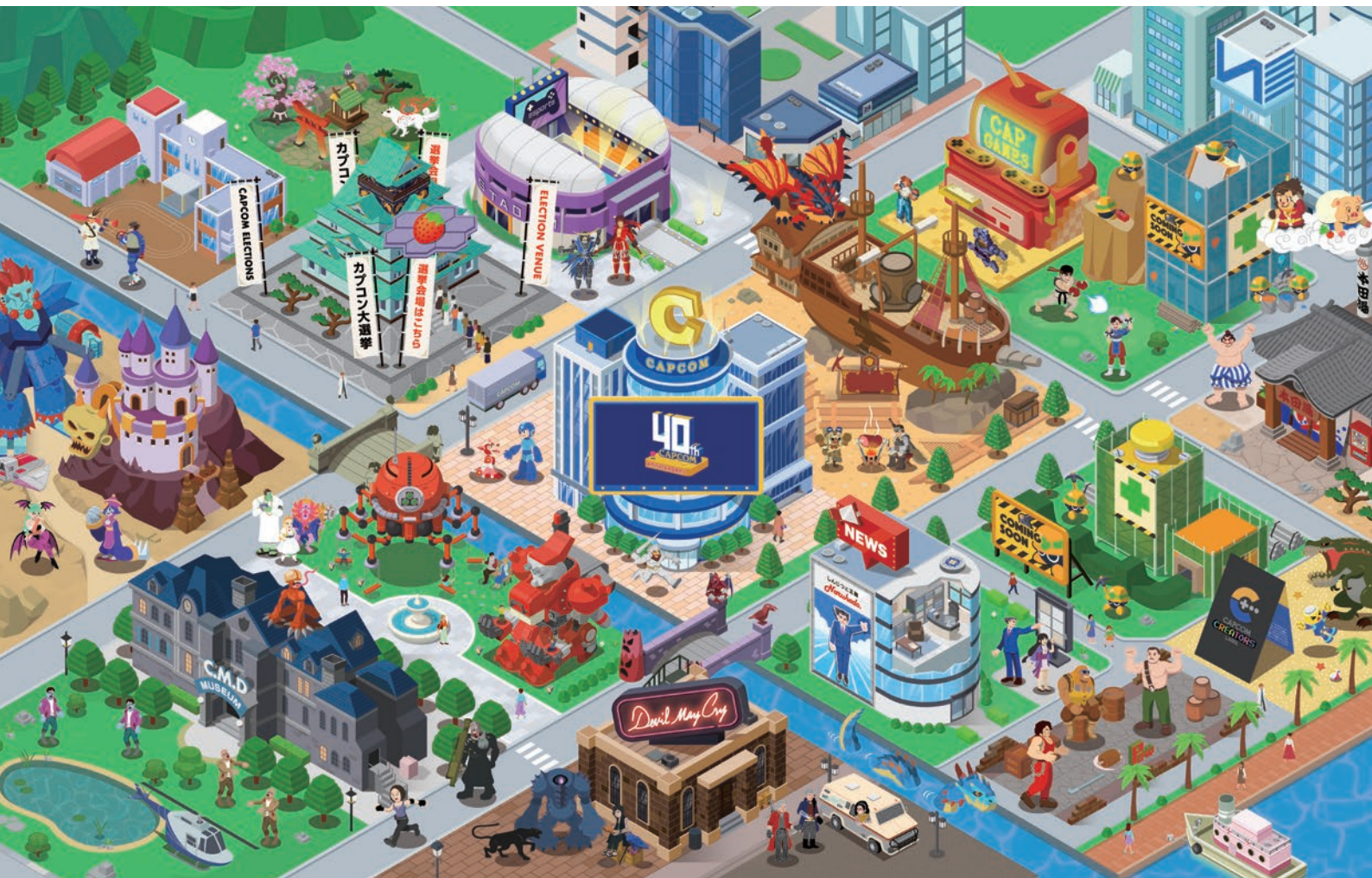


# Made in Osaka, loved worldwide

CAPCOM INTEGRATED REPORT

# 2023



# From Osaka, to the world



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

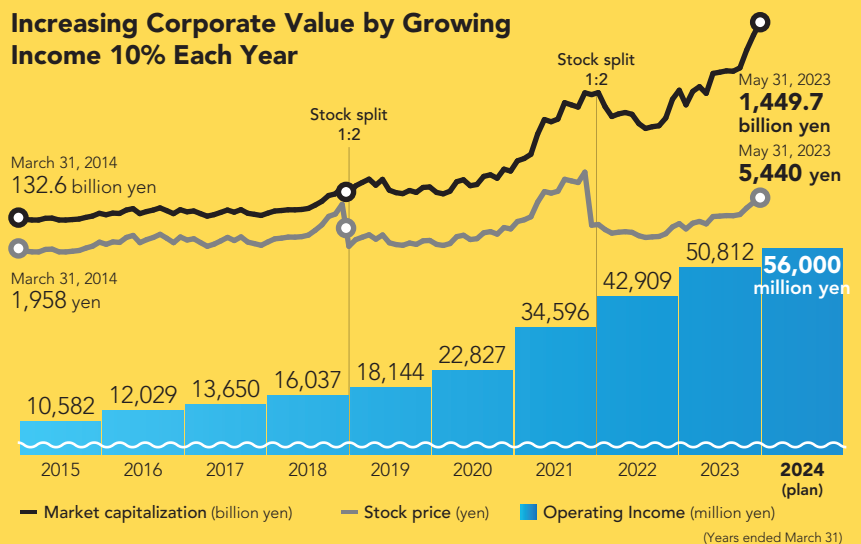
Capcom marked its 40th anniversary in June 2023. Over the past four decades, we have aimed to be a company that contributes to people's happiness, and in addition to producing a wealth of iconic original games and content loved around the world, we have also adapted the content from our games to a number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

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

## Achieving 10 consecutive years of increased operating income

The game industry is continuously changing, in step with the evolution of AI, networks, and other advanced technologies. At Capcom, we see these changes as an opportunity, and as a result of our efforts to strengthen our development structure and promote digitalization, the fiscal year ended March 2023 marks 10 consecutive years of increased operating income. Though we split our stock on April 1, 2018 and again on April 1, 2021 to improve its liquidity and expand our investor base, as our performance improves, our stock price also continues to rise steadily. We will continue to increase our corporate value (market capitalization) with sustainable business growth so that we can reward our stakeholders' loyalty.

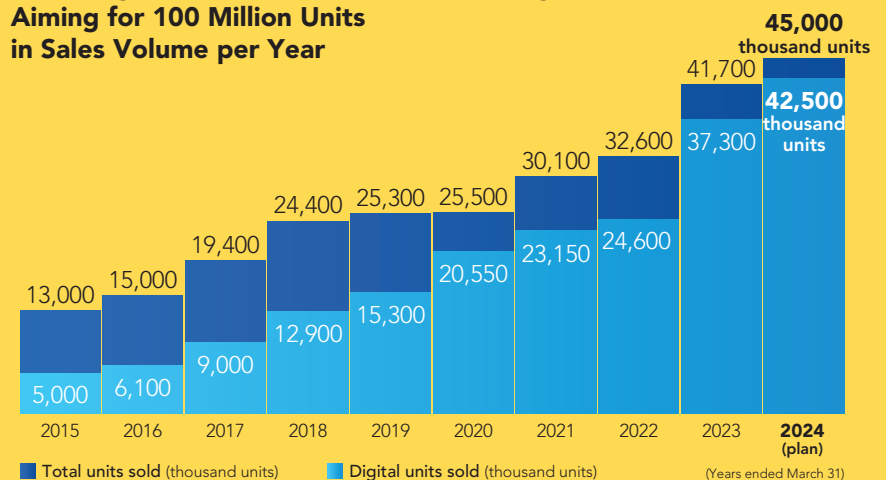
**Increasing Corporate Value by Growing Income 10% Each Year**



## Providing smiles and moving hearts all across the globe

Since Capcom's founding in 1983, we have continued to move hearts and deliver smiles through the entertainment of games. In recent years, the spread of the internet, PCs, and smartphones has made it possible to enjoy games while at home, or in all corners of the globe, even without a game console. Further, our game software sales volume has been increasing, driven primarily by digital sales, and our titles can be enjoyed in 230 different counties and regions worldwide. We will continue to strive in our business activities in an effort to contribute to the improvement of quality of life for people throughout the world by providing high quality entertainment.

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



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

## Trend in operating income

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



### Genesis

Capcom Co., Ltd. was established in Osaka in 1983. Capcom focused its business development on the creation and sales of high-spec arcade games using the proprietary circuit board “CP System” while making its foray into the home video game arena.

#### Title history

#### 1983

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

#### 1984

Released our first arcade video game *Vulgus*.

#### 1985

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

#### 1987

Released *Mega Man* for the NES.



### Business expansion

In the 1990s, the arrival of Super NES prompted Capcom to formally enter home video game development. Capcom created numerous hit titles drawing on its arcade game development expertise. The company established its Single Content Multiple Usage strategy in 1994 with the release of a Hollywood movie and animated movie based on *Street Fighter*.

#### 1992

Released *Street Fighter II* for the Super NES.

#### 1993

Released *Breath of Fire* for the Super NES.

#### 1996

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



### Increasing shares in Europe and North America

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

#### 2001

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

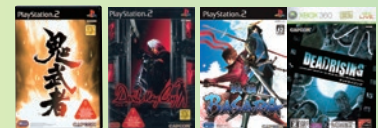
Released *Devil May Cry* for PlayStation 2.

#### 2005

Released *Sengoku BASARA* for PlayStation 2.

#### 2006

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



## Capcom and Entertainment Culture

### 1988

#### CP System

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



### 1991

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

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

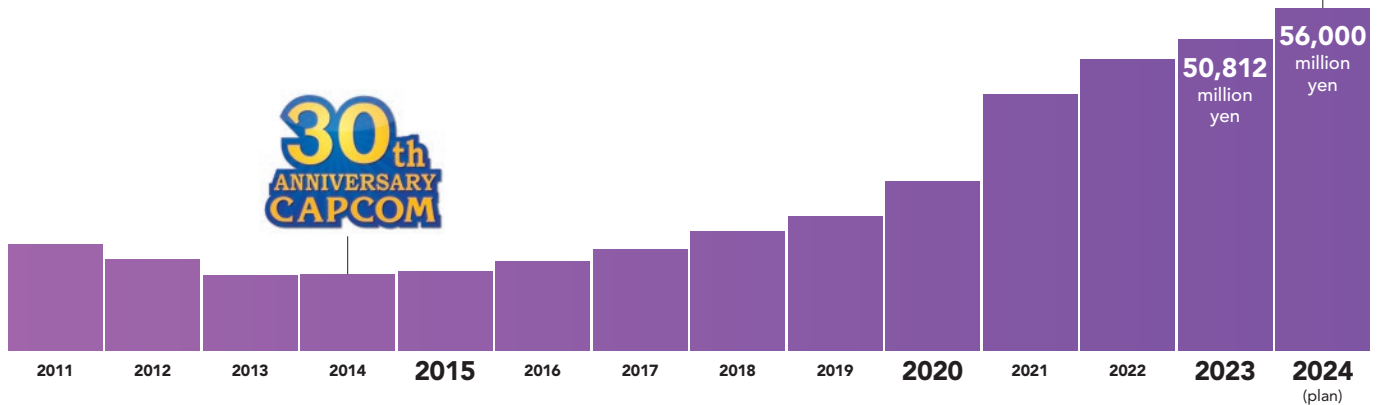


### 2002

#### 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 Capcom's foray into branding game-based content.

# our goal of making



## Globalization and the digital shift

### –2016

Multiplayer (cooperative/battle) games became the norm with the popularization of internet-connected game consoles. In addition, the popularization of digital game software sales created a revenue opportunity in catalog titles.

### 2017–2020

Established a system where titles contribute to profit over the long term through the synergistic effect of finely detailed, high-quality games and digital sales following the release of *Resident Evil 7 biohazard* in 2017.

### 2021–

The game market expands from only a certain number of developed nations into countries all around the world due to the popularization of the PC platform. Using our abundant IP assets and product development capabilities, we are seeking even further growth as a global corporation.

#### 2012

Released *Dragon's Dogma*.

#### 2015

Concluded a comprehensive partnership agreement regarding community revitalization with Kofu, Yamanashi Prefecture through *Sengoku BASARA*.

#### 2016

Completed construction of the new R&D Building #2 in Osaka City. Strengthened the structure for title development.



#### 2017

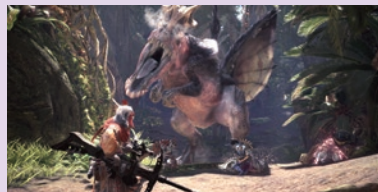
Released *Resident Evil 7 biohazard* selling a cumulative total of 12.4 million copies to date.

#### 2018

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

#### 2020

*Resident Evil* series tops 100 million units sold



#### 2023

Released *Street Fighter 6*

Currently working to grow sales worldwide through esports integration.

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

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

Released all-new IP, *Exoprimal*.



### 2007–

#### Cooperative gameplay becomes standard

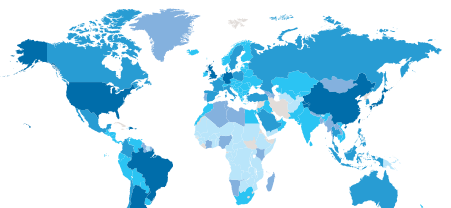
In 2007, *Monster Hunter Freedom 2* became the first game in the series to top a million units sold. Since then, the title has become synonymous with hunting games.



### 2018–

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

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



### 2021–

#### Acceleration of digital game sales

Against the backdrop of the global expansion of the PC platform, digital sales of game software are accelerating. Our extensive library of games developed over the past 40 years is available in 230 countries and regions around the world.

## Value Creation Story

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## Medium- to Long-Term Growth Strategy

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

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

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

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



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## Editorial policy

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

## Period and scope

This report reviews the fiscal year ended March 31, 2023 (April 1, 2022–March 31, 2023). When necessary, it also includes references to fiscal periods before and after this timeframe. Unless otherwise indicated, the scope of data presented in this report is on a consolidated basis.

## Subject index for reference

Growth strategy ▶ P.23-24, P.31-36, P.37-40, P.41-44

Performance and financial condition ▶ P.17-22, P.41-44, P.75-83

World-class development capabilities ▶ P.45-50

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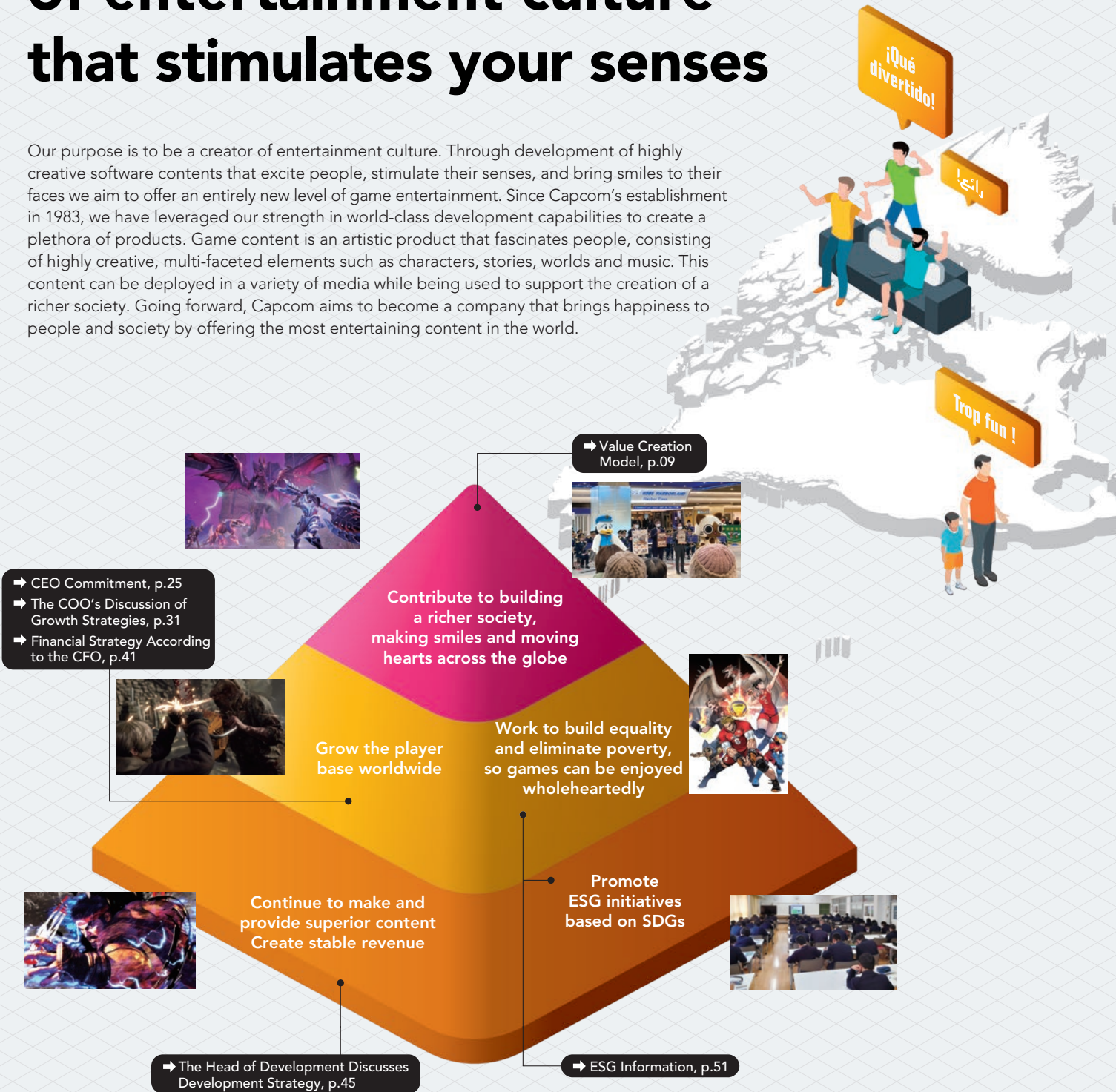
Relationship with stakeholders ▶ P.15-16, P.55-62

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Corporate Philosophy

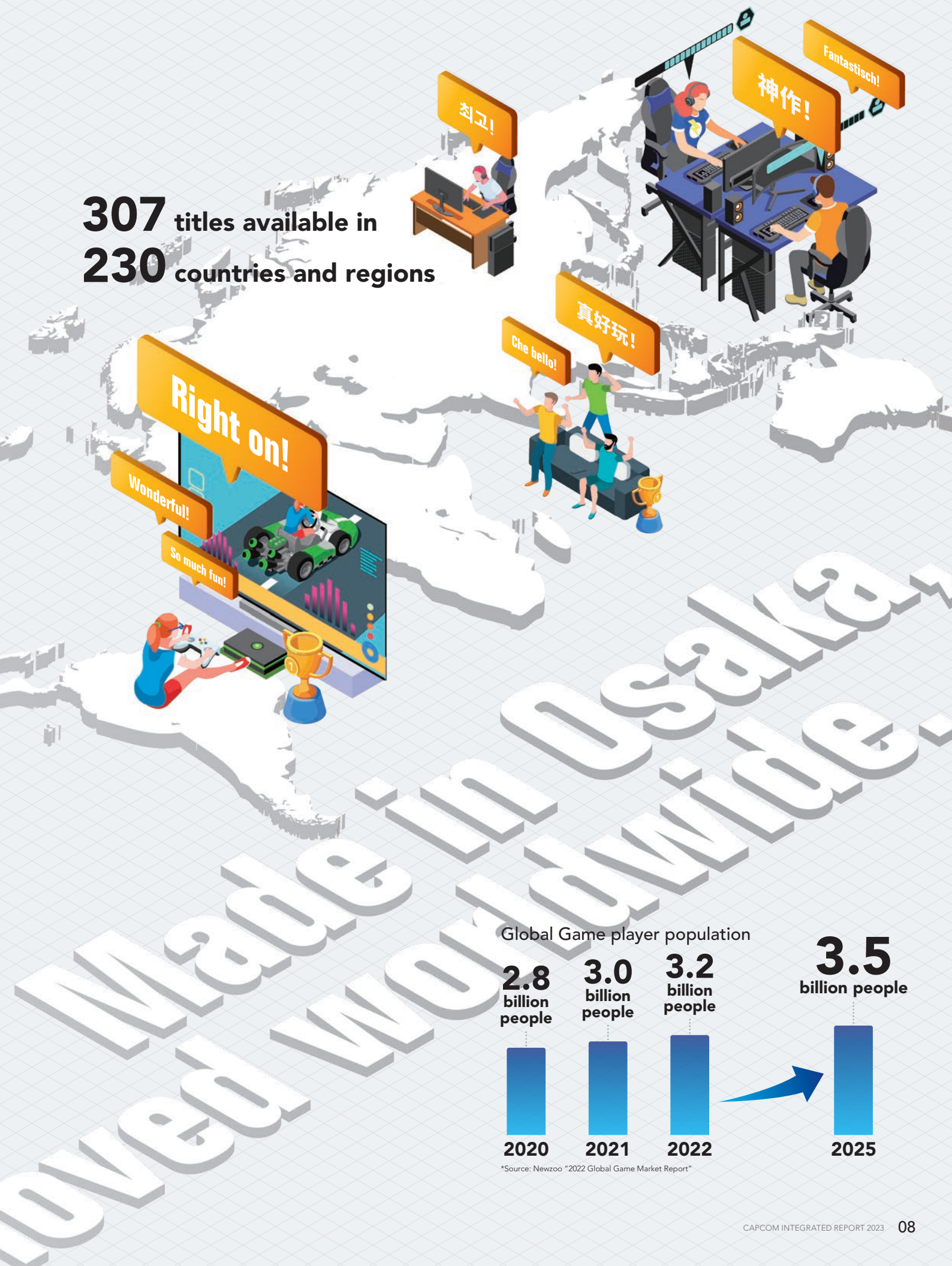
# Capcom: Creator of entertainment culture that stimulates your senses

