

Segment Information

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

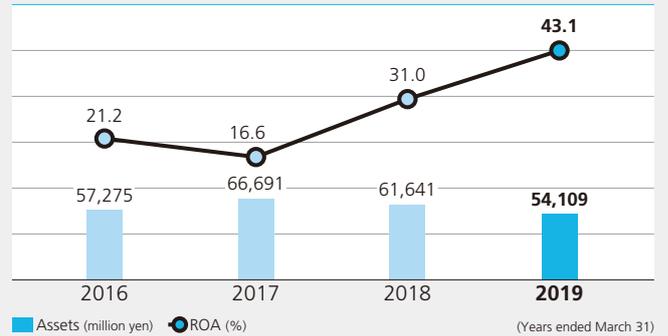
Digital Contents

This business develops and sells packaged and digital game content for consumer home video game platforms. It also develops and manages games for Mobile Contents and PC Online Games. Consumer games produces creative, original content with a focus on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in order to maximize earnings.

Net Sales/Operating Margins



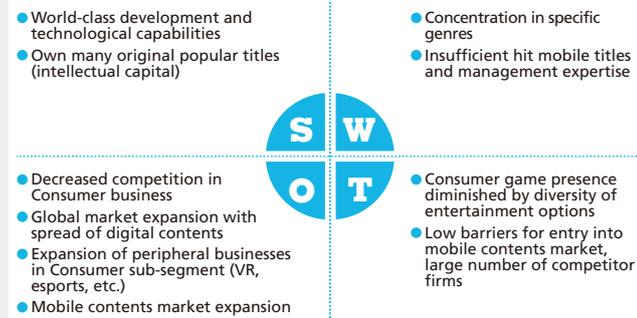
Assets/ROA



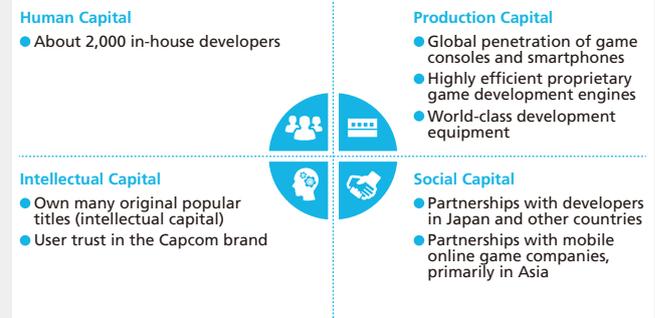
Note: Effective from the beginning of the current fiscal year, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats



Utilization of Non-Financial Capital

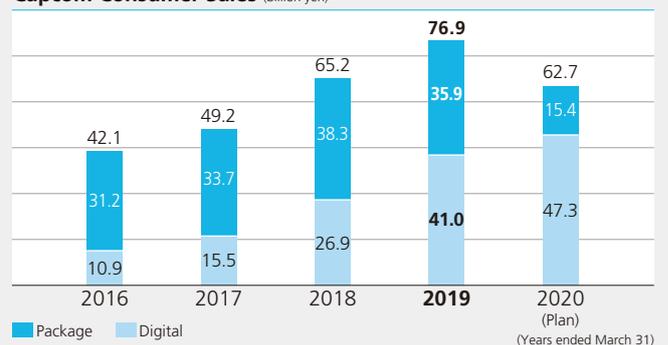


Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

Consumer (Package + Digital) sub-segment

This fiscal year (ended March 31, 2019), our major new titles were well-received globally, contributing to increased revenue. *Resident Evil 2*, the latest title in the flagship series, sold 4.2 million units, driving improvements to business results. Meanwhile, *Devil May Cry 5* sold 2.1 million units, successfully reestablishing the series. Additionally, the launch of the PC version of *Monster Hunter: World* resulted in an additional 4.5 million units sold, bringing the cumulative total for the title to 12.4 million units. Other titles, including *Resident Evil 7 biohazard* and *Mega Man 11*, also performed well and gave a boost to revenue. In digital sales, the PC version of *Monster Hunter: World* made a significant contribution, while an increase in the digital sales ratio of new titles *Resident Evil 2* and *Devil May Cry 5*, along with digital sales of high margin catalog titles also contributed. This resulted in a substantial increase in the number of units sold, bringing it to 15.3 million. Digital sales were up 52.4% from the previous year to 41 billion yen.

