

The 43rd Ordinary General Meeting of Shareholders
Summary of Shareholder Comments Received Prior to the Meeting, Q&A and
Comments from the Virtual Shareholder Meeting
(June 23, 2022)

Q Since we cannot discern the character or inner workings of the candidates for director based solely on their written profiles, please tell us about the Capcom titles that they are fond of.

A We choose candidates for director from a comprehensive point-of-view, the reasons for which are detailed in each candidate's profile as well as in the skill matrices on pages 36 and 37 of the Notice of Convocation. While each of the candidates has their own thoughts regarding Capcom's games, please understand that an individual's attachment to a game on its own is not a determining factor in the skills required to be a candidate for director.

Q 1. Regarding the proposed increase of four directors (excluding members of the audit and supervisory committee), there are exceedingly few companies in the industry, even large companies, that have 12 directors (excluding members of the audit and supervisory committee). I understand the general argument for the increase, however why now? I would like to hear the specific reasons from the Chair.

2. Further, I think that the new candidate for director, Mr. Muto, will likely have a different point of view than those of the game industry. I would like to hear from both the Chair and Mr. Muto regarding the necessity of the increase of four directors.

A As the Chair, I will provide our answer regarding both the reason for the increase in directors and its necessity. As the responsibilities of directors are increasing globally due to the changing business environment, with the proposed increase in directors we aim to strengthen our management personnel, giving consideration to the future after a certain period of time. Further, we would like to increase the number of internal directors to allow myself to focus more on management as president and to strengthen management in line with the expansion of our development system. Regarding the new candidate for director, Mr. Muto, we anticipate that along with his varied experience and wide network of contacts, he will contribute his counsel and suggestions to the Board of Directors.

Q You have more than 50 million shares of treasury stock, which I believe is weighing down the stock price. What are your thoughts about either utilizing or cancelling these shares?

A Regarding specific uses of these shares, most recently we allocated 4 million shares of treasury stock to the establishment of a stock-based compensation system for employees beginning in the 2022 fiscal year. Further, given that the business environment of the game industry is undergoing major change, specifically on the technology front and the methods by which services are provided to customers, we believe it is necessary to consider and examine M&A targets that possess cutting-edge technology. As such, we will continue to hold treasury shares for the time being.

Q I often hear companies state that they maintain treasury stock with the intent of utilizing it in M&A. Exactly how large of a scale do you foresee using in such a case?

A Regarding our outlook on potential M&As, as an example, we believe that cutting-edge technology in game development will be extraordinarily important based on the expectation that the state of games will undergo even greater transformation. The companies that possess this sort of technology are receiving attention from many industries, therefore we speculate that the size of investment would be between 300 to 500 billion yen. Accordingly, we believe that in terms of resources, besides treasury stock it will be necessary to further build our cash on hand in banks, the balance of which exceeded 100 billion yen at the end of the 2021 fiscal year. We anticipate the possibility of an M&A at this scale.

Q You have indicated that talent acquisition is an issue that you will address. What plans do you have for hiring and developing personnel in each area, including markets outside of Japan?

A With the goal of a stronger, more substantial development workforce, Capcom has established a structure under which we hire a diversity of talent without considering nationality, gender, age or other such factors, and deliver content from our development studios in Japan to the world. Going forward, we plan to redouble our efforts to acquire talent from overseas regions.

Q What effect did the data security incident have on business earnings, and what have you done to prevent it from occurring again?

A There has been no material impact on business earnings. In terms of prevention, following the direction and advice of the Information Technology Security Oversight Committee, we have achieved the objectives we set out, implementing a variety of security measures on an ongoing basis while strengthening system operations and monitoring, as well as our emergency response. We believe that continuing to identify issues and implement an early response will remain indispensable going forward and will continue working to regularly maintain and enhance our system based on the advice of the Information Technology Security Oversight Committee.

Q While looking at it from an ESG and SDGs point-of-view, it's expected that packaged sales are trending to shrink. Given your promotion of digital sales how will you address customers who want to buy physical games?

A We are focused on digital sales and the ratio of digital sales units is rising; however, we will continue to provide physical packaged games to those customers who wish to buy them.

Q Tell me about your regional strategies for the Digital Contents business going forward.

A With the aim of increasing unit sales in the global market, we will continue to analyze users in each region in order to carry out pricing strategies according to the price sensitivity of each country and region, as well as measures to increase brand penetration.

Q You were ahead of the industry in shifting focus to digital sales and succeeded, however once the digital ratio of sales exceeds 80% it's likely that its growth will slow. I think it will be difficult for you to deliver 10% operating income growth each fiscal year going forward. What sort of strategies do you have to achieve this?

A We are engaged in the following strategies with the aim of achieving 10% operating income growth each fiscal year:

1. Boost unit sales in a given fiscal year by releasing a certain number of new titles annually, which then works to increase overall unit sales as these titles continue to contribute as catalog sales in the following fiscal year onward.
2. Secure stable revenue streams by extending the life of catalog title sales over the long term.
3. Aim for stable growth by strengthening digital promotion and marketing in countries and regions where sales expansion is yet in nascent stages.

Q Tell me about the ratio of sales domestically versus overseas. Also, what are the top three sales countries and regions outside of Japan? In which countries and regions do you expect to see high growth going forward?

A The ratio of sales between Japan and overseas in the Consumer sub-segment for the 2021 fiscal year was 67.4% overseas and 32.6% domestic. The top sales countries and regions overseas include the U.S., the U.K., Germany, Brazil, and China. Looking ahead, in addition to the growth we expect in these countries and regions, we aim to expand sales in areas where we have yet to achieve brand penetration.

Q What are your thoughts on the profitability of subscription services?

A We believe that by selling past entries in our game series on subscription services we can create potential opportunities to introduce our content to new customers and generate sales for new releases as well. We are still looking into the effects of this, and plan to make use of it in our sales strategies going forward.

Q I'd like to hear if you have any plans for developing a new IP targeting casual and young players.

A Regarding new IP, *Exoprimal* and *Pragmata* are scheduled for release in 2023. In order to grow for the next 50 and even 100 years, we are working to strengthen our lineup by continuing to bolster our development system, creating not only titles for existing IP but also reviving dormant IP and making new IP as well.

Q What plans do you have for expanding the *Toraware no Paruma* and *Sengoku BASARA* series?

A We are carrying out discussions regarding the future expansion of these titles so they can be enjoyed by a wide audience.

Q Do you have any plans to develop a game for the younger generation? I'm hopeful that you'll develop a game for younger players, like *Mega Man*.

A We released *Mega Man 11*, the latest title in the *Mega Man* series, in 2018 and continue to work on strengthening our lineup to appeal to a broad user base by promoting the enhancement and expansion of our development structure.