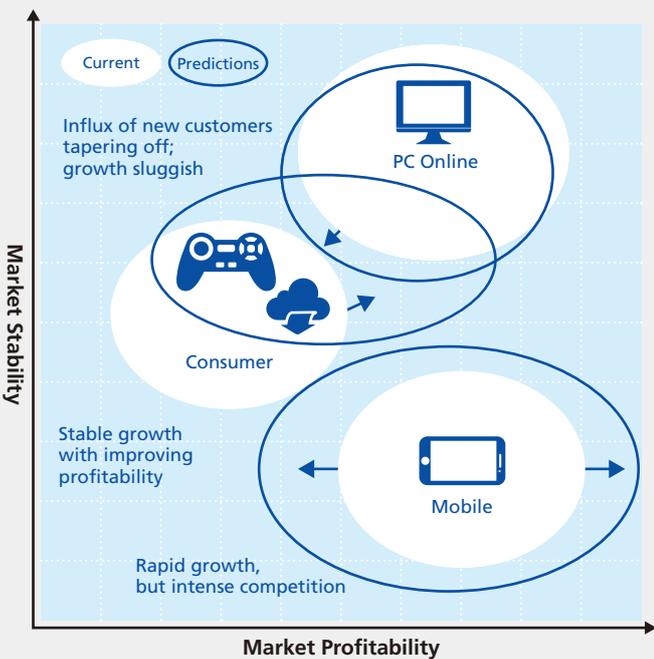


Game Industry Characteristics

Characteristics of Each Market



Source: Created by Capcom based on data from the International Development Group

Consumer Market Characteristics (Package + Digital Download Contents)

Package and digital download contents are a 24.4 billion dollar market, forecast to grow 46% over the next five years to 35.6 billion dollars by 2022. The customer base is composed mainly of core users who are highly loyal to game titles. They have relatively high willingness to purchase sequels and remakes along with low sensitivity to price and economic conditions. Hereafter, we expect the market to grow as we capture the casual user segment, which has high sensitivity to price conditions, in conjunction with a higher digital sales ratio, shrinking the gap between the margin in this market and those in the other two markets. [Please refer to page 75](#)

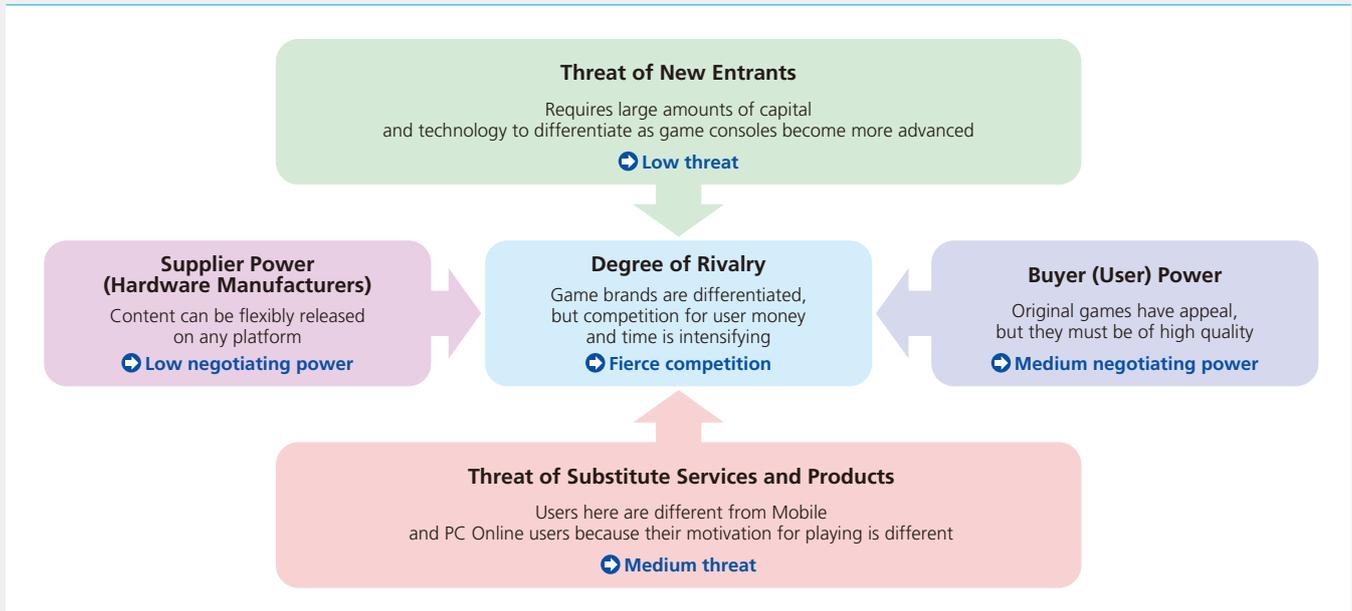
Mobile Market Characteristics

This is a 59.4 billion dollar market, forecast to grow to 92 billion dollars by 2022. The customer segment is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. They have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions. Although this is the most profitable among the three markets, only a limited number of titles are able to generate stable earnings over the long term. Going forward, we expect smartphones will continue to grow rapidly as the most pervasive game device. [Please refer to page 75](#)

PC Online Market Characteristics

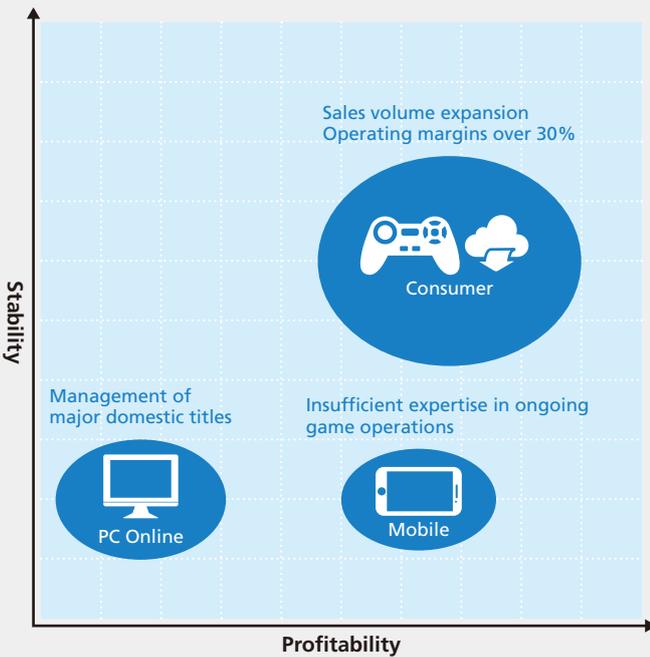
This is a 38.4 billion dollar market, forecast to grow about 19% over the next five years to 45.8 billion dollars by 2022. The customer base is primarily composed of core users who demonstrate the highest loyalty toward game titles. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. Among the three markets, profitability is comparatively high, and hit titles tend to generate stable earnings over the long term; however, the influx of new customers is expected to taper off, causing growth to be sluggish in the future. [Please refer to page 75](#)

Five Competitive Factors Related to the Consumer Market (Five Forces Analysis)



Capcom Business Characteristics

Digital Contents Business Portfolio



Note: Calculations based on earnings in the fiscal year ended March 31, 2018

Consumer Market Characteristics
(Proportion of Net Sales: 69%)
Package + Digital Download Contents

Capcom's core business is to create a multitude of original content for home video game consoles. The regular release of sequels to popular IPs and an increased download sales ratio have, in recent years, led to a greater volume of sales and operating margins of up to around 30%.

Mobile Contents Market Characteristics
(Proportion of Net Sales: 4%)

This business distributes games featuring popular Capcom content on smartphones, cultivating new markets such as the casual user segment to create new earnings opportunities. However, insufficient know-how in ongoing game operations, which differs from Consumer, has resulted in sales underperforming market growth.

PC Online Market Characteristics
(Proportion of Net Sales: 5%)

We are working to distribute PC Online games utilizing our popular content and ensure stable management of our existing content in Japan and Asia.

Capcom Management Resource VRIO Analysis and Evaluation/Measures

V: Value R: Rarity I: Inimitability O: Organization
○: High △: Medium ×: Low

| Area | Management Resource | V | R | I | O | Evaluation |
|------------------------|--|---|-----------------|-----------------|-----------------|--|
| Management | Top management with strong leadership dedicated to high-quality production and trusted by employees | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| Development/technology | Development capabilities to produce original titles of world-class quality | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| | RE ENGINE for streamlined development and the technological prowess to create games with full-VR support | ○ | ○ | ○ | ○ | |
| Governance | Corporate culture of training younger employees | ○ | × ₊₁ | △ | ○ | Other companies possess this strength as well |
| | Promotion of governance reforms (independent director ratio / company with an audit and supervisory committee) | ○ | △ | × | ○ | Some companies are even more progressive |
| | Swift decision-making system | ○ | △ | × | ○ | Strength seen at many founder-run companies |
| Brand | Many popular, global IPs | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| | Corporate brand known worldwide for action games | ○ | × | ○ | ○ | There are more widely recognized companies |
| Finances | Paid dividends for 28 consecutive years since listing | ○ | △ | × | ○ | There are about 40 companies that have provided dividends for 10 consecutive years or more |
| Sales | Consumer digital sales ratio of more than 40% | ○ | △ | × ₊₂ | ○ | Major overseas companies are ahead |
| Marketing | Bolstering of lineup through revival of dormant IP and catalog titles | ○ | △ | △ | ○ | Companies with popular IP can roll them out in other media |
| | Single Content Multiple Usage strategy of rolling out popular IP to multiple media | ○ | × | △ | × ₊₃ | |
| External partners | Trusted by hardware manufacturers | ○ | △ | ○ | ○ | High rank compared to competitors |

Note: Prepared in-house based on interviews of analysts.

Measures to address evaluation

*1 With respect to the low evaluation of the originality of our system for training younger employees, we are working on system development that includes (1) providing an environment conducive to taking on new challenges through visualization of management, and (2) developing an environment of friendly rivalry through the promotion of younger employees and consolidation of offices. (Please refer to page 49)

*2 With respect to the low evaluation globally despite being ahead of other companies in

Japan, we are promoting measures such as (1) taking advantage of our many popular IPs by re-releasing past million-sellers (86 titles) in digital format and (2) extending the sales period with brand strategies for each IP. (Please refer to page 32)

*3 With respect to the low evaluation of not successfully rolling out IPs to mobile platforms despite their relative strength, we are promoting measures such as (1) assigning capable creators to internal production and (2) forming alliances with mobile game companies possessing abundant game operations know-how. (Please refer to page 33)

Explanation of Market Trends and Forecasts

Consumer Market (Package + Digital Download Contents)

In 2017, the consumer (package + digital download contents) market picked up, increasing to 24.4 billion dollars (up 15.1% from the previous fiscal year). This was due primarily to an increase in digital download sales as a result of steady growth in the installation base of current generation game consoles and the arrival of the Nintendo Switch, despite packaged sales remaining flat. The consumer market is primarily comprised of North America, Europe and Japan, and this trend was especially evident in the North American and European markets, which account for approximately 85% of this market. The highly profitable digital

download contents market now accounts for roughly 54% of the consumer market.

The forecast for 2018 is for the market to reach 27.6 billion dollars (up 13.1% from the previous fiscal year) owing to a continued virtuous cycle of increased software sales driven by the growing user base of current generation game consoles.

In the medium term, our user segment will grow as a result of the spread of consumer game consoles and development of new digital distribution methods such as cloud games. As such, we expect the market to grow to 35.6 billion dollars by 2022 (up 45.9% compared to 2017).

Mobile Contents Market

In 2017, the mobile contents market was worth 59.4 billion dollars (up 22.5% from the previous year), expanding to half the size of the overall game software 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 35.4 billion dollars (up 28.3% from the previous year), the North American market was worth 11.3 billion dollars (up 13.0% from the previous year), Eastern European, developing countries and other regional markets were worth 6.6 billion dollars (up 8.2% from the previous year), all showing continued growth.

