



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

Overview of Strategies and Plans
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.

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1. Medium-Term Goals

■ Cumulative Targets for the 5 years starting FY3/14

1. **Cumulative operating income: 70 billion yen**
2. **Operating margin of 20% in the fiscal year ending March 2018**

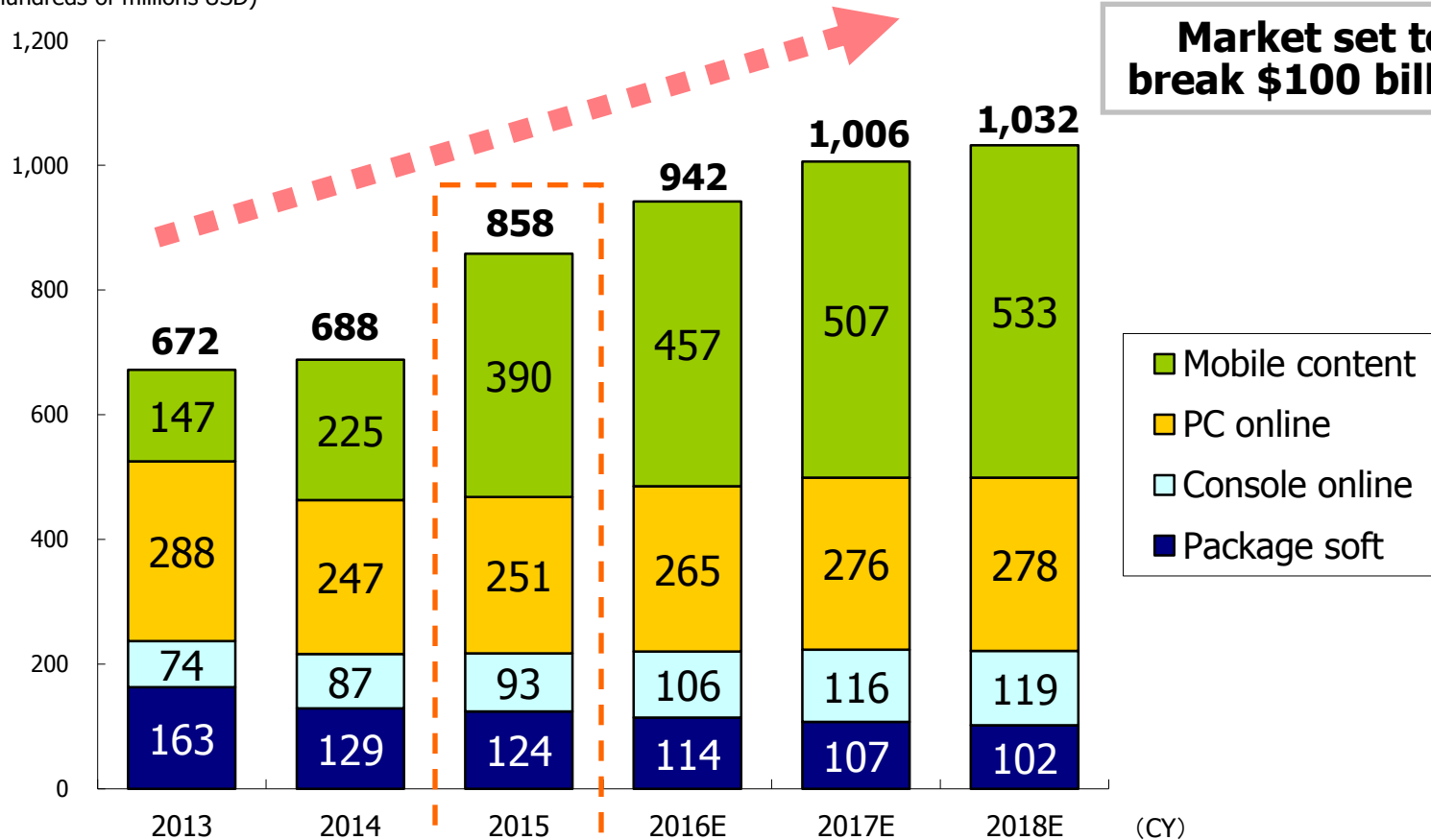
2. Growth Strategies

2-1. Market Overview

The game market is expanding worldwide
Mobile market expected to continue rapid growth

■ Home Video Games, PC Online and Mobile Contents Market Growth

(in hundreds of millions USD)



