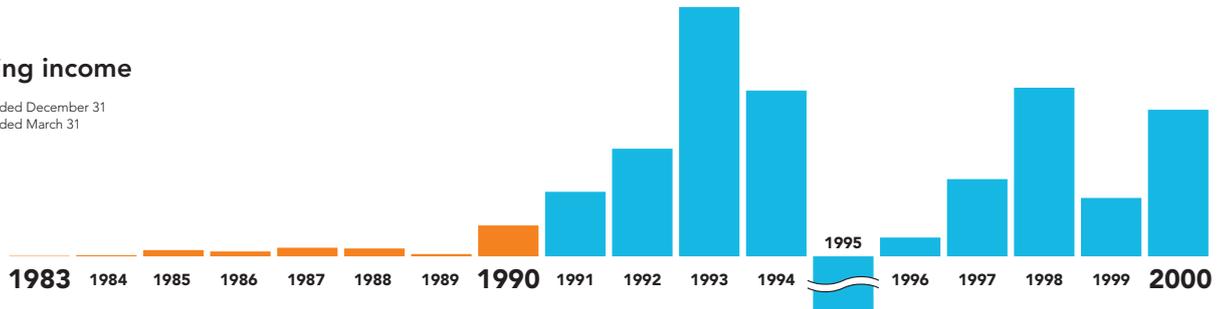


Creator of entertainment culture in Japan and around the world

Trend in operating income

Note: 1983–1988: Fiscal years ended December 31
1989–2020: 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."

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.

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.



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*.

1992

Released *Street Fighter II* for the Super NES.



1993

Released *Breath of Fire* for the Super NES.

1996

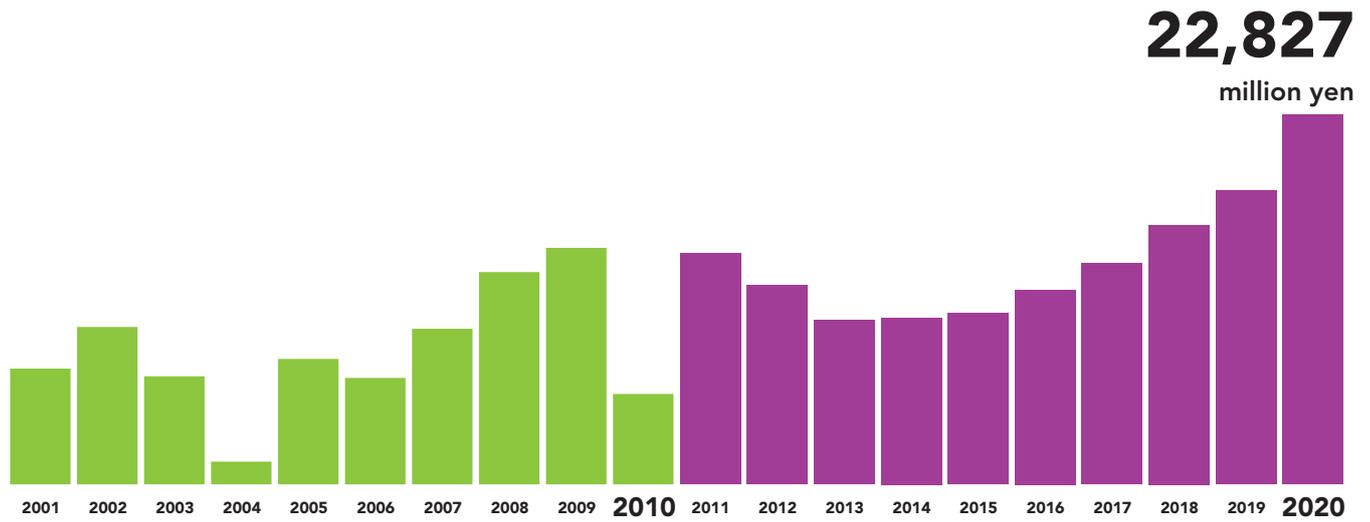
Released *Resident Evil* for PlayStation, establishing the genre of survival horror with this record-breaking, long-time best-seller.



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.



22,827
million yen

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.

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.

2007

Cooperative gameplay becomes standard

Monster Hunter Freedom 2 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.



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.

2012

Released *Dragon's Dogma*.

2017

Released *Resident Evil 7 biohazard*.

2018

Monster Hunter: World is released selling a cumulative total of more than 15 million units, the first title to do so in Capcom's history.

2019

Released *Resident Evil 2* and *Monster Hunter World: Iceborne*, both of which demonstrated a strong global presence.



