

Explanation of Market Trends and Forecasts



Consumer Market (Package + Digital)

In 2018, the consumer (package + digital) market picked up, increasing significantly to 29.9 billion dollars (up 22.5% from the previous fiscal year). This was due primarily to a large increase in digital sales, despite packaged sales remaining flat.

Digital sales have expanded rapidly in North America and Europe where such sales account for 88% of the market. The highly profitable digital contents market now accounts for roughly 63% of the consumer market.

The forecast for 2019 is for the market

to reach 31.9 billion dollars (up 6.7% from the previous fiscal year) owing to continued growth of the digital market, despite continued shrinking of the package market as a result of current generation game consoles running their course.

In the medium term, we see digital sales expanding rapidly in Asia and new game delivery methods such as streaming and subscriptions performing favorably. As such, we expect the market to grow to 47.9 billion dollars by 2023 (up 60.2% compared to 2018).



Mobile Contents Market

In 2018, the mobile contents market was worth 75.3 billion dollars (up 26.8% from the previous year), expanding to more than half the size of the overall game software market. The main reason for this was the continued momentum of battle royale games that have been popular since 2017, driving growth of the market despite annual smartphone shipments declining for the second year in a row to 1.45 billion units (down 4.1% from the previous year) in 2018. By region, the Asian market including Japan was worth 42.1 billion dollars (up 18.8% from the previous year), the North American market was worth 17.5 billion dollars (up 54.7% from the previous year), the European market was worth 8.7 billion dollars (up

44.9% from the previous year), and developing countries and other regional markets were worth 6.9 billion dollars (up 4.5% from the previous year), all showing continued growth.

In the medium term, the domestic market is maturing, but we expect continued growth in Asia and emerging countries. Moreover, once 5G next-generation mobile networks are up and running, it will be possible to deliver large volumes of content at high speeds, so we believe there is potential for market expansion. We expect the 2019 mobile market to increase to 86.6 billion dollars (up 15.1% from the previous year) and grow significantly to 109.8 billion dollars by 2023 (up 45.8% from 2018).



PC Online Market

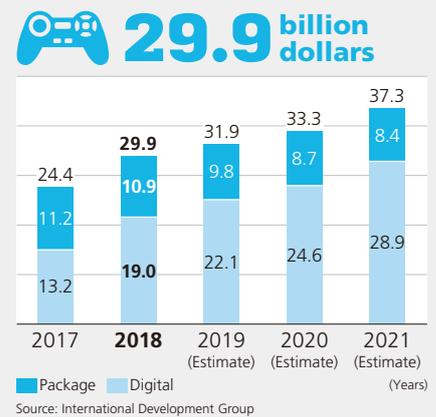
In 2018, the PC online market grew to 41.6 billion dollars (up 8.3% from the previous year) owing to growth in North America, Europe, and Asia.

However, with the growth of online consoles, there is ongoing integration with the consumer market, so market expansion

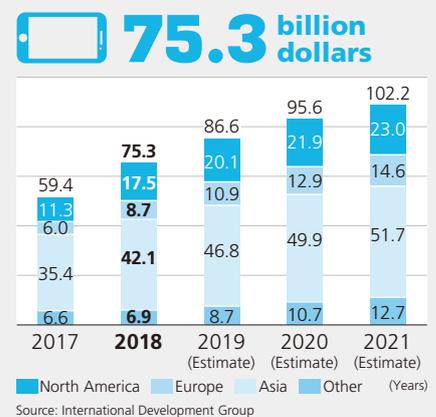
is expected to slow.

In 2019, we expect the market to increase to 44.0 billion dollars (up 5.9% from the previous year), and further, although it will grow to 45.6 billion dollars by 2022 (up 9.6% from 2018), it will shrink to 44.1 billion dollars in 2023.

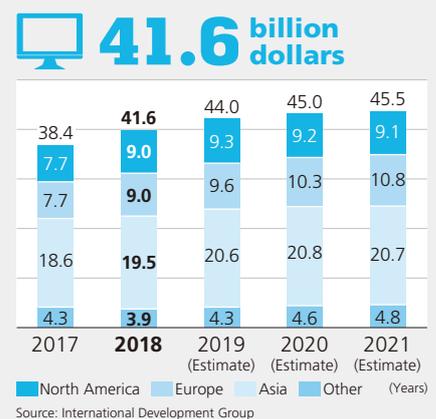
Consumer Market (billion dollars)



Mobile Contents Market (billion dollars)



PC Online Market (billion dollars)



Arcade Operations Market

The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2018) for the third year in a row to 485.9 billion yen (up 5.2% from the previous year). This was due to improvements in the number of visitors and sales per customer due to the continued effect of the restrictions on the time that minors can be in arcades while accompanied by a guardian being relaxed in the Entertainment and Amusement Trades Act (Entertainment and Amusement Trades Rationalizing Act) in June 2016.

