Fiscal Year 2019
Financial Results Presentation

Capcom Co., Ltd.

May 12, 2020

CAPCOM®

Fiscal Year 2019

Financial Results Presentation

Capcom Co., Ltd.

President and Chief Operating Officer
Haruhiro Tsujimoto

May 12, 2020

CAPCOM®

We would like to offer up our most heart-felt sympathies

to all who have been affected by COVID-19

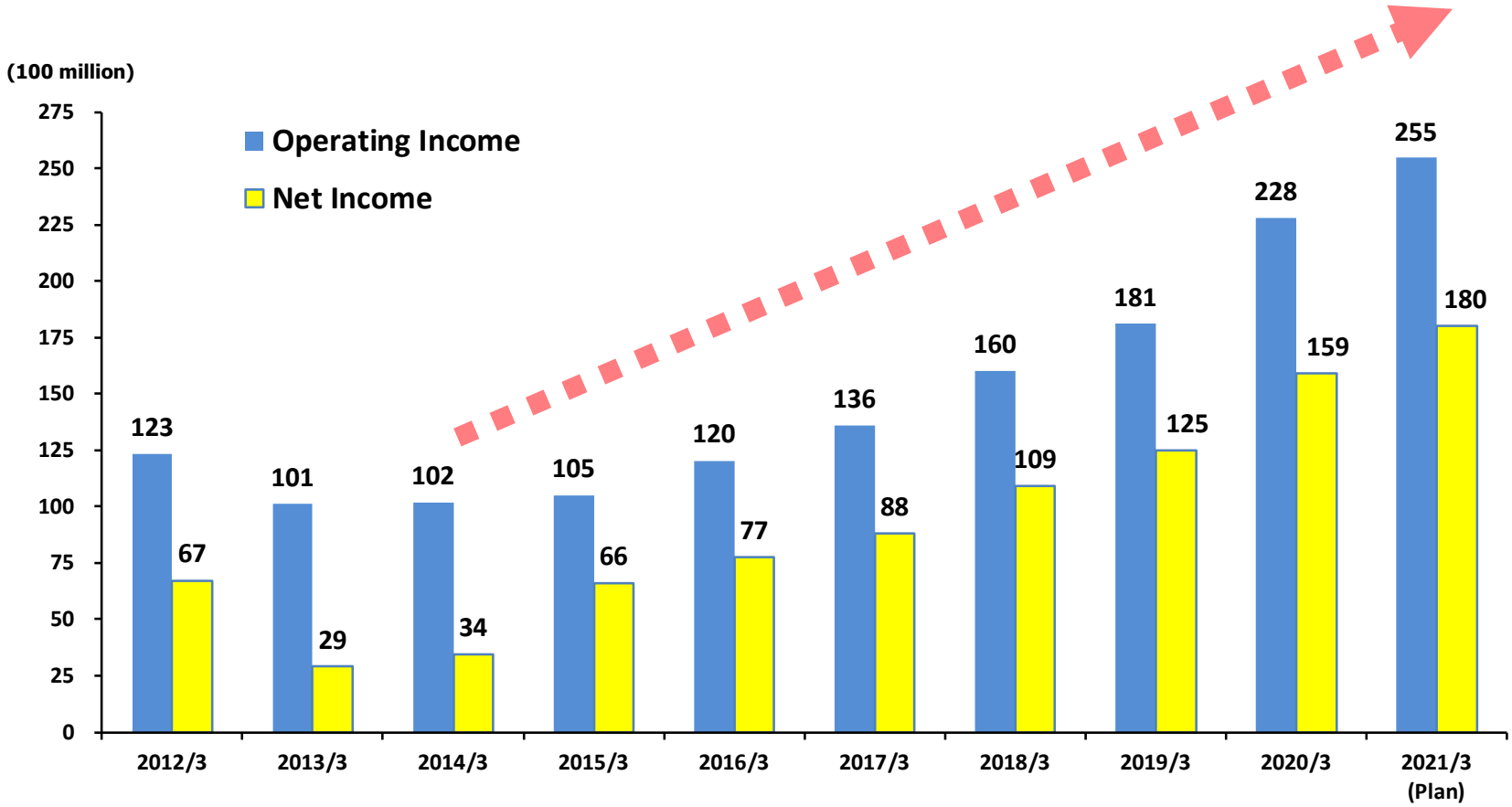
1. Medium-term Management Objective

CAPCOM

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

■ Medium-term Management Objective

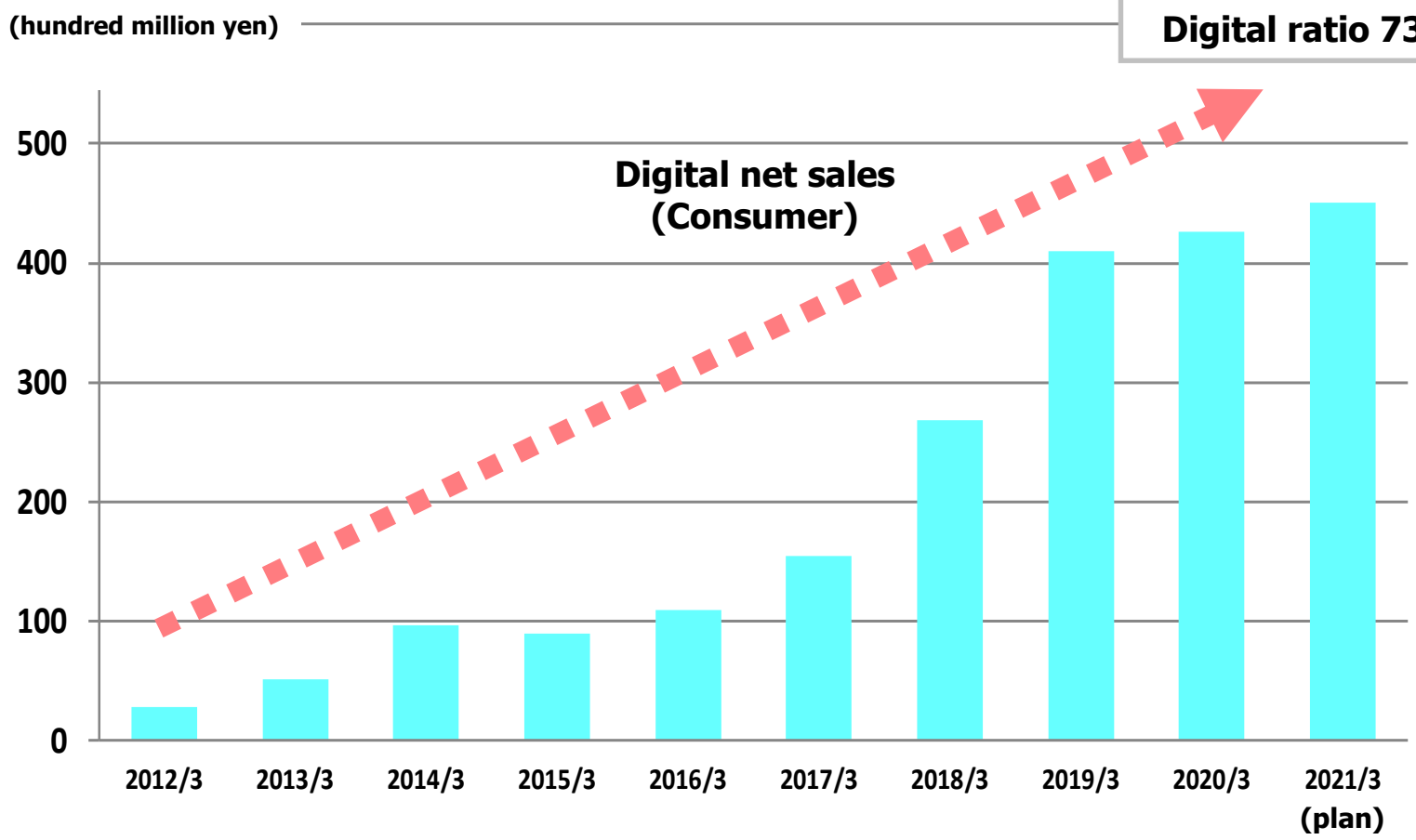
- Aim for annual OP growth, supported by a stable earnings foundation



