

Game Industry Characteristics



Consumer Market Characteristics (Package + Digital)

Package and digital download contents are a 35.1 billion dollar market, forecast to grow 1.5 times that size over the next five years to 53.2 billion dollars by 2024. The customer base is primarily composed of core users who are 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. [➔For details see p.69](#)



Mobile Market Characteristics

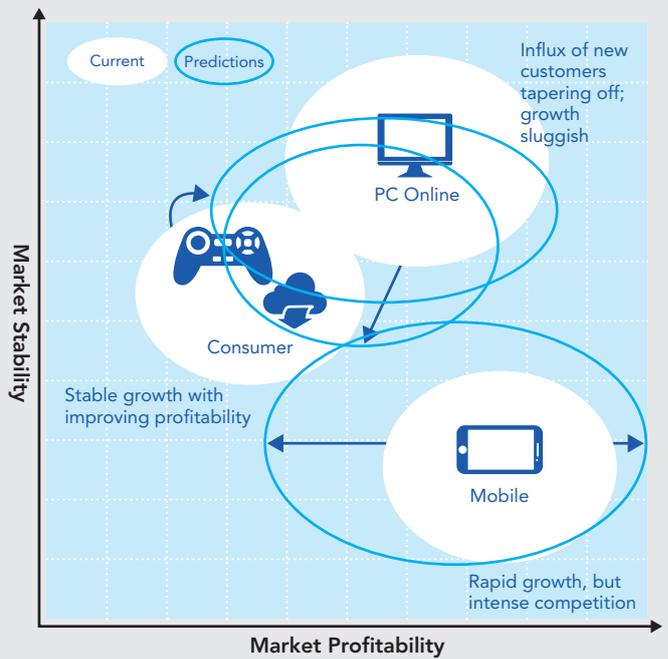
This is a 92.0 billion dollar market, forecast to continue growing to 129.9 billion dollars by 2024. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have 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, as the 5G next generation mobile communication standard is put into use, we expect smartphones will continue to drive rapid growth as the most pervasive game device. [➔For details see p.69](#)



PC Online Market Characteristics

This is a 38.4 billion dollar market, forecast to grow about 13% over the next five years to 43.3 billion dollars by 2024. 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. [➔For details see p.69](#)

Characteristics of Each Market



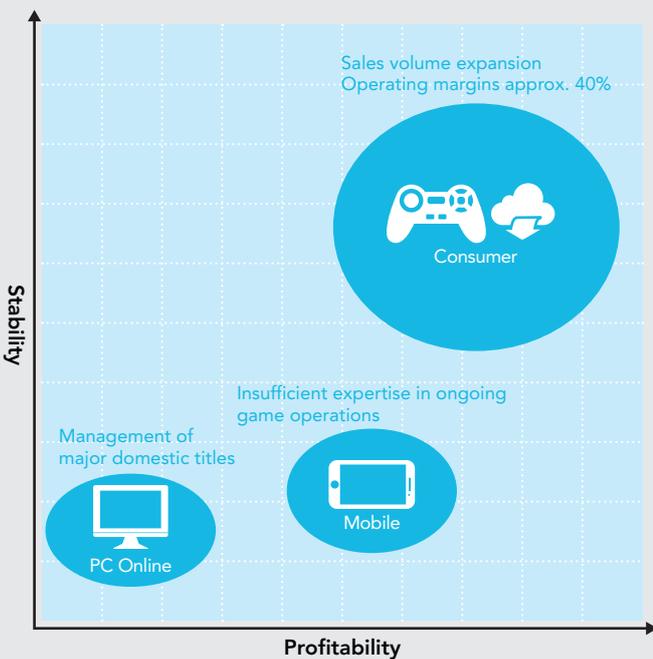
Source: Created by Capcom based on data from the International Development Group

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, 2020

Consumer
(Proportion of Net Sales: 73%)
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 operating margins of around 40%.

Mobile Contents
(Proportion of Net Sales: 5%)

This business distributes games featuring popular Capcom content on smartphones, but insufficient know-how in ongoing game operations has resulted in sales trends underperforming market growth. We are working on research and development in anticipation of implementation of the 5G next generation mobile communication standard.

PC Online

We worked to distribute PC Online games utilizing our popular content and ensure stable management in Japan. This sub-segment has been integrated into Digital Contents as of the fiscal year ended March 31, 2020.

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 capabilities to produce original titles of world-class quality	○	○	○	○	
Development/technology	RE ENGINE for streamlined development and the technological prowess to fully leverage the latest technology	○	○	○	○	Ongoing competitive advantage
	Corporate culture of training younger employees	○	△ _{*1}	○	○	
Governance	Promotion of governance reforms (external 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 30 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 70%	○	△	○ _{*2}	○	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.

