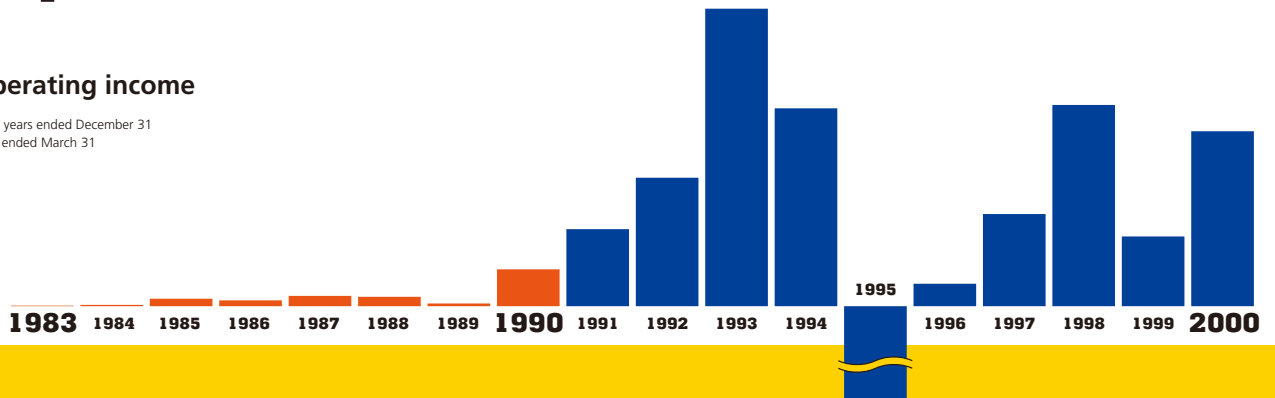


Creator of entertainment culture in Japan and around the world

Trend in operating income

Note: 1983–1988: Fiscal years ended December 31
1989–2019: Fiscal years ended March 31



Genesis

Capcom Co., Ltd. was established in Osaka in 1983. The Nintendo Entertainment System (NES) came out that same year, but it was difficult to develop high-quality arcade-level content for, so Capcom focused business development on the creation and sales of arcade games using the proprietary high-spec circuit board “CP System.”

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 earnest in 1994 with the release of a Hollywood movie and animated movie based on *Street Fighter*.

Title history

1983

Released our first originally developed coin-op *Little League*.



1984

Released our first arcade video game *Vulgus*.

1985

Released our first home video game *1942* for the Nintendo Entertainment System (NES).



1987

Released *Mega Man* for the NES.

1992

Released *Street Fighter II* for the Super NES.



1993

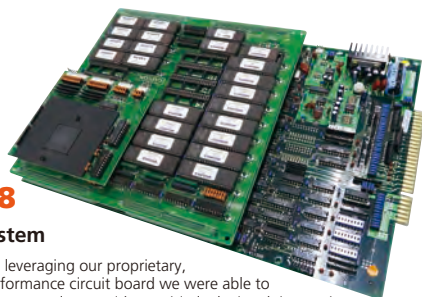
Released *Breath of Fire* for the Super NES.

1996

Released *Resident Evil* for PlayStation, establishing the genre of survival horror with this record-breaking, long-time best-seller.



Capcom and Entertainment Culture



1988 CP System

Through leveraging our proprietary, high-performance circuit board we were able to captivate game players with exquisitely depicted, immersive game worlds of the highest quality, allowing us to produce one hit after another in both the arcade and home video game markets.

1991

Street Fighter II becomes a major hit

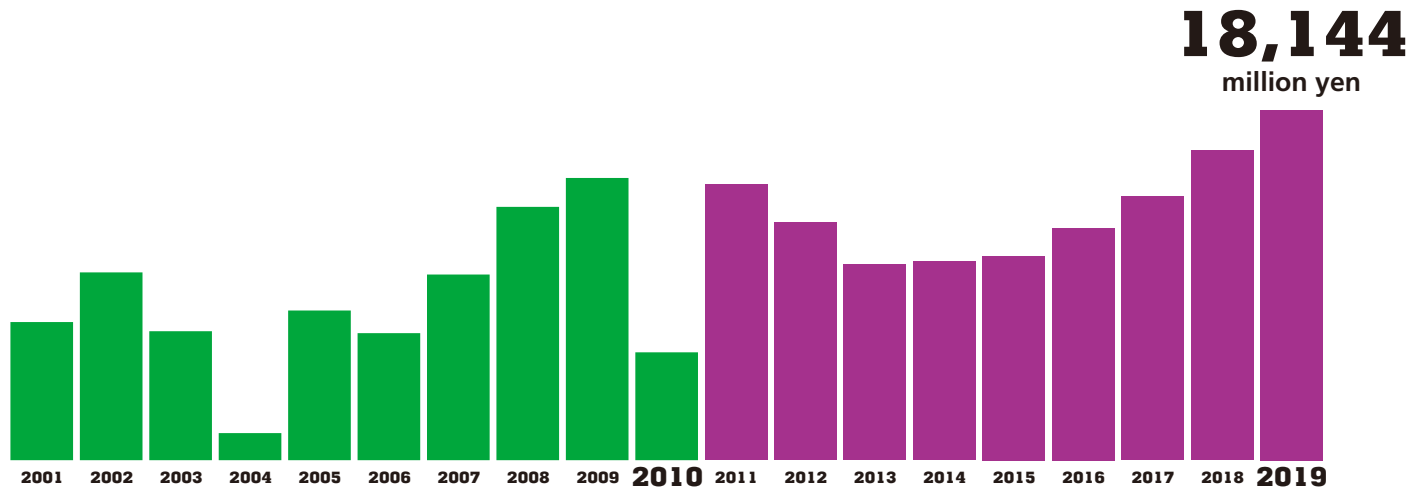
The game became a sensation in arcades across the country, establishing the fighting game genre. In 1992, a national tournament was held at the Ryogoku Kokugikan in what might be called the first ever esports tournament.



