



Capcom Co., Ltd.
(Tokyo Stock Exchange,
First Section, 9697)

Overview of Strategies and Plans
Fiscal Year ending March 31, 2019

Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diverging user needs and other changes in market conditions.

Factors that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) consumer demand for home video game consoles; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.

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1. Growth Strategies

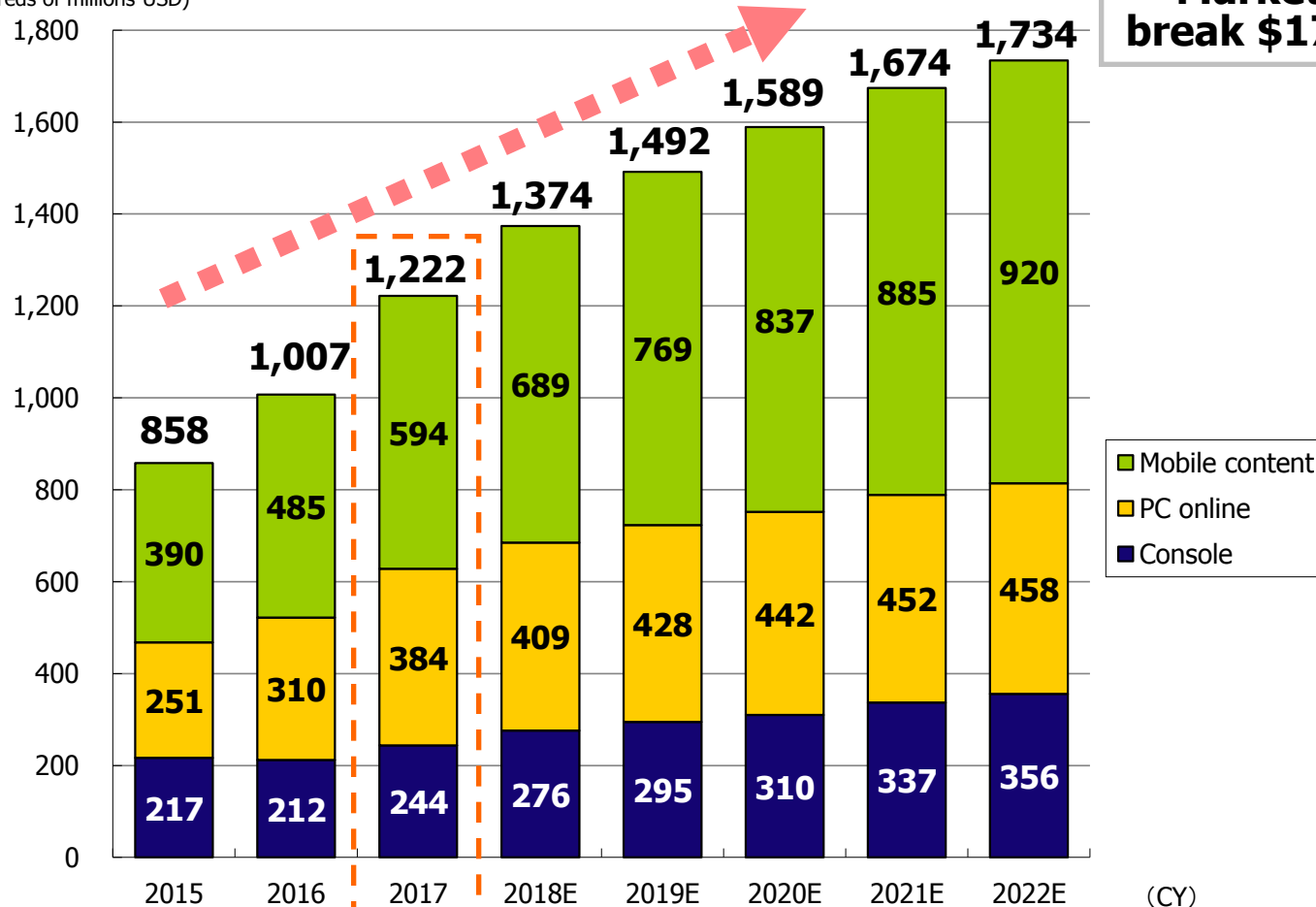
1-1. Market Overview

Global game market continuing to expand

In addition to mobile driving growth, each market expected to expand

■ Video Game Market

(hundreds of millions USD)



