

CAPCOM

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Aiming for the Top

CAPCOM INTEGRATED REPORT

2018

35th
Anniversary
CAPCOM

Code Number: 9697

Capcom's Value Creation: Past, Present, Future

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Editorial Policy

Capcom's Integrated Report conveys initiatives aimed at improving corporate value over the medium- to long-term to shareholders, investors and all other 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, 2018 (April 1, 2017–March 31, 2018). 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.

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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 and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment. Since Capcom's establishment in 1983, we have developed numerous products with world-class development capabilities as our strength. Game content, an artistic media product that fascinates people, consisting of highly creative, multi-faceted elements such as characters, storyline, worlds and music, makes use of a variety of media that supports the development of a rich society. Going forward, Capcom aims to become a unique company recognized by society as having the most entertaining content in the world.





A Global Esports is Here in Official Olympic

The esports market is expanding rapidly worldwide and is expected to reach \$1.6 billion by 2021. The Japan Esports Union (JeSU) was established in 2018 in response to the growing popularity of esports. Leveraging the esports know-how we have been cultivating in North America, we are now expanding our presence globally.



Global esports player population

More than **100** million

The global esports player population has been growing rapidly since the 2000s, and is said to have ballooned into a massive market of more than 100 million people.

Esports market

900

The global esports market is expected to reach \$1.6 billion by 2021, and by 2021 it is expected to reach \$1.6 billion in US dollars.

Esports Movement Anticipation of Olympic Adoption

to grow to a scale rivaling that of real sporting events.

to this trend.

In America, Capcom will contribute to the global advancement of esports.



Esports market

1.6 billion
million
USD

continues to grow year after year and is expected to exceed 1.6 billion.

Capcom Pro Tour official tournament areas

32 countries and
territories

Tournaments are held in not only the advanced gaming markets of North America, Europe, and Japan but also in Central and South America, the Middle East, and Southeast Asia.

Business

Social Issues

Generational and interregional communication gaps

New industries created from new technologies

Overconcentration in large cities
Declining regional populations

Senior citizens social isolation

Improvement of Japan's appeal as a travel destination

Shortage of human resources involved with intellectual property

Amount invested in development **29.0** billion yen
→ Financial Strategy According to the CFO / P39

Number of developers **2,141** people
→ The Heart of Value Creation / P41

Intellectual Properties (IP) **19** Million-seller series
→ Major Intellectual Properties (IP) / P09

INPUT

Business Activities



Home Video Games

Create Popular Content



Digital Download Contents

Foundation for Sustainable Growth

Education and Utilization of Developers
→ The Head of Development Discusses Human Resources Strategy / P49

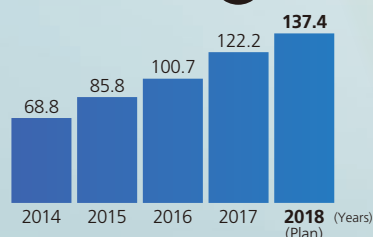
Relationship with Society
Employees, Regional Communities, Customers, Business Partners, Shareholders
→ P53

Corporate Governance
→ P59

KPI Changes in Fiscal Year Ended March 2018

Game Market (Billions of dollars)

137.4 billions dollars
UP **12.4%**

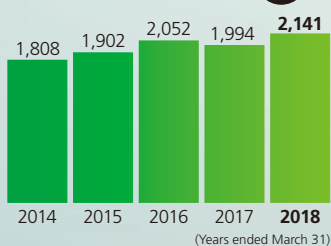


Source: International Development Group

→ Market Analysis / P75

Human Capital
Content Developers (People)

2,141 people
UP **147** people

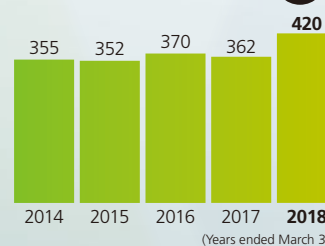


(Years ended March 31)

→ ESG Highlights / P13

Governance
Meetings with Shareholders and Investors (meetings)

420 meetings
UP **58** meetings



(Years ended March 31)

→ Corporate Governance / P59


Note: Number of media stories on investor relations meetings + number of visits with foreign and domestic investors

Single Content Multiple Usage


Net sales for the year ended March 31, 2018

94.5 billion yen

Capcom



Publishing
Strategy books,
illustrated compilations, comics



Arcade Game Machines
Token games,
Pachinko and pachislo



PC Online



Movies
Hollywood movies, animated movies,
CG movies

Develop games for multiple platforms
Net sales for the year ended March 31, 2018


74.1 billion yen

Multimedia development of content
Net sales for the year ended March 31, 2018

20.4 billion yen




Mobile Contents



Arcade Operations
Facilities at shopping centers,
big-box store locations



Esports



Events
Concerts,
theatrical productions



Character Merchandising
Figures, T-shirts,
food, etc.

OUTPUT (Non-financial results)

2 titles achieved million-seller status

Built new sound studios

40 educational support activities

210 senior tour participants

Hired 145 new graduates

Established onsite daycare center

Social Contributions

Stimulated communication between generations

Innovation through gaming technology

Contributed to local revitalization

Provided space for senior citizens to interact

Boosted inbound tourism by raising consciousness around gaming culture

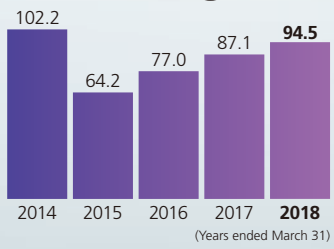
Trained human resources in the IP industry



Net Sales (Billions of yen)

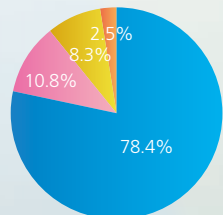
94.5 billion yen

UP 8.4%



Business Segment Sales Ratio (%)

- Digital Contents: 78.4%
- Arcade Operations: 10.8%
- Amusement Equipments: 8.3%
- Other Businesses: 2.5%

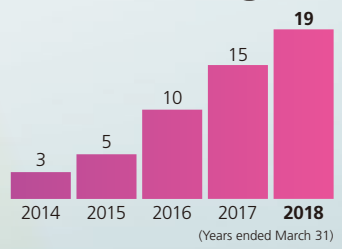


Social Capital

Cumulative number of regional revitalization projects (projects)

19 projects

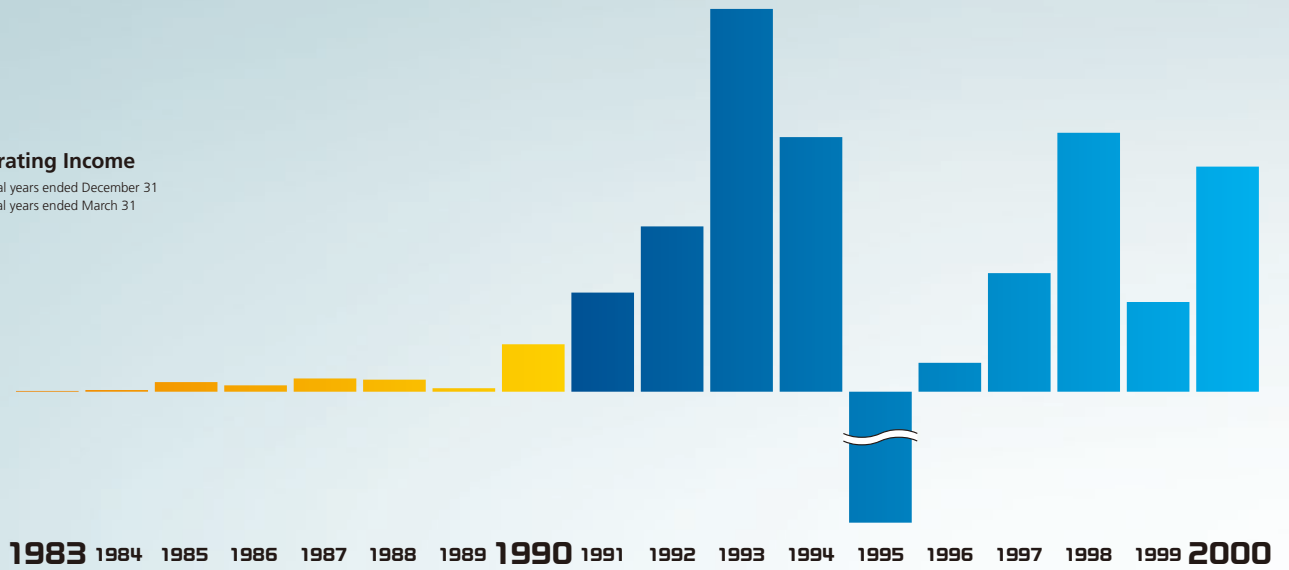
UP 4 projects



From Capcom of Japan to Capcom of the World

Trend in Operating Income

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. 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 Securities 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 *Vulgus*.

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 U.S. 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.
- 2018** Established the eSports Group. Began full-scale expansion into the growing esports market.

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 was released worldwide. It sold a record 7.5 million units within about one month of its release.



Steady Output of Million-Seller Titles Born from a Foundation of Popular Brands

We have continued to create a wealth of popular content (intellectual properties) since our founding, 35 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.



RESIDENT EVIL 2

Resident Evil series

Total number of units sold

83 million

(As of March 31, 2018)

Cumulative million-seller titles

26 titles



Street Fighter series

Total number of units sold

40 million

(As of March 31, 2018)

Cumulative million-seller titles

12 titles



Mega Man series

Total number of units sold
32 million
(As of March 31, 2018)

Cumulative million-seller titles
4 titles

Monster Hunter series

Total number of units sold
48 million
(As of March 31, 2018)

Cumulative million-seller titles
11 titles

KPI (Fiscal year ended March 31, 2018)

Cumulative million-seller titles	Number of developers	Number of units sold
86 titles	2,141 people	24.4 million units

Business Development Leveraging Popular Brands

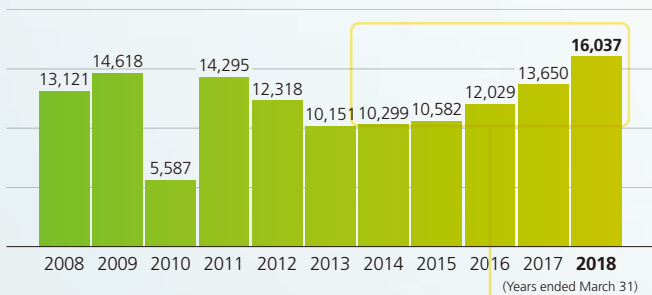
Our biggest strength is our advanced development capabilities that allow us to continuously create fun, original content. We have many brands that enjoy global popularity, and we regularly develop and release games that take advantage of these brands. We also roll them out into other media, making them long-term sources of revenue.

Financial Highlights

Operating Income / Operating Margins

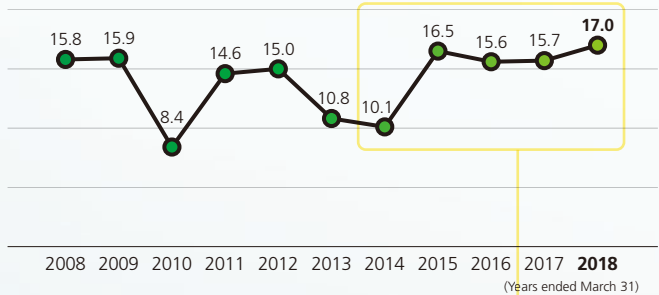
Operating Income (Millions of yen)

16,037 million yen
UP 17.5% 



Operating Margins (%)

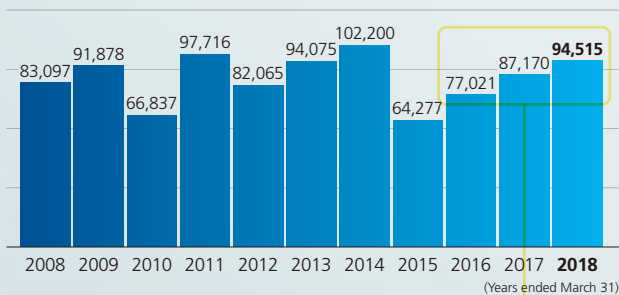
17.0%
UP 1.3 points 



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 five consecutive fiscal years thanks to growth of the Consumer and Amusement Equipments businesses. Notably, in the fiscal year ended March 2018, the hit performance of *Monster Hunter: World* resulted in record income, and the operating margin also improved.

Net Sales (Millions of yen)


94,515 million yen
UP 8.4% 

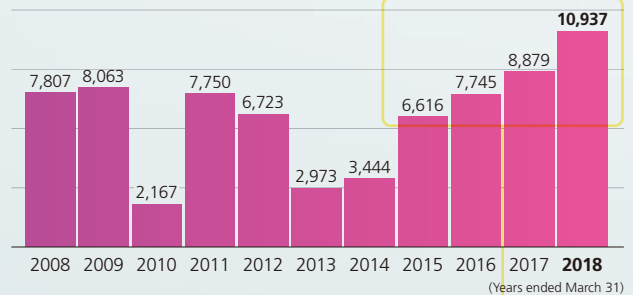


In the fiscal years ended March 2010 and March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer business resulted in Capcom achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time. Although net sales decreased significantly in the fiscal year ended March 2015 due to a delay 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 three consecutive fiscal years.

Net Income Attributable to Owners of the Parent

(Millions of yen)

10,937 million yen
UP 23.2% 

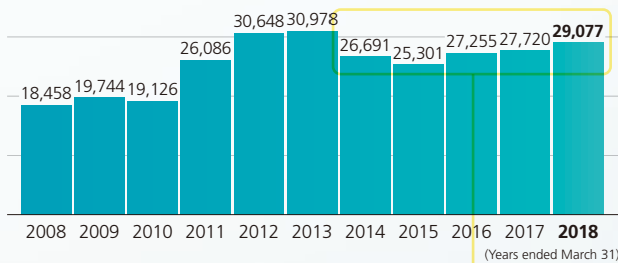


Performance was sluggish in the fiscal years ended in March 2010, 2013 and 2014, as (1) a complete overhaul to the Amusement Equipments' underperforming profit structure, (2) development structure revisions in line with enhanced digital downloads in the Consumer business and (3) strengthened Mobile Contents 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 five years in a row due to the benefits from development organization reforms beginning to manifest.

→ Please refer to "11-Year Summary of Consolidated Financial Indicators" on pages 77-78

R&D Investment Costs (Millions of yen)

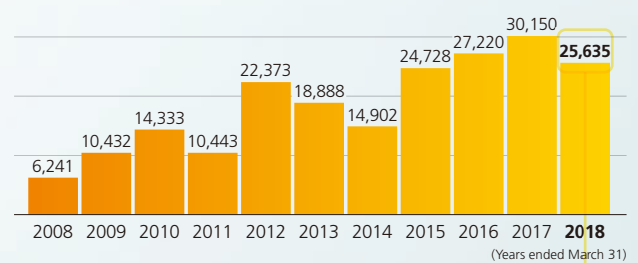
29,077 million yen
UP 4.9%



At Capcom, we believe the generation of creative and original content is the source of corporate growth, thus 90% 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 been on the rise since the fiscal year ended March 2008; however, we expect them to remain around 30 billion yen going forward.

Balance of Works in Progress for Game Software (Millions of yen)

25,635 million yen
DOWN 15.0%

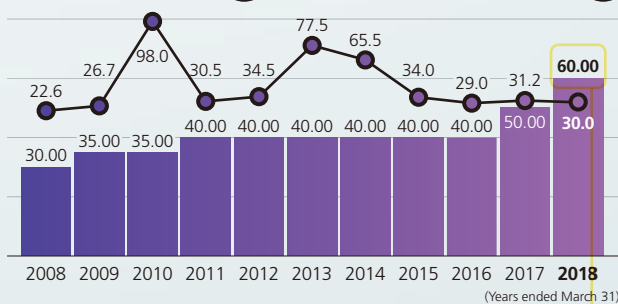


The balance of work in progress for game software has been on the rise in line with increasingly high-performance hardware. In the fiscal years ended March 2011 and 2014, it decreased with the release of major titles. Since the fiscal year ended March 2015, it has been increasing again with expansion of the lineup and release of new-generation hardware, but in the fiscal year ended March 2018 it decreased owing to the release of *Monster Hunter: World* and the reevaluation of some unprofitable titles.

Dividend per Share / Dividend Payout Ratio

■ Dividend per Share (Yen) ● Dividend Payout Ratio (%)

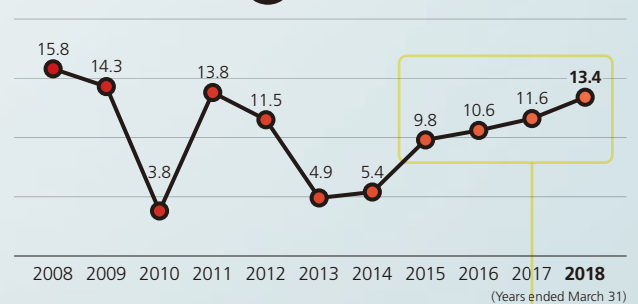
60.0 yen **30.0**%
UP 20.0% DOWN 1.2 points



Up to the fiscal year ended March 2016, Capcom had a basic policy of maintaining stable dividends, and in the fiscal years ended March 2009 and 2011, the annual dividend was raised 5 yen in conjunction with improved business results. Since the fiscal year ended March 2017, the basic policy has been to maintain a consolidated payout ratio of 30% and to strive for stable dividends. As a result, the annual dividend per share in the fiscal year ended March 2018 was 60 yen, the highest ever in the 28 years of continuous dividends since our listing.

Return on Equity (ROE) (%)

13.4%
UP 1.8 points



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.

ESG Highlights

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 unique perspective of a game publisher. This entails tackling social issues through our business activities, such as training human resources capable of succeeding on the global stage, and the creation of new markets through cutting-edge technology. To address the above, we have selected four material issues for ESG.

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 stimulates your senses,” are closely related.

As such, we will contribute to the development of a sustainable society by promoting our growth strategy and clearly addressing these material issues.

ESG Initiatives and Future Challenges

	Initiatives	Contribution to Business	Future Challenges
E Environmental	<ul style="list-style-type: none"> ● Reduced CO₂ emissions by switching to LED lighting ● Constructed new environmentally-friendly buildings ● Reduced exhaust gas and resources used via distribution network sharing with other companies in the industry ● Reduced paper resources used through the digitization of instruction manuals 	<ul style="list-style-type: none"> ● Reduced costs (used less electricity, cut distribution costs) 	<ul style="list-style-type: none"> ● Increasing energy conservation at existing buildings through renovation ● Further conserving energy in amusement facility operations
	S Social	<p>Relationship with Employees</p> <ul style="list-style-type: none"> ● Actively employed non-Japanese citizens ● Increased number of women in management positions ● Held Health and Safety Committee meetings ● Implemented staff training ● Implemented discretionary work system <p>Relationship with Customers</p> <ul style="list-style-type: none"> ● Compliance with the CERO ratings system ● Formulated guidelines with industry groups <p>Relationship with the Regional Community</p> <ul style="list-style-type: none"> ● Welcoming children participating in Company Visits to our offices / holding Guest Lectures at schools ● Regional revitalization making use of Capcom content ● Supported senior citizen community formation with video game arcade tours 	<ul style="list-style-type: none"> ● Expanded global reach through game development based on a diverse set of values ● Acquired competent creators ● Improved creator productivity ● Fostered a commitment to legal compliance <ul style="list-style-type: none"> ● Improved customer satisfaction by creating stress-free environments for play ● Reduced social risks posed by games <ul style="list-style-type: none"> ● Expanded profit opportunities by improving company and IP name recognition
G Governance	<ul style="list-style-type: none"> ● Increased dialogue with shareholders ● Transitioned to a company with an audit and supervisory committee ● Raised the ratio of external directors ● Established a nominating committee (voluntary) 	<ul style="list-style-type: none"> ● Evaluated proper corporate value on both financial and non-financial bases ● Avoided managerial decision-making risk through better management monitoring ● Ensured the appropriateness of growth strategies by having the Board of Directors consider a range of views ● Perpetuated the founder’s business know-how 	<ul style="list-style-type: none"> ● Increasing the number of opportunities for persons in charge of development to converse with the market ● The effective operation of the audit and supervisory committee system ● Board of Directors effectiveness assessments and their utilization ● Setting developer compensation in consideration of medium- to long-term sustainable growth

Sustainable Development Goals (SDGs)

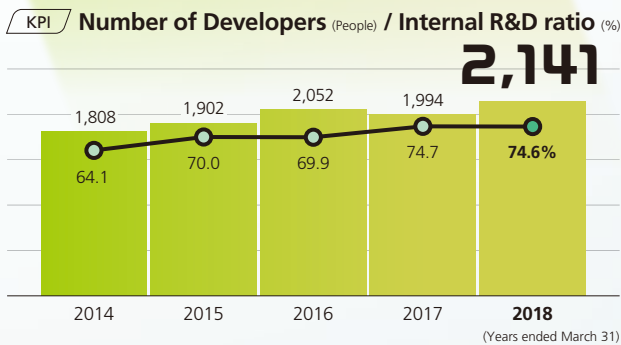
Set by the United Nation’s more than 150 member states at the UN Sustainable Development Summit 2015, held in September of the same year, the SDGs lay out 17 goals for the world to focus on with the aim of eliminating poverty and achieving global sustainability.

➔ For more information, please refer to the United Nations Sustainable Development Goals webpage below:
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



Material Issue ①

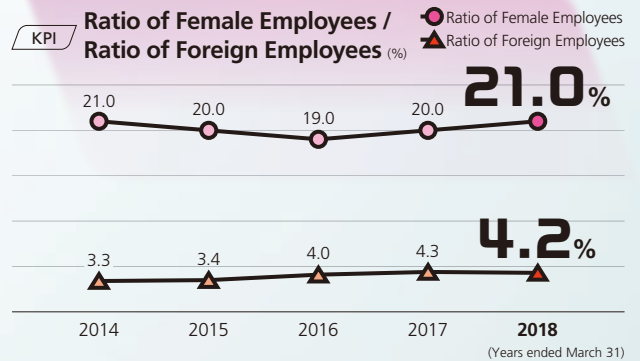
Securing and Training of Human Resources



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 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 putting together an environment that empowers developers to create the games they want to create.

Material Issue ②

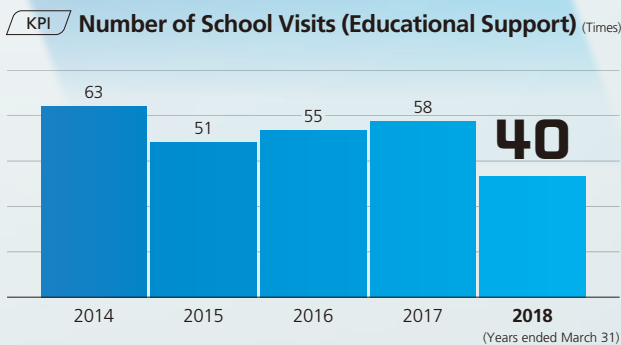
Promoting Diversity



Securing a pool of human resources with diverse thinking is an important element for developing world-class games. For that reason, we are promoting diversity, working on building a workplace where women can excel, and actively hiring foreign nationals. We are tying this into the creation of all-new intellectual properties and successful, unconventional collaborations.

Material Issue ③

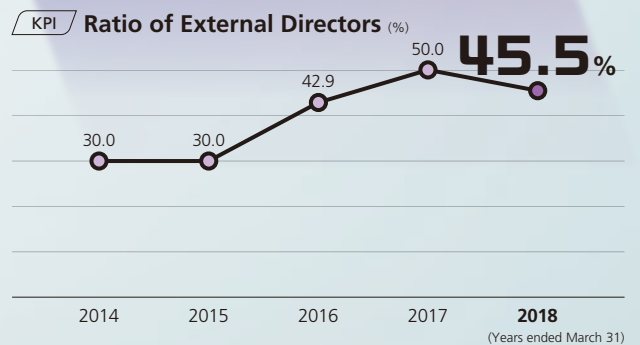
Development of Solid Relationship with Society



Based on the desire to promote understanding in society of video games, Capcom holds Company Visits, where we welcome children to our offices, and Guest Lectures at schools, both tailored to elementary and junior high school students. In addition to providing information on what it's like to work at a game company, and delivering career education on the variety, joy, difficulty, and importance of these jobs, we offer advice on game literacy, or how to maintain a healthy relationship with games.

Material Issue ④

Enhancement of Corporate Governance



Generally, an owner-run company excels at being flexible and fast decision-making, 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, with 45.5% of our directors now being external directors.

Business Activity Achievements

Business Overview

Operating Results for This Fiscal Year



Digital Contents

This business develops and sells packaged games and digital download content for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games produces creative, original content with a focus on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in order to maximize earnings.

Consumer (Package + Digital Download Contents)

- We released *Monster Hunter: World*, which became our biggest hit ever
- Rereleases for the Nintendo Switch performed well
- Sales of *Marvel vs. Capcom: Infinite*, which targeted the North American and European markets, were weak

Mobile Contents

- We released *Snoopy Life*



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.

- We focused efforts on cultivating new customer segments, including free game experience tours for middle-aged and elderly persons and the establishment of the Capcom Esports Club
- Two arcades were opened, and two were closed
- Same store sales were up 2% year over year



Amusement Equipments

Here, we are engaged in two sub-segments that utilize 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. The Arcade Games Sales sub-segment develops, produces and sells arcade games for amusement facilities, creating synergy between businesses.

- In the PS sub-segment, we sold 18,000 *Resident Evil: Revelations* pachislo machines
- We delayed the release of two models in light of changes in the market environment of the PS sub-segment stemming from changes to certification methods
- In the Arcade Games Sales sub-segment, we released the *Monster Hunter Medal Hunting G* medal game



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.

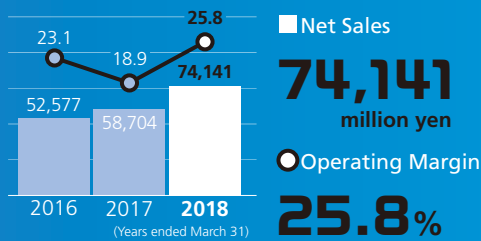
- We maximized unit sales of *Monster Hunter: World* and *Resident Evil*-related titles with events tied into product launches
- We are actively rolling out esports events, including the Capcom Pro Tour and Capcom Cup

Main Products for This Fiscal Year (Output)

PC Online

- The performance of PC Online titles *Monster Hunter Frontier Z* and *Dragon's Dogma Online* declined

Net Sales / Operating Margins



Monster Hunter: World

Efforts to globalize the *Monster Hunter* brand, including the first global simultaneous release for the series and aggressive overseas promotions, paid off with it becoming the biggest hit in Capcom history, selling 7.9 million units worldwide.

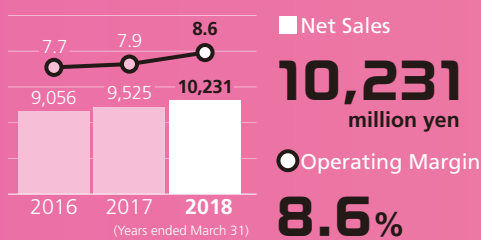


Resident Evil 7 biohazard

We released *Resident Evil 7 biohazard Gold Edition*, which combined the full game and paid download content into a single package. Despite it being a catalog title released the previous year, it sold 1.6 million units.



Net Sales / Operating Margins

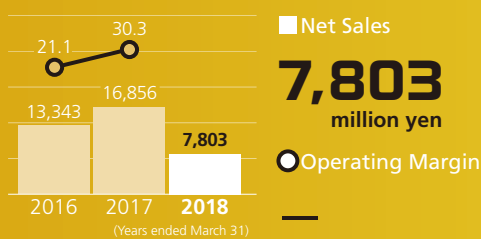


Game Land Tsudanuma

We opened this new location in August 2018. In addition to the latest game machines, we have also set up a VR corner and Chara Cap merchandise shop to attract more customers.

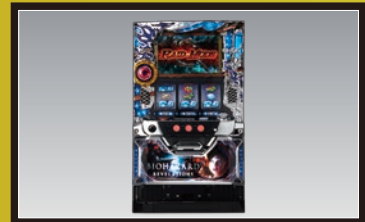


Net Sales / Operating Margins

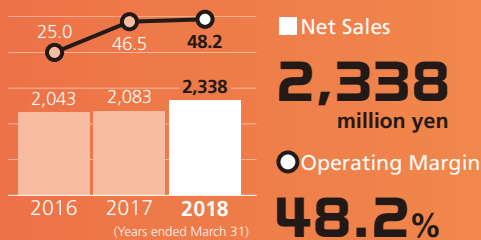


Resident Evil: Revelations Pachislo Machine

This is the latest pachislo machine to utilize the *Resident Evil* brand, which is popular in both the home video game and pachislo machine markets. The popularity of the series and the special cabinet called "The Abyss" appealed to players and led to sales of 18,000 units.



Net Sales / Operating Margins



Capcom Cup 2017

The world championship and conclusion of the *Capcom Pro Tour 2017*, this annual esports tournament is organized by Capcom and was held in Anaheim, California in December 2017. It was very favorably received, with 2,500 spectators in attendance and more than 2.57 million viewers watching online.



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Our Vision to Increase Operating Income Annually by Balancing Stability and Growth

We will realize annual increases in operating income via a portfolio comprised of growth in the Consumer business, stability in the Amusement-related business and a mix of future options to drive further growth. For the next several years, we will focus on establishing both a foundation for stable growth and a system for additional growth while also expanding our user base by strengthening overseas expansion of the Consumer business.

Medium- to long-term growth

Profit

Mobile + Esports

Options for further growth

[Mobile/Esports]

Period of leveraging all options, including internal production and alliances
Period of aggressive business expansion

New Titles (Consumer)

Growth driver

[Consumer]

Period of enhancing lineup and achieving growth through overseas expansion

Catalog Titles (Consumer)

Base profits from recurring revenue model

Amusement-Related

Stable earnings

[Amusement Equipments / Arcade Operations]

Period of maintaining profits amidst deterioration of business environment



Medium-term

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Growth Strategy

[Mobile]

- Promote alliances in Japan and other countries
- Explore new developments

[Esports]

- Having established a dedicated esports division, expand aggressively by holding events in Japan

[New Titles (Consumer Business)]

- Regularly release titles for major IP
- Promote utilization of dormant IP and remakes

[Overall (Consumer Business)]

- Strengthen digital downloads for both new and catalog titles

[Catalog Titles (Consumer Business)]

- Expand *Monster Hunter* series globally
- Extend sales life of catalog titles with rereleases for current-generation hardware



[PS Business]

- Build development structure to handle new regulations



Long-term

→
Period



Kenzo
Tsujimoto

Chairman and
Chief Executive Officer (CEO)

CEO Commitment

To Create the World's Most Entertaining Games Targeting Stable Growth through Management Systematization and Content Branding

Six Elements Required for the Sustainable Enhancement of Corporate Value

It has been 35 years since I founded Capcom. However, I have no interest in past successes. Even now that we have once again achieved record earnings, we are always focused on the world in 5, 10 or 50 years from now, wondering what we should be aiming for and what kind of mechanism can we create that will lead to sustainable growth.

I believe this will require the linking of six elements: ❶ a corporate philosophy and culture that fosters the ambitions and values set out at our founding,

❷ a business model that is a competitive advantage, ❸ important management indicators that function as quantitative guideposts, ❹ a management strategy focusing our strengths, ❺ a relationship with society and ❻ governance that reduces risks and enhances sustainability.

On the following pages, I will explain to our shareholders how we are favorably and uniquely positioned with respect to each of these six elements that facilitate the sustainable enhancement of corporate value.



1 Corporate Philosophy and Culture — Aim to be the Best in the World

“From Osaka to the World”: Our Motto, and The DNA to Continue Taking on Global Challenges

I jumped into the world of entertainment 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 the senses. In other words, we help build an emotionally rich society by creating entertainment culture with the world’s most entertaining games. ➔ [For details, please refer to “Corporate Philosophy” on page 02](#)

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.

35 years later, I have amassed more than 2,900 colleagues who share this vision. Under the slogan “From Osaka to the World,” these values have become our corporate culture and DNA, 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, including *Street Fighter*, *Resident Evil* and *Monster Hunter* because of the fertile soil of a corporate culture cultivated over many years.

2 Business Model — Competitive Advantage Centered on Global IP

Business Development Leveraging Development and Technological Capabilities and Brand Advantages

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

In addition, for the past six years, we have hired over 100 new employees every year, increasing our development staff to over 2,100 people 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). Against this backdrop, in the consumer market, technological standards and development costs rise with each hardware cycle,

resulting in a situation where only branded popular titles continue to sell over the long term, creating a situation where consumer spend and time is more concentrated. ➔ [For details, please refer to “An Analysis of the Market and Capcom” on page 73](#)

Furthermore, in 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 IP amplifies the effect of our multiple usage strategy. Also, marketing activities utilizing Hollywood movies further enhances the global competitiveness (brand power) of our IP, and maximizes synergistic effects. ➔ [For details, please refer to “The COO’s Discussion of Growth Strategies” on page 29](#)

3 Key Performance Indicators (KPI) —Focused on Stable Growth for 5–10 Years into the Future

Creating a Framework Using Systematization and Establishing a Leaner Structure by Improving Performance Indicators

1. Analysis of Management Performance in the Fiscal Year Ended March 2018 (Summary)

In the fiscal year under review (ended March 2018), we achieved the fifth consecutive year of operating income growth, and all profit items from operating income downward reached record highs. What I want to point out here is that (1) we successfully positioned *Monster Hunter: World* as a global brand, (2) catalog sales (past titles, including rereleases and HD versions) also grew, increasing the density of our earnings platform and (3) digital unit sales rose to 53%. All three of these items are part of our growth strategy and demonstrate our successful executions of these initiatives up to now.

➔ For details, please refer to "Financial Review" on page 79

2. Medium-Term Management Goal Assumptions and Indicators (KPI)

(1) Management Direction—Thinking About What to Target in the Next Five Years

I am always thinking about what our management targets should be in the next five years. In this way, I am even able to quickly notice small changes two years from now. And, at present, our management policies are to (1) create exciting, world-class content (IP), (2) maximize earnings by leveraging our rich library of IP across multiple platforms and media and (3) maintain these activities to become a company of continuous, sustainable growth.

(2) Management Goals—Stable Growth Every Year

We have established operating income growth each fiscal year as the goal for achieving the above. 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. This will enable institutional investors managing pensions and individual investors on fixed incomes to maintain long-term holdings with confidence. As we are emphasizing annual growth, we have not announced a specific rate of increase, but we are considering a profit growth rate between 5%–10%.

(3) Key Performance Indicators (KPI) and Shareholder Value Creation Achievements

In terms of management, I place importance on operating

income (growth indicator) as the basis of corporate earning power, operating margins (efficiency indicator), which are the basis of profitability, and cash flows.

The game industry is prone to drastic change; in terms of engaging in management that is always focused five years ahead, we use the above fundamental indicators, as well as a matrix that compares figures to net sales, year-over-year and to our forecast, to check for anomalies and quickly identify and address problems.

This has led to a 204% increase in operating income and a 9.3-points improvement in operating margins over the past 10 years, placing Capcom at the top compared to other companies in our industry.

Operating Income / Operating Margin Rate of Improvement (Compared to the Fiscal Year Ended March 2010)

	Operating income	Operating margins
CAPCOM	+204%	+9.3 points
KONAMI HOLDINGS	+167%	+12.9 points
SQUARE ENIX HOLDINGS	+6%	-3.6 points
SEGA SAMMY HOLDINGS	-43%	-4.2 points
BANDAI NAMCO HOLDINGS	+3,085%	+8.7 points

Note: Comparison of the fiscal year ended March 2010 and the forecast for the fiscal year ending March 2019.

Source: Financial reports and earnings materials.

Further, if we improve these performance indicators, ROE and other related indicators also increase, creating shareholder value. Specifically, in line with improved margins, ROE has improved for five years straight. And, in the fiscal year ending March 2019, the equity spread (ROE – cost of capital) is expected to be 8.46%, adding to corporate value and exceeding the average for companies listed on the Tokyo Stock Exchange (3.28%) as well as those in the same industry.

ROE / Equity Spread

	ROE	Equity Spread
CAPCOM	14.05%	+8.46%
KONAMI HOLDINGS	12.61%	+6.35%
SQUARE ENIX HOLDINGS	10.90%	+5.97%
SEGA SAMMY HOLDINGS	3.90%	-2.34%
BANDAI NAMCO HOLDINGS	11.12%	+5.91%
TSE Average	9.39%	+3.28%

Note: Forecast for the fiscal year ending March 2019

Source: Financial reports, Bloomberg

In addition, I think it is important to reward shareholders who trust our Company and hold Capcom shares over the medium-to-long term, and I have strived to deliver sustainable earnings growth and returns to shareholders. **As a result, over the past five years capital gains and dividends, which constitute total shareholders return (TSR), are 27.85%, beating TOPIX (12.91%) and propelling Capcom to the top position compared to other companies in our industry.**

Going forward, we will create a framework for management systematization with the aim of creating a leaner corporate structure by improving basic performance indicators. [➔ For details, please refer to “Financial Strategy According to the CFO” on page 39](#)

Total Shareholder Return (TSR)

	Five-year period (annual rate)
CAPCOM	+27.85%
KONAMI HOLDINGS	+25.56%
SQUARE ENIX HOLDINGS	+39.17%
SEGA SAMMY HOLDINGS	-0.08%
BANDAI NAMCO HOLDINGS	+18.82%
TOPIX	+12.91%

Note: Five-year period from fiscal years ended March 2014 to March 2018
Source: Bloomberg

4 Management Strategy —Development and Marketing Strategies Focused on Strengths

Enhancing Brands and Expanding Customer Segments with Proprietary Development and Marketing Strategies

1. Investing in Human Resources and Development Equipment to Create World-Class Games

“Without pursuing advancement, we cannot create world-class games.” As a manager in the game industry for 50 years, I have always said, “World-class games are not just entertaining, they must also be technically advanced.” The evolution of hardware and rising quality of market entrants are proof of this. Accordingly, we must amass human resources that are highly skilled in areas such as programming and the visual arts. We are already engaged in this effort.

I focused on future game market expansion and technological advances, and for the past six years Capcom has hired over 100 new employees every year. Neary all of them are “game natives” who have played games since they were very young and have witnessed the advances in games of the past 20 years. Moreover, they are overflowing with energy, and desire to use their skills to develop new markets, which is why they joined Capcom, whose DNA is rooted in a focus on global markets.

To make the most of the talents possessed by our gang of game natives, we are creating mechanisms for human resource development and aggressively investing in the world’s most advanced R&D centers and development equipment. [➔ For details, please refer to “Investment in Human Capital” on page 51](#)

2. Marketing Strategy for Creating Global Brands

Another critical factor is our approach to marketing, focused on branding and increasing awareness of hit titles.

