



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

3rd Quarter Report
Fiscal year ending March 31, 2019

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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.

1. Forecasts for FY3/19

Aiming for six consecutive years of operating income growth and highest profit in company history, driven by Digital Contents business

(million yen)

	2018/3	2019/3 Plan	Difference
Net sales	94,515	96,000	1,485
Operating income	16,037	17,000	963
Operating margin	17.0%	17.7%	-
Ordinary income	15,254	16,500	1,246
Net income attributable to owners of the parent	10,937	12,000	1,063

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

■ 9 Months Results in FY12/17 vs. FY12/18

(million yen)

	2017/12	2018/12	Difference
Net sales	47,740	61,270	13,530
Operating income	7,009	13,461	6,452
Ordinary income	7,099	13,539	6,440
Net income attributable to owners of the parent	4,439	9,180	4,741

- Sales and profit up year-over-year due to contributions from the Digital Contents business
- Sales of *Monster Hunter: World* continued to grow, with shipments now exceeding 11 million units cumulatively

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

■ FY12/18 Net Sales/Operating Income (Reasons for Increases/Decreases)

(million yen)

	2017/12	2018/12	Difference
Net sales	47,740	61,270	13,530
Digital Contents	30,844	47,855	17,011
Arcade Operations	7,632	8,082	450
Amusement Equipments	7,711	3,231	-4,480
Other Businesses	1,552	2,102	550
Operating income	7,009	13,461	6,452
Digital Contents	6,257	15,288	9,031
Arcade Operations	815	868	53
Amusement Equipments	2,128	-639	-2,767
Other Businesses	758	981	223
Adjustments*	-2,950	-3,037	-87

*Adjustments include unallocated corporate operating expenses. The corporate operating expenses, which do not belong to any reportable segments, mainly consist of administrative expenses.

- **Sales and profit grew primarily due to contributions from Consumer in the Digital Contents business**

2-2. Financial Highlights – Consolidated Balance Sheet

■ Balance Sheet (Summary)

(million yen)

Assets	2018/3	2018/12	Difference	Liabilities	2018/3	2018/12	Difference
Current Assets	92,511	83,093	-9,418	Current Liabilities	26,271	15,236	-11,035
Cash on hand and in banks	46,539	41,379	-5,160	Notes and accounts payable - trade	3,464	4,045	581
Notes and accounts receivable - trade	12,930	5,198	-7,732	Electronically recorded monetary obligations			
Work in progress for game software	25,635	27,720	2,085	Short-term borrowings	1,473	1,440	-33
Other	7,407	8,796	1,389	Other	21,334	9,751	-11,583
Fixed Assets	32,318	29,720	-2,598	Long-term liabilities	13,137	12,161	-976
Tangible fixed assets, net of accumulated depreciation	20,797	19,922	-875	Long-term borrowings	8,315	7,450	-865
Intangible assets	725	600	-125	Other	4,822	4,711	-111
Investments and other assets	10,795	9,198	-1,597	Total liabilities	39,408	27,397	-12,011
Total assets	124,829	112,813	-12,016	Shareholders' equity	86,716	86,337	-379
				Other	-1,295	-921	374
				Total net assets	85,421	85,415	-6
				Total liabilities and net assets	124,829	112,813	-12,016

*The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the consolidated fiscal year under review, and figures listed from the fiscal year ended March 31, 2018 have had the relevant accounting standards retroactively applied.

- Cash on hand and in banks decreased due to repurchase of shares
- While we are strengthening our title lineup, the small increase in work in progress for game software is due to cancelling certain development projects

3-1. Business Segment Results – Digital Contents (1)

Sales and profit up from growth of digital sales, including catalog sales of a major Consumer title released the previous year

■ Digital Contents Performance

(100 million yen)

	2016/12	2017/12	2018/12	2019/3 Plan
Net sales	284	308	478	790
Breakdown				
Package	131	142	165	365
Digital download contents	82	95	268	355
Consumer total	213	237	433	720
Mobile Contents	29	34	17	35
PC Other*	42	37	28	35
Operating income	14	62	152	205
Operating margin	5.1%	20.3%	31.9%	25.9%

*Primarily sales of PC Online games, such as *Monster Hunter Frontier Z* and *Dragon's Dogma Online*.

3-1. Business Segment Results – Digital Contents (2)

Significant unit sales growth driven by catalog sales, including rereleases and major titles from the previous year

■ Unit Sales for the 9 Months (Consumer)

(units in thousands)

	2016/12	2017/12	2018/12	2019/3 Plan
New Titles (SKU)	33	41	50	53
Total unit sales	11,700	13,850	16,600	25,000
Overseas ratio	83.3%	87.0%	85.5%	86.4%
Digital ratio	55.6%	58.5%	66.9%	54.8%
Catalog ratio	65.0%	69.3%	75.3%	70.4%
Major titles				
New	Dead Rising 4 Resident Evil 5 (rerelease)	Marvel vs. Capcom: Infinite Ultra Street Fighter II	Mega Man X Legacy Collection Mega Man 11	Resident Evil 2 Devil May Cry 5
Catalog	Monster Hunter Generations	Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World

