

# From Osaka, to the world



## Capcom celebrated its 40th anniversary on June 11, 2023

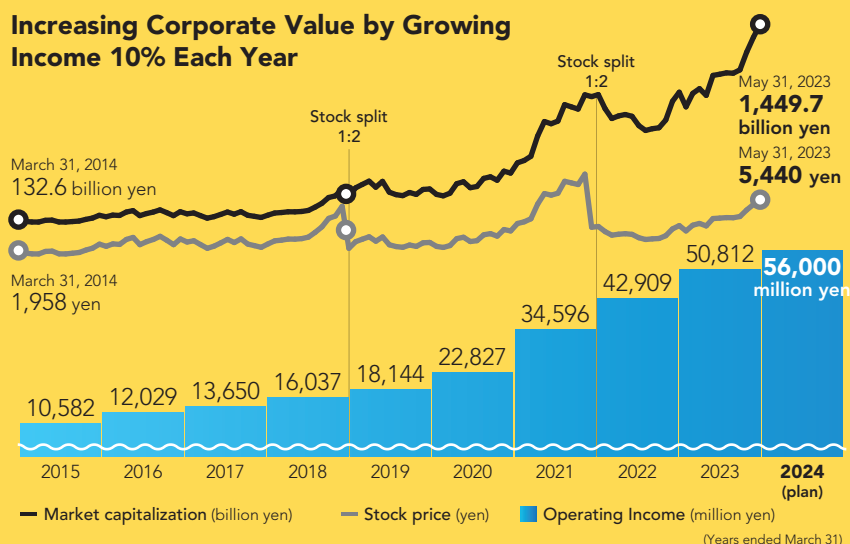
Capcom marked its 40th anniversary in June 2023. Over the past four decades, we have aimed to be a company that contributes to people's happiness, and in addition to producing a wealth of iconic original games and content loved around the world, we have also adapted the content from our games to a number of other mediums, including major Hollywood movies. Going forward, we are committed to providing the very best in entertainment worldwide as we set off toward the next stage of our growth.

# Improving financial and non-financial value over the long term

## Achieving 10 consecutive years of increased operating income

The game industry is continuously changing, in step with the evolution of AI, networks, 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 2023 marks 10 consecutive years of increased operating income. Though we split our stock on April 1, 2018 and again on April 1, 2021 to improve its liquidity 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 stakeholders' loyalty.

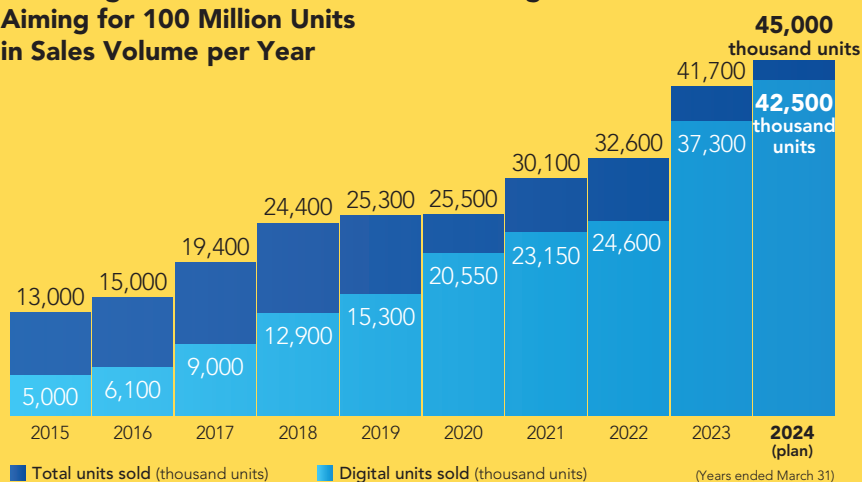
### Increasing Corporate Value by Growing Income 10% Each Year



## 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 230 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.

### Providing Games in 230 Countries and Regions Aiming for 100 Million Units in Sales Volume per Year





# Four decades of steady growth toward the most entertaining games in the world

## Trend in operating income

Note: 1983–1988: Fiscal years ended December 31  
1989–2024: 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.

#### Title history

#### 1983

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

#### 1984

Released our first arcade video game *Vulgar*.

#### 1985

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

#### 1987

Released *Mega Man* for the NES.



### 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*.

#### 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.



### 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 title 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.

#### 2001

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

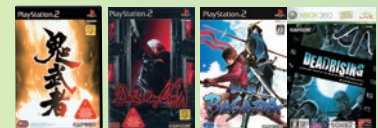
Released *Devil May Cry* for PlayStation 2.

#### 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.



## 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.



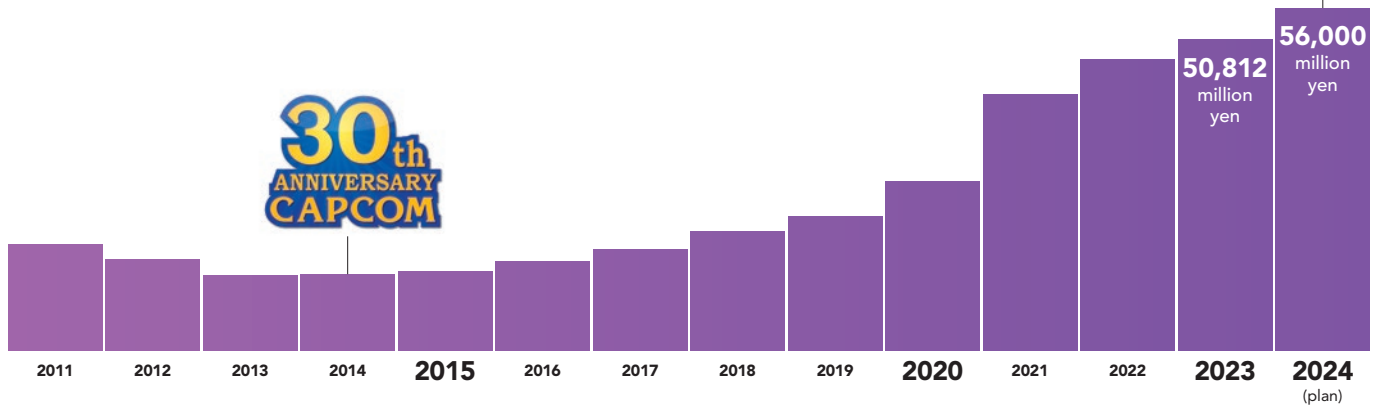
© CAPCOM, Shogakukan, ShoPro, TV Tokyo 2002  
© 2002 CONSTANTIN FILM PRODUCTION GMBH / NEW LEGACY FILM LTD.

