



**Capcom Co., Ltd.**  
**(Tokyo Exchanges,**  
**First Section, 9697)**

**3rd Quarter Report**  
**Fiscal year ending March 31, 2015**

# 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 diversifying user needs and other changes in market conditions. Items 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) the popularity of 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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**-Summary of Major Financial Information**

# Financial Highlights

# Financial Highlights -Consolidated Business Results (1)

**Sales were down due to a downturn in sales of major titles but earnings were up due to an improvement in the profit structure**

## ■ 9 Months Results in FY12/13 vs. FY12/14

(Million yen)

	2013/12	2014/12	Difference
<b>Net sales</b>	<b>75,221</b>	<b>47,830</b>	<b>-27,391</b>
<b>Cost of sales</b>	<b>52,097</b>	<b>27,169</b>	<b>-24,928</b>
% to Net sales	69.3%	56.8%	-
<b>Selling, general and administrative expense</b>	<b>14,681</b>	<b>11,014</b>	<b>-3,667</b>
% to Net sales	19.5%	23.0%	-
<b>Operating income</b>	<b>8,521</b>	<b>9,727</b>	<b>1,206</b>
% to Net sales	11.3%	20.3%	-
<b>Ordinary income</b>	<b>9,251</b>	<b>10,114</b>	<b>863</b>
<b>Net income</b>	<b>5,957</b>	<b>6,540</b>	<b>583</b>

- Sales were decreased because of strong “Monster Hunter 4” sales one year earlier and decline in pachislo machine sales
- Earnings were up mainly because of higher Digital Contents profitability
- Foreign exchange gain of 393 million yen due to the weaker yen

**Savings from cost-cutting measures** (\*calculated as % of prior year sales)

⇒ **Reduction in cost of sales: ¥ 6 billion**

### **■ Reductions in consumer business cost of sales**

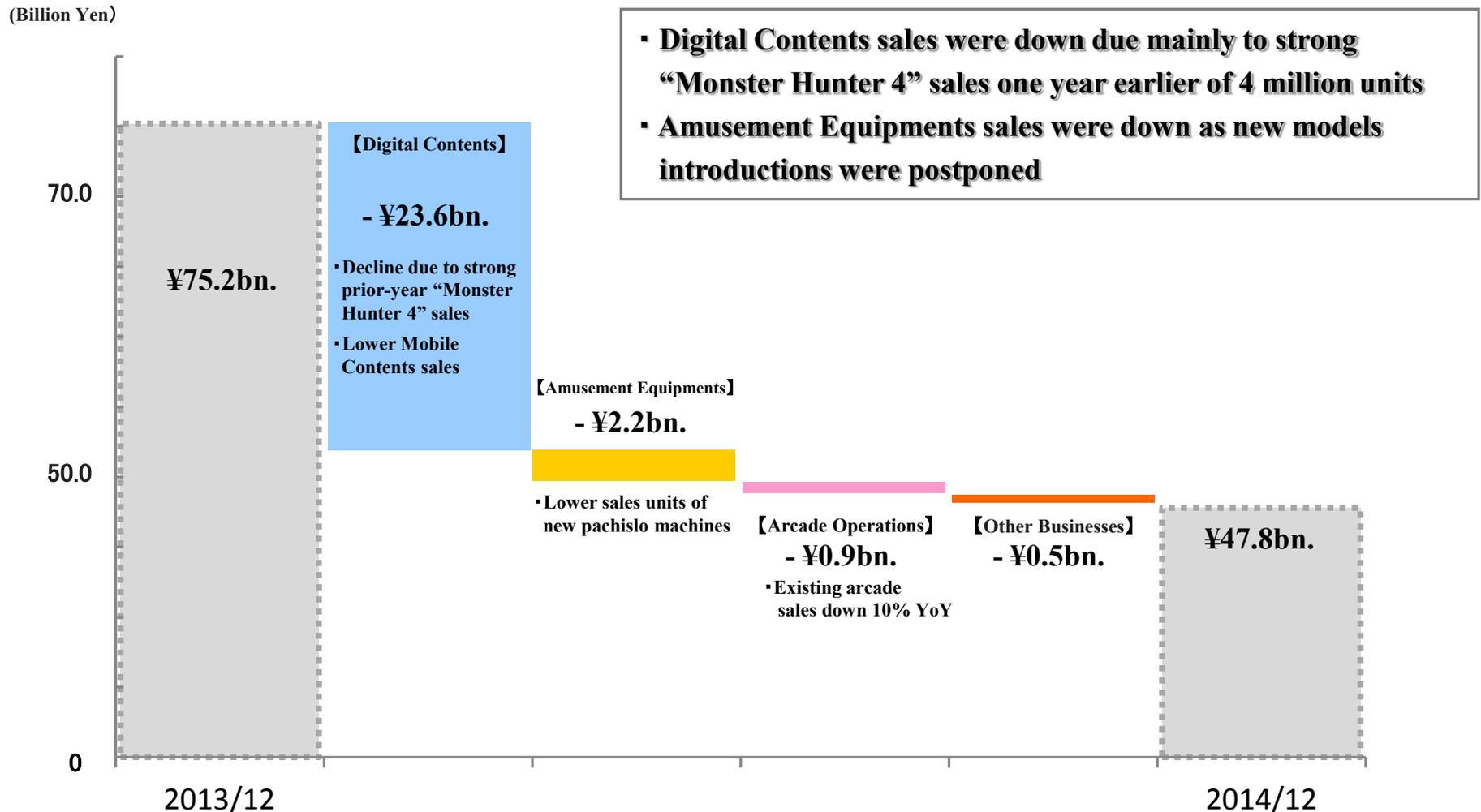
- 1. Improvements in outsourced game titles: ¥ 2 billion**
- 2. More efficient internal game titles: ¥ 1.6 billion**
- 3. Higher digital download sales ratio: ¥ 700 million**

