

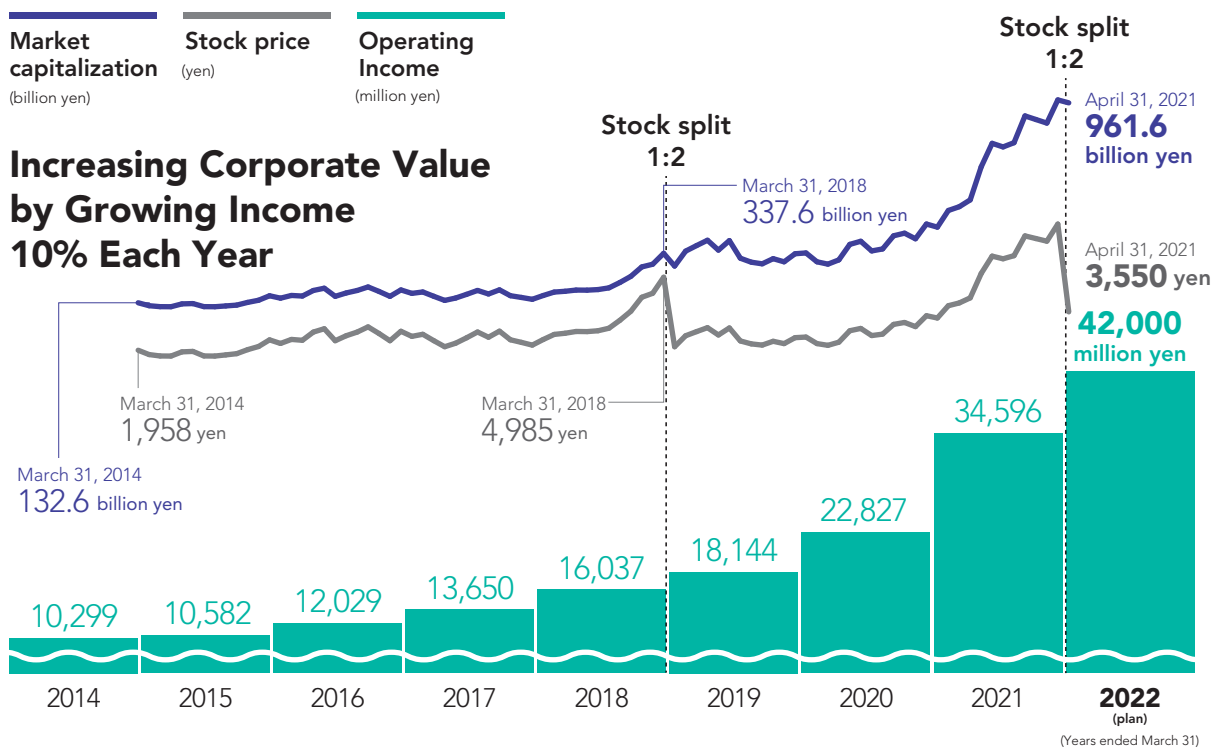
Continuing to create financial and non-financial value



Achieving eight consecutive years of increased operating income

The game industry is continuously changing, in step with the evolution of AI, communications, and other advanced technologies. At Capcom, we see these changes as an opportunity, and as a result of our efforts to strengthen our development structure and promote digitalization, the fiscal year ended March 2021 marks eight consecutive years of increased

operating income. Though we split our stock on April 1, 2018 and again on April 1, 2021 to improve its fluidity and expand our investor base, as our performance improves, our stock price also continues to rise steadily. We will continue to increase our corporate value (market capitalization) with sustainable business growth so that we can reward our stockholders' loyalty.





Providing smiles and moving hearts all across the globe

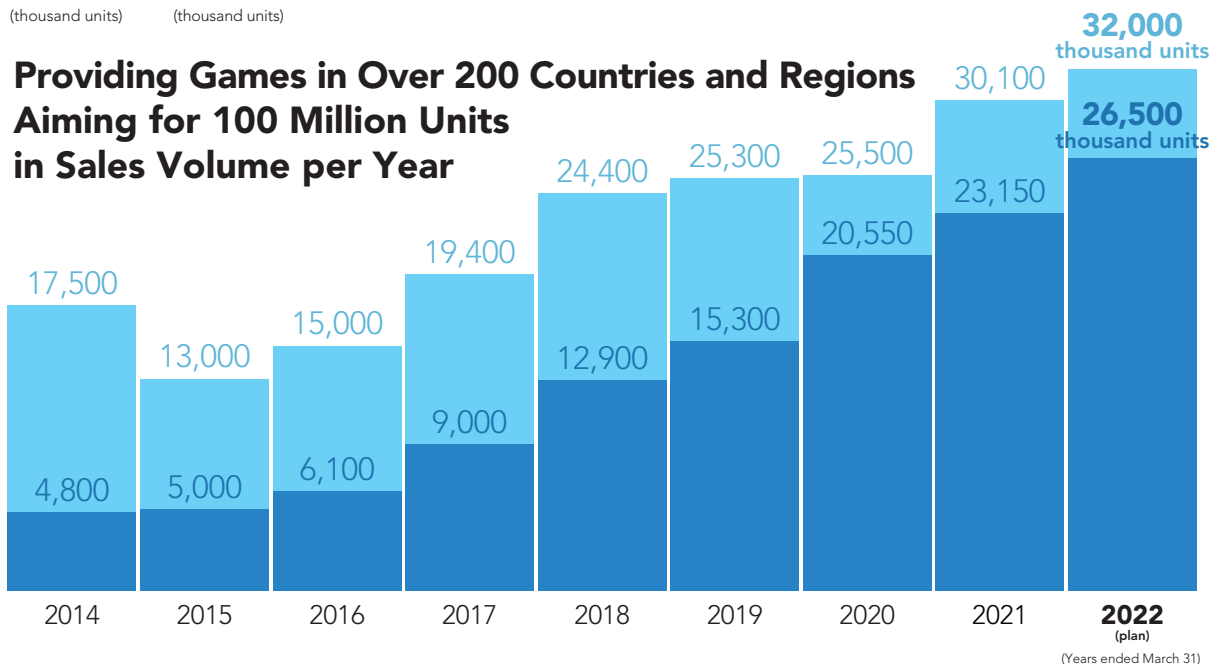
Since Capcom's founding in 1983, we have continued to move hearts and deliver smiles through the entertainment of games. In recent years, the spread of the internet, PCs, and smartphones has made it possible to enjoy games even without game consoles, while at home, and in any country or region around the world. Further, our game software sales volume has been increasing,

driven primarily by digital sales. We will continue to strive in our business activities in an effort to contribute to the improvement of quality of life for people throughout the world by providing high quality entertainment.

Total units sold
(thousand units)

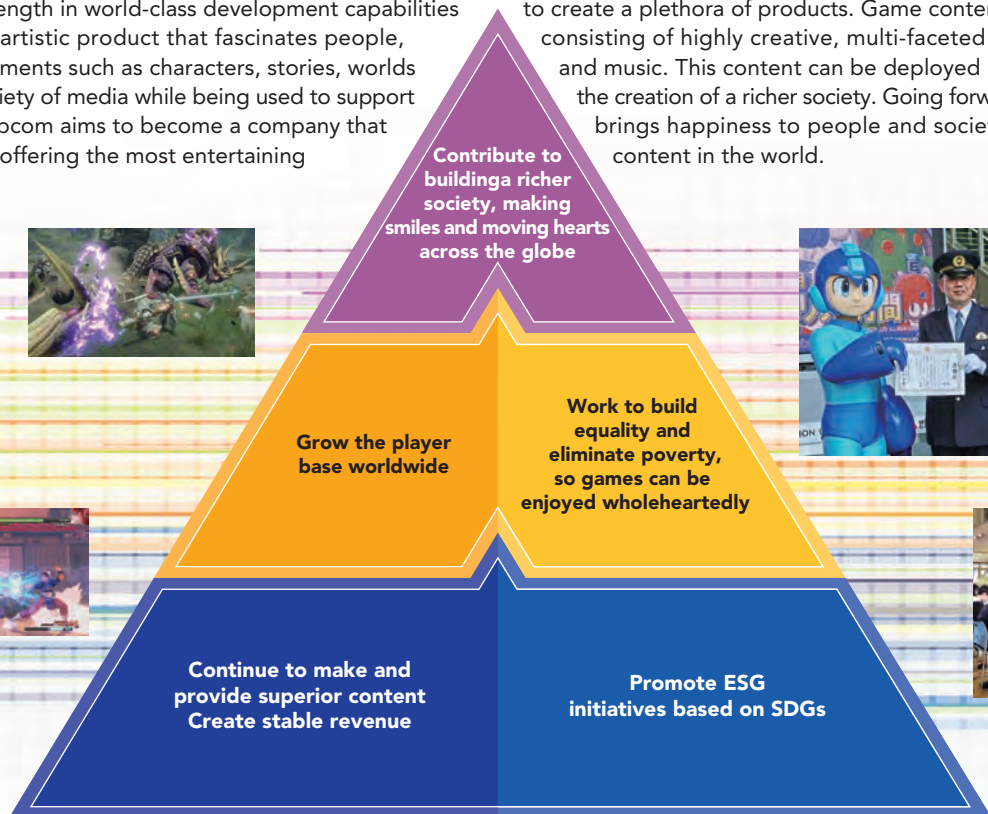
Digital units sold
(thousand units)

