

**Financial Results Briefing for the
2nd Quarter of the Year Ending March 31, 2017
Summary of Chairman and CEO
Kenzo Tsujimoto's Presentation
(October 28, 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) Today's meeting

Today I will be covering five points, namely: our mid-term directional sense, forecasts for FY3/17, our approach to quarterly results, strengthening global hit titles, and strengthening shareholder returns.


1. Approach to Quarterly Results

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■ Quarterly profit structure concept

	Q1	Q2	Q3	Q4	Full-year
Comparative operating income structure	-5%	18%	20%	67%	100%
Major titles			CS Dead Rising 4 PS Monster Hunter	CS Resident Evil 7 biohazard Monster Hunter XX (Double Cross)	
New CS title unit sales	300 k units	1 million units	8.7 million units		10 million units

*PS: period in which revenue is recognized



- Investors were somewhat concerned about our results due to posting a loss in the first quarter, so I would like give a supplementary explanation of our approach to quarterly results.
- Within our marketing strategy there is a strong inclination for major consumer title releases in the second half, back-weighting the second half of the fiscal year.
- In recent years, cooperation with hardware makers has become even more tightly knit, with an increase of cases where title reveals occur at E3, the Tokyo Game Show or events held by hardware manufacturers and heading toward launch promotion is maximized.
- For our second half results, conceptually we see that within our comparative operating income structure 87% is in the second half because our major consumer title releases are focused in the second half, where we plan to sell 8.7 million units of our total 10 million unit sales plan for new titles.


2. Forecasts for FY3/17

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■ This year's major titles vs. past titles

Latest Installment				Previous Installments		
	Title	Release Timing	Launch year plan	Title	Launch year unit sales	Cum. Lifetime unit sales
CS	Dead Rising 4	3Q	2 million	Dead Rising 3	1.2 million	2.1 million
	Resident Evil 7 biohazard	4Q	4 million	Resident Evil 6	5 million	6.6 million
	Monster Hunter XX (Double Cross)	4Q	2 million	Resident Evil 5	4.4 million	7.1 million
PS	Monster Hunter -Kyoryu Sensen-	3Q	25k machines	Monster Hunter X (Cross) (Japan, Asia)	3.3 million	3.35 million
				Monster Hunter -Gekka Raimei-	46k machines	50k machines

*PS: period in which revenue is recognized



- Listed here is our unit forecast for major titles this fiscal year.
- Because these are being released in the second half we will bear a heavier cost burden this fiscal year; conversely however, margins for catalog sales of these titles next fiscal year will be higher, and there will also be sales from digital versions and subsequent mark-downs. In looking at the cumulative sales of past titles, we believe that catalog unit sales will make significant contributions from next fiscal year onward.
- Additionally, as the pachislo machine *Monster Hunter -Kyoryu Sensen-* was highly reviewed at exhibitions we believe that it will perform well.
- Having considered users' reception and the sales results of previous installments, our sales plans for *Resident Evil 7*, *Dead Rising 4* and *Monster Hunter XX (Double Cross)* are appropriate.
- The PS4 is a high-powered piece of hardware that improved upon the PS3, and has sold more than 40 million units worldwide; we expect it to surpass 100 million units by 2020. Additionally, Microsoft is focusing on expanding its hardware, and given these conditions we believe it is important to continue to strengthen our lineup of titles targeted to the U.S. and Europe.

3. Direction Moving Forward

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- **Operating income five-year trend**

(hundreds of millions of JPY)


	13/3	14/3	15/3	16/3	17/3
	Results	Results	Results	Results	Plan
Operating income	101	102	105	120	136
% change	-17.6%	1.5%	2.7%	13.7%	13.1%

- **Mid-term directional sense**

1. Enhance major CS lineup (existing+latent IP)
2. Strengthen digital and catalog sales
3. Bolster mobile development
4. Establish 4 pachislo machine structure
5. Concentrate on Asian licensing
6. Activities in eSports

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Aiming for 10% annual growth in operating income via internal businesses alone

