

**CAPCOM**

CAPCOM INTEGRATED REPORT

**2021**

**EXPANDING VALUE**



Code Number: 9697

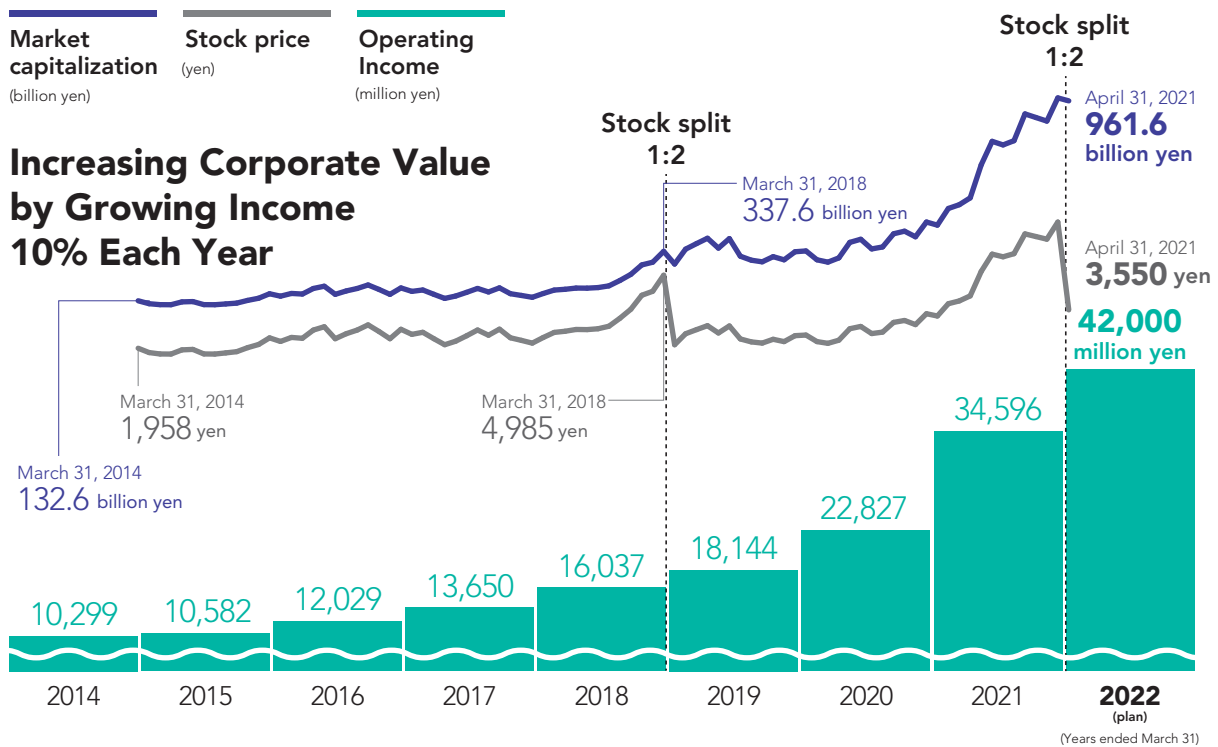
# Continuing to create financial and non-financial value



**Achieving eight consecutive years of increased operating income**

The game industry is continuously changing, in step with the evolution of AI, communications, and other advanced technologies. At Capcom, we see these changes as an opportunity, and as a result of our efforts to strengthen our development structure and promote digitalization, the fiscal year ended March 2021 marks eight consecutive years of increased

operating income. Though we split our stock on April 1, 2018 and again on April 1, 2021 to improve its fluidity and expand our investor base, as our performance improves, our stock price also continues to rise steadily. We will continue to increase our corporate value (market capitalization) with sustainable business growth so that we can reward our stockholders' loyalty.





**Providing smiles and moving hearts all across the globe**

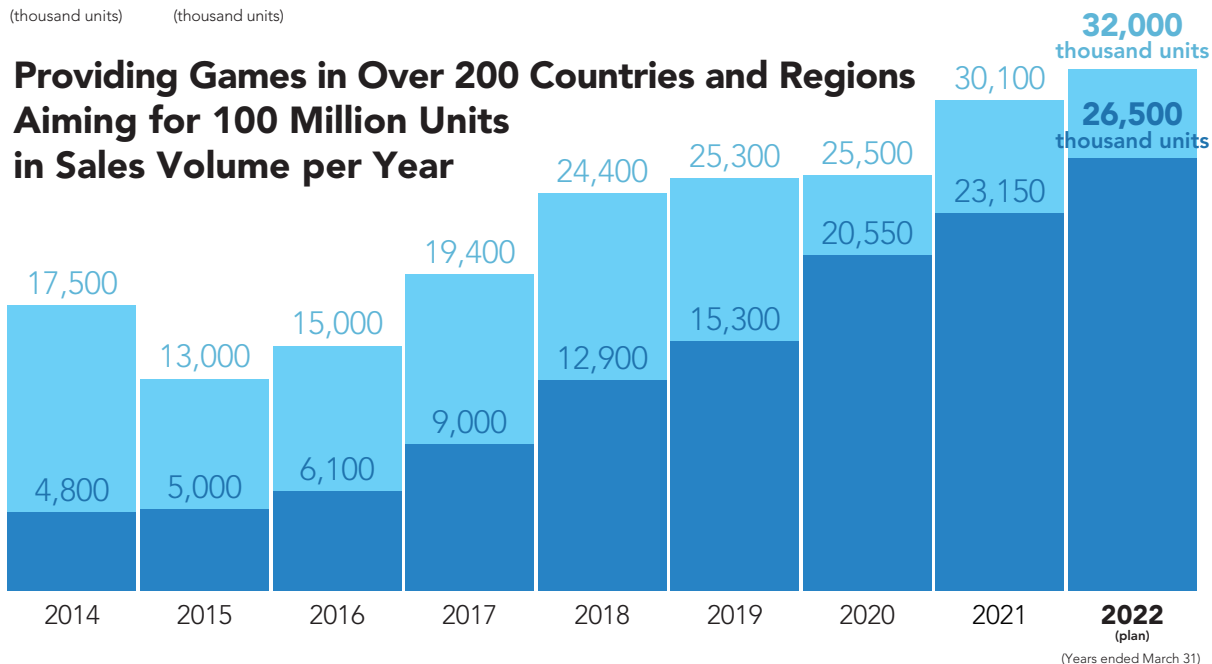
Since Capcom's founding in 1983, we have continued to move hearts and deliver smiles through the entertainment of games. In recent years, the spread of the internet, PCs, and smartphones has made it possible to enjoy games even without game consoles, while at home, and in any country or region around the world. Further, our game software sales volume has been increasing,

driven primarily by digital sales. We will continue to strive in our business activities in an effort to contribute to the improvement of quality of life for people throughout the world by providing high quality entertainment.

**Total units sold**  
(thousand units)

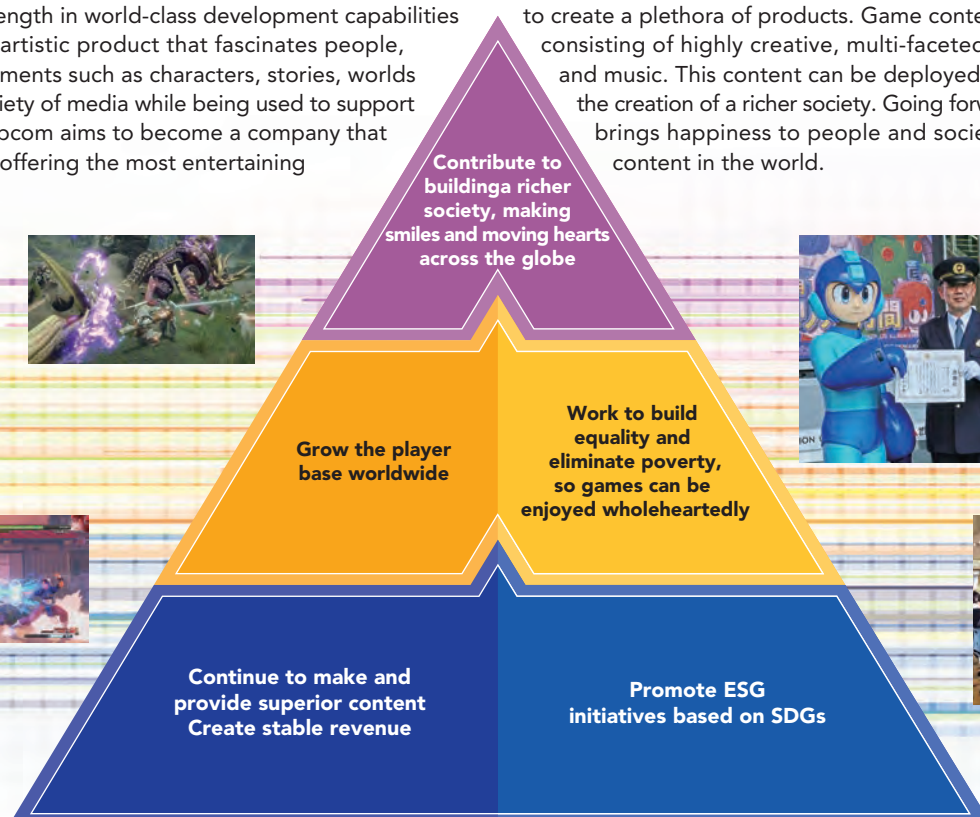
**Digital units sold**  
(thousand units)

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



# Capcom: Creator of entertainment culture that stimulates your senses

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



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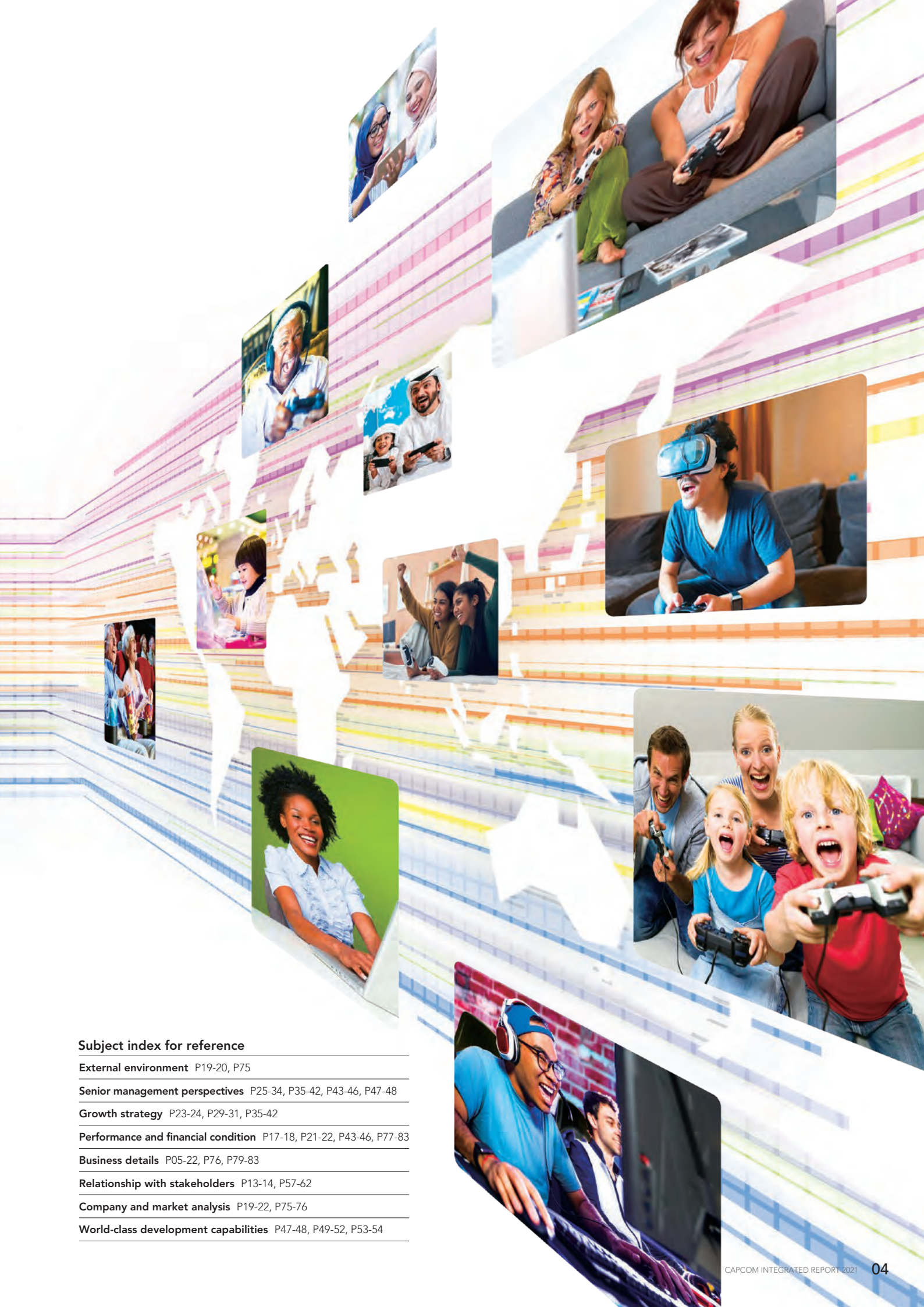
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### Editorial policy

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

### Period and scope

This report reviews the fiscal year ended March 31, 2021 (April 1, 2020–March 31, 2021). When necessary, it also includes references to fiscal periods before and after this timeframe. Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.



**Subject index for reference**

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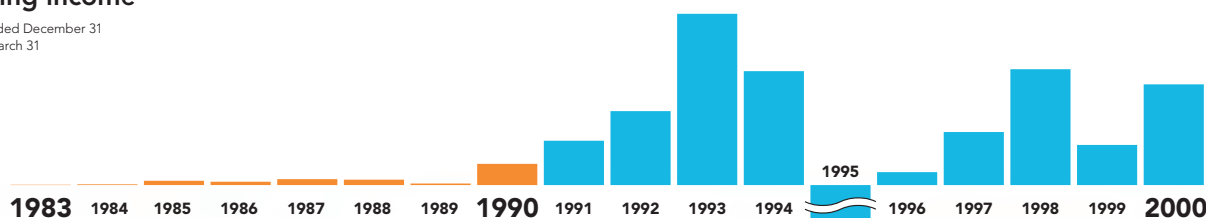
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# Superior development capabilities taking us from Osaka to the world

## Trend in operating income

Note: 1983–1988: Fiscal years ended December 31  
1989–2021: Fiscal years ended March 31



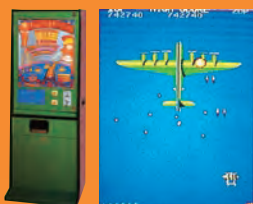
## Genesis

Capcom Co., Ltd. was established in Osaka in 1983. The Nintendo Entertainment System (NES) came out that same year, but it was difficult to develop high-quality arcade-level content for, so Capcom focused business development on the creation and sales of arcade games using the proprietary high-spec circuit board "CP System."

### Title history

#### 1983

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



#### 1984

Released our first arcade video game *Vulgus*.

#### 1985

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



#### 1987

Released *Mega Man* for the NES.

## Big hits drive business expansion

In the 1990s, the arrival of Super NES prompted Capcom to formally enter home video game development. Numerous hit titles were created that drew on Capcom's arcade game development expertise. The Single Content Multiple Usage strategy was launched in earnest in 1994 with the release of a Hollywood movie and animated movie based on *Street Fighter*.

#### 1992

Released *Street Fighter II* for the Super NES.



#### 1993

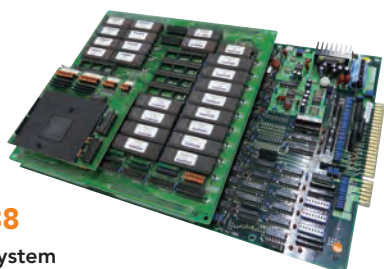
Released *Breath of Fire* for the Super NES.

#### 1996

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



## Capcom and Entertainment Culture



#### 1988

### CP System

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

#### 1991

### *Street Fighter II* becomes a major hit

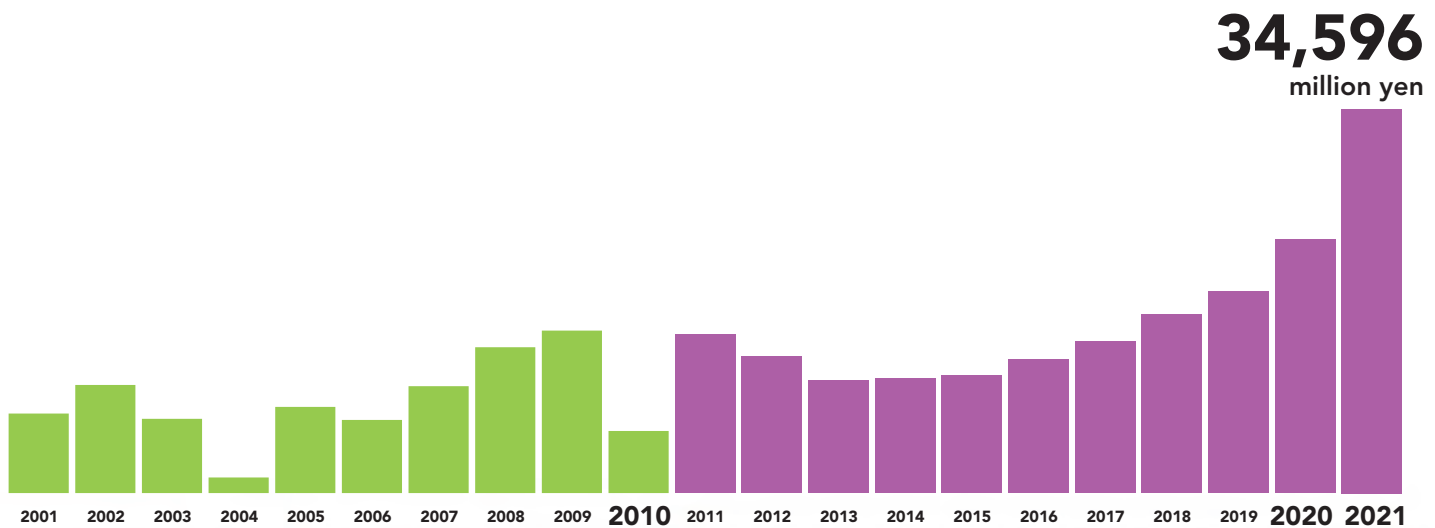
The game became a sensation in arcades across the country, establishing the fighting game genre. In 1992, a national tournament was held at the Ryogoku Kokugikan in what might be called the first ever esports tournament.



#### 2002

### Multi-media roll out of Capcom IP starts in earnest

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



**34,596**  
million yen

## Increasing shares in Europe and North America

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

### 2001

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

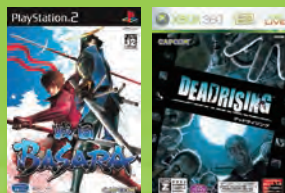


### 2005

Released *Sengoku BASARA for PlayStation 2*.

### 2006

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



## Globalization and the digital shift

With game consoles now offering full internet functionality and the popularization of gaming on PCs, the video game market has expanded beyond one segment of developed countries and now permeates the globe. As a result of Capcom's early initiatives to support digital sales, including releasing past titles onto current game consoles and ongoing sales of catalog titles, operating profit margins and the overseas unit sales ratio have been on the rise.

### 2012

Released *Dragon's Dogma*.

### 2018

*Monster Hunter: World* is released selling a cumulative total of more than 17 million units, the first title to do so in Capcom's history.



### 2021

*Monster Hunter Rise* and *Resident Evil Village* are released. We are expanding our brand value globally with the high-quality game experiences we provide.



### 2007

#### Cooperative gameplay becomes standard

*Monster Hunter Freedom 2* became the first game in the series to top a million units sold. People getting together with their game consoles to play cooperatively sparked the "Monster Hunter Craze."



### 2018

#### Capcom officially entered esports, a new form of entertainment

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

### 2020

#### Acceleration of digital game sales

Digital sales of software accelerated against the backdrop of the global COVID-19 pandemic.

Capcom supported the "Stay Home" effort with our rich lineup of games cultivated over the 38 years we have been in business.



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

In the 38 years since our founding, our eagerness to take on new endeavors has given birth to countless popular brands. These brands have garnered massive followings both domestically and overseas.



**ROCKMAN 11**  
運命の齒車!!

## Mega Man series

Total number of units sold  
**36 million**

(As of March 31, 2021)

Cumulative million-seller titles  
**6 titles**

First title 1987



Mega Man

Latest title 2018

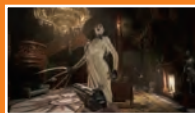


Mega Man 11

Units sold: **1.3 million**

(As of March 31, 2021)

Latest title 2021



Resident Evil Village

Units sold: **4.5 million**

(As of June 30, 2021)



**VILLAGE**  
BIOHAZARD

## Resident Evil series

Total number of units sold  
**110 million**

(As of March 31, 2021)

Cumulative million-seller titles  
**30 titles**

First title 1996



Resident Evil



# ORIGINAL CONTENTS



## Monster Hunter series

Total number of units sold  
**72 million**

(As of March 31, 2021)

Cumulative million-seller titles  
**13 titles**

### First title 2004



Monster Hunter

### Latest title 2021



Monster Hunter Rise

Units sold: **4.8 million**  
(As of March 31, 2021)



## Street Fighter series

Total number of units sold  
**46 million**

(As of March 31, 2021)

Cumulative million-seller titles  
**13 titles**

### First title 1987



Street Fighter

### Latest title 2016

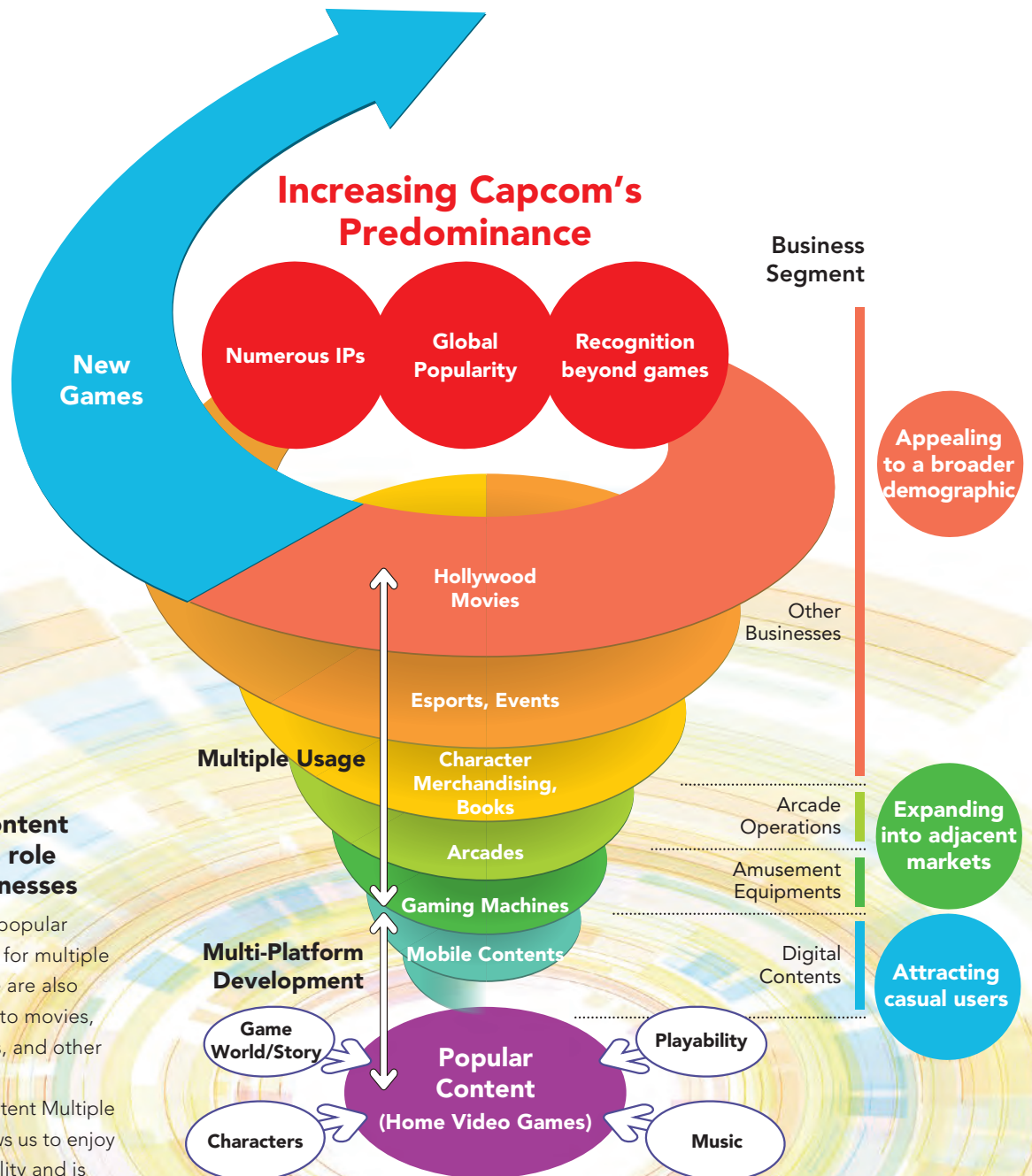


Street Fighter V

Units sold: **5.5 million**  
(As of March 31, 2021)

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

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



## Our original content plays an active role in diverse businesses

As we develop our popular proprietary content for multiple game platforms, we are also actively turning it into movies, theater productions, and other non-game media.

This Single Content Multiple Usage strategy allows us to enjoy multi-level profitability and is building a business portfolio diversified against risk.

Additionally, it contributes to even further improved brand power for each IP.

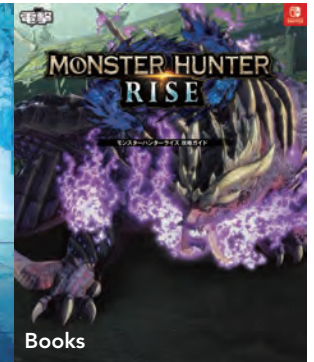
# Further Improved Brand Power



Restaurants



Events

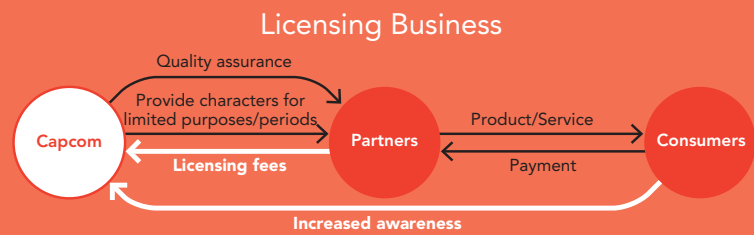


Books



Orchestral Concerts

## Appealing to a broader demographic



Character Merchandising



Hollywood Movies



Sales of merchandise



Pachislo

## Expanding into adjacent markets



Mobile Games

## Attracting casual users

### Monster Hunter series



# First-rate creators are the source of our creativity

Our R&D facilities, outfitted with the most cutting-edge development equipment and technology, are the stage upon which our more-than 2,400 developers work daily to improve quality in an effort to create world-class entertainment.

## Development strengths

In-house production ratio

More than **80%**

Ensuring development efficiency and quality

Million-selling IPs

**19** series

Numerous brands that are well-known around the globe

Number of developers

More than **2,400** people

One of the largest game R&D workforces in Japan



# Changing the game business model by promoting digitalization

We are maximizing the power of digital sales online, which is in turn improving the sales profit margin while rapidly expanding the number of units sold and the regions in which they are sold.

## Benefits of digitalization

10-year profit margin improvement of  
**approx. 20 points**  
(10 years from 2010 to 2020)

Growing recurring revenue model /  
Catalog title sales are  
**UP 583%**  
(10 years from 2010 to 2020)



Game software sales area of more than  
**200 countries and regions**

Global sales growth / units sold overseas are  
**UP 111%**  
(10 years from 2010 to 2020)

# Creating social value as a game publisher

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

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

## Fundamental ESG policy



The Capcom Group has been minimizing the negative impact of its businesses on climate change (e.g., CO<sub>2</sub> and other greenhouse gas (GHG) emissions), and with respect to pollution, use of resources, etc., we have been striving to reduce our consumption of resources by adopting LEDs in lighting and promoting the digitization of software made available for sale.

The Capcom Group will continue to promote these initiatives.



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



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

## Sustainable Development Goals (SDGs)

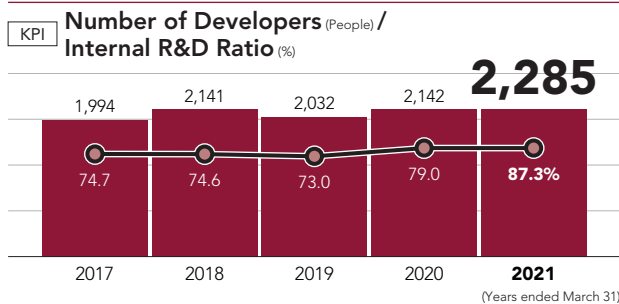
SDGs are 17 goals that were adopted by the over 150 member countries of the United Nations at the United Nations Sustainable Development Summit held in September of 2015 at the UN headquarters in New York. It was determined that in order to eliminate poverty and achieve a sustainable world, we must prioritize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

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



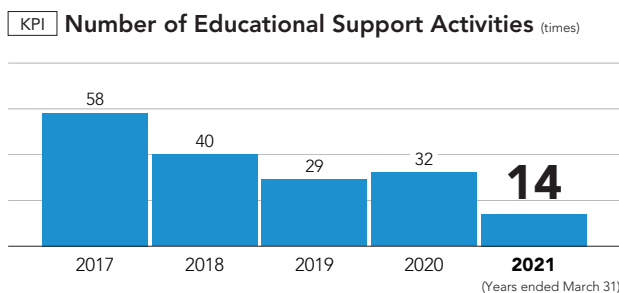
Material Issues

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



We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world. We continue to hire more than 100 new graduates each year to enhance our product lineup and improve quality. Over the last 10 years we have increased our developer numbers by approximately 1,000 people. We are working to improve the technical skills and motivation of our employees by such means as enhancing our system to train new graduates, promoting younger and mid-career employees to work on major titles and achieve their own personal goals. [➔For details see p.53](#)

Material Issue **3** Development of Solid Relationship with Society

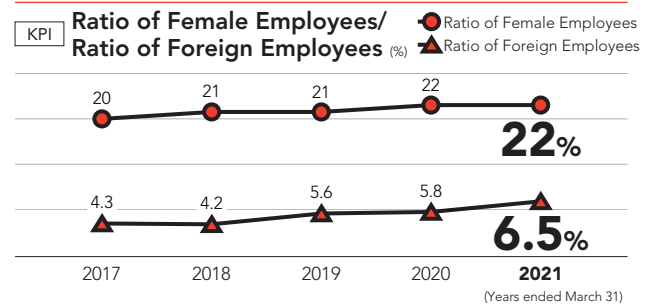


The education support activities that we began in 2005 achieved a certain level of recognition for the results they produced for more than 15 years, and as of the fiscal year ended March 2018, we carry out roughly 30 activities each year on a steady basis. The number of activities decreased in the fiscal year ended March 2021 due to circumstances surrounding the COVID-19 pandemic, but in the same year, we also introduced an online learning program allowing us to hold activities remotely. [➔For details see p.61](#)

Support activities to eliminate poverty

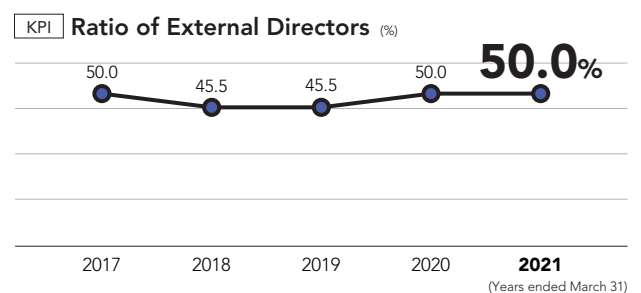
For a game manufacturer, while the children who play with our products are our customers, they are also our future as they have the potential to one day become employees. It goes without saying that in order to play games, you need a stable environment, and in order to choose a career, an education is essential. Capcom is helping to create an environment for children today and in the future by

Material Issue **2** Promoting Diversity



One of the most important elements in developing world-class games that can keep pace with the globalization of the game player population is securing a workforce with diverse perspectives. For that reason, we have been promoting diversity and working on building a workplace where women and foreign nationals can excel. As a result, the numbers of both women and foreign nationals continue to climb, in turn helping Capcom create captivating content and growth on a global level. [➔For details see p.61](#)

Material Issue **4** Enhancement of Corporate Governance



Generally, an owner-run company excels at being flexible and fast decision-making, though concerns may exist over the issue of succession. At Capcom, we strive to make management more transparent and visible, and have implemented various governance reforms to this end, such as the Nomination and Remuneration Committee. We proactively appoint external directors, and on March 31, 2021, external directors accounted for 50% of the entire board of directors. However, the transfer of one of our directors put the ratio at 45.5% as of June 2021. [➔For details see p.67](#)

donating to the "Children's Future Support Fund," a project established in 2015 with the cooperation of both public and private entities.



