

## Game Industry Characteristics



### Consumer Market Characteristics (Package + Digital)

Package and digital download contents are an 80.8-billion-dollar market, forecast to grow to 86.7 billion dollars by 2027.

The customer base is primarily composed of core users who are loyal to game titles. They have relatively high willingness to purchase sequels and remakes along with low sensitivity to price and economic conditions. In addition, with the spread of PC as a game platform and the standardization of digital game sales over the Internet, growth is expected in Asia and emerging regions. Hereafter, we expect the market to grow at a faster pace as we capture the casual user segment, which has high sensitivity to price conditions, as well as new users. This will come about in conjunction with a higher digital sales ratio, resulting from growth in Asia and emerging countries and expansion of online gaming on consoles, primarily in North America, shrinking the gap between the margin in this market and those in mobile markets.

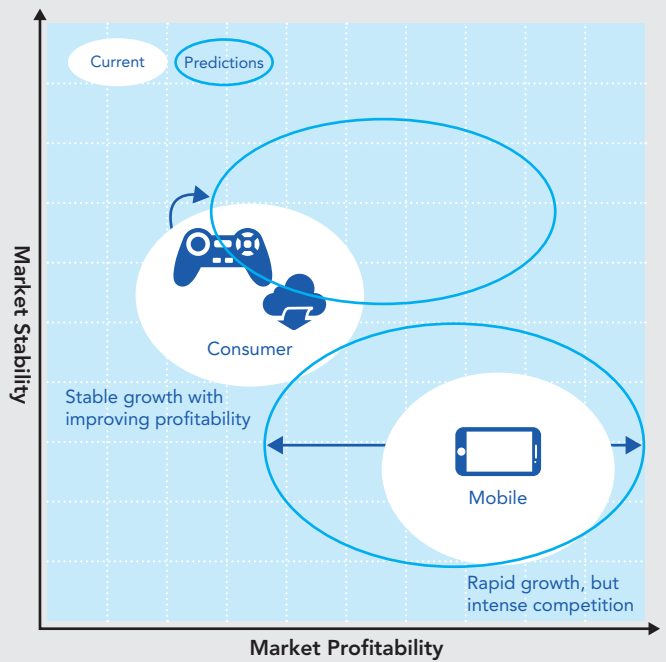


### Mobile Market Characteristics

This is a 122.6-billion-dollar market, forecast to continue growing to 155.4 billion dollars by 2027. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions.

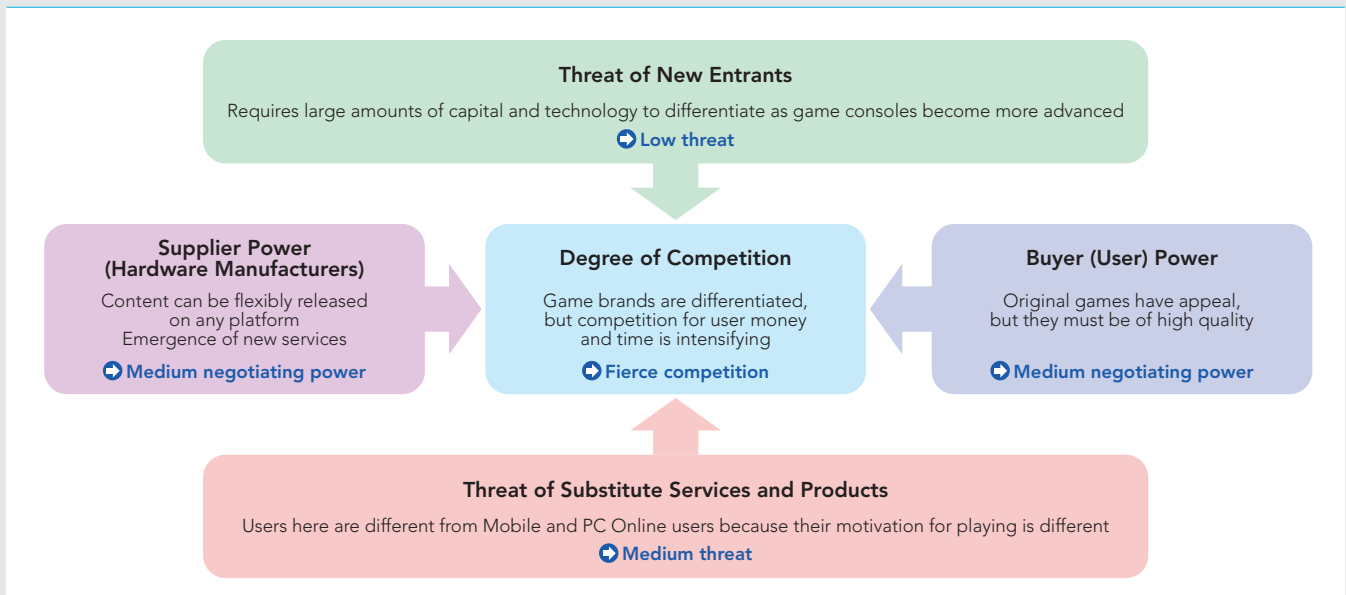
Although this is the most profitable market, only a limited number of titles are able to generate stable earnings over the long term even if they become hits. This makes brand establishment a challenge. Going forward, as 5G becomes more widespread and further next generation mobile communication standards are developed, we expect smartphones will continue to drive rapid growth as the most pervasive game device.

