Advanced Technology to Lead the Industry

Capcom
Investor Relations Website
http://www.capcom.co.jp/ir/english/

We have been focusing on IR activities by providing our shareholders and investors with timely and updated information through our website.

Smartphone Access
If you have a smartphone that reads QR codes (two-dimensional bar codes), scan the image on the right for easy access to the site.

Cover Image
The cover image shows Capcom’s development offices in Osaka. The building at lower right is R&D Building #2, boasting one of the newest development facilities in Japan, just completed in 2016. At upper left is the R&D Building, completed in 1996. These two buildings will serve as a base as we move forward with the strengthening of our development structure.
Global Game Market to Exceed 100 Billion Dollars in 2017

The global game market continues to grow beyond previous market forecasts and is expected to exceed 100 billion dollars in 2017. The market is becoming increasingly active, as each new generation of major home video game consoles drives units sales higher amid the launch of virtual reality (VR) games in 2016. Mobile content markets mainly in Asia and developing countries are expanding beyond the scale of the game console market.

Going forward, the game market is expected to continue growing, expanding to nearly 200 countries worldwide through various devices used for gaming.
Massive Asian Online Market Exceeds 30 Billion Dollars

The Asian region is a massive market valued at 30 billion dollars, and boasts a 54% global share of the online game market utilizing smartphones and PCs. In the past, a market could not be established in the Asian region as it was plagued by issues such as pirated games. The ability to authenticate online game purchases and the spread of smartphones coupled with a great number of potential users, including the world’s largest population of 1.3 billion people in China, caused the region to grow rapidly into a major market.

Driven by PC online games for core users and mobile games for casual users, this market is forecast to continue growing significantly.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile Contents</th>
<th>PC Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>20.7 (forecast)</td>
<td>20.7</td>
</tr>
<tr>
<td>2015</td>
<td>33.5 (forecast)</td>
<td>33.5</td>
</tr>
<tr>
<td>2016</td>
<td>39.1 (forecast)</td>
<td>39.1</td>
</tr>
<tr>
<td>2017</td>
<td>39.7 (forecast)</td>
<td>39.7</td>
</tr>
<tr>
<td>2018</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: International Development Group

Massive Online Growth Potential

Over $30 billion

$30 billion
Capcom Developers Exceed 2,000 in 2016.
On Track to Become One of the Largest Studios in Japan

Personnel costs comprise approximately 80% of game software development costs, thus investment in people is indispensable to maintain a competitive edge. To increase quality and accumulate expertise, Capcom is engaged in strengthening internal development and plans to expand its development structure to 2,500 employees, one of the largest in Japan, in fiscal 2021. To this end, Capcom is hiring a wide range of people without regard for nationality or gender to secure human resources necessary for developing content popular throughout the world.

Furthermore, in 2016 Capcom commenced operations at its new R&D facility incorporating world-class development equipment and technologies.
50.0%

No Growth Without Governance Reforms:
Half of Board of Directors Are External Directors

Reforms Aimed at Transparent Decision-Making and Heightened Reliability

Capcom believes strong governance is indispensable for enhancing corporate value. Thus, we invite experts with the highest level of acumen in their respective areas of specialization to serve as external directors who provide Capcom with opinions, advice and checks that increase Board of Director transparency and reliability. They also enhance dialogues with analysts and investors in an attempt to strengthen management monitoring functions. Currently, external directors comprise 50% of the Board of Directors.

Also, in June 2016, Capcom made significant changes to its corporate governance organizational design to increase corporate value and control risks in accordance with the promotion of growth strategies, establishing a structure to strengthen a wide range of monitoring functions in overall management.

Four Features of Capcom Corporate Governance

1. Transitioned to a company with an audit and supervisory committee to strengthen governance.
2. Proactive appointment of external directors.
3. Full disclosure of 73 Corporate Governance Code items.
4. Mechanism for reflecting investor and analyst opinions in management.

Please refer to “Governance Reforms for Further Growth” on page 67.
“Capcom: Creator of Entertainment Culture that Stimulates Your Senses”

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment. Since Capcom’s establishment in 1983, we have developed numerous products with world-class development capabilities as our strength. Game content, an artistic media product that fascinates people, consists of a variety of media that permeates our daily lives. Going forward, Capcom aims to become a unique company recognized around the world for content that stimulates your senses.

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Corporate Philosophy

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To Our Stakeholders (From the CEO & COO)

Creating Entertaining Games that Continue to Excite People Around the World ———
This is the cornerstone of Capcom’s business activities and the source of our corporate value. Through our business activities, we bring the Company economic benefits while providing society with new value. We believe the value of a corporation stems from shared value creation.

As the game market expands globally, in addition to pursuing short-term profit, Capcom is promoting growth strategies from a medium- to long-term perspective in order to continue enhancing corporate value into the future.

Going forward, we will transform our fundamental revenue model from a one-time sale “transactional model” to an ongoing “recurring revenue model,” while at the same time thoroughly executing our Single Content Multiple Usage strategy and constructing a portfolio to achieve stable earnings. We will also engage in governance reforms to control risks that increase proportionally with the acceleration of our growth strategies, thoroughly implement management visualization and systemization and create a structure enabling rational management decisions based on an institutional design with external directors at its core.

Furthermore, we will make an effort to strengthen non-financial capital not reflected in quantitative data. In addition to enhancing Capcom’s highly original content, the source of our competitive edge, and the development structure that creates it, we will build positive relationships with business partners, regional communities, employees and a variety of stakeholders among other important “capital” comprising Capcom corporate value.

Through these various initiatives, we believe we can contribute to shareholder and investor profits by becoming a company of sustainable growth.

Promoting Growth Strategies and Governance Reforms Aimed at Enhancing Corporate Value


capcom's value
creation activities
message from
management
growth strategy
business activity
achievements
esg information
financial and
corporate data

Chairman and
Chief Executive Officer (CEO)
Kenzo Tsujimoto

President and
Chief Operating Officer (COO)
Haruhiro Tsujimoto

Corporate Value Enhancement
- Increase Financial Capital
  - Achieve medium-term business goals
  - Increase ROE
  - Increase net cash
- Increase Non-Financial Capital
  - Enhance development structure
  - Increase stock of IPs
  - Build relationships with stakeholders

Promote Growth Strategy
Promote Governance Reforms
Contributing to the Creation of a Rich Culture and Society through Game Development and Multiple Usage

The use of advanced development capabilities to create original contents for branding is the source of Capcom’s long-term earnings. Capcom pursues high added-value through business activities making use of abundant capital (inputs) within and outside the Company, regularly developing and releasing products (outputs) for multiple game platforms and media. The value (outcome) generated from these activities is provided to society and reinvested for the future. Through these activities, we make an effort to respond to social issues while expanding corporate value.

Social Issues ➔ INPUT ➔ Business Activities ➔ OUTPUT/OUTCOME ➔ Impact on Society

- **Human Capital**
  - World’s top game development human resources
  - New technological development structure (VR, etc.)

- **Intellectual Capital**
  - Product brand power
  - Cumulative total of 71 million-seller titles

- **Production Capital**
  - Cutting-edge development environment
  - Utilization of assets previously purchased from other companies

- **Contents Industry Promotion**
- New industries created from new technologies
- Declining regional populations
- Overconcentration in large cities

- **Social Capital**
  - Core fans
  - Overseas affiliate publishers
  - Domestic cooperating companies

- **Generational and Intergenerational Communication Gaps**
- Social isolation

**New Title Production Flow**

**Planning**

- Projects are created through a two-step approval process. Once concepts and plans are refined, the project is approved for final development.

**Development**

- Gaming technologies utilized, including the creation of a gaming development engine and arrangement of programmers, designers, and creators. Efforts are made to improve quality and ensure development efficiency.

**Quality Assurance**

- Quality assurance checks are conducted from the user’s perspective by about 100 people. This process not only checks bugs, but also reviews the game world’s story, characters, and game play.

**Sales and Marketing**

- Sales promotions and user events conducted to ensure the game world’s staying top of mind.

**Stable structure for series development**

**60-Month Title Development Plan 52-Week Map**

**Growth Strategy 1**

**Consumer Business Expansion**

- Please refer to pages 37–38

**Growth Strategy 2**

**Overhaul the Online Business**

- Please refer to pages 39–40

**Digital Contents**

- Expand new titles
- Increase catalog sales
- Increase digital download ratio
- Expand Mobile and PC Games
- Increase collaborations with companies in Asia

**Single Content Multiple Usage**

- Create a variety of content derived from a single hit title

**Company-wide**

- Increase intellectual property (technology & new series)
- Expand global fan segmentation

**Use games to invigorate communications going beyond location and generation**

**Contribute to VR and simulation technology advances and industry creation**

**Export Japan game culture globally**

**Utilize characters to stimulate interest in regional communities**

**Utilize arcades as a place where seniors can meet**

**Increase the number of young people who want to become game creators**
In 1983, Capcom Co., Ltd., was established in Osaka. The Nintendo Entertainment System (NES) was launched to massive success. In 1984, the proprietary high-spec circuit board “CP System.” focused business development on the creation of arcade games using the proprietary high-spec circuit board “CP System.”

In 1983, Capcom of the World
From Capcom of Japan
Capcom History
Capcom Sales

Genesis
In 1983, Capcom was established in Osaka. The Nintendo Entertainment System (NES) was launched to massive success. Numerous hit titles were created that drew on Capcom’s arcade game development expertise. The Single Content Multiple Usage strategy was launched in 1994 with the release of a Hollywood movie and TV animation series based on Street Fighter.

Big Hits Drive Business Expansion
In the 1990s, the arrival of Super NES prompted Capcom to formally enter home video game development. Numerous hit titles were created that drew on Capcom’s arcade game development expertise. The Single Content Multiple Usage strategy was launched in 1994 with the release of a Hollywood movie and TV animation series based on Street Fighter.

Going Global
With the adoption of smartphones and tablets, the market for game apps not requiring consoles is growing rapidly. Capcom established Beeline, a development company for smartphone game apps, which created hits including Smurfs’ Village. In recent years, Capcom has focused efforts on PC online games and digital download contents.

Multimedia

1983
Released our first originally developed coin-op Little League.
1984
Released our first arcade video game Street Fighter.
1985
Released our first home video game NMD for Nintendo Entertainment System (NES).
1987
Released Mega Man for NES.

1992
Released Street Fighter II for Super NES.
1993
Released Death and Fire for Super NES.
1996
Released Resident Evil for PlayStation, a long-selling title which fuel mixed reactions sales, and established the genre of survival horror.

2001
Released Resident Evil for PlayStation 2. The first game for PlayStation 2 that becomes a million-seller in Japan. Released Doa Mai O for PlayStation 2.

2005
Released Onimusha: Warlords for PlayStation 2.
2006
Released Dead Rising for Xbox 360. Become a million-seller, unprecedented for a single title created for new game console.

2008
Released Street Fighter IV for PlayStation 3 and Xbox 360.
2010
Released Street Fighter X Tekken for arcade machines.

2012
Released Dead Rising 3 for Xbox One. Release of the “Monster Hunter Crossover,” selling more than one million units.

2013
Released Monster Hunter 4 for Nintendo 3DS. Return of the “Monster Hunter Crossover,” selling more than one million units.

2016
Xbox One was launched.

Financial and Non-Financial Highlights

Operating Income/Operating Margins

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>Operating Income (Millions of yen)</th>
<th>Operating Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>12,029</td>
<td>13.7% UP</td>
</tr>
<tr>
<td>2007</td>
<td>11,980</td>
<td>13.8% UP</td>
</tr>
<tr>
<td>2008</td>
<td>12,759</td>
<td>14.7% UP</td>
</tr>
<tr>
<td>2009</td>
<td>14,257</td>
<td>15.6% UP</td>
</tr>
<tr>
<td>2010</td>
<td>14,994</td>
<td>15.6% UP</td>
</tr>
<tr>
<td>2011</td>
<td>16,030</td>
<td>16.2% UP</td>
</tr>
<tr>
<td>2012</td>
<td>16,030</td>
<td>16.1% UP</td>
</tr>
<tr>
<td>2013</td>
<td>16,963</td>
<td>16.7% UP</td>
</tr>
<tr>
<td>2014</td>
<td>16,963</td>
<td>16.7% UP</td>
</tr>
<tr>
<td>2015</td>
<td>17,692</td>
<td>17.1% UP</td>
</tr>
<tr>
<td>2016</td>
<td>18,738</td>
<td>18.0% UP</td>
</tr>
</tbody>
</table>

In line with structural reforms conducted in the fiscal year ended March 2004, operating income increased steadily until the fiscal year ended March 2009. In the fiscal year ended March 2010, the postponed release of major titles and the failure of some titles to meet sales targets overseas resulted in a temporary decline in income. In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted sound development by transferring to income drivers on the back of increased consumer business growth and the promotion of structural reforms in the Consumer business. In the fiscal years ended March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer business resulted in increased net sales. In the fiscal year ended March 2013, although the cost to sales ratio temporarily worsened in the Amusement Equipments business, Consumer business growth caused operating income to increase, resulting in operating margins of 16.5%.

Net Sales (Billions of yen)

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>Net Sales (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>77,021</td>
</tr>
<tr>
<td>2007</td>
<td>76,252</td>
</tr>
<tr>
<td>2008</td>
<td>74,542</td>
</tr>
<tr>
<td>2009</td>
<td>91,878</td>
</tr>
<tr>
<td>2010</td>
<td>97,216</td>
</tr>
<tr>
<td>2011</td>
<td>102,200</td>
</tr>
<tr>
<td>2012</td>
<td>106,713</td>
</tr>
<tr>
<td>2013</td>
<td>105,235</td>
</tr>
<tr>
<td>2014</td>
<td>99,075</td>
</tr>
<tr>
<td>2015</td>
<td>102,367</td>
</tr>
<tr>
<td>2016</td>
<td>106,071</td>
</tr>
</tbody>
</table>

For the four fiscal years beginning in the fiscal year ended March 2005, net sales increased on the strength of popular titles in the Consumer business. In the fiscal years ended March 2010 and March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer business resulted in increased net sales. In the fiscal year ended March 2013, although the cost to sales ratio temporarily worsened in the Amusement Equipments business, Consumer business growth caused operating income to increase, resulting in operating margins of 16.5%.

Capcom’s capital investment is mainly used to (1) purchase development equipment, (2) expand business offices in Japan and overseas and (3) open new amusements. From the fiscal year ended March 2010, the postponed release of major titles and the failure of some titles to meet sales targets overseas resulted in a temporary decline in income. In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted sound development by transferring to income drivers on the back of increased consumer business growth and the promotion of structural reforms in the Consumer business. In the fiscal years ended March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer business resulted in increased net sales. In the fiscal year ended March 2013, although the cost to sales ratio temporarily worsened in the Amusement Equipments business, Consumer business growth caused operating income to increase, resulting in operating margins of 16.5%.

Net Income Attributable to Owners of the Parent (Billions of yen)

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>Net Income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>5,564</td>
</tr>
<tr>
<td>2007</td>
<td>9,452</td>
</tr>
<tr>
<td>2008</td>
<td>14,675</td>
</tr>
<tr>
<td>2009</td>
<td>15,531</td>
</tr>
<tr>
<td>2010</td>
<td>15,367</td>
</tr>
<tr>
<td>2011</td>
<td>14,994</td>
</tr>
<tr>
<td>2012</td>
<td>15,349</td>
</tr>
<tr>
<td>2013</td>
<td>16,822</td>
</tr>
<tr>
<td>2014</td>
<td>16,963</td>
</tr>
<tr>
<td>2015</td>
<td>17,692</td>
</tr>
<tr>
<td>2016</td>
<td>18,738</td>
</tr>
</tbody>
</table>

Performance was sluggish in the fiscal years ended in March 2010, 2013 and 2014, as it is a complete overhaul to the Amusement Equipments’ underperforming profit structure, (2) development structure revisions in line with enhanced digital downloads in the Consumer business and (3) strengthened Mobile Contents business management capabilities. In line with development organization integration resulted in the recognition of special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, income increased two years in a row due to the benefits realized from development organization reforms.

R&D Investment Costs/Internal R&D Ratio

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>R&amp;D Investment Costs (Billions of yen)</th>
<th>Internal R&amp;D Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>27,255</td>
<td>69.9% DOWN</td>
</tr>
<tr>
<td>2014</td>
<td>27,073</td>
<td>70.8% DOWN</td>
</tr>
<tr>
<td>2015</td>
<td>26,261</td>
<td>70.6% DOWN</td>
</tr>
<tr>
<td>2016</td>
<td>25,444</td>
<td>70.6% DOWN</td>
</tr>
</tbody>
</table>

Capcom has its fundamental dividend policy of providing a continued and stable dividend to the shareholders. In accordance with its policy, an annual dividend of 20 yen per share was paid from the fiscal year ended March 1998 to that ended March 2006. Cash dividend per share for the fiscal year ended March 2007 to 2008 was raised to 30 yen thanks to its stable revenue base brought by its structural reform. Moreover, we continued to increase dividends in line with the increases in our fundamental dividend policy based our policy of providing stable dividends aiming for a payout ratio of 30%.

Dividend per Share/Dividend Payout Ratio

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>Dividend per Share (yen)</th>
<th>Dividend Payout Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8.00</td>
<td>17.1% UP</td>
</tr>
<tr>
<td>2007</td>
<td>8.00</td>
<td>18.7% UP</td>
</tr>
<tr>
<td>2008</td>
<td>8.00</td>
<td>19.3% UP</td>
</tr>
<tr>
<td>2009</td>
<td>8.00</td>
<td>20.0% UP</td>
</tr>
<tr>
<td>2010</td>
<td>8.00</td>
<td>20.7% UP</td>
</tr>
<tr>
<td>2011</td>
<td>8.00</td>
<td>21.5% UP</td>
</tr>
<tr>
<td>2012</td>
<td>8.00</td>
<td>22.2% UP</td>
</tr>
<tr>
<td>2013</td>
<td>8.00</td>
<td>22.9% UP</td>
</tr>
<tr>
<td>2014</td>
<td>8.00</td>
<td>23.6% UP</td>
</tr>
<tr>
<td>2015</td>
<td>8.00</td>
<td>24.4% UP</td>
</tr>
<tr>
<td>2016</td>
<td>8.00</td>
<td>25.1% UP</td>
</tr>
</tbody>
</table>

At Capcom, we believe the generation of creative and original content is the source of corporate growth; thus 85% or more of our annual development investments are allocated to the Digital Contents business. Recently in the Consumer segment, development costs have been trending higher in line with increasingly high-performance hardware, but we have been able to control these increases by promoting development efficiency through increased employee utilization rates. Although costs have increased significantly since the fiscal year ended March 2006, we expect them to remain around 30 billion yen going forward.

Return on Equity (ROE) (%)

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>Return on Equity (ROE) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>10.6% OP</td>
</tr>
<tr>
<td>2014</td>
<td>10.6% OP</td>
</tr>
<tr>
<td>2015</td>
<td>10.6% OP</td>
</tr>
<tr>
<td>2016</td>
<td>10.6% OP</td>
</tr>
</tbody>
</table>

Although net assets increased between the fiscal years ended March 2007 and March 2009, stable net income resulted in ROE of around 14%. In the fiscal years ended in March 2010, 2013 and 2014, this figure declined due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, ROE once again improved on the elimination of special losses and improved profitability, as we remain on track to meet our March 2017 goal of a three-year average of 8-10%.
Non-Financial Highlights

Developers engaged in the creation of content—the source of our competitive advantage—account for 70% of all Capcom employees. To promote our core Single Content Multiple Usage strategy, we strive to retain talented developers through aggressive hiring and training efforts, resulting in a near three-fold increase in developers in the past 10 years. Above all, switching to a structure focused on internal production in the fiscal year ended March 2012 to strengthen competitive advantage—account for 70% of all Capcom employees.

Content Developers (People)

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2,052</td>
</tr>
<tr>
<td>2007</td>
<td>2,092</td>
</tr>
<tr>
<td>2008</td>
<td>2,139</td>
</tr>
<tr>
<td>2009</td>
<td>2,194</td>
</tr>
<tr>
<td>2010</td>
<td>2,251</td>
</tr>
<tr>
<td>2011</td>
<td>2,297</td>
</tr>
<tr>
<td>2012</td>
<td>2,341</td>
</tr>
<tr>
<td>2013</td>
<td>2,383</td>
</tr>
<tr>
<td>2014</td>
<td>2,415</td>
</tr>
<tr>
<td>2015</td>
<td>2,448</td>
</tr>
<tr>
<td>2016</td>
<td>2,480</td>
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</tbody>
</table>

In the Digital Contents business, Capcom has established a basic “multiplatform strategy” aimed at providing content for all game platforms (hardware), ensuring steady sales of software for all types of hardware. Since the fiscal year ended March 2005, hardware has become increasingly diverse amid the accelerating spread of each type of hardware in various regions. By providing titles based on hardware prevalence and attributes, we maximize sales opportunities.

Software Shipments by Hardware Manufacturer (Thousands of units)

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Sony</th>
<th>Nintendo</th>
<th>Microsoft</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>3.8M</td>
<td>1.1M</td>
<td>0.65M</td>
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<tr>
<td>2007</td>
<td>2.9M</td>
<td>0.9M</td>
<td>0.55M</td>
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<tr>
<td>2008</td>
<td>2.0M</td>
<td>0.7M</td>
<td>0.55M</td>
</tr>
<tr>
<td>2009</td>
<td>1.7M</td>
<td>0.6M</td>
<td>0.55M</td>
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<tr>
<td>2010</td>
<td>1.6M</td>
<td>0.5M</td>
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</tr>
<tr>
<td>2011</td>
<td>1.5M</td>
<td>0.4M</td>
<td>0.55M</td>
</tr>
<tr>
<td>2012</td>
<td>1.4M</td>
<td>0.3M</td>
<td>0.55M</td>
</tr>
<tr>
<td>2013</td>
<td>1.5M</td>
<td>0.2M</td>
<td>0.55M</td>
</tr>
<tr>
<td>2014</td>
<td>1.6M</td>
<td>0.3M</td>
<td>0.55M</td>
</tr>
<tr>
<td>2015</td>
<td>1.9M</td>
<td>0.5M</td>
<td>0.55M</td>
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</tbody>
</table>

Capcom boasts world-leading development capabilities, as evidenced by our numerous intellectual properties. Our content is popular around the world, and up to now, a total of over 70 titles have sold over one million units. In order to increase our brand value and profitability, we leverage this in-house produced capital across a wide range of media, including PC Online and Mobile, pachislo machines, movies and toys in promoting our Single Content Multiple Usage strategy.

Intellectual Capital

Cumulative Million-Seller Titles (Titles)

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<tr>
<td>Total</td>
<td>36</td>
<td>39</td>
<td>42</td>
<td>44</td>
<td>46</td>
<td>50</td>
<td>54</td>
<td>57</td>
<td>62</td>
<td>65</td>
<td>71</td>
</tr>
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</table>

Game Industry Group Participation in the Formulation of Voluntary Regulations and Awareness Activities

In line with the trend of growth in games for smartphones, there are increasing needs to further strengthen the establishment of the game usage environment. Thus, as a member of the Computer Entertainment Supplier’s Association (CESA), Capcom participates in the formulation of guidelines for the management of methods providing random items in networked games. We proactively participate in promoting the understanding of voluntary regulations and engage in awareness activities to ensure games are played with safety and peace of mind.

Social Capital

Number of Company Visit Supported and On-Site Classes Conducted (Times)

<table>
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<tr>
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<tbody>
<tr>
<td>Support</td>
<td>39</td>
<td>42</td>
<td>46</td>
<td>50</td>
<td>54</td>
<td>57</td>
<td>62</td>
<td>65</td>
<td>71</td>
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<tr>
<td>Class</td>
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<td>29</td>
<td>34</td>
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<td>51</td>
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Making the Workplace Comfortable for Women

Capcom is engaged in improving the employment environment for women, promoting projects in which both women and men participate and the proactive hiring of non-Japanese employees. In particular, with respect to improving the employment environment for women, we have introduced systems that promote the utilization of paid leaves before and after childbirth, childcare leave and shortened working hours. In fiscal 2016, we promoted the establishment of childcare facilities within the company. Although the Japanese game industry is characterized as a “man’s world,” approximately 20% of our development staff are women, and women account for 10.3% of employees in management positions.

Social Capital

On-Site Classes Conducted (Times)

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</tr>
</tbody>
</table>
Pursuing Challenges as a Manager for the 33 Years Since Capcom’s Founding

“Adversity makes for a proud life.” This is what I wrote in my night high school graduation album. My father died when I was in my second year of middle school. Being forced to start from zero gave me discipline. Having nothing to lose enabled me to view life positively. At that time, I may not have been academically equal to students attending full-time college prep schools, but I wondered: how do I compete with them in the real world? I constantly thought about this. To rise above poverty requires two to three lifetime’s worth of effort. I wrote that sentence precisely because it was adversity that gave me the confidence to succeed, and it is without a doubt the source of my management philosophy.

Later, after establishing a gaming machine rental company, I founded Capcom in 1983, where shareholders have entrusted me with management for 33 years.

Before I report the latest earnings to shareholders, I want to talk about how I have met expectations as a manager, particularly during the 26 years Capcom has been a publicly traded company. A manager’s track record is seen in the enhancement of corporate value, thus I will explain earnings results, which are a large component of this.

We can divide the past 26 years into three major stages.

During the first stage (Fiscal Years 1989–1997),* despite scoring a major hit with Street Fighter II, which introduced Capcom’s development capabilities to the world and achieved record profits, the lack of follow-up hit titles, inventory disposal and other issues caused earnings to fluctuate significantly for these nine years.

