



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

**3rd 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.



# Contents

page

1. Forecasts for FY3/18.....	3
2. Financial Highlights.....	5
3. FY3/18 Segment Plans & Forecasts .....	20
4. Additional Information .....	30
Summary of Major Financial Information	

# 1. Forecasts for FY3/18

# 1. Forecasts for FY3/18

**Targeting 5 consecutive years of increased operating income driven by launch of major titles and growth of catalog sales**

(millions of JPY)

	<b>2017/3</b>	<b>2018/3 Plan</b>	<b>Difference</b>
<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>

- Overall in line with plans as of Q3 end
- Earnings per share forecast: ¥173.53 (as per plan)
- Dividend forecast: interim dividend of ¥25 and year-end dividend of ¥25 resulting in a ¥50 dividend for the fiscal year

## 2. Financial Highlights

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

**Despite smaller lineup of pachislo models impacting sales, profit up due to Digital Contents profitability improvements**

### ■ 9 Months Results in FY3/17 vs. FY3/18

(millions of JPY)

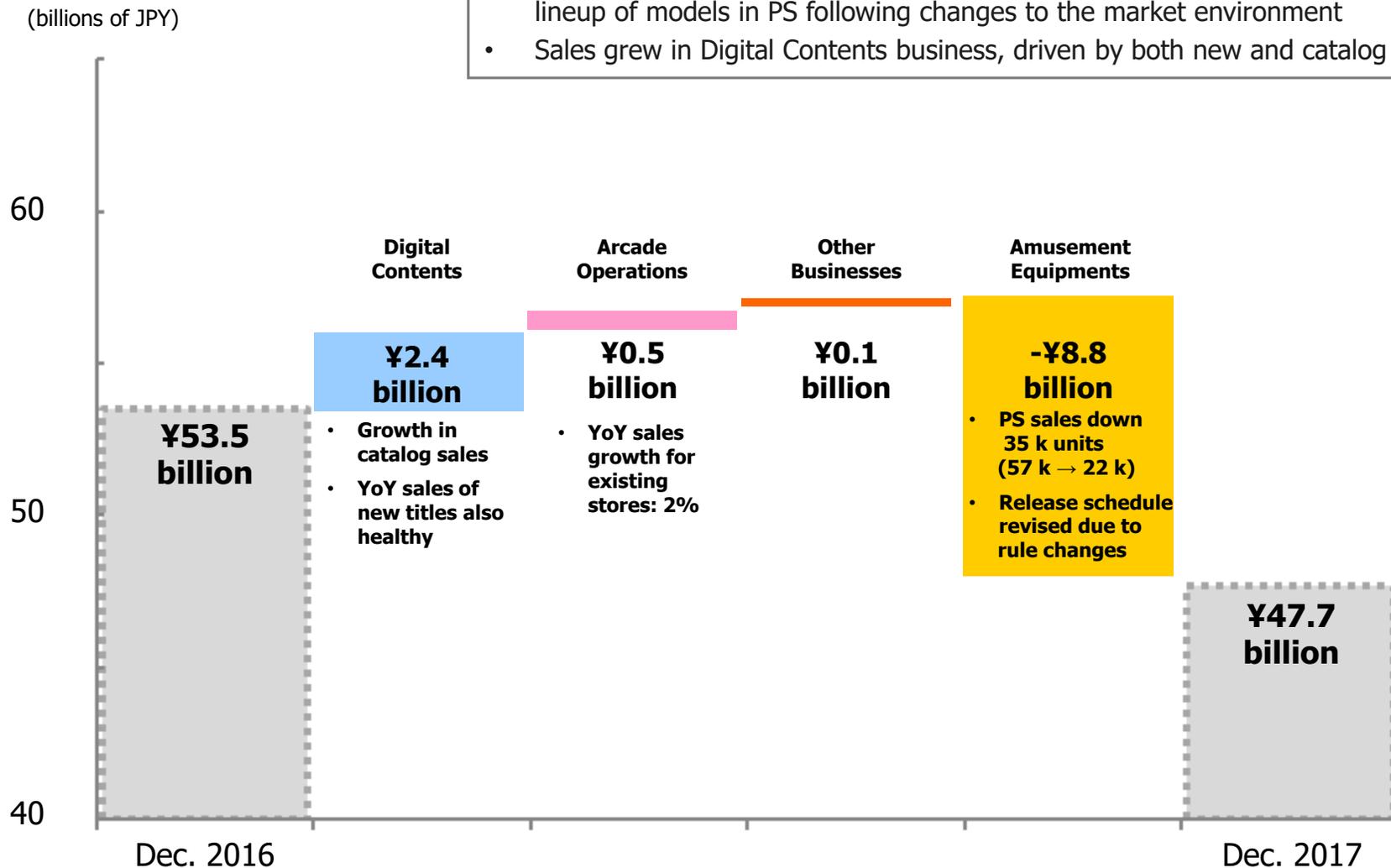
	2016/12	2017/12	Difference
<b>Net sales</b>	<b>53,507</b>	<b>47,740</b>	<b>-5,767</b>
<b>Operating income</b>	<b>5,119</b>	<b>7,009</b>	<b>1,890</b>
<b>Ordinary income</b>	<b>4,147</b>	<b>7,099</b>	<b>2,952</b>
<b>Net income attributable to owners of the parent</b>	<b>2,762</b>	<b>4,439</b>	<b>1,677</b>