### **■ Reduction in SGA expenses (fixed expenses)**

- 4. General expenses, including personnel: ¥ 1.1 billion**

# Financial Highlights -Consolidated Business Results (3)

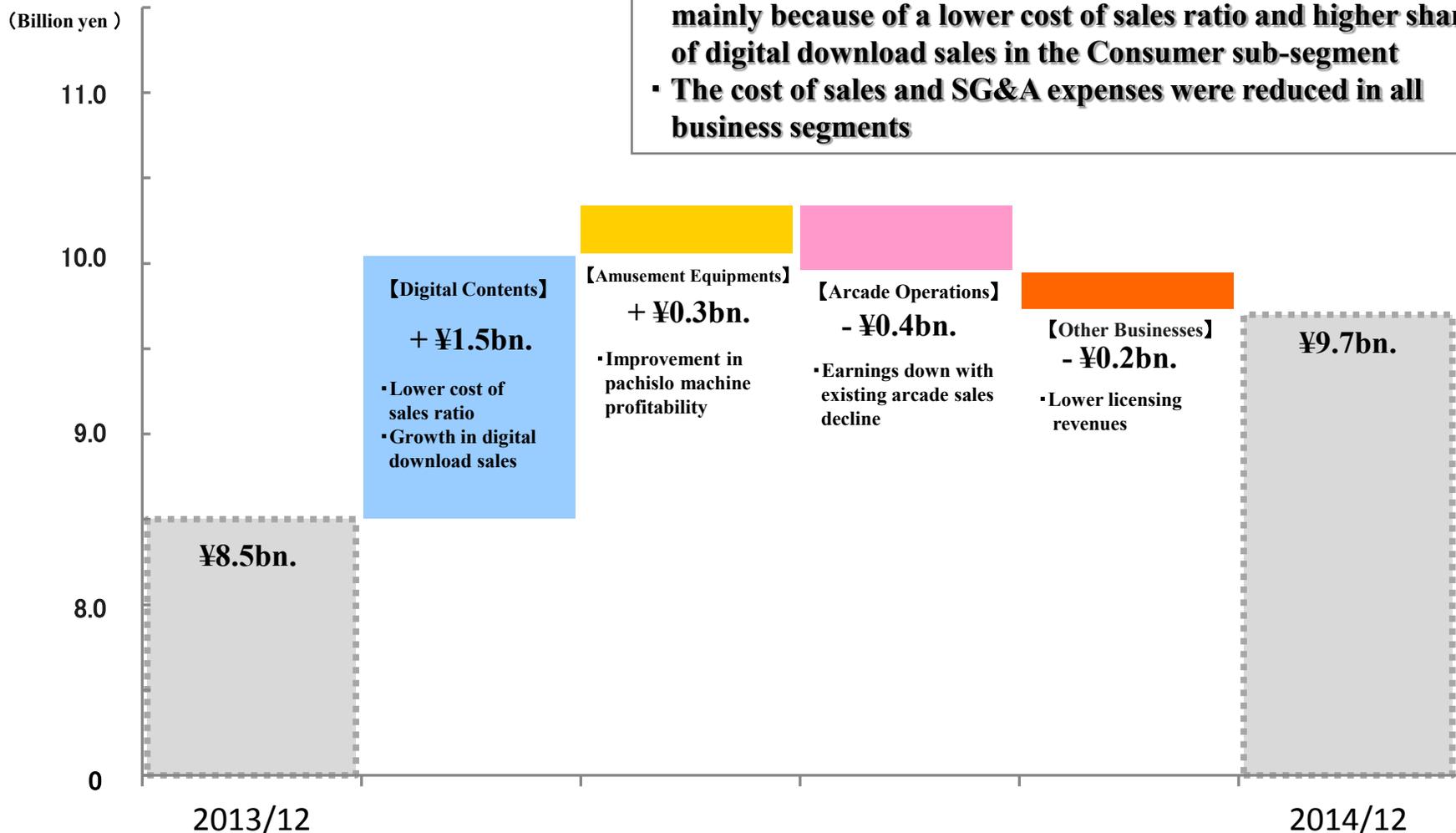
## ■ FY12/14 Net Sales (Fact of Increase and Decrease)



