



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

**Overview of Strategies and Plans**  
**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.

# Contents

page

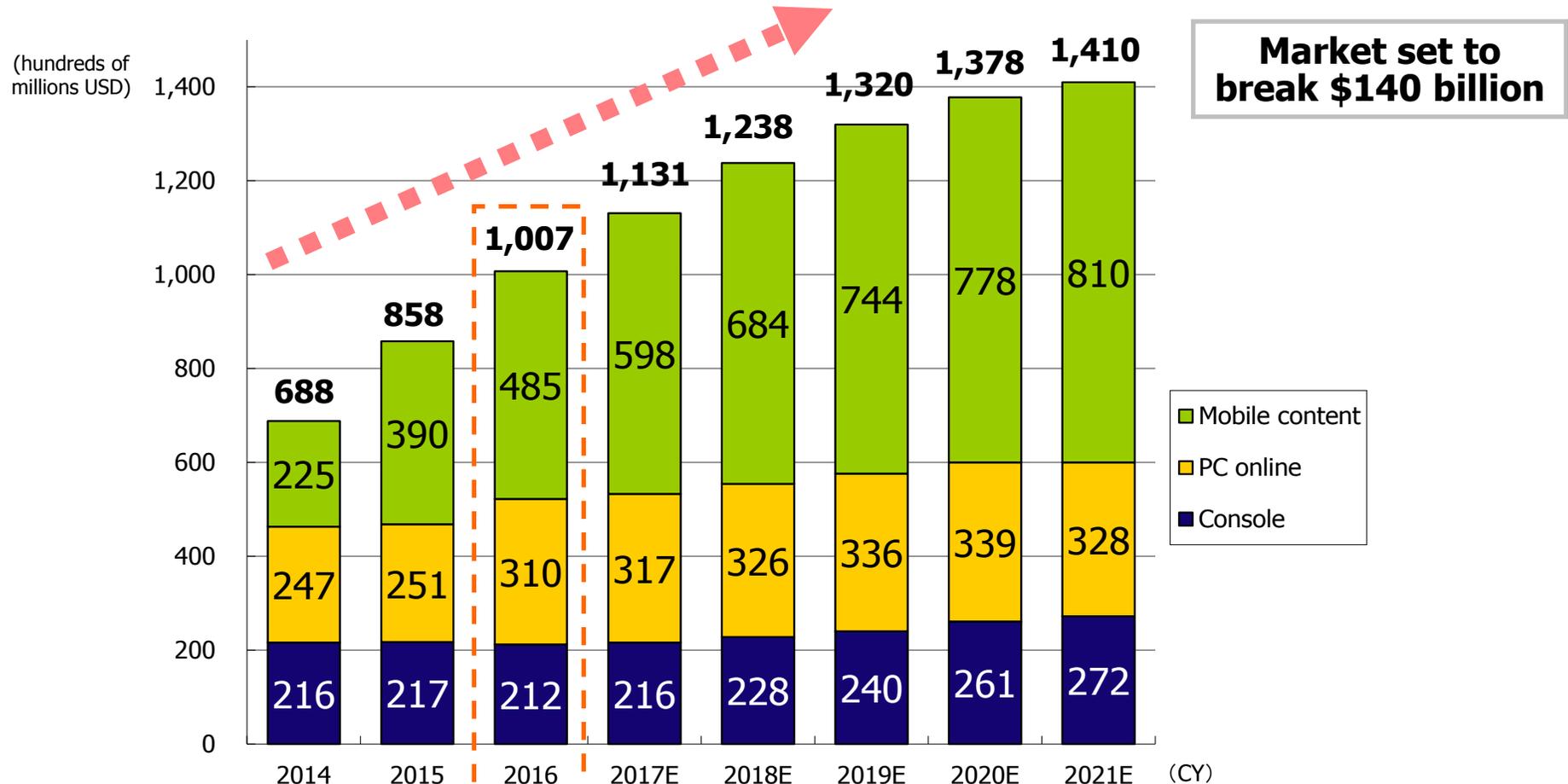
1. Growth Strategies .....	3
2. Forecasts for FY3/18 .....	6
3. Business Segments Highlights.....	8
4. Additional Information (1) .....	23
About Capcom	
5. Additional Information (2) .....	27
Summary of Major Financial Information	

# 1. Growth Strategies

# 1-1. Market Overview

**Global game market expanding**  
**Mobile market driving growth**

## ■ Video Game Market



E: Estimate \*Source : Data prepared from International Development Group

# Overview

### ■ Strategy 1: Expand our Consumer business

- Regularly launch major titles in the global market
- Strengthen downloads (full-game, additional contents, catalog titles)

### ■ Strategy 2: Overhaul our Online business

- Build alliances while strengthening internal mobile development
- Promote business alliances in Asia