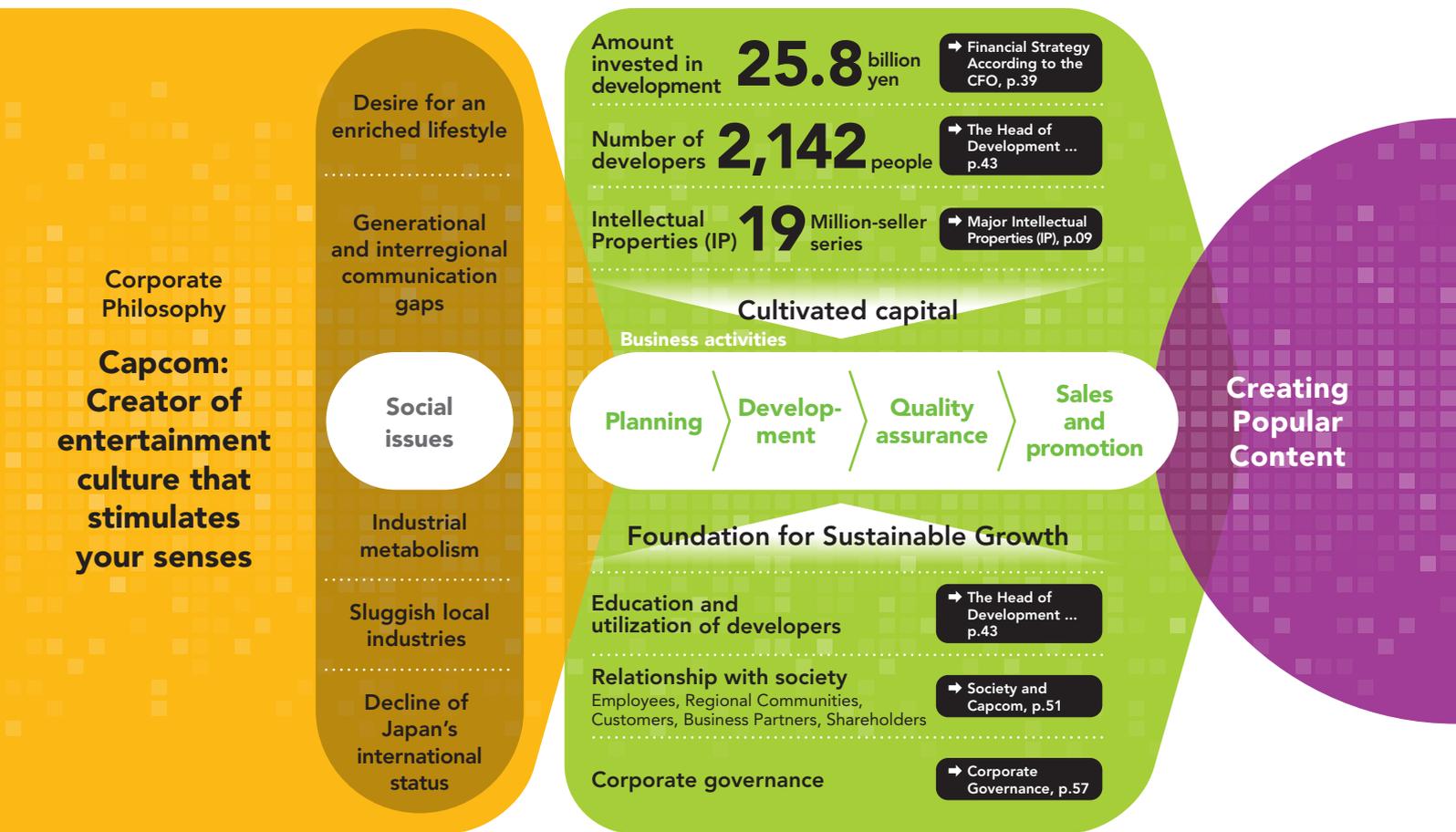
2018

Capcom officially entered esports, a new form of entertainment

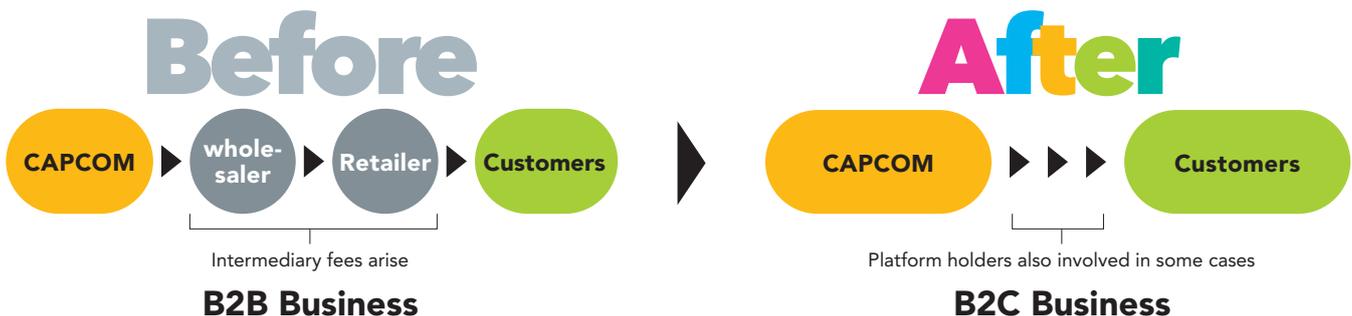
In 2018, Capcom established a dedicated department to promote the spread of esports with measures such as launching new competitions for pros and amateurs.

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 both financial and non-financial value; to put it another way, by providing the happiness brought about by games, we are able to contribute to solving societal issues.



