



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

Overview of Strategies and Plans
Fiscal Year ending March 31, 2020

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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.

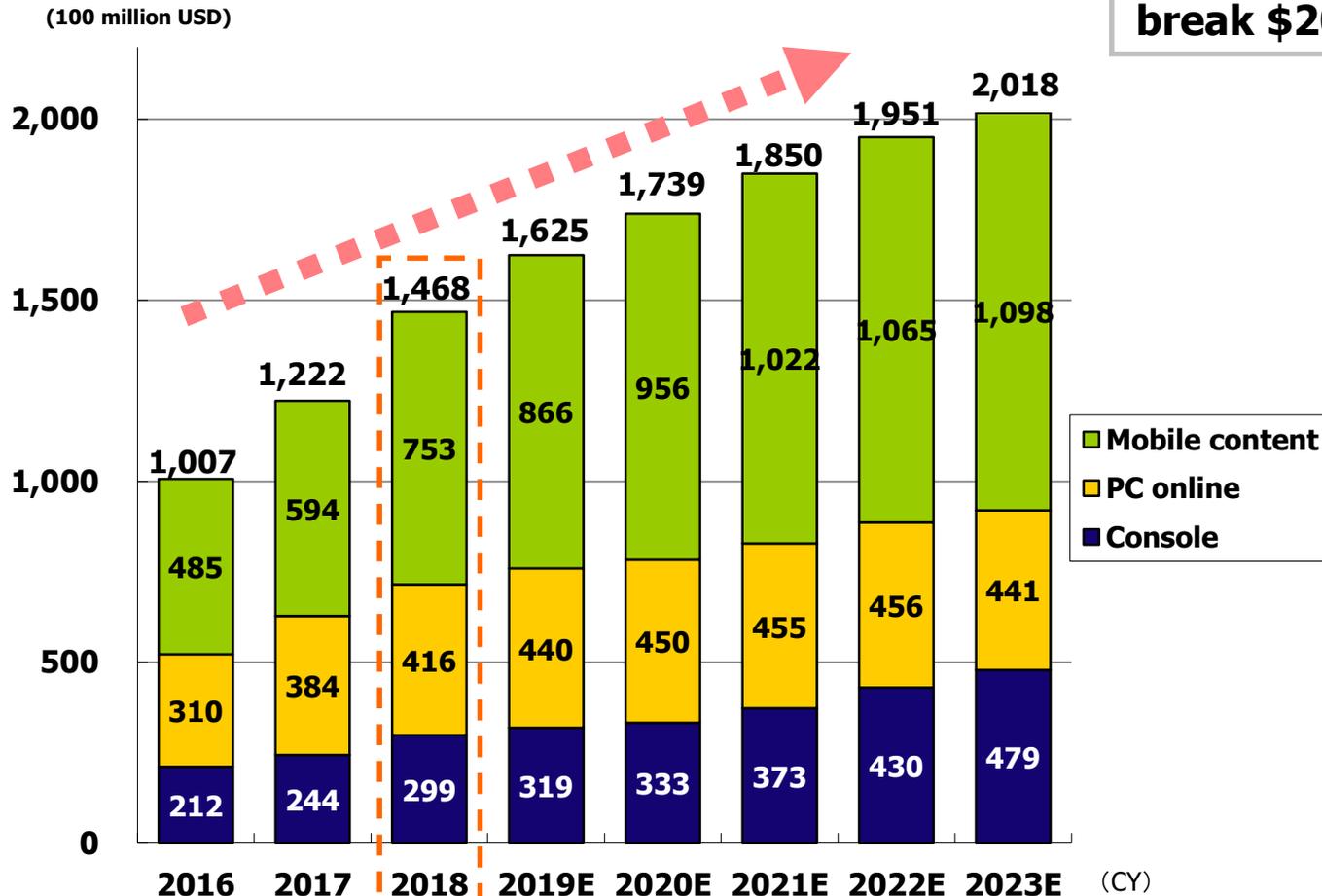
Factors that can affect Capcom's performance include: (1) the number of hit titles and sales volume in the Home Video Game Business, which accounts for the majority of sales; (2) progress in developing home video games; (3) consumer demand for home video game consoles; (4) sales outside Japan; (5) changes 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