During the second stage (Fiscal Years 1998–2006), we addressed the aforementioned issues of “dependence on a specific major hit” and “inventory management.” We created series out of multiple hit titles, including Resident Evil, Devil May Cry, and Monster Hunter, and established a structure enabling the release of a major title every year. In addition, we carefully studied overseas business customs that differed from Japan, introduced a direct sales system, and created a mechanism for maintaining inventory numbers at 10% or less of sales volumes.

As shown in Diagram 1 on the next page, this resulted in revenue item increases as well as operating income relative to standard deviation improvements, enabling the creation of a foundation for stable earnings.

During the third stage (Fiscal Years 2007–2015), we engaged in governance reforms to strengthen our management structure and digital strategies. First, we clearly separated business execution functions and management-led development.

Please refer to “Tangible Results of Ongoing Structural Reforms” on page 12 of the 2007 Annual Report.

During the third stage, we engaged in governance reforms to strengthen our management structure and digital strategies. First, we clearly separated business execution functions in line with...
with strategy as well as management strategy decision-making functions, putting myself as the Chairman and CEO in charge of management strategy and the President as COO in charge of business execution. The business of the president is to engage in both medium- to long-term growth and short-term performance. However, in my experience, when engaged in management, there is a tendency to spend 70% of one’s time on performance. Thus, it is not always possible to ensure medium- to long-term growth. I will not always be involved in management, so promoting management systems to strengthen governance in a variety of ways, including the separation of supervision and execution, is an attempt to ensure the Company functions properly into the future. The COO will discuss our digital strategy. Please refer to “COO Discussion on Growth Strategy” on page 35.

As a result, with the structural reforms and synergies achieved in the second stage, compared to the previous stage, all revenue items substantially increased. (Refer to 1)

Management Issues

Our Current Theme: Controlling Risks for Sustainable Growth

The fourth stage (beginning in April 2016) will be the culmination of my experience as a manager. The main theme will be controlling risks to further enhance corporate value as a sound growth strategy. (Refer to 4) As a manager, I classify corporate risks into two main categories: earnings volatility risks and management decision risks. I will discuss management decision risks in a moment, but first I would like to discuss the control of earnings volatility risks.

To mitigate earnings volatility risks over the medium- to long-term, measures enabling sustainable growth must include (1) transforming the foundation of our Consumer business model from a traditional one-time sale “transactional model” to a continuous “recurring revenue model” and (2) creating a business portfolio with diversified earnings risks based on the thorough development of Capcom’s basic strategy, Single Content Multiple Usage.

As mentioned above, earnings in Capcom’s core Consumer business fluctuate depending on whether or not we create hit titles. Although we are able to achieve limited results (control earnings volatility) through the distributed release of multiple hit titles, this is not the stable growth to which I refer. Since 2013, game consoles have been equipped with full-fledged online functionality, enabling the continuous sales of past hit titles and additional content providing earnings stability each year. Currently, the ratio of download sales is 26%, and by improving this to 50% over the medium-term, we can further enhance stability. Until now, Single Content Multiple Usage has not been deployed on a scale that mitigated Consumer volatility. However, at present Mobile and PC Online account for 75% of the market as game consoles, and since both are receiving revenue businesses, we will further improve expense to revenue ratio stability through the thorough multipurpose of popular content (IP).

At the core of these two measures lies Capcom’s biggest strength: the possession of numerous popular IPs. In the game industry—what I call the “hit business”—we will build a management foundation enabling sustainable growth and formulate strategies to enhance corporate value.

The Game Industry has High Growth Potential and Social Value

The game industry’s rise began in 1983, driven by the momentum created with the release of the Nintendo Entertainment System (NES) in Japan. Although there is no global data published before the year 2000, my sense is that when viewed from a long-term perspective, the industry has basically been on a growth trajectory for about 30 years. This is perhaps supported by the fact that sales units increase after each home video game console cycle. Furthermore, since 2007, the spread of computers equipped with smartphone and internet environment improvements have enabled general gaming devices to gain traction in the market, which has been a factor driving rapid market expansion in developed as well as developing countries.

Looking 10-20 years ahead, I expect there will still be strong growth potential in the game market. One reason is because games are not bound to any one device. Dedicated game consoles, game consoles equipped with DVD and Blu-ray players, mobile phones enabling game play and other past transitions tell the story of the spread of games. Recently, wearables and virtual reality (VR) devices have heightened expectations of new gaming experiences. High affinity with cutting-edge IT technologies such as AI is an extremely strong advantage for games.

The second reason, which I myself can confirm, is that simulation technologies are the essence of games. Utilizing game console performance representing the world’s most advanced computers, games are programmed to imagine all potential player movements.

Thus, taking the long-term view, game simulation technology created and refined on the most advanced computers can be used for medical, education or training applications and even for economic and financial forecasting.

Until now, the value games have provided to society involved the alleviation of stress and other psychological benefits, but the application and diffusion of these simulation technologies will resolve new social issues, creating a whole new future of enjoyment for the game industry. As one of the founding members and promoters of the game industry, I will build the foundation for bringing new gaming possibilities to life.
The CEO’s Discussion of Initiatives for Enhancing Corporate Value

Medium-Term Business Goal Progress Analysis:

Medium-Term Business Goal Progress Analysis 1: Cumulative Operating Income
In terms of our cumulative target for operating income, subtracting the four fiscal years up to March 31, 2017, we are aiming for operating income of 23.5 billion yen in the fiscal year ending March 31, 2018. To achieve this ambitious target, we must achieve growth at Capcom and expand the Asian business, including collaborations with Tencent Holdings.

Accordingly, with respect to Capcom titles next fiscal year (ending March 31, 2018), we have plans to release a larger lineup than we did this fiscal year (ending March 31, 2017), while at the same time increasing the download sales ratio to acquire additional profit. Our full-fledged efforts in the Asian business began last fiscal year, with Monster Hunter Online (MHO) currently in the market. Monthly sales numbers are on track as we are just seeing the beginning of contributions to Capcom earnings. In addition to ensuring MHO is a thorough success, we will also release other titles and develop areas in Asia other than China. Please refer to “Growth Strategy 2: Overhaul the Online Business” on page 39.

Now, I will provide an explanation of each business segment. As the segment numbers back calculated from the fiscal year ending March 31, 2018 indicate, we are within range of being able to achieve targets in the Digital Contents and Amusement Equipments businesses. On the other hand, Arcade Operations and Other Businesses, which we will discuss later, are expected to achieve only 20% of our targets. However, we are determined to achieve medium-term business goals.

Medium-Term Business Goal Progress Analysis 2: Operating Margins
As indicated in the diagram, operating margins have improved to 16%. As for the other four percentage points, we will achieve steady improvements on a point-by-point basis in Capcom businesses, and along with Asia business results, we are aiming for margins of 20%. Even if, for example, Asian licensing were excluded, I think we can still achieve this in an additional one to two years.

Now, I will cover business segments, which are displayed on the diagram showing a five year period.

First, with respect to Arcade Operations and Other Businesses, we expect it will be difficult to achieve medium-term business goals. In addition to market sluggishness caused by the consumption tax hike and other reasons, we did not factor in the construction of our new development building when the medium-term management plan goals were being formulated. In the Amusement Equipments business, profit margins have been on the decline since rules affecting pachislo model certification methods were changed in September 2014. That being said, next fiscal year through cost management should enable us to improve margins.

At the same time, we are generally on track to achieve Digital Contents business targets. This is due to (1) outsourced title profitability improvements, (2) streamlining internal title production and (3) increases in the DIS sales ratio in the Consumer business, which supplements the struggling Mobile and PC Online businesses. To achieve consolidated operating margins of 20%, we need to make up for businesses falling short of targets. We will cover these with Digital Contents business earnings. Profit margins in the Mobile and PC Online business are currently near zero, but these are businesses with the potential to achieve 30% margins. Furthermore, if we expand the high-margin Asian licensing business, we will be able to achieve Digital Contents business operating margins of 30%.

Third Straight Year of Operating Income Gains Mark the Beginning of Sustainable Growth

1. Current Market Trends
Although it is a short-term trend, the game market in 2015 was worth 85.8 billion dollars (up 24.7% from the previous fiscal year). This substantial growth was due to rapid expansion of the mobile market, mainly in developing countries. We expect continued growth in 2016 and forecast 94.2 billion dollars (up 9.8% from the previous fiscal year). As in 2015, the mobile market will continue to expand, driven mainly by casual users. However, although the core user segment comprising the PC online and consumer markets is diverging, we expect it to plateau at 2014 levels.


Given these conditions, in the year ended March 31, 2016, operating income grew for the third straight year, with net sales of 77.021 billion yen (up 19.8% from the previous fiscal year), operating income of 12.029 billion yen (up 13.7% from the previous fiscal year) and net income attributable to owners of the parent of 7.745 billion yen (up 11.7% from the previous fiscal year). (Diagram 14)

3. Forecast for the Fiscal Year Ending March 31, 2017

Next fiscal year (ending March 31, 2017), we expect operating income to increase for the fourth year in a row, with net sales of 85 billion (up 10.4% from the previous fiscal year), operating income of 13.6 billion yen (up 13.1% from the previous fiscal year) and net...
The CEO’s Discussion of Initiatives for Enhancing Corporate Value

Addressing Social Issues as a Game Company Aiming to Create Shared Value

1. Basic Approach to CSR
I believe that, in addition to traditional corporate social responsibility (CSR) that prevents and mitigates the negative impacts of business activities on society, promoting the creation of shared value (CSV) to resolve social issues through business activities will result in enhanced corporate value.

2. Commitment to Regional Communities
The promotion of our Single Content Multiple Usage strategy provides society with a wide range of benefits. Specifically, these include the use of popular Capcom IPs and local creation activities to support (1) economic development, (2) cultural development, (3) awareness for improved public safety and (4) awareness of elections. For example, (1) involves working with local municipalities to support the revitalization of towns. Holding events that make use of popular IPs or offering real-life experiences of game worlds appeals to young people and families which has a major economic impact in supporting local tourism. Furthermore, regarding Amusement Equipments business, we will expand our title lineup with the release of four pachislo machines targeted to sell 55,000 units (up 13,000 units from the previous fiscal year). We are projecting net sales of 15 billion yen (up 12.4% from the previous year).

I believe results are the only way to earn the trust of investors and enable Capcom to grow sustainably and enhance corporate value. I will make every effort to achieve fiscal year objectives.

Corporate Governance

Emphasizing Objectivity to Create Systems Ensuring Capcom’s Long-Term Survival

Capcom is promoting growth strategies aimed at continuously improving corporate value, and in particular, economic value.

At the same time, the more we accelerate our execution of growth strategies, the higher the risks become. Governance is useful for avoiding and minimizing these risks.

As risks can be broadly categorized into earnings volatility risks and management decision risks, I will now explain how governance can be used to control management decision risks.

Measure 1: Management Visualization Centered on Numbers
In line with changes in company scale and business characteristics, I think it is important that management also be able to flexibly change its management style.

For example, when a company is small, management is like the pilot of a propeller aircraft engaging in visual flight. They are always present and make decisions based on confirming conditions with their own eyes. On the other hand, when a company is large, management is more like the pilot of a jumbo jet. In this case, it is too risky to make decisions based solely on visual flight. Accordingly, the pilot switches to instrument flight to control the aircraft. Similarly, corporate managers must rely on numbers to make decisions.

For this reason, I require that materials (documents) used for decision-making are, in principle, quantitatively focused. Specifically, these materials compare and contrast net sales, year-on-year performance and earnings forecasts, which make it easier to identify problems by

Managers typically tell their employees to do this, but I think that if employees are being urged to, they must be provided with a proper safety net. Without a safety net in place, no one will jump into the flying trapeze, even if they are pushed. The manager’s role is to push employees to take on new challenges after another, identify obstacles and come up with solutions. This enables employees to take on challenges without fear of failure, leading to a virtuous cycle that creates business opportunities.

The management visualization initiatives in which I am engaged (see the next section) play a role in providing employees with a space in which they are free to grow and be active.

Capcom’s Value Creation Activities

Message from Management

Growth Strategy

Business Activity Achievements

ESG Information

Financial and Corporate Data

27

28
The CEO’s Discussion of Initiatives for Enhancing Corporate Value

The Conviction to Maintain Dividends for 26 Years Since Going Public

1. Basic Policy Regarding Dividends

I believe one of our management priorities is to share profits with all our shareholders. Our basic policy is to provide stable and continuous dividends that take into account our financial condition and future business strategies.

The reason I think stable dividends are important is, for example, because a sudden decrease or cessation of dividends can be the difference between life and death for pensioners who depend on dividends to cover part of their lifestyle expenses. Regular and stable revenue enables the reliable establishment of future lifestyle plans. This belief is based on my background, on having lost my father when I was young, and even though I opened a retail business, I struggled and felt gratitude for the stable revenue I earned each day.

Capcom shareholders represent all types of people, and I assume some of them may be facing these kinds of issues, which is why we have never once failed to provide dividends during the 26 years since we went public in 1990. In terms of shareholder return policy, (1) Capcom will enhance its corporate value through investment and growth; (2) the company will continue to provide shareholders with stable dividends in line with earnings (aiming for a payout ratio around 30%) and (3) we will raise earnings per share through share buybacks.

I believe that the manager’s corporate social responsibility is to build relationships of co-existence and co-prosperity with stakeholders by offering employment, achieving corporate growth, earning profits, paying taxes and providing dividends. Accordingly, over the past 10 years Capcom dividends have doubled. We place importance on the effective use of shareholders’ equity, and have established a target to increase ROE from an average of 6.7% during the past three years to 8–10%.

2. Dividends for This Fiscal Year and the Next

In the fiscal year ending March 31, 2016, major titles and catalog sales in the Consumer business contributed to growth in sales and profit. Accordingly, in line with our basic policy, we maintained the full-year dividend at 40 yen per share, a payout ratio of 29.0%, in the fiscal year ended March 31, 2016.

In the fiscal year ending March 31, 2017, we plan on paying a full-year dividend of 40 yen per share, a payout ratio of 25.0%. As this dividend payout ratio is under 30%, it will be necessary to consider an increase in the dividend in the event next fiscal year’s consolidated performance forecasts are achieved.

Going forward, we will continue to strengthen shareholder return by securing investment capital, buying back shares and gradually raising the dividend in line with earnings.

As a senior manager with 50 years of experience in this industry, my goal is to increase market capitalization and achieve corporate growth exceeding that of the past 33 years to continue meeting the expectations of all Capcom shareholders.

July 2016

Kenzo Tsujimoto
Chairman and Chief Executive Officer (CEO)
Financial Strategy According to the CFO

Building a Stable Financial Foundation to Conduct Efficient Development Investments

Newly Appointed CFO

I was appointed Chief Financial Officer (CFO) by consensus at the Board of Directors meeting held in June 2016. Up to now, I have been engaged in two initiatives: improving net cash and increasing capital efficiency. These initiatives are aimed at creating a lean financial foundation and securing funding to invest in growth. Currently, Capcom is executing growth strategies aimed at increasing corporate value over the medium- to long-term while increasing investment in R&D to enhance the development environment for the core Digital Contents business and promote enhancements to our title lineup. I will more closely scrutinize the selection and concentration of invested capital and thoroughly review cost over the medium- to long-term while increasing investment in R&D to enhance the development environment in the core Digital Contents business and promote enhancements to our title lineup. I will more closely scrutinize the selection and concentration of invested capital and thoroughly review cost issues we need to address going forward. To this end, we will raise funds mainly through debt financing within the commitment line.

Increasing Capital Efficiency

Capcom established the following ROE targets as an index of capital efficiency.

<table>
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<tr>
<th>Financial Strategy</th>
<th>Target</th>
<th>Difference</th>
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<tr>
<td>Net cash</td>
<td>15.8 billion yen</td>
<td>-</td>
</tr>
<tr>
<td>Financial strategy</td>
<td>15.8 billion yen</td>
<td>-</td>
</tr>
<tr>
<td>Net cash</td>
<td>15.8 billion yen</td>
<td>-</td>
</tr>
<tr>
<td>Financial strategy</td>
<td>15.8 billion yen</td>
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We are on track at present, having averaged 10.2% in the fiscal year under review. To achieve our objective, we are placing priority on net margin improvement. Based on our growth strategy, we aim to further improve title lineup expansion in each business. We are cognizant that these issues need to be addressed going forward. To this end, we will raise funds mainly through debt financing within the commitment line.

Securing Net Cash and Risk Management

For Capcom to efficiently generate net cash, we formulated two new financial strategies focused on generating cash flows through process management. The first is to thoroughly manage return on investment. Accordingly, we manage a database able to compare the ROI status of each title while ascertaining and analyzing the investment profitability of each project. The second strategy is to maximize working capital efficiency. To this end, we are creating a framework to manage our investment turnover period and turnover ratio in a more visible manner. Moreover, net cash in the fiscal year under review was 15.8 billion yen, which decreased for the second year in a row. This was due to enhancing development investment in line with lineup expansion, thus we expect a recovery from next fiscal year and an increase in net cash.

Financial Strategy

Increasing Capital Efficiency

Net cash improvement from a funding perspective.

Newly Appointed CFO

Kenkichi Nomura
Director, Executive Corporate Officer and Chief Financial Officer (CFO)

Fund Procurement

Consumer game software development expenses have been on the rise following the arrival of high performance and multifunctional current game consoles. In addition to requiring a development period of two or more years for a major title and add-on contents, the investment payback period is lengthening. We must keep a certain amount of cash on hand to cover ongoing investments, including post-release upgrades to online games and network infrastructure maintenance.

To address these funding procurement issues, we determine the level of cash and cash equivalents that needs to be maintained in consideration of reserves from the investment plan and risk management. This amount will then be supplemented with cash on hand (28,429 million yen) as well as an unused 26.7 billion yen commitment line of credit (total contract value: 26.7 billion yen) to maintain an appropriate range.

Investment Strategy

To achieve stable medium- to long-term growth, we recognize that it is critical to secure a sufficient amount of investment for the Digital Contents business, the source for our original IP. Specifically, in addition to an enhanced title lineup and new technologies including VR, we must invest in hiring more developers and preparing our development environment. Accordingly, we will allocate about 80% of management resources (R&D investment and capital expenditure totaling 34.5 billion yen) to maintain an appropriate range.

Net Cash on a Historical Basis

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Cash (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9.2</td>
</tr>
<tr>
<td>2009</td>
<td>15.5</td>
</tr>
<tr>
<td>2010</td>
<td>13.3</td>
</tr>
<tr>
<td>2011</td>
<td>12.4</td>
</tr>
<tr>
<td>2012</td>
<td>13.3</td>
</tr>
<tr>
<td>2013</td>
<td>21.2</td>
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<tr>
<td>2014</td>
<td>18.9</td>
</tr>
<tr>
<td>2015</td>
<td>27.6</td>
</tr>
<tr>
<td>2016</td>
<td>15.8</td>
</tr>
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</table>

Liquidity in Hand

<table>
<thead>
<tr>
<th>Year</th>
<th>Liquidity in Hand (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9,900</td>
</tr>
<tr>
<td>2009</td>
<td>10,667</td>
</tr>
<tr>
<td>2010</td>
<td>12,312</td>
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<tr>
<td>2011</td>
<td>15,697</td>
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<tr>
<td>2012</td>
<td>19,382</td>
</tr>
<tr>
<td>2013</td>
<td>22,287</td>
</tr>
<tr>
<td>2014</td>
<td>26,700</td>
</tr>
<tr>
<td>2015</td>
<td>26,700</td>
</tr>
<tr>
<td>2016</td>
<td>55,129</td>
</tr>
</tbody>
</table>

Capcom’s Value Creation Activities

Message from Management

Growth Strategy

Business Activity Achievements

ESG Information

Financial and Corporate Data
Game Industry Characteristics and Capcom Business Characteristics

**Game Industry Characteristics**

### Consumer Market Characteristics

**Package and digital download contents are a $21.7 billion dollar market, forecast to remain nearly flat with growth to $22.1 billion dollars in 2018.** The customer segment is composed mainly of core users who are highly loyal to game titles. 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 margins, 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’ margins. ➜ Please refer to page 46

### Mobile Market Characteristics

This is a $30 billion dollar market, forecast to grow to $53.3 billion dollars in 2018. The customer segment is primarily composed of casual users, many of whom play games just to pass the time, thus they demonstrate the lowest loyalty toward game titles. 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 smartphone sales will continue to grow rapidly as the most pervasive game device. ➜ Please refer to page 47

### PC Online Market Characteristics

This is a $25.1 billion dollar market, forecast to grow to $27.8 billion dollars in 2018. The customer segment 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. 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. ➜ Please refer to page 48

**Market Profitability**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Price Sensitivity</th>
<th>Loyalty Sensitivity</th>
<th>Content Flexibility</th>
<th>Price and Economic Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Mobile</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>PC Online</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Note:** Calculations based on earnings in the fiscal year ended March 2016

**Please refer to page 45**

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

- **Buyer Power**
  - Many transactions with major overseas retailers with strong purchase power
  - High
  - Direct sales to users
  - Low
  - Direct sales to users

- **Supplier Power (Hardware Manufacturers)**
  - Content is flexibly compatible with all platforms
  - Low
  - Content is flexibly compatible with all platforms
  - Low

- **Degree of Risky**
  - Appropriate environment all present
  - High
  - Many new entrants, tough environment
  - Low
  - Appropriate environment all present

**Please refer to page 49**

### Capcom Business Characteristics

**Digital Contents Business (Proportion of Net Sales: 68%)**

- **Consumer Business (Proportion of Net Sales: 55%)**
  - Package + Digital Download Contents
  - Capcom’s core business is to create a multitude of original content for home video game consoles. The regular release of sequels of popular IPs and an increased download sales ratio have, in recent years, led to a greater volume of sales and operating margins over 20%.

- **Mobile Business (Proportion of Net Sales: 4%)**
  - This business distributes games featuring popular Capcom content on smartphones, cultivating new markets such as the casual user segment to create new earnings opportunities. However, in sufficient know-how in ongoing game operations, which differs from Consumer, has resulted in sales underperforming market growth.

- **PC Online Business (Proportion of Net Sales: 9%)**
  - This business distributes games featuring popular Capcom content to PC online users, cultivating core users in the Asian region to create new earnings opportunities. In particular, there is great business growth potential in entering China, the world’s largest market.

**Profitability**

- **Net Sales by Business Segments**
  - Mobile Contents Business: 77,021
  - Digital Contents Business: 52,577
  - Amusement Equipment Business: 13,343
  - Amusement Operations Business: 9,056
  - Other Business: 2,043

**Please refer to page 49**

**Arcade Operations Business (Proportion of Net Sales: 12%)**

- By opening facilities in large commercial complexes in Japan, this business has secured a stable stream of customers and maintains operating margins of around 10%. At the same time, sales in this business are low due to our strategy of carefully limiting the number of facilities and the impact of the consumption tax increase. In recent years, we have focused efforts on services for new customers including young children and seniors. ➜ Please refer to page 51

**Amusement Equipment Business (Proportion of Net Sales: 17%)**

- The Pachinko and Pachislo and Arcade Games sales sub-segments maintain operating margins around 20-25% due to the release of machines featuring popular Capcom content and the culmination of development expertise. However, legal changes and other external factors impacting the gaming machine business may pose a significant risk of postponed sales, so this business experiences substantial earnings volatility. ➜ Please refer to page 51

**Other Businesses (Proportion of Net Sales: 3%)**

- Our character licensing business involves the use of popular Capcom characters for publishing and films in Japan and overseas, providing high profitability and stable margins around 30%. At the same time, licensed products bring in a low return, so the amount of sales in this business is small at this moment. ➜ Please refer to page 53

**Note:** Calculations based on earnings in the fiscal year ended March 2016

**Please refer to page 53**
New Sales Strategy Based on Digital Distribution

Games connected to the internet played with multiple people are already commonplace, and in recent years, even more online innovations are taking place in the game industry. The biggest transformation is the “distribution revolution” spawned by the digital distribution of games. For the past several years, this trend has accelerated substantially, as can clearly be seen in Capcom’s operating results. As the ratio of digital download contents sales increases, inventory return ratios improve and operating margins expand. Also, in line with the growth of digital distribution, performance has improved in Asia, where package sales had been virtually impossible until now due to the flood of pirated games.

In terms of game sales strategies going forward, the key to success will be the degree to which we are able to utilize digital distribution. The ability to distribute games throughout the world without the significant labor and costs involved in overseas sales networks is paving the way for an environment in which we are able to compete with major overseas game companies on an equal footing. Furthermore, support for multiple languages is another critical point. At present, games can be purchased online almost anywhere. There are many developing markets that can suddenly transform into promising opportunities. In anticipation of such developments, new games released in the fiscal year ended March 31, 2016, were available in 14 different languages. Please refer to page 3 of The Latest Development Report.

In light of these new trends, Capcom will strengthen digital download contents in the Consumer business and implement measures to set the Online business on a growth trajectory.

Investing 80% of Management Resources in the Digital Contents Business

The Digital Contents business is our core business, accounts for 68% of net sales and generates original content, which is the source of our corporate value. We are allocating approximately 80% of management resources in this business, which I believe is the key to achieving our medium-term business goals. For the Digital Contents business to grow, in addition to further expansion of the Consumer business, we must overhaul the struggling Online business and establish a growth trajectory. On the following pages, I will explain our strategies for achieving these goals.
Consumer Business Expansion

Growth Strategy

Establishing a High Earnings Structure and Stable Portfolio

One important strategy for Capcom to achieve ongoing and stable growth in the Consumer business—referred to as the “hit business”—is transforming the foundation of our Consumer business model from a traditional one-time sale “transactional model” to a continuous “recurring revenue model.”* Going forward, the consumer market will continue to maintain a scale of 22 billion dollars as the number of game makers’ declines due to high barriers to entry. Companies that possess an abundance of popular IPs and strong technological capabilities will easily win the market and enjoy profits in this environment. For Capcom, the Consumer business is the source of our corporate value. We will implement the following three measures, each positioned as one of the most important strategies for growth over the medium- to long-term.

