

Leverage our three strengths to create popular content and generate value to society

In line with our corporate philosophy, Capcom aims to improve its economic value; we do this by engaging in risk control through governance, while also creating original content (intellectual property) with our advanced development capabilities and fully leveraging the intellectual properties we've created. By providing the value generated through these activities to society and engaging in a series of activities to reinvest in the future, while also living up to the expectations of our stakeholders and society at large, we are growing our corporate value.

Three Strengths

Single Content Multiple Usage



Business

Net sales as of March 31, 2017

87.1 billion yen



Movies

Hollywood movies,
animated movies, CG movies



**Arcade
Game Machines**

Token games
Pachinko and pachislo



Publishing

Strategy books, illustrated compilations, comics

**Multimedia development
of content**

Accelerate roll-out of content to
various forms of media and
cultivate non-game user segment

Net sales as of March 31, 2017

28.4 billion yen



Events

Concerts, theatrical productions



Arcade Operations

Facilities at shopping centers,
big-box store locations



**Character
Merchandising**

Figures, T-shirts,
Food, etc.

OUTPUT
(Non-financial Results)

2 titles achieved
million-seller status

Hired 150 new graduates
as developers

Operations began at
new R&D building

5 local revitalization projects

58 educational
support activities

Senior tours at 26 arcades

Transitioned to a company
with an audit and
supervisory committee

**Social
Contributions**

Provided joy and stress relief

Stimulated communication
between generations

Advanced technology
spurred new industries

Contributed to
local revitalization

Provided space for
senior citizens to interact

Created inbound effect from
raising consciousness
around gaming culture

Secured human resources
in the IP industry

Model



Resident Evil series

Total number of units sold

77 million

(As of March 31, 2017)



Street Fighter series

Total number of units sold

39 million

(As of March 31, 2017)

Strength **1**
Intellectual Properties
(IP)

Capcom Characters Continue

to Be Loved Around the World

We have continued to create a wealth of popular content (intellectual properties) since our founding, 34 years ago. Today, our IP are loved the world over, and we are working to maximize profitability by expanding from games into movies, animation, stage productions and other works.

Key Points

- Numerous intellectual properties that are popular worldwide
- Multiplatform strategy for publishing to maximize number of units sold
- Single Content Multiple Usage strategy to roll out intellectual properties into wide range of fields, including movies and merchandise

KPI

(Fiscal year ended March 31, 2017)

Cumulative million-seller titles

79 titles

Number of units sold in fiscal year ended March 31, 2017

19.4 million units

Cumulative number of Hollywood movies using our IP

8 titles



Mega Man series

Total number of units sold

31 million

(As of March 31, 2017)



Monster Hunter series

Total number of units sold

40 million

(As of March 31, 2017)



Appreciation
from Society

Increasing
brand awareness
and growing
our fan base

Using our IP to
contribute to
society

Brand value
further
increases

Our Strengths Reinforce ESG

Growing our fan base and contributing to society with our IPs

We actively use our intellectual properties to contribute to society. Capcom characters are highly popular among the youth demographic, so we utilize this brand awareness to support things like the development of the tourism industry, cultural promotion and the improvement of public order. Not only do these activities provide social value, but they can also be expected to introduce our content to a wider audience, further improving our brand value and growing our fan base.



3D Scanning

→Please refer to page 38



RE ENGINE

→Please refer to page 38

The Source of Our Creativity Is Our

Outstanding Creators and Cutting-Edge Technology

Strength ② Development capabilities

(Human resources
and technology)

Our roughly 2,000 in-house developers work daily to improve quality in the aim of delivering top-level entertainment.

We opened our new R&D Building #2 in 2016, which is equipped with world-class development equipment and technology.

Key Points

- One of the largest Japanese game studios in terms of number of developers
- Number to be increased to 2,500 developers by FY2021
- Development capabilities to create original titles
- Technological know-how to quickly support the latest technology

KPI

(As of March 31, 2017)

Number of developers

1,994

Amount invested in development

(Fiscal year ended March 31, 2017)

27.7 billion yen



Virtual Reality (VR)

→ Please refer to page 38



Motion Capture

→ Please refer to page 38

- Hiring without regard to nationality or gender
- Providing a pleasant workplace

Developing world-class games

Promoting diversity

Influx of outstanding creators

Our Strengths Reinforce ESG

Promoting diversity to increase quality of titles

In the game market, user interests and preferences are becoming increasingly diverse. As such, securing diverse human resources is a critical challenge in game development. At Capcom, members of our talented staff come from various backgrounds and are engaged in a wide range of activities regardless of nationality, gender or beliefs, allowing us to develop content with global appeal.