Market set to break \$200 billion

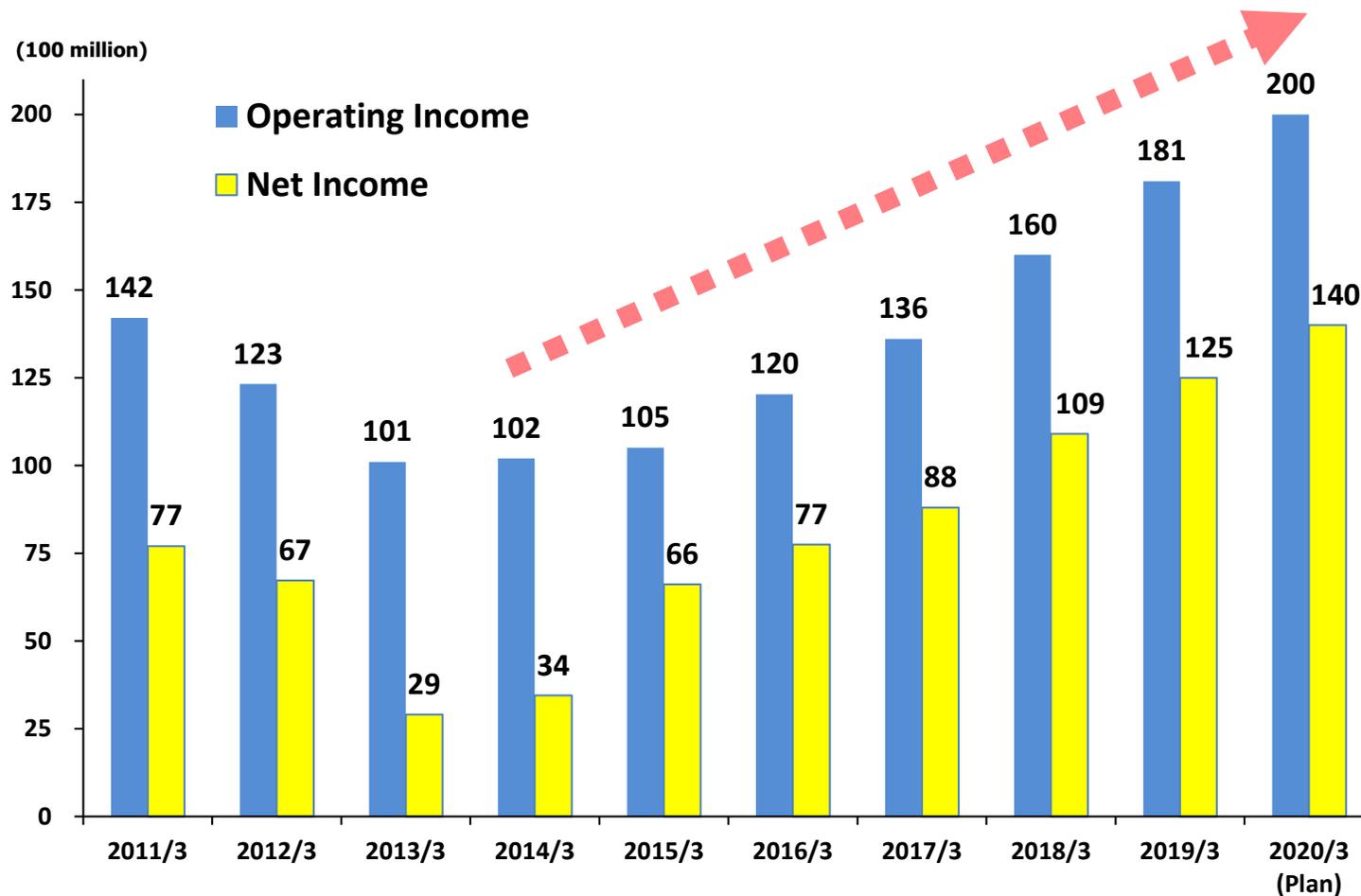


E: Estimate *Source : Data prepared from International Development Group

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

■ Medium-term Management Objective

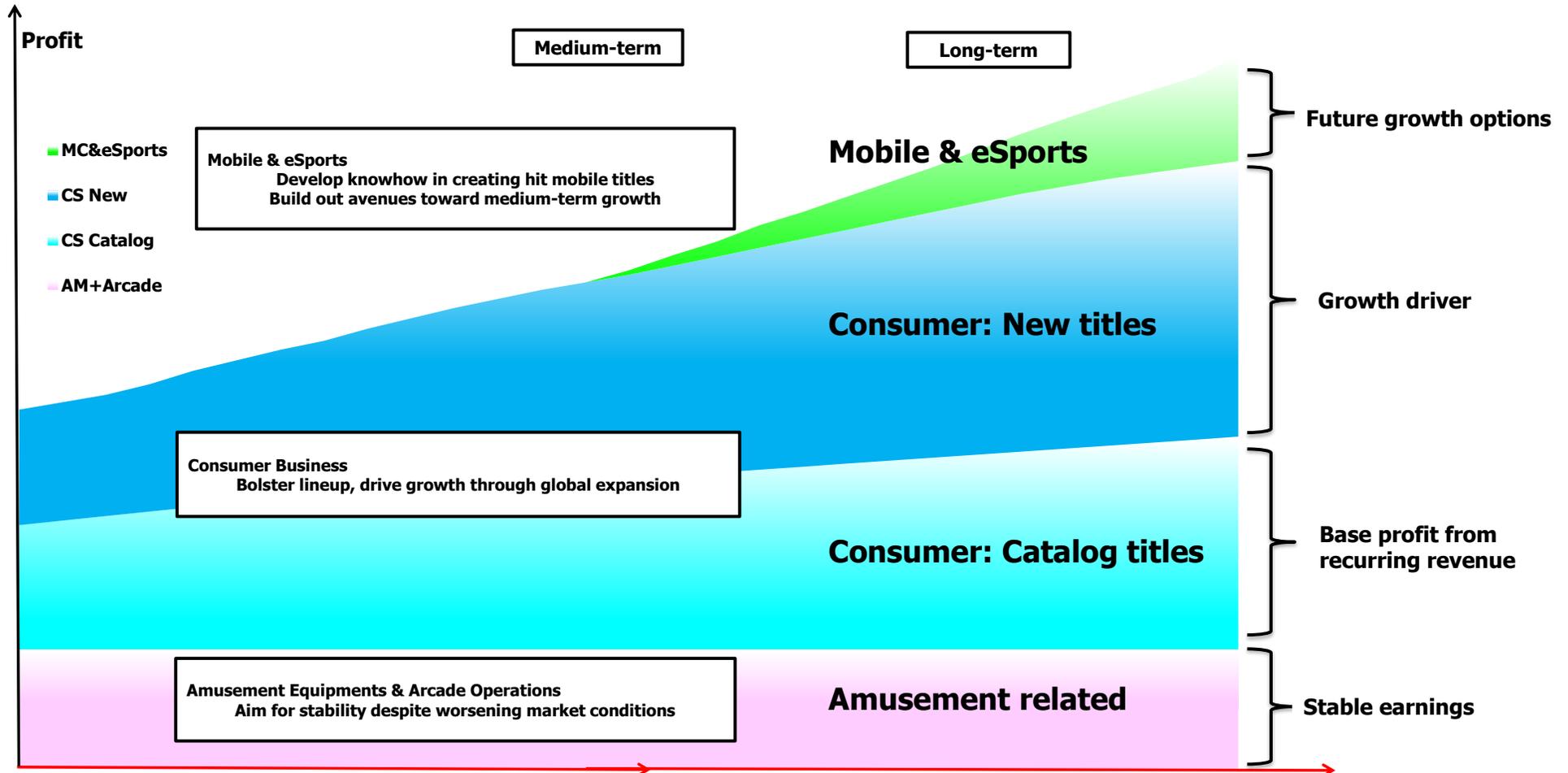
- Aim for annual operating income growth, driven by stable earnings



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

■ Medium-Term Growth

- Establish both stable growth and avenues for future growth
- Focusing on bolstering global expansion and growing our customer base



■ Strategy for stable growth

■ Consumer Business: Expand lineup of new titles and build up back-catalog

- Launch *Monster Hunter World: Iceborne*
- Extend sales life of recent major titles and rereleases for current-generation platforms
- Target digital sales ratio: 75.4%

■ Other Businesses: Strengthen eSports business

- Grow player and audience base through strengthening league play in Japan and overseas

2. Forecasts for FY3/20

Aim for seven consecutive years operating income growth driven by stable performance of the Digital Contents business

(million yen)

	2019/3	2020/3 Plan	Difference
Net sales	100,031	85,000	-15,031
Operating income	18,144	20,000	1,856
Operating margin	18.1%	23.5%	-
Ordinary income	18,194	19,500	1,306
Net income attributable to owners of the parent	12,551	14,000	1,449

- Expect profit growth YoY despite decline in sales due to focus on stronger digital sales in the Consumer business and improvements to the Amusement Equipments business
- Earnings per share forecast: ¥131.15
- Dividend forecast: interim dividend of ¥15 and year-end dividend of ¥20 resulting in a ¥35 dividend for the fiscal year (payout ratio: 26.7%)