1-2. Medium-Term Goals (1)

- **Strengthen digital sales**
  - **Increase digital earnings each year**

FY3/21 Plan
Break 45 billion yen
Digital ratio 73.9%



CAPCOM

1-2. Medium-Term Goals (2)

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

(ten thousand units)

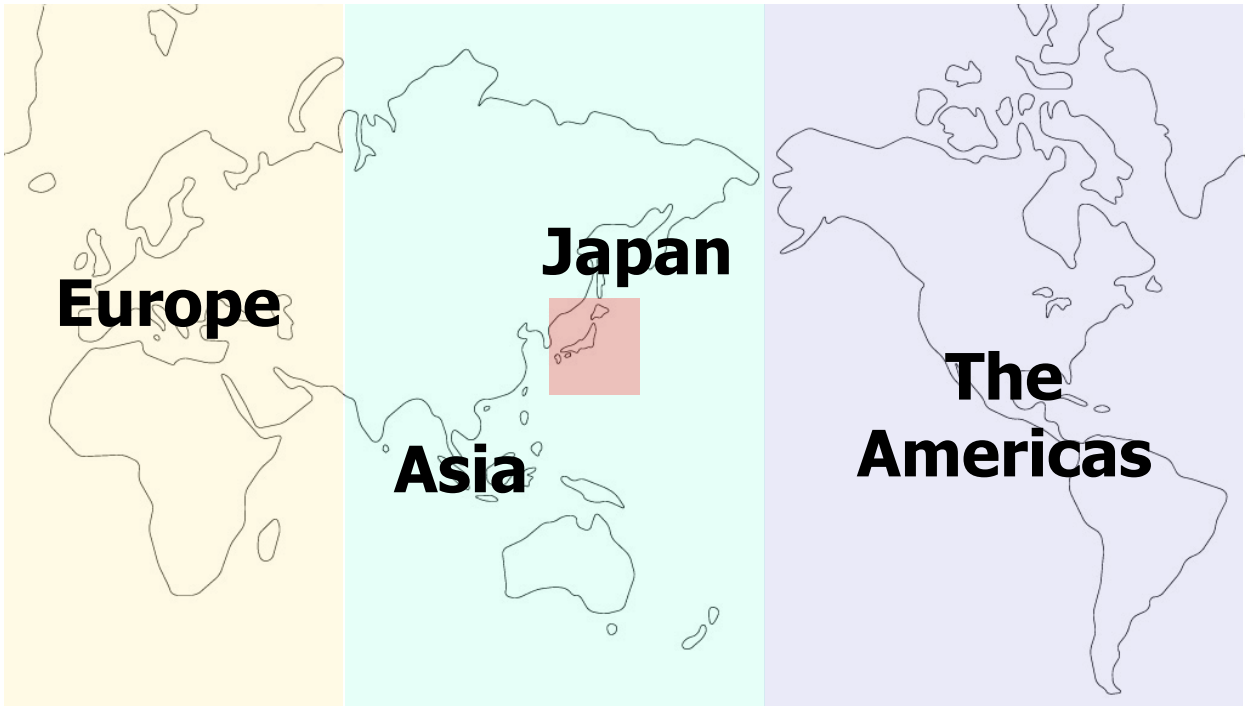
	2017/3	2018/3	2019/3	2020/3	2021/3 (plan)
Resident Evil 7 biohazard	350	160	125	100	Continue to contribute to profit as catalog titles
Monster Hunter: World		790	450	320	
Resident Evil 2			420	240	
Devil May Cry 5			210	130	
Monster Hunter World: Iceborne				520	

