

# CEO COMMITMENT



## Kenzo Tsujimoto

Chairman and  
Chief Executive Officer (CEO)

# Rooted in our unwavering philosophy, we are generating sustainable corporate value with our world-class development capabilities and management foundation.

## To everyone battling this global challenge

In 2021, the COVID-19 pandemic continues to grip the world in fear. Cybercrimes taking advantage of this situation are now a frequent occurrence. In November 2020, Capcom was also a victim of one such incident.

Despite putting our best efforts into our information systems, ultimately personal information was compromised. I would like to offer my sincere apologies once again to all of our stakeholders for any complications or concerns caused by the incident.

COVID-19 is one of the many difficulties society is forced to contend with. Unlike vaccines and other medicines, or infrastructures, such as networks, entertainment is not essential to our daily lives.

However, in times like this, I believe that entertainment can bring people some joy and hope.

It is my hope that our business activities bring the people of the world the energy to fight through whatever difficulties they are facing.

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Our unwavering philosophy since the company's inception

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**Creating the world's most entertaining games to realize sustainable growth**

1

Corporate philosophy and culture — Our unwavering philosophy since the company's inception

## Aiming to be #1: delivering the world's best content "From Osaka to the world"

I jumped into the world of entertainment more than 50 year ago with the idea that "games are luxury items, not essentials. This is why the brand must be of world-class quality." I still believe this to be true even today.

Accordingly, Capcom's basic philosophy is to create an entertainment culture through the medium of games by developing highly creative content that excites and stimulates your senses and brings a smile to your face.

In other words, we help make people happy and in turn build an emotionally rich society by creating the world's most entertaining games. [➔For details, please refer to "Corporate Philosophy" on p.03](#)

In 1983, I founded Capcom under the motto of "originality and ingenuity," with the vision of developing games offering world-class quality.

Underpinning this was my belief that increasingly

sophisticated graphics and more immersive worlds would eventually make games as moving and impressive for the world as a Disney film.

38 years later under the banner of Capcom, I have amassed more than 3,000 colleagues who share this vision. Under the slogan "From Osaka to the World," these values have become our corporate culture, with (1) a spirit that is always eager to take on new challenges and (2) a sense of pride to constantly strive to be world-class deeply ingrained in every Capcom employee.

Our games are enjoyed across the entire world in more than 200 countries and regions, outnumbering the membership of the United Nations, because of the fertile soil of a corporate culture cultivated over many years.

2

Business model — Creativity and formidable IP assets

## Maximizing utilization of high-quality content in a wide range of markets

Capcom's strengths are (1) the development and technological capabilities to create the world's finest, high-quality games and (2) numerous popular branded IP known the world over.

In addition, since fiscal 2013, we have strategically hired over 100 new graduate developers every year in anticipation of focusing on in-house development, increasing our development staff to over 2,450 people (as of May 31, 2021) and further enhancing our strengths.

From game market characteristics and competitive factor analysis, the Consumer sub-segment has high entry barriers; combining the aforementioned strengths with our capital and the relationships of trust we have with hardware manufacturers creates significant competitive advantages (profitability).

In addition, with the spread of PC as a game platform and the standardization of selling software digitally over the Internet, the home video game market that was once limited to only some developed nations has now expanded across the globe.

[➔For details, please refer to "An Analysis of the Market and Capcom" on p.75](#)

At Capcom, we see this market expansion as an opportunity. Since the latter half of the 2010s we have achieved sustainable performance growth by releasing PC versions of new titles and promoting the rerelease of major titles that were originally created for older game consoles for current-generation game consoles and PC.

Furthermore, in businesses and sub-segments other than Consumer, our rollout of popular IP across multiple mediums contributes as a stable source of earnings. This is because, in addition to the fact that our IP consists of products developed 100% in-house, possessing numerous global IPs amplifies the effect of our multiple usage strategy. Additionally, expansion into other areas leads to increased brand value and subsequently an influx of new users to the game. In particular, marketing activities utilizing Hollywood adaptations of content further enhances the global competitiveness (brand power) of our IPs and maximizes synergistic effects. In recent years, as a result of these sustained branding measures, we are increasingly seeing multiple generations of fans at event venues as IPs enjoying long-term popularity

have firmly taken hold.

Disney, which I once aspired to emulate, began as a producer of cartoons and expanded all the way into the theme park business, growing into a giant in the world of entertainment. With our original

content acclaimed throughout the world and the growth potential of our esports, mobile and licensing businesses, I am certain Capcom will be leading the charge into the coming digital age.

### 3

Medium-term management goal — Commitment to stable growth in a hit-driven industry

## We have set a goal of 10% profit growth for each fiscal year as our medium-term management goal

### 1. Analysis of management performance in the fiscal year ended March 2021 (summary)

Our performance this fiscal year (the period ended March 31, 2021) exhibited an increase in operating income for the 8th consecutive year and all of the profit items from operating income down reached record highs.

This fiscal year, social activities were generally restricted due to the spread of COVID-19, but thanks to the strong performance of the major titles *Monster Hunter Rise* and *Resident Evil 3*, in addition to a solid performance from highly profitable digital versions of catalog titles, we were able to achieve over 50% in profit growth compared to the previous year.

In response to these results, those in the stock market have asked if the lockdowns had a significant positive influence on demand. It is true that the lockdowns due to COVID-19 became a great opportunity for those who do not normally play games, to try them. It seems everyone is concerned that this demand is something temporary and once we have resolved the COVID-19 issue, we will see the pendulum swing. However, I am not concerned about this at all, as evidenced by the 20% increase in profits we have guided for in the fiscal year ending March 2022. Most of our major titles target core gamers, and I believe that compared to our competitors, the benefits we received from any influx of light users was relatively small. Still, I see this as an opportunity for these first-time game players to become repeat customers who will now continue to play games.

I am starting to see a future where Capcom continues to expand the game market and new users with annual sales someday exceeding 100 million units.

### 2. Medium-term management goal assumptions and indicators

#### (1) Management direction—Handling the global trend toward digital

In corporate management, it is important to always think about things in terms of the future. For example,

nearly 10 years ago I gave an interview to a business magazine where I said, “if we are able to sell world-class quality products at a low price digitally, we will see even greater improvement in our performance.” At the time, packaged sales were the mainstream and there were very few customers who purchased digital versions, so that idea may have been inconceivable to most people. Also, because packaged sales were the mainstream, pirated versions of games prevailed in most developing countries, but I also spoke about how that “will become a sort of promotion if we look at in the long term.” As a result, now that digital sales have spread throughout the world, we are selling the more than 300 different titles we have created in more than 200 countries and regions, a number that exceeds that of the United Nations’ membership.

Creating top-class content not only produced this fiscal year’s performance, it will be the tool that paves the way for our future. That is precisely why our management policy is to (1) create exciting, world-class content (IPs), and (2) maximize earnings by leveraging our rich library of IPs across multiple platforms and media, while (3) maintaining these policies to become a company of continuous, sustainable growth.

#### (2) Medium-term management goal

Since the fiscal year ended March 2018, our sustainable medium-term management goal has been to increase operating income each fiscal year. Rather than struggling to coordinate major title launch periods for this, we intend to take a natural approach of establishing a model of stable growth through build-up by expanding our title lineup, among other efforts, in order to enable institutional investors managing pensions and individual investors on fixed incomes to maintain long-term holdings with confidence.

Historically, we had not set forth a specific profit margin growth goal, but from the fiscal year ended March 2021, when we were able to see the distinct results of the shift to digital, we have set a goal of 10% profit growth for each fiscal year.

**(3) Key performance indicators (KPI) and shareholder value creation achievements**

In terms of management, in addition to operating income (growth indicator), which is the basis of corporate earning power, and operating margins (efficiency indicator), which are the basis of profitability, I also place importance on current net income and cash flows, but our CFO offers a fully detailed account from a financial perspective. [➔For details, please refer to “Financial Strategy According to the CFO” on p.43](#)

Here, I will explain sales volume for game software, which I consider an important indicator for achieving our long-term goal. With the shift to digital, Capcom’s operating margin has increased for five consecutive years since the fiscal year ended March 2017, [\(➔for details, please refer to “Financial Highlights” on p.17\)](#) but we are gradually approaching a ceiling

to that growth. In order to continue achieving increased profits for the future, we need to increase unit sales and increase our actual net sales.

Before we began the roll out of our full-scale digital strategy in the fiscal year ended March 2016, sales volume varied greatly depending on whether or not we released a new major title. However, in recent years, units sold displayed steady growth due to (1) enhanced digital sales, (2) longer product lives of major titles, and (3) the promotion of digital marketing and other measures. [\[Diagram 1\]](#) If digital sales continue to grow along with markets such as those in developing nations, the number of units sold will continue on to trend upward. I believe that by promoting these efforts, our realistic vision of 50 million units in annual sales volume will be our goal in the near future.