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

Further bolster major brands
Target catalog title sales growth

■ Consumer Strategies

● Stable performance of major brands

- *Monster Hunter: World*: over 12 million units shipped; continue to promote sales growth
- Cement global brand status with Sept. 6 launch of massive expansion: *Monster Hunter World: Iceborne*
- Promote catalog sales of major titles from previous year: *Resident Evil 2* and *Devil May Cry 5*

● Expand regions and improve profit on the PC by strengthening digital sales

- Expect large increase to digital sales forecast: 75.4% (of Consumer net sales)

■ Mobile Strategies

- Launch new titles using our IP while carefully watching market trends

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

Launch *Monster Hunter World: Iceborne*
Expect unit sales growth driven by digital sales

■ FY3/20 Unit Sales Plan for the Consumer business

(units in thousands)

	2017/3	2018/3	2019/3	2020/3 Plan
New Titles (SKU)	42	50	61	30
Total unit sales	19,400	24,400	25,300	26,300
Overseas units ratio	77.8%	79.5%	85.4%	83.8%
Digital units ratio	46.4%	52.9%	60.5%	82.5%
Catalog units ratio	45.4%	45.1%	56.1%	54.8%
Major titles				
New	Resident Evil 7 biohazard Monster Hunter Generations Ultimate	Monster Hunter: World Marvel vs. Capcom: Infinite	Resident Evil 2 Devil May Cry 5	Monster Hunter World: Iceborne
Catalog	Monster Hunter Generations Resident Evil 6 (rerelease)	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

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

Anticipate profit growth despite decline in sales, supported by increase in Consumer business digital sales ratio

■ Digital Contents Plan

(100 million yen)

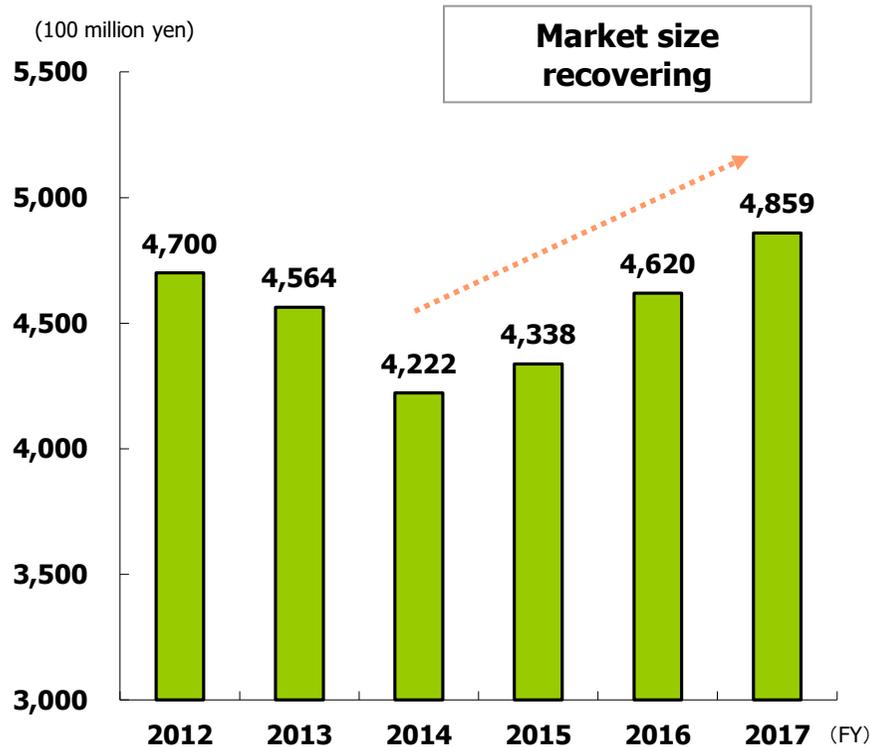
	2018/3	2019/3	2020/3 Plan	Difference
Net sales	741	829	668	-161
Breakdown				
Package	383	359	154	-205
Digital	269	410	473	63
Consumer total	652	769	627	-142
Mobile Contents	41	23	41	18
PC Other	48	37		
Operating income	191	233	243	10
Operating margin	25.8%	28.1%	36.4%	-

