

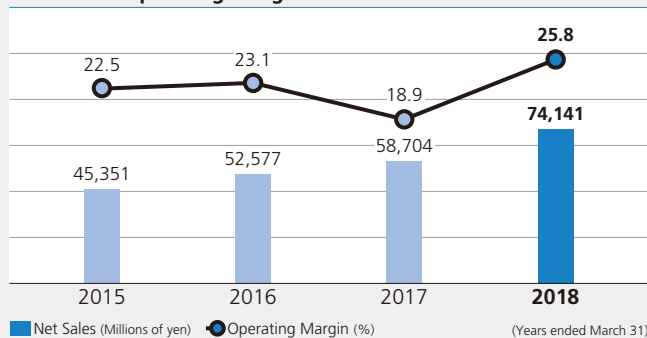
Segment Information

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

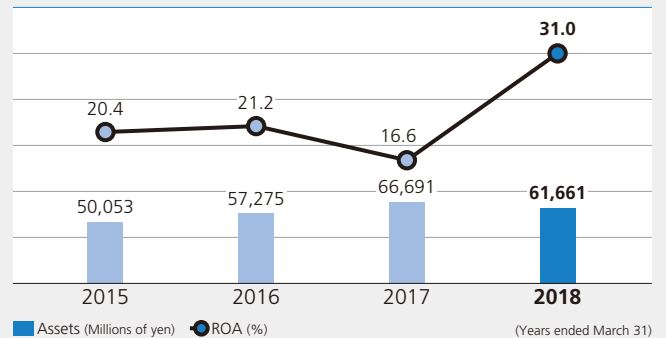
Digital Contents

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

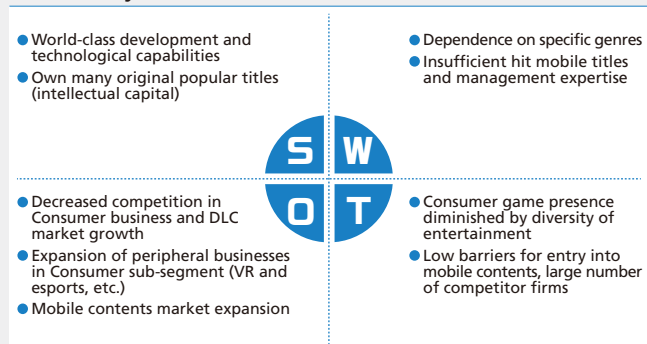


Assets / ROA

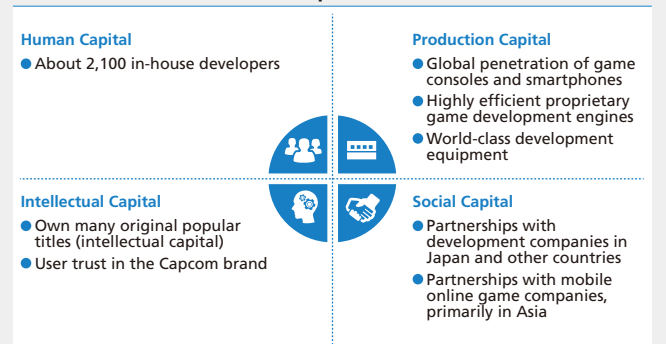


SWOT Analysis

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



Utilization of Non-Financial Capital



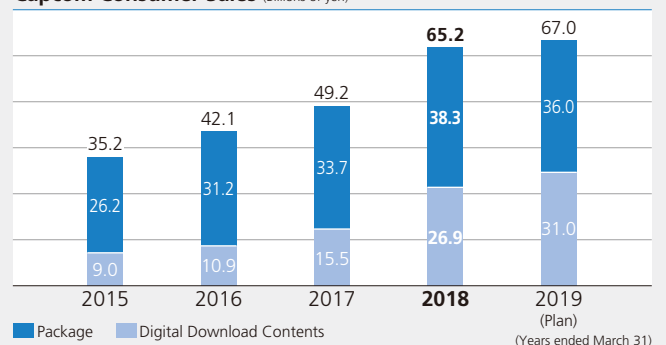
Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

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*.

