



Capcom Co., Ltd.
(Tokyo Exchanges,
First Section, 9697)

3rd Quarter Report
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. Forecasts for FY3/17

1. Forecasts for FY3/17 (1)

Targeting 4 years of consecutive increased operating income;
targeting growth of catalog sales and launch of major titles

(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

- Aiming for sustainable growth with plans to increase catalog sales as well as enhance new major titles via further utilization of company's brand equity.
- Earnings per share forecast: ¥162.53
- Dividend forecast: interim dividend of ¥25 and year-end dividend of ¥25 resulting in a ¥50 dividend for the fiscal year

1. Forecasts for FY3/17 (2)

Operating income performance through Q3 has slightly outperformed expectations

■ FY3/17 Quarterly Operating Income Breakdown

1. Figures Announced at 1H Results Briefing

	Q1	Q2	Q3	Q4	Full-year
Operating income structure	-5%	18%	20%	67%	100%

2. Figures at Q3

	Q1	Q2	Q3	Q4	Full-year
Operating income structure	-5%	18%	25%	62%	100%
Major titles			CS <i>Dead Rising 4</i> PS <i>Monster Hunter Kyoryu Sensen</i>	CS <i>Resident Evil 7 biohazard</i> <i>Monster Hunter XX (Double Cross)</i>	
New CS title unit sales	400 k units	1.3 million units	2.4 million units	7.4 million units	11.5 million units

■ Launch dates for major Consumer titles concentrated in 2H for strategic marketing purposes

Digital Contents

1-2. Digital Contents – Full-year Plans (1)

Focusing on sale of major titles in Consumer

Build momentum for existing major PC Online and Mobile titles

■ Consumer: Outlook for FY3/17

- Will launch *RESIDENT EVIL 7 biohazard* and *Monster Hunter XX (Double Cross)*, and aim to meet planned unit sales

■ Mobile Contents: Outlook for FY3/17

- Working to further revitalize *Monster Hunter Explore* via updates

■ PC Others: Outlook for FY3/17

- Continue regular updates for major domestic titles
- Expect to book royalty revenue from licensed titles in China

1-2. Digital Contents – Full-year Plans (2)

Launch new titles from two major brands

Aim to achieve sales plan

■ Consumer: FY3/17 Sales Plan for Major Titles

(thousand units)

Platform	Title	Region	Date	Plan
PS4 Xbox One PC	<i>Resident Evil 7 biohazard</i>	Japan	Jan. 26 2017	4,000
		North America	Jan. 24 2017	
		Europe	Jan. 24 2017	
3DS	<i>Monster Hunter XX (Double Cross)</i>	Japan	Mar. 18 2017	2,000

*Unit sales include full-game download sales *Japan includes the Asian region

1-2. Digital Contents – Full-year Plans (3)

Expect growth in unit sales for package and digital downloads
Upward revision to full-year unit sales plan

■ Consumer: FY2016 Unit Sales Plan for Major Titles

(thousand units)

	2015/3	2016/3	2017/3 Revision	Difference	2017/3 Initial
Titles (SKU)	33	45	41	-4	35
Package					
Japan	4,000	4,700	3,350	-1,350	3,400
North America	2,400	2,600	4,800	2,200	3,500
Europe	1,300	1,200	2,000	800	1,600
Asia	300	400	350	-50	500
Package Total	8,000	8,900	10,500	1,600	9,000
Digital download contents					
Full-game download	5,000	6,100	9,500	3,400	7,500
Total	13,000	15,000	20,000	5,000	16,500

1-2. Digital Contents – Full-year Plans (4)

Consumer and Mobile on track, despite downward revision to forecast in accordance with performance of PC Others

■ Digital Contents: FY2016 Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Revision	Difference	2017/3 Initial
Net sales	453	525	575	50	590
Operating income	102	121	116	-5	143
Operating margin	22.5%	23.1%	20.2%	—	24.2%
Breakdown of Net Sales					
Package	262	312	330	18	330
Digital download contents	90	109	140	31	140
Consumer total	352	421	470	49	470
Mobile Contents	41	33	40	7	40
PC Other	60	71	65	-6	80