© Mercis bv

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

Utilizing the capital we have cultivated over the years and our foundation for sustainable growth, we create popular original IP through business activities while guided by our corporate philosophy. We are expanding our business by further extending that original content into a variety of areas. These activities provide both financial and non-financial value; to put it another way, by providing the happiness brought about by games, we are able to contribute to solving societal issues.







Providing a healthy game culture

Effectively Leveraging IP, p.09

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

Development of proprietary multimedia



Esports



Arcade Game Machines

Medal games, pachinko and pachislo



Arcade Operations

Facilities at shopping centers, large format locations



Home Video Games



PC Online

Develop games for multiple platforms

Net sales for the year ended March 31, 2021

75.3 billion yen



Mobile Contents



Digital Download Contents

Collaborative expansion into other media



Events  
Concerts, theatrical productions



Publishing, Character Merchandising

Strategy books, illustrated compilations, figures, etc.

2

Hollywood movie projects announced



Movies

Hollywood movies, animated movies, CG movies

Multimedia expansion of content

Net sales for the year ended March 31, 2021

20.0 billion yen

30.1 million games sold during the year

p.02

14 educational support activities

p.61

2,582 senior tour participants (cumulative)

p.58

OUTPUT (Non-financial results)

Hired 163 new graduates

p.47

6 cooperative projects with local governments

p.60

Stimulating communication

Social contributions

Game market-based innovation

Contributing to local revitalization

Earning trust and building a positive image for Japan

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

Effectively Leveraging IP, p.09

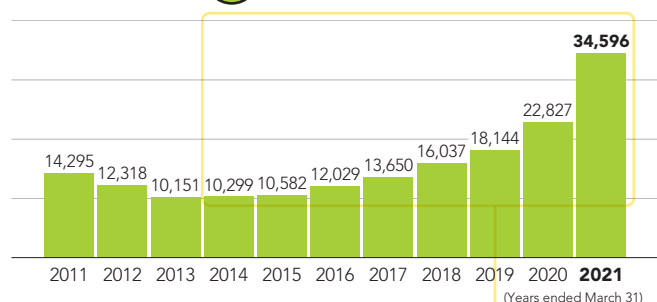
# Financial Highlights

## Operating Income/Operating Margins

Operating Income (million yen)

**34,596** million yen

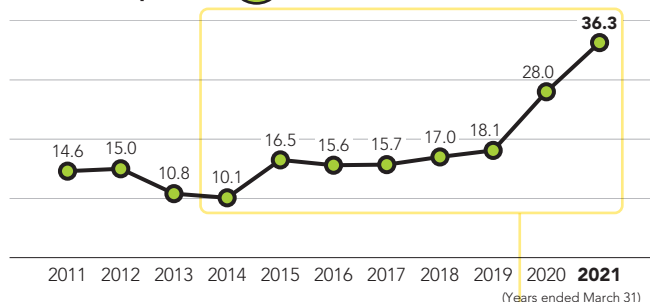
**UP 51.6%** 



Operating Margins (%)

**36.3** %

**UP 8.3** points 

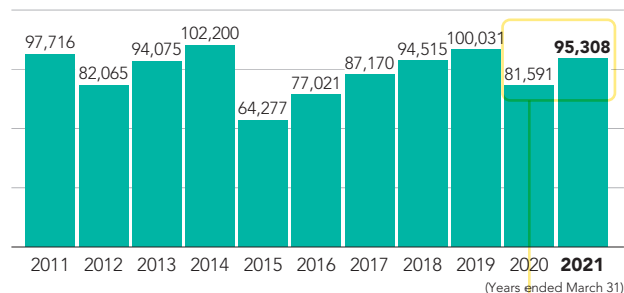


In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted business restructuring by transitioning to in-house production and strengthened our digital sales strategy in response to rapid changes in the market beginning in the fiscal year ended March 2013. Financials were therefore sluggish that year while these reforms were implemented. From the following year onward we have achieved eight consecutive years of increased operating income with measures such as improving the highly profitable digital sales ratio in our Consumer sub-segment. The fiscal year ended March 2021 was the fourth year in a row we succeeded in breaking our operating profit record. This was due to a new major hit title and the accumulation of catalog sales, in addition to the fact that the highly profitable digital sales trend continues to grow.

## Net Sales (million yen)

**95,308** million yen

**UP 16.8%** 

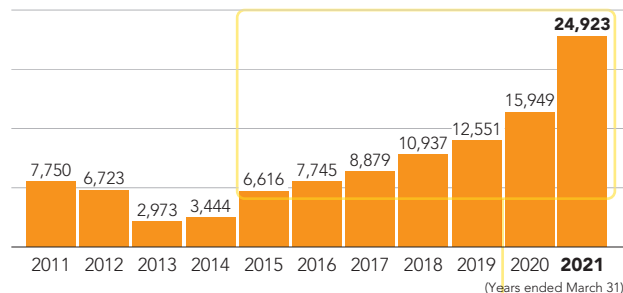


In the fiscal year ended March 2012, net sales declined due to the postponed release of titles. However, the promotion of structural reforms in the Consumer sub-segment resulted in Capcom achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time. Revenue declined in the fiscal year ended March 2020 due to lowered unit prices accompanying digitalization, but in recent years, we have been experiencing stable growth as the Consumer sub-segment continues to release multiple major titles each year.

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

**24,923** million yen

**UP 56.3%** 

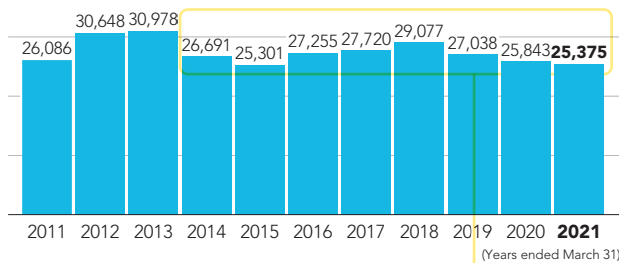


In the fiscal years ended in March 2013 and 2014 respectively, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with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

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

R&D Investment Costs (million yen)

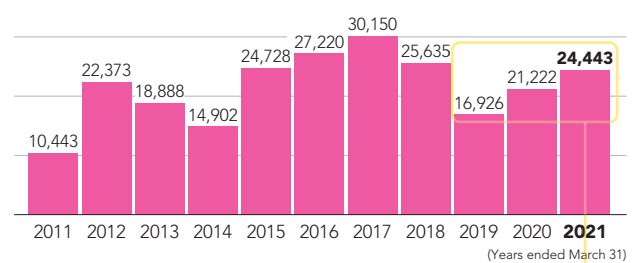
**25,375** million yen  
DOWN 1.8% ↘



We believe the generation of creative and original content is our source of growth, thus approximately 90% of our annual development investments are allocated to the Digital Contents business. Recently in the Home Video Game market, development costs have been trending higher in line with increasingly high-performance devices, but we have been able to streamline development by building a cutting-edge development environment and through increased employee utilization rates. Due to expanding our pipeline, we expect costs to be approximately 30 billion yen going forward.

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

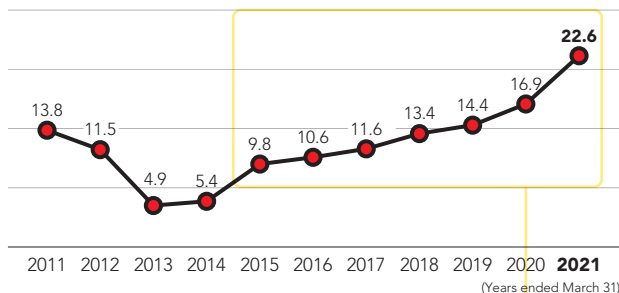
**24,443** million yen  
UP 15.2% ↗



There was a decrease in the fiscal years ended March 2011 and 2014 due to the release of major titles, but since the fiscal year ended March 2015 it has been on the rise as a result of pipeline expansion. In addition to the release of major titles in the fiscal year ended March 2019, reassessment and closing of overseas studios resulted in a significant decrease. However, in the fiscal year ended March 2020, there was an increase due to work on major titles we will continue to release in upcoming fiscal years.

Return on Equity (ROE) (%)

**22.6** %  
UP 5.7 points ↗

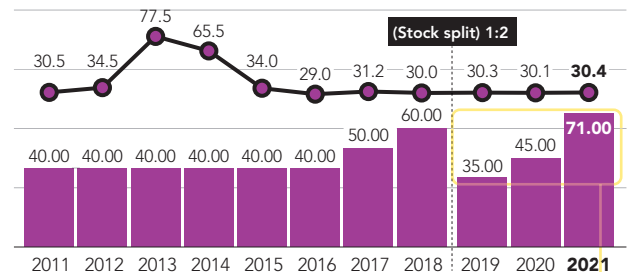


In the fiscal years ended March 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, we have maintained a high ROE level following the elimination of special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

Dividend per Share/Dividend Payout Ratio

■ Dividend per Share (yen) ● Dividend Payout Ratio (%)

**71.0** yen **30.4** %  
UP 57.8% ↗ UP 0.3 points ↗



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

Based on Capcom's basic policy of maintaining stable dividends, in the fiscal year ended March 2011, the annual dividend was raised 5 yen. Since the fiscal year ended March 2017, the dividend policy has been to maintain a consolidated payout ratio of 30% and to strive for stable dividends. As a result, the payout in the fiscal year ended March 2019 was reduced due to the stock split, but effectively dividends increased, and we were able to maintain our unbroken record of paying out dividends since listing publicly. In the fiscal years ended March 2020 and 2021, we once again continued to increase dividends paid.

# Market Analysis

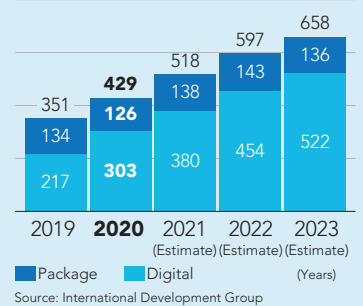
## Market Trends

### Consumer Market (Package + Digital)

In 2020, the consumer (package + digital) market grew to 42.9 billion dollars (up 22.2% from the previous year). This was due primarily to favorable packaged and digital sales. Digital sales have continued to expand in North America and Europe where such sales account for 81% of the market. The highly profitable digital contents market now accounts for roughly 71% of the consumer market.

The forecast for 2021 is for the market to reach 51.8 billion dollars (up 20.7% from the previous year) owing to continued growth of the digital market and revitalization of the market with the popularization of new hardware. In the medium term, we see the digital market expanding rapidly in Southeast Asia and other developing regions and new game delivery methods such as streaming and subscriptions growing. As such, we expect the market to grow to 70.6 billion dollars by 2025 (up 64.6% compared to 2020). We also expect continued growth in the mobile market.

Consumer Market (billion U.S. dollars)

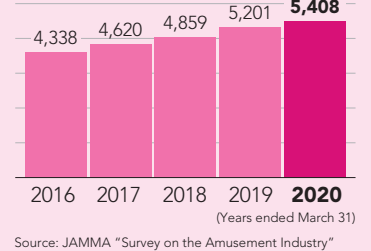


### Arcade Operations Market

The domestic arcade facilities market grew during the previous fiscal year (ended March 31, 2020) for the fifth year in a row to 540.8 billion yen (up 4.0% from the previous year). The total number of facilities remained flat at 12,212 (up 0.4% from the previous year), and annual sales per store grew to 44.28 million yen (up 3.6% from the previous year.)

This fiscal year (ended March 2021), the market was severely impacted by COVID-19 as stores were forced to suspend operations or shorten operating hours during states of emergency while foot traffic decreased due to efforts to avoid crowds. The market situation next fiscal year (ending March 2022) is expected to remain harsh, although we can expect some recovery due to the operational know-how we have acquired thus far in the pandemic.

Arcade Operations Market (billion yen)

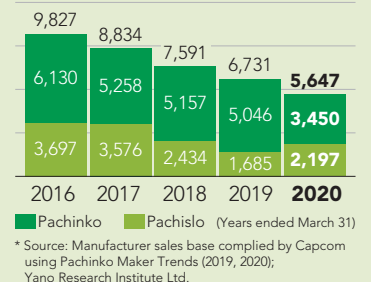


### Gaming Machines Markets

In the previous fiscal year (ended March 31, 2020), the gaming machine market shrank for the seventh consecutive year to 564.7 billion yen (down 16.1% from the previous year).

This was due to diminishing investment appetite for gaming machines at halls due to the sluggish performance of machines with gambling restraints (implemented in response to model certification methods changes), and fewer new stores. This fiscal year (ended March 2021), the new machine types showed promise, however COVID-19 created a tough market environment. Next fiscal year (ending March 2022), we expect some demand for new machines replacing older types (which was initially delayed due to COVID-19), but believe the situation will remain harsh from increased investment burdens on halls and operational suspensions due to COVID-19.

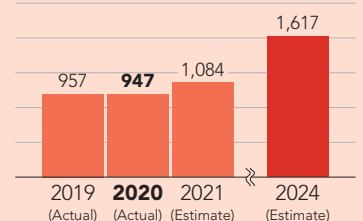
Gaming Machines Markets (billion yen)



### Esports Market

The Esports Market last fiscal year (ended March 2020) was 940 million U.S. dollars, and because people were consciously avoiding crowded events, that remains almost unchanged from the previous year. In 2021, we expect the market to grow to 1.08 billion U.S. dollars (up 14.5% from the previous year) owing to increased sponsorship and media rights fees, primarily in China, which accounts for the largest share. The future remains unclear due to the prolonged COVID-19 pandemic, but the growth of live broadcasts has resulted in a steady increase of viewers, and it is expected to grow to 1.61 billion U.S. dollars by 2024.

Esports (million U.S. dollars)



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

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

## Addressing major opportunities and risks

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

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

- Acquisition of new fan demographic and increased awareness through multifaceted business developments
- Attraction of customers using our home video game content and other assets

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

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

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

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

# Business activity achievements

## Business Overview

## Operating Results for This Fiscal Year



### Digital Contents

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

→ For details see p.79

#### Consumer (Package + Digital)

- ◆ New titles *Resident Evil 3* and *Monster Hunter Rise* were hits
- ◆ Major catalog title hits *Monster Hunter World: Iceborne*, *Monster Hunter: World*, *Resident Evil 2*, and *Resident Evil 7 biohazard* performed well
- ◆ Highly profitable digital sales grew further

#### Mobile Contents

- ◆ Launched both in-house as well as alliance titles, such as *Rock Man X Dive* and *Street Fighter: Duel*



### Arcade Operations

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

→ For details see p.81

- ◆ We are focusing on steadily opening and operating stores while working to minimize the impact of COVID-19
- ◆ To address the spread of COVID-19, we changed the operating hours of some stores and suspended operations of others. Same store sales were down 22%
- ◆ We opened Capcom Store Osaka, a showroom in Osaka's Shinsaibashi district that sells Capcom merchandise
- ◆ We opened one new store



### Amusement Equipments

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

→ For details see p.82

- ◆ Sold a total of 27,000 units of three models
- ◆ Increased sales and profits after releasing multiple models designed to current regulations



### Other Businesses

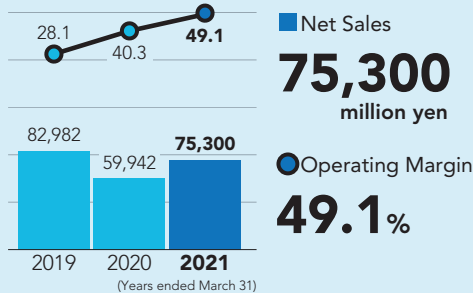
Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of copyright-related business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part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

→ For details see p.83

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

Main Products for This Fiscal Year (Output)

Net Sales/Operating Margins



Monster Hunter Rise

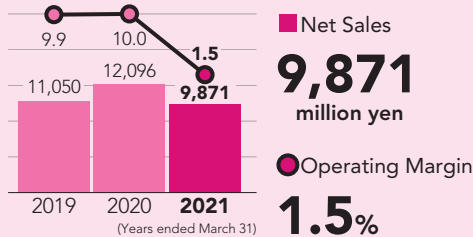
This was developed as a new addition to the *Monster Hunter* series with our proprietary development engine, RE ENGINE. Prior to release, we distributed demo versions that allowed cooperative play twice, and due to the high acclaim and amount of attention it received, 4.8 million copies were sold.



Resident Evil 3

Released in 1999, *Resident Evil 3: Nemesis*, which sold a total of 3.5 million copies, was remade for the first time in 21 years using the latest technology and concepts. Based on a digital sales strategy, we were able to increase the sales percentage of the download version, and 3.9 million copies were sold during the fiscal year.

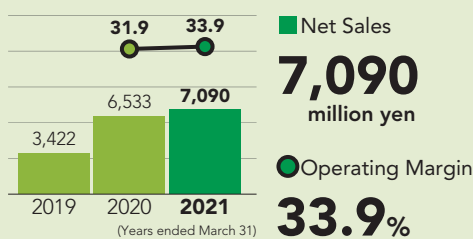
Net Sales/Operating Margins



Showroom  
Capcom Store Osaka

We opened Capcom's first showroom in the Kansai area selling popular character novelty items in Shinsaibashi, Osaka in November 2020. By opening this store in the Kansai area, in addition to the showroom we opened last year in Shibuya, Tokyo we are able to more broadly communicate the appeal of our content.

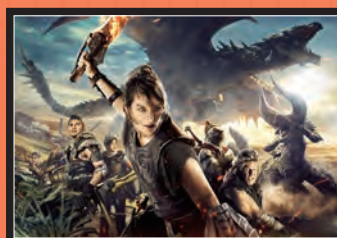
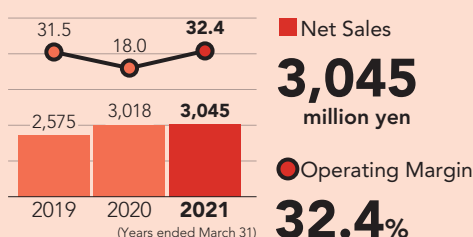
Net Sales/Operating Margins



Pachislo  
Monster Hunter: World

This pachislo machine is based on *Monster Hunter: World*, our all-time best-selling home video game with more than 17 million units sold cumulatively. Released in November 2020, 17,000 units were sold.

Net Sales/Operating Margins



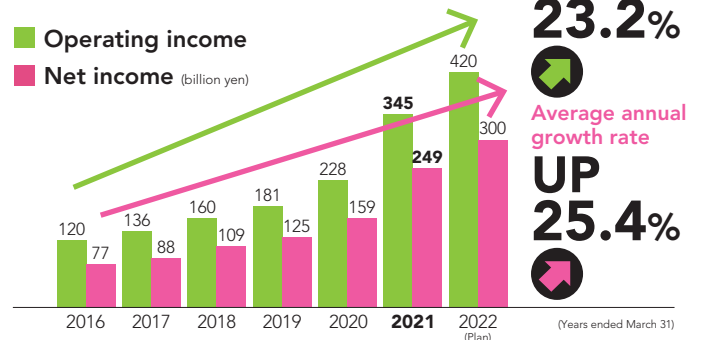
Hollywood movie *Monster Hunter*

One of our most popular brands, *Monster Hunter*, was adapted into a Hollywood movie for the first time. After opening in North America in December 2020, it was rolled out to theaters around the world.

# Seeking increased operating income annually with a stable growth business portfolio

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

Medium- to long-term goals  
**Aim for annual operating income growth (10%), driven by stable earnings**



## Important strategies for success

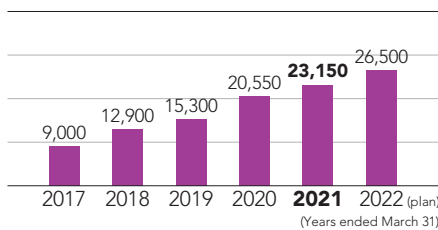
### Expanding sales in the Consumer sub-segment

**1** Bolstering digital sales

**2** Achieving stable growth with long term sales of high-quality titles

**3** Enhanced global sales with the promotion of digital marketing

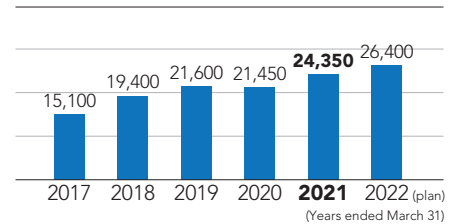
Digital unit sales (Thousand units)



	2017	2018	2019	2020	2021	2022 (Plan)
Resident Evil 7 biohazard	350	160	125	100	150	
Monster Hunter: World	790	450	320	140	140	
Resident Evil 2		420	240	160		
Monster Hunter World: Iceborne			520	240		
Resident Evil 3				390		
Monster Hunter Rise				480		

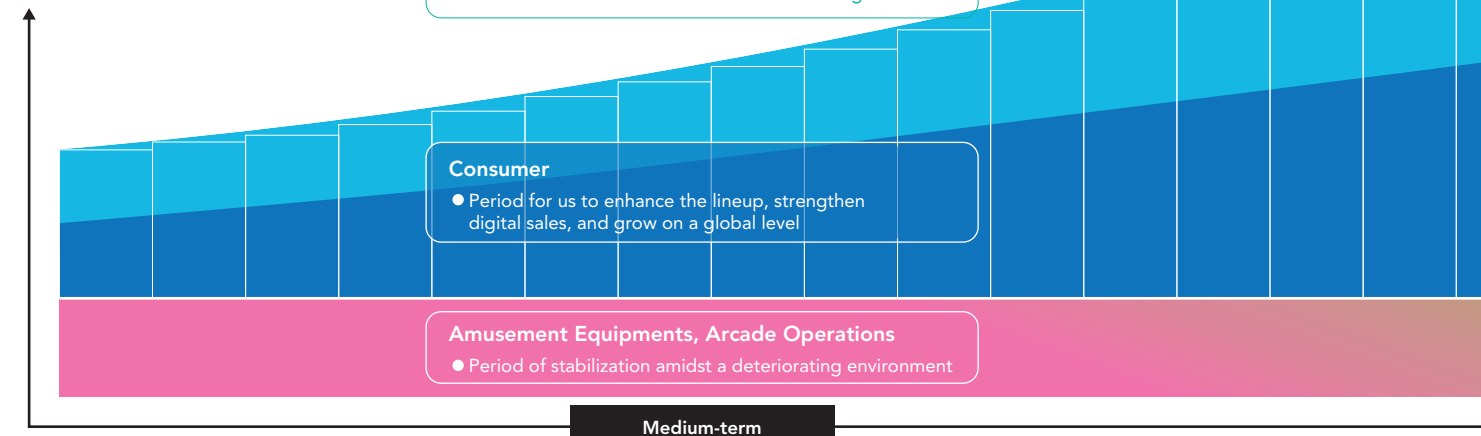
(ten thousand units) (Plan)  
 Titles continuing to contribute as catalog titles  
 (Years ended March 31)

Overseas sales volume (Thousand units)



## Medium- to long-term growth

Profit







### Growth strategy

#### Licensing

- Bolstering movie adaptations

#### Mobile

- Business alliances within Japan and overseas and promoting technological research for the future

#### Esports

- Having established a dedicated esports division, expand the base by holding events in Japan

#### New Titles (Consumer)

- Regularly release new titles for major IP
- Promote utilization of dormant IP and remakes

#### Overall (Consumer)

- Strengthen digital sales of both new and catalog titles

#### Catalog Titles (Consumer)

- Long-term product lives for past titles through pricing strategies

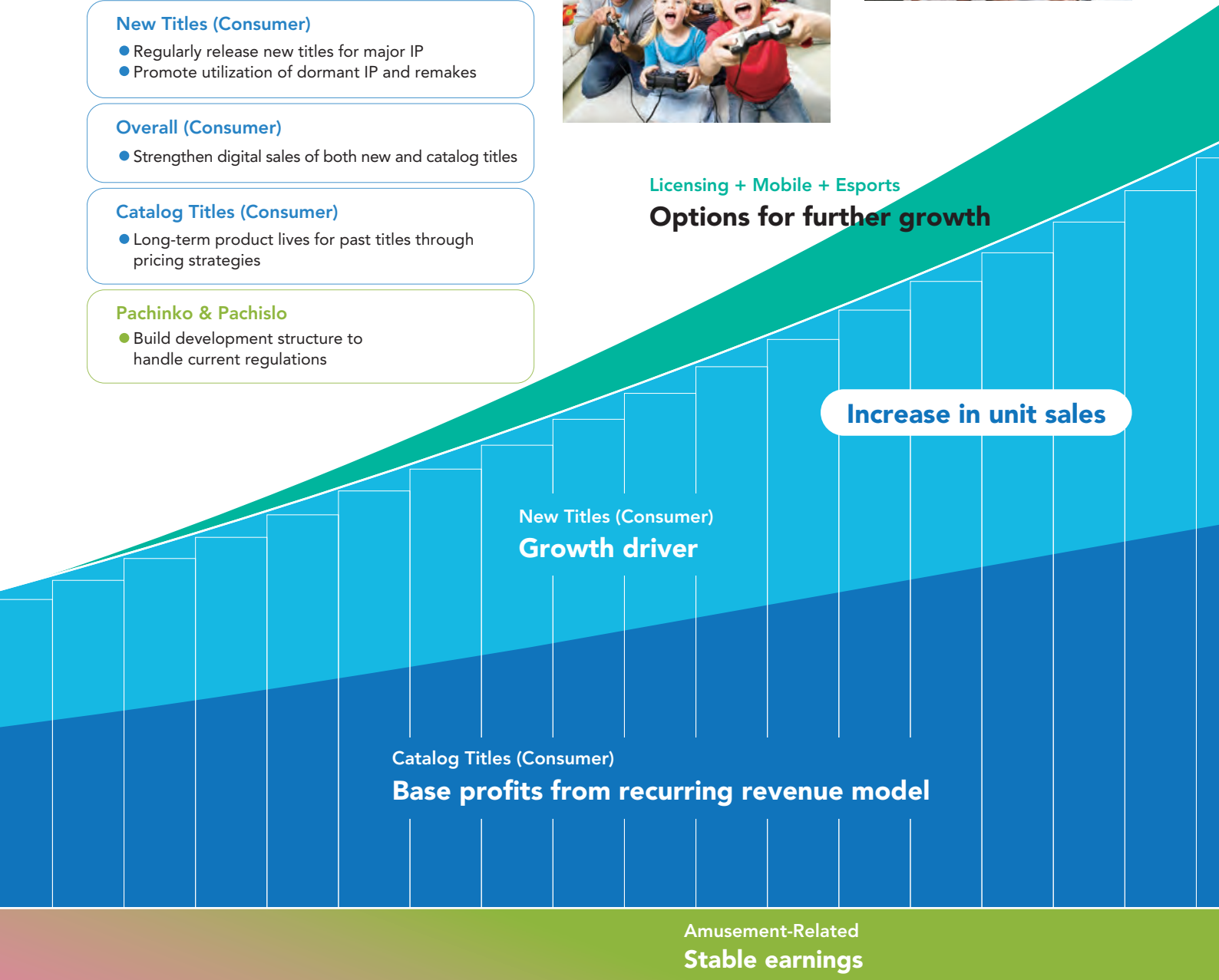
#### Pachinko & Pachislo

- Build development structure to handle current regulations



Licensing + Mobile + Esports

### Options for further growth



Long-term

Period

# 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.

1

### Corporate philosophy and culture

Our unwavering philosophy since the company's inception

2

### Business model

Creativity and formidable IP assets

3

### Achieving our medium-term management goals

Our commitment to stable growth in a hit-driven industry

4

### Management strategy

Development and marketing strategy enabling stable growth

5

### ESG

Initiatives geared toward sustainable growth

**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.

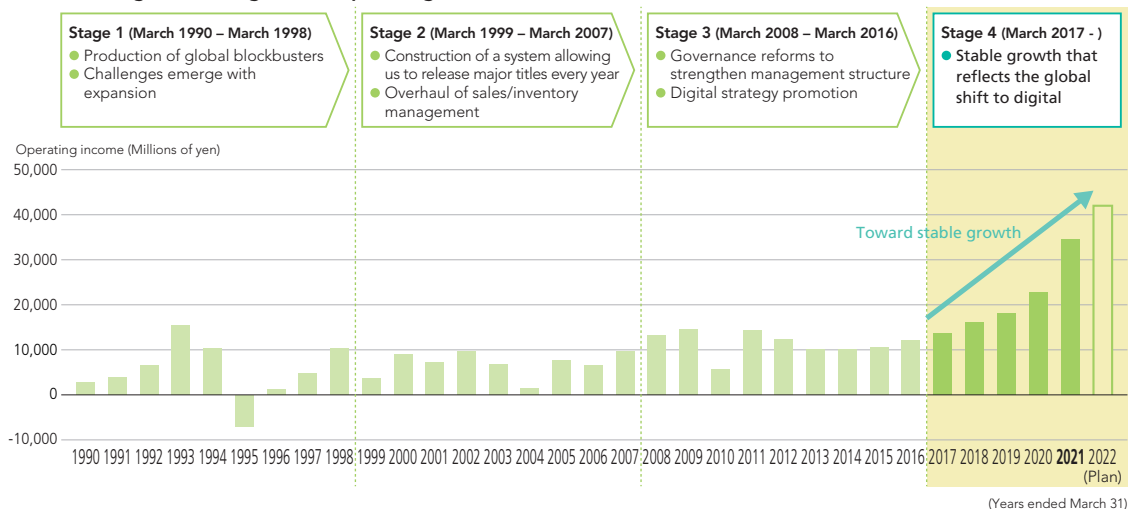
## 3. Medium term growth phases

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)

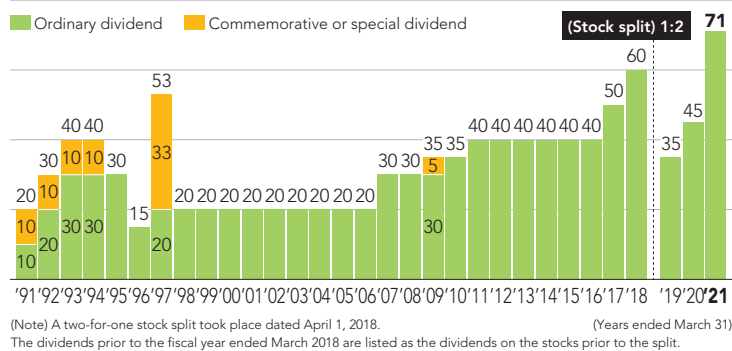


Diagram 4

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)

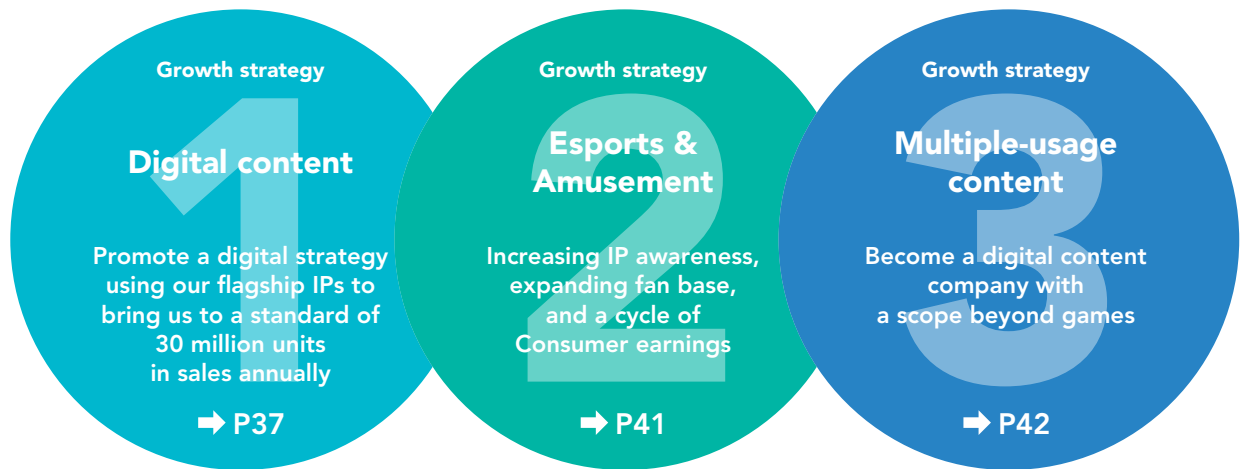
# COO

## GROWTH STRATEGY

Haruhiro  
Tsujimoto

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.