2002

Multi-media roll out of Capcom IP starts in earnest

The Hollywood film adaptation of *Resident Evil*, along with the animated TV show and movie adaptations of the youth-oriented *Mega Man Battle Network*, marked the beginning of our foray into branding game-based content.



Increasing shares in Europe and North America

In 2000, Capcom listed its shares on the First Section of the Tokyo Stock Exchange. In the 2000s, Capcom created one hit title after another that gained popularity overseas. The Hollywood movie version of *Resident Evil* earned 102 million U.S. dollars globally, part of a six title hit series that continues to spread the Capcom brand throughout the world.

Globalization and the digital shift

With game consoles now offering full internet functionality and the popularization of gaming on PCs, the video game market has expanded beyond one segment of developed countries and now permeates the globe. As a result of Capcom's early initiatives to support digital sales, including releasing past titles onto current game consoles and ongoing sales of catalog titles, operating profit margins and the overseas unit sales ratio have been on the rise.

2001

Released *Onimusha* for PlayStation 2, the first game for PlayStation 2 to become a million-seller in Japan.

Released *Devil May Cry* for PlayStation 2.



2005

Released *Sengoku BASARA* for PlayStation 2.

2006

Released *Dead Rising* for Xbox 360; it became a million-seller, unprecedented for a new title created for a new game console.



2012

Released *Dragon's Dogma*.

2017

Released *Resident Evil 7 biohazard*.

2018

Released *Monster Hunter: World*. It sold 7.5 million units within approximately one month of its release, becoming Capcom's best-selling title.

2019

Released *Resident Evil 2* and *Devil May Cry 5*, both of which demonstrated a strong global presence.



2007

Cooperative gameplay becomes standard

Monster Hunter Freedom became the first game in the series to top a million units sold.

People getting together with their game consoles to play cooperatively sparked the "Monster Hunter Craze."



2013

User-initiated social media phenomenon

Imitating the "Hadouken" special attack from the *Street Fighter* series and posting a photo gave rise to "Hadoukening" becoming a social media phenomenon.



2018

Capcom officially entered esports, a new form of entertainment

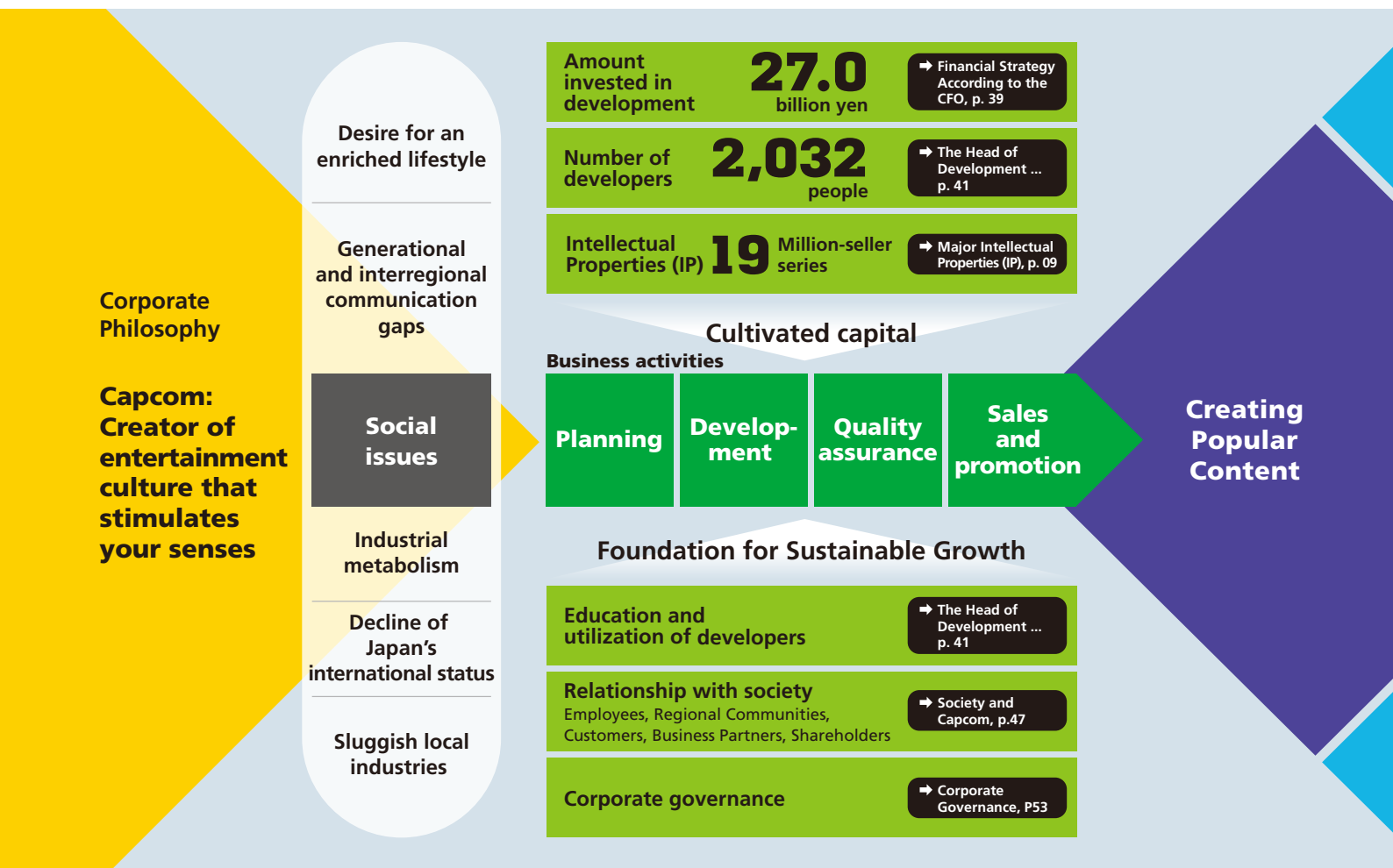
In 2018 Capcom established a dedicated department to promote the spread of esports with measures such as launching new competitions for pros and amateurs.