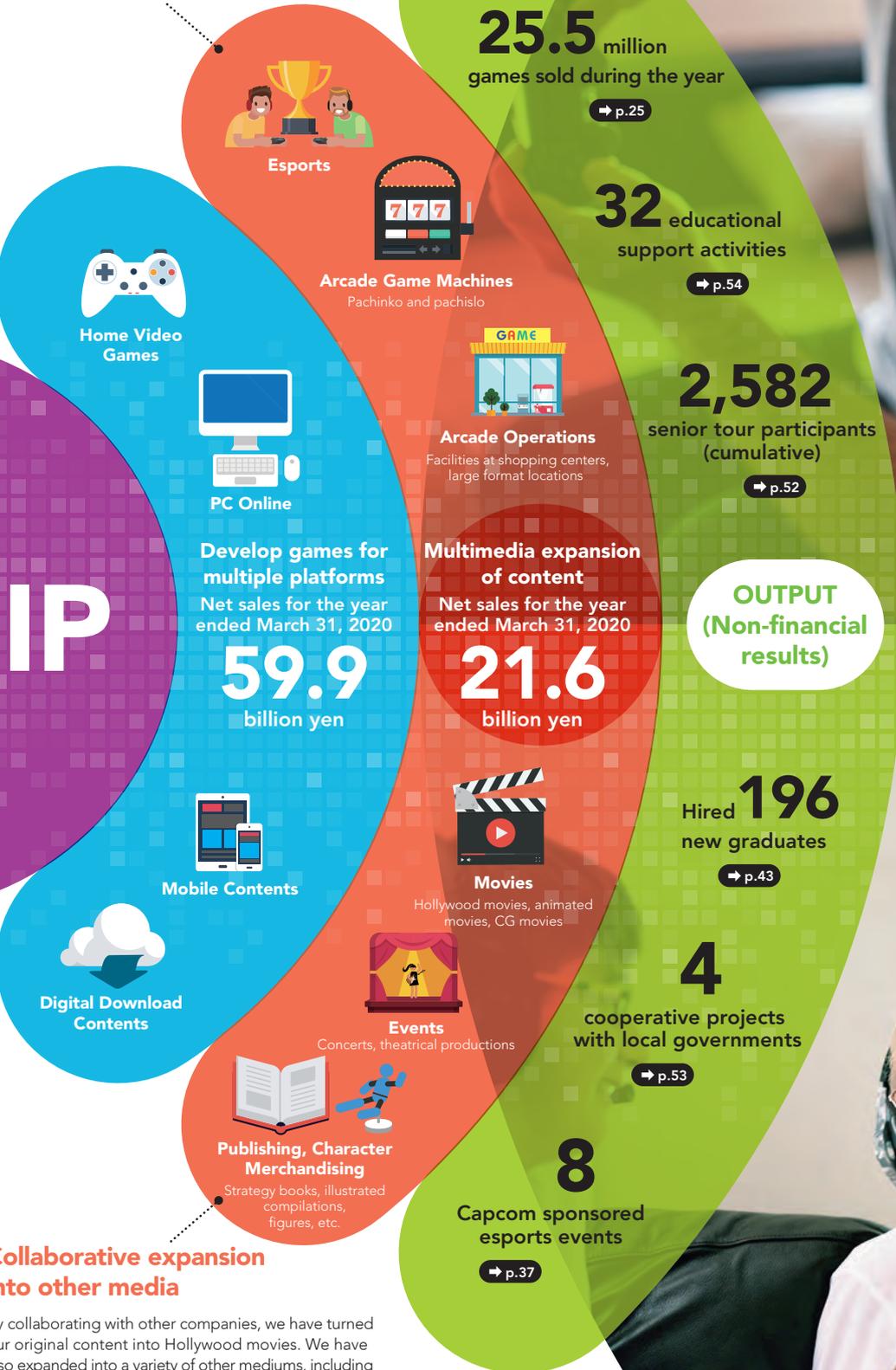
Game sales shift to digital → p.33



Development of proprietary multimedia

At Capcom, we operate our own Plaza Capcom amusement facilities, develop and sell gaming machines, and hold esports tournaments.

→ Effectively Leveraging IP, p.11



Collaborative expansion into other media

By collaborating with other companies, we have turned our original content into Hollywood movies. We have also expanded into a variety of other mediums, including animation, live theater, events, and publications.

→ Effectively Leveraging IP, p.11

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

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

In the 37 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.



ROCKMAN 11
運命の歯車!!

Mega Man series

Total number of units sold
36 million
(As of March 31, 2020)

Cumulative million-seller titles
6 titles



BIOHAZARD RE:3

Resident Evil series

Total number of units sold
98 million
(As of March 31, 2020)

Cumulative million-seller titles
28 titles

KPI
(Fiscal year ended March 31, 2020)

Cumulative million-seller titles
96 titles

Number of units sold
25.5 million



Street Fighter series

Total number of units sold
44 million

(As of March 31, 2020)

Cumulative million-seller titles
13 titles



MONSTER HUNTER
WORLD
ICEBORNE

Monster Hunter series

Total number of units sold
63 million

(As of March 31, 2020)

Cumulative million-seller titles
12 titles

This fiscal year's hit titles

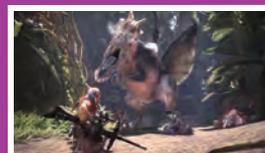
Monster Hunter World: Iceborne

5.2 million units



Monster Hunter: World (catalog title)

