



CAPCOM INTEGRATED REPORT

2020

Code Number: 9697



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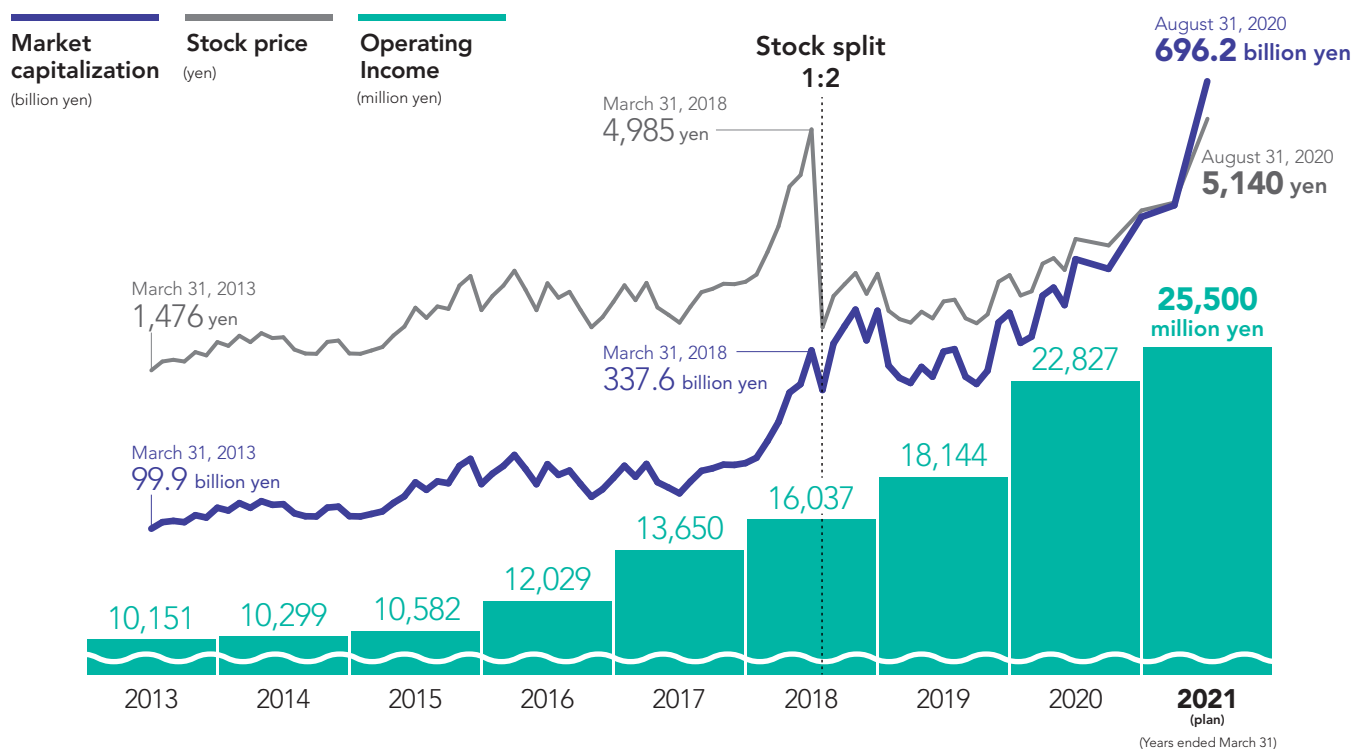


# Continuing to create financial and non-financial value

## Achieving seven consecutive years of increased operating income

In the constantly evolving game industry, Capcom sees change as opportunity, and as a result of the progress we have made with business reforms such as strengthening digital sales and switching to in-house production, the fiscal year ended March 2020 marks seven years of consecutive increased operating income. Our stock price has also risen as our performance

improves, even following the stock split we conducted on April 1, 2018 in order to improve the liquidity of our stock and expand our investor base, and it now exceeds the level it was at prior to the split, reaching a record high. We will continue to increase our corporate value (market capitalization) with sustainable business growth so that we can reward our stockholders' loyalty.

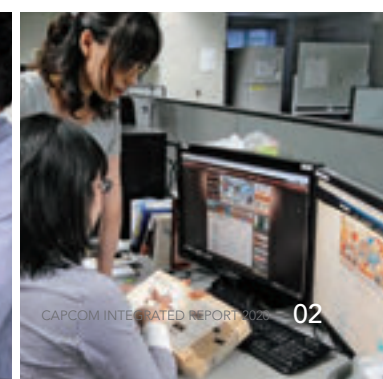
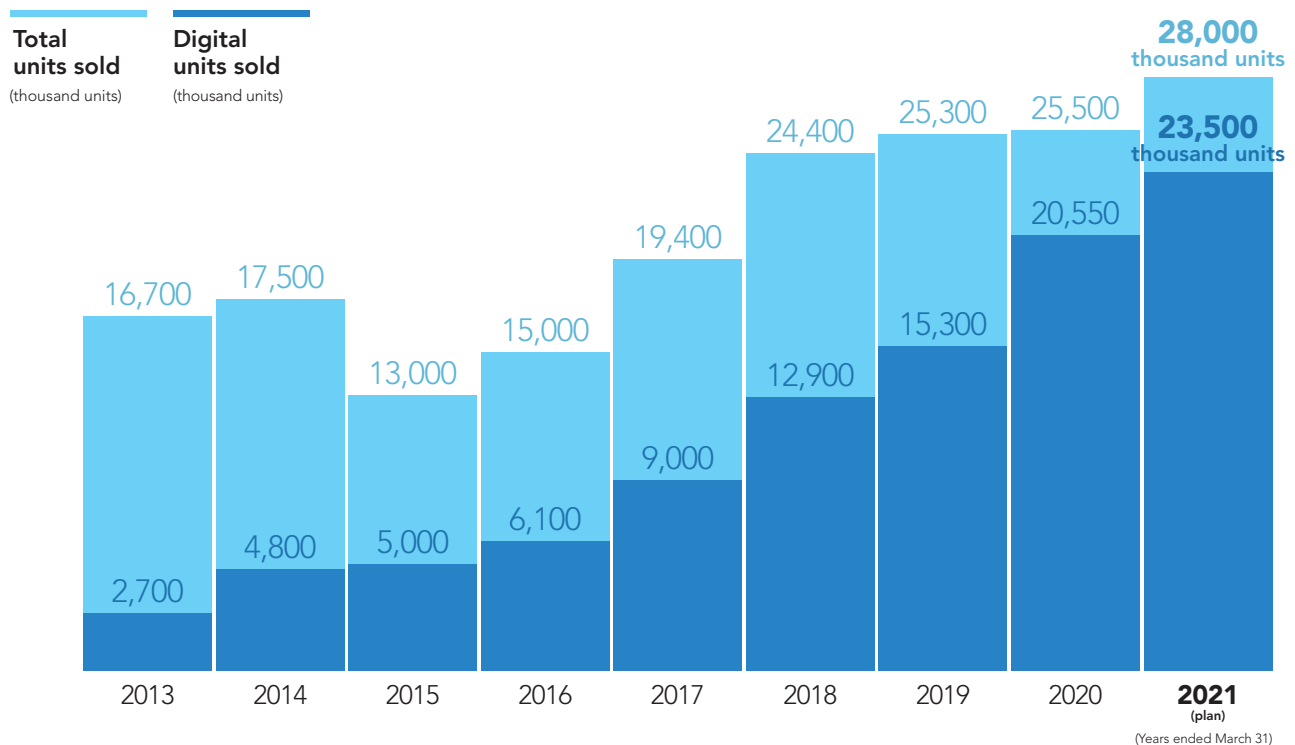




## Providing smiles and moving hearts all across the globe

Since Capcom's founding in 1983, we have continued to move hearts and deliver smiles through the entertainment of games. In recent years, the spread of the internet, PCs, and smartphones has made it possible to enjoy games even without game consoles, while at home, and anywhere around the world. As a result, Capcom's game software distribution volume, and more

specifically, digital sales have increased significantly. We aim to continue providing even more game software to an even greater extent of the world's countries and regions in order to bring smiles to as many people around the globe as possible.





## 2020

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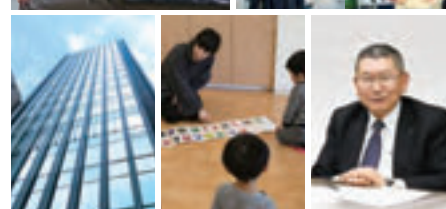
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## Editorial policy

Capcom's Integrated Report conveys initiatives aimed at improving corporate value over the medium- to long-term to all stakeholders. This report is issued with the intent of creating opportunities for further dialogue. Furthermore, we aim to express ideas in a simple and easily understood manner and visually represent important items to aid understanding. Details are available online.

## Period and scope

This report reviews the fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020). When necessary, it also includes references to fiscal periods before and after this timeframe. Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.

## Corporate Philosophy

# Capcom: Creator of entertainment culture that stimulates your senses

Our principle is to be a creator of entertainment culture.

Through development of highly creative software contents that excite people, stimulate their senses, and bring smiles to their faces we aim to offer an entirely new level of game entertainment.

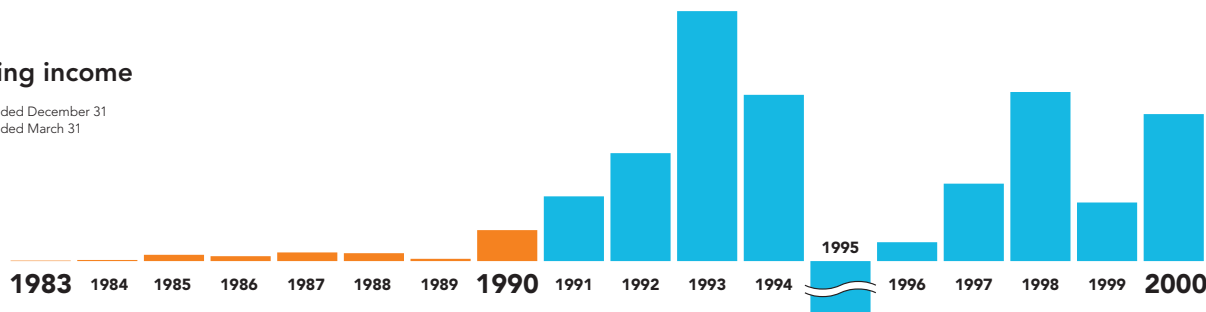
Since Capcom's establishment in 1983, we have leveraged our strength in world-class development capabilities to create a plethora of products.

Game content is an artistic product that fascinates people, consisting of highly creative, multi-faceted elements such as characters, stories, worlds and music. This content can be deployed in a variety of media while being used to support the creation of a richer society. Going forward, Capcom aims to become a company that brings happiness to people and society by offering the most entertaining content in the world.

# 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



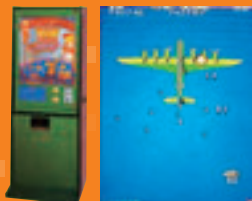
## Genesis

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.

## 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

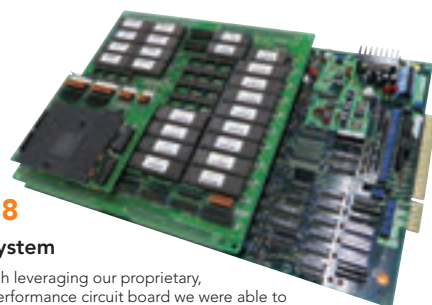
Released *Breath of Fire* for the Super NES.

#### 1996

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



## Capcom and Entertainment Culture



#### 1988

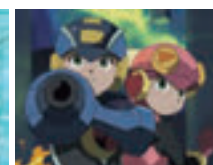
### CP System

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.



© CAPCOM, Shogakukan, ShoPro, TV Tokyo 2002

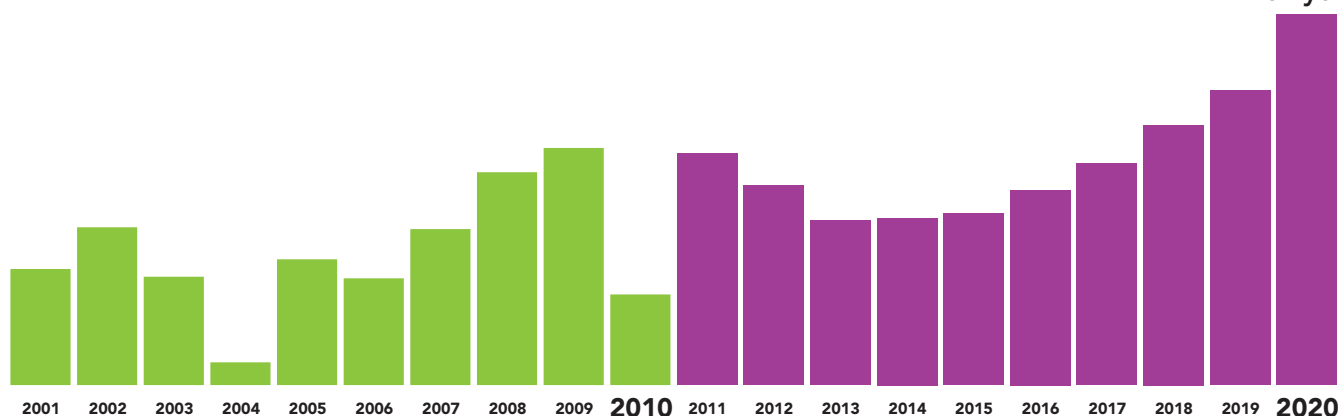
© 2002 CONSTANTIN FILM PRODUCTION GMBH / NEW LEGACY FILM LTD.

#### 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-orientated *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.

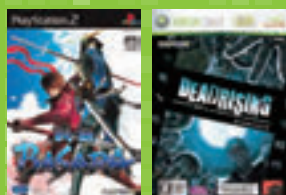
### 2001

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.



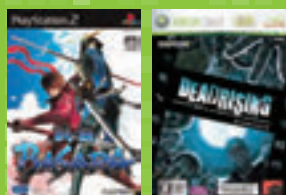
### 2005

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

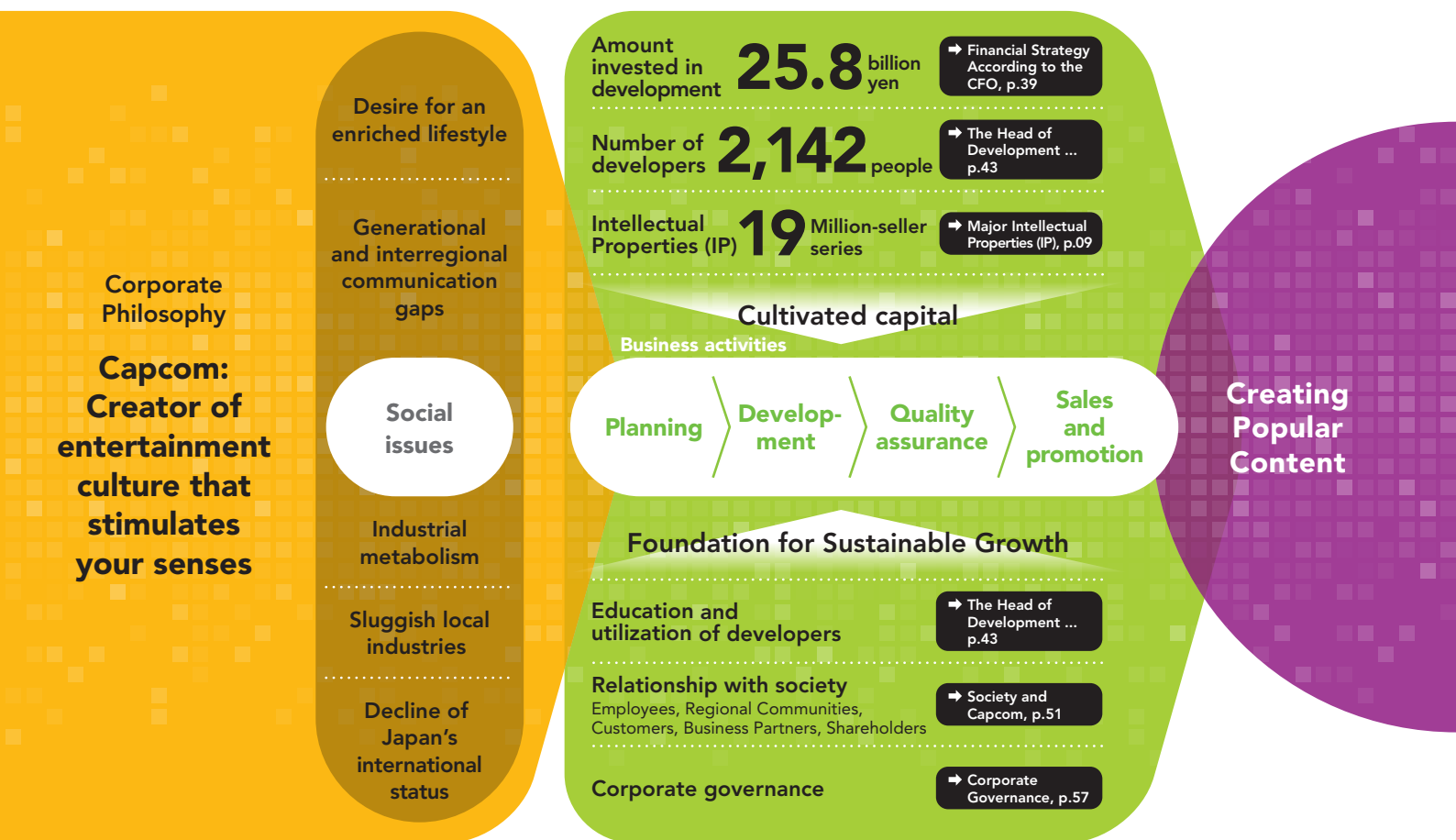
#### Capcom officially entered esports, a new form of entertainment

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

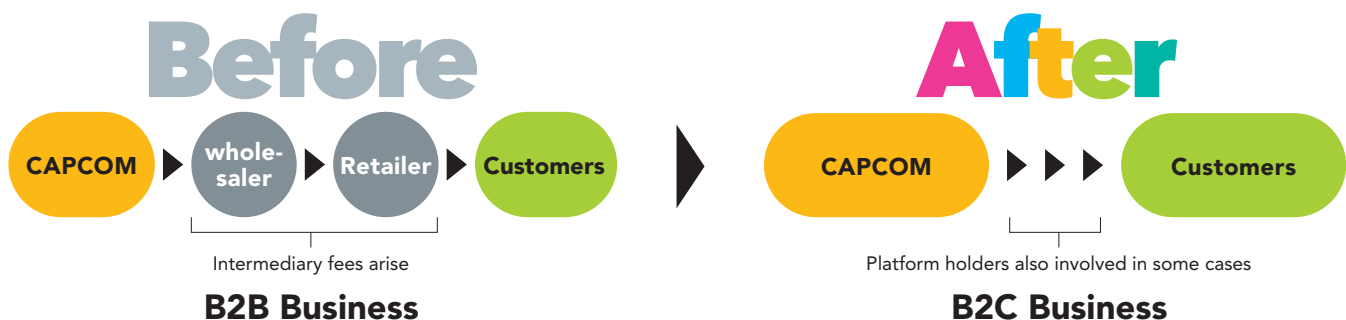


# Making smiles, moving hearts and building a better society with our original content

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

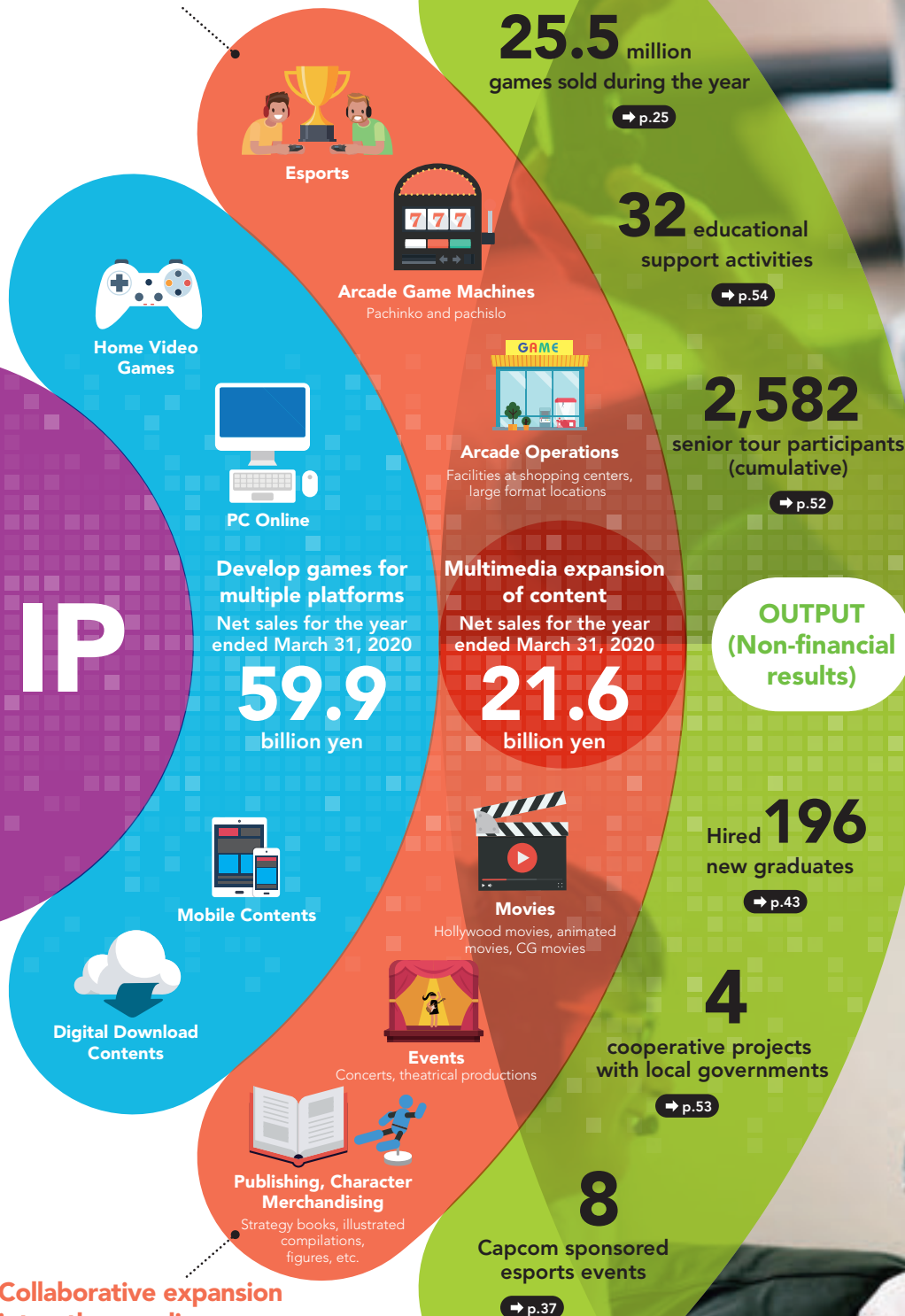




## Development of proprietary multimedia

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.



**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**





### Street Fighter series

Total number  
of units sold  
**44** million

(As of March 31, 2020)

Cumulative  
million-seller titles  
**13** titles



### 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)

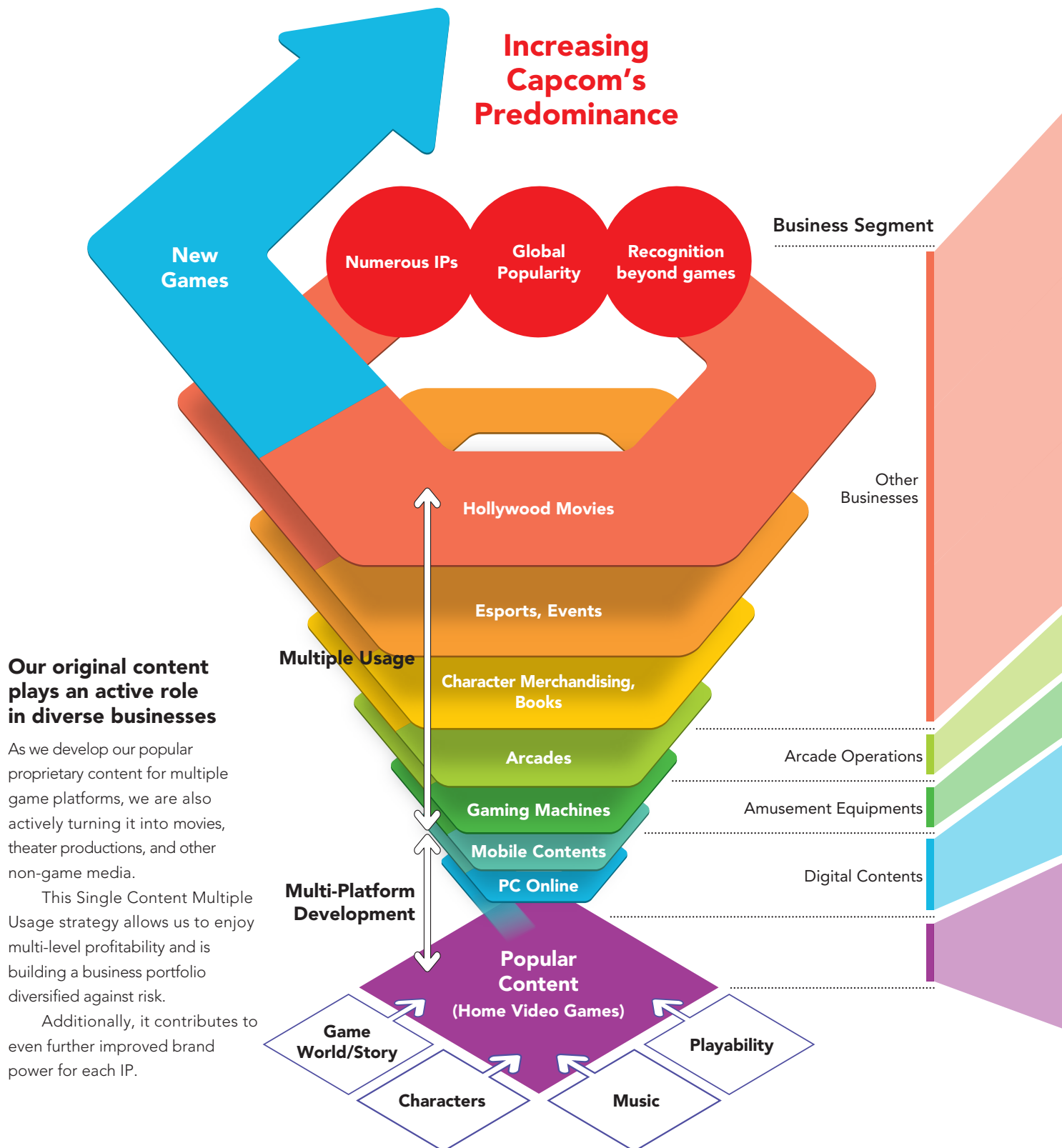
**2.4** million units





# 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.





## Further Improved Brand Power

Multiple Usage Content Single

Usage



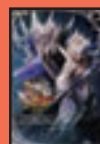
Restaurants



Events

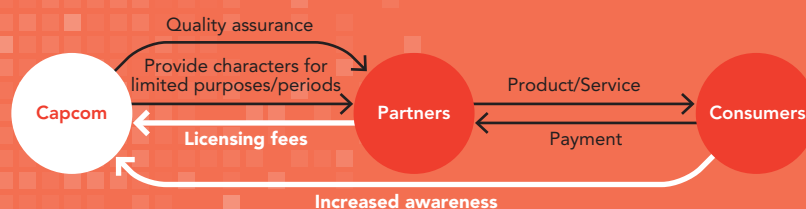


Orchestral Concerts



Books

Licensing  
Business



Weddings



Hollywood Movies

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Appealing to  
a broader  
demographic

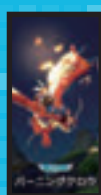


Pachislo



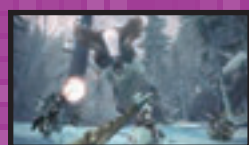
Sales of merchandise

Expanding  
into adjacent  
markets



Mobile Games

Attracting  
casual users



Home Video Games

Monster Hunter  
series



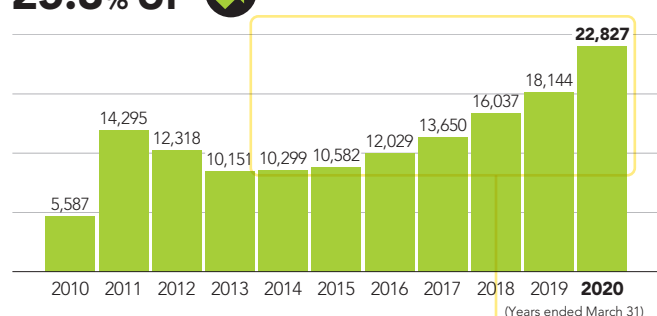
# Financial highlights

## Operating Income/Operating Margins

Operating Income (million yen)

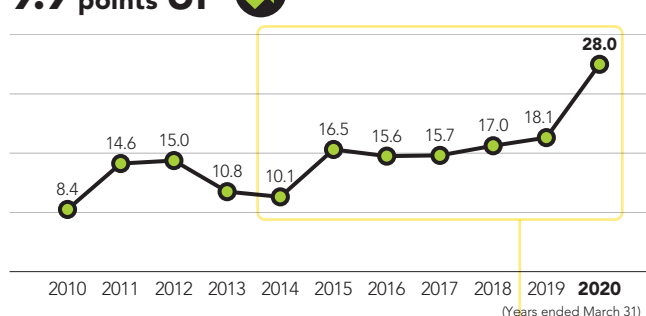
**22,827** million yen

**25.8% UP**



Operating Margins (%)

**28.0%**
**9.9 points UP**

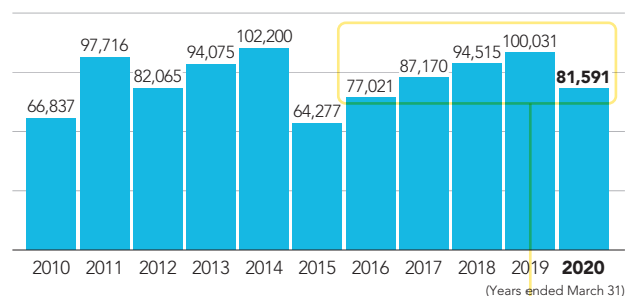


In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted business restructuring by transitioning to in-house production and strengthened our digital sales strategy in response to rapid changes in the market beginning in the 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**

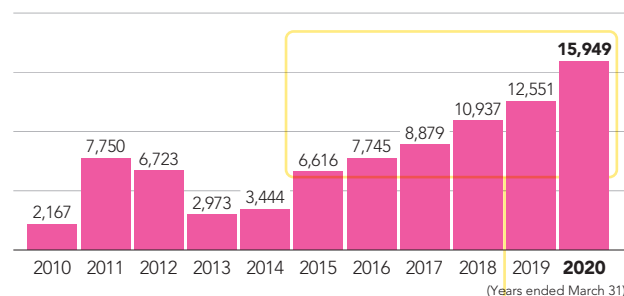


In the fiscal year ended March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer sub-segment resulted in Capcom achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time. **The steady release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

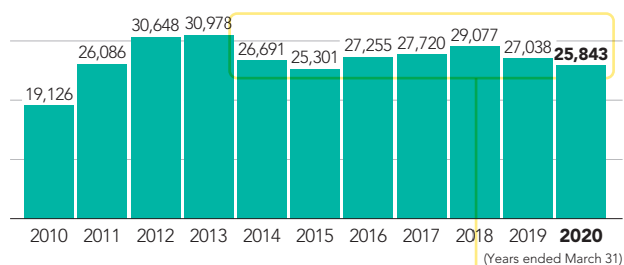


In the fiscal years ended in March 2010, 2013 and 2014, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization 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)

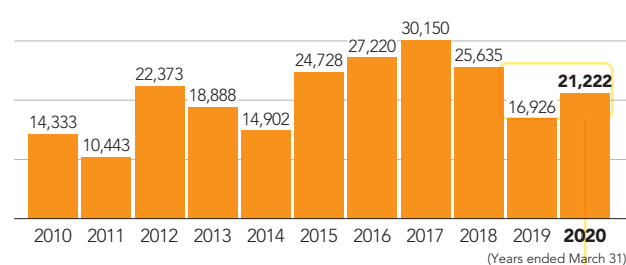
**25,843** million yen  
**4.4% DOWN** ↘



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)

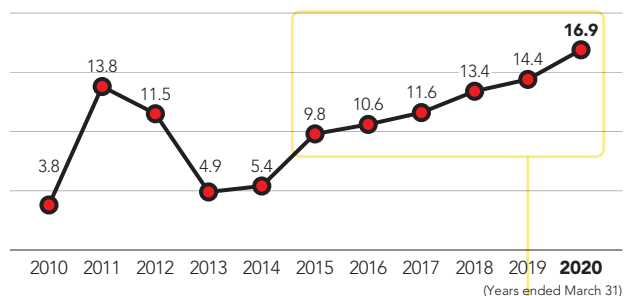
**21,222** million yen  
**25.4% UP** ↗



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** ↗



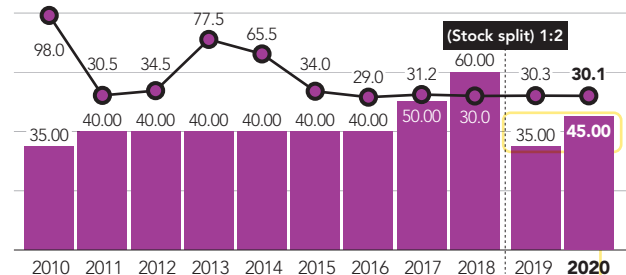
In the fiscal years ended March 2010, 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, ROE has been on the rise following the elimination of special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

## Dividend per Share/Dividend Payout Ratio

■ Dividend per Share (yen)

● Dividend Payout Ratio (%)

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



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.

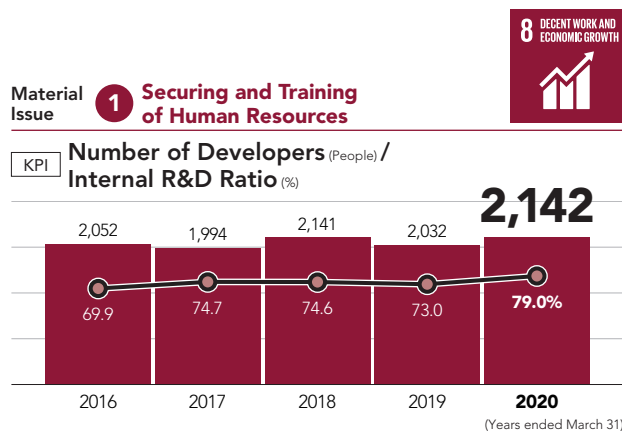
### Sustainable Development Goals (SDGs)

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.

