



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

3rd Quarter Report
Fiscal year ending March 31, 2020

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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 FY3/20 (1)

Aiming for seven years of increased operating income and highest profit in company history, driven by Digital Contents profit growth

	2019/3	2020/3 Initial Plan	2020/3 Revised Plan	(million yen) Difference (YoY)
Net sales	100,031	85,000	80,000	-20,031
Operating income	18,144	20,000	22,000	3,856
Operating margin	18.1%	23.5%	27.5%	-
Ordinary income	18,194	19,500	22,000	3,806
Net income attributable to owners of the parent	12,551	14,000	15,500	2,949

- As of Q3 results announcement, we've made an upward revision to our profit forecast based on the solid performance of Consumer and orders for a new PS machine
- EPS forecast: ¥145.20 per share

1. Forecasts for FY3/20 (2)

■ Business segment forecasts (previous vs. revised)

(million yen)

	Net sales			Operating income		
	2020/3 Previous Plan	2020/3 Revised Plan	Difference	2020/3 Previous Plan	2020/3 Revised Plan	Difference
Digital Contents	66,800	58,000	-8,800	23,600	23,600	-
Consumer	62,700	54,000	-8,700			
Mobile Contents	4,100	4,000	-100			
Arcade Operations	11,200	12,500	1,300	700	1,400	700
Amusement Equipments	4,000	6,500	2,500	100	2,000	1,900
Other Businesses	3,000	3,000	-	300	200	-100
Elimination and Corporate	-	-	-	-4,700	-5,200	-500
Consolidated Total	85,000	80,000	-5,000	20,000	22,000	2,000

- Upward revision of net sales and operating income in Amusement Equipments in considering factors such as orders for new PS machine
- Digital Contents profit forecast remains unchanged as a better Consumer performance is expected to offset Mobile

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

■ 9 Months Results in FY12/18 vs. FY12/19

(million yen)

	2018/12	2019/12	Difference
Net sales	61,270	52,908	-8,362
Operating income	13,461	18,448	4,987
Ordinary income	13,539	18,702	5,163
Net income attributable to owners of the parent	9,180	13,065	3,885

- Profit up YoY due primarily to contributions of digital sales in Consumer
- Net sales dip due to factors such as lower unit prices accompanying focus on digital sales
- Foreign exchange gain of ¥ 60 million

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

■ FY12/19 Net Sales/Operating Income (by segment)

(million yen)

	2018/12	2019/12	Difference
Net sales	61,270	52,908	-8,362
Digital Contents	47,855	40,589	-7,266
Arcade Operations	8,082	9,201	1,119
Amusement Equipments	3,231	663	-2,568
Other Businesses	2,102	2,453	351
Operating income	13,461	18,448	4,987
Digital Contents	15,288	19,885	4,597
Arcade Operations	868	1,187	319
Amusement Equipments	-639	376	1,015
Other Businesses	981	358	-623
Adjustments*	-3,037	-3,358	-321

*Adjustments include unallocated corporate operating expenses.

2-2. Financial Highlights – Consolidated Balance Sheet

■ FY12/19 Balance Sheet (Summary)

				(million yen)			
Assets	2019/3	2019/12	Difference	Liabilities	2019/3	2019/12	Difference
Current Assets	90,817	97,958	7,141	Current Liabilities	23,212	21,167	-2,045
Cash on hand and in banks	53,004	60,633	7,629	Notes and accounts payable - trade	5,141	3,140	-2,001
Notes and accounts receivable - trade	13,970	6,167	-7,803	Electronically recorded monetary liabilities			
Work in progress for game software	16,926	25,780	8,854	Current portion of long-term borrowings	1,579	1,429	-150
Other	6,917	5,378	-1,539	Other	16,492	16,598	106
Fixed Assets	32,590	31,915	-675	Long-term liabilities	11,445	11,337	-108
Tangible fixed assets, net of accumulated depreciation	20,359	20,338	-21	Long-term borrowings	6,735	6,021	-714
Intangible assets	432	367	-65	Other	4,710	5,316	606
Investments and other assets	11,798	11,210	-588	Total liabilities	34,658	32,505	-2,153
Total assets	123,407	129,874	6,467	Shareholders' equity	89,708	98,502	8,794
				Other	-958	-1,133	-175
				Total net assets	88,749	97,369	8,620
				Total liabilities and net assets	123,407	129,874	6,467