**Diagram 1**  
**Home video game software sales trends** (units in ten thousands)

2018	2019	2020	2021	2022 (plan)
<b>Total unit sales</b> <b>2,440</b>	<b>2,530</b>	<b>2,550</b>	<b>3,010</b>	<b>3,200</b>
New title sales volume <b>1,340</b>	<b>1,110</b>	<b>730</b>	<b>960</b>	<b>810</b>
Catalog title sales volume <b>1,100</b>	<b>1,420</b>	<b>1,820</b>	<b>2,050</b>	<b>2,390</b>
<b>Main title sales</b>				
<ul style="list-style-type: none"> <li>● <i>Monster Hunter: World</i> <b>790</b></li> <li>● <i>Resident Evil 7 biohazard</i> (catalog title) <b>160</b></li> <li>● <i>Marvel VS. Capcom: Infinite</i> <b>100</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Monster Hunter: World</i> (catalog title) <b>450</b></li> <li>● <i>Resident Evil 2</i> <b>420</b></li> <li>● <i>Devil May Cry 5</i> <b>210</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Monster Hunter World: Iceborne</i> <b>520</b></li> <li>● <i>Monster Hunter: World</i> (catalog title) <b>320</b></li> <li>● <i>Resident Evil 2</i> (catalog title) <b>240</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Monster Hunter Rise</i> <b>480</b></li> <li>● <i>Resident Evil 3</i> <b>390</b></li> <li>● <i>Monster Hunter World: Iceborne</i> (catalog title) <b>240</b></li> </ul>	<ul style="list-style-type: none"> <li>● <i>Resident Evil Village</i></li> <li>● <i>Monster Hunter Stories 2: Wings of Ruin</i></li> <li>● <i>Monster Hunter Rise</i> (catalog title)</li> <li>● <i>Monster Hunter World: Iceborne</i> (catalog title)</li> </ul>

(Years ending March 31)

**4** Management strategy — Development and marketing strategy geared toward achieving stable growth

**Using our long years of experience to help us achieve our medium-term goal**

**1. Investing in human resources and development equipment to create world-class games**

With 50 years of management experience in this industry, I have a keen awareness of the vital importance of technology that meets the highest standards in order to create the world’s most exciting games. The game industry is a treasure chest of cutting-edge technology constantly providing the world with entertainment that utilizes the most advanced techniques, such as online battles, VR, and

AR. I believe we will see this trend intensify even further with GAF A entering the market. Therefore, in order to create games that become worldwide hits, we have to assemble a staff of employees who possess the most advanced skills possible. I have strengthened employment of newly graduated developers with an eye on the expanding game market and evolution of technology. Recently, our younger personnel are digital natives who grew up being familiar with games and IT. As such, even from a young age, particularly talented and motivated staff members may be

assigned to development teams for major titles or to our game development engine team, which comprises the core of our R&D. In addition, we have a world-leading development studio in-house and are vigorously investing in development equipment so that our creators can perform to their maximum potential. [➔For details, please refer to p.53](#)

## 2. Marketing strategy for becoming a global brand

Another important aspect is increasing recognition of hit titles and branding them.

One issue we needed to address was the fact that it takes approximately three years to develop a game, but after its release, there was a progressive decline in recognition. I thought a Hollywood film adaptation would be an effective means of ensuring the continued media exposure of a game title on a global scale, and in 1994, we decided to invest 4 billion yen into making *Street Fighter* into a Hollywood movie. At that time, some thought I had taken up movies merely as a hobby, but this investment generated a return of approximately 15 billion yen and successfully established *Street Fighter* as a global brand. Before and after a game is released, it receives media exposure for two weeks at most. However, by turning the game into a Hollywood movie, it will continue to be shown around the world for decades to come through its (1) theatrical release, (2) package sales, and (3) VOD services and other subscription-based video distribution services, maintaining and increasing awareness of the title.

The high level of awareness we earned here is now leading to growing sales of game software in newly expanding emerging markets. However, what makes this marketing possible is the fact that the games

themselves are world-class content. We have already achieved this success with *Resident Evil*, and in 2020, *Monster Hunter* was also turned into a Hollywood film. We will leverage these successful experiences to focus on continuing to create new brands on a global scale.

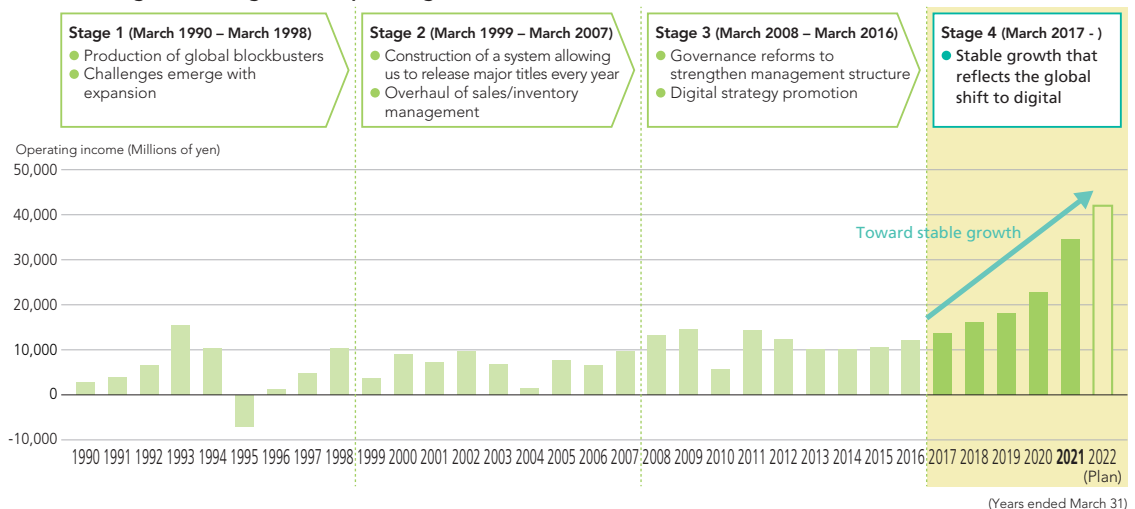
## 3. Medium term growth phases

I have always said that in order to continue achieving an increase in operating income each year, we have to (1) revamp our business model in the Consumer sub-segment from one-time purchases to continuous purchases, and (2) build a new profit pillar to flow into the Consumer sub-segment with our comprehensive Single Content Multiple Usage approach. Now, I would like to look back and explain the results we have seen from (1) together with the growth stages we have experienced.

In Stage 1 (March 1990 – March 1998), *Street Fighter II* became a global sensation and the world learned about Capcom’s development capabilities. However, the absence of any subsequent hit titles, inventory disposal issues and other challenges resulted in a nine-year period of significant fluctuations in income.

In Stage 2 (March 1999 – March 2007) we addressed the aforementioned issues of dependence on specific titles and inventory management overseas. We serialized multiple major titles, including *Resident Evil*, *Devil May Cry*, and *Monster Hunter*, establishing a system that allowed us to release a new major title every year. In addition, we conducted a thorough analysis of overseas consumer habits that differ from those in Japan and introduced a system of direct sales while devising a mechanism that keeps inventory below 10% of sales volume. As a result, we were able to build a foundation for stable earnings. However,

Diagram 2  
The 4 Management Stages and Operating Profit Trends





with the globalization of the game market, the limits of a development division-led title strategy emerged, and we began implementing structural reforms to switch to a management-led approach that included the establishment of a two-phase approval system for prototypes and full-scale development.

Stage 3 (March 2008 – March 2016) is the period in which we engaged in governance reforms to strengthen our management structure and a digital strategy in the Consumer sub-segment. I will discuss our governance structure later, however in the Consumer sub-segment, in order to ensure the steady release of major titles, we began the comprehensive use of our 60-month map, which is a medium-term strategic map indicating the titles to be released over the next five years, and our 52-week map, which optimizes development personnel assignments over the course of a year, in addition to hiring 100 new graduates each year. Also, to prepare for the game industry's upcoming shift to digital, we focused on releasing major titles also on the PC platform and rereleasing catalog titles for current-generation game consoles and PC. This had a synergistic effect with the structural reforms from Stage 2, and as a result, not only did our profit level display significant growth compared to the previous stage, but we also laid the groundwork for the next stage with achievements that include increasing our digital ratio.

Today we are in Stage 4, where we are achieving stable growth. The support for the PC platform and rereleases of catalog titles we implemented in Stage 3

were successful. Major titles have been contributing to profit earnings over the course of several years, and catalog titles that did not receive a sufficient chance to be sold physically are growing in both sales volume and earnings with digital sales. All of this has translated to achieving eight consecutive years of earnings growth. The game industry is looking toward a stage of further growth with GAFA's entry into the market and the dissemination of new-generation hardware. In addition to maximizing the use of the organizational structure and know-how we have amassed, we will continue to increase operating income each year by, I. strengthening digital marketing with a clear view of the needs of each region, II. selling catalog titles that have already amortized their development costs at lower prices, and III. continuing to act while looking toward the future, such as by supporting new platforms like cloud gaming. [\[Diagram 2\]](#)

Regarding (2) a new profit pillar, we have been struggling with our mobile content due to issues such as compatibility between our major IP and mobile devices. However, with the evolution of communication standards, we believe we will have an opportunity to make significant progress here in the future. In order to do so, we are currently working on research and development in anticipation of the next generation of such technologies. We are also promoting investment in esports in preparation for future market expansion.