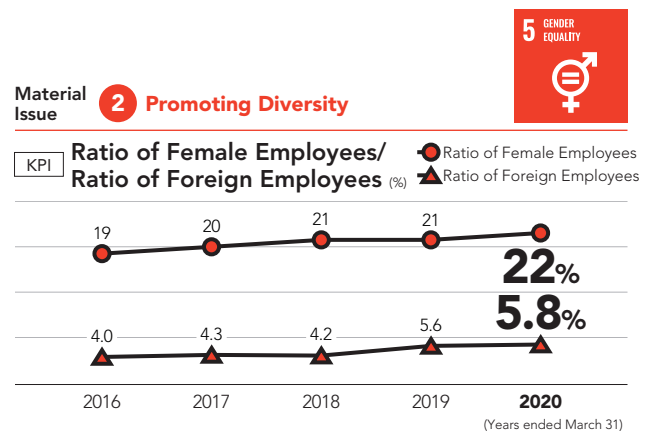
→ For details, please refer to the United Nations Information Centre "2030 Agenda" site.  
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



## 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 5<sup>th</sup> and 6<sup>th</sup> 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



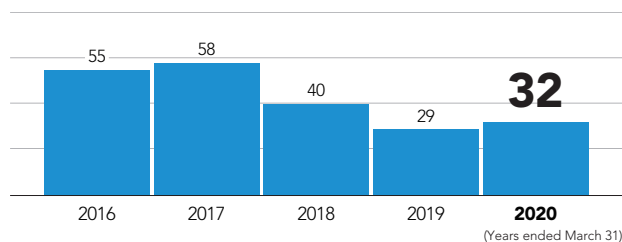
## Providing a popular character to bring awareness to the House of Councillors election in Kochi

Kochi Prefecture wanted to raise awareness of the 25<sup>th</sup> 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

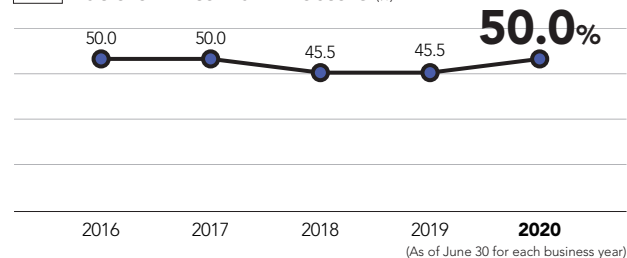
#### KPI Number of Educational Support Activities (times)



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

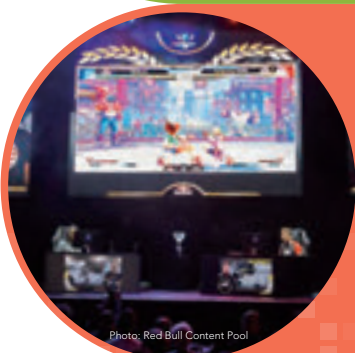


This business utilizes the content from our home video games. We focus primarily on the development, manufacture and sales of software, frames and LCD devices for gaming machines.

→ 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

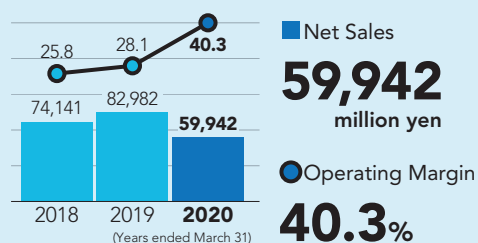
- ◆ We held events and sold merchandise leveraging IPs like *Monster Hunter* and *Resident Evil*, creating multifaceted opportunities for earning
- ◆ Proactively worked to develop new esports events such as the CAPCOM Pro Tour Asia Premier and the Street Fighter League World Championship
- ◆ Despite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

## Main Products for This Fiscal Year (Output)

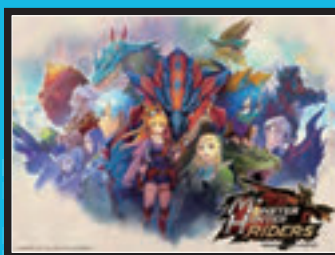
## PC Online

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

## Net Sales/Operating Margins

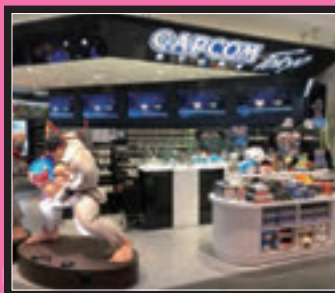
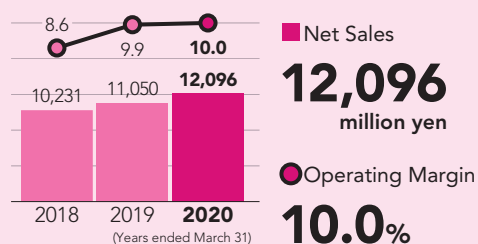
*Monster Hunter World: Iceborne*

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.

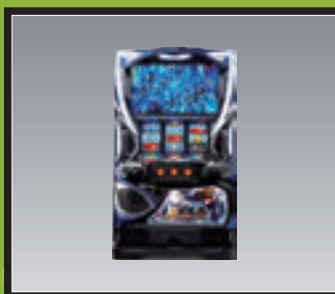
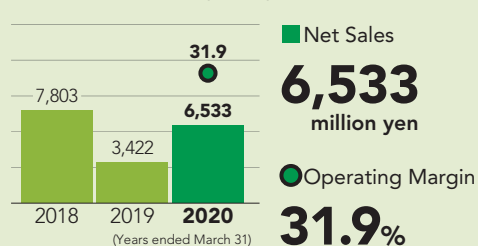
## Net Sales/Operating Margins



## Showroom Capcom Store Tokyo

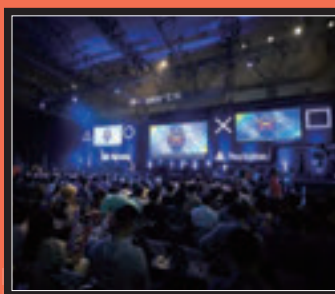
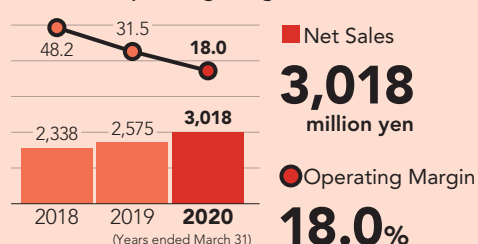
This showroom featuring Capcom's popular characters merchandise opened in Shibuya in November 2019. The store is performing well due to its location, perfect for meeting the demands of inbound visitors, and through offering original merchandise that has created a buzz.

## 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
<div>Consumer Market<sup>*1</sup></div> <div>(billion dollars)</div> <div><div><div></div><div></div><div></div><div></div></div><div><div>35.1</div><div>37.2</div><div>42.6</div><div>47.4</div></div><div><div>2019</div><div>2020</div><div>2021</div><div>2022</div></div><div><div></div><div>(Estimate)</div><div>(Estimate)</div><div>(Estimate)</div></div></div>	<ul style="list-style-type: none"><li>● Creation of highly competitive products using new technology</li><li>● More channels for product distribution with the appearance of new platforms</li><li>● Expanded profit opportunities by leveraging digital distribution to grow number of sales regions</li><li>● Achievement of extended product life cycles through digital sales</li><li>● Reduction of the used market due to penetration of digital sales</li></ul>	<ul style="list-style-type: none"><li>● Rising development costs with the appearance of new technology and improved device performance</li><li>● Changes in user purchasing trends with the next generation of platforms</li><li>● Risks due to a country's politics, culture, or religion</li></ul>	<div>[Consumer]</div> <ul style="list-style-type: none"><li>● Regularly release new titles for major IP</li><li>● Promote utilization of dormant IP and remakes</li><li>● Strengthen digital sales for both new and catalog titles</li></ul> <div>[Catalog Titles (Consumer)]</div> <ul style="list-style-type: none"><li>● Expand <i>Monster Hunter</i> series globally</li><li>● Extend sales life of catalog titles with rereleases for current-generation hardware</li></ul>
<div>Mobile Market<sup>*2</sup></div> <div>(billion dollars)</div> <div><div><div></div><div></div><div></div><div></div></div><div><div>92.0</div><div>103.9</div><div>114.3</div><div>121.5</div></div><div><div>2019</div><div>2020</div><div>2021</div><div>2022</div></div><div><div></div><div>(Estimate)</div><div>(Estimate)</div><div>(Estimate)</div></div></div>	<ul style="list-style-type: none"><li>● Improved game play with the elimination of communication lag</li><li>● Progressively higher quality as device performance improves</li><li>● Attraction of new users with strong IPs</li></ul>	<ul style="list-style-type: none"><li>● Delayed or inadequate response to new technology</li><li>● Intensified competition due to increase of market entrants</li><li>● Maturation of the domestic market</li><li>● Damage to brand value from failure to adapt to mobile</li></ul>	<div>[Mobile]</div> <ul style="list-style-type: none"><li>● Research technology in preparation for wider adoption of next-generation communications standards</li><li>● Leverage popular IPs created in the Consumer sub-segment</li></ul>
<div>Esports Market<sup>*3</sup></div> <div>(million dollars)</div> <div><div><div></div><div></div><div></div></div><div><div>957</div><div>1,059</div><div>1,598</div></div><div><div>2019</div><div>2020</div><div>2023</div></div><div><div>(Actual)</div><div>(Estimate)</div><div>(Estimate)</div></div><div>(Years ended March 31)</div></div>	<ul style="list-style-type: none"><li>● Expanded fan base from non-game players watching events</li><li>● Creation of new profit opportunities such as licensing rights to hold events and stream video</li><li>● Promotion of online tournaments that leverage game characteristics</li></ul>	<ul style="list-style-type: none"><li>● Reduced number of events due to COVID-19 pandemic</li><li>● Decreased enthusiasm for competition due to rampant cheating</li><li>● Interruption of service due to hacking or cracking</li></ul>	<div>[Esports]</div> <ul style="list-style-type: none"><li>● Having established a dedicated esports division, expand the base by holding events in Japan</li></ul>
<div>Arcade Operations<sup>*4</sup></div> <div>Gaming Machines Markets<sup>*5</sup></div> <div>(billion yen)</div> <div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div>433.8</div><div>462.0</div><div>485.9</div><div>520.1</div><div>672.3</div></div><div><div>2016</div><div>2017</div><div>2018</div><div>2019</div></div><div><div></div><div></div><div></div><div></div></div><div>(Years ended March 31)</div></div>	<ul style="list-style-type: none"><li>● Acquisition of new customers through multifaceted roll-out of stores including themed venues, merchandise specialty stores, VR experiences, etc.</li><li>● Increased awareness with new business formats and new technologies</li><li>● Expanded sales volume by providing appropriate service</li></ul>	<ul style="list-style-type: none"><li>● Reduced ability to attract customers due to the COVID-19 pandemic</li><li>● Changes to the market environment due to the diversification of leisure activities and declining birthrate</li><li>● Non-compliance with model testing of pachislo machines</li></ul>	<div>[Arcade Operations]</div> <ul style="list-style-type: none"><li>● Acquire new customers through multifaceted facility roll-out and holding events</li></ul> <div>[Amusement Equipments]</div> <ul style="list-style-type: none"><li>● Build development structure to handle current regulations</li></ul>

\*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

### Mobile + Esports

- Period of researching 5G environment-oriented technology
- Period of building a framework for the medium to long term

### [Consumer]

- Period of growth by enhancing new title lineup and extending sales life cycle of games globally via stronger digital presence

### [Amusement Equipments, Arcade Operations]

- Period of stabilization amidst a deteriorating environment

Medium-term



## Medium- to long-term goals

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

## Important factors for success

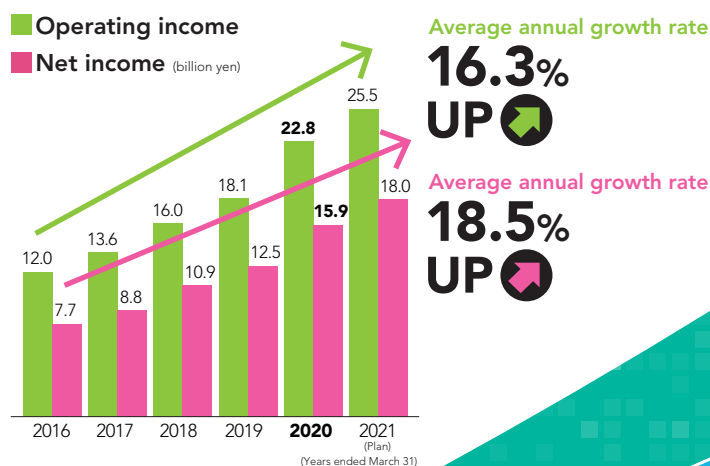
1

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 driverCatalog Titles (Consumer)  
Base profits from recurring revenue modelAmusement-Related  
Stable earnings

Long-term

→ Period



## Kenzo Tsujimoto

Chairman and  
Chief Executive Officer (CEO)



# Commitment

**Generating world-class content to help build a richer society through a solid management base and our growth strategy.**

## To everyone fighting COVID-19

I wish to send my deepest condolences to everyone who has lost a loved one to the novel coronavirus and my most heartfelt wishes for a full recovery to everyone who has suffered from it.

When I look back on my career in management, I see that I have faced many crises, such as the bankruptcy of Lehman Brothers, as well as the Great Hanshin earthquake and the Tohoku earthquake and tsunami, both of which I personally experienced.

However, unlike the disasters and catastrophes that have taken place in the past, the COVID-19 pandemic is not a localized issue. Everyone in every region of the world is being affected by this crisis. Entertainment is not essential for life. However, in times like this, I believe that entertainment can bring people some joy and hope. It is my hope that our business activities bring the people of the world the energy to fight COVID-19.

**I will now explain the ways in which we are demonstrating the superiority and uniqueness of the five elements that comprise the foundation of Capcom's sustainable growth.**

1

### Corporate philosophy and culture

Our unwavering philosophy since the company's inception

2

### Business model

Creativity and formidable IP assets

3

### Key performance indicators (KPI)

Commitment to stable growth in a hit-driven industry

4

### Management strategy

Development and marketing strategy geared toward achieving stable growth

5

### ESG

Initiatives geared toward sustainable growth

**Creating the world's most entertaining games to realize sustainable growth**

## 1

Corporate philosophy and culture — Our unwavering philosophy since the company's inception

## Aiming to be #1: delivering the best content "From Osaka to the world"

I jumped into the world of entertainment more than 50 years ago with the idea that "games are luxury items, not essentials. This is why the brand must be of world-class quality." I still believe this to be true even today. Accordingly, Capcom's basic philosophy is to create an entertainment culture through the medium of games by developing highly creative content that excites and stimulates your senses and brings a smile to your face.

In other words, we help make people happy and in turn build an emotionally rich society by creating the world's most entertaining games. ➔For details, please refer to "Corporate Philosophy" on p.04

In 1983, I founded Capcom under the motto of "originality and ingenuity," with the vision of developing games offering world-class quality.

Underpinning this was my belief that increasingly

sophisticated graphics and more immersive worlds would eventually make games as moving and impressive for the world as a Disney film.

Thirty-seven years later under the banner of Capcom, I have amassed nearly 3,000 colleagues who share this vision. Under the slogan "From Osaka to the World," these values have become our corporate culture, with (1) a spirit that is always eager to take on new challenges and (2) a sense of pride to constantly strive to be world-class deeply ingrained in every Capcom employee.

Again and again, we have been able to produce unique series that are globally recognized, including *Street Fighter*, *Resident Evil* and *Monster Hunter*, because of the fertile soil of a corporate culture cultivated over many years.

## 2

Business model — Creativity and formidable IP assets

## Maximizing utilization of high-quality content in a wide range of markets

Capcom's strengths are (1) the development and technological capabilities to create the world's finest, high-quality games and (2) numerous popular branded IP known the world over.

In addition, since fiscal 2011, we have hired over 100 new graduate developers every year in anticipation of focusing on in-house development, increasing our development staff to over 2,300 people (as of June 30, 2020) and further enhancing our strengths.

From game market characteristics and competitive factor analysis, the Consumer sub-segment has high entry barriers; combining the aforementioned strengths with our capital and the relationships of trust we have with hardware manufacturers creates significant competitive advantages (profitability). In addition, with the spread of PC as a game platform and the standardization of selling software digitally over the Internet, the home video game market that was once limited to only some developed nations has now expanded across the globe. ➔For details, please refer to "An Analysis of the Market and Capcom" on p.67

Furthermore, in businesses and sub-segments other than Consumer, our rollout of popular IP across multiple mediums contributes as a stable source of earnings. This is because, in addition to the fact that our IP consists of products developed 100% in-house, possessing numerous global IPs amplifies the effect of our multiple usage strategy. Additionally, expansion into other areas leads to increased brand value and subsequently an influx of new users to the game. In particular, marketing activities utilizing Hollywood adaptations of content further enhances the global competitiveness (brand power) of our IPs and maximizes synergistic effects.

In recent years, as a result of these sustained branding measures, we are increasingly seeing multiple generations of fans at event venues as IPs enjoying long-term popularity have firmly taken hold.

Disney, which I once aspired to emulate, began as a producer of cartoons and expanded all the way into the theme park business, growing into a giant in the world of entertainment. With our original content



acclaimed throughout the world and the growth potential of our esports, mobile and licensing

businesses, I am certain Capcom will be leading the charge into the coming digital age.

### 3

Key performance indicators (KPI) — Commitment to stable growth in a hit-driven industry

## Structural improvements and new criterion as we look to the future

### 1. Analysis of management performance in the fiscal year ended March 2020 (summary)

Our performance this fiscal year (ended March 31, 2020) exhibited an increase in operating income for the 7<sup>th</sup> consecutive year and all profit items, from operating profit downward, reached record highs; however, what I would like to draw attention to this fiscal year in terms of performance is decreasing net sales and increasing income. For this fiscal year, initially we had planned on a decrease in net sales due to (1) *Monster Hunter World: Iceborne* (MHW:I, herein) being the only new major title, and (2) it was not an entirely new title; it is a massive expansion of the previous title, *Monster Hunter: World*, and therefore the unit price was low. However, because (1) the ratio of highly profitable digital sales, many of which were for MHW:I, improved over the previous year, and (2) catalog sales (past titles, including rereleases, and HD versions), which were heavily digital, grew, we were able to achieve our 7<sup>th</sup> consecutive year of increased income as initially planned, despite the dip in net sales. In the past, the market forecast was unavoidably influenced by the number of major new titles being released that fiscal year, but I am proud to say that from this outcome we have demonstrated the returns of our model of building up our back catalog and shifting to digital sales, which we have been diligently promoting for some time.

### 2. Medium-term management goal assumptions and indicators (KPI)

#### (1) Management direction— Thinking not two, but ten steps ahead

In respect to management, I am always thinking about things in terms of the future. For example, nearly 10 years ago I gave an interview to a business magazine where I said, “if we are able to sell world-class quality products at a low price digitally, we will see even greater improvement in our performance.” At the time, packaged sales were the mainstream and there were very few customers who purchased digital versions,

so that idea may have been inconceivable to most people. Also, because packaged sales were the mainstream, pirated versions of games prevailed in most developing countries, but I also spoke about how that “will become a sort of promotion if we look at in the long term.” As a result, now that digital sales have spread throughout the world, we are selling more than 200 different games in countries and regions whose total outnumbers that of the United Nations’ membership.

Creating top-class content not only produced this fiscal year’s performance, it will be the tool that paves the way for our future. That is precisely why our management policy is to (1) create exciting, world-class content (IPs), and (2) maximize earnings by leveraging our rich library of IPs across multiple platforms and media, while (3) maintaining these policies to become a company of continuous, sustainable growth.

#### (2) Management goals

Since the fiscal year ended March 2018, our sustainable medium-term management goal has been to increase operating income each fiscal year. Rather than struggling to coordinate major title launch periods for this, we intend to take a natural approach of establishing a model of stable growth through build-up by expanding our title lineup, among other efforts, in order to enable institutional investors managing pensions and individual investors on fixed incomes to maintain long-term holdings with confidence. Thus far, we have not set forth a specific profit margin growth goal, but now that we can see the distinct results of the shift to digital, we have set a goal of 10% profit growth for each fiscal year.

### (3) Key performance indicators (KPI) and shareholder value creation achievements

In terms of management, in addition to operating income (growth indicator), which is the basis of corporate earning power, and operating margins (efficiency indicator), which are the basis of profitability, I also place importance on current net income and cash flows, but our CFO offers a fully detailed account from a financial perspective. ➔For details, please refer to “Financial Strategy According to the CFO” on p.39

Here, I will explain sales volume for game software, which I consider an important indicator for achieving 10% growth each fiscal year. With the shift to digital, Capcom’s operating margin has increased for four consecutive years since the fiscal year ended March 2017, (➔for details, please refer to “Financial Highlights” on p.13) but we are gradually approaching a ceiling to that growth. In order to continue achieving increased profits for the future, we need to increase unit sales and increase our actual net sales.

Before we began the roll out of our full-scale digital strategy in the fiscal year ended March 2017, sales volume varied greatly depending on whether or not we released a new major title. However, in recent years, units sold displayed steady growth due to (1) enhanced digital sales, (2) longer product lives of major titles, and (3) the promotion of digital marketing and other measures. If digital sales continue to grow in the market,

there will be a decrease in the circulation of used software, and the number of units sold will continue on to trend upward. I believe that by promoting these efforts, our vision of 50 million units in annual sales volume will eventually be attainable. [Diagram 1]

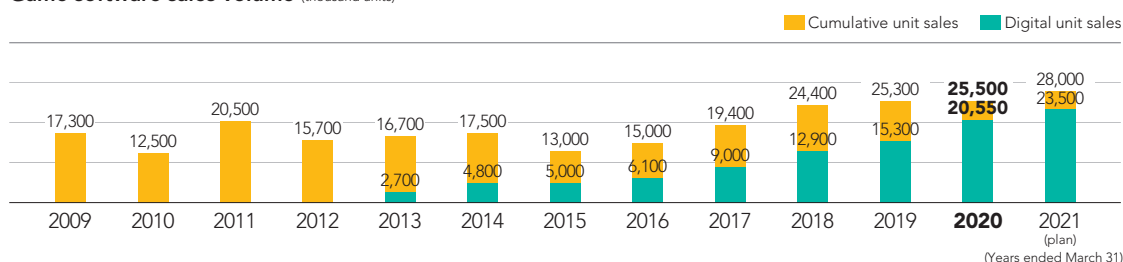
Furthermore, I believe that nurturing talent that can play an active role on the global stage, creating new markets with cutting-edge technology and creating social and economic value (creation of common value) through our business activities while at the same time building a healthy relationship with our stakeholders will lead to increasing our corporate value. Therefore, focusing on “S” (social) and “G” (corporate governance) of ESG, I recognize our critical issues as (1) developer numbers, (2) diversity, (3) support for education, and 4. the ratio of external directors. ➔For details, please refer to “ESG Highlights” on p.15

The game developing business has a relatively low environmental impact compared to other businesses in the manufacturing industry, therefore we do not have a specific “E” (environmental) indicator. However, if the digital shift that we are promoting spreads further, our impact on the environment will decrease with the reduced need for shipping and packaging.

It is my intention to achieve stable growth with a two-pronged approach comprised of a business strategy to create profits and an ESG strategy that supports our businesses.

Diagram 1

Game software sales volume (thousand units)



## 4

Management strategy — Development and marketing strategy geared toward achieving stable growth

## Reforming our development system and brand strategy to grow our strengths

### 1. Investing in human resources and development equipment to create world-class games

With 50 years of management experience in this industry, I have a keen awareness of the vital importance

of technology that meets the highest standards in order to create the world’s most exciting games.

The game industry is a treasure chest of cutting-edge technology constantly providing the world with entertainment that utilizes the most advanced

techniques, such as online battles, VR, and AR. I believe we will see this trend intensify even further with GAFA entering the market. Therefore, in order to create games that become worldwide hits, we have to assemble a staff of employees who possess the most advanced skills possible. I have strengthened employment of newly graduated developers with an eye on the expanding game market and evolution of technology. Recently, our younger personnel are digital natives who grew up being familiar with games and IT. As such, even from a young age, particularly talented staff members may be assigned to development teams for major titles or to our game development engine team, which comprises the core of our R&D.

In addition, we have a world-leading development studio in-house and are vigorously investing in development equipment so that our creators can perform to their maximum potential.

➔ For details, please refer to Integrated Report 2017 on p.38

## 2. Marketing strategy for becoming a global brand

Another important aspect is increasing recognition of hit titles and branding them.

One issue we needed to address was the fact that it takes approximately three years to develop a game, but after its release, there was a progressive decline in recognition. I thought a Hollywood film adaptation would be an effective means of ensuring the continued media exposure of a game title on a global scale, and in 1994, we decided to invest 4 billion yen into making *Street Fighter* into a Hollywood movie. At that time, some thought I had taken up movies merely as a hobby, but this investment generated a return of approximately 15 billion yen and successfully established *Street Fighter* as a global brand. Before and after a game is released, it receives media exposure for two weeks at most. However, by turning

the game into a Hollywood movie, it will continue to be shown around the world for decades to come through its (1) theatrical release, (2) package sales, and (3) VOD services, maintaining and increasing awareness of the title.

It is important that the title is a world-class game for this marketing technique, and we have already achieved the same great success with *Resident Evil*. We are planning a film adaptation of *Monster Hunter* for 2021 (in Japan). The series is already a popular brand boasting sales of 63 million units worldwide, but we will use the successful experience we have had with movie adaptations to make it a truly global brand.

## 3. Medium term growth phases

In order to continue increasing operating profits each fiscal year, we have to do two things: (1) revamp our business model in the Consumer sub-segment from one-time purchases to continuous purchases, and (2) build a new profit pillar to flow into the Consumer sub-segment with our comprehensive Single Content Multiple Usage approach. [\[Diagram 2\]](#) Of these, the Consumer sub-segment reforms are showing significant results, which I will discuss on the following page. Our next pillar of growth is the mobile and esports businesses.

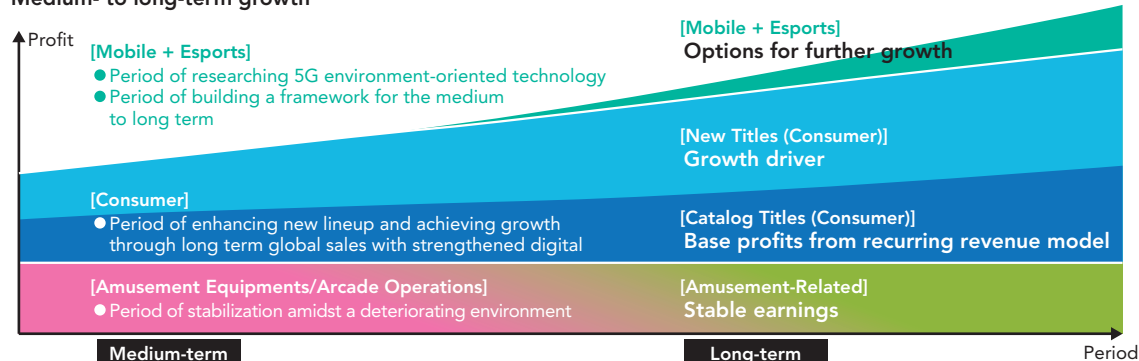
Our mobile content has struggled due to issues with translating the IPs created for home game consoles onto mobile devices. However, with technological advances in network communication speed and resolution, we believe that we will be able to fully leverage our IPs here in the future. Therefore, we are currently conducting research and development in anticipation of the 5G and 6G eras.

We are also investing in the promotion of esports as we expect the market to expand in the future.

➔ For details, please refer to "The COO's Discussion of Growth Strategies" on p.31

Diagram 2

### Medium- to long-term growth



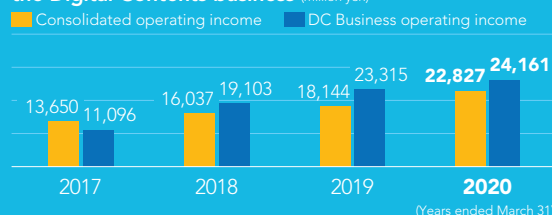


## Consumer sub-segment business model reforms to reduce revenue fluctuation risk

Now, I will reflect on the Consumer sub-segment business model reforms I have been working on in order to achieve our medium-term business plan of increasing operating profit each fiscal year.

In order to shift from a one-time sale model to a recurring revenue model, we have been promoting the following five initiatives since the fiscal year ended March 2017. As of the fiscal year ended March 2020, our consolidated operating profit has continued to grow at an average of 13.7% annually.

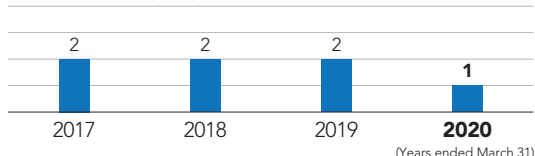
### Operating income for the entire company versus the Digital Contents business (million yen)



### 1 Steady release of major titles

With the expansion of our development organization, including the active recruitment of new graduate developers, we are steadily launching major titles every fiscal year. We expect to release multiple major titles in the fiscal year ending March 2021.

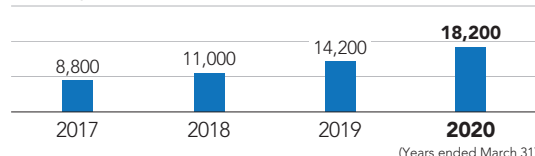
Number of major game releases (titles)



### 4 Using hit catalog title assets

We are actively rereleasing catalog titles that boast deep-rooted popularity as we can expect them to contribute over the long-term. As a result, we are seeing a significant increase in sales of catalog titles.

Catalog sales volume (thousand units)



### 2 Long-term product lives for major titles

Continuous updates to game content and pricing measures, including seasonal sales on digital platforms, have led to sales of more than 1 million units annually for most major titles released after *Resident Evil 7 biohazard*.

	2017	2018	2019	2020	(Plan) 2021
<i>Resident Evil 7 biohazard</i>	350	160	125	100	
<i>Monster Hunter: World</i>		790	450	320	
<i>Resident Evil 2</i>			420	240	
<i>Devil May Cry 5</i>			210	130	
<i>Monster Hunter World: Iceborne</i>				520	

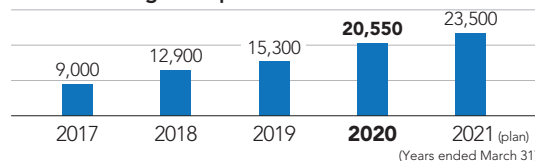
(ten thousand units) (Years ended March 31)

Titles continuing to contribute to profits as catalog titles

### 5 Expanding digital sales

The combination of expanding our product lineup through the efforts described in 1 and 4, as well as pricing measures has had a synergistic effect leading to significant growth of digital sales.

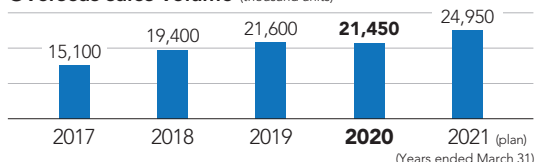
Number of digital copies sold (thousand units)



### 3 Strengthening global development

Our level of overseas sales is improving through comprehensive use of the PC platform, which enables sales to the entire world.

Overseas sales volume (thousand units)



### Policy for the immediate future

We will continue to promote the 5 measures mentioned above in the game industry, where we are entering a new growth stage ahead of the release of next-generation hardware. In addition, we will continue to (1) further strengthen digital marketing with an understanding of the unique needs in each region, (2) lower the price of catalog titles whose development costs have already been depreciated, (3) support new platforms, such as cloud gaming, and other measures with a constant eye on future needs.

➔ For details, please refer to "The COO's Discussion of Growth Strategies" on p.31



## 5

## ESG — Initiatives geared toward sustainable growth

## Increasing corporate value by building healthy relationships and a sturdy framework

### 1. Building a healthy relationship between games and society

Up to now, games have made people smile, stimulated their senses, and created a new culture. They have also contributed to running a healthy society, receiving an endorsement from the WHO as for their value as entertainment while we have been asked to stay at home during the COVID-19 pandemic.

Meanwhile, games have also presented new challenges, such as expensive in-game purchases by minors and gaming disorder. As I mentioned in my explanation of our corporate philosophy, our purpose is to make people happy through games. Making people unhappy because of games is certainly not our intention. If we do not tackle these issues head on, as an industry, company, and member of society, we will not be able to earn people's trust and continue growing. ➡For details, please refer to "Corporate philosophy and culture" on p.23

We are aware that these are major issues for our industry as a whole, and each company has therefore come together as part of an industry organization to make efforts to (1) establish guidelines and educate people about them, (2) share problems and actual examples among member companies, and (3) exchange information on a regular basis with parents, educators, consumer groups, and government administrators. ➡For details, please refer to "Relationship with Customers" on p.51

In addition, since 2005 Capcom has independently continued game literacy and career education support activities to raise awareness about how to properly interact with games in an effort to eliminate the social concern regarding the healthy development of youth with regard to games. ➡For details, please refer to "Promoting Healthy Relationships with Games" on p.54

We also do our best to ensure a broad range of customers are able to play safely and fairly through measures such as refraining from adding "gacha" elements as a general rule when we develop mobile games.

Furthermore, for the pachislo market, we provide sponsorship and cooperation through industry organizations for the activities of pachinko addiction consultation agencies, such as Recovery Support Network (RSN).

### 2. Commitment to regional communities

The promotion of our Single Content Multiple Usage strategy provides society with a wide range of benefits. Specifically, these include the use of popular Capcom IP in local revitalization activities to support (1) economic development, (2) cultural development, (3) awareness for crime prevention and (4) awareness of elections.

We are achieving quantitative social outcomes through solving the common problem of attracting and appealing to the youth demographic. ➡For details, please refer to "Relationship with Regional Communities" on p.53

The abovementioned four activities bring value to Capcom by 1. increasing satisfaction among existing users through event participation, and 2. creating a more favorable impression of games among those with less interest. In particular, the demographic in 2. has no interaction with games as a user; therefore using popular Capcom IPs to contribute to regional communities stirs interest in our IP, and there is potential for this demographic to become new game users via easily approachable platforms, such as mobile.