# Financial Highlights -Consolidated Business Results (4)

## ■ FY12/14 Operating Income (Fact of Increase and Decrease)

- In Digital Contents, profitability increased as margin improved mainly because of a lower cost of sales ratio and higher share of digital download sales in the Consumer sub-segment
- The cost of sales and SG&A expenses were reduced in all business segments



# Financial Highlights – Balance Sheet

## ■ Major Changes in Balance Sheet Items

(Million yen)

Assets	2014/3	2014/12	Difference
Notes and accounts receivable, trade	18,134	6,341	-11,793
Work-in-progress for game software	10,355	16,967	6,612
Intangible fixed assets, others	7,300	9,989	2,689

### (1) Notes and accounts receivable, trade

- Decreased due to the collection of receivables associated with a major title launched at the end of the prior fiscal year

### (2) Work-in-progress for game software, Intangible fixed assets, Others

- Increased along with progress in the development of new content

(Million yen)

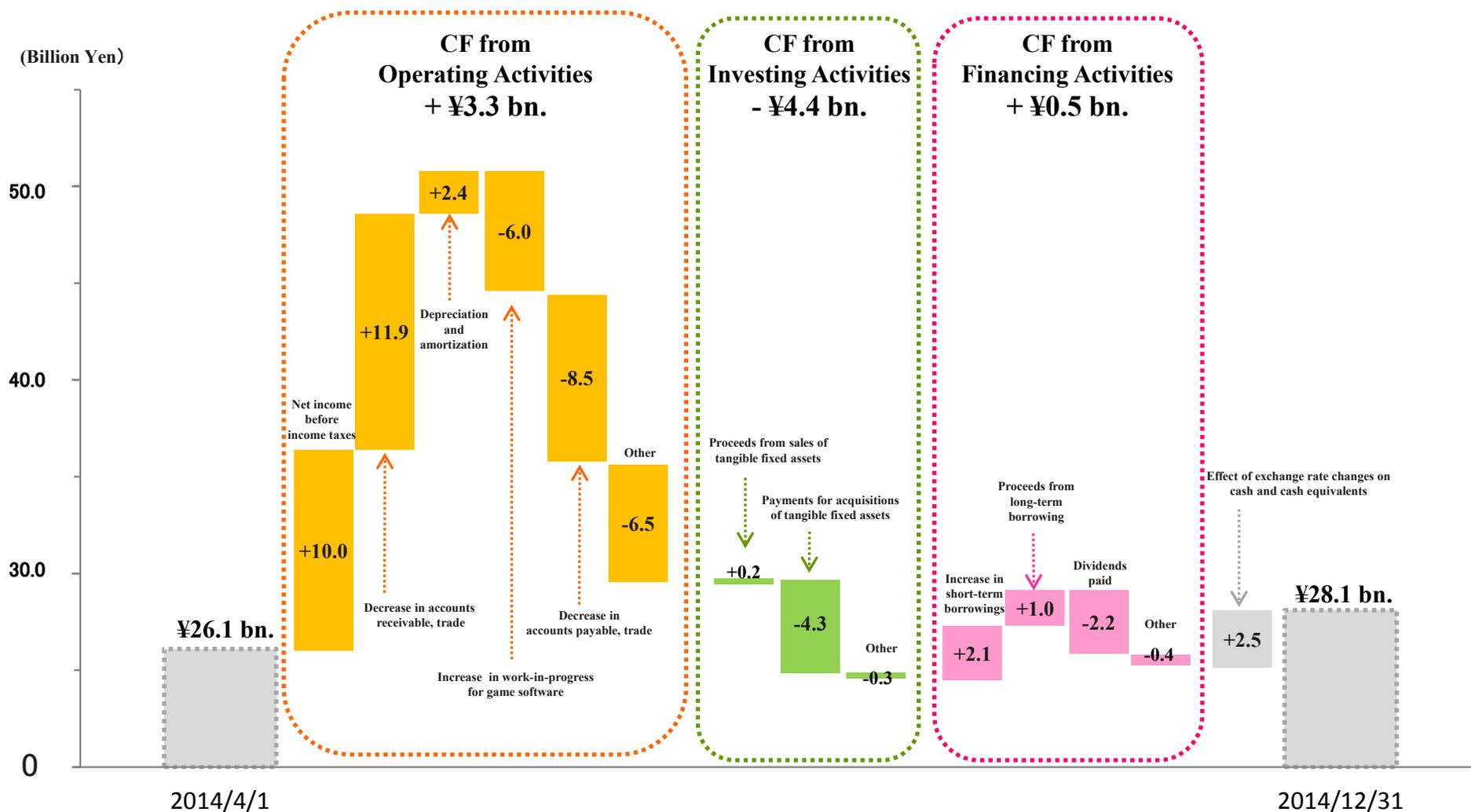
Liabilities	2014/3	2014/12	Difference
Short-term borrowings	4,050	9,359	5,309
Long-term borrowings	3,000	781	-2,219

