



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

1st Quarter Report
Fiscal year ending March 31, 2018

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.



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**1. Forecast for fiscal year ending
March 31, 2018**

1. Fiscal 2017 Forecasts

**Five consecutive years of increased operating income
driven by growth in the Digital Contents business**

(in millions of JPY)

	2017/3	2018/3 Plan	Difference
Net sales	87,170	93,000	5,830
Operating income	13,650	14,500	850
Operating margin	15.7%	15.6%	-
Ordinary income	12,589	14,000	1,411
Net income attributable to owners of the parent	8,879	9,500	621

- Increasing revenue and profit year-over-year via improvements to Mobile and PC Online and through stable growth in Consumer.

1. Business Segment Highlights

■ Growth Strategy Updates

■ Expand our Consumer business

- ***Monster Hunter: World*** slated for worldwide release in early 2018
- ***Marvel vs. Capcom: Infinite*** slated for worldwide release in September 2017
- Growth in catalog sales due to expanded product lineup (Q1: 1.85 million units)

■ Overhaul our Online business

- Book licensing revenue from alliances
- Continue working with business partners to create hit titles

2. Financial Highlights

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

■ 3 Months Results in FY6/16 vs. FY6/17

(millions of JPY)

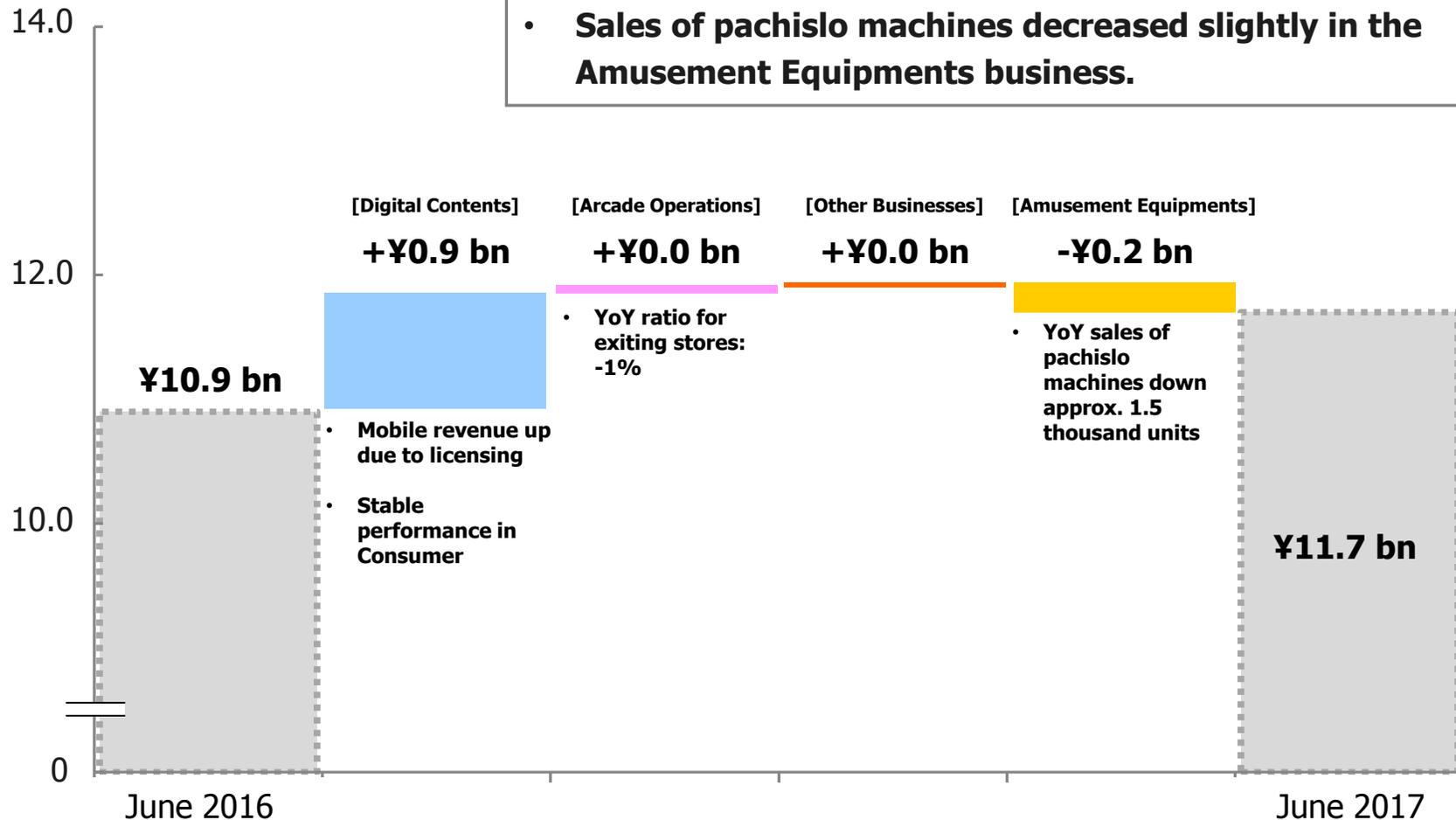
	2016/6	2017/6	Difference
Net sales	10,927	11,746	819
Operating income	-726	784	1,510
Ordinary income	-2,080	772	2,852
Net income attributable to owners of the parent	-1,411	521	1,932

