



Kenzo Tsujimoto

Chairman and
Chief Executive Officer (CEO)

CEO
COMMITMENT

Rooted in our unwavering philosophy, we are generating sustainable corporate value with our world-class development capabilities and management foundation.

To everyone battling this global challenge

Today, in 2022, the public and private sectors have been moving forward in assessing risks while working hard to resume and normalize socioeconomic activities, however COVID-19 continues to affect every aspect of our lives. The world also faces a myriad of issues that society must contend with, such as the invasion of Ukraine launched by Russia in February 2022. Unlike vaccines and other medicines,

or infrastructures, such as networks, entertainment is not essential to our daily lives. However, in times like these, I believe that entertainment can bring people some joy and hope.

It is my hope that our business activities bring the people of the world the energy to fight through whatever difficulties they are facing.


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Corporate philosophy and culture — Our unwavering philosophy since the company's inception

Aiming to be #1: delivering the world's best content "From Osaka, to the world"

Since Capcom's inception, our unwavering corporate philosophy has been to create a culture of entertainment through the medium of games by developing highly creative content that excites and stimulates your senses and brings a smile to your face. This corporate philosophy represents the company's social significance, inspiring our more than 3,500 people throughout the Capcom Group. "Games are luxury items, not essentials. That is why we need world-class brands that capture people's attention." I still believe this to be true even today, 50 years since I jumped into the world of entertainment. [➔For details, please refer to p.3 "Corporate Philosophy"](#)

Based on this corporate philosophy, Capcom has produced more than 700 games to date, and our

games are played in over 220 countries and regions, outnumbering the membership of even the United Nations. In other words, our content is enjoyed throughout the world. Games are not essential items to our daily life; rather they are luxury items. Nevertheless, they are enjoyed the world over as items that enrich our lives and add excitement. Looking at market data, the global gaming population is estimated to be approximately 3 billion people.

Meanwhile, there are people in the world who cannot enjoy games due to disasters or conflict. It is my sincere hope that all of the people of the world will soon be able to enjoy games without worry, and at the same time, we would like to contribute in our own way to resolving the issues that people face.



Management Policy —
Sustainable growth through creating and continuously leveraging our content

Game industry forecast

Technology will continue to progress unceasingly in the marketplace. Game development, promotions, infrastructure, and various other elements will also evolve along with it. In order to continue developing high-quality games, one of Capcom's greatest strengths, it is essential that we build a system that allows us to consistently stand at the forefront of the ever-evolving industry and nimbly respond to new technologies and services. In April 2022, we reorganized our human resources-related departments and revised our system of compensation as part of our human resources investment policy. We are making steady investments for the future of Capcom for continued growth alongside the market.

Management direction— **Handling the global trend toward digital**

In corporate management, it is important to always think about things in terms of the future. For example, nearly 10 years ago I gave an interview to a business magazine where I said, "if we are able to sell world-class quality products at a low price digitally, we will see even greater improvement in our performance."

At the time, disc sales were the mainstream and there were very few customers who purchased digital versions, so that idea may have been inconceivable to most people. Also, because disc sales were the mainstream, pirated versions of games prevailed in most developing countries, but I also spoke about how that "will promote further brand penetration if we look at it in the long term." As a result, now that digital sales have spread throughout the world, of the 700 titles we have created, we are selling over 300 in more than 220 countries and regions, a number that exceeds that of the United Nations' membership.

Creating top-class content not only produced this fiscal year's performance, but it will be the tool that paves the way for our future. That is precisely why our management policy is to (1) create exciting, world-class content (IPs), and (2) maximize earnings by leveraging our rich library of IPs across multiple platforms and media, while (3) maintaining these policies to become a company of continuous, sustainable growth. ➔ [For details, please see p.33 "The COO Discusses Growth Strategy"](#)



Management strategy — Building a system to enable sustainable growth

Investing in human resources and development equipment to create world-class games

With 50 years of management experience in this industry, I have a keen awareness of the vital importance of technology that meets the highest standards in order to create the world's most exciting games. We have strengthened hiring of newly graduated developers with an eye on the expanding game market and evolution of technology. In addition, we have access to world-leading development equipment both in-house and externally, and are vigorously investing in development equipment so that our creators can perform to their maximum potential. These efforts have been successful thus far and helped us achieve nine consecutive years of profit growth, but to overcome the hurdle of profit growth that rises every year and continue growing even

more, we must further promote our investment in human resources.

Therefore, as part of our enhanced human resources investment strategy, in April 2022, we revised our compensation system, created the position of CHO, and reorganized our human resources-related departments. Our CHO will provide a detailed explanation, but we will continue hiring more than 150 employees annually while further enhancing the work environment to build an organization that allows our employees to demonstrate their creativity more than ever.

➔ [For details, please refer to p.39 "The CHO Discusses Our Human Resources Strategy"](#)

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**Business model and medium-term management goal —
Advancing strategies that leverage our strengths**

The strongest IP assets in our history and the capabilities to continue creating high-quality content

As of the fiscal year ended March 2022, Capcom has achieved nine consecutive years of increased operating income, and record-high profits in each of the last five fiscal years.

We will continue to create greater corporate value as we pursue our management goal of increasing operating income by 10% each fiscal year going forward.

Given the highly volatile structure of our industry, in which a major hit title one year can cause a comparative performance dip in the next, Capcom has made achieving stable profit growth each year an important issue for us in meeting the expectations of our shareholders, investors, and other stakeholders involved in our business.

In order to stably increase profits, and among growing concerns about the environmental impact of corporate activities in recent years, we have shifted from a business model that focused on disc sales to one based primarily on download sales with an eye toward strengthening the reach of our content globally.

As a result, Capcom's sales territory has expanded to include almost all countries and regions with a few exceptions, and we sell over 300 different titles annually.

I believe two of our greatest strengths are (1) possessing numerous, popular IPs that have achieved global brand status, and (2) the developmental and technological capabilities to continue creating world-class, quality games.

Challenges to sustainable growth

According to reports from various external organizations, it is expected that the game market will continue to grow, and we can see that first-hand at Capcom through our business activities within that industry. As mentioned earlier, we sell our game software in more than 220 countries and regions, and from looking at our internal sales data, I believe the number of users is sure to increase going forward.

1. Human resources investment strategy

In recent years, our revenue foundation has been shifting from the new titles we release in a given fiscal year to our catalog of previously released titles.

Within our discussion of what is needed to

sustainably expand this cycle, we determined that above all else, we need to review and reconstruct our human resources investment strategy. This strategy is based on a discussion of what is necessary to secure and train quality personnel going forward beyond the revision of the compensation system.

In fiscal 2021, we began by working on revisions of our compensation system. Capcom traditionally had a compensation system based on performance, such as incentive bonuses in the development division, but under this old system issues such as a lack of growth in annual income per individual employee became apparent. We have revised our compensation system, resulting in an average 30% increase in annual compensation. Going forward, in addition to the development division, we also have to make progress in revising work styles in our operational, sales, and administrative divisions.

When we look to the future, in order to produce superior content and distribute it to even more people around the globe, the entire company has to transform into a truly global enterprise, and our human resources system must take into account all our employees from all over the world. I believe we must establish an organizational structure with various systems, including benefits, to meet the needs of employees of various nationalities. ➡ [For details, please refer to p.39 "The CHO Discusses Our Human Resources Strategy"](#)

2. Responding to changes in user preferences and technological innovation

As the market expands, game users will be offered a wider variety of ways to play, and game purchasing channels will diversify. What will become important here is what users prefer amid the various options offered. Therefore, in addition to macro data, such as past sales data, it will be important to learn about individual user trends.

In addition, the game industry is a treasure trove of cutting-edge technology, constantly providing the world with entertainment that uses the most advanced technology, including online battles, VR, AR, and 3D. This trend has only gained momentum with GAFA's entry into the market, and the game industry is undergoing an unprecedented transformation. Under such circumstances, we need to attract talent who possess the most advanced

skills and accurately predict and respond to cutting-edge technological development trends in order to create games that will become global hits.

3. Challenging ourselves to reach 100 million units in annual sales, expanding and strengthening our global brand

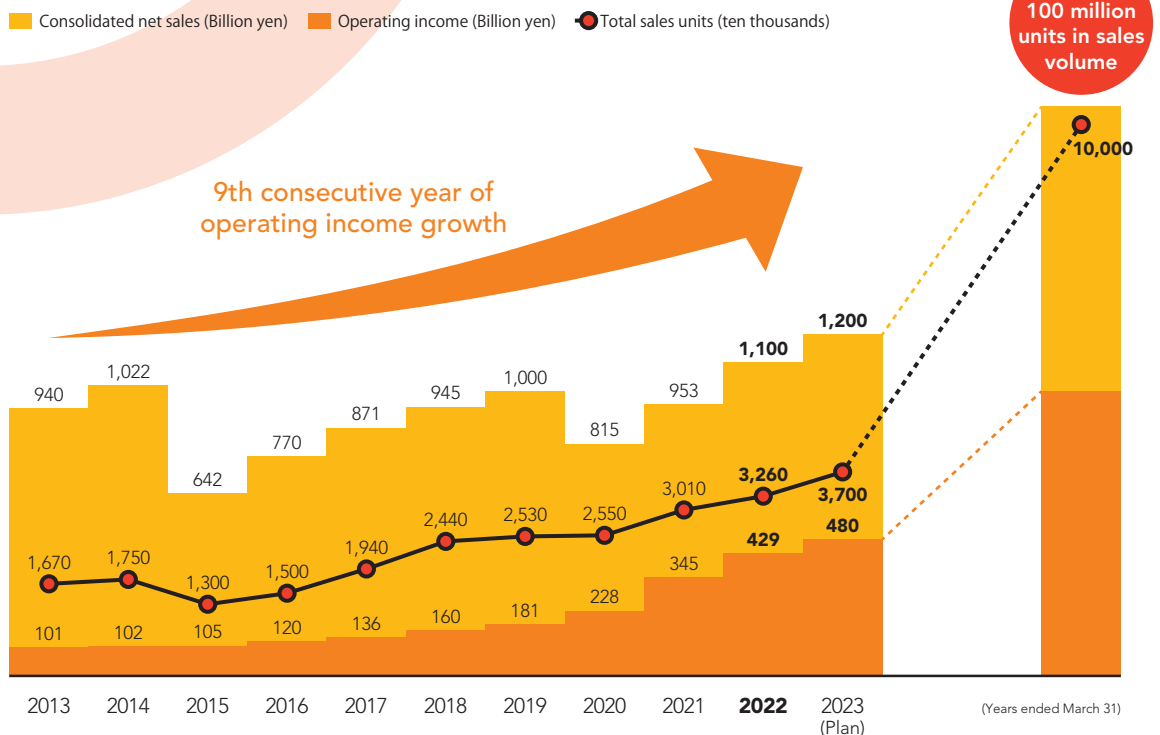
It is said that the population of the world will reach 8 billion in November 2022 and that there are already 3 billion game users.

In fiscal 2021, our annual sales totaled 32.6 million units. That is a mere 1.1% of the worldwide market share. Although Capcom's game content is sold in almost every country and region around the world, depending on the country and region, we cannot say that Capcom has penetrated the market as a game brand. In order to reach 100 million units in annual sales, it is important that both our game brands and

our corporate brand are strengthened and achieve penetration in the market in these countries. Three years ago, we restructured the departments related to marketing strategy and separated them from the sales division, instead positioning them as planning and strategy departments. We established a data analysis section in this department and had them start organizing past sales data and using it to simulate future sales volume, which has generally produced the desired results. This is one example of the initiatives Capcom is implementing in our digital transformation (DX). As we make progress with this initiative, we will be able to grasp sales trends in each country and region and use them in our measures to expand.

In addition, to strengthen our brand across the world, we will reinforce coordination between our game content and our peripheral businesses, such as eSports, movies, and licensing.

Capcom performance trend



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Sustainability — Initiatives geared toward sustainable growth

Increasing corporate value by building healthy relationships and a sturdy framework

1. Sustainable growth achieved by a game company

I believe that building a healthy relationship with stakeholders through business activities leads to improved corporate value. Therefore, focusing particularly on “S” (social) and “G” (corporate governance) of ESG, I recognize our critical issues as (1) developer numbers, (2) diversity, (3) support for education, and (4) the ratio of external directors.

In addition, we have started to shift our awareness to the next stage of our company in light of our business performance growth in recent years. We will continue to promote ESG initiatives based on the SDG goals of creating a sustainable society and strive for sustainable growth while building a relationship of trust with our stakeholders. ➔ For details, please refer to “ESG Highlights” on p.15

2. Game company environmental measures

Capcom’s efforts to digitalize game sales not only improve profitability, but also reduce our environmental footprint by removing package manufacturing from the equation. Meanwhile, in order to promote better work-life balance among our employees, we also encourage employees to live closer to their workplaces by arranging company housing and bicycle parking areas. We can expect this to reduce the emission of greenhouse gases incurred by long commutes. In June 2022, we introduced CO₂-free electricity generated by renewable energy sources in the buildings that we own in the Kansai region. Our work in selling digital content itself has a relatively low environmental impact compared to other businesses, but we should do whatever we can to reduce our environmental footprint as much as possible. Mitigating climate change is an issue that requires the cooperation of everyone who inhabits the planet, and we will continue to promote environmental preservation initiatives.