Capcom Consumer Sales (billion yen)



As a result, package and full-game download sales totaled 25.3 million units (up 3.7% from the previous year). Package sales were 35.9 billion yen, and digital sales were 41 billion yen. Together, they again resulted in higher Consumer sales of 76.9 billion yen (up 17.9% from the previous year). Digital sales, which have a high profit margin, were also strong, bringing operating margins to approximately 30%.

For Capcom, we continue to consider Consumer business growth as one of the keys to achieving our medium-term business goals.

Our initiatives are to (1) strengthen digital sales, (2) bolster our title lineup through the full-scale execution of our 60-month and 52-week maps and (3) awaken dormant intellectual properties.

Under (1), the prevalence of digital selling has made it possible to implement measures such as limited-time sales, increasing flexibility in pricing and expanding the impact of marketing. We utilize our existing intellectual properties (IP) in addition to major titles and additional content and rerelease past titles on current-generation hardware in order to create sales opportunities and increase the digital sales ratio. In terms of (2), we have been working to establish an efficient development system for core titles by preparing 60-month and 52-week maps since March 2015. We will establish a system that allows us to release core titles on a regular basis. Finally, for (3) we will revive dormant intellectual properties for which we have not recently released new titles by increasing the number of our developers.

Next fiscal year, we will release *Monster Hunter World: Iceborne*, a massive expansion for *Monster Hunter: World*, to solidify the brand globally. The focus on digital sales has made it possible to reach regions that were once difficult to access, so we aim to further expand global sales by focusing on catalog sales of *Monster Hunter: World*, *Resident Evil 2*, and *Devil May Cry 5*. As a result of these efforts, we expect to increase unit sales to 26.3 million units (up 4.0% compared to the previous year) and for the digital sales ratio to come to 75.4%, a substantial increase from the previous year. Accordingly, we forecast increased profit

despite an 18.5% drop in net sales from the previous year to 62.7 billion yen.

Mobile Contents Sub-segment

This fiscal year (ended March 31, 2019), performance of existing titles such as *Monster Hunter Explore* and *Snoopy's Sugar Drop* declined due to maturation of the market. Additionally, the launch of alliance titles in Japan and Asia that was planned for this year was postponed until next year.

As a result, net sales decreased to 2.3 billion yen (down 43.9% from the previous year). Profits were also down this year following licensing revenue recorded in the previous year received in conjunction with alliances in Asia.

In the future, we will continue to explore a wide range of possibilities, including developing new titles using our intellectual properties and forming alliances with companies in Japan and other countries. We will work on development in the mobile field and accumulating operational know-how. We will also promote technical research on development of apps utilizing the 5G next-generation wireless standard.

Next fiscal year we expect net sales of 4.1 billion yen (up 78.3% from the previous year) due primarily to distribution of new titles like *Sengoku BASARA: Battle Party* and *TEPPEN* an alliance title released together with GungHo Online Entertainment, Inc.

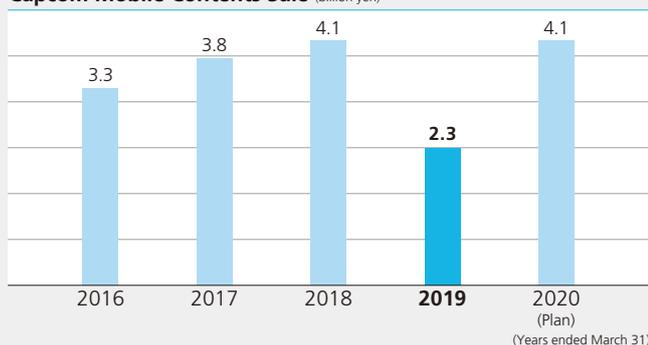
PC Online Sub-segment

This fiscal year (ended March 31, 2019), net sales fell to 3.7 billion yen (down 22.9% from the previous year) due to the declining contribution of existing titles *Monster Hunter Frontier Z (MHFZ)* and *Dragon's Dogma Online (DDON)*. Profitability was restored with elimination of the amortization burden of *DDON*.