Providing Games in Over 200 Countries and Regions Aiming for 100 Million Units in Sales Volume per Year



Capcom: Creator of entertainment culture that stimulates your senses

Our purpose is to be a creator of entertainment culture. Through development of highly creative software contents that excite people, stimulate their senses, and bring smiles to their faces we aim to offer an entirely new level of game entertainment. Since Capcom's establishment in 1983, we have leveraged our strength in world-class development capabilities to create a plethora of products. Game content is an artistic product that fascinates people, consisting of highly creative, multi-faceted elements such as characters, stories, worlds and music. This content can be deployed in a variety of media while being used to support the creation of a richer society. Going forward, Capcom aims to become a company that brings happiness to people and society by offering the most entertaining content in the world.



CONTENTS

Value Creation Story

- 01 Create Financial and Non-Financial Value
- 03 Corporate Philosophy
- 05 History of Value Creation
- 07 Major Intellectual Properties (IP)
- 09 Effectively Leveraging IP
- 11 World Leading Development Capabilities
- 12 Digital Strategy Performance
- 13 ESG Highlights
- 15 Value Creation Model
- 17 Financial Highlights
- 19 Business Segments Highlights
- 23 Medium- to Long-Term Vision

Medium- to Long-Term Growth Strategy

- 25 CEO Commitment
- 35 The COO's Discussion of Growth Strategies
- 43 Financial Strategy According to the CFO

Latest Creative Report

- 47 The Head of Development Discusses Development Strategy
- 49 *Monster Hunter Rise*
- 53 Training Human Resources and Environmental Improvements

Foundation for Sustainable Growth (ESG)

- 55 ESG Information
- 56 Capcom and the Environment
- 57 Society and Capcom
- 63 Corporate Governance
- 63 Directors
- 65 Corporate Governance Structure and Initiatives
- 73 Message from an External Director

Financial Analysis and Corporate Data

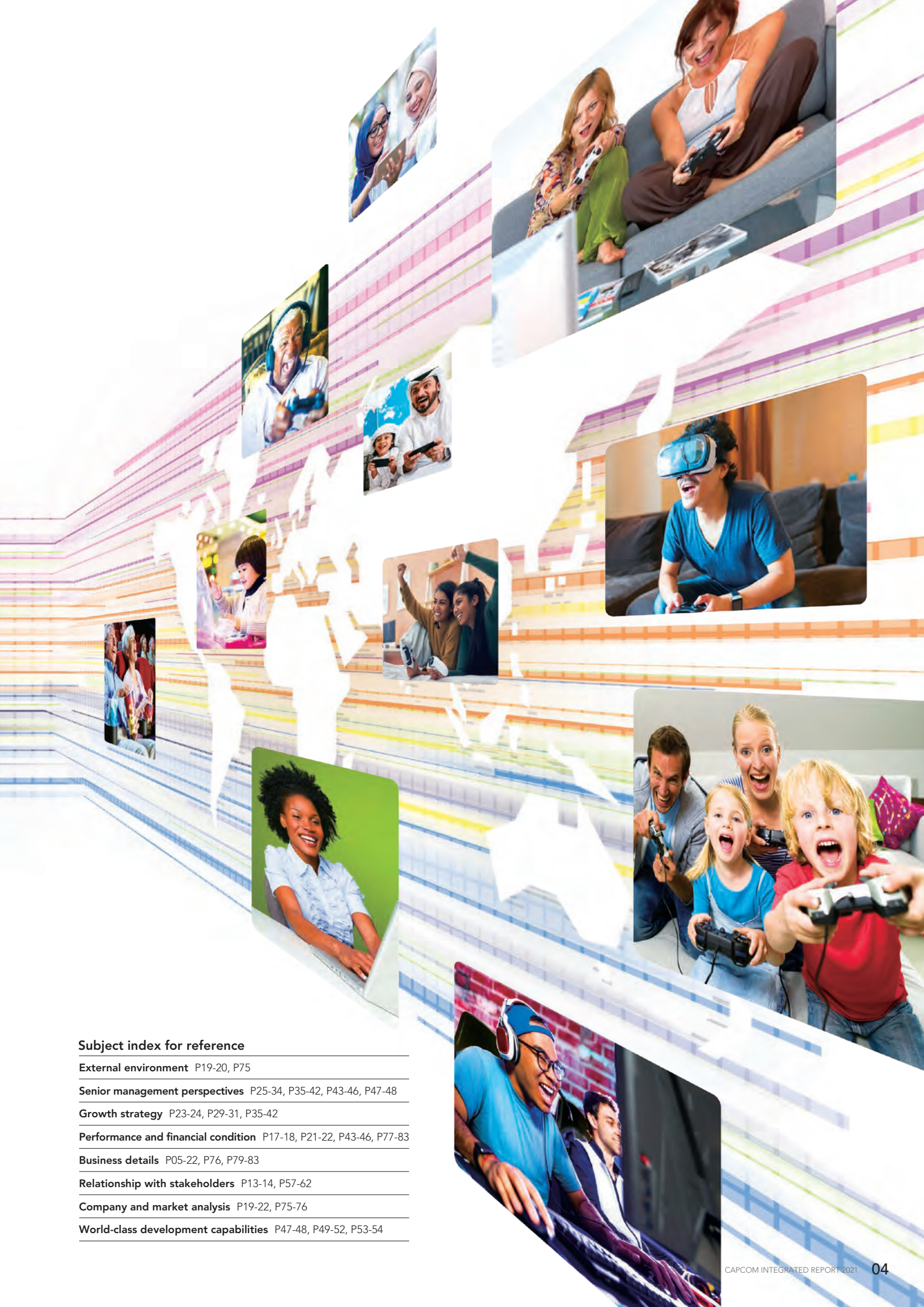
- 75 An Analysis of the Market and Capcom
- 77 11-Year Summary of Consolidated Financial Indicators
- 79 Segment Information
- 84 Stock Data
- 85 Corporate Data

Editorial policy

Capcom's Integrated Report conveys initiatives aimed at improving corporate value over the medium- to long-term to all stakeholders. This report is issued with the intent of creating opportunities for further dialogue. Furthermore, we aim to express ideas in a simple and easily understood manner and visually represent important items to aid understanding. Details are available online.

Period and scope

This report reviews the fiscal year ended March 31, 2021 (April 1, 2020–March 31, 2021). When necessary, it also includes references to fiscal periods before and after this timeframe. Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.



Subject index for reference

External environment P19-20, P75

Senior management perspectives P25-34, P35-42, P43-46, P47-48

Growth strategy P23-24, P29-31, P35-42

Performance and financial condition P17-18, P21-22, P43-46, P77-83

Business details P05-22, P76, P79-83

Relationship with stakeholders P13-14, P57-62

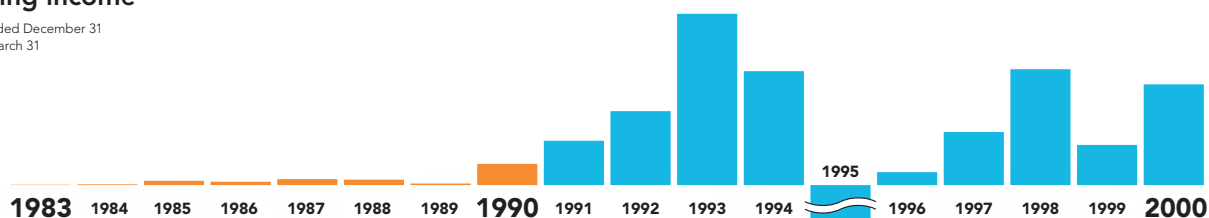
Company and market analysis P19-22, P75-76

World-class development capabilities P47-48, P49-52, P53-54

Superior development capabilities taking us from Osaka to the world

Trend in operating income

Note: 1983–1988: Fiscal years ended December 31
1989–2021: Fiscal years ended March 31



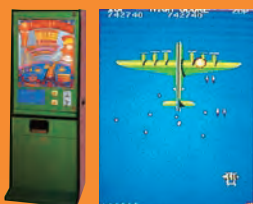
Genesis

Capcom Co., Ltd. was established in Osaka in 1983. The Nintendo Entertainment System (NES) came out that same year, but it was difficult to develop high-quality arcade-level content for, so Capcom focused business development on the creation and sales of arcade games using the proprietary high-spec circuit board "CP System."