3. Building a healthy relationship between games and society

Although there is a need for games in society, there are also some challenges, such as expensive in-game purchases made by minors and game addiction. Our purpose is to make people happy through games. Making people unhappy because of games is certainly not our intention. We are

aware that these are major issues for our industry as a whole, and each company is cooperating as part of an industry organization to make efforts to (1) establish guidelines and educate people about them, (2) share problems and actual examples among member companies, and (3) exchange information on a regular basis with parents, educators, consumer groups, and government administrators. ➔ For details, please refer to “Relationship with Customers” on p.58

In addition, since 2004, we have independently continued to be involved in game-related educational support activities as an initiative to alleviate social concerns surrounding games. ➔ For details, please refer to “Promoting Healthy Relationships with Games” on p.60

4. 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 crime prevention and (4) awareness of elections. We are achieving quantitative social outcomes through solving the common problem of attracting and appealing to the youth demographic.

In addition, as a further contribution to society, we will actively provide support for the promotion of social welfare, sports, technology, and culture. ➔ For details, please refer to “Relationship with Regional Communities” on p.60

5. Commitment to employees

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. We continue to make efforts to improve the workplace environment, and in 2017, we implemented an on-site daycare called “Capcom Juku” to provide employees with children an environment in which they can work with greater peace of mind. ➔ For details please refer to p.55 “Relationship with Employees.” In addition, in terms of compensation, we made various revisions in April 2022, raising the average base salaries 30% and introducing an ESOP trust that grants company stock to employees in an effort to increase motivation.

6. Continued anti-fraud measures for stable growth

As a company that handles data, it is important that we protect its value and associated rights. We continue to constantly detect and delete pirated versions of games and illegal video content from the internet. In recent years, the risk of cyber-attacks is

also growing as digital network technology becomes more widespread. In light of the unauthorized access to our network in 2020, we have established the Information Technology Security Oversight Committee, and continue to promote ever-stronger countermeasures.



Governance — Creating a sustainable system prioritizing objectivity

Strengthening our corporate governance structure

Sound governance is essential for achieving the sustainability I discussed in the previous section. 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 external directors, and with unique mechanisms for highly transparent and rational decision making built by the Board of Directors.

Mechanism 1

Management visualization based on numbers

In order to conduct integrated management, I require that materials (documents) used for decision-making are, in principle, quantitatively focused, in other words, we are employing management visualization. These materials provide comparisons by net sales, year-on-year performance and against earnings forecasts, which make it easier to identify problems by enabling us to confirm the details in multiple ways.

Mechanism 2

Continued governance reforms

For the past 23 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 46.7% of the Board of Directors. 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 outside the gaming industry, 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 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.

In June 2022, we increased the number of external directors by two in order to further enhance the human resource capabilities of management and the supervisory function of the Board of Directors.

➡ For more details, please refer to "Key commentary on our human resources strategy from our external directors" on p.73

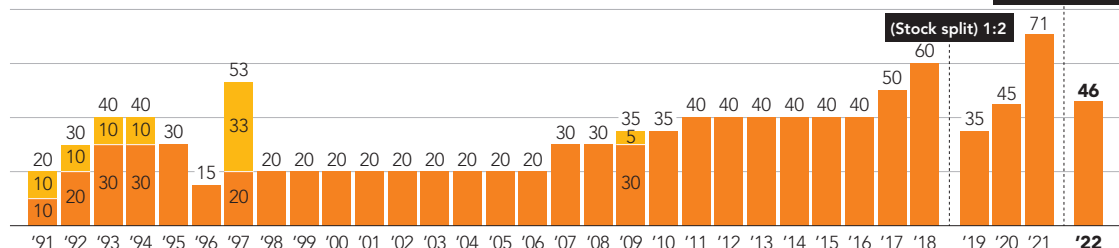
Mechanism 3

Creating a business management system and grooming successors

For the last 39 years, I have built the Capcom framework based on my own management philosophy, and it is also my responsibility as the founding executive to ensure my successors have a proper understanding of its mechanisms and are able to execute them. Plans for my successor are being made through discussions with the Nomination and Remuneration Committee; if we can prepare my successor and enmesh that with our corporate philosophy and well-structured governance, we can achieve stable growth.

Rewarding long-term shareholders with 32 consecutive years of returns since Capcom's listing and record-high dividends

Dividends per share since public listing (yen) Ordinary dividend Commemorative or special dividend (Stock split) 1:2



(Note) Two-for-one stock splits took place dated April 1, 2018, and April 1, 2021.

The dividends prior to each reference date are listed as the dividends on the stocks prior to the split.

(Years ended March 31)

In closing I would like to share my ideas regarding our capital policy, which is an important element of the relationship I have with our shareholders.

1. Basic policy regarding dividends

During my 39 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. However, as the business environment is undergoing significant changes, it is also necessary to consider investment geared toward sustainable growth.

In consideration of these factors, Capcom's basic shareholder return policy aims to (1) enhance corporate value (market capitalization) through investment in growth, (2) continue paying dividends (30% payout ratio) while striving for stable dividends and (3) flexibly 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 risky for pensioners who depend on dividends to cover part of their lifestyle expenses. Regular revenue leads to the establishment of a stable lifestyle plan for the future. 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 32 years

Total shareholder return (TSR)

Fiscal year ended March 2022	
CAPCOM	572.0%
KONAMI HOLDINGS	173.2%
SQUARE ENIX HOLDINGS	184.2%
SEGA SAMMY HOLDINGS	154.4%
BANDAI NAMCO HOLDINGS	300.8%
TOPIX Return Index	144.3%

Source: Financial statements from each company

since we went public in 1990. If we consider the split at the fiscal year ended March 2022, we have seen five consecutive years of increased dividends.

As a result, the total shareholder return (TSR), including the rise in stock price over the last five years, was +572.0%, exceeding TOPIX (+144.3%) and positioning Capcom ahead of any of our industry competitors.

2. Dividends for this fiscal year and the next

For the next fiscal year (ending March 2023), we plan to pay an annual dividend of 46 yen per share, which represents a payout ratio of 28.5%. As the payout ratio is less than 30%, we will review the dividend amount when the consolidated earnings forecast for the next fiscal year becomes clearer.

As a senior executive with many long years of experience in the game industry, my goal is to increase market capitalization and achieve corporate growth exceeding that of the past 39 years in order to continue meeting the expectations of Capcom shareholders, investors, and all other stakeholders.

Kenzo Tsujimoto
Chairman and
Chief Executive Officer (CEO)



Haruhiro
Tsujimoto

President and
Chief Operating Officer (COO)

COO

GROWTH STRATEGY

Accelerating our digital strategy and aiming for 100 million units in annual sales

We began the roll out of our full-scale digital strategy in the mid-2010s. Our major aim was to expand Capcom's content throughout the world and establish a stable revenue base, and a major part of that tactical shift is the move to digital download sales. Until that time, game publishers had primarily provided disc-based content to game users via retail stores. However, retail store sales are (1) dependent on the location of the store, and (2) subject to price protection in some countries, which means when the prices of games are reduced at a retail store, the publisher bears the loss from the amount lowered, which removed our ability to make policy-based decisions on price promotions. It was these two main points that were becoming constraints on our global expansion. In addition, disc sales required strong focus on countermeasures to combat unauthorized and pirated

copies. We began shifting to digital download sales as a means of overcoming these issues and bringing game content to users throughout the world.

As a result, compared to the fiscal year ended March 2013, when our sales territory consisted of 167 countries and regions, we have now expanded to 219 countries and regions, and our revenue base is shifting from new releases to catalog title sales.

In the last 10 years, our business model has transitioned from B2B to B2C, and in recent years, it is transitioning to D2C (Direct to Consumer). Capcom's tactical transformation these 10 years has also followed this trend. I am adding another reading of D2C: Digital to Consumer. We will further accelerate our digital strategy, and to do that we are rebuilding our human resources investment strategy. ➡ [For details, please refer to p.39 "The CHO Discusses Our Human Resources Strategy"](#)

Growth strategy
Digital strategy
acceleration

1

Accelerating global market expansion

2

Continue producing the world's best content

3

Long-term sales and improved profitability in the global market

4

Diversification and streamlining of sales measures with a shift to digital business

5

Brand expansion (1) -Strengthening coordination with peripheral businesses

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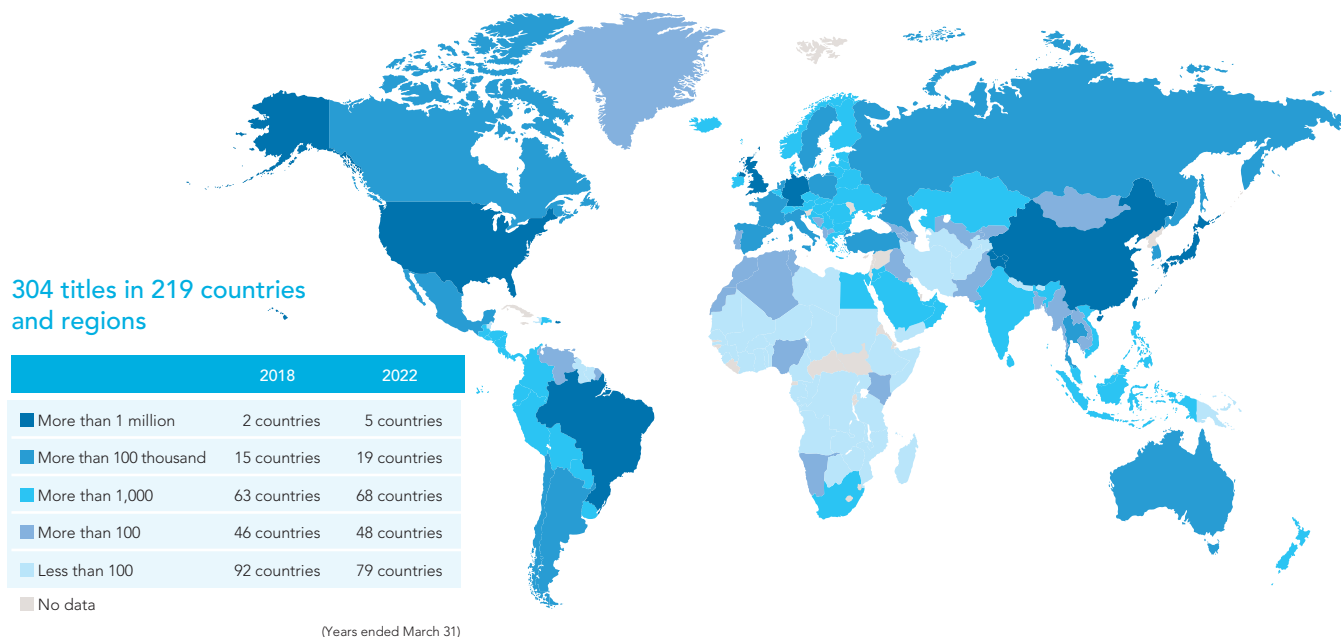
Brand expansion (2) -Strengthening our licencing, eSports, movie businesses

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Support for new areas, such as cloud gaming and the metaverse

The COO's discussion of growth strategies

Unit sales of home video game software by country for the fiscal year ended March 2022



Measure 1

Accelerating global market expansion

In the era of disc sales, the main markets for game content were in Europe and North America, which were the leading regions in the game industry. From there, it became the norm for gaming devices to be always online.

Digital sales have naturally worked to strengthen anti-piracy measures, enabling long-term sales. Over the past 10 years, we have expanded the number of countries and regions in our sales territory, and at the same time, the number of titles we are selling has grown to over 300.

We believe that there are two main factors that have enabled for this expansion.

- (1) From the time the company was established with our main business being arcade game circuit boards, Capcom had started expanding throughout the world, giving us a certain brand status.
- (2) Due to the efforts of our development team, Capcom has the technical and developmental abilities to regularly produce high-quality titles.

Game content declines in value over time and prices decrease. However, the decrease in price means that game content will be more accessible to people in countries and regions with different income standards.

Comparing our sales territory now with 2013, there are countries and regions where annual sales are gradually shifting from less than 100 units annually to more than 100, more than 1,000, more than 100,000, and more than 1 million units. As income levels rise due to economic growth in each country and region, we will develop strategies to further expand our market.

Measure 2

Continue producing the world's best content

Our new releases since fiscal 2016 have outperformed our sales expectations and are on the way to even greater growth.

It goes without saying that this is underpinned by our world-class developmental and technical capabilities. We do not aimlessly start working on creating games. The process involves detailed advance preparation, understanding of user trends, repeated prototyping, and quality checks before we begin production.

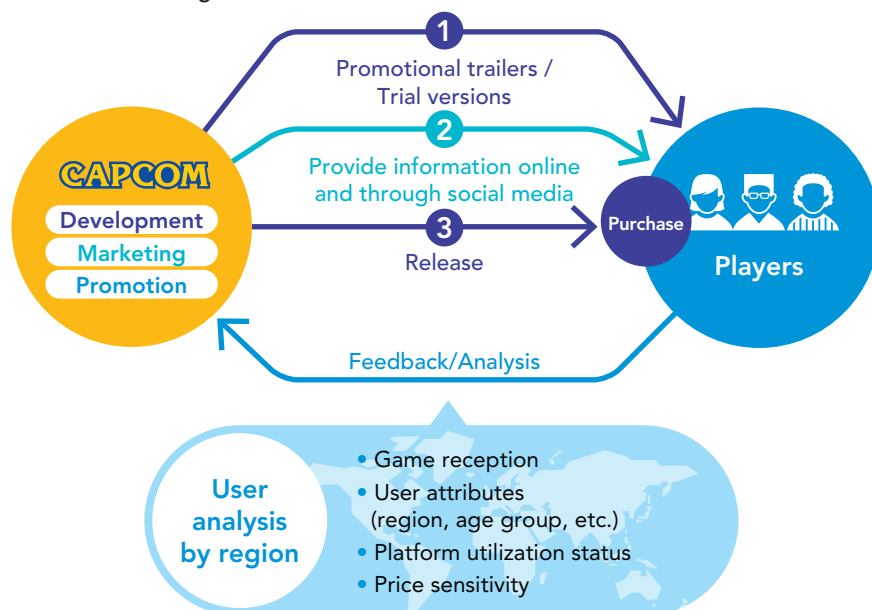
In particular, we perform repeated quality checks until just before a title is released. Additionally, we are making efforts to improve productivity with measures such as our in-house game development engine, RE ENGINE and the automation of content production. This is within a framework where the technical research division, which is responsible for fundamental technology research, development management division, and development human resources department support production.