- Sales lower primarily due to reducing lineup of models in PS following changes to the market environment
- Increased profit due to profitability improvements in Digital Contents
- Quarterly net income per share: ¥81.09

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

## ■ 12/2017 Net Sales: Increases and Decreases

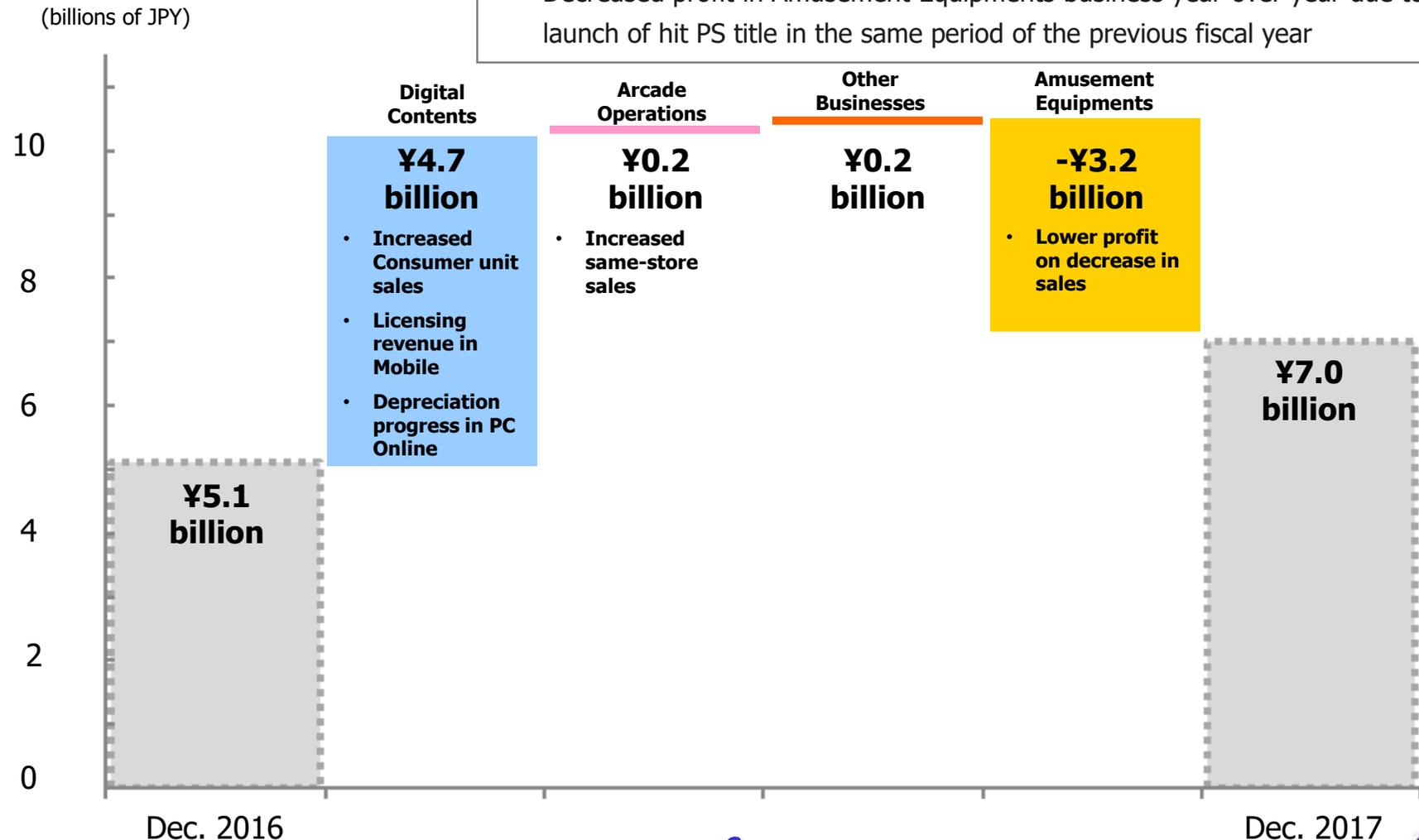
- Sales in the Amusement Equipments business lower primarily due to reducing lineup of models in PS following changes to the market environment
- Sales grew in Digital Contents business, driven by both new and catalog titles



