, package and full-game download sales totaled 15 million units (up 15.4% from the previous year). Package sales were 31.2 billion yen (up 19.1% from the previous year), and digital download sales were 10.9 billion yen (up 21.1% from the previous year). Together, they resulted in Consumer sales of 42.1 billion yen (up 19.6% from the previous year), with operating margins improving to the upper 20% range. [Diagram22]

### Outlook for the Next Fiscal Year

#### Projecting a 11.6% Increase in Net Sales from the Successive Global Launch of Core Titles

The consumer market is forecast to grow globally to 22 billion dollars (up 1.4% from the previous year) due to an expanded title lineup for the PlayStation 4 and Xbox One and further growth in digital downloads. Furthermore, the market is thought to be entering a harvest period due to anticipation of new trends including the launch of Nintendo's new console in March 2017, as well as PlayStation VR, Oculus Rift and other VR gear. [Diagram21]

For Capcom, one of the major keys to achieving medium-term business goals and Consumer business growth are initiatives to (1) strengthen digital download content and (2) enhance title lineups through the full-scale execution of 60-month title

development plan and 52-week map.

➔ Please refer to "Growth Strategy 1: Consumer Business Expansion" on page 37.

Efforts within (1) include expanding unit sales by strategically releasing full-game and add-on contents. Also, we will utilize one of our existing intellectual properties to proactively release HD remastered versions of previous titles for download sales in an attempt to create sales opportunities and increase the digital download sales ratio. In terms of (2), we will promote compatibility with multiple platforms and release a new title within an existing popular series every 2.5 years based on our 60-month map title portfolio.

Next fiscal year, in addition to new

Diagram 21 Consumer (Package and Digital Download Contents) Market (Billions of dollars)

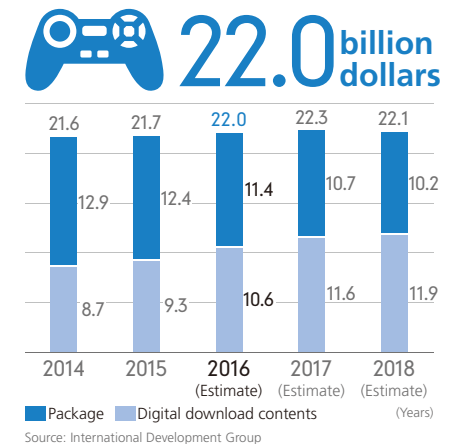
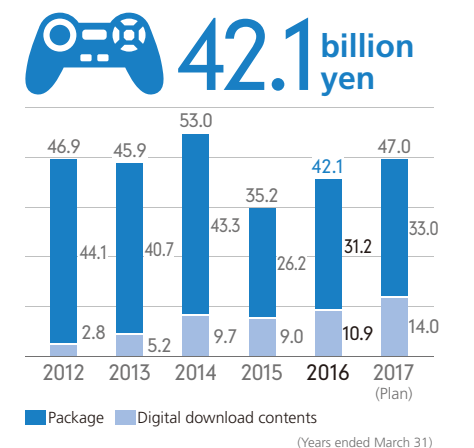
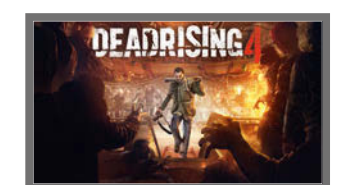


Diagram 22 Capcom Consumer (Package and Digital Download Contents) Sales (Billions of yen)



RESIDENT EVIL 7 biohazard



Dead Rising 4



titles in global core series such as *RESIDENT EVIL 7 biohazard* and *Dead Rising 4*, we will attempt to increase sales by aggressively launching major titles including a *Monster Hunter*-related title. We will also strengthen digital download sales to increase unit sales

10.0% compared to the previous year to 16.5 million units, forecasting net sales of 47 billion yen (up 11.6% from the previous year) and a high level of operating income about the same as the fiscal year under review.

## Mobile Contents Business

### Market Trends and Operating Results for This Fiscal Year

#### Despite 73% Growth and Continued Market Expansion, Sales and Profit Declined Due to Challenges Surrounding the Creation of a Hit Title

In 2015, the mobile contents market was worth 39 billion dollars (up 73.3% from the previous year), expanding in scale to surpass the consumer market. The main reasons for this were (1) the ongoing adoption of smartphones throughout the world and (2) the increase of popular native app games particularly in Japan and Asia that continue to attract game users. By region, the Asian market including Japan was worth 22.9 billion dollars (up 97.4% from the previous year), while developing country, Eastern European and other regional markets grew rapidly to 4.8 billion dollars (up 152.6% from the previous year).