Market set to break \$170 billion

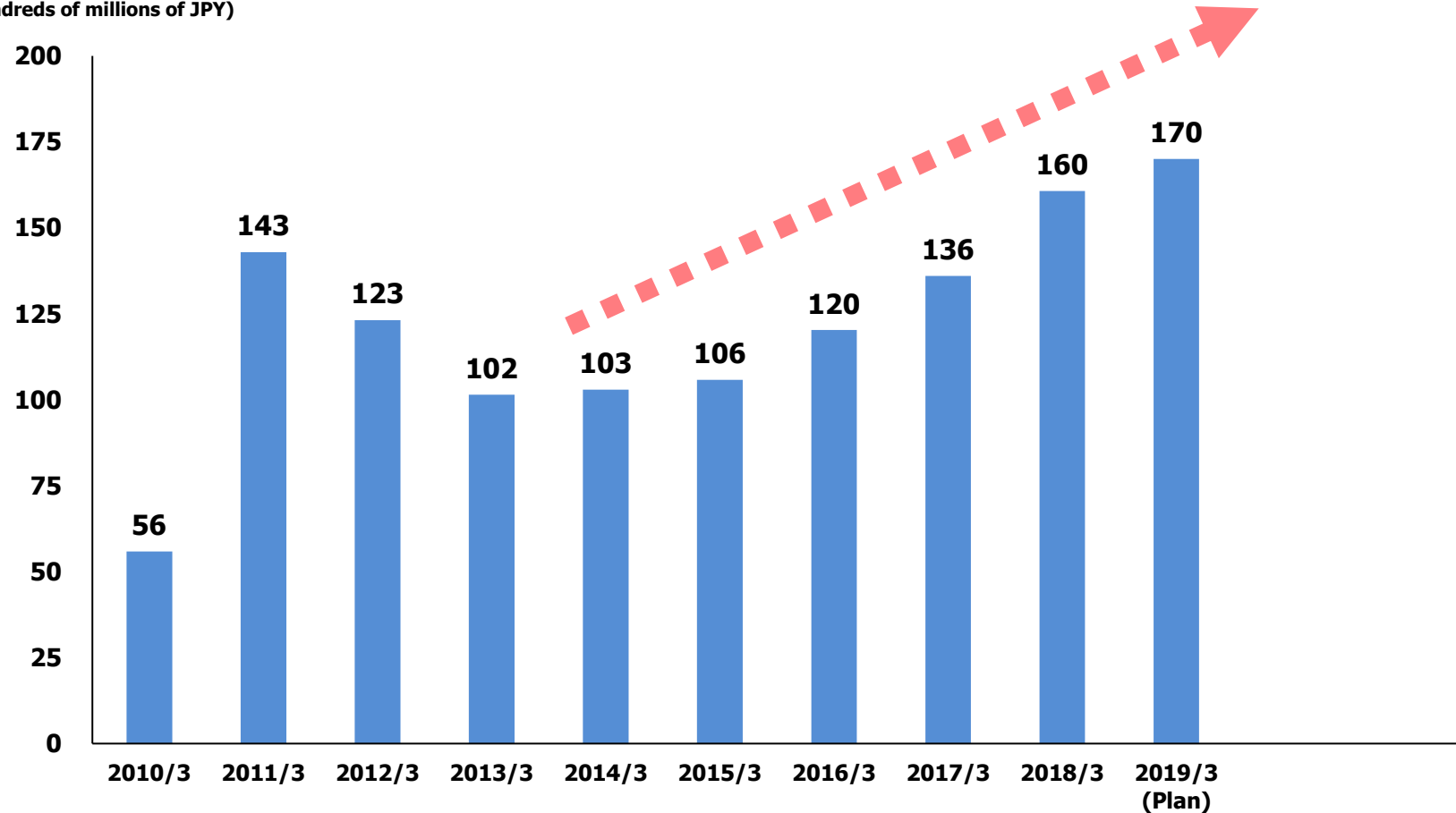
E: Estimate *Source : Data prepared from International Development Group