As it takes about three years to develop a game, we used to have issues with a progressive decline in recognition during development. I came up with the idea that the most effective method for ongoing media exposure of game titles was to expand globally using Hollywood movie adaptations. In 1994, we decided to invest 4 billion yen to make a *Street Fighter* Hollywood movie. At that time, some thought I had taken up movies merely as a hobby, but this investment generated a 15 billion yen return and successfully established *Street Fighter* as a global brand. Although games receive only about two weeks of media exposure before and after their release, factors that led to the success of this Hollywood movie include (1) the theatrical release, (2) Blu-Ray and DVD sales, (3) cable television broadcasts and (4) broadcasts at hotels and in airplanes. It has been rebroadcast numerous times over years and decades, which has led to maintaining and even increasing the recognition of this title.

A condition to taking this marketing approach is that the games are of world-class quality; Capcom has already succeeded in a similar way with the branding of *Resident Evil*. We will continue to utilize this branding approach with other Capcom IP.

3. Growth Strategy Aimed at Increasing the User Base of Each IP

As the founder of Capcom, I think it is important to create a structure for passing the business on to the next-generation. As with any structure, building the foundation is the most challenging part, but efforts launched five years ago are finally starting to take shape. To establish solid growth strategies and further enhance corporate value, there are two risks that are critical to address; first, I will talk about the stable growth mechanism (control of earnings volatility risks).

To mitigate earnings volatility risks over the medium-to-long term, measures enabling sustainable growth must include (1) transforming the foundation of our Consumer business model from a traditional one-time sale "transactional model" to a continuous "recurring revenue model" and (2) creating a business portfolio and diversifying earnings risks by thoroughly leveraging Capcom's basic strategy, Single Content Multiple Usage. [\[Diagram 1\]](#)

Historically, earnings in Capcom's core Consumer business fluctuated depending on whether or not we created hit titles. Although we achieved some success (controlled earnings volatility) through timing the releases of multiple hit titles in the past, it did not meet my objectives for stable growth.

However, since 2013, game consoles have been equipped with robust online functionality, enabling us to develop growth strategies around digital elements.

Specifically, new titles [\[Diagram 1-A\]](#) will work as growth

drivers as we (1) release approximately three major titles each year, (2) extend the sales life of these titles to 3–4 years with additional content and pricing strategies and (3) strengthen our presence overseas, which comprises approximately 85% of the total market.

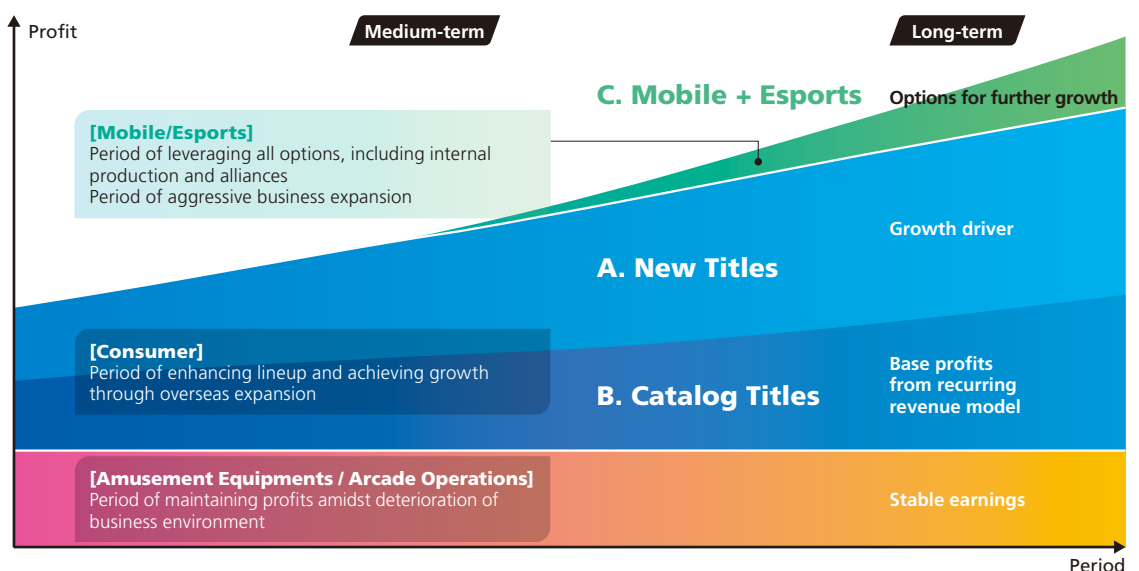
Next, in terms of catalog titles [\[Diagram 1-B\]](#), we will grow our user base and generate profits on a recurring revenue basis through (1) download sales of past titles and (2) rereleasing past hit titles for current-generation game consoles.

Furthermore, our Single Content Multiple Usage strategy has not yet been of a scale sufficient to offset volatility in Consumer games. In Mobile contents however, through the advance of G (generations of communication speed) and K (display resolution) technologies, we will build a business foundation as a second pillar for future growth by thoroughly leveraging our core strength of IP while pursuing in-house development, alliances, M&A and a variety of other possibilities.

In addition, with a focus on growth of the esports market five years from now, we will strengthen title branding and attempt to commercialize the esports business. [\[Diagram 1-C\]](#)

In the game industry, which is often called the "hit business," Capcom will establish a management structure and strategy able to achieve sustainable growth other companies have yet to achieve while enhancing corporate value.

Diagram 1
Medium- to Long-Term Growth



5 Relationship with Society (S) —Global Human Resources and New Market Cultivation

Developing Global Human Resources and Contributing to Society through Game Development

I believe that corporate value is enhanced by resolving social issues through business activities. This includes the development of human resources able to play an active role on the world stage, the creation of new markets using cutting-edge technologies and the building of healthy relationships with stakeholders from the unique perspective of a game maker while generating social and economic benefits.

1. Building a Healthy Relationship Between Games and Society

Traditionally, games have provided joy and stress relief; in recent years however, following an increase in mobile games, new issues such as minors spending large amounts of money on in-game purchases, real money trading (RMT) and game addiction are beginning to appear. In recognition that this is a substantial problem for the industry overall, companies are working together primarily through industrial organizations to (1) establish guidelines and educate, (2) share information on issues and examples among member companies and (3) regularly exchange information with guardians, educators, consumer organizations and governments. [➔ For details, please refer to “Relationship with Customers” on page 55](#)

In addition, Capcom conducts game literacy and career education to spread awareness of the proper way to interact with games as part of its educational support activities. These efforts are aimed at supporting the healthy development of young people and easing the concerns society has about the influence of video games. [➔ For details, please refer to “On-Site Classes” on page 56](#)

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 improved public safety 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 “Regional Revitalization Activities” on page 57](#)

At the same time, these four activities deliver value to Capcom in the form of (1) improving existing customer satisfaction through event participation and (2) enhancing the image of games among the middle-

aged and seniors. With respect to (2) in particular, this segment cannot be considered current customers, thus by contributing popular content to local communities, we are able to cultivate new game players through apps and games on their personal smartphones and devices.

3. Commitment to Employees

As can be seen from the fact that personnel expenses (costs) account for approximately 80% of development expenses, the game industry is a labor-intensive industry and an extraordinarily knowledge-intensive industry, thus human resources are an especially 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. One example of our results from this is the creation of a hit title in a new genre thanks to a development team led primarily by women. We also conduct various development programs, because human resource development is directly linked to strengthening our R&D capabilities. In addition, we not only bring together the world’s most advanced development facilities and technologies, but also ensure a robust working environment that includes facilities such as Capcom Juku, an on-site daycare center, all of which allows developers to concentrate on their work. Regarding remuneration, in addition to regular bonuses, Capcom has introduced a system offering incentives and assignment bonuses for each title in an attempt to further increase motivation.

Furthermore, rather than a mere daycare center, I want to make Capcom Juku a facility for learning that looks after children until they enter middle school. The children who buy games are the ones investing the most in Capcom. Thus, we must give something back to these children. Japan is trailing the United States and other nations in the fields of AI and IT, but we will rise to the challenge with human resources capable of competing globally. To this end, we will support children until they enter middle school and those who join Capcom will be developed into business people and game creators that can succeed on the world stage. I think this is the best we can give back to Capcom supporters. [➔ For details, please refer to “Relationship with Employees” on page 53](#)

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 that creates business opportunities.

6 Governance (G) —Management Visualization Mechanism Creating the Next Generation

Designing Systems and Developing the Next Generation of Management to Reduce Management Decision Risks

As Capcom further accelerates its growth strategies, the risks become proportionally higher, but I believe that governance is effective at reducing and avoiding 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 Board of Directors, which includes external directors, and building an unique mechanism for highly transparent and rational decision making. [\[Diagram 2\]](#)

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 complex combinations of data.

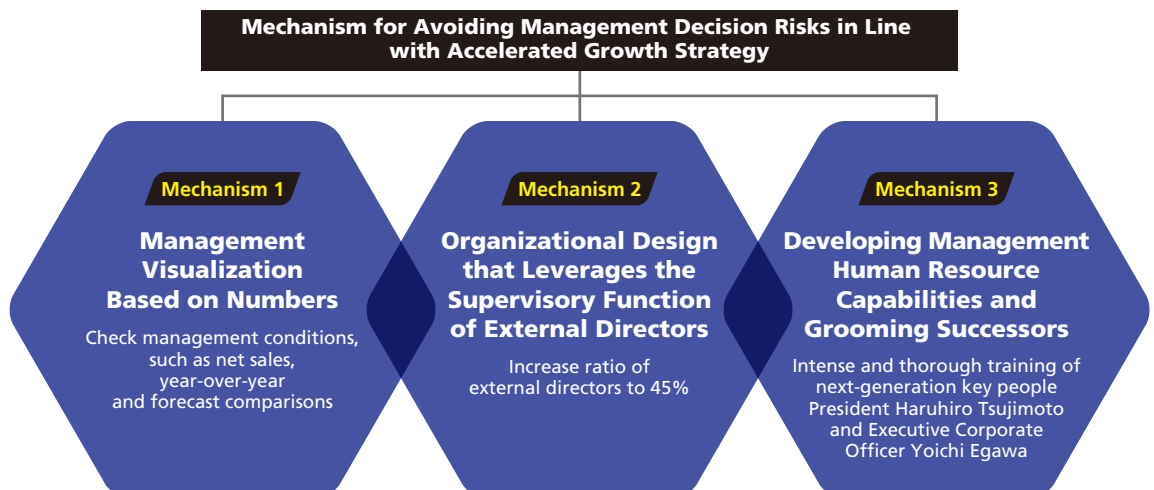
Furthermore, these materials are used by external directors for supervisory purposes and provided to investors as part of our IR activities. This is part of the mechanism I call "management visualization." Management decisions based on visualizing operations enable us to evaluate the Company with two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

Even when I talk with developers, numbers are the common language. Using only qualitative words and sentences leaves significant room for arbitrariness on the part of the person in charge. In comparison,

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

Diagram 2 Governance Mechanism



numbers enable comparisons from a variety of angles, facilitating decisions based on real conditions.

The risk control efforts I am focused on now involve passing on the management know-how I have accumulated as founder to the next-generation of management through actual practice and ensuring the Company functions reliably in the future by systematizing management. Both of these efforts are beginning to bear fruit.

Mechanism 2 Organizational Design that Leverages the Supervisory Function of External Directors

For the past 19 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 45.5% of the Board of Directors. This stemmed from one particular investor's concern that "as a founder-run company, Capcom can quickly make management decisions and respond to changes in the business environment, but isn't there a risk of arbitrary decisions and execution?"

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, 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 crisis 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.

I have determined that we must further enhance our management foundation to execute thorough risk management and ensure the stability of Capcom operations.

In addition, we proactively demonstrate the results of these supervisory mechanisms and monitoring in dialogues with investors. This arose due to a question from an investor back in 2013, who asked "Capcom's Governance Report states that the Board of Directors engages in lively discussions, but is this really true?" We considered the fact that this effective mechanism was unrecognized to be a problem, so in the following year we began publishing Board of Director discussions in our Annual Report and holding small meetings between external directors and institutional investors, which led to deeper mutual understanding. ➔ For details, please refer to "Making Use of Shareholder and Investor Opinions" on page 68

Mechanism 3 Developing Management Human Resource Capabilities and Grooming Successors

Within corporate management, people's character and spirit are important management resources that have a substantial impact on corporate value. In the 2016 integrated report, I discussed my management philosophy and capabilities as founder. At present, one of the concerns among our investors is the thinness of our management team as a founder-run company; in other words, have we prepared a management structure (successor plan) for the next generation?

Key people for the next-generation are President Haruhiro Tsujimoto and Executive Corporate Officer Yoichi Egawa. Both have the qualities necessary for management.

For example, I have chosen my oldest son, President Tsujimoto, as my successor for two major reasons. The first is because he knows more about games than anyone else. He has assisted me since he was in middle school and Capcom was still a small company akin to a neighborhood business. As a result, he has accumulated over 40 years of experience in the industry with knowledge spanning the construction of game machines to software development.

The second reason is that he is prepared to stand his ground as a member of the founding family. Since he was a student, Haruhiro Tsujimoto has been willing and intended to take over the family business as the oldest son. He has looked after employees who joined Capcom as new graduates and their families for 50 years, and even when earnings were lackluster, he continued to create entertaining games for children, who invest the most in Capcom. Only a person who is willing to stand and fight can accomplish these things. I cannot allow Capcom to be run by someone with the tendency to give up as soon as his position becomes difficult.

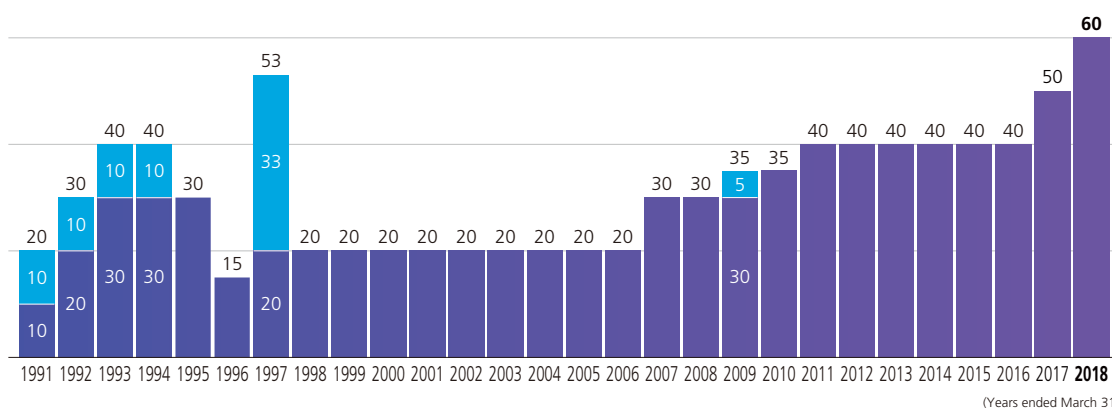
Of course, as a Company, governance is important. Assuming the organization functions properly, the creation of this mechanism is as explained above.

In last year's report, I discussed Yoichi Egawa's qualifications. In addition to my intense and thorough training of these two very different types of people, when combined with the corporate culture we have cultivated over many years and the aforementioned management visualization and systematization, I believe I have prepared a deep management team that our long-term investors will think are the type of people they can rely on as managers.

Diagram 3

Dividends per Share since Public Listing (yen)

■ Ordinary dividend ■ Commemorative or special dividend



Rewarding Long-Term Shareholders with 28 Consecutive Years of Returns Since Capcom's Listing and Record-High Dividends

1. Basic Policy Regarding Dividends

During my 35 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 through investment in growth, (2) continue paying dividends (30% payout ratio) while striving for stable dividends and (3) 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 28 years since we went public in 1990, and have doubled our dividend amount over the past ten years. [\[Diagram 3\]](#)

2. Dividends for This Fiscal Year and the Next

In the fiscal year ended March 31, 2018, the annual dividend reached an all-time high of 60 yen. In the next fiscal year (ending March 31, 2019), we plan to pay an annual dividend of 30 yen, which after our stock split, will substantively amount to another all-time high dividend similar to that in the year under review.

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 35 years to continue meeting the expectations of all Capcom shareholders.

Kenzo Tsujimoto
Chairman and
Chief Executive Officer (CEO)

Growth Strategy

Haruhiro
Tsujiimoto

President and
Chief Operating Officer (COO)



Capcom's Medium- to Long-Term Vision

- Growth driven by the Consumer business
- Mobile and esports are options for further growth

→ Please refer to page 17

Changes in the Game Market

- Evolution of sales methods utilizing social media and other approaches in the consumer market
- Signs of revenue model diversification in the mobile market
- Increasing potential for full-scale growth in the esports market

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2 Mobile

Develop Measures for Medium and Long-Term Phases Aimed at Full-Scale Growth

Medium-Term Measures Promoting Alliances in Japan and Overseas

Long-Term Measures Preparation for Next-Generation Standards

→ P33

1 Consumer

Enhance Through Utilization of Core Consumer IP

Measure 1 Steady Annual Launch of Core IP in Global Markets

Measure 2 Bolster Digital Downloads (Full-Game and Additional Content)

Measure 3 Game Business Digital Shift

→ P31

3 Esports

Establishing a Foundation and Promoting the Spread of Esports to Prepare for Future Monetization

Measure Initiatives Focused on Top Professionals and Expanding the Field of Amateurs

→ P34

Promoting Digital Strategies to Meet Diversifying User Needs

The game market this fiscal year was invigorated by favorable sales of game consoles from each hardware manufacturer, becoming a year in which we saw innovations including the rise of esports and new online game genres.

Currently, the aspects of the market I am focused on are (1) the further expansion of digital download sales in the consumer market, our core business, and the changing relationship between publishers and customers via the Internet; (2), ongoing changes in the mobile market toward the next stage, from a business model that is, as I pointed out last year, over-reliant on “gacha” lottery-style mechanics; and (3) increasing expectations for growth in the esports market as an opportunity for revenue as well as potential changes in the social value of games.

In the rapidly advancing game market, Capcom

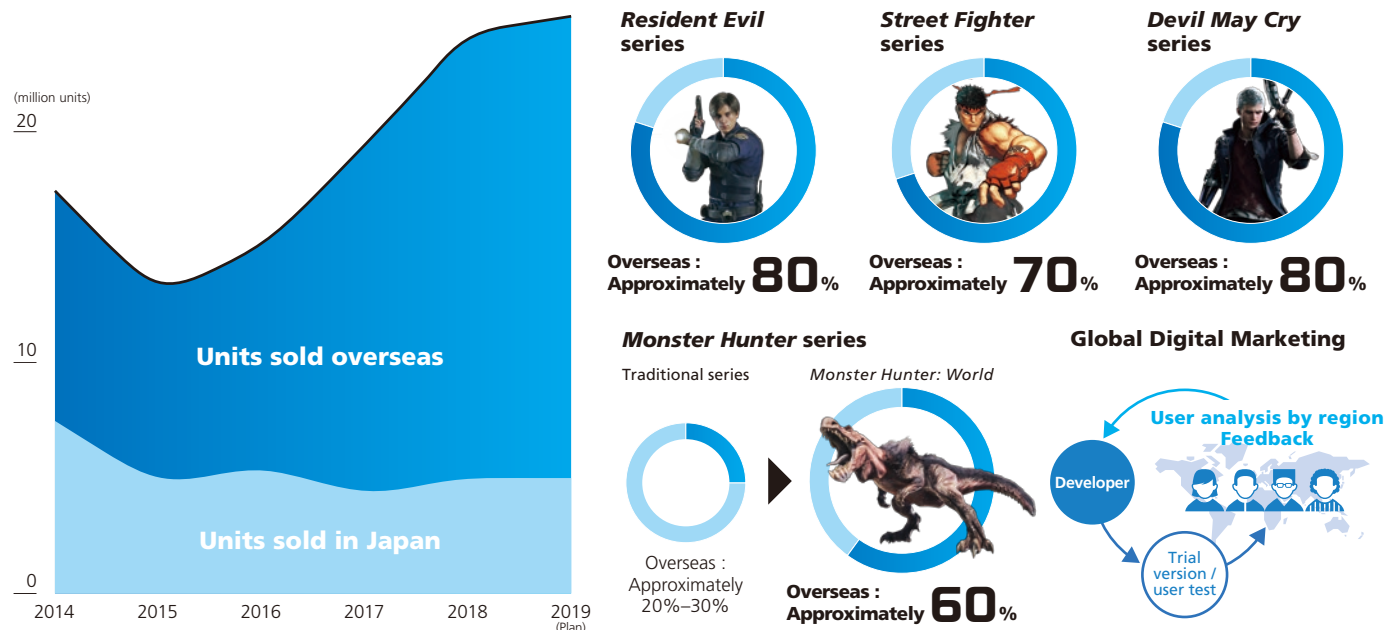
will continue accelerating our Single Content Multiple Usage strategy, globally developing our rich library of IP, one of our strengths, for a variety of media while controlling performance volatility and realizing operating income growth every year by expanding our customer base.

To this end, in the consumer market, we will expand our new title lineup and continue promoting sales of catalog titles while strengthening trend analysis and promoting targeted approaches to meet diversifying user needs. Further, as an option for growth over the medium-to-long term, we will implement initiatives aimed at creating hit titles in the mobile segment and expanding the adoption of esports.

On the next page, I will explain the specifics of Capcom's growth strategy.

The COO's Discussion of Growth Strategies

Diagram 4
Global Development Progress and Digital Marketing



Growth Strategy

1

Consumer

Enhance Thorough Utilization of Core Consumer IP

In Addition to Strengthening the Global Development of New and Past Titles, We Will Pursue Revenue and Profit Growth Using a Digital Approach to Sales

The consumer market is expected to grow to 35.6 billion dollars by 2022 (a 45.9% increase compared to the 2017), thus Capcom continues to position our Consumer business as our driver of growth. We have improved profitability and steadily advanced toward a recurring revenue model through ongoing initiatives that include the expansion of our new title lineup and sales promotions of catalog titles through strengthened digital downloads, achieving margins that were generally in the 30% range in the fiscal year ended March 2018. Maintaining this basic strategy, we will better respond to the needs of existing customers and increase satisfaction by utilizing networks to strengthen marketing activities, while pursuing increased brand value, including the acquisition of new customers, and promoting further profit growth and a higher level of earnings stability.

Measure 1 Steady Annual Launch of Core IP in Global Markets

Since structural reforms in the fiscal year ended March 2013, and the full-fledged use of our strategic map (60-month), we have formed a title portfolio focused on stable growth and established a mechanism for placing more than 2,000 developers on a 52-week

map at the required time on the required development team. As a result, we shortened the launch cycle for each series, enabling the launch of multiple major titles each fiscal year. [Please see page 45](#)

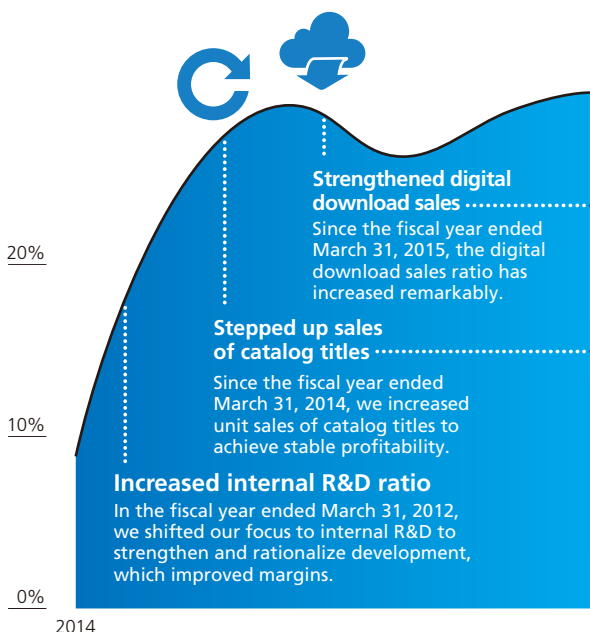
Based on this structure, I think there is substantial room for growth in the European and North American markets, which comprise 85% of the consumer market, and in addition to *Resident Evil* and *Street Fighter*, which are already popular in these markets, our strategic plan to make *Monster Hunter* a global brand with the release of *Monster Hunter: World* resulted in the sales of a record 7.9 million units in the fiscal year ended March 2018.

We will analyze the factors behind this success, developing and deploying this information as established know-how within the Company. At the same time, we will proactively recruit new graduates to increase our number of developers to 2,500 people by 2021, in order to increase the number of new major titles we release to global markets. [\[Diagram 4\]](#)

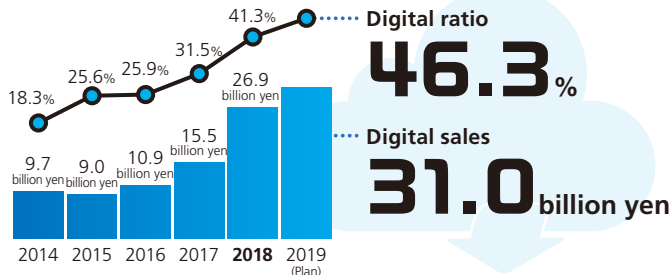
For the time being, we will place a priority on maximizing the revenue from current core IP, while also actively utilizing dormant IP. [Please see page 47](#) As the creation of new IP is also indispensable for medium- to long-term growth, we will concurrently create new brands as well.

Diagram 5

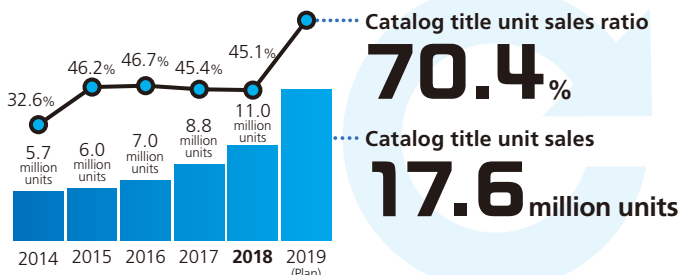
Consumer Business Operating Margin (%)



Digital Sales and Digital Ratio



Unit Sales and Ratio of Catalog Titles



Measure 2 Bolster Digital Downloads (Full-Game and Additional Content)

The merits of digital downloads include (1) improved profitability due to package production cost reductions and avoidance of inventory risk (full-game downloads), (2) additional earnings opportunities through full-game downloads of catalog titles, which can be difficult to sell in packaged form at physical retail shops, and (3) anchoring players by providing content on an ongoing basis and acquiring additional revenue (additional content).

In addition to new and catalog core IP titles, Capcom has strengthened full-game downloads for rereleases on current generation game consoles, and digital sales are growing steadily. In particular, catalog titles and rereleases/remakes → Please see page 43 for current-generation game consoles have contributed to revenue over the long-term as we have promoted the transition to a recurring revenue model. We are close to achieving our medium-term objective of a 50% digital download sales ratio.

There is still a lot of room to expand our lineup, including with dormant IP, thus we will endeavor to expand earnings going forward. [Diagram 5]

Moreover, with regard to additional digital content, Capcom is focused on improving user satisfaction with free additional digital downloads to increase fans of the brand and achieve growth from the next title onward. We are developing paid additional digital downloads, such as costumes, weapons and other items, with the main objective of satisfying players in a way that is not directly related to game progress.

Measure 3 Game Business Digital Shift

For some time, I have thought the game business could be made more efficient by utilizing state-of-the-art internet technology. My sense is that our industry has not yet sufficiently introduced the digital marketing and online promotion measures commonplace in other industries.

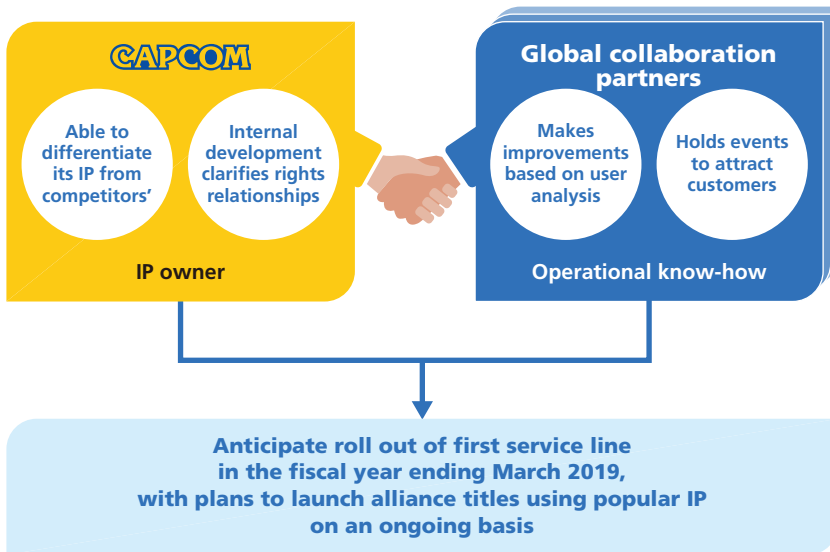
In the past few years, we established the Global Marketing Group and engaged in improvements resulting in *Monster Hunter: World* becoming the first title on which management, development and business came together to make full use of the internet to expand sales and realize improved quality. For example, the analysis of global user preferences gained through the distribution of an online demo version contributed to this record-breaking hit, and we are beginning to apply this method to titles that will be released from next fiscal year onward.

The critical factor is to extract and analyze data from the standpoint of user satisfaction being extremely important for luxury items like games. This importance will continue to increase going forward as digital natives familiar with the internet and social media since birth grow into core segment game users.

Amid the global expansion of markets, it is essential to develop detailed IP brand strategies. To comprehensively analyze user attributes, platform ownership status and price sensitivity for each IP, Capcom established a specialized department utilizing new analysis tools in April of the year. We will aim for global coordination by integrating the development, marketing and sales departments to further promote earnings and brand maximization.

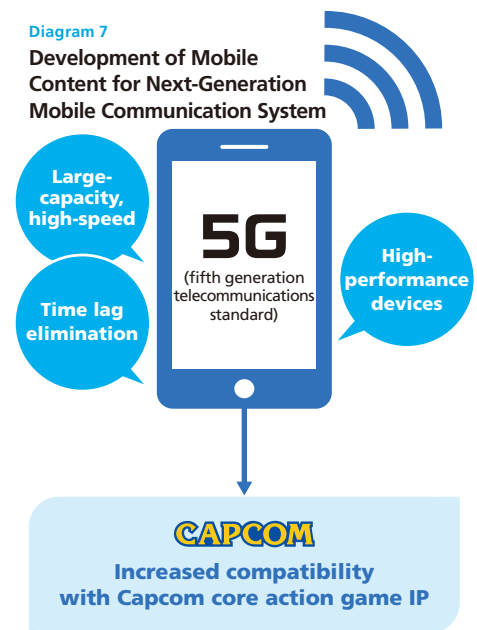
Medium-Term Measures

Diagram 6
Mobile Content Collaboration Projects in Japan and Overseas



Long-Term Measures

Diagram 7
Development of Mobile Content for Next-Generation Mobile Communication System



Growth Strategy
2

Mobile

Develop Measures for Medium and Long-Term Phases Aimed at Full-Scale Growth

Promoting Collaborations and Support for the Next Generation Aimed at Transforming Non-Growth Areas

Despite achieving consolidated earnings with record high profit, in the mobile domain we continue to lag behind other companies in our industry. At the same time, there is a sense that the "gacha" business model that swept the market has reached its peak, and because the appetite for leading IP continues to increase, our analysis is that there is still significant room for potential growth due to Capcom possessing a large number of core action game IP. We will promote measures focused on both the medium and long term in an attempt to achieve growth in the mobile segment where the strong global growth rate is expected to continue.

Medium-Term Measures

Promoting Alliances in Japan and Overseas

To pursue every possibility for mobile growth, since last fiscal year Capcom has been making a full-fledged effort toward alliances utilizing our IP in conjunction with companies specializing in the mobile segment. We aim to enhance our operational know-how in the mobile business, an area in which we have lacked the requisites for success, to improve game content and better implement timely events within games. Up to this point,

we have been undertaking projects with multiple collaborators with track records of hits in Japan or overseas. Of these, at least two titles are planned for release in the fiscal year ending March 2019. [Diagram 6]

Creating hits in this way should provide the impetus for earnings growth from the fiscal year ending March 2020 onward.

Long-Term Measures

Preparation for Next-Generation Standards

In the mobile segment, the next-generation telecommunications standard, known as "5G," will become commercially available in 2020. With a leap forward in communications speeds said to be 100 times faster than 4G, there are expected to be dramatic advancements in services using IoT as well as in the richness of content in line with device advancements. In terms of games, this will lead to the elimination of communications time lags and the creation of high-performance devices that we think will expand possibilities for utilizing Capcom's action-orientated IP, distinctive for their high-quality graphics, on mobile devices. [Diagram 7]

At present, our development divisions are engaged in technological research and the acquisition of development know-how to ensure we are able to seize this coming opportunity for growth.

Diagram 8

About Esports

Esports stands for "electronic sports," which are video games played in competitions viewed as sporting events. Since the late 1990s, esports have been gaining popularity in the United States and Europe, and at present, various companies sponsor these competitions and there are numerous professional leagues and teams driving the worldwide popularity of esports mainly among younger segments.

Esports Market Growth

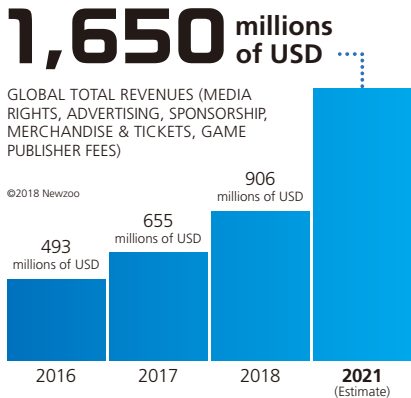


Diagram 9

Capcom Initiatives

For Professionals

Capcom Cup

Since 2013, our U.S. subsidiary, CAPCOM U.S.A., has held the Capcom Cup, an official global competition for the *Street Fighter* series.

Capcom Pro Tour Japan Premier

In September 2018, at the Tokyo Game Show 2018, we held the Capcom Pro Tour Japan Premier. Prize money totaling 10 million yen drew major attention to this event.

For Amateurs

Expanding the Focus on Esports

In February 2018, we established the Capcom Esports Club, an esports community space, in Tokyo to expand our focus on the amateur segment and support the creation of a player community.

Provision of Popular Games

Provision of the *Street Fighter* Series

This title was provided for use at EVO, the world's largest competitive fighting game tournament, and at RAGE, Japan's first full-year esports event, among other competitions.

Growth Strategy
3

Esports

Establishing a Foundation and Promoting the Spread of Esports to Prepare for Future Monetization

Accelerating Initiatives in New Areas with the Establishment of Dedicated Departments and Increased Investment

At present, esports is the area of gaming attracting the most interest in society. By 2021, the esports market is expected to grow to \$1.65 billion, 1.8 times larger than its scale in 2018. Competitions with substantial prize money amounts and the success of pro gamers are drawing interest. [Diagram 8]

Amid these developments, in addition to being held as a demonstration event at the 2018 Asian Games, esports are also being considered for inclusion at the 2024 Paris Olympics, while in Japan the Japan Esports Union was created as a unified sports organization. I have made esports our new focus area, and by continuing to lay down a foundation for the future, we will work at the industry level to spread esports and establish it as a new form of entertainment that people can enjoy.

Measure Initiatives Focused on Top Professionals and Expanding the Field of Amateurs

In terms of esports initiatives, Capcom already has an established track record that includes the Capcom Pro Tour, an international competition utilizing *Street Fighter*. In the fiscal year ending March 2019, under

the leadership of a new dedicated department, we aim to strengthen investment and expand the scope of our activities, including hosting our first major competition in Japan to promote an environment conducive to the spread of esports domestically. Specifically, we will bolster activities targeting top players, such as increasing the number of competitions and size of prize money, and issuing professional licenses to top-ranked athletes and other professionals. We will also hold qualifying competitions for amateurs and provide an environment that includes spaces for playing esports. This is because we think the participation of a wide range of people, from children to adults, is important for the full-scale adoption of esports and its elevation to a level of popularity similar to that of baseball or soccer. Although we will incur expenses in the short term, the building of a foundation for this market over the next five to ten years will enable esports to blossom as a major business over the medium-to-long term. Further, we think that increasing awareness and understanding of esports throughout wider society through its inclusion as an Olympic event and growing the player population will lead to improving the status of the game industry and contribute to society. [Diagram 9]

Monster Hunter: World

After Capturing Fans in Both the Domestic and Overseas Markets, Shipment of 7.9 Million Units is Highest in Capcom History

Popular Series Grows into a Global Brand

The first *Monster Hunter* game, released in 2004, created a social phenomenon referred to as the “*Monster Hunter* craze,” firmly establishing it as a national pastime in Japan. However, the growth of its popularity overseas was an issue: in contrast to its domestic popularity, overseas sales were only one quarter those in Japan.

To address this, with the launch of *Monster Hunter: World* in January 2018, Capcom rolled out a variety of measures aimed at propelling *Monster Hunter* into a global brand.

Of these numerous measures, one involved the series’ first global simultaneous launch date. This facilitated the simultaneous dissemination of information throughout the world, attracting the attention of a greater number of consumers.

Additionally, *Monster Hunter: World* was developed for high-end consoles with globally large installation bases. As a result, we were able to satisfy game players who expressed their desire to play a more technologically advanced *Monster Hunter*, an

opinion we had received more than ever before, while at the same time build a foundation for the next generation of the brand.

These efforts were successful, and without any loss of core series fans, we were able to overcome linguistic and cultural barriers to earn high praise from users around the world and achieve shipments of 7.9 million units, a Capcom company record. Further, we succeeded in capturing overseas users, with an overseas sales ratio of approximately 60%.

Furthermore, the PC version of *Monster Hunter: World* was released worldwide in August 2018, and in order to further cement its position as a global IP alongside *Resident Evil* and *Street Fighter*, we will continue working to further grow sales.

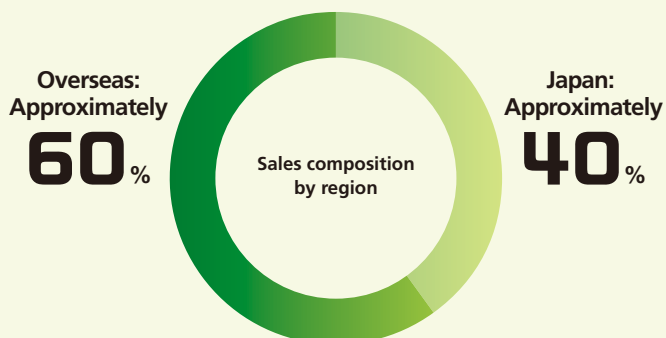
Main Factors Driving Success

1 Series’ First Global Simultaneous Launch Date

Monster Hunter: World was the first title in this series to have a global simultaneous launch date. It was also available in 12 different languages in an effort to cultivate users in new regions. Members of the development team also traveled the globe to aggressively promote the title, providing the latest information to the world and successfully maximizing awareness ahead of the launch date. As a result, five million units were sold in just the first three days, becoming the best launch of the series so far.