Measure 1: Stable Provision of Core Brands

Capcom’s biggest strength is the in-house creation of powerful brands and ownership of numerous popular IPs. At the same time, unit sales of major titles has fluctuated depending on the fiscal year, thus high earnings volatility was an issue.

For this reason, we shortened the sales cycle for titles in each series from three to four years to two and a half years and increased the number of titles released in a single fiscal year. Employing a medium-term strategic (60-month) map, we are forming a title portfolio enabling sustainable growth and establishing a structure that appropriately allocates employees to teams when needed from 2,000 developers via a 52-week map. These two maps enable the stable release of multiple major titles each fiscal year and control earnings volatility.* Furthermore, we think the creation of new brands that will become our future primary sources of earnings is indispensable for medium- to long-term growth. Thus, we are allocating approximately 20% of development investments toward new IP development.

Measure 2: Strengthen Digital Downloads (Full-Game/Add-On)

The merits of digital downloads include (1) avoiding inventory risk and reducing package production costs through full-game downloads, (2) additional earnings opportunities through full-game downloads of catalog titles whose package sales are difficult for retailers and (3) anchor users through ongoing add-on contents and stable acquisition of additional revenue over the long term.

These represent one measure to counter concerns over intense sales volatility due to dependence on hit titles in the Consumer business and skyrocketing development costs. In addition to the stable provision of core brands, the accumulation of steady digital downloads sales each fiscal year will further the transition to a recurring revenue business model.* At present, we are focused on points (1) and (2), but going forward, we will strengthen point (3) to increase the digital download ratio, which is currently 26%, to 50% over the medium-term. This will bolster additional recurring revenue by anchoring users for more than one year after launch, and as these games will have a large number of active users, it will also lead to the acquisition of new users, effectively controlling sales volatility each fiscal year.

Measure 3: Pursue New Technologies and Businesses

In the game industry, once neglected, it is difficult to pursue research on cutting-edge technologies. Constant technological research in new areas and continued exploration of gaming possibilities are the stepping stones for establishing a groundbreaking position in the next-generation.

In 2016, new devices including PlayStation VR and Oculus Rift appeared on the market and brought with them huge expectations in what has been called “VR year one.” Capcom’s specialty in the action and horror genres is extremely compatible with VR and by offering new experiences with VR, our games will be even more appealing.

This fiscal year, we are proactively approaching this development with RESIDENT EVIL 7 biohazard, which offers full PlayStation VR support. We are also focusing efforts on esports as a new genre. With the Street Fighter series in particular, we had held events mainly in North America, which were well attended. However, going forward we plan to develop activities in other regions. With these new business challenges, we will attempt to maximize earnings through the active use of content and enhanced brand value.

* “Transaction model” to a “recurring revenue model”
Growth Strategy

Supporting Capcom’s Sustainable Growth Differently than the Consumer Business

Capcom has yet to make full use of its competitive advantage in the rapidly expanding online market (PC Online and Mobile Contents), namely, its rich library of popular IPs. In particular, the Mobile Contents business struggled in the fiscal year ended March 31, 2016 with net sales of only 3.3 billion yen. However, as success in the high-growth potential Online business is indispensable for corporate growth over the medium- to long-term, we are focused on this area as one of the most important issues for Capcom. Online games are a management business, providing a stable source of profit supporting Capcom’s sustainable growth in a way different from that of the Consumer business. Furthermore, these businesses enable the creation of synergies with content (IP) created in the Consumer business, playing a significant part in enhancing brand value. To alleviate investor concerns, we will implement the following two measures.

Measure 1: Strengthen Development Structure via the Newly Established Mobile Business Division

The conditions necessary for success in the Mobile business include (1) ownership of popular content that can be differentiated amidst numerous competing titles and (2) management expertise in analyzing user trends and the incorporation of those trends into development.

Until now, we developed the Capcom brand, which utilized popular Capcom content in Japan, and the Beeline brand, which licensed content from other companies for global use in games targeting women and families. Under the Capcom brand, although we unified our domestic development structure and achieved a hit with Monster Hunter Explore, other existing titles struggled, adversely affecting sales for the past few years. Under the Beeline brand, we have been unable to generate ongoing hit titles since 2010 and sales have continued to decline. In April 2016, both structures were integrated to establish the Mobile Business Division in order to focus on global development of Capcom IP. Next fiscal year, we will combine our library of popular content with our management expertise to release new titles in the Sangoku BASARA, Mega Man and Monster Hunter series and promote a structure for the ongoing release of titles. In addition, we will attempt to expand profits in Asia via licensing hit titles from Japan and overseas in the Asian region, while at the same time moving forward with M&A, targeting development companies as part of management line integration.

Through these measures, we first aim to acquire a 5% share in the domestic market over the medium term, then will attempt to maximize profit opportunities overseas by leveraging market analysis capabilities and management expertise cultivated in foreign markets under the Beeline brand.

Measure 2: Promote Business Alliances in the Asian Region

We believe the licensing of existing Online content in Asia has the potential to significantly accelerate Capcom growth. There are two ways to proceed in Asia: (1) engage in Capcom development and management through subsidiaries in the Asian region and (2) engage in development and management through business alliances with major Asian management companies. At present, we are focusing efforts on the latter.

In terms of an example of full-fledged development in Asia, we can point to Monster Hunter Online (MHO), launched in collaboration with Tencent Holdings in China in December 2015. The game was well-received by users after distribution, giving us a solid footing in terms of content development in China.

The reason we are promoting business alliances in addition to internal development is to avoid country risk in Asia and gain management expertise. Thus, we have determined that at this time, alliances with leading companies in countries other than Taiwan are an effective means of maximizing earnings. Developing hit content from the Consumer business under our Single Content Multiple Usage strategy, making use of this content in the domestic PC Online business and licensing the content in Asia is a business model enabling Capcom to earn double or triple profits from the same content. In addition, we can also apply Online business management expertise to the Consumer business; thus promoting these strategies will enhance synergies with the Digital Contents business.

Overhaul the Online Business

In the PC Online business, we are engaged in negotiations in China, the world’s largest online game market, as well as in South Korea and Thailand. Similarly, in terms of Mobile Content, we are enhancing development making use of leading titles in the Asian market where the adoption of smartphones continues at a brisk pace.

- **Diagram 19**
  - **Title Region Alliances**
    - **Street Fighter IV Arena**: South Korea, Nexon Korea Corporation
    - **Onimusha Soul**: China, Qihoo 360 Technology Co., Ltd.
    - **Qing Luo Gu Shi Meng**: China, Teepay Interactive Ltd.

- **Diagram 20**
  - **Development Resources Split**
    - **Capcom Brand**
      - **Mainly in Japan**
      - **Global**
    - **Beeline Brand**
      - **Casual female users**
      - **Target group**

- **Diagram 21**
  - **New Mobile Game Strategy**
    - **Development Resources Split**
    - **Capcom Brand**
      - **Mainly in Japan**
      - **Global**
    - **Beeline Brand**
      - **Casual female users**
      - **Target group**

**Message from Management**

**Financial and Corporate Data**

**ESG Information**

**Business Activity Achievements**

**Capcom’s Growth Strategy Achievements**

**Capcom’s Strategy for Growth**: We have made progress in two areas: (1) ownership of popular content that can be differentiated amidst numerous competing titles and (2) management expertise in analyzing user trends and the incorporation of those trends into development. We believe the licensing of existing Online content in Asia has the potential to significantly accelerate Capcom growth.
Conversation: An Analyst’s Perspective on Capcom’s Strategy for Growth

Analyst Jay Defibaugh and President and COO Haruhiro Tsujimoto discuss how Capcom will promote its growth strategy amid a major revolution in the Consumer game market driven by the expansion of digital distribution.

Jay: The digital distribution of games has solved a number of distribution issues overall, and Capcom has been able to steadily grow its sales in the US, Europe and Asia as well. However, as some of your overseas competitors have already grown their ratio of digital distribution to nearly 40%, I feel that Capcom’s ratio is still quite low. How do you plan on improving this going forward?

Tsujimoto: At present, the merits of digital distribution translate only to sales; however, if we utilize the always-online connectivity of consoles, we can offer new and improved ways to enjoy games as a service managed over the long-term, which will stimulate new needs. To this end, we plan to coordinate with first party developers, who maintain the user data.

Jay: In terms of improved profitability from digital sales, you are able to create sales opportunities in Southeast Asia and other regions where until now package sales had been impossible. At the same time, post-sales management and marketing capabilities will become more critical. Does Capcom possess this operational expertise?

Tsujimoto: Although there is still room for improvement in this area, we will use our experience in the Online and Mobile businesses to create a new internal structure geared towards service-oriented management. We will initially focus on a priority strategy where we gradually increase the digital download ratio while researching competitor products and user behaviors.

Jay: Investors consider Capcom to be a “company able to create powerful content,” but my sense is that you haven’t put out much successful new content recently despite the ongoing release of new high-performance game consoles. Going forward, will you be able to continuously release quality IP? Also, some overseas competitors have shortened the time required to develop sequels using a two-team system. What kinds of initiatives is Capcom engaged in?

Tsujimoto: Mobile platform strategy is one of the issues we must address in the Mobile business. Given their business structure this has allocated a modest amount of resources to the Mobile business. Considering future smartphone performance enhancements, I think there is a significant opportunity for us to leverage our strengths. Recently, we switched over to a development structure mainly focused on Capcom IP and integrated our Mobile structure in order to create hit titles.

Jay: The subject of IP usage also applies to Mobile games. Capcom has yet to realize major success in this ever-expanding market.

Tsujimoto: Mobile platform strategy is one of the issues we must address in the Mobile business. Considering future smartphone performance enhancements, I think there is a significant opportunity for us to leverage our strengths. Recently, we switched over to a development structure mainly focused on Capcom IP and integrated our Mobile structure in order to create hit titles.

Jay: The creation of new IP is the cornerstone of our business, so we must perpetually engage in it. If we are unable to continue generating content qualitatively equal to global AAA titles, Capcom has no future as a company specializing in games. In terms of the timing required for development, we are engaged in streamlining from a technical standpoint, including the development of our RE ENGINE and innovations in 3D learning systems, which will enable us to develop major IP on a two and a half year cycle.

Jay: A lot of Capcom IP is lying dormant, and although...
Business Activity Achievements

Digital Contents
This business develops and sells package games and digital download content for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games produce 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 an attempt to maximize earnings.

- Consumer (Package + Digital Downloa...)
  - Resident Evil Revelations 2 was released last year and maintained brisk sales at 810,000 units.
  - Street Fighter V sold 1.4 million units mainly overseas, falling short of sales projections.

Mobile Contents
- New app Monster Hunter Explore achieved more than 3 million downloads.
- Existing titles under the Capcom and Beeline brands continued to struggle amid a fiercely competitive environment.

Arcade Operations
We operate “Plaza Capcom” amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

- We focused efforts on cultivating new customer segments, including free game experience tours for middle-aged and elderly persons, and the establishment of a timed rate structured play area for kids.
- Four arcades were opened, three unprofitable arcades were closed.
- Sales at existing arcades slumped at 96% of those in the previous year.

Amusement Equipments
Here, we are engaged in two businesses based on the contents used for our home video games. The Pachinko & Pachislo IPS business is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales business develops, produces and sells arcade games for amusement facilities, creating synergy between businesses.

- The pachinko machine Resident Evil 6 sold 32,000 units.
- In the Arcade Games Sales sub-segment, new arcade game machine Luigi Mansion Arcade and new music game crossroad REV struggled.

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 (through walkthrough and strategy guides as well as game setting collections) and licensing (music CDs and licensed merchandises). Furthermore, we are concentrating on developing game content into movies and TV animation programs.

- Maximized earnings and strengthened brand power of proprietary content through execution of lateral development of integrated sales of all games based on the Single Content Multiple Usage strategy.
- Held events contributing to upselling sales of major titles Monster Hunter X (Cross) and Resident Evil-related titles.

Main Products for This Fiscal Year (Output)
- Monster Hunter X (Cross)
  - Sales of the new online game Dragon’s Dogma Online were firm.
  - In China, Monster Hunter Online services were officially launched.
- Street Fighter V
  - The first title to introduce cross-platform gameplay enabling players on PlayStation 4 and PC to battle one another.

Financial and Corporate Data
- Net sales/Operating margins
  - Net sales: 2016
  - Operating margins: 23.1%

Message from Management
In November 2015, we opened a themed restaurant enabling patrons to vicariously experience the world of Capcom games. Inside, Akai Lifesyle Food (Koshigaya, Saitama Prefecture). The restaurant offers food and beverages based on Capcom intellectual properties such as Resident Evil and Street Fighter.

Other Business
- In conjunction with the sales launch of core title Monster Hunter X (Cross), Monster Hunter Festa ‘16 was held in five locations across Japan in the 2016. 5,000 people came for this event, which included the appearance of our main character on top of both fighting and stage events featuring game developers.
Consumer (Package + Digital Download Contents) Business

Market Trends and Operating Results for This Fiscal Year

First Market Expansion in Four Years, Higher Sales of Flagship Titles and Digital Downloads Drive 19.6% Net Sales Growth

In 2015, the consumer (package + digital download contents) market was worth 21.7 billion dollars (up 0.5% from the previous year), halting three straight years of negative growth. This was due to (1) continued steady switchover to current game consoles, (2) the progressive supply of major titles for current game consoles and (3) growth in the digital download sales market. The consumer market is primarily comprised of North America, Europe and Japan. The U.S. and European markets, which account for approximately 85% of this market, were particularly robust. In terms of overall trends, while package sales contracted slightly, the highly profitable digital download market grew steadily to account for 43% of the consumer market. (Highway)

Capcom’s latest title in its flagship series, Monster Hunter X (Cross), was extremely popular, surpassing initial projections of 2.5 million units to sell 3.3 million units, which contributed substantially to earnings. Also, Resident Evil 0 HD Remaster enjoyed solid sales of 800,000 units and catalog title Resident Evil Revelations 2 sold 850,000 units, pushing earnings higher. At the same time, although Street Fighter V, which enjoys solid popularity mainly overseas, performed well, unit sales fell short of projections. In digital downloads, sales of catalog titles with wide profit margins accelerated in the U.S. and Europe, resulting in solid sales growth to 6.1 million units amounting to 10.9 billion yen, an increase of 21.1% compared to digital download sales in the previous year.

As a result, package and full-game digital download sales totaled 15 million units (up 15.4% from the previous year). Package sales were 31.2 billion yen (up 19.1% from the previous year), and digital download sales were 10.9 billion yen (up 21.1% from the previous year). Together, they resulted in Consumer sales of 42.1 billion yen (up 19.6% from the previous year), with operating margins improving to the upper 20% range. (Highway)

Outlook for the Next Fiscal Year

Projecting a 11.6% Increase in Net Sales from the Successive Global Launch of Core Titles

The consumer market is forecast to grow globally to 22 billion dollars (up 1.4% from the previous year) due to an expanded title lineup for the PlayStation 4 and Xbox One and further growth in digital downloads. Furthermore, the market is thought to be entering a harvest period due to anticipation of new trends including the launch of Nintendo’s new console in March 2017, as well as PlayStation VR, Oculus Rift and other VR gear. (Highway)

For Capcom, one of the major keys to achieving medium-term business goals and Consumer business growth are initiatives to (1) strengthen digital download content and (2) enhance title lineups through the full-scale execution of 60-month title development plan and 52-week map. Please refer to “Growth Strategy 1: Consumer Business Expansion” on page 37.

Efforts within (1) include expanding unit sales by strategically releasing full-game and add-on contents. Also, we will utilize one of our existing intellectual properties to proactively release HD remastered versions of previous titles for download sales in an attempt to create sales opportunities and increase the digital download sales ratio. In terms of (2), we will promote compatibility with multiple platforms and release a new title within an existing popular series every 2.5 years based on our 60-month map title portfolio. Next fiscal year, in addition to new
Business Activity Achievements

Mobile Contents Business

Market Trends and Operating Results for This Fiscal Year

Despite 73% Growth and Continued Market Expansion, Sales and Profit Declined Due to Challenges Surrounding the Creation of a Hit Title

In 2015, the mobile contents market was worth 39 billion dollars (up 73.3% from the previous year), expanding in scale to surpass the consumer market. The main reasons for this were (1) the ongoing adoption of smartphones throughout the world and (2) the increase of popular native app games particularly in Japan and Asia that continue to attract game users. By region, the Asian market including Japan was worth 22.9 billion dollars (up 97.4% from the previous year), while developing country, Eastern Europe and other regional markets grew rapidly to 4.8 billion dollars (up 152.6% from the previous year).

For game companies with many popular software titles and mobile development companies with operational expertise, the opportunity to improve earnings is growing. In Japan in particular, numerous distributions of a wide range of games that offer a style and/or that take advantage of idle moments and games that use popular content, are driving rapid market expansion.

In September 2015, Capcom launched Monster Hunter Explorer, which has exceeded 3 million downloads and is generally selling as projected. However, regarding other existing titles, both Capcom and Beeline brand performance has been lackluster and continue to struggle amid an intensely competitive environment.

As a result, net sales declined to 3.3 billion yen (down 19.5% from the previous year). In terms of profit, although contributions from new titles secured earnings, profitability was declined compared to the previous year.

Outlook for the Next Fiscal Year

Projecting 21.2% Increase in Net Sales through Efforts Focused on Creating Hit Titles in Japan and Overseas Under a New Organization

In 2016, the annual shipment of smartphones is expected to maintain a single-digit growth rate at approximately 1.48 billion units (up 3.1% from the previous year) compared to approximately 1.43 billion units (up 10.1% from the previous year) in 2015. However, the demand for smartphones as game devices is expected to further increase in Japan and Asia amid ongoing expanded adoption in India, the Middle East and Africa, which we think will lead to the expansion of global game contents. As a result, we expect the 2016 mobile market to increase to 45.7 billion dollars (up 17.2% from the previous year) and grow to 53.3 billion dollars (up 36.7% from 2015) in 2018.

In 2016, Capcom unified its Group-wide mobile development structure and established the new Mobile Business Division. We combined the organizations of the Capcom and Beeline brands, which up to now had promoted independent strategies and concentrated development and management know-how. We will expand titles in Japan and overseas utilizing proprietary content based on quick decision-making facilitated by organizational unification.

Next fiscal year, this new organization will distribute titles using popular brands including Monster Hunter, Sangokuden BASARA and Mega Man, thus we expect net sales of 4 billion yen (up 27.2% from the previous year).

PC Online Business

Market Trends and Operating Results for This Fiscal Year

Although the Market Was Flat, the Launch of New Titles in Japan and Overseas Resulted in an 18.3% Increase in Net Sales

Despite sluggish sales of package games for PC in the U.S. and Europe and games played through SNS, the Chinese and Asian markets, which account for nearly half the overall market, continued to grow to 25.1 billion dollars (up 1.6% from the previous year), about the same scale as the market in the previous year.

Capcom, in addition to stable earnings contributions from firm favorite Monster Hunter Frontier G (MMOFG), sales of Dragon’s Dogma Online were on track. Also, in December 2015, we launched Monster Hunter Online in collaboration with Chn’s Tencent Holdings Ltd., which contributed royalty revenue.

As a result, net sales were 7.1 billion yen (up 18.3% from the previous year), in terms of profit, the recognition of amortization expenses related to the launch of new title services caused profitability to decline.

Outlook for the Next Fiscal Year

Projecting a 12.7% Increase in Net Sales due to the Promotion of Licensing Businesses in the Growing Asian Market

In 2016, we expect the market to continue growing to 26.5 billion dollars (up 5.6% from the previous year). While the U.S. and Europe are expected to remain stable, the Asian market, focused on China is expected to continue growing driven by core MMO online games. We expect this market to continue expanding, from 10.6 billion dollars in 2015, to 11.2 billion dollars (up 5.7% from 2015) in 2018.

In addition to ongoing major updates to MMOG, Capcom will grow Dragon’s Dogma Online into a new flagship title in an attempt to establish dual pillars for expanded earnings in Japan. Furthermore, we intend to improve our position in the Chinese market through an ongoing proactive cooperative relationship with China’s Tencent Holdings on Monster Hunter Online. At the same time, with respect to other titles, we will proceed with negotiations with local companies to develop similar licensing businesses in the Asian region.

As a result of these measures, we expect net sales of 8 billion yen (up 12.7% from the previous year) as well as an increase in operating income.

Diagram 23 Mobile Contents Market (Billions of dollars)

Diagram 24 Capcom Mobile Contents Sales (Billions of yen)

Diagram 25 PC Online Market (Billions of dollars)

Diagram 26 Capcom PC Online Sales (Billions of yen)
We operate “Plaza Capcom” amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

Capcom strived to expand its customer base by means of community-based store strategies. For example, for the middle-aged and seniors, Capcom conducted service days and free game experience tours; for woman and families, Capcom set up additional Asobi Oukoku (peekaboo) sites and kids’ corners that targeted children. Nonetheless, segment results were soft, partly because of the lack of a high-performance product as well as sluggish demand due to the dispersion of entertainment toward smartphone games. During the period under review, Capcom developed arcade operations through its scrap and build strategy, and opened four arcades including the “Amuse Factory Tokorozawa” (Saitama Prefecture) and the innovative “Capcom Café” (Gatama Prefecture), while closing three arcades, bringing the total number of arcades to 34.

As a result, net sales were 9,056 billion yen (down 2.0% from the previous fiscal year), and operating income was 699 million yen (down 25.6% from the previous fiscal year), with both sales and profit declining year on year.

Ongoing senior events will be held with the aim of attracting middle-aged and senior customers. Capcom characters will be used to create themed “Capcom Cafe” restaurants and “Chara Cap” stores specializing in character merchandise will be opened among others. In addition, in an attempt to further strengthen efficient arcade management operations, we will open new facilities in locations with high concentrations of customers to secure new revenue streams. Next fiscal year, we plan to open three facilities with no closures, resulting in a total of 37 facilities.

As a result of these measures, expecting year on year sales of existing stores to be 100%, we forecast net sales of 9 billion yen (down 0.6% from the previous year) and operating income of 830 million yen (up 14.4% from the previous year).

Arcade Operations

We operate “Plaza Capcom” amusement facilities in Japan. These arcades are predominantly in large commercial complexes and host various events designed to attract families and female customers. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations.

Net Sales/Operating Margin

Sales/Operating Margin (%) 2013 2014 2015 2016

Net sales 9,056 9,263 9,241 9,157

Operating Margin (%) 7.7% 7.4% 6.5% 6.7%

Capcom Café

Amuse Factory Tokorozawa

Capcom Café

Amuse Factory Tokorozawa

SWOT Analysis

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

Specialized in opening arcades in large commercial complexes to secure a stable customer base.
Sales floor planning and management utilizing different segments of customers.
Thorough scrap-and-build strategy devoted to maintaining efficiency to ensure sustainable earnings.
Great ability to draw customers by combining popular and rare machines.
Increase customers with appeal targeting senior citizens and children.
Emphasis is put on making arcade sales, restaurants and other businesses highly visible.
Capcom Café

Amuse Factory Tokorozawa

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Less sales growth rate due to the number of selectively selected machines.
Little earnings with proprietary facilities.
Excessive customer support/thriving due to falling birthrate.
Entertainment diversification due to the drop of growth in games for smartphones.

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Outlook for the Next Fiscal Year

Amid Signs of Recovery in the Market Environment, Capcom Expects Operating Income to Increase 14.4% through the Creation of New Earnings Opportunities

In terms of market outlook, we expect conditions remain the same as in the previous year. In addition to the ongoing resurgence in prize games, we expect the introduction of popular arcade cabinets to increase customer traffic. Furthermore, revisions to the Entertainment and Amusement Trades Act (entertainment and Amusement Trades Rationalizing Act) in June 2016 related restrictions on the amount of time young people can spend in arcades when accompanied by a guardian, which is expected to give the market a boost.

Next fiscal year (ending March 31, 2017), Capcom will promote streamlining of arcade management through its ongoing scrap and build policy to ensure earnings at the same level as the previous fiscal year through the creation of new earnings opportunities. Ongoing senior events will be held with the aim of attracting middle-aged and senior customers.
Amusement Equipments

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

Business Activity Achievements

Market Trends and Operating Results for This Fiscal Year

Amid Continued Severe Market Conditions, Net Sales Increased 77.0% on Launch of Popular Pachislo Machines

In the previous fiscal year (ended March 31, 2016), the gaming machine market shrank to 1,069.3 billion yen (down 5% from the previous year). This was due to a temporary decline in the number of new machines launched resulting from changes to rules concerning pachislo machine model certification*1 by the Security Electronics and Communications Technology Association that went into effect in September 2014 in the pachinko market, as well as the fifth straight year of declines in the pachinko market. In the arcade game market, although sales of claw crane and prize games were firm, arcade game and coin-operated game sales declined significantly, resulting the third consecutive year of negative growth at 151.1 billion yen (down 7.5% from the previous year). This year (ended March 31, 2016), the gaming machine market remained weak on the impact of pachinko machine gambling restrictions and pachislo machine third stage rule changes.*2 In the arcade game machine market, despite continued sluggishness in coin-operated games, popular music games and kids’ card games helped maintain the same level as in the previous year.

This fiscal year (ended March 31, 2016), in the Pachinko and Pachislo sub-segment, the popularity of the Resident Evil 6 brand resulted in sales of 37,000 units, driving sales beyond initial projections to support earnings. In the Arcade Games Sales sub-segment, sales of Luigi Mansion Arcade were weak reflecting the sluggish market, while crossbeats REV! for arcades also struggled. Accordingly, as a result, net sales were 13,343 billion yen (up 77.0% from the previous year) and operating income was 2,812 billion yen (up 2.8% from the previous year).