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



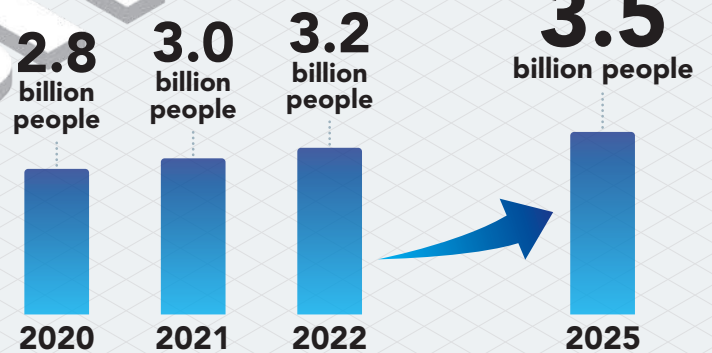


**307** titles available in **230** countries and regions



# Made in Osaka, loved worldwide.

Global Game player population



\*Source: Newzoo "2022 Global Game Market Report"

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

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

**Cultivated capital**

- Amount invested in development **37.7** billion yen [Financial Strategy According to the CFO, p.41](#)
- Number of developers **2,460** people [The Head of Development... p.45](#)
- Intellectual Properties (IP) **19** Million-seller series [Major Intellectual Properties \(IP\), p.11](#)

**Corporate Philosophy**

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

**Social issues**

- Desire for an enriched lifestyle
- Generational and interregional communication gaps
- Global economic and information gaps
- Industrial metabolism
- Sluggish local industries
- Improvement of working conditions

**Social issues**



**Foundation for Sustainable Growth**

- [ESG Highlights, p.15](#)
- Material Issue 1: Securing and Training of Human Resources [The CHO Discusses Our Human Resources Strategy, p.37](#)
- Material Issue 2: Promoting Diversity [Relationship with Employees, p.55](#)
- Material Issue 3: Development of Solid Relationship with Society [Relationship with Regional Communities, p.61](#)
- Material Issue 4: Enhancement of Corporate Governance [Corporate Governance, p.63](#)



Providing reasonably-priced and easily available entertainment to the world

Game market innovation

Providing a healthy game culture



Providing attractive workplaces and jobs

Contributing to local revitalization

Stimulating communication



Social contributions

41.7 million games sold during the year  
→p.02

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

Films produced based on Capcom IP  
1

Non-Financial Outputs

Non-Financial Outcomes

Hired 154 new graduates  
→p.37

4 cooperative projects with local governments  
→p.62

35 educational support activities  
→p.61

Development of proprietary multimedia

Collaborative expansion into other media

Amusement Machines  
Pachinko and pachislo

Esports

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

Home Video Games

Digital Download Contents

Mobile Contents

Creating Popular Content IP  
→p.45

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

Movies  
Hollywood movies, animated movies, CG movies

Events  
Concerts, theatrical productions

Develop games for multiple platforms

Net sales for the year ended March 31, 2023

98.1 billion yen

Multimedia expansion of content →p.13

Net sales for the year ended March 31, 2023

27.8 billion yen

Development of proprietary multimedia

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

Collaborative expansion into other media

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

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

In the 40 years since our founding, our eagerness to take on new endeavors has given birth to countless popular brands. These brands have garnered massive followings both domestically and overseas.

## Mega Man series

Total number of units sold

**38 million**

(As of March 31, 2023)

Number of titles  
**158**

## Street Fighter series

Total number of units sold

**49 million**

(As of March 31, 2023)

Number of titles  
**94**



**1987**

Mega Man series created and released  
Street Fighter arcade game released



**1996**  
Resident Evil series created and released

**2004**

Monster Hunter series created and released

# ORIGINAL TITLES



Number of titles  
**168**

### Resident Evil series

Total number of units sold  
**142 million**  
(As of March 31, 2023)

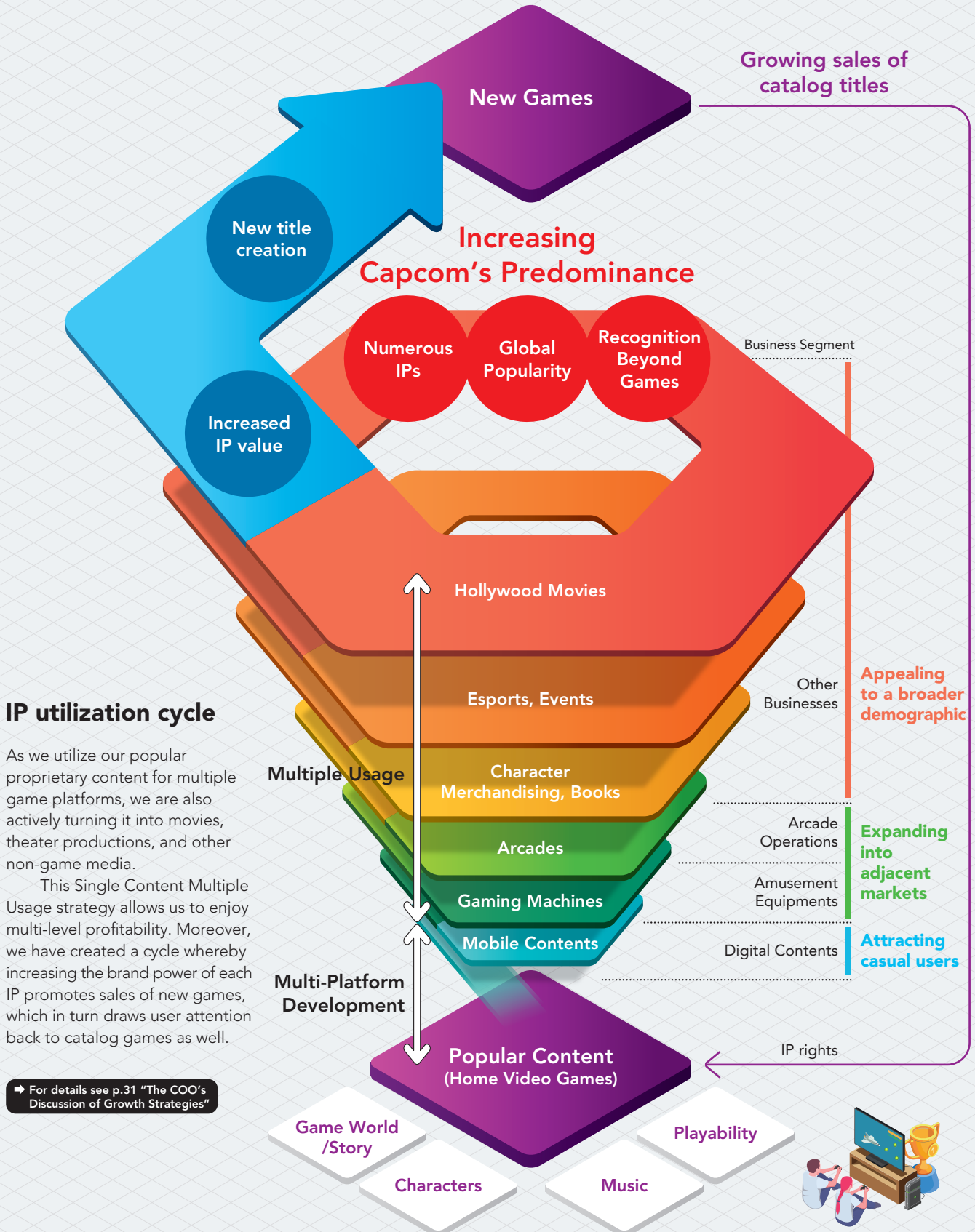


Number of titles  
**59**

### Monster Hunter series

Total number of units sold  
**92 million**  
(As of March 31, 2023)

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





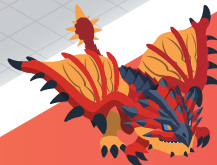
Released June 2022



**Monster Hunter Rise: Sunbreak**  
6.1 million units sold  
(As of June 30, 2023)

Latest title

# Example of Single Content Multiple Usage



© 2020 Constantin Film Produktion GmbH  
© Constantin Film Verleih GmbH



Hollywood movies



Video streaming



Events/concerts



Merchandise

Multiple Usage

Appealing to a broader demographic



Pachislo machines Amusement facilities (Café collaboration)

Expansion into peripheral businesses

Released March 26, 2021



Existing title

**Monster Hunter Rise**  
Total 13.2 million units sold  
(As of June 30, 2023)



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

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

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

## Sustainable Development Goals (SDGs)

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

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



## Material Issues

### Securing and Training of Human Resources

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

Relevant SDGs



### Promoting Diversity

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

Relevant SDGs



### Development of Solid Relationship with Society

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

Relevant SDGs



### Enhancement of Corporate Governance

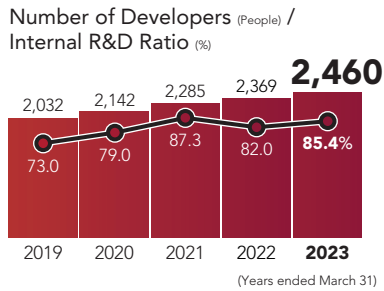
Recognizing its importance to management, we are working to strengthen corporate governance. We strive to ensure the transparency, soundness, and legality of management, while also working to fulfill accountability to stakeholders, disclose information in a timely and appropriate manner, clarify the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

Relevant SDGs



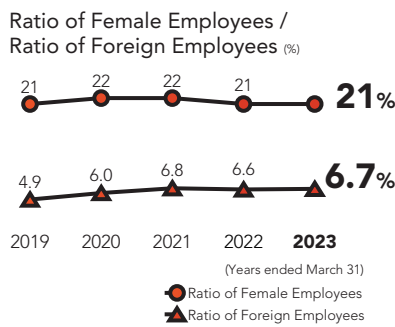


### Progress of KPIs



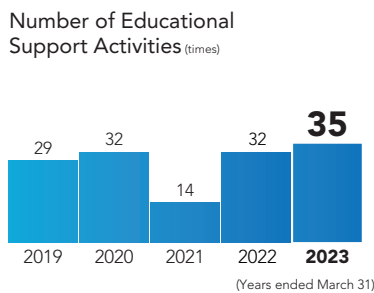
We are working to secure and train outstanding developers based on our desire to make the most entertaining games in the world. We are aware of the particular importance of increasing and strengthening our team of developers to expand our pipeline and improve quality, and we therefore continue to hire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

➔For details see p.45



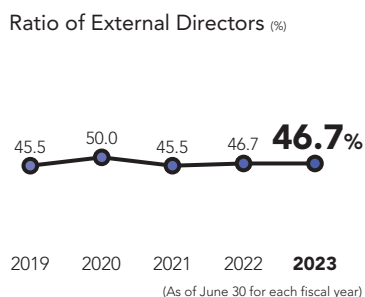
With the globalization of the game player population, diversity in game developers is becoming even more important. For that reason, we have been promoting diversity and working on building a workplace where women and foreign nationals can excel. As a result, the numbers of both women and foreign nationals continue to climb contributing to the creation of Capcom content.

➔For details see p.55



The education support activities that we began in 2005 achieved a certain level of recognition for the results they produced for more than 15 years, and from the fiscal year ended March 2018, we have carried out roughly 30 activities each year on a steady basis. For the fiscal year ended March 2021, we held fewer activities due to the COVID-19 pandemic, but since the fiscal year ended March 2022 they have returned to normal levels with the introduction of online classes.

➔For details see p.61



At Capcom, we strive to make management more transparent and visible, and have implemented various governance reforms to this end, such as the Nomination and Remuneration Committee. We appointed two new external directors in the fiscal year ended March 2023, and currently external directors account for 46.7% of the entire Board of Directors.

➔For details see p.65

### Results of initiatives in fiscal 2022

#### Employee Briefings

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

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



#### Improving the work environment for foreign employees

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



#### Growing demand for online outreach classes

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



#### Increased number of external directors

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

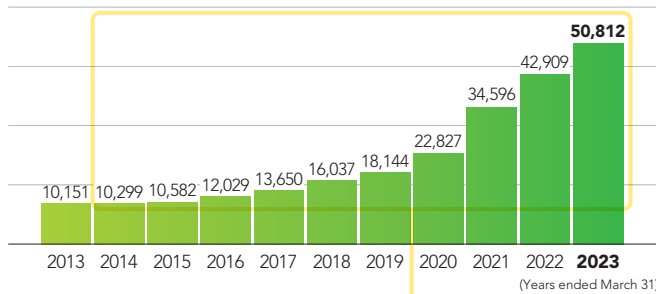


# Financial Highlights

## Operating Income/Operating Margins

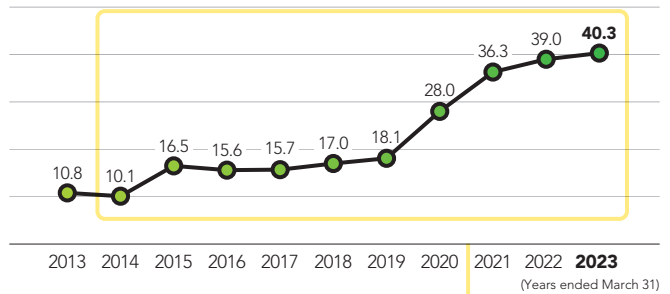
Operating Income (million yen)

**50,812** million yen  
UP 18.4% ↑



Operating Margins (%)

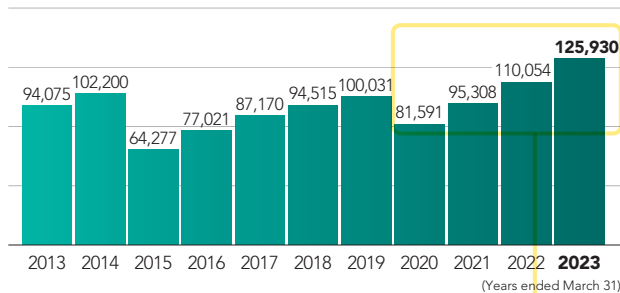
**40.3%**  
UP 1.3points ↑



In the fiscal year ended March 2011, we promoted profit structure reforms aimed at more efficient development investment. We promoted business restructuring by transitioning to in-house production and strengthened our digital sales strategy in response to rapid changes in the market beginning in the fiscal year ended March 2013. As a result, from the following year onward we have achieved 10 consecutive years of increased operating income with measures such as improving the highly profitable digital sales ratio in our Consumer sub-segment. In fiscal year ended March 2023, we increased profit 18.4% over the previous fiscal year, marking our sixth consecutive year of record operating income. This was due to new major hit titles, such as *Monster Hunter Rise: Sunbreak* and *Resident Evil 4*, and the accumulation of catalog sales, in addition to the fact that the highly profitable digital sales trend continues to grow.

## Net Sales (million yen)

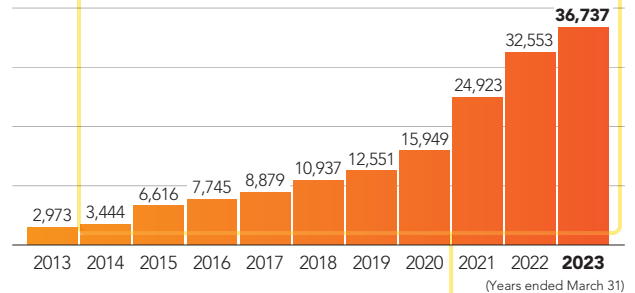
**125,930** million yen  
UP 14.4% ↑



After achieving net sales of 100 billion yen in the fiscal year ended March 2014 for the first time, sales declined in the fiscal year ended March 2015 with the sharper focus on highly profitable titles in the Consumer sub-segment. In addition, the decline in revenue in the fiscal year ended March 2020 over the previous year was due to lowered unit prices accompanying digitalization. However, in recent years, we have been experiencing stable growth as the Consumer sub-segment continues to release multiple major titles each year.

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

**36,737** million yen  
UP 12.9% ↑

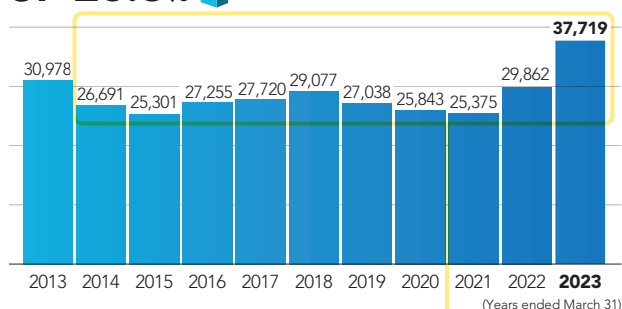


In the fiscal years ended in March 2013 and 2014 respectively, (1) structural reforms to the Amusement Equipments business, (2) development structure revisions in line with enhanced digital sales in the Consumer sub-segment and (3) strengthened Mobile sub-segment management capabilities in line with organization integration resulted in special losses on restructuring and business restructuring expenses. From the fiscal year ended March 2015, net income increased 10 years in a row in step with operating income, due to the benefits from structural reforms beginning to manifest.

→ Please refer to “Financial Strategy According to the CFO” on p.41-44, and “11-Year Summary of Consolidated Financial Indicators” on p.77-78

R&D Investment Costs (million yen)

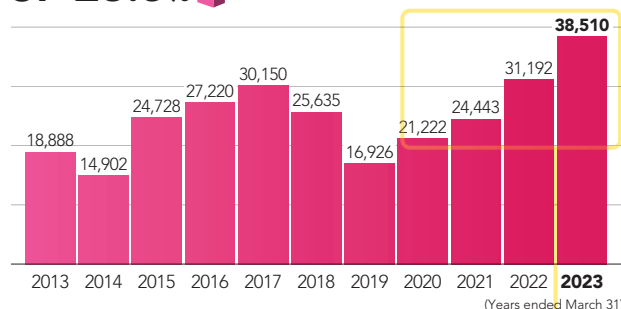
**37,719** million yen  
UP 26.3%



We believe the generation of creative and original content is our source of growth, thus approximately 90% of our annual development investments are allocated to the Digital Contents business. At Capcom, we have been able to streamline development by building a cutting-edge development environment and through increased employee utilization rates, but we expect R&D investment costs to increase going forward as we proactively invest in human resources with an eye on sustainable medium-to-long-term growth.

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

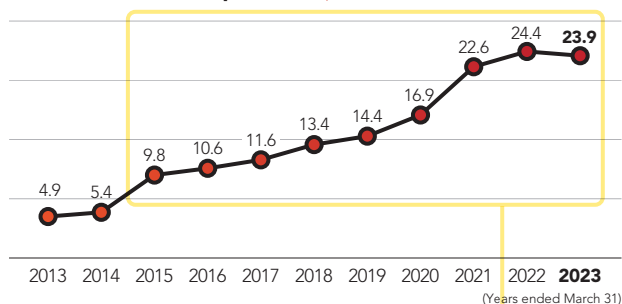
**38,510** million yen  
UP 23.5%



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

Return on Equity (ROE) (%)

**23.9%**  
DOWN 0.5 points

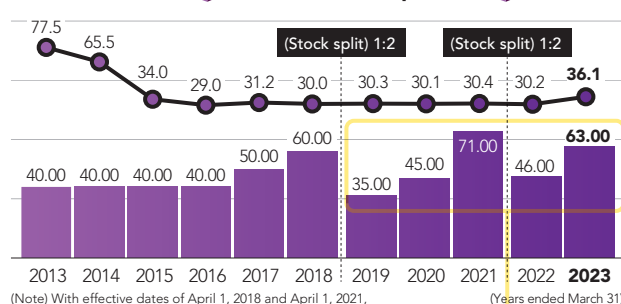


In the fiscal years ended March 2013 and 2014, ROE was lower due to decreases in net income from the recognition of special losses on restructuring and business restructuring expenses. However, from the fiscal year ended March 2015, we have maintained a high ROE level following the elimination of special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

Dividend per Share/Dividend Payout Ratio

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

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



(Note) With effective dates of April 1, 2018 and April 1, 2021, Capcom performed a 2-for-1 stock split of its common stock. For the years ended March 31, 2018 and earlier and the years ended March 31, 2021 and earlier, dividends paid show the actual amounts prior to the stock split.

