



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

Second Half Business Strategies
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.

Contents

page

1. Forecasts for FY3/17.....	3
2. Business Segment Plans & Strategies	6
3. FY2016 First Half Financial Highlights	18
4. Additional Information	39

1. Forecasts for FY3/17

1. Forecasts for FY3/17 (1)

**1H Proceeded According to the Initial Plan
Focusing on Launch of Major Titles; To Aim at Full-year Targets**

(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

- Structural reforms resulting in a fuller lineup of major titles
- Increased earnings from digital downloads
- Earnings per share forecast: ¥162.53
- Plan to raise the dividend to ¥50 (interim: ¥25, year-end: ¥25) in order to enhance shareholder returns

Growth Strategy Progress

■ Consumer Business Expansion

- *Resident Evil 7 biohazard* : January 24, 2017 scheduled release
 - Full PlayStation VR support
 - Supports high quality visuals with PlayStation 4 Pro(4K/HDR) & Xbox One S(HDR)
 - PS4 demo exceeded 4 million downloads (as of October 15)
- *Dead Rising 4* : December 6, 2016 scheduled release
- *Monster Hunter XX (Double Cross)* : March 18, 2017 scheduled release

2. Business Segment Plans & Strategies

2-1. Digital Contents

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

**On the offensive with global release of multiple major titles
Expansion of digital download sales for new and catalog titles**

■ Consumer: Second Half Strategy

- Launch three major titles, a capability owed to structural reforms
- Increase of digital download ratio due to expanding sales of full-game and add-on digital downloads

■ Consumer: Sales Plan for Main Titles in the Second Half

(thousand units)

Platform	Title	Date		Plan
PS4 Xbox One PC	Resident Evil 7 biohazard	Japan	Jan. 26 2017	4,000
		North America	Jan. 24 2017	
		Europe	Jan. 24 2017	
Xbox One PC	Dead Rising 4	Japan	Dec. 8 2016	2,000
		North America	Dec. 6 2016	
		Europe	Dec. 6 2016	
3DS	Monster Hunter XX (Double Cross)	Japan	Mar. 18 2017	2,000

*Japan includes the Asian region *Unit sales include full-game download sales

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

Advance smooth development of major titles
Expect increase in unit sales in line with initial plan

■ Consumer: FY2016 Unit Sales Plan

(thousands of units)

	2015/3	2016/3	2017/3 Plan	Difference
Titles	33	45	35	-10
Package				
Japan	4,000	4,700	3,400	-1,300
North America	2,400	2,600	3,500	900
Europe	1,300	1,200	1,600	400
Asia	300	400	500	100
Package Total	8,000	8,900	9,000	100
Digital Download Contents				
Full-game download	5,000	6,100	7,500	1,400
Total	13,000	15,000	16,500	1,500
New/Catalog Breakdown				
	2015/3	2016/3	2017/3 Plan	Difference
New Titles	7,000	8,000	10,000	2,000
Catalog Titles	6,000	7,000	6,500	-500
Total	13,000	15,000	16,500	1,500
Distribution Titles	750	750	400	-350

* Titles include titles available only for download

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

Strengthen operations of existing titles in Mobile and PC Online with updates

■ Mobile Contents: Second Half Strategy

- Strengthen operations for *Monster Hunter Explore*
- Release new title developed by Capcom Mobile
 - First title: *Otomo Drop Monster Hunter Stories* (Android/iOS), winter 2016
- *Toraware no Paruma*
 - October: Release new character in the Aoi chapter

■ PC Others: Second Half Strategy

- *Dragon's Dogma Online* Season 2.2 update coming winter of 2016
 - Aim to increase number of active users while improving user satisfaction for existing players
- Update *Monster Hunter Frontier G* to *Monster Hunter Frontier Z* in November
 - Newly supports PlayStation 4
- Large update including additional new monsters for *Monster Hunter Online*

2-1. Digital Contents Full-year Plan

Produce earnings to drive consolidated results
via launch of major Consumer titles