Title history

1983

Released our first originally developed coin-op *Little League*.



1984

Released our first arcade video game *Vulgus*.

1985

Released our first home video game *1942* for the Nintendo Entertainment System (NES).



1987

Released *Mega Man* for the NES.

Big hits drive business expansion

In the 1990s, the arrival of Super NES prompted Capcom to formally enter home video game development. Numerous hit titles were created that drew on Capcom's arcade game development expertise. The Single Content Multiple Usage strategy was launched in earnest in 1994 with the release of a Hollywood movie and animated movie based on *Street Fighter*.

1992

Released *Street Fighter II* for the Super NES.



1993

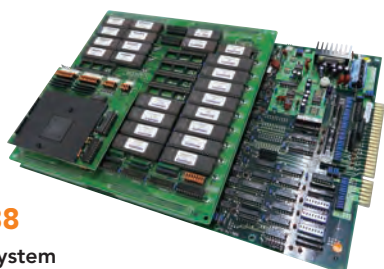
Released *Breath of Fire* for the Super NES.

1996

Released *Resident Evil* for PlayStation, establishing the genre of survival horror with this record-breaking, long-time best-seller.



Capcom and Entertainment Culture



1988

CP System

Through leveraging our proprietary, high-performance circuit board we were able to captivate game players with exquisitely depicted, immersive game worlds of the highest quality, allowing us to produce one hit after another in both the arcade and home video game markets.

1991

Street Fighter II becomes a major hit

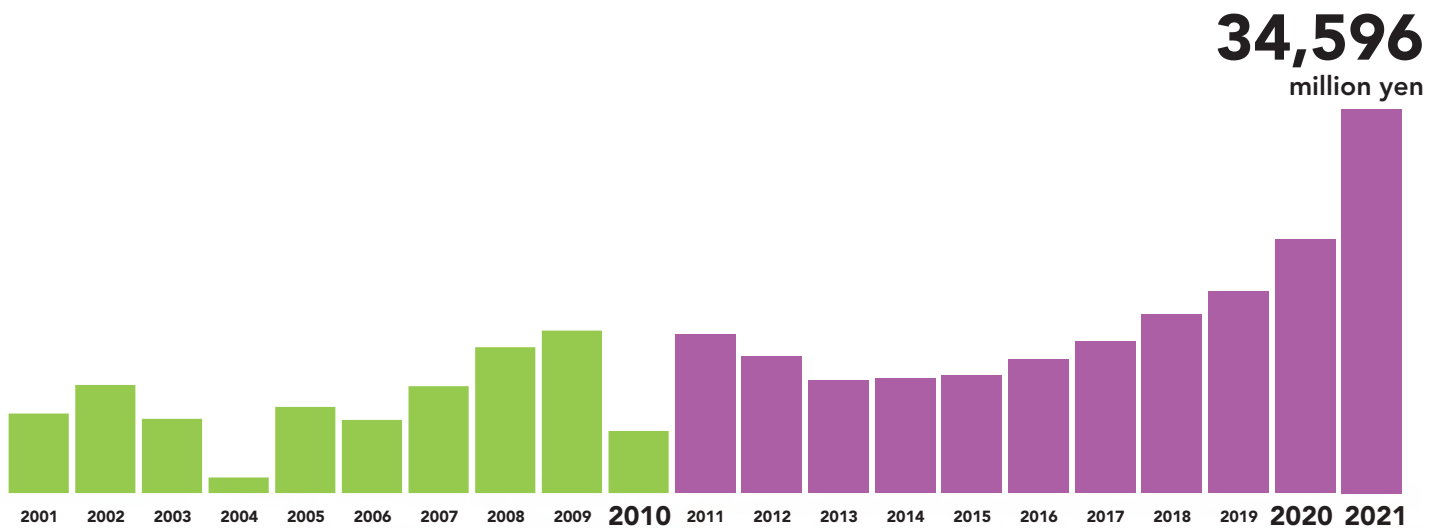
The game became a sensation in arcades across the country, establishing the fighting game genre. In 1992, a national tournament was held at the Ryogoku Kokugikan in what might be called the first ever esports tournament.



2002

Multi-media roll out of Capcom IP starts in earnest

The Hollywood film adaptation of *Resident Evil*, along with the animated TV show and movie adaptations of the youth-orientated *Mega Man Battle Network*, marked the beginning of our foray into branding game-based content.



34,596
million yen

Increasing shares in Europe and North America

In 2000, Capcom listed its shares on the First Section of the Tokyo Stock Exchange. In the 2000s, Capcom created one hit title after another that gained popularity overseas. The Hollywood movie version of *Resident Evil* earned 102 million U.S. dollars globally, part of a six-title hit series that continues to spread the Capcom brand throughout the world.

2001

Released *Onimusha for PlayStation 2*, the first game for PlayStation 2 to become a million-seller in Japan.



2005

Released *Sengoku BASARA for PlayStation 2*.

2006

Released *Dead Rising for Xbox 360*; it became a million-seller, unprecedented for a new title created for a new game console.



Globalization and the digital shift

With game consoles now offering full internet functionality and the popularization of gaming on PCs, the video game market has expanded beyond one segment of developed countries and now permeates the globe. As a result of Capcom's early initiatives to support digital sales, including releasing past titles onto current game consoles and ongoing sales of catalog titles, operating profit margins and the overseas unit sales ratio have been on the rise.

2012

Released *Dragon's Dogma*.

2018

Monster Hunter: World is released selling a cumulative total of more than 17 million units, the first title to do so in Capcom's history.



2021

Monster Hunter Rise and *Resident Evil Village* are released. We are expanding our brand value globally with the high-quality game experiences we provide.



2007

Cooperative gameplay becomes standard

Monster Hunter Freedom 2 became the first game in the series to top a million units sold. People getting together with their game consoles to play cooperatively sparked the "Monster Hunter Craze."



2018

Capcom officially entered esports, a new form of entertainment

In 2018, Capcom established a dedicated department to promote the spread of esports with measures such as launching new competitions for pros and amateurs.

2020

Acceleration of digital game sales

Digital sales of software accelerated against the backdrop of the global COVID-19 pandemic.

Capcom supported the "Stay Home" effort with our rich lineup of games cultivated over the 38 years we have been in business.



Steady output of million-seller titles born from a foundation of popular brands

In the 38 years since our founding, our eagerness to take on new endeavors has given birth to countless popular brands. These brands have garnered massive followings both domestically and overseas.



ROCKMAN 11
運命の歯車!!

Mega Man series

Total number of units sold
36 million

(As of March 31, 2021)

Cumulative million-seller titles
6 titles

First title 1987



Mega Man

Latest title 2018



Mega Man 11

Units sold: **1.3 million**

(As of March 31, 2021)

Latest title 2021



Resident Evil Village

Units sold: **4.5 million**

(As of June 30, 2021)



VILLAGE
BIOHAZARD

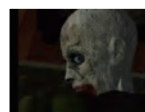
Resident Evil series

Total number of units sold
110 million

(As of March 31, 2021)

Cumulative million-seller titles
30 titles

First title 1996



Resident Evil

ORIGINAL CONTENTS



Monster Hunter series

Total number of units sold
72 million
(As of March 31, 2021)

Cumulative million-seller titles
13 titles

First title 2004



Monster Hunter

Latest title 2021



Monster Hunter Rise

Units sold: **4.8 million**
(As of March 31, 2021)



Street Fighter series

Total number of units sold
46 million
(As of March 31, 2021)

