



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

**First Half Report**  
**Fiscal year ending March 31, 2018**

# Forward-looking Statements

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

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

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

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# 1. Forecasts for FY3/18

# 1. Forecasts for FY3/18 (1)

Five consecutive years of operating income growth driven by Digital Contents; 1H in line with initial forecasts

(millions of JPY)

	2017/3	2018/3 Plan	Difference	2017/9
<b>Net sales</b>	<b>87,170</b>	<b>93,000</b>	<b>5,830</b>	<b>33,729</b>
<b>Operating income</b>	<b>13,650</b>	<b>14,500</b>	<b>850</b>	<b>5,001</b>
<b>Operating margin</b>	<b>15.7%</b>	<b>15.6%</b>	<b>-</b>	<b>14.8%</b>
<b>Ordinary income</b>	<b>12,589</b>	<b>14,000</b>	<b>1,411</b>	<b>5,016</b>
<b>Net income attributable to owners of the parent</b>	<b>8,879</b>	<b>9,500</b>	<b>621</b>	<b>3,481</b>

- Increase revenue and profit year-over-year in Digital Contents via improvements to Mobile and PC Online and through stable growth in Consumer.
- Full-year forecast stands as is.

## **2. FY2017 First Half Financial Highlights**

## **2-1. Consolidated Statements of Income**

## 2-1. Consolidated Statements of Income

### ■ Results Comparison: Sept. 2016 vs Sept. 2017

(millions of JPY)

	2016/9	2017/9	Difference
Net sales	28,676	33,729	5,053
Operating income	1,715	5,001	3,286
Ordinary income	514	5,016	4,502
Net income attributable to owners of the parent	405	3,481	3,076

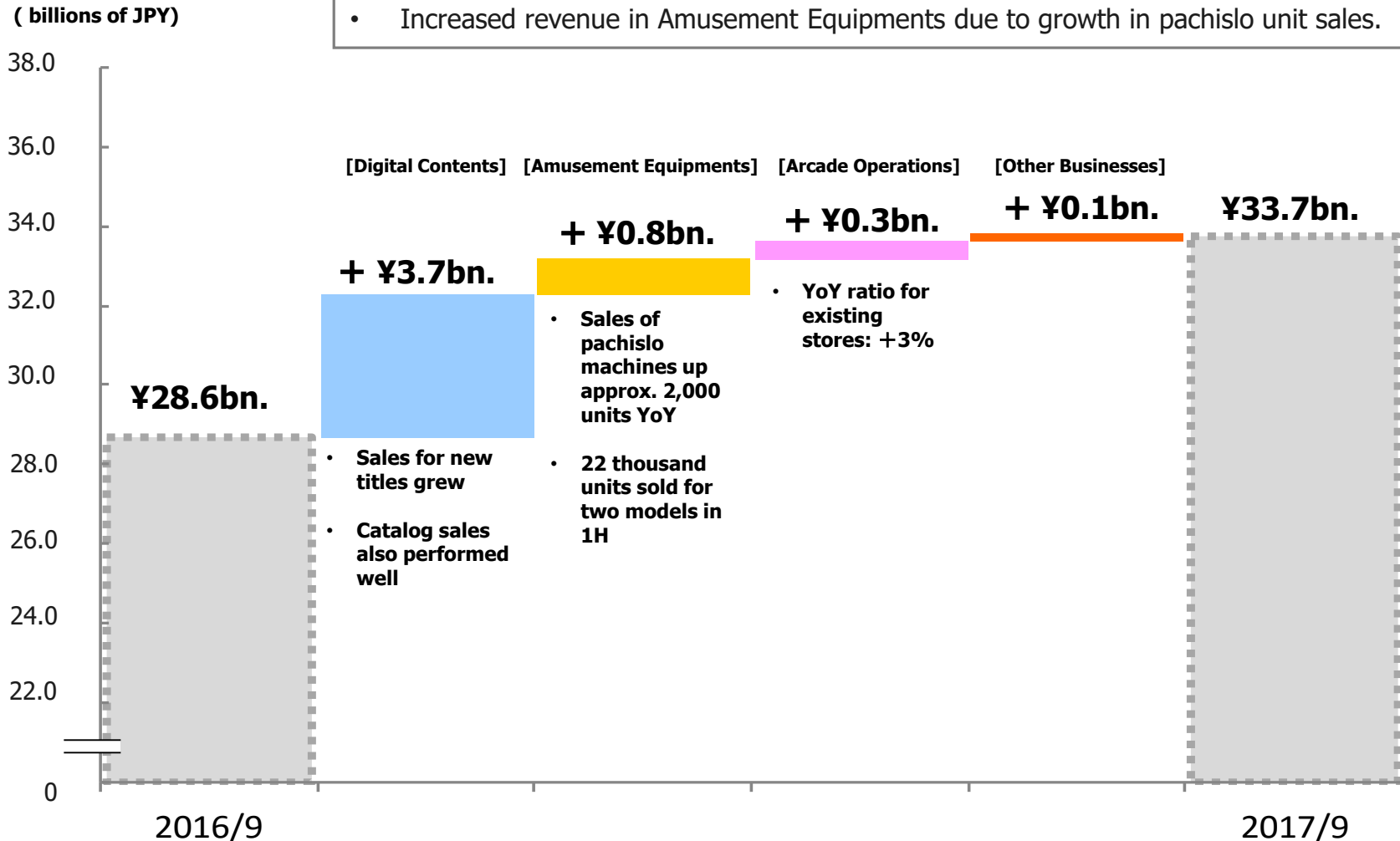
- Increased revenue and profit year-over-year from favorable sales of new titles and licensing revenue in the Digital Contents business.
- Foreign exchange gain of ¥54 million (compared to loss of ¥1,167 million in the same term of the previous fiscal year.)