Market set to break \$100 billion

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

Overview

■ Strategy 1: Fortify the Consumer business

- Steadily release major franchises
- Strengthen downloads (full-game, additional contents, catalog titles)
- Pursue new technologies and businesses

■ Strategy 2: Overhaul the Online business

- Strengthen development structure via newly established Mobile Business Division
- Promote business alliances in Asia

3. Forecasts for FY3/17

3. Forecasts for FY3/17

Bring R&D structural reforms to fruition
Increase revenue and profits via an expanded title lineup

(in 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

- Increase sales and profits over the previous year with major releases, primarily in the Digital Contents business
- Earnings per share forecast: ¥160.06
- Dividend forecast: interim dividend of ¥15 and year-end dividend of ¥25 resulting in a ¥40 dividend for the fiscal year

4. Business Segments Highlights

4-1. Digital Contents

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

**Aim for continuous growth via dual initiative:
Global launch of major new titles & Utilization of existing IP**

■ Consumer Strategies

● **Expand lineup of new titles world-wide**

- Release new titles in popular series domestically, e.g. “Monster Hunter Stories”
- Successively launch major titles in overseas markets
- Capitalize on new technologies and businesses, e.g. VR (virtual reality) and eSports

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

- Strengthen full-game and additional content offerings
- Extend product life cycles with regular updates, e.g. “Street Fighter V”
- Digital revenue forecast: 29% of Consumer revenue

4-1. Digital Contents – Strategic Objectives and Plan (2)

■ FY3/17 Sales Plan for Major Consumer Titles

Title	Plan
Monster Hunter Title	2 million unit-range
MajorTitle 1	4 million unit-range
MajorTitle 2	2 million unit-range

* Includes digital full game sales

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

**Focus on major releases and increase unit sales
in both package and digital downloads**

■ FY3/17 Unit Sales Plan for the Consumer business

(in thousands)

	2015/3	2016/3	2017/3 Plan	Difference
Titles (SKU)	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

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

Leverage IP and focus on creating hits via comprehensive global development structure

■ Mobile Contents Strategies

● **Create hits in the domestic market**

- Bolster development of new titles utilizing Capcom IP
- Plan: launch at least four titles, including “Mega Man”, “Monster Hunter”, and “Sengoku BASARA”
- Focus on further building up “Monster Hunter Explore”

● **Expand Capcom-branded titles in Asia**

- Bring successful domestic titles overseas via cooperative partnerships



“Monster Hunter Explore”

4-1. Digital Contents – Strategic Objectives and Plan (5)

**Maximize revenue opportunities via stable operation
of major titles & overseas expansion**

■ PC Other Strategies

● **Bolster domestic title lineup**

- Stable operation of PC Online “Monster Hunter Frontier G”
- Promote “Dragon’s Dogma Online” as our core domestic title

● **Launch more titles in Asia**

- Proactively cooperate on driving “Monster Hunter Online” up to the top rankings
- Promote alliances with local companies on other new titles

4-1. Digital Contents – Strategic Objectives and Plan (6)

**Expect growth in revenue and profits from increase
in title lineup of each business sub-segment**

■ Digital Contents Plan

(hundreds of millions of JPY)