Since the fiscal year ended March 2017, the dividend policy has been changed from Capcom’s long-standing policy of maintaining stable dividends to maintaining a consolidated payout ratio of 30% and to strive for stable dividends. The payout in the fiscal years ended March 2019 and March 2022 were reduced due to stock splits, but substantially dividends increased, and we were able to maintain our unbroken record of paying out dividends since listing publicly.

# Market Analysis

## Market Trends

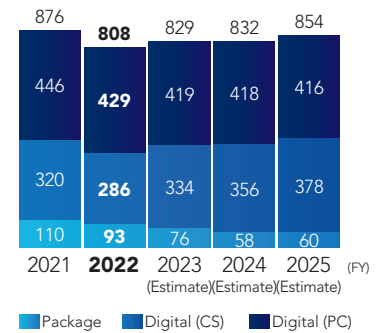


### Consumer Market (Package + Digital)

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

In 2023, buoyed by the worldwide digital shift, the consumer market is expected to increase to 82.9 billion dollars amid growth of digital sales, including the PC platform, offsetting weaker package sales. In the medium term, we see the game market expanding in the developing regions of Southeast Asia, South America, and Eastern Europe and new game delivery methods such as streaming and subscriptions growing. As such, we expect the market to grow to 86.7 billion dollars by 2027. We also expect continued growth in the mobile market.

Consumer Market (billion U.S. dollars)



Source: International Development Group

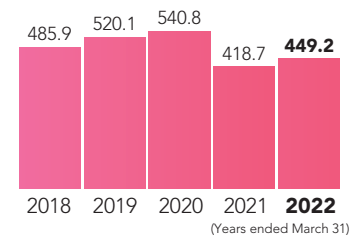


### Arcade Operations Market

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

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

Arcade Operations Market (billion yen)



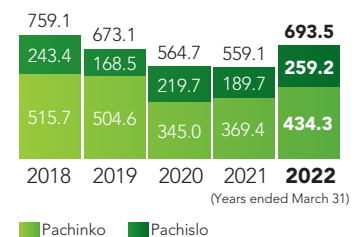
Source: JAMMA "Survey on the Amusement Industry"



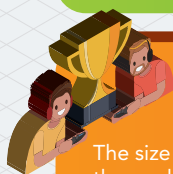
### Gaming Machines Markets

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

Gaming Machines Markets (billion yen)



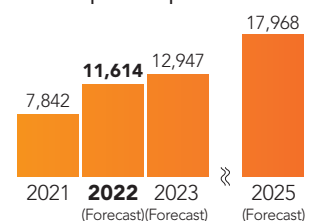
\* Source: Manufacturer sales base compiled by Capcom using Pachinko Maker Trends (2021, 2022); Yano Research Institute Ltd.



### Esports Market

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

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



\* Source: Japan esports Union (JeSU) "Japan esports White Paper 2022"

## 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
- ◆ Development delays
- ◆ Dependence on popular series and scarcity of hit titles
- ◆ Platform adoption trends
- ◆ Changes in user purchasing trends with the next generation of platforms
- ◆ Risks due to a country's politics, culture, or religion
- ◆ In-game purchases becoming a social issue
- ◆ Information leakage

## Addressing major opportunities and risks

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

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

- Acquisition of new fan demographic and increased awareness through multifaceted business developments, such as themed amusement venues, cafes, merchandise, and virtual reality (VR).
- Attracting customers using our home video game content and other assets

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

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

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

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

# Business activity achievements

## Business Overview

## Operating Results for This Fiscal Year

### Digital Contents



This business develops and sells digital game content for consumer home video game and PC platforms. It also develops and manages Mobile Contents. It has generated consistent revenue from our original content created in consumer games by selling this content in over 200 countries and regions through digital distribution.  
 ➔ For details see p.79

#### Consumer (Package + Digital)

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

#### Mobile Contents

- ◆ Focused on existing titles

### Arcade Operations



We operate amusement facilities, primarily Plaza Capcom arcades, in Japan. These arcades are predominantly in large commercial complexes. We have diligently followed a scrap-and-build policy to maximize our efficiency in arcade operations, and have been hosting various events designed to attract families and younger customers.  
 ➔ For details see p.81

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

### Amusement Equipments



This business utilizes the content from our home video games. We focus primarily on the development, manufacture and sales of software, frames and LCD devices for gaming machines.  
 ➔ For details see p.82

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

### Other Businesses

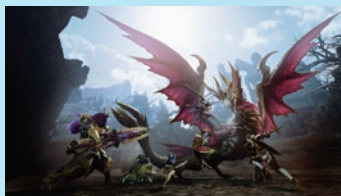
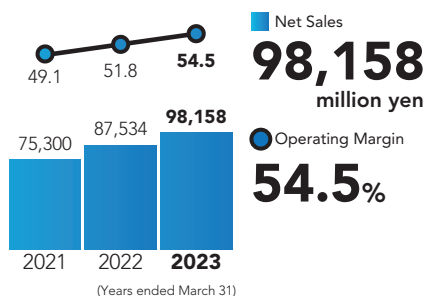


Based on our Single Content Multiple Usage strategy of leveraging game IP across different media, we pursue a variety of copyright-related business opportunities. In addition to adapting game content into movies, animated television programs, music CDs, character merchandise and other products as part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

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

Main Products for This Fiscal Year

Net Sales/Operating Margins



**Monster Hunter Rise: Sunbreak**

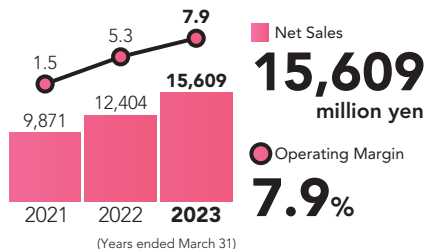
Monster Hunter Rise: Sunbreak is a massive premium expansion for the March 2021 release, Monster Hunter Rise. In addition to strong praise for its new locales, monsters, and never-before-experienced hunting actions, along with ongoing free updates, our strategic approach to pricing resulted in a steady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



**Resident Evil 4**

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

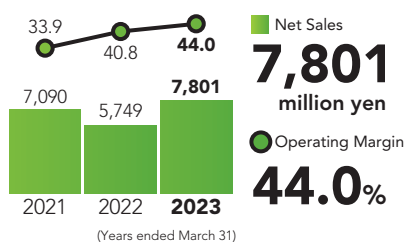
Net Sales/Operating Margins



**Capcom Store & Cafe Umeda**

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

Net Sales/Operating Margins

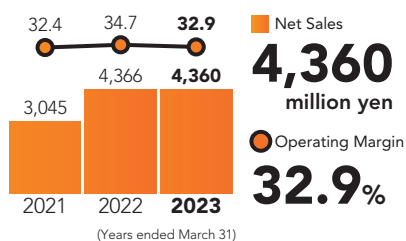


**Pachislo**

**Resident Evil 2**

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

Net Sales/Operating Margins



Courtesy of Netflix

**Resident Evil television series**

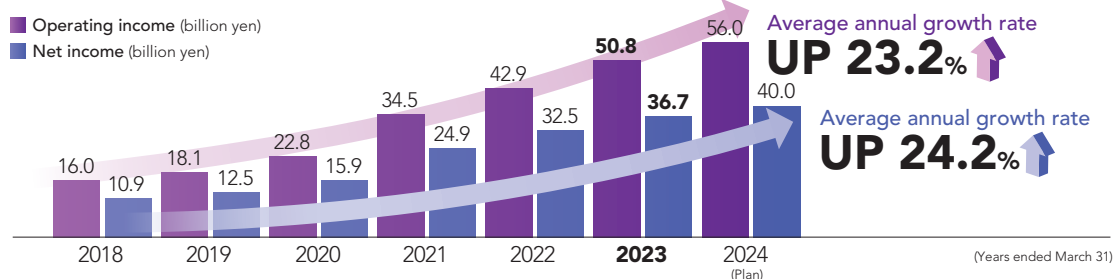
Resident Evil, one of our most iconic brands, was made into a television series, streaming on Netflix since July 2022.

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

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



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



Medium- to long-term growth

Profit



**Character, Media + Mobile + eSports**  
 Cultivate our brand in order to strengthen it

**Consumer**  
 Promote digital sales, expand pipeline of new titles, and strengthen global expansion of catalog titles

**Amusement Equipments, Arcade Operations**  
 Shore up revenue through efforts linked to the Consumer sub-segment

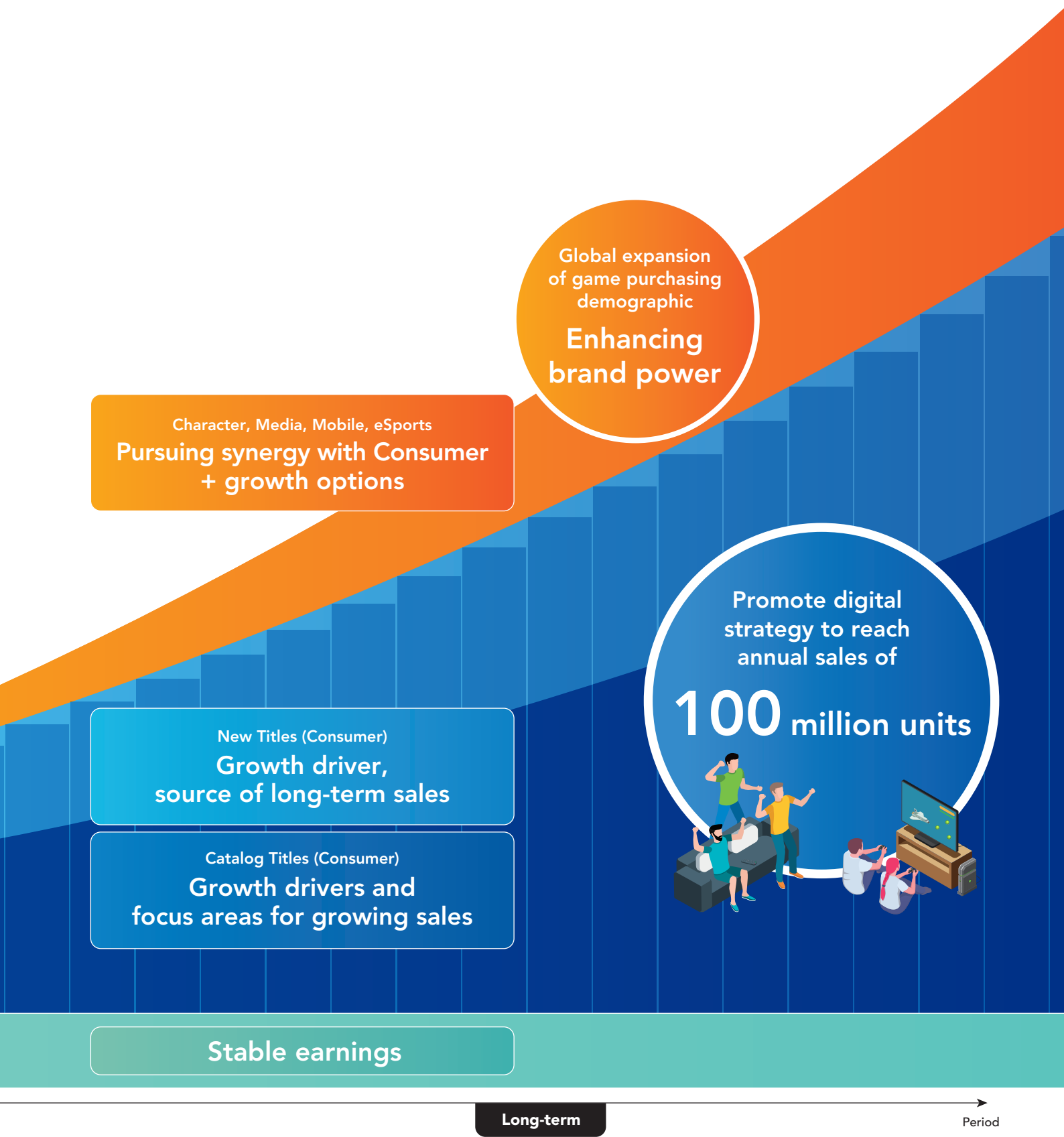
**Medium-term**

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

Human resources strategy

**Human resources investment and technological development**





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



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

**CEO  
COMMITMENT**

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

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

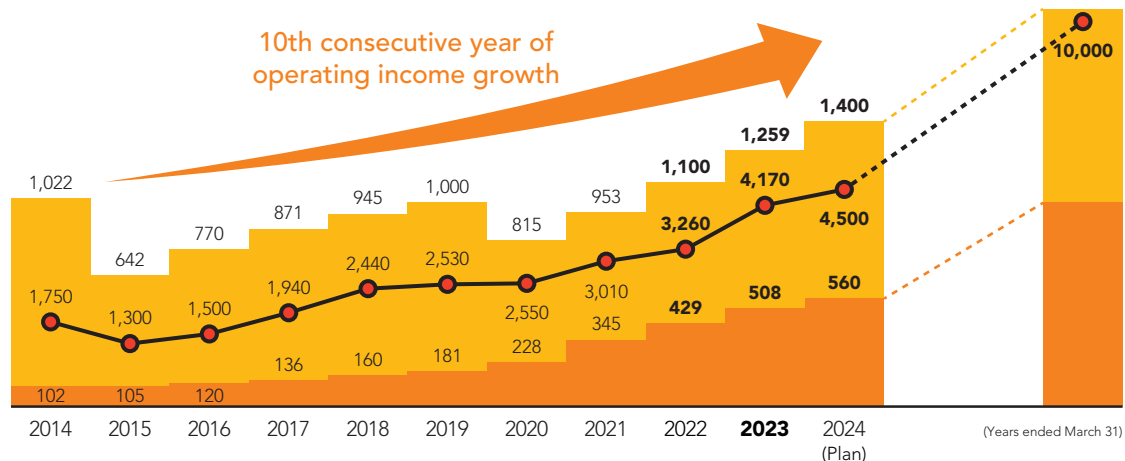
Capcom celebrated its 40th anniversary in June 2023. I would like to take this opportunity to express my deepest gratitude for the many years of support and understanding from our stakeholders, including our customers, shareholders, business partners and employees. We have continued to increase corporate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

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

### Capcom performance trend

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

Aiming for 100 million units in sales volume



# 1 Management Policy

## Growing our customer base by expanding the market

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

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

# 2 Mid- to Long-term Challenges

## Approaching opportunities for further growth

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

## Addressing advances in technology

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

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

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

## Further expanding catalog title sales with stronger branding

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

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

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

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

### Understanding customer behavior and needs

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

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

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

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

### Investing in people

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

## 3

## Capcom's Sustainability Initiatives

### 1. Sustainable environmental measures

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

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

Our work in selling digital content itself has a

relatively low environmental impact compared to other businesses, but we should do whatever we can to reduce our environmental footprint as much as possible. Mitigating climate change is an issue that requires the cooperation of everyone who inhabits the planet, and we will continue to promote environmental preservation initiatives.

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

Although there is a need for games in society, there are also some challenges, such as expensive in-game

purchases made by minors and game addiction. Our purpose is to make people happy through games. Causing misfortune with our games is never our intention. We are aware that these are major issues for our industry as a whole, and each company is cooperating as part of an industry organization to address them.

In addition, since 2004, we have independently continued to be involved in game-related educational support activities as an initiative to alleviate social concerns surrounding games.

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

**3. Promoting Diversity**

I recognize the importance of diversity for creating content that will resonate globally, thus Capcom promotes the retention and training of talented human resources without regard for gender or national origin. We continue to make efforts to improve the workplace environment and have carried out various reforms in areas such as compensation and benefits. Additionally, as a result of increasing

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

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

We utilize popular Capcom IP in local revitalization activities to support (1) economic development, (2) cultural development, (3) awareness for crime prevention and (4) awareness of elections. By contributing to these communities and fulfilling the needs of society we make sustainable corporate operations possible.

**5. Anti-fraud Measures**

As a company that handles data, it is important that we protect its value and associated rights. As part of our branding efforts globally, we continue to constantly detect and delete pirated versions of games and illegal video content from the internet. In recent years, the risk of cyber-attacks is also growing as digital network technology becomes more widespread. In light of the unauthorized access to our network in 2020, we have established the Information Technology Security Oversight Committee, and continue to promote ever-stronger countermeasures.

**4 Governance — Strengthening an Ongoing System**

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

Sound governance is essential for achieving the sustainability I discussed in the previous section. Specifically, with myself (Capcom’s founder) as CEO and my oldest son as COO, we can avoid management decision risks by sufficiently leveraging the supervisory function of the external directors, and with unique mechanisms for highly transparent and rational decision making built by the Board of Directors.

**Mechanism 1**

**Management visualization by quantifying reports**

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

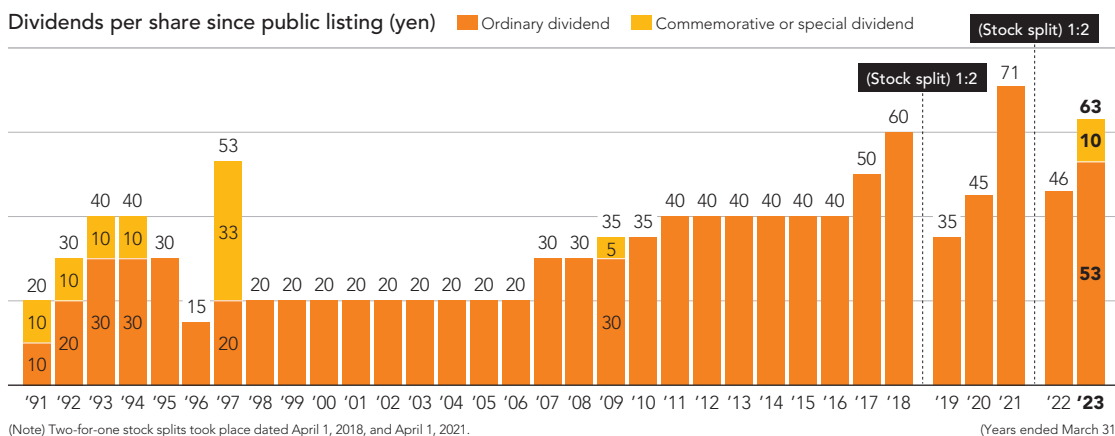
visualization to conduct integrated management. By using numbers instead of words, we eliminate arbitrariness and bias, making it easier to identify problems.

**Mechanism 2**

**Increasing the ratio of external directors**

Since introducing the external director system in the fiscal year ended March 31, 2002, we have increased the ratio of external directors to 46.7%. External director appointment criteria have not changed since the system was introduced; in short: we appoint directors with insight who are highly proficient specialists in their respective areas outside the gaming industry, capable of making decisions regarding Capcom’s management and business activities. With the avoidance of business investment risk as a priority issue, Capcom appoints individuals who are able to

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



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

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

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

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

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

#### 1. Basic policy regarding dividends

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

management environment. However, as the business environment is undergoing significant changes, it is also necessary to consider investment geared toward sustainable growth.

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

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

For the next fiscal year (ending March 2024), we plan to pay an annual dividend of 54 yen per share, which represents a payout ratio of 28.2%. As the payout ratio is less than 30%, we will review the dividend amount when the consolidated earnings forecast for the next fiscal year becomes clearer.

As a senior executive with many long years of experience in the game industry, my goal is to increase market capitalization and achieve corporate growth exceeding that of the past 40 years in order to continue meeting the expectations of Capcom shareholders, investors, and all other stakeholders.

Kenzo Tsujimoto  
Chairman and  
Chief Executive Officer (CEO)





**Haruhiro  
Tsujimoto**

President and Chief  
Operating Officer (COO)

**COO  
COMMITMENT**



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

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

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

Until that time, game publishers had primarily provided physical cartridge- or disc-based content to game users via retail stores. However, with retail store sales, there are issues such as (1) limits to physical in-store shelf space, and (2) hurdles for us to carry out price promotions as in some countries retailers control pricing, all of which constrained our global expansion. In addition, disc sales required investing in countermeasures to combat unauthorized and pirated copies. We began shifting to digital sales as a means of overcoming these issues and bringing game content to users throughout the world.

