



Capcom Co., Ltd.
(Tokyo Stock Exchange,
First Section, 9697)

Overview of Strategies and Plans
Fiscal Year ending March 31, 2021

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Forward-looking Statements

Strategies, plans, outlooks and other statements that are not historical facts are based on assumptions that use information currently available and reasonable judgments. Actual performance may be significantly different from these statements for a number of reasons.

In the entertainment industry, which includes Capcom, performance may be highly volatile because of diverging user needs and other changes in market conditions.

Factors that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) consumer demand for home video game consoles; (4) sales outside Japan; (5) changes in stock prices and exchange rates; (6) alliances with other companies concerning product development, sales and other operations; and (7) changes in market conditions. Please note that this is not a complete list of factors that can influence Capcom's operating results.

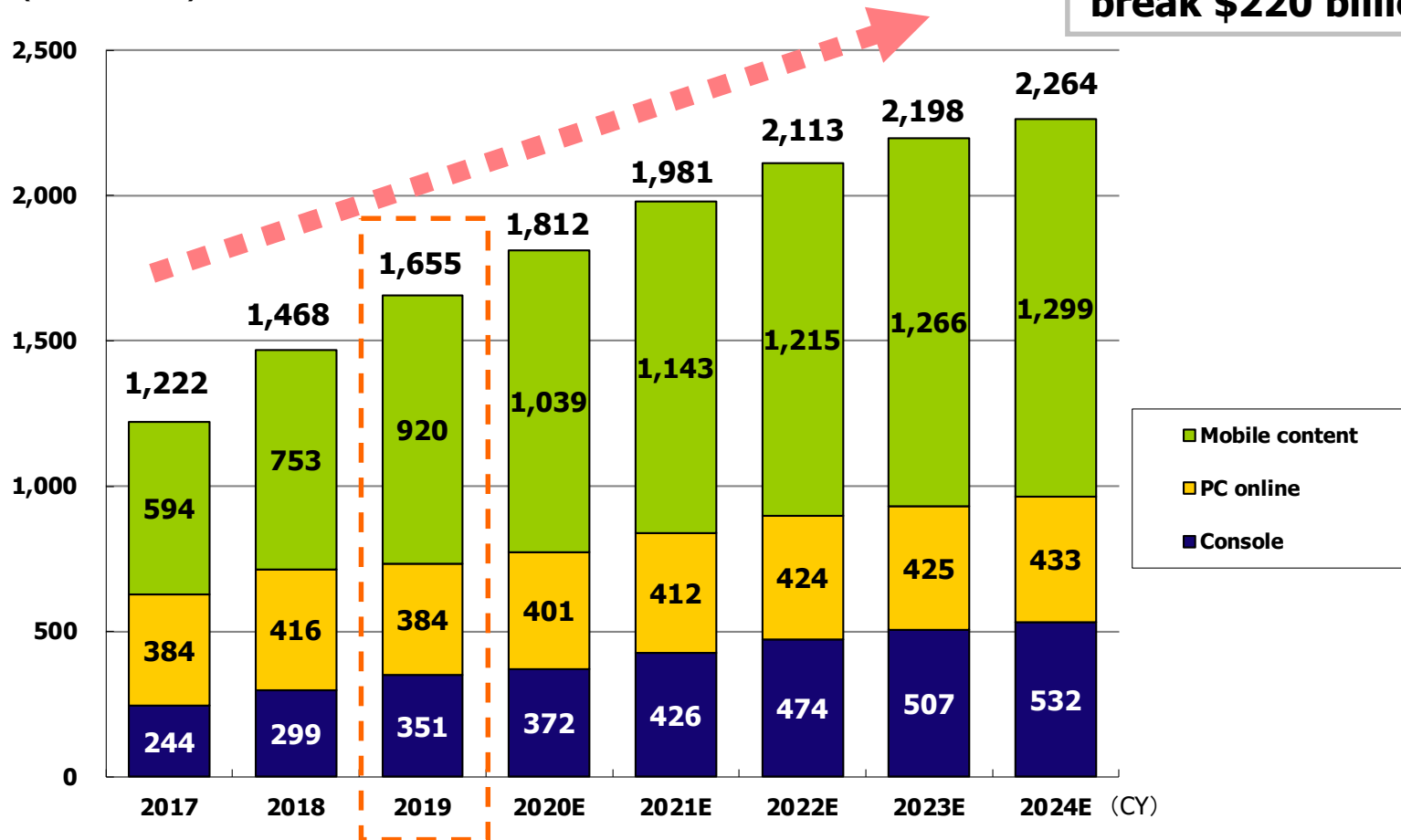
1-1. Growth Strategies (Market Overview)

Global game market continuing to expand
Mobile and Consumer markets driving growth

■ Video Game Market

(100 million USD)