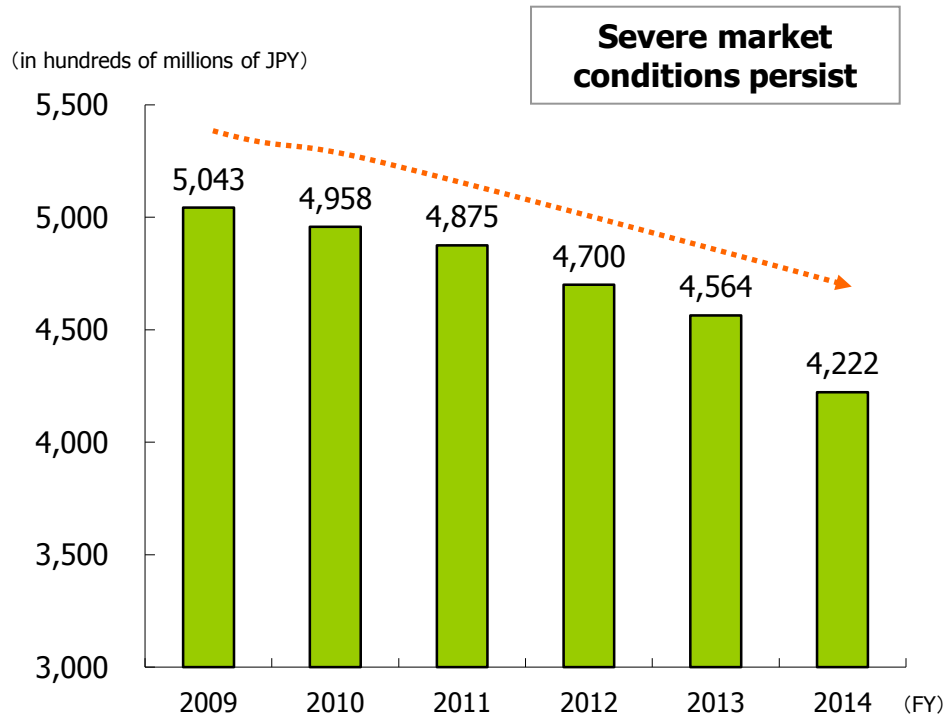
	2015/3	2016/3	2017/3 Plan	Difference
Net sales	453	525	590	65
Operating income	102	121	143	22
Operating margin	22.5%	23.1%	24.2%	—
Breakdown of Net Sales				
Package	262	312	330	18
Digital download contents	90	109	140	31
Consumer total	352	421	470	49
Mobile Contents	41	33	40	7
PC Other	60	71	80	9

4-2. Arcade Operations

4-2. Arcade Operations – Market Overview

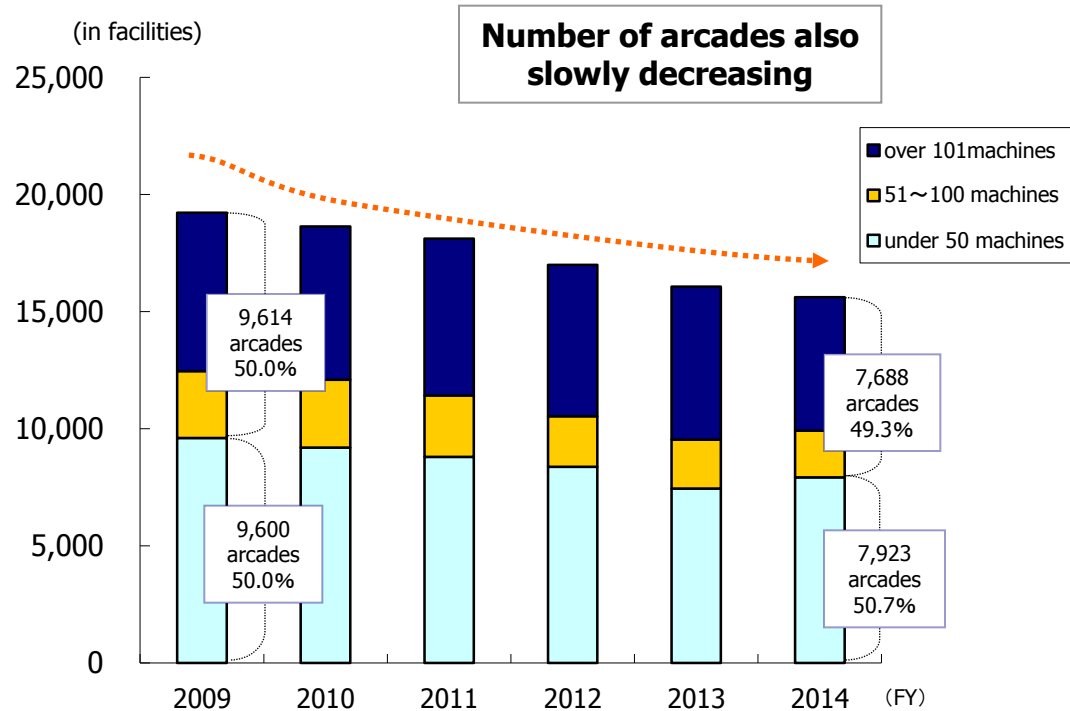
**Japan's arcade market is slowly shrinking;
revenues, number of arcades also declining**