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

## ■ 12/2017 Operating Income: Increases and Decreases

- Increased profit in Digital Contents business due primarily to Consumer growth
- Decreased profit in Amusement Equipments business year-over-year due to launch of hit PS title in the same period of the previous fiscal year



## 2-1. Financial Highlights – Balance Sheet

### ■ Major Changes in Balance Sheet Items

(millions of JPY)

Assets	2017/3	2017/12	Difference
Notes and accounts receivable - trade	20,175	6,137	-14,038
Work in progress for game software	30,150	40,604	10,454

#### 1. Notes and accounts receivable - trade

- Collected accounts receivable for titles released in Q4 of FY16

#### 2. Work in progress for game software

- Increase accompanying development progression in Consumer

(millions of JPY)

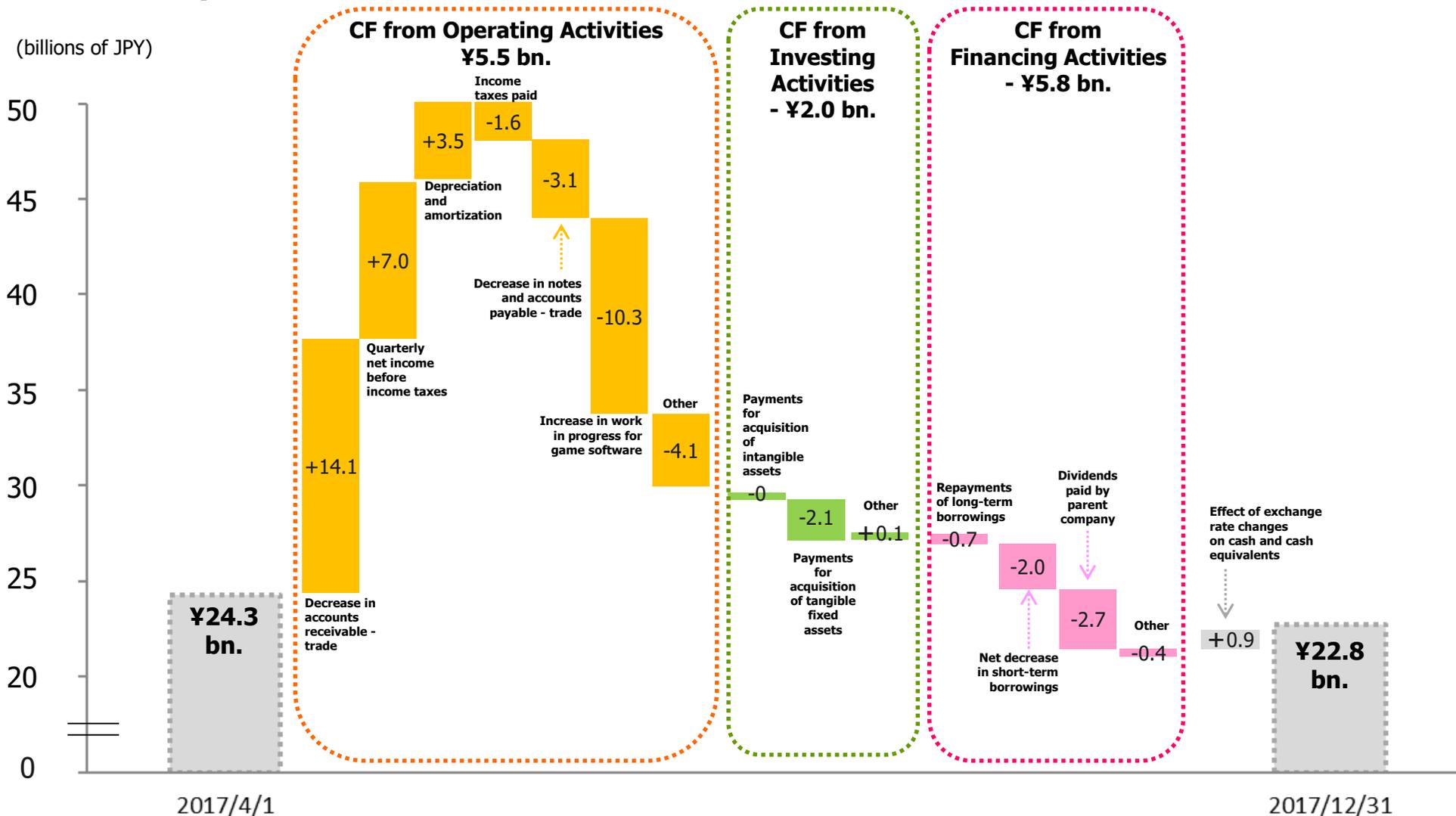
Liabilities	2017/3	2017/12	Difference
Short-term borrowings and Long-term borrowings	16,111	13,363	-2,748

#### 3. Short-term borrowings and Long-term borrowings

- Decrease due to repayment of ¥2 billion in short-term borrowings

# 2-1. Financial Highlights – Consolidated Cash Flows

## 12/2017 Consolidated Cash Flows: Increases and Decreases



# Digital Contents

## 2-2. Digital Contents – Highlights (1)

**Catalog sales grew primarily overseas**  
**Mixed performance from new titles**

### ■ Consumer: Q3 Highlights

- Released *Resident Evil 7 biohazard Gold Edition*; cumulative sales for *Resident Evil 7 biohazard* topped 4.8 million units
- Launched re-releases of major brands on current-generation hardware, such as *Resident Evil: Revelations* for Nintendo Switch
- Digital ratio of net sales: 40.1%

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

Platform	Title	Date		Result
PS4 Xbox One PC	Resident Evil 7 biohazard (catalog)	Japan	Jan. 26 2017	1,200
		North America	Jan. 24 2017	
		Europe	Jan. 24 2017	
PS4 Xbox One PC	Marvel vs. Capcom: Infinite	Japan	Sep. 21 2017	1,000
		North America	Sep. 19 2017	
		Europe	Sep. 19 2017	