Strength ③

Governance

The Key to Our Growth Strategy Lies in
**Governance
Reforms to Promote
Management
Visualization**

The game industry is a “hit business,” in which performance is affected by the presence or absence of hit titles.

In such a business, avoiding risks through governance is essential for sustainable growth. We are working to further enhance management visualization as well as strengthen our organizational design to better allow our external directors to carry out oversight.

KPI

(Fiscal year ended March 31, 2017)

External Director Ratio

50%

Meetings with shareholders
and investors

362 times

External evaluation of
governance by third party

7.28/10

Source: Nikkei NEEDS-Cges



In the fiscal year ended March 31, 2016, the external director ratio was 50%, up from 42% the previous year.



In the fiscal year ended March 31, 2017, meetings were held with shareholders and investors 362 times.



Key Points

- Transitioned to a company with an audit and supervisory committee in 2016
- Promoting management visualization with a focus on numbers
- Proactive investor and shareholder relations

Our Strengths Reinforce ESG

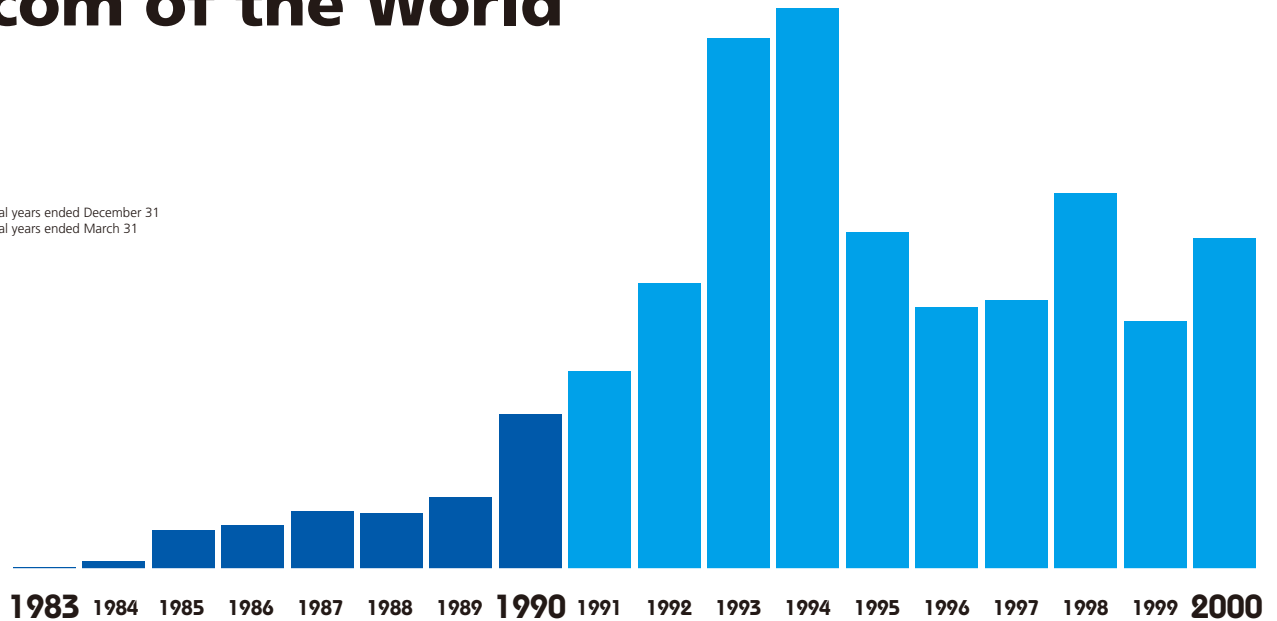
Promoting management transparency and visualization

While taking advantage of the quick decision-making and management flexibility inherent in a founder-lead company, in principle we prepare documentation based on quantitative data and promote management visualization enabling multiple checks in order to reduce the risks associated with management decisions.

From Capcom of Japan to Capcom of the World

Capcom Sales

Note: 1983–1988: Fiscal years ended December 31
1989–2017: Fiscal years ended March 31



Genesis

1983, Capcom Co., Ltd., was established in Osaka. 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.”

- 1979** Established the I.R.M. Corporation in Matsubara, Osaka (capital of 10 million yen) with objectives of developing and selling arcade game machines.
- 1983** Established the previous CAPCOM CO., LTD., (capital of 10 million yen) in Hirano, Osaka, with the objective of selling software.
- 1983** Established the Tokyo Branch in Shinjuku, Tokyo.
- 1985** Established CAPCOM U.S.A., INC., in California to distribute Capcom's products in the U.S.A.
- 1989** Merged the previous CAPCOM CO., LTD., with SANBI. Changed corporate name to CAPCOM CO., LTD., and moved the head office to Higashi-ku, Osaka.
- 1989** Established a resident office in the U.K.