Arcade Operations

1-3. Arcade Operations – Full-year Plans

Continue building managerial efficiencies, new operational structure

Aim to achieve full-year plan

■ Arcade Operations: Outlook for FY3/17

- Investigate development of new arcades and other business opportunities in unexplored regional markets
- Plan to open two new arcades and close one arcade in Q4 (resulting in a total of 36 arcades)
- YoY sales plan for existing arcades: unchanged

■ Arcade Operations: FY3/17 Full-year Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Plan	Difference
Net sales	92	90	90	0
Operating income	9	6	8	2
Operating margin	10.2%	7.7%	8.9%	-
Y/Y ratio of sales for existing arcades	-10%	-4%	±0%	-

Amusement Equipments

1-4. Amusement Equipments – Full-year Plans

Upward revision to plan based on
favorable sales of pachislo machines

■ Pachinko & Pachislo: Outlook for FY3/17

- Focus on development of new machines for the following fiscal year forward

■ Arcade Game Sales: Outlook for FY3/17

- Continue sales of existing products

■ Amusement Equipments: FY3/17 Full-year Plan

(hundreds of millions of JPY)

	2015/3	2016/3	2017/3 Revision	Difference	2017/3 Initial
Net sales	75	133	165	32	150
Operating income	27	28	50	22	30
Operating margin	36.3%	21.1%	30.3%	-	20.0%

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

Financial Highlights

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

Decreased sales and profit due to major Digital Contents title release in same period of the previous fiscal year

■ 9 Months Results in FY12/15 vs. FY12/16

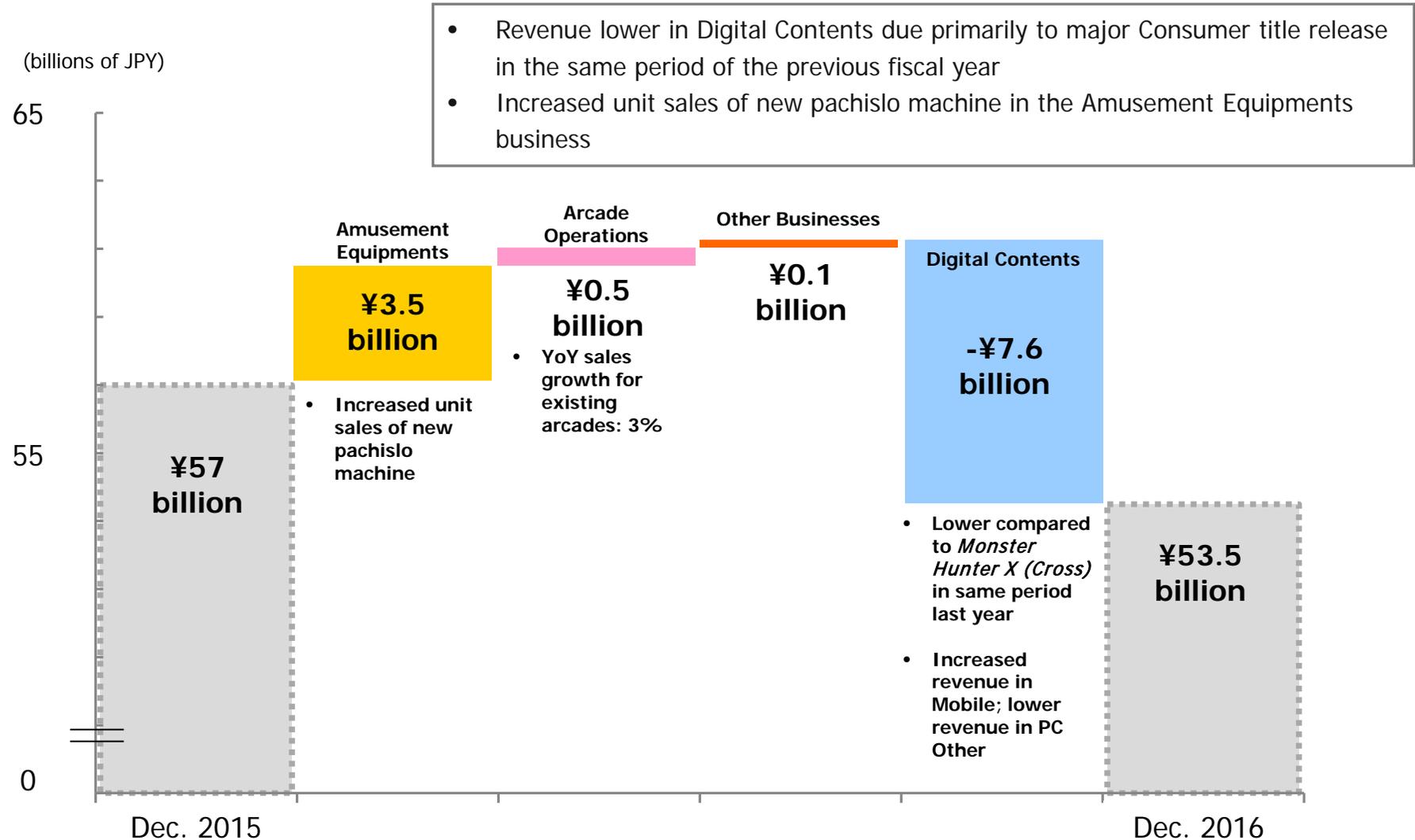
(millions of JPY)

