



**Kenzo  
Tsujimoto**  
Chairman and  
Chief Executive Officer  
(CEO)

**CEO  
COMMITMENT**

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

## Building a richer world by delivering the best content, "from Osaka, to the world"

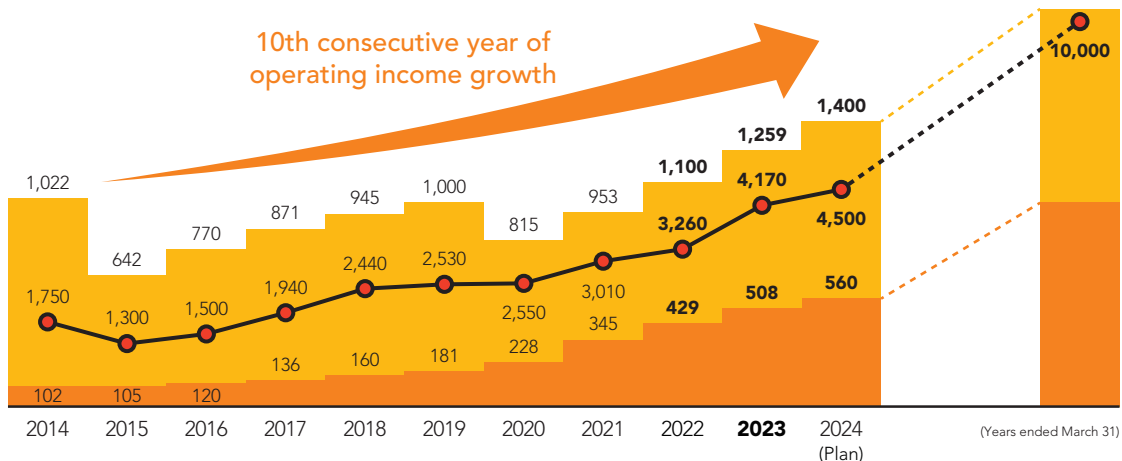
Capcom celebrated its 40th anniversary in June 2023. I would like to take this opportunity to express my deepest gratitude for the many years of support and understanding from our stakeholders, including our customers, shareholders, business partners and employees. We have continued to increase corporate value, setting forth the mid-term management goal of 10% operating profit growth annually beginning in the fiscal year ended March 2020, and most recently achieving 10 consecutive years of increased sales volume and operating profit. [➔For details, please refer to p.2](#)

Even though games are luxuries that are not essential to daily life, our increasing value is evidenced by the growing number of people around the world whose lives are enriched and made more vivid by games. Since our founding, we at Capcom have invariably continued to create content with the intent of making the world even just a little bit better through games. We aim to bring joy to as many people as possible with this form of entertainment—and we are prepared to take on the myriad challenges of the future to realize sustainable growth, united under our motto of "from Osaka, to the world."

### Capcom performance trend

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

Aiming for 100 million units in sales volume



# 1 Management Policy

## Growing our customer base by expanding the market

We made a shift in policy to focus on digital sales around 2017. Now, we have expanded our global sales footprint to include more than 230 countries and regions, thanks in particular to bolstering our support for the PC platform. In doing this, we were able to get a visceral sense that people around the world enjoyed Capcom’s games. As we move forward, it is important that we create opportunities for people in these newly tapped countries and regions to enjoy our game content and expand the number of our users in these areas more than ever before with the aim of realizing sustainable growth.

Unit sales for our games in the fiscal year ended March 2023 were 41.7 million units; if we assume a single customer purchased multiple games, we can estimate that our user base is approximately 20-25 million people. On the other hand, the world population is said to have surpassed 8 billion people, and of that the total population of game players, including those who play on mobile devices, is approximately 3 billion. While our recent annual sales volume is 41.7 million units, and we have the future goal of bringing that number up to 100 million units annually, a vast market beyond that yet remains waiting for us.

# 2 Mid- to Long-term Challenges

## Approaching opportunities for further growth

I believe Capcom’s strengths are found in the following three points: (1) ownership of numerous, popular IPs with global brand recognition; (2) the globalization of our markets due to enhanced digital sales; (3) the development prowess and marketing strategies to continuously bring forth world-class quality games. Also, as I touched upon above, we are achieving sustainable growth thanks to our shift to digital sales. However, if we are to continue steadily growing, it is a fact that there are a number of challenges we must face in the coming 10 years as we move toward our 50th anniversary. I believe we have come to a place where we will now transition to a new stage in sustainable growth. The following is an explanation of our approach to future opportunities for this.