Making smiles, moving hearts and building a better society with our original content

Utilizing the capital we have cultivated over the years and our foundation for sustainable growth, we create popular original IP through business activities while guided by our corporate philosophy.

We are expanding our business by further extending that original content into a variety of areas.

These activities provide financial and non-financial value, in other words, happiness brought about by games that contributes to the resolution of societal issues.



Capcom's strength

Development capabilities

We have more than 2,000 developers using globally cutting-edge development equipment and technology, working on a daily basis to create the highest quality games available anywhere.

→ The Head of Development ... p. 41

Intellectual property (IP)

From the time the Company was founded, we have been creating popular content that has found its way into the hearts of people the world over.

This content has achieved a strong fanbase domestically as well as overseas.

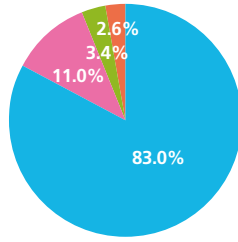
→ Major Intellectual Properties (IP), p. 09

Single content multiple usage

Expanding our IPs into a variety of media, such as movies or theater productions, helps diversify our business portfolio, increase profitability, and aids in risk diversification.

→ Effectively Leveraging IP, p. 11

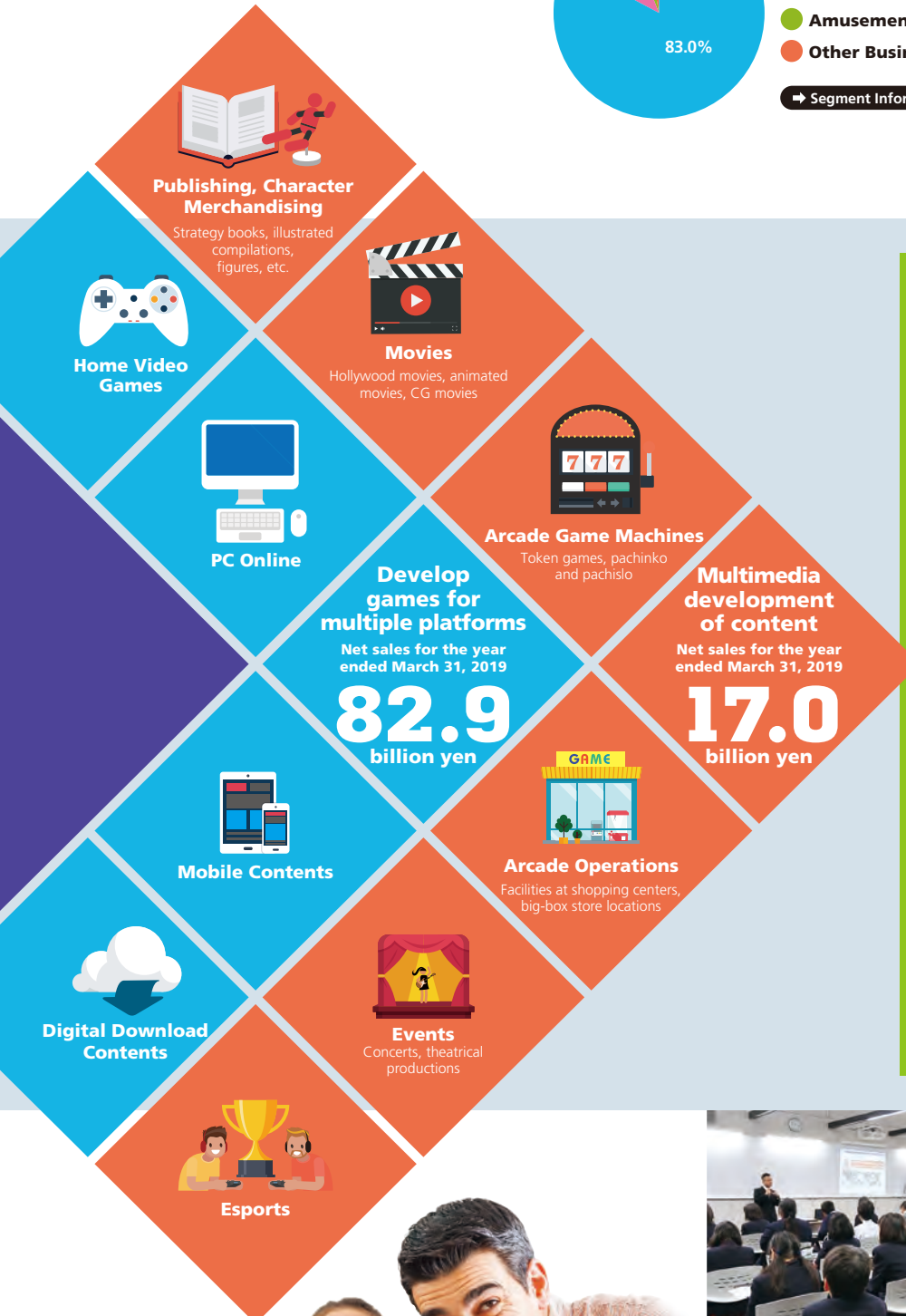
Business segment sales ratio (%)



● Digital Contents	83.0%
● Arcade Operations	11.0%
● Amusement Equipments	3.4%
● Other Businesses	2.6%

Fiscal year ended March 31, 2019

→ Segment Information, P79



25.3 million games sold annually
→P09

29 educational support activities
→P50

2,463 senior tour participants (cumulative)
→P48

OUTPUT (Non-financial results)

Hired **134** new graduates
→P42

3 cooperative projects with local governments
→P49

Announced **2** titles will be adapted into Hollywood films

- Providing a healthy game culture
- Stimulating communication
- Social contributions
- Game market-based innovation
- Contributing to local revitalization
- Earning trust and building a positive image for Japan



Supporting education with school visits
→P50



Using our trademark brand to increase crime prevention awareness
→P49

Steady output of million-seller titles born from a foundation of popular brands

In the 36 years since our founding, our eagerness to take on new endeavors has given birth to countless popular brands. These brands have garnered massive followings both domestically and overseas.