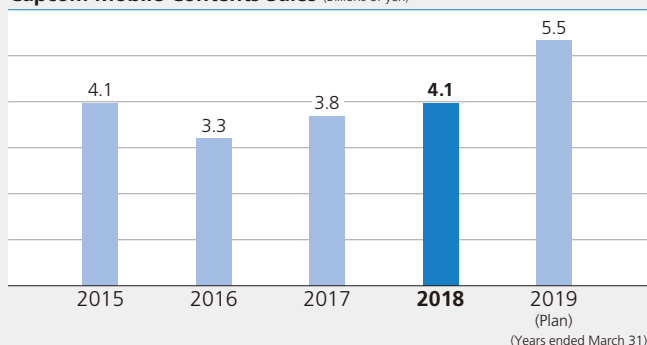
PC Online Sub-segment

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*.

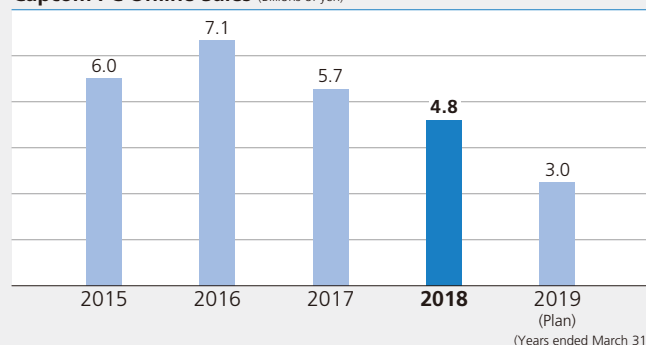
Capcom will continue working to improve our revenue base through ongoing updates to existing titles such as *MHFZ* and *DDON* and by reducing SG&A by such means as streamlining management and reducing server costs.

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

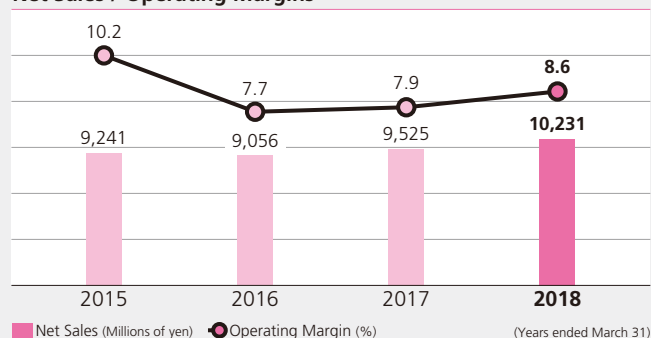
CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

Arcade Operations

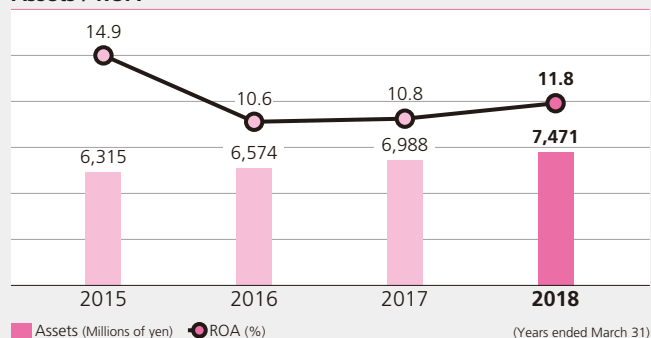
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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

- | | |
|---|--|
| Human Capital <ul style="list-style-type: none"> Internal store management staff Part-time workers hired locally | Production Capital <ul style="list-style-type: none"> High foot traffic of large shopping centers Developers that design and construct facilities |
| Intellectual Capital <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 | Social Capital <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.

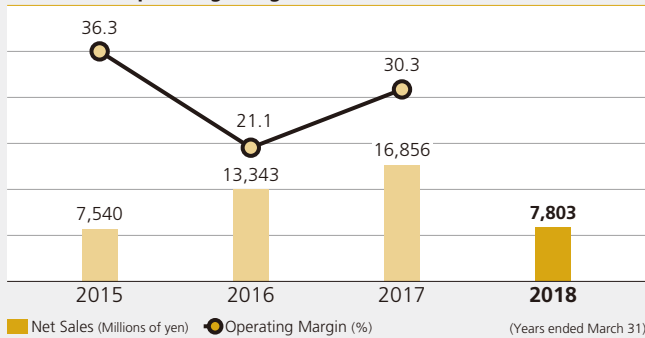
In the next fiscal year, Capcom will promote streamlining of management through its ongoing scrap-and-build policy and ensure earnings at the same level as the previous fiscal year through the creation of new earning opportunities. We will work to expand the user base by providing playable demonstrations 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).