## Addressing advances in technology

The highest standards of technology are essential to create the world’s most entertaining games. I have been constantly aware of this fact over the course of my 50 years working in the industry, which itself is ceaselessly evolving. Looking at the situation of these past few years, I feel that the PC—which in a single machine provides games, movies, and music—has grown in importance as a gaming device. Of course, we will likely also see new, high-functionality, dedicated game consoles come to the market as well. As far as Capcom is concerned, we take pride in the technological capabilities that allow us to adapt to

whichever device the end user prefers, as we have demonstrated over the past 40 years.

Video games themselves are the ultimate simulation, making possible that which in real life cannot be achieved. Especially given that virtual worlds have become more common in recent years, the potential represented by games has increased all the more. Within game development, acquiring technologies peripheral to game creation has increased in importance, including network and AI technologies, while in esports it has become possible for game players with disabilities to enjoy the same games as able-bodied game players. It is vital that we work to acquire and train talent with specialized knowledge of technology in order for Capcom to provide new creations and global-reaching services; at the same time, we must further hone the knowhow and insights we have cultivated at our company thus far, continuing to strengthen our efforts in order to reach new customers for both our new title releases and existing back catalog of titles as well.

## Further expanding catalog title sales with stronger branding

Extending the sales life of the content we create by digitizing game sales leads to the creation of continuous profit. Following the release of a game, we designate titles from the previous fiscal year or earlier as catalog titles. The cost burden of these titles is fundamentally small, and I feel confident that expanding sales of these catalog titles will be one driver of our growth when we consider the

latent worldwide game player population as well as the facts that these titles (1) contribute to improved profitability and (2) we are able to freely carry out limited-time discounts as part of our pricing strategy.

However, I believe that it will be necessary to strengthen and achieve greater penetration of both our content brands and corporate brand to further expand sales of our catalog titles. While we sell our games in over 230 countries and regions globally, we cannot say that our brands have been completely established.

In the fiscal year ended March 2022, we opened Capcom Pictures, a movie production subsidiary, with the aim of actively promoting our IP by adapting our games into movies and other visual media.

### Understanding customer behavior and needs

The question of whether we will be able to maintain growth going forward hinges on our ability to accurately grasp the needs of our users and the market, and whether we can create content that goes beyond expectations. It will be more important than ever for us to do a base analysis of play data and make a response regarding what users demand of us, their satisfaction levels and needs, as well as their expectations. To acquire customers, it is now more essential than ever to bridge our understanding of customer opinions and needs with the production of highly satisfying content.

From the sales data and play data that we have accumulated thus far, we have seen that the reception of our content and services is different depending on the country or region. It is thus necessary for us to understand the characteristics of the end user in these different countries and regions in order to create content that can be enjoyed throughout the

world. Given that there will be both commonalities as well as major differences in tastes in different countries and regions, we now find ourselves in an age where we must leverage the insights gleaned from data analysis of user needs and market demand when creating new content.

However, around the world there have been advances in updating legal systems to address the major issue of protecting personal information. We take the utmost care in handling the personal information entrusted to us by our customers, making sure to clearly indicate the purpose of its use as dictated by our privacy policy, and limiting ourselves to only that personal information that is absolutely necessary.

### Investing in people

Details will be explained in the CFO's section, but we have built a solid financial foundation via our earnings growth over the past 10 years. We will leverage this and continue to make investments with an eye toward further growth, however, hiring is an area that requires particular focus. In addition to continuing to hire approximately 150 new graduates annually, we are moving forward with beneficial investments, including the option of M&A, in order to actively address the need for specialized knowledge or skills we currently lack. We are also investing in expanding our development workspace in order to provide our creators with a comfortable working environment. Further, there may be a need to introduce a 24-hour work system at some point, in order to better communicate with our customers globally while also more closely aligning communications with our overseas subsidiaries. These sorts of challenges have driven us to carry out our own unique workplace reforms.

## 3

## Capcom's Sustainability Initiatives

### 1. Sustainable environmental measures

In June 2022, we introduced CO<sub>2</sub>-free electricity generated by renewable energy sources in the buildings that we own in the Kansai region. Additionally, we are striving to further reduce our environmental impacts, which includes introducing green electricity at our Tokyo Branch in April 2023.

Capcom's efforts to digitalize game sales not only improve profitability, but also reduce our environmental footprint by removing package manufacturing from the equation.

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.

### 2. 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. Causing misfortune with our games is never 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 address them.

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.

Further, commissioned by industry groups, the Gaming Disorder Research Study Group announced the results of its investigation following the World Health Organization (WHO) defining "gaming disorder" as a new disease. Going forward, we will cooperate with industry groups to continue discussions in conjunction with further analysis and reports, raise awareness of the problem, and take appropriate measures in a timely manner.