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*.

- 1990** Stocks registered as OTC securities with the Japan Securities Dealers Association.
- 1993** Established CAPCOM ASIA CO., LTD. in Hong Kong to distribute Capcom's products in Southeast Asia.
- 1993** Stock listed on the second section of the Osaka Stock Exchange.
- 1993** Held *Street Fighter II Turbo Championship 93* in Kokugikan, a forerunner of today's use of fighting games in eSports.
- 1994** Constructed head office, which was relocated to Uchihirano-machi, Chuo-ku, Osaka.
- 1995** Completed construction of the R&D Building.
- 1999** Stock changed listing to the First Section of the Osaka Securities Exchange.
- 1999** Adopted executive officer system.

Title History

1983

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

1984

Released our first arcade video game *Vulgar*.



1985

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



1987

Released *Mega Man* for the NES.

1992

Released *Street Fighter II* for the Super NES.



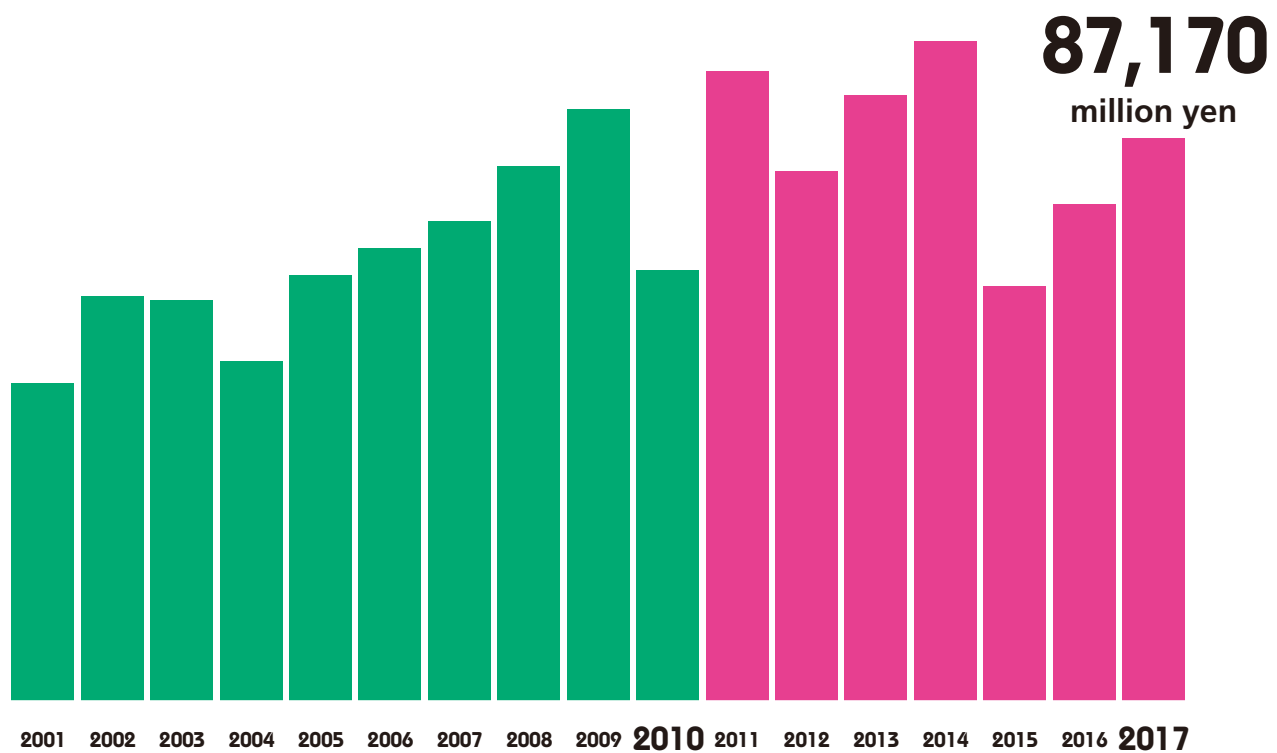
1993

Released *Breath of Fire* for the Super NES.

1996

Released *Resident Evil* for PlayStation, a long-time seller which had record breaking sales, and established the genre of survival horror.





Going Global

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 dollars globally, part of a six title hit series that continues to spread the Capcom brand throughout the world.