### 3. Commitment to employees

As can be seen from the fact that personnel expenses account for approximately 80% of development expenses, the game industry is not a labor-intensive industry but a knowledge-intensive industry, thus human resources are an extremely important management resource.

I recognize the importance of diversity for creating content that will resonate globally, thus Capcom promotes the retention and training of talented human resources without regard for gender or race.

As I mentioned earlier, we have world-leading, cutting-edge development equipment enabling our talented workforce to fully demonstrate their abilities. Maintaining a fully-equipped work environment improves product quality and at the same time encourages creativity. In terms of remuneration, in addition to a well-balanced salary system based on ability, we have also introduced incentives for each title and an assignment allowance system to increase motivation.

In addition, in the fiscal year ended March 2017, we established Capcom Juku for on-site childcare,

to provide an environment for employees with children that allows them to concentrate on their work with peace of mind. ➔For details, please refer to "Relationship with Employees" on p.54

In my view, the most critical aspect of human resource development is providing an environment that enables employees to take on new challenges. The manager's role is to push employees to take on one new challenge after another, leaving alone what works and devoting their energy to devising measures when things are not working. This enables employees to take on challenges without fear of failure, develop the world's most entertaining games and create new businesses leading to a virtuous cycle of business opportunity creation.

#### 4. Enhancing sustainable governance

As we accelerate our growth strategy, the risks also increase proportionally, but governance is useful in avoiding or reducing these risks.

Specifically, with myself, Capcom's founder, as CEO and my oldest son as COO, we can avoid management decision risks by sufficiently leveraging the supervisory function of the external directors, and with unique mechanisms for highly transparent and rational decision making built by the Board of Directors.

##### Mechanism 1

#### Management visualization based on numbers

Despite changes in corporate scale or business environment, to conduct flexible and integrated management, I require that materials (documents) used for decision-making are, in principle, quantitatively focused. Specifically, these materials compare and contrast net sales, year-on-year performance and earnings forecasts, which make it easier to identify problems by enabling us to confirm the details in multiple ways.

Furthermore, these materials are used by external directors for supervisory purposes and provided to investors as part of our IR activities. This is part of the mechanism I call "management visualization." Management decisions based on visualizing operations enable us to evaluate the Company with two sets of eyes using a system that seeks management transparency.

In addition, when I speak with developers, I use quantitative data as our common language. The bias of the person speaking can be infused into qualitative words, while numbers never lie.

I want to pass on the management know-how I have cultivated as founder of the company to the next generation in a practical manner as we work to strengthen risk control in order to create a framework for management that will ensure the performance of the company into the future.

##### Mechanism 2

#### Organizational design that leverages the supervisory function of external directors

For the past 21 years, Capcom has executed a variety of governance reforms.

Since introducing the external director system in the fiscal year ended March 31, 2002, external directors have increased to account for 50% of the Board of Directors.

External director appointment criteria have not changed since the system was introduced, but in short, we appoint directors with insight who are highly proficient specialists in their respective areas outside the gaming industry, capable of objectively making decisions regarding Capcom's management and business activities. With the avoidance of business investment risk as a priority issue, Capcom appoints individuals from Japan's leadership class (in terms of business management, law and government) who are able to provide sound opinions, especially when earnings are subpar, who are not intimidated by the company founder and are able to determine validity from the general public's point of view.

In addition, in 2016, in order to further strengthen governance and achieve a swifter decision-making process, we transitioned from a company with a board of corporate auditors to a company with an audit and supervisory committee. The audit and supervisory committee is responsible for strengthening internal control by auditing how business is carried out by executives and employees and making recommendations for modifications.

➔For details, please refer to "Message from a Member of the Audit and Supervisory Committee" on p.66

##### Mechanism 3

#### Developing management human resource capabilities and grooming successors

I have grown Capcom for the last 37 years, and as the founding executive, it is also my responsibility to ensure my successors have a proper understanding of its mechanisms and are able to execute them. I actively engage in information exchange and advise our next generation of key personnel, namely (President) Haruhiro Tsujimoto, who leads the business side of our organization, and (Executive Corporate Officer) Yoichi Egawa, who leads development. Plans for my successor are being made through discussions with the Nomination and Remuneration Committee; however, by rigorously training these two different types of people and combining that with our corporate culture, the aforementioned management visualization and framework creation, and just governance, we will have a strong managerial staff that our long term investors can trust with the management of the company.

## Rewarding long-term shareholders with 30 consecutive years of returns since Capcom's listing and record-high dividends

Diagram 3

### Dividends per share since public listing (yen)

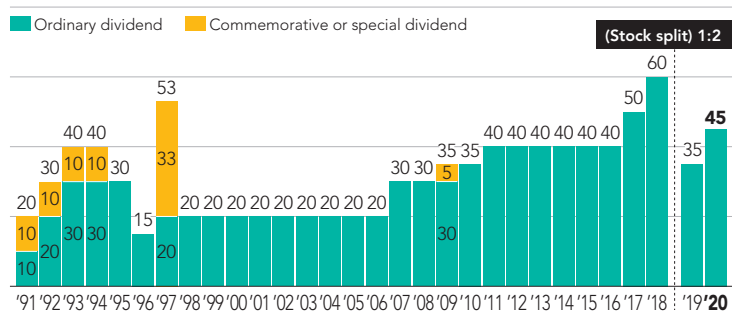


Diagram 4

### Total shareholder return (TSR)

Fiscal year ended March 2020	
CAPCOM	296.8%
KONAMI HOLDINGS	161.6%
SQUARE ENIX HOLDINGS	197.8%
SEGA SAMMY HOLDINGS	86.4%
BANDAI NAMCO HOLDINGS	247.0%
TOPIX Return Index	101.8%

Source: Financial statements from each company

In closing I would like to share my ideas regarding our capital policy, which is an important element of the relationship I have with our shareholders.

### 1. Basic policy regarding dividends

During my 37 years of management since founding Capcom, my philosophy has been to pursue stable corporate growth and reward long-term shareholders with steady increases in dividend payments despite the constantly changing nature of the game industry.

I have already mentioned the factors critical for sustainably enhancing corporate value; as shareholder returns are also an important management issue, dividends are determined with consideration for future business development and changes in the management environment.

Capcom's basic shareholder return policy aims to (1) enhance corporate value (market capitalization) through investment in growth, (2) continue paying dividends (30% payout ratio) while striving for stable dividends and (3) flexibly acquire treasury stock to increase the value of earnings per share.

The reason I think both the payout ratio and stable dividends are important is, for example, because a sudden decrease or cessation of dividends can be the difference between life and death for pensioners who depend on dividends to cover part of their lifestyle expenses. Regular and stable revenue enables

the reliable establishment of future lifestyle plans. We also receive requests for stability from the long-term investors who manage those pensions.

Capcom shareholders represent all types of people, and I assume some of them may be facing these kinds of issues, which is why we have never once failed to provide dividends during the 30 years since we went public in 1990. The fiscal year ended March 2020 marks four consecutive years of increased dividends. [Diagram 3]

As a result, the total shareholder return (TSR), including the rise in stock price over the last five years, was +296.8%, exceeding TOPIX (+101.8%) and positioning Capcom ahead of any of our industry competitors. [Diagram 4]

### 2. Dividends for this fiscal year and the next

Dividends for the fiscal year ended March 2020 were 45 yen for the year, which is actually the highest ever taking the stock split into consideration. In the next fiscal year, we plan to pay the same amount of dividends.

As a senior manager with 50 years of experience in this industry, my goal is to increase market capitalization and achieve corporate growth exceeding that of the past 37 years in order to continue meeting the expectations of all Capcom shareholders.

Kenzo Tsujimoto  
Chairman and  
Chief Executive Officer (CEO)

辻本 憲三

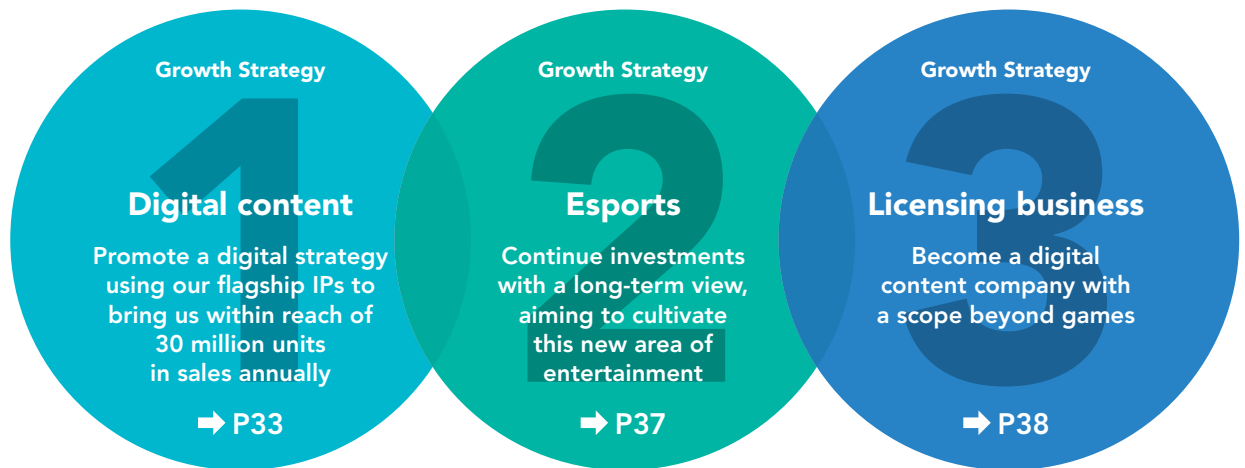


Haruhiro  
Tsujimoto

President and  
Chief Operating Officer (COO)

# Growth Strategy





## Our digital strategy is leading us to our goal of becoming a digital content company whose scope goes beyond games.

I have been involved in the game industry for more than 35 years, and it has always been moving forward with great speed, but the global game software market has seen remarkable growth in recent years with a 141% growth rate over the last five years and an expected growth rate of 37% over the next five years. Behind this is the growth of digital sales in the Consumer home video game market and the globalization of the market, including mobile content. At Capcom, we are actively promoting a growth strategy that focuses on the Consumer home video game market, and our medium-term management goal is to achieve increased operating income each fiscal year.

We have adopted a digital strategy as we work to achieve our medium-term goal, and by maximizing use of the Internet as a sales channel, we are

strengthening global long-term sales of game software. As we do this, we cannot forget that the traditional B2B business model in the game industry is now shifting to a B2C model. Getting closer to our users through digital marketing that makes use of our websites and social media will change the efficiency of our business dramatically.

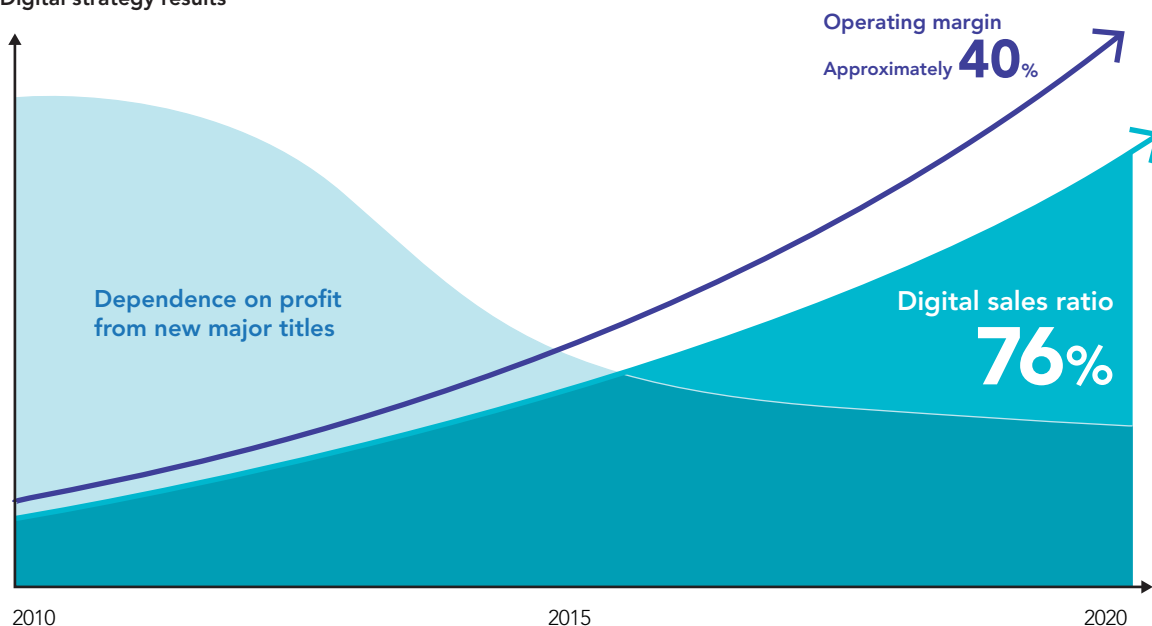
As our digital strategy comes to fruition and we expand our game sales volume globally, my vision for the future is to see Capcom becoming one of the world's leading digital content companies with our brand's content going beyond the boundaries of games, such as with our esports and licensing businesses, and receiving worldwide recognition.

I will now explain the path we have started along that will lead us to this vision of Capcom in the near future.



Diagram 5

Digital strategy results



Growth Strategy

1

## Digital content

# Promote a digital strategy using our flagship IPs to bring us within reach of 30 million units in sales annually

### Achieve long-term sales globally by further increasing the digital ratio in our core Consumer sub-segment

It stands to reason that the Consumer sub-segment is the core of our business and the source of our content creation. As a result of our improved profitability and progress in our recurring revenue model due to our proactive measures to popularize digital sales in recent years, our operating margin, which at one time had sunk into the single digits, is gradually improving and reached the 40% level by the fiscal year ended March 2020.

The market is expected to grow by 52% to \$53.2 billion by 2024, which will likely further increase the digital sales ratio. Considering these circumstances, Capcom will continue releasing high-quality content underpinned by a world-leading development system in the next fiscal year and beyond. [\[For details, please refer to "The Head of Development Discusses Strategy" on p.43\]](#) We will also use strategic pricing measures to address a broad range of user needs over the long-term in an effort to reach 30 million units in annual sales of software in the near future and continue growing that number. [\[Diagram 5\]](#)

#### Measure 1

### Steady annual launch of core IP in global markets

The steady release of new high-quality titles is a

prerequisite for the changes we are making to our business structure, such as digitalization and globalization. Since Capcom restructured in 2013, we have been using our "60-month map," which is our medium term title portfolio map, in tandem with our "52-week map," which manages the annual assignments of our developers, establishing a mechanism for the timely allocation of our roughly 2,300 developers (as of June 30, 2020) to the titles that require their skills. This has allowed us to continue releasing major titles each fiscal year contributing to stable growth.

In addition, one of our strengths has been the fact that our most famous brands, such as *Street Fighter* and *Resident Evil* are also very popular overseas. Foreseeing market globalization, we released *Monster Hunter: World* (referred to as *MH:W* herein) as a strategic title in the *Monster Hunter* series in 2018. The title received worldwide acclaim and has sold a record 16.1 million units (as of June 30, 2020). Moreover, most of the titles we released thereafter employ the same meticulous *MH:W* quality and digital strategy resulting in strong sales. [\[Diagram 7\]](#)

However, we have not yet amassed enough developers for our future growth. We will continue to hire more than 100 new graduates and combine that with the hiring of seasoned mid-career professionals in priority fields to utilize our dormant IPs in addition to our existing IPs. This is a necessary

Diagram 6

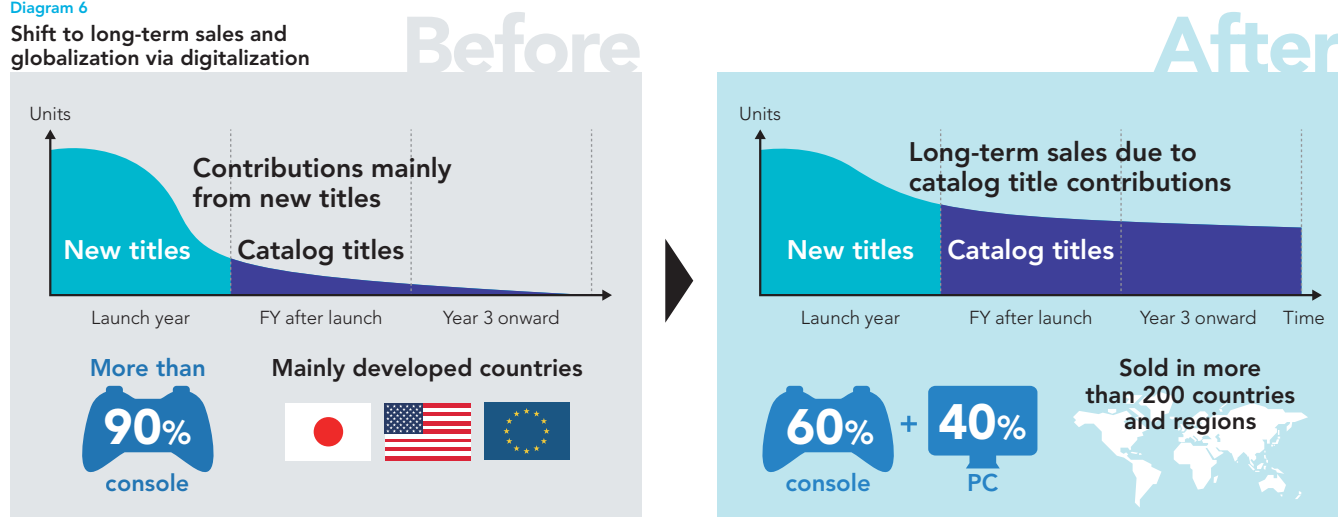
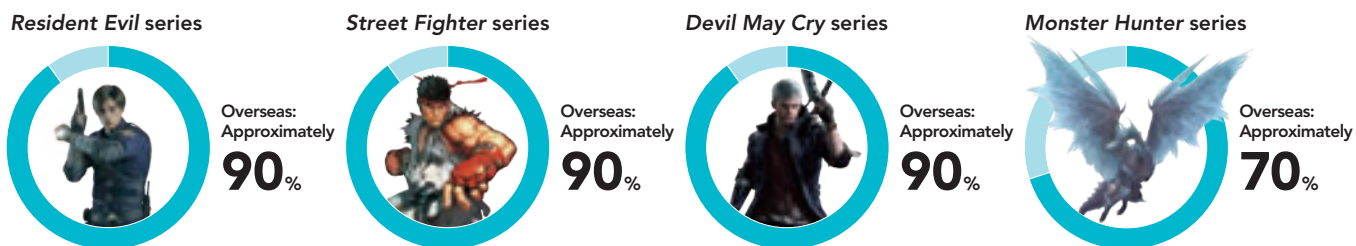
Shift to long-term sales and  
globalization via digitalization

Diagram 7

## Overseas sales ratio of major brands in the fiscal year ended March 2020



measure for our long-term growth along with the creation of entirely new IPs, such as *Pragmata*, which we announced in June 2020.

**Measure 2****Increased profitability and long-term sales globally with digitalization**

Here I will explain our digital strategy, a central pillar in our growth strategy. We feel the main advantages of digital sales are (1) improved profitability due to package production cost reductions and avoidance of inventory risk, (2) additional earning opportunities and long-term sales of catalog titles, which is a sales opportunity that was not available at physical retail shops, and (3) marketization of emerging regions where the distribution of game consoles was difficult. These items brought a major transformation to the game business. [Diagram 6]

The strategy originated in 2013, before current game consoles (PlayStation 4, etc.) were launched, after I learned that these game consoles would have constant internet connectivity. I knew a major change was coming to the game business and we established strengthening our digital adaptability as a priority strategy. Seven years have now past, and our digital sales, which were 5.2 billion yen in the fiscal year ended March 2013, have grown more than eight times to 42.6 billion yen in the fiscal year ended March 2020. During this time, our Consumer sub-segment improved significantly in profitability.

Digitalization increased earnings for each title, as mentioned above, but it also carries the further advantages of long-term sales and globalization. In the past, performance in the Consumer sub-segment was largely dependent on whether or not Capcom had released a new hit title that year, but now, once a high-quality new title is released, it contributes to earnings for 3-5 years. In addition to that, in package sales, second-hand distributors dominated sales of the last 35 years of Capcom's content assets, but because we are now able to offer them online at lower prices, they have become a steady source of earnings for us. Today, earnings in the Consumer sub-segment are comprised of some 200 titles each fiscal year. Meanwhile, from the users' perspective, digital has the substantial advantage of being available at the time you want it, and the digital ratio is rising each year, even for new titles. For example, new release *Resident Evil 3* has demonstrated a digital ratio of nearly 50% even at launch.

In recent years, PC platform versions have also increased their contribution to digital sales. We are now able to sell in countries and regions that far exceed the conventional console market, and we have analyzed that there is strength in expanding sales in emerging regions, such as Asia, South America, Eastern Europe, and the Middle East. I think that there is great potential for future growth in this area and have designated PCs a priority platform.

# The COO's Discussion of Growth Strategies

Diagram 8  
Global marketing

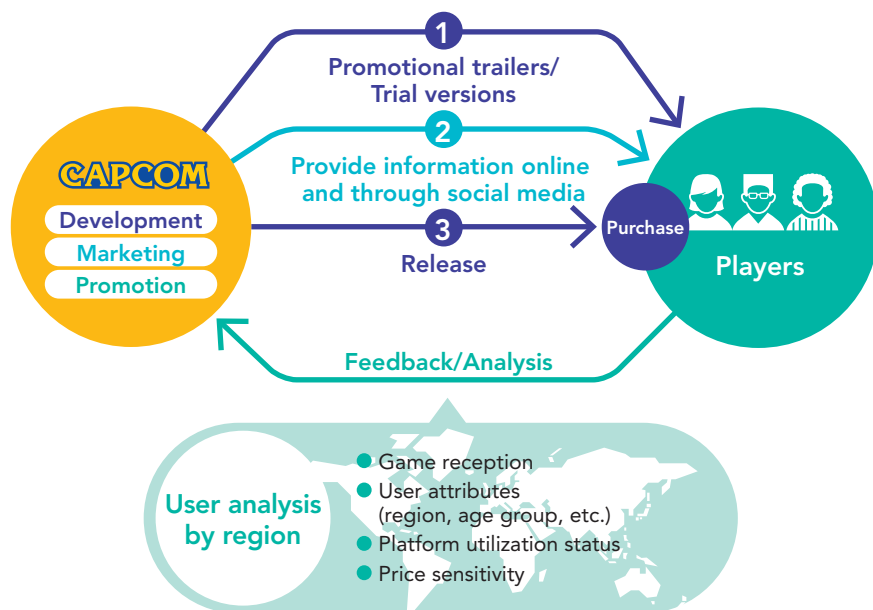
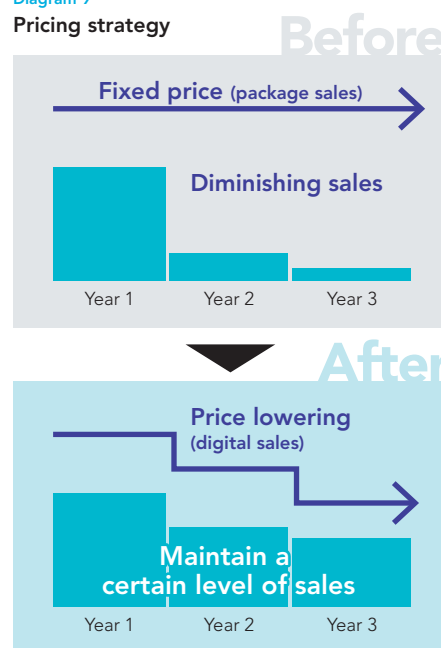


Diagram 9  
Pricing strategy



We will continue promoting these digital strategies in the next fiscal year and project achieving record high net digital sales of 45 billion yen. As there is still room for growth in pipeline expansion, long-term sales, and in global markets, we expect the digital sales ratio to rise to 80-90% in the medium-term and believe that the Consumer sub-segment profitability will continue to increase while we make further progress in our recurring revenue model.

## Measure 3

### Generate demand with pricing measures based on digital marketing

Next I will explain how digital has made the game business more efficient. For a long time, we have been focusing on using the most advanced internet technology. This is because in the near future digital natives will be the primary consumers, so for a luxury item such as games it is extremely important that we meet users on their terms and utilize digital communication.

Therefore, in order to both digitalize marketing and strengthen communication within the company, we have established the Global Marketing Meeting, where management and global department heads meet each quarter to formulate a marketing plan. As a result, since launching *MH:W* in 2018, management, development and business have integrated, and utilized Capcom's websites and social media presence to improve the quality of our titles in line with users' needs while establishing a suitable pipeline to purchasing digital versions, enabling us to institute a system that will expand sales. [Diagram 8]

At present, in terms of long-term sales and globalization, we are prioritizing detailed and flexible pricing measures, such as limited-time sale offers that

consider the needs of each individual region and user demographic. At the end of 2019, we strategically lowered the price of the major titles released in the previous fiscal year by more than 50%, which succeeded in generating more than double the sales of the same period in the previous year.

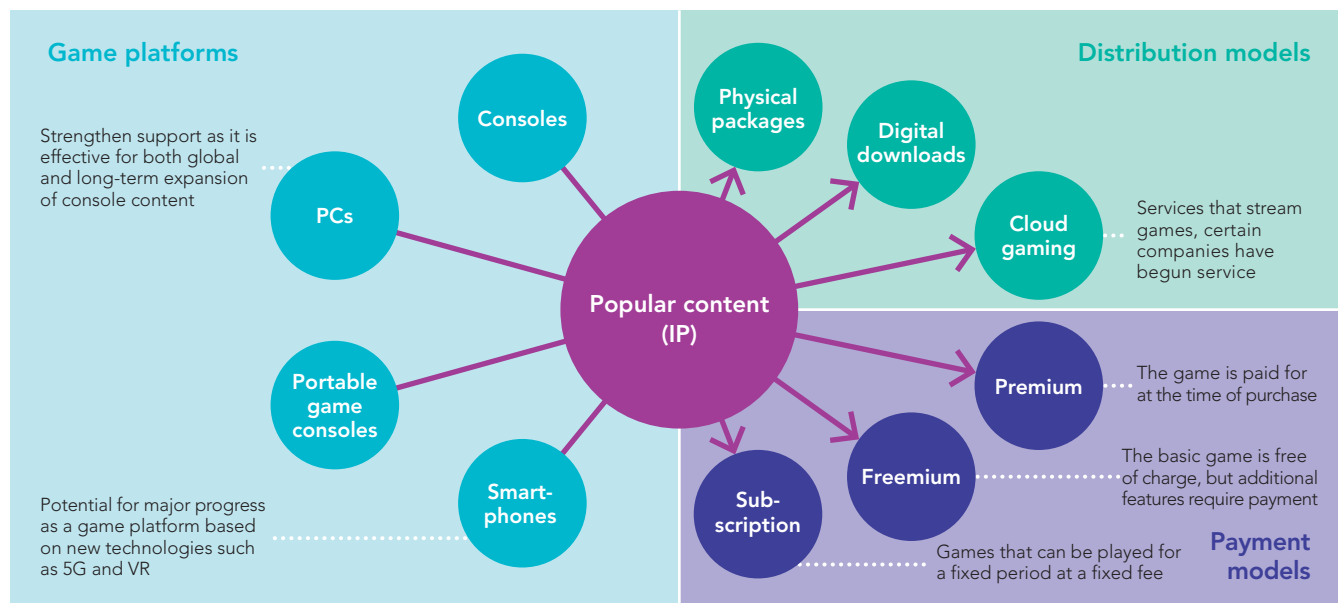
Another positive example is the long-term sales of *MH:W*. More than two years have passed since its release in January 2018, but as a result of maintaining sales while gradually lowering the price, its cumulative sales volume has exceeded 16 million units; more than half of which were sold in the second year or later. The lowest price it has sold for thus far is approximately 15 dollars, but its development costs have already been amortized, so even if it were to sell for 10 dollars or, as an extreme example, 5 dollars, it will contribute to income. We will continue to keep an eye on sales trends as we implement pricing measures that appeal to worldwide users who have not yet purchased the game in order to further expand our user base before the next title in the series is released.

I have been asked if this will create pressure to drop prices in the future, but I do not believe that is a concern. In the world of luxury items, as long as you can provide high-quality content, there will always be those with the need to play the newest content as soon as possible, even at full price. Pricing measures allow us to present users with a variety of prices so that they can make their purchase at a price where they feel satisfied, and this is an enormous advantage for both the seller and buyer. [Diagram 9]



Diagram 10

## Game platform &amp; service configuration



## Measure 4

## Support for mobile content and new services, such as cloud gaming

We expect Capcom's growth resulting from the digital strategies I have set forth thus far to continue for the foreseeable future. Meanwhile, the appearance of new services and technologies, such as cloud gaming and 5G, have the potential to bring dramatic changes to the game industry over the next 10 years. In addition to adopting a multi-platform strategy, Capcom has a track record of being quick off the mark in adapting to new technologies, such as VR. It goes without saying that we will continue to maintain a keen awareness of new fields and conduct technical testing. [\[Diagram 10\]](#)

If we look at it from a historic perspective as well, we can see that it has been new services and technologies that have made games even more interesting. I have great expectations for the further evolution of the world of games, and further am also very interested to see what kind of merits it will bring to users.

Currently, I cannot say that we have had great success with mobile content yet. We have analyzed the issue to be that we have yet to acquire the know-how to monetize through the continuous services unique to the mobile arena. At this point, we are prioritizing allocation of our resources toward growing the Consumer sub-segment, so we are not in a rush to see results. However, with the new 5G communication standard, or its 6G successor, our dynamic, action-orientated content should become equally compatible with mobile devices. For example, we may see a breakthrough when it is combined with light-weight, next-generation VR devices. I have instructed the Development section to carry out

technological research to ensure we are ready to grab the opportunity when it comes.

Finally, I want to properly convey that although our business format may change, Capcom's top priority will not. That is to consistently produce world-class, meticulously refined content as we have always done. If we can continue to do that properly, then users will always choose our products to use with any platform or service. Conversely, if we fail to do so, even if we are able to ride the transient wave of a trend, we will not see medium or long-term growth. Our experience from many long years of standing at the forefront of the industry has convinced me of this.

# The COO's Discussion of Growth Strategies

Diagram 11

## About esports

Esports stands for “electronic sports,” which are video games played in competitions viewed as sporting events. They became popular in Europe and North America in the late 90's and now enjoy popularity among young people in particular, with numerous and varied game events held throughout the world, including in Japan and Asia. They are also garnering attention as a new category in the game business.

## Esports market growth

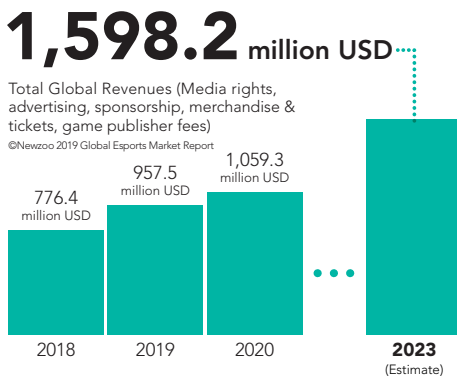
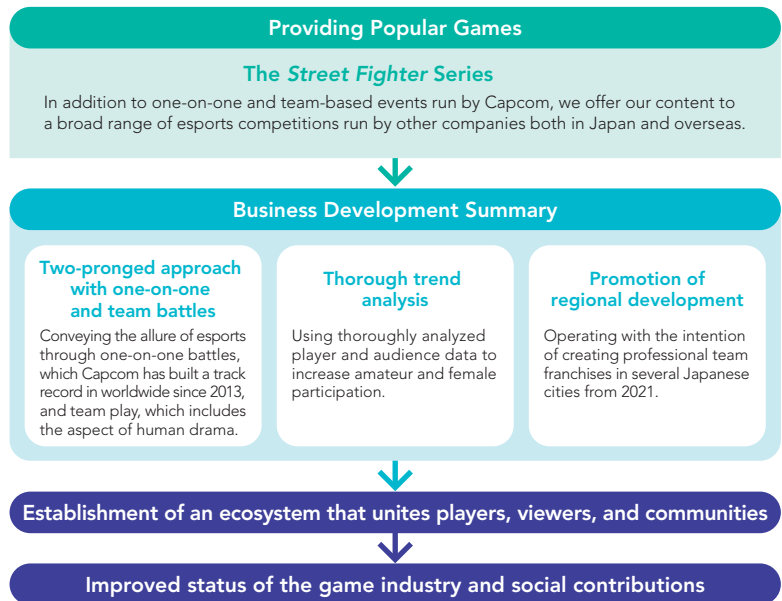


Diagram 12

## Esports initiatives



## Esports

# Continue investments with a long-term view, aiming to cultivate this new area of entertainment

## Aiming to establish a win-win ecosystem for players/viewers and communities/partner companies

First please allow me to explain why we are involved in esports. We are focusing on esports as a form of entertainment for a new-generation that has the potential to bring people fresh enjoyment. The market has grown significantly in recent years, and is expected to grow by 67% to approximately 1.6 billion dollars by 2023. [Diagram 11] With the establishment of a win-win ecosystem for players, communities, and partner companies, we believe that we have an important role to play in the development of esports with our thorough knowledge and ability to evolve the content used in competition.

As a result, this will create a cycle where increasing the income we earn from esports will flow back into our main business of software sales in the Consumer sub-segment, which will eventually increase the brand value of the content. This is what we envision taking place. However, this is an entirely new field and cannot be built overnight. In order to get it off the ground, we have to continue investing in it with a medium to long-term perspective of 5 or 10 years, and just as with soccer or baseball, slowly expand from the market base, including participation from amateurs.