■ Digital Contents: FY2016 Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Plan	Difference
Net sales	453	525	590	65
Operating income	102	121	143	22
Operating margin	22.5%	23.1%	24.2%	—
Breakdown of Net Sales				
Package	262	312	330	18
Digital Download Contents	90	109	140	31
Consumer total	352	421	470	49
Mobile Contents	41	33	40	7
PC Other	60	71	80	9

2-2. Arcade Operations

2-2. Arcade Operations – Second Half Strategies

Aim to secure revenue for the full year via new business expansion and continued efficient operations

■ Second Half Strategy

- As with Capcom Café (restaurant) and Chara Cap (merchandise stores), continue to expand new facilities unrestrained by the conventional business model
- Generate buzz by rolling out the *Tokusatsu Taikan VR Daikaijyu Capdon VR* attraction

■ Second Half Plan

- Plan to open two new arcades (resulting in a total of 37 arcades)
- YoY sales plan for existing arcades: unchanged

■ FY2016 Arcade Operations Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Plan	Difference
Net sales	92	90	90	0
Operating income	9	7	8	1
Operating margin	10.2%	7.7%	8.9%	-
Y/Y ratio of sales for existing arcades	-10%	-4%	±0%	-

2-3. Amusement Equipments

2-3. Amusement Equipments – Second Half Strategies

Plan to release two machines from the P&S business
Aim to hit full-year targets

■ Pachinko & Pachislo: Second Half Strategies

- Plan to release *Monster Hunter -Kyoryu Sensen-* in winter 2016
- Plan to release one other pachislo machine
- Full-year plan: 4 machines, total 55,000 units

■ Arcade Game Sales: Second Half Strategies

- Expect revenue from mobile monetization and catalog sales of existing game machines



Monster Hunter -Kyoryu Sensen-

■ FY2016 Amusement Equipments Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Plan	Difference
Net sales	75	133	150	17
Operating income	27	28	30	2
Operating margin	36.3%	21.1%	20.0%	-

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

2-4. Other Businesses

2-4. Other Businesses – Second Half Strategies

Anticipate maximized earnings via synergetic effect of coordinating video game releases with TV and movies

■ Character Contents: Second Half Strategies

- Increase awareness via coordinating title launches with TV and movies
 - *Monster Hunter Stories RIDE ON*, an animated TV show, began broadcasting in October
 - Hollywood film *Resident Evil: The Final Chapter* to get an early December premier in Japan
- Appeal to non-game players
 - The musical production *Biohazard -Voice of Gaia-* opened in September
 - The stage production *Zangeki Sengoku BASARA Sekigahara no Tatakai* is planned to open in February 2017



Monster Hunter Stories RIDE ON

©CAPCOM/MHST production partnership

■ Other Businesses Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Plan	Difference
Net sales	21	20	20	0
Operating income	6	5	2	-3
Operating margin	30.8%	25.0%	10.0%	-

3. FY2016 First Half Financial Highlights

3-1. Consolidated Statements of Income

3-1. Consolidated Statements of Income

■ Results Comparison: Sept. 2015 vs Sept. 2016

(millions of JPY)