The freemium (virtual item purchases/in-game purchases), a earnings model where users download a game for free, then purchase access to additional items and other game content as needed, has predominated in the market since about 2010. With freemium games, the key to manageability is using content power (brand/game function) to offer the appropriate services and premium games.

### Outlook for the Next Fiscal Year

#### Projecting 21.2% Increase in Net Sales through Efforts Focused on Creating Hit Titles in Japan and Overseas Under a New Organization

In 2016, the annual shipment of smartphones is expected to maintain a single-digit growth rate at approximately 1.48 billion units (up 3.1% from the previous year) compared to approximately 1.43 billion units (up 10.1% from the previous year) in 2015. However, the

For game companies with many popular software titles and mobile development companies with operational expertise, the opportunity to improve earnings is growing. In Japan in particular, numerous distributions of a wide range of games that offer a style of play matching the national identity, such as those that take advantage of idle moments and games that use popular content, are driving rapid market expansion. [Diagram23]

In September 2015, Capcom launched *Monster Hunter Explorer*, which has exceeded 3 million downloads and is generally selling as projected. However, regarding other existing titles, both Capcom and Beeline brand performance has been lackluster and continue to struggle amid an intensely competitive environment.

As a result, net sales declined to 3.3 billion yen (down 19.5% from the previous year). In terms of profit, although contributions from new titles secured earnings, profitability was declined compared to the previous year. [Diagram24]

demand for smartphones as game devices is expected to further increase in Japan and Asia amid ongoing expanded adoption in India, the Middle East and Africa, which we think will lead to the expansion of global game contents. As a result, we expect the 2016 mobile market

Diagram 23 Mobile Contents Market (Billions of dollars)

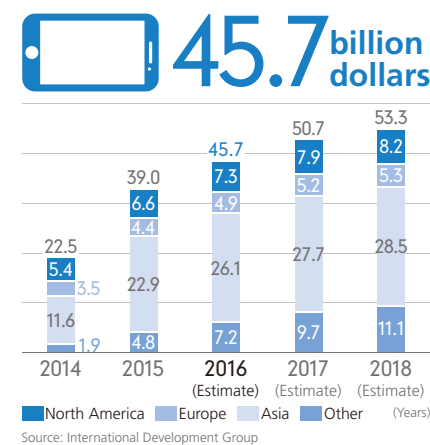
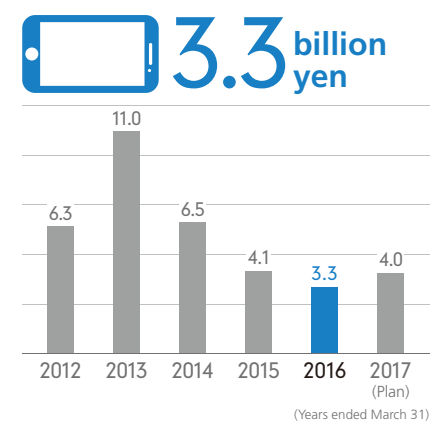


Diagram 24 Capcom Mobile Contents Sales (Billions of yen)



Monster Hunter Explorer

to increase to 45.7 billion dollars (up 17.2% from the previous year) and grow to 53.3 billion dollars (up 36.7% from 2015) in 2018. [Diagram23]

In 2016, Capcom unified its Group-wide mobile development structure and established the new Mobile Business Division. We combined the organizations of the Capcom and Beeline brands, which up to now had promoted independent strategies and concentrated development

## PC Online Business

### Market Trends and Operating Results for This Fiscal Year

#### Although the Market Was Flat, the Launch of New Titles in Japan and Overseas Resulted in an 18.3% Increase in Net Sales

Despite sluggish sales of package games for PC in the U.S. and Europe and games played through SNS, the Chinese and Asian markets, which account for nearly half the overall market, continued to grow to 25.1 billion dollars (up 1.6% from the previous year), about the same scale as the market in the previous year. [Diagram25]

For Capcom, in addition to stable earnings contributions from firm favorite *Monster Hunter Frontier G* (MHFG), sales

and management know-how. We will expand titles in Japan and overseas utilizing proprietary content based on quick decision-making facilitated by organizational unification.