➔For details, please refer to "The COO's Discussion of Growth Strategies" on p.35

## 5 ESG — Initiatives geared toward sustainable growth

### Increasing corporate value by building healthy relationships and a sturdy framework

#### 1. Game company ESG initiatives

According to a public opinion survey conducted by the Cabinet Office in 2019, more than 62% of the Japanese people who responded said "Now that I have attained a certain level of material wealth, I would like to focus on living a more relaxed, fulfilling life" indicating that in recent years the number of people seeking emotional wellness over material wealth is increasing.

Games have made people smile, stimulated their senses, and created a new culture. They have also contributed to running a healthy society, receiving an endorsement from the WHO as for their value as entertainment while we have been asked to stay at home during the COVID-19 pandemic.

I believe that building a healthy relationship with stakeholders through business activities leads to

improved corporate value. Therefore, focusing particularly on "S" (social) and "G" (corporate governance) of ESG, I recognize our critical issues as (1) developer numbers, (2) diversity, (3) support for education, and (4) the ratio of external directors. We will continue to promote ESG initiatives based on the SDG goals of creating a sustainable society and strive for sustainable growth while building a relationship of trust with our stakeholders. ➔For details, please refer to "ESG Highlights" on p.13

#### 2. Game company environmental measures

Capcom has been promoting the digitalization of game sales for some time. This initiative not only improves profitability from a financial standpoint, but it also reduces our environmental footprint by

removing the manufacturing, packaging, and shipping packaged products require from the equation. In order to promote better work-life balance among our employees, we also encourage employees to live closer to their workplaces by arranging company housing and bicycle parking areas. We can expect this to reduce the emission of greenhouse gases incurred by long commutes. Our work in selling digital content itself has a low impact on the environment but mitigating climate change is an issue that requires the cooperation of everyone who inhabits the planet, and we will continue to promote environment preservation initiatives.

### 3. Building a healthy relationship between games and society

Although there is a need for games in society, there are also some challenges, such as expensive in-game purchases made by minors and game addiction.

Our purpose is to make people happy through games. Making people unhappy because of games is certainly not our intention. We are aware that these are major issues for our industry as a whole, and each company is cooperating as part of an industry organization to make efforts to (1) establish guidelines and educate people about them, (2) share problems and actual examples among member companies, and (3) exchange information on a regular basis with parents, educators, consumer groups, and government administrators. [➔For details, please refer to "Relationship with Customers" on p.57](#)

In addition, since 2004, we have independently continued to be involved in game-related educational support activities as an initiative to alleviate social concerns surrounding games. [➔For details, please refer to "Promoting Healthy Relationships with Games" on p.61](#)

We also do our best to ensure a broad range of customers are able to play safely and fairly through measures such as refraining from adding "gacha" elements as a general rule when we develop mobile games.

Furthermore, for the pachislo market, we provide sponsorship and cooperation through industry organizations for the activities of pachinko addiction consultation agencies, such as Recovery Support Network (RSN).

### 4. Commitment to regional communities

The promotion of our Single Content Multiple Usage strategy provides society with a wide range of benefits. Specifically, these include the use of popular Capcom IP in local revitalization activities to support (1) economic development, (2) cultural development, (3) awareness for crime prevention and (4) awareness of elections.

We are achieving quantitative social outcomes through solving the common problem of attracting and

appealing to the youth demographic. [➔For details, please refer to "Relationship with Regional Communities" on p.60](#)

The above four activities are benefiting Capcom as well by I. increasing satisfaction among existing users through event participation, and II. creating a more favorable impression of games among those with less interest.

We will continue these sustainable activities that are a win for both parties as our popular content contributes to society while garnering interest in that content.

### 5. Commitment to employees

As can be seen from the fact that personnel expenses account for approximately 80% of development expenses, the game industry is not a labor-intensive industry but a knowledge-intensive industry, thus human resources are an extremely important management resource.

I recognize the importance of diversity for creating content that will resonate globally, thus Capcom promotes the retention and training of talented human resources without regard for gender or race. As I mentioned earlier, we have world-leading, cutting-edge development equipment enabling our talented workforce to fully demonstrate their abilities.

In terms of remuneration, in addition to a well-balanced salary system based on ability, we have also introduced incentives for each title and an assignment allowance system to increase motivation.

In addition, in the fiscal year ended March 2017, we established Capcom Juku for on-site childcare, to provide an environment for employees with children that allows them to work with peace of mind. [➔For details, please refer to "Relationship with Employees" on p.61](#)

In my view, the most critical aspect of human resource development is providing an environment that enables employees to take on new challenges. The manager's role is to push employees to take on one new challenge after another and to focus more on devising measures for the things that are not working rather than those that are. This enables employees to take on challenges without fear of failure, develop the world's most entertaining games and create new businesses leading to a virtuous cycle of business opportunity creation.

### 6. Continued anti-fraud measures for stable growth

As a company that handles data, it is important that we protect its value and associated rights. As the Chairman of the Association for Copyright for Computer Software, I have worked toward resolving piracy and various other issues for more than a quarter of a century.

Today, with the popularization of digital sales, we have stopped seeing the roadside sales of pirated



versions of games that were once a common sight in areas with many electronics stores. Meanwhile, the risk of cyber-attacks is growing as digital network technology becomes more widespread.

In light of the unauthorized access we experienced in 2020, we have established the Information Technology Security Oversight Committee, in addition to various other measures. [➔ For details please refer to "Information Security Initiatives" on p.72](#)

It goes without saying that even once security measures are in place, it does not mean they are perfect. We will continuously enhance measures as we move forward.

### 7. Strengthening the governance structure

Risks increase in proportion to the strength with which you step on the accelerator for growth, but governance is useful in avoiding or mitigating these risks. Specifically, with myself, Capcom's founder, as CEO and my oldest son as COO, we can avoid management decision risks by sufficiently leveraging the supervisory function of the external directors, and with unique mechanisms for highly transparent and rational decision making built by the Board of Directors.

#### Mechanism 1

##### Management visualization based on numbers

Despite changes in corporate scale or business environment, to conduct flexible and integrated management, I require that materials (documents) used for decision-making are, in principle, quantitatively focused. These materials compare and contrast net sales, year-on-year performance and earnings forecasts, which make it easier to identify problems by enabling us to confirm the details in multiple ways.

Furthermore, these materials are used for supervision by external directors and as IR materials for investors. We call this series of mechanisms "management visualization." Management decisions based on visualizing operations enable us to evaluate the Company with two sets of eyes using a system that seeks management transparency.

In addition, when I speak with developers, I use quantitative data as our common language. The bias of the person speaking can be infused into words, while numbers never lie. I want to pass on the management know-how I have cultivated as founder of the company to the next generation in a practical manner as we work to strengthen risk control in order to create a framework for management that will ensure the performance of the company into the future.

#### Mechanism 2

##### Continued governance reforms

For the past 22 years, Capcom has executed a variety of governance reforms.

Since introducing the external director system

in the fiscal year ended March 31, 2022, external directors have increased to account for 45.5% of the Board of Directors.

External director appointment criteria have not changed since the system was introduced, but in short, we appoint directors with insight who are highly proficient specialists in their respective areas outside the gaming industry, capable of objectively making decisions regarding Capcom's management and business activities. With the avoidance of business investment risk as a priority issue, Capcom appoints individuals who are able to provide sound opinions, especially when earnings are subpar, who are not intimidated by the company founder and are able to determine validity from the general public's point of view. [➔ For more details, please refer to "Message from an external director" on p.73](#)

In addition, in 2016, in order to further strengthen governance and achieve a swifter decision-making process, we transitioned from a company with a board of corporate auditors to a company with an audit and supervisory committee. The audit and supervisory committee is responsible for strengthening internal control by auditing how business is carried out by executives and employees and making recommendations for modifications.

Furthermore, since the fiscal year ended March 2021, we conduct an evaluation of the Board of Director's effectiveness. The results showed that the effectiveness of the system has been ensured, and we received new issues to work on. We will continue to deepen our understanding of those issues and strive to improve functionality. [➔ For more details, please refer to "Evaluation of the Effectiveness of the Board of Directors" on p.69](#)

#### Mechanism 3

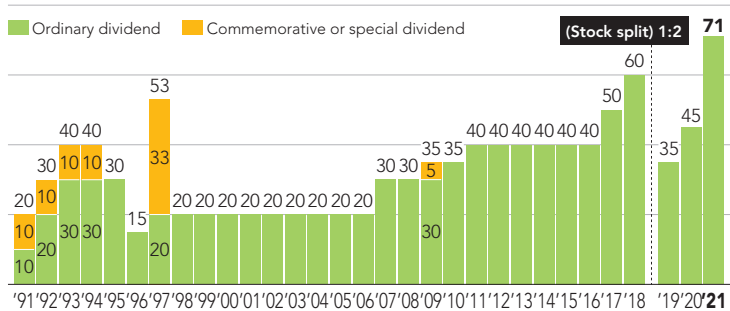
##### Developing management human resource capabilities and grooming successors

I have grown Capcom for the last 38 years, and as the founding executive, it is also my responsibility to ensure my successors have a proper understanding of its mechanisms and are able to execute them. I actively engage in information exchange and advise our next generation of key personnel, namely (President) Haruhiro Tsujimoto, who leads the business side of our organization, and (Executive Corporate Officer) Yoichi Egawa, who leads development. Plans for my successor are being made through discussions with the Nomination and Remuneration Committee; if we can prepare my successor and enmesh that with our corporate philosophy and well-structured governance, we can achieve stable growth.