Cumulative unit sales		1,940	2,440	2,530	2,550	2,800
	New	1,060	1,340	1,110	730	1,000
	Catalog	880	1,100	1,420	1,820	1,800

CAPCOM

1-2. Medium-Term Goals (3)

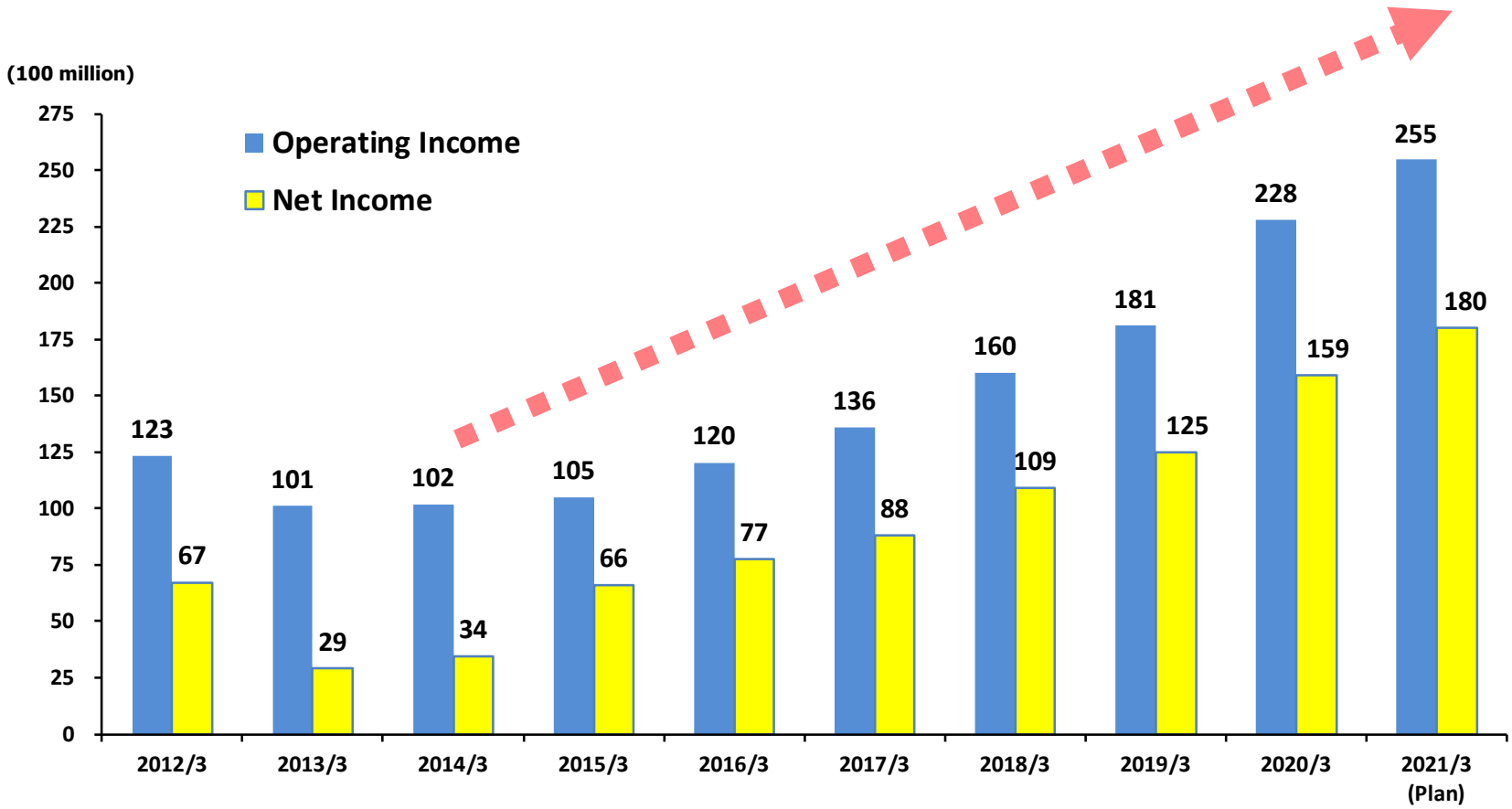
- **Strengthen global sales via advances in digital marketing**
  - Build user-retention based on player characteristics gathered from play data
  - Pursue a global-orientated, regional strategy from four locations: the Americas, Europe, Japan, Asia
  - Integrate operations for business planning, marketing and sales