## 2. Forecasts for FY3/18

## 2. Forecasts for FY3/18

**Achieve 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
<b>Net sales</b>	<b>87,170</b>	<b>93,000</b>	<b>5,830</b>
<b>Operating income</b>	<b>13,650</b>	<b>14,500</b>	<b>850</b>
<b>Operating margin</b>	<b>15.7%</b>	<b>15.6%</b>	<b>-</b>
<b>Ordinary income</b>	<b>12,589</b>	<b>14,000</b>	<b>1,411</b>
<b>Net income attributable to owners of the parent</b>	<b>8,879</b>	<b>9,500</b>	<b>621</b>

- Increase sales and profit over the previous year through stable growth in the Consumer business and reforms to the Online business
- Earnings per share forecast: ¥173.53
- Dividend forecast: interim dividend of ¥25 and year-end dividend of ¥25 resulting in a ¥50 dividend for the fiscal year

# 3. Business Segments Highlights

## **3-1. Digital Contents**

## 3-1. Digital Contents – Strategic Objectives and Plan (1)

**Focus on sales of major titles in the global market**

### ■ Consumer Strategies

#### ● **Reap stable contributions from major brands**

- Launch 2 major titles
- Bolster lineup of current-generation console re-releases; promote multiplatform development, including for the Nintendo Switch
- Explore leading-edge markets, such as eSports with *Street Fighter V*
- Focus on brand penetration in growth regions such as Asia to establish future revenue sources

#### ● **Grow revenue with digital downloads (full game and additional content)**

- Accelerate roll-out of digital download offerings from our back catalog of 79 million-seller titles and other contents-based assets
- Digital revenue forecast: 33.6% of Consumer net sales

## 3-1. Digital Contents – Strategic Objectives and Plan (2)

### ■ FY3/18 Sales Plan for Major Consumer Titles

Platform	Title	Region	Release Date	Plan
PS4 Xbox One PC	<b>MARVEL VS. CAPCOM: INFINITE</b>	Japan	Late 2017	2 million
		North America	Sep 2017	
		Europe	Sep 2017	
PS4 Xbox One PC	<b>RESIDENT EVIL 7 biohazard (Catalog)</b>	Japan	Jan 26, 2017	2 million
		North America	Jan 24, 2017	
		Europe	Jan 24, 2017	
—	<b>Major Title</b>	—	—	—

- Includes digital full game sales
- Japan includes sales for the Asian region

## 3-1. Digital Contents – Strategic Objectives and Plan (3)

**Increase unit sales through launch of new titles  
and by leveraging library of content**

### ■ FY3/18 Unit Sales Plan for the Consumer business

(in thousands)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Titles (SKU)</b>	<b>45</b>	<b>42</b>	<b>37</b>	<b>-5</b>
<b>Package</b>				
Japan	<b>4,700</b>	<b>3,500</b>	<b>2,750</b>	<b>-750</b>
North America	<b>2,600</b>	<b>4,300</b>	<b>4,700</b>	<b>400</b>
Europe	<b>1,200</b>	<b>2,200</b>	<b>2,650</b>	<b>450</b>
Asia	<b>400</b>	<b>400</b>	<b>400</b>	<b>-</b>
Package Total	<b>8,900</b>	<b>10,400</b>	<b>10,500</b>	<b>100</b>
<b>Digital download contents</b>				
Full-game download	<b>6,100</b>	<b>9,000</b>	<b>12,500</b>	<b>3,500</b>
<b>Total</b>	<b>15,000</b>	<b>19,400</b>	<b>23,000</b>	<b>3,600</b>

## 3-1. Digital Contents – Strategic Objectives and Plan (4)

**Build alliances while bolstering use of IP to adapt to changing mobile market; revitalize existing PC Online titles**

### ■ Mobile Contents Strategies

#### ● **Produce hits both domestically and overseas**

- Bolster development of new titles that use Capcom IP
- Explore broad alliance possibilities with the aim of producing hit titles
- Localize popular content for developing regions, such as Asia

### ■ PC Other Strategies

#### ● **Revitalize existing titles**

- Launch updates for major titles both in Japan and Asia

## 3-1. Digital Contents – Strategic Objectives and Plan (5)

**Expect increased revenue and profit from stable growth in the Consumer business and improvements to the Online business**

### ■ Digital Contents Plan

(hundreds of millions of JPY)