3.2 million units



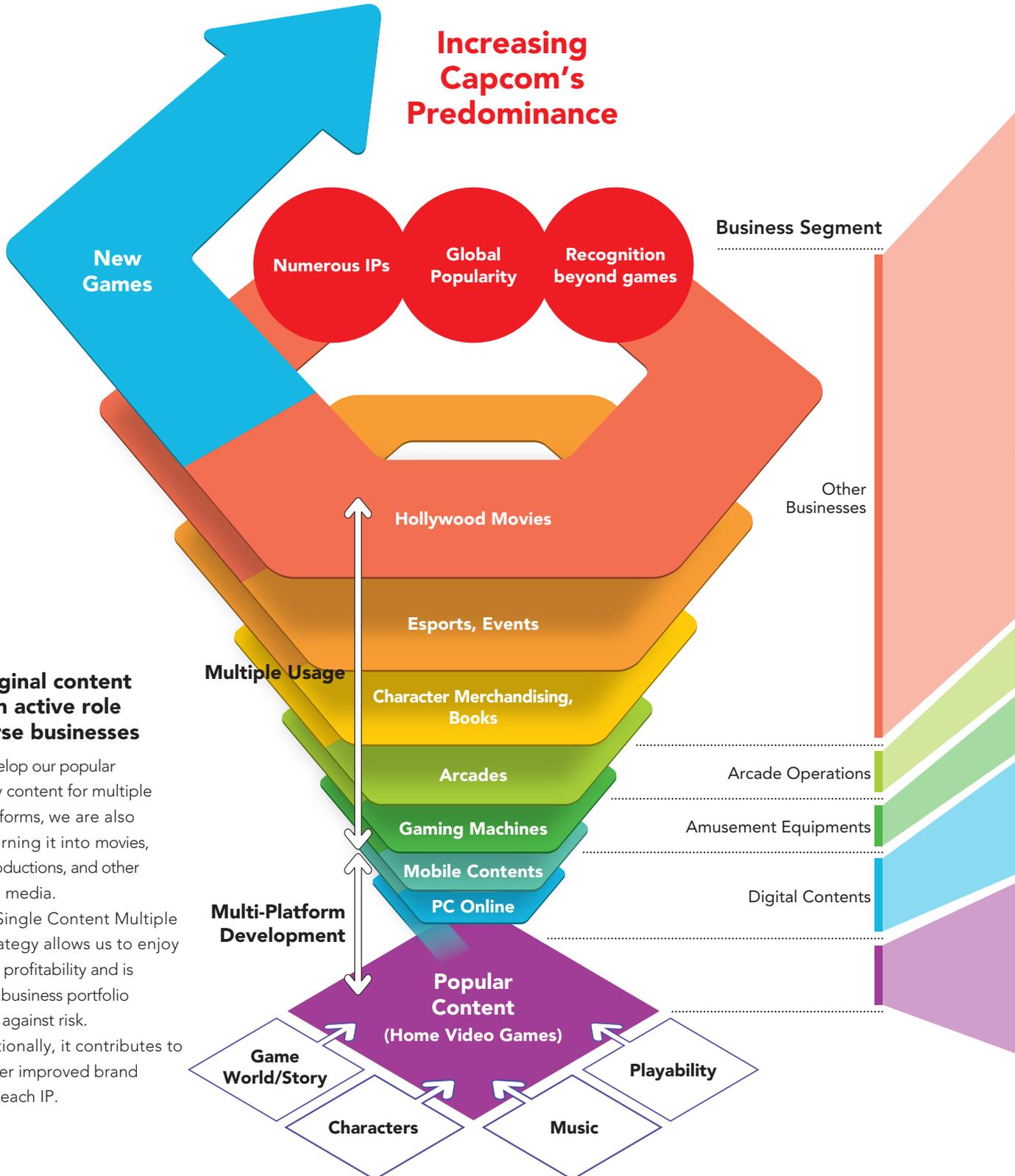
Resident Evil 2 (catalog title)

2.4 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.



Our original content plays an active role in diverse businesses

As we develop our popular proprietary content for multiple game platforms, we are also actively turning it into movies, theater productions, and other non-game media.

This Single Content Multiple Usage strategy allows us to enjoy multi-level profitability and is building a business portfolio diversified against risk.

Additionally, it contributes to even further improved brand power for each IP.

Further Improved Brand Power

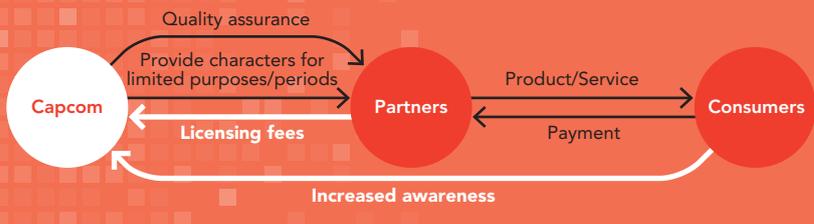
Multiple Usage Content Single

Usage



Restaurants Events Orchestral Concerts Books

Licensing Business




Weddings Hollywood Movies

Appealing to a broader demographic



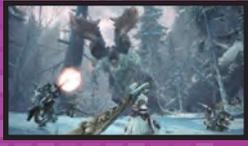
Pachislo Sales of merchandise

Expanding into adjacent markets



Mobile Games

Attracting casual users



Home Video Games

Monster Hunter series

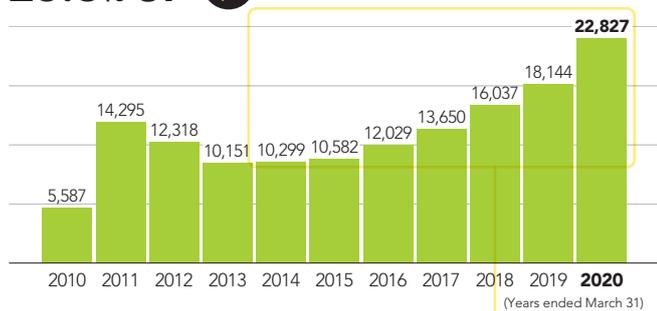


Financial highlights

Operating Income/Operating Margins

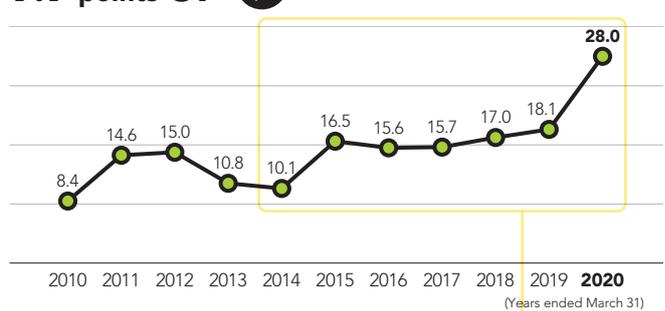
Operating Income (million yen)