The freemium (virtual item purchases/in-game purchases) model, where users download a game for free, then purchase access to additional items and other game

content as needed, has predominated the market since about 2010. With freemium games, the key success factors are IP (brand/game content) coupled with operating know-how, which includes offering the appropriate services in conjunction with monetization. Because of this, the opportunity to improve earnings is growing for game companies with many popular titles as well as mobile development companies with operational expertise.

In 2017, the annual shipment of smartphones stayed roughly the same as the previous year at 1.46 billion units (down 0.7% from the previous year). For the next five years, the average annual growth rate is expected to be 2.8%, with shipments reaching 1.68 billion units by 2022. As a result, we expect the 2018 mobile market to increase to 68.9 billion dollars (up 16.0% from the previous year) and grow to 92 billion dollars by 2022 (up 54.9% from 2017).

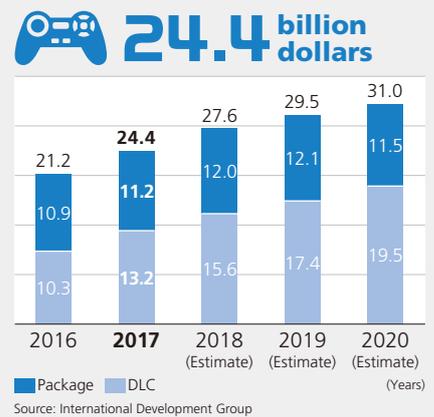
PC Online Market

In 2017, the PC online market grew substantially to 38.4 billion dollars (up 23.9% from the previous year) owing to worldwide growth, especially in China and Asia, which account for more than 40% of the market.

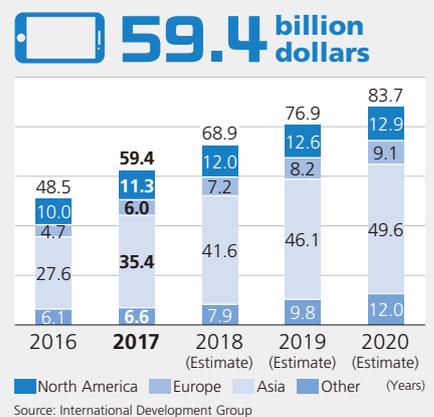
In 2018, we expect the market to

increase to 40.9 billion dollars (up 6.5% from the previous year), with the shift to mobile among leading game companies continuing, and further, although it will grow to 45.8 billion dollars by 2022 (up 19.3% from 2017), growth will slow in the future.

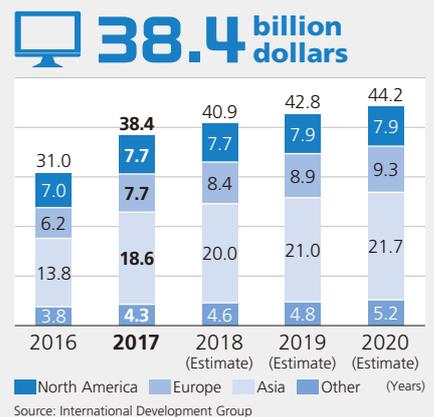
Consumer Market (Billions of dollars)



Mobile Contents Market (Billions of dollars)



PC Online Market (Billions of dollars)



GAME Arcade Operations Market

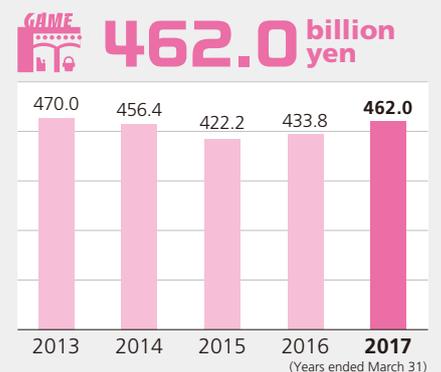
The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2017) for the second year in a row to 462 billion yen (up 6.5% from the previous year). This was due to improvements in the number of visitors and sales per customer due to restrictions on the time that minors can be in arcades while accompanied by a guardian being relaxed in the Entertainment and Amusement Trades Act (Entertainment and Amusement Trades Rationalizing Act) and popularity of new models of video game consoles. The total number of arcades decreased to 14,154 (down 4.8% from the previous year), and the number of units installed at each arcade decreased to 31.4 (down 2.2 units from the previous year). However, annual sales per facility increased

to 32.64 million yen (up 11.8% from the previous year), demonstrating that the management streamlining many companies have engaged in, closing unprofitable locations and focusing on profitable stores in good locations, has been successful.

This year (ended March 31, 2018), the market was strong overall, and growth continued owing to hit products appearing one after another in the prizes found in prize game machines.

In the next fiscal year (ending March 31, 2019), we expect the market to remain flat due to prizes that were hits this year losing steam, despite the introduction of networked card-based games and video games featuring popular characters.

GAME Arcade Operations Market (Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"

Gaming Machines Market

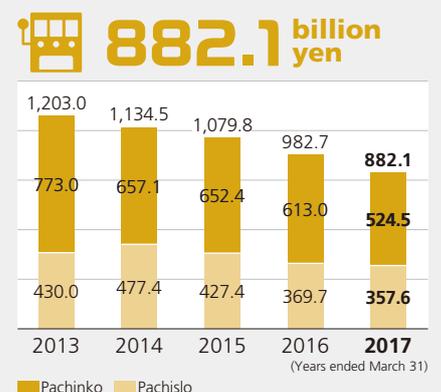
In the previous fiscal year (ended March 31, 2017), the gaming machine market shrank for the fourth consecutive year to 882.1 billion yen (down 10.2% from the previous year). This was due to both pachinko and pachislo machines being hit hard by diminishing investment appetite for gaming machines among halls due to worsening financial results and a decrease in the number of new stores opened.

The market continued to worsen this year (ended March 31, 2018) due to

changes to gaming machine regulations in February 2018.

In the next fiscal year (ending March 31, 2019), we expect the shrinking of the market to come to an end as the number of users recovers with the gradual introduction of models with improved product value beginning in the second half. This is in conjunction with the enforcement of new self-imposed restraints in April 2019 despite the changes to the gaming machine regulations.

Gaming Machines Market (Billions of yen)



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

Arcade Game Market

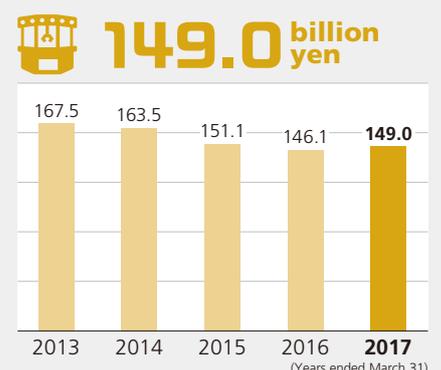
In the previous fiscal year (ended March 31, 2017), the arcade game market grew to 149 billion yen (up 2.0% from the previous year) thanks to hit crane and networked card-based games, despite a decrease in the number of amusement vendors.

This year (ended March 31, 2018), sales

of new crane games and prizes continued to grow and are slowly on the rise.

In the next fiscal year (ending March 31, 2019), we expect the market to perform well in conjunction with increased investment appetite among facility operators and the launch of multiple popular models.

Arcade Game Market (Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"

11-Year Summary of Consolidated Financial Indicators

Financial Index

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|--|--|--|--|---|
| For the Year: | | | | | |
| | Millions of yen | | | | |
| Net sales | ¥ 83,097 | ¥ 91,878 | ¥ 66,837 | ¥ 97,716 | ¥ 82,065 |
| Operating income | 13,121 | 14,618 | 5,587 | 14,295 | 12,318 |
| Net income (loss) before income taxes | 11,962 | 12,448 | 1,124 | 10,807 | 11,425 |
| Net income attributable to owners of the parent | 7,807 | 8,063 | 2,167 | 7,750 | 6,723 |
| Depreciation & amortization | 3,393 | 4,143 | 3,368 | 3,315 | 3,123 |
| Capital expenditures | 4,503 | 2,906 | 2,205 | 2,758 | 4,153 |
| R&D expenses | 2,972 | 2,329 | 2,125 | 2,924 | 2,236 |
| At Year-End: | | | | | |
| | Millions of yen | | | | |
| Total assets | ¥ 93,606 | ¥ 106,210 | ¥ 86,621 | ¥ 90,408 | ¥ 98,247 |
| Net assets | 53,660 | 59,349 | 53,956 | 58,007 | 59,352 |
| Net cash | 13,061 | 7,378 | 12,299 | 27,655 | 11,348 |
| Developer numbers | 809 | 1,047 | 1,132 | 1,339 | 1,455 |
| Cash Flows: | | | | | |
| | Millions of yen | | | | |
| Cash flows from operating activities | ¥ 7,452 | ¥ (551) | ¥ 14,320 | ¥ 22,392 | ¥ (7,672) |
| Cash flows from investing activities | (3,374) | (2,715) | (1,618) | (2,046) | (4,794) |
| Cash flows from financing activities | (2,448) | (342) | (10,747) | (12,919) | 587 |
| Net increase (decrease) in cash and cash equivalents | (2,256) | (4,454) | 1,203 | 5,196 | (12,724) |
| Cash and cash equivalents at end of year | 32,763 | 28,611 | 29,815 | 35,011 | 22,287 |
| Per Share Data: | | | | | |
| | yen | | | | |
| Net income (loss) per share | ¥ 66.45 | ¥ 65.49 | ¥ 17.86 | ¥ 65.59 | ¥ 58.05 |
| Dividend per share | 30.00 | 35.00 | 35.00 | 40.00 | 40.00 |
| Net assets per share | 440.57 | 480.69 | 456.59 | 490.88 | 515.35 |
| Financial Index: | | | | | |
| | % | | | | |
| Operating margin | 15.8 | 15.9 | 8.4 | 14.6 | 15.0 |
| ROE | 15.8 | 14.3 | 3.8 | 13.8 | 11.5 |
| ROA | 8.4 | 8.1 | 2.3 | 8.8 | 7.1 |
| Net worth ratio | 57.3 | 55.9 | 62.3 | 64.2 | 60.4 |
| Interest coverage ratio (times) | 103.7 | – | 86.9 | 155.8 | – |
| Debt-equity ratio | 74.4 | 79.0 | 60.5 | 55.9 | 65.5 |
| Stock Information: | | | | | |
| Price earnings ratio (times) | 25.6 | 13.3 | 49.5 | 12.1 | 16.3 |
| Number of outstanding shares (thousands shares) | 66,719 | 67,394 | 67,723 | 67,723 | 67,723 |
| Foreign investors (%) | 27.72 | 33.73 | 24.22 | 22.17 | 27.05 |
| Digital Contents Business: | | | | | |
| | Billions of yen | | | | |
| Consumer business net sales | ¥ 51.6 | ¥ 60.0 | ¥ 38.7 | ¥ 63.6 | ¥ 46.9 |
| Online business net sales | 4.1 | 6.6 | 8.5 | 10.5 | 12.9 |
| Consumer Game Sales (Package Software and Full-game Digital Content) | | | | | |
| | Thousands | | | | |
| Total number of units | 15,750 | 18,100 | 13,900 | 21,700 | 17,000 |
| Sales of major titles | Devil May Cry 4 2,320 | Resident Evil 5 4,400 | Monster Hunter Freedom Unite (Best Price included) 1,350 | Monster Hunter Freedom 3 4,600 | Resident Evil: Operation Raccoon City 1,700 |
| | Resident Evil 4 Wii edition 1,300 | Street Fighter IV 2,500 | Monster Hunter Tri 1,150 | Dead Rising 2 2,300 | Monster Hunter 3 (Tri) G 1,600 |
| | Resident Evil: The Umbrella Chronicles 1,060 | Monster Hunter Freedom Unite (Best Price included) 2,200 | Resident Evil 5 950 | MARVEL VS. CAPCOM 3 Fate of Two Worlds 2,000 | Street Fighter X Tekken 1,400 |