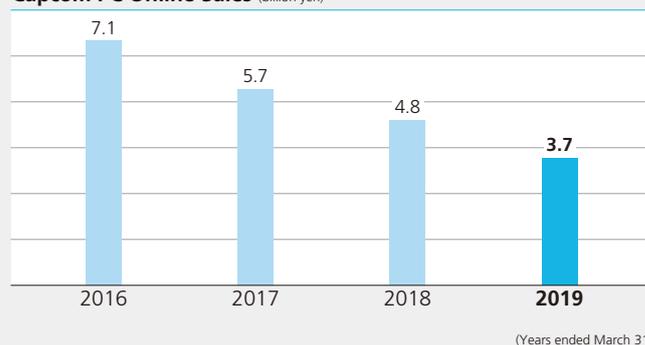
Capcom will continue to work on improving our revenue base by reducing SG&A.

In light of the blurring of the lines between PC online and consumer games, this disclosure segment will be consolidated under the Consumer business starting next fiscal year.

Capcom Mobile Contents Sale (billion yen)



Capcom PC Online Sales (billion yen)



Segment Information

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Arcade Operations

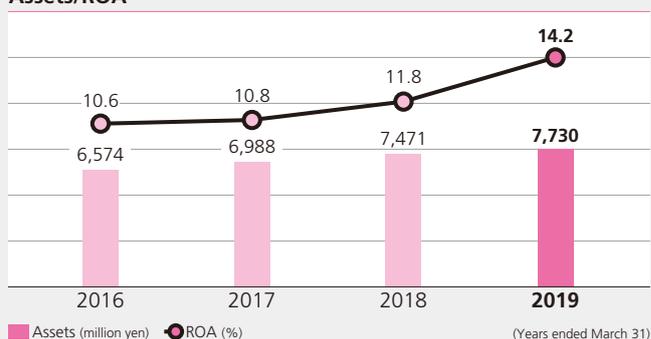
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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 female customers.

Net Sales/Operating Margins



Assets/ROA



SWOT Analysis

S: Strengths **W**: Weaknesses **O**: Opportunities **T**: Threats



Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2019), relaxation of restrictions in the Entertainment and Amusement Trades Act that took effect in June 2016 continued to provide favorable conditions for a sustained recovery in market size. In addition to increased sales per customer resulting from more time spent in arcades, the draw of prizes featuring specific characters and popular products, higher operating rates of newly released cabinets, and other factors contributed to results.

We also launched an online crane game service that allows players to operate the game remotely using a computer or smartphone to win original prizes.

Additionally, as an esports undertaking, events were held at the Capcom Esports Club at Plaza Capcom Kichijoji, and tournaments were held at stores in six cities around Japan to expand the field of users.

As for stores, Plaza Capcom Hiroshima was opened in Hiroshima, and we launched *Capcom Net Catcher Cap Tore*, an online crane game, while Plaza Capcom Tsuchiura was closed in Ibaraki Prefecture. This brought the total number of stores to 37.

As a result, same store sales were up 2% from the previous

year, bringing segment net sales to 11.050 billion yen (up 8.0% from the previous year) and operating income to 1.096 billion yen (up 24.6% from the previous year), so that both sales and profit were up compared with the previous year.

In the next fiscal year, Capcom will promote streamlining of management through its ongoing scrap-and-build policy and continue opening stores in places with strong customer drawing power. We will also work to expand the user base by providing playable demonstrations of consumer titles and operating original stores utilizing our intellectual properties.

We plan to open five facilities, including Plaza Capcom Ikebukuro, bringing the total number of stores to 42.

As a result of these measures, we expect same store sales to be down 4.0%, and we forecast net sales of 11.2 billion yen (up 1.4% from the previous year). We expect lower operating income of 700 million yen (down 36.1% from the previous year) due to factors such as the consumption tax hike and the burden of initial investments in new stores.

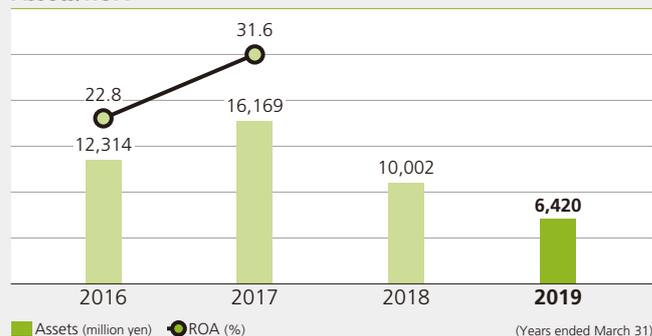
Amusement Equipments

Here, we are engaged in sub-segments that utilize the contents from our home video games. The Pachinko & Pachislo (PS) sub-segment is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software, creating synergy between businesses. The Arcade Games Sales sub-segment develops, produces and sells arcade games for amusement facilities.

