

Segment Information

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

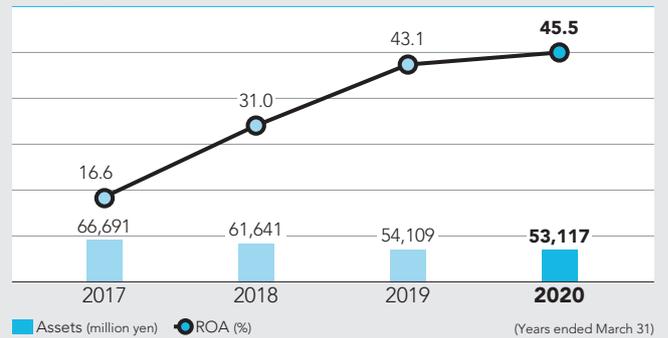
Digital Contents

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 that provides recurring revenue by utilizing digital distribution. Many of these million-seller titles are used for smartphone, tablet device and PC online games, and are distributed worldwide in order to maximize earnings.

Net Sales/Operating Margins



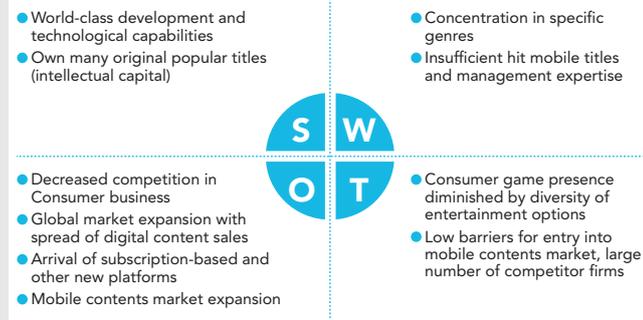
Assets/ROA



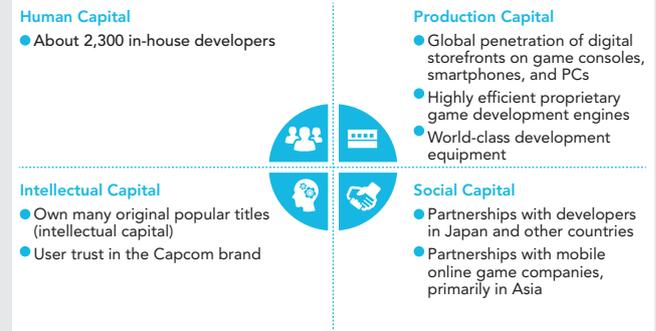
Note: Effective from the beginning of the fiscal year ended March 31, 2019, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

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

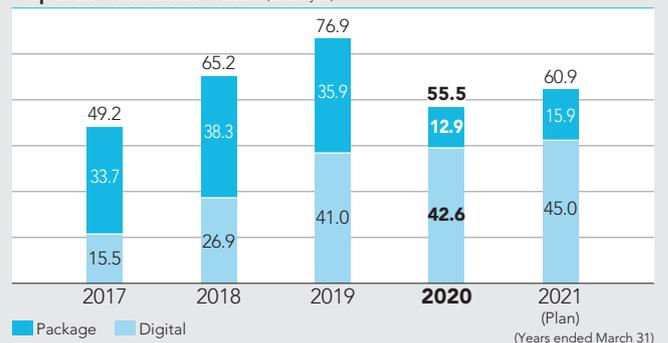
Consumer (Package + Digital) sub-segment

This fiscal year (ended March 31, 2020), new title *Monster Hunter World: Iceborne* sold 5.2 million units. Together with focusing business development on high-margin digital sales, this drove improvements in business results. Sales for *Resident Evil 2* and *Devil May Cry 5*, which were released the previous year, also continued to grow from an expanding user base.

Additionally, *Monster Hunter: World*, which was released two years earlier, continued to sell, bringing the cumulative total for the title to 15.7 million units. This performance, along with healthy sales of other catalog titles, gave a boost to revenue.

Moreover, the growth in our library of titles due to a steady new release pipeline in recent years along with successful holiday season discount measures pushed up digital sales to 20.55 million units (up 34.3% from the previous year). As a result, this year's package and full-game download sales totaled 25.5 million units

Capcom Consumer Sales (billion yen)



(up 0.8% from the previous year), making this the fifth consecutive year of growth.

On the other hand, the number of major new titles was down from the previous year, and this year's major title was lower priced. Package sales were 12.9 billion yen, and digital sales were 42.6 billion yen. Together, they resulted in Consumer sales of 55.5 billion yen (down 27.8% from the previous year). However, the percentage of high-margin catalog title sales and digital sales improved, bringing operating income to 24.1 billion yen (up 3.4% from the previous year). This marked the third consecutive year of increased operating income and drove up the operating margin to 40%.