**3. Promoting Diversity**

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 national origin. We continue to make efforts to improve the workplace environment and have carried out various reforms in areas such as compensation and benefits. Additionally, as a result of increasing

opportunities for direct communication between employees and management, such as with company-wide explanatory meetings, we dramatically increased employee engagement in fiscal 2022. We will continue to promote improvements in an effort to increase motivation.

**4. Promotion and Support for Regional Communities**

We utilize 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. By contributing to these communities and fulfilling the needs of society we make sustainable corporate operations possible.

**5. Anti-fraud Measures**

As a company that handles data, it is important that we protect its value and associated rights. As part of our branding efforts globally, 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.

**4 Governance — Strengthening an Ongoing System**

**Building a system to avoid management decision making risks**

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 by quantifying reports**

I require that materials (documents) used for decision-making are, in principle, quantitatively focused; in other words, we are employing management

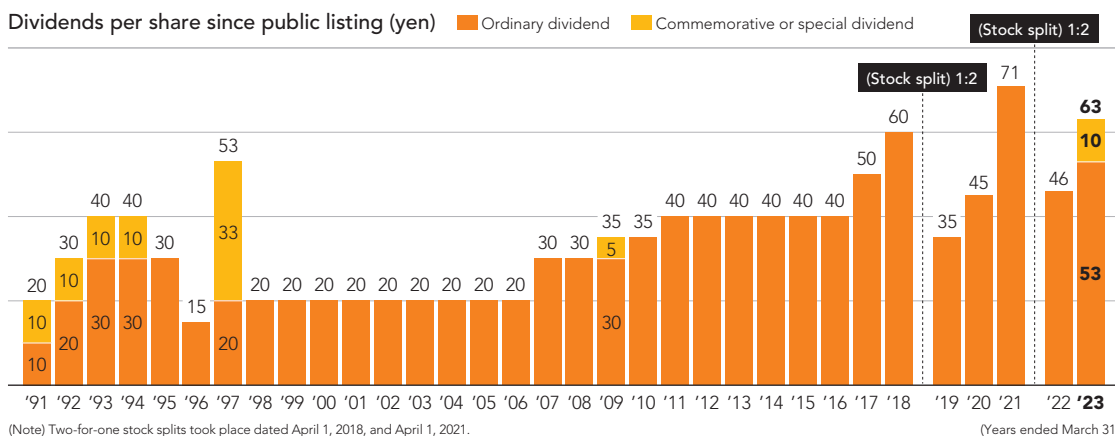
visualization to conduct integrated management. By using numbers instead of words, we eliminate arbitrariness and bias, making it easier to identify problems.

**Mechanism 2**

**Increasing the ratio of external directors**

Since introducing the external director system in the fiscal year ended March 31, 2002, we have increased the ratio of external directors to 46.7%. External director appointment criteria have not changed since the system was introduced; in short: we appoint directors with insight who are highly proficient specialists in their respective areas outside the gaming industry, capable of 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

## Rewarding long-term shareholders with 33 consecutive years of returns since Capcom’s listing and record-high dividends



determine validity from the general public’s point of view and clearly voice their opinions to the company founder.

In June 2022, we increased the number of external directors by two, including one female director, in order to further enhance the human resource capabilities of management and the supervisory function of the Board of Directors.

### Mechanism 3 Creating a system to realize sustainable growth and grooming successors

For the last 40 years, I have built the Capcom framework, and it is my responsibility as the founding executive to ensure my successors properly understand and are able to execute its mechanisms. Plans for my successor are being made through discussions with the Nomination and Remuneration Committee; by preparing my successor and enmeshing our corporate philosophy with well-structured governance, we will achieve sustainable growth.

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

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.

#### 2. Dividends for this fiscal year and the next

For the next fiscal year (ending March 2024), we plan to pay an annual dividend of 54 yen per share, which represents a payout ratio of 28.2%. 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 40 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**  
COMMITMENT

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

Capcom celebrated its 40th anniversary in June 2023 thanks to the support of our many stakeholders over the years. I would like to take this opportunity to express my appreciation to you all now.

Since our founding in 1983, we have grown into one of the top game manufacturers in the world today, having continuously created content known for its outstanding quality. Seeking to further expand sales and establish a stable earnings base, in the mid-2010s we began a comprehensive shift to our digital strategy, including the transition to digital sales.

Until that time, game publishers had primarily provided physical cartridge- or disc-based content to game users via retail stores. However, with retail store sales, there are issues such as (1) limits to physical in-store shelf space, and (2) hurdles for us to carry out price promotions as in some countries retailers control pricing, all of which constrained our global expansion. In addition, disc sales required investing in countermeasures to combat unauthorized and pirated copies. We began shifting to digital 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, our content is now available in 230 countries and regions, and our revenue base has shifted away from a dependency on new title releases to a more stable foundation of catalog title sales.