\*Unit sales include full-game download sales

\*Japan includes the Asian region

## 2-2. Digital Contents – Highlights (2)

**Digital downloads strong, driven by catalog sales**  
**Stable growth for unit sales year-over-year**

### ■ Consumer: Unit Sales for the 9 Months

(thousand units)

	2015/12	2016/12	2017/12	Difference
<b>Titles (SKU)</b>	28	33	41	8
<b>Package</b>				
Japan	4,000	1,450	1,300	-150
North America	1,100	2,700	2,450	-250
Europe	500	900	1,750	850
Asia	200	150	250	100
Package Total	5,800	5,200	5,750	550
<b>Digital download contents</b>				
Full-game download	4,000	6,500	8,100	1,600
<b>Total</b>	9,800	11,700	13,850	2,150

## 2-2. Digital Contents – Highlights (3)

**Pursued mobile game alliances aimed at growth in the medium term while continuing stable operations of in-house titles**

### ■ Mobile Contents: Q3 Highlights

- *Monster Hunter Explore* contributed stable revenue and profit
- Launched *Puzzle Fighter* for Android and iOS in November in Europe, North America and Asia

### ■ PC Others: Q3 Highlights

- *Monster Hunter Frontier Z* performing steadily
- Released *Dragon's Dogma Online* 3.1 update in December

## 2-2. Digital Contents – Highlights (4)

**Revenue and profit up primarily due to stable growth in Consumer, with licensing revenue from Mobile also contributing**

### ■ 9 Months Digital Contents Performance

(hundreds of millions of JPY)

	2015/12	2016/12	2017/12	Difference
<b>Net sales</b>	<b>360</b>	<b>284</b>	<b>308</b>	<b>24</b>
<b>Operating income</b>	<b>97</b>	<b>14</b>	<b>62</b>	<b>48</b>
<b>Operating margin</b>	<b>26.9%</b>	<b>5.1%</b>	<b>20.3%</b>	<b>—</b>
<b>Breakdown of Net Sales</b>				
<b>Package</b>	<b>217</b>	<b>131</b>	<b>142</b>	<b>11</b>
<b>Digital Download Contents</b>	<b>63</b>	<b>82</b>	<b>95</b>	<b>13</b>
<b>Consumer total</b>	<b>280</b>	<b>213</b>	<b>237</b>	<b>24</b>
<b>Mobile Contents</b>	<b>24</b>	<b>29</b>	<b>34</b>	<b>5</b>
<b>PC Other</b>	<b>56</b>	<b>42</b>	<b>37</b>	<b>-5</b>

# Arcade Operations

## 2-3. Arcade Operations – Highlights

**Revenue and profit up due to promoting efficient operations**  
**Same store sales continue to be strong**

### ■ 9 Months Highlights

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

### ■ 9 Months Business Results

(hundreds of millions of JPY)

	2015/12	2016/12	2017/12	Difference
Net sales	65	70	76	6
Operating income	4	6	8	2
Operating margin	7.0%	8.6%	10.7%	-
Y/Y Ratio of sales for existing stores	-6%	3%	2%	-

### ■ Number of Stores

(facilities)

	2016/3	2017/3	2017/12	2018/3 Plan
New stores	4	3	2	5
Closing stores	3	1	1	2
Total	34	36	37	39

# Amusement Equipments

## 2-4. Amusement Equipments – Highlights

**Revenue and profit down due to revising new model launch schedule on change in Pachinko & Pachislo market environment**

### ■ Pachinko & Pachislo: 9 Months Highlights

- Revised new model release schedule in light of changes in the market environment following the October rule change
- 9 months cumulative unit sales for two models: 22 thousand units  
(sales for 3 models in same period of the previous year: 57 thousand units)