## Measure

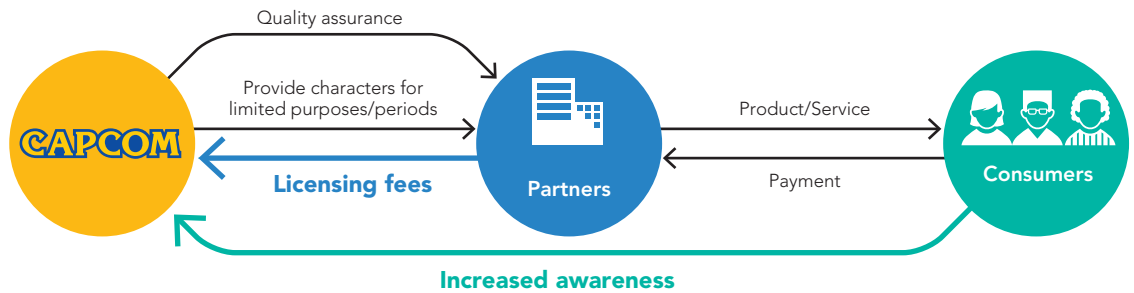
## Building a framework for continuous tournaments and training

The COVID-19 pandemic has forced us to reconsider the safety of players and spectators, and therefore the format of how we had planned to hold many of the live events for the coming fiscal year has changed. On the other hand, the fact that holding tournaments online is a viable online alternative is one of esports' major advantages. In order to maintain the momentum we have built in popularizing esports thus far, as one of our two main pillar initiatives the Capcom Pro Tour, a worldwide series of one-on-one tournaments that are held throughout the year, has been taking place online since June 2020. The second initiative, team battle, has also moved online since August 2020 with the domestic Street Fighter League: Pro-JP 2020 competition—for which we have brought on more than 10 new tournament sponsors. In addition, Street Fighter League: Pro-US 2020 is being held online in the U.S.

In addition, with a watchful eye on the COVID-19 pandemic situation, we are moving forward with initiatives for 2021 and beyond that include creating regional esports team franchises, holding tournaments specifically for female players, and establishing a training institution. When esports is widely recognized and understood by the general population, it will not only increase IP value, it will elevate the status of the game industry as well as contribute to society. [Diagram 12]

Diagram 13

## Licensing business model

Hollywood film *Monster Hunter*  
© CONSTANTIN FILM Production Services GmbH*Monster Hunter* 15<sup>th</sup> anniversary exhibit held  
in Shanghai

## Growth Strategy

## 3

## Licensing business

# Become a digital content company with a scope beyond games

## Shifting from a stable business to a growth business

I believe that game content will eventually achieve a status on par with the world's most famous animated characters. In the early 1990s, the booming popularity of *Street Fighter II* became the spark that led the industry to brand game content with products and Hollywood film adaptations. In the 2000s Capcom universally adopted the Single Content Multiple Usage strategy proactively leveraging our brands into multiple media formats. Today, our digital content business has grown substantially, and with the number of users playing Capcom games around the world rapidly increasing, I believe we are on the brink of major growth for our licensing business as well. [\[Diagram 13\]](#)

## Measure

### Strengthening global expansion

Traditionally, we have developed our licensing business as separate regions based out of Japan, the U.S., and Europe. Turning IPs into products and movies has contributed to supplementing software income, increasing awareness, and expanding the base of loyal users. However, from a growth rate perspective, compared to the 96% growth in sales volume over the past five years, the licensing business (part of Other Businesses) has only seen sales growth of 41%. I believe there is room for growth here, and we are therefore promoting further development of this

business from our offices worldwide. In addition, we are working on developing our Asian business, and in 2016 we established a Japan and Asian Business Division to strengthen our four-office system comprised of Japan, U.S. Europe, and Asia. This system is responsible for software sales expansion, including in emerging regions.

We are also increasing collaborations with other industries, such as apparel and mobile devices, in an effort to increase our licensing income from these areas as well.

## Measure

### Promotion of Hollywood movie adaptations

From a content branding standpoint, the effects of a Hollywood movie adaptation are immense. Both *Street Fighter* and *Resident Evil* have proven track records of growing into representative brands for Capcom and significantly increasing game unit sales and long-term content value. Currently, we are planning to have *Monster Hunter* adapted into a Hollywood film. Preparations are underway for its release and we believe it will provide the extra push needed to reach the 20 million units in sales we are aiming for from *MH:W*, which has already sold 16.1 million units.

# Striving to build a stable financial foundation in order to achieve flexible growth assets geared toward an evolving market.

**Q** Please explain your role.

**A** I support business activities from a finance perspective, aiming to achieve asset optimization based on our management strategy.

In addition to my responsibilities as CFO, which involve planning financial strategy and seeing it through to execution, I am also the Executive Corporate Officer who oversees the whole of corporate management. As our business structure undergoes major changes, I have also been placed in charge of planning and strategy for the company since April 2020. I am involved with building our digital enhancement strategy along with our other various programs underpinning the growth strategy the CEO and COO were pivotal in formulating, so that we can achieve flexible and efficient investment, augment our business performance, and improve our asset efficiency.

As CFO, I strive to build a strong and flexible financial foundation based on our traditional financial strategy of securing a stable cash flow and improve asset efficiency. In my new role overseeing management, planning, and marketing strategy, we are working on more closely linking management and business.

**Q** Have there been any modifications to the financial strategy with the changes to the business environment brought on by the COVID-19 pandemic?

**A** There have been no modifications. We will continue supporting growth assets with a financial foundation prioritizing cash flow.

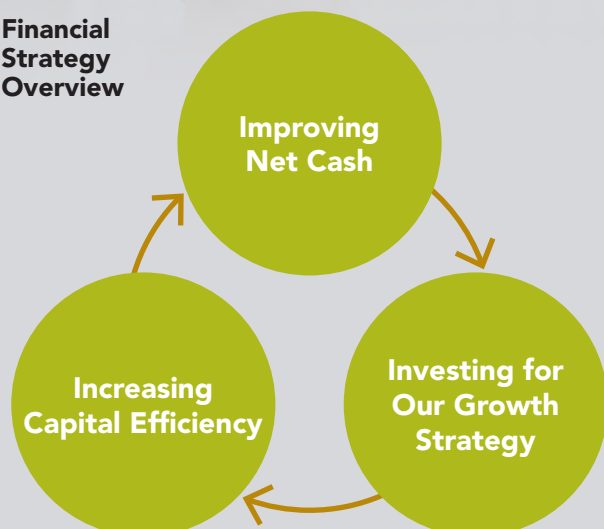
In an effort to bring our growth strategy to fruition, Capcom invests 30 billion yen in development annually, primarily in our Digital Contents business. In order to steadily invest 36.5% of projected sales in research and development, we need to build a strong and flexible financial foundation. We are promoting Capcom's growth strategy and working to grow our business performance with high capital efficiency by achieving proactive development investments based on improving our net cash.

In the fiscal year ended March 2020, investing in our growth led to achieving the highest sales volume on record in the Consumer sub-segment. Net cash increased by 14.2 billion yen, and the operating cash flow on sales ratio reached 27.3%, setting a new record high for profit. We were fortunate that our digitalization of game sales helped us avoid any major impact from the novel coronavirus pandemic. In addition, the balance of cash and deposits is equal to approximately

## Kenkichi Nomura

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

### Financial Strategy Overview





2.2 years' worth of annual development investment, so there is no concern financially. However, witnessing the impact it has had on other businesses, I am once again reminded of the weight cash carries and the importance of building a financial foundation that matches the characteristics of our business.

During this seven-year period where net income has increased consecutively each year, Capcom's earnings structure has undergone significant changes due to the digitalization of our sales channels and extension of our earnings period. However, we were able to support growth investment appropriately with the financial foundation we have built thus far. Looking at the market over the next 10 years, we can expect major changes on a scale unlike any we have seen before with the emergence of new technologies, hardware, and services. Our investment options will likely expand even further, which means we must be ready from a financial perspective.

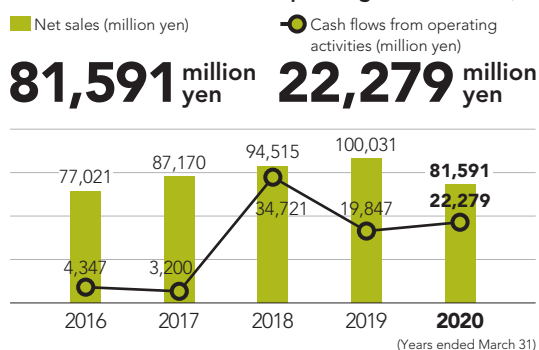
As CFO, I will continue my efforts to select and concentrate investments while continuously reviewing costs, such as SG&A expenses, in order to build an even tougher financial foundation. In addition, I aim to use our accumulated cash to bring our growth strategy to fruition and further improve asset efficiency through flexible, optimized allocation of investments in strategic projects, such as major title development, investments in strengthening digital, adapting to new technologies and services, and our endeavors in esports and the mobile business.

## Q What are the priority financial KPIs and measures to improve them?

**A We are prioritizing increasing operating income by 10% each fiscal year in addition to capital efficiency (ROE).**

As one of our medium-term management goals geared toward investors, we are targeting an annual increase

### Net sales / Cash flows from operating activities (million yen)



of 10% in operating income, which represents the profit we earn from our main business. At the same time, we aim to improve our operating margin, which is an indicator of our business efficiency, our net income, which represents our final profits for the fiscal year, and free cash flow, which is the source of returns to shareholders and further growth.

In the rapidly changing game industry, in order to manage with a well-honed foresight, we check changes such as the aforementioned indices and compare to the matrix of sales, year-over-year, and planned to actual ratios, and then take swift action in response to issues. As a result, the operating income growth rate over the last five years has been +116%, giving the operating margin an improvement of +11.5 percentage points and positioning Capcom at the top of the industry when compared to our competitors. Also, during this period, the net profit growth rate was +141% and free cash flow improved significantly.

### Rate of improvement of operating income/ operating margin (compared to FY ended March 2015)

	Operating Income	Operating Margins
Capcom	+116%	+11.5 points
Konami Holdings	+114%	+5.2 points
Square Enix Holdings	+99%	+2.8 points
Sega Sammy Holdings	+57%	+2.5 points
Bandai Namco Holdings	+40%	+0.9 points

Note: Comparison of fiscal years ended March 2015 and 2020  
Source: Created by Capcom based on financial reports and financial announcement materials

Additionally, ROE (return on equity), which we emphasize as an indicator of capital efficiency, was 16.9% this fiscal year. This number has been rising steadily alongside the growth of our business for seven consecutive years, creating value for shareholders.

### ROE

	ROE
Capcom	16.9%
Konami Holdings	7.3%
Square Enix Holdings	10.0%
Sega Sammy Holdings	4.6%
Bandai Namco Holdings	13.1%
TSE 1st Section Average	6.6%

Note: Performance for the fiscal year ending March 2020  
Source: Financial reports, Japan Exchange Group (JPX) homepage

Commitment

The digital strategy we have been promoting since 2013 is the foundation behind this growth. By enhancing our income from not only our new major titles but also sales of our catalog title assets, we can grow our income efficiently without relying on expanding our capital. We are currently focusing on ROA (return on assets), in addition to ROE, and have improved 12.0% this fiscal year. We will continue to promote our digital strategy in the coming fiscal year as we aim for improvement in all our KPIs. We expect our operating income to increase 11.7% to 25.5 billion yen, our net income to increase 12.9% to 18.0 billion yen, and our operating margin to improve 2.0 percentage points increasing to 30.0%. ROE is projected to be 16.9%, which is on par with the previous year. In order to achieve these plans, I will conduct thorough checks of the aforementioned items as a company executive and focus on efficiency in my management of the balance sheet.

	3/2018	3/2019	3/2020	3/2021(plan)
ROE (%)	13.4	14.4	16.9	16.9
Net margin (%)	11.6	12.5	19.5	21.2
ROA (%)	8.9	10.1	12.0	—
Financial leverage (times)	1.46	1.39	1.44	—

**Q** Specifically, what kind of growth strategy investments do you make?

**A** We invest 80% of management resources in the core Digital Contents business.

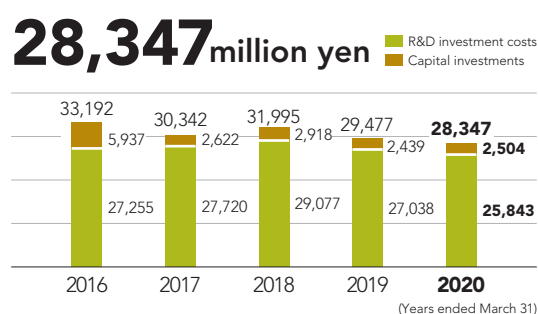
To achieve stable medium- to long-term growth, we recognize that it is critical to secure a sufficient amount of investment for the Digital Contents business, the source for our original IP. Specifically, in addition to

an enhanced title lineup and new technologies, we must invest in hiring more developers and improving our development environment. In the fiscal year ending March 31, 2021 we will allocate 29.0 billion yen, or 80% of total investments (R&D investment and capital investment amounts totaling 36.4 billion yen), in the Digital Contents business. As an index for measuring our investment level adequacy, we strive to appropriately manage the amount of our annual development investment and our work in progress for game software balance. Regarding the work in progress for game software balance recorded on the balance sheet, while it takes two to three years or more to develop a game, digital distribution has extended the content sales period, therefore we are striving to maintain the soundness of our assets with appropriate checks on the development of in-progress content.

Capcom employs two methods of properly managing development investments to increase title income, and efficiently generating net cash. The first is thoroughly managing investment recovery by creating a return on investment (ROI) database for each title and managing the process of investment income. If progress is going well on titles in development, we continue with the initial projected investment, but if there is an issue, we attempt to make improvements at an early stage and then reevaluate the potential of continuing investing. The second is the thorough improvement of working capital efficiency by checking in-progress assets continuously and working to create a mechanism to further visualize the number of turnover days and turnover rate.

As a result of these efforts, the net cash at the end of the fiscal year rose by 14.2 billion yen to 58.9 billion yen. In addition, when you consider the temporarily rising and falling accounts receivable and the balance of obligations at the end of the fiscal year that accompanied the major titles released before and after the holiday season in the latter half of the fiscal year, effective net cash increased to 69.0

Capital investments / R&D investment costs (million yen)



billion yen.

We expect the amount of investment to gradually increase with the steady hiring of new graduates to expand our pipeline and to address new hardware and technologies. We will continue to carry out investment allocation and processes management in a manner appropriate for achieving growth investments.

### Q What is the status of cash and fund procurement?

**A We have secured levels enabling us to respond to the increasing scale of game development and longer sales periods.**

The increasing sophistication and functionality of game platforms brings rising development costs for consumer game software. In addition to the fact that it can take two to three years, or more, to develop a major title, the realization of extended sales periods with the penetration of digital sales has resulted in longer specified periods for recovering investment capital. (When package sales were mainstream, demand was concentrated in the first one to three months after a title was released, and development costs were recovered within that period.)

Under these circumstances we have set the level of cash and deposits we should hold in reserve as the amount of one to two years of annual development investment costs in consideration of the reserves for planned title development investment and risk management. However, when we consider the further development of content in this industry over the next 10 years as well as the possibility of a major transformation of our business structure, we can see the need to create a system that increases our cash position by an additional year to enable more flexible investment. At the end of the current fiscal year our cash and deposits balance was 65.6 billion yen due in part to the growth in our performance, but we

will continue to strive to strengthen our financial foundation even further.

### Q In terms of shareholder returns, what is the position of treasury stock?

**A From the perspective of total returns ratio, we are making flexible acquisition a pillar on par with dividends.**

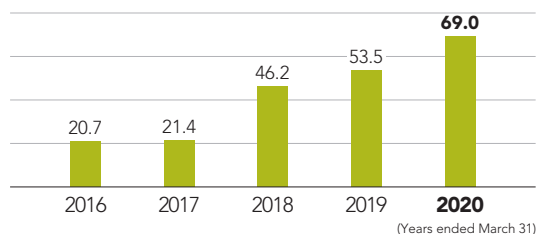
At Capcom, we consider the acquisition of treasury stock an important policy for raising share value by increasing earnings per share. Accordingly, when we determine that it will contribute to improving shareholder value based on changes in the management environment and financial content, we have been flexibly acquiring treasury stock (most recently in 2017 and 2019).

The average of the total return ratio for the last 10 years combined with dividends has been 58%, and we will continue to implement the optimal course of action as the opportunity arises.

Regarding the treasury stock we are currently holding, we are reviewing the appropriate measures for available options from the perspective of new technology, business growth, and improving capital efficiency.

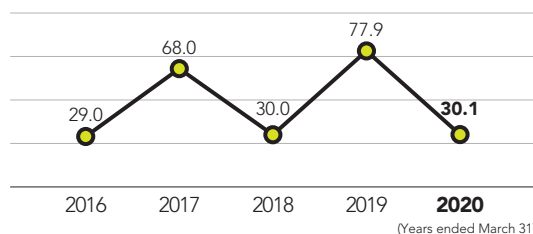
Effective Net Cash on a Historical Basis (billion yen)

**69.0** billion yen



Total return ratios (%)

**30.1%**



# Creaa

## Report

### Yoichi Egawa

Director and Executive Corporate Officer  
In charge of Development and Pachinko &  
Pachislo Business Divisions of the Company

VILLAGE  
RESIDENT EVIL™

#### Bolstering development personnel

##### Top core members

Repeated achievements

##### Core members

Selected to direct rereleases or other titles

##### Mid-career and younger employees (core member training)

Training programs    Support from more senior members

##### New graduates

#### Outfitting our development environment

##### Enhancing our development studios

Concentrate development divisions,  
increase mobility and leadership

##### Proprietary development tools

RE ENGINE enhances quality  
and development efficiency

##### Adoption of latest technologies

World-class, cutting-edge 3D scanning,  
motion capture and VR

The world's most  
entertaining games



Bolstered  
title lineup



# Development policy and foundation building for creating globally acclaimed content.

## Development policy

### Achieving sustainable growth by balancing world-class quality and cost-consciousness

The reality of this industry is that unless a game is high-quality and appeals to people globally, it will not sell. This concept has been deeply ingrained in us as game developers since our founding more than 35 years ago. From the time I became responsible for development, Capcom has achieved significant growth with the global branding of *Monster Hunter*, the establishment of a long-term sales model for major titles, and the increased percentage of digital sales, but all of this was only possible because Capcom is recognized as the producer of some of the highest quality games in the world.

Even now, we refuse to allow ourselves to be content with our achievements and continue to work towards establishing a system for greater growth throughout the entire development organization.

In addition, I am focusing on strengthening awareness of the numbers in the development divisions. I myself come from a background in development, and creators have a tendency to want to pursue all the possibilities of creativity. Of course, this pride in craftsmanship is one of our company's greatest strengths and is the source of numerous hit titles that Capcom has produced. However, in order to achieve the annual 10% profit growth sought by management, we cannot run the company solely on the self-satisfaction of our creators. As someone responsible for an enormous amount of investment, I do not evaluate the results from our divisions in terms of profit and loss alone; rather, by promoting productivity-conscious game development, I am furthering the soundness of the company. As a result of these efforts, an awareness of the management goals of balancing title profits and losses with the expansion of the pipeline from a medium-term perspective has now begun to permeate among those at the divisional manager level of our game development.

For the immediate future, in addition to our unwavering mission to cultivate and create IPs, we will focus our efforts on building and maintaining a network environment that supports cross-play in order to address the diversification of cloud platforms and promote strengthening continuously updated online content. In addition, I am also promoting research into leading-edge technology as we look five or ten years into the future.

With the imminent innovations in technology, the growth potential of digital entertainment is incalculable. As such, it is my intent to continue managing and fostering the development organization with the attitude of never running away and never giving up in the face of a challenge.

## Development organization characteristics

### Building a development environment that takes full advantage of our unique characteristics with our proprietary development engine

One of Capcom's greatest game development strengths is that we have a proprietary game development engine, the RE ENGINE.

The RE ENGINE not only makes it possible to develop high-quality games, but also based on feedback from the titles we have developed thus far, it is constantly evolving to fit our unique needs, thoroughly demonstrating the strength of our in-house engine.

Capcom is also actively investing in our research and development

buildings and equipment, leading the world's standards in terms of cutting-edge facilities. When creators and engineers team up in an environment such as this, they can achieve world-beating quality that is second to none.

➔For details, see p.38 of the 2017 Integrated Report.

## Training developers

### Actively using younger employees on important projects, Capcom ensures our craftsmanship will carry on to the next generation

As we consolidate our in-house technology and know-how and pass on the development DNA of popular IP that have been with us since our founding to the next generation, we are also evolving by incorporating the sensibilities of the younger generation. This concept is what has led Capcom to hire more than 100 newly graduated developers annually since 2011 and set an initial goal of achieving a 2,500-person development workforce. It takes several years of development experience until a new employee is able to stand on their own two feet as a developer, but with the improvement in game console performance, the time required to develop a single game has grown. As a result, even younger employees are now being appointed to major title and middleware (for example our game engines) development teams, which stand at the core of game development. This stimulates younger employees' growth as they gain rewarding experience and know-how working hands-on at the frontier of the industry. We have also implemented a system that supports and fosters highly skilled younger employees so that they may be selected as one of the core members leading the overall development of their next title.

## Game development amid the COVID-19 pandemic

With a state of emergency declared in Japan from April to May 2020, Capcom's development division employees primarily worked from home.

Developing games requires handling large volumes of data, which limits the amount of progress that can be made working from home. Once the state of emergency was lifted, considerations had to be made for seating arrangements that followed social distancing guidelines, which meant that it was impossible for all employees to be present at once. However, by reviewing personnel assignments and staggering working hours, we were able to achieve both efficient operations and produce results as we aim to reduce the risk of delays in development.

This experience has led us to examine more productive ways of working from home, and if the pandemic should continue, we expect that we will be able to mitigate a decrease in productivity more successfully.

## Home video game software sales trends (units in ten thousands)

2018	2019	2020	2021(plan)
<b>Total unit sales</b> <b>2,440</b>	<b>2,530</b>	<b>2,550</b>	<b>2,800</b>
<b>Main title sales</b>			
<ul style="list-style-type: none"> <li>● <i>Monster Hunter: World</i> (catalog title) <b>790</b></li> <li>● <i>Resident Evil 7 biohazard</i> (catalog title) <b>160</b></li> <li>● <i>Marvel VS. Capcom: Infinite</i> <b>100</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Monster Hunter: World</i> (catalog title) <b>450</b></li> <li>● <i>Resident Evil 2</i> <b>420</b></li> <li>● <i>Devil May Cry 5</i> <b>210</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Monster Hunter World: Iceborne</i> <b>520</b></li> <li>● <i>Monster Hunter: World</i> (catalog title) <b>320</b></li> <li>● <i>Resident Evil 2</i> (catalog title) <b>240</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Resident Evil 3</i> <b>100</b></li> <li>● <i>Monster Hunter World: Iceborne</i> <b>100</b></li> <li>● <i>Resident Evil 2</i> (catalog title) <b>100</b></li> </ul>

(Years ended March 31)



# VILLAGE

RESIDENT EVIL™

**Fight through fear  
and desperation!  
*Resident Evil Village* is a  
survival horror game  
like never seen before.**

**Tsuyoshi Kanda**

*Resident Evil Village* Producer

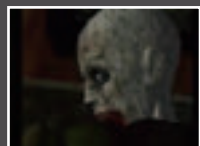
Joined Capcom in 2002. After being involved in domestic marketing and overseas-related business, was assigned to Capcom U.S.A. in 2008. Returned to Japan in 2015 and became a producer. Worked as producer on *Resident Evil 7 biohazard* and this title.

## The Resident Evil series

**With cumulative sales exceeding 100 million units, the series continues to shock and terrify the world!**

The pinnacle of survival horror games, *Resident Evil* (titled "Biohazard" in Japan) is a game in which players face down terrifying zombie attackers, utilizing whatever means necessary to escape terrifying situations. Supported by a passionate fan base across the globe, cumulative sales of the series now have exceeded 100 million units since the first title debuted in 1996. It has also gained popularity among more than game fans through the release of Hollywood movie adaptations and attractions at Universal Studios Japan.

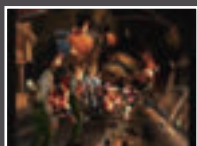
**1996**



*Resident Evil*

**2.75**  
million units sold

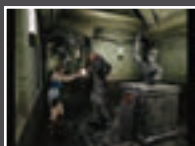
**1998**



*Resident Evil 2*

**4.96**  
million units sold

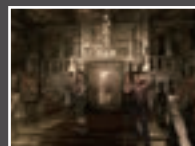
**1999**



*Resident Evil 3:  
Nemesis*

**3.50**  
million units sold

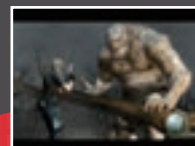
**2002**



*Resident Evil 0*

**1.25**  
million units sold

**2005**



*Resident Evil 4*

**1.60**  
million units sold



## Intensifying the characters and dramatic elements with fear to captivate fans

The feelings of catharsis and achievement when, driven by the intrigue of what lies ahead, you win over your fears and continue on is at the heart of survival horror games. That combined with a game rich in characters and drama is the basic concept behind the *Resident Evil* series. Capcom's DNA is defined by rising to the challenge of crafting that which is both clearly interesting and of value; inheriting this, with each instalment in this series we devise yet unexplored fear that delivers an impact. In keeping step with the evolution of each game console generation, we endeavor to deliver the maximum of what is possible at the time. I believe this is the main reason for the steadfast support from fans over many years and why the cumulative sales of the series has exceeded 100 million units.

March 2021 will mark the 25<sup>th</sup> anniversary of *Resident Evil*. At the root of our development philosophy is the idea that we are constantly attempting new things, and as such we are approaching this new installment with the aim of providing players the world over with a new survival horror experience.

## A desperate battle in a photorealistic world

Targeting a 2021 release, Capcom is currently working hard on the development of *Resident Evil Village*. This game, which hides the roman numeral VIII in the title logo, is both the direct sequel to and conclusion of *Resident Evil 7 biohazard*. Based on the concept of "desperation," we have broadened the range of strategies players can attempt to employ in their effort to survive. To increase the immersive sensation of being in the game, we have continued to employ the first-person perspective, or "isolated view," from the previous game. Furthermore, we're working to maximize the performance of next-generation consoles and have optimized game data to reduce loading times to an absolute minimum. On top of that, through synergizing high-definition graphics with 3D audio we aim to depict a frantic battle with an overwhelming gameworld unlike any seen before.

In developing the game, we continue to employ Capcom's proprietary game engine, the RE ENGINE. The engine and content have been wholly integrated, and the game has evolved along with the engine. We have high expectations that players will be amazed by the smooth controls and immersive experience.



## Peter Fabiano

*Resident Evil Village* Producer

Joined Capcom in 2008. After working in Global Production, became involved in the development of the *Resident Evil* series. Worked as producer on *Resident Evil 3* and now on this title alongside Tsuyoshi Kanda.



Though *Resident Evil* originated in Japan, it was decided that English would be the main language for this global title. The series is so well known in America that mentioning the survival horror genre alone evokes images of *Resident Evil* among many people. In working to capture fans around the world with new horror experiences, we consider the culture and preferences of not only Japan but also the various countries in North America, Europe and elsewhere in order to develop the optimal content and promotions.

## Maximizing allure for a global market approach

Our mission as producers is to cooperate with the team members in development, management and global marketing to maximize the allure of our games and communicate that to the world. This series has an overwhelmingly large market share in Europe and North America, and as we approach each region there is a special focus on North America.

As the shift to digital in global markets progresses, we are now also implementing a sales strategy to further increase the share of digital sales of *Resident Evil Village*, taking into account the significant growth in market share of the PC in the Asian region.

In addition, as development and promotion are taking place amid this year's COVID-19 pandemic, we are prioritizing the health of our team members by shifting to an online system when collaborating on production with people overseas and have made online-centered promotional activities our core, global policy. All of which is to minimize potential project delays while maximizing the effects of promotion.

Long-term, we would love to see this title reach 10 million units globally! All of us here are working—even, "fighting desperately"—hard to make this title one that will be etched in the memories of our players as the best survival horror experience ever; the perfect tribute to the series' 25<sup>th</sup> anniversary.

141 titles Cumulative series sales Over 100 million units

2009



*Resident Evil 5*

7.70  
million units sold

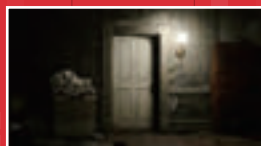
2012



*Resident Evil 6*

7.60  
million units sold

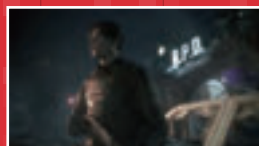
2017



*Resident Evil 7 biohazard*

7.90  
million units sold

2019



*Resident Evil 2*

7.20  
million units sold

2020



*Resident Evil 3*

2.70  
million units sold

Number of titles and sales volumes are current as of June 30, 2020.

CAPCOM CORPORATE REPORT 2020



# Project management

Preparing the environment and  
people to move projects forward

**Makoto Kadono**  
Deputy General Manager of  
R&D Department 1,  
Consumer Games  
Development Division 1

**Building a game means building  
an organization**

**To create the pinnacle of horror, we  
need the right people in the right roles**

*Resident Evil Village* is truly an amusement park of horror, and with an eye toward a 2021 release, our development team is engaged in our own “desperate fight” to put together all sorts of horrific, exhilarating elements for our fans to enjoy. The most important element of Capcom’s craftsmanship is people. It’s precisely because we maintain an environment that enables each and every member of the development team—made up of several hundred people—to demonstrate their capabilities that amazing games get made. My job is to collaborate with the producers and at times use my experience as a programmer to offer advice, all while keeping an eye on progress and cost. Game development grows more complex each year. What can we do to proceed more efficiently? I maintain a constant awareness of process optimization while striving to improve our world-class quality even further.

## Capcom game development and

Optimal solutions  
for game creation

**Bradley Saunders**  
Technical Art Director  
Advanced Game  
Development Section

**Boosting creativity using technology  
to tackle game development hurdles**

What is it that creators want to express, and how can that be achieved? Our mission is to further develop the engine and review workflows to meet those potential needs, paving the way to making them a reality.

The RE ENGINE is outfitted with everything necessary for next-generation game development, and it plays an important role in satisfying the expectations of players and overcoming other hurdles that grow with each new console generation. Beautiful graphics are a given, however this time we have made further advances since the previous game in terms of seeking out workflow improvements, optimizing tasks so this tool functions as the heart and soul of game development.

It is our proprietary development engine that makes it possible for both our content and the engine to evolve together. We are providing optimal solutions to the team so that our fans can experience the most terrifying horror.

# Advanced game development



# Sales strategy



Planning and executing  
a global strategy

**Kosuke Nakano**  
Manager of Consumer Games  
Sales Strategy Team 1,  
Sales Strategy Section,  
Sales Strategy Department

## Delivering the best kickoff to *Resident Evil's* 25<sup>th</sup> anniversary worldwide

Our role is to launch *Resident Evil Village* when global interest is at its peak, while devising and executing a unified global sales strategy so that sales continue to grow after its release.

Digital strategy is one of management's top priorities, and as one of the divisions working on this we propose the timing and price points for products. After a title launches, we do not simply discount the price. Rather, we aim to maximize sales and improve brand value by first conferring with distributors and our development division to release a title at the optimal time and price, based on analysis of both market research and past data.

This title represents a new era of *Resident Evil* on next generation consoles. By providing a fresh experience perfectly suited to the dawning of a new era, and leveraging the series' 25 years of rich history, we aim to give it the best kickoff possible.

## sales—working toward success

Taking on digital sales in the North  
and South American regions

**William Nariyuki  
Yagi-Bacon**  
Senior Vice President  
Digital Platforms  
Capcom U.S.A.

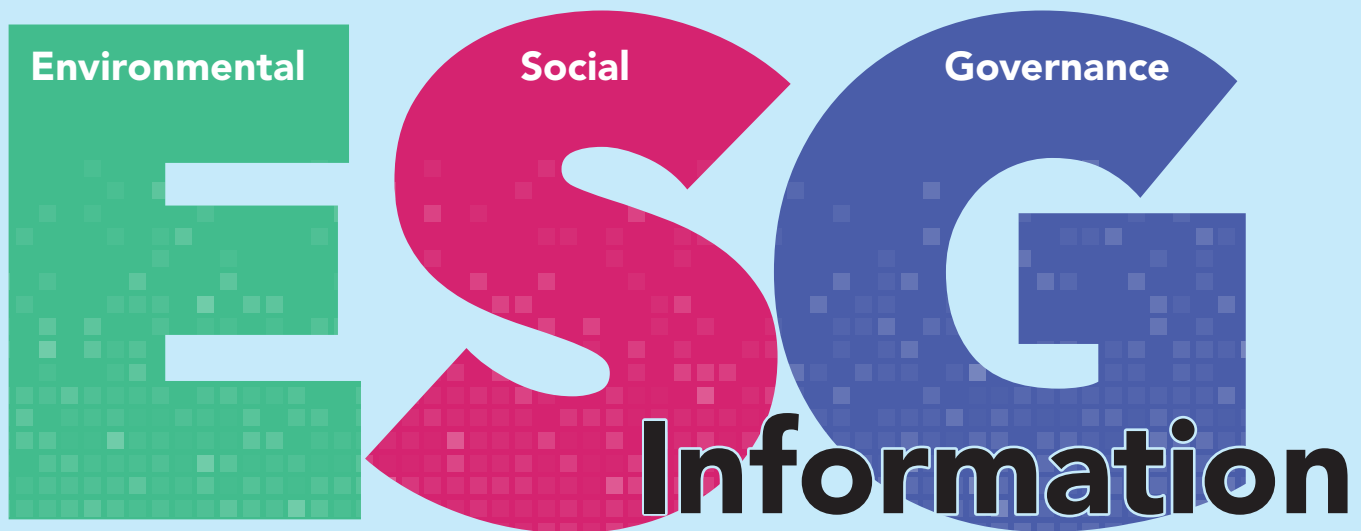


## HQ and subsidiaries come together to deliver the best value to our diverse base of fans by advancing a unified digital strategy

Our team devises and executes measures that contribute to maximizing series sales and accelerating the shift to digital. For example, making previous titles in the series, such as *Resident Evil 7 biohazard* and current-generation rereleases, easier to purchase through discounts timed with the announcement of *Resident Evil Village* in order to build anticipation among fans.

Sales promotion activities, including discount sales, are becoming more globalized; thus it is essential smooth communication takes place between headquarters, overseas subsidiaries like ourselves, and first party platform holders. It is therefore no exaggeration to say that having the most up-to-date information and the ability to make quick decisions is everything to us. There are times when we must make decisions on the same day we receive information, making the swift coordination of a consensus between headquarters and overseas subsidiaries an important part of my job.

