



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

1st Quarter Report
Fiscal year ending March 31, 2017

Forward-looking Statements

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

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

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



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**Forecast for fiscal year ending
March 31, 2017**

Fiscal 2016 Forecasts

**Targeting 4 years of consecutive increased operating income;
multiple major titles in 2H to promote growth strategy**

(in millions of JPY)

	2016/3	2017/3 Plan	Difference
Net sales	77,021	85,000	7,979
Operating income	12,029	13,600	1,571
Operating margin	15.6%	16.0%	-
Ordinary income	11,348	13,300	1,952
Net income attributable to owners of the parent	7,745	9,000	1,255

- Fruits of structural reforms bring fuller, more robust major title production
- Greater incomes from digital downloads
- Two-pronged growth through both organic business expansion and licensing business in Asia

■ Growth Strategy Updates

■ Strengthen the Consumer business

- ***Resident Evil 7 biohazard* January 2017 release announced**
 - Full PlayStation®VR support
 - PS4 demo broke 2 million downloads (as of June 26)
 - Received various awards at E3 (Electronic Entertainment Expo)
More than 20 awards including:
 - GameSpot : Best of E3 2016 Winner
 - GamesRadar+ : Best of E3 2016 Award
 - VG24/7 : Editor's Choice Award E3 2016

- ***Dead Rising 4* Holiday 2016 release announced**

Financial Highlights

Financial Highlights – Consolidated Business Results (1)

■ 3 Months Results in FY6/15 vs. FY6/16

(in millions of JPY)

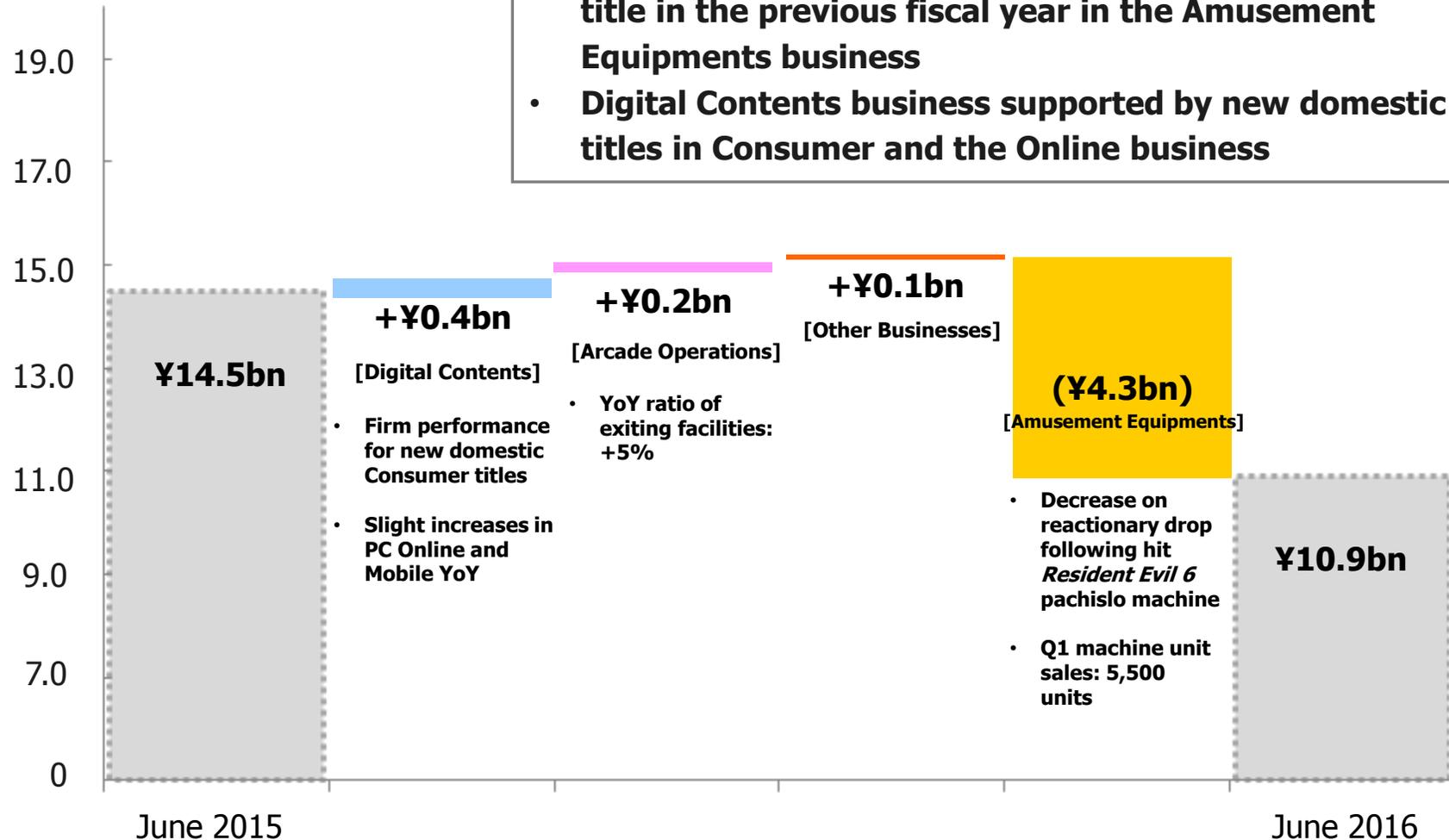
	2015/6	2016/6	Difference
Net sales	14,541	10,927	(3,614)
Operating income	2,026	(726)	(2,752)
Ordinary income	2,135	(2,080)	(4,215)
Net income attributable to owners of the parent	1,569	(1,411)	(2,980)