*1 With respect to the low evaluation of the originality of our system for training younger employees, we have hired more than 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. (For details see p.43)

*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 (94 titles) in digital format, (2) extending the sales period, with brand strategies for each IP and enhanced digital sales and pricing

measures, and (3) expanding the value of our IPs by strengthening our licensing business 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. (For details see p.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. At the same time, we are engaging in research and development in anticipation of implementation of the 5G next generation mobile communication standard.

Explanation of Market Trends and Forecasts



Consumer Market (Package + Digital)

In 2019, the consumer (package + digital) market grew to 35.1 billion dollars (up 17.4% from the previous year). This was due primarily to favorable packaged and digital sales. Digital sales have continued to expand in North America and Europe where such sales account for 87% of the market. The highly profitable digital contents market now accounts for roughly 62% of the consumer market.

The forecast for 2020 is for the market

to reach 37.2 billion dollars (up 6.0% from the previous year) owing to continued growth of the digital market and revitalization of the market with the release of new hardware. In the medium term, we see the digital market expanding rapidly in Asia and new game delivery methods such as streaming and subscriptions performing well. As such, we expect the market to grow to 53.2 billion dollars by 2024 (up 51.6% compared to 2019).



Mobile Contents Market

In 2019, the mobile contents market was worth 92.0 billion dollars (up 22.2% from the previous year), maintaining a high growth rate even after expanding to more than half the size of the overall game software market. The main reason for this was the continued momentum of online games such as battle royale games that have been popular since 2017, driving growth of the market despite annual smartphone shipments declining for the third year in a row to 1.37 billion units (down 2.3% from the previous year) in 2019. By region, the Asian market including Japan was worth 51.0 billion dollars (up 21.1% from the previous year), the North American market was worth 21.9 billion dollars (up 25.1% from the previous year), the European market was worth 10.7

billion dollars (up 23.0% from the previous year), and other regional markets were worth 8.3 billion dollars (up 20.3% 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 2020 mobile market to increase to 103.9 billion dollars (up 12.9% from the previous year) and grow significantly to 129.9 billion dollars by 2024 (up 41.2% from 2019).

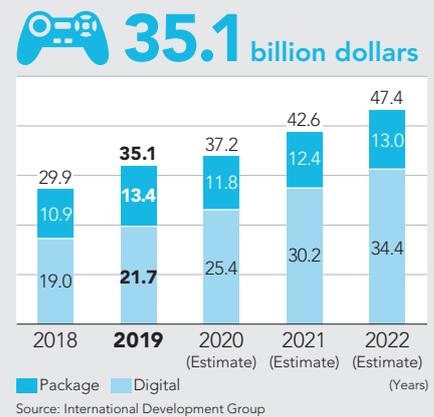


PC Online Market

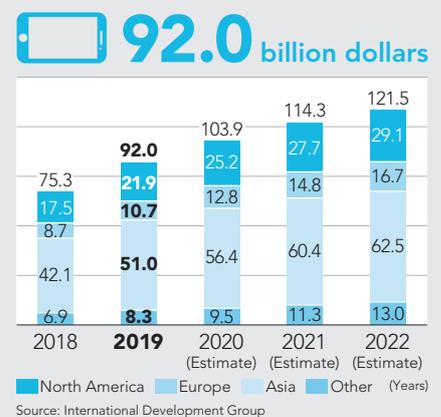
In 2019, the PC online market shrank to 38.4 billion dollars (down 7.7% from the previous year) due to further integration with the consumer market resulting from growth of online play on consoles.

We expect slower growth in PC Online relative to the game market overall, increasing to 40.1 billion dollars (up 4.4% from the previous year) in 2020 and 43.3 billion dollars by 2024 (up 12.8% from 2019).

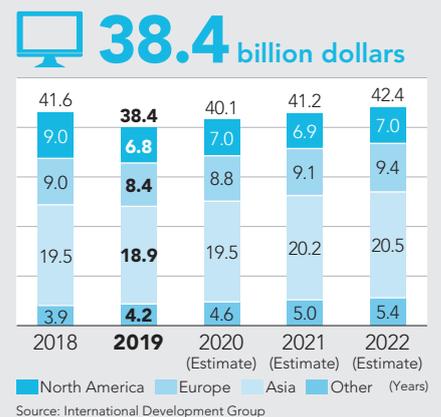
Consumer Market (billion dollars)



Mobile Contents Market (billion dollars)



PC Online Market (billion dollars)



GAME Arcade Operations Market

The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2019) for the fourth year in a row to 520.1 billion yen (up 7.0% 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 Law on Control and Improvement of Amusement and Entertainment Businesses (Entertainment Business Law) in June 2016.

The total number of stores decreased to 12,167 (down 7.1% from the previous year), but the number of units installed at each store increased to 35.5 (up 2.3 units from the previous year). Annual sales per stores increased to 42.74 million yen (up 15.3% 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, 2020), the market continued to exhibit a gentle recovery overall owing to hit products appearing one after another in the prizes found in prize game machines, including popular character merchandise and figurines, despite the impact of several large-scale typhoons and the consumption tax hike on sales in arcade operations.

