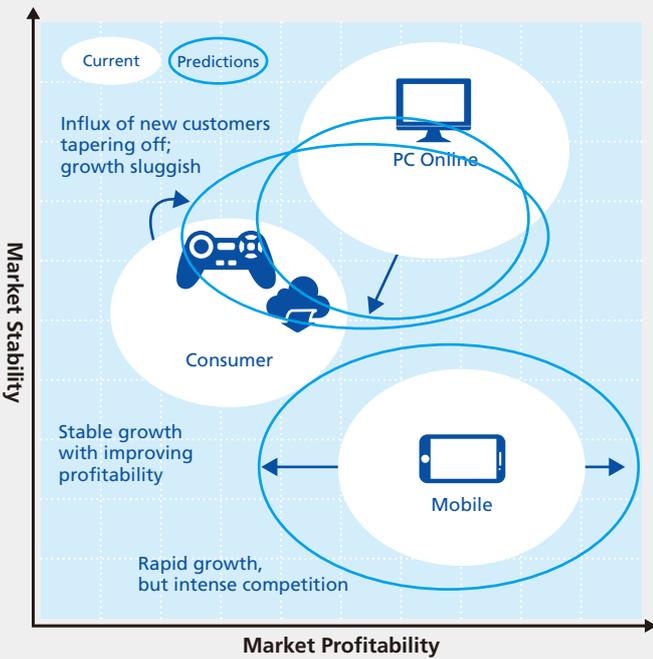


Game Industry Characteristics

Characteristics of Each Market



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

Consumer Market Characteristics (Package + Digital)

Package and digital download contents are a 29.9 billion dollar market, forecast to grow 60% over the next five years to 47.9 billion dollars by 2023. The customer base is primarily composed of core users who are highly loyal to game titles. They have relatively high willingness to purchase sequels and remakes along with low sensitivity to price and economic conditions. Hereafter, we expect the market to grow at a faster pace as we capture the casual user segment, which has high sensitivity to price conditions, as well as new users. This will come about in conjunction with a higher digital sales ratio, resulting from growth in Asia and emerging countries and expansion of online gaming on consoles, primarily in North America, shrinking the gap between the margin in this market and those in the other two markets. ➔Please refer to page 71

Mobile Market Characteristics

This is a 75.3 billion dollar market, forecast to grow to 109.8 billion dollars by 2023. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions. Although this is the most profitable among the three markets, only a limited number of titles are able to generate stable earnings over the long term even if they become hits. This makes brand establishment a challenge. Going forward, we expect smartphones will continue to drive rapid growth as the most pervasive game device. ➔Please refer to page 71

PC Online Market Characteristics

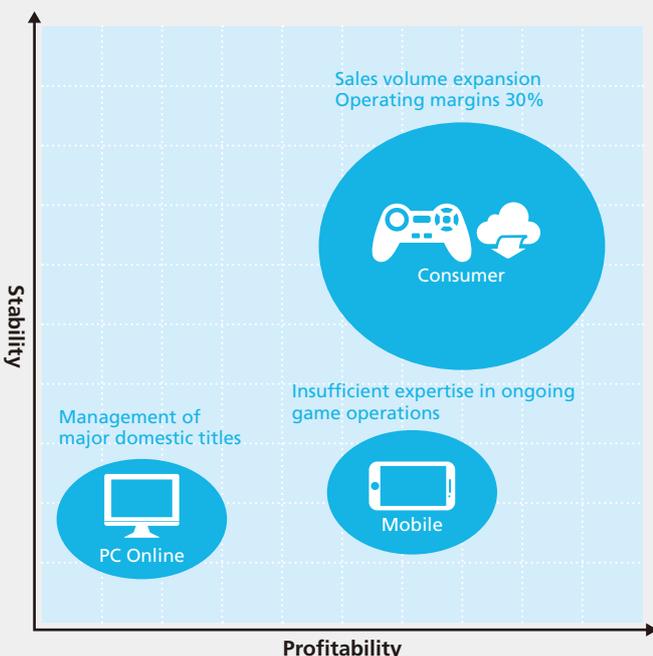
This is a 41.6 billion dollar market, forecast to grow about 6% over the next five years to 44.1 billion dollars by 2023. The customer base is primarily composed of core users who demonstrate the highest loyalty toward game titles. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. Integration with the consumer market will likely progress as the online capabilities of consoles are enhanced, so growth of this market is expected to become sluggish in the future. ➔Please refer to page 71

Five Competitive Factors Related to the Consumer Market (Five Forces Analysis)



Capcom Business Characteristics

Digital Contents Business Portfolio



Note: Calculations based on earnings in the fiscal year ended March 31, 2019



Consumer Market Characteristics

(Proportion of Net Sales: 77%)

Package + Digital

Capcom’s core business is to create a multitude of original content for home video game consoles. The regular release of sequels to popular IPs and focus on digital sales have, in recent years, led to an increased digital sales ratio and a greater volume of sales as well as operating margins of up to around 30%.



Mobile Contents Market Characteristics

(Proportion of Net Sales: 2%)

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, insufficient know-how in ongoing game operations, which differs from Consumer, has resulted in sales underperforming market growth.



PC Online Market Characteristics

(Proportion of Net Sales: 4%)

We are working to distribute PC Online games utilizing our popular content and ensure stable management of our existing content in Japan.

Capcom Management Resource VRIO Analysis and Evaluation/Measures

V: Value R: Rarity I: Inimitability O: Organization
○: High △: Medium ×: Low

| Area | Management Resource | V | R | I | O | Evaluation |
|------------------------|--|---|---|---|---|--|
| Management | Top management with strong leadership dedicated to high-quality production and trusted by employees | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| Development/technology | Development capabilities to produce original titles of world-class quality | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| | RE ENGINE for streamlined development and the technological prowess to create games with full-VR support | ○ | ○ | ○ | ○ | |
| | Corporate culture of training younger employees | ○ | × | △ | ○ | Other companies possess this strength as well |
| Governance | Promotion of governance reforms (independent director ratio / company with an audit and supervisory committee) | ○ | △ | × | ○ | Some companies are even more progressive |
| | Swift decision-making system | ○ | △ | × | ○ | Strength seen at many founder-run companies |
| Brand | Many popular, global IPs | ○ | ○ | ○ | ○ | Ongoing competitive advantage |
| | Corporate brand known worldwide for action games | ○ | × | ○ | ○ | There are more widely recognized companies |
| Finances | Paid dividends for 29 consecutive years since listing | ○ | △ | × | ○ | There are about 40 companies that have provided dividends for 10 consecutive years or more |
| Sales | Consumer digital sales ratio of more than 50% | ○ | △ | △ | ○ | Major overseas companies are ahead |
| Marketing | Bolstering of lineup through revival of dormant IP and catalog titles | ○ | △ | △ | △ | Companies with popular IP can roll them out in other media |
| | Single Content Multiple Usage strategy of rolling out popular IP to multiple media | ○ | × | △ | × | |
| External partners | Trusted by hardware manufacturers | ○ | △ | ○ | ○ | High rank compared to competitors |

Note: Prepared in-house based on interviews of analysts.

Measures to address evaluation

*1 With respect to the low evaluation of the originality of our system for training younger employees, we have hired around 100 developers each year since fiscal 2011 and established a world-class R&D center and development facilities. In addition to establishing an environment that allows us to take up new challenges, we are working on developing a system that allows us to train employees through title development. (Please refer to page 41)

*2 With respect to the low evaluation globally despite being ahead of other companies in Japan, we are promoting measures such as (1) taking advantage of our many popular IPs

by re-releasing past million-sellers (89 titles) in digital format and (2) extending the sales period, with brand strategies for each IP and enhanced digital sales and pricing measures as we develop titles that will be popular not just in Japan but globally, as well as increase the fan bases of our IP series. (Please refer to page 33)

*3 With respect to the low evaluation of not successfully rolling out IPs to mobile platforms despite their relative strength, we are continuing to promote measures such as (1) assigning capable creators to internal production and (2) forming alliances with mobile game companies possessing abundant game operations know-how. (Please refer to page 37)

Explanation of Market Trends and Forecasts



Consumer Market (Package + Digital)

In 2018, the consumer (package + digital) market picked up, increasing significantly to 29.9 billion dollars (up 22.5% from the previous fiscal year). This was due primarily to a large increase in digital sales, despite packaged sales remaining flat.

Digital sales have expanded rapidly in North America and Europe where such sales account for 88% of the market. The highly profitable digital contents market now accounts for roughly 63% of the consumer market.

The forecast for 2019 is for the market

to reach 31.9 billion dollars (up 6.7% from the previous fiscal year) owing to continued growth of the digital market, despite continued shrinking of the package market as a result of current generation game consoles running their course.

In the medium term, we see digital sales expanding rapidly in Asia and new game delivery methods such as streaming and subscriptions performing favorably. As such, we expect the market to grow to 47.9 billion dollars by 2023 (up 60.2% compared to 2018).