As a result, compared to the fiscal year ended

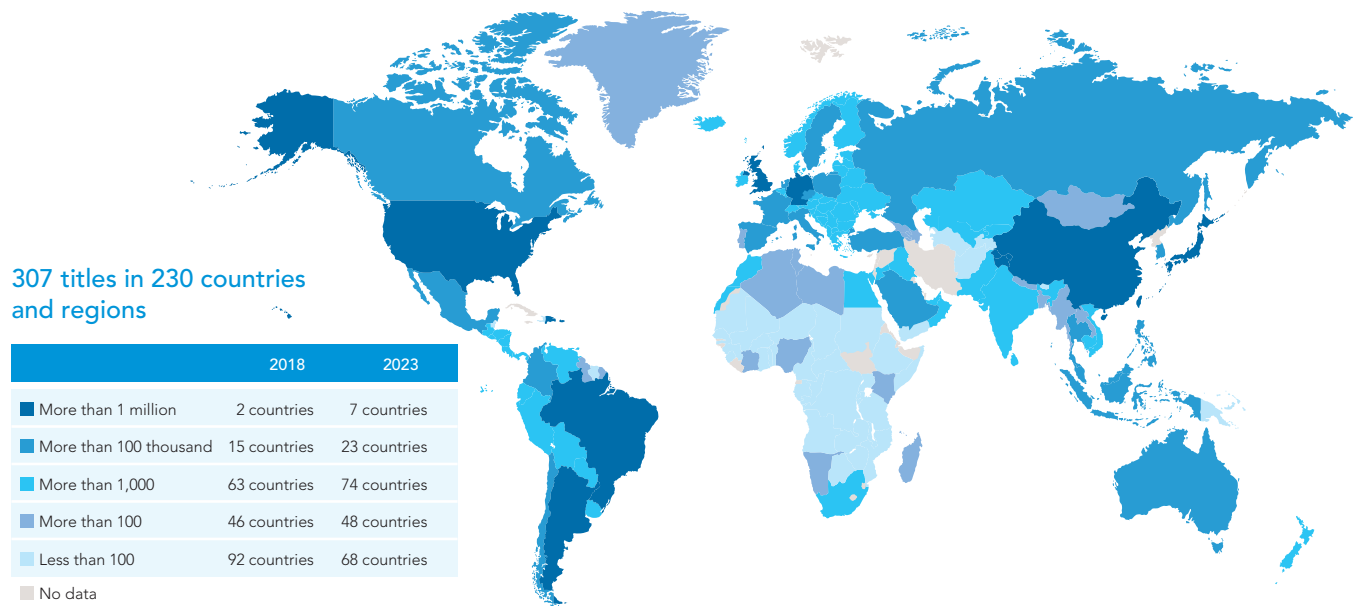
March 2013, when our sales territory consisted of 167 countries and regions, our content is now available in 230 countries and regions, and our revenue base has shifted away from a dependency on new title releases to a more stable foundation of catalog title sales.

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

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



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



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

### Tailwinds from the evolution of infrastructure

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

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

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

### Stepping up our support of the PC platform

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

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

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

Currently, the ratio of PC games accounts for

roughly 40% of unit sales, but analysis shows that there is still great potential for future growth in this area and we have designated PCs a priority platform.

### Strengths propelling our digital strategy

As noted above, the expansion of sales areas and lineup has made long-term sales possible. Over the past 10 years, we have expanded the number of countries and regions in our sales territory, and at the same time, the number of titles we are selling has grown to over 300 annually.

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

- (1) From the time the company was established with our main business being arcade game circuit boards, Capcom had already started expanding throughout the world, giving us a certain brand status.
- (2) Due to the efforts of our development team, Capcom has the technical and developmental abilities to regularly produce high-quality titles.
- (3) Thanks to strategic pricing, long-term sales of our back catalog of titles is now possible.

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

## 2

## Looking at the Next 10 Years

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

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

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

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

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

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

To continuously produce high quality titles going forward, in addition to strengthening the brands of existing IP that complement the larger *Resident Evil*, *Monster Hunter*, and *Street Fighter* brands, which already have fans worldwide, we are taking on the challenge of creating new IPs. In order to achieve that, we must steadily increase personnel in the development division, and we are responding to that need by continuously and proactively hiring new graduates and mid-career talent while also considering M&A options to acquire necessary technological capabilities.

**Improving profitability with long-term sales**

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

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

Comparing our sales territory now with 2018, there are countries and regions where annual sales are gradually shifting from less than 100 units annually to more than 100, more than 1,000 more than 100,000, and more than 1 million units. Indicative of this, as income levels rise due to economic growth in each country and region, we should see greater growth of our markets. Given this, one of the decision-making criteria for giving the go ahead to game production is maximizing sales over a five-year period.

One good example is the long-term sales of *Monster Hunter: World (MH:W)*. More than five years have already passed since its initial release in January 2018, but as a result of maintaining the freshness of its content while gradually lowering the price and striving to expand sales, its cumulative sales volume has exceeded 22 million units\*; more than 60% of the initial *MH:W* units were sold in the second year or later. The lowest price it has sold for thus far on sale is approximately five dollars, but its development costs have already been recouped, so it is contributing to income sufficiently. Similarly, the cost of high-quality titles are also being recouped at an early stage after their release. Today, sales of catalog titles account for more than 70% of annual unit sales and more than half of the profits from our digital content business.

This was a major factor in establishing a stable profit structure over the last 10 years.

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

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

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

\*As of March 31, 2023

## Enhancing brand power through initiatives with outside organizations

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

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

## Enhancing brand power using existing businesses

Japan

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

Our Arcade Operations and Amusement Equipments businesses are working independently to expand their earnings while we endeavor to expand our business foundation by linking these with our domestic game content brand expansion.

Among Capcom's businesses, Arcade Operations has an important position as our direct customer touchpoint. Specifically, we have demonstrated the significance of its role with the useful information it provides. That information contributes to measures in stores and the expansion of our content and brands, and is also linked to various customer analyses. The business is a valuable face-to-face touchpoint with the end user, including typical consumers, and at the same time, it is also a place where we can seek synergy with our Consumer sub-segment by holding hands-on game demos, arcade tours for seniors, and other events. In the Amusement Equipments business, game content and pachislo machines go well together, and we have seen growth due to a shift from licensing to in-house production.

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

## Enhancing brand power using existing businesses

Overseas

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

Revenues are at an all-time high in our licensing business due to an increase in collaborative products and in-game collaborations that coincide with the release of new titles. Currently our licensing business is conducted mainly in Japan and the Asian region, but we are moving forward with measures to strengthen the business with global expansion in mind.

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

Regarding the movie business, in the early 90s, *Street Fighter II* provided the opportunity for Capcom to proactively create merchandise and Hollywood movies based on content, and in the 2000s, we adopted the Single Content Multiple Usage strategy, leading the industry in development across multiple forms of media. Within this, it was Hollywood films, such as *Resident Evil*, that played a major role in the branding of our content. In order to be even more proactive in promoting the global branding of Capcom content going forward, we established a subsidiary film production company in Los Angeles, California in the U.S. in 2022. Using our own capital, we will strengthen the connection between games and the movie business as well as our expansion into movies and video streaming services, while adhering to the same standard of quality as our games. Currently, this same division is now spearheading work on a new *Street Fighter* live-action movie and TV series, and we look forward to further leaps forward for the brand.

## Enhancing local marketing

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

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

Untapped regions and user demographics



Expanding global game-buying customers



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

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

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

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

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

The appearance of new services, such as cloud gaming and the metaverse, and technologies such as AI-powered content development, have the potential to bring dramatic changes to the game industry going forward. In addition to adopting a multi-platform strategy, Capcom has a track record of being quick off the mark in adapting to new technologies, such as VR. It goes without saying that we will continue to maintain a keen awareness of new fields and conduct technical testing. Specifically, I believe we must proactively address the challenge of cross-play, which enables users to compete or cooperate in games played on different hardware.

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

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

Finally, I want to properly convey that although our business format may change, Capcom's top priority will not. That is to consistently produce world-class, meticulously refined content as we have always done. If our salespeople are properly communicating our appeal, then consumers will always choose our products, even if the platforms or services change. Conversely, if our content or services are deficient, even if we are able to ride the transient wave of a trend, growth will not be sustainable. We are convinced of this based on our experience standing at the forefront of the industry. We are committed to the ongoing challenge of delivering joy and excitement to people around the world.

# CHO COMMITMENT

**Satoshi  
Miyazaki**

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

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

### **The importance of investing in our people**

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

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

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

### **Restructuring of our human resources organization**

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

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

### **Results over the previous year**

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

## Trend in remuneration amount of full-time employees

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

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

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

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

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

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

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

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

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

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

## The CHO Discusses Our Human Resources Strategy

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

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

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

### Work engagement survey results

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



## Promotion of diversity

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

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

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

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

## In closing

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

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

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

## Trend in diversity related indicators

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

**Kenkichi Nomura**

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



**CFO COMMITMENT**

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

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

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

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

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

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

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

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

### Financial Strategy Overview



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

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

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

#### • Changes in cash flow

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

#### Profit and loss statement items

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

#### Balance sheet items

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

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

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

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

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

## Issues presented by sustainable, consistent growth

### • Investment in consistent growth

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

### • Producing appealing content to acquire new users

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

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

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

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

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

### • Shareholder returns

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

**Changes in cost structure**

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

**Trend in cash flows**

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

**R&D investment and productivity**

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

**Shareholder returns**

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

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

# Optimal management resource allocation for creating superior brands loved worldwide



**Yoichi Egawa**

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

# CAPCOM

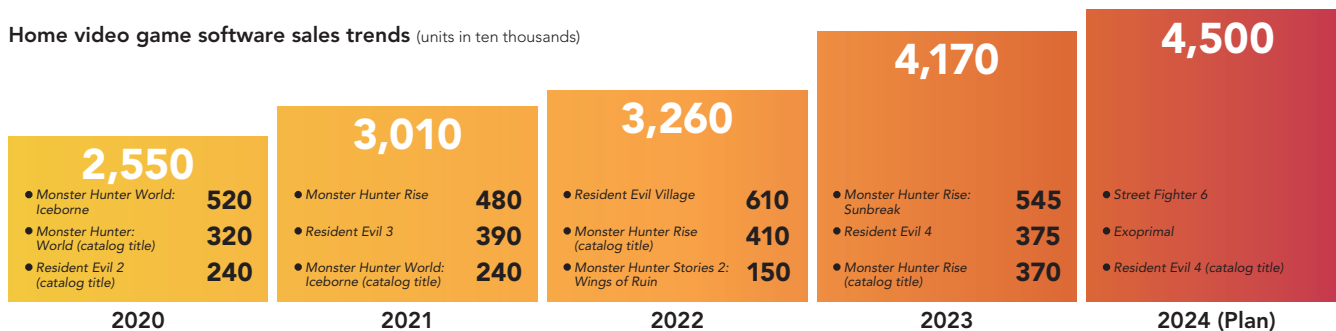
## Creative Studio

From Osaka, to the World



# DEVELOPMENT

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



## Overall development policy

Our employees' passion and dedication to craftsmanship along with data-driven, user-focused strategies, have enabled us to achieve 10 consecutive years of operating income growth and our highest-ever sales volume, despite the rapidly evolving game market.

The starting point to achieving our medium-term management goal of increasing operating income by 10% each fiscal year is the strategic allocation of development resources. We analyze sales information and marketing data from each division, consider which of our major IPs to release, including series such as *Resident Evil* and *Monster Hunter*, and then allocate funds, human resources, technology, and equipment accordingly. The current game creation process can involve a team of 100 to 300 creators, grouped by their specializations, all working to create a single title over several years, necessitating clear-cut decision making. Following our plans, we strive for optimally-timed releases of worldclass quality titles.

In recent years, digital sales have become the mainstream channel for game software sales, from downloading content to making payments online. We also focus our operations on sustaining customer satisfaction, such as with regular events and by distributing additional content. Our aim is to be the world's number one game content company, capitalizing on both our proprietary IPs and talented employees, who have inherited Capcom's DNA.

## Development strategy

Based on our medium-term management plan, we are working to expand sales globally by developing both new entries in our existing series and all-new IPs, while also leveraging current technology to evolve and remake past titles in popular series. *Street Fighter 6* was released in June 2023 and represents one of Capcom's most iconic IPs. The series marked its 35th anniversary in 2022 and is also a brand that I was once personally involved with as a developer. With cumulative sales of the series exceeding 50 million copies, *Street Fighter* has become the driving force in the versus fighting genre in eSports and is contributing to Capcom's increased name recognition.

In July 2023, we launched a completely new IP called *Exoprimal*, an online team-based action game. *Exoprimal* will plant the seeds for the next generation of our games, expanding the possibilities of cross-play, which allows team and head-to-head action across different hardware. I feel that these new initiatives will help to motivate our talent and revitalize our development teams.

Creating games demands quality, speed, and efficiency. This is made possible by RE ENGINE, our proprietary game

development engine. RE ENGINE not only drives efficient development, but also maximizes performance on each platform, enabling high-quality game development while supporting cutting-edge technologies such as VR. We further aim to shorten development times and improve game quality by upgrading our facilities, such as with our newly opened Creative Studio.

## Cooperative approach in Development Divisions

Our development divisions are currently staffed by approximately 2,500 people. We are able to optimize the increasingly larger and more time-consuming process of game development by coordinating between our divisions, which are not limited to Development Division 1 and Division 2, where games are created, but also include divisions that carry out fundamental technical research, multifaceted support, and quality control. As exemplified by *Resident Evil* in Division 1, and *Monster Hunter* and *Street Fighter* in Division 2, we create unique worlds and produce content that resonates globally with a development style that fully capitalizes on the characteristics of each division. Along with RE ENGINE, this development environment is optimized for each title and enables us to pursue the high quality standards demanded by our creative teams.

In addition to quality control, such as content bug checks, we are improving efficiency, including by utilizing discriminatory AI to carry out trademark-related checks. At the same time, we are carefully examining the possibilities and risks inherent in generative AI, which has been a hot topic recently.

## Training developers

People stand at the core of game development. Since 2013, when we decided to focus on in-house development, we have actively hired more than 100 developers every year. Many applicants are attracted by our brands, and there are cases where they apply from completely different industries. This diversification of talent enriches the foundation for game development.

Newly hired younger employees are assigned to practical training to master on-site know-how and skills so that they can quickly play an active role. To ensure development teams can share in management's perspective, we have introduced initiatives such as holding dialogues with management through company briefings, as well as performance-linked bonuses, and a stock-based remuneration system. We stand committed to enhancing our work environment and systems to enable individuals to maximize their abilities and work with a sense of satisfaction and ambition.



# Unveiling a new era of fighting games

Revisiting the definition of gameplay to maximize IP potential

A fighting game where you don't fight?

About five years ago, the concept proposal for *Street Fighter 6* submitted by development team members Shuhei Matsumoto and Takayuki Nakayama was filled with various ideas that turned the previous concept of *Street Fighter* on its head. There were some aspects that really surprised me, such as the option not to fight and a mode where players can learn how to fight from a master before playing. Nevertheless, I had a feeling that these ideas would help to push the title to the next stage of its evolution.

*Street Fighter* is one of Capcom's most iconic IPs, and first appeared on the scene as an arcade game in 1987. It has since gone on to become synonymous with fighting games, selling more than 50 million copies in the series to date. It is a natural fit for esports and has established itself as a title that can be enjoyed not only by playing but also watching. However, the fighting genre does not have a large fan base compared to shooting, action, and RPGs. In fighting games, someone always loses. Will losing motivate you, or will it stress you out and make you want to stop? While taking these points into account, the team proposed a new way to enjoy *Street Fighter* so that more people can understand and appreciate its appeal. Their enthusiasm to reinvigorate the fighting game genre resonated with me, so I gave the go ahead to move forward with development.

## Ryozo Tsujimoto

Director, Executive Corporate Officer, Deputy in charge of Development Divisions

As the Head of Consumer Games Development Division 2, he has overseen development of multiple flagship series, including *Monster Hunter* and *Street Fighter*. In June 2022, he was appointed Director and Deputy in charge of Development Divisions, focusing on overall development strategy and management.





## Three modes of play to bring together new and existing fans

The development team for *Street Fighter 6* was both well-balanced and disciplined, led by the core duo of Matsumoto and Nakayama. With as many as 300 people at Capcom alone, we gave our all to achieve our goal of creating the world's best fighting game. From the standpoint of oversight, I briefed the company's management team on the necessary resources and gained their approval, while working with domestic and overseas subsidiaries and partners on promotion strategies to make it easier for the team to operate.

The team's primary focus on this game was to remove the hurdles of fighting games while making it enjoyable for both new and long-time fans alike. To make it easier for newcomers to join in, we incorporated fresh concepts, such as the addition of new characters and the introduction of Modern Controls—a control method that allows players to perform special moves without having to memorize complicated button inputs.

What's most distinctive is that we channeled the player's perspective to offer three game modes. First is World Tour, a single-player mode in which players create their own avatar and become a disciple of different masters to learn moves while also freely traveling through the *Street Fighter* universe. There are many ways players can enjoy this mode besides fighting, making this an introduction in getting familiar with the game's style. Second is the Battle Hub mode, where you can communicate and fight with players from all over the world, using avatars trained in World Tour. This mode makes it feel like you are in an arcade and someone challenged you to a game. Finally, third is Fighting Ground, a versus fighting mode which will wow even longtime fans with its cutting-edge technology.



We positioned this mode as the final destination for players and worked backwards to flesh out the elements necessary to get there. We made full use of RE ENGINE to efficiently develop what felt like three games' worth of content.

As a result, *Street Fighter 6* has sold more than 2 million units worldwide in the space of about one month since its release in June 2023\*. This shows that the game's new approaches have been embraced by many players. We will provide regular content to keep it fresh and interesting, while in August we will also kick off our Capcom Pro Tour esports tournament, featuring an annual prize pool of \$2 million USD.\* The new battle in the world of fighting games has just begun—and we're looking forward to tackling whatever fresh challenges come our way.

\*As of July 7, 2023

## Aspiring to the pinnacle of fighting with a game that appeals to all

When we were young, the two of us loved playing *Street Fighter II* at arcades, and now we are working to rekindle that joy in developing the latest title in the series. The concept was to create the pinnacle of fighting games, to the point where the people in charge of *Street Fighter 7* would have a hard time besting it. In order to maintain the game feel, we set up a branding team and solidified our policies from graphics to sound and promotion.

We also collaborated with Capcom USA to make sure that the new game expressed the culture of North America, the game's largest market. In order to make it so all players could enjoy this game, we built an intuitive user interface and also worked with visually impaired esports players to improve sound accessibility via the sound effects, etc. We're working with our overseas subsidiaries to conduct promotional activities, such as social media, merchandising, and events, so that even people who may not play games can become more familiar with *Street Fighter* in their daily lives.

There is a diverse roster of characters in the game—all awaiting some new challengers! We're also readying additional content for a wide range of players, and hope you are excited about future updates coming down the line.



**Takayuki Nakayama**  
Director

**Shuhei Matsumoto**  
Producer

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

Aiming to simplify and streamline advanced technological development, Capcom is an industry pioneer in integrating the facilities and environment indispensable to game production. This includes technological research for the RE ENGINE, along with facilities for visuals and sound. This proprietary development environment has enabled us to create unique and iconic titles that truly resonate with international audiences. Capcom is bringing forth a new form of entertainment with the convergence of creativity and technology.

## RE ENGINE Creating more thrilling fights with *Fighter Tool*

I think the advantage of RE ENGINE is that it is a game development engine built in-house, so we can flexibly expand its functions as needed. Within the Engine Development Section, there are groups divided into fields such as AI and tools, and I am in charge of developing animation tools. My mission is to help bring character movement to life, which I do by utilizing controls after incorporating motion capture data (a digitized record of real human movements) into CG characters. In this sense, I support the title development team using technology.

*Street Fighter 6* is the first fighting game developed with RE ENGINE. Since we didn't yet have features optimized for fighting games, I built a new tool from scratch called *Fighter Tool* for adjusting the data of fighting game characters. The emphasis was on work efficiency. I designed *Fighter Tool* so conflicts won't arise in the character data even when different teams, such as planning, effects, and sound, are editing at the same time, while also making it so that two different characters' data can be implemented into the game while comparing them. I had to take a trial and error approach during development while adding functions and specification changes, but with the support of experienced colleagues, I was able to create a highly scalable tool that can stand up to the test of future updates. I hope players will enjoy all the interesting characters that were fine-tuned using this tool.



**Daisuke Yagyu**

Programmer  
Engine Development Section  
R&D Foundational  
Technology Department

<Credits>  
*Monster Hunter Rise*  
*Street Fighter 6*



## MOTION CAPTURE

### New Creative Studio established to support the pinnacle of game graphics production

Motion capture is now indispensable for game production. With this technology, an actor performs the actions of a game character in the studio while infrared cameras detect their movement, which is then converted into digital information. Recording done together with RE ENGINE using this technology makes it possible to recreate the natural and bold movements of not only human characters, but also monsters. In *Street Fighter 6*, the actors' performances, such as ballet and street dance, were utilized in the dazzling moves of the game characters.

Action is the lifeblood of Capcom games. Because we are typically working to create gameplay actions for multiple

projects in tandem, the schedule for our existing studio could get quite full. As such, we built a new state-of-the-art facility called Creative Studio that houses two new motion capture studios, one of which features 150 cameras, including the latest ultra-high-resolution models, and has one of the largest filming areas in Japan. This increased filming capacity makes it possible to simultaneously record up to 10 people in full-performance motion capture. We will capitalize on this three-studio system to accelerate the development process.

### 3D scanning studio reduces workload while raising precision

Our 3D scanning studio is one of the world's largest and is equipped with approximately 310 cameras. Photographing people from 360° enables us to scan them as 3D objects. This significantly shortens the CG modeling process and allows us to pursue an even higher level of precision and quality.