### (3) Loans (short and long-term)

- Increased due to loans to fund construction of R&D Buildings

# Financial Highlights - Consolidated Cash Flows

## FY12/14 Consolidated Cash Flows (Fact of Increase and Decrease)



# Business Segment Information

# Digital Contents

# Business Segments -Digital Contents (1)

**Higher sales of major titles and downloads for old titles  
Improvement in Consumer sub-segment profitability**

## ■ 9 Months Highlights (Consumer)

- Earnings contribution from “Monster Hunter 4 Ultimate” sales, which were generally as planned
- Strong digital download sales of catalogue titles, mainly outside Japan

## ■ Sales of Major Titles for the 9 Months (Consumer)

(Unit: Thousand)

Platform	Title	Region	Date	Result
3DS	Monster Hunter4 Ultimate	Japan	2014/10/11	2,700
PS3 Xbox 360 PC	Ultra Street Fighter IV	Japan	2014/8/7	500
		North America	2014/8/5	
		Europe	2014/8/8	

\* Result includes the units of full- game downloads

\* Japan includes other Asian countries

# Business Segments -Digital Contents (2)

**Package and digital download sales were lower mainly because of strong sales of “Monster Hunter 4” and other major titles one year earlier**

## ■ Unit Sales for the 9 Months (Consumer)

(Unit: Thousand)

