

CAPCOM

CAPCOM INTEGRATED REPORT

2022

Invested in People,
Committed to Growth



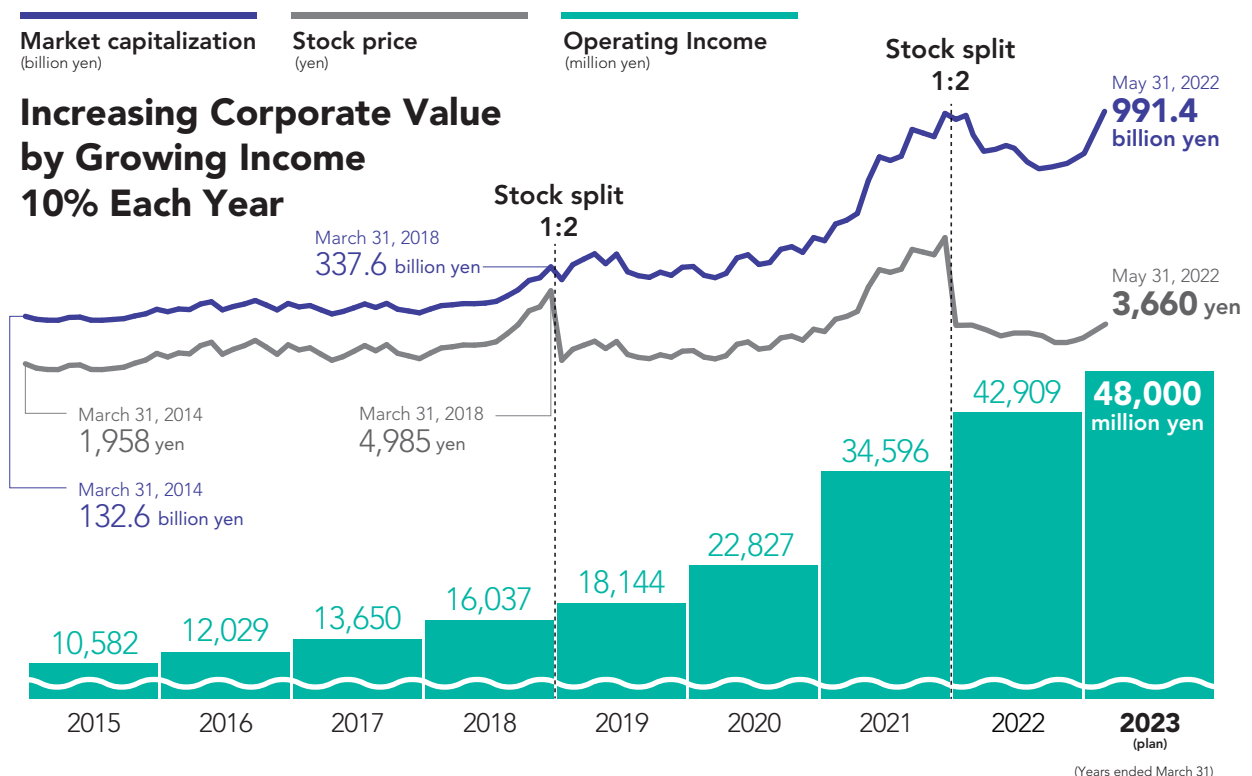
Continuing to create both financial and non-financial value



Achieving nine consecutive years of increased operating income

The game industry is continuously changing, in step with the evolution of AI, communications, and other advanced technologies. At Capcom, we see these changes as an opportunity, and as a result of our efforts to strengthen our development structure and promote digitalization, the fiscal year ended March 2022 marks nine consecutive years of increased operating income. Though we split our stock on April 1, 2018

and again on April 1, 2021 to improve its fluidity and expand our investor base, as our performance improves, our stock price also continues to rise steadily. We will continue to increase our corporate value (market capitalization) with sustainable business growth so that we can reward our stockholders' loyalty.





Providing smiles and moving hearts all across the globe

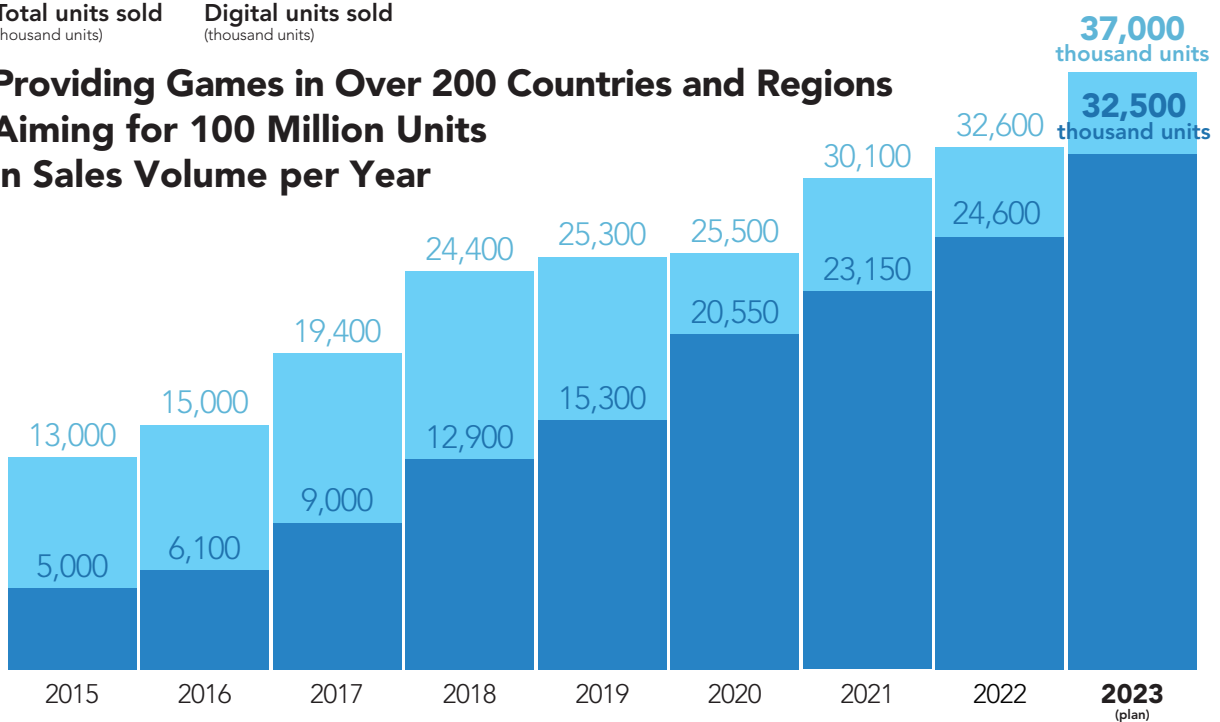
Since Capcom's founding in 1983, we have continued to move hearts and deliver smiles through the entertainment of games. In recent years, the spread of the internet, PCs, and smartphones has made it possible to enjoy games while at home, or in all corners of the globe, even without a game console. Further, our game software sales

volume has been increasing, driven primarily by digital sales, and our titles can be enjoyed in more than 200 different countries and regions worldwide. We will continue to strive in our business activities in an effort to contribute to the improvement of quality of life for people throughout the world by providing high quality entertainment.

Total units sold
(thousand units)

Digital units sold
(thousand units)

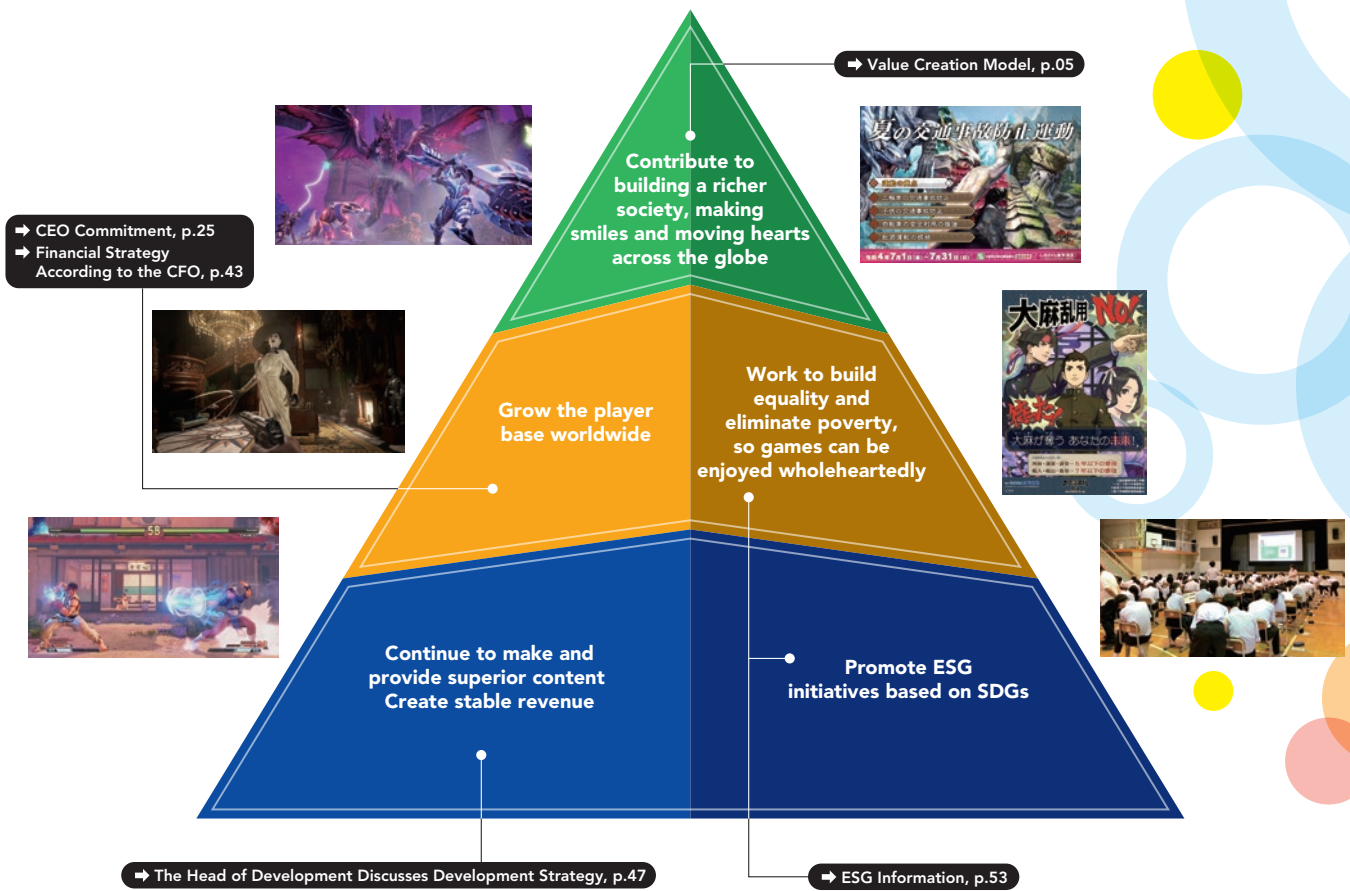
Providing Games in Over 200 Countries and Regions Aiming for 100 Million Units in Sales Volume per Year



(Years ended March 31)

Capcom: Creator of entertainment culture that stimulates your senses

Our purpose is to be a creator of entertainment culture. Through development of highly creative software contents that excite people, stimulate their senses, and bring smiles to their faces we aim to offer an entirely new level of game entertainment. Since Capcom's establishment in 1983, we have leveraged our strength in world-class development capabilities to create a plethora of products. Game content is an artistic product that fascinates people, consisting of highly creative, multi-faceted elements such as characters, stories, worlds and music. This content can be deployed in a variety of media while being used to support the creation of a richer society. Going forward, Capcom aims to become a company that brings happiness to people and society by offering the most entertaining content in the world.



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Editorial policy

Capcom's Integrated Report conveys initiatives aimed at improving corporate value over the medium- to long-term to all stakeholders. This report is issued with the intent of creating opportunities for further dialogue. Furthermore, we aim to express ideas in a simple and easily understood manner and visually represent important items to aid understanding. Details are available online.

Period and scope

This report reviews the fiscal year ended March 31, 2022 (April 1, 2021–March 31, 2022). When necessary, it also includes references to fiscal periods before and after this timeframe. Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.

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Making smiles, moving hearts and building a better society with our original content

Utilizing the capital we have cultivated over the years and our foundation for sustainable growth, we create popular original IP through business activities while guided by our corporate philosophy.

We are expanding our business by further extending that original content into a variety of areas.

These activities provide both financial and non-financial value; to put it another way, by providing the happiness brought about by games, we are able to contribute to solving societal issues.



Amount invested in development **29.8** billion yen

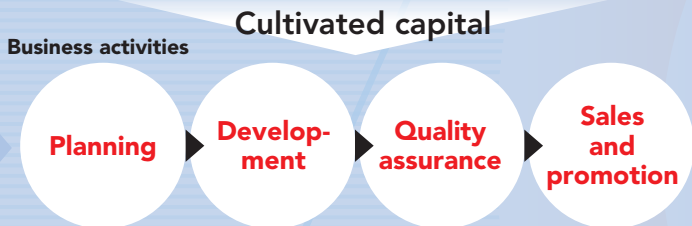
→ Financial Strategy According to the CFO, p.43

Number of developers **2,369** people

→ The Head of Development ... p.47

Intellectual Properties (IP) **19** Million-seller series

→ Major Intellectual Properties (IP), p.09



Foundation for Sustainable Growth

Material Issue①
Securing and Training of Human Resources

→ Training Human Resources and ... p.49

Material Issue②
Promoting Diversity

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Material Issue③
Development of Solid Relationship with Society

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Material Issue④
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At Capcom, we operate our own Plaza Capcom amusement facilities, develop and sell amusement machines, and hold esports tournaments.

➔ Effectively Leveraging IP, p.11



Development of proprietary multimedia



Esports



Amusement Machines
Medal games, pachinko and pachislo



Home Video Games



PC Online



Arcade Operations
Facilities at shopping centers, large format locations

Multimedia expansion of content

Net sales for the year ended March 31, 2022

22.5 billion yen

Develop games for multiple platforms

Net sales for the year ended March 31, 2022

87.5 billion yen



Mobile Contents



Movies

Hollywood movies, animated movies, CG movies



Digital Download Contents



Publishing, Character Merchandising
Strategy books, illustrated compilations, figures, etc.



Events
Concerts, theatrical productions

Collaborative expansion into other media

By collaborating with other companies, we have turned our original content into Hollywood movies. We have also expanded into a variety of other mediums, including animation, live theater, events, and publications.

➔ Effectively Leveraging IP, p.11

3 films produced based on Capcom IP

2 cooperative projects with local governments

Hired 163 new graduates

➔ p.39

OUTPUT (Non-financial results)

2,582 senior tour participants (cumulative)

➔ p.59

32 educational support activities

➔ p.16

32.6 million games sold during the year

➔ p.02

Providing reasonably-priced and easily available entertainment to the world

Providing a healthy game culture

Stimulating communication

Social contributions

Game market innovation

Contributing to local revitalization

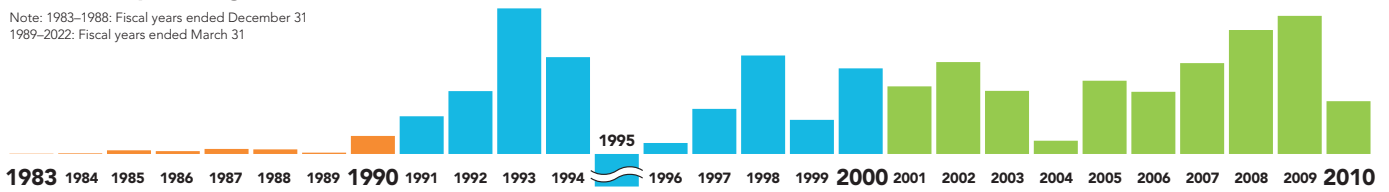
Earning trust and building a positive image for Japan



Superior development capabilities taking us from Osaka to the world

Trend in operating income

Note: 1983–1988: Fiscal years ended December 31
1989–2022: Fiscal years ended March 31



Genesis

Capcom Co., Ltd. was established in Osaka in 1983. Capcom focused its business development on the creation and sales of high-spec arcade games using the proprietary circuit board “CP System” while making its foray into the home video game arena.

Business expansion

In the 1990s, the arrival of Super NES prompted Capcom to formally enter home video game development. Capcom created numerous hit titles drawing on its arcade game development expertise. The company established its Single Content Multiple Usage strategy in 1994 with the release of a Hollywood movie and animated movie based on *Street Fighter*.

Increasing shares in Europe and North America

In 2000, Capcom listed its shares on the First Section of the Tokyo Stock Exchange. In the 2000s, Capcom created one hit after another that gained popularity overseas. The Hollywood movie version of *Resident Evil* earned 102 million U.S. dollars globally, part of a six-title hit series that continues to spread the Capcom brand throughout the world.

Capcom and Entertainment Culture

1988



CP System

Through leveraging our proprietary, high-performance circuit board we were able to captivate game players with exquisitely depicted, immersive game worlds of the highest quality, allowing us to produce one hit after another in both the arcade and home video game markets.

1991



Street Fighter II becomes a major hit

The game became a sensation in arcades across the country, establishing the fighting game genre. In 1992, a national tournament was held at the Ryogoku Kokugikan in what might be called the first ever esports tournament.

2002



Multi-media roll out of Capcom IP starts in earnest

The Hollywood film adaptation of *Resident Evil*, along with the animated TV show and movie adaptations of the youth-orientated *Mega Man Battle Network*, marked the beginning of Capcom’s foray into branding game-based content.

Title history

1983

Released our first originally developed coin-op *Little League*.

1984

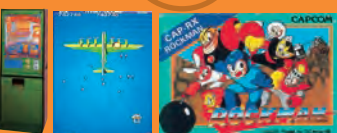
Released our first arcade video game *Vulgus*.

1985

Released our first home video game 1942 for the Nintendo Entertainment System (NES).

1987

Released *Mega Man* for the NES.



1992

Released *Street Fighter II* for the Super NES.

1993

Released *Breath of Fire* for the Super NES.

1996

Released *Resident Evil* for PlayStation, establishing the genre of survival horror with this record-breaking, long-time best-seller.



2001

Released *Onimusha* for PlayStation 2, the first game for PlayStation 2 to become a million-seller in Japan. Released *Devil May Cry* for PlayStation 2.

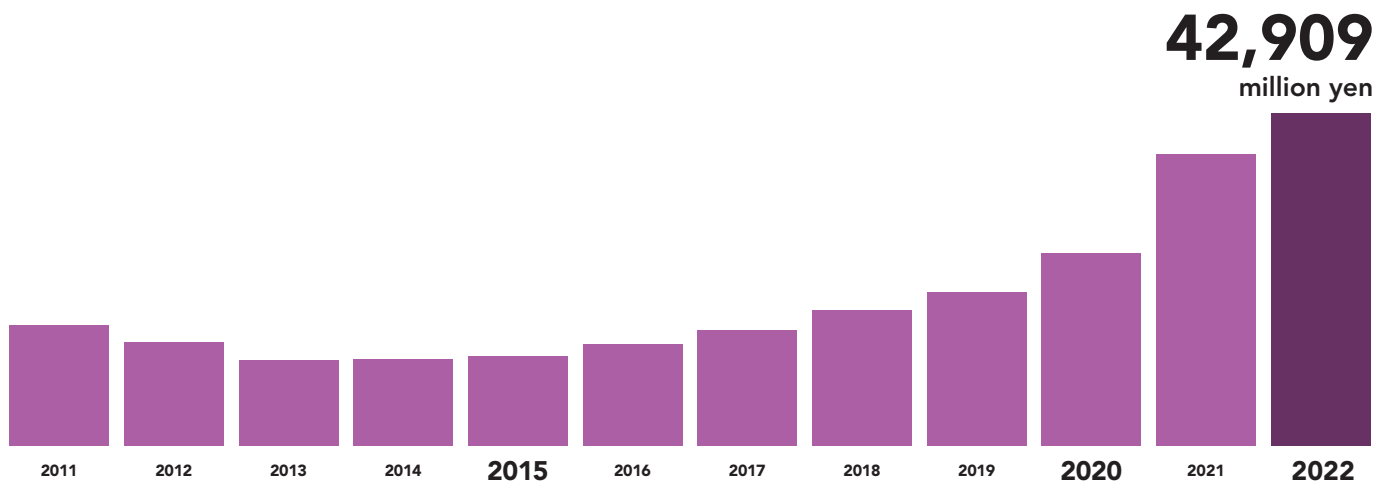
2005

Released *Sengoku BASARA* for PlayStation 2.

2006

Released *Dead Rising* for Xbox 360; it became a million-seller, unprecedented for a new title created for a new game console.





Globalization and the digital shift

-2016

Multiplayer (cooperative/battle) games became the norm with the popularization of internet-connected game consoles. In addition, the popularization of digital game software sales created a revenue opportunity in catalog titles.

2017-2020

Established a system where titles contribute to profit over the long term through the synergistic effect of finely detailed, high-quality games and digital sales following the release of *Resident Evil 7 biohazard* in 2017.

2021-

The game market expands from only a certain number of developed nations into countries all around the world due to the popularization of the PC platform. Using our abundant IP assets and product development capabilities, we are seeking even further growth as a global corporation.

2007 ~



Cooperative gameplay becomes standard

In 2007, *Monster Hunter Freedom 2* became the first game in the series to top a million units sold. Since then, the title has become synonymous with hunting games.

2018



Capcom officially entered esports, a new form of entertainment

In 2018, Capcom established a dedicated department to promote the spread of esports with measures such as launching new competitions for pros and amateurs.

2021



Acceleration of digital game sales

Against the backdrop of the global expansion of the PC platform, digital sales of game software is accelerating. Our rich lineup of games cultivated over the 39 years we have been in business appeals to everyone, regardless of age or gender.

2012

Released *Dragon's Dogma*.

2015

Concluded a comprehensive partnership agreement regarding community revitalization with Kofu, Yamanashi Prefecture through *Sengoku BASARA*.

2016

Completed construction of the new R&D Building #2 in Osaka City
Strengthened the structure for title development.



2017

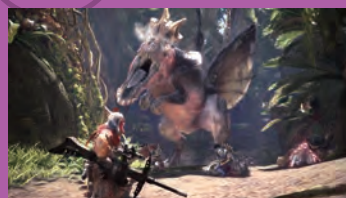
Released *Resident Evil 7 biohazard* selling a cumulative total of 11 million copies to date.

2018

Released *Monster Hunter: World*, which has gone on to sell a cumulative total of more than 18 million units, the first title to do so in Capcom's history.

2020

Announced all-new IP, *Pragmata*.



2021

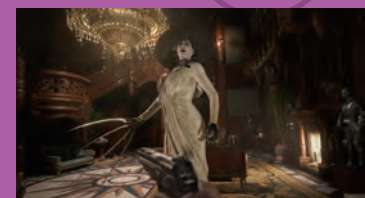
Released *Resident Evil Village*.
The title won a total of four awards at the Golden Joystick Awards 2021, including the "Ultimate Game of the Year" award.

2022

Announced all-new IP, *Exoprimal*.

2022

Released *Monster Hunter Rise: Sunbreak*.
We are expanding our brand value globally with the high-quality game experiences we provide.



Steady output of million-seller titles born from a foundation of popular brands

In the 39 years since our founding, our eagerness to take on new endeavors has given birth to countless popular brands. These brands have garnered massive followings both domestically and overseas.



ROCKMAN 11
運命の陶車!!

Mega Man series

Total number of units sold
37 million

(As of March 31, 2022)

Cumulative million-seller titles
6 titles

35th
anniversary

The first Mega Man title was released as an action game for Nintendo Entertainment System (NES) in 1987, and has since earned popularity among people of all ages. In addition to games, the brand has been utilized across a variety of media, including character merchandise, comics, animated TV series, and movies.



VILLAGE
BIOHAZARD

Resident Evil series

Total number of units sold
125 million

(As of March 31, 2022)

Cumulative million-seller titles
32 titles

Placed in a desperate situation, players must use weapons and items to stay alive in this survival horror game first released in 1996. As one of Capcom's flagship series, it continues to have a highly loyal global following more than 25 years after its debut.

ORIGINAL



Monster Hunter series

Total number of units sold
80 million

(As of March 31, 2022)

Cumulative million-seller titles
14 titles

Cooperative online play where players team up with friends to hunt giant monsters established a new style of communication, creating a social phenomenon known as the "Monster Hunter Craze." Since the first title was released in 2004, it has grown into a major hit series.



Street Fighter series

Total number of units sold
47 million

(As of March 31, 2022)

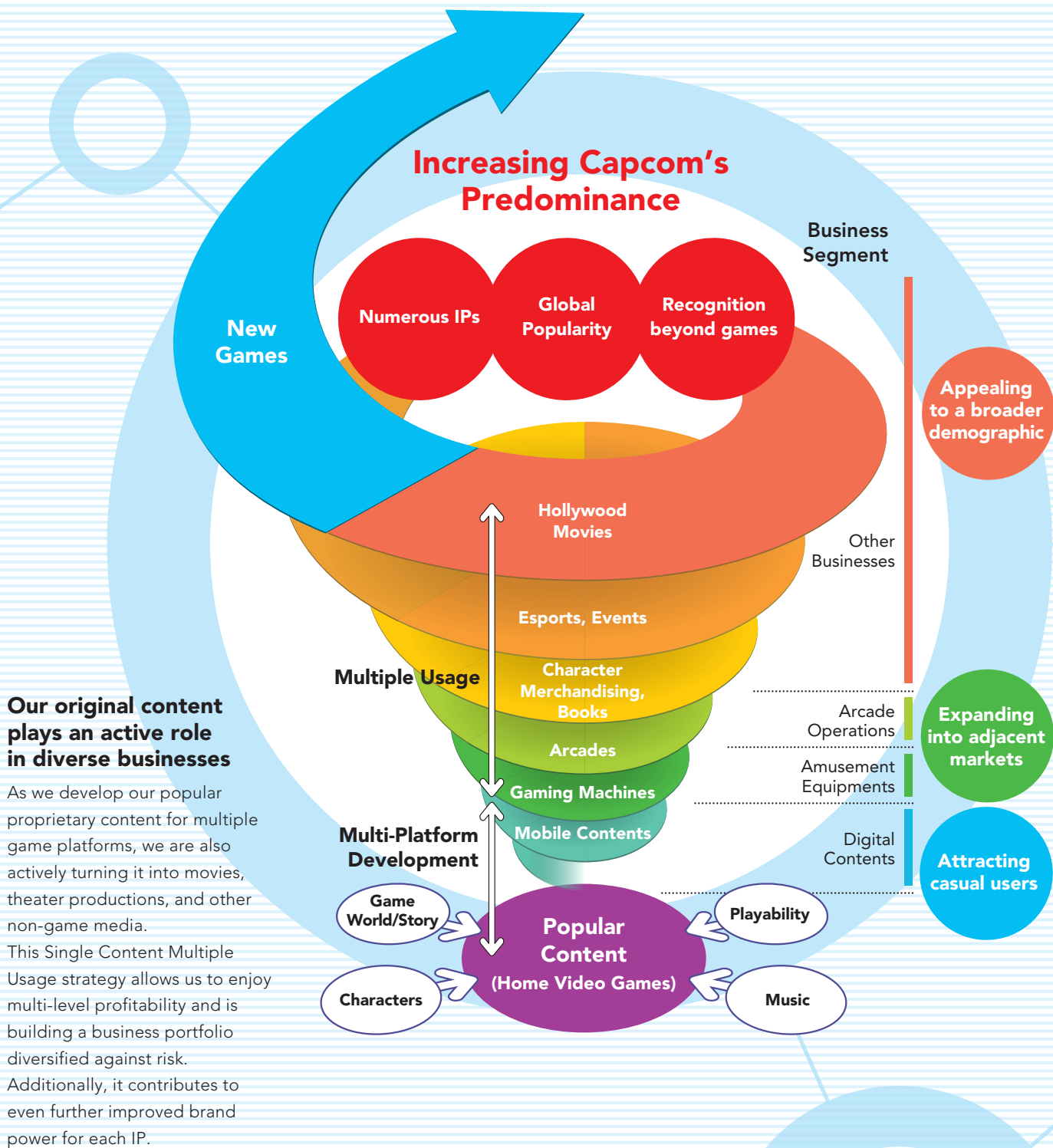
35th anniversary
Cumulative million-seller titles
13 titles

This landmark fighting game first appeared as an arcade game in 1987. In 1992, Street Fighter II was released for the Super NES and sold 6.3 million copies, becoming a megahit.