	2015/12	2016/12	Difference
Net sales	57,060	53,507	-3,553
Operating income	10,604	5,119	-5,485
Ordinary income	10,640	4,147	-6,493
Net income attribute to owners of the parent	7,006	2,762	-4,244

- Sales and profit lower due primarily to major Consumer title release in the same period of the previous fiscal year
- Booked a foreign exchange loss of ¥716 million due to appreciation of the yen in 1H
- Quarterly net income per share: ¥49.7

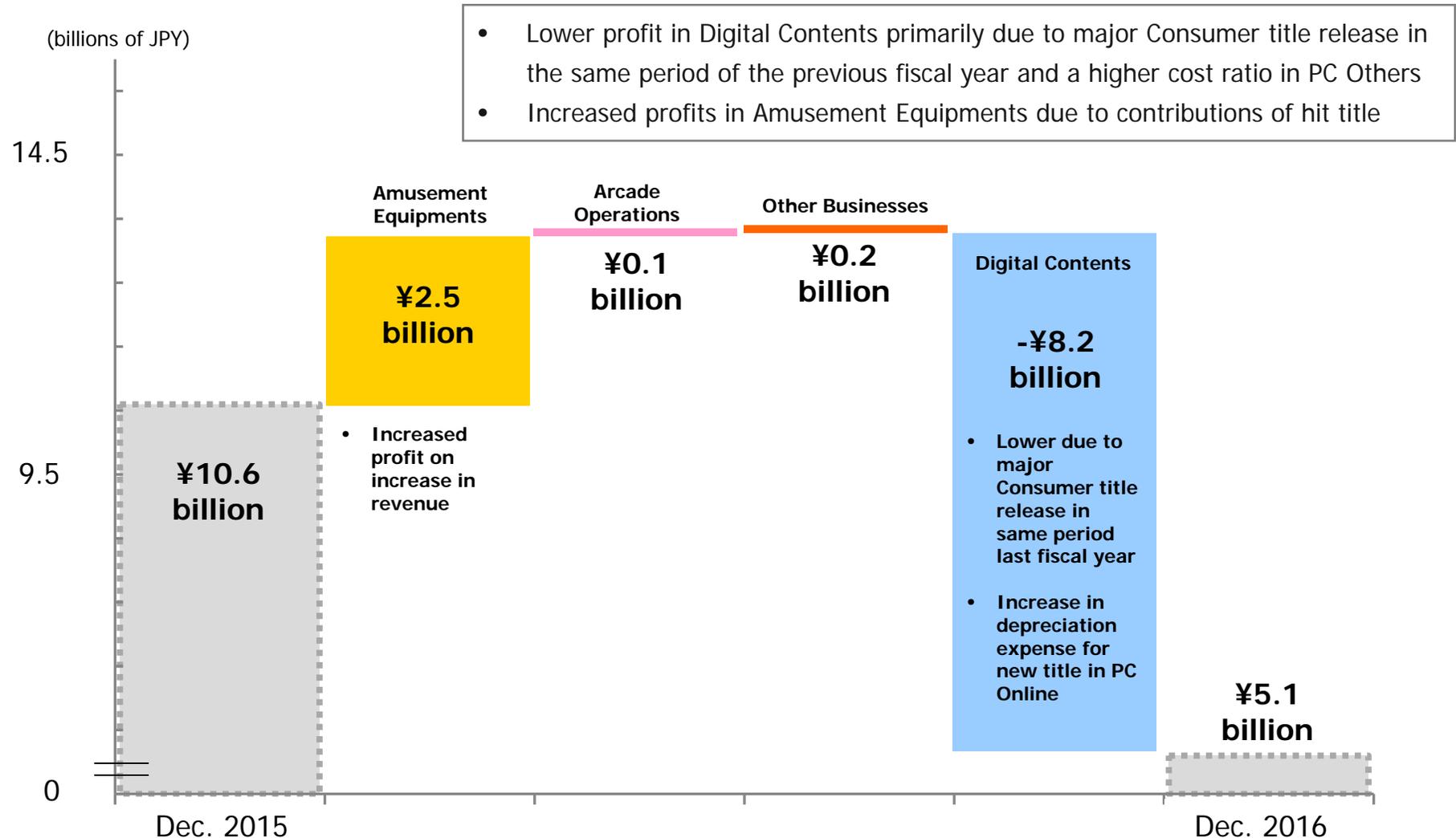
2-1. Financial Highlights – Consolidated Business Results (2)

■ FY12/16 Net Sales: Increases and Decreases



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

■ FY12/16 Operating Income: Increases and Decreases



2-1. Financial Highlights – Balance Sheet

■ Major Changes in Balance Sheet Items

(millions of JPY)

Assets	2016/3	2016/12	Difference
Notes and accounts receivable, trade	9,879	16,341	6,462
Work-in-progress for game software	24,825	29,996	5,171

1. Notes and accounts receivable, trade

- Increase due to sales of the Company's pachislo machines in the final month of the current quarter

2. Work in progress for game software

- Increase accompanying development progression in Consumer

(millions of JPY)