### Characteristics of Each Market



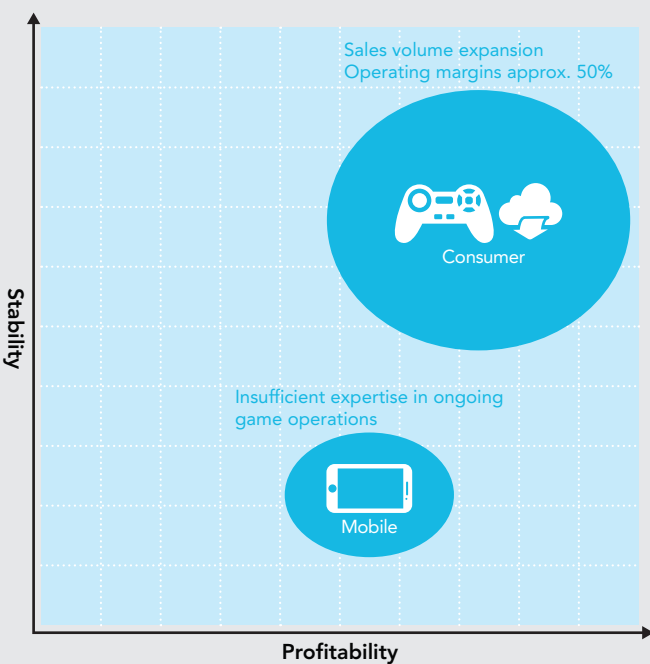
Source: Created by Capcom based on data from the International Development Group

### Five Competitive Factors Related to the Consumer Market (Five Forces Analysis)



Capcom Business Characteristics

Digital Contents Business Portfolio



Note: Calculations based on earnings in the fiscal year ended March 31, 2023

**Consumer**  
(Proportion of Net Sales: 76%)  
Package + Digital

Capcom's core business is to create a multitude of original content on home video game consoles. The regular release of sequels to popular IPs and focus on digital sales have, in recent years, led to an increased digital sales ratio, keeping operating margins at the 50% level.

**Mobile Contents**  
(Proportion of Net Sales: 2%)

This business distributes games featuring popular Capcom content on smartphones, but insufficient know-how in ongoing game operations has resulted in sales trends underperforming market growth. We are working on research and development in anticipation of future technological innovations, such as next generation mobile communication standards.

Capcom Management Resource VRIO Analysis and Evaluation/Measures

V: Value R: Rarity I: Inimitability O: Organization  
○: High △: Medium ×: Low

Area	Management Resource	V	R	I	O	Evaluation
Management	Top management with strong leadership dedicated to high-quality production and trusted by employees	○	○	○	○	Ongoing competitive advantage
Development/technology	Development capabilities to produce original titles of world-class quality	○	○	○	○	Ongoing competitive advantage
	"RE ENGINE" for streamlined development and the technological prowess to fully leverage the latest technology	○	○	○	○	Ongoing competitive advantage
	Corporate culture of training younger employees	○	△ <sub>1</sub>	△ <sub>1</sub>	○	Other companies possess this strength as well
Governance	Promotion of governance reforms (external director ratio / company with an audit and supervisory committee)	○	△	×	○	Some companies are even farther ahead
	Swift decision-making system	○	△	△	○	Strength seen at many founder-run companies
Brand	Many popular, global IPs	○	○	○	○	Ongoing competitive advantage
	Corporate brand known worldwide for action games	○	×	○	○	There are more widely recognized companies
Finances	Paid dividends for 33 consecutive years since listing	○	△	△	○	Taking the split into consideration, increased dividends have been provided for seven consecutive years.
Sales	Consumer digital sales ratio of 81%	○	△	○ <sub>2</sub>	○	Major overseas companies are ahead
	Consumer business expansion into 230 countries and regions	○	○	○	○	Ahead of competitors
Marketing	Bolstering of lineup through revival of dormant IP and catalog titles	○	△	△	△	Companies with popular IP can roll them out in other media
	Single Content Multiple Usage strategy of rolling out popular IP to multiple media	○	×	△	△	Companies with popular IP can roll them out in other media
External partners	Trusted by hardware manufacturers	○	△	○	○	High rank compared to competitors

Note: Prepared in-house based on interviews of analysts.

\*1 With respect to the low evaluation of the originality of our system for training younger employees, we have hired more than 100 developers each year since fiscal 2013 and established a world-class R&D center and development facilities. In addition to establishing an environment that allows us to take up new challenges, we are working on developing a system that allows us to train employees through title development. (For details see p.45)

\*2 We are promoting measures such as (1) taking advantage of our many popular IPs by

leveraging our back catalog of titles in digital sales, (2) extending the sales period, with brand strategies for each IP and enhanced digital sales and pricing measures, and (3) expanding the value of our IPs by strengthening our licensing business as we develop titles that will be popular not just in Japan but globally, as well as increase the fan bases of our IP series. (For details see p.31)