Next fiscal year, this new organization will distribute titles using popular brands including *Monster Hunter*, *Sengoku BASARA* and *Mega Man*, thus we expect net sales of 4 billion yen (up 21.2% from the previous year).

### Outlook for the Next Fiscal Year

#### Projecting a 12.7% Increase in Net Sales Due to the Promotion of Licensing Businesses in the Growing Asia Market

In 2016, we expect the market to continue growing to 26.5 billion dollars (up 5.6% from the previous year). While the U.S. and Europe are expected to remain stable, the Asian market, focused on China is expected to continue growing driven by core MMO online games. We expect this market to continue expanding, from 10.6 billion dollars in 2015, to 11.2 billion dollars (up 5.7% from 2015) in 2018. [Diagram25]

In addition to ongoing major updates to MHFG, Capcom will grow *Dragon's Dogma Online* into a new flagship title in an attempt to establish dual pillars for

expanded earnings in Japan. Furthermore, we intend to improve our position in the Chinese market through an ongoing proactive cooperative relationship with China's Tencent Holdings on *Monster Hunter Online*. At the same time, with respect to other titles, we will proceed with negotiations with local companies to develop similar licensing businesses in the Asian region.

As a result of these measures, we expect net sales of 8 billion yen (up 12.7% from the previous year) as well as an increase in operating income.

Diagram 25 PC Online Market (Billions of dollars)

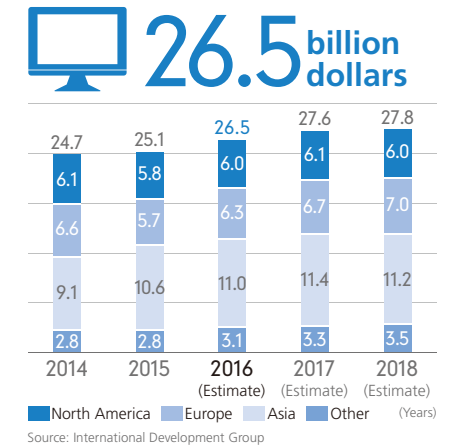
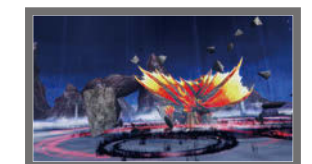
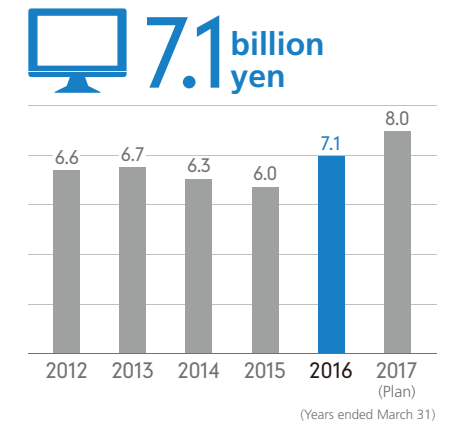
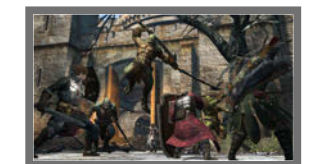


Diagram 26 Capcom PC Online Sales (Billions of yen)



Monster Hunter Frontier G



Dragon's Dogma Online



Monster Hunter Online

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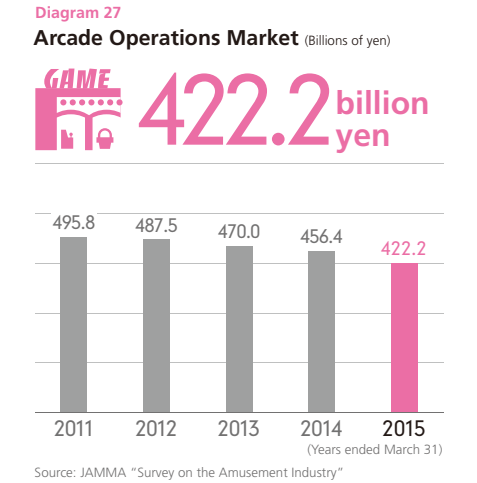