- 2000** Stock was listed on the First Section of the Tokyo Stock Exchange.
- 2001** Appointed two external directors for the first time.
- 2002** Established CE EUROPE LTD. in the U.K.
- 2002** Increased the number of external directors by one, bringing the total to three.
- 2002** Established the Compensation Committee.
- 2003** Established CEG INTERACTIVE ENTERTAINMENT GmbH in Germany.
- 2003** Established the Compliance Committee.
- 2005** Launched educational support activities for elementary and junior high school students as part of our corporate social responsibility (CSR) as a game manufacturer.
- 2007** Established CAPCOM ENTERTAINMENT KOREA CO., LTD. in South Korea.
- 2008** Made ENTERRISE CO., LTD. a subsidiary.
- 2008** Made K2 CO., LTD. a wholly-owned subsidiary.
- 2008** Established Capcom Entertainment France SAS in France.

Media Diversification

The smartphone and tablet game app market is growing rapidly. Capcom has released titles featuring our intellectual properties in this market. We are also staying ahead of technological advances by developing games for dedicated consoles that make use of virtual reality.

- 2010** Established CAPCOM GAME STUDIO VANCOUVER, INC. in Canada.
- 2011** Established the Audit Committee.
- 2012** Established CAPCOM TAIWAN CO., LTD. in Taiwan.
- 2015** Signed a Comprehensive Partnership Agreement with the city of Kofu to promote vitalization of the local economy by using Capcom characters.
- 2016** Completed construction of the R&D Building #2 in Osaka City.
- 2016** Transitioned into a company with an audit and supervisory committee, with a 50% ratio of external directors.
- 2016** Established the Nominating Committee.

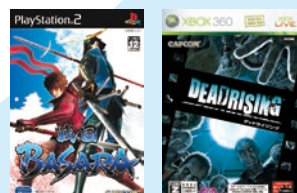
2001

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.



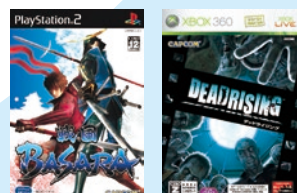
2005

Released *Sengoku BASARA* for PlayStation 2.



2006

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



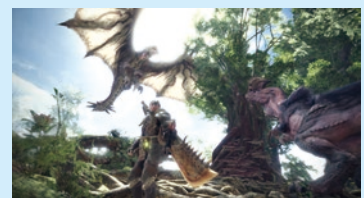
2012

Released the home video game *Dragon's Dogma*. It sold over one million units, uncommon in recent years for a new brand.



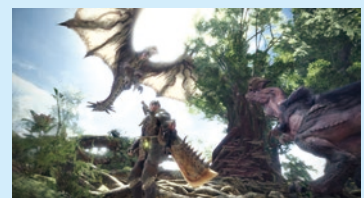
2017

Released *Resident Evil 7 biohazard*. Full support for VR became a hot topic.



2018

Monster Hunter: World to be released worldwide.

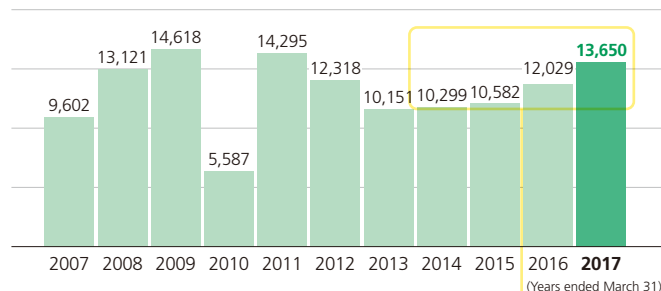


Financial Highlights

Operating Income/Operating Margins

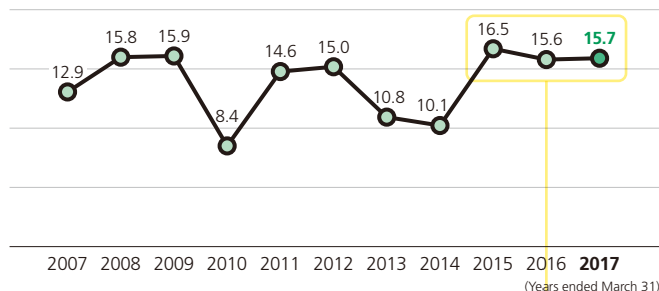
Operating Income (Millions of yen)

13,650 million yen
13.5% UP 



Operating Margins (%)