# Digital marketing



Capcom is building a better relationship with society by focusing on our stakeholders and making social contributions through our business

## ESG Initiatives and Future Challenges

◆ Material Issues Green : Securing and Training of Human Resources Pink : Promoting Diversity  
Blue : Development of a Healthy Relationship Purple : Enhancement of Corporate Governance

	Initiatives	Contribution to Business/Management	Future Challenges
<b>E</b> Environmental	<ul style="list-style-type: none"> <li>● Reduced CO<sub>2</sub> emissions by switching to LED lighting</li> <li>● Constructed new environmentally-friendly buildings</li> <li>● Reduced exhaust gas and resources used via distribution network sharing with other companies in the industry</li> <li>● Reduced paper resources used through the digitization of instruction manuals</li> <li>● Reduced resources consumed through the promotion of digital sales</li> </ul>	<ul style="list-style-type: none"> <li>● Reduced costs (used less electricity, cut distribution costs)</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing energy conservation at existing buildings through renovation</li> <li>● Further conserving energy in amusement facility operations</li> </ul>
<b>S</b> Social	<p><b>Relationship with Employees</b></p> <ul style="list-style-type: none"> <li>● <span style="color: pink;">Actively employed non-Japanese citizens</span></li> <li>● <span style="color: pink;">Improved the ratio of women in management positions</span></li> <li>● Held Health and Safety Committee meetings</li> <li>● Implemented staff training</li> <li>● Implemented discretionary work system</li> </ul> <p><b>Relationship with Customers</b></p> <ul style="list-style-type: none"> <li>● Compliance with the CERO ratings system</li> <li>● Formulated guidelines with industry groups</li> <li>● Supported community building by promoting the spread of esports</li> <li>● Monetized without high-pressure microtransactions</li> </ul> <p><b>Relationship with the Regional Community</b></p> <ul style="list-style-type: none"> <li>● <span style="color: blue;">Welcomed children participating in Company Visits to our offices / holding Guest Lectures at schools</span></li> <li>● Leveraged Capcom content in regional revitalization efforts</li> <li>● Supported senior citizen community formation with video game arcade tours</li> </ul>	<ul style="list-style-type: none"> <li>● Expanded global reach through game development based on a diverse set of values</li> <li>● <span style="color: green;">Acquired competent creators</span></li> <li>● <span style="color: green;">Improved creator productivity</span></li> <li>● Fostered a commitment to legal compliance</li> </ul> <ul style="list-style-type: none"> <li>● Improved customer satisfaction by creating stress-free environments for play</li> <li>● Reduced social risks posed by games</li> </ul> <ul style="list-style-type: none"> <li>● Expanded profit opportunities by improving company and IP name recognition</li> <li>● Promoted understanding of the Capcom approach to business</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing the percentage of women in management positions</li> <li>● Enhancing employment of a global workforce</li> </ul> <ul style="list-style-type: none"> <li>● Education of users, consumer groups, government entities, etc.</li> </ul> <ul style="list-style-type: none"> <li>● Further promotion of regional revitalization using Capcom content</li> <li>● Take educational support activities online</li> </ul>
<b>G</b> Governance	<ul style="list-style-type: none"> <li>● Increased dialogue with shareholders</li> <li>● Transitioned to a company with an audit and supervisory committee</li> <li>● <span style="color: blue;">Raised the ratio of external directors</span></li> <li>● Established the Nomination and Remuneration Committee (voluntary)</li> </ul>	<ul style="list-style-type: none"> <li>● Evaluated proper corporate value on both financial and non-financial bases</li> <li>● Avoided managerial decision-making risk through better management monitoring</li> <li>● Ensured the appropriateness of growth strategies by having the Board of Directors consider a range of views</li> <li>● Perpetuated the founder's business know-how</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing the number of opportunities for persons in charge of development to converse with the market</li> <li>● The effective operation of the audit and supervisory committee system</li> <li>● Board of Directors effectiveness assessments and their utilization</li> <li>● Setting developer compensation in consideration of medium- to long-term sustainable growth</li> </ul>

➡ Please refer to "ESG Highlights" on pages 15-16 for details on the KPI for material issues

## Environmental Action as an Entertainment Company

Capcom's Digital Contents business accounts for approximately 75% of the Group's consolidated net sales and primarily entails the development and sale of software. This gives Capcom an environmental impact that is lower than the general manufacturing industry. Because our environmental impact comes largely from the power used at amusement facilities and for manufacturing amusement equipment, as well as from distributing our products, we are focused on saving energy.

## Reducing Power Usage

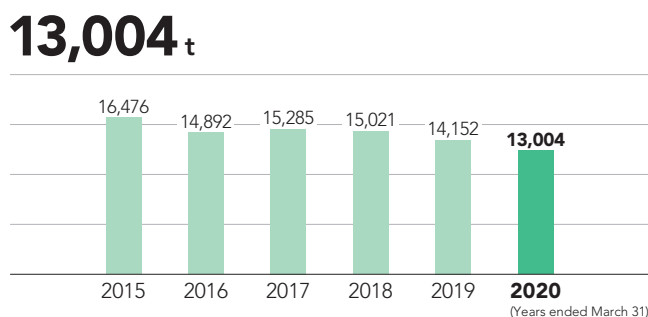
### Reducing CO<sub>2</sub> emissions by promoting energy saving measures companywide

Capcom has worked to cut power usage through efforts that include ongoing power saving at all of its places of business, saving energy at its amusement facilities, and implementing peak shifting for the power used by PCs and other electrical equipment.

The fiscal year ended March 2017 saw our CO<sub>2</sub> emissions increase compared to the previous fiscal year due to the construction of the R&D Building #2 and Capcom Technical Center. However, in the fiscal year ended March 2020, we succeeded in reducing emissions by 8.2% compared to the previous year by introducing energy-saving equipment at those facilities and promoting the switch to LED lighting at each workplace.

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

### Capcom's CO<sub>2</sub> Emissions (Non-consolidated) <sup>(1)</sup>



### Rated "S Class" five years in a row by the Business Operator Class-Based Assessment System

Every year Capcom has achieved year-on-year reductions to its energy intensity. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for five years running under the Business Operator Class-Based Assessment System that has been administered since 2016 by the Agency for Natural Resources and Energy in accordance with the Act on Rationalizing Energy Use (Measures Pertaining to Factories).

FY	Energy Intensity*	Vs. Previous FY
2015	0.06193	92.9%
2016	0.06018	97.2%
2017	0.05994	99.6%
2018	0.05869	97.9%
2019	0.05583	95.1%

\* Calculated using the method defined by the Agency for Natural Resources and Energy. The Agency for Natural Resources and Energy website: <https://www.enecho.meti.go.jp/en/>

## Innovations in Product Distribution

### Conserving resources through digital sales of game software

In the past, games included a printed instruction manual inside the package, but in recent years, these manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 25.50 million game units' worth of paper manuals annually.

Moreover, the increasing popularity of digital sales, where games are downloaded after purchase, has made it possible to conserve resources used to produce discs, semiconductors, software packaging, and other components in addition to paper resources.

In the fiscal year ended March 2020, the resources used in the equivalent of around 20.55 million units of game software were conserved as a result of digital sales. We will continue promoting digital sales of game software with the aim of achieving effectively zero resource consumption in the future by selling solely via digital download.

### Sharing distribution networks with other companies in the industry

Sharing distribution networks with other companies in the same industry when shipping products enables the efficient supply of products. As a result, we are able to realize reductions in packing materials, fuel and emissions. In the future, we aim to achieve further reductions by decreasing the volume of distribution through the promotion of digital sales.

## Development and Manufacturing Initiatives

### Reducing the environmental impact of pachislo machines

In solidarity with the efforts of the Japan Pachislo Machine Industry Association (Nichidenkyo), Capcom manufactures and sells pachislo machines partially made from recycled parts and equipped with standardized "green devices" aimed at controlling power usage.

### Status of disposal of used arcade game machines

Year	Amount recycled	Thermal recycling* <sup>1</sup>
2015	77.8%	22.2%
2016	77.9%	22.1%
2017	74.4%	25.6%
2018	83.7%	16.3%
2019* <sup>2</sup>	00.0%	00.0%

\*<sup>1</sup> Volume used as heat source for hot water, heating, etc.

\*<sup>2</sup> Capcom switched to new cabinets in fiscal 2019, so there was no collection of used arcade game machines.

## Relationship with Customers

### Considerations in Game Development

#### In-game purchases

In the Japanese game market, discussions have been taking place for several years on the problem of gacha, or lottery-style game mechanics, primarily in mobile games. Overseas, gacha-like “loot boxes” have been banned in some countries.

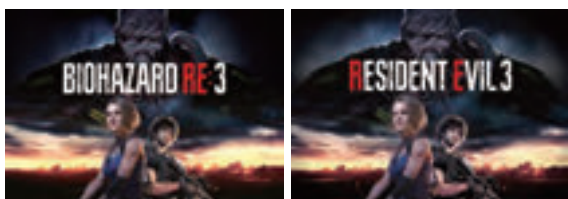
As a creator of entertainment culture, Capcom believes that games should be enjoyed for the entertainment value they provide with gameplay, not for thrills associated with winning a lottery. We do not want to see games that are supposed to make people happy having the opposite effect as a result of excessive charges. For that reason, we are working to ensure that all users can enjoy our games fairly and safely. In principle, we minimize gacha elements in the mobile games we develop; in our home video games, we provide any content required to enjoy the full game free of charge, while offering some additional content at low cost.

#### Localization and culturalization

Capcom games are enjoyed worldwide. In the fiscal year ended March 2020, the percentage of home video games sold overseas was 84.1%. Naturally, translation (localization) of video games developed in Japanese is required so that users around the world can enjoy them. The volume and importance of localization is increasing year after year due to factors such as improvements in game machine performance, support for online gameplay, and an increase in the number of languages accompanying a more diversified, global audience. As such, Capcom’s localization team is involved in game development from the initial stages. By carrying out localization concurrently with development, rather than following completion of the Japanese language version as had been done in the past, Capcom is able to launch games simultaneously around the globe. What is more, depending on the country, simply translating games developed under Japanese norms can end up hurting users unexpectedly due to historical, religious, or cultural differences.

As such, we focus on employing staff from around the world to culturize the games so that they can be enjoyed by all, regardless of locale.

#### Example of culturalization



*Resident Evil* is known by a different name in Japan.

### Healthy Development of Entertainment

#### Compliance with the CERO rating system and endorsement of guidelines

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

The rating system is an initiative for the healthy development of young people that calls for voluntary restrictions on home video game content and sales methods to limit access by young people to sexual or violent content. In addition, recent home video game consoles include a parental control function that enables parents to limit the online purchase and use of certain games according to their ratings.

#### Guidelines issued by the Computer Entertainment Suppliers’ Association (CESA)

Name of guideline	Implementation date
Guidelines for Real Money Trade Measures	April 26, 2017
Guidelines for the Protection of Minors	December 21, 2016 Revised March 27, 2019
Operating Guidelines for Random Item Distribution in Network Games	April 27, 2016
Guidelines for Advertisements, Etc. in Home Video Game Software Targeting Only Those 18 and Over	April 1, 2008 Revised June 20, 2012
Code of Ethics Concerning Computer Entertainment Software, 2nd Revision	October 1, 2002

Please refer to CESA’s website for information on its activities.  
[https://www.cesa.or.jp/index\\_e.html](https://www.cesa.or.jp/index_e.html)

#### Addressing the WHO’s recognition of gaming disorder

In May 2019, the World Health Organization (WHO) included gaming disorder as a new mental health condition characterized by excessive use of games to the point where it has a negative impact on health and social life. Cooperating with industry organizations such as the Computer Entertainment Supplier’s Association, we are taking the appropriate steps to raise awareness of the issue in response to social demand. As an independent effort, we will continue to educate elementary and junior high school students on how to interact with games in a healthy manner through our educational support program.

➡For details see p.50



## Addressing addiction to pachinko and pachislo

Pachinko and pachislo are a form of entertainment that has taken root in society. At the same time, however, there is concern over players becoming addicted. For that reason, the Recovery Support Network (RSN), a pachinko addiction consultation hotline, was established in 2006 with the support of industry organizations. In addition to the launch of this free phone-based consultation service, various measures were implemented in the industry to prevent addiction. These measures included putting up posters at all locations nationwide to raise awareness of RSN, establishing a system in which pachinko and pachislo advisors (specialist staff) are stationed at each location to provide customers with appropriate information on addiction, and preparing guidelines for addressing addiction at pachinko parlors. In 2017, the Pachinko and Pachislo Industry Association for the 21st Century, which consists of 14 organizations from the amusement industry, announced the "Declaration on Pachinko and Pachislo Addiction," strengthening measures to address pachinko and pachislo addiction and declaring it as a top priority.

In fiscal 2019, the "Basic Guidelines for Measures to Address Pachinko Addiction" and the "Pachinko and Pachislo Industry Guidelines for Measures to Address Addiction" were established based on the government's Basic Plan for Promoting Measures to Address Gambling and Other Addictions.

Capcom endorses and cooperates with these initiatives to contribute to healthy development of the industry.

## Support for Community-building among Senior Citizens

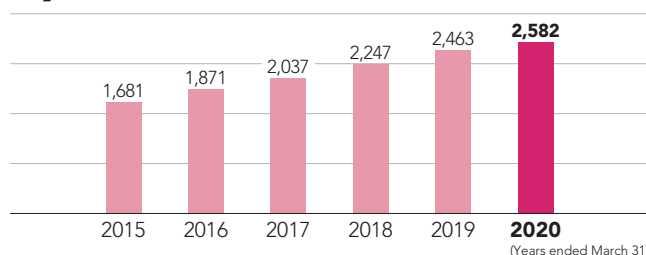
### Holding regular amusement arcade tours

Today, amusement facilities are becoming increasingly popular among senior citizens as spaces for communication with friends and facility staff. Since 2012, Capcom has held amusement arcade tours free of charge on long public holidays and Respect-for-the-Aged Day for senior citizens where they can try out coin-operated games and crane games, enabling more people to make use of such facilities.

In addition, as part of efforts to create arcades where senior citizens can comfortably enjoy themselves, since 2012 Capcom has encouraged arcade staff to get the Service Assistant certification. Currently, 24 staff members have received this certification.

### Cumulative number of participants in senior tours

# 2,582



## Enhancing Customer Support

### User support and utilizing feedback

At Capcom, we have dedicated support teams for each product to ensure that customers can fully enjoy the services they purchase. We also strive to quickly respond to customer questions by providing online FAQ pages, while each person in charge regularly engages in information exchanges with other teams, working to improve customer satisfaction.

The questions and feedback our game support teams receive are condensed and analyzed to be incorporated in development of new products.

➔Inquiries

[http://www.capcom.co.jp/support/index\\_game.html](http://www.capcom.co.jp/support/index_game.html) (Japanese only)

### Protecting the personal information of our customers

Capcom has more than 10 million records containing personal information on customers, accumulated from our member site, prize deliveries, product purchases, and other sources. In 2015, the Japanese Act on the Protection of Personal Information was revised, and the revisions went into full effect on May 30, 2017. Meanwhile, overseas, the EU General Data Protection Regulation (GDPR) went into effect in May 2018. The data of game players falls under the category of personal information in these laws, and the scope is expanding each year.

Under these circumstances, we established our new Information Management Department in April 2019 to enhance our information management structure and address the requirements of the Japanese Act on the Protection of Personal Information and the GDPR. This department is leading our efforts to address the risk of personal information leaks by developing a system of conduct guidelines, operational controls, and audits in accordance with the law.

### Expanding opportunities for customers to play games

In recent years, we have been focusing on promoting esports as part of our efforts as a creator of entertainment culture.

We have the role of planning and organizing events as a game manufacturer—a role that had been largely shouldered by the player community in the past—in order to provide an environment that better allows competitors and fans to enjoy the excitement of competitions.

Since 2013, we have held Capcom Cup to determine the top players in the world. We are also working to provide amateur players with opportunities to shine, such as with the new Street Fighter League: College-JP 2019 for students, in June 2019. Through these activities, we aim to increase points of contact with our customers and improve customer satisfaction. In fiscal 2020, we plan to hold the fully-online Capcom Pro Tour Online 2020 in 10 regions around the world.

## Relationship with Regional Communities

### Contributions to Regional Revitalization

#### Utilizing the appeal and brand recognition of popular games to contribute to society

The attraction of video game content for the worldwide audience was in evidence when Japan's Prime Minister promoted the Tokyo Olympic and Paralympic Games by dressing as a video game character at the Closing Ceremony of the 2016 Rio de Janeiro Games. In the same vein, Capcom is following a Single Content Multiple Usage strategy for our content, which we deploy in a wide range of fields beyond video games. As such, we are proud to have a high level of recognition and popularity among men and women, young and old alike.

Based on our corporate philosophy of making people happy through games, Capcom has been engaged in the following four regional revitalization activities not only in Osaka, where we have our head office, but across Japan, since the mid-2000s: 1) economic promotion that supports the local tourism industries; 2) cultural awareness raising that supports education concerning local history and culture; 3) crime prevention education through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

Further, going forward we will provide support for esports activities regionally throughout Japan while looking into activities to promote regional revitalization through playing games.

#### Comments from a police official



#### Yuji Tatsutani

Director of Cybercrime Control Division  
Osaka Prefectural Police Headquarters

Capcom is a multinational company whose roots are Osakan; and here, in Uchihirano town of the Chuo ward in that same city, a stone's throw from Osaka Prefectural Police Headquarters, Capcom's cluster of office buildings, which includes their headquarters building and R&D facilities, inspire a sense of awe.

Capcom characters have tremendous name recognition and are familiar to all of today's youth. I'm deeply grateful to Capcom for its continued, neighborly cooperation in our various crime prevention and public awareness campaigns, especially those targeting young people.

Up to now, the Mega Man and Felyne characters have appeared in our public awareness campaigns for cyber security, while our recruitment posters for cybercrime investigators have featured Ryu and Chun Li from the indomitable *Street Fighter* series. The response has been overwhelmingly positive, and we have been able to secure outstanding human resources.

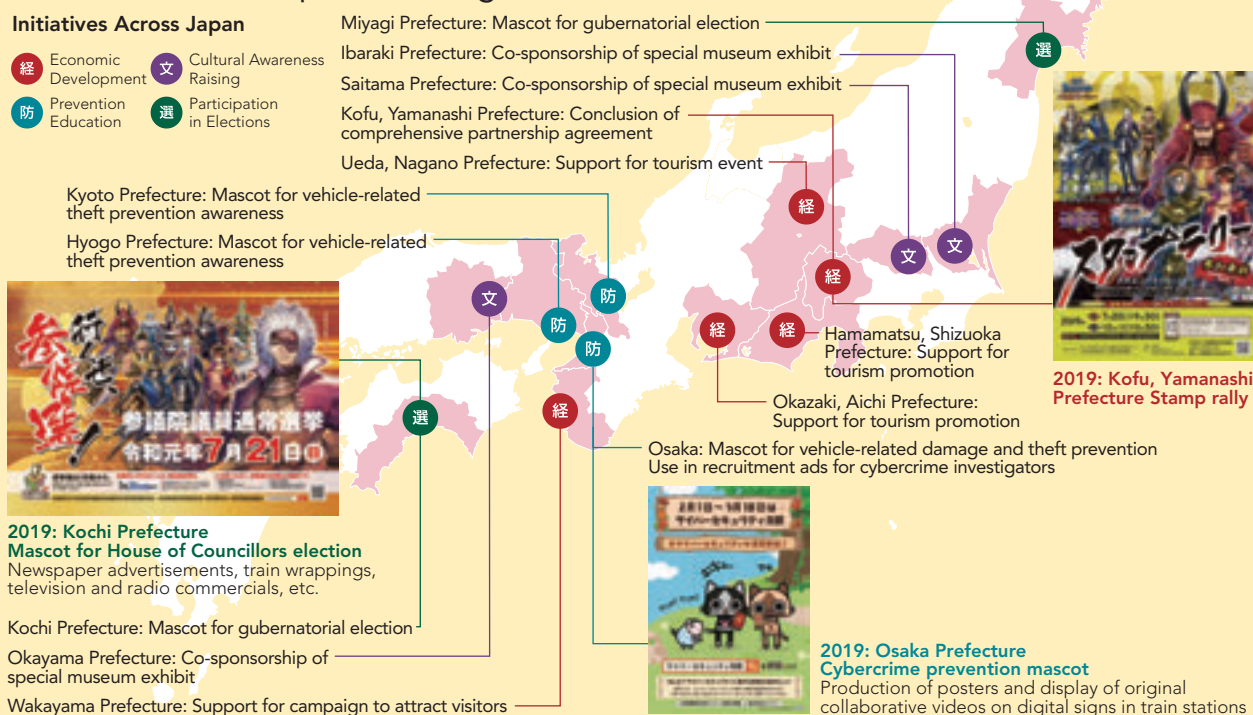
I admire Capcom's management stance, which emphasizes giving back to regional communities and I hope to continue collaborating with them on preventing crime in Osaka.

#### Regional Revitalization Activities

##### Initiatives Across Japan

- 経 Economic Development
- 文 Cultural Awareness Raising
- 防 Prevention Education
- 選 Participation in Elections

### Supporting regional revitalization using the appeal of Capcom video game content



## Relationship with Employees

### Promoting Healthy Relationships with Games

#### More than a decade of on-site classes for children in school

Games are a relatively new cultural phenomenon with little academic research, and discussions tend to focus on the detrimental effects rather than the educational aspects. Recently, recognition by WHO of gaming disorder made headlines as did the establishment of the Kagawa Prefectural Ordinance on Countermeasures for Addiction to Internet and Computer Games. However, video game creator is a popular future career choice among children, and programming and other such lessons will be made compulsory in Japanese elementary schools starting in 2020. Many private sector efforts are also underway, including opening programming academies for youth. Considering these developments, it is reasonable to expect that the number of children hoping to become game creators will increase. Additionally, smartphone use rates among young people—49.8% of elementary school students and 75.2% of junior high school students—are rising each year. Smartphone games are also gaining popularity and children are growing more familiar with games.

Given this, with a desire to promote social understanding of games, we accept visits to our offices from primarily elementary and junior high school students and conduct on-site classes at schools to promote sustainable economic growth and social development. Class programs have two sessions: one is career education, which introduces the work done in a game company and its difficulty and rewards; the other is game literacy education, which helps students use their judgement to build a healthy relationship with games. These programs have been well-received with schools, and Capcom is incorporating educators' feedback to improve.

In fiscal 2011, Capcom launched its career education program following educators' requests. In fiscal 2013, Capcom started a new program on work and mathematics, targeting elementary and junior high school students to help keep children interested in math.

Altogether, Capcom has welcomed 3,337 children as part of 402 different field trips to its offices (as of March 31, 2020). Capcom has also held 161 on-site classes for 14,927 students (as of March 31, 2020) at schools such as the one held at Niigata Elementary School attached to Niigata University in July 2019.

#### Impressions of the on-site classes (An excerpt of this fiscal year's comments)

- Up to now, I had been on my smartphone all day long, but after hearing this talk, I decided to cut back the time I spend on my phone little by little. (Elementary school student)
- I was surprised at how fun they made math, which the students normally dislike. I saw firsthand how keenly they were listening. (Elementary school teacher)
- I was happy to hear the lecturer talk about the necessity of what is taught in regular classes out in the real world. If there had been a discussion, it might have elicited various thoughts and opinions. (Junior high school teacher)

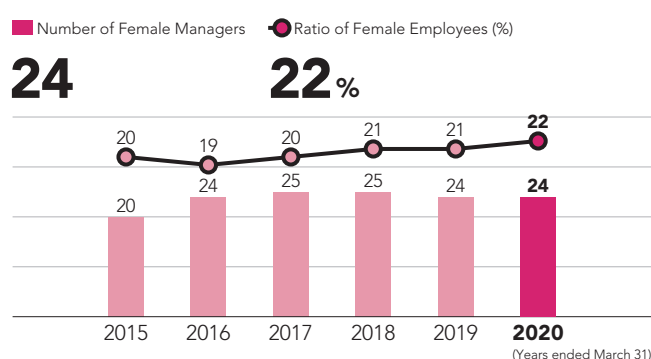
### Promotion of Diversity

#### Initiatives aimed at promoting the improvement of the work environment for women and proactively hiring non-Japanese

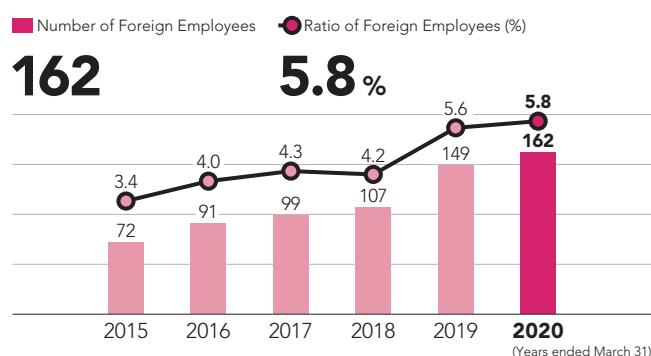
Capcom is currently engaged in initiatives aimed at improving the work environment for women and proactively hiring non-Japanese.

In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company. In fiscal 2019, 23 employees took childcare leave, 10 of whom were men, and 100% of eligible women took childcare leave (fiscal 2018: 12 men and 100% of 21 women took leave). A high percentage of women returned to work afterwards: 27 returned in fiscal 2019—100% if those still on leave are excluded. This is higher than the previous year (96%, or 32 women, returned to work in fiscal 2018). As a result, despite it being said that Japan's gaming industry is generally dominated by men, women account for roughly 22% of Capcom's workforce, and 24 (9.3%) of Capcom's managers are women. In accordance with the execution of the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace, in 2019 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) developing a personnel system that contributes to diversity in work styles, and (2) having

#### Number of Female Managers and Ratio of Female Employees (Capcom Co., Ltd.)



#### Number and Ratio of Foreign Employees (Capcom Co., Ltd.)



women comprise at least 15% of managers by the end of fiscal 2024. In recognition of Capcom's efforts toward improving the workplace environment for women, since 2014 we have earned the "Kurumin" mark, the symbol of a "company supporting childcare," from the Ministry of Health, Labour and Welfare.

In terms of the proactive employment of non-Japanese individuals, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 162 non-Japanese workers (representing 5.8% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including support for career advancement and the promotion of non-Japanese individuals to management positions.

### Comments from a female employee



**Yuko Yasuda**

Senior Manager  
Trademark & Copyright Section  
Intellectual Property  
Department

The Trademark & Copyright Section carries out intellectual property management, including filing trademark applications in various countries and territories to support the smooth development of products globally.

In addition to strategically filing trademark applications globally, which is growing in importance by the day, we also do many things to support game development indirectly, including checking product names and intellectual property within games. I find the job very satisfying.

Also, as a manager, I take great pains to develop a pleasant working environment for staff while working to familiarize employees companywide with the importance and necessity of managing intellectual property.

I'm also the mother of two small children, and continue to make use of internal programs, including maternity and childcare leave as well as the Capcom Juku on-site childcare facility, to balance work and raising my children.

### Providing a Pleasant Workplace

#### Promoting work-life balance

Creating entertainment culture requires that creators themselves make time for play.

At Capcom, we have established Paid Leave Promotion Days and encourage employees to take extended leave to refresh and look for new sources of inspiration during the year-end/New Year's holidays as well as during the series of holidays in May. Additionally, we have built a four-story bicycle parking facility near our development studio and encourage our employees to live within a five-kilometer radius to shorten commuting times. This saves time and living costs while giving creators the free time necessary to cultivate their creative powers and imaginations, which is essential for creative work. Moreover, we opened Capcom Juku as an on-site daycare facility in April 2017 to provide a stable workplace

environment for creators. As it is located close to work, it provides peace of mind for employees who are married or have children, and has been well-received by those who have utilized it.

➡Please refer to the information to the right or page 54 of the 2018 Integrated Report.

#### Supporting employees' health management

The employee cafeteria was renovated in 2015 when the new development studio was completed. Healthy meals are served for breakfast, lunch, and supper. There is also a massage room staffed by nationally-certified massage therapists at both the Tokyo and Osaka locations to support our employees in managing their health.

#### Fulfilling employee potential in a cutting-edge environment

The biggest thing when it comes to motivating developers working in a creative field such as games is access to an environment that allows them to make their visions a reality. Capcom maintains a cutting-edge development environment that includes 3D scanners, a motion capture studio, a dynamic sound mixing stage, and a Foley stage. In this way, we support our creators in fulfilling their vision.

### Capcom Juku

#### Providing an environment for vibrant childcare combining day care and education

Given the desire to quickly improve the issue of long day care waiting lists accompanying a lack of preschools, Capcom's top management set its sights on the future and wanted to provide an environment in which employees can raise their children with peace of mind while remaining employed over the long term. We operate Capcom Juku, aiming to add individual education and growth to standard day care for children.

Capcom Juku goes beyond caring for infants and preschool children and accepts a wide range of youth, including after-school kindergarten and elementary school students. This helps employees avoid the stress of not being able to find open facilities for their children. Furthermore, by offering educational support in the form of a place for learning English, eurhythmics, math, science, and other subjects, Capcom Juku joins its efforts with employees and fosters the growth of children. Currently, as of March 31, 2020, the school takes care of 25 children a month and accepts as many as 25 temporary pupils a month.

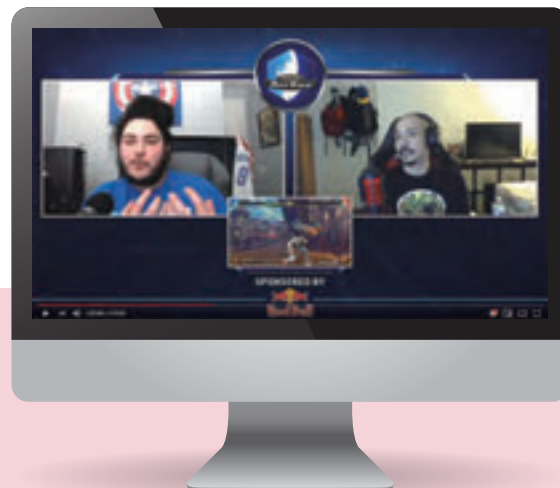
In the future, we will create a learning atmosphere at Capcom Juku that stimulates and broadens children's curiosity, while also striving for an environment where parents can work with peace of mind so that both they and their families can lead fulfilling lives.



English classroom



Online esports competition.  
Players and commentators participate from home.



## Our Response to COVID-19

### For our stakeholders

#### Introduction of virtual shareholders meetings

Out of consideration for their health and safety, we asked our shareholders to refrain from physically attending the 41st Ordinary General Meeting of Shareholders, held in June 2020. Instead, we introduced a hybrid virtual shareholder meeting that enabled remote participation via the Internet. Including those that participated online, the number of participants was on par with the previous year, but only 53 came to the venue (as opposed to 139 the previous year), preventing close contact.

#### Mitigating the risk of spread

Since 2014, Capcom had been holding the Capcom Pro Tour, an annual series of *Street Fighter* tournaments, but in 2020 we took it fully online to prevent the spread of COVID-19 among both players and commentators. Moreover, by streaming the competition online via a dedicated channel, we have made it possible for anyone to watch from anywhere.

Additionally, in response to the spread of COVID-19, we gradually implemented reduced hours of operations and temporary closures at our amusement facilities beginning in March 2020. After the state of emergency in Japan was lifted in May, we gradually resumed operations, but we are working to prevent the spread of the virus at our arcades by ensuring thorough health management on the part of employees and promoting social distancing.



Poster at amusement facility  
(mid-June 2020)

### Making it fun to stay at home

In May 2020, we carried out a campaign called "Let's Stay at Home" to provide fun activities for time spent at home. As part of the campaign, we distributed line drawings of popular characters for coloring in, virtual backgrounds for online meetings and released a recipe video for meals appearing in our games.



Line drawing of popular  
characters for coloring in

### For our employees

#### Employment system under COVID-19

Starting from the end of January 2020, we have been implementing the measures below to prevent the spread of COVID-19.

Measures	Enforcement date
Face masks required, Company distributes one mask per day	January 30, 2020
COVID-19 Response Office established	January 31, 2020
<ul style="list-style-type: none"> <li>In principle, both domestic and overseas business trips prohibited (14-day self-quarantine required upon returning to Japan in the case of unavoidable travel)</li> <li>* Business trips to China prohibited in principle starting on January 27</li> <li>Staggered working hours to prevent congestion</li> <li>Voluntary refraining from business meals with external partners, internal get-togethers, welcome/farewell parties, etc.</li> <li>Strictly enforcing hand washing, mouth rinsing and hand sanitizer use</li> <li>* Sanitizer has been available on each floor since before the pandemic</li> </ul>	March 2, 2020
In principle, all employees asked to work from home and stay at home	April 13, 2020
Began checking body temperature via non-contact kiosks and ensuring that masks are being worn upon entry to the office	July 13, 2020

As of the end of May 2020, these actions were relaxed in areas where the state of emergency was lifted in preparation for a return to normal operations. We have resumed operations while maintaining staggered work hours and ensuring social distancing within the office, but we continue to work on preventing the spread of the virus by working in shifts and allowing employees to work from home.