Cumulative million-seller titles
13 titles

First title 1987



Street Fighter

Latest title 2016

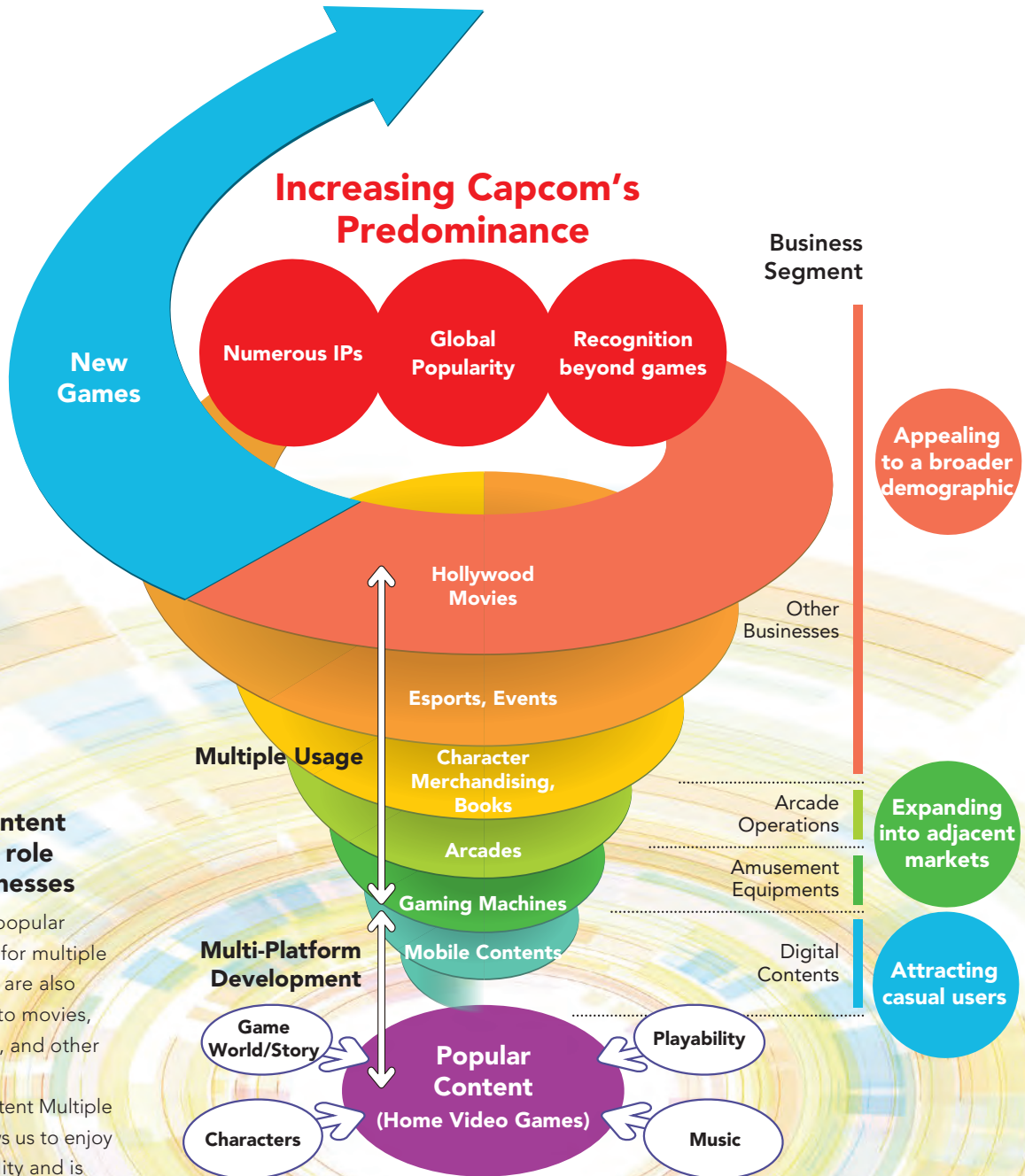


Street Fighter V

Units sold: **5.5 million**
(As of March 31, 2021)

Increasing profits and brand value through our Single Content Multiple Usage strategy

Our Single Content Multiple Usage strategy maximizes the use of our most popular content. This allows us to build a business portfolio that achieves both greater profitability and risk diversification.



Our original content plays an active role in diverse businesses

As we develop our popular proprietary content for multiple game platforms, we are also actively turning it into movies, theater productions, and other non-game media.

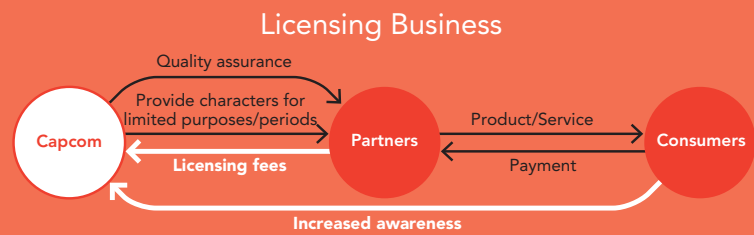
This Single Content Multiple Usage strategy allows us to enjoy multi-level profitability and is building a business portfolio diversified against risk.

Additionally, it contributes to even further improved brand power for each IP.

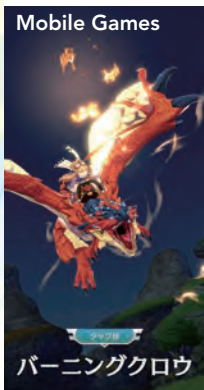
Further Improved Brand Power



Appealing to a broader demographic



Expanding into adjacent markets



Attracting casual users

Monster Hunter series



First-rate creators are the source of our creativity

Our R&D facilities, outfitted with the most cutting-edge development equipment and technology, are the stage upon which our more-than 2,400 developers work daily to improve quality in an effort to create world-class entertainment.

Development strengths

In-house production ratio

More than **80%**

Ensuring development efficiency and quality

Million-selling IPs

19 series

Numerous brands that are well-known around the globe

Number of developers

More than **2,400** people

One of the largest game R&D workforces in Japan



Changing the game business model by promoting digitalization

We are maximizing the power of digital sales online, which is in turn improving the sales profit margin while rapidly expanding the number of units sold and the regions in which they are sold.

Benefits of digitalization

10-year profit margin improvement of
approx. 20 points
(10 years from 2010 to 2020)

Growing recurring revenue model /
Catalog title sales are
UP 583%
(10 years from 2010 to 2020)



Game software sales area of more than
200 countries and regions

Global sales growth / units sold overseas are
UP 111%
(10 years from 2010 to 2020)

Creating social value as a game publisher

With the rise in popularity of esports and the WHO’s international recognition of gaming disorder, in recent years gaming has transcended the framework of simple entertainment and is now recognized as content with a profound social impact. At Capcom, we believe that sustainable growth is achieved by delivering social and economic value, while at the same time building healthy relationships with stakeholders from the perspective of a game publisher. This entails tackling social issues through our business activities, such as training a workforce capable of succeeding on the global stage, and the creation of new markets.

We believe that the principle of Sustainable Development Goals (SDGs)*, namely that “all cultures and civilizations can contribute to sustainable development,” and our own corporate philosophy, which is that we are “creators of entertainment culture that brings you smiles and stimulates your senses,” are closely related. As such, in order to balance our own sustainable economic growth with a sustainable society, we intend to contribute to the development of social sustainability by selecting and addressing four priority issues within the ESG framework based on our fundamental ESG policy outlined below.

Fundamental ESG policy



The Capcom Group has been minimizing the negative impact of its businesses on climate change (e.g., CO₂ and other greenhouse gas (GHG) emissions), and with respect to pollution, use of resources, etc., we have been striving to reduce our consumption of resources by adopting LEDs in lighting and promoting the digitization of software made available for sale.

The Capcom Group will continue to promote these initiatives.



The Capcom Group will respect human rights, prohibit discrimination based on race, religion, gender, age, sexual orientation, disability, nationality, etc., thoroughly eliminate inequality by protecting the vulnerable, create a pleasant working environment for employees, and promote the securing and developing of human resources. In addition, we will promote initiatives to build a healthy relationship with local communities and customers, such as engaging in activities to assist children suffering from poverty in the hope of their healthy growth and development.



The Capcom Group has been enhancing management transparency and soundness, endeavoring to build a structure that is capable of adapting to changes in the environment and striving to boost its corporate value by enhancing its corporate governance function, including utilizing voluntary committees. Going forward, we will continue to further initiatives to meet the expectations of our stakeholders, including shareholders, customers and employees.

Sustainable Development Goals (SDGs)

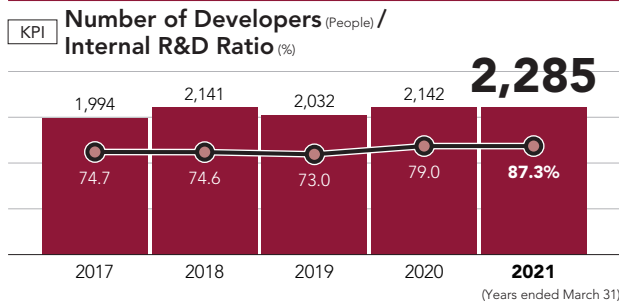
SDGs are 17 goals that were adopted by the over 150 member countries of the United Nations at the United Nations Sustainable Development Summit held in September of 2015 at the UN headquarters in New York. It was determined that in order to eliminate poverty and achieve a sustainable world, we must prioritize the resolution of these 17 goals on a global scale.