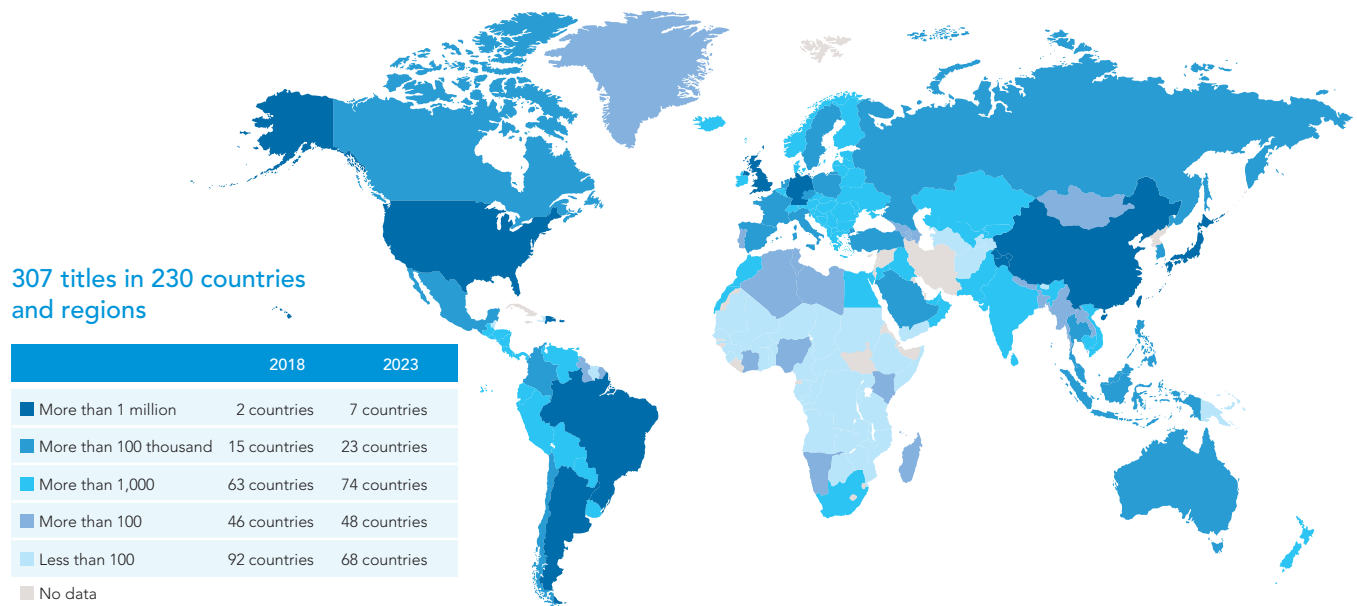
However, it will be essential for us to further strengthen our organization in order to continue growing sustainably over the next 10 years, as we foresee even greater change on the horizon in the video game market. This encompasses not only our game development organization, but extends to all aspects of our business, including our ability to understand and analyze the market as well as the strength of our brand. By enhancing our organization and work environment, along with continuing to bolster our workforce, we will be able to deliver our games to even more people. And by increasing the number of people who enjoy our content, I believe that our long-term goal of 100 million units sold annually will be in sight.

Now I would like to explain the measures we have carried out thus far, as well as our concrete initiatives for the future.





Unit sales of home video game software by country for the fiscal year ended March 2023



## 1 Our Measures Thus Far – Grow markets globally with digitalization –

### Tailwinds from the evolution of infrastructure

During the era of physical disc sales, game content was mainly played on dedicated game consoles. With the evolution of game consoles and the spread of the Internet, always-online network connectivity became the norm for these platforms.

This made it possible to directly sell content via digital downloads, in addition to allowing players to both compete and cooperate in games remotely over the network on dedicated home consoles. In digital sales, a wide variety of content is available for purchase at any given time, regardless of the business hours or shelf space of physical brick and mortar stores.

Digital sales improve user convenience and help prevent piracy. This evolution of infrastructure has laid the groundwork for our global sales expansion.

### Stepping up our support of the PC platform

Within our Digital Strategy, we have also focused on expanding our support for the PC platform.

Since the distribution of dedicated game consoles is inevitably limited to major developed countries with advanced infrastructures, we decided to proactively offer our content on the PC platform in order to acquire more users, as this platform allows us to appeal to customers in emerging countries as well.

As a result, we now sell our game content in more than 230 countries and regions, far exceeding the market for conventional game consoles.