2 Leveraging the Power of Home Consoles to Depict a Living, Breathing Ecosystem

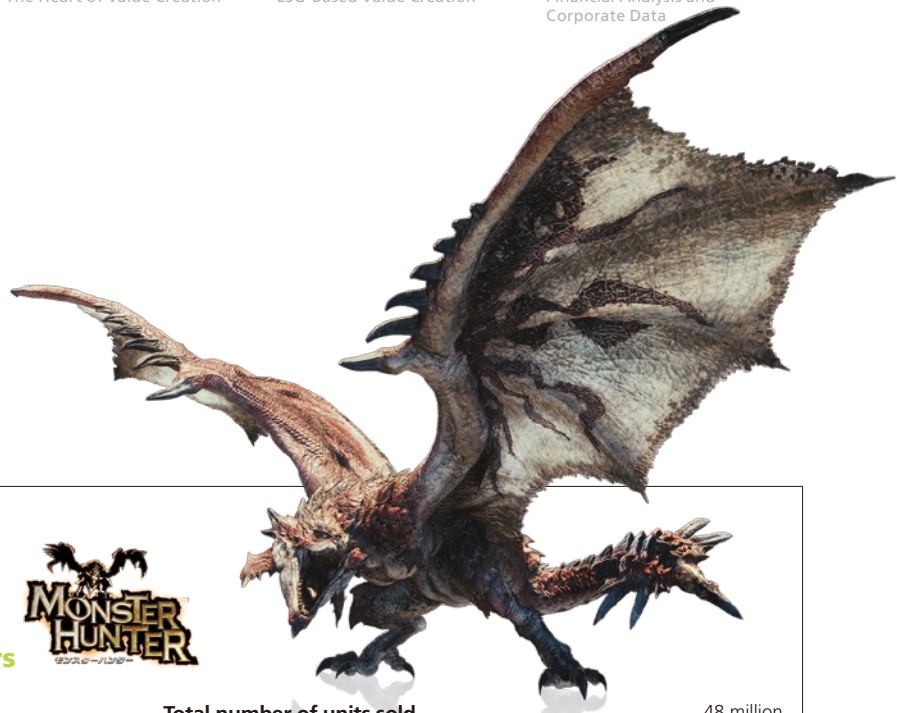
Monster Hunter: World, the first title in the series developed for home consoles in nine years, maximized the capabilities of the hardware to bring an incredibly dense ecosystem of monsters to life. The successful creation of a deep world depicting turf wars between monsters in a realistic food chain and stunning, 4K- and HDR-compatible visuals led to an impressive Metascore of 90 points—the Metascore working as an indicator of consumer purchasing.



The overseas sales ratio increased compared to other *Monster Hunter* titles



An incredibly dense and expansive world full of monster turf wars and other excitement

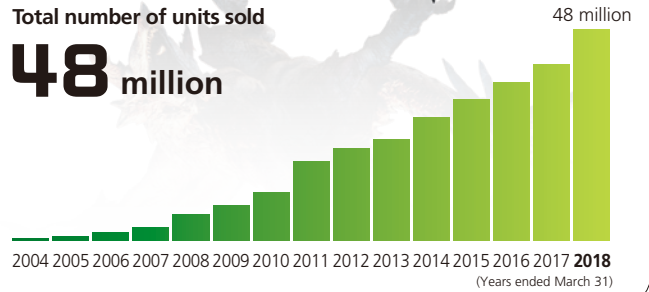


Title Introduction

Monster Hunter Series

Hunting Action Game in Which Players Face Off against Giant Monsters in Magnificent Natural Settings

The *Monster Hunter* series is a hunting action game in which players face off against giant monsters in magnificent natural settings. Establishing a new communication style of online collaborative play in which friends cooperate to battle giant monsters, this title created a social phenomenon in Japan known as the "*Monster Hunter* craze." Since the first title in this series was launched in 2004, the number of fans has continued to increase over the past 14 years, growing into an extremely popular series with a cumulative 48 million units sold (as of March 31, 2018).



3 Optimized Game Content Based on User Feedback

Capcom uses social media and other sources to ascertain user preferences and trends in an attempt to improve game content. *Monster Hunter: World* game content was also improved by incorporating user feedback. For example, many users in the United States and Europe said that it was difficult to understand whether or not their attacks were having any effect during the game. After numerous careful discussions, we implemented a system for displaying damage to monsters not used in previous titles, among other advances that have proved popular with existing and new users.



In consideration of traditional fans, display can be turned off

4 Beta Testing before Launch

We conducted three beta tests before the launch of *Monster Hunter: World*. Typically, beta testing is conducted to test server loads, but in this case, it also had a promotional effect as users who played and enjoyed the game disseminated information about it independently to the gaming community. Additionally, being able to respond in earnest to defects discovered during beta testing enabled us to successfully engage with existing *Monster Hunter* fans while introducing newcomers to the brand.



Beta testing conducted three times starting in December 2017 and continuing on into January 2018

Street Fighter V

Rebounding from Adversity: Combination of Ongoing Updates and Esports Significantly Grows User Base

Creating Gameplay that Enables Everyone from Core Players to New Comers Alike to Play Together

Released in 1991, *Street Fighter II*'s innovative battle system made a splash, driving it to become a record hit title that established the fighting game genre. With the support of fans throughout the world, cumulative shipments in this series have surpassed 40 million units, cementing the brand's popularity.

However, despite *Street Fighter V* (released in February 2016) aggressively taking on several challenging initiatives to pursue new advances in the series, the game suffered server issues beginning on the launch date, preventing us from providing a smooth play environment.

Naturally, Capcom is prepared to address such problems, and in order to resolve these, as well as other aspects that users were dissatisfied with, we implemented various measures using the PDCA cycle. For example, we rebuilt the server environment from the ground up, and carried out continuous updates to augment the game's content. Further, while building on this concept, we

released a number of highly demanded new characters and costumes.

Additionally, *Street Fighter* commands a presence among fighting games in the esports arena, and is utilized in the Capcom Cup, the official global tournament held since 2013, as well as at EVO, the world's largest fighting game competition—events that work to draw in audiences who enjoy watching fighting games and convert them into new players. These multifaceted efforts led to restoring fan trust and recovery of the brand.

Going forward, we will continue to provide updates and implement flexible pricing to further expand the *Street Fighter* user base.

Also, while maintaining an eye toward the adoption of league competitions within esports, we will conduct initiatives unique to *Street Fighter* that entertain fans throughout the world.

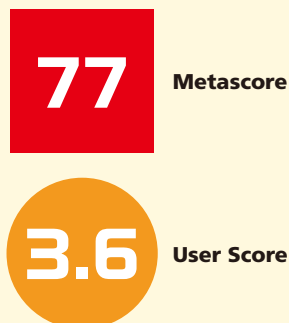
The Path to Success

Issue Server Troubles on Day One

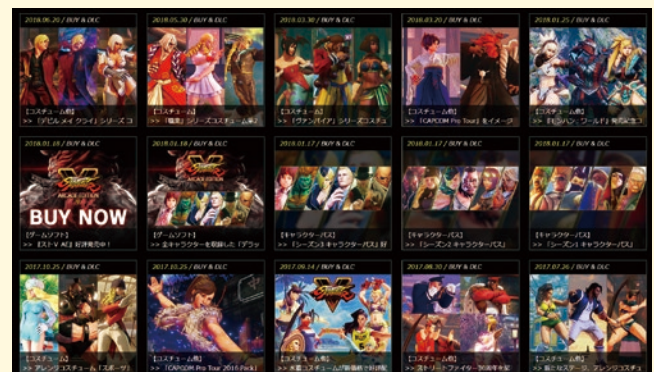
Based on a development concept of "reboot," *Street Fighter V* was released in February 2016 following a rethought approach to game creation aimed at enabling a wide range of users to play the game. Although we took on new challenges with respect to both the software and the network environment, server issues affected areas such as fight matchups and loading times, which resulted in an inability to provide a smooth game play experience. Our first mission was to resolve these issues as quickly as possible.

Measures Continuous Improvements Incorporating Community Feedback

With *Street Fighter V*, to resolve server issues as well as other elements users were dissatisfied with, we repeatedly implemented a number of measures using the PDCA cycle. For example, we bolstered the game's content with the addition of highly demanded, new characters and costumes. We also rebuilt the server environment from the ground up, and although this required time to accomplish, through repeated and continuous updates we were able to provide a more complete product.



The Metascore was lower than the previous title due to troubles surrounding the launch



Various updates conducted over two and a half years improved the completeness of the title



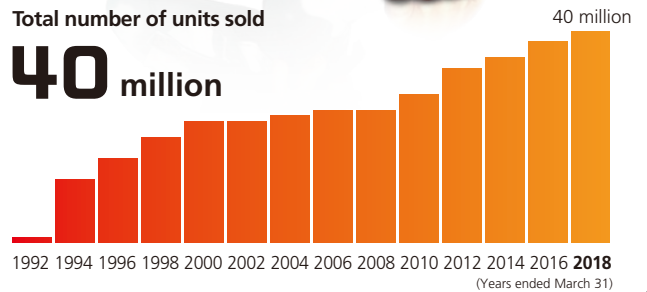
Title Introduction

Street Fighter Series

The Gold Standard of Fighting Games that Continues to Be Loved Throughout the World



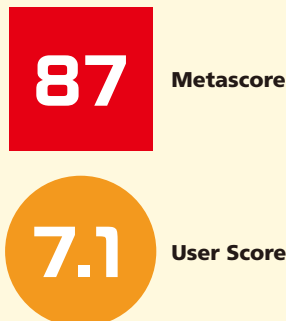
The *Street Fighter* series was launched in 1987 as an arcade game title, after which *Street Fighter II*, released in 1991, became a massive hit. The game's innovative fighting system became all the rage, establishing the fighting game genre, with the series going on to a cumulative 40 million units of software shipped worldwide (as of March 31, 2018). *Street Fighter* has gained popularity over the 30 years since its launch and continues to grow as a driving force in the esports fighting game segment.



Success

Popularity in Esports, Recovery of Trust and Brand

In addition to the aforementioned efforts, from 2013 support has blossomed for *Street Fighter* in overseas esports events, primarily in North America. Drawing in both players and fans who enjoy watching fighting games has created a synergistic effect with regard to game software sales. As a result, the Metascore of *Street Fighter V: Arcade Edition*, launched in January 2018, has risen significantly, restoring trust among fans and enabling brand recovery.



Regaining fan trust and recovering the brand resulted in a substantially higher Metascore

Progress

Growing the User Base with Pricing Strategies and League Formation

Going forward, we will engage in ongoing updates and are considering a strategic lowering of software and add-on content pricing to further grow the user base. As price sensitivity is particularly high overseas, this will be an incentive for those who have been hesitant to make a purchase. Also, given the success of team league competitions in esports, we will promote the full-fledged formation of leagues outside the North America region to acquire more new players. We will leverage initiatives unique to *Street Fighter* to continue captivating fans throughout the world.



Launch of league competition RAGE STREET FIGHTER V All-Star League powered by CAPCOM

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Realizing Flexible Investment Responsive to Market Changes with a Stable Financial Base

Kenkichi Nomura

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

Q Having achieved record profits, are there any changes to the financial strategy?

A We will maintain efforts to increase capital efficiency and improve net cash.

Capcom is executing a growth strategy aimed at enhancing corporate value over the medium-to-long term. We are conducting R&D investment amounting to approximately 30 billion yen each fiscal year, to enhance our development environment and strengthen the title lineup in our core Digital Contents business. We have been engaged in increasing capital efficiency and improving net cash to build a strong and flexible financial base to make this investment possible.

In the fiscal year ended March 31, 2018, investments based on this growth strategy led to record-breaking major title hits, resulting in all-time high profits that increased cash on hand. In our industry, which continues to rapidly advance, the rise of numerous new technologies and services is also increasing our investment options.

That being said, I will maintain the standards we have established for investment decisions and strive for selection and concentration while engaging in a thorough review of the cost of sales, selling, general and administrative expenses and other costs to achieve an even leaner financial foundation. Moreover, we will stably secure a financial base at a level commensurate with the scale of investment to enable flexible investment in projects with high strategic priority, such as the development of major titles contributing to enhanced IP value, and growth areas including esports.

Q How have you increased capital efficiency?

A We are making progress with our growth strategy and steadily improving ROE.

We focus on ROE as an indicator of capital efficiency, which is steadily increasing with performance growth. Of the three components of ROE, we place emphasis

on (1) the net income margin, which has seen further improvement following the progress of our growth strategy. In addition, total assets and shareholders' equity have remained at an appropriate level, with (2) Total Asset Turnover (TAT) and (3) financial leverage generally maintaining their upward trends.

ROE components	3/2016	3/2017	3/2018	3/2019 (Plan)
(1) Net margin (%)	10.1	10.2	11.6	12.5
(2) TAT (%)	68.1	73.3	75.3	—
(3) Financial leverage (times)	1.50	1.53	1.47	—
ROE (%)	10.6	11.6	13.4	13.4

We forecast ROE of 13.4% in the next fiscal year. We will perform composite checks comparing ROE to net sales, to the forecast, as well as year-over-year in order to continue improving these three factors.

Q How will Capcom secure net cash and manage risks?

A We will carefully manage ROI for each title and visualize working capital efficiency.

For Capcom to efficiently generate net cash, we formulated two financial strategies focused on generating cash flows through process management. The first is to thoroughly manage return on investment. Accordingly, we manage a database housing the ROI status of each title while ascertaining and analyzing investment profitability. The second strategy is to maximize working capital efficiency. To this end, we are creating a framework to manage our investment turnover period and turnover ratio in a more visible manner.

Moreover, net cash in the fiscal year under review was 36.7 billion yen, constituting a substantial increase. Further, "effective net cash," which was adjusted for accounts receivable and the balance of obligations at the end of the fiscal year accompanying the release of a major title in the second half of the fiscal year—

Investing for Our Growth Strategy

Financial Strategy Overview

Strategy 1

Improving Net Cash

Thoroughly track the Return on Investment (ROI) status for each title and streamline working capital

Strategy 2

Increasing Capital Efficiency

Stably Increase Return on Equity (ROE)

a unique feature of our industry—increased to 46.2 billion yen. Although the balance of work in progress for game software declined due to the release of major titles at the end of the fiscal year and revisions to the valuation of some balances, overall assets that contribute to future growth continued to steadily increase.

Q What is the status of internal reserves and fund procurement?

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

Consumer game software development expenses have been on the rise since the current-generation of high performance, multifunctional game consoles arrived. In addition to requiring a development period of two or more years for a major title, greater penetration of digital download sales has enabled a longer lifecycle for games, resulting in a longer investment payback period. Furthermore, even online games require ongoing investments for regular post-release updates and network infrastructure maintenance, thus we are required to keep a certain amount of cash on hand.

Given these conditions, to simplify our ability to procure funds, and in consideration of reserves for the investment plan and risk management, we have set the level of cash and cash equivalents that must be

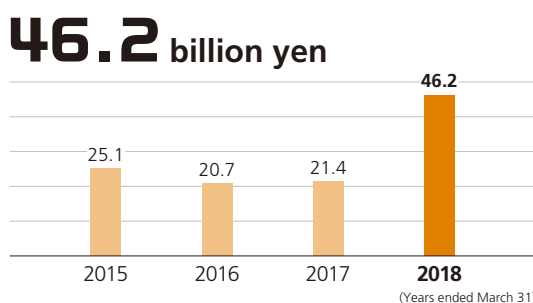
maintained to be approximately one to two years' worth of the amount we annually invest in development. This amount is supplemented with cash on hand (46,539 million yen) as well as an unused 26.7 billion yen commitment line of credit (total contract value: 26.7 billion yen) to maintain an appropriate range.

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

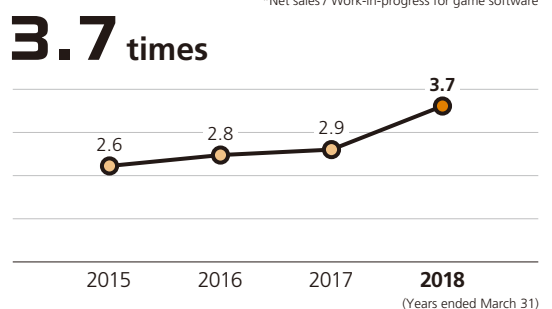
A We invest 84% of management resources in the core Digital Contents business.

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. Accordingly, we will allocate 84% of management resources (R&D investment and capital expenditure totaling 34.5 billion yen in the fiscal year ending March 31, 2019), amounting to an investment of 29.0 billion yen, in the Digital Contents business. Moreover, we use the asset in-development turnover rate as an indicator measuring investment level adequacy. In the fiscal year under review, the asset in-development turnover rate was 3.7 times, an increase compared to 2.9 times in the previous fiscal year.

Effective Net Cash on a Historical Basis (Billions of yen)



In-Development Asset Turnover Ratio* (times)



The Passion and the Compete Globally

Capcom is a creator of completely original, engaging content who takes great care to maintain the integrity of our properties while continuing to evolve and advance. This has led to many of Capcom's titles growing into hit series. We will continue striving to create content that takes the world's breath away—today, tomorrow and always.



Devil May Cry 5 → P45

Strategy

Stable releases of core IP

Fans the world over have been eagerly awaiting this latest installment in the stylish, action-packed series

Each main-line title in the series has boasted million-seller status since the very first in 2001. The timely release of new titles has kept fans engaged and enthralled.

Resident Evil 2 → P43

Strategy

Utilizing past titles

A survival horror masterpiece revived with cutting-edge technology

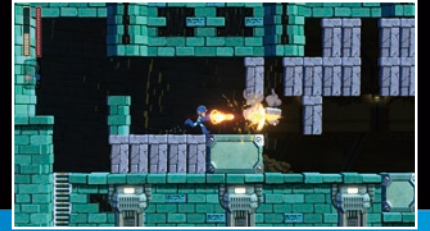
Resident Evil 2 sales rank fourth overall in the series' history. The 1998 masterpiece that shook up the world has been terrifyingly reborn with our cutting-edge development technology.

35th Anniversary
CAPCOM

Always Anticipating the Times, Targeting Global Markets

Born in the early stages of the consumer game market, over the years Capcom has adapted to the changing times, such as the rise of next-generation consoles, advances in communications and the expansion of the global market—all the while focusing every effort on creating exciting content. As such, Capcom's IP has garnered support throughout the world, giving rise to hit series and steadily increasing our sales numbers.

Prowess to



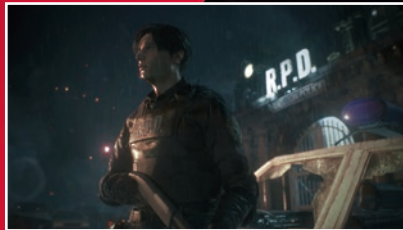
Mega Man 11 → P47

Strategy

Reawakening dormant IP

A popular series loved for decades following its launch, *Mega Man* commemorated its 30th anniversary in 2017

This first new title in eight years can be enjoyed by two generations: parents from the Nintendo Entertainment System generation, and their children.



RESIDENT EVIL 2



Shocking the World Once More with Horror *Resident Evil 2*

Tsuyoshi Kanda
Resident Evil 2 Producer

Joined Capcom in 2002. After being involved in domestic marketing and overseas-related business, was assigned to Capcom U.S.A. Returned to Japan in 2015 and became a producer. Worked as a producer on *Resident Evil 7 biohazard* and *Resident Evil 2*.

Nostalgic and New, the Legendary “RE 2” is Reborn

“The zombies are horrifying!”

“It looks so real, it’s terrifying... But I can’t stop playing!”

These were just some of the player reactions at E3, one of the world’s largest game expos, held annually in the United States. When *Resident Evil 2* (hereinafter, *RE 2*) was announced at the conference venue, the audience erupted with cheers. Lines formed at the Capcom booth, where attendees waited to play a demo version of the game. Fans who experienced this new horror cried out, “This is the *Resident Evil 1* I have been waiting for!”

The reaction was even more positive than we expected, energizing and motivating the development team.

The original *Resident Evil 2*, released in 1998, is often called a masterpiece even today, 20 years on. It is no easy task to take that original title, and recreate it using

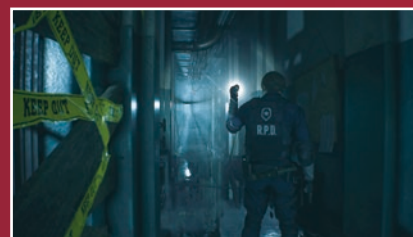
current technology in a way that will satisfy both new and long-time game players.

However, it is because this was such a big challenge that our development team was all the more motivated to take it on. We launched into development of *RE 2* with our minds set on satisfying the players’ expectations, and utilizing the best tools at our disposal to recreate the game anew.

Actually, around that time, many of us were working on *Resident Evil 7 biohazard* (hereinafter “7”). Survival horror game fans have more than one need. 7 attempted to provide the ultimate horror experience with an overwhelming sense of immersion using VR. *RE 2* aims for horror and entertainment, a game that is both scary and exciting. Each pursues a different way to enjoy the game. I think the diversity of this series, while always centered on horror, is very appealing.



Raccoon City, the game’s terrifying setting



Horror lurks in the darkness

Capcom's Flagship Series Boasting Cumulative Sales of 83 Million Units

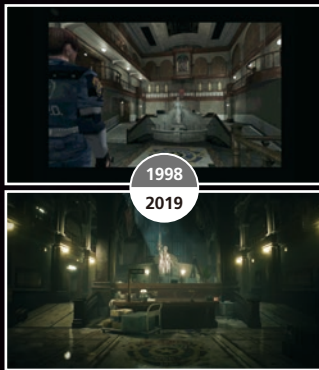
Resident Evil is a popular series that pioneered the survival horror genre. Players utilize a variety of weapons and items to escape from terrifying situations. Since the first title was released in 1996, the game has garnered passionate support throughout the world, with the series selling a cumulative 83 million units. It has also gained popularity as a series of Hollywood movies and as an attraction at Universal Studios Japan, enjoying strong brand recognition even among those who do not play video games.

Number of titles **123**
 Cumulative series sales of **83 million units**
(As of March 31, 2018)

Expressing a Photorealistic World of Horror with the Latest Technologies

The original *Resident Evil 2*, which went on sale in 1998, recorded the fourth highest cumulative sales in the series with 4.96 million units, firmly establishing the popularity of "RE."

The new *Resident Evil 2* revives the appeal of this title by recreating it from the ground up using Capcom's cutting-edge development technologies. The classic zombie horror that plunged users into the depths of terror has been reimagined using Capcom's RE ENGINE to depict a photorealistic Raccoon City, where the tragedy unfolds.



The zombie-ridden police station



Zombies attack the protagonist, Leon



A herd of zombies approaches

Sight and Sound: Depicting Horror by Appealing to the Senses with Overwhelming Realism

With this title, it was important to respect the original while making the newly rebuilt *RE 2* enjoyable. To this end, in addition to the story, game system and visuals, we focused on the audio.

In terms of the story, we followed the original while creating an even stronger sense of drama. For the game system, to maximize the fear of being eaten by zombies, we employed an over-the-shoulder third-person perspective, enabling the user to see both the character they are playing and the attacking zombie.

For the visuals, we used our proprietary RE ENGINE to create a photorealistic world of horror that could be mistaken for live action.

In terms of audio, we used Capcom's dynamic mixing stage, a newly built 3D

audio booth in our R&D building with 7.1.4 channel Dolby Atmos.

This enables changes in sound in real time using binaural technology, enabling realistic audio that makes players feel as if they are actually there. Zombie moans can be heard to the right and left, in front and behind, affecting not only the sense of sight but of sound to make users experience a greater feeling of horror.

Going forward, we will leverage the marketing expertise we've accumulated thus far to promote the game in major regions ahead of launch, primarily at major events, in areas such as North America, Europe, Japan and Asia, as well as in the rapidly growing South American market. I hope everyone is looking forward to the rebirth of *RE 2*, which is both nostalgic and new.



Booth at E3 recreating the world of *Resident Evil*



Newly built dynamic mixing stage



The Apex of Action Games, DMC is Back! *Devil May Cry 5*

Michiteru Okabe
Devil May Cry 5 Senior Producer

After joining Capcom in 2010, worked as an assistant producer on *Resident Evil: Operation Raccoon City*. Has worked as a producer since *Resident Evil Revelations*, and is currently working on *Devil May Cry 5*, the latest title in this series.

Bringing Back the Devil Hunters to Appeal to the Global Market

"In the beginning, one of the main characters, Nero, loses his right hand. He attaches the Devil Breaker to where his right hand was and sets off to battle the demons!" *Devil May Cry 5*, the latest title in this series, starts with this scene, which was the idea of the Director, Hideaki Itsuno.

With the help of his new partner, weapons craftswoman Nico, Nero takes down demons one after the other in a way that is not only stylish, but feels good. This "good feeling" is a distinctive feature of the *Devil May Cry* series. The exhilaration of using guns and swords to stylishly defeat demons, interwoven with the story of main characters Nero and Dante's hidden pasts engrossed fans all over the world, leading the series to become a hit, with cumulative sales of 16 million units.

As this series is immensely popular overseas, we've brought on Matt Walker

as well. Matt, who initially began studying Japanese because of *Street Fighter*, is a producer who has absorbed the Capcom DNA, and now works to push forward our strategy.

This new title was announced at E3, one of the world's largest game expos, held in June.

The announcement coincided with that of *Resident Evil 2*, the latest *Resident Evil* title, which is the sister series to *Devil May Cry*. Both announcements received a standing ovation.

I think announcing both of these titles at E3 conveyed the momentum we have going at Capcom.



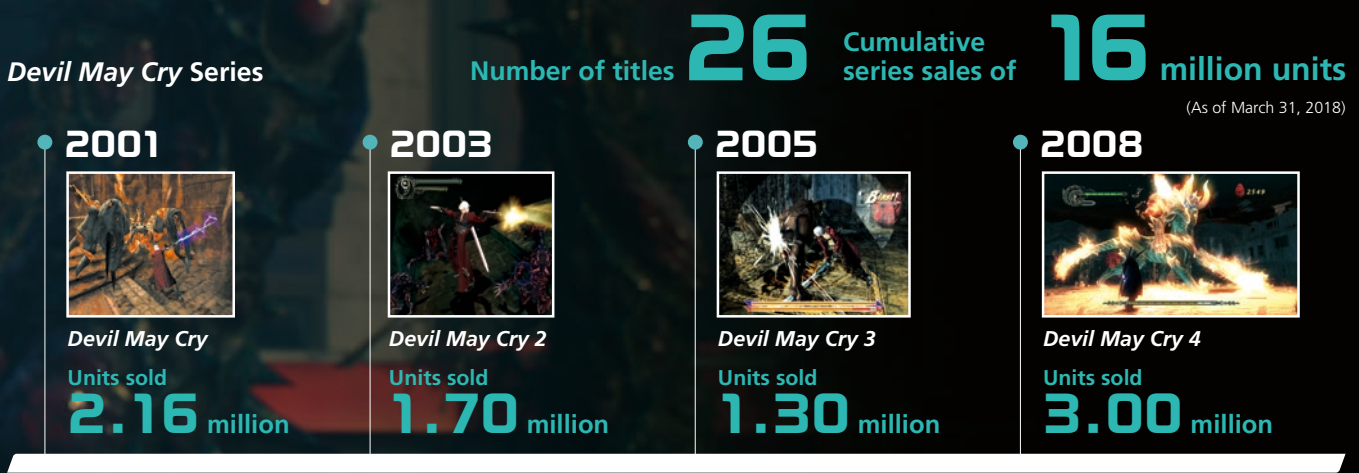
Master demon hunter Nero returns



Core meeting (from left) Okabe, Itsuno and Walker

Consecutively Million-Selling Stylish Action Games

The hit *Devil May Cry* series features appealing characters brimming with individuality and stylish action where players seek to dispatch enemies in sleek and showy ways. Since the 2001 launch of the first title, this series created a buzz with its beautiful graphics and exhilarating action, becoming popular worldwide.



Engaging Characters Featured in Multiple Mediums

The appealing characteristics of the protagonists Dante and Nero, whose veins course with demon blood, as well as the story and the stylish action have won the hearts of droves of fans. *Devil May Cry* has been adapted into a wide variety of media, including animated television shows, comic books, novels and pachislo machines.



Animated show
©2007 CAPCOM CO., LTD. / DMC Committee



Comics
©2005 Suguro Chayamachi ©CAPCOM CO., LTD. 2005

Driving to the Apex of Action Games With the RE ENGINE

The stylishness of this game is what makes it appealing, so it goes without saying that it demands cutting-edge visuals and action.

Our aim was to create a new *Devil May Cry* legend that satisfies users by incorporating photorealism, which is mainstream overseas, and a sense of speed and exhilaration unlike previous titles. Capcom's technical capabilities make this possible.

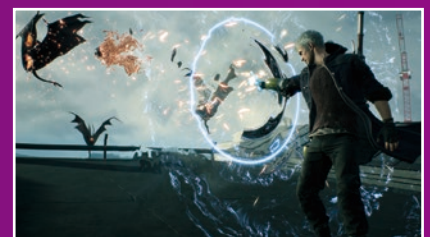
Further striving for visual perfection, we cast models in England for the main characters and created real costumes from scratch. After makeup was applied, the fully costumed models were scanned as 3D objects.

For character expressions, we used the latest facial technologies developed by Serbian company 3Lateral. The exhilarating movement of the game uses motion capture, with each individual part combined

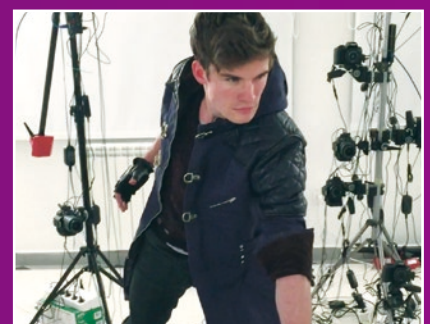
using Capcom's RE ENGINE to successfully express realistic details in the characters' appearances, expressions and action.

With facial expressions in particular, when voice actors later recorded the lines, they understood the emotions just by looking at the video, lending a realism that could be mistaken for live action. My sense is that we were able to achieve extremely fine quality by combining cutting-edge technology with the development expertise Capcom has accumulated over the years.

The release is scheduled for March 8, 2019. We want to deliver this to the world as the apex of action games—DMC is back! We hope you are excited!



The power of the Devil Breaker



Scanning a British model in pursuit of photorealism

MEGAMAN 11



Geared-Up *Mega Man* Takes Off with New Release During the Series' 30th Anniversary

Kazuhiro Tsuchiya
Mega Man 11 Producer

After joining Capcom in 1992, worked on *Mega Man 7* as a programmer. After working as a director, moved on to be a producer, supervising all aspects of the *Mega Man Legacy Collection* and new *Mega Man 11*.

A Beloved Series That Spans Generations

Mega Man, born in 1987 when home video game consoles began to gain popularity, is a one of the best-known 2D side-scrolling action games and has long captured the hearts of fans.

This series has sold a cumulative total of 32 million units, which includes several spin-off titles. 30 years since the launch of the first title, *Mega Man* continues to be very popular overseas, and we are often asked whether we are going to release a new title.

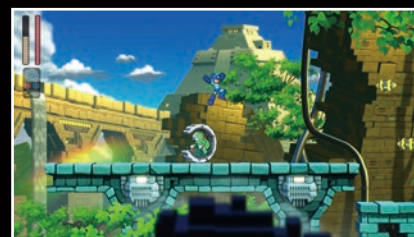
Of course, Capcom would never forget *Mega Man*. In 2017, on the 30th anniversary of *Mega Man*, we announced the Mega Man Project.

This announcement included the release of two collections allowing past titles to be enjoyed on modern consoles, as well as the completely new *Mega Man 11*.

The key to this newest game can be

found in the title: the word "gear," and there are two meanings here. One is the "Double Gear" system that powers up the abilities given to the main character *Mega Man*. The other meaning is in the story, where the gears of fate revolve around the past connection between the two scientists, one who is *Mega Man's* creator and the other who is his enemy.

There will also be never-before revealed surprises, reaching back to before the first title, with some real "Aha!" moments for fans. At the same time, we are making innovations so that this title will place everyone, even those trying the series for the first time, at the same starting point when they play the game.



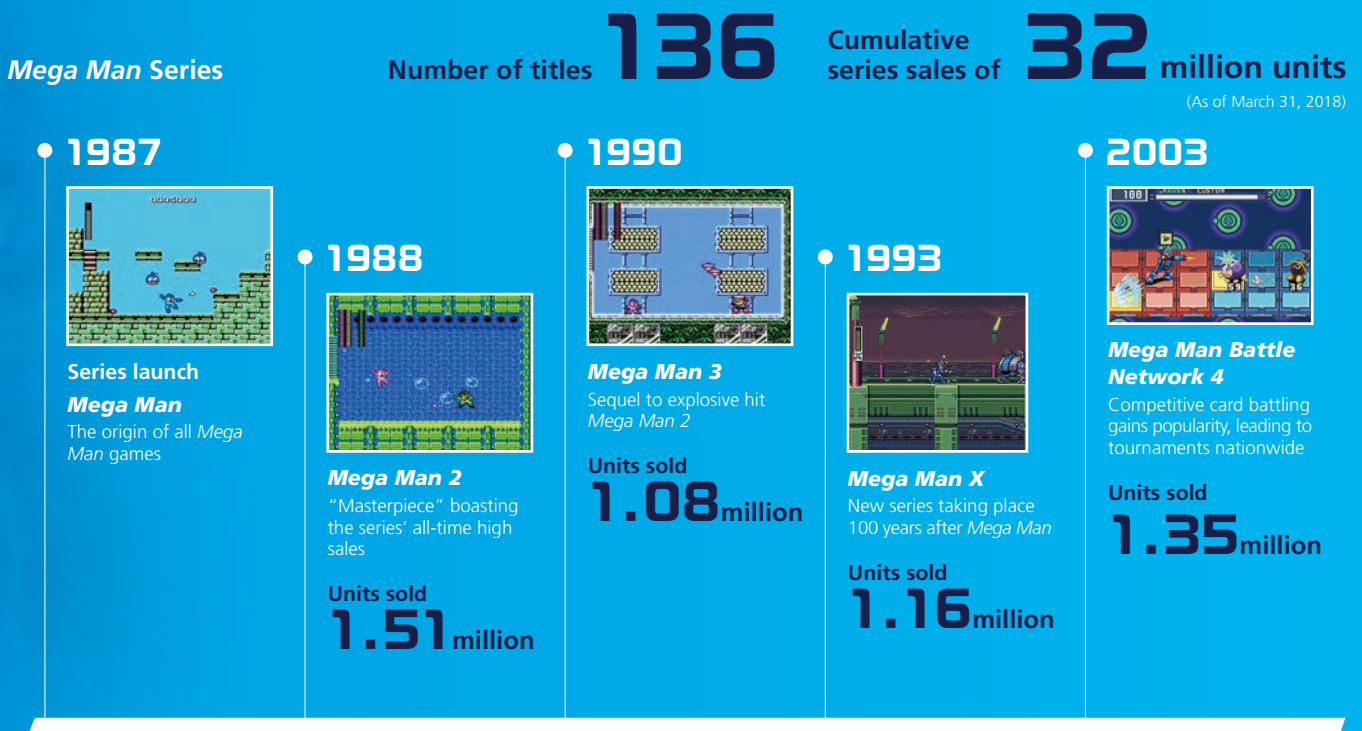
Three-dimensional visuals realized with 2.5D side-scrolling



Change gears to take on bosses and stages

Refining the Fun of Action Games In-Step with the Evolution of Game Consoles

Mega Man was launched in 1987 as an action game for the Nintendo Entertainment System. Its distinctive characters and textured game play have won over fans in Japan and around the world, giving rise to numerous sequels and spin-off series. Its popularity has gone beyond games, crossing over into merchandising, animated television shows, comic books and a variety of other media that further garnered attention for the series. The series commemorated its 30th anniversary in 2017.



The New *Mega Man*, Born from Diversity

The objective behind creating the first new title in eight years was to maintain the essence of *Mega Man* while creating a new standard. To this end, the development team consisted of veteran, mid-career and younger employees, as well as members with completely different histories and sensibilities, rather than only those with past experience on *Mega Man*.

This is because we thought diversity was necessary to create a new foundation. Each member wrote down their sense of the essence of *Mega Man* and how they would convey that using modern game consoles, then we considered each idea. The result was to use 2.5D to render side-scrolling 3D graphics. But this turned out to be fairly challenging.

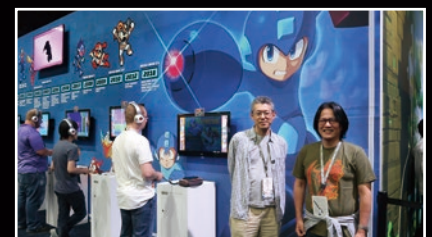
Distortion occurs during 3D parsing, and creating rich visual expressions hampers the agile movements of the pixel graphics

era. To address this, we are fine tuning the graphics using a trick art method to make it look more natural.

On first look, it may not appear to be technically impressive, but actually, it is loaded with techniques that could be described as "master handcraft."

The *Mega Man* series is a top-tier IP that will serve as a model for action games stemming from its 30 years of familiar quality.

In preparing promotions ahead of the launch, we are pulling out all the stops, including a 30th anniversary concert in Japan and an animated TV show in North America. We are making a truly enjoyable game that goes beyond countries and cultures, and with this title as a new starting point, we aim to capture the hearts of game fans around the world.



Announcing the demo version at E3



New *Mega Man* reborn through "master handcraft"

The Head of Development Discusses
Human Resources Strategy

Development

Yoichi Egawa

Director and Executive Corporate Officer,
In charge of Consumer Games
Development and Pachinko & Pachislo/
Amusement Equipments Business
Division of the Company





The Foundation and Policies that Produce Both World-Class Quality and Profitability

We'll develop a system to sustain development's recent successes

The thinking that lies at the foundation of Capcom's development ideals and structure is twofold: first, if the game isn't good, it won't sell; second, if you don't pursue global brands, you won't survive in the game industry.

It's been about two years since I took charge of development. During this time, I've emphasized my personal motto of "never run away, never give up," and have been able to tackle the issue of ensuring world-class quality, which is a big win for us. Moreover, within the development organization overall, a more conscious focus on medium-term branding on the part of operations has

begun to take effect, and we are making progress on developing a structure for stable growth.

In addition to existing issues, the mission I will focus on going forward will be (1) producing both world-class quality and profitability, (2) creating hit mobile titles, (3) addressing development of esports and a long-term sales model, and (4) strengthening network technology for multi-player competition and the like.

In manufacturing, quality and budget are often at odds, but our developers have a great deal of artisan pride, which gives them the aptitude for creating hit titles. I will fulfil my responsibility of balancing their ideals with profitability.

Achieving this mission will require expansion of development resources (personnel), so I will continue to pour effort into hiring and training developers.