Outlook for the Next Fiscal Year

Projecting Increases in Net Sales of 12.4% and Operating Income of 6.7% on Provision of New Machines Making Use of Popular Brands

In terms of the market outlook, despite the passage of rule changes affecting pachislo machines, top-selling product sales lots are on the decline, thus we anticipate demand will weaken. With respect to Fachiinko machines, we will focus on efficiency and control for a strong year. Accordingly, we plan to release new prizes and sales of popular arcade games. As a result, net sales were 13,343 billion yen (up 77.0% from the previous year) and operating income was 2,812 billion yen (up 2.8% from the previous year).

Outlook for the Next Fiscal Year

Projections for Next Year’s Fiscal Year

Enjoying operating and revenue growth, we project a profit increase of 6.7% and 77% respectively. The following anticipated increases are projected due to a strong sales outlook for new pachinko and pachislo machine launches as well as popular arcade games.  

In the PS sub-segment, the popularity of the Resident Evil 6 brand resulted in sales of 37,000 units, driving sales beyond initial projections to support earnings. In the Arcade Games Sales sub-segment, sales of Luigi Mansion Arcade were weak reflecting the sluggish market, while crossbeats REV! for arcades also struggled. Accordingly, as a result, net sales were 13,343 billion yen (up 77.0% from the previous year) and operating income was 2,812 billion yen (up 2.8% from the previous year).

*1 Market certification: A public test to verify whether or not new model certifications are in accordance with regulations conducted by the Security Communications Association (Japan) as part of the pachinko machine control system, which is in effect in each of Japan’s administrative districts.

*2 Changes to certification methods: Three self-imposed restrictions and pachislo machine third stage rule changes.
Based on a Single Content Multiple Usage strategy of developing game content for various media, we will pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game settings collections) and licensing (music CDs and licensed merchandises). Furthermore, we are concentrating on developing game content into movie and TV animation programs.

### Business Activity Achievements

**Net Sales/Operating Margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Millions of yen)</th>
<th>Operating Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,043</td>
<td>25.0</td>
</tr>
<tr>
<td>2014</td>
<td>2,144</td>
<td>30.8</td>
</tr>
<tr>
<td>2015</td>
<td>2,043</td>
<td>25.0</td>
</tr>
<tr>
<td>2016</td>
<td>2,043</td>
<td>25.0</td>
</tr>
</tbody>
</table>

**Assets/ROA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets (Millions of yen)</th>
<th>ROA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4,926</td>
<td>10.4</td>
</tr>
<tr>
<td>2014</td>
<td>4,331</td>
<td>10.4</td>
</tr>
<tr>
<td>2015</td>
<td>4,926</td>
<td>10.4</td>
</tr>
</tbody>
</table>

### SWOT Analysis

- **Strengths**
  - Synergistic effects from multi-faceted use of CG contents
  - Strong value increased through high media exposure
  - High profitability

- **Weaknesses**
  - Low return of sales from licensed products

- **Opportunities**
  - Contents business demand area expansion

- **Threats**
  - Competition from other development media, media exposure

### Operating Results for This Fiscal Year

**Net Sales Declined 4.7% Remaining the Same as the Previous Fiscal Year, While Operating Income Decreased 22.7%**

Capcom’s strength is its ability to utilize its rich library of content across multiple mediums, reaping the benefits of the highly synergistic effects of consumer and online games. In particular, the brand value of our movie-related business has risen through extensive media exposure. This leads to greater sales of video game software and the long-term maintenance of content value, completing a virtuous sales cycle. These projects were implemented across all business segments, with each division involved in the launch of arcade games, mobile contents, walkthrough and strategy guides and character merchandise, as well as movies, TV animation, theatrical productions and other events in a variety of areas in connection with the release of our game software.

Please refer to “Capcom’s Business Model” on pages 13-14.

### Further Enhancement of Single Content Multiple Usage Developments

Until now, Capcom has aggressively promoted the horizontal deployment of intellectual properties (contents) based on the Single Content Multiple Usage Strategy. In Japan, TV animation “Gyakuten Saiban: Sono ‘Shinjyuu’, Ipari!” will be broadcast in conjunction with the release of Ace Attorney 6. In line with the October 2016 release of Consumer game Monster Hunter Stories, the first Monster Hunter TV animation will be broadcast. In conjunction with the overseas release of RESIDENT EVIL 7 biohazard, the Hollywood movie “Resident Evil: The Final Chapter” will be released in Japan in December 2016, then globally in January 2017. We will endeavor to expand licensing earnings and improve brand value through movies and other media for a variety of other series. As a result of these measures, the next fiscal year earnings forecast calls for net sales of 2 billion yen (down 2.1% from the previous year) and operating income was 511 million yen (down 22.7%), reflecting the recognition of amortization expenses in line with our new R&D facility, which was responsible for declines in sales and profit.

### Outlook for the Next Fiscal Year

**This fiscal year, in conjunction with the release of Monster Hunter X (Cross), we held “Monster Hunter Festa ’16” in January 2016 in five cities across Japan. We also made efforts to appeal to existing users and acquire new fans through experience-based events including “Resident Evil: The Escape 2” and “Monster Hunter The Real 2” conducted in collaboration with Universal Studios Japan at “Universal Cool Japan 2016” held in February 2016. We also continue appealing to non-game users through the Sengoku BASARA series TV animation and theatrical productions.** As a result, net sales were 2,043 billion yen (down 4.7% from the previous year) and operating income was 511 million yen (down 22.7%), reflecting the recognition of amortization expenses in line with our new R&D facility, which was responsible for declines in sales and profit.

**Operating Income Decreased 22.7%**

Net Sales Declined 4.7% Remaining the Same as the Previous Fiscal Year, While Operating Income Decreased 22.7%
Environmental

New Building Innovations

10% Reduction in CO2 Emissions Throughout Our New Buildings

The new R&D Building #2 and Capcom Technical Center utilize the energy-conserving equipment indicated below. As a result, we expect to reduce CO2 emissions by approximately 10% overall.

Energy-Conserving Effects of R&D Building #2 and Technical Center Equipment*

1. Exterior thermal insulation
   - 5% reduction
2. LED lighting
   - 40% reduction
3. Motion/daylight sensors (Only motion sensors installed in R&D Building #2)
   - 20% reduction
4. Air conditioning/heat pumps
   - 30% reduction
5. Displacement air conditioning system (Motion capture studio)
   - 40% reduction

* Assumes energy consumption of 100% without introduction of this equipment.

Innovations in Product Distribution

Sharing Distribution Networks with Other Companies in the Industry

Sharing distribution networks with other companies in the same industry when shipping products enables the efficient supply of products. As a result, we are able to realize reductions in packing materials, fuel and emissions.

Paperless Instruction Manuals

Older game consoles included a printed instruction manual inside the package, but with current game consoles, manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 15 million game units’ worth of paper manuals shipped annually.

Social

Responsibilities to Customers

For the Healthy Development of Young People

Compliance with the CERO Rating System and Endorsement of Guidelines

The NGO Computer Entertainment Rating Organization (CERO) was created to provide age-appropriate ratings for video games. Capcom complies with the CERO rating system and rules.

The video game industry voluntarily restricts game content and sales methods to limit access to sexual and violent content for the healthy development of young people. Age ratings on game packaging provides purchasers with information pertaining to the age appropriateness of game content, classified into one of five categories in Japan: All ages (category A), 12 years or older (category B), 15 years or older (category C), 17 years or older (category D) and restricted to 18 years or older (category Z). CERO members voluntarily prohibit sales of category Z games to users under 18 years old, with 99.6% of retailers separating game displays by ratings category and checking purchaser identification to confirm age. *

In addition, the latest home video game consoles include a parental control function that enables parents to limit the online purchase and use of certain games according to their ratings. Further, in regards to problems concerning paying for items in social games, an issue which has gained attention in recent years, Capcom has made the decision to provide environments which can be easily understood by users, such as generally displaying all items and their rates of appearance.

* From the results of “The 4th CERO Age-Based Ratings System Field Survey.”
Responsibilities to Business Partners

Basic Policies Regarding Business Transactions

Promotion of Fair Business Transactions Based on Each Regulation
Capcom has established its own “Regulations Concerning the Management of Furloughing Transactions” and “Regulations Concerning the Management of Outsourced Transactions” in order to carry out free competition and fair business transactions. In line with this, Capcom fairly evaluates conditions such as capability and cost to select suppliers and development outsourcers. In addition, as regards business transactions with specified involved parties such as subsidiaries, Capcom considers such business transactions with standard conditions and does not engage in transactions which would be disadvantageous to Capcom or which would unfairly profit the specified involved party.

Responsibilities to Employees

Promotion of Diversity
Initiatives Aimed at Improving the Work Environment for Women, Promoting Gender Equality and Proactively Hiring Foreigners
Capcom is currently engaged in initiatives aimed at improving the work environment for women, promoting gender equality and proactively hiring foreigners.

In terms of improving the work environment for women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the company. In fiscal 2015, 24 employees utilized the childcare leave system. The utilization rate among women was 100% (in fiscal 2014, 21 employees utilized this system, of which five were men and the utilization rate among women was 100%). The return rate after childcare leave was also high. In fiscal 2015, 17 employees returned to the workplace. Excluding those still on leave, 94.4% (in fiscal 2014, 17 employees returned, a return rate of 94.4%). As a result, in the Japanese game industry, known for being a male-dominated industry, nearly 16% of Capcom's developers are women, and we have 24 female managers (representing 10.3% of managers overall). Further, Capcom has drawn up a “General Employee Action Plan” based on the “Act for the Promotion of Women’s Success” which aims for 1) women comprising no less than 20% of regular employees and 2) women in no less than 15% of management positions within a five year period by the end of fiscal 2021. To further increase the proactive involvement of women, we are hastening the establishment of a daycare facility in fiscal 2016. In recognition of Capcom's efforts toward improving the workplace environment for women, since 2012 we have earned the “Kururun” mark, the symbol of a “company supporting children,” from the Ministry of Health, Labor and Welfare.

In terms of the proactive employment of non-Japanese citizens, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 51 foreigners (representing 4.0% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including the support for career advancement and the promotion of non-Japanese citizens to management positions.

Providing Career Paths for Employees and Improving the Work Environment

Company-wide Training and Level-based Training
To provide career paths and improve the work environment, Capcom provides the following training.

Major Training Programs
Level-based training
- Early Career: Training for new hires, mentor training, follow-up training
- Mid-level: Training for management candidates

Company-wide training
- Compulsory: Mentoring, Compliance training, Professional development training
- Optional: English instruction

Corporate Governance and CSR

Action Criteria and Compliance-related Employee Education
The Capcom Code of Conduct calls for “free competition and fair trade,” “respect for human rights and individuality and the prohibition of discrimination” and “environmental conservation and protection.” To ensure a concrete understanding of these concepts, we created the Capcom Group Code of Conduct Handbook, which is distributed to all employees and contains illustrated case studies presented in an easily understandable Q&A format. We also make use of the company intranet to provide e-learning sessions on legal compliance and disseminate personal information protection rules to all employees.

Action criteria and compliance are the linchpins of corporate governance and the foundation upon which we fulfill CSR. Capcom will continue to instill this understanding in all its officers and employees.

Occupational Health and Safety
Monthly Health and Safety Committee Meetings in Order to a Comfortable Work Environment
Monthly Health and Safety Committee meetings include the attendance of an employee representative, an observer and a company representative. At these meetings, the results of hours worked are analyzed in terms of overtime, work and workplace appropriateness, causal factors and improvement policies are discussed and occupational injuries and workplace environment conditions are reported to the committee to promote the creation of a comfortable working environment. Attention is also focused on prevalent illnesses and ailments common among game creators, with public health and industrial doctors regularly invited to perform physical exams and reexaminations to ascertain employee health conditions. These activities have resulted in a steady increase in the number of employees submitting medical certificates for physical examinations and reexaminations each year.

Contributions to Regional Revitalization
Support Activities Using Popular Games to Attract Outward Investment and Raise Awareness
Utilizing the power of our content to capture the attention of people, Capcom is engaged in the following four regional revitalization activities: 1) Economic promotion which supports the promotion of tourism industries; 2) cultural promotion which supports education concerning local history and culture; 3) the improvement of public order through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

In 2015, Capcom supported historical and cultural education. Capcom concluded the Comprehensive Agreement to Promote Vitalization of Local Economy with the city of Kofu in Yamanashi Prefecture and implemented a variety of plans whose goal is to support the promotion of industry in the city as part of regional revitalization efforts until 2016, including providing the city with characters for premium gift certificates and the design of a character called “Kofu BASARA Shingen-kun” who will be the honorary head of a group for promoting Kofu tourism PR. (For details concerning the Comprehensive Agreement to Promote Vitalization of Local Economy, please see the separate booklet, The Latest Development Report) Capcom also jointly sponsored a special exhibition of arms and armor connected to famous military commanders appearing in Sengoku BASARA at the Saitama Prefectural Museum of History and Folklore. In addition, Capcom collaborated in activities to spread awareness of the Kōchi prefectoral governor’s election announced in November by offering Chosokabe Mototsuka, who appears in Sengoku BASARA, as a character for election on the election.

Educational Assistance as a Game Company
Company Visits for Children and On-Site Classes at Schools
Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, discussions tend to focus on the detrimental effects of violent content. For example, some local municipalities have designated certain games to be harmful to the healthy development of young people. At the same time, the idea of a future career as a video game creator is very popular among children, and some schools have even begun to incorporate handheld video game consoles into the classroom in recent years.

As part of its social responsibility (CSR) efforts as a video game producer, Capcom has launched a drive to promote understanding in society of video games, Capcom accepts student visits to its offices, with a focus on elementary and junior high school students, and also actively conducts on-site classes at schools. At these events, Capcom conducts a program with two sessions: one is a career education support session which introduces the work done in a game software company and the difficulty and rewards of that work, and the other is a game literacy education support session which helps students use their own judgement to establish a healthy relationship with games. These programs have in turn been well-received in educational environments. Capcom has also incorporated opinions from educators to improve its educational efforts. In fiscal 2011, Capcom launched its second educational program, focused on the educational theme of career education support. In fiscal 2013, Capcom started a new class program on work and mathematics targeted towards elementary and junior high school students to help prevent children from losing interest in math, a challenge in recent years.

Capcom School Visit Feedback
We received a wide range of comments after our Capcom school visits and student class visits.

“I realized that I was playing games too much. In the future, I want to decide how long I will play.” (Elementary school student)

“Thank you for teaching me about game development! I want to learn more about it.” (Junior high school student)

“Some parts were hard for a fourth grader, but everyone seemed really interested, such as students talking about it between each other after.” (Elementary school teacher)

“A team of us made a game with one of our classmates and showed it to the 8th graders at our school.” (Elementary school student)

Employee Survey Feedback
Based on feedback from the employee survey, the following issues were identified as important:

- Improvement of job satisfaction
- Network with colleagues
- Career development and work-life balance
- Skills and knowledge acquisition

The company will continue to improve its work environment and promote the well-being of its employees.

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As a result of these efforts, Capcom has welcomed 2,437 children as part of 313 different field trips into its offices (as of the end of March 2016). Capcom has also held 91 on-site classes for some 9,095 students at schools such as Nara Prefectural Seisho Junior High School (as of the end of March 2016).

Community Building Support for Senior Citizens

Regular Video Game Arcade Tours

Today, amusement facilities, otherwise known as video game arcades, are becoming increasingly popular among retired senior citizens as spaces for communication with other people. Since 2012, Capcom has held video game arcade tours on long public holidays and Respect-for-the-Aged Day for senior citizens where they can try out coin-operated games and crane games so that more people can make use of such facilities.

In addition, as part of efforts to create arcades where senior citizens can comfortably enjoy themselves, since 2012 Capcom has encouraged arcade staff to get the Service Assistant certification. Currently, 27 staff have received this certification.

Responsibilities to Shareholders and Investors

Initiatives for the General Shareholders’ Meeting

Making Shareholders’ Meetings Lively and Facilitating the Exercise of Voting Rights

To ensure our General Shareholders’ Meetings are lively, we hold our meetings about 10 days before the period when most Japanese companies typically hold their meetings in an attempt to encourage the attendance of as many shareholders as possible.

In addition, voting rights can be exercised via computer, smartphone, mobile phone and Internet. Participating in the digital exercise of voting rights platform, institutional investors are ensured a sufficient amount of time to consider proposals starting on the day the convocation notices are distributed. We also post convocation notices in English on our corporate website to promote the exercise of voting rights by shareholders in Japan and overseas.

Basic Policies Regarding IR Activities

1. Disclosure Policies

Capcom believes that the timely and appropriate disclosure of information is the duty of every listed company, and that accountability to our shareholders and investors is indispensable from the perspective of corporate governance.

To this end, Capcom is promoting highly transparent management via the implementation of a basic policy for IR activities which involves (1) the establishment of a responsible investor relations framework, (2) the thorough disclosure of information, and (3) the creation of a system for the timely disclosure of information.

2. Disclosure Criteria

Capcom provides timely disclosure in accordance with the Securities and Exchange Law and other regulations including the “Rules on Timely Disclosure of Corporate Information” by Issuer of Listed Security (hereinafter Timely Disclosure Rules) stipulated by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange.

It is our policy to disclose as much information as possible, including the disclosure of information not required by the Timely Disclosure Rules and other regulations, to accommodate our investors’ needs. We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters.

3. Quiet Period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting approximately one month prior to the scheduled earnings announcement. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose this information pursuant to the Timely Disclosure Rules and other regulations.

Third-Party Assessment of IR Activities

High Praise for Proactive IR Initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. In addition to receiving the Special Prize at the Nikkei Annual Report Awards 2015 in the fiscal year ended March 2016, our IR website was selected by Daiva Investor Relations for the Internet IR Grand Prize and we ranked second overall in the Fiscal 2015 Listed Company Website Quality Ranking.

With an awareness of the importance of accountability, we will continue to work to earn the trust of investors and provide timely disclosure.

Fiscal 2015 Third Party Evaluations

Integrated Reports
10th Nikkei Annual Report Awards: Special Prize
LACP 2014 Vision: Annual Report Competition: Bronze Award, Technology/Software category
China Investor Relations Relations Co., Ltd. 2015 Internet IR Grand Prize
Monocle Asia and Condé Nast Traveler Asia Concluded Ranked 4th overall in Global IR Website Ranking 2015
Nikkei Investor Relations Relations Co., Ltd. Ranked 2nd overall in the Fiscal 2015 Listed Company Website Quality Ranking

IR Website
China Investor Relations Relations Co., Ltd. 2015 Internet IR Grand Prize
Monocle Asia and Condé Nast Traveler Asia Concluded Ranked 4th overall in Global IR Website Ranking 2015
Nikkei Investor Relations Relations Co., Ltd. Ranked 2nd overall in the Fiscal 2015 Listed Company Website Quality Ranking

Making Use of Shareholder and Investor Opinions

Reflecting Results of Dialogues with Investors and Analysts in Management

Through meetings with investors and analysts, Capcom’s IR Department attempts to promote an understanding of

- management policies, strategies and future outlook with them.
- Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with these parties enables us to minimize asymmetric information as we strive to achieve appropriate corporate value.
- This fiscal year, meetings with investors in Japan and oversea and conference calls amounted to 370 points of contact with investors.

In addition, we conducted various initiatives in accordance with our adoption of our Corporate Governance Code. Specifically, our General Affairs Section collaborated with the Investor Relations Section on takeover defense measures, engaged in numerous discussions with shareholders in Japan and overseas concerning the validity of their content, and made changes where necessary while promoting understanding of the necessity of these measures.

Furthermore, we set up small meetings between external directors and investors to facilitate frank discussions pertaining to governance.

We also arranged opportunities for senior management to exchange opinions directly with investors, who were provided with a chance to experience the latest virtual reality (VR) technologies. At our earnings presentation, we showed videos of developer interviews related to titles of interest to investors, as well as a variety of other new initiatives aimed at reflecting stock market opinions and demands.

In addition, Capcom conducts a perception gap study every year targeting investors and analysts in Japan and overseas. Being aware of investor perception gaps with regard to management objectives, business strategy and shareholder’s return enables us to fine-tune corporate management and IR activities. Questionnaires are also given to attendees at our semiannual Presentation of Fiscal 2015 IR Measures by frequency

- Visited by requests 166
- Visited domestic investors 99
- Visited overseas investors 85
- Total 370

IR Events

- Event: EDG small meeting
  - Details: Speaker: Kenzo Togawa, Chairman and CEO

- Event: CGO small meeting
  - Details: Speaker: Takanori Kikukawa, President and CFO

- External director small meeting
  - Details: Speaker: Takahiro Morinaga, External Director

- Supplementary explanatory earnings administrative officer conference call
  - Details: Conference call began after earnings announcement to explain the results

-Showed developer interviews during earnings presentation
  - Details: Conducted experience-based demonstration of latest VR technologies, promoted understanding of Capcom development technologies

-Latest technology experience-based event
  - Details: Developed videos to explain development status of latest titles of high interest to the market

- Conducted perception gap study
  - Details: Conducted assessment survey targeting investors and analysts in Japan and overseas regarding Capcom’s management targets, strategies and IR activities, provided feedback to management.
Governance

Directors

As of July 1, 2016

Kenichi Nomura
Director and Executive Corporate Officer, Chief Financial Officer (CFO)

Apr. 1979 Entered into a Bank, Ltd. (Currently Mizuho Bank Ltd.)
Jul. 2007 Corporate Auditor of the Company (full-time)
Jul. 2007 Director-General of the Budget Bureau of the Ministry of Finance

Kenzō Tsujimoto
Chairman and Chief Executive Officer (CEO)

Apr. 1987 Entered into the Company
Feb. 1999 Managing Director of the Company
Apr. 2001 Senior Managing Director of the Company
Dec. 2007 Director-General of Sapporo Regional Tax Tribunal
Jul. 2008 Executive Director of National Tax College
Jul. 2009 Managing Director of the said Company
Jun. 2010 Managing Corporate Officer in charge of Financial and Accounting Division of the Company
Jul. 2011 External Corporate Auditor of the Company
Jun. 2012 External Corporate Auditor of the Company (to present)
Jun. 2016 Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

Makoto Matsuo
Director

Apr. 1979 Entered into a Bank, Ltd. (Currently Mizuho Bank Ltd.)
Jul. 2007 Corporate Auditor of the Company (full-time)
Jul. 2007 Director-General of the Budget Bureau of the Ministry of Finance

Yoshihiko Iwasaki
Chairman of the Audit and Supervisory Committee

Jul. 1998 Director of the Audit and Supervisory Committee
Jul. 1999 Corporate Officer, General Manager of Overseas Business Dept. of the Company
Jun. 2001 Director-General of the Audit and Supervisory Committee
Jul. 2002 Managing Corporate Officer of the Company
Jul. 2003 Director of Commissioner’s Secretariat, the National Tax Agency
Jul. 2008 External Corporate Auditor of the Company
Jul. 2010 External Corporate Auditor of the Company (full-time)
Jul. 2014 Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

Tamio Oda
Director

May 2001 Chairman of the Board of Directors
Jun. 2001 Director of the Company
Jun. 2003 Managing Director of the Company
Apr. 2005 External Corporate Auditor of the said Company
Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
Jul. 2011 Managing Corporate Officer of the Company
Jun. 2016 Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

Takayuki Morinaga
Director

Jun. 1990 Director-General of the Budget Bureau of the Ministry of Finance
Nov. 1995 Chief of Ehime Prefectural Police Headquarters
Apr. 1997 Lecturer of Nihon University, Faculty of Law:
Sep. 1998 Managing Director of Yazaki Corporation
Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
Oct. 2009 Managing Director of the said Company
Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
Jul. 2011 Managing Corporate Officer of the Company
Jun. 2014 Director (full-time member of the Audit and Supervisory Committee) of the Company (to present)

Kazushi Hirao
Director

Jun. 1988 Partner of Momo-o, Matsuo & Namba (to present)
Mar. 1979 Admitted to New York Bar
Mar. 2015 External Corporate Auditor of the said Company

Makoto Tsujimoto
Director

Apr. 1987 Entered into the Company
Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
Jul. 2011 Managing Corporate Officer of the Company
Oct. 2014 External Corporate Auditor of the said Company

Takayuki Morinaga
Director

Jun. 1990 Director-General of the Budget Bureau of the Ministry of Finance
Nov. 1995 Chief of Ehime Prefectural Police Headquarters
Apr. 1997 Lecturer of Nihon University, Faculty of Law:
Sep. 1998 Managing Director of Yazaki Corporation
Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
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Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
Oct. 2009 Managing Director of the said Company
Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
Jul. 2011 Managing Corporate Officer of the Company
Jun. 2014 Director (full-time member of the Audit and Supervisory Committee) of the Company (to present)
At Capcom Director Meetings, three external directors take the lead in offering aggressive opinions and advice to ensure management transparency and corporate health. (As of March 31, 2016) In addition, they focus on promoting growth strategies utilizing corporate governance, vigorously discuss the ideal state of the Company’s organizational design related to corporate governance and their accountability to shareholders and investors. The heated discussion with external directors produced numerous suggestions, two of which are presented in this section.

Item 1
Discussion on Corporate Governance Codes (Hereinafter, “Codes”)

The Code, which went into effect as of June 2015 in Japan, consists of 73 principles. To ensure continuity within the organization and its mechanisms and promote growth strategies, in addition to providing more substantial content for the 26 items that we must focus more of our efforts on, which include expanded business execution functions and the establishment of a nominating committee, Capcom plans to disclose in total all 73 items.

- **Matsuo**
  - Allow me to ask: what is the reason for publishing all items?
  - **Oda**
    - Even if we were to only disclose the compulsory 11 items, the Code does not define each of the terms but rather than an end in itself, governance is a means to an end. To achieve results, we need to use the code appropriately.