### The Dynamic Mixing Stage: our 3D audio booth reproducing realistic sounds

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. This enhances the immersive feel of a game by influencing players' aural perception in addition to their visual perception.



### The Foley Stage: recording all types of sound effects and background sounds

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 as recent Hollywood movies, we are able to produce high-quality game sound, offering an even more immersive experience.



# We are building positive relationships with society for sustainable growth.

The Capcom Group supports the creation of a richer society, driven by our principle of being a creator of entertainment culture to deliver joy and excitement to people through the creation of game entertainment.

To this end, we are actively working to solve common social issues by promoting ESG initiatives based on the goal of

creating a sustainable society as set forth in the SDGs. Our aim is to realize a world in which everyone can enjoy games with peace of mind.

We will also work together with our stakeholders, including shareholders, customers, business partners, employees, and regional communities as we strive to achieve sustainable

## ESG Initiatives and Future Challenges

◆ Material Issues Green : Securing and Training Human Resources Pink : Promoting Diversity Blue : Developing Healthy Relationships

Basic Policy	Main Initiatives and Results
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; color: green; font-size: 2em; margin-right: 10px;">ENVIRONMENTAL</div> <div> <p>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.</p> </div> </div>	<ul style="list-style-type: none"> <li>● Reduced CO<sub>2</sub> emissions by switching to LED lighting</li> <li>● Constructed new environmentally-friendly buildings</li> <li>● Reduced paper resources used through the digitization of instruction manuals</li> <li>● Reduced resources consumed through the promotion of digital sales</li> <li>● Introduced electricity sourced from renewable energy at our buildings in the Kansai area</li> </ul> <p>➔ For details, please refer to “Environment” on pp.53-54</p>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; color: pink; font-size: 2em; margin-right: 10px;">SOCIAL</div> <div> <p>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.</p> </div> </div>	<div style="margin-bottom: 10px;"> <p><b>Relationship with Employees</b></p> <ul style="list-style-type: none"> <li>● Actively employed and utilized foreign nationals</li> <li>● Improved the ratio of women in management positions</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> <li>● Revised compensation system</li> <li>● Held company briefing with employees</li> </ul> <p>➔ For details, please refer to “Relationship with Employees” on pp.55-56</p> </div> <div style="margin-bottom: 10px;"> <p><b>Relationship with Customers</b></p> <ul style="list-style-type: none"> <li>● Compliance with the CERO ratings system</li> <li>● Appropriate localization/culturization</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>➔ For details, please refer to “Relationships with Customers” on pp. 59-60</p> </div> <div> <p><b>Relationship with Regional Communities</b></p> <ul style="list-style-type: none"> <li>● Welcomed children participating in Company Visits to our offices / held Guest Lectures at schools</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> <p>➔ For details, please refer to “Relationship with Regional Communities” on pp. 61-62</p> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; color: blue; font-size: 2em; margin-right: 10px;">GOVERNANCE</div> <div> <p>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.</p> </div> </div>	<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>● Raised the ratio of external directors</li> <li>● Held roundtable discussions with external directors</li> <li>● Established a dedicated support team for the Board of Directors</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> <li>● Appointed female external director</li> </ul> <p>➔ For details, please refer to “Corporate Governance” on pp.65-74</p>

growth through proactive information disclosure and improved transparency.

➔ Please refer to “ESG Highlights” on pages 15-16 for details on the KPI for material issues

Purple : Enhancing Corporate Governance

### Business Impact (Risks and Opportunities)

#### Opportunities

- Reduced costs (used less electricity, cut distribution costs)

#### Risks

- Increased business costs with the introduction of a carbon tax
- Rising costs of raw materials, production, and procurement due to carbon regulations and plastic use restrictions
- Disruption of business continuity caused by intensification of abnormal weather events arising from natural disasters and the progression of global warming, and the associated impact on employees' work styles, health, and livelihoods

### Future Challenges

- Increasing energy conservation at existing buildings through renovation
- Further conserving energy in amusement facility operations

#### Opportunities

- Expanded global reach through game development based on a diverse set of values
- Acquired competent creators
- Improved creator productivity
- Fostered a commitment to legal compliance

#### Risks

- Retirement or turnover of talented personnel
- Decline in operational efficiency due to loss of motivation

- Increasing the percentage of women in management positions
- Strengthening recruitment of global-ready workers

#### Opportunities

- Improved customer satisfaction by creating stress-free environments for play
- Reduced social risks posed by games

#### Risks

- Various country risks including culture, religion, and customs
- Monetization systems becoming a social issue
- Changes in user purchasing behavior

- Education of users, consumer groups, government entities, etc.

#### Opportunities

- Expanded profit opportunities by improving company and IP name recognition
- Promoted understanding of the Capcom approach to business
- Expanded revenue opportunities in step with larger percentage of populations gaining access to entertainment options following the stabilization of social environments

#### Risks

- Deterioration of corporate image
- Declining interest in game content

- Further promotion of regional revitalization using Capcom content

#### Opportunities

- Evaluated proper corporate value on both financial and non-financial bases
- Avoided managerial decision-making risk through better management monitoring
- Ensured the appropriateness of growth strategies by having the Board of Directors consider a range of views
- Perpetuated the founder's business know-how

#### Risks

- Decreased relevance of decision-making
- Leakage of information via unauthorized access or other means

- Increasing the number of opportunities for persons in charge of development to converse with the market
- The effective operation of the audit and supervisory committee system
- Board of Directors effectiveness assessments and their utilization
- Review the composition of the Board of Directors
- Setting developer compensation in consideration of medium- to long-term sustainable growth

## 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 means that Capcom's environmental impact and environmental risks are lower than the general manufacturing industry.

Given this situation, we have worked to reduce our environmental impact by promoting digital sales of content as well as by replacing equipment. This is in-line with our management philosophy of creating an entertainment culture through the medium of games by developing highly creative content that excites and stimulates your senses.

We will continue actively working to solve issues common to society such as climate change, which is a growing problem, while referring to indicators and frameworks such as the TCFD recommendations.

## Reducing CO2 emissions

### Reducing CO2 emissions by promoting energy saving measures companywide

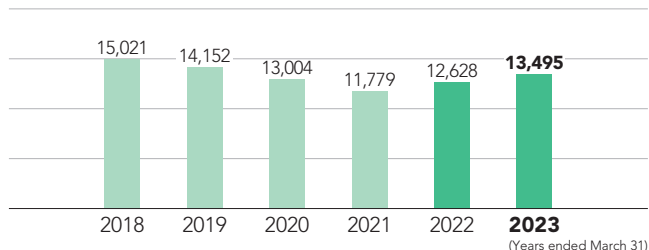
In response to risks such as increased business costs due to the introduction of a carbon tax, as well as increased raw material, production, and procurement costs due to carbon and plastic use regulations, Capcom has worked to cut power usage through efforts that include ongoing power saving at all of its places of business and saving energy at its amusement facilities. The fiscal year ended March 2023 saw our CO2 emissions increase compared to the previous fiscal year due to the opening of new places of business and amusement facilities. However, the trend remains stable.



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

## Capcom's CO2 Emissions (Non-consolidated) (t)

# 13,495 t



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

Despite the current increase in energy use due to the opening of new places of business and amusement facilities, our energy intensity has remained stable. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for eight 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)		
Year	Energy Intensity*	Vs. Previous FY
2018	0.05994	98.1%
2019	0.05869	97.9%
2020	0.05583	95.1%
2021	0.05186	92.9%
2022	0.05497	106.0%
2023	0.05918	107.7%

(Years ended March 31)

\* 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 41.70 million game units' worth of paper manuals annually.

In addition, 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 2023, the resources used in

the equivalent of around 37.30 million units of game software were conserved as a result of digital sales.

Moreover, digital sales eliminate the need to transport physical products from factories to stores or warehouses, allowing us to simultaneously reduce both costs and greenhouse gas emissions.

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.

### 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
2018	74.4%	25.6%
2019	83.7%	16.3%
2020*2	00.0%	00.0%
2021	99.77%	00.0%
2022	91.6%	8.2%
2023	75.8%	24.0%

(Years ended March 31)

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

\*2 Capcom switched to new cabinets in fiscal year ended March 2020, 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

### Utilizing electricity sourced from 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. Capcom aims to achieve net-zero CO<sub>2</sub> emissions at the buildings we own by 2050. Realizing carbon neutrality will require the introduction of renewable energy that does not produce CO<sub>2</sub> emissions.

At Capcom, we began using CO<sub>2</sub>-free electricity sourced from renewable energy at the buildings we own in the Kansai area in June 2022. As a result, around 27% of the power we consume in Japan is now provided by renewable energy. In addition, we introduced green power at our Tokyo Branch in April 2023. We are also working to further reduce our environmental impact by using our own data centers that have implemented power-saving measures and by using major cloud service providers and major data center service providers that promote the use of renewable energy.

### Governance and risk management in relation to climate change

- (1) The Corporate Management Council (chaired by the Chairman and Chief Executive Officer) deliberates on policies and measures to address risks and opportunities related to climate change.
- (2) Based on the results of these deliberations, the relevant departments promote initiatives under the direction of the Representative Director or Director in charge and report the results to the Representative Director or the Corporate Management Council.
- (3) The Board of Directors receives reports from and oversees the Representative Director or the Corporate Management Council on important matters related to climate change.

## Relationship with Employees

The Capcom Group believes that in order to achieve sustainable growth and realize our principle of being a creator of entertainment culture that stimulates your senses, it is essential that we invest in human resources to create the world's highest quality content and expand our user base around the world. For that reason, we have positioned human capital initiatives as our most important sustainability issue and are promoting human resource investment strategies accordingly.

### 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 studios 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.

#### Understanding employees' needs

In order for management to gain an understanding of the needs of employees directly from the source, a total of 20 management briefings and other events for employees were held in the fiscal year ended March 31, 2023, with more than 1,400 employees participating.

#### 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. In March 2023, we established and launched operations at our new Creative Studio in Osaka City, equipped with one of the largest motion capture studios in Japan.

### 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, art and design, and other subjects, Capcom Juku joins its efforts with employees and fosters the growth of children. Currently, as of March 31, 2023, the school takes care of 24 children a month and accepts as many as 295 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.

### Promotion of Diversity

#### Initiatives aimed at promoting the improvement of the work environment for women and proactively utilizing foreign nationals

Capcom is currently engaged in initiatives aimed at improving the work environment for women and proactively hiring foreign nationals.

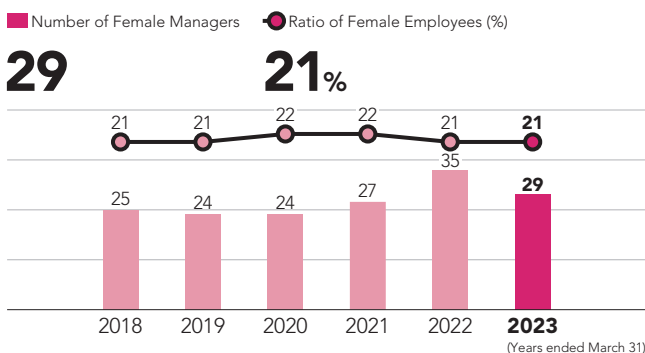
In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company. In fiscal 2022, 42 employees took childcare leave, 30 of whom were men, and 85% of eligible women took childcare leave (fiscal 2021: 41 employees, 20 of whom were men and 100% of eligible women took leave). The ratio of women who returned to work afterwards is also high: 57 (100%) returned in fiscal 2022 (fiscal 2021: 34 (97.8%) returned). As a result, despite it being said that Japan's gaming industry is generally dominated by men, women account for roughly 21.3% of Capcom's workforce, and 29 (11.6%) 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



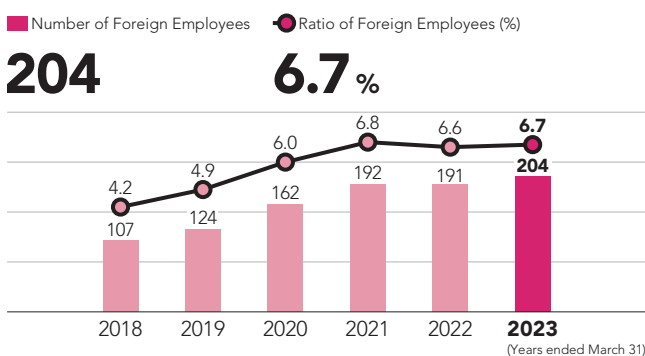
Promotion of Women’s Participation and Advancement in the Workplace, in 2019 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) developing a personnel system that contributes to diversity in work styles, and (2) having women comprise at least 15% of managers by the end of fiscal 2023. We aim to achieve this goal by enhancing our recruitment website and improving the working environment, including the introduction of shortened working hours.

Further, regarding the proactive utilization of its foreign national employees, Capcom is working to strengthen its capabilities in expanding content globally by providing Japanese language education programs, career advancement support, and actively promoting foreign nationals to management positions. We currently employ 204 foreign nationals (representing 6.7% of our employees). Going forward, we will create a system for improving motivation and work on promoting diversity, including support for securing housing when foreign nationals move to Japan, and the introduction of special leave for temporarily visiting their home countries.

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



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



**Improving employee engagement**

As of March 31, 2023

Fiscal year (ending in March)	2019	2020	2021	2022	2023	Target
Work engagement (Non-consolidated) (t-score) (Note 1)	51.2	51.5	52.6	51.8	54.4	55.0
Turnover (Non-consolidated) (Note 2)	4.9%	4.3%	3.9%	5.4%	3.5%	—
Of which was for personal reasons	4.3%	4.0%	3.6%	4.7%	3.2%	about 3.0%

\*1 Engagement represents our t-score in the results of a survey conducted by an external vendor of our employees (excluding short-time workers not covered by social insurance). The specific method used for the survey had an external vendor calculate our t-score as compared to other companies using the results of employee answers of “not at all applicable,” “not very applicable,” “fairly applicable,” and “very applicable” to multiple questions.

\*2 Turnover is the ratio of the number of employees who left during the period (excluding employees who joined and left during the same period) to the total number of employees at the beginning of the period. Only full-time employees are included in the calculation.

The Capcom Group is committed to preventing employee turnover and improving employee engagement by creating a comfortable work environment. Specific measures for this include ongoing improvement and expansion of the working environment and facilities, an internal commendation system to recognize contributions to the company, enhancement of anti-harassment training and establishment of a globally accessible hotline, provision of recreational facilities for employees, and continuous expansion of other benefit programs.

As a result of these efforts, work engagement, a measure of initiative and positive feelings toward work, was higher than in previous years, and employee turnover decreased from the previous year. The main contribution was from the revision of the compensation system and efforts to create a comfortable working environment. To give specific examples from the survey, the percentages of employees responding “fairly applicable” or “very applicable” to the following questions are provided below.

I come up with original ideas on the job.	88.7%
When necessary for work, I go above and beyond my role.	76.0%
I experience joy in my current work.	70.9%

Additionally, to give specific examples from the section on employee engagement, which is an indicator of loyalty to the company, the percentages of employees responding “fairly applicable” or “very applicable” to the following questions are provided below. The results were positive.

I feel a sense of familiarity and loyalty to my current company.	77.5%
I am very glad that I am able to work for my current company.	85.6%
Working for my current company has been a positive experience.	86.2%

## Capcom Voices

### Marketing Strategy

Hikaru Ikeda

Manager  
User Analysis Team,  
Data Analysis Section,  
Marketing Strategy Department,  
Planning and Strategy Divisions



I joined Capcom in 2018 as a mid-career hire and was immediately put in charge of integrating business intelligence (BI) tools in the digital marketing department, before transferring to the digital sales department, where I was responsible for planning and analyzing digital promotions and user response analysis. By introducing BI tools, I was able to contribute to streamlining operations by unifying sales data that had been separate up until that point. At the time, the push for digital strategy within the company had grown stronger, and I was impressed by the progress that had been made in digitalization.

As manager of the User Analysis Team, I supervise a group that is responsible primarily for market research, community analysis, and brand marketing, while overseeing the budget and collaborating and coordinating with other departments. We work to analyze and develop strategies for Capcom's IPs in countries around the world, including measuring awareness, understanding what kinds of people are buying our games, and what should be done to expand brand communities.

Many on my team are women, including myself, and I feel that Capcom's push to invest in human resources in recent years has enhanced the work environment for both women and those with children. For example, paid menstrual leave was introduced this year, which allows women to take time off for this unique need so they can prioritize their physical well-being without worrying about how much personal time off they have remaining. Some employees are also balancing work and childcare by making good use of shortened working hours and staggered working hours. I'm very grateful that we have an environment where women can choose to continue pursuing their careers.



### Animation

Yoko Kinoshita

Senior Manager  
Animation Section,  
R&D Department 3,  
Consumer Games Development  
Division 2



Among the departments that work with visuals, my section specializes in animation. We produce all the animation necessary in building titles, such as character movements and event scenes. As the Senior Manager, I strive to ensure that everyone can work with a sense of wellbeing, both physically and mentally, taking care to assign people to positions while considering their personalities and career paths. In addition, I am responsible for hiring and training new staff, and at times I work as an animator on our titles as well.

I've loved animation and games since I was a child and longed to work for Capcom, as I felt this was a place rich with creators capable of not only producing appealing characters, but who could also combine enjoyable game feel with truly imaginative visual designs. After joining the company, I was amazed by these exceptional people, just brimming with expertise in their fields and giving their all to create games.

Delivering high-quality games to the world is our motto, which requires top-notch results from game creators. I could really feel Capcom's intent to reward such results and develop globally competitive products when the company restructured its human resources investment strategy in April 2022, which both revised our compensation system and introduced a stock compensation system.

Game development is a very rewarding job in that the fruits of your labor remain in the world as a work of art. Creating a great game involves not only those who work with graphics, but many other people as well. I hope to continue working with my colleagues, who bring imagination and passion to life, to create games that will leave a lasting impression.



## Localization Production

### Marco Bombasi

Manager  
Localization Team,  
Localization Production Section,  
Production Division



I was always a Capcom fan, but after joining my eyes were opened to the challenging reality of global game development. Having been given a role in management, I've gone from producing localizations myself, to providing a team with the resources they need to delight fans in every corner of the globe. Now, as Localization Team Manager, it's my responsibility to guide our team in delivering the best quality, on time and under budget, in a dozen different languages.

Our mission is to ensure that our games feel natural and appropriate in each market, and beyond translating the games, we contribute broadly by advising on cultural or political perspectives, working with overseas partners, and even assisting with international promotion. We dedicate ourselves to maintaining close communications across divisions to ensure that we spot issues in advance, and can nimbly course correct, contributing to overall production efficiency without compromising on the quality that fans expect.

Living in Japan has many great aspects, though it's not without its difficulties. Even preparing meals can differ widely from back home, and visiting family is now both costly and time consuming. Capcom has been making changes to its work environment for employees from outside of Japan, such as additional paid leave to visit home. Regular meetings where employees can speak directly with upper management also give the sense that the company is listening to our needs.

I can't help but view games through a professional lens now, though I'm still a fan at heart. Everyone on our team gives their all to recreate that sense of joy and excitement that made us love games in the first place. We hope you look forward to what we have in store!



## Foundational Technology Development

### Yuki Sekino

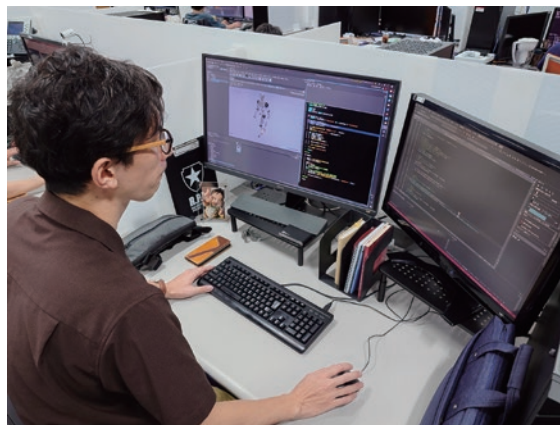
Foundational Technology  
Development Section,  
R&D Foundational Technology  
Department, Technical  
Research Division



I work in the Foundational Technology Development Section, which implements and supports features that sustain game creation, including the development of Capcom's in-house game engine, RE ENGINE. In my work, I oversee requests from game creators and implement features or troubleshoot issues that crop up.

I joined Capcom when MT FRAMEWORK, our in-house game engine at the time, was announced. While casual games for mobile phones and other devices were growing in popularity, I was impressed by Capcom's policy of focusing on high-end games for home video game consoles. After joining, I was awed by how the state-of-the-art expressions and experiences in the games are made through the knowhow and ingenuity of the developers, and sensed that high quality is maintained by constantly searching for improved development methods. Working in such an environment, when I develop new features to support fresh game experiences, and when those features are appreciated by the creators, I feel both a special kind of elation and that I've grown.

In my personal life, after my child was born I took a month of childcare leave and have since become more conscious of family time as well. I make use of the bicycle parking and onsite daycare known as Capcom Juku, and am very grateful for such support, which is essential for balancing childcare and work. At Capcom Juku, I had the chance to see a different side of my child, playing freely inside the tidy daycare center. While the number of children there is small, I feel that my child is learning social skills and have great peace of mind in using the service.