# 2-1. Consolidated Statements of Income Summary (1)

## ■ FY9/17 Net Sales: Increases and Decreases

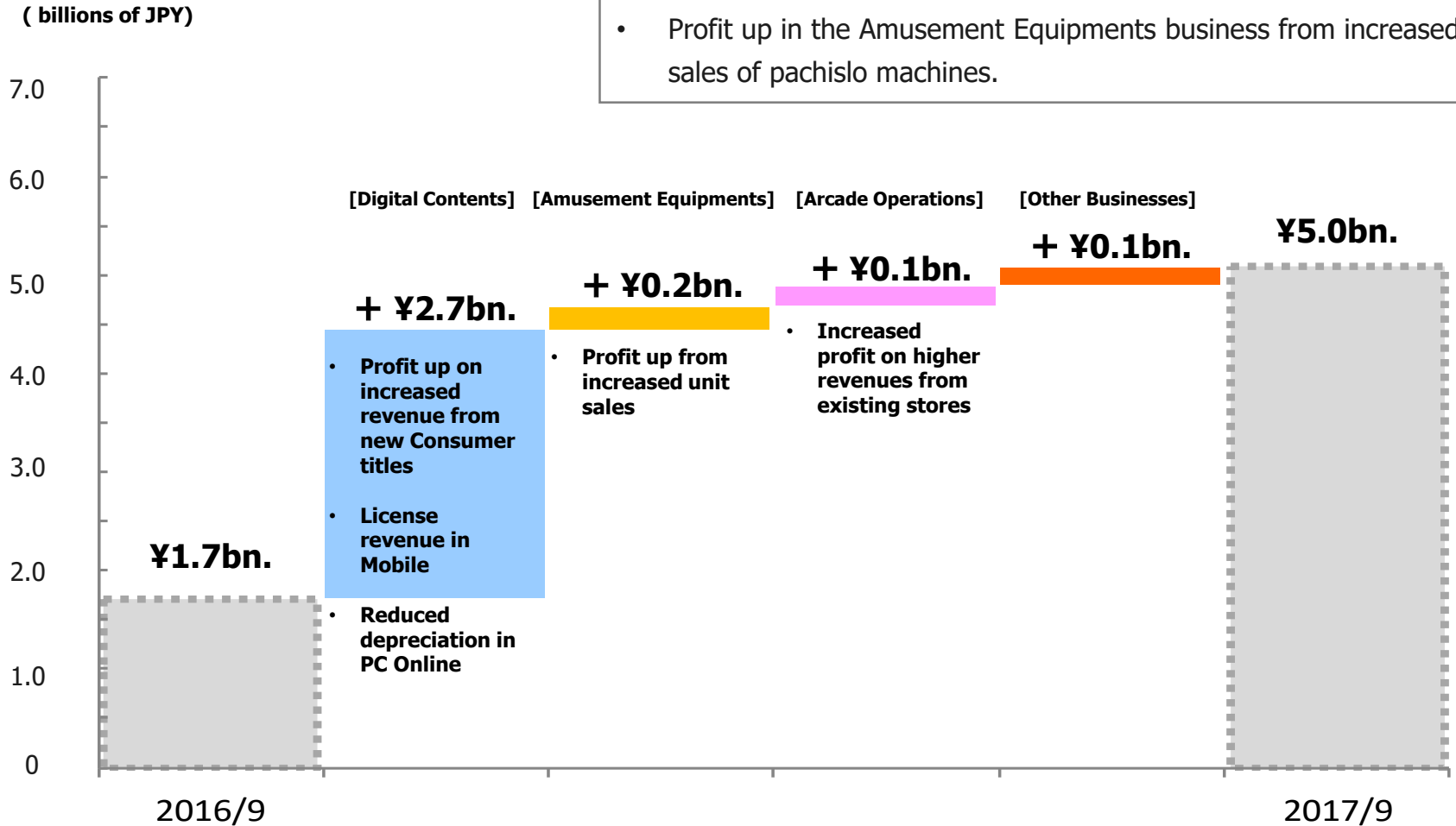
- In Consumer, sales of recent catalog titles overseas and new releases drove increased revenue for Digital Contents.
- Increased revenue in Amusement Equipments due to growth in pachislo unit sales.