### 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.

# our goal of making



## 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.

#### 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

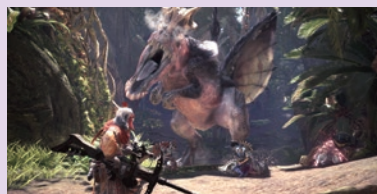
Released *Resident Evil 7 biohazard* selling a cumulative total of 12.4 million copies to date.

#### 2018

Released *Monster Hunter: World*, which has gone on to sell a cumulative total of more than 19 million units, the first title to do so in Capcom's history.

#### 2020

*Resident Evil* series tops 100 million units sold



#### 2023

Released *Street Fighter 6*

Currently working to grow sales worldwide through esports integration.

Celebrated our 40<sup>th</sup> anniversary on June 11, 2023

The very next business day we launched the Capcom Town website, designed to be a digital, online destination.

Released all-new IP, *Exoprimal*.



### 2007–

#### Cooperative gameplay becomes standard

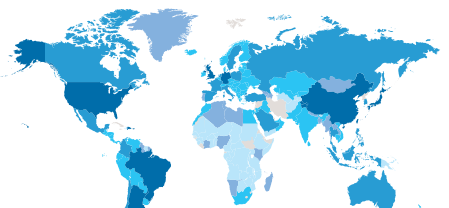
In 2007, *Monster Hunter Freedom 2* became the first game in the series to top a million units sold. Since then, the title has become synonymous with hunting games.



### 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 are accelerating. Our extensive library of games developed over the past 40 years is available in 230 countries and regions around the world.

## Value Creation Story

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## Medium- to Long-Term Growth Strategy

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**We aim to deliver joy and entertainment worldwide through the medium of video games.**

Management Policy / Mid- to Long-term Challenges / Capcom's Sustainability Initiatives / Governance

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**Sustaining our digital strategy and aiming for annual software sales of 100 million copies as we increase the number of Capcom users.**

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**Optimal management resource allocation for creating superior brands loved worldwide**

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**Street Fighter 6  
Unveiling a new era of fighting games**

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**Evolving our approach to game creation with a comprehensive development environment and our proprietary RE ENGINE**



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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, 2023 (April 1, 2022–March 31, 2023). 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.

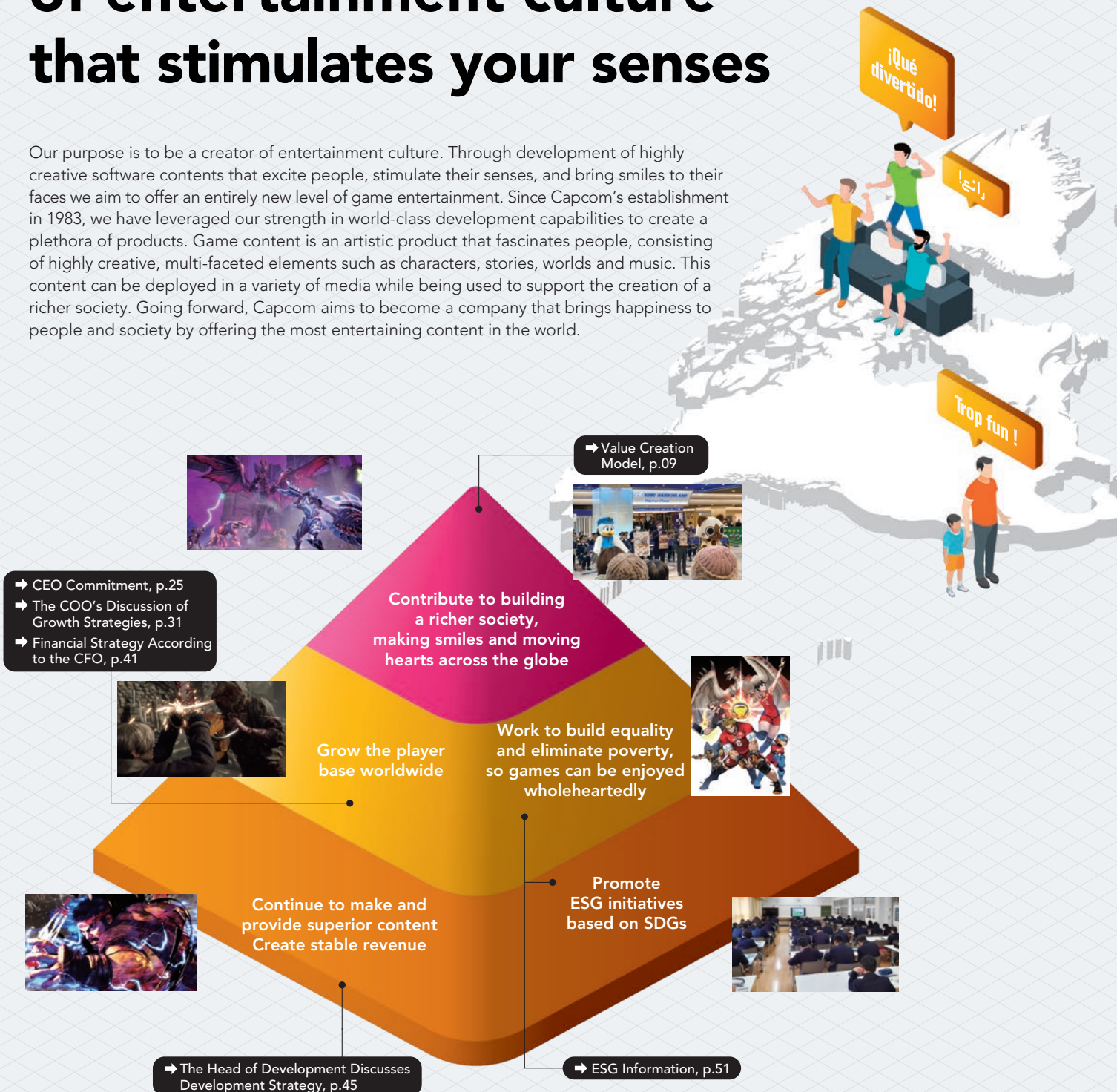
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Corporate Philosophy