22,827 million yen
25.8% UP 



Operating Margins (%)

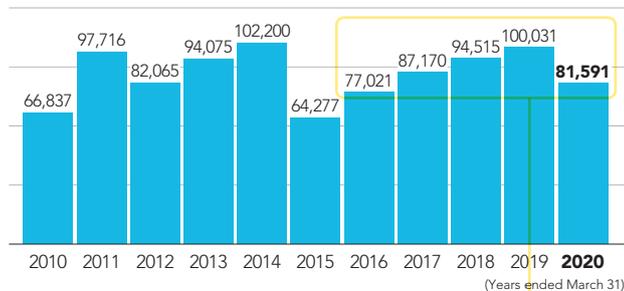
28.0%
9.9 points UP 



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 that year while these reforms were implemented. **From the following year onward we have achieved seven 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 2020 was the third year in a row we succeeded in breaking our operating profit record, despite a decrease in net sales. This was due to a new major hit title and the accumulation of catalog sales, in addition to the fact that the highly profitable digital sales trend continues to grow.**

Net Sales (million yen)

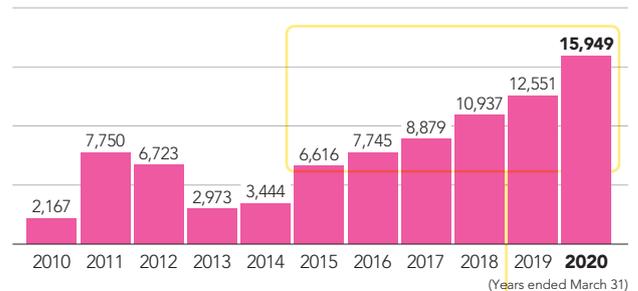
81,591 million yen
18.4% DOWN 



In the fiscal year ended 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. **The steady release of major titles from the Consumer sub-segment since the fiscal year ended March 2016 resulted in a continuous increase in net sales, but in the fiscal year ended March 2020, the net sales figure declined due to the decrease in retail unit prices accompanying the shift to digital sales for game software.**

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

15,949 million yen
27.1% UP 

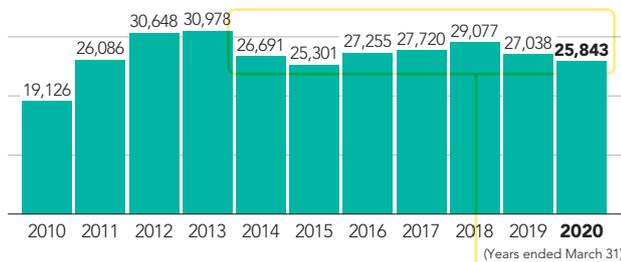


In the fiscal years ended in March 2010, 2013 and 2014, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization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

→ Please refer to "Financial Strategy According to the CFO" on p.39-42, and "11-Year Summary of Consolidated Financial Indicators" on p.71-72

R&D Investment Costs (million yen)

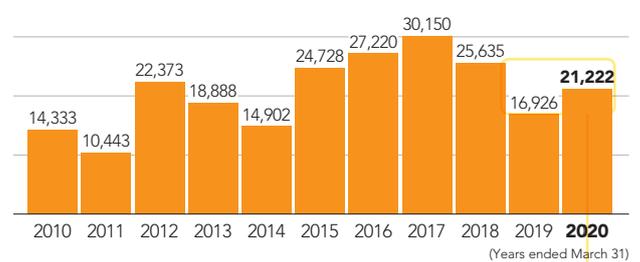
25,843 million yen
4.4% DOWN ↘



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, we expect costs to be approximately 30 billion yen going forward.

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

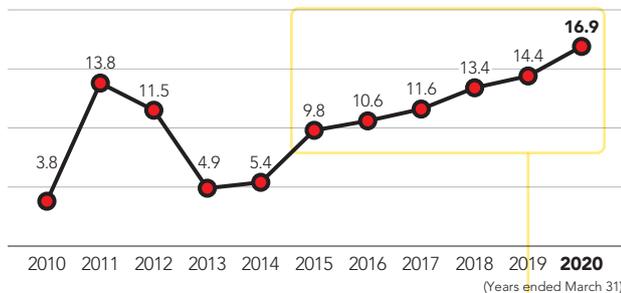
21,222 million yen
25.4% UP ↗



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. In addition to the release of major titles in the fiscal year ended March 2019, reassessment and closing of overseas studios resulted in a significant decrease. However, in the fiscal year ended March 2020, there was an increase due to work on major titles to be released in upcoming fiscal years.

Return on Equity (ROE) (%)

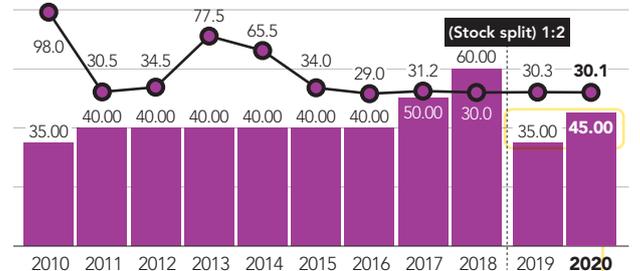
16.9%
2.5 points UP ↗



In the fiscal years ended March 2010, 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, ROE has been on the rise following the elimination of special losses and improved profitability.

Dividend per Share/Dividend Payout Ratio

45.0 yen 30.1%
28.6% UP ↗ 0.2 points DOWN ↘



(Note) With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock. For the years ended March 31, 2018 and earlier, dividends paid show the actual amounts prior to the stock split.