- Increased revenue and profit year-over-year primarily through mobile licensing revenue and improvements to PC Online.
- Foreign exchange gain of ¥9 million (compared to loss of ¥1,335 million from the same term in the previous fiscal year.)
- Showing favorable progress in line with our full-year plan.

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

■ FY6/17 Net Sales (Reasons for Increases/Decreases)

(billions of JPY)



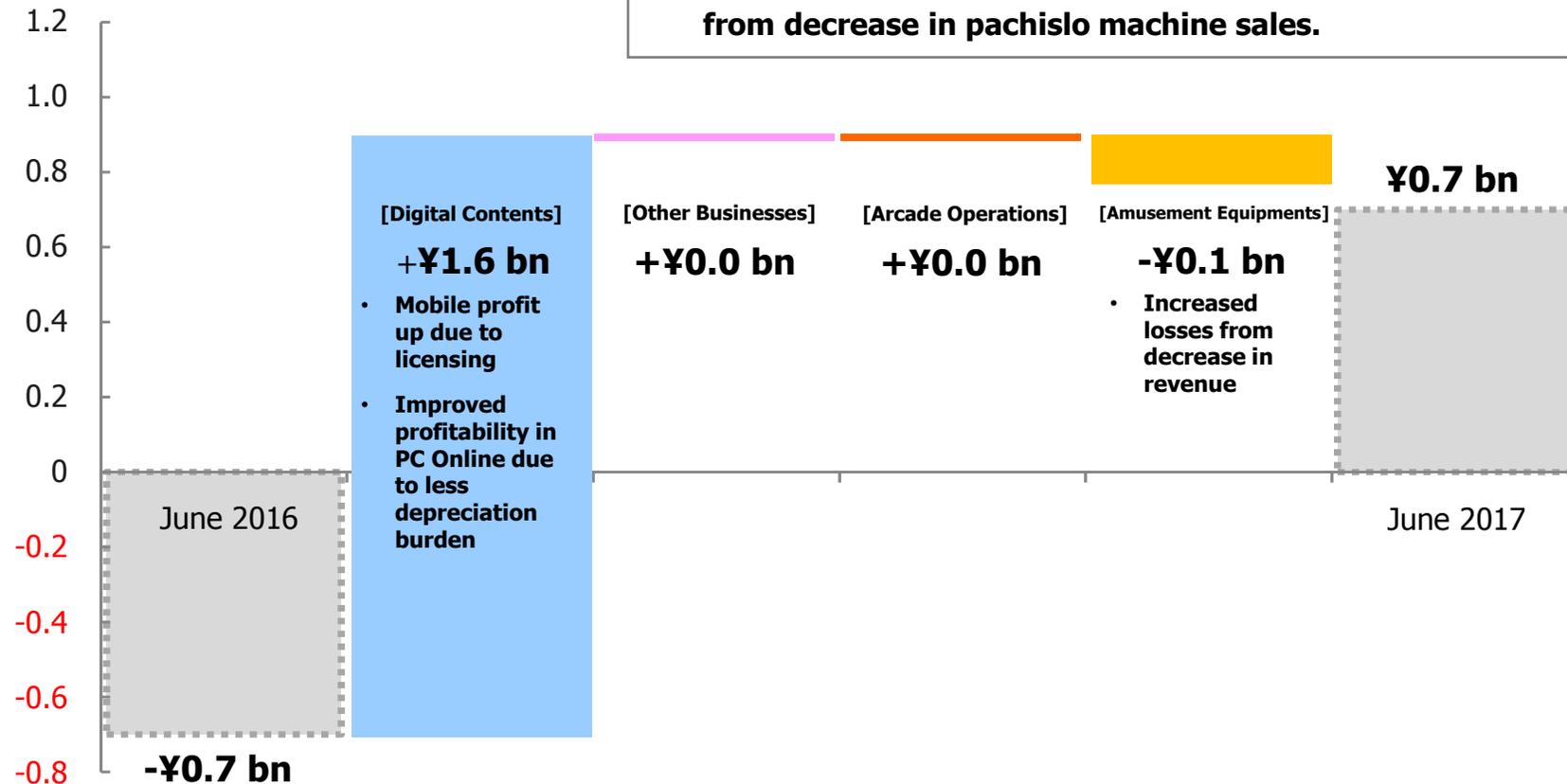
- Increased Digital Contents revenue due primarily to Mobile licensing revenue.
- Sales of pachislo machines decreased slightly in the Amusement Equipments business.