Currently, the ratio of PC games accounts 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.

### Strengths propelling our digital strategy

As noted above, the expansion of sales areas and lineup has made long-term sales possible. 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 annually.

We believe that the following three main factors have enabled this expansion.

- (1) From the time the company was established with our main business being arcade game circuit boards, Capcom had already 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.
- (3) Thanks to strategic pricing, long-term sales of our back catalog of titles is now possible.

I am convinced that we were able to open up the market to this extent not only because of Capcom's excellent brand value, but also because of the even greater entertainment value provided by the content itself.

## 2

## Looking at the Next 10 Years

## – Accelerating sustainable growth led by long-term sales of content –

**Development prowess for creating world-class content**

We have consolidated game development operations in Osaka, our home base, and have established a system to create high-quality content by accumulating know-how.

We are also making efforts to improve productivity, including with our in-house game development engine, RE ENGINE, and by putting together a world-class environment for development.

Further, we are accelerating the enhancement of our development organization, as evidenced by the acquisition of a 3D computer graphics specialist studio as a wholly-owned subsidiary in July 2023, which aims to bolster our development structure.

With this approach, since the release of *Resident Evil 7*, which was launched in January 2017, sales of our titles have been exceeding our expectations thanks to high praise from the media and positive user reception.

To continuously produce high quality titles going forward, 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 must steadily increase personnel in the development division, and we are responding to that need by continuously and proactively hiring new graduates and mid-career talent while also considering M&A options to acquire necessary technological capabilities.

**Improving profitability with long-term sales**

Due to the shift to digital sales for games I explained above, we've become able to discount our prices in step with the amortization of a title's development cost. With our pricing measures, we carry out discount

sales for titles that have been released and available for a certain period of time, making that game content gradually more accessible to people in countries and regions with different income standards.

Comparing our sales territory now with 2018, 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. Indicative of this, as income levels rise due to economic growth in each country and region, we should see greater growth of our markets. Given this, one of the decision-making criteria for giving the go ahead to game production is maximizing sales over a five-year period.

One good example is the long-term sales of *Monster Hunter: World (MH:W)*. More than five years have already 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 22 million units\*; more than 60% 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 high-quality titles are also being recouped at an early stage after their release. 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.

Looking ahead to the next 10 years, we will further enhance the pricing measures for our catalog titles in order to expand sales of our game software in countries with a broad range of economic conditions.

\* Including *Monster Hunter World: Iceborne Master Edition*

	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	Total number of units sold*	2024/3 (Plan)
<i>Resident Evil 7 biohazard</i>	3.5 million units	1.6 million units	1.2 million units	1.0 million units	1.5 million units	1.8 million units	1.2 million units	12.0 million units	Ongoing contributions as catalog titles
<i>Monster Hunter: World</i>		7.9 million units	4.5 million units	3.2 million units	1.4 million units	0.9 million units	0.8 million units	18.8 million units	
<i>Resident Evil 2</i>			4.2 million units	2.4 million units	1.6 million units	1.4 million units	2.2 million units	11.9 million units	
<i>Monster Hunter World: Iceborne</i>				5.2 million units	2.4 million units	1.4 million units	1.0 million units	10.2 million units	
<i>Resident Evil 3</i>					3.9 million units	1.1 million units	1.9 million units	7.0 million units	
<i>Monster Hunter Rise</i>					4.8 million units	4.1 million units	3.7 million units	12.7 million units	
<i>Resident Evil Village</i>						6.1 million units	1.8 million units	7.9 million units	
<i>Monster Hunter Rise: Sunbreak</i>							5.4 million units	5.4 million units	
<i>Resident Evil 4</i>							3.7 million units	3.7 million units	

\*As of March 31, 2023

## Enhancing brand power through initiatives with outside organizations

Until now, digitalization has allowed us to expand our content to many countries and regions. However, sales volumes still vary by country. In order for more people around the world to become Capcom fans in the future, it is vital that we further grow Capcom's corporate and content brands to reach a broader audience.

With a strengthened financial base, we will now work harder than ever before on measures to expand and penetrate our brands. 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 Expo 2025, Osaka, Kansai, Japan, all of which were announced from May 2022 onward. These measures will strengthen communication of our brand, going "from Osaka, to the world." As for progress, in 2023, we are promoting brand exposure among people other than traditional game fans, which included creating a *Street Fighter 6* collaborative t-shirt for Cerezo Osaka's Capcom Matchday and providing novelty items featuring collaborative illustrations with the Japan Volleyball Association.

## Enhancing brand power using existing businesses

Japan

It is also important to utilize our existing businesses to strengthen our brands.

