

CREATIVE REPORT

**Generating and
cultivating popular
IPs
Promoting an
enhanced digital
strategy**

Yoichi Egawa

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

*Background: The Foley Stage is where the various sound effects for games are recorded and produced. The diverse floor surfaces and myriad recording tools make it possible to recreate any number of scenes. Using the same techniques that are used in recent Hollywood movies, we are able to produce high quality game sound offering an even more immersive experience.

1 Overall development policy

As we usher in the age of cloud computing and 5G, the global trend of being able to play games anytime, anywhere is accelerating. Furthermore, with the spread of social media, anyone can be an influencer, and the formula for turning a game into a hit is also changing. In this environment, it is essential that we develop games while taking into consideration expanding online services and coordinating with marketing divisions. Meanwhile, it remains crucial that we continue to produce one-of-a-kind content that can be successful in the global market.

Capcom aims to be the world’s best game content company. It goes without saying that we are putting great effort into producing games of world-class quality, but we are also striving to create fans via ongoing services that continuously stimulate user interest with strategic digital sales and the steady release of additional content to support that quality.

On top of the know-how we have amassed thus far, looking to the future, we are challenging ourselves to create games that will pioneer the next generation of Capcom quality with visual technology that produces impactful graphics and improved network technology that supports various devices and cross-platform play.

2 Development strategy

Based on our medium-term goals, as the head of development, I am striving to fulfill my revenue responsibilities by allocating 80% of the development investment budget to steadily developing popular IP series such as *Resident Evil* and *Monster Hunter* for various platforms. At the same time, we are also working on creating new IPs utilizing the talent pool we have expanded through our proactive hiring efforts. Most recently, we announced the action adventure title *PRAGMATA* for the new generation of consoles, and we are making steady progress on its development. Our proprietary game development engine, RE ENGINE, is an integral part of Capcom’s content development. RE ENGINE is an outstanding game engine that not only makes it possible to develop high quality games while reducing development costs, it maximizes the performance of each piece of hardware. For example, in *Monster Hunter Rise* it enables seamless cooperative play without interruptions due to data loading. We will continue to evolve this proprietary engine while promoting Capcom’s unique approach to game creation.

Further, we will drive our customer management to understand the playing trends and preferences of users while also building a business model for online operations, taking into account the situation of our free additional DLC for titles such as *Monster Hunter Rise* and *Resident Evil Village*.

3 Cooperative technology approach

I believe that hit titles are not the product of chance, but that they are the result of the entire development organization’s collaborative efforts.

Game development at Capcom takes place on a large scale. One team can consist of more than 300 people. That is why we need an organization that is optimized for sharing knowledge and technology. In that respect, the division of Capcom that performs technology research, which is the foundation for title development, is the key to our success. RE ENGINE, which was created by the R&D Foundational Technology Department, made its debut with *Resident Evil 7 biohazard*, and most recently it was utilized in *Monster Hunter Rise*. These two brands are different in terms of both game characteristics and user demographics. In order to fully express the respective characteristics of each title while adapting them for multiple platforms, those in charge of technical development transcend departmental boundaries in their engagement with title development teams to provide the optimal development environment for each title. One of the biggest advantages of using a proprietary engine is that it provides an environment that allows our development team to focus on high quality game creation.

Monster Hunter Rise, which was developed in this environment, exceeded expectations in sales and has been well received among users. Going forward, we will continue to create high-quality titles that win over players across the globe by maximizing and evolving the use of RE ENGINE in our world-class development environment.

4 Training developers

The starting point for creating an interesting game is people. At Capcom, we believe game development is the development of people, so we focus a lot of effort on hiring, training, and advancing our human resources. In terms of hiring, since 2013, we have strategically hired approximately 100 developers each year, and we soon plan to have 2,500 people in our ranks of developers. Newly hired young employees are given the chance to acquire know-how and skills through hands-on experience in the field as they are assigned to the development of popular IPs and major titles. *PRAGMATA* is just one such endeavor for our young employees. I feel that incorporating the youthful sensibilities of digital natives adds a new appeal to IP. In addition, the framework we have introduced ensures that that our highly capable younger employees are supported and trained by their teams so that for the next title they work on, they can take on the role of a core member leading its overall development. In this way, we are steadily training the next generation of leadership candidates.