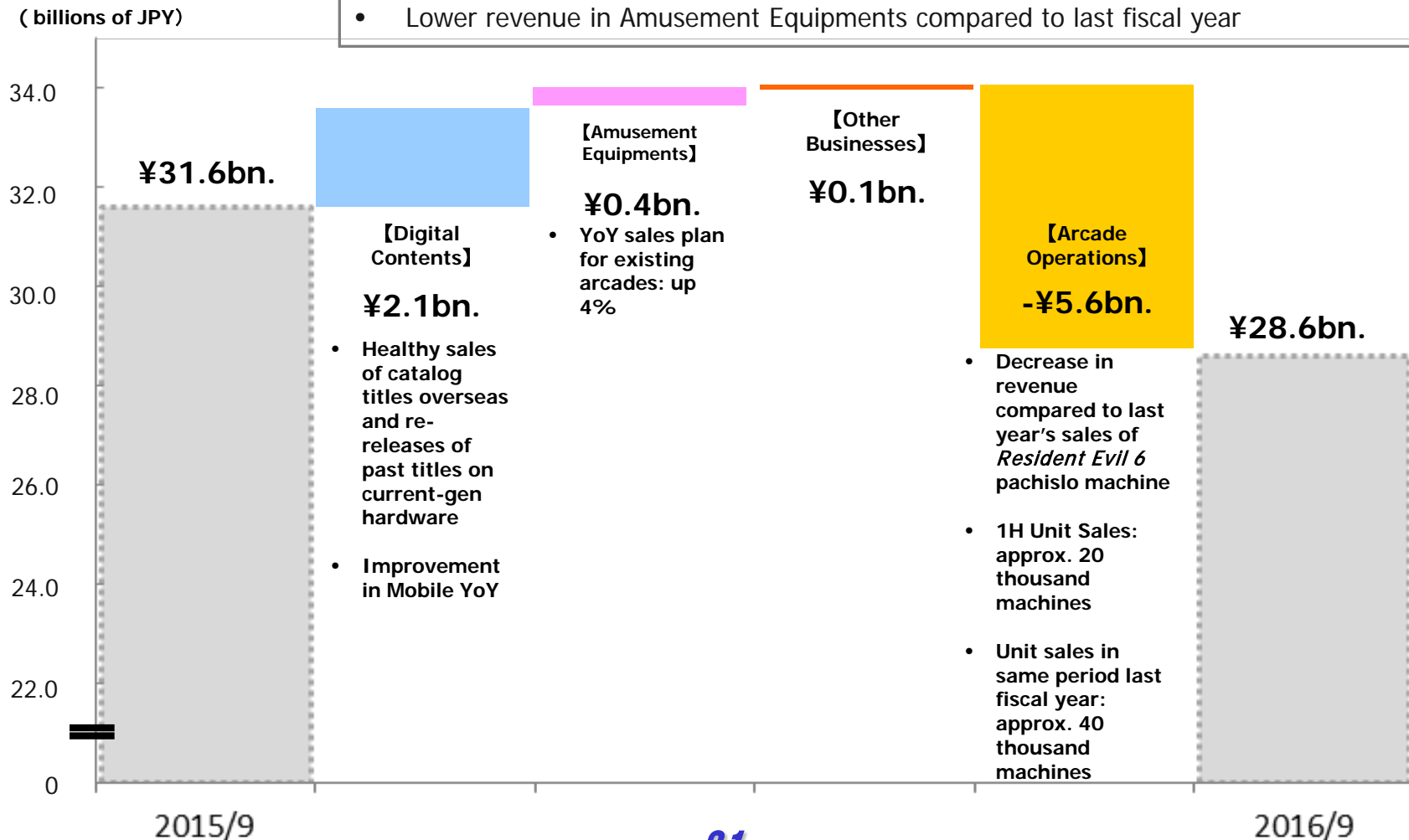
	2015/9	2016/9	Difference
Net sales	31,638	28,676	-2,962
Operating income	2,844	1,715	-1,129
Ordinary income	2,891	514	-2,377
Net income attributable to owners of the parent	1,951	405	-1,546

- Sales and profits down due to increased development costs in Digital Contents and lower revenue in Amusement Equipments compared to last fiscal year
- Recorded a foreign exchange loss of ¥1,167 million due to strong yen
- Quarterly earnings per share: ¥7.25

3-1. Consolidated Statements of Income Summary (1)

