

# Financial Results Briefing for the Year ended March 31, 2021

## Summary of Director, Executive Corporate Officer and CFO

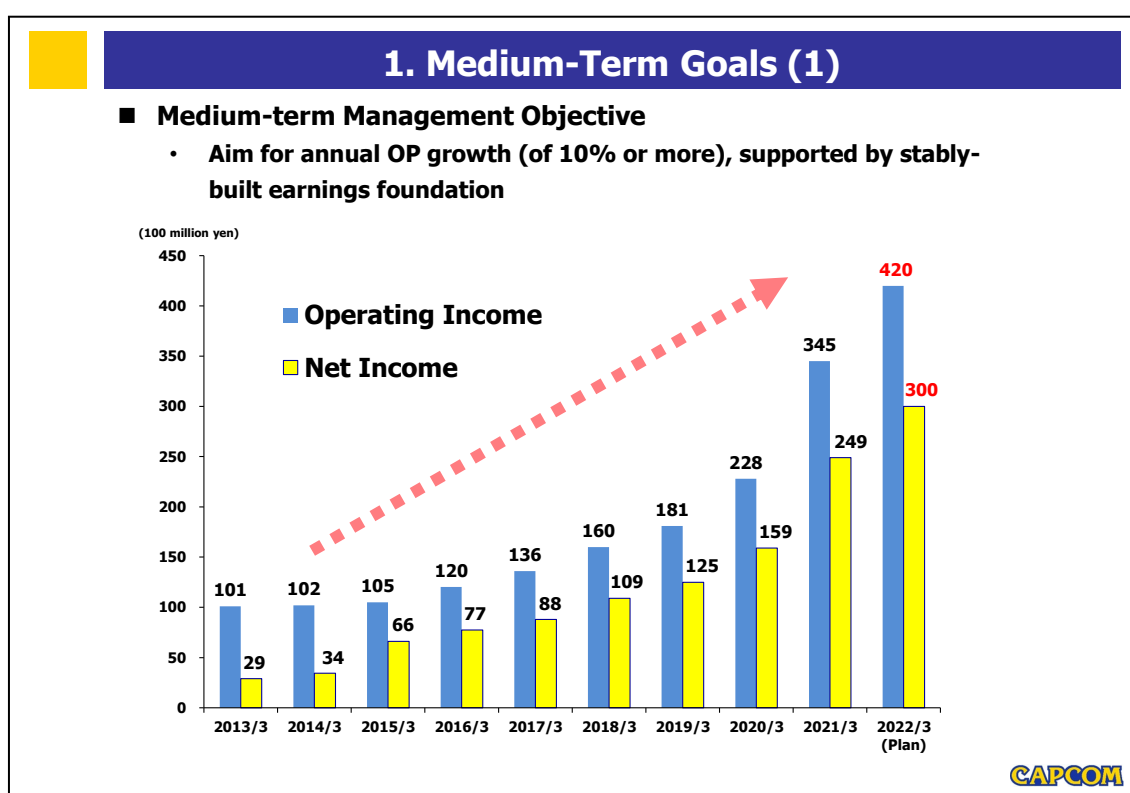
### Kenkichi Nomura's Presentation

(May 13, 2021)

Good day, this is Kenkichi Nomura, Capcom's CFO.

Today, I will discuss our medium-term management objectives, as well as our plans and strategies for the fiscal year ending March 31, 2022.