Market set to break \$220 billion



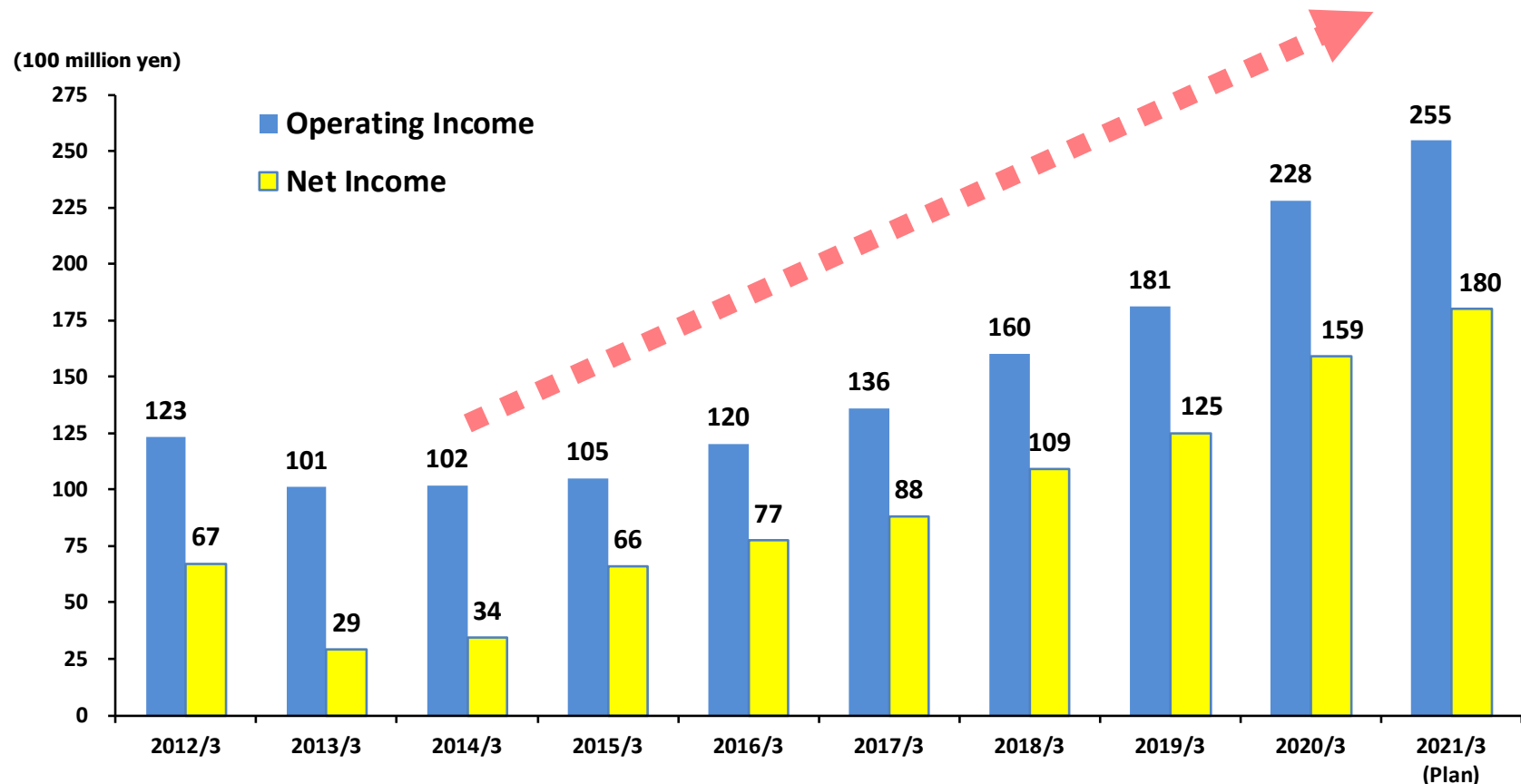
E: Estimate *Source : Data prepared from International Development Group

Capcom Public Relations & Investor Relations Section

1-2. Growth Strategies (Medium-Term Goals)