- **Matsuo**
  - I don't object to Capcom adopting this stance; but it appears there are several incomplete descriptions. For example, in supplementary principle 4.11.3 “Analysis and Evaluation of Board of Director Effectiveness,” there is a description of internal control systems, but there is no description regarding Board of Director deliberations, thus from a self-evaluation perspective this response is insufficient. I would like to see disclosure pertaining to analysis and evaluation packed with concrete details, including preparations for Board of Director meetings, the provision of materials; explanation of items for deliberation as well as agenda selection policies and board discussions aimed at improving efficiency. Furthermore, operations after the Code is submitted are critical; thus I would like Capcom to continue making improvements in areas where there are deficiencies going forward.

- **Oda**
  - As you point out, self-evaluation of these principles is important. To execute growth strategies, we need to compare the current and ideal states of the Board and of course make improvements in areas where there are differences. Moreover, in item 41 of the explanation of this supplementary principle, details regarding Board of Director meeting discussions and small meetings with external director Morinaga among other initiatives are disclosed in the integrated report. Our adoption of proxy advisor opinions has been well received outside the Company.

- **Matsuo**
  - This particular code is for institutional investors in the U.S. and Europe, so we can consider externally extracting supplementary principle 4.11.3. I personally think of takeover defense measures up to now and the introduction of this code as opportunities; and that the Company, which has utilized the transition to a company with audit and supervisory committee as a contributor to its growth strategies, is more keenly aware of governance compared to other companies.

- **Iwasaki**
  - Rather than an end in itself, governance is a means to an end. To achieve results, we need to use the code appropriately.

- **Matsuo**
  - Management entails taking on risk. Use of the code is the means by which to control risk. We must constantly review our governance structure and control risks to develop a future vision and move forward.

Item 2
Discussion on the Transition to a Company with Audit and Supervisory Committee

- **Morinaga**
  - In response to an explanation if institutional design is for promoting growth strategy, I think the company with a board of corporate auditors we have operated under up to now functions sufficiently. At the present time, is there something we are lacking?

- **Iwasaki**
  - The global video game software market is undergoing significant changes and growth, so we must promote an aggressive growth strategy to enhance Capcom’s corporate value. To promote these growth strategies, speedy and accurate decision-making are a necessity. Under certain conditions, in a company with audit and supervisory committee, some of the important business execution can be delegated to the president and other executive directors. Comprehensive audit and supervisory functions are necessary for ensuring appropriate delegation. As the monitoring of legality in a company with audit and supervisory committee is conducted as a matter of course, the monitoring is also verified. For this reason, auditing and supervisory committee member opinions have Board of Director voting rights as corporate directors. For Capcom to grow, I think this transition is a good idea.

- **Morinaga**
  - In addition to auditing focused on legality up to now and internal auditing of execution, there is meant in this transition as it will strengthen the monitoring function by enabling validity monitoring. As a result, as we execute growth strategies, we will be able to ensure a system for monitoring deviations in budgetary and financial management.

- **Iwasaki**
  - Governance configuration is a means rather than an end. For example, what corporate governance policies aimed at enhancing corporate value, the degree to which we are able to make effective judgements is an issue of governance. Furthermore, the audit and supervisory committee is hybrid governance, so we must sufficiently consider the relationship between execution and supervision. By absorbing auditors into the Board of Directors, auditor and supervisory committee member independence will be.
Dialogue Between an External Director and Institutional Investors

Held July 2016: Theme

The Role Demanded of External Directors Under the New Governance Structure

Takayuki Morinaga, External Director and Chairman of the Audit and Supervisory Committee

At the Shareholders’ meeting in June 2016, the transition to a company with an audit and supervision committee was approved and adopted. With consideration also for the evaluation of foreign shareholders, the transition was decided to function as a mechanism for supporting growth strategies going forward. In addition, by directly linking the Internal Audit Division to the Audit and Supervisory Committee, we will further strengthen audit and supervisory functions. This is an attempt to improve management’s risk management function by making directors of auditors who traditionally had no voting power. As the Chairman of the Audit and Supervisory Committee, I feel it is important to have skills enabling me to accurately judge the appropriateness of strategies in response to a given situation.

Q&A Summary

Q In terms of game company growth strategies, how well the development structure and environment is established is an extremely important point, so what do you think your role should be as an external director?
A MAD department is Capcom’s linchpin, which I am fully aware is an important asset. Thus, skill enhancement and other human resources development training is essential for improving our developers’ capabilities. At the same time, we cannot ignore the efficacy of alliances and collaborations with other companies. I think it is desirable for management to skillfully utilize external resources in areas outside the Company’s core competence or when it would take too much time for one company to achieve an objective alone. These are the kinds of proposals I want to make.

Q In terms of your supervisory function as an external director, what do you attach the most importance to?
A The most important evaluation criterion is whether an action leads to shareholder profits. For example, evaluations risk control concerning the legality and validity of executive division strategies, and decisions related to the pros and cons of executing takeover defense measures.

Q In your role as external director, in addition to that kind of risk management, aren’t you also asked to correct the Company’s trajectory to avoid missed opportunities? Looking at the profiles of all the current external directors, I get the impression that there is a lack of people able to provide advice on the direction of growth strategy. For example, other companies in this industry are taking in huge profits in the mobile games area. Has Capcom failed to achieve success in this area because there are few external directors with ample management experience?
A Beyond aiming to enhance corporate value, I am cognizant that course adjustments are also one of our critical roles. Risks pertaining to growth strategies involve investment risks as well as risks in not investing. The decision not to invest has the potential for a missed opportunity. In order for Capcom to break the 100 billion yen net sales barrier, there are three issues I think need to be addressed: the aforementioned improvements to the development structure, aggressive and bold challenges in new areas such as mobile games and expanding into new, high-potential overseas markets, such as Asian. To achieve sustainable growth, we must not only manage risks, but also flexibly execute course adjustments. I will leverage my management experience up to now to fulfill this major role.

Q At an owner-run company like Capcom, to what degree are Audit and Supervisory Committee member opinions reflected in Board of Director resolutions? At various companies around the world, family feuds are becoming a problem. This isn’t an issue at Capcom?
A Chairman Tsujimoto possesses a unique and excellent management intuition, a skill most ordinary managers are unable to replicate. Thus, I want to respect the distinctiveness that is the positive aspect of an owner-run company. Even in the event rash actions are taken, there are at present six external directors comprising a governance structure able to provide sufficient protection. It’s not at all the case that just because this is an owner-run company no one can say anything. We routinely say whatever is on our mind and fully express our opinions. Also, debates during Board of Director meetings frequently become heated, but this is not a problem. If anything, without constructive and passionate discussions, we would probably be unable to generate truly effective measures and policies.

Q How have you responded to recent requests for Board of Director evaluations?
A In light of our transition to a new governance structure, our policy is to continue exploring the ideal state of the Board of Directors. We plan to begin examining this issue during the current fiscal year, so right now I would ask you to please wait a bit longer until we have come to a conclusion with respect to the evaluation criteria.

Q I want you to discuss your thoughts regarding how to indicate objectives to investors going forward.
A We will not only simply respond to market changes, but also want to pursue business that I hope enables us to create markets ourselves. There is no first-mover advantage in following changes. Rather than focusing on how to pursue, it is important to focus on how we can create markets on our own. To this end, external directors will proactively propose structures and directions for the Company.

Participants

Capcom Co., Ltd. / Takayuki Morinaga: External Director, Chairman of the Audit and Supervisory Committee

Investors in Attendance: / (Firms to be announced)
Corporate Governance

Goverance Reforms for Further Growth

One of the purposes of Capcom’s governance reforms is the creation of systems for management - that is, making management more transparent and visible. Generally, the strengths of an owner-run company are momentum via fast decision making, and managerial flexibility that makes it possible to not dwell on the past and implement structural momentum via fast decision making, and managerial flexibility that makes it possible to not dwell on the past and implement structural reforms. Conversely, concerns over the founder’s complicity and the difficulty of passing on management to the next generation can be presented as weaknesses of this system.

In order to eliminate these concerns, Capcom believes the creation of management systems which are easily visible from outside the company as well such as with external directors and stock markets. In addition, formal systems alone are meaningless; the systems must also be effective. To this end, Capcom has implemented the governance reforms listed in the table below. Specifically, in 2001 Capcom was one of the first Japanese companies to bring on board external directors. This was because Capcom sought differing opinions, such as dispassionate judgement of our management and business activities by experts with high level knowledge in a variety of fields. In that same time period, Capcom strengthened its investor relations activities, the main point of which was to engage in highly transparent management by promoting dialogue with stock markets and releasing relevant information. In addition, in 2011 Capcom established its own Audit Committee. From another perspective, legal auditing provided by corporate auditors was initiated as a unique organization in Capcom for the management of risk in the administration of business matters and preceded the concept of the “propriety audit” in today’s company with an audit and supervision committee. Since 2014, Capcom has released portions of Board of Directors meeting discussions and held meetings between external directors and institutional investors. Amidst a string of corporate scandals both in Japan and overseas, the purpose of the meetings was to have institutional investors determine whether management monitoring by external directors was functioning effectively. And in 2016, Capcom significantly changed its organizational design, transitioning from being a company with a corporate auditor system to a company with an audit and supervision committee. A more detailed description is provided on the following page, however Capcom has broadly strengthened supervisory functions across the entirety of its management, including 1) giving voting rights at Board of Directors meetings to directors who are Audit and Supervisory Committee members; 2) implementing propriety audits in addition to legal audits; and 3) making it possible for the Audit and Supervisory Committee to engage in systematic monitoring using internal control systems.

Capcom believes that corporate governance is essential to corporate growth and as such will continue to strengthen its governance system both in terms of organization and operation.

Main Governance Reform Initiatives

<table>
<thead>
<tr>
<th>Month/year</th>
<th>Measure</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul. 1999</td>
<td>Introduced Corporate Officer System</td>
<td>Clearly separated execution of management and supervision</td>
</tr>
<tr>
<td>Jun. 2001</td>
<td>Brought on board first two external directors</td>
<td>Strengthened management monitoring functions</td>
</tr>
<tr>
<td>Jun. 2001</td>
<td>Increased number of external auditors by one, appointing three</td>
<td>Strengthened auditing functions</td>
</tr>
<tr>
<td>Jun. 2001</td>
<td>Strengthened investor relations activities</td>
<td>Secured transparency</td>
</tr>
<tr>
<td>Feb. 2002</td>
<td>Established Remuneration Committee</td>
<td>Secured fairness and propriety of director remuneration decisions</td>
</tr>
<tr>
<td>Apr. 2003</td>
<td>Established Compliance Committee</td>
<td>Prevented violations of laws and ordinances</td>
</tr>
<tr>
<td>Jun. 2003</td>
<td>Increased number of external directors by one, appointing three</td>
<td>Strengthened management monitoring functions</td>
</tr>
<tr>
<td>Apr. 2011</td>
<td>Established Audit Committee</td>
<td>Strengthening risk management through auditing the state of business administration</td>
</tr>
<tr>
<td>Jan. 2014</td>
<td>Strengthened shareholder relations activities</td>
<td>Promoted understanding of agenda items</td>
</tr>
<tr>
<td>Jun. 2014</td>
<td>Strengthened director terms from two years to one year</td>
<td>Clarified director management responsibilities</td>
</tr>
<tr>
<td>Sep. 2014</td>
<td>Released major Board of Directors’ meeting discussions in the annual report</td>
<td>Provided example of effectiveness of management monitoring functions</td>
</tr>
<tr>
<td>Jun. 2015</td>
<td>Held small group meeting between external directors and institutional investors</td>
<td>Provided example of effectiveness of management monitoring functions</td>
</tr>
<tr>
<td>Jun. 2016</td>
<td>Transformed into a company with an audit and supervision committee with a 50% ratio of external directors</td>
<td>Strengthened supervisory functions of Board of Directors meetings</td>
</tr>
<tr>
<td>Jun. 2016</td>
<td>Established Nominating Committee</td>
<td>Secured objectivity and propriety of decision process for selecting director candidates</td>
</tr>
</tbody>
</table>

Four Features of Capcom Corporate Governance

1. Transition into a company with an audit and supervision committee to strengthen governance

Capcom established an Audit and Supervisory Committee and grants voting rights at Board of Directors’ meetings to directors who are also Audit and Supervisory Committee members. In addition, Capcom aims to further strengthen supervisory functions across the entirety of management and further enhance corporate governance via the implementation of propriety audits together with conventional legal audits.

Formerly: Board of Directors

From June 18, 2016

Board of Directors

Board of Corporate Auditors

Audit and Supervisory Committee

External Directors

2. Proactive appointment of external directors

Capcom has reached its highest ever rate of external directors at 50% through proactively appointing external directors since June 2001. The advice, opinions, and scrutiny provided by external directors increases the transparency and credibility of Board of Directors’ meetings and vitalizes the same while also strengthening the function of the meetings to supervise management.

Percentage of External Directors

50%

3. Full disclosure of 73 Corporate Governance Code items

Capcom has disclosed all 73 of its Corporate Governance Code items in order to reevaluate the current state of the company’s governance system and its ideal state, together with achieving accountability for each item. Capcom attaches particular importance to 26 items which are comprised of 10 items which contribute to our growth strategy, 3 items which contribute to our management system, and 13 items which serve as the base for achieving these, and provides greater detail concerning the same.

- Items which contribute to growth strategy
  - Ensure diversity within the Company, including the promoting the activity of women.
  - Through disclosure of information.
  - Expansion, etc. of the Board of Directors, etc.
- Items which contribute to management system
  - So-called cross-shareholdings.
  - Selection and dismissal of key members of management staff.
  - Determining independence of independent external directors.
- Items which serve as a base for the above
  - Basic policy for capital policy.
  - Establishing an environment to support the re-structuring of the Board of Directors.
  - Role and duties of independent external directors, etc.

Please refer to the Corporate Governance page on Capcom’s investor relations site: http://www.capcom.co.jp/en/index/ir/governance.html

4. Mechanism for reflecting investor and analyst opinions in management

Capcom’s IR Department engages in discussions with analysts and investors over 350 times per year. In addition to promoting understanding of management policies and business strategies, the IR Department applies these activities to corporate management, summarizing market opinions and providing feedback to management personnel. Capcom is also further enhancing events and tools for investors, strengthening shareholder and investor relation activities.
Corporate Governance

Transition into a Company with an Audit and Supervisory Committee

As concerns merit 1, not only is there no such corporate auditor system in Europe and North America as found in Japan, auditors have no voting rights in Board of Directors meetings. As such, overseas institutional investors and others found it difficult to understand the monitoring function of our Board of Directors meetings. Compared with the corporate auditor system, a company with an audit and supervisory committee is a much easier to understand organizational design. As concerns merit 2, by narrowing down Board of Directors meeting agenda items to highly important topics such as management policies and business strategy, management can be developed more quickly and flexibly, and external directors can focus further on their supervisory function. Merit 3 not only gives the Audit and Supervisory Committee the right to state its opinions on director selection and remuneration at general shareholder meetings but also strengthens Capcom’s risk management through the monitoring of the administration of business matters. As regards merit 4, as auditors are independent, they fundamentally engage in their own auditing, but Audit and Supervisory Committee members can order staff in the Internal Audit Department, an organization under their direct control, to implement an internal audit, and can scrutinize the resulting report. As the scope of business grows larger, such as through the expansion of the number of subsidiaries both domestic and international, the auditing function grows stronger than having several corporate auditors check the entirety of the company’s business matters.

Capcom aims to maximize long term corporate value based on its growth strategy. However, in order to ensure stable corporate management, Capcom believes it is essential to have a management system which can engage in thorough risk management. As such, on June 18, 2016, Capcom transitioned from a company with a corporate auditor system to a company with an audit and supervisory committee in order to strengthen the monitoring function of Board of Directors’ meetings to further strengthen our management base, as well as to functionally expand management via fast decision making and increase understanding among overseas investors.

1. Structure
A company with an audit and supervisory committee is one type of organizational design for a public company introduced with the revisions to the Companies Act made in 2014. In a company with an audit and supervisory committee, there are no auditors or auditor system. Instead, directors who are Audit and Supervisory Committee members are selected and an Audit and Supervisory Committee is established comprised of a majority of external directors. In other words, it is a company with a corporate auditor system which has given Board of Directors meeting voting rights to its auditors. This type of structure makes it possible to further strengthen the monitoring function of Board of Directors’ meetings.

2. Merits
This transition offers the four merits listed in the table above to Capcom.

Structure and Merits of a Company with an Audit and Supervisory Committee

Company with a Corporate Auditor System

- Appointment/ Disapproval
- Shareholders’ Meeting
- Board of Directors
- Board of Corporate Auditors
- Auditors
- Auditors comprise at least half

Company with an Audit and Supervisory Committee

- Appointment/ Disapproval
- Shareholders’ Meeting
- Board of Directors
- Board of Corporate Auditors
- Audit and Supervisory Committee
- Directors
- External directors comprise at least half

- Voting rights in Board of Directors meetings for directors who are Audit and Supervisory Committee members
- Merits of the Transition for Capcom
  - Voting rights in Board of Directors meetings for directors who are Audit and Supervisory Committee members
  - Restrictions on important business administration matters can be entrusted to directors
  - Adds propriety audits to legal audits
  - Audit and Supervisory Committee members can engage in systematic audits using internal control systems

Message from the Chairman of the Audit and Supervisory Committee

Serving in the role of risk control for company growth

Takayuki Morinaga
External Director
Chairman of the Audit and Supervisory Committee

“It is said that the transition to a company with an audit and supervisory committee in order to further the growth strategy was necessary, but what is lacking now?” “In order to strengthen monitoring functions, why is a company with a nominating committee not acceptable?” – As this is an important change to the company’s organizational design, there were many questions from the Board of Directors and investigating the necessity of this move was discussed over many hours. Initially, there were concerns about what it meant to so easily transition to the organizational design in fashion today. However, we have reached the conclusion that a company with an audit and supervisory committee is the best method to further enhance governance and increase corporate value.

In my experience managing risk as part of corporate management, a company’s fate is determined by how quickly it can gather data both internally and externally. For global companies, in addition to auditing the lawfulness of the administration of business matters, the necessity of auditing the propriety of the administration of business matters is increasing. This is because business risk expands in proportion to the implementation of a company’s growth strategy, which also significantly influences corporate value. Because of this, we have established an Internal Audit Department under the direct control of the Audit and Supervisory Committee in order to make it possible to gather information and audit it in an agile manner. It has also become clear in recent years, through corporate scandals both in Japan and overseas, that the presence or absence of a system like this significantly influences the effectiveness of risk management. However, in “auditing of propriety,” the Audit and Supervisory Committee must have the ability to appropriately evaluate propriety, which I feel is a large responsibility.

In addition, as concerns a company with a nominating committee, another possible organizational design in the Companies Act is North American-style “monitoring” (with a supervisory body). We found this differs from the conventional Japanese-style “management” (with an ultimate decision-making body concerning the administration of business matters) not only in terms of the composition of directors but also the corporate culture, and arranging these would have required a significant amount of time. The Nominating Committee and Remuneration Committee established as part of our transition are advisory committees, the Audit and Supervisory Committee holds the right to express its opinion at general shareholders meetings concerning director selection and remuneration. We acknowledge that this will serve as a strong check and balance function and that at this time a company with an audit and supervisory committee is the best for Capcom.

Conversely, while obvious, no organization is perfect. I do not mean this in the sense of “ploughing the field and forgetting the seed” but rather that what is important is to what extent we make use of this system to improve Capcom’s governance system. It is my desire to further the role of risk control in Capcom’s growth strategy based on a firm understanding of the balance between execution and supervision and the independence of auditing as discussed at the Board of Directors.

Ratio of Internal Directors to External Directors

- Directors (people)
- External director ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Directors (people)</th>
<th>External director ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>6</td>
<td>50.0%</td>
</tr>
<tr>
<td>2007</td>
<td>10</td>
<td>25.0%</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
<td>25.0%</td>
</tr>
<tr>
<td>2017</td>
<td>12</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

(Period ending March 31)
Corporate Governance Structure and Initiatives

Shareholders and investors have made the practical and effective functioning of internal control into a key issue amidst an epidemic of corporate misconduct in Japan and overseas. In this section, Capcom will explain the corporate governance structure and systems that it has initiated so far based on the key concepts of “effectiveness and visibility” in terms of the results of third party assessment.

[Diagram: Organizational Chart]

**Shareholders’ Meeting (Convoked on June 17, 2016)**

- Determines Important Matters as the Highest Decision-Making Body
- Capcom’s general shareholders’ meeting serves as its highest decision-making body and determines important matters as well as reports audit results of consolidated financial statements.
- We have scheduled the meeting to take place around 10 days prior to the date on which most other companies in Japan hold their general shareholders’ meetings to ensure as many shareholders as possible can attend. We have also made it possible for shareholders to exercise their voting rights over the Internet using a computer or smartphone. In addition, we participate in an electronic voting rights exercise platform for institutional investors.
- Seven resolutions were brought up for discussion at this year’s shareholders’ meeting, all of which were approved and passed.

**Audit and Supervisory Committee**

- The Audit and Supervisory Committee is composed of five directors (three of whom are external directors). Also, the collection and sharing of information is carried out by selecting two full-time members of the Audit and Supervisory Committee in addition to using an internal audit control system to carry out organizational audits and supervision.
- In addition to formulating auditing policies and providing consultation regarding audit results, the Audit and Supervisory Committee cooperates with the Internal Audit Division and gives advice to audited divisions regarding items to be improved, etc., working to see that internal control functions effectively in each division.

**The Nominating Committee**

- A Consulting Organization for Selecting Candidates for Director
- In June 2016 Capcom established a voluntary nominating committee with an external director as committee chairman as a consulting organization to the Board of Directors in order to ensure the objectivity and appropriateness of the decision process for selecting candidates for director.

**The Remuneration Committee**

- Recommending Details of Director Compensation
- Capcom has established a voluntary remuneration committee with an external director as committee chairman as a consulting organization to the Board of Directors in order to ensure the objectivity and appropriateness of the decision process for setting compensation of directors (excluding directors who are members of the Audit and Supervisory Committee).

**The Compliance Committee**

- Focusing on Compliance as an Important Management Issue
- In order to ensure compliance, the Compliance Committee meets quarterly and has an external director with the qualification of a lawyer as the chairman. In order to prevent illegal activities and misconduct Capcom has established Compliance Hotline Rules and, in addition, an external hotline, and conduct periodic compliance checks to regularly monitor status, etc. To ensure effectiveness, problems confirmed by this committee and issues that must be dealt with are properly disposed of.

**Accounting Auditors**

- Ensuring and Verifying Accounting Transparency
- Capcom has engaged KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed in the “Management Regulations for Subsidiaries.” Through this audit corporation or the engagement partners at this firm and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

**Internal Auditing Division**

- Ensuring and Verifying Legal Compliance and Operating Efficiencies
- We have established an internal audit division as an internal audit organization in support of the Audit and Supervisory Committee. This division primarily conducts regular monitoring of each division and Group companies from the standpoint of risk management.
- In addition information is collected and analyzed from the standpoint of legality, propriety, and efficiency so internal operational risk and inefficiencies are properly understood, working to prevent the occurrence of crises and improve operations. In addition, in the event of an unforeseen situation, the Audit and Supervisory Board contributes to the formulation of appropriate management decisions by quickly reporting to the Audit and Supervisory Board with a report examining and analyzing the causal factors in an attempt to minimize losses to the company.

**Corporate Management Council**

- Supporting the Board of Directors’ Decisions
- The President and Executive Corporate Officers participate in the Corporate Management Meeting, which is held the day before a meeting of the Board of Directors. At the Corporate Management Meeting we ensure the fairness and transparency of the decision process with careful review of special items, items brought up to the Board of Directors and items delegated to executive corporate officers such as the President.

**Board of Corporate Officers**

- Executing Operations Based on Clear Management Policy
- In order to clarify monitoring and business operation functions, Capcom adopted the corporate officer system. The Board of Corporate Officers is convened once a month. At the Board of Corporate Officers, in addition to executing business based on Board of Directors’ decisions, there are reports on policies for execution of business and the formulation of plans. Also, there are reports at the monthly meetings of the Board of Directors about the status of business execution by the Corporate Officers.

**Affiliate Companies**

- Ensuring Effective Governance through Close, Group-wide Collaboration
- We have developed a group-wide internal controls framework through close communication and collaboration between parent company and subsidiaries based on monthly subsidiary board meetings and the “Management Regulations for Subsidiaries.” Through this framework, we ensure that our operations are being undertaken properly so that corporate governance functions effectively.
Corporate Governance

External Directors

Using External Perspectives to Ensure Effective Governance
External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance, Nominating and Remuneration Committees. They also focus on compliance and the prevention of corrupt or illegal acts, and openly exchange opinions and provide counsel at Board of Directors meetings in an effort to strengthen the management audit function.

Also, the Secretariat staff helps with the work of the external directors not Members of the Audit and Supervisory Committee and with regards to external directors who are Members of the Audit and Supervisory Committee, the full-time staff of the Internal Audit Task Force helps with their work.

Board of Directors and External Auditors Rate of Attendance (Year ended March 2016)

<table>
<thead>
<tr>
<th>Name</th>
<th>Independent director</th>
<th>Reasons for selection</th>
<th>Board of Directors/Board of Corporate Auditors Rate of Attendance (Year ended March 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hōshi Yasuda</td>
<td>Appointed with overall consideration for character, business acumen, and successful appointments to important posts</td>
<td>24 14 14 14</td>
<td></td>
</tr>
<tr>
<td>Makoto Makita</td>
<td>High professional ability to provide precise guidance and advice, and ensuring effectiveness of corporate governance</td>
<td>24 14 14 14</td>
<td></td>
</tr>
<tr>
<td>Takanori Morita</td>
<td>Appointed with overall consideration for management experience in other companies, professional know-how, track record, and personal connections in the business world</td>
<td>24 14 14 14</td>
<td></td>
</tr>
<tr>
<td>Yoshihiro Itakura</td>
<td>It was determined that the professional expertise in the administrative function would be of benefit to the company</td>
<td>24 14 14 14</td>
<td></td>
</tr>
<tr>
<td>Akira Matsumura</td>
<td>Appointed to leverage the wealth of experience and knowledge accumulated during many years in tax enforcement administration to enable the company further enhance its corporate governance</td>
<td>24 14 14 14</td>
<td></td>
</tr>
</tbody>
</table>

Officer Remuneration

The Remuneration Committee Makes Recommendations to Ensure Fairness and Transparency
To ensure fairness and transparency, the Compensation of Directors is consulted on with the voluntary Remuneration Committee which has an external director as chairman and is decided upon by the Board of Directors based on this committee’s recommendations. The current remuneration system is composed of set monthly remuneration and performance-based bonuses paid in cash but the percentage of set remuneration is high. Because of this, we are looking into introducing performance-based bonuses paid in cash but the percentage of set remuneration is high. Because of this, we are looking into introducing.

