

**Financial Results Briefing for the First Half of the
Fiscal Year ending March 31, 2017: Q&A Summary
(October 28, 2016)**

Q. You have released Consumer-like games in new formats, such as *Toraware no Paruma*; will you be making use of Consumer development know-how in Mobile development?

A. Launched in August, *Toraware no Paruma* was developed with a staff of female home video game developers at its core. While a title targeting female users is rare for Capcom, a fastidious attention to detail characteristic of home video game development proved successful and the title is indicating signs of a boom. We will analyze what made this a hit, and utilize that in future mobile development.

Q. What measures will you take going forward with regards to cost reductions in the PC Online business?

A. In the PC Online business, we plan to continue to operate over the long-term via profitability improvements through streamlining areas such as server operation costs while also improving our user numbers and our DAU rate. In this market, however, it is said that 80% of sales are in general generated from 10% of users. We feel that resolving this unbalance is one issue we must face in order to make improvements to our profitability moving forward.

Q. What is Capcom's stance with regards to developing for the Nintendo Switch?

A. It is excellent to have the market invigorated with new hardware launches. As a software publisher, we endeavor to develop games that offer enjoyment best suited to each piece of hardware's features and target users. Following first party, in order to introduce our own content we are currently moving forward with internal planning and analysis as a partner company.

Q. How many major titles is it possible to launch in one year from the Consumer business?

A. We are proceeding with diversified planning based on our 60-month map internally, however due to structural reforms focusing on internal development we are shorthanded for developers. We will continue to proactively hire primarily new graduates, and expand our number of titles by increasing our number of development lines.

Q. What developments are in store for *Resident Evil* films and movies?

A. With the Hollywood film *Resident Evil: The Final Chapter*, scheduled to premiere in December (in Japan), the films have reached a break; however, as with the feature-length *Resident Evil* CG films, we will continue a multifaceted expansion in this area beyond the live-action format.

Q. What are your expectations for lifetime revenue of *Resident Evil 7 biohazard*?

A. We are expecting 4 million unit sales worldwide in this fiscal year. Also, we expect to recognize sales of the game as a catalog title in the next fiscal year; however, revenue for catalog titles tends to grow in relation with the timing of movie releases and new titles in a series. What is more, the sales lifecycles for titles has grown due to digital distribution, so we expect this game to become a foundation title, producing revenue not limited to the next two fiscal years but into the long term as well.

Q. How has *Monster Hunter Online* been received and what is the situation with the Chinese market?

A. Service began in China in December of last year, and with the agreement between Tencent and Capcom as a base, we have been dedicating our fullest attention to vitalizing the title. However, we have reaffirmed the drastic differences in tastes that exist between the Chinese and Japanese markets, despite both being within the same Asian region. We perceive the title to be of extremely high quality, however believe that it requires certain steps to help it better resonate with local users.

Q. What is Capcom's position regarding revenue opportunities in VR?

A. We are actively pursuing expansion into VR, such as with full VR support on *Resident Evil 7 biohazard* and with the VR attraction *Tokusatsutaikan VR Daikaijyu Capdon*. However, elements of sales promotion and cutting-edge technology research are prominent in both of these cases, therefore we do not believe VR on its own will contribute to earnings immediately at this time. Going forward we will consider measures towards future revenue generation, including that of VR-only titles, following analysis of the market's reception.

Q. Is it possible to develop multiplatform titles on the Nintendo Switch?

A. We are currently carrying out research with regards to multiplatform implementation of software for PlayStation 4 and Xbox One on to the Nintendo Switch and thus are unable to comment at this moment. However, we do feel that there are differences in the desired direction and the play-style of the Nintendo Switch and those of the PlayStation 4 or Xbox One. At Capcom, we determine which platform to release a title for after considering the features of both our software and the hardware in question, believing we must bring the enjoyment of our games to their maximum potential.

*We have supplemented a portion of the questions and answers with comments.