3-1. Business Segment Results – Digital Contents (3)

Consumer performing well, supported by PC version of major title from the previous year and other new titles

■ 9 Months Highlights (Consumer)

- PC version provided a tailwind to *Monster Hunter: World* sales, which now exceed 11 million units
 - *Monster Hunter World: Iceborne*, a massive, premium expansion announced for release in fiscal 2019
- Rereleases for current-generation hardware and new mid-sized titles performed well



Monster Hunter: World

■ 9 Months Highlights (Mobile Contents)

- Launched *Toraware no Paruma Refrain* on iOS/Android in December 2018
- Performance of existing titles slightly declined



Toraware no Paruma Refrain

3-2. Business Segment Results – Arcade Operations

**Sales and profit up due to solid performance
of both new and existing stores**

■ 9 Months Business Results

(100 million yen)

	2016/12	2017/12	2018/12	2019/3 Plan
Net sales	70	76	80	110
Operating income	6	8	8	10
Operating margin	8.6%	10.7%	10.7%	9.1%
Same store sales	3%	2%	±0%	2%

■ Number of Stores

(stores)

	2017/3	2018/3	2018/12	2019/3 Plan
New stores	3	2	2	2
Closed stores	1	2	1	1
Total	36	36	37	37

■ 9 Months Highlights

- Same store sales: ±0%
- Opened one store in November 2018 to service *Capcom Net Catcher Cap Tore*, an online crane game

3-3. Business Segment Results – Amusement Equipments

**Decrease in sales and profit due to lower unit sales in PS
accompanying changes in the market environment**

■ 9 Months Business Results

(100 million yen)

	2016/12	2017/12	2018/12	2019/3 Plan
Net sales	165	77	32	35
Operating income	54	21	-6	-5
Operating margin	32.7%	27.6%	-	-

*Ratio of PS to Arcade Games Sales for net sales: 8:2

■ 9 Months Highlights

- 4 pachislo models sold 7.2 thousand units
Biohazard into the Panic pachislo machine sold 1.4 thousand units
(In the same period of the previous year, 2 models sold 22 thousand units)

3-4. Business Segment Results – Other Businesses

Focusing on rapidly growing esports market with global events
Promoting TV and film adaptations of IP to boost brand value

■ 9 Months Business Results

(100 million yen)

	2016/12	2017/12	2018/12	2019/3 Plan
Net sales	14	15	21	25
Operating income	5	7	9	6
Operating margin	39.6%	48.8%	46.7%	-



Capcom Cup 2018

■ 9 Months Highlights

- Held the Capcom Cup, the world championship tournament capping the Capcom Pro Tour, in the US in December 2018
 - Online maximum concurrent viewers exceeded 100 thousand people
- Held the Capcom Pro Tour Japan Premiere in September 2018
 - Attracted more than 3,700 spectators, resulting in the largest tournament at the Tokyo Game Show compared to other tournaments held that day
- Bolstering brand value through film adaptations
 - *Monster Hunter* and *Mega Man* to be adapted to films in Hollywood
 - Animated TV shows *Gyakuten Saiban: Sono "Shinjitsu", Igiari! Season 2* and *Gakuen BASARA* aired in Japan
 - In the US, the animated TV show *Mega Man: Fully Charged* aired

4-1. Business Segment Plans & Strategies – Digital Contents (1)

Forecast an increase in sales and profit driven primarily by digital sales growth in Consumer

■ Digital Contents: Full-year plan

(100 million yen)

	2017/3	2018/3	2019/3 Plan	Difference
Net sales	587	741	790	49
Breakdown				
Package	337	383	365	-18
Digital download contents	155	269	355	86
Consumer total	492	652	720	68
Mobile Contents	38	41	35	-6
PC Other*	57	48	35	-13
Operating income	110	191	205	14
Operating margin	18.9%	25.8%	25.9%	-

*Primarily sales of PC Online games, such as *Monster Hunter Frontier Z* and *Dragon's Dogma Online*.

4-1. Business Segment Plans & Strategies – Digital Contents (2)

Release two major titles worldwide
Expect an increase in unit sales

■ Consumer: FY3/19 Unit Sales Plan

(units in thousands)

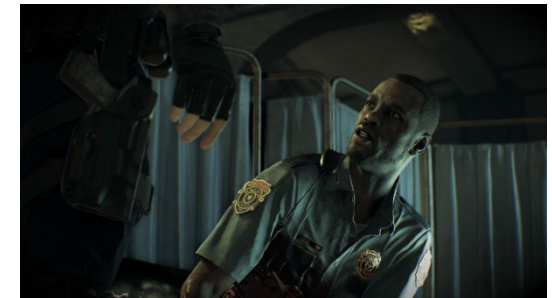
	2016/3	2017/3	2018/3	2019/3 Plan
New Titles (SKU)	45	42	50	53
Total unit sales	15,000	19,400	24,400	25,000
Overseas ratio	63.3%	77.8%	79.5%	86.4%
Digital ratio	40.7%	46.4%	52.9%	54.8%
Catalog ratio	46.7%	45.4%	45.1%	70.4%
Major titles				
New	Monster Hunter Generations Street Fighter V	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Marvel vs. Capcom: Infinite	Resident Evil 2 Devil May Cry 5
Catalog	Resident Evil: Revelations 2 Monster Hunter 4 Ultimate	Monster Hunter Generations Resident Evil 6 (rerelease)	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World