Since the release of *Resident Evil 7*, which was launched in January 2017, our titles have been exceeding our expectations in Metacritic scores and user evaluations, while also achieving sales results.

It can be said that it is our world-class content that is enabling the long-term sales of content explained below.

In addition to strengthening the brands of existing IP that complement the larger *Resident Evil*, *Monster Hunter*, and *Street Fighter* brands, which already have fans worldwide, we are taking on the challenge of creating new IPs. In order to achieve that, we have to steadily increase personnel in the

Global marketing



Capcom Showcase

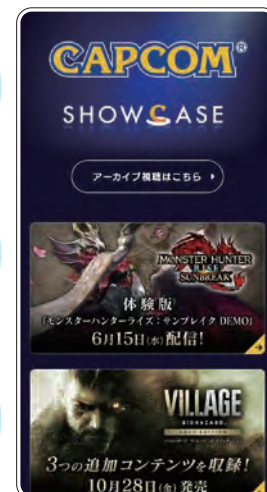
A digital event to present the latest information on major titles in this fiscal year and beyond.

Effects

Expanded awareness of IPs

Acquisition of new fan demographics

Expanded sales of catalog titles



development division, and we are responding to that need by continuously and proactively hiring new graduates and mid-career talent.

Measure 3

Long-term sales and improved profitability in the global market

At Capcom, one of our criteria we look at when creating games is the maximization of sales in a five-year period. Behind this is the efforts we have made over the last two years reorganizing our past sales data—data which is now available for future sales projections.

In recent years, PC platform versions have also increased their contribution to digital sales. We are now able to sell in more than 200 countries and regions, a number that far exceeds the conventional console market, and we have analyzed that there is strength in expanding sales in emerging regions, such as Asia, South America, Eastern Europe, and the Middle East. Currently, unit sales of games for PCs account for roughly 40% of unit sales, but analysis shows that there is still great potential for future growth in this area and we have designated PCs a priority platform.

We will continue promoting these digital sales in fiscal 2022 and project achieving record high net digital sales of 73.4 billion yen. Looking to the future, there is still room for growth in pipeline expansion, long-term sales, and in global markets, and we expect the digital sales ratio to rise to a level of roughly 90% in the long-term, both in terms of revenue and volume, and we believe that the profitability of the Digital Contents Business will continue to increase sustainably.

One positive example is the long-term sales of

Monster Hunter: World (MH:W). Initially it was released for game consoles, and then a PC platform version was released, and that finally led to the release of the massive premium expansion *Monster Hunter World: Iceborne*. More than four years have passed since its initial release in January 2018, but as a result of maintaining the freshness of its content while gradually lowering the price and striving to expand sales, its cumulative sales volume has exceeded 20 million units*; more than half of the initial *MH:W* units were sold in the second year or later. The lowest price it has sold for thus far on sale is approximately five dollars, but its development costs have already been recouped, so it is contributing to income sufficiently. Similarly, the cost of other high-quality catalog titles has also been recouped at an early stage after their releases. Today, sales of catalog titles account for more than 70% of annual unit sales and more than half of the profits from our digital content business.

This was a major factor in establishing a stable profit structure over the last 10 years.

* Including *Monster Hunter World: Iceborne Master Edition*

Measure 4

Diversification and streamlining of sales measures with a shift to digital business

Most companies are already making use of internet information and working to expand sales of proprietary products. At Capcom, we are also evolving our traditional advertising and promotion methods with the expansion of digital download sales. It goes without saying that the key is in how to deliver the most up-to-date information regarding content to users as quickly and efficiently as possible.

The COO's discussion of growth strategies

Strengthening our brand power globally with the Consumer sub-segment at the core



This is why we have reorganized our internal structures and have started to reform our business infrastructure.

First, until now our overseas offices (subsidiaries) had been positioned as sales companies, but in the future, their role as information bases will become more important. I believe it will be essential to know how game users in each country and region are enjoying our game content by linking our overseas bases with the business and sales divisions at the head office in order to not only produce games, but also to develop sales strategies in the future.

Also, as one of our measures for strengthening information communication, in addition to our official Twitter and other social media, we have started providing the digital event, "Capcom Showcase." We will continue to strengthen our digital promotions with this event at the core, and advance the diversification and streamlining of our sales measures.

Game users have a strong interest in not only new game information, but also in information for those games they have already purchased. We believe that delivering useful information that meets the expectations of users is also an essential aspect of expanding the user base of our content.

Measure 5

Brand expansion (1) –Strengthening coordination with peripheral businesses

Looking around the globe, it is essential that we further expand the penetration of our corporate brand and content brands for sustainable growth.

With a strengthened financial base, we will now work harder than ever before on brand expansion and

penetration measures. We have started taking steps to help strengthen our global brand, including the decision to sponsor the Japan Volleyball Association, the Cerezo Osaka soccer club, and the Tokyo International Film Festival, and to participate in the Osaka World Exposition, all of which were announced from May 2022 onward. These measures will strengthen our message of "from Osaka, to the world."

In addition, our Arcade Operations and Amusement Equipments businesses will work independently to expand their earnings while we work to expand our business base by linking these with our domestic game content brand expansion.

Among Capcom's businesses, Arcade Operations has an important position as our direct customer touchpoint. Specifically, we have demonstrated the significance of its role with the useful information it provides. That information contributes to measures in stores and the expansion of our content and brands, and is also linked to various customer analyses. The business is a valuable face-to-face touchpoint with consumers, including users, and at the same time, it is also a place where we can seek synergy with our Consumer sub-segment by holding hands-on game demos and other events. As we accelerate our digital strategy, we will strengthen this even further.

In the Amusement Equipments business, game content and pachislo machines go well together, and we have seen growth due to a shift from licensing to in-house production.

In recent years, game content sales performance in the Japan market has fallen behind when compared to the growth in the rest of the world. The history of the modern game industry originally began in Japan

and then spread to the rest of the world. We will look to promote and use both businesses in expanding the Japanese market.

Additionally, our licensing, eSports, and movie businesses are all essential in growing and penetrating our brand further.

Measure 6

Brand expansion (2) -Strengthening our licencing, eSports, movie businesses

Revenues are at an all-time high in our licensing business due to an increase in collaborative products and in-game collaborations that coincide with the release of new titles. Currently our licensing business is conducted mainly in Japan and the Asian region, but we are moving forward with measures to strengthen the business with global expansion in mind.

Our eSports business has been significantly impacted by the spread of Covid-19 these past two years, and for the safety of the players and spectators we were forced to change the way in which most live events we had planned were held. However, one major advantage of eSports is the fact that we can hold alternate events online and stream them. In order to maintain our efforts to popularize eSports under the pandemic restrictions, we have implemented two main initiatives. (1) For individual competitions, the year-long world tour, CAPCOM Pro Tour was held online in 2021 in the same format as the previous year. (2) For team competitions, the domestic Street Fighter League: Pro-JP 2021 was held, increasing the number of participating teams to eight and adopting a corporate ownership system for the first time. We are laying the groundwork for future regional franchising and the establishment of training institutions. In the U.S., Street Fighter League: Pro-US 2021 is being held online.

In 2022, the CAPCOM Pro Tour Online 2022 will be expanded in scale with the addition of a new "World Warrior" category, while holding some events in person. We will also incorporate measures to diversify the regions and participants for tournaments. In the team competition, Street Fighter League, "Street Fighter League Pro Europe 2022" will be held from October following the "JP" and "US" tournaments, and a final battle will be held to determine the champion from among Japan, the U.S. and Europe, aiming to invigorate the scene through further expansion of regions where events are held. From a medium- to long-term perspective, we will continue to promote and expand eSports to establish a new genre of entertainment and work to ensure eSports are more widely known and understood by society.

Regarding the movie business, in the early 90s, *Street Fighter II* provided the opportunity for Capcom to proactively create products and Hollywood movies based on content, and in the 2000s, we adopted the Single Content Multiple Usage strategy leading the industry in development across multiple forms of

media. Under these circumstances, it was Hollywood films, such as *Resident Evil*, that played a major role in the branding of our content.

In order to be even more proactive in promoting the global branding of Capcom content going forward, we established a subsidiary film production company in Los Angeles, California in the U.S. in 2022. Using our own capital, we will strengthen the connection between games and the movie business as well as our expansion into movies and video streaming services while adhering to the same standard of quality as our games.

Measure 7

Support for new areas, such as cloud gaming and the metaverse

We expect the growth Capcom has achieved from executing our digital strategy, as detailed above, will continue into the foreseeable future. Meanwhile, the appearance of new services and technologies, such as cloud gaming and the metaverse, have the potential to bring dramatic changes to the game industry over the next 10 years. In addition to adopting a multi-platform strategy, Capcom has a track record of being quick off the mark in adapting to new technologies, such as VR. It goes without saying that we will continue to maintain a keen awareness of new fields and conduct technical testing.

What is important is that we use new technologies to provide users with new game experiences. Even if the technology is ahead of its time, it is meaningless if a game is not interesting. If we look at it from a historical perspective as well, we can see that it has been new services and technologies that have expanded upon the fun provided by games. I have great expectations for the further evolution of the world of games, and further am also very interested to see both when and what kind of benefits there will be for game players. I am currently watching this trend with great interest while directing our development and business divisions to analyze and respond to developments.

Finally, I want to properly convey that although our business format may change, Capcom's top priority will not. That is to consistently produce world-class, meticulously refined content as we have always done. If our salespeople are properly communicating our appeal, then consumers will always choose our products, even if the platforms or services change. Conversely, if the content is deficient, even if we are able to ride the transient wave of a trend, growth will not be sustainable. We are convinced of this based on our experience standing at the forefront of the industry.

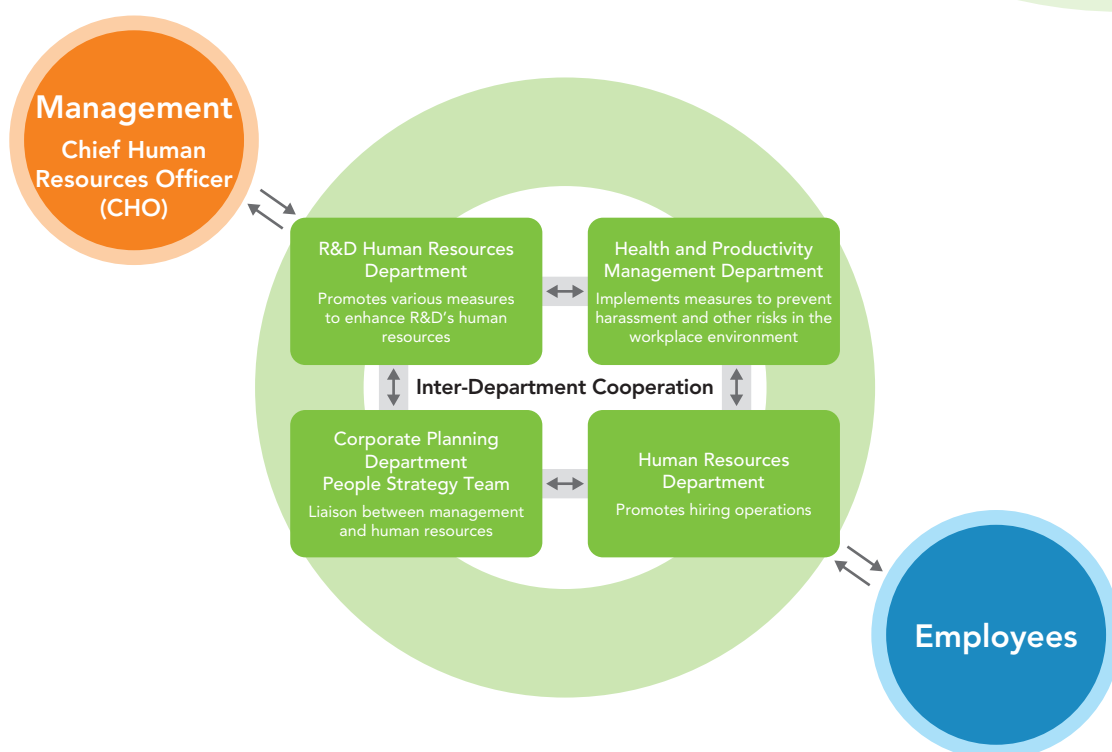
Restructuring our human resources investment strategy means investing in people to achieve sustainable growth

Satoshi Miyazaki

Director and Executive Vice President,
Chief Human Resources Officer (CHO)

CHO
COMMITMENT

Overview of Human Resources' New Functions



Capcom exerting its presence in a continuously growing game market

In my previous career in the world of banking, I had the opportunity to see a variety of corporations. When looking at the companies in the game industry, I had the impression that the industry's global market was expanding as it shifted to digital. Within that market, I was aware that Capcom had extremely high potential for growth due to its strong IPs and superior R&D capabilities.