Development amid the COVID-19 pandemic continues to be a series of trials and errors, as it was last year, but the pursuit of something through trial and error is also the very essence of craftsmanship.

We will never give up on our commitment to create entertaining games so that even more people around the world can experience Capcom’s content.

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

(Years ended March 31)

Total unit sales		2018		2019		2020		2021 (Actual)		2022 (Plan)	
		2,440		2,530		2,550		3,010		3,200	
● <i>Monster Hunter: World</i>	790	● <i>Monster Hunter: World</i> (catalog title)	450	● <i>Monster Hunter: World: Iceborne</i>	520	● <i>Monster Hunter Rise</i>	480	● <i>Resident Evil Village</i>			
● <i>Resident Evil 7 biohazard</i> (catalog title)	160	● <i>Resident Evil 2</i>	420	● <i>Monster Hunter: World</i> (catalog title)	320	● <i>Resident Evil 3</i>	390	● <i>Monster Hunter Stories 2: Wings of Ruin</i>			
● <i>Marvel VS. Capcom: Infinite</i>	100	● <i>Devil May Cry 5</i>	210	● <i>Resident Evil 2</i> (catalog title)	240	● <i>Monster Hunter World: Iceborne</i> (catalog title)	240	● <i>Monster Hunter Rise</i> (catalog title)			



Whether solo or with friends,
it's easy to pick up and play,
and will leave you wanting more.
Get ready to rise to a new
hunting ground.

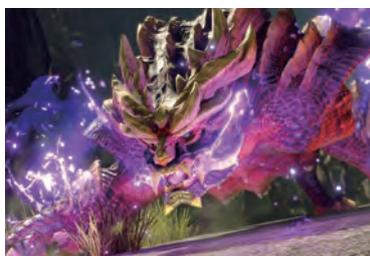
Managing Corporate Officer
Head of Consumer Games Development Division 2

Ryozo Tsujimoto

He has served as the series producer since the release of *Monster Hunter Freedom 2* in 2007. As producer for the latest title, *Monster Hunter Rise*, he oversees all aspects of production.

A new "Mon-Hun," perfect for playing anywhere

The concept of *Monster Hunter*, which has not changed since the first title in the series, is an action game that can be played cooperatively with others. When it was decided that we would develop a title for Nintendo Switch, which is highly portable, it inspired a strong desire in me to create a *Monster Hunter* game that was different from the record-breaking hit *Monster Hunter: World* (MH:W herein) that also took into account the portability of the platform. Game devices that can be taken on the go require a unique tempo and an "anytime, anywhere" playing style. I decided to create an entirely new title that allowed players to effortlessly invite friends to go hunting, providing a different feel from MH:W, which was created to sit back and enjoy playing on a stationary console. Mr. Kadowaki serving as producer and Mr. Ichinose serving as director took the lead as we began development on *Monster Hunter Rise* (MHRise herein).



Balance between graphics and action achieved with RE ENGINE

In order to give the hunting action in MHRise a new feel, we made use of our proprietary development engine RE ENGINE. Based on the concept of "anytime, anywhere, effortlessly," new additions were introduced to the game, such as the Wirebug hunting actions that allows players to freely traverse over terrain and Palamutes, which are dog-like hunting Buddies that players can ride to move between the seamlessly connected locales at high speed. We were also able to achieve both the highest standard of graphics for the Nintendo Switch and a short loading time. All of these innovations are the result of our efforts to provide stress-free play even without a TV or other large screen.



I feel that RE ENGINE played a large role in our ability to achieve this new hunting experience. The development team and engine are the two pillars expanding the possibilities for expression and action in MHRise.