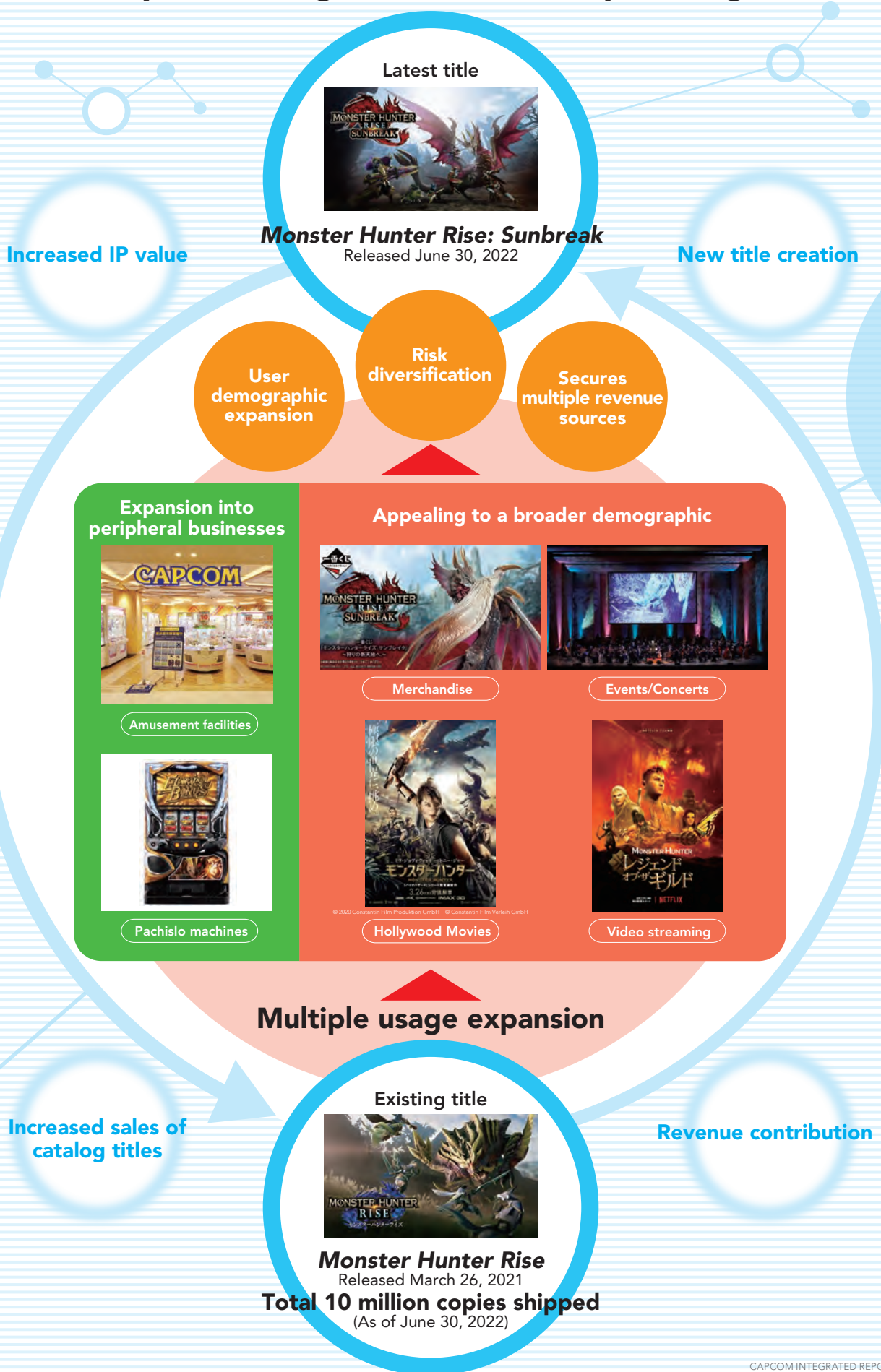
CONTENTS

Increasing profits and brand value through our Single Content Multiple Usage strategy

Our Single Content Multiple Usage strategy maximizes the use of our most popular content. This allows us to build a business portfolio that achieves both greater profitability and risk diversification.

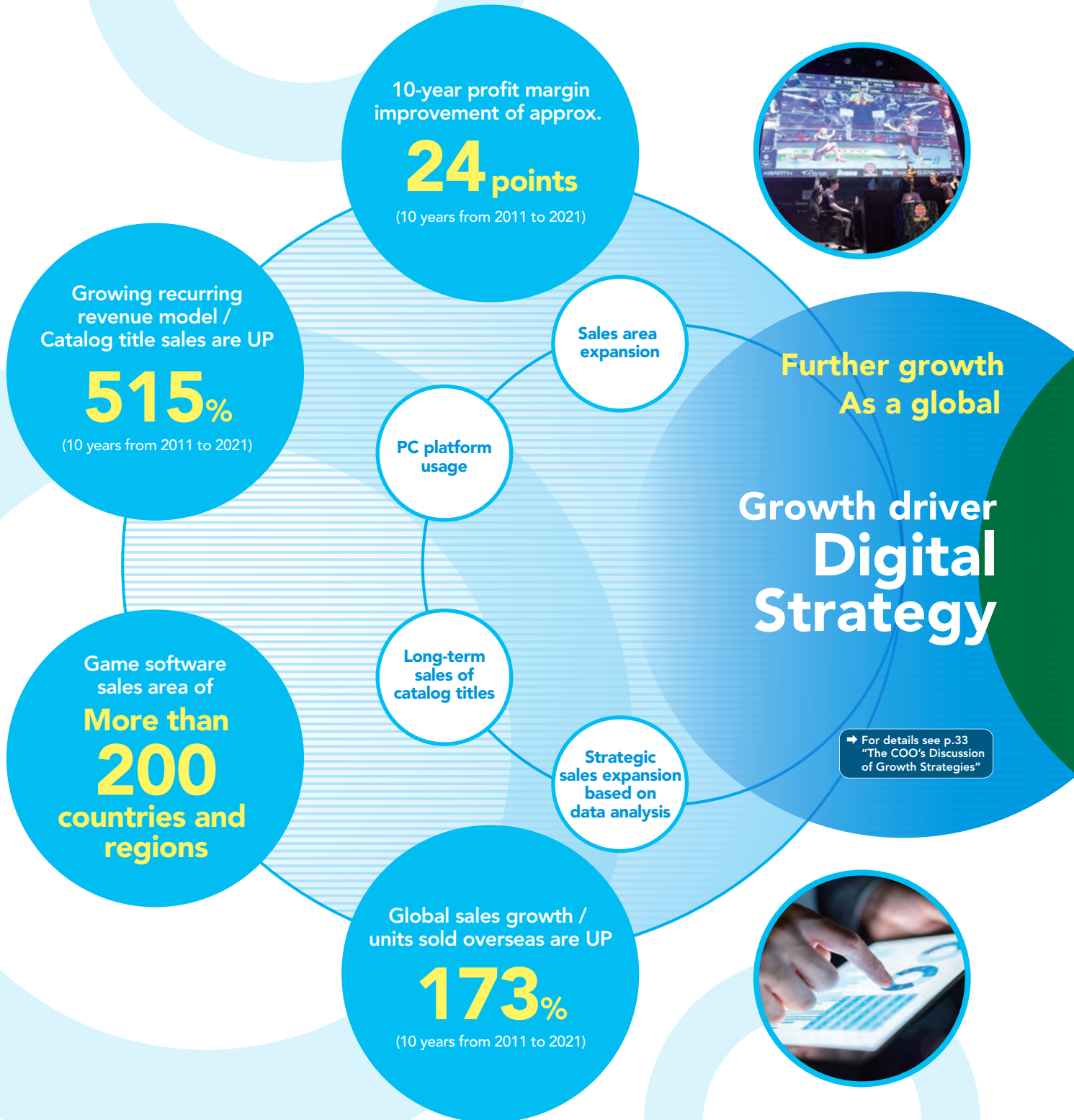


Monster Hunter series Example of "Single Content Multiple Usage"



Global promotion of digital game sales

We are maximizing usage of digital infrastructure and the internet and strengthening global long-term sales of game software.



Investment in human resources to achieve medium- to long-term growth

For even further growth, we are solidifying our personnel base by securing, training, and creating a comfortable work environment.



In-house production ratio
More than 80%
Ensuring development efficiency and quality

Million-selling IPs
19 series
Numerous brands that are well-known around the globe

Number of developers
More than 2,500 people
One of the largest game R&D workforces in Japan

Annual new graduate hires
More than 150 people
Promoting the development of young talent, a source of competitiveness

& development corporation
Priority issues
Human resources investment strategy

→ For details see p.39 "The CHO discusses our human resources strategy"



Reorganization Newly established CHO

Revision of compensation system

Creating a comfortable workplace environment

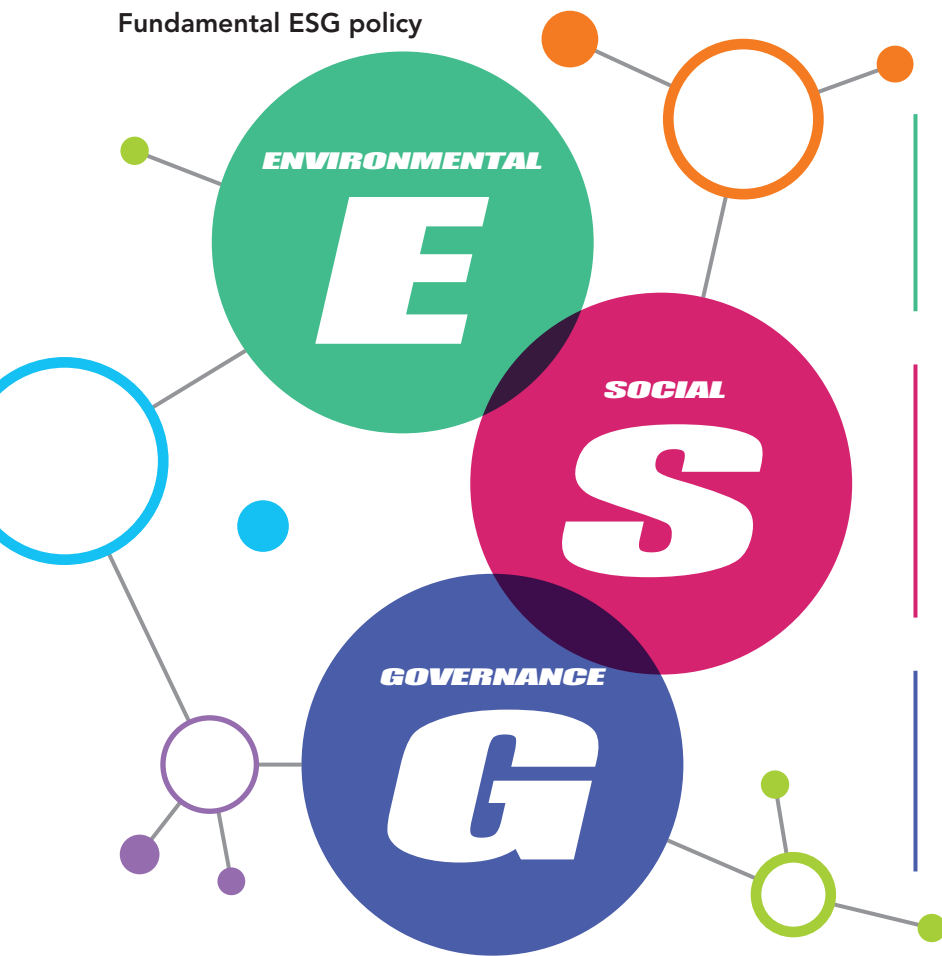
Training policy tailored to career stage

Creating social value as a game publisher

With the rise in popularity of esports and the WHO’s international recognition of gaming disorder, in recent years gaming has transcended the framework of simple entertainment and is now recognized as content with a profound social impact. At Capcom, we believe that sustainable growth is achieved by delivering social and economic value, while at the same time building healthy relationships with stakeholders from the perspective of a game publisher. This entails tackling social issues through our business activities, such as training a workforce capable of succeeding on the global stage, and the creation of new markets.

We believe that the principle of Sustainable Development Goals (SDGs)*, namely that “all cultures and civilizations can contribute to sustainable development,” and our own corporate philosophy, which is that we are “creators of entertainment culture that brings you smiles and stimulates your senses,” are closely related. As such, in order to balance our own sustainable economic growth with a sustainable society, we intend to contribute to the development of social sustainability by selecting and addressing four priority issues within the ESG framework based on our fundamental ESG policy outlined below.

Fundamental ESG policy



The Capcom Group has been minimizing the negative impact of its businesses on climate change (e.g., CO₂ and other greenhouse gas (GHG) emissions), and with respect to pollution, use of resources, etc., we have been striving to reduce our consumption of resources by adopting LEDs in lighting and promoting the digitization of software made available for sale.
The Capcom Group will continue to promote these initiatives.

The Capcom Group will respect human rights, prohibit discrimination based on race, religion, gender, age, sexual orientation, disability, nationality, etc., thoroughly eliminate inequality by protecting the vulnerable, create a pleasant working environment for employees, and promote the securing and developing of human resources. In addition, we will promote initiatives to build a healthy relationship with local communities and customers, such as engaging in activities to assist children suffering from poverty in the hope of their healthy growth and development.

The Capcom Group has been enhancing management transparency and soundness, endeavoring to build a structure that is capable of adapting to changes in the environment and striving to boost its corporate value by enhancing its corporate governance function, including utilizing voluntary committees. Going forward, we will continue to further initiatives to meet the expectations of our stakeholders, including shareholders, customers and employees.

Sustainable Development Goals (SDGs)

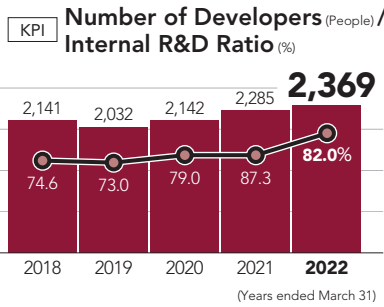
SDGs are 17 goals that were adopted by the over 150 member countries of the United Nations at the United Nations Sustainable Development Summit held in September of 2015 at the UN headquarters in New York. It was determined that in order to eliminate poverty and achieve a sustainable world, we must prioritize the realization of these 17 goals on a global scale.

➔ For details, please refer to the United Nations Information Centre “2030 Agenda” site.
<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



Material Issues

Material Issue 1 Securing and Training of Human Resources



We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world. We are aware of the particular importance of increasing and strengthening our team of developers to expand our pipeline and improve quality, and we therefore continue to hire more than 100 new graduates each year. Over the last 10 years we have increased our developer numbers by approximately 1,000 people.

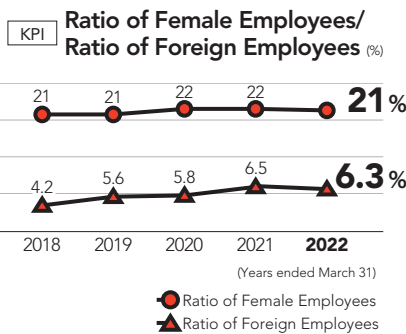
➔ For details see p.47

Major reorganization of human resources-related departments

Under the leadership of the CHO, human resources-related departments underwent reorganization in April 2022. We have created a new framework to enable direct communication between management and employees, and we are working to further establish a comfortable work environment, promote securing and developing of human resources, and improve productivity.



Material Issue 2 Promoting Diversity



With the globalization of the game player population, diversity in game developers is becoming even more important. For that reason, we have been promoting diversity and working on building a workplace where women and foreign nationals can excel. As a result, the numbers of both women and foreign nationals continue to climb contributing to the creation of Capcom content.

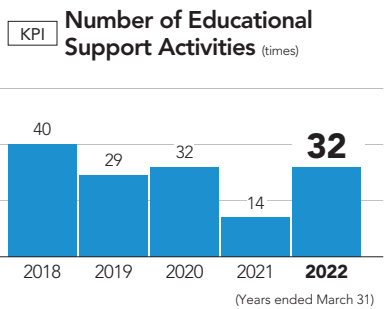
➔ For details see p.56

The appointment of Capcom's first female director

We select candidates based on the broad insights they offer to ensure that diverse values are reflected in the management of Capcom. At the 43rd General Shareholders' Meeting Yumi Hirose was appointed Capcom's first female director.



Material Issue 3 Development of Solid Relationship with Society



The education support activities that we began in 2005 achieved a certain level of recognition for the results they produced for more than 15 years, and from the fiscal year ended March 2018, we have carried out roughly 30 activities each year on a steady basis. For the fiscal year ended March 2022, activities have returned to normal levels with the introduction of online classes despite the continuing effects of the COVID-19 pandemic.

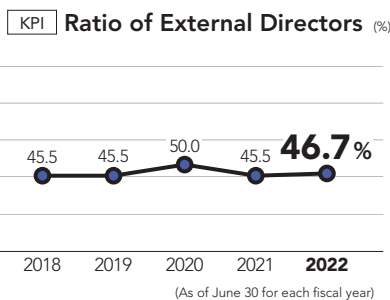
➔ For details see p.60

Promoting online classes

Up to this point, on-site classes tended to be concentrated in urban areas due to the nature of sending a lecturer to the site of the lessons. However, the introduction of online classes has allowed us to expand the program to schools in other areas, including remote islands.



Material Issue 4 Enhancement of Corporate Governance



At Capcom, we strive to make management more transparent and visible, and have implemented various governance reforms to this end, such as the Nomination and Remuneration Committee. We proactively appoint external directors, and on March 31, 2022, external directors accounted for 45.5% of the entire board of directors. The ratio is at 46.7% as of June 2022.

➔ For details see p.63

Increased number of external directors

With an eye on sustainable medium-to long-term growth, two new external directors were appointed at the 43rd Ordinary General Meeting of Shareholders to address the rapidly changing business environment and to further enhance the supervisory function of the Board of Directors.



Market Analysis

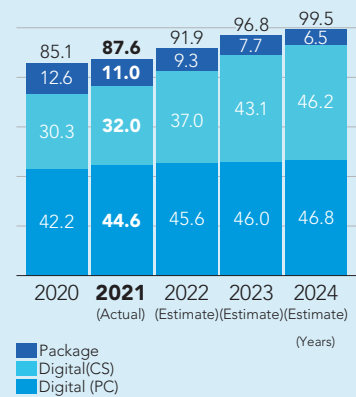
Market Trends

Consumer Market (Package + Digital)

In 2021, the consumer (package + digital *including PCs) market was 87.6 billion dollars (up 2.9% from the previous year), increasing year-over-year. Packaged sales dropped slightly against the backdrop of the global shift to digital, but digital sales, including PC platforms, continue to grow with the highly profitable digital contents market now accounting for roughly 87.4% of the consumer market.

The forecast for the 2022 consumer market is to reach 91.9 billion dollars (up 4.9% from the previous year) owing to continued growth of digital sales. In the medium term, we see the game market expanding in the developing regions of Southeast Asia, South America, and Eastern Europe and new game delivery methods such as streaming and subscriptions growing. As such, we expect the market to grow to 103.6 billion dollars by 2026 (up 18.3% compared to 2021). We also expect continued growth in the mobile market.

Consumer Market (billion U.S. dollars)

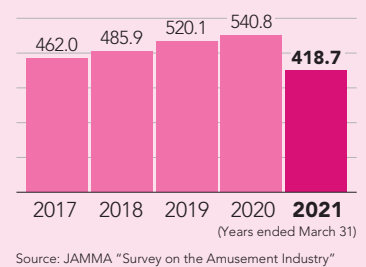


Arcade Operations Market

The domestic arcade facilities market dropped for the first time in six years due to the spread of the COVID-19 pandemic during the previous fiscal year (ended March 31, 2021) to 418.7 billion yen (down 22.6% from the previous year). The total number of facilities were 9,998 (down 18.1% from the previous year), and annual sales per store were 41.87 million yen (down 5.4% from the previous year).

Although we have seen some recovery due to the operational know-how we have acquired amid the pandemic, this fiscal year (ended March 2022), the market continued to be severely impacted by COVID-19 as stores were forced to suspend operations or shorten operating hours during states of emergency while foot traffic decreased due to efforts to avoid crowds. The market situation next fiscal year (ending March 2023) is expected to make greater progress toward recovery of the market environment due to increasing vaccination rates and the relaxation of restrictions.

Arcade Operations Market (billion yen)

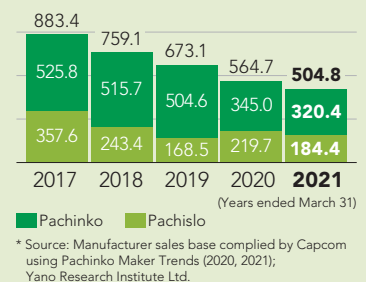


Gaming Machines Markets

In the previous fiscal year (ended March 31, 2021), the gaming machine market shrank for the eighth consecutive year to 504.8 billion yen (down 10.6% from the previous year).

This was due to the sluggish performance of stores against the backdrop of the COVID-19 pandemic, and in addition, the pachislo market is seeing slackening growth in the performance of machines with new gambling restraints, which has failed to stimulate stores' appetite for investment. This fiscal year (ended March 2022), although the effects of the COVID-19 pandemic continued to create an extremely challenging environment, the market showed signs of recovery with the replacement demand for new regulation-compliant machines. Next fiscal year (ending March 2023), despite some positive factors, such as new regulation machines with relaxed voluntary restrictions and the launch of smart pachislo machines, we believe the situation will remain harsh due to continued measures to address infectious diseases and increased investment burdens on halls.

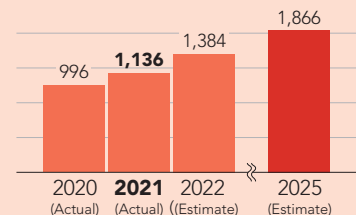
Gaming Machines Markets (billion yen)



Esports Market

The Esports Market in 2021 was 1.13 billion U.S. dollars (an increase of 14.1% over the previous year). This increase was due to increased sponsorship and expanded media rights fees. In 2022, we expect the market to grow to 1.38 billion U.S. dollars (up 21.8% from the previous year), primarily in China, which accounts for the largest share. The future remains unclear due to the prolonged COVID-19 pandemic, but due to medium-term growth in Asia and Central and Southern American regions, it is expected to reach 1.86 billion U.S. dollars by 2025.

Esports (million U.S. dollars)



Major opportunities and risks (Opportunity●Risk◆)

- Creation of highly competitive products using new technology
- More channels for product distribution with the appearance of new platforms
- Expanded number of sales regions using digital distribution
- Achievement of extended product life cycles through digital sales
- Reduction of the used market due to penetration of digital sales
- ◆ Rising development costs with the appearance of new technology and improved device performance
- ◆ Development delays
- ◆ Dependence on popular series and scarcity of hit titles
- ◆ Platform adoption trends
- ◆ Changes in user purchasing trends with the next generation of platforms
- ◆ Risks due to a country's politics, culture, or religion
- ◆ In-game purchases becoming a social issue
- ◆ Information leakage

Addressing major opportunities and risks

- Focusing on improving quality and efficiency while reducing development costs by building our own development engine and enhancing our development team
- New customer acquisition through a steady release of new major titles, creating new IPs, and the Single Content Multiple Usage strategy
- Diversifying profit risk through multi-platform development and strengthening PC platform development to hedge against dedicated console trends
- Lengthening product life of games with increased digital sales rates and increasing unit sales through pricing strategies
- Developing sales approaches to meet local needs and localization by an in-house team of experts
- Monetizing without incentivizing in-game purchases
- Establishing the Information Technology Security Oversight Committee, receiving instruction and advice, and implementing various preventative security measures

- Acquisition of new customers through multifaceted roll-out of stores including themed venues, merchandise specialty stores, VR experiences, etc.
- Increased awareness with new business formats and new technologies
- ◆ Reduced ability to attract customers due to the COVID-19 pandemic
- ◆ Changes to the market environment due to the diversification of leisure activities and declining birthrate

- Acquisition of new fan demographic and increased awareness through multifaceted business developments, such as cafes and merchandise.
- Attracting customers using our home video game content and other assets

- Expanded sales volume by responding to regulations appropriately
- Development of machines using popular IPs created for home video games
- ◆ Non-compliance with model testing of pachislo machines

- Building a system to perceive regulatory trends that allows us to quickly respond to changes in regulations through membership in industry associations

- Expanded fan base from non-game players watching events
- Creation of new profit opportunities such as licensing rights to hold events and stream video
- Promotion of online tournaments that leverage game characteristics
- ◆ Reduced number of events due to COVID-19 pandemic
- ◆ Decreased enthusiasm for competition due to rampant cheating
- ◆ Competing with new titles from other companies

- Spread of online competitions
- Flexible adjustment of competition rules
- Continuous supply of new content with title updates

Business activity achievements

Business Overview

Operating Results for This Fiscal Year

Digital Contents



This business develops and sells digital game content for consumer home video game and PC platforms. It also develops and manages Mobile Contents. Consumer games produces creative, original content that provides recurring revenue by utilizing digital distribution. Many of these million-seller titles are used for smartphone, tablet device and PC games, and are distributed worldwide in order to maximize earnings.
 ➔ For details see p.79

Consumer (Package + Digital)

- ◆ New titles *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin* were hits
- ◆ Major catalog title hits *Monster Hunter Rise*, *Resident Evil 7 biohazard*, *Resident Evil 2*, and *Monster Hunter World: Iceborne* performed well
- ◆ Packaged sales and highly profitable digital sales grew further

Mobile Contents

- ◆ Launched *Devil May Cry: Peak of Combat*

Arcade Operations



We operate amusement facilities, primarily Plaza Capcom arcades, in Japan. These arcades are predominantly in large commercial complexes. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations, and have been hosting various events designed to attract families and younger customers.
 ➔ For details see p.81

- ◆ We are focusing on steadily opening and operating stores while working to minimize the impact of COVID-19
- ◆ Sales at existing stores increased by 19% over the previous fiscal year due to recovering customer numbers with the lifting of the state of emergency in addition to efficient operation of existing stores and the effect of new stores in new business formats.
- ◆ We opened one of the region's largest amusement complexes in Ishikawa Prefecture, the Miraino Aeon Mall Hakusan store, which features "Crazy Banet."
- ◆ We opened two new stores and closed one store

Amusement Equipments



This business utilizes the content from our home video games. We focus primarily on the development, manufacture and sales of software, frames and LCD devices for gaming machines.
 ➔ For details see p.82

- ◆ Sold a total of 26,000 units of three models
- ◆ Despite lower sales and profits, diversification of the business model improved profitability over the previous fiscal year.

Other Businesses



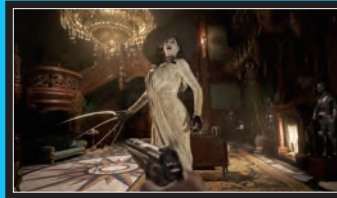
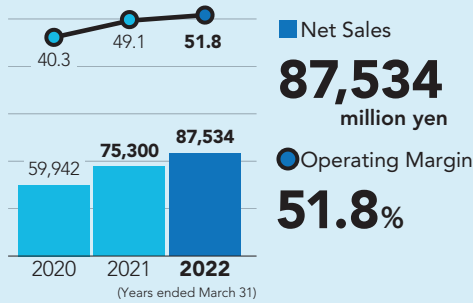
Photos: Red Bull Content Pool

Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of copyright-related business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part of our licensing business, we are also devoting resources to our esports business.
 ➔ For details see p.83

- ◆ We held events and sold merchandise leveraging IPs like *Monster Hunter* and *Resident Evil*, creating multifaceted opportunities for earnings
- ◆ In our licensing business, we strengthened our expansion into visual media and merchandising to coincide with the release of new home video game titles
- ◆ We expanded revenue opportunities by providing characters for collaborations in titles from other companies in the industry.
- ◆ We made efforts in eSports to expand the player and fan demographics by holding online tournaments in light of the COVID-19 pandemic

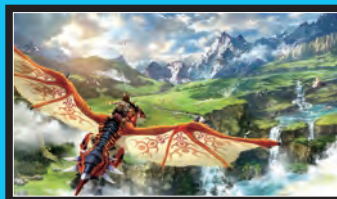
Main Products for This Fiscal Year (Output)

Net Sales/Operating Margins



Resident Evil Village

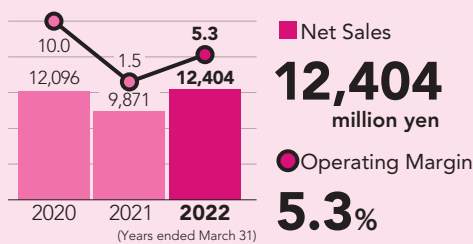
This title was released as a sequel to *Resident Evil 7 biohazard*, which was released in January 2017. In addition to photorealistic visuals and 3D audio made possible by the RE ENGINE, the game was well received for its immersive play experience that combines horror and action, leading to 6.1 million units sold worldwide.



Monster Hunter Stories 2: Wings of Ruin

The second RPG set in the *Monster Hunter* universe. The game was well received for the many popular monsters from previous installments of the series that appeared, its engaging battle system, and for expanding the game world with a new focus on Monster Riders. It has sold 1.5 million units worldwide.

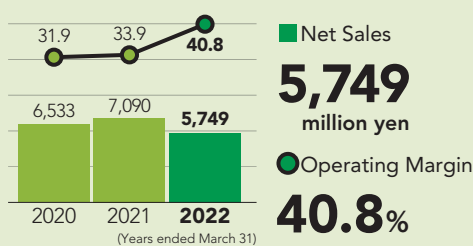
Net Sales/Operating Margins



Miraino Aeon Mall Hakusan Store

This facility features numerous attractions, including "Crazy Banet," one of the biggest large-scale physical activity zones in the Hokuriku region, Capcom's official esports facility, "Capcom eSports Club," and an original VR facility that utilizes Capcom IP, "VR-X."

Net Sales/Operating Margins

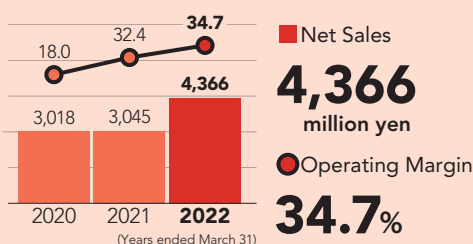


Pachislo

Monster Hunter: World Gold Hunting

This pachislo machine is based on *Monster Hunter: World*, our all-time best-selling home video game with more than 18 million units sold cumulatively. Released in December 2021, 12,000 units were sold.

Net Sales/Operating Margins



Hollywood movie

Resident Evil: Welcome to Raccoon City


Resident Evil, one of our most popular brands, was adapted into a Hollywood movie again following a five-year break. After opening in North America in November 2021, it was rolled out to theaters around the world.

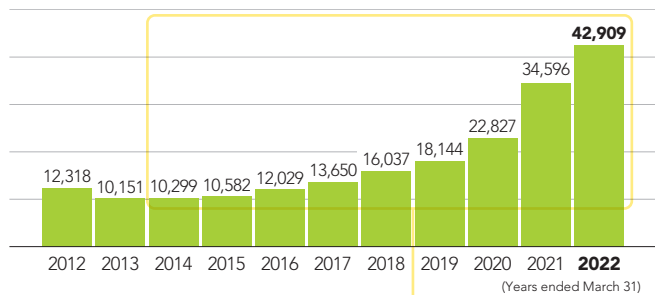
© 2021 Constantin Film International GmbH and Davis Raccoon Films Inc. All Rights Reserved.

