



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

1st Quarter Report
Fiscal year ending March 31, 2019

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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.

1. Forecasts for FY3/19

Aiming for six consecutive years of operating income growth and highest profit in company history, driven by Digital Contents business

(millions of JPY)

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

2-1. Financial Highlights – Consolidated Business Results (1)

■ 3 Months Results in FY6/17 vs. FY6/18

(millions of JPY)

	2017/6	2018/6	Difference
Net sales	11,746	17,204	5,458
Operating income	784	5,106	4,322
Ordinary income	772	5,492	4,720
Net income attributable to owners of the parent	521	3,903	3,382

- Showing favorable progress to our full-year plan; year-over-year growth in revenue and profit.
- Foreign exchange gain of ¥371 million (increase of ¥362 million compared to the same period of the previous fiscal year.)

2-1. Financial Highlights – Consolidated Business Results (2)

■ FY6/18 Net Sales/Operating Income (Reasons for Increases/Decreases)

(millions of JPY)

	2017/6	2018/6	Difference
Net sales	11,746	17,204	5,458
Digital Contents	7,688	13,782	6,094
Arcade Operations	2,245	2,381	136
Amusement Equipments	1,396	376	-1,020
Other Businesses	415	664	249
Operating income	784	5,106	4,322
Digital Contents	1,676	5,735	4,059
Arcade Operations	128	143	15
Amusement Equipments	-229	-154	75
Other Businesses	184	411	227
Adjustments*	-974	-1,029	-55

*Adjustments include unallocated corporate operating expenses. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

- Revenue and profit grew primarily due to contributions from Consumer in the Digital Contents business

2-2. Financial Highlights – Consolidated Balance Sheet

■ Balance Sheet (Summary)

(millions of JPY)

Assets	2018/3	2018/6	Difference	Liabilities	2018/3	2018/6	Difference
Current Assets	92,511	89,260	-3,251	Current Liabilities	26,271	19,340	-6,931
Cash on hand and in banks	46,539	45,676	-863	Notes and accounts payable - trade	3,464	4,252	788
Notes and accounts receivable - trade	12,930	5,785	-7,145	Electronically recorded monetary obligations			
Work in progress for game software	25,635	29,847	4,212	Short-term borrowings	1,473	1,462	-11
Other	7,407	7,952	545	Other	21,334	13,626	-7,708
Fixed Assets	32,318	30,959	-1,359	Long-term liabilities	13,137	13,087	-50
Tangible fixed assets, net of accumulated depreciation	20,797	20,532	-265	Long-term borrowings	8,315	8,165	-150
Intangible assets	725	661	-64	Other	4,822	4,922	100
Investments and other assets	10,795	9,766	-1,029	Total liabilities	39,408	32,427	-6,981
Total assets	124,829	120,220	-4,609	Shareholders' equity	86,716	88,703	1,987
				Other	-1,295	-911	384
				Total net assets	85,421	87,792	2,371
				Total liabilities and net assets	124,829	120,220	-4,609

*The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the consolidated fiscal year under review, and figures listed from the fiscal year ended March 31, 2018 have had the relevant accounting standards retroactively applied.

- **Notes and accounts receivable – trade decreased year-over-year due to collecting accounts receivable for titles released in the previous fiscal year**
- **Work in progress for game software increased due to progression in Consumer development**

3-1. Business Segments – Digital Contents (1)

Revenue and profit growth driven by contributions from new and catalog Consumer titles and higher digital sales

■ Digital Contents Performance

(hundreds of millions of JPY)

	2016/6	2017/6	2018/6	2019/3 Plan
Net sales	67	76	137	755
Breakdown				
Package	25	23	61	360
Digital download contents	21	23	60	310
Consumer total	46	46	121	670
Mobile Contents	9	17	6	55
PC Other	12	13	10	30
Operating income	0	16	57	200
Operating margin	0.1%	21.8%	41.6%	26.5%

3-1. Business Segments – Digital Contents (2)

Major titles drove package sales
Unit sales increased primarily due to growth overseas

■ Unit Sales for the 3 Months (Consumer)

(thousands of units)

	2016/6	2017/6	2018/6	2019/3 Plan
New Titles (SKU)	5	7	14	53
Total unit sales	2,500	2,500	4,350	25,000
Overseas ratio	74.0%	82.0%	85.1%	86.4%
Digital ratio	68.0%	56.0%	62.1%	54.8%
Catalog ratio	84.0%	74.0%	74.7%	70.4%
Major titles				
New	Phoenix Wright: Ace Attorney – Spirit of Justice	Ultra Street Fighter II	Street Fighter 30th Anniversary Collection	Resident Evil 2 Devil May Cry 5
Catalog		Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World

3-1. Business Segments – Digital Contents (3)

Catalog sales of titles from the previous fiscal year and re-releases of classic titles contributed to results