Net Sales/Operating Margins

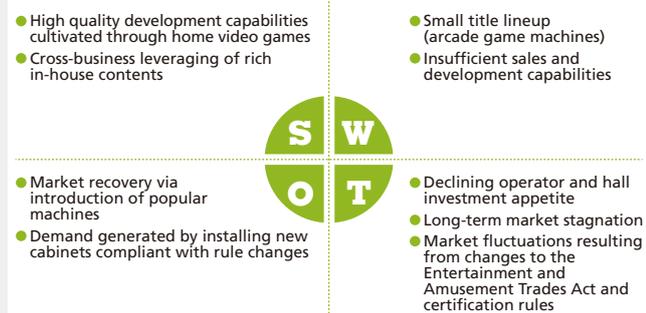


Assets/ROA

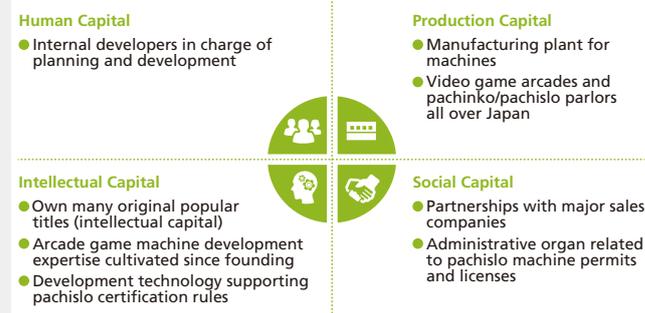


SWOT Analysis

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Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2019), five pachislo machines (*Okami-Kaidouhen-*, *Street Fighter V*, *Mega Man Ability*, *BIOHAZARD into the Panic*, and *Sengoku BASARA: Heroes Party*) were launched by the Pachinko & Pachislo (PS) sub-segment, and 7,800 units were sold. Additionally, in the Arcade Games Sales sub-segment, we focused on catalog sales.

Changes in the market environment resulting from such things as changes to methods of pachislo machine model certification continued to have an impact, causing a substantial decrease in the number of units sold. As a result, net sales fell to 3.422 billion yen (down 56.1% from the previous year). The loss on valuation and loss on suspension recorded in the Arcade Games Sales sub-segment in the previous fiscal year were eliminated, but a loss on valuation and loss on suspension were recorded for some titles on top of the decline in income associated with decreased revenue in the PS sub-segment. As a result, we recorded an operating loss of 2.668 billion yen (compared to an operating loss of 764 million yen the previous year).

In the next fiscal year, Capcom will keep an eye on trends as the situation remains uncertain in the midst of a difficult market

environment in the PS sub-segment, despite some replacement demand. Under these circumstances, we will review our development system with an eye toward releasing machines built to current standards in order to impress hall operators and end-users. We will continue to (1) develop machines not dependent on speculation and that feature a variety of entertaining video elements and playing styles and (2) secure a strong sales network and improve machine quality through an alliance with a major sales company. In this way, we will supply proprietary cabinets for current standard machines and work on improving profitability through restoring the market's evaluation of us.

In the next fiscal year, we plan to release three models and sell 15,000 units (7,200 units more than the year under review). As a result, we expect net sales to increase to 4 billion yen (up 16.9% from the year under review) and to record 100 million in operating income owing to the elimination of the loss on valuation and loss on suspension recorded in the year under review.