Based on Capcom's basic policy of maintaining stable dividends, in the fiscal year ended March 2011, the annual dividend was raised 5 yen. 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 were able to maintain our unbroken record of paying out dividends since listing publicly. In the fiscal year ended March 2020, we once again continued to increase dividends paid.

Creating social value as a game publisher

Seeking a healthier relationship between games and society

With the rise in popularity 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. 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 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.

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, in order to balance our own sustainable economic growth with a sustainable society, we intend to contribute to the development of social sustainability by selecting and clearly addressing four material issues within the ESG framework.

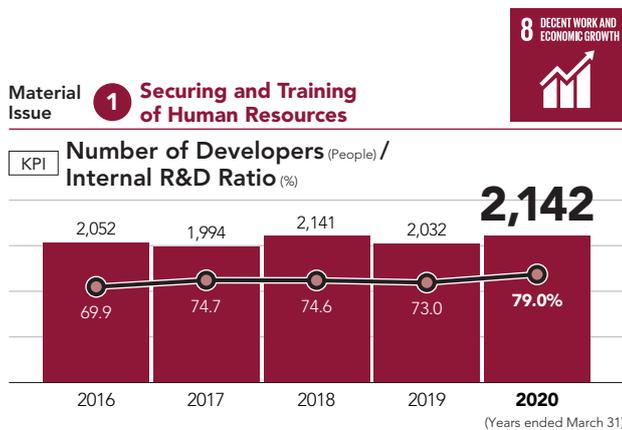
Sustainable Development Goals (SDGs)

SDGs are 17 goals that were adopted by the over 150 member countries of the United Nations at the United Nations Sustainable Development Summit held in September of 2015 at the UN headquarters in New York. It was determined that in order to eliminate poverty and achieve a sustainable world, we must prioritize the resolution of these 17 goals on a global scale.

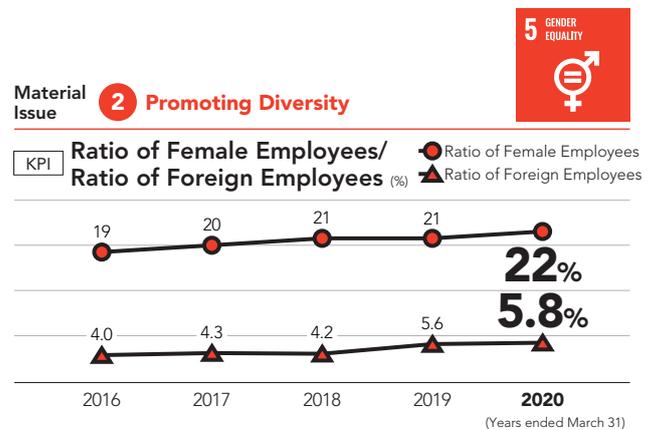
→ For details, please refer to the United Nations Information Centre “2030 Agenda” site.
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



Material Issues



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 approximately doubled 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 achieve their own personal goals.



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 have been promoting diversity and working on building a workplace where women and foreign nationals can excel. As a result, the numbers of both women and foreign nationals continue to climb, in turn helping Capcom create captivating content and growth on a global level.

→ For details see p.54

Outreach Classes at Niigata Elementary School attached to Niigata University

In July 2019, we received a request from Niigata Elementary School, which is the elementary school attached to the Education Faculty at the University of Niigata, to give a talk to 5th and 6th grade students about how mathematics is helpful in the popular profession of game developer. According to the survey taken prior to the lecture, most students do not play games. However, as games have become more familiar in recent years to students who often play games on computers or smartphones, they listened to the lecture with great interest. ➔ For details see p.54



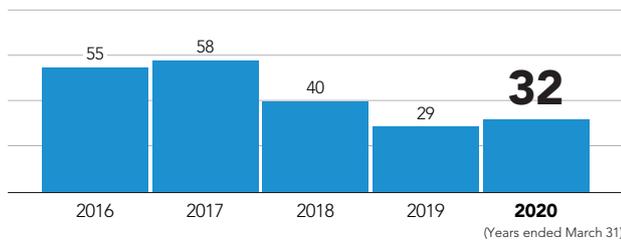
Providing a popular character to bring awareness to the House of Councillors election in Kochi

Kochi Prefecture wanted to raise awareness of the 25th House of Councillors regular election held on July 21, 2019 and increase the number of young people voting. To aid this effort, Capcom provided popular character Chosokabe Motochika from the Sengoku BASARA series, who is a symbol of Kochi Prefecture and whose popularity in the prefecture ranks second only to Sakamoto Ryoma. As a result of the prefecture-wide advertising campaign on TV and radio commercials, tram wrappings, and the round paper fans and pocket tissues that were handed out, the voting rate increased by 0.8 points over the previous year, becoming the only prefecture nationwide to demonstrate an increase in voter turnout. ➔ For details see p.53



Material Issue 3 Development of Solid Relationship with Society

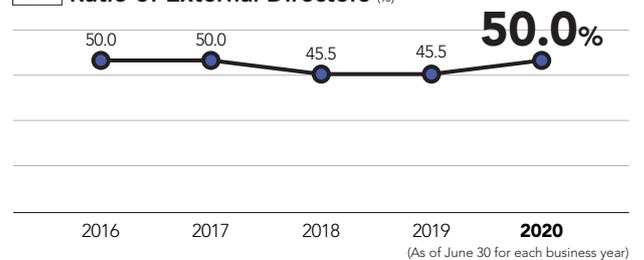
KPI Number of Educational Support Activities (times)