Our Arcade Operations and Amusement Equipments businesses are working independently to expand their earnings while we endeavor to expand our business foundation 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 the end user, including typical consumers, 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, arcade tours for seniors, and other events. 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.

Compared with the growth of the global market in recent years, sales in the Japanese market naturally lag behind due to the distribution of users. However, the game industry was originally born in Japan and historically took flight from there. We will continue to promote and utilize both of these businesses for sustainable expansion in our home market of Japan.

## Enhancing brand power using existing businesses

Overseas

Additionally, our licensing, eSports, and movie businesses are all essential in growing and penetrating our brand further outside of Japan where greater market growth is expected.

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.

Although many of the real events planned for the eSports business in the past few years were greatly affected by the COVID-19 pandemic and we were forced to change the format in consideration of the safety of players and spectators, in fiscal 2022, we were able to expand the scale of these events by adding a new category, "World Warrior," to the Capcom Pro Tour 2022. In addition to diversifying the host regions and participants of the tournament, in February 2023, we were able to hold the Capcom Cup IX for the first time in three years to determine the world's top player.

Regarding the movie business, in the early 90s, *Street Fighter II* provided the opportunity for Capcom to proactively create merchandise 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. Within this, 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. Currently, this same division is now spearheading work on a new *Street Fighter* live-action movie and TV series, and we look forward to further leaps forward for the brand.

## Enhancing local marketing

Looking ahead, room for future growth is going to be found in the Global South: in developing and emerging countries that include India and Brazil. Additionally, we will bolster our local marketing in these areas in order to increase awareness of our content and build out a network of partners that are knowledgeable of each local market. We are still evaluating what specific challenges we will face in these developing countries. This is why I believe it is important that we send our people to these areas to gain hands-on experience with each market. We will seek to understand which of our games resonate best in each area by establishing area managers in each country or region and reflect those findings back into our future marketing strategies.

Strengthening our brand power globally with the Consumer sub-segment at the core

Untapped regions and user demographics



Expanding global game-buying customers



**Using data analysis to streamline operations and maximize revenue opportunities**

We have organized and refined past sales data and now utilize it to carry out future sales forecasting.

In recent years, we have been (1) promoting the formulation of sales dates and prices optimized for user needs by improving the accuracy of pricing measures, and (2) strengthening digital promotions to further visualize the buying process, from the awareness stage up through purchase, aiming to further improve business efficiency and maximize revenue opportunities.

However, given our agreements with platform holders and the protection of personal information, it is not easy to accumulate detailed data linked to individuals. Therefore, in the future, we will use CAPCOM ID, which is an identifier that can be used across the games and services provided by our company, to accumulate and analyze data such as user play trends.

**Sustaining growth by addressing the constantly evolving market**

The appearance of new services, such as cloud gaming and the metaverse, and technologies such as AI-powered content development, have the potential to bring dramatic changes to the game industry going forward. 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. Specifically, I believe we must proactively address the challenge of cross-play, which enables users to compete or cooperate in games played on different hardware.

In recent years, our end users have developed more discerning views on how they evaluate games, in step with the global increase of the game player

population. Even if you have the latest technology, just incorporating it into a game doesn't guarantee a positive reception from fans. I believe future hits are going to stem from addressing the balance between evaluating technology and analyzing the market, with an understanding of just how new technologies and experiences can deliver benefits to game players. As I have stated, by continuing to strengthen our digital strategy I see the ongoing future growth of our company as possible.

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 our content or services are 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. We are committed to the ongoing challenge of delivering joy and excitement to people around the world.

# CHO COMMITMENT

Satoshi  
Miyazaki

Director and Executive  
Vice President, Chief  
Human Resources  
Officer (CHO)

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

### The importance of investing in our people

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

With the objective to further increase quality in development and amass technical knowhow, since 2013, we have been hiring more than 100 new graduates each year, while also aggressively carrying out mid-career hiring to acquire personnel who can hit the ground running. As a result, as of the end of June 2023, the company had 3,517 employees on a consolidated basis and 3,196 employees at Capcom alone, of which 2,666 work in the development division. In order to achieve our management goal of increasing operating income by 10% each fiscal year and our medium- to long-term management goal of 100 million units in annual sales, we must continue to develop high-quality games while we secure talented people in development to grow our pipeline.