I then joined Capcom myself in 2021, and my understanding of the company remained much the same; from an insider perspective, I could see firsthand that the level of management and the company were definitely rising.

However, no matter how good a company's trajectory, it will still have issues.

Since 2013, we have been hiring more than 100 new graduates each year, while also aggressively carrying out mid-career hiring to acquire personnel who can hit the ground running. As a result, as of the end of June 2022, the company has 3,350 employees on a consolidated basis and 3,052 employees at Capcom alone, of which 2,494 work in the development division. In recent years, attitudes toward work among younger employees has diversified, and it is essential that we have an accurate understanding of these employees' values and respond to their needs. In addition, we have gathered talent from 33 different countries here in Japan, so not only do we have to respond to the diversifying values of Japanese employees, but it is also critical for sustainable growth that we meet the needs of our foreign national employees.

In the last five years, we have sold our content to a maximum of 234 countries and regions, which means that on a business basis, we can consider ourselves to have already joined the ranks of global corporations; however, in order for us to expand our business to all the corners of the world, we need to transform ourselves into a truly global corporation.

Restructuring our human resources investment strategy for sustainable growth

Today, the success of Capcom's digital strategy has led to achieving nine consecutive years of increased operating income. In addition to the strong IPs and development capabilities Capcom possesses, we have been working on expanding sales through the utilization of past sales data in recent years. The results of running various forecasts with this data have shown that there is still sufficient potential for further sustainable growth.

It is our development division that underpins our strong IPs and our development capabilities, and

the labor costs that appear in our financial statements are in one sense an expense, but in another they are also an investment in our growth. We also need to digitalize operations in our operational, sales, and administrative divisions in order to identify issues and devise solutions that are in line with the changing business environment.

Recognizing the need to review and restructure our human resources investment in order to maintain sustainable growth, we have recently revised our human resources investment strategy. Allow me to explain the main elements of the strategy that is currently underway.

1. Revision of compensation policy and introduction of stock-based compensation system

Capcom has long had a system of compensation based on contribution to business performance. However, while we achieved significant year-on-year increases in operating income of 51.6% in fiscal 2020 and 24.0% in fiscal 2021, the compensation granted based on the conventional system was not sufficient. We therefore looked beyond the constraints of the scheme, and subsequently revised the compensation system itself, resulting in an average 30% annual increase in base compensation for fiscal 2022. In addition, we introduced a stock-based compensation system with the objective of helping our employees understand that it is their efforts that lead to an improved market reputation for the company, and that this will be reflected in their compensation.

To sustainably achieve our objective of a 10% increase in operating income each fiscal year, we designed a system where the improvements in the company's business performance will lead to an increase in personal compensation, so each individual employee will be rewarded according to their contribution. We will continue to refine the new compensation system in line with changes in the management environment and employee sentiment.

2. Reorganization of human resources-related operations

(1) R&D Human Resources Department

In terms of organization, the Human Resources Department had been responsible for all human resources operations at the company, including that of the development divisions. In particular, work in the development divisions, which accounts for more than 70% of the company's employees, is different from that of the operational, sales, and administrative divisions, and the development divisions have a unique organizational structure that has been cultivated over many long years. In terms of the organizational

chart, the structure is organized by operations, such as programming and graphics, but in actual content production, it resembles a kind of project team, where the team produces content in a dynamic manner.

To manage these operations, we believe there is a need for a specialized human resources organization in the development divisions that can respond to their various needs. We therefore established the R&D Human Resources Department under the supervision of the director in charge of the development divisions.

(2) Health and Productivity Management Department

Next, we established the Health and Productivity Management Department to identify the diversified work attitudes and needs of employees and solve issues. We are aiming to not only address employees' wellbeing, but to also respond to their various concerns and issues, such as overtime management and harassment. Therefore, we have established two consultation desks within the Health and Productivity Management Department; one for support in Japanese and one for other languages. The department was placed under the supervision of the director in charge of corporate management so that awareness of problems and issues in the field can be directly communicated to management.

(3) Corporate Planning Department Human Resources Strategy Team

Next, we established the Human Resources Strategy Team within the Corporate Planning Department to take on a human resources planning role with respect to items such as hiring and compensation. The team promptly identifies issues related to securing human resources in the medium- to long term, including systemic problems, and formulates countermeasure policies. Thus, we have created a system to identify and respond to issues within the Corporate Planning Department, which is directly linked to management.

(4) Human Resources Department

The Human Resources Department is primarily responsible for improving human resources operations and employee services. The Human Resources Department compiles human resources-related data in cooperation with other departments, and works in a steadfast manner to carry out training, hirings, resignations, and job rotation practices while working with other human resources-related departments to identify and address issues related to personnel operations.

3. Improving the work environment

We must proactively respond to the changes and diversification of employees' work attitudes and values. At Capcom, we conduct the stress check stipulated by the Ministry of Health, Labour and Welfare, and utilize the results to identify the issues in each department and work site.

In addition, we held a harassment prevention training session for executives and managers in fiscal 2022, where we shared the changes in attitudes among younger employees in recent years, our awareness of issues with how to engage them. Although this may be dismissed as an issue with corporate culture, we are committed to proactively working to better our corporate culture to enable it to respond to changes in employees' attitudes toward work, even if the endeavor takes time.

In the last several years, the employee turnover rate had been hovering around 4%, but last fiscal year, it rose to the 5% level. We believe that this is due to a convergence of various factors, including recent changes in work attitudes, headhunting, and dissatisfaction with company policies. At Capcom, when an employee leaves, the responsible human resources department conducts an exit interview. Within those interviews, we have been able to identify company issues and reflect them in our policies, one of which was compensation. In addition, there have been many cases where foreign national employees have made us aware of issues with our benefits programs and lifestyle support for living in Japan. We will work to provide quicker responses and make improvements to these issues.

4. Personnel diversity

As our content spreads throughout the world, it is essential that our employee composition is diversified in terms of nationality, and we need to promote further diversification in our workforce to support Capcom overall. For our game content to reach throughout the far corners of the globe, the company itself must proactively gain an understanding of the situation in the many countries of the world. In this respect, the issue of diversifying the nationality of our employees has become clear. When we look at game user data, personal attributes such as gender and age composition are all changing significantly.

The number of female employees as of March 2022 was 637 (composition ratio of 21%), which is a 42% increase compared to five years prior. Meanwhile, there are 191 foreign national employees (composition ratio of 6.3%), which is a 93% increase over the same period. Female managers account for 5.5% of female employees and foreign national managers account for 3.7% of foreign national employees. We have been

proactively pursuing diversification of our personnel these last five years, but when we think about the issues we are currently facing, I believe these numbers are not yet satisfactory, and we will work to further promote diversity.

Number and ratio of female and foreign national employees

	2017	2022
Number (ratio) of female employees	448 (20.0%)	637 (21.0%)
Number (ratio) of female managers	25 (11.4%)	35 (12.5%)
Number (ratio) of foreign national employees	99 (4.3%)	191 (6.3%)
Number (ratio) of foreign national managers	2 (0.9%)	7 (2.5%)

(For each fiscal year ended March 31)

5. Establishing the Chief Human Resources Officer (CHO) position

As the issues mentioned thus far must be handled at the management level, and because the four human resources-related departments fall under the supervision of different directors and executives, the company established the position of Chief Human Resources Officer (CHO) to coordinate all of the various human resources issues within the company. Our intent is to steadily implement reforms to respond to the issues that need to be addressed in order for Capcom to achieve sustainable growth.

Capcom's digital transformation (DX)

The cornerstone of our digital strategy is data analysis. Three years ago, the Data Analysis Section was established within the Marketing Strategy Department, and we have begun organizing data from the late 2000s onwards, which can be tracked in the current system. Now, we are able to grasp the status of game sales in more than 200 countries and regions around the world by country/region or title. We could have hired expert data analysts or system administrators from outside the company to do this work, but we found it necessary to organize and analyze the data with an understanding of the transaction practices, product traits, and service content that are unique to the game industry, and we therefore appointed employees from within the company who were judged to be suitable for these positions. We will continue to amass data going forward, and we expect to further improve the level of data analysis and utilization while enhancing the accuracy of business forecasting. We must also review our workflows in line with changes to our business model in the operational, sales, and administrative divisions.

We will promote systemization and procedural reforms to eradicate outdated processes and build efficient workflows that can swiftly respond to issues.

Strengthening information sharing with employees

I can see clearly from the various data over the last decade that Capcom has moved up a stage.

At Capcom, based on the management policy of our CEO, we are building a framework to quantify management information, identify issues, and develop measures to address them. This quantified data is shared with our employees, depending on their position. However, in today's rapidly changing environment, inevitably there will be differences among employees in their ability to read the numbers.

Based on our awareness of this issue, from the fiscal year ending March 2023, we have been holding briefings for employees on the status of our business. At these briefings, we shared our growth trajectory based on the management policy for the last decade and its contributing factors and issues. Furthermore, the briefings provided the opportunity to not only send a message from management, but also to hold a Q&A and opinion exchange session. Three briefing sessions have been held thus far, with a total of 385 employees participating, and at the management level, we feel there has been a good response to sharing our awareness of issues. In response to requests from employees, we plan to continue holding these briefings regularly.

The aim of our human resources investment strategy

In following our proactive hiring policy, we have been striving to strengthen our development team, and we will continue to do so in order to achieve sustainable growth. On the other hand, we believe that the human resources we will require will change due to changes in the game industry and market, and we must address this. We must diversify the human resources we secure while strengthening our content production capabilities and improving productivity. There is also a need to evolve our system of data-driven management. Even greater changes are waiting for us in the next 10 years than those that have taken place in all the history of the game industry. We will promote our human resources investment strategy to create a foundation that can nimbly respond to those changes.



Kenkichi Nomura

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

Financial and investment strategies for sustainable growth — Aiming to strengthen our financial base while increasing investment in our growth strategy

Financial Strategy Overview



Medium-term management plan progress

Capcom has put forth increasing operating income by 10% each fiscal year as our management goal, and we are working to expand users across the globe,

aiming to eventually achieve 100 million units in annual sales of our games. In the fiscal year ended March 2022, annual sales units of games stood at 32.6 million in the Digital Contents business, which was an 8.3% increase from the previous year. Of those units sold, catalog titles released March 2021 and earlier totaled 24 million units sold, accounting for 73.6%. Unit sales of catalog titles increased 17.1% over the previous year, which significantly contributed to the overall increase in sales.

Similarly, the increase in sales of catalog titles was a major factor in the 22.4% year-on-year increase in operating income in the Digital Contents business. The operating income margin surpassed 50% in the business, and was the driving force in our overall consolidated results.

Sales of high-profit margin catalog titles have steadily increased, and our profit structure, which is the bedrock for consolidated profits, has stabilized.

We estimate ourselves as having made steady progress toward our goal of steadily expanding operating income independent of the sales performance of new titles.

● The status of our financial base – particularly cash flow

In last year's Integrated Report, we reported that changes to our revenue structure in recent years had resulted in a strengthened financial base. A comparison of the results from five years ago to the fiscal year ending March 2022 is shown in the table.

	2017	2022	Change
Net sales (million yen)	87,170	110,054	126%
Operating income (million yen)	13,650	42,909	314%
Operating margins (%)	15.7	39.0	23.3 points
Net income (million yen)	8,879	32,553	367%
Work in progress for game software (million yen)	30,150	31,192	103%
Operating cash flow excluding working capital (billion yen)	127	352	277%
Cash on hand and in banks	24,537	107,262	437%
Net cash (billion yen)	84	1,023	1,218%
ROI (%)*	56	173	117 points

(Years ended March 31)

* Ratio of operating income for the fiscal year to the cost of investment incurred during the year.

This time, we have added the statuses of operating cash flow (excluding working capital), cash, and ROI of the development divisions.

The first point to take note of with regard to our financial position for the year ended March 2022 is that our cash on hand and net cash have surpassed 100 billion yen. One of the most important responsibilities of my work is ensuring a stable cash balance and securing resources for growth investments. My thoughts regarding our capability to generate cash are outlined below.

● Monitoring our capability to generate cash

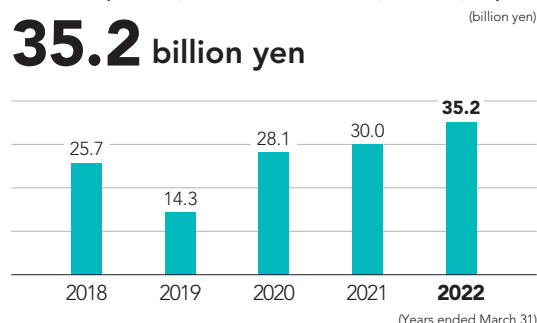
Unlike accounting profits, operating cash flow in financial statements are impacted by variable working capital cycles relating to accounts receivable and payable, and work-in-progress for game software, and other items, which were incurred based on accounting principles. Among the items comprising working capital, accounts receivable in the last month of the fiscal year fluctuates significantly depending on the sales in the same month. For example, if a new title is released in March, there will be a large increase in both accounts receivable and profit, but that will not be reflected in cash on hand and in banks in the same fiscal year. However, our accounts receivable is mainly

in digital sales and the number of customer accounts are limited, so there are no issues with managing receivables and almost all collections take place in the following month or two. In the fiscal year ended March 31, 2022, the balance of cash on hand and in banks on the balance sheet increased to 36 billion yen. Seeing this as a change in the operating cash flow, the increase on the cash flow statement is 46.9 billion yen, of which there is a positive impact of approximately 11.7 billion yen from a decrease in working capital attributable to the collection of accounts receivable. Excluding this, I consider our cash generating capability to be 35.2 billion yen in the fiscal year ended March 2022. From this, taxes and dividends are paid and what remains are the investment resources generated by our business results for the fiscal year.