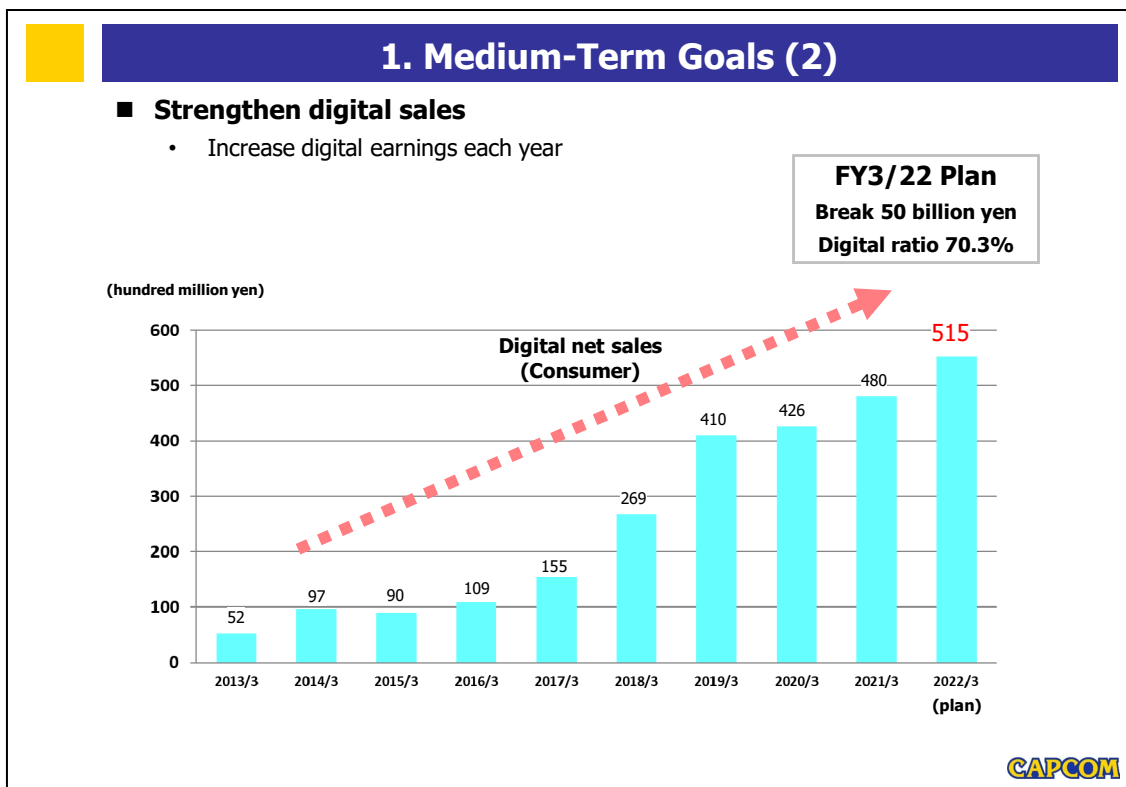
### 1-1. Medium-Term Goals (1)



We are currently working to stably build our revenues and have set a medium-term management objective to increase operating profit by 10% or more each fiscal year. For the year ended March 2021, we once again worked to grow our IP globally by pursuing stronger digital sales in our core Consumer sub-segment. As a result, starting from the March 2014 fiscal year, we have achieved eight consecutive years of profit growth and four consecutive years of record-high profit levels.

Looking ahead, we are aiming for continued growth and anticipate ¥42 billion in operating income and ¥30 billion in net income for the fiscal year ending March 2022.

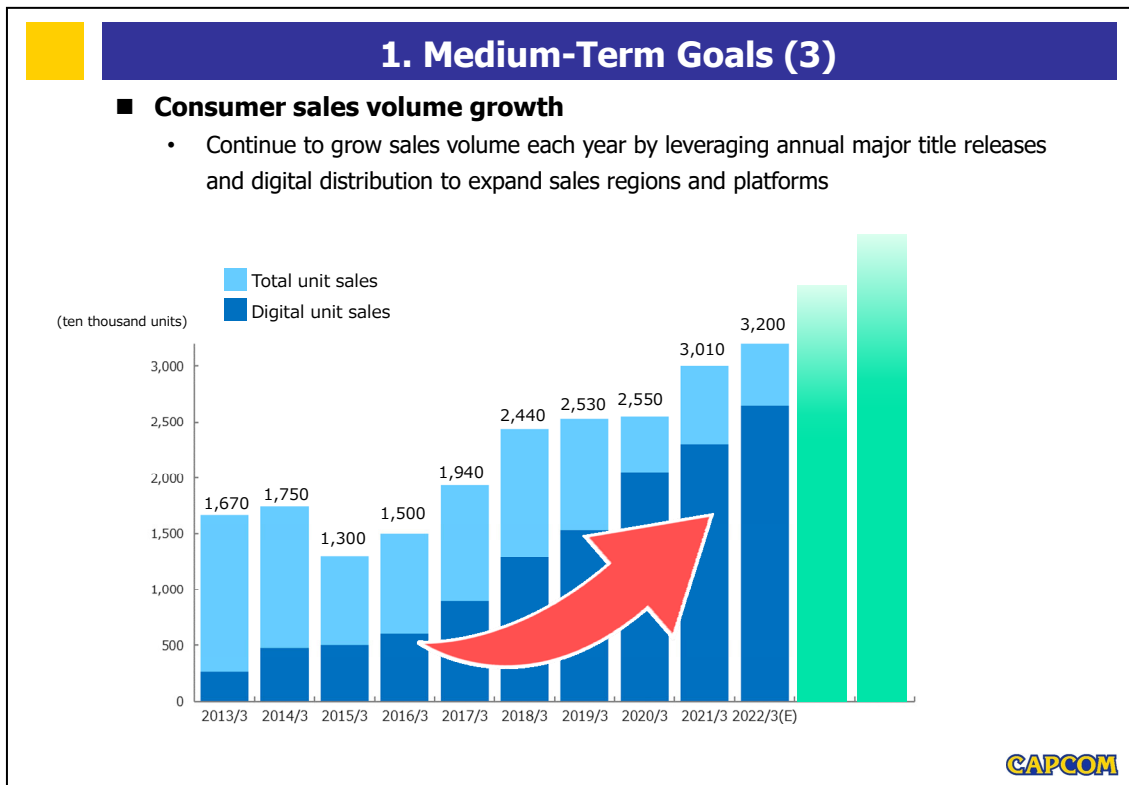
## 1-2. Medium-Term Goals (2)



Next, I will discuss our digital net sales, which is a driver of stable growth.