- Cash on hand and in banks increased due to growth of quarterly net income
- Work in progress for game software increased due to ongoing title lineup expansion

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

**Profit up from growth of high-margin
digital sales in Consumer**

■ Digital Contents Performance

(100 million yen)

	2017/12	2018/12	2019/12	2020/3 Revised Plan
Net sales	308	478	405	580
Breakdown				
Package	142	165	97	119
Digital	95	268	282	421
Consumer total	237	433	379	540
Mobile Contents	34	17	26	40
PC Other	37	28		
Operating income	62	152	198	236
Operating margin	20.3%	31.9%	49.0%	40.7%

*The PC Other sub-segment has been merged with Consumer as of FY3/20

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

**Unit sales on par with same period of previous year
driven by catalog sales of major titles**

■ Unit Sales for the 9 Months (Consumer)

(units in thousands)

	2017/12	2018/12	2019/12	2020/3 Revised Plan
New Titles (SKU)	41	50	22	30
Total unit sales	13,850	16,600	16,500	26,300
Overseas units ratio	87.0%	85.5%	80.9%	84.8%
Digital units ratio	58.5%	66.9%	77.6%	81.4%
Catalog units ratio	69.3%	75.3%	73.9%	69.2%
Major titles				
New	Marvel vs. Capcom: Infinite Ultra Street Fighter II	Mega Man X Legacy Collection Mega Man 11	Monster Hunter World: Iceborne	Monster Hunter World: Iceborne
Catalog	Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 2 Devil May Cry 5	Monster Hunter: World Resident Evil 2 Devil May Cry 5

*Includes distribution titles

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

**Focused on ongoing digital sales
for major new and catalog titles**

■ 9 Months Highlights (Consumer)

- *Monster Hunter World: Iceborne* topped cumulative 4.5 million units
(as of Jan. 28, 2020; includes PC vers. launched in Jan. 2020)
- *Monster Hunter: World* achieved cumulative 15 million units
(as of Jan. 2, 2020)
- *Resident Evil 2* topped cumulative 5 million units,
Devil May Cry 5 also performed well

■ 9 Months Highlights (Mobile Contents)

- Continued development of both internally- and jointly-developed titles in Japan and overseas



Monster Hunter World: Iceborne

3-2. Business Segment Results – Arcade Operations

Sales and profit up despite tax increase, due to solid performance of primarily existing stores

■ 9 Months Business Results

(100 million yen)

	2017/12	2018/12	2019/12	2020/3 Revised Plan
Net sales	76	80	92	125
Operating income	8	8	11	14
Operating margin	10.7%	10.7%	12.9%	11.2%
Same store sales	2%	±0%	7%	5%

■ Number of Stores

(stores)

	2018/3	2019/3	2019/12	2020/3 Revised Plan
New arcades	2	2	3	3
Closed arcades	2	1	0	0
Total	36	37	40	40



Capcom Store Tokyo

■ 9 Months Highlights

- Same store sales: +7%
- Opened the Capcom Store Tokyo in Shibuya on Nov. 22, 2019

3-3. Business Segment Results – Amusement Equipments

Decrease in sales due to lower unit sales in PS
Performance stabilized due to licensing revenue

■ 9 Months Business Results

(100 million yen)

	2017/12	2018/12	2019/12	2020/3 Revised Plan
Net sales	77	32	6	65
Operating income	21	-6	3	20
Operating margin	27.6%	-	56.7%	30.8%

■ 9 Months Highlights

- Carried out development of models to current certification standard
- PS unit sales: 0 thousand units
(4 models sold total of 7.3 thousand units in same period of previous year)