Financial Highlights

Operating Income/Operating Margins


Operating Income (million yen)

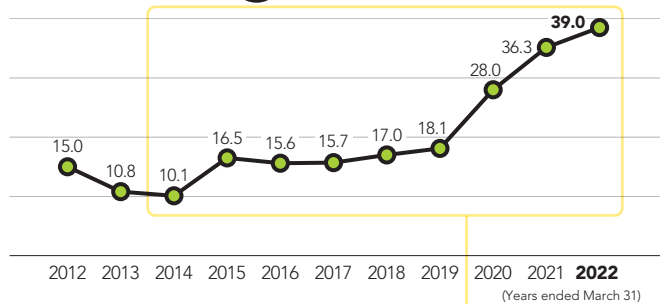
42,909 million yen
UP 24.0% 




In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted business restructuring by transitioning to in-house production and strengthened our digital sales strategy in response to rapid changes in the market beginning in the fiscal year ended March 2013. Financials were therefore sluggish that year while these reforms were implemented. From the following year onward we have achieved nine consecutive years of increased operating income with measures such as improving the highly profitable digital sales ratio in our Consumer sub-segment. In fiscal year ended March 2022, we achieved a 24% increase in profit over the previous fiscal year, marking our fifth consecutive year of record operating income. This was due to new major hit titles, such as *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin*, and the accumulation of catalog sales, in addition to the fact that the highly profitable digital sales trend continues to grow.

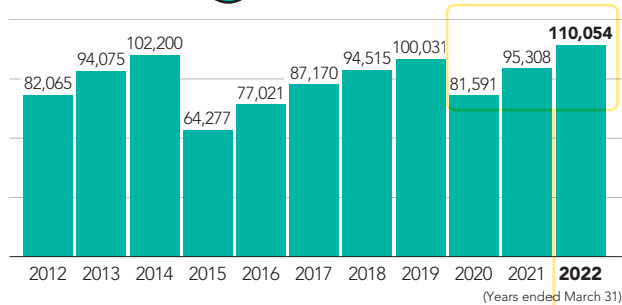
Operating Margins (%)

39.0 %
UP 2.7 points 




Net Sales (million yen)

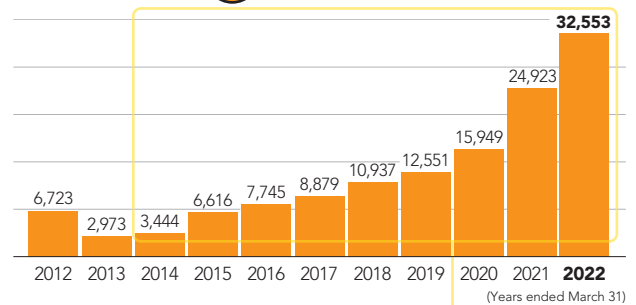
110,054 million yen
UP 15.5% 



After achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time, sales declined in the fiscal year ended March 2015 with the sharper focus on highly profitable titles in the Consumer sub-segment. In addition, the decline in revenue in the fiscal year ended March 2020 over the previous year was due to lowered unit prices accompanying digitalization. However, in recent years, we have been experiencing stable growth as the Consumer sub-segment continues to release multiple major titles each year.

Net Income Attributable to Owners of the Parent (million yen)


32,553 million yen
UP 30.6% 

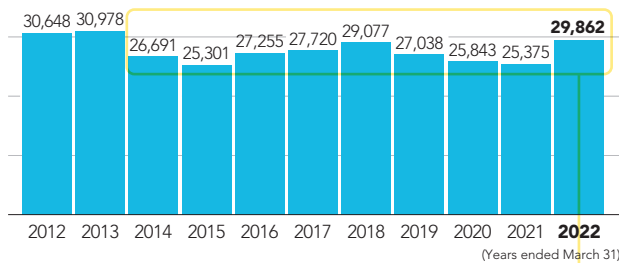


In the fiscal years ended in March 2013 and 2014 respectively, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization integration resulted in special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, net income increased nine years in a row in step with operating income, due to the benefits from structural reforms beginning to manifest.

→ Please refer to "Financial Strategy According to the CFO" on p.43-46, and "11-Year Summary of Consolidated Financial Indicators" on p.77-78


R&D Investment Costs (million yen)

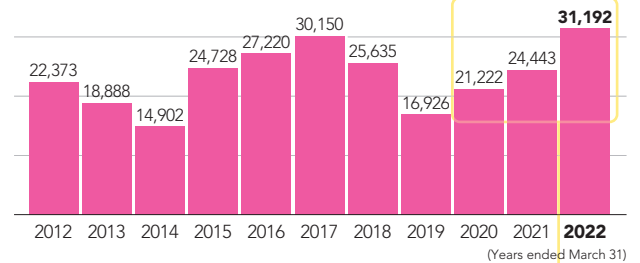
29,862 million yen
UP 17.7% 



We believe the generation of creative and original content is our source of growth, thus approximately 90% of our annual development investments are allocated to the Digital Contents business. At Capcom, we have been able to streamline development by building a cutting-edge development environment and through increased employee utilization rates, but we expect R&D investment costs to increase going forward as we proactively invest in human resources with an eye on sustainable medium-to-long-term growth.


Balance of Work in Progress for Game Software (million yen)

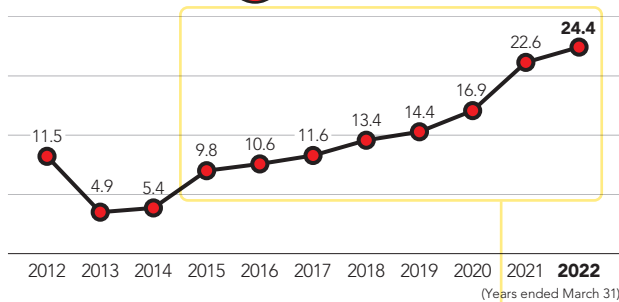
31,192 million yen
UP 27.6% 



There was a decrease in the fiscal year ended March 2014 due to the release of major titles, but since the fiscal year ended March 2015, it has been on the rise as a result of pipeline expansion. In addition to the release of major titles in the fiscal year ended March 2019, reassessment and closing of overseas studios resulted in a significant decrease. However, since the fiscal year ended March 2020, the amount is increasing due to work on major titles we will continue to release in upcoming fiscal years.



Return on Equity (ROE) (%)

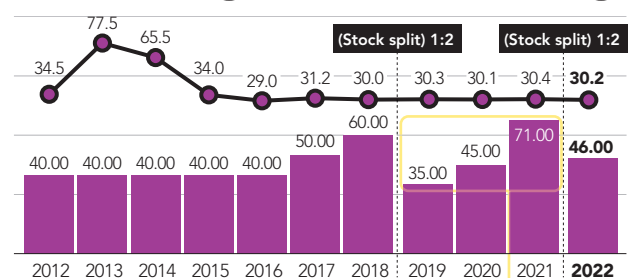
22.4 %
UP 1.8 points 



In the fiscal years ended March 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, we have maintained a high ROE level following the elimination of special losses and improved profitability mainly due to digitalization.

Dividend per Share/Dividend Payout Ratio

46.0 yen **30.2** %
UP 29.6%  DOWN 0.2 points 



(Note) With effective dates of April 1, 2018 and April 1, 2021, Capcom performed a 2-for-1 stock split of its common stock. For the years ended March 31, 2018 and earlier and the years ended March 31, 2021 and earlier, dividends paid show the actual amounts prior to the stock split.

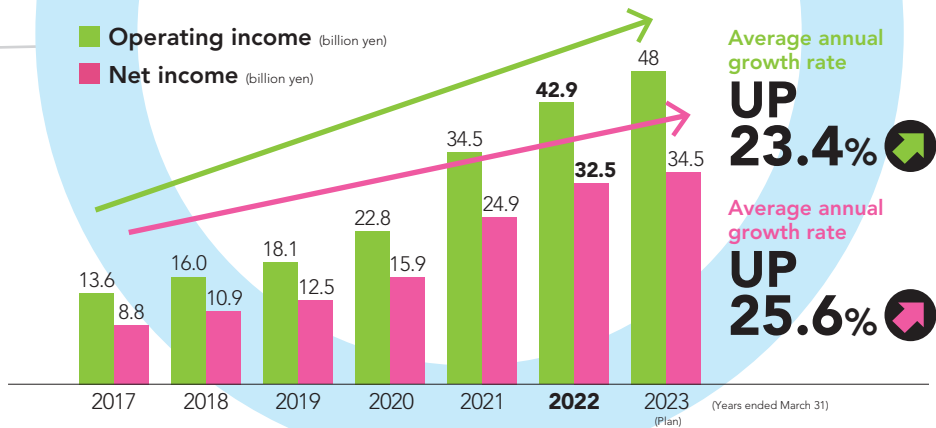
Since the fiscal year ended March 2017, the dividend policy has been changed from Capcom's long-standing policy of maintaining stable dividends to maintaining a consolidated payout ratio of 30% and to strive for stable dividends. The payout in the fiscal years ended March 2019 and March 2022 were reduced due to stock splits, but substantially dividends increased, and we were able to maintain our unbroken record of paying out dividends since listing publicly.

Seeking increased operating income annually with a stable growth business portfolio

We are seeking sustainable growth in the medium and long term based on expanded sales in the Consumer sub-segment by enhancing our title lineup and shifting to digital.

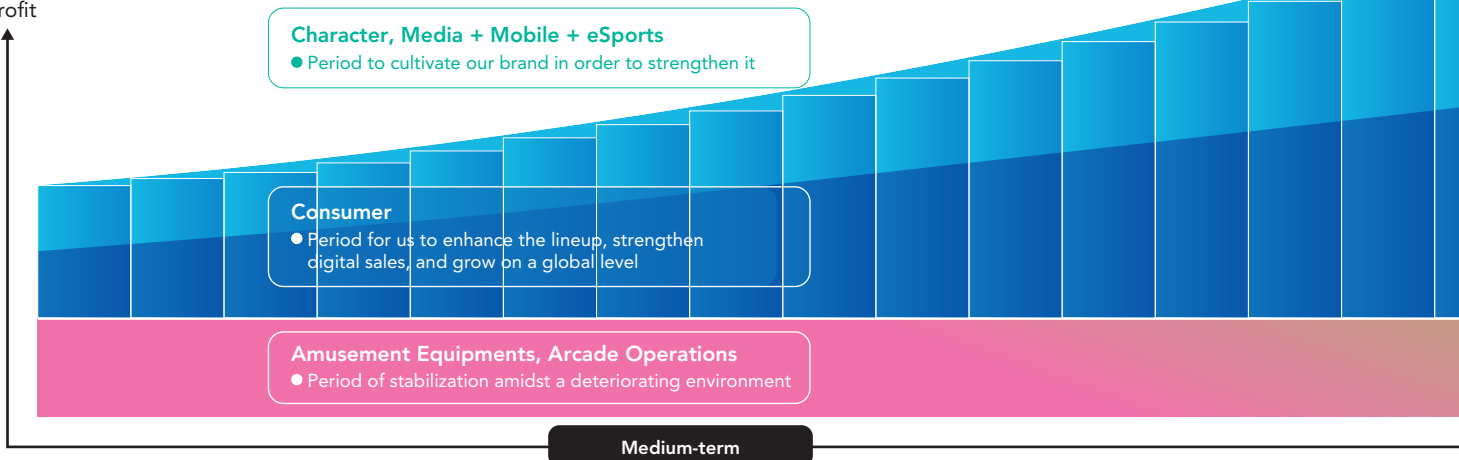
Expanding sales in the Consumer sub-segment

Aim for annual operating income growth (10%), driven by enhanced sales digitally and globally

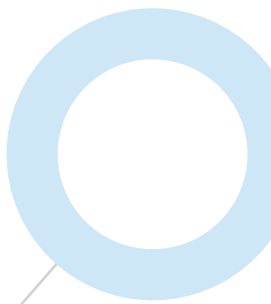
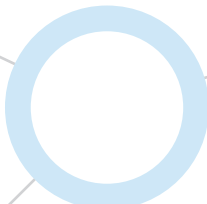


Medium- to long-term growth

Profit



Sustainable growth source



Global expansion of game purchasing demographic
Enhancing brand power

Character, Media, Mobile, eSports
Pursuing synergy with Consumer + growth options

New Titles (Consumer)
Growth driver, source of long-term sales

Catalog Titles (Consumer)
Base profits from recurring revenue model

Expanding Consumer sub-segment sales
with stronger digital and global sales

Amusement Equipments, Arcade Operations **Stable earnings**

Long-term

→ Period



Human resources investment



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.

1

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"](#)



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.

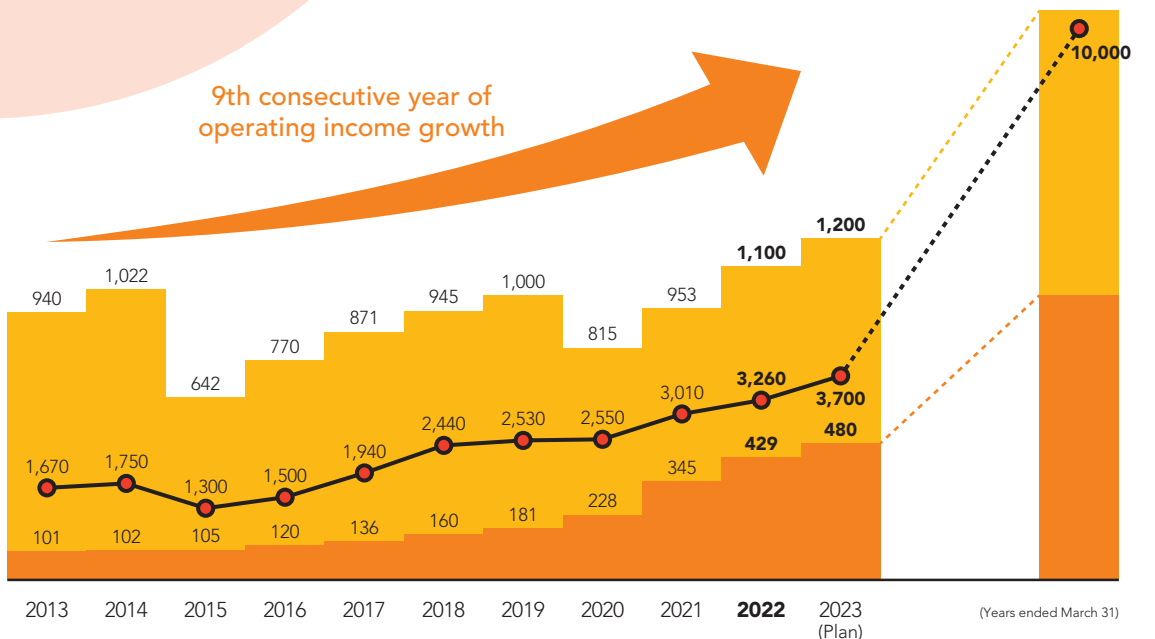
In fiscal 2021, our annual sales totaled 32.6 million units. That is a mere 1.1% of the worldwide market share. Although Capcom's game content is sold in almost every country and region around the world, depending on the country and region, we cannot say that Capcom has penetrated the market as a game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

■ Consolidated net sales (Billion yen) ■ Operating income (Billion yen) ● Total sales units (ten thousands)





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.

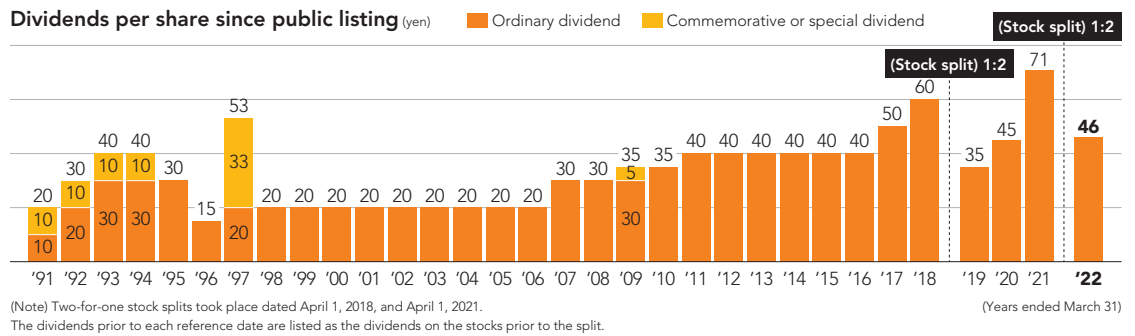
➔ For more details, please refer to “Key commentary on our human resources strategy from our external directors” on p.73

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



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

6

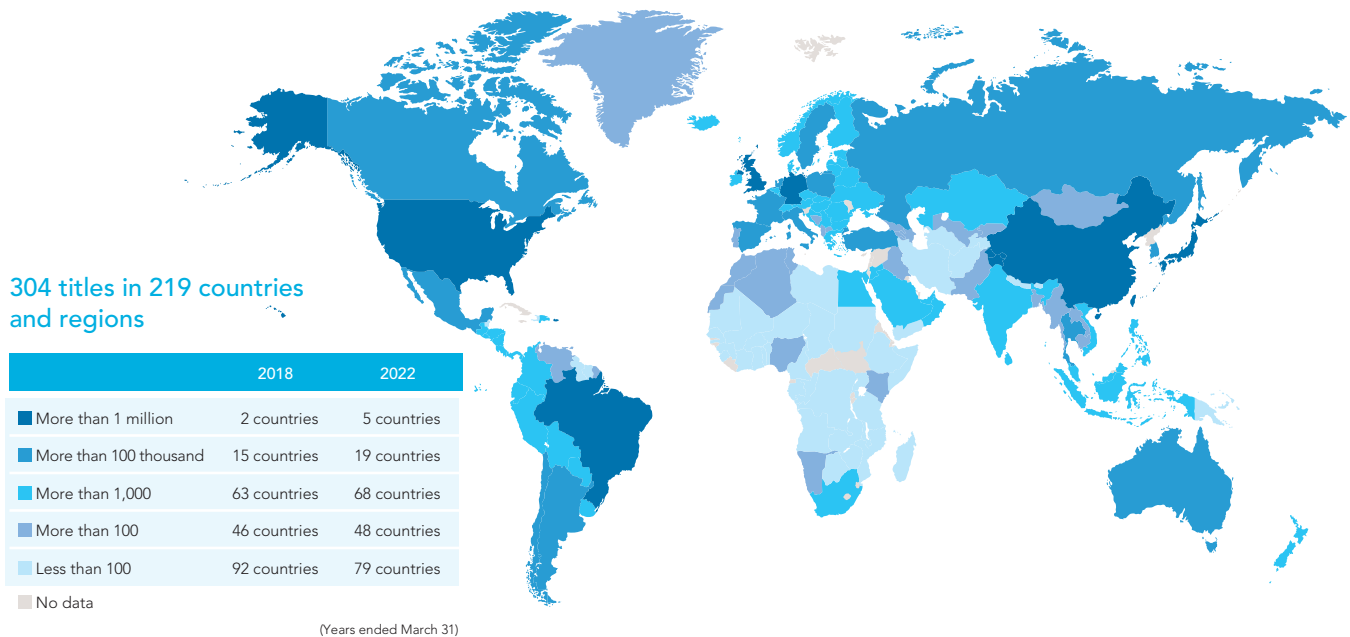
Brand expansion (2) -Strengthening our licencing, eSports, movie businesses

7

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.

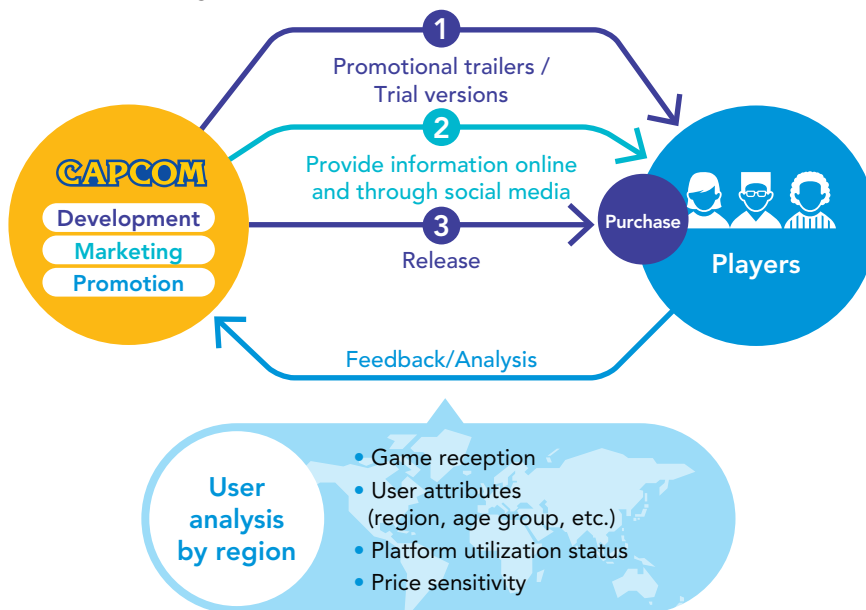
In particular, we perform repeated quality checks until just before a title is released. Additionally, we are making efforts to improve productivity with measures such as our in-house game development engine, RE ENGINE and the automation of content production. This is within a framework where the technical 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

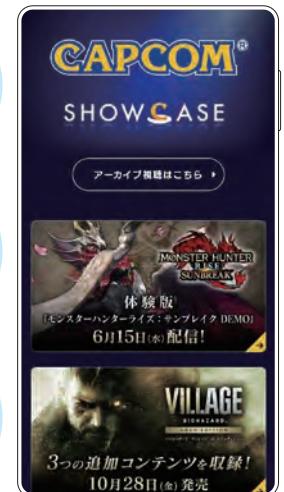
A digital event to present the latest information on major titles in this fiscal year and beyond.

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



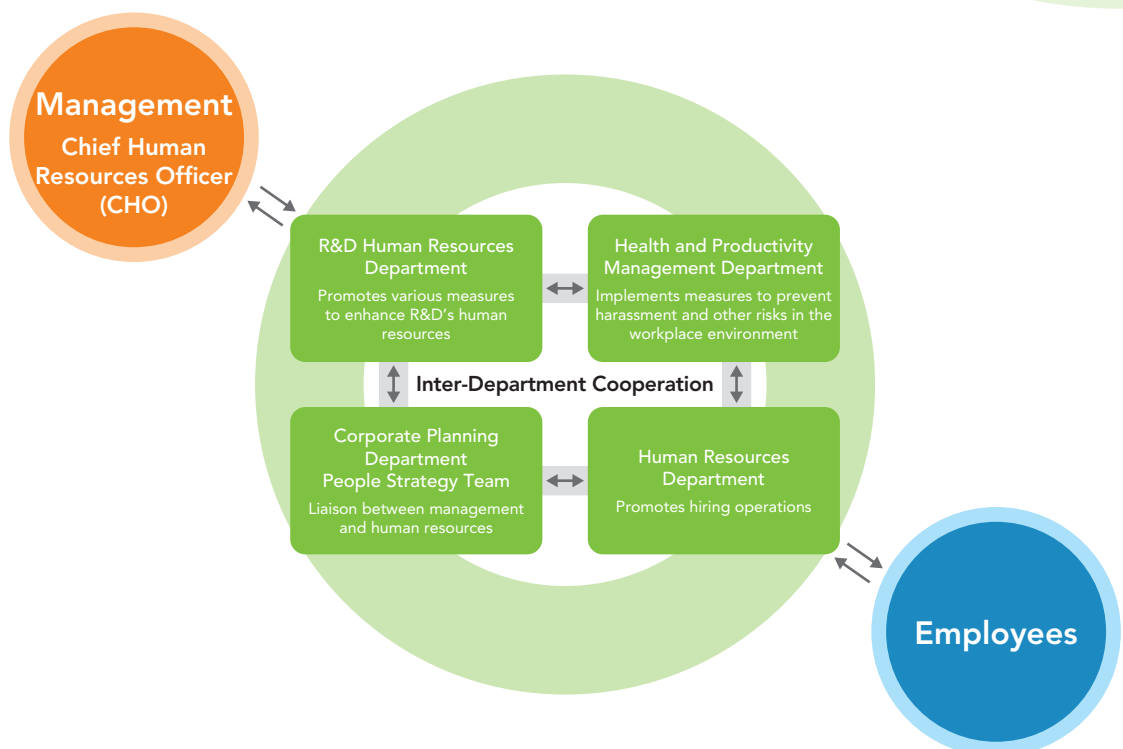
Satoshi Miyazaki

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.



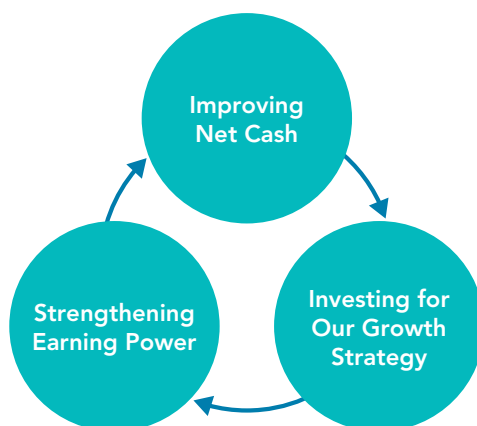
Kenkichi Nomura

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

CFO
COMMITMENT

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

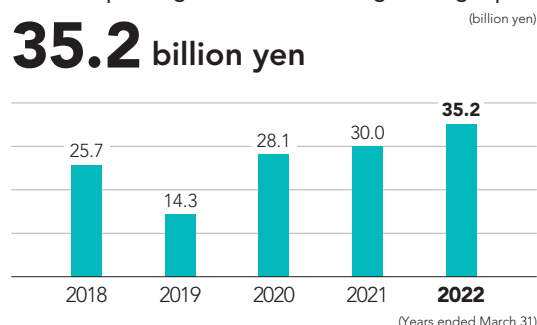
Unlike accounting profits, operating cash flow in financial statements are impacted by variable working capital cycles relating to accounts receivable and payable, and work-in-progress for game software, and other items, which were incurred based on accounting principles. Among the items comprising working 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

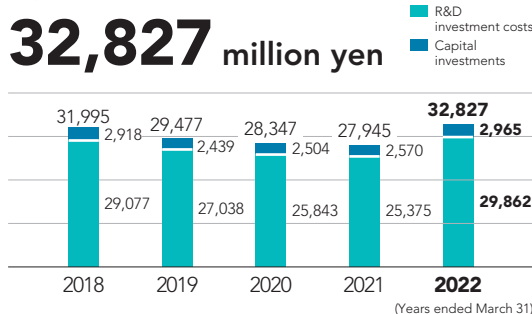
Capcom can do as a company regarding these issues from the perspective of corporate citizenship.

Regarding shareholder returns accompanying corporate growth

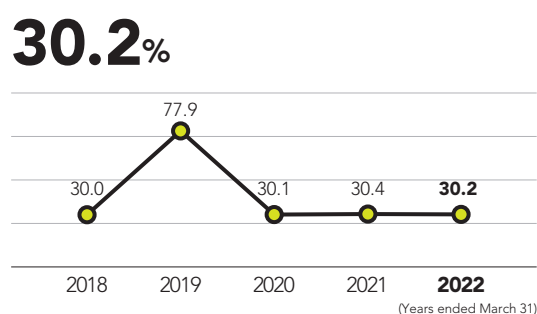
Our approach to shareholder returns remains the same. We will continue to strive for stable dividends with a basic policy of maintaining a consolidated dividend payout ratio of 30%. As of the fiscal year ended March 2022, we have achieved six consecutive years of increased dividends, if you take stock 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

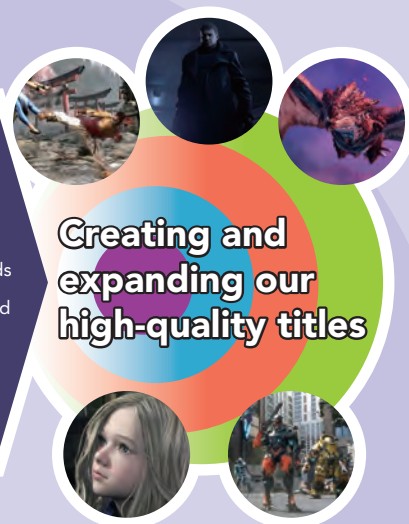
→ For details, please refer to "Development Environment" on p.50.



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.



Overall development policy

With the popularization of digital sales and diversification of gaming devices, the global trend of being able to play games anytime, anywhere is accelerating—and with the spread of social media, anyone can be an influencer. In this environment, in order to create hits it is essential that we develop games while coordinating with our operational divisions. This entails that we carry out game development with an awareness that we are delivering our games to as many people around the world as possible via both a sales strategy that utilizes digital events to communicate effectively, and our Single Content Multiple Usage strategy that utilizes movies and licensed products. 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; however, we are also making calculated appeals to players through ongoing services. These services continuously stimulate their interest with strategic digital sales and the steady release of additional content that underpins that quality in an effort to increase satisfaction.

On top of the know-how that we have amassed thus far, looking to the future, we are challenging ourselves to develop quality titles that will pioneer the next generation of games with visual technology that produces high-impact graphics as well as improved network technology.

Development strategy

Based on our medium-term goals, as the head of development, I am striving to fulfill my revenue responsibilities by allocating 90% of the development investment budget to the creation of popular series IP, such as *Resident Evil* and *Monster Hunter*. At the same time, we are also promoting the development of our online ongoing services business model. This allows more players to enjoy our hallmark Capcom craftsmanship over the long-term by providing additional DLC and other content. Our efforts to create new IPs also continue. Most recently, we announced *Pragmata* and *Exoprimal* for the latest generation of consoles, and we are making steady progress on their 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, but also maximizes the performance of each piece of hardware. We will continue to evolve this proprietary engine while remaining proactive in our approach to state-of-the-art research and technology, such as VR, while aiming to enhance our lineup.

Cooperative approach in Development Divisions

Hit titles are not the product of chance, but the result of each team's continued collaborative efforts.