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

3-2. Arcade Operations – Market Overview

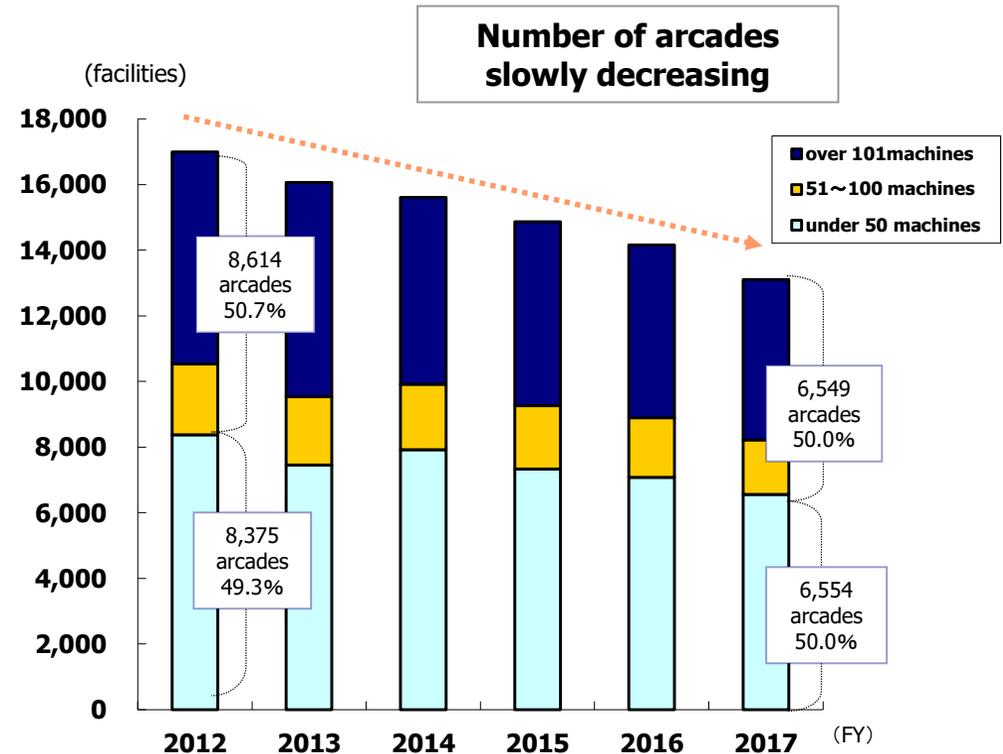
Relaxed regulations provide tailwind
Market size trending toward recovery

■ Amusement Arcade Market



*Source: Amusement Industry Survey

■ Number of Amusement Arcades by number of machines



*Source: Amusement Industry Survey

3-2. Arcade Operations – Strategic Objectives and Plan

Streamline operations across new and existing stores; Sales up but no profit contribution due primarily to consumption tax increase

■ Arcade Operations Strategy

● Create opportunities via new store formats, multifaceted approach

- Plan: same store sales: -4%; openings: 5, closings: 0, total: 42 stores
- Build out branded cafés and specialty merchandise stores
- Grow net catcher service established in previous year into new revenue source
- Utilize stores to promote expansion of the esports market

■ Arcade Operations Plan

(100 million yen)

	2018/3	2019/3	2020/3 Plan	Difference
Net sales	102	110	112	2
Operating income	8	10	7	-3
Operating margin	8.6%	9.9%	6.3%	-
Same store sales	+2%	+2%	-4%	-