Main Pipeline (Plan for Fiscal Years 2016-2018)

Brand	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2019 (plan) <small>Excludes unannounced titles as of August 31, 2018</small>
Resident Evil	<ul style="list-style-type: none"> ● Resident Evil 7 biohazard ● Resident Evil 4* ● Resident Evil 5* ● Umbrella Corps 	<ul style="list-style-type: none"> ● Resident Evil Revelations* ● Resident Evil Revelations (NSW) ● Resident Evil Revelations 2 (NSW) ● Resident Evil 7: biohazard Gold Edition 	<ul style="list-style-type: none"> ● Resident Evil 7: biohazard Cloud Version (NSW) ● Resident Evil 2
Monster Hunter	<ul style="list-style-type: none"> ● Monster Hunter XX (Double Cross) ● Monster Hunter Stories 	<ul style="list-style-type: none"> ● Monster Hunter: World ● Monster Hunter Generations Ultimate (NSW) ● Monster Hunter Stories (ver. 1.2) 	<ul style="list-style-type: none"> ● Monster Hunter: World (PC)
Street Fighter		<ul style="list-style-type: none"> ● Ultra Street Fighter II: The Final Challengers ● Street Fighter V: Arcade Edition 	<ul style="list-style-type: none"> ● Street Fighter 30th Anniversary Collection
Devil May Cry		<ul style="list-style-type: none"> ● Devil May Cry HD Collection* 	<ul style="list-style-type: none"> ● Devil May Cry 5
Mega Man		<ul style="list-style-type: none"> ● Mega Man Legacy Collection 2 	<ul style="list-style-type: none"> ● Mega Man Legacy Collection (NSW) ● Mega Man Legacy Collection 2 (NSW) ● Mega Man X Legacy Collection ● Mega Man X Legacy Collection 2 ● Mega Man 11
Total	6 titles	11 titles	Over 10 titles

Notes 1. *Indicates rereleases for current generation game consoles 2. NSW: Nintendo Switch

The Head of Development Discusses Human Resources Strategy

Investment in Human Capital

Strengthening the Development Organization and Human Resources

Basic Approach to Human Capital

The game industry continues to evolve year after year. A major key to survival will be adapting to advances in communication speeds and screen resolution.

Further, the most important factor in being able to quickly adapt to the ever-increasing scale of game development, while at the same time bolstering the lineup of major titles needed to provide stable growth, is building up our personnel base. To this end, we have hired 100 developers every year since fiscal 2011, with the goal of maintaining a workforce of 2,500 developers by fiscal 2021.

The reason we choose in-house production over subcontracting, despite increased fixed costs, can be found in advancements in and the growing scale of game development. We judged that, in addition to there being few subcontractors able to provide us with the necessary support, creating an environment of friendly competition is essential to world-class development and technological capabilities.

Based on the above policy, around 90% of our development human resources are allocated to the Digital Contents business.

Human Resources Development System

To ensure the quality and quantity of our human resources, particularly for new graduates, we have introduced unique training and mentoring systems to increase both soft skills and technical skills, establishing a practical means of developing young employees to become fully self-sufficient by their third year of employment. As for mid-career and younger employees (core development framework), we selectively promote talented personnel in key areas and cultivate them through title development to help them grow into "core members" who will lead overall game development. Occasionally, our employees must cope with failure, and sometimes they will hit a wall, but a wealth of experiences is the source of personal growth.

We will look into brand-based human resources allocation in order to develop an organizational structure specialized for brands. The skills required for a game like *Resident Evil* are quite different from those required for a game like *Monster Hunter*, so we believe that identifying which developer is suited to which brand and putting the right people in the right places will allow us to create games of higher quality.

Improving Motivation

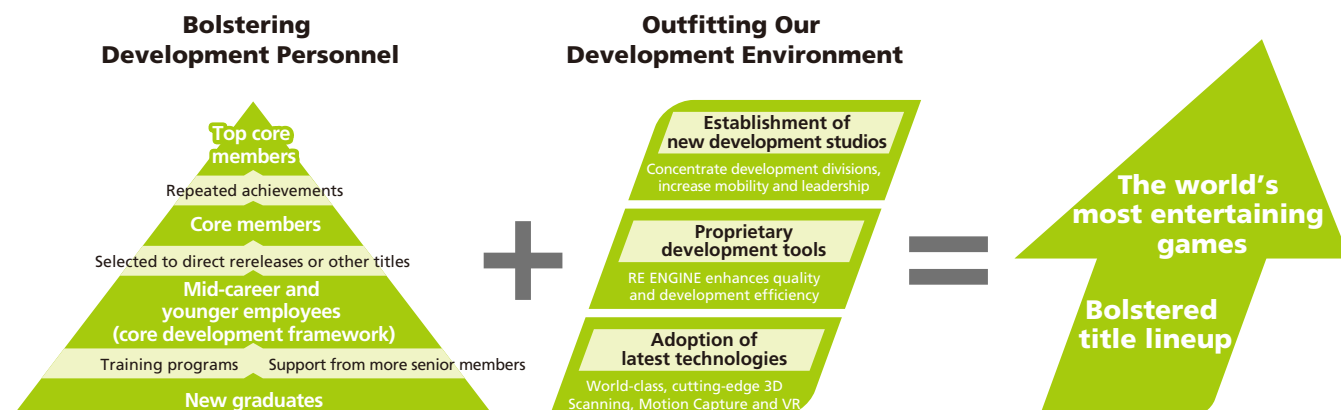
In addition to compensation like title-specific incentives and assignment allowances, we have put together a pleasant workplace environment that includes an on-site day care center as motivation for employees. However, the biggest motivation for developers involved in building creative games is undoubtedly being in an environment that allows them to create the games they want to create. My background is in R&D as well, and I see that as the wellspring of development at Capcom. As such, beyond budget and delivery schedules, I am working to give as much freedom in craftsmanship as possible.

Investment in Intellectual Capital

Acquiring and Generalizing the Latest Technologies

Capcom invests aggressively in R&D centers and development facilities based on the conviction that you can't create world-class games without pursuing evolution, and the technical results lead to a competitive edge over other companies. The key point in differentiation from other companies is generalizing the latest technologies and making development easier to increase efficiency. For example, the RE ENGINE development engine not only enables graphical expressions nearly indistinguishable from live action but also dramatically shortens the time required for each process in game development. Our in-house oriented development structure allows us to improve specifications constantly, and this makes such things possible.

➔ Please refer to "*Resident Evil 2*" on page 43 and "*Devil May Cry 5*" on page 45, in the section "The Heart of Value Creation"



Message from Core Member



Working as Director to Promote the Full-Scale Overseas Expansion of *Monster Hunter*

Yuya Tokuda

Director
Monster Hunter: World

Career

Tokuda joined the Company in 2004 as a planner, having just graduated. Since that time, he has been continuously involved in the *Monster Hunter* series. His first experience as the main planner was on *Monster Hunter 3 Ultimate*. Promoted to director with *Monster Hunter: World*, he has been successful in the mission of expanding the brand to the overseas markets.

I've been involved with the *Monster Hunter* series since I joined the company, but *Monster Hunter: World* was my first time as director. The main responsibilities of the director are presenting the vision for the title to the staff, judging the deliverables produced by the staff, and making course corrections when necessary. In part because it's such a large development team, when development first started, I was unable to properly communicate my intent, and the deliverables were off the mark. However, things changed dramatically when I reviewed the PDCA cycle and got

better at communicating my thoughts. I became painfully aware of the importance of the director's role in that Capcom has many outstanding creators, but whether those skills are leveraged or not depends on me.

Before becoming director, I worked as a planner, but with each new title, I was given jobs of greater importance, so I could feel I was moving up even while still working as a planner. While continuing to work on building up *Monster Hunter*, I plan to work on creating intellectual properties that will surpass *Monster Hunter* in the future.

Creating an Environment for Smooth Game Development to Contribute to Expansion of the Title Lineup

Satoshi Ueda

Programming Lead
Resident Evil 6 Rerelease

Career

Ueda joined the Company as a programmer in 2006 having just graduated, and participated in the development of *Mega Man Star Force*, *Monster Hunter*, and other series. After directing a mobile application development project by young employees, he was selected for promotion to be a programming lead on the *Resident Evil 6* rerelease. He is currently working on development of *Resident Evil 2*.



As a programming lead, when we were engaged in the development of the *Resident Evil 6* rerelease, a project by young employees, I was in charge of assigning duties, progress management, and negotiation with our internal Quality Control Department and outside parties. It was my first time to manage the work of young employees on top of my own programming duties. As such, I stumbled a lot, but by working on creating an atmosphere in which we could proceed smoothly with game development, such as putting our heads together on ways to solve problems and engaging in active communication, we successfully completed development.

I personally think it's important that creators not only have well-rounded capabilities but also a special skill or weapon of their own that they can wield better than anyone else. What's good about Capcom is that you can choose the direction you want to go in yourself. By having a clear handle on the fields you're interested in and knowing what you want to do, you can develop the skills you want. In the ever-evolving game industry, if you don't grow on a daily basis, you'll get left behind. The young people joining the Company in recent years have extensive knowledge of programming, so I'm going to continue to devote myself to the job so that I stay ahead of the pack.

Relationship with Employees



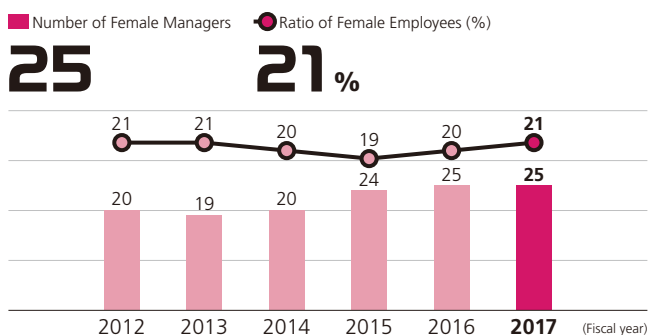
Promotion of Diversity

Initiatives Aimed at Promoting the Improvement of the Work Environment for Women and Proactively Hiring Non-Japanese

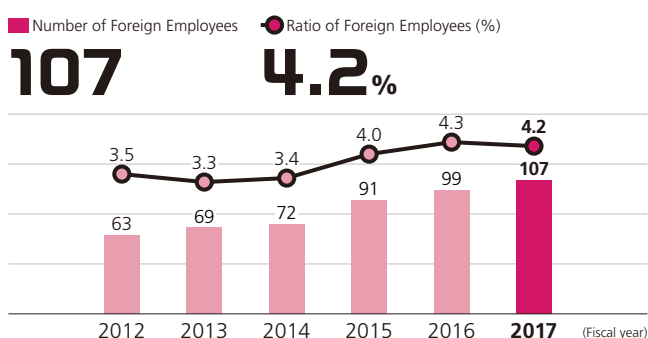
Capcom is currently engaged in initiatives aimed at improving the work environment for women and proactively hiring Non-Japanese.

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 2017, 25 employees took childcare leave, six of whom were men, and 100% of eligible women took childcare leave (fiscal 2016: 3 men and 100% of 23 women took leave). A high percentage of women returned to work afterwards: 25 returned in fiscal 2017 — 96.0% if those still on leave are excluded. This is an increase over last fiscal year (95.6%, or 22 women, returned to work in fiscal 2016). As a result, despite it being said that Japan’s gaming industry is generally dominated by men, women account for roughly 21% of Capcom’s workforce, and 25 (10.3%) of Capcom’s managers are women. In accordance with the execution of the Act on Promotion of Women’s Participation and Advancement in the Workplace, in 2016 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) having women comprise at least 20% of all of new graduates hired, and (2) having women comprise at

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



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



least 15% of managers. 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 107 non-Japanese workers (representing 4.2% 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.

These measures have contributed to generating new IPs such as *Toraware no Paruma*.

➔ For details, see p. 57 of the 2017 Integrated Report and p. 11 of the Separate Volume: The Latest Development Report, in the 2016 Integrated Report.

Providing Career Paths for Employees and Improving the Work Environment

Company-Wide Training and Level-Based Training

To provide career paths and improve the work environment, Capcom offers the following training.

Major Training Programs

Level-based training	Grade-based training	<ul style="list-style-type: none"> ● Training for new hires ● Training for first year of employment ● Training for third year of employment ● Mentor training
	Mid-level	<ul style="list-style-type: none"> ● Training for management candidates
	Management-level	<ul style="list-style-type: none"> ● Management by Objectives (MBO)
Company-wide training	Compulsory	<ul style="list-style-type: none"> ● Mental healthcare ● Compliance training ● Personal information training
	Optional	<ul style="list-style-type: none"> ● English instruction

Corporate Governance and CSR

Action Criteria and Compliance-Related Employee Education

The Capcom Code of Conduct calls for “free competition and fair trade,” “respect for human rights and individuality and the prohibition of discrimination” and “environmental conservation and protection.” To ensure an understanding of these concepts, we created the Capcom Group Code of Conduct Handbook, which is available on the company intranet and contains illustrated case studies in an easily understandable Q&A format.

We also conduct e-learning compliance training and Personal Information Protection Act compliance training for all employees.

Action criteria and compliance are the lynchpin of corporate governance and the foundation of our CSR. Capcom will continue to instill this understanding in all its officers and employees.



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 opened Capcom Juku in April 2017, 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, 2018, the school takes care of 14 preschool children and accepts as many as 40 temporary pupils a month. Going forward, plans are in place to accept after-school students from nearby elementary schools, to add further convenience for working employees. Capcom Juku also offers Spring School and Summer School with classes taught by employee instructors when standard schools are closed for seasonal breaks. The Spring School on March 28, 2018 was the first time for a Capcom employee to serve as an instructor. This class took place in Capcom's dedicated Foley Stage, a studio for creating video game sound effects, and covered how to make games and the role of game music. Students were allowed to experience making sound effects, such as the flapping wings of a monster, as well as character voices, during a class that showcased some of the characteristic features of a video game company.

Additionally, students were able to eat lunch with their parents in the employee cafeteria, which was an opportunity for encouraging parent-child communication.

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.

My Experience

Natsuki Shiozawa

Produce Section 2
Management Department 2,
Consumer Games Development Division 2
Capcom Co., Ltd.



I have been using Capcom Juku on a monthly contract since it opened. The location is convenient for drop-off and pick-up because it is near the office and has a parking lot. I think the surroundings are nice, too, since it has a park in front of it.

I feel at ease because the parents of the other children there are also employees of my company.

Capcom Juku prepares meals on site, which is another way in which the facility is both convenient and safe.

The daily activities of the school are important to me. It is more than just day care. They bring in external instructors to teach English conversation, while others teach eurhythmics and the children get to learn how to grow vegetables in planter boxes. During the summer, they have well-designed activities such as pool time. I am really satisfied with the facility.

Relationship with Customers

For the Healthy Development of Young People

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
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 the content of each set of guidelines.
https://www.cesa.or.jp/index_e.html



Senior
Tours

Holding Amusement Arcade Tours for Seniors and Contributing to Livelier Local Communities

Today, amusement facilities are becoming increasingly popular among retired senior citizens as spaces for communication with other people. 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, 27 staff members have received this certification.

Cumulative Number of Participants in Senior Tours

FY	2012	2013	2014	2015	2016	2017
Participants	1,030	1,550	1,681	1,871	2,037	2,247

Comments from a Tour Organizer

Daisuke Sharyo

Area Leader, Operations Team
 Arcade Operations Department,
 Arcade Operations Business Division
 Capcom Co., Ltd.



The people who take part in the senior tours show lots of happy smiles. The ones who bring their grandchildren seem especially pleased, and many of them say that they are really glad to have more to talk about with their grandkids than usual, thanks to video games. The tours are also a chance for senior participants to have more social interactions, with some of them even becoming regulars at the arcade. We are trying to be more proactive in our communication so that visitors will be able to comfortably use the arcade as a local community gathering place where they can make connections with both the staff and each other. Going forward, we will continue contributing to a livelier local community, including taking part in events hosted by the city government.

Relationship with Regional Communities



On-Site
Classes

Encouraging an Appropriate Understanding of Video Games with On-Site Classes for Children in School

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, discussions tend to focus on the detrimental effects of violent content. However, the idea of a future career as a video game creator is very popular among children and the decision has been made to make programming lessons compulsory in Japanese elementary schools in 2020. A host of private sector efforts are also being carried out, including opening programming academies for youth. Considering these recent developments, it is reasonable to expect that the number of children hoping to become video game creators will increase further in the future. Additionally, the ratio of smartphone ownership among young people—29.9% of elementary school students and 58.1% of junior high school students—is rising year by year. Game apps for smartphones are also increasingly gaining in popularity and the distance between video games and children is shrinking.

Given this context, as part of our Corporate Social Responsibility (CSR) efforts as a video game software producer, and based around a desire to promote understanding in society of video games, we accept student visits to our offices, with a focus on elementary and junior high school students, and also actively conduct on-site classes at schools. At these events, Capcom conducts a program with two sessions: one is a career education support session, which introduces the work done in a game software company and the difficulty and rewards of that work, and the other is a game literacy education support session, which helps students use their own judgement to establish a healthy relationship with games. These programs have in turn been

well-received in educational environments. Capcom has also incorporated opinions from educators to improve its educational efforts. In fiscal 2011, Capcom launched its second educational program, focused on the educational theme of career education support. In fiscal 2013, Capcom started a new class program on work and mathematics targeted towards elementary and junior high school students to help prevent children from losing interest in math, a challenge in recent years.

As a result of these efforts, Capcom has welcomed 2,950 children as part of 366 different field trips to its offices (as of the end of March 2018). Capcom has also held 136 on-site classes for 12,715 students (as of the end of March 2018) at schools such as Edogawa Ward Seishin Daini Junior High School in Tokyo.

Impressions of the On-Site Classes (A Portion of This Fiscal Year's Comments)

- The work done at a video game company uses a lot of math and I'm glad that I was reminded how important math is. (Junior high school student)
- I saw students more engaged and energetic than in our normal classes. It made me feel that pupils will participate more seriously in subjects that interest them. (Junior high school teacher)
- During the class, nearly all of the children seemed nervous, but in the post-class surveys, they said that they want to have this kind of job and want to know more about it. (Local learning center leader)
- I thought it was really good that the videos let children hear the voices of people actually doing this kind of work, which was a nice way to convey information to the students. (City Hall official)



Regional Revitalization Activities

Supporting Regional Revitalization Using the Appeal of Capcom Video Game Content

The attraction of video game content for the worldwide audience was in evidence when Japan’s Prime Minister promoted the 2020 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.

Utilizing the power of our game content to capture the attention of people, 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 promotion that supports education concerning local history and culture; 3) the improvement of public order through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

In 2017, Capcom provided support for a stamp rally that used our characters, as well as collaborated to make the commemorative goods for the 73rd National Athletic Meet’s Ice Skating Winter Competition (known as Fujinokuni Yamanashi-Kokutai), in Kofu Yamanashi Prefecture, a city with which Capcom entered into a Comprehensive Agreement to Promote Vitalization of the Local Economy. These events were part of Capcom’s efforts to help achieve regional development by 2019. In Hamamatsu City, Shizuoka Prefecture, which is seizing the opportunity of a televised historical drama series to boost tourism, we collaborated with decorating the exterior of a train (the “Naotora Express”) by providing a Capcom character. Furthermore, in March 2018, we provided characters for

inclusion in promotional posters and handouts for performances at the National Bunraku Theatre in Osaka, which is striving to better communicate to young people the appeal of bunraku, an art form included on the UNESCO Intangible Cultural Heritage List. These examples highlight some of our dedicated efforts to help regional revitalization activities.

Also, in October 2017, *Monster Hunter* series characters were used in materials to promote efforts by the Osaka Prefectural Police Department to raise awareness and prevent the theft of valuables from unattended cars. Car interior cleaner wipes with packaging featuring the characters were distributed to promote the campaign.

Comments from a City Official

Shinya Kawai

HAMAMATSU CITY
INDUSTRIAL DEPARTMENT
Tourism & City Promotion Division



With the airing of a televised historical drama series and the boom in popularity of history from the Sengoku period, Hamamatsu city signed an agreement in 2016 to license Capcom content. We have used *li Naotora*, *Tokugawa Ieyasu*, and other *Sengoku BASARA* characters in our promotions.

We are striving to promote Hamamatsu to new demographics, such as young people and women, and have been able to attract visitors to related locations within the city. There were particularly spirited responses to the live on-stage talk, the *sumie* ink art exhibit, and the announcements played inside buses decorated with character images. Information spread on social media and I think the PR activities were effective. Additionally, visitors from outside Japan also asked to receive some of the collaboration posters, which showed us how strong the appeal of popular video games can be.

Capcom and the Environment

Environmental



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

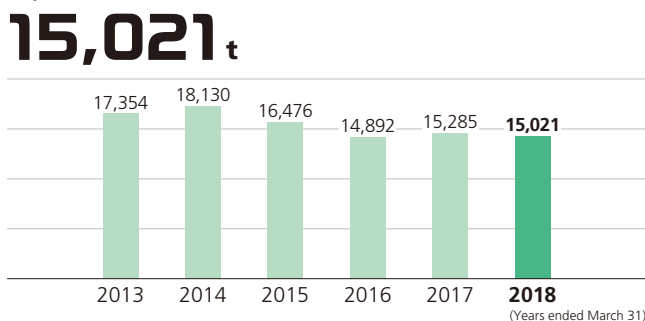
Reducing Power Usage

Reducing CO₂ 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. In the fiscal years ended March 2012 to March 2014, energy usage trended upward at our amusement facilities in particular due to attempts to restore normal operations following shortened business hours necessitated by the Great East Japan Earthquake. However, since the fiscal year ended March 2014, we have cut CO₂ emissions by installing energy-saving gaming machines and switching to LED lighting. The fiscal year ended March 2017 saw our CO₂ emissions increase compared to the previous fiscal year due to the construction of the R&D Building #2 and Capcom Technical Center. However, as a result of having a range of energy-saving equipment, the CO₂ emissions from these buildings have been reduced by approximately 10%* compared to the original plan.

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

Capcom's CO₂ Emissions (Non-consolidated) (t)



Rated "S Class" Three Years in a Row by the Business Operator Class-Based Assessment System

Revisions made in 2014 to the Act on Rationalizing Energy Use, also known as the Revised Energy Conservation Act, place an obligation on companies to improve energy efficiency* by at least 1% every year, and 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 three 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).

* Either standard energy intensity or assessed energy intensity from levelled out electric power demand

FY	Energy Intensity*	Vs. Previous FY
2013	0.07090	95.7%
2014	0.06663	94.0%
2015	0.06193	92.9%
2016	0.06018	97.2%
2017	0.05994	99.6%

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

Innovations in Product Distribution

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.

Paperless Instruction Manuals

In previous console generations, games included a printed instruction manual inside the package, but with games for current-generation consoles, these manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 11.5 million game units' worth of paper manuals shipped annually.

Development and Manufacturing Initiatives

Reducing the Environmental Impact of Pachislo Machines

In solidarity with the efforts of the Japan Pachislot 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.

Reducing the Environmental Impact of Business Machines

In addition to ensuring that we make products that are easy to recycle while using durable materials and components beginning at the design stage, we actively provide version upgrade kits to allow customers to use the same machines for the long term, simply adding or upgrading game data as they go.

Directors

(As of June 11, 2018)



Kunio Neo
Director and
Executive Corporate Officer

Makoto Matsuo
Director
Member of the Audit
and Supervisory Committee

Yoichi Egawa
Director and
Executive Corporate Officer

Yutaka Mizukoshi
Director

Kenzo Tsujimoto
Chairman and
Chief Executive Officer (CEO)



Masao Sato
Director

Yoshihiko Iwasaki
Director
Full-time member of the Audit
and Supervisory Committee

Kazushi Hirao
Director
Full-time member of the Audit
and Supervisory Committee

Haruhiro Tsujimoto
President and
Chief Operating Officer (COO)

Toru Muranaka
Director

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

Directors

(As of June 11, 2018)

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)
 Feb. 2015 President and Representative Director, and Director in charge of Consumer Games Business of the Company
 Jul. 2016 President and Representative Director, and Director in charge of Global Marketing Business of the Company
 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 (to present)

Yoichi Egawa

Director and 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. 2005 Corporate Officer, Head of Contents Expansion Business Division of the Company
 Apr. 2006 Corporate Officer, Head of Pachinko & Pachislo Business Division 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
 Apr. 2015 Director, in charge of Amusement Equipments Business and Arcade Operation Business of the Company
 Jul. 2016 Director, in charge of Amusement Equipments Business, Arcade Operations Business and Consumer Games Development of the Company
 Aug. 2016 Director, in charge of Consumer Games Development and Amusement Equipments Business of the Company
 Apr. 2017 Director, in charge of Consumer Games Development and Pachinko & Pachislo / Amusement Equipments Business Division of the Company (to present)

Kenkichi Nomura

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

Apr. 1979 Entered into Fuji Bank Ltd. (Currently Mizuho Bank Ltd.)
 Apr. 2007 Corporate Officer and Division Manager of Finance and Foreign Exchange Administration Service Division of Mizuho Bank Ltd.
 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 and Head of Finance, Accounting and Public Relations Division (to present)
 Jun. 2016 Director, Chief Financial Officer (CFO) and in charge of Corporate Management of the Company (to present)

Kunio Neo

Director and Executive Corporate Officer

Oct. 2012 Entered into the Company
 Feb. 2013 Chief Executive Officer (CEO) of CE Europe Ltd.
 Dec. 2014 Left from CE Europe Ltd.
 Apr. 2015 Advisor of the Company
 Apr. 2016 Managing Corporate Officer, Head of Global Marketing Group of the Company
 May 2018 Executive Corporate Officer, Head of Global Marketing Group of the Company (to present)
 Jun. 2018 Director, in charge of Global Marketing Business (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 (Currently Nippon Steel & Sumitomo Metal 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)
 Jun. 2018 Senior Advisor of The Boston Consulting Group, Tokyo (to present)
 Jun. 2018 External Director of the Company (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. 1997 Deputy Commissioner (Revenue Management and Collection) of Hiroshima Regional Taxation Bureau
 Jul. 1999 Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
 Jul. 2003 Director of Commissioner's Secretariat, the National Tax Agency
 Jul. 2007 Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
 Jul. 2008 Executive Director of National Tax College
 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>

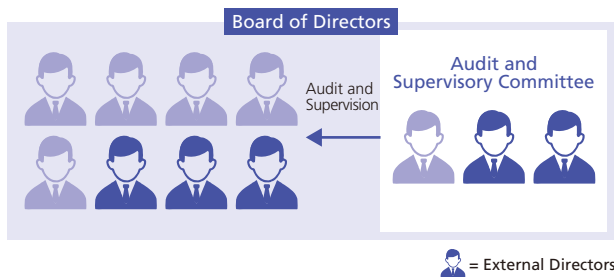
Apr. 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
 Aug. 1978 Weil, Gotshal & Manges in New York
 Mar. 1979 Admitted to New York Bar
 Apr. 1989 Partner of Momo-o, Matsuo & Namba (to present)
 Apr. 1997 Lecturer of Nihon University, Faculty of Law: International Transaction Law
 Jun. 1999 External Corporate Auditor of Victor Company of Japan, Limited
 Jun. 2000 External Corporate Auditor of Billing System Corporation
 Jun. 2003 External Corporate Auditor of Yamanouchi Pharmaceutical, Co., Ltd.
 Jun. 2004 External Director of the said Company
 Apr. 2005 External Director of Astellas Pharma Inc.
 Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
 Jun. 2007 External Director of the Company
 Oct. 2008 External Director of JVC KENWOOD Holdings, Inc.
 Jun. 2009 External Corporate Auditor of Toray Industries, Inc.
 Mar. 2014 External Corporate Auditor of Solasia Pharma K.K. (to present)
 Mar. 2015 External Director of TonenGeneral Sekiyu K.K.
 Jun. 2016 External Director (Member of the Audit and Supervisory Committee) of the Company (to present)

Features of Capcom Corporate Governance

Four Features of Capcom Corporate Governance

1 Transition into a Company with an Audit and Supervisory Committee to Strengthen Governance

In June 2016, we transitioned into a company with an audit and supervisory committee. The Audit and Supervisory Committee works so that the internal control system functions effectively, auditing the execution of operations by directors and employees based on auditing policies and, as necessary, submitting items found in audits and giving advice and making suggestions for corrections, etc. Additionally, we have established an Internal Audit Division directly under the control of the Audit and Supervisory Committee to ensure the committee can perform duties smoothly and appropriately. This division has a full-time staff of 18 who help with the execution of operations of the Audit and Supervisory Committee.



2 Proactive Appointment of External Directors

Capcom's current ratio of external directors is 45.5% through proactively appointing external directors since June 2001. The advice, opinions, and scrutiny provided by external directors increases the transparency and credibility of Board of Directors' meetings and vitalizes the same, while also strengthening the function of the meetings to supervise management.



3 Full Disclosure of 73 Corporate Governance Code Items

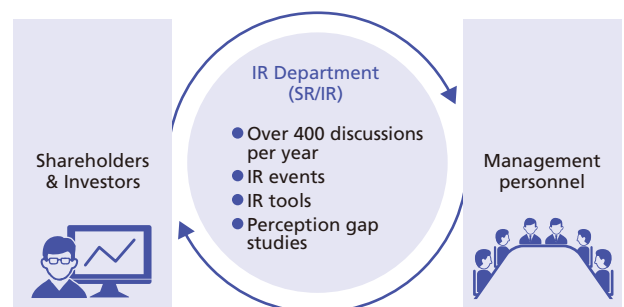
Capcom has disclosed all 73 of its Corporate Governance Code items in order to fulfil its responsibility to explain each item while reaffirming the current state of the company's governance system contrasted with its ideal state. Capcom attaches particular importance to 26 items, which are comprised of 10 items that contribute to our growth strategy, three items that contribute to our management system and 13 items that serve as the base for achieving these, and provides greater detail concerning the same.

Items which contribute to our growth strategy	<ul style="list-style-type: none"> ● Ensure diversity within the Company, including promoting the success of women. ● Thorough disclosure of information. ● Duties, etc. of the Board of Directors, etc.
Items which contribute to our management system	<ul style="list-style-type: none"> ● So-called cross-shareholdings. ● Selection and dismissal of key members of management staff. ● Quality and standard of determining independence of independent external directors.
Items which serve as a basis for the above	<ul style="list-style-type: none"> ● Basic principles for capital policy. ● Establishing an environment to support the risk-taking of the Board of Directors. ● Role and duties of independent external directors, etc.

→ Please refer to the Corporate Governance page on Capcom's investor relations site: http://www.capcom.co.jp/ir/english/president/index_gov.html

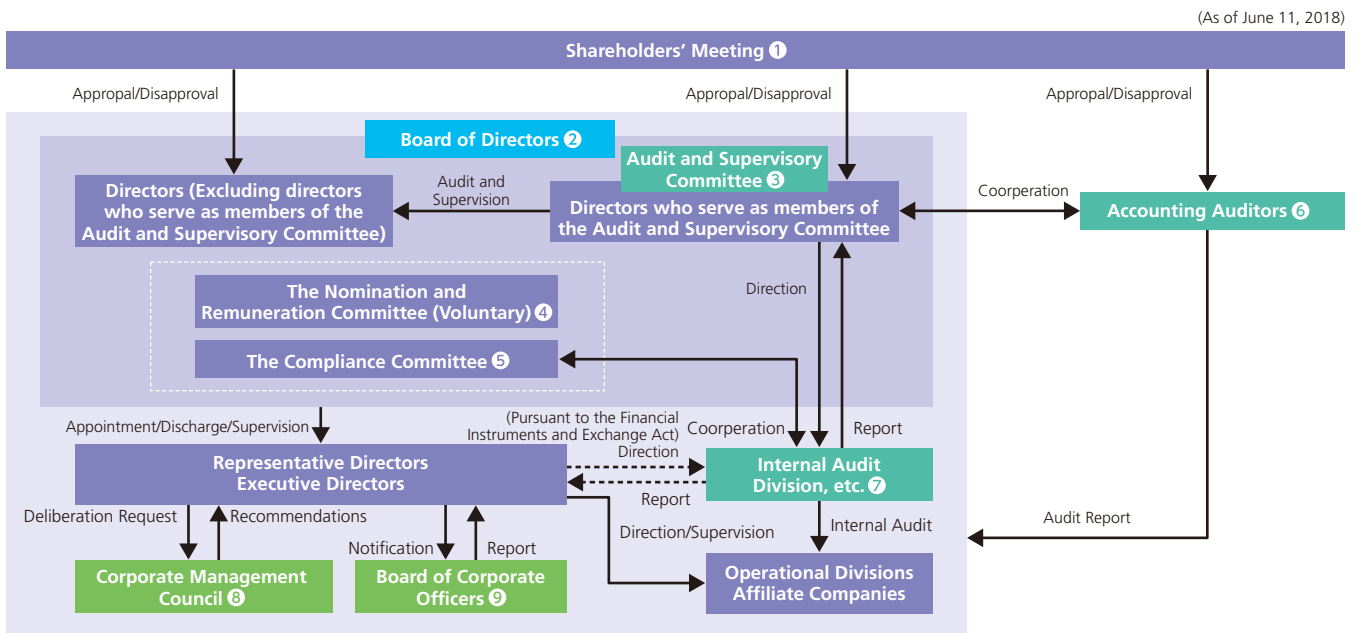
4 Mechanism for Reflecting Investor and Analyst Opinions in Management

Capcom's IR Department engages in discussions with analysts and investors over 400 times per year. In addition to promoting understanding of management policies and business strategies, the IR Department applies these activities to corporate management, summarizing market opinions and providing feedback to management personnel. Capcom is also further enhancing events and tools for investors, strengthening shareholder and investor relations activities.



Corporate Governance Structure and Initiatives

Shareholders and investors have made the practical and 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.)



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 11, 2018)

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 as well as serves as a place for reporting audit results of 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 or smartphone. In addition, we participate in an electronic voting

rights exercise platform for institutional investors.

Four resolutions were brought up for discussion at the shareholders’ meeting this year, all of which were approved and passed.

2 Board of Directors Supervision

(Convened 15 times in the year ended March 31, 2018)

Management Decisions that Incorporate External Directors’ Opinions

In addition to the regular Board of Directors meeting being convened once every month, it is also convened when the need arises.

The Board of Directors is composed of eight directors (excluding Audit and Supervisory Committee members), three of whom are external directors, in addition to three directors who are Audit and Supervisory Committee members (two of whom are external directors), for a total of 11 directors.

More than one-third of directors are external directors (five out of eleven) and all five of the external directors have been registered with Tokyo Stock Exchange, Inc. as independent directors.

3 Audit and Supervisory Committee Audit

(Convened 16 times in the year ended March 31, 2018)

Cooperating with Accounting Auditors and the Internal Audit Department to Audit and Supervise

The Audit and Supervisory Committee is composed of three directors,

two of whom are external directors. We carry out organizational audits and supervision by selecting two full-time members of the Audit and Supervisory Committee to collect and share information, while also making use of our internal control system.

To this end, we have established an Internal Audit Division, etc. with 18 full-time staff members directly under the control of the Audit and Supervisory Committee. This Division makes regular reports and carries out appropriate work through organizational audits that include issuing instructions and other actions as necessary.

4 The Nomination and Remuneration Committee

Providing Consultation on the Selection of Candidates for Director and Recommending Details of Director Compensation

Capcom has established a voluntary Nomination and Remuneration Committee with five members, a majority of whom are external directors. The committee has an external director as committee chairman, and serves as a consulting organization to the Board of Directors, as necessary, to ensure the objectivity and appropriateness of the decision-making process for nominating candidates for director and for setting the compensation of directors (excluding directors who are members of the Audit and Supervisory Committee).

5 The Compliance Committee

(Convened four times in the year ended March 31, 2018)

Focusing on Compliance as an Important Management Issue

To ensure compliance, Capcom has established a Compliance Committee that meets quarterly and has an external director, who is also a certified attorney, as the chairman. In order to prevent illegal activities and misconduct, and so that all employees can directly report any instances of these, Capcom has established Compliance Hotline Rules and an internal hotline. Capcom also regularly monitors its compliance status with a compliance check sheet. To ensure effectiveness, Capcom properly disposes of problems confirmed by this committee and other issues that must be dealt with.

6 Accounting Auditors

Audit

Ensuring and Verifying Accounting Transparency

Capcom has engaged KPMG AZSA LLC for financial audits as

Auditor Remuneration (Year ended March 31, 2018)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	43 million yen	–
Consolidated subsidiary	1 million yen	–
Total	44 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
		Takuya Obata

Note: The financial audit team was composed of 10 certified public accountants (CPA), candidates for CPA who passed the new CPA exam and associates in charge of system audit, and a Certified Pension Actuary etc. (total 12).

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.

7 Internal Audit Division

Audit

Ensuring and Verifying Legal Compliance and Operating Efficiencies

We have established an Internal Audit Division, etc. as an auditing body to support the Audit and Supervisory Committee. This division conducts regular monitoring of each division and Group company, primarily from the standpoint of risk management. The Internal Audit Division collects and analyzes information on legality, propriety, and efficiency, accurately assesses Group internal operational risk and inefficiencies, and works to prevent the occurrence of crises and improve operations. Additionally, in the event of an unforeseen situation, the Internal Audit Division contributes to making appropriate management decisions by quickly giving a report examining and analyzing the causal factors to the Audit and Supervisory Committee in order to minimize losses to the Company.

8 Corporate Management Council

Implementation

(Convened 15 times in the year ended March 31, 2018)

Supporting the Board of Directors' Decisions

The Chairman, President and Executive Corporate Officers participate in the Corporate Management Council, which meets the day before a meeting of the Board of Directors. The Corporate Management Council ensures the fairness and transparency of the decision-making process by carefully reviewing special items, items brought up to the Board of Directors, and items delegated to Representative Directors.

9 Board of Corporate Officers

Implementation

(Convened 12 times in the year ended March 31, 2018)

Executing Operations Based on Clear Management Policy

In order to clarify monitoring and business operation functions, Capcom adopted the corporate officer system. The Board of Corporate Officers is convened, in principle, once a month. In addition to carrying out business based on Board of Directors' decisions, reports on business affairs policy are given and plans are formulated at meetings of the Board of Corporate Officers. Status reports on business being carried out by Corporate Officers are given at the meetings of the Board of Directors.

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 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.

Reasons for Selection of External Directors and Their Rate of Attendance (Year ended March 2018)

	Name	Independent director	Reasons for selection	Board of Directors/Audit and Supervisory Committee Rate of Attendance (Year ended March 2018)
External Directors	Hiroshi Yasuda	✓	In overall consideration of his excellent insight, wealth of experience, and career holding positions of importance	Board of Directors: Attended 15 of 15 meetings (100%)
	Masao Sato	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through his rich experience and knowledge from many years serving in police administration	Board of Directors: Attended 15 of 15 meetings (100%)
	Toru Muranaka	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through precise counsel and advice as a legal expert	Board of Directors: Attended 15 of 15 meetings (100%)
External Directors (Audit and Supervisory Committee)	Yoshihiko Iwasaki	✓	Due to his experience with tax administration, he is expected to be beneficial to the Company	Board of Directors: Attended 15 of 15 meetings (100%) Audit and Supervisory Committee: Attended 16 of 16 meetings (100%)
	Makoto Matsuo	✓	Due to his ability to enable effective corporate governance through precise counsel and advice as a legal expert	Board of Directors: Attended 15 of 15 meetings (100%) Audit and Supervisory Committee: Attended 16 of 16 meetings (100%)
	Takayuki Morinaga	✓	Due to expectations for his ability to strengthen the auditing and supervision of the Board of Directors through management expertise, practical experience, and a track record that he has acquired at other companies	Board of Directors: Attended 15 of 15 meetings (100%) Audit and Supervisory Committee: Attended 16 of 16 meetings (100%)

Officer Remuneration

The Nomination and Remuneration Committee Makes Recommendations to Ensure Fairness and Transparency

To ensure fairness and transparency, the compensation of Directors (excluding directors who are members of the Audit and Supervisory Committee) is consulted on with the voluntary Nomination and Remuneration Committee, which has an external director as chairman. The Board of Directors sets remuneration based on this committee's recommendations. The current remuneration system is composed of set monthly remuneration and performance-based bonuses paid in cash, however, the percentage of set remuneration is high. Because of this, we are looking into introducing a new remuneration system to increase the directors' incentive to increase corporate value over the medium-to-long term. Also, as part of an overall environment to support risk-taking, the remuneration linked to performance will be set to an appropriate percentage.