■ Medium-term Management Objective

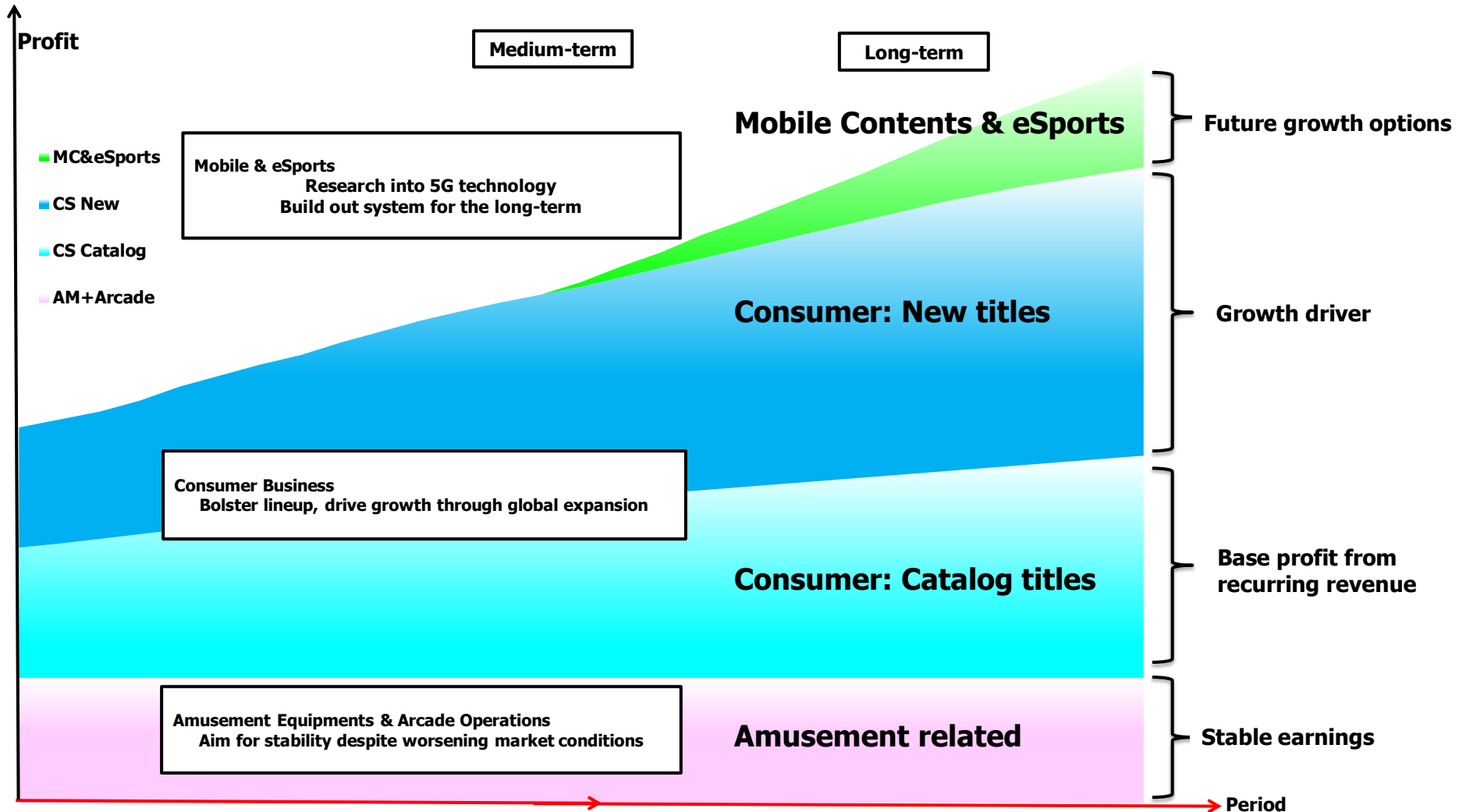
- Aim for annual OP growth of 10%, supported by a stable earnings foundation



1-2. Growth Strategies (Medium-Term Goals)

■ Medium-Term Growth

- Focusing on bolstering global expansion and growing our customer base



■ Important Themes for FY3/21

■ Consumer Business:

Aim for new record of 28 million units in sales

- Promote digital strategy via expansion of sales regions and flexible pricing
- Aim to release multiple major titles
- Pursue ongoing sales for major titles from past years

■ Other Businesses:

Grow licensing revenue and eSports business

- Build presence as an IP company by strengthening licensing revenue
- Broaden esports base via online league play in Japan and overseas

2-1. Forecasts for FY3/21

**Aim for eight consecutive years operating income growth
driven by stable growth of the Digital Contents business**

	2020/3	2021/3 Plan	(million yen) Difference
Net sales	81,591	85,000	3,409
Operating income	22,827	25,500	2,673
Operating margin	28.0%	30.0%	-
Ordinary income	22,957	25,500	2,543
Net income attributable to owners of the parent	15,949	18,000	2,051

- Expect sales and profit growth YoY due to contributions such as major new releases and catalog sales in the Consumer business
- Earnings per share forecast: ¥168.62
- Dividend forecast: interim dividend of ¥20 and year-end dividend of ¥25 resulting in a ¥45 dividend for the fiscal year

2-2. COVID-19 Impact and Response

■ Concerning FY3/21 Consolidated Business Forecast

1. Undetermined factors that may affect our outlook for this fiscal year

- 1) Effect on content development process
- 2) Timing of reopening for our stores/arcades and impact on demand
- 3) Impact on demand at pachinko/pachislo halls due to voluntary suspension of operations
- 4) Delay/cancellation of esports tournaments and events

2. Actions by Capcom

- 1) Implementing preventative measures such as work from home, as well as hand-washing, gargling, and mask-wearing for employees
- 2) Thoroughly streamlining content development process to minimize impact

Focus on growing sales for already-released new titles and catalog titles by further promoting digital sales, which exceeded 20 million units last fiscal year.