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

### Restructuring of our human resources organization

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

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

### Results over the previous year

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

## Trend in remuneration amount of full-time employees

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

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

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

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

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

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

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

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

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

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

## The CHO Discusses Our Human Resources Strategy

### Trend in company performance and number of employees/age distribution

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

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

### Work engagement survey results

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

## Promotion of diversity

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

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

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

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

## In closing

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

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

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

## Trend in diversity related indicators

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



**Kenkichi Nomura**

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



**CFO COMMITMENT**

# Addressing the challenges presented by sustainable growth based on analysis of 10 consecutive years of operating income growth

Thanks to the understanding and support of our users and stakeholders, we were able to achieve operating income growth for the 10th consecutive year in fiscal 2022. As a result, our financial position has also changed significantly. A summary of is below. The table on the page to the right provides a better understanding of these changes.

## Changes in Capcom’s financial position over the previous 10 years

### • Changing our financial position through business model transformation

As the CEO and COO have stated, Capcom has pivoted to digital sales, driving operating income, which has been our primary KPI, to increase 5 times compared to 10 years ago, and 3.2 times compared to five years ago. In addition, ROE for the most recent fiscal year was 23.9%, exceeding 20% for three consecutive years.

The main reasons for this were: (1) a significant increase in annual unit sales due to the expansion of sales territory; (2) significant growth in sales of content released in previous years; (3) a decrease in expense items (cost of sales + selling, general, and administrative expenses) beyond net sales growth; and (4) amusement arcades and amusement machines, along with their businesses, overcame their respective challenges and entered a phase of stable growth.

Digital download sales have eliminated the constraints of retail locations and the period titles are available on shelves, enabling long-term sales of content. As a result, in fiscal 2022, the number of products sold including past games was 307 titles, with catalog titles topping 29.3 million units sold and marking a 7.5-fold increase from 10 years ago.

Although there are fluctuations in the level of unit sales for new titles in the first year of sales due

### Financial Strategy Overview



to the accumulated history of each IP, we have developed a structure such that titles can contribute significantly to profits through ongoing sales in years thereafter. Since the production cost for our content is recouped in approximately one to two years after launch, the profit margin of subsequent sales increases significantly. Expansion of catalog sales has contributed significantly to our earnings growth, as seen in fiscal 2022 where the profit margin for catalog titles exceeded 90%.

At the same time, major changes are taking place in terms of cost. Increased download sales have reduced manufacturing and sales costs. The cost of sales includes the cost of manufacturing packaging, the cost of selling in retail stores, and the cost of sales promotions, and this overhead was

significantly reduced through download sales. At the same time, selling, general, and administrative expenses (expenses) have increased compared to five or ten years ago due to a 5.0 billion yen increase in remuneration following revisions made to the remuneration system in fiscal 2022, but as the CHO stated, this represents an investment in our future. Excluding the increase in personnel costs, expenses were close to 20 billion yen, and together with the cost of selling the combined ratio of costs + SG&A expenses improved to less than 60%.

#### • Changes in cash flow

In last year's integrated report, I discussed how we are closely monitoring cash flows excluding the impact of working capital. Compared to five or ten

#### Profit and loss statement items

	2013/3	2018/3	2023/3	Compared to 2013/3	Compared to 2018/3
Net Sales (million yen)	94,075	94,515	125,930	133.9%	133.2%
Operating Income (million yen)	10,151	16,037	50,812	500.6%	316.8%
Operating Margin	10.8%	17.0%	40.3%	+29.5pts	+23.3pts
Ordinary income (million yen)	10,944	15,254	51,369	469.4%	336.8%
Net income (million yen)	2,973	10,937	36,737	1235.7%	335.9%
ROE (%)	4.9%	13.4%	23.9%	+10.5pts	+19.0pts

#### Balance sheet items

	2013/3	2018/3	2023/3	Compared to 2013/3	Compared to 2018/3
Cash and deposits (million yen)	31,522	46,539	102,116	324.0%	219.4%
Interest-bearing debt (million yen)	17,195	9,789	7,843	45.6%	80.1%
Net cash (million yen)	14,327	36,750	94,273	658.0%	256.5%
Total assets (million yen)	104,365	125,573	217,365	208.3%	173.1%
Net assets (million yen)	62,828	85,421	161,129	256.5%	188.6%
Work in progress for game software (million yen)	18,888	25,635	38,510	203.9%	150.2%

#### Trends in sales territories and number of units sold

	2013/3	2018/3	2023/3	Compared to 2013/3	Compared to 2018/3
Countries & regions	184	218	230	125.0%	105.5%
Unit sales	16,700	24,400	41,700	249.7%	170.9%
Of which, new titles	12,800	13,400	12,400	96.9%	92.5%
Of which, catalog titles	3,900	11,000	29,300	751.3%	266.4%

years ago, real operating cash flow has been steadily increasing. When selling game software digitally there is no need to assign employees to all areas of the world; we have just four primary bases of operations (in North America, Europe, and Asia) from which we are working to expand sales in each area by understanding the trends in the geographic regions they cover and analyzing the characteristics of each. Through these efforts, we will continue to strive to grow cash flow by strengthening our earnings power and appropriately managing spending.