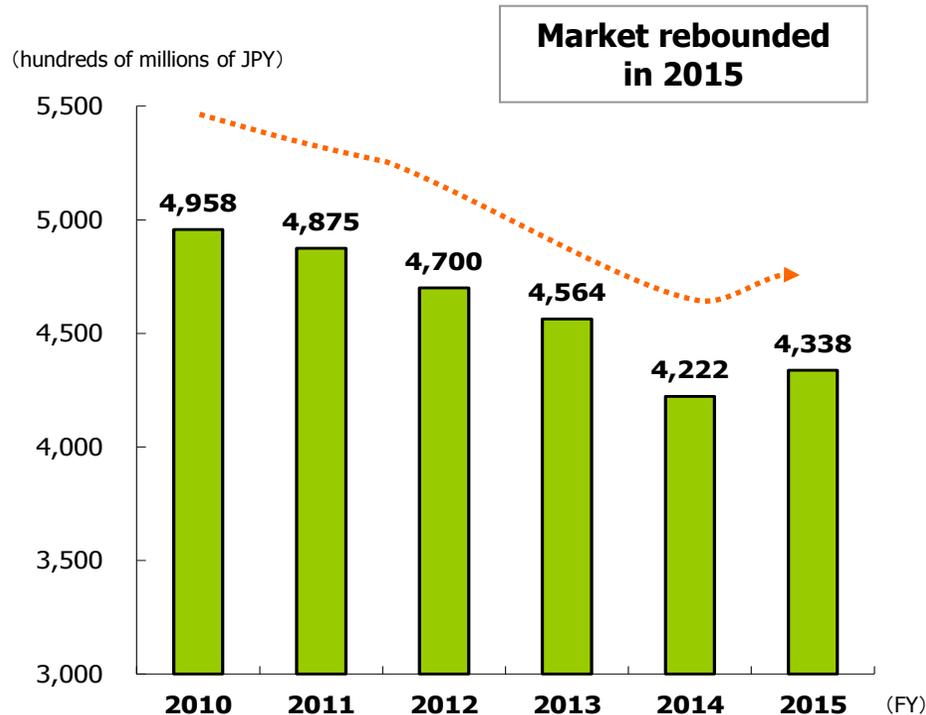
	2016/3	2017/3	2018/3 Plan	Difference
<b>Net sales</b>	<b>525</b>	<b>587</b>	<b>650</b>	<b>63</b>
<b>Operating income</b>	<b>121</b>	<b>110</b>	<b>137</b>	<b>27</b>
<b>Operating margin</b>	<b>23.1%</b>	<b>18.9%</b>	<b>21.1%</b>	<b>—</b>
<b>Breakdown of Net Sales</b>				
<b>Package</b>	<b>312</b>	<b>337</b>	<b>365</b>	<b>28</b>
<b>Digital download contents</b>	<b>109</b>	<b>155</b>	<b>185</b>	<b>30</b>
<b>Consumer total</b>	<b>421</b>	<b>492</b>	<b>550</b>	<b>58</b>
<b>Mobile Contents</b>	<b>33</b>	<b>38</b>	<b>50</b>	<b>12</b>
<b>PC Other</b>	<b>71</b>	<b>57</b>	<b>50</b>	<b>-7</b>

## **3-2. Arcade Operations**

## 3-2. Arcade Operations – Market Overview

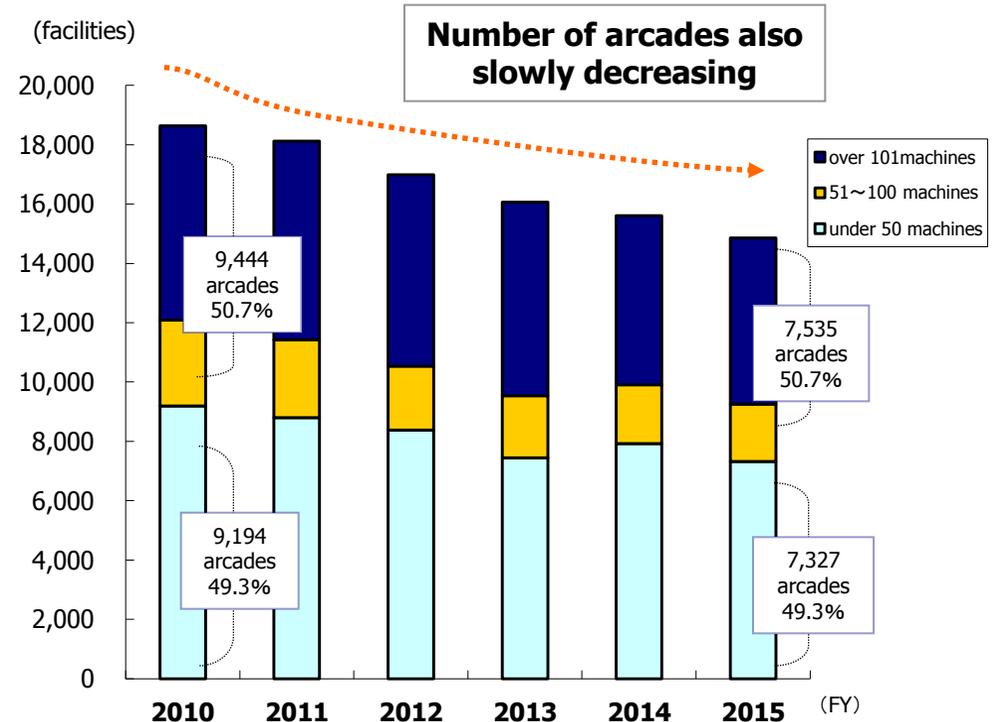
**Indications of a market recovery  
despite continued trend of less facilities**