3-1. Digital Contents – Strategic Objectives and Plan (1)

Release multiple major new titles
Anticipate increase in sales and profit driven by Consumer business

■ Digital Contents Plan

(100 million yen)

	2019/3	2020/3	2021/3 Plan	Difference
Net sales	829	599	669	70
Breakdown				
Consumer				
Package	359	129	159	30
Digital (incl. digital license)	410	426	450	24
Digital license only		26	20	
Consumer total	769	555	609	54
Mobile Contents	23	44	60	16
PC Other	37			
Operating income	233	241	283	42
Operating margin	28.1%	40.3%	42.3%	-

*Digital license indicates one-time income from providing content etc. to online platforms

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

3-1. Digital Contents – Strategic Objectives and Plan (2)

**Expect increase in unit sales from both
multiple major new titles and back-catalog sales**

■ FY3/21 Unit Sales Plan for the Consumer business

(units in thousands)

	2018/3	2019/3	2020/3	2021/3 Plan
New Titles (SKU)	50	61	35	13
Total unit sales	24,400	25,300	25,500	28,000
Overseas units	19,400	21,600	21,450	24,950
Digital units	12,900	15,300	20,550	23,500
Catalog units	11,000	14,200	18,200	18,000
Major titles				
New	Monster Hunter: World Marvel vs. Capcom: Infinite	Resident Evil 2 Devil May Cry 5	Monster Hunter World: Iceborne	Resident Evil 3 (more)
Catalog	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 2 Devil May Cry 5 Street Fighter V Resident Evil 7 biohazard	Monster Hunter World: Iceborne Resident Evil 2 Monster Hunter: World

*Includes distribution titles

3-1. Digital Contents – Strategic Objectives and Plan (3)

Actively leverage major brands

Bolster catalog earnings through pricing strategies

■ Consumer Strategies

- **Expand pipeline with multiple major new releases**
Resident Evil 3 unit sales break cumulative 2.5 million
- *Monster Hunter: World* now exceeds cumulative 15.5 million units sold; along with *Monster Hunter World: Iceborne*, aim to grow ongoing sales
- **Work to maximize catalog sales through digital strategy**



Resident Evil 3

■ Mobile Strategies

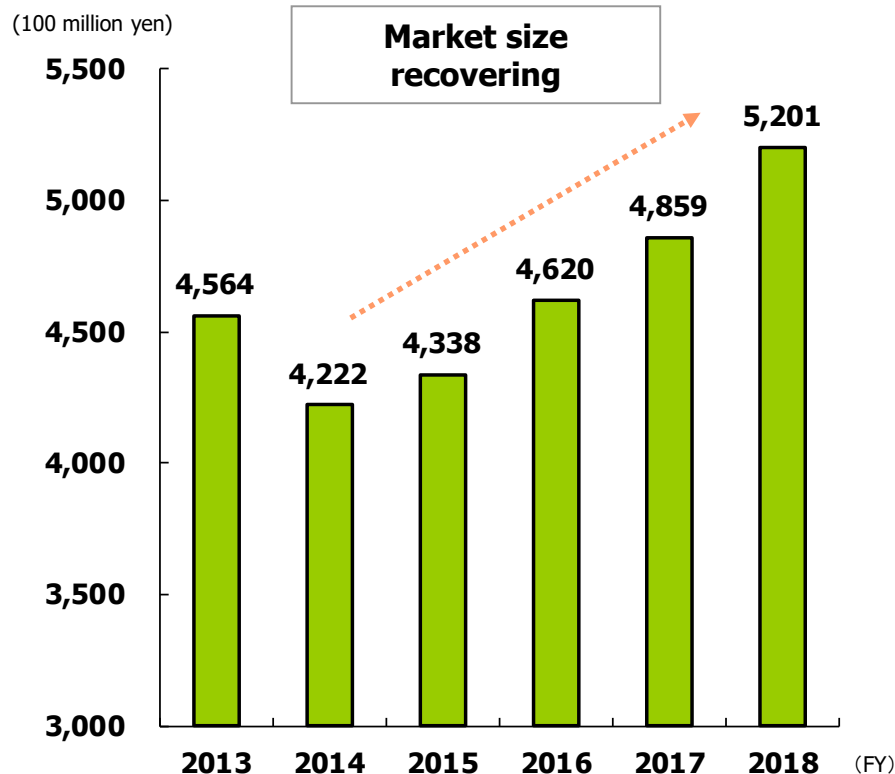
- **Work to grow ongoing titles from previous fiscal year as well as launch new titles**
- **Pursue research into 5G technologies in preparation for wider adoption**