Mobile Contents Market

In 2018, the mobile contents market was worth 75.3 billion dollars (up 26.8% from the previous year), expanding to more than half the size of the overall game software market. The main reason for this was the continued momentum of battle royale games that have been popular since 2017, driving growth of the market despite annual smartphone shipments declining for the second year in a row to 1.45 billion units (down 4.1% from the previous year) in 2018. By region, the Asian market including Japan was worth 42.1 billion dollars (up 18.8% from the previous year), the North American market was worth 17.5 billion dollars (up 54.7% from the previous year), the European market was worth 8.7 billion dollars (up

44.9% from the previous year), and developing countries and other regional markets were worth 6.9 billion dollars (up 4.5% from the previous year), all showing continued growth.

In the medium term, the domestic market is maturing, but we expect continued growth in Asia and emerging countries. Moreover, once 5G next-generation mobile networks are up and running, it will be possible to deliver large volumes of content at high speeds, so we believe there is potential for market expansion. We expect the 2019 mobile market to increase to 86.6 billion dollars (up 15.1% from the previous year) and grow significantly to 109.8 billion dollars by 2023 (up 45.8% from 2018).



PC Online Market

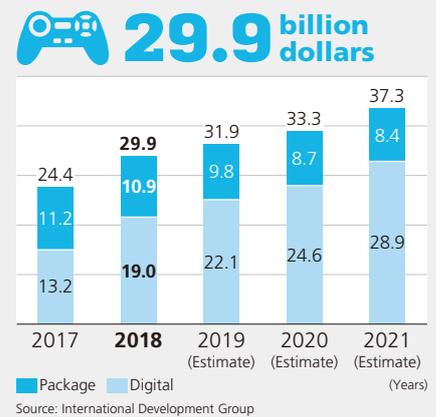
In 2018, the PC online market grew to 41.6 billion dollars (up 8.3% from the previous year) owing to growth in North America, Europe, and Asia.

However, with the growth of online consoles, there is ongoing integration with the consumer market, so market expansion

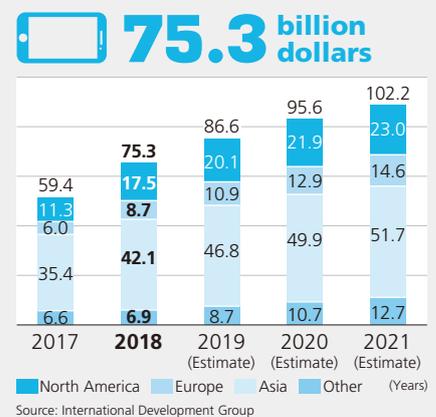
is expected to slow.

In 2019, we expect the market to increase to 44.0 billion dollars (up 5.9% from the previous year), and further, although it will grow to 45.6 billion dollars by 2022 (up 9.6% from 2018), it will shrink to 44.1 billion dollars in 2023.

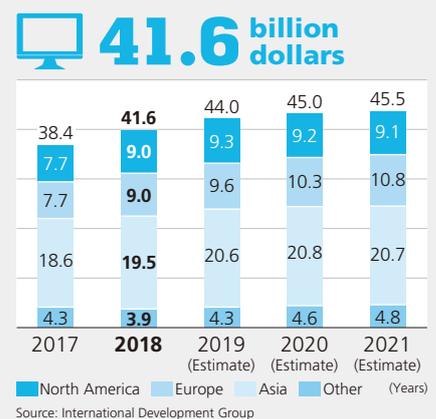
Consumer Market (billion dollars)



Mobile Contents Market (billion dollars)



PC Online Market (billion dollars)



Arcade Operations Market

The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2018) for the third year in a row to 485.9 billion yen (up 5.2% from the previous year). This was due to improvements in the number of visitors and sales per customer due to the continued effect of the restrictions on the time that minors can be in arcades while accompanied by a guardian being relaxed in the Entertainment and Amusement Trades Act (Entertainment and Amusement Trades Rationalizing Act) in June 2016.

The total number of stores decreased to 13,103 (down 7.4% from the previous year), but the number of units installed at each store increased to 33.2 (up 1.8 units from the previous year) owing to the continued increase in the number of large stores.

Annual sales per stores increased to 37.08 million yen (up 13.6% from the

previous year), demonstrating that the management streamlining many companies have engaged in, closing small unprofitable locations with fewer machines and focusing on profitable stores in good locations, has been successful.

This year (ended March 31, 2019), the market was strong overall, and growth continued owing to hit products appearing one after another in the prizes found in prize game machines, including large plush toys of popular characters and figurines for core users, as well as the expansion of simulation games on VR equipment.

In the next fiscal year (ending March 31, 2020), although we expect prize games to drive the market overall, there will be difficulties in conjunction with the consumption tax hike scheduled for October.

Gaming Machines Market

In the previous fiscal year (ended March 31, 2018), the gaming machine market shrank for the fifth consecutive year to 759.1 billion yen (down 14.1% from the previous year). This was due to pachislo machines being hit hard by diminishing investment appetite for gaming machines among halls due to sluggish operations of gaming machines with gambling restraints in response to changes to model certification methods and a decrease in the number of new stores opened.

The market continued to worsen this year (ended March 31, 2019) as the market failed to recover despite the introduction of new machines compliant with the new gaming machine regulations revised in April 2018.

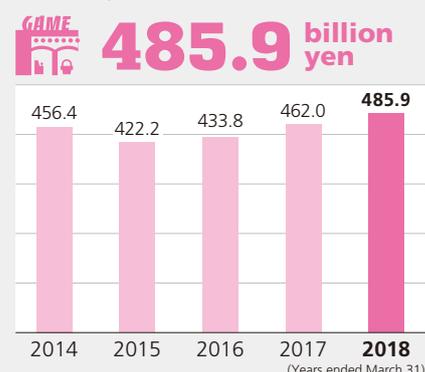
In the next fiscal year (ending March 31, 2020), we expect the shrinking of the market to come to an end as models with improved product value are gradually introduced ahead of a market recovery and replacement demand comes into play.

Arcade Game Market

In the previous fiscal year (ended March 31, 2018), the arcade game market shrank to 143.7 billion yen (down 3.6% from the previous year) due to a significant decrease in sales as diversification of sales methods

progressed for video games, music games, medal games, and other amusement equipments despite growth in prize games with the introduction of new crane games and prize machines.

Arcade Operations Market (billion yen)



Source: JAMMA "Survey on the Amusement Industry"

Gaming Machines Market (billion yen)



Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2017, 2018); Yano Research Institute Ltd.

Arcade Game Market (billion yen)



Source: JAMMA "Survey on the Amusement Industry"

11-Year Summary of Consolidated Financial Indicators

Financial Index

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--|--|--|---|-------------------------|
| For the Year: | | | | | |
| | Million yen | | | | |
| Net sales | ¥ 91,878 | ¥ 66,837 | ¥ 97,716 | ¥ 82,065 | ¥ 94,075 |
| Operating income | 14,618 | 5,587 | 14,295 | 12,318 | 10,151 |
| Net income (loss) before income taxes | 12,448 | 1,124 | 10,807 | 11,425 | 3,719 |
| Net income attributable to owners of the parent | 8,063 | 2,167 | 7,750 | 6,723 | 2,973 |
| Depreciation & amortization | 4,143 | 3,368 | 3,315 | 3,123 | 3,406 |
| Capital expenditures | 2,906 | 2,205 | 2,758 | 4,153 | 8,724 |
| R&D expenses | 2,329 | 2,125 | 2,924 | 2,236 | 1,982 |
| At Year-End: | | | | | |
| | Million yen | | | | |
| Total assets*1 | ¥ 106,210 | ¥ 86,621 | ¥ 90,408 | ¥ 98,247 | ¥ 104,365 |
| Net assets | 59,349 | 53,956 | 58,007 | 59,352 | 62,828 |
| Net cash | 7,378 | 12,299 | 27,655 | 11,348 | 14,327 |
| Developer numbers | 1,047 | 1,132 | 1,339 | 1,455 | 1,623 |
| Cash Flows: | | | | | |
| | Million yen | | | | |
| Cash flows from operating activities | ¥ (551) | ¥ 14,320 | ¥ 22,392 | ¥ (7,672) | ¥ 6,647 |
| Cash flows from investing activities | (2,715) | (1,618) | (2,046) | (4,794) | (1,375) |
| Cash flows from financing activities | (342) | (10,747) | (12,919) | 587 | 1,162 |
| Net increase (decrease) in cash and cash equivalents | (4,454) | 1,203 | 5,196 | (12,724) | 9,235 |
| Cash and cash equivalents at end of year | 28,611 | 29,815 | 35,011 | 22,287 | 31,522 |
| Per Share Data: | | | | | |
| | yen | | | | |
| Net income (loss) per share | ¥ 65.49 | ¥ 17.86 | ¥ 65.59 | ¥ 58.05 | ¥ 25.82 |
| Dividend per share | 35.00 | 35.00 | 40.00 | 40.00 | 40.00 |
| Net assets per share | 480.69 | 456.59 | 490.88 | 515.35 | 545.54 |
| Financial Index: | | | | | |
| | % | | | | |
| Operating margin | 15.9 | 8.4 | 14.6 | 15.0 | 10.8 |
| ROE | 14.3 | 3.8 | 13.8 | 11.5 | 4.9 |
| ROA | 8.1 | 2.3 | 8.8 | 7.1 | 2.9 |
| Net worth ratio | 55.9 | 62.3 | 64.2 | 60.4 | 60.2 |
| Interest coverage ratio (times) | — | 86.9 | 155.8 | — | 62.4 |
| Debt-equity ratio | 79.0 | 60.5 | 55.9 | 65.5 | 66.1 |
| Stock Information: | | | | | |
| Price earnings ratio (times) | 13.3 | 49.5 | 12.1 | 16.3 | 28.6 |
| Number of outstanding shares (thousands shares) | 67,394 | 67,723 | 67,723 | 67,723 | 67,723 |
| Foreign investors (%) | 33.73 | 24.22 | 22.17 | 27.05 | 32.37 |
| Digital Contents Business: | | | | | |
| | Billion yen | | | | |
| Consumer sub-segment net sales | ¥ 60.0 | ¥ 38.7 | ¥ 63.6 | ¥ 46.9 | ¥ 45.9 |
| Online sub-segment net sales | 6.6 | 8.5 | 10.5 | 12.9 | 17.7 |
| Consumer Game Sales (Package Software and Full-game Digital Content) | | | | | |
| | Thousands | | | | |
| Total number of units | 18,100 | 13,900 | 21,700 | 17,000 | 16,700 |
| Sales of major titles | Resident Evil 5 4,400 | Monster Hunter Freedom Unite (Best Price included) 1,350 | Monster Hunter Freedom 3 4,600 | Resident Evil: Operation Raccoon City 1,700 | Resident Evil 6 5,000 |
| | Street Fighter IV 2,500 | Monster Hunter Tri 1,150 | Dead Rising 2 2,300 | Monster Hunter 3 (Tri) G 1,600 | Dragon's Dogma 1,300 |
| | Monster Hunter Freedom Unite (Best Price included) 2,200 | Resident Evil 5 950 | MARVEL VS. CAPCOM 3 Fate of Two Worlds 2,000 | Street Fighter X Tekken 1,400 | DmC Devil May Cry 1,200 |