## Rewarding long-term shareholders with 31 consecutive years of returns since Capcom’s listing and record-high dividends

Diagram 3

Dividends per share since public listing (yen)



(Note) A two-for-one stock split took place dated April 1, 2018. (Years ended March 31)  
The dividends prior to the fiscal year ended March 2018 are listed as the dividends on the stocks prior to the split.

Diagram 4

Total shareholder return (TSR)

Fiscal year ended March 2021	
CAPCOM	538.9%
KONAMI HOLDINGS	209.0%
SQUARE ENIX HOLDINGS	212.0%
SEGA SAMMY HOLDINGS	156.2%
BANDAI NAMCO HOLDINGS	345.8%
TOPIX Return Index	162.3%

Source: Financial statements from each company

In closing I would like to share my ideas regarding our capital policy, which is an important element of the relationship I have with our shareholders.

### 1. Basic policy regarding dividends

During my 38 years of management since founding Capcom, my philosophy has been to pursue stable corporate growth and reward long-term shareholders with steady increases in dividend payments despite the constantly changing nature of the game industry.

I have already mentioned the factors critical for sustainably enhancing corporate value; as shareholder returns are also an important management issue, dividends are determined with consideration for future business development and changes in the management environment.

Capcom’s basic shareholder return policy aims to (1) enhance corporate value (market capitalization) through investment in growth, (2) continue paying dividends (30% payout ratio) while striving for stable dividends and (3) flexibly acquire treasury stock to increase the value of earnings per share.

The reason I think both the payout ratio and stable dividends are important is, for example, because a sudden decrease or cessation of dividends can be risky for pensioners who depend on dividends to cover part of their lifestyle expenses. Regular revenue leads to the establishment of a stable lifestyle plan for the

future. We also receive requests for stability from the long-term investors who manage those pensions.

Capcom shareholders represent all types of people, and I assume some of them may be facing these kinds of issues, which is why we have never once failed to provide dividends during the 31 years since we went public in 1990. The fiscal year ended March 2021 marks five consecutive years of increased dividends. [\[Diagram 3\]](#)

As a result, the total shareholder return (TSR), including the rise in stock price over the last five years, was +538.9%, exceeding TOPIX (+162.3%) and positioning Capcom ahead of any of our industry competitors. [\[Diagram 4\]](#)

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

Dividends for the fiscal year ended March 2021 were 71 yen for the year.

For the next fiscal year, we plan to pay a dividend of 36 yen, which would be the sixth consecutive year of dividend increases if the stock split is taken into account.

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 38 years in order to continue meeting the expectations of all Capcom shareholders.

Kenzo Tsujimoto  
Chairman and  
Chief Executive Officer (CEO)



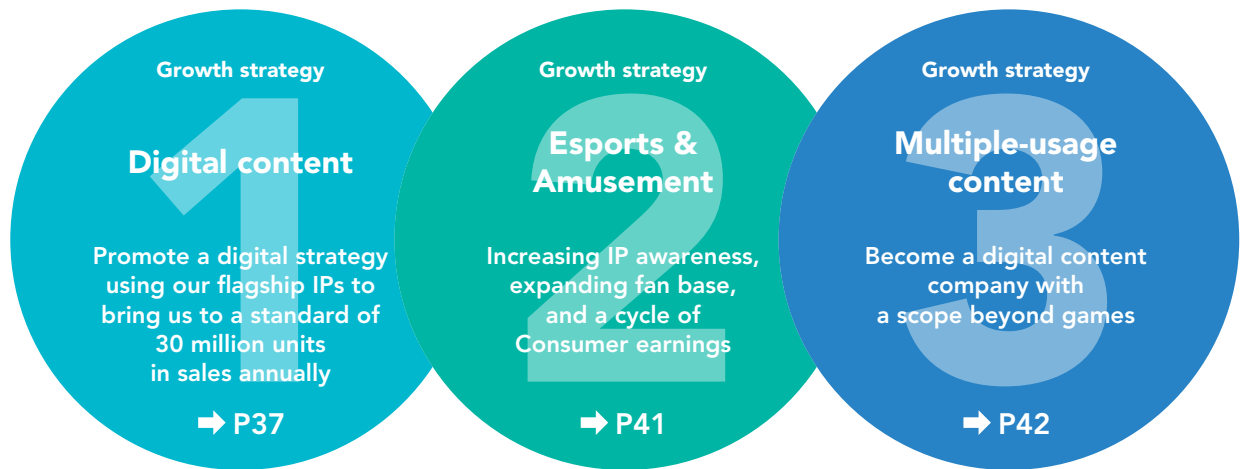
# COO

## GROWTH STRATEGY

Haruhiro  
Tsujiimoto

President and  
Chief Operating Officer (COO)





## Accelerating our digital strategy for our long-term goal of becoming a digital content company whose scope goes beyond games.

I have been involved in the game industry for more than 35 years, and it has always been moving forward with great speed, but the global game software market has seen remarkable growth in recent years with a 140% growth rate over the last five years and an expected growth rate of 39% over the next five years. Behind this is the growth of digital sales in the Consumer home video game market and the globalization of the market, including mobile content. At Capcom, we are actively promoting a growth strategy that focuses on the Consumer home video game market, and our medium-term management goal is to achieve increased operating income of 10% each fiscal year.

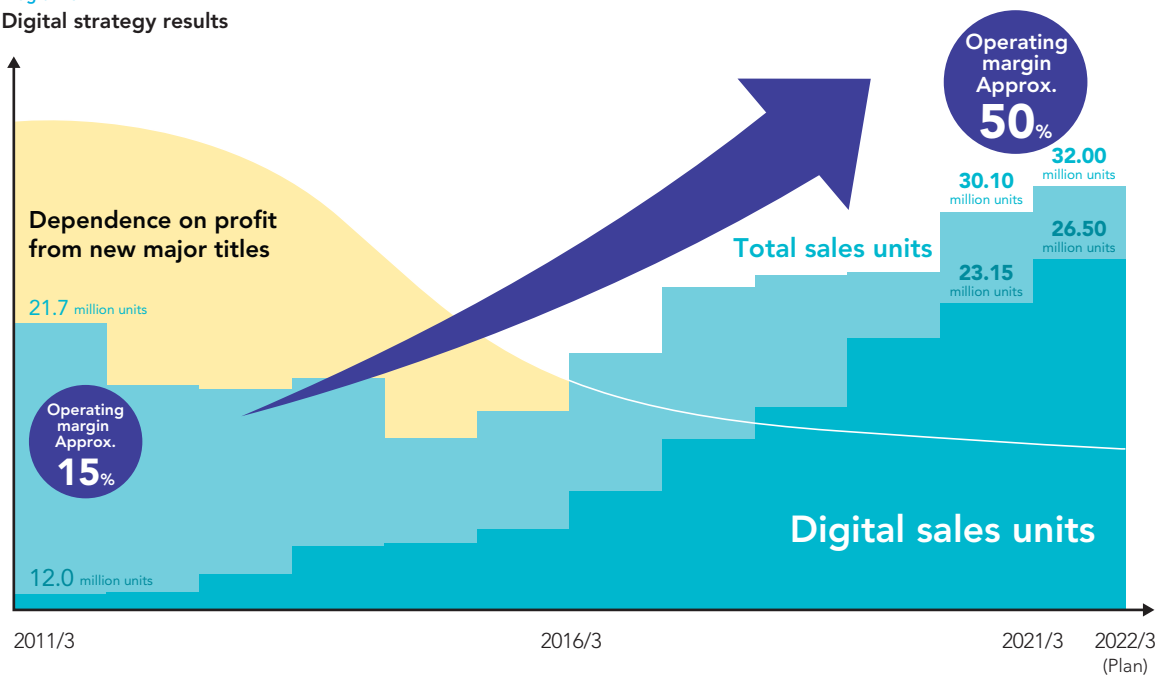
Since the mid-2010's, we have adopted a digital strategy as we work to achieve our medium-term goal, and by maximizing use of the Internet as a sales channel, we are strengthening global long-term sales of game software. In recent years, the sales data we have accumulated has helped us predict trends for new titles and improve the accuracy of our pricing

strategies, leading to more efficient revenue acquisition. Also, we cannot forget that the traditional B2B business model in the game industry is now shifting to a B2C model. Getting closer to our users through digital marketing that makes use of our websites and social media will change the results we see in our business dramatically.

As our digital strategy comes to fruition and the scale of our annual global game sales volume reaches new domains, my vision for the future is to see Capcom becoming one of the world's leading digital content companies with our brand's content going beyond the boundaries of games as we adapt it to esports, movies, and merchandise, turning our brands into well-known staples worldwide.

I will now explain the path we have started along that will lead us to this vision of Capcom in the near future.