# 2-1. Consolidated Statements of Income Summary (2)

## ■ FY9/17 Operating Income: Increases and Decreases

- Profit grew in the Digital Contents business, driven primarily by increased sales of new titles in Consumer.
- Profit up in the Amusement Equipments business from increased sales of pachislo machines.



## **2-2. Consolidated Balance Sheets**

## 2-2. Consolidated Balance Sheets

### ■ Major Changes in Balance Sheet Items

(millions of JPY)

Assets	2017/3	2017/9	Difference
Work-in-progress for game software	30,150	37,353	7,203
Notes and accounts receivable, trade	20,175	11,156	-9,019

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

- Increased due to product lineup and progress with the development of titles in Consumer.

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

- Decreased due to collecting accounts receivable for titles released in the previous fiscal year.

(millions of JPY)

Liabilities	2017/3	2017/9	Difference
Short-term borrowings and Long-term borrowings	16,111	10,524	-5,587

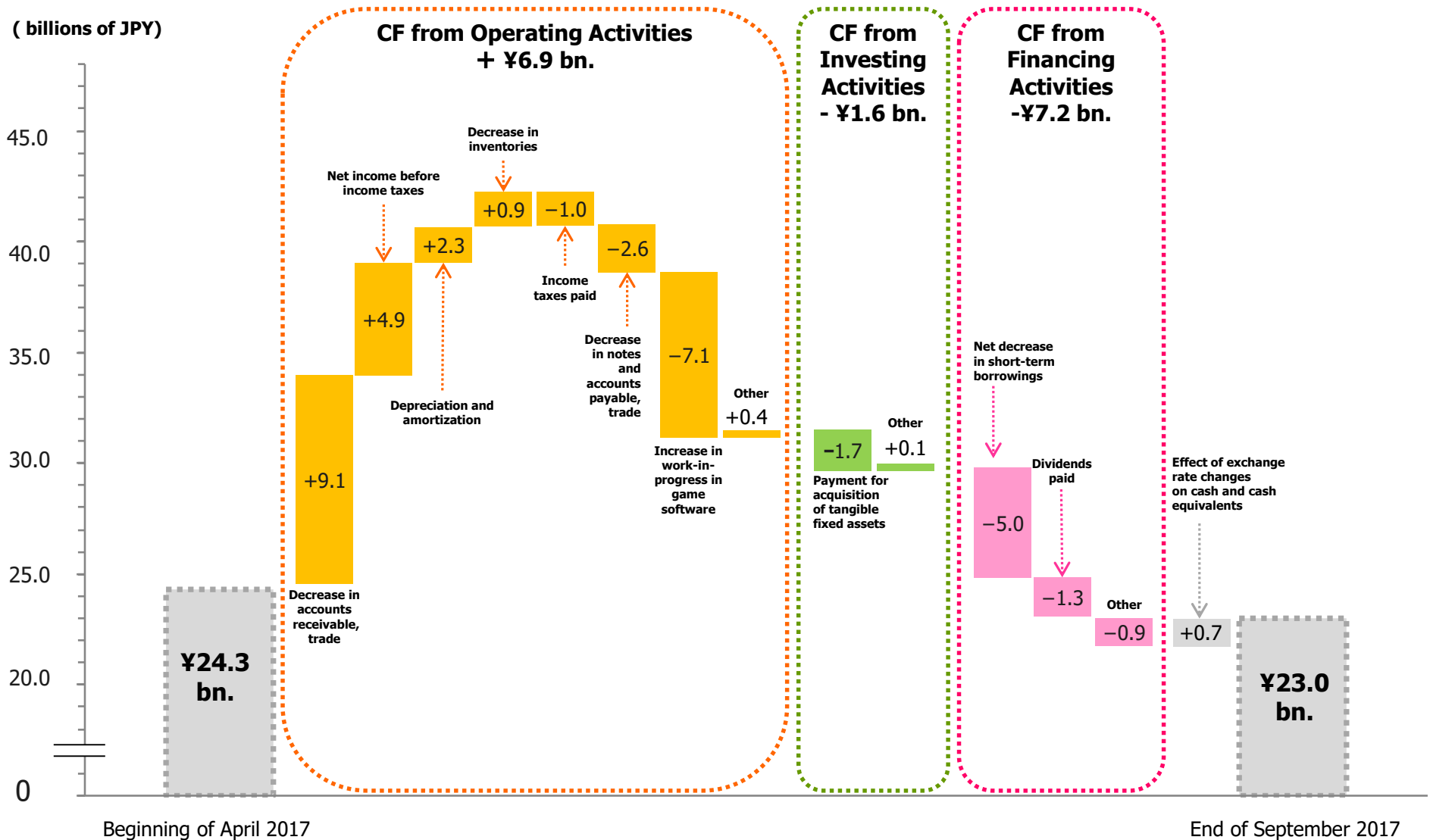
#### 3. Short-term borrowings and Long-term borrowings

