



January 31, 2018

Press Release

Company Name: Capcom Co., Ltd.

Representative: Haruhiro Tsujimoto, President and COO
(Code No. 9697 First Section of Tokyo Stock Exchange)

Contact: Public Relations and Investor Relations Section

Phone Number: +81-6-6920-3623

Net Sales Down 10.8%, Operating Income Up 36.9% Year-Over-Year in Consolidated Results for the Nine Months Ended December 31, 2017

- Profit margin improved in Digital Contents business; launch of major title in Q4 on the horizon-

Capcom Co., Ltd. today announced that in its consolidated business results for the nine months ended December 31, 2017, net sales decreased to 47,740 million yen (down 10.8% year-over-year), operating income increased to 7,009 million yen (up 36.9% year-over-year), ordinary income increased to 7,099 million yen (up 71.2% year-over-year), and net income attributable to owners of the parent increased to 4,439 million yen (up 60.7% year-over-year).

In the nine months ended December 31, 2017, our core Digital Contents business had a strong performance, backed by titles such as *Resident Evil 7 biohazard* and *Monster Hunter XX (Double Cross) Nintendo Switch Ver.*; however, net sales decreased due to revising the new product launch schedule in our Amusement Equipments business following changes to the market environment. Despite this, profit increased due to profitability improvements in the Digital Contents business, putting Capcom on firm footing to achieve five consecutive years of operating income growth.

The forecast for the consolidated business results for the current fiscal year ending March 31, 2018 remains the same as what was projected at the financial results announcement on April 27, 2017.

1. Results for the 9 months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
	Million Yen	Million Yen	Million Yen	Million Yen
9 months ended December 31, 2017	47,740	7,009	7,099	4,439
9 months ended December 31, 2016	53,507	5,119	4,147	2,762

2. Earnings forecast for the fiscal year ending March 31, 2018

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Earnings per share of common stock
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Year ending March 31, 2018	93,000	14,500	14,000	9,500	173.53

3. Status of Each Operational Department

(1) Digital Contents

(Unit: Million Yen)

	9 months ended December 31, 2016	9 months ended December 31, 2017	Difference (%)
Net sales	28,428	30,844	8.5%
Operating income	1,461	6,257	328.2%
Operating margin	5.1%	20.3%	-

- a. In this business, *Resident Evil 7 biohazard* (for PlayStation 4, Xbox One and PC) and *Monster Hunter XX (Double Cross) Nintendo Switch Ver.* (for Nintendo Switch) performed strongly, in addition to *Ultra Street Fighter II The Final Challengers* (for Nintendo Switch) becoming a smash hit. Meanwhile, sales of *Marvel vs. Capcom: Infinite* (for PlayStation 4, Xbox One and PC), which was launched in September 2017 targeting the European and US markets, tended to be soft.
- b. In online games, *Monster Hunter Frontier Z*, a perennial favorite which underwent a major update commemorating its 10th anniversary, gave a solid performance. In mobile contents, amid business reforms including alliance strategies carried out by the Company to bring about a breakthrough in the business, *Monster Hunter Explore* remained steadily popular, as licensing revenue utilizing our IP also contributed to the increase in profits.
- c. The resulting net sales were 30,844 million yen (up 8.5% from the same term in the previous year) and operating income was 6,257 million yen (up 328.2% from the same term in the previous year).
- d. In the fourth quarter of the fiscal year ending March 31, 2018, the Company plans on an aggressive sales campaign with the release of its flagship title, *Monster Hunter: World* (for PlayStation 4 and Xbox One).

(2) Arcade Operations

(Unit: Million Yen)

	9 months ended December 31, 2016	9 months ended December 31, 2017	Difference (%)
Net sales	7,069	7,632	8.0%
Operating income	611	815	33.4%
Operating margin	8.6%	10.7%	-

- a. In this business, the market was revitalized owing to the growing number of new users, including women and inbound tourists. Under these circumstances, the Company made efforts to secure repeat customers and acquire new customers, such as families with children, through various methods. These included installing machines that meet diverse customer needs, holding events and conducting service-day campaigns, as well as reducing arcade-operating costs.
- b. During the period under review, the Company opened two new stores and closed one bringing the total number of stores to 37.
- c. The resulting net sales were 7,632 million yen (up 8.0% from the same term in the previous year) and operating income was 815 million yen (up 33.4% from the same term in the previous year).

(3) Amusement Equipments

(Unit: Million Yen)

	9 months ended December 31, 2016	9 months ended December 31, 2017	Difference (%)
Net sales	16,591	7,711	-53.5%
Operating income	5,422	2,128	-60.7%
Operating margin	32.7%	27.6%	-

- a. In the struggling Pachinko & Pachislo sub-segment, the Company was able to secure a certain amount of profit for *Resident Evil: Revelations* by lowering its cost of sales ratio. Meanwhile, despite the Company's efforts to expand its contracted product development, the effects of the recent changes in model-testing methods could not be avoided and sales were weak.
- b. In the Arcade Games Sales sub-segment, sales of *Monster Hunter Medal Hunting G*, a consistently popular medal game remained strong. Nevertheless, sales for this business overall were soft.
- c. The resulting net sales were 7,711 million yen (down 53.5% from the same term in the previous year) and operating income was 2,128 million yen (down 60.7% from the same term in the previous year).

(4) Other Businesses

(Unit: Million Yen)

	9 months ended December 31, 2016	9 months ended December 31, 2017	Difference (%)
Net sales	1,418	1,552	9.5%
Operating income	562	758	34.8%
Operating margin	39.6%	48.8%	-

The net sales from Other Businesses, mainly consisting of royalty income from licensing and sale of character merchandise, were 1,552 million yen (up 9.5% from the same period in the previous year) and operating income was 758 million yen (up 34.8% from the same period in the previous year).