## Relationship with Customers

### Considerations in Game Development

#### In-game purchases

In the Japanese game market, discussions have been taking place for some time 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 2023, the percentage of home video games sold overseas was 80.3%. 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.

### 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 Revised April 1, 2022
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. In March 2023, the Gaming Disorder Research Study Group released the results of a study commissioned by industry organizations in response to social demand. We are taking the appropriate steps to raise awareness of the issue and are cooperating with industry organizations that promote further detailed analysis and discussions based on published papers. Additionally, 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 based on the results of the study.

➡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.

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

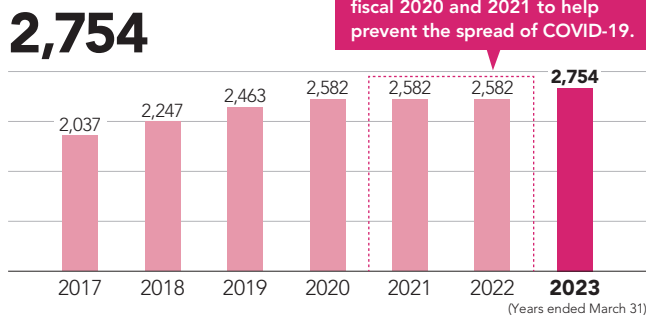
### Support for Community-building among Senior Citizens

#### 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.

In addition, as part of efforts to create arcades where senior citizens can comfortably enjoy themselves, currently, 23 staff members have received Service Assistant certification.

Cumulative number of  
participants in 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, based on the advice of the Security Oversight Committee, an external advisory body, we maintain and strengthen our information security system based on the PDCA cycle. This includes continuous system operation and monitoring and the establishment of a system for early response and recovery in the event of an emergency, such as the emergence of a cyber-attack or other security risk.

#### 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 have also been working to provide amateur players with opportunities to shine, such as with the 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. Further, we are steadily expanding our endeavors, such as by establishing our highest-ever annual prize pool of over 2 million dollars for CAPCOM Pro Tour 2023 to commemorate the release of *Street Fighter 6*, the latest title in the series. This initiative is intended to usher in a new era of competitive fighting eSports.

## Relationship with Regional Communities

### 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.

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. These initiatives have enabled us to respond flexibly over a wider geographical area than before.

Altogether, Capcom has welcomed 3,532 children as part of 412 different field trips to its offices (as of March 31, 2023). Capcom has also held 232 on-site classes for 19,557 students (as of March 31, 2023).

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

- I found it interesting to see how a game company identifies issues related to playing video games and how they think about solutions. (Junior high school teacher)
- I learned that math and other skills learned in school are useful in work. I felt that each individual has an essential role to play, and if one person is missing, a complete bond can’t be formed. (Junior high school student)
- It would be great if you could touch on SDGs since we’re looking at them in our lessons. (Junior high school teacher)

### Supporting Social Welfare

#### Support for creating stable environments

As a game publisher, not only are children customers that play with our products but they are also potential future leaders that may become employees. Needless to say, a stable environment is necessary to play games, but education is essential for choosing a profession.

In the fiscal year ended March 2023, we again donated to three organizations that are working on the healthy development of children, including the Fund to Support Children’s Future. We also sent another donation to the Office of the United Nations High Commissioner for Refugees to support refugees from Ukraine and made a new donation to support victims of the 2023 Türkiye-Syria Earthquake.

#### Support for Children in Need

Recipient	Amount
Fund to Support Children’s Future, Welfare and Medical Service Agency	50 million yen
Single Mothers Forum (an authorized nonprofit organization)	40 million yen
Child Center Nukku (specified nonprofit organization)	10 million yen

#### Support for Refugees from Ukraine

Recipient	Amount
UNHCR, the UN refugee agency	20 million yen

\* Supported via Japan for UNHCR, a national partner of UNHCR in Japan for accepting aid

#### Support for Victims of the 2023 Türkiye-Syria Earthquake

Recipient	Amount
Save the Children Japan	30 million yen

\* Türkiye-Syria Earthquake Children Support Desk

### Supporting the Promotion of Sports

#### Contributing to healthy mental and physical development through support for sports

In April 2022, Capcom expressed its endorsement of the goal of the Japan Volleyball Association to foster humanity while contributing to both the healthy development of children and young people as well as to the mental and physical growth of the nation through the greater promotion and advancement of the sport of volleyball. We are supporting the activities of the Japanese men’s and women’s volleyball teams in Japan and abroad as well as the promotion of the sport of volleyball.

We also signed an agreement with Cerezo Osaka in August 2022 establishing Capcom as a Top Partner. We will continue to support Cerezo Osaka, the representative soccer club of Capcom’s hometown, so that through both gaming and soccer we can realize our slogan of “From Osaka, to the World.”

**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, since the mid-2000s Capcom has been engaged in the following four regional revitalization activities not only in Osaka, where we have our head office, but across Japan: 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.

**Comments from a city official**



**Tsukasa Kawai**

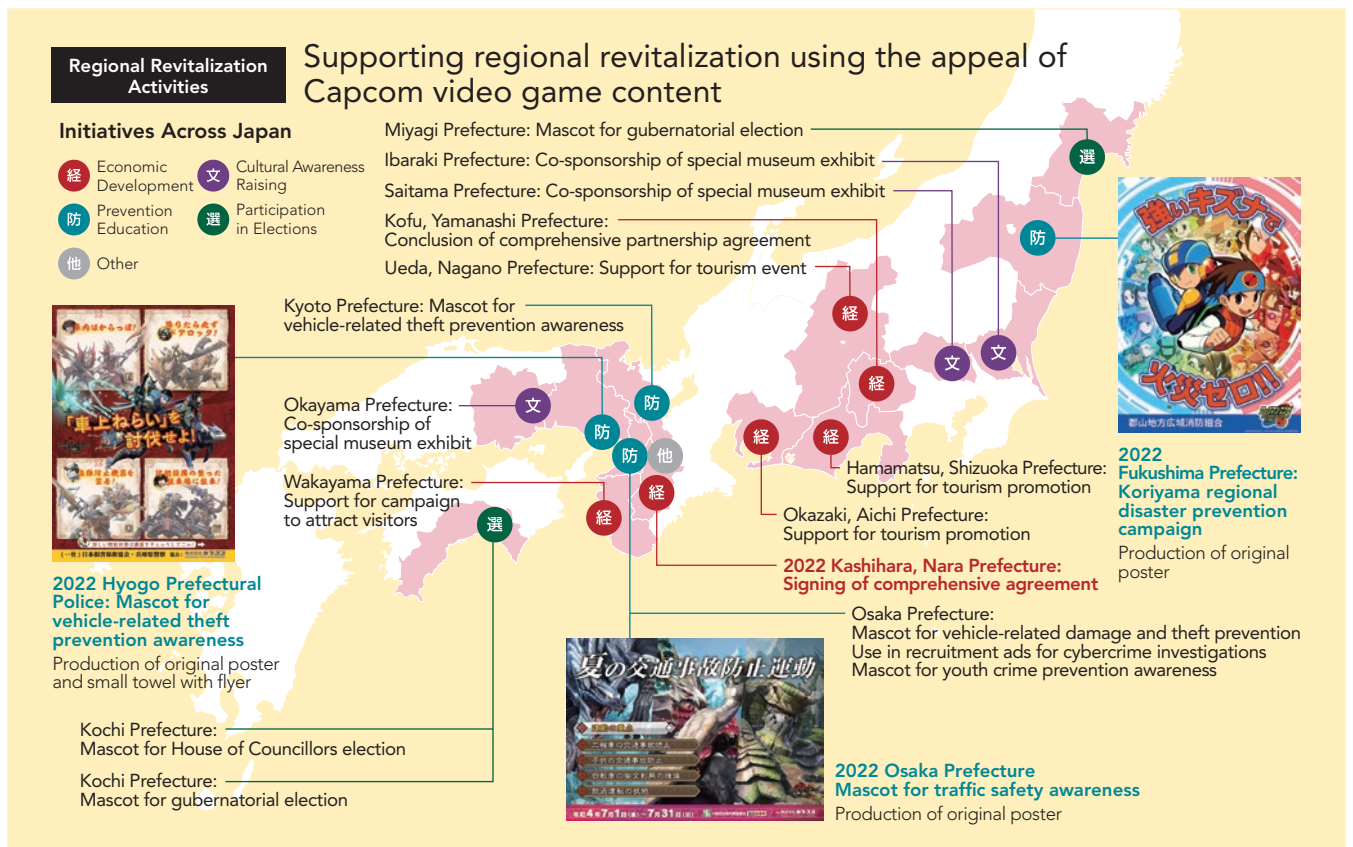
Crime Prevention Officer  
Community Safety Planning Division,  
Hyogo Prefectural Police Headquarters

I have personally loved video games since I was a child. I have lots of memories of games sold by Capcom.

In our prefecture, Capcom created *Monster Hunter* collaborative merchandise, posters, flyers, and more to raise awareness of the local child-safety program “Nagara Mimamori” (literally: watching vigilantly while doing other things) and to help prevent vehicle-related theft, which is on the rise.

We were also able to effectively educate many children and their guardians by distributing merchandise together with Felyne during the campaign.

I hope Capcom will continue to cooperate with our public relations and awareness campaigns for safety and security in Hyogo Prefecture through its animated movies and game contents, which remain popular among people of all ages.



## Directors (As of June 21, 2023)

Internal

External



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

Jun. 1983 President and Representative Director of the Company  
Apr. 1997 Chairman of the Association of Copyright for Computer Software  
Apr. 2001 Chief Executive Officer (CEO) of the Company (to present)  
Jul. 2007 Chairman and Representative Director of the Company (to present)  
Feb. 2010 Representative Director of Kenzo Estate Winery Japan Co., Ltd. (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. 2022 President and Representative Director, and Director in charge of Arcade Operations Business of the Company (to present)  
May 2023 Chairman of the Computer Entertainment Supplier's Association (to present)



**Satoshi Miyazaki**  
Director and Executive Vice President  
Chief Human Resources Officer (CHO)

Apr. 1983 Entered The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.)  
Apr. 2011 Executive Officer, General Manager of Corporate Banking Division No.6 of the Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)  
Apr. 2013 Managing Executive Officer in charge of Sales of Mizuho Corporate Bank, Ltd. (now 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)  
Apr. 2022 Director, Chief Human Resources Officer (CHO) and in charge of Corporate Management of the Company (to present)



**Ryoza Tsujimoto**  
Director  
Executive Corporate Officer

Apr. 1996 Entered the Company  
Sep. 2013 General Manager of Development Division 3 of the Company  
Apr. 2014 Corporate Officer, Head of Consumer Games Development Division 3 of the Company  
Jun. 2017 Corporate Officer, Head of Consumer Games Development Division 3 and Mobile Online Development Division of the Company  
Apr. 2018 Managing Corporate Officer, Head of Consumer Games Development Division 2 and Mobile Online Development Division of the Company  
Oct. 2020 Managing Corporate Officer  
Head of Consumer Games Development Division 2 (to present)  
Apr. 2022 Executive Corporate Officer (to present)  
Jun. 2022 Director, Deputy in charge of Development Divisions of the Company (to present)



**Toru Muranaka**  
Director  
External  
Independent Director

Apr. 1995 Registered Lawyer (Osaka Bar Association)  
Entered into Daiichi Law Office (now 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.  
Jun. 2016 External Director of the Company (to present)



**Yutaka Mizukoshi**  
Director  
External  
Independent Director

Sep. 1990 Entered into The Boston Consulting Group  
Jun. 1997 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  
External Director of Asagami Corporation (to present)  
Jan. 2018 Senior Advisor of The Boston Consulting Group, Tokyo  
Jun. 2018 External Director of the Company (to present)  
Jun. 2019 Director of Japan Rugby Football Union  
Jun. 2022 Vice Chairman of Japan Rugby Football Union (to present)  
Jan. 2023 Senior Partner Emeritus of The Boston Consulting Group (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)



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

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

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)





**Yoichi Egawa**  
Director  
Executive Corporate Officer

Apr. 1985 Entered 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 Equipment 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  
Apr. 2022 Director deputy in charge of Corporate Management of the Company (to present)



**Yoshinori Ishida**  
Director  
Executive Corporate Officer

Apr. 1992 Entered the Company  
Apr. 2005 General Manager of Sales Promotion Division of the Company  
Mar. 2011 Deputy Head of Consumer Games Business Division of the Company  
Apr. 2013 Corporate Officer, Head of Consumer Games Business Division of the Company  
Apr. 2016 Corporate Officer, Head of Japan & Asia Business Division of the Company  
Jun. 2017 Corporate Officer, Head of Japan & Asia Business and Deputy Head of Mobile Online Development Division of the Company  
Apr. 2019 Managing Corporate Officer, Head of Japan & Asia Business Division and Deputy Head of Mobile Online Development Division of the Company  
Sep. 2021 Managing Corporate Officer, Head of Global Business Division of the Company (to present)  
Apr. 2022 Executive Corporate Officer of the Company (to present)  
Jun. 2022 Director, in charge of Global Business Division of the Company (to present)



**Wataru Kotani**  
Director  
External  
Independent Director

Apr. 1980 Entered into 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  
Jul. 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.  
Jun. 2021 Director of Japan Center for Examination Research (to present)  
External Director of the Company (to present)



**Toshiro Muto**  
Director  
External  
Independent Director

Apr. 1966 Entered into the Ministry of Finance  
Jul. 1999 Director-General of the Budget Bureau of the Ministry of Finance  
Jun. 2000 Vice Minister of the Ministry of Finance  
Jan. 2003 Adviser to the Minister of Finance  
Mar. 2003 Deputy Governor of the Bank of Japan  
Jul. 2008 Chairman of Daiwa Institute of Research Ltd.  
Jun. 2009 External Corporate Auditor of Sumitomo Metal Corporation (now Nippon Steel Corporation)  
Jun. 2010 External Director of Mitsui & Co., Ltd.  
Jan. 2014 CEO of the General Incorporated Foundation Tokyo Organizing Committee of Olympic and Paralympic Games (later Public Interest Incorporated Foundation Tokyo Organizing Committee of Olympic and Paralympic Games, being dissolved in June 2022)  
Jun. 2018 Honorary Chairman of Daiwa Institute of Research Ltd. (to present)  
Jun. 2022 External Director of the Company (to present)



**Yumi Hirose**  
Director  
External  
Independent Director

Apr. 1979 Entered into the Tokyo Regional Taxation Bureau  
Jul. 2012 National Tax Agency Commissioner's Secretariat Internal Inspector  
Jul. 2015 District Director of Yukigaya Tax Office  
Jul. 2016 Director of Personnel Division 2, General Affairs Department of Tokyo Regional Taxation Bureau  
Jul. 2017 Director of General Affairs Division of National Tax College  
Jul. 2018 Research Coordination Director of Tokyo Regional Taxation Bureau Research Division 3  
Jul. 2019 Deputy Director of Regional Taxation Bureau Research Division 2  
Jul. 2020 District Director of Shiba Tax Office  
Aug. 2021 Tax Accountant of Hirose Tax Accountant Office (to present)  
Dec. 2021 Spokesperson for the village of Mikura-island (to present)  
Jun. 2022 External Director of the Company (to present)  
External Director (Audit and Supervisory Committee Member) TOREX SEMICONDUCTOR LTD. (to present)

## Directors' Skill Matrix

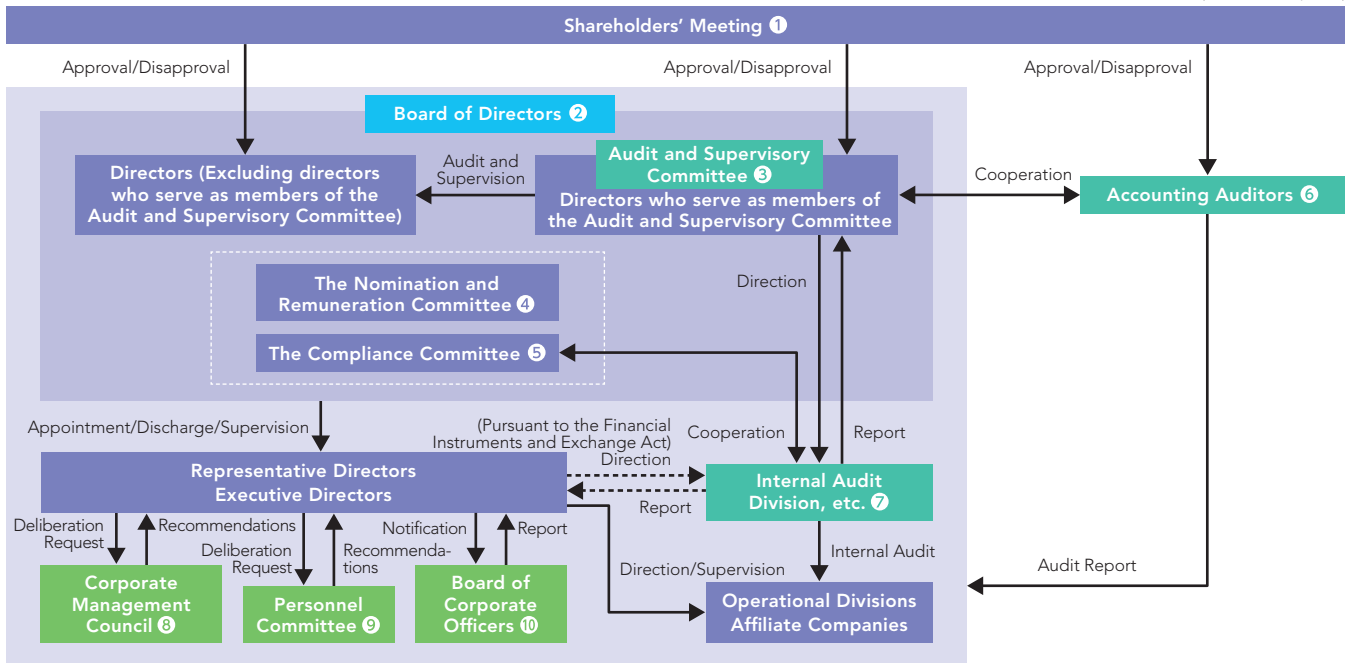
	Fields Each Director is Expected to Contribute in Particular Toward Achievement of Medium-Term Growth Strategy							
	Company Management	Management Strategy	Gaming Industry	Digital Transformation/IT/Technology	R&D	Finance/Accounting/Tax	Legal	Global Sensibility
Kenzo Tsujimoto	●	●	●	●				●
Haruhiro Tsujimoto	●	●	●	●	●			●
Satoshi Miyazaki	●	●	●	●		●		●
Yoichi Egawa			●	●	●			●
Kenkichi Nomura		●	●	●		●	●	●
Yoshinori Ishida		●	●	●				●
Ryozo Tsujimoto			●	●	●			●
Toru Muranaka	●						●	●
Yutaka Mizukoshi	●	●						●
Wataru Kotani				●			●	
Toshiro Muto	●					●		●
Yumi Hirose	●					●		
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 21, 2023)



Composition of Board of Directors and voluntary committees (In the year ended March 31, 2022)

Internal External

### 2 Board of Directors (15 members)

(Convened 10 times in the year ended March 31, 2023)

<b>Chairman</b>	<b>Kenzo Tsujimoto</b> (Attendance: 100%)	<b>Haruhiro Tsujimoto</b> (Attendance: 100%)	<b>Satoshi Miyazaki</b> (Attendance: 100%)	<b>Yoichi Egawa</b> (Attendance: 100%)
	<b>Kenkichi Nomura</b> (Attendance: 100%)	<b>Toru Muranaka</b> (Attendance: 100%)	<b>Yoshinori Ishida</b> (Attendance: 100%)*	<b>Ryozo Tsujimoto</b> (Attendance: 100%)*
	<b>Yutaka Mizukoshi</b> (Attendance: 100%)	<b>Wataru Kotani</b> (Attendance: 100%)	<b>Toshiro Muto</b> (Attendance: 100%)*	<b>Yumi Hirose</b> (Attendance: 100%)*

\* 100% attendance since being elected

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

(Convened 10 times in the year ended March 31, 2023)

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

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

(Convened 4 times in the year ended March 31, 2023)

<b>Chairman</b>	<b>Yoshihiko Iwasaki</b> (Attendance: 100%)	<b>Satoshi Miyazaki</b> (Attendance: 100%)*	<b>Kenkichi Nomura</b> (Attendance: 50%)	<b>Yutaka Mizukoshi</b> (Attendance: 100%)	<b>Wataru Kotani</b> (Attendance: 100%)
	<b>Kazushi Hirao</b> (Attendance: 100%)	<b>Makoto Matsuo</b> (Attendance: 100%)	* 100% attendance since being elected		

### 5 The Compliance Committee (14 members)

(Convened 4 times in the year ended March 31, 2023)

<b>Chairman</b>	<b>Toru Muranaka</b> (Attendance: 100%)	<b>Haruhiro Tsujimoto</b> (Attendance: 100%)	<b>Satoshi Miyazaki</b> (Attendance: 100%)	<b>Yoichi Egawa</b> (Attendance: 100%)	<b>Kenkichi Nomura</b> (Attendance: 100%)
	<b>Yoshinori Ishida</b> (Attendance: 100%)*	<b>Ryozo Tsujimoto</b> (Attendance: 100%)*	<b>Yutaka Mizukoshi</b> (Attendance: 100%)	<b>Wataru Kotani</b> (Attendance: 100%)	<b>Toshiro Muto</b> (Attendance: 100%)*
	<b>Yumi Hirose</b> (Attendance: 100%)*	<b>Kazushi Hirao</b> (Attendance: 100%)	<b>Yoshihiko Iwasaki</b> (Attendance: 100%)	<b>Makoto Matsuo</b> (Attendance: 100%)	

\* 100% attendance since being elected

## Corporate Governance Structure

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

Capcom established the Corporate Governance Guidelines (see [https://www.capcom.co.jp/ir/english/assets/pdf/governance/governance\\_01.pdf](https://www.capcom.co.jp/ir/english/assets/pdf/governance/governance_01.pdf) for details) as the basic policy on corporate governance to achieve stable growth and increase corporate value over the medium to long term. We work continually to enhance our corporate governance structure.