- Decreased due to repayment of ¥5 billion in short-term borrowings.

## **2-3. Consolidated Cash Flows**

# 2-3. Consolidated Cash Flows

## ■ FY17/9 Consolidated Cash Flows: Increases and Decreases



## **2-4. Business Segment Highlights**

## **2-4-1. Digital Contents**



## 2-4-1. Digital Contents – First Half Highlights (1)

**Stable growth of recent catalog title sales overseas  
New titles released in the first half also contributed**

### ■ Consumer: First Half Highlights

- New title *Marvel vs. Capcom: Infinite* shipped 900 thousand units
- Cumulative sales of *Resident Evil 7 biohazard* broke 4 million units
- 1H Ratios: catalog (unit sales): 69.0%; digital download (net sales): 35.3%

### ■ Consumer: Main Title Releases in the First Half

(thousands of units)

Platform	Title	Region	Date	Result
PS4 Xbox One PC	Marvel vs. Capcom: Infinite	Japan	Sep. 21 2017	900
		North America	Sep. 19 2017	
		Europe	Sep. 19 2017	
PS4 Xbox One PC	Resident Evil 7 biohazard (Catalog)	Japan	Jan. 26 2017	600
		North America	Jan. 24 2017	
		Europe	Jan. 24 2017	

## 2-4-1. Digital Contents – First Half Highlights (2)

**Both new and recent catalog title sales grow  
Total unit sales increased year-over-year**

### ■ Consumer: Unit Sales for the First Half

(thousands of units)

	2015/9	2016/9	2017/9	Difference
<b>Titles (SKU)</b>	20	22	20	-2
<b>Package</b>				
Japan	1,000	700	950	250
North America	800	1,400	1,500	100
Europe	250	500	900	400
Asia	50	100	200	100
Package Total	2,100	2,700	3,550	850
<b>Digital download contents</b>				
Full-game download	2,400	3,800	4,850	1,050
<b>Total</b>	4,500	6,500	8,400	1,900

## 2-4-1. Digital Contents – First Half Highlights (3)

**Moved forward with Mobile alliances targeting medium-term growth**  
**Continued stable operations of existing titles**

### ■ Mobile Contents: First Half Highlights

- *Monster Hunter Explore* contributed stable profit
- Booked license revenue from alliance efforts in Q1
- Released *Phoenix Wright: Ace Attorney – Spirit of Justice* and *Dai Gyakuten Saiban: Naruhodou Ryuunosuke no Bouken* for iOS/Android