Major, global releases planned

Look to expand digital sales of both new and catalog titles

■ Consumer: Outlook for FY 3/19

- *Resident Evil 2* released on January 25, 2019
 - Achieved more than 3 million units sold in first week (as of January 28, 2019)
- *Devil May Cry 5* scheduled release date: March 8, 2019
- Aim to expand sales of catalog titles



Resident Evil 2

■ Mobile Contents: Outlook for FY 3/19

- Continue to promote both internal and cooperative development of titles while carefully watching market trends



Devil May Cry 5

Aim to achieve full-year targets through efficient operations of both new and existing stores

■ Arcade Operations: Outlook for FY3/19

- Aim to increase sales and profit through stabilizing operations at existing stores as well as with new businesses opportunities
- Plan to open 2 new stores, close 1 store for the full-year (resulting in a total 37 stores)
- Full-year same store sales: up 2%

■ FY3/19 Arcade Operations Plan

(100 million yen)

	2017/3	2018/3	2019/3 Plan	Difference
Net sales	95	102	110	8
Operating income	7	8	10	2
Operating margin	7.9%	8.6%	9.1%	-
Same store sales	2%	2%	2%	-

4-3. Business Segment Plans & Strategies – Amusement Equipments

**Expect decreased sales for the full year
due to the market environment**

■ Pachinko & Pachislo: Outlook for FY3/19

- Released *Sengoku BASARA HEROES PARTY* pachislo machine in January 2019
- Full-year plan: altogether 5 models, total 8.5 thousand units

■ FY3/19 Amusement Equipments Plan

	2017/3	2018/3	2019/3 Plan	Difference
Net sales	168	78	35	-43
Operating income	51	-7	-5	2
Operating margin	30.3%	-	-	-

(100 million yen)

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



Sengoku BASARA HEROES PARTY pachislo machine

**Actively promote the eSports business
with the aim of future monetization**

■ eSports: Outlook for FY3/19

- **Promote eSports activities with aim of developing ecosystem**
 - Plan to run the Capcom Street Fighter League powered by RAGE from February through March domestically in Japan
 - Announced the Street Fighter Pro League – USA, which will run in the US starting April 2019
 - Considering various possibilities for eSports, including holding regional league tournaments



Capcom Street Fighter League
powered by RAGE

■ Other Businesses Plan

(100 million yen)

	2017/3	2018/3	2019/3 Plan	Difference
Net sales	20	23	25	2
Operating income	9	11	6	-5
Operating margin	46.5%	48.2%	24.0%	-

5. Summary of Major Financial Information

● Profit and Loss Sheet

(million yen)

	2017/3	2018/3	2019/3 Plan	%	2018/12
Net Sales	87,170	94,515	96,000	101.6%	61,270
Gross Profit	30,731	34,619	38,000	109.8%	25,398
Margin (%)	35.3%	36.6%	39.6%	-	41.5%
Sales and G&A Expenses	17,080	18,582	21,000	113.0%	11,937
Operating Income	13,650	16,037	17,000	106.0%	13,461
Margin (%)	15.7%	17.0%	17.7%	-	22.0%
Ordinary Income	12,589	15,254	16,500	108.2%	13,539
Margin (%)	14.4%	16.1%	17.2%	-	22.1%
Net income attributable to owners of the parent	8,879	10,937	12,000	109.7%	9,180
Margin (%)	10.2%	11.6%	12.5%	-	15.0%

● Sales and Profit by Business Segments

(million yen)

		2017/3	2018/3	2019/3 Plan	%	2018/12
Digital Contents	Net Sales	58,704	74,141	79,000	106.6%	47,855
	Operating Income	11,096	19,103	20,500	107.3%	15,288
	Margin (%)	18.9%	25.8%	25.9%	-	31.9%
Arcade Operations	Net Sales	9,525	10,231	11,000	107.5%	8,082
	Operating Income	752	879	1,000	113.8%	868
	Margin (%)	7.9%	8.6%	9.1%	-	10.7%
Amusement Equipments	Net Sales	16,856	7,803	3,500	44.9%	3,231
	Operating Income	5,106	-764	-500	-	-639
	Margin (%)	30.3%	-	-	-	-
Others	Net Sales	2,083	2,338	2,500	106.9%	2,102
	Operating Income	969	1,126	600	53.3%	981
	Margin (%)	46.5%	48.2%	24.0%	-	46.7%

● Sales by Geographic Area

(million yen)

	2017/3	2018/3	2019/3 Plan	%	2018/12
Japan	55,804	52,253	50,000	95.7%	29,027
North America	20,018	24,154	27,500	113.9%	16,830
Europe	9,007	12,035	14,000	116.3%	8,891
Others	2,340	6,072	4,500	74.1%	6,521