

# Market Analysis

## Market Trends

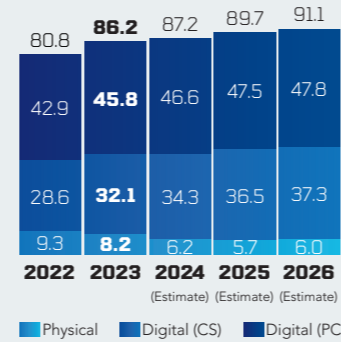
### Consumer Market (Physical + Digital)

The consumer market (physical + digital\* including PC) in 2023 increased year on year to 86.2 billion dollars (6.7% increase). Despite a decrease in physical sales, as digitalization continues to advance globally, digital sales, including on the PC platform, continue to grow, while the highly profitable digital market accounts for 90.4% of the consumer market.

In 2024, the consumer market is expected to increase to 87.2 billion dollars amid steady growth of digital sales, offsetting physical sales that continue to decline. In the medium term, we see the game market expanding in the developing regions of Southeast Asia, South America, and Eastern Europe and new game delivery methods such as streaming and subscriptions growing. As such, we expect the market to grow to 95.2 billion dollars by 2028. We also expect continued growth in the mobile market.



Consumer Market (billion U.S. dollars)



\* Source: International Development Group

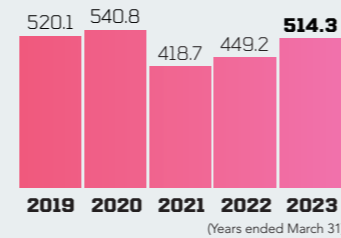
### Arcade Operations Market

The domestic arcade facilities market showed signs of a recovery from the downturn caused by the COVID-19 pandemic during the previous fiscal year (ended March 31, 2023) rising to 514.3 billion yen (up 14.5% from the previous year). The total number of facilities were 7,022 (down 30.2% from the previous year), and annual sales per store were 73.24 million yen (up 64.0% from the previous year).

In the fiscal year under review (ended March 31, 2024), with COVID-19 reclassified as a Class 5 infectious disease in Japan (the same category as the seasonal flu), economic activities have recovered to pre-pandemic levels. As for the outlook for the next fiscal year (ending March 31, 2025), the market is expected to remain at a high level given that families will resume their pre-pandemic lifestyles and demand from inbound tourism remains favorable.



Arcade Operations Market (billion yen)



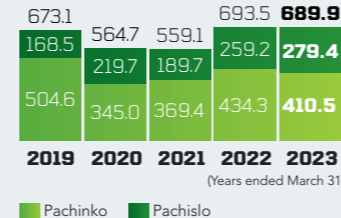
\* Source: JAMMA "Survey on the Amusement Industry"

### Gaming Machines Markets

In the previous fiscal year (ended March 31, 2023), the gaming machines market experienced a downturn, falling to 689.9 billion yen. This was attributed to diminishing demand for replacements with new regulation-compliant machines since fiscal 2021. On the other hand, business performance saw a recovery in the pachislo market with the launch of a new 6.5 version pachislo machine and Smart Pachislo in November. In the fiscal year under review (ended March 31, 2024), both the 6.5 version pachislo machine and Smart Pachislo have encouraged hall operators to invest in the pachislo field. However, the poor performance of smart pachinko machines has affected operators' desire to invest. Currently, pachislo machines outnumber pachinko machines, which may lead to an increase in the installation ratio. As for the outlook for the next fiscal year (ending March 31, 2025), Smart Pachislo is expected to continue as the center of investment interest by hall operators.



Gaming Machines Markets (billion yen)



\* Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2023); Yano Research Institute Ltd.

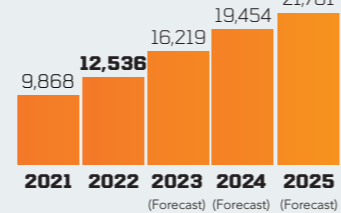
### Esports Market

The size of Japan's esports market in 2022 was 12,536 million yen (up 27.0% year on year), as the market grew significantly with the establishment of online events amid the COVID-19 pandemic. Moreover, the increase in online events contributed to the accelerated growth.

The market grew to 16,219 million yen (up 29.4%) in 2023, with event management, including B2B, a revenue source with strong expectations, and it is expected to reach 21,781 million yen by 2025.