Market Trends and Operating Results for This Fiscal Year

Sales and Profit Declined Due to 7.5% Drop in Market Coupled with Downward Trend at Existing Stores

During the previous fiscal year (ended March 31, 2015), the size of the domestic arcade facilities market shrank to 422.2 billion yen (down 7.5% from the previous year). [Diagram27] This was due to the decline in personal consumption following the consumption tax increase implemented in April 2014, the spread of smartphones and the impact of scrambling to win shares of consumer free time amid a variety of leisure activities. Companies across the board closed unprofitable arcades and attempted to streamline management, resulting in the total number of arcades decreasing to 15,612 (down 2.8% from the previous year), [Diagram28] and annual sales per facility declined to 27.04 million yen (down 4.8% from the previous year), reducing the overall scale of this market. This fiscal year (ended March 31, 2016), market contraction slowed due to the resurgence of prizes and recovery from the impact of the consumption tax hike.

by means of community-based store strategies. For example, for the middle-aged and seniors capcom conducted service days and free game experience tours ; for woman and families capcom set up additional Asobi Oukoku peekaboo sites and kids' Corners that targeted children. Nonetheless, segment results were soft, partly because of the lack of a high-performance product as well as sluggish demand due to the dispersion of entertainment toward smartphone games. During the period under review, Capcom developed arcade operations through its scrap and build strategy, and opened four arcades including the "Amuse Factory Tokoname" (Aichi Prefecture) and the innovative "Capcom Café" (Saitama Prefecture), while closing three arcades, bringing the total number of arcades to 34. As a result, net sales were 9.056 billion yen (down 2.0% from the previous fiscal year), and operating income was 699 million yen (down 25.6% from the previous fiscal year), with both sales and profit declining year on year. [Diagram29]



Outlook for the Next Fiscal Year

Amid Signs of Recovery in the Market Environment, Capcom Expects Operating Income to Increase 14.4% through the Creation of New Earnings Opportunities

In terms of market outlook, we expect conditions to remain the same as in the previous year. In addition to the ongoing resurgence in prize games, we expect the introduction of popular arcade cabinets to increase customer traffic. Furthermore, revisions to the Entertainment and Amusement Trades Act (Entertainment and Amusement Trades Rationalizing Act) in June 2016 relaxed restrictions on the amount of time young people can spend in arcades when accompanied by a guardian, which is expected to give the market a boost.

customers, Capcom characters will be used to create themed "Capcom Café" restaurants and "Chara Cap" stores specializing in character merchandise will be opened among other efforts focused on expanding customers and creating new earnings opportunities. In terms of the opening and closing of facilities, in an attempt to further strengthen efficient arcade management operations, we will open new facilities in locations with high concentrations of customers to secure new revenue streams. Next fiscal year, we plan to open three facilities with no closures, resulting in a total of 37 facilities.

Next fiscal year (ending March 31, 2017), Capcom will promote streamlining of arcade management through its ongoing scrap and build policy to ensure earnings at the same level as the previous fiscal year through the creation of new earnings opportunities. Ongoing senior events will be held with the aim of attracting middle-aged and senior

As a result of these measures, expecting year on year sales of existing stores to be 100%, we forecast net sales of 9 billion yen (down 0.6% from the previous year) and operating income of 800 million yen (up 14.4% from the previous year).