	2012/12	2013/12	2014/12	Difference
<b>Titles</b>	<b>33</b>	<b>33</b>	<b>20</b>	<b>-13</b>
<b>Package</b>				
Japan	3,700	5,800	3,500	-2,300
North America	4,000	3,100	1,600	-1,500
Europe	2,600	1,700	500	-1,200
Asia	400	200	100	-100
Package Total	10,700	10,800	5,700	-5,100
<b>Digital download contents</b>				
Full-game download	1,500	3,600	3,000	-600
<b>Total</b>	<b>12,200</b>	<b>14,400</b>	<b>8,700</b>	<b>-5,700</b>

**Lack of hit titles in the Mobile Contents and  
Consistent performance by existing titles in the PC and others**

## **■ 9 Months Highlights (Mobile Contents)**

- Although there were few major new titles for the Capcom and Beeline brands, a review of the profit structure improved profitability
- For the Capcom brand, “Street Fighter Puzzle Spirits” (Android) was launched
- For the Beeline brand, “Snoopy’s Sugar Drop” (Android/iOS) was launched

## **■ 9 Months Highlights (PC Other)**

- Sales of “Monster Hunter Frontier G”, the core title, were favorable due to the update to “G6”
- DMM Games started services for the new PC browser game  
“Monster Hunter Mezeporta Kaitaku Ki”

# Business Segments -Digital Contents (4)

**Sales down due to lower consumer business sales but operating income increased as structural reforms improved profitability**

## ■ 9 Months Digital Contents Performance

(100 million yen)

	2012/12	2013/12	2014/12	Difference
Net sales	497	560	324	-236
Operating income	73	69	84	15
Operating margin	14.7%	12.3%	26.1%	—
<b>(Composition)</b>				
Package	330	385	190	-195
Digital Download Contents	33	77	53	-24
Consumer total	363	462	243	-219
Mobile Contents	86	52	33	-19
PC Other	48	46	48	2

# Business Segments -Digital Contents (5)

**Concentrating on sales activities for  
“Monster Hunter 4 Ultimate” and “Resident Evil Revelations 2”**

## ■ FY2014 Sales Forecast for Major Titles (Consumer)

(Unit: Thousand)

Platform	Title	Region	Date	Plan
3DS	Monster Hunter 4 Ultimate	Japan	2014/10/11	3,900
		North America	2015/2/13	
		Europe	2015/2/13	

\* Result includes the units of full- game downloads

\* Japan includes other Asian countries

- For all stories of “Resident Evil Revelations 2,” distribution starts on February 25, 2015 with digital download and package sales starts on March 19.

# Business Segments -Digital Contents (6)

**Increased sales activities for new and existing titles offset somewhat the decline in package sales**

## ■ FY2014 Software Units Sales Plan (Consumer)

(Unit: Thousand)

	2013/3	2014/3	2015/3 Plan	Difference
<b>Titles</b>	46	42	33	-9
<b>Package</b>				
Japan	4,500	6,700	4,400	-2,300
North America	5,400	3,800	2,400	-1,400
Europe	3,600	1,900	1,000	-900
Asia	500	300	200	-100
<b>Package Total</b>	<b>14,000</b>	<b>12,700</b>	<b>8,000</b>	<b>-4,700</b>
<b>Digital download contents</b>				
Full-game download	2,700	4,800	5,500	700
<b>Total</b>	<b>16,700</b>	<b>17,500</b>	<b>13,500</b>	<b>-4,000</b>

# Business Segments -Digital Contents (7)

**Large scale improvement in profitability from one year earlier because of a more efficient development infrastructure, higher digital download sales and cost cutting**

## ■ FY2014 Digital Contents Plan

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	636	658	455	-203
Operating income	70	44	95	51
Operating margin	11.1%	6.8%	20.9%	—
<b>(Composition)</b>				
Package	407	433	245	-188
Digital Download Contents	52	97	105	8
Consumer total	459	530	350	-180
Mobile Contents	110	65	43	-22
PC Other	67	63	62	-1

# Arcade Operations

# Business Segments -Arcade Operations (1)

**Existing arcade sales decreased because of the consumption tax hike and unfavorable weather**

## ■ 9 Months Highlights

- Existing arcade sales down 10% from one year earlier (down 8% in 1H and 12% in Q3)
- Closed one arcade (Iruma, July 2014)

## ■ 9 Months Business Results

(100 million yen)