■ Amusement Arcade Market



*Source: Amusement Industry Survey Report

■ Number of Amusement Arcades by number of machines



*Source: Amusement Industry Survey Report

4-2. Arcade Operations – Strategic Objectives and Plan

**Aiming for recovery over last year through creating
new revenue opportunities**

■ Arcade Operations Strategy

● **Secure business opportunities and new store openings**

- Create new revenue opportunities through multi-purpose facilities: e.g. eateries that utilize our characters, merchandise shops
- Plan for YoY ratio of existing facilities: 100%
- Plan for this fiscal year: open 3 new locations, close 0 locations, for a total of 37 locations

■ Arcade Operations Plan

(in 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%	-



"KyaraCap Okazaki" (Aeon Mall Okazaki)

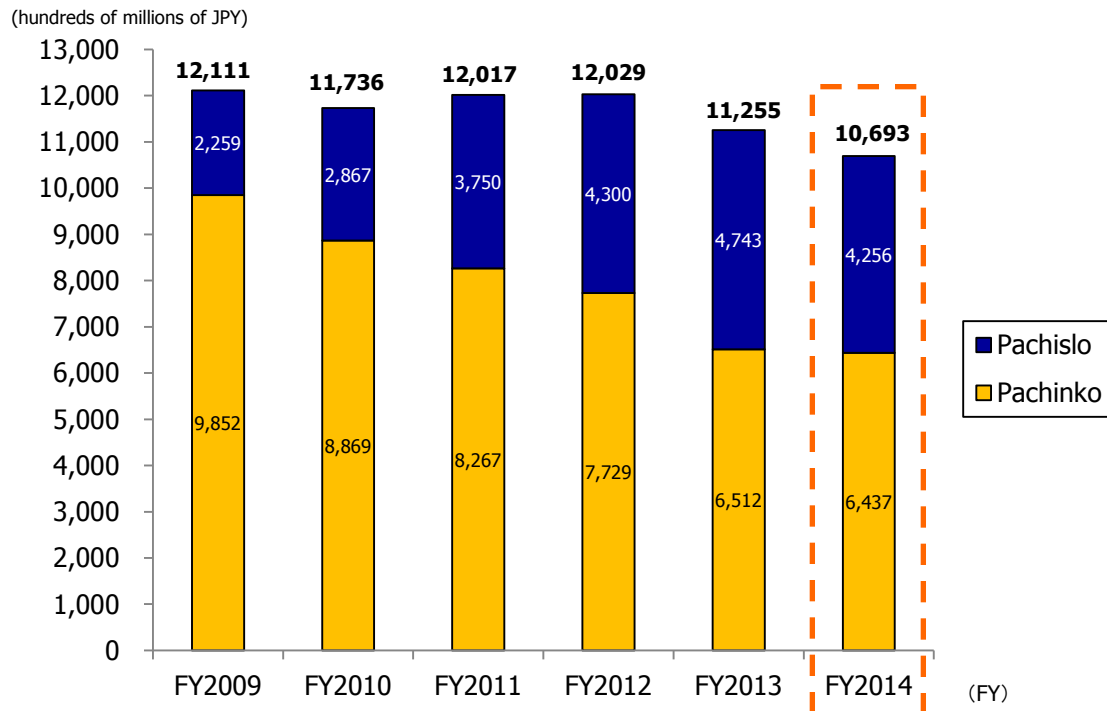
4-3. Amusement Equipments

4-3. Amusement Equipments – Market Overview

The pachislo market temporarily contracted after being hit with operational regulation changes for model certification