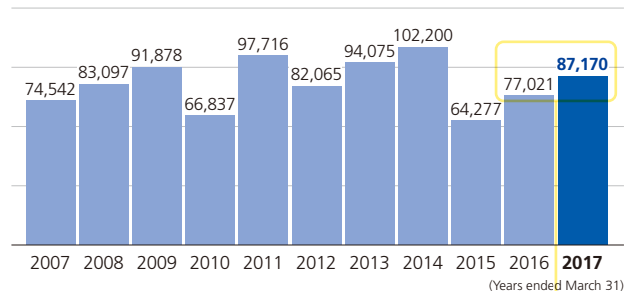
15.7%
0.1point UP 



In line with structural reforms conducted in the fiscal year ended March 2004, operating income increased steadily until the fiscal year ended March 2009. In the fiscal year ended March 2010, the postponed release of major titles and the failure of some titles to meet sales targets overseas resulted in a temporary decline in income. In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted business restructuring by transitioning to in-house production and strengthened our digital download strategy in response to rapid changes in the market beginning in the fiscal year ended March 2013. As a result, operating income and operating margins underperformed until the fiscal year ended March 2014 while these reforms were implemented. However, since the fiscal year ended March 2014, operating income has increased for four consecutive fiscal years thanks to growth of the Consumer and Amusement Equipments businesses. Further, since the fiscal year ended March 2015, the operating margin has remained at approximately 16%.

Net Sales (Millions of yen)

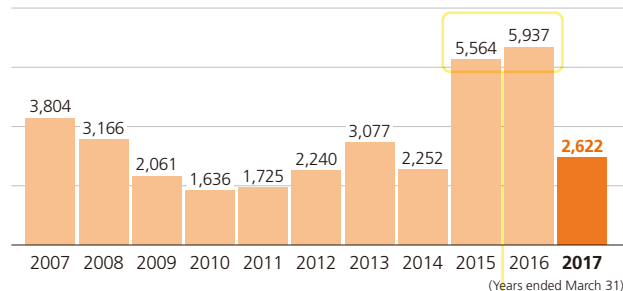
87,170 million yen
13.2% UP 



In the fiscal years ended March 2010 and March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer business resulted in Capcom achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time. Although net sales decreased significantly in the fiscal year ended March 2015 due to a decline in pachislo machine releases, the steady release of major titles from the Consumer business since the fiscal year ended March 2016 has resulted in an increase in net sales for two consecutive fiscal years.

Capital Investments Costs (Millions of yen)

2,622 million yen
55.8% DOWN 

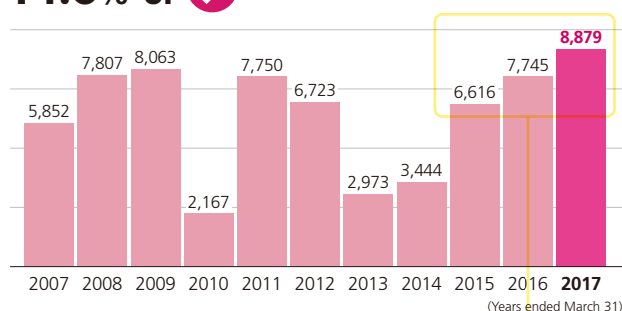


Capcom's capital investment is mainly used to (1) purchase development equipment, (2) expand business offices in Japan and overseas and (3) open new amusement arcades. The main factor behind the increase in capital investment in the fiscal years ended March 2007, March 2008 and March 2013 was development environment improvements in line with the transition to next generation game consoles in the Consumer area. In the fiscal years ended March 2015 and March 2016, capital investments increased substantially in line with an increase in development employees required to expand our title lineup and the construction of two new development buildings.

→ Please refer to “11-Year Summary of Consolidated Financial Indicators” on pages 73–74

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

8,879 million yen
14.6% UP ↗



Performance was sluggish in the fiscal years ended in March 2010, 2013 and 2014, as (1) a complete overhaul to the Amusement Equipments' underperforming profit structure, (2) development structure revisions in line with enhanced digital downloads in the Consumer business and (3) strengthened Mobile Contents business management capabilities in line with development organization integration resulted in the recognition of special losses on restructuring and business restructuring expenses.

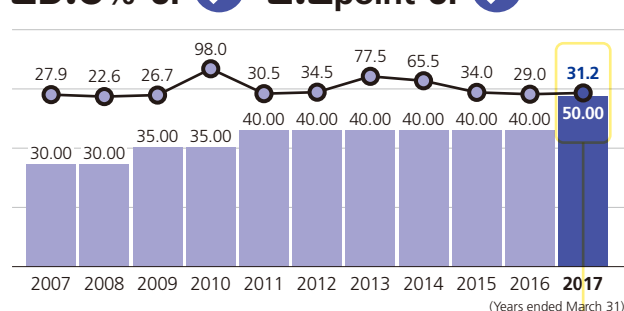
From the fiscal year ended March 2015, income increased four years in a row due to the benefits realized from development organization reforms.