3-2. Arcade Operations – Market Overview

Overall size of market recovering

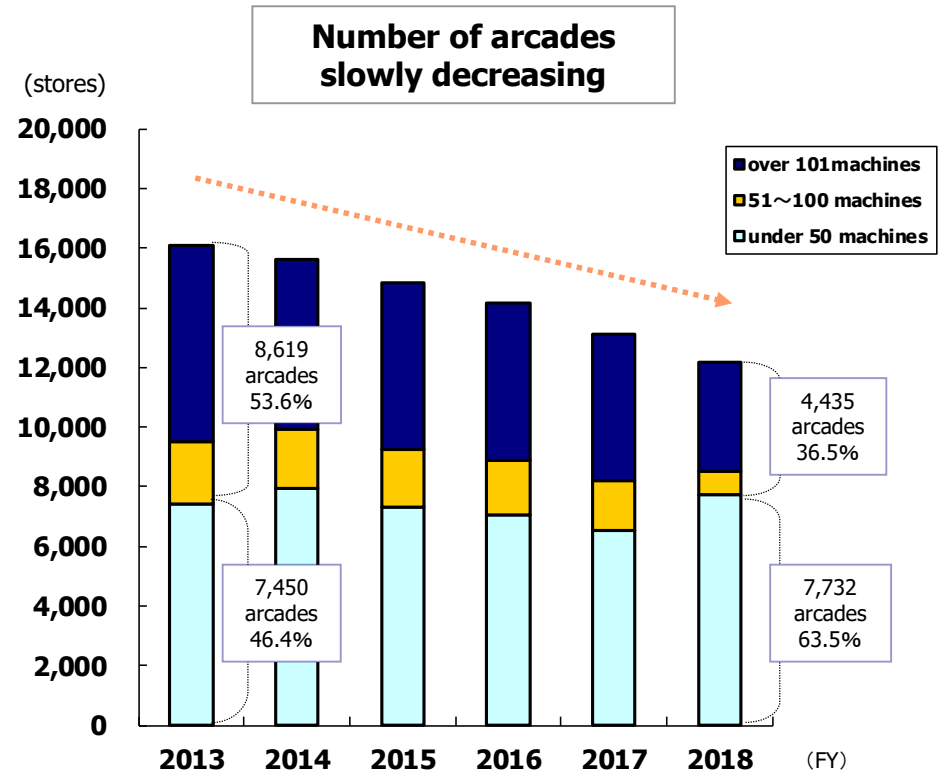
However, expect COVID-19 impact to manifest going forward

■ Amusement Arcade Market Sales



*Source: Amusement Industry Survey

■ Number of Amusement Arcades by number of machines



*Source: Amusement Industry Survey

3-2. Arcade Operations – Strategic Objectives and Plan

Adhere to call for temporary closures due to spread of COVID-19
Monitor situation while considering operations going forward

■ Arcade Operations Strategy

● Streamline existing operations while exploring new store formats

- Plan: same store sales: -18%; openings: 3, closings: 0, total: 43 stores
- Expand merchandising stores to raise brand awareness and generate revenue opportunities

■ Arcade Operations Plan

(100 million yen)

	2019/3	2020/3	2021/3 Plan	Difference
Net sales	110	120	105	-15
Operating income	10	12	0	-12
Operating margin	9.9%	10.0%	0.0%	-
Same store sales	+ 2%	+ 3%	-18%	-