#### 1 Shareholders' Meeting

(Convened on June 20, 2023)

### 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 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 tablet. 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, 2023)

### Management decisions that incorporate external directors' opinions

The Board of Directors is composed of 15 directors (chaired by the Representative Director and Chairman of the Board), with seven of the directors being external directors.

The Board deliberates on important matters stipulated by laws, regulations, and the Rules of the Board of Directors as well as on growth strategies based on the Group's corporate philosophy, and strives to strengthen supervisory functions through the guidance, suggestions, and active comments of external directors.

#### 3 Audit and Supervisory Committee

Audit

(Convened 10 times in the year ended March 31, 2023)

### 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 (an organization 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.

The Audit and Supervisory Committee discusses management risks and other issues based on audit results reported by selected Audit and Supervisory Committee members and the Internal Audit Division to examine ways to enhance governance from the perspective of legal compliance and appropriateness.

#### 4 The Nomination and Remuneration Committee

(Convened four times in the year ended March 31, 2023)

### 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 seven directors (three of whom are internal directors and four 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. The Nomination and Remuneration Committee deliberates on the nomination and remuneration of directors and submits reports in response to inquiries from the Board of Directors.

The main matters reviewed upon receiving an inquiry are as follows:

- a. Matters related to nominations
  - (i) Policy for selecting candidates for director to be submitted to the General Meeting of Shareholders
  - (ii) Selection of candidates for director to be submitted to the General Meeting of Shareholders
  - (iii) Selection of corporate officers
  - (iv) Selection of corporate officers with titles
  - (v) Successor plan
  - (vi) Other matters related to the above
- b. Matters related to remuneration
  - (i) Policy on director remuneration
  - (ii) Fixed remuneration and performance linked remuneration
  - (iii) Performance evaluations related to individual remuneration
  - (iv) Performance evaluations related to bonuses
  - (v) Other matters related to the above

#### 5 The Compliance Committee

(Convened four times in the year ended March 31, 2023)

### Focusing on Compliance as an Important Management Issue

The Compliance Committee is composed of 14 directors (seven 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 the Capcom Group. In addition, the committee provides recommendations and advice for the 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, 2023)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	57 million yen	—
Consolidated subsidiary	—	—
Total	57 million yen	—

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

Note: The financial audit team was composed of: certified public accountants (8 members), and candidates for CPA who passed the new CPA exam, plus associates in charge of system audits (19 members).

## 7 Internal Audit Division Audit

### 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, 2023)

### Supporting the Board of Directors' decisions

The Corporate Management Council (chaired by the Representative Director and Chairman of the Board) is composed of eight 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 Human Resources Committee Implementation

(Convened 13 times in the year ended March 31, 2023)

The Human Resources Committee (chaired by the Representative Director and Chairman of the Board) is composed of eight internal directors, the corporate officer in charge of the HR Divisions, and the corporate officer in charge of the Planning

and Strategy Divisions. The Corporate Planning Department serves as the secretariat, and one person is in charge of its secretariat duties.

In principle, it is convened several days before a meeting of the Board of Directors, or whenever necessary.

It meets to carry out preliminary deliberations of Board of Directors agenda items related to human resources and discussions on matters such as the human resources investment strategy.

## 10 Board of Corporate Officers Implementation

(Convened 12 times in the year ended March 31, 2023)

### 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 (six 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 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.

In addition, in the fiscal year ended March 31, 2023, we provided information to external directors through on-site tours and roundtable discussions with executive officers and enhanced our support system by establishing a department dedicated to the Board of Directors.

Since all seven of the external directors meet the criteria of independent directors, they have been designated 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 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 and provides opinions and advice from a neutral and objective standpoint.
Toshiro Muto	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors by providing objective opinions and advice on general management from an independent standpoint with a broad perspective based on his extensive knowledge and experience as he possesses a high level of insight related to fiscal and monetary affairs, general economics, and corporate governance cultivated at the Ministry of Finance, the Bank of Japan, and operating companies.
Yumi Hirose	Due to expectations for her ability to contribute to the auditing and supervision of the Board of Directors and improvement of the human resources strategy by actively providing opinions and advice from an outside perspective based on her knowledge and experience, which include specialized knowledge and extensive experience from her many years as a tax administrator of tax agency offices, her considerable knowledge of finance and accounting, and her high level of knowledge related to health management.

### 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.

### Director Support System

- To enhance the deliberations of the Board of Directors, a secretariat to the Board of Directors was established to oversee operations as outlined below.
  - Establish an annual schedule of Board of Directors meetings and hold extraordinary meetings as necessary.
  - Prepare materials that will help participants get an overview of the agenda items, and distribute them in advance.
  - Endeavor to enhance the deliberations of the Board of Directors by delegating some important business execution matters, such as personnel transfers and organizational reforms, to the

Representative Directors to confirm the appropriateness of the matters to be discussed.

- To facilitate thorough discussions during the Board of Directors meetings, the Director in charge of Corporate Management will provide explanations to external directors regarding agenda items and supplementary matters approximately one week in advance of the scheduled board meeting date.
- To establish a system that allows external directors to make timely and appropriate judgments on proposals, the corporate officers in charge will attend Board of Directors meetings as necessary to assist the director in charge in explaining proposals and answering questions.
- The directors, officers and employees of the Group will respond promptly and appropriately when asked to provide information necessary for the directors to perform their duties.
- To facilitate the smooth and appropriate execution of duties by the Audit and Supervisory Committee, an Internal Audit Department independent of the departments conducting business has been established to assist the same committee as an organization directly under the Internal Audit Division and serves as the Secretariat of the committee.
  - The Internal Audit Division will strive to maintain independence from business executors, carrying out its duties under the direction of the Audit and Supervisory Committee. It will also provide timely reports to the Audit and Supervisory Committee as necessary.
- The Executive Support Section and the Internal Audit Division provide support to ensure that non-executive directors, including external directors, can smoothly execute their duties. Also, the support system will be strengthened by establishing a dedicated department for the Board of Directors.
- To facilitate smooth and appropriate execution of their duties, directors may engage external experts such as consultants as necessary, with the associated costs borne by the Company.

### Director Training and Development

The Group provides directors with necessary training opportunities and information, as appropriate.

- When directors assume their position, they are briefed on the Group's business, finances, and organization, given a tour of the workplaces as well as information on industry trends and such.
- Support is provided for expenses and other costs related to the acquisition of knowledge and exchange of information by directors.
- Audit and Supervisory Committee members are provided with opportunities to study through participation in external training programs as part of our efforts to ensure proper audits.
- The Board of Directors is provided opportunities to hear explanations on business strategies and other measures for each fiscal year and necessary information related to the Company's business challenges and other issues is provided to external directors on a continuous basis.

### Evaluation of the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors by means of individual questionnaires, interviews, and other methods that facilitate getting individual opinions from all directors. In addition, to further enhance the function of the Board of Directors, in the fiscal year ended March 31, 2023, we worked to

## Corporate Governance

provide information to external directors through on-site tours and roundtable discussions with executive officers, as well as to strengthen our support structure through the establishment of a department dedicated to the Board of Directors. The evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2023, was generally positive.

To further improve the effectiveness for strengthening the supervision function, we will work on the issues below in the fiscal year ending March 31, 2024.

### [Main issues]

- Further enhancing the provision of information, including round-table discussions with external directors
- Discussions on nomination and remuneration of directors and senior management for the establishment of a next-generation management structure
- Discussions to facilitate the improvement of corporate value over the medium to long term

We will continue to promote sharing and understanding of various issues at our Board of Directors meetings to further enhance its function.

### 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 Policy on determining 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.

- 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.

- 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 Group's management objective of steady growth of profits, and makes its decision based on their recommendations.

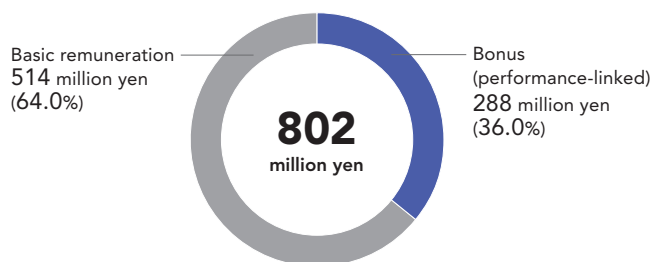
- Single-year net income attributable to owners of parent
- Increase in consolidated operating profit over the previous year
- Multiple consecutive increases in consolidated operating profit over previous years
- Evaluation of operations that the board member oversees

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 Policy for determining remuneration of the directors who serve as members of the Audit and Supervisory Committee

From the standpoint of securing 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



\* The amounts are simple calculations based on the table below. Actual remuneration will vary.

#### Officer Remuneration (Year ended March 31, 2023)

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)	802	514	288	—	—	7
Member of Audit and Supervisory Committee (excluding external directors)	21	21	—	—	—	1
External directors	54	54	—	—	—	5
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	212	Director	Delivery company	137	75	—	—
Haruhiro Tsujimoto	169	Director	Delivery company	109	60	—	—
Satoshi Miyazaki	106	Director	Delivery company	68	37	—	—
Yoichi Egawa	102	Director	Delivery company	66	36	—	—

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

## Initiatives for the Shareholders' Meeting

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

To help ensure our shareholders' meetings are lively, we hold our meeting 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 tablet. 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 and the website of Tokyo Stock Exchange, Inc. to promote the exercise of voting rights by shareholders worldwide.

Additionally, to further enhance dialogue with shareholders, as of the Ordinary General Meeting of Shareholders held in June 2020, we have used a hybrid virtual shareholder meeting format allowing shareholders to watch the meeting live online and send their comments on a shareholders-only website.

## Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2022 shareholders' meetings

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	1,965,455	225	0	99.83	Approved
Second proposal: Election of 12 directors (Excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	1,696,543	267,547	1,642	86.17	Approved
Haruhiro Tsujimoto	1,795,487	168,605	1,642	91.20	Approved
Satoshi Miyazaki	1,933,885	30,212	1,642	98.22	Approved
Yoichi Egawa	1,934,713	29,384	1,642	98.27	Approved
Kenkichi Nomura	1,930,258	33,838	1,642	98.04	Approved
Yoshonori Ishida	1,934,732	29,365	1,642	98.27	Approved
Ryozo Tsujimoto	1,934,715	29,382	1,642	98.27	Approved
Toru Muranaka	1,954,234	11,506	0	99.26	Approved
Yutaka Mizukoshi	1,956,088	9,652	0	99.35	Approved
Wataru Kotani	1,956,031	9,709	0	99.35	Approved
Toshiro Muto	1,955,855	9,885	0	99.34	Approved
Yumi Hirose	1,958,579	7,161	0	99.48	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 <http://www.capcom.co.jp/ir/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 268th among 3,808 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 2023, Capcom’s total score was 6.92 points, placing us in the top 7.67% of Japan’s listed companies (excluding some in the financial and other sectors), exceeding the 4.87-point average for all listed companies and the 6.84-point average for the industry. We also received the maximum score of 10 for “equity market’s assessment.”

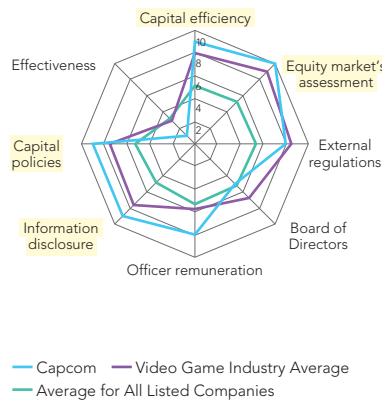
The main evaluation factors are given in the table below, and areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements to earn an even stronger assessment, and further promote the visibility of our governance by posting this and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

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

#### Details of Capcom’s Corporate Governance

Total Score	6.92
Rank	268
Categories	Score
Capital efficiency	9
Equity market’s assessment	10
External regulations	8
Board of Directors	5
Officer remuneration	8
Information disclosure	9
Capital policies	9
Effectiveness	1

#### 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
Equity market’s assessment	10	Tobin’s q
Capital efficiency	9	ROA, ROE
Information disclosure	9	Early timing for distribution of notices of convocation for general meetings of shareholders, availability of electronic voting, and disclosure of materials in English
Capital policy	9	DOE-related and shareholder return ratio-related

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 2022 Third Party Evaluations

IR Website	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2022," Excellence Award
	Nikko Investor Relations Co., Ltd., "Fiscal 2022 Listed Company Website Quality Ranking," Overall Ranking: Grade AAA
	Ranked No. 22 overall in BroadBand Security, Inc. Gomez Consulting Dept.'s "Investor Relations Site Ranking 2022"
Integrated Report	Received <i>Excellence Prize</i> in "2nd NIKKEI Integrated Report Awards"

### 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.

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 canceled again in fiscal 2022 due to COVID-19 along with overseas IR visits. However, we held the presentation of financial results and individual investor briefing in a hybrid online and in-person format and offered video conferences in an effort to communicate with our many investors and analysts.

#### Fiscal 2022 IR Measures

By category	Frequency
Interviews accepted	579
Visited domestic investors	28
Visited overseas investors	0
<b>Total</b>	<b>607</b>

#### 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
Online individual investor briefing	Briefing for individual investors held online

#### Results of Dialogue with Investors (Excerpt)

Q. What are your specific uses of cash and treasury stock?

A. We will use them to invest in human resources and make other investments with a view to sustainable growth.

Specifically, we partially revised the compensation system starting in the fiscal year ended March 31, 2023, which increased the average base salary of full-time employees by 30% (includes the portion for pay raises), and introduced a bonus system more closely linked to the company's business performance. As for treasury stock, we have used a portion of this to introduce an ESOP trust that grants company stock. We will continue working on improving our employee evaluation and training systems.

Q. I would like for you to enhance your ESG-related information disclosures.

A. In our integrated report and securities report, we are disclosing new indicators such as employee engagement and turnover rates.



## Key commentary on sustainability by our external directors

# Capcom's external directors delve into the challenges associated with securing and developing talent to speed up our strategy for investment in human resources.

The seven external directors (as of March 31, 2023) on Capcom's Board of Directors take the lead in proactively exchanging opinions and advice on our management policies, ensuring transparency and soundness. For this commentary, they actively discussed Capcom's corporate governance system, initiatives for human capital as a driving force behind value creation, and disclosure to shareholders and investors, with a focus on the promotion of growth strategy.

This page introduces a selection of comments from external directors during regular Roundtable Discussions held between external directors and the heads of business divisions as part of our efforts to foster understanding of Capcom's governance.

### 1. Regarding strategy for investment in human resources

As part of its investment in human resources, Capcom reorganized its Human Resources operations in April 2022 and established the position of CHO. This move aims to accelerate overall strategies for investment in human resources, including revising the compensation system, carrying out town hall-style meetings where senior management and employees can directly communicate, improving the work environment, and expanding the employee benefits system. Executive management is actively working to address issues and increase productivity with an eye toward

securing and developing talent that will underpin Capcom's future. Below is a selection of comments made by external directors during the Roundtable Discussion held in September 2022.

#### (1) Regarding women in management positions

- Increasing the number of women in managerial positions is an issue facing Japanese society as a whole. Not much in the way of improvement or progress can be made without an organized and conscious effort. Although no simple task, it is important to always think about how to achieve the greater participation of women in the workplace.
- There tends to be few female directors and auditors in corporate Japan. The country needs to actively address this issue fully cognizant of positive action (initiatives to eliminate gender disparities). However, these barriers cannot be overcome by mere equality initiatives alone.
- With few female managers, female employees will find it difficult to envision their own career arc and the idea of female managers as a norm will not take root. Companies need to increase communication, encourage understanding, and spread awareness among both men and women.
- Actual management experience is essential for promotion to a manager role. Planning out training for female employees so that they can build experience in a short period of time is of significance, since some may take maternity and childcare leave later in their careers. I think it's important to have individualized promotion plans based on career aspirations.



There are some female managers at Capcom who are also raising children, but the Company needs to work toward increasing the overall ratio of female managers as well. (Internal director)

## (2) Regarding development of managers

- Generally speaking, a growing number of people are not looking to become a manager. This trend can also be seen at Capcom. Without some form of incentive, it may be difficult to promote employees to manager positions.
- There is the question of how to steer employees toward becoming candidates for upper management positions in terms of human resource development. Efforts need to recognize that establishing mechanisms for score-based selection and development systems are issues.
- How about incorporating a system that selects candidates through training that targets talented human resources who can become candidates for executive management positions? By participating in the training, the candidates themselves will gain an awareness of their future direction on their own.
- The Company needs to clearly indicate its expectations for the next generation, the roles they will be given, and the traits required of executive management.

Capcom is pursuing human resource development using job rotations so that employees can gain a better understanding of our overall operations. We are actively moving ahead with these efforts with specific numerical targets and are gradually gaining the understanding of frontline employees. (Internal director)

- Consideration needs to be made so that supervisors and transferees understand and embrace job rotations.
- It is important to increase the number managers with a broad range of experience in order to energize and strengthen the organization.

Human resource development is included as an evaluation item for all managers. Going forward, Capcom will breakdown these efforts further and promote strategy for investment in human resources, with efforts led by the CHO. (Internal director)

## 2. Regarding social responsibilities as a game software company

As a game software company, Capcom has been hosting company visits from and offering outreach classes to elementary and junior high school students since 2005 based on its commitment to foster social understanding of games as part of its corporate social responsibilities. In recent years, we have been promoting eSports as a new form of entertainment where people of all ages, genders, and physical ability can compete against one another. Below is a selection of comments made by external directors during the Roundtable Discussions held in September and October 2022.

- Youth is a very impressionable time. While also taking into account requests from schools, Capcom could consider conducting outreach classes through tie-ups with other companies. Outreach classes interest me and I hope to sit in on one in the future.
- Addressing game addiction and providing outreach classes can be seen as part of the SDGs. Partnerships with local governments is one example as these arrangements can serve as both good promotion and social contributions.
- The Company should pay close attention to taboos culturizing games as it moves to enhance its international competitiveness.
- Initiatives in the world of sports for people with disabilities is an important matter. Conveying that eSports allows people who are able-bodied and people with disabilities to compete on the same field should enhance the value presented by the company. Games have the power to not only generate profits, but also produce social contributions.

Capcom will continue to explore approaches to gameplay between people who are able-bodied and people with disabilities during eSports tournaments. We intend to address this area as a matter of social responsibility. (Internal director)

## Game Industry Characteristics



### Consumer Market Characteristics (Package + Digital)

Package and digital download contents are an 80.8-billion-dollar market, forecast to grow to 86.7 billion dollars by 2027.

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. In addition, with the spread of PC as a game platform and the standardization of digital game sales over the Internet, growth is expected in Asia and emerging regions. 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 mobile markets.

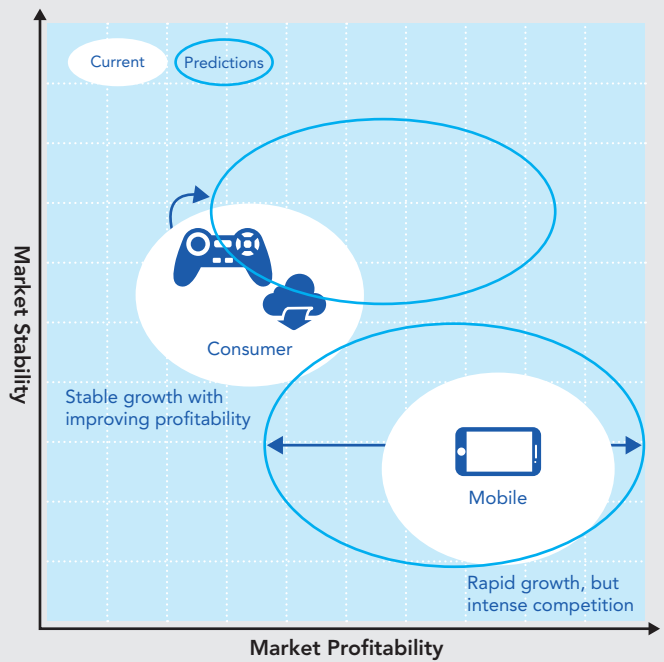


### Mobile Market Characteristics

This is a 122.6-billion-dollar market, forecast to continue growing to 155.4 billion dollars by 2027. 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.