Cumulative million-seller titles
12 titles

Street Fighter
series

Total number of units sold

42 million

(As of March 31, 2019)



BIOHAZARD RE:2

Resident Evil
series

Total number of units sold

91 million

(As of March 31, 2019)

KPI

(Fiscal year ended March 31, 2019)

Cumulative million-seller titles

89 titles

Number of units sold

25.3 million

Cumulative million-seller titles
11 titles

Monster Hunter series

Total number of units sold

54 million

(As of March 31, 2019)

MONSTER HUNTER
WORLD
ICEBORNE

Cumulative million-seller titles
5 titles

This fiscal year's hit titles

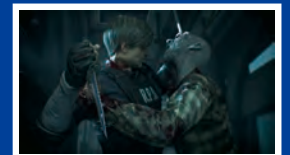
Devil May Cry 5

2.1 million units



Resident Evil 2

4.2 million units



Mega Man series

Total number of units sold

35 million

(As of March 31, 2019)



ROCKMAN 11
運命の歯車!!

Cumulative million-seller titles
27 titles

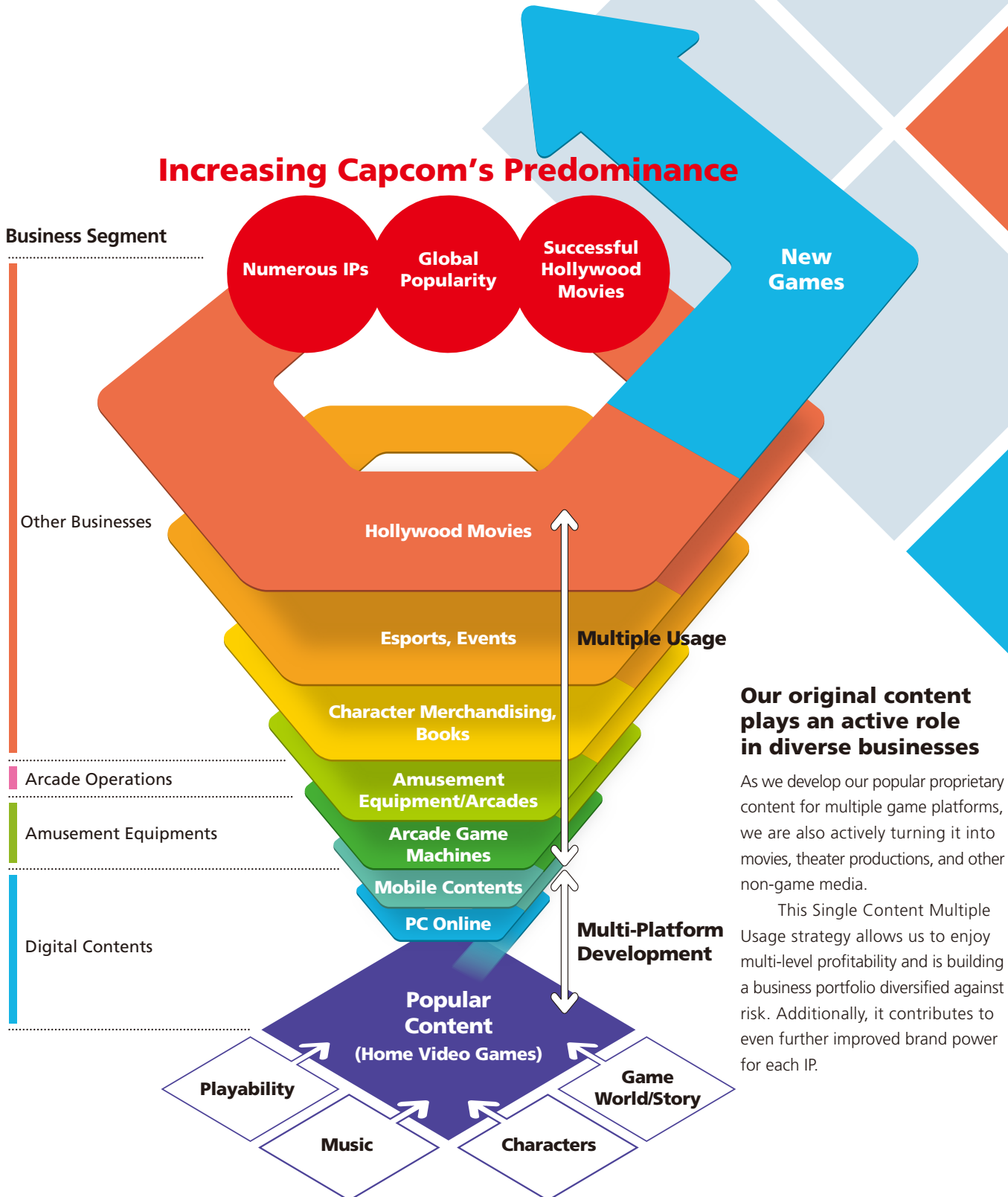
Monster Hunter: World (catalog title)

4.5 million units



Increasing profits and brand value through our Single Content Multiple Usage strategy

Our Single Content Multiple Usage strategy maximizes the use of our most popular content. This allows us to build a business portfolio that achieves both greater profitability and risk diversification.