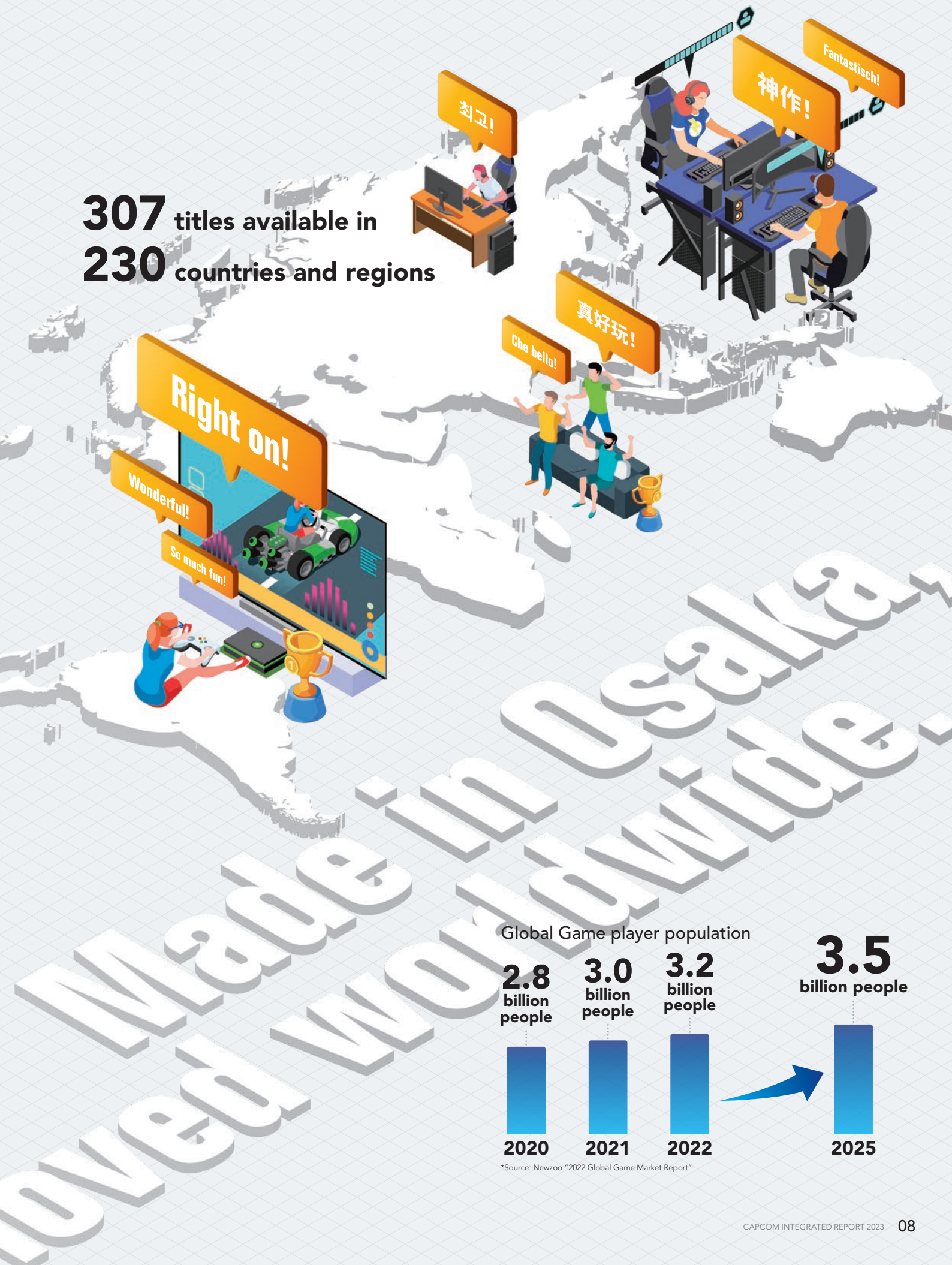
# Capcom: Creator of entertainment culture that stimulates your senses

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.





**307** titles available in  
**230** countries and regions





# Providing value to society with popular content rooted in our corporate philosophy

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.

## Cultivated capital

Amount invested in development **37.7** billion yen

→ Financial Strategy According to the CFO, p.41

Number of developers **2,460** people

→ The Head of Development... p.45

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

→ Major Intellectual Properties (IP), p.11

## Corporate Philosophy

**Capcom: Creator of entertainment culture that stimulates your senses**

## Social issues

Desire for an enriched lifestyle

Generational and interregional communication gaps

Global economic and information gaps

Industrial metabolism

Sluggish local industries

Improvement of working conditions

## Social issues

Business activities

Development

Planning

Quality assurance

Sales and promotion

## Foundation for Sustainable Growth → ESG Highlights, p.15

Material Issue 1 .....  
Securing and Training of Human Resources

→ The CHO Discusses Our Human Resources Strategy, p.37

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Development of Solid Relationship with Society

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Enhancement of Corporate Governance

→ Corporate Governance, p.63

Providing reasonably-priced  
and easily available  
entertainment to the world

Game market  
innovation

Providing a  
healthy game  
culture

Providing  
attractive workplaces  
and jobs

Contributing  
to local  
revitalization

Stimulating  
communication

Social  
contributions

**41.7** million  
games sold during  
the year  
→ p.02

Countries  
and regions  
where Capcom  
games are sold  
**230**  
→ p.33

Films  
produced  
based on  
Capcom IP  
**1**

Non-  
Financial  
Outputs

Non-  
Financial  
Outcomes

Hired  
**154**  
new graduates  
→ p.37

**4**  
cooperative  
projects  
with local  
governments  
→ p.62

**35**  
educational  
support  
activities  
→ p.61

Development  
of proprietary  
multimedia

Collaborative  
expansion into  
other media



**Movies**  
Hollywood movies,  
animated movies,  
CG movies

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

**Events**  
Concerts,  
theatrical productions

**Arcade Operations**  
Facilities at shopping centers,  
large format locations,  
retail shops, and online claw  
machine games

**Esports**

**Amusement  
Machines**  
Pachinko and pachislo

**Home Video Games**

**Digital Download  
Contents**

**Mobile Contents**

**Creating  
Popular Content  
IP**  
→ p.45

**Develop games  
for multiple  
platforms**

Net sales for the year  
ended March 31, 2023

**98.1** billion  
yen  
→ p.45

**Multimedia expansion  
of content** → p.13

Net sales for the year  
ended March 31, 2023

**27.8** billion  
yen  
→ p.13

#### Development of proprietary multimedia

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

#### Collaborative expansion into other media

We have focused on turning our original content into Hollywood movies. We have also expanded into a variety of other mediums, including animation, live theater, events, and publications.



# Utilizing iconic content (IP) to produce countless hit titles

In the 40 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.

