

Creaa Report

Yoichi Egawa

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



Bolstering development personnel



Outfitting our development environment

- Enhancing our development studios**
Concentrate development divisions, increase mobility and leadership
- Proprietary development tools**
RE ENGINE enhances quality and development efficiency
- Adoption of latest technologies**
World-class, cutting-edge 3D scanning, motion capture and VR



Development policy and foundation building for creating globally acclaimed content.

Development policy

Achieving sustainable growth by balancing world-class quality and cost-consciousness

The reality of this industry is that unless a game is high-quality and appeals to people globally, it will not sell. This concept has been deeply ingrained in us as game developers since our founding more than 35 years ago. From the time I became responsible for development, Capcom has achieved significant growth with the global branding of *Monster Hunter*, the establishment of a long-term sales model for major titles, and the increased percentage of digital sales, but all of this was only possible because Capcom is recognized as the producer of some of the highest quality games in the world.

Even now, we refuse to allow ourselves to be content with our achievements and continue to work towards establishing a system for greater growth throughout the entire development organization.

In addition, I am focusing on strengthening awareness of the numbers in the development divisions. I myself come from a background in development, and creators have a tendency to want to pursue all the possibilities of creativity. Of course, this pride in craftsmanship is one of our company's greatest strengths and is the source of numerous hit titles that Capcom has produced.

However, in order to achieve the annual 10% profit growth sought by management, we cannot run the company solely on the self-satisfaction of our creators. As someone responsible for an enormous amount of investment, I do not evaluate the results from our divisions in terms of profit and loss alone; rather, by promoting productivity-conscious game development, I am furthering the soundness of the company. As a result of these efforts, an awareness of the management goals of balancing title profits and losses with the expansion of the pipeline from a medium-term perspective has now begun to permeate among those at the divisional manager level of our game development.

For the immediate future, in addition to our unwavering mission to cultivate and create IPs, we will focus our efforts on building and maintaining a network environment that supports cross-play in order to address the diversification of cloud platforms and promote strengthening continuously updated online content. In addition, I am also promoting research into leading-edge technology as we look five or ten years into the future.

With the imminent innovations in technology, the growth potential of digital entertainment is incalculable. As such, it is my intent to continue managing and fostering the development organization with the attitude of never running away and never giving up in the face of a challenge.

Development organization characteristics

Building a development environment that takes full advantage of our unique characteristics with our proprietary development engine

One of Capcom's greatest game development strengths is that we have a proprietary game development engine, the RE ENGINE.

The RE ENGINE not only makes it possible to develop high-quality games, but also based on feedback from the titles we have developed thus far, it is constantly evolving to fit our unique needs, thoroughly demonstrating the strength of our in-house engine.

Capcom is also actively investing in our research and development

buildings and equipment, leading the world's standards in terms of cutting-edge facilities. When creators and engineers team up in an environment such as this, they can achieve world-beating quality that is second to none.

→ For details, see p.38 of the 2017 Integrated Report.

Training developers

Actively using younger employees on important projects, Capcom ensures our craftsmanship will carry on to the next generation

As we consolidate our in-house technology and know-how and pass on the development DNA of popular IP that have been with us since our founding to the next generation, we are also evolving by incorporating the sensibilities of the younger generation. This concept is what has led Capcom to hire more than 100 newly graduated developers annually since 2011 and set an initial goal of achieving a 2,500-person development workforce. It takes several years of development experience until a new employee is able to stand on their own two feet as a developer, but with the improvement in game console performance, the time required to develop a single game has grown. As a result, even younger employees are now being appointed to major title and middleware (for example our game engines) development teams, which stand at the core of game development. This stimulates younger employees' growth as they gain rewarding experience and know-how working hands-on at the frontier of the industry. We have also implemented a system that supports and fosters highly skilled younger employees so that they may be selected as one of the core members leading the overall development of their next title.

Game development amid the COVID-19 pandemic

With a state of emergency declared in Japan from April to May 2020, Capcom's development division employees primarily worked from home.

Developing games requires handling large volumes of data, which limits the amount of progress that can be made working from home. Once the state of emergency was lifted, considerations had to be made for seating arrangements that followed social distancing guidelines, which meant that it was impossible for all employees to be present at once. However, by reviewing personnel assignments and staggering working hours, we were able to achieve both efficient operations and produce results as we aim to reduce the risk of delays in development.

This experience has led us to examine more productive ways of working from home, and if the pandemic should continue, we expect that we will be able to mitigate a decrease in productivity more successfully.