### ■ Arcade Games Sales: 9 Months Highlights

- Continued sales of existing products

### ■ 9 Months Business Results

(hundreds of millions of JPY)

	2015/12	2016/12	2017/12	Difference
Net sales	130	165	77	-88
Operating income	28	54	21	-33
Operating margin	22.1%	32.7%	27.6%	-

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

## **3. FY3/18 Segment Plans & Forecasts**

# Digital Contents

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

## Focusing on sale of major titles in Consumer

### Work to ensure stable performance of PC Online and Mobile titles

#### ■ Consumer: Outlook for FY3/18

- Will launch *Monster Hunter: World*

In addition to Japan, strengthen roll-out across the world, aiming to grow *Monster Hunter* into a global brand

→Jan. 26 2018 global simultaneous release



#### ■ Mobile Contents: Outlook for FY3/18

- Promote development of new titles for the next fiscal year via both alliances and in-house development

#### ■ PC Others: Outlook for FY3/18

- Continue regular updates for major domestic titles

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

**Anticipate increase in digital unit sales due to expanding lineup of current-generation re-releases**

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

(thousand units)

	2016/3	2017/3	2018/3 Plan	Difference
<b>Titles (SKU)</b>	<b>45</b>	<b>42</b>	<b>53</b>	<b>11</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>0</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>

\*"Titles" includes download-only titles

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

**Despite slightly soft performance of new titles up to Q3, Expect unit sales increase primarily due to growth of catalog titles**

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

(thousands of units)

	2015/3	2016/3	2017/3	2018/3 Plan
<b>Consumer</b>				
<b>New Titles (SKU)</b>	<b>33</b>	<b>45</b>	<b>42</b>	<b>53</b>
<b>New Unit Sales</b>	<b>7,000</b>	<b>8,000</b>	<b>10,600</b>	<b>10,300</b>
<b>major titles</b>	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
<b>Catalog Unit Sales</b>	<b>6,000</b>	<b>7,000</b>	<b>8,800</b>	<b>12,700</b>
<b>major titles</b>	Dead Rising 3	Resident Evil: Revelations 2 Monster Hunter 4G	Monster Hunter X (Cross) Resident Evil 6 (Re-release)	Resident Evil 7 Monster Hunter XX (Double Cross) (for 3DS) Dead Rising series others
<b>Total</b>	<b>13,000</b>	<b>15,000</b>	<b>19,400</b>	<b>23,000</b>

\*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. Digital Contents – Full-year Plans (4)

**Aiming for increase in revenue and profit year-over-year via contributions from both new and catalog title in Consumer**

### ■ Digital Contents: FY3/18 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>

# Arcade Operations

## 3-2. Arcade Operations – Full-year Plans

**Continue efficient operations and expansion into new formats**

**Aim to achieve full-year plan**

### ■ Arcade Operations: Outlook for FY3/18

- Promote initiatives that provide synergies with Consumer
- Plan to open three new stores and close one store in Q4 (resulting in a total of 39 stores)
- YoY sales plan for existing stores: +3%

### ■ Arcade Operations: FY3/18 Full-year Plan

(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 stores	-4%	2%	3%	-

# Amusement Equipments

## 3-3. Amusement Equipments – Full-year Plans

**Review launch timing of 2H models, giving consideration to market environment following rule changes**

### ■ Pachinko & Pachislo: Outlook for FY3/18

- Review launch timing of 2 fully-compliant models scheduled for 2H release, giving due consideration to market environment
- Proceed with development of new models for next fiscal year and beyond