Size of Japan's esports market (millions of yen)



\* Source: Japan esports Union (JeSU)  
\* Japan esports White Paper 2023\*

## Major opportunities and risks (Opportunity ● Risk ◇)

## Addressing major opportunities and risks

- Creation of highly competitive products using new technology
- More channels for product distribution with the appearance of new platforms
- Expanded product buyers through technological innovation
- Expanded number of sales regions using digital distribution
- Achievement of extended product life cycles through digital sales
- Reduction of the used market due to penetration of digital sales
- ◇ Rising development costs with the emergence of new technologies and improvements in hardware capabilities
- ◇ Development delays
- ◇ Dependence on popular series and scarcity of hit titles
- ◇ Platform adoption trends
- ◇ Changes in user purchasing trends with the next generation of platforms
- ◇ Risks due to a country's politics, culture, or religion
- ◇ In-game purchases becoming a social issue
- ◇ Information leakage

- Focusing on improving quality and efficiency while reducing development costs by building our own development engine and enhancing our development team
- New customer acquisition through a steady release of new major titles, creating new IPs, and the Single Content Multiple Usage strategy
- Diversifying profit risk through multi-platform development and strengthening PC platform development to hedge against dedicated console trends
- Lengthening product life of games with increased digital sales rates and increasing unit sales through pricing strategies
- Developing sales approaches to meet local needs and localization by an in-house team of experts
- Monetizing without incentivizing in-game purchases
- Establishing the Information Technology Security Oversight Committee, receiving instruction and advice, and implementing various preventative security measures

- Acquisition of new customers through multifaceted roll-out of stores including themed venues, merchandise specialty stores, VR experiences, etc.
- Increased awareness with new business formats and new technologies
- ◇ Popularity of machines
- ◇ Changes to the market environment due to the diversification of leisure activities and declining birthrate

- Acquisition of new fan demographic and increased awareness through multifaceted business developments, such as themed amusement venues, cafes, merchandise, and virtual reality (VR).
- Attracting customers using our home video game content and other assets

- Expanded sales volume by responding to regulations appropriately
- Development of machines using popular IPs created for home video games
- ◇ Non-compliance with model testing of pachislo machines

- Building a system to perceive regulatory trends that allows us to quickly respond to changes in regulations through membership in industry associations

- Expanded fan base from non-game players watching events
- Creation of new profit opportunities such as licensing rights to hold events and stream video
- Promotion of online tournaments that leverage game characteristics
- ◇ Reduced number of events due to COVID-19 pandemic
- ◇ Decreased enthusiasm for competition due to rampant cheating
- ◇ Competing with new titles from other companies

- Spread of online competitions
- Flexible adjustment of competition rules
- Continuous supply of new content with title updates

# Business activity achievements

## Business Overview

### Digital Contents

This business develops and sells digital game content for consumer home video game and PC platforms. It also develops and manages Mobile Contents. Using our world-class development environment, we deliver high-quality content digitally to more than 230 countries and regions, resulting in long-term and continuous sales that underpin our robust profitability.

➔ For details see p.79



## Operating Results for This Fiscal Year

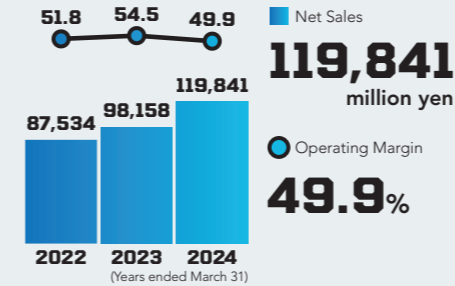
### Consumer (Physical + Digital)

- ◆ New titles *Street Fighter 6* and *Dragon's Dogma 2* were hits
- ◆ Growth in sequels including hit series such as *Resident Evil 4*, *Monster Hunter: World*, *Monster Hunter World: Iceborne*, and *Monster Hunter Rise: Sunbreak*

### Mobile Contents

- ◆ Focused on raising visibility of IP centered on *Monster Hunter Now* and other licensed titles

### Net Sales / Operating Margins



## Main Products for This Fiscal Year

### Street Fighter 6



Released in June 2023, *Street Fighter 6* marks the next installment in the hit series and first new release in seven years. The new Modern Control Type allows players to perform special moves without complicated button inputs and the game features innovative new approaches that appeal to a wide range of users. As a result, *Street Fighter 6* has won multiple awards around the world. With praise from the media and users both in Japan and abroad, we have seen a steady increase in the number of units sold, reaching 3.3 million worldwide.