### ■ Amusement Arcade Market



\*Source: Amusement Industry Survey

### ■ Number of Amusement Arcades by number of machines



\*Source: Amusement Industry Survey

## 3-2. Arcade Operations – Strategic Objectives and Plan

**Expect to increase revenue via selective focus on profitable facilities**  
**Strengthen business foundation via development of new category**

### ■ Arcade Operations Strategy

#### ● **Open new stores and develop new category in favorable locations**

- Projected YoY ratio of sales for existing arcades: +3%
- Plan to open 5 new locations, close 1 location, for a total of 40 locations
- Stabilize revenue via new categories, including merchandise shops and character-themed restaurant expansions
- Promote business synergies with Consumer game demos and other game community events

### ■ Arcade Operations Plan

(in hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
Net sales	90	95	100	5
Operating income	7	7	7	0
Operating margin	7.7%	7.9%	7.0%	-
Y/Y ratio of sales for existing arcades	-4%	2%	3%	-



Plaza Capcom Ishinomaki

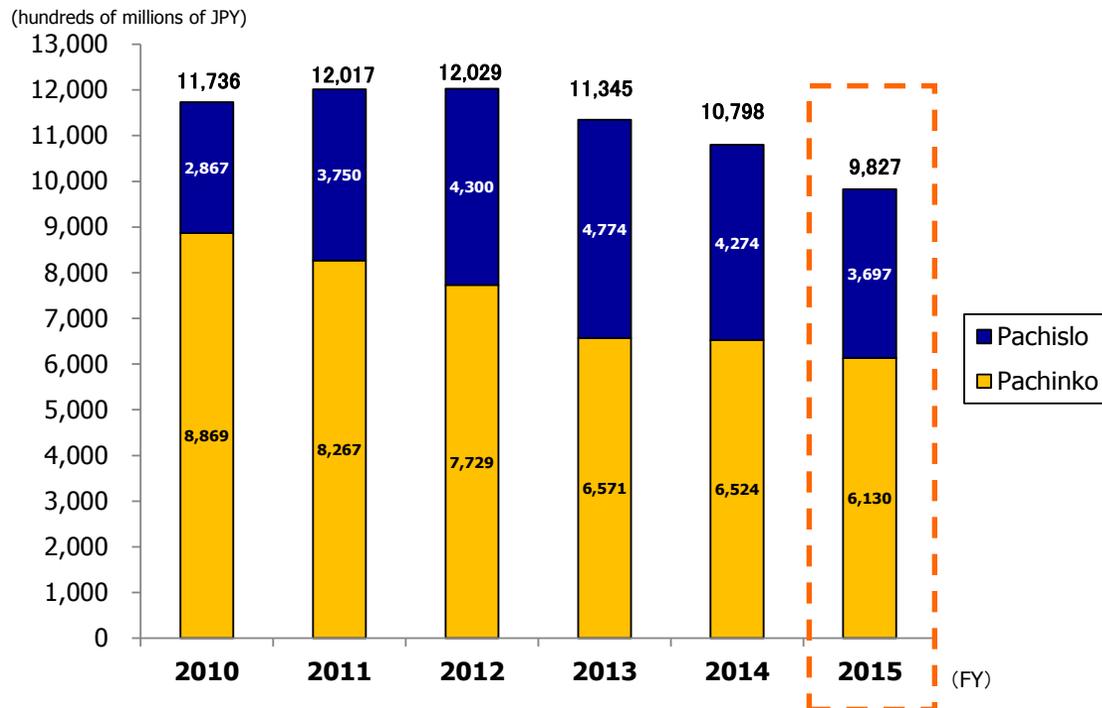
## **3-3. Amusement Equipments**

# 3-3. Amusement Equipments – Market Overview

**Pachislo market on downward trend following 2014 regulation changes for model certification**

## ■ Pachinko & Pachislo Machines Market

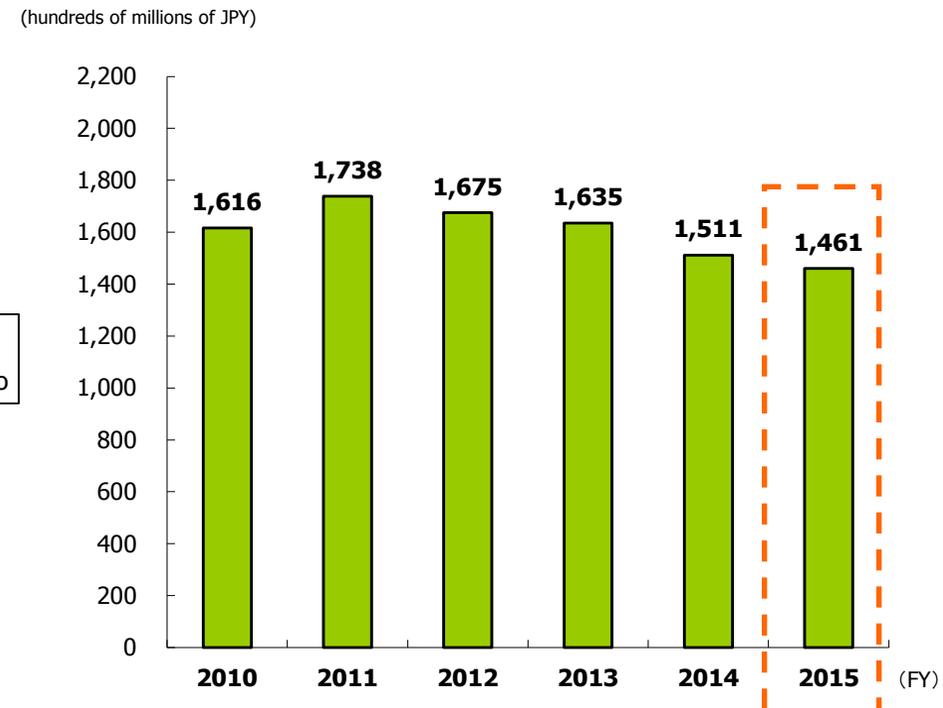
The pachinko and pachislo markets shrank



\*Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2015, 2016); Yano Research Institute Ltd.

## ■ Arcade Machines Market

The arcade machines market gradually shrinking



\*Source: Amusement Industry Survey

## 3-3. Amusement Equipments – Strategic Objectives and Plan

**Anticipate decrease in profit following major hit in previous year;  
continue to regularly release machines using popular IP**