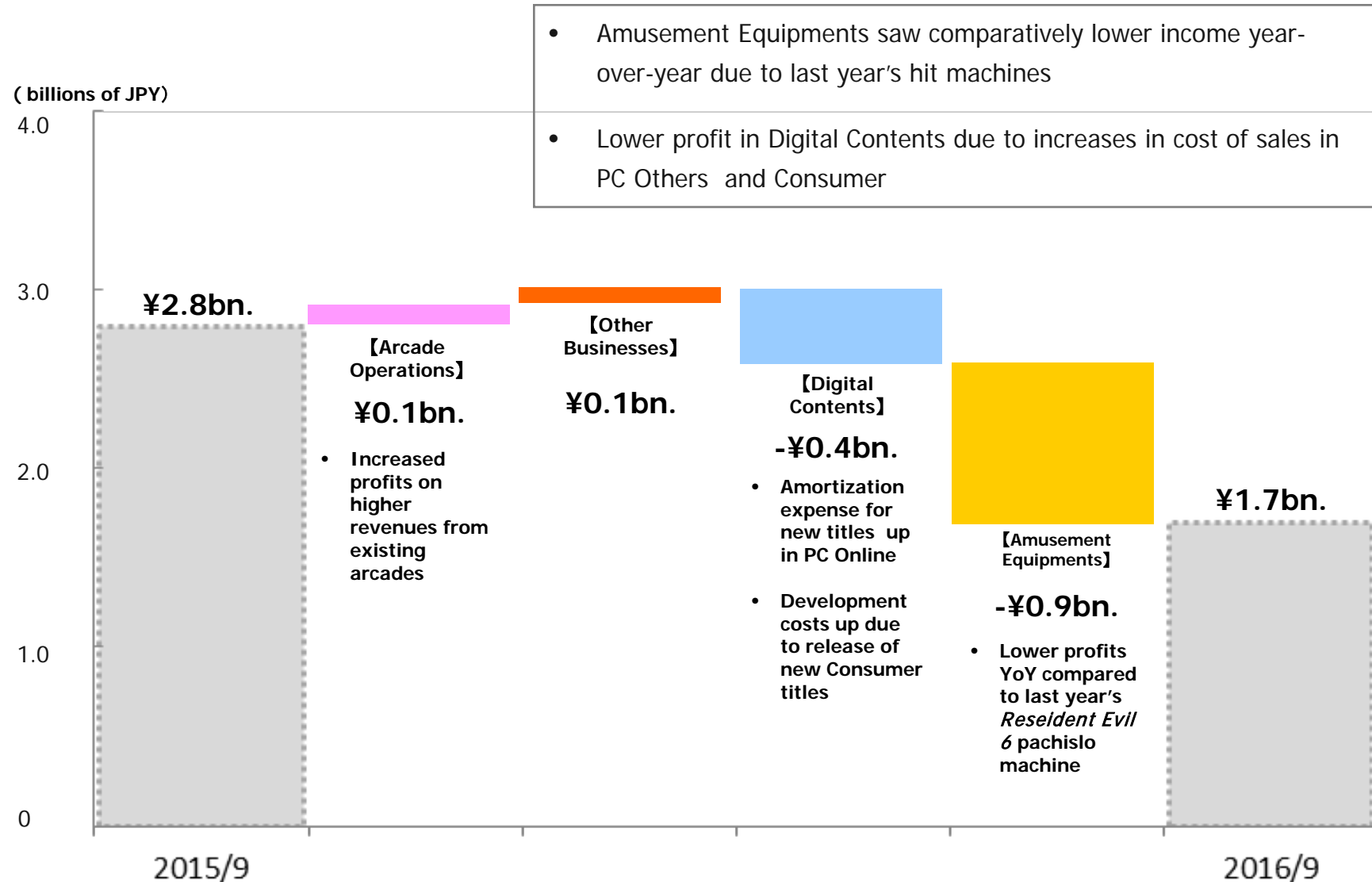
■ FY9/16 Net Sales: Increases and Decreases

- Increased revenue in Digital Contents due to contributions of catalog sales overseas and re-releases of past titles on current generation hardware in Consumer
- Lower revenue in Amusement Equipments compared to last fiscal year



3-1. Consolidated Statements of Income Summary (2)

■ FY9/16 Operating Income: Increases and Decreases



3-2. Consolidated Balance Sheets

3-2. Consolidated Balance Sheets

■ Major Changes in Balance Sheet Items

(millions of JPY)

Assets	2016/3	2016/9	Difference
Work-in-progress for game software	24,825	28,779	3,954
Notes and accounts receivable, trade	9,879	7,337	-2,542

1. Work in progress for game software

- Increase accompanying enhanced lineup and development progress in the Consumer business