On the other hand, operating cash flow reported a decrease of 5.5 billion yen in the three-month period ended June 2022 (FY2023 Q1 results), but similarly, taking into account the working capital cycle, there is a negative impact of 15.8 billion yen mainly due to increased accounts receivable, and excluding this, we can see that our actual capability of generating cash was 10.3 billion yen. From this amount, we paid 11.2 billion yen in first quarter taxes and dividends.

It is in this way that I am constantly observing the cash flow trend excluding the impact of the working capital cycle.

Trend in operating cash flows excluding working capital



● Aiming both to increase cash and strengthen growth investment

The underlying nature of Capcom's business is hit-driven. In recent years, due to the efforts of our development team, new titles have exceeded the expectations of the market and game players, greatly contributing to our performance. We can see this in the improvement in ROI compared to five years ago (here, ROI refers to the ratio of operating income to funds invested in content production). However, I believe that especially since the business environment is undergoing significant, market-wide changes, the

CFO must adopt a “we cannot know until we release it” stance. The planned annual development investment budget for fiscal 2022 is 42 billion yen. Adding the necessary investment for growth, which I will discuss later, I believe there is a need to secure an even higher cash balance.

	2020/3	2021/3	2022/3	2023/3 (plan)
ROE (%)	16.9	22.6	24.4	24.0
Net margin (%)	19.5	26.1	29.6	28.8
ROA (%)	12.0	16.2	18.5	–
Financial leverage (times)	1.44	1.36	1.28	–

● Cash balance outlook

In the earnings forecast we announced for the fiscal year ending March 2023, we expect 120 billion yen in net sales, operating income of 48 billion yen, and net income for the year of 34.5 billion yen. Without taking into account the detailed tax calculations, after dividends are paid out from net income, our estimates show a cash increase of 24 billion yen. In reality, the actual cash increase will not be exactly as listed above due to investments and unplanned expenses during the fiscal year, but we use this figure as a reference to grasp the midterm cash flow trend.

Looking at the financial position in this way, our management goal of a 10% increase in operating income every fiscal year should lead to an increase in net income and steady cash growth, and we will manage investments and expenditures with that in mind. In other words, we will invest for growth from a medium-term perspective while monitoring our annual cash generating capability and ensuring a trend of increased cash.

Investing in sustainable growth

● Human resources investment strategy

As one aspect of restructuring our human resources investment strategy, Capcom raised annual base compensation by 30%. This translates directly into increased costs and expenses. Taking into account factors such as the timing of bonus payments, we expect the impact on the results for the fiscal year ending March 2023 to be approximately 5 billion yen. Although this has already been factored into the forecast for the same fiscal year, we do not view this as a simple cost increase. Considering that this measure will further drive our employees’ motivation to address various issues, this raise in compensation is an investment in human resources, and our aim is that this investment will lead to a cycle of generating

further profits and cash.

With regard to hiring, we will continue our policy of securing more than 150 new employees annually, and as we promote work style reforms, we are also considering investing in expanding development space.

● Investing to respond to business environment changes

At Capcom, we are promoting the global expansion of our sales territory and user base, but game devices and sales channels are diversifying and there are an increasing number of options for game players. Earning favorable reviews from game players enables long-term sales of content, and in order to do that, our development team works on producing game content while keeping in mind the concept of delivering a new game experience to users. Our development team already has world-class technological capabilities, and we are constantly gathering information on the latest technology, including peripheral areas that can likely be used in games. We will continue to flexibly and swiftly invest in these areas.

Similarly, we are focusing on user trends in our sales activities, as we must grasp user trends and implement responsive measures quicker than ever before. We have already started research into AI and other methods to speed up data collection and analysis, and we will actively invest in order to expand the data collected and capture more detailed and wide-ranging user trends. We are taking proactive steps to acquire the skills and know-how that we lack, including securing external resources. In that sense, we are continuing to enhance our security levels, remembering the harm caused by the unauthorized access of our network in November 2020. We will continue to steadily strengthen our security measures going forward.

● Investing in brand expansion and penetration

Capcom’s game sales have already expanded to more than 200 countries and regions as of the start of the fiscal year ending March 2023, and the annual number of different titles sold has exceeded 300. In order to achieve sustainable growth, the core of our tactics is to expand sales across the entire world. Going forward, it will be important to increase sales volume in the various countries and regions in which we sell. For example, in areas where the current annual sales volume is less than 100 units, we want to grow sales to more than 1,000 or 10,000 units; likewise, in countries and regions where annual sales are less than 1,000 units, we want to grow volume to more than 10,000 or 100,000 units.

One of Capcom’s strengths are the numerous,

strong IP that we possess, but if we look across all of the individual countries and regions in the world, we still have to work to penetrate and expand our game brands as well as Capcom's corporate brand. As one measure toward brand expansion, we have entered into sponsorship agreements with the Japan Volleyball Association, which supports the Japanese national team as they travel around the world in competition, and Cerezo Osaka, which is developing an Asian strategy in the operation of its soccer club.

In addition, we also believe it is important that we establish an environment in which we can demonstrate the synergistic effect of our game sales business and its peripheral businesses.

For example, in April Capcom announced the establishment of Capcom Pictures Inc. to strengthen our media business. The main aim here is to further expand our brand by adding in-house production to our media business model, which had primarily been a license-out model until now. Specifics will be provided along with the progress we make moving forward, but similarly, we will also link our eSports and licensing businesses.

Addressing ESG & SDGs

At Capcom, we would like as many people as possible around the world to enjoy our game content, and it is from that perspective as well that we will continue to be proactive in addressing ESG and SDGs. When we first launched our policy to expand and strengthen digital sales five years ago, we were also thinking about how digitalization would reduce the use of plastic resources. In recent years, the issues surrounding climate change are being taken very seriously. From June 2022, in our buildings in the Kansai region that house mainly development divisions, with the support of Kansai Electric Power Company, we have implemented CO₂-free electricity derived from renewable energy sources.

We will continue to actively examine what

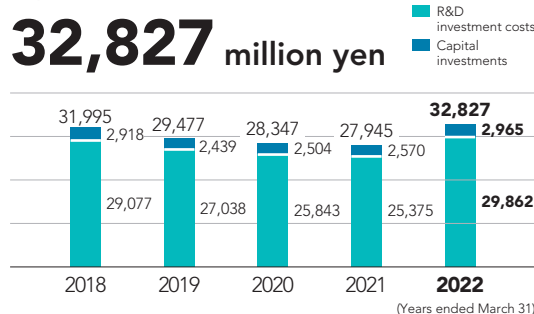
Capcom can do as a company regarding these issues from the perspective of corporate citizenship.

Regarding shareholder returns accompanying corporate growth

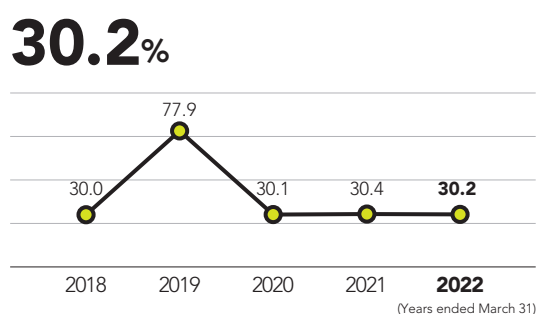
Our approach to shareholder returns remains the same. We will continue to strive for stable dividends with a basic policy of maintaining a consolidated dividend payout ratio of 30%. As of the fiscal year ended March 2022, we have achieved six consecutive years of increased dividends, if you take stock splits into consideration, and we hope to continue to achieve steadily increasing dividends by continuing to demonstrate stable growth performance. I recognize that acquiring treasury stock is one of the most important policies that contributes to return of profits to shareholders, so we will take the appropriate action as opportunities arise when we can determine that it will contribute to an increase in stock value, as we have done in the past. Meanwhile, we have been reviewing the specific ways and appropriate timing of treasury stock use, and from the fiscal year ending March 2023, we have introduced a stock grant ESOP trust that issues company stock to employees when they have reached a certain number of consecutive years with the company, or reached a certain position, or at the time of their retirement. In addition, all 4,387,353 shares of the Company's stock we acquired in June 2022 have been cancelled.

According to our estimates, as of the fiscal year ended March 2022, the cost of capital (WACC) was 4.69%. We focus on ROE rather than ROIC because of Capcom's high capital adequacy ratio and small amount of debt, and our ROE for the same period (24.4%) far surpasses this number. We will continue to achieve our medium-term goal of a stable increase in operating profits each year, which will help us maintain our high standards and meet the expectations of our shareholders.

Capital investments / R&D investment costs (million yen)



Total return ratios (%)





Yoichi Egawa

Director and Executive Corporate Officer in charge of Development Divisions and Pachinko & Pachislo Business Divisions of the Company

Development

Strengthening R&D human resources to stably produce global IPs that support performance growth

Development strategy flow



Cultivate the next generation of R&D leaders

Train globally competitive developers through our new human resources investment strategy

→ For details, please refer to "Hiring Activities" on p.49 and "People in Development" on p.50.



A world-class development environment

An unparalleled, cutting-edge creative environment

→ For details, please refer to "Development Environment" on p.50.



Continuously evolving technical research

Honing the essence of our brands and providing unprecedented experiences with our creative and technical capabilities

→ For details, please refer to "Technical Development" on p.51.





Hiring activities

Training globally competitive developers through our new human resources investment strategy

Over 100 developers hired annually

Internal Branding	Training that concretely defines the value presented by our brands to ensure our teams understand the kind of fun we should aim to provide. Passing on our development DNA to the next generation of creators.
Personalized Human Resources Data	Curriculum that effectively supplements experience and skills gaps based on a combination of information gathered on each individual's characteristics to develop high performers early in their careers.
Improved Organizational Capabilities	Short-term intensive programs for new hires to acquire job-specific skills and become more effective earlier in their careers through on-the-job training. Additionally, strengthening our management system to provide better care for new employees.



Globally competitive development capabilities



Nobuyuki Matsushima

Managing Corporate Officer
Head of R&D Management Division

Passing on the Capcom DNA to the next generation while building world-class skills and sensibilities for new employees

In order to continue providing the global market with content of value, we must channel our efforts into maintaining world-class development capabilities. We do this by passing on our DNA—encoded to create the world's best entertainment—to the next generation of creators while integrating it with the skills and sensibilities that new talent bring with them. To that end, we have to secure new human resources who possess diverse values and sensibilities, and how we train them will be critical. Under our new human resources investment strategy, the R&D Human Resources Department works for everyone who is engaged in development, and has begun refining our environment and training curriculum alongside the managers within development. This will enable our people to acquire essential skills and techniques based on the key concept of understanding what sort of entertainment players enjoy regardless of language or culture, within a world where we can connect with anyone, anytime, anywhere.

Three training policies that strengthen competitiveness

There are three human resources training policies: improved organizational capabilities, personalized human resources data, and internal branding. In our training for new employees, we offer short-term intensive programs to acquire job-specific skills and on-the-job training to help them become more effective earlier in their careers. Additionally, we are building a system of management to provide follow-ups and care for new employees, and other measures within our training to improve our organizational capabilities. Next, we have taken on a new initiative to promote the personalization of human resources data.

In addition to analysis of centrally managed human resources data, we have also started to strengthen analysis of predictive information that incorporates marketing concepts in order to create an environment that can manage talent strategically. Analyzing competency, which is a behavioral trait of high performers, we are implementing a curriculum from the perspective of how to train people as high performers as early as possible to effectively supplement gaps in experience and skills based on information gathered on each individual's unique combination of characteristics.

And most importantly, we are strengthening our internal branding efforts with the next generation of creators in order to pass on our content development DNA. We are conducting training to help employees understand the sort of entertainment we aim to provide by concretely identifying the value of our content and channeling that into game development. In addition, we are putting effort into building an environment where employees can learn more effectively about the world-class technologies required for next-generation development; for example: geometric optics, rigid and fluid body dynamics and kinematics, network technology, AI, information security, and data analysis.

Honing our sensibilities to connect to the world with unique emotional experiences

The curiosity to continuously pursue the essence of fun and the courage to constantly challenge yourself. Capcom wants people with these aspirations. Each of our employees is honing their sensibilities to connect with the world on an emotional level as only Capcom can do. We are creating a training environment where the people who make up the foundation of our company can utilize their skills and curiosity to drive one another to be better, so that we can continue to create play that has value. The entire company is working toward this goal together under the flag of the new human resources investment strategy.