Since the March 2015 fiscal year, digital sales began to increase in the global game market. As a result of making stronger digital sales a key focal point for management, our digital net sales have also grown since that year. In our guidance for this fiscal year we anticipate digital net sales to exceed ¥50 billion, reaching ¥51.5 billion, with a digital sales ratio of 70.3%.

### 1-3. Medium-Term Goals (3)



Now I would like to go over unit sales volume in the Consumer sub-segment, an important KPI.

In the fiscal year ended March 2021, we achieved a record-high 30.1 million units, representing 18% growth over the previous year; looking to the March 2022 fiscal year, we anticipate a 6.3% increase to 32 million units.

We view this 32-million-unit figure as a milestone on our way to expanding our sales volume even further in order to provide our games to players throughout the world.

## 1-4. Medium-Term Goals (4)


1. Medium-Term Goals (4)

- **Realize stable growth through extended lifetimes for high-quality titles**
  - Titles contribute long-term, starting at launch and on into high-margin catalog sales
  - Sowing seeds for the future, capture new customers through pricing strategies

	2017/3	2018/3	2019/3	2020/3	2021/3	Cummulative unit sales*	2022/3 (Plan)
Resident Evil 7 biohazard	350	160	125	100	150	900	Continue to contribute as catalog titles
Monster Hunter: World		790	450	320	140	1,710	
Resident Evil 2			420	240	150	810	
Monster Hunter World: Iceborne				520	260	770	
Resident Evil 3					390	400	
Monster Hunter Rise					480	480	

(ten thousand units)  
\*As of March 31, 2021

- **Factors in attaining longer product lives**
  - ① **Develop high-quality titles**
  - ② **Digital promotion (e.g.: demos)**
  - ③ **Sales data analysis, pricing**
  - ④ **Link with licensing**
  - ⑤ **Global market entry via PC**
  - ⑥ **Regular franchise title releases**



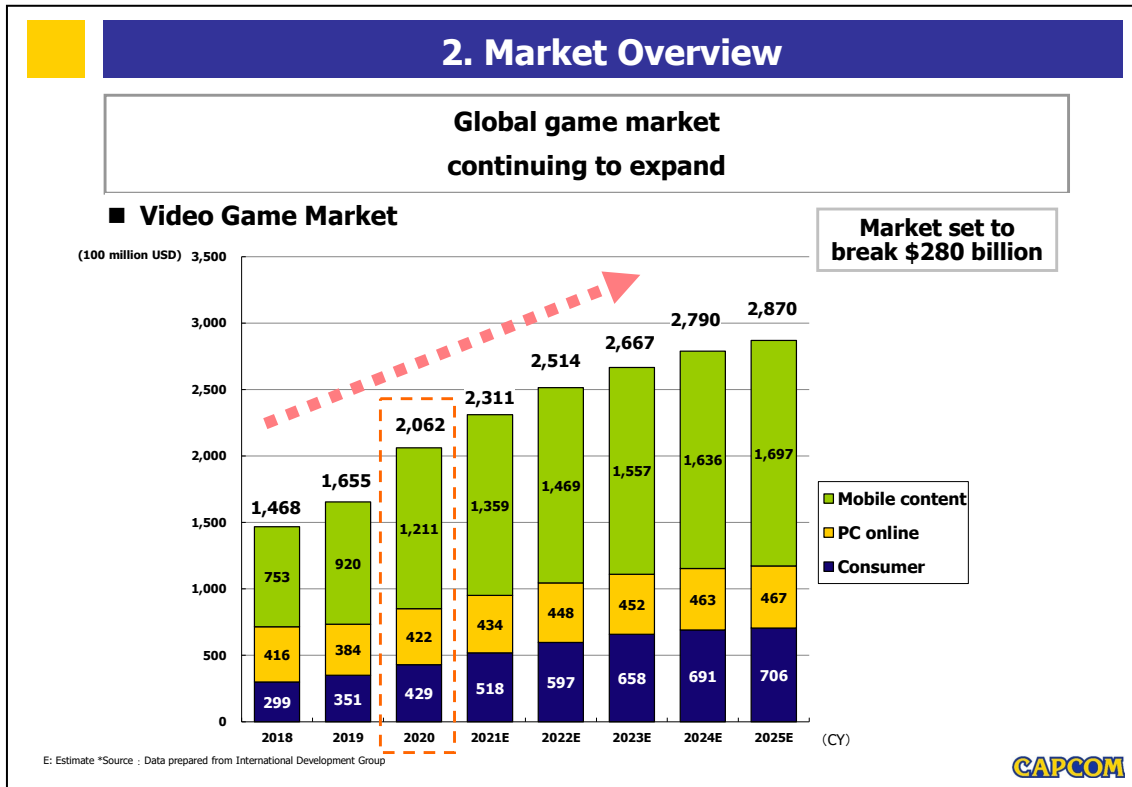
Next, I will discuss the factors for achieving stable sales for new titles.