Game development at Capcom takes place on a large scale and over a long period of time. Taking a project from concept to reality requires more than an individual's abilities; teamwork is also a vital element. In terms of technology we use RE ENGINE, and those responsible for technological research are integrated into the title development team to provide the optimal development environment and support for each title. In terms of quality, our Quality Control Division checks whether titles under development operate properly while also looking at the fun and playability of the games. They then share their opinions with the development team in an effort to improve quality.

Monster Hunter Rise and *Resident Evil Village*, which were developed within just such an environment, exceeded our sales expectations and received acclaim from players. Going forward, we will continue to strengthen our cooperative approach as we strive to create the world's best game content.

Training developers

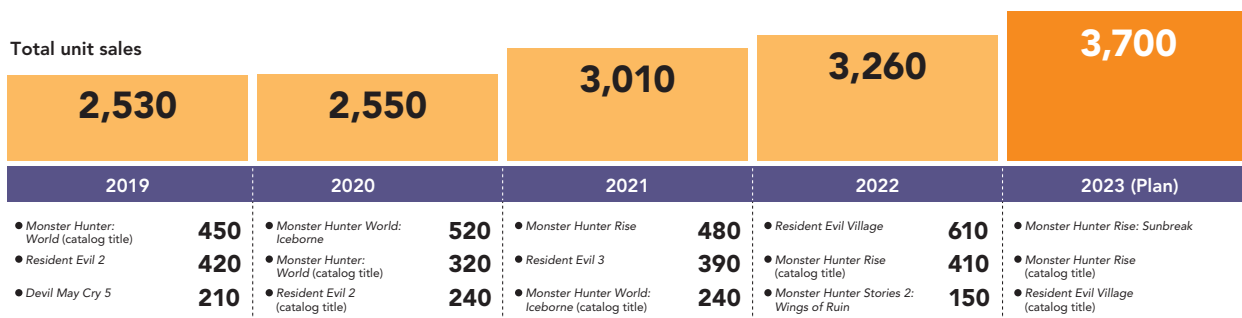
People are at the core of creating high quality games. We are working to build a comfortable environment for our game development divisions so that our creators can focus on giving their best. Since 2013, we have hired more than 100 developers each year, and today our development workforce stands approximately 2,500 strong. However, it is essential that we continue to secure human resources and hone their skills even further to sustain growth in the medium-to-long-term. Currently, we give newly hired young employees the chance to acquire know-how and skills through hands-on experience in the field. We are making steady progress with their training via game development experience that is both rigorous and quality focused.

We have set goals and clarified milestones for training younger employees to expedite their development and grow the number of high performers. By promoting work assignments based on the right employee for the right job, creating opportunities for training, and improving employee competency, we seek to strengthen our development capabilities.

This past spring, we reorganized our human resources operations in the development divisions to further promote strategic investment in human resources. Through this, we support human capital with the aim of promoting business growth in our development divisions and are able to secure the people and capabilities required to grow title profits and productivity.

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

(Fiscal years ended March 31)



Hiring activities



Training globally competitive developers through our new human resources investment strategy

Over 100 developers hired annually

<p>Internal Branding</p>	<p>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.</p>
<p>Personalized Human Resources Data</p>	<p>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.</p>
<p>Improved Organizational Capabilities</p>	<p>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.</p>



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

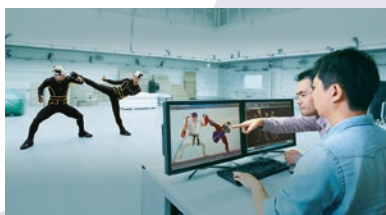
Further increasing the appeal of a game with new UI

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.



Technical development

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

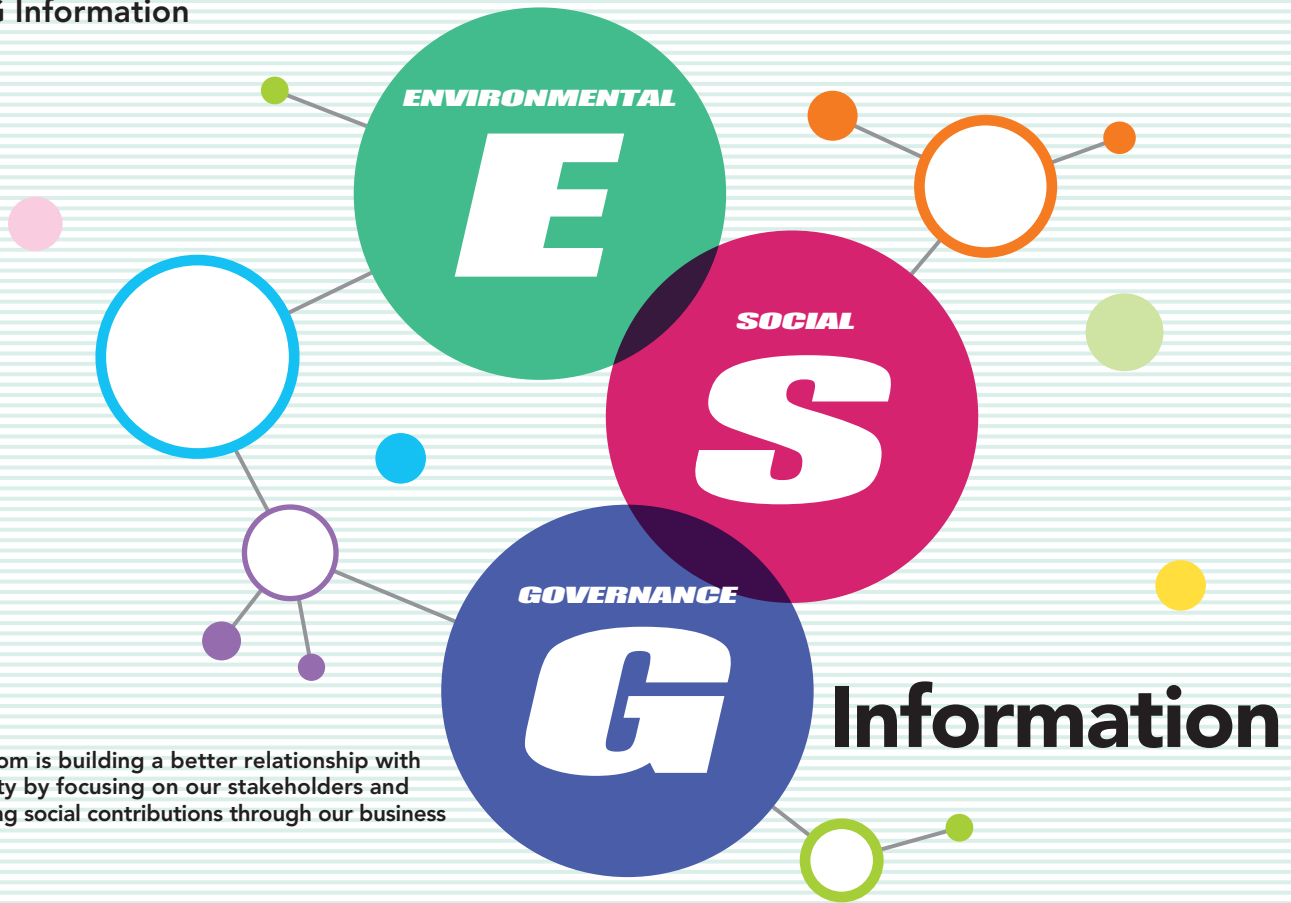
The cornerstone of development is people. At Capcom, we have adopted an agile development system that allows us to assign personnel to titles as they are needed in order to create an environment where each and every employee can demonstrate their talents and abilities. Being a flexible organization has significant advantages in terms of game development as well as 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
<div style="display: flex; align-items: center;"> <div> <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 </div> </div>	<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
<div style="display: flex; align-items: center;"> <div> <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 </div> </div>	<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
<div style="display: flex; align-items: center;"> <div> <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 </div> </div>	<ul style="list-style-type: none"> ● Expanded profit opportunities by improving company and IP name recognition ● Promoted understanding of the Capcom approach to business ● Expanded revenue opportunities in step with larger percentage of populations gaining access to entertainment options following the stabilization of social environments 	<ul style="list-style-type: none"> ● Education of users, consumer groups, government entities, etc. ● Further promotion of regional revitalization using Capcom content
<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"> ● Increasing the number of opportunities for persons in charge of development to converse with the market ● The effective operation of the audit and supervisory committee system ● Board of Directors effectiveness assessments and their utilization ● Review the composition of the Board of Directors ● Setting developer compensation in consideration of medium- to long-term sustainable growth 	

➔ 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.

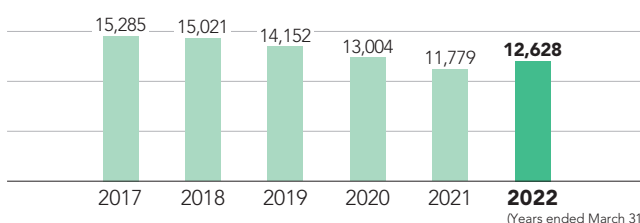


Promoted energy-saving initiatives, including switching to LED lighting at each workplace

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

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

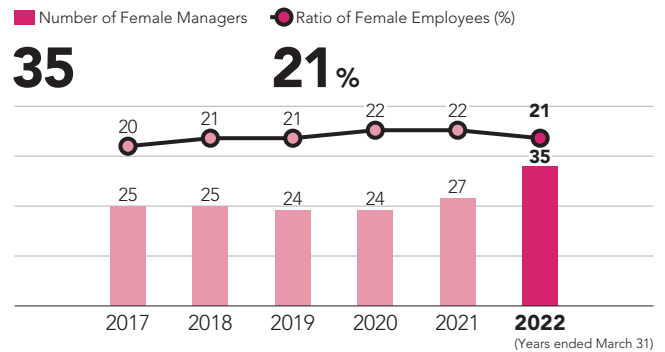
Initiatives aimed at promoting the improvement of the work environment for women and proactively hiring foreign nationals

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

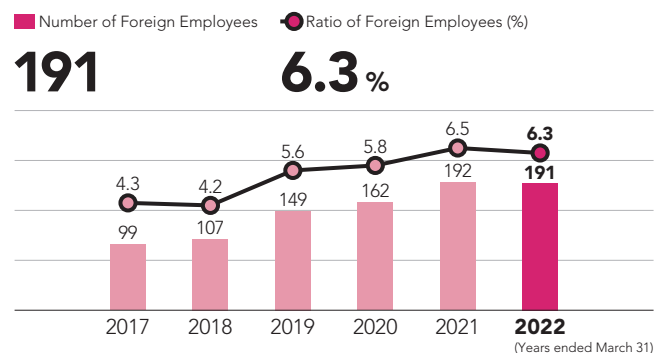
In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company. In fiscal 2021, 41 employees took childcare leave, 20 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

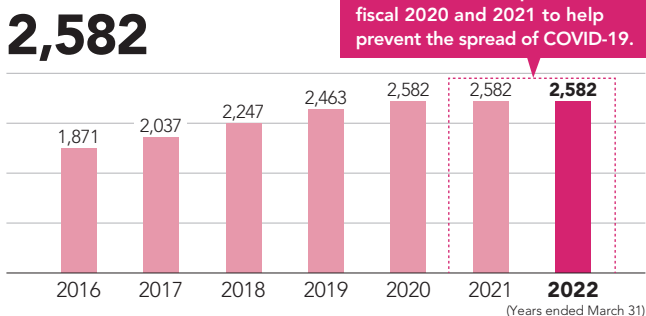
Holding regular amusement arcade tours

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



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

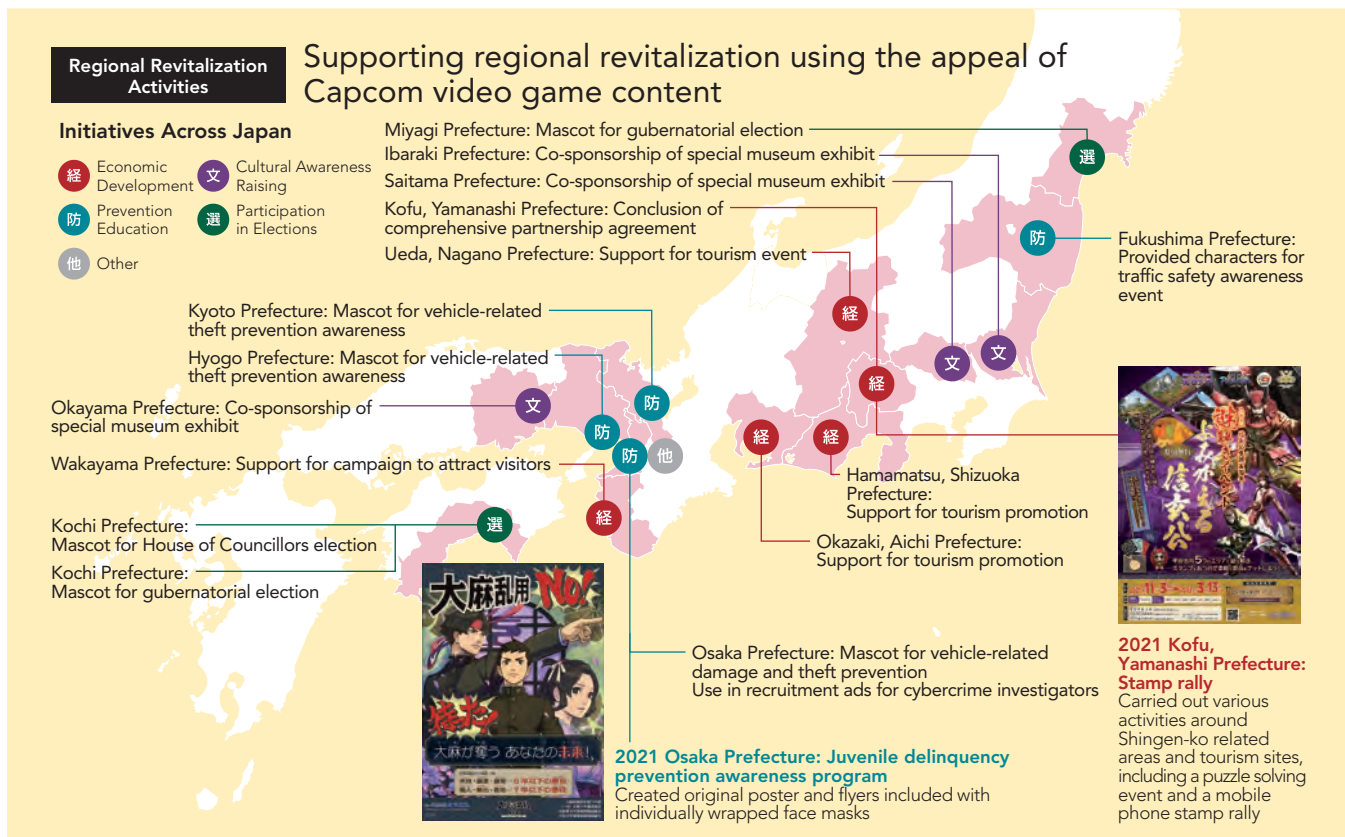


Nobumichi Sukenaka
Director of Juvenile Division
Community Safety Department,
Osaka Prefectural Police Headquarters

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.



Directors (As of June 24, 2022)

Internal External



Kenzo Tsujimoto
Chairman and Chief Executive Officer (CEO)

Jun. 1983 President and Representative Director of the Company
Apr. 2001 Chief Executive Officer (CEO) of the Company (to present)
Jul. 2007 Chairman and Representative Director of the Company (to present)



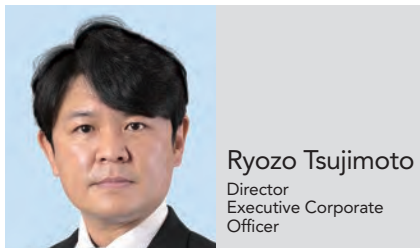
Haruhiro Tsujimoto
President and Chief Operating Officer (COO)

Apr. 1987 Entered into the Company
Jun. 1997 Director of the Company
Feb. 1999 Managing Director of the Company
Apr. 2001 Senior Managing Director of the Company
Jul. 2004 Director and Executive Corporate Officer of the Company
Apr. 2006 Director and Executive Vice President of the Company
Jul. 2007 President and Representative Director, Chief Operating Officer (COO) of the Company (to present)
Aug. 2016 President and Representative Director, and Director in charge of Global Marketing Business and Arcade Operations Business of the Company
Jun. 2018 President and Representative Director, and Director in charge of Arcade Operations Business of the Company
Apr. 2020 President and Representative Director, and Director in charge of Sales Operations Business and Arcade Operations Business of the Company
Jun. 2022 President and Representative Director, and Director in charge of Arcade Operations Business of the Company (to present)



Satoshi Miyazaki
Chief Human Resources Officer (CHO)
Executive Vice President

Apr. 1983 Entered into The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.)
Apr. 2011 Executive Officer, General Manager of Corporate Banking Division No. 6 of the Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)
Apr. 2013 Managing Executive Officer in charge of Sales of Mizuho Corporate Bank, Ltd. and Mizuho Bank, Ltd.
Apr. 2016 Executive Officer and Deputy President in charge of Western Japan of Mizuho Financial Group, Inc.
Representative Director and Deputy President & Executive Officer in charge of Western Japan of Mizuho Bank, Ltd.
Apr. 2020 Representative Director and Deputy President of Mizuho Bank, Ltd.
Apr. 2021 Resigned from the post above
May 2021 Executive Vice President of the Company (to present)
Jun. 2021 Director of the Company (to present)
Apr. 2022 Director, Chief Human Resources Officer (CHO) and in charge of Corporate Management of the Company (to present)



Ryoza Tsujimoto
Director
Executive Corporate Officer

Apr. 1996 Entered into the Company
Sep. 2013 General Manager of Development Division 3 of the Company
Apr. 2014 Corporate Officer, Head of Consumer Games Development Division 3 of the Company
Jun. 2017 Corporate Officer, Head of Consumer Games Development Division 3 and Mobile Online Development Division of the Company
Apr. 2018 Managing Corporate Officer, Head of Consumer Games Development Division 2 and Mobile Online Development Division of the Company
Oct. 2020 Managing Corporate Officer, Head of Consumer Games Development Division 2 of the Company
Apr. 2022 Executive Corporate Officer (to present), Head of Consumer Games Development Division 2 of the Company
Jun. 2022 Director, deputy in charge of Development Divisions of the Company (to present)



Toru Muranaka
Director
External
Independent Director

Apr. 1995 Registered Lawyer (Osaka Bar Association)
Entered into Daiichi Law Office (now Daiichi Law Office, P.C.)
Dec. 2007 Partner of Daiichi Law Office, P.C. (to present)
May 2014 External Corporate Auditor of Furuno Electric Co., Ltd. (to present)
Jun. 2015 External Corporate Auditor of Suzuken Co., Ltd.
Jun. 2016 External Director of the Company (to present)



Yutaka Mizukoshi
Director
External
Independent Director

Apr. 1980 Entered into Nippon Steel Corporation
May 2004 Senior Vice President of The Boston Consulting Group
Jan. 2005 Japan Co-chair of The Boston Consulting Group
Jan. 2016 Senior Partner and Managing Director of The Boston Consulting Group
Jun. 2016 External Director of Lifenet Insurance Company (to present)
External Director of Asagami Corporation (to present)
Jan. 2018 Senior Advisor of The Boston Consulting Group, Tokyo (to present)
Jun. 2018 External Director of the Company (to present)
Jun. 2019 Director, Japan Rugby Football Union (to present)



Kazushi Hirao
Director
<Full-time member of the Audit and Supervisory Committee>

Jun. 1988 Entered into the Company
Apr. 1997 General Manager of Overseas Business Dept. of the Company
Jul. 1999 Corporate Officer, General Manager of Overseas Business Dept. of the Company
Oct. 2002 General Manager of General Affairs Dept. of the Company
Apr. 2004 Senior Manager of Investor Relations Section of the Company
Jun. 2004 Corporate Auditor of the Company (full-time)
Jun. 2016 Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)



Yoshihiko Iwasaki
Director
<Full-time member of the Audit and Supervisory Committee>
External
Independent Director

Apr. 1979 Entered into National Tax Agency
Jul. 1986 District Director of Ijuin Tax Office
Jul. 1999 Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
Jul. 2007 Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
Jul. 2009 Director-General of Kanazawa Regional Tax Tribunal
Jul. 2010 Director-General of Sapporo Regional Tax Tribunal
Jul. 2011 Vice President of National Tax College
Jun. 2012 External Corporate Auditor of the Company (full-time)
Jun. 2016 External Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)



Makoto Matsuo
Director
<Member of the Audit and Supervisory Committee>
External
Independent Director

Apr. 1975 Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
Aug. 1978 Weil, Gotshal & Manges in New York
Mar. 1979 Admitted to New York Bar
Apr. 1989 Partner of Momo-o, Matsuo & Namba (to present)
Apr. 1997 Lecturer of Nihon University, Faculty of Law: International Transaction Law
Apr. 2005 Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
Jun. 2007 External Director of the Company
Mar. 2014 External Corporate Auditor of Solasia Pharma K.K. (to present)
Jun. 2016 External Director (Member of the Audit and Supervisory Committee) of the Company (to present)
Jun. 2018 Outside Statutory Auditor of Sumitomo Forestry Co., Ltd. (to present)
Jun. 2020 Outside Audit & Supervisory Board Member of Taisho Pharmaceutical Holdings Co., Ltd. (to present)



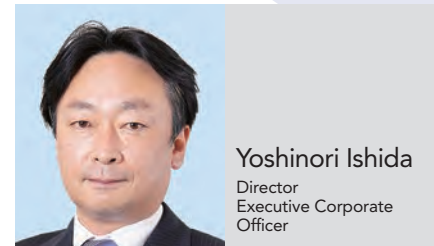
Yoichi Egawa
Director
Executive Corporate Officer

Apr. 1985 Entered into the Company
Apr. 1999 General Manager of Creative Division 5 of the Company
Aug. 1999 Corporate Officer, General Manager of Creative Division 5 of the Company
Apr. 2011 Managing Corporate Officer of the Company
Apr. 2013 Executive Corporate Officer of the Company (to present)
Jun. 2013 Director, in charge of Arcade Business and Pachinko & Pachislo Business of the Company
Jul. 2016 Director, in charge of Amusement Equipments Business, Arcade Operations Business and Consumer Games Development of the Company
Apr. 2019 Director, in charge of Consumer Games Development and Pachinko & Pachislo Business Divisions of the Company
Apr. 2020 Director, in charge of Development Divisions and Pachinko & Pachislo Business Divisions of the Company (to present)



Kenkichi Nomura
Director
Executive Corporate Officer, Chief Financial Officer (CFO)

Apr. 2009 Corporate Officer in charge of Internal Control of the Company
Jul. 2010 Managing Corporate Officer in charge of Financial and Accounting Division of the Company
Jun. 2015 Managing Corporate Officer in charge of Financial and Accounting Division and Secretarial Affairs, PR and IR Division of the Company
Apr. 2016 Executive Corporate Officer (to present)
Head of Finance, Accounting and Public Relations Divisions
Jun. 2016 Director, Chief Financial Officer (CFO) (to present) and in charge of Corporate Management of the Company
Apr. 2020 Director, in charge of Corporate Management, Planning and Strategy Divisions of the Company
Apr. 2022 Director and deputy in charge of Corporate Management of the Company (to present)



Yoshinori Ishida
Director
Executive Corporate Officer

Apr. 1992 Entered into the Company
Apr. 2005 General Manager of Sales Promotion Division of the Company
Mar. 2011 Deputy Head of Consumer Games Business Division and General Manager of the Consumer Games Marketing Department of the Company
Apr. 2013 Corporate Officer, Head of Consumer Games Business Division and General Manager of the Consumer Games Marketing Department of the Company
Apr. 2016 Corporate Officer, Head of Japan & Asia Business Division of the Company
Jun. 2017 Corporate Officer, Head of Japan & Asia Business Division and Deputy Head of Mobile Online Development Division of the Company
Apr. 2019 Managing Corporate Officer, Head of Japan & Asia Business Division and Deputy Head of Mobile Online Development Division of the Company
Oct. 2020 Managing Corporate Officer, Head of Japan & Asia Business Division of the Company
Sep. 2021 Managing Corporate Officer, Head of Global Business Division of the Company
Apr. 2022 Executive Corporate Officer (to present), Head of Global Business Division of the Company
Jun. 2022 Director, in charge of Global Business Division of the Company (to present)



Wataru Kotani
Director
External
Independent Director

Apr. 1980 Entered into the National Police Agency
Aug. 2002 Chief of Ehime Prefectural Police Headquarters
Apr. 2004 Chief of the Cybercrime Division, Community Safety Bureau, National Police Agency
Jul. 2008 Chief of Nagano Prefectural Police Headquarters
Aug. 2010 Chief of the Organized Crime Department, Criminal Affairs Bureau, National Police Agency
Jan. 2013 Deputy Superintendent General and acting Chief of the Crime Prevention Task Force, Tokyo Metropolitan Police Department
Jan. 2014 President, National Police Academy
Nov. 2014 Special Advisor, Japan Post Bank Co., Ltd.
Jun. 2021 Director of Japan Center for Examination Research (to present)
External Director of the Company (to present)



Toshiro Muto
Director
External
Independent Director

Apr. 1966 Entered into the Ministry of Finance
Jul. 1999 Director-General of the Budget Bureau of the Ministry of Finance
Jun. 2000 Vice Minister of the Ministry of Finance
Jan. 2003 Adviser to the Minister of Finance
Mar. 2003 Deputy Governor of the Bank of Japan
Jul. 2008 Chairman of Daiwa Institute of Research Ltd.
Jun. 2009 External Corporate Auditor of Sumitomo Metal Corporation (now Nippon Steel Corporation)
Jun. 2010 External Director of Mitsui & Co., Ltd.
Jan. 2014 CEO of the General Incorporated Foundation Tokyo Organizing Committee of Olympic and Paralympic Games (now Public Interest Incorporated Foundation Tokyo Organizing Committee of Olympic and Paralympic Games) (to present)
Jul. 2018 Honorary Chairman of Daiwa Institute of Research Ltd. (to present)
Jun. 2022 External Director of the Company (to present)



Yumi Hirose
Director
External
Independent Director

Apr. 1979 Entered into the Tokyo Regional Taxation Bureau
Jul. 2012 National Tax Agency Commissioner's Secretariat Internal Inspector
Jul. 2015 District Director of Yuki-gaya Tax Office
Jul. 2016 Director of Personnel Division 2, General Affairs Department of Tokyo Regional Taxation Bureau
Jul. 2017 Director of General Affairs Division of National Tax College
Jul. 2018 Research Coordination Director of Tokyo Regional Taxation Bureau Research Division 3
Jul. 2019 Deputy Director of Regional Taxation Bureau Research Division 2
Jul. 2020 District Director of Shiba Tax Office
Aug. 2021 Tax Accountant of Hirose Tax Accountant Office (to present)
Dec. 2021 Spokesperson for the village of Mikura-island (to present)
Jun. 2022 External Director of the Company (to present)
Outside Director (Audit and Supervisory Committee Member), Torex Semiconductor Ltd. (to present)

Directors' Skill Matrix

Fields Each Director is Expected to Contribute in Particular Toward Achievement of Medium-Term Growth Strategy

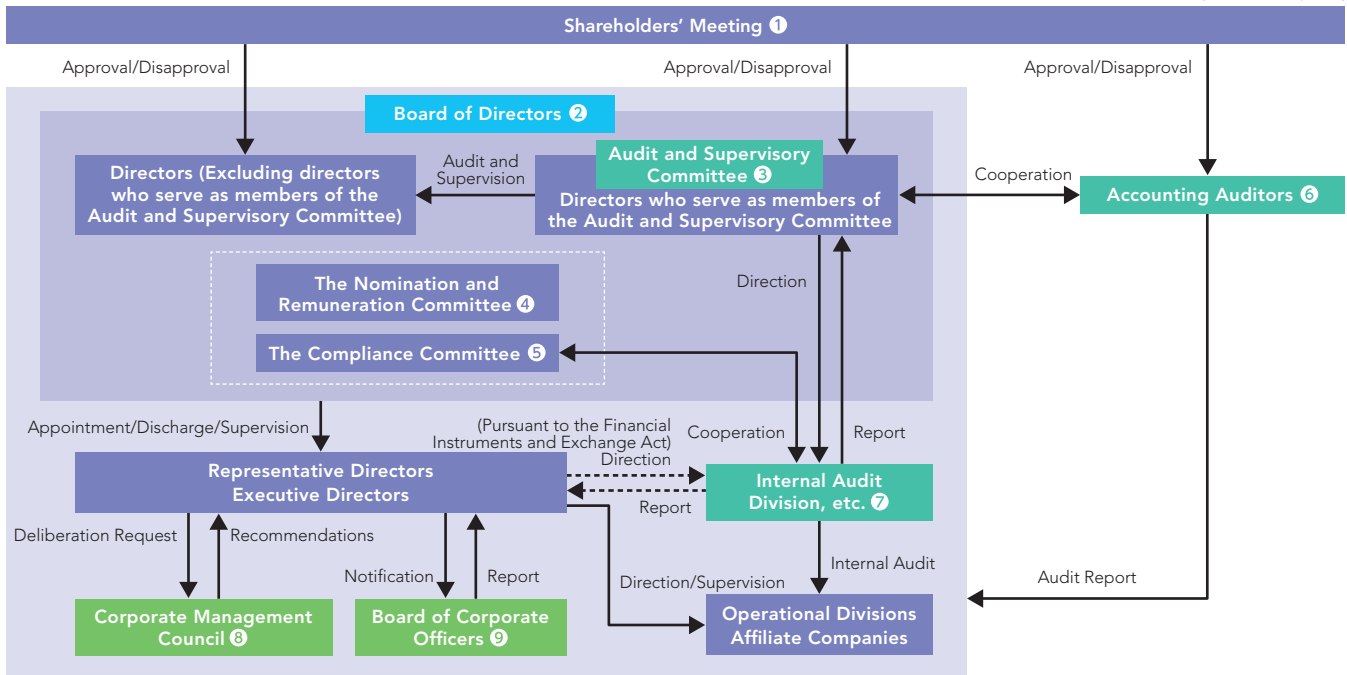
	Company Management	Management Strategy	Gaming Industry	Digital Transformation/IT/Technology	R&D	Finance/Accounting/Tax	Legal	Global Sensibility
Kenzo Tsujimoto	●	●	●	●				●
Haruhiro Tsujimoto	●	●	●	●	●			●
Satoshi Miyazaki	●	●	●	●		●		●
Yoichi Egawa			●	●	●			●
Kenkichi Nomura		●	●	●		●	●	●
Yoshinori Ishida (New election)		●	●	●				●
Ryozo Tsujimoto (New election)			●	●	●			●
Toru Muranaka	●						●	●
Yutaka Mizukoshi	●	●						●
Wataru Kotani				●			●	
Toshiro Muto (New election)	●					●		●
Yumi Hirose (New election)	●					●		●
Kazushi Hirao		●	●			●		●
Yoshihiko Iwasaki						●		
Makoto Matsuo	●						●	●

* The table above does not necessarily show all knowledge possessed by the candidates.