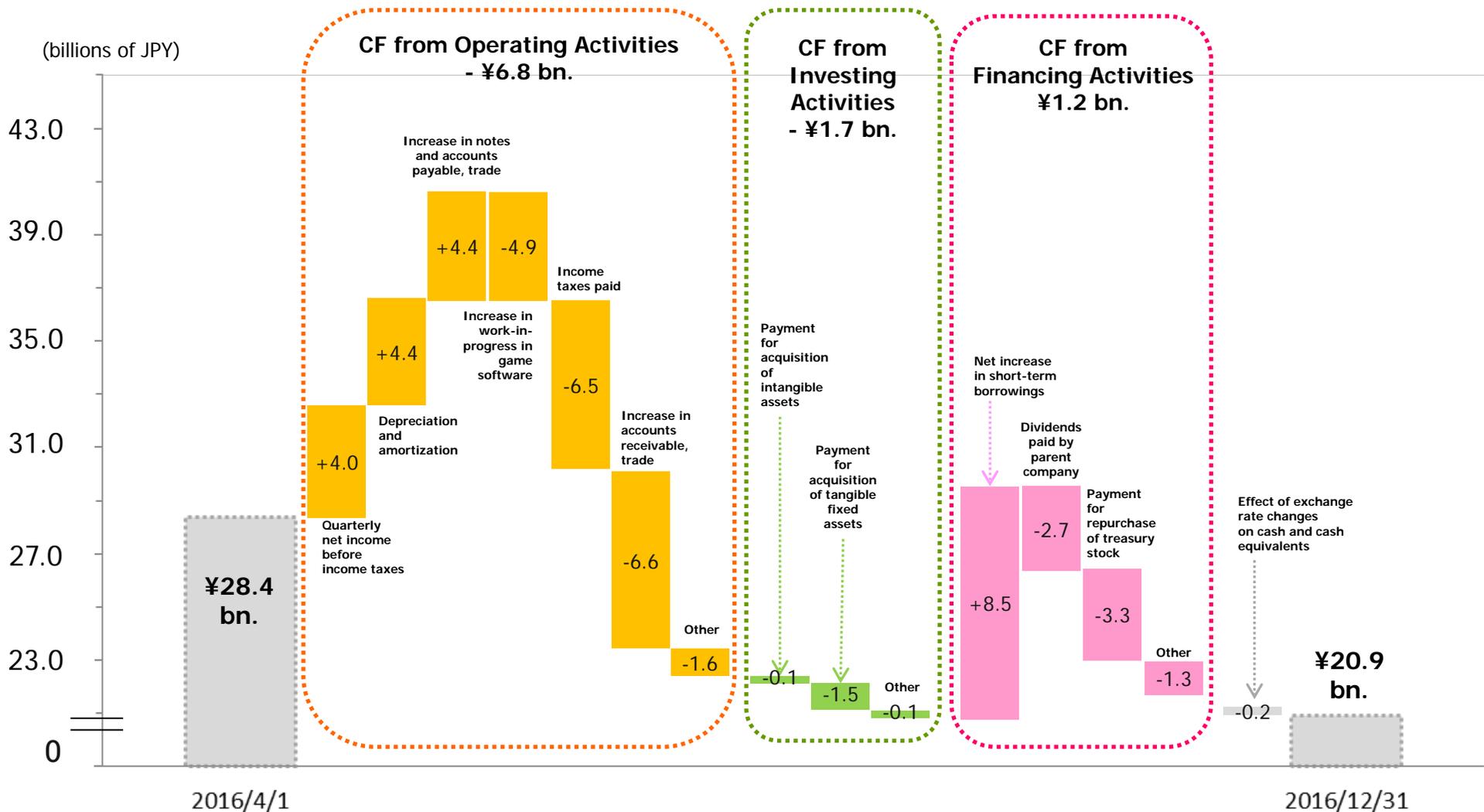
Liabilities	2016/3	2016/12	Difference
Short-term borrowings	1,497	9,979	8,482
Electronically recorded monetary liabilities	888	4,162	3,274

3. Short-term borrowings

- Increase due to use of the commitment line

2-1. Financial Highlights – Consolidated Cash Flows

■ FY12/16 Consolidated Cash Flows: Increases and Decreases



Digital Contents

2-2. Digital Contents – Highlights (1)

Focused on sales of new and catalog titles
by leveraging major brands

■ Consumer: Q3 Highlights

- Released *Dead Rising 4* in December 2016; aim to grow unit sales
- *Resident Evil 6*, *5* and *4* exceeded 2 million units in total cumulative sales on current-generation consoles

■ Consumer: Unit Sales of Major Titles for the 9 Months (thousand units)

Platform	Title	Region	Date	Result
3DS	<i>Monster Hunter X (Cross)</i> (Catalog)	Japan	Nov. 28 2015	900
		North America	Jul. 15 2016	
		Europe	Jul. 15 2016	
PS4 Xbox One	<i>Resident Evil 5</i> (Re-release)	Japan	Jun. 28 2016	750
		North America	Jun. 28 2016	
		Europe	Jun. 28 2016	
PS4 Xbox One	<i>Resident Evil 6</i> (Re-release, Catalog)	Japan	Mar. 29 2016	700
		North America	Mar. 29 2016	
		Europe	Mar. 29 2016	
Xbox One PC	<i>Dead Rising 4</i>	Japan	Dec. 8 2016	700
		North America	Dec. 6 2016	
		Europe	Dec. 6 2016	