- Sales and earnings were down from one year earlier due mainly to increased development costs accompanying the introduction of new titles in the Consumer business, and a reactionary drop following a hit title in the previous fiscal year in the Amusement Equipments business.
- Booked a foreign exchange loss of 1,335 million yen in line with the drastic appreciation of the yen at the end of Q1.

Financial Highlights – Consolidated Business Results (2)

■ FY6/16 Net Sales (Reasons for Increases/Decreases)

(billions of JPY)

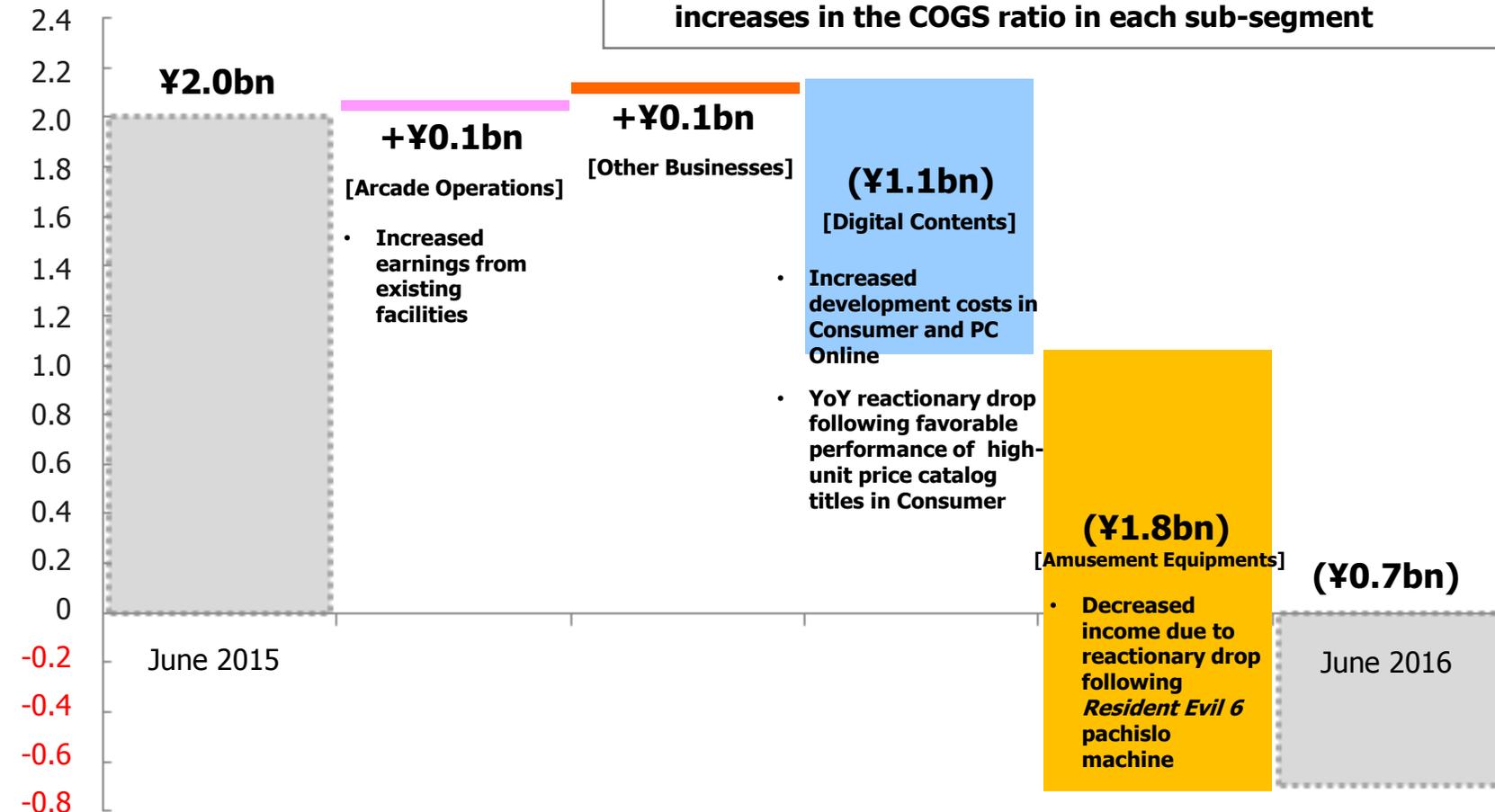


- Decreased sales due to a reactionary drop following a hit title in the previous fiscal year in the Amusement Equipments business
- Digital Contents business supported by new domestic titles in Consumer and the Online business

Financial Highlights – Consolidated Business Results (3)

■ FY6/16 Operating Income (Reasons for Increases/Decreases)

(billions of JPY)



- Income in the Amusement Equipments business decreased due to a reactionary drop following a hit title in Q1 of the previous fiscal
- Income in the Digital Contents business fell primarily due to increases in the COGS ratio in each sub-segment

Financial Position – Balance Sheet

■ Major Changes in Balance Sheet Items

(millions of JPY)

Assets	2016/3	2016/6	Difference
Work-in-progress for game software	24,825	27,146	2,321
Notes and accounts receivable, trade	9,879	6,658	(3,221)

1. **Work-in-progress for game software**

- Increased due to larger lineup of Consumer products and progress with the development of new titles

2. **Notes and accounts receivable, trade**

- Decreased due to collecting accounts receivable for title released at the end of the previous fiscal year

(millions of JPY)