Corporate Governance Structure and Initiatives

Shareholders and investors have made the effective functioning of internal control into a key issue amidst an epidemic of corporate misconduct in Japan and overseas. In this section, Capcom will explain the corporate governance structure and systems that it has initiated so far based on the key concepts of "effectiveness and visibility" in terms of the results of third-party assessment. (Assessment areas are highlighted in yellow.)

(As of June 23, 2022)



Composition of Board of Directors and voluntary committees (In the year ended March 31, 2022)

Internal External

2 Board of Directors (11 members)

(Convened 10 times in the year ended March 31, 2022)

Chairman

 Kenzo Tsujimoto (Attendance: 100%)	 Haruhiro Tsujimoto (Attendance: 90%)	 Satoshi Miyazaki (Attendance: 100%)*	 Yoichi Egawa (Attendance: 100%)
 Kenkichi Nomura (Attendance: 100%)	 Toru Muranaka (Attendance: 90%)	 Yutaka Mizukoshi (Attendance: 100%)	 Wataru Kotani (Attendance: 100%)*

* 100% attendance since being elected

3 Audit and Supervisory Committee (three members)

(Convened 11 times in the year ended March 31, 2022)

Chairman

 Makoto Matsuo (Attendance: 100%)*	 Kazushi Hirao (Attendance: 100%)*	 Yoshihiko Iwasaki (Attendance: 100%)*
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* Attendance at both Board of Directors and Audit and Supervisory Committee meetings

4 The Nomination and Remuneration Committee (five members)

(Convened 4 times in the year ended March 31, 2022)

Chairman

 Yoshihiko Iwasaki (Attendance: 100%)	 Kenkichi Nomura (Attendance: 100%)	 Yutaka Mizukoshi (Attendance: 100%)
 Kazushi Hirao (Attendance: 100%)	 Makoto Matsuo (Attendance: 100%)	

5 The Compliance Committee (10 members)

(Convened 4 times in the year ended March 31, 2022)

Chairman

 Toru Muranaka (Attendance: 100%)	 Haruhiro Tsujimoto (Attendance: 100%)	 Satoshi Miyazaki (Attendance: 100%)*	 Yoichi Egawa (Attendance: 100%)	 Kenkichi Nomura (Attendance: 100%)
 Yutaka Mizukoshi (Attendance: 100%)	 Wataru Kotani (Attendance: 100%)*	 Kazushi Hirao (Attendance: 100%)	 Yoshihiko Iwasaki (Attendance: 100%)	 Makoto Matsuo (Attendance: 100%)

* 100% attendance since being elected

Corporate Governance Structure

Enhancing management soundness and transparency while responding to changes in the environment

Capcom established the Corporate Governance Guidelines (see https://www.capcom.co.jp/ir/english/assets/pdf/governance/governance_01.pdf for details) as the basic policy on corporate governance to achieve stable growth and increase corporate value over the medium to long term. We work continually to enhance our corporate governance structure.

1 Shareholders' Meeting

(Convened on June 23, 2022)

Determines important matters as the highest decision-making body

The general shareholders' meeting serves as Capcom's highest decision-making body and determines important matters prescribed by laws, regulations, and the Company's Articles of Incorporation, as well as serves as a place for communicating the audit results of divisional reports and consolidated financial statements.

Invitations to the general shareholders' meeting are issued approximately three weeks before convening the session, and efforts are made to allow for greater attendance by having the session before the date on which most other companies hold their meetings. We have also made it possible for shareholders to exercise their voting rights over the internet using a computer, smartphone or tablet. In addition, we participate in an electronic voting rights exercise platform for institutional investors so that they will have sufficient time to review the proposals.

2 Board of Directors

Supervision

(Convened 10 times in the year ended March 31, 2022)

Management decisions that incorporate external directors' opinions

The Board of Directors is composed of 15 directors (chaired by the Representative Director and Chairman of the Board), with seven of the directors being external directors.

The Board deliberates on important matters stipulated by laws, regulations, and the Rules of the Board of Directors, and strives to strengthen supervisory functions through the guidance, suggestions, and active comments of external directors.

3 Audit and Supervisory Committee

Audit

(Convened 11 times in the year ended March 31, 2022)

Cooperating with accounting auditors and the internal audit department to audit and supervise

The Audit and Supervisory Committee (chaired by an external director) is composed of three directors (two of whom are full-time members), with two of the three directors being external directors.

In principle, the committee meets before a Board of Directors' meeting is convened. The committee deliberates on important matters stipulated by the Rules for the Audit and Supervisory Committee and strives to strengthen audits and supervision.

Audit and Supervisory Committee members selected by the same committee carry out on-site audits themselves and, in order to increase the efficacy of audits, carry out dynamic

organizational audits, including issuing instructions and other actions as necessary to, among others, the Internal Audit Division (directly under the control of the Audit and Supervisory Committee). The Internal Audit Division strives to ensure that audits function effectively by reporting the status of audits and improvements, and other issues to Audit and Supervisory Committee members.

4 The Nomination and Remuneration Committee

(Convened four times in the year ended March 31, 2022)

Selection of candidates for director and deliberating and recommending details of director compensation

The voluntary Nomination and Remuneration Committee (chaired by an external director) is composed of seven directors (three of whom are internal directors and four of whom are external directors), with a majority of members being external directors.

Each committee member is selected based on the Board of Directors' appraisal of his or her knowledge, insight, experience, and other qualities. The Nomination and Remuneration Committee deliberates on the nomination and remuneration of directors and submits reports in response to inquiries from the Board of Directors.

The main matters reviewed upon receiving an inquiry are as follows:

- a. Matters related to nominations
 - (i) Policy for selecting candidates for director to be submitted to the General Meeting of Shareholders
 - (ii) Selection of candidates for director to be submitted to the General Meeting of Shareholders
 - (iii) Selection of corporate officers
 - (iv) Selection of corporate officers with titles
 - (v) Successor plan
 - (vi) Other matters related to the above
- b. Matters related to remuneration
 - (i) Policy on director remuneration
 - (ii) Fixed remuneration and performance linked remuneration
 - (iii) Performance evaluations related to individual remuneration
 - (iv) Performance evaluations related to bonuses
 - (v) Other matters related to the above

5 The Compliance Committee

(Convened four times in the year ended March 31, 2022)

Focusing on Compliance as an Important Management Issue

The Compliance Committee is composed of 14 directors (seven of whom are external directors, and the committee chairman is an attorney and external director).

In principle, the committee convenes once per quarter. Its primary activities are to analyze and assess risks to Capcom Group compliance and consider what action to take. In addition, the committee strives for early detection and prevention of legal violations or inappropriate conduct by finding internal risks and reporting their probability of materializing to the Board of Directors.

6 Accounting Auditors

Audit

Ensuring and Verifying Accounting Transparency

Capcom has concluded an auditing contract with KPMG AZSA LLC for financial audits as prescribed by the Companies Act

Corporate Governance

and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no special relationship involving financial or other interests between Capcom and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

Auditor Remuneration (Year ended March 31, 2022)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	58 million yen	—
Consolidated subsidiary	—	—
Total	58 million yen	—

Auditing Company	Names of Certified Public Accountants	
KPMG AZSA LLC, a limited liability audit corporation	Designated Limited Liability Partners	Yasuhito Kondo
		Tomohiro Yamanaka

Note: The financial audit team was composed of: certified public accountants (10 members), and candidates for CPA who passed the new CPA exam, plus associates in charge of system audits (10 members).

7 Internal Audit Division

Audit

Verifying legal compliance and operating efficiencies

In order for effective audits to be carried out, Capcom has established an Internal Audit Division and determines auditing policies, schedules, methods, and the allocation of duties after the end of the shareholders' meeting.

The main activities of the Internal Audit Division are verifying and evaluating the status of employees' execution of duties and the efficacy (and status of operation) of internal control systems, and reporting to the Audit and Supervisory Committee. When needed, division members also accompany selected Audit and Supervisory Committee members and carry out on-site audits of offices and subsidiaries inside and outside Japan.

8 Corporate Management Council

Implementation

(Convened 13 times in the year ended March 31, 2022)

Supporting the Board of Directors' decisions

The Corporate Management Council (chaired by the Representative Director and Chairman of the Board) is composed of eight internal directors and, in principle, is convened several days before a meeting of the Board of Directors, or whenever necessary.

In addition to meeting to carry out preliminary deliberations of Board of Directors agenda items, it also deliberates other important items.

9 Board of Corporate Officers

Implementation

(Convened 12 times in the year ended March 31, 2022)

Executing operations based on management policy

Capcom utilizes a Corporate Officer System. In addition to clarifying the roles and responsibilities of directors focused on management and corporate officers focused on business execution, the system boosts management efficiency by allowing officers to swiftly execute business following instructions from executive directors regarding important matters determined at the Board of Directors.

The Board of Corporate Officers is composed of 14

corporate officers (six of whom serve concurrently as directors), and in principle, convenes once a month. Each corporate officer reports on the status of business execution and works to ensure that information is shared, while also exchanging opinions on business items and issues that require resolution.

External Directors

Using external perspectives to ensure effective governance

External directors ensure the effectiveness of the corporate governance function by playing key roles in the Compliance Committee and the voluntary Nomination and Remuneration Committee. They also focus efforts on compliance and the prevention of corrupt or illegal activities, and openly exchange opinions and provide counsel at Board of Directors meetings in an effort to strengthen the management audit function. The Secretariat staff helps with the work of the external directors who are not members of the Audit and Supervisory Committee. For external directors who are members of the Audit and Supervisory Committee, the full-time staff of the Internal Audit Division helps with their work.

Since all seven of the external directors meet the criteria of Tokyo Stock Exchange, Inc. for independent directors, they have been registered with the exchange as independent directors.

Reasons for Selection of External Directors

External Directors

Name	Reasons for selection
Toru Muranaka	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through proposals and advice on legal compliance and propriety from a professional standpoint along with his high level of expertise and broad insight and knowledge as an attorney specializing in corporate and financial instruments and exchange law
Yutaka Mizukoshi	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors based on an external perspective, including his enthusiastic provision of opinions and advice from an independent standpoint based on his familiarity with management analysis and establishment of management strategies as well as his deep insight into economic trends and international sensibilities that comes from his experience and knowledge from his many years in the consulting industry
Wataru Kotani	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors by providing opinions and advice from a neutral and objective standpoint based on the perspective of risk management and legal compliance as he possesses broad expertise and extensive experience in IT security and legal affairs from his many years of involvement in police administration
Toshiro Muto	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors based on his extensive knowledge and experience as he possesses a high level of insight related to fiscal and monetary affairs, general economics, and corporate governance cultivated at the Ministry of Finance, the Bank of Japan, and operating companies.
Yumi Hirose	Due to expectations for her ability to contribute to the auditing and supervision of the Board of Directors and improvement of the human resources strategy based on her specialized knowledge and extensive experience from her many years as a tax administrator of tax agency offices, her considerable knowledge of finance and accounting, and her high level of knowledge related to health management.

External Directors (Audit and Supervisory Committee)

Name	Reasons for selection
Yoshihiko Iwasaki	Due to his expertise and rich experience with tax administration along with his considerable knowledge of finance and accounting, he is expected to contribute to the auditing and supervision of the Board of Directors from the standpoint of tax administration, finance, and accounting with proposals and advice from an external perspective
Makoto Matsuo	Due to his success in the legal world based on his high level of expertise and broad insight and knowledge as an attorney and his familiarity with the business world that comes from his extensive experience as an external officer of listed companies, he is expected to contribute to the auditing and supervision of the Board of Directors with guidance and advice from a legal standpoint at meetings of the Board of Directors and other important meetings

Officer Remuneration**The Nomination and Remuneration Committee is consulted to ensure fairness and transparency****Policy for setting the calculation method and amount of directors' remuneration****1 Policy on determining remuneration of directors****(excluding directors who are members of the Audit and Supervisory Committee)**

To ensure the fairness and transparency of remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee), the Board of Directors consults the Nomination and Remuneration Committee, which deliberates and makes recommendations based on the policy below, and makes its decision accordingly.

- Basic remuneration of directors (excluding directors who are members of the Audit and Supervisory Committee)
 - Monthly remuneration is fixed.
 - The amount is determined after considering each board member's position, duties, tenure, and status as either an executive director or non-executive director, and an evaluation of individual job performance.
- Performance linked remuneration of directors (excluding external directors and directors who are members of the

Audit and Supervisory Committee)

In regard to performance linked remuneration of directors (excluding external directors and directors who are members of the Audit and Supervisory Committee), short-term performance linked remuneration is based on a bonus for the fiscal year. The Board of Directors consults the Nomination and Remuneration Committee, which performs an evaluation and calculation using the items below based on the Group's management objective of steady growth of profits, and makes its decision based on their recommendations.

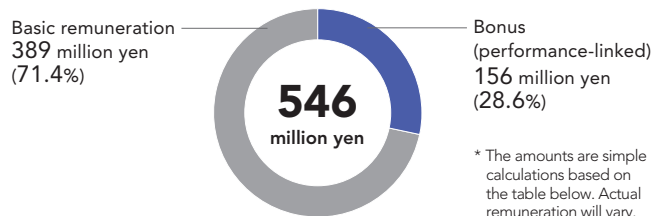
- Single-year net income attributable to owners of parent
- Increase in consolidated operating profit over the previous year
- Multiple consecutive increases in consolidated operating profit over previous years

- Evaluation of operations that the board member oversees

The ratio of remuneration for directors (excluding external directors and directors who are members of the Audit and Supervisory Committee) is set based on the above items and includes annual basic remuneration, comprised of monthly remuneration, and a single year bonus, which does not exceed 50% of annual basic remuneration.

2 Policy for determining remuneration of the directors who serve as members of the Audit and Supervisory Committee

From the standpoint of securing their independence, the remuneration of the directors who serve as members of the Audit and Supervisory Committee is not linked to performance; it is a fixed amount determined through discussions, taking the difference of full-time or part-time service and other factors into account, by the directors who serve as members of the Audit and Supervisory Committee.

Total director remuneration breakdown**Officer Remuneration (Year ended March 31, 2022)****Total remuneration, total amount by type of remuneration, and number of directors the remuneration was paid to, by type of director of delivery company**

Type of director	Total remuneration (million yen)	Total of remuneration by type (million yen)				Number of directors paid
		Basic remuneration	Performance linked remuneration	Severance	Of those items to the left, non-monetary remuneration	
Director (excluding Audit and Supervisory Committee and external directors)	457	300	156	—	—	5
Member of Audit and Supervisory Committee (excluding external directors)	21	21	—	—	—	1
External directors	36	36	—	—	—	4
Member of Audit and Supervisory Committee (external directors)	32	32	—	—	—	2

Total amount of consolidated remuneration by director of delivery company

Name	Total of consolidated remuneration (million yen)	Type of director	Type of company	Total of consolidated remuneration by type (million yen)			
				Basic remuneration	Performance linked remuneration	Severance	Of those items to the left, non-monetary remuneration
Kenzo Tsujimoto	150	Director	Delivery company	100	50	—	—
Haruhiro Tsujimoto	120	Director	Delivery company	80	40	—	—

Note: Total consolidated remuneration, etc. is listed only for those with remuneration of 100 million yen or more.

Evaluation of the Effectiveness of the Board of Directors

The Company performs evaluations of the effectiveness of the Board of Directors to further improve its function. With respect to issues in the fiscal year ended March 31, 2021, we found that the Board of Directors continues to function effectively due to the enhancement of opportunities for external directors to share information and exchange opinions and the further review of the criteria for submitting agenda items in the fiscal year ended March 31, 2022.

Moreover, to further improve the effectiveness for strengthening the supervision function, we will work on the issues below in the fiscal year ending March 31, 2023.

- Strengthening operational support structure for Board of Directors and voluntary committees
- Enhancing opportunities to provide information to external directors
- Securing diversity within Board of Directors and strengthening management human resource capabilities to contribute to sustainable and steady growth

Initiatives for the Shareholders' Meeting

Making shareholders' meetings lively and facilitating the exercise of voting rights

To help ensure our shareholders' meetings are lively, we hold our meeting before the period when most Japanese companies typically hold their meetings in an attempt to encourage the attendance of as many shareholders as possible.

Also, voting rights can be exercised online via PC, smartphone or tablet. In addition, we have participated from an early stage in a platform for the online exercise of voting rights, so institutional investors are ensured a sufficient amount of time to consider

proposals starting on the day the convocation notices are distributed. Furthermore, we also post convocation notices and other information in English on our corporate website and the website of Tokyo Stock Exchange, Inc. to promote the exercise of voting rights by shareholders worldwide.

Additionally, to further enhance dialogue with shareholders, as of the Ordinary General Meeting of Shareholders held in June 2020, we have used a hybrid virtual shareholder meeting format allowing shareholders to watch the meeting live online and send their comments on a shareholders-only website.

Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2021 shareholders' meetings

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	1,733,347	31,892	0	98.14	Approved
Second proposal: Partial Amendments to the Articles of Incorporation	1,687,017	78,227	0	95.51	Approved
Third proposal: Election of 12 directors (Excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	1,530,920	234,323	0	86.68	Approved
Haruhiro Tsujimoto	1,651,679	113,563	0	93.51	Approved
Satoshi Miyazaki	1,728,069	37,179	0	97.84	Approved
Yoichi Egawa	1,728,169	37,079	0	97.84	Approved
Kenkichi Nomura	1,720,858	44,389	0	97.43	Approved
Yoshinori Ishida	1,727,106	38,142	0	97.78	Approved
Ryozo Tsujimoto	1,727,058	38,190	0	97.78	Approved
Toru Muranaka	1,736,647	28,601	0	98.32	Approved
Yutaka Mizukoshi	1,737,685	27,563	0	98.38	Approved
Wataru Kotani	1,737,599	27,649	0	98.38	Approved
Toshiro Muto	1,723,325	41,924	0	97.57	Approved
Yumi Hirose	1,728,424	36,825	0	97.86	Approved
Fourth proposal: Election of three Directors who are members of the Audit and Supervisory Committee					
Kazushi Hirao	1,672,996	92,243	0	94.72	Approved
Yoshihiko Iwasaki	1,672,997	92,244	0	94.72	Approved
Makoto Matsuo	1,461,110	304,128	0	82.72	Approved
Fifth proposal: Election of one substitute Director who is a member of the Audit and Supervisory Committee	1,756,581	8,668	0	99.45	Approved
Sixth proposal: Revision of Limit on Remuneration of Directors (Excluding Directors who are members of the Audit and Supervisory Committee)	1,746,666	9,631	8,951	98.89	Approved

➔Please refer to the "Resolutions of the 43rd Ordinary General Meeting of Shareholders" available on our IR web page for information about the conditions for each proposal. <https://www.capcom.co.jp/ir/english/stock/meeting.html>

External Assessment of Corporate Governance

Promoting more “visible” governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom’s corporate governance shows that the company ranked 189th among 3,750 listed companies in Japan in the “NEEDS-Cges” assessment developed by Nikkei Inc.

NEEDS-Cges has an established reputation as a system that quantitatively assesses corporate governance using scores on a scale of 1 to 10 for eight categories, including capital efficiency, external regulations, and information disclosure, among others, based on some 150 indicators calculated from data of publicly released company documents, such as financial reports.

As of the end of June 2022, Capcom’s total score was 7.12 points, placing us in the top 5.60% of Japan’s listed companies (excluding some in the financial and other sectors), exceeding the 4.79-point average for all listed companies and the 6.97-point average for the industry. We also received the maximum score of 10 for “capital efficiency” and “equity market’s assessment.”

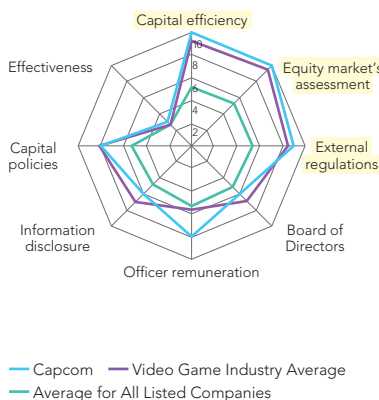
The main evaluation factors are given in the table below, and areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements to earn an even stronger assessment, and further promote the visibility of our governance by posting this and other data on our IR web page.

Third-Party Assessment Results of Capcom’s Corporate Governance

Details of Capcom’s Corporate Governance

Total Score	7.12
Rank	189
Categories	Score
Capital efficiency	10
Equity market’s assessment	10
External regulations	9
Board of Directors	6
Officer remuneration	8
Information disclosure	6
Capital policies	8
Effectiveness	3

Comparison of the Industry Average and the Average for All Listed Companies



Details of Highest Rated Categories

Highest Rated Categories	Score	Areas that Received Particular Notice
Capital efficiency	10	ROA, ROE and Statistics related to free cash flow
Equity market’s assessment	10	Tobin’s q
External regulations	9	Presence (or absence) of takeover defense measures

Source: NEEDS-Cges from Nikkei Inc.

Policies Regarding IR Activities

1. Disclosure policies

Capcom is aware that comprehensive corporate governance ranks among management’s most important priorities. As such, in addition to increasing corporate value by enhancing management soundness and transparency, we are building a relationship of trust with our stakeholders, such as shareholders, business partners, employees and regional societies.

Timely Disclosure Rules and other regulations, to accommodate our investors’ needs. **We also disclose information through our corporate website in an attempt to provide quick and fair disclosure. Shareholders are informed of operating results and business conditions through shareholder letters and the convocation notice for the shareholders’ meetings.**

2. Disclosure criteria

Capcom provides timely disclosure in accordance with the Securities and Exchange Law and other regulations including the “Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security” (hereinafter Timely Disclosure Rules) stipulated by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange.

3. Quiet period

To prevent the unauthorized disclosure of quarterly earnings information prior to official announcements, Capcom has established a quiet period starting the day following the end of a fiscal period and ending on the day that financial information for that period is announced. During this period, we refuse all inquiries relating to our business performance. However, if significant changes to our earnings outlook are anticipated during the quiet period, we will disclose information pursuant to the Timely Disclosure Rules and other regulations.

It is our policy to disclose as much information as possible, including the disclosure of information not required by the

Third-Party Assessment of IR Activities

High praise for proactive IR initiatives

In recognition of our ongoing pursuit of timely and appropriate information disclosure, our IR activities and various IR tools have received a number of awards from third-party organizations. With an awareness of the importance of accountability, we will continue our efforts to earn the trust of investors and improve timely disclosure.

Fiscal 2021 Third Party Evaluations

IR Website	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2021," Excellence Award
	Nikko Investor Relations Co., Ltd., "Fiscal 2021 Listed Company Website Quality Ranking," Overall Ranking: Grade AAA

Making Use of Shareholder and Investor Opinions

Reflecting results of dialogues with investors and analysts in management

Through meetings with investors and analysts, Capcom's IR Department attempts to promote an understanding of management policies, strategies and future outlook. Furthermore, their opinions are gathered and provided to management, and are utilized for corporate management going forward. While we are headquartered in Osaka, these proactive IR meetings enable us to minimize asymmetric information as we strive to achieve appropriate corporate value.

In fiscal 2021, the top management meetings between the chairman and CEO, the president and COO, and investors where medium- to long-term strategies and the direction of marketing strategies were explained had to be cancelled due to COVID-19 along with overseas IR visits. However, we held the presentation of financial results and individual investor briefing in a hybrid online and in-person format and offered video conferences in an effort to communicate with our many investors and analysts.

In addition, Capcom conducts a regular perception gap study targeting institutional investors and analysts in Japan and overseas. Being aware of investor perception gaps gives us feedback on corporate management and IR activities. Questionnaires are also given to attendees at our Presentation of Financial Results and individual investor briefing sessions, allowing us to make proactive use of market opinions and demands as one criterion in management decisions.

Fiscal 2021 IR Measures

By category	Frequency
Interviews accepted	546
Visited domestic investors	7
Visited overseas investors	0
Total	553

IR Events

Event	Details
Hybrid Presentation of Financial Results	Explanation of management strategies and performance overview by top management and response to questions from investors and analysts
Supplementary earnings call	Earnings call after results announcement to explain earnings
Online individual investor briefing	Briefing for individual investors held online

Results of Dialogue with Investors (Excerpt)

- Q. I would like for you to consider diversity in the makeup of the Board of Directors.
- A. We have addressed this request.
We select candidates based on the broad scope of their insight so that we can reflect diverse values in corporate management. At the 43rd Ordinary General Meeting of Shareholders, we elected Yumi Hirose, our first female external director. However, we are not seeking a female point of view exclusively from her. We expect each director to engage in discussions based on wide ranging insight, including male directors taking a female perspective into account.
We are working to disclose new information such as evaluations of the effectiveness of the Board of Directors.
- Q. I would like for you to provide the specific uses of cash, such as for investing and M&A.
- A. As a part of our investments for sustainable growth, we will actively invest in human resources.
Specifically, we have partially revised the compensation system starting in the fiscal year ending March 31, 2022, which increased the average base salary of full-time employees by 30% (includes the portion for pay raises), and have introduced a bonus system more closely linked to the company's business performance.
We will continue working on improving our employee evaluation and training systems.
- Q. Your treasury stock ratio is high. Are you going to cancel a portion of it?
- A. We did.
We cancelled all 4,387,353 shares of treasury stock acquired via tender offer in May 2022.

Message from a Director and Executive Corporate Officer

30 years of business experience leads to growth for the next generation

When I joined Capcom in 1992, I was responsible for sales promotion and traveled from store to store as a game software sales representative. At that time, each game cost approximately 10 thousand yen and physical packages were the only format in which they were sold. There was no use of digital technology in distribution whatsoever. Today, 30 years later, the emergence of the internet and smartphones has facilitated the continuing evolution of the game environment at an astounding speed.

In particular, the format in which products are sold has changed significantly. The market once revolved around game stores in developed countries, but today digital data is distributed worldwide. As the corporate officer responsible for domestic sales, from 2013 onward I strived for growth in digital sales. I was later assigned to Asia, North America, and Europe, where I felt the changes in the global market at the forefront. Around the same time, I also became responsible for our character licensing business and sought

synergies with game sales by increasing awareness of Capcom's IPs.

Looking at future growth, I believe that in addition to refining our pricing strategies, it is important that divisions within the Company work in even closer cooperation on measures such as making proposals for our title pipeline composition based on sales data. In addition, we will increase the potential of our content by leveraging our peripheral businesses, such as Character License, eSports, and Media. These will strengthen our Company's competitiveness.

Being appointed a director has given me the opportunity to become more aware of contributing to the Company from an even longer-term perspective. As I work to steadily achieve our annual business plans, from a management standpoint, I will also make efforts to create a framework to ensure sustainable growth and train future generations.



Yoshinori Ishida

Director,
Executive Corporate Officer

Message from a Director and Executive Corporate Officer

Translating firsthand development experience into corporate management

Capcom is working toward our goal of 10% operating income growth each fiscal year and 100 million units in game sales annually to achieve medium- to long-term sustainable growth, though it is certainly no easy task.

Until now, Capcom has achieved growth by creating high-quality content and distributing it throughout the globe. Making the most entertaining games in the world continues to be the highest priority for our development divisions. Beyond that, we want to distribute the content we create to as many countries and regions around the world as possible. In order to do so, I believe that cross-divisional coordination is needed more so than ever before—particularly, we must more strongly integrate R&D with our business operations to promote sales measures.

I have been engaged in game development for many years as a title producer and as the Head of Consumer Games Development Division 2. During that time, I accumulated experience in organization

building, IP issue analysis, global content expansion, our Single Content Multiple Usage strategy, and communication with users. I believe these experiences will help me contribute to spreading our IPs in even more areas in the future.

I have been appointed a director, and while my position has changed, my motivation remains intact. I feel that having access to a wide range of management-related information has given me a broader perspective with which to make decisions. The scale of our Consumer games development workforce has now grown to over 2,000 people and they can no longer be summed up in the single word "developer." Instead, we must maximize performance with effective cooperation among the production, technical research, and support divisions. Going forward, I will utilize my experience to contribute to Capcom's medium- to long-term growth.



Ryoza Tsujimoto

Director,
Executive Corporate Officer

Key commentary on our human resources strategy from our external directors

Capcom's external directors delve into the specific measures, issues, and future direction for creating a management policy that strengthens investment in human resources

The five external directors (as of March 31, 2022) on Capcom's Board of Directors take the lead in proactively exchanging opinions and advice on our management policies, ensuring transparency and soundness. In addition, the Board of Directors is focused on promoting our growth strategy in a management environment with appropriate governance functions, where active discussion takes place regarding the structure of Capcom's corporate governance and disclosure, as well as our communications with shareholders and investors.



Toru Muranaka
External Director
(Independent Director)



Yutaka Mizukoshi
External Director
(Independent Director)

To help you better understand governance at Capcom, we are sharing some comments on this page made by our external directors regarding human resources investment, which is one of the key management strategies that we have been placing even sharper focus on this fiscal year. The comments are from regularly held Roundtable Discussions, where agenda items for Board of Directors meetings are discussed, and Nomination and Remuneration Committee Meetings.