*1. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net income per share has been calculated assuming that the stock split took place at the beginning of each fiscal year.
*2. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net assets per share has been calculated assuming that the stock split took place at the beginning of each fiscal year.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 | | | | |
|-------------------|-----------------|---------------------------|-----------|-------------------------------|-----------|-----------------------------|---------------------------|----------------------------------|-------|-------------------------------------|-------|
| | Millions of yen | | | | | | Thousands of U.S. dollars | | | | |
| | ¥ 94,075 | ¥ 102,200 | ¥ 64,277 | ¥ 77,021 | ¥ 87,170 | ¥ 94,515 | \$ 891,651 | | | | |
| | 10,151 | 10,299 | 10,582 | 12,029 | 13,650 | 16,037 | 151,299 | | | | |
| | 3,719 | 5,315 | 10,701 | 11,150 | 12,489 | 15,149 | 142,920 | | | | |
| | 2,973 | 3,444 | 6,616 | 7,745 | 8,879 | 10,937 | 103,184 | | | | |
| | 3,406 | 4,638 | 3,535 | 5,712 | 5,980 | 4,706 | 44,402 | | | | |
| | 8,724 | 8,064 | 10,177 | 8,274 | 3,767 | 3,041 | 28,691 | | | | |
| | 1,982 | 2,002 | 823 | 1,073 | 695 | 1,102 | 10,405 | | | | |
| | Millions of yen | | | | | | Thousands of U.S. dollars | | | | |
| | ¥ 104,365 | ¥ 96,611 | ¥ 100,773 | ¥ 113,057 | ¥ 118,897 | ¥ 125,573 | \$ 1,184,655 | | | | |
| | 62,828 | 63,875 | 71,331 | 75,168 | 77,774 | 85,421 | 805,858 | | | | |
| | 14,327 | 22,670 | 21,212 | 15,821 | 8,426 | 36,750 | 346,707 | | | | |
| | 1,623 | 1,808 | 1,902 | 2,052 | 1,994 | 2,141 | | | | | |
| | Millions of yen | | | | | | Thousands of U.S. dollars | | | | |
| | ¥ 6,647 | ¥ 13,201 | ¥ 4,286 | ¥ 4,347 | ¥ 3,200 | ¥ 34,721 | \$ 327,564 | | | | |
| | (1,375) | (6,155) | (5,496) | (1,639) | (3,628) | (2,847) | (26,859) | | | | |
| | 1,162 | (15,099) | 1,278 | (1,115) | (3,130) | (9,577) | (90,351) | | | | |
| | 9,235 | (5,404) | 1,879 | 431 | (4,091) | 22,201 | 209,445 | | | | |
| | 31,522 | 26,118 | 27,998 | 28,429 | 24,337 | 46,539 | 439,049 | | | | |
| | yen | | | | | | U.S. dollars | | | | |
| | ¥ 25.82 | ¥ 30.56 | ¥ 58.84 | ¥ 68.87 | ¥ 80.18 | ¥ 99.89 ^{*1} | \$ 0.94 | | | | |
| | 40.00 | 40.00 | 40.00 | 40.00 | 50.00 | 60.00 | 0.56 | | | | |
| | 545.54 | 567.96 | 634.28 | 688.43 | 710.32 | 780.18 ^{*2} | 7.36 | | | | |
| | % | | | | | | | | | | |
| | 10.8 | 10.1 | 16.5 | 15.6 | 15.7 | 17.0 | | | | | |
| | 4.9 | 5.4 | 9.8 | 10.6 | 11.6 | 13.4 | | | | | |
| | 2.9 | 3.4 | 6.7 | 7.2 | 7.7 | 8.9 | | | | | |
| | 60.2 | 66.1 | 70.8 | 66.5 | 65.4 | 68.0 | | | | | |
| | 62.4 | 136.8 | 50.2 | 36.5 | 22.8 | 337.2 | | | | | |
| | 66.1 | 51.2 | 41.3 | 50.4 | 52.9 | 47.0 | | | | | |
| | 28.6 | 32.0 | 20.3 | 19.9 | 13.5 | 23.0 | | | | | |
| | 67,723 | 67,723 | 67,723 | 67,723 | 67,723 | 67,723 ^{*3} | | | | | |
| | 32.37 | 37.29 | 36.87 | 39.35 | 31.19 | 35.01 | | | | | |
| | Billions of yen | | | | | | | | | | |
| | ¥ 45.9 | ¥ 53.0 | ¥ 35.2 | ¥ 42.1 | ¥ 49.2 | ¥ 65.2 | | | | | |
| | 17.7 | 12.8 | 10.1 | 10.4 | 9.5 | 8.9 | | | | | |
| | Thousands | | | | | | | | | | |
| | 16,700 | 17,500 | 13,000 | 15,000 | 19,400 | 24,400 | | | | | |
| Resident Evil 6 | 5,000 | Monster Hunter 4 | 4,100 | Monster Hunter 4 Ultimate | 3,400 | Monster Hunter X (Cross) | 3,300 | Resident Evil 7 biohazard | 3,500 | Monster Hunter: World | 7,900 |
| Dragon's Dogma | 1,300 | Dead Rising 3 | 1,200 | Resident Evil Revelations 2 | 1,100 | Street Fighter V | 1,400 | Monster Hunter XX (Double Cross) | 1,700 | Resident Evil 7 biohazard (catalog) | 1,600 |
| DmC Devil May Cry | 1,200 | Resident Evil Revelations | 1,200 | Resident Evil (HD Remastered) | 900 | Resident Evil Revelations 2 | 850 | Monster Hunter X (Cross) | 1,000 | Marvel VS. Capcom: Infinite | 1,000 |

*3. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held by resolution of the Board of Directors at the meeting held on March 6, 2018. This increased the number of shares issued by 67,723,244 to 135,446,488 shares.

Financial Review

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

1. Operating Results

During the fiscal year ended March 31, 2018, our industry saw major growth in the market for home video games due to the strong performance of both hardware and software. In addition, “esports” (electronic sports), which are becoming increasingly popular in Europe, the U.S., China, South Korea and other overseas markets, are raising hopes for further market growth. This is driven by games coming to be recognized as a new sport, following esports’ adoption as an official event at the 2022 Asian Games. Furthermore, opportunities to develop this new business domain in Japan, a region that trails other countries, have been building, as evidenced by the overwhelming audience response for *Street Fighter V*, one of the Company’s popular titles, at the esports event held during the Tokyo Game Show 2017.

Under these circumstances, the Company’s flagship title *Monster Hunter: World* (for PlayStation 4 and Xbox One), which was released worldwide in January 2018, significantly contributed to the Company’s performance after garnering immense popularity for its near-flawless execution and shipping more than 7.9 million units worldwide, a landmark achievement that made it the bestselling

game in the Company’s history. Of particular note is that the worldwide expansion of the user base due to the game’s tremendous success overseas—in addition to its established domestic popularity—has marked the start of a new era for the brand, and that this international recognition has served to energize the Company’s global operations. The Company has made strategic preparations for a full-scale entry into the esports business in Japan, which include the establishment of the Capcom Esports Club at the Plaza Capcom arcade in Kichijoji (Tokyo). Additionally, the Company strove to bolster its management structure, enhance its development team and improve its development environment, enabling it to focus on home video game software development, which is the source of its competitiveness. Further, in addition to one-time physical product sales, the Company concentrated its efforts on expanding its digital offerings, which promise recurring revenues.

At the same time, in an effort to shore up its stagnant mobile contents performance, the Company made organizational reforms and developed appealing titles, aiming to increase customer satisfaction.

2. Revenue and Profits

(1) Net sales

In this fiscal year, net sales were 94,515 million yen (up 8.4% from the previous fiscal year). This increase was driven primarily by our core Digital Contents and Amusement Equipments businesses. In Digital Contents, *Monster Hunter: World* was a record hit, while *Resident Evil 7 biohazard* and other catalog titles also contributed to increased net sales, especially in digital downloads.

In the Amusement Equipments business, sales of our pachislo machines were down 35,000 units year over year due to the impact of model testing methods and legal amendments of recent years. Overall, however, favorable growth of the Digital Contents business offset this, resulting in a 7,345 million yen increase in consolidated net sales over the previous fiscal year.

(2) Operating income

Cost of sales increased to 59,895 million yen (up 6.1% from the previous fiscal year) and the cost of sales ratio was 63.4%, down 1.3 percentage points from the previous fiscal year. The cost of sales ratio has decreased in conjunction with the increase in sales

stemming mainly from the hit success of major titles.

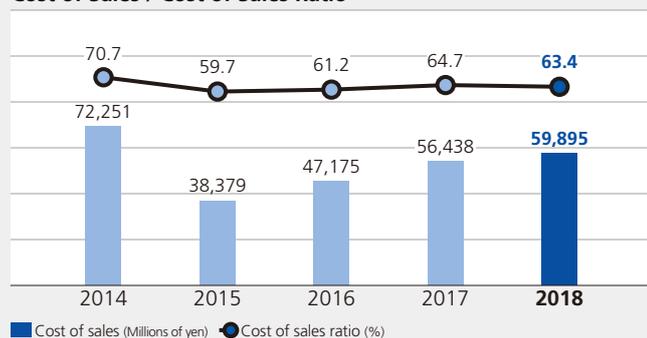
Selling, general and administrative (SG&A) expenses were 18,582 million yen (up 8.8% from the previous fiscal year) and SG&A as a percentage of sales was 19.7%, up 0.1 percentage points compared with the previous fiscal year. The cause of the increase in SG&A was increased variable costs associated with increased sales, and the SG&A expenses ratio overall was in-line with the 19.9% figure in the initial plan.

As a result, operating income was 16,037 million yen (up 17.5% from the previous fiscal year), the highest ever and the fifth consecutive year of income growth. The operating margin also increased to 17.0%, up 1.3 percentage points compared with the previous fiscal year.

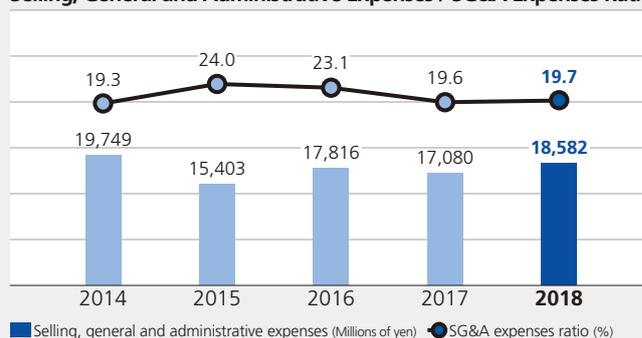
(3) Net income attributable to owners of the parent