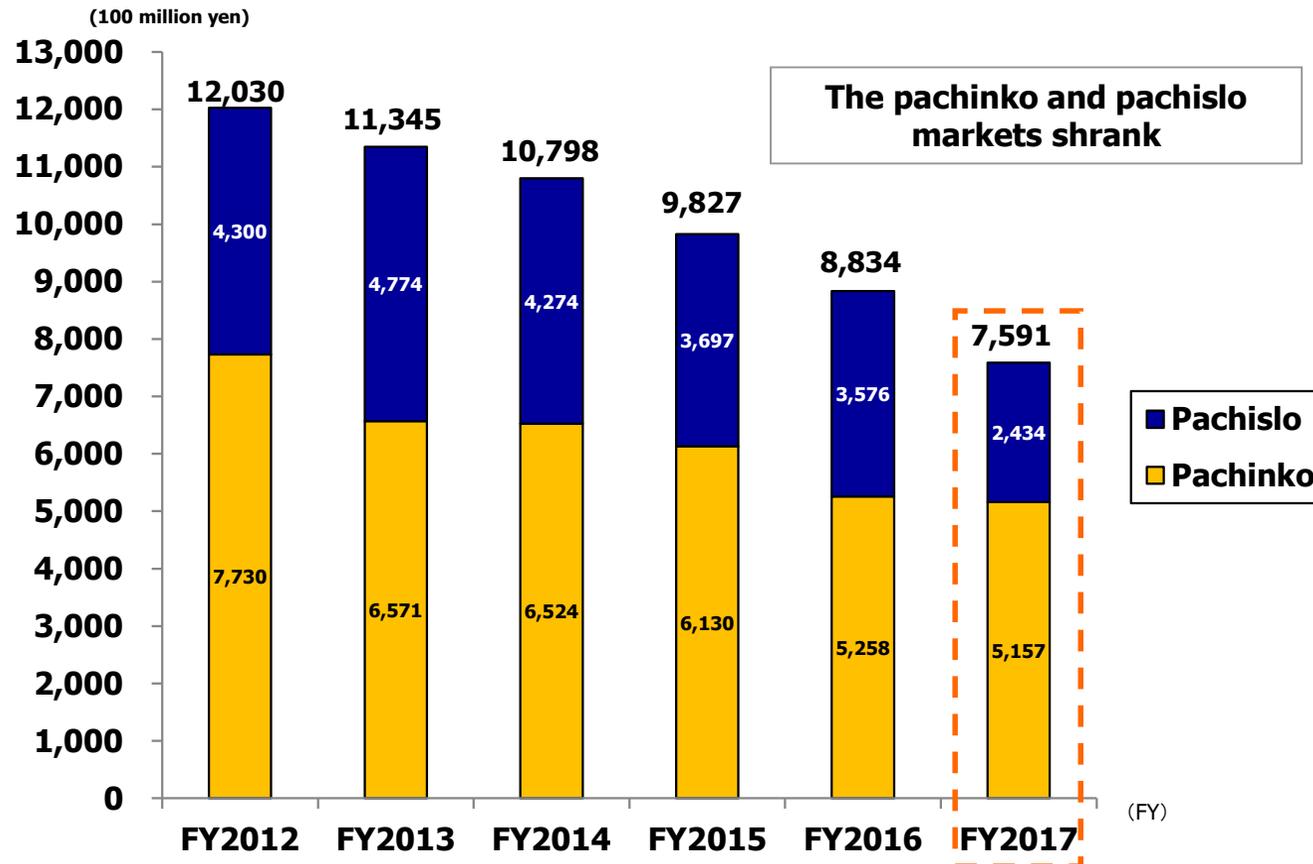


Ikebukuro location
(Opening FY3/20)

3-3. Amusement Equipments – Market Overview

Pachislo market continues downward trend following model certification regulation changes

■ Pachinko & Pachislo Machines Market



*Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2017, 2018); Yano Research Institute Ltd.

3-3. Amusement Equipments – Strategic Objectives and Plan

**Aim to improve profitability
with launch of machines meeting current regulations**

■ Pachinko & Pachislo Strategy

- Work to restore standing in market with models utilizing our popular IP
 - Pachislo Machine Unit Sales Plan: three models; 15,000 units
Plan to release machines compliant with current regulations

■ Amusement Equipments Plan

(100 million yen)

	2018/3	2019/3	2020/3 Plan	Difference
Net sales	78	34	40	6
Operating income	-7	-26	1	27
Operating margin	-	-	2.5%	-

3-4. Other Business – Strategic Objectives and Plan

Aggressively pursue eSports business development
Promote our Single Content Multiple Usage Strategy

■ Esports Strategy

- **Expand player demographics with eye toward medium- to long-term**
 - Global expansion: Running Street Fighter League: Pro-US in USA since April 2019
 - Domestic foundation building: besides the previously announced Street Fighter League: Pro-JP for pro athletes, Street Fighter League: Trial for amateur players, launch a variety of leagues starting early summer

■ Character Contents Strategy

- **Increase awareness of major brands with collaborations, TV and movies**
 - *Zangeki Sengoku BASARA Tenseihoukan* stage production scheduled to run in Tokyo and Osaka in July 2019

■ Other Businesses Plan

(100 million yen)

	2018/3	2019/3	2020/3 Plan	Difference
Net sales	23	25	30	5
Operating income	11	8	-4	-12
Operating margin	48.2%	31.5%	-	-



