

CHO COMMITMENT

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Our Human Resources Investment Strategy: Reviewing the Results of the Past Year and Looking Ahead to Even Greater Heights

The importance of investing in our people

As the CEO correctly points out, investing in human resources is critical for further evolving and developing Capcom's businesses.

With the objective to further increase quality in development and amass technical knowhow, 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 2023, the company had 3,517 employees on a consolidated basis and 3,196 employees at Capcom alone, of which 2,666 work in the development division. In order to achieve our management goal of increasing operating income by 10% each fiscal year and our medium- to long-term management goal of 100 million units in annual sales, we must continue to develop high-quality games while we secure talented people in development to grow our pipeline.

The game industry has undergone significant changes over the past decade and forecasts suggest that these changes will accelerate even further in the next decade. In order to address these changes, not only Capcom's development but also the business and administrative divisions need to grow. Moreover, the consistent income and business synergies provided by peripheral businesses, such as Arcade Operations and Amusement Equipments, are also essential, while diversity in the workforce will become ever more important.

Restructuring of our human resources organization

While our business performance grew significantly due to the strategic shift from physically packaged games to digital sales, we also needed to evolve our personnel system in line with the company's stage of growth, which included reviewing the levels of compensation per employee. Management recognizes human resources investment as an important issue, and as I conveyed in last year's integrated report, Capcom reorganized its Human Resources Department into four new departments in fiscal 2022 and established the position of CHO to oversee them. Management and these four organizations are working closely together to solve human resources related issues. Furthermore, to facilitate prompt and smooth service, we have newly established a Head of Human Resources Division under the CHO as of April 1, 2023.

Currently, discussions are being held at monthly meetings organized by the CHO to work through issues identified by each of these HR organizations. The issues discussed here are then shared with the Human Resources Committee, chaired by the Chairman of the Board, to determine a course of action and detailed measures.

Results over the previous year

As an outcome achieved during the previous year, following the aforementioned reorganization we

Trend in remuneration amount of full-time employees

Indicators	2019/3	2020/3	2021/3	2022/3	2023/3		2024/3 Plan
					7,660	Compared to 2019/3	
Average annual salary (non-consolidated) (thousand yen)	5,885	5,998	6,034	7,127	7,660	130.2%	Continue to grow
Of which, development personnel	5,843	5,948	5,991	7,137	7,657	131.0%	Continue to grow
Stock compensation points per employee	—	—	—	—	97	—	Approx.100 points
Market price converted as of March 31 (thousand yen)	—	—	—	—	457	—	—
Distribution of average annual salary (non-consolidated) (amount actually paid)							
Under 4 million yen	19.8%	17.4%	17.6%	6.5%	6.5%	-13.3pts	—
4 to 6 million yen	42.7%	41.9%	41.7%	31.8%	18.7%	-24.0pts	—
6 to 8 million yen	24.9%	26.7%	24.7%	33.7%	41.4%	+16.5pts	—
8 to 10 million yen	7.4%	8.5%	10.0%	16.3%	19.2%	+11.8pts	—
10 to 15 million yen	3.5%	4.0%	4.8%	9.7%	12.0%	+8.5pts	—
15 to 30 million yen	1.5%	1.3%	1.1%	1.8%	2.1%	+0.6pts	—
Over 30 million yen	0.2%	0.2%	0.1%	0.2%	0.1%	-0.1pts	—

made three changes to the remuneration system: namely, (1) an average increase in remuneration for full-time employees of the Company of 30%, (2) the introduction of a bonus system linked to profits, and (3) the introduction of a stock-based compensation system for employees. The introduction of this bonus system and stock-based compensation system will create a virtuous cycle in which performance growth and stock price increases due to employees' hard work being reflected in their compensation.

In addition, since fiscal 2022, we have been holding regular performance briefings to inform employees of the company's motivations for introducing the new personnel system while detailing current business performance and future growth potential. In fiscal 2022, management held 20 briefings for employees, with a total of more than 1,400 employees participating. Based on these initiatives, we have also received high satisfaction scores in work engagement on employee surveys.