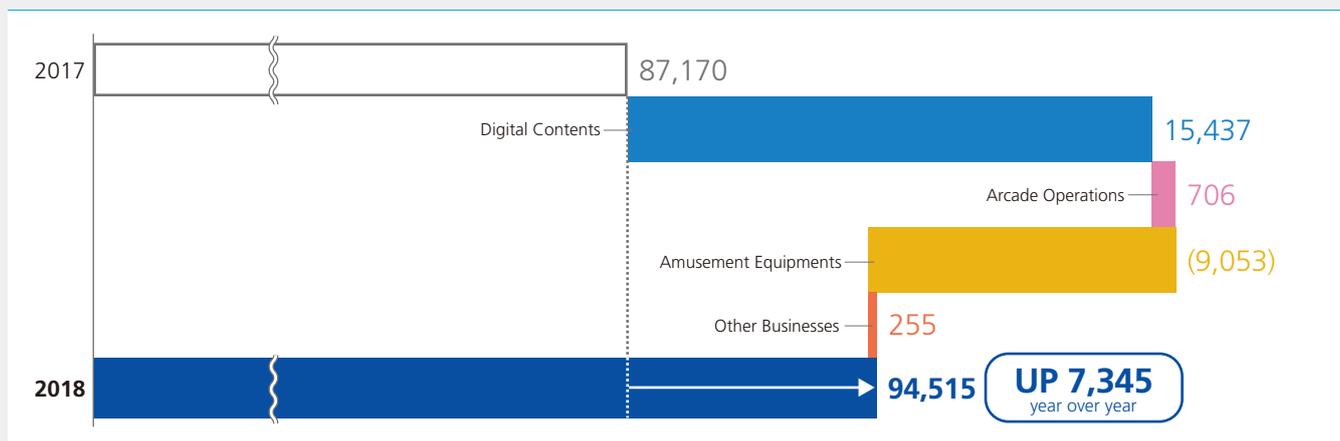
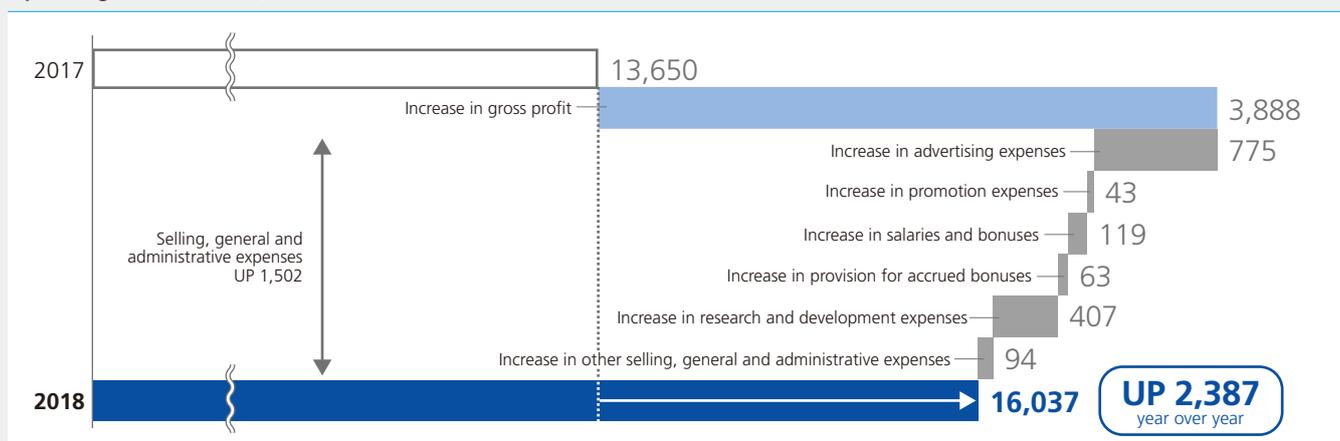
Despite recording an exchange loss, net of 407 million yen this year under non-operating expenses, ordinary income increased to 15,254 million yen (up 21.2% from the previous fiscal year), following the increase in operating income.

Cost of Sales / Cost of Sales Ratio



Selling, General and Administrative Expenses / SG&A Expenses Ratio



Net Sales (Millions of yen)**Operating Income** (Millions of yen)

As a result of these increases in income, net income attributable to owners of the parent amounted to 10,937 million yen (up 23.2% from the previous fiscal year) and the net margin came to 11.6%

(up 1.4 percentage points from the previous fiscal year), making all income items the highest in company history.

3. Analysis of Assets, Liabilities and Net Assets**(1) Assets**

Total assets as of the end of the fiscal year ended March 31, 2018 increased by 6,675 million yen from the end of the previous fiscal year to 125,573 million yen.

The primary increase was 22,001 million yen in cash on hand and in banks. The primary decreases were 7,244 million yen in notes and accounts receivable – trade, 4,514 million yen in work in progress for game software and 2,118 million yen in intangible assets.

(2) Liabilities

Total liabilities as of the end of the fiscal year ended March 31, 2018 decreased by 970 million yen from the end of the previous fiscal year to 40,152 million yen.

The primary increases were 2,873 million yen in accrued income

taxes and 1,526 million yen in long-term borrowings. The primary decreases were 7,849 million yen in short-term borrowings and 4,046 million yen in electronically recorded monetary obligations.

(3) Net assets

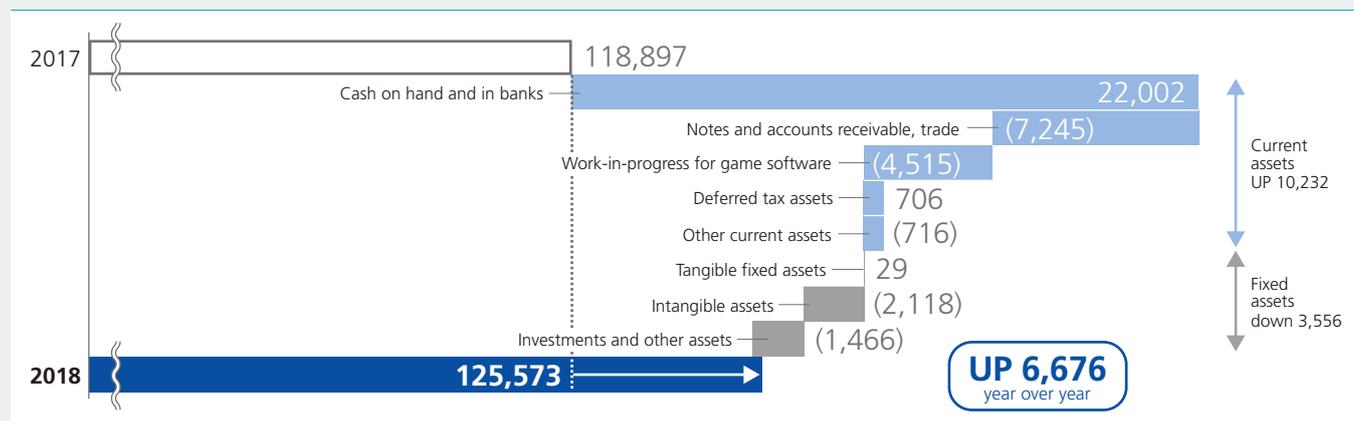
Net assets as of the end of the fiscal year ended March 31, 2018 increased by 7,646 million yen from the end of the previous fiscal year to 85,421 million yen.

The primary increase was 10,937 million yen in net income attributable to owners of the parent. The primary decreases were 2,737 million yen in dividends from retained earnings and 601 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries.

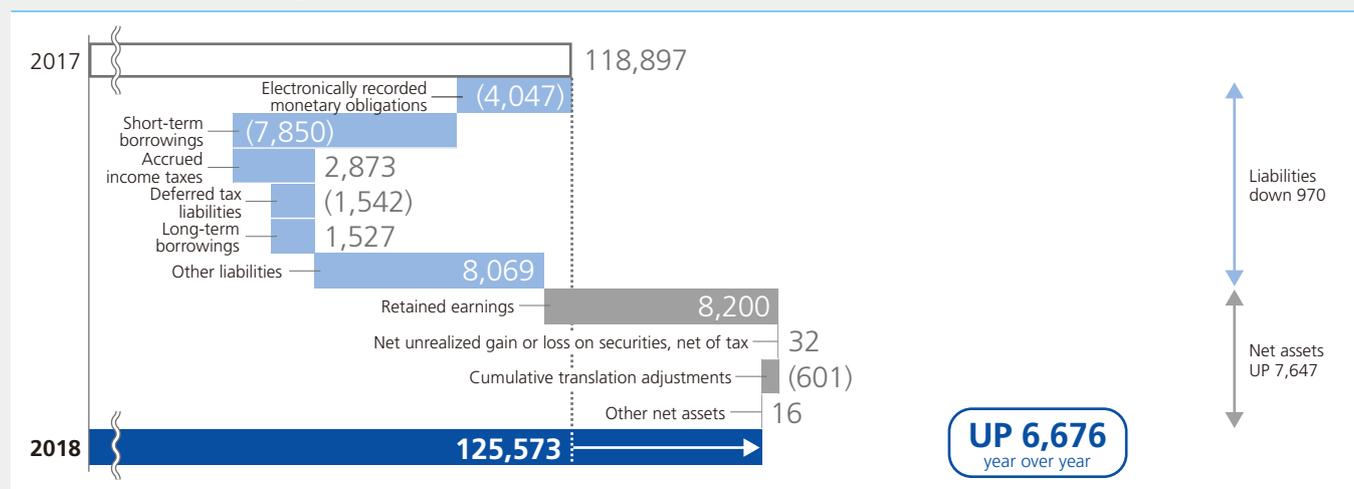
Financial Review

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

Assets (Millions of yen)



Liabilities, Net Assets (Millions of yen)



4. Analysis of Cash Flow

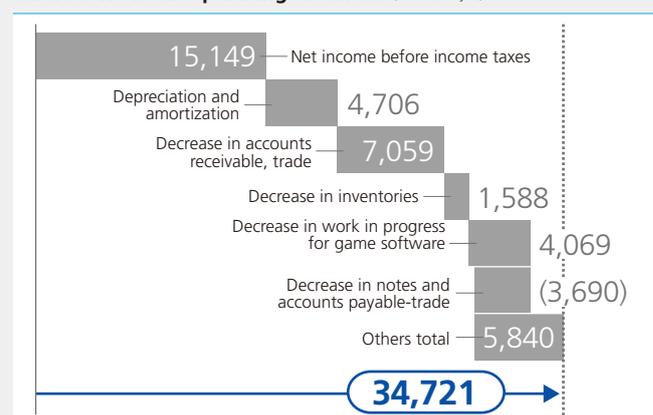
Cash and cash equivalents as of the end of the fiscal year ended March 31, 2018 increased by 22,201 million yen from the end of the previous fiscal year to 46,539 million yen. Cash flow positions of each activity and their factors are described below.

(1) Cash flows from operating activities

Net cash gained from operating activities was 34,721 million yen (3,200 million yen in the previous fiscal year).

A breakdown of cash flows is as follows: 15,149 million yen in net income before income taxes (12,489 million yen in the previous fiscal year), a 7,059 million yen decrease in accounts receivable - trade (10,393 million yen increase in the previous fiscal year), 4,706 million yen in depreciation and amortization (5,980 million yen in the previous fiscal year), a 4,069 million yen decrease in work in progress for game software (2,266 million yen increase in the previous fiscal year) and a 1,588 million yen decrease in inventories (158 million yen in the previous fiscal year).

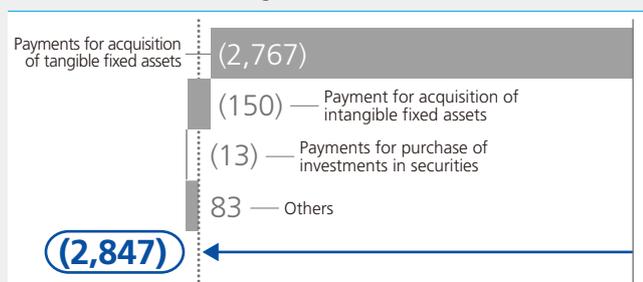
Cash Flows from Operating Activities (Millions of yen)



(2) Cash flows from investing activities

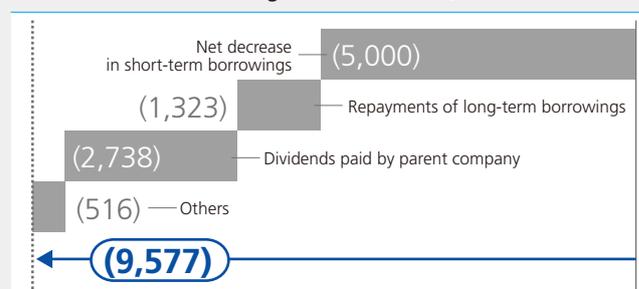
Net cash used in investing activities was 2,847 million yen (3,628 million yen in the previous fiscal year).

The primary item used was 2,767 million yen in payment for acquisitions of tangible fixed assets (3,074 million yen in the previous fiscal year).

Cash Flows from Investing Activities (Millions of yen)**(3) Cash flows from financing activities**

Net cash used in financing activities was 9,577 million yen (3,130 million yen invested in the previous fiscal year).

A breakdown of the primary uses are as follows: a 5,000 million yen decrease in short-term borrowings (a 5,000 million yen increase in the previous fiscal year), 2,738 million yen in dividends paid by parent company (2,794 million yen in the previous fiscal year), and 1,323 million yen in repayments of long-term borrowings (1,497 million yen in the previous fiscal year).