## Mega Man series

Total number of units sold

**38** million

(As of March 31, 2023)

Number  
of titles  
**158**

## Street Fighter series

Total number of units sold

**49** million

(As of March 31, 2023)

Number  
of titles  
**94**



**1987**

Mega Man series created and released  
Street Fighter arcade game released



**1996**

Resident Evil  
series created  
and released



**2004**

Monster Hunter  
series created  
and released

**BIOHAZARD RE:4****MONSTER HUNTER  
RISE  
SUNBREAK**Number  
of titles  
**59****Monster Hunter  
series**

Total number of units sold

**92** million

(As of March 31, 2023)

**Resident Evil  
series**

Total number of units sold

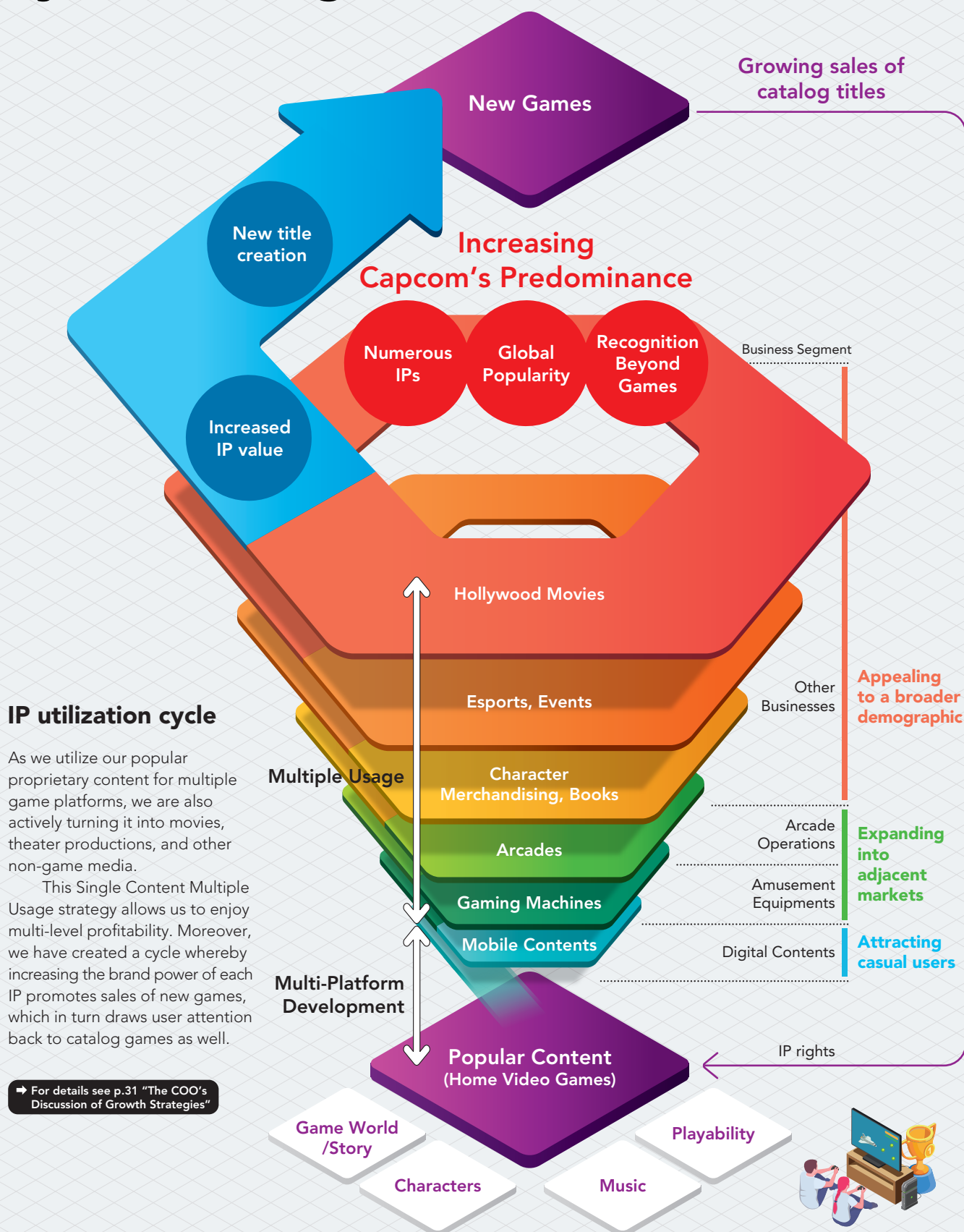
**142** million

(As of March 31, 2023)

Number  
of titles  
**168**



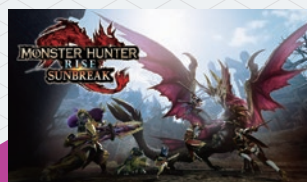
# The Single Content Multiple Usage strategy promotes game sales by maximizing the value of our IP



## Example of Single Content Multiple Usage

Multiple  
Usage

Released June 2022

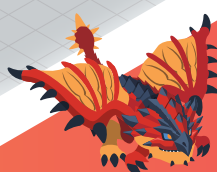


Latest title

### Monster Hunter Rise: Sunbreak

6.1 million units sold

(As of June 30, 2023)



© 2020 Constantin Film Produktion GmbH  
© Constantin Film Verleih GmbH



Hollywood movies



Video streaming



Events/concerts



Merchandise

Appealing to  
a broader  
demographic



Pachislo machines Amusement facilities (Café collaboration)

Expansion into peripheral  
businesses

Released March 26, 2021



Existing title

### Monster Hunter Rise

Total 13.2 million units sold

(As of June 30, 2023)





# Contributing to a sustainable society utilizing our traits as a game manufacturer

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.

## 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

### 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. In 2022, we revised our remuneration system, introduced a stock-based compensation system, improved the work environment, and held ongoing briefings for employees on the status of our business, with an eye toward sustainable growth and nimbly responding to changes. Additionally, we have focused on hiring diverse talent and bolstering our production capabilities. Through these efforts, we are promoting a human resource investment strategy that will prepare us for major changes that may occur over the next decade.

#### Relevant SDGs



### Promoting Diversity

We are working to promote diversity with the intention of fully drawing out the attributes and talent of our people as well as increasing innovation and productivity across the entire company. Our goal is to create a landscape of diverse perspectives and talent by hiring, developing, and utilizing women, foreign nationals, and mid-career professionals. Toward this end, we promote work-life balance, diverse working styles, stronger international expansion, and training to secure professional skills.

#### Relevant SDGs



### Development of Solid Relationship with Society

Following our corporate philosophy, we are actively working to resolve common issues facing society as a good corporate citizen. Particularly, these efforts focus on prohibition of discrimination, respect for human rights, assistance for vulnerable children living in poverty, contributions to regional revitalization, and supporting the promotion of culture and technology. Additionally, we host company visits for children and provide outreach classes as part of our efforts to spread healthy gaming culture.