## Directors

(As of July 1, 2020)



● Internal  
● External

## Kenzo Tsujimoto

### Chairman and Chief Executive Officer (CEO)

Jul. 1985	President and Representative Director of the Company
Apr. 2001	Chief Executive Officer (CEO) of the Company (to present)
Jul. 2007	Chairman and Representative Director of the Company (to present)

## Haruhiro Tsujimoto

### President and Chief Operating Officer (COO)

Apr. 1987	Entered into the Company
Jun. 1997	Director of the Company
Feb. 1999	Managing Director of the Company
Apr. 2001	Senior Managing Director of the Company
Jul. 2004	Director and Executive Corporate Officer of the Company
Apr. 2006	Director and Executive Vice President of the Company
Jul. 2007	President and Representative Director, Chief Operating Officer (COO) of the Company (to present)
Aug. 2016	President and Representative Director, and Director in charge of Global Marketing Business and Arcade Operations Business of the Company
Jun. 2018	President and Representative Director, and Director in charge of Arcade Operations Business of the Company
Apr. 2020	President and Representative Director, and Director in charge of Sales Operations Business and Arcade Operations Business of the Company (to present)

## Yoichi Egawa

### Director Executive Corporate Officer

Apr. 1985	Entered into the Company
Apr. 1999	General Manager of Creative Division 5 of the Company
Aug. 1999	Corporate Officer, General Manager of Creative Division 5 of the Company
Apr. 2011	Managing Corporate Officer of the Company
Apr. 2013	Executive Corporate Officer of the Company (to present)
Jun. 2013	Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company
Jul. 2016	Director, in charge of Amusement Equipments Business, Arcade Operations Business and Consumer Games Development of the Company
Apr. 2019	Director, in charge of Consumer Games Development and Pachinko & Pachislo Business Divisions of the Company
Apr. 2020	Director, in charge of Development and Pachinko & Pachislo Business Divisions of the Company (to present)

## Kenkichi Nomura

### Director Executive Corporate Officer, Chief Financial Officer (CFO)

Apr. 2009	Corporate Officer in charge of Internal Control of the Company
Jul. 2010	Managing Corporate Officer in charge of Financial and Accounting Division of the Company
Jun. 2015	Managing Corporate Officer in charge of Financial and Accounting Division and Secretarial Affairs, PR and IR Division of the Company
Apr. 2016	Executive Corporate Officer (to present) Head of Finance, Accounting and Public Relations Divisions
Jun. 2016	Director, Chief Financial Officer (CFO) (to present) and in charge of Corporate Management of the Company
Apr. 2020	Director, in charge of Corporate Management, Planning and Strategy Divisions of the Company (to present)

## Masao Sato

### Director External Independent Director

Apr. 1975	Entered into the National Police Agency
Nov. 1995	Chief of Ehime Prefectural Police Headquarters
Jan. 2001	Chief of Miyagi Prefectural Police Headquarters
Aug. 2005	Chief of Chiba Prefectural Police Headquarters
Jan. 2007	Director General of Kanto Regional Police Bureau
Mar. 2008	Resigned from the National Police Agency
Jun. 2008	External Corporate Auditor of the Chugoku Electric Power Co., Inc.
Jun. 2016	External Director of the Company (to present)
Jun. 2017	Director, Public Interest Corporation, Furuoka Scholarship Foundation (to present)

## Toru Muranaka

### Director External Independent Director

Apr. 1995	Registered Lawyer (Osaka Bar Association) Entered into Daiichi Law Office (Currently Daiichi Law Office, P.C.)
Dec. 2007	Partner of Daiichi Law Office, P.C. (to present)
May 2014	External Corporate Auditor of Furuno Electric Co., Ltd. (to present)
Jun. 2015	External Corporate Auditor of Suzuken Co., Ltd. (to present)
Jun. 2016	External Director of the Company (to present)

## Yutaka Mizukoshi

### Director External Independent Director

Apr. 1980	Entered into Nippon Steel Corporation
May 2004	Senior Vice President of The Boston Consulting Group
Jan. 2005	Japan Co-chair of The Boston Consulting Group
Jan. 2016	Senior Partner and Managing Director of The Boston Consulting Group
Jun. 2016	External Director of Lifenet Insurance Company (to present) External Director of Asagami Corporation (to present)
Jan. 2018	Senior Advisor of The Boston Consulting Group, Tokyo (to present)
Jun. 2018	External Director of the Company (to present)
Jun. 2019	Director, Japan Rugby Football Union (to present)

## Kazushi Hirao

### Director <Full-time member of the Audit and Supervisory Committee>

Jun. 1988	Entered into the Company
Apr. 1997	General Manager of Overseas Business Dept. of the Company
Jul. 1999	Corporate Officer, General Manager of Overseas Business Dept. of the Company
Oct. 2002	General Manager of General Affairs Dept. of the Company
Apr. 2004	Senior Manager of Investor Relations Section of the Company
Jun. 2004	Corporate Auditor of the Company (full-time)
Jun. 2016	Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

## Yoshihiko Iwasaki

### Director External Independent Director

#### <Full-time member of the Audit and Supervisory Committee>

Apr. 1979	Entered into National Tax Agency
Jul. 1986	District Director of Ijuin Tax Office
Jul. 1999	Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
Jul. 2007	Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
Jul. 2009	Director-General of Kanazawa Regional Tax Tribunal
Jul. 2010	Director-General of Sapporo Regional Tax Tribunal
Jul. 2011	Vice President of National Tax College
Jun. 2012	External Corporate Auditor of the Company (full-time)
Jun. 2016	External Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

## Makoto Matsuo

### Director External Independent Director

#### <Member of the Audit and Supervisory Committee>

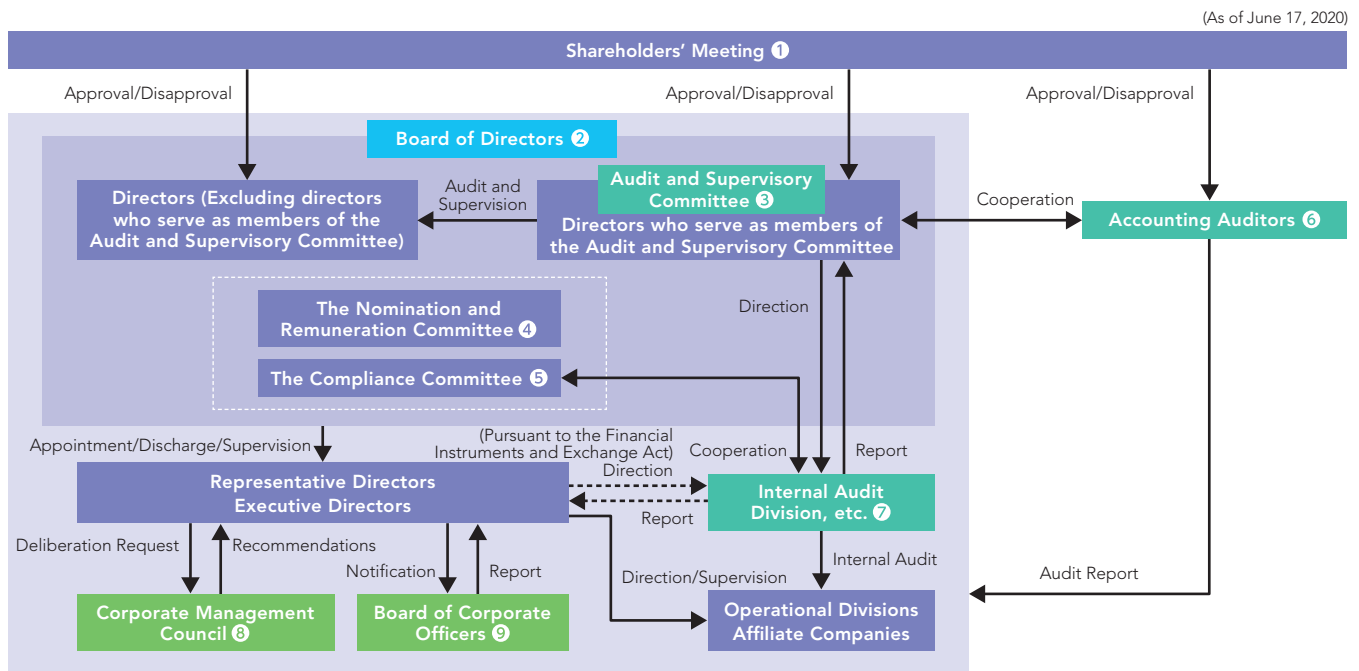
Apr. 1975	Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
Aug. 1978	Weil, Gotshal & Manges in New York
Mar. 1979	Admitted to New York Bar
Apr. 1989	Partner of Momo-o, Matsuo & Namba (to present)
Apr. 1997	Lecturer of Nihon University, Faculty of Law: International Transaction Law
Apr. 2005	Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
Jun. 2007	External Director of the Company
Mar. 2014	External Corporate Auditor of Solasia Pharma K.K. (to present)
Jun. 2016	External Director (Member of the Audit and Supervisory Committee) of the Company (to present)
Jun. 2018	Outside Statutory Auditor of Sumitomo Forestry Co., Ltd. (to present)
Jun. 2020	Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd. (to present)

## Directors' Skill Matrix

	Management	International business	Development & technology	Sales & marketing	Financial accounting	Independence	Legal	Environment & society
Kenzo Tsujimoto	○	○	○	○	○			
Haruhiro Tsujimoto	○	○	○	○	○			
Yoichi Egawa			○					
Kenkichi Nomura	○			○	○			
Masao Sato						○	○	○
Toru Muranaka						○	○	○
Yutaka Mizukoshi	○	○			○	○		
Kazushi Hirao		○			○			
Yoshihiko Iwasaki					○	○	○	○
Makoto Matsuo						○	○	○

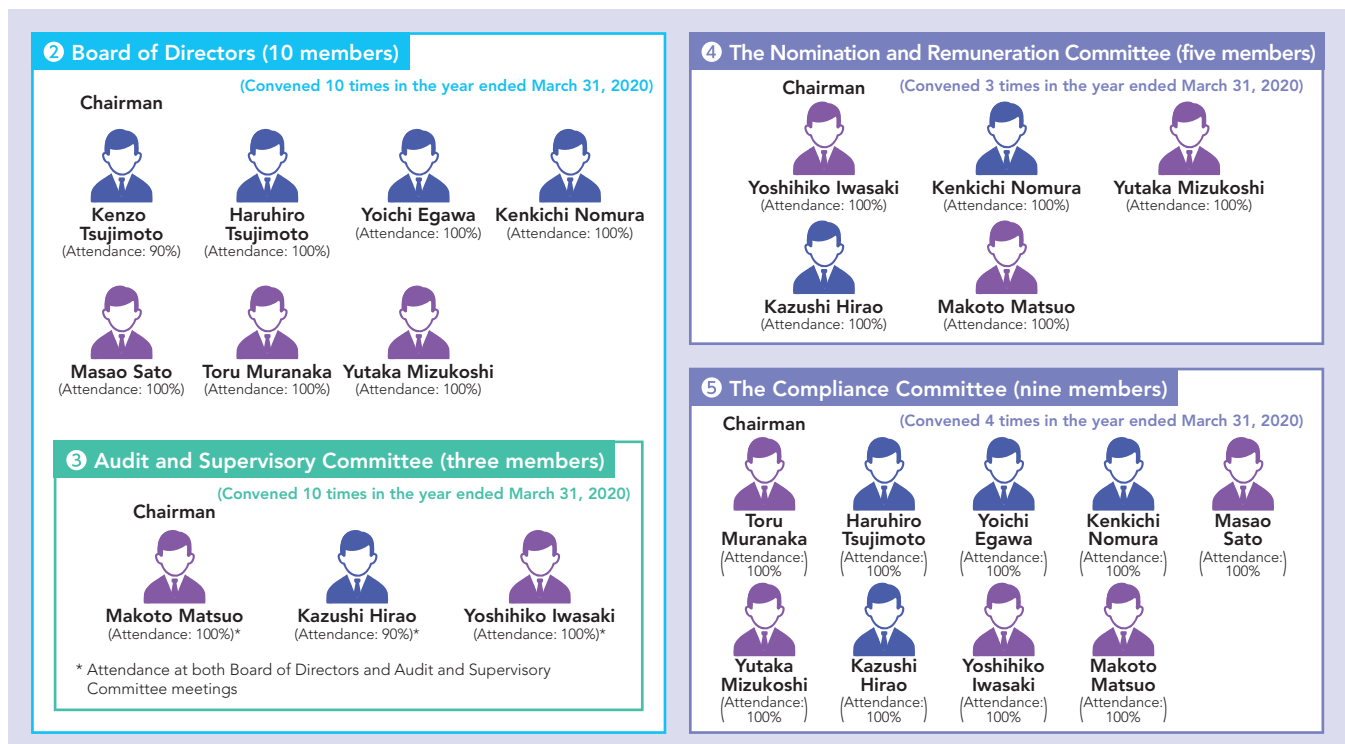
## Corporate Governance Structure and Initiatives

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



### Composition of Board of Directors and voluntary committees

Internal External





## Corporate Governance Structure

**Enhancing management soundness and transparency while responding to changes in the environment**

Capcom is aware that comprehensive corporate governance ranks among management's most important priorities. Because of this, in addition to enhancing management soundness and transparency, we are increasing corporate value by building a trusting relationship with our stakeholders. These stakeholders include shareholders, business partners, employees and regional societies.

**1 Shareholders' Meeting**

(Convened on June 17, 2020)

**Determines important matters as the highest decision-making body**

The general shareholders' meeting serves as Capcom's highest decision-making body and determines important matters prescribed by laws, regulations, and the Company's Articles of Incorporation, as well as serves as a place for communicating the audit results of divisional reports and consolidated financial statements.

Invitations to the general shareholders' meeting are issued approximately three weeks before convening the session, and efforts are made to allow for greater attendance by having the session about 10 days before the date on which most other companies hold their meetings. We have also made it possible for shareholders to exercise their voting rights over the internet using a computer, smartphone or mobile phone. In addition, we participate in an electronic voting rights exercise platform for institutional investors so that they will have sufficient time to review the proposals.

**2 Board of Directors**

## Supervision

(Convened 10 times in the year ended March 31, 2020)

**Management decisions that incorporate external directors' opinions**

The Board of Directors is composed of 10 directors (chaired by the Representative Director and Chairman of the Board), with five (50.0%) of the directors being external directors.

The Board deliberates on important matters stipulated by laws, regulations, and the Rules of the Board of Directors, and strives to strengthen supervisory functions through the guidance, suggestions, and active comments of external directors.

In order to enrich deliberations, a portion of decision-making authority for the execution of important business is entrusted to the representative directors and others, while matters brought before the Board are narrowed to those of high importance, and the number of times the Board of Directors is convened is reduced. As a result, the efficiency of business execution has increased due to quick decision making and dynamic management practices.

**3 Audit and Supervisory Committee**

## Audit

(Convened 10 times in the year ended March 31, 2020)

**Cooperating with accounting auditors and the internal audit department to audit and supervise**

The Audit and Supervisory Committee (chaired by an external director) is composed of three directors (two of whom are full-time members), with two of the three directors being external directors.

In principle, the committee meets before a Board of Directors' meeting is convened. The committee deliberates on important matters stipulated by the Rules for the Audit and Supervisory Committee and strives to strengthen audits and supervision.

Audit and Supervisory Committee members selected by the same committee carry out on-site audits themselves and, in order to increase the efficacy of audits, carry out dynamic organizational audits, including issuing instructions and other actions as necessary to, among others, the Internal Audit Division (directly under the control of the Audit and Supervisory Committee). The Internal Audit Division strives to ensure that audits function effectively by reporting the status of audits and improvements, and other issues to Audit and Supervisory Committee members.

**4 The Nomination and Remuneration Committee**

(Convened three times in the year ended March 31, 2020)

**Selection of candidates for director and deliberating and recommending details of director compensation**

The voluntary Nomination and Remuneration Committee (chaired by an external director) is composed of five directors (two of whom are internal directors and three of whom are external directors), with a majority of members being external directors.

Each committee member is selected based on the Board of Directors' appraisal of his or her knowledge, insight, experience, and other qualities.

In determining candidates to be nominated for director (excluding directors who are members of the Audit and Supervisory Committee) and candidates to be nominated for director who are members of the Audit and Supervisory Committee, the Board of Directors makes selections from an objective, transparent and fair perspective after consulting with the Nomination and Remuneration Committee and receiving their recommendations. The Board of Directors has tasked the Chairman and Representative Director with setting individual compensation of directors (excluding directors who are members of the Audit and Supervisory Committee) within the range of director compensation resolved at the General Meeting of Shareholders after consulting with the Nomination and Remuneration Committee and receiving their recommendations. Individual compensation of directors who are members of the Audit and Supervisory Committee is determined through discussion with each director who is a member of the Audit and Supervisory Committee.

## 5 The Compliance Committee

(Convened four times in the year ended March 31, 2020)

### Focusing on Compliance as an Important Management Issue

The Compliance Committee is composed of nine directors (five of whom are external directors, and the committee chairman is an attorney and external director). In principle, the committee convenes once per quarter.

Its primary activities are to analyze and assess risks to Capcom Group compliance and consider what action to take. In addition, the committee strives for early detection and prevention of legal violations or inappropriate conduct by finding internal risks and reporting their probability of materializing to the Board of Directors.

## 6 Accounting Auditors

Audit

### Ensuring and Verifying Accounting Transparency

Capcom has concluded an auditing contract with KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no special relationship involving financial or other interests between Capcom and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

#### Auditor Remuneration (Year ended March 31, 2020)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	47 million yen	3 million yen
Consolidated subsidiary	—	—
Total	47 million yen	3 million yen

Auditing Company	Names of Certified Public Accountants	
KPMG AZSA LLC, a limited liability audit corporation	Designated Limited Liability Partners	Yasuhito Kondo
		Hiroshi Miura
		Tomohiro Yamanaka

Note: The financial audit team was composed of: certified public accountants (seven members), and candidates for CPA who passed the new CPA exam, plus associates in charge of system audits (10 members).

## 7 Internal Audit Division

Audit

### Ensuring and verifying legal compliance and operating efficiencies

In order for effective audits to be carried out, Capcom has established an Internal Audit Division and determines auditing policies, schedules, methods, and the allocation of duties after the end of the shareholders' meeting.

The Internal Audit Division verifies and evaluates the status of employees' execution of duties and the efficacy (and status of operation) of internal control systems, and reports to the Audit and Supervisory Committee. When needed, division

members also accompany selected Audit and Supervisory Committee members and carry out on-site audits of offices and subsidiaries inside and outside Japan.

## 8 Corporate Management Council

Implementation

(Convened 14 times in the year ended March 31, 2020)

### Supporting the Board of Directors' decisions

The Corporate Management Council (chaired by the Representative Director and Chairman of the Board) is composed of five internal directors and, in principle, is convened several days before a meeting of the Board of Directors, or whenever necessary.

In addition to meeting to carry out preliminary deliberations of Board of Directors agenda items, it also deliberates other important items.

## 9 Board of Corporate Officers

Implementation

(Convened 12 times in the year ended March 31, 2020)

### Executing operations based on management policy

Capcom utilizes a Corporate Officer System. In addition to clarifying the roles and responsibilities of directors focused on management and corporate officers focused on business execution, the system boosts management efficiency by allowing officers to swiftly execute business following instructions from executive directors regarding important matters determined at the Board of Directors.

The Board of Corporate Officers is composed of 14 corporate officers (three of whom serve concurrently as directors), and in principle, convenes once a month. Each corporate officer reports on the status of business execution and works to ensure that information is shared, while also discussing business items and issues that require resolution.

## External Directors

### Using external perspectives to ensure effective governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance Committee and the voluntary Nomination and Remuneration Committee. They also focus efforts on compliance and the prevention of corrupt or illegal activities, and openly exchange opinions and provide counsel at Board of Directors meetings in an effort to strengthen the management audit function. The Secretariat staff helps with the work of the external directors who are not members of the Audit and Supervisory Committee. For external directors who are members of the Audit and Supervisory Committee, the full-time staff of the Internal Audit Division helps with their work.

Since all five of the external directors meet the criteria for independent directors, these five individuals have been registered with Tokyo Stock Exchange, Inc. as independent directors.

## Reasons for Selection of External Directors

### External Directors

Name	Reasons for selection
Masao Sato	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors from the standpoint of risk management and ensuring legal compliance through proposals and advice from a neutral and objective perspective based on his broad general legal expertise and rich experience from many years serving in police administration
Toru Muranaka	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through proposals and advice on legal compliance and propriety from a professional standpoint based on his high level of expertise and broad insight and knowledge as an attorney specializing in corporate and financial instruments and exchange law
Yutaka Mizukoshi	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors based on an independent external perspective, including enthusiastic provision of opinions and advice based on his familiarity with management analysis and establishment of management strategies as well as his deep insight into economic trends and international sensibilities that comes from his experience and knowledge from his many years in the consulting industry

### External Directors (Audit and Supervisory Committee)

Name	Reasons for selection
Yoshihiko Iwasaki	Due to his expertise and rich experience with tax administration along with his advanced knowledge of finance and accounting, he is expected to contribute to the auditing and supervision of the Board of Directors from the standpoint of tax administration, finance, and accounting with proposals and advice from an external perspective
Makoto Matsuo	Due to his success in the legal world based on his high level of expertise and broad insight and knowledge as an attorney and his familiarity with the business world that comes from his extensive experience as an external officer of listed companies, he is expected to contribute to the auditing and supervision of the Board of Directors with guidance and advice from a legal standpoint

## Officer Remuneration

### The Nomination and Remuneration Committee is consulted to ensure fairness and transparency

#### Policy for setting the calculation method and amount of directors' remuneration

##### 1 Regarding remuneration of directors (excluding directors who are members of the Audit and Supervisory Committee)

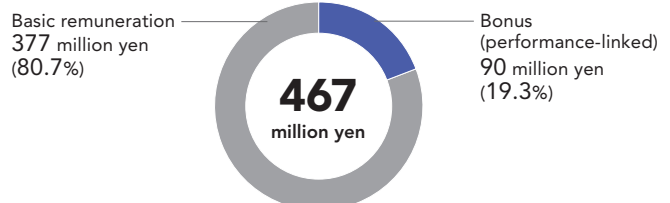
To ensure the fairness and transparency of remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee), the Board of Directors consults the Nomination and Remuneration Committee, which has an external director as chairman. The Nomination and Remuneration Committee considers each board member's position, duties, tenure, and status as either an executive director or non-executive director, evaluates individual job performance and recommends an appropriate amount. The Chairman and Representative Director is tasked with making a decision based on this amount.

- Monthly remuneration is fixed.
- The bonuses are set within a reasonable range based on monthly remuneration and the Company's performance.

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

In order to secure their independence, the remuneration of the directors who serve as members of the Audit and Supervisory Committee is not linked to performance; it is a fixed amount determined through discussions, taking the difference of full-time or part-time service and other factors into account, by the directors who serve as members of the Audit and Supervisory Committee.

#### Total director remuneration breakdown



## Officer Remuneration (Year ended March 31, 2020)

Total remuneration, total amount by type of remuneration, and number of directors the remuneration was paid to, by type of director

Type of director	Total remuneration (million yen)	Total of remuneration by type (million yen)			Number of directors paid
		Basic remuneration	Performance linked remuneration	Severance	
Director (excluding Audit and Supervisory Committee and external directors)	385	295	90	—	5
Member of Audit and Supervisory Committee (excluding external directors)	21	21	—	—	1
External directors	29	29	—	—	3
Member of Audit and Supervisory Committee (external directors)	31	31	—	—	2

Note: The above includes one director (not an Audit and Supervisory Committee member) who resigned as of March 31, 2020.

#### Total amount of consolidated remuneration by director of delivery company

Name	Total of consolidated remuneration (million yen)	Type of director	Type of company	Total of consolidated remuneration by type (million yen)		
				Basic remuneration	Performance linked remuneration	Severance
Kenzo Tsujimoto	130	Director	Delivery company	100	30	—
Haruhiro Tsujimoto	104	Director	Delivery company	80	24	—

Note: Total consolidated remuneration, etc. is listed only for those with remuneration of 100 million yen or more.

## Initiatives for the Shareholders' Meeting

### Making shareholders' meetings lively and facilitating the exercise of voting rights

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

Also, voting rights can be exercised online via PC, smartphone or mobile phone. In addition, we have participated from an early stage in a platform for the online exercise of voting rights, so

institutional investors are ensured a sufficient amount of time to consider proposals starting on the day the convocation notices are distributed. We also post convocation notices in English on our corporate website to promote the exercise of voting rights by shareholders worldwide.

Additionally, we introduced a hybrid virtual shareholder meeting format allowing remote participation via the Internet starting with the Ordinary General Meeting of Shareholders held on June 17, 2020.

## Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2019 shareholders' meetings

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	914,179	38,553	69	95.66	Approved
Second proposal: Election of Seven Directors (excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	867,240	79,384	6,174	90.75	Approved
Haruhiro Tsujimoto	917,488	34,949	361	96.01	Approved
Yoichi Egawa	944,165	8,567	69	98.80	Approved
Kenkichi Nomura	936,016	16,716	69	97.95	Approved
Masao Sato	946,548	6,184	69	99.05	Approved
Toru Muranaka	945,234	7,498	69	98.91	Approved
Yutaka Mizukoshi	946,652	6,080	69	99.06	Approved
Third proposal: Election of Three Directors Who Are Members of the Audit and Supervisory Committee					
Kazushi Hirao	920,540	32,192	69	96.33	Approved
Yoshihiko Iwasaki	943,962	8,770	69	98.78	Approved
Makoto Matsuo	877,745	74,987	69	91.85	Approved
Fourth proposal Election of Substitute Director Who Is a Member of the Audit and Supervisory Committee	949,888	2,844	69	99.40	Approved

➔ Please refer to the "Resolutions of the 41st Ordinary General Meeting of Shareholders" section of our IR web page for information about the conditions for each proposal to be passed <http://www.capcom.co.jp/ir/english/stock/meeting.html>

## Basic Policies Regarding IR Activities

### 1. Disclosure policies

Capcom is aware that comprehensive corporate governance ranks among management's most important priorities. As such, in addition to increasing corporate value by enhancing management soundness and transparency, we are building a relationship of trust with our stakeholders, such as shareholders, business partners, employees and regional societies.

### 2. Disclosure criteria

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

It is our policy to disclose as much information as possible, including the disclosure of information not required by the

Timely Disclosure Rules and other regulations, to accommodate our investors' needs. We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters and the convocation notice for the shareholders' meetings.

### 3. Quiet period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting the day following the end of a fiscal period and ending on the day that financial information for that period is announced. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose information pursuant to the Timely Disclosure Rules and other regulations.



## External Assessment of Corporate Governance

### Promoting more “visible” governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom's corporate governance shows that the company ranked 131st among 3,635 listed companies in Japan in the “NEEDS-Cges” assessment developed by Nikkei Inc.

NEEDS-Cges has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including capital efficiency, external regulations, and information disclosure, among others, based on some 150 indicators calculated from data of publicly released company documents, such as financial reports.

As of the end of June 2020, Capcom's total score was 7.28 points, placing us in the top 4.0% of Japan's listed companies, exceeding the 4.83-point average for all listed companies and the 6.53-point average for the industry. We also received the maximum score of 10 for “capital efficiency,” “equity market's assessment” and “information disclosure.”

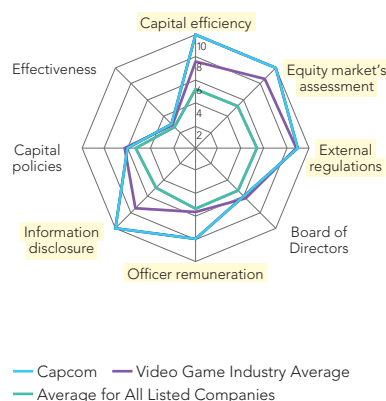
The main evaluation factors are given in the table below, and areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements to earn an even stronger assessment, and further promote the visibility of our governance by posting this and other data on our IR web page.

### Third-Party Assessment Results of Capcom's Corporate Governance

#### Details of Capcom's Corporate Governance

Total Score	7.28
Rank	131
Categories	Score
Capital efficiency	10
Equity market's assessment	10
External regulations	9
Board of Directors	6
Officer remuneration	8
Information disclosure	10
Capital policies	6
Effectiveness	3

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



#### Details of Highest Rated Categories

Highest Rated Categories	Score	Areas that Received Particular Notice
Capital efficiency	10	ROA, ROE and Statistics related to free cash flow
Equity market's assessment	10	Tobin's q
External regulations	9	Presence (or absence) of takeover defense measures
Information disclosure	10	Timing of Shareholders' Meetings (avoiding congested periods), early timing of Shareholders' Meeting invitations, utilization of electronic voting, presence or absence of English disclosure materials

Source: NEEDS-Cges from Nikkei Inc.

## Third-Party Assessment of IR Activities

### High praise for proactive IR initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and improve timely disclosure.

#### Fiscal 2019 Third Party Evaluations

Integrated Reports	Capcom's integrated report chosen for excellence by asset management companies contracted with GPIF (Government Pension Investment Fund)
	Nikkei Inc.'s 22nd NIKKEI Annual Report Awards, Excellence Prize
IR Website	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2019," Grand Prize
	Nikko Investor Relations Co., Ltd., "Fiscal 2019 Listed Company Website Quality Ranking," Overall Ranking: Grade AAA
	Morningstar Japan K.K., Gomez Consulting Dept.'s "Investor Relations Site Ranking 2019," Second Place

## Making Use of Shareholder and Investor Opinions

### Reflecting results of dialogues with investors and analysts in management

Through meetings with investors and analysts, Capcom's IR Department attempts to promote an understanding of management policies, strategies and future outlook. Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. While we are headquartered in Osaka, these proactive IR meetings enable us to minimize asymmetric information as we strive to achieve appropriate corporate value.

In fiscal 2019, the top management meetings between the chairman and CEO, the president and COO, and investors where medium- to long-term strategies and the direction of marketing strategies were explained had to be cancelled due to COVID-19. However, we held the presentation of financial results and individual investor briefings online for our many investors and analysts, allowing for access regardless of location while preventing the spread of infection.

In addition, Capcom conducts a perception gap study every year targeting institutional investors and analysts in Japan and overseas. Being aware of investor perception gaps gives us feedback on corporate management and IR activities. Questionnaires are also given to attendees at our Presentation of Financial Results and individual investor briefing sessions, allowing us to make proactive use of market opinions and demands as one criterion in management decisions.

#### Fiscal 2019 IR Measures

By category	Frequency
Interviews accepted	253
Visited domestic investors	140
Visited overseas investors	43
Total	436

#### IR Events

Event	Details
Online Presentation of Financial Results	Chairman and CEO, Kenzo Tsujimoto President and COO, Haruhiro Tsujimoto Executive Director and CFO, Kenkichi Nomura
Supplementary earnings call	Earnings call after results announcement to explain earnings
Online individual investor briefing	Held information sessions online for individual investors
Conducted perception gap study	Conducted assessment survey targeting domestic and international institutional investors and analysts regarding Capcom's management targets, strategies and IR activities, provided feedback to management

### Outcomes from our perception gap study with investors (excerpts)

- Q. The current medium-term business plan makes sense, but can you tell us about the specific targets for profit growth?
- A. We have addressed this (additional disclosure).  
Up to now, we had communicated a target growth rate between 5 and 10 percent every year, however the likelihood of the digital sales strategy we have been working on contributing to earnings has increased, therefore starting in the fiscal year ending March 2021, the numerical target for the medium term will be a 10% increase in operating profit every year.
- Q. As one way of better understanding your company, I would like to see you provide an opportunity for us to hear from developers. Any format would be fine for this.
- A. We have done this.  
In September 2019, we held the Open Conference RE:2019 in Tokyo and Osaka.  
Our developers took the stage and provided explanations of game engine design concepts and development technology while delving into the implementation of and titles in which technologies such as modeling, animation, and graphics were utilized. There were several different sessions.

## IR Activities on Our Website

### Providing a website easily accessible to everyone

Since 2001, Capcom has made proactive use of its corporate website as a tool for disseminating information pertaining to IR activities. The main reasons for this are to ensure fairness for a wide range of stakeholders, and because it ensures information is easily available for inspection immediately in approximately 200 countries and regions worldwide. Capcom's corporate website is also positioned as our most cost-effective tool and we strive to use it in various ways, including video content for communicating information and social networking sites for timely information updates.

## IR Team

### Full-time staff engaged in a wide variety of activities

Capcom IR activities are conducted by two full-time staff members in addition to the chairman, the president, and the director overseeing IR for shareholders and investors in Japan and overseas. For IR-related inquiries, please use the contact information below.

Public Relations & Investor Relations Section  
Phone: +81-6-6920-3623 E-mail: ir@capcom.co.jp  
Business Hours: 9:00–12:00, 13:00–17:30 (JST)  
(excluding weekends and public holidays)

## Message from a Member of the Audit and Supervisory Committee

### Corporate Oversight at Capcom from the perspective of a full-time member of the Audit and Supervisory Committee

**Kazushi Hirao**

Director (Full-time member of the Audit and Supervisory Committee)



**Based on approval at the 37th Ordinary General Meeting of Shareholders held on June 17, 2016, Capcom transitioned to a company with an audit and supervisory committee in order to further enhance corporate governance with the aim of becoming a global corporate group.**

**As a full-time member of the Audit and Supervisory Committee, I reflect on the journey taken with this audit structure, now that four years have passed since the transition.**

#### Focusing on efficient audit activities

While at once globally expanding its business, Capcom also needed to enhance the audit function of the corporate group as a whole. For that reason, we have appointed outside experts to the role of corporate auditor since 1990 and established a structure for conducting audits from a fair and objective standpoint.

However, as the business grew, there were natural limits to individual corporate auditors fulfilling their roles on their own, within an audit system based on independence.

By transitioning to a company with an audit and supervisory committee in 2016, we made corporate auditors—whose role had not previously had voting rights—directors with voting rights. This allowed us to strengthen the risk management function of the Board of Directors and bring the Internal Audit Division under the direct control of the Audit and Supervisory Committee, thereby developing a structure for systematic audits.

We are working to enable efficient auditing activities, including conducting audits while fully considering coordination with the accounting auditor and conducting operational audits of specific issues.

#### Improving risk management of operations

As the basic approach of our audit activities, we believe the key is to focus on the daily operations of executive divisions in order to enable early detection of risks. Since transitioning to an audit and supervisory committee with both audit and supervisory functions, we receive regular reports on the results of internal monitoring from the Internal Audit Division as well as timely and appropriate guidance from external directors who are members of the Audit and Supervisory Committee. This allows us to understand the actual conditions of the executive divisions from the standpoint of legal compliance and propriety.

We are working to improve the risk management function of operations by keeping track of internal and external risks as quickly and efficiently as possible.

Going forward, we hope to contribute to both defensive and proactive governance by understanding the actual conditions within organizational management from a more cross-divisional perspective and enhancing activities to support the elimination of risks.