Diagram 5  
Digital strategy results



Growth Strategy  
**1**

Digital content

Promote a digital strategy using our flagship IPs to bring us to a standard of 30 million units in sales annually

Achieve long-term sales globally by further increasing the digital ratio in our core Consumer sub-segment

It stands to reason that the Consumer sub-segment is the core of our business and the source of our content creation. As a result of our improved profitability and progress in our recurring revenue model due to our proactive measures for promoting digital sales in recent years, our operating margin, which had previously been stalled in the single digits, is gradually improving, and reached the 50% level by the fiscal year ended March 2021. This fiscal year we were also able to achieve what was previously a near-term goal of 30 million units in annual sales of software ahead of schedule.

The market is expected to grow by 65% to \$70.6 billion by 2025, which will likely give the shift to digital a further boost. Considering these circumstances, Capcom will continue releasing high-quality content to the Consumer market underpinned by our world-leading development system in the next fiscal year and beyond.

➔ For details, please refer to “the Head of Development Discusses Development Strategy” on page 47.

We will also enhance our pricing strategies and digital promotion and address a broad range of user needs over the long term to reach a new high of 32 million units in annual sales of software in the next

fiscal year and steadily grow toward the next milestone. (Diagram 5)

Measure 1

Steady annual launch of core IP in global markets

The steady release of new high-quality titles is a prerequisite for digitalization, globalization, and for the evolution of our business structure. Since Capcom restructured in 2013, we have been using our “60-month map,” which is our medium term title portfolio map, in tandem with our “52-week map,” which manages the annual assignments of our developers, establishing a mechanism for the timely allocation of our roughly 2,450 developers (as of June 30, 2021) to the titles that require their skills. This has allowed us to continue releasing major titles each fiscal year contributing to stable growth.

In addition, one of our strengths has been the fact that our most famous brands, such as *Resident Evil* and *Street Fighter*, are very popular outside of Japan, which accounts for 90% of the market. However, when we released *Monster Hunter: World* (referred to as *MH:W* herein) in 2018 as part of our strategy to globalize the *Monster Hunter* series, the title received worldwide acclaim and has sold a record 17.3 million copies (as of June 30, 2021). Moreover, most of the



Diagram 6

## Long-term sales/globalization through digitalization

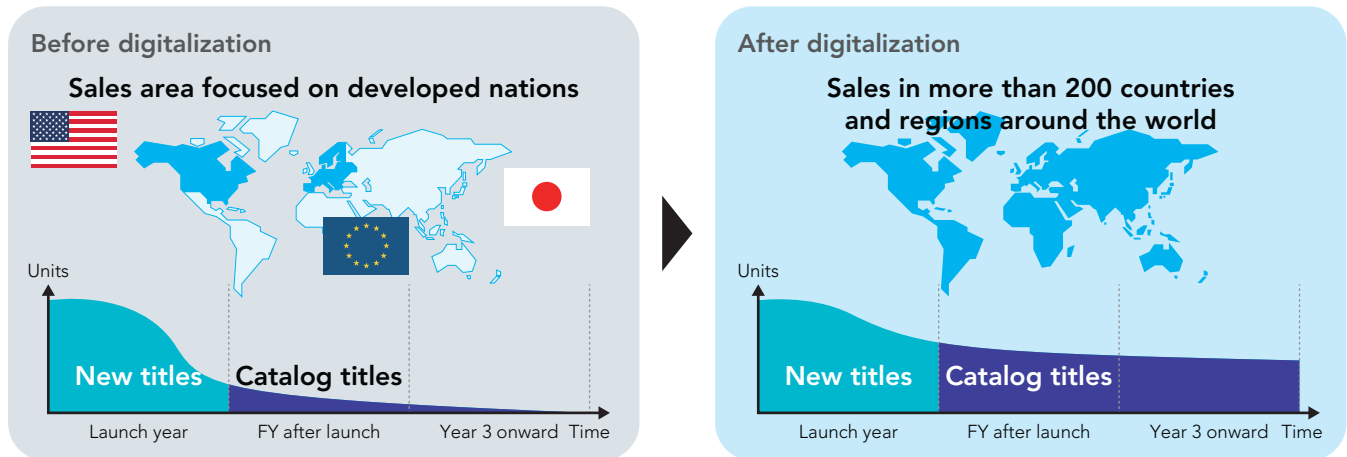
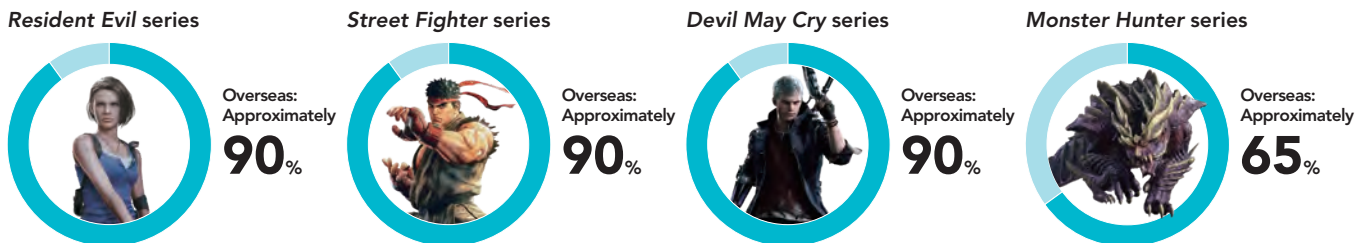


Diagram 7

## Overseas sales ratio of major brands in the fiscal year ended March 2021



major titles we released thereafter employ the same meticulous approach to quality and digital strategy as *MH:W*, resulting in strong sales globally. [\[Diagram 7\]](#)

However, we have not yet amassed enough developers for our future growth. We will continue to hire more than 100 new graduates and combine that with the hiring of seasoned mid-career professionals in priority fields to utilize our dormant IPs in addition to our existing IPs. This is a necessary measure for our long-term growth along with the creation of entirely new IPs, such as Pragmata, which we announced in June 2020.

**Measure 2****Increased profitability and long-term sales globally with the digitalization of sales channels**

Here I will explain our digital strategy, a central pillar in our growth strategy. We feel the main advantages of digital sales are (1) improved profitability per unit due to package production cost reductions and avoidance of inventory risk, (2) additional earning opportunities and long-term sales of catalog titles, which is a sales opportunity that was not available at physical retail shops, and (3) marketization of emerging regions where game consoles were not distributed. These items brought a major transformation to the game business. [\[Diagram 6\]](#)

The strategy originated in 2013, before the latest

game consoles at the time (PlayStation 4, etc.) were launched, after I learned that these game consoles would have constant internet connectivity. I knew a major change was coming to the game business and we established strengthening our digital adaptability as a priority strategy. Eight years have now past, and our digital sales, which were 5.2 billion yen in the fiscal year ended March 2013, have grown more than nine times to 48.0 billion yen in the fiscal year ended March 2021. During this time, our Consumer sub-segment improved significantly in profitability.

Digitalization increased earnings for each title, as mentioned above, but it also carries the further advantages of long-term sales and globalization. In the past, performance in the Consumer sub-segment was largely dependent on whether or not Capcom had released a new hit title that year, but now, once a high-quality new title is released, it contributes to earnings for more than 3-5 years. In addition to that, in package sales, second-hand distributors dominated sales of the last 36 years of Capcom's content assets, but because we are now able to meet that demand directly through download sales, they have become a steady source of earnings for us. As a result, some 300 content assets are contributing to our earnings today. In addition, from the users' perspective, digital has the substantial advantage of being available at the time you want it, and the digital ratio is rising each year, even for new titles. Our latest release *Resident Evil Village* has demonstrated a digital ratio exceeding



# The COO's discussion of growth strategies

Diagram 8  
Global marketing

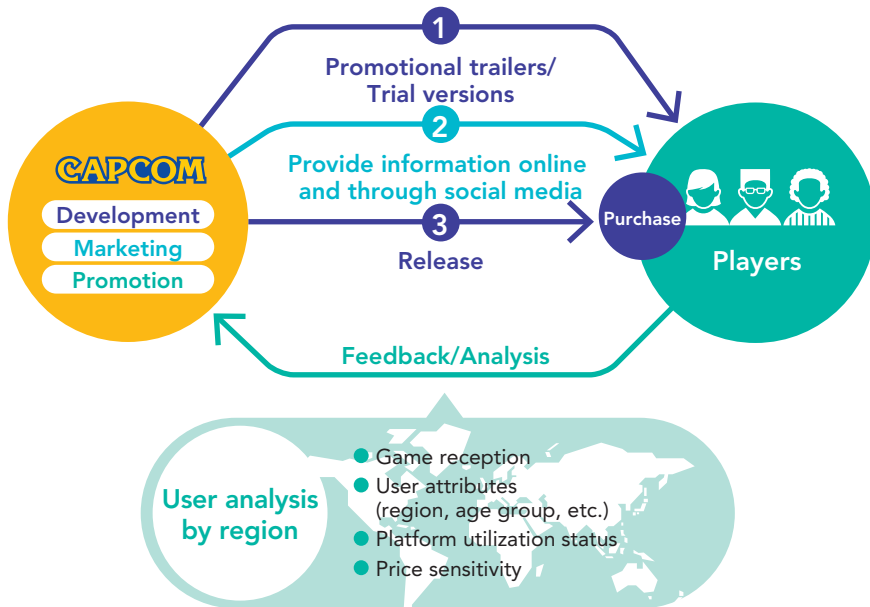


Diagram 9  
A closer look at *Monster Hunter Rise*

50% soon after its launch.