3-4. Business Segment Results – Other Businesses

Promoting IP use to boost brand value
Focusing on rapidly growing esports market with global events

■ 9 Months Business Results

(100 million yen)

	2017/12	2018/12	2019/12	2020/3 Revised Plan
Net sales	15	21	24	30
Operating income	7	9	3	2
Operating margin	48.8%	46.7%	14.6%	6.7%



Capcom Cup 2019

■ 9 Months Highlights (Character Contents)

- Held Monster Hunter Festa in Tokyo in Nov. 2019 and in Osaka in Jan. 2020

■ 9 Months Highlights (eSports)

- Held Grand Finals for the Street Fighter League: Pro-JP operated by RAGE (team battles) in Japan in Dec. 2019; charged admission for the event
- Held the Capcom Cup 2019 (1-on-1 battles), the world championship tournament capping the Capcom Pro Tour, in the US in December

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

Profitability expected to improve due to Consumer performance
Net sales forecast lowered due to focus on digital sales

■ FY3/20 Digital Contents Plan

(100 million yen)

	2018/3	2019/3	2020/3 Previous Plan	2020/3 Revised Plan	Difference (v. Previous)
Net sales	741	829	668	580	-88
Breakdown					
Package	383	359	154	119	-35
Digital	269	410	473	421	-52
Consumer total	652	769	627	540	-87
Mobile Contents	41	23	41	40	-1
PC Other	48	37			
Operating income	191	233	236	236	-
Operating margin	25.8%	28.1%	35.3%	40.7%	-

*The PC Other sub-segment has been merged with Consumer as of FY3/20

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

**Expect unit sales growth
due to strengthening catalog sales**

■ Consumer: FY3/20 Unit Sales Plan

(units in thousands)

	2017/3	2018/3	2019/3	2020/3 Previous Plan	2020/3 Revised Plan
New Titles (SKU)	42	50	61	30	30
Total unit sales	19,400	24,400	25,300	26,300	26,300
Overseas units ratio	77.8%	79.5%	85.4%	83.8%	84.8%
Digital units ratio	46.4%	52.9%	60.5%	82.5%	81.4%
Catalog units ratio	45.4%	45.1%	56.1%	54.8%	69.2%
Major titles					
New	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Marvel vs. Capcom: Infinite	Resident Evil 2 Devil May Cry 5	Monster Hunter World: Iceborne	Monster Hunter World: Iceborne
Catalog	Monster Hunter Generations Resident Evil 6 (rerelease)	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 2 Devil May Cry 5	Monster Hunter: World Resident Evil 2 Devil May Cry 5

*Includes distribution titles

Launch *Monster Hunter World: Iceborne* for PC Look to expand profitable digital sales

■ Consumer: Outlook for FY 3/20

- *Street Fighter V: Champion Edition* (for PlayStation 4, PC)
Release date: Feb. 14, 2020
- *Megaman Zero/ZX Legacy Collection* (for PlayStation 4, Nintendo Switch, Xbox One, PC)
Release date: Feb. 25, 2020 (some regions soon thereafter)
- Full-year digital net sales ratio forecast: 78%



Street Fighter V: Champion Edition



Megaman Zero/ZX Legacy Collection

■ Mobile Contents: Outlook for FY 3/20

- *Monster Hunter Riders* (for iOS/Android)
Launch date: this winter

4-2. Business Segment Plans & Strategies – Arcade Operations

**Aim for efficient operations of both new and existing stores
while watching for impact of consumption tax increase**

■ Arcade Operations: Outlook for FY3/20

- Aim to increase sales and profit through stabilizing operations at existing stores
- Plan to open 3 new stores and close no stores for the full-year (resulting in a total 40 stores)
- Full-year same store sales: +5%

■ FY3/20 Arcade Operations Plan

(100 million yen)

	2018/3	2019/3	2020/3 Previous Plan	2020/3 Revised Plan	Difference (v. Previous)
Net sales	102	110	112	125	13
Operating income	8	10	7	14	7
Operating margin	8.6%	9.9%	6.3%	11.2%	-
Same store sales	2%	2%	-4%	5%	-