2-1. Financial Highlights – Consolidated Business Results (3)

■ FY6/17 Operating Income (Reasons for Increases/Decreases)

- Increased profit in Digital Contents business from improved profitability in Mobile and PC Online.
- Slight increase in losses for the Amusement Equipments business from decrease in pachislo machine sales.

(billions of JPY)



2-2. Financial Position – Consolidated Balance Sheet

■ Major Changes in Balance Sheet Items

(millions of JPY)

Assets	2017/3	2017/6	Difference
Work-in-progress for game software	30,150	34,631	4,481
Notes and accounts receivable, trade	20,175	4,738	-15,437

1. **Work-in-progress for game software**

- Increased due to lineup of Consumer products and progress with the development of new titles.

2. **Notes and accounts receivable, trade**

- Decreased due to collecting accounts receivable for titles released in the previous fiscal year.

(millions of JPY)

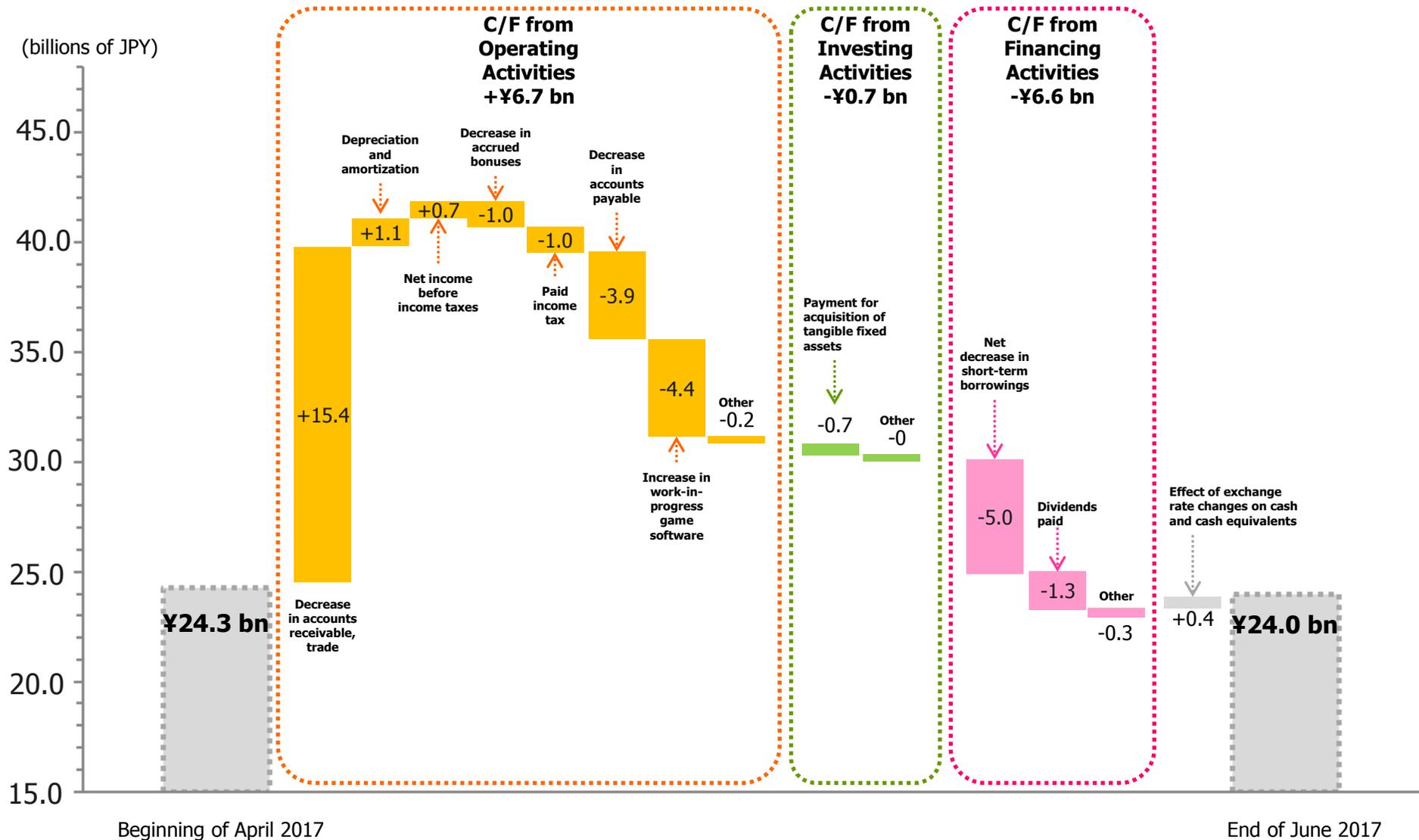
Liabilities	2017/3	2017/6	Difference
Short-term borrowings	9,323	4,323	-5,000

3. **Short-term borrowings**

- Decreased due to repayment of ¥5 billion in short-term borrowings.

2-2. Financial Position – Consolidated Cash Flows

■ FY6/17 Consolidated Cash Flows (Reasons for Increases/Decreases)



3. Business Segments

3-1. Digital Contents business

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

**Focused on bringing titles to
new platforms and catalog sales**

■ 3 Months Highlights (Consumer)

- *Ultra Street Fighter II* for the Nintendo Switch had a favorable launch, exceeding our forecast.
- Digital download sales grew primarily on catalog sales of major brands, such as *Resident Evil 7* and *Ultimate Marvel vs. Capcom 3* (re-release).
- Q1 sales ratios: catalog unit sales 74%; digital download sales 50%.

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

New and catalog titles drove package sales

Total unit sales on par with previous year

■ Unit Sales for the 3 Months (Consumer)

(thousands of units)

	2015/6	2016/6	2017/6	2018/3 Plan
New Titles (SKU)	8	5	7	37
Package				
Japan	250	500	350	2,750
North America	550	250	400	4,700
Europe	250	50	300	2,650
Asia	50	0	50	400
Package total	1,100	800	1,100	10,500
Digital download contents				
Full-game	1,400	1,700	1,400	12,500
Total	2,500	2,500	2,500	23,000

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

■ Breakdown of FY3/18 New and Catalog Consumer Unit Sales

(thousands of units)

