

**Financial Results Briefing for the
Year ended March 31, 2016
Summary of Chairman and CEO
Kenzo Tsujimoto's Presentation
(May 10, 2016)**

Greeting

(1) Thank-you to Our Guests

Thank you all for making time during this busy results season to attend our financial results presentation.

(2) Thank-you for Survey Participation

Also, each year we receive evaluations and comments regarding our medium-term goals, corporate strategy, IR activities and the like from domestic and international analysts and investors. We utilize these opinions as one of our resources in management decision making, and as such I would like to express our gratitude for your cooperation with this survey.

(3) Today's meeting

Today I will be going over the outlook for our medium-term business goals.

1. Medium-Term Goals

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■ Cumulative Targets for the
5 years starting FY3/14

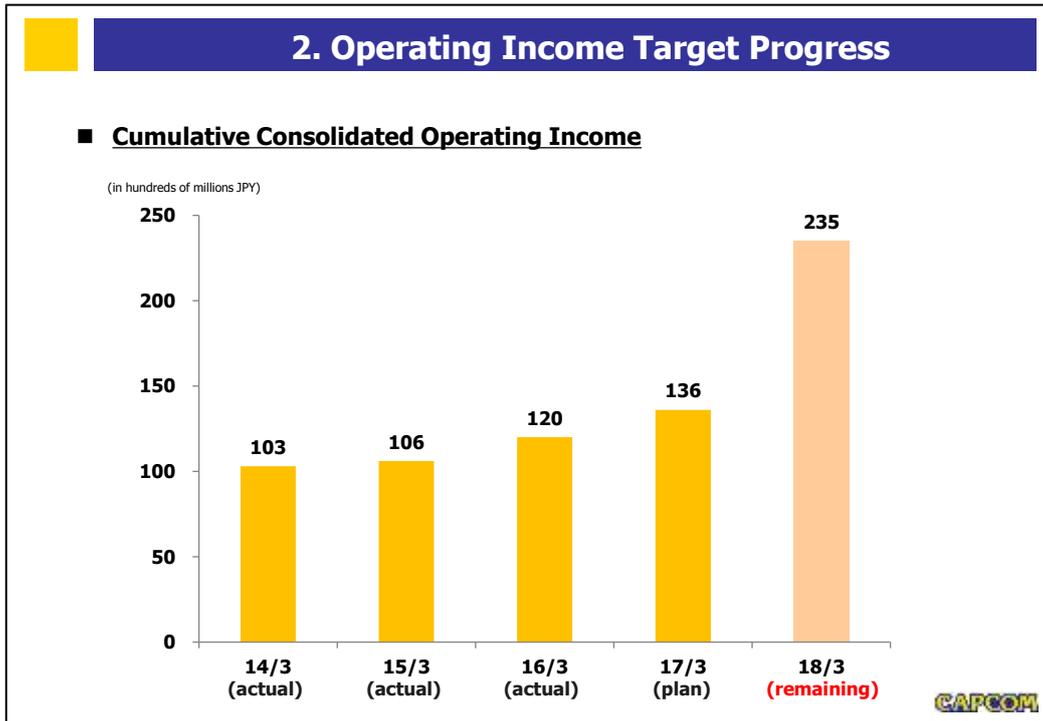
- 1. Cumulative operating income: 70 billion yen**
- 2. Operating margin of 20% in the fiscal year ending March 2018**

⇒No change



- This fiscal year marks three years since we announced our medium-term goals in May of 2014. Presently, we are leaving them at cumulative operating income of ¥70 billion and an operating margin of 20% for the fiscal year ending March 2018.

2. Operating Income Target Progress



- First, looking at operating income, if we deduct the portion for the four fiscal years ending March 2017 from the cumulative target, our operating income for the March 2018 fiscal year would be ¥23.5 billion. In order to achieve a figure this high, not only would our own business obviously need to grow, but it is necessary that our Asian business activities, such as those with Tencent, would need to expand in tandem.
- Regarding our title lineup for the next fiscal year, we plan to have one that is on par with or better than the lineup for this year. Also, we expect to add profit with further improvements made to our digital download ratio. What's more, there are the potential positive contributions from growth in the VR market and eSports business.
- On the other hand, some may feel our ¥13.6 billion in planned operating income for this fiscal year is low. The reason for this figure is our major releases are concentrated in the second half of the year; the lifetime unit sales for these titles will be split between this fiscal year and the next.
As for this situation, it ties into our title portfolio for the 52-week map and 60-month map, and is due to us judging that based on what we learned from the past year of operations, it's best to spend a little more time in developing and running a high-quality title that will perform well globally.