Cash Flows from Financing Activities (Millions of yen)**5. Our Financial Strengths****(1) High profitability of core business**

Our medium-term goal is stable growth of operating income. We aim to achieve both improved profitability and profit growth by increasing development cost investment efficiency, carefully reviewing the profitability of each title and employing a strategy of selection and concentration on projects that can be expected to contribute to profits. Based on this policy, in the fiscal year ended March 2018, we were second among the five main players in the domestic market* in terms of operating margin (17.0%) despite coming in last* in terms of net sales (94,515 million yen). Our Digital Contents business was also second (25.8%) in the comparison of margins in game software sales, which is the core business of each company. As for our future outlook, there will be no change to our policy of maintaining high profitability, but in preparation for changes in the market associated with rapid developments in game-related technology, we will also need to make anticipatory investments in new fields. As such, we will make investments for growth in the medium-to-long term

while maintaining a minimum operating margin of 15%.

* We have selected competing manufacturers whose core business is home video game software. We compiled the rankings based on information disclosed by each company.

(2) Financial flexibility based on high free cash flow

In the fiscal year ended March 2018, net cash gained from operating activities amounted to 34,721 million yen, primarily as a result of a record-breaking hit major title in our core Consumer business. Net cash used in investing activities was 2,847 million yen, which is the standard level for us. As a result, free cash flow came to 31,874 million yen. Compared to competitors with large businesses, we were second in terms of free cash flow. Our free cash flow to net sales ratio of 33.7% is the highest among the five companies. This gives us a high level of financial flexibility compared to the industry standard. We will continue to promote measures for growth from a medium-to-long term perspective and work on further enhancing our capital policy.

Profitability Comparison

(Year ended March 2018)

| | Net sales (Millions of yen) | Operating margin (%) | Game business margin (%) |
|-----------------------|--------------------------------|-------------------------|-----------------------------|
| CAPCOM | 94,515 | 17.0 | 25.8 |
| SQUARE ENIX HOLDINGS | 250,394 | 15.2 | 22.7 |
| SEGA SAMMY HOLDINGS | 323,664 | 5.5 | 10.3 |
| BANDAI NAMCO HOLDINGS | 678,312 | 11.1 | 15.3 |
| KONAMI HOLDINGS | 239,497 | 18.9 | 31.1 |

(Prepared based on disclosures by each company)

Free Cash Flow Comparison

(Year ended March 2018)

| | Free cash flow (Millions of yen) | Free cash flow to net sales ratio (%) |
|-----------------------|-------------------------------------|--|
| CAPCOM | 31,874 | 33.7 |
| SQUARE ENIX HOLDINGS | 22,447 | 9.0 |
| SEGA SAMMY HOLDINGS | 6,065 | 1.9 |
| BANDAI NAMCO HOLDINGS | -8,200 | -1.2 |
| KONAMI HOLDINGS | 35,496 | 14.8 |

(Prepared based on disclosures by each company)

Segment Information

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

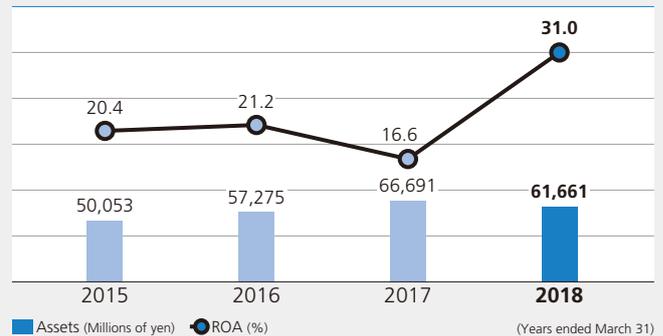
Digital Contents

This business develops and sells packaged games and digital download content for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games produces 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 order to maximize earnings.

Net Sales / Operating Margins

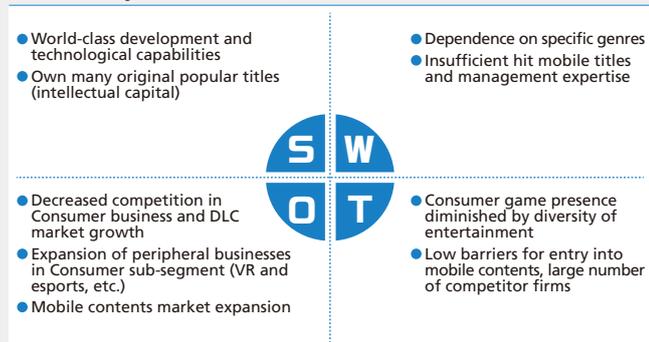


Assets / ROA

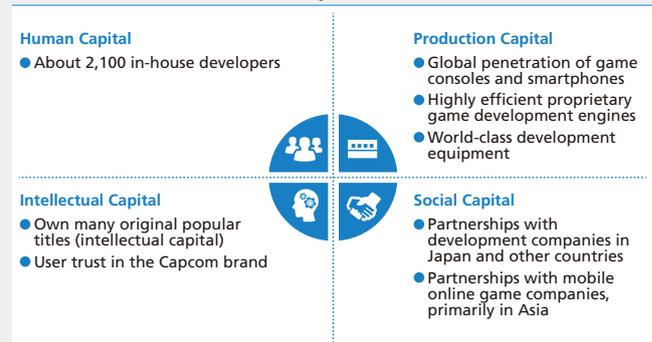


SWOT Analysis

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



Utilization of Non-Financial Capital



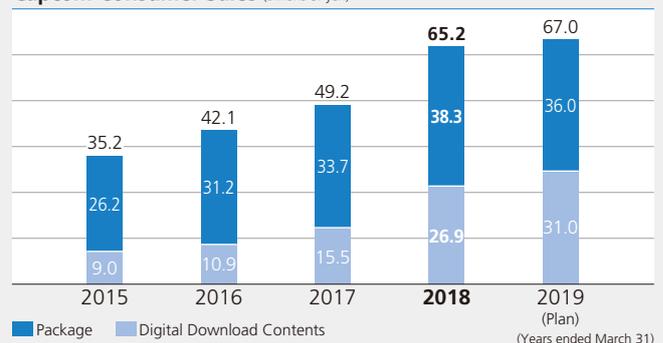
Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

Consumer (Package + Digital Download Contents) Sub-segment

This fiscal year (ended March 31, 2018), *Monster Hunter: World*, the latest title in the flagship series, significantly contributed to increased profitability by delivering record high sales of 7.9 million units. Additionally, *Resident Evil 7 biohazard* sold 1.6 million units, bringing the cumulative total for the title to 5.1 million units. Moreover, sales of *Monster Hunter XX (Double Cross) Nintendo Switch Ver.*, *Ultra Street Fighter II: The Final Challengers* and other titles also grew slightly to boost profitability. On the other hand, *Marvel vs. Capcom: Infinite* delivered a certain level of sales, primarily overseas owing to deep-rooted popularity, but underperformed overall. In digital download contents, in addition to contributions from sales of *Monster Hunter: World*, accelerated sales of rereleases for current-generation hardware and catalog titles with wide profit margins in North America and Europe resulted in solid sales growth to 12.9 million units, amounting to 26.9 billion yen, an increase up 73.5% over the previous year.

As a result, package and full-game download sales totaled 24.4 million units (up 25.8% from the previous year). Package

Capcom Consumer Sales (Billions of yen)



sales were 38.3 billion yen, and digital download sales were 26.9 billion yen. Together, they resulted in substantially higher Consumer sales of 65.2 billion yen (up 32.5% from the previous year). In terms of profit, the strong performance of *Monster Hunter: World* made up for the shortfalls of other titles and re-evaluation of work in progress, bringing operating margins to approximately 30%.

For Capcom, we continue to consider Consumer business growth as one of the keys to achieving our medium-term business goals. Our initiatives are to (1) strengthen digital downloads, (2) bolster our title lineup through the full-scale execution of our 60-month title development plan and 52-week map and (3) awaken dormant intellectual properties.

Under (1), the prevalence of digital selling has made it possible to implement measures such as limited-time sales, increasing flexibility in pricing and expanding the impact of marketing. By strategically releasing major titles and additional content, while promoting catalog title sales, we aim to grow overall unit sales of a given series. Also, as one method of utilizing our existing intellectual properties, we will rerelease past titles on current-generation hardware primarily digitally in order to create sales opportunities and increase the digital download sales ratio. In terms of (2), we have been working to establish an efficient development system by preparing 60-month and 52-week maps since March 2015 in order to shorten the development period of core titles. Currently, we are aiming to establish a system whereby core titles can be developed in two and a half years, and we release two to three million-seller titles every fiscal year. Finally, for (3) we will continue to increase the number of developers and will work to expand profitability by reviving dormant intellectual properties for which we have not recently released new titles.

Next fiscal year, we will release new titles in major series targeting the global market, including *Resident Evil 2* and *Devil May Cry 5*. Additionally, the development of a PC version of last fiscal year's *Monster Hunter: World* has made it possible to reach regions that were once difficult to access; we aim to increase the number of units sold globally through ongoing sales, including catalog sales of this game. Further, we will strengthen digital download sales to increase unit sales to 25 million units (up 2.5%

compared to the previous year), forecasting net sales of 67 billion yen (up 2.8% from the previous year) and a high level of operating income approximately the same as the fiscal year under review.

Mobile Contents Sub-segment

This fiscal year (ended March 31, 2018), existing titles *Monster Hunter Explore* and *Snoopy's Sugar Drop* remained stably popular, however, the performance of a portion of other existing titles declined. Meanwhile, licensing revenue from Asian companies associated with development alliances contributed greatly to profits.

As a result, net sales increased to 4.1 billion yen (up 7.9% from the previous year). Profits were also up, driven by licensing revenue.

In the future, we will continue to develop new titles using our intellectual properties and localize existing titles for Asia. At the same time, we will explore a wide range of possibilities, including alliances with companies in Japan and overseas, to create the next hit title. Next fiscal year we expect net sales of 5.5 billion yen (up 34.1% from the previous year) due primarily to licensing revenue from alliances, strengthening of existing titles and the launch of the Android/iOS version of new titles like *Dai Gyakuten Saiban 2*.

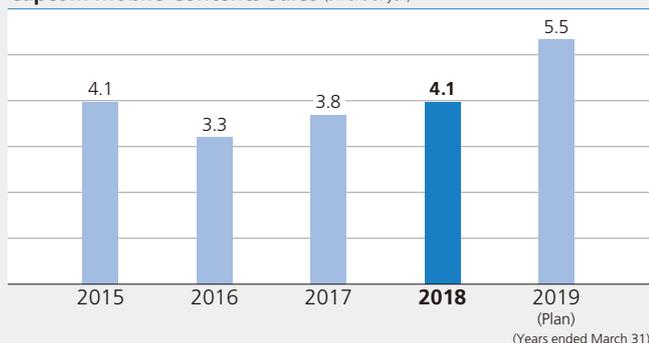
PC Online Sub-segment

This fiscal year (ended March 31, 2018), net sales fell to 4.8 billion yen (down 15.8% from the previous year) due to the declining contribution of existing titles *Monster Hunter Frontier Z (MHFZ)* and *Dragon's Dogma Online (DDON)*. Losses shrank substantially due to elimination of the amortization burden of *Breath of Fire 6*, which was sunset last year, despite recording an appraisal loss for *DDON*.

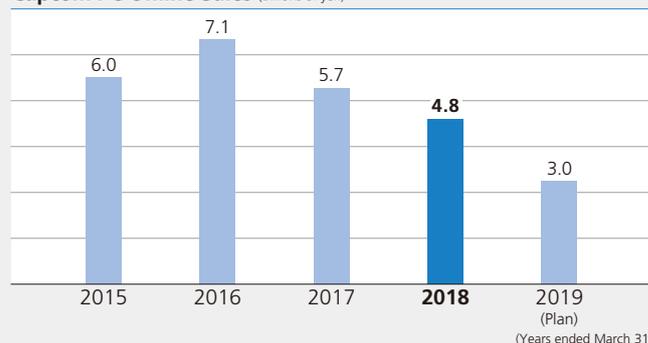
Capcom will continue working to improve our revenue base through ongoing updates to existing titles such as *MHFZ* and *DDON* and by reducing SG&A by such means as streamlining management and reducing server costs.