■ Pachinko & Pachislo Machines Market

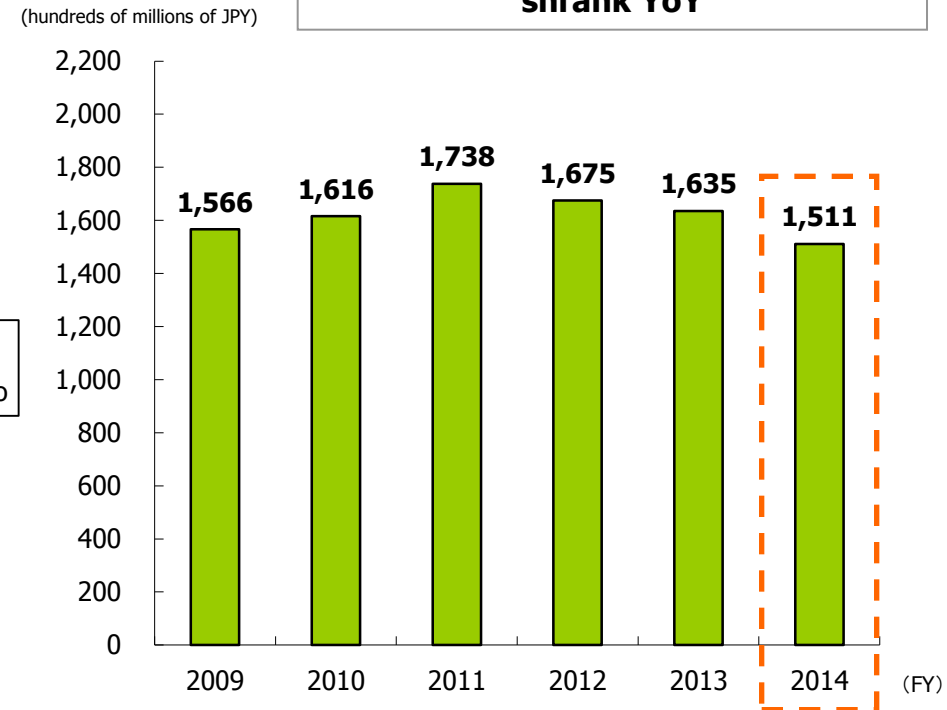
The pachinko machine market shrank



*Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2013,2014); Yano Research Institute Ltd.

■ Arcade Machines Market

In proportion to the facilities market, the machines market shrank YoY



*Source: Amusement Industry Survey Report

4-3. Amusement Equipments – Strategic Objectives and Plan

Anticipate an increase in revenue and profits due to new product offerings that utilize popular IP from both businesses

■ Pachinko & Pachislo Strategy

- Provide a steady supply of our cabinets that utilize popular franchises
 - Capcom Pachislo Machine Unit Sales Plan: four models; 55,000 units
 - Continue licensing out IP for use in other companies' pachinko machines

■ Arcade Games Sales Strategy

- Aggressively sell licensed cabinets that utilize popular IP
 - Launch the medal game "Mario Party Fushigi no Challenge World" in summer 2016
 - Launch the arcade game "Attack on Titan TEAM BATTLE" in winter 2016

■ 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%	-

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



Pachislo Machine
"Super Street Fighter IV"

4-4. Other Businesses

4-4. Other Business – Strategic Objectives and Plan

**Maximize revenue and increase awareness of major brands
via Single Content Multiple Use Strategy**

■ Character Contents Strategy

- **Increase awareness by coordinating TV shows with title releases**
 - Animated “Gyakuten Saiban” (Ace Attorney) TV show airing in Japan since April, 2016
 - Animated “Monster Hunter Stories” TV show scheduled to begin airing in Japan during 2016
- **Target non-gamers**
 - Universal Studios Japan (USJ) attractions
 - Hollywood film “Resident Evil: The Final Chapter” scheduled for a December 2016 advanced release in Japan