People in
Development

Capcom's employees thrive in an environment that encourages learning and taking on challenges



Chikako Kijima

Gimmick/Level Designer
Game Development Section 5
Game Development Department 1

<Credits>

Resident Evil 7: Biohazard
Resident Evil 2
Resident Evil Village

Creating never-before-seen games with teamwork

When I applied to Capcom, I did so because no other company provided the opportunity to work on games with the same level of cutting-edge graphics. Since joining, I have primarily worked on the *Resident Evil* series, which continues to captivate the world through its state-of-the-art technology, and I am responsible mainly for creating backgrounds and gimmicks. I really felt the pressure when I was appointed Lead Gimmick Designer for puzzles for the first time on *Resident Evil 2*, but I also realized that communication and teamwork would be critical to succeed. I strove to coordinate with my team and together we pulled it off, leading to a great reception from players, which made me immensely happy. Two years ago, I returned to work after giving birth and taking childcare leave. The environment is just as rewarding as it was before; this is where I want to continue creating new games while squaring off with new challenges, making use of the skills I cultivated during my work on game series.



Masanari Murakami

UI Designer
Game Development Section 2
Game Development Department 2

<Credits>

Dragon's Dogma Online
Resident Evil 2

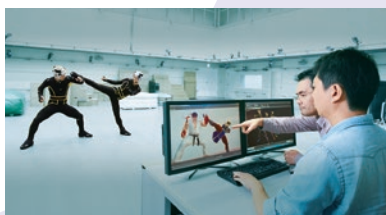
Further increasing the appeal of a game with new UI

I get to be involved in the development of titles I often played in my personal life, such as *Resident Evil*. This brings real satisfaction to my work as Lead UI* Designer, where I am responsible for creating the control interface environment for players. During my third year at the company, I was appointed as Lead UI Designer for the first time on *Resident Evil 2*. I was nervous, and I felt unsure about the design direction, but as I consulted with more senior employees, I grew more capable in devising solutions that I felt satisfied with. At Capcom I am surrounded by colleagues who share the same vision of creating good games, and the environment allows me to do this while exchanging ideas and opinions, which drives all of us to improve. As I continue to learn from the diverse experiences of my highly skilled senior team members, I will also continue to pursue innovative, easier to use UI.

* UI is the abbreviation for User Interface. UI designers coordinate and design display screens and control methods for exchanging information with users.

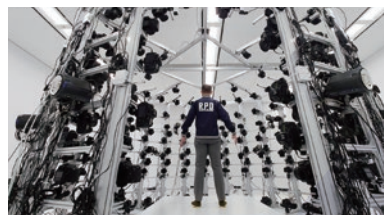
Development
environment

One of the world's leading creative environments



Our motion capture studio reproduces realistic movement of people and objects

At our motion capture studio we use infrared cameras to detect the movements of people and objects in the real world and convert that into computer data. We have one of the largest studios in Japan, which boasts a 7-meter high ceiling making it possible to film wire-based acrobatics, stunt falls, and other actions performed from great heights. This allows us to pursue realistic motion in our characters and objects.



3D scanning studio reduces workload while raising precision

Our 3D scanning studio is one of the world's largest and is equipped with approximately 310 cameras. Photographing people from 360° enables us to scan them as 3D objects. This significantly shortens the CG modeling process and allows us to pursue an even higher level of precision and quality.



The Dynamic Mixing Stage: our 3D audio booth

We use a cutting-edge Dolby Atmos system, which can also be found in movie theaters, and which uses binaural technology capable of reproducing sounds with such reality you feel as if you are right there. This enhances the immersive feel of a game by influencing players' aural perception in addition to their visual perception.



Honing the essence of our brands and providing unparalleled experiences with our creative and technical abilities. We continue to take on new challenges with our original content—from Osaka, to the world.

Executive Corporate Officer,
head of Consumer Games Development Division 1 and Technical Research Division

JUN TAKEUCHI

A long-time veteran of the *Resident Evil* series, he now oversees Consumer Games Development Division 1 and the Technical Research Division. He was appointed to his current position in April 2022 and is focusing on global strategy, development management, and technical management.

Delivering games that capture Capcom's true essence to the world

Creating titles that resonate with players around the world is the idea that drives our game development. Today, our titles are sold in more than 200 countries and regions, and Consumer Games Development Division 1, which I oversee, has long been focused on creating games for the global market, producing numerous brands that have been immensely popular overseas, such as the *Resident Evil* and *Devil May Cry* series.

I am grateful that the *Resident Evil* series, which boasts a total of 127 million units in sales (as of June 30, 2022), has been loved by players around the world for over 25 years. Even today, what people want from the series remains unchanged: an overwhelming experience of terror. Added value, such as entertainment, is also important, but the key to becoming a long seller is pursuing the essence of a title. I believe that the essence of this series is terror, which is a feeling that can be understood throughout the world. While developing *Resident Evil 7 biohazard* (*Resident Evil 7, below*), our theme was returning to our roots, and as developers, we took another look at the true essence of *Resident Evil*. The result was an immersive and terrifying experience highly acclaimed by users around the world that became a hit title selling more than one million copies annually since it was released six years ago. Looking to the future, as part of our research into cutting-edge technology we took a proactive approach to

supporting VR and providing a terrifying experience in a variety of ways.

In addition, the 2019 release of *Resident Evil 2* was not simply a remake of the longstanding popular title. We challenged ourselves to find the essence of the series and provide a new terrifying experience more realistically and dramatically using the technology available to us today. Development was a series of trials, but we made good use of the experience we acquired with *Resident Evil 7*. The resulting game was well-received by users, going on to sell more than 10 million copies worldwide.

While each title in the *Resident Evil* series has its own complete story, all the stories in the series are also connected. Therefore, in providing remakes our aim is to give newcomers to the series a chance to learn the larger plot line of the series that fans already know. *Resident Evil Village*, released in 2021 as the sequel to *Resident Evil 7*, also earned great acclaim worldwide from the time it was launched. I believe that this game also has the potential to become a long-selling global hit, joining the ranks of the other titles discussed here.

In terms of sales as well, with the global popularization of digital sales, we now have an environment where people can play the games they want to, when they want to, regardless of country, region, or how long ago the game was released. Furthermore, with the promotion of our multi-platform strategy, we are working to allow all users to start playing new games on the day they are released, regardless of what hardware they own, by aligning release dates across all hardware.

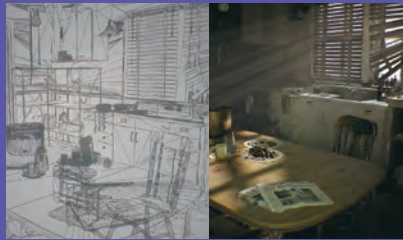
RE ENGINE: Our proprietary game development engine that makes the impossible, possible

The “RE” of RE ENGINE includes the concept of “reaching for the moon,” of using this engine to make the impossible, possible. The engine supports high-fidelity visual expressions, VR and other cutting-edge technologies, as well as multi-platform development. Capcom’s game development and engine development teams work together to constantly upgrade the engine to suit each title. The engine is always evolving with the aim of making it simpler and easier to develop advanced technology and create globally competitive titles.



The potential of RE ENGINE

RE ENGINE was created with the goal of developing all our titles with this single engine. It is designed to maintain compatibility by modularizing its different functions by title.



The advantages of in-house development

The engine is customized to develop the content that we want with more speed and ease. Cloud computing makes it possible to increase capacity when needed, supporting the development of multiple titles. It can also flexibly accommodate additional future platforms.

We have streamlined our development environment by simplifying complex technologies to make them easier for developers to handle.



Leading-edge graphics

We are creating photo-realistic visuals, intricately reproducing images using simulation techniques, including ray tracing and radiosity, to perform complex processes, such as light diffusion and refraction. The research, development, and adoption of various leading-edge technologies keeps us ahead of the changing environment.

Continuously evolving our content to keep pace with the values and technology of the times will generate titles that will be universally enjoyed around the world going forward.

Leveraging the full potential of creators’ sensibilities and bringing new games to the world

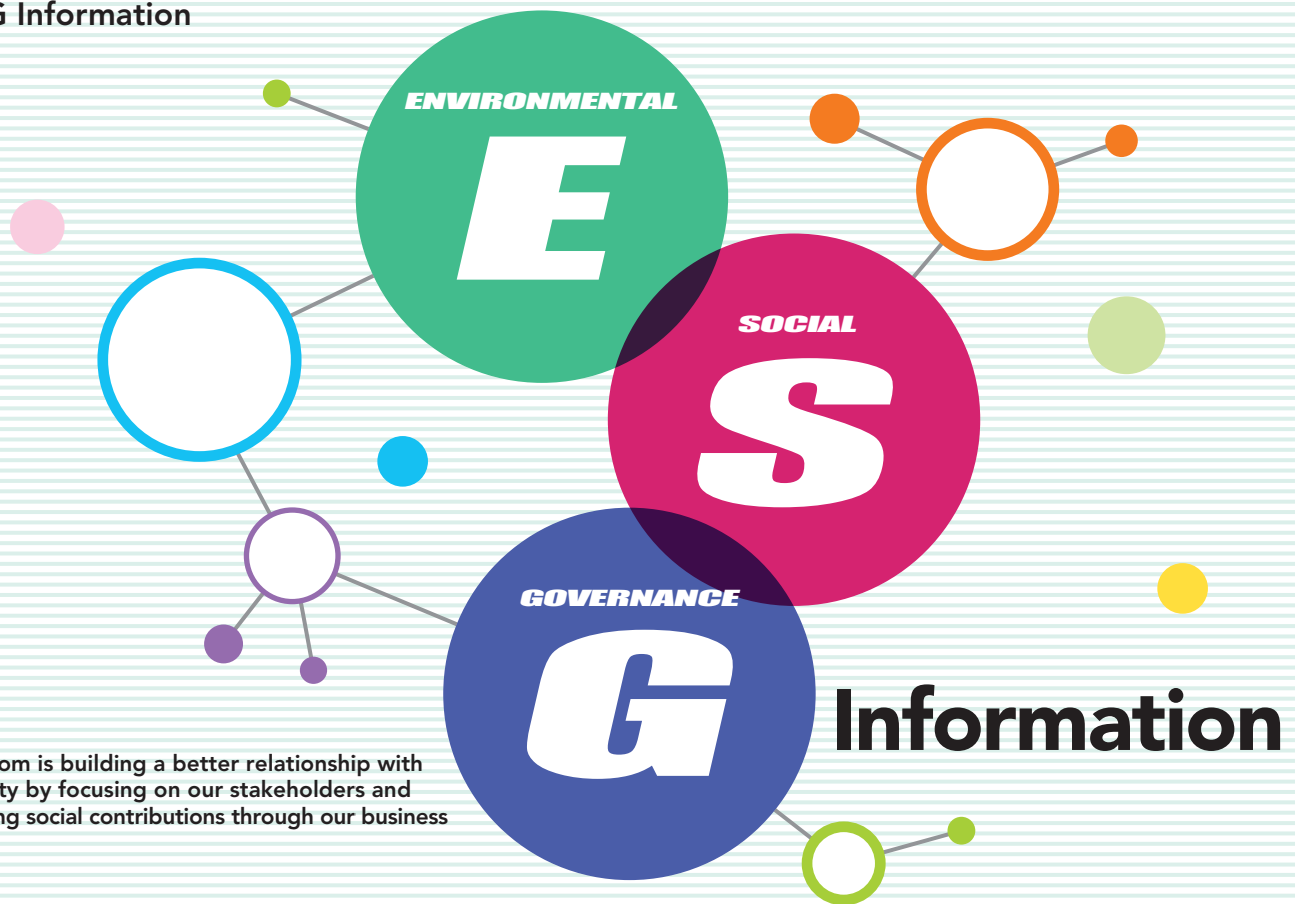
The cornerstone of development is people. At Capcom, we have adopted an agile development system that allows us to assign personnel to titles as they are needed in order to create an environment where each and every employee can demonstrate their talents and abilities. Being a flexible organization has significant advantages in terms of game development as well employee motivation. Our training method also changes in accordance with personality as we aim for a system that can further enhance an employee’s strengths. For example, young employees are taking on the challenge of creating the new IP currently under development, *Pragmata*. The girl that appears in the trailer video of the game was not produced with our standard 3D scan method, but rather was created by younger employees from scratch using a completely different approach. These digital natives are bringing a breath of fresh air to Capcom with their unique sensibilities.

While focusing on the detailed craftsmanship of a game is important, in order to make a title successful as a business it is also important to have an objective sense of balance and take in the big

picture. There are three basic rules for game development that I share with younger employees: 1. games that provide something completely new provide value, 2. games should be entertaining to people around the world, and 3. by building a track record for yourself, you can create the games you want to create. I want them to approach development from the player’s perspective, while instilling Capcom’s true essence into our games.

In addition, I consider employees’ health of the utmost importance, and in step with our human resources investment strategy we are promoting the creation of a comfortable work environment with enhanced benefits and thorough labor management. The proportion of non-Japanese members on the development team is rising, and I am proud to have an environment where better game development can take place based on diverse values. I believe the role of the development division is to maintain diversity while providing the world with games that leverage Capcom’s strengths as a Japanese game producer.




One of the directions for game development going forward is for users to have fun interacting with one another within a game world. People will gather around a certain theme and enjoy games as if they live in that space. These will be content-first games. Beyond that, we are aiming for development that raises players’ expectations and makes them wonder what kind of fun Capcom will provide next.