### ■ Pachinko & Pachislo Strategy

- Regularly release cabinets that utilize popular franchises
  - Capcom Pachislo Machine Unit Sales Plan: four models; 50,000 units  
Scheduled releases: *Ace Attorney* May 2017; *Resident Evil: Revelations* Summer 2017

### ■ Arcade Games Sales Strategy

- Continue to sell cabinets that utilize both Capcom IP and popular, licensed IP
  - *Monster Hunter Medal Hunting G*, a medal game, scheduled for Summer 2017

### ■ Amusement Equipments Plan

(hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Net sales</b>	<b>133</b>	<b>168</b>	<b>155</b>	<b>-13</b>
<b>Operating income</b>	<b>28</b>	<b>51</b>	<b>38</b>	<b>-13</b>
<b>Operating margin</b>	<b>21.1%</b>	<b>30.3%</b>	<b>24.5%</b>	<b>-</b>

\*Ratio of Pachinko & Pachislo to Arcade Games sales approx. 9:1



Pachislo Machine  
*Ace Attorney*

## **3-4. Other Businesses**

## 3-4. Other Business – Strategic Objectives and Plan

**Maximize brand revenue via increased awareness**  
**Promote our Single Content Multiple Usage Strategy**

### ■ Character Contents Strategy

- **Increase awareness of major brands with TV and movies**
  - Feature-length CG film *RESIDENT EVIL: VENDETTA* scheduled for a May 27, 2017 release
  - Animated TV show *Monster Hunter Stories RIDE ON* currently on the air and receiving favorable reviews
- **Target non-gamers**
  - Expand the Universal Studios Japan attraction *Monster Hunter the REAL*

### ■ Other Businesses Plan

(hundreds of millions of JPY)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Net sales</b>	20	20	25	5
<b>Operating income</b>	5	9	10	1
<b>Operating margin</b>	25.0%	46.5%	40.0%	-