Dividend per Share/Dividend Payout Ratio

■ Dividend per Share (Yen)

● Dividend Payout Ratio (%)

50.0 yen **31.2**%
25.0% UP ↗ 2.2point UP ↗



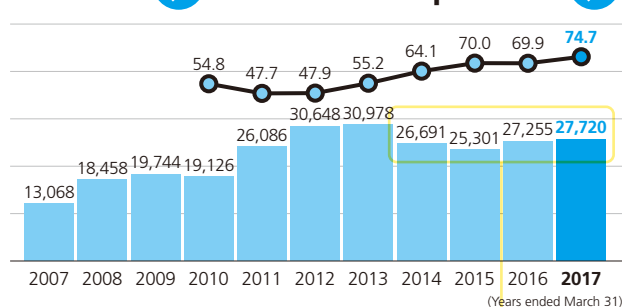
In the fiscal year ended March 2007, the annual dividend was raised to 30 yen thanks to the stable revenue base brought about by structural reforms. Moreover, from the fiscal year ended March 2009, the annual dividend was increased to 35 yen, and again up to 40 yen beginning in the fiscal year ended March 2011. In the fiscal year ended March 2017, it was raised again to 50 yen to clearly show shareholders that our basic shareholder return policy is to maintain a consolidated payout ratio of 30%.

R&D Investment Costs/Internal R&D Ratio

■ R&D Investment Costs (Millions of yen)

● Internal R&D Ratio (%)

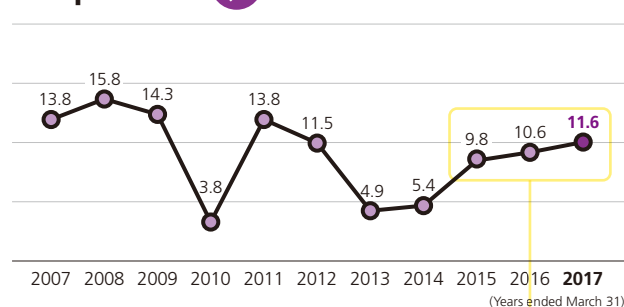
27,720 million yen **74.7**%
1.7% UP ↗ 4.8point UP ↗



At Capcom, we believe the generation of creative and original content is the source of corporate growth, thus 80% or more of our annual development investments are allocated to the Digital Contents business. Recently in the Consumer segment, development costs have been trending higher in line with increasingly high-performance hardware, but we have been able to streamline development through increased employee utilization rates. Due to expanding our lineup, costs have increased significantly since the fiscal year ended March 2008; however, we expect them to remain around 30 billion yen going forward.

Return on Equity (ROE) (%)

11.6%
1.0point UP ↗



Although net assets increased between the fiscal years ended March 2007 and March 2009, stable net income resulted in ROE of around 14%. In the fiscal years ended in March 2010, 2013 and 2014, this figure declined due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, ROE has once again been on the rise on the elimination of special losses and improved profitability.

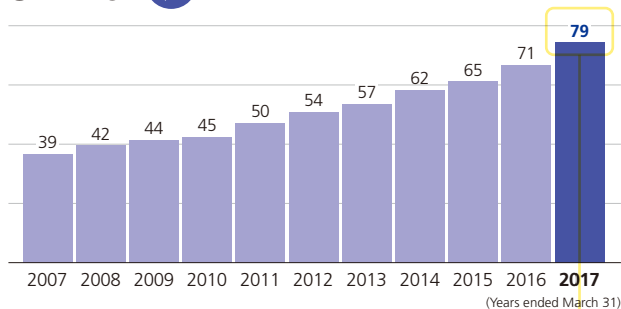
Non-Financial Highlights

Intellectual Capital

Cumulative Million-Seller Titles (Titles)

79 titles

8 titles UP ↗

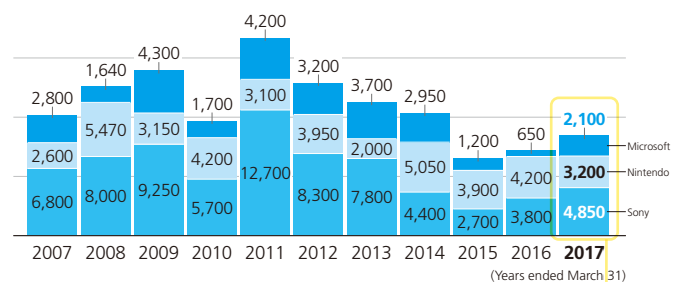


Capcom boasts world-leading development capabilities, as evidenced by our numerous intellectual properties. **Our content is popular around the world, and up to now, a total of 79 titles have sold over one million units.** In order to increase our brand value and profitability, we leverage this in-house produced intellectual capital across a wide range of media, including PC Online and Mobile, pachislo machines, movies and toys in promoting our Single Content Multiple Usage strategy.