Regarding the Decision on 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 fairness and transparency of directors' remuneration, 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 full/part-time service, as well as individual job performance and Capcom's earnings, and recommends an appropriate amount. The Board of Directors makes a decision based on this amount.

a. Monthly remuneration is fixed.

b. The bonuses are set within a reasonable range based on monthly remuneration and the Company's performance.

c. In addition to the remuneration listed above, appropriate remuneration based on individual achievement may be paid within a set range.

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 into account, by the directors who serve as members of the Audit and Supervisory Committee.

Officer Remuneration (Year ended March 31, 2018)

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	Stock options	Bonus	Severance	
Director (excluding Audit and Supervisory Committee and external directors)	296	226	-	70	-	4
Member of Audit and Supervisory Committee (excluding external directors)	28	28	-	-	-	2
External director	29	29	-	-	-	3
Member of Audit and Supervisory Committee (external directors)	45	45	-	-	-	3

Note: The above includes one director (an Audit and Supervisory Committee member) who left office due to his tenure ending on September 30, 2017.

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	Stock options	Bonus	Severance
Kenzo Tsujimoto	110	Director	Delivery company	80	-	30	-

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

Third-Party Assessment

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 184th among 3,548 listed companies in Japan in the "NEEDS-Cges" assessment developed by Nikkei Digital Media, 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, information disclosure, and external regulations, 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 2018, Capcom's total score was 7.20 points, placing us in the top 5.2% of Japan's listed companies, exceeding the 4.91-point average for all listed companies and the 7.02-point average for the industry. We also received the maximum score of 10 for "equity market evaluation" and "information disclosure."

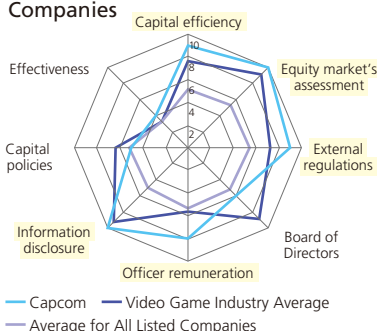
The main evaluation factors are given in the table below, but areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external 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	7.20
Rank	184
Categories	Score
Capital efficiency	9
Equity market's assessment	10
External regulations	9
Board of Directors	6
Officer remuneration	8
Information disclosure	10
Capital policies	5
Effectiveness	4

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	9	Statistics related to free cash flow
Equity market's assessment	10	Statistics related to Tobin's Q Ratio; equity returns
External regulations	9	Presence (or absence) of takeover defense measures
Information disclosure	10	Timing of Shareholders' Meetings (avoiding congested periods), degree of website detail, early timing of Shareholders' Meeting invitations, utilization of electronic voting, presence or absence of English disclosure materials

Source: NEEDS-Cges from Nikkei Inc.

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.

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 this information pursuant to the Timely Disclosure Rules and other regulations.

Initiatives for the General Shareholders' Meeting

Making Shareholders' Meetings Lively and Facilitating the Exercise of Voting Rights

To ensure our General 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 via computer, smartphone,

and 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.

Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2017 General Shareholders' Meeting.

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	446,934	169	32	99.05	Approved
Second proposal: Election of Eight Directors (excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	434,925	12,176	32	96.39	Approved
Haruhiro Tsujimoto	438,477	8,625	32	97.17	Approved
Yoichi Egawa	440,700	6,402	32	97.67	Approved
Kenkichi Nomura	440,157	6,945	32	97.55	Approved
Kunio Neo	439,284	7,818	32	97.35	Approved
Masao Sato	441,958	5,145	32	97.94	Approved
Toru Muranaka	441,182	5,921	32	97.77	Approved
Yutaka Mizukoshi	442,014	5,089	32	97.96	Approved
Third proposal: Election of Three Directors as Members of the Audit and Supervisory Committee					
Kazushi Hirao	434,516	12,586	32	96.30	Approved
Yoshihiko Iwasaki	438,349	8,753	32	97.14	Approved
Makoto Matsuo	437,527	9,575	32	96.96	Approved
Fourth proposal: Election of One Director as a Substitute Member of the Audit and Supervisory Committee	442,440	4,662	32	98.05	Approved

➔ Please refer to the "Resolutions of the 39th 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>

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 provide timely disclosure.

Fiscal 2017 Third Party Evaluations

Corporate	US-based financial publication Institutional Investor's 2017 All-Japan Executive Team rankings, Software sector "Best IR Company" Third Place
Integrated Reports	Capcom's integrated report chosen for excellence by asset management companies contracted with GPIF
	Capcom's integrated report chosen for "marked improvement" by asset management companies contracted with GPIF
	20th Nikkei Annual Report Awards, Excellence Prize
IR Website	US-based financial publication Institutional Investor's 2017 All-Japan Executive Team rankings, Software sector "Best Website" First Place
	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2017," Grand Prize
	Morningstar Japan K.K., Gomez Consulting Dept.'s "Investor Relations Site Ranking 2017," First place
	Nikko Investor Relations Co., Ltd., "Fiscal 2017 Listed Company Website Quality Ranking," 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 with these parties. Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. As a company based in Osaka, proactive IR meetings with these parties enables us to minimize asymmetric information as we strive to achieve appropriate corporate value.

In fiscal 2017, we set up 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. This also included candid discussions concerning management and development. Furthermore, we held an online individual investor briefing to allow individual investors from anywhere in the world to take part, as one of a variety of new pursuits informed by stock market views and demands. 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 as one criterion in management decisions. Specific examples of the diverse use of this information include: (1) reviewing disclosure materials (disclosing new KPI) and (2) assessing earnings briefing sessions and (3) holding meetings with management personnel.

Fiscal 2017 IR Measures

By category	Frequency
Interviews accepted	211
Visited domestic investors	138
Visited overseas investors	71
Total	420

IR Events

Event	Details
Top Management Meeting	Speakers: Chairman and CEO, Kenzo Tsujimoto President and COO, Haruhiro Tsujimoto Executive Director and CFO, Kenkichi Nomura
Supplementary explanatory earnings administrative officer conference call	Conference call after earnings announcement / before financial results presentation to explain the results
Online individual investor briefing	Posted information sessions online for individual investors
Conducted perception gap study	Conducted assessment survey targeting 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. Rather than earnings and performance matters, I would like to see opportunities created where we can ask top management and those in charge of development about their ideas, management theories and philosophy. In particular, since the founder is the Capcom CEO, this would be extremely informative for investors like us.

A. We held such a meeting.

We held a top management meeting to communicate the management policies and strategies being considered by the Chairman and CEO (our founder) and the President and COO (his successor), in addition to shedding some light on their personalities. The attendees seemed tremendously pleased and the event facilitated a deeper understanding of Capcom's business strategies. We will continue to have such meetings to provide opportunities for even more meaningful, mutual dialogue.

Q. The recording of development costs in the Consumer business is difficult to understand. I would like to see a little more disclosure.

A. We have made additional disclosures.

With the advance of digitization, consumer games have adopted longer sales cycles than before. Consequently, following accounting principles, Capcom now records expenses in accord with the sales period and, in principle, depreciates costs over approximately two years.

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 worldwide. Capcom's corporate website is also positioned as our most cost-effective tool.

IR Team

Full-Time Staff Engaged in a Wide Variety of Activities

Capcom IR activities are conducted by four 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 earnings information and other 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)

Major Discussions at Board of Directors Meetings and Audit and Supervisory Committee Meetings Held in Fiscal 2017

The Capcom Board of Directors ensures management transparency and soundness, with its six external directors (as of March 31, 2018) taking the lead in proactively offering opinions and advice. In addition to addressing dividend payments and discontinuing takeover defense measures, the Board engages in lively discussion concerning Capcom's growth strategies, such as esports, while promoting those strategies through corporate governance. While there were more than a few heated discussions with external directors, including with the Audit and Supervisory Committee, on this page, we will present an overview of two examples.

(Light blue highlights indicate external director comments.)



Topic 1

Entering a New Business Overseas

Executive officer in charge of overseas business (After finishing an overview explanation of new businesses) Regarding this issue, Japan is not a possible target of business for legal reasons, but many areas in Europe and the U.S. are. When thinking about entering this business, I would like to consider feasibility from a multi-faceted perspective, including marketability, platform technology, legality, etc.

Tsujimoto (Kenzo) This is not an agenda item, but merely a preliminary report. If there are any questions regarding entering this new business, I would like to ask for recommendations by the time of our next meeting, where we will make decisions. The reason that I would like to press forward with some optimism is that, while there are risks, it is necessary to take healthy risk in order to achieve sustainable growth. But if we are slow to act, we lose. So, with that, I would like to identify the risks and returns, and thoroughly discuss their suitability.

Sato I've heard that access from Japan and some other areas is excluded based on a player's location information, but would it be possible for them to play via a third country?

Executive officer in charge of overseas business The specifications will be set so that they will be excluded based on GPS data.

Tsujimoto (Kenzo) Even if they do access the game, they will not be able to make in-game purchases. Also, when entering a new business, I would like to hear everyone's opinion as to what you would like us to preserve.

Matsuo OK, I understand that players cannot play these games from Japan. However, as a publicly traded Japanese company, not an American one, is there any meaning for us in this new business? Who will operate it and whose idea is it? I would like those points to be clarified.

Executive officer in charge of overseas business In principle, the business will be run by a U.S. company.

Tsujimoto (Kenzo) By way of example, if a Japanese company buys a Las Vegas casino, it is legal to run it as an overseas subsidiary, and it is also legal for a Japanese person to visit the casino. But it is a problem to place bets from Japan. This case (though not gambling) is the same situation. I would like our deliberations to consider this point when making a decision.

Muranaka When the division in charge moves this project forward, I would like the legality to be assured. I would like us to proceed following a sound third-party monitoring approach, such as having a separate division check whether the division in charge is properly managing legality and the like. As an ideal, I understand the desire to promote this business, but I would like consideration to be paid to operating it.

Iwasaki Since the target area includes the EU, I would like us to carefully consider whether we clear the regional restrictions related to the EU competition law.

Tsujimoto (Kenzo) We will take into account the issues raised by our external directors and reassess risks as we outline the suitability of entering this business.



Topic 2

Discussion on Policies for Improving the Mobile Business*

External Audit and Supervisory Committee member I think that the Mobile business is one growth area, but it has not led to major gains for Capcom thus far. What analysis has been done looking into the reasons why? Is it a problem of not investing sufficient management resources, such as people, material, and money? Or, is it a problem with Capcom's mobile development expertise and capabilities?

Internal Audit Officer Although this is an interim report, I think the reason why expected results have not emerged from the Mobile Business to date is due to both issues you mentioned. These were included in the issues I reported on today, and, I would like internal auditing to proceed by verifying matters through further interviews, as well as data gathering and analysis. After these steps, we can clarify the challenges and propose improvements to the business division.

Internal Audit and Supervisory Committee member To add to that, our in-house resources are not sufficient for mobile game development, so for the Asian market, we are trying to work on multiple titles through an out-licensing approach with local development companies. We are also trying to find a starting point domestically, such as pursuing joint development with mobile development companies.

External Audit and Supervisory Committee member Since mobile is an important field within Capcom's growth strategies, we need

to be quick in our approach. Also, from a macro perspective, the Asian market's growth rate is extremely high, so I think one issue is how we should tackle this market going forward.

External Audit and Supervisory Committee member Regional preferences are particularly important for mobile games. A game that is a hit in Japan will not necessarily do well overseas. I would like that point to be covered as well when internal audits are performed.

Internal Audit Officer Currently, the division has deployed a strategy that first emphasizes business in Japan. As for overseas markets, such as Europe, the U.S. and Asia, it will confirm plans going forward.

External Audit and Supervisory Committee member Approximately what percentage of the global market is the Japanese market?

Internal Audit Officer The Japanese market has about a one-fifth share. The Japanese market has evolved in a very peculiar direction (emphasizing "gacha," or lottery-style microtransactions).

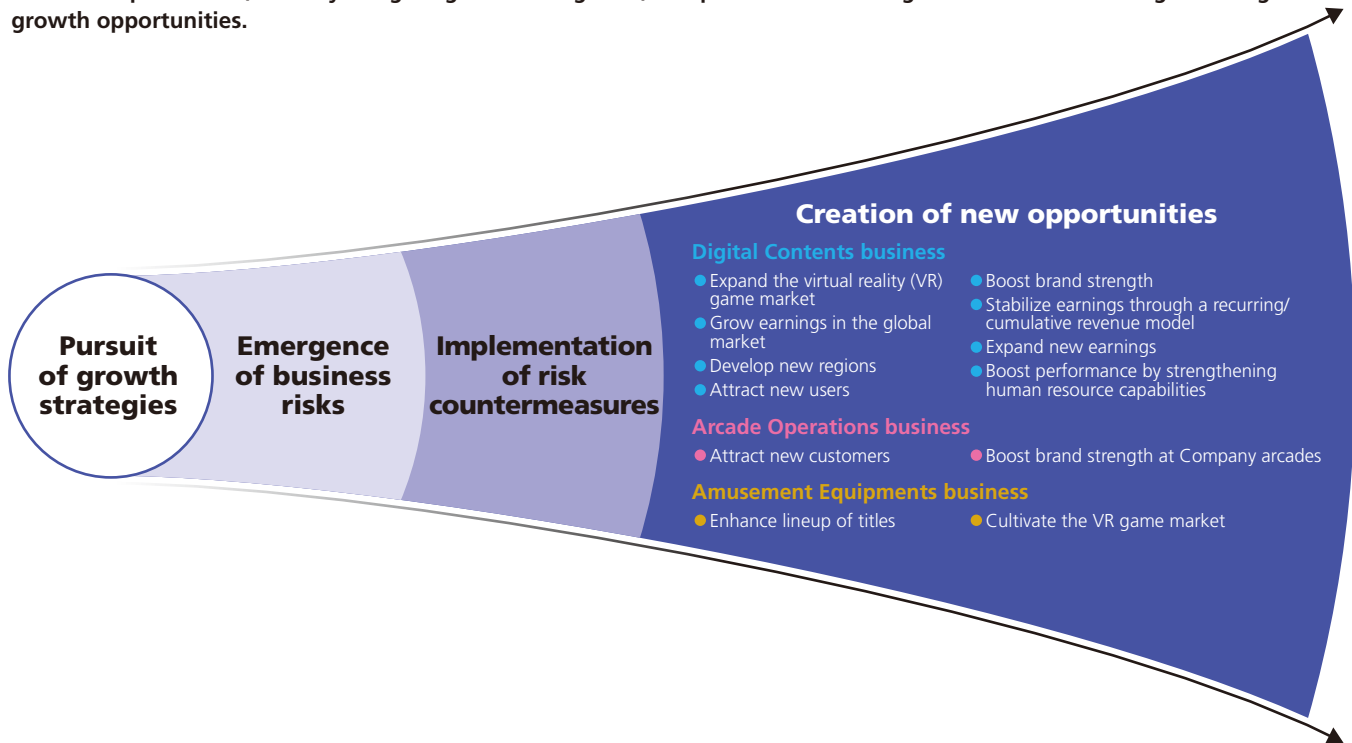
External Audit and Supervisory Committee member Thank you. This gives me a better understanding of the current state and issues for the Mobile business. I hope we can continue to have timely progress reports on internal audits.

Internal Audit Officer Understood. I plan to proceed so that we can further clarify any problem points and make proposals that will translate to future growth.

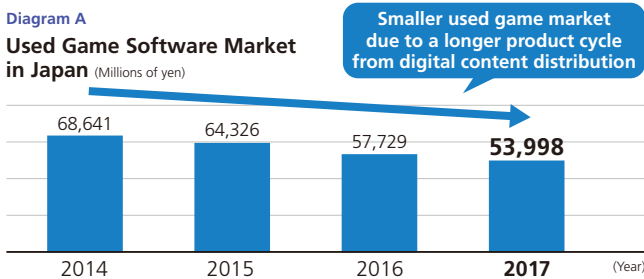
* This discussion contains comments gathered from the Audit and Supervisory Committee meetings during the period under review, and from other individual meetings as well.

Risk Management

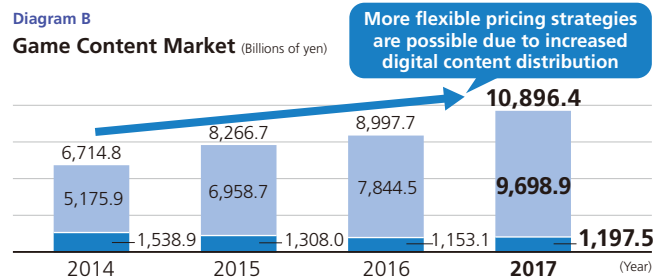
Capcom is driving its growth strategies forward in order to achieve our medium-term business goal of increased operating income every fiscal year. Pursuing our growth strategies, however, inevitably entails business risks. We implement measures for each expected risk, thereby mitigating or avoiding risks, and promote risk management that allows for generating new growth opportunities.



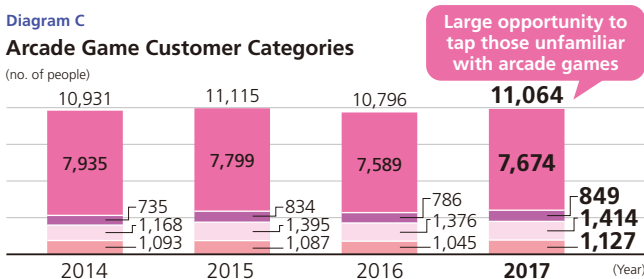
Business Opportunities Shown in Market Data



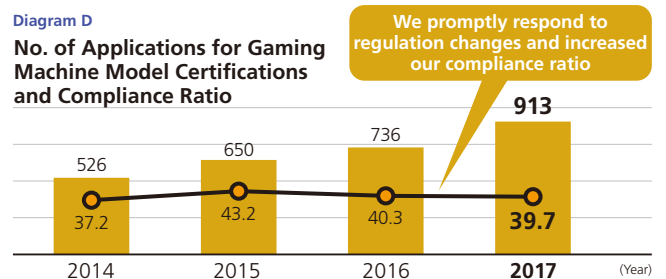
Source: Famitsu Game White Paper 2015, 2016, 2017, 2018



Source: Famitsu Game White Paper 2015, 2016, 2017, 2018



Source: 2018 CESA Consumer Survey Report -Survey of Japanese Game Users & Non-game Users-



Source: reference statistics from the Security Communications Association

Major Risks, Countermeasures, and Opportunities

Digital Contents business

Risks	Capcom's response measures	Opportunities
Surge in development costs due to increasingly complex/diverse functionality in CG, VR, and artificial intelligence (AI) technologies as well as Internet operations	Build an in-house development engine; increase and efficiently place development personnel to improve both quality and development efficiency, while focusing on containing development spending	<ul style="list-style-type: none"> Expand the VR game market Grow earnings in the global market
Rapid obsolescence of game software	Remake previous titles and/or make derivative products from them in order to continue effectively utilizing IP, while securing long-term earnings	<ul style="list-style-type: none"> Develop new regions Attract new users Boost brand strength Stabilize earnings through a recurring/cumulative revenue model
Expansion of the used software market and a flood of pirated copies in Asian markets	Boost the DLC ratio in order to restrain supply to the used game market, suppress pirated copies, and expand sales of genuine products [Diagram A]	
Loss of user interest in our popular IP due to changes in the market environment	Boost brand strength by rolling out products on multiple media platforms Allocate a certain percentage of development investment toward new IP development	
Arguments claiming a connection with / influence on violent incidents and other criminal cases due to depictions of violent scenes and similar content in games	Comply with rules on the ratings system for game software Educate schools and parents/guardians by conducting on-site classes	
Fluctuations in the proliferation of, or any problem with, home video game consoles	Use surveys and analysis of home game console market trends to predict future trends, while diversifying earnings risks by releasing products on multiple game platforms	
Fluctuations in supply and demand for games due to seasonal factors	Deliberate on optimal timing of launches based on market analysis Create more long-term sales through flexible pricing strategies	
Sluggish sales growth in the transition stage ahead of next-generation home video game console launches	Lengthen the duration of game sales and strengthen recurring sales by boosting the DLC ratio Increase sales units through flexible pricing strategies [Diagram B]	
Inability to keep up with new technologies	Utilize a cutting-edge development environment and talented developers to continually strive for development that leverages new technologies	<ul style="list-style-type: none"> Boost brand strength Expand new sources of earnings
Decrease in users due to diversifying entertainment options, diversifying consumer needs, etc.	Deliver mobile games, etc. that leverage our popular IP by releasing games on multiple platforms and thereby gaining new user segments	<ul style="list-style-type: none"> Grow earnings in the global market Boost performance by strengthening human resource capabilities
Market fluctuations outside Japan and intensification of competition among companies	Closely share information with overseas subsidiaries and sales companies; assess market trends in each country; respond to local needs	
Country risks outside Japan, including political, economic, legislative, cultural, religious, and custom risks	Have in-house specialist teams carry out localization without losing the feel of the game world and while keeping regional politics, economics, laws, culture, religion, and customs in mind	
Unfavorable legal interpretations/rules by regulatory authorities addressing tax rates, customs duties, etc. accompanying expansion of overseas transactions	Collaborate with overseas subsidiaries and gather information related to legal systems in the countries of sale so that we can strive for preemptive measures	
Retirement/transfer of development personnel	Devote effort to aggressively hiring and training personnel so that we can secure talented developers Promote systems for shortened working hours and usage of paid leave, in addition to building daycare centers near our offices	

Arcade Operations business

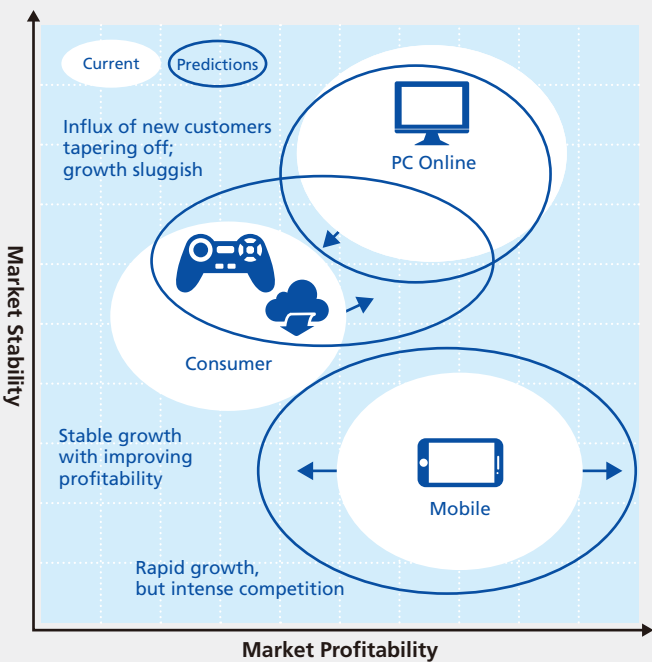
Risks	Capcom's response measures	Opportunities
Reliance on the popularity of installed machines	Roll out multi-faceted projects such as character-themed food shops, shops dedicated to selling character-themed products, and special corners targeting younger demographics, in order to attract customers without focusing on specific, popular machines [Diagram C]	<ul style="list-style-type: none"> Attract new customers
Changes in the market environment, such as diversification of entertainment, falling birth rates, intensified competition	Create new earnings opportunities and customers by holding various events for families and women, and other events aimed at middle-aged to senior citizens	<ul style="list-style-type: none"> Boost brand strength at Company arcades

Amusement Equipments business

Risks	Capcom's response measures	Opportunities
Only models that obtain Security Communications Association certification can be sold	By joining the Japan Pachislo Machine Industry Association (Nichidenkyo), get an understanding of trends with regulatory agencies and build a framework for immediately responding to regulatory changes [Diagram D]	<ul style="list-style-type: none"> Enhance lineup of titles
A decline in facility operators' purchasing power, changes in the business environment, and uncertainties regarding growth	Develop cabinets that utilize our wealth of popular IP in multiple ways Grasp market trends by collaborating with company-owned arcades	<ul style="list-style-type: none"> Cultivate the VR game market Enhance lineup of titles

Game Industry Characteristics

Characteristics of Each Market



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

Consumer Market Characteristics (Package + Digital Download Contents)

Package and digital download contents are a 24.4 billion dollar market, forecast to grow 46% over the next five years to 35.6 billion dollars by 2022. The customer base is composed mainly of core users who are highly 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 as we capture the casual user segment, which has high sensitivity to price conditions, in conjunction with a higher digital sales ratio, shrinking the gap between the margin in this market and those in the other two markets. [Please refer to page 75](#)

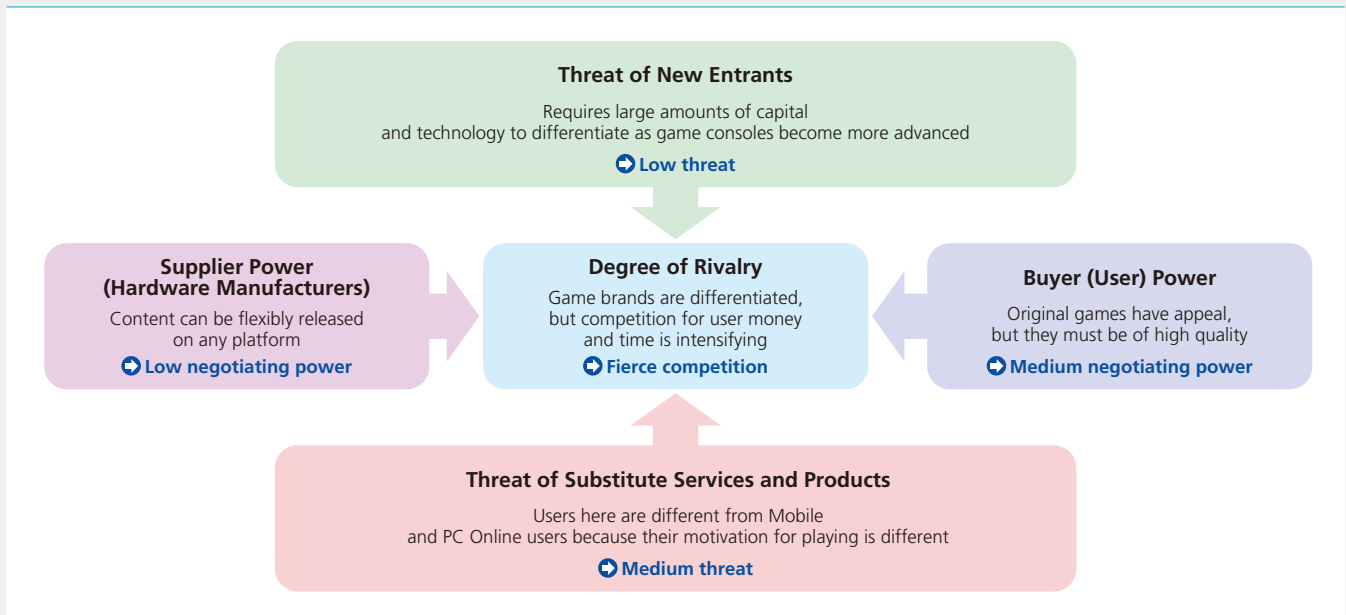
Mobile Market Characteristics

This is a 59.4 billion dollar market, forecast to grow to 92 billion dollars by 2022. The customer segment is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. 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. Going forward, we expect smartphones will continue to grow rapidly as the most pervasive game device. [Please refer to page 75](#)

PC Online Market Characteristics

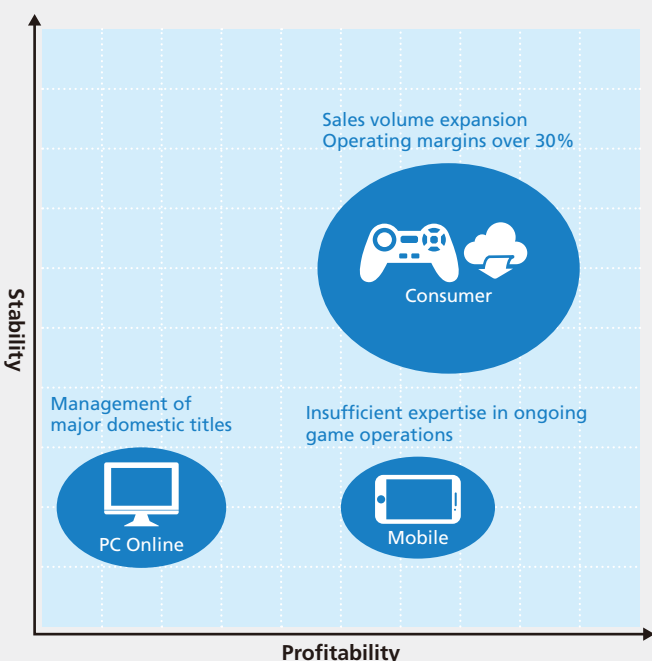
This is a 38.4 billion dollar market, forecast to grow about 19% over the next five years to 45.8 billion dollars by 2022. The customer base is primarily composed of core users who demonstrate the highest loyalty toward game titles. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. Among the three markets, profitability is comparatively high, and hit titles tend to generate stable earnings over the long term; however, the influx of new customers is expected to taper off, causing growth to be sluggish in the future. [Please refer to page 75](#)

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, 2018

Consumer Market Characteristics
(Proportion of Net Sales: 69%)
Package + Digital Download Contents

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 an increased download sales ratio have, in recent years, led to a greater volume of sales and operating margins of up to around 30%.

Mobile Contents Market Characteristics
(Proportion of Net Sales: 4%)

This business distributes games featuring popular Capcom content on smartphones, cultivating new markets such as the casual user segment to create new earnings opportunities. However, insufficient know-how in ongoing game operations, which differs from Consumer, has resulted in sales underperforming market growth.

PC Online Market Characteristics
(Proportion of Net Sales: 5%)

We are working to distribute PC Online games utilizing our popular content and ensure stable management of our existing content in Japan and Asia.

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 create games with full-VR support	○	○	○	○	
Governance	Corporate culture of training younger employees	○	× _{*1}	△	○	Other companies possess this strength as well
	Promotion of governance reforms (independent 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 28 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 40%	○	△	× _{*2}	○	Major overseas companies are ahead
Marketing	Bolstering of lineup through revival of dormant IP and catalog titles	○	△	△	○	Companies with popular IP can roll them out in other media
	Single Content Multiple Usage strategy of rolling out popular IP to multiple media	○	×	△	× _{*3}	
External partners	Trusted by hardware manufacturers	○	△	○	○	High rank compared to competitors

Note: Prepared in-house based on interviews of analysts.

Measures to address evaluation

*1 With respect to the low evaluation of the originality of our system for training younger employees, we are working on system development that includes (1) providing an environment conducive to taking on new challenges through visualization of management, and (2) developing an environment of friendly rivalry through the promotion of younger employees and consolidation of offices. (Please refer to page 49)

*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 (86 titles) in digital format and (2) extending the sales period with brand strategies for each IP. (Please refer to page 32)

*3 With respect to the low evaluation of not successfully rolling out IPs to mobile platforms despite their relative strength, we are promoting measures such as (1) assigning capable creators to internal production and (2) forming alliances with mobile game companies possessing abundant game operations know-how. (Please refer to page 33)

Explanation of Market Trends and Forecasts

Consumer Market (Package + Digital Download Contents)

In 2017, the consumer (package + digital download contents) market picked up, increasing to 24.4 billion dollars (up 15.1% from the previous fiscal year). This was due primarily to an increase in digital download sales as a result of steady growth in the installation base of current generation game consoles and the arrival of the Nintendo Switch, despite packaged sales remaining flat. The consumer market is primarily comprised of North America, Europe and Japan, and this trend was especially evident in the North American and European markets, which account for approximately 85% of this market. The highly profitable digital

download contents market now accounts for roughly 54% of the consumer market.

The forecast for 2018 is for the market to reach 27.6 billion dollars (up 13.1% from the previous fiscal year) owing to a continued virtuous cycle of increased software sales driven by the growing user base of current generation game consoles.

In the medium term, our user segment will grow as a result of the spread of consumer game consoles and development of new digital distribution methods such as cloud games. As such, we expect the market to grow to 35.6 billion dollars by 2022 (up 45.9% compared to 2017).

Mobile Contents Market

In 2017, the mobile contents market was worth 59.4 billion dollars (up 22.5% from the previous year), expanding to half the size of the overall game software market. The main reasons for this were (1) the ongoing adoption of smartphones throughout the world and (2) the increase of popular native app games particularly in Japan and Asia that continue to attract game users. By region, the Asian market including Japan was worth 35.4 billion dollars (up 28.3% from the previous year), the North American market was worth 11.3 billion dollars (up 13.0% from the previous year), Eastern European, developing countries and other regional markets were worth 6.6 billion dollars (up 8.2% from the previous year), all showing continued growth.

The freemium (virtual item purchases/in-game purchases) model, where users download a game for free, then purchase access to additional items and other game

content as needed, has predominated the market since about 2010. With freemium games, the key success factors are IP (brand/game content) coupled with operating know-how, which includes offering the appropriate services in conjunction with monetization. Because of this, the opportunity to improve earnings is growing for game companies with many popular titles as well as mobile development companies with operational expertise.

In 2017, the annual shipment of smartphones stayed roughly the same as the previous year at 1.46 billion units (down 0.7% from the previous year). For the next five years, the average annual growth rate is expected to be 2.8%, with shipments reaching 1.68 billion units by 2022. As a result, we expect the 2018 mobile market to increase to 68.9 billion dollars (up 16.0% from the previous year) and grow to 92 billion dollars by 2022 (up 54.9% from 2017).

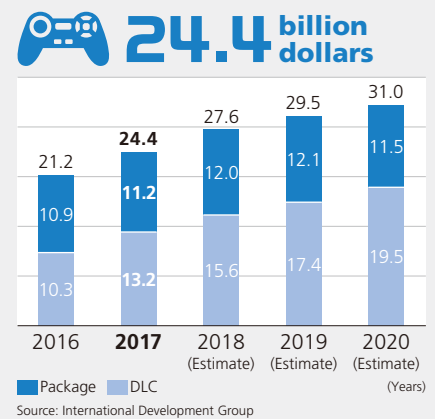
PC Online Market

In 2017, the PC online market grew substantially to 38.4 billion dollars (up 23.9% from the previous year) owing to worldwide growth, especially in China and Asia, which account for more than 40% of the market.

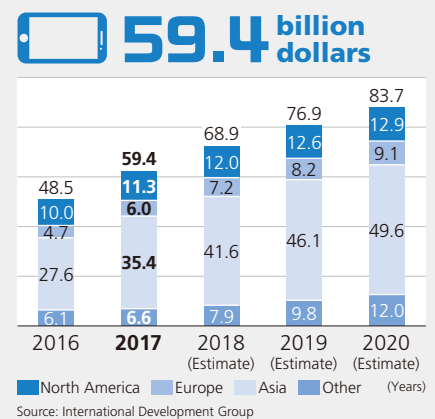
In 2018, we expect the market to

increase to 40.9 billion dollars (up 6.5% from the previous year), with the shift to mobile among leading game companies continuing, and further, although it will grow to 45.8 billion dollars by 2022 (up 19.3% from 2017), growth will slow in the future.

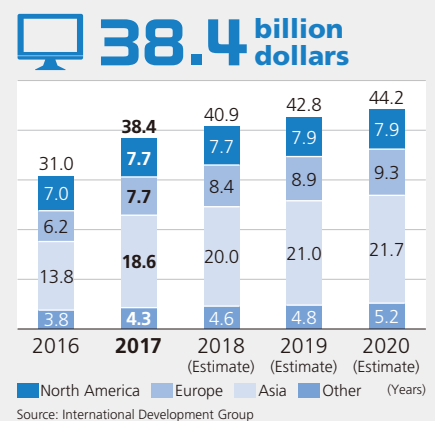
Consumer Market (Billions of dollars)



Mobile Contents Market (Billions of dollars)



PC Online Market (Billions of dollars)



GAME Arcade Operations Market

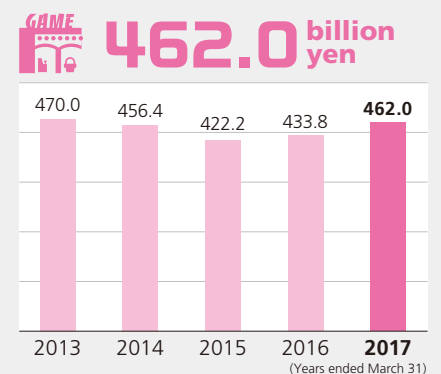
The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2017) for the second year in a row to 462 billion yen (up 6.5% from the previous year). This was due to improvements in the number of visitors and sales per customer due to restrictions on the time that minors can be in arcades while accompanied by a guardian being relaxed in the Entertainment and Amusement Trades Act (Entertainment and Amusement Trades Rationalizing Act) and popularity of new models of video game consoles. The total number of arcades decreased to 14,154 (down 4.8% from the previous year), and the number of units installed at each arcade decreased to 31.4 (down 2.2 units from the previous year). However, annual sales per facility increased

to 32.64 million yen (up 11.8% from the previous year), demonstrating that the management streamlining many companies have engaged in, closing unprofitable locations and focusing on profitable stores in good locations, has been successful.

This year (ended March 31, 2018), the market was strong overall, and growth continued owing to hit products appearing one after another in the prizes found in prize game machines.

In the next fiscal year (ending March 31, 2019), we expect the market to remain flat due to prizes that were hits this year losing steam, despite the introduction of networked card-based games and video games featuring popular characters.

GAME Arcade Operations Market (Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"

Gaming Machines Market

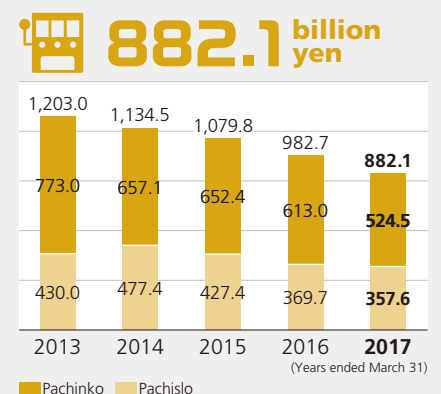
In the previous fiscal year (ended March 31, 2017), the gaming machine market shrank for the fourth consecutive year to 882.1 billion yen (down 10.2% from the previous year). This was due to both pachinko and pachislo machines being hit hard by diminishing investment appetite for gaming machines among halls due to worsening financial results and a decrease in the number of new stores opened.

