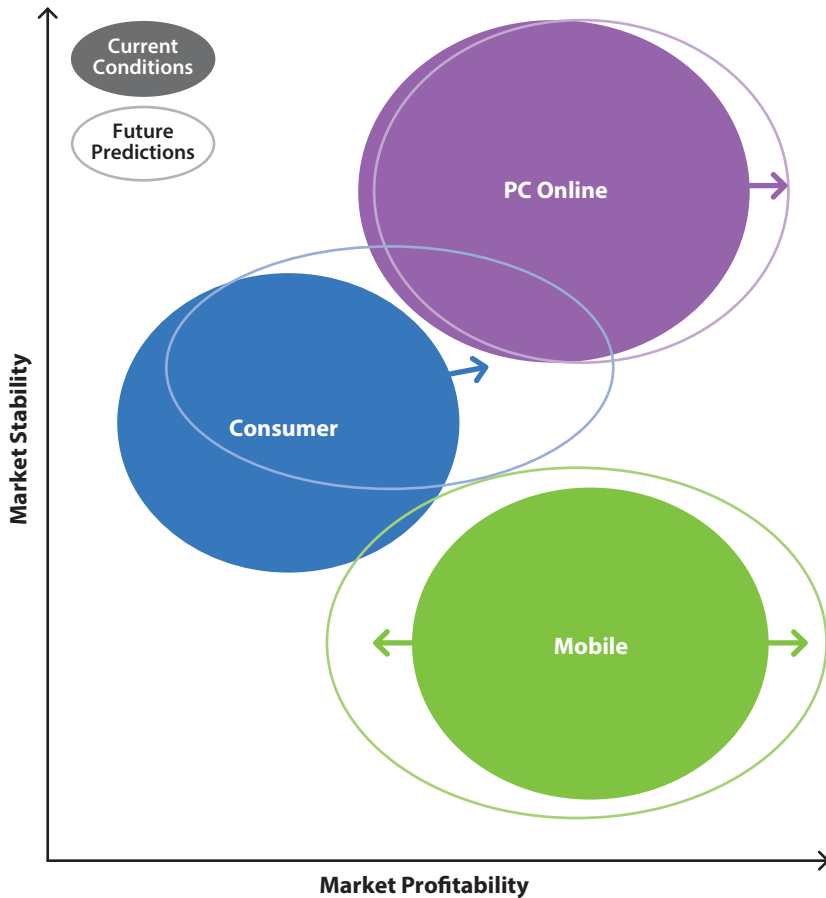


# Game Industry Characteristics

## Characteristics of Each Market



### PC Online Market Characteristics

This is a 24.7 billion dollar market, forecast to grow to 26.6 billion dollars in 2019. The customer segment is primarily composed of core users who demonstrate the highest game loyalty. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. In terms of profitability, PC Online is comparatively high among the three markets, typically generating stable earnings over the long term. Going forward, we do not anticipate any major changes and expect the market to remain stable.

### Consumer Market Characteristics (Package + Digital download contents)

Package and digital download contents are a 21.6 billion dollar market, forecast to grow to 25.6 billion dollars in 2019. The customer segment is composed mainly of core users with high game loyalty. They have a relatively high willingness to purchase sequels and a low sensitivity to price and economic conditions. This market is the lowest among the three in terms of margin, yet occupies a high position in the Japanese industry overall. Hereafter, we expect the digital sales ratio to increase, shrinking the gap between the other two markets' profitability.

### Mobile Market Characteristics

This is a 22.5 billion dollar market, forecast to grow to 37.4 billion dollars in 2019. The customer segment is primarily composed of casual users, many of whom play games just to pass the time, thus they demonstrate the lowest game loyalty. 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. Going forward, we expect rapid growth to make smartphones the most pervasive game device.

## Five Competitive Factors in Each Business (Five Forces Analysis)

	Consumer (Package + Digital download contents)	Mobile Contents	PC Online
Threat of New Entrants	<b>Normal</b> High capital and differentiated technology requirements	<b>Extremely high</b> Few capital or differentiated technology requirements	<b>Low</b> Ongoing capital investment and cutting-edge technologies required
Threat of Substitute Services and Products	<b>Normal</b> Users somewhat compartmentalized	<b>Low</b> From standpoint of mobility, low user outflow to other two markets	<b>Normal</b> Users somewhat compartmentalized
Buyer Power	<b>High</b> Many transactions with major overseas retailers with strong purchase power	<b>Low</b> Direct sales to users	<b>Low</b> Direct sales to users
Supplier (Hardware Manufacturer) Power	<b>Low</b> Content is flexibly compatible with all platforms	<b>Low</b> Content is flexibly compatible with all platforms	<b>Low</b> Content is flexibly compatible with all platforms
Degree of Rivalry	<b>Normal</b> Appropriate environment at present, expected to soften somewhat in the future	<b>High</b> Many new entrants, tough environment	<b>Normal</b> Appropriate environment at present