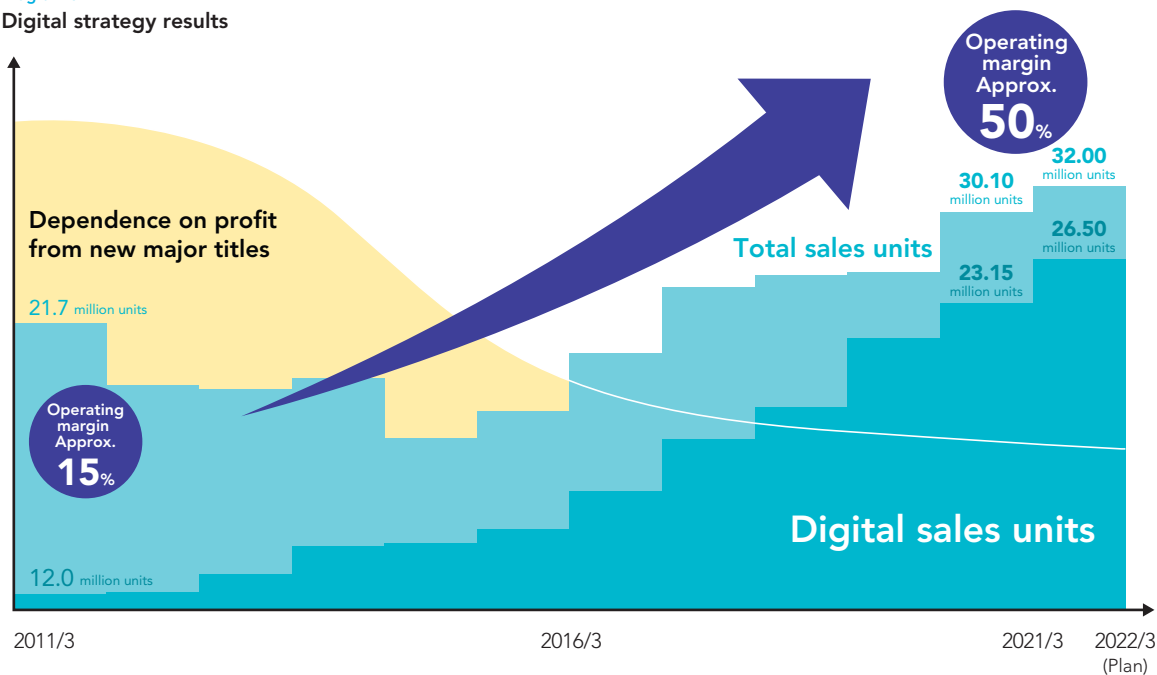
Since the mid-2010's, we have adopted a digital strategy as we work to achieve our medium-term goal, and by maximizing use of the Internet as a sales channel, we are strengthening global long-term sales of game software. In recent years, the sales data we have accumulated has helped us predict trends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

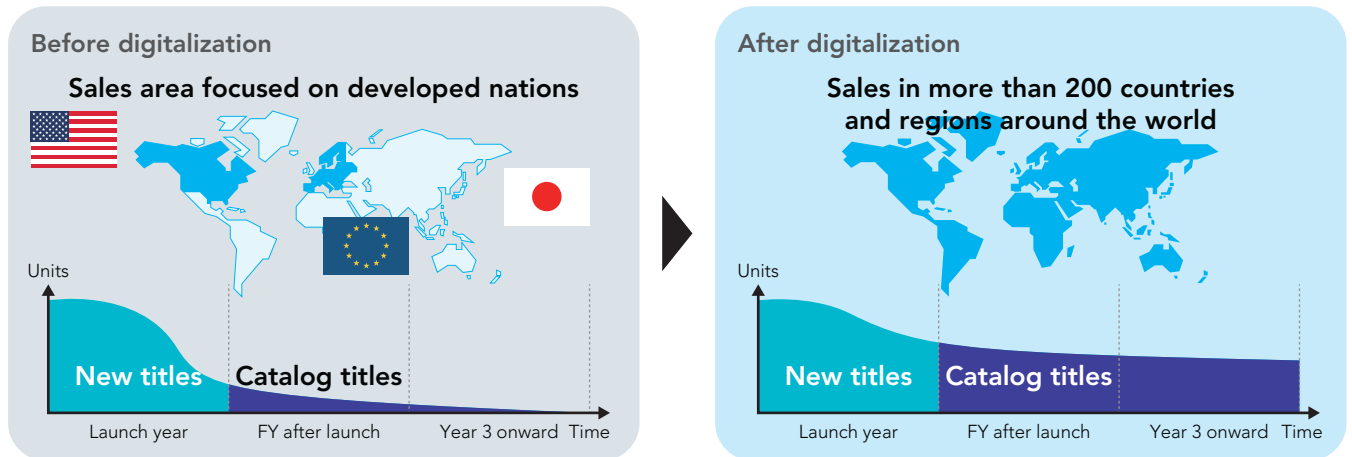
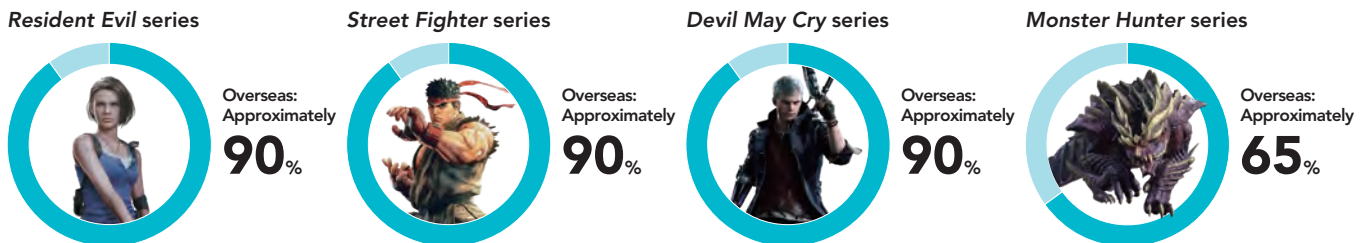


Diagram 7

## 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

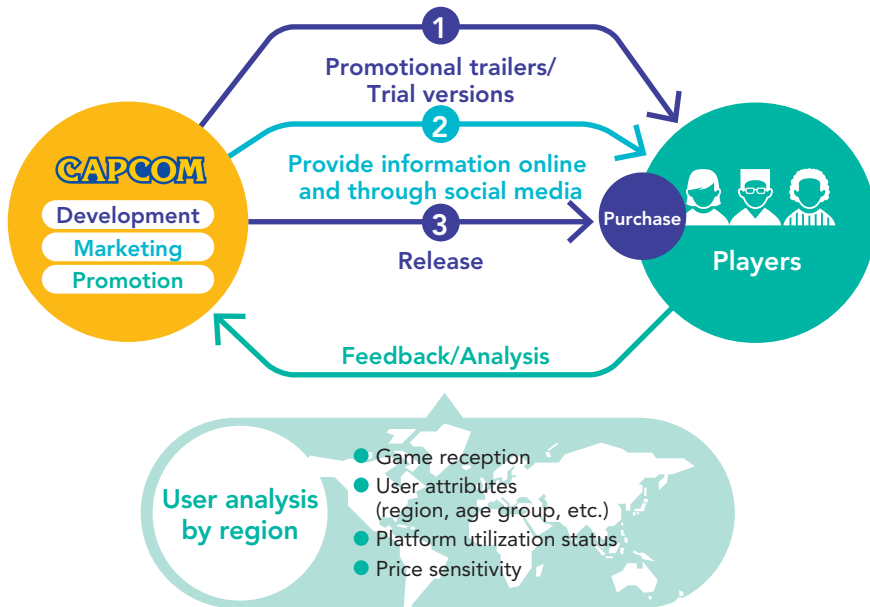


Diagram 9  
A closer look at *Monster Hunter Rise*

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.

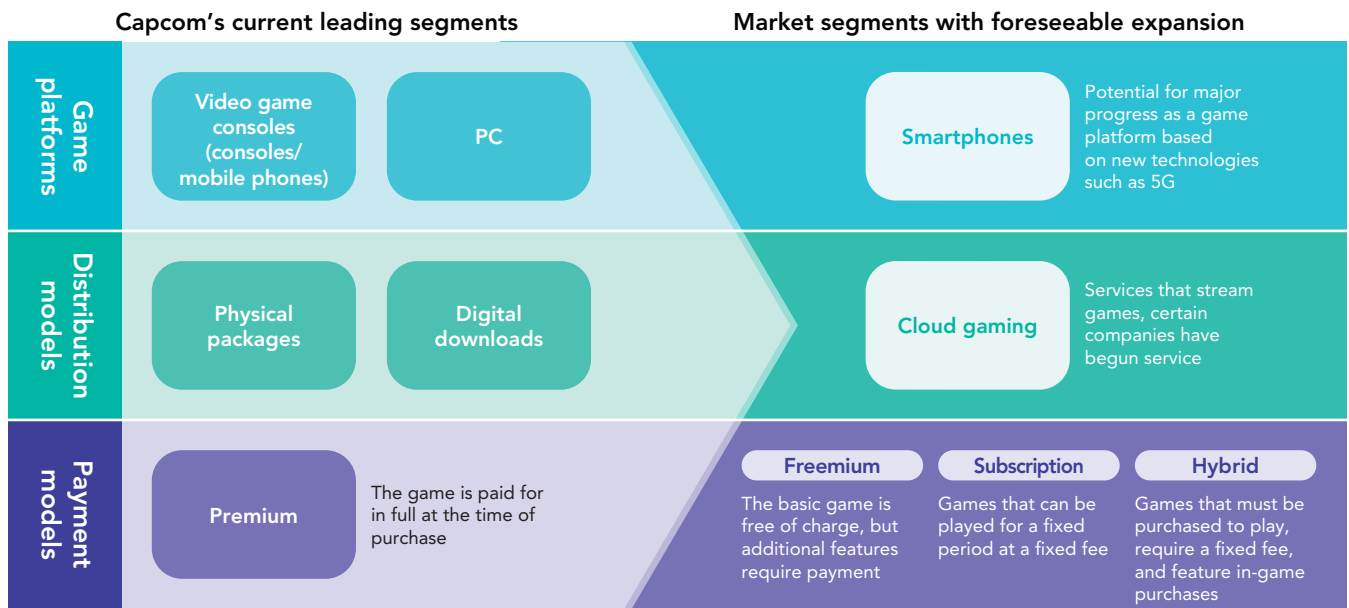
Another positive example is the long-term sales of *MH:W*. More than three years have passed since its release in January 2018, but as a result of maintaining sales while gradually lowering the price, its cumulative sales volume has exceeded 17 million units; more than half of which were sold in the 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

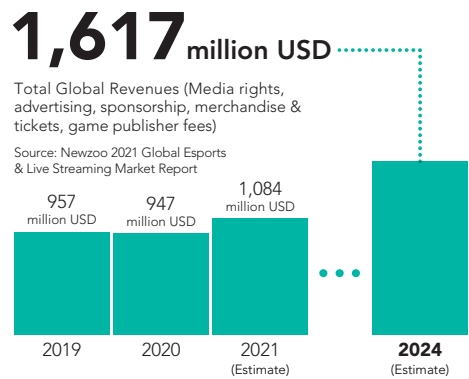


Diagram 12

## 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

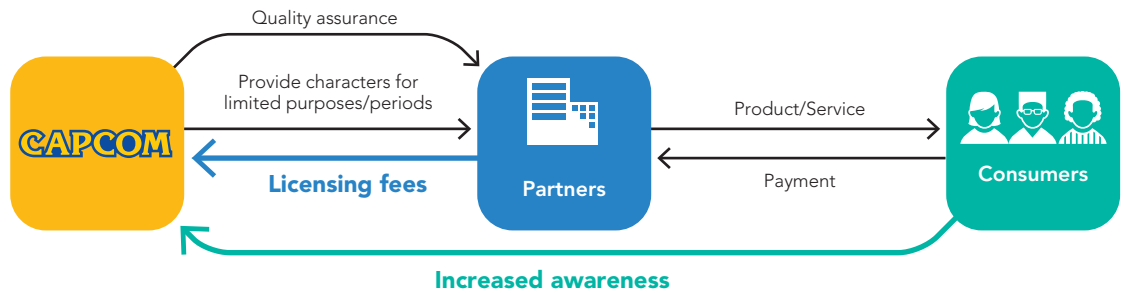
The COVID-19 pandemic has forced us to reconsider the safety of players and spectators, and therefore the format of how we had planned to hold many of the live events this fiscal year changed. On the other hand, the fact that holding tournaments online is a

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 &amp; 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

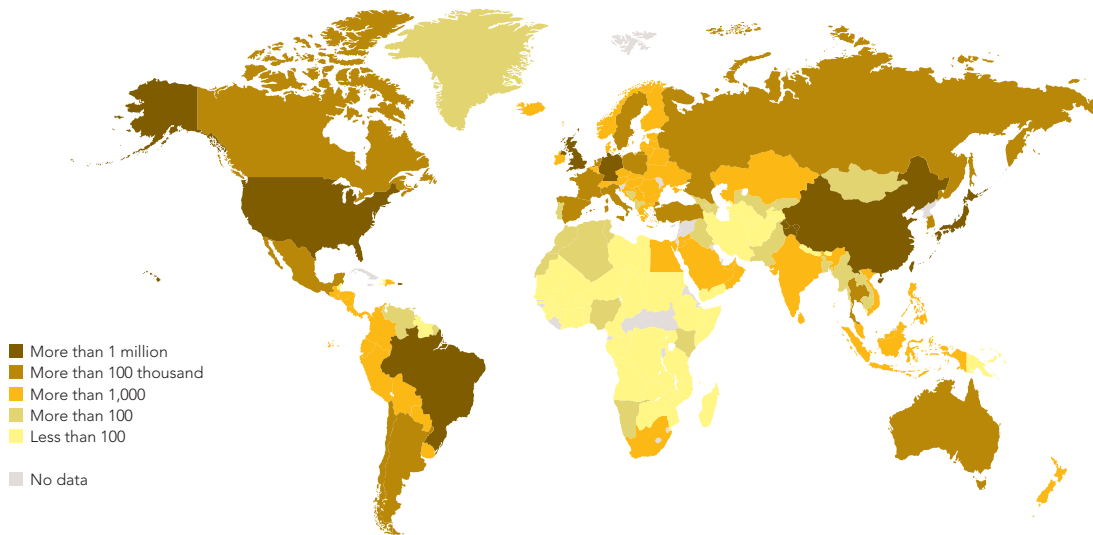
Director, Executive Corporate Officer and Chief Financial Officer (CFO)



### 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

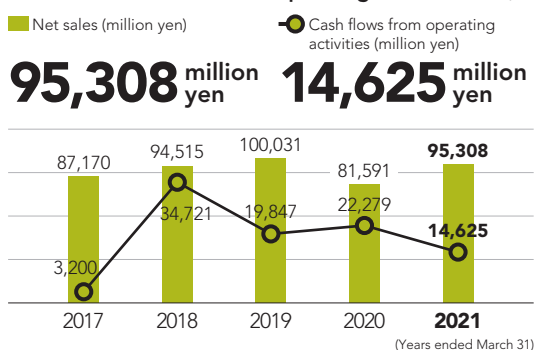
and technology, we have become more efficient, which serves the function of absorbing increases in cost. In the last few years in particular, progress and cost management methods have evolved in development, along with a system that allows us to identify the problems and issues that arise in content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

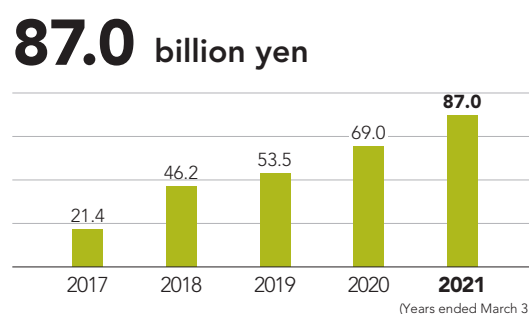
deposits balance of 100 billion yen. This is based on our aim to secure approximately three times the amount of our annual development investment. As the nature of our business is creating hits, we are constantly exposed to various changes and risks. Our desire to secure three years of development funds 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.

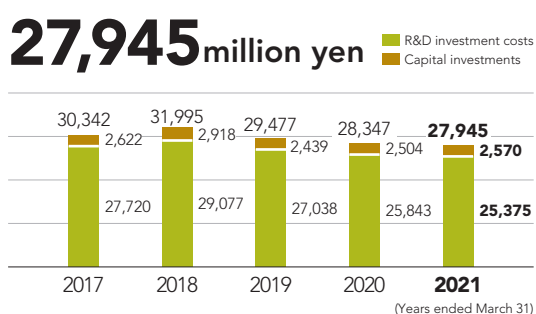
In addition, as one of our basic social contributions, we conduct a certain scale of philanthropic activities, and it is our intention to continue strengthening these activities into the future.

## Approach to shareholder returns accompanying corporate growth

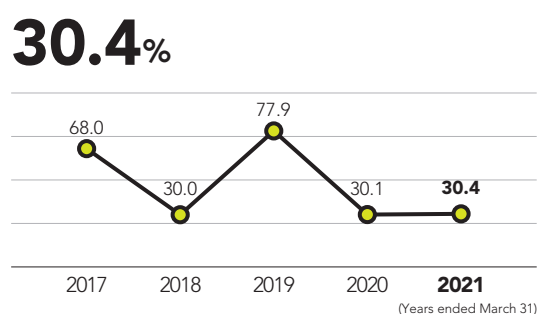
Our approach to shareholder returns remains the same. We will continue to strive for stable dividends with a basic policy of maintaining a consolidated dividend payout ratio of 30%. As of the fiscal year ended March 2021, we have achieved five consecutive years of increased dividends if you take the 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 (%)



# CREATIVE REPORT

**Generating and  
cultivating popular  
IPs  
Promoting an  
enhanced digital  
strategy**

## Yoichi Egawa

Director and Executive Corporate  
Officer in charge of Development  
Divisions and Pachinko & Pachislo  
Business Divisions of the Company

\*Background: The Foley Stage is where the various sound effects for games are recorded and produced. The diverse floor surfaces and myriad recording tools make it possible to recreate any number of scenes. Using the same techniques that are used in recent Hollywood movies, we are able to produce high quality game sound offering an even more immersive experience.



### 1 Overall development policy

As we usher in the age of cloud computing and 5G, the global trend of being able to play games anytime, anywhere is accelerating. Furthermore, with the spread of social media, anyone can be an influencer, and the formula for turning a game into a hit is also changing. In this environment, it is essential that we develop games while taking into consideration expanding online services and coordinating with marketing divisions. Meanwhile, it remains crucial that we continue to produce one-of-a-kind content that can be successful in the global market.

Capcom aims to be the world’s best game content company. It goes without saying that we are putting great effort into producing games of world-class quality, but we are also striving to create fans via ongoing services that continuously stimulate user interest with strategic digital sales and the steady release of additional content to support that quality.

On top of the know-how we have amassed thus far, looking to the future, we are challenging ourselves to create games that will pioneer the next generation of Capcom quality with visual technology that produces impactful graphics and improved network technology that supports various devices and cross-platform play.

### 2 Development strategy

Based on our medium-term goals, as the head of development, I am striving to fulfill my revenue responsibilities by allocating 80% of the development investment budget to steadily developing popular IP series such as *Resident Evil* and *Monster Hunter* for various platforms. At the same time, we are also working on creating new IPs utilizing the talent pool we have expanded through our proactive hiring efforts. Most recently, we announced the action adventure title *PRAGMATA* for the new generation of consoles, and we are making steady progress on its development. Our proprietary game development engine, RE ENGINE, is an integral part of Capcom’s content development. RE ENGINE is an outstanding game engine that not only makes it possible to develop high quality games while reducing development costs, it maximizes the performance of each piece of hardware. For example, in *Monster Hunter Rise* it enables seamless cooperative play without interruptions due to data loading. We will continue to evolve this proprietary engine while promoting Capcom’s unique approach to game creation.

Further, we will drive our customer management to understand the playing trends and preferences of users while also building a business model for online operations, taking into account the situation of our free additional DLC for titles such as *Monster Hunter Rise* and *Resident Evil Village*.

### 3 Cooperative technology approach

I believe that hit titles are not the product of chance, but that they are the result of the entire development organization’s collaborative efforts.

Game development at Capcom takes place on a large scale. One team can consist of more than 300 people. That is why we need an organization that is optimized for sharing knowledge and technology. In that respect, the division of Capcom that performs technology research, which is the foundation for title development, is the key to our success. RE ENGINE, which was created by the R&D Foundational Technology Department, made its debut with *Resident Evil 7 biohazard*, and most recently it was utilized in *Monster Hunter Rise*. These two brands are different in terms of both game characteristics and user demographics. In order to fully express the respective characteristics of each title while adapting them for multiple platforms, those in charge of technical development transcend departmental boundaries in their engagement with title development teams to provide the optimal development environment for each title. One of the biggest advantages of using a proprietary engine is that it provides an environment that allows our development team to focus on high quality game creation.

*Monster Hunter Rise*, which was developed in this environment, exceeded expectations in sales and has been well received among users. Going forward, we will continue to create high-quality titles that win over players across the globe by maximizing and evolving the use of RE ENGINE in our world-class development environment.

### 4 Training developers

The starting point for creating an interesting game is people. At Capcom, we believe game development is the development of people, so we focus a lot of effort on hiring, training, and advancing our human resources. In terms of hiring, since 2013, we have strategically hired approximately 100 developers each year, and we soon plan to have 2,500 people in our ranks of developers. Newly hired young employees are given the chance to acquire know-how and skills through hands-on experience in the field as they are assigned to the development of popular IPs and major titles. *PRAGMATA* is just one such endeavor for our young employees. I feel that incorporating the youthful sensibilities of digital natives adds a new appeal to IP. In addition, the framework we have introduced ensures that that our highly capable younger employees are supported and trained by their teams so that for the next title they work on, they can take on the role of a core member leading its overall development. In this way, we are steadily training the next generation of leadership candidates.

Development amid the COVID-19 pandemic continues to be a series of trials and errors, as it was last year, but the pursuit of something through trial and error is also the very essence of craftsmanship.

We will never give up on our commitment to create entertaining games so that even more people around the world can experience Capcom’s content.

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

(Years ended March 31)

Total unit sales		2018		2019		2020		2021 (Actual)		2022 (Plan)	
		2,440		2,530		2,550		3,010		3,200	
● <i>Monster Hunter: World</i>	790	● <i>Monster Hunter: World</i> (catalog title)	450	● <i>Monster Hunter: World: Iceborne</i>	520	● <i>Monster Hunter Rise</i>	480	● <i>Resident Evil Village</i>			
● <i>Resident Evil 7 biohazard</i> (catalog title)	160	● <i>Resident Evil 2</i>	420	● <i>Monster Hunter: World</i> (catalog title)	320	● <i>Resident Evil 3</i>	390	● <i>Monster Hunter Stories 2: Wings of Ruin</i>			
● <i>Marvel VS. Capcom: Infinite</i>	100	● <i>Devil May Cry 5</i>	210	● <i>Resident Evil 2</i> (catalog title)	240	● <i>Monster Hunter World: Iceborne</i> (catalog title)	240	● <i>Monster Hunter Rise</i> (catalog title)			



Whether solo or with friends,  
it's easy to pick up and play,  
and will leave you wanting more.  
Get ready to rise to a new  
hunting ground.

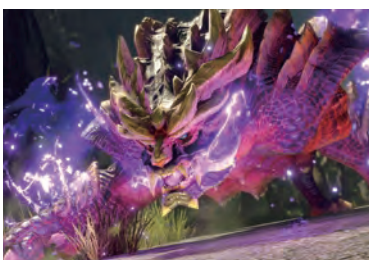
Managing Corporate Officer  
Head of Consumer Games Development Division 2

**Ryozo Tsujimoto**

He has served as the series producer since the release of *Monster Hunter Freedom 2* in 2007. As producer for the latest title, *Monster Hunter Rise*, he oversees all aspects of production.

A new "Mon-Hun," perfect for playing anywhere

The concept of *Monster Hunter*, which has not changed since the first title in the series, is an action game that can be played cooperatively with others. When it was decided that we would develop a title for Nintendo Switch, which is highly portable, it inspired a strong desire in me to create a *Monster Hunter* game that was different from the record-breaking hit *Monster Hunter: World* (MH:W herein) that also took into account the portability of the platform. Game devices that can be taken on the go require a unique tempo and an "anytime, anywhere" playing style. I decided to create an entirely new title that allowed players to effortlessly invite friends to go hunting, providing a different feel from MH:W, which was created to sit back and enjoy playing on a stationary console. Mr. Kadowaki serving as producer and Mr. Ichinose serving as director took the lead as we began development on *Monster Hunter Rise* (MHRise herein).



Balance between graphics and action achieved with RE ENGINE

In order to give the hunting action in MHRise a new feel, we made use of our proprietary development engine RE ENGINE. Based on the concept of "anytime, anywhere, effortlessly," new additions were introduced to the game, such as the Wirebug hunting actions that allows players to freely traverse over terrain and Palamutes, which are dog-like hunting Buddies that players can ride to move between the seamlessly connected locales at high speed. We were also able to achieve both the highest standard of graphics for the Nintendo Switch and a short loading time. All of these innovations are the result of our efforts to provide stress-free play even without a TV or other large screen.



I feel that RE ENGINE played a large role in our ability to achieve this new hunting experience. The development team and engine are the two pillars expanding the possibilities for expression and action in MHRise.

## ■ Sales Strategy Summary

### Pre-release strategy

Title announcement  
September 2020  
Shared information on  
social media,  
free demo released

Fully utilized online promotion



### Sales expansion strategy

Surpassed 5 million units one week after release

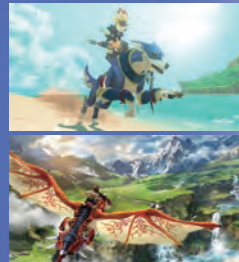
We stimulated purchase intention with offers such as pre-order bonuses, as well as special editions containing in-game items and two copies of the game to encourage users to invite their friends to play. There was ample downloadable content available from the day the game was released.



### Strategy for deep engagement

Surpassed 7 million units globally  
Collaboration with new RPG, *Monster Hunter Stories 2: Wings of Ruin*

We released a challenge quest and item pack to celebrate reaching 7 million sales. Cross-over bonus content was also developed with *Monster Hunter Stories 2: Wings of Ruin*.



### Future strategy

PC version to be released in early 2022!  
Aiming to increase fans worldwide

In response to the needs of users who want to play on PC, we are currently developing the PC version utilizing the RE ENGINE.



### Digital promotion

#### • Free demo release

1<sup>st</sup> demo January 8 / 2<sup>nd</sup> demo March 12  
Released a free demo featuring both single and multi-player

#### • Social media promotion

We could not hold live events due to the COVID-19 pandemic, so we recorded one, localized it, and broadcast it around the world simultaneously. We communicated large volumes of information using social media.

#### • Special programs broadcast directly prior to release

Special programs were broadcast live simultaneously around the world on YouTube. Domestically, Japanese celebrities appeared as guests in special live broadcasts.

#### • Capcom Collabs

- Collab 1 June *Monster Hunter Stories 2: Wings of Ruin* collaboration
- Collab 2 July *Okami* collaboration
- Collab 3 August *Street Fighter* collaboration

#### • Collaboration with Izu Islands in July

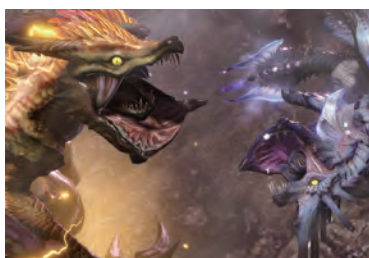
Monster Hunter R-Izu and Monster Hunter Stor-Izu 2: Wings of Ruin online stamp rally promotion

#### • Playable demos of the PC version scheduled to be at Tokyo Game Show 2021 Online

## The joys of hunting—now and in the future

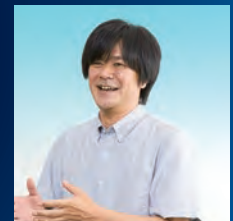
Development was a series of challenges made even more difficult by the COVID-19 pandemic, but our team members overcame these obstacles and took great pride in developing this title. The staff members who will be responsible for the next title are making steady strides in their training. I am also happy to see synergistic effects, like users who enjoyed *MHRise* now purchasing *MH:W*.

The series has now grown into a brand that has sold a total of 75 million units (as of June 30, 2021), but we are not yet satisfied. There are still people out in the world who are unfamiliar with “Mon-Hun,” and there is still plenty of room for further expansion in game development. New ways of playing games and new environments to play them in await. We will continue striving to create a Monster Hunter Craze throughout the world that will continue to rage 10 and 20 years down the line.



## Akihito Kadowaki

Producer, Management Department  
Consumer Games  
Development Division 2



Oversaw production on *Marvel Vs. Capcom 3* and *Sengoku BASARA 4*. He became a member of the *Monster Hunter* development team on *Monster Hunter Generations* and now serves as a producer on this title.

The latest title in the series, *MHRise* was announced for Nintendo Switch in September 2020, along with the release date, price, and purchase bonuses, with preorders kicking off as well. Unlike traditional title announcements, our strategy was to announce all of the information relevant to players right from the start to grab the interest of as many people as possible. We then focused on increasing the frequency of user interactions with game information simultaneously worldwide by using social media to share game elements in videos and images spread over several posts. We continued to stir interest among users by releasing two free demos online that allowed cooperative play prior to launch. As we aim to acquire fans globally, we will continue honing our operational know-how with downloadable content, such as event quests, even after the game’s release and transform *MHRise* into a new pillar for the series.

# MHRise brings authentic hunting action



## DIRECTOR

Yasunori Ichinose

Management Section 1, Management Department  
Consumer Games Development Division 2

**I want each and every user to have more fun playing "Mon-Hun" than they ever imagined**

When I heard from the producer, Ryoza Tsujimoto, that he wanted to position the new title different from *MH:W*, I started to think about how to establish *MHRise* as a new brand. The answer we came up with was an action-oriented hunting game developed for the Nintendo Switch. Using our in-house game development engine, RE ENGINE, we took on the difficult challenge of strengthening the action aspects with seamless locales while maintaining the quality of the visuals. This hunting environment is the first Japanese-themed world since *Monster Hunter Portable 3rd*. We created the game to incorporate new characters featuring more in-depth characterizations and new elements, such as the Wirebug and Palamutes, while also developing carefully selected quests to satisfy even those players with a limited amount of time to play. We will continue to provide players with moments they can truly enjoy. I think you will love it.



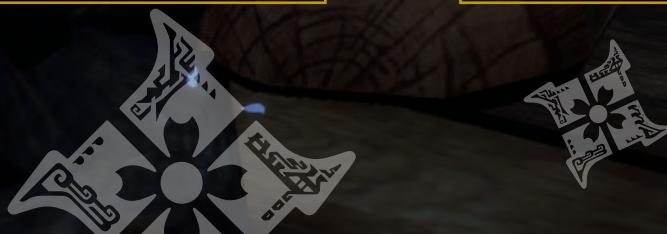
## PROGRAMMER

Kotaro Miyabe

Engine Development Section  
R&D Foundational Technology Department  
Technical Research Division

**Wowing players with just how far we can push the portable game console experience!**

The decision was made to develop *MHRise* using RE ENGINE, and I participated on the title's development team as an RE ENGINE engineer. I connected the creators with the technical department in charge of engine development, and our mission was to achieve both stable performance on the Nintendo Switch and the highest quality possible. I was mainly in charge of selecting and implementing graphics technology and optimizing the overall performance of the game. It was a real challenge to make online cooperative play among a maximum of four players, four Buddies, three large monsters, and numerous smaller monsters and environmental creatures all operate on a seamless locale. On top of that, we devised ways to leverage the hardware to its limits in order to provide a satisfying game experience with beautiful visuals and short loading times. It was my great honor as an engineer, to be able to focus on the seemingly unexciting aspects that underpin this game.