1-2. Growth Strategies (Medium-Term Goals) (4)

■ Medium-term Management Objective

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



CAPCOM

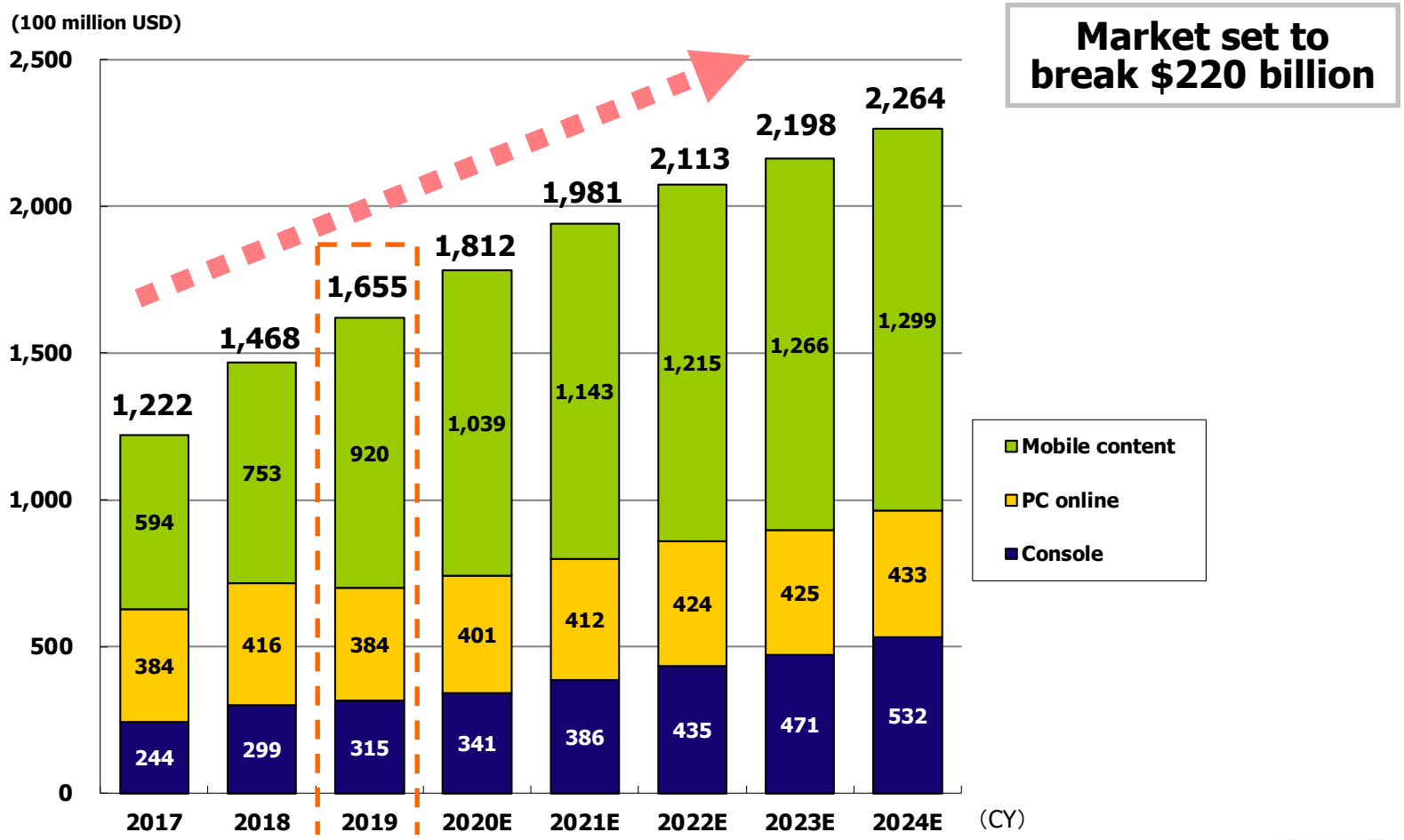
2. Market Overview

2. Growth Strategies (Market Overview)

Global game market continuing to expand

Mobile and Consumer markets driving growth

■ Video Game Market



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

3. Forecast for FY3/21

*In as much as possible, forecasts have been calculated using reasonable estimates at the present time and with consideration given to the international situation surrounding the spread of COVID-19.

3-1. Forecasts for FY3/21

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

(million yen)

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

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

3-2. COVID-19 Impact and Response

■ Concerning FY3/21 Consolidated Business Forecast

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

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

2. Actions by Capcom

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

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

4. Business Segments Highlights

4-1. Digital Contents

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

Actively leverage major brands

Bolster catalog earnings through pricing strategies

■ Consumer Strategies

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



Resident Evil 3

■ Mobile Strategies

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

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

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

■ FY3/21 Unit Sales Plan for the Consumer business

(units in thousands)

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

***Includes distribution titles**

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

Release multiple major new titles

Anticipate increase in sales and profit driven by Consumer business

■ Digital Contents Plan

(100 million yen)