	2015/3	2016/3	2017/3	2018/3 Plan
Consumer				
New Titles (SKU)	33	45	42	37
New Unit Sales	7,000	8,000	10,600	10,300
major titles	Monster Hunter 4G Resident Evil: Revelations 2 Resident Evil HD Remaster	Monster Hunter X (Cross) Street Fighter V Resident Evil 0 HD Remaster	Resident Evil 7 Monster Hunter XX (Double Cross) Resident Evil 5 (Re-release) Resident Evil 4 (Re-release)	Marvel vs. Capcom: Infinite Monster Hunter: World others
Catalog Unit Sales	6,000	7,000	8,800	12,700
major titles	Dead Rising 3	Resident Evil: Revelations 2 Monster Hunter 4G	Monster Hunter X (Cross) Resident Evil 6 (Re-release)	Resident Evil 7 Resident Evil 4 (Re-release) Resident Evil 5 (Re-release) others
Total	13,000	15,000	19,400	23,000

*Titles released within a given fiscal year calculated as new titles; titles released prior to a given fiscal year calculated as catalog titles.

3-1. Business Segments – Digital Contents (4)

Focused on operating titles and promoting regional alliances in Mobile; improvement in PC Others due to less depreciation burden

■ 3 Months Highlights (Mobile Contents)

- *Monster Hunter Explore* contributed stable revenue
- Continued to build alliances with aim of creating hits domestically and abroad

■ 3 Months Highlights (PC Other)

- Steadfast performance from *Monster Hunter Frontier Z*
- Major Season 3 update for *Dragon's Dogma Online* in August 2017

3-1. Business Segments – Digital Contents (5)

Revenue and profit up due primarily to licensing revenue in Mobile
Improved profitability year-over-year in Consumer

■ Digital Contents Performance

(hundreds of millions of JPY)

	2016/6	2017/6	2018/3 Plan
Net sales	67	76	650
Operating income	0	16	137
Operating margin	0.1%	21.8%	21.1%
Breakdown of net sales			
Package	25	23	365
Digital download contents	21	23	185
Consumer total	46	46	550
Mobile Contents	9	17	50
PC Other	12	13	50

3-2. Arcade Operations business

3-2. Business Segments – Arcade Operations

Stable performance from existing stores

Sales and profit overall in-line with same period of previous year

■ 3 Months Highlights

- YoY net sales of existing stores: -1%
- Stores opened in previous year contribute to revenue

■ 3 Months Business Results

(hundreds of millions of JPY)

	2015/6	2016/6	2017/6	2018/3 Plan
Net sales	19	21	22	100
Operating income	0	1	1	7
Operating margin	1.8%	5.0%	5.7%	7.0%
YoY Ratio of existing stores	-11%	5%	-1%	3%

■ Number of Stores

(stores)

	2016/3	2017/3	2017/6	2018/3 Plan
New stores	4	3	1	5
Closed stores	3	1	0	1
Total	34	36	37	40

3-3. Amusement Equipments business

3-3. Business Segments – Amusement Equipments

Slight decrease in revenue and profit due to lower unit sales in PS
Expect to launch 4 models for full-year as planned

■ 3 Months Highlights (PS)

- *Phoenix Wright: Ace Attorney* pachislo machine sold in the 4 thousand-unit range (approx. 1.5 thousand-unit decrease year-over-year)
- Plan to release *Resident Evil: Revelations* pachislo machine Summer 2017

■ 3 Months Highlights (Arcade Games Sales)

- Focused on sales from catalog of products

■ 3 Months Business Results

(hundreds of millions of JPY)

	2015/6	2016/6	2017/6	2018/3 Plan
Net sales	60	16	13	155
Operating income	17	-0	-2	38
Operating margin	29.3%	-	-	24.5%

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

4. Supplement: Summary of Major Financial Information

4-1. Summary of Major Financial Information (1)