In the next fiscal year (ending March 31, 2021), we expect difficulties arising from decreased profitability due to temporary closures and curtailed cabinet operations as well as the increased costs of disinfecting arcades and cabinets in response to the spread of COVID-19.

GAME Gaming Machines Market

In the previous fiscal year (ended March 31, 2019), the gaming machine market shrank for the sixth consecutive year to 672.3 billion yen (down 11.4% 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, which were implemented in response to changes to model certification methods, as well as a decrease in the number of new stores opened.

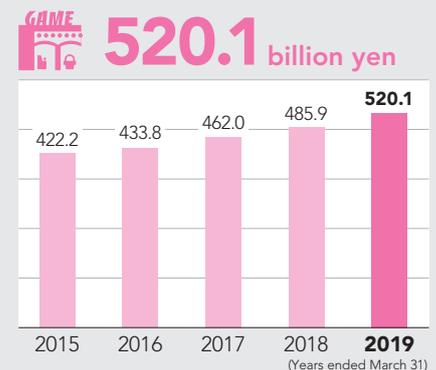
The market showed signs of recovery this year (ended March 31, 2020) as new machines began to gain traction. In the next fiscal year (ending March 31, 2021), although we expect continued replacement demand as a result of revised gaming machine regulations, the situation will remain severe due to temporary hall closures to address COVID-19 on top of the investment required for the introduction of new machines compliant with the new gaming machine regulations.

Esports Business

In the previous year (ended March 31, 2019), the esports market grew 23.3% year on year to 950 million U.S. dollars. In 2020, we expect the market to grow to 1.05 billion U.S. dollars (up 10.6% from the previous year) owing to increased sponsorship and media rights fees, primarily in China, which

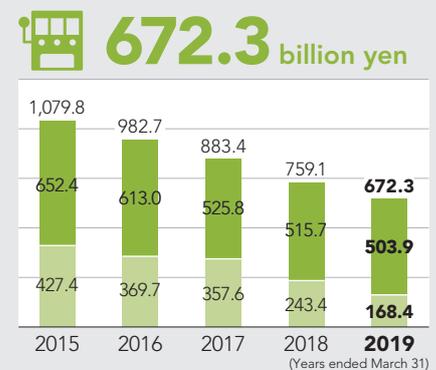
accounts for the largest share. There is increasing uncertainty with respect to market forecasts for this year and beyond due to the spread of COVID-19, but we expect the market to grow to 1.59 billion U.S. dollars by 2023.

Arcade Operations Market (billion yen)



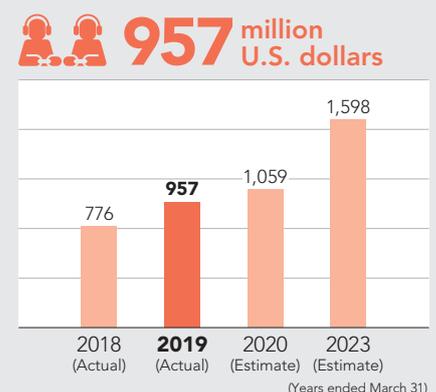
Source: JAMMA "Survey on the Amusement Industry"

Gaming Machines Market (billion yen)



Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2018, 2019); Yano Research Institute Ltd.

Esports (million U.S. dollars)



Source: Newzoo 2020 Global Esports Market Report

11-Year Summary of Consolidated Financial Indicators

Financial Index

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

*1. Effective from the beginning of FY2018, 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, 2010.