*Unit sales include full-game download sales *Japan includes the Asian region

2-2. Digital Contents – Highlights (2)

Growth in unit sales year-over-year due to favorable digital download sales, primarily for catalog titles

■ Consumer: Unit Sales for the 9 Months

(thousand units)

	2014/12	2015/12	2016/12	Difference
Titles (SKU)	20	28	33	5
Package				
Japan	3,500	4,000	1,450	-2,550
North America	1,600	1,100	2,700	1,600
Europe	500	500	900	400
Asia	100	200	150	-50
Package Total	5,700	5,800	5,200	-600
Digital download contents				
Full-game download	3,000	4,000	6,500	2,500
Total	8,700	9,800	11,700	1,900

2-2. Digital Contents – Highlights (3)

Mobile Contents focused primarily around major domestic titles
Worked to vitalize existing titles in PC Online

■ Mobile Contents: Q3 Highlights

- *Monster Hunter Explore* and *Snoopy Drops* made steady contributions to revenue in Japan
- Launched *Otomon Drops Monster Hunter Stories* (for Android/iOS) in November 2016, the first title released by the new Capcom Mobile

■ PC Others: Q3 Highlights

- Off to a good start after implementing major update to *Monster Hunter Frontier Z* on Nov. 9, 2016
- *Breath of Fire 6* underperforming

2-2. Digital Contents – Highlights (4)

Revenue and profit down due to major consumer title in same term or previous year and decrease in licensing revenue in PC Others

■ 9 Months Digital Contents Performance

(hundreds of millions of JPY)

	2014/12	2015/12	2016/12	Difference
Net sales	324	360	284	-76
Operating income	84	97	14	-83
Operating margin	26.1%	26.9%	5.1%	—
Breakdown of Net Sales				
Package	190	217	131	-86
Digital Download Contents	53	63	82	19
Consumer total	243	280	213	-67
Mobile Contents	33	24	29	5
PC Other	48	56	42	-14

Arcade Operations

2-3. Arcade Operations – Highlights

Existing arcades sales trending to recovery due to improved market environment ; increase in revenue and profit year-over-year

■ 9 Months Highlights

- YoY sales growth for existing arcades: +3% (1H: +4%, Q3: +2%)
- No arcades closed this quarter

■ 9 Months Business Results

(hundreds of millions of JPY)

	2014/12	2015/12	2016/12	Difference
Net sales	69	65	70	5
Operating income	7	4	6	2
Operating margin	11.0%	7.0%	8.6%	-
Y/Y ratio of sales for existing arcades	-10%	-6%	3%	-

■ Number of Arcades

(facilities)

	2015/3	2016/3	2016/12	2017/3 Plan
New arcades	1	4	1	3
Closing arcades	1	3	0	1
Total	33	34	35	36

Amusement Equipments

2-4. Amusement Equipments – Highlights

Pachislo machine *Monster Hunter Kyoryu Sensen* drives results
Increased revenue and profit due to higher unit sales

■ Pachinko & Pachislo: 9 Months Highlights

- Pachislo machine *Monster Hunter Kyoryu Sensen* released at end of 2016
- 9 months cumulative unit sales for three titles: 57 thousand units

■ Arcade Games Sales: 9 Months Highlights

- Continued sales of existing products

■ 9 Months Business Results

(hundreds of millions of JPY)

	2014/12	2015/12	2016/12	Difference
Net sales	70	130	165	35
Operating income	27	28	54	26
Operating margin	39.8%	22.1%	32.7%	-

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



Additional Information

Summary of Major Financial Information

3-1. Summary of Major Financial Information (1)

● Profit and Loss Sheet

(Million yen)