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 continued 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 remake or 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 major titles on a regular basis. Finally, for (3) we seek to 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 *Resident Evil 3*, a popular title from the past remade with the latest technology, as well as additional major titles in the second half of the year to solidify our brand globally. The focus on digital sales has made it possible to

reach regions that were once difficult to access, so we aim to continue expanding global sales by focusing on catalog sales of *Monster Hunter World: Iceborne*, *Monster Hunter: World*, and *Resident Evil 2*. As a result of these efforts, we expect to increase unit sales to 28.0 million units (up 9.8% compared to the previous year), net sales to 60.9 billion yen (up 11.7% from the previous year), and for the digital sales ratio to remain in the mid-70% range.

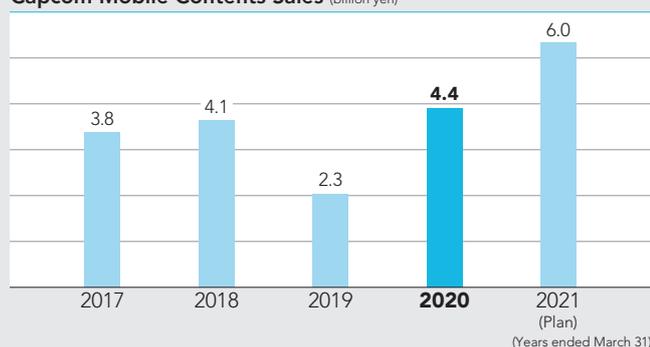
Mobile Contents Sub-segment

This fiscal year (ended March 31, 2020), we introduced new titles including *Sengoku BASARA: Battle Party* and *TEPPEN*, an alliance title released together with GungHo Online Entertainment, Inc., and both performed well. In addition, *Monster Hunter: Riders*, which was launched in February, got off to a good start. As a result, net sales increased to 4.4 billion yen (up 91.3% from the previous year).

In the future, we will continue to explore a wide range of possibilities, including cultivating existing titles, 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 6.0 billion yen (up 36.4% from the previous year) owing to the full-year contribution of titles introduced this year and the introduction of new alliance titles overseas.

Capcom Mobile Contents Sales (billion yen)



Segment Information

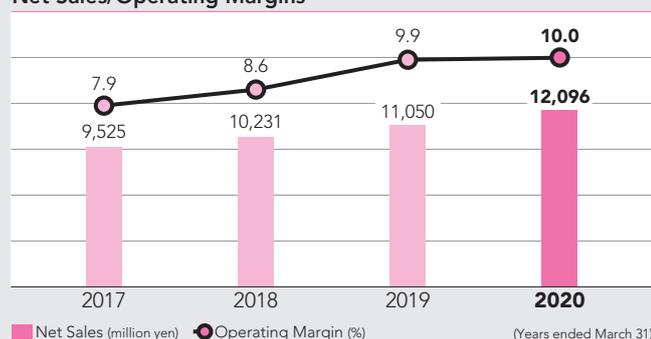
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Arcade Operations

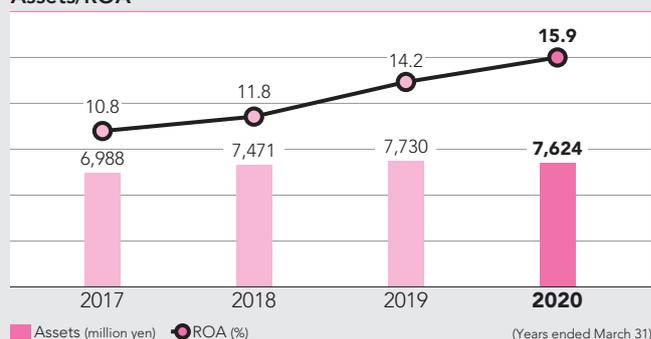
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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, 2020), relaxation of restrictions in the Law on Control and Improvement of Amusement and Entertainment Businesses that took effect in June 2016 continued to provide favorable conditions for a sustained recovery in market size. Chara Cap, which sells character merchandise, contributed to results through an increase in the number of customers resulting from long public holidays, as well as through increased sales per customer due to the draw of prizes featuring specific characters and popular products.