Further Improved Brand Power



Weddings



Books



Hollywood Movies

© CONSTANTIN FILM Production Services GmbH photo by: Coco Van Oppens

Appealing to a broader demographic



Orchestral Concerts

Attracting casual users



Mobile Games



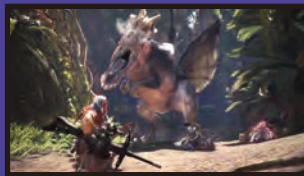
Attractions



Pachislo



Cafes



Home Video Games

Expanding into related businesses



Amusement Machines

Monster Hunter series



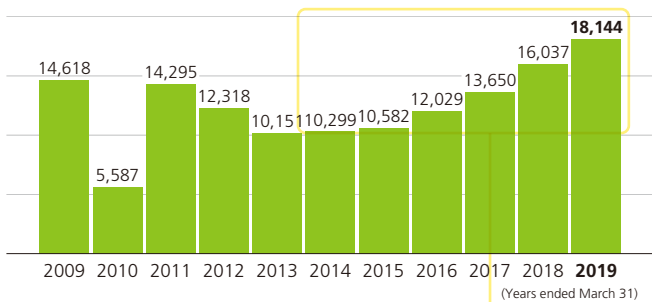
Single Content Multiple Usage

Financial Highlights

Operating Income/Operating Margins

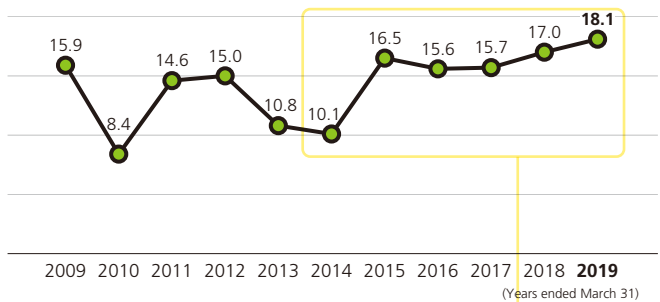
Operating Income (million yen)

18,144 million yen
13.1% UP 



Operating Margins (%)

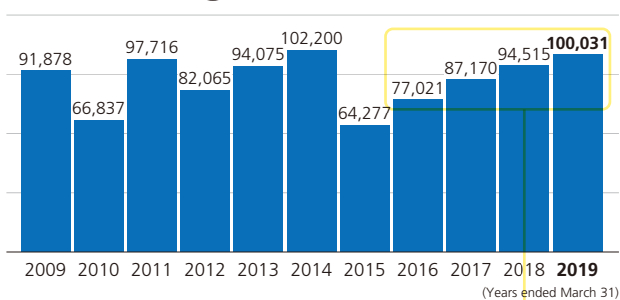
18.1%
1.1point UP 



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 business restructuring by transitioning to in-house production and strengthened our digital sales strategy in response to rapid changes in the market beginning in the fiscal year ended March 2013. Financials were therefore sluggish until the fiscal year ended March 2014 while these reforms were implemented. Since that time, we have achieved six consecutive years of increased operating income with measures such as improving the highly profitable digital sales ratio in our Consumer sub-segment. The fiscal year ended March 2019 was the second year in a row we succeeded in breaking our top operating profit record due to new major hits and the accumulation of catalog sales.

Net Sales (million yen)

100,031 million yen
5.8% UP 



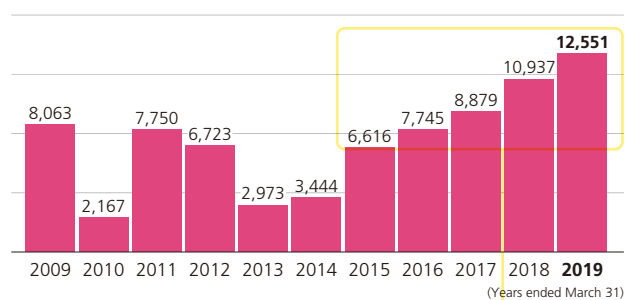
In the fiscal years ended March 2010 and March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer sub-segment resulted in Capcom achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time.

Although net sales decreased significantly in the fiscal year ended March 2015 due to a delay in pachislo machine installation, the steady release of major titles from the Consumer sub-segment since the fiscal year ended March 2016 has resulted in an increase in net sales for four consecutive fiscal years.

Net Income Attributable to Owners of the Parent

(million yen)

12,551 million yen
14.8% UP 

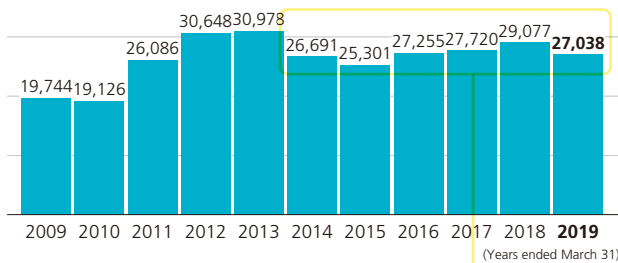


Performance was sluggish in the fiscal years ended in March 2010, 2013 and 2014, as (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization integration resulted in the recognition of special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, income increased six years in a row due to the benefits from structural reforms beginning to manifest.

→Please refer to “Financial Strategy According to the CFO” on pages 39–40, and “11-Year Summary of Consolidated Financial Indicators” on pages 73–74

R&D Investment Costs (million yen)

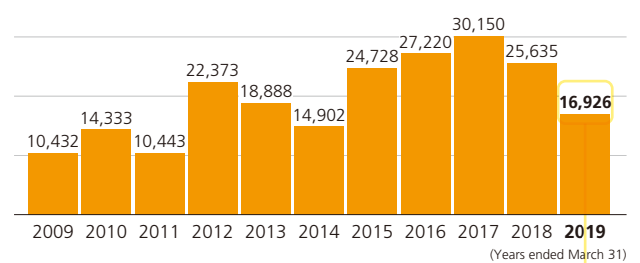
27,038 million yen
7.0% DOWN ⬇️



We believe the generation of creative and original content is our source of growth, thus approximately 90% of our annual development investments are allocated to the Digital Contents business. Recently in the Home Video Game market, development costs have been trending higher in line with increasingly high-performance devices, but we have been able to streamline development through increased employee utilization rates. Due to expanding our pipeline in recent years, costs have been on the rise; however, we expect them to remain around 30 billion yen going forward.