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

	2014	2015	2016	2017	2018	2019	2020
Million yen							
	¥ 102,200	¥ 64,277	¥ 77,021	¥ 87,170	¥ 94,515	¥ 100,031	¥ 81,591
	10,299	10,582	12,029	13,650	16,037	18,144	22,827
	5,315	10,701	11,150	12,489	15,149	17,770	22,890
	3,444	6,616	7,745	8,879	10,937	12,551	15,949
	4,638	3,535	5,712	5,980	4,706	3,228	2,795
	8,064	10,177	8,274	3,767	3,041	2,568	2,576
	2,002	823	1,073	695	1,102	1,147	1,253
Million yen							
	¥ 96,611	¥ 100,773	¥ 113,057	¥ 118,897	¥ 124,829	¥ 123,407	¥ 143,466
	63,875	71,331	75,168	77,774	85,421	88,749	99,735
	22,670	21,212	15,821	8,426	36,750	44,689	58,921
	1,808	1,902	2,052	1,994	2,141	2,032	2,142
Million yen							
	¥ 13,201	¥ 4,286	¥ 4,347	¥ 3,200	¥ 34,721	¥ 19,847	¥ 22,279
	(6,155)	(5,496)	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)
	(15,099)	1,278	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)
	(5,404)	1,879	431	(4,091)	22,201	6,464	6,667
	26,118	27,998	28,429	24,337	46,539	53,004	59,672
yen							
	¥ 30.56	¥ 58.84	¥ 68.87	¥ 80.18	¥ 99.89*2	¥ 115.45	¥ 149.41
	40.00	40.00	40.00	50.00	60.00	35.00	45.00
	567.96	634.28	688.43	710.32	780.18*3	831.37	934.28
%							
	10.1	16.5	15.6	15.7	17.0	18.1	28.0
	5.4	9.8	10.6	11.6	13.4	14.4	16.9
	3.4	6.7	7.2	7.7	8.9	10.1	12.0
	66.1	70.8	66.5	65.4	68.4	71.9	69.5
	136.8	50.2	36.5	22.8	337.2	249.3	302.5
	51.2	41.3	50.4	52.9	47.0	39.1	43.8
	32.0	20.3	19.9	13.5	23.0	21.5	20.3
	67,723	67,723	67,723	67,723	67,723*4	135,446	135,446
	37.29	36.87	39.35	31.19	35.01	36.83	35.14
Billion yen							
	¥ 53.0	¥ 35.2	¥ 42.1	¥ 49.2	¥ 65.2	¥ 76.9	¥ 55.5
	12.8	10.1	10.4	9.5	8.9	6.0	4.4 *5
Thousands							
	17,500	13,000	15,000	19,400	24,400	25,300	25,500
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	Monster Hunter World: Iceborne 5,200
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	Monster Hunter: World (catalog) 3,200
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	Resident Evil 2 (catalog) 2,400

*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, 2010.

*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.

*5. The PC Others sub-segment has been merged with Consumer as of FY3/20

Segment Information

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

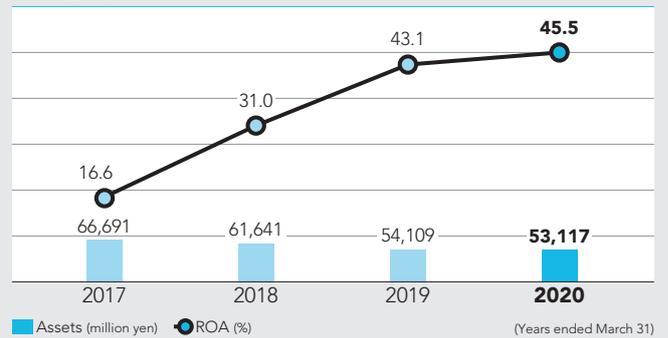
Digital Contents

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 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.

Net Sales/Operating Margins



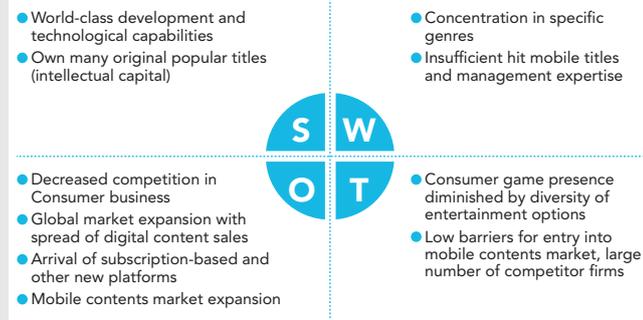
Assets/ROA



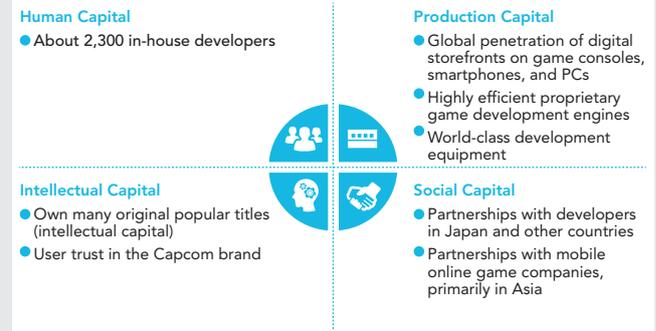
Note: Effective from the beginning of the fiscal year ended March 31, 2019, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

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, 2020), new title *Monster Hunter World: Iceborne* sold 5.2 million units. Together with focusing business development on high-margin digital sales, this drove improvements in business results. Sales for *Resident Evil 2* and *Devil May Cry 5*, which were released the previous year, also continued to grow from an expanding user base.

Additionally, *Monster Hunter: World*, which was released two years earlier, continued to sell, bringing the cumulative total for the title to 15.7 million units. This performance, along with healthy sales of other catalog titles, gave a boost to revenue.

Moreover, the growth in our library of titles due to a steady new release pipeline in recent years along with successful holiday season discount measures pushed up digital sales to 20.55 million units (up 34.3% from the previous year). As a result, this year's package and full-game download sales totaled 25.5 million units

Capcom Consumer Sales (billion yen)



(up 0.8% from the previous year), making this the fifth consecutive year of growth.