2. Notes and accounts receivable, trade

- Decrease due to accounts receivable collection for title released at the end of the last fiscal year

(millions of JPY)

Liabilities	2016/3	2016/9	Difference
Short-term borrowings	1,497	9,835	8,338

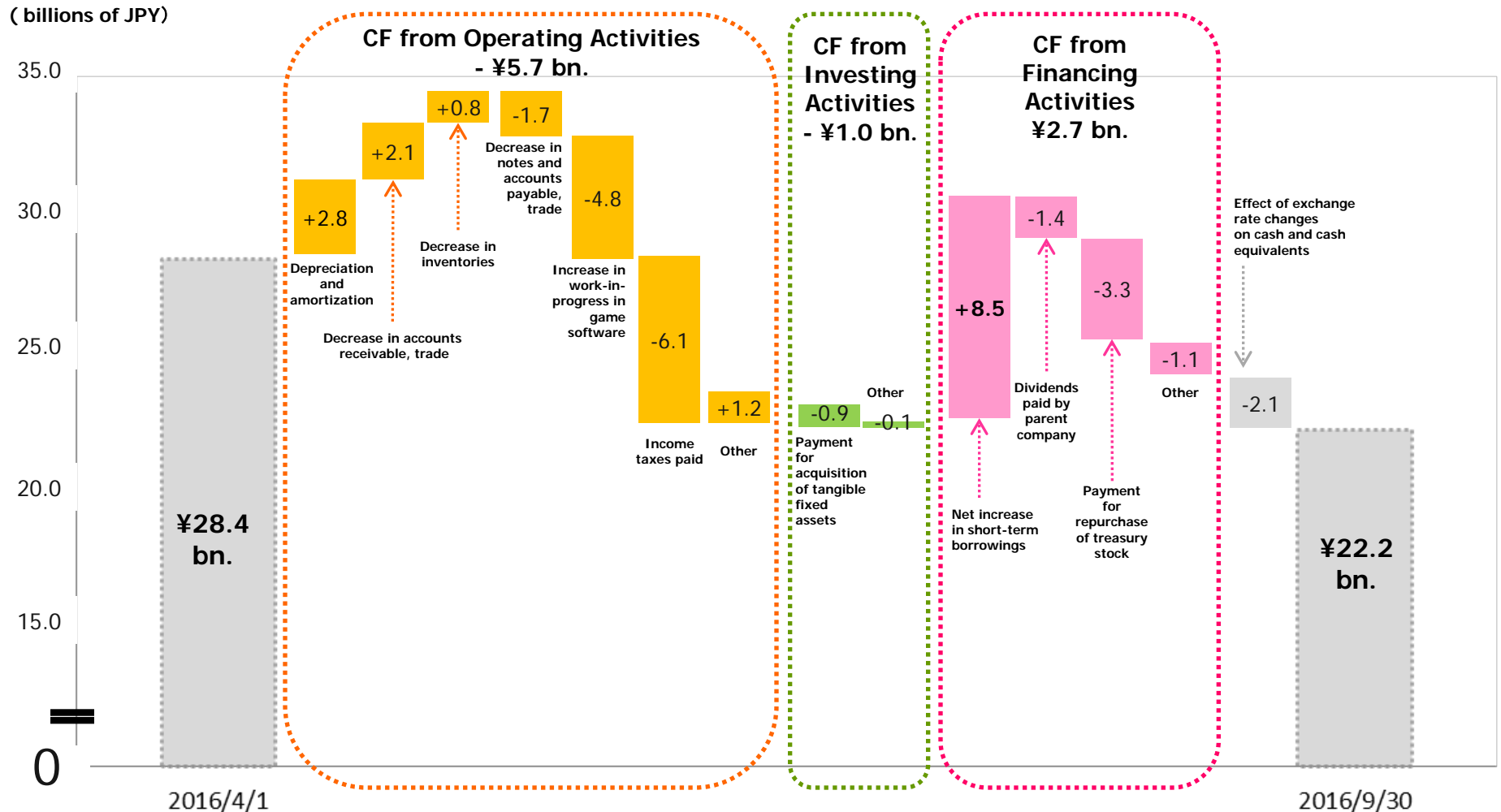
3. Short-term borrowings

- Increase due to use of the commitment line

3-3. Consolidated Cash Flows

3-3. Consolidated Cash Flows

■ FY16/9 Consolidated Cash Flows: Increases and Decreases



3-4. Business Segment Highlights

3-4-1. Digital Contents

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

Given an absence of major releases, focus was on sales of new titles, including re-releases and catalog sales overseas