Aiming to increase national awareness of the education support activities that Capcom began in 2005, we continued to expand the number of activities we held until the fiscal year ended March 2017. As a result of our efforts spanning more than 10 years, we were able to achieve a satisfactory level of awareness, and since the fiscal year ended March 2018, we have been providing stable support with roughly 30 activities held annually. However, we expect this number to decrease for the fiscal year ending March 2021 due to the impact of the COVID-19 pandemic. ➔ For details see p.54

Material Issue 4 Enhancement of Corporate Governance

KPI Ratio of External Directors (%)



Generally, an owner-run company excels at being flexible and fast decisionmaking, 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, and on March 31, 2020, external directors accounted for 45.5% of the entire board of directors. However, the retirement of one of our directors put the ratio at 50% as of June 2020. ➔ For details see p.60

Business activity achievements

Business Overview

Operating Results for This Fiscal Year

Digital Contents



This business develops and sells packaged and digital game content for consumer home video game platforms. It also develops and manages games for Mobile Contents and PC Online Games. Consumer games produces creative, original content that provides recurring revenue by utilizing digital distribution. Many of these million-seller titles are used for smartphone, tablet device and PC online games, and are distributed worldwide in order to maximize earnings.

→For details see p.73

Consumer (Package + Digital)

- ◆ New title *Monster Hunter World: Iceborne* was a hit
- ◆ Major catalog title hits *Monster Hunter: World*, *Resident Evil 2*, and *Devil May Cry 5* performed well
- ◆ Highly profitable digital sales grew further

Mobile Contents

- ◆ Launched in-house titles such as *Monster Hunter Riders* and *Sengoku BASARA Battle Party*, as well as alliance titles

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 younger customers. →For details see p.75

- ◆ We opened Capcom Store Tokyo, a showroom in Shibuya that sells Capcom merchandise
- ◆ We focused efforts on cultivating new customer segments, including free game experience tours for middle-aged and elderly persons
- ◆ We opened three new stores
- ◆ To prevent the further spread of COVID-19, we changed the operating hours of some stores and temporarily closed others
- ◆ Same store sales were up 3% year over year

Amusement Equipments



This business utilizes the content from our home video games. We focus primarily on the development, manufacture and sales of software, frames and LCD devices for gaming machines.

→For details see p.76

- ◆ Sold a total of 20,000 units of one model
- ◆ Returned to profitability after releasing model designed to current regulations

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. →For details see p.77

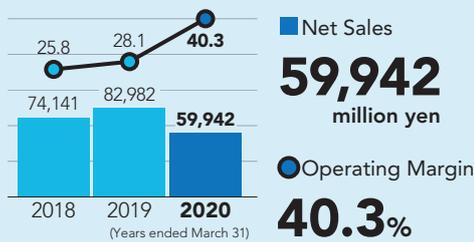
- ◆ We held events and sold merchandise leveraging IPs like *Monster Hunter* and *Resident Evil*, creating multifaceted opportunities for earning
- ◆ Proactively worked to develop new esports events such as the CAPCOM Pro Tour Asia Premier and the Street Fighter League World Championship
- ◆ Despite the increase in licensing revenue, the margin decreased due to upfront investments in esports

Main Products for This Fiscal Year (Output)

PC Online

◆ Retired the PC Online titles *Monster Hunter Frontier Z* and *Dragon's Dogma Online*.

Net Sales/Operating Margins



Monster Hunter World: Iceborne

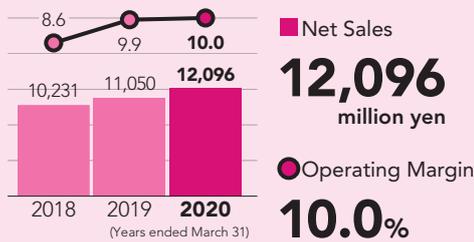
A massive expansion for *Monster Hunter: World*, which holds the record for Capcom's best selling title with sales of more than 15.7 million units. With a stellar critical reception, this game has attracted attention from around the world and sold 5.2 million copies globally.



Monster Hunter Riders

In addition to the deep-rooted popularity of the *Monster Hunter* brand, the game's fast tempo, dynamic staging, vibrant characters, and rich content have drawn much attention resulting in a total of 5 million downloads.

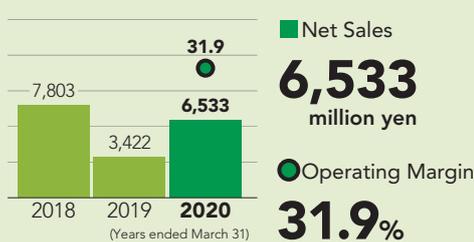
Net Sales/Operating Margins



Showroom Capcom Store Tokyo

This showroom featuring Capcom's popular characters merchandise opened in Shibuya in November 2019. The store is performing well due to its location, perfect for meeting the demands of inbound visitors, and through offering original merchandise that has created a buzz.

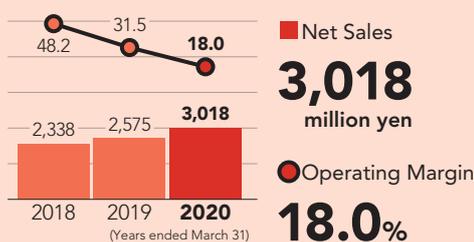
Net Sales/Operating Margins



Shin Onimusha for Pachislo

This pachislo machine is based on the *Onimusha* series, which boasts great popularity in the pachislo market. The machine was introduced in March 2020 and 20,000 units have been sold.