➔ For details, please refer to the United Nations Information Centre “2030 Agenda” site.
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



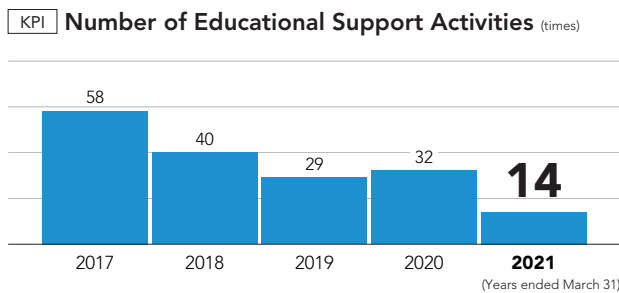
Material Issues

Material Issue **1** Securing and Training of Human Resources



We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world. We continue to hire more than 100 new graduates each year to enhance our product lineup and improve quality. Over the last 10 years we have increased our developer numbers by approximately 1,000 people. We are working to improve the technical skills and motivation of our employees by such means as enhancing our system to train new graduates, promoting younger and mid-career employees to work on major titles and achieve their own personal goals. [➔For details see p.53](#)

Material Issue **3** Development of Solid Relationship with Society

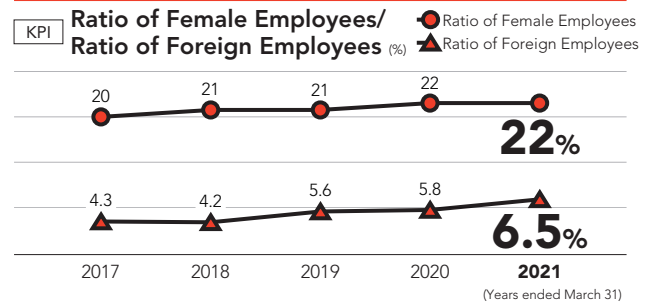


The education support activities that we began in 2005 achieved a certain level of recognition for the results they produced for more than 15 years, and as of the fiscal year ended March 2018, we carry out roughly 30 activities each year on a steady basis. The number of activities decreased in the fiscal year ended March 2021 due to circumstances surrounding the COVID-19 pandemic, but in the same year, we also introduced an online learning program allowing us to hold activities remotely. [➔For details see p.61](#)

Support activities to eliminate poverty

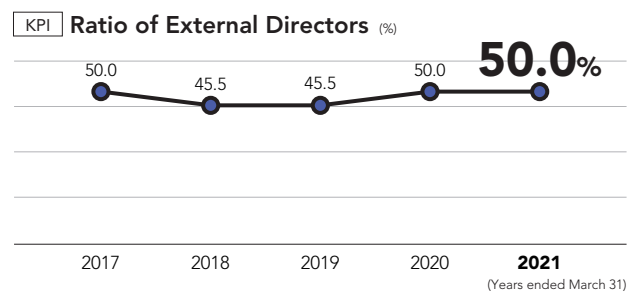
For a game manufacturer, while the children who play with our products are our customers, they are also our future as they have the potential to one day become employees. It goes without saying that in order to play games, you need a stable environment, and in order to choose a career, an education is essential. Capcom is helping to create an environment for children today and in the future by

Material Issue **2** Promoting Diversity



One of the most important elements in developing world-class games that can keep pace with the globalization of the game player population is securing a workforce with diverse perspectives. For that reason, we have been promoting diversity and working on building a workplace where women and foreign nationals can excel. As a result, the numbers of both women and foreign nationals continue to climb, in turn helping Capcom create captivating content and growth on a global level. [➔For details see p.61](#)

Material Issue **4** Enhancement of Corporate Governance



Generally, an owner-run company excels at being flexible and fast decision-making, though concerns may exist over the issue of succession. At Capcom, we strive to make management more transparent and visible, and have implemented various governance reforms to this end, such as the Nomination and Remuneration Committee. We proactively appoint external directors, and on March 31, 2021, external directors accounted for 50% of the entire board of directors. However, the transfer of one of our directors put the ratio at 45.5% as of June 2021. [➔For details see p.67](#)

donating to the “Children’s Future Support Fund,” a project established in 2015 with the cooperation of both public and private entities.



© Mercis bv

Making smiles, moving hearts and building a better society with our original content

Utilizing the capital we have cultivated over the years and our foundation for sustainable growth, we create popular original IP through business activities while guided by our corporate philosophy. We are expanding our business by further extending that original content into a variety of areas. These activities provide both financial and non-financial value; to put it another way, by providing the happiness brought about by games, we are able to contribute to solving societal issues.





Providing a healthy game culture

Effectively Leveraging IP, p.09

At Capcom, we operate our own Plaza Capcom amusement facilities, develop and sell gaming machines, and hold esports tournaments.

Development of proprietary multimedia



Esports



Arcade Game Machines

Medal games, pachinko and pachislo



Arcade Operations

Facilities at shopping centers, large format locations



Home Video Games



PC Online

Develop games for multiple platforms

Net sales for the year ended March 31, 2021

75.3 billion yen



Mobile Contents



Digital Download Contents

Collaborative expansion into other media



Events
Concerts, theatrical productions



Publishing, Character Merchandising

Strategy books, illustrated compilations, figures, etc.

2

Hollywood movie projects announced



Movies

Hollywood movies, animated movies, CG movies

Multimedia expansion of content

Net sales for the year ended March 31, 2021

20.0 billion yen

30.1 million games sold during the year

→p.02

14 educational support activities

→p.61

2,582 senior tour participants (cumulative)

→p.58

OUTPUT (Non-financial results)

Hired 163 new graduates

→p.47

6 cooperative projects with local governments

→p.60

Stimulating communication

Social contributions

Game market-based innovation

Contributing to local revitalization

Earning trust and building a positive image for Japan


By collaborating with other companies, we have turned our original content into Hollywood movies. We have also expanded into a variety of other mediums, including animation, live theater, events, and publications.

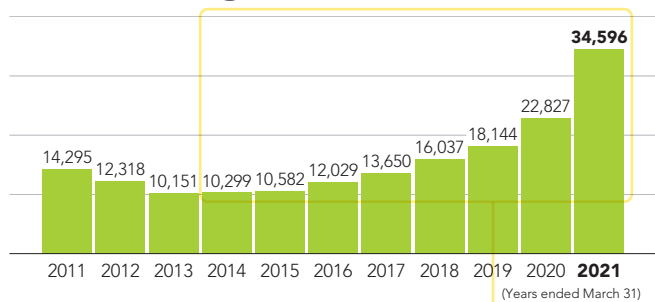
Effectively Leveraging IP, p.09

Financial Highlights

Operating Income/Operating Margins


Operating Income (million yen)

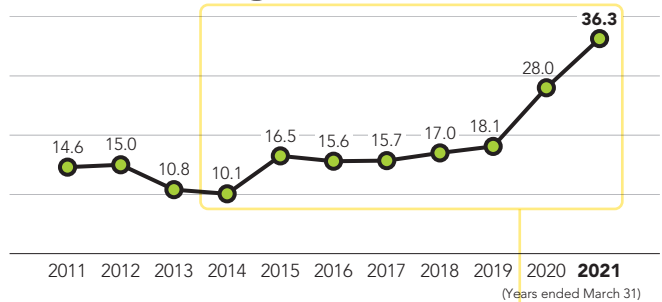
34,596 million yen
UP 51.6% 




In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted business restructuring by transitioning to in-house production and strengthened our digital sales strategy in response to rapid changes in the market beginning in the fiscal year ended March 2013. Financials were therefore sluggish that year while these reforms were implemented. **From the following year onward we have achieved eight consecutive years of increased operating income with measures such as improving the highly profitable digital sales ratio in our Consumer sub-segment. The fiscal year ended March 2021 was the fourth year in a row we succeeded in breaking our operating profit record. This was due to a new major hit title and the accumulation of catalog sales, in addition to the fact that the highly profitable digital sales trend continues to grow.**

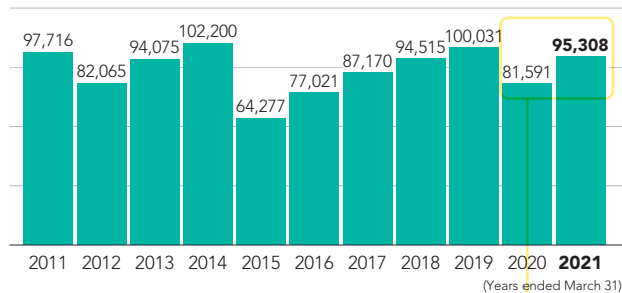
Operating Margins (%)

36.3 %
UP 8.3 points 




Net Sales (million yen)

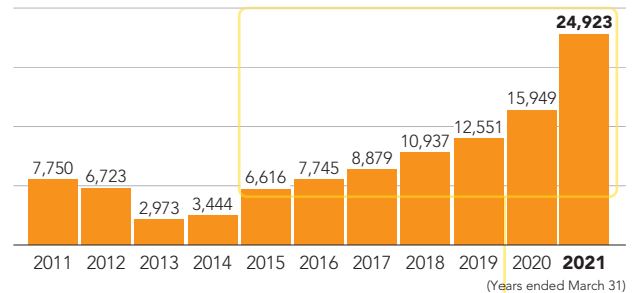
95,308 million yen
UP 16.8% 



In the fiscal year ended March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer sub-segment resulted in Capcom achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time. **Revenue declined in the fiscal year ended March 2020 due to lowered unit prices accompanying digitalization, but in recent years, we have been experiencing stable growth as the Consumer sub-segment continues to release multiple major titles each year.**