Software Shipments by Hardware Manufacturer (Thousands of units)

4.85 million units **3.2 million units** **2.1 million units**

1.05 million units UP ↗ **1 million units DOWN** ↘ **1.45 million units UP** ↗



In the Digital Contents business, Capcom has established a basic “multiplatform strategy” aimed at providing content for multiple game platforms (hardware), ensuring steady sales of software for all types of hardware. Since the fiscal year ended March 2005, hardware has become increasingly diverse amid the accelerating spread of each type of hardware in various regions. **By providing titles based on hardware prevalence and attributes, we maximize sales opportunities.**

TOPICS

Growing the *Resident Evil* Fan Base

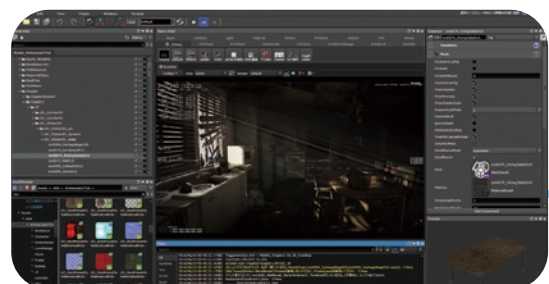
Resident Evil is one of our most popular series and features games in which players utilize a variety of weapons and other items to escape terrifying situations. The latest in the series, *Resident Evil 7 biohazard*, has sold 3.5 million copies worldwide. This game featured a dramatic switch from third-person to first-person play, as well as highly realistic graphics made possible by the RE ENGINE. In recent years we have been working to expand the fan base of the series by appealing to a wider range of age groups with products that include high-definition rereleases of past titles for current-generation game consoles.



TOPICS

The RE ENGINE: a Development Tool for Higher Quality and Efficiency

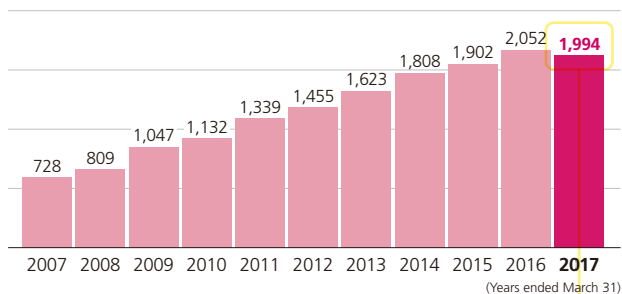
Capcom has long utilized our proprietary MT Framework engine; however, with the development of *Resident Evil 7 biohazard*, we also began using the new RE ENGINE to create realistic worlds for current-generation hardware. Not only has this made greater realism possible—from the texture of objects to dust motes floating in the air—but it has also enabled higher quality and more efficient game development, including reducing the testing time for program changes to one-tenth of what it was.



Human Capital

Content Developers (People)

1,994 people
58 people DOWN



Developers engaged in the creation of content—the source of our competitive advantage—account for 70% of all Capcom employees. We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world, which has resulted in a nearly three-fold increase in developers in the past 10 years. Above all, switching to a structure focused on internal production in the fiscal year ended March 2012 to strengthen and streamline development has enabled us to hire more than 100 new graduates every year. In the fiscal year ended March 2017, that number decreased slightly mainly due to restructuring of our overseas development organization.

TOPICS

A Game Born Out of a Women-Friendly Workplace

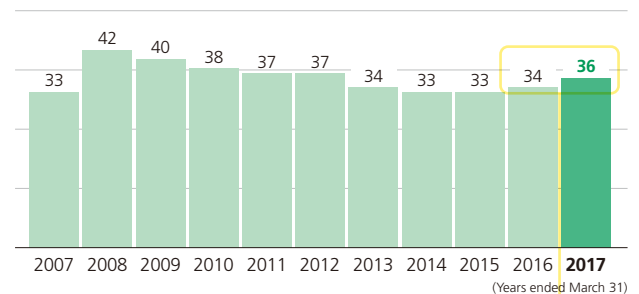
At Capcom, we are working to improve the working environment for women. Women now account for around 20% of our employees thanks to introducing maternity leave, childcare leave, shortened working hours and promoting the use of these benefits throughout the company. In the year ended March 2017, we released a romance game for women and developed primarily by female employees called *Toraware no Paruma*. Ideas that could only come from women are found throughout this new intellectual property, and it has earned the support of many users, even taking the number one spot in paid app rankings.



Production Capital

Number of Stores in Arcade Operations Business (Stores)

36 stores
2 stores UP



In Japan, Capcom operates Plaza Capcom amusement facilities. These are predominantly in large commercial complexes, and we have diligently followed a scrap-and-build policy to maximize our efficiency in their operations.