The total number of stores decreased to 13,103 (down 7.4% from the previous year), but the number of units installed at each store increased to 33.2 (up 1.8 units from the previous year) owing to the continued increase in the number of large stores.

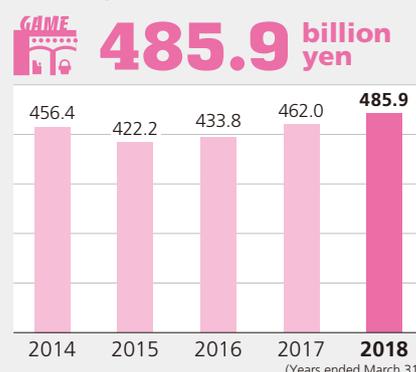
Annual sales per stores increased to 37.08 million yen (up 13.6% from the

previous year), demonstrating that the management streamlining many companies have engaged in, closing small unprofitable locations with fewer machines and focusing on profitable stores in good locations, has been successful.

This year (ended March 31, 2019), the market was strong overall, and growth continued owing to hit products appearing one after another in the prizes found in prize game machines, including large plush toys of popular characters and figurines for core users, as well as the expansion of simulation games on VR equipment.

In the next fiscal year (ending March 31, 2020), although we expect prize games to drive the market overall, there will be difficulties in conjunction with the consumption tax hike scheduled for October.

Arcade Operations Market (billion yen)



Source: JAMMA "Survey on the Amusement Industry"

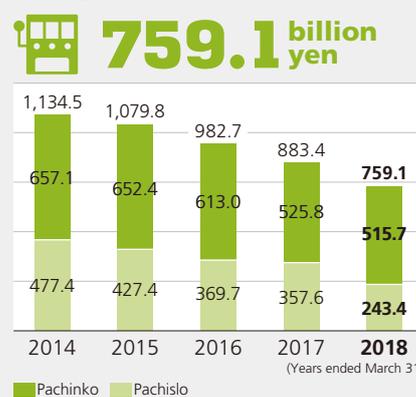
Gaming Machines Market

In the previous fiscal year (ended March 31, 2018), the gaming machine market shrank for the fifth consecutive year to 759.1 billion yen (down 14.1% from the previous year). This was due to pachislo machines being hit hard by diminishing investment appetite for gaming machines among halls due to sluggish operations of gaming machines with gambling restraints in response to changes to model certification methods and a decrease in the number of new stores opened.

The market continued to worsen this year (ended March 31, 2019) as the market failed to recover despite the introduction of new machines compliant with the new gaming machine regulations revised in April 2018.

In the next fiscal year (ending March 31, 2020), we expect the shrinking of the market to come to an end as models with improved product value are gradually introduced ahead of a market recovery and replacement demand comes into play.

Gaming Machines Market (billion yen)



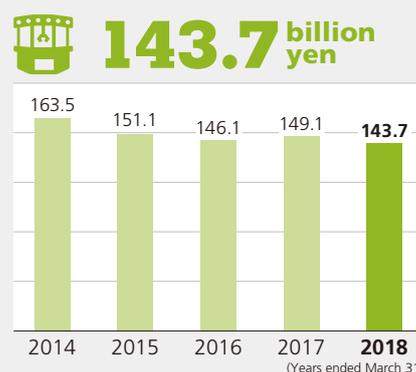
Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2017, 2018); Yano Research Institute Ltd.

Arcade Game Market

In the previous fiscal year (ended March 31, 2018), the arcade game market shrank to 143.7 billion yen (down 3.6% from the previous year) due to a significant decrease in sales as diversification of sales methods

progressed for video games, music games, medal games, and other amusement equipments despite growth in prize games with the introduction of new crane games and prize machines.

Arcade Game Market (billion yen)



Source: JAMMA "Survey on the Amusement Industry"