	2012/12	2013/12	2014/12	Difference
Net sales	81	79	69	-10
Operating income	12	12	7	-5
Operating margin	15.5%	15.6%	11.0%	-
Year-to-Year Ratio of Existing arcades	-6%	-5%	-10%	-

## ■ Number of Arcades

(Facilities)

	2013/3	2014/3	2014/12	2015/3 Plan
New arcades	0	1	0	1
Closing arcades	3	2	1	1
<b>Total</b>	<b>34</b>	<b>33</b>	<b>32</b>	<b>33</b>

## Business Segments -Arcade Operations (2)

**Only a small decrease in existing arcade sales from one year earlier  
Remained profitable due to efficient operations and tight cost controls**

### **■ FY2014 Outlook for remainder**

- Set up kids corners with fees based on time, and sales of food and beverage, to attract more customers
- Plan to open one arcade in the fourth quarter (raising the total to 33 locations)
- Existing arcade sales plan for the fiscal year: Down 8%

### **■ FY2014 Business Plan**

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	109	106	95	-11
Operating income	17	16	12	-4
Operating margin	15.6%	15.2%	12.6%	-
Year-to-Year Ratio of Existing Stores	-5%	-5%	-8%	-

# Amusement Equipments

# Business Segments -Amusement Equipments (1)

The revision in Japan's pachislo testing method brought down sales, but earnings increased due to the introduction of a Capcom pachislo machine which is a high margin product

## ■ 9 Months Highlights (P&S)

- No new models were launched in the third quarter

## ■ 9 Months Highlights (Arcade Games Sales)

- Sales are generally in line with the plan as operations focus on repeat sales of existing models

## ■ 9 Months Business Results

(100 million yen)

	2012/12	2013/12	2014/12	Difference
Net sales	128	92	70	-22
Operating income	37	24	27	3
Operating margin	28.8%	26.6%	39.8%	-

\*Pachinko & Pachislo is about 90% of net sales, and Arcade Games Sales about 10%

## Business Segments -Amusement Equipments (2)

**Sales were down due to a change in the business climate but margin improved mainly due to tight management of expenses**

### **FY2014 Outlook for remainder (P&S)**

- No plan for new pachislo machines introductions
- Concentrating on reviews of specs for models under development and on the development of new models

### **FY2014 Outlook for remainder (Arcade Games Sales)**

- No plan for new models introductions

### **FY2014 Business Plan**

(100 million yen)

	2013/3	2014/3	2015/3 Plan	Difference
Net sales	167	231	75	-156
Operating income	48	71	27	-44
Operating margin	29.1%	30.8%	36.0%	-

\*Pachinko & Pachislo is about 90% of net sales, and Arcade Games Sales about 10%



**Forecast for Year Ending  
March 31, 2015**

# Forecast for Year Ending March 31, 2015

**Aiming for fiscal year sales and earnings as planned  
by concentrating on major titles and on digital download sales**

(million yen)

	2014/3	2015/3 Plan	Difference
Net sales	102,200	65,000	-37,200
Operating income	10,299	10,500	201
Ordinary income	10,946	10,700	-246
Net income	3,444	6,800	3,356

- No change in the fiscal year forecast announced on January 9, 2015
- Fiscal year EPS forecast is 120.93 yen
- Forecast first half dividend of 15 yen and year-end dividend of 25 yen, resulting in a FY3/15 dividend of 40 yen



# **Additional Information**

## **Summary of Major Financial Information**

# Summary of Major Financial Information(1)

## ● Profit and Loss Sheet

(Million yen)

	2013/3	2014/3	2015/3 E	%	2014/12
Net Sales	94,075	102,200	65,000	63.6%	47,830
Gross Profit	32,163	29,949	28,000	93.5%	20,661
% of Gross Profit	34.2%	29.3%	43.1%	-	43.2%
Sales and G&A Expenses	21,942	19,749	17,500	88.6%	11,014
Operating Income	10,151	10,299	10,500	102.0%	9,727
% of Operating Income	10.8%	10.1%	16.2%	-	20.3%
Ordinary Income	10,944	10,946	10,700	97.8%	10,114
% of Ordinary Income	11.6%	10.7%	16.5%	-	21.1%
Net Income	2,973	3,444	6,800	197.4%	6,540
% of Net Income	3.2%	3.4%	10.5%	-	13.7%