Balance of Work in Progress for Game Software (million yen)

16,926 million yen
34.0% DOWN ⬇️

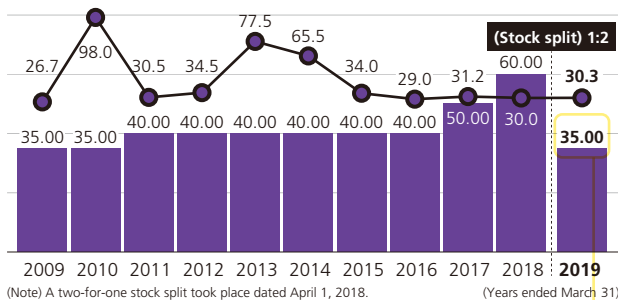


There was a decrease in the fiscal years ended March 2011 and 2014 due to the release of major titles, but since the fiscal year ended March 2015 it has been on the rise as a result of pipeline expansion and the release of new generation high-performance devices. In addition to the release of major titles *Resident Evil 2* and *Devil May Cry 5*, reassessment and closing of overseas studios resulted in a significant decrease.

Dividend per Share/Dividend Payout Ratio

■ Dividend per Share (yen) ● Dividend Payout Ratio (%)

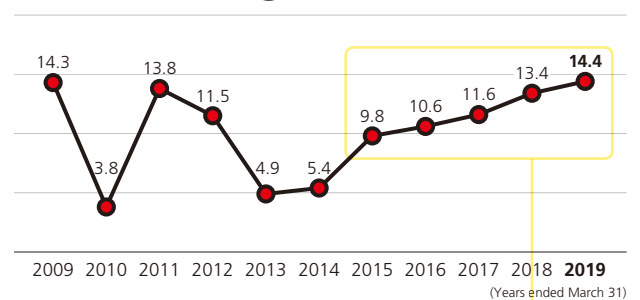
35.0 yen **30.3%**
16.7% UP ⬆️ **0.3point UP** ⬆️



Capcom had a basic policy of maintaining stable dividends, and in the fiscal years ended March 2009 and 2011, the annual dividend was raised 5 yen in conjunction with improved business results. Since the fiscal year ended March 2017, the dividend policy has been to maintain a consolidated payout ratio of 30% and to strive for stable dividends. As a result, the payout in the fiscal year ended March 2019 was reduced due to the stock split, but effectively dividends increased, and we achieved our 29th consecutive year of paying dividends since listing publicly.

Return on Equity (ROE) (%)

14.4%
1.0point UP ⬆️



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 has been on the rise on the elimination of special losses and improved profitability.

ESG Highlights

Seeking a healthier relationship between games and society

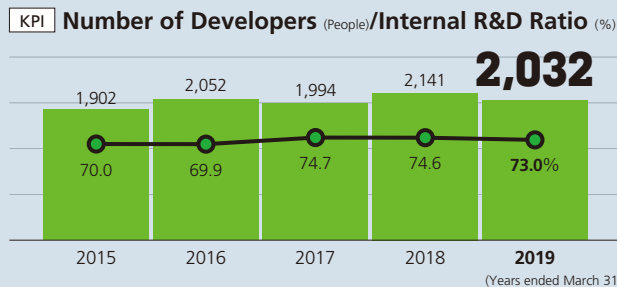
With the global rise of esports and the WHO's international recognition of gaming disorder, in recent years gaming has transcended the framework of simple entertainment and is now recognized as content with a profound social impact, both positive and negative. At Capcom, we believe that sustainable growth is achieved by delivering social and economic value, while at the same time building healthy relationships with stakeholders from the unique perspective of a game publisher. This entails tackling social issues through our business activities, such as training a workforce capable of succeeding on the global stage, and the creation of new markets through cutting-edge technology. We believe that the principle of Sustainable Development Goals (SDGs)*, namely that "all cultures and civilizations can contribute to sustainable development," and our own corporate philosophy, which is that we are "creators of entertainment culture that brings you smiles and stimulates your senses," are closely related. As such, we have selected four material issues within the ESG framework to work towards balancing our own sustainable economic growth and a sustainable society. It is our intention to contribute to the development of a sustainable society by promoting our growth strategy and clearly addressing these material issues.

*Set by the United Nation's more than 150 member states, the SDGs lay out 17 goals for the world to focus on with the aim of eliminating poverty and achieving global sustainability. For more information, please refer to the United Nations Sustainable Development Goals webpage below: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



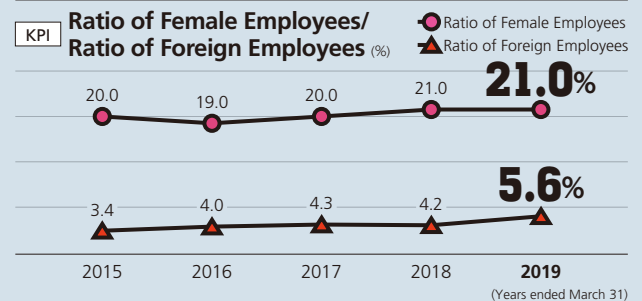
Material Issues

Material Issue 1 Securing and Training of Human Resources



We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world. Though the closure of our development studio in Canada in the fiscal year ended March 2019 resulted in a temporary decline, the number of developers has nearly tripled over the past 10 years. We are working to improve the technical skills and motivation of our employees by such means as developing a system to train up new graduates to be fully capable team members within three years, promoting younger and mid-career employees to work on major titles, and putting together an environment that empowers developers to create the games they want to create.

Material Issue 2 Promoting Diversity

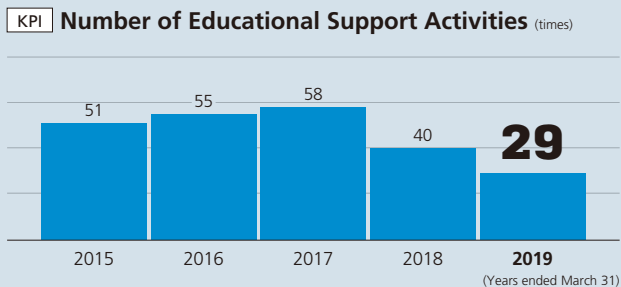


One of the most important elements in developing world-class games that can keep pace with the globalization of the game player population is securing a workforce with diverse perspectives. For that reason, we are promoting diversity and working on building a workplace where women and foreign nationals can excel. We are tying this into the creation of all-new intellectual properties and successful, unconventional collaborations.