1-2. Medium-Term Goals Going Forward

■ Medium-term Management Objective

- Aim for annual increase of operating income, driven by stable earnings

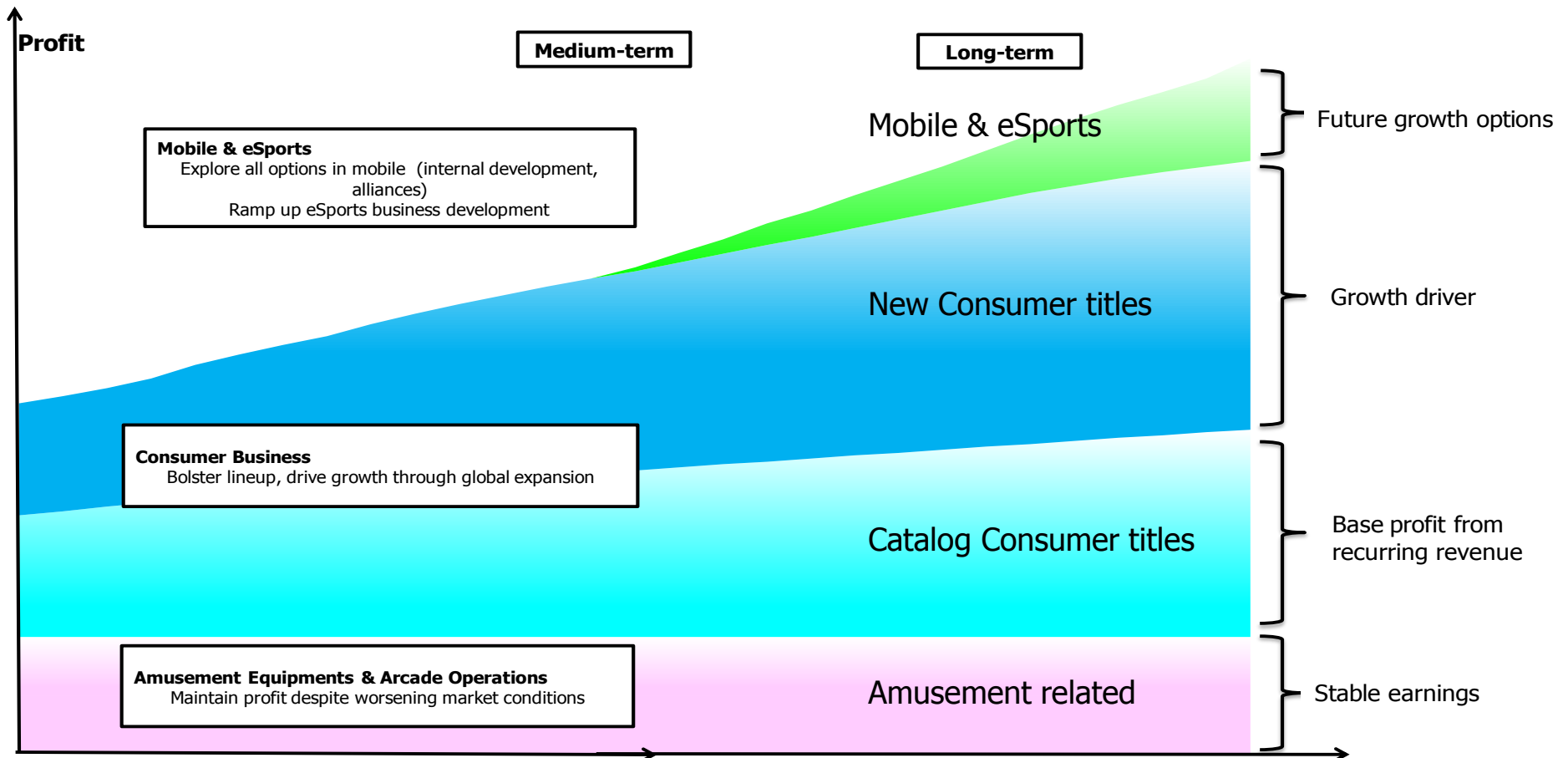
(hundreds of millions of JPY)



1-2. Medium-Term Goals Going Forward

■ Annual Operating Income Growth for the Medium-Term

- Currently working to establish a stable growth foundation and a system for additional growth
- Aiming to further our home video game business overseas and expand our customer base



■ Strategy for stable growth

■ Consumer Business: Expand lineup of new titles and build up back-catalog

- New titles: Regularly release titles for major IP while also utilizing dormant IP and remakes
- Catalog titles: Extend sales life of catalog titles, such as with sales of *Monster Hunter: World* and with rereleases for current-generation hardware
- Strengthen digital downloads for both new and past titles

■ Mobile Business: Develop titles both internally and through alliances

- Explore new developments, continue forging alliances in Japan and around the world

■ Other Businesses: Strengthen eSports business

- Having established a dedicated eSports division, grow business by holding events in Japan

■ PS Business: Build development structure to handle new regulations

2. Forecasts for FY3/19

2. Forecasts for FY3/19

**Aim for six consecutive years of increased operating income
driven by growth in the Digital Contents business**

(in millions of JPY)

	2018/3	2019/3 Plan	Difference
Net sales	94,515	96,000	1,485
Operating income	16,037	17,000	963
Operating margin	17.0%	17.7%	-
Ordinary income	15,254	16,500	1,246
Net income attributable to owners of the parent	10,937	12,000	1,063

- Increase sales and profit year-over-year through stable growth in the Consumer business and improvements to the Amusement Equipments business
- Earnings per share forecast: ¥109.60
- Dividend forecast: interim dividend of ¥15 and year-end dividend of ¥15 resulting in a ¥30 dividend for the fiscal year (payout ratio: 27.4%)

*A 2-for-1 stock split of common stock was executed, effective April 1, 2018

3. Business Segments Highlights

3-1. Digital Contents

3-1. Digital Contents – Strategic Objectives and Plan (1)

Promote global expansion of major titles

Plan to launch mobile titles developed through alliances

■ Consumer Strategies

● Promote global expansion of major brands

- *Monster Hunter: World* broke 8 million units* shipped; aim to grow global unit sales with continued promotion, and with PC version *As of April 16, 2018
- As with Title Update One (March 22) and Title Update Two (April 19), will release multiple updates to maintain players' interest and catalog sales
- Planning to release 2 major titles

● Grow earnings with digital downloads of new and catalog titles

- Digital revenue forecast: 46.3% of Consumer net sales

■ Mobile Strategies

- Launch *Dai Gyakuten Saiban 2* for Android/iOS in April
- Expand alliances both in Japan and overseas leveraging our IP

3-1. Digital Contents – Strategic Objectives and Plan (2)

Focus on catalog sales of major titles
Unit sales overall on par with previous fiscal year

■ FY3/19 Unit Sales Plan for the Consumer business

(in thousands)

	2017/3	2018/3	2019/3 Plan	Difference
Titles (SKU)	42	50	53	3
Package				
Japan	3,500	3,400	2,000	-1,400
North America	4,300	4,300	5,300	1,000
Europe	2,200	2,900	3,250	350
Asia	400	900	750	-150
Package Total	10,400	11,500	11,300	-200
Digital download contents				
Full-game download	9,000	12,900	13,700	800
Total	19,400	24,400	25,000	600