#### Relevant SDGs



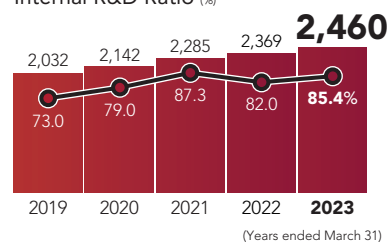
### Enhancement of Corporate Governance

Recognizing its importance to management, we are working to strengthen corporate governance. We strive to ensure the transparency, soundness, and legality of management, while also working to fulfill accountability to stakeholders, disclose information in a timely and appropriate manner, clarify the responsibilities of executive management and each level of manager, and establish internal controls. Going forward, we will focus on building a system that enables us to address changes in our environment while also increasing the satisfaction of shareholders, customers, employees, and other stakeholders.

#### Relevant SDGs

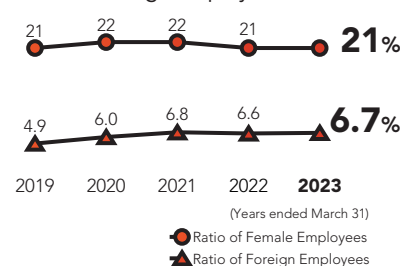


## Progress of KPIs

Number of Developers (People) /  
Internal R&D Ratio (%)

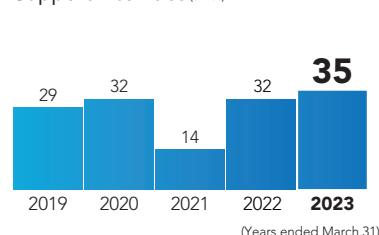
We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world. We are aware of the particular importance of increasing and strengthening our team of developers to expand our pipeline and improve quality, and we therefore continue to hire approximately 150 new graduates each year.

➔For details see p.45

Ratio of Female Employees /  
Ratio of Foreign Employees (%)

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.

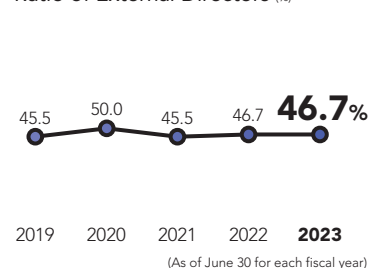
➔For details see p.55

Number of Educational  
Support Activities (times)

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 2021, we held fewer activities due to the COVID-19 pandemic, but since the fiscal year ended March 2022 they have returned to normal levels with the introduction of online classes.

➔For details see p.61

Ratio of External Directors (%)



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 appointed two new external directors in the fiscal year ended March 2023, and currently external directors account for 46.7% of the entire Board of Directors.

➔For details see p.65

## Results of initiatives in fiscal 2022

## Employee Briefings

We began holding briefings for employees on the status of our business in the fiscal year ended March 31, 2023.

At these briefings, we shared our growth trajectory based on the management policy for the last decade and its contributing factors and issues, and also provided time for Q&A and discussions.

Improving the work environment  
for foreign employees

We offer assistance for finding housing to foreign nationals who move to Japan to work for us, introduced a special leave system so they can visit their home country (instituted on April 1, 2023), and hold discussions between executive leadership and foreign employees to better understand their needs.

Growing demand for  
online outreach classes

With the advent of online classes, we are expanding the reach of our outreach classes from schools on remote islands to those in other locations. The online implementation rate of outreach classes stood at 80% in the fiscal year ended March 31, 2023, 15 points higher than the previous fiscal year. This was a result of growing demand during the COVID-19 pandemic.



## Increased number of external directors

In the fiscal year ended March 2023, we organized office tours for external directors and shared information with them through formal discussions to further strengthen their functions taking into account the results of the evaluation of board effectiveness. We also bolstered our support system by establishing a dedicated department to assist the Board of Directors.



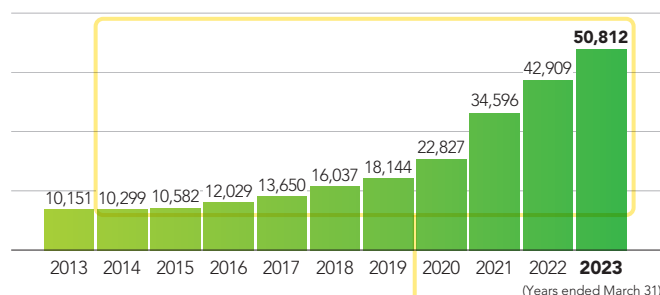


# Financial Highlights

## Operating Income/Operating Margins

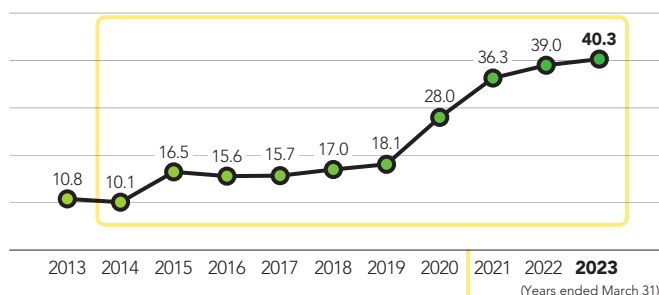
Operating Income (million yen)

**50,812** million yen  
UP 18.4% ↑



Operating Margins (%)

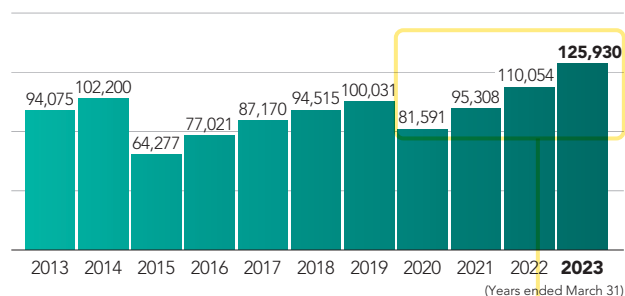
**40.3%**  
UP 1.3points ↑



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. As a result, from the following year onward we have achieved 10 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 2023, we increased profit 18.4% over the previous fiscal year, marking our sixth consecutive year of record operating income. This was due to new major hit titles, such as *Monster Hunter Rise: Sunbreak* and *Resident Evil 4*, and the accumulation of catalog sales, in addition to the fact that the highly profitable digital sales trend continues to grow.