■ Consumer: First Half Highlights

- Released *Monster Hunter Generations* in U.S. and Europe

**Monster Hunter X (Cross)* in Japan and Asia

- Package and full-game downloads grew on re-releases of past titles for current-generation hardware

■ Consumer: Main Title Releases in the First Half

(thousands of units)

Platform	Title	Region	Date	Result
3DS	Monster Hunter X (Cross) (Monster Hunter Generations) (Catalog)	Japan	Nov. 28 2015	800
		North America	Jul. 15 2016	
		Europe	Jul. 15 2016	
PS4 Xbox One	Resident Evil 5 (Re-release)	Japan	Jun. 28 2016	500
		North America	Jun. 28 2016	
		Europe	Jun. 28 2016	

*Japan includes the Asian region *Unit sales include full-game download sales

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

Unit sales exceeded the same period last year due to growth of package and full-game downloads overseas

■ Consumer: Unit Sales for the First Half

(thousands of units)

	2014/9	2015/9	2016/9	Difference
Titles (SKU)	14	20	22	2
Package				
Japan	600	1,000	700	-300
North America	1,050	800	1,400	600
Europe	400	250	500	250
Asia	50	50	100	50
Package Total	2,100	2,100	2,700	600
Digital download contents				
Full-game download	2,100	2,400	3,800	1,400
Total	4,200	4,500	6,500	2,000
New/Catalog Breakdown				
	2014/9	2015/9	2016/9	Difference
New Titles	900	1,000	1,700	700
Catalog Titles	3,300	3,500	4,800	1,300
Total	4,200	4,500	6,500	2,000
Distribution Titles	300	200	150	-50

* Titles include those available only for download

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

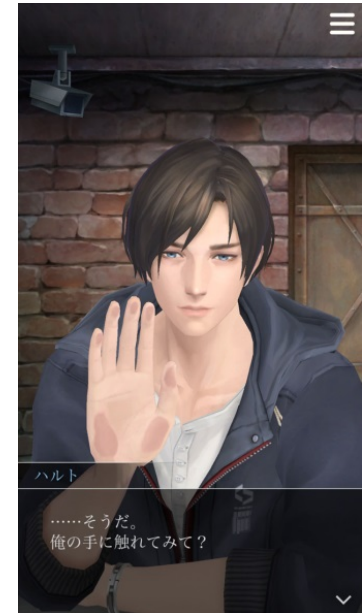
Focused on operation of existing titles in Mobile and PC Online
Vitalized titles with continuous updates

■ Mobile Contents: First Half Highlights

- *Monster Hunter Explore* broke 5 million downloads and contributed to stable earnings
 - Ver. 5.0 update released at end of September
- Released *Toraware no Paruma* (Android/iOS), a romance game targeted at female users
 - Hit #1 in the App Store paid app rankings

■ PC Others: First Half Highlights

- *Breath of Fire 6* underperformed
- Added new monsters and dungeons to *Dragon's Dogma Online* in order to enhance the game's content



Toraware no Paruma

3-4-1. Digital Contents – First Half Performance

Consumer performed to expectations due primarily to catalog sales
Lower profit in PC Online due to underperformance of some titles

■ First Half Digital Contents Performance

(millions of JPY)

	2014/9	2015/9	2016/9	Difference
Net sales	134	143	163	20
Operating income	21	15	10	-5
Operating margin	16.0%	10.7%	6.7%	—
Breakdown of Net Sales				
Package	45	66	67	1
Digital Download Contents	34	37	50	13
Consumer total	79	103	117	14
Mobile Contents	24	13	19	6
PC Other	31	27	27	0