- For example, some aspects of "Street Fighter V" needed more polish, such as the lack of content and server issues at launch. Accordingly, we feel it's better to give a little more time to development than before, and have made slight adjustments to our portfolio. Profits may take one or two years longer to stack up than initially expected, however we will be firmly strengthening our brands. That being said, even looking at Capcom's growth exclusively, we expect at the very least growth in excess of 10% to continue.

2. Operating Income Target Progress

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■ Cumulative Operating Income by Business Segment							
(in hundreds of millions JPY)							
	14/3	15/3	16/3	17/3	18/3	17/3-18/3	18/3
	Actual	Actual	Actual	Plan	Remaining	Difference	Cml. Target
Digital Contents	45	102	122	143	158		570
Arcade Operations	16	9	7	8	45	-37	85
Amusement Equipments	71	27	28	30	44		200
Other Businesses	10	7	5	2	31	-29	55
Adjustment	-39	-40	-42	-47	-42	-5	-210
Operating Income Totals	103	106	120	136	235		700

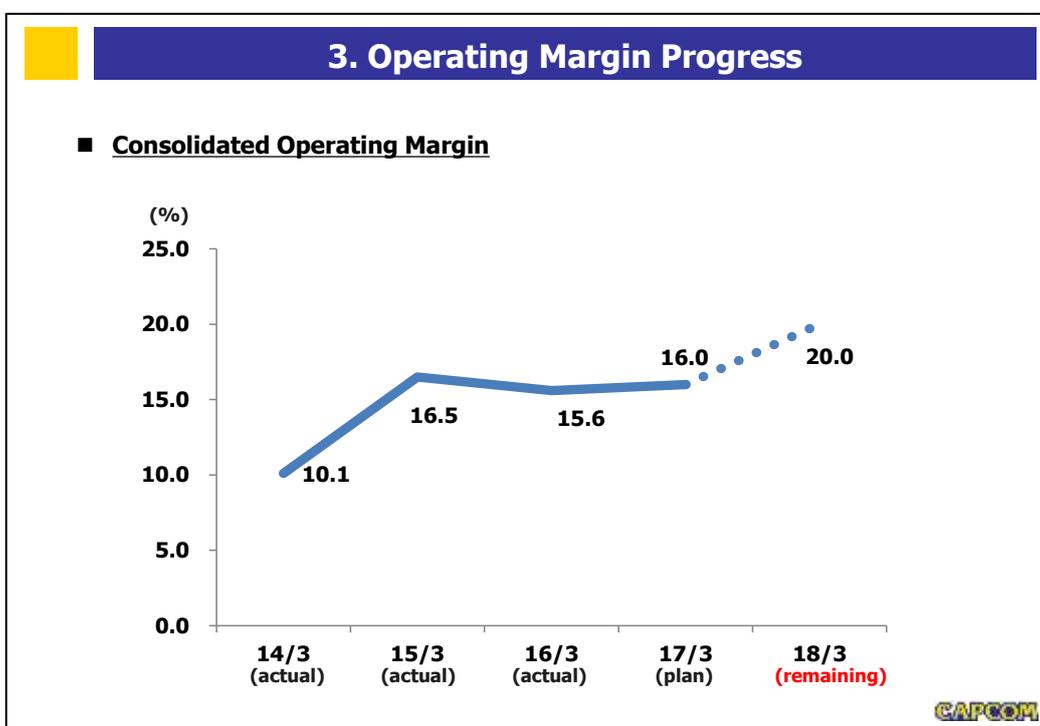
* Figures for 18/3 are the remainders after actual results from 14/3 through 16/3 and the forecasted results for 17/3 have been deducted from the cumulative targets



- Elsewhere, since last fiscal year we've begun our Asian business in earnest, and at the moment "Monster Hunter Online" is making progress. Monthly net sales are in-line with expectations, and we believe that this title will begin contributing to our company from here out. While assiduously producing results for "Monster Hunter", we plan to make further developments such as rolling out other titles and expanding into other countries besides China in the Asian region.
- Achieving an additional ¥9.9 billion after this fiscal year in order to hit ¥23.5 billion is a steep hurdle. However, in addition to the stable growth of our company, we aim to achieve this by incorporating growth in Asian areas outside of Japan into our results.
- I will now breakdown this explanation by business segment. The remaining figures for each segment in FY3/18 can be seen in the table.