3-1. Digital Contents – Strategic Objectives and Plan (3)

Promote catalog sales of *Monster Hunter: World*
Unit sales of catalog titles expected to grow significantly

■ Breakdown of FY3/19 New and Catalog Consumer Unit Sales and Major Titles

(thousands of units)

	2016/3	2017/3	2018/3	2019/3 Plan
Consumer				
NEW				
major titles	Monster Hunter X (Cross) Street Fighter V Resident Evil 0 HD Remaster	Resident Evil 7 Monster Hunter XX (Double Cross) Resident Evil 5 (Re-release) Resident Evil 4 (Re-release)	Monster Hunter: World Marvel vs. Capcom: Infinite Resident Evil: Revelations 1& 2 (Re-releases)	Major Title 1 Major Title 2 others
New Unit Sales	8,000	10,600	13,400	7,400
CATALOG				
major titles	Resident Evil: Revelations 2 Monster Hunter 4G	Monster Hunter X (Cross) Resident Evil 6 (Re-release)	Resident Evil 7 Monster Hunter XX (Double Cross)	Monster Hunter: World others
Catalog Unit Sales	7,000	8,800	11,000	17,600
Titles (SKU)	45	42	50	53
Total	15,000	19,400	24,400	25,000

*Titles released within a given fiscal year calculated as new titles; titles released prior to a given fiscal year calculated as catalog titles.

3-1. Digital Contents – Strategic Objectives and Plan (4)

**Expect increased sales and profit driven
primarily by stable growth of Consumer business**

■ Digital Contents Plan

(hundreds of millions of JPY)

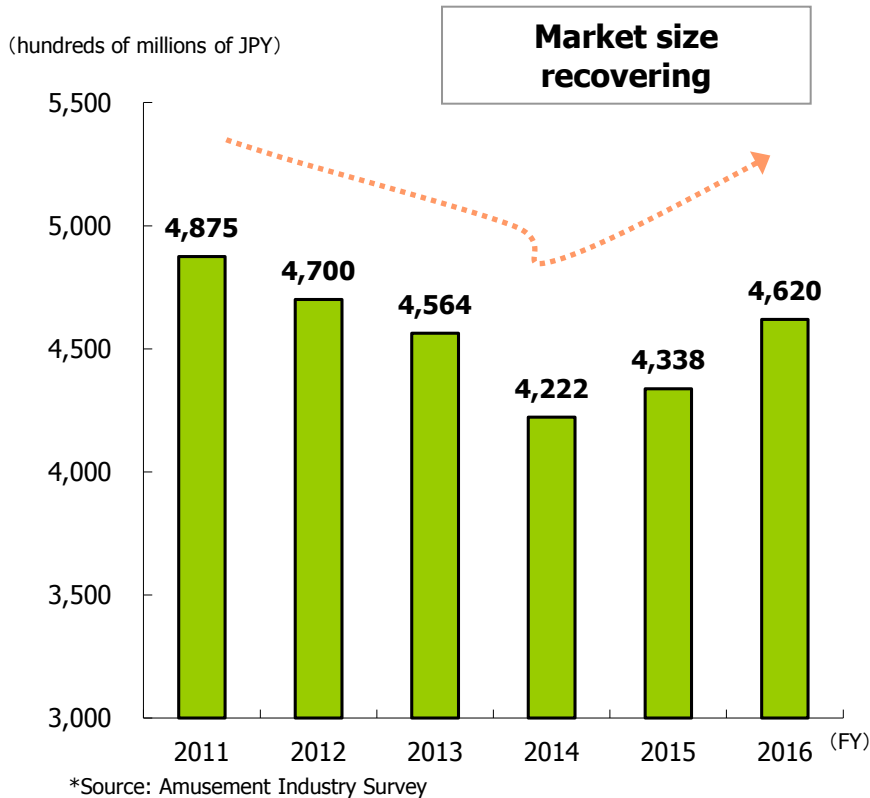
	2017/3	2018/3	2019/3 Plan	Difference
Net sales	587	741	755	14
Operating income	110	191	200	9
Operating margin	18.9%	25.8%	26.5%	—
Breakdown of Net Sales				
Package	337	383	360	-23
Digital download contents	155	269	310	41
Consumer total	492	652	670	18
Mobile Contents	38	41	55	14
PC Other	57	48	30	-18