The market continued to worsen this year (ended March 31, 2018) due to

changes to gaming machine regulations in February 2018.

In the next fiscal year (ending March 31, 2019), we expect the shrinking of the market to come to an end as the number of users recovers with the gradual introduction of models with improved product value beginning in the second half. This is in conjunction with the enforcement of new self-imposed restraints in April 2019 despite the changes to the gaming machine regulations.

Gaming Machines Market (Billions of yen)



Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2016, 2017); Yano Research Institute Ltd.

Arcade Game Market

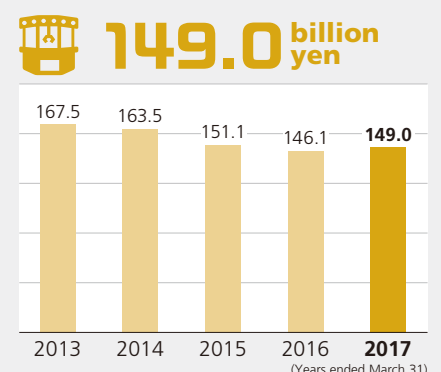
In the previous fiscal year (ended March 31, 2017), the arcade game market grew to 149 billion yen (up 2.0% from the previous year) thanks to hit crane and networked card-based games, despite a decrease in the number of amusement vendors.

This year (ended March 31, 2018), sales

of new crane games and prizes continued to grow and are slowly on the rise.

In the next fiscal year (ending March 31, 2019), we expect the market to perform well in conjunction with increased investment appetite among facility operators and the launch of multiple popular models.

Arcade Game Market (Billions of yen)



Source: JAMMA "Survey on the Amusement Industry"

11-Year Summary of Consolidated Financial Indicators

Financial Index

	2008	2009	2010	2011	2012
For the Year:					
	Millions of yen				
Net sales	¥ 83,097	¥ 91,878	¥ 66,837	¥ 97,716	¥ 82,065
Operating income	13,121	14,618	5,587	14,295	12,318
Net income (loss) before income taxes	11,962	12,448	1,124	10,807	11,425
Net income attributable to owners of the parent	7,807	8,063	2,167	7,750	6,723
Depreciation & amortization	3,393	4,143	3,368	3,315	3,123
Capital expenditures	4,503	2,906	2,205	2,758	4,153
R&D expenses	2,972	2,329	2,125	2,924	2,236
At Year-End:					
	Millions of yen				
Total assets	¥ 93,606	¥ 106,210	¥ 86,621	¥ 90,408	¥ 98,247
Net assets	53,660	59,349	53,956	58,007	59,352
Net cash	13,061	7,378	12,299	27,655	11,348
Developer numbers	809	1,047	1,132	1,339	1,455
Cash Flows:					
	Millions of yen				
Cash flows from operating activities	¥ 7,452	¥ (551)	¥ 14,320	¥ 22,392	¥ (7,672)
Cash flows from investing activities	(3,374)	(2,715)	(1,618)	(2,046)	(4,794)
Cash flows from financing activities	(2,448)	(342)	(10,747)	(12,919)	587
Net increase (decrease) in cash and cash equivalents	(2,256)	(4,454)	1,203	5,196	(12,724)
Cash and cash equivalents at end of year	32,763	28,611	29,815	35,011	22,287
Per Share Data:					
	yen				
Net income (loss) per share	¥ 66.45	¥ 65.49	¥ 17.86	¥ 65.59	¥ 58.05
Dividend per share	30.00	35.00	35.00	40.00	40.00
Net assets per share	440.57	480.69	456.59	490.88	515.35
Financial Index:					
	%				
Operating margin	15.8	15.9	8.4	14.6	15.0
ROE	15.8	14.3	3.8	13.8	11.5
ROA	8.4	8.1	2.3	8.8	7.1
Net worth ratio	57.3	55.9	62.3	64.2	60.4
Interest coverage ratio (times)	103.7	–	86.9	155.8	–
Debt-equity ratio	74.4	79.0	60.5	55.9	65.5
Stock Information:					
Price earnings ratio (times)	25.6	13.3	49.5	12.1	16.3
Number of outstanding shares (thousands shares)	66,719	67,394	67,723	67,723	67,723
Foreign investors (%)	27.72	33.73	24.22	22.17	27.05
Digital Contents Business:					
	Billions of yen				
Consumer business net sales	¥ 51.6	¥ 60.0	¥ 38.7	¥ 63.6	¥ 46.9
Online business net sales	4.1	6.6	8.5	10.5	12.9
Consumer Game Sales (Package Software and Full-game Digital Content)					
	Thousands				
Total number of units	15,750	18,100	13,900	21,700	17,000
Sales of major titles	Devil May Cry 4 2,320	Resident Evil 5 4,400	Monster Hunter Freedom Unite (Best Price included) 1,350	Monster Hunter Freedom 3 4,600	Resident Evil: Operation Raccoon City 1,700
	Resident Evil 4 Wii edition 1,300	Street Fighter IV 2,500	Monster Hunter Tri 1,150	Dead Rising 2 2,300	Monster Hunter 3 (Tri) G 1,600
	Resident Evil: The Umbrella Chronicles 1,060	Monster Hunter Freedom Unite (Best Price included) 2,200	Resident Evil 5 950	MARVEL VS. CAPCOM 3 Fate of Two Worlds 2,000	Street Fighter X Tekken 1,400

*1. 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 each fiscal year.
*2. 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 each fiscal year.

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	2013	2014	2015	2016	2017	2018	2018				
	Millions of yen						Thousands of U.S. dollars				
	¥ 94,075	¥ 102,200	¥ 64,277	¥ 77,021	¥ 87,170	¥ 94,515	\$ 891,651				
	10,151	10,299	10,582	12,029	13,650	16,037	151,299				
	3,719	5,315	10,701	11,150	12,489	15,149	142,920				
	2,973	3,444	6,616	7,745	8,879	10,937	103,184				
	3,406	4,638	3,535	5,712	5,980	4,706	44,402				
	8,724	8,064	10,177	8,274	3,767	3,041	28,691				
	1,982	2,002	823	1,073	695	1,102	10,405				
	Millions of yen						Thousands of U.S. dollars				
	¥ 104,365	¥ 96,611	¥ 100,773	¥ 113,057	¥ 118,897	¥ 125,573	\$ 1,184,655				
	62,828	63,875	71,331	75,168	77,774	85,421	805,858				
	14,327	22,670	21,212	15,821	8,426	36,750	346,707				
	1,623	1,808	1,902	2,052	1,994	2,141					
	Millions of yen						Thousands of U.S. dollars				
	¥ 6,647	¥ 13,201	¥ 4,286	¥ 4,347	¥ 3,200	¥ 34,721	\$ 327,564				
	(1,375)	(6,155)	(5,496)	(1,639)	(3,628)	(2,847)	(26,859)				
	1,162	(15,099)	1,278	(1,115)	(3,130)	(9,577)	(90,351)				
	9,235	(5,404)	1,879	431	(4,091)	22,201	209,445				
	31,522	26,118	27,998	28,429	24,337	46,539	439,049				
	yen						U.S. dollars				
	¥ 25.82	¥ 30.56	¥ 58.84	¥ 68.87	¥ 80.18	¥ 99.89 ^{*1}	\$ 0.94				
	40.00	40.00	40.00	40.00	50.00	60.00	0.56				
	545.54	567.96	634.28	688.43	710.32	780.18 ^{*2}	7.36				
	%										
	10.8	10.1	16.5	15.6	15.7	17.0					
	4.9	5.4	9.8	10.6	11.6	13.4					
	2.9	3.4	6.7	7.2	7.7	8.9					
	60.2	66.1	70.8	66.5	65.4	68.0					
	62.4	136.8	50.2	36.5	22.8	337.2					
	66.1	51.2	41.3	50.4	52.9	47.0					
	28.6	32.0	20.3	19.9	13.5	23.0					
	67,723	67,723	67,723	67,723	67,723	67,723 ^{*3}					
	32.37	37.29	36.87	39.35	31.19	35.01					
	Billions of yen										
	¥ 45.9	¥ 53.0	¥ 35.2	¥ 42.1	¥ 49.2	¥ 65.2					
	17.7	12.8	10.1	10.4	9.5	8.9					
	Thousands										
	16,700	17,500	13,000	15,000	19,400	24,400					
Resident Evil 6	5,000	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
Dragon's Dogma	1,300	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
DmC Devil May Cry	1,200	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

*3. 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.

Financial Review

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

1. Operating Results

During the fiscal year ended March 31, 2018, our industry saw major growth in the market for home video games due to the strong performance of both hardware and software. In addition, “esports” (electronic sports), which are becoming increasingly popular in Europe, the U.S., China, South Korea and other overseas markets, are raising hopes for further market growth. This is driven by games coming to be recognized as a new sport, following esports’ adoption as an official event at the 2022 Asian Games. Furthermore, opportunities to develop this new business domain in Japan, a region that trails other countries, have been building, as evidenced by the overwhelming audience response for *Street Fighter V*, one of the Company’s popular titles, at the esports event held during the Tokyo Game Show 2017.

Under these circumstances, the Company’s flagship title *Monster Hunter: World* (for PlayStation 4 and Xbox One), which was released worldwide in January 2018, significantly contributed to the Company’s performance after garnering immense popularity for its near-flawless execution and shipping more than 7.9 million units worldwide, a landmark achievement that made it the bestselling

game in the Company’s history. Of particular note is that the worldwide expansion of the user base due to the game’s tremendous success overseas—in addition to its established domestic popularity—has marked the start of a new era for the brand, and that this international recognition has served to energize the Company’s global operations. The Company has made strategic preparations for a full-scale entry into the esports business in Japan, which include the establishment of the Capcom Esports Club at the Plaza Capcom arcade in Kichijoji (Tokyo). Additionally, the Company strove to bolster its management structure, enhance its development team and improve its development environment, enabling it to focus on home video game software development, which is the source of its competitiveness. Further, in addition to one-time physical product sales, the Company concentrated its efforts on expanding its digital offerings, which promise recurring revenues.

At the same time, in an effort to shore up its stagnant mobile contents performance, the Company made organizational reforms and developed appealing titles, aiming to increase customer satisfaction.

2. Revenue and Profits

(1) Net sales

In this fiscal year, net sales were 94,515 million yen (up 8.4% from the previous fiscal year). This increase was driven primarily by our core Digital Contents and Amusement Equipments businesses. In Digital Contents, *Monster Hunter: World* was a record hit, while *Resident Evil 7 biohazard* and other catalog titles also contributed to increased net sales, especially in digital downloads.

In the Amusement Equipments business, sales of our pachislo machines were down 35,000 units year over year due to the impact of model testing methods and legal amendments of recent years. Overall, however, favorable growth of the Digital Contents business offset this, resulting in a 7,345 million yen increase in consolidated net sales over the previous fiscal year.

(2) Operating income

Cost of sales increased to 59,895 million yen (up 6.1% from the previous fiscal year) and the cost of sales ratio was 63.4%, down 1.3 percentage points from the previous fiscal year. The cost of sales ratio has decreased in conjunction with the increase in sales

stemming mainly from the hit success of major titles.

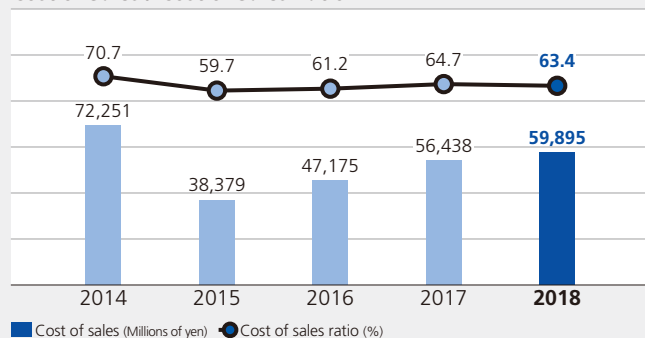
Selling, general and administrative (SG&A) expenses were 18,582 million yen (up 8.8% from the previous fiscal year) and SG&A as a percentage of sales was 19.7%, up 0.1 percentage points compared with the previous fiscal year. The cause of the increase in SG&A was increased variable costs associated with increased sales, and the SG&A expenses ratio overall was in-line with the 19.9% figure in the initial plan.

As a result, operating income was 16,037 million yen (up 17.5% from the previous fiscal year), the highest ever and the fifth consecutive year of income growth. The operating margin also increased to 17.0%, up 1.3 percentage points compared with the previous fiscal year.

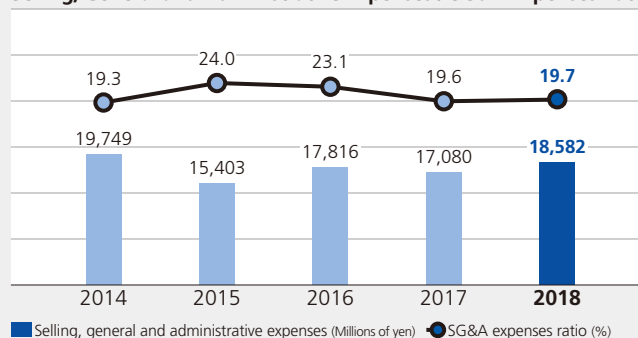
(3) Net income attributable to owners of the parent

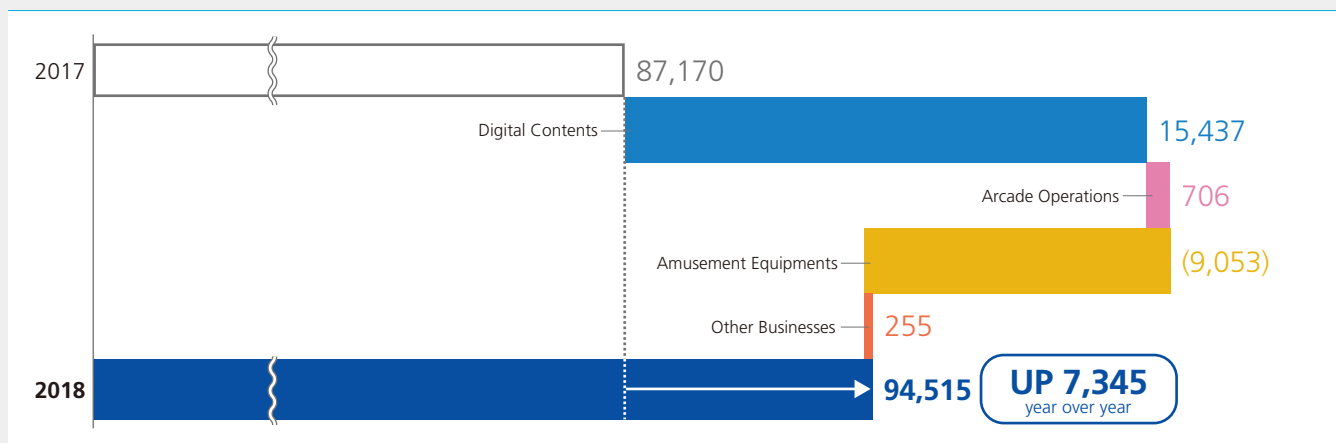
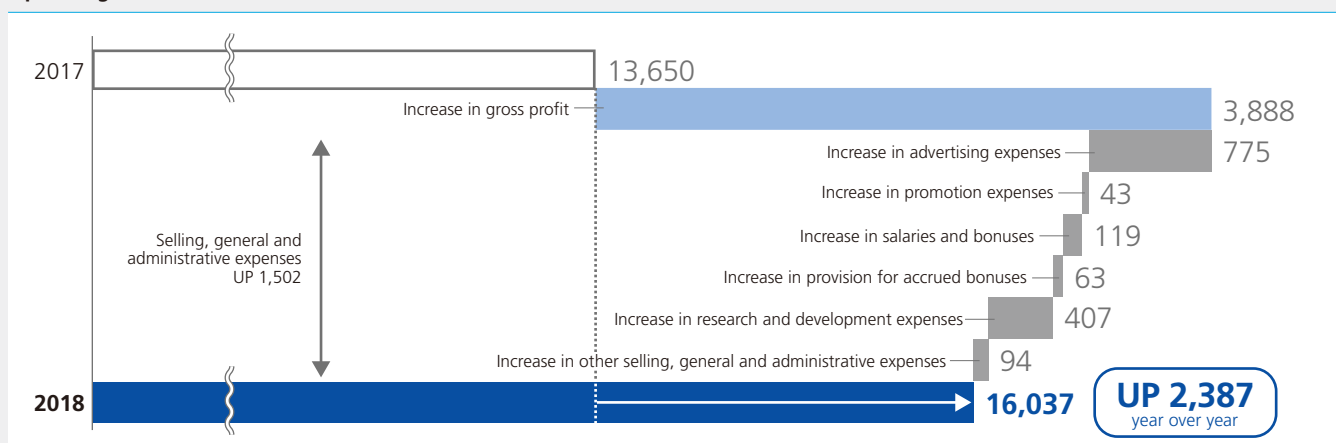
Despite recording an exchange loss, net of 407 million yen this year under non-operating expenses, ordinary income increased to 15,254 million yen (up 21.2% from the previous fiscal year), following the increase in operating income.

Cost of Sales / Cost of Sales Ratio



Selling, General and Administrative Expenses / SG&A Expenses Ratio



Net Sales (Millions of yen)**Operating Income** (Millions of yen)

As a result of these increases in income, net income attributable to owners of the parent amounted to 10,937 million yen (up 23.2% from the previous fiscal year) and the net margin came to 11.6%

(up 1.4 percentage points from the previous fiscal year), making all income items the highest in company history.

3. Analysis of Assets, Liabilities and Net Assets**(1) Assets**

Total assets as of the end of the fiscal year ended March 31, 2018 increased by 6,675 million yen from the end of the previous fiscal year to 125,573 million yen.

The primary increase was 22,001 million yen in cash on hand and in banks. The primary decreases were 7,244 million yen in notes and accounts receivable – trade, 4,514 million yen in work in progress for game software and 2,118 million yen in intangible assets.

(2) Liabilities

Total liabilities as of the end of the fiscal year ended March 31, 2018 decreased by 970 million yen from the end of the previous fiscal year to 40,152 million yen.

The primary increases were 2,873 million yen in accrued income

taxes and 1,526 million yen in long-term borrowings. The primary decreases were 7,849 million yen in short-term borrowings and 4,046 million yen in electronically recorded monetary obligations.

(3) Net assets

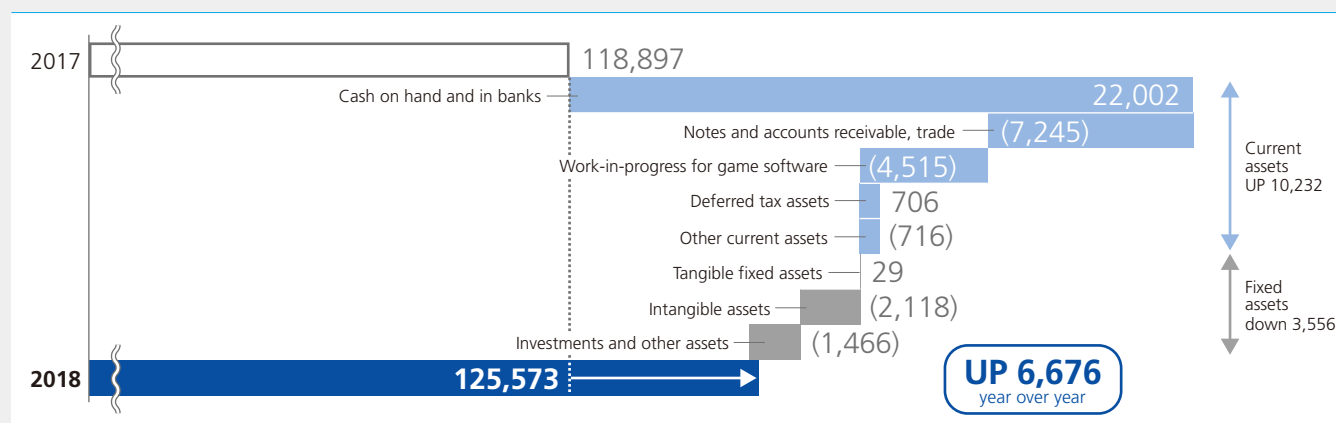
Net assets as of the end of the fiscal year ended March 31, 2018 increased by 7,646 million yen from the end of the previous fiscal year to 85,421 million yen.

The primary increase was 10,937 million yen in net income attributable to owners of the parent. The primary decreases were 2,737 million yen in dividends from retained earnings and 601 million yen in cumulative translation adjustments which related to foreign exchange translation of the net assets of foreign consolidated subsidiaries.

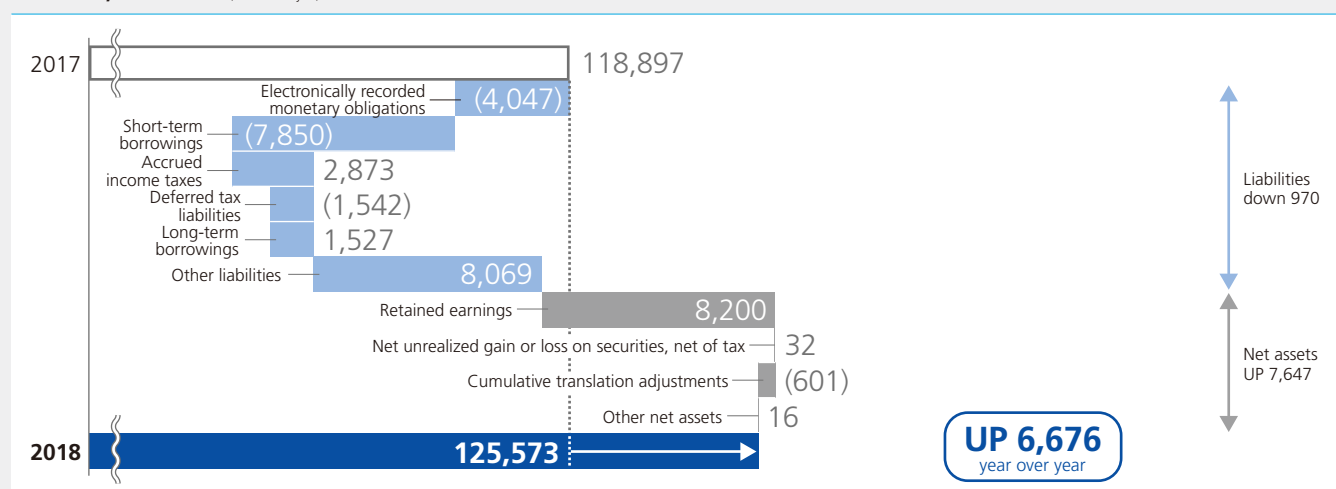
Financial Review

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

Assets (Millions of yen)



Liabilities, Net Assets (Millions of yen)



4. Analysis of Cash Flow

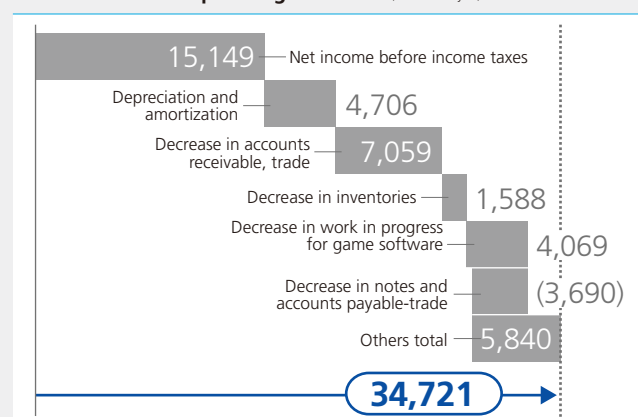
Cash and cash equivalents as of the end of the fiscal year ended March 31, 2018 increased by 22,201 million yen from the end of the previous fiscal year to 46,539 million yen. Cash flow positions of each activity and their factors are described below.

(1) Cash flows from operating activities

Net cash gained from operating activities was 34,721 million yen (3,200 million yen in the previous fiscal year).

A breakdown of cash flows is as follows: 15,149 million yen in net income before income taxes (12,489 million yen in the previous fiscal year), a 7,059 million yen decrease in accounts receivable - trade (10,393 million yen increase in the previous fiscal year), 4,706 million yen in depreciation and amortization (5,980 million yen in the previous fiscal year), a 4,069 million yen decrease in work in progress for game software (2,266 million yen increase in the previous fiscal year) and a 1,588 million yen decrease in inventories (158 million yen in the previous fiscal year).

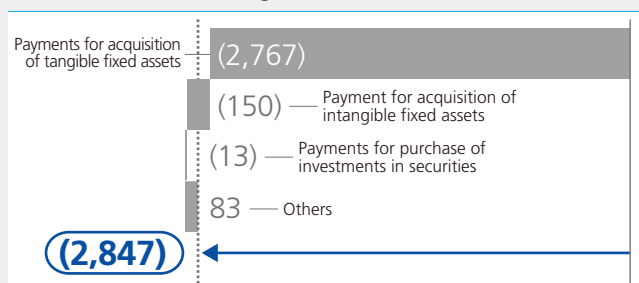
Cash Flows from Operating Activities (Millions of yen)



(2) Cash flows from investing activities

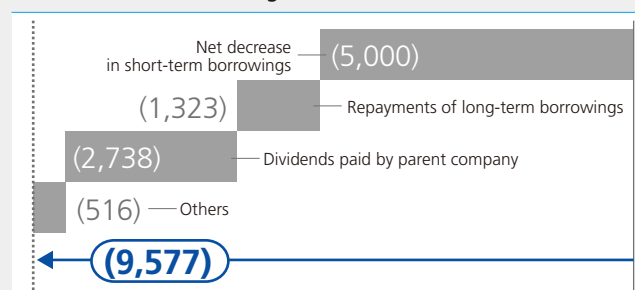
Net cash used in investing activities was 2,847 million yen (3,628 million yen in the previous fiscal year).

The primary item used was 2,767 million yen in payment for acquisitions of tangible fixed assets (3,074 million yen in the previous fiscal year).

Cash Flows from Investing Activities (Millions of yen)**(3) Cash flows from financing activities**

Net cash used in financing activities was 9,577 million yen (3,130 million yen invested in the previous fiscal year).

A breakdown of the primary uses are as follows: a 5,000 million yen decrease in short-term borrowings (a 5,000 million yen increase in the previous fiscal year), 2,738 million yen in dividends paid by parent company (2,794 million yen in the previous fiscal year), and 1,323 million yen in repayments of long-term borrowings (1,497 million yen in the previous fiscal year).

Cash Flows from Financing Activities (Millions of yen)**5. Our Financial Strengths****(1) High profitability of core business**

Our medium-term goal is stable growth of operating income. We aim to achieve both improved profitability and profit growth by increasing development cost investment efficiency, carefully reviewing the profitability of each title and employing a strategy of selection and concentration on projects that can be expected to contribute to profits. Based on this policy, in the fiscal year ended March 2018, we were second among the five main players in the domestic market* in terms of operating margin (17.0%) despite coming in last* in terms of net sales (94,515 million yen). Our Digital Contents business was also second (25.8%) in the comparison of margins in game software sales, which is the core business of each company. As for our future outlook, there will be no change to our policy of maintaining high profitability, but in preparation for changes in the market associated with rapid developments in game-related technology, we will also need to make anticipatory investments in new fields. As such, we will make investments for growth in the medium-to-long term

while maintaining a minimum operating margin of 15%.

* We have selected competing manufacturers whose core business is home video game software. We compiled the rankings based on information disclosed by each company.

(2) Financial flexibility based on high free cash flow

In the fiscal year ended March 2018, net cash gained from operating activities amounted to 34,721 million yen, primarily as a result of a record-breaking hit major title in our core Consumer business. Net cash used in investing activities was 2,847 million yen, which is the standard level for us. As a result, free cash flow came to 31,874 million yen. Compared to competitors with large businesses, we were second in terms of free cash flow. Our free cash flow to net sales ratio of 33.7% is the highest among the five companies. This gives us a high level of financial flexibility compared to the industry standard. We will continue to promote measures for growth from a medium-to-long term perspective and work on further enhancing our capital policy.

Profitability Comparison

(Year ended March 2018)

	Net sales (Millions of yen)	Operating margin (%)	Game business margin (%)
CAPCOM	94,515	17.0	25.8
SQUARE ENIX HOLDINGS	250,394	15.2	22.7
SEGA SAMMY HOLDINGS	323,664	5.5	10.3
BANDAI NAMCO HOLDINGS	678,312	11.1	15.3
KONAMI HOLDINGS	239,497	18.9	31.1

(Prepared based on disclosures by each company)

Free Cash Flow Comparison

(Year ended March 2018)

	Free cash flow (Millions of yen)	Free cash flow to net sales ratio (%)
CAPCOM	31,874	33.7
SQUARE ENIX HOLDINGS	22,447	9.0
SEGA SAMMY HOLDINGS	6,065	1.9
BANDAI NAMCO HOLDINGS	-8,200	-1.2
KONAMI HOLDINGS	35,496	14.8

(Prepared based on disclosures by each company)

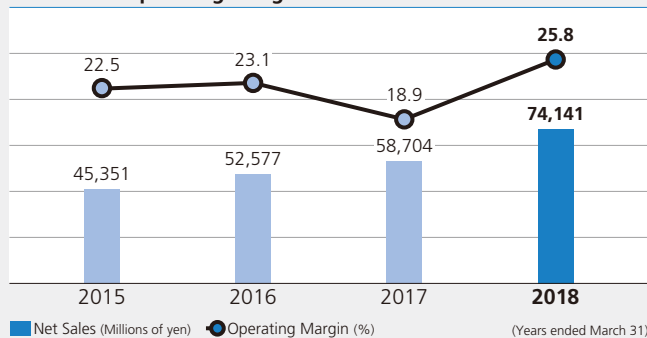
Segment Information

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

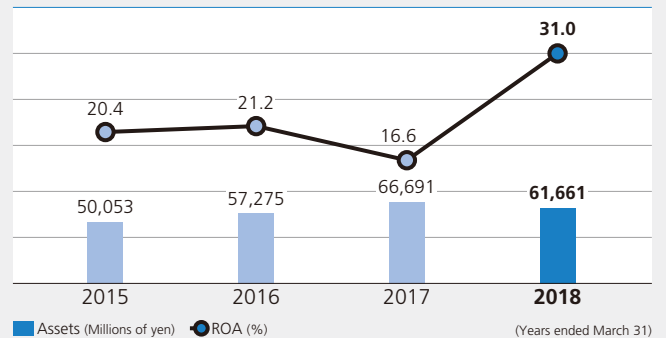
Digital Contents

This business develops and sells packaged games and digital download content for the Consumer sub-segment. It also develops and manages Mobile Contents and PC Online Games. Consumer games produces creative, original content with a focus on action and adventure. Many of these million-seller titles are used for smartphone, tablet device and PC online games distributed worldwide in order to maximize earnings.

Net Sales / Operating Margins

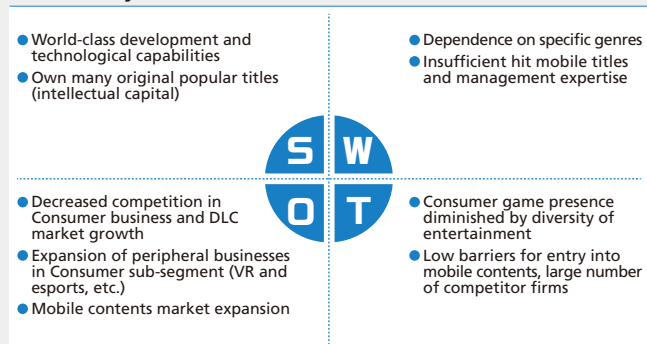


Assets / ROA

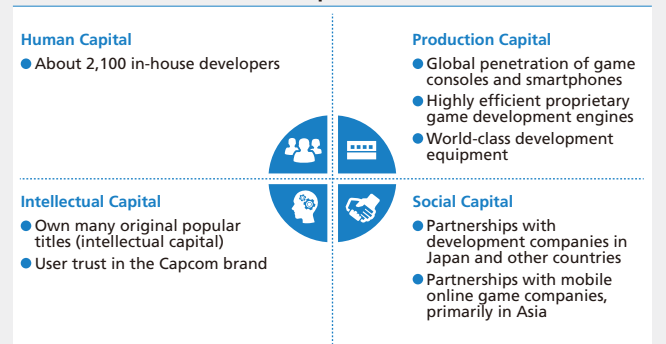


SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats



Utilization of Non-Financial Capital



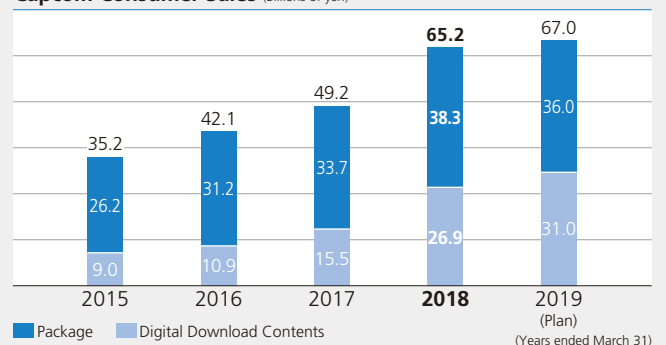
Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

Consumer (Package + Digital Download Contents) Sub-segment

This fiscal year (ended March 31, 2018), *Monster Hunter: World*, the latest title in the flagship series, significantly contributed to increased profitability by delivering record high sales of 7.9 million units. Additionally, *Resident Evil 7 biohazard* sold 1.6 million units, bringing the cumulative total for the title to 5.1 million units. Moreover, sales of *Monster Hunter XX (Double Cross) Nintendo Switch Ver.*, *Ultra Street Fighter II: The Final Challengers* and other titles also grew slightly to boost profitability. On the other hand, *Marvel vs. Capcom: Infinite* delivered a certain level of sales, primarily overseas owing to deep-rooted popularity, but underperformed overall. In digital download contents, in addition to contributions from sales of *Monster Hunter: World*, accelerated sales of rereleases for current-generation hardware and catalog titles with wide profit margins in North America and Europe resulted in solid sales growth to 12.9 million units, amounting to 26.9 billion yen, an increase up 73.5% over the previous year.

As a result, package and full-game download sales totaled 24.4 million units (up 25.8% from the previous year). Package

Capcom Consumer Sales (Billions of yen)



sales were 38.3 billion yen, and digital download sales were 26.9 billion yen. Together, they resulted in substantially higher Consumer sales of 65.2 billion yen (up 32.5% from the previous year). In terms of profit, the strong performance of *Monster Hunter: World* made up for the shortfalls of other titles and re-evaluation of work in progress, bringing operating margins to approximately 30%.

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 downloads, (2) bolster our title lineup through the full-scale execution of our 60-month title development plan and 52-week map 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. By strategically releasing major titles and additional content, while promoting catalog title sales, we aim to grow overall unit sales of a given series. Also, as one method of utilizing our existing intellectual properties, we will rerelease past titles on current-generation hardware primarily digitally in order to create sales opportunities and increase the digital download sales ratio. In terms of (2), we have been working to establish an efficient development system by preparing 60-month and 52-week maps since March 2015 in order to shorten the development period of core titles. Currently, we are aiming to establish a system whereby core titles can be developed in two and a half years, and we release two to three million-seller titles every fiscal year. Finally, for (3) we will continue to increase the number of developers and will work to expand profitability by reviving dormant intellectual properties for which we have not recently released new titles.

Next fiscal year, we will release new titles in major series targeting the global market, including *Resident Evil 2* and *Devil May Cry 5*. Additionally, the development of a PC version of last fiscal year's *Monster Hunter: World* has made it possible to reach regions that were once difficult to access; we aim to increase the number of units sold globally through ongoing sales, including catalog sales of this game. Further, we will strengthen digital download sales to increase unit sales to 25 million units (up 2.5%

compared to the previous year), forecasting net sales of 67 billion yen (up 2.8% from the previous year) and a high level of operating income approximately the same as the fiscal year under review.

Mobile Contents Sub-segment

This fiscal year (ended March 31, 2018), existing titles *Monster Hunter Explore* and *Snoopy's Sugar Drop* remained stably popular, however, the performance of a portion of other existing titles declined. Meanwhile, licensing revenue from Asian companies associated with development alliances contributed greatly to profits.

As a result, net sales increased to 4.1 billion yen (up 7.9% from the previous year). Profits were also up, driven by licensing revenue.

In the future, we will continue to develop new titles using our intellectual properties and localize existing titles for Asia. At the same time, we will explore a wide range of possibilities, including alliances with companies in Japan and overseas, to create the next hit title. Next fiscal year we expect net sales of 5.5 billion yen (up 34.1% from the previous year) due primarily to licensing revenue from alliances, strengthening of existing titles and the launch of the Android/iOS version of new titles like *Dai Gyakuten Saiban 2*.

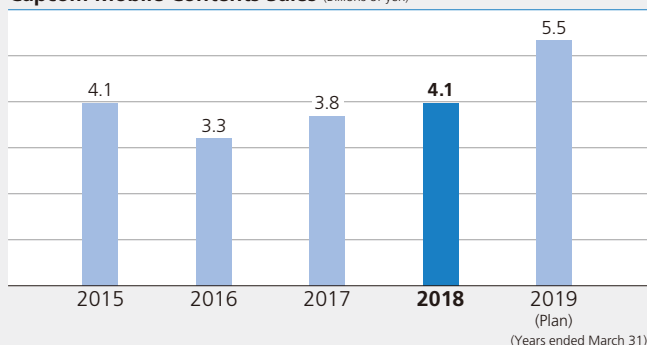
PC Online Sub-segment

This fiscal year (ended March 31, 2018), net sales fell to 4.8 billion yen (down 15.8% from the previous year) due to the declining contribution of existing titles *Monster Hunter Frontier Z (MHFZ)* and *Dragon's Dogma Online (DDON)*. Losses shrank substantially due to elimination of the amortization burden of *Breath of Fire 6*, which was sunset last year, despite recording an appraisal loss for *DDON*.

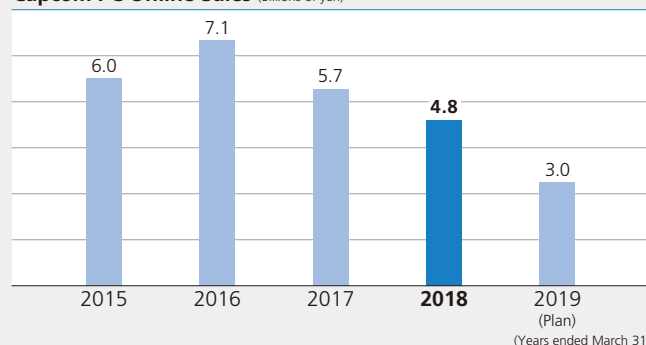
Capcom will continue working to improve our revenue base through ongoing updates to existing titles such as *MHFZ* and *DDON* and by reducing SG&A by such means as streamlining management and reducing server costs.

As a result of these measures, next fiscal year we expect to shrink the operating loss as our cost burden decreases with the full amortization of *DDON*, despite net sales falling to 3 billion yen (down 37.5% from the previous year).