- Looking at the table, you can see that achieving our goals in Digital Contents and Amusement Equipments is within the scope of feasibility. On the other hand, Arcade Operations, Other Businesses, and Adjustments look to be more challenging. If you replace the FY3/18 figures with ones on par with this fiscal year's plan, the unachieved amount for these three amounts to ¥7.1 billion.
- Accordingly, while we will work towards minimum 10% growth for our company, we will offset this balance (including negatives) with growth in Asia, which was not included in our plan at the start of the year.

3. Operating Margin Progress



- Next is our operating margin. As you can see in the graph, it has improved to 16%.
- We are aiming for 20%. We will capture the remaining four points via steady, point-by-point improvements from Capcom's own business as a base, with a boost from our ventures in Asia on top. Even if we exclude licensing in Asia, we believe we can achieve this with only a one to two year delay.

3. Operating Margin Progress

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■ <u>Operating Margin by Business Segment</u>					
	(%)				
	14/3	15/3	16/3	17/3	18/3
	Actual	Actual	Actual	Plan	Target
Digital Contents	6.8	22.5	23.1	24.2	22.0
Arcade Operations	15.2	10.2	7.7	8.9	15.0
Amusement Equipments	30.8	36.3	21.1	20.0	27.0
Other Businesses	38.6	30.8	25.0	10.0	45.0
Consolidated Operating Margin	10.1	16.5	15.6	16.0	20.0



- I will now go over each business segment. Five years of results can be seen in the table.
- First, we expect that achieving our medium-term goals for Arcade Operations and Other Businesses will be challenging. This is due to the market hitting a downturn from issues such as the increase in consumption tax, as well new developments that we had not accounted for when setting these goals, such as our new R&D building, and a late entry into global licensing.
- Profitability has been declining in Amusement Equipments since the September 2014 pachislo rule change. However, we believe that we can improve profitability here in the next fiscal year via thorough cost control.
- In Digital Contents, we are overall on track to achieving our goal. The reasons for this are largely in Consumer, namely: 1) improvements in title outsourcing, 2) streamlining internal title development, and 3) improvements to the ratio of digital download sales. This is offsetting underperformance in Mobile and PC Online.
- In order to achieve a 20% consolidated operating margin, we must fill in the gaps left by underperforming businesses. Digital Contents will cover them. At present, profit margins in Mobile and PC Online are close to zero, but these businesses have the potential to hit margins of 30%.

- Moreover, if we are able to expand our high-margin Asian licensing business, we believe hitting an operating margin of 30% in Digital Contents is also possible.

4. Our Future Outlook

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- Priorities moving forward:
 - 1. Bolster consumer title lineup, improve digital download ratio**
 - 2. Focus on licensing in Asia**
 - 3. Strengthen mobile development**
 - 4. Expand Capcom PC titles**
 - 5. Establish 4-model system for pachislo**



- To summarize, in order for us to increase profits and improve our margins, we must give handling the following five points priority.

- Foremost:

1. Provide a robust lineup of titles that utilize Capcom's popular IP, and focus on further strengthening digital downloads;
2. Strengthen the expansion of licensing in Asia and boost earnings in the Chinese and Asian markets;

and additionally:

3. Under the new development structure in Mobile contents, develop titles with a focus on Capcom IP and pull ahead from behind;
4. Build out PC Online's "Dragon's Dogma Online", which is entering its second year;
5. Establish a system in which we release four models per year that utilize popular IP in pachislo, while improving margins via thorough cost controls.

- By increasing the title lineup in each region and each segment we will realize stable growth for Capcom as well as expansion of our licensing business in Asia, and push forward towards achieving our medium-term goals.