■ Sales Strategy Summary

Pre-release strategy

Title announcement
September 2020
Shared information on
social media,
free demo released

Fully utilized online promotion



Sales expansion strategy

Surpassed 5 million units
one week after release

We stimulated purchase intention with offers such as pre-order bonuses, as well as special editions containing in-game items and two copies of the game to encourage users to invite their friends to play. There was ample downloadable content available from the day the game was released.



Strategy for deep engagement

Surpassed 7 million units globally
Collaboration with new
RPG, *Monster Hunter
Stories 2: Wings of Ruin*

We released a challenge quest and item pack to celebrate reaching 7 million sales. Cross-over bonus content was also developed with *Monster Hunter Stories 2: Wings of Ruin*.



Future strategy

PC version to be released
in early 2022!
Aiming to increase
fans worldwide

In response to the needs of users who want to play on PC, we are currently developing the PC version utilizing the RE ENGINE.



Digital promotion

• Free demo release

1st demo January 8 / 2nd demo March 12
Released a free demo featuring both single and multi-player

• Social media promotion

We could not hold live events due to the COVID-19 pandemic, so we recorded one, localized it, and broadcast it around the world simultaneously. We communicated large volumes of information using social media.

• Special programs broadcast directly prior to release

Special programs were broadcast live simultaneously around the world on YouTube. Domestically, Japanese celebrities appeared as guests in special live broadcasts.

• Capcom Collabs

- Collab 1 June
Monster Hunter Stories 2: Wings of Ruin collaboration
- Collab 2 July
Okami collaboration
- Collab 3 August
Street Fighter collaboration

• Collaboration with Izu Islands in July

Monster Hunter R-Izu and
Monster Hunter Stor-Izu 2: Wings of Ruin
online stamp rally promotion

• Playable demos of the PC version scheduled to be at Tokyo Game Show 2021 Online

The joys of hunting—now and in the future

Development was a series of challenges made even more difficult by the COVID-19 pandemic, but our team members overcame these obstacles and took great pride in developing this title. The staff members who will be responsible for the next title are making steady strides in their training. I am also happy to see synergistic effects, like users who enjoyed *MHRise* now purchasing *MH:W*.

The series has now grown into a brand that has sold a total of 75 million units (as of June 30, 2021), but we are not yet satisfied. There are still people out in the world who are unfamiliar with “Mon-Hun,” and there is still plenty of room for further expansion in game development. New ways of playing games and new environments to play them in await. We will continue striving to create a Monster Hunter Craze throughout the world that will continue to rage 10 and 20 years down the line.



Akihito Kadowaki

Producer, Management Department
Consumer Games
Development Division 2



Oversaw production on *Marvel Vs. Capcom 3* and *Sengoku BASARA 4*. He became a member of the *Monster Hunter* development team on *Monster Hunter Generations* and now serves as a producer on this title.

The latest title in the series, *MHRise* was announced for Nintendo Switch in September 2020, along with the release date, price, and purchase bonuses, with preorders kicking off as well. Unlike traditional title announcements, our strategy was to announce all of the information relevant to players right from the start to grab the interest of as many people as possible. We then focused on increasing the frequency of user interactions with game information simultaneously worldwide by using social media to share game elements in videos and images spread over several posts. We continued to stir interest among users by releasing two free demos online that allowed cooperative play prior to launch. As we aim to acquire fans globally, we will continue honing our operational know-how with downloadable content, such as event quests, even after the game's release and transform *MHRise* into a new pillar for the series.

MHRise brings authentic hunting action



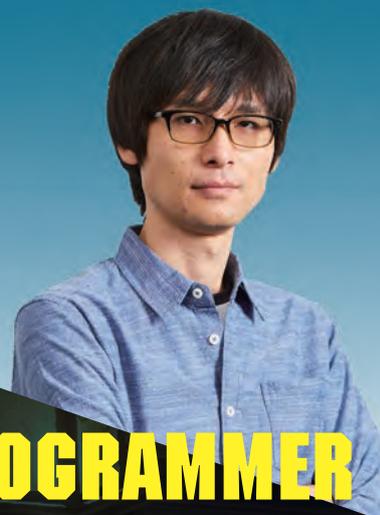
DIRECTOR

Yasunori Ichinose

Management Section 1, Management Department
Consumer Games Development Division 2