## Net Sales (million yen)

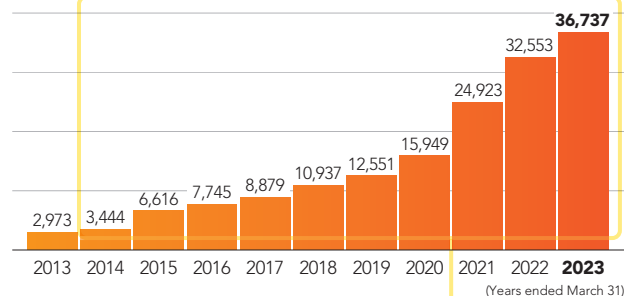
**125,930** million yen  
UP 14.4% ↑



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)

**36,737** million yen  
UP 12.9% ↑

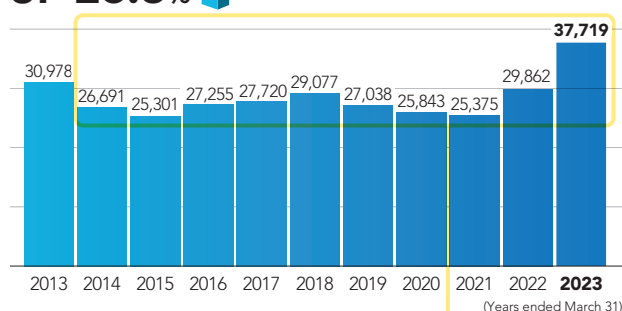


In the fiscal years ended in March 2013 and 2014 respectively, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization integration resulted in special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, net income increased 10 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.41-44, and  
"11-Year Summary of Consolidated Financial Indicators" on p.77-78

### R&D Investment Costs (million yen)

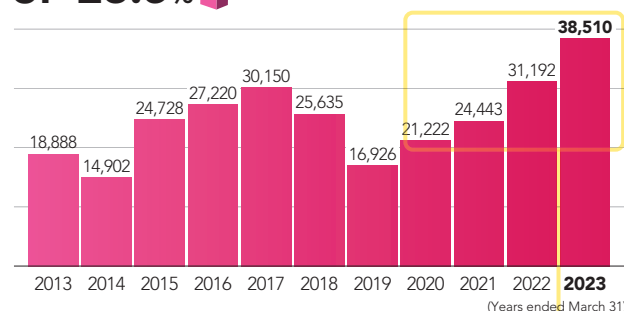
**37,719** million yen  
UP 26.3% ↑



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)

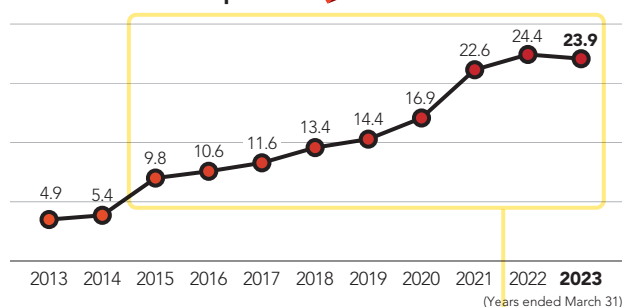
**38,510** million yen  
UP 23.5% ↑



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) (%)

**23.9%**  
DOWN 0.5 points ↓



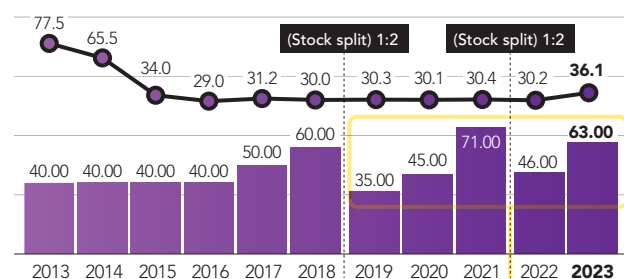
In the fiscal years ended March 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, we have maintained a high ROE level following the elimination of special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

### Dividend per Share/Dividend Payout Ratio

■ Dividend per Share (yen)

● Dividend Payout Ratio (%)

**63.0** yen **36.1%**  
UP 37.0% ↑ UP 5.9 points ↑



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.



# Market Analysis

## Market Trends

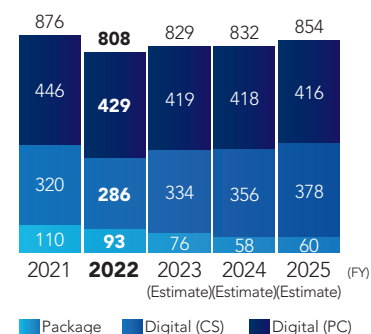


### Consumer Market (Package + Digital)

The consumer market (package + digital \*including PC) in 2022 declined year on year to 80.8 billion dollars following the end of stay-at-home policies during the COVID-19 pandemic.

In 2023, buoyed by the worldwide digital shift, the consumer market is expected to increase to 82.9 billion dollars amid growth of digital sales, including the PC platform, offsetting weaker package 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 86.7 billion dollars by 2027. We also expect continued growth in the mobile market.

Consumer Market (billion U.S. dollars)

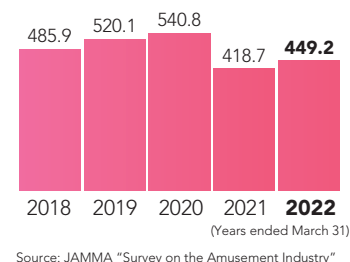


### Arcade Operations Market

The domestic arcade facilities market showed signs of a recovery from the downturn caused by the COVID-19 pandemic during the previous fiscal year (ended March 31, 2022) rising to 449.2 billion yen (up 7.3% from the previous year). The total number of facilities were 10,061 (up 0.6% from the previous year), and annual sales per store were 44.65 million yen (up 6.6% from the previous year.)

In the fiscal year under review (ended March 31, 2023) the market recovered from depths of the COVID-19 pandemic as vaccination rates increased and restrictions were eased. The outlook for the next fiscal year (ending March 31, 2024) foresees the market recovery to advance amid Japan downgrading COVID-19 to a Class 5 infectious disease under the Act on the Prevention of Infectious Diseases and changes taking place in consumer behavior and mindsets.

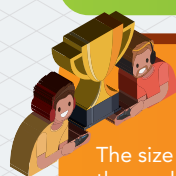
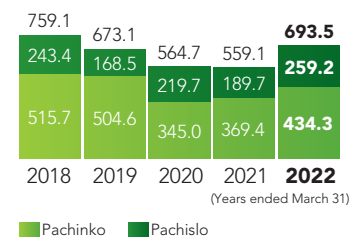
Arcade Operations Market (billion yen)



### Gaming Machines Markets

In the previous fiscal year (ended March 31, 2022), the gaming machine market experienced a turnaround, increasing to 69.35 billion yen. This was attributed to replacement demand for new regulation-compliant machines, whose certification had been extended during the COVID-19 pandemic to January 31, 2022. Despite this replacement demand running its course, the market showed signs of a positive turnaround the fiscal year under review (ended March 2023) due to the introduction of Smart Pachislo, a new pachislo machine that digitizes medals so that they are no longer required during game play. As for the outlook for the next fiscal year (ending March 2024), Smart Pachislo is expected to stimulate new demand.