On the other hand, the number of major new titles was down from the previous year, and this year's major title was lower priced. Package sales were 12.9 billion yen, and digital sales were 42.6 billion yen. Together, they resulted in Consumer sales of 55.5 billion yen (down 27.8% from the previous year). However, the percentage of high-margin catalog title sales and digital sales improved, bringing operating income to 24.1 billion yen (up 3.4% from the previous year). This marked the third consecutive year of increased operating income and drove up the operating margin to 40%.

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 continued 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 remake or 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 major titles on a regular basis. Finally, for (3) we seek to 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 *Resident Evil 3*, a popular title from the past remade with the latest technology, as well as additional major titles in the second half of the year to solidify our brand globally. The focus on digital sales has made it possible to

reach regions that were once difficult to access, so we aim to continue expanding global sales by focusing on catalog sales of *Monster Hunter World: Iceborne*, *Monster Hunter: World*, and *Resident Evil 2*. As a result of these efforts, we expect to increase unit sales to 28.0 million units (up 9.8% compared to the previous year), net sales to 60.9 billion yen (up 11.7% from the previous year), and for the digital sales ratio to remain in the mid-70% range.

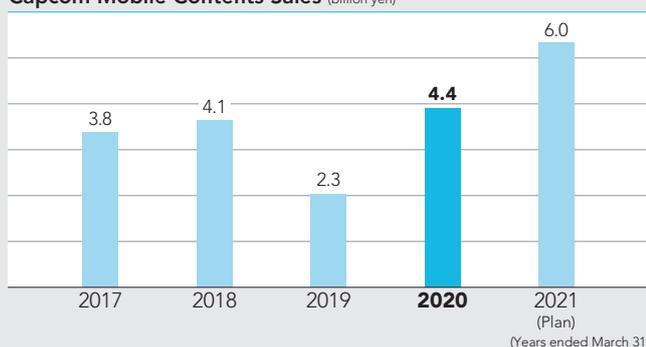
Mobile Contents Sub-segment

This fiscal year (ended March 31, 2020), we introduced new titles including *Sengoku BASARA: Battle Party* and *TEPPEN*, an alliance title released together with GungHo Online Entertainment, Inc., and both performed well. In addition, *Monster Hunter: Riders*, which was launched in February, got off to a good start. As a result, net sales increased to 4.4 billion yen (up 91.3% from the previous year).

In the future, we will continue to explore a wide range of possibilities, including cultivating existing titles, 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 6.0 billion yen (up 36.4% from the previous year) owing to the full-year contribution of titles introduced this year and the introduction of new alliance titles overseas.

Capcom Mobile Contents Sales (billion yen)



Segment Information

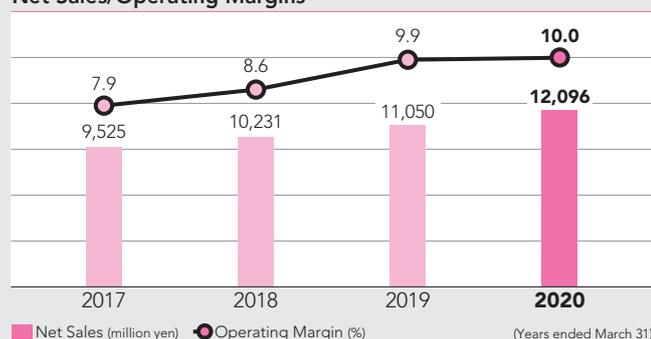
CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

Arcade Operations

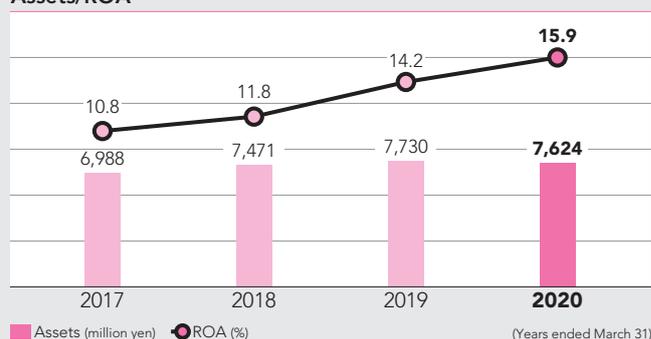
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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, 2020), relaxation of restrictions in the Law on Control and Improvement of Amusement and Entertainment Businesses that took effect in June 2016 continued to provide favorable conditions for a sustained recovery in market size. Chara Cap, which sells character merchandise, contributed to results through an increase in the number of customers resulting from long public holidays, as well as through increased sales per customer due to the draw of prizes featuring specific characters and popular products.