*1. Effective from the beginning of the current fiscal year, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Certain financial information for the FY2018 has undergone retrospective application.

*2. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net income per share has been calculated assuming that the stock split took place at the beginning of the fiscal year ended March 31, 2009.

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2019 | |
|---------------------------|-------------|-----------------------------------|---------------------------------|--|---|---------------------------------------|------------------|--|
| | Million yen | | | | | | Thousand dollars | |
| | ¥ 102,200 | ¥ 64,277 | ¥ 77,021 | ¥ 87,170 | ¥ 94,515 | ¥ 100,031 | \$ 909,378 | |
| | 10,299 | 10,582 | 12,029 | 13,650 | 16,037 | 18,144 | 164,947 | |
| | 5,315 | 10,701 | 11,150 | 12,489 | 15,149 | 17,770 | 161,547 | |
| | 3,444 | 6,616 | 7,745 | 8,879 | 10,937 | 12,551 | 114,106 | |
| | 4,638 | 3,535 | 5,712 | 5,980 | 4,706 | 3,228 | 29,348 | |
| | 8,064 | 10,177 | 8,274 | 3,767 | 3,041 | 2,568 | 23,346 | |
| | 2,002 | 823 | 1,073 | 695 | 1,102 | 1,147 | 10,436 | |
| | Million yen | | | | | | Thousand dollars | |
| | ¥ 96,611 | ¥ 100,773 | ¥ 113,057 | ¥ 118,897 | ¥ 124,829 | ¥ 123,407 | \$ 1,121,888 | |
| | 63,875 | 71,331 | 75,168 | 77,774 | 85,421 | 88,749 | 806,814 | |
| | 22,670 | 21,212 | 15,821 | 8,426 | 36,750 | 44,689 | 406,265 | |
| | 1,808 | 1,902 | 2,052 | 1,994 | 2,141 | 2,032 | | |
| | Million yen | | | | | | Thousand dollars | |
| | ¥ 13,201 | ¥ 4,286 | ¥ 4,347 | ¥ 3,200 | ¥ 34,721 | ¥ 19,847 | \$ 180,427 | |
| | (6,155) | (5,496) | (1,639) | (3,628) | (2,847) | (2,261) | (20,559) | |
| | (15,099) | 1,278 | (1,115) | (3,130) | (9,577) | (11,443) | (104,035) | |
| | (5,404) | 1,879 | 431 | (4,091) | 22,201 | 6,464 | 58,772 | |
| | 26,118 | 27,998 | 28,429 | 24,337 | 46,539 | 53,004 | 481,856 | |
| | yen | | | | | | Dollars | |
| | ¥ 30.56 | ¥ 58.84 | ¥ 68.87 | ¥ 80.18 | ¥ 99.89*2 | ¥ 115.45 | \$ 1.05 | |
| | 40.00 | 40.00 | 40.00 | 50.00 | 60.00 | 35.0 | 0.32 | |
| | 567.96 | 634.28 | 688.43 | 710.32 | 780.18*3 | 831.37 | 7.56 | |
| | % | | | | | | | |
| | 10.1 | 16.5 | 15.6 | 15.7 | 17.0 | 18.1 | | |
| | 5.4 | 9.8 | 10.6 | 11.6 | 13.4 | 14.4 | | |
| | 3.4 | 6.7 | 7.2 | 7.7 | 8.9 | 10.1 | | |
| | 66.1 | 70.8 | 66.5 | 65.4 | 68.4 | 71.9 | | |
| | 136.8 | 50.2 | 36.5 | 22.8 | 337.2 | 249.3 | | |
| | 51.2 | 41.3 | 50.4 | 52.9 | 47.0 | 39.1 | | |
| | 32.0 | 20.3 | 19.9 | 13.5 | 23.0 | 21.5 | | |
| | 67,723 | 67,723 | 67,723 | 67,723 | 67,723*4 | 135,446 | | |
| | 37.29 | 36.87 | 39.35 | 31.19 | 35.01 | 36.83 | | |
| | Billion yen | | | | | | | |
| | ¥ 53.0 | ¥ 35.2 | ¥ 42.1 | ¥ 49.2 | ¥ 65.2 | ¥ 76.9 | | |
| | 12.8 | 10.1 | 10.4 | 9.5 | 8.9 | 6.0 | | |
| | Thousands | | | | | | | |
| | 17,500 | 13,000 | 15,000 | 19,400 | 24,400 | 25,300 | | |
| Monster Hunter 4 | 4,100 | Monster Hunter 4 Ultimate 3,400 | Monster Hunter X (Cross) 3,300 | Resident Evil 7 biohazard 3,500 | Monster Hunter: World 7,900 | Monster Hunter: World (catalog) 4,500 | | |
| Dead Rising 3 | 1,200 | Resident Evil Revelations 2 1,100 | Street Fighter V 1,400 | Monster Hunter XX (Double Cross) 1,700 | Resident Evil 7 biohazard (catalog) 1,600 | Resident Evil 2 4,200 | | |
| Resident Evil Revelations | 1,200 | Resident Evil (HD Remastered) 900 | Resident Evil Revelations 2 850 | Monster Hunter X (Cross) 1,000 | Marvel VS. Capcom: Infinite 1,000 | Devil May Cry 5 2,100 | | |

*3. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net assets per share has been calculated assuming that the stock split took place at the beginning of the fiscal year ended March 31, 2009.

*4. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held by resolution of the Board of Directors at the meeting held on March 6, 2018. This increased the number of shares issued by 67,723,244 to 135,446,488 shares.

Financial Review

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

1. Operating Results

During the fiscal year ended March 31, 2019, our industry remained strong overall despite a deceleration of mobile gaming in Japan and a patchy home video game market due to maturation.

At the same time, esports (electronic sports), which were adopted as a demonstration event at the 2018 Asian Games held in Jakarta, have grown in popularity nationwide owing to the establishment of league competitions and professional teams to expand the fan base. In such an environment, *Monster Hunter: World*, which swept the market in 2018, continued to report strong sales, surpassing 12.4 million cumulative units shipped, marking a record high for any single title in Capcom's history. Additionally, our other flagship brands demonstrated their appeal

and boasted strong sales during the year, as *Resident Evil 2* scored a major hit, selling more than 4.2 million units, while *Devil May Cry 5*, which enjoys established popularity overseas, shipped 2.1 million units. Meanwhile, we took strategic steps in cultivating the new business domain of esports, an area which has attracted increased attention in the past year. This included holding the Capcom Pro Tour Japan Premier at the Tokyo Game Show 2018, which generated excitement among spectators, and launching the Capcom Street Fighter League powered by RAGE in February 2019, leveraging the popular *Street Fighter* fighting game series, which many consider to have started esports.

2. Revenue and Profits

(1) Net sales

In this fiscal year, net sales were 100,031 million yen (up 5.8% from the previous fiscal year). This increase was driven primarily by our core Digital Contents business. In Digital Contents, *Resident Evil 2* and *Devil May Cry 5* outperformed our expectations, while sales of catalog titles, in particular *Monster Hunter: World*, and digital downloads grew globally, contributing to increased net sales.

