

Market Analysis

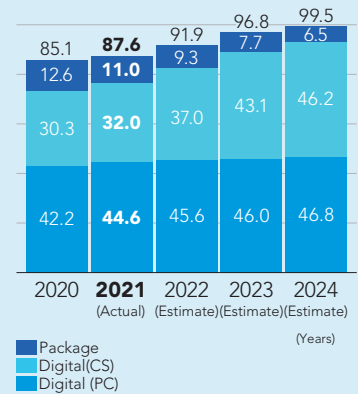
Market Trends

Consumer Market (Package + Digital)

In 2021, the consumer (package + digital *including PCs) market was 87.6 billion dollars (up 2.9% from the previous year), increasing year-over-year. Packaged sales dropped slightly against the backdrop of the global shift to digital, but digital sales, including PC platforms, continue to grow with the highly profitable digital contents market now accounting for roughly 87.4% of the consumer market.

The forecast for the 2022 consumer market is to reach 91.9 billion dollars (up 4.9% from the previous year) owing to continued growth of digital sales. In the medium term, we see the game market expanding in the developing regions of Southeast Asia, South America, and Eastern Europe and new game delivery methods such as streaming and subscriptions growing. As such, we expect the market to grow to 103.6 billion dollars by 2026 (up 18.3% compared to 2021). We also expect continued growth in the mobile market.

Consumer Market (billion U.S. dollars)

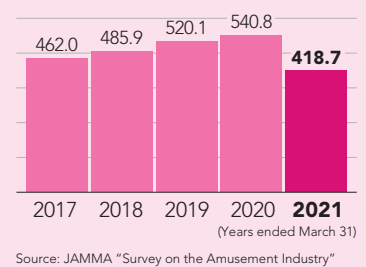


Arcade Operations Market

The domestic arcade facilities market dropped for the first time in six years due to the spread of the COVID-19 pandemic during the previous fiscal year (ended March 31, 2021) to 418.7 billion yen (down 22.6% from the previous year). The total number of facilities were 9,998 (down 18.1% from the previous year), and annual sales per store were 41.87 million yen (down 5.4% from the previous year).

Although we have seen some recovery due to the operational know-how we have acquired amid the pandemic, this fiscal year (ended March 2022), the market continued to be 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 2023) is expected to make greater progress toward recovery of the market environment due to increasing vaccination rates and the relaxation of restrictions.

Arcade Operations Market (billion yen)

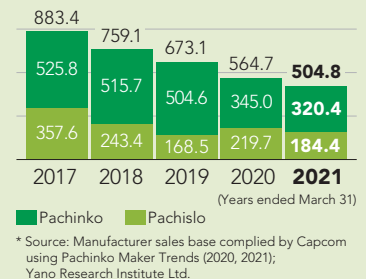


Gaming Machines Markets

In the previous fiscal year (ended March 31, 2021), the gaming machine market shrank for the eighth consecutive year to 504.8 billion yen (down 10.6% from the previous year).

This was due to the sluggish performance of stores against the backdrop of the COVID-19 pandemic, and in addition, the pachislo market is seeing slackening growth in the performance of machines with new gambling restraints, which has failed to stimulate stores' appetite for investment. This fiscal year (ended March 2022), although the effects of the COVID-19 pandemic continued to create an extremely challenging environment, the market showed signs of recovery with the replacement demand for new regulation-compliant machines. Next fiscal year (ending March 2023), despite some positive factors, such as new regulation machines with relaxed voluntary restrictions and the launch of smart pachislo machines, we believe the situation will remain harsh due to continued measures to address infectious diseases and increased investment burdens on halls.

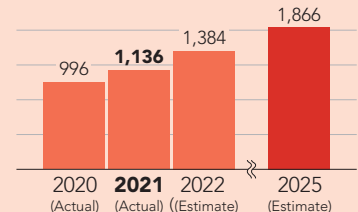
Gaming Machines Markets (billion yen)



Esports Market

The Esports Market in 2021 was 1.13 billion U.S. dollars (an increase of 14.1% over the previous year). This increase was due to increased sponsorship and expanded media rights fees. In 2022, we expect the market to grow to 1.38 billion U.S. dollars (up 21.8% from the previous year), primarily in China, which accounts for the largest share. The future remains unclear due to the prolonged COVID-19 pandemic, but due to medium-term growth in Asia and Central and Southern American regions, it is expected to reach 1.86 billion U.S. dollars by 2025.