As for stores, Plaza Capcom Ikebukuro and the Company's first showroom, Capcom Store Tokyo (Shibuya), were opened in Tokyo, and Plaza Capcom Fujiidera was opened in Osaka. This brought the total number of stores to 40, up three from the previous year. Capcom Store Tokyo is performing particularly well, owing to its capturing of inbound demand thanks to its prime location and much-talked-about original merchandise.

In March, same store sales for the month fell by approximately 30% from the previous year due to the impact of people staying home to prevent the spread of COVID-19 and some temporary

store closures.

For the full year, owing to the contribution of new stores and improved profitability at existing stores, net sales were up 3.5% from the previous year, bringing segment net sales to 12.096 billion yen (up 9.5% from the previous year) and operating income to 1.211 billion yen (up 10.5% from the previous year), so that both sales and profit were up year over year.

In the next fiscal year, we forecast a decrease in both sales and profit with same store sales down 18%, net sales coming in at 10.5 billion yen (down 13.2% from the previous year) and operating income at 0 billion yen. This is due primarily to all stores (excluding *Capcom Net Catcher Cap Tore*, the online crane game) being closed in April in response to the spread of COVID-19, as well as shortened operating hours and curtailed cabinet operations after the stores were reopened.

As for the number of stores, Capcom will continue opening stores in locations with strong customer appeal. We plan to open three more stores, bringing the total number to 43.

Amusement Equipments

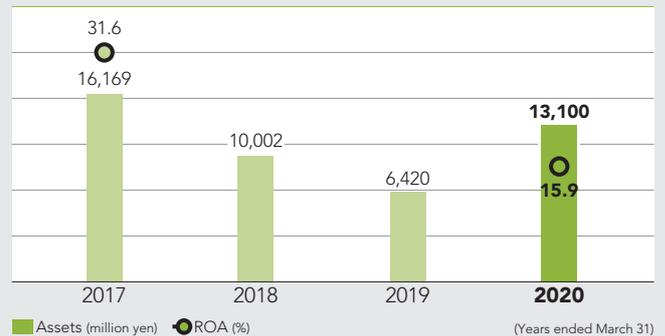
Here, we leverage the contents from our home video games.

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.

Net Sales/Operating Margins

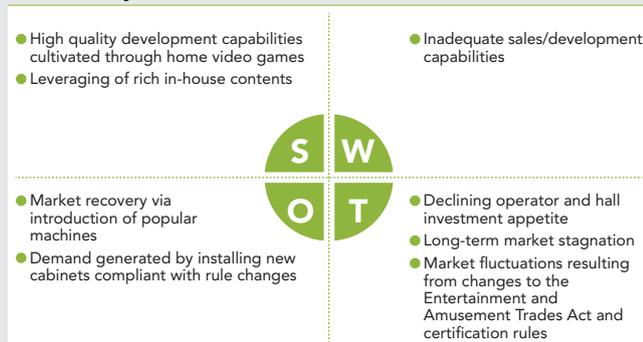


Assets/ROA

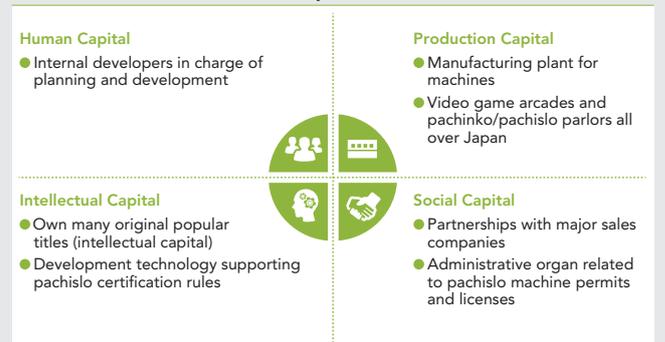


SWOT Analysis

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, 2020), new pachislo machine *Onimusha: Dawn of Dreams* was launched by the Pachinko & Pachislo (PS) sub-segment, selling 20,000 units.

Changes in the market environment resulting from such things as changes to methods of pachislo machine model certification continued to have an impact. Because of the absence of the loss on valuation and loss on suspension recorded the previous year, and the favorable orders received for *Onimusha: Dawn of Dreams*, net sales were up substantially to 6.533 billion yen (up 90.9% from the previous year), and the segment returned to profitability, with operating income of 2.085 billion yen.

There are signs of a coming recovery in the market in the next fiscal year driven by demand for replacing machines built to the old standard along with improved sentiment for machines meeting the current standard.

However, Capcom will keep an eye on market trends, including closings in conjunction with the spread of COVID-19 on top of the investment required for introducing current standard machines at halls.

Under these circumstances, we will review our development system with an eye toward releasing machines to impress hall operators and end-users. We will continue to (1) develop machines not dependent on speculation and that feature a variety of playing styles and entertaining video elements that utilize content from our popular Consumer content, while (2) working on securing a strong sales network and improving machine quality through an alliance with a major sales company.