3-4-2. Arcade Operations

3-4-2. Arcade Operations – First Half Highlights

Sales and profits up due to incorporation of character merchandising and extended entrance hours due to relaxation of regulations

■ First Half Highlights

- Sales at existing arcades up 4% YoY (Q1: up 5%; Q2: up 2%)
- Opened 1 new arcade (Tokuyama, in September)

■ Arcade Operations: First Half Performance

(hundreds of millions of JPY)

	2014/9	2015/9	2016/9	Difference
Net sales	48	44	48	4
Operating income	6	3	4	1
Operating margin	13.7%	8.1%	9.9%	-
Y/Y ratio of sales for existing arcades	-8.0%	-8.0%	4.0%	-

■ Number of Arcades

(facilities)

	2015/3	2016/3	2016/9	2017/3 Plan
New arcades	1	4	1	3
Closing arcades	1	3	0	0
Total	33	34	35	37

3-4-3. Amusement Equipments

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

In line with plan, despite comparatively lower sales following a hit title in the same period last year

■ Pachinko & Pachislo: First Half Highlights

- 5,500 *Super Street Fighter IV* pachislo machines operating from April, 2016
- 15,000 *Devil May Cry X (Cross)* pachislo machines operating from August 2016
- Unit sales in the same period of the previous fiscal year: approx. 40 thousand machines

■ Arcade Games Sales: First Half Highlights

- *Mario Party Fushigi no Challenge World* medal game operating from August, 2016



Devil May Cry X (Cross)

■ Amusement Equipments: First Half Performance

(hundreds of millions of JPY)

	2014/9	2015/9	2016/9	Difference
Net sales	68	121	65	-56
Operating income	31	25	16	-9
Operating margin	45.9%	21.0%	25.3%	-

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

3-4-4. Other Businesses

3-4-4. 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 stage productions
 - Animated TV show *Gyakuten Saiban: Sono "Shinjitsu", Igiari!*
 - Expanded attractions at USJ via Universal Cool Japan
 1. Biohazard the Escape 2
 2. Monster Hunter the Real 2016
 - Stage production *Zangeki Sengoku BASARA 4 Sumeragi Honnoji no Hen*




Gyakuten Saiban: Sono "Shinjitsu", Igiari!

©CAPCOM/Yomiuri TV, A-1 Pictures

■ Other Businesses: First Half Performance

(hundreds of millions of JPY)

	2014/9	2015/9	2016/9	Difference
Net sales	7	7	9	2
Operating income	2	2	3	1
Operating margin	29.9%	31.8%	41.1%	-



4. Additional Information

Summary of Major Financial Information

Summary of Major Financial Information (1)

● Profit and Loss Sheet

(millions of JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
Net sales	64,277	77,021	85,000	110.4%	28,676
Gross profit	25,898	29,846	31,200	104.5%	8,689
% of Gross profit	40.3%	38.8%	36.7%	-	30.3%
Sales and G&A expenses	15,403	17,816	17,600	98.8%	6,973
Operating income	10,582	12,029	13,600	113.1%	1,715
% of Operating income	16.5%	15.6%	16.0%	-	6.0%
Ordinary income	10,851	11,348	13,300	117.2%	514
% of Ordinary income	16.9%	14.7%	15.6%	-	1.8%
Net income	6,616	7,745	9,000	116.2%	405
% of Net income	10.3%	10.1%	10.6%	-	1.4%

● Sales by Business Segments

(millions of JPY)

		2015/3	2016/3	2017/3 E	%	2016/9
Digital Contents	Net sales	45,351	52,577	59,000	112.2%	16,373
	Operating income	10,208	12,167	14,300	117.5%	1,099
	Operating margin	22.5%	23.1%	24.2%	-	6.7%
Arcade Operations	Net sales	9,241	9,056	9,000	99.4%	4,810
	Operating income	940	699	800	114.4%	478
	Operating margin	10.2%	7.7%	8.9%	-	9.9%
Amusement Equipments	Net sales	7,540	13,343	15,000	112.4%	6,530
	Operating income	2,736	2,812	3,000	106.7%	1,651
	Operating margin	36.3%	21.1%	20.0%	-	25.3%
Others	Net sales	2,144	2,043	2,000	97.9%	962
	Operating income	661	511	200	39.1%	395
	Operating margin	30.8%	25.0%	10.0%	-	41.1%