Regarding the FY2021 winter bonus increase

At the Board of Directors meeting held in October 2021, it was decided that based on the management policy to strengthen investment in human resources, the Company would pay a special bonus in December that year in addition to the regular bonus for the purpose of: (1) improving the standard of compensation and more tightly linking performance to compensation for employees, and (2) better reflecting contributions to business performance and efforts to address priority issues in evaluations of employees. The following are the key comments from the Nominations and Remuneration Committee meeting held in October 2021.

- Raising the compensation of employees before raising that of top management is an issue that merits evaluation. The company's profit margin is now in excess of 40%. It will be important to address improving employee compensation when considering sustainable growth for the future. Following the measures taken this time, it will likely be necessary to provide those in leadership roles, including executives, with more generous remuneration.
- No matter how well the company performs, if profits do not come back to the employees, shareholders are left with concerns about talented personnel leaving the company.

Revising compensation standards leads to higher retention of personnel, and not doing so may conversely be cause to call management negligent.

- I think it is good to review the current salary standards and reward employees.
- In addition to addressing compensation, another important issue is the training and education of new employees, which the company hires on a scale of 200 people annually. Moving forward, I believe it is necessary to promote such efforts in combination with revisions to the human resources policy.

Regarding the FY2022 Human Resources department reorganization and appointment of a CHO

On March 31, 2022, Capcom announced the promotion of a human resources investment strategy to improve sustainable corporate value. This release touched upon the following two points. (1) The establishment of a Chief Human Resources Officer (CHO) ([For details see p.39 "The CHO Discusses Human Resources Strategy"](#)) to oversee securing and strengthening human resources, as well as a reorganization of the human resources functions into four departments under the CHO to pick up on problems and issues in the field. (2) Making efforts to resolve issues at the executive level and promoting the creation of a comfortable workplace for employees. The following are the key comments from the Roundtable Discussion held in March 2022.

- I believe it is progressive and positive. However, workstyle reforms and environmental improvements will take time. The newly established Health and Productivity Management Department has been established to take positive measures that will benefit employees. I hope that management thoroughly explain the role of this new department so that it can function effectively, and that its functions are well understood.



**Wataru
Kotani**

External Director
(Independent
Director)

**Yoshihiko
Iwasaki**

External Director
(Independent Director)
[Full-time member of
the Audit and
Supervisory Committee]

**Makoto
Matsuo**

External Director
(Independent Director)
[Member of the Audit and
Supervisory Committee]

I believe that the main issues going forward are communication with superiors, training developers, and cultivating core personnel. (Internal director)

- While other companies are also experiencing more fluidity in their personnel recently, we are also seeing a trend of new graduates we hire who are not yet accustomed to professional life. Times have changed since the current generation of managers had to come up the hard way, and people will not follow those who are just strict in their instruction with nothing more to offer.
- Many companies are troubled by mid-career personnel leaving, and some companies are conducting employee resignation analysis and satisfaction surveys.
- It has become a common occurrence at companies that managers who play a central role in the day-to-day operations of the company are troubled by the fact that younger employees are not responding to being treated the same way as the managers had been when they were freshly graduated new hires.

With the recent increase in freer work styles, this is an opportunity for companies to change their corporate cultures to align more with the times. It will take time, but we must make the effort to address this. (Internal director)

- As we promote measures to secure human resources, I would also like the company to continue making efforts to create a framework that can pick up on employees' needs, foster a sense of loyalty to the company among existing employees, and to meet the expectations people have of the organization.
- We can assume that regardless of workplace, managers will be facing a generation gap in the education of their subordinates. Going forward, I think it would be beneficial for departments to exchange information on how to treat subordinates.

Regarding FY2022 labor costs

Based on the new human resources policy, the average base salary of full-time employees was raised 30% (including salary increases) from April 2022, and a remuneration policy was introduced that returns profits to employees based on performance criteria. The following are the key comments from the Roundtable Discussion held in March 2022.

- It is important to consider how to determine salary amounts when revising the remuneration policy, but it is also necessary to discuss how to develop and systematize a multifaceted remuneration system that includes single-year fixed compensation, medium-to-long-term performance-based compensation, and stock compensation.
- When revising the remuneration system, you cannot simply raise salaries. You have to provide employees with a detailed explanation of the management policy going forward. I would like the company to also consider moving to a more flexible grade system that does not allow seniority to get in the way. Taking these points into consideration, the way the message is communicated internally is important.

In addition to sending a video message from the president regarding the revision to remuneration to all employees, we will make an external announcement regarding Capcom's human resources strategy efforts. (Internal director)

- The opinion was raised that employees should be provided with a detailed explanation from management regarding the purpose of the remuneration revision, but as a further step, there is a need to push for executives and managers to reevaluate their thinking. I know that is a difficult theme to undertake, but I would really like to see analysis and review.

Game Industry Characteristics



Consumer Market Characteristics (Package + Digital)

Package and digital download contents are an 87.6-billion-dollar market, forecast to grow 1.2 times that size over the next five years to 103.6 billion dollars by 2026.

The customer base is primarily composed of core users who are loyal to game titles. They have relatively high willingness to purchase sequels and remakes along with low sensitivity to price and economic conditions. In addition, with the spread of PC as a game platform and the standardization of digital game sales over the Internet, growth is expected in Asia and emerging regions. Hereafter, we expect the market to grow at a faster pace as we capture the casual user segment, which has high sensitivity to price conditions, as well as new users. This will come about in conjunction with a higher digital sales ratio, resulting from growth in Asia and emerging countries and expansion of online gaming on consoles, primarily in North America, shrinking the gap between the margin in this market and those in mobile markets. [➔For details see p.17](#)

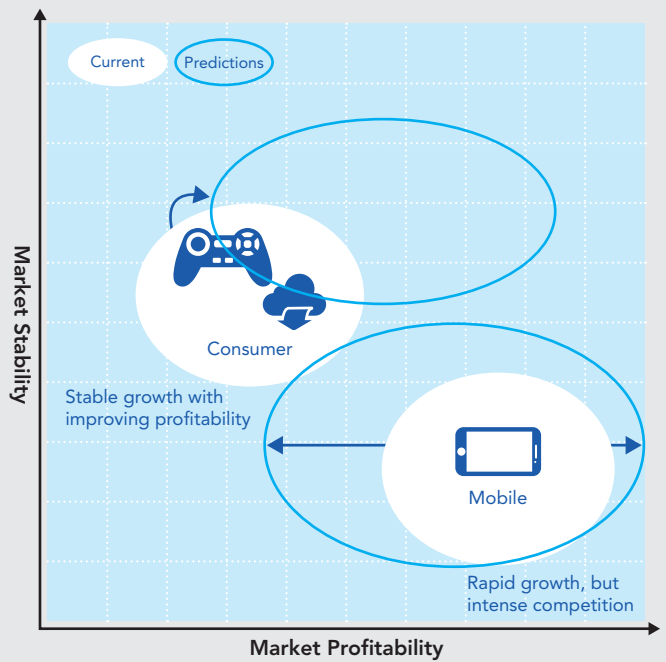


Mobile Market Characteristics

This is a 131.2-billion-dollar market, forecast to continue growing to 173.4 billion dollars by 2026. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions.

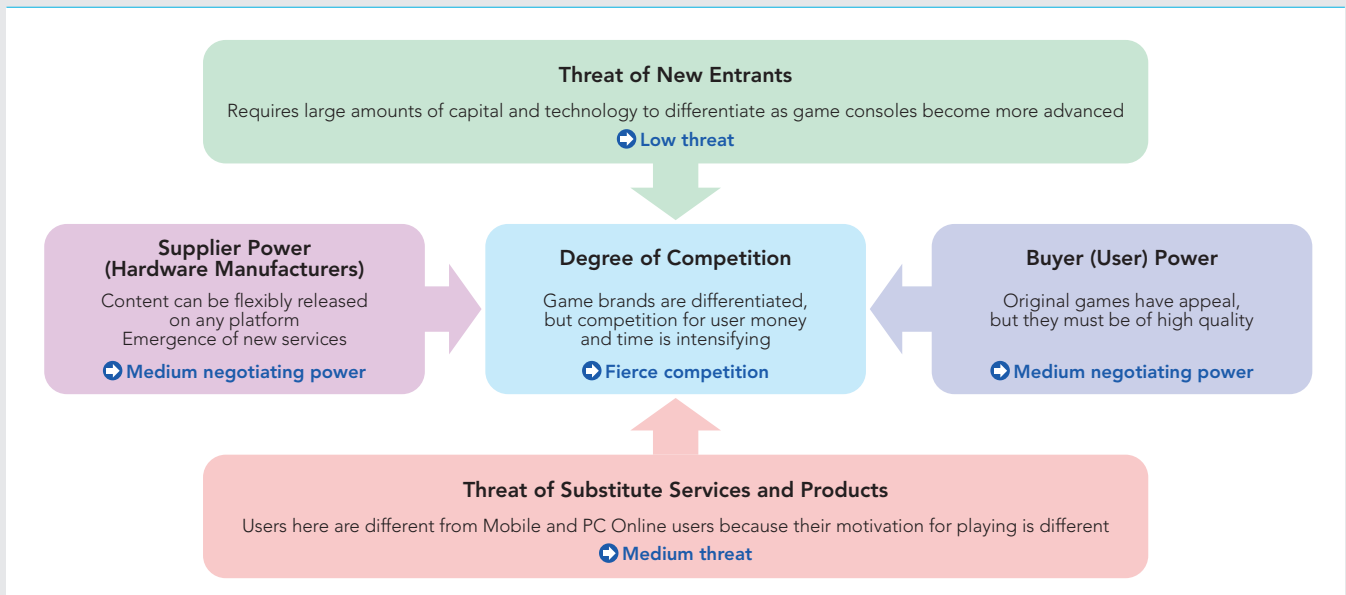
Although this is the most profitable market, only a limited number of titles are able to generate stable earnings over the long term even if they become hits. This makes brand establishment a challenge. Going forward, as 5G becomes more widespread and further next generation mobile communication standards are developed, we expect smartphones will continue to drive rapid growth as the most pervasive game device.

Characteristics of Each Market



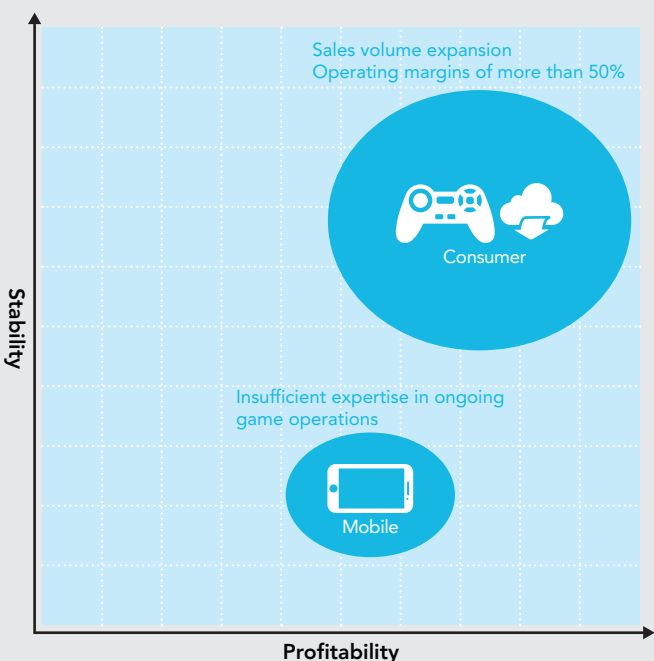
Source: Created by Capcom based on data from the International Development Group

Five Competitive Factors Related to the Consumer Market (Five Forces Analysis)



Capcom Business Characteristics

Digital Contents Business Portfolio



Note: Calculations based on earnings in the fiscal year ended March 31, 2022

Consumer
(Proportion of Net Sales: 76%)
Package + Digital

Capcom's core business is to create a multitude of original content on home video game consoles. The steady release of sequels to popular IPs and other high-quality titles has produced long-term digital sales, and the spread of PC as a gaming platform has led to an increased digital sales ratio and operating margins in the 50% level.

Mobile Contents
(Proportion of Net Sales: 4%)

This business distributes games featuring popular Capcom content on smartphones, but insufficient know-how in ongoing game operations has resulted in sales trends underperforming market growth. We are working on research and development in anticipation of future technological innovations, such as next generation mobile communication standards.

Capcom Management Resource VRIO Analysis and Evaluation/Measures

V: Value R: Rarity I: Inimitability O: Organization
○: High △: Medium ×: Low

Area	Management Resource	V	R	I	O	Evaluation
Management	Top management with strong leadership dedicated to high-quality production and trusted by employees	○	○	○	○	Ongoing competitive advantage
Development/technology	Development capabilities to produce original titles of world-class quality	○	○	○	○	Ongoing competitive advantage
	RE ENGINE for streamlined development and the technological prowess to fully leverage the latest technology	○	○	○	○	
	Corporate culture of training younger employees	○	△	△	○	Other companies possess this strength as well
Governance	Promotion of governance reforms (external director ratio / company with an audit and supervisory committee)	○	△	×	○	Some companies are even farther ahead
	Swift decision-making system	○	△	△	○	Strength seen at many founder-run companies
Brand	Many popular, global IPs	○	○	○	○	Ongoing competitive advantage
	Corporate brand known worldwide for action games	○	×	○	○	There are more widely recognized companies
Finances	Paid dividends for 32 consecutive years since listing	○	△	△	○	Taking the split into consideration, increased dividends have been provided for six consecutive years.
Sales	Consumer digital sales ratio of more than 70%	○	△	○	○	Major overseas companies are ahead
Marketing	Bolstering of lineup through revival of dormant IP and catalog titles	○	△	△	△	Companies with popular IP can roll them out in other media
	Single Content Multiple Usage strategy of rolling out popular IP to multiple media	○	×	△	△	
External partners	Trusted by hardware manufacturers	○	△	○	○	High rank compared to competitors

Note: Prepared in-house based on interviews of analysts.

*1 With respect to the low evaluation of the originality of our system for training younger employees, we have hired more than 100 developers each year since fiscal 2013 and established a world-class R&D center and development facilities. In addition to establishing an environment that allows us to take up new challenges, we are working on developing a system that allows us to train employees through title development. (For details see p.47)

*2 With respect to the low evaluation globally despite being ahead of other companies in

Japan, we are promoting measures such as (1) taking advantage of our many popular IPs by re-releasing past million-sellers (107 titles) in digital format, (2) extending the sales period, with brand strategies for each IP and enhanced digital sales and pricing measures, and (3) expanding the value of our IPs by strengthening our licensing business as we develop titles that will be popular not just in Japan but globally, as well as increase the fan bases of our IP series. (For details see p.33)

11-Year Summary of Consolidated Financial Indicators

Financial Index

	2012	2013	2014	2015
For the Year:				
	Million yen			
Net sales	¥ 82,065	¥ 94,075	¥ 102,200	¥ 64,277
Operating income	12,318	10,151	10,299	10,582
Net income (loss) before income taxes	11,425	3,719	5,315	10,701
Net income attributable to owners of the parent	6,723	2,973	3,444	6,616
Depreciation & amortization	3,123	3,406	4,638	3,535
Capital expenditures	4,153	8,724	8,064	10,177
R&D expenses	2,236	1,982	2,002	823
At Year-End:				
	Million yen			
Total assets	¥ 98,247	¥ 104,365	¥ 96,611	¥ 100,773
Net assets	59,352	62,828	63,875	71,331
Net cash	11,348	14,327	22,670	21,212
Developer numbers (people)	1,455	1,623	1,808	1,902
Cash Flows:				
	Million yen			
Cash flows from operating activities	¥ (7,672)	¥ 6,647	¥ 13,201	¥ 4,286
Cash flows from investing activities	(4,794)	(1,375)	(6,155)	(5,496)
Cash flows from financing activities	587	1,162	(15,099)	1,278
Net increase (decrease) in cash and cash equivalents	(12,724)	9,235	(5,404)	1,879
Cash and cash equivalents at end of year	22,287	31,522	26,118	27,998
Per Share Data:				
	yen			
Net income (loss) per share	¥ 29.3	¥ 12.91	¥ 15.28	¥ 29.42
Dividend per share	40.00	40.00	40.00	40.00
Net assets per share	257.68	272.77	283.98	317.14
Financial Index:				
	%			
Operating margin	15.0	10.8	10.1	16.5
ROE	11.5	4.9	5.4	9.8
ROA	7.1	2.9	3.4	6.7
Net worth ratio	60.4	60.2	66.1	70.8
Interest coverage ratio (times)	—	62.4	136.8	50.2
Debt-equity ratio	65.5	66.1	51.2	41.3
Stock Information:				
Price earnings ratio (times)	16.3	28.6	32.0	20.3
Number of Issued shares (thousands shares) ^{*1}	67,723	67,723	67,723	67,723
Foreign investors (%)	27.05	32.37	37.29	36.87
Digital Contents Business:				
	Billion yen			
Consumer sub-segment net sales (packaged + digital)	¥ 46.9	¥ 45.9	¥ 53.0	¥ 35.2
Online sub-segment net sales (Mobile Contents + PC Other) ^{*2}	12.9	17.7	12.8	10.1
Consumer Game Sales (Package Software and Full-game Digital Content)				
	Thousands			
Total number of units	17,000	16,700	17,500	13,000
Sales of major titles	Resident Evil: Operation Raccoon City 1,700	Resident Evil 6 5,000	Monster Hunter 4 4,100	Monster Hunter 4 Ultimate 3,400
	Monster Hunter 3 (Tri) G 1,600	Dragon's Dogma 1,300	Dead Rising 3 1,200	Resident Evil Revelations 2 1,100
	Street Fighter X Tekken 1,400	DmC Devil May Cry 1,200	Resident Evil Revelations 1,200	Resident Evil (HD Remastered) 900

* Effective from the beginning of FY2018, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Certain financial information for the FY2018 has undergone retrospective application.

* Effective from the beginning of FY2021, the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) has been applied. Certain financial information for FY2021 reflects the application of the standard.

* The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Earnings per share and net assets per share have been calculated for each year as if these stock splits had been carried out at the beginning of FY2011.

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

	2016	2017	2018	2019	2020	2021	2022
Million yen							
	¥ 77,021	¥ 87,170	¥ 94,515	¥ 100,031	¥ 81,591	¥ 95,308	¥ 110,054
	12,029	13,650	16,037	18,144	22,827	34,596	42,909
	11,150	12,489	15,149	17,770	22,890	34,828	44,322
	7,745	8,879	10,937	12,551	15,949	24,923	32,553
	5,712	5,980	4,706	3,228	2,795	2,791	3,385
	8,274	3,767	3,041	2,568	2,576	3,597	3,788
	1,073	695	1,102	1,147	1,253	1,461	1,877
Million yen							
	¥ 113,057	¥ 118,897	¥ 124,829	¥ 123,407	¥ 143,466	¥ 163,712	¥ 187,365
	75,168	77,774	85,421	88,749	99,735	120,794	146,475
	15,821	8,426	36,750	44,689	58,921	65,633	102,384
	2,052	1,994	2,141	2,032	2,142	2,285	2,369
Million yen							
	¥ 4,347	¥ 3,200	¥ 34,721	¥ 19,847	¥ 22,279	¥ 14,625	¥ 46,947
	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)	(4,233)	(7,426)
	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)	(6,965)	(9,980)
	431	(4,091)	22,201	6,464	6,667	4,371	31,592
	28,429	24,337	46,539	53,004	59,672	64,043	95,635
yen							
	¥ 34.44	¥ 40.09	¥ 49.95	¥ 57.73	¥ 74.70	¥ 116.74	¥ 152.48
	40.00	50.00	60.00	35.00	45.00	71.0	46.0
	334.21	355.16	390.09	415.68	467.14	565.78	686.07
%							
	15.6	15.7	17.0	18.1	28.0	36.3	39.0
	10.6	11.6	13.4	14.4	16.9	22.6	24.4
	7.2	7.7	8.9	10.1	12.0	16.2	18.5
	66.5	65.4	68.4	71.9	69.5	73.8	78.2
	36.5	22.8	337.2	249.3	302.5	201.6	955.9
	50.4	52.9	47.0	39.1	43.8	35.5	27.9
	19.9	13.5	23.0	21.5	22.7	30.8	19.5
	67,723	67,723	67,723	135,446	135,446	135,446	270,892
	39.35	31.19	35.01	36.83	35.14	38.24	35.09
Billion yen							
	¥ 42.1	¥ 49.2	¥ 65.2	¥ 76.9	¥ 55.5	¥ 68.8	¥ 83.3
	10.4	9.5	8.9	6.0	4.4	6.5	4.2
Thousands							
	15,000	19,400	24,400	25,300	25,500	30,100	32,600
Monster Hunter X (Cross)	3,300	Resident Evil 7 biohazard 3,500	Monster Hunter: World 7,900	Monster Hunter: World (catalog) 4,500	Monster Hunter World: Iceborne 5,200	Monster Hunter Rise 4,800	Resident Evil Village 6,100
Street Fighter V	1,400	Monster Hunter Generations Ultimate 1,700	Resident Evil 7 biohazard (catalog) 1,600	Resident Evil 2 4,200	Monster Hunter: World (catalog) 3,200	Resident Evil 3 3,900	Monster Hunter Rise (catalog) 4,100
Resident Evil Revelations 2	850	Monster Hunter X (Cross) 1,000	Marvel VS. Capcom: Infinite 1,000	Devil May Cry 5 2,100	Resident Evil 2 (catalog) 2,400	Monster Hunter World: Iceborne (catalog) 2,400	Monster Hunter Stories 2: Wings of Ruin 1,500

*1 Capcom canceled 4,387,353 treasury shares on July 29, 2022. The total number of issued shares after the cancellation is 266,505,623 shares.

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

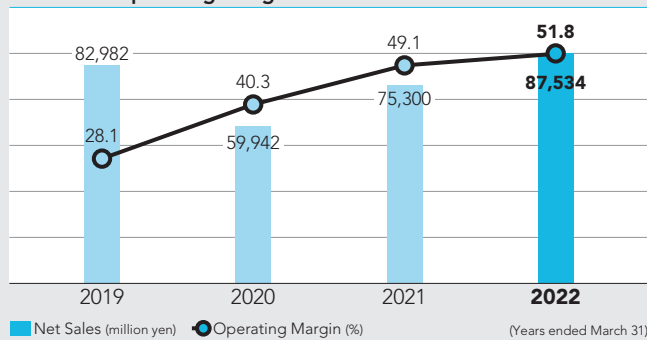
Segment Information

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

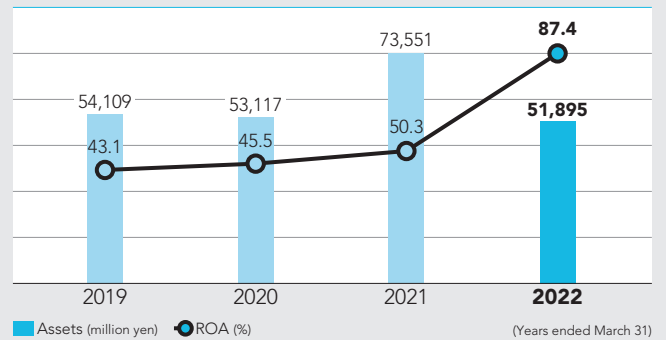
Digital Contents

This business develops and sells packaged and digital game content for consumer home video game platforms. It also develops and manages games for Mobile Contents and PC Online Games. Consumer games produces creative, original content that provides recurring revenue by utilizing digital distribution on platforms including PC. Many of these million-seller titles are also launched on smartphone and tablet devices, and are distributed worldwide in order to maximize earnings.

Net Sales/Operating Margins

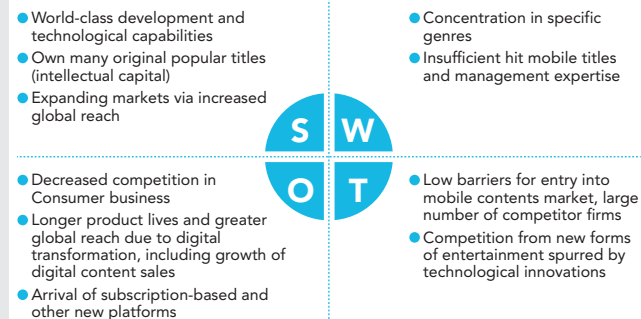


Assets/ROA

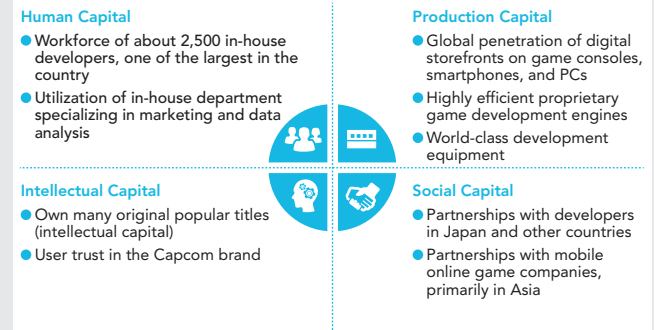


SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats



Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

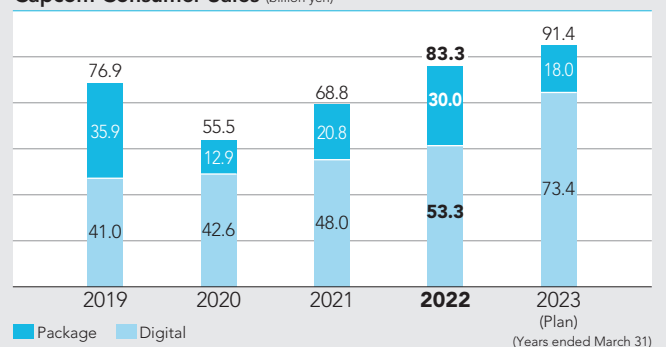
Consumer (Package + Digital) sub-segment

This fiscal year (ended March 31, 2022), new titles performed well, including *Resident Evil Village*, which was launched in May 2021, selling 6.1 million units and *Monster Hunter Stories 2: Wings of Ruin*, which was launched in July 2021, selling 1.5 million units. Together with focusing business development on high-margin digital sales, this drove improvements in business results.

With *Monster Hunter Rise*, released in the previous fiscal year, we focused on expanding the user base by such means as launching a PC version in January 2022, pushing the cumulative total for the title past 9 million units sold. Likewise, boosted by the latest release, *Resident Evil Village*, catalog title *Resident Evil 7 biohazard* sold more than 1 million units for the sixth consecutive year.

In addition, titles like *Monster Hunter World: Iceborne* and *Resident Evil 2* also demonstrated staying power and gave a

Capcom Consumer Sales (billion yen)



boost to revenue.

As a result, package sales were 30.0 billion yen, and digital sales were 53.3 billion yen. Together, they resulted in Consumer sales of 83.3 billion yen (up 21.1% from the previous year) for a continued increase. The operating margin has also improved to over 50%.

Moreover, the growth in our library of titles due to a steady new release pipeline in recent years along with successful holiday season discount measures pushed up digital sales to 24.60 million units (up 6.3% from the previous year). As a result, this year's package and full-game download sales totaled 32.60 million units (up 8.3% from the previous year), making this the seventh consecutive year of growth.

For Capcom, we consider Consumer business growth as one of the keys to achieving our medium-term business goals. Our initiatives are to (1) strengthen digital sales, (2) bolster our title lineup through the continued execution of our 60-month and 52-week maps, and (3) utilize both new and dormant intellectual properties.

Under (1), the prevalence of digital selling has made it possible to implement measures such as limited-time sales, increasing flexibility in pricing and expanding the impact of marketing. We utilize our existing intellectual properties (IP) in addition to major titles and additional content, and remake or rerelease past titles on current-generation hardware, in order to create sales opportunities and increase the digital sales ratio. In terms of (2), since March 2015 we have been carrying out operations according to both our medium-term title portfolio map, called the "60-month map," and our yearly developer assignment plan, called the "52-week map." We will work toward establishing an efficient development structure, enabling us to release major titles on a regular basis. Finally, for (3) we seek to revive dormant intellectual properties for which we have not recently released new titles by increasing the number of our developers.

Next fiscal year, we expect a continued contribution from catalog title *Monster Hunter Rise* and *Resident Evil Village* on top of new titles *Monster Hunter Rise: Sunbreak* and *Resident Evil 4*. We will also work to further expand sales globally based on our digital strategy for other major titles. As a result of these efforts, we expect to increase unit sales to 37.0 million units (up 13.5% from the year under review), net sales to 91.4 billion yen (up 9.7% from the year under review), and for the digital sales ratio to remain in the 80% range.

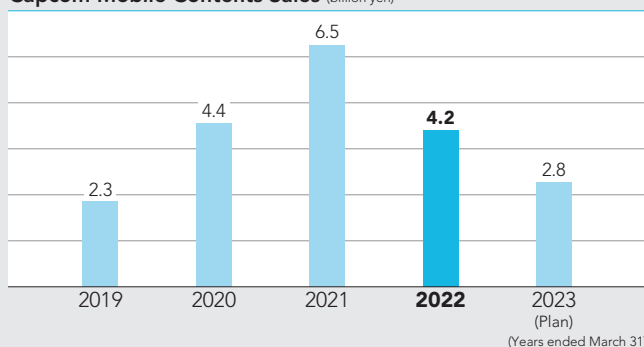
Mobile Contents Sub-segment

This fiscal year (ended March 31, 2022), we focused on existing titles while licensing income associated with the launch of *Devil May Cry: Peak of Combat* in China in June 2021 contributed as well, bringing net sales to 4.2 billion yen (down 35.4% from the previous year).

In the future, we will continue to explore a wide range of possibilities, including cultivating existing titles, developing new titles using our intellectual properties, and forming alliances with companies in Japan and elsewhere. We will work on development in the mobile field and accumulating operational know-how. We will also work on research and development in anticipation of future technological innovation, including the new generation of mobile communication standards.

In the next fiscal year, we expect net sales to decrease to 2.8 billion yen (down 33.3% from the year under review) due to aging of existing titles.