Note: The deterioration in cash flow from financing activities in fiscal 2022 was due to share buybacks (13,645 million yen).

## Issues presented by sustainable, consistent growth

### • Investment in consistent growth

Over the past decade, we have achieved our management goals by transforming our business model as described above. Looking ahead to the next decade, we are using growth simulations to identify and solve issues to achieve these goals on a rolling basis.

### • Producing appealing content to acquire new users

In order to achieve sustainable growth in the future, it will be important to acquire new users in each area based on our policy to expand sales countries and regions around the world. Toward that end, we believe that our challenge is to refine new titles and convey the appeal of our content, including catalog titles, to game users around the world. In order to create the world's most advanced and appealing content, it is essential to first invest in securing and developing human resources, production, and improving productivity throughout the company.

We use the amount of development investment relative to operating income as ROI to measure improvements in productivity. While our ROI over the past 10 years has been steadily improving, we believe that the key to sustainable growth going forward is to invest in our people, increase development spending in response to the heightened performance of increasingly sophisticated devices, and create a system to better understand user trends. We will continue to increase the number of employees by 100 to 150 every year and boost investment to further develop them. Development investment will exceed 40 billion yen from this fiscal year onward, a level we expect to increase going forward.

As of the end of March 2023, we have 2,460 employees in development who are engaged in creating content, including production; this is carried

out in the area around our head office, including two company-owned buildings, with some done at our and Tokyo branch. However, we are already in need of more space, so last fiscal year we acquired the land next to the north side of the head office and plan to begin construction of an R&D building. In addition to these investments, we have a slate of other investment projects to consider, such as: investment in the development of systems and networks to accurately grasp the trends of game users in anticipation of future changes in the business environment; M&A investment to support the scaling up of our initiatives; investment in movies and other visual media to bolster awareness of our brands and expand our global user base; and ongoing investment to further strengthen security.

We will strive to manage cash while maintaining sustainable growth through a cycle of planned and continuous investment funded by increased cash flow, which will lead to higher profits.

### • Shareholder returns

Finally, I would like to talk about returning profits to shareholders. As shown in the table on the page to the right, Capcom's stock price has risen in step with the increase in our net income. We aim to achieve growth that meets the expectations of shareholders and investors. Our stock price represents an evaluation of the company by investors in the market, and we will continue to make efforts to meet expectations through dialogue.

**Changes in cost structure**

	2013/3	2018/3	2023/3	Compared to 2013/3	Compared to 2018/3
Cost of sales (million yen)	61,911	59,895	52,110	84.2%	87.0%
Selling, general, and administrative expenses (million yen)	321,942	18,582	23,006	104.8%	123.8%
Cost + SG&A expenses (million yen)	83,853	78,477	75,116	89.6%	95.7%
Cost + SG&A expense ratio (compared to sales) (%)	89.1%	83.0%	59.6%	-29.5pts	-23.4pts

**Trend in cash flows**

	2013/3	2018/3	2023/3
Operating cash flow	6,647	34,721	21,789
Accounts receivable factors	-5,760	-7,059	17,155
Accounts payable factors	474	3,690	-1,869
Real operating cash flow	1,361	31,352	37,075
Investing cash flow	-1,375	-2,847	-7,679
Financing cash flow	1,162	-9,577	-22,485

**R&D investment and productivity**

	2013/3	2018/3	2023/3	Compared to 2013/3	Compared to 2018/3
Number of employees (consolidated) (persons)	2,476	2,952	3,332	134.6%	112.9%
Annual R&D investment costs (million yen)	30,978	28,990	37,719	162.0%	136.0%
ROI (operating income / R&D investment) (%)	32.8%	55.3%	134.7%	+101.9pts	+79.4pts

**Shareholder returns**

	2013/3	2018/3	2023/3	Compared to 2013/3	Compared to 2018/3
Net income (million yen)	2,973	10,937	36,737	1235.7%	335.9%
Fiscal year end stock price (adjusted closing price) (yen)	369	1,149.5	4,735	1283.2%	411.9%
Dividend amount (yen)	10	15	63	630.0%	420.0%
Dividend payout ratio (%)	77.5	30.0	36.1	—	—
Total return ratio (%)	77.5	30.0	73.7	—	—

\*The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Stock price and dividend amount have been calculated for each year as if these stock splits had been carried out at the beginning of each fiscal year. Further, the dividend amount for the fiscal year ended March 31, 2023 includes a 40th anniversary commemorative dividend (10 yen).