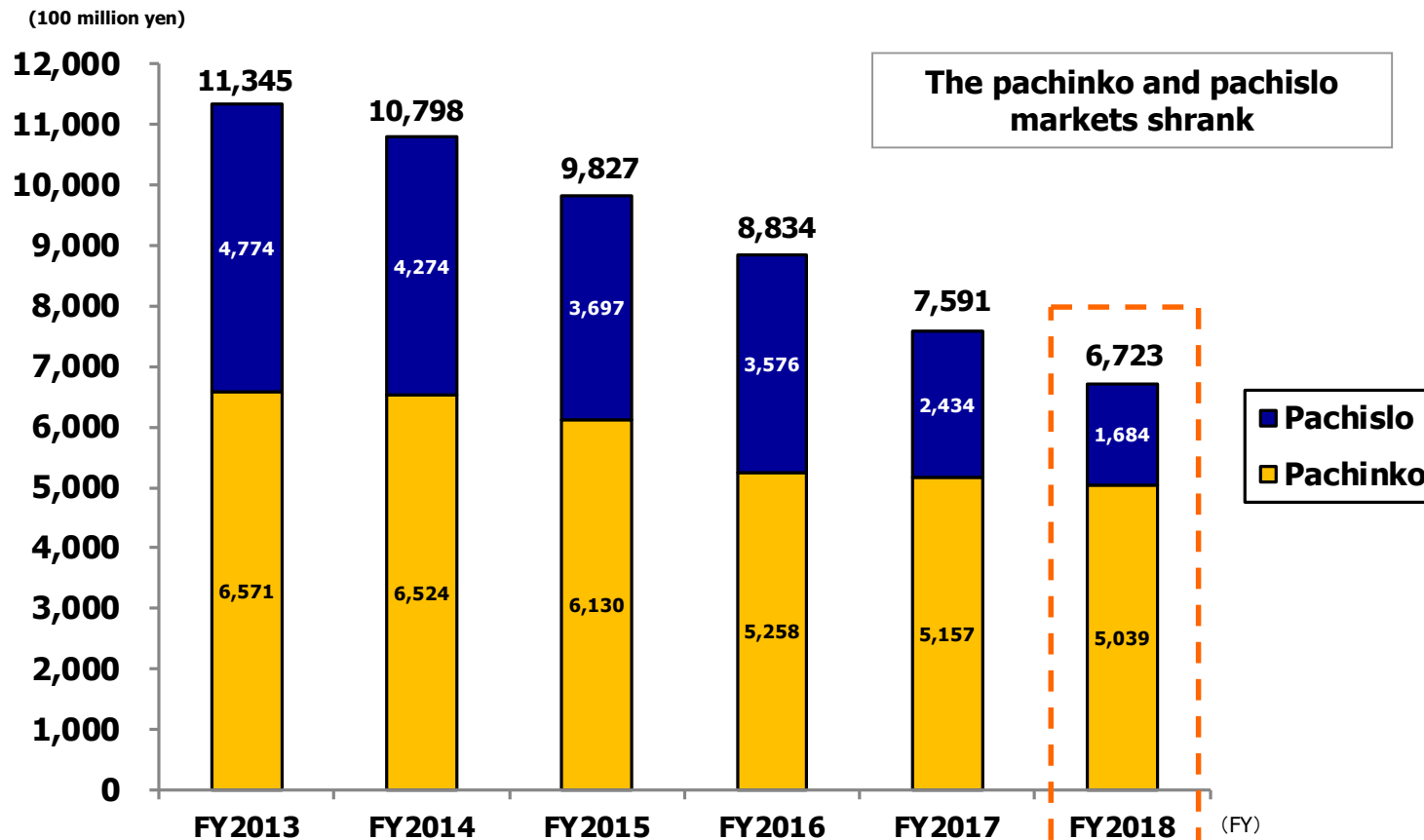


Capcom Store Tokyo

3-3. Amusement Equipments – Market Overview

Pachislo market continues downward trend, however anticipate turnaround in FY19 market from impact of current models

■ Pachinko & Pachislo Machines Market



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

3-3. Amusement Equipments – Strategic Objectives and Plan

**Aim to optimize number of new releases
based on operational status of pachislo halls**

■ Pachinko & Pachislo Strategy

- Release models utilizing our popular IP
 - Pachislo Machine Unit Sales Plan: one model; 15,000 units
(one model sold 20,000 units in previous year)

■ Amusement Equipments Plan

(units in thousands)

	2019/3	2020/3	2021/3 Plan	Difference
Models	5	1	1	-
Unit sales	7.8	20	15	-5

(100 million yen)

	2019/3	2020/3	2021/3 Plan	Difference
Net sales	34	65	45	-20
Operating income	-26	20	17	-3
Operating margin	-	31.9%	37.8%	-

3-4. Other Businesses – Strategic Objectives and Plan (1)

Pursue Single Content Multiple Usage Strategy backed by sales growth of globally-established major IP

■ Character Contents Strategy

- **Expand earnings through merchandising and collaborations**
 - Release merchandise such as apparel and figures featuring popular IP
 - Release Biohazard RE:3 Special Soundtrack with launch of game
- **Grow brand awareness through visual media and theme park collaborations**
 - Hollywood film adaptation *Monster Hunter* scheduled for September 2020 release



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3-4. Other Businesses – Strategic Objectives and Plan (2)

Continue activities to grow esports
Invest with an eye toward future monetization of business

■ eSports Strategy

- **Expand activities for growing stakeholder base with medium- to long-term mindset**
 - Hold domestic and overseas tournaments online because of COVID-19
 - Aim to hold tournaments for female players to further grow demographics