## 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

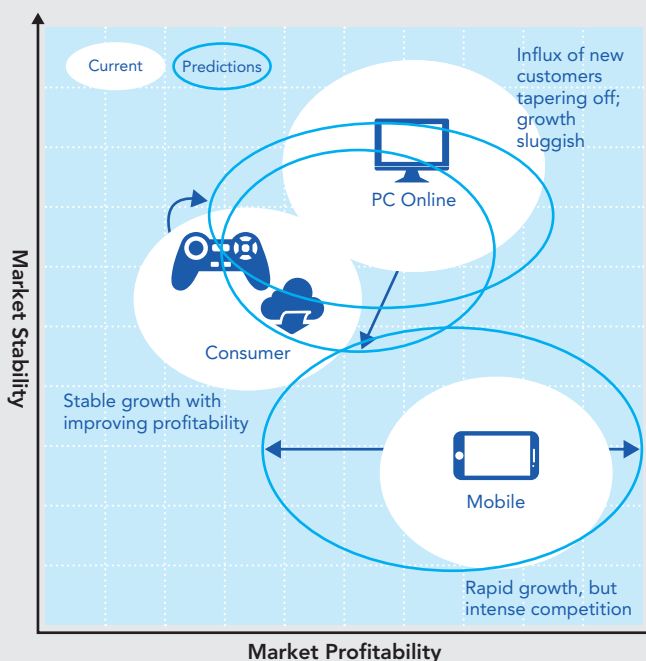
This is a 92.0 billion dollar market, forecast to continue growing to 129.9 billion dollars by 2024. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have 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

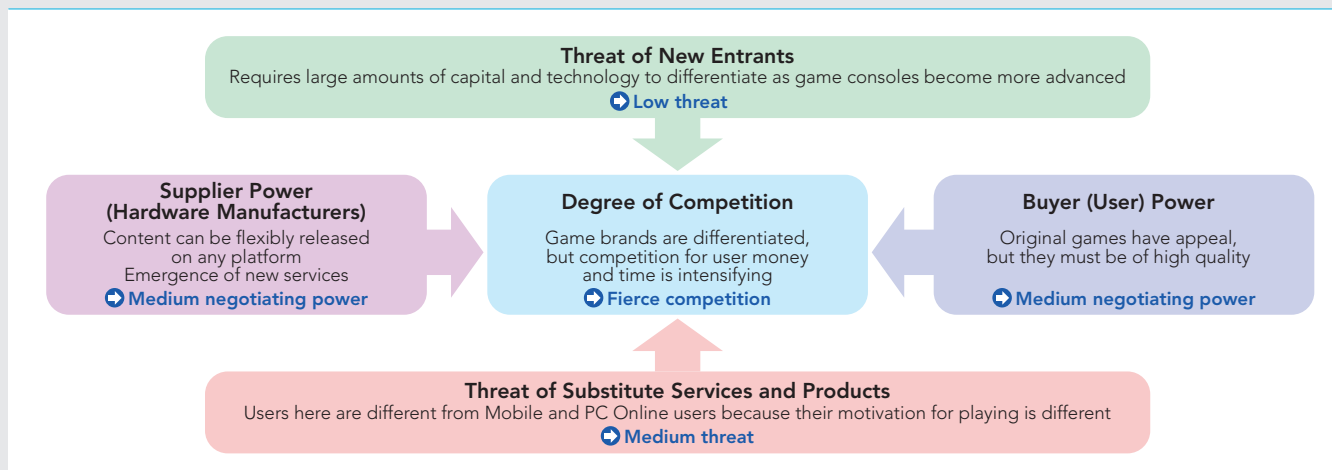
This is a 38.4 billion dollar market, forecast to grow about 13% over the next five years to 43.3 billion dollars by 2024. The customer base is primarily composed of core users who demonstrate the highest loyalty toward game titles. They have a fairly strong willingness to engage in ongoing purchases, 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

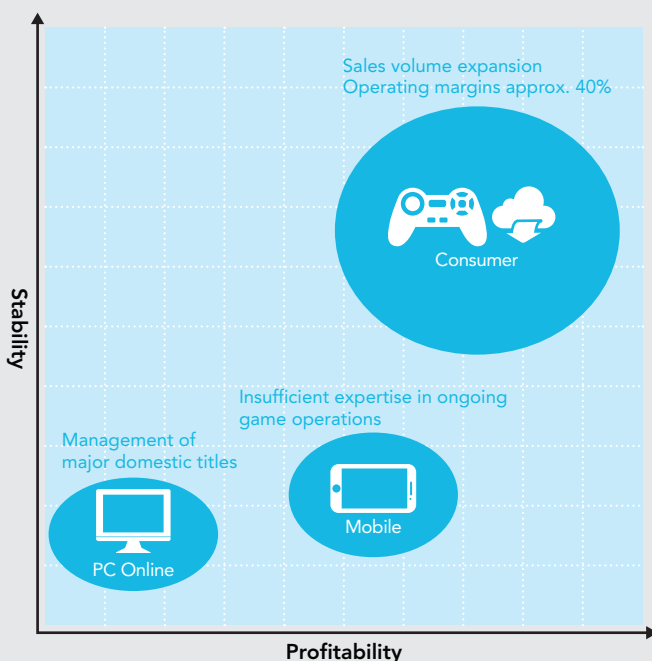
### Five Competitive Factors Related to the Consumer Market (Five Forces Analysis)





## 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/ technology	Development capabilities to produce original titles of world-class quality	○	○	○	○	Ongoing competitive advantage
	RE ENGINE for streamlined development and the technological prowess to fully leverage the latest technology	○	○	○	○	
	Corporate culture of training younger employees	○	△ <sub>*1</sub>	○ <sub>*1</sub>	○	Other companies possess this strength as well
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%	○	△	○ <sub>*2</sub>	○	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).

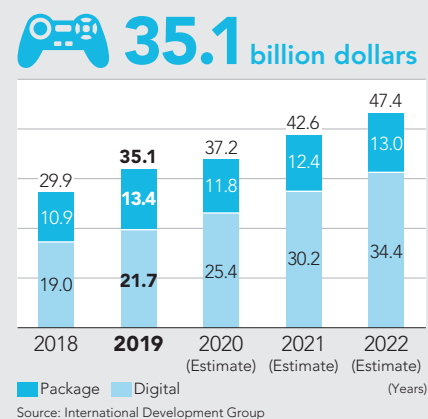


### PC Online Market

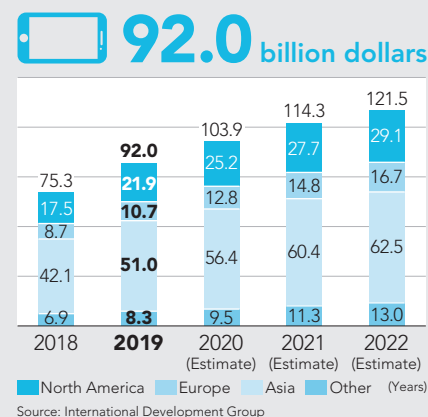
In 2019, the PC online market shrank to 38.4 billion dollars (down 7.7% from the previous year) due to further integration with the consumer market resulting from growth of online play on consoles.

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).

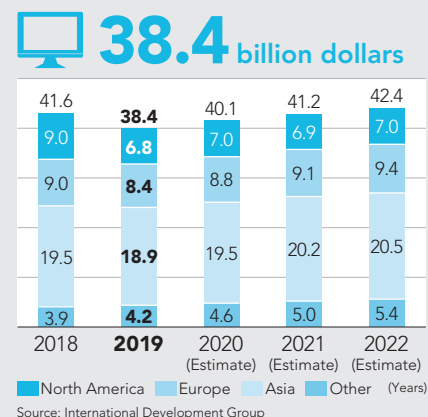
### Consumer Market (billion dollars)



### Mobile Contents Market (billion dollars)



### PC Online Market (billion dollars)





## 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.



## 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.

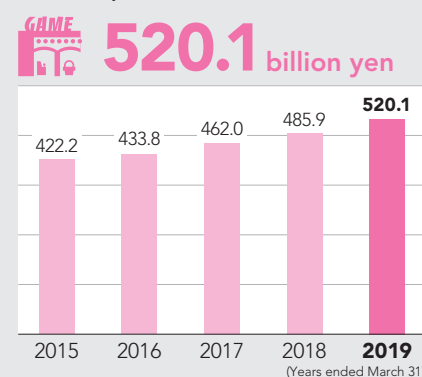


## Esports Business

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

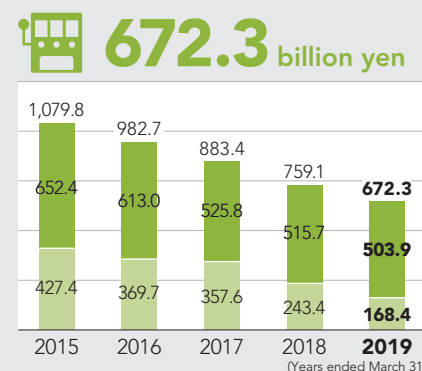
accounts for the largest share. There is increasing uncertainty with respect to market forecasts for this year and beyond due to the spread of COVID-19, but we expect the market to grow to 1.59 billion U.S. dollars by 2023.

### Arcade Operations Market (billion yen)



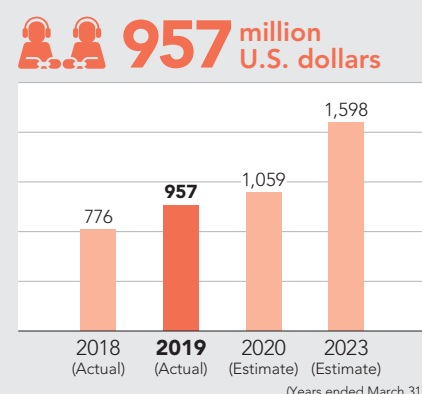
Source: JAMMA "Survey on the Amusement Industry"

### 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
<b>For the Year:</b>				
	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
<b>At Year-End:</b>				
	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
<b>Cash Flows:</b>				
	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
<b>Per Share Data:</b>				
	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
<b>Financial Index:</b>				
	%			
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
<b>Stock Information:</b>				
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
<b>Digital Contents Business:</b>				
	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
<b>Consumer Game Sales (Package Software and Full-game Digital Content)</b>				
	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

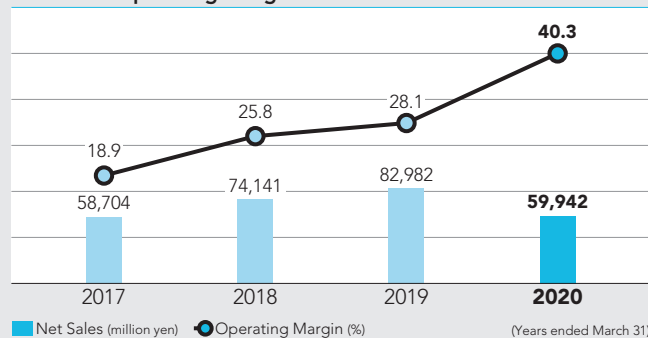
## Segment Information

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

# Digital Contents

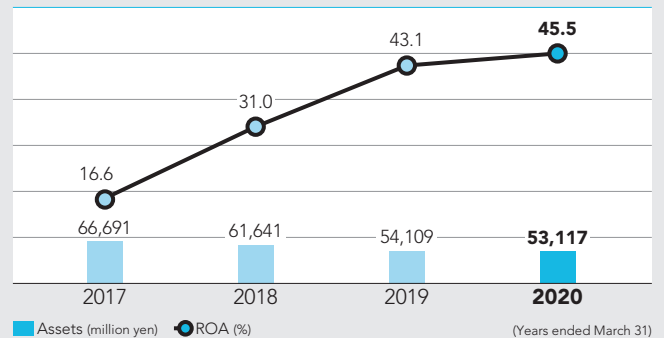
This business develops and sells packaged and digital game content for consumer home video game platforms. It also develops and manages games for Mobile Contents and PC Online Games. Consumer games produces creative, original content that provides recurring revenue by utilizing digital distribution.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



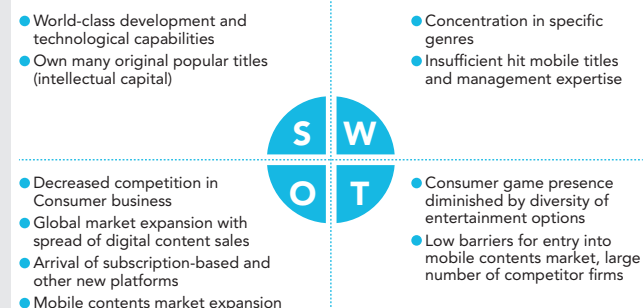
Note: Effective from the beginning of the fiscal year ended March 31, 2019, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

### Assets/ROA

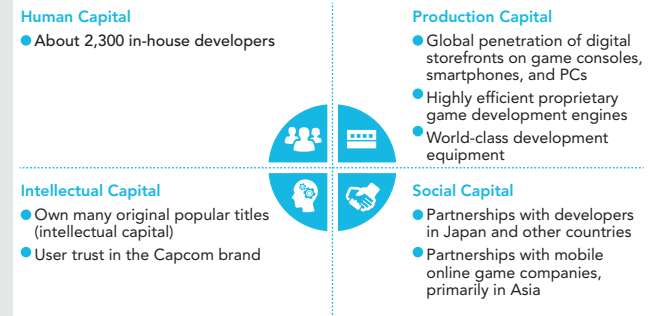


### SWOT Analysis

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

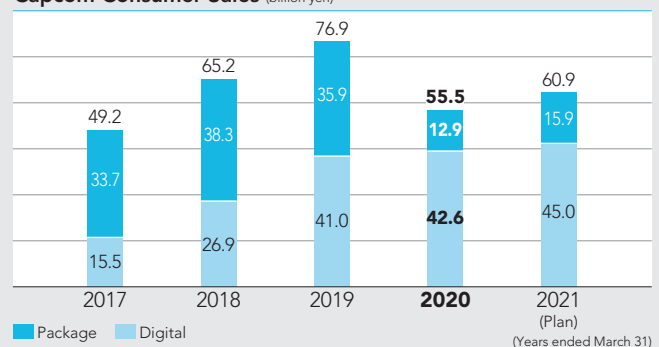
### Consumer (Package + Digital) sub-segment

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.

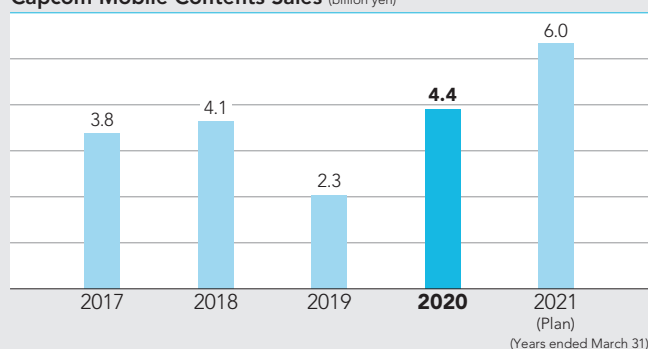
### Mobile Contents Sub-segment

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

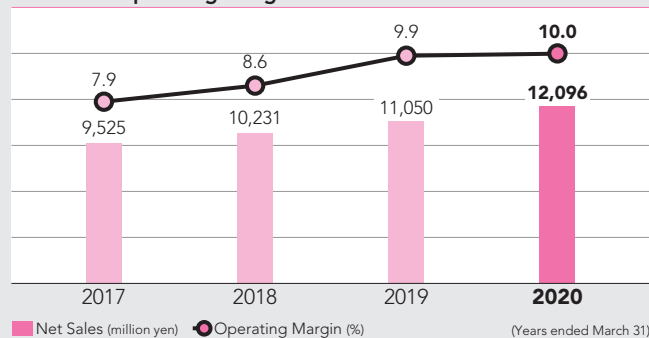
CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

# Arcade Operations

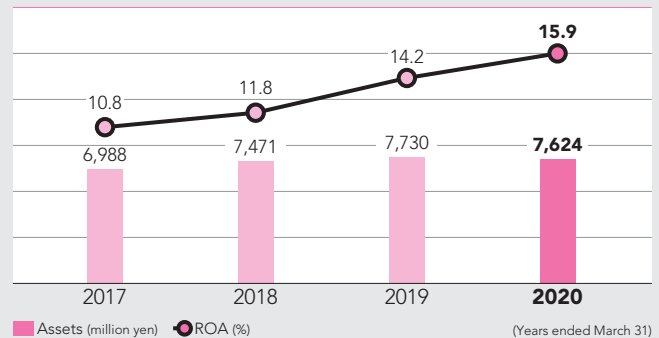
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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

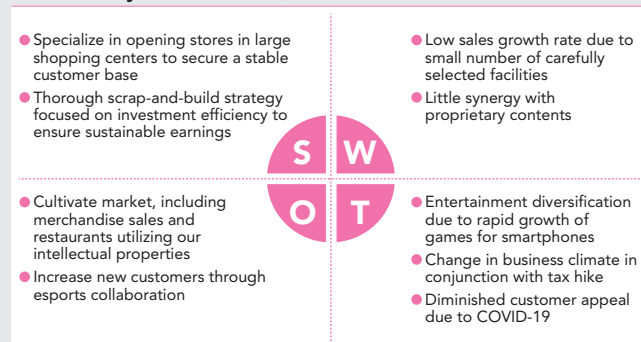


### Assets/ROA

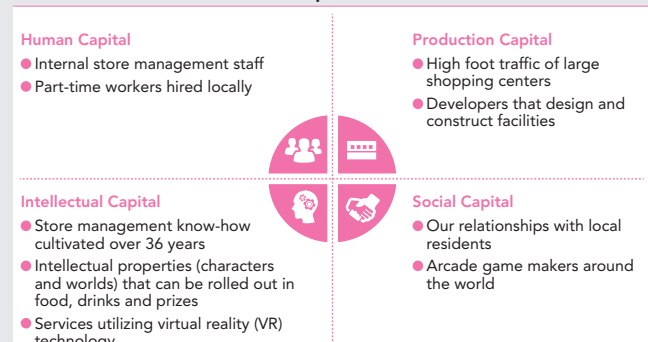


### SWOT Analysis

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.

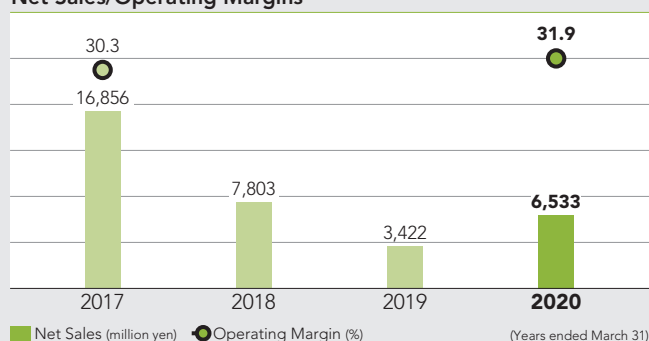


## Amusement Equipments

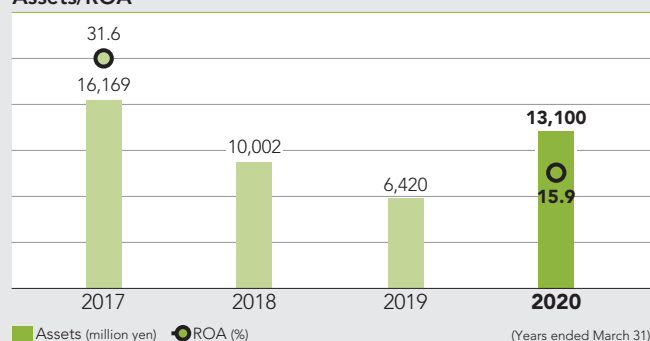
Here, we leverage the contents from our home video games.

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

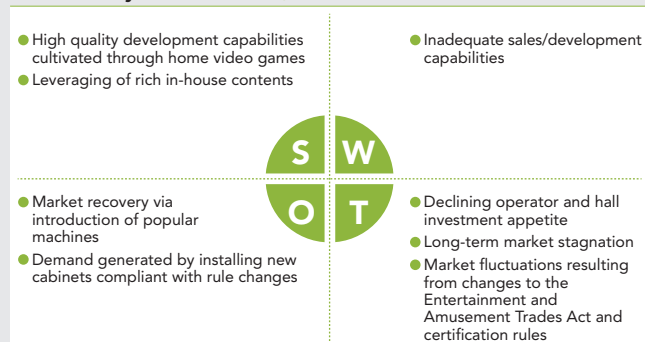


Assets/ROA

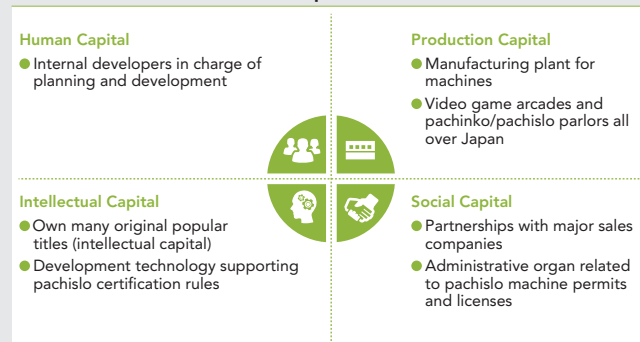


SWOT Analysis

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).

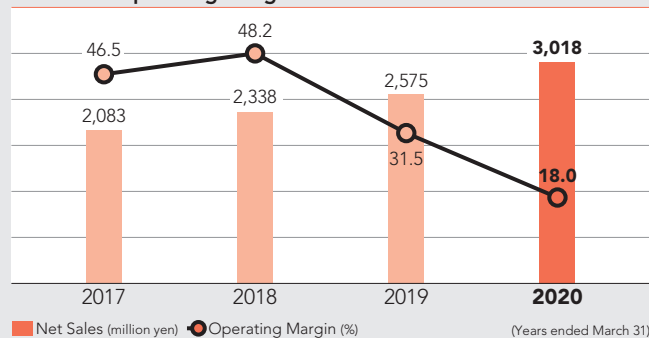
## Segment Information

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

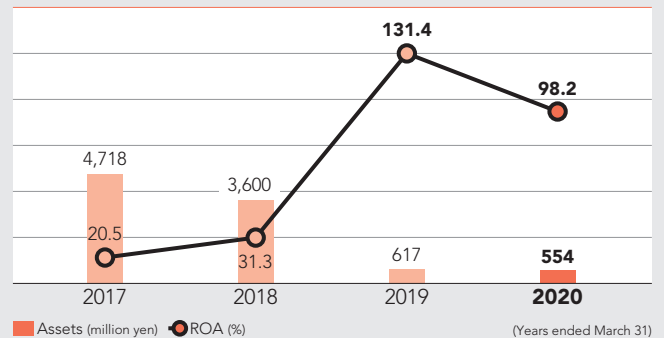
## Other Businesses

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

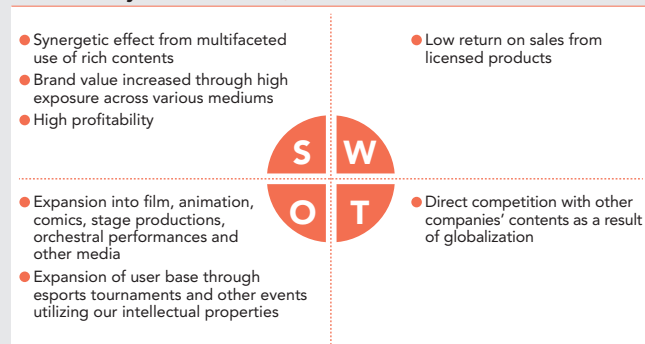


### Assets/ROA



### 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

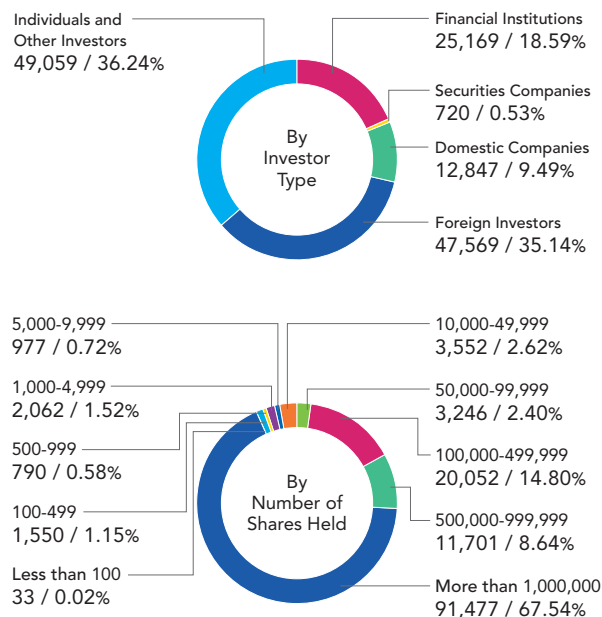
### Major Shareholders (Top 10)

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

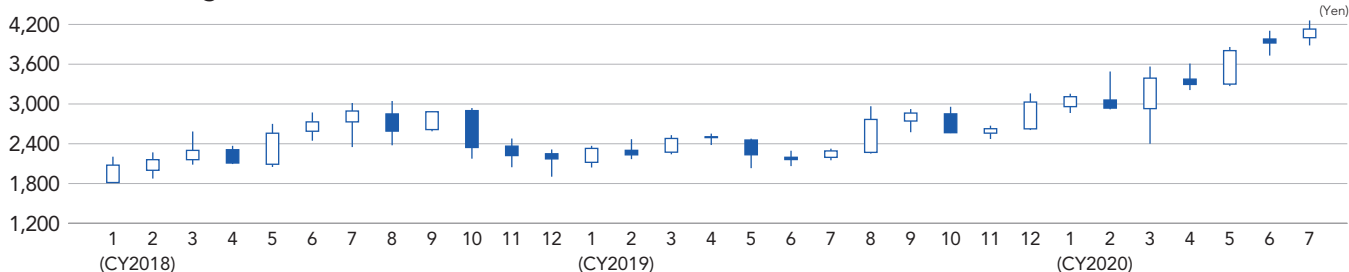
Note: Capcom owns 28,695 thousand shares as treasury stocks.  
The stocks owned by the company are excluded from the above list.

## Shareholders' Breakdown

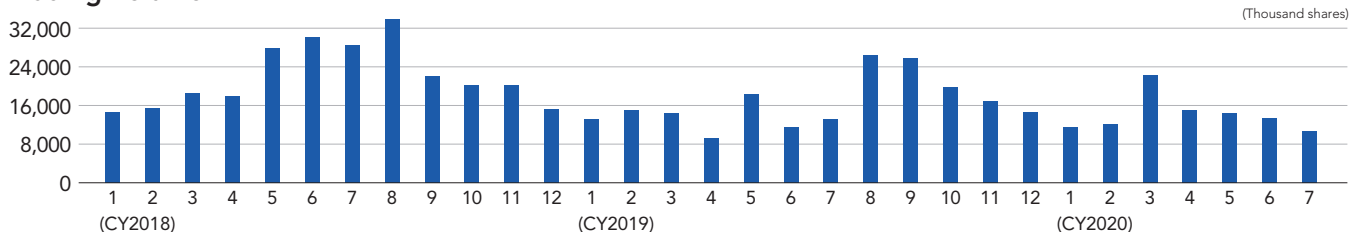
Number of shares held (in thousands) / (%)



## 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

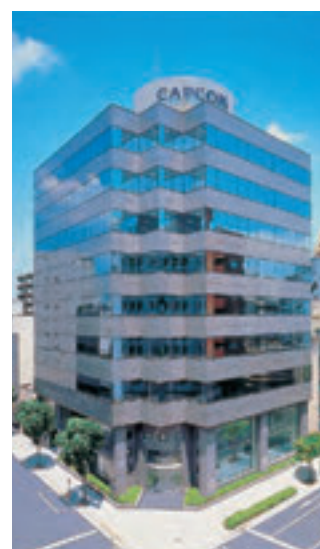
Head Office .....3-1-3 Uchihirano-machi, Chuo-ku,  
Osaka, 540-0037, Japan  
PHONE: 81-6-6920-3600

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&amp;D Building



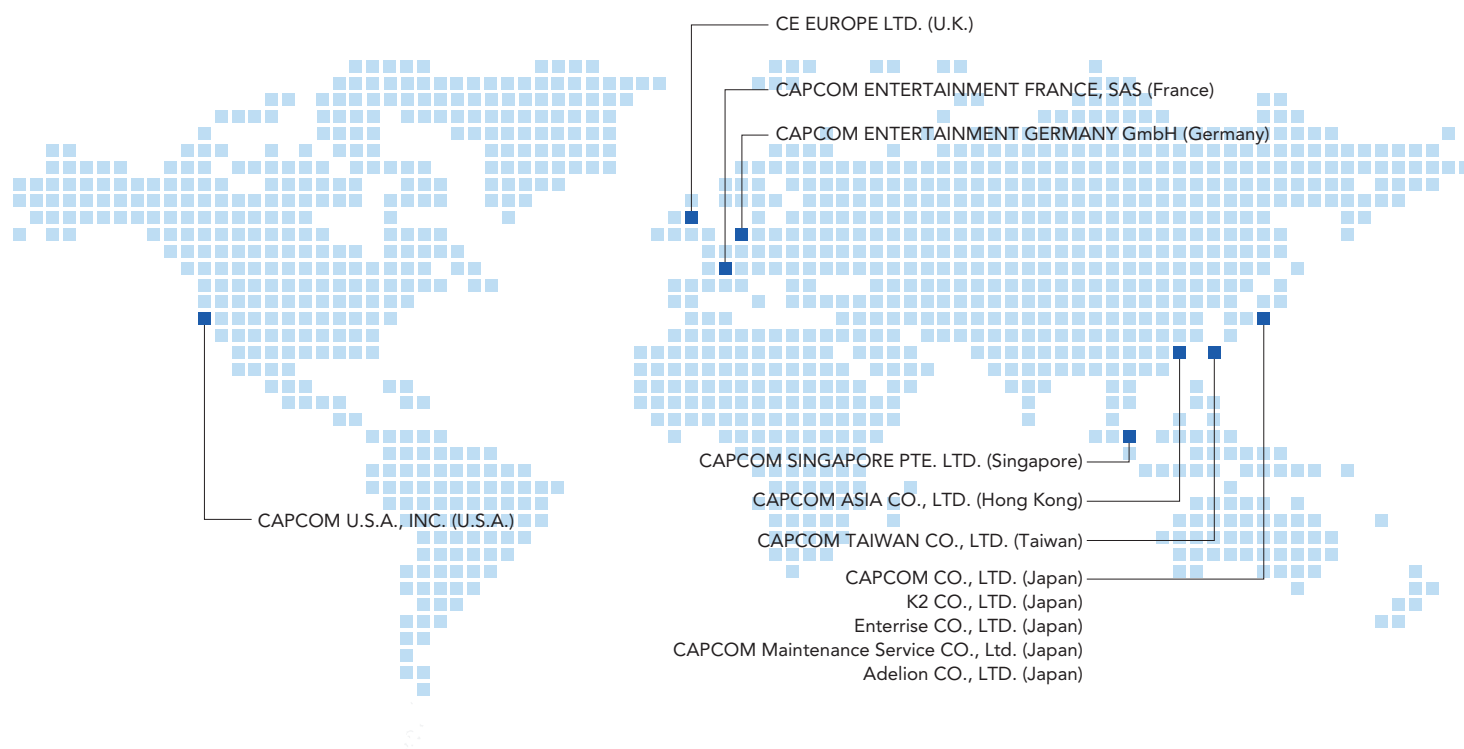
R&amp;D Building #2

## 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.





# FACT BOOK 2020

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- 04 Market Information
- 05 Software Shipments
- 06 Game Series Sales
- 07 ESG Data
- 08 Consolidated Statements of Income /  
Consolidated Statements of Comprehensive Income
- 09 Consolidated Balance Sheets
- 11 Consolidated Statements of Cash Flows
- 13 Consolidated Statements of Changes in Net Assets

# CAPCOM CO., LTD.

3-1-3 Uchihirano-machi, Chuo-ku,  
Osaka, 540-0037, Japan  
PHONE: 81-6-6920-3600

<http://www.capcom.co.jp/>

## Capcom

### Investor Relations Website

<http://www.capcom.co.jp/ir/english/>

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



## Smartphone Access

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



The print of this catalog uses  
environment-friendly vegetable oil ink.



# FACT BOOK

## 2020

Code Number 9697

### I N D E X

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# Financial Index

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

	2013	2014	2015	2016	2017	2018	2019	2020
<b>For the Year</b> (million yen)								
Net sales	94,075	102,200	64,277	77,021	87,170	94,515	100,031	<b>81,591</b>
Operating income	10,151	10,299	10,582	12,029	13,650	16,037	18,144	<b>22,827</b>
Net income before income taxes	3,719	5,315	10,701	11,150	12,489	15,149	17,770	<b>22,890</b>
Net income attributable to owners of the parent	2,973	3,444	6,616	7,745	8,879	10,937	12,551	<b>15,949</b>
Capital investment	3,077	2,252	5,564	5,937	2,622	2,918	2,439	<b>2,504</b>
Depreciation and amortization	3,406	4,638	3,535	5,712	5,980	4,706	3,228	<b>2,795</b>
Capital expenditure	8,724	8,064	10,177	8,274	3,767	3,041	2,568	<b>2,576</b>
R&D investment costs	30,978	26,691	25,301	27,255	27,720	29,077	27,038	<b>25,843</b>
Promotional expenses	6,875	4,269	2,798	3,832	4,764	5,579	5,490	<b>4,253</b>
<b>At Year-End</b> (million yen)								
Total assets* <sup>1</sup>	104,365	96,611	100,773	113,057	118,897	124,829	123,407	<b>143,466</b>
Net assets	62,828	63,875	71,331	75,168	77,774	85,421	88,749	<b>99,735</b>
Work in progress for game software, Online contents in progress	18,888	14,902	24,728	27,220	30,150	25,635	16,926	<b>21,222</b>
Net increase (decrease) in cash and cash equivalents	9,235	(5,404)	1,879	431	(4,091)	22,201	6,464	<b>6,667</b>
Cash and cash equivalents at end of year	31,522	26,118	27,998	28,429	24,337	46,539	53,004	<b>59,672</b>
Interest-bearing debt	17,195	7,050	10,992	12,608	16,111	9,788	8,315	<b>6,735</b>
Net cash (100 million yen)	143	226	212	158	84	367	446	<b>589</b>
<b>Profitability Indicators</b> (%)								
Cost-of-sales ratio	65.8	70.7	59.7	61.2	64.7	63.4	62.8	<b>49.8</b>
Operating margin	10.8	10.1	16.5	15.6	15.7	17.0	18.1	<b>28.0</b>
Ordinary margin	11.6	10.7	16.9	14.7	14.4	16.1	18.2	<b>28.1</b>
Return on sales	3.2	3.4	10.3	10.1	10.2	11.6	12.5	<b>19.5</b>
SG&A expenses ratio	23.3	19.3	24.0	23.1	19.6	19.7	19.1	<b>22.2</b>
Return on equity (ROE)	4.9	5.4	9.8	10.6	11.6	13.4	14.4	<b>16.9</b>
Return on total assets (ROA)	2.9	3.4	6.7	7.2	7.7	8.9	10.1	<b>12.0</b>

\*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.