Capcom is building a better relationship with society by focusing on our stakeholders and making social contributions through our business

ESG Initiatives and Future Challenges

◆ Material Issues Green : Securing and Training Human Resources Pink : Promoting Diversity
Blue : Developing Healthy Relationships Purple : Enhancing Corporate Governance

Initiatives	Contribution to Business/Management	Future Challenges
 <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 ● Reduced resources consumed through the promotion of digital sales ● Introduced electricity sourced from renewable energy in the head office area 	<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
 <p>Relationship with Employees</p> <ul style="list-style-type: none"> ● Actively employed non-Japanese citizens ● Improved the ratio of women in management positions ● Held Health and Safety Committee meetings ● Implemented staff training ● Implemented discretionary work system ● Implemented working from home ● Revised compensation system <p>Relationship with Customers</p> <ul style="list-style-type: none"> ● Compliance with the CERO ratings system ● Formulated guidelines with industry groups ● Supported community building by promoting the spread of esports ● Monetized without high-pressure microtransactions <p>Relationship with the Regional Community</p> <ul style="list-style-type: none"> ● Welcomed children participating in Company Visits to our offices / held Guest Lectures at schools ● Developed online educational support activities ● Leveraged Capcom content in regional revitalization efforts ● Supported senior citizen community formation with video game arcade tours ● Donated to/sponsored various organizations 	<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"> ● Increasing the percentage of women in management positions ● Strengthening recruitment of global-ready workers
 <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 the Nomination and Remuneration Committee (voluntary) ● Established the Information Technology Security Oversight Committee for ongoing enhancement of information security ● Appointed female external director 	<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"> ● Further education of users, consumer groups, government entities, etc. ● Further promotion of regional revitalization using Capcom content

▶ Please refer to "ESG Highlights" on pages 15-16 for details on the KPI for material issues

Environmental Action as an Entertainment Company

Capcom's Digital Contents business accounts for approximately 80% of the Group's consolidated net sales and primarily entails the development and sale of software. This means that Capcom's environmental impact and environmental risks are lower than the general manufacturing industry.

Given this situation, we have worked to reduce our environmental impact by promoting digital sales of content as well as by replacing equipment. This is in-line with our management philosophy of creating an entertainment culture through the medium of games by developing highly creative content that excites and stimulates your senses.

We will continue actively working to solve issues common to society such as climate change, which is a growing problem, while referring to indicators and frameworks such as the TCFD recommendations.

Reducing CO₂ emissions

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. The fiscal year ended March 2022 saw our CO₂ emissions increase compared to the previous fiscal year due to opening new amusement facilities and to a rebound in power consumption following comparatively lower levels in the previous fiscal year that were associated with COVID-19. However, we are steadily reducing our emissions.

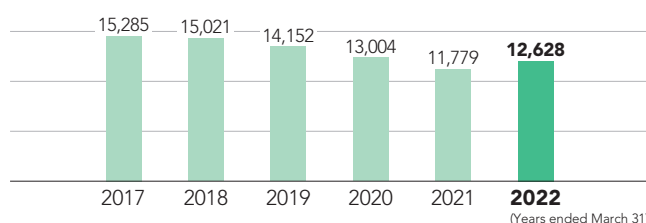
* Assumes energy consumption of 100% without introduction of this equipment.



Promoted energy-saving initiatives, including switching to LED lighting at each workplace

Capcom's CO₂ Emissions (Non-consolidated) ⁽¹⁾

12,628 t



Rated "S Class" seven years in a row by the Business Operator Class-Based Assessment System

Every year Capcom has achieved steady reductions to its energy intensity. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for seven 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).

(Non-consolidated)

FY	Energy Intensity*	Vs. Previous FY
2016	0.06018	98.6%
2017	0.05994	98.1%
2018	0.05869	97.9%
2019	0.05583	95.1%
2020	0.05186	92.9%
2021	0.05497	106.0%

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

Innovations in Product Distribution

Conserving resources through digital sales of game software

In the past, games included a printed instruction manual inside the package, but in recent years, these manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 32.60 million game units' worth of paper manuals annually.

In addition, the increasing popularity of digital sales, where games are downloaded after purchase, has made it possible to conserve resources used to produce discs, semiconductors, software packaging, and other components in addition to paper resources.

In the fiscal year ended March 2022, the resources used in the equivalent of around 24.60 million units of game software were conserved as a result of digital sales.

Moreover, digital sales eliminate the need to transport physical products from factories to stores or warehouses, allowing us to simultaneously reduce both costs and greenhouse gas emissions.

We will continue promoting digital sales of game software with the aim of achieving effectively zero resource consumption in the future by selling solely via digital download.

Relationship with Employees

Development and Manufacturing Initiatives

Reducing the environmental impact of pachislo machines

In solidarity with the efforts of the Japan Pachislo 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.

Status of disposal of used arcade game machines

Year	Amount recycled	Thermal recycling*1
2016	77.9%	22.1%
2017	74.4%	25.6%
2018	83.7%	16.3%
2019*2	00.0%	00.0%
2020	99.77%	00.0%
2021	91.6%	8.2%

*1 Volume used as heat source for hot water, heating, etc.

*2 Capcom switched to new cabinets in fiscal 2019, so there was no collection of used arcade game machines.

Promoting workplace proximity

At Capcom, we encourage employees to live within five kilometers of their place of work and to commute by bicycle. As such, we have arranged company housing near our offices and built bicycle parking close to our R&D facilities. The primary goal is to promote a proper work-life balance by shortening commuting distances, but at the same time, it also helps reduce greenhouse gas emissions associated with use of transportation.



Bicycle parking

Utilizing electricity sourced from renewable energy

In October 2020, the Japanese government pledged to be carbon neutral by 2050. The goal is to realize a carbon-free society by 2050 and effectively eliminate greenhouse gas emissions.

Realizing carbon neutrality will require the introduction of renewable energy that does not produce CO₂ emissions.

At Capcom, we began using CO₂-free electricity sourced from renewable energy at the buildings we own in the Kansai area in June 2022. As a result, around 27% of the power we consume in Japan is now provided by renewable energy.

Providing a Pleasant Workplace

Promoting work-life balance

Creating entertainment culture requires that creators themselves make time for play.

At Capcom, we have established Paid Leave Promotion Days and encourage employees to take extended leave to refresh and look for new sources of inspiration during the year-end/New Year's holidays as well as during the series of holidays in May. Additionally, we have built a four-story bicycle parking facility near our development studios and encourage our employees to live within a five-kilometer radius to shorten commuting times. This saves time and living costs while giving creators the free time necessary to cultivate their creative powers and imaginations, which is essential for creative work. Moreover, we opened Capcom Juku as an on-site daycare facility in April 2017 to provide a stable workplace environment for creators. As it is located close to work, it provides peace of mind for employees who are married or have children and has been well-received by those who have utilized it.

➔Please refer to the information below or page 54 of the 2018 Integrated Report.

Supporting employees' health management

The employee cafeteria was renovated in 2015 when the new development studio was completed. Healthy meals are served for breakfast, lunch, and supper. There is also a massage room staffed by nationally-certified massage therapists at both the Tokyo and Osaka locations to support our employees in managing their health.

Fulfilling employee potential in a cutting-edge environment

The biggest thing when it comes to motivating developers working in a creative field such as games is access to an environment that allows them to bring their ideas to life. Capcom maintains a cutting-edge development environment that includes 3D scanners, a motion capture studio, a dynamic sound mixing stage, and a Foley stage. In this way, we support our creators in fulfilling their vision.

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, desiring to provide an environment in which employees can raise their children with peace of mind while remaining employed over the long term. We operate Capcom Juku 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, 2022, the school takes care of 23 children a month and accepts as many as 15 temporary pupils a month.

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.

Promotion of Diversity

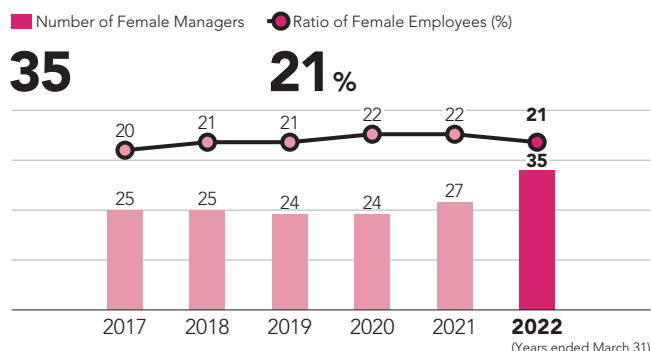
Initiatives aimed at promoting the improvement of the work environment for women and proactively hiring foreign nationals

Capcom is currently engaged in initiatives aimed at improving the work environment for women and proactively hiring foreign nationals.

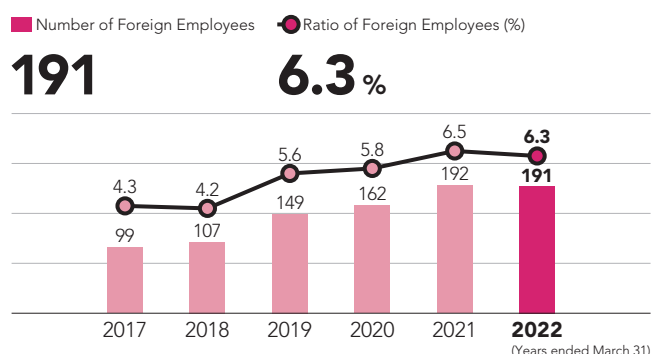
In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company. In fiscal 2021, 41 employees took childcare leave, 20 of whom were men, and 100% of eligible women took childcare leave (fiscal 2020: 34 employees, 17 of whom were men and 100% of eligible women took leave). The ratio of women who returned to work afterwards is also high: 34 (97.8%) returned in fiscal 2021 (fiscal 2020: 31 (96.9%) returned). 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 35 (12.5%) of Capcom's managers are women. In accordance with the execution of the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace, in 2019 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) developing a personnel system that contributes to diversity in work styles, and (2) having women comprise at least 15% of managers by the end of fiscal 2024. 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 foreign nationals, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 188 foreign nationals (representing 6.2% of our employees). Going forward, we will create a system for improving motivation and work on promoting diversity, including support for career advancement and the promotion of foreign nationals to management positions.

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



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



Capcom Voices

Anoop Manalvathukkal

Technical Artist
Advanced Game Development Section,
Game Development Department 1



As a technical artist, I create things such as character "rigs"—the skeletal structures that allow them to move—and other tools that help bring the characters in our games to life. One project I'm especially proud of is a tool my team conceptualized and built to help animators more efficiently manipulate character models. We were able to present the finished product to the development team in earnest for use on *Resident Evil Village*. It was truly satisfying to both receive a positive reaction from our fellow developers and to see my work make a difference.

Working abroad is challenging personally and professionally, however my team has been very supportive, helping me to build relationships while I work to develop myself as a professional and take on new responsibilities. I look forward to continuing to help deliver the absolute best experiences possible for the players—we have a lot in store that I'm sure will excite you.

Capcom Voices

Petr Zapotocky

Rigging Technical Director
Advanced Game Development Section,
Game Development Department 1



As a Lead, I strive to foster a team environment where others can grow, making sure the right person is assigned the right task and working to ensure my team members' wellbeing and satisfaction. At the same time, I'm also deeply committed to providing the very best quality on the creative side.

The work of any technical artist is best shown when people don't notice it, because they're completely immersed in the visuals. But producing the muscle and clothing of a character is a battle that takes place on a scale of milliseconds. Cloth simulation in particular is difficult and was of special focus for us on Resident Evil Village, where we much improved on our cloth simulation system, with great results.

It's our mission to produce ever greater realism for our fans, and I hope we can continue to do so in our upcoming titles.

Miwa Hara

Senior Manager of
Game Development Section 4
Game Development Department 1



When your work is development, and you're creating something from nothing, you have to have an open team. While there are some advantages to online meetings, which became prevalent during the COVID-19 pandemic, they tend to make it more difficult to get a temperature reading on the team and gauge reactions. We take care to carefully observe whether each person understands what's going on and voices their opinions, so when it comes to matters that involve the core elements of the game, we go with face-to-face meetings where we avoid close contact.

It's not easy to create a new game. You have to keep experimenting, and it's like attempting to climb a mountain you don't know can be climbed. Still, I have a solid sense now that everything I've gone through in the past has become a source of encouragement to help me take on these challenges. For that reason, I believe it's my role as project manager to establish an environment in which every member of the team can express their thoughts and ideas without hesitation and to make sure that they can flourish.

Thomas Veraart

Data Analysis Team
Data Analysis Section
Marketing Strategy Department



Video games were my introduction to Japan, and as a longtime Capcom fan joining up felt only natural. Living and working abroad can be daunting but Capcom's facilities have made some aspects easier, as I've been able to take advantage of onsite daycare at Capcom Juku, which my daughter attends daily.

I've had a wide range of experiences since joining, working on everything from our push into digital sales to business development. I'm especially proud of the deals I worked on with first-party platform holders and building our relationships with PC hardware partners. More recently, I've even had the opportunity to be producer—though now I'm also involved in market data analysis and planning, which is sure to present new challenges and victories.

Looking ahead, I hope that by bringing my perspective I can contribute to building an even more agile, global-facing company because this is the kind of place where driven people with ideas can make a difference. If you're interested in joining me, I'd love to see you here.

Yuko Yasuda

Senior Manager of Trademark &
Copyright Section
Intellectual Property Department



The Trademark & Copyright Section is engaged in intellectual property management operations, including trademark research and patent applications for product names and use of copyrights inside games, to support global development of game content.

In recent years, it has become popular to stream game play on video sharing sites, which led us to create video guidelines for people as one way to support the activities of game fans.

In addition to the specific tasks you're in charge of, a manager has to do many things, from budget management to improving the efficiency of operations. On the other hand, in recent years, we have also incorporated remote work, which has provided me with more latitude in my daily life, so I can have supper with my family and spend more time with my children. This has allowed me to balance childcare and work.