In the Amusement Equipments business, sales of our pachislo machines continued to be impacted by changes in model testing methods and legal amendments of recent years.

As a result, the number of units sold was down compared with the previous year at 7,800 units. Overall, however, favorable growth of the Digital Contents business offset this, resulting in a 5,516 million yen increase in consolidated net sales over the previous fiscal year.

(2) Operating income

Cost of sales increased to 62,809 million yen (up 4.9% from the previous fiscal year) and the cost of sales ratio was 62.8%, down 0.6 percentage points from the previous fiscal year. The cost of sales ratio has decreased in conjunction with the increase in sales, stemming mainly from the hit success of major titles.

Selling, general and administrative (SG&A) expenses were

19,078 million yen (up 2.7% from the previous fiscal year) and SG&A as a percentage of sales was 19.1%, down 0.6 percentage points compared with the previous fiscal year. The cause of the increase in SG&A was increased variable costs associated with increased sales, and the SG&A expenses ratio overall was under the 21.9% figure laid out in the initial plan.

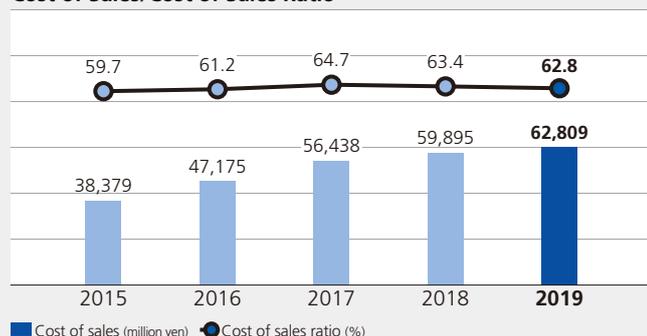
As a result, operating income was 18,144 million yen (up 13.1% from the previous fiscal year), the highest ever and the sixth consecutive year of income growth. The operating margin also increased to 18.1%, up 1.1 percentage points compared with the previous fiscal year.

(3) Net income attributable to owners of the parent

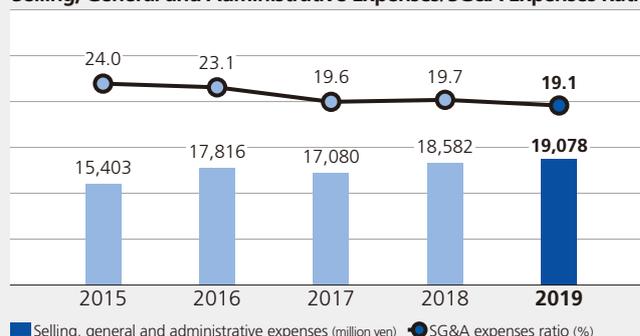
Despite recording redundancy pay of 601 million yen in conjunction with the closing of the office of an overseas subsidiary this year under non-operating expenses, ordinary income increased to 18,194 million yen (up 19.3% from the previous fiscal year), following the increase in operating income.

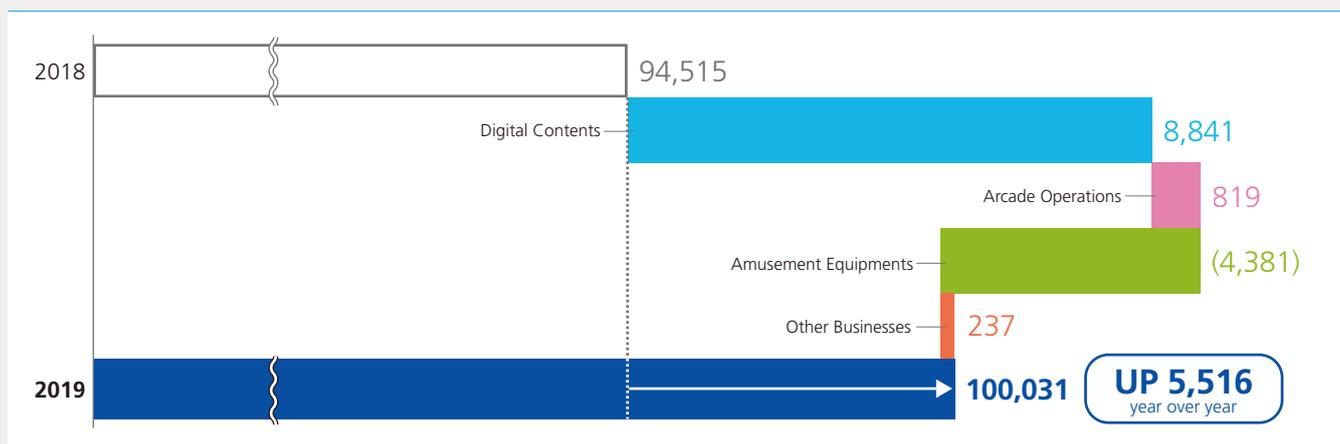
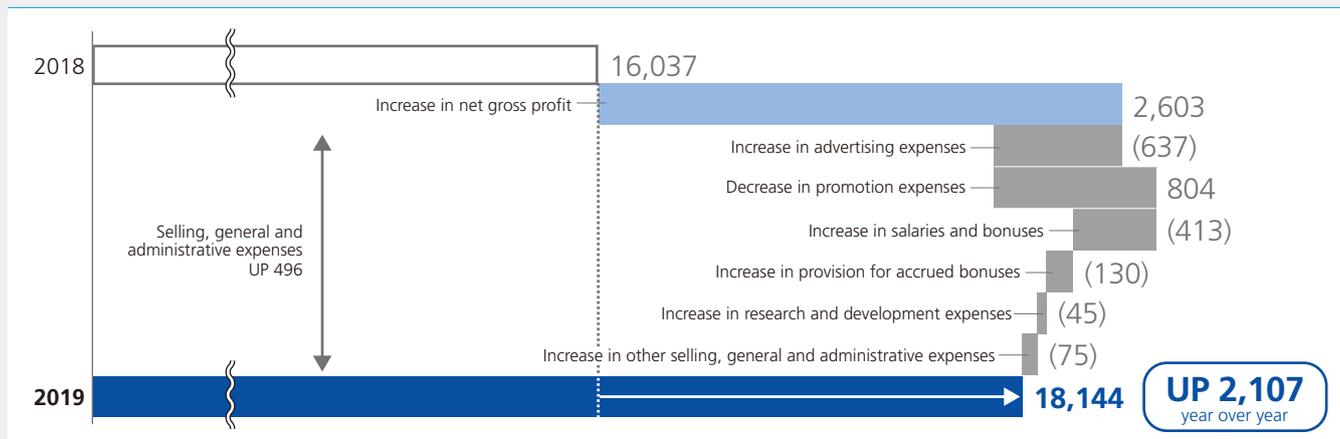
As a result of these increases in income, net income attributable to owners of the parent amounted to 12,551 million yen (up 14.8% from the previous fiscal year) and the net margin came to 12.5% (up 0.9 percentage points from the previous fiscal year), making all income items the highest in company history.

Cost of Sales/Cost of Sales Ratio



Selling, General and Administrative Expenses/SG&A Expenses Ratio



Net Sales (million yen)**Operating Income** (million yen)**3. Analysis of Assets, Liabilities and Net Assets****(1) Assets**

Total assets as of the end of the fiscal year ended March 31, 2019 decreased by 1,421 million yen from the end of the previous fiscal year to 123,407 million yen.

The primary increase was 6,464 million yen in cash on hand and in banks. The primary decrease was 8,708 million yen in work in progress for game software.

(2) Liabilities

Total liabilities as of the end of the fiscal year ended March 31, 2019 decreased by 4,750 million yen from the end of the previous fiscal year to 34,658 million yen.

The primary decrease was 1,579 million yen in long-term borrowings.

(3) Net assets

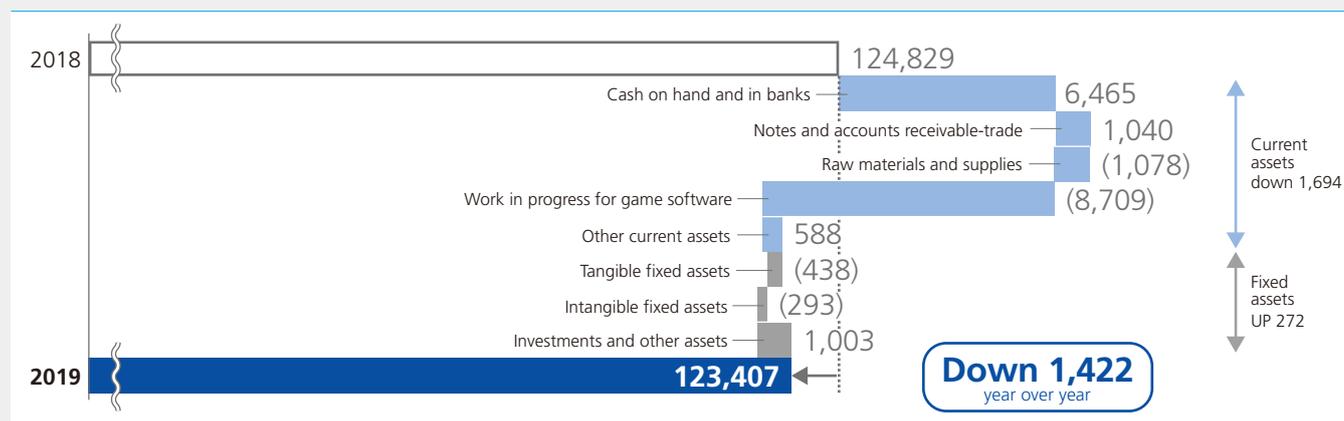
Net assets as of the end of the fiscal year ended March 31, 2019 increased by 3,328 million yen from the end of the previous fiscal year to 88,749 million yen.