As for stores, Plaza Capcom Ikebukuro and the Company's first showroom, Capcom Store Tokyo (Shibuya), were opened in Tokyo, and Plaza Capcom Fujiidera was opened in Osaka. This brought the total number of stores to 40, up three from the previous year. Capcom Store Tokyo is performing particularly well, owing to its capturing of inbound demand thanks to its prime location and much-talked-about original merchandise.

In March, same store sales for the month fell by approximately 30% from the previous year due to the impact of people staying home to prevent the spread of COVID-19 and some temporary

store closures.

For the full year, owing to the contribution of new stores and improved profitability at existing stores, net sales were up 3.5% from the previous year, bringing segment net sales to 12.096 billion yen (up 9.5% from the previous year) and operating income to 1.211 billion yen (up 10.5% from the previous year), so that both sales and profit were up year over year.

In the next fiscal year, we forecast a decrease in both sales and profit with same store sales down 18%, net sales coming in at 10.5 billion yen (down 13.2% from the previous year) and operating income at 0 billion yen. This is due primarily to all stores (excluding *Capcom Net Catcher Cap Tore*, the online crane game) being closed in April in response to the spread of COVID-19, as well as shortened operating hours and curtailed cabinet operations after the stores were reopened.

As for the number of stores, Capcom will continue opening stores in locations with strong customer appeal. We plan to open three more stores, bringing the total number to 43.

Amusement Equipments

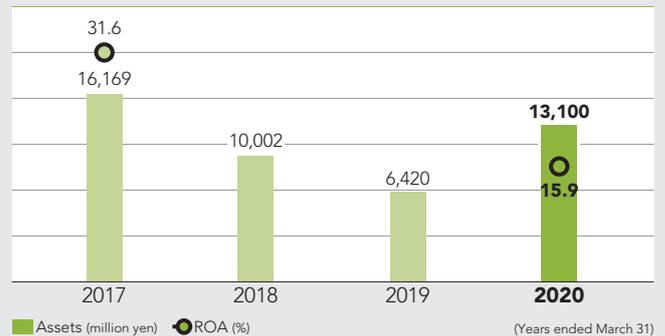
Here, we leverage the contents from our home video games.

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.

Net Sales/Operating Margins

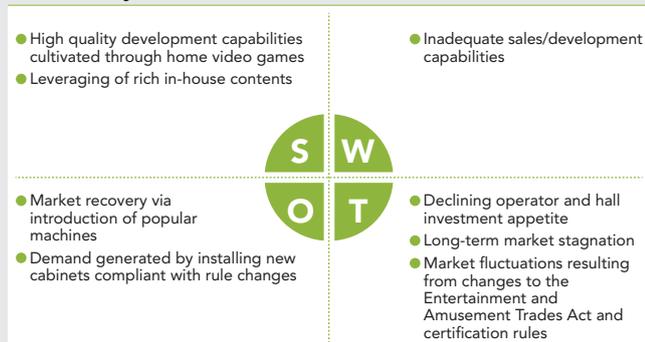


Assets/ROA

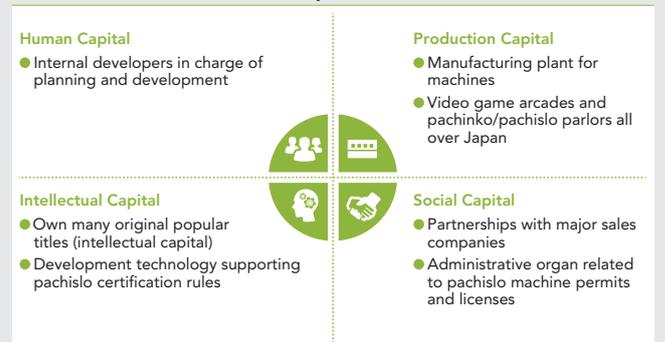


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Utilization of Non-Financial Capital



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

This fiscal year (ended March 31, 2020), new pachislo machine *Onimusha: Dawn of Dreams* was launched by the Pachinko & Pachislo (PS) sub-segment, selling 20,000 units.

Changes in the market environment resulting from such things as changes to methods of pachislo machine model certification continued to have an impact. Because of the absence of the loss on valuation and loss on suspension recorded the previous year, and the favorable orders received for *Onimusha: Dawn of Dreams*, net sales were up substantially to 6.533 billion yen (up 90.9% from the previous year), and the segment returned to profitability, with operating income of 2.085 billion yen.

There are signs of a coming recovery in the market in the next fiscal year driven by demand for replacing machines built to the old standard along with improved sentiment for machines meeting the current standard.

However, Capcom will keep an eye on market trends, including closings in conjunction with the spread of COVID-19 on top of the investment required for introducing current standard machines at halls.