3-2. Arcade Operations

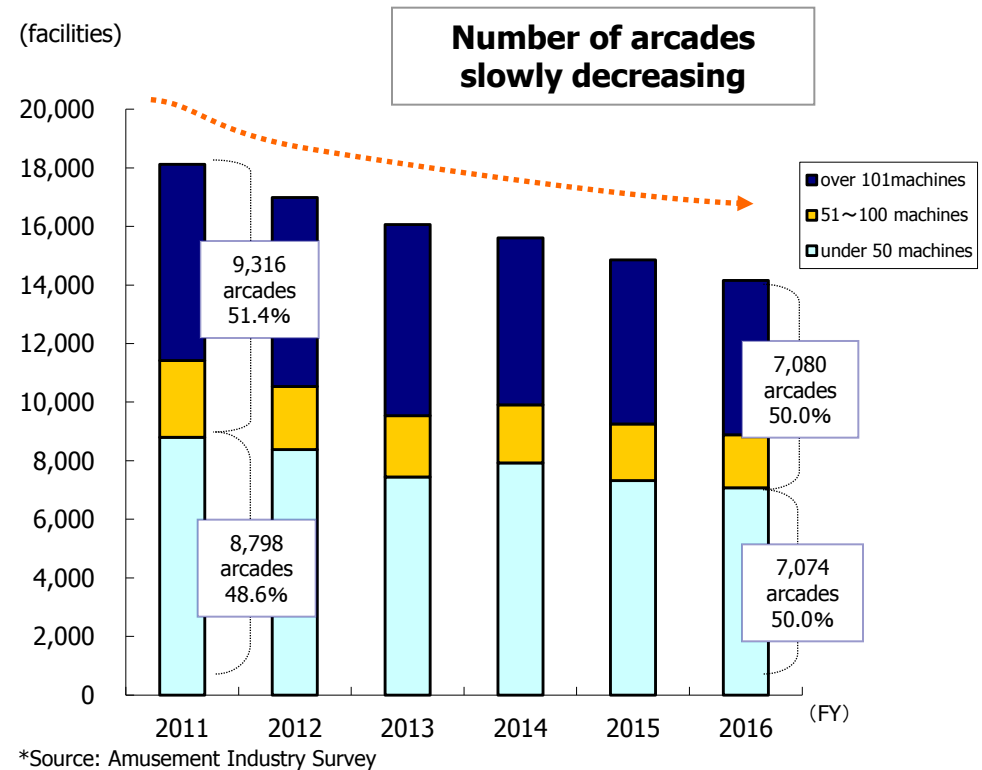
3-2. Arcade Operations – Market Overview

Overall market recovering in size despite continued trend of less facilities

■ Amusement Arcade Market



■ Number of Amusement Arcades by number of machines



3-2. Arcade Operations – Strategic Objectives and Plan

Same store sales set to improve with market recovery
Pursue business expansion through new store openings

■ Arcade Operations Strategy

● Develop new formats and promote tie-ups with other businesses

- Projected same store sales: +2%
- Plan to open 4 new stores and close no stores, for a total of 40 stores
- Build out market foundation through running Capcom Esports Club
- Promote business synergies with Consumer game demos and other game community events

■ Arcade Operations Plan

(hundreds of millions of JPY)

	2017/3	2018/3	2019/3 Plan	Difference
Net sales	95	102	110	8
Operating income	7	8	10	2
Operating margin	7.9%	8.6%	9.1%	-
Same store sales	2%	2%	2%	-



Plaza Capcom Hiroshima

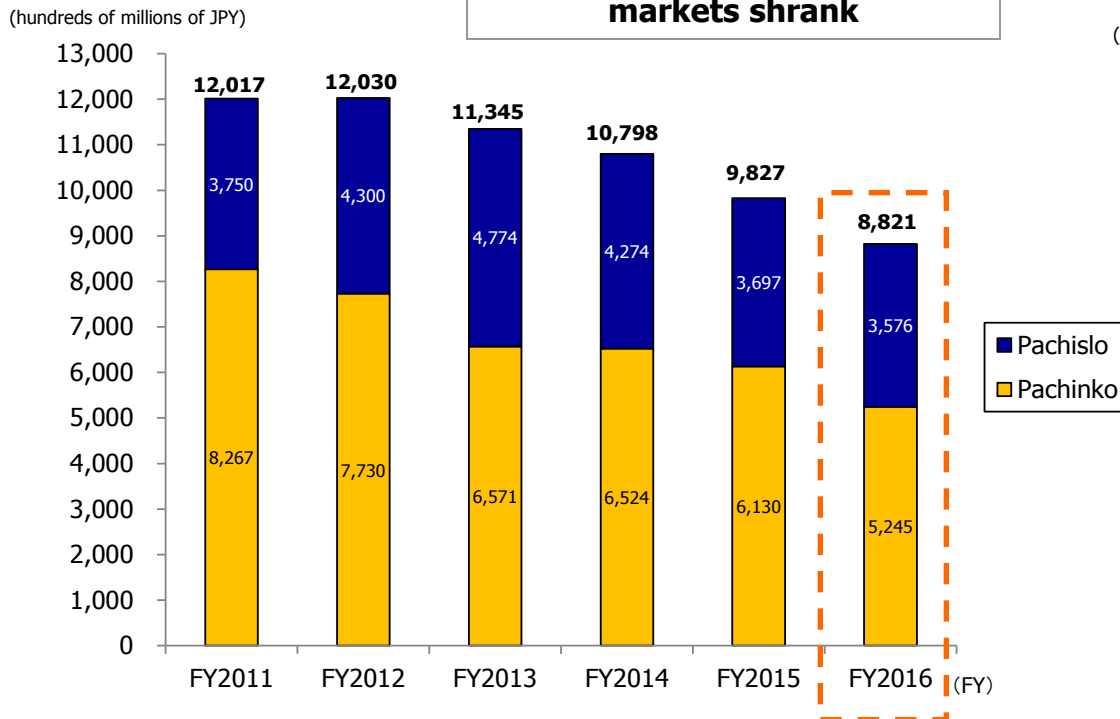
3-3. Amusement Equipments

3-3. Amusement Equipments – Market Overview

Pachislo market on downward trend following 2014 regulation changes for model certification