# infused with Capcom's DNA to the world

## SALES STRATEGY

Ayaka Segami

Consumer Games Sales Strategy Team 2  
Sales Strategy Section, Marketing Strategy Department

**Now a global brand, "Mon-Hun" has turned the digital shift into an opportunity to reach fans worldwide**

With the pandemic limiting our ability to go out, I want as many people as possible to enjoy playing *MHRise*. With that desire in mind, we developed the strategic proposals and formulated a roadmap that would provide the framework for promotions and sales, in addition to coordinating with each country. As 80% of sales of the previous title, *MH:W*, came from overseas, the global market was key in our strategy. We did our best to ensure a promotion where everyone would win, not only in Japan, but globally. As all live events had to be cancelled, the entire promotion immediately shifted to digital. It was difficult to coordinate each measure while incorporating the demands from each country and region, such as release times and languages, but we worked in close cooperation with the leads in each area as we progressed. Globally we worked together as one, and we were overcome with joy when we succeeded in selling more than 5 million units in the first week after the game was released. Our team will continue working together to expand globally.

## PUBLIC RELATIONS

Hana Yajima

Interactive PR Team  
Marketing PR Department

**Using Instagram to convey the development team's passion and allure of the game with the goal of acquiring new fans**

The mission of the Interactive PR Team was to increase awareness of *MHRise* by conducting PR activities using publicity tools such as social media for communicating information and the internet to broadcast online programs. My job in particular was setting up and running an official Instagram account. Young people and women are the largest segments on Instagram, and our goal was to tap into new target demographics. I actively exchanged opinions with the development team and posted the most up-to-date information as it was happening. Every Friday, we posted cute illustrations of the Buddies and comments to arouse interest in users, striving to attract new *MHRise* fans. I'm grateful of the corporate culture that allowed me to be in charge of the game's social media in my first year of employment, and I hope to grow along with *MHRise* as it spreads its wings and soars around the world.



# Human resources strategy and our propriety program training the people who will lead Capcom's future

Bolstering development personnel

Top core members

Repeated achievements

Core members

Selected to direct rereleases or other titles

Mid-career and younger employees (core member training)

Training programs    Support from more senior members

New graduates

The world's most entertaining games



Bolstered title lineup

## Outfitting our development environment

Enhancing our development studios

Concentrate development divisions, increase mobility and leadership

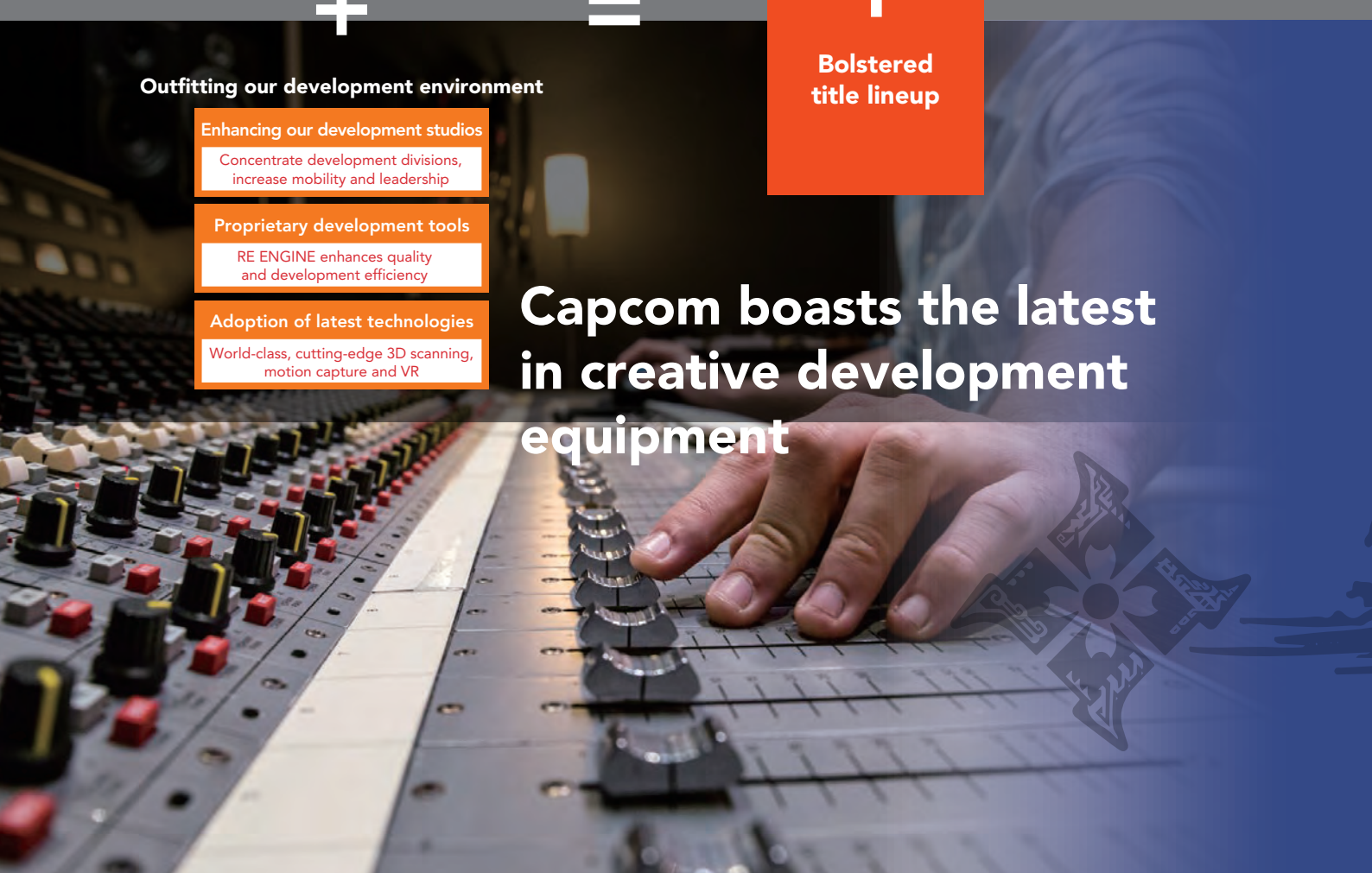
Proprietary development tools

RE ENGINE enhances quality and development efficiency

Adoption of latest technologies

World-class, cutting-edge 3D scanning, motion capture and VR

# Capcom boasts the latest in creative development equipment





## Keiko Ichikawa

Senior Manager of HR Development Section  
Human Resources Department,  
Administration Division

### Aiming for stable growth with a staff of 2,500

The path Capcom has chosen to ensure stable growth into the future is consolidating game development technology and knowledge within the company and steadily passing Capcom's DNA to the next generation. There are some titles that are developed by smaller sized teams, but these days hundreds of people are needed during the peak development of a major title. We are actively hiring and training human resources ourselves. By doing so, we are able to improve quality and expand our lineup in addition to making games even more interesting by incorporating the sensibilities of the younger generation in each title. That is the aim of our human resources strategy to create a development team 2,500 people strong.

### Three human resource development policies to strengthen employee capabilities

Our three human resource policies are early development of talent, putting the right person in the right place, and self-learning.

First, regarding early development of talent, when we hire new graduates, upon joining the company they attend a short-term concentrated program based on their job type, and we teach them specialized skills to develop talent early. Later, they are assigned to actual projects, and under the guidance of those in charge of training, they develop their skills and individuality by experiencing Capcom's craftsmanship firsthand.

Next, our policy to put the right person in the right place is an effort to strengthen the training of managers so that they can manage human resources appropriately while we make efforts to centralize and analyze personnel information to be used in human resource development and strive to ensure strategic talent management.

And finally, the most important policy is self-learning. We propose and implement human resources training measures based on an approach which holds that people cannot grow on the basis of coercion from others, but rather only through their own aspirations. This is embodied by our Virtual Muchaburi Dojo (roughly meaning, "virtual audacious training ground"), which is a program for training mid-level development personnel. This hands-on

educational program was developed jointly by the human resources and development departments that clearly defines the thinking and behavioral characteristics common to model employees and allows participants to experience simulated situations that mimic development situations. The goal is for participants to gain awareness autonomously through this program. It has been well-received among participants who have said that the level design is wonderful and that they were completely engrossed and enjoyed it immensely. Our unique program encourages autonomous learning while honing awareness.

### Transforming employee insight into customer delight, all around the world!

"I want to devote my life to the pursuit of fun." Capcom is looking for people with such ambitions. I am happy to say that we are receiving an increasing number of applications from students who specialized in AI, networks, data analysis, and other areas essential to next-generation game development in their studies. We have high expectations that they will make Capcom's craftsmanship even more robust.

Capcom has the potential to be the best game company in the world. We can turn the insights of each of our employees into pure joy for players across the world! The human resources department will do everything we can to support our employees and provide a place where they can shine.



### World-class 3D scanner and motion capture capable of reproducing realistic movement

Our 3D scanning studio is one of the world's largest equipped with approximately 130 cameras. Photographing objects from 360°, enables us to scan them as 3D objects. This significantly shortens the CG modeling process and allows to pursue an even higher level of precision and quality.

We have built one of the largest motion capture studios in Japan, boasting a 7-meter-high ceiling, which is equipped with infrared cameras to detect and film humans performing and then converts the footage into computer data. This enables us to pursue action that incorporates different heights and other realistic movements of characters.



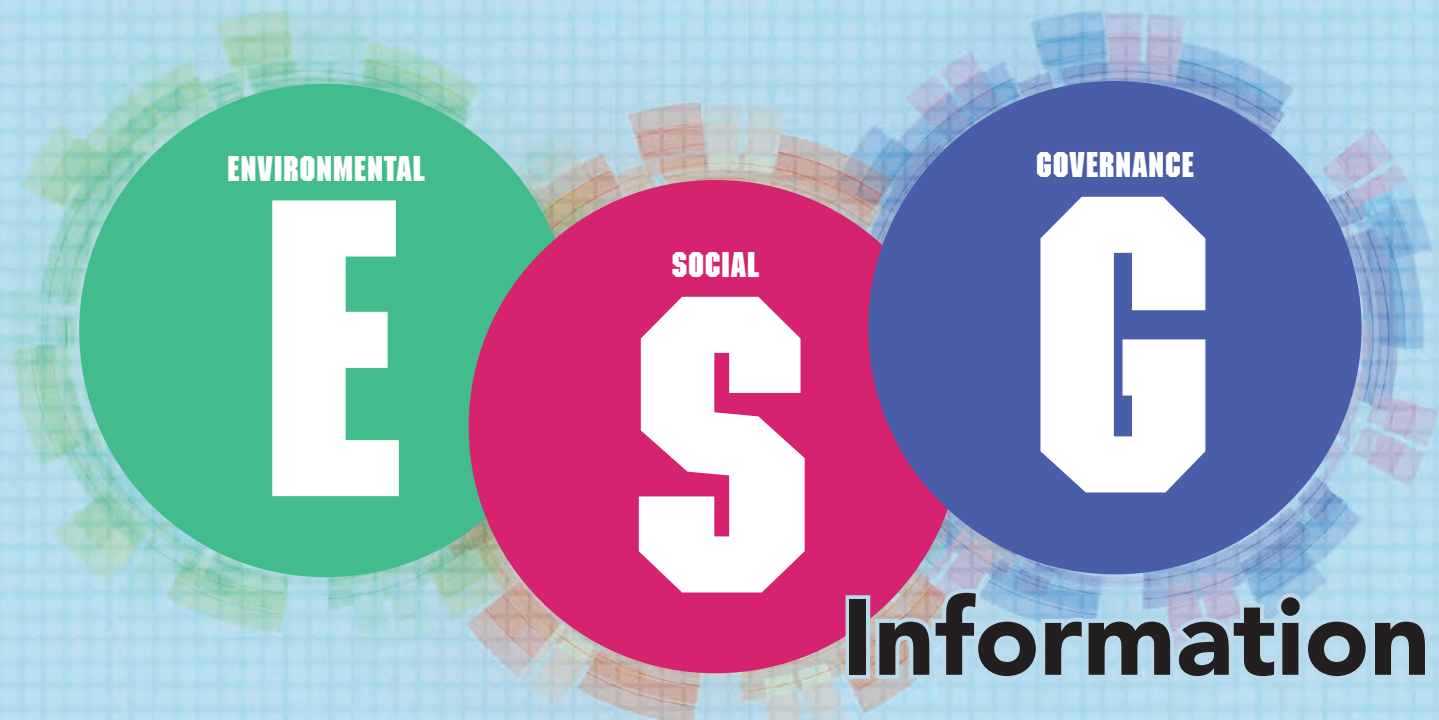
### Dynamic Mixing Stage, a 3D sound booth recreating reality!

We use a cutting-edge Dolby Atmos system, which can also be found in movie theaters, and which uses binaural technology capable of reproducing sounds with such reality you feel as if you are right there. It also supports aural changes that are happening in real-time and can reproduce any sound or voice from the front or back, or left or right sides, enhancing visual experiences with more realistic acoustics.



### Capcom's continuously evolving propriety development engine, RE ENGINE




It not only enables expressions that appear to be live action, but it is also compatible with the latest technologies, such as VR. In addition, it has dramatically reduced the time required for each process in game development. Another advantage of our proprietary development engine manufactured in-house is that we are able to constantly evolve its specifications with the cooperation of the game development team. It is an important element in the foundation of our ability to achieve world-class quality.



Capcom is building a better relationship with society by focusing on our stakeholders and making social contributions through our business

ESG Initiatives and Future Challenges

◆ Material Issues **Green** : Securing and Training Human Resources **Pink** : Promoting Diversity  
**Blue** : Developing Healthy Relationships **Purple** Enhancing Corporate Governance

Initiatives	Contribution to Business/Management	Future Challenges
 <ul style="list-style-type: none"> <li>● Reduced CO2 emissions by switching to LED lighting</li> <li>● Constructed new environmentally-friendly buildings</li> <li>● Reduced exhaust gas and resources used via distribution network sharing with other companies in the industry</li> <li>● Reduced paper resources used through the digitization of instruction manuals</li> <li>● Reduced resources consumed through the promotion of digital sales</li> </ul>	<ul style="list-style-type: none"> <li>● Reduced costs (used less electricity, cut distribution costs)</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing energy conservation at existing buildings through renovation</li> <li>● Further conserving energy in amusement facility operations</li> </ul>
 <p><b>Relationship with Employees</b></p> <ul style="list-style-type: none"> <li>● <b>Actively employed non-Japanese citizens</b></li> <li>● <b>Improved the ratio of women in management positions</b></li> <li>● Held Health and Safety Committee meetings</li> <li>● Implemented staff training</li> <li>● Implemented discretionary work system</li> <li>● Implemented working from home</li> </ul> <p><b>Relationship with Customers</b></p> <ul style="list-style-type: none"> <li>● Compliance with the CERO ratings system</li> <li>● Formulated guidelines with industry groups</li> <li>● Supported community building by promoting the spread of esports</li> <li>● Monetized without high-pressure microtransactions</li> </ul> <p><b>Relationship with the Regional Community</b></p> <ul style="list-style-type: none"> <li>● <b>Welcomed children participating in Company Visits to our offices / held Guest Lectures at schools</b></li> <li>● Developed online educational support activities</li> <li>● Leveraged Capcom content in regional revitalization efforts</li> <li>● Supported senior citizen community formation with video game arcade tours</li> <li>● Donated to various support organizations</li> </ul>	<ul style="list-style-type: none"> <li>● Expanded global reach through game development based on a diverse set of values</li> <li>● <b>Acquired competent creators</b></li> <li>● <b>Improved creator productivity</b></li> <li>● Fostered a commitment to legal compliance</li> </ul> <ul style="list-style-type: none"> <li>● Improved customer satisfaction by creating stress-free environments for play</li> <li>● Reduced social risks posed by games</li> </ul> <ul style="list-style-type: none"> <li>● Expanded profit opportunities by improving company and IP name recognition</li> <li>● Promoted understanding of the Capcom approach to business</li> <li>● Expanded revenue opportunities in step with larger percentage of populations gaining access to entertainment options following the stabilization of social environments</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing the percentage of women in management positions</li> <li>● Enhancing employment of a global workforce</li> </ul> <ul style="list-style-type: none"> <li>● Education of users, consumer groups, government entities, etc.</li> </ul> <ul style="list-style-type: none"> <li>● Further promotion of regional revitalization using Capcom content</li> </ul>
 <ul style="list-style-type: none"> <li>● Increased dialogue with shareholders</li> <li>● Transitioned to a company with an audit and supervisory committee</li> <li>● <b>Raised the ratio of external directors</b></li> <li>● Established the Nomination and Remuneration Committee (voluntary)</li> <li>● Established the Information Technology Security Oversight Committee for ongoing enhancement of information security</li> </ul>	<ul style="list-style-type: none"> <li>● Evaluated proper corporate value on both financial and non-financial bases</li> <li>● Avoided managerial decision-making risk through better management monitoring</li> <li>● Ensured the appropriateness of growth strategies by having the Board of Directors consider a range of views</li> <li>● Perpetuated the founder's business know-how</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing the number of opportunities for persons in charge of development to converse with the market</li> <li>● The effective operation of the audit and supervisory committee system</li> <li>● Board of Directors effectiveness assessments and their utilization</li> <li>● Review the composition of the Board of Directors</li> <li>● Setting developer compensation in consideration of medium- to long-term sustainable growth</li> </ul>

→ Please refer to "ESG Highlights" on pages 13-14 for details on the KPI for material issues



### Environmental Action as an Entertainment Company

Capcom's Digital Contents business accounts for approximately 80% of the Group's consolidated net sales and primarily entails the development and sale of software. This gives Capcom an environmental impact that is lower than the general manufacturing industry. Because our environmental impact comes largely from the power used at amusement facilities and for manufacturing pachislo machines, as well as from distributing our products, we are focused on saving energy.

### Reducing Power Usage

#### Reducing CO<sub>2</sub> emissions by promoting energy saving measures companywide

Capcom has worked to cut power usage through efforts that include ongoing power saving at all of its places of business, saving energy at its amusement facilities, and implementing peak shifting for the power used by PCs and other electrical equipment. The fiscal year ended March 2017 saw our CO<sub>2</sub> emissions increase compared to the previous fiscal year due to the construction of the R&D Building #2 and Capcom Technical Center. However, in the fiscal year ended March 2021, we succeeded in reducing emissions by 9.5% compared to the previous year by introducing energy-saving equipment at those facilities and promoting the switch to LED lighting at each workplace.

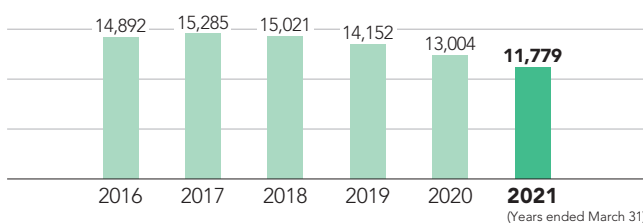


Promoted energy-saving initiatives, including switching to LED lighting at each workplace

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

#### Capcom's CO<sub>2</sub> Emissions (Non-consolidated) (t)

# 11,779 t



### Rated "S Class" six years in a row by the Business Operator Class-Based Assessment System

Every year Capcom has achieved year-on-year reductions to its energy intensity. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for six years running under the Business Operator Class-Based Assessment System that has been administered since 2016 by the Agency for Natural Resources and Energy in accordance with the Act on Rationalizing Energy Use (Measures Pertaining to Factories).

(Non-consolidated)

FY	Energy Intensity*	Vs. Previous FY
2015	0.06193	92.9%
2016	0.06018	97.2%
2017	0.05994	99.6%
2018	0.05869	97.9%
2019	0.05583	95.1%
2020	0.05186	92.9%

\* Calculated using the method defined by the Agency for Natural Resources and Energy. The Agency for Natural Resources and Energy website: <https://www.enecho.meti.go.jp/en/>

### Innovations in Product Distribution

#### Conserving resources through digital sales of game software

In the past, games included a printed instruction manual inside the package, but in recent years, these manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 30.10 million game units' worth of paper manuals annually.

Moreover, the increasing popularity of digital sales, where games are downloaded after purchase, has made it possible to conserve resources used to produce discs, semiconductors, software packaging, and other components in addition to paper resources.

In the fiscal year ended March 2021, the resources used in the equivalent of around 23.15 million units of game software were conserved as a result of digital sales. We will continue promoting digital sales of game software with the aim of achieving effectively zero resource consumption in the future by selling solely via digital download.

#### Sharing distribution networks with other companies in the industry

Sharing distribution networks with other companies in the same industry when shipping products enables the efficient supply of products. As a result, we are able to realize reductions in packing materials, fuel and emissions. In the future, we aim to achieve further reductions by decreasing the volume of distribution through the promotion of digital sales.

## Relationship with Customers

### Development and Manufacturing Initiatives

#### Reducing the environmental impact of pachislo machines

In solidarity with the efforts of the Japan Pachislo Machine Industry Association (Nichidenkyo), Capcom manufactures and sells pachislo machines partially made from recycled parts and equipped with standardized “green devices” aimed at controlling power usage.

#### Status of disposal of used arcade game machines

Year	Amount recycled	Thermal recycling*1
2015	77.8%	22.2%
2016	77.9%	22.1%
2017	74.4%	25.6%
2018	83.7%	16.3%
2019*2	00.0%	00.0%
2020	99.77%	00.0%

\*1 Volume used as heat source for hot water, heating, etc.

\*2 Capcom switched to new cabinets in fiscal 2019, so there was no collection of used arcade game machines.

### Promoting workplace proximity

At Capcom, we encourage employees to live within five kilometers of their place of work and to commute by bicycle. As such, we have arranged company housing near our offices and built bicycle parking close to our R&D facilities. The primary goal is to promote a proper work-life balance by shortening commuting distances, but at the same time, it also helps reduce greenhouse gas emissions associated with use of transportation.



Bicycle parking

### Exploring renewable energy

In October 2020, the Japanese government pledged to be carbon neutral by 2050. The goal is to realize a carbon-free society by 2050 and effectively eliminate greenhouse gas emissions.

Realizing carbon neutrality will require the introduction of renewable energy that does not produce CO<sub>2</sub> emissions. At Capcom, we have begun looking into the introduction of renewable energy to do our part to bring about a sustainable society.

### Considerations in Game Development

#### In-game purchases

In the Japanese game market, discussions have been taking place for several years on the problem of gacha, or high-priced lottery-style game mechanics, primarily in mobile games. Overseas, gacha-like “loot boxes” have been banned in some countries.

As a creator of entertainment culture, Capcom believes that games should be enjoyed for the entertainment value they provide with gameplay, not for thrills associated with winning a lottery. We do not want to see games that are supposed to make people happy having the opposite effect as a result of excessive charges. For that reason, we are working to ensure that all users can enjoy our games fairly and safely. In principle, we minimize gacha elements in the mobile games we develop; in our home video games, we provide any content required to enjoy the full game free of charge, while offering some additional content at low cost.

#### Localization and culturalization

Capcom games are enjoyed worldwide. In the fiscal year ended March 2021, the percentage of home video games sold overseas was 80.9%. Naturally, translation (localization) of video games developed in Japanese is required so that game players around the world can enjoy them. The volume and importance of localization is increasing year after year due to factors such as improvements in game machine performance, support for online gameplay, and an increase in the number of languages accompanying a more diversified, global audience. As such, Capcom’s localization team is involved in game development from the initial stages.

By carrying out localization concurrently with development, rather than following completion of the Japanese language version as had been done in the past, Capcom is able to launch games simultaneously around the globe. What is more, depending on the country, simply translating games developed under Japanese norms can end up hurting users unexpectedly due to historical, religious, or cultural differences.

As such, we focus on employing staff from around the world to culturize the games so that they can be enjoyed by all, regardless of locale.

#### Example of culturalization



Resident Evil is known as Biohazard in Japan.

## Healthy Development of Entertainment

### Compliance with the CERO rating system and endorsement of guidelines

The Computer Entertainment Rating Organization (CERO), a Specified Nonprofit Corporation, was created to provide age-appropriate ratings for video games. Capcom complies with the CERO rating system and rules.

The rating system is an initiative for the healthy development of young people that calls for voluntary restrictions on home video game content and sales methods to limit access by young people to sexual or violent content. In addition, recent game platforms include a parental control function that enables parents to limit the online purchase and use of certain games according to their ratings.

#### Guidelines issued by the Computer Entertainment Suppliers' Association (CESA)

Name of guideline	Implementation date
Guidelines on blockchain games	Enforced July 1, 2021
Guidelines for Real Money Trade Measures	April 26, 2017
Guidelines for the Protection of Minors	December 21, 2016 Revised March 27, 2019
Operating Guidelines for Random Item Distribution in Network Games	April 27, 2016
Guidelines for Advertisements, Etc. in Home Video Game Software Targeting Only Those 18 and Over	April 1, 2008 Revised June 20, 2012
Code of Ethics Concerning Computer Entertainment Software, 2nd Revision	October 1, 2002

Please refer to CESA's website for information on its activities.  
[https://www.cesa.or.jp/index\\_e.html](https://www.cesa.or.jp/index_e.html)

### Addressing the WHO's recognition of gaming disorder

In May 2019, the World Health Organization (WHO) included gaming disorder as a new mental health condition characterized by excessive use of games to the point where it has a negative impact on health and social life. Cooperating with industry organizations such as the Computer Entertainment Supplier's Association, we are taking the appropriate steps to raise awareness of the issue in response to social demand. As an independent effort, we will continue to educate elementary and junior high school students on how to interact with games in a healthy manner through our educational support program.

➔ For details see p. 61

### Addressing addiction to pachinko and pachislo

Pachinko and pachislo are a form of entertainment that has taken root in society. At the same time, however, there is concern over players becoming addicted. For that reason, the Recovery Support Network (RSN), a pachinko addiction consultation hotline, was established in 2006 with the support of industry organizations. In addition to the launch of this free phone-based consultation service, various measures were implemented in the industry to prevent addiction. These measures included putting up posters at all locations nationwide to raise awareness of RSN, establishing a system in which pachinko and pachislo advisors (specialist staff) are stationed at each location to provide customers with appropriate information on addiction, and preparing guidelines for addressing addiction at pachinko parlors. In 2017, the Pachinko and Pachislo Industry Association for the 21st Century, which consists of 13 organizations from the amusement industry, announced the "Declaration on Pachinko and Pachislo Addiction," strengthening measures to address pachinko and pachislo addiction and declaring it as a top priority. In May 2021, the association played a central role in holding online forums on the "Special Website for the Issue of Pachinko and Pachislo Addiction," which provides an overview of addiction and information on industry initiatives. The website has rolled out various educational activities.

In fiscal 2019, the "Basic Guidelines for Measures to Address Pachinko Addiction" and the "Pachinko and Pachislo Industry Guidelines for Measures to Address Addiction" were established based on the government's Basic Plan for Promoting Measures to Address Gambling and Other Addictions.

Capcom endorses and cooperates with these initiatives to contribute to healthy development of the industry.

## Support for Community-building among Senior Citizens

### Holding regular amusement arcade tours

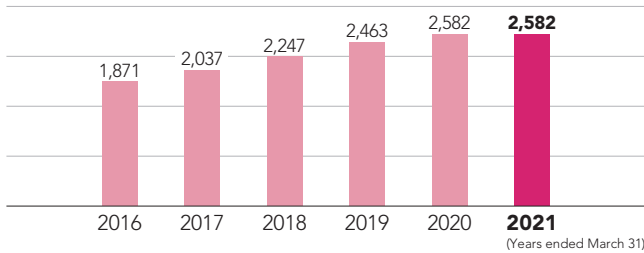
Today, amusement facilities are becoming increasingly popular among senior citizens as spaces for communication with friends and facility staff. Since 2012, Capcom has held amusement arcade tours free of charge on long public holidays and Respect-for-the-Aged Day for senior citizens where they can try out coin-operated games and crane games, enabling more people to make use of such facilities.

\* The tours were suspended in fiscal 2020 to help prevent the spread of COVID-19.

In addition, as part of efforts to create arcades where senior citizens can comfortably enjoy themselves, since 2012 Capcom has encouraged arcade staff to get the Service Assistant certification. Currently, 24 staff members have received this certification.

Cumulative number of participants in senior tours

**2,582**



\* The tours were suspended in fiscal 2020 to help prevent the spread of COVID-19.



Senior tours

**Enhancing Customer Support**

**User support and utilizing feedback**

At Capcom, we have dedicated support teams for each product to ensure that customers can fully enjoy the services they purchase.

We also strive to quickly respond to customer questions by providing online FAQ pages, while each person in charge regularly engages in information exchanges with other teams, working to improve customer satisfaction.

The questions and feedback our game support teams receive are condensed and analyzed to be incorporated in development of new products.

→Inquiries  
[https://www.capcom.co.jp/support/index\\_game.html](https://www.capcom.co.jp/support/index_game.html) (Japanese only)

**Protecting the personal information of our customers**

Capcom has more than 10 million records containing personal information on customers, accumulated from site memberships, prize deliveries, product purchases, and other sources. In 2015, the Japanese Act on the Protection of Personal Information was revised, and the revisions went into full effect on May 30, 2017.

Meanwhile, overseas, the EU General Data Protection Regulation (GDPR) went into effect in May 2018. The data of game players falls under the category of personal information in these laws, and the scope is expanding each year.

Under these circumstances, we established our new Information Management Department in April 2019 to enhance

our information management structure and address the requirements of the Japanese Act on the Protection of Personal Information and the GDPR. This department is leading our efforts to address the risk of personal information leaks by developing a system of conduct guidelines, operational controls, and audits in accordance with the law.

In response to the unauthorized access of Capcom’s network in 2020, improvements were made to the security system to prevent recurrence. Additionally, the Information Technology Security Oversight Committee, which includes multiple outside experts, was established in January 2021. It holds regular meetings with the aim of further improving information security.

**Expanding opportunities for customers to play games**

In recent years, we have been focusing on promoting esports as part of our efforts as a creator of entertainment culture.

We have the role of planning and organizing events as a game manufacturer—a role that had been largely shouldered by the player community in the past—in order to provide an environment that better allows competitors and fans to enjoy the excitement of competitions.

Since 2013, we have held Capcom Cup to determine the top players in the world. We are also working to provide amateur players with opportunities to shine, such as with the new Street Fighter League: College-JP 2019 for students, in June 2019.

Through these activities, we aim to increase points of contact with our customers and improve customer satisfaction. In fiscal 2021, we will hold Capcom Pro Tour Online 2021, a series of 32 1-on-1 tournaments carried out in 19 regions across the globe. We are also introducing a team ownership system in the Japanese esports league Street Fighter League: Pro-JP 2021, in which eight companies form original teams that participate. In these and other ways, we are expanding the scope of our activities.



Street Fighter League: Pro-JP 2020

# Relationship with Regional Communities

## Contributions to Regional Revitalization

### Utilizing the appeal and brand recognition of popular games to contribute to society

The appeal of video game content was demonstrated to the world during the opening ceremonies of the preeminent international sporting event of summer 2021 held in Tokyo when video game music was played to accompany the entrance of the athletic teams. In the same vein, Capcom is following a Single Content Multiple Usage strategy for our content, which we deploy in a wide range of fields beyond video games. As such, we are proud to have a high level of recognition and popularity among men and women, young and old alike.

Based on our corporate philosophy of making people happy through games, Capcom has been engaged in the following four regional revitalization activities not only in Osaka, where we have our head office, but across Japan, since the mid-2000s: 1) economic promotion that supports the local tourism industries; 2) cultural awareness raising that supports education concerning local history and culture; 3) crime prevention education through coordination with the police; and 4) raising awareness about voting in elections in coordination with the Committee for Election Administration.

Further, going forward we will provide support for esports activities regionally throughout Japan while looking into activities to promote regional revitalization through playing games.

### Comments from a city official



Yukihiro Ohuchi

General Affairs Division,  
Miharu Municipal Government

Miharu is an historic castle town known as the birthplace of Megohime, the daughter of Tamura Kiyooki (who was the lord of the Miharu Castle), and wife of Date Masumune, who was nicknamed *Dokuganryu*, or the One-Eyed Dragon.

We collaborated with Capcom to utilize the Felyne characters from *Monster Hunter* in a traffic safety PR campaign. The main target of the campaign was elementary and junior high school students, and the Felyne were a big hit with children and students.