ESG Initiatives and Future Challenges

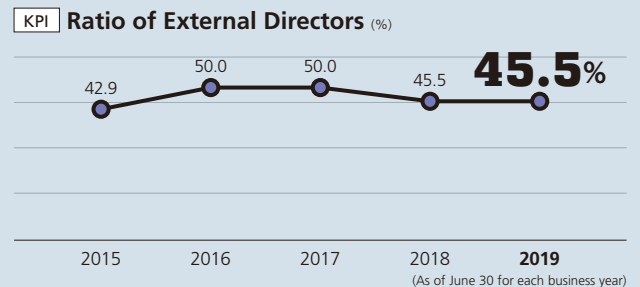
	Initiatives	Contribution to Business	Future Challenges
E Environmental	<ul style="list-style-type: none"> Reduced CO₂ emissions by switching to LED lighting Constructed new environmentally-friendly buildings Reduced exhaust gas and resources used via distribution network sharing with other companies in the industry Reduced paper resources used through the digitization of instruction manuals Reduced resources consumed through the promotion of digital sales 	<ul style="list-style-type: none"> Reduced costs (used less electricity, cut distribution costs) 	<ul style="list-style-type: none"> Increasing energy conservation at existing buildings through renovation Further conserving energy in amusement facility operations
S Social	Relationship with Employees <ul style="list-style-type: none"> Actively employed non-Japanese citizens Increased number of women in management positions Held Health and Safety Committee meetings Implemented staff training Implemented discretionary work system 	<ul style="list-style-type: none"> Expanded global reach through game development based on a diverse set of values Acquired competent creators Improved creator productivity Fostered a commitment to legal compliance 	<ul style="list-style-type: none"> Increasing the percentage of women in management positions Enhancing employment of a global workforce
	Relationship with Customers <ul style="list-style-type: none"> Compliance with the CERO ratings system Formulated guidelines with industry groups Supported community building by promoting the spread of esports Monetized without high-pressure microtransactions 	<ul style="list-style-type: none"> Improved customer satisfaction by creating stress-free environments for play Reduced social risks posed by games 	<ul style="list-style-type: none"> Education of manufacturers, users, consumer groups, government entities, etc.
	Relationship with the Regional Community <ul style="list-style-type: none"> Welcoming children participating in Company Visits to our offices / holding Guest Lectures at schools Regional revitalization making use of Capcom content Supported senior citizen community formation with video game arcade tours 	<ul style="list-style-type: none"> Expanded profit opportunities by improving company and IP name recognition 	<ul style="list-style-type: none"> Further promotion of regional revitalization using Capcom content
G Governance	<ul style="list-style-type: none"> Increased dialogue with shareholders Transitioned to a company with an audit and supervisory committee Raised the ratio of external directors Established the Nomination and Remuneration Committee (voluntary) 	<ul style="list-style-type: none"> Evaluated proper corporate value on both financial and non-financial bases Avoided managerial decision-making risk through better management monitoring Ensured the appropriateness of growth strategies by having the Board of Directors consider a range of views Perpetuated the founder's business know-how 	<ul style="list-style-type: none"> Increasing the number of opportunities for persons in charge of development to converse with the market The effective operation of the audit and supervisory committee system Board of Directors effectiveness assessments and their utilization Setting developer compensation in consideration of medium- to long-term sustainable growth

Material Issue 3 Development of Solid Relationship with Society



Video games have a short history of academic research, and as evidenced by what was once called "game brain," theories regarding their negative influence are more entrenched among the public than their educational aspects. In recent years, the WHO's recognition of gaming disorder as an illness has also become a widely discussed subject. While it is true that spending all of your time gaming will create problems in your life, games are simulations and have the ability to provide experiences that cannot be obtained in real life. Based on our desire to promote understanding of video games in society, Capcom holds Company Visits, where we welcome children to our offices, and Guest Lectures at schools, both tailored to elementary and junior high school students.

Material Issue 4 Enhancement of Corporate Governance



Generally, an owner-run company excels at being flexible and fast decision-making, though concerns may exist over the issue of succession. At Capcom, we strive to make management more transparent and visible, and have implemented various governance reforms to this end, such as the Nomination and Remuneration Committee. We proactively appoint external directors, with 45.5% of our directors now being external directors.

Business activity achievements

Business Overview

Operating Results for This Fiscal Year



Digital Contents

This business develops and sells packaged games and digital download content for home video game consoles. It also develops and manages Mobile Contents and PC Online Games. Consumer games produces 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 order to maximize earnings.

Consumer (Package + Digital Download Contents)

- ◆ Both major new titles *Resident Evil 2* and *Devil May Cry 5* gave a strong performance
- ◆ Catalog sales and the PC version of *Monster Hunter: World* performed steadily
- ◆ Minor and mid-sized titles, such as rereleases, displayed solid progress

Mobile Contents

- ◆ Launched *BLACK COMMAND* and *Toraware no Paruma Refrain*



Arcade Operations

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

- ◆ We focused efforts on cultivating new customer segments, including the start of an online crane game service and free game experience tours for middle-aged and elderly persons.
- ◆ A large-scale Plaza Capcom was opened in Hiroshima
- ◆ Two arcades were opened, and one was closed
- ◆ Same store sales were up 2% year over year



Amusement Equipments

Here, we are engaged in sub-segments that utilize the content from our home video games. The Pachinko & Pachislo (PS) sub-segment is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software. The Arcade Games Sales sub-segment develops, produces and sells arcade games for amusement facilities.

- ◆ Sold a total of 7,800 units across five PS models
- ◆ Changes to model testing methods resulted in market softening and a weakened sales trend
- ◆ In Arcade Games Sales, sales of equipment released the previous fiscal year continued



Other Businesses

Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of copyright-related business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part of our licensing business, we are also devoting resources to our esports business.

