

Game Industry Characteristics



Consumer Market Characteristics (Package + Digital)

Package and digital download contents are a 35.1 billion dollar market, forecast to grow 1.5 times that size over the next five years to 53.2 billion dollars by 2024. 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. 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 the other two markets. [➔For details see p.69](#)



Mobile Market Characteristics

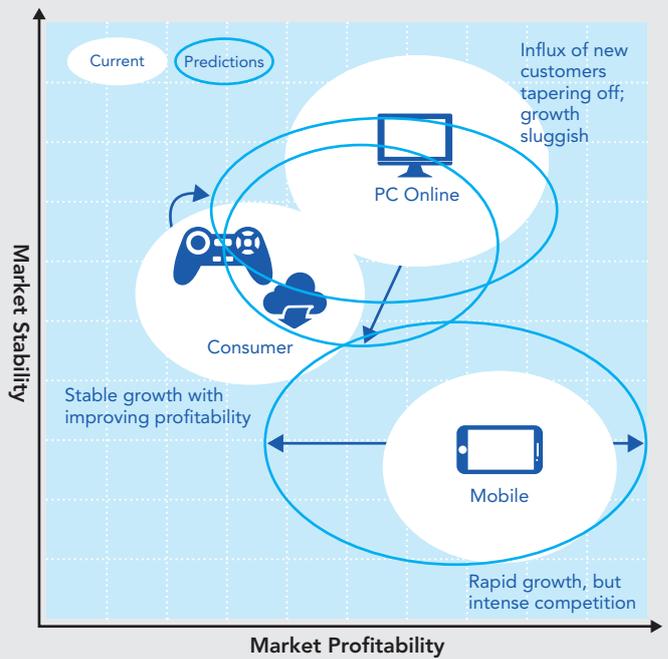
This is a 92.0 billion dollar market, forecast to continue growing to 129.9 billion dollars by 2024. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions. Although this is the most profitable among the three markets, 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 the 5G next generation mobile communication standard is put into use, we expect smartphones will continue to drive rapid growth as the most pervasive game device. [➔For details see p.69](#)



PC Online Market Characteristics

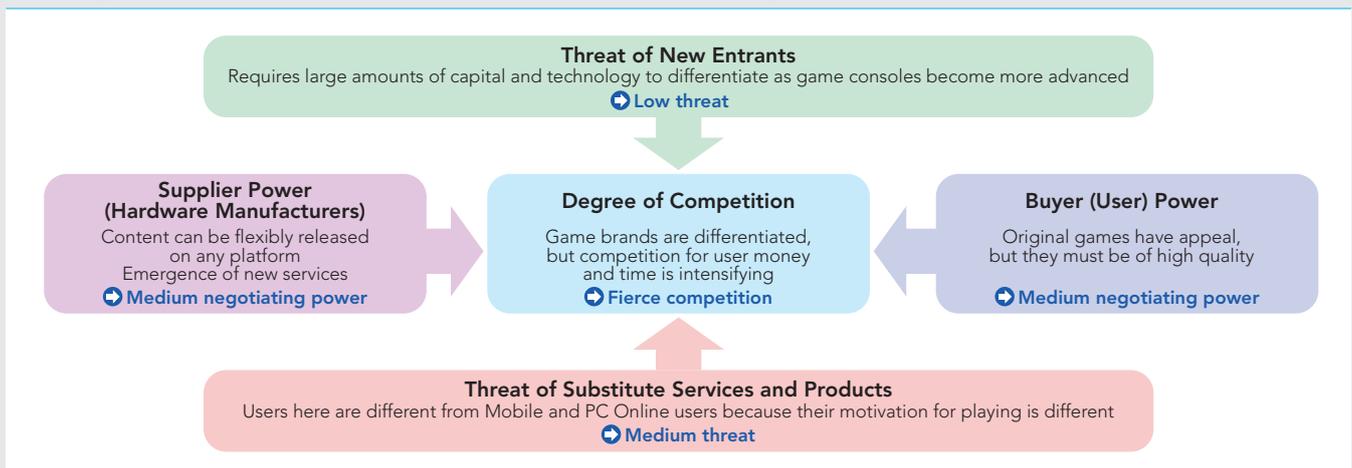
This is a 38.4 billion dollar market, forecast to grow about 13% over the next five years to 43.3 billion dollars by 2024. The customer base is primarily composed of core users who demonstrate the highest loyalty toward game titles. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. Integration with the consumer market will likely progress as the online capabilities of consoles are enhanced, so growth of this market is expected to become sluggish in the future. [➔For details see p.69](#)