Going forward, we hope to continue collaborating with Capcom, a company that values community engagement, utilizing anime and game content that appeals to young people in regional revitalization efforts.

## Supporting regional revitalization using the appeal of Capcom video game content

**Regional Revitalization Activities**

**Initiatives Across Japan**

- 経 Economic Development
- 防 Prevention Education
- 他 Other
- 文 Cultural Awareness Raising
- 選 Participation in Elections

Kyoto Prefecture: Mascot for vehicle-related theft prevention awareness

Hyogo Prefecture: Mascot for vehicle-related theft prevention awareness

Okayama Prefecture: Co-sponsorship of special museum exhibit

Wakayama Prefecture: Support for campaign to attract visitors

Kochi Prefecture: Mascot for House of Councillors election

Kochi Prefecture: Mascot for gubernatorial election

Miyagi Prefecture: Mascot for gubernatorial election

Ibaraki Prefecture: Co-sponsorship of special museum exhibit

Saitama Prefecture: Co-sponsorship of special museum exhibit

Kofu, Yamanashi Prefecture: Conclusion of comprehensive partnership agreement

2020: Kofu, Yamanashi Prefecture: Stamp rally

Ueda, Nagano Prefecture: Support for tourism event

Hamamatsu, Shizuoka Prefecture: Support for tourism promotion

Okazaki, Aichi Prefecture: Support for tourism promotion

2020: Osaka Prefecture Mascot for employment support event

Osaka Prefecture: Mascot for vehicle-related damage and theft prevention

Use in recruitment ads for cybersecurity investigators

**2020: Fukushima Prefecture Mascot for Tamura Police Station traffic safety awareness campaign**  
Production of original collaborative merchandise, including posters and reflectors

**2020: Fukushima Prefecture Plastic file folders for traffic safety awareness in Tamura area**

**2020: Osaka Prefecture Mascot for Cybercrime prevention**  
Production of posters and display of original collaborative videos on digital signs in train stations

## Relationship with Employees

### Promoting Healthy Relationships with Games

#### More than a decade of on-site classes for children in school

Games are a relatively new cultural phenomenon with little academic research, and discussions tend to focus on the detrimental effects rather than the educational aspects. Recently, recognition by WHO of gaming disorder made headlines as did the establishment of the Kagawa Prefectural Ordinance on Countermeasures for Addiction to Internet and Computer Games. However, video game creator is a popular future career choice among children, and programming and other such lessons will be made compulsory in Japanese elementary schools starting in 2020. Many private sector efforts are also underway, including opening programming academies for youth. Considering these developments, it is reasonable to expect that the number of children hoping to become game creators will increase. Additionally, smartphone use rates among young people—53.1% of elementary school students and 79.3% of junior high school students—are rising each year. Smartphone games are also gaining popularity and children are growing more familiar with games.

Given this, with a desire to promote social understanding of games, we accept visits to our offices from primarily elementary and junior high school students and conduct on-site classes at schools to promote sustainable economic growth and social development. Class programs have three sessions: Career Education introduces the work done in a game company and its challenges and rewards; Game Literacy Education helps students use their judgement to build a healthy relationship with games; and CAPCOM: Work × Mathematics shows students how mathematics—typically not a favorite subject—is used in work. These programs have been well-received with schools, and Capcom is incorporating educators’ feedback to improve them. In addition, based on prior feedback expressed by educators we launched an online program starting in fiscal 2021, which also allows us to hold classes smoothly even during the COVID-19 pandemic. We will continue to launch new initiatives to enable us to respond flexibly over a wider geographical area than before.

Altogether, Capcom has welcomed 3,355 children as part of 403 different field trips to its offices (as of March 31, 2021). Capcom has also held 174 on-site classes for 15,726 students (as of March 31, 2021) at schools such as the one held at Miharu Junior High School in Fukushima Prefecture in November 2020.

#### Impressions of the on-site classes (An excerpt of this fiscal year’s comments)

- Listening to the stories of people who do the work, such as programmers and sound creators, and observing their enthusiasm made me want to be like them when I start working in the future. (Elementary school student)
- Because it came from a game creator rather than a teacher, the lesson of how to make and interact with games really resonated with the children. (Elementary school teacher)
- (The students) seemed to recognize that they themselves were consumers and realize that on the other side of the games there are efforts being made by the game creators. (Junior high school teacher)

### Promotion of Diversity

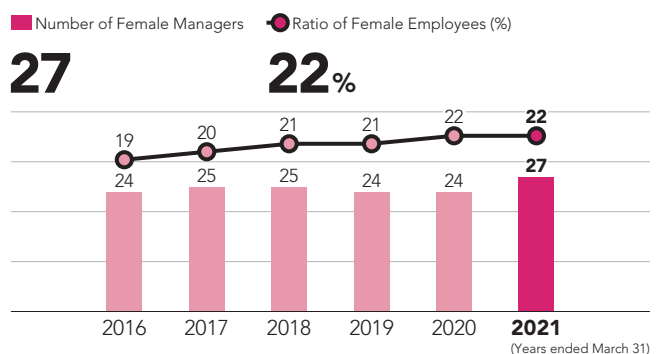
#### Initiatives aimed at promoting the improvement of the work environment for women and proactively hiring non-Japanese

Capcom is currently engaged in initiatives aimed at improving the work environment for women and proactively hiring non-Japanese.

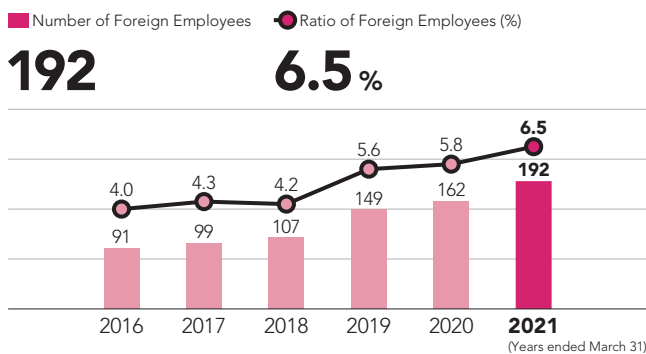
In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company. In fiscal 2020, 34 employees took childcare leave, 17 of whom were men, and 100% of eligible women took childcare leave (fiscal 2019: 23 employees, 10 of whom were men and 100% of eligible women took leave). A high percentage of women returned to work afterwards: 31 (96.9%) returned in fiscal 2020 (fiscal 2019: 27 (100%) returned). As a result, despite it being said that Japan’s gaming industry is generally dominated by men, women account for roughly 22% of Capcom’s workforce, and 27 (10.3%) of Capcom’s managers are women. In accordance with the execution of the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women’s Participation and Advancement in the Workplace, in 2019 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) developing a personnel system that contributes to diversity in work styles, and (2) having women comprise at least 15% of managers by the end of fiscal 2024. In recognition of Capcom’s efforts toward improving the workplace environment for women, since 2014 we have earned the “Kurumin” mark, the symbol of a “company supporting childcare,” from the Ministry of Health, Labour and Welfare.

In terms of the proactive employment of non-Japanese individuals, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website. We currently employ 192 non-Japanese workers (representing 6.5% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including support for career advancement and the promotion of non-Japanese individuals to management positions.

#### Number of Female Managers and Ratio of Female Employees (Capcom Co., Ltd.)



### Number and Ratio of Foreign Employees (Capcom Co., Ltd.)



#### Comments from a female employee

#### Alicia Kim

Senior Director  
Communications  
Capcom U.S.A., Inc.



I oversee the North/South American PR, social/community, and customer service teams, which are responsible for communications including those with media, fans and customers. I myself am a big fan of Capcom's games which makes it even more rewarding to see the recognition and reputation of our brands grow through our hard work. During the COVID-19 pandemic, there were restrictions in place preventing us from having regular face-to-face interactions with others including colleagues, media partners and player communities. However, by adapting our approach to use digital tools and strategies, we were able to find new ways to achieve our goals in an effective manner. As a manager, I endeavor to lead in such a way that allows team members to demonstrate their full potential by fostering a supportive atmosphere and collaborative culture.

### Providing a Pleasant Workplace

#### Promoting work-life balance

Creating entertainment culture requires that creators themselves make time for play.

At Capcom, we have established Paid Leave Promotion Days and encourage employees to take extended leave to refresh and look for new sources of inspiration during the year-end/New Year's holidays as well as during the series of holidays in May. Additionally, we have built a four-story bicycle parking facility near our development studio and encourage our employees to live within a five-kilometer radius to shorten commuting times. This saves time and living costs while giving creators the free time necessary to cultivate their creative powers and imaginations, which is essential for creative work. Moreover, we opened Capcom Juku as an on-site daycare

facility in April 2017 to provide a stable workplace environment for creators. As it is located close to work, it provides peace of mind for employees who are married or have children and has been well-received by those who have utilized it.

➔ Please refer to the information below or page 54 of the 2018 Integrated Report.

#### Supporting employees' health management

The employee cafeteria was renovated in 2015 when the new development studio was completed. Healthy meals are served for breakfast, lunch, and supper. There is also a massage room staffed by nationally-certified massage therapists at both the Tokyo and Osaka locations to support our employees in managing their health.

#### Fulfilling employee potential in a cutting-edge environment

The biggest thing when it comes to motivating developers working in a creative field such as games is access to an environment that allows them to bring their ideas to life. Capcom maintains a cutting-edge development environment that includes 3D scanners, a motion capture studio, a dynamic sound mixing stage, and a Foley stage. In this way, we support our creators in fulfilling their vision.

### Capcom Juku

#### Providing an environment for vibrant childcare combining day care and education

Given the desire to quickly improve the issue of long day care waiting lists accompanying a lack of preschools, Capcom's top management set its sights on the future, desiring to provide an environment in which employees can raise their children with peace of mind while remaining employed over the long term. We operate Capcom Juku aiming to add individual education and growth to standard day care for children.

Capcom Juku goes beyond caring for infants and preschool children and accepts a wide range of youth, including after-school kindergarten and elementary school students. This helps employees avoid the stress of not being able to find open facilities for their children. Furthermore, by offering educational support in the form of a place for learning English, eurhythmics, math, science, and other subjects, Capcom Juku joins its efforts with employees and fosters the growth of children. Currently, as of March 31, 2021, the school takes care of 19 children a month and accepts as many as 18 temporary pupils a month.

In the future, we will create a learning atmosphere at Capcom Juku that stimulates and broadens children's curiosity, while also striving for an environment where parents can work with peace of mind so that both they and their families can lead fulfilling lives.

## Directors

(As of June 23, 2021)

- Internal
- External

**Kenzo Tsujimoto**



**Haruhiro Tsujimoto**



**Toru Muranaka**



**Yutaka Mizukoshi**



**Wataru Kotani**



### Kenzo Tsujimoto

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

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

### Haruhiro Tsujimoto

**President and Chief Operating Officer (COO)**

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

### Satoshi Miyazaki

**Director  
Executive Vice President**

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

### Yoichi Egawa

**Director  
Executive Corporate Officer**

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

### Kenkichi Nomura

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

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

### Toru Muranaka

**Director External Independent Director**

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

### Yutaka Mizukoshi

**Director External Independent Director**

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

### Wataru Kotani

**Director External Independent Director**

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

### Kazushi Hirao

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

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





Satoshi Miyazaki



Yoichi Egawa



Kenkichi Nomura



Kazushi Hirao



Yoshihiko Iwasaki



Makoto Matsuo

**Yoshihiko Iwasaki**

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

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

**Makoto Matsuo**

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

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

**Directors' Skill Matrix**

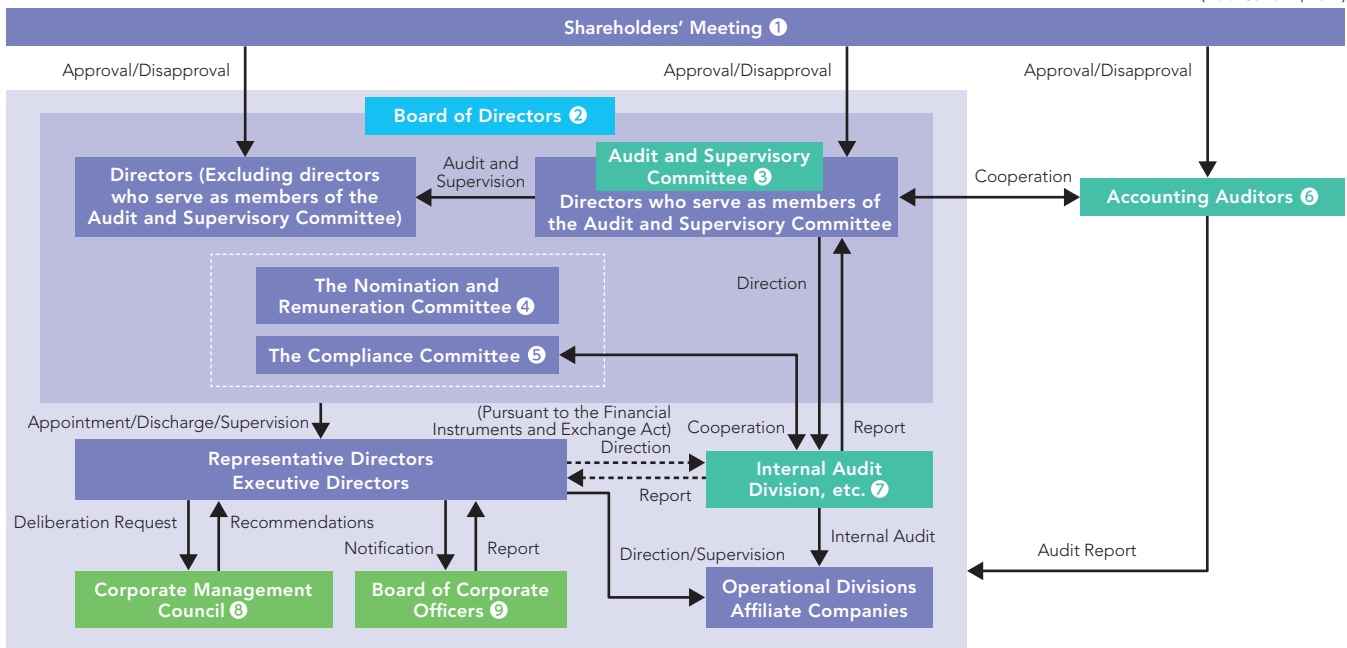
Fields Each Director is Expected to Contribute in Particular Toward Achievement of Medium-Term Growth Strategy								
	Company Management	Management Strategy	Gaming Industry	Digital Transformation/IT/Technology	R&D	Finance/Accounting/Tax	Law	Global Sensibility
Kenzo Tsujimoto	●	●	●	●				●
Haruhiro Tsujimoto	●	●	●	●	●			●
Satoshi Miyazaki	●	●				●		
Yoichi Egawa			●	●	●			●
Kenkichi Nomura		●	●	●		●	●	●
Toru Muranaka	●						●	●
Yutaka Mizukoshi	●							●
Wataru Kotani				●			●	
Kazushi Hirao		●	●			●		●
Yoshihiko Iwasaki						●		
Makoto Matsuo	●						●	●

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

# Corporate Governance Structure and Initiatives

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

(As of June 22, 2021)



Composition of Board of Directors and voluntary committees (In the year ended March 31, 2021)

Internal External

### 2 Board of Directors (10 members)

(Convened 10 times in the year ended March 31, 2021)

**Chairman**

 Kenzo Tsujimoto (Attendance: 100%)	 Haruhiro Tsujimoto (Attendance: 100%)	 Yoichi Egawa (Attendance: 100%)	 Kenkichi Nomura (Attendance: 100%)
 Masao Sato (Attendance: 100%)	 Toru Muranaka (Attendance: 90%)	 Yutaka Mizukoshi (Attendance: 100%)	

### 4 The Nomination and Remuneration Committee (five members)

(Convened 3 times in the year ended March 31, 2021)

**Chairman**

 Yoshihiko Iwasaki (Attendance: 100%)	 Kenkichi Nomura (Attendance: 100%)	 Yutaka Mizukoshi (Attendance: 100%)
 Kazushi Hirao (Attendance: 100%)	 Makoto Matsuo (Attendance: 66%)	

### 3 Audit and Supervisory Committee (three members)

(Convened 10 times in the year ended March 31, 2021)

**Chairman**

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

### 5 The Compliance Committee (nine members)

(Convened 4 times in the year ended March 31, 2021)

**Chairman**

 Toru Muranaka (Attendance: 100%)	 Haruhiro Tsujimoto (Attendance: 100%)	 Yoichi Egawa (Attendance: 100%)	 Kenkichi Nomura (Attendance: 100%)	 Masao Sato (Attendance: 100%)
 Yutaka Mizukoshi (Attendance: 100%)	 Kazushi Hirao (Attendance: 100%)	 Yoshihiko Iwasaki (Attendance: 100%)	 Makoto Matsuo (Attendance: 100%)	

## Corporate Governance Structure

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

Capcom is aware that comprehensive corporate governance ranks among management's most important priorities. Because of this, in addition to enhancing management soundness and transparency, we are increasing corporate value by building a trusting relationship with our stakeholders. These stakeholders include shareholders, business partners, employees and regional societies.

#### 1 Shareholders' Meeting

(Convened on June 22, 2021)

#### Determines important matters as the highest decision-making body

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

Invitations to the general shareholders' meeting are issued approximately three weeks before convening the session, and efforts are made to allow for greater attendance by having the session about 10 days before the date on which most other companies hold their meetings. We have also made it possible for shareholders to exercise their voting rights over the internet using a computer, smartphone or mobile phone. In addition, we participate in an electronic voting rights exercise platform for institutional investors so that they will have sufficient time to review the proposals.

#### 2 Board of Directors

Supervision

(Convened 10 times in the year ended March 31, 2021)

#### Management decisions that incorporate external directors' opinions

The Board of Directors is composed of 11 directors (chaired by the Representative Director and Chairman of the Board), with five of the directors being external directors.

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

In order to enrich deliberations, a portion of decision-making authority for the execution of important business is entrusted to the representative directors and others, while matters brought before the Board are narrowed to those of high importance, and the number of times the Board of Directors is convened is reduced. As a result, the efficiency of business execution has increased due to quick decision making and dynamic management practices.

#### 3 Audit and Supervisory Committee

Audit

(Convened 10 times in the year ended March 31, 2021)

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

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

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

Audit and Supervisory Committee members selected by the same committee carry out on-site audits themselves and, in order to increase the efficacy of audits, carry out dynamic organizational audits, including issuing instructions and other actions as necessary to, among others, the Internal Audit Division (directly under the control of the Audit and Supervisory Committee). The Internal Audit Division strives to ensure that audits function effectively by reporting the status of audits and improvements, and other issues to Audit and Supervisory Committee members.

#### 4 The Nomination and Remuneration Committee

(Convened three times in the year ended March 31, 2021)

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

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

Each committee member is selected based on the Board of Directors' appraisal of his or her knowledge, insight, experience, and other qualities.

When selecting candidates to be nominated for director (excluding directors who are members of the Audit and Supervisory Committee) and candidates to be nominated for director who are members of the Audit and Supervisory Committee, the Board of Directors makes its decisions after consulting with the Nomination and Remuneration Committee and takes their recommendations into account in order to increase transparency and objectivity. The consent of the Audit and Supervisory Committee is obtained when selecting candidates to be nominated for director who are members of the Audit and Supervisory Committee.

In addition, when determining individual compensation of top management and directors, the Board of Directors makes its decisions after consulting with the Nomination and Remuneration Committee, which deliberates and makes recommendations based on the policy for determining compensation, and takes their recommendations into account in order to ensure fairness and transparency. Individual compensation of directors who are members of the Audit and

Supervisory Committee is determined through discussion with each director who is a member of the Audit and Supervisory Committee, taking into account such factors as whether they are full time or part time. In order to ensure their independence, the compensation is fixed and not linked to performance of the Company.

## 5 The Compliance Committee

(Convened four times in the year ended March 31, 2021)

### Focusing on Compliance as an Important Management Issue

The Compliance Committee is composed of 10 directors (five of whom are external directors, and the committee chairman is an attorney and external director).

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

## 6 Accounting Auditors

Audit

### Ensuring and Verifying Accounting Transparency

Capcom has concluded an auditing contract with KPMG AZSA LLC for financial audits as prescribed by the Companies Act and financial audits as prescribed by the Financial Instruments and Exchange Law. There is no special relationship involving financial or other interests between Capcom and this audit corporation or the engagement partners at this firm who perform audits at Capcom.

#### Auditor Remuneration (Year ended March 31, 2021)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	50 million yen	—
Consolidated subsidiary	—	—
Total	50 million yen	—

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

Note: The financial audit team was composed of: certified public accountants (14 members), and candidates for CPA who passed the new CPA exam, plus associates in charge of system audits (eight members).

## 7 Internal Audit Division

Audit

### Ensuring and verifying legal compliance and operating efficiencies

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

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

## 8 Corporate Management Council

Implementation

(Convened 15 times in the year ended March 31, 2021)

### Supporting the Board of Directors' decisions

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

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

## 9 Board of Corporate Officers

Implementation

(Convened 12 times in the year ended March 31, 2021)

### Executing operations based on management policy

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

The Board of Corporate Officers is composed of 15 corporate officers (four of whom serve concurrently as directors), and in principle, convenes once a month. Each corporate officer reports on the status of business execution and works to ensure that information is shared, while also exchanging opinions on business items and issues that require resolution.

## External Directors

### Using external perspectives to ensure effective governance

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

Since all five of the external directors meet the criteria for independent directors, these five individuals have been registered with Tokyo Stock Exchange, Inc. as independent directors.

## Reasons for Selection of External Directors

### External Directors

Name	Reasons for selection
Toru Muranaka	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through proposals and advice on legal compliance and propriety from a professional standpoint along with his high level of expertise and broad insight and knowledge as an attorney specializing in corporate and financial instruments and exchange law
Yutaka Mizukoshi	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors based on an external perspective, including his enthusiastic provision of opinions and advice from an independent standpoint based on his familiarity with management analysis and establishment of management strategies as well as his deep insight into economic trends and international sensibilities that comes from his experience and knowledge from his many years in the consulting industry
Wataru Kotani	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors by providing opinions and advice from a neutral and objective standpoint based on the perspective of risk management and legal compliance as he possesses broad expertise and extensive experience in IT security and legal affairs from his many years of involvement in police administration

### External Directors (Audit and Supervisory Committee)

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

## Officer Remuneration

The Nomination and Remuneration Committee is consulted to ensure fairness and transparency

### Policy for setting the calculation method and amount of directors' remuneration

#### 1 Regarding remuneration of directors (excluding directors who are members of the Audit and Supervisory Committee)

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

a. Basic remuneration of directors (excluding directors who are members of the Audit and Supervisory Committee)

-Monthly remuneration is fixed.

-The amount is determined after considering each board member's position, duties, tenure, and status as either an executive director or non-executive director, and an evaluation of individual job performance.

b. Performance linked remuneration of directors (excluding external directors and directors who are members of the Audit and Supervisory Committee)

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

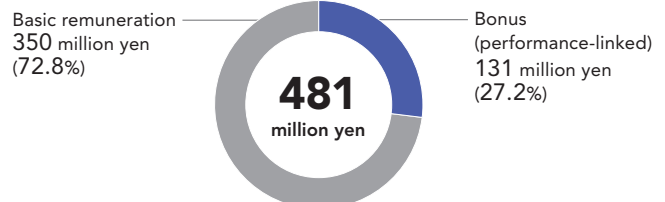
- i. Single-year net income attributable to owners of parent
- ii. Increase in consolidated operating profit over the previous year
- iii. Multiple consecutive increases in consolidated operating profit over previous years
- iv. Evaluation of operations that the board member oversees

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

#### 2 The remuneration of the directors who serve as members of the Audit and Supervisory Committee

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

#### Total director remuneration breakdown



## Officer Remuneration (Year ended March 31, 2021)

Total remuneration, total amount by type of remuneration, and number of directors the remuneration was paid to, by type of director of delivery company

Type of director	Total remuneration (million yen)	Total of remuneration by type (million yen)				Number of directors paid
		Basic remuneration	Performance linked remuneration	Severance	Of those items to the left, non-monetary remuneration	
Director (excluding Audit and Supervisory Committee and external directors)	393	261	131	—	—	4
Member of Audit and Supervisory Committee (excluding external directors)	21	21	—	—	—	1
External directors	34	34	—	—	—	3
Member of Audit and Supervisory Committee (external directors)	32	32	—	—	—	2

## Total amount of consolidated remuneration by director of delivery company

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

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

## Evaluation of the Effectiveness of the Board of Directors

The Company performed an evaluation of the effectiveness of the Board of Directors in fiscal 2020 to further improve its function.

In order to solicit individual opinions, each board member was given a questionnaire or interviewed. We then exchanged opinions based on an analysis of those results.

In this evaluation, we found that the Board of Directors is functioning effectively and, as shown on the right, confirmed new areas to enhance the supervisory function of management. We will continue to leverage the strengths of the Board of Directors and deepen our understanding of the challenges faced as we work to further improve its function.

Main concerns	Improvement measures and policy for the immediate future
Enhancement of corporate governance function	Further expansion of governance-themed discussions and opportunities for exchanging opinions
Maintenance and improvement of communication in terms of quality and quantity	Careful review and revision of standards and rules for submitting proposals to Board of Directors Efficient provision of materials for active discussions at meetings of Board of Directors

## Initiatives for the Shareholders' Meeting

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

To ensure our shareholders' meetings are lively, we hold our meeting about 10 days before the period when most Japanese companies typically hold their meetings in an attempt to encourage the attendance of as many shareholders as possible.

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

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

Additionally, to further enhance dialogue with shareholders, we held the Ordinary General Meeting of Shareholders on June 22, 2021 in a hybrid virtual shareholder meeting format allowing shareholders to watch the meeting live online on a shareholders-only website and send their comments.

## Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2020 shareholders' meetings

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	866,449	29,908	9	96.61	Approved
Second proposal: Election of Eight Directors (excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	786,879	108,033	1,477	87.74	Approved
Haruhiro Tsujimoto	817,168	79,213	9	91.12	Approved
Satoshi Miyazaki	869,888	26,502	9	97.00	Approved
Yoichi Egawa	862,792	33,597	9	96.21	Approved
Kenkichi Nomura	871,562	24,828	9	97.19	Approved
Toru Muranaka	879,001	17,390	9	98.01	Approved
Yutaka Mizukoshi	879,733	16,658	9	98.10	Approved
Wataru Kotani	885,632	10,759	9	98.75	Approved

➔ Please refer to the "Resolutions of the 41st Ordinary General Meeting of Shareholders" section of our IR web page for information about the conditions for each proposal to be passed <https://www.capcom.co.jp/english/stock/meeting.html>

## External Assessment of Corporate Governance

### Promoting more "visible" governance

An analysis of an assessment performed by a third-party organization into the validity and effectiveness of Capcom's corporate governance shows that the company ranked 45th among 3,701 listed companies in Japan in the "NEEDS-Cges" assessment developed by Nikkei Inc.

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

As of the end of June 2021, Capcom's total score was 7.60 points, placing us in the top 1.46% of Japan's listed companies (excluding some in the financial and other sectors), exceeding the 4.75-point average for all listed companies and the 6.66-point average for the industry. We also received the maximum score of 10 for "equity market's assessment."

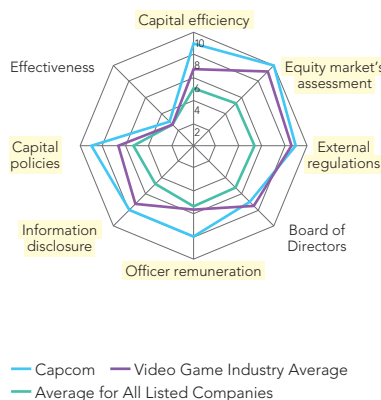
The main evaluation factors are given in the table below, and areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements to earn an even stronger assessment, and further promote the visibility of our governance by posting this and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

### Third-Party Assessment Results of Capcom's Corporate Governance

#### Details of Capcom's Corporate Governance

Total Score	7.60
Rank	45
Categories	Score
Capital efficiency	9
Equity market's assessment	10
External regulations	9
Board of Directors	7
Officer remuneration	8
Information disclosure	8
Capital policies	9
Effectiveness	3

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



#### Details of Highest Rated Categories

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

Source: NEEDS-Cges from Nikkei Inc.

## Policies Regarding IR Activities

### 1. Disclosure policies

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

### 2. Disclosure criteria

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

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

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

### 3. Quiet period

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

## Third-Party Assessment of IR Activities

### High praise for proactive IR initiatives

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

#### Fiscal 2020 Third Party Evaluations

Integrated Reports	Nikkei Inc.'s 23rd NIKKEI Annual Report Awards, Excellence Prize
IR Website	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2020," Grand Prize
	Nikko Investor Relations Co., Ltd., "Fiscal 2020 Listed Company Website Quality Ranking," Overall Ranking: Grade AAA
	Morningstar Japan K.K., Gomez Consulting Dept.'s "Investor Relations Site Ranking 2020," Second Place

## Making Use of Shareholder and Investor Opinions

### Reflecting results of dialogues with investors and analysts in management

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

In fiscal 2020, the top management meetings between the chairman and CEO, the president and COO, and investors where medium- to long-term strategies and the direction of marketing strategies were explained had to be cancelled due to COVID-19 along with overseas IR visits. However, we held the presentation of financial results online and offered video conferences in an effort to communicate with our many investors and analysts.

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

#### Fiscal 2020 IR Measures

By category	Frequency
Interviews accepted	593
Visited domestic investors	5
Visited overseas investors	0
Total	598



## IR Events

Event	Details
Online Presentation of Financial Results	Explanation of management strategies and performance overview by top management and response to questions from investors and analysts
Supplementary earnings call	Earnings call after results announcement to explain earnings

## Results of Dialogue with Investors (Excerpt)

Q. I would like for you to be more proactive in disclosing ESG information.

A. We are working to strengthen this.

Up to now, we have disclosed information such as the reduction of our environmental footprint through digitalization and the ratio of female and non-Japanese employees in conjunction with our promotion of diversity. As of the fiscal year ending March 31, 2022, we also disclose our policy on ESG initiatives. In addition, we are working on disclosing new information in this report, including evaluation of the effectiveness of the Board of Directors.

Q. Because you are an owner-run company, I would like to ask specifically about the effectiveness of the Board of Directors.

A. We performed an evaluation.

We have communicated the issues, improvement measures, and policy for the immediate future based on the results of a questionnaire conducted among all board members concerning evaluation of the effectiveness of the Board of Directors.

## IR Activities on Our Website

## Providing a website easily accessible to everyone

Since 2001, Capcom has made proactive use of its corporate website as a tool for disseminating information pertaining to IR activities. The main reasons for this are to ensure fairness for a wide range of stakeholders, and because it ensures information is easily available for inspection immediately in approximately 200 countries and regions worldwide. Capcom's corporate website is also positioned as our most cost-effective tool and we strive to use it in various ways, including video content for communicating information and social networking sites for timely information updates.

## IR Team

## Full-time staff engaged in a wide variety of activities

Capcom IR activities are conducted by two full-time staff members in addition to the chairman, the president, and the director overseeing IR for shareholders and investors in Japan and overseas. For IR-related inquiries, please use the contact information below.

## Public Relations &amp; Investor Relations Section

Phone: +81-6-6920-3623 E-mail: ir@capcom.co.jp

Business Hours: 9:00–12:00, 13:00–17:30 (JST)

(excluding weekends and public holidays)

## Information Security Initiatives

As our main business is planning and developing software and we operate in an environment in which the latest information technology is always used, we believe that our information security risks are greater than companies in general. For that reason, we have implemented perimeter\*1 security measures for some time; further, we had begun working on introducing defensive measures like SOC\*2 services and EDR\*3, however in 2020 a third party was able to gain unauthorized access to our systems. Because of this incident, we have implemented various security reinforcement measures to prevent recurrence in addition to our perimeter security measures. These include the establishment of the Information Technology Security Oversight Committee, which includes several external experts, and the introduction of SOC services for around-the-clock monitoring of external connections and EDR for early detection of unusual activity taking place on devices.