Home video game software sales trends (units in ten thousands)

| | 2018 | 2019 | 2020 | 2021(plan) |
|--|--|---|---|--------------|
| Total unit sales | 2,440 | 2,530 | 2,550 | 2,800 |
| Main title sales | | | | |
| <ul style="list-style-type: none"> ● <i>Monster Hunter: World</i> 790 ● <i>Resident Evil 7 biohazard</i> (catalog title) 160 ● <i>Marvel VS. Capcom: Infinite</i> 100 | <ul style="list-style-type: none"> ● <i>Monster Hunter: World</i> (catalog title) 450 ● <i>Resident Evil 2</i> 420 ● <i>Devil May Cry 5</i> 210 | <ul style="list-style-type: none"> ● <i>Monster Hunter World: Iceborne</i> 520 ● <i>Monster Hunter: World</i> (catalog title) 320 ● <i>Resident Evil 2</i> (catalog title) 240 | <ul style="list-style-type: none"> ● <i>Resident Evil 3</i> ● <i>Monster Hunter World: Iceborne</i> (catalog title) ● <i>Resident Evil 2</i> (catalog title) | |

(Years ended March 31)



VILLAGE

RESIDENT EVIL™

Fight through fear and desperation!
Resident Evil Village is a survival horror game like never seen before.

Tsuyoshi Kanda
 Resident Evil Village Producer

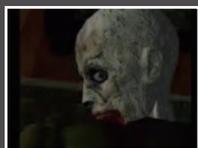
Joined Capcom in 2002. After being involved in domestic marketing and overseas-related business, was assigned to Capcom U.S.A. in 2008. Returned to Japan in 2015 and became a producer. Worked as producer on *Resident Evil 7 biohazard* and this title.

The Resident Evil series

With cumulative sales exceeding 100 million units, the series continues to shock and terrify the world!

The pinnacle of survival horror games, *Resident Evil* (titled "Biohazard" in Japan) is a game in which players face down terrifying zombie attackers, utilizing whatever means necessary to escape terrifying situations. Supported by a passionate fan base across the globe, cumulative sales of the series now have exceeded 100 million units since the first title debuted in 1996. It has also gained popularity among more than game fans through the release of Hollywood movie adaptations and attractions at Universal Studios Japan.

1996



Resident Evil

2.75
million units sold

1998



Resident Evil 2

4.96
million units sold

1999



Resident Evil 3:
Nemesis

3.50
million units sold

2002



Resident Evil 0

1.25
million units sold

2005



Resident Evil 4

1.60
million units sold

Intensifying the characters and dramatic elements with fear to captivate fans

The feelings of catharsis and achievement when, driven by the intrigue of what lies ahead, you win over your fears and continue on is at the heart of survival horror games. That combined with a game rich in characters and drama is the basic concept behind the *Resident Evil* series. Capcom's DNA is defined by rising to the challenge of crafting that which is both clearly interesting and of value; inheriting this, with each instalment in this series we devise yet unexplored fear that delivers an impact. In keeping step with the evolution of each game console generation, we endeavor to deliver the maximum of what is possible at the time. I believe this is the main reason for the steadfast support from fans over many years and why the cumulative sales of the series has exceeded 100 million units.

March 2021 will mark the 25th anniversary of *Resident Evil*. At the root of our development philosophy is the idea that we are constantly attempting new things, and as such we are approaching this new installment with the aim of providing players the world over with a new survival horror experience.

A desperate battle in a photorealistic world

Targeting a 2021 release, Capcom is currently working hard on the development of *Resident Evil Village*. This game, which hides the roman numeral VIII in the title logo, is both the direct sequel to and conclusion of *Resident Evil 7 biohazard*. Based on the concept of "desperation," we have broadened the range of strategies players can attempt to employ in their effort to survive. To increase the immersive sensation of being in the game, we have continued to employ the first-person perspective, or "isolated view," from the previous game. Furthermore, we're working to maximize the performance of next-generation consoles and have optimized game data to reduce loading times to an absolute minimum. On top of that, through synergizing high-definition graphics with 3D audio we aim to depict a frantic battle with an overwhelming gameworld unlike any seen before.

In developing the game, we continue to employ Capcom's proprietary game engine, the RE ENGINE. The engine and content have been wholly integrated, and the game has evolved along with the engine. We have high expectations that players will be amazed by the smooth controls and immersive experience.



Peter Fabiano

Resident Evil Village Producer

Joined Capcom in 2008. After working in Global Production, became involved in the development of the *Resident Evil* series. Worked as producer on *Resident Evil 3* and now on this title alongside Tsuyoshi Kanda.



Though *Resident Evil* originated in Japan, it was decided that English would be the main language for this global title. The series is so well known in America that mentioning the survival horror genre alone evokes images of *Resident Evil* among many people. In working to capture fans around the world with new horror experiences, we consider the culture and preferences of not only Japan but also the various countries in North America, Europe and elsewhere in order to develop the optimal content and promotions.