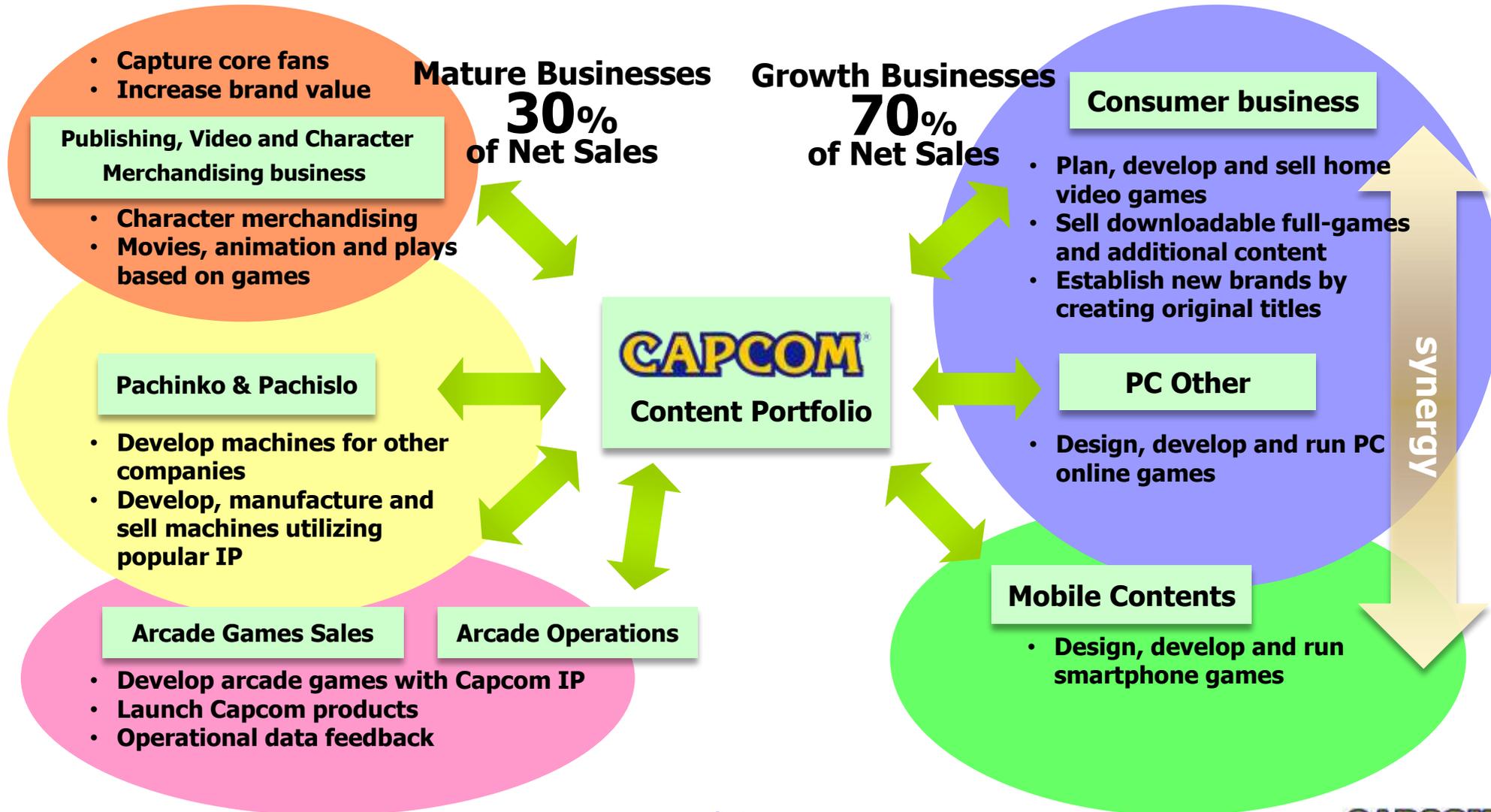
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## **4. Additional Information (1)**