As a result of these measures, next fiscal year we expect to shrink the operating loss as our cost burden decreases with the full amortization of *DDON*, despite net sales falling to 3 billion yen (down 37.5% from the previous year).

Capcom Mobile Contents Sales (Billions of yen)



Capcom PC Online Sales (Billions of yen)



Segment Information

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

Arcade Operations

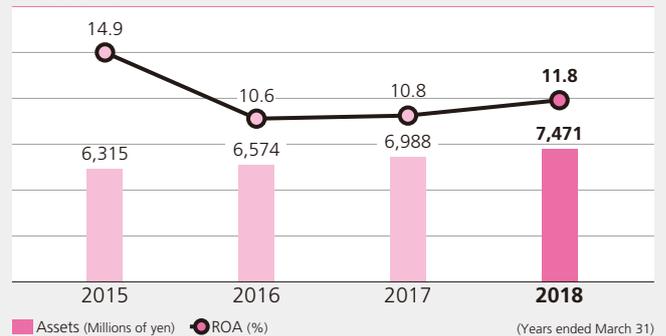
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

These arcades are predominantly in large commercial complexes. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations, and have been hosting various events designed to attract families and female customers.

Net Sales / Operating Margins



Assets / ROA



SWOT Analysis

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

| | |
|--|--|
| <ul style="list-style-type: none"> Specialize in opening stores in large shopping centers to secure a stable customer base Thorough scrap-and-build strategy focused on investment efficiency to ensure sustainable earnings | <ul style="list-style-type: none"> Low sales growth rate due to small number of carefully selected facilities Little synergy with proprietary contents |
| <ul style="list-style-type: none"> Cultivate market, including merchandise sales and restaurants utilizing our intellectual properties Increase new customers through esports collaboration | <ul style="list-style-type: none"> Potential customer segment shrinking due to falling birth rate Entertainment diversification due to rapid growth of games for smartphones |

Utilization of Non-Financial Capital

| | |
|--|---|
| <p>Human Capital</p> <ul style="list-style-type: none"> Internal store management staff Part-time workers hired locally | <p>Production Capital</p> <ul style="list-style-type: none"> High foot traffic of large shopping centers Developers that design and construct facilities |
| <p>Intellectual Capital</p> <ul style="list-style-type: none"> Store management know-how cultivated over 34 years Intellectual properties (characters and worlds) that can be rolled out to food, drinks and prizes Services utilizing virtual reality (VR) technology | <p>Social Capital</p> <ul style="list-style-type: none"> Our relationships with local residents Arcade game makers around the world |

Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2018), relaxation of restrictions in the Entertainment and Amusement Trades Act that took effect in June 2016 created favorable conditions for a continued recovery in market size. In addition to increased sales per customer resulting from more time spent in arcades, the draw of prizes featuring specific characters and popular products, higher operating rates of newly released cabinets, and other factors contributed to results. Sales from Capcom Cafes, which are themed restaurants featuring Capcom characters, and Chara Cap stores, which specialize in character merchandise, exhibited growth with the addition of new stores. Additionally, as an esports undertaking to grow the market, the Capcom Esports Club was opened at Plaza Capcom Kichijoji.

During this fiscal year, Plaza Capcom Tokushige was opened in Aichi, and Game Land Tsudanuma was opened in Chiba, while Playland Nara and Plaza Capcom Mobara were closed. The total number of stores remained unchanged at 36.

As a result, same store sales were up 2% from the previous year, bringing overall net sales to 10.231 billion yen (up 7.4% from the previous year) and operating income to 879 million yen (up 17.0% from the previous year), so that both sales and profit

were up compared to the previous year.

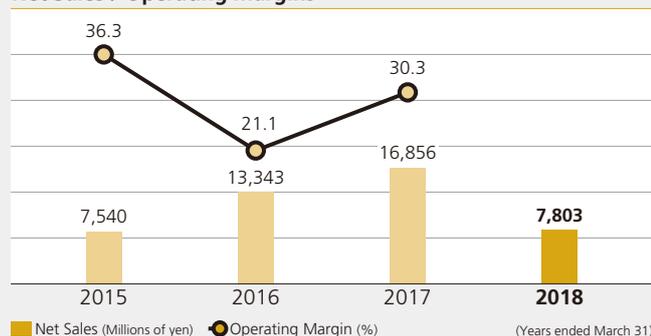
In the next fiscal year, Capcom will promote streamlining of management through its ongoing scrap-and-build policy and ensure earnings at the same level as the previous fiscal year through the creation of new earning opportunities. We will work to expand the user base by providing playable demonstrations of consumer titles and operating original stores utilizing our intellectual properties. Additionally, as an esports undertaking, we will hold tournaments at stores in six cities nationwide in conjunction with the Capcom Pro Tour Japan Premier. In terms of the opening and closing of facilities, in an attempt to further strengthen efficient arcade management operations, we will open facilities in locations with high concentrations of customers to secure new revenue streams. In the next fiscal year, we plan to open four facilities, including Plaza Capcom Hiroshima, bringing the total number of stores to 40.

As a result of these measures, we expect same store sales to be up 2%, we forecast net sales of 11 billion yen (up 7.5% from the previous year) and operating income of 1 billion yen (up 13.8% from the previous year).

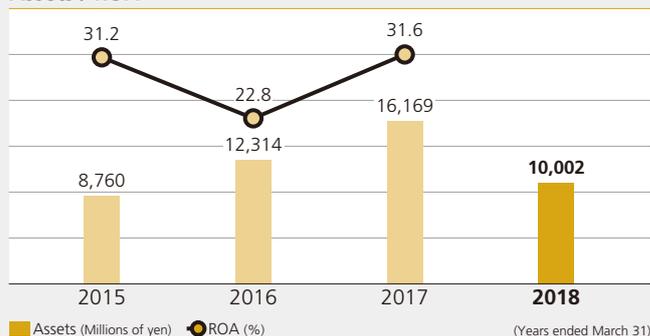
Amusement Equipments

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

Net Sales / Operating Margins



Assets / ROA



SWOT Analysis

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

| | |
|--|--|
| <ul style="list-style-type: none"> High quality development capabilities cultivated through home video games Cross-business leveraging of rich in-house contents Ability to observe real-time market trends through company-owned arcades | <ul style="list-style-type: none"> Small title lineup (arcade game machines) |
| <ul style="list-style-type: none"> Market recovery via introduction of popular machines Demand generated by installing new cabinets compliant with rule changes | <ul style="list-style-type: none"> Declining operator and hall investment appetite Long-term market stagnation Market fluctuations resulting from changes to the Entertainment and Amusement Trades Act and certification rules |

Utilization of Non-Financial Capital

| | |
|---|--|
| <p>Human Capital</p> <ul style="list-style-type: none"> Internal developers in charge of planning and development | <p>Production Capital</p> <ul style="list-style-type: none"> Manufacturing plant for arcade game machines Video game arcades and pachinko/pachislo parlors all over Japan |
| <p>Intellectual Capital</p> <ul style="list-style-type: none"> Own many original popular titles (intellectual capital) Arcade game machine development expertise cultivated since founding Development technology supporting pachislo certification rules | <p>Social Capital</p> <ul style="list-style-type: none"> Partnerships with major sales companies Administrative organ related to pachislo machine permits and licenses |

Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2018), *Ace Attorney* and *Resident Evil: Revelations* machines were launched by the Pachinko & Pachislo (PS) sub-segment, and 22,000 units were sold. Additionally, in the Arcade Games Sales sub-segment, we launched the *Monster Hunter Medal Hunting G* game and focused on catalog sales, but sales were weak due to a lack of products.

Changes in the market environment resulting from such things as changes to rules concerning pachislo machine model certification caused a delay in two machines scheduled to launch this year, and we recorded loss on valuation and loss on suspension of some titles in the Arcade Games Sales sub-segment. As a result, net sales fell to 7.83 billion yen (down 53.7% from the previous year), and an operating loss of 764 million yen was recorded (as opposed to operating income of 5.16 billion yen the previous year).

In the future, Capcom aims to increase unit sales by continuing to (1) supply four proprietary cabinets per year, (2) secure a strong sales network and improve development quality through an alliance with major sales company Fields Corp., and (3) release proprietary pachislo machines not dependent on speculation and that feature a variety of clever video elements and playing styles.

Next year, although some voluntary restrictions in the PS sub-segment will be relaxed, the situation remains uncertain, so market trends will need to be watched. Under these circumstances, we are forecasting sales of 24,000 units, up slightly from the 22,000 sold in the year under review, as we launch a total of five machines, including *Okami –Kaidouhen–*, *Street Fighter V*, and *Mega Man Ability*. We are also shrinking the scale of the Arcade Games Sales sub-segment in order to respond flexibly to new trends in the market. As a result, we expect net sales to fall to 7 billion yen (down 10.3% from the previous year), but owing to the elimination of the loss on valuation and loss on suspension recorded in the Arcade Games Sales sub-segment in the year under review, we expect to record operating income of 1 billion yen.

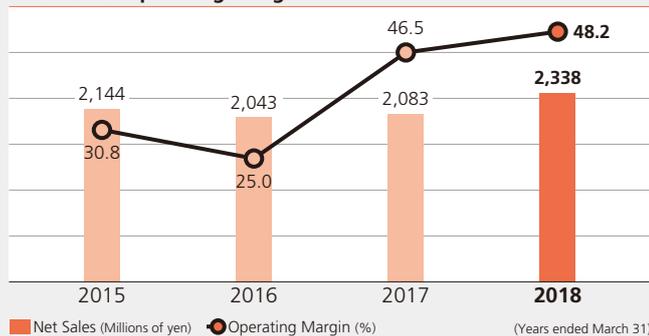
Segment Information

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

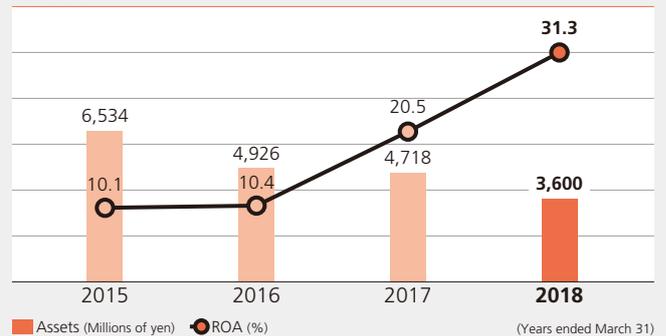
Other Businesses

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 art books) and licensing (music CDs and merchandise). Furthermore, we are concentrating on developing game content into movies and animated television programs.

Net Sales / Operating Margins

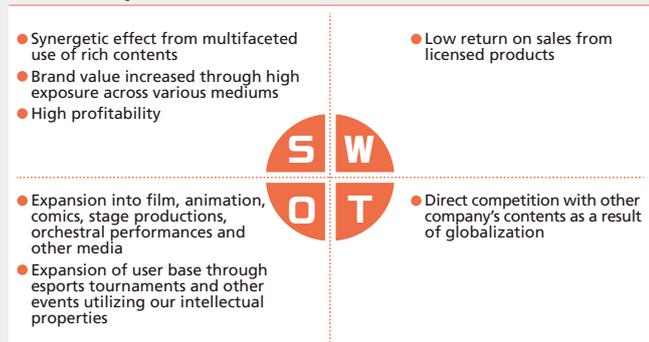


Assets / ROA

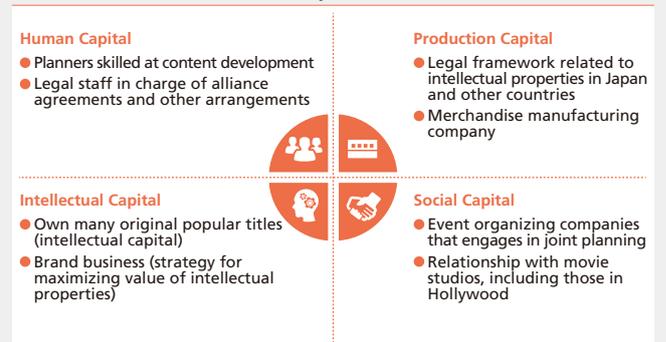


SWOT Analysis

S: Strengths **W**: Weaknesses **O**: Opportunities **T**: Threats



Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2018), we continued to appeal to the non-game user segment through efforts such as broadcasting the animated TV show *Monster Hunter Stories RIDE ON* and rolling out experience-based attractions like *Monster Hunter the Real* at Universal Studios Japan's Universal Cool Japan 2018 beginning in January 2018.