	2015/3	2016/3	2017/3 E	%	2016/12
Net Sales	64,277	77,021	85,000	110.4%	53,507
Gross Profit	25,898	29,846	31,200	104.5%	16,201
Profit margin (%)	40.3%	38.8%	36.7%	-	30.3%
Sales and G&A Expenses	15,403	17,816	17,600	98.8%	11,081
Operating Income	10,582	12,029	13,600	113.1%	5,119
Profit margin (%)	16.5%	15.6%	16.0%	-	9.6%
Ordinary Income	10,851	11,348	13,300	117.2%	4,147
Profit margin (%)	16.9%	14.7%	15.6%	-	7.8%
Net income attributable to owners of the parent	6,616	7,745	9,000	116.2%	2,762
Profit margin (%)	10.3%	10.1%	10.6%	-	5.2%

● Sales by Business Segments

(Million yen)

		2015/3	2016/3	2017/3 E	%	2016/12
Digital Contents	Net Sales	45,351	52,577	57,500	109.4%	28,428
	Operating Income	10,208	12,167	11,600	95.3%	1,461
	Operating Margin	22.5%	23.1%	20.2%	-	5.1%
Arcade Operations	Net Sales	9,241	9,056	9,000	99.4%	7,069
	Operating Income	940	699	800	114.4%	611
	Operating Margin	10.2%	7.7%	8.9%	-	8.6%
Amusement Equipments	Net Sales	7,540	13,343	16,500	123.7%	16,591
	Operating Income	2,736	2,812	5,000	177.8%	5,422
	Operating Margin	36.3%	21.1%	30.3%	-	32.7%
Others	Net Sales	2,144	2,043	2,000	97.9%	1,418
	Operating Income	661	511	700	137.0%	562
	Operating Margin	30.8%	25.0%	35.0%	-	39.6%

● Sales by Geographic Area

(Million yen)

	2015/3	2016/3	2017/3 E	%	2016/12
Japan	50,877	57,737	54,500	94.4%	39,308
North America	8,678	12,384	21,000	169.6%	10,390
Europe	3,413	5,221	7,900	151.3%	2,923
Other territories	1,308	1,681	1,600	95.2%	884

3-1. Summary of Major Financial Information (2)

● Sales Units Shipped <platform>

(Thousand Units)

		2015/3	2016/3	2017/3 E	Difference	2016/12
Playstation 3	Titles (SKU)	13	19	-	-	13
PlayStation4	Total Units	2,450	3,500	-	-	2,100
PSP	Titles (SKU)	5	8	-	-	4
PS Vita	Total Units	250	300	-	-	150
Wii	Titles (SKU)	-	-	-	-	-
Wii U	Total Units	150	100	-	-	-
NintendoDS	Titles (SKU)	5	7	-	-	4
Nintendo3DS	Total Units	3,750	4,100	-	-	1,600
Xbox 360	Titles (SKU)	7	6	-	-	7
Xbox One	Total Units	1,200	650	-	-	1,300
PC & Others	Titles (SKU)	3	4	-	-	5
	Total Units	200	250	-	-	50
Package total	Titles (SKU)	33	44	41	-3	33
	Total Units	8,000	8,900	10,500	118.0%	5,200
Full-game download	Titles (SKU)	-	1	-	-1	-
	Total Units	5,000	6,100	9,500	155.7%	6,500
Total	Titles (SKU)	33	45	41	-4	33
	Total Units	13,000	15,000	20,000	133.3%	11,700

*Full-game download are digital download-only titles

● Sales Units Shipped <distribution / catalogue repeat sales>

(Thousand Units)

	2015/3	2016/3	2017/3 E	Difference	2016/12
Distribution titles	750	750	450	60.0%	450
Old titles	6,000	7,000	8,500	121.4%	7,600

● Sales Units Shipped <geographic>

(Thousand Units)

	2015/3	2016/3	2017/3 E	Difference	2016/12
Japan	4,000	4,700	3,350	71.3%	1,450
North America	2,400	2,600	4,800	184.6%	2,700
Europe	1,300	1,200	2,000	166.7%	900
Asia	300	400	350	87.5%	150
Full-game download (global)	5,000	6,100	9,500	155.7%	6,500
Total	13,000	15,000	20,000	133.3%	11,700