In the next fiscal year, we will develop multiple models simultaneously, but out of consideration of the progress of model certification tests and hall closings due to COVID-19, we plan to release one model and sell 15,000 units (5,000 units less than the year under review). As a result, we expect net sales to fall to 4.5 billion yen (down 31.1% from the year under review) and to record 1.7 billion in operating income (down 18.5% from the year under review).

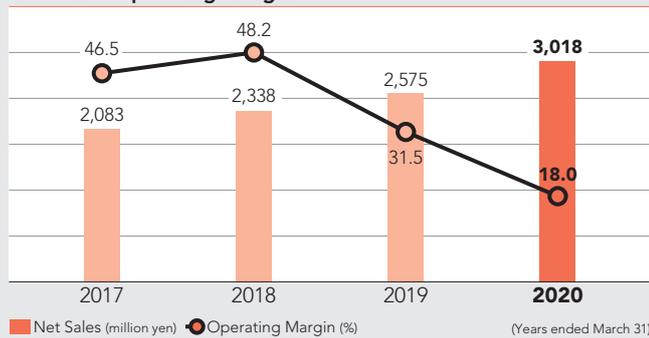
Segment Information

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

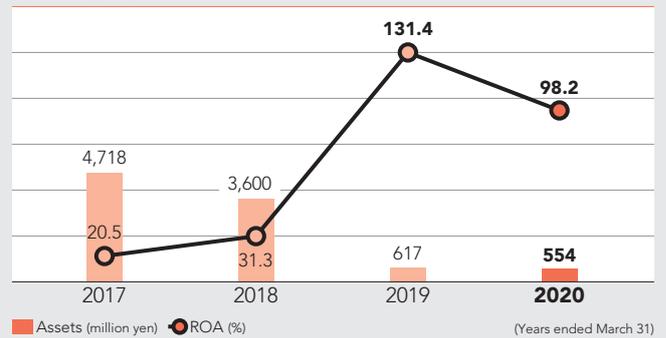
Other Businesses

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

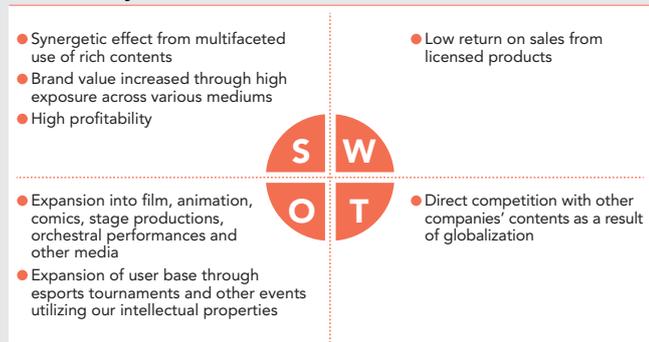


Assets/ROA



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, 2020), we worked to improve our brand value through such efforts as developing merchandise utilizing popular IPs, including apparel and figurines, and implementing the limited-time-only attraction Biohazard the Extreme at Universal Studios Japan.

In the esports market, which continues to grow worldwide, we held tournaments for Street Fighter League: Pro-JP, our premier league in Japan, as well as Street Fighter League: College-JP 2019 and Rookie's Caravan 2019 for scouting amateurs. We also held a professional league tournament in the U.S. and a U.S. vs. Japan competition there as well.

As a result of these efforts and growth of the licensing business, net sales increased to 3,018 billion yen (up 17.2% from the previous year), but operating income decreased to 544 million yen (down 32.9% from the previous year) due to ongoing upfront investments in the esports business.

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. We will also promote esports as a safe form of entertainment during the COVID-19 pandemic due to its compatibility with online play. In the next fiscal year, the Capcom Pro Tour, which has been held annually since 2014, will be taken fully online as Capcom Pro Tour Online 2020. This will make it possible for players from all over the world to participate from home; moreover, by livestreaming it in multiple languages, we plan to further expand the audience globally.

We will also continue to actively leverage our intellectual properties (content), based on our Single Content Multiple Usage strategy, including with the streaming animated television program *Dragon's Dogma*, as we work to increase the value of our core brands through adaptations and collaborations.

We expect net sales to increase to 3.1 billion yen (up 2.7% from the previous year) and operating income to be 700 million yen (up 28.7% from the previous year), for an increase in both sales and profit.