As a result, both sales and profits were up, with net sales at 2,338 billion yen (up 12.2% from the previous year) and operating income at 1,126 billion yen (up 16.2% from the previous year).

We will continue to leverage our strength of being able to reap substantial synergetic benefits with the Consumer and PC Online Games businesses by diversifying the use of our rich library of intellectual properties (content) and rolling them out across various mediums, including movies, animated television programs, theatrical productions, and events.

Next year, in order create business opportunities in the esports market, and to invigorate the domestic market in particular, we will establish a specialized esports division and leverage fighting games, such as *Street Fighter*, which has a high affinity for esports. At the same time, we will focus on increasing brand value and

expanding license royalty revenue on a global basis.

We will also continue to actively leverage our intellectual properties (content), based on our Single Content Multiple Usage strategy with the broadcast of animated television shows *Gyakuten Saiban: Sono "Shinjitsu", Igiari! Season 2* and *Gakuen BASARA*, as well as with the continuation of *Monster Hunter the Real*, as we work to increase the value of our core brands through adaptations and collaborations.

As a result of these measures, we expect net sales to increase to 2.5 billion yen (up 6.9% from the previous year), but due to upfront investments in esports, including increasing prize amounts at events and holding events to expand the user base, we expect to record an operating loss of 400 million yen.

Game Series Sales

With a focus on delivering quality products to a wider audience base, Capcom has strived diligently to create innovative and exciting sequels to existing popular franchises to increase its user base and to strengthen its revenues. As always, we at Capcom will continue to strive to provide our customers with the best possible forms of innovative entertainment to increase customer satisfaction.

| | | | | |
|---|--|--|--|---|
| <p>Dragon's Dogma</p> <p>Number of Titles: 12 Unit Sales: 4.0 (Million units)</p>  | <p>Lost Planet</p> <p>Number of Titles: 17 Unit Sales: 6.1 (Million units)</p>  | <p>Dead Rising</p> <p>Number of Titles: 22 Unit Sales: 12.0 (Million units)</p>  | <p>Okami</p> <p>Number of Titles: 10 Unit Sales: 2.1 (Million units)</p>  | <p>Sengoku BASARA</p> <p>Number of Titles: 30 Unit Sales: 4.0 (Million units)</p>  |
| <p>Monster Hunter</p> <p>Number of Titles: 41 Unit Sales: 48.0 (Million units)</p>  | <p>Ace Attorney</p> <p>Number of Titles: 26 Unit Sales: 6.7 (Million units)</p>  | <p>Devil May Cry</p> <p>Number of Titles: 26 Unit Sales: 16.0 (Million units)</p>  | <p>Onimusha</p> <p>Number of Titles: 12 Unit Sales: 8.0 (Million units)</p>  | <p>Dino Crisis</p> <p>Number of Titles: 13 Unit Sales: 4.4 (Million units)</p>  |
| <p>Marvel vs. Capcom</p> <p>Number of Titles: 16 Unit Sales: 8.7 (Million units)</p>  <p><small>©2017 MARVEL. ©1987-2017 CAPCOM CO., LTD. 2017. © CAPCOM USA, INC. 2017. ALL RIGHTS RESERVED.</small></p> | <p>Resident Evil</p> <p>Number of Titles: 123 Unit Sales: 83.0 (Million units)</p>  | <p>Breath of Fire</p> <p>Number of Titles: 15 Unit Sales: 3.2 (Million units)</p>  | <p>Final Fight</p> <p>Number of Titles: 10 Unit Sales: 3.2 (Million units)</p>  | <p>Street Fighter</p> <p>Number of Titles: 86 Unit Sales: 40.0 (Million units)</p>  |
| <p>Mega Man</p> <p>Number of Titles: 136 Unit Sales: 32.0 (Million units)</p>  | <p>Ghosts'n Goblins</p> <p>Number of Titles: 14 Unit Sales: 4.2 (Million units)</p>  | <p>Commando</p> <p>Number of Titles: 2 Unit Sales: 1.2 (Million units)</p>  | <p>1942</p> <p>Number of Titles: 3 Unit Sales: 1.4 (Million units)</p>  | |

Consolidated Financial Statement

Consolidated Balance Sheets

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|--|----------------------|---------------------|---------------------------|
| | March 31, 2017 | March 31, 2018 | March 31, 2018 |
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Assets | | | |
| Current assets: | | | |
| Cash on hand and in banks | ¥ 24,537 | ¥ 46,539 | \$ 439,049 |
| Notes and accounts receivable - trade | 20,175 | 12,930 | 121,985 |
| Merchandise and finished goods | 1,583 | 1,102 | 10,399 |
| Work in progress | 2,040 | 1,349 | 12,733 |
| Raw materials and supplies | 2,040 | 1,616 | 15,250 |
| Work in progress for game software | 30,150 | 25,635 | 241,843 |
| Deferred tax assets | 2,495 | 3,201 | 30,201 |
| Other | 2,478 | 3,371 | 31,807 |
| Allowance for doubtful accounts | (21) | (34) | (324) |
| Total current assets | 85,480 | 95,712 | 902,948 |
| Fixed assets: | | | |
| Tangible fixed assets, net of accumulated depreciation | | | |
| Buildings and structures, net | 11,004 | 11,106 | 104,778 |
| Machinery and vehicles, net | 16 | 10 | 96 |
| Tools, fixtures and furniture, net | 1,932 | 1,840 | 17,365 |
| Equipment for amusement facilities, net | 1,616 | 1,565 | 14,765 |
| Land | 5,234 | 5,234 | 49,384 |
| Leased assets, net | 835 | 668 | 6,308 |
| Construction in progress | 128 | 371 | 3,505 |
| Total tangible fixed assets | 20,768 | 20,797 | 196,203 |
| Intangible assets | 2,843 | 725 | 6,842 |
| Investments and other assets | | | |
| Investments in securities | 574 | 625 | 5,899 |
| Claims in bankruptcy and reorganization | 67 | 19 | 185 |
| Lease deposits | 3,920 | 4,034 | 38,065 |
| Deferred tax assets | 4,311 | 2,782 | 26,246 |
| Other | 1,003 | 900 | 8,493 |
| Allowance for doubtful accounts | (72) | (24) | (229) |
| Total investments and other assets | 9,804 | 8,338 | 78,661 |
| Total fixed assets | 33,417 | 29,861 | 281,707 |
| Total assets | ¥ 118,897 | ¥ 125,573 | \$ 1,184,655 |

Please refer to Notes to Consolidated Financial Statements and Independent Auditor's Report on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

| | Previous fiscal year March 31, 2017 Millions of yen | Current fiscal year March 31, 2018 Millions of yen | Current fiscal year March 31, 2018 Thousands of U.S. dollars |
|---|---|--|--|
| Liabilities | | | |
| Current liabilities: | | | |
| Notes and accounts payable - trade | ¥ 2,288 | ¥ 2,625 | \$ 24,773 |
| Electronically recorded monetary obligations | 4,886 | 839 | 7,924 |
| Short-term borrowings | 9,323 | 1,473 | 13,898 |
| Lease obligations | 502 | 392 | 3,707 |
| Accrued income taxes | 1,580 | 4,453 | 42,017 |
| Deferred tax liabilities | 2,308 | 766 | 7,227 |
| Accrued bonuses | 2,263 | 2,866 | 27,046 |
| Other | 6,840 | 13,618 | 128,473 |
| Total current liabilities | 29,994 | 27,037 | 255,068 |
| Long-term liabilities: | | | |
| Long-term borrowings | 6,788 | 8,315 | 78,443 |
| Lease obligations | 399 | 329 | 3,104 |
| Deferred tax liabilities | 29 | 23 | 220 |
| Liabilities for retirement benefits for employees | 2,596 | 2,819 | 26,596 |
| Asset retirement obligations | 509 | 501 | 4,727 |
| Other | 805 | 1,127 | 10,636 |
| Total long-term liabilities | 11,128 | 13,115 | 123,728 |
| Total liabilities | 41,122 | 40,152 | 378,796 |
| Net assets | | | |
| Shareholders' equity: | | | |
| Common stock | 33,239 | 33,239 | 313,578 |
| Capital surplus | 21,328 | 21,328 | 201,216 |
| Retained earnings | 45,402 | 53,602 | 505,684 |
| Treasury stock | (21,448) | (21,454) | (202,399) |
| Total shareholders' equity | 78,521 | 86,716 | 818,079 |
| Accumulated other comprehensive income: | | | |
| Net unrealized gain or loss on securities, net of tax | 107 | 139 | 1,317 |
| Cumulative translation adjustments | (541) | (1,142) | (10,779) |
| Accumulated adjustments for retirement benefits | (313) | (292) | (2,758) |
| Total accumulated other comprehensive income | (747) | (1,295) | (12,220) |
| Total net assets | 77,774 | 85,421 | 805,858 |
| Total liabilities and net assets | ¥ 118,897 | ¥ 125,573 | \$ 1,184,655 |

Please refer to Notes to Consolidated Financial Statements and Independent Auditor's Report on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Consolidated Financial Statement

Consolidated Statements of Income

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|--|------------------------------------|------------------------------------|------------------------------------|
| | April 1, 2016 to March 31, 2017 | April 1, 2017 to March 31, 2018 | April 1, 2017 to March 31, 2018 |
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Net sales | ¥ 87,170 | ¥ 94,515 | \$ 891,651 |
| Cost of sales | 56,438 | 59,895 | 565,048 |
| Gross profit | 30,731 | 34,619 | 326,602 |
| Selling, general and administrative expenses | 17,080 | 18,582 | 175,303 |
| Operating income | 13,650 | 16,037 | 151,299 |
| Non-operating income: | | | |
| Interest income | 47 | 58 | 553 |
| Dividend income | 13 | 14 | 135 |
| Other | 130 | 145 | 1,377 |
| Total | 192 | 219 | 2,066 |
| Non-operating expenses: | | | |
| Interest expense | 141 | 103 | 975 |
| Commission fees | 44 | 64 | 610 |
| Additionally paid retirement benefits | 117 | 112 | 1,062 |
| Office transfer expenses | 63 | 254 | 2,402 |
| Exchange losses, net | 746 | 407 | 3,848 |
| Other | 141 | 59 | 558 |
| Total | 1,253 | 1,002 | 9,458 |
| Ordinary income | 12,589 | 15,254 | 143,907 |
| Special losses: | | | |
| Loss on sales and/or disposal of fixed assets | 99 | 104 | 986 |
| Total | 99 | 104 | 986 |
| Net income before income taxes | 12,489 | 15,149 | 142,920 |
| Income taxes - current | 1,832 | 4,617 | 43,561 |
| Income taxes - deferred | 1,777 | (405) | (3,825) |
| Total | 3,610 | 4,212 | 39,735 |
| Net income | 8,879 | 10,937 | 103,184 |
| Net income attributable to owners of the parent | ¥ 8,879 | ¥ 10,937 | \$ 103,184 |