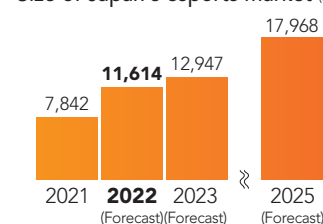
Gaming Machines Markets (billion yen)



### Esports Market

The size of Japan's esports market in 2021 was 7,842 million yen (up 15.5% year on year), as the market continued to grow steadily despite a slower rate of growth due to the impacts of the COVID-19 pandemic. The market grew to 11,614 million yen (up 48.1%) in 2022, thanks to the resumption of major competitions in Japan and overseas, and it is expected to reach 17,968 million yen by 2025.

Size of Japan's esports market (millions of yen)



## Major opportunities and risks (● Opportunity ◆ Risk)

## Addressing major opportunities and risks

- 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
- ◆ 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

- 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
- ◆ Popularity of machines
- ◆ 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 themed amusement venues, cafes, merchandise, and virtual reality (VR).
- 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. It has generated consistent revenue from our original content created in consumer games by selling this content in over 200 countries and regions through digital distribution.

➡ For details see p.79

#### Consumer (Package + Digital)

- ◆ New titles *Monster Hunter Rise: Sunbreak* and *Resident Evil 4* were hits
- ◆ Major catalog title hits *Monster Hunter Rise*, *Resident Evil 2*, *Resident Evil 3*, and *Devil May Cry 5* performed well

#### Mobile Contents

- ◆ Focused on existing titles

### 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 and profits were higher mainly thanks to the recovery in customer traffic at stores as the impacts of the COVID-19 pandemic eased. Same-store sales were up 120% year on year.
- ◆ We opened Capcom Store & Cafe Umeda, combining a retail shop and themed café, in Osaka.
- ◆ We opened five new stores and closed two stores.

### 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 44,000 units of four models
- ◆ Posted higher sales and profits mainly thanks to increased unit sales

### Other Businesses

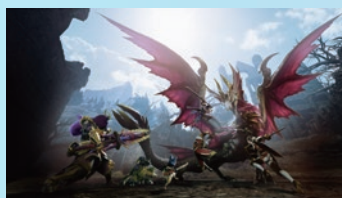
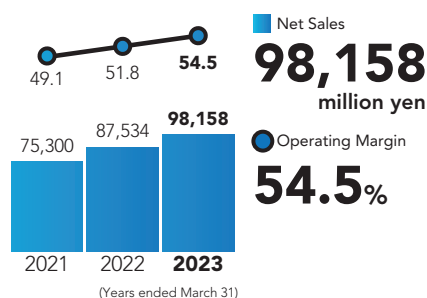


Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of copyright-related business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part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

- ◆ We diversified earnings by using IPs like *Monster Hunter* and *Resident Evil* in events and merchandise.
- ◆ In licensing, we strengthened the link between visual media and merchandising with new game releases.
- ◆ We worked to make movies based on our IP via our production subsidiary, Capcom Pictures Inc.
- ◆ In eSports, in light of COVID-19, we endeavored to grow the fan and player base via online tournaments.

## Main Products for This Fiscal Year

## Net Sales/Operating Margins

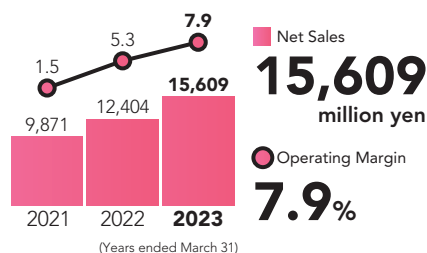
**Monster Hunter Rise: Sunbreak**

*Monster Hunter Rise: Sunbreak* is a massive premium expansion for the March 2021 release, *Monster Hunter Rise*. In addition to strong praise for its new locales, monsters, and never-before-experienced hunting actions, along with ongoing free updates, our strategic approach to pricing resulted in a steady increase in sales, with 5.45 million units sold worldwide.

**Resident Evil 4**

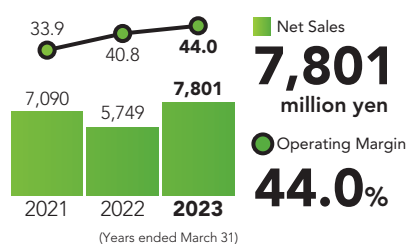
*Resident Evil 4* is a remake of the original 2005 title. In addition to reworking the story and creating a fresh gameplay experience, the game's highly immersive visuals powered by the cutting-edge graphics technology of Capcom's proprietary RE ENGINE have been a hit, with worldwide sales reaching 3.75 million copies.

## Net Sales/Operating Margins

**Capcom Store & Cafe Umeda**

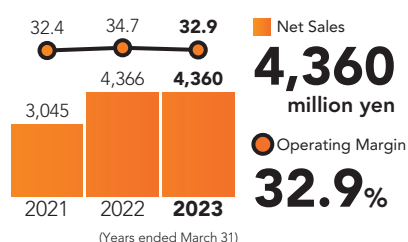
We opened the Capcom Store & Cafe Umeda in Osaka's Umeda area featuring a retail store along with a café serving up limited edition menu items and selling themed merchandise, allowing customers to immerse themselves in the worlds of their favorite games.

## Net Sales/Operating Margins

**Pachislo****Resident Evil 2**

We introduced pachislo machines based on *Resident Evil 2* in October 2022, a home video game that has sold 11.9 million copies to date, and subsequently sold 15,000 of the machines.

## Net Sales/Operating Margins



Courtesy of Netflix

**Resident Evil television series**

*Resident Evil*, one of our most iconic brands, was made into a television series, streaming on Netflix since July 2022.

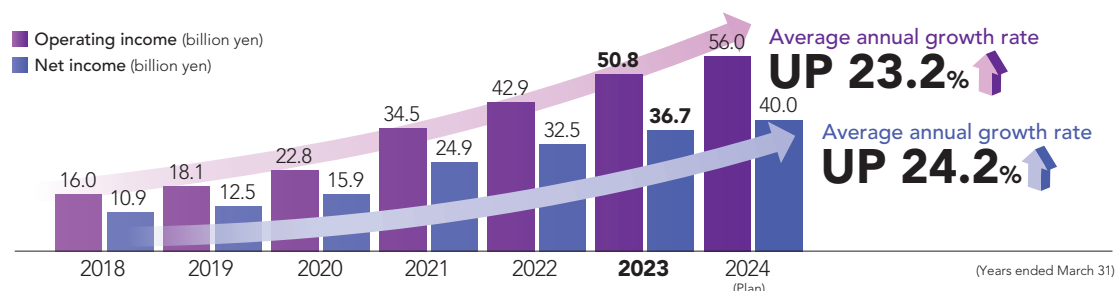


# Aiming for annual Consumer sales of 100 million units from business synergy-driven growth

We are significantly increasing sales of Consumer games by capitalizing on our medium- and long-term strategies, steadily paving the way for sustainable growth.