Looking at the sales trends for our titles in the years after release, each year since the March 2017 fiscal year we have increased the number of titles that sell more than 1 million units annually even in the fiscal years following their launch.

The following six factors have allowed us to achieve these long-term sales.

1. Development capabilities that allow us to continuously release high-quality titles that stand the test of time
2. In addition to carrying out promotions prior to release, such as providing demo versions, we maintain the freshness of titles with title updates following launch
3. We carry out optimally timed pricing strategies based on analysis of sales data
4. We coordinate activities with our licensing business with the aim of brand penetration, expansion and sustainment
5. We are developing the global PC-user market
6. We regularly release titles in our AAA franchises

## 2. Market Overview



Now I'd like to look at the latest market forecast.

The overall game market is expected to grow, including our core Consumer sub-segment.

The market grew to \$206.2 billion in 2020, up \$40.7 billion from the previous year (\$165.5 billion in 2019), representing a 24.6% increase as well as growth in excess of typical years, while further exceeding the forecast from one year ago (\$181.2 billion) by more than 10%. As part of this, the combined PC Online and Consumer markets grew 15.8% compared to 2019 (\$73.5 billion in 2019, \$85.1 billion in 2020).

Further, the market is expected to reach \$287 billion by 2025, 1.4 times 2020's market size (an increase of 39.2%); of that figure, the PC Online and Consumer markets are each expected to grow more than 30% to a combined \$117.3 billion.

While Capcom has achieved significant growth up to now, in light of the market environment we interpret this data to show continued growth opportunities.

### 3. Forecasts for FY3/22


3. Forecasts for FY3/22

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

	2021/3	2022/3 Plan	Difference
	(million yen)		
<b>Net sales</b>	<b>95,308</b>	<b>100,000</b>	<b>4,692</b>
<b>Operating income</b>	<b>34,596</b>	<b>42,000</b>	<b>7,404</b>
<b>Operating margin</b>	<b>36.3%</b>	<b>42.0%</b>	<b>-</b>
<b>Ordinary income</b>	<b>34,845</b>	<b>42,000</b>	<b>7,155</b>
<b>Net income attributable to owners of the parent</b>	<b>24,923</b>	<b>30,000</b>	<b>5,077</b>

- Expect increased sales and profit YoY due primarily to growth of digital sales in the Consumer sub-segment
- Prioritizing safety in business operations, working to minimize the impact of COVID-19
- Earnings per share forecast: ¥140.52
- Dividend forecast: interim dividend of ¥18 and year-end dividend of ¥18 resulting in a ¥36 dividend for the fiscal year

\*With an effective date of April 1, 2021, Capcom performed a 2-for-1 stock split of its common stock.



Here is our forecast for the March 31, 2022 fiscal year.

This fiscal year, we once again aim to stably grow our core Consumer business with major new title releases and strengthened digital sales, targeting five consecutive years of record-high profit at all levels. Further, we look to achieve our ninth consecutive year of operating income growth.

Year-over-year, our forecast calls for net sales to increase by ¥4.6 billion to ¥100 billion, and operating income to increase by ¥7.4 billion to ¥42 billion, with a 42.0% operating margin; ordinary income is expected to increase by ¥7.1 billion to ¥42 billion, and net income attributable to owners of the parent is expected to increase by ¥5 billion to ¥30 billion. Year-over-year, net sales is expected to increase by 4.9%, operating income by 21.4%, and net income by 20.4%.

We currently do not expect COVID-19 to have a significant impact on our consolidated earnings. We are prioritizing the safety of our customers, employees, and all other related parties in carrying out business operations while working to minimize any effects of the pandemic.

Our earnings per share forecast is ¥140.52, and our dividend forecast calls for an interim dividend of ¥18 and a year-end dividend of ¥18, resulting in a ¥36 dividend for the full fiscal year. However, we plan to review this based on our basic dividend policy of maintaining a 30% payout ratio, once we have determined our earnings for the current fiscal year.