## Main Measures (Table 1)

## Technical Measures

1. Leading software company carried out cleaning of all compromised devices
2. Reverified the safety of all VPN devices and that security measures are in place
3. Introduced SOC (Security Operation Center) service in order to monitor external connections around the clock
4. Introduced the latest EDR (Endpoint Detection and Response) to provide early detection of unusual activity and computer virus infection on devices
5. Business accounts have been reviewed
6. Further improvements to administrative methods have been made such as long-term retention of logs for swiftly addressing incidents involving VPN devices and other equipment

## Organizational Measures

1. Launched the Information Technology Security Oversight Committee in late January 2021 in order to receive recommendations on a continuous basis from external experts based on the latest trends, with an aim to procure external checks and the swift accumulation of knowhow regarding strengthening cyber security (including data protection for securing personal information, etc.). Externally, there are four Committee members who consist of two university professors who are cyber security experts, one lawyer who is an expert on both cyber security and the Act on the Protection of Personal Information, and one certified public accountant that is an IT system audit specialist; internally, one director as well as three technicians who oversee security and networks participate. The Committee plans to continue to regularly hold meetings to strengthen protection standards.
2. Established the Information Technology Surveillance Section in December 2020, a new section directly under the Information Technology Security Oversight Committee, which gathers information regarding cyber security and builds knowledge of preventative measures to make recommendations.
3. Strengthened the system for regular verification, including for the adoption of tools, in the management of business accounts.
4. Constructed a system to further raise awareness of security and the management of personal information at the Group overall.

\*1 Security measures that include placing a firewall at the perimeter between external networks and internal networks.

\*2 Acronym for Security Operation Center. A SOC service is a system that monitors systems and networks around-the-clock, and supports the detection, analysis and handling of attacks.

\*3 Acronym for Endpoint Detection and Response. A system that introduces software to detect unusual activity on devices such as the PCs and servers utilized by end-users and supports quick responses to issues.

## Message from an External Director

**Pursuing governance that takes sustainable growth into account, including ensuring effectiveness of the Board of Directors and the diversity of key human resources.**



**Yoshihiko Iwasaki**

External Director (Independent Director)  
<Full-time member of the Audit and Supervisory Committee>

**Q** How do you evaluate the Company's management structure as a member of the Audit and Supervisory Committee?

**A** I was appointed external director in 2012. The first thing I noticed was the corporate culture of diligently addressing issues while stressing the basics. One of the characteristics of the game industry is that changes—both in technology and user preferences—are sudden. Under such circumstances, the Company has maintained a focus on providing users with entertainment of first-rate quality while promoting global and digital strategies to achieve steady growth. I believe that the prescient, timely, and accurate judgment of management and this well-developed corporate culture have both contributed significantly.

**Q** How do you evaluate the Company's audit structure?

**A** The Company made the transition into a company with an audit and supervisory committee in 2016. At the same time, in addition to the staff that had previously supported the corporate auditors, the Internal Audit Division was brought under the direct control of the Audit and Supervisory Committee. This facilitated collaboration, making it possible to implement efficient and effective organizational audits, including timely and accurate understanding of the internal situation from each perspective and internal dissemination of the necessary information. The Audit and Supervisory Committee itself has a balanced composition. The three members have different specialties and come from inside and outside the Company.

**Q** What do you see as necessary for further enhancing the function of the Board of Directors in the future?

**A** I think stakeholders from all quarters would agree that the growth of the Company has been driven by the strong leadership of the founder. At the same time, this demonstrates that the Board of Directors has sufficiently carried out its responsibilities.

On the other hand, the Corporate Governance Code was revised this past June seeking that companies provide more aggressive governance while taking sustainable growth into account. This requires further action from the Board of Directors and securing diversity for its key human resources. The Company has carried out efforts in line with the thinking of the Corporate Governance Code, including establishment of a Nomination and Remuneration Committee. However, I believe further improvement is necessary when it comes to the issue of diversity among core members of the management team.

Sustainable growth is of great concern to all stakeholders, including investors and employees. I hope to personally contribute as much as possible to strengthening the role of the Board of Directors to steadily achieve this as we move into the future.

## Capcom will quickly ascertain management risks and make ongoing improvements to a governance structure that features a balance of offensive and defensive approaches.



### Makoto Matsuo

External Director (Independent Director)  
<Member of the Audit and Supervisory Committee>

#### **Q** What future initiatives will the Audit and Supervisory Committee implement to enhance the functions of the Board of Directors?

**A** Since Capcom transitioned to a company with an Audit and Supervisory Committee in 2016, the Audit and Supervisory Committee has been providing support for the risk management function of the Board of Directors and building a structure for systematic audits in collaboration with the Internal Audit Division and other internal organizations.

Capcom continues to innovate as a true leader in the global content industry, which is undergoing rapid and advanced digitalization. As such, it must adequately communicate its activities to shareholders and other stakeholders. It also must continue to make ongoing improvements to a governance structure that features a balance of offensive and defensive approaches to properly address the risks that arise in its continued pursuit of new challenges. As Chairman of the Audit and Supervisory Committee, I will work to ensure that the committee can fulfill its expected role, contributing to enhancement of corporate governance from the standpoint of cross-organizational compliance and appropriateness. This will be accomplished by providing timely and appropriate suggestions and advice to the Board of Directors to quickly ascertain and address the management risks faced by the Company based on a recognition of these circumstances.

#### **Q** What kind of a role will you play as an external director in light of the circumstances surrounding the Company?

**A** Since becoming an external director in 2007, it has not been easy to judge the ever-progressing game industry or the measures that the Company should take under those circumstances. I think it is very rare to have an industry that requires—to this extent—such a quick and flexible response to change in order not to be left behind.

Owing to the strong leadership and unifying work of the founder, the Company has been able to anticipate long-term developments and make quick and bold decisions. At the same time, the support that has been provided by external directors with different specialist knowledge in relation to risk management has enabled the Company to establish a unique management structure and corporate governance system corresponding to its circumstances. Together with the Audit and Supervisory Committee, the Audit Committee, which conducts operational audits that are closer to the work site, forms a hands-on system unique to the Company.

I believe my role is to leverage my knowledge as an attorney and as an external officer of other companies to identify management risks and issues related to company measures based on my practical experience in the industry and management of the Company during my tenure, while listening to the thoughts of management, and providing my opinions and suggestions. In addition, by keeping watch to ensure that future leadership succession, which seems to be making steady progress, leads to the development of a corporate system more consistent with the next generation, I will offer support to facilitate discussion on both ensuring sustainable growth of the main businesses while accelerating growth by expanding the Company's intellectual capital into adjacent markets such as visual media and AI in the future.

## Game Industry Characteristics



### Consumer Market Characteristics (Package + Digital)

Package and digital download contents are a 42.9 billion dollar market, forecast to grow 1.6 times that size over the next five years to 70.6 billion dollars by 2025. The customer base is primarily composed of core users who are loyal to game titles. They have relatively high willingness to purchase sequels and remakes along with low sensitivity to price and economic conditions. Hereafter, we expect the market to grow at a faster pace as we capture the casual user segment, which has high sensitivity to price conditions, as well as new users. This will come about in conjunction with a higher digital sales ratio, resulting from growth in Asia and emerging countries and expansion of online gaming on consoles, primarily in North America, shrinking the gap between the margin in this market and those in the other two markets. [➔ For details see p.19](#)



### Mobile Market Characteristics

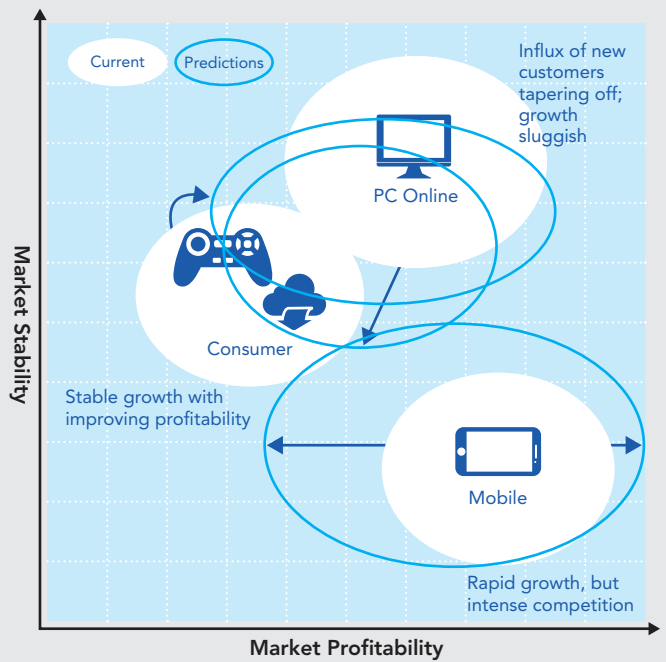
This is a 121.1 billion dollar market, forecast to continue growing to 169.7 billion dollars by 2025. The customer base is primarily composed of casual users, many of whom play games in their spare time, thus they demonstrate the lowest loyalty toward game titles. In contrast to core users, they have a limited willingness to purchase games and have the highest sensitivity to price and economic conditions. Although this is the most profitable among the three markets, only a limited number of titles are able to generate stable earnings over the long term even if they become hits. This makes brand establishment a challenge. Going forward, as 5G becomes more widespread and further next generation mobile communication standards are developed, we expect smartphones will continue to drive rapid growth as the most pervasive game device.



### PC Online Market Characteristics

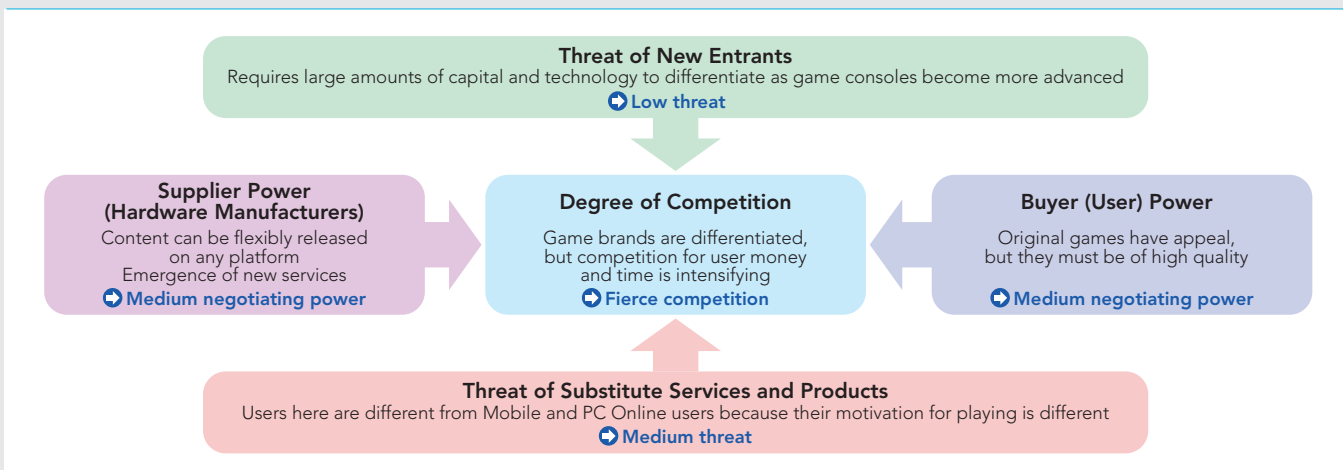
This is a 42.2 billion dollar market, forecast to grow about 10% over the next five years to 46.7 billion dollars by 2025. The customer base is primarily composed of core users who demonstrate the highest loyalty toward game titles. They have a fairly strong willingness to engage in ongoing purchases, and are unique for having the lowest sensitivity to price and economic conditions. Integration with the consumer market will likely progress as the online capabilities of consoles are enhanced, so growth of this market is expected to become sluggish in the future.

## Characteristics of Each Market



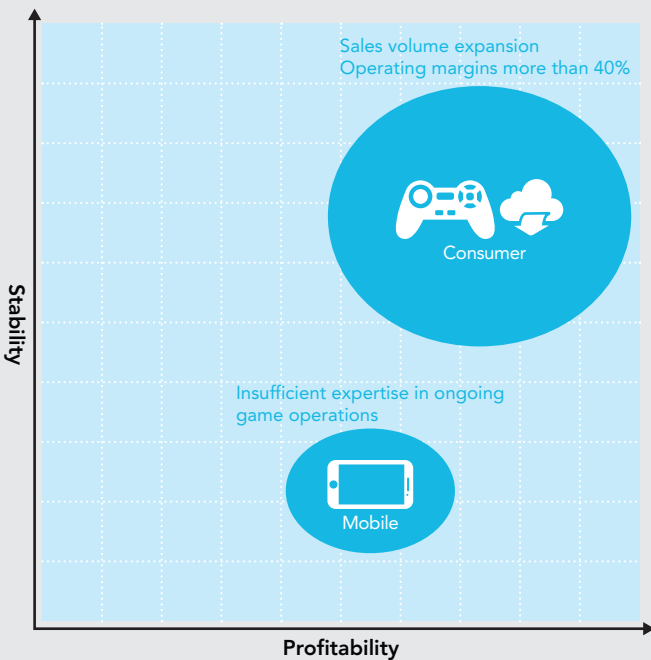
Source: Created by Capcom based on data from the International Development Group

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



Capcom Business Characteristics

Digital Contents Business Portfolio



Note: Calculations based on earnings in the fiscal year ended March 31, 2021

**Consumer**  
(Proportion of Net Sales: 72%)  
Package + Digital

Capcom’s core business is to create a multitude of original content on home video game consoles. The regular release of sequels to popular IPs and focus on digital sales have, in recent years, led to an increased digital sales ratio and operating margins in the 50% level.

**Mobile Contents**  
(Proportion of Net Sales: 7%)

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

Capcom Management Resource VRIO Analysis and Evaluation/Measures

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

Area	Management Resource	V	R	I	O	Evaluation
Management	Top management with strong leadership dedicated to high-quality production and trusted by employees	○	○	○	○	Ongoing competitive advantage
	Development capabilities to produce original titles of world-class quality	○	○	○	○	
Development/technology	RE ENGINE for streamlined development and the technological prowess to fully leverage the latest technology	○	○	○	○	Ongoing competitive advantage
	Corporate culture of training younger employees	○	△ <sub>*1</sub>	○	○	
Governance	Promotion of governance reforms (external director ratio / company with an audit and supervisory committee)	○	△	×	○	Some companies are even farther ahead
	Swift decision-making system	○	△	△	○	Strength seen at many founder-run companies
Brand	Many popular, global IPs	○	○	○	○	Ongoing competitive advantage
	Corporate brand known worldwide for action games	○	×	○	○	There are more widely recognized companies
Finances	Paid dividends for 31 consecutive years since listing	○	△	△	○	There are about 40 companies that have provided dividends for 10 consecutive years or more
Sales	Consumer digital sales ratio of about 70%	○	△	○	○	Major overseas companies are ahead
Marketing	Bolstering of lineup through revival of dormant IP and catalog titles	○	△	△	△	Companies with popular IP can roll them out in other media
	Single Content Multiple Usage strategy of rolling out popular IP to multiple media	○	×	△	×	
External partners	Trusted by hardware manufacturers	○	△	○	○	High rank compared to competitors

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

\*1 With respect to the low evaluation of the originality of our system for training younger employees, we have hired more than 100 developers each year since fiscal 2013 and established a world-class R&D center and development facilities. In addition to establishing an environment that allows us to take up new challenges, we are working on developing a system that allows us to train employees through title development. (For details see p.43)

\*2 With respect to the low evaluation globally despite being ahead of other companies in Japan, we are promoting measures such as (1) taking advantage of our many popular IPs by re-releasing past million-sellers (104 titles) in digital format, (2) extending the sales period, with brand strategies for each IP and enhanced digital sales and pricing

measures, and (3) expanding the value of our IPs by strengthening our licensing business as we develop titles that will be popular not just in Japan but globally, as well as increase the fan bases of our IP series. (For details see p.33)

\*3 With respect to the low evaluation of not successfully rolling out IPs to mobile platforms despite their relative strength, we are continuing to promote measures such as (1) assigning capable creators to internal production and (2) forming alliances with mobile game companies possessing abundant game operations know-how. At the same time, we are engaging in research and development in anticipation of implementation of the 5G next generation mobile communication standard.

# 11-Year Summary of Consolidated Financial Indicators

## Financial Index

	2011	2012	2013	2014
<b>For the Year:</b>				
	Million yen			
Net sales	¥ 97,716	¥ 82,065	¥ 94,075	¥ 102,200
Operating income	14,295	12,318	10,151	10,299
Net income (loss) before income taxes	10,807	11,425	3,719	5,315
Net income attributable to owners of the parent	7,750	6,723	2,973	3,444
Depreciation & amortization	3,315	3,123	3,406	4,638
Capital expenditures	2,758	4,153	8,724	8,064
R&D expenses	2,924	2,236	1,982	2,002
<b>At Year-End:</b>				
	Million yen			
Total assets*1	¥ 90,408	¥ 98,247	¥ 104,365	¥ 96,611
Net assets	58,007	59,352	62,828	63,875
Net cash	27,655	11,348	14,327	22,670
Developer numbers (people)	1,339	1,455	1,623	1,808
<b>Cash Flows:</b>				
	Million yen			
Cash flows from operating activities	¥ 22,392	¥ (7,672)	¥ 6,647	¥ 13,201
Cash flows from investing activities	(2,046)	(4,794)	(1,375)	(6,155)
Cash flows from financing activities	(12,919)	587	1,162	(15,099)
Net increase (decrease) in cash and cash equivalents	5,196	(12,724)	9,235	(5,404)
Cash and cash equivalents at end of year	35,011	22,287	31,522	26,118
<b>Per Share Data:</b>				
	yen			
Net income (loss) per share	¥ 65.59	¥ 58.05	¥ 25.82	¥ 30.56
Dividend per share	40.00	40.00	40.00	40.00
Net assets per share	490.88	515.35	545.54	567.96
<b>Financial Index:</b>				
	%			
Operating margin*2*3	14.6	15.0	10.8	10.1
ROE	13.8	11.5	4.9	5.4
ROA*4*5	8.8	7.1	2.9	3.4
Net worth ratio	64.2	60.4	60.2	66.1
Interest coverage ratio (times)	155.8	—	62.4	136.8
Debt-equity ratio	55.9	65.5	66.1	51.2
<b>Stock Information:</b>				
Price earnings ratio (times)	12.1	16.3	28.6	32.0
Number of shares issued (thousands shares)*6*7	67,723	67,723	67,723	67,723
Foreign investors (%)	22.17	27.05	32.37	37.29
<b>Digital Contents Business:</b>				
	Billion yen			
Consumer sub-segment net sales (packaged + digital)	¥ 637	¥ 469	¥ 459	¥ 530
Online sub-segment net sales (Mobile Contents + PC Online)	105	129	177	128
<b>Consumer Game Sales (Package Software and Full-game Digital Content)</b>				
	Thousands			
Total number of units	21,700	17,000	16,700	17,500
Sales of major titles	Monster Hunter Freedom 3 4,600	Resident Evil: Operation Raccoon City 1,700	Resident Evil 6 5,000	Monster Hunter 4 4,100
	Dead Rising 2 2,300	Monster Hunter 3 (Tri) G 1,600	Dragon's Dogma 1,300	Dead Rising 3 1,200
	MARVEL VS. CAPCOM 3 Fate of Two Worlds 2,000	Street Fighter X Tekken 1,400	DmC Devil May Cry 1,200	Resident Evil Revelations 1,200

\*1. Effective from the beginning of FY2018, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Certain financial information for the FY2018 has undergone retrospective application.

\*2. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net income per share has been calculated assuming that the stock split took place at the beginning of the fiscal year ended March 31, 2021.

\*3. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net assets per share has been calculated assuming that the stock split took place at the beginning of the fiscal year ended March 31, 2021.

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

	2015	2016	2017	2018	2019	2020	2021
Million yen							
	¥ 64,277	¥ 77,021	¥ 87,170	¥ 94,515	¥ 100,031	¥ 81,591	¥ 95,308
	10,582	12,029	13,650	16,037	18,144	22,827	34,596
	10,701	11,150	12,489	15,149	17,770	22,890	34,828
	6,616	7,745	8,879	10,937	12,551	15,949	24,923
	3,535	5,712	5,980	4,706	3,228	2,795	2,791
	10,177	8,274	3,767	3,041	2,568	2,576	3,597
	823	1,073	695	1,102	1,147	1,253	1,461
Million yen							
	¥ 100,773	¥ 113,057	¥ 118,897	¥ 124,829	¥ 123,407	¥ 143,466	¥ 163,712
	71,331	75,168	77,774	85,421	88,749	99,735	120,794
	21,212	15,821	8,426	36,750	44,689	58,921	65,633
	1,902	2,052	1,994	2,141	2,032	2,142	2,285
Million yen							
	¥ 4,286	¥ 4,347	¥ 3,200	¥ 34,721	¥ 19,847	¥ 22,279	¥ 14,625
	(5,496)	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)	(4,233)
	1,278	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)	(6,965)
	1,879	431	(4,091)	22,201	6,464	6,667	4,371
	27,998	28,429	24,337	46,539	53,004	59,672	64,043
yen							
	¥ 58.84	¥ 68.87	¥ 80.18	¥ 99.89	¥ 115.45	¥ 149.41	¥ 116.74
	40.00	40.00	50.00	60.00	35.00	45.00	71.0
	634.28	688.43	710.32	780.18	831.37	934.28	565.78
%							
	16.5	15.6	15.7	17.0	18.1	28.0	36.3
	9.8	10.6	11.6	13.4	14.4	16.9	22.6
	6.7	7.2	7.7	8.9	10.1	12.0	16.2
	70.8	66.5	65.4	68.4	71.9	69.5	73.8
	50.2	36.5	22.8	337.2	249.3	302.5	261.6
	41.3	50.4	52.9	47.0	39.1	43.8	35.5
	20.3	19.9	13.5	23.0	21.5	22.7	30.8
	67,723	67,723	67,723	67,723	135,446	135,446	135,446
	36.87	39.35	31.19	35.01	36.83	35.14	38.24
Billion yen							
	¥ 352	¥ 421	¥ 492	¥ 652	¥ 769	¥ 555	¥ 688
	101	104	95	89	60	44	65
Thousands							
	13,000	15,000	19,400	24,400	25,300	25,500	30,100
Monster Hunter 4 Ultimate	3,400	Monster Hunter X (Cross) 3,300	Resident Evil 7 biohazard 3,500	Monster Hunter: World 7,900	Monster Hunter: World (catalog) 4,500	Monster Hunter World: Iceborne 5,200	Monster Hunter Rise 4,800
Resident Evil Revelations 2	1,100	Street Fighter V 1,400	Monster Hunter Generations Ultimate 1,700	Resident Evil 7 biohazard (catalog) 1,600	Resident Evil 2 4,200	Monster Hunter: World (catalog) 3,200	Resident Evil 3 3,900
Resident Evil (HD Remastered)	900	Resident Evil Revelations 2 850	Monster Hunter X (Cross) 1,000	Marvel VS. Capcom: Infinite 1,000	Devil May Cry 5 2,100	Resident Evil 2 (catalog) 2,400	Monster Hunter World: Iceborne (catalog) 2,400

\*4. With an effective date of April 1, 2021, Capcom split its common stock at a ratio of 1:2. Accordingly, net income per share has been calculated assuming that the stock split took place on April 1, 2020.

\*5. With an effective date of April 1, 2021, Capcom split its common stock at a ratio of 1:2. Accordingly, net assets per share has been calculated assuming that the stock split took place on April 1, 2020.

\*6. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held by resolution of the Board of Directors at the meeting held on March 6, 2018. This increased the number of shares issued by 67,723,244 to 135,446,488 shares.

\*7. The Articles of Incorporation have partially been amended following a stock split (effective date: April 1, 2021). Due to this stock split, the total number of issued shares has been increased to 270,892,976 shares.

\*8. The PC Others sub-segment has been merged with Consumer as of FY3/20

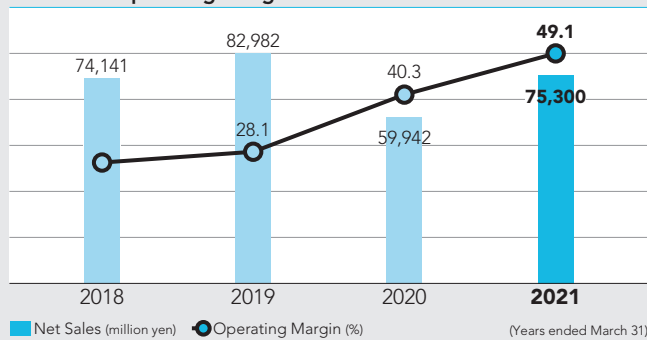
# Segment Information

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

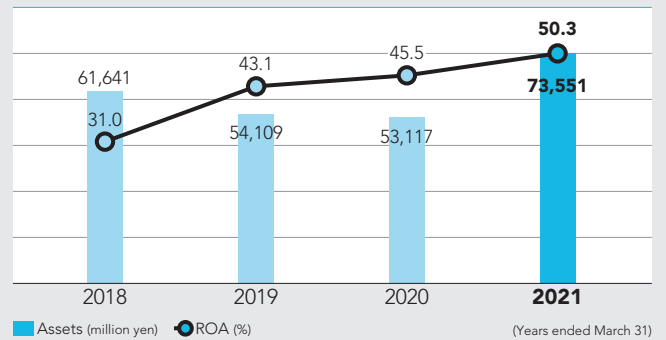
## Digital Contents

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

### Net Sales/Operating Margins



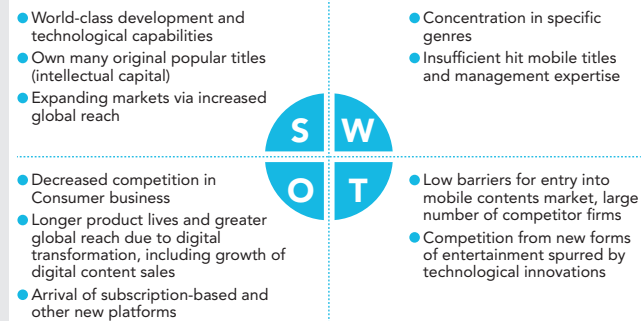
### Assets/ROA



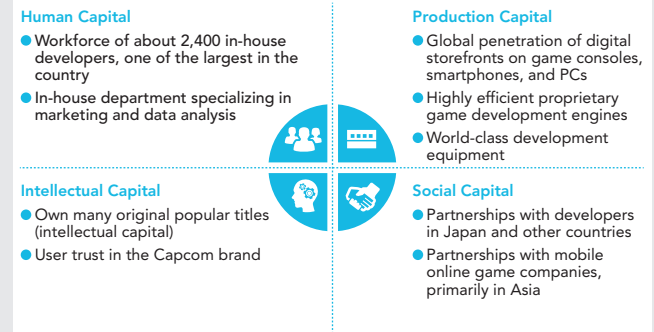
Note: Effective from the beginning of the fiscal year ended March 31, 2019, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

### SWOT Analysis

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



### Utilization of Non-Financial Capital



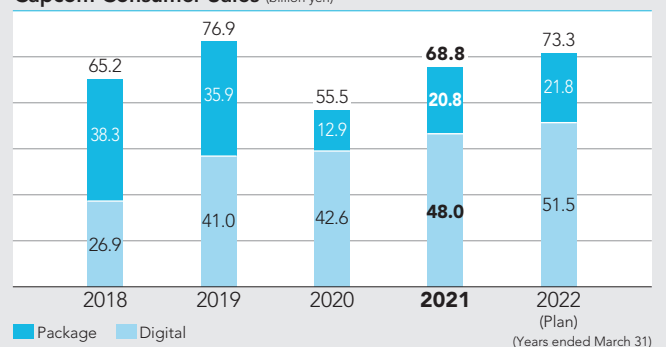
## Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

### Consumer (Package + Digital) sub-segment

This fiscal year (ended March 31, 2021), new titles performed well, including *Resident Evil 3*, which was launched in April, selling 3.9 million units and *Monster Hunter Rise*, which was launched in March 2021, selling 4.8 million units. Together with focusing business development on high-margin digital sales, this drove improvements in business results.

Additionally, catalog title *Monster Hunter: World* continued to sell well, bringing the cumulative total for the title to 17.1 million units shipped. This performance, along with healthy sales of other catalog titles, gave a boost to revenue. Titles such as *Monster Hunter World: Iceborne*, *Resident Evil 2*, and *Resident Evil 7: Biohazard* also demonstrated staying power and gave a boost to revenue. We further made efforts to expand our lineup of titles, including *Devil May Cry 5 Special Edition*, a title for the new generation of game consoles (PlayStation 5

### Capcom Consumer Sales (billion yen)





and Xbox Series X|S), and *Ghosts'n Goblins Resurrection*, the long-awaited latest entry in the *Ghosts'n Goblins* series.

As a result, package sales were 20.8 billion yen, and digital sales were 48.0 billion yen. Together, they resulted in Consumer sales of 68.8 billion yen (up 24.0% from the previous year) for a continued increase. The operating margin has also improved to just under 50%.

Moreover, the growth in our library of titles due to a steady new release pipeline in recent years along with successful holiday season discount measures pushed up digital sales to 23.15 million units (up 12.7% from the previous year). As a result, this year's package and full-game download sales totaled 30.10 million units (up 18.0% from the previous year), making this the sixth consecutive year of growth.

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

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

number of our developers.

Next fiscal year, we expect a continued contribution from catalog title *Monster Hunter Rise* on top of new titles *Resident Evil Village* and *Monster Hunter Stories 2: Wings of Ruin*. We will also work to further expand sales globally based on our digital strategy for other major titles, including *Resident Evil 3* and *Monster Hunter World: Iceborne*. As a result of these efforts, we expect to increase unit sales to 32.0 million units (up 6.3% from the year under review), net sales to 73.3 billion yen (up 6.5% from the year under review), and for the digital sales ratio to remain in the 70% range.

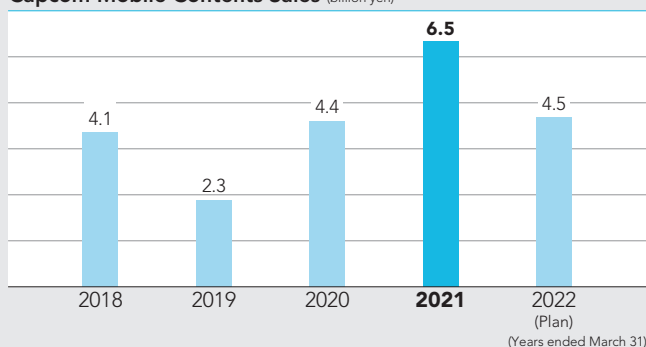
### Mobile Contents Sub-segment

This fiscal year (ended March 31, 2021), we launched *ROCKMAN X DiVE* in Japan, and licensing income associated with the launch of collaborative title *Street Fighter: Duel* in China contributed as well to bring net sales up to 6.5 billion yen (up 47.7% from the previous year).

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

In the next fiscal year, we expect net sales to decrease to 4.5 billion yen (down 30.8% from the year under review) due to the lack of licensing income recorded in the year under review and aging existing titles. However, we expect a slight improvement to the profit margin, owing to such factors as lower costs.

Capcom Mobile Contents Sales (billion yen)



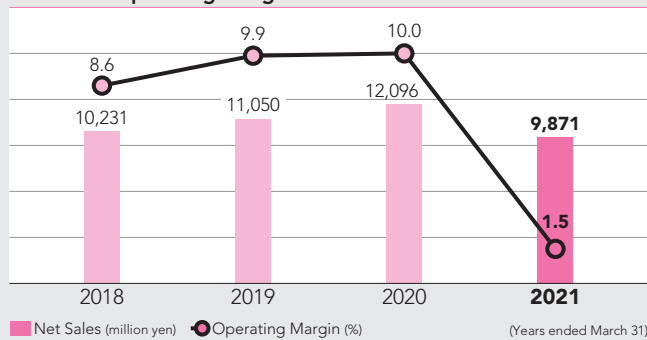
# Segment Information

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

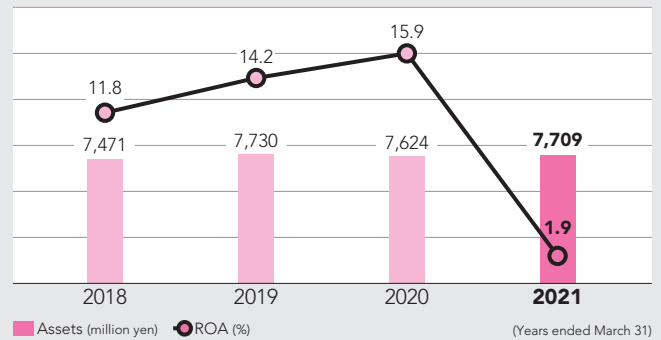
## Arcade Operations

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

### Net Sales/Operating Margins



### Assets/ROA



Note: Effective from the beginning of the fiscal year ended March 31, 2019, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Figures for the previous fiscal year have undergone retrospective application.