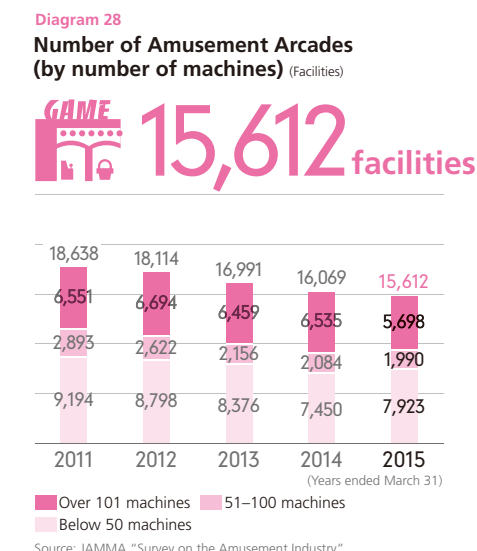


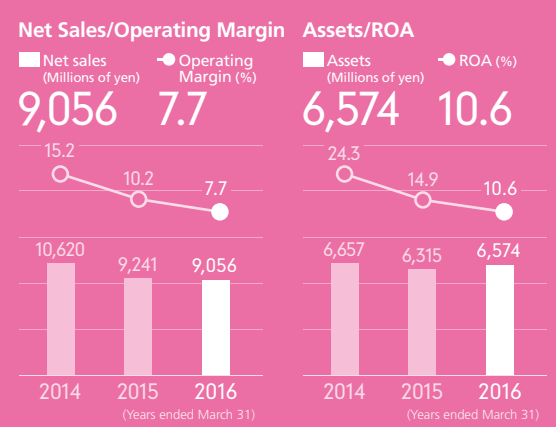
Diagram 29  
Comparison of Arcade Operations Performance (Year ended March 31, 2016)

Company	Net sales (Billions of yen)	Operating income (Billions of yen)	Operating margin (%)
Capcom	9.0	0.7	7.7
Adores	12.8	0.6	5.1
Aeon Fantasy	58.8	2.7	4.7
Sega Sammy	38.0	1.8	4.7
Bandai Namco	58.6	Undisclosed	-

Source: Financial reports and earnings materials of each company (Aeon Fantasy fiscal year ended February 2016)  
Note: Segments include businesses other than arcade facilities operations and exclude corporate.

# Arcade Operations

We operate "Plaza Capcom" amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.



SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

<ul style="list-style-type: none"> <li>Specialize in opening arcades in large shopping centers to secure a stable customer base</li> <li>Sales floor planning and management capabilities supporting customers</li> <li>Thorough scrap-and-build strategy focused on investment efficiency to ensure sustainable earnings</li> </ul>	<ul style="list-style-type: none"> <li>Low sales growth rate due to small number of carefully selected facilities</li> <li>Little synergy with proprietary contents</li> </ul>
<ul style="list-style-type: none"> <li>Expand ability to draw customers by introducing popular machines</li> <li>Increase customers with appeals targeting seniors and children</li> <li>Multifaceted roll-out of merchandise sales, restaurants and other businesses using Capcom contents</li> </ul>	<ul style="list-style-type: none"> <li>Potential customer segment shrinking due to falling birth rate</li> <li>Increased consumption tax</li> <li>Entertainment diversification due to rapid growth of games for smartphones</li> </ul>

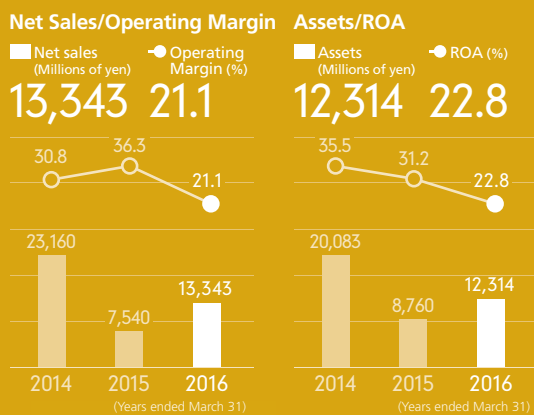






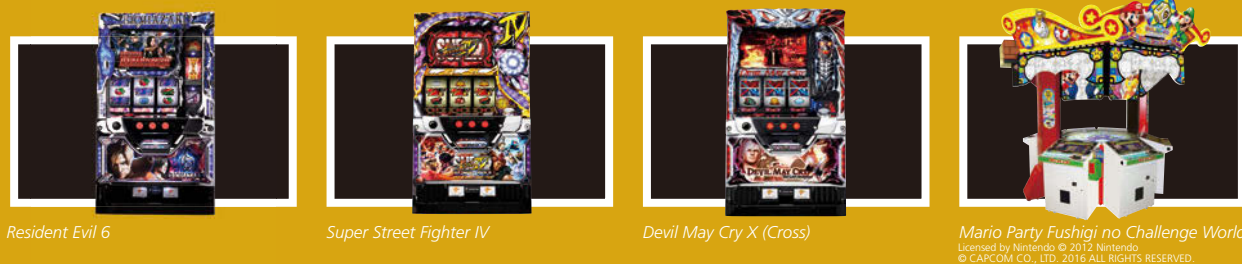
# Amusement Equipments

We are engaged in two businesses that utilize the contents used for our home video games. The Pachinko & Pachislo (PS) business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and sells arcade games for amusement facilities, creating synergy between businesses.