## 4-1. Digital Contents – Strategic Objectives and Plan (1)

**4-1. Digital Contents – Strategic Objectives and Plan (1)**

**Leverage major brands and  
intra-brand promotions to maximize revenue opportunities**

- **Consumer Strategies**
  - Release *Resident Evil Village* on May 7  
Aim for further sales growth of *Resident Evil* series overall in conjunction with new release
  - Release *Monster Hunter Stories 2: Wings of Ruin* on July 9  
Continue free title updates for *Monster Hunter Rise*
  - Work to maximize sales for each major brand in conjunction with digital strategy
  
- **Mobile Strategies**
  - Launch new titles in addition to managing ongoing titles



*Resident Evil Village*



Moving forward, I will go over our Digital Contents business.

In our Consumer sub-segment, we plan to maximize use of our major brands while proactively carrying out coordinated activities.

Looking at the *Resident Evil* brand, on May 7 we released *Resident Evil Village*, the latest entry in the series, and look to build its sales volume throughout the fiscal year. At the same time, we aim to grow unit sales for past titles in the series, such as *Resident Evil 3*, *Resident Evil 2* and *Resident Evil 7*, while carrying out timed sales promotions.

With *Monster Hunter*, in addition to the release of *Monster Hunter Stories 2: Wings of Ruin*, a second-quarter release scheduled for July 9, we aim to retain players for *Monster Hunter Rise*, which was released in the previous fiscal year on March 26, by keeping the title fresh through carrying out free updates. We will also work to maximize sales by carrying out price promotions at suitable times for past titles in the series.

In Mobile, we will continue preparations for new title launches while supporting ongoing titles and working to accumulate know-how.

## 4-1. Digital Contents – Strategic Objectives and Plan (2)


4-1. Digital Contents – Strategic Objectives and Plan (2)

**Expect record sales volume from global contribution  
of major new title and digital catalog titles**

**■ FY3/22 Unit Sales Plan for the Consumer Sub-segment** (units in thousands)

	2019/3	2020/3	2021/3	2022/3 Plan
<b>New Titles (SKU)</b>	<b>61</b>	<b>35</b>	<b>14</b>	<b>13</b>
<b>Total unit sales</b>	<b>25,300</b>	<b>25,500</b>	<b>30,100</b>	<b>32,000</b>
Overseas units	<b>21,600</b>	<b>21,450</b>	<b>24,350</b>	<b>26,400</b>
Digital units	<b>15,300</b>	<b>20,550</b>	<b>23,150</b>	<b>26,500</b>
Catalog units	<b>14,200</b>	<b>18,200</b>	<b>20,500</b>	<b>23,900</b>
<b>Major titles</b>				
New	Resident Evil 2 Devil May Cry 5	Monster Hunter World: Iceborne	Monster Hunter Rise Resident Evil 3	Resident Evil Village Monster Hunter Stories 2: Wings of Ruin
Catalog	Monster Hunter: World Resident Evil 7 biohazard	Monster Hunter: World Resident Evil 2 Devil May Cry 5 Street Fighter V Resident Evil 7 biohazard	Monster Hunter World: Iceborne Resident Evil 7 biohazard Resident Evil 2 Monster Hunter: World	Monster Hunter Rise Monster Hunter World: Iceborne Resident Evil 3 Resident Evil 2 Monster Hunter: World Resident Evil 7 biohazard

\*New titles: titles released in the current fiscal year; Catalog titles: titles released in the previous fiscal year or earlier  
\*Includes distribution titles



Here is a breakdown of our unit sales plan.

Of the total 32 million units in sales forecast for the year, we expect 26.4 million units from overseas, 26.5 million units to be digital and 23.9 million units to be catalog title sales.

We also expect the digital unit sales ratio to be 82.8%, a 5.9-point increase year-over-year. The ratio of catalog unit sales is expected to be 74.7%, a 6.6-point increase.

In major titles, we've listed titles that we expect to contribute at least 1 million units in sales for the fiscal year. We feel that we have been getting results, as the list of these million-plus-selling titles has steadily grown.



## 4-1. Digital Contents – Strategic Objectives and Plan (3)

4-1. Digital Contents – Strategic Objectives and Plan (3)				
<b>Anticipate increase in sales and profits driven by further bolstering digital sales in the Consumer sub-segment</b>				
<b>■ Digital Contents Plan</b>				
(100 million yen)				
	2020/3	2021/3	2022/3 Plan	Difference
<b>Net sales</b>	<b>599</b>	<b>753</b>	<b>778</b>	<b>25</b>
<b>Breakdown</b>				
<b>Package</b>	<b>129</b>	<b>208</b>	<b>218</b>	<b>10</b>
<b>Digital (incl. digital license)</b>	<b>426</b>	<b>480</b>	<b>515</b>	<b>35</b>
Digital license portion	26	30	5	-25
<b>Consumer total</b>	<b>555</b>	<b>688</b>	<b>733</b>	<b>45</b>
Deferred revenue portion		-22		
<b>Mobile Contents</b>	<b>44</b>	<b>65</b>	<b>45</b>	<b>-20</b>
<b>Operating income</b>	<b>241</b>	<b>370</b>	<b>448</b>	<b>78</b>
<b>Operating margin</b>	<b>40.3%</b>	<b>49.1%</b>	<b>57.6%</b>	<b>-</b>
<small>*Digital license indicates one-time income from providing content etc. to online platforms</small>				
<b>CAPCOM</b>				