● Sales by Geographic Area

(millions of JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
Japan	50,877	57,737	54,500	94.4%	20,422
North America	8,678	12,384	21,000	169.6%	5,842
Other territories	3,413	5,221	7,900	151.3%	1,789
Total	1,308	1,681	1,600	95.2%	623

Summary of Major Financial Information (2)

●Promotional Expense

(millions of JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
Capcom Japan	1,889	1,930	2,400	124.4%	752
Consolidated	2,798	3,832	6,000	156.6%	1,535

●Number of Arcades

(facilities)

	2015/3	2016/3	2017/3 E	Difference	2016/9
Consolidated	33	34	37	3	35

●Capital Expenditure

(millions of JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
Capcom Japan	1,499	1,949	3,200	164.2%	742
Consolidated	5,564	5,937	4,500	75.8%	882

●Depreciation

(millions of JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
Capcom Japan	2,882	4,929	5,300	107.5%	2,504
Consolidated	3,535	5,712	6,000	105.0%	2,883

●Number of Employees

(persons)

	2015/3	2016/3	2017/3 E	%	2016/9
Capcom Japan	2,033	2,114	2,250	106.4%	2,239
Consolidated	2,681	2,839	3,000	105.7%	2,951

●R&D Investment Cost

(millions of JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
R&D Investment Cost	25,301	27,255	30,000	110.1%	13,615
Technical R&D Cost	823	1,073	1,500	139.8%	195

●Foreign Exchange Rate (End of period)

(JPY)

	2015/3	2016/3	2017/3 E	%	2016/9
USD/¥	120	112	115	102.7%	101
Euro/¥	130	127	125	98.4%	113

Summary of Major Financial Information (3)

●Sales Units Shipped <platform>

		(thousand units)				
		2015/3	2016/3	2017/3 Plan	Difference	2016/9
Playstation 3	Titles	13	19	-	-	12
Playstation 4	Total Units	2,450	3,500	-	-	1,100
PSP	Titles	5	8	-	-	2
PS Vita	Total Units	250	300	-	-	50
Wii	Titles	-	-	-	-	-
Wii U	Total Units	150	100	-	-	-
NintendoDS	Titles	5	7	-	-	1
Nintendo 3DS	Total Units	3,750	4,100	-	-	1,150
Xbox 360	Titles	7	6	-	-	6
Xbox One	Total Units	1,200	650	-	-	350
PC & Others	Titles	3	4	-	-	1
	Total Units	200	250	-	-	50
Package total	Titles	33	44	34	-10	22
	Total Units	8,000	8,900	9,000	101.1%	2,700
Full-game download	Titles	-	1	1	-	-
	Total Units	5,000	6,100	7,500	123.0%	3,800
Total	Titles	33	45	35	-10	22
	Total Units	13,000	15,000	16,500	110.0%	6,500

*Full-game download includes digital download-only titles

●Sales Units Shipped <Distribution/Catalog>

		(thousand units)				
		2015/3	2016/3	2017/3 Plan	Difference	2016/9
Distribution titles		750	750	400	53.3%	150
Catalog titles		6,000	7,000	6,500	92.9%	4,800

●Sales Units Shipped <geographic>

		(thousand units)				
		2015/3	2016/3	2017/3 Plan	Difference	2016/9
Japan		4,000	4,700	3,400	72.3%	700
North America		2,400	2,600	3,500	134.6%	1,400
Europe		1,300	1,200	1,600	133.3%	500
Asia		300	400	500	125.0%	100
Full-game download (global)		5,000	6,100	7,500	123.0%	3,800
Total		13,000	15,000	16,500	110.0%	6,500



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