

**Third-Quarter Consolidated Financial Results Conference Call
for the Fiscal Year ending March 31, 2017: Q&A Summary
(February 1, 2017)**

Q. How is *Resident Evil 7 biohazard* (*Resident Evil 7*, below) performing?

A. As of January 27, it has shipped 2.5 million units. (*3 million units as of February 10.) Compared to *Resident Evil 6* this may seem like a lower initial pace, however this can be attributed to the recent wider adoption of digital downloads and the transition from a sharp initial spike in sales for games to a continuous long tail. Further, we believe that achieving our fiscal-year target of 4 million units for this title is wholly possible, as we expect sales to continue for a longer period, buoyed on highly positive post-launch reviews from both the media and consumers.

Q. With regard to revised guidance for the Digital Contents business, why is the decrease in operating income more significant than that of net sales?

A. The revision in Digital Contents is due to a revision to the plan for PC Others. Factors such as the postponement of the period in which we record a running royalty for *Monster Hunter Online* (a licensed title we expect to have high margins), and being unable to cover depreciation and amortization due to the underperformance of existing titles such as *Breath of Fire 6* have led to a revision to expected earnings.

Q. Please explain the reason for revising guidance for full-year unit sales despite no change to full-year net sales in the Consumer business.

A. We have upwardly revised our expectations for unit sales due to the favorable performance of lower priced catalog and rerelease titles; however in terms of revenue, certain new, higher priced titles have not achieved their performance targets and therefore we have not revised the full-year plan for the Consumer business.

Q. It is taking longer than expected to monetize *Monster Hunter Online*. What is the future outlook?

A. We expect it to produce royalty revenue on a continuous basis once the minimum guarantee has been recouped following the end of this fiscal year. Revenue levels have improved due to a major update at the Lunar New Year, and moving forward we plan to work with Tencent Holdings Limited with the aim of further invigorating the title.

Q. To what degree will *Resident Evil 7's* additional downloadable content contribute to earnings?

A. Earnings contributions from *Resident Evil 7* will come primarily from sales of the main game, with additional downloadable content playing a complementary role. We believe strategically releasing appealing additional downloadable content to stimulate continuous interest among game players will result in an extended lifecycle for the title, and will be important in exceeding the lifetime units sold by the previous installment over the course of the game's life.

Q. *Dead Rising 4* was produced under a new development organization, following structural reforms; why has it not received more distinguishing reviews?

A. Compared to the series up to now, this game was made more approachable in order to allow a wider audience to enjoy it; however, there was a wider range of opinions for the new game. Moving forward, we intend to grow unit sales on a continuous basis by releasing additional digital download content while implementing updates for improvements.

Q. PC Others is expected to produce a loss this fiscal year; what is the outlook for the next fiscal year?

A. We expect to record a loss in PC Others this fiscal year due to factors including the postponement of the period in which we record a running royalty from *Monster Hunter Online*, and because certain existing titles are softening. Moving forward, we aim to return this segment to profitability by revitalizing titles through promotions and through operational rationalization.

Q. The cumulative third-quarter operating margin for the Digital Contents business is 5.1%; why is this lower than more recent levels?

A. In addition to a downturn in PC Others, this is due to certain titles within Consumer missing their targets. We expect to improve this to 20% or more following the release of highly profitable, major titles in the fourth quarter.

Q. In the case that results for the fiscal year ending March 2017 are in line with expectations, Capcom will need to produce ¥23.5 billion in operating income in the next fiscal year in order to achieve its medium-term goals. Will this be possible?

A. At the time our medium-term goals were set, Mobile and PC Others were expected to grow; however at present, these businesses have challenges and we are cognizant of the issue presented by these goals. We are now engaged in internal discussions in order to be able to share with you a new direction regarding our medium-term goals at our next fiscal results briefing.

Q. What measures are in store for the Mobile business from the next fiscal year onward?

A. Presently, we are maintaining an open stance and are reviewing various measures in order to achieve growth for this business, which include both internal production and cooperation with other companies; however, we are unable to share any specifics at this point in time.

Q. Has *Resident Evil 7* recouped its development cost at this point?

A. Yes, it has recouped its development cost, and presently has shipped 2.5 million units. (*3 million units as of February 10.)

Q. ¥29.9 billion was booked under work in progress for game software at the end of the third quarter; what does this include?

A. In addition to *Resident Evil 7* and *Monster Hunter XX (Double Cross)*, both fourth quarter releases, the development cost of titles scheduled to be released from the next fiscal year onward are recorded as an asset. This has increased since the end of the last fiscal year; however, we regard this as appropriate since we are strengthening our development lineup in accordance with our growth strategy.

Q. Do you have any plans to bring the *Resident Evil* series to PC Online games in China?

A. Presently, we are proceeding forward with a number of future projects in the Asian region; however, at this point in time we are unable to share any specifics, including brand names.