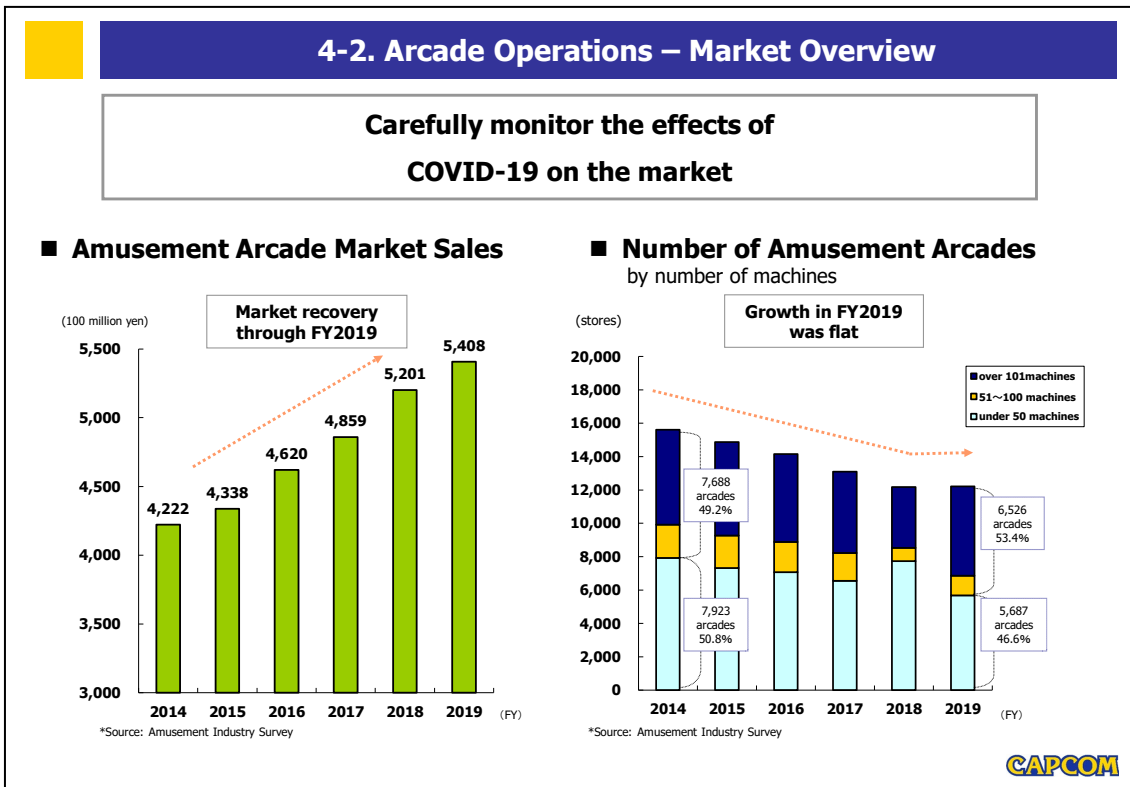
This is the plan for our Digital Contents business.

This year we forecast net sales to increase by ¥2.5 billion to ¥77.8 billion, of which the Consumer sub-segment will account for ¥73.3 billion and Mobile Contents will account for ¥4.5 billion. We anticipate operating income to increase by ¥7.8 billion to ¥44.8 billion, while the operating margin improves to 57.6%, an 8.5-point increase year-over-year.

As with past fiscal years, we plan to grow revenue by increasing sales for both new and catalog titles.

The year-over-year dip in revenue for Mobile Contents is due to a licensing deal booked in the previous fiscal year.

## 4-2. Arcade Operations – Market Overview



Next, I will go over our Arcade Operations business.

First is a look at the 2019 fiscal year market trends.

While the market had maintained a recovery trend until this point, it is our view that in the 2020 fiscal year the impact of COVID-19 has unavoidably shrank the market overall.