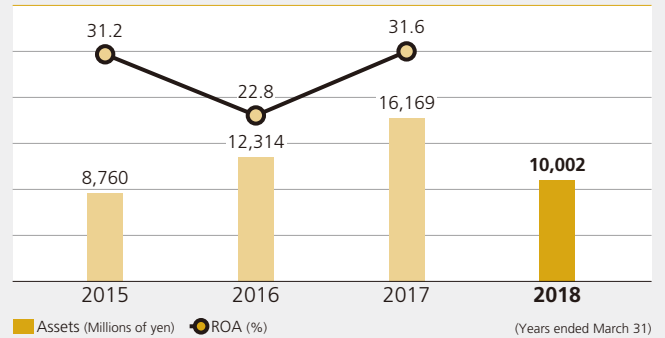
Amusement Equipments

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.

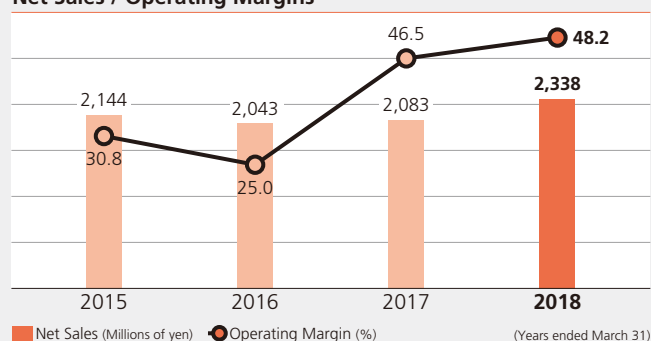
Segment Information

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

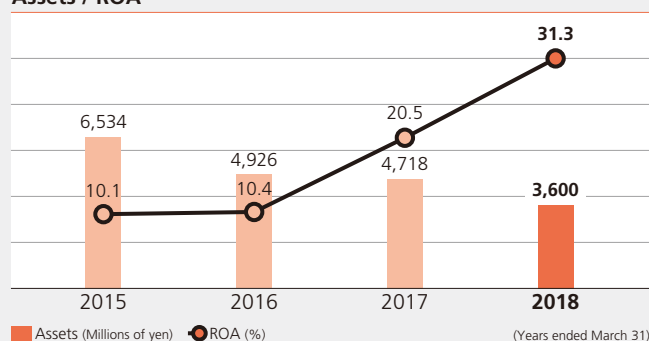
Other Businesses

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

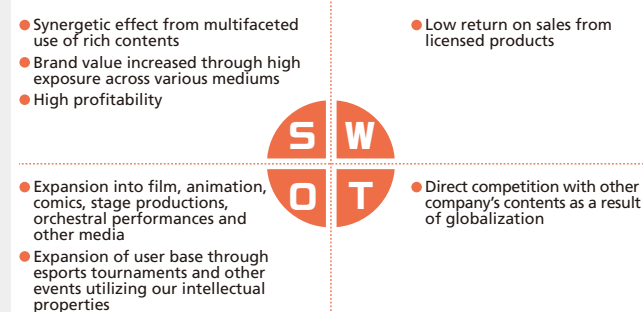


Assets / ROA

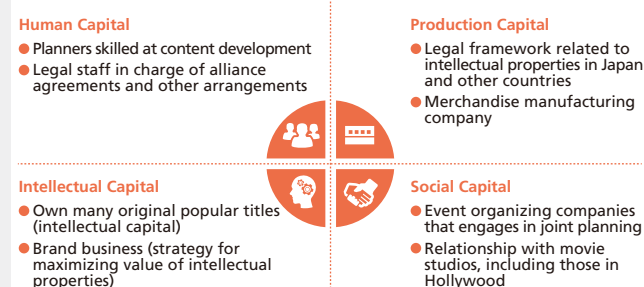


SWOT Analysis

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.