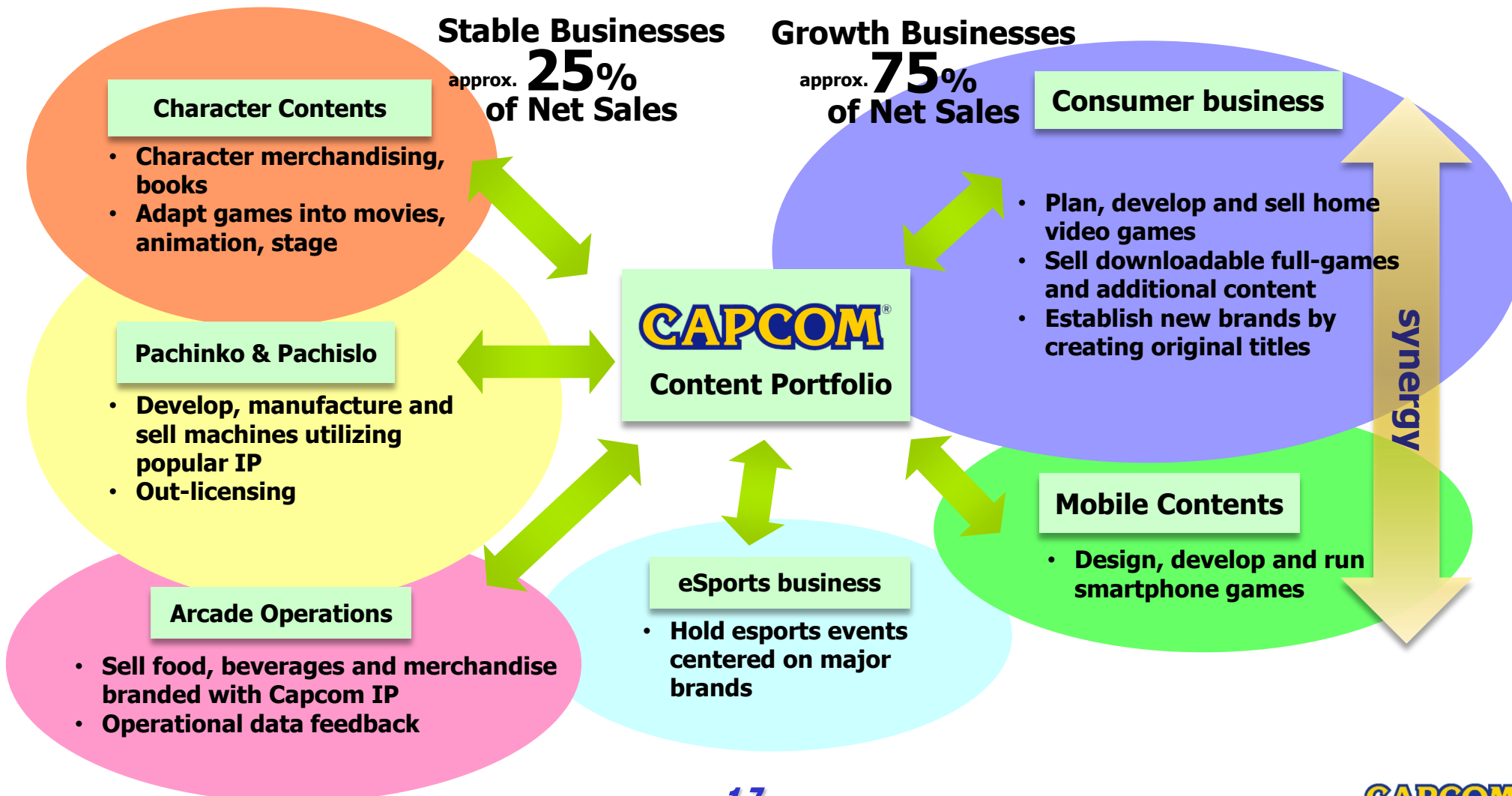
■ Other Businesses Plan

(100 million yen)

	2019/3	2020/3	2021/3 Plan	Difference
Net sales	25	30	31	1
Character Contents		27	30	3
eSports		3	1	-2
Operating income	8	5	7	2
Character Contents		15	19	4
eSports		-10	-12	-2
Operating margin	31.5%	18.3%	22.6%	-

4-1. Capcom's Businesses

Capcom uses its game content as the basis for a broad range of business activities



4-2. Example of Leveraging a Brand: *Monster Hunter*

Capcom uses its library of powerful, original game content in a wide array of businesses beyond home video games



Orchestral concerts



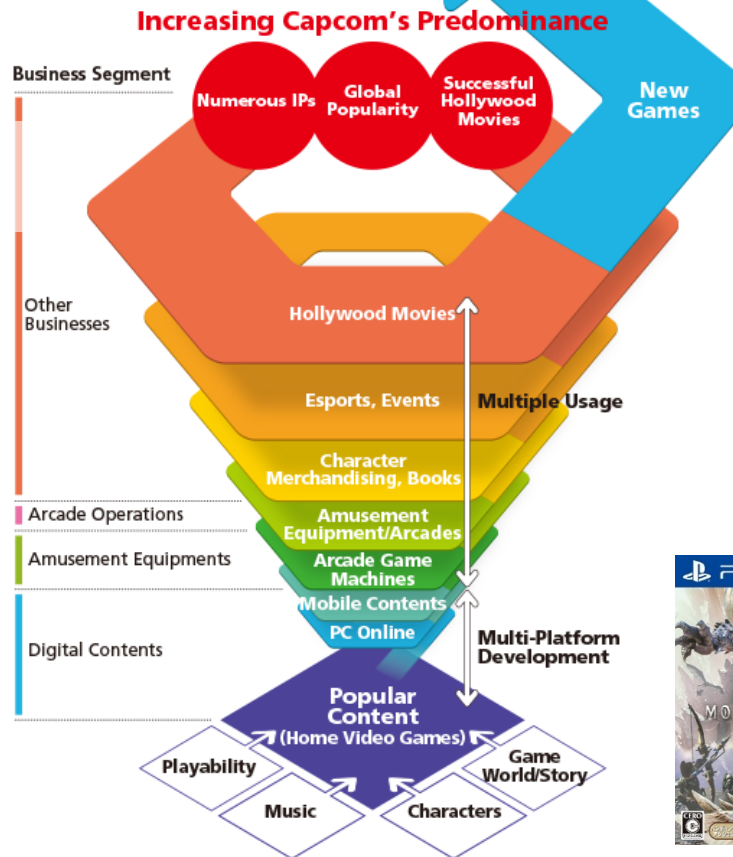
Café collaborations

Capture casual players



Smartphone games

Expand/Rework the *Monster Hunter* Brand



Increase brand awareness



Hollywood adaptations

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Expand into peripheral businesses