Net Income Attributable to Owners of the Parent (million yen)

24,923 million yen
UP 56.3% 

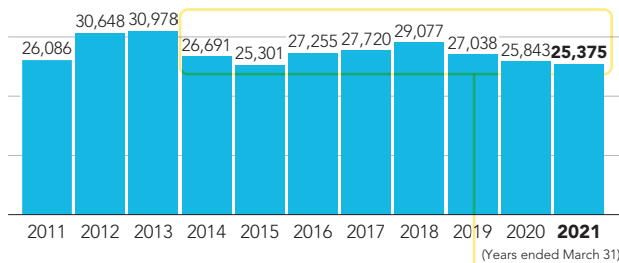


In the fiscal years ended in March 2013 and 2014 respectively, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization integration resulted in special losses on restructuring and business restructuring expenses. **From the fiscal year ended March 2015, net income increased eight years in a row in step with operating income, due to the benefits from structural reforms beginning to manifest.**

→ Please refer to “Financial Strategy According to the CFO” on p.43-46, and “11-Year Summary of Consolidated Financial Indicators” on p.77-78

R&D Investment Costs (million yen)

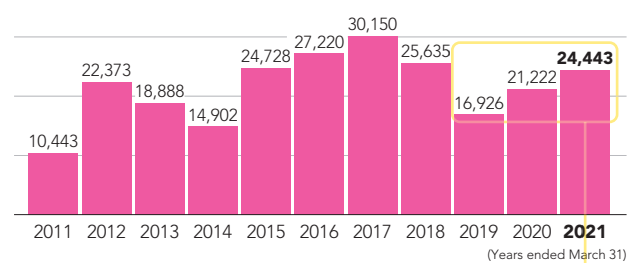
25,375 million yen
DOWN 1.8% ↘



We believe the generation of creative and original content is our source of growth, thus approximately 90% of our annual development investments are allocated to the Digital Contents business. Recently in the Home Video Game market, development costs have been trending higher in line with increasingly high-performance devices, but we have been able to streamline development by building a cutting-edge development environment and through increased employee utilization rates. Due to expanding our pipeline, we expect costs to be approximately 30 billion yen going forward.

Balance of Work in Progress for Game Software (million yen)

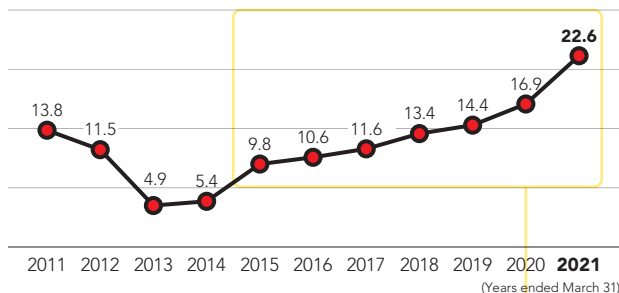
24,443 million yen
UP 15.2% ↗



There was a decrease in the fiscal years ended March 2011 and 2014 due to the release of major titles, but since the fiscal year ended March 2015 it has been on the rise as a result of pipeline expansion. In addition to the release of major titles in the fiscal year ended March 2019, reassessment and closing of overseas studios resulted in a significant decrease. However, in the fiscal year ended March 2020, there was an increase due to work on major titles we will continue to release in upcoming fiscal years.

Return on Equity (ROE) (%)

22.6 %
UP 5.7 points ↗

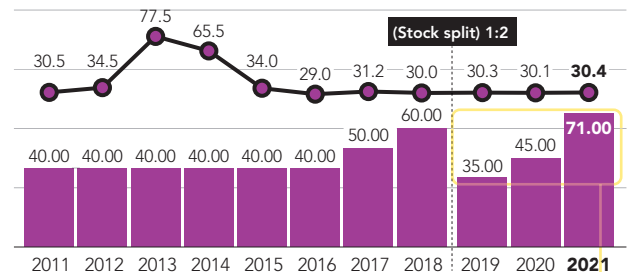


In the fiscal years ended March 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, we have maintained a high ROE level following the elimination of special losses and improved profitability mainly due to digitalization.

Dividend per Share/Dividend Payout Ratio

■ Dividend per Share (yen) ● Dividend Payout Ratio (%)

71.0 yen **30.4** %
UP 57.8% ↗ UP 0.3 points ↗



(Note) With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock. For the years ended March 31, 2018 and earlier, dividends paid show the actual amounts prior to the stock split.

Based on Capcom's basic policy of maintaining stable dividends, in the fiscal year ended March 2011, the annual dividend was raised 5 yen. Since the fiscal year ended March 2017, the dividend policy has been to maintain a consolidated payout ratio of 30% and to strive for stable dividends. As a result, the payout in the fiscal year ended March 2019 was reduced due to the stock split, but effectively dividends increased, and we were able to maintain our unbroken record of paying out dividends since listing publicly. In the fiscal years ended March 2020 and 2021, we once again continued to increase dividends paid.

Market Analysis

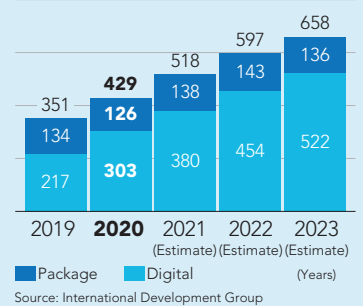
Market Trends

Consumer Market (Package + Digital)

In 2020, the consumer (package + digital) market grew to 42.9 billion dollars (up 22.2% from the previous year). This was due primarily to favorable packaged and digital sales. Digital sales have continued to expand in North America and Europe where such sales account for 81% of the market. The highly profitable digital contents market now accounts for roughly 71% of the consumer market.

The forecast for 2021 is for the market to reach 51.8 billion dollars (up 20.7% from the previous year) owing to continued growth of the digital market and revitalization of the market with the popularization of new hardware. In the medium term, we see the digital market expanding rapidly in Southeast Asia and other developing regions and new game delivery methods such as streaming and subscriptions growing. As such, we expect the market to grow to 70.6 billion dollars by 2025 (up 64.6% compared to 2020). We also expect continued growth in the mobile market.

Consumer Market (billion U.S. dollars)

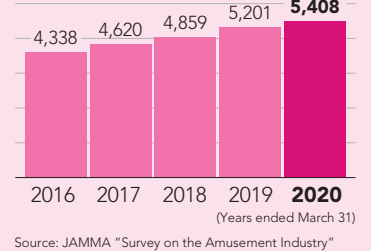


Arcade Operations Market

The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2020) for the fifth year in a row to 540.8 billion yen (up 4.0% from the previous year). The total number of facilities remained flat at 12,212 (up 0.4% from the previous year), and annual sales per store grew to 44.28 million yen (up 3.6% from the previous year.)

This fiscal year (ended March 2021), the market was severely impacted by COVID-19 as stores were forced to suspend operations or shorten operating hours during states of emergency while foot traffic decreased due to efforts to avoid crowds. The market situation next fiscal year (ending March 2022) is expected to remain harsh, although we can expect some recovery due to the operational know-how we have acquired thus far in the pandemic.

Arcade Operations Market (billion yen)

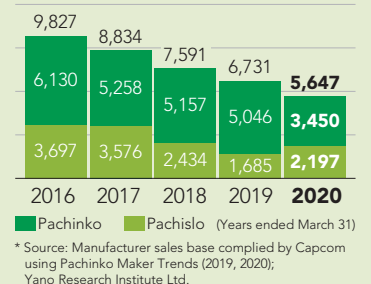


Gaming Machines Markets

In the previous fiscal year (ended March 31, 2020), the gaming machine market shrank for the seventh consecutive year to 564.7 billion yen (down 16.1% from the previous year).

This was due to diminishing investment appetite for gaming machines at halls due to the sluggish performance of machines with gambling restraints (implemented in response to model certification methods changes), and fewer new stores. This fiscal year (ended March 2021), the new machine types showed promise, however COVID-19 created a tough market environment. Next fiscal year (ending March 2022), we expect some demand for new machines replacing older types (which was initially delayed due to COVID-19), but believe the situation will remain harsh from increased investment burdens on halls and operational suspensions due to COVID-19.

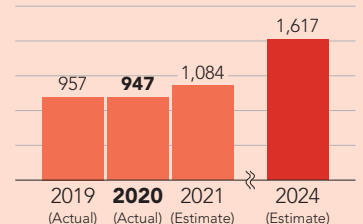
Gaming Machines Markets (billion yen)



Esports Market

The Esports Market last fiscal year (ended March 2020) was 940 million U.S. dollars, and because people were consciously avoiding crowded events, that remains almost unchanged from the previous year. In 2021, we expect the market to grow to 1.08 billion U.S. dollars (up 14.5% from the previous year) owing to increased sponsorship and media rights fees, primarily in China, which accounts for the largest share. The future remains unclear due to the prolonged COVID-19 pandemic, but the growth of live broadcasts has resulted in a steady increase of viewers, and it is expected to grow to 1.61 billion U.S. dollars by 2024.