Consolidated Statements of Comprehensive Income

| | Previous fiscal year | Current fiscal year | Current fiscal year |
|---|------------------------------------|------------------------------------|------------------------------------|
| | April 1, 2016 to March 31, 2017 | April 1, 2017 to March 31, 2018 | April 1, 2017 to March 31, 2018 |
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Net income | ¥ 8,879 | ¥ 10,937 | \$ 103,184 |
| Other comprehensive income | | | |
| Net unrealized gain or loss on securities, net of tax | 105 | 31 | 298 |
| Cumulative translation adjustments | (262) | (601) | (5,672) |
| Adjustments for retirement benefits | (38) | 21 | 201 |
| Total other comprehensive income | (196) | (548) | (5,172) |
| Comprehensive income | 8,683 | 10,389 | 98,011 |
| Comprehensive income attributable to: | | | |
| Owners of the parent | ¥ 8,683 | ¥ 10,389 | \$ 98,011 |
| Non-controlling interests | – | – | – |

Please refer to Notes to Consolidated Financial Statements on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Consolidated Statements of Cash Flows

| | Previous fiscal year April 1, 2016 to March 31, 2017 | Current fiscal year April 1, 2017 to March 31, 2018 | Current fiscal year April 1, 2017 to March 31, 2018 |
|---|--|---|---|
| | Millions of yen | Millions of yen | Thousands of U.S. dollars |
| Cash flows from operating activities: | | | |
| Net income before income taxes | ¥ 12,489 | ¥ 15,149 | \$ 142,920 |
| Depreciation and amortization | 5,980 | 4,706 | 44,402 |
| Decrease in allowance for doubtful accounts | (1) | (36) | (341) |
| Increase in accrued bonuses | 186 | 604 | 5,702 |
| Increase in liabilities for retirement benefits for employees | 204 | 253 | 2,392 |
| Interest and dividend income | (61) | (71) | (678) |
| Interest expense | 141 | 103 | 975 |
| Exchange losses, net | 18 | 134 | 1,269 |
| Loss on sales and/or disposal of fixed assets | 99 | 104 | 986 |
| Decrease (increase) in accounts receivable - trade | (10,393) | 7,059 | 66,596 |
| Decrease in inventories | 158 | 1,588 | 14,983 |
| Decrease (Increase) in work in progress for game software | (2,266) | 4,069 | 38,394 |
| (Decrease) Increase in notes and accounts payable - trade | 2,280 | (3,690) | (34,818) |
| Other | 956 | 6,320 | 59,629 |
| Subtotal | 9,792 | 36,296 | 342,416 |
| Interest and dividends received | 62 | 73 | 692 |
| Interest paid | (140) | (101) | (956) |
| Income taxes paid | (6,513) | (1,546) | (14,587) |
| Net cash provided by operating activities | 3,200 | 34,721 | 327,564 |
| Cash flows from investing activities: | | | |
| Payments into time deposits | (200) | - | - |
| Payment for acquisition of tangible fixed assets | (3,074) | (2,767) | (26,111) |
| Proceeds from sales of tangible fixed assets | 5 | 0 | 9 |
| Payment for acquisition of intangible assets | (253) | (150) | (1,416) |
| Payment for purchase of investments in securities | (13) | (13) | (130) |
| Payment for other investing activities | (222) | (259) | (2,450) |
| Proceeds from other investing activities | 131 | 343 | 3,239 |
| Net cash used in investing activities | (3,628) | (2,847) | (26,859) |
| Cash flows from financing activities: | | | |
| Net (decrease) increase in short-term borrowings | 5,000 | (5,000) | (47,169) |
| Repayments of long-term borrowings | (1,497) | (1,323) | (12,482) |
| Repayments of lease obligations | (535) | (509) | (4,807) |
| Payment for repurchase of treasury stock | (3,302) | (5) | (53) |
| Dividends paid by parent company | (2,794) | (2,738) | (25,837) |
| Net cash used in financing activities | (3,130) | (9,577) | (90,351) |
| Effect of exchange rate changes on cash and cash equivalents | (533) | (96) | (907) |
| Net (decrease) increase in cash and cash equivalents | (4,091) | 22,201 | 209,445 |
| Cash and cash equivalents at beginning of year | 28,429 | 24,337 | 229,603 |
| Cash and cash equivalents at end of year | ¥ 24,337 | ¥ 46,539 | \$ 439,049 |

Please refer to Notes to Consolidated Financial Statements and Independent Auditor's Report on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Stock Data

Number of Shares Authorized*1.....150,000,000 shares
 Number of Shares Issued*2.....67,723,244 shares
 Number of Shareholders.....13,294

(Notes)
 1. In conjunction with the stock split, which took place on April 1, 2018 by resolution of the Board of Directors at the meeting held on March 6, 2018, the Articles of Incorporation were amended in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act. The number of shares authorized increased by 150,000,000 to 300,000,000 shares.
 2. Capcom implemented a stock split of two shares for every share of common stock held as of April 1, 2018 by resolution of the Board of Directors at the meeting held on March 6, 2018. This increased the number of shares issued by 67,723,244 to 135,446,488 shares.

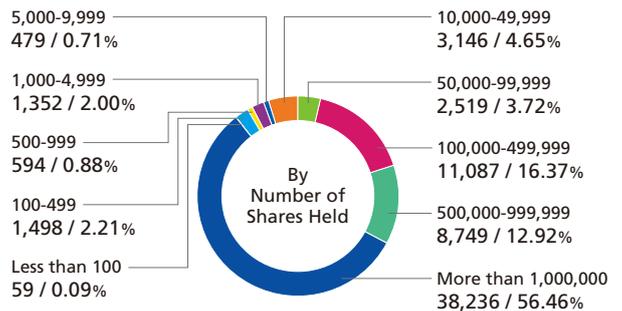
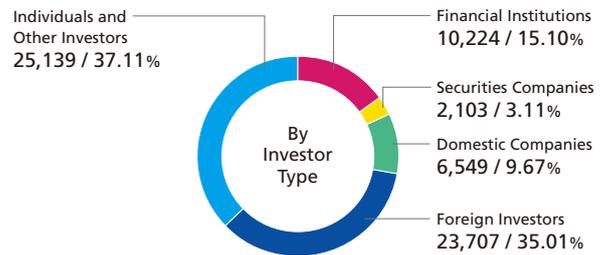
Major Shareholders (Top 10)

| Major Shareholders | Number of Shares Held (in thousands) | Percentage of Shareholding (%) |
|--|--------------------------------------|--------------------------------|
| Crossroad Co., Ltd. | 6,374 | 11.64 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 2,764 | 5.05 |
| Ryozo Tsujimoto | 2,019 | 3.69 |
| Yoshiyuki Tsujimoto | 2,019 | 3.69 |
| Haruhiro Tsujimoto | 2,018 | 3.69 |
| Kenzo Tsujimoto | 2,009 | 3.67 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,869 | 3.42 |
| JP Morgan Chase & Co. Oppenheimer JASDEC Lending Account | 1,771 | 3.24 |
| Goldman Sachs and Company Regular Account | 1,699 | 3.11 |
| Morgan Stanley MUFG Securities Co., Ltd. | 1,643 | 3.00 |

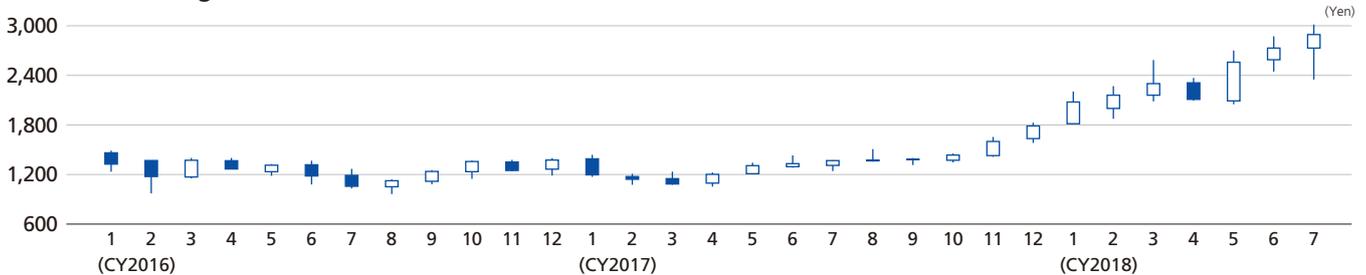
Note: Capcom owns 12,978 thousand shares as treasury stocks.
 The stocks owned by the Company are excluded from the above list.

Shareholders' Breakdown

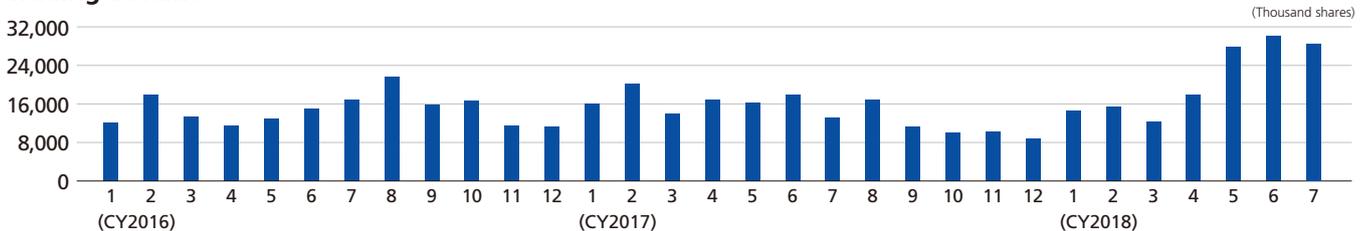
Number of shares held (in thousands) / (%)



Stock Price Range



Trading Volume



11-Year Trend of Stock Price and Trading Volume

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Stock Price | 1,700.0 | 873.0 | 883.0 | 795.0 | 945.5 | 738.0 | 979.0 | 1,194.5 | 1,372.5 | 1,085.5 | 2,299.0 |
| High | 1,745.0 | 1,820.0 | 1,005.0 | 953.5 | 1,155.5 | 979.5 | 1,165.0 | 1,206.5 | 1,537.5 | 1,438.5 | 2,585.0 |
| Low | 830.0 | 737.5 | 648.5 | 572.5 | 736.5 | 625.0 | 698.0 | 770.5 | 972.0 | 963.5 | 1,053.0 |
| Trading Volume | 191,795,000 | 179,636,900 | 181,065,800 | 149,613,900 | 227,386,800 | 178,008,200 | 150,408,300 | 143,234,700 | 162,642,100 | 183,455,500 | 170,005,100 |

* Effective April 1, 2018, Capcom implemented a stock split of two shares for every share. Numbers prior to this date have been calculated assuming the stock split.

(Years Ended March 31)

Corporate Profile

Name of Company CAPCOM CO., LTD.
Date of Establishment ... May 30, 1979
Date of Initiation June 11, 1983
Business Segments Planning, development, manufacture, sale and distribution of home video games, online games, mobile games and arcade games as well as management of amusement arcades.
Paid-in Capital ¥ 33,239 million
End of Term March 31
Number of Employees ... 2,952 (Including consolidated subsidiaries)
 2,426 (Capcom CO., LTD.)

Major Offices

Head Office 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-3600
R&D Building ... 3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7600
R&D Building #2 ... 3-1-10 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7750
Tokyo Branch ... Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0448, Japan
 PHONE: 81-3-3340-0710
Ueno Facility ... 3902 Hatta, Iga, Mie, 518-1155, Japan
 PHONE: 81-595-20-2030



Head Office



R&D Building



R&D Building #2

Capcom's Subsidiaries (As of Sep. 1, 2018)

K2 CO., LTD. / Enterrise CO., LTD. / CAPCOM Maintenance Service CO., Ltd./ CAPCOM U.S.A., INC. / CAPCOM ASIA CO., LTD. / CE EUROPE LTD. / CAPCOM ENTERTAINMENT GERMANY GmbH / BEELINE INTERACTIVE, INC. / BEELINE INTERACTIVE CANADA, INC. / CAPCOM ENTERTAINMENT KOREA CO., LTD. / CAPCOM ENTERTAINMENT FRANCE, SAS / CAPCOM GAME STUDIO VANCOUVER, INC. / BEELINE INTERACTIVE EUROPE LTD. / CAPCOM TAIWAN CO., LTD.