Due to market stagnation, we had been cutting back on opening new stores since the fiscal year ended March 2009 and focusing on improving the profitability of existing locations, but more recently we have been opening new stores in locations with high concentrations of customers to secure new revenue streams.

TOPICS

Cultivating New Customer Segments with Fresh Attractions

In the fiscal year ended March 31, 2017, which has been called “VR Year One,” we rolled out new attractions using VR, such as *Tokusatsu Taikan VR Daikaijyu Capdon*, at the Kichijoji Plaza Capcom. Additionally, we have been working to create new opportunities for earnings and expand our customer base, such as opening GAME LAND Shinsapporo, a new arcade with karaoke, in March 2017. This was our first facility in Hokkaido in 18 years.



Environment, Social, and Governance Results

Environmental



10% Reduction in CO₂ Emissions throughout All Buildings

Our new R&D Building #2 (opened in 2016) and the Capcom Technical Center are equipped with LED lighting and displacement air conditioning systems, which reduce CO₂ emissions by approximately 10%* overall versus previous levels.

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

CO₂ emissions



Governance

Governance Reform Initiatives

Generally, an owner-run company excels at flexibility and fast decision making, though concerns may exist over the difficulty of passing on management to the next generation. At Capcom, we strive to make management more transparent and visible, and have implemented various governance reforms. We proactively appoint external directors, with 50% of our directors now external directors.



Main Governance Reform Initiatives

Month/year	Measure	Purpose
Jul. 1999	Introduced Corporate Officer System	Clearly separated execution of management and supervision
Jun. 2001	Brought on board first two external directors	Strengthened management monitoring functions
Jun. 2001	Increased number of external auditors by one, appointing three	Strengthened auditing functions
Feb. 2002	Established Remuneration Committee	Secured fairness and propriety of director remuneration decisions
Jun. 2002	Increased number of external directors by one, appointing three	Strengthened management monitoring functions
Apr. 2003	Established Compliance Committee	Prevented violations of laws and ordinances
Apr. 2011	Established Audit Committee	Strengthening risk management through auditing the state of business administration
Jun. 2014	Shortened director terms from two years to one year	Clarified director management responsibilities
Jun. 2016	Transitioned into a company with an audit and supervisory committee, reaching a 50% ratio of external directors	Strengthened supervisory function of Board of Directors meetings
Jun. 2016	Established Nominating Committee	Secured objectivity and propriety of decision process for selecting director candidates

Social

➔ Please refer to "ESG-based Value Creation" on pages 53-72

Opening an On-site Day Care Center

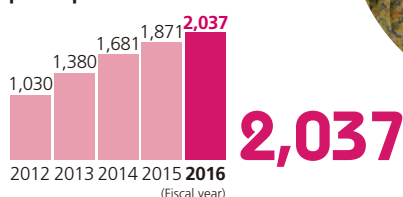
In addition to adopting maternity leave/childcare leave and shortened working hour systems, Capcom opened a day care center, Capcom Juku, near our office in April 2017. In recognition of efforts such as these, we have been awarded the Kurumin mark since 2014.

Community Building Support for Senior Citizens

Today, amusement facilities, otherwise known as video game arcades, are increasingly popular among senior citizens as spaces for interacting with others. In order to make these facilities more comfortable for seniors to use, Capcom has been holding free video game arcade tours for seniors since 2012.



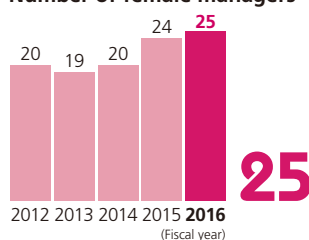
Cumulative number of participants in senior tours



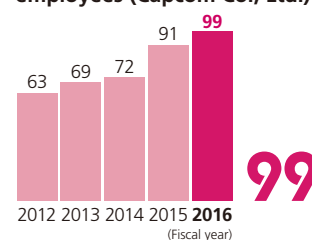
Promoting Diversity

Capcom strives to provide a workplace where women can excel and actively hires non-Japanese employees as well. While the Japanese game industry is generally known for being a male-dominated industry, some 20% of our employees are female and we have 25 female managers (representing 11.4% of managers overall).

Number of female managers



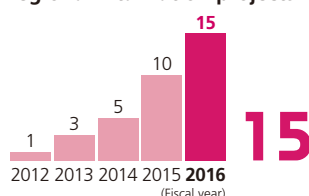
Number of non-Japanese employees (Capcom Co., Ltd.)



Supporting Education and Regional Vitalization Across Japan

As a good corporate citizen trusted by society, Capcom strives to support education through efforts such as on-site classes offered to children. We also endeavor to support regional vitalization through our popular video game characters and through efforts to boost public safety and order.

Cumulative number of regional vitalization projects



Number of educational support activities