### SWOT Analysis

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

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

### Utilization of Non-Financial Capital

<b>Human Capital</b> <ul style="list-style-type: none"> <li>Internal store management staff</li> <li>Part-time workers hired locally</li> </ul>	<b>Production Capital</b> <ul style="list-style-type: none"> <li>High foot traffic of large shopping centers</li> <li>Developers that design and construct facilities</li> </ul>
<b>Intellectual Capital</b> <ul style="list-style-type: none"> <li>Store management know-how cultivated over 37 years</li> <li>Intellectual properties (characters and worlds) that can be rolled out in food, drinks and prizes</li> <li>Services utilizing virtual reality (VR) Technology</li> </ul>	<b>Social Capital</b> <ul style="list-style-type: none"> <li>Our relationships with local residents</li> <li>Arcade game makers around the world</li> </ul>

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

This fiscal year (ended March 31, 2021), operations were suspended at all stores (excluding Capcom Net Catcher Cap Tore, the online crane game) due to the COVID-19 pandemic. Even after operations were resumed, minimizing the risk of infection was our top priority.

As for the number of stores, we opened our second showroom, Capcom Store Osaka, bringing the total number of stores to 41. We also focused on steady openings and operations, including major renovations at Plaza Capcom Kochi.

In October and November, we benefitted from customer foot traffic, primarily at stores in shopping malls with movie theaters in conjunction with hit movies based on manga, and recorded healthy net sales at existing stores that exceeded those of the previous year.

For the full year, we worked aggressively on reducing costs and increasing efficiency. Although net sales at existing stores were down 22% compared to the previous year, bringing segment net sales down to 9.871 billion yen (down 18.4% from the

previous year) and operating income to 149 million yen (down 87.7% from the previous year), we were able to turn a profit.

In the next fiscal year, we will work to recover from the impact we experienced from the COVID-19 pandemic this year and continue to make efforts toward efficient operations while continuing measures to prevent infection. We forecast an increase in both sales and profit with net sales at existing stores up 23% from the previous year, bringing net sales to 13.0 billion yen (up 31.7% from the year under review) and operating income to 700 million yen (up 369.8% from the year under review).

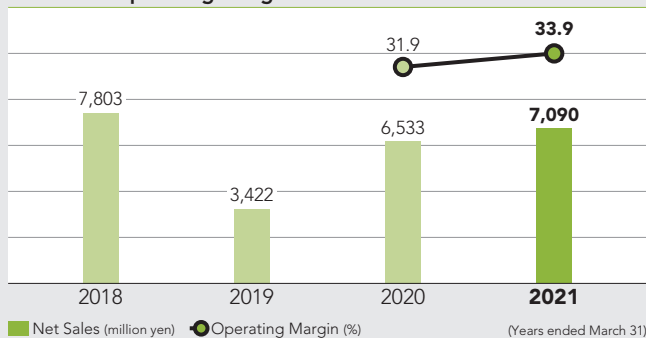
As for the number of stores, we will continue to promote store openings in prime locations with strong customer appeal based on our basic strategy of scrap-and-build. We plan to open three stores and close one, bringing the total number to 43.

# Amusement Equipments

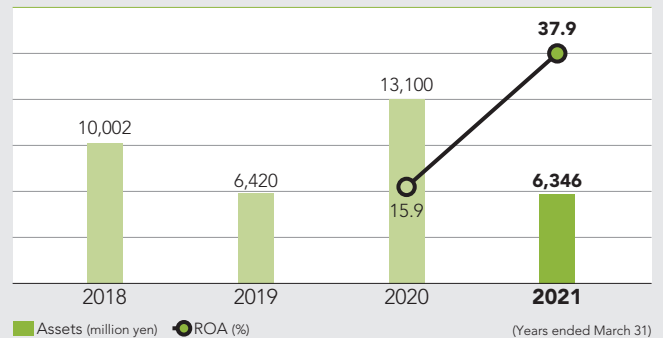
Here, we leverage the contents from our home video games.

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

## Net Sales/Operating Margins



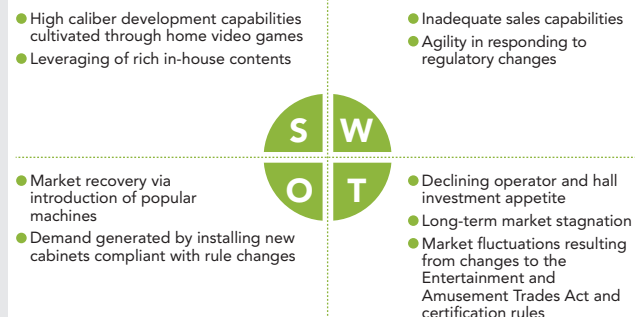
## Assets/ROA



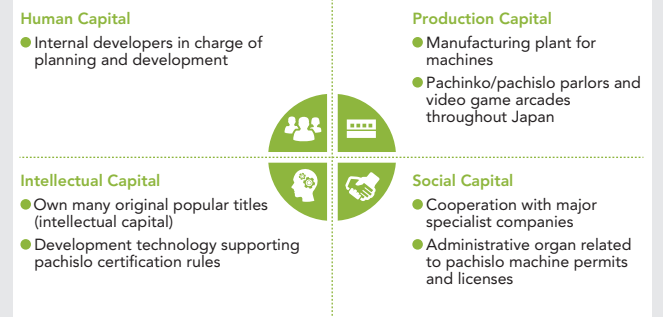
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## SWOT Analysis

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



## Utilization of Non-Financial Capital



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

This fiscal year (ended March 31, 2021), three machines designed to current regulations, including *Monster Hunter: World* were launched by the Pachinko & Pachislo (PS) sub-segment, selling 27,000 units.

Shifts in the market environment resulting from such things as changes to methods of pachislo machine model certification and suspension of hall operations due to COVID-19 continued to have an impact. In the midst of these circumstances, *Monster Hunter: World* performed well, and other new models gave a boost to profits. As a result, both sales and profit were up with net sales coming in at 7.09 billion yen (up 8.5% from the previous year) and operating income at 2.407 billion yen (up 15.4% from the previous year).

In the next fiscal year, we expect some demand for cabinets in conjunction with replacement of machines designed to old standards, which was delayed due to COVID-19. However, increased investment costs at halls and operational suspensions due to COVID-19 mean that we must continue monitoring market

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

In the next fiscal year, we plan to introduce four models while continuing to monitor progress on model certification tests and sell 28,000 units (1,000 units more than the year under review).

Both sales and income will be down, with net sales at 5.5 billion yen (down 22.4% from the year under review) and operating income at 2.0 billion yen (down 16.9% from the year under review), but we expect profitability to improve owing to effective utilization of cabinet parts and the adoption of diverse business models.

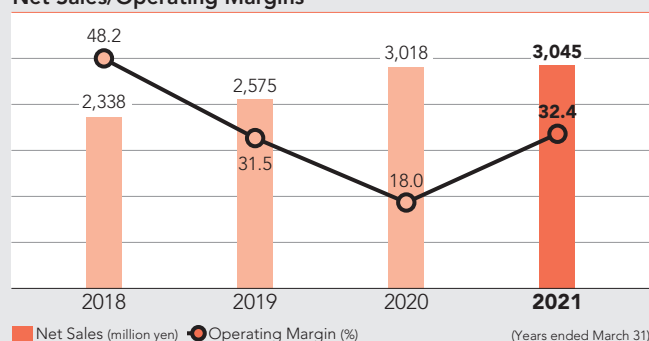
## Segment Information

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

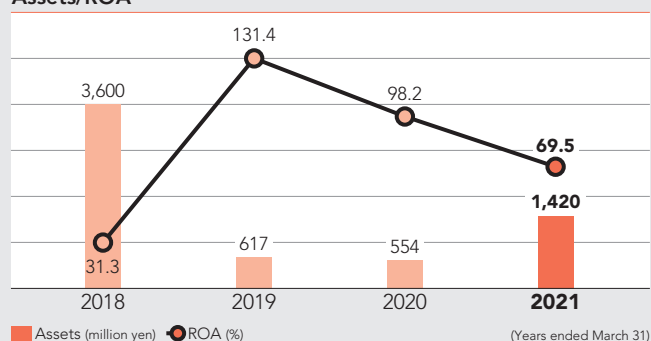
## Other Businesses

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

### Net Sales/Operating Margins



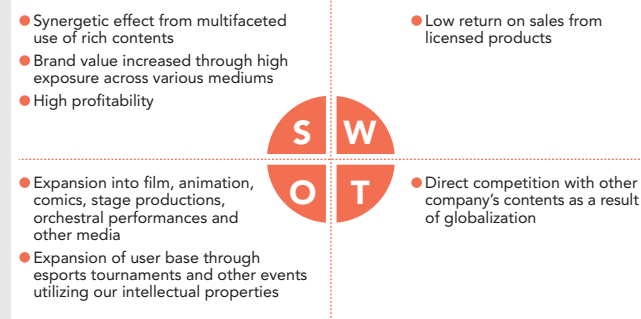
### Assets/ROA



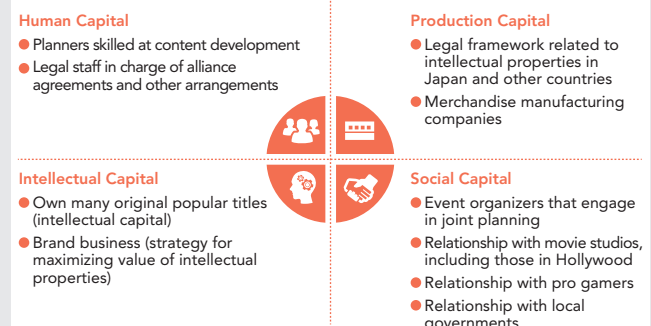
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### SWOT Analysis

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



### Utilization of Non-Financial Capital



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

This fiscal year (ended March 31, 2021), we worked to improve brand value with merchandise using popular IPs, such as apparel and figurines, and the release of Hollywood film *Monster Hunter*, rolled out globally starting in December 2020.

In eSports we held online tournaments, seeing the ability for online spectating and play as a strength during the COVID-19 pandemic. Capcom Pro Tour Online 2020 was held completely online for the first time and streamed live in multiple languages with players and commentators participating from home. Street Fighter League: Pro-JP 2020 also made progress this year, gaining more than ten new companies as league sponsors.

As a result, both sales and profit rose with growth of the licensing business pushing net sales to 3.045 billion yen (up 0.9% from the previous year) and operating income to 987 million yen (up 81.2% from the previous year).

In the next fiscal year, we will leverage the substantial synergies with the Consumer Games businesses by diversifying the use of our rich library of IPs and rolling them out across various

mediums, including movies, animated television programs, theatrical productions, and events. In eSports, we plan to roughly double the scale of Capcom Pro Tour compared to the year under review. In addition, with NTT Docomo cosponsoring Street Fighter League: Pro-JP, we will receive advanced technical support, including 5G, as we aim to build a new viewing environment.

We will also continue to leverage our IPs based on our Single Content Multiple Usage strategy, with the first CG drama in the *Resident Evil* series launching globally in July 2021 exclusively on Netflix and the new Hollywood live action movie *Resident Evil* opening in North America in November, as we work to increase the value of our core brands through adaptations and collaborations.

We expect net sales to increase to 3.7 billion yen (up 21.5% from the previous year) and operating income to be 1.0 billion yen (up 1.3% from the previous year), for an increase in both sales and profit.

## Stock Data

 (As of March 31, 2021)

### Stock Data

Number of Shares Authorized ..... 300,000,000 shares

Number of Shares Issued ..... 135,446,488 shares

Number of Shareholders ..... 16,631

\* We have partially amended the Articles of Incorporation following a stock split (effective date: April 1, 2021). Due to this stock split, the total number of authorized shares has been increased to 600,000,000 shares, and the total number of issued shares has been increased to 270,892,976 shares.

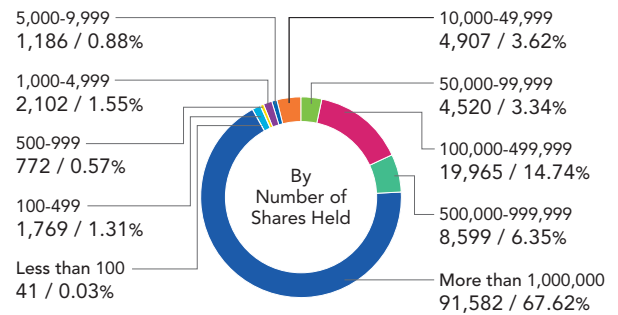
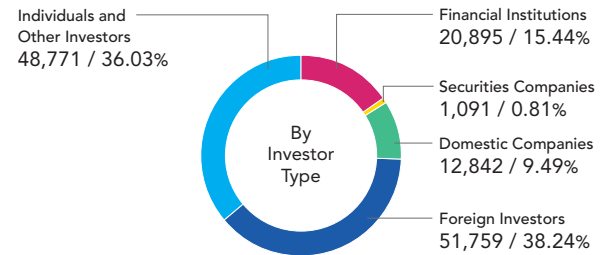
### Major Shareholders (Top 10)

Major Shareholders	Number of Shares Held (in thousands)	Percentage of Shareholding (%)
Crossroad Co., Ltd.	10,682	10.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,673	6.25
SSBTC CLIENT OMNIBUS ACCOUNT	4,568	4.28
Yoshiyuki Tsujimoto	4,038	3.78
Kenzo Tsujimoto	4,019	3.77
JP Morgan Chase Bank 380815	3,862	3.62
Custody Bank of Japan, Ltd. Trust Account	3,736	3.50
Haruhiro Tsujimoto	3,099	2.90
Ryozo Tsujimoto	3,091	2.90
The Bank of New York Mellon 140044	1,760	1.65

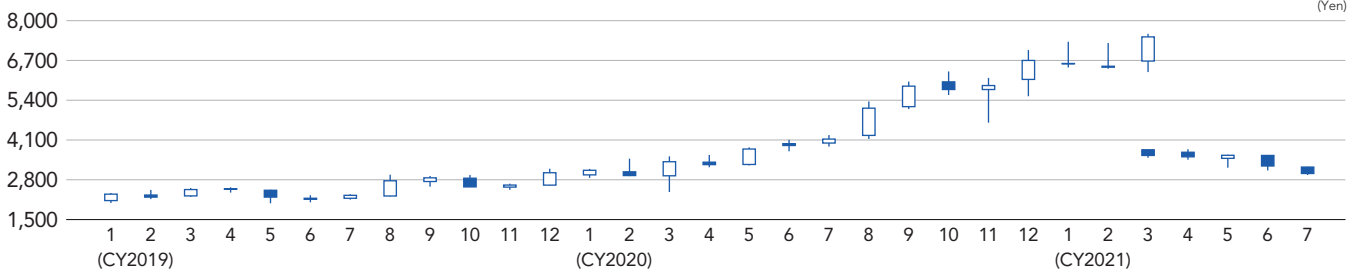
Note: Capcom owns 28,696 thousand shares as treasury stocks.  
The stocks owned by the company are excluded from the above list.

### Shareholders' Breakdown

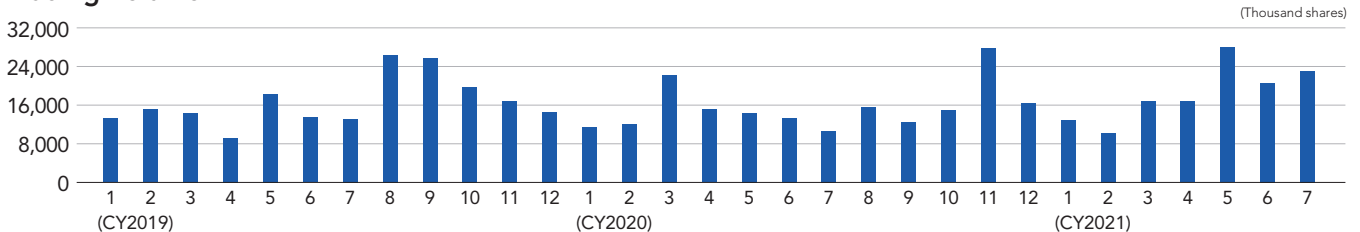
Number of shares held (in thousands) / (%)



### Stock Price Range\*1



### Trading Volume



### 11-Year Trend of Stock Price and Trading Volume\*2\*3

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Stock Price	795.0	945.5	738.0	979.0	1,194.5	1,372.5	1,085.5	2,299.0	2,480.0	3,390.0	<b>7,190.0</b>
High	953.5	1,155.5	979.5	1,165.0	1,206.5	1,537.5	1,438.5	2,585.0	3,045.0	3,565.0	<b>7,570.0</b>
Low	572.5	736.5	625.0	698.0	770.5	972.0	963.5	1,053.0	1,903.0	2,032.0	<b>3,210.0</b>
Trading Volume	149,613,900	227,386,800	178,008,200	150,408,300	143,234,700	162,642,100	183,455,500	171,969,350	258,438,800	183,399,500	<b>180,877,400</b>

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

\*2 Effective April 1, 2018, Capcom implemented a stock split of two shares for every share. Stock prices prior to this date have been calculated assuming the stock split.

\*3 The stock price listed for the March 2021 fiscal year (year-end) has been adjusted taking \*1 into consideration.

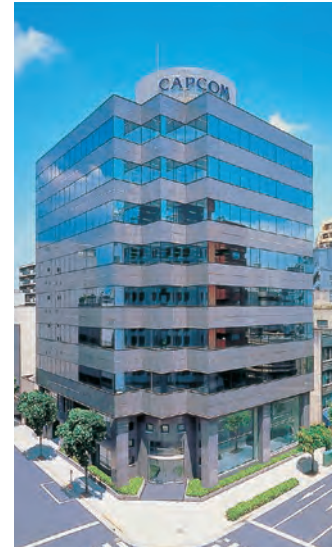
(Years Ended March 31)

**Corporate Profile**

Name of Company ..... CAPCOM CO., LTD.  
 Date of Establishment ... May 30, 1979  
 Date of Initiation ..... June 11, 1983  
 Business Segments ..... Planning, development, manufacture, sale and distribution of home video games, online games, mobile games and arcade games as well as management of amusement arcades.  
 Paid-in Capital ..... ¥ 33,239 million  
 End of Term ..... March 31  
 Number of Employees ... 3,152 (consolidated)  
 2,841 (CAPCOM CO., LTD.)

**Major Offices**

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



Head Office



R&D Building

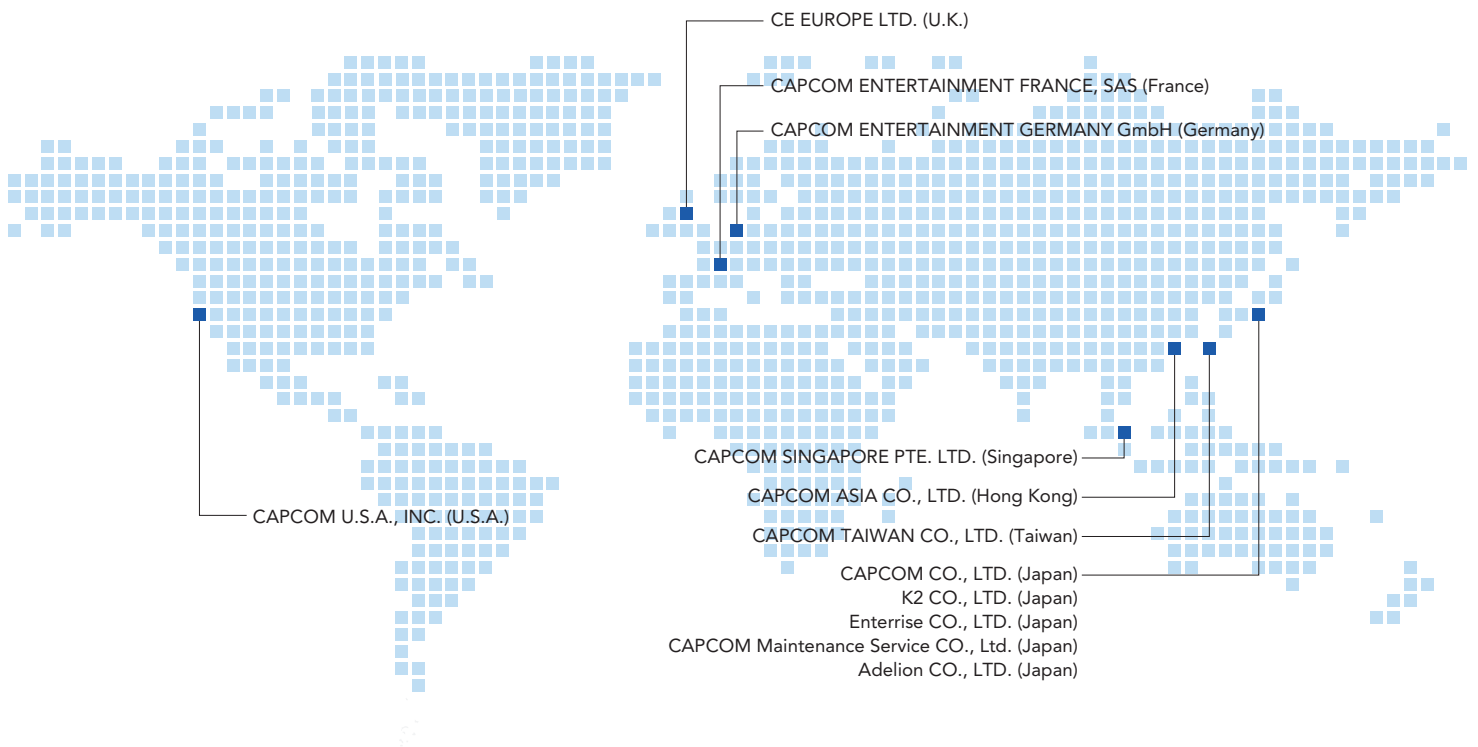


R&D Building #2

**Capcom's Subsidiaries** (As of March 31, 2021)

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

\* Adelson CO., LTD. is a wholly owned subsidiary of Enterise CO., LTD.  
 \* CAPCOM ASIA CO., LTD. is a wholly owned subsidiary of CAPCOM SINGAPORE PTE. LTD.  
 \* CAPCOM ENTERTAINMENT GERMANY GmbH and CAPCOM ENTERTAINMENT FRANCE, SAS are both wholly owned subsidiaries of CE EUROPE LTD.



# FACT BOOK 2021

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# CAPCOM CO., LTD.

3-1-3 Uchihirano-machi, Chuo-ku,  
Osaka, 540-0037, Japan  
PHONE: 81-6-6920-3600

<https://www.capcom.co.jp/>

## Capcom Investor Relations Website

<https://www.capcom.co.jp/ir/english/>

We have been focusing on IR activities by providing our shareholders and investors with timely and updated information through our website.



## Smartphone Access

If you have a smartphone that reads QR codes (two-dimensional bar codes), scan the image on the right for easy access to the site.



The print of this catalog uses environment-friendly vegetable oil ink.



# FACT BOOK 2021

Code Number 9697

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# Financial Index

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

	2014	2015	2016	2017	2018	2019	2020	2021
<b>For the Year</b> (million yen)								
Net sales	102,200	64,277	77,021	87,170	94,515	100,031	81,591	<b>95,308</b>
Operating income	10,299	10,582	12,029	13,650	16,037	18,144	22,827	<b>34,596</b>
Net income before income taxes	5,315	10,701	11,150	12,489	15,149	17,770	22,890	<b>34,828</b>
Net income attributable to owners of the parent	3,444	6,616	7,745	8,879	10,937	12,551	15,949	<b>24,923</b>
Capital investment (Tangible fixed assets, net of accumulated depreciation)	2,252	5,564	5,937	2,622	2,918	2,439	2,504	<b>2,570</b>
Depreciation and amortization	4,638	3,535	5,712	5,980	4,706	3,228	2,795	<b>2,791</b>
Capital expenditure	8,064	10,177	8,274	3,767	3,041	2,568	2,576	<b>3,597</b>
R&D investment costs	26,691	25,301	27,255	27,720	29,077	27,038	25,843	<b>25,375</b>
Promotional expenses	4,269	2,798	3,832	4,764	5,579	5,490	4,253	<b>3,178</b>
<b>At Year-End</b> (million yen)								
Total assets*1	96,611	100,773	113,057	118,897	124,829	123,407	143,466	<b>163,712</b>
Net assets	63,875	71,331	75,168	77,774	85,421	88,749	99,735	<b>120,794</b>
Work in progress for game software, Online contents in progress	14,902	24,728	27,220	30,150	25,635	16,926	21,222	<b>24,443</b>
Net increase (decrease) in cash and cash equivalents	(5,404)	1,879	431	(4,091)	22,201	6,464	6,667	<b>4,371</b>
Cash and cash equivalents at end of year	26,118	27,998	28,429	24,337	46,539	53,004	59,672	<b>64,043</b>
Interest-bearing debt	7,050	10,992	12,608	16,111	9,788	8,315	6,735	<b>5,606</b>
Net cash (100 million yen)	226	212	158	84	367	446	589	<b>656</b>
<b>Profitability Indicators</b> (%)								
Cost-of-sales ratio	70.7	59.7	61.2	64.7	63.4	62.8	49.8	<b>44.7</b>
Operating margin	10.1	16.5	15.6	15.7	17.0	18.1	28.0	<b>36.3</b>
Ordinary margin	10.7	16.9	14.7	14.4	16.1	18.2	28.1	<b>36.6</b>
Return on sales	3.4	10.3	10.1	10.2	11.6	12.5	19.5	<b>26.1</b>
SG&A expenses ratio	19.3	24.0	23.1	19.6	19.7	19.1	22.2	<b>19.0</b>
Return on equity (ROE)	5.4	9.8	10.6	11.6	13.4	14.4	16.9	<b>22.6</b>
Return on total assets (ROA)	3.4	6.7	7.2	7.7	8.9	10.1	12.0	<b>16.2</b>

\*1. Effective from the beginning of FY2018, Capcom has applied "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018). Certain financial information for the FY2018 has undergone retrospective application.

	2014	2015	2016	2017	2018	2019	2020	2021
<b>Efficiency Indicators</b> (times)								
Total assets turnover	1.1	0.7	0.7	0.7	0.8	0.8	0.6	<b>0.6</b>
Sales-equity ratio	1.6	0.9	1.0	1.1	1.1	1.1	0.8	<b>0.8</b>
Receivables turnover	5.6	8.0	7.8	4.3	7.3	7.2	5.1	<b>3.8</b>
Accounts payable turnover	6.1	9.4	9.5	7.9	17.3	12.2	7.0	<b>11.5</b>
Inventory turnover	7.6	3.1	2.5	2.4	3.2	5.2	3.4	<b>3.4</b>
Fixed asset turnover ratio	3.4	1.8	2.1	2.6	3.2	3.1	2.4	<b>2.6</b>
<b>Safety Indicators</b> (%)								
Net worth ratio	66.1	70.8	66.5	65.4	68.4	71.9	69.5	<b>73.8</b>
Current ratio	260.3	380.7	339.6	285.0	354.0	391.2	303.5	<b>390.9</b>
Quick ratio (Acid-test ratio)	187.3	233.1	171.4	149.1	220.0	288.5	227.6	<b>295.6</b>
Cash equivalent ratio	116.3	186.7	127.2	81.8	172.1	228.3	183.1	<b>218.6</b>
Fixed ratio	47.1	49.2	49.4	43.0	35.0	36.7	34.7	<b>30.1</b>
Debt-equity ratio	51.2	41.3	50.4	52.9	47.0	39.1	43.8	<b>35.5</b>
Interest coverage ratio (times)	136.8	50.2	36.5	22.8	337.2	249.3	302.5	<b>201.6</b>
<b>Per Share Data</b> (yen)								
Net income (loss) per share*2, *4	30.56	58.84	68.87	80.18	99.89	115.45	149.41	<b>116.74</b>
Net assets per share*3, *5	567.96	634.28	688.43	710.32	780.18	831.37	934.28	<b>565.78</b>
<b>Dividend Data</b>								
Dividend per share (yen)*6	40.0	40.0	40.0	50.0	60.0	35.0	45.0	<b>71.0</b>
Dividend payout ratio (%)	65.5	34.0	29.0	31.2	30.0	30.3	30.1	<b>30.4</b>
Dividend yield (%)	2.0	1.7	1.5	2.3	2.6	1.4	1.3	<b>1.0</b>
<b>Stock Information</b>								
Number of outstanding shares (shares)*6, *7	67,723,244	67,723,244	67,723,244	67,723,244	67,723,244	135,446,488	135,446,488	<b>135,446,488</b>
Price-earnings ratio (times)	32.0	20.3	19.9	13.5	23.0	21.5	22.7	<b>30.8</b>
Shareholdings held by foreign investors (%)	37.29	36.87	39.35	31.19	35.01	36.83	35.14	<b>38.24</b>

\*2. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net income per share has been calculated assuming that the stock split took place at the beginning of the fiscal year ended March 31, 2014.

\*3. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held. Accordingly, net assets per share has been calculated assuming that the stock split took place at the beginning of the fiscal year ended March 31, 2014.

\*4. With an effective date of April 1, 2021, Capcom split its common stock at a ratio of 1:2. Accordingly, net income per share has been calculated assuming that the stock split took place on of April 1, 2020.

\*5. With an effective date of April 1, 2021, Capcom split its common stock at a ratio of 1:2. Accordingly, net assets per share has been calculated assuming that the stock split took place on of April 1, 2020.

\*6. On April 1, 2018, the stock was split on a basis of two shares for every share of common stock held by resolution of the Board of Directors at the meeting held on March 6, 2018.

\*7. The Articles of Incorporation have partially been amended following a stock split (effective date: April 1, 2021). Due to this stock split, the total number of issued shares has been increased to 270,892,976 shares.