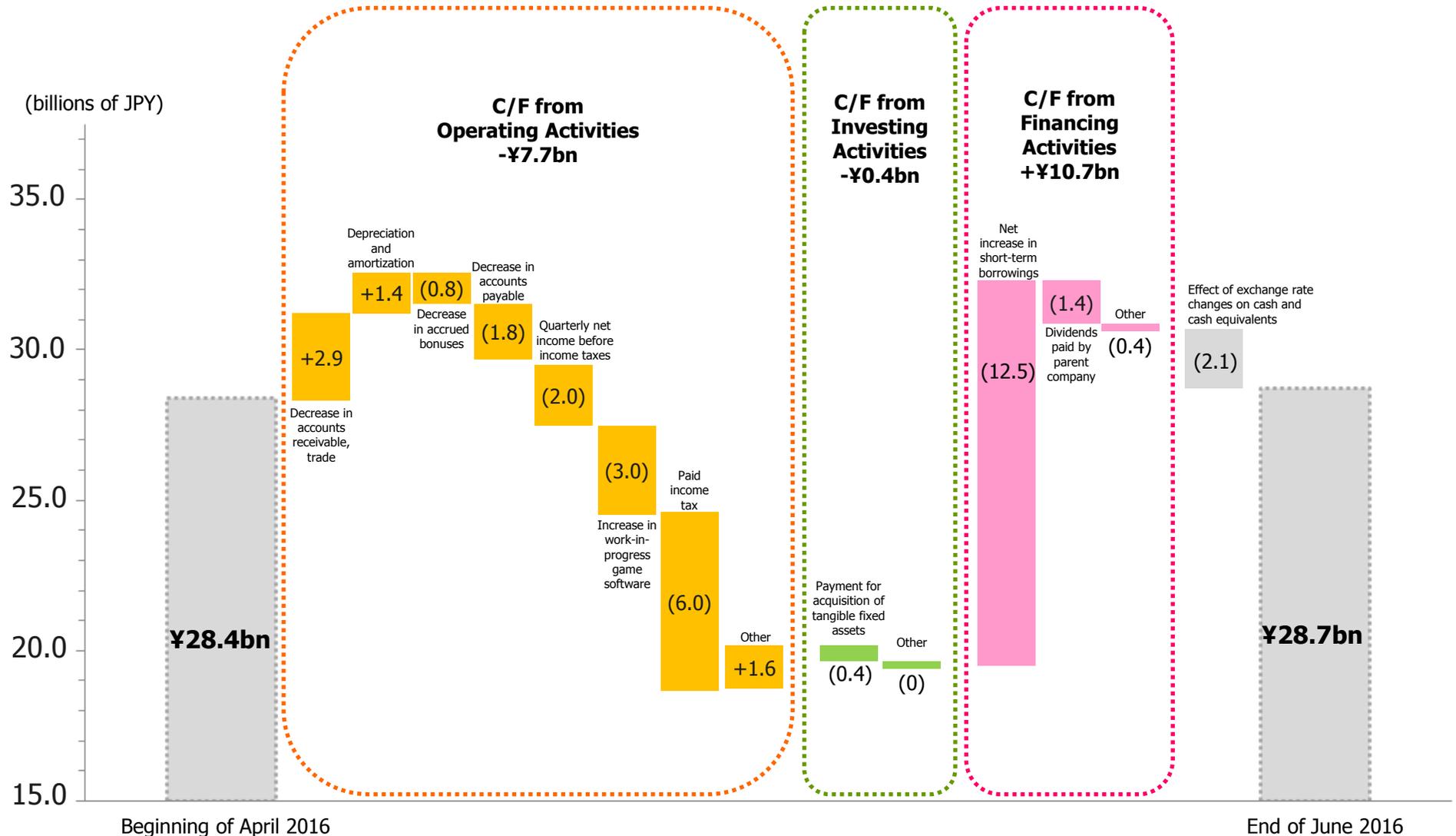
Liabilities	2016/3	2016/6	Difference
Short-term borrowings	1,497	13,991	12,494

3. **Short-term borrowings**

- Increased due to utilizing the commitment line

Financial Position – Consolidated Cash Flows

■ FY16/6 Consolidated Cash Flows (Reasons for Increases/Decreases)



Business Segments

Digital Contents business

**Awaiting major product releases in 2H,
Released new mid-sized titles, however the profit margin declined**

■ 3 Months Highlights (Consumer)