## ● Sales by Business Segments

(Million yen)

		2013/3	2014/3	2015/3 E	%	2014/12
Digital Contents	Net Sales	63,636	65,824	45,500	69.1%	32,408
	Operating Income	7,062	4,489	9,500	211.6%	8,469
	Operating Margin	11.1%	6.8%	20.9%	-	26.1%
Arcade Operations	Net Sales	10,944	10,620	9,500	89.5%	6,952
	Operating Income	1,709	1,617	1,200	74.2%	763
	Operating Margin	15.6%	15.2%	12.6%	-	11.0%
Amusement Equipment	Net Sales	16,783	23,160	7,500	32.4%	7,002
	Operating Income	4,892	7,131	2,700	37.9%	2,789
	Operating Margin	29.1%	30.8%	36.0%	-	39.8%
Others	Net Sales	2,711	2,594	2,500	96.4%	1,466
	Operating Income	740	1,001	800	79.9%	458
	Operating Margin	27.3%	38.6%	32.0%	-	31.2%

## ● Sales by Geographic Area

(Million yen)

	2013/3	2014/3	2015/3 E	%	2014/12
Japan	65,873	86,532	54,000	62.4%	41,714
North America	17,377	10,179	7,500	73.7%	4,287
Europe	9,406	4,320	2,500	57.9%	1,159
Other territories	1,417	1,167	1,000	85.7%	668

# Summary of Major Financial Information(2)

## ● Sales Units Shipped <platform>

		(Thousand Units)				
		2013/3	2014/3	2015/3 E	Difference	2014/12
Playstation 2	Titles	-	-	-	-	-
	Total Units	100	-	-	-	-
Playstation 3	Titles	21	17	-	-	7
	Total Units	7,100	4,200	-	-	1,400
PlayStation4	Titles	4	-	-	-	4
	Total Units	600	200	-	-	150
PSP	Titles	2	2	-	-	-
	Total Units	700	350	-	-	150
PS Vita	Titles	7	4	-	-	5
	Total Units	1,300	4,700	-	-	3,100
Wii	Titles	8	11	-	-	2
	Total Units	3,700	2,950	-	-	800
Wii U	Titles	4	5	-	-	2
	Total Units	500	300	-	-	100
NintendoDS	Titles	46	39	33	-6	20
	Total Units	14,000	12,700	8,000	63.0%	5,700
Nintendo3DS	Titles	-	3	-	-3	-
	Total Units	2,700	4,800	5,500	114.6%	3,000
Xbox 360	Titles	46	42	33	-9	20
	Total Units	16,700	17,500	13,500	77.1%	8,700
Xbox One	Titles	4	5	-	-	2
	Total Units	500	300	-	-	100
PC & Others	Titles	46	39	33	-6	20
	Total Units	14,000	12,700	8,000	63.0%	5,700
Package total	Titles	-	3	-	-3	-
	Total Units	2,700	4,800	5,500	114.6%	3,000
Full-game download	Titles	46	42	33	-9	20
	Total Units	16,700	17,500	13,500	77.1%	8,700
Total	Titles	46	42	33	-9	20
	Total Units	16,700	17,500	13,500	77.1%	8,700

\*Full-game download includes the titles distributed only by download

## ● Sales Units Shipped <distribution / catalogue repeat sales>

		(Thousand Units)				
		2013/3	2014/3	2015/3 E	Difference	2014/12
Distribution titles		550	1,400	800	57.1%	500
Old titles		3,900	5,700	7,300	128.1%	4,500

## ● Sales Units Shipped <geographic>

		(Thousand Units)				
		2013/3	2014/3	2015/3 E	Difference	2014/12
Japan		4,500	6,700	4,400	65.7%	3,500
North America		5,400	3,800	2,400	63.2%	1,600
Europe		3,600	1,900	1,000	52.6%	500
Asia		500	300	200	66.7%	100
Full-game download (global)		2,700	4,800	5,500	114.6%	3,000
Total		16,700	17,500	13,500	77.1%	8,700