■ 3 Months Highlights (Consumer)

- *Monster Hunter: World* exceeded cumulative 8.3 million units sold
- *Street Fighter 30th Anniversary Collection* outperforming plan (yet to be released in Japan)



■ 3 Months Highlights (Mobile Contents)

- Launched *Dai Gyakuten Saiban 2 –Naruhodo Ryunosuke no Kakugo–* on iOS/Android in April
- Performance of existing titles slightly declined



3-2. Business Segments – Arcade Operations

Stable performance from existing stores

Sales and profit overall on par with same period of previous year

■ 3 Months Business Results

(hundreds of millions of JPY)

	2016/6	2017/6	2018/6	2019/3 Plan
Net sales	21	22	23	110
Operating income	1	1	1	10
Operating margin	5.0%	5.7%	6.0%	9.1%
Same store sales	5%	-1%	-2%	2%

■ Number of Stores

(stores)

	2017/3	2018/3	2018/6	2019/3 Plan
New stores	3	2	1	4
Closed stores	1	2	0	0
Total	36	36	37	40

■ 3 Months Highlights

- Same store sales: -2%
- Plaza Capcom Hiroshima opened in April, off to a favorable start

3-3. Business Segments – Amusement Equipments

Decrease in revenue due to lower unit sales in PS
Overall in line with projections from beginning of fiscal year

■ 3 Months Business Results

(hundreds of millions of JPY)

	2016/6	2017/6	2018/6	2019/3 Plan
Net sales	16	13	3	70
Operating income	-0	-2	-1	10
Operating margin	-	-	-	14.3%

*Ratio of PS to Arcade Games Sales for net sales: 9:1

■ 3 Months Highlights

- One pachislo model (*Okami -Kaidouhen-*) sold 1 thousand units (compared with 4 thousand units sold for one model in the same period of the previous year)
- *Street Fighter V* pachislo machine available to play July 2018
- *Rockman Ability* pachislo machine available to play September 2018



Okami -Kaidouhen-
pachislo machine

3-4. Business Segments – Other Businesses

**Established a dedicated eSports division
with the expectation that the esports market will grow in the future**

■ 3 Months Business Results

(hundreds of millions of JPY)

	2016/6	2017/6	2018/6	2019/3 Plan
Net sales	3	4	6	25
Operating income	1	1	4	-4
Operating margin	34.4%	44.3%	61.9%	-

■ 3 Months Highlights

- Revenue and profit grew primarily due to licensing revenue
- Established the eSports Group internally
- Plan to hold the Capcom Pro Tour Japan Premier in September 2018, a Capcom-sponsored esports event



4-1. Summary of Major Financial Information

● Profit and Loss Sheet

(millions of JPY)

	2017/3	2018/3	2019/3 Plan	%	2018/6
Net Sales	87,170	94,515	96,000	101.6%	17,204
Gross Profit	30,731	34,619	38,000	109.8%	8,646
Margin (%)	35.3%	36.6%	39.6%	-	50.3%
Sales and G&A Expenses	17,080	18,582	21,000	113.0%	3,539
Operating Income	13,650	16,037	17,000	106.0%	5,106
Margin (%)	15.7%	17.0%	17.7%	-	29.7%
Ordinary Income	12,589	15,254	16,500	108.2%	5,492
Margin (%)	14.4%	16.1%	17.2%	-	31.9%
Net income attributable to owners of the parent	8,879	10,937	12,000	109.7%	3,903
Margin (%)	10.2%	11.6%	12.5%	-	22.7%

● Sales and Profit by Business Segments

(millions of JPY)

		2017/3	2018/3	2019/3 Plan	%	2018/6
Digital Contents	Net Sales	58,704	74,141	75,500	101.8%	13,782
	Operating Income	11,096	19,103	20,000	104.7%	5,735
	Margin (%)	18.9%	25.8%	26.5%	-	41.6%
Arcade Operations	Net Sales	9,525	10,231	11,000	107.5%	2,381
	Operating Income	752	879	1,000	113.8%	143
	Margin (%)	7.9%	8.6%	9.1%	-	6.0%
Amusement Equipments	Net Sales	16,856	7,803	7,000	89.7%	376
	Operating Income	5,106	-764	1,000	-	-154
	Margin (%)	30.3%	-	14.3%	-	-
Others	Net Sales	2,083	2,338	2,500	106.9%	664
	Operating Income	969	1,126	-400	-	411
	Margin (%)	46.5%	48.2%	-	-	61.9%

● Sales by Geographic Area

(millions of JPY)

	2017/3	2018/3	2019/3 Plan	%	2018/6
Japan	55,804	52,253	50,000	95.7%	9,073
North America	20,018	24,154	27,500	113.9%	4,629
Europe	9,007	12,035	14,000	116.3%	2,492
Others	2,340	6,072	4,500	74.1%	1,008