## 4-2. Arcade Operations – Strategic Objectives and Plan

**4-2. Arcade Operations – Strategic Objectives and Plan**


**Anticipate recovery from contributions of new and existing stores**  
**Carry out infection prevention measures on an ongoing basis**

■ **Arcade Operations Strategy**


- **Endeavor to streamline store openings and operations**
  - Plan: same store sales: +23%; openings: 3, closings: 1, total: 43 stores
  - Plaza Capcom MitteN Fuchu scheduled to open May 28; Toyota location closing in May

■ **Arcade Operations Plan**

	2020/3	2021/3	2022/3 Plan	Difference
	(100 million yen)			
Net sales	120	98	130	32
Operating income	12	1	7	6
Operating margin	10.0%	1.5%	5.4%	-
Same store sales	+3%	-22%	+23%	-



Plaza Capcom MitteN Fuchu

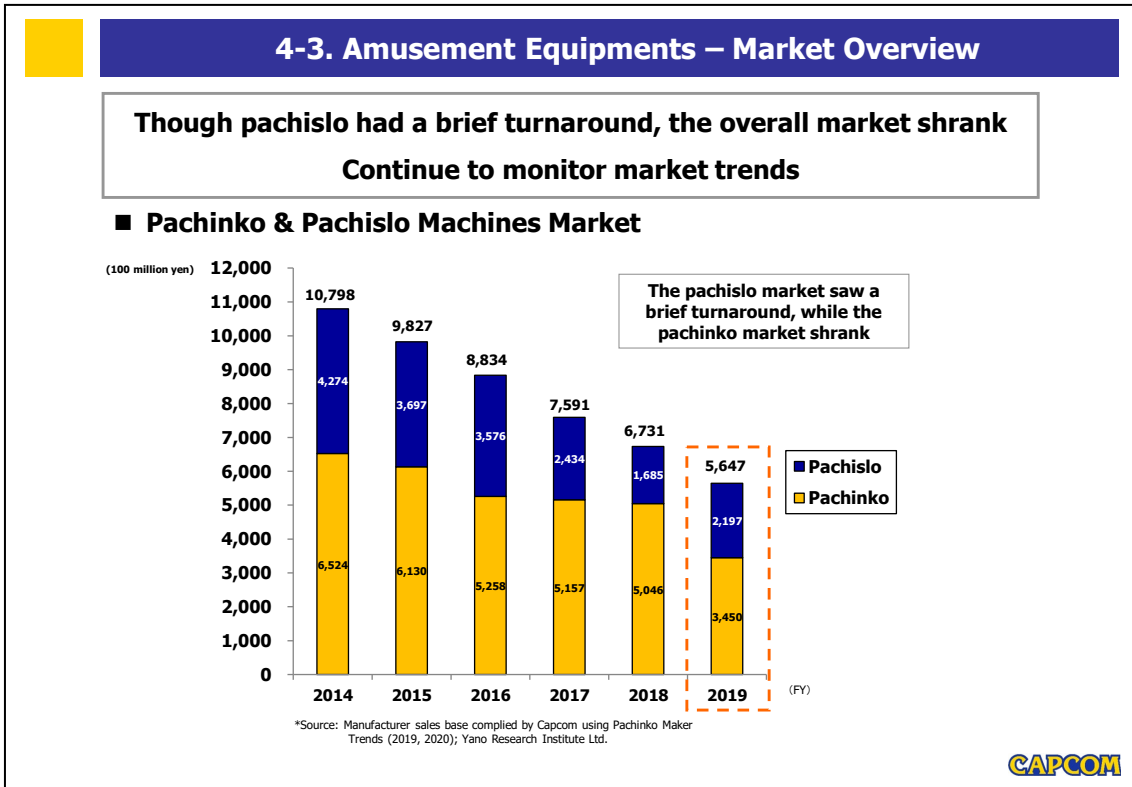


In the March 2022 fiscal year, we plan to open three new stores, and close one, bringing the total number of stores to 43.

The first new store planned is Plaza Capcom MitteN Fuchu, which is scheduled to open on May 28.

Year-over-year, our forecast calls for a ¥3.2 billion increase to ¥13 billion in net sales, and a ¥600 million increase to ¥700 million in operating income, with a 5.4% operating margin. Compared to the March 2020 fiscal year, prior to the effects of the COVID-19 pandemic, this represents an 8.3% increase in net sales. When carrying out this same comparison in terms of profit, this year's plan represents a decrease because costs are front-loaded when opening new stores; however, we expect the new stores to contribute in the next fiscal year and the year after that.

### 4-3. Amusement Equipments – Market Overview



Now I will discuss our Amusement Equipments business.

Here you can see the pachinko and pachislo machines market trend.

The pachislo market continues to decline following the impact of changes to verification methods since 2014.

### 4-3. Amusement Equipments – Strategic Objectives and Plan

4-3. Amusement Equipments – Strategic Objectives and Plan


**Plan to release new models  
based on pachislo market environment**

- **Pachinko & Pachislo Strategy**
  - **Release models utilizing our popular IP**
    - Pachislo Machine Unit Sales Plan: four models; 28 thousand units
    - \*includes 1,000 units in catalog sales
    - (three models sold 27 thousand units in previous year)
- **Amusement Equipments Plan**


	2020/3	2021/3	2022/3 Plan	Difference
<b>Models</b>	1	3	4	1
<b>Unit sales</b>	20	27	28	1

	2020/3	2021/3	2022/3 Plan	Difference
<b>Net sales</b>	65	70	55	-15
<b>Operating income</b>	20	24	20	-4
<b>Operating margin</b>	31.9%	33.9%	36.4%	-



*Hyakka Ryoran Samurai Girls*  
pachislo machine  
©2019 CAPCOM. All rights reserved. CAPCOM  
Scheduled for June 2021 launch



We plan to continue releasing new models that primarily use popular IP.