In recent years, PC platform versions have also increased their contribution to digital sales. We are now able to sell in more than 200 countries and regions, a number that far exceeds the conventional console market, and we have analyzed that there is strength in expanding sales in emerging regions, such as Asia, South America, Eastern Europe, and the Middle East. I think that there is great potential for future growth in this area and have designated PCs a priority platform.

We will continue promoting these digital strategies in the next fiscal year and project achieving record high net digital sales of 51.5 billion yen. As there is still room for growth in pipeline expansion, long-term sales, and in global markets, we expect the digital sales ratio to rise to a level of 80-90% in the medium-term and believe that the Consumer sub-segment profitability will continue to increase while we make progress in our recurring revenue model.

**Measure 3**

**Greater efficiency and maximized opportunities with the shift to digital**

Next, I will explain how digital has made the game business more efficient. As interest in digital transformation has grown in recent years, we have been focusing on using it more in our business. Games are a luxury item, and if we consider that in the near future digital natives will be the biggest consumers, it is extremely important that we meet users' needs using digital communication.

In the initial stage, we established the Global Marketing Meeting, where management and global department heads meet each quarter to formulate

our marketing plans and ensure that globally everyone at Capcom is on the same page regarding our digital measures. As a result, since launching *MH:W* in 2018, management, development and business have integrated, and utilized Capcom's websites and social media to adjust the quality of our titles in line with users' needs and establish an appropriate funnel for purchasing digital versions enabling us to institute a system that is expanding sales. [Diagram 8] [Diagram 9]

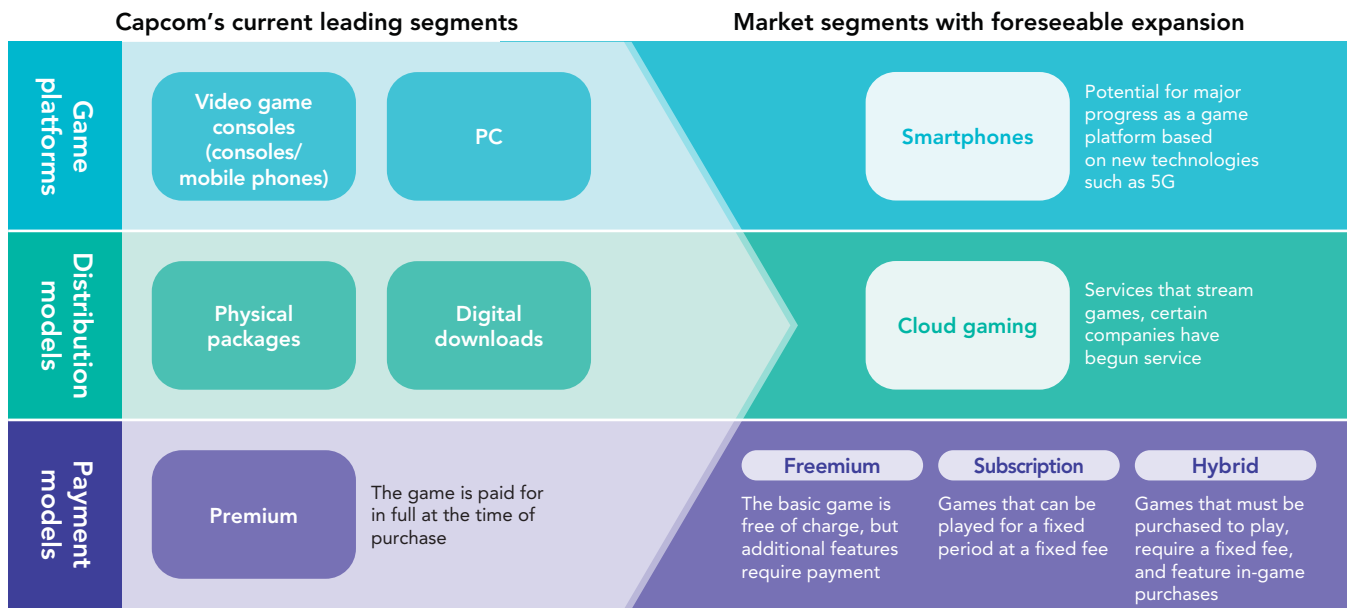
Next, in terms of long-term sales and globalization, we promoted detailed and flexible pricing measures, such as limited-time sale offers that consider the needs of each individual region and user demographic. As a result, in the year-end holiday sales seasons in both 2019 and 2020, we succeeded in generating higher digital sales than the previous year.

Another positive example is the long-term sales of *MH:W*. More than three years have passed since its release in January 2018, but as a result of maintaining sales while gradually lowering the price, its cumulative sales volume has exceeded 17 million units; more than half of which were sold in the second year or later. The lowest price it has sold for thus far is approximately 10 dollars, but its development costs have already been amortized, so even at 10 dollars or, as an extreme example, 5 dollars, it will contribute to income. We will continue to keep an eye on sales trends as we implement pricing measures that appeal to worldwide users who have not yet purchased the game in order to further expand our user base before the next title in the series is released.

I have been asked if this will create pressure to drop prices in the future, but I do not believe that is a concern. In the world of luxury items, as long as you can provide one-of-a-kind high-quality content, there will always be those with the need to play the newest

Diagram 10

Game platform & service configuration



content as soon as possible, even at full price. Pricing measures allow us to present users with a variety of prices so that they can make their purchase at a price where they feel satisfied, and this is an enormous advantage for both the seller and buyer.

As initiatives for the next fiscal year, (1) we are promoting the formulation of sales periods and pricing optimized for users' needs by improving the accuracy of our pricing strategies, and (2) we are working to make the process from when users become aware of titles until they make a purchase more visible by strengthening digital promotions to further improve our business efficiency and maximize profit opportunities.

**Measure 4**

**Support for mobile content and new services, such as cloud gaming**

We expect Capcom's growth resulting from the digital strategies I have set forth thus far to continue for the foreseeable future. Meanwhile, the appearance of new services and technologies, such as cloud gaming and 5G, have the potential to bring dramatic changes to the game industry over the next 10 years. In addition to adopting a multi-platform strategy, Capcom has a track record of being quick off the mark in adapting to new technologies, such as VR. It goes without saying that we will continue to maintain a keen awareness of new fields and conduct technical testing.

[Diagram 10]

If we look at it from a historic perspective as well, we can see that it has been new services and technologies that have made games even more interesting. I have great expectations for the further evolution of the world of games, and further am also

very interested to see what kind of merits it will bring to users.

Currently, I cannot say that we have had great success with mobile content yet. We have analyzed the issue to be that we have yet to acquire the know-how to monetize through the continuous services unique to the mobile arena. At this point, we are prioritizing the investment of our resources toward growing the Consumer sub-segment, so we are not in a rush to see results. However, with the new 5G communication standard, or its 6G successor, our dynamic, action-orientated content should become equally compatible with mobile devices. For example, we may see a breakthrough when it is combined with light-weight, next-generation VR devices. I have instructed the Development section to carry out technological research to ensure we are ready to grab the opportunity when it comes.

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 we can continue to do that properly, then users will always choose our products to use with any platform or service. Conversely, if we fail to do so, even if we are able to ride the transient wave of a trend, we will not see medium or long-term growth. Our experience from many long years of standing at the forefront of the industry has convinced me of this.

# The COO's discussion of growth strategies

Diagram 11

## Developing businesses adjacent to the Consumer sub-segment

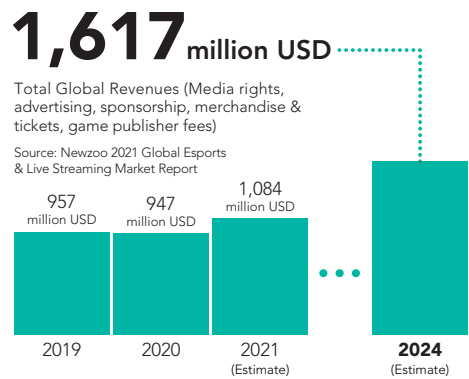


Diagram 12

## About esports

Esports stands for “electronic sports,” which are video games played in competitions viewed as sporting events. They became popular in Europe and North America in the late 90’s and now enjoy popularity among young people in particular, with numerous and varied game events held throughout the world, including in Japan and Asia. They are also garnering attention as a new category in the game business.