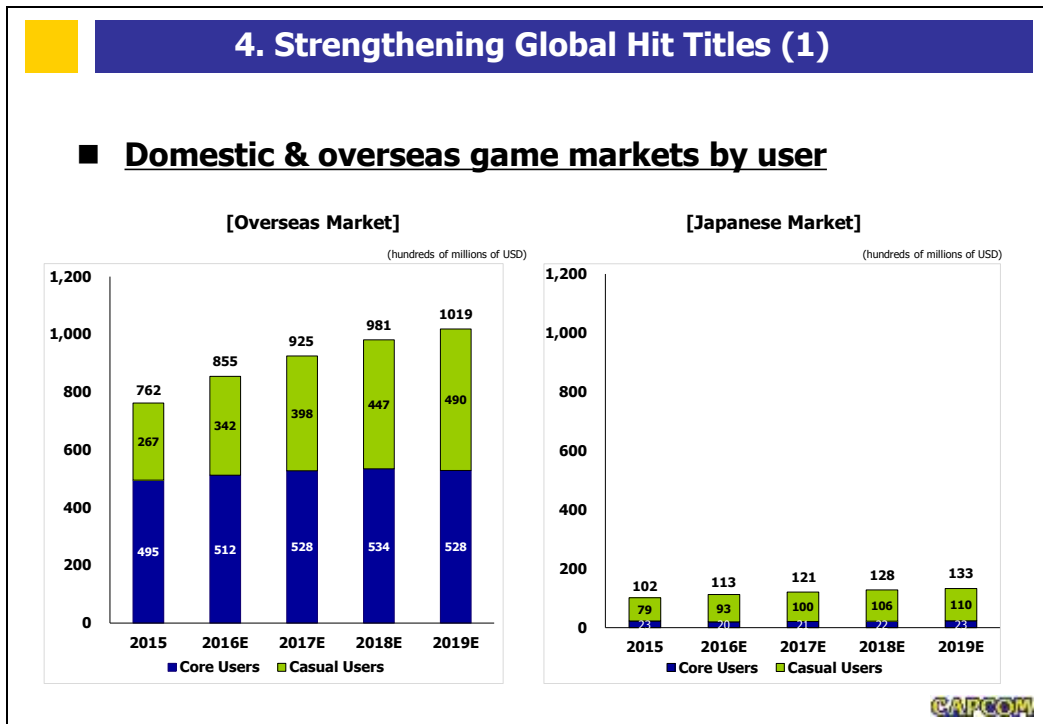


- We plan to achieve four consecutive fiscal years of operating income growth, and are in the process of entering a stage of sustainable growth.
- Our image for the future is we would like to achieve 10% operating income growth each fiscal year solely from internal businesses, which excludes licensing in Asia.
- Three years have passed since structural reforms in Consumer, and due to:
 1. strengthening digital download and catalog sales; and,
 2. increasing the number of major titles annually;
 sales and profit margins have been steadily improving.
- Additionally,

There is further room for growth in Consumer because:

 1. the ratio of download sales (26%) can be improved; and,
 2. latent IPs can be utilized.
- We will stabilize the Pachislo business by establishing a four-machine structure

4. Strengthening Global Hit Titles (1)




- The domestic-to-overseas ratio of the 2016 games market is 88% overseas to 12% domestic.
- Specifically regarding the core user market (CS and PC), it breaks down to 95% overseas to 5% domestic, bringing the overseas ratio even higher.
- It follows then, that within Consumer it will be necessary to produce games that are well-received overseas, otherwise sales will not grow.
- Additionally, in some cases sales of marked-down past titles grow due to digital releases in the U.S. and Europe. Because of this, we think that it is necessary to focus on the catalog sales market overseas.

4. Strengthening Global Hit Titles (2)

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■ Domestic/overseas sales ratio of major titles (lifetime)

	Unit Sales	Japan	Overseas	Total
Dead Rising 3	2.1 million	1%	99%	100%
Street Fighter V	1.4 million	8%	92%	100%
Devil May Cry 4	3 million	13%	87%	100%
Resident Evil 6	6.6 million	15%	85%	100%
Monster Hunter 4U	4.1 million	65%	35%	100%