The primary increase was 12,551 million yen in net income attributable to owners of the parent. The primary decreases were 3,558 million yen in dividends from retained earnings and 6,001 million yen in repurchase of treasury stock.

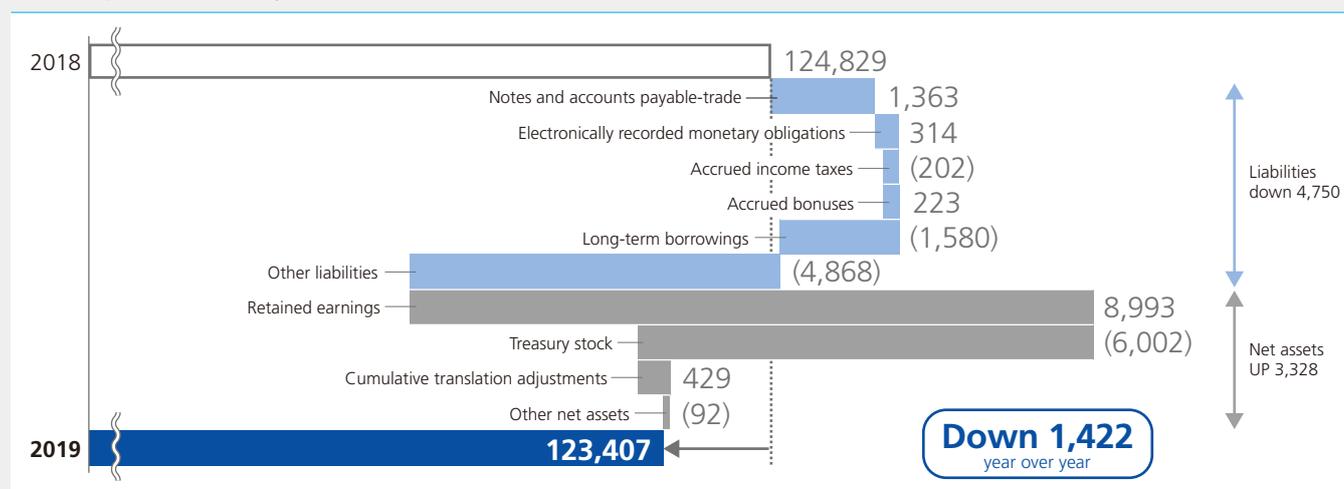
Financial Review

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

Assets (million yen)



Liabilities, Net Assets (million yen)



4. Analysis of Cash Flow

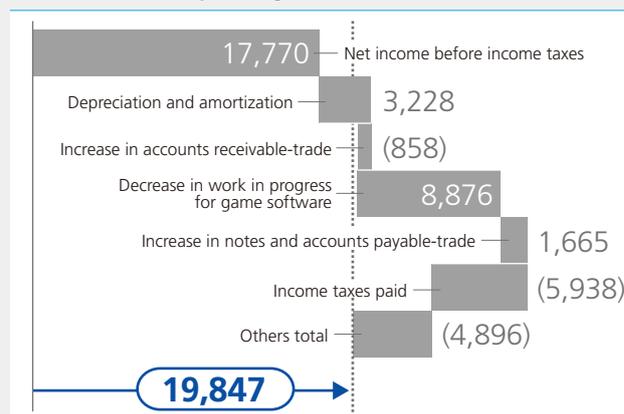
Cash and cash equivalents as of the end of the fiscal year ended March 31, 2019 increased by 6,465 million yen from the end of the previous fiscal year to 53,004 million yen. Cash flow positions of each activity and their factors are described below.

(1) Cash flows from operating activities

Net cash gained from operating activities was 19,847 million yen (34,721 million yen in the previous fiscal year).

A breakdown of cash inflows is as follows: 17,770 million yen in net income before income taxes (15,149 million yen in the previous fiscal year), 3,228 million yen in depreciation and amortization (4,706 million yen in the previous fiscal year), a 8,876 million yen decrease in work in progress for game software (4,069 million yen in the previous fiscal year) and a 1,621 million yen decrease in inventories (1,588 million yen in the previous fiscal year). The primary outflow was 5,938 million yen in income taxes paid (1,546 million yen in the previous fiscal year).

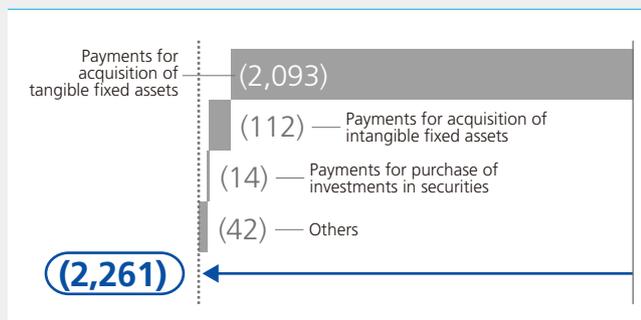
Cash Flows from Operating Activities (million yen)



(2) Cash flows from investing activities

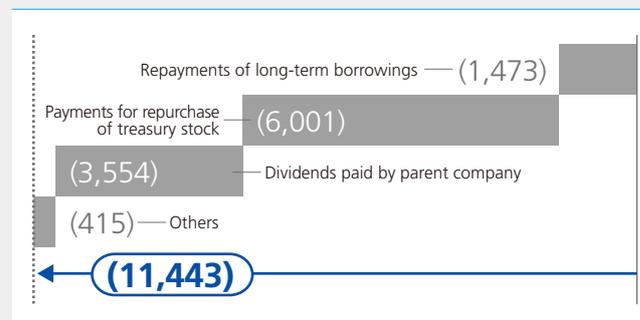
Net cash used in investing activities was 2,261 million yen (2,847 million yen in the previous fiscal year).

The primary item used was 2,093 million yen in payments for acquisitions of tangible fixed assets (2,767 million yen in the previous fiscal year).

Cash Flows from Investing Activities (million yen)**(3) Cash flows from financing activities**

Net cash used in financing activities was 11,443 million yen (9,577 million yen invested in the previous fiscal year).

A breakdown of the primary uses are as follows: 6,001 million yen in payment for repurchase of treasury stock (5 million yen in the previous fiscal year) and 3,554 million yen in dividends paid by parent company (2,738 million yen in the previous fiscal year).

Cash Flows from Financing Activities (million yen)**5. Our Financial Strengths****(1) High profitability of core business**

Our medium-term goal is stable growth of operating income. We aim to achieve both improved profitability and profit growth by increasing development cost investment efficiency, carefully reviewing the profitability of each title and employing a strategy of selection and concentration on projects that can be expected to contribute to profits. Based on this policy, in the fiscal year ended March 2019, we were second among the five main players in the domestic market* in terms of operating margin (18.1%) despite coming in last* in terms of net sales (100,031 million yen). Our Digital Contents business was also second (28.1%) in the comparison of margins in game software sales, which is the core business of each company. As for our future outlook, there will be no change to our policy of maintaining high profitability, but in preparation for changes in the market associated with rapid developments in game-related technology, we will also need to make anticipatory investments in new fields. As such,

we will make investments for the future while working to increase the operating margin.

* We have selected competing manufacturers whose core business is home video game software. We compiled the rankings based on information disclosed by each company.

(2) Financial flexibility based on high free cash flow

In the fiscal year ended March 2019, net cash gained from operating activities amounted to 19,847 million yen, primarily as a result of hit major titles in our core Consumer sub-segment. Net cash used in investing activities was 2,261 million yen, which is the standard level for us. As a result, free cash flow came to 17,586 million yen. Compared to competitors with large businesses, we were third in terms of free cash flow. Our free cash flow to net sales ratio of 17.6% is the highest among the five companies. This gives us a high level of financial flexibility compared to the industry standard. We will continue to promote measures for growth from a medium- to long-term perspective and work on further enhancing our capital policy.