Capcom Mobile Contents Sales (billion yen)



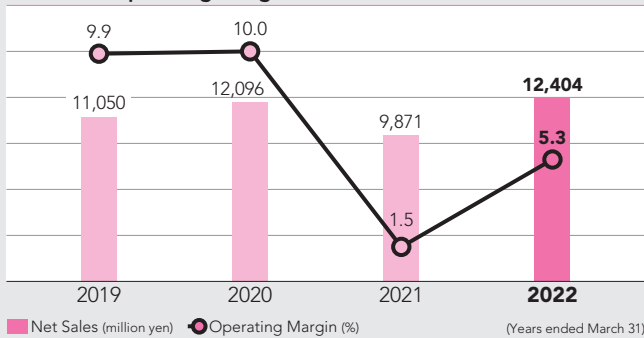
Segment Information

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

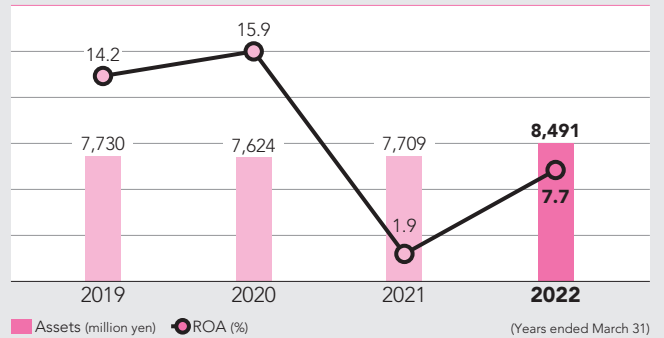
Arcade Operations

We operate amusement facilities, primarily Plaza Capcom arcades, in Japan. These arcades are predominantly in large commercial complexes. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations, and have been hosting various events designed to attract families and younger customers.

Net Sales/Operating Margins



Assets/ROA



SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats

<ul style="list-style-type: none"> Specialize in opening stores in large shopping centers to secure a stable customer base Thorough scrap-and-build strategy focused on investment efficiency to ensure sustainable earnings 	<ul style="list-style-type: none"> Low sales growth rate due to small number of carefully selected facilities Limited synergy with proprietary contents
<ul style="list-style-type: none"> Cultivate market, including merchandise sales and restaurants utilizing our intellectual properties Increase new customers through esports collaboration Introduce new machines and services 	<ul style="list-style-type: none"> Entertainment diversification due to rapid growth of digital games Change in business climate accompanying diminished customer appeal Diminished customer appeal due to COVID-19

Utilization of Non-Financial Capital

<p>Human Capital</p> <ul style="list-style-type: none"> Internal store management staff Part-time workers hired locally 	<p>Production Capital</p> <ul style="list-style-type: none"> High foot traffic of large shopping centers Developers that design and construct facilities
<p>Intellectual Capital</p> <ul style="list-style-type: none"> Store management know-how cultivated over 38 years Intellectual properties (characters and worlds) that can be rolled out in food, drinks and prizes Services utilizing virtual reality (VR) technology 	<p>Social Capital</p> <ul style="list-style-type: none"> Our relationships with local residents Arcade game makers around the world

Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2022), operations were suspended and hours reduced at some stores due to the declaration of a state of emergency associated with the COVID-19 pandemic. However, after the state of emergency was lifted, we worked on expanding revenue, including efforts to get customers to return, efficient operations at existing stores, and opening stores with new business formats.

As for the number of stores, we opened Plaza Capcom Mitten Fuchu in Tokyo and Miraino Aeon Mall Hakusan, which features the interactive amusement facility Crazy Banet that is being rolled out as a new way to attract customers. We also closed one store, bringing the total number of stores to 42.

For the full year, same store sales were up 19% compared to the previous year. Both sales and profit were up with segment net sales of 12.404 billion yen (up 25.7% from the previous year) and operating income of 652 million yen (up 337.6% from the previous year) due to contributions from both new and existing stores.

In the next fiscal year, we will persist in working to recover from the impact we experienced from the COVID-19 pandemic this year and continue to make efforts toward efficient operations while maintaining measures to prevent infection. We forecast an increase in both sales and profit with same store sales up 11% from the previous year, bringing net sales to 15.0 billion yen (up 20.9% from the year under review) and operating income to 1.0 billion yen (up 53.4% from the year under review).

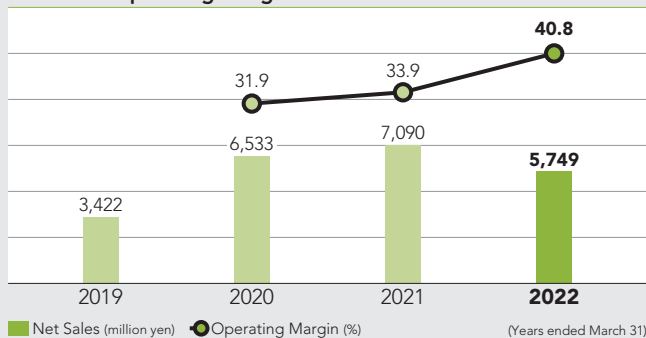
As for the number of stores, we will continue to promote opening stores with new business formats based on our basic strategy of scrap-and-build. We plan to open four stores and close two, bringing the total number to 44.

Amusement Equipments

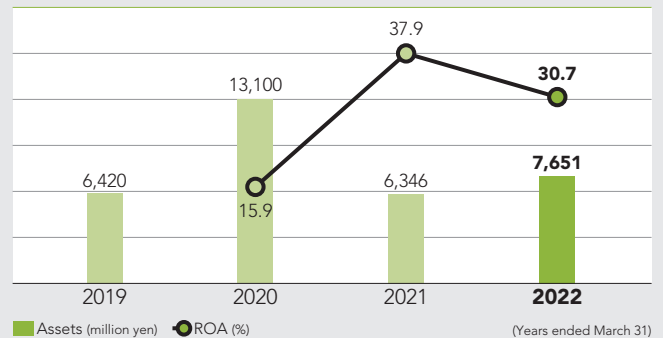
Here, we leverage the contents from our home video games.

The Pachinko & Pachislo (PS) sub-segment is involved in the development, manufacture and sales of frames and LCD devices for gaming machines as well as software, creating synergy between businesses.

Net Sales/Operating Margins

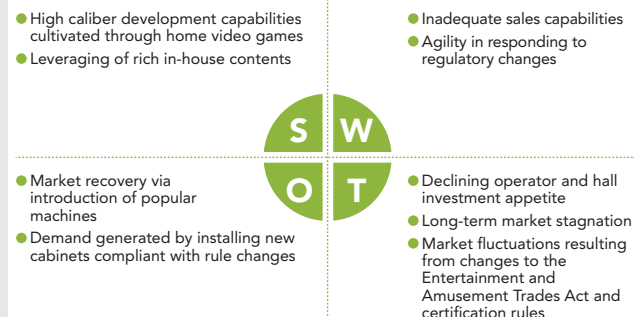


Assets/ROA

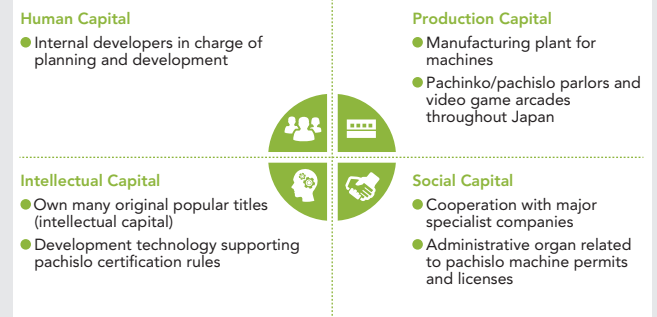


SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats



Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2022), three machines designed to current regulations, including *Monster Hunter: World Gold Hunting* were launched by the Pachinko & Pachislo (PS) sub-segment, selling 26,000 units.

Shifts in the market environment resulting from such things as changes to methods of pachislo machine model certification and suspension of hall operations due to COVID-19 continued to have an impact. In the midst of these circumstances, three new machines, including *Monster Hunter: World Gold Hunting* and *Pachislo Devil May Cry 5*, were released in steady succession. The resulting sales and profit were down, with net sales coming in at 5.749 billion yen (down 18.9% from the previous year) and operating income at 2.348 billion yen (down 2.5% from the previous year). However, we worked to improve the margin by utilizing various business models.

In the next fiscal year, sluggish performance at halls and store closings due to COVID-19 means that we must continue monitoring market trends. Under these circumstances, we will

work to release models that impress hall operators and end-users, continuing to (1) develop machines not dependent on speculation and that feature a variety of playing styles and entertaining video elements that utilize content from our popular Consumer content, while (2) working on securing a strong sales network and improving machine quality through cooperating with a major specialist company.

In the next fiscal year, we plan to introduce four models while continuing to monitor market trends and sell 34,000 units (8,000 units more than the year under review).

We expect that both sales and income will be up, with net sales at 6.0 billion yen (up 4.4% from the year under review) and operating income at 2.4 billion yen (up 2.2% from the year under review).

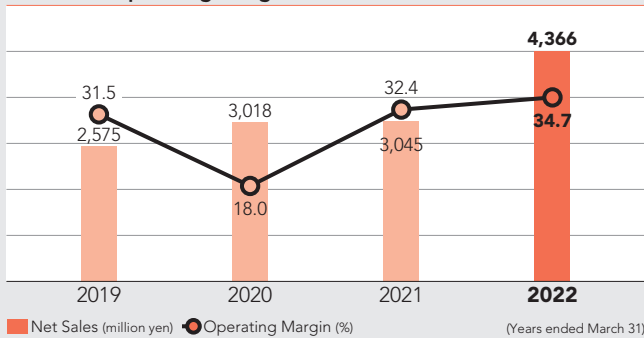
Segment Information

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

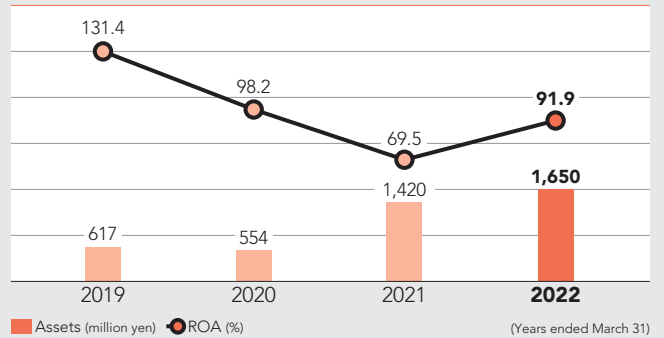
Other Businesses

Based on our Single Content Multiple Usage strategy of developing game content for various media, we pursue a variety of copyright-related business opportunities including publishing (walkthrough and strategy guides as well as game art books) and licensing (movies, animated television programs, music CDs, and merchandise). Furthermore, we are concentrating on the esports business as well.

Net Sales/Operating Margins

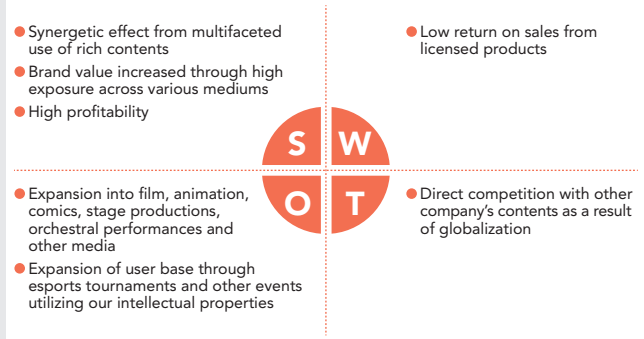


Assets/ROA



SWOT Analysis

S: Strengths W: Weaknesses O: Opportunities T: Threats



Utilization of Non-Financial Capital



Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

This fiscal year (ended March 31, 2022), we worked to improve brand value with movies and merchandise featuring popular IPs, including exclusive worldwide streaming of a CG animated television program featuring our flagship IP on Netflix and the global release of Hollywood film *Resident Evil: Welcome to Raccoon City*.

In eSports we held online tournaments for Capcom Pro Tour Online 2021 in 19 regions, roughly doubling the previous year's scale as we looked to expand the user base worldwide. We also held Street Fighter League: Pro-JP 2021 with a new team owner system and a US league tournament, both of which had many exciting matches.

As a result, both sales and profit rose with growth of the licensing business pushing net sales to 4.366 billion yen (up 43.4% from the previous year) and operating income to 1.517 billion yen (up 53.7% from the previous year).

In the next fiscal year, we will leverage the substantial synergies with our Consumer games by diversifying the use of

our rich library of IPs and rolling them out across various mediums, including movies, animated television programs, theatrical productions, and events. In eSports, we made the decision to hold a new group of tournaments called "World Warrior" in addition to the existing one to further expand the scale of Capcom Pro Tour. We are also holding a new Street Fighter League in Europe for further expansion.

Moreover, we will continue to leverage our IPs based on our Single Content Multiple Usage strategy, with the first live action drama in the *Resident Evil* series launching globally in July 2022 on Netflix, as we work to increase the value of our core brands through adaptations and collaborations.

We expect net sales to increase to 4.8 billion yen (up 9.9% from the previous year) and operating income to be 1.3 billion yen (down 14.3% from the previous year), for an increase in sales and decrease in profit owing to the promotion of licensing and increased investment in eSports.

Stock Data (As of March 31, 2022)**Stock Data**

Number of Shares Authorized	600,000,000 shares
Number of Shares Issued	270,892,976 shares
Number of Shareholders	22,274

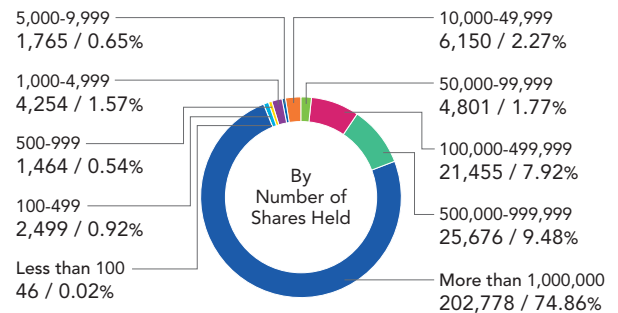
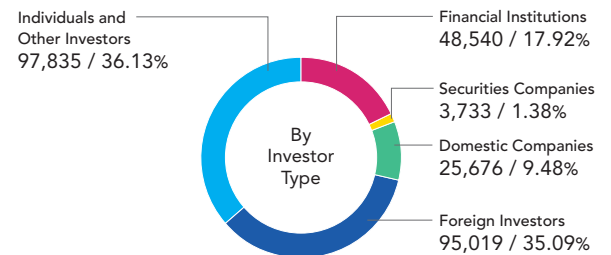
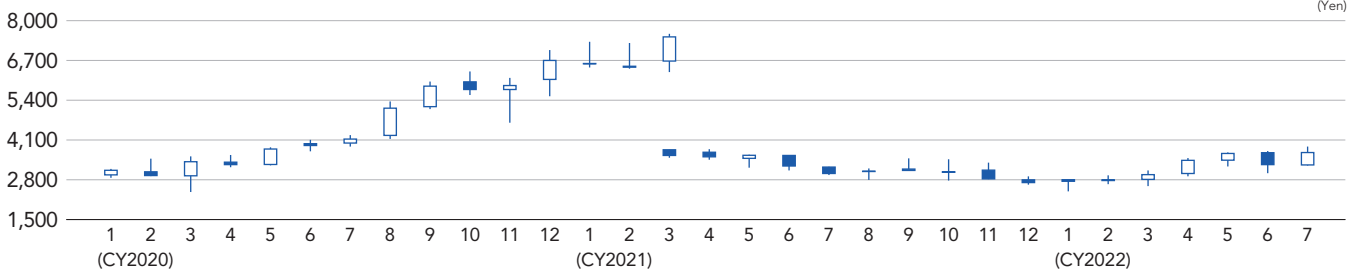
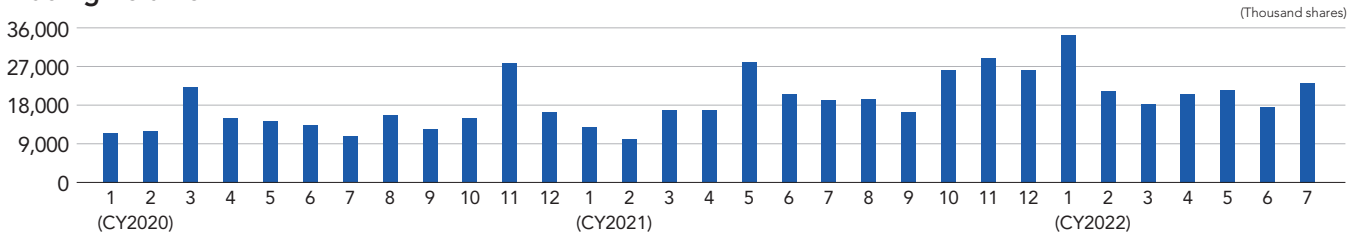
Major Shareholders (Top 10)

Major Shareholders	Number of Shares Held (in thousands)	Percentage of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,896	13.53
Crossroad Co., Ltd.	21,365	10.01
JP Morgan Chase Bank 380815	17,594	8.24
Custody Bank of Japan, Ltd., Trust Account	9,039	4.23
Yoshiyuki Tsujimoto	8,077	3.78
Kenzo Tsujimoto	8,039	3.77
Haruhiro Tsujimoto	6,199	2.90
Ryozo Tsujimoto	6,183	2.90
SSBTC CLIENT OMNIBUS ACCOUNT	5,303	2.48
STATE STREET BANK WEST CLIENT – TREATY 505234	3,043	1.43

Note: Percentage of Shareholding is calculated excluding Capcom's treasury stock (57,393 thousand shares).

Shareholders Breakdown

Number of shares held (in thousands) / (%)

**Stock Price Range*1****Trading Volume****11-Year Trend of Stock Price and Trading Volume*2**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Stock Price	472.75	369.00	489.50	597.25	686.25	542.75	1,149.50	1,240.00	1,695.00	3,595.00	2,968.00
High	577.75	489.75	582.50	603.25	768.75	719.25	1,292.50	1,522.50	1,782.50	3,785.00	3,800.00
Low	368.25	312.50	349.00	385.25	486.00	481.75	526.50	951.50	1,016.00	1,605.00	2,421.00
Trading Volume	227,386,800	178,008,200	150,408,300	143,234,700	162,642,100	183,455,500	171,969,350	258,438,800	183,399,500	180,877,400	275,620,400

*1 With an effective date of April 1, 2021, Capcom performed a 2-for-1 split of its common stock.

(Years Ended March 31)

*2 The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Consequently, for convenience the figures presented here assume that the relevant stock splits were performed on April 1, 2011.

Corporate Profile

Name of Company CAPCOM CO., LTD.
 Date of Establishment ... May 30, 1979
 Date of Initiation June 11, 1983
 Business Segments Planning, development, manufacture, sale and distribution of home video games, mobile games and amusement machines etc., as well as management of amusement arcades.
 Paid-in Capital ¥ 33,239 million
 End of Term March 31
 Number of Employees ... 3,206 (consolidated)
 2,904 (CAPCOM CO., LTD.)

Major Offices

Head Office 3-1-3 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-3600
 R&D Building ... 3-2-8 Uchihirano-machi, Chuo-ku, Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7600
 R&D Building ... 3-1-10 Uchihirano-machi, Chuo-ku, #2 Osaka, 540-0037, Japan
 PHONE: 81-6-6920-7750
 Tokyo Branch ... Shinjuku Mitsui Building 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo, 163-0448, Japan
 PHONE: 81-3-3340-0710
 Ueno Facility ... 3902 Hatta, Iga, Mie, 518-1155, Japan
 PHONE: 81-595-20-2030



Head Office



R&D Building



R&D Building #2

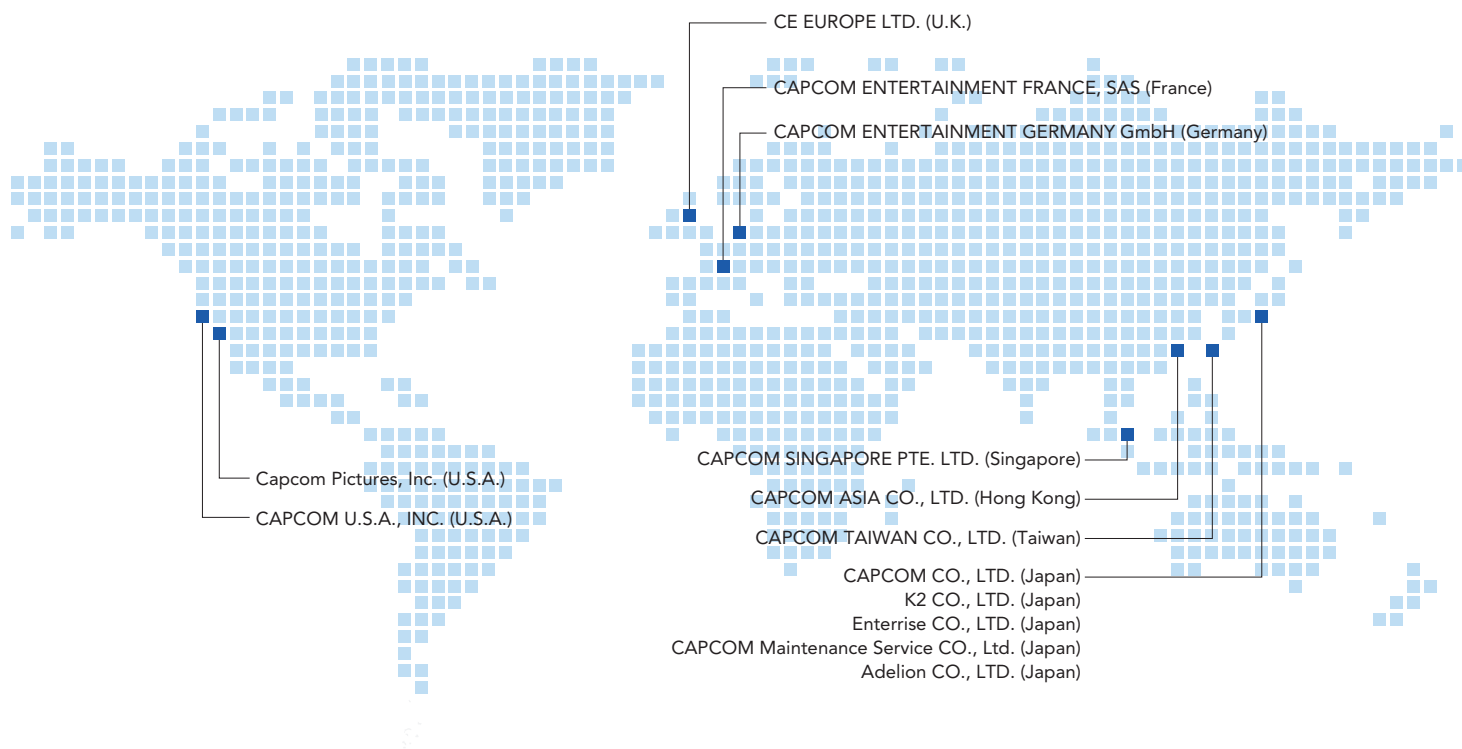
Capcom's Subsidiaries (As of April 1, 2022)

K2 CO., LTD. / Enterise CO., LTD. / CAPCOM Maintenance Service CO., Ltd./ Adelson CO., LTD. / CAPCOM U.S.A., INC. / CAPCOM ASIA CO., LTD. / CE EUROPE LTD. / CAPCOM ENTERTAINMENT GERMANY GmbH / CAPCOM ENTERTAINMENT FRANCE, SAS / CAPCOM TAIWAN CO., LTD. / CAPCOM SINGAPORE PTE. LTD. / Capcom Pictures, Inc.

* Adelson CO., LTD. is a wholly owned subsidiary of Enterise CO., LTD.

* CAPCOM ASIA CO., LTD. is a wholly owned subsidiary of CAPCOM SINGAPORE PTE. LTD.

* CAPCOM ENTERTAINMENT GERMANY GmbH and CAPCOM ENTERTAINMENT FRANCE, SAS are both wholly owned subsidiaries of CE EUROPE LTD.



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Consolidated Statements of Comprehensive Income
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CAPCOM CO., LTD.

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Capcom Investor Relations Website

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FACT BOOK

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Financial Index

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022
For the Year (million yen)								
Net sales	64,277	77,021	87,170	94,515	100,031	81,591	95,308	110,054
Operating income	10,582	12,029	13,650	16,037	18,144	22,827	34,596	42,909
Net income before income taxes	10,701	11,150	12,489	15,149	17,770	22,890	34,828	44,322
Net income attributable to owners of the parent	6,616	7,745	8,879	10,937	12,551	15,949	24,923	32,553
Capital investment (Tangible fixed assets, net of accumulated depreciation)	5,564	5,937	2,622	2,918	2,439	2,504	2,570	2,965
Depreciation and amortization	3,535	5,712	5,980	4,706	3,228	2,795	2,791	3,385
Capital expenditure	10,177	8,274	3,767	3,041	2,568	2,576	3,597	3,788
R&D investment costs	25,301	27,255	27,720	29,077	27,038	25,843	25,375	29,862
Promotional expenses	2,798	3,832	4,764	5,579	5,490	4,253	3,178	3,540
At Year-End (million yen)								
Total assets	100,773	113,057	118,897	124,829	123,407	143,466	163,712	187,365
Net assets	71,331	75,168	77,774	85,421	88,749	99,735	120,794	146,475
Work in progress for game software, Online contents in progress	24,728	27,220	30,150	25,635	16,926	21,222	24,443	31,192
Net increase (decrease) in cash and cash equivalents	1,879	431	(4,091)	22,201	6,464	6,667	4,371	31,592
Cash and cash equivalents at end of year	27,998	28,429	24,337	46,539	53,004	59,672	64,043	95,635
Interest-bearing debt	10,992	12,608	16,111	9,788	8,315	6,735	5,606	4,878
Net cash (100 million yen)	212	158	84	367	446	589	656	1,023
Profitability Indicators (%)								
Cost-of-sales ratio	59.7	61.2	64.7	63.4	62.8	49.8	44.7	42.7
Operating margin	16.5	15.6	15.7	17.0	18.1	28.0	36.3	39.0
Ordinary margin	16.9	14.7	14.4	16.1	18.2	28.1	36.6	40.3
Return on sales	10.3	10.1	10.2	11.6	12.5	19.5	26.1	29.6
SG&A expenses ratio	24.0	23.1	19.6	19.7	19.1	22.2	19.0	18.3
Return on equity (ROE)	9.8	10.6	11.6	13.4	14.4	16.9	22.6	24.4
Return on total assets (ROA)	6.7	7.2	7.7	8.9	10.1	12.0	16.2	18.5

* Effective from the beginning of FY2018, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Certain financial information for the FY2018 has undergone retrospective application.

* Effective from the beginning of FY2021, the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) has been applied. Certain financial information for FY2021 reflects the application of the standard.

* The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Earnings per share and net assets per share have been calculated for each year as if these stock splits had been carried out at the beginning of FY2014.

	2015	2016	2017	2018	2019	2020	2021	2022
Efficiency Indicators (times)								
Total assets turnover	0.7	0.7	0.7	0.8	0.8	0.6	0.6	0.6
Sales-equity ratio	0.9	1.0	1.1	1.1	1.1	0.8	0.8	0.8
Receivables turnover	8.0	7.8	4.3	7.3	7.2	5.1	3.8	13.9
Accounts payable turnover	9.4	9.5	7.9	17.3	12.2	7.0	11.5	13.1
Inventory turnover	3.1	2.5	2.4	3.2	5.2	3.4	3.4	3.3
Fixed asset turnover ratio	1.8	2.1	2.6	3.2	3.1	2.4	2.6	3.1
Safety Indicators (%)								
Net worth ratio	70.8	66.5	65.4	68.4	71.9	69.5	73.8	78.2
Current ratio	380.7	339.6	285.0	354.0	391.2	303.5	390.9	492.2
Quick ratio (Acid-test ratio)	233.1	171.4	149.1	220.0	288.5	227.6	295.6	374.7
Cash equivalent ratio	186.7	127.2	81.8	172.1	228.3	183.1	218.6	348.9
Fixed ratio	49.2	49.4	43.0	35.0	36.7	34.7	30.1	24.6
Debt-equity ratio	41.3	50.4	52.9	47.0	39.1	43.8	35.5	27.9
Interest coverage ratio (times)	50.2	36.5	22.8	337.2	249.3	302.5	201.6	955.9
Per Share Data (yen)								
Net income (loss) per share	29.42	34.44	40.09	49.95	57.73	74.70	116.74	152.48
Net assets per share	317.14	334.21	355.16	390.09	415.68	467.14	565.78	686.07
Dividend Data								
Dividend per share (yen)	40.0	40.0	50.0	60.0	35.0	45.0	71.0	46.0
Dividend payout ratio (%)	34.0	29.0	31.2	30.0	30.3	30.1	30.4	30.2
Dividend yield (%)	1.7	1.5	2.3	2.6	1.4	1.3	1.0	1.5
Stock Information								
Number of issued shares (shares)*1	67,723,244	67,723,244	67,723,244	67,723,244	135,446,488	135,446,488	135,446,488	270,892,976
Price-earnings ratio (times)	20.3	19.9	13.5	23.0	21.5	22.7	30.8	19.5
Shareholdings held by foreign investors (%)	36.87	39.35	31.19	35.01	36.83	35.14	38.24	35.09

*1. Capcom canceled 4,387,353 treasury shares on July 29, 2022. The total number of issued shares after the cancellation is 266,505,623 shares.