### Esports market growth



## Growth Strategy 2

### Esports & Amusement

# Increasing IP awareness, expanding fan base, and a cycle of Consumer earnings

## Balancing the pursuit of business revenue and peripheral support geared toward improving our brand value

Our businesses outside Digital Contents play the role of (1) pursuing business revenue, in addition to (2) providing peripheral support geared toward improving our brand value. [Diagram 11]

First, from the perspective of business revenue, we are working on initiatives for acquiring expertise and monetizing real-life and online entertainment using *Street Fighter* in the rapidly growing esports market [Diagram 12] as an option for future growth. Our Arcade Operations and Amusement Equipments businesses are positioned as stable businesses contributing to Capcom’s revenue by providing underlying support. In addition, from the perspective of achieving long-term stable growth for the company as a whole, we are focusing on expanding awareness of our IPs and corporate brand and fostering loyal users through these businesses, which will lead to increased sales in our core Consumer sub-segment and generate a cycle of returning profits.

### Measure

## Efforts to expand our esports foundation

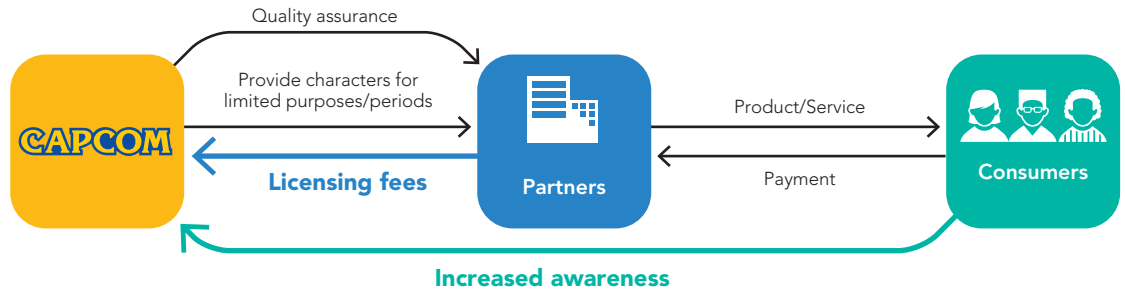
The COVID-19 pandemic has forced us to reconsider the safety of players and spectators, and therefore the format of how we had planned to hold many of the live events this fiscal year changed. On the other hand, the fact that holding tournaments online is a

viable online alternative is one of esports’ major advantages. In order to maintain the momentum we have built in popularizing esports thus far, as one of our two main pillar initiatives the Capcom Pro Tour, a worldwide series of one-on-one tournaments that has been held throughout the year, was held online as it has been since June 2020. The second initiative, team battles, has also moved online since September 2020 with the domestic Street Fighter League: Pro-JP 2020 competition—for which we have brought on roughly 10 new tournament sponsors. In addition, Street Fighter League: Pro-US 2020 is being held online in the U.S.

In 2021, as well, the Capcom Pro Tour Online 2021 is being held with approximately double the number of tournaments compared to the previous year, and the Street Fighter League: Pro-JP 2021 tournament has expanded to eight teams participating in the team battles. These developments, and the fact that we introduced a corporate-ownership systems for teams for the first time, are helping us lay the groundwork for establishing regional team franchises and training institutions in the future. We will continue to work on promotional measures and to expand our esports foundation from a medium- to long-term perspective to firmly establish this new form of entertainment and implement initiatives so that when esports is widely recognized and understood by the general population, it will not only increase IP value, it will elevate the status of the game industry as well as contribute to society.

Diagram 13

Multiple-usage content (licensing) business model



CG animated series  
*Resident Evil: Infinite Darkness*



Café collaboration with Movic Hong Kong, *Monster Hunter World: Iceborne* & Satay King

Growth Strategy  
**3**

Multiple-usage content

**Become a digital content company with a scope beyond games**

**Shifting from a stable business to a growth business**

I believe that game content will eventually achieve a status on par with the world’s most famous animated characters. In the early 1990s, the booming popularity of *Street Fighter II* became the spark that led us to actively pursue adapting our content to products and Hollywood films. In the 2000’s, Capcom universally adopted the Single Content Multiple Usage strategy leading the industry in the development of cross media expansion. Today, as the number of users playing Capcom games around the world increases along with the growth of our business performance, I believe we are on the brink of major growth for our content business as well. <sup>[Diagram 13]</sup> In addition, my long-term vision is to see further growth in our business performance while we become one of the world’s leading digital content companies with our brand’s content reaching beyond the boundaries of games as we adapt them to movies, merchandise, and esports, turning our brands into well-known staples worldwide.

**Measure**

**Consolidating strategic functions domestically**

Traditionally, we have developed content at each of our offices in Japan, the U.S., and Europe, which has contributed to supplementing software income, increasing awareness, and expanding our base of loyal users. However, in terms of growth rate, game sales

have grown 80% over the last eight years where our content business (Other Businesses) has experienced a growth rate of 12%. I believe there is still a lot of room for growth in this area and have therefore consolidated all of the strategic functions of our content business at our Japan offices just as it oversees our entire Consumer digital strategy. We have divided global operations into four zones: Japan, the U.S., Europe, and Asia, and will implement measures geared toward growth based on software sales trends and brand popularity in each respective region. The industries that we collaborate with are also diversifying to include industries such as apparel and theme parks. We can already feel the brand influence of our IPs increasing, and we will link this to the rapid expansion of this business.

**Measure**

**Promotion of Hollywood movie adaptations and films for streaming**

From a content branding standpoint, the effects of a Hollywood movie adaptation are immense. Adding to our track record with the *Street Fighter* and *Resident Evil* brands, the first Hollywood movie adaptation of *Monster Hunter*, released in 2020, was instrumental in providing a foundation for *Monster Hunter Rise* getting off to a strong start and helping *MH:W* get closer toward its goal of 20 million unit sales. In the future, we are planning to leverage our content into video streaming services which are becoming increasingly popular.

# Aggressive investment for growth backed by a strengthened financial foundation in response to an evolving market.

## Medium-term growth strategy progress

### Changes in the business environment

Capcom is making efforts to expand our users globally. In other words, we are working on increasing annual unit sales of game software. Due to the digital shift that has taken place in recent years, sales channels are diversifying. Our target sales areas have now expanded to more than 200 countries and regions, and annual sales of game software exceeded 30 million units in the fiscal year ended March 2021.

This is due to the fact that as digitalization progresses, game content is spreading throughout the world beyond the framework of traditional distribution channels, which means there has been a major change in user purchasing behavior. On top of that, the multiple platform strategy Capcom has been pursuing for some time has been effective in responding to the diversification of devices, such as PCs and smartphones that can now be used in addition to home video game consoles.

Our user base has expanded due to the promotion of a digital strategy that includes responding to the expansion of distribution channels, such as PCs and subscriptions, and the aggregation and analysis of

purchasing trends as explained in the messages from the CEO and COO. However, in terms of finance, our revenue and financial structures have changed significantly and are still in the process of changing.

	2016	2021	Change
Net sales (million yen)	77,021	95,308	124%
Operating income (million yen)	12,029	34,596	288%
Operating margins (%)	15.6%	36.3%	20.7points
Net income (million yen)	7,745	24,923	322%
Operating cash flow (million yen)	4,347	14,625	336%
Work in progress for game software (million yen)	24,825	24,443	98.5%
Net cash (billion yen)	158	656	415%

(Years ended March 31)

# CFO COMMITMENT

## Kenkichi Nomura

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

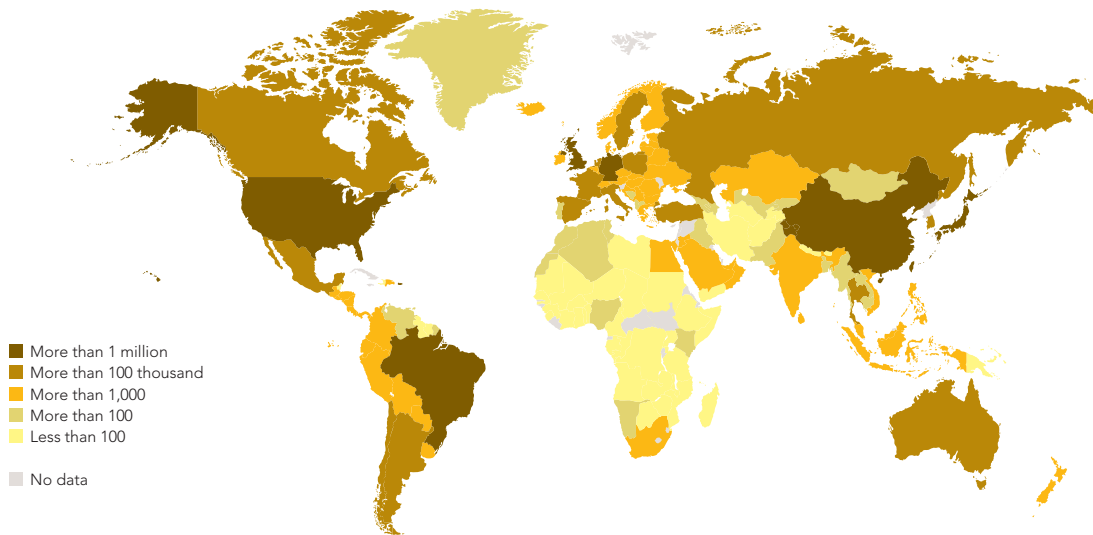


### Financial Strategy Overview





Unit sales of home video game software by country for the fiscal year ended March 2021



**Changes to the revenue structure in the last five years**

First, I will explain the financial index Capcom prioritized these last five years. The table on the left shows a comparison between the fiscal year ended March 2016 and the fiscal year ended March 2021. The increase in operating income is quite impressive compared to the increase in net sales. This can be attributed to the expansion of our global user base (i.e., increase in unit sales), but also from a financial perspective, we are making progress in cost management with a lower cost-of-sales ratio and lower SG&A expenses ratio.