### SWOT Analysis

- S: Strengths W: Weaknesses O: Opportunities T: Threats
- High quality development capabilities cultivated through home video games
  - Multiple usage of rich in-house contents
  - Ability to observe real-time market trends through company-owned arcades
  - Small title lineup
  - Shortage development staff
  - Declining operator and hall investment appetite
  - Long-term market stagnation
  - Market fluctuations resulting from changes to The Entertainment Establishments Control Law and certification rules



### Market Trends and Operating Results for This Fiscal Year

#### Amid Continued Severe Market Conditions, Net Sales Increased 77.0% on Launch of Popular Pachislo Machines

In the previous fiscal year (ended March 31, 2015), the gaming machine market shrank to 1,069.3 billion yen (down 5% from the previous year). This was due to a temporary decline in the number of new machines launched resulting from changes to rules concerning pachislo machine model certification\*1 by the Security Electronics and Communications Technology Association that went into effect in September 2014 in the pachislo market, as well as the fifth straight year of declines in the Pachinko market. [Diagram30] In the arcade game market, although sales of claw crane and prize games were firm, arcade game and coin-operated game sales declined significantly, resulting in the third consecutive year of negative growth at 151.1 billion yen (down 7.5% from the previous year). [Diagram31] This year (ended March 31, 2016), the gaming machine market remained weak on the

impact of pachinko machine gambling restrictions and pachislo machine third stage rule changes.\*2 In the arcade game machine market, despite continued sluggishness in coin-operated games, popular music games and kids' card games helped maintain the same level as in the previous year.

This fiscal year (ended March 31, 2016), in the Pachinko and Pachislo sub-segment, the popularity of the Resident Evil 6 brand resulted in sales of 37,000 units, driving sales beyond initial projections to support earnings. In the Arcade Games Sales sub-segment, sales of Luigi Mansion Arcade were weak reflecting the sluggish market, while crossbeats REV. for arcades also struggled.

As a result, net sales were 13.343 billion yen (up 77.0% from the previous year) and operating income was 2.812 billion yen (up 2.8% from the previous year).

Diagram 30 Gaming Machines Market (Billions of yen)

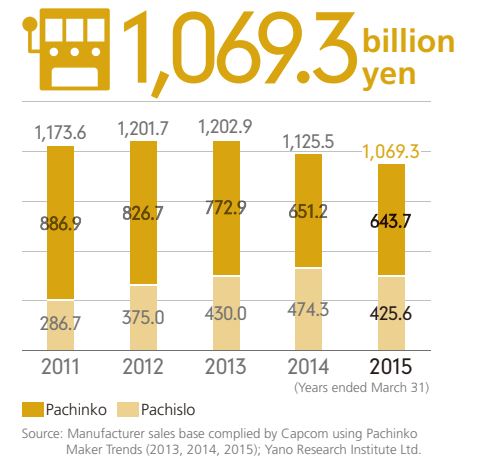
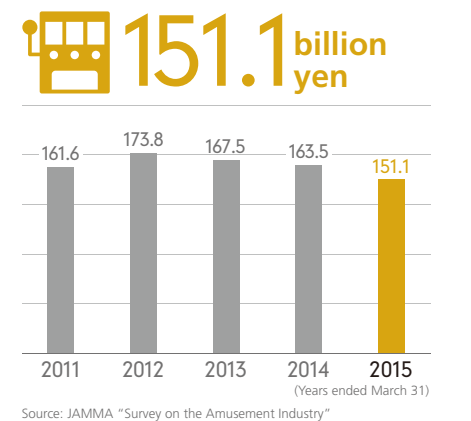


Diagram 31 Arcade Game Market (Billions of yen)



### Outlook for the Next Fiscal Year

#### Projecting Increases in Net Sales of 12.4% and Operating Income of 6.7% on Provision of New Machines Making Use of Popular Brands

In terms of the market outlook, despite the passage of rule changes affecting pachislo machines, top-selling product sales lots are on the decline, thus we anticipate demand will weaken. With respect to Pachinko machines, cabinet profitability will decline in line with gambling restrictions, thus investment in hall gaming machines will be increasingly selective. Accordingly, companies will steer towards cabinet development focused on efficiency and control development costs.