Officer Remuneration (Year ended March 31, 2016)

Total remuneration, etc. by type of director for delivery companies, total amount by type of remuneration, etc., by director of delivery company

Officer Remuneration (Year ended March 31, 2016)

<table>
<thead>
<tr>
<th>Type of director</th>
<th>Total remuneration (million yen)</th>
<th>Total remuneration, etc. by type of remuneration, etc. by director of delivery company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director (including external director)</td>
<td>324 265 – 50 9 7</td>
<td></td>
</tr>
<tr>
<td>Auditor (including external auditor)</td>
<td>28 28 – – 0 2</td>
<td></td>
</tr>
<tr>
<td>External director</td>
<td>56 56 – – – 1</td>
<td></td>
</tr>
</tbody>
</table>

Policy Regarding the Calculation Method and Amount of Directors’ Remuneration

1 Regardings Remuneration of Directors (excluding directors who are members of the Audit and Supervisory Committee)

To ensure fairness and transparency of Directors’ remuneration, the Board of Directors consults the Remuneration Committee, which has an external director as chairman. The Remuneration Committee considers each board member’s position, duties, tenure, full-time service, etc., as well as Capcom’s earnings and individual job performance, and recommends an appropriate amount. The Board of Directors makes a decision based on this.

a. Monthly remuneration is fixed.
b. The amount of bonus is determined within the reasonable range based on the monthly remuneration and the Company’s performance.
c. Other than the remuneration listed above, appropriate remuneration based on individual achievement may be paid within a determined range.

2 The remuneration of the directors who serve as members of the Audit and Supervisory Committee

The remuneration of the directors who serve as members of the Audit and Supervisory Committee is not linked to performance from the perspective of securing their independence and thus determined through discussions, taking the difference of full-time or part-time service into account, by the directors who serve as members of the Audit and Supervisory Committee.

Third-Party Assessment

Promoting More “Visible” Governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom’s corporate governance shows that the company ranked 39th among 3,460 listed companies in Japan in the “NEDCs-Cge” assessment developed by Nikkei Digital Media, Inc.

“NEDCs-Cge” has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including “capital efficiency,” “information disclosure,” and “shareholder and capital composition,” among others, assigned based on some 130 indicators calculated from data of publicly released company documents, such as financial reports.

Third-Party Assessment Results of Capcom’s Corporate Governance

Details of Capcom’s Corporate Governance Assessment

Comparison of the Industry Average and the Average for All Listed Companies

Shareholders’ Meeting Resolutions

The following presents the number of votes in favor, opposed or abstained for the matters to be resolved at the year ended March 31, 2015, general shareholders’ meeting, and the results of voting.

<table>
<thead>
<tr>
<th>Resolutions</th>
<th>Approval Votes</th>
<th>Votes Opposed</th>
<th>Abstained Votes</th>
<th>Approved Rate (%)</th>
<th>Voting Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>First proposal: Adoption of the Corporate Governance Code</td>
<td>453,673</td>
<td>3,570</td>
<td>0</td>
<td>98.69</td>
<td>Approved</td>
</tr>
<tr>
<td>Second proposal: Approval of the Articles of Incorporation</td>
<td>452,725</td>
<td>3,517</td>
<td>0</td>
<td>98.61</td>
<td>Approved</td>
</tr>
<tr>
<td>Third proposal: Election of Seven Directors (including Directors who are members of the audit and supervisory committee)</td>
<td>452,336</td>
<td>6,305</td>
<td>0</td>
<td>97.88</td>
<td>Approved</td>
</tr>
<tr>
<td>Fourth proposal: Appointment of Five Directors (who are Members of the Audit and Supervisory Committee)</td>
<td>452,093</td>
<td>2,363</td>
<td>0</td>
<td>96.80</td>
<td>Approved</td>
</tr>
<tr>
<td>Fifth proposal: Determination of Amount of Remuneration for Directors (excluding Directors who are members of the audit and supervisory committee)</td>
<td>452,110</td>
<td>11,049</td>
<td>0</td>
<td>97.40</td>
<td>Approved</td>
</tr>
<tr>
<td>Sixth Proposal: Determination of Amount of Remuneration for Directors (including Directors who are members of the audit and supervisory committee)</td>
<td>454,395</td>
<td>18,788</td>
<td>0</td>
<td>95.24</td>
<td>Approved</td>
</tr>
</tbody>
</table>

Capcom’s total score was 8.75 points, placing us in the top 1.1% (101 of 9,019) listed companies. Our score also exceeded the average for all listed companies and for the industry, at 5.45 points and 7.77 points, respectively. We continued to receive the full 10 points for “shareholder and capital composition” and “information disclosure” important for corporate governance.

The main reasons for each of these perfect scores are given in the chart provided below, but in particular, areas highlighted in yellow indicate measures that received particular notice.

Going forward, we continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external visibility of our governance by posting this and other data on our corporate website.

Details of Capecom’s Value Creation Activities

Message from Management

Promotion Strategy

Business Activity Achievements

ESG Information

Financial and Corporate Data
Internal Control System and Initiatives

Status of Internal Control System

Strengthening Risk Management through the Development of Our Internal Control System

As part of directors’ due diligence, Capcom developed the following internal control system based on the Companies Act and its enforcement regulations to ensure that all Group companies comply with regulations and are executed in an efficient manner.

1. Creation of a Structure to Ensure Directors Perform their Duties in Accordance with Laws and Regulations

To strengthen the management monitoring function and enhance corporate value, Capcom strives to prevent illegal activities and ensure compliance through regular Compliance Committee checks while attempting to invigorate and heighten the monitoring function of the Board of Directors in accordance with advice and recommendations from the three external directors.

2. Develop a System to Maintain Appropriate Business Practices

(1) System for storage and management of information related to directors’ performance of duties

The appropriate management and storage of documents and information such as the minutes from board meetings is conducted in accordance with “document management regulations.”

(2) System Regulations, etc. Concerning Risk Management

We are working to see that with “crisis management regulations,” and other such means the system-wide risk management structure functions to proactively prevent crimes and execute the appropriate actions if unforeseen events occur.

(3) System to Ensure that Directors Perform Duties Efficiently

Capcom introduced a Corporate Officer System under which the duties of the Board of Directors, which decides business policy, and corporate officers, who execute operations, are separated and promote smooth and flexible business operations through speedy decision-making and enhanced management efficiency.

(4) System to Ensure that Performance of Duties by Employees Conforms with Laws and Regulations, etc.

The “Capcom Code of Conduct” is our guideline for legal compliance. We seek to prevent illegal activities and misconduct through employee training and monitoring programs.

(5) System to Ensure the Appropriateness of Duties in the Capcom Group

Capcom requires the reporting of important subsidiary information, such as the current state of business and business forecasts. This is accomplished through close cooperation and mutual understanding between the parent and subsidiaries based on convening Board of Directors meetings at subsidiaries in which Capcom directors, etc. participate and “Subsidiary Management Regulations,” etc. Also, we are aiming for rationalization of duties so that corporate governance functions, and we are promoting the maintenance of the overall Group’s compliance system with “Risk Management Regulations.”

(6) System for Employees Who Help in the Duties of the Audit and Supervisory Committee, System Regarding the Independence of the Employees Concerned from the Director and System to Ensure Effectiveness of Direction Given to the Employees Concerned

The Audit and Supervisory Committee works so that the internal controls function effectively, auditing the execution of operations by directors and employees based on auditing policies and, as necessary, submitting items found in audits and making advice and suggestions for corrections, etc. Because of this, we have established an Internal Auditing Division directly under the control of the Audit and Supervisory Committee to enable the work of the Committee to be performed duties smoothly and appropriately. This Division has a full-time staff of 18 who help with execution of operations of the Audit and Supervisory Committee and the consent of the Audit and Supervisory Committee is obtained regarding the reassignment of members of this staff.

(7) System for Capcom Group Employees and Directors to Report to the Audit and Supervisory Committee, System for Other Reports to the Audit and Supervisory Committee, System to Prevent Unfavorable Treatment Due to Having Made a Report

When the Audit and Supervisory Committee request a Capcom employee or director for information regarding the execution of operations, that employee or director responds promptly and appropriately and also reports appropriately about the required items. Also, when an employee or director of Capcom or the Capcom Group makes a report to the Audit and Supervisory Committee, she/he is not treated unfairly because of that report.

(8) Other Systems to Ensure that Audit and Supervisory Committee Audits are Carried Out Effectively

Regarding the expenses incurred in the execution of operations by Directors who are Members of the Audit and Supervisory Committee, in addition to having established a budget of a given size, we bear the costs for applicable expenses when requested to pay ahead of time.

(9) Overview of Operational Status of the System to Ensure Appropriate Operations

In addition to the above systems, the Compliance Committee, which has an External Director as chairman, meets once a quarter and reports on inherent risks and the probability of actualization, etc to the Board of Directors, working for early discovery and prevention of illegal activities and misconduct. Also, in order to deepen Directors’ understanding of compliance, with e-learning and checking the effectiveness of use of periodic compliance check sheets, we are preventing insider trading and the leakage of information, ensuring information security, and thoroughly promulgating observance of laws and regulations. Additionally, with regards to Capcom Group companies, in addition to conveying Capcom’s management policies to management at subsidiaries, we are working to have the internal control system for the entire Capcom Group work effectively by continually monitoring the business status of subsidiaries by collecting information from Capcom’s Directors who hold two posts concurrently and dispatched employees, etc.

Initiatives to Strengthen Compliance

Focusing on the Viability and Effectiveness of Our Compliance System

As noted on page 72, Capcom has established the Compliance Committee chaired by an external director who is qualified as a lawyer and consisting of directors and directors who serve as members of the Audit and Supervisory Committee to prevent any violation of laws and regulations. In addition, the Company is working to improve the effectiveness of compliance on a group-wide basis by measures to maintain the functionality of the department responsible for accepting the consultation requests and whistleblowing reports such as announcing necessary matters through the Company’s intranet.

Furthermore, the “Capcom Code of Conduct” was formulated to strengthen our compliance system. Capcom is dedicated to proactively preventing illegal acts and misconduct, and ensuring legal compliance through the promulgation of corporate ethics and principles.

During the period under review, the Compliance Committee met four times and conducted compliance training sessions for new employees. Also, “e-learning sessions on legal compliance and personal information protection rules” were given to all employees.

Compliance is the foundation of corporate governance and the basis for the fulfilment of corporate social responsibility.

Compliance Structure

Status of Training Programs (Year ended March 31, 2016)

<table>
<thead>
<tr>
<th>Activity</th>
<th>No. of Times</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance training curriculum</td>
<td>2</td>
<td>All employees</td>
</tr>
<tr>
<td>Personal information protection training curriculum</td>
<td>2</td>
<td>All employees</td>
</tr>
</tbody>
</table>
## Financial Index

**For the Year:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales of major titles (Billions of yen)</th>
<th>Total number of units</th>
<th>Foreign investors (%)</th>
<th>Net income (loss) per share (Yen)</th>
<th>Per Share Data</th>
<th>Digital Contents Business:</th>
<th>Depreciation &amp; amortization (Billions of yen)</th>
<th>R&amp;D expenses (Billions of yen)</th>
<th>Net worth ratio</th>
<th>Dividend per share (Yen)</th>
<th>Net increase (decrease) in cash and cash equivalents (Billions of yen)</th>
<th>Cash and cash equivalents at end of year (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>¥ 70,253</td>
<td>¥ 74,542</td>
<td>¥ 83,097</td>
<td>¥ 91,878</td>
<td>¥ 66,837</td>
<td>¥ 97,716</td>
<td>¥ 82,065</td>
<td>¥ 102,200</td>
<td>¥ 64,277</td>
<td>¥ 77,021</td>
<td>$ 687,695</td>
<td>$ 208,010</td>
</tr>
<tr>
<td>2007</td>
<td>¥ 6,580</td>
<td>¥ 9,602</td>
<td>¥ 13,121</td>
<td>¥ 14,618</td>
<td>¥ 5,587</td>
<td>¥ 14,295</td>
<td>¥ 12,318</td>
<td>¥ 10,151</td>
<td>¥ 10,299</td>
<td>¥ 10,582</td>
<td>$107,408</td>
<td>$ 215,010</td>
</tr>
<tr>
<td>2008</td>
<td>¥ 6,912</td>
<td>¥ 9,986</td>
<td>¥ 11,962</td>
<td>¥ 12,448</td>
<td>¥ 1,123</td>
<td>¥ 10,807</td>
<td>¥ 11,425</td>
<td>¥ 3,719</td>
<td>¥ 5,151</td>
<td>¥ 10,701</td>
<td>$ 11,150</td>
<td>$ 185,003</td>
</tr>
<tr>
<td>2009</td>
<td>¥ 6,941</td>
<td>¥ 5,852</td>
<td>¥ 7,807</td>
<td>¥ 8,063</td>
<td>¥ 2,167</td>
<td>¥ 7,750</td>
<td>¥ 6,723</td>
<td>¥ 3,444</td>
<td>¥ 6,616</td>
<td>¥ 19,745</td>
<td>$ 69,154</td>
<td>$ 51,003</td>
</tr>
<tr>
<td>2010</td>
<td>¥ 1,956</td>
<td>¥ 2,774</td>
<td>¥ 3,395</td>
<td>¥ 4,143</td>
<td>¥ 3,568</td>
<td>¥ 3,315</td>
<td>¥ 3,125</td>
<td>¥ 3,406</td>
<td>¥ 4,638</td>
<td>¥ 5,355</td>
<td>$ 5,712</td>
<td>$ 73,879</td>
</tr>
<tr>
<td>2011</td>
<td>¥ 1,600</td>
<td>¥ 4,495</td>
<td>¥ 4,505</td>
<td>¥ 4,956</td>
<td>¥ 2,205</td>
<td>¥ 2,578</td>
<td>¥ 4,153</td>
<td>¥ 8,724</td>
<td>¥ 8,064</td>
<td>¥ 10,177</td>
<td>$ 35,007</td>
<td>$ 38,003</td>
</tr>
<tr>
<td>2012</td>
<td>¥ 1,844</td>
<td>¥ 1,828</td>
<td>¥ 2,972</td>
<td>¥ 2,329</td>
<td>¥ 2,125</td>
<td>¥ 2,924</td>
<td>¥ 2,236</td>
<td>¥ 1,982</td>
<td>¥ 2,002</td>
<td>¥ 2,002</td>
<td>$ 45,007</td>
<td>$ 51,003</td>
</tr>
</tbody>
</table>

**At Year-End:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets (Billions of yen)</th>
<th>Net assets (Billions of yen)</th>
<th>Net cash (Billions of yen)</th>
<th>Developer numbers</th>
<th>Cash flows:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 1,099,441</td>
<td>$ 113,057</td>
<td>$ 90,408</td>
<td>$ 72,455</td>
<td>$ 13,392</td>
<td></td>
</tr>
</tbody>
</table>

**Cash Flows:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash flows from operating activities (Billions of yen)</th>
<th>Cash flows from investing activities (Billions of yen)</th>
<th>Cash flows from financing activities (Billions of yen)</th>
<th>Net increase (decrease) in cash and cash equivalents (Billions of yen)</th>
<th>Cash and cash equivalents at end of year (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$ 13,921</td>
<td>($ 16,063)</td>
<td>($ 7,452)</td>
<td>($ 551)</td>
<td>($ 14,520)</td>
</tr>
<tr>
<td>2008</td>
<td>$ 22,392</td>
<td>($ 7,672)</td>
<td>($ 6,647)</td>
<td>($ 13,201)</td>
<td>($ 4,286)</td>
</tr>
<tr>
<td>2009</td>
<td>$ 20,046</td>
<td>($ 1,618)</td>
<td>($ 5,879)</td>
<td>($ 6,155)</td>
<td>($ 5,492)</td>
</tr>
<tr>
<td>2010</td>
<td>$ 19,129</td>
<td>($ 2,754)</td>
<td>($ 1,162)</td>
<td>($ 15,099)</td>
<td>($ 1,278)</td>
</tr>
</tbody>
</table>

**Per Share Data:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net income (loss) per share (Yen)</th>
<th>Dividend per share (Yen)</th>
<th>Net assets per share (Billions of yen)</th>
<th>Cash flows:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$ 125,19</td>
<td>$ 20,00</td>
<td>$ 716.91</td>
<td>$ 39,464</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$ 131,18</td>
<td>$ 40,00</td>
<td>$ 31,522</td>
<td>$ 9,707</td>
<td></td>
</tr>
</tbody>
</table>

**Financial Index:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial margin (%)</th>
<th>ROE (%)</th>
<th>ROTA (%)</th>
<th>Networth ratio (%)</th>
<th>Interest coverage ratio (times)</th>
<th>Debt-equity ratio (%)</th>
<th>Price earnings ratio (times)</th>
<th>Number of outstanding shares (thousands share)</th>
<th>Foreign investors (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>94.4</td>
<td>19.3</td>
<td>6.8</td>
<td>40.1</td>
<td>82.6</td>
<td>149.4</td>
<td>9.7</td>
<td>58,435</td>
<td>$ 42,545</td>
<td></td>
</tr>
</tbody>
</table>

**Stock Information:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Price earnings ratio (times)</th>
<th>Number of outstanding shares (thousands share)</th>
<th>Foreign investors (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9.7</td>
<td>58,435</td>
<td>$ 42,545</td>
<td></td>
</tr>
</tbody>
</table>

**Digital Contents Business:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumer business net sales (Billions of yen)</th>
<th>Online business net sales (Billions of yen)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$ 42.7</td>
<td>1.5</td>
<td></td>
</tr>
</tbody>
</table>

**Consumer Game Sales (Package Software and Full-game Digital Content):**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of units (Thousands)</th>
<th>Sales of major titles</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>13,400</td>
<td>1,810</td>
<td></td>
</tr>
</tbody>
</table>

**Capcom's Value Creation Activities:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Message from Management</th>
<th>Growth Strategy</th>
<th>Business Activity Achievements</th>
<th>ESG Information</th>
<th>Financial and Corporate Data</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>13,400</td>
<td>1,810</td>
<td>3,253</td>
<td>2,353</td>
<td>25,000</td>
<td></td>
</tr>
</tbody>
</table>

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CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES, YEARS ENDED MARCH 31

CAPCOM INTEGRATED REPORT 2016
1. Operating Results

Capcom announced that in the fiscal year ended March 31, 2016 net sales increased to 77,021 million yen (up 19.8% from the previous year), operating income increased to 12,029 million yen (up 13.7% from the previous year), and ordinary income increased to 11,348 million yen (up 17.1% from the previous year). Net income attributable to owners of the parent for the year increased to 7,745 million yen (up 17.1% from the previous year).

2. Sales and Profits

(1) Net sales

In this fiscal year, net sales were 77,021 million yen (up 19.8% from the previous fiscal year). This increase was driven by our core business, Digital Contents, in which Monster Hunter X (Cross) performed favorably, selling 3.3 million units to exceed initial projections of 2.5 million units. Digital download sales of Resident Evil Revelations 2 and other previously developed catalog titles also strongly contributed to results. In addition, the launch of Dragon’s Dogma Online, a new service in the PC Online business was solidly on track. Furthermore, in the Amusement Equipments business, Capcom pachislo frame Resident Evil 6 sold 37,000 units, surpassing unit sales in the previous fiscal year. The increase in net sales was driven primarily by the Digital Contents and Amusement Equipments businesses.

(2) Operating income

Cost of sales increased to 47,175 million yen (up 22.9% from the previous fiscal year), and the cost of sales ratio was 61.2%, up 1.5 percentage points from the previous fiscal year. This was mainly due to the increase in research and development expenses and the cost of sales ratio on a consolidated basis fell adequately within Capcom’s assumed 25% range. As a result, operating income was 12,029 million yen (up 13.7% from the previous fiscal year). Despite this increase, lower profitability in the Amusement Equipments business dampened overall earnings, resulting in an operating margin of 15.6% (down 0.9 percentage points from the previous fiscal year).

3. Status of Each Operational Department

(1) Digital Contents business

In the Digital Contents business, the latest title in the flagship series, Monster Hunter X (Cross) (for the Nintendo 3DS system), was a major hit, with sales of more than 3 million units, surpassing the initially-planned 2.5 million units, which contributed significantly to both sales and profits. Additionally, Resident Evil 0 (HD Remastered) (for PlayStation 4, PlayStation 3 and PC), an online open-world action game where players can freely experience a host of adventures, performed favorably. At the same time, mobile contents sales improved as downloads of Monster Hunter Explore (for Android and iOS) surpassed 3 million, indicating signs of a breakthrough in the current situation of the mobile contents segment. The resulting net sales were 52,577 million yen (up 15.9% from the previous fiscal year), and operating income was 12,167 million yen (up 19.2% from the previous fiscal year).

(2) Arcade Operations business

In the Arcade Operations business, with the slow pace of market recovery, the Company strived to expand its customer base by means of community-based store strategies. For example, measures were taken to attract customers including women and families by holding various events and conducting service days for the middle-aged and seniors by offering “free game experience tours” and setting up additional “Asobi Oukoku” sites and “Kids’ Corner” sections targeting younger children. Nonetheless, the segment results were soft, partly because of the lack of a high-performance product as well as sluggish demand due to the dispersion of entertainment, resulting from the overlapping of arcade game players with smartphone users. During the period under review, the Company developed its arcade operations through its scrap and build strategy, and opened four arcades including the Amuse Factory Tokoname (Aichi Prefecture) and the innovative Capcom Café (Saitama Prefecture), while closing three arcades, bringing the total number of arcades to 34. The resulting net sales were 9,056 million yen (down 2.0% from the previous fiscal year), and operating income was 699 million yen (down 25.6% from the previous fiscal year).

(3) Amusement Equipments business

In the Pachinko & Pachislo sub-segment, Resident Evil 6 demonstrated its strengths as a major brand by strongly increasing unit sales, backing the improvement in sales. However, sales of Asura’s Wrath remained weak. Meanwhile, in the Arcade Games Sales sub-segment, sales of Luigi Mansion Arcade were weak reflecting the sluggish market, while crosstease REV for arcades also struggled. The resulting net sales were 13,843 million yen (up 77.0% from the previous fiscal year), and operating income was 2,812 million yen (up 2.8% from the previous fiscal year).

Selling, general and administrative expenses were 17,816 million yen (up 15.7% from the previous fiscal year) and SG&A as a percentage of sales was 23.1%, down 0.9 percentage points compared to the previous fiscal year. As increased sales caused the fixed overhead rate to decline, the SG&A expenses ratio on a consolidated basis fell adequately within Capcom’s assumed 25% range. As a result, operating income was 12,029 million yen (up 13.7% from the previous fiscal year). Despite this increase, lower profitability in the Amusement Equipments business dampened overall earnings, resulting in an operating margin of 15.6% (down 0.9 percentage points from the previous fiscal year).

Operating Income (millions of yen)

2015 2016
Selling, general and administrative expenses UP 2,447
Increase in other selling, general and administrative expenses 575
Increase in research and development expenses 250
Increase in provision for accrued bonuses 179
Increase in sales and bonuses 462
Increase in net gross profit 3,861
Operating Income 10,582
12,029
Operating Income ratio to net sales
1.4
(4) Other Businesses
The net sales from Other Businesses, mainly consisting of the publication of game guidebooks and sale of character merchandise, were 2,043 million yen (down 4.7% from the previous fiscal year), and operating income was 113 million yen (down 22.7% from the previous fiscal year).

4. Analysis of Assets, Liabilities and Net Assets

(1) Assets
Total assets as of the end of the fiscal year ended March 31, 2016 increased by 12,284 million yen from the end of the previous fiscal year to 113,057 million yen.

(2) Liabilities
Total liabilities as of the end of the fiscal year ended March 31, 2016 increased by 8,446 million yen from the end of the previous fiscal year to 27,888 million yen.

Primary increases were 5,646 million yen in accrued income taxes and 3,571 million yen in long-term borrowings. Primary decrease was 1,955 million yen in short-term borrowings.

(3) Net assets
Net assets as of the end of the fiscal year ended March 31, 2016 increased by 3,837 million yen from the previous fiscal year to 75,168 million yen.
The Primary increase was 7,745 million yen in net income attributable to owners of the parent. The Primary decreases were 1,494 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries and 2,249 million yen in cash dividends.

5. Analysis of Cash Flow
Cash and cash equivalents as of the end of the fiscal year ended March 31, 2016 increased by 431 million yen from the end of the previous fiscal year to 28,429 million yen. Cash flow positions of each activity and their factors are described below.

(1) Cash flows from operating activities
Net cash gained from operating activities was 4,347 million yen (4,286 million yen in the previous fiscal year).
The primary items increasing cash flows were 11,150 million yen in net income before income taxes (10,701 million yen in the previous fiscal year) and 5,712 million yen increase in depreciation and amortization (5,535 million yen in the previous fiscal year). The primary items decreasing cash flows were 8,778 million yen in operating expenses (8,446 million yen in the previous fiscal year) and 2,088 million yen increase in accounts receivable, trade (decrease of 10,382 million yen in the previous fiscal year).

Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income before income taxes</td>
<td>11,150</td>
</tr>
<tr>
<td>Increase in accounts receivable, trade</td>
<td>2,208</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>7,718</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(2,545)</td>
</tr>
<tr>
<td>Others total</td>
<td>4,347</td>
</tr>
<tr>
<td>From the previous fiscal year</td>
<td>UP 12,284</td>
</tr>
</tbody>
</table>

(2) Cash flows from investing activities
Net cash used in investing activities was 1,639 million yen (5,465 million yen in the previous fiscal year). The primary item increasing cash flows was 5,813 million yen in payment for acquisition of tangible fixed assets (5,465 million yen in the previous fiscal year). The Primary item decreasing cash flows was 4,205 million yen in withdrawal of time deposit (no withdrawal in the previous fiscal year).

Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments into time deposits</td>
<td>(4,205)</td>
</tr>
<tr>
<td>Proceeds from sales of tangible fixed assets</td>
<td>(2,599)</td>
</tr>
<tr>
<td>Others</td>
<td>(1,639)</td>
</tr>
<tr>
<td>From the previous fiscal year</td>
<td>UP 12,284</td>
</tr>
</tbody>
</table>

(3) Cash flows from financing activities
Net cash used in financing activities was 1,115 million yen (1,278 million yen gained in the previous fiscal year).
The Primary increases used were as follows: 2,228 million yen in dividends paid by parent company (2,251 million yen in the previous fiscal year), 883 million yen in repayment for long-term borrowings (3,169 million yen in the previous fiscal year) and 495 million yen in repayment for lease obligations (406 million yen in the previous fiscal year).

Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayments of long-term borrowings</td>
<td>(883)</td>
</tr>
<tr>
<td>Dividends paid by parent company</td>
<td>(504)</td>
</tr>
<tr>
<td>Others</td>
<td>(1,115)</td>
</tr>
<tr>
<td>From the previous fiscal year</td>
<td>UP 12,284</td>
</tr>
</tbody>
</table>

Trends of Cash Flow Indicators

<table>
<thead>
<tr>
<th>Year ended March 2014</th>
<th>Year ended March 2015</th>
<th>Year ended March 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity ratio to total assets (%)</td>
<td>66.1</td>
<td>70.8</td>
</tr>
<tr>
<td>Shareholders’ equity ratio to total assets based on fair market value (%)</td>
<td>114.0</td>
<td>133.3</td>
</tr>
<tr>
<td>Debt amortization ratio to cash flows (%)</td>
<td>53.4</td>
<td>256.5</td>
</tr>
<tr>
<td>Interest coverage ratio (%)</td>
<td>136.8</td>
<td>50.2</td>
</tr>
</tbody>
</table>

Shareholders’ equity ratio to total assets: Shareholders’ equity / Total assets
Shareholders’ equity ratio to total assets based on fair market value: Total of the capital stock at market price / Total assets
Debt amortization ratio to cash flows: Interest-bearing debt / Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / Interest payments

Note 1: Percentage figures are calculated on a consolidated basis.
Note 2: Total market value of shares is calculated based on the number of shares as of the end of the fiscal year excluding treasury stock.
Note 3: Cash flows used are for cash flows from operating activities.
Note 4: Total market value of shares is calculated based on the number of shares as of the end of the fiscal year excluding treasury stock.
Note 5: The interest-bearing debt refers to the debts posted in the consolidated balance sheet for what we are paying interest.
Note 6: As the cash flows from operating activities fell into the red in the fiscal year ended March 2013, we have omitted the debt amortization ratio to cash flows from operating activities and interest coverage ratio.
## Consolidated Financial Statement

### Consolidated balance sheets

<table>
<thead>
<tr>
<th>(Assets)</th>
<th>Previous fiscal year (As of March 31, 2015)</th>
<th>Current fiscal year (As of March 31, 2016)</th>
<th>Current fiscal year (As of March 31, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>¥32,024</td>
<td>¥28,429</td>
<td>$253,836</td>
</tr>
<tr>
<td>Notes and accounts receivable, trade</td>
<td>¥8,005</td>
<td>¥9,879</td>
<td>¥88,213</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>¥1,225</td>
<td>¥1,704</td>
<td>¥15,221</td>
</tr>
<tr>
<td>Work in progress</td>
<td>¥1,672</td>
<td>¥2,085</td>
<td>¥14,621</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>¥1,020</td>
<td>¥1,954</td>
<td>¥17,452</td>
</tr>
<tr>
<td>Work in progress for game software</td>
<td>¥16,833</td>
<td>¥24,825</td>
<td>¥221,653</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>¥2,042</td>
<td>¥3,382</td>
<td>¥30,200</td>
</tr>
<tr>
<td>Other</td>
<td>¥2,712</td>
<td>¥3,673</td>
<td>¥31,797</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(¥56)</td>
<td>(¥18)</td>
<td>(¥143)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>¥65,659</td>
<td>¥75,917</td>
<td>¥677,833</td>
</tr>
<tr>
<td><strong>Fixed assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets, net of accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>¥6,136</td>
<td>¥11,297</td>
<td>¥100,849</td>
</tr>
<tr>
<td>Machinery and vehicles, net</td>
<td>¥22</td>
<td>¥23</td>
<td>¥161</td>
</tr>
<tr>
<td>Tools, fixtures and furniture, net</td>
<td>¥1,578</td>
<td>¥1,675</td>
<td>¥16,744</td>
</tr>
<tr>
<td>Equipment for amusement facilities, net</td>
<td>¥1,101</td>
<td>¥1,342</td>
<td>¥11,989</td>
</tr>
<tr>
<td>Land</td>
<td>¥4,953</td>
<td>¥5,234</td>
<td>¥46,738</td>
</tr>
<tr>
<td>Leased assets, net</td>
<td>¥995</td>
<td>¥1,042</td>
<td>¥9,303</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>¥2,541</td>
<td>¥8</td>
<td>¥80</td>
</tr>
<tr>
<td><strong>Total tangible fixed assets</strong></td>
<td>¥17,328</td>
<td>¥20,825</td>
<td>¥185,937</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online contents in progress</td>
<td>¥7,895</td>
<td>¥2,395</td>
<td>¥21,388</td>
</tr>
<tr>
<td>Other</td>
<td>¥2,772</td>
<td>¥5,740</td>
<td>¥51,253</td>
</tr>
<tr>
<td><strong>Total intangible assets</strong></td>
<td>¥10,668</td>
<td>¥8,135</td>
<td>¥72,641</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in securities</td>
<td>¥621</td>
<td>¥454</td>
<td>¥4,062</td>
</tr>
<tr>
<td>Claims in bankruptcy and reorganization</td>
<td>¥66</td>
<td>¥65</td>
<td>¥564</td>
</tr>
<tr>
<td>Lease deposits</td>
<td>¥4,036</td>
<td>¥3,867</td>
<td>¥34,535</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>¥1,595</td>
<td>¥2,952</td>
<td>¥26,359</td>
</tr>
<tr>
<td>Other</td>
<td>¥876</td>
<td>¥916</td>
<td>¥9,184</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(¥78)</td>
<td>(¥78)</td>
<td>(¥696)</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>¥7,117</td>
<td>¥8,179</td>
<td>¥73,028</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>¥35,113</td>
<td>¥37,140</td>
<td>¥331,608</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥100,773</td>
<td>¥115,057</td>
<td>¥1,009,441</td>
</tr>
</tbody>
</table>

### (Liabilities)

<table>
<thead>
<tr>
<th>Current liabilities:</th>
<th>Previous fiscal year (As of March 31, 2015)</th>
<th>Current fiscal year (As of March 31, 2016)</th>
<th>Current fiscal year (As of March 31, 2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable, trade</td>
<td>¥3,089</td>
<td>¥4,053</td>
<td>$36,189</td>
</tr>
<tr>
<td>Electronically recorded monetary obligations</td>
<td>¥988</td>
<td>¥888</td>
<td>¥7,932</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥3,452</td>
<td>¥1,497</td>
<td>¥13,367</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>¥483</td>
<td>¥525</td>
<td>¥4,695</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>¥823</td>
<td>¥6,470</td>
<td>¥57,770</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>¥147</td>
<td>¥40</td>
<td>¥364</td>
</tr>
<tr>
<td>Accrued bonuses</td>
<td>¥1,832</td>
<td>¥2,080</td>
<td>¥18,575</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>¥6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>¥6,421</td>
<td>¥6,799</td>
<td>¥60,712</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>¥17,246</td>
<td>¥22,355</td>
<td>¥199,604</td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>¥7,540</td>
<td>¥11,111</td>
<td>¥99,209</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>¥589</td>
<td>¥601</td>
<td>¥5,366</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>¥48</td>
<td>¥18</td>
<td>¥168</td>
</tr>
<tr>
<td>Liabilities for retirement benefits for employees</td>
<td>¥2,101</td>
<td>¥2,323</td>
<td>¥20,741</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>¥489</td>
<td>¥502</td>
<td>¥4,487</td>
</tr>
<tr>
<td>Other</td>
<td>¥1,427</td>
<td>¥975</td>
<td>¥8,713</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>¥12,195</td>
<td>¥15,532</td>
<td>¥138,686</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>¥29,442</td>
<td>¥37,888</td>
<td>¥338,291</td>
</tr>
</tbody>
</table>

### (Net assets)

<table>
<thead>
<tr>
<th>Shareholders’ equity:</th>
<th>Previous fiscal year</th>
<th>Current fiscal year</th>
<th>Current fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>¥33,239</td>
<td>¥35,239</td>
<td>¥296,779</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>¥21,328</td>
<td>¥21,328</td>
<td>¥190,436</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>¥33,801</td>
<td>¥39,297</td>
<td>¥350,870</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(¥18,140)</td>
<td>(¥18,140)</td>
<td>(¥162,016)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>¥70,228</td>
<td>¥75,719</td>
<td>¥678,069</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain or loss on securities, net of tax</td>
<td>¥170</td>
<td>¥2</td>
<td>¥20</td>
</tr>
<tr>
<td>Cumulative translation adjustments</td>
<td>¥1,215</td>
<td>(¥278)</td>
<td>(¥2,485)</td>
</tr>
<tr>
<td>Accumulated adjustments for retirement benefits</td>
<td>(¥283)</td>
<td>(¥274)</td>
<td>(¥2,453)</td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive income</strong></td>
<td>¥1,102</td>
<td>(¥550)</td>
<td>(¥4,918)</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>¥71,331</td>
<td>¥75,168</td>
<td>¥671,150</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>¥100,773</td>
<td>¥115,057</td>
<td>¥1,009,441</td>
</tr>
</tbody>
</table>

*Please refer to Notes to Consolidated Financial Statements of our website at: [http://www.capcom.co.jp/english/invest/annual.html](http://www.capcom.co.jp/english/invest/annual.html)
## Consolidated Financial Statement

### Consolidated statements of comprehensive income

**CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31**

<table>
<thead>
<tr>
<th>Previous fiscal year (From April 1, 2015) to March 31, 2016</th>
<th>Current fiscal year (From April 1, 2015) to March 31, 2016</th>
<th>Current fiscal year (From April 1, 2015) to March 31, 2016</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>84,277</td>
<td>77,021</td>
<td>67,695</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>58,379</td>
<td>47,175</td>
<td>42,209</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>25,898</td>
<td>29,846</td>
<td>25,486</td>
<td></td>
</tr>
<tr>
<td><strong>Reversal of allowance for sales returns</strong></td>
<td>87</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Net gross profit</strong></td>
<td>25,898</td>
<td>29,846</td>
<td>25,486</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>15,405</td>
<td>17,816</td>
<td>15,078</td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes—deferred</strong></td>
<td>10,582</td>
<td>12,029</td>
<td>10,487</td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes—current</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income before income taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>98</td>
<td>95</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td><strong>Dividend income</strong></td>
<td>13</td>
<td>13</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td><strong>Settlement received</strong></td>
<td>92</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Exchange gains, net</strong></td>
<td>292</td>
<td>195</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>664</td>
<td>304</td>
<td>278</td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>10,851</td>
<td>11,348</td>
<td>10,323</td>
<td></td>
</tr>
<tr>
<td><strong>Special losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loss on sales and/or disposal of fixed assets</strong></td>
<td>100</td>
<td>92</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td><strong>Impairment loss</strong></td>
<td>49</td>
<td>105</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>197</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td><strong>Net income before income taxes</strong></td>
<td>10,701</td>
<td>11,150</td>
<td>9,959</td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes—current</strong></td>
<td>1,146</td>
<td>6,377</td>
<td>5,944</td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes—deferred</strong></td>
<td>2,937</td>
<td>(2,972)</td>
<td>(2,641)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,084</td>
<td>3,405</td>
<td>3,043</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>6,616</td>
<td>7,745</td>
<td>6,916</td>
<td></td>
</tr>
<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>$ 6,616</td>
<td>$ 7,745</td>
<td>$ 6,916</td>
<td></td>
</tr>
</tbody>
</table>

### Consolidated statements of changes in net assets

**CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31**

<table>
<thead>
<tr>
<th>Previous fiscal year (From April 1, 2015) to March 31, 2016</th>
<th>Current fiscal year (From April 1, 2015) to March 31, 2016</th>
<th>Current fiscal year (From April 1, 2015) to March 31, 2016</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of April 1, 2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative effect due to changes in accounting policies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of April 1, 2015</strong></td>
<td>33,299</td>
<td>21,328</td>
<td>35,801</td>
<td></td>
</tr>
<tr>
<td><strong>Changes of items during the fiscal year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative effect due to changes in accounting policies</strong></td>
<td>99</td>
<td>(1,447)</td>
<td>(1,717)</td>
<td></td>
</tr>
<tr>
<td><strong>Change of items other than shareholders’ equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income before income taxes</strong></td>
<td>71</td>
<td>2,863</td>
<td>2,863</td>
<td></td>
</tr>
<tr>
<td><strong>Total changes of items during the fiscal year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of March 31, 2016</strong></td>
<td>34,268</td>
<td>34,191</td>
<td>38,664</td>
<td></td>
</tr>
</tbody>
</table>

### Financial and Corporate Data

Please refer to Notes to Consolidated Financial Statements of our website at:
http://www.capcom.co.jp/eng/research/capcom.html
## Consolidated Financial Statement / Independent Auditor’s Report

### Consolidated statements of cash flows

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

<table>
<thead>
<tr>
<th>From April 1, 2015</th>
<th>To March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous fiscal year (¥)</td>
<td>Current fiscal year (¥)</td>
</tr>
<tr>
<td>Millions of yen</td>
<td>Millions of yen</td>
</tr>
</tbody>
</table>

**Cash flows from operating activities:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Previous fiscal year</th>
<th>Current fiscal year</th>
<th>Current fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income before income taxes</td>
<td>¥ 10,701</td>
<td>¥ 11,150</td>
<td>¥ 99,559</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,535</td>
<td>5,712</td>
<td>51,003</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>49</td>
<td>105</td>
<td>938</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>63</td>
<td>(1)</td>
<td>(345)</td>
</tr>
<tr>
<td>Decrease in allowance for doubtful accounts</td>
<td>(1)</td>
<td>(58)</td>
<td>(2,238)</td>
</tr>
<tr>
<td>(Decrease) increase in accrued bonuses</td>
<td>(3)</td>
<td>263</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in allowance for sales returns</td>
<td>(87)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase in liabilities for retirement benefits for employees</td>
<td>207</td>
<td>264</td>
<td>2,362</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(111)</td>
<td>(109)</td>
<td>(976)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>85</td>
<td>119</td>
<td>1,066</td>
</tr>
<tr>
<td>Exchange (gains) losses, net</td>
<td>(188)</td>
<td>60</td>
<td>537</td>
</tr>
<tr>
<td>Loss on sales and/or disposal of fixed assets</td>
<td>100</td>
<td>92</td>
<td>826</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable, trade</td>
<td>(10,582)</td>
<td>2,208</td>
<td>(19,714)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(764)</td>
<td>(1,651)</td>
<td>(14,749)</td>
</tr>
<tr>
<td>(Increase) decrease in work in progress for game software</td>
<td>(6,443)</td>
<td>(8,778)</td>
<td>(78,377)</td>
</tr>
<tr>
<td>Increase in online contents in progress</td>
<td>(5,347)</td>
<td>1,479</td>
<td>15,207</td>
</tr>
<tr>
<td>(Decrease) increase in notes and accounts payable, trade</td>
<td>(7,856)</td>
<td>915</td>
<td>8,357</td>
</tr>
<tr>
<td>(Increase) decrease in other current assets</td>
<td>(239)</td>
<td>(1,260)</td>
<td>(11,253)</td>
</tr>
<tr>
<td>Decrease in other current liabilities</td>
<td>(497)</td>
<td>1,718</td>
<td>15,340</td>
</tr>
<tr>
<td>Other</td>
<td>(353)</td>
<td>(2,345)</td>
<td>(22,723)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>5,187</td>
<td>5,509</td>
<td>47,405</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>118</td>
<td>130</td>
<td>1,167</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(85)</td>
<td>(120)</td>
<td>(1,076)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(934)</td>
<td>(972)</td>
<td>(8,683)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>4,266</td>
<td>4,547</td>
<td>38,812</td>
</tr>
</tbody>
</table>

**Cash flows from investing activities:**

<table>
<thead>
<tr>
<th>Proceeds from:</th>
<th>Previous fiscal year</th>
<th>Current fiscal year</th>
<th>Current fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from time deposits</td>
<td>-</td>
<td>-</td>
<td>4,205</td>
</tr>
<tr>
<td>Payment for acquisition of tangible fixed assets</td>
<td>(5,465)</td>
<td>(5,813)</td>
<td>(51,907)</td>
</tr>
<tr>
<td>Proceeds from sales of tangible fixed assets</td>
<td>206</td>
<td>4</td>
<td>42</td>
</tr>
<tr>
<td>Payment for acquisition of intangible assets</td>
<td>(195)</td>
<td>(290)</td>
<td>(2,598)</td>
</tr>
<tr>
<td>Payment for purchase of investments in securities</td>
<td>(12)</td>
<td>(13)</td>
<td>(116)</td>
</tr>
<tr>
<td>Payment for other investing activities</td>
<td>(141)</td>
<td>(113)</td>
<td>(1,009)</td>
</tr>
<tr>
<td>Proceeds from other investing activities</td>
<td>111</td>
<td>380</td>
<td>3,547</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(5,496)</td>
<td>(1,459)</td>
<td>(14,641)</td>
</tr>
</tbody>
</table>

**Cash flows from financing activities:**

| Net (decrease) increase in short-term borrowings | (1,050) | - | - |
| Proceeds from long-term borrowings | 8,162 | 2,500 | 22,321 |
| Repayments of long-term borrowings | (3,169) | (885) | (7,892) |
| Repayments of lease obligations | (406) | (496) | (4,437) |
| Payment for repurchase of treasury stock | (3) | (5) | (46) |
| Proceeds from sale of treasury stock | 0 | - | - |
| Dividends paid by parent company | (2,251) | (2,228) | (19,901) |
| Net cash provided by (used in) financing activities | 1,278 | (1,115) | (9,956) |

**Net cash provided by (used in) operating activities**

**Net cash provided by (used in) operating activities**

**Net cash provided by (used in) financing activities**

**Net cash provided by (used in) operating activities**

**Net cash provided by (used in) financing activities**

**Effect of exchange rate changes on cash and cash equivalents**

**Net increase (decrease) in cash and cash equivalents**

**Cash and cash equivalents at beginning of year**

<table>
<thead>
<tr>
<th>Previous fiscal year</th>
<th>Current fiscal year</th>
<th>Current fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 27,998</td>
<td>¥ 28,429</td>
<td>¥ 253,836</td>
</tr>
</tbody>
</table>

---

**KPMG Independent Auditor’s Report**

To the Board of Directors of CAPCOM Co., Ltd.

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management’s Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Convenience Translation**

The U.S. dollars amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollars amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

**KPMG AZSA LLC**

July 27, 2016

Osaka, Japan
Stock Data / Corporate Data
(As of March 31, 2016)

Stock Data

- Number of Shares Authorized: 150,000,000 shares
- Number of Shares Issued: 67,723,244 shares
- Number of Shareholders: 11,564

Major Shareholders (Top 10)

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Number of Shares Held (in thousands)</th>
<th>Percentage of Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPMorgan Chase Bank</td>
<td>385174</td>
<td>3.91%</td>
</tr>
<tr>
<td>Goldman, Sachs &amp; Co.</td>
<td>2.94%</td>
<td></td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>2.84%</td>
<td></td>
</tr>
<tr>
<td>Kenzo Tsujimoto</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>Ryozo Tsujimoto</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>Crossroad Limited</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>GOLDMAN SACHS &amp; CO. REG</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>Pictet and Cie (Europe) S.A</td>
<td>1.89%</td>
<td></td>
</tr>
<tr>
<td>JPMorgan Chase Bank</td>
<td>1.89%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Capcom owns 11,495 thousand shares as treasury stocks.

Corporate Profile

- Name of Company: CAPCOM CO., LTD.
- Date of Establishment: May 30, 1979
- Date of Initiation: June 11, 1983
- Business Segments: Planning, development, manufacture, sale and distribution of home video games, online games, mobile games and arcade games, as well as management of amusement arcades.
- Paid-in Capital: ¥33,239 million
- End of Term: March 31
- Number of Employees: 2,839 (including consolidated subsidiaries: 2,114 (Capcom Co., LTD.))

Capcom's Subsidiaries (As of June 30, 2016)


Message from the Head of Consumer Games Development

Second to None: Continuously Rising to the Challenge Without Fear of Change, We Aspire to Be the World’s No. 1 Game Developer

Yoichi Egawa
Director and Executive Corporate Officer

Developers Discuss Capcom Development

- RESIDENT EVIL 7 Biohazard
- A Game Developed by Women, for Women

Kento Kinosita
Senior Manager

Utilizing Popular Characters for Regional Growth

R&D Building #2

Capcom's Value Creation Activities
Message from Management
Growth Strategy
Business Activity Achievements
ESG Information
Financial and Corporate Data
CAPCOM CO., LTD.

History

1983 Released the arcade video game Street Fighter II and it triggered the Street Fighter II boom.

1987 Released Street Fighter II for Super NES and it was a mega-hit.

1988 Opened CapcoCircus Nigata East, the largest arcade in Nigata.


1995 Released Resident Evil for PlayStation, a long selling title which had record breaking sales, and established the genre of survival horror.

1999 Released Devil May Cry for PlayStation 2, and it was a mega-hit.

2001 Released Phoenix Wright: Ace Attorney for Game Boy Advance, and it drew public attention as a courtroom battle title.

2004 Premiere of the Hollywood movie Resident Evil which recorded sales of 102 million dollars worldwide.


2007 Released Sengoku BASARA for PlayStation 2, which enjoyed popularity especially among young gamers for its innovative worldview.

2008 Released Dead Rising for Xbox 360. More than 1 million units were sold, an extraordinary feat for a new title for a new game console.

2010 Released software Lost Planet for Xbox 360. Over 1 million units were sold, and it was selected as one of the 7 best games of 2010 by Game Informer.

2013 Released Monster Hunter Freedom 2, which became the first Japanese PSP software to exceed 1 million units shipped.


2016 Officially launched Monster Hunter Online in China in cooperation with Tencent Holdings Ltd.
Taking an Offensive Position Toward Changing Market Trends

The Chairman issued a manifesto, which reemphasized that we will not compromise on the quality and the development of the world’s number one game. He demands we reflect on whether we are maintaining a balance between our development skills and craftsmanship. As I am in charge of Consumer Games Development, my mission is to see these directives carried out anew.

Although I have just been appointed, there is no time to waste. First, I think there is a need to understand what issues we’re facing on the frontlines of development, so I am seeking communications with R&D staff across all ages and functions.

At present, Capcom is focusing efforts on reestablishing the brands and their management (which included development staff) as well), two issues came into view: strengthening management (which included development staff) and responding to changing market trends. To address these issues, our immediate objective is to create an environment in which the entire company can engage in the development of interesting games. I am able to understand both the spirit of R&D and the mindset of business precisely through my experience in consumer games, including as a programmer for Shinji Mikami’s Resident Evil series. As I understand both the development side, but the when and how of production is the role of the business side, I will link these two in an attempt to maximize value.

Weeding Out Issues to Build Fertile Ground for Game Creation

During discussions between marketing and senior management, which included development staff as well, two issues came into view: strengthening our development structure and brand management. First, regarding the former, at present domestic development is conducted under three divisions. Division 1 creates global contents including Resident Evil. Division 2 works with online games such as Street Fighter and Resident Evil for Japan, including Monster Hunter and Sangokou Musou. Although the division is strict, because each is so focused on getting the best results within their area, it is difficult to say there is overall coordination. For this reason, I think we must mobilize technologies and expertise in an attempt to optimize R&D output. Also, to further expand our organization, we must develop core human resources able to drive and lead younger employees.

As for the latter, brand management, we will plan our sales strategy and marketing, and to continue developing new games, maintaining a sense of speed will be indispensable. We will move forward with an operation-focused, transactional model to an operation-focused and respond to changing market trends.

In addition, as we aim to become the world’s number one game developer, we will face a host of new challenges. We cannot ignore genres such as shooting and strategy games with massive numbers of players when considering Consumer Online. In addition to the growth of eSports, we will utilize our strength and keep a close watch on the new wave of mobile games, which bring the thrill of baseball or soccer matches to competitive video games, are increasing in popularity. To catch this wave, Capcom will release RESIDENT EVIL 7: Biohazard in January 2017 (see page 3). This will be the first worldwide launch of horror and in-the[first word]credibility VR technology will showcase Capcom’s production capabilities to the world.

After These Challenges, More Challenges Await!