This is due to the following factors: (1) by developing and providing content that meets users' expectations in the consumer game division, we have achieved net sales and unit sales numbers that exceed what we had planned, and we have posted performance results that exceed our assumed ROI, and (2) due to the evolution of development methods

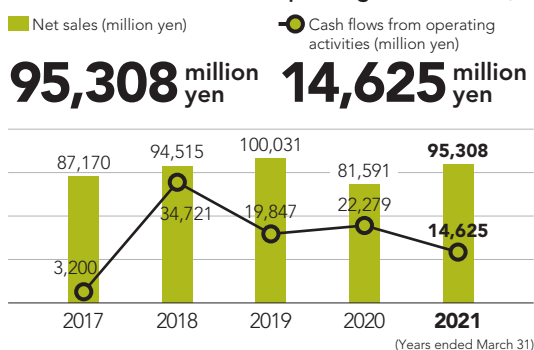
and technology, we have become more efficient, which serves the function of absorbing increases in cost. In the last few years in particular, progress and cost management methods have evolved in development, along with a system that allows us to identify the problems and issues that arise in content creation and address them as soon as possible.

In addition, our practice of steadily hiring new employees each year and developing their talent as soon as possible is absorbing the increased development costs that accompany the evolution of gaming devices. As a result of these efforts, our work in progress for game software balance has remained at almost the same level as it was five years ago. This has contributed to improved operating cash flow, which is an indication of our earning power.

Changes have also been occurring in SG&A expenses resulting from the progress of our digital strategy. We are in the process of evolving from traditional sales promotion methods to using digital media to disseminate information. Promoting digitalization is helping us achieve lowered costs in terms of business and administration as well.

At Capcom, we are also aiming to lengthen the sales life of each title, and we are expanding our user base while maintaining the freshness of titles by releasing updates and holding events, even after a title has been released. This leads to a faster recovery of development costs post-release, and catalog titles released prior to the last year in particular show extremely high profitability. Expanded sales of catalog titles is one of the main factors behind the improvement in ROI of titles and the increase in profit margins.

Net sales / Cash flows from operating activities (million yen)





## Investment in future growth strategies rooted in a strengthened financial foundation

I think everyone understands that the aforementioned strengthening of our digital strategy has brought about significant changes in our financial and profit structure, and that we have moved up to the next stage.

As a result, our ROE and ROA, which we focus on as indicators of improved capital efficiency, have made significant strides.

	2019/3	2020/3	2021/3	2022/3 (plan)
ROE (%)	14.4	16.9	22.6	22.7
Net margin (%)	12.5	19.5	26.1	30.0
ROA (%)	10.1	12.0	16.2	–
Financial leverage (times)	1.39	1.44	1.36	–

If you compare the same figures for the fiscal year ended March 2021 with those in our industry, you will see that we are positioned at the top. Looking at this, I believe that our strong performance this fiscal year was not only the result of being bolstered by the demand created from people staying at home to prevent the further spread of COVID-19, but rather the main factor was the steady progress we have made in our growth strategy, which we have been advancing for some time now, and that our medium-term management goal of stable profit growth each year can be achieved next fiscal year and beyond.

	ROE
Capcom	22.6%
Konami Holdings	11.4%
Square Enix Holdings	11.6%
Sega Sammy Holdings	0.4%
Bandai Namco Holdings	10.2%
TSE 1st Section Average	7.2%

Note: Performance for the fiscal year ending March 2021  
Source: Financial reports, Japan Exchange Group (JPX) homepage

Capcom's cash and deposits have been continuously increasing in recent years due to the increasing operating profits we are experiencing every year. Our immediate goal is to reach a cash and

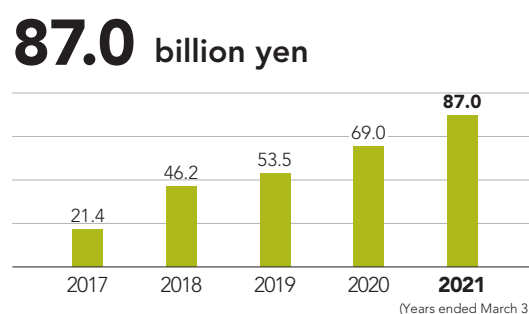
deposits balance of 100 billion yen. This is based on our aim to secure approximately three times the amount of our annual development investment. As the nature of our business is creating hits, we are constantly exposed to various changes and risks. Our desire to secure three years of development funds stems from the risk of being unable to immediately adapt to these changes. At the end of fiscal year 2020, our cash and deposits balance was 71.2 billion yen. Though, taking into consideration the amount of accounts receivable from new title sales released immediately prior to the end of the fiscal year, effective net cash was 87.0 billion yen, thus we are on track to reach a balance of 100 billion yen in cash and deposits.

Our basic stance of prioritizing cash, strengthening earning power, and enhancing capital efficiency will remain unchanged, but we will make swift and effective strategic investments based on our medium-to-long term strategy while we anticipate changes in the business environment, such as the Digital Contents business, where we expect to see further significant changes in the future.

## I. R&D Investment in cutting-edge technology

There is no question that the environment surrounding games will be changing increasingly. In addition to the evolving communications environment, we will need to incorporate the latest various technologies, including technologies peripheral to games, in our research and development to a greater degree than before. Bringing our research and development related to these new technologies to the next level will become an important management issue in the future, and we will have to address it proactively. In order to do so, we will have to secure even more new human resources than we have in the past and aggressively invest in the research and development of new technologies.

Effective Net Cash on a Historical Basis (billion yen)



## II. Investment in business infrastructure

We will also have to respond to changes in our business structure. In order to achieve 100 million units in annual sales in the near future, we have to analyze how game users around the world gather information about games and make their purchasing decisions. In addition, we plan to accelerate investment in business infrastructure, which includes strengthening our approach to unauthorized access from external sources, such as the incident we experienced in November 2020 that was a source of complications and concern for our stakeholders.

## III. Investment in securing and developing human resources

R&D and content production are ultimately investments in human resources. In order to further expand our sales globally, securing and develop diverse human resources is essential.

We recognize that diversity is an important issue in promoting our medium-to-long-term strategy for the future, and as such we will continue to focus on hiring women as well as foreign nationals.

From the perspective of developing human resources, we have begun promoting management committee level issue awareness, to give highly motivated human resources, regardless of whether they are longtime or younger employees, the opportunity to proactively experience management issues, share new management issues in the future, and from among them, strengthen new proposals and our ability to respond to issues.

## IV. Addressing ESG & SDGs

I would like as many people as possible around the world to enjoy our game content, and it is from that perspective as well that we will continue to be proactive in addressing ESG and SDGs. When we first launched our policy to expand and strengthen digital sales five years ago, we were also thinking about how

digitalization would reduce the use of plastic and contribute to more effective usage of resources. Today, the way in which companies are addressing climate change is receiving a lot of attention, and we will continue to be aggressive in examining what Capcom can do as a company regarding this issue.

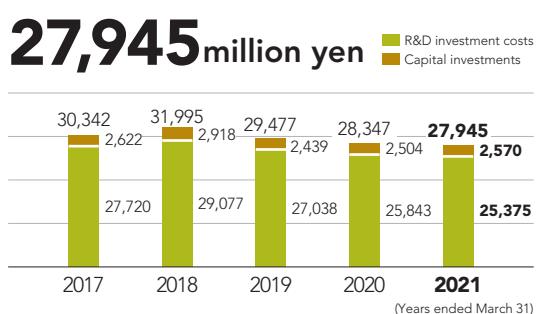
In addition, as one of our basic social contributions, we conduct a certain scale of philanthropic activities, and it is our intention to continue strengthening these activities into the future.

## Approach to shareholder returns accompanying corporate growth

Our approach to shareholder returns remains the same. We will continue to strive for stable dividends with a basic policy of maintaining a consolidated dividend payout ratio of 30%. As of the fiscal year ended March 2021, we have achieved five consecutive years of increased dividends if you take the stock split into consideration, and we hope to achieve steadily increasing dividends by continuing to demonstrate stable growth performance. I recognize that acquiring treasury stock is one of the most important policies that contributes to return of profits to shareholders, so we will take the appropriate action as opportunities arise when we can determine that it will contribute to an increase in stock value, as we have done in the past. Meanwhile, we are currently reviewing specific ways in which we can use treasury stock.

According to our estimates, as of the fiscal year ended March 2021, the cost of capital (WACC) was 3.52%. We focus on ROE rather than ROIC because of Capcom's high capital adequacy ratio and small amount of debt, and our ROE for the same period (22.6%) far surpasses this number. We will continue to achieve our medium-term goal of a stable increase in operating profits each year, which will help us maintain our high standards and meet the expectations of our shareholders.

Capital investments / R&D investment costs (million yen)



Total return ratios (%)