Capcom Mobile Contents Sales (Billions of yen)



Capcom PC Online Sales (Billions of yen)



Segment Information

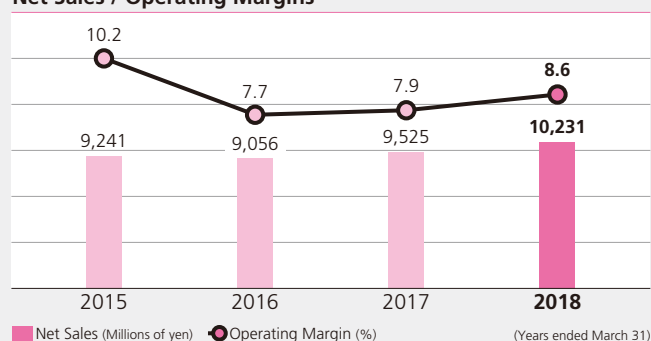
CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

Arcade Operations

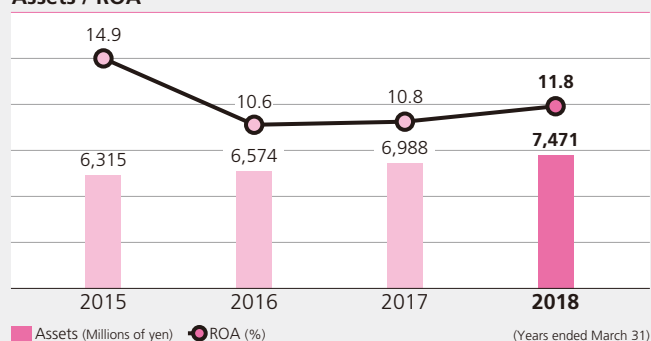
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan.

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

- | | |
|--|--|
| <ul style="list-style-type: none"> Specialize in opening stores in large shopping centers to secure a stable customer base Thorough scrap-and-build strategy focused on investment efficiency to ensure sustainable earnings | <ul style="list-style-type: none"> Low sales growth rate due to small number of carefully selected facilities Little synergy with proprietary contents |
| <ul style="list-style-type: none"> Cultivate market, including merchandise sales and restaurants utilizing our intellectual properties Increase new customers through esports collaboration | <ul style="list-style-type: none"> Potential customer segment shrinking due to falling birth rate Entertainment diversification due to rapid growth of games for smartphones |

Utilization of Non-Financial Capital

- | | |
|---|--|
| Human Capital <ul style="list-style-type: none"> Internal store management staff Part-time workers hired locally | Production Capital <ul style="list-style-type: none"> High foot traffic of large shopping centers Developers that design and construct facilities |
| Intellectual Capital <ul style="list-style-type: none"> Store management know-how cultivated over 34 years Intellectual properties (characters and worlds) that can be rolled out to food, drinks and prizes Services utilizing virtual reality (VR) technology | Social Capital <ul style="list-style-type: none"> Our relationships with local residents Arcade game makers around the world |

Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2018), relaxation of restrictions in the Entertainment and Amusement Trades Act that took effect in June 2016 created favorable conditions for a continued recovery in market size. In addition to increased sales per customer resulting from more time spent in arcades, the draw of prizes featuring specific characters and popular products, higher operating rates of newly released cabinets, and other factors contributed to results. Sales from Capcom Cafes, which are themed restaurants featuring Capcom characters, and Chara Cap stores, which specialize in character merchandise, exhibited growth with the addition of new stores. Additionally, as an esports undertaking to grow the market, the Capcom Esports Club was opened at Plaza Capcom Kichijoji.

During this fiscal year, Plaza Capcom Tokushige was opened in Aichi, and Game Land Tsudanuma was opened in Chiba, while Playland Nara and Plaza Capcom Mobara were closed. The total number of stores remained unchanged at 36.

As a result, same store sales were up 2% from the previous year, bringing overall net sales to 10.231 billion yen (up 7.4% from the previous year) and operating income to 879 million yen (up 17.0% from the previous year), so that both sales and profit

were up compared to the previous year.

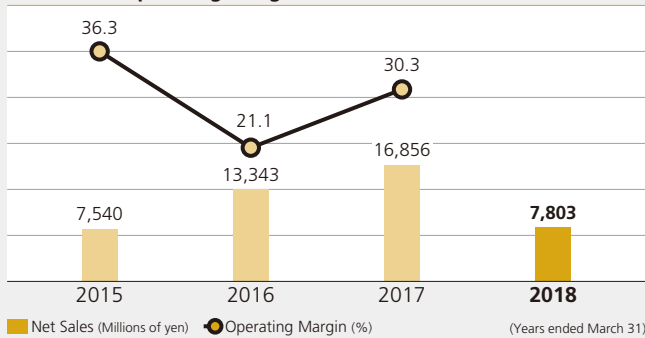
In the next fiscal year, Capcom will promote streamlining of management through its ongoing scrap-and-build policy and ensure earnings at the same level as the previous fiscal year through the creation of new earning opportunities. We will work to expand the user base by providing playable demonstrations of consumer titles and operating original stores utilizing our intellectual properties. Additionally, as an esports undertaking, we will hold tournaments at stores in six cities nationwide in conjunction with the Capcom Pro Tour Japan Premier. In terms of the opening and closing of facilities, in an attempt to further strengthen efficient arcade management operations, we will open facilities in locations with high concentrations of customers to secure new revenue streams. In the next fiscal year, we plan to open four facilities, including Plaza Capcom Hiroshima, bringing the total number of stores to 40.

As a result of these measures, we expect same store sales to be up 2%, we forecast net sales of 11 billion yen (up 7.5% from the previous year) and operating income of 1 billion yen (up 13.8% from the previous year).

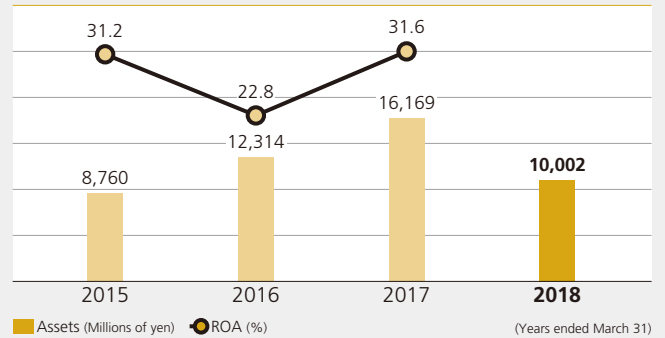
Amusement Equipments

Here, we are engaged in two sub-segments that utilize 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. The Arcade Games Sales sub-segment develops, produces and sells arcade games for amusement facilities, creating synergy between businesses.

Net Sales / Operating Margins



Assets / ROA



SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats

<ul style="list-style-type: none"> High quality development capabilities cultivated through home video games Cross-business leveraging of rich in-house contents Ability to observe real-time market trends through company-owned arcades 	<ul style="list-style-type: none"> Small title lineup (arcade game machines)
<ul style="list-style-type: none"> Market recovery via introduction of popular machines Demand generated by installing new cabinets compliant with rule changes 	<ul style="list-style-type: none"> Declining operator and hall investment appetite Long-term market stagnation Market fluctuations resulting from changes to the Entertainment and Amusement Trades Act and certification rules

Utilization of Non-Financial Capital

<p>Human Capital</p> <ul style="list-style-type: none"> Internal developers in charge of planning and development 	<p>Production Capital</p> <ul style="list-style-type: none"> Manufacturing plant for arcade game machines Video game arcades and pachinko/pachislo parlors all over Japan
<p>Intellectual Capital</p> <ul style="list-style-type: none"> Own many original popular titles (intellectual capital) Arcade game machine development expertise cultivated since founding Development technology supporting pachislo certification rules 	<p>Social Capital</p> <ul style="list-style-type: none"> Partnerships with major sales companies Administrative organ related to pachislo machine permits and licenses

Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2018), *Ace Attorney* and *Resident Evil: Revelations* machines were launched by the Pachinko & Pachislo (PS) sub-segment, and 22,000 units were sold. Additionally, in the Arcade Games Sales sub-segment, we launched the *Monster Hunter Medal Hunting G* game and focused on catalog sales, but sales were weak due to a lack of products.

Changes in the market environment resulting from such things as changes to rules concerning pachislo machine model certification caused a delay in two machines scheduled to launch this year, and we recorded loss on valuation and loss on suspension of some titles in the Arcade Games Sales sub-segment. As a result, net sales fell to 7.83 billion yen (down 53.7% from the previous year), and an operating loss of 764 million yen was recorded (as opposed to operating income of 5.16 billion yen the previous year).

In the future, Capcom aims to increase unit sales by continuing to (1) supply four proprietary cabinets per year, (2) secure a strong sales network and improve development quality through an alliance with major sales company Fields Corp., and (3) release proprietary pachislo machines not dependent on speculation and that feature a variety of clever video elements and playing styles.

Next year, although some voluntary restrictions in the PS sub-segment will be relaxed, the situation remains uncertain, so market trends will need to be watched. Under these circumstances, we are forecasting sales of 24,000 units, up slightly from the 22,000 sold in the year under review, as we launch a total of five machines, including *Okami –Kaidouhen–*, *Street Fighter V*, and *Mega Man Ability*. We are also shrinking the scale of the Arcade Games Sales sub-segment in order to respond flexibly to new trends in the market. As a result, we expect net sales to fall to 7 billion yen (down 10.3% from the previous year), but owing to the elimination of the loss on valuation and loss on suspension recorded in the Arcade Games Sales sub-segment in the year under review, we expect to record operating income of 1 billion yen.

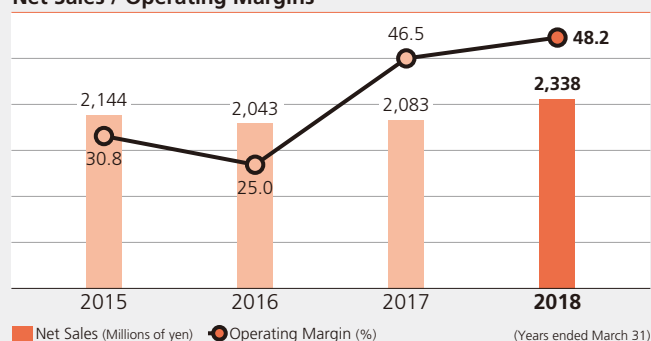
Segment Information

CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

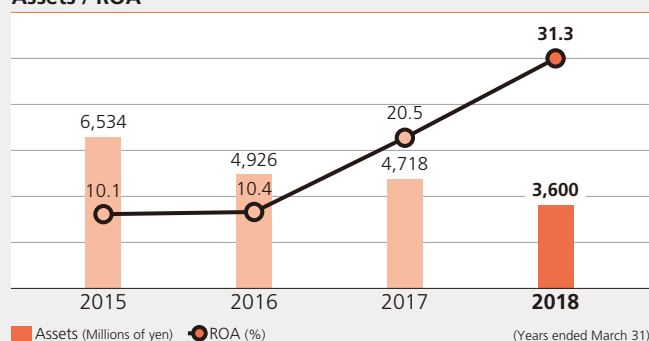
Other Businesses

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 (music CDs and merchandise). Furthermore, we are concentrating on developing game content into movies and animated television programs.

Net Sales / Operating Margins

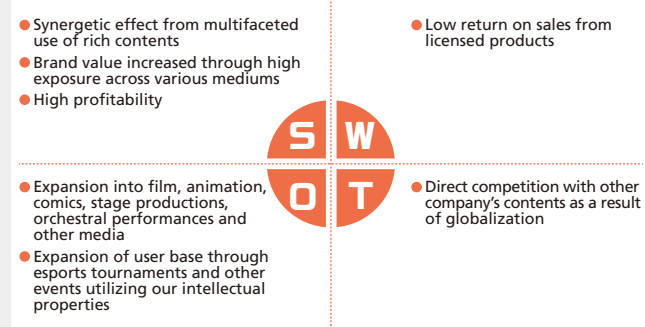


Assets / ROA

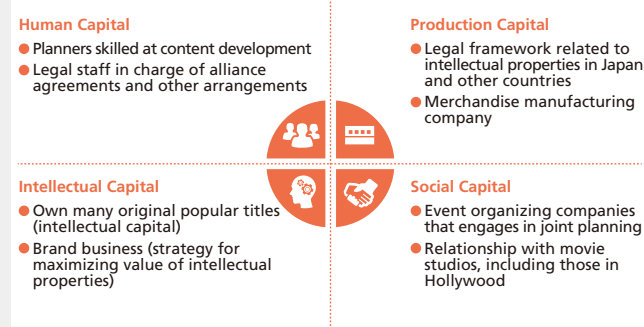


SWOT Analysis

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, 2018), we continued to appeal to the non-game user segment through efforts such as broadcasting the animated TV show *Monster Hunter Stories RIDE ON* and rolling out experience-based attractions like *Monster Hunter the Real* at Universal Studios Japan's Universal Cool Japan 2018 beginning in January 2018.

As a result, both sales and profits were up, with net sales at 2,338 billion yen (up 12.2% from the previous year) and operating income at 1,126 billion yen (up 16.2% from the previous year).

We will continue to leverage our strength of being able to reap substantial synergetic benefits with the Consumer and PC Online 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.

Next year, in order create business opportunities in the esports market, and to invigorate the domestic market in particular, we will establish a specialized esports division and leverage fighting games, such as *Street Fighter*, which has a high affinity for esports. At the same time, we will focus on increasing brand value and




















expanding license royalty revenue on a global basis.

We will also continue to actively leverage our intellectual properties (content), based on our Single Content Multiple Usage strategy with the broadcast of animated television shows *Gyakuten Saiban: Sono "Shinjitsu", Igiari! Season 2* and *Gakuen BASARA*, as well as with the continuation of *Monster Hunter the Real*, as we work to increase the value of our core brands through adaptations and collaborations.

As a result of these measures, we expect net sales to increase to 2.5 billion yen (up 6.9% from the previous year), but due to upfront investments in esports, including increasing prize amounts at events and holding events to expand the user base, we expect to record an operating loss of 400 million yen.

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.

<p>Dragon's Dogma</p> <p>Number of Titles: 12 Unit Sales: 4.0 (Million units)</p> 	<p>Lost Planet</p> <p>Number of Titles: 17 Unit Sales: 6.1 (Million units)</p> 	<p>Dead Rising</p> <p>Number of Titles: 22 Unit Sales: 12.0 (Million units)</p> 	<p>Okami</p> <p>Number of Titles: 10 Unit Sales: 2.1 (Million units)</p> 	<p>Sengoku BASARA</p> <p>Number of Titles: 30 Unit Sales: 4.0 (Million units)</p> 
<p>Monster Hunter</p> <p>Number of Titles: 41 Unit Sales: 48.0 (Million units)</p> 	<p>Ace Attorney</p> <p>Number of Titles: 26 Unit Sales: 6.7 (Million units)</p> 	<p>Devil May Cry</p> <p>Number of Titles: 26 Unit Sales: 16.0 (Million units)</p> 	<p>Onimusha</p> <p>Number of Titles: 12 Unit Sales: 8.0 (Million units)</p> 	<p>Dino Crisis</p> <p>Number of Titles: 13 Unit Sales: 4.4 (Million units)</p> 
<p>Marvel vs. Capcom</p> <p>Number of Titles: 16 Unit Sales: 8.7 (Million units)</p>  <p><small>©2017 MARVEL. ©1987, ©1991, ©1993, ©1995, ©1997, ©1999, ©2001, ©2003, ©2005, ©2007, ©2009, ©2011, ©2013, ©2015, ©2017 CAPCOM CO., LTD. 2017. © CAPCOM USA, INC. 2017. ALL RIGHTS RESERVED.</small></p>	<p>Resident Evil</p> <p>Number of Titles: 123 Unit Sales: 83.0 (Million units)</p> 	<p>Breath of Fire</p> <p>Number of Titles: 15 Unit Sales: 3.2 (Million units)</p> 	<p>Final Fight</p> <p>Number of Titles: 10 Unit Sales: 3.2 (Million units)</p> 	<p>Street Fighter</p> <p>Number of Titles: 86 Unit Sales: 40.0 (Million units)</p> 
<p>Mega Man</p> <p>Number of Titles: 136 Unit Sales: 32.0 (Million units)</p> 	<p>Ghosts'n Goblins</p> <p>Number of Titles: 14 Unit Sales: 4.2 (Million units)</p> 	<p>Commando</p> <p>Number of Titles: 2 Unit Sales: 1.2 (Million units)</p> 	<p>1942</p> <p>Number of Titles: 3 Unit Sales: 1.4 (Million units)</p> 	

Consolidated Financial Statement

Consolidated Balance Sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2017	March 31, 2018	March 31, 2018
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets			
Current assets:			
Cash on hand and in banks	¥ 24,537	¥ 46,539	\$ 439,049
Notes and accounts receivable - trade	20,175	12,930	121,985
Merchandise and finished goods	1,583	1,102	10,399
Work in progress	2,040	1,349	12,733
Raw materials and supplies	2,040	1,616	15,250
Work in progress for game software	30,150	25,635	241,843
Deferred tax assets	2,495	3,201	30,201
Other	2,478	3,371	31,807
Allowance for doubtful accounts	(21)	(34)	(324)
Total current assets	85,480	95,712	902,948
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation			
Buildings and structures, net	11,004	11,106	104,778
Machinery and vehicles, net	16	10	96
Tools, fixtures and furniture, net	1,932	1,840	17,365
Equipment for amusement facilities, net	1,616	1,565	14,765
Land	5,234	5,234	49,384
Leased assets, net	835	668	6,308
Construction in progress	128	371	3,505
Total tangible fixed assets	20,768	20,797	196,203
Intangible assets	2,843	725	6,842
Investments and other assets			
Investments in securities	574	625	5,899
Claims in bankruptcy and reorganization	67	19	185
Lease deposits	3,920	4,034	38,065
Deferred tax assets	4,311	2,782	26,246
Other	1,003	900	8,493
Allowance for doubtful accounts	(72)	(24)	(229)
Total investments and other assets	9,804	8,338	78,661
Total fixed assets	33,417	29,861	281,707
Total assets	¥ 118,897	¥ 125,573	\$ 1,184,655

Please refer to Notes to Consolidated Financial Statements and Independent Auditor's Report on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

	Previous fiscal year March 31, 2017 Millions of yen	Current fiscal year March 31, 2018 Millions of yen	Current fiscal year March 31, 2018 Thousands of U.S. dollars
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	¥ 2,288	¥ 2,625	\$ 24,773
Electronically recorded monetary obligations	4,886	839	7,924
Short-term borrowings	9,323	1,473	13,898
Lease obligations	502	392	3,707
Accrued income taxes	1,580	4,453	42,017
Deferred tax liabilities	2,308	766	7,227
Accrued bonuses	2,263	2,866	27,046
Other	6,840	13,618	128,473
Total current liabilities	29,994	27,037	255,068
Long-term liabilities:			
Long-term borrowings	6,788	8,315	78,443
Lease obligations	399	329	3,104
Deferred tax liabilities	29	23	220
Liabilities for retirement benefits for employees	2,596	2,819	26,596
Asset retirement obligations	509	501	4,727
Other	805	1,127	10,636
Total long-term liabilities	11,128	13,115	123,728
Total liabilities	41,122	40,152	378,796
Net assets			
Shareholders' equity:			
Common stock	33,239	33,239	313,578
Capital surplus	21,328	21,328	201,216
Retained earnings	45,402	53,602	505,684
Treasury stock	(21,448)	(21,454)	(202,399)
Total shareholders' equity	78,521	86,716	818,079
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	107	139	1,317
Cumulative translation adjustments	(541)	(1,142)	(10,779)
Accumulated adjustments for retirement benefits	(313)	(292)	(2,758)
Total accumulated other comprehensive income	(747)	(1,295)	(12,220)
Total net assets	77,774	85,421	805,858
Total liabilities and net assets	¥ 118,897	¥ 125,573	\$ 1,184,655

Please refer to Notes to Consolidated Financial Statements and Independent Auditor's Report on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Consolidated Financial Statement

Consolidated Statements of Income

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2017 to March 31, 2018
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 87,170	¥ 94,515	\$ 891,651
Cost of sales	56,438	59,895	565,048
Gross profit	30,731	34,619	326,602
Selling, general and administrative expenses	17,080	18,582	175,303
Operating income	13,650	16,037	151,299
Non-operating income:			
Interest income	47	58	553
Dividend income	13	14	135
Other	130	145	1,377
Total	192	219	2,066
Non-operating expenses:			
Interest expense	141	103	975
Commission fees	44	64	610
Additionally paid retirement benefits	117	112	1,062
Office transfer expenses	63	254	2,402
Exchange losses, net	746	407	3,848
Other	141	59	558
Total	1,253	1,002	9,458
Ordinary income	12,589	15,254	143,907
Special losses:			
Loss on sales and/or disposal of fixed assets	99	104	986
Total	99	104	986
Net income before income taxes	12,489	15,149	142,920
Income taxes - current	1,832	4,617	43,561
Income taxes - deferred	1,777	(405)	(3,825)
Total	3,610	4,212	39,735
Net income	8,879	10,937	103,184
Net income attributable to owners of the parent	¥ 8,879	¥ 10,937	\$ 103,184

Consolidated Statements of Comprehensive Income

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2017 to March 31, 2018
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	¥ 8,879	¥ 10,937	\$ 103,184
Other comprehensive income			
Net unrealized gain or loss on securities, net of tax	105	31	298
Cumulative translation adjustments	(262)	(601)	(5,672)
Adjustments for retirement benefits	(38)	21	201
Total other comprehensive income	(196)	(548)	(5,172)
Comprehensive income	8,683	10,389	98,011
Comprehensive income attributable to:			
Owners of the parent	¥ 8,683	¥ 10,389	\$ 98,011
Non-controlling interests	-	-	-

Please refer to Notes to Consolidated Financial Statements on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Consolidated Statements of Changes in Net Assets

Previous fiscal year (April 1, 2016 to March 31, 2017) Millions of yen	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of April 1, 2016	¥ 33,239	¥ 21,328	¥ 39,297	¥ (18,145)	¥ 75,719
Changes of items during the fiscal year					
Cash dividends			(2,774)		(2,774)
Net income attributable to owners of the parent			8,879		8,879
Repurchase of treasury stock				(3,302)	(3,302)
Disposal of treasury stock					-
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	6,104	(3,302)	2,802
Balance as of March 31, 2017	¥ 33,239	¥ 21,328	¥ 45,402	¥ (21,448)	¥ 78,521
	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	
Balance as of April 1, 2016	¥ 2	¥ (278)	¥ (274)	¥ (550)	¥ 75,168
Changes of items during the fiscal year					
Cash dividends					(2,774)
Net income attributable to owners of the parent					8,879
Repurchase of treasury stock					(3,302)
Disposal of treasury stock					-
Net changes of items other than shareholders' equity	105	(262)	(38)	(196)	(196)
Total changes of items during the fiscal year	105	(262)	(38)	(196)	2,605
Balance as of March 31, 2017	¥ 107	¥ (541)	¥ (313)	¥ (747)	¥ 77,774
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of April 1, 2017	¥ 33,239	¥ 21,328	¥ 45,402	¥ (21,448)	¥ 78,521
Changes of items during the fiscal year					
Cash dividends			(2,737)		(2,737)
Net income attributable to owners of the parent			10,937		10,937
Repurchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	0	8,200	(5)	8,194
Balance as of March 31, 2018	¥ 33,239	¥ 21,328	¥ 53,602	¥ (21,454)	¥ 86,716
	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	
Balance as of April 1, 2017	¥ 107	¥ (541)	¥ (313)	¥ (747)	¥ 77,774
Changes of items during the fiscal year					
Cash dividends					(2,737)
Net income attributable to owners of the parent					10,937
Repurchase of treasury stock					(5)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	31	(601)	21	(548)	(548)
Total changes of items during the fiscal year	31	(601)	21	(548)	7,646
Balance as of March 31, 2018	¥ 139	¥ (1,142)	¥ (292)	¥ (1,295)	¥ 85,421
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of April 1, 2017	\$ 313,578	\$ 201,216	\$ 428,324	\$ (202,345)	\$ 740,772
Changes of items during the fiscal year					
Cash dividends	-	-	(25,823)	-	(25,823)
Net income attributable to owners of the parent	-	-	103,184	-	103,184
Repurchase of treasury stock	-	-	-	(54)	(54)
Disposal of treasury stock	-	0	-	0	1
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	0	77,360	(53)	77,307
Balance as of March 31, 2018	\$ 313,578	\$ 201,216	\$ 505,684	\$ (202,399)	\$ 818,079
	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	
Balance as of April 1, 2017	\$ 1,018	\$ (5,107)	\$ (2,959)	\$ (7,048)	\$ 733,724
Changes of items during the fiscal year					
Cash dividends					(25,823)
Net income attributable to owners of the parent					103,184
Repurchase of treasury stock					(54)
Disposal of treasury stock					1
Net changes of items other than shareholders' equity	298	(5,672)	201	(5,172)	(5,172)
Total changes of items during the fiscal year	298	(5,672)	201	(5,172)	72,134
Balance as of March 31, 2018	\$ 1,317	\$ (10,779)	\$ (2,758)	\$ (12,220)	\$ 805,858

Please refer to Notes to Consolidated Financial Statements on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Consolidated Statements of Cash Flows

	Previous fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2017 to March 31, 2018	Current fiscal year April 1, 2017 to March 31, 2018
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	¥ 12,489	¥ 15,149	\$ 142,920
Depreciation and amortization	5,980	4,706	44,402
Decrease in allowance for doubtful accounts	(1)	(36)	(341)
Increase in accrued bonuses	186	604	5,702
Increase in liabilities for retirement benefits for employees	204	253	2,392
Interest and dividend income	(61)	(71)	(678)
Interest expense	141	103	975
Exchange losses, net	18	134	1,269
Loss on sales and/or disposal of fixed assets	99	104	986
Decrease (increase) in accounts receivable - trade	(10,393)	7,059	66,596
Decrease in inventories	158	1,588	14,983
Decrease (Increase) in work in progress for game software	(2,266)	4,069	38,394
(Decrease) Increase in notes and accounts payable - trade	2,280	(3,690)	(34,818)
Other	956	6,320	59,629
Subtotal	9,792	36,296	342,416
Interest and dividends received	62	73	692
Interest paid	(140)	(101)	(956)
Income taxes paid	(6,513)	(1,546)	(14,587)
Net cash provided by operating activities	3,200	34,721	327,564
Cash flows from investing activities:			
Payments into time deposits	(200)	-	-
Payment for acquisition of tangible fixed assets	(3,074)	(2,767)	(26,111)
Proceeds from sales of tangible fixed assets	5	0	9
Payment for acquisition of intangible assets	(253)	(150)	(1,416)
Payment for purchase of investments in securities	(13)	(13)	(130)
Payment for other investing activities	(222)	(259)	(2,450)
Proceeds from other investing activities	131	343	3,239
Net cash used in investing activities	(3,628)	(2,847)	(26,859)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings	5,000	(5,000)	(47,169)
Repayments of long-term borrowings	(1,497)	(1,323)	(12,482)
Repayments of lease obligations	(535)	(509)	(4,807)
Payment for repurchase of treasury stock	(3,302)	(5)	(53)
Dividends paid by parent company	(2,794)	(2,738)	(25,837)
Net cash used in financing activities	(3,130)	(9,577)	(90,351)
Effect of exchange rate changes on cash and cash equivalents	(533)	(96)	(907)
Net (decrease) increase in cash and cash equivalents	(4,091)	22,201	209,445
Cash and cash equivalents at beginning of year	28,429	24,337	229,603
Cash and cash equivalents at end of year	¥ 24,337	¥ 46,539	\$ 439,049

Please refer to Notes to Consolidated Financial Statements and Independent Auditor's Report on our website at:
http://www.capcom.co.jp/ir/english/data/pdf/annual/2018/annual_2018_06.pdf

Stock Data

Number of Shares Authorized*1.....150,000,000 shares
 Number of Shares Issued*2.....67,723,244 shares
 Number of Shareholders.....13,294

(Notes)
 1. In conjunction with the stock split, which took place on April 1, 2018 by resolution of the Board of Directors at the meeting held on March 6, 2018, the Articles of Incorporation were amended in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act. The number of shares authorized increased by 150,000,000 to 300,000,000 shares.
 2. Capcom implemented a stock split of two shares for every share of common stock held as of April 1, 2018 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.

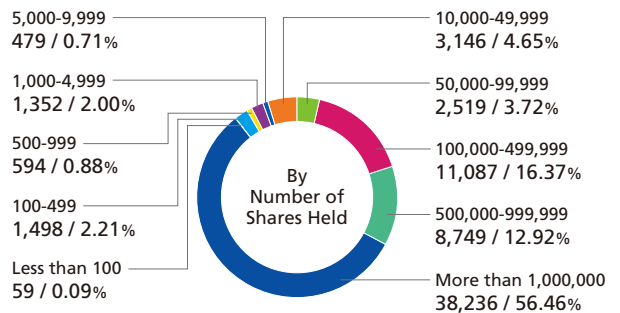
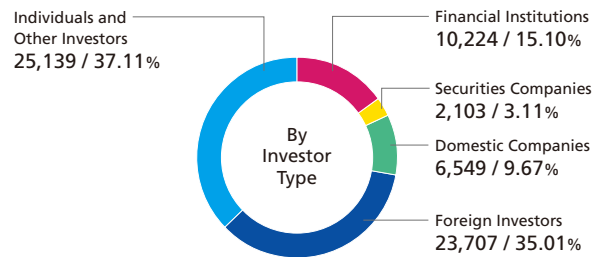
Major Shareholders (Top 10)

Major Shareholders	Number of Shares Held (in thousands)	Percentage of Shareholding (%)
Crossroad Co., Ltd.	6,374	11.64
Japan Trustee Services Bank, Ltd. (Trust Account)	2,764	5.05
Ryozo Tsujimoto	2,019	3.69
Yoshiyuki Tsujimoto	2,019	3.69
Haruhiro Tsujimoto	2,018	3.69
Kenzo Tsujimoto	2,009	3.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,869	3.42
JP Morgan Chase & Co. Oppenheimer JASDEC Lending Account	1,771	3.24
Goldman Sachs and Company Regular Account	1,699	3.11
Morgan Stanley MUFG Securities Co., Ltd.	1,643	3.00

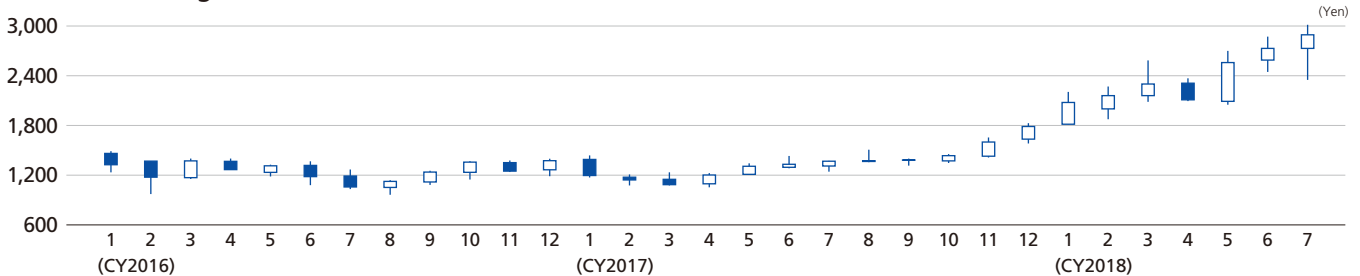
Note: Capcom owns 12,978 thousand shares as treasury stocks.
 The stocks owned by the Company are excluded from the above list.

Shareholders' Breakdown

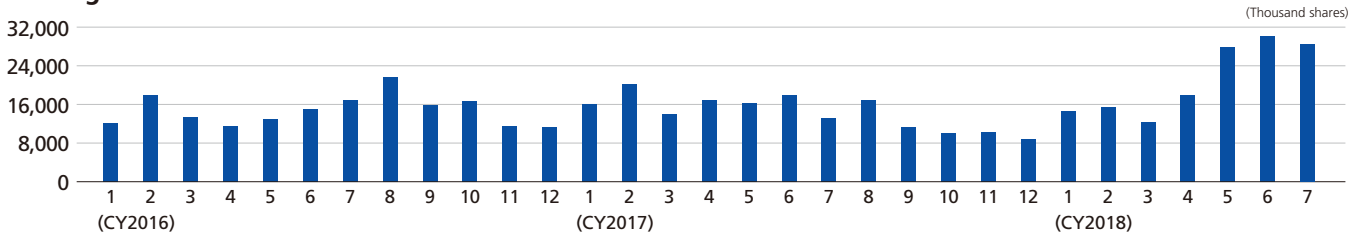
Number of shares held (in thousands) / (%)



Stock Price Range



Trading Volume



11-Year Trend of Stock Price and Trading Volume

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Stock Price	1,700.0	873.0	883.0	795.0	945.5	738.0	979.0	1,194.5	1,372.5	1,085.5	2,299.0
High	1,745.0	1,820.0	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
Low	830.0	737.5	648.5	572.5	736.5	625.0	698.0	770.5	972.0	963.5	1,053.0
Trading Volume	191,795,000	179,636,900	181,065,800	149,613,900	227,386,800	178,008,200	150,408,300	143,234,700	162,642,100	183,455,500	170,005,100

* Effective April 1, 2018, Capcom implemented a stock split of two shares for every share. Numbers prior to this date have been calculated assuming the stock split.

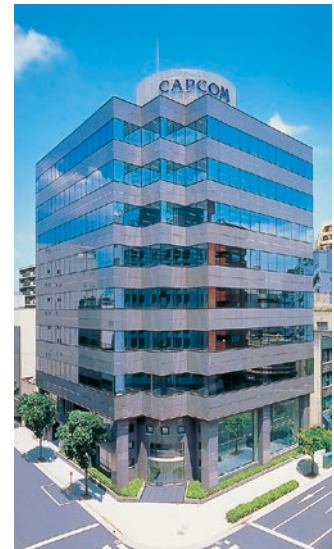
(Years Ended March 31)

Corporate Profile

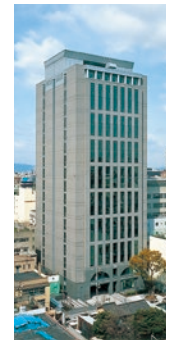
Name of Company CAPCOM CO., LTD.
Date of Establishment ... May 30, 1979
Date of Initiation June 11, 1983
Business Segments Planning, development, manufacture, sale and distribution of home video games, online games, mobile games and arcade games as well as management of amusement arcades.
Paid-in Capital ¥ 33,239 million
End of Term March 31
Number of Employees ... 2,952 (Including consolidated subsidiaries)
 2,426 (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 #2 ... 3-1-10 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7750
Tokyo Branch ... Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0448, Japan
 PHONE: 81-3-3340-0710
Ueno Facility ... 3902 Hatta, Iga, Mie, 518-1155, Japan
 PHONE: 81-595-20-2030



Head Office



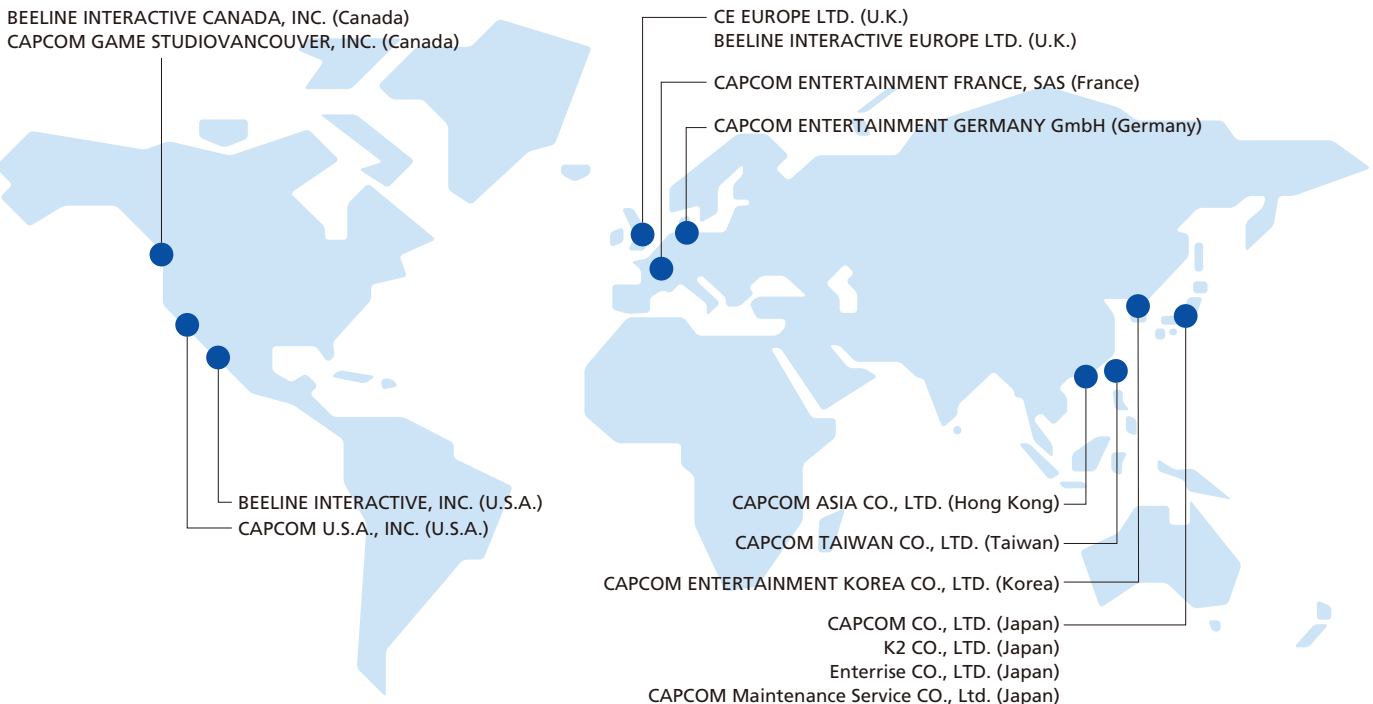
R&D Building



R&D Building #2

Capcom's Subsidiaries (As of Sep. 1, 2018)

K2 CO., LTD. / Enterrise CO., LTD. / CAPCOM Maintenance Service CO., Ltd./ CAPCOM U.S.A., INC. / CAPCOM ASIA CO., LTD. / CE EUROPE LTD. / CAPCOM ENTERTAINMENT GERMANY GmbH / BEELINE INTERACTIVE, INC. / BEELINE INTERACTIVE CANADA, INC. / CAPCOM ENTERTAINMENT KOREA CO., LTD. / CAPCOM ENTERTAINMENT FRANCE, SAS / CAPCOM GAME STUDIO VANCOUVER, INC. / BEELINE INTERACTIVE EUROPE LTD. / CAPCOM TAIWAN CO., LTD.



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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.