A new wave is fast approaching the global game market. This year, all eyes are focused on virtual reality (VR). Hardware manufacturers are releasing a variety of gear, which have been a hot topic of discussion. Additionally, eSports electronic sports, which bring the thrill of baseball or soccer matches to competitive video games, are increasing in popularity. To catch this wave, Capcom will release RESIDENT EVIL 7: Biohazard in January 2017 (see page 3). This will be the first worldwide launch of horror and incredible VR technology will showcase Capcom’s production capabilities to the world. In the U.S.A., in addition to the global Capcom Pro Tour sponsored by subsidiary Capcom U.S.A., Inc., we will collaborate with other companies to create eSports event opportunities throughout the year with the athletes of acquiring new users.

In terms of eSports, in addition to the global Capcom Pro Tour, we will be able to host tournaments throughout the year with the athletes of acquiring new users.

Yoichi Egawa
Member of the Board Corporate Officer
After joining Capcom, Egawa worked in the development of arcade games for amusement facilities. As a programmer for Shinji Mikami’s Resident Evil, he established the Resident Evil series in 1996. In 1999, Egawa was appointed Corporate Officer, and in 2002, he was appointed Managing Corporate Officer. After serving as General Manager of Creative Business in 2009, he was appointed Corporate Officer, and in 2011, he was appointed Member of the Board Corporate Officer and in 2017, he was appointed Senior Corporate Officer. At present, he is in charge of Consumer Games Development and Amusement Equipment Business.
RESIDENT EVIL 7 biohazard Delivers a Fresh Taste of Fear to the World

Developer Discussion

With the January 2017 release greeted by loud cheers from the audience. Seeing that reaction, I thought with the arrival of promising new trends in VR, we are once again engaged in developing a kind of terror only Capcom—something that once made us feel like we were leading the pack in a startling virtual reality world. Increasing the focus on fear, we will take you deeper into this terrifying world, ever since the first game was released in 1996. However, we’ve heard some fans say “the old Resident Evil was scarier.” Of course, the stronger the initial shock, the longer people will remember it. But was that why it felt scarier? Of course, Resident Evil is a wildly popular series in the United States and Europe. We localized, or “cultural-ized” the game’s content for suitability with other cultures in order to achieve player immersion across the globe.

The Ongoing Pursuit of the Global Pinnacle in Horror Entertainment

This year marks the 20th anniversary of Resident Evil, Capcom’s flagship title and a series that has sold a cumulative total of 69 million units. The Resident Evil line-up development of the new RESIDENT EVIL 7 biohazard.

Bringing New Technologies to Match the High-Spec, Next-Generation Game Consoles

Development was plagued by a series of difficulties. This was because, in addition to the high-resolution, high-performance PlayStation 4 and Xbox One, we also decided to make the game compatible with the new PlayStation VR. With VR, we couldn’t bring the game to me all at once, but instead had to create immersive isolated view (first person perspective). To create that level of quality, conventional production methods would take too long and cost too much.

Thus, we had to rethink the way we make games. In order to carry out asset-based graphics and 3D model developments, which is globally the mainstream, we began developing our new RE ENGINE (see page 5). To provide these assets, we adopted 3D scanning (see page 6), facilitating instant data creation by recording subjects in 360 degrees with one shot. Beyond that, we steadily increased the precision of our VR technologies (see page 7), which was a new challenge for us all. At first, the development team members were understandably anxious, as we were simultaneously taking on some non-conventional processes. However, as the completed product began to take shape, the team became energized.

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In the dimly lit interior of a dilapidated mansion strewn with broken furniture and tinged with humidity and heat…

An Overwhelmingly Terrifying Experience in this Horrific Return to Form

To produce these assets, we adopted 3D scanning (see page 5), which was a new challenge for us altogether. At first, the development team members were understandably anxious, as we were simultaneously taking on some non-conventional processes. However, as the completed product began to take shape, the team became energized.

Being satisfied with the status quo means game over. Despite the difficulties, I am enjoying the challenge. Increasing the focus on horror, we will take you deeper into the world’s ultimate survival horror game. I want everyone to experience the upcoming RESIDENT EVIL 7, a world that has been embraced in every country, adapted into Hollywood movies and amusement park attractions, and has become a franchise that even people who do not play games are familiar with. I have strong feelings for this series, having been personally involved since the first game. However, I am exceptionally enthusiastic about this new title. This is because this year, which some are calling “VR year one,” we will attempt to take the lead in this new market with RESIDENT EVIL 7. If we fail to deliver in terms of the game’s world, technology, we will unable to create the kind of innovative game players demand. In order to succeed with both of these and take on the challenges in this new market, a balance between the wild instinct of inspiration and rationality of data analysis is indispensable. Being satisfied with the status quo means game over.

Despite the difficulties, I am enjoying the challenge. Increasing the focus on horror, we will take you deeper into the world’s ultimate survival horror game. I want everyone to experience the upcoming RESIDENT EVIL 7.
An Engine Enabling the Artist to Fulfill Their Every Wish

RE ENGINE

Capcom’s newest game engine, developed for this title. It enables photorealistic graphics that rival live-action film, with details ranging from the textures of various objects to motes of dust floating in the air.

3D Scanning

In RESIDENT EVIL 7 biohazard, Capcom utilizes 3D scanning, employing its world-class, large-scale camera system to create more realistic characters.

Up to now, Capcom had built MT Framework, an innovative proprietary development engine used to make high-quality games. However, conventional engine spaces were insufficient for bringing the realistic world pursued by creators in RESIDENT EVIL 7 biohazard (hereinafter, RESIDENT EVIL 7) to life. Thus, this time we ended up simultaneously working on the development of both the game and the new RE ENGINE.

The main feature of the RE ENGINE is its ability to dramatically reduce the time required for various game development processes. For example, the time required to test program changes has been reduced 90%, and materials made separately by creators can be combined in real time, which enables them to be used to instantly create other materials.

This engine also supports the high-resolution graphics required for VR compatibility at a rate of 60 frames per second. We faced numerous difficulties in trying to make these features a reality, however the team pulled together as one to make it happen.

Creating an interesting game should not be hindered by development engine constraints. If an artist expresses a desire to do something, the engine must evolve to make it happen. For this reason, all of us on the engine development team work in constant close contact with the game development team to promote improvements. This kind of flexibility can only be achieved through in-house production and is connected to enhancing Capcom quality.

I hope everyone will stop to admire the overwhelming high-quality of RESIDENT EVIL 7, the first title created using the RE ENGINE. The theme of RESIDENT EVIL 7 is “fear that sticks with you.” Terror waits in the humid and stifling air—I want to create a realistic sense of that in 3DCG, so it clings to your body and memory.

To pursue realism, we created one of the world’s largest scale 3D scanning systems, an important tool contributing to the meticulously crafted reality of our games. Leveraging the merits of possessing such a system in-house, we paid particular attention on this title to technologies that faithfully reproduce human expressions. This degree of reproduction is unlike anything that has come before, achieving realism that is truly human. Using this system, we are able to generate data on expressions from a variety of angles with just one shot, dramatically increasing development speed.

However, we are not merely pursuing efficiency or photorealism. On top of overwhelming realism, we’ve added characters and other touches typical of Resident Evil, resulting in a game that appeals like only Capcom games can. To achieve this, the work flow was revised to complete casting, special-effects makeup and costume coordination in the steps prior to character design, to make sure the makeup and costume are in accordance with the character design. I want everyone to play this new title to experience realism in a game like never before.

Makoto Fukui
Technical Artist

3D Scanning

In RESIDENT EVIL 7, Capcom utilizes 3D scanning, employing its world-class, large-scale camera system to create more realistic characters.
Virtual Reality

Virtual reality (VR) is a technology that gives users the experience of actually being inside a virtual world. RESIDENT EVIL 7 biohazard is fully compatible with PlayStation VR, and is Capcom’s first VR title.

Localization

When people hear the word “localization,” many imagine it simply involves language translation. However, localization at Capcom means game content is tailored to the cultural expectations of each country where the game is sold.

I Want to Show Capcom Means Business With VR

Capcom’s first VR demo, KITCHEN, was shown at E3 in 2015. Seeing the terrified reactions of show-goers who experienced the demo dispelled the fear between horror and VR, and made me confident that utilizing VR in the Resident Evil series would result in success. The global release of VR headsets has led to the year being called “VR year one,” and this is truly a year when the game market is evolving. Thus, establishing RESIDENT EVIL 7—VR content only Capcom can create—at the center of this market has become one of our objectives. To this end, it is critical to provide content with a sense of realism never seen before interspersed with enjoyable game play expected from Capcom—which provides us creators with new challenges daily as we proceed with development.

Kazuhiro Takahara

Programmer

Joined Capcom in 2007. Involved in the development of Lost Planet 2. After that, mainly engaged in basic game engine development and VR technology development on this latest title.

Localization Means Translating Culture

The Resident Evil series has a multitude of fans throughout the world. As one of our major titles this fiscal year, RESIDENT EVIL 7 will be localized into 13 languages and sold in all major regions, including North America, Europe, Asia and Japan. This installment is sure to go down in series’ history, and localization began early in the planning and development stages. We had an American writer create the script based on concepts established by the Japanese design team, while creators and staff in Japan and overseas worked to move development forward. We on the localization team are responsible for bridging these efforts. This back and forth is not limited to language. We also translate non-text elements like cultural aspects and design intentions.

On this title, we paid particular attention to reality for all users, especially those in the U.S. and Europe. The story takes place in America, and players are sure to notice if any aspect of the game is incongruent with the culture and climate of the United States. If too many elements are out of place, the dark world and atmosphere of the Resident Evil series may be lost. Thus, the localization check is not limited to the game’s script and plot, but extends to voice actor performances and motion capture movements as well. At the same time, we are careful to avoid changing the unique ideas Capcom is known for. Working closely with designers in Japan, we succeeded in achieving a high degree of realism and maintained the unique flavor of Capcom.

All these efforts are aimed at providing players around the world with a realistic horror game everyone will experience the new world of Resident Evil.

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One of the appeals of VR is the ability to break through the “controller wall.” Until now, players had to use controllers to change the point of view during a game. In other words, players were only able to experience the game through the screen and controller. However, with VR, the point of view changes by actually turning one’s head, allowing players to also peer in and around. What if there are some hidden items down there? This enhances the experience with VR, even enabling us to incorporate ideas that until now were not possible. When the game is complete, I want everyone to put on a VR headset and try it out. I’m sure then you’ll understand that we mean business.

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Programmer

Joined Capcom in 2007. Involved in the development of Lost Planet 2. After that, mainly engaged in basic game engine development and VR technology development on this latest title.

Miguel E. Corti

Localization Group

Joined Capcom in 2007. Involved in the translation of Resident Evil HD Collection. Before that, mainly engaged in re-creating in Spanish localization quality images from the original localization text, but also through resistance and observation during motion capture filming and understanding of game script production.

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Wowing U.S. and European Fans with the Most Intense Zombie Action Game Ever!

Using Cutting-Edge Technologies to Bring a Flood of Ideas to Life

CV is equipped with a soundstage and animation motion capture system, providing an environment that supports creative game production. The development team constantly demos the game. This provides an important opportunity to check each other’s progress and exchange ideas on improvements for the game.

What is behind the government conspiracy to unleash hordes of zombies? Frank will have to get to the truth first…or die trying.

Frank is Back in Dead Rising 4

this new game will be set in the town of Willamette, Colorado, where the townspersons are being attacked and turned into zombies. In addition to the fighting and weapon usage typical of the zombie genre, the incorporation of humor and a high degree of freedom that enables players to experience the story or just explore as they see fit has made this a popular title in the U.S. and Europe.

The latest entry in the series, Dead Rising 4, is scheduled to be released in December 2016 on the Xbox One and Windows 10. As in the original title, which to take down the undead. I think the fans are really going to be pleased!

Whether a game is considered fun or not is closely related to the culture and customs of a country or region, so I think it was worthwhile to develop Dead Rising, which targets users in the U.S. and Europe, at Capcom Game Studio Vancouver (CV). This is because, by putting yourself within a country and culture you are better able to naturally understand and express what that culture feels is interesting or fun. However, development collaboration between Japan and Canada’s indisputable for making the title even better. At the development stage, the game visuals and programs are continuously shared globally in an attempt to refine them. We strengthen our support for promotional strategies aimed at target segments through teleconferences and business trips between Japan and Canada. No matter which country we are in, we are able to use the common language of gaming to move forward in the same direction.

The kind of game creation we aim for at CV is focused on taking on challenges rather than fearing risks. Titles that simply make the grade are meaningless. To enable staff to make the most of their abilities, we create spaces where opinions can be exchanged freely, hold classes on specific subjects and provide other opportunities for learning. In this way, we strive to make CV the most creative game studio in North America.

Joe Nickolls

Capcom Game Studio Vancouver, Inc.

Has engaged in development of soccer and other sports games for major game companies. Currently the Studio Director of Capcom Game Studio Vancouver and in charge of Dead Rising 4.

Developers Discuss Capcom Development 02

Frank is Back in Dead Rising 4

The Dead Rising series features action adventure games in which players must combat zombies using a variety of weapons while attempting to uncover the truth behind a mysterious outbreak. Capcom has released four zombie games like Dead Rising, a survival horror game focused on terror, Dead Rising is an exhilarating, open-world sandbox action game where players must survive by the truck load. In addition to the fighting and weapons typical of the zombie genre, the incorporation of humor and a high degree of freedom that enables players to explore the story or just explore and have fun has made this a popular title in the U.S. and Europe.

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Capcom Game Studio Vancouver’s Strengths and the Keys to Successful Global Collaboration

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The player reaches out by communicating with their love interest through the smartphone screen. This is a kind of game never seen before that women of all ages can enjoy.

The place is brought to a lonely island in a distant sea, where she meets a young man with amnesia being held captive in a room there. The player interacts with him by providing advice, and before she knows it, he becomes smitten with him. Despite this unusual love story, we successfully created a sense of togetherness by incorporating text messages and other messaging apps. Through conversations over text messaging apps, players tap their foreheads to tap the screen!

Virtual Love in the Palm of Your Hand

**A Game Developed by Women, for Women**

The game industry is generally described as a difficult place for women, but in my everyday work at Capcom I barely sense any differences between men and women. If one has skills in planning and technology, opportunities will present themselves regardless of gender. If anything, getting people working together in development may be easier when women are around, as we tend to have a strong sense of group orientation.

Be that as it may, women can never fully separate life events from work. Personally, when I returned to work after giving birth to my first son, I felt torn between childcare and my job. At that time, there were still very few women who had returned to work after giving birth. My husband (who also works in game development) encouraged me, telling me “in the future, there will be more developer-moms. You have to blaze a trail!” This gave me the push forward to take on both roles. At present, there are many women who returned to work after childbirth and are playing active roles now, taking advantage of support systems that provide leave for childcare and shortened working hours.

As our user bases becomes more diverse, it naturally follows that we developers also becoming diverse is a good thing. The important thing is the will to create interesting games. I think that, if you can play an active role in a wider range of fields, you will naturally develop a variety of skills. If you are interested in a certain area, you will naturally start learning about it. The game’s planning and scenario. Furthermore, embodying the spirit of true artisans, our creative members of the team were meticulous down to the finest detail—resulting in a quality that, without exaggeration, I can say is on par with a console game. We were determined from the very beginning to be produced at the proposal stage had heightened the quality of the game’s planning and scenarios. Furthermore, embodying the spirit of true artisans, our creative members of the team were meticulous down to the finest detail—resulting in a quality that, without exaggeration, I can say is on par with a console game. We were determined from the very beginning to try to take on both roles. At present, there are many women who returned to work after childbirth and are playing active roles now, taking advantage of support systems that provide leave for childcare and shortened working hours.

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Bringing the World of Dragon’s Dogma to Online Multi-Player

Creating a new game involves working with colleagues to forge a path where no path exists. Unimaginable difficulties await us along the way. Fortunately, my colleagues at Capcom are dependable and bustling with ideas and technological expertise. And thanks to the collective strengths of these co-workers, Dragon’s Dogma Online was launched in August 2015. It has gotten off to a successful start, with one million downloads in the first month.

This title is based on Dragon’s Dogma, which was released in 2012 for home video game consoles. In this sequel, we gathered in-house programmers and built a server from the ground up alongside their pawns in an expansive open-world fantasy adventure. This game both pleased popular and heightened anticipation for the next title in this series. Usually, development of a sequel would only have been for another console game, but the reason we developed an online version was because of extremely strong user demand to bring this world to online multi-player gaming.

However, we quickly hit a major wall. Dragon’s Dogma Online development staff, including myself, had almost no experience with online development. We gathered in-house programmers and built a server from the ground up. As in the game world, we cleared missions one by one on our quest in development to deliver this title to the world.

Our Goal was Richer Content to Create Long-Lasting Appeal

In terms of the appeal of online games from the game provider’s perspective, the biggest merit is the ability to immediately understand if and how users are enjoying the game. If the game is interesting, players will visit every day. If it is too difficult, many will stop playing. All this can be understood just by looking at the data. As Capcom is managing the game’s server, updates and revamps are much easier than with Consumer games. Utilizing both the content we provide and feedback from users, we check solutions and perform adjustments on a daily basis. In this way, we make use of accumulated management know-how to hold events and implement updates aimed at further enhancing user satisfaction.

Looking Ahead to Season Three, A New Start

In Season Three, a new area was released in version 2.0 of Dragon’s Dogma Online where a battle unfolds against a grotesque foe called “Shinshokuma.” The appeal of this title is the fun of adventuring in a world of fantasy. Creating the scenes and characters is a critical element. Analyzing an enormous user log to repeatedly consider events and updates.

Developers Discuss Capcom Development

04 Diving into a World of Adventure in Online Development

Kento Kinoshita
Director
Section 2, Department 1
Consumer Games Development Division 3

Now, we are ready for Season Two. This adventure revolves around the Spirit Dragon, with a story that unfolds in an expansive open world. In addition to new dungeons and action, we introduced a new system enabling players to customize their own private rooms. We also improved settings that had caused some users stress, and even added other elements such as narration at story ends in order to provide a sense of anticipation for subsequent developments.

With Dragon’s Dogma Online, we aimed to create a world of adventure with long-lasting fun. We created a new story centered on five dragons, with Season One revolving around the Golden Dragon. The game is offered as a freemium title: basic play is free, PS4 and PS3 in order to widen the point of entry and encourage casual participation from new users.

In Season Two, this adventure revolves around the Spirit Dragon, with a story that unfolds in an expansive open world. In addition to new dungeons and action, we introduced a new system enabling players to customize their own private rooms. We also improved settings that had caused some users stress, and even added other elements such as narration at story ends in order to provide a sense of anticipation for subsequent developments.

The world of online games spreads ever outward. Once we have established a solid foundation in Japan, I’d like to consider bringing this game overseas, where there are a great many online game players.

Analyzing an enormous user log to repeatedly consider events and updates at all stages.

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Utilizing Popular Characters for Regional Growth

Capcom has capitalized on the strengths of its popular character series, Sengoku BASARA, to stimulate regional growth and increase tourist numbers. The series, which is extremely popular with young men and women, to increase tourism, has realized significant economic results.

Support for Economic Development

Example 1
Kofu, Yamanashi Prefecture, March 2015

Using costume characters from Sengoku BASARA, these activities began with a stamp rally and the distribution of premium memorabilia gift certificates in support of tourism promotion activities leading to local revitalization. Leading up to 1615 and the 400th anniversary of Takeda Shingen's death, activities involving Takeda Shingen and his family, such as the appearance of Takeda Shingen in the series, as a campaign character, or through the distribution of premium gift certificates for a stamp rally and the distribution of premium memorabilia in support of tourism promotion activities leading to local revitalization.

Example 2
Kofu, Yamanashi Prefecture, March 2015

Using Takeda Shingen from Sengoku BASARA, these activities also began with a stamp rally and the distribution of premium memorabilia gift certificates in support of tourism promotion activities leading to local revitalization. Leading up to 1615 and the 400th anniversary of Takeda Shingen's death, activities involving Takeda Shingen and his family, such as the appearance of Takeda Shingen in the series, as a campaign character, or through the distribution of premium gift certificates for a stamp rally and the distribution of premium memorabilia in support of tourism promotion activities leading to local revitalization.

Example 3
Tsuchiura, Ibaraki Prefecture, March 2013

A stamp rally was conducted around historic areas in Tsuchiura City to promote the local sightseeing industry. A stamp rally was conducted around historic areas in Tsuchiura City to promote the local sightseeing industry.

Example 4
Wakayama Prefecture, July–August 2016

The Taiga Drama Sanada Maru/Sanada Yukimura & Sengoku Wakayama Promotional Campaign used a character from Sengoku BASARA Sanada Yukimura-den, the latest title in the series, to promote Wakayama Prefecture sightseeing and gourmet dining. A stamp rally was conducted around historic locations in Wakayama Prefecture to promote the local sightseeing industry. A stamp rally was conducted around historic locations in Wakayama Prefecture to promote the local sightseeing industry.

Conclusion of a Comprehensive Partnership Agreement

The Taiga Drama Sanada Maru/Sanada Yukimura & Sengoku Wakayama Promotional Campaign used a character from Sengoku BASARA Sanada Yukimura-den, the latest title in the series, to promote Wakayama Prefecture sightseeing and gourmet dining. A stamp rally was conducted around historic locations in Wakayama Prefecture to promote the local sightseeing industry. A stamp rally was conducted around historic locations in Wakayama Prefecture to promote the local sightseeing industry.

Support for Cultural Promotion

Example 1
Wakayama Prefecture, March 2015

Using costume characters from Sengoku BASARA, these activities also began with a stamp rally and the distribution of premium memorabilia gift certificates in support of tourism promotion activities leading to local revitalization. Leading up to 1615 and the 400th anniversary of Takeda Shingen's death, activities involving Takeda Shingen and his family, such as the appearance of Takeda Shingen in the series, as a campaign character, or through the distribution of premium gift certificates for a stamp rally and the distribution of premium memorabilia in support of tourism promotion activities leading to local revitalization.

Example 2
Wakayama Prefecture, July–August 2016

A stamp rally was conducted around historic locations in Wakayama Prefecture to promote the local sightseeing industry. A stamp rally was conducted around historic locations in Wakayama Prefecture to promote the local sightseeing industry.

See "Message from the Mayor of Kofu" on page 17.
Using Three Capcom Characters to Prevent Vehicle-Related Theft and Other Crimes in the Kansaihn Area

The Sengoku BASARA characters Sanada Yukimura, Koj Mitsu, and Kuroda Kanbei, associated with Osaka, Kyoto, and Hyogo Prefectures, respectively, were promoted as mascots throughout Kansai, and other crime in these areas. In addition to displaying awareness posters, the Osaka, Kyoto, and Hyogo Prefectural Police departments and auto parts retailers as part of a broad promotion aimed at reducing crime in these three Kinki region prefectures.

Osaka, April 2013

First Use of Date Masamune in an Osaka Police Department Vehicle-Related Theft Prevention Awareness Poster

Date Masamune, a character appearing in Sengoku BASARA, was the first mascot utilized for the Osaka Police Department’s vehicle-related theft prevention campaign. Vehicle-related crimes are common in Osaka, which in 2012 closed the highest percentage of cases in the nation. The Osaka Police Department has contributed to police department public relations awareness activities through the use of characters popular with young people that were displayed on posters and distributed in badlands.

Kochi Prefecture, November 2015

Promoting Gubernatorial Elections with a Mascot Based on Local Hero Chosokabe Motochika

A character based on local hero Chosokabe Motochika was used in an attempt to increase voter turnout and stimulate interest among young people. This campaign contributed to the election of the first Kinki region prefectural governor, in conjunction with police departments by holding events and creating promotional materials are used to announce the elections, which resulted in significant buzz being generated on social media, mainly Twitter and Facebook.

I Feel a Definite Response, with an Influx of New Visitors in Addition to Traditional Tourists

Kofu was established as a castle town in 1519 under the rule of the Takeda clan. After the Warring States Period, during which the city went through various periods of political instability, and during the Edo Period and with the promotion of new industries in the Meiji Period, the city flourished. In 2019, we celebrate 500 years since the establishment of Kofu, then two years after that, the 500th anniversary of the birth of Takeda Shingen, then in 2027, the 500th anniversary of the birth of Date Masamune. In November 2015, A character based on local hero Chosokabe Motochika was used in an attempt to increase voter turnout and stimulate interest among young people, who have little interest in elections, in the Kochi Prefecture gubernatorial elections held in November 2015. A variety of media, including posters and events held in conjunction with election committees of youth participation in voting through the creation of awareness campaigns. In addition, various newspapers and television programs featured local characters popular with young people that were displayed on posters and distributed in badlands.

Support for Public Safety

Capcom supports the maintenance and improvement of local public safety in conjunction with police departments by holding events and creating promotional materials are used to encourage people to increase voter turnout and stimulate interest among young people. This campaign contributed to the election of the first Kinki region prefectural governor, in conjunction with police departments by holding events and creating promotional materials are used to announce the elections, which resulted in significant buzz being generated on social media, mainly Twitter and Facebook.

Support for Participation in Elections

I am aware that my mission is to prepare for the 500th anniversary of the birth of Takeda Shingen. After the Warring States Period, during which the city went through various periods of political instability, and during the Edo Period and with the promotion of new industries in the Meiji Period, the city flourished. In 2019, we celebrate 500 years since the establishment of Kofu, then two years after that, the 500th anniversary of the birth of Takeda Shingen, then in 2027, the 500th anniversary of the birth of Date Masamune. In November 2015, A character based on local hero Chosokabe Motochika was used in an attempt to increase voter turnout and stimulate interest among young people, who have little interest in elections, in the Kochi Prefecture gubernatorial elections held in November 2015. A variety of media, including posters and events held in conjunction with election committees of youth participation in voting through the creation of awareness campaigns. In addition, various newspapers and television programs featured local characters popular with young people that were displayed on posters and distributed in badlands.

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