# Segment Information

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

	2014	2015	2016	2017	2018	2019	2020	2021
<b>Digital Contents</b>								
Net sales (million yen)	65,824	45,351	52,577	58,704	74,141	82,982	59,942	<b>75,300</b>
Consumer (100 million yen)	530	352	421	492	652	769	555	<b>688</b>
Package (100 million yen)	433	262	312	337	383	359	129	<b>208</b>
Digital Download Contents (DLC) (100 million yen)	97	90	109	155	269	410	426	<b>480</b>
Mobile Contents (100 million yen)	65	41	33	38	41	23	44	<b>65</b>
PC Other (100 million yen)*1	63	60	71	57	48	37	—	<b>—</b>
Operating income (million yen)	4,489	10,208	12,167	11,096	19,103	23,315	24,161	<b>37,002</b>
Operating margins (%)	6.8	22.5	23.1	18.9	25.8	28.1	40.3	<b>49.1</b>
Assets (million yen)	35,708	50,053	57,275	66,691	61,641	54,109	53,117	<b>73,551</b>
Return on total assets (ROA) (%)	12.6	20.4	21.2	16.6	31.0	43.1	45.5	<b>50.3</b>
<b>Arcade Operations</b>								
Net sales (million yen)	10,620	9,241	9,056	9,525	10,231	11,050	12,096	<b>9,871</b>
Operating income (million yen)	1,617	940	699	752	879	1,096	1,211	<b>149</b>
Operating margins (%)	15.2	10.2	7.7	7.9	8.6	9.9	10.0	<b>1.5</b>
Assets (million yen)	6,657	6,315	6,574	6,988	7,471	7,730	7,624	<b>7,709</b>
Return on total assets (ROA) (%)	24.3	14.9	10.6	10.8	11.8	14.2	15.9	<b>1.9</b>
<b>Amusement Equipments</b>								
Net sales (million yen)	23,160	7,540	13,343	16,856	7,803	3,422	6,533	<b>7,090</b>
Operating income (million yen)	7,131	2,736	2,812	5,106	(764)	(2,668)	2,085	<b>2,407</b>
Operating margins (%)	30.8	36.3	21.1	30.3	—	—	31.9	<b>33.9</b>
Assets (million yen)	20,083	8,760	12,314	16,169	10,002	6,420	13,100	<b>6,346</b>
Return on total assets (ROA) (%)	35.5	31.2	22.8	31.6	—	—	15.9	<b>37.9</b>
<b>Other Businesses</b>								
Net sales (million yen)	2,594	2,144	2,043	2,083	2,338	2,575	3,018	<b>3,045</b>
Operating income (million yen)	1,001	661	511	969	1,126	811	544	<b>987</b>
Operating margins (%)	38.6	30.8	25.0	46.5	48.2	31.5	18.0	<b>32.4</b>
Assets (million yen)	4,331	6,534	4,926	4,718	3,600	617	554	<b>1,420</b>
Return on total assets (ROA) (%)	23.1	10.1	10.4	20.5	31.3	131.4	98.2	<b>69.5</b>

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

# Market Information

	2014	2015	2016	2017	2018	2019	2020	(Year) <b>2021</b> (Estimate)
<b>Consumer Market</b> (100 million USD)*2								
Package	129	124	109	112	109	134	126	<b>138</b>
Digital Download Contents (DLC)	87	93	103	132	190	217	303	<b>380</b>
Total	216	217	212	244	299	351	429	<b>518</b>
<b>Mobile Contents Market</b> (100 million USD)*2								
North America	54	66	100	113	175	219	302	<b>332</b>
Europe	35	44	47	60	87	107	144	<b>173</b>
Asia	116	229	276	354	421	510	647	<b>701</b>
Other	19	48	61	66	69	83	116	<b>151</b>
Total	225	390	485	594	753	920	1,211	<b>1,359</b>
<b>PC Online Market</b> (100 million USD)*2								
North America	61	58	70	77	90	68	93	<b>93</b>
Europe	66	57	62	77	90	84	86	<b>93</b>
Asia	91	106	138	186	195	189	184	<b>185</b>
Other	28	28	38	43	39	42	56	<b>62</b>
Total	247	251	310	384	416	384	422	<b>434</b>

	2014	2015	2016	2017	2018	2019	2020	(Years ended March 31) <b>2021</b>
<b>Arcade Operations Market</b> (100 million yen)*3								
Market size	4,564	4,222	4,338	4,620	4,859	5,201	5,408	—
Number of Amusement Arcades (by number of machines) (stores)	16,069	15,611	14,862	14,154	13,103	12,167	12,212	—
Over 101 machines	6,535	5,698	5,603	5,263	4,879	3,640	5,354	—
51–100 machines	2,084	1,990	1,932	1,817	1,670	795	1,172	—
Below 50 machines	7,450	7,923	7,327	7,074	6,554	7,732	5,687	—
<b>Gaming Machines Market</b> (100 million yen)*4								
Pachinko	6,571	6,524	6,130	5,258	5,157	5,046	3,450	—
Pachislo	4,774	4,274	3,697	3,576	2,434	1,685	2,197	—
Total	11,345	10,798	9,827	8,834	7,591	6,731	5,647	—

\*2. Source: International Development Group

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

\*4. Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2019, 2020); Yano Research Institute Ltd.




















# Software Shipments

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

		2014	2015	2016	2017	2018	2019	2020	2021
<b>Units Shipped by Platform</b> (thousand units)									
Playstation 3 Playstation 4 Playstation 5	SKU	17	13	19	16	14	21	8	4
	Sub total	4,200	2,450	3,500	4,700	8,250	6,500	3,300	2,750
PSP PS Vita	SKU	0	5	8	5	1	3	—	—
	Sub total	200	250	300	150	0	50	—	—
Wii, Wii U Nintendo Switch	SKU	2	—	—	—	7	17	8	1
	Sub total	350	150	100	0	1,100	1,950	1,150	3,650
Nintendo DS Nintendo 3DS	SKU	4	5	7	5	8	—	—	—
	Sub total	4,700	3,750	4,100	3,200	450	—	—	—
Xbox 360 Xbox One Xbox Series X S	SKU	11	7	6	9	9	9	2	2
	Sub total	2,950	1,200	650	2,100	1,350	1,200	300	400
PC Other	SKU	5	3	4	6	2	3	1	—
	Sub total	300	200	250	250	350	300	200	150
Package total	SKU	39	33	44	41	41	53	19	7
	Sub total	12,700	8,000	8,900	10,400	11,500	10,000	4,950	6,950
Full-game download	SKU	3	—	1	1	9	8	16	7
	Sub total	4,800	5,000	6,100	9,000	12,900	15,300	20,550	23,150
Total	SKU	42	33	45	42	50	61	35	14
	Total	17,500	13,000	15,000	19,400	24,400	25,300	25,500	30,100

# Game Series Sales

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

<p><b>Dragon's Dogma</b></p> <hr/> <p>Number of Titles: <b>13</b> Unit Sales: <b>5.7</b></p> 	<p><b>Lost Planet</b></p> <hr/> <p>Number of Titles: <b>17</b> Unit Sales: <b>6.3</b></p> 	<p><b>Dead Rising</b></p> <hr/> <p>Number of Titles: <b>22</b> Unit Sales: <b>14.0</b></p> 	<p><b>Okami</b></p> <hr/> <p>Number of Titles: <b>11</b> Unit Sales: <b>3.4</b></p> 	<p><b>Sengoku BASARA</b></p> <hr/> <p>Number of Titles: <b>31</b> Unit Sales: <b>4.0</b></p> 
<p><b>Monster Hunter</b></p> <hr/> <p>Number of Titles: <b>50</b> Unit Sales: <b>72.0</b></p> 	<p><b>Ace Attorney</b></p> <hr/> <p>Number of Titles: <b>30</b> Unit Sales: <b>8.1</b></p> 	<p><b>Devil May Cry</b></p> <hr/> <p>Number of Titles: <b>35</b> Unit Sales: <b>23.0</b></p> 	<p><b>Onimusha</b></p> <hr/> <p>Number of Titles: <b>16</b> Unit Sales: <b>8.4</b></p> 	<p><b>Dino Crisis</b></p> <hr/> <p>Number of Titles: <b>13</b> Unit Sales: <b>4.4</b></p> 
<p><b>Marvel vs. Capcom</b></p> <hr/> <p>Number of Titles: <b>16</b> Unit Sales: <b>9.9</b></p>  <p><small>©2017 MARVEL GAMES TO REPRODUCE ©CAPCOM INC. LTD. 2017 CAPCOM U.S.A., INC. 2017 ALL RIGHTS RESERVED</small></p>	<p><b>Resident Evil</b></p> <hr/> <p>Number of Titles: <b>141</b> Unit Sales: <b>110.0</b></p> 	<p><b>Breath of Fire</b></p> <hr/> <p>Number of Titles: <b>15</b> Unit Sales: <b>3.2</b></p> 	<p><b>Final Fight</b></p> <hr/> <p>Number of Titles: <b>10</b> Unit Sales: <b>3.2</b></p> 	<p><b>Street Fighter</b></p> <hr/> <p>Number of Titles: <b>93</b> Unit Sales: <b>46.0</b></p> 
<p><b>Mega Man</b></p> <hr/> <p>Number of Titles: <b>158</b> Unit Sales: <b>36.0</b></p> 	<p><b>Ghosts'n Goblins</b></p> <hr/> <p>Number of Titles: <b>15</b> Unit Sales: <b>4.3</b></p> 	<p><b>Commando</b></p> <hr/> <p>Number of Titles: <b>2</b> Unit Sales: <b>1.2</b></p> 	<p><b>1942</b></p> <hr/> <p>Number of Titles: <b>3</b> Unit Sales: <b>1.4</b></p> 	

Unit Sales: million units  
Year ended March 31, 2021

# ESG Data

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

	2014	2015	2016	2017	2018	2019	2020	2021
<b>Environmental (Non-consolidated)</b>								
Emissions (Non-consolidated) (t)	18,130	16,476	14,892	15,285	15,021	14,152	13,004	<b>11,779</b>
Energy consumption per basic unit (Non-consolidated)* <sup>1</sup>	0.07090	0.06663	0.06193	0.06018	0.05994	0.05869	0.05583	<b>0.05186</b>
Year on year rate of change (%)	95.7	94.0	92.9	98.6	98.1	97.9	95.1	<b>92.9</b>
<b>Social</b>								
Number of employees	2,601	2,681	2,839	2,811	2,952	2,832	2,988	<b>3,152</b>
Number of employees (Non-consolidated)	1,951	2,033	2,114	2,194	2,426	2,530	2,688	<b>2,841</b>
Content developers	1,808	1,902	2,052	1,994	2,141	2,032	2,142	<b>2,285</b>
Number of female managers (Non-consolidated)	19	20	24	25	25	24	24	<b>27</b>
Ratio of female employees (%)	21	20	19	20	21	21	22	<b>22</b>
Number of non-Japanese employees (Non-consolidated)	69	72	91	99	107	149	162	<b>192</b>
Ratio of non-Japanese employees (%)	3.3	3.4	4.0	4.3	4.2	5.6	5.8	<b>6.5</b>
Number of onsite nursery school users	—	—	—	—	13	25	25	<b>19</b>
Number of employees who took childcare leave	18	21	24	26	25	33	23	<b>34</b>
Male	3	5	0	3	6	12	10	<b>17</b>
Female	15	16	24	23	19	21	13	<b>17</b>
Cumulative number of participants in senior tours	1,550	1,681	1,871	2,037	2,247	2,463	2,582	<b>2,582</b>
Cumulative number of regional vitalization projects	3	5	10	15	19	22	26	<b>32</b>
Number of educational support activities	63	51	55	58	40	29	32	<b>14</b>
Number of guest lectures held	24	25	18	28	17	15	10	<b>13</b>
Number of participants lectures held	1,920	2,361	1,853	1,853	1,767	1,392	820	<b>799</b>
<b>Governance</b>								
Number of directors	14	14	10	12	11	11	11	<b>10</b>
Internal directors	9	9	5	6	6	6	6	<b>5</b>
External directors	5	5	5	6	5	5	5	<b>5</b>
Ratio of external directors	35.7	35.7	50.0	50.0	45.5	45.5	45.5	<b>50.0</b>
Number of board of directors meetings held	15	16	14	15	15	10	10	<b>10</b>
Number of board of corporate audit and supervisory committee* <sup>2</sup> meetings held	15	12	13	14	16	10	10	<b>10</b>

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

\*2. Capcom transitioned from a company with a corporate auditor system to a company with an audit and supervisory committee on June 18, 2016.



# Consolidated Statements of Income

	2014	2015	2016	2017	2018	2019	2020	(million yen)	(thousand USD)
								2021	2021
<b>Net sales</b>	102,200	64,277	77,021	87,170	94,515	100,031	81,591	<b>95,308</b>	<b>866,444</b>
<b>Cost of sales</b>	72,251	38,379	47,175	56,438	59,895	62,809	40,643	<b>42,567</b>	<b>386,974</b>
<b>Gross profit</b>	29,949	25,898	29,846	30,731	34,619	37,222	40,947	<b>52,741</b>	<b>479,469</b>
<b>Selling, general and administrative expenses</b>	19,749	15,403	17,816	17,080	18,582	19,078	18,119	<b>18,145</b>	<b>164,960</b>
<b>Operating income</b>	10,299	10,582	12,029	13,650	16,037	18,144	22,827	<b>34,596</b>	<b>314,509</b>
<b>Non-operating income</b>									
Interest income	97	98	95	47	58	171	271	<b>65</b>	<b>597</b>
Dividend income	10	13	13	13	14	16	18	<b>19</b>	<b>175</b>
Settlement received	210	92	—	—	—	—	—	<b>—</b>	<b>—</b>
Exchange gain, net	566	292	—	—	—	362	—	<b>611</b>	<b>5,561</b>
Subsidy income	—	—	—	—	—	—	86	<b>52</b>	<b>476</b>
Compensation for damage	—	—	—	—	—	—	—	<b>130</b>	<b>1,188</b>
Other	238	168	195	130	145	422	104	<b>155</b>	<b>1,412</b>
Total	1,122	664	304	192	219	974	480	<b>1,035</b>	<b>9,412</b>
<b>Non-operating expenses</b>									
Interest expense	96	85	119	141	103	80	74	<b>72</b>	<b>659</b>
Commission fees	69	83	59	44	64	69	69	<b>46</b>	<b>425</b>
Additionally paid retirement benefits	—	—	—	117	112	601	—	<b>—</b>	<b>—</b>
Office transfer expenses	—	—	—	63	254	—	—	<b>—</b>	<b>—</b>
Compensation expenses	138	—	—	—	—	—	—	<b>—</b>	<b>—</b>
Loss on closing amusement stores	142	142	—	—	—	—	—	<b>—</b>	<b>—</b>
Exchange losses, net	—	—	752	746	407	—	93	<b>—</b>	<b>—</b>
Loss on liquidation of subsidiaries	—	—	—	—	—	—	—	<b>452</b>	<b>4,112</b>
Other	27	84	55	141	59	173	113	<b>214</b>	<b>1,951</b>
Total	475	396	985	1,253	1,002	924	350	<b>786</b>	<b>7,148</b>
<b>Ordinary income</b>	10,946	10,851	11,348	12,589	15,254	18,194	22,957	<b>34,845</b>	<b>316,773</b>
<b>Special gains</b>	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>
<b>Special losses</b>	5,630	150	197	99	104	423	67	<b>16</b>	<b>149</b>
Net income before income taxes	5,315	10,701	11,150	12,489	15,149	17,770	22,890	<b>34,828</b>	<b>316,624</b>
Income taxes-current	950	1,146	6,377	1,832	4,617	6,603	8,472	<b>10,084</b>	<b>91,676</b>
Income taxes-deferred	920	2,937	(2,972)	1,777	(405)	(1,385)	(1,531)	<b>(179)</b>	<b>(1,629)</b>
Total	1,870	4,084	3,405	3,610	4,212	5,218	6,941	<b>9,905</b>	<b>90,046</b>
Net income	3,444	6,616	7,745	8,879	10,937	12,551	15,949	<b>24,923</b>	<b>226,578</b>
<b>Net income attributable to owners of the parent</b>	3,444	6,616	7,745	8,879	10,937	12,551	15,949	<b>24,923</b>	<b>226,578</b>

# Consolidated Statements of Comprehensive Income

	2014	2015	2016	2017	2018	2019	2020	(million yen)	(thousand USD)
								2021	2021
<b>Net income</b>	3,444	6,616	7,745	8,879	10,937	12,551	15,949	<b>24,923</b>	<b>226,578</b>
<b>Other comprehensive income</b>									
Net unrealized gain or loss on securities, net of tax	8	71	(168)	105	31	(112)	(133)	<b>163</b>	<b>1,482</b>
Cumulative translation adjustments	2,333	2,863	(1,494)	(262)	(601)	428	(592)	<b>1,295</b>	<b>11,779</b>
Adjustments for retirement benefits	—	(114)	9	(38)	21	20	34	<b>17</b>	<b>162</b>
Total other comprehensive income	2,341	2,820	(1,653)	(196)	(548)	336	(691)	<b>1,476</b>	<b>13,423</b>
<b>Comprehensive income</b>	5,786	9,436	6,092	8,683	10,389	12,888	15,257	<b>26,400</b>	<b>240,001</b>
Comprehensive income attributable to									
Owners of the parent	5,786	9,436	6,092	8,683	10,389	12,888	15,257	<b>26,400</b>	<b>240,001</b>
Non-controlling interests	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>

# Consolidated Balance Sheets

## Assets

	2014	2015	2016	2017	2018	2019	2020	(million yen) 2021	(thousand USD) 2021
<b>Assets</b>									
<b>Current assets</b>									
Cash on hand and in banks	29,720	32,204	28,429	24,537	46,539	53,004	65,657	<b>71,239</b>	<b>647,636</b>
Notes and accounts receivable-trade	18,134	8,005	9,879	20,175	12,930	13,970	15,959	<b>25,096</b>	<b>228,150</b>
Merchandise and finished goods	1,191	1,225	1,704	1,583	1,102	1,182	1,557	<b>2,005</b>	<b>18,233</b>
Work in progress	942	1,672	2,085	2,040	1,349	734	883	<b>897</b>	<b>8,154</b>
Raw materials and supplies	996	1,020	1,954	2,040	1,616	538	258	<b>850</b>	<b>7,727</b>
Work in progress for game software	10,355	16,833	24,825	30,150	25,635	16,926	21,222	<b>24,443</b>	<b>222,212</b>
Deferred tax assets	2,865	2,042	3,382	2,495	3,201	—	—	<b>—</b>	<b>—</b>
Other	2,355	2,712	3,673	2,478	3,371	4,518	3,320	<b>2,896</b>	<b>26,329</b>
Allowance for doubtful accounts	(55)	(56)	(18)	(21)	(34)	(58)	(31)	<b>(37)</b>	<b>(340)</b>
Total current assets	66,506	65,659	75,917	85,480	95,712	90,817	108,829	<b>127,391</b>	<b>1,158,103</b>
<b>Fixed assets</b>									
Tangible fixed assets, net of accumulated depreciation									
Buildings and structures, net	4,998	6,136	11,297	11,004	11,106	10,845	10,644	<b>10,666</b>	<b>96,969</b>
Machinery and vehicles, net	15	22	23	16	10	24	14	<b>11</b>	<b>109</b>
Tools, fixtures and furniture, net	1,208	1,578	1,875	1,932	1,840	1,377	1,445	<b>1,401</b>	<b>12,743</b>
Equipment for amusement facilities, net	1,431	1,101	1,342	1,616	1,565	1,821	1,879	<b>1,628</b>	<b>14,804</b>
Land	5,052	4,953	5,234	5,234	5,234	5,235	5,235	<b>5,235</b>	<b>47,595</b>
Lease assets, net	825	995	1,042	835	668	718	1,118	<b>1,141</b>	<b>10,379</b>
Construction in progress	44	2,541	8	128	371	336	509	<b>1,230</b>	<b>11,184</b>
Total tangible fixed assets	13,577	17,328	20,825	20,768	20,797	20,359	20,847	<b>21,316</b>	<b>193,786</b>
Intangible assets	7,368	10,668	8,135	2,843	725	432	351	<b>1,229</b>	<b>11,174</b>
Investments and other assets									
Investments in securities	542	621	454	574	625	576	415	<b>589</b>	<b>5,354</b>
Claims in bankruptcy and reorganization	65	66	65	67	19	19	19	<b>19</b>	<b>174</b>
Lease deposits	4,108	4,036	3,867	3,920	4,034	3,979	4,134	<b>4,140</b>	<b>37,636</b>
Deferred tax assets	3,699	1,595	2,952	4,311	2,782	6,420	7,906	<b>8,089</b>	<b>73,545</b>
Other	819	876	916	1,003	900	834	996	<b>969</b>	<b>8,813</b>
Allowance for doubtful accounts	(77)	(78)	(78)	(72)	(24)	(32)	(32)	<b>(32)</b>	<b>(294)</b>
Total investments and other assets	9,159	7,117	8,179	9,804	8,338	11,798	13,438	<b>13,775</b>	<b>125,231</b>
Total fixed assets	30,104	35,113	37,140	33,417	29,861	32,590	34,636	<b>36,321</b>	<b>330,192</b>
<b>Total assets</b>	96,611	100,773	113,057	118,897	125,573	123,407	143,466	<b>163,712</b>	<b>1,488,296</b>

## Liabilities and Net Assets

	2014	2015	2016	2017	2018	2019	2020	(million yen) 2021	(thousand USD) 2021
<b>Liabilities</b>									
<b>Current liabilities</b>									
Notes and accounts payable-trade	4,950	3,089	4,053	2,288	2,625	3,988	3,461	2,820	25,638
Electronically recorded monetary obligations	6,926	988	888	4,886	839	1,153	2,383	882	8,022
Short-term borrowings	4,050	3,452	1,497	9,323	1,473	—	—	—	—
Current portion of long-term borrowings	—	—	—	—	—	1,579	4,129	727	6,617
Lease obligations	370	483	525	502	392	406	502	594	5,407
Accrued income taxes	758	823	6,470	1,580	4,453	4,251	5,612	6,957	63,248
Deferred tax liabilities	93	147	40	2,308	766	—	—	—	—
Accrued bonuses	1,802	1,832	2,080	2,263	2,866	3,089	3,130	4,056	36,877
Deferred income	—	—	—	—	—	1,583	7,642	6,673	60,665
Other	6,594	6,427	6,799	6,840	13,618	7,159	9,000	9,878	89,801
<b>Total current liabilities</b>	<b>25,547</b>	<b>17,246</b>	<b>22,355</b>	<b>29,994</b>	<b>27,037</b>	<b>23,212</b>	<b>35,863</b>	<b>32,590</b>	<b>296,278</b>
<b>Long-term liabilities</b>									
Long-term borrowings	3,000	7,540	11,111	6,788	8,315	6,735	2,606	4,878	44,352
Lease obligations	519	589	601	399	329	369	690	630	5,732
Deferred tax liabilities	46	48	18	29	23	6	4	1	17
Liabilities for retirement benefits for employees	2,158	2,101	2,323	2,596	2,819	3,004	3,212	3,468	31,529
Asset retirement obligations	404	489	502	509	501	571	656	671	6,107
Other	1,059	1,427	975	805	1,127	758	697	676	6,149
<b>Total long-term liabilities</b>	<b>7,187</b>	<b>12,195</b>	<b>15,532</b>	<b>11,128</b>	<b>13,115</b>	<b>11,445</b>	<b>7,868</b>	<b>10,327</b>	<b>93,889</b>
<b>Total liabilities</b>	<b>32,735</b>	<b>29,442</b>	<b>37,888</b>	<b>41,122</b>	<b>40,152</b>	<b>34,658</b>	<b>43,731</b>	<b>42,918</b>	<b>390,168</b>
<b>Net assets</b>									
<b>Shareholders' equity</b>									
Common stock	33,239	33,239	33,239	33,239	33,239	33,239	33,239	33,239	302,175
Capital surplus	21,328	21,328	21,328	21,328	21,328	21,328	21,329	21,329	193,900
Retained earnings	29,160	33,801	39,297	45,402	53,602	62,595	74,275	93,861	853,283
Treasury stock	(18,134)	(18,140)	(18,145)	(21,448)	(21,454)	(27,456)	(27,458)	(27,461)	(249,653)
<b>Total shareholders' equity</b>	<b>65,593</b>	<b>70,228</b>	<b>75,719</b>	<b>78,521</b>	<b>86,716</b>	<b>89,708</b>	<b>101,385</b>	<b>120,967</b>	<b>1,099,706</b>
<b>Accumulated other comprehensive income</b>									
Net unrealized gain or loss on securities, net of tax	99	170	2	107	139	26	(106)	56	514
Cumulative translation adjustments	(1,647)	1,215	(278)	(541)	(1,142)	(713)	(1,306)	(10)	(98)
Accumulated adjustments for retirement benefits	(169)	(283)	(274)	(313)	(292)	(271)	(237)	(219)	(1,993)
<b>Total accumulated other comprehensive income</b>	<b>(1,717)</b>	<b>1,102</b>	<b>(550)</b>	<b>(747)</b>	<b>(1,295)</b>	<b>(958)</b>	<b>(1,650)</b>	<b>(173)</b>	<b>(1,578)</b>
<b>Total net assets</b>	<b>63,875</b>	<b>71,331</b>	<b>75,168</b>	<b>77,774</b>	<b>85,421</b>	<b>88,749</b>	<b>99,735</b>	<b>120,794</b>	<b>1,098,127</b>
<b>Total liabilities and net assets</b>	<b>96,611</b>	<b>100,773</b>	<b>113,057</b>	<b>118,897</b>	<b>125,573</b>	<b>123,407</b>	<b>143,466</b>	<b>163,712</b>	<b>1,488,296</b>

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

# Consolidated Statements of Cash Flows

	2014	2015	2016	2017	2018	2019	2020	(million) yen	(thousand) USD
								2021	2021
<b>Cash flows from operating activities</b>									
Net income before income taxes	5,315	10,701	11,150	12,489	15,149	17,770	22,890	<b>34,828</b>	<b>316,624</b>
Depreciation and amortization	4,638	3,535	5,712	5,980	4,706	3,228	2,795	<b>2,791</b>	<b>25,378</b>
Impairment loss	—	49	105	—	—	393	—	—	—
Amortization of goodwill	131	63	—	—	—	—	—	—	—
Increase (decrease) in allowance for doubtful accounts	(16)	(1)	(38)	(1)	(36)	32	(25)	<b>5</b>	<b>46</b>
Increase (decrease) in accrued bonuses	88	(3)	263	186	604	223	49	<b>912</b>	<b>8,292</b>
Increase (decrease) in allowance for sales returns	(100)	(87)	—	—	—	—	—	—	—
Increase (decrease) in accrued retirement benefits for employees	—	—	—	—	—	—	—	—	—
Increase in liabilities for retirement benefits for employees	195	207	264	204	253	214	258	<b>281</b>	<b>2,557</b>
Interest and dividend income	(107)	(111)	(109)	(61)	(71)	(189)	(289)	<b>(85)</b>	<b>(773)</b>
Interest expenses	96	85	119	141	103	80	74	<b>72</b>	<b>659</b>
Exchange losses (gains), net	(435)	(188)	60	18	134	(127)	180	<b>(37)</b>	<b>(345)</b>
Loss on sales and/or disposal of fixed assets	93	100	92	99	104	30	62	<b>16</b>	<b>149</b>
Loss on restructuring	5,537	—	—	—	—	—	—	—	—
Decrease (increase) in accounts receivable - trade	(6,351)	10,382	(2,208)	(10,393)	7,059	(858)	(2,117)	<b>(9,028)</b>	<b>(82,076)</b>
Decrease (increase) in inventories	1,196	(764)	(1,651)	158	1,588	1,621	(256)	<b>(997)</b>	<b>(9,069)</b>
Decrease (increase) in online contents in progress	(1,741)	(3,347)	1,479	(704)	—	—	—	—	—
Decrease (increase) in work in progress for game software	6,010	(6,443)	(8,778)	(2,266)	4,069	8,876	(4,293)	<b>(3,213)</b>	<b>(29,213)</b>
Increase (decrease) in notes and accounts payable - trade	4,806	(7,856)	935	2,280	(3,690)	1,665	749	<b>(2,233)</b>	<b>(20,307)</b>
Change in deferred revenue	—	—	—	—	—	—	6,107	<b>(1,077)</b>	<b>(9,791)</b>
Other*	(3,953)	(1,129)	(2,087)	1,659	6,320	(7,286)	2,418	<b>527</b>	<b>4,794</b>
Subtotal	15,404	5,187	5,309	9,792	36,296	25,675	28,605	<b>22,761</b>	<b>206,924</b>
Interests and dividends received	86	118	130	62	73	191	265	<b>99</b>	<b>905</b>
Interests paid	(98)	(85)	(120)	(140)	(101)	(81)	(75)	<b>(72)</b>	<b>(661)</b>
Income taxes paid	(2,190)	(934)	(972)	(6,513)	(1,546)	(5,938)	(6,515)	<b>(8,162)</b>	<b>(74,208)</b>
Net cash provided by operating activities	13,201	4,286	4,347	3,200	34,721	19,847	22,279	<b>14,625</b>	<b>132,959</b>

\* "Other," under cash flows from operating activities, includes Decrease (increase) in other current assets and Increase (decrease) in other current liabilities for the fiscal years ended March 31, 2014 through March 31, 2017.

	2014	2015	2016	2017	2018	2019	2020	(million yen) <b>2021</b>	(thousand USD) <b>2021</b>
<b>Cash flows from investing activities</b>									
Payments into time deposits	(3,517)	—	—	(200)	—	—	(6,019)	<b>(13,742)</b>	<b>(124,930)</b>
Proceeds from withdrawal of time deposits	—	—	4,205	—	—	—	—	<b>12,660</b>	<b>115,094</b>
Payment for acquisition of tangible fixed assets	(2,203)	(5,465)	(5,813)	(3,074)	(2,767)	(2,093)	(2,273)	<b>(2,305)</b>	<b>(20,961)</b>
Proceeds from sales of tangible fixed assets	1	206	4	5	0	4	0	<b>1</b>	<b>13</b>
Payment for acquisition of intangible assets	(497)	(195)	(290)	(253)	(150)	(112)	(65)	<b>(817)</b>	<b>(7,430)</b>
Payment for purchase of investments in securities	(12)	(12)	(13)	(13)	(13)	(14)	(10)	<b>(15)</b>	<b>(139)</b>
Proceeds from sales of investments in securities	—	—	—	—	—	—	3	<b>—</b>	<b>—</b>
Payment for other investing activities	(115)	(141)	(113)	(222)	(259)	(182)	(213)	<b>(51)</b>	<b>(468)</b>
Proceeds from other investing activities	189	111	380	131	343	138	140	<b>37</b>	<b>337</b>
Net cash used in investing activities	(6,155)	(5,496)	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)	<b>(4,233)</b>	<b>(38,483)</b>
<b>Cash flows from financing activities</b>									
Net (decrease) increase in short-term borrowings	(10,000)	(1,050)	—	5,000	(5,000)	—	—	<b>—</b>	<b>—</b>
Proceeds from long-term borrowings	—	8,162	2,500	—	—	—	—	<b>3,000</b>	<b>27,272</b>
Repayments of long-term borrowings	(145)	(3,169)	(883)	(1,497)	(1,323)	(1,473)	(1,579)	<b>(4,129)</b>	<b>(37,538)</b>
Repayments of lease obligations	(383)	(406)	(496)	(535)	(509)	(414)	(505)	<b>(500)</b>	<b>(4,552)</b>
Payment for repurchase of treasury stock	(2,286)	(5)	(5)	(3,302)	(5)	(6,001)	(1)	<b>(3)</b>	<b>(33)</b>
Proceeds from sales of treasury stock	0	0	—	—	—	—	—	<b>—</b>	<b>—</b>
Dividends paid by parent company	(2,283)	(2,251)	(2,228)	(2,794)	(2,738)	(3,554)	(4,265)	<b>(5,331)</b>	<b>(48,469)</b>
Net cash used in financing activities	(15,099)	1,278	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)	<b>(6,965)</b>	<b>(63,321)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	2,648	1,811	(1,160)	(533)	(96)	323	(823)	<b>944</b>	<b>8,587</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	(5,404)	1,879	431	(4,091)	22,201	6,464	6,667	<b>4,371</b>	<b>39,742</b>
<b>Cash and cash equivalents at beginning of year</b>	31,522	26,118	27,998	28,429	24,337	46,539	53,004	<b>59,672</b>	<b>542,474</b>
<b>Cash and cash equivalents at end of year</b>	26,118	27,998	28,429	24,337	46,539	53,004	59,672	<b>64,043</b>	<b>582,216</b>

# Consolidated Statements of Changes in Net Assets

Previous fiscal year (April 1, 2019 to March 31, 2020) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2019</b>	33,239	21,328	62,595	(27,456)	89,708
Changes of items during the fiscal year					
Cash dividends			(4,270)		(4,270)
Net income attributable to owners of the parent			15,949		15,949
Repurchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	0	11,679	(2)	11,677
<b>Balance as of March 31, 2020</b>	33,239	21,329	74,275	(27,458)	101,385

Previous fiscal year (April 1, 2019 to March 31, 2020) (million yen)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance as of April 1, 2019</b>	26	(713)	(271)	(958)	88,749
Changes of items during the fiscal year					
Cash dividends					(4,270)
Net income attributable to owners of the parent					15,949
Repurchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	(133)	(592)	34	(691)	(691)
Total changes of items during the fiscal year	(133)	(592)	34	(691)	10,985
<b>Balance as of March 31, 2020</b>	(106)	(1,306)	(237)	(1,650)	99,735

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

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

Current fiscal year (April 1, 2020 to March 31, 2021) (thousand USD)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2020</b>	302,175	193,900	675,228	(249,619)	921,684
Changes of items during the fiscal year					
Cash dividends			(48,522)		(48,522)
Net income attributable to owners of the parent			226,578		226,578
Repurchase of treasury stock				(33)	(33)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity					—
Total changes of items during the fiscal year	—	—	178,055	(33)	178,021
<b>Balance as of March 31, 2021</b>	302,175	193,900	853,283	(249,653)	1,099,706

Current fiscal year (April 1, 2020 to March 31, 2021) (thousand USD)	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance as of April 1, 2020</b>	(967)	(11,878)	(2,155)	(15,001)	906,682
Changes of items during the fiscal year					
Cash dividends					(48,522)
Net income attributable to owners of the parent					226,578
Repurchase of treasury stock					(33)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity	1,482	11,779	162	13,423	13,423
Total changes of items during the fiscal year	1,482	11,779	162	13,423	191,445
<b>Balance as of March 31, 2021</b>	514	(98)	(1,993)	(1,578)	1,098,127

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