4-1. Capcom's Businesses

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

Capture core fans and increase brand value

Licensing business

- Character merchandising, books
- Adapt games into movies, animation, stage

Stable Businesses
approx. **25%**
of Net Sales

Growth Businesses
approx. **75%**
of Net Sales

Consumer business

- Plan, develop and sell home video games
- Sell downloadable full-games and additional content
- Establish new brands by creating original titles
- Design, develop and run PC online games

Pachinko & Pachislo

- Develop, manufacture and sell machines utilizing popular IP
- Develop machines for other companies

CAPCOM
Content Portfolio

Mobile Contents

- Design, develop and run smartphone games

Arcade Operations

- Sell food, beverages and merchandise branded with Capcom IP
- Operational data feedback

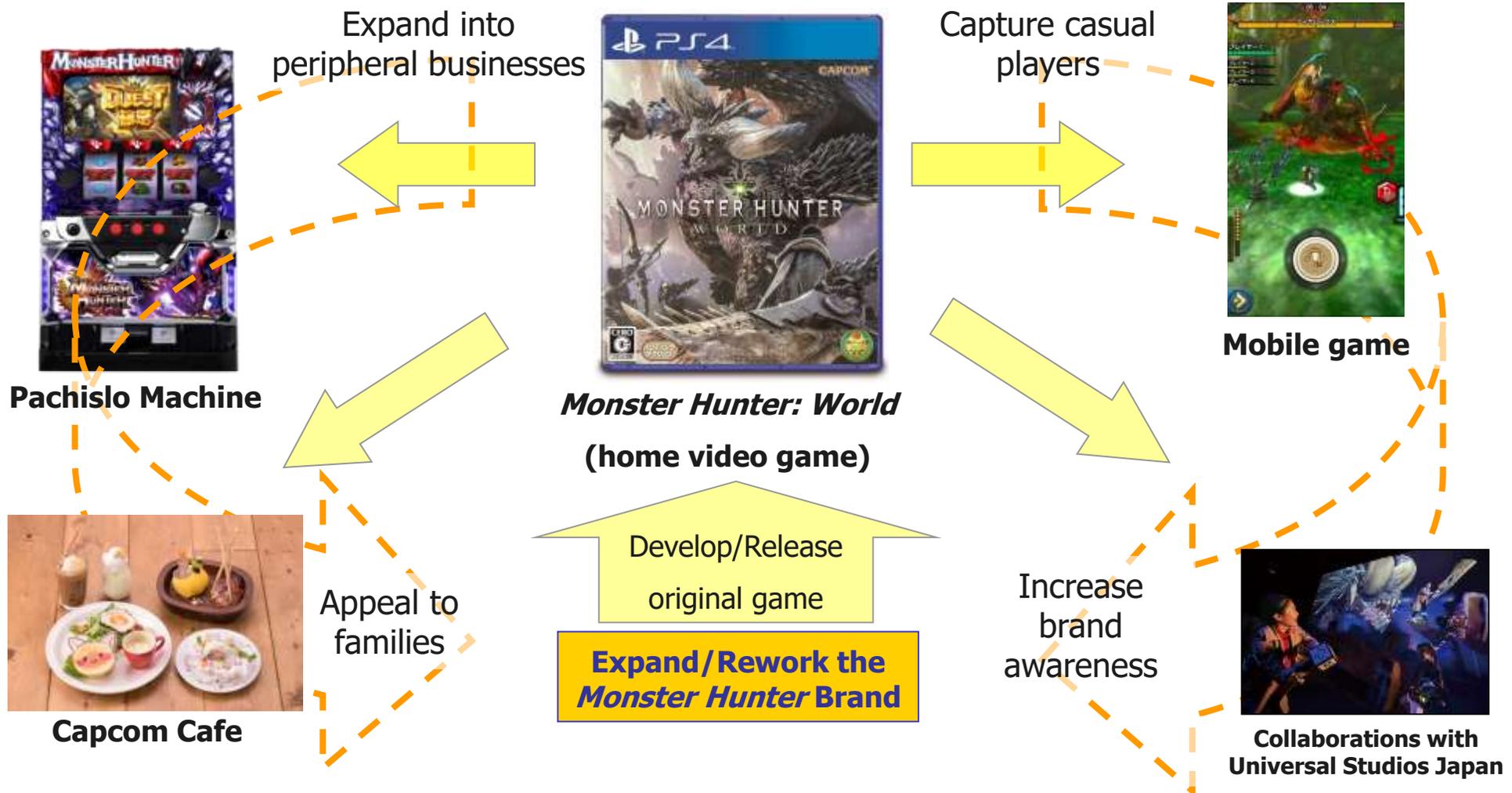
eSports business

- Hold esports events centered on major brands

synergy

4-2. Example: Leveraging the Monster Hunter Brand

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



4-3. Capcom's Competitive Edge

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

■ A strong lineup of titles

1. In addition to numerous successful home video games, Capcom owns a wealth of superior, proprietary content:

· <i>Resident Evil</i> series:	91 million units	· <i>Monster Hunter</i> series:	54 million units
· <i>Street Fighter</i> series:	42 million units	· <i>Devil May Cry</i> series:	20 million units
· <i>Dead Rising</i> series:	13 million units	· <i>Dragon's Dogma</i> series:	4.4 million units

(as of March 31, 2019)

■ A world-leader in game development and technology

1. We regularly produce hit games of world-class quality, made possible by our development capabilities
2. In order to achieve world-beating technological strength, we have built an efficient development environment, complete with a cutting-edge R&D building and top-of-the-line development tools

Summary of Major Financial Information (1)

● Profit and Loss Statement

(million yen)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
Net sales	87,170	94,515	100,031	105.8%	85,000	85.0%
Gross profit	30,731	34,619	37,222	107.5%	38,000	102.1%
% margin	35.3%	36.6%	37.2%	-	44.7%	-
Sales and G&A expenses	17,080	18,582	19,078	102.7%	18,000	94.3%
Operating income	13,650	16,037	18,144	113.1%	20,000	110.2%