### Dragon's Dogma 2



*Dragon's Dogma 2* represents the first completely new title in this open world action game series in 12 years, featuring exciting adventures set in a fantasy world of swords and magic. The game has sold 2.62 million units worldwide, having garnered praise for its vivid graphics created with Capcom's proprietary RE ENGINE, carefully constructed realistic fantasy world, and immersive action.

### Arcade Operations

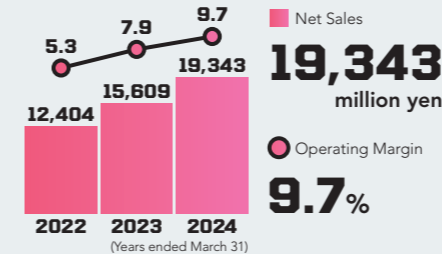
We operate amusement facilities, primarily Plaza Capcom arcades, in Japan. These arcades are predominantly in large commercial complexes. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations, and have been hosting various events designed to attract families and younger customers.

➔ For details see p.81



- ◆ Profits grew thanks to the recovery in economic activities following the designation of COVID-19 as a Class 5 infectious disease and to efficient business operations and the opening of stores in new business formats
- ◆ Customer traffic at stores has recovered to pre-pandemic levels, resulting in higher sales and profits. Same-store sales were up 14% year-over-year
- ◆ Opened Capsule Lab Harajuku Takeshita Street, a specialty capsule toy shop, in Tokyo's Harajuku area
- ◆ We opened four new stores, but closed no stores

### Net Sales / Operating Margins



### Capsule Lab Harajuku Takeshita Street Store



This store is a capsule toy shop that offers a wide variety of the latest toys. It is located on Takeshita Street in Harajuku, which is popular among young people and visitors to Japan.

### Amusement Equipments

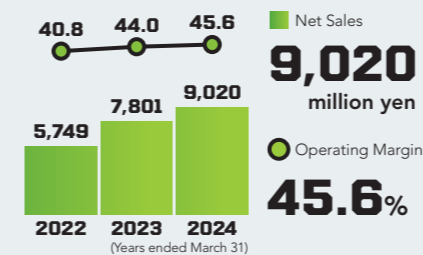
This business utilizes the content from our home video games. We focus primarily on the development, manufacture and sales of software, frames and LCD devices for gaming machines.

➔ For details see p.82



- ◆ Sold a total of 31,300 units of three models  
\*The number of units includes catalog sales.
- ◆ Expanded sales channels through e-commerce, resulting in increased sales and profits

### Net Sales / Operating Margins



### Smart Slot Resident Evil Village



This Smart Slot is based on the hit home video game *Resident Evil Village*, which has sold more than 9.8 million units. The machines started operations in January 2024 and have sold 10,400 units via e-commerce.  
\*As of March 31, 2024

### Other Businesses

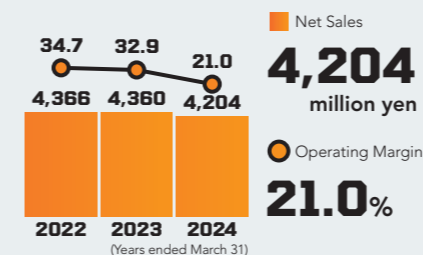
Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of licensing business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part of our licensing business, we are also devoting resources to our esports business.

➔ For details see p.83



- ◆ We diversified earnings by using IPs like *Monster Hunter* and *Resident Evil* in events and merchandise
- ◆ In licensing, we strengthened the link between visual media and merchandising with new game releases
- ◆ CG animated feature film *Resident Evil: Death Island* released worldwide in July 2023, enhancing brand value
- ◆ Capcom Pro Tour 2023, a series of esports tournaments that utilizes the hit *Street Fighter* series, offered total prize money of more than 2 million dollars, the highest in Capcom's history

### Net Sales / Operating Margins



### CG animated feature film Resident Evil: Death Island



A CG animated feature film based on one of Capcom's most popular games *Resident Evil* released worldwide in July 2023.  
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