### ■ PC Others: First Half Highlights

- Steadfast performance from *Monster Hunter Frontier Z*
- Major Season 3 update for *Dragon's Dogma Online* released in August

## 2-4-1. Digital Contents – First Half Performance

**Revenue and profit up due primarily to stable growth in Consumer  
Moving forward with efforts to improve Online business**

### ■ First Half Digital Contents Performance

(hundreds of millions of JPY)

	2015/9	2016/9	2017/9	Difference
<b>Net sales</b>	<b>143</b>	<b>163</b>	<b>201</b>	<b>38</b>
<b>Operating income</b>	<b>15</b>	<b>10</b>	<b>38</b>	<b>28</b>
<b>Operating margin</b>	<b>10.7%</b>	<b>6.7%</b>	<b>19.0%</b>	<b>—</b>
<b>Breakdown of net sales</b>				
<b>Package</b>	<b>66</b>	<b>67</b>	<b>97</b>	<b>30</b>
<b>Digital download contents</b>	<b>37</b>	<b>50</b>	<b>53</b>	<b>3</b>
<b>Consumer total</b>	<b>103</b>	<b>117</b>	<b>150</b>	<b>33</b>
<b>Mobile Contents</b>	<b>13</b>	<b>19</b>	<b>25</b>	<b>6</b>
<b>PC Other</b>	<b>27</b>	<b>27</b>	<b>26</b>	<b>-1</b>

## **2-4-2. Arcade Operations**

## 2-4-2. Arcade Operations – First Half Highlights

**Popular prizes drove sales at existing stores**  
**Outperformed year-over-year via efficient operational structure**

### ■ First Half Highlights

- Sales at existing stores up 3% YoY (Q1: down 1%; Q2: up 5%)
- Opened 2 new stores (Tokushige and Tsudanuma); closed 1 store (Nara)



Game Land Tsudanuma

### ■ Arcade Operations: First Half Performance

(hundreds of millions of JPY)

	2015/9	2016/9	2017/9	Difference
Net sales	44	48	51	3
Operating income	3	4	6	2
Operating margin	8.1%	9.9%	12.2%	-
Y/Y ratio of sales for existing stores	-8%	4%	3%	-

### ■ Number of Stores

(facilities)

	2016/3	2017/3	2017/9	2018/3 Plan
New stores	4	3	2	5
Closing stores	3	1	1	1
Total	34	36	37	40

## **2-4-3. Amusement Equipments**

## 2-4-3. Amusement Equipments – First Half Highlights

**Increased sales and profit driven primarily by higher unit sales in Pachinko & Pachislo**

### ■ Pachinko & Pachislo: First Half Highlights

- *Phoenix Wright: Ace Attorney* pachislo machine, operating since April, sold 4 thousand units
- *Resident Evil: Revelations* pachislo machine, operating since July, sold 18 thousand units
- 1H combined unit sales for 2 models: 22 thousand units (same period of the previous year: 20 thousand units)



*Resident Evil: Revelations*

### ■ Arcade Games Sales: First Half Highlights

- *Monster Hunter Medal Hunting G* medal game operating since August

### ■ Amusement Equipments: First Half Performance

(hundreds of millions of JPY)

	2015/9	2016/9	2017/9	Difference
Net sales	121	65	73	8
Operating income	25	16	19	3
Operating margin	21.0%	25.3%	26.3%	-

\*Net Sales Ratio of Pachinko & Pachislo to Arcade Games Sales: 9:1



## 2-4-4. Other Businesses

## 2-4-4. Other Businesses – First Half Highlights

**Drove forward the Single Content Multiple Usage strategy with diverse licensing**

### ■ Character Contents: First Half Highlights

- Expanded licensing for character merchandise coordinated with home video games
- Raised awareness among non-game users via TV, film and theatrical productions
  - Animated TV show *Monster Hunter Stories RIDE ON* currently airing to positive reception
  - Expanded attractions at USJ via Universal Cool Japan 2017
- Popularized eSports with events at the Tokyo Game Show 2017 and through cooperation with EVO 2017

### ■ Other Businesses: First Half Performance

(hundreds of millions of JPY)

	2015/9	2016/9	2017/9	Difference
<b>Net sales</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>1</b>
<b>Operating income</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>2</b>
<b>Operating margin</b>	<b>31.8%</b>	<b>41.1%</b>	<b>52.9%</b>	<b>-</b>