% margin	15.7%	17.0%	18.1%	-	23.5%	-
Ordinary income	12,589	15,254	18,194	119.3%	19,500	107.2%
% margin	14.4%	16.1%	18.2%	-	22.9%	-
Net income attributable to owners of the parent	8,879	10,937	12,551	114.8%	14,000	111.5%
% margin	10.2%	11.6%	12.5%	-	16.5%	-

● Sales by Business Segments

(million yen)

		2017/3	2018/3	2019/3	%	2020/3 Plan	%
Digital Contents	Net sales	58,704	74,141	82,982	111.9%	66,800	80.5%
	Operating income	11,096	19,103	23,315	122.0%	24,300	104.2%
	Operating margin	18.9%	25.8%	28.1%	-	36.4%	-
Arcade Operations	Net sales	9,525	10,231	11,050	108.0%	11,200	101.4%
	Operating income	752	879	1,096	124.6%	700	63.9%
	Operating margin	7.9%	8.6%	9.9%	-	6.3%	-
Amusement Equipments	Net sales	16,856	7,803	3,422	43.9%	4,000	116.9%
	Operating income	5,106	-764	-2,668	-	100	-
	Operating margin	30.3%	-	-	-	2.5%	-
Others	Net sales	2,083	2,338	2,575	110.2%	3,000	116.5%
	Operating income	969	1,126	811	72.0%	-400	-
	Operating margin	46.5%	48.2%	31.5%	-	-	-

● Sales by Geographic Area

(million yen)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
Japan	55,804	52,253	39,387	75.4%	37,500	95.2%
North America	20,018	24,154	30,134	124.8%	24,000	79.6%
Europe	9,007	12,035	19,387	161.1%	12,000	61.9%
Others	2,340	6,072	11,121	183.2%	11,500	103.4%

Summary of Major Financial Information (2)

● Promotional Expense

(million yen)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
Consolidated	4,764	5,579	5,490	98.4%	5,000	91.1%

● Number of Stores

(facilities)

	2017/3	2018/3	2019/3	Difference	2020/3 Plan	Difference
Consolidated	36	36	37	1	42	5

● Capital Expenditure

(million yen)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
Consolidated	2,622	2,918	2,206	75.6%	3,500	158.7%

● Depreciation

(million yen)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
Consolidated	5,980	4,706	3,228	68.6%	3,500	108.4%

● Number of Employees

(Unit: Persons)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
Consolidated	2,811	2,952	2,832	95.9%	3,000	105.9%
Consolidated Developers	1,994	2,141	2,032	94.9%	2,150	105.8%

● R&D Investment Cost

(million yen)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
R&D Investment Cost	27,720	29,077	27,038	93.0%	30,000	111.0%
Technical R&D Cost	695	1,189	1,147	96.5%	1,000	87.2%

● Foreign Exchange Rate (end of March)

(JPY)

	2017/3	2018/3	2019/3	%	2020/3 Plan	%
USD/JPY	112	106	111	104.7%	110	99.1%
Euro/JPY	119	130	124	95.4%	125	100.8%