Maximizing allure for a global market approach

Our mission as producers is to cooperate with the team members in development, management and global marketing to maximize the allure of our games and communicate that to the world. This series has an overwhelmingly large market share in Europe and North America, and as we approach each region there is a special focus on North America.

As the shift to digital in global markets progresses, we are now also implementing a sales strategy to further increase the share of digital sales of *Resident Evil Village*, taking into account the significant growth in market share of the PC in the Asian region.

In addition, as development and promotion are taking place amid this year's COVID-19 pandemic, we are prioritizing the health of our team members by shifting to an online system when collaborating on production with people overseas and have made online-centered promotional activities our core, global policy. All of which is to minimize potential project delays while maximizing the effects of promotion.

Long-term, we would love to see this title reach 10 million units globally! All of us here are working—even, "fighting desperately"—hard to make this title one that will be etched in the memories of our players as the best survival horror experience ever; the perfect tribute to the series' 25th anniversary.

141 titles Cumulative series sales Over 100 million units

2009



Resident Evil 5

7.70
million units sold

2012



Resident Evil 6

7.60
million units sold

2017



Resident Evil 7 biohazard

7.90
million units sold

2019



Resident Evil 2

7.20
million units sold

2020



Resident Evil 3

2.70
million units sold

Number of titles and sales volumes are current as of June 30, 2020.

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Project management

Preparing the environment and people to move projects forward

Makoto Kadono
Deputy General Manager of R&D Department 1, Consumer Games Development Division 1

Building a game means building an organization
To create the pinnacle of horror, we need the right people in the right roles

Resident Evil Village is truly an amusement park of horror, and with an eye toward a 2021 release, our development team is engaged in our own “desperate fight” to put together all sorts of horrific, exhilarating elements for our fans to enjoy. The most important element of Capcom’s craftsmanship is people. It’s precisely because we maintain an environment that enables each and every member of the development team—made up of several hundred people—to demonstrate their capabilities that amazing games get made. My job is to collaborate with the producers and at times use my experience as a programmer to offer advice, all while keeping an eye on progress and cost. Game development grows more complex each year. What can we do to proceed more efficiently? I maintain a constant awareness of process optimization while striving to improve our world-class quality even further.

Capcom game development and

Optimal solutions for game creation

Bradley Saunders
Technical Art Director
Advanced Game Development Section

Boosting creativity using technology to tackle game development hurdles

What is it that creators want to express, and how can that be achieved? Our mission is to further develop the engine and review workflows to meet those potential needs, paving the way to making them a reality.

The RE ENGINE is outfitted with everything necessary for next-generation game development, and it plays an important role in satisfying the expectations of players and overcoming other hurdles that grow with each new console generation. Beautiful graphics are a given, however this time we have made further advances since the previous game in terms of seeking out workflow improvements, optimizing tasks so this tool functions as the heart and soul of game development.

It is our proprietary development engine that makes it possible for both our content and the engine to evolve together. We are providing optimal solutions to the team so that our fans can experience the most terrifying horror.

Advanced game development

Sales strategy



Planning and executing
a global strategy

Kosuke Nakano
Manager of Consumer Games
Sales Strategy Team 1,
Sales Strategy Section,
Sales Strategy Department

Delivering the best kickoff to *Resident Evil's* 25th anniversary worldwide

Our role is to launch *Resident Evil Village* when global interest is at its peak, while devising and executing a unified global sales strategy so that sales continue to grow after its release.

Digital strategy is one of management's top priorities, and as one of the divisions working on this we propose the timing and price points for products. After a title launches, we do not simply discount the price. Rather, we aim to maximize sales and improve brand value by first conferring with distributors and our development division to release a title at the optimal time and price, based on analysis of both market research and past data.

This title represents a new era of *Resident Evil* on next generation consoles. By providing a fresh experience perfectly suited to the dawning of a new era, and leveraging the series' 25 years of rich history, we aim to give it the best kickoff possible.

sales—working toward success

Taking on digital sales in the North
and South American regions

**William Nariyuki
Yagi-Bacon**
Senior Vice President
Digital Platforms
Capcom U.S.A.



HQ and subsidiaries come together to deliver the best value to our diverse base of fans by advancing a unified digital strategy

Our team devises and executes measures that contribute to maximizing series sales and accelerating the shift to digital. For example, making previous titles in the series, such as *Resident Evil 7 biohazard* and current-generation rereleases, easier to purchase through discounts timed with the announcement of *Resident Evil Village* in order to build anticipation among fans.

Sales promotion activities, including discount sales, are becoming more globalized; thus it is essential smooth communication takes place between headquarters, overseas subsidiaries like ourselves, and first party platform holders. It is therefore no exaggeration to say that having the most up-to-date information and the ability to make quick decisions is everything to us. There are times when we must make decisions on the same day we receive information, making the swift coordination of a consensus between headquarters and overseas subsidiaries an important part of my job.

Digital marketing