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FACT BOOK 2018

証券コード 9697
Stock Code 9697

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主要財務データ

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株式会社カプコンおよび連結子会社 3月31日に終了した各事業年度
CAPCOM CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES. YEARS ENDED MARCH 31

	2011	2012	2013	2014	2015	2016	2017	2018
会計年度 (百万円) For the Year (Millions of yen)								
売上高 Net sales	97,716	82,065	94,075	102,200	64,277	77,021	87,170	94,515
営業利益 Operating income	14,295	12,318	10,151	10,299	10,582	12,029	13,650	16,037
税金等調整前当期純利益 Net income before income taxes	10,807	11,425	3,719	5,315	10,701	11,150	12,489	15,149
親会社株主に帰属する当期純利益 Net income attributable to owners of the parent	7,750	6,723	2,973	3,444	6,616	7,745	8,879	10,937
設備投資額 Capital expenditures	1,725	2,240	3,077	2,252	5,564	5,937	2,622	2,918
減価償却費 Depreciation and amortization	3,315	3,123	3,406	4,638	3,535	5,712	5,980	4,706
資本的支出 Capital expenditures	2,758	4,153	8,724	8,064	10,177	8,274	3,767	3,041
開発投資額 R&D Investment Costs	26,086	30,648	30,978	26,691	25,301	27,255	27,720	29,077
広告宣伝費 Promotional expenses	7,046	5,639	6,875	4,269	2,798	3,832	4,764	5,579
会計年度末 (百万円) At Year-End (Millions of yen)								
総資産額 Total assets	90,408	98,247	104,365	96,611	100,773	113,057	118,897	125,573
純資産額 Net assets	58,007	59,352	62,828	63,875	71,331	75,168	77,774	85,421
ゲームソフト仕掛品および オンラインコンテンツ仮勘定 Work in progress for game software, Online contents in progress	10,443	22,373	18,888	14,902	24,728	27,220	30,150	25,635
現金及び現金同等物の期中増減額 Net increase (decrease) in cash and cash equivalents	5,196	(12,724)	9,235	(5,404)	1,879	431	(4,091)	22,201
現金及び現金同等物の期末残高 Cash and cash equivalents at end of year	35,011	22,287	31,522	26,118	27,998	28,429	24,337	46,539
ネットキャッシュ (億円) Net cash	276	113	143	226	212	158	84	367
収益性指標 (%) Profitability indicators (%)								
売上原価率 Cost-of-sales ratio	61.8	60.5	65.8	70.7	59.7	61.2	64.7	63.4
売上高営業利益率 Operating margin	14.6	15.0	10.8	10.1	16.5	15.6	15.7	17.0
売上高経常利益率 Ordinary margin	13.2	14.4	11.6	10.7	16.9	14.7	14.4	16.1
売上高当期純利益率 Return on sales	7.9	8.2	3.2	3.4	10.3	10.1	10.2	11.6
売上高販管费率 SG&A expenses ratio	23.5	24.6	23.3	19.3	24.0	23.1	19.6	19.7
自己資本利益率 (ROE) Return on equity (ROE)	13.8	11.5	4.9	5.4	9.8	10.6	11.6	13.4
総資産利益率 (ROA) Return on total assets (ROA)	8.8	7.1	2.9	3.4	6.7	7.2	7.7	8.9

	2011	2012	2013	2014	2015	2016	2017	2018
効率性指標 (回) Efficiency indicators (times)								
総資産回転率 Total assets turnover	1.1	0.8	0.9	1.1	0.7	0.7	0.7	0.8
自己資本回転率 Sales equity ratio	1.7	1.4	1.5	1.6	0.9	1.0	1.1	1.1
売上債権回転率 Receivables turnover	8.4	4.7	8.0	5.6	8.0	7.8	4.3	7.3
仕入債権回転率 Accounts payable turnover	10.7	6.8	8.9	6.1	9.4	9.5	7.9	17.3
固定資産回転率 Inventory turnover	4.2	3.5	3.4	3.4	1.8	2.1	2.6	3.2
安全性指標 (%) Safety indicators (%)								
自己資本比率 Net worth ratio	64.2	60.4	60.2	66.1	70.8	66.5	65.4	68.0
流動比率 Current ratio	269.2	255.9	240.8	260.3	380.7	339.6	285.0	354.0
当座比率 Quick ratio (Acid-test ratio)	187.2	143.3	135.4	187.3	233.1	171.4	149.1	220.0
現預金比率 Cash equivalent ratio	140.3	84.4	98.8	116.3	186.7	127.2	81.8	172.1
固定比率 Fixed ratio	40.1	39.1	43.8	47.1	49.2	49.4	43.0	35.0
負債比率 Debt-equity ratio	55.9	65.5	66.1	51.2	41.3	50.4	52.9	47.0
インタレスト・カバレッジ・レシオ (倍) Interest coverage ratio (times)	155.8	—	62.4	136.8	50.2	36.5	22.8	337.2
1株当たり情報 (円) Per Share Data (Yen)								
1株当たり当期純利益(純損失)※1 Net income (loss) per share*1	65.59	58.05	25.82	30.56	58.84	68.87	80.18	99.89
1株当たり純資産額※2 Net assets per share*2	490.88	515.35	545.54	567.96	634.28	688.43	710.32	780.18
配当関連指標 Dividend Data								
1株当たり配当額 (円) Dividend per share (Yen)	40.0	40.0	40.0	40.0	40.0	40.0	50.0	60.0
配当性向 (%) Dividend payout ratio (%)	30.5	34.5	77.5	65.5	34.0	29.0	31.2	30.0
配当利回り (%) Dividend yield (%)	2.5	2.1	2.7	2.0	1.7	1.5	2.3	2.6
株式情報 Stock Information								
発行済み株式総数 (株) Number of outstanding shares (shares)	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244
株価収益率 (PER) (倍) Price earnings ratio (times)	12.1	16.3	28.6	32.0	20.3	19.9	13.5	23.0
外国人持ち株比率 (%) Shareholdings' rate by foreign investors (%)	22.17	27.05	32.37	37.29	36.87	39.35	31.19	35.01

※1. 2018年4月1日付で普通株式1株につき2株の割合で株式分割を行いました。したがって、各連結会計年度の期首に当該株式分割が行われたと仮定して、「1株当たり当期純利益」を算定しています。

※2. 2018年4月1日付で普通株式1株につき2株の割合で株式分割を行いました。したがって、各連結会計年度の期首に当該株式分割が行われたと仮定して、「1株当たり純資産」を算定しています。

※3. 2018年3月6日開催の取締役会決議により2018年4月1日付で普通株式1株につき2株の割合で株式分割を行いました。これにより発行済株式総数は67,723,244株増加し、135,446,488株となっています。

*1. 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 each fiscal year.

*2. 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 each fiscal year.

*3. 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.

セグメント情報

Segment Information

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	2011	2012	2013	2014	2015	2016	2017	2018
デジタルコンテンツ事業								
Digital Contents								
売上高 (百万円) Net sales (Millions of yen)	74,297	59,809	63,636	65,824	45,351	52,577	58,704	74,141
コンシューマ (億円) Consumer (hundreds of millions of JPY)	637	469	459	530	352	421	492	652
パッケージ (億円) Package (hundreds of millions of JPY)	613	441	407	433	262	312	337	383
DLC (億円) Digital Download Contents (DLC) (hundreds of millions of JPY)	24	28	52	97	90	109	155	269
モバイルコンテンツ (億円) Mobile Contents (hundreds of millions of JPY)	40	63	110	65	41	33	38	41
PCその他 (億円) PC Other (hundreds of millions of JPY)	65	66	67	63	60	71	57	48
営業利益 (百万円) Operating income (Millions of yen)	13,865	12,887	7,062	4,489	10,208	12,167	11,096	19,103
営業利益率 (%) Operating margins (%)	18.7	21.5	11.1	6.8	22.5	23.1	18.9	25.8
資産 (百万円) Assets (Millions of yen)	31,974	51,542	44,950	35,708	50,053	57,275	66,691	61,661
総資産利益率 (ROA) (%) Return on total assets (ROA) (%)	43.4	25.0	15.7	12.6	20.4	21.2	16.6	31.0
アミューズメント施設事業								
Arcade Operations								
売上高 (百万円) Net sales (Millions of yen)	11,621	11,729	10,944	10,620	9,241	9,056	9,525	10,231
営業利益 (百万円) Operating income (Millions of yen)	1,131	1,787	1,709	1,617	940	699	752	879
営業利益率 (%) Operating margins (%)	9.7	15.2	15.6	15.2	10.2	7.7	7.9	8.6
資産 (百万円) Assets (Millions of yen)	8,668	8,006	7,046	6,657	6,315	6,574	6,988	7,471
総資産利益率 (ROA) (%) Return on total assets (ROA) (%)	13.0	22.3	24.3	24.3	14.9	10.6	10.8	11.8
アミューズメント機器事業								
Amusement Equipments								
売上高 (百万円) Net sales (Millions of yen)	7,903	7,663	16,783	23,160	7,540	13,343	16,856	7,803
営業利益 (百万円) Operating income (Millions of yen)	2,638	890	4,892	7,131	2,736	2,812	5,106	(764)
営業利益率 (%) Operating margins (%)	33.4	11.6	29.1	30.8	36.3	21.1	30.3	—
資産 (百万円) Assets (Millions of yen)	9,136	8,294	13,054	20,083	8,760	12,314	16,169	10,002
総資産利益率 (ROA) (%) Return on total assets (ROA) (%)	28.9	10.7	37.5	35.5	31.2	22.8	31.6	—
その他								
Other Businesses								
売上高 (百万円) Net sales (Millions of yen)	3,893	2,862	2,711	2,594	2,144	2,043	2,083	2,338
営業利益 (百万円) Operating income (Millions of yen)	1,098	877	740	1,001	661	511	969	1,126
営業利益率 (%) Operating margins (%)	28.2	30.6	27.3	38.6	30.8	25.0	46.5	48.2
資産 (百万円) Assets (Millions of yen)	2,767	2,931	4,236	4,331	6,534	4,926	4,718	3,600
総資産利益率 (ROA) (%) Return on total assets (ROA) (%)	39.7	29.9	17.5	23.1	10.1	10.4	20.5	31.3

マーケット情報

Market information

(年)
(Year)

	2011	2012	2013	2014	2015	2016	2017	2018
コンシューマ市場 (億ドル) ※1								
Consumer Market (hundreds' of million of dollars)*1								
パッケージ Package	225	184	163	129	124	109	112	120
DLC Digital Download Contents (DLC)	43	71	74	87	93	103	132	156
合計 Total	268	255	237	216	217	212	244	276
モバイルコンテンツ市場 (億ドル) ※1								
Mobile Contents Market (hundreds' of million of dollars)*1								
北米 North America	19	28	39	54	66	100	113	120
欧州 Europe	12	20	23	35	44	47	60	72
アジア Asia	32	62	70	116	229	276	354	416
その他 Other	9	13	13	19	48	61	66	79
合計 Total	74	123	147	225	390	485	594	689
PCオンライン市場 (億ドル) ※1								
PC Online Market (hundreds' of million of dollars)*1								
北米 North America	45	56	68	61	58	70	77	77
欧州 Europe	44	57	66	66	57	62	77	84
アジア Asia	78	96	123	91	106	138	186	200
その他 Other	18	25	31	28	28	38	43	46
合計 Total	187	236	288	247	251	310	384	409

(3月期)
(Years ended March 31)

	2011	2012	2013	2014	2015	2016	2017	2018
アミューズメント施設市場 (億円) ※2								
Arcade Operations Market (hundreds of millions of JPY)*2								
市場規模 (Market size)	4,958	4,875	4,700	4,564	4,222	4,338	4,620	—
店舗数推移 (設置機器台数別) (店) Number of Amusement Arcades (by number of machines) (store)	18,638	18,114	16,991	16,069	15,611	14,862	14,154	—
101台以上 Over 101 machines	6,551	6,694	6,459	6,535	5,698	5,603	5,263	—
51~100台以上 51-100 machines	2,893	2,622	2,156	2,084	1,990	1,932	1,817	—
50台以下 Below 50 machines	9,194	8,798	8,376	7,450	7,923	7,327	7,074	—
遊技機市場 (億円) ※3								
Gaming Machines Market (hundreds of millions of JPY)*3								
パチンコ機 Pachinko	8,869	8,267	7,729	6,571	6,524	6,130	5,245	—
パチスロ機 Pachislo	2,867	3,750	4,300	4,774	4,274	3,697	3,576	—
合計 Total	11,736	12,017	12,029	11,345	10,798	9,827	8,821	—
業務用ゲーム機器販売市場 (億円) ※2								
Arcade Game Market (hundreds of millions of JPY)*2								
市場規模 (Market size)	1,616	1,738	1,675	1,635	1,511	1,461	1,490	—

※1. 出典: International Development Group

※2. 出典: [アミューズメント産業界の実態調査報告書]

※3. 出典: 矢野経済研究所「パチンコ関連機器市場に関する調査結果2016、2017」を基に当社作成

*1. Source: International Development Group

*2. Source: JAMMA "Survey on the Amusement Industry"

*3. Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2016, 2017); Yano Research Institute Ltd.

CSソフト出荷本数

Software Shipments

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		2011	2012	2013	2014	2015	2016	2017	2018
プラットフォーム出荷本数 (千本) Sales Units Shipped <platform> (Thousand Units)									
Playstation 2	タイトル数 SKU	1	—	—	—	—	—	—	—
	計 Sub total	300	200	100	—	—	—	—	—
Playstation 3 Playstation 4	タイトル数 SKU	11	25	21	17	13	19	16	14
	計 Sub total	6,200	6,200	7,100	4,200	2,450	3,500	4,700	8,250
PSP PS Vita	タイトル数 SKU	11	9	4	0	5	8	5	1
	計 Sub total	6,200	1,900	600	200	250	300	150	0
Wii, Wii U Nintendo Switch	タイトル数 SKU	5	4	2	2	—	—	—	7
	計 Sub total	1,400	650	700	350	150	100	0	1,100
Nintendo DS Nintendo 3DS	タイトル数 SKU	11	12	7	4	5	7	5	8
	計 Sub total	1,700	3,300	1,300	4,700	3,750	4,100	3,200	450
Xbox 360 Xbox One	タイトル数 SKU	11	16	8	11	7	6	9	9
	計 Sub total	4,200	3,200	3,700	2,950	1,200	650	2,100	1,350
PCその他 PC Other	タイトル数 SKU	3	2	4	5	3	4	6	2
	計 Sub total	500	250	500	300	200	250	250	350
パッケージ計 Package total	タイトル数 SKU	53	68	46	39	33	44	41	41
	計 Sub total	20,500	15,700	14,000	12,700	8,000	8,900	10,400	11,500
本編DLC計 Full-game download	タイトル数 SKU	—	—	—	3	—	1	1	9
	計 Sub total	1,200	1,300	2,700	4,800	5,000	6,100	9,000	12,900
合計 Total	タイトル数 SKU	53	68	46	42	33	45	42	50
	計 Sub total	21,700	17,000	16,700	17,500	13,000	15,000	19,400	24,400

ESGデータ

ESG Data

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	2011	2012	2013	2014	2015	2016	2017	2018
環境								
Environmental								
CO ₂ 排出量 (t) Emissions (Non-consolidated) (t)	16,474	14,561	17,354	18,130	16,476	14,892	15,285	15,021
エネルギーの使用に係る原単位※1 Energy Consumption per Basic Unit*1	0.08618	0.07725	0.07412	0.07090	0.06663	0.06193	0.06018	0.05994
前年度比 (%) Year on Year Rate of Change (%)	92.7	89.6	95.9	95.7	94.0	92.9	97.2	99.6
社会								
Social								
社員数(連結) Number of Employees	2,089	2,265	2,476	2,601	2,681	2,839	2,811	2,952
社員数(単体) Number of Employees	1,636	1,698	1,820	1,951	2,033	2,114	2,194	2,426
コンテンツ開発者数 Content Developers	1,339	1,455	1,623	1,808	1,902	2,052	1,994	2,141
女性管理職数 Number of female managers	10	11	20	19	20	24	25	25
女性社員比率 (%) Ratio of Female employees (%)	20	21	21	21	20	19	20	21
外国人従業員数(単体) Number of non-Japanese employees (Capcom Co., Ltd.)	35	45	63	69	72	91	99	107
比率 (%) Ratio of non-Japanese employees (%)	2.0	2.7	3.5	3.3	3.4	4.0	4.3	4.2
企業内保育施設利用者数 Number of nursery school users	—	—	—	—	—	—	—	13
育児休暇取得者数 Number of childcare leave acquired	12	15	18	18	21	24	26	25
男性 Male	0	3	1	3	5	0	3	6
女性 Female	12	12	17	15	16	24	23	19
シニアツアー累計参加人数 Cumulative number of participants in senior tours	—	330	1,030	1,550	1,681	1,871	2,037	2,247
地方創生プロジェクト数累計 Cumulative number of regional vitalization projects	1	1	1	3	5	10	15	19
出前授業(教育支援)実施回数 Number of educational support activities	29	35	43	63	51	55	58	40
参加学校数 Number of school participation	4	7	9	24	25	18	28	17
参加者数 Number of participants	485	665	1,506	1,920	2,361	1,853	1,853	1,767
ガバナンス								
Governance								
取締役の人数 Number of directors	13	15	15	14	14	10	12	11
社内 Internal directors	8	10	10	9	9	5	6	5
社外 External directors	5	5	5	5	5	5	6	6
社外取締役比率 Ratio of external directors	38.5	33.3	33.3	35.7	35.7	50.0	50.0	54.5
取締役会開催回数 Number of board of directors	16	16	14	15	16	14	15	15
監査役会・監査等委員会開催回数※2 Number of board of corporate audit and supervisory committee*2	13	14	14	15	12	13	14	16

※1. 資源エネルギー庁の定める計算方法に基づき算出。

※2. 2016年6月18日より監査役会設置会社から監査等委員会設置会社に移行しています。

*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.

連結貸借対照表

Consolidated Balance Sheets

資産の部

Assets

	2011	2012	2013	2014	2015	2016	2017	(百万円) Millions of yen	(千米ドル) Thousands of U.S. dollars
								2018	2018
資産									
Assets									
流動資産									
Current assets									
現金及び預金	35,011	24,752	31,522	29,720	32,204	28,429	24,537	46,539	439,049
Cash on hand and in banks									
受取手形及び売掛金	11,700	17,285	11,687	18,134	8,005	9,879	20,175	12,930	121,985
Notes and accounts receivable-trade									
商品及び製品	849	1,793	1,756	1,191	1,225	1,704	1,583	1,102	10,399
Merchandise and finished goods									
仕掛品	340	443	906	942	1,672	2,085	2,040	1,349	12,733
Work in progress									
原材料及び貯蔵品	1,075	1,417	1,592	996	1,020	1,954	2,040	1,616	15,250
Raw materials and supplies									
ゲームソフト仕掛品	10,443	22,373	18,888	10,355	16,833	24,825	30,150	25,635	241,843
Work in progress for game software									
繰延税金資産	5,210	4,239	6,497	2,865	2,042	3,382	2,495	3,201	30,201
Deferred tax assets									
その他	2,582	2,791	4,054	2,355	2,712	3,673	2,478	3,371	31,807
Other									
貸倒引当金	(37)	(58)	(64)	(55)	(56)	(18)	(21)	(34)	(324)
Allowance for doubtful accounts									
流動資産合計	67,176	75,038	76,841	66,506	65,659	75,917	85,480	95,712	902,948
Total current assets									
固定資産									
Fixed assets									
有形固定資産									
Tangible fixed assets, net of accumulated depreciation									
建物及び構築物(純額)	5,455	5,125	4,907	4,998	6,136	11,297	11,004	11,106	104,778
Buildings and structures, net									
機械装置及び運搬具(純額)	28	21	34	15	22	23	16	10	96
Machinery and vehicles, net									
工具、器具及び備品(純額)	894	1,052	1,105	1,208	1,578	1,875	1,932	1,840	17,365
Tools, fixtures and furniture, net									
アミューズメント施設機器(純額)	1,815	1,637	1,199	1,431	1,101	1,342	1,616	1,565	14,765
Equipment for amusement facilities, net									
レンタル機器(純額)	0	—	—	—	—	—	—	—	—
Rental equipment, net									
土地	4,408	4,298	5,052	5,052	4,953	5,234	5,234	5,234	49,384
Land									
リース資産(純額)	924	709	849	825	995	1,042	835	668	6,308
Lease assets, net									
建設仮勘定	5	—	108	44	2,541	8	128	371	3,505
Construction in progress									
有形固定資産合計	13,532	12,844	13,258	13,577	17,328	20,825	20,768	20,797	196,203
Total tangible fixed assets									
無形固定資産	3,071	3,911	7,909	7,368	10,668	8,135	2,843	725	6,842
Intangible assets									
投資その他の資産									
Investments and other assets									
投資有価証券	390	368	515	542	621	454	574	625	5,899
Investments in securities									
破産更生債権等	922	265	66	65	66	65	67	19	185
Claims in bankruptcy and reorganization									
差入保証金	4,741	4,522	4,341	4,108	4,036	3,867	3,920	4,034	38,065
Lease deposits									
繰延税金資産	1,150	908	733	3,699	1,595	2,952	4,311	2,782	26,246
Deferred tax assets									
その他	392	663	776	819	876	916	1,003	900	8,493
Other									
貸倒引当金	(968)	(275)	(78)	(77)	(78)	(78)	(72)	(24)	(229)
Allowance for doubtful accounts									
投資その他の資産合計	6,628	6,452	6,355	9,159	7,117	8,179	9,804	8,338	78,661
Total investments and other assets									
固定資産合計	23,232	23,208	27,523	30,104	35,113	37,140	33,417	29,861	281,707
Total fixed assets									
資産合計	90,408	98,247	104,365	96,611	100,773	113,057	118,897	125,573	1,184,655
Total assets									

負債及び純資産の部

Liabilities and Net Assets

	2011	2012	2013	2014	2015	2016	2017	(百万円) Millions of yen	(千米ドル) Thousands of U.S. dollars
								2018	2018
負債									
Liabilities									
流動負債									
Current liabilities									
支払手形及び買掛金 Notes and accounts payable-trade	5,665	7,257	6,304	4,950	3,089	4,053	2,288	2,625	24,773
電子記録債務 Electronically recorded monetary obligations	—	—	634	6,926	988	888	4,886	839	7,924
短期借入金 Short-term borrowings	3,711	7,259	11,194	4,050	3,452	1,497	9,323	1,473	13,898
リース債務 Lease obligations	507	322	364	370	483	525	502	392	3,707
未払法人税等 Accrued income taxes	3,443	2,977	2,111	758	823	6,470	1,580	4,453	42,017
繰延税金負債 Deferred tax liabilities	30	7	—	93	147	40	2,308	766	7,227
賞与引当金 Accrued bonuses	2,478	2,111	1,679	1,802	1,832	2,080	2,263	2,866	27,046
その他 Other	9,112	9,391	9,616	6,594	6,427	6,799	6,840	13,618	128,473
流動負債合計 Total current liabilities	24,950	29,327	31,905	25,547	17,246	22,355	29,994	27,037	255,068
固定負債									
Long-term liabilities:									
長期借入金 Long-term borrowings	3,644	6,145	6,000	3,000	7,540	11,111	6,788	8,315	78,443
リース債務 Lease obligations	461	429	553	519	589	601	399	329	3,104
繰延税金負債 Deferred tax liabilities	232	225	2	46	48	18	29	23	220
退職給付引当金 Accrued retirement benefits for employees	1,383	1,509	1,697	—	—	—	—	—	—
退職給付に係る負債 Liabilities for retirement benefits for employees	—	—	—	2,158	2,101	2,323	2,596	2,819	26,596
資産除去債務 Asset retirement obligations	340	325	329	404	489	502	509	501	4,727
その他 Other	1,387	932	1,047	1,059	1,427	975	805	1,127	10,636
固定負債合計 Total long-term liabilities	7,450	9,567	9,630	7,187	12,195	15,532	11,128	13,115	123,728
負債合計	32,400	38,895	41,536	32,735	29,442	37,888	41,122	40,152	378,796
Total liabilities									
純資産									
Net assets									
株主資本									
Shareholders' equity									
資本金 Common stock	33,239	33,239	33,239	33,239	33,239	33,239	33,239	33,239	313,578
資本剰余金 Capital surplus	21,328	21,328	21,328	21,328	21,328	21,328	21,328	21,328	201,216
利益剰余金 Retained earnings	22,945	27,328	27,998	29,160	33,801	39,297	45,402	53,602	505,684
自己株式 Treasury stock	(13,143)	(15,846)	(15,848)	(18,134)	(18,140)	(18,145)	(21,448)	(21,454)	(202,399)
株主資本合計 Total shareholders' equity	64,370	66,049	66,718	65,593	70,228	75,719	78,521	86,716	818,079
その他包括利益累計額									
Accumulated other comprehensive income									
その他有価証券評価差額金 Net unrealized gain or loss on securities, net of tax	(56)	(46)	91	99	170	2	107	139	1,317
為替換算調整勘定 Cumulative translation adjustments	(6,305)	(6,650)	(3,981)	(1,647)	1,215	(278)	(541)	(1,142)	(10,779)
退職給付に係る調整累計額 Accumulated adjustments for retirement benefits	—	—	—	(169)	(283)	(274)	(313)	(292)	(2,758)
その他包括利益累計額合計 Total accumulated other comprehensive income	(6,362)	(6,697)	(3,889)	(1,717)	1,102	(550)	(747)	(1,295)	(12,220)
純資産合計	58,007	59,352	62,828	63,875	71,331	75,168	77,774	85,421	805,858
Total net assets									
負債純資産合計	90,408	98,247	104,365	96,611	100,773	113,057	118,897	125,573	1,184,655
Total liabilities and net assets									

流動負債における2011年3月期から2014年3月期の「返品調整引当金」および2012年3月期から2016年3月期の「資産除去債務」は「その他」に含めて表示しています

Total current liabilities includes the current liabilities "Allowance for sales returns" for the fiscal years ended March 31, 2011 through March 31, 2014 and "Asset retirement obligations" for the fiscal years ended March 31, 2012 through March 31, 2016.

連結損益計算書

Consolidated Statements of Income

	2011	2012	2013	2014	2015	2016	2017	(百万円) Millions of yen	(千米ドル) Thousands of U.S. dollars
								2018	2018
売上高 Net sales	97,716	82,065	94,075	102,200	64,277	77,021	87,170	94,515	891,651
売上原価 Cost of sales	60,371	49,609	61,911	72,251	38,379	47,175	56,438	59,895	565,048
売上総利益 Gross profit	37,344	32,456	32,163	29,949	25,898	29,846	30,731	34,619	326,602
販売費及び一般管理費 Selling, general and administrative expenses	23,009	20,150	21,942	19,749	15,403	17,816	17,080	18,582	175,303
営業利益 Operating income	14,295	12,318	10,151	10,299	10,582	12,029	13,650	16,037	151,299
営業外収益 Non-operating income									
受取利息 Interest income	122	85	92	97	98	95	47	58	553
受取配当金 Dividend income	19	10	9	10	13	13	13	14	135
受取補償金 Settlement received	—	—	—	210	92	—	—	—	—
為替差益 Exchange gain, net	—	—	745	566	292	—	—	—	—
受取和解金 Settlement received	—	67	—	—	—	—	—	—	—
その他 Other	89	126	257	238	168	195	130	145	1,377
営業外収益合計 Total	231	289	1,105	1,122	664	304	192	219	2,066
営業外費用 Non-operating expenses									
支払利息 Interest expense	143	115	107	96	85	119	141	103	975
支払手数料 Commission fees	60	66	60	69	83	59	44	64	610
割増退職金 Additionally paid retirement benefits	—	—	—	—	—	—	117	112	1,062
事務所移転費用 Office transfer expenses	—	—	—	—	—	—	63	254	2,402
支払補償費 Compensation expenses	—	—	—	138	—	—	—	—	—
店舗閉鎖損失 Loss on closing amusement stores	—	—	—	142	142	—	—	—	—
為替差損 Exchange losses, net	1,102	456	—	—	—	752	746	407	3,848
寄付金 Donations	141	—	—	—	—	—	—	—	—
その他 Other	217	151	144	27	84	55	141	59	558
営業外費用合計 Total	1,664	788	312	475	396	985	1,253	1,002	9,458
経常利益 Ordinary income	12,861	11,819	10,944	10,946	10,851	11,348	12,589	15,254	143,907
特別利益 Special gains	226	8	—	—	—	—	—	—	—
特別損失 Special losses	2,281	402	7,224	5,630	150	197	99	104	986
税金等調整前当期純利益 Net income before income taxes	10,807	11,425	3,719	5,315	10,701	11,150	12,489	15,149	142,920
法人税、住民税及び事業税 Income taxes-current	4,654	3,513	2,968	950	1,146	6,377	1,832	4,617	43,561
法人税等調整額 Income taxes-deferred	(1,598)	1,188	(2,222)	920	2,937	(2,972)	1,777	(405)	(3,825)
法人税等合計 Total	3,056	4,701	746	1,870	4,084	3,405	3,610	4,212	39,735
当期純利益 Net income	7,750	6,723	2,973	3,444	6,616	7,745	8,879	10,937	103,184
親会社株主に帰属する当期純利益 Net income attributable to owners of the parent	7,750	6,723	2,973	3,444	6,616	7,745	8,879	10,937	103,184

連結包括利益計算書

Consolidated Statements of Comprehensive Income

	2011	2012	2013	2014	2015	2016	2017	(百万円) Millions of yen	(千米ドル) Thousands of U.S. dollars
								2018	2018
当期純利益 Net income	7,750	6,723	2,973	3,444	6,616	7,745	8,879	10,937	103,184
その他の包括利益 Other comprehensive income									
その他有価証券評価差額金 Net unrealized gain or loss on securities, net of tax	(76)	9	138	8	71	(168)	105	31	298
為替換算調整勘定 Cumulative translation adjustments	(1,553)	(344)	2,669	2,333	2,863	(1,494)	(262)	(601)	(5,672)
退職給付に係る調整額 Adjustments for retirement benefits	—	—	—	—	(114)	9	(38)	21	201
その他の包括利益合計 Total other comprehensive income	(1,629)	(334)	2,807	2,341	2,820	(1,653)	(196)	(548)	(5,172)
包括利益 Comprehensive income	6,121	6,389	5,780	5,786	9,436	6,092	8,683	10,389	98,011
(内訳) Comprehensive income attributable to									
親会社株主に係る包括利益 Owners of the parent	6,121	6,389	5,780	5,786	9,436	6,092	8,683	10,389	98,011
非支配株主に係る包括利益 Non-controlling interests	—	—	—	—	—	—	—	—	—

連結キャッシュ・フロー計算書

Consolidated Statements of Cash Flows

	2011	2012	2013	2014	2015	2016	2017	(百万円) Millions of yen	(千米ドル) Thousands of U.S. dollars
	2011	2012	2013	2014	2015	2016	2017	2018	2018
営業活動によるキャッシュ・フロー Cash flows from operating activities									
税金等調整前当期純利益 Net income before income taxes	10,807	11,425	3,719	5,315	10,701	11,150	12,489	15,149	142,920
減価償却費 Depreciation and amortization	3,315	3,123	3,406	4,638	3,535	5,712	5,980	4,706	44,402
減損損失 Impairment loss	149	80	58	—	49	105	—	—	—
のれん償却額 Amortization of goodwill	239	112	132	131	63	—	—	—	—
貸倒引当金の増減額(減少) Increase (decrease) in allowance for doubtful accounts	(56)	9	1	(16)	(1)	(38)	(1)	(36)	(341)
賞与引当金の増減額(減少) Increase (decrease) in accrued bonuses	1,180	(362)	(474)	88	(3)	263	186	604	5,702
返品調整引当金の増減額(減少) Increase (decrease) in allowance for sales returns	40	(12)	69	(100)	(87)	—	—	—	—
退職給付引当金の増減額(減少) Increase (decrease) in accrued retirement benefits for employees	(4)	126	185	—	—	—	—	—	—
退職給付に係る負債の増減額(減少) Increase in liabilities for retirement benefits for employees	—	—	—	195	207	264	204	253	2,392
受取利息及び受取配当金 Interest and dividend income	(142)	(95)	(101)	(107)	(111)	(109)	(61)	(71)	(678)
支払利息 Interest expense	143	115	107	96	85	119	141	103	975
為替差損益(益) Exchange losses (gains), net	1,039	424	(485)	(435)	(188)	60	18	134	1,269
固定資産売却売却損(益) Loss on sales and/or disposal of fixed assets	95	321	216	93	100	92	99	104	986
投資有価証券売却益 Gain on sales of investment in securities	(45)	(8)	—	—	—	—	—	—	—
事業構造改善費用 Loss on restructuring	—	—	6,949	5,537	—	—	—	—	—
売上債権の増減額(増加) Decrease (increase) in accounts receivable - trade	(5,531)	(5,550)	5,760	(6,351)	10,382	(2,208)	(10,393)	7,059	66,596
たな卸資産の増減額(増加) Decrease (increase) in inventories	409	(1,450)	(493)	1,196	(764)	(1,651)	158	1,588	14,983
オンラインコンテンツ仮勘定の増減額(増加) Decrease (increase) in online contents in progress	—	—	—	(1,741)	(3,347)	1,479	(704)	—	—
ゲームソフト仕掛品の増減額(増加) Decrease (increase) in work in progress for game software	3,246	(11,899)	(2,837)	6,010	(6,443)	(8,778)	(2,266)	4,069	38,394
仕入債務の増減額(減少) Increase (decrease) in notes and accounts payable - trade	2,264	1,720	(474)	4,806	(7,856)	935	2,280	(3,690)	(34,818)
その他 Other	6,177	(1,526)	(5,485)	(3,953)	(1,129)	(2,087)	1,659	6,320	59,629
小計 Subtotal	23,331	(3,447)	10,253	15,404	5,187	5,309	9,792	36,296	342,416
利息及び配当金の受取額 Interests and dividends received	141	86	109	86	118	130	62	73	692
利息の支払額 Interests paid	(144)	(115)	(105)	(98)	(85)	(120)	(140)	(101)	(956)
訴訟関連損失の支払額 Payment for settlement of litigation	(161)	—	—	—	—	—	—	—	—
法人税等の支払額 Income taxes paid	(774)	(4,195)	(3,610)	(2,190)	(934)	(972)	(6,513)	(1,546)	(14,587)
営業活動によるキャッシュ・フロー Net cash provided by operating activities	22,392	(7,672)	6,647	13,201	4,286	4,347	3,200	34,721	327,564
投資活動によるキャッシュ・フロー Cash flows from investing activities									
定期預金の預入による支出 Payments into time deposits	—	(2,465)	—	(3,517)	—	—	(200)	—	—
定期預金の払戻による収入 Proceeds from withdrawal of time deposits	—	—	2,499	—	—	4,205	—	—	—
有形固定資産の取得による支出 Payment for acquisition of tangible fixed assets	(1,734)	(2,153)	(3,086)	(2,203)	(5,465)	(5,813)	(3,074)	(2,767)	(26,111)
有形固定資産の売却による収入 Proceeds from sales of tangible fixed assets	1	434	659	1	206	4	5	0	9
無形固定資産の取得による支出 Payment for acquisition of intangible assets	(429)	(527)	(1,578)	(497)	(195)	(290)	(253)	(150)	(1,416)
投資有価証券の取得による支出 Payment for purchase of investments in securities	(12)	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(130)
その他の支出 Payment for other investing activities	(648)	(379)	(453)	(115)	(141)	(113)	(222)	(259)	(2,450)
その他の収入 Proceeds from other investing activities	776	307	597	189	111	380	131	343	3,239
投資活動によるキャッシュ・フロー Net cash used in investing activities	(2,046)	(4,794)	(1,375)	(6,155)	(5,496)	(1,639)	(3,628)	(2,847)	(26,859)
財務活動によるキャッシュ・フロー Cash flows from financing activities									
短期借入金の純増減額(減少) Net (decrease) increase in short-term borrowings	(12,500)	6,760	4,290	(10,000)	(1,050)	—	5,000	(5,000)	(47,169)
長期借入れによる収入 Proceeds from long-term borrowings	3,000	3,000	—	—	8,162	2,500	—	—	—
長期借入金の返済による支出 Repayments of long-term borrowings	(711)	(3,711)	(499)	(145)	(3,169)	(883)	(1,497)	(1,323)	(12,482)
リース債務の返済による支出 Repayments of lease obligations	(640)	(418)	(327)	(383)	(406)	(496)	(535)	(509)	(4,807)
自己株式の取得による支出 Payment for repurchase of treasury stock	(2)	(2,703)	(1)	(2,286)	(5)	(5)	(3,302)	(5)	(53)
自己株式の売却による収入 Proceeds from sales of treasury stock	0	0	0	0	0	—	—	—	—
配当金の支払額 Dividends paid by parent company	(2,064)	(2,339)	(2,298)	(2,283)	(2,251)	(2,228)	(2,794)	(2,738)	(25,837)
財務活動によるキャッシュ・フロー Net cash used in financing activities	(12,919)	587	1,162	(15,099)	1,278	(1,115)	(3,130)	(9,577)	(90,351)
現金及び現金同等物に係る換算差額 Effect of exchange rate change on cash and cash equivalents	(2,230)	(845)	2,800	2,648	1,811	(1,160)	(533)	(96)	(907)
現金及び現金同等物の増加額(減少) Net (decrease) increase in cash and cash equivalents	5,196	(12,724)	9,235	(5,404)	1,879	431	(4,091)	22,201	209,445
現金及び現金同等物の期首残高 Cash and cash equivalents at beginning of year	29,815	35,011	22,287	31,522	26,118	27,998	28,429	24,337	229,603
現金及び現金同等物の期末残高 Cash and cash equivalents at end of year	35,011	22,287	31,522	26,118	27,998	28,429	24,337	46,539	439,049

・2011年3月期の「投資有価証券評価損」、「資産除去債務会計基準の適用に伴う影響額」、「事業再編損失」、「災害損失」および2011年3月期から2017年3月期の「その他流動資産の増減額(増加)」、「その他流動負債の増減額(減少)」は「営業活動によるキャッシュ・フロー」の「その他」に含めて表示しています。

・2011年3月期の「連結範囲の変更を伴う子会社株式の取得による支出」は「投資活動によるキャッシュ・フロー」の「その他の支出」に含めて表示しています。

・2011年3月期、2012年3月期の「投資有価証券の売却による収入」、「貸付金の回収による収入」は「投資活動によるキャッシュ・フロー」の「その他の収入」に含めて表示しています。

・“Other,” under cash flows from operating activities, includes Loss on revaluation of investments in securities, Loss on adjustment for changes of accounting standard for asset retirement obligations, Loss on restructuring and Loss on disaster for the fiscal year ended March 31, 2011, as well as Decrease (increase) in other current assets and Increase (decrease) in other current liabilities for the fiscal years ended March 31, 2011 through March 31, 2017.

・“Payments for other investing activities,” under cash flows from investing activities, includes Purchase of investments in subsidiaries for the fiscal year ended March 31, 2011.

・“Proceeds from other investing activities,” under cash flows from investing activities, includes Proceeds from sales of investments in securities and Collection of loans receivable for the fiscal years ended March 31, 2011 and March 31, 2012.

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