Future challenges Securing and utilizing human resources who will support our future

Capcom hires about 150 new graduates every year and the average age of our workforce is 37.6 years old, which is relatively young, but in order to remain in the game industry and achieve further growth in the future, we will need to create a comfortable working environment where employees are able to thrive in their work—especially younger workers.

For example, for management-track employees, our career plan policy is to gain experience in multiple departments over the medium term, and we allocate

personnel so that talent has an opportunity to move around to different departments. Ultimately, we match employees' careers with the roles required by the company so that they can play the most active role possible.

On the other hand, in order to strengthen human resources in development, we are promoting the diversification of recruitment channels, such as stepping up scouting, rehiring retirees, and accepting interns from prominent overseas universities; we do this while also strengthening development measures by visualizing human resource requirements and designing career ladders, providing training for management candidates to improve their skills, and enhancing off-the-job-training to promote other self-development. Additionally, in order to secure and retain talent and motivate employees, we have revised the aforementioned remuneration system and reviewed the personnel assessment system to improve the objectivity and satisfaction of evaluations.

At present, we are promoting the following improvements as specific measures to create a comfortable work environment to prevent employee turnover and further enhance engagement between the company and employees.

1. Continuous improvement and expansion of work environment and facilities
2. In-house commendation system for recognizing contributions made to the company
3. Expanded harassment training and establishment of hotlines accessible globally
4. Provision of daycare and recreation places for employees
5. Continuous expansion of other benefits systems

The CHO Discusses Our Human Resources Strategy

Trend in company performance and number of employees/age distribution

Indicators	2019/3	2020/3	2021/3	2022/3	2023/3		2024/3 Plan
					Compared to 2019/3		
Net sales (consolidated) (million yen)	100,031	81,591	95,308	110,054	125,930	125.9%	140,000
Operating income (consolidated) (million yen)	18,144	22,827	34,596	42,909	50,812	280.0%	56,000
Operating margin (consolidated) (%)	18.1	28.0	36.3	39.0	40.3	+ 22.2pts	40.0

Indicators	2019/3	2020/3	2021/3	2022/3	2023/3		2024/3 Plan
					Compared to 2019/3		
Number of employees (consolidated)(persons)	2,832	2,988	3,152	3,206	3,332	117.7%	—
Of which, development personnel	2,032	2,142	2,285	2,369	2,460	121.1%	Increase by 100 every year
Number of employees (non-consolidated)(persons)	2,530	2,688	2,841	2,904	3,027	119.6%	—
Of which, development personnel	1,910	2,024	2,150	2,224	2,321	121.5%	Increase by 100 every year
Average age (non-consolidated)(age)	36.8	37.1	37.1	37.3	37.6	+0.8	—
Of which, development personnel	35.7	36.0	36.0	36.3	36.6	+0.9	—
Age distribution of development personnel (non-consolidated)							
29 years or younger	30.2%	30.5%	31.2%	31.9%	31.8%	+1.6pt	—
30s	36.3%	35.4%	35.0%	33.2%	32.6%	-3.7pts	—
40s	30.6%	30.2%	27.8%	26.2%	25.2%	-5.4pts	—
50s	2.9%	4.0%	6.0%	8.7%	10.4%	+7.5pts	—
Number of new graduate hires (non-consolidated)(persons)	145	138	198	163	163	112.4%	—
Of which, development personnel	115	109	160	139	133	115.7%	More than 100 each year