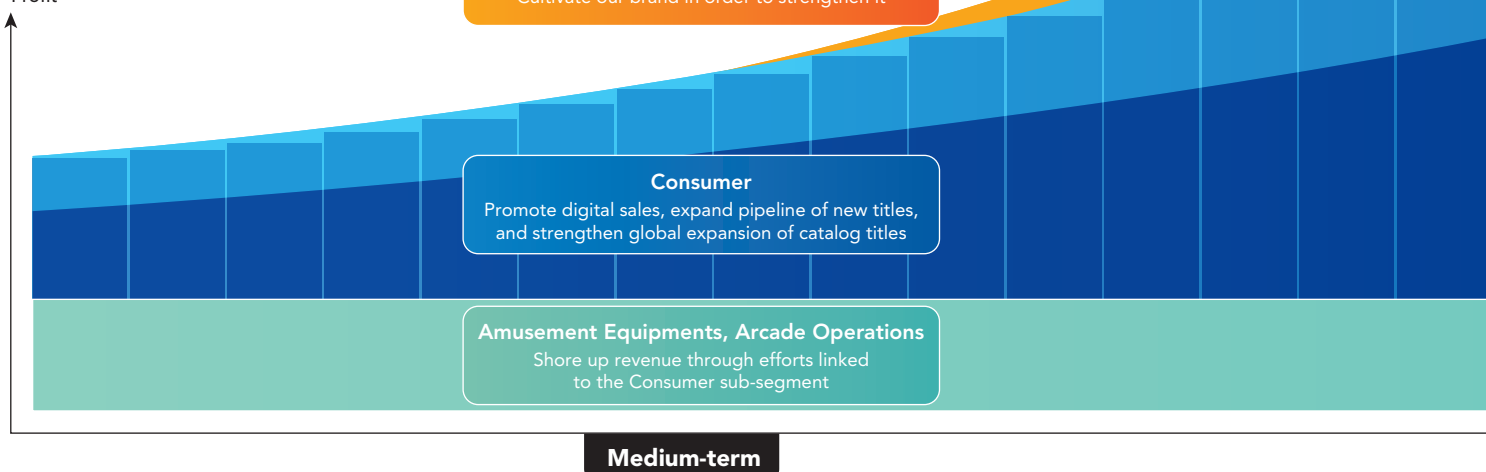


**Aim for annual operating income growth (10%), driven by enhanced sales digitally and globally**



Medium- to long-term growth

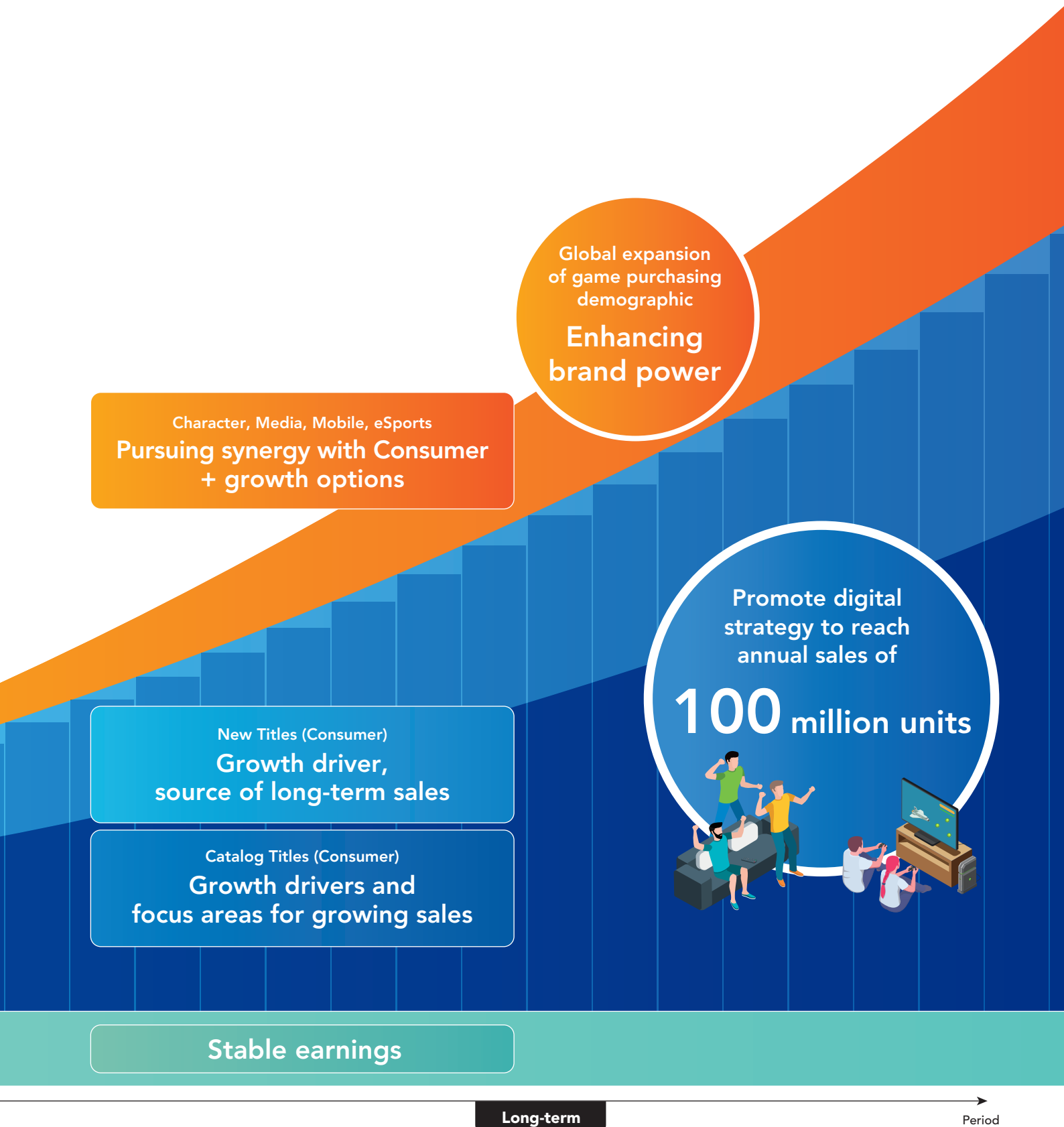
Profit



**Focus on increasing sales of Consumer sub-segment catalog titles and strengthening sales globally**

Human resources strategy

**Human resources investment and technological development**



**Bolster foundation for growth  
by generating synergies between  
the Consumer sub-segment and peripheral businesses**