■ 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%	-



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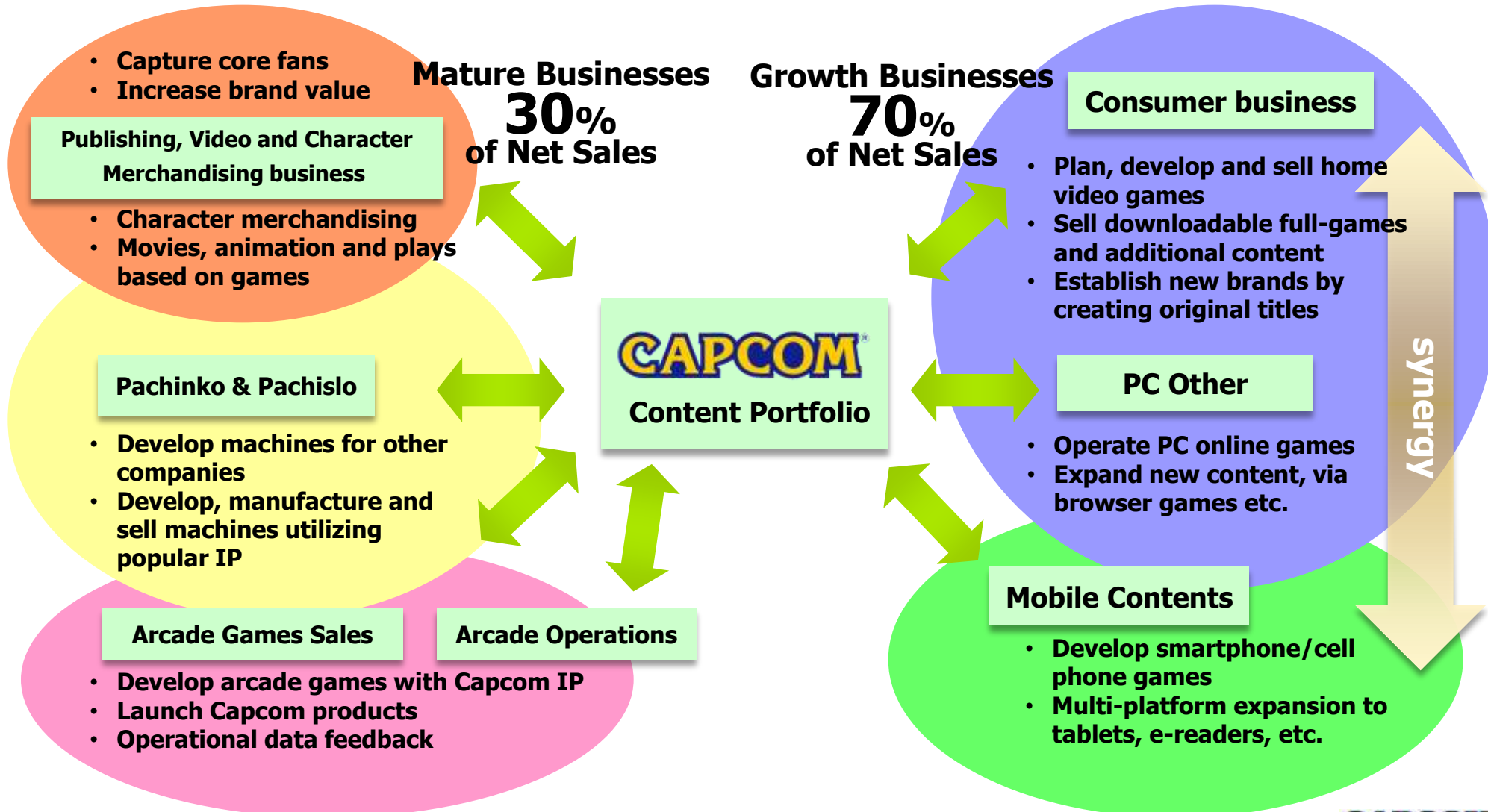