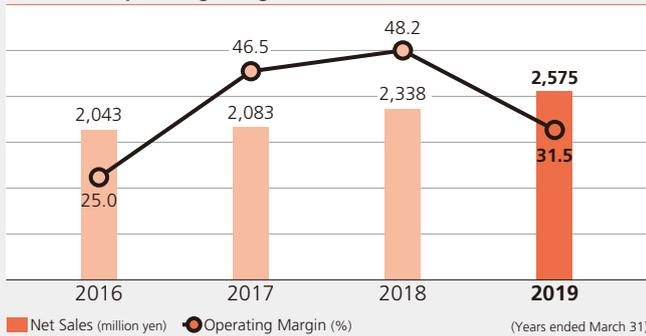
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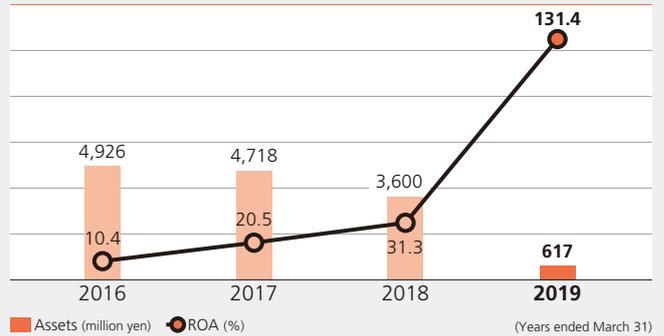
Other Businesses

Based on our Single Content Multiple Usage strategy of developing game content for various media, we pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game art books) and licensing (movies, animated television programs, music CDs, and merchandise). Furthermore, we are concentrating on the esports business as well.

Net Sales/Operating Margins

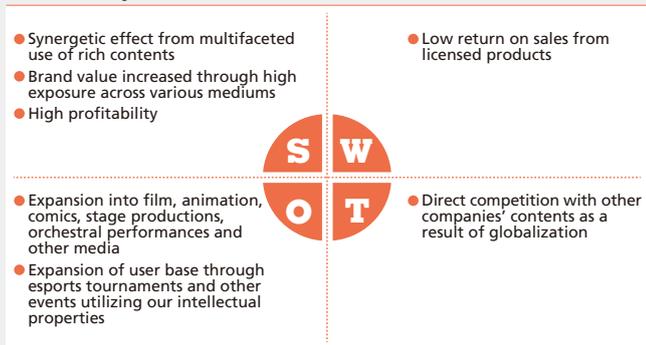


Assets/ROA

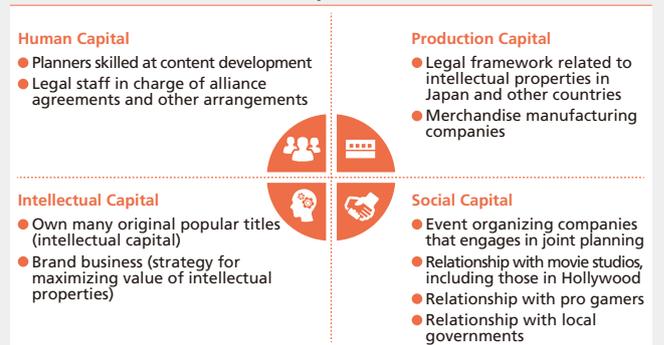


SWOT Analysis

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Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2019), we worked to improve our brand value through such efforts as broadcasting the animated television shows *Gyakuten Saiban: Sono "Shinjitsu", Ijiri! Season 2* and *Gakuen BASARA*. We also established a dedicated department for creating business opportunities in the esports market, which is expanding rapidly worldwide, and held our first league competition utilizing Street Fighter, one of our leading IP which has a high affinity with esports.

As a result, net sales increased to 2.575 billion yen (up 10.2% from the previous year), but operating income decreased to 811 million yen (down 28.0% from the previous year) due to upfront investments, including increased prize money for esports events and holding events to expand the field of users.

We will continue to leverage our strength of being able to reap substantial synergetic benefits with the Consumer Games businesses by diversifying the use of our rich library of intellectual properties (content) and rolling them out across various mediums, including movies, animated television programs, theatrical productions, and events. Additionally, in our esports initiatives we are focused on expanding the player base from a medium- to

long-term perspective, and as part of this will create the STREET FIGHTER LEAGUE: Pro-US in the United States and the STREET FIGHTER LEAGUE Pro-JP professional league in Japan, as well as new university and arcade leagues that will serve as gateways to our professional league in Japan.

We will also continue to actively leverage our intellectual properties (content), based on our Single Content Multiple Usage strategy with a stage play called *Zangeki Sengoku BASARA Tenseihoukan* and the Monster Hunter 15th Anniversary Orchestral Concert—Hunting Music Festival 2019—, as we work to increase the value of our core brands through adaptations and collaborations.

As a result of these measures, we expect net sales to increase to 3.0 billion yen (up 16.5% from the previous year), but due to continued upfront investments in esports, we expect to record an operating loss of 400 million yen.