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

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

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

4-2. Arcade Operations

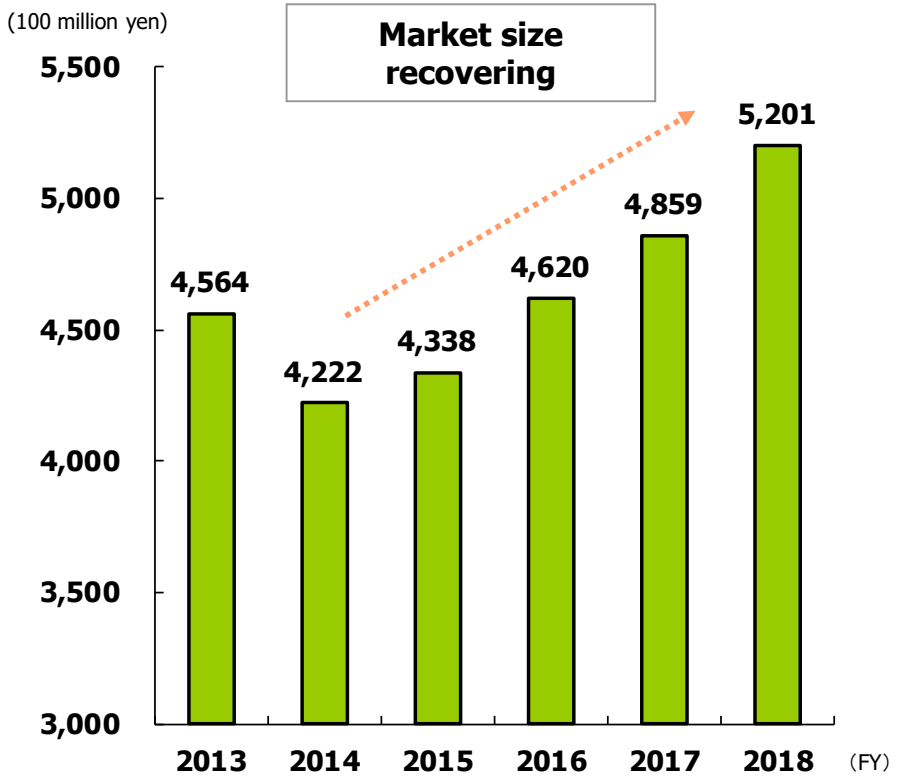
CAPCOM

4-2. Arcade Operations – Market Overview

Overall size of market recovering

However, expect COVID-19 impact to manifest going forward

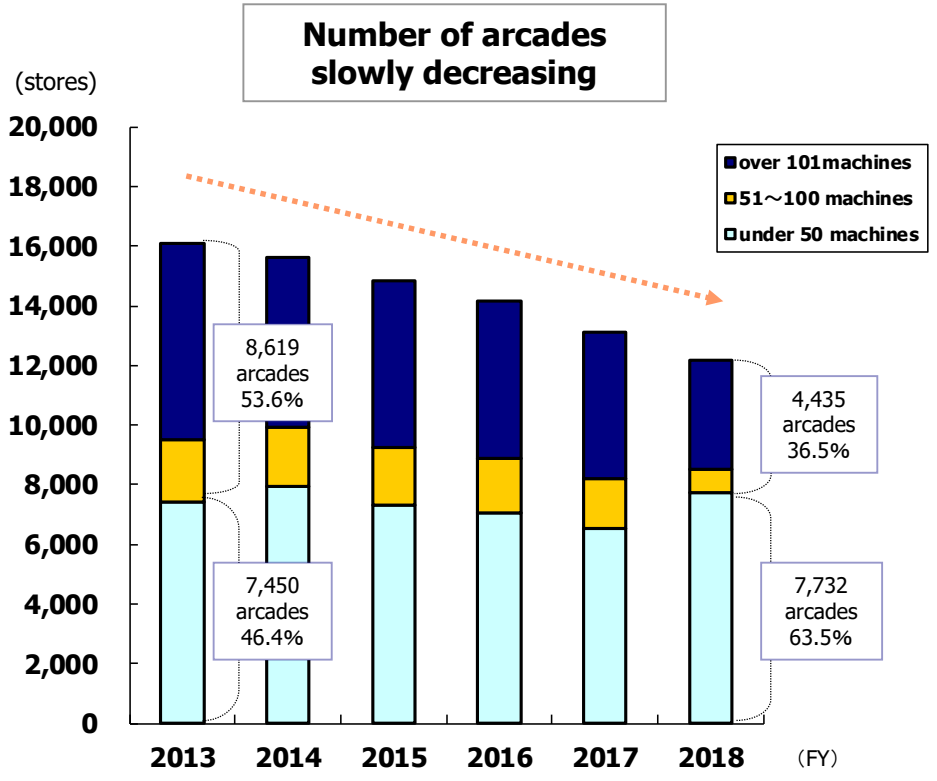
■ Amusement Arcade Market Sales



*Source: Amusement Industry Survey

■ Number of Amusement Arcades

by number of machines



*Source: Amusement Industry Survey

CAPCOM

4-2. Arcade Operations – Strategic Objectives and Plan

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

■ Arcade Operations Strategy

● Streamline existing operations while exploring new store formats

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

■ Arcade Operations Plan

(100 million yen)