### ■ Arcade Game Sales: Outlook for FY3/18

- Continue sales of existing products

### ■ Amusement Equipments: FY3/18 Full-year 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>

\*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

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/12
Net Sales	77,021	87,170	93,000	106.7%	47,740
Gross Profit	29,846	30,731	33,000	107.4%	19,054
Profit margin (%)	38.8%	35.3%	35.5%	-	39.9%
Sales and G&A Expenses	17,816	17,080	18,500	108.3%	12,044
Operating Income	12,029	13,650	14,500	106.2%	7,009
Profit margin (%)	15.6%	15.7%	15.6%	-	14.7%
Ordinary Income	11,348	12,589	14,000	111.2%	7,099
Profit margin (%)	14.7%	14.4%	15.1%	-	14.9%
Net income attributable to owners of the parent	7,745	8,879	9,500	107.0%	4,439
Profit margin (%)	10.1%	10.2%	10.2%	-	9.3%

## ● Sales by Business Segments

(millions of JPY)

		2016/3	2017/3	2018/3 Plan	%	2017/12
Digital Contents	Net Sales	52,577	58,704	65,000	110.7%	30,844
	Operating Income	12,167	11,096	13,700	123.5%	6,257
	Operating Margin	23.1%	18.9%	21.1%	-	20.3%
Arcade Operations	Net Sales	9,056	9,525	10,000	105.0%	7,632
	Operating Income	699	752	700	93.1%	815
	Operating Margin	7.7%	7.9%	7.0%	-	10.7%
Amusement Equipment	Net Sales	13,343	16,856	15,500	92.0%	7,711
	Operating Income	2,812	5,106	3,800	74.4%	2,128
	Operating Margin	21.1%	30.3%	24.5%	-	27.6%
Others	Net Sales	2,043	2,083	2,500	120.0%	1,552
	Operating Income	511	969	1,000	103.2%	758
	Operating Margin	25.0%	46.5%	40.0%	-	48.8%

## ● Sales by Geographic Area

(millions of JPY)

	2016/3	2017/3	2018/3 Plan	%	2017/12
Japan	57,737	55,804	52,600	94.3%	30,245
North America	12,384	20,018	28,000	139.9%	10,363
Europe	5,221	9,007	10,000	111.0%	5,472
Other territories	1,681	2,340	2,400	102.6%	1,658

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

## ●Sales Units Shipped <platform>

(thousand units)

		2016/3	2017/3	2018/3 Plan	Difference	2017/12
Playstation 3	Titles(SKU)	19	16	-	-	9
Playstation 4	Units	3,500	4,700	-	-	3,250
PSP	Titles(SKU)	8	5	-	-	1
PS Vita	Units	300	150	-	-	0
Wii / wii U	Titles(SKU)	-	-	-	-	7
Nintendo Switch	Units	100	0	-	-	1,050
NintendoDS	Titles(SKU)	7	5	-	-	8
Nintendo 3DS	Units	4,100	3,200	-	-	400
Xbox 360	Titles(SKU)	6	9	-	-	7
Xbox One	Units	650	2,100	-	-	700
PC & Others	Titles(SKU)	4	6	-	-	2
	Units	250	250	-	-	350
Package total	Titles(SKU)	44	41	45	4	34
	Units	8,900	10,400	10,500	101.0%	5,750
Full-game download	Titles(SKU)	1	1	8	7	7
	Units	6,100	9,000	12,500	138.9%	8,100
Total	Titles(SKU)	45	42	53	11	41
	Units	15,000	19,400	23,000	118.6%	13,850

\*Full-game download are digital download-only titles

## ●Sales Units Shipped <Distribution/Catalog>

(thousand units)

	2016/3	2017/3	2018/3 Plan	Difference	2017/12
Distribution titles	750	600	700	116.7%	250
Catalog titles	7,000	8,800	12,700	144.3%	9,600

## ●Sales Units Shipped <geographic>

(thousand units)

	2016/3	2017/3	2018/3 Plan	Difference	2017/12
Japan	4,700	3,500	2,750	78.6%	1,300
North America	2,600	4,300	4,700	109.3%	2,450
Europe	1,200	2,200	2,650	120.5%	1,750
Asia	400	400	400	100.0%	250
Full-game download (global)	6,100	9,000	12,500	138.9%	8,100
Total	15,000	19,400	23,000	118.6%	13,850