I want each and every user to have more fun playing "Mon-Hun" than they ever imagined

When I heard from the producer, Ryoza Tsujimoto, that he wanted to position the new title different from *MH:W*, I started to think about how to establish *MHRise* as a new brand. The answer we came up with was an action-oriented hunting game developed for the Nintendo Switch. Using our in-house game development engine, RE ENGINE, we took on the difficult challenge of strengthening the action aspects with seamless locales while maintaining the quality of the visuals. This hunting environment is the first Japanese-themed world since *Monster Hunter Portable 3rd*. We created the game to incorporate new characters featuring more in-depth characterizations and new elements, such as the Wirebug and Palamutes, while also developing carefully selected quests to satisfy even those players with a limited amount of time to play. We will continue to provide players with moments they can truly enjoy. I think you will love it.



PROGRAMMER

Kotaro Miyabe

Engine Development Section
R&D Foundational Technology Department
Technical Research Division

Wowing players with just how far we can push the portable game console experience!

The decision was made to develop *MHRise* using RE ENGINE, and I participated on the title's development team as an RE ENGINE engineer. I connected the creators with the technical department in charge of engine development, and our mission was to achieve both stable performance on the Nintendo Switch and the highest quality possible. I was mainly in charge of selecting and implementing graphics technology and optimizing the overall performance of the game. It was a real challenge to make online cooperative play among a maximum of four players, four Buddies, three large monsters, and numerous smaller monsters and environmental creatures all operate on a seamless locale. On top of that, we devised ways to leverage the hardware to its limits in order to provide a satisfying game experience with beautiful visuals and short loading times. It was my great honor as an engineer, to be able to focus on the seemingly unexciting aspects that underpin this game.



infused with Capcom's DNA to the world

SALES STRATEGY

Ayaka Segami

Consumer Games Sales Strategy Team 2
Sales Strategy Section, Marketing Strategy Department

Now a global brand, "Mon-Hun" has turned the digital shift into an opportunity to reach fans worldwide

With the pandemic limiting our ability to go out, I want as many people as possible to enjoy playing *MHRise*. With that desire in mind, we developed the strategic proposals and formulated a roadmap that would provide the framework for promotions and sales, in addition to coordinating with each country. As 80% of sales of the previous title, *MH:W*, came from overseas, the global market was key in our strategy. We did our best to ensure a promotion where everyone would win, not only in Japan, but globally. As all live events had to be cancelled, the entire promotion immediately shifted to digital. It was difficult to coordinate each measure while incorporating the demands from each country and region, such as release times and languages, but we worked in close cooperation with the leads in each area as we progressed. Globally we worked together as one, and we were overcome with joy when we succeeded in selling more than 5 million units in the first week after the game was released. Our team will continue working together to expand globally.

PUBLIC RELATIONS

Hana Yajima

Interactive PR Team
Marketing PR Department

Using Instagram to convey the development team's passion and allure of the game with the goal of acquiring new fans

The mission of the Interactive PR Team was to increase awareness of *MHRise* by conducting PR activities using publicity tools such as social media for communicating information and the internet to broadcast online programs. My job in particular was setting up and running an official Instagram account. Young people and women are the largest segments on Instagram, and our goal was to tap into new target demographics. I actively exchanged opinions with the development team and posted the most up-to-date information as it was happening. Every Friday, we posted cute illustrations of the Buddies and comments to arouse interest in users, striving to attract new *MHRise* fans. I'm grateful of the corporate culture that allowed me to be in charge of the game's social media in my first year of employment, and I hope to grow along with *MHRise* as it spreads its wings and soars around the world.