In the PS sub-segment, Capcom aims to increase unit sales by (1) stably providing proprietary cabinets, (2) securing a strong sales network and improving development quality through an alliance with major sales company Fields Corp., and (3) releasing proprietary pachislo machines not dependent on gambling with a variety of

clever video elements and playing styles making use of popular consumer content. Next fiscal year, we are projecting sales of 55,000 units comprising four machines including Super Street Fighter IV and Devil May Cry X (Cross). In the Arcade Games Sales sub-segment, we expect performance to remain at the same level as in the previous year based on the resurgence of prizes and sales of popular arcade games. Accordingly, we plan to release new machines making use of popular content belonging to other companies, including Mario Party Fushigi no Challenge World.

As a result of these measures, we expect sales and profits to rise in the next fiscal year. We forecast sales of 15 billion yen (up 12.4% from the previous year) and operating income of 3 billion yen (up 6.7% from the previous year).

\*1 Model certification: A public test to verify whether or not gaming machines are in accordance with regulations conducted by the Security Communications Association on behalf of public safety commissions in each of Japan's administrative divisions.

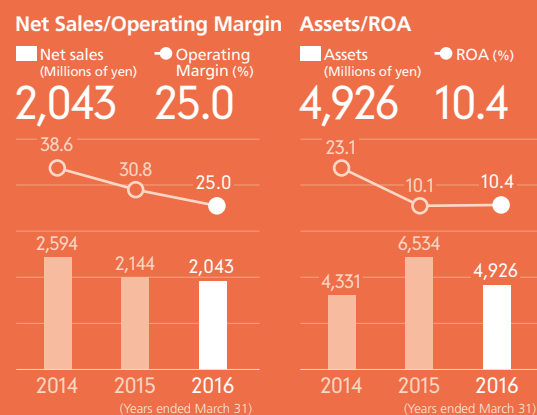
\*2 Changes to certification methods: Three self-imposed restraints implemented in stages. Up to November 2014 (1) guarantee a minimum (55%) ball dispensing ratio, (2) implement limits on penalty functions, and from December 2015 (3) implement functional limitations in sub-substrates.





## Other Businesses

Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandise). Furthermore, we are concentrating on developing game content into movie and TV animation programs.



SWOT Analysis S: Strengths W: Weaknesses O: Opportunities T: Threats

- Synergetic effect from multifaceted use of rich contents
- Brand value increased through high media exposure
- High profitability
- Low return of sales from licensed products
- Expansion into film, animation, comics, stage productions, orchestral performances and other development media
- Contents business demand area expansion
- Direct competition with other company's contents as a result of globalization



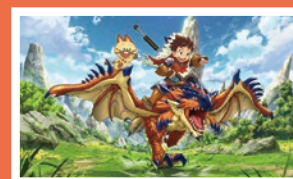
Resident Evil: The Escape 2



Monster Hunter: The Real 2



Gyakuten Saiban: Sono "Shinjitsu", Igiari!  
© CAPCOM/Yomiuri TV, A-1 Pictures



Monster Hunter Stories RIDE ON  
© CAPCOM/MHST Committee

### Operating Results for This Fiscal Year

#### Net Sales Declined 4.7% Remaining the Same as the Previous Fiscal Year, While Operating Income Decreased 22.7%

Capcom's strength is its ability to utilize its rich library of content across multiple mediums, reaping the benefits of the highly synergetic effects of consumer and online games. In particular, the brand value of our movie-related business has risen through extensive media exposure. This leads to greater sales of video game software and the long-term maintenance of content value, completing a virtuous sales cycle. These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile contents, walkthrough and strategy guides and character merchandise, as well as movies, TV animation, theatrical productions and other events in a variety of areas in connection with the release of our game software. [Diagram32,33]

➔ Please refer to "Capcom's Business Model" on pages 13-14.

This fiscal year, in conjunction with the release of *Monster Hunter X (Cross)*, we held "Monster Hunter Festa '16" in January 2016 in five cities across Japan. We also made efforts to appeal to existing users and acquire new fans through experience-based events including "Resident Evil: The Escape 2" and "Monster Hunter: The Real 2" conducted in collaboration with Universal Studios Japan at "Universal Cool Japan 2016" held in February 2016. We also continue appealing to non-game users through the *Sengoku BASARA* series TV animation and theatrical productions.