● Profit and Loss Sheet

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/6
Net Sales	77,021	87,170	93,000	106.7%	11,746
Gross Profit	29,846	30,731	33,000	107.4%	4,391
Margin (%)	38.8%	35.3%	35.5%	-	37.4%
Sales and G&A Expenses	17,816	17,080	18,500	108.3%	3,607
Operating Income	12,029	13,650	14,500	106.2%	784
Margin (%)	15.6%	15.7%	15.6%	-	6.7%
Ordinary Income	11,348	12,589	14,000	111.2%	772
Margin (%)	14.7%	14.4%	15.1%	-	6.6%
Net income attributable to owners of the parent	7,745	8,879	9,500	107.0%	521
Margin (%)	10.1%	10.2%	10.2%	-	4.4%

● Sales and Profit by Business Segments

(millions of JPY)

		2016/3	2017/3	2018/3 Plan	%	2017/6
Digital Contents	Net Sales	52,577	58,704	65,000	110.7%	7,688
	Operating Income	12,167	11,096	13,700	123.5%	1,676
	Margin (%)	23.1%	18.9%	21.1%	-	21.8%
Arcade Operations	Net Sales	9,056	9,525	10,000	105.0%	2,245
	Operating Income	699	752	700	93.1%	128
	Margin (%)	7.7%	7.9%	7.0%	-	5.7%
Amusement Equipments	Net Sales	13,343	16,856	15,500	92.0%	1,396
	Operating Income	2,812	5,106	3,800	74.4%	(229)
	Margin (%)	21.1%	30.3%	24.5%	-	-
Others	Net Sales	2,043	2,083	2,500	120.0%	415
	Operating Income	511	969	1,000	103.2%	184
	Margin (%)	25.0%	46.5%	40.0%	-	44.3%

● Sales by Geographic Area

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/6
Japan	57,737	55,804	52,600	94.3%	8,499
North America	12,384	20,018	28,000	139.9%	1,881
Europe	5,221	9,007	10,000	111.0%	1,062
Others	1,681	2,340	2,400	102.6%	302

4-2. Summary of Major Financial Information (2)

●Sales Units Shipped <platform>

(thousands of units)

		2016/3	2017/3	2018/3 Plan	Difference	2017/6
PlayStation 3	Titles (SKU)	19	16	-	-	1
PlayStation4	Units	3,500	4,700	-	-	450
PSP	Titles (SKU)	8	5	-	-	-
PS Vita	Units	300	150	-	-	-
Wii, WiiU	Titles (SKU)	-	-	-	-	1
Nintendo Switch	Units	100	0	-	-	450
Nintendo DS	Titles (SKU)	7	5	-	-	-
Nintendo 3DS	Units	4,100	3,200	-	-	100
Xbox 360	Titles (SKU)	6	9	-	-	1
Xbox One	Units	650	2,100	-	-	50
PC & Others	Titles (SKU)	4	6	-	-	-
	Units	250	250	-	-	50
Package total	Titles (SKU)	44	41	33	(8)	3
	Units	8,900	10,400	10,500	101.0%	1,100
Full-game download	Titles (SKU)	1	1	4	3	4
	Units	6,100	9,000	12,500	138.9%	1,400
Total	Total Titles (SKU)	45	42	37	(5)	7
	Total Units	15,000	19,400	23,000	118.6%	2,500

*"Titles (SKU)" for "Full-game download" indicates digital-only titles.

●Sales Units Shipped <Distribution/Catalog titles> (included in "Total" above)

(thousands of units)

	2016/3	2017/3	2018/3 Plan	Difference	2017/6
Distribution titles	750	600	700	116.7%	100
Catalog titles	7,000	8,800	12,700	144.3%	1,850

●Sales Units Shipped <geographic>

(thousands of units)

	2016/3	2017/3	2018/3 Plan	Difference	2017/6
Japan	4,700	3,500	2,750	78.6%	350
North America	2,600	4,300	4,700	109.3%	400
Europe	1,200	2,200	2,650	120.5%	300
Asia	400	400	400	100.0%	50
Full-game download (Global)	6,100	9,000	12,500	138.9%	1,400
Total	15,000	19,400	23,000	118.6%	2,500