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



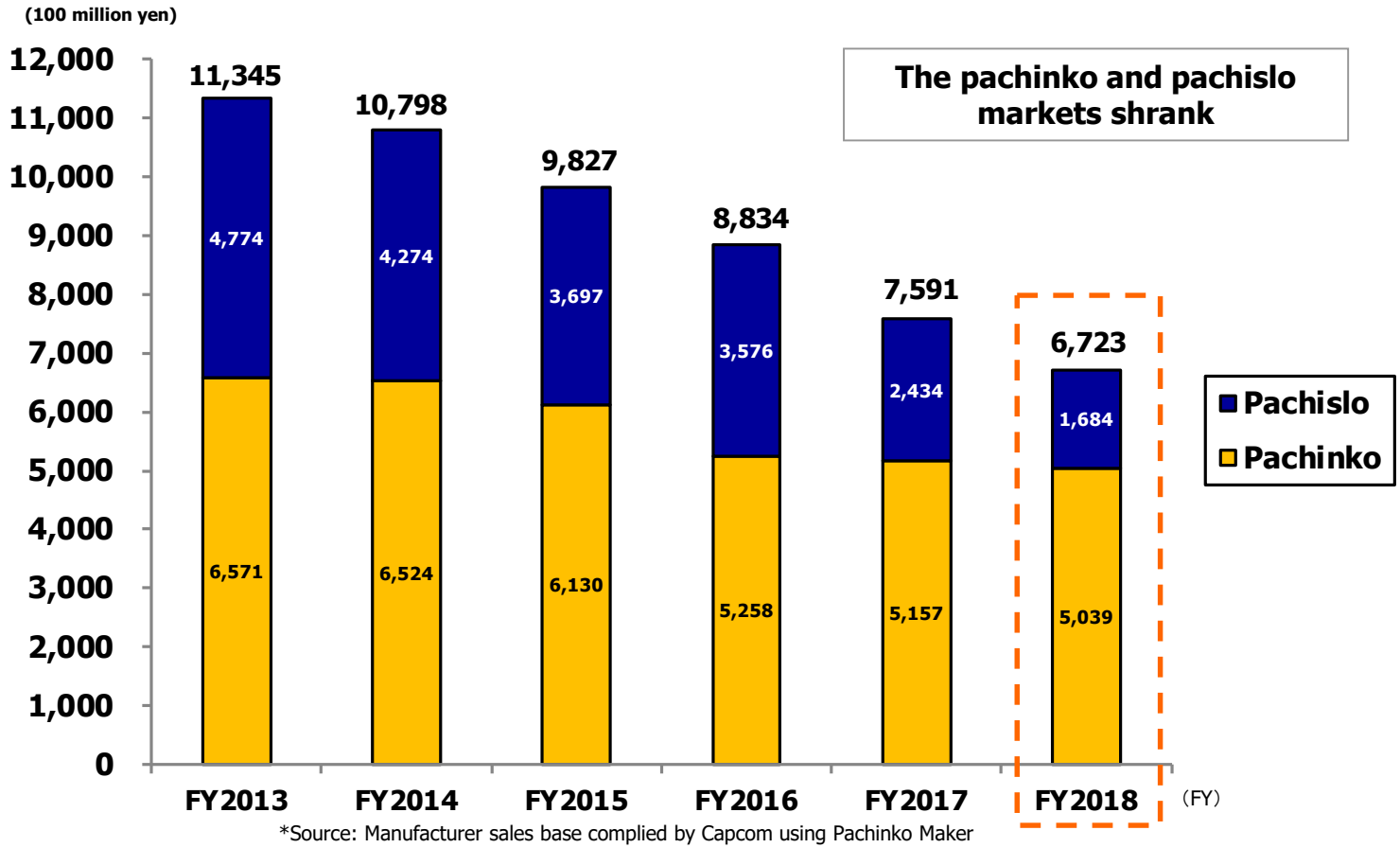
Capcom Store Tokyo

4-3. Amusement Equipments

4-3. Amusement Equipments – Market Overview

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

■ Pachinko & Pachislo Machines Market



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

CAPCOM

4-3. Amusement Equipments – Strategic Objectives and Plan

Aim to optimize number of new releases

based on operational status of pachislo halls

■ Pachinko & Pachislo Strategy

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

■ Amusement Equipments Plan

(units in thousands)

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

(100 million yen)

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

4-4. Other Businesses

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

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

■ Character Contents Strategy

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







©CONSTANTIN FILM Production Services GmbH.

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

Continue activities to grow esports

Invest with an eye toward future monetization of business

■ eSports Strategy

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

■ Other Businesses Plan

(100 million yen)

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


CAPCOM