Profitability Comparison

(Year ended March 2019)

| | Net sales (million yen) | Operating margin (%) | Game business margin (%) |
|-----------------------|----------------------------|-------------------------|-----------------------------|
| CAPCOM | 100,031 | 18.1 | 28.1 |
| SQUARE ENIX HOLDINGS | 271,048 | 9.1 | 14.2 |
| SEGA SAMMY HOLDINGS | 331,648 | 3.9 | 6.6 |
| BANDAI NAMCO HOLDINGS | 732,347 | 11.5 | 13.9 |
| KONAMI HOLDINGS | 262,549 | 19.2 | 30.9 |

(Prepared based on disclosures by each company)

Free Cash Flow Comparison

(Year ended March 2019)

| | Free cash flow (million yen) | Free cash flow to net sales ratio (%) |
|-----------------------|---------------------------------|--|
| CAPCOM | 17,586 | 17.6 |
| SQUARE ENIX HOLDINGS | -740 | -0.3 |
| SEGA SAMMY HOLDINGS | -7,237 | -2.2 |
| BANDAI NAMCO HOLDINGS | 54,912 | 7.5 |
| KONAMI HOLDINGS | 26,604 | 10.1 |

(Prepared based on disclosures by each company)

Segment Information

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

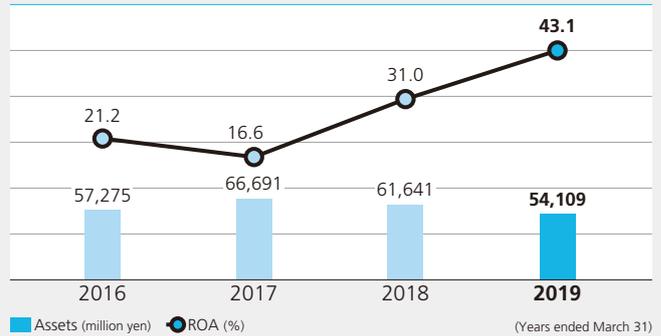
Digital Contents

This business develops and sells packaged and digital game content for consumer home video game platforms. It also develops and manages games for Mobile Contents and PC Online Games. Consumer games produces creative, original content 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.

Net Sales/Operating Margins



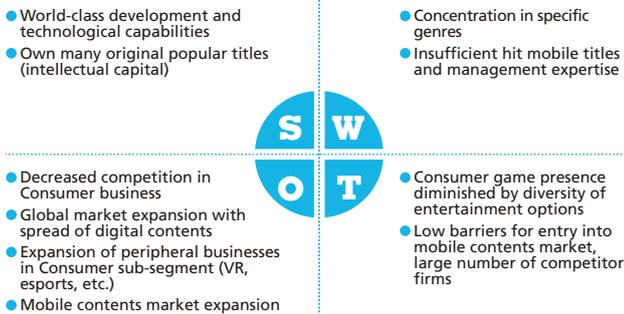
Assets/ROA



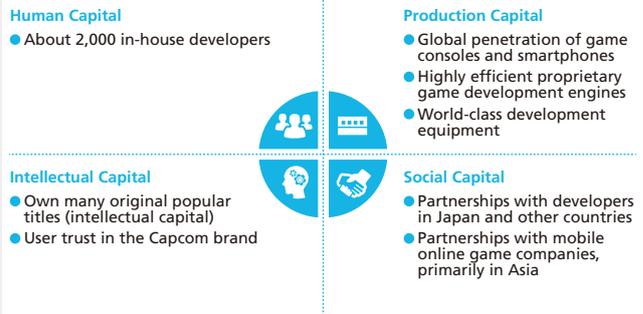
Note: Effective from the beginning of the current fiscal year, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

SWOT Analysis

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



Utilization of Non-Financial Capital

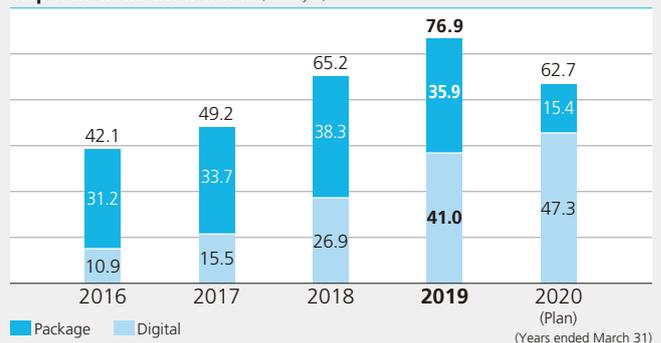


Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

Consumer (Package + Digital) sub-segment

This fiscal year (ended March 31, 2019), our major new titles were well-received globally, contributing to increased revenue. *Resident Evil 2*, the latest title in the flagship series, sold 4.2 million units, driving improvements to business results. Meanwhile, *Devil May Cry 5* sold 2.1 million units, successfully reestablishing the series. Additionally, the launch of the PC version of *Monster Hunter: World* resulted in an additional 4.5 million units sold, bringing the cumulative total for the title to 12.4 million units. Other titles, including *Resident Evil 7 biohazard* and *Mega Man 11*, also performed well and gave a boost to revenue. In digital sales, the PC version of *Monster Hunter: World* made a significant contribution, while an increase in the digital sales ratio of new titles *Resident Evil 2* and *Devil May Cry 5*, along with digital sales of high margin catalog titles also contributed. This resulted in a substantial increase in the number of units sold, bringing it to 15.3 million. Digital sales were up 52.4% from the previous year to 41 billion yen.

Capcom Consumer Sales (billion yen)



As a result, package and full-game download sales totaled 25.3 million units (up 3.7% from the previous year). Package sales were 35.9 billion yen, and digital sales were 41 billion yen. Together, they again resulted in higher Consumer sales of 76.9 billion yen (up 17.9% from the previous year). Digital sales, which have a high profit margin, were also strong, bringing operating margins to approximately 30%.

For Capcom, we continue to consider Consumer business growth as one of the keys to achieving our medium-term business goals.

Our initiatives are to (1) strengthen digital sales, (2) bolster our title lineup through the full-scale execution of our 60-month and 52-week maps and (3) awaken dormant intellectual properties.

Under (1), the prevalence of digital selling has made it possible to implement measures such as limited-time sales, increasing flexibility in pricing and expanding the impact of marketing. We utilize our existing intellectual properties (IP) in addition to major titles and additional content and rerelease past titles on current-generation hardware in order to create sales opportunities and increase the digital sales ratio. In terms of (2), we have been working to establish an efficient development system for core titles by preparing 60-month and 52-week maps since March 2015. We will establish a system that allows us to release core titles on a regular basis. Finally, for (3) we will revive dormant intellectual properties for which we have not recently released new titles by increasing the number of our developers.

Next fiscal year, we will release *Monster Hunter World: Iceborne*, a massive expansion for *Monster Hunter: World*, to solidify the brand globally. The focus on digital sales has made it possible to reach regions that were once difficult to access, so we aim to further expand global sales by focusing on catalog sales of *Monster Hunter: World*, *Resident Evil 2*, and *Devil May Cry 5*. As a result of these efforts, we expect to increase unit sales to 26.3 million units (up 4.0% compared to the previous year) and for the digital sales ratio to come to 75.4%, a substantial increase from the previous year. Accordingly, we forecast increased profit

despite an 18.5% drop in net sales from the previous year to 62.7 billion yen.

Mobile Contents Sub-segment

This fiscal year (ended March 31, 2019), performance of existing titles such as *Monster Hunter Explore* and *Snoopy's Sugar Drop* declined due to maturation of the market. Additionally, the launch of alliance titles in Japan and Asia that was planned for this year was postponed until next year.

As a result, net sales decreased to 2.3 billion yen (down 43.9% from the previous year). Profits were also down this year following licensing revenue recorded in the previous year received in conjunction with alliances in Asia.

In the future, we will continue to explore a wide range of possibilities, including developing new titles using our intellectual properties and forming alliances with companies in Japan and other countries. We will work on development in the mobile field and accumulating operational know-how. We will also promote technical research on development of apps utilizing the 5G next-generation wireless standard.

Next fiscal year we expect net sales of 4.1 billion yen (up 78.3% from the previous year) due primarily to distribution of new titles like *Sengoku BASARA: Battle Party* and *TEPPEN* an alliance title released together with GungHo Online Entertainment, Inc.

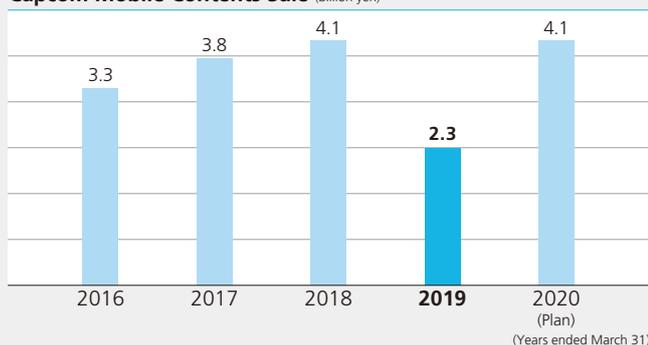
PC Online Sub-segment

This fiscal year (ended March 31, 2019), net sales fell to 3.7 billion yen (down 22.9% from the previous year) due to the declining contribution of existing titles *Monster Hunter Frontier Z (MHFZ)* and *Dragon's Dogma Online (DDON)*. Profitability was restored with elimination of the amortization burden of *DDON*.