Stock Data

Number of Shares Authorized	300,000,000 shares
Number of Shares Issued	135,446,488 shares
Number of Shareholders	12,769

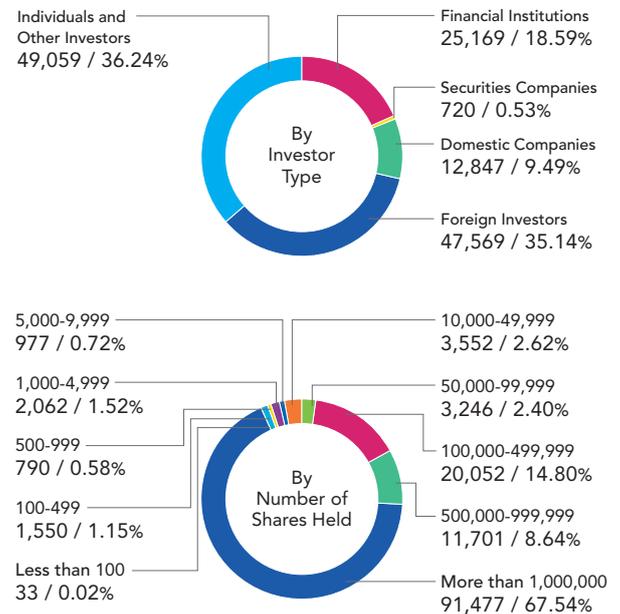
Major Shareholders (Top 10)

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)	6,627	6.21
Japan Trustee Services Bank, Ltd. (Trust Account)	5,842	5.47
Yoshiyuki Tsujimoto	4,038	3.78
Kenzo Tsujimoto	4,019	3.77
Haruhiro Tsujimoto	3,099	2.90
Ryozo Tsujimoto	3,091	2.90
JPMC Oppenheimer Jasdec Account	2,856	2.68
BNYM as AGT/Clients 10 percent	1,990	1.86
Japan Trustee Services Bank, Ltd. (Trust Account7)	1,889	1.77

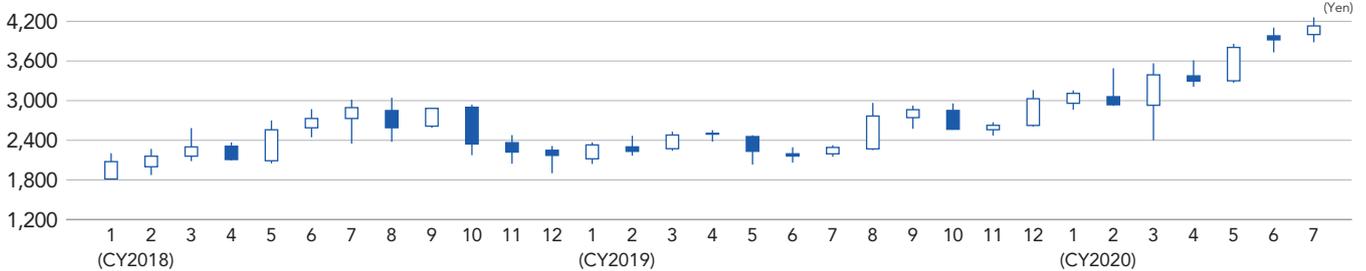
Note: Capcom owns 28,695 thousand shares as treasury stocks.
The stocks owned by the company are excluded from the above list.

Shareholders' Breakdown

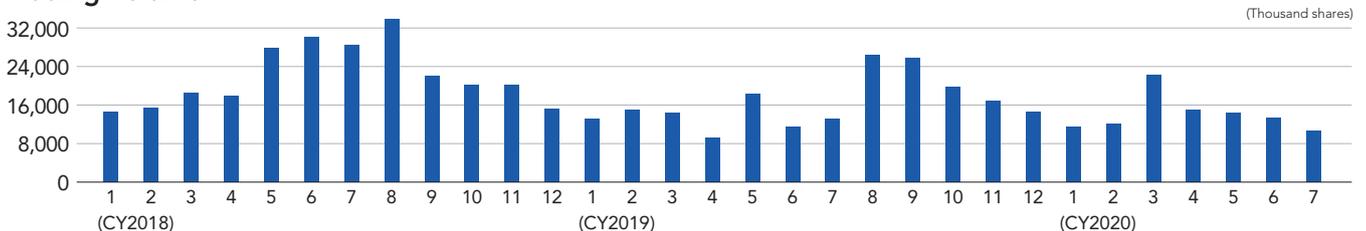
Number of shares held (in thousands) / (%)



Stock Price Range*



Trading Volume



11-Year Trend of Stock Price and Trading Volume

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Stock Price	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	3,390.0
High	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	3,565.0
Low	648.5	572.5	736.5	625.0	698.0	770.5	972.0	963.5	1,053.0	1,903.0	2,032.0
Trading Volume	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	183,399,500

* 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 ... 2,988 (consolidated)
 2,688 (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 ... 3-1-10 Uchihirano-machi, Chuo-ku, #2 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, 2020)

K2 CO., LTD. / Enterrise CO., LTD. / CAPCOM Maintenance Service CO., Ltd./ Adelson 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 SINGAPORE PTE. LTD.

* Adelson CO., LTD. is a wholly owned subsidiary of Enterrise CO., LTD.

* 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.