Human resources strategy and our propriety program training the people who will lead Capcom's future

Bolstering development personnel

Top core members

Repeated achievements

Core members

Selected to direct rereleases or other titles

Mid-career and younger employees (core member training)

Training programs Support from more senior members

New graduates

The world's most entertaining games



Bolstered title lineup

Outfitting our development environment

Enhancing our development studios

Concentrate development divisions, increase mobility and leadership

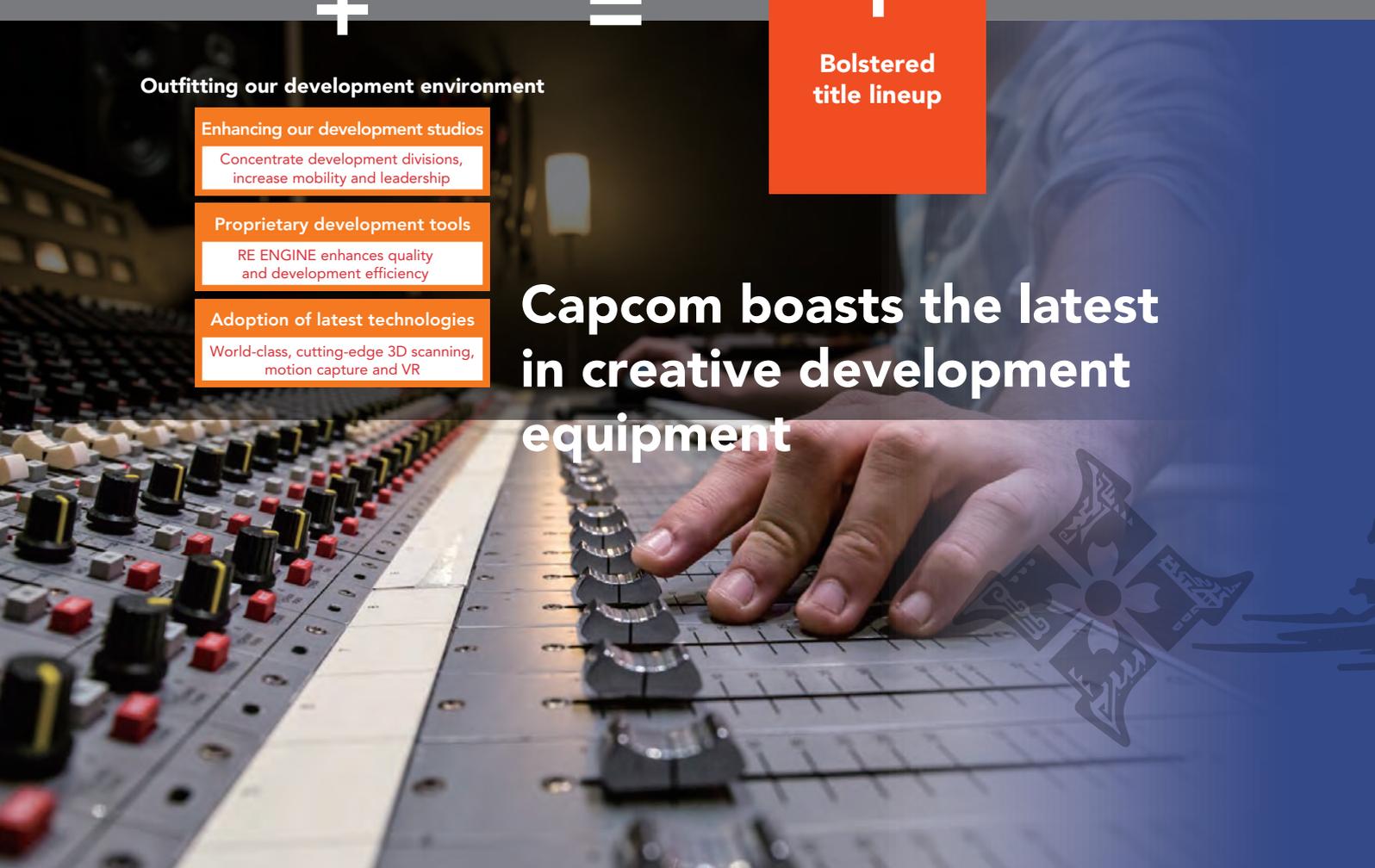
Proprietary development tools

RE ENGINE enhances quality and development efficiency

Adoption of latest technologies

World-class, cutting-edge 3D scanning, motion capture and VR

Capcom boasts the latest in creative development equipment





Keiko Ichikawa

Senior Manager of HR Development Section
Human Resources Department,
Administration Division