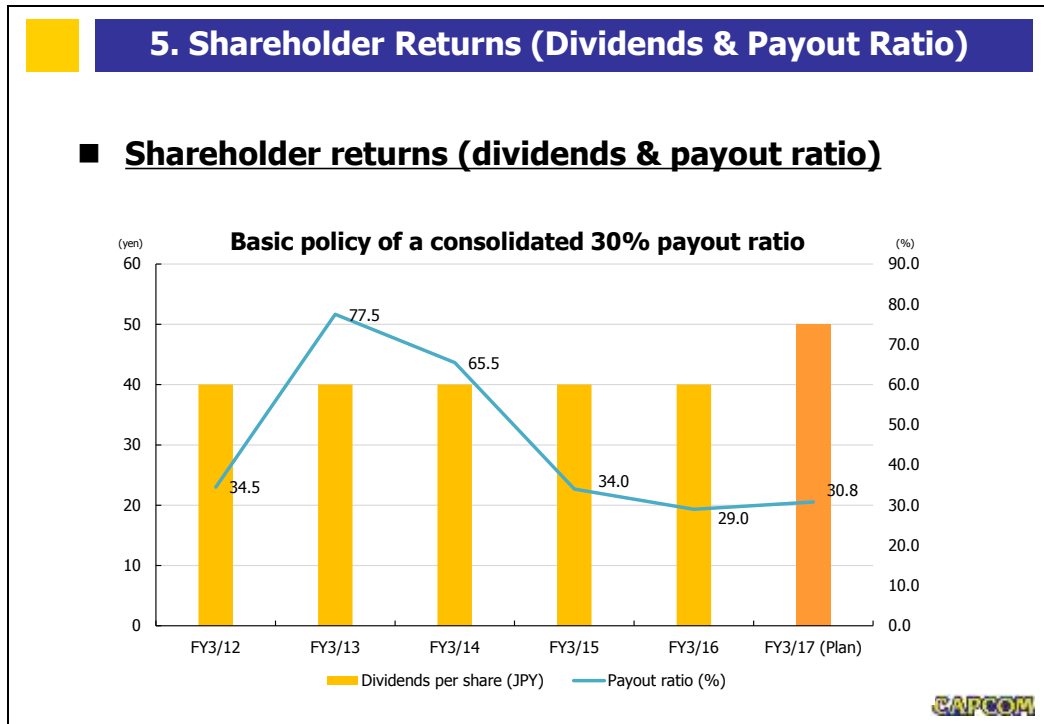
- This table shows the ratio of domestic-to-overseas sales of Capcom’s major Consumer titles.

- As you can see, Capcom is one of a few Japanese video game publishers that are engaged overseas.

- Thanks to the influence of eSports, we can expect the popularity of *Street Fighter V* in each country to continue for the long-term. Furthermore, of these titles only *Monster Hunter* has a higher domestic ratio, however this is because until now we had focused expansion primarily in Japan where handhelds are popular.

- The scale of the overseas market is 10 times that of the domestic one (25 times for the core user market), therefore, we believe there is exceptional room for growth for *Monster Hunter* overseas. Moving forward we will undertake a number of measures to grow its overseas sales ratio.

5. Shareholder Returns (1)



- Up to this point, we have set a basic policy of continuing to provide a stable dividend while gradually increasing the dividend amount in accordance with our fiscal performance level.
- We have been communicating to our investors that internally we are conscious of aiming for payout ratio of 30% as an approximate guide, however, now going forward we would like to better reward all of our investors by setting our basic policy to be providing a payout ratio of 30% while continuing to provide a stable dividend.
- Accompanying this change in dividend policy, our dividend per share (forecast) has been raised from ¥40 to ¥50, and the payout ratio (forecast) has changed from 25% to 30.8%.

5. Shareholder Returns (2)

5. Shareholder Returns (Treasury Stock)

■ Shareholder returns (treasury stock)

1. Repurchases of this fiscal year


Repurchase period	Total number of shares repurchased	% *	Total value of shares repurchased
Aug. 26, 2016 - Sep. 5, 2016	1,480,600 shares	2.63%	Approx. 3.3 billion JPY

*Percentage of the number of shares issued (excluding treasury stock)

2. Repurchases of the past 5 years (reference)

Repurchase period	Total number of shares repurchased	% *	Total value of shares repurchased
Jun. 9, 2011 - Jul. 20, 2011	1,500,000 shares	2.54%	Approx. 2.7 billion JPY
Apr. 22, 2013 - May 31, 2013	1,347,200 shares	2.34%	Approx. 2.3 billion JPY

*Percentage of the number of shares issued (excluding treasury stock)



- Also, with respect to repurchase of the Company's own stock, as part of our efforts to return profits to shareholders, up to this point we have implemented such measures as called for, and we will continue to be flexible in considering them going forward.

- Thus ends my presentation. Thank you.