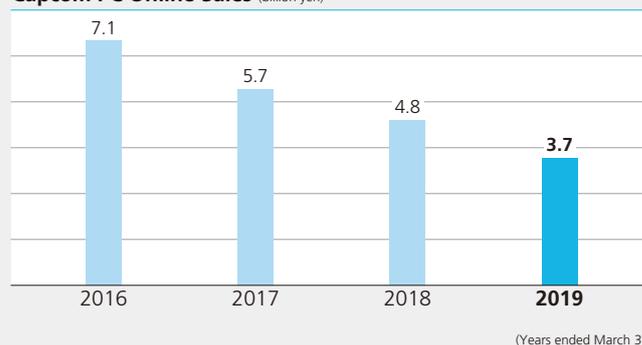
Capcom will continue to work on improving our revenue base by reducing SG&A.

In light of the blurring of the lines between PC online and consumer games, this disclosure segment will be consolidated under the Consumer business starting next fiscal year.

Capcom Mobile Contents Sale (billion yen)



Capcom PC Online Sales (billion yen)



Segment Information

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

Arcade Operations

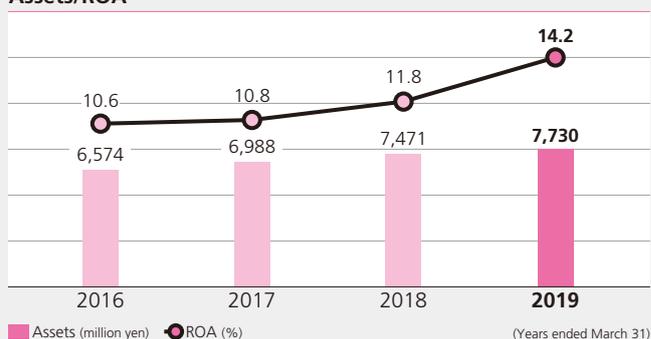
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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

Net Sales/Operating Margins



Assets/ROA



SWOT Analysis

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



Utilization of Non-Financial Capital



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

This fiscal year (ended March 31, 2019), relaxation of restrictions in the Entertainment and Amusement Trades Act that took effect in June 2016 continued to provide favorable conditions for a sustained recovery in market size. In addition to increased sales per customer resulting from more time spent in arcades, the draw of prizes featuring specific characters and popular products, higher operating rates of newly released cabinets, and other factors contributed to results.

We also launched an online crane game service that allows players to operate the game remotely using a computer or smartphone to win original prizes.

Additionally, as an esports undertaking, events were held at the Capcom Esports Club at Plaza Capcom Kichijoji, and tournaments were held at stores in six cities around Japan to expand the field of users.

As for stores, Plaza Capcom Hiroshima was opened in Hiroshima, and we launched *Capcom Net Catcher Cap Tore*, an online crane game, while Plaza Capcom Tsuchiura was closed in Ibaraki Prefecture. This brought the total number of stores to 37.

As a result, same store sales were up 2% from the previous

year, bringing segment net sales to 11.050 billion yen (up 8.0% from the previous year) and operating income to 1.096 billion yen (up 24.6% from the previous year), so that both sales and profit were up compared with the previous year.

In the next fiscal year, Capcom will promote streamlining of management through its ongoing scrap-and-build policy and continue opening stores in places with strong customer drawing power. We will also work to expand the user base by providing playable demonstrations of consumer titles and operating original stores utilizing our intellectual properties.

We plan to open five facilities, including Plaza Capcom Ikebukuro, bringing the total number of stores to 42.

As a result of these measures, we expect same store sales to be down 4.0%, and we forecast net sales of 11.2 billion yen (up 1.4% from the previous year). We expect lower operating income of 700 million yen (down 36.1% from the previous year) due to factors such as the consumption tax hike and the burden of initial investments in new stores.

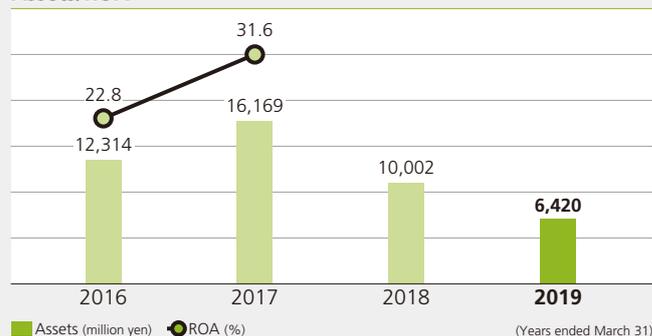
Amusement Equipments

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

Net Sales/Operating Margins

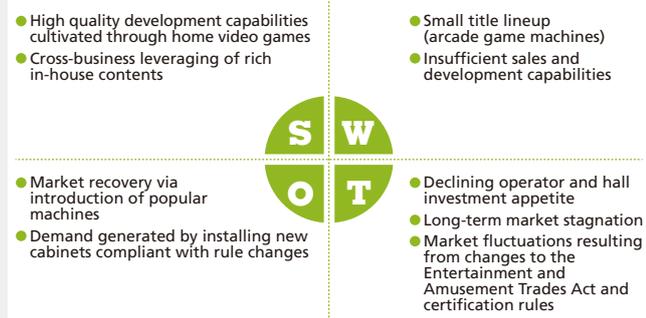


Assets/ROA

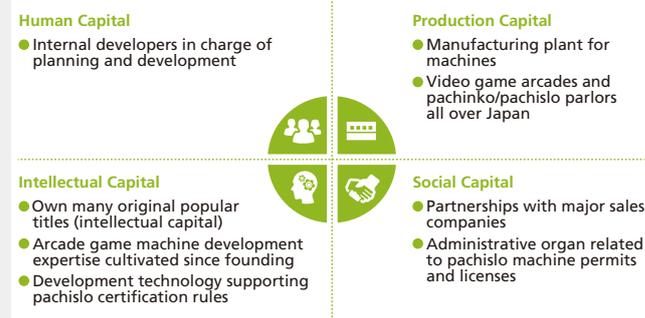


SWOT Analysis

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



Utilization of Non-Financial Capital



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

This fiscal year (ended March 31, 2019), five pachislo machines (*Okami-Kaidouhen-*, *Street Fighter V*, *Mega Man Ability*, *BIOHAZARD into the Panic*, and *Sengoku BASARA: Heroes Party*) were launched by the Pachinko & Pachislo (PS) sub-segment, and 7,800 units were sold. Additionally, in the Arcade Games Sales sub-segment, we focused on catalog sales.

Changes in the market environment resulting from such things as changes to methods of pachislo machine model certification continued to have an impact, causing a substantial decrease in the number of units sold. As a result, net sales fell to 3.422 billion yen (down 56.1% from the previous year). The loss on valuation and loss on suspension recorded in the Arcade Games Sales sub-segment in the previous fiscal year were eliminated, but a loss on valuation and loss on suspension were recorded for some titles on top of the decline in income associated with decreased revenue in the PS sub-segment. As a result, we recorded an operating loss of 2.668 billion yen (compared to an operating loss of 764 million yen the previous year).

In the next fiscal year, Capcom will keep an eye on trends as the situation remains uncertain in the midst of a difficult market

environment in the PS sub-segment, despite some replacement demand. Under these circumstances, we will review our development system with an eye toward releasing machines built to current standards in order to impress hall operators and end-users. We will continue to (1) develop machines not dependent on speculation and that feature a variety of entertaining video elements and playing styles and (2) secure a strong sales network and improve machine quality through an alliance with a major sales company. In this way, we will supply proprietary cabinets for current standard machines and work on improving profitability through restoring the market's evaluation of us.

In the next fiscal year, we plan to release three models and sell 15,000 units (7,200 units more than the year under review). As a result, we expect net sales to increase to 4 billion yen (up 16.9% from the year under review) and to record 100 million in operating income owing to the elimination of the loss on valuation and loss on suspension recorded in the year under review.

Segment Information

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

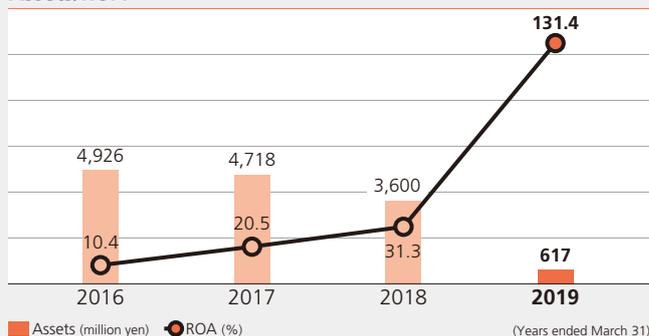
Other Businesses

Based on our Single Content Multiple Usage strategy of developing game content for various media, we pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game art books) and licensing (movies, animated television programs, music CDs, and merchandise). Furthermore, we are concentrating on the esports business as well.