- Start of *Phoenix Wright: Ace Attorney – Spirit of Justice* in-line with projections, supported by stable core user-base
- In addition to increased development costs accompanying new title releases, income declined on a reactionary drop following high unit price catalog sales in the same period of the last fiscal year
- Digital download sales expanded primarily on low unit price titles for PC

Business Segments – Digital Contents (2)

**Download sales grow domestically and overseas
Unit sales on par with same period last year**

■ Unit Sales for the 3 Months (Consumer)

(thousands of units)

	2014/6	2015/6	2016/6	2017/3 Plan
Titles	2	8	5	35
Package				
Japan	200	250	500	3,400
North America	400	550	250	3,500
Europe	100	250	50	1,600
Asia	0	50	0	500
Package total	700	1,100	800	9,000
Digital download contents				
Full-game	700	1,400	1,700	7,500
Total	1,400	2,500	2,500	16,500

Business Segments – Digital Contents (3)

**Focused on operation of existing titles in both Mobile and PC Online
Growth at temporary plateau, profitability declined**

■ 3 Months Highlights (Mobile Contents)

- *Monster Hunter Explore* contributed stable revenue
- Development of new apps featuring Capcom IPs in progress under new organizational structure

■ 3 Months Highlights (PC Other)

- Stronger content for *Dragon's Dogma Online* with Season 2.0 update
- Profitability declined accompanying increase in depreciation burden on titles launched last fiscal year
- *Monster Hunter Online* in China progressing stably via agreement with Tencent Holdings

Business Segments – Digital Contents (4)

**Slight increase in net sales on upturn in Mobile and PC Online
Income decreased with rising COGS in each sub-segment**

■ Digital Contents Performance

(hundreds of millions of JPY)

	2015/6	2016/6	2017/3 Plan
Net sales	62	67	590
Operating income	11	0	143
Operating margin	17.6%	0.1%	24.2%
Breakdown of net sales			
Package	28	25	330
Digital download contents	18	21	140
Consumer total	46	46	470
Mobile Contets	6	9	40
PC Other	10	12	80

Arcade Operations business

Business Segments – Arcade Operations

**Market conditions show signs of recovery
Sales and income up as existing facilities beat same period last year**

■ 3 Months Highlights

- YoY net sales of existing facilities: +5%
- Character merchandise, prizes related to popular IPs driving sales

■ 3 Months Business Results

(hundreds of millions of JPY)

	2014/6	2015/6	2016/6	2017/3 Plan
Net sales	22	19	21	90
Operating income	2	0	1	8
Operating margin	9.7%	1.8%	5.0%	8.9%
YoY Ratio of existing arcades	-7%	-11%	5%	±0

■ Number of Arcades

(facilities)

	2015/3	2016/3	2016/6	2017/3 Plan
New arcades	1	4	0	3
Closed arcades	1	3	0	0
Total	33	34	34	37

Amusement Equipments business

Business Segments – Amusement Equipments

Pachinko & Pachislo business sales and income declined on a reactionary drop following a hit title in Q1 of the previous fiscal

■ 3 Months Highlights (P&S)

- Pachislo machine *Super Street Fighter IV* sold 5.5 thousand units
- OEM business steadily contributing

■ 3 Months Highlights (Arcade Games Sales)

- Carried out large-scale update of existing arcade game machines

■ 3 Months Business Results

(hundreds of millions of JPY)

	2014/6	2015/6	2016/6	2017/3 Plan
Net sales	14	60	16	150
Operating income	6	17	(0)	30
Operating margin	41.9%	29.3%	-	20.0%

*Ratio of P&S to Arcade Games Sales for net sales: 9:1



Summary of Major Financial Information

Summary of Major Financial Information (1)

● Profit and Loss Sheet

(millions of JPY)