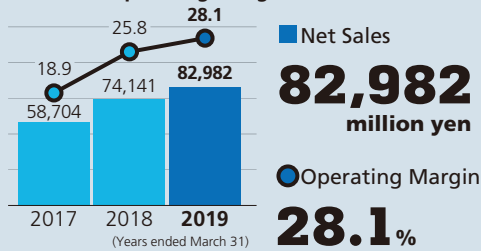
- ◆ We held events using IPs like *Monster Hunter* and *Resident Evil*. This contributed to maximizing sales.
- ◆ Active efforts were made to develop new esports events such as the Capcom Pro Tour Japan Premier and the Capcom Street Fighter League powered by RAGE.

Main Products for This Fiscal Year (Output)

PC Online

◆ The performance of PC Online titles *Monster Hunter Frontier Z* and *Dragon's Dogma Online* declined

Net Sales/Operating Margins



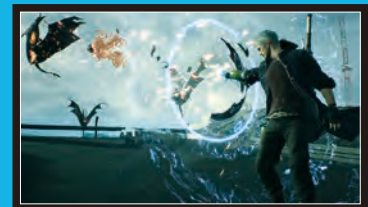
Resident Evil 2

With the original title ranked 4th in the series for total cumulative sales at 4.96 million, *Resident Evil 2* was completely rebuilt from the ground up for current-generation game consoles. Cutting-edge technology was used to create the visual and audio effects, garnering high praise and resulting in 4.2 million units in global sales.

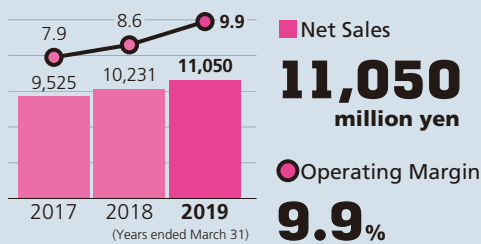


Devil May Cry 5

The first new numbered sequel in the series in 11 years. The high-resolution photorealistic graphics and polished action, made possible by our proprietary development tool, the RE Engine, received high acclaim from both domestic and overseas media, resulting in 2.1 million units in sales.



Net Sales/Operating Margins



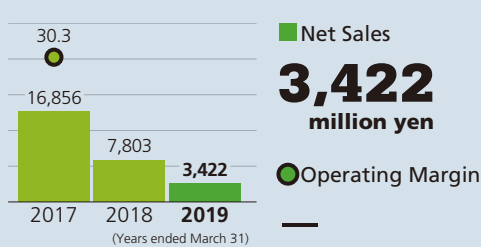
Online Crane Game

Capcom Net Catcher Cap Tore

Starting in November 2018, this new service enables crane game play around the clock using the internet browser on your smartphone or computer.



Net Sales/Operating Margins

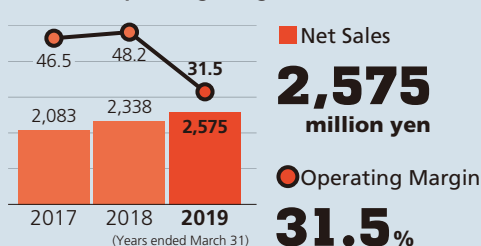


Street Fighter V for Pachislo

This pachislo machine uses the fighting game masterpiece, *Street Fighter*. Released in July 2018, 3,300 units have been sold.



Net Sales/Operating Margins



Capcom Pro Tour Japan Premier

Capcom held its first domestic tournament in September 2018 at the Makuhari Messe, contributing a substantial total of 10 million yen in prize money.

The event was well received, attracting 3,700 visitors; the largest number of visitors at any of the esports competitions held on the same day at the same venue.

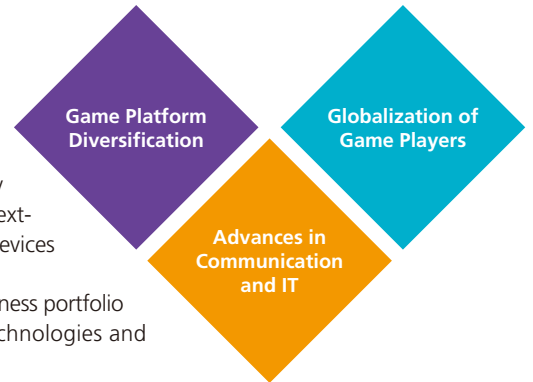


Building a business portfolio that achieves stable, sustainable growth

Responding to mega trends in the game industry

Innovation wrought by information technology keeps the game industry in a state of constant evolution. With the spread of the internet in recent years, it has become possible to sell games even in regions where the distribution of packaged games has traditionally proven difficult, expanding the number of global game players. In the near future, the 5G next-generation communication standard is expected to enable multi-screen play, with multiple devices used to play the same game, as well as the creation of even higher quality games.

At Capcom, we always have our finger on the pulse of these changes, as we build a business portfolio that achieves sustainable growth through measures such as research on fundamental technologies and collaborations with knowledgeable companies.



Medium- to long-term growth

Profit

Mobile + Esports

Options for further growth

[Mobile]

Period of acquiring the know-how to create hit titles

[Esports]

Period of building a framework for the medium to long term

New Titles (Consumer)

Growth driver

[Consumer]

Period of enhancing lineup and achieving growth through global expansion

Catalog Titles (Consumer)

Base profits from recurring revenue model

Amusement-Related

Stable earnings

[Amusement Equipments/ Arcade Operations]

Period of stabilization amidst a deteriorating environment

Medium-term



Growth Strategy

[Mobile]

- Promote alliances in Japan and other countries
- Explore new developments

[Esports]

- Having established a dedicated esports division, we are expanding our base by holding events in Japan

[New Titles (Consumer)]

- Regularly release titles for major IP
- Promote utilization of dormant IP and remakes

[Overall (Consumer)]

- Strengthen digital sales for both new and catalog titles

[Catalog Titles (Consumer)]

- Expand *Monster Hunter* series globally
- Extend sales life of catalog titles with rereleases for current-generation hardware



[PS Business]

- Build development structure to handle current regulations



Long-term

→ Period