There is currently a male employee in the Intellectual Property Department taking paternity leave, which really crystalized for me the idea that our working environment is conducive to raising children. I hope to continue growing together with Capcom.

Relationship with Customers

Considerations in Game Development

In-game purchases

In the Japanese game market, discussions have been taking place for some time on the problem of gacha, or high-priced lottery-style game mechanics, primarily in mobile games. Overseas, gacha-like “loot boxes” have been banned in some countries.

As a creator of entertainment culture, Capcom believes that games should be enjoyed for the entertainment value they provide with gameplay, not for thrills associated with winning a lottery. We do not want to see games that are supposed to make people happy having the opposite effect as a result of excessive charges. For that reason, we are working to ensure that all users can enjoy our games fairly and safely. In principle, we minimize gacha elements in the mobile games we develop; in our home video games, we provide any content required to enjoy the full game free of charge, while offering some additional content at low cost.

Localization and culturalization

Capcom games are enjoyed worldwide. In the fiscal year ended March 2022, the percentage of home video games sold overseas was 83.1%. Naturally, translation (localization) of video games developed in Japanese is required so that game players around the world can enjoy them. The volume and importance of localization is increasing year after year due to factors such as improvements in game machine performance, support for online gameplay, and an increase in the number of languages accompanying a more diversified, global audience. As such, Capcom’s localization team is involved in game development from the initial stages.

By carrying out localization concurrently with development, rather than following completion of the Japanese language version as had been done in the past, Capcom is able to launch games simultaneously around the globe. What is more, depending on the country, simply translating games developed under Japanese norms can end up hurting users unexpectedly due to historical, religious, or cultural differences.

As such, we focus on employing staff from around the world to culturize the games so that they can be enjoyed by all, regardless of locale.

Healthy Development of Entertainment

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 game platforms 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 on blockchain games	Enforced July 1, 2021
Guidelines for Real Money Trade Measures	April 26, 2017
Guidelines for the Protection of Minors	December 21, 2016 Revised March 27, 2019 Revised April 1, 2022
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 information on its activities.
https://www.cesa.or.jp/index_e.html

Addressing the WHO’s recognition of gaming disorder

In May 2019, the World Health Organization (WHO) included gaming disorder as a new mental health condition characterized by excessive use of games to the point where it has a negative impact on health and social life. Cooperating with industry organizations such as the Computer Entertainment Supplier’s

Association, we are taking the appropriate steps to raise awareness of the issue in response to social demand. As an independent effort, we will continue to educate elementary and junior high school students on how to interact with games in a healthy manner through our educational support program.

➡ For details see p. 60

Addressing addiction to pachinko and pachislo

Pachinko and pachislo are a form of entertainment that has taken root in society. At the same time, however, there is concern over players becoming addicted. For that reason, the Recovery Support Network (RSN), a pachinko addiction consultation hotline, was established in 2006 with the support of industry organizations. In addition to the launch of this free phone-based consultation service, various measures were implemented in the industry to prevent addiction. These measures included putting up posters at all locations nationwide to raise awareness of RSN, establishing a system in which pachinko and pachislo advisors (specialist staff) are stationed at each location to provide customers with appropriate information on addiction, and preparing guidelines for addressing addiction at pachinko parlors. In 2017, the Pachinko and Pachislo Industry Association for the 21st Century, which consists of 13 organizations from the amusement industry, announced the "Declaration on Pachinko and Pachislo Addiction," strengthening measures to address pachinko and pachislo addiction and declaring it as a top priority. In May 2022, the association played a central role in holding online forums on the "Special Website for the Issue of Pachinko and Pachislo Addiction," which provides an overview of addiction and information on industry initiatives. The website has rolled out various educational activities.

Capcom endorses and cooperates with these initiatives to contribute to healthy development of the industry.

Support for Community-building among Senior Citizens

Holding regular amusement arcade tours

Today, amusement facilities are becoming increasingly popular among senior citizens as spaces for communication with friends and facility staff. 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.

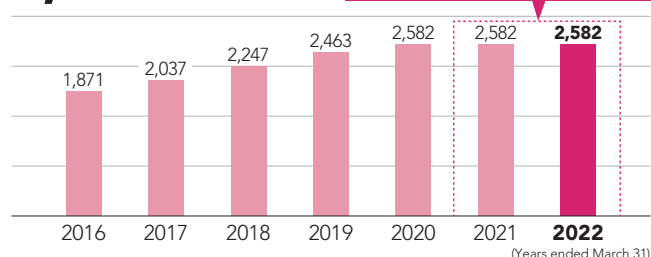
* The tours have been suspended since fiscal 2020 to help prevent the spread of COVID-19.

In addition, as part of efforts to create arcades where senior citizens can comfortably enjoy themselves, currently, 23 staff members have received Service Assistant certification.

Cumulative number of participants in senior tours

2,582

The tours were suspended in fiscal 2020 and 2021 to help prevent the spread of COVID-19.



Senior tours

Enhancing Customer Support

User support and utilizing feedback

At Capcom, we have dedicated support teams for each product to ensure that customers can fully enjoy the services they purchase.

We also strive to quickly respond to customer questions by providing online FAQ pages, while each person in charge regularly engages in information exchanges with other teams, working to improve customer satisfaction.

The questions and feedback our game support teams receive are condensed and analyzed to be incorporated in development of new products.

→Inquiries

https://www.capcom.co.jp/support/index_game.html (Japanese only)

Protecting the personal information of our customers

Capcom has more than 10 million records containing personal information on customers, accumulated from site memberships, prize deliveries, product purchases, and other sources. In 2015, the Japanese Act on the Protection of Personal Information was revised, and the revisions went into full effect on May 30, 2017.

Meanwhile, overseas, the EU General Data Protection Regulation (GDPR) went into effect in May 2018. The data of game players falls under the category of personal information in these laws, and the scope is expanding each year.

Under these circumstances, we established our new Information Management Department in April 2019 to enhance our information management structure and address the requirements of the Japanese Act on the Protection of Personal Information and the GDPR. This department is leading our efforts to address the risk of personal information leaks by developing a system of conduct guidelines, operational controls, and audits in accordance with the law.

In response to the unauthorized access of Capcom's network in 2020, improvements were made to the security system to prevent recurrence. Additionally, the Information Technology Security Oversight Committee, which includes

Relationship with Regional Communities

multiple outside experts, was established in January 2021. It holds regular meetings with the aim of further improving information security.

Expanding opportunities for customers to play games

In recent years, we have been focusing on promoting esports as part of our efforts as a creator of entertainment culture. We have the role of planning and organizing events as a game manufacturer—a role that had been largely shouldered by the player community in the past—in order to provide an environment that better allows competitors and fans to enjoy the excitement of competitions.

Since 2013, we have held Capcom Cup to determine the top players in the world. We are also working to provide amateur players with opportunities to shine, such as with the new Street Fighter League: College-JP 2019 for students, in June 2019.

Through these activities, we aim to increase points of contact with our customers and improve customer satisfaction. In fiscal 2021, we held Capcom Pro Tour Online 2021, a series of 32 1-on-1 tournaments carried out in 19 regions across the globe. We also introduced a team ownership system in the Japanese esports league Street Fighter League: Pro-JP 2021, in which eight companies form original teams that participate. In these and other ways, we are expanding the scope of our activities.



Street Fighter League: Pro-JP 2021

Promoting Healthy Relationships with Games

More than a decade of on-site classes for children in school

Games are a relatively new cultural phenomenon with little academic research, and discussions tend to focus on the detrimental effects rather than the educational aspects. Recently, recognition by WHO of gaming disorder made headlines as did the establishment of the Kagawa Prefectural Ordinance on Countermeasures for Addiction to Internet and Computer Games. However, video game creator is a popular future career choice among children, and programming and other such lessons will be made compulsory in Japanese elementary schools starting in 2020. Many private sector efforts are also underway, including opening programming academies for youth. Considering these developments, it is reasonable to expect that the number of children hoping to become game creators will increase. Additionally, smartphone use rates among young people—53.4% of elementary school students and 80.8% of junior high school students—are rising each year. Smartphone games are also gaining popularity and children are growing more familiar with games.

Given this, with a desire to promote social understanding of games, we accept visits to our offices from primarily elementary and junior high school students and conduct on-site classes at schools to promote sustainable economic growth and social development. Class programs have three sessions: Career Education introduces the work done in a game company and its challenges and rewards; Game Literacy Education helps students use their judgement to build a healthy relationship with games; and CAPCOM: Work × Mathematics shows students how mathematics—typically not a favorite subject—is used in work. These programs have been well-received with schools, and Capcom is incorporating educators' feedback to improve them. In addition, based on prior feedback expressed by educators we launched an online program starting in fiscal 2021, which also allows us to hold classes smoothly even during the COVID-19 pandemic. We will continue to launch new initiatives to enable us to respond flexibly over a wider geographical area than before.

Altogether, Capcom has welcomed 3,355 children as part of 403 different field trips to its offices (as of March 31, 2022). Capcom has also held 174 on-site classes for 15,726 students (as of March 31, 2022) including the first online class held at Kawane Junior High School in Shimada City, Shizuoka Prefecture in June 2021.

Impressions of the on-site classes (An excerpt of this fiscal year's comments)

- The students realized the importance of communication skills and classroom studies, so it was very beneficial. (Junior high school teacher)
- What left the biggest impression for me was the part about how to happily stop playing. When you talked about using big and small rewards, I was surprised to learn about such a method. (Junior high school student)
- If you were to make a learning program for tablets used at school, I think the children would be able to work on their studies with a more game-like mindset. (Elementary school teacher)

Supporting Social Welfare

Support for creating stable environments

As a game publisher, not only are children customers that play with our products but they are also potential future leaders that may become employees. Needless to say, a stable environment is necessary to play games, but education is essential for choosing a profession.

In the fiscal year ended March 2022, we donated a total of 100 million yen to three organizations that are working on the healthy development of children, including the Fund to Support Children's Future.

We also committed to provide 100 million yen to the Office of the United Nations High Commissioner for Refugees to support refugees from Ukraine whose plight has recently gained worldwide attention.

Support for Children in Need

Organization	Amount of support
Fund to Support Children's Future, Welfare and Medical Service Agency	50 million yen
Single Mothers Forum (an authorized nonprofit organization)	40 million yen
Child Center Nukku (specified nonprofit organization)	10 million yen

Support for Refugees from Ukraine

Organization	Amount of support
UNHCR, the UN refugee agency	100 million yen

* Supported through Japan for UNHCR (an authorized nonprofit organization), the official representative of UNHCR in Japan for accepting aid

Supporting the Promotion of Culture and Technology

Communicating the future of play to the world from Osaka

Capcom made the decision to support and set up a booth at the Osaka Pavilion to be opened at Expo 2025 (Osaka, Kansai Expo), which will be put together by the Expo 2025 Osaka Pavilion Promotion Committee. The theme will be "the future of play," and we will co-create content experiences that leverage our cutting-edge technology/development capabilities and global brand to communicate the future to the world.

Supporting the Promotion of Sports

Contributing to healthy mental and physical development through support for sports

In April 2022, Capcom expressed its endorsement of the goal of the Japan Volleyball Association (JVA) to foster humanity while contributing to both the healthy development of children and young people as well as to the mental and physical growth of the nation through the greater promotion and advancement of the sport of volleyball. We are supporting the activities of the Japanese men's and women's volleyball teams in Japan and abroad as well as the promotion of the sport of volleyball.

We also signed an agreement with Cerezo Osaka in August 2022 establishing Capcom as a Top Partner. We will continue to support Cerezo Osaka, the representative soccer club of Capcom's hometown, so that through both gaming and soccer we can realize our slogan of "From Osaka, to the World."



Signed an official sponsorship agreement with Japan Volleyball Association



Entered into a sponsorship deal to be a Top Partner of Cerezo Osaka

Contributions to Regional Revitalization

Utilizing the appeal and brand recognition of popular games to contribute to society

The appeal of video game content was demonstrated to the world during the opening ceremonies of the preeminent international sporting event of summer 2021 held in Tokyo when video game music was played to accompany the entrance of the athletic teams. 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.

Based on our corporate philosophy of making people happy through games, since the mid-2000s Capcom has been engaged in the following four regional revitalization activities not only in Osaka, where we have our head office, but across Japan:

1) economic promotion that supports the local tourism industries; 2) cultural awareness raising that supports education concerning local history and culture; 3) crime prevention education through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

Further, going forward we will provide support for esports activities regionally throughout Japan while looking into activities to promote regional revitalization through playing games.

Comments from a city official

Nobumichi Sukenaka

Director of Juvenile Division
Community Safety Department,
Osaka Prefectural Police Headquarters



In recent years, marijuana abuse has been increasing among juveniles in Osaka. To address the problem, the Osaka Prefectural Police have been searching for high-impact public relations content that has a high deterrent effect. Capcom showed understanding of the intent behind our efforts and created an attention-grabbing original poster for us using characters from *The Great Ace Attorney*.

The poster was picked up and covered by the media and received a big response from the public. We believe that it served as a warning to the community and was highly effective in preventing marijuana abuse among juveniles.

We are deeply grateful to Capcom. We look forward to continued support for the happy and healthy development of the youth who will lead Osaka in the future.

Regional Revitalization
Activities

Initiatives Across Japan

- 経 Economic Development
- 文 Cultural Awareness Raising
- 防 Prevention Education
- 選 Participation in Elections
- 他 Other

Supporting regional revitalization using the appeal of
Capcom video game content