### **About Capcom**

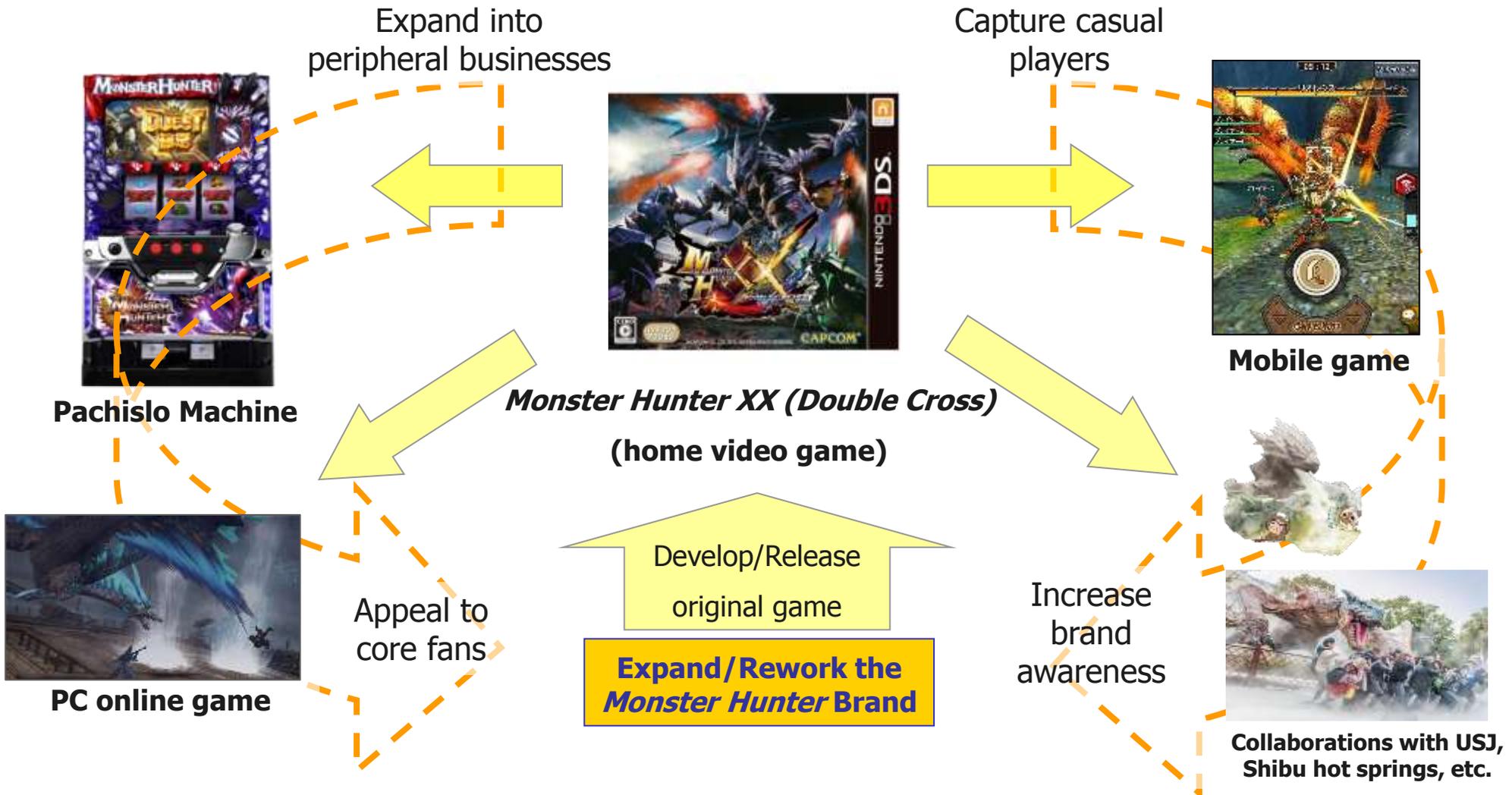
## 4-1. Capcom's Businesses

Capcom uses its game content as the basis for a broad range of business activities



## 4-2. Example: Leveraging the *Monster Hunter* Brand

Capcom uses its library of powerful, original game content in a wide array of businesses beyond home video games



## 4-3. Capcom's Competitive Edge

**Global popularity backed by many well-known home video games brands**

### ■ A strong lineup of titles

1. In addition to numerous successful home video games, Capcom owns a wealth of superior, proprietary content:

· <i>Resident Evil</i> series:	77 million units	· <i>Street Fighter</i> series:	39 million units
· <i>Monster Hunter</i> series:	39 million units	· <i>Devil May Cry</i> series:	15 million units
· <i>Dead Rising</i> series:	10 million units	· <i>Dragon's Dogma</i> series:	3.2 million units

(as of March 31, 2017)

### ■ A world-leader in game development and technology

1. Rather than relying solely on our major franchises, we regularly create original content to establish new sources of growth
2. Fundamental game development research is another strength; we use highly advanced, proprietary software development tools to produce games for multiple platforms



## **5. Additional Information (2)**

### **Summary of Major Financial Information**

# Summary of Major Financial Information (1)

## ● Profit and Loss Statement

(millions of JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
Net sales	64,277	77,021	87,170	113.2%	93,000	106.7%
Gross profit	25,898	29,846	30,731	103.0%	33,000	107.4%
% of gross profit	40.3%	38.8%	35.3%	-	35.5%	-
Sales and G&A expenses	15,403	17,816	17,080	95.9%	18,500	108.3%
Operating income	10,582	12,029	13,650	113.5%	14,500	106.2%
% of operating income	16.5%	15.6%	15.7%	-	15.6%	-
Ordinary income	10,851	11,348	12,589	110.9%	14,000	111.2%
% of ordinary income	16.9%	14.7%	14.4%	-	15.1%	-
Net income attributable to owners of the parent	6,616	7,745	8,879	114.6%	9,500	107.0%
% of net income	10.3%	10.1%	10.2%	-	10.2%	-

## ● Sales by Business Segments

(millions of JPY)