■ Pachinko & Pachislo Machines Market

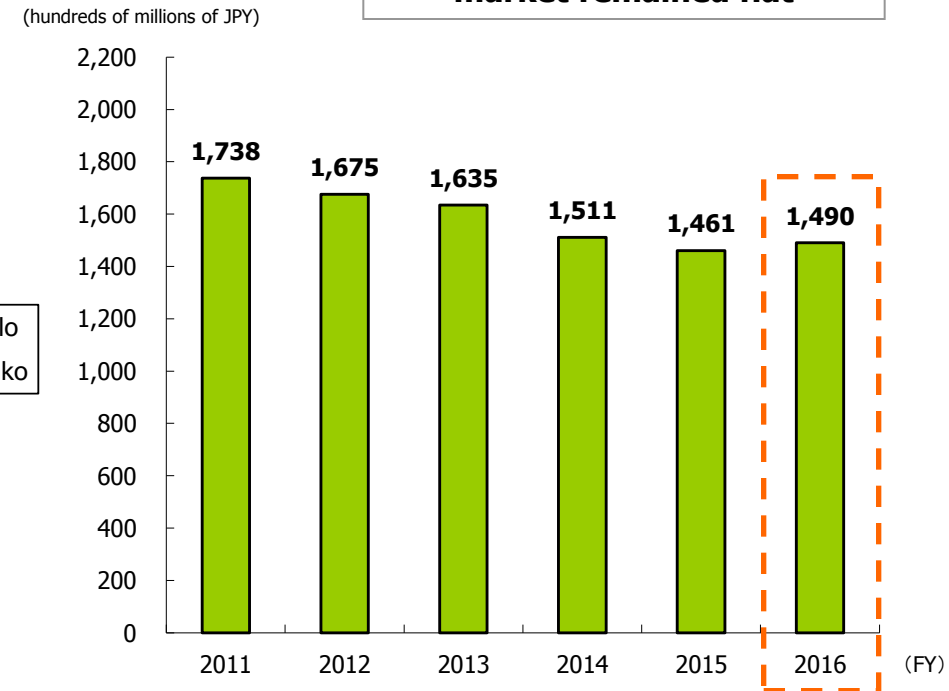
The pachinko and pachislo markets shrank



*Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2016, 2017); Yano Research Institute Ltd.

■ Arcade Machines Market

The arcade machine market remained flat



*Source: Amusement Industry Survey

3-3. Amusement Equipments – Strategic Objectives and Plan

Concentrate on sales along with PS market environment
Decrease of costs associated with Arcade Games Sales

■ Pachinko & Pachislo Strategy

- Regularly release models that utilize popular franchises
 - Capcom Pachislo Machine Unit Sales Plan: five models; 24,000 units
 Scheduled releases: *Okami ~Kaidouhen~* June 2018

■ Arcade Games Sales Strategy

- Continue to sell existing products

■ Amusement Equipments Plan

(hundreds of millions of JPY)

	2017/3	2018/3	2019/3 Plan	Difference
Net sales	168	78	70	-8
Operating income	51	-7	10	17
Operating margin	30.3%	-	14.3%	-

*Ratio of Pachinko & Pachislo to Arcade Games Sales approx. 9:1



Pachislo Machine
Okami ~Kaidouhen~

3-4. Other Businesses

3-4. Other Business – Strategic Objectives and Plan

Work to grow eSports

Promote our Single Content Multiple Usage Strategy

■ Esports Strategy

- **Create business opportunities within esports**
 - Established dedicated business division (eSports Group)
 - Hold the CAPCOM Pro Tour Japan Premier Tournament, award points to high ranking players for the CAPCOM CUP 2018 world championship to energize the Japanese market



■ Character Contents Strategy

- **Increase awareness of major brands with collaborations, TV and movies**
 - Animated TV show *Gyakuten Saiban: Sono "Shinjitsu", Igiari! Season 2* begins airing fall 2018
 - Monster Hunter: The Real running at Universal Cool Japan 2018

■ Other Businesses Plan

(hundreds of millions of JPY)