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

**Expect increased sales and profit for the full year
due to release of new machine**

■ Pachinko & Pachislo: Outlook for FY3/20

- New pachislo machine *Shin Onimusha* scheduled for March 2020 release



Shin Onimusha
pachislo machine

■ FY3/20 Amusement Equipments Plan

(100 million yen)

	2018/3	2019/3	2020/3 Previous Plan	2020/3 Revised Plan	Difference (v. Previous)
Net sales	78	34	40	65	25
Operating income	-7	-26	1	20	19
Operating margin	-	-	2.5%	30.8%	-

Enhance brand value by promoting Single Content Multiple Usage
Build foundation for regional franchise structure in eSports

■ Character Contents: Outlook for FY3/20

- Monster Hunter World: Iceborne XR Walk scheduled to open in March at Universal Studios Japan

■ eSports: Outlook for FY3/20

- Preliminary tournament for Intel Corporation's Intel World Open begins March 21
- Promote eSports activities with aim of developing domestic ecosystem
 - Held *Street Fighter V Arcade Edition* tournament at EVO Japan in Jan. 2020
 - Mitsui Fudosan Co., Ltd. held inter-company esports tournament at its Shinjuku Mitsui Building in Jan. 2020

■ FY3/20 Other Businesses Plan

(100 million yen)

	2018/3	2019/3	2020/3 Previous Plan	2020/3 Revised Plan	Difference (v. Previous)
Net sales	23	25	30	30	-
Operating income	11	8	3	2	-1
Operating margin	48.2%	31.5%	10.0%	6.7%	-

5. Summary of Major Financial Information

● Profit and Loss Sheet

(million yen)

	2018/3	2019/3	2020/3 Revised Plan	%	2019/12
Net Sales	94,515	100,031	80,000	80.0%	52,908
Gross Profit	34,619	37,222	42,000	112.8%	31,006
Margin (%)	36.6%	37.2%	52.5%	-	58.6%
Sales and G&A Expenses	18,582	19,078	20,000	104.8%	12,557
Operating Income	16,037	18,144	22,000	121.3%	18,448
Margin (%)	17.0%	18.1%	27.5%	-	34.9%
Ordinary Income	15,254	18,194	22,000	120.9%	18,702
Margin (%)	16.1%	18.2%	27.5%	-	35.3%
Net income attributable to owners of the parent	10,937	12,551	15,500	123.5%	13,065
Margin (%)	11.6%	12.5%	19.4%	-	24.7%

● Sales and Profit by Business Segments

(million yen)

		2018/3	2019/3	2020/3 Revised Plan	%	2019/12
Digital Contents	Net Sales	74,141	82,982	58,000	69.9%	40,589
	Operating Income	19,103	23,315	23,600	101.2%	19,885
	Margin (%)	25.8%	28.1%	40.7%	-	49.0%
Arcade Operations	Net Sales	10,231	11,050	12,500	113.1%	9,201
	Operating Income	879	1,096	1,400	127.7%	1,187
	Margin (%)	8.6%	9.9%	11.2%	-	12.9%
Amusement Equipments	Net Sales	7,803	3,422	6,500	189.9%	663
	Operating Income	-764	-2,668	2,000	-	376
	Margin (%)	-	-	30.8%	-	56.7%
Others	Net Sales	2,338	2,575	3,000	116.5%	2,453
	Operating Income	1,126	811	200	24.7%	358
	Margin (%)	48.2%	31.5%	6.7%	-	14.6%

● Sales by Geographic Area

(million yen)

	2018/3	2019/3	2020/3 Revised Plan	%	2019/12
Japan	52,253	39,387	39,000	99.0%	24,914
North America	24,154	30,134	21,000	69.7%	15,194
Europe	12,035	19,387	10,000	51.6%	7,223
Others	6,072	11,121	10,000	89.9%	5,575