Esports (million U.S. dollars)



Major opportunities and risks (Opportunity●Risk◆)

- Creation of highly competitive products using new technology
- More channels for product distribution with the appearance of new platforms
- Expanded number of sales regions using digital distribution
- Achievement of extended product life cycles through digital sales
- Reduction of the used market due to penetration of digital sales
- ◆ Rising development costs with the appearance of new technology and improved device performance
- ◆ Dependence on popular series
- ◆ Platform adoption trends
- ◆ Changes in user purchasing trends with the next generation of platforms
- ◆ Risks due to a country's politics, culture, or religion
- ◆ In-game purchases becoming a social issue
- ◆ Information leakage

Addressing major opportunities and risks

- Focusing on improving quality and reducing development costs by building our own development engine and enhancing our development team
- New customer acquisition through a steady release of new major titles, creating new IPs, and the Single Content Multiple Usage strategy
- Diversifying profit risk through multi-platform development and strengthening PC platform development to hedge against dedicated console trends
- Lengthening product life of games with increased digital sales rates and increasing unit sales through pricing strategies
- Developing sales approaches to meet local needs and localization by an in-house team of experts
- Monetizing without incentivizing in-game purchases
- Establishing the Information Technology Security Oversight Committee, receiving instruction and advice, and implementing various security strengthening measures to prevent a recurrence

- Acquisition of new customers through multifaceted roll-out of stores including themed venues, merchandise specialty stores, VR experiences, etc.
- Increased awareness with new business formats and new technologies
- ◆ Reduced ability to attract customers due to the COVID-19 pandemic
- ◆ Changes to the market environment due to the diversification of leisure activities and declining birthrate

- Acquisition of new fan demographic and increased awareness through multifaceted business developments
- Attraction of customers using our home video game content and other assets

- Expanded sales volume by responding to regulations appropriately
- Development of machines using popular IPs created for home video games
- ◆ Non-compliance with model testing of pachislo machines

- Building a system to perceive regulatory trends that allows us to respond immediately to changes in regulations through membership in industry associations

- Expanded fan base from non-game players watching events
- Creation of new profit opportunities such as licensing rights to hold events and stream video
- Promotion of online tournaments that leverage game characteristics
- ◆ Reduced number of events due to COVID-19 pandemic
- ◆ Decreased enthusiasm for competition due to rampant cheating
- ◆ Competing with new titles from other companies

- Spread of online competitors
- Flexible adjustment of competition rules
- Continuous supply of new content with title updates

Business activity achievements

Business Overview

Operating Results for This Fiscal Year



Digital Contents

This business develops and sells digital game content for consumer home video game and PC platforms. It also develops and manages Mobile Contents. Consumer games produces creative, original content that provides recurring revenue by utilizing digital distribution. Many of these million-seller titles are used for smartphone, tablet device and PC games, and are distributed worldwide in order to maximize earnings.

→ For details see p.79

Consumer (Package + Digital)

- ◆ New titles *Resident Evil 3* and *Monster Hunter Rise* were hits
- ◆ Major catalog title hits *Monster Hunter World: Iceborne*, *Monster Hunter: World*, *Resident Evil 2*, and *Resident Evil 7 biohazard* performed well
- ◆ Highly profitable digital sales grew further

Mobile Contents

- ◆ Launched both in-house as well as alliance titles, such as *Rock Man X Dive* and *Street Fighter: Duel*



Arcade Operations

We operate amusement facilities, primarily Plaza Capcom arcades, in Japan. These arcades are predominantly in large commercial complexes. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations, and have been hosting various events designed to attract families and younger customers.

→ For details see p.81

- ◆ We are focusing on steadily opening and operating stores while working to minimize the impact of COVID-19
- ◆ To address the spread of COVID-19, we changed the operating hours of some stores and suspended operations of others. Same store sales were down 22%
- ◆ We opened Capcom Store Osaka, a showroom in Osaka's Shinsaibashi district that sells Capcom merchandise
- ◆ We opened one new store



Amusement Equipments

This business utilizes the content from our home video games. We focus primarily on the development, manufacture and sales of software, frames and LCD devices for gaming machines.

→ For details see p.82

- ◆ Sold a total of 27,000 units of three models
- ◆ Increased sales and profits after releasing multiple models designed to current regulations



Other Businesses

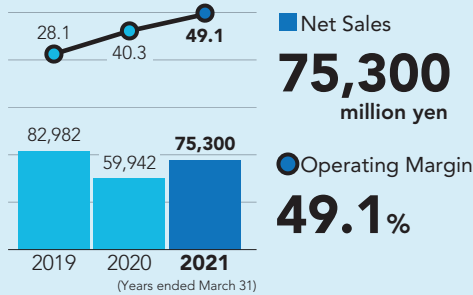
Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of copyright-related business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part of our licensing business, we are also devoting resources to our esports business.

→ For details see p.83

- ◆ We held events and sold merchandise leveraging IPs like *Monster Hunter* and *Resident Evil*, creating multifaceted opportunities for earnings
- ◆ In our licensing business, we strengthened our expansion into visual media and merchandising to coincide with the release of new home video game titles
- ◆ We made efforts in eSports to expand the player and fan demographics by holding online tournaments in light of the COVID-19 pandemic

Main Products for This Fiscal Year (Output)

Net Sales/Operating Margins



Monster Hunter Rise

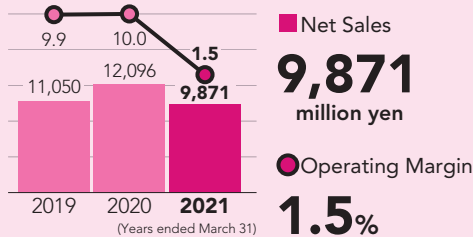
This was developed as a new addition to the *Monster Hunter* series with our proprietary development engine, RE ENGINE. Prior to release, we distributed demo versions that allowed cooperative play twice, and due to the high acclaim and amount of attention it received, 4.8 million copies were sold.



Resident Evil 3

Released in 1999, *Resident Evil 3: Nemesis*, which sold a total of 3.5 million copies, was remade for the first time in 21 years using the latest technology and concepts. Based on a digital sales strategy, we were able to increase the sales percentage of the download version, and 3.9 million copies were sold during the fiscal year.

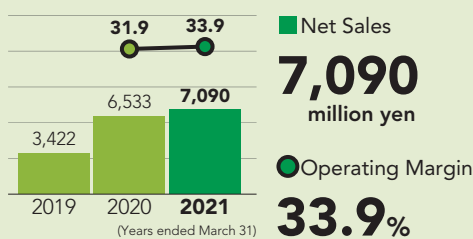
Net Sales/Operating Margins



Showroom
Capcom Store Osaka

We opened Capcom's first showroom in the Kansai area selling popular character novelty items in Shinsaibashi, Osaka in November 2020. By opening this store in the Kansai area, in addition to the showroom we opened last year in Shibuya, Tokyo we are able to more broadly communicate the appeal of our content.

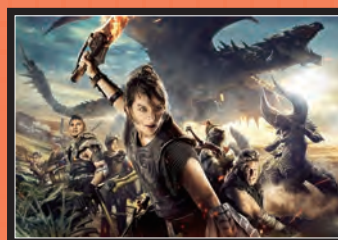
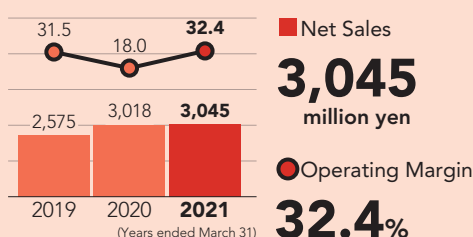
Net Sales/Operating Margins



Pachislo
Monster Hunter: World

This pachislo machine is based on *Monster Hunter: World*, our all-time best-selling home video game with more than 17 million units sold cumulatively. Released in November 2020, 17,000 units were sold.

Net Sales/Operating Margins



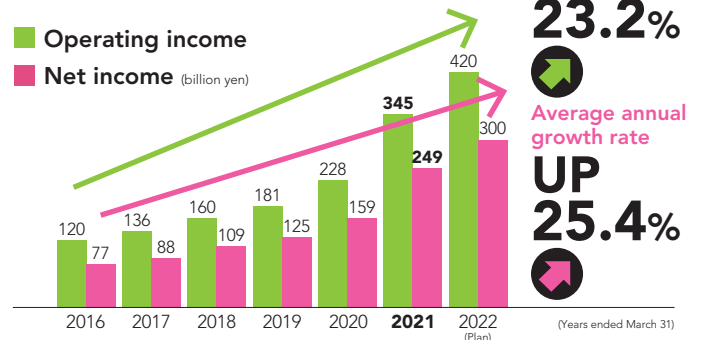
Hollywood movie *Monster Hunter*

One of our most popular brands, *Monster Hunter*, was adapted into a Hollywood movie for the first time. After opening in North America in December 2020, it was rolled out to theaters around the world.