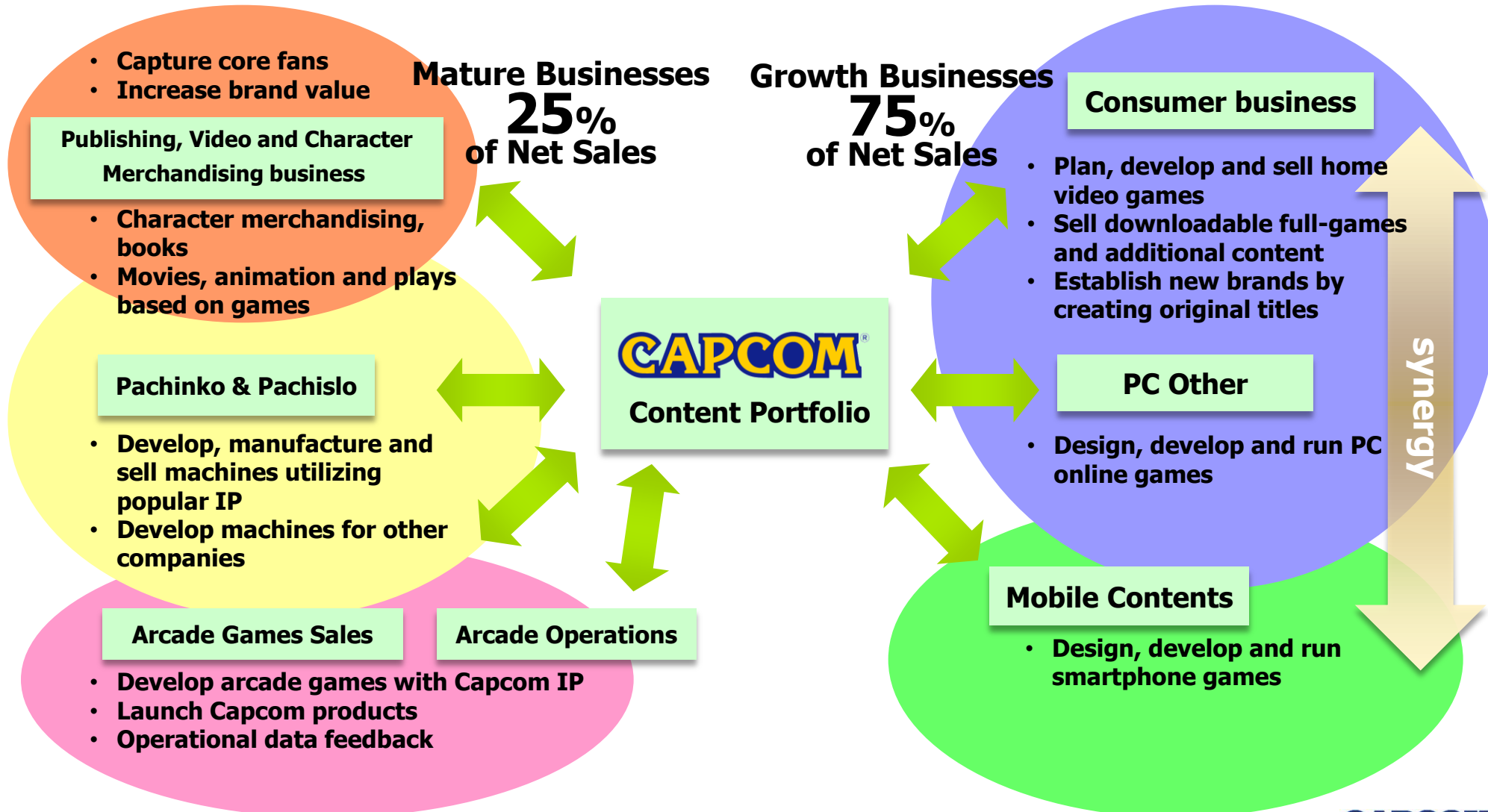
	2017/3	2018/3	2019/3 Plan	Difference
Net sales	20	23	25	2
Operating income	9	11	-4	-15
Operating margin	46.5%	48.2%	-	-

4. Additional Information (1)

About Capcom

4-1. Capcom's Businesses

Capcom uses its game content as the basis for a broad range of business activities



4-3. Capcom's Competitive Edge

Global popularity backed by many well-known home video games brands

■ A strong lineup of titles

1. In addition to numerous successful home video games, Capcom owns a wealth of superior, proprietary content:

· <i>Resident Evil</i> series:	83 million units	· <i>Monster Hunter</i> series:	48 million units
· <i>Street Fighter</i> series:	40 million units	· <i>Devil May Cry</i> series:	16 million units
· <i>Dead Rising</i> series:	12 million units	· <i>Dragon's Dogma</i> series:	4 million units

(as of March 31, 2018)

■ A world-leader in game development and technology

1. We regularly produce hit games of world-class quality, made possible by our development capabilities
2. In order to achieve world-beating technological strength, we have built an efficient development environment, complete with a cutting-edge R&D building and top-of-the-line development tools



5. Additional Information (2)

Summary of Major Financial Information

Summary of Major Financial Information (1)

● Profit and Loss Statement

(millions of JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
Net sales	77,021	87,170	94,515	108.4%	96,000	101.6%
Gross profit	29,846	30,731	34,619	112.7%	38,000	109.8%
% margin	38.8%	35.3%	36.6%	-	39.6%	-
Sales and G&A expenses	17,816	17,080	18,582	108.8%	21,000	113.0%
Operating income	12,029	13,650	16,037	117.5%	17,000	106.0%
% margin	15.6%	15.7%	17.0%	-	17.7%	-
Ordinary income	11,348	12,589	15,254	121.2%	16,500	108.2%
% margin	14.7%	14.4%	16.1%	-	17.2%	-
Net income attributable to owners of the parent	7,745	8,879	10,937	123.2%	12,000	109.7%
% margin	10.1%	10.2%	11.6%	-	12.5%	-

● Sales by Business Segments

(millions of JPY)