As a result, net sales were 2.043 billion yen (down 4.7% from the previous year) and operating income was 511 million yen (down 22.7%), reflecting the recognition of amortization expenses in line with our new R&D facility, which was responsible for declines in sales and profit.

### Outlook for the Next Fiscal Year

#### Further Enhancement of Single Content Multiple Usage Developments


Until now, Capcom has aggressively promoted the horizontal deployment of intellectual properties (contents) based on the Single Content Multiple Usage strategy. In Japan, TV animation "Gyakuten Saiban: Sono "Shinjitsu", Igiari!" will be broadcast in conjunction with the release of *Ace Attorney 6*. In line with the October 2016 release of Consumer game *Monster Hunter Stories*, the first *Monster Hunter* TV animation will be broadcast. In conjunction with the overseas release of *RESIDENT EVIL 7 biohazard*, the Hollywood movie "Resident Evil: The Final Chapter" will be released

in Japan in December 2016, then globally in January 2017. We will endeavor to expand licensing earnings and improve brand value through movies and other media for a variety of other series.

As a result of these measures, the next fiscal year earnings forecast calls for net sales of 2 billion yen (down 2.1% from the previous year) and operating income of 200 million yen (down 60.9% from the previous year). The reason for the decline in profitability is the recognition of amortization expenses in line with our new R&D building.

Diagram 32

#### Revenue Ranking of Japanese Game Contents that Have Been Adapted into Hollywood Movies




Title	Original writer company	Box-office revenue (worldwide)
RESIDENT EVIL: AFTERLIFE	Capcom	\$296,221,663
RESIDENT EVIL: RETRIBUTION	Capcom	\$240,159,255
RESIDENT EVIL: EXTINCTION	Capcom	\$147,717,833
RESIDENT EVIL: APOCALYPSE	Capcom	\$129,394,835
RESIDENT EVIL	Capcom	\$102,441,078
STREET FIGHTER	Capcom	\$99,423,521
SILENT HILL	Konami	\$97,607,453
FINAL FANTASY: THE SPIRITS WITHIN	Square	\$85,131,830
SUPER MARIO BROS.	Nintendo	\$20,915,465
HOUSE OF THE DEAD	Sega	\$13,818,181

As of June 30, 2016 (Capcom figures)

Diagram 33

#### List of Our Main Content that Has Been Adapted into Movies and Theatrical Productions



Movie		
Street Fighter II	Aug. 1994	Animated movie
Street Fighter	Dec. 1994	Hollywood movie
Resident Evil	Mar. 2002	Hollywood movie
Resident Evil: Apocalypse	Sep. 2004	Hollywood movie
Resident Evil: Extinction	Nov. 2007	Hollywood movie
Resident Evil: Degeneration	Oct. 2008	CG movie
Resident Evil: Afterlife 3D	Sep. 2010	Hollywood movie
Sengoku BASARA -The Last Party-	Jun. 2011	Animated movie
Ace Attorney	Feb. 2012	Movie
Resident Evil: Retribution	Sep. 2012	Hollywood movie
Resident Evil: The Final Chapter	Dec. 2016	Hollywood movie
TV animation		
Street Fighter II V	Apr. 1995	TV animation
Mega Man Battle Network	Mar. 2002	TV animation
Sengoku BASARA	Apr. 2009	TV animation
Gyakuten Saiban: Sono "Shinjitsu", Igiari!	Apr. 2016	TV animation
Monster Hunter Stories RIDE ON	Oct. 2016	TV animation
Theatrical production		
Phoenix Wright: Ace Attorney -The Truth Comes Back to Life	Feb. 2009	Takarazuka Revue Company
Sengoku BASARA	Jul. 2009	Theatrical production
Phoenix Wright: Ace Attorney 2	Aug. 2009	Takarazuka Revue Company
Prosecutor Miles Edgeworth: Ace Attorney 3	Jan. 2013	Takarazuka Revue Company
Sengoku BASARA	Jun. 2013	Takarazuka Revue Company
Sengoku BASARA vs Devil May Cry	Aug. 2015	Theatrical production
BIOHAZARD THE STAGE	Oct. 2015	Theatrical production
TV drama		
Sengoku BASARA -MOONLIGHT PARTY-	Jul. 2012	TV drama