Home video games



Pachislo machine

4-3. Capcom's Competitive Edge (1)

Global recognition backed by world-class game-development and technological capabilities

■ World-class capabilities

1. With development capable of producing world-leading levels of quality, Capcom consistently creates hit titles
2. Capcom has established a streamlined work environment, equipped with cutting-edge R&D facilities and tools, making it a leader in game development technology

■ Fortifying our workforce

1. Currently maintain an approx. 2,150-person strong development force
2. Have hired over 900 new-graduates in 9 years
 - Fresh workforce contributing to major title development following training
 - Major source of future competitiveness



3D scanning studio



Motion capture studio



R&D Bldg. #2

4-3. Capcom's Competitive Edge (2)

Global popularity backed by many well-known home video games brands

■ Cumulative Unit Sales and Examples of Expansion by Brand

- *Resident Evil* series **98 million units**



Discounted reprints for home consoles

- *Monster Hunter* series **63 million units**



Monster Hunter World: Iceborne released
Sold 5 million units

- *Street Fighter* series **44 million units**



Capcom Cup 2019 esports tournament in Los Angeles

- *Devil May Cry* series **22 million units**



Collaboration event at Capcom Café in Ikebukuro

- *Mega Man* series **36 million units**

- *Dead Rising* series **13 million units**

5-1. Summary of Major Financial Information (1)

● Profit and Loss Statement

(million yen)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
Net sales	94,515	100,031	81,591	81.6%	85,000	104.2%
Gross profit	34,619	37,222	40,947	110.0%	43,500	106.2%
% margin	36.6%	37.2%	50.2%	-	51.2%	-
Sales and G&A expenses	18,582	19,078	18,119	95.0%	18,000	99.3%
Operating income	16,037	18,144	22,827	125.8%	25,500	111.7%
% margin	17.0%	18.1%	28.0%	-	30.0%	-
Ordinary income	15,254	18,194	22,957	126.2%	25,500	111.1%
% margin	16.1%	18.2%	28.1%	-	30.0%	-
Net income attributable to owners of the parent	10,937	12,551	15,949	127.1%	18,000	112.9%
% margin	11.6%	12.5%	19.5%	-	21.2%	-

● Sales by Business Segments

(million yen)

		2018/3	2019/3	2020/3	%	2021/3 Plan	%
Digital Contents	Net sales	74,141	82,982	59,942	72.2%	66,900	111.6%
	Operating income	19,103	23,315	24,161	103.6%	28,300	117.1%
	Operating margin	25.8%	28.1%	40.3%	-	42.3%	-
Arcade Operations	Net sales	10,231	11,050	12,096	109.5%	10,500	86.8%
	Operating income	879	1,096	1,211	110.5%	0	-
	Operating margin	8.6%	9.9%	10.0%	-	0.0%	-
Amusement Equipments	Net sales	7,803	3,422	6,533	190.9%	4,500	68.9%
	Operating income	-764	-2,668	2,085	-	1,700	-
	Operating margin	-	-	31.9%	-	37.8%	-
Others	Net sales	2,338	2,575	3,018	117.2%	3,100	102.7%
	Operating income	1,126	811	544	67.2%	700	128.7%
	Operating margin	48.2%	31.5%	18.0%	-	22.6%	-

● Sales by Geographic Area

(million yen)

	2018/3	2019/3	2020/3	%
Japan	52,253	39,387	39,954	101.4%
North America	24,154	30,134	21,341	70.8%
Europe	12,035	19,387	10,667	55.0%
Others	6,072	11,121	9,628	86.6%

5-1. Summary of Major Financial Information (2)

● Promotional Expense

(million yen)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
Consolidated	5,579	5,490	4,253	77.5%	3,300	77.6%

● Number of Stores

(facilities)

	2018/3	2019/3	2020/3	Difference	2021/3 Plan	Difference
Consolidated	36	37	40	3	43	3

● Capital Expenditure

(million yen)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
Consolidated	2,918	2,439	2,338	95.9%	5,400	231.0%

● Depreciation

(million yen)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
Consolidated	4,706	3,228	2,795	86.6%	3,200	114.5%

● Number of Employees

(people)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
Consolidated	2,952	2,832	2,988	105.5%	3,200	107.1%
Consolidated Developers	2,141	2,032	2,142	105.4%	2,300	107.4%

● R&D Investment Cost

(million yen)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
R&D Investment Cost	29,077	27,038	25,843	95.6%	31,000	120.0%
Technical R&D Cost	1,189	1,147	1,253	109.2%	1,500	119.7%

● Foreign Exchange Rate (end of March)

(JPY)

	2018/3	2019/3	2020/3	%	2021/3 Plan	%
USD/JPY	106	111	108	97.3%	108	100.0%
Euro/JPY	130	124	119	96.0%	120	100.8%