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
- ◆ Development delays
- ◆ Dependence on popular series and scarcity of hit titles
- ◆ 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 efficiency while 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 preventative security measures

- 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, such as cafes and merchandise.
- Attracting 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 quickly respond 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 competitions
- 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 Village* and *Monster Hunter Stories 2: Wings of Ruin* were hits
- ◆ Major catalog title hits *Monster Hunter Rise*, *Resident Evil 7 biohazard*, *Resident Evil 2*, and *Monster Hunter World: Iceborne* performed well
- ◆ Packaged sales and highly profitable digital sales grew further

Mobile Contents

- ◆ Launched *Devil May Cry: Peak of Combat*

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
- ◆ Sales at existing stores increased by 19% over the previous fiscal year due to recovering customer numbers with the lifting of the state of emergency in addition to efficient operation of existing stores and the effect of new stores in new business formats.
- ◆ We opened one of the region's largest amusement complexes in Ishikawa Prefecture, the Miraino Aeon Mall Hakusan store, which features "Crazy Banet."
- ◆ We opened two new stores and closed one 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 26,000 units of three models
- ◆ Despite lower sales and profits, diversification of the business model improved profitability over the previous fiscal year.

Other Businesses



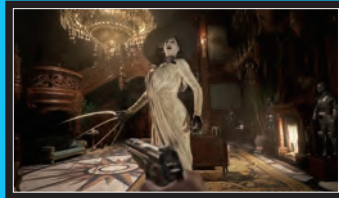
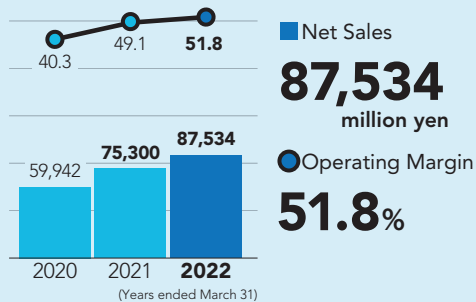
Photos: Red Bull Content Pool

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

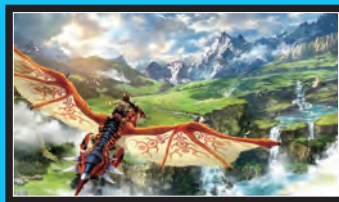
- ◆ We held events and sold merchandise leveraging IPs like *Monster Hunter* and *Resident Evil*, creating multifaceted opportunities for earnings
- ◆ In our licensing business, we strengthened our expansion into visual media and merchandising to coincide with the release of new home video game titles
- ◆ We expanded revenue opportunities by providing characters for collaborations in titles from other companies in the industry.
- ◆ 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

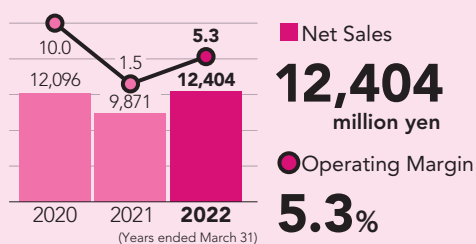
**Resident Evil Village**

This title was released as a sequel to *Resident Evil 7 biohazard*, which was released in January 2017. In addition to photorealistic visuals and 3D audio made possible by the RE ENGINE, the game was well received for its immersive play experience that combines horror and action, leading to 6.1 million units sold worldwide.

**Monster Hunter Stories 2: Wings of Ruin**

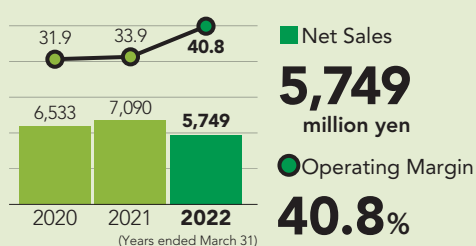
The second RPG set in the *Monster Hunter* universe. The game was well received for the many popular monsters from previous installments of the series that appeared, its engaging battle system, and for expanding the game world with a new focus on Monster Riders. It has sold 1.5 million units worldwide.

Net Sales/Operating Margins

**Miraino Aeon Mall Hakusan Store**

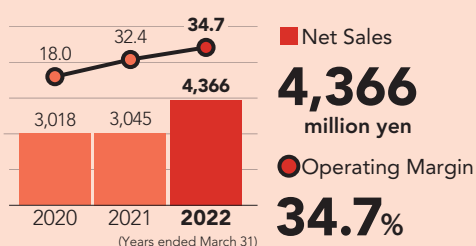
This facility features numerous attractions, including "Crazy Banet," one of the biggest large-scale physical activity zones in the Hokuriku region, Capcom's official esports facility, "Capcom eSports Club," and an original VR facility that utilizes Capcom IP, "VR-X."

Net Sales/Operating Margins

**Pachislo****Monster Hunter: World Gold Hunting**

This pachislo machine is based on *Monster Hunter: World*, our all-time best-selling home video game with more than 18 million units sold cumulatively. Released in December 2021, 12,000 units were sold.

Net Sales/Operating Margins

**Hollywood movie****Resident Evil: Welcome to Raccoon City**

Resident Evil, one of our most popular brands, was adapted into a Hollywood movie again following a five-year break. After opening in North America in November 2021, it was rolled out to theaters around the world.

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