Segment Information

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022
Digital Contents								
Net sales (million yen)	45,351	52,577	58,704	74,141	82,982	59,942	75,300	87,534
Consumer (100 million yen)	352	421	492	652	769	555	688	833
Package (100 million yen)	262	312	337	383	359	129	208	300
Digital (100 million yen)	90	109	155	269	410	426	480	533
Mobile Contents (100 million yen)	41	33	38	41	23	44	65	42
PC Other (100 million yen)*1	60	71	57	48	37	—	—	—
Operating income (million yen)	10,208	12,167	11,096	19,103	23,315	24,161	37,002	45,359
Operating margins (%)	22.5	23.1	18.9	25.8	28.1	40.3	49.1	51.8
Assets (million yen)	50,053	57,275	66,691	61,641	54,109	53,117	73,551	51,895
Return on total assets (ROA) (%)	20.4	21.2	16.6	31.0	43.1	45.5	50.3	87.4
Arcade Operations								
Net sales (million yen)	9,241	9,056	9,525	10,231	11,050	12,096	9,871	12,404
Operating income (million yen)	940	699	752	879	1,096	1,211	149	652
Operating margins (%)	10.2	7.7	7.9	8.6	9.9	10.0	1.5	5.3
Assets (million yen)	6,315	6,574	6,988	7,471	7,730	7,624	7,709	8,491
Return on total assets (ROA) (%)	14.9	10.6	10.8	11.8	14.2	15.9	1.9	7.7
Amusement Equipments								
Net sales (million yen)	7,540	13,343	16,856	7,803	3,422	6,533	7,090	5,749
Operating income (million yen)	2,736	2,812	5,106	(764)	(2,668)	2,085	2,407	2,348
Operating margins (%)	36.3	21.1	30.3	—	—	31.9	33.9	40.8
Assets (million yen)	8,760	12,314	16,169	10,002	6,420	13,100	6,346	7,651
Return on total assets (ROA) (%)	31.2	22.8	31.6	—	—	15.9	37.9	30.7
Other Businesses								
Net sales (million yen)	2,144	2,043	2,083	2,338	2,575	3,018	3,045	4,366
Operating income (million yen)	661	511	969	1,126	811	544	987	1,517
Operating margins (%)	30.8	25.0	46.5	48.2	31.5	18.0	32.4	34.7
Assets (million yen)	6,534	4,926	4,718	3,600	617	554	1,420	1,650
Return on total assets (ROA) (%)	10.1	10.4	20.5	31.3	131.4	98.2	69.5	91.9

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

Market Information

	2015	2016	2017	2018	2019	2020	2021	(Year) 2022 (Estimate)
Consumer Market (100 million USD)* ²								
Package	124	109	112	109	134	126	110	93
Digital	93	103	132	190	217	303	320	370
Total	217	212	244	299	351	429	430	463
PC Market (100 million USD)* ²								
North America	58	70	77	90	68	93	102	106
Europe	57	62	77	90	84	86	99	107
Asia	106	138	186	195	189	184	188	186
Other	28	38	43	39	42	56	55	56
Total	251	310	384	416	384	422	446	456
Mobile Contents Market (100 million USD)* ²								
North America	66	100	113	175	219	302	358	394
Europe	44	47	60	87	107	144	162	178
Asia	229	276	354	421	510	647	652	663
Other	48	61	66	69	83	116	139	169
Total	390	485	594	753	920	1,211	1,312	1,405

	2015	2016	2017	2018	2019	2020	2021	(Years ended March 31) 2022
Arcade Operations Market (100 million yen)* ³								
Market size	4,222	4,338	4,620	4,859	5,201	5,408	4,187	—
Number of Amusement Arcades (by number of machines) (stores)	15,611	14,862	14,154	13,103	12,167	12,212	9,998	—
Over 101 machines	5,698	5,603	5,263	4,879	3,640	5,354	3,893	—
51–100 machines	1,990	1,932	1,817	1,670	795	1,172	847	—
Below 50 machines	7,923	7,327	7,074	6,554	7,732	5,687	5,259	—
Gaming Machines Market (100 million yen)* ⁴								
Pachinko	6,524	6,130	5,258	5,157	5,046	3,450	3,204	—
Pachislo	4,274	3,697	3,576	2,434	1,685	2,197	1,844	—
Total	10,798	9,827	8,834	7,591	6,731	5,647	5,048	—

*2. Source: International Development Group

*3. Source: JAMMA "Survey on the Amusement Industry"

*4. Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2020, 2021); Yano Research Institute Ltd.

















Software Shipments

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

		2015	2016	2017	2018	2019	2020	2021	2022
Units Shipped by Platform (thousand units)									
PlayStation 3 PlayStation 4 PlayStation 5	SKU	13	19	16	14	21	8	4	13
	Sub total	2,450	3,500	4,700	8,250	6,500	3,300	2,750	3,750
PSP PS Vita	SKU	5	8	5	1	3	—	—	—
	Sub total	250	300	150	0	50	—	—	—
Wii, Wii U Nintendo Switch	SKU	—	—	—	7	17	8	1	5
	Sub total	150	100	0	1,100	1,950	1,150	3,650	3,600
Nintendo DS Nintendo 3DS	SKU	5	7	5	8	—	—	—	—
	Sub total	3,750	4,100	3,200	450	—	—	—	—
Xbox 360 Xbox One Xbox Series X S	SKU	7	6	9	9	9	2	2	2
	Sub total	1,200	650	2,100	1,350	1,200	300	400	500
PC Other	SKU	3	4	6	2	3	1	—	1
	Sub total	200	250	250	350	300	200	150	150
Package total	SKU	33	44	41	41	53	19	7	21
	Sub total	8,000	8,900	10,400	11,500	10,000	4,950	6,950	8,000
Full-game download	SKU	—	1	1	9	8	16	7	3
	Sub total	5,000	6,100	9,000	12,900	15,300	20,550	23,150	24,600
Total	SKU	33	45	42	50	61	35	14	24
	Total	13,000	15,000	19,400	24,400	25,300	25,500	30,100	32,600

Game Series Sales

With a focus on delivering quality products to a wider audience base, Capcom has strived diligently to create innovative and exciting sequels to existing popular franchises to increase its user base and to strengthen its revenues. As always, we at Capcom will continue to strive to provide our customers with the best possible forms of innovative entertainment to increase customer satisfaction.

<p>Dragon's Dogma</p> <hr/> <p>Number of Titles: 13 Unit Sales: 6.2</p> 	<p>Lost Planet</p> <hr/> <p>Number of Titles: 17 Unit Sales: 6.4</p> 	<p>Dead Rising</p> <hr/> <p>Number of Titles: 22 Unit Sales: 15.0</p> 	<p>Okami</p> <hr/> <p>Number of Titles: 11 Unit Sales: 3.7</p> 	<p>Sengoku BASARA</p> <hr/> <p>Number of Titles: 31 Unit Sales: 4.0</p> 
<p>Monster Hunter</p> <hr/> <p>Number of Titles: 53 Unit Sales: 80.0</p> 	<p>Ace Attorney</p> <hr/> <p>Number of Titles: 33 Unit Sales: 9.2</p> 	<p>Devil May Cry</p> <hr/> <p>Number of Titles: 35 Unit Sales: 25.0</p> 	<p>Onimusha</p> <hr/> <p>Number of Titles: 16 Unit Sales: 8.5</p> 	<p>Dino Crisis</p> <hr/> <p>Number of Titles: 13 Unit Sales: 4.4</p> 
<p>Marvel vs. Capcom</p> <hr/> <p>Number of Titles: 16 Unit Sales: 10.0</p>  <p><small>©2017 MARVEL GAMES TO KAZUSHI ©CAPCOM INC. LTD. 0379 ©CAPCOM U.S.A., INC. 2017 ALL RIGHTS RESERVED</small></p>	<p>Resident Evil</p> <hr/> <p>Number of Titles: 149 Unit Sales: 125.0</p> 	<p>Breath of Fire</p> <hr/> <p>Number of Titles: 15 Unit Sales: 3.2</p> 	<p>Final Fight</p> <hr/> <p>Number of Titles: 10 Unit Sales: 3.2</p> 	<p>Street Fighter</p> <hr/> <p>Number of Titles: 94 Unit Sales: 47.0</p> 
<p>Mega Man</p> <hr/> <p>Number of Titles: 158 Unit Sales: 37.0</p> 	<p>Ghosts'n Goblins</p> <hr/> <p>Number of Titles: 18 Unit Sales: 4.4</p> 	<p>Commando</p> <hr/> <p>Number of Titles: 2 Unit Sales: 1.2</p> 	<p>1942</p> <hr/> <p>Number of Titles: 3 Unit Sales: 1.4</p> 	

Unit Sales: million units
Year ended March 31, 2022

ESG Data

CAPCOM CO., LTD. and its consolidated subsidiaries. Years ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022
Environmental (Non-consolidated)								
Emissions (Non-consolidated) (t)	16,476	14,892	15,285	15,021	14,152	13,004	11,779	12,628
Energy consumption per basic unit (Non-consolidated)* ¹	0.06663	0.06193	0.06018	0.05994	0.05869	0.05583	0.05186	0.05497
Year on year rate of change (%)	94.0	92.9	98.6	98.1	97.9	95.1	92.9	106.0
Social								
Number of employees	2,681	2,839	2,811	2,952	2,832	2,988	3,152	3,206
Number of employees (Non-consolidated)	2,033	2,114	2,194	2,426	2,530	2,688	2,841	2,904
Content developers	1,902	2,052	1,994	2,141	2,032	2,142	2,285	2,369
Number of female managers (Non-consolidated)	20	24	25	25	24	24	27	35
Ratio of female employees (%)	20	19	20	21	21	22	22	21
Number of non-Japanese employees (Non-consolidated)	72	91	99	107	149	162	192	191
Ratio of non-Japanese employees (%)	3.4	4.0	4.3	4.2	5.6	5.8	6.5	6.3
Number of onsite nursery school users	—	—	—	13	25	25	19	23
Number of employees who took childcare leave	21	24	26	25	33	23	34	41
Male	5	0	3	6	12	10	17	20
Female	16	24	23	19	21	13	17	21
Cumulative number of participants in senior tours* ²	1,681	1,871	2,037	2,247	2,463	2,582	2,582	2,582
Cumulative number of regional vitalization projects	5	10	15	19	22	26	32	34
Number of educational support activities	51	55	58	40	29	32	14	32
Number of guest lectures held	25	18	28	17	15	10	13	32
Number of guestlecture participants	2,361	1,853	1,853	1,767	1,392	820	799	2,484
Governance								
Number of directors	14	10	12	11	11	11	10	11
Internal directors	9	5	6	6	6	6	5	6
External directors	5	5	6	5	5	5	5	5
Ratio of external directors	35.7	50.0	50.0	45.5	45.5	45.5	50.0	45.5
Number of board of directors meetings held	16	14	15	15	10	10	10	10
Number of board of corporate audit and supervisory committee* ³ meetings held	12	13	14	16	10	10	10	11

*1. Calculated using the method defined by the Agency for Natural Resources and Energy.

*2. The tours were suspended in FY2020 and FY2021 to help prevent the spread of COVID-19.

*3. Capcom transitioned from a company with a corporate auditor system to a company with an audit and supervisory committee on June 18, 2016.

Consolidated Statements of Income

	2015	2016	2017	2018	2019	2020	2021	(million yen)	(thousand USD)
								2022	2022
Net sales	64,277	77,021	87,170	94,515	100,031	81,591	95,308	110,054	917,119
Cost of sales	38,379	47,175	56,438	59,895	62,809	40,643	42,567	47,042	392,024
Gross profit	25,898	29,846	30,731	34,619	37,222	40,947	52,741	63,011	525,095
Selling, general and administrative expenses	15,403	17,816	17,080	18,582	19,078	18,119	18,145	20,101	167,514
Operating income	10,582	12,029	13,650	16,037	18,144	22,827	34,596	42,909	357,581
Non-operating income									
Interest income	98	95	47	58	171	271	65	40	339
Dividend income	13	13	13	14	16	18	19	20	173
Settlement received	92	—	—	—	—	—	—	—	—
Exchange gain, net	292	—	—	—	362	—	611	716	5,970
Subsidy income	—	—	—	—	—	86	52	—	—
Compensation for damage	—	—	—	—	—	—	130	—	—
Gain on liquidation of subsidiaries	—	—	—	—	—	—	—	761	6,345
Other	168	195	130	145	422	104	155	320	2,668
Total	664	304	192	219	974	480	1,035	1,859	15,497
Non-operating expenses									
Interest expense	85	119	141	103	80	74	72	49	409
Commission fees	83	59	44	64	69	69	46	—	—
Additionally paid retirement benefits	—	—	117	112	601	—	—	197	1,641
Litigation expenses	—	—	—	—	—	—	—	92	767
Office transfer expenses	—	—	63	254	—	—	—	—	—
Loss on closing amusement stores	142	—	—	—	—	—	—	—	—
Exchange losses, net	—	752	746	407	—	93	—	—	—
Loss on liquidation of subsidiaries	—	—	—	—	—	—	452	—	—
Other	84	55	141	59	173	113	214	101	842
Total	396	985	1,253	1,002	924	350	786	439	3,661
Ordinary income	10,851	11,348	12,589	15,254	18,194	22,957	34,845	44,330	369,418
Special gains	—	—	—	—	—	—	—	—	—
Special losses	150	197	99	104	423	67	16	8	66
Net income before income taxes	10,701	11,150	12,489	15,149	17,770	22,890	34,828	44,322	369,351
Income taxes-current	1,146	6,377	1,832	4,617	6,603	8,472	10,084	10,987	91,564
Income taxes-deferred	2,937	(2,972)	1,777	(405)	(1,385)	(1,531)	(179)	780	6,507
Total	4,084	3,405	3,610	4,212	5,218	6,941	9,905	11,768	98,072
Net income	6,616	7,745	8,879	10,937	12,551	15,949	24,923	32,553	271,278
Net income attributable to owners of the parent	6,616	7,745	8,879	10,937	12,551	15,949	24,923	32,553	271,278

Consolidated Statements of Comprehensive Income

	2015	2016	2017	2018	2019	2020	2021	(million yen)	(thousand USD)
								2022	2022
Net income	6,616	7,745	8,879	10,937	12,551	15,949	24,923	32,553	271,278
Other comprehensive income									
Net unrealized gain or loss on securities, net of tax	71	(168)	105	31	(112)	(133)	163	43	364
Cumulative translation adjustments	2,863	(1,494)	(262)	(601)	428	(592)	1,295	1,900	15,838
Adjustments for retirement benefits	(114)	9	(38)	21	20	34	17	(60)	(503)
Total other comprehensive income	2,820	(1,653)	(196)	(548)	336	(691)	1,476	1,883	15,699
Comprehensive income	9,436	6,092	8,683	10,389	12,888	15,257	26,400	34,437	286,978
Comprehensive income attributable to									
Owners of the parent	9,436	6,092	8,683	10,389	12,888	15,257	26,400	34,437	286,978
Non-controlling interests	—	—	—	—	—	—	—	—	—

Consolidated Balance Sheets

Assets

	2015	2016	2017	2018	2019	2020	2021	(million yen) 2022	(thousand USD) 2022
Assets									
Current assets									
Cash on hand and in banks	32,204	28,429	24,537	46,539	53,004	65,657	71,239	107,262	893,858
Notes and accounts receivable-trade	8,005	9,879	20,175	12,930	13,970	15,959	25,096	—	—
Notes - trade	—	—	—	—	—	—	—	528	4,403
Accounts receivable - trade	—	—	—	—	—	—	—	7,404	61,705
Merchandise and finished goods	1,225	1,704	1,583	1,102	1,182	1,557	2,005	1,378	11,487
Work in progress	1,672	2,085	2,040	1,349	734	883	897	819	6,826
Raw materials and supplies	1,020	1,954	2,040	1,616	538	258	850	198	1,651
Work in progress for game software	16,833	24,825	30,150	25,635	16,926	21,222	24,443	31,192	259,940
Deferred tax assets	2,042	3,382	2,495	3,201	—	—	—	—	—
Other	2,712	3,673	2,478	3,371	4,518	3,320	2,896	2,536	21,134
Allowance for doubtful accounts	(56)	(18)	(21)	(34)	(58)	(31)	(37)	(8)	(68)
Total current assets	65,659	75,917	85,480	95,712	90,817	108,829	127,391	151,312	1,260,939
Fixed assets									
Tangible fixed assets, net of accumulated depreciation									
Buildings and structures, net	6,136	11,297	11,004	11,106	10,845	10,644	10,666	10,485	87,381
Machinery and vehicles, net	22	23	16	10	24	14	11	24	206
Tools, fixtures and furniture, net	1,578	1,875	1,932	1,840	1,377	1,445	1,401	1,977	16,476
Equipment for amusement facilities, net	1,101	1,342	1,616	1,565	1,821	1,879	1,628	2,213	18,444
Land	4,953	5,234	5,234	5,234	5,235	5,235	5,235	5,235	43,629
Leased assets, net	995	1,042	835	668	718	1,118	1,141	1,112	9,272
Construction in progress	2,541	8	128	371	336	509	1,230	157	1,310
Total tangible fixed assets	17,328	20,825	20,768	20,797	20,359	20,847	21,316	21,206	176,720
Intangible assets	10,668	8,135	2,843	725	432	351	1,229	1,747	14,558
Investments and other assets									
Investments in securities	621	454	574	625	576	415	589	637	5,308
Claims in bankruptcy and reorganization	66	65	67	19	19	19	19	12	103
Lease deposits	4,036	3,867	3,920	4,034	3,979	4,134	4,140	4,266	35,552
Deferred tax assets	1,595	2,952	4,311	2,782	6,420	7,906	8,089	7,389	61,579
Other	876	916	1,003	900	834	996	969	819	6,829
Allowance for doubtful accounts	(78)	(78)	(72)	(24)	(32)	(32)	(32)	(25)	(210)
Total investments and other assets	7,117	8,179	9,804	8,338	11,798	13,438	13,775	13,099	109,162
Total fixed assets	35,113	37,140	33,417	29,861	32,590	34,636	36,321	36,053	300,442
Total assets	100,773	113,057	118,897	125,573	123,407	143,466	163,712	187,365	1,561,382

Liabilities and Net Assets

	2015	2016	2017	2018	2019	2020	2021	(million yen) 2022	(thousand USD) 2022
Liabilities									
Current liabilities									
Notes and accounts payable-trade	3,089	4,053	2,288	2,625	3,988	3,461	2,820	2,325	19,382
Electronically recorded monetary obligations	988	888	4,886	839	1,153	2,383	882	1,276	10,635
Short-term borrowings	3,452	1,497	9,323	1,473	—	—	—	—	—
Current portion of long-term borrowings	—	—	—	—	1,579	4,129	727	626	5,219
Lease obligations	483	525	502	392	406	502	594	501	4,183
Accrued income taxes	823	6,470	1,580	4,453	4,251	5,612	6,957	6,010	50,084
Deferred tax liabilities	147	40	2,308	766	—	—	—	—	—
Accrued bonuses	1,832	2,080	2,263	2,866	3,089	3,130	4,056	4,014	33,451
Deferred revenue	—	—	—	—	1,583	7,642	6,673	8,932	74,439
Other	6,427	6,799	6,840	13,618	7,159	9,000	9,878	7,055	58,792
Total current liabilities	17,246	22,355	29,994	27,037	23,212	35,863	32,590	30,742	256,189
Long-term liabilities									
Long-term borrowings	7,540	11,111	6,788	8,315	6,735	2,606	4,878	4,252	35,437
Lease obligations	589	601	399	329	369	690	630	718	5,987
Deferred tax liabilities	48	18	29	23	6	4	1	20	169
Liabilities for retirement benefits for employees	2,101	2,323	2,596	2,819	3,004	3,212	3,468	3,802	31,689
Asset retirement obligations	489	502	509	501	571	656	671	718	5,991
Other	1,427	975	805	1,127	758	697	676	634	5,285
Total long-term liabilities	12,195	15,532	11,128	13,115	11,445	7,868	10,327	10,147	84,560
Total liabilities	29,442	37,888	41,122	40,152	34,658	43,731	42,918	40,890	340,750
Net assets									
Shareholders' equity									
Common stock	33,239	33,239	33,239	33,239	33,239	33,239	33,239	33,239	276,993
Capital surplus	21,328	21,328	21,328	21,328	21,328	21,329	21,329	21,329	177,743
Retained earnings	33,801	39,297	45,402	53,602	62,595	74,275	93,861	117,661	980,510
Treasury stock	(18,140)	(18,145)	(21,448)	(21,454)	(27,456)	(27,458)	(27,461)	(27,464)	(228,867)
Total shareholders' equity	70,228	75,719	78,521	86,716	89,708	101,385	120,967	144,765	1,206,379
Accumulated other comprehensive income									
Net unrealized gain or loss on securities, net of tax	170	2	107	139	26	(106)	56	100	836
Cumulative translation adjustments	1,215	(278)	(541)	(1,142)	(713)	(1,306)	(10)	1,889	15,747
Accumulated adjustments for retirement benefits	(283)	(274)	(313)	(292)	(271)	(237)	(219)	(279)	(2,331)
Total accumulated other comprehensive income	1,102	(550)	(747)	(1,295)	(958)	(1,650)	(173)	1,710	14,252
Total net assets	71,331	75,168	77,774	85,421	88,749	99,735	120,794	146,475	1,220,632
Total liabilities and net assets	100,773	113,057	118,897	125,573	123,407	143,466	163,712	187,365	1,561,382

Total current liabilities includes the current liabilities "Allowance for sales returns" for the fiscal year ended March 31, 2014 and "Asset retirement obligations" for the fiscal years ended March 31, 2015 and March 31, 2016.

Consolidated Statements of Cash Flows

	2015	2016	2017	2018	2019	2020	2021	(million yen) 2022	(thousand USD) 2022
Cash flows from operating activities									
Net income before income taxes	10,701	11,150	12,489	15,149	17,770	22,890	34,828	44,322	369,351
Depreciation and amortization	3,535	5,712	5,980	4,706	3,228	2,795	2,791	3,385	28,209
Impairment loss	49	105	—	—	393	—	—	—	—
Amortization of goodwill	63	—	—	—	—	—	—	—	—
Increase (decrease) in allowance for doubtful accounts	(1)	(38)	(1)	(36)	32	(25)	5	(36)	(306)
Increase (decrease) in accrued bonuses	(3)	263	186	604	223	49	912	(68)	(569)
Increase (decrease) in allowance for sales returns	(87)	—	—	—	—	—	—	—	—
Increase (decrease) in liabilities for retirement benefits for employees	207	264	204	253	214	258	281	247	2,062
Interest and dividend income	(111)	(109)	(61)	(71)	(189)	(289)	(85)	(61)	(513)
Interest expenses	85	119	141	103	80	74	72	49	409
Exchange (gain) loss, net	(188)	60	18	134	(127)	180	(37)	(265)	(2,212)
Loss on sales and/or disposal of fixed assets	100	92	99	104	30	62	16	8	66
Decrease (increase) in accounts receivable - trade	10,382	(2,208)	(10,393)	7,059	(858)	(2,117)	(9,028)	17,208	143,404
Decrease (increase) in inventories	(764)	(1,651)	158	1,588	1,621	(256)	(997)	1,383	11,527
Decrease (increase) in online contents in progress	(3,347)	1,479	(704)	—	—	—	—	—	—
Decrease (increase) in work in progress for game software	(6,443)	(8,778)	(2,266)	4,069	8,876	(4,293)	(3,213)	(6,744)	(56,205)
Increase (decrease) in notes and accounts payable - trade	(7,856)	935	2,280	(3,690)	1,665	749	(2,233)	(180)	(1,501)
Increase (decrease) in deferred revenue	—	—	—	—	—	6,107	(1,077)	2,008	16,734
Other*	(1,129)	(2,087)	1,659	6,320	(7,286)	2,418	527	(3,160)	(26,337)
Subtotal	5,187	5,309	9,792	36,296	25,675	28,605	22,761	58,094	484,119
Interests and dividends received	118	130	62	73	191	265	99	58	487
Interests paid	(85)	(120)	(140)	(101)	(81)	(75)	(72)	(49)	(411)
Income taxes paid	(934)	(972)	(6,513)	(1,546)	(5,938)	(6,515)	(8,162)	(11,155)	(92,964)
Net cash provided by operating activities	4,286	4,347	3,200	34,721	19,847	22,279	14,625	46,947	391,230

* "Other," under cash flows from operating activities, includes Decrease (increase) in other current assets and Increase (decrease) in other current liabilities for the fiscal years ended March 31, 2015 through March 31, 2017.

	2015	2016	2017	2018	2019	2020	2021	(million yen) 2022	(thousand USD) 2022
Cash flows from investing activities									
Payments into time deposits	—	—	(200)	—	—	(6,019)	(13,742)	(21,297)	(177,478)
Proceeds from withdrawal of time deposits	—	4,205	—	—	—	—	12,660	17,980	149,833
Payment for acquisition of tangible fixed assets	(5,465)	(5,813)	(3,074)	(2,767)	(2,093)	(2,273)	(2,305)	(2,950)	(24,583)
Proceeds from sales of tangible fixed assets	206	4	5	0	4	0	1	2	16
Payment for acquisition of intangible assets	(195)	(290)	(253)	(150)	(112)	(65)	(817)	(1,117)	(9,312)
Payment for purchase of investments in securities	(12)	(13)	(13)	(13)	(14)	(10)	(15)	(16)	(134)
Proceeds from sales of investments in securities	—	—	—	—	—	3	—	—	—
Payment for other investing activities	(141)	(113)	(222)	(259)	(182)	(213)	(51)	(240)	(2,005)
Proceeds from other investing activities	111	380	131	343	138	140	37	213	1,781
Net cash used in investing activities	(5,496)	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)	(4,233)	(7,426)	(61,883)
Cash flows from financing activities									
Net (decrease) increase in short-term borrowings	(1,050)	—	5,000	(5,000)	—	—	—	—	—
Proceeds from long-term borrowings	8,162	2,500	—	—	—	—	3,000	—	—
Repayments of long-term borrowings	(3,169)	(883)	(1,497)	(1,323)	(1,473)	(1,579)	(4,129)	(727)	(6,065)
Repayments of lease obligations	(406)	(496)	(535)	(509)	(414)	(505)	(500)	(504)	(4,203)
Payment for repurchase of treasury stock	(5)	(5)	(3,302)	(5)	(6,001)	(1)	(3)	(2)	(17)
Proceeds from sales of treasury stock	0	—	—	—	—	—	—	—	—
Dividends paid by parent company	(2,251)	(2,228)	(2,794)	(2,738)	(3,554)	(4,265)	(5,331)	(8,745)	(72,881)
Net cash used in financing activities	1,278	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)	(6,965)	(9,980)	(83,167)
Effect of exchange rate change on cash and cash equivalents	1,811	(1,160)	(533)	(96)	323	(823)	944	2,050	17,087
Net change in cash and cash equivalents	1,879	431	(4,091)	22,201	6,464	6,667	4,371	31,592	263,267
Cash and cash equivalents at beginning of year	26,118	27,998	28,429	24,337	46,539	53,004	59,672	64,043	533,698
Cash and cash equivalents at end of year	27,998	28,429	24,337	46,539	53,004	59,672	64,043	95,635	796,965

Consolidated Statements of Changes in Net Assets

Previous fiscal year (April 1, 2020 to March 31, 2021) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	33,239	21,329	74,275	(27,458)	101,385
Changes of items during the fiscal year					
Cash dividends			(5,337)		(5,337)
Net income attributable to owners of the parent			24,923		24,923
Repurchase of treasury stock				(3)	(3)
Disposal of treasury stock		—		—	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	19,586	(3)	19,582
Balance as of March 31, 2021	33,239	21,329	93,861	(27,461)	120,967

Previous fiscal year (April 1, 2020 to March 31, 2021) (million yen)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2020	(106)	(1,306)	(237)	(1,650)	99,735
Changes of items during the fiscal year					
Cash dividends					(5,337)
Net income attributable to owners of the parent					24,923
Repurchase of treasury stock					(3)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity	163	1,295	17	1,476	1,476
Total changes of items during the fiscal year	163	1,295	17	1,476	21,058
Balance as of March 31, 2021	56	(10)	(219)	(173)	120,794

Current fiscal year (April 1, 2021 to March 31, 2022) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	33,239	21,329	93,861	(27,461)	120,967
Changes of items during the fiscal year					
Cash dividends			(8,753)		(8,753)
Net income attributable to owners of the parent			32,553		32,553
Repurchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	0	23,799	(2)	23,797
Balance as of March 31, 2022	33,239	21,329	117,661	(27,464)	144,765

Current fiscal year (April 1, 2021 to March 31, 2022) (million yen)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2021	56	(10)	(219)	(173)	120,794
Changes of items during the fiscal year					
Cash dividends					(8,753)
Net income attributable to owners of the parent					32,553
Repurchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	43	1,900	(60)	1,883	1,883
Total changes of items during the fiscal year	43	1,900	(60)	1,883	25,681
Balance as of March 31, 2022	100	1,889	(279)	1,710	146,475

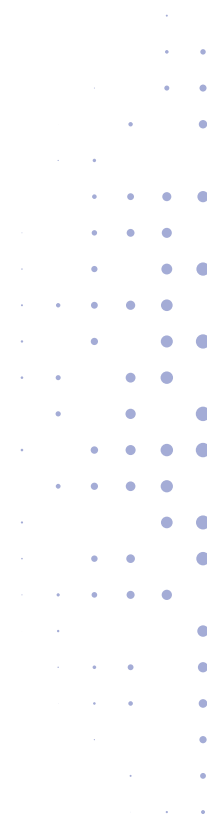
Current fiscal year (April 1, 2021 to March 31, 2022) (thousand USD)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	276,993	177,742	782,176	(228,848)	1,008,064
Changes of items during the fiscal year					
Cash dividends			(72,945)		(72,945)
Net income attributable to owners of the parent			271,278		271,278
Repurchase of treasury stock				(18)	(18)
Disposal of treasury stock		1		0	1
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	1	198,333	(18)	198,315
Balance as of March 31, 2022	276,993	177,743	980,510	(228,867)	1,206,379

Current fiscal year (April 1, 2021 to March 31, 2022) (thousand USD)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2021	471	(90)	(1,827)	(1,446)	1,006,617
Changes of items during the fiscal year					
Cash dividends					(72,945)
Net income attributable to owners of the parent					271,278
Repurchase of treasury stock					(18)
Disposal of treasury stock					1
Net changes of items other than shareholders' equity	364	15,838	(503)	15,699	15,699
Total changes of items during the fiscal year	364	15,838	(503)	15,699	214,014
Balance as of March 31, 2022	836	15,747	(2,331)	14,252	1,220,632

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