		2016/3	2017/3	2018/3	%	2019/3 Plan	%
Digital Contents	Net sales	52,577	58,704	74,141	126.3%	75,500	101.8%
	Operating income	12,167	11,096	19,103	172.2%	20,000	104.7%
	Operating margin	23.1%	18.9%	25.8%	-	26.5%	-
Arcade Operations	Net sales	9,056	9,525	10,231	107.4%	11,000	107.5%
	Operating income	699	752	879	117.0%	1,000	113.8%
	Operating margin	7.7%	7.9%	8.6%	-	9.1%	-
Amusement Equipments	Net sales	13,343	16,856	7,803	46.3%	7,000	89.7%
	Operating income	2,812	5,106	-764	-	1,000	-
	Operating margin	21.1%	30.3%	-	-	14.3%	-
Others	Net sales	2,043	2,083	2,338	112.2%	2,500	106.9%
	Operating income	511	969	1,126	116.2%	-400	-
	Operating margin	25.0%	46.5%	48.2%	-	-	-

● Sales by Geographic Area

(millions of JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
Japan	57,737	55,804	52,253	93.6%	50,000	95.7%
North America	12,384	20,018	24,154	120.7%	27,500	113.9%
Europe	5,221	9,007	12,035	133.6%	14,000	116.3%
Others	1,681	2,340	6,072	259.5%	4,500	74.1%

Summary of Major Financial Information (2)

● Promotional Expense

(millions of JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
Capcom Japan	1,930	1,886	1,895	100.5%	2,000	105.5%
Consolidated	3,832	4,764	5,579	117.1%	6,000	107.5%

● Number of Stores

(facilities)

	2016/3	2017/3	2018/3	Difference	2019/3 Plan	Difference
Consolidated	34	36	36	-	40	4

● Capital Expenditure

(millions of JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
Capcom Japan	1,949	2,117	1,892	89.4%	3,500	185.0%
Consolidated	5,937	2,622	2,918	111.3%	4,500	154.2%

● Depreciation

(millions of JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
Capcom Japan	4,929	5,211	3,786	72.7%	3,000	79.2%
Consolidated	5,712	5,980	4,706	78.7%	4,000	85.0%

● Number of Employees

(Persons)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
Consolidated	2,839	2,811	2,952	105.0%	3,100	105.0%
Consolidated Developers	2,052	1,994	2,141	107.4%	2,250	105.1%

● R&D Investment Cost

(millions of JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
R&D Investment Cost	27,255	27,720	29,077	104.9%	30,000	103.2%
Technical R&D Cost	1,073	695	1,189	171.1%	1,000	84.1%

● Foreign Exchange Rate (end of March)

(JPY)

	2016/3	2017/3	2018/3	%	2019/3 Plan	%
USD/ ¥	112	112	106	94.6%	110	103.8%
Euro/ ¥	127	119	130	109.2%	125	96.2%

Summary of Major Financial Information (3)

● Sales Units Shipped <platform>

(thousand units)

		2016/3	2017/3	2018/3	Difference	2019/3 Plan	Difference
Playstation 3	Titles (SKU)	19	16	14	-2	-	-
Playstation 4	Sub Total	3,500	4,700	8,250	175.5%	-	-
PSP	Titles (SKU)	8	5	1	-4	-	-
PS Vita	Sub Total	300	150	0	0.0%	-	-
Wii/Wii U	Titles (SKU)	-	-	7	7	-	-
Nintendo Switch	Sub Total	100	0	1,100	-	-	-
Nintendo DS	Titles (SKU)	7	5	8	3	-	-
Nintendo 3DS	Sub Total	4,100	3,200	450	14.1%	-	-
Xbox 360	Titles (SKU)	6	9	9	0	-	-
Xbox One	Sub Total	650	2,100	1,350	64.3%	-	-
PC & Others	Titles (SKU)	4	6	2	-4	-	-
	Sub Total	250	250	350	140.0%	-	-
Package total	Titles (SKU)	44	41	41	0	42	1
	Sub Total	8,900	10,400	11,500	110.6%	11,300	98.3%
Full-game download	Titles (SKU)	1	1	9	8	11	2
	Sub Total	6,100	9,000	12,900	143.3%	13,700	106.2%
Total	Titles (SKU)	45	42	50	8	53	3
	Sub Total	15,000	19,400	24,400	125.8%	25,000	102.5%

*Full-game download are digital download-only titles

● Sales Units Shipped <distribution/catalog>

(thousand units)

	2016/3	2017/3	2018/3	Difference	2019/3 Plan	Difference
Distribution titles	750	600	300	50.0%	800	266.7%
Catalog titles	7,000	8,800	11,000	125.0%	17,600	160.0%

● Sales Units Shipped <geographic>

(thousand units)

	2016/3	2017/3	2018/3	Difference	2019/3 Plan	Difference
Japan	4,700	3,500	3,400	97.1%	2,000	58.8%
North America	2,600	4,300	4,300	100.0%	5,300	123.3%
Europe	1,200	2,200	2,900	131.8%	3,250	112.1%
Asia	400	400	900	225.0%	750	83.3%
Full-game download (global)	6,100	9,000	12,900	143.3%	13,700	106.2%
Total	15,000	19,400	24,400	125.8%	25,000	102.5%