Characteristics of Each Market



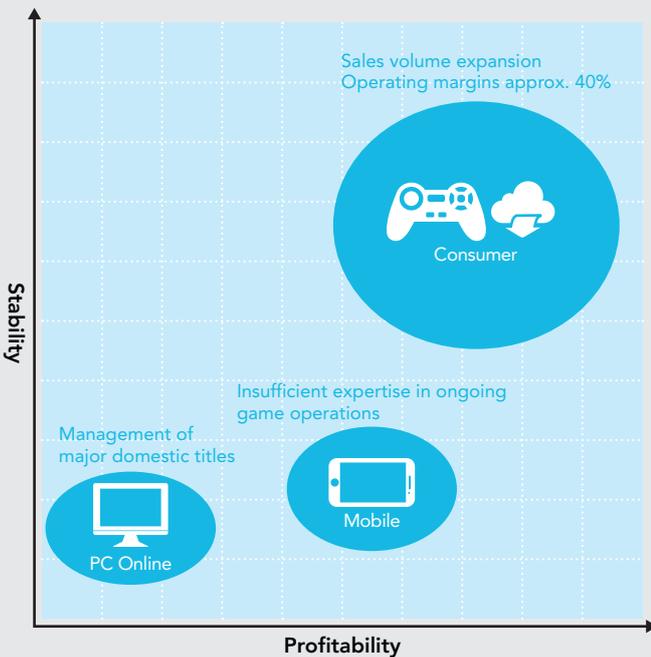
Source: Created by Capcom based on data from the International Development Group

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, 2020

Consumer
(Proportion of Net Sales: 73%)
Package + Digital

Capcom’s core business is to create a multitude of original content for 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 and operating margins of around 40%.

Mobile Contents
(Proportion of Net Sales: 5%)

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 implementation of the 5G next generation mobile communication standard.

PC Online

We worked to distribute PC Online games utilizing our popular content and ensure stable management in Japan. This sub-segment has been integrated into Digital Contents as of the fiscal year ended March 31, 2020.

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 capabilities to produce original titles of world-class quality | ○ | ○ | ○ | ○ | |
| Development/technology | RE ENGINE for streamlined development and the technological prowess to fully leverage the latest technology | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| | Corporate culture of training younger employees | ○ | △ _{*1} | ○ | ○ | |
| Governance | Promotion of governance reforms (external director ratio / company with an audit and supervisory committee) | ○ | △ | × | ○ | Some companies are even more progressive |
| | 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 30 consecutive years since listing | ○ | △ | △ | ○ | There are about 40 companies that have provided dividends for 10 consecutive years or more |
| Sales | Consumer digital sales ratio of more than 70% | ○ | △ | ○ _{*2} | ○ | Major overseas companies are ahead |
| 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 | ○ | × | △ | × | |
| 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 2011 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.43)

*2 With respect to the low evaluation globally despite being ahead of other companies in Japan, we are promoting measures such as (1) taking advantage of our many popular IPs by re-releasing past million-sellers (94 titles) in digital format, (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.33)

*3 With respect to the low evaluation of not successfully rolling out IPs to mobile platforms despite their relative strength, we are continuing to promote measures such as (1) assigning capable creators to internal production and (2) forming alliances with mobile game companies possessing abundant game operations know-how. At the same time, we are engaging in research and development in anticipation of implementation of the 5G next generation mobile communication standard.