Seeking increased operating income annually with a stable growth business portfolio

We are seeking sustainable growth in the medium and long term based on expanded sales in the Consumer sub-segment by enhancing our title lineup and shifting to digital.

Medium- to long-term goals
Aim for annual operating income growth (10%), driven by stable earnings



Important strategies for success

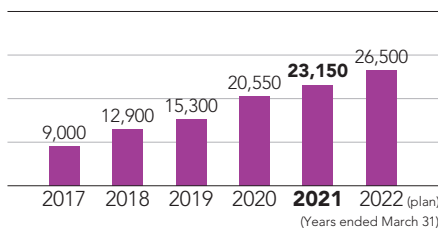
Expanding sales in the Consumer sub-segment

1 Bolstering digital sales

2 Achieving stable growth with long term sales of high-quality titles

3 Enhanced global sales with the promotion of digital marketing

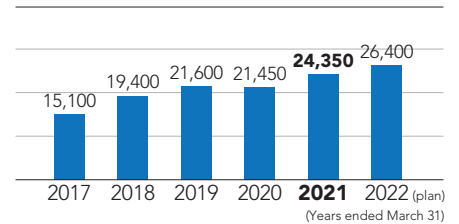
Digital unit sales (Thousand units)



	2017	2018	2019	2020	2021	2022 (Plan)
Resident Evil 7 biohazard	350	160	125	100	150	
Monster Hunter: World	790	450	320	140	140	
Resident Evil 2		420	240	160		
Monster Hunter World: Iceborne			520	240		
Resident Evil 3				390		
Monster Hunter Rise				480		

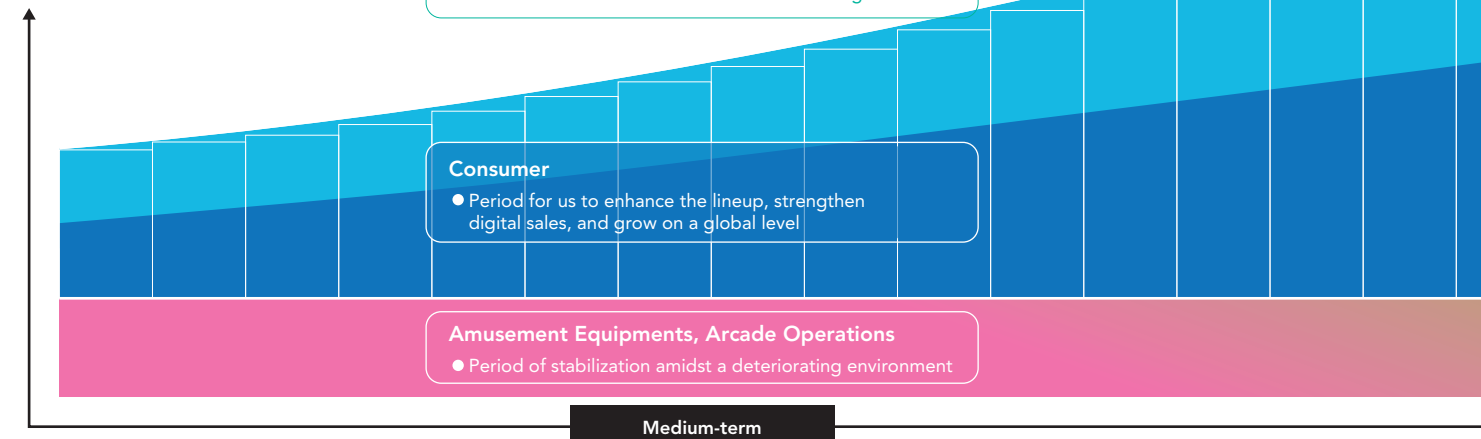
(ten thousand units) (Plan)
 Titles continuing to contribute as catalog titles
 (Years ended March 31)

Overseas sales volume (Thousand units)



Medium- to long-term growth

Profit





Growth strategy

Licensing

- Bolstering movie adaptations

Mobile

- Business alliances within Japan and overseas and promoting technological research for the future

Esports

- Having established a dedicated esports division, expand the base by holding events in Japan

New Titles (Consumer)

- Regularly release new titles for major IP
- Promote utilization of dormant IP and remakes

Overall (Consumer)

- Strengthen digital sales of both new and catalog titles

Catalog Titles (Consumer)

- Long-term product lives for past titles through pricing strategies

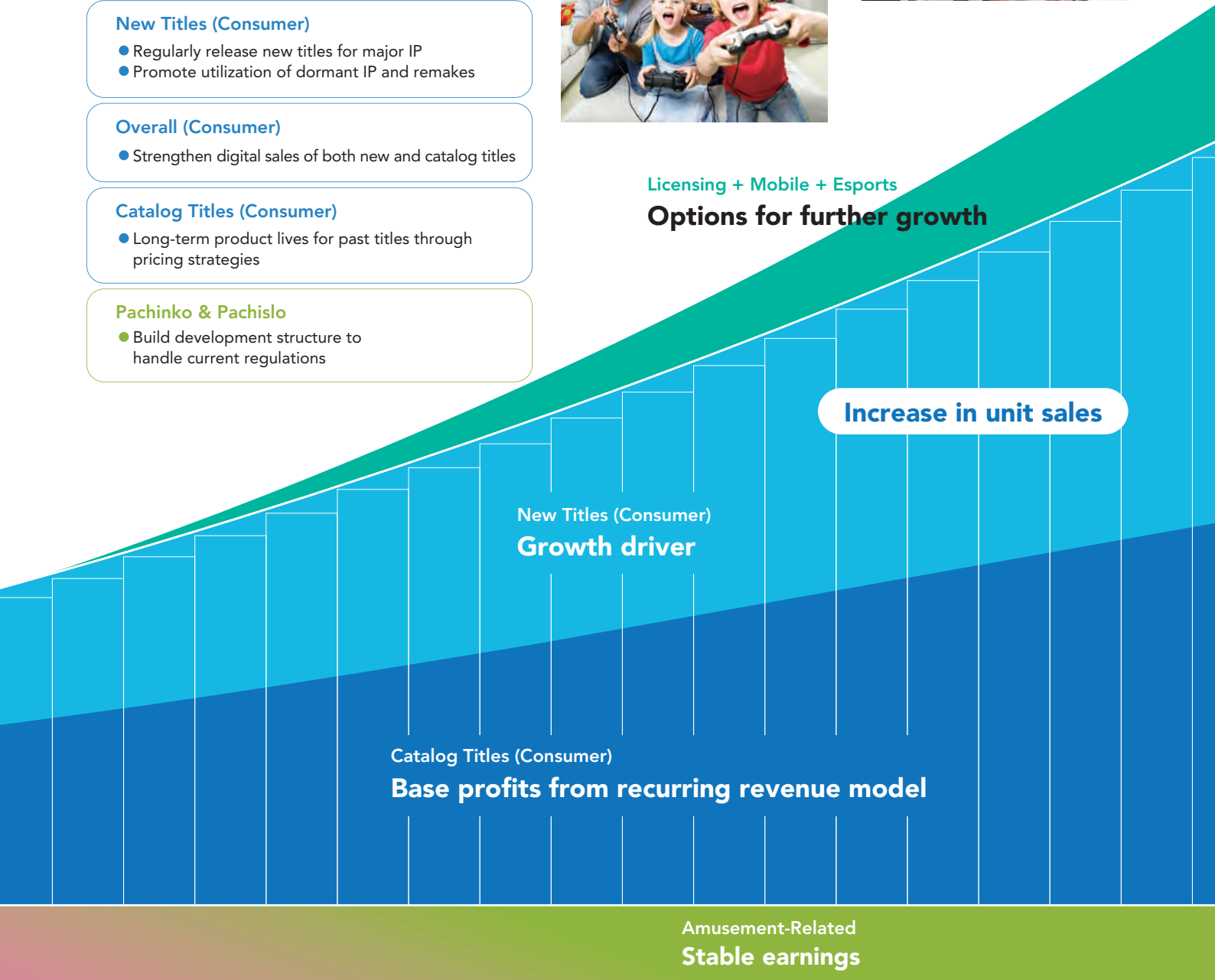
Pachinko & Pachislo

- Build development structure to handle current regulations



Licensing + Mobile + Esports

Options for further growth



Long-term

Period