	2015/3	2016/3	2017/3 Plan	%	2016/6
Net Sales	64,277	77,021	85,000	110.4%	10,927
Gross Profit	25,898	29,846	31,200	104.5%	2,688
Margin (%)	40.3%	38.8%	36.7%	-	24.6%
Sales and G&A Expenses	15,403	17,816	17,600	98.8%	3,415
Operating Income	10,582	12,029	13,600	113.1%	(726)
Margin (%)	16.5%	15.6%	16.0%	-	-
Ordinary Income	10,851	11,348	13,300	117.2%	(2,080)
Margin (%)	16.9%	14.7%	15.6%	-	-
Net income attributable to owners of the parent	6,616	7,745	9,000	116.2%	(1,411)
Margin (%)	10.3%	10.1%	10.6%	-	-

● Sales by Business Segments

(millions of JPY)

		2015/3	2016/3	2017/3 Plan	%	2016/6
Digital Contents	Net Sales	45,351	52,577	59,000	112.2%	6,740
	Operating Income	10,208	12,167	14,300	117.5%	8
	Operating Margin	22.5%	23.1%	24.2%	-	0.1%
Arcade Operations	Net Sales	9,241	9,056	9,000	99.4%	2,157
	Operating Income	940	699	800	114.4%	107
	Operating Margin	10.2%	7.7%	8.9%	-	5.0%
Amusement Equipments	Net Sales	7,540	13,343	15,000	112.4%	1,662
	Operating Income	2,736	2,812	3,000	106.7%	(61)
	Operating Margin	36.3%	21.1%	20.0%	-	-
Others	Net Sales	2,144	2,043	2,000	97.9%	366
	Operating Income	661	511	200	39.1%	126
	Operating Margin	30.8%	25.0%	10.0%	-	34.4%

● Sales by Geographic Area

(millions of JPY)

	2015/3	2016/3	2017/3 Plan	%	2016/6
Japan	50,877	57,737	54,500	94.4%	8,543
North America	8,678	12,384	21,000	169.6%	1,552
Europe	3,413	5,221	7,900	151.3%	634
Others	1,308	1,681	1,600	95.2%	198

Summary of Major Financial Information (2)

●Sales Units Shipped <platform>

		2015/3	2016/3	2017/3 Plan	Difference	2016/6
PlayStation 3	Titles	13	19	-	-	2
PlayStation4	Units	2,450	3,500	-	-	300
PSP	Titles	5	8	-	-	-
PS Vita	Units	250	300	-	-	-
Wii	Titles	-	-	-	-	-
WiiU	Units	150	100	-	-	-
NintendoDS	Titles	5	7	-	-	1
Nintendo 3DS	Units	3,750	4,100	-	-	400
Xbox 360	Titles	7	6	-	-	1
Xbox One	Units	1,200	650	-	-	50
PC & Others	Titles	3	4	-	-	1
	Units	200	250	-	-	50
Package total	Titles	33	44	34	(10)	5
	Units	8,000	8,900	9,000	101.1%	800
Full-game download	Titles	-	1	1	-	-
	Units	5,000	6,100	7,500	123.0%	1,700
Total	Total Titles	33	45	35	(10)	5
	Total Units	13,000	15,000	16,500	110.0%	2,500

*Full-game download includes digital download-only titles

●Sales Units Shipped <Distribution/Old titles>

	2015/3	2016/3	2017/3 Plan	Difference	2016/6
Distribution titles	750	750	400	53.3%	50
Old titles	6,000	7,000	6,500	92.9%	2,100

●Sales Units Shipped <geographic>

	2015/3	2016/3	2017/3 Plan	Difference	2016/6
Japan	4,000	4,700	3,400	72.3%	500
North America	2,400	2,600	3,500	134.6%	250
Europe	1,300	1,200	1,600	133.3%	50
Asia	300	400	500	125.0%	-
Full-game download (Global)	5,000	6,100	7,500	123.0%	1,700
Total	13,000	15,000	16,500	110.0%	2,500