### **3. Business Segment Plans & Strategies**

## **3-1. Digital Contents**

# 3-1. Digital Contents – Second Half Strategies (1)

**Major global title scheduled for release**  
**Expand digital download sales for new and catalog titles**

## ■ Consumer: Second Half Strategy

- *Monster Hunter: World*, the latest title under the *Monster Hunter* brand, scheduled to launch on January 26
- *Resident Evil 7 biohazard Gold Edition* scheduled for December 12 release
- Forecasting digital download sales ratio of 33.6% (31.5% last year), due to expanding sales of full-game and add-on digital downloads



# 3-1. Digital Contents – Second Half Strategies (2)

**Expect increase in digital download unit sales due to expanding lineup of rereleases for current-generation hardware**

## ■ Consumer: FY2017 Unit Sales Plan

(thousands of units)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Titles (SKU)</b>	45	42	37	-5
<b>Package</b>				
Japan	4,700	3,500	2,750	-750
North America	2,600	4,300	4,700	400
Europe	1,200	2,200	2,650	450
Asia	400	400	400	-
Package Total	8,900	10,400	10,500	100
<b>Digital download contents</b>				
Full-game download	6,100	9,000	12,500	3,500
<b>Total</b>	<b>15,000</b>	<b>19,400</b>	<b>23,000</b>	<b>3,600</b>

\* Titles include titles available only for download

# 3-1. Digital Contents – Second Half Strategies (3)

**New title sales on par with previous year due to major release  
Expect unit sales growth for catalog titles**

## ■ Breakdown of FY3/18 New and Catalog Consumer Unit Sales

(thousands of units)

	2015/3	2016/3	2017/3	2018/3 Plan
<b>Consumer</b>				
<b>New Titles (SKU)</b>	<b>33</b>	<b>45</b>	<b>42</b>	<b>37</b>
<b>New Unit Sales</b>	<b>7,000</b>	<b>8,000</b>	<b>10,600</b>	<b>10,300</b>
<b>major titles</b>	Monster Hunter 4G Resident Evil: Revelations 2 Resident Evil HD Remaster	Monster Hunter X (Cross) Street Fighter V Resident Evil 0 HD Remaster	Resident Evil 7 Monster Hunter XX (Double Cross) Resident Evil 5 (Re-release) Resident Evil 4 (Re-release)	Marvel vs. Capcom: Infinite Monster Hunter: World others
<b>Catalog Unit Sales</b>	<b>6,000</b>	<b>7,000</b>	<b>8,800</b>	<b>12,700</b>
<b>major titles</b>	Dead Rising 3	Resident Evil: Revelations 2 Monster Hunter 4G	Monster Hunter X (Cross) Resident Evil 6 (Re-release)	Resident Evil 7 Dead Rising 4 Monster Hunter Stories Ver.1.2 others
<b>Total</b>	<b>13,000</b>	<b>15,000</b>	<b>19,400</b>	<b>23,000</b>

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

## 3-1. Digital Contents – Second Half Strategies (4)

**Bolster use of our IP in line with changes to the mobile market environment; focus on running existing titles in PC Online**

### ■ Mobile Contents: Second Half Strategy

- Aim to produce hit titles both in Japan and overseas
  - Strengthen development of new titles that leverage our IP
  - Proceed with alliance projects on a regional basis, working toward creating a hit

### ■ PC Others: Second Half Strategy

- Maintain stable operation of existing titles
  - Carry out updates for major titles in Japan and Asia



## 3-1. Digital Contents Full-year Plan

**Aim to increase sales and profit year-over-year, driven by stable growth in Consumer**

### ■ Digital Contents: FY2017 Plan

(hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Net sales</b>	<b>525</b>	<b>587</b>	<b>650</b>	<b>63</b>
<b>Operating income</b>	<b>121</b>	<b>110</b>	<b>137</b>	<b>27</b>
<b>Operating margin</b>	<b>23.1%</b>	<b>18.9%</b>	<b>21.1%</b>	<b>—</b>
<b>Breakdown of Net Sales</b>				
<b>Package</b>	<b>312</b>	<b>337</b>	<b>365</b>	<b>28</b>
<b>Digital download contents</b>	<b>109</b>	<b>155</b>	<b>185</b>	<b>30</b>
<b>Consumer total</b>	<b>421</b>	<b>492</b>	<b>550</b>	<b>58</b>
<b>Mobile Contents</b>	<b>33</b>	<b>38</b>	<b>50</b>	<b>12</b>
<b>PC Other</b>	<b>71</b>	<b>57</b>	<b>50</b>	<b>-7</b>