Under these circumstances, we will review our development system with an eye toward releasing machines to impress hall operators and end-users. We will continue to (1) develop machines not dependent on speculation and that feature a variety of playing styles and entertaining video elements that utilize content from our popular Consumer content, while (2) working on securing a strong sales network and improving machine quality through an alliance with a major sales company.

In the next fiscal year, we will develop multiple models simultaneously, but out of consideration of the progress of model certification tests and hall closings due to COVID-19, we plan to release one model and sell 15,000 units (5,000 units less than the year under review). As a result, we expect net sales to fall to 4.5 billion yen (down 31.1% from the year under review) and to record 1.7 billion in operating income (down 18.5% from the year under review).

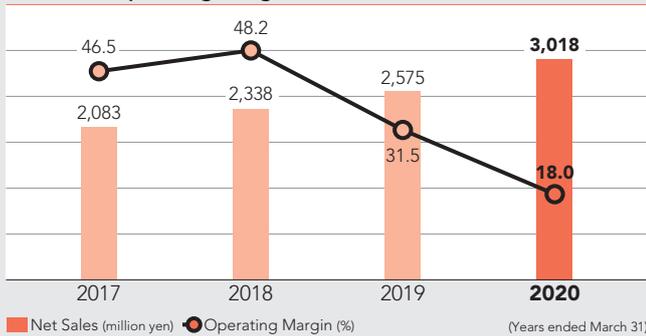
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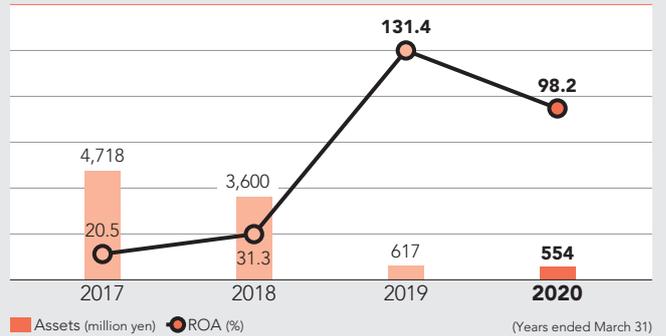
Other Businesses

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

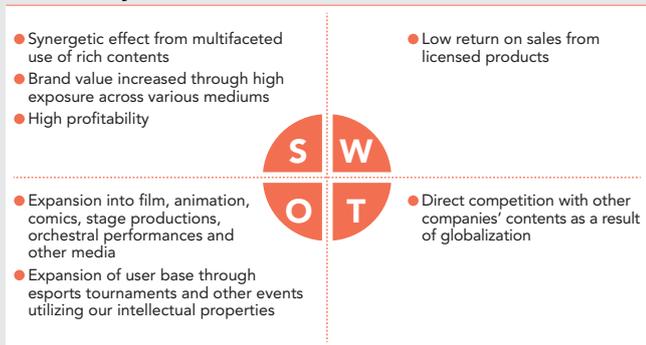


Assets/ROA



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, 2020), we worked to improve our brand value through such efforts as developing merchandise utilizing popular IPs, including apparel and figurines, and implementing the limited-time-only attraction Biohazard the Extreme at Universal Studios Japan.

In the esports market, which continues to grow worldwide, we held tournaments for Street Fighter League: Pro-JP, our premier league in Japan, as well as Street Fighter League: College-JP 2019 and Rookie's Caravan 2019 for scouting amateurs. We also held a professional league tournament in the U.S. and a U.S. vs. Japan competition there as well.

As a result of these efforts and growth of the licensing business, net sales increased to 3,018 billion yen (up 17.2% from the previous year), but operating income decreased to 544 million yen (down 32.9% from the previous year) due to ongoing upfront investments in the esports business.

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. We will also promote esports as a safe form of entertainment during the COVID-19 pandemic due to its compatibility with online play. In the next fiscal year, the Capcom Pro Tour, which has been held annually since 2014, will be taken fully online as Capcom Pro Tour Online 2020. This will make it possible for players from all over the world to participate from home; moreover, by livestreaming it in multiple languages, we plan to further expand the audience globally.

We will also continue to actively leverage our intellectual properties (content), based on our Single Content Multiple Usage strategy, including with the streaming animated television program *Dragon's Dogma*, as we work to increase the value of our core brands through adaptations and collaborations.

We expect net sales to increase to 3.1 billion yen (up 2.7% from the previous year) and operating income to be 700 million yen (up 28.7% from the previous year), for an increase in both sales and profit.