Aiming for stable growth with a staff of 2,500

The path Capcom has chosen to ensure stable growth into the future is consolidating game development technology and knowledge within the company and steadily passing Capcom's DNA to the next generation. There are some titles that are developed by smaller sized teams, but these days hundreds of people are needed during the peak development of a major title. We are actively hiring and training human resources ourselves. By doing so, we are able to improve quality and expand our lineup in addition to making games even more interesting by incorporating the sensibilities of the younger generation in each title. That is the aim of our human resources strategy to create a development team 2,500 people strong.

Three human resource development policies to strengthen employee capabilities

Our three human resource policies are early development of talent, putting the right person in the right place, and self-learning.

First, regarding early development of talent, when we hire new graduates, upon joining the company they attend a short-term concentrated program based on their job type, and we teach them specialized skills to develop talent early. Later, they are assigned to actual projects, and under the guidance of those in charge of training, they develop their skills and individuality by experiencing Capcom's craftsmanship firsthand.

Next, our policy to put the right person in the right place is an effort to strengthen the training of managers so that they can manage human resources appropriately while we make efforts to centralize and analyze personnel information to be used in human resource development and strive to ensure strategic talent management.

And finally, the most important policy is self-learning. We propose and implement human resources training measures based on an approach which holds that people cannot grow on the basis of coercion from others, but rather only through their own aspirations. This is embodied by our Virtual Muchaburi Dojo (roughly meaning, "virtual audacious training ground"), which is a program for training mid-level development personnel. This hands-on

educational program was developed jointly by the human resources and development departments that clearly defines the thinking and behavioral characteristics common to model employees and allows participants to experience simulated situations that mimic development situations. The goal is for participants to gain awareness autonomously through this program. It has been well-received among participants who have said that the level design is wonderful and that they were completely engrossed and enjoyed it immensely. Our unique program encourages autonomous learning while honing awareness.

Transforming employee insight into customer delight, all around the world!

"I want to devote my life to the pursuit of fun." Capcom is looking for people with such ambitions. I am happy to say that we are receiving an increasing number of applications from students who specialized in AI, networks, data analysis, and other areas essential to next-generation game development in their studies. We have high expectations that they will make Capcom's craftsmanship even more robust.

Capcom has the potential to be the best game company in the world. We can turn the insights of each of our employees into pure joy for players across the world! The human resources department will do everything we can to support our employees and provide a place where they can shine.



World-class 3D scanner and motion capture capable of reproducing realistic movement

Our 3D scanning studio is one of the world's largest equipped with approximately 130 cameras. Photographing objects from 360°, enables us to scan them as 3D objects. This significantly shortens the CG modeling process and allows to pursue an even higher level of precision and quality.

We have built one of the largest motion capture studios in Japan, boasting a 7-meter-high ceiling, which is equipped with infrared cameras to detect and film humans performing and then converts the footage into computer data. This enables us to pursue action that incorporates different heights and other realistic movements of characters.



Dynamic Mixing Stage, a 3D sound booth recreating reality!

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. It also supports aural changes that are happening in real-time and can reproduce any sound or voice from the front or back, or left or right sides, enhancing visual experiences with more realistic acoustics.



Capcom's continuously evolving proprietary development engine, RE ENGINE

It not only enables expressions that appear to be live action, but it is also compatible with the latest technologies, such as VR. In addition, it has dramatically reduced the time required for each process in game development. Another advantage of our proprietary development engine manufactured in-house is that we are able to constantly evolve its specifications with the cooperation of the game development team. It is an important element in the foundation of our ability to achieve world-class quality.