## 3-2. Arcade Operations

## 3-2. Arcade Operations – Second Half Strategies

**Revitalize revenue through new business expansion  
and continued efficient operations**

### ■ Second Half Strategy

- Firm up earnings with new business models, e.g. Capcom Café (restaurant) and Chara Cap (merchandise stores)
- Increase customer satisfaction, e.g. installing machines featuring VR technology

### ■ Second Half Plan

- Plan to open 3 new stores, close 0 stores (resulting in a total of 40 stores)
- YoY sales plan for existing stores: targeting +3%

### ■ FY2017 Arcade Operations Plan

(hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
Net sales	90	95	100	5
Operating income	7	7	7	0
Operating margin	7.7%	7.9%	7.0%	-
Y/Y ratio of sales for existing stores	-4%	2%	3%	-

## **3-3. Amusement Equipments**

## 3-3. Amusement Equipments – Second Half Strategies

**Plan to release new models featuring popular IP**  
**Full-year plan stands**

### ■ Pachinko & Pachislo: Second Half Strategies

- Plan to release 2 new models in 2H
- Full-year plan: altogether 4 models, total 50 thousand units

### ■ Arcade Game Sales: Second Half Strategies

- Focus on earning revenue through network usage fees and catalog sales of existing game machines

### ■ FY2017 Amusement Equipments Plan

(hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Net sales</b>	<b>133</b>	<b>168</b>	<b>155</b>	<b>-13</b>
<b>Operating income</b>	<b>28</b>	<b>51</b>	<b>38</b>	<b>-13</b>
<b>Operating margin</b>	<b>21.1%</b>	<b>30.3%</b>	<b>24.5%</b>	<b>-</b>

\*Net Sales Ratio of Pachinko & Pachislo to Arcade Games Sales: 9:1

## **3-4. Other Businesses**

## 3-4. Other Businesses – Second Half Strategies

Explore potential of eSports business  
Maximize brand revenue by expanding licensing

### ■ Character Contents: Second Half Strategies

- Increase awareness via coordinating title launches with TV and movies
  - *Monster Hunter Stories RIDE ON*, an animated TV show, currently airing its second season
- Promote eSports for future revenue streams
  - Plan to hold the Capcom Cup (the Capcom Pro Tour world finals) in December in the USA



*Monster Hunter Stories RIDE ON*

©CAPCOM/MHST production partnership

### ■ Other Businesses Plan

(hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Net sales</b>	<b>20</b>	<b>20</b>	<b>25</b>	<b>5</b>
<b>Operating income</b>	<b>5</b>	<b>9</b>	<b>10</b>	<b>1</b>
<b>Operating margin</b>	<b>25.0%</b>	<b>46.5%</b>	<b>40.0%</b>	<b>-</b>



## **4. Additional Information**

# **Summary of Major Financial Information**



# Summary of Major Financial Information (1)

## ● Profit and Loss Sheet

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/9
Net Sales	77,021	87,170	93,000	106.7%	33,729
Gross Profit	29,846	30,731	33,000	107.4%	13,181
Margin (%)	38.8%	35.3%	35.5%	-	39.1%
Sales and G&A Expenses	17,816	17,080	18,500	108.3%	8,179
Operating Income	12,029	13,650	14,500	106.2%	5,001
Margin (%)	15.6%	15.7%	15.6%	-	14.8%
Ordinary Income	11,348	12,589	14,000	111.2%	5,016
Margin (%)	14.7%	14.4%	15.1%	-	14.9%
Net income attributable to owners of the parent	7,745	8,879	9,500	107.0%	3,481
Margin (%)	10.1%	10.2%	10.2%	-	10.3%

## ● Sales and Profit by Business Segments

(millions of JPY)