Net Sales/Operating Margins

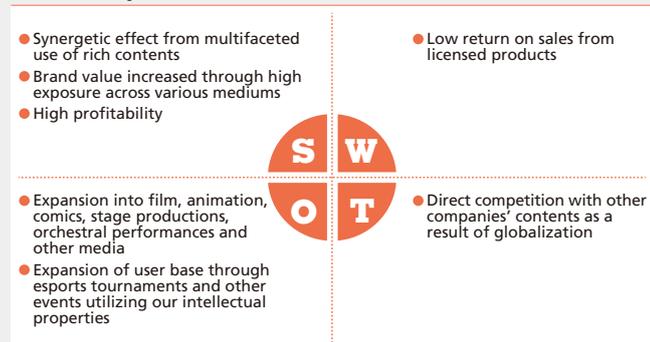


Assets/ROA



SWOT Analysis

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



Utilization of Non-Financial Capital



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

This fiscal year (ended March 31, 2019), we worked to improve our brand value through such efforts as broadcasting the animated television shows *Gyakuten Saiban: Sono "Shinjitsu", Ijiri! Season 2* and *Gakuen BASARA*. We also established a dedicated department for creating business opportunities in the esports market, which is expanding rapidly worldwide, and held our first league competition utilizing Street Fighter, one of our leading IP which has a high affinity with esports.

As a result, net sales increased to 2.575 billion yen (up 10.2% from the previous year), but operating income decreased to 811 million yen (down 28.0% from the previous year) due to upfront investments, including increased prize money for esports events and holding events to expand the field of users.

We will continue to leverage our strength of being able to reap substantial synergetic benefits with the Consumer Games businesses by diversifying the use of our rich library of intellectual properties (content) and rolling them out across various mediums, including movies, animated television programs, theatrical productions, and events. Additionally, in our esports initiatives we are focused on expanding the player base from a medium- to

long-term perspective, and as part of this will create the STREET FIGHTER LEAGUE: Pro-US in the United States and the STREET FIGHTER LEAGUE Pro-JP professional league in Japan, as well as new university and arcade leagues that will serve as gateways to our professional league in Japan.

We will also continue to actively leverage our intellectual properties (content), based on our Single Content Multiple Usage strategy with a stage play called *Zangeki Sengoku BASARA Tenseihoukan* and the Monster Hunter 15th Anniversary Orchestral Concert—Hunting Music Festival 2019—, as we work to increase the value of our core brands through adaptations and collaborations.

As a result of these measures, we expect net sales to increase to 3.0 billion yen (up 16.5% from the previous year), but due to continued upfront investments in esports, we expect to record an operating loss of 400 million yen.

Stock Data

Number of Shares Authorized300,000,000 shares
 Number of Shares Issued135,466,488 shares
 Number of Shareholders14,864

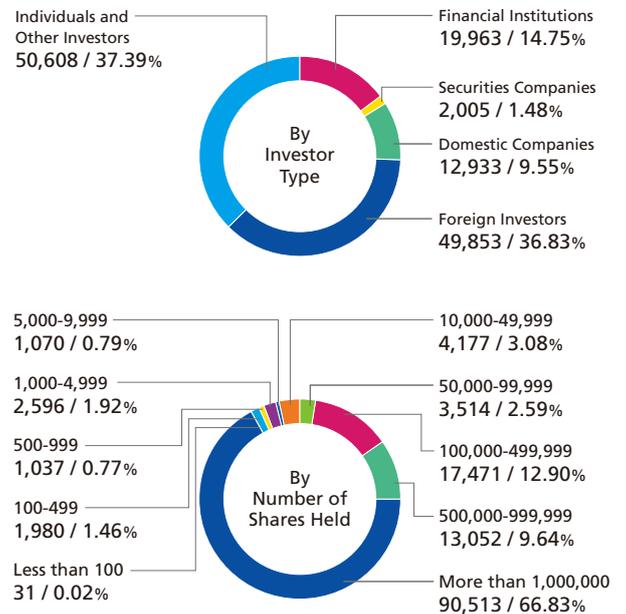
Major Shareholders (Top 10)

| Major Shareholders | Number of Shares Held (in thousands) | Percentage of Shareholding (%) |
|--|--------------------------------------|--------------------------------|
| Crossroad Co., Ltd. | 10,682 | 10.01 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,301 | 4.03 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 4,089 | 3.83 |
| Yoshiyuki Tsujimoto | 4,038 | 3.78 |
| Kenzo Tsujimoto | 4,019 | 3.77 |
| JPMC Oppenheimer Jasdec Lending Account | 3,488 | 3.27 |
| Haruhiro Tsujimoto | 3,099 | 2.90 |
| Ryozo Tsujimoto | 3,091 | 2.90 |
| BNYM as AGT/Clients 10 percent | 2,248 | 2.11 |
| State Street Bank and Trust Company 505001 | 2,138 | 2.00 |

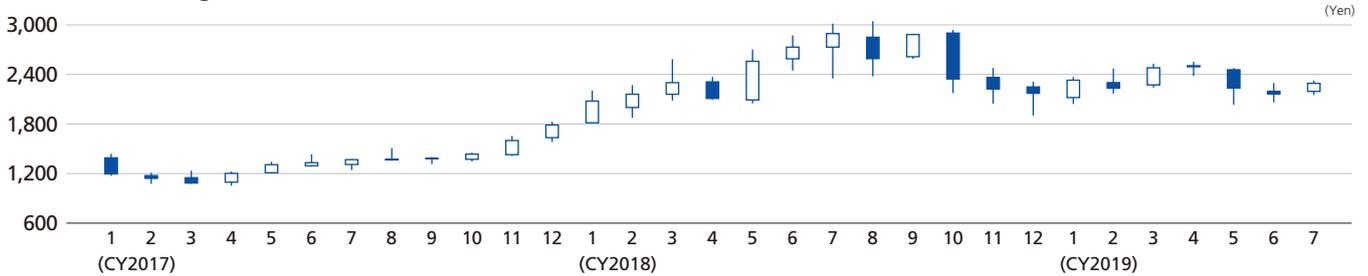
Note: Capcom owns 28,695 thousand shares as treasury stocks.
 The stocks owned by the company are excluded from the above list.

Shareholders' Breakdown

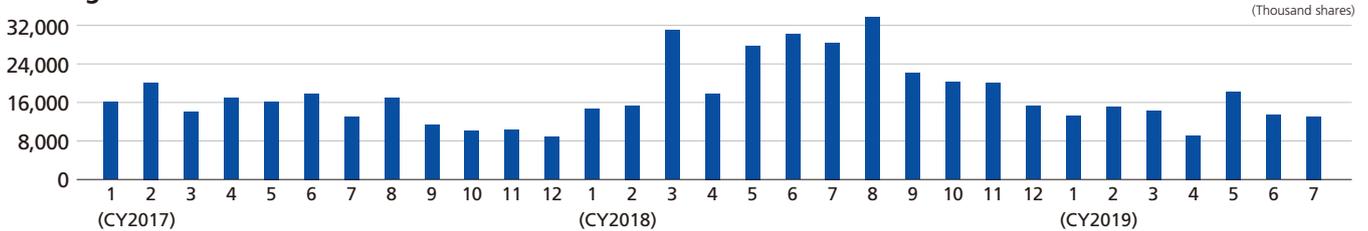
Number of shares held (in thousands) / (%)



Stock Price Range*



Trading Volume*



11-Year Trend of Stock Price and Trading Volume

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|
| Stock Price | 873.0 | 883.0 | 795.0 | 945.5 | 738.0 | 979.0 | 1,194.5 | 1,372.5 | 1,085.5 | 2,299.0 | 2,480.0 |
| High | 1,820.0 | 1,005.0 | 953.5 | 1,155.5 | 979.5 | 1,165.0 | 1,206.5 | 1,537.5 | 1,438.5 | 2,585.0 | 3,045.0 |
| Low | 737.5 | 648.5 | 572.5 | 736.5 | 625.0 | 698.0 | 770.5 | 972.0 | 963.5 | 1,053.0 | 1,903.0 |
| Trading Volume | 179,636,900 | 181,065,800 | 149,613,900 | 227,386,800 | 178,008,200 | 150,408,300 | 143,234,700 | 162,642,100 | 183,455,500 | 182,341,200 | 258,438,800 |

* Effective April 1, 2018, Capcom implemented a stock split of two shares for every share. Stock prices prior to this date have been calculated assuming the stock split.

(Years Ended March 31)

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 ... 2,832 (Including consolidated subsidiaries)
 2,530 (Capcom CO., LTD.)

Major Offices

Head Office 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-3600
R&D Building ... 3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7600
R&D Building #2 ... 3-1-10 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7750
Tokyo Branch ... Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0448, Japan
 PHONE: 81-3-3340-0710
Ueno Facility ... 3902 Hatta, Iga, Mie, 518-1155, Japan
 PHONE: 81-595-20-2030



Head Office



R&D Building



R&D Building #2

Capcom's Subsidiaries (As of Sep. 1, 2019)

K2 CO., LTD. / Enterrise CO., LTD. / CAPCOM Maintenance Service CO., Ltd./ CAPCOM U.S.A., INC. / CAPCOM ASIA CO., LTD. / CE EUROPE LTD. / CAPCOM ENTERTAINMENT GERMANY GmbH / CAPCOM ENTERTAINMENT FRANCE, SAS / CAPCOM TAIWAN CO., LTD. / CAPCOM MEDIA VENTURES, INC.

* Business operations for BEELINE INTERACTIVE, INC. and BEELINE INTERACTIVE CANADA, INC. were suspended during January 2019, and for CAPCOM GAME STUDIO VANCOUVER, INC. during September 2018. These businesses are currently nonoperating.