Net Sales/Operating Margins

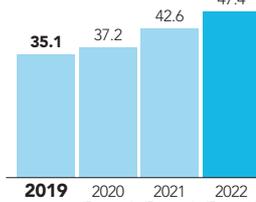
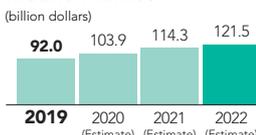
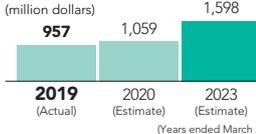
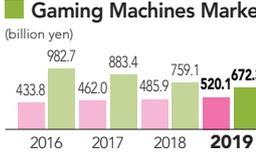


Capcom Pro Tour Asia Premier

This tournament expanded upon the target region of the CAPCOM Pro Tour Japan Premier, which was held in the previous fiscal year, to include the Asian region. The tournament was held at the Makuhari Messe Event Hall in September 2019, attracting more than 1,000 entrants from across Asia.

Creating social value as a game publisher

Risks and opportunities

	Main opportunities	Main risks	Business strategy
Consumer Market^{*1} (billion dollars) 	<ul style="list-style-type: none"> ● Creation of highly competitive products using new technology ● More channels for product distribution with the appearance of new platforms ● Expanded profit opportunities by leveraging digital distribution to grow number of sales regions ● Achievement of extended product life cycles through digital sales ● Reduction of the used market due to penetration of digital sales 	<ul style="list-style-type: none"> ● Rising development costs with the appearance of new technology and improved device performance ● Changes in user purchasing trends with the next generation of platforms ● Risks due to a country's politics, culture, or religion 	[Consumer] <ul style="list-style-type: none"> ● Regularly release new titles for major IP ● Promote utilization of dormant IP and remakes ● Strengthen digital sales for both new and catalog titles [Catalog Titles (Consumer)] <ul style="list-style-type: none"> ● Expand <i>Monster Hunter</i> series globally ● Extend sales life of catalog titles with rereleases for current-generation hardware
Mobile Market^{*2} (billion dollars) 	<ul style="list-style-type: none"> ● Improved game play with the elimination of communication lag ● Progressively higher quality as device performance improves ● Attraction of new users with strong IPs 	<ul style="list-style-type: none"> ● Delayed or inadequate response to new technology ● Intensified competition due to increase of market entrants ● Maturation of the domestic market ● Damage to brand value from failure to adapt to mobile 	[Mobile] <ul style="list-style-type: none"> ● Research technology in preparation for wider adoption of next-generation communications standards ● Leverage popular IPs created in the Consumer sub-segment
Esports Market^{*3} (million dollars) 	<ul style="list-style-type: none"> ● Expanded fan base from non-game players watching events ● Creation of new profit opportunities such as licensing rights to hold events and stream video ● Promotion of online tournaments that leverage game characteristics 	<ul style="list-style-type: none"> ● Reduced number of events due to COVID-19 pandemic ● Decreased enthusiasm for competition due to rampant cheating ● Interruption of service due to hacking or cracking 	[Esports] <ul style="list-style-type: none"> ● Having established a dedicated esports division, expand the base by holding events in Japan
Arcade Operations^{*4} Gaming Machines Markets^{*5} (billion yen) 	<ul style="list-style-type: none"> ● Acquisition of new customers through multifaceted roll-out of stores including themed venues, merchandise specialty stores, VR experiences, etc. ● Increased awareness with new business formats and new technologies ● Expanded sales volume by providing appropriate service 	<ul style="list-style-type: none"> ● Reduced ability to attract customers due to the COVID-19 pandemic ● Changes to the market environment due to the diversification of leisure activities and declining birthrate ● Non-compliance with model testing of pachislo machines 	[Arcade Operations] <ul style="list-style-type: none"> ● Acquire new customers through multifaceted facility roll-out and holding events [Amusement Equipments] <ul style="list-style-type: none"> ● Build development structure to handle current regulations

*1 International Development Group *2 International Development Group *3 Newzoo *2020 Global Esports Market Report *4 JAMMA "Survey on the Amusement Industry" *5 Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2018, 2019); Yano Research Institute Ltd.

Medium- to long-term growth

Profit

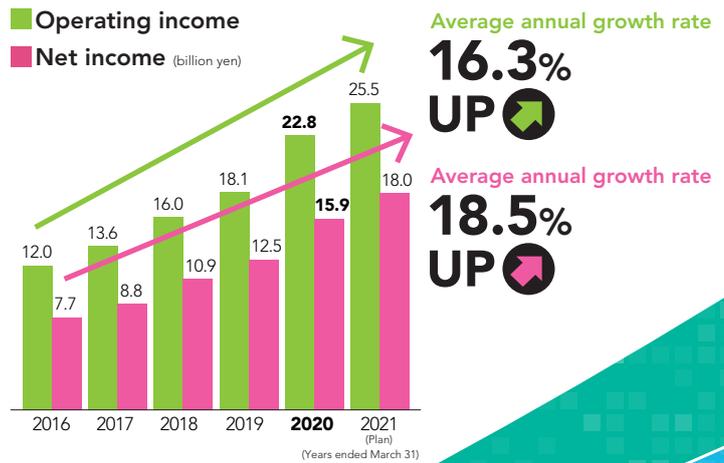


Medium- to long-term goals

Aim for annual operating income growth (10%), driven by stable earnings

Important factors for success

- 1 Bolstering digital sales
- 2 Achieving stable growth with long term sales of high quality titles
- 3 Enhanced global sales with the promotion of digital marketing



Mobile + Esports Options for further growth

New Titles (Consumer)
Growth driver

Catalog Titles (Consumer)
Base profits from recurring revenue model

Amusement-Related
Stable earnings

Long-term

→ Period