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Press Release

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**Net Sales for the 3 Months Ended June 30, 2016 decreased by 24.9%,
Income underperformed from the Same Term Last Year due to Accounting Operating Loss**

- Overall in-line with projections, aggressive roll-out of multiple major titles planned for 2H -

Capcom Co., Ltd. today announced that net sales decreased to 10,927 million yen (down 24.9% from the same term last year) in the three months of fiscal year ending March 31, 2017. As for profits, the Company recorded an operating loss of 726 million yen (compared with that of 2,026 million yen for the same term last year), ordinary loss of 2,080 million yen (compared with that of 2,135 million yen for the same term last year) and a net loss attributable to owners of the parent of 1,411 million yen (compared with that of 1,569 million yen for the same term last year).

During the three months, in the Digital Contents business, because the Group's business strategy prioritizes the second half of the fiscal year through measures such as releasing this fiscal year's major titles in the second half of the year, the business mainly focused on minor titles. *Phoenix Wright: Ace Attorney – Spirit of Justice* sold largely as planned with sales supported by core users, in addition to fair digital download sales.

Regarding the Amusement Equipments business, *Super Street Fighter IV* sold in-line with plans; however, sales and income declined on a reactionary drop following a hit title in the first quarter of the previous fiscal year.

As a result, consolidated net sales were 10,927 million yen, operating loss was 726 million yen. The Company also recorded an ordinary loss of 2,080 million yen due to foreign exchange losses caused by the rapidly rising yen and a net loss attributable to owners of the parent of 1,411 million yen.

The forecast for the consolidated business results for the current fiscal year ending March 31, 2017 remains the same as what was projected at the financial results announcement on May 9, 2016.

1. Results for the 3 months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
	Million Yen	Million Yen	Million Yen	Million Yen
3 months ended June 30, 2016	10,927	(726)	(2,080)	(1,411)
3 months ended June 30, 2015	14,541	2,026	2,135	1,569

2. Earnings forecast for the fiscal year ending March 31, 2017

	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, 2017	85,000	13,600	13,300	9,000	160.06

3. Status of Each Operational Department

(1) Digital Contents

(Unit: Million Yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Difference (%)
Net sales	6,294	6,740	7.1%
Operating income	1,107	8	(99.2%)
Operating margin	17.6%	0.1%	-

- a. In the Digital Contents business, a series title *Phoenix Wright: Ace Attorney – Spirit of Justice* (for the Nintendo 3DS system) sold largely as planned with sales supported by core users. In addition, the Company released *Umbrella Corps* (for PlayStation 4 and PC), a title based on settings from *Resident Evil*, on June 23. However, as the first quarter corresponded to the off-launch season in the market launch cycle of major titles, sales were mostly generated by minor titles. Also, sales of catalog titles, whose profit margin is high, did not grow substantially.
- b. Moreover, the Company has been trying to improve the challenges surrounding online games and mobile phone contents.
- c. The resulting net sales were 6,740 million yen (up 7.1% from the same term last year). The Company recorded an operating loss of 8.0 million yen (down 99.2% from the same term last year).

(2) Arcade Operations

(Unit: Million Yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Difference (%)
Net sales	1,932	2,157	11.6%
Operating income	35	107	205.9%
Operating margin	1.8%	5.0%	-

- a. In the Arcade Operations business, under the environment in which the regulations on the entrance to arcades in the nighttime were relaxed by the amendments to the Act on Control and Improvement of Amusement Business, etc. effective June 2016, efforts were made to capture a broad customer base by securing repeat customers and attracting persons of middle or advanced age and younger children with their parent through community-based arcade marketing to win the support of local residents such as holding various events and operating arcades in a manner to offer comfortable experience to customers.

- b. To develop business opportunities, the Company also pushed forward with innovative new business formulas such as the opening in the arcade of a new “CharaCap” shop, which mainly sells character goods.
- c. As there were no new openings or closures of arcades during the period under review, the total number of arcades remained unchanged from the end of the previous fiscal year at 34.
- d. The resulting net sales were 2,157 million yen (up 11.6% from the same term last year) and operating income was 107 million yen (up 205.9% from the same term last year).

(3) Amusement Equipments

(Unit: Million Yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Difference (%)
Net sales	6,042	1,662	(72.5%)
Operating income	1,772	(61)	-
Operating margin	29.3%	-	-

- a. In the Pachinko & Pachislo sub-segment, the Company mainly focused on contracted product development except for the launch of *Super Street Fighter IV* as it plans to concentrate major business development efforts on the second half of the fiscal year. In the Arcade Games Sales sub-segment, business was generally weak as the Company focused on sales of existing products.
- b. The resulting net sales were 1,662 million yen (down 72.5% from the same term last year). The Company recorded an operating loss of 61 million yen (compared with an operating income of 1,772 million yen for the same term last year).

(4) Other Businesses

(Unit: Million Yen)

	3 months ended June 30, 2015	3 months ended June 30, 2016	Difference (%)
Net sales	272	366	34.5%
Operating income	50	126	152.9%
Operating margin	18.4%	34.4%	-

The net sales from Other Businesses, mainly consisting of publication of game guidebooks and sale of character merchandise, were 366 million yen (up 34.5% from the same term last year) and operating income was 126 million yen (up 152.9% from the same term last year).