In the previous fiscal year, we released three models and altogether sold 27 thousand units; this year we plan to release four models and anticipate a total of 28 thousand units in sales.

Year-over-year, our forecast calls for a ¥1.5 billion decrease to ¥5.5 billion in net sales, and a ¥400 million decrease to ¥2 billion in operating income, with an expected operating margin of 36.4%.

Our forecast calls for a decrease in both sales and profit; this is due to a decrease in the per-unit price of machines, stemming from: the effective use of machine parts and improvements in cost structures, the expansion of sales channels, and the adoption of more diverse business models. However, we have steadily improved the operating margin and anticipate this trend to be stable going forward.

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

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

**Accelerate Single Content Multiple Usage strategy  
by coordinating with title release activities**

- **Character Contents Strategy**
  - **Expand revenue through merchandising and collaboration**
    - Release merchandise such as apparel and figures featuring popular IP  
Release *Monster Hunter Rise* amiibo as well as a collaboration t-shirt with Uniqlo
  - **Grow brand awareness through visual media and stage productions**
    - Appeal to global audience with all-new Hollywood film adaptation *Resident Evil*, scheduled for November 24, 2021 release in North America, and CG animated drama *Resident Evil: Infinite Darkness*, streaming on Netflix starting in July
    - Digital and physical versions of the series' first Hollywood film adaptation *Monster Hunter* to be rolled out worldwide



Magnamalo amiibo™  
\*amiibo is a trademark of Nintendo



UT  
*Monster Hunter Rise*  
UT graphic t-shirt



CG drama *Resident Evil: Infinite Darkness*



*Monster Hunter* Hollywood adaptation  
©CONSTANTIN FILM Production Services GmbH.



Lastly, I will go through our Other Businesses.

As a specific measure for Single Content Multiple Usage, we are accelerating the strategy by coordinating activities with game releases.

In our licensing and Character Contents businesses we aim to continue expanding revenue through merchandising and collaborations, leveraging our popular IPs.

With visual media, in order to contribute to expanding the *Resident Evil* brand, we plan to utilize both the all-new, upcoming *Resident Evil* Hollywood film adaptation, scheduled for a November 24, 2021 release in North America, as well as the CG drama streaming on Netflix starting in July.

Moreover, with the *Monster Hunter* series, the live-action film adaptation was released in Japan on March 26, the same day as the game *Monster Hunter Rise*, and both digital and physical versions of the film are now available for purchase worldwide.

We look to contribute to the sales growth of our content centered around initiatives such as these.

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

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


**Strengthen online tournaments in eSports**

**Promote expansion of the player base**

- **eSports Strategy**
  - **Work to grow stakeholder base with medium- to long-term mindset**
    - Plan to hold Capcom Pro Tour Online 2021, which features 1-on-1 battles; the tournament will be online due to COVID-19, and nearly doubled in scale, with 32 tournaments in 19 global regions planned
    - Plan to hold 2021 seasons for Street Fighter League in the US and Japan, featuring team-based battles
    - *Street Fighter V* tournament at Intel World Open scheduled to begin in June, with finals to be held in July
- **Other Businesses Plan**

(100 million yen)

	2020/3	2021/3	2022/3 Plan	Difference
<b>Net sales</b>	30	30	37	7
Character Contents	27	29	35	6
eSports	3	1	2	1
<b>Operating income</b>	5	9	10	1
Character Contents	15	18	19	1
eSports	-10	-9	-9	0
<b>Operating margin</b>	18.0%	32.4%	27.0%	-



In consideration of the COVID-19 pandemic, last year in eSports we carried out tournaments online. Leveraging this experience, this fiscal year we plan to nearly double the scale of the Capcom Pro tour compared to last year and hold 32 tournaments in 19 regions. Additionally, Intel World Open is scheduled to begin in June, with finals to be held in July.

Our business forecast for Other Businesses this year calls for an increase of ¥700 million to ¥3.7 billion in net sales, a 23.3% increase year-over-year. For operating income, while we will continue upfront investment in eSports, we expect a ¥100 million increase to ¥1 billion, an 11.1% increase year-over-year.

While loss-making as a standalone business, the upfront investment in eSports carries great meaning, and we plan to continue to develop this business over the medium- to long-term to facilitate content sales and brand growth for the *Street Fighter* series.

Thus concludes my presentation.

All of us at Capcom will once again work toward achieving this fiscal year's business plan.

Thank you.