		2016/3	2017/3	2018/3 Plan	%	2017/9
Digital Contents	Net Sales	52,577	58,704	65,000	110.7%	20,138
	Operating Income	12,167	11,096	13,700	123.5%	3,830
	Margin (%)	23.1%	18.9%	21.1%	-	19.0%
Arcade Operations	Net Sales	9,056	9,525	10,000	105.0%	5,179
	Operating Income	699	752	700	93.1%	634
	Margin (%)	7.7%	7.9%	7.0%	-	12.2%
Amusement Equipments	Net Sales	13,343	16,856	15,500	92.0%	7,330
	Operating Income	2,812	5,106	3,800	74.4%	1,925
	Margin (%)	21.1%	30.3%	24.5%	-	26.3%
Others	Net Sales	2,043	2,083	2,500	120.0%	1,080
	Operating Income	511	969	1,000	103.2%	571
	Margin (%)	25.0%	46.5%	40.0%	-	52.9%

## ● Sales by Geographic Area

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/9
Japan	57,737	55,804	52,600	94.3%	23,293
North America	12,384	20,018	28,000	139.9%	6,225
Europe	5,221	9,007	10,000	111.0%	3,074
Others	1,681	2,340	2,400	102.6%	1,135

# Summary of Major Financial Information (2)

## ● Promotional Expense

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/9
Capcom Japan	1,930	1,886	2,000	106.0%	947
Consolidated	3,832	4,764	6,000	125.9%	2,444

## ● Number of Stores

(facilities)

	2016/3	2017/3	2018/3 Plan	Difference	2017/9
Consolidated	34	36	40	4	37

## ● Capital Expenditure

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/9
Capcom Japan	1,949	2,117	3,500	165.3%	678
Consolidated	5,937	2,622	4,500	171.6%	2,645

## ● Depreciation

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/9
Capcom Japan	4,929	5,211	4,500	86.4%	1,920
Consolidated	5,712	5,980	5,500	92.0%	2,362

## ● Number of Employees

(persons)

	2016/3	2017/3	2018/3 Plan	%	2017/9
Capcom Japan	2,114	2,194	2,400	109.4%	2,436
Consolidated	2,839	2,811	3,100	110.3%	3,000

## ● R&D Investment Cost

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/9
R&D Investment Cost	27,255	27,720	30,000	108.2%	14,835
Technical R&D Cost	1,073	695	900	129.5%	312

## ● Foreign Exchange Rate

(JPY)

	2016/3	2010/3	2018/3 Plan	%	2017/9
USD/¥	112	112	110	98.2%	112
Euro/¥	117	119	120	100.8%	132

# Summary of Major Financial Information (3)

## ●Sales Units Shipped <platform>

(thousands of units)

		2016/3	2017/3	2018/3 Plan	Difference	2017/9
PlayStation 3	Titles (SKU)	19	16	-	-	4
PlayStation 4	Units	3,500	4,700	-	-	1,900
PSP	Titles (SKU)	8	5	-	-	-
PS Vita	Units	300	150	-	-	-
Wii, WiiU	Titles (SKU)	-	-	-	-	3
Nintendo Switch	Units	100	0	-	-	800
Nintendo DS	Titles (SKU)	7	5	-	-	3
Nintendo 3DS	Units	4,100	3,200	-	-	300
Xbox 360	Titles (SKU)	6	9	-	-	4
Xbox One	Units	650	2,100	-	-	450
PC & Others	Titles (SKU)	4	6	-	-	2
	Units	250	250	-	-	100
Package total	Titles (SKU)	44	41	33	-8	16
	Units	8,900	10,400	10,500	101.0%	3,550
Full-game download	Titles (SKU)	1	1	4	3	4
	Units	6,100	9,000	12,500	138.9%	4,850
Total	Total Titles (SKU)	45	42	37	-5	20
	Total Units	15,000	19,400	23,000	118.6%	8,400

\*\*Titles (SKU)" for "Full-game download" indicates digital-only titles.

## ●Sales Units Shipped <Distribution/Catalog titles> (included in "Total" above)

(thousands of units)

	2016/3	2017/3	2018/3 Plan	Difference	2017/9
Distribution titles	750	600	700	116.7%	200
Catalog titles	7,000	8,800	12,700	144.3%	5,800

## ●Sales Units Shipped <geographic>

(thousands of units)

	2016/3	2017/3	2018/3 Plan	Difference	2017/9
Japan	4,700	3,500	2,750	78.6%	950
North America	2,600	4,300	4,700	109.3%	1,500
Europe	1,200	2,200	2,650	120.5%	900
Asia	400	400	400	100.0%	200
Full-game download (Global)	6,100	9,000	12,500	138.9%	4,850
Total	15,000	19,400	23,000	118.6%	8,400