5. Additional Information (1)

About Capcom

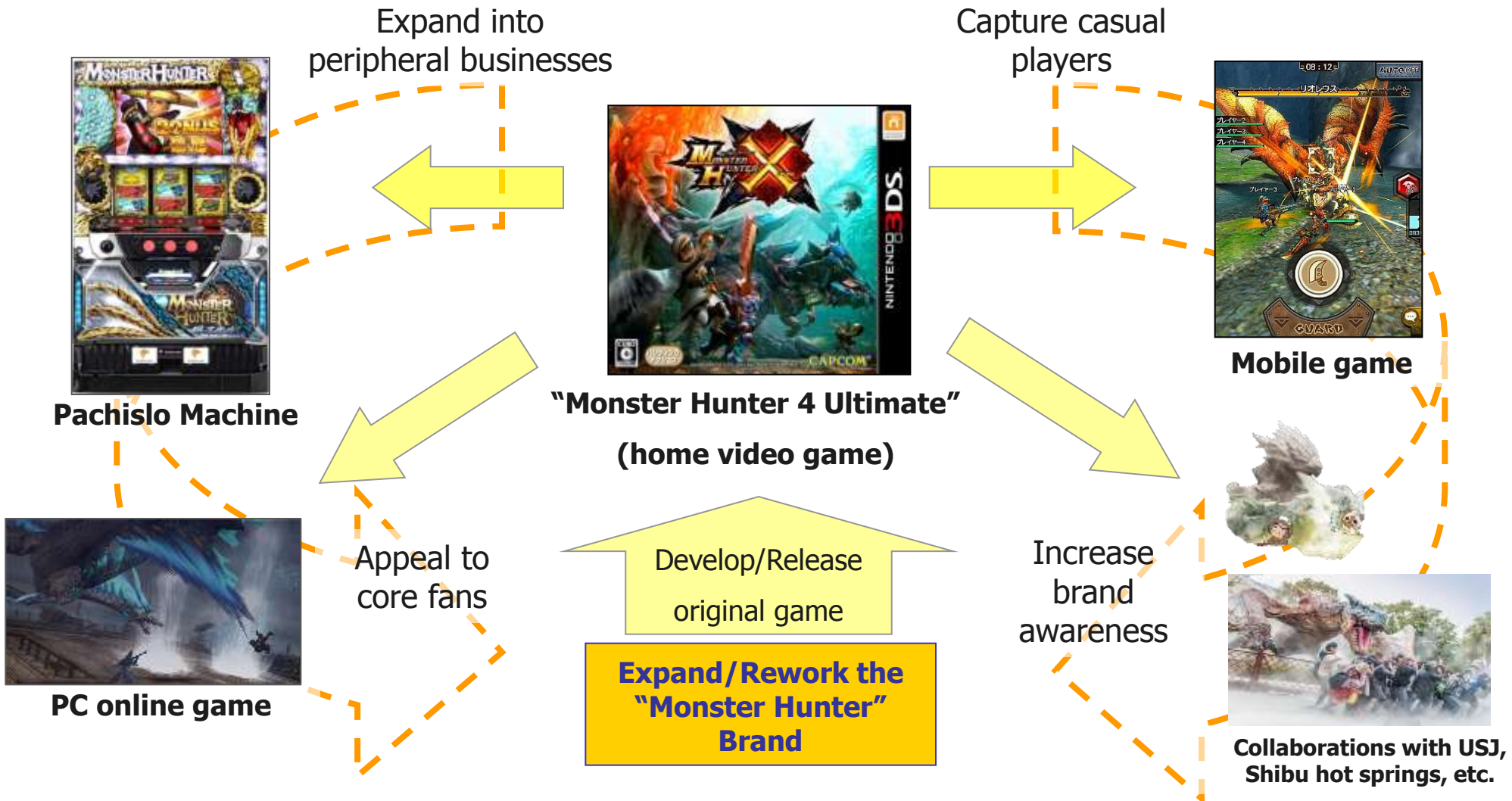
5-1. Capcom's Businesses

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



5-2. 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



5-3. 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:

· Resident Evil series:	68 million units	· Street Fighter series:	38 million units
· Monster Hunter series:	36 million units	· Devil May Cry series:	15 million units
· Dead Rising series:	8.6 million units	· Dragon's Dogma series:	2.8 million units

(as of March 31, 2016)

■ A world-leader in game development and technology

1. Rather than relying solely on our major franchises, we create original content regularly to establish new sources of growth
2. Basic research involving game development is another strength; we are now using a highly advanced software development tool that we created to facilitate producing games for multiple platforms



6. Additional Information (2)

Summary of Major Financial Information

Summary of Major Financial Information (1)

● Profit and Loss Statement

(millions of JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
Net sales	102,200	64,277	77,021	119.8%	85,000	110.4%
Gross profit	29,949	25,898	29,846	115.2%	31,200	104.5%
% of gross profit	29.3%	40.3%	38.8%	-	36.7%	-
Sales and G&A expenses	19,749	15,403	17,816	115.7%	17,600	98.8%
Operating income	10,299	10,582	12,029	113.7%	13,600	113.1%
% of operating income	10.1%	16.5%	15.6%	-	16.0%	-
Ordinary income	10,946	10,851	11,348	104.6%	13,300	117.2%
% of ordinary income	10.7%	16.9%	14.7%	-	15.6%	-
Net income attributable to owners of the parent	3,444	6,616	7,745	117.1%	9,000	116.2%
% of net income	3.4%	10.3%	10.1%	-	10.6%	-

● Sales by Business Segments

(millions of JPY)

		2014/3	2015/3	2016/3	%	2017/3 Plan	%
Digital Contents	Net sales	65,824	45,351	52,577	115.9%	59,000	112.2%
	Operating income	4,489	10,208	12,167	119.2%	14,300	117.5%
	Operating margin	6.8%	22.5%	23.1%	-	24.2%	-
Arcade Operations	Net sales	10,620	9,241	9,056	98.0%	9,000	99.4%
	Operating income	1,617	940	699	74.4%	800	114.4%
	Operating margin	15.2%	10.2%	7.7%	-	8.9%	-
Amusement Equipments	Net sales	23,160	7,540	13,343	177.0%	15,000	112.4%
	Operating income	7,131	2,736	2,812	102.8%	3,000	106.7%
	Operating margin	30.8%	36.3%	21.1%	-	20.0%	-
Others	Net sales	2,594	2,144	2,043	95.3%	2,000	97.9%
	Operating income	1,001	661	511	77.3%	200	39.1%
	Operating margin	38.6%	30.8%	25.0%	-	10.0%	-