	2013	2014	2015	2016	2017	2018	2019	2020
<b>Efficiency Indicators</b> (times)								
Total assets turnover	0.9	1.1	0.7	0.7	0.7	0.8	0.8	<b>0.6</b>
Sales-equity ratio	1.5	1.6	0.9	1.0	1.1	1.1	1.1	<b>0.8</b>
Receivables turnover	8.0	5.6	8.0	7.8	4.3	7.3	7.2	<b>5.1</b>
Accounts payable turnover	8.9	6.1	9.4	9.5	7.9	17.3	12.2	<b>7.0</b>
Inventory turnover	4.1	7.6	3.1	2.5	2.4	3.2	5.2	<b>3.4</b>
Fixed asset turnover ratio	3.4	3.4	1.8	2.1	2.6	3.2	3.1	<b>2.4</b>
<b>Safety Indicators</b> (%)								
Net worth ratio	60.2	66.1	70.8	66.5	65.4	68.4	71.9	<b>69.5</b>
Current ratio	240.8	260.3	380.7	339.6	285.0	354.0	391.2	<b>303.5</b>
Quick ratio (Acid-test ratio)	135.4	187.3	233.1	171.4	149.1	220.0	288.5	<b>227.6</b>
Cash equivalent ratio	98.8	116.3	186.7	127.2	81.8	172.1	228.3	<b>183.1</b>
Fixed ratio	43.8	47.1	49.2	49.4	43.0	35.0	36.7	<b>34.7</b>
Debt-equity ratio	66.1	51.2	41.3	50.4	52.9	47.0	39.1	<b>43.8</b>
Interest coverage ratio (times)	62.4	136.8	50.2	36.5	22.8	337.2	249.3	<b>302.5</b>
<b>Per Share Data</b> (yen)								
Net income (loss) per share*2	25.82	30.56	58.84	68.87	80.18	99.89	115.45	<b>149.41</b>
Net assets per share*3	545.54	567.96	634.28	688.43	710.32	780.18	831.37	<b>934.28</b>
<b>Dividend Data</b>								
Dividend per share (yen)*4	40.0	40.0	40.0	40.0	50.0	60.0	35.0	<b>45.0</b>
Dividend payout ratio (%)	77.5	65.5	34.0	29.0	31.2	30.0	30.3	<b>30.1</b>
Dividend yield (%)	2.7	2.0	1.7	1.5	2.3	2.6	1.4	<b>1.5</b>
<b>Stock Information</b>								
Number of outstanding shares (shares)*4	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244	135,446,488	<b>135,446,488</b>
Price-earnings ratio (times)	28.6	32.0	20.3	19.9	13.5	23.0	21.5	<b>20.3</b>
Shareholdings held by foreign investors (%)	32.37	37.29	36.87	39.35	31.19	35.01	36.83	<b>35.14</b>

\*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, 2013.

\*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, 2013.

\*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.

# Segment Information

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

	2013	2014	2015	2016	2017	2018	2019	2020
<b>Digital Contents</b>								
Net sales (million yen)	63,636	65,824	45,351	52,577	58,704	74,141	82,982	59,942
Consumer (100 million yen)	459	530	352	421	492	652	769	555
Package (100 million yen)	407	433	262	312	337	383	359	129
Digital Download Contents (DLC) (100 million yen)	52	97	90	109	155	269	410	426
Mobile Contents (100 million yen)	110	65	41	33	38	41	23	44
PC Other (100 million yen)*1	67	63	60	71	57	48	37	—
Operating income (million yen)	7,062	4,489	10,208	12,167	11,096	19,103	23,315	24,161
Operating margins (%)	11.1	6.8	22.5	23.1	18.9	25.8	28.1	40.3
Assets (million yen)	44,950	35,708	50,053	57,275	66,691	61,641	54,109	53,117
Return on total assets (ROA) (%)	15.7	12.6	20.4	21.2	16.6	31.0	43.1	45.5
<b>Arcade Operations</b>								
Net sales (million yen)	10,944	10,620	9,241	9,056	9,525	10,231	11,050	12,096
Operating income (million yen)	1,709	1,617	940	699	752	879	1,096	1,211
Operating margins (%)	15.6	15.2	10.2	7.7	7.9	8.6	9.9	10.0
Assets (million yen)	7,046	6,657	6,315	6,574	6,988	7,471	7,730	7,624
Return on total assets (ROA) (%)	24.3	24.3	14.9	10.6	10.8	11.8	14.2	15.9
<b>Amusement Equipments</b>								
Net sales (million yen)	16,783	23,160	7,540	13,343	16,856	7,803	3,422	6,533
Operating income (million yen)	4,892	7,131	2,736	2,812	5,106	(764)	(2,668)	2,085
Operating margins (%)	29.1	30.8	36.3	21.1	30.3	—	—	31.9
Assets (million yen)	13,054	20,083	8,760	12,314	16,169	10,002	6,420	13,100
Return on total assets (ROA) (%)	37.5	35.5	31.2	22.8	31.6	—	—	15.9
<b>Other Businesses</b>								
Net sales (million yen)	2,711	2,594	2,144	2,043	2,083	2,338	2,575	3,018
Operating income (million yen)	740	1,001	661	511	969	1,126	811	544
Operating margins (%)	27.3	38.6	30.8	25.0	46.5	48.2	31.5	18.0
Assets (million yen)	4,236	4,331	6,534	4,926	4,718	3,600	617	554
Return on total assets (ROA) (%)	17.5	23.1	10.1	10.4	20.5	31.3	131.4	98.2

\*1. The PC Others sub-segment has been merged with Consumer as of FY3/20

# Market Information

								(Year)
	2013	2014	2015	2016	2017	2018	2019	2020 (Estimate)
<b>Consumer Market</b> (100 million USD)* <sup>2</sup>								
Package	163	129	124	109	112	109	134	118
Digital Download Contents (DLC)	74	87	93	103	132	190	217	254
Total	237	216	217	212	244	299	351	372
<b>Mobile Contents Market</b> (100 million USD)* <sup>2</sup>								
North America	39	54	66	100	113	175	219	252
Europe	23	35	44	47	60	87	107	128
Asia	70	116	229	276	354	421	510	564
Other	13	19	48	61	66	69	83	95
Total	147	225	390	485	594	753	920	1,039
<b>PC Online Market</b> (100 million USD)* <sup>2</sup>								
North America	68	61	58	70	77	90	68	70
Europe	66	66	57	62	77	90	84	88
Asia	123	91	106	138	186	195	189	195
Other	31	28	28	38	43	39	42	46
Total	288	247	251	310	384	416	384	401

								(Years ended March 31)
	2013	2014	2015	2016	2017	2018	2019	2020
<b>Arcade Operations Market</b> (100 million yen)* <sup>3</sup>								
Market size	4,700	4,564	4,222	4,338	4,620	4,859	5,201	—
Number of Amusement Arcades (by number of machines) (stores)	16,991	16,069	15,611	14,862	14,154	13,103	12,167	—
Over 101 machines	6,459	6,535	5,698	5,603	5,263	4,879	3,640	—
51–100 machines	2,156	2,084	1,990	1,932	1,817	1,670	795	—
Below 50 machines	8,376	7,450	7,923	7,327	7,074	6,554	7,732	—
<b>Gaming Machines Market</b> (100 million yen)* <sup>4</sup>								
Pachinko	7,729	6,571	6,524	6,130	5,258	5,157	5,039	—
Pachislo	4,300	4,774	4,274	3,697	3,576	2,434	1,684	—
Total	12,029	11,345	10,798	9,827	8,834	7,591	6,723	—

\*2. Source: International Development Group

\*3. Source: JAMMA "Survey on the Amusement Industry"

\*4. Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2018, 2019); Yano Research Institute Ltd.

# Software Shipments




















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

		2013	2014	2015	2016	2017	2018	2019	2020
Units Shipped by Platform (thousand units)									
Playstation 2	SKU	—	—	—	—	—	—	—	—
	Sub total	100	—	—	—	—	—	—	—
Playstation 3 Playstation 4	SKU	21	17	13	19	16	14	21	8
	Sub total	7,100	4,200	2,450	3,500	4,700	8,250	6,500	3,300
PSP PS Vita	SKU	4	0	5	8	5	1	3	—
	Sub total	600	200	250	300	150	0	50	—
Wii, Wii U Nintendo Switch	SKU	2	2	—	—	—	7	17	8
	Sub total	700	350	150	100	0	1,100	1,950	1,150
Nintendo DS Nintendo 3DS	SKU	7	4	5	7	5	8	—	—
	Sub total	1,300	4,700	3,750	4,100	3,200	450	—	—
Xbox 360 Xbox One	SKU	8	11	7	6	9	9	9	2
	Sub total	3,700	2,950	1,200	650	2,100	1,350	1,200	300
PC Other	SKU	4	5	3	4	6	2	3	1
	Sub total	500	300	200	250	250	350	300	200
Package total	SKU	46	39	33	44	41	41	53	19
	Sub total	14,000	12,700	8,000	8,900	10,400	11,500	10,000	4,950
Full-game download	SKU	—	3	—	1	1	9	8	16
	Sub total	2,700	4,800	5,000	6,100	9,000	12,900	15,300	20,550
Total	SKU	46	42	33	45	42	50	61	35
	Total	16,700	17,500	13,000	15,000	19,400	24,400	25,300	25,500



# Game Series Sales

With a focus on delivering quality products to a wider audience base, Capcom has strived diligently to create innovative and exciting sequels to existing popular franchises to increase its user base and to strengthen its revenues. As always, we at Capcom will continue to strive to provide our customers with the best possible forms of innovative entertainment to increase customer satisfaction.

<b>Dragon's Dogma</b> <hr/> Number of Titles: <b>13</b> Unit Sales: <b>5.0</b> 	<b>Lost Planet</b> <hr/> Number of Titles: <b>17</b> Unit Sales: <b>6.2</b> 	<b>Dead Rising</b> <hr/> Number of Titles: <b>22</b> Unit Sales: <b>13.0</b> 	<b>Okami</b> <hr/> Number of Titles: <b>11</b> Unit Sales: <b>3.0</b> 	<b>Sengoku BASARA</b> <hr/> Number of Titles: <b>30</b> Unit Sales: <b>4.0</b> 
<b>Monster Hunter</b> <hr/> Number of Titles: <b>49</b> Unit Sales: <b>63.0</b> 	<b>Ace Attorney</b> <hr/> Number of Titles: <b>30</b> Unit Sales: <b>7.5</b> 	<b>Devil May Cry</b> <hr/> Number of Titles: <b>33</b> Unit Sales: <b>22.0</b> 	<b>Onimusha</b> <hr/> Number of Titles: <b>16</b> Unit Sales: <b>8.3</b> 	<b>Dino Crisis</b> <hr/> Number of Titles: <b>13</b> Unit Sales: <b>4.4</b> 
<b>Marvel vs. Capcom</b> <hr/> Number of Titles: <b>16</b> Unit Sales: <b>9.4</b>  <p><small>©2017 MARVEL GIMOTO TEXAS ©CAPCOM CO., LTD. 2017. CAPCOM U.S.A., INC. 2017 ALL RIGHTS RESERVED.</small></p>	<b>Resident Evil</b> <hr/> Number of Titles: <b>135</b> Unit Sales: <b>98.0</b> 	<b>Breath of Fire</b> <hr/> Number of Titles: <b>15</b> Unit Sales: <b>3.2</b> 	<b>Final Fight</b> <hr/> Number of Titles: <b>10</b> Unit Sales: <b>3.2</b> 	<b>Street Fighter</b> <hr/> Number of Titles: <b>93</b> Unit Sales: <b>44.0</b> 
<b>Mega Man</b> <hr/> Number of Titles: <b>158</b> Unit Sales: <b>36.0</b> 	<b>Ghosts'n Goblins</b> <hr/> Number of Titles: <b>14</b> Unit Sales: <b>4.2</b> 	<b>Commando</b> <hr/> Number of Titles: <b>2</b> Unit Sales: <b>1.2</b> 	<b>1942</b> <hr/> Number of Titles: <b>3</b> Unit Sales: <b>1.4</b> 	

Unit Sales: million units  
Year ended March 31, 2020

# ESG Data

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

	2013	2014	2015	2016	2017	2018	2019	2020
<b>Environmental (Non-consolidated)</b>								
Emissions (t)	17,354	18,130	16,476	14,892	15,285	15,021	14,152	13,004
Energy consumption per basic unit*1	0.07412	0.07090	0.06663	0.06193	0.06018	0.05994	0.05869	0.05583
Year on year rate of change (%)	95.9	95.7	94.0	92.9	98.6	98.1	97.9	95.1
<b>Social</b>								
Number of employees	2,476	2,601	2,681	2,839	2,811	2,952	2,832	2,988
Number of employees (Non-consolidated)	1,820	1,951	2,033	2,114	2,194	2,426	2,530	2,688
Content developers	1,623	1,808	1,902	2,052	1,994	2,141	2,032	2,142
Number of female managers (Non-consolidated)	20	19	20	24	25	25	24	24
Ratio of female employees (%)	21	21	20	19	20	21	21	22
Number of non-Japanese employees (Non-consolidated)	63	69	72	91	99	107	149	162
Ratio of non-Japanese employees (%)	3.5	3.3	3.4	4.0	4.3	4.2	5.6	5.8
Number of onsite nursery school users	—	—	—	—	—	13	25	25
Number of employees who took childcare leave	18	18	21	24	26	25	33	23
Male	1	3	5	0	3	6	12	10
Female	17	15	16	24	23	19	21	13
Cumulative number of participants in senior tours	1,030	1,550	1,681	1,871	2,037	2,247	2,463	2,582
Cumulative number of regional vitalization projects	1	3	5	10	15	19	22	26
Number of educational support activities	43	63	51	55	58	40	29	32
Number of guest lectures held	9	24	25	18	28	17	15	10
Number of participants	1,506	1,920	2,361	1,853	1,853	1,767	1,392	1,062
<b>Governance</b>								
Number of directors	15	14	14	10	12	11	11	11
Internal directors	10	9	9	5	6	6	6	6
External directors	5	5	5	5	6	5	5	5
Ratio of external directors	33.3	35.7	35.7	50.0	50.0	45.5	45.5	45.5
Number of board of directors meetings held	14	15	16	14	15	15	10	10
Number of board of corporate audit and supervisory committee*2 meetings held	14	15	12	13	14	16	10	10

\*1. Calculated using the method defined by the Agency for Natural Resources and Energy.

\*2. Capcom transitioned from a company with a corporate auditor system to a company with an audit and supervisory committee on June 18, 2016.

## Consolidated Statements of Income

	2013	2014	2015	2016	2017	2018	2019	(million yen)	(thousand USD)
								2020	2020
<b>Net sales</b>	94,075	102,200	64,277	77,021	87,170	94,515	100,031	<b>81,591</b>	<b>755,476</b>
<b>Cost of sales</b>	61,911	72,251	38,379	47,175	56,438	59,895	62,809	<b>40,643</b>	<b>376,332</b>
<b>Gross profit</b>	32,163	29,949	25,898	29,846	30,731	34,619	37,222	<b>40,947</b>	<b>379,143</b>
<b>Selling, general and administrative expenses</b>	21,942	19,749	15,403	17,816	17,080	18,582	19,078	<b>18,119</b>	<b>167,777</b>
<b>Operating income</b>	10,151	10,299	10,582	12,029	13,650	16,037	18,144	<b>22,827</b>	<b>211,366</b>
<b>Non-operating income</b>									
Interest income	92	97	98	95	47	58	171	<b>271</b>	<b>2,512</b>
Dividend income	9	10	13	13	13	14	16	<b>18</b>	<b>168</b>
Settlement received	—	210	92	—	—	—	—	<b>—</b>	<b>—</b>
Exchange gain, net	745	566	292	—	—	—	362	<b>—</b>	<b>—</b>
Other	257	238	168	195	130	145	422	<b>190</b>	<b>1,771</b>
Total	1,105	1,122	664	304	192	219	974	<b>480</b>	<b>4,451</b>
<b>Non-operating expenses</b>									
Interest expense	107	96	85	119	141	103	80	<b>74</b>	<b>685</b>
Commission fees	60	69	83	59	44	64	69	<b>69</b>	<b>641</b>
Additionally paid retirement benefits	—	—	—	—	117	112	601	<b>—</b>	<b>—</b>
Office transfer expenses	—	—	—	—	63	254	—	<b>—</b>	<b>—</b>
Compensation expenses	—	138	—	—	—	—	—	<b>—</b>	<b>—</b>
Loss on closing amusement stores	—	142	142	—	—	—	—	<b>—</b>	<b>—</b>
Exchange losses, net	—	—	—	752	746	407	—	<b>93</b>	<b>867</b>
Other	144	27	84	55	141	59	173	<b>113</b>	<b>1,047</b>
Total	312	475	396	985	1,253	1,002	924	<b>350</b>	<b>3,243</b>
<b>Ordinary income</b>	10,944	10,946	10,851	11,348	12,589	15,254	18,194	<b>22,957</b>	<b>212,574</b>
<b>Special gains</b>	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>
<b>Special losses</b>	7,224	5,630	150	197	99	104	423	<b>67</b>	<b>621</b>
Net income before income taxes	3,719	5,315	10,701	11,150	12,489	15,149	17,770	<b>22,890</b>	<b>211,952</b>
Income taxes-current	2,968	950	1,146	6,377	1,832	4,617	6,603	<b>8,472</b>	<b>78,451</b>
Income taxes-deferred	(2,222)	920	2,937	(2,972)	1,777	(405)	(1,385)	<b>(1,531)</b>	<b>(14,176)</b>
Total	746	1,870	4,084	3,405	3,610	4,212	5,218	<b>6,941</b>	<b>64,274</b>
Net income	2,973	3,444	6,616	7,745	8,879	10,937	12,551	<b>15,949</b>	<b>147,677</b>
<b>Net income attributable to owners of the parent</b>	2,973	3,444	6,616	7,745	8,879	10,937	12,551	<b>15,949</b>	<b>147,677</b>

## Consolidated Statements of Comprehensive Income

	2013	2014	2015	2016	2017	2018	2019	(million yen)	(thousand USD)
								2020	2020
<b>Net income</b>	2,973	3,444	6,616	7,745	8,879	10,937	12,551	<b>15,949</b>	<b>147,677</b>
<b>Other comprehensive income</b>									
Net unrealized gain or loss on securities, net of tax	138	8	71	(168)	105	31	(112)	<b>(133)</b>	<b>(1,234)</b>
Cumulative translation adjustments	2,669	2,333	2,863	(1,494)	(262)	(601)	428	<b>(592)</b>	<b>(5,490)</b>
Adjustments for retirement benefits	—	—	(114)	9	(38)	21	20	<b>34</b>	<b>319</b>
Total other comprehensive income	2,807	2,341	2,820	(1,653)	(196)	(548)	336	<b>(691)</b>	<b>(6,404)</b>
<b>Comprehensive income</b>	5,780	5,786	9,436	6,092	8,683	10,389	12,888	<b>15,257</b>	<b>141,273</b>
Comprehensive income attributable to									
Owners of the parent	5,780	5,786	9,436	6,092	8,683	10,389	12,888	<b>15,257</b>	<b>141,273</b>
Non-controlling interests	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>

# Consolidated Balance Sheets

## Assets

	2013	2014	2015	2016	2017	2018	2019	(million yen) 2020	(thousand USD) 2020
<b>Assets</b>									
<b>Current assets</b>									
Cash on hand and in banks	31,522	29,720	32,204	28,429	24,537	46,539	53,004	65,657	607,942
Notes and accounts receivable-trade	11,687	18,134	8,005	9,879	20,175	12,930	13,970	15,959	147,770
Merchandise and finished goods	1,756	1,191	1,225	1,704	1,583	1,102	1,182	1,557	14,424
Work in progress	906	942	1,672	2,085	2,040	1,349	734	883	8,183
Raw materials and supplies	1,592	996	1,020	1,954	2,040	1,616	538	258	2,396
Work in progress for game software	18,888	10,355	16,833	24,825	30,150	25,635	16,926	21,222	196,506
Deferred tax assets	6,497	2,865	2,042	3,382	2,495	3,201	—	—	—
Other	4,054	2,355	2,712	3,673	2,478	3,371	4,518	3,320	30,745
Allowance for doubtful accounts	(64)	(55)	(56)	(18)	(21)	(34)	(58)	(31)	(290)
Total current assets	76,841	66,506	65,659	75,917	85,480	95,712	90,817	108,829	1,007,678
<b>Fixed assets</b>									
Tangible fixed assets, net of accumulated depreciation									
Buildings and structures, net	4,907	4,998	6,136	11,297	11,004	11,106	10,845	10,644	98,556
Machinery and vehicles, net	34	15	22	23	16	10	24	14	133
Tools, fixtures and furniture, net	1,105	1,208	1,578	1,875	1,932	1,840	1,377	1,445	13,383
Equipment for amusement facilities, net	1,199	1,431	1,101	1,342	1,616	1,565	1,821	1,879	17,404
Land	5,052	5,052	4,953	5,234	5,234	5,234	5,235	5,235	48,476
Lease assets, net	849	825	995	1,042	835	668	718	1,118	10,358
Construction in progress	108	44	2,541	8	128	371	336	509	4,714
Total tangible fixed assets	13,258	13,577	17,328	20,825	20,768	20,797	20,359	20,847	193,028
Intangible assets	7,909	7,368	10,668	8,135	2,843	725	432	351	3,253
Investments and other assets									
Investments in securities	515	542	621	454	574	625	576	415	3,848
Claims in bankruptcy and reorganization	66	65	66	65	67	19	19	19	177
Lease deposits	4,341	4,108	4,036	3,867	3,920	4,034	3,979	4,134	38,278
Deferred tax assets	733	3,699	1,595	2,952	4,311	2,782	6,420	7,906	73,206
Other	776	819	876	916	1,003	900	834	996	9,223
Allowance for doubtful accounts	(78)	(77)	(78)	(78)	(72)	(24)	(32)	(32)	(304)
Total investments and other assets	6,355	9,159	7,117	8,179	9,804	8,338	11,798	13,438	124,430
Total fixed assets	27,523	30,104	35,113	37,140	33,417	29,861	32,590	34,636	320,712
<b>Total assets</b>	104,365	96,611	100,773	113,057	118,897	125,573	123,407	143,466	1,328,391



## Liabilities and Net Assets

	2013	2014	2015	2016	2017	2018	2019	(million yen)	(thousand USD)
								2020	2020
<b>Liabilities</b>									
<b>Current liabilities</b>									
Notes and accounts payable-trade	6,304	4,950	3,089	4,053	2,288	2,625	3,988	3,461	32,054
Electronically recorded monetary obligations	634	6,926	988	888	4,886	839	1,153	2,383	22,066
Short-term borrowings	11,194	4,050	3,452	1,497	9,323	1,473	—	—	—
Current portion of long-term borrowings	—	—	—	—	—	—	1,579	4,129	38,233
Lease obligations	364	370	483	525	502	392	406	502	4,651
Accrued income taxes	2,111	758	823	6,470	1,580	4,453	4,251	5,612	51,968
Deferred tax liabilities	—	93	147	40	2,308	766	—	—	—
Accrued bonuses	1,679	1,802	1,832	2,080	2,263	2,866	3,089	3,130	28,981
Deferred income	—	—	—	—	—	—	1,583	7,642	70,767
Other	9,616	6,594	6,427	6,799	6,840	13,618	7,159	9,000	83,342
Total current liabilities	31,905	25,547	17,246	22,355	29,994	27,037	23,212	35,863	332,065
<b>Long-term liabilities</b>									
Long-term borrowings	6,000	3,000	7,540	11,111	6,788	8,315	6,735	2,606	24,135
Lease obligations	553	519	589	601	399	329	369	690	6,391
Deferred tax liabilities	2	46	48	18	29	23	6	4	42
Accrued retirement benefits for employees	1,697	—	—	—	—	—	—	—	—
Liabilities for retirement benefits for employees	—	2,158	2,101	2,323	2,596	2,819	3,004	3,212	29,745
Asset retirement obligations	329	404	489	502	509	501	571	656	6,080
Other	1,047	1,059	1,427	975	805	1,127	758	697	6,457
Total long-term liabilities	9,630	7,187	12,195	15,532	11,128	13,115	11,445	7,868	72,853
<b>Total liabilities</b>	41,536	32,735	29,442	37,888	41,122	40,152	34,658	43,731	404,918
<b>Net assets</b>									
<b>Shareholders' equity</b>									
Common stock	33,239	33,239	33,239	33,239	33,239	33,239	33,239	33,239	307,771
Capital surplus	21,328	21,328	21,328	21,328	21,328	21,328	21,328	21,329	197,491
Retained earnings	27,998	29,160	33,801	39,297	45,402	53,602	62,595	74,275	687,732
Treasury stock	(15,848)	(18,134)	(18,140)	(18,145)	(21,448)	(21,454)	(27,456)	(27,458)	(254,242)
Total shareholders' equity	66,718	65,593	70,228	75,719	78,521	86,716	89,708	101,385	938,752
<b>Accumulated other comprehensive income</b>									
Net unrealized gain or loss on securities, net of tax	91	99	170	2	107	139	26	(106)	(985)
Cumulative translation adjustments	(3,981)	(1,647)	1,215	(278)	(541)	(1,142)	(713)	(1,306)	(12,098)
Accumulated adjustments for retirement benefits	—	(169)	(283)	(274)	(313)	(292)	(271)	(237)	(2,195)
Total accumulated other comprehensive income	(3,889)	(1,717)	1,102	(550)	(747)	(1,295)	(958)	(1,650)	(15,279)
<b>Total net assets</b>	62,828	63,875	71,331	75,168	77,774	85,421	88,749	99,735	923,472
<b>Total liabilities and net assets</b>	104,365	96,611	100,773	113,057	118,897	125,573	123,407	143,466	1,328,391

Total current liabilities includes the current liabilities "Allowance for sales returns" for the fiscal years ended March 31, 2013 through March 31, 2014 and "Asset retirement obligations" for the fiscal years ended March 31, 2013 through March 31, 2016.

# Consolidated Statements of Cash Flows

	2013	2014	2015	2016	2017	2018	2019	(million yen) 2020	(thousand USD) 2020
<b>Cash flows from operating activities</b>									
Net income before income taxes	3,719	5,315	10,701	11,150	12,489	15,149	17,770	22,890	211,952
Depreciation and amortization	3,406	4,638	3,535	5,712	5,980	4,706	3,228	2,795	25,883
Impairment loss	58	—	49	105	—	—	393	—	—
Amortization of goodwill	132	131	63	—	—	—	—	—	—
Increase (decrease) in allowance for doubtful accounts	1	(16)	(1)	(38)	(1)	(36)	32	(25)	(236)
Increase (decrease) in accrued bonuses	(474)	88	(3)	263	186	604	223	49	455
Increase (decrease) in allowance for sales returns	69	(100)	(87)	—	—	—	—	—	—
Increase (decrease) in accrued retirement benefits for employees	185	—	—	—	—	—	—	—	—
Increase in liabilities for retirement benefits for employees	—	195	207	264	204	253	214	258	2,390
Interest and dividend income	(101)	(107)	(111)	(109)	(61)	(71)	(189)	(289)	(2,681)
Interest expenses	107	96	85	119	141	103	80	74	685
Exchange losses (gains), net	(485)	(435)	(188)	60	18	134	(127)	180	1,673
Loss on sales and/or disposal of fixed assets	216	93	100	92	99	104	30	62	580
Loss on restructuring	6,949	5,537	—	—	—	—	—	—	—
Decrease (increase) in accounts receivable - trade	5,760	(6,351)	10,382	(2,208)	(10,393)	7,059	(858)	(2,117)	(19,601)
Decrease (increase) in inventories	(493)	1,196	(764)	(1,651)	158	1,588	1,621	(256)	(2,372)
Decrease (increase) in online contents in progress	—	(1,741)	(3,347)	1,479	(704)	—	—	—	—
Decrease (increase) in work in progress for game software	(2,837)	6,010	(6,443)	(8,778)	(2,266)	4,069	8,876	(4,293)	(39,751)
Increase (decrease) in notes and accounts payable - trade	(474)	4,806	(7,856)	935	2,280	(3,690)	1,665	749	6,938
Other	(5,485)	(3,953)	(1,129)	(2,087)	1,659	6,320	(7,286)	8,525	78,944
Subtotal	10,253	15,404	5,187	5,309	9,792	36,296	25,675	28,605	264,861
Interests and dividends received	109	86	118	130	62	73	191	265	2,460
Interests paid	(105)	(98)	(85)	(120)	(140)	(101)	(81)	(75)	(700)
Income taxes paid	(3,610)	(2,190)	(934)	(972)	(6,513)	(1,546)	(5,938)	(6,515)	(60,326)
Net cash provided by operating activities	6,647	13,201	4,286	4,347	3,200	34,721	19,847	22,279	206,295

	2013	2014	2015	2016	2017	2018	2019	(million yen) 2020	(thousand USD) 2020
<b>Cash flows from investing activities</b>									
Payments into time deposits	—	(3,517)	—	—	(200)	—	—	(6,019)	(55,731)
Proceeds from withdrawal of time deposits	2,499	—	—	4,205	—	—	—	—	—
Payment for acquisition of tangible fixed assets	(3,086)	(2,203)	(5,465)	(5,813)	(3,074)	(2,767)	(2,093)	(2,273)	(21,046)
Proceeds from sales of tangible fixed assets	659	1	206	4	5	0	4	0	6
Payment for acquisition of intangible assets	(1,578)	(497)	(195)	(290)	(253)	(150)	(112)	(65)	(610)
Payment for purchase of investments in securities	(12)	(12)	(12)	(13)	(13)	(13)	(14)	(10)	(96)
Proceeds from sales of investments in securities	—	—	—	—	—	—	—	3	32
Payment for other investing activities	(453)	(115)	(141)	(113)	(222)	(259)	(182)	(213)	(1,977)
Proceeds from other investing activities	597	189	111	380	131	343	138	140	1,300
Net cash used in investing activities	(1,375)	(6,155)	(5,496)	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)	(78,122)
<b>Cash flows from financing activities</b>									
Net (decrease) increase in short-term borrowings	4,290	(10,000)	(1,050)	—	5,000	(5,000)	—	—	—
Proceeds from long-term borrowings	—	—	8,162	2,500	—	—	—	—	—
Repayments of long-term borrowings	(499)	(145)	(3,169)	(883)	(1,497)	(1,323)	(1,473)	(1,579)	(14,622)
Repayments of lease obligations	(327)	(383)	(406)	(496)	(535)	(509)	(414)	(505)	(4,678)
Payment for repurchase of treasury stock	(1)	(2,286)	(5)	(5)	(3,302)	(5)	(6,001)	(1)	(18)
Proceeds from sales of treasury stock	0	0	0	—	—	—	—	—	—
Dividends paid by parent company	(2,298)	(2,283)	(2,251)	(2,228)	(2,794)	(2,738)	(3,554)	(4,265)	(39,492)
Net cash used in financing activities	1,162	(15,099)	1,278	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)	(58,811)
<b>Effect of exchange rate change on cash and cash equivalents</b>	2,800	2,648	1,811	(1,160)	(533)	(96)	323	(823)	(7,620)
<b>Net (decrease) increase in cash and cash equivalents</b>	9,235	(5,404)	1,879	431	(4,091)	22,201	6,464	6,667	61,740
<b>Cash and cash equivalents at beginning of year</b>	22,287	31,522	26,118	27,998	28,429	24,337	46,539	53,004	490,779
<b>Cash and cash equivalents at end of year</b>	31,522	26,118	27,998	28,429	24,337	46,539	53,004	59,672	552,520

"Other," under cash flows from operating activities, includes Decrease (increase) in other current assets and Increase (decrease) in other current liabilities for the fiscal years ended March 31, 2013 through March 31, 2017.

# Consolidated Statements of Changes in Net Assets

Previous fiscal year (April 1, 2018 to March 31, 2019) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2018</b>	33,239	21,328	53,602	(21,454)	86,716
Changes of items during the fiscal year					
Cash dividends			(3,558)		(3,558)
Net income attributable to owners of the parent			12,551		12,551
Repurchase of treasury stock				(6,001)	(6,001)
Disposal of treasury stock		—		—	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	8,993	(6,001)	2,991
<b>Balance as of March 31, 2019</b>	33,239	21,328	62,595	(27,456)	89,708

Previous fiscal year (April 1, 2018 to March 31, 2019) (million yen)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance as of April 1, 2018</b>	139	(1,142)	(292)	(1,295)	85,421
Changes of items during the fiscal year					
Cash dividends					(3,558)
Net income attributable to owners of the parent					12,551
Repurchase of treasury stock					(6,001)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity	(112)	428	20	336	336
Total changes of items during the fiscal year	(112)	428	20	336	3,328
<b>Balance as of March 31, 2019</b>	26	(713)	(271)	(958)	88,749

Current fiscal year (April 1, 2019 to March 31, 2020) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2019</b>	33,239	21,328	62,595	(27,456)	89,708
Changes of items during the fiscal year					
Cash dividends			(4,270)		(4,270)
Net income attributable to owners of the parent			15,949		15,949
Repurchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	0	11,679	(2)	11,677
<b>Balance as of March 31, 2020</b>	33,239	21,329	74,275	(27,458)	101,385

Current fiscal year (April 1, 2019 to March 31, 2020) (million yen)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance as of April 1, 2019</b>	26	(713)	(271)	(958)	88,749
Changes of items during the fiscal year					
Cash dividends					(4,270)
Net income attributable to owners of the parent					15,949
Repurchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	(133)	(592)	34	(691)	(691)
Total changes of items during the fiscal year	(133)	(592)	34	(691)	10,985
<b>Balance as of March 31, 2020</b>	(106)	(1,306)	(237)	(1,650)	99,735

Current fiscal year (April 1, 2019 to March 31, 2020) (thousand USD)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2019</b>	307,771	197,490	579,592	(254,223)	830,630
Changes of items during the fiscal year					
Cash dividends	—	—	(39,537)	—	(39,537)
Net income attributable to owners of the parent	—	—	147,677	—	147,677
Repurchase of treasury stock	—	—	—	(19)	(19)
Disposal of treasury stock	—	0	—	0	1
Net changes of items other than shareholders' equity	—				
Total changes of items during the fiscal year	—	0	108,140	(19)	108,122
<b>Balance as of March 31, 2020</b>	307,771	197,491	687,732	(254,242)	938,752

Current fiscal year (April 1, 2019 to March 31, 2020) (thousand USD)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance as of April 1, 2019</b>	248	(6,608)	(2,515)	(8,875)	821,755
Changes of items during the fiscal year					
Cash dividends					(39,537)
Net income attributable to owners of the parent					147,677
Repurchase of treasury stock					(19)
Disposal of treasury stock					1
Net changes of items other than shareholders' equity	(1,234)	(5,490)	319	(6,404)	(6,404)
Total changes of items during the fiscal year	(1,234)	(5,490)	319	(6,404)	101,717
<b>Balance as of March 31, 2020</b>	(985)	(12,098)	(2,195)	(15,279)	923,472





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The print of this catalog uses  
environment-friendly vegetable oil ink.