		2015/3	2016/3	2017/3	%	2018/3 Plan	%
Digital Contents	Net sales	45,351	52,577	58,704	111.7%	65,000	110.7%
	Operating income	10,208	12,167	11,096	91.2%	13,700	123.5%
	Operating margin	22.5%	23.1%	18.9%	-	21.1%	-
Arcade Operations	Net sales	9,241	9,056	9,525	105.2%	10,000	105.0%
	Operating income	940	699	752	107.6%	700	93.1%
	Operating margin	10.2%	7.7%	7.9%	-	7.0%	-
Amusement Equipments	Net sales	7,540	13,343	16,856	126.3%	15,500	92.0%
	Operating income	2,736	2,812	5,106	181.6%	3,800	74.4%
	Operating margin	36.3%	21.1%	30.3%	-	24.5%	-
Others	Net sales	2,144	2,043	2,083	102.0%	2,500	120.0%
	Operating income	661	511	969	189.6%	1,000	103.2%
	Operating margin	30.8%	25.0%	46.5%	-	40.0%	-

## ● Sales by Geographic Area

(millions of JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
Japan	50,877	57,737	55,804	96.7%	52,600	94.3%
North America	8,678	12,384	20,018	161.6%	28,000	139.9%
Europe	3,413	5,221	9,007	172.5%	10,000	111.0%
Others	1,308	1,681	2,340	139.2%	2,400	102.6%

# Summary of Major Financial Information (2)

## ● Promotional Expense

(millions of JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
Capcom Japan	1,889	1,930	1,886	97.7%	2,000	106.0%
Consolidated	2,798	3,832	4,764	124.3%	6,000	125.9%

## ● Number of Arcades

(facilities)

	2015/3	2016/3	2017/3	difference	2018/3 Plan	difference
Consolidated	33	34	36	2	40	4

## ● Capital Expenditure

(millions of JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
Capcom Japan	1,499	1,949	2,117	108.6%	3,500	165.3%
Consolidated	5,564	5,937	2,622	44.2%	4,500	171.6%

## ● Depreciation

(millions of JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
Capcom Japan	2,882	4,929	5,211	105.7%	4,500	86.4%
Consolidated	3,535	5,712	5,980	104.7%	5,500	92.0%

## ● Number of Employees

(Persons)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
Capcom Japan	2,033	2,114	2,194	103.8%	2,400	109.4%
Consolidated	2,681	2,839	2,811	99.0%	3,100	110.3%

## ● R&D Investment Cost

(millions of JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
R&D Investment Cost	25,301	27,255	27,720	101.7%	30,000	108.2%
Technical R&D Cost	823	1,073	695	64.8%	900	129.5%

## ● Foreign Exchange Rate (end of March)

(JPY)

	2015/3	2016/3	2017/3	%	2018/3 Plan	%
USD/¥	120	112	112	100.0%	110	98.2%
Euro/¥	130	127	119	93.7%	120	100.8%

# Summary of Major Financial Information (3)

## ● Sales Units Shipped (platform)

(thousand units)

		2015/3	2016/3	2017/3	Difference	2018/3 Plan	Difference
Playstation 3	Titles(SKU)	13	19	16	-3	-	-
Playstation 4	Sub Total	2,450	3,500	4,700	134.3%	-	-
PSP	Titles(SKU)	5	8	5	-3	-	-
PS Vita	Sub Total	250	300	150	50.0%	-	-
Wii	Titles(SKU)	0	0	-	0	-	-
Wii U	Sub Total	150	100	0	0.0%	-	-
Nintendo DS	Titles(SKU)	5	7	5	-2	-	-
Nintendo 3DS	Sub Total	3,750	4,100	3,200	78.0%	-	-
Xbox 360	Titles(SKU)	7	6	9	3	-	-
Xbox One	Sub Total	1,200	650	2,100	323.1%	-	-
PC & Others	Titles(SKU)	3	4	6	2	-	-
	Sub Total	200	250	250	100.0%	-	-
Package total	Titles(SKU)	33	44	41	-3	33	-8
	Sub Total	8,000	8,900	10,400	116.9%	10,500	101.0%
Full-game download	Titles(SKU)	-	1	1	0	4	3
	Sub Total	5,000	6,100	9,000	147.5%	12,500	138.9%
Total	Titles(SKU)	33	45	42	-3	37	-5
	Sub Total	13,000	15,000	19,400	129.3%	23,000	118.6%

\*Full-game download includes digitally distributed titles

## ● Sales Units Shipped (platform)

(thousand units)

	2015/3	2016/3	2017/3	Difference	2018/3 Plan	Difference
Distribution titles	750	750	600	80.0%	700	116.7%
Old titles	6,000	7,000	8,800	125.7%	12,700	144.3%

## ● Sales Units Shipped (geographic)

(thousand units)

	2015/3	2016/3	2017/3	Difference	2018/3 Plan	Difference
Japan	4,000	4,700	3,500	74.5%	2,750	78.6%
North America	2,400	2,600	4,300	165.4%	4,700	109.3%
Europe	1,300	1,200	2,200	183.3%	2,650	120.5%
Asia	300	400	400	100.0%	400	100.0%
Full-game download (global)	5,000	6,100	9,000	147.5%	12,500	138.9%
Total	13,000	15,000	19,400	129.3%	23,000	118.6%