● Sales by Geographic Area

(millions of JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
Japan	86,532	50,877	57,737	113.5%	54,500	94.4%
North America	10,179	8,678	12,384	142.7%	21,000	169.6%
Europe	4,320	3,413	5,221	153.0%	7,900	151.3%
Others	1,167	1,308	1,681	128.5%	1,600	95.2%

Summary of Major Financial Information (2)

● Promotional Expense

(millions of JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
Capcom Japan	3,074	1,889	1,930	102.2%	2,400	124.4%
Consolidated	4,269	2,798	3,832	137.0%	6,000	156.6%

● Number of Arcades

(facilities)

	2014/3	2015/3	2016/3	difference	2017/3 Plan	difference
Consolidated	33	33	34	1	37	3

● Capital Expenditure

(millions of JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
Capcom Japan	1,846	1,499	1,949	130.0%	3,200	164.2%
Consolidated	2,252	5,564	5,937	106.7%	4,500	75.8%

● Depreciation

(millions of JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
Capcom Japan	4,130	2,882	4,929	171.0%	5,300	107.5%
Consolidated	4,638	3,535	5,712	161.6%	6,000	105.0%

● Number of Employees

(Persons)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
Capcom Japan	1,951	2,033	2,114	104.0%	2,250	106.4%
Consolidated	2,601	2,681	2,839	105.9%	3,000	105.7%

● R&D Investment Cost

(millions of JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
R&D Investment Cost	26,691	25,301	27,255	107.7%	30,000	110.1%
Technical R&D Cost	2,002	823	1,073	130.4%	1,500	139.8%

● Foreign Exchange Rate (end of March)

(JPY)

	2014/3	2015/3	2016/3	%	2017/3 Plan	%
USD/¥	102	120	112	93.3%	115	102.7%
Euro/¥	141	130	127	97.7%	125	98.4%

Summary of Major Financial Information (3)

● Sales Units Shipped (platform)

(thousand units)

		2014/3	2015/3	2016/3	Difference	2017/3 Plan	Difference
Playstation 3	Titles(SKU)	17	13	19	6	-	-
Playstation 4	Sub Total	4,200	2,450	3,500	142.9%	-	-
PSP	Titles(SKU)	0	5	8	3	-	-
PS Vita	Sub Total	200	250	300	120.0%	-	-
Wii	Titles(SKU)	2	0	-	0	-	-
Wii U	Sub Total	350	150	100	66.7%	-	-
Nintendo DS	Titles(SKU)	4	5	7	2	-	-
Nintendo 3DS	Sub Total	4,700	3,750	4,100	109.3%	-	-
Xbox 360	Titles(SKU)	11	7	6	-1	-	-
Xbox One	Sub Total	2,950	1,200	650	54.2%	-	-
PC & Others	Titles(SKU)	5	3	4	1	-	-
	Sub Total	300	200	250	125.0%	-	-
Package total	Titles(SKU)	39	33	44	11	34	-10
	Sub Total	12,700	8,000	8,900	111.3%	9,000	101.1%
Full-game download	Titles(SKU)	3.00	-	1	1	1	-
	Sub Total	4,800	5,000	6,100	122.0%	7,500	123.0%
Total	Titles(SKU)	42	33	45	12	35	-10
	Sub Total	17,500	13,000	15,000	115.4%	16,500	110.0%

*Full-game download includes titles distributed only by download

● Sales Units Shipped (platform)

(thousand units)

	2014/3	2015/3	2016/3	Difference	2017/3 Plan	Difference
Distribution titles	1,400	750	750	100.0%	400	53.3%
Old titles	5,700	6,000	7,000	116.7%	6,500	92.9%

● Sales Units Shipped (geographic)

(thousand units)

	2014/3	2015/3	2016/3	Difference	2017/3 Plan	Difference
Japan	6,700	4,000	4,700	117.5%	3,400	72.3%
North America	3,800	2,400	2,600	108.3%	3,500	134.6%
Europe	1,900	1,300	1,200	92.3%	1,600	133.3%
Asia	300	300	400	133.3%	500	125.0%
Full-game download (global)	4,800	5,000	6,100	122.0%	7,500	123.0%
Total	17,500	13,000	15,000	115.4%	16,500	110.0%