### Editorial Policy

From this fiscal year forward, Capcom will issue "Integrated Report" containing substantially more non-financial content than in the past to provide shareholders, investors and all our stakeholders with a deeper understanding of Group management policies, business strategies and medium- to long-term value creation.

This report was created according to the "International Integrated Reporting Framework" announced by the International Integrated Reporting Council (IIRC).

This report includes numerous images and diagrams aimed at maximizing the readers' ability to visualize content in a sincere effort to facilitate understanding.

In addition to a print version, this report is also available online.

### Period and Scope

This report reviews the fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015). When necessary, it also includes references to fiscal periods before and after this timeframe.

Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.

### Subject Index

To find out about our business model and capital, see PP7–12 (PP7–8 provides a guide to capital details)

To find out about our management environment and market trends, see P1, PP17–20, PP29–32, PP35–44

To find out about our performance, see P10, PP13–14, PP15–16, PP17–19, PP35–44

To find out about our management and financial strategies, see P9, PP19–20, PP21–22, P26, PP28–34

To find out about our business segments, see PP13–14, PP27–28, PP35–44

To find out about stakeholder opinions, see PP33–34, P46, PP49–50, PP51–52, P64

To find out about ESG information, see P12, PP23–25, PP45–48, PP49–66

To find out about our development, see Separate volume: The Latest Development Report 2015

To find out about the game industry glossary, see Capcom's official website <http://www.capcom.co.jp/ir/english/glossary/>

### Market Data

Game market  
Diagram 1, 27, 28, 29

Arcade facilities market  
Diagram 34, 35, 36

Amusement equipments market  
Diagram 37, 38

## Capcom's Value Creation Activities

- 3 To Our Stakeholders (From the CEO & COO)
- 5 Capcom History
- 7 Capcom's Business Model
- 10 Main Financial and Non-Financial Highlights
- 13 Business Segments Highlights
- 15 11-Year Summary of Consolidated Business Performance Indicators



Capcom's Value Creation Activities

## Messages from Management

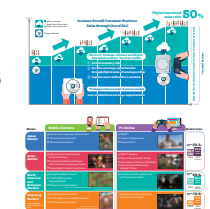
- 17 The CEO's Discussion of Performance Summary and Progress Towards Medium-Term Goals
- 26 Financial Strategy According to the CFO



Messages from Management

## Our Strategy for Growth

- 27 The COO Discussion of Medium-Term Business Strategies
- 29 **Growth Strategy 1** Consumer Business Expansion
- 31 **Growth Strategy 2** Online Business Expansion
- 33 Conversation: An Analyst's Perspective on Capcom's Strategy for Growth



Our Strategy for Growth

## Business Activities and Future Outlook

- 35 Digital Contents
- 39 Arcade Operations
- 41 Amusement Equipments
- 43 Other Businesses



Business Activities and Future Outlook

## CSR Activities (Corporate Social Responsibility)

- 45 Educational Support as a Game Company
- 47 Environment and Society



CSR Activities

## Corporate Governance

- 49 Conversation: An External Director's Perspective on Capcom's Governance
- 51 Dialogue Between an External Director and Institutional Investors
- 53 Corporate Governance Structure and Initiatives
- 57 Principal Discussions at Board of Directors Meetings in Fiscal 2014
- 59 Internal Management Structure and Initiatives
- 61 Risk Management
- 63 Creating Relationships with Shareholders and Investors
- 65 Directors and Corporate Auditors



Corporate Governance

## Financial Section

- 67 11-Year Summary of Consolidated Financial Indicators
- 69 Financial Review
- 73 Consolidated Balance Sheets
- 75 Consolidated Statements of Income / Consolidated Statements of Comprehensive Income
- 76 Consolidated Statements of Changes in Net Assets
- 77 Consolidated Statements of Cash Flows
- 78 Notes to Consolidated Financial Statements
- 94 Independent Auditor's Report

Financial Section

Corporate Data

### Separate Volume

**The Latest Development Report 2015**  
*We Create Games that Excite*