Work engagement survey results

Indicators	2019/3	2020/3	2021/3	2022/3	2023/3	Goal
Work engagement (voluntary actions and positive feeling toward work) (persons)(deviation value)	51.2	51.5	52.6	51.8	54.4	—
Ref. Survey responses (*ratio of responses for: applies and somewhat applies)						
I'm able to use my own creative ingenuity at work	—	—	—	—	88.7%	—
I work beyond my assigned role if required for work	—	—	—	—	76.0%	—
I feel enjoyment in my current role at work	—	—	—	—	70.9%	—
Employee engagement (attachment to the company)	—	—	—	—	51.8	—
Ref. Survey responses (*ratio of responses for: applies and somewhat applies)						
I feel a sense of familiarity and attachment to the company	—	—	—	—	77.5%	—
I feel fortunate to be able to work for the company	—	—	—	—	85.6%	—
Working for the company is a positive in my life	—	—	—	—	86.2%	—
Turnover rate (non-consolidated full-time employees)	4.9%	4.3%	3.9%	5.4%	3.5%	—
Of which, for personal reasons	4.3%	4.0%	3.6%	4.7%	3.2%	—
						Around 3.0

Promotion of diversity

Based on the belief that ensuring the diversity of human resources will lead to the strengthening of sustainable international competitiveness, we are also focusing on securing and utilizing women and foreign nationals in our workforce. However, the measuring stick for the diversity of human resources should not be the improvement of the composition ratio, but whether these measures make Capcom more resilient.

Since fans of our games are predominately male, the ratio of men during the application stage of recruitment is large currently; however, given this, we are considering new mechanisms to promote female employees internally, especially those who are younger. Currently, we are promoting birth-related leave, childcare leave, and shortened working hours systems to create a comfortable working environment for women, while also establishing a paid menstrual leave system, and conducting in-house training to prevent harassment. We will continue to pursue the development and active promotion of female employees, including increasing the ratio of female managers.

Currently, Capcom has about 200 foreign national employees representing more than 30 countries. To further increase this number, we provide support for relocations from overseas to Japan, introduced a special leave system for employees returning to their home country temporarily, and hold meetings to exchange opinions with management to understand the needs of foreign national employees. From the perspective of utilizing such employees, appointing local staff of overseas subsidiaries to the top management positions of these subsidiaries or creating routes where such talent can play an active

role at the head office will also strengthen our corporate structure. Thus, it will be necessary to develop foreign national human resources who have a deep knowledge of our culture.

In closing

As we look at our growth over the next decade, it is essential to improve productivity by raising employees standards in order to address various changes in the market. In addition, in order to achieve our medium- to long-term goal of 100 million units in annual sales of game software, we need to work on both improving development efficiency and expanding our organization.

To achieve these goals, it will be more important than ever to utilize mid-career hiring, and it will continue to be necessary to provide appropriate levels of compensation and an attractive workplace environment.

Currently, management is discussing various personnel issues. Last fiscal year, we were able to implement reforms, including making changes to the remuneration system, because investment in human resources is such an important issue for us. We believe that it is people who support the game business, and that human capital is the driving force behind our growth, and thus we will continue to promote our human resources investment strategy further as we move forward.

Trend in diversity related indicators

Indicators	2019/3	2020/3	2021/3	2022/3	2023/3	Goal	
Ratio of female employees	21.3%	21.6%	21.5%	21.0%	21.3%	—	Continue to grow
Ratio of female managers							
Including specialists	9.5%	9.2%	10.3%	12.5%	13.7%	—	15.0%
Excluding specialists	9.5%	9.2%	10.6%	10.7%	11.6%	—	15.0%
Ratio of foreign national employees	4.9%	6.0%	6.8%	6.6%	6.7%	—	Continue to grow
Number of countries represented	24	28	31	33	34	—	Continue to grow
Ratio of foreign national managers							
Including specialists	0.8%	1.6%	2.3%	2.5%	1.3%	—	Continue to grow
Excluding specialists	0.8%	1.6%	1.3%	1.7%	1.2%	—	Continue to grow
Ratio of managers hired mid-career							
Including specialists	55.4%	56.6%	56.7%	55.9%	58.7%	—	—
Excluding specialists	55.4%	56.6%	53.3%	53.3%	56.0%	—	—