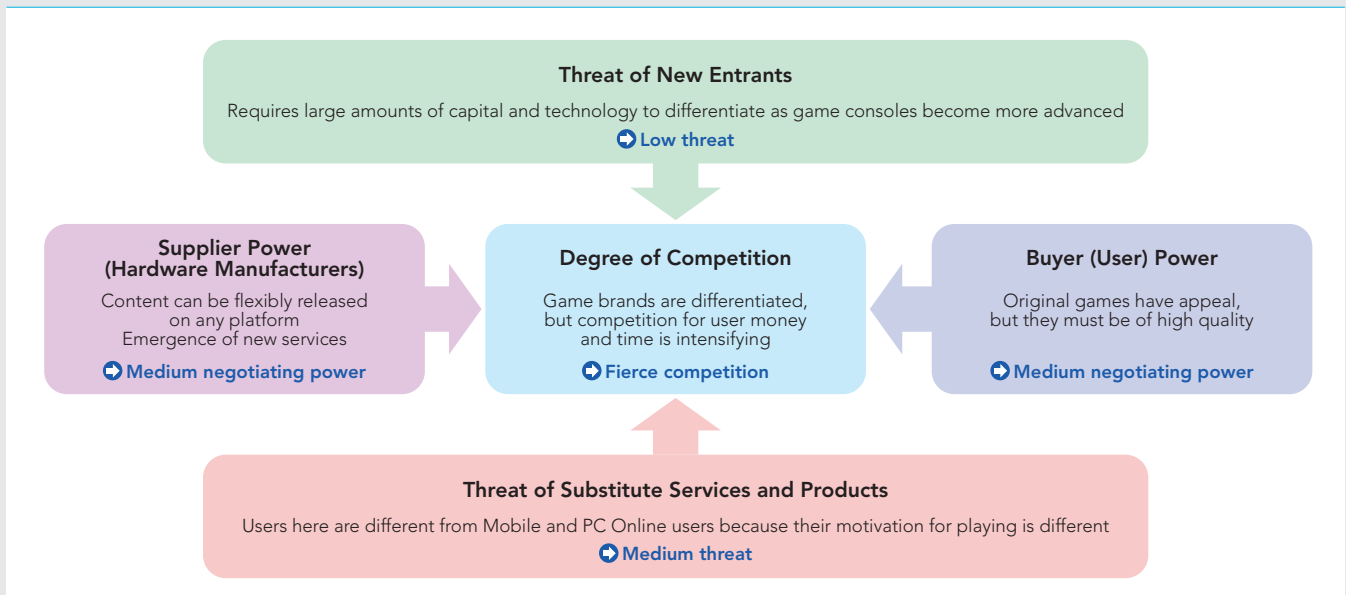
Although this is the most profitable market, only a limited number of titles are able to generate stable earnings over the long term even if they become hits. This makes brand establishment a challenge. Going forward, as 5G becomes more widespread and further next generation mobile communication standards are developed, we expect smartphones will continue to drive rapid growth as the most pervasive game device.

### Characteristics of Each Market



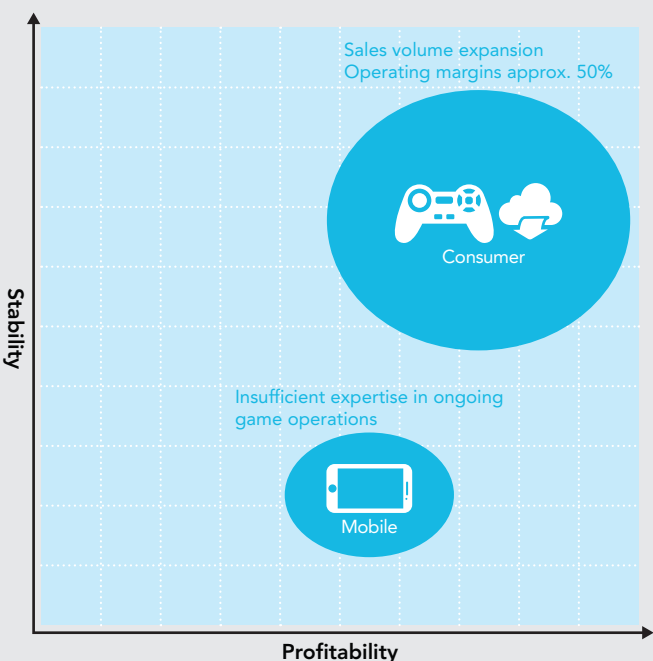
Source: Created by Capcom based on data from the International Development Group

### 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, 2023

**Consumer**  
(Proportion of Net Sales: 76%)  
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, keeping operating margins at the 50% level.

**Mobile Contents**  
(Proportion of Net Sales: 2%)

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/technology	Development capabilities to produce original titles of world-class quality	○	○	○	○	Ongoing competitive advantage
	"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>	△ <sub>1</sub>	○	Other companies possess this strength as well
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 33 consecutive years since listing	○	△	△	○	Taking the split into consideration, increased dividends have been provided for seven consecutive years.
Sales	Consumer digital sales ratio of 81%	○	△	○ <sub>2</sub>	○	Major overseas companies are ahead
	Consumer business expansion into 230 countries and regions	○	○	○	○	Ahead of competitors
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	○	×	△	△	Companies with popular IP can roll them out in other 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.45)

\*2 We are promoting measures such as (1) taking advantage of our many popular IPs by

leveraging our back catalog of titles in digital sales, (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.31)

# 11-Year Summary of Consolidated Financial Indicators

## Financial Index

	2013	2014	2015	2016
<b>For the Year:</b>				
	Million yen			
Net sales	¥ 94,075	¥ 102,200	¥ 64,277	¥ 77,021
Operating income	10,151	10,299	10,582	12,029
Net income (loss) before income taxes	3,719	5,315	10,701	11,150
Net income attributable to owners of the parent	2,973	3,444	6,616	7,745
Depreciation & amortization	3,406	4,638	3,535	5,712
Capital expenditures	8,724	8,064	10,177	8,274
R&D investment costs	30,978	26,691	25,301	27,255
<b>At Year-End:</b>				
	Million yen			
Total assets	¥ 104,365	¥ 96,611	¥ 100,773	¥ 113,057
Net assets	62,828	63,875	71,331	75,168
Net cash	14,327	22,670	21,212	15,821
Developer numbers (people)	1,623	1,808	1,902	2,052
<b>Cash Flows:</b>				
	Million yen			
Cash flows from operating activities	¥ 6,647	¥ 13,201	¥ 4,286	¥ 4,347
Cash flows from investing activities	(1,375)	(6,155)	(5,496)	(1,639)
Cash flows from financing activities	1,162	(15,099)	1,278	(1,115)
Net increase (decrease) in cash and cash equivalents	9,235	(5,404)	1,879	431
Cash and cash equivalents at end of year	31,522	26,118	27,998	28,429
<b>Per Share Data:</b>				
	yen			
Net income (loss) per share	¥ 12.91	¥ 15.28	¥ 29.42	¥ 34.44
Dividend per share	40.00	40.00	40.00	40.00
Net assets per share	272.77	283.98	317.14	334.21
<b>Financial Index:</b>				
	%			
Operating margin	10.8	10.1	16.5	15.6
ROE	4.9	5.4	9.8	10.6
ROA	2.9	3.4	6.7	7.2
Net worth ratio	60.2	66.1	70.8	66.5
Interest coverage ratio (times)	62.4	136.8	50.2	36.5
Debt-equity ratio	66.1	51.2	41.3	50.4
<b>Stock Information:</b>				
Price earnings ratio (times)	28.6	32.0	20.3	19.9
Number of Issued shares (thousands shares)	67,723	67,723	67,723	67,723
Foreign investors (%)	32.37	37.29	36.87	39.35
<b>Digital Contents Business:</b>				
	Billion yen			
Consumer sub-segment net sales (packaged + digital)	¥ 45.9	¥ 53.0	¥ 35.2	¥ 42.1
Online sub-segment net sales (Mobile Contents + PC Other)*1	17.7	12.8	10.1	10.4
<b>Consumer Game Sales (Package Software and Full-game Digital Content)</b>				
	Thousands			
Total number of units	16,700	17,500	13,000	15,000
Sales of major titles	Resident Evil 6 5,000	Monster Hunter 4 4,100	Monster Hunter 4 Ultimate 3,400	Monster Hunter X (Cross) 3,300
	Dragon's Dogma 1,300	Dead Rising 3 1,200	Resident Evil Revelations 2 1,100	Street Fighter V 1,400
	DmC Devil May Cry 1,200	Resident Evil Revelations 1,200	Resident Evil (HD Remastered) 900	Resident Evil Revelations 2 850

\* 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.

\* Effective from the beginning of FY2021, the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) has been applied. Certain financial information for FY2021 reflects the application of the standard.

\* The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Earnings per share and net assets per share have been calculated for each year as if these stock splits had been carried out at the beginning of FY2013.

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

	2017	2018	2019	2020	2021	2022	2023						
Million yen													
	¥ 87,170	¥ 94,515	¥ 100,031	¥ 81,591	¥ 95,308	¥ 110,054	¥ 125,930						
	13,650	16,037	18,144	22,827	34,596	42,909	50,812						
	12,489	15,149	17,770	22,890	34,828	44,322	51,143						
	8,879	10,937	12,551	15,949	24,923	32,553	36,737						
	5,980	4,706	3,228	2,795	2,791	3,385	3,438						
	3,767	3,041	2,568	2,576	3,597	3,788	9,624						
	27,720	28,990	27,038	25,843	25,375	29,862	37,719						
Million yen													
	¥ 118,897	¥ 124,829	¥ 123,407	¥ 143,466	¥ 163,712	¥ 187,365	¥ 217,365						
	77,774	85,421	88,749	99,735	120,794	146,475	161,129						
	8,426	36,750	44,689	58,921	65,633	102,384	94,273						
	1,994	2,141	2,032	2,142	2,285	2,369	2,460						
Million yen													
	¥ 3,200	¥ 34,721	¥ 19,847	¥ 22,279	¥ 14,625	¥ 46,947	¥ 21,789						
	(3,628)	(2,847)	(2,261)	(8,437)	(4,233)	(7,426)	(7,679)						
	(3,130)	(9,577)	(11,443)	(6,351)	(6,965)	(9,980)	(22,485)						
	(4,091)	22,201	6,464	6,667	4,371	31,592	(6,165)						
	24,337	46,539	53,004	59,672	64,043	95,635	89,470						
yen													
	¥ 40.09	¥ 49.95	¥ 57.73	¥ 74.70	¥ 116.74	¥ 152.48	¥ 174.73						
	50.00	60.00	35.00	45.00	71.0	46.0	63.0						
	355.16	390.09	415.68	467.14	565.78	686.07	770.54						
%													
	15.7	17.0	18.1	28.0	36.3	39.0	40.3						
	11.6	13.4	14.4	16.9	22.6	24.4	23.9						
	7.7	8.9	10.1	12.0	16.2	18.5	18.2						
	65.4	68.4	71.9	69.5	73.8	78.2	74.1						
	22.8	337.2	249.3	302.5	201.6	955.9	489.8						
	52.9	47.0	39.1	43.8	35.5	27.9	34.9						
	13.5	23.0	21.5	22.7	30.8	19.5	27.1						
	67,723	67,723	135,446	135,446	135,446	270,892	266,505						
	31.19	35.01	36.83	35.14	38.24	35.09	33.98						
Billion yen													
	¥ 49.2	¥ 65.2	¥ 76.9	¥ 55.5	¥ 68.8	¥ 83.3	¥ 95.3						
	9.5	8.9	6.0	4.4	6.5	4.2	2.8						
Thousands													
	19,400	24,400	25,300	25,500	30,100	32,600	41,700						
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 Village	6,100	Monster Hunter Rise: Sunbreak	5,450
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	Monster Hunter Rise (catalog)	4,100	Resident Evil 4	3,750
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	Monster Hunter Stories 2: Wings of Ruin	1,500	Monster Hunter Rise (catalog)	3,700

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

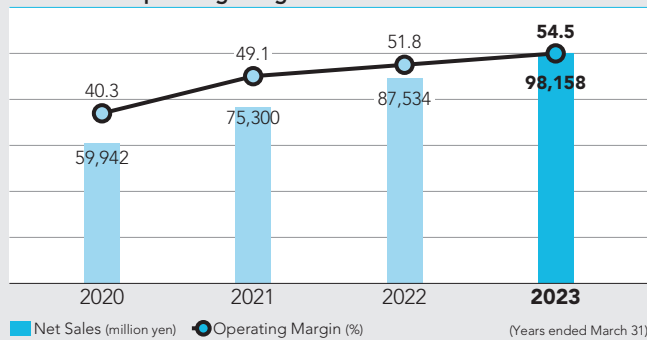
# Segment Information

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

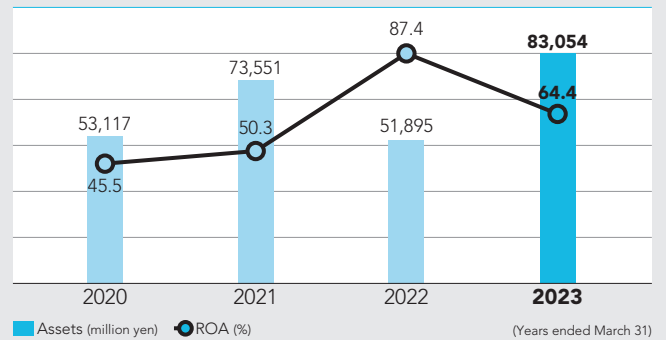
## Digital Contents

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

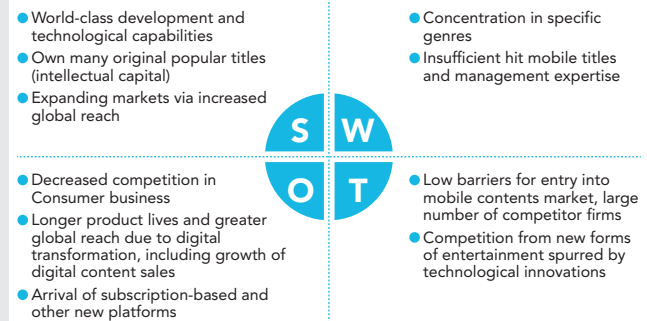


### Assets/ROA

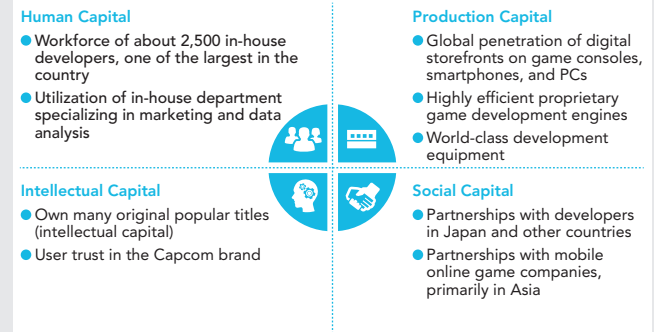


### SWOT Analysis

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



### Utilization of Non-Financial Capital



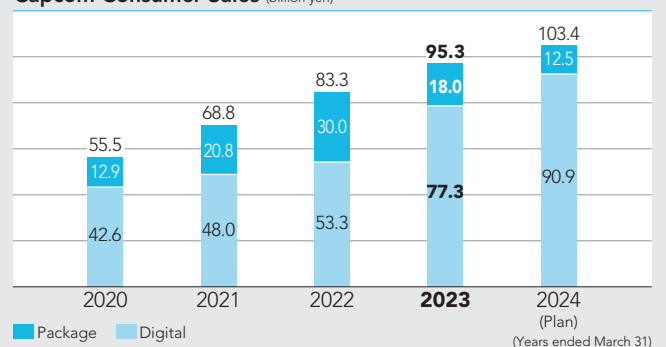
## Operating Results for This Fiscal Year and Outlook for the Next Fiscal Year

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

This fiscal year (ended March 31, 2023), *Monster Hunter Rise: Sunbreak* (Nintendo Switch and PC), released in June 2022, received global acclaim for its more dynamic action while enjoying steady popularity due to ongoing support such as free title updates. As a result, it sold 5.45 million units, making a significant contribution to business performance. *Resident Evil 4* (PlayStation 5, PlayStation 4, Xbox Series X|S, and PC), released in March 2023, was also well-received worldwide for its retelling of the original story coupled with cutting-edge graphics technology. As a result, it sold 3.75 million units and contributed significantly to improved profitability.

Furthermore, catalog title sales expanded, driven by series titles such as *Monster Hunter Rise*, *Resident Evil 2*, *Devil May Cry 5*, and *Resident Evil Village*, owing to increased brand recognition and the acquisition of new fans through aggressive

### Capcom Consumer Sales (billion yen)





promotions, as well as synergy between the continued release of new titles and pricing strategies. As a result, sales of catalog titles exceeded the 24 million units from the previous year, reaching 29.3 million units and boosting profits.

The resulting net sales came to 98.158 billion yen (up 12.1% from the previous year), and operating income to 53.504 billion yen (up 18.0% from the previous year).

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 contribution from new title *Street Fighter 6* and completely new IP *Exoprimal* as well as catalog titles *Resident Evil 4* and *Monster Hunter Rise: Sunbreak*. We will also work to further expand sales globally based on our digital strategy for other major titles. As a result of these efforts, we expect to increase unit sales to 45.0 million units (up 7.9%

from the year under review), net sales to 106.3 billion yen (up 8.3% from the year under review), and for the digital sales ratio to increase to around 85% for increased sales and profit.

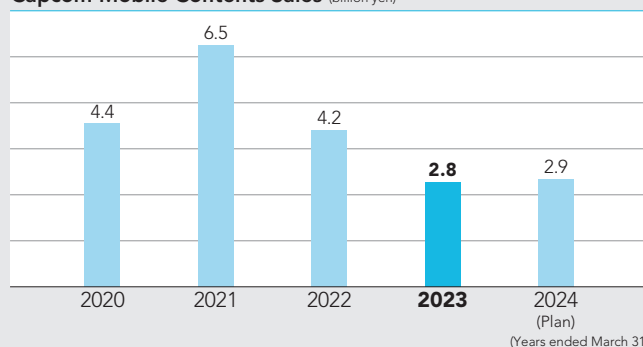
### Mobile Contents Sub-segment

This fiscal year (ended March 31, 2023), we focused on existing titles, and net sales came to 2.8 billion yen (down 66.7% 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, despite the launch of new app *Monster Hunter Now* in September 2023, we expect net sales to come to 2.9 billion yen (up 3.6% from the year under review) due to aging of existing titles.

Capcom Mobile Contents Sales (billion yen)



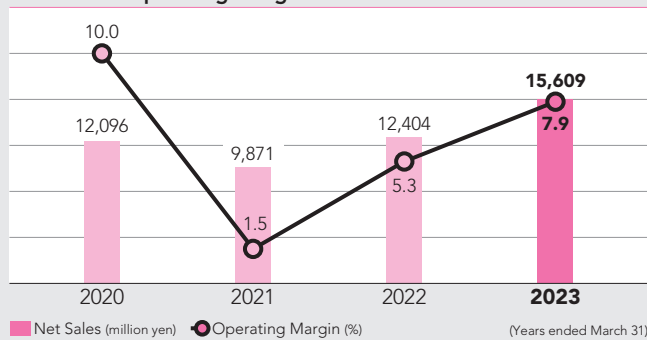
# Segment Information

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

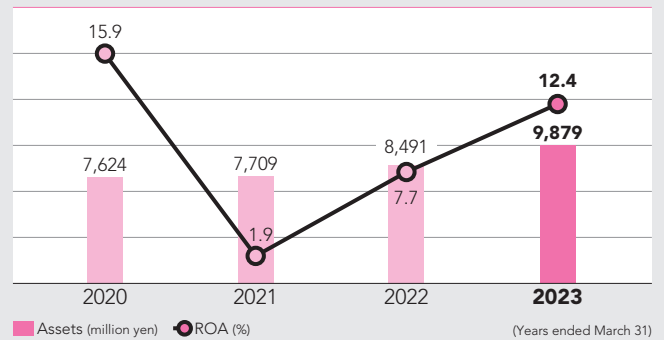
## Arcade Operations

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



### 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

<p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>Internal store management staff</li> <li>Part-time workers hired locally</li> </ul>	<p><b>Production Capital</b></p> <ul style="list-style-type: none"> <li>High foot traffic of large shopping centers</li> <li>Developers that design and construct facilities</li> </ul>
<p><b>Intellectual Capital</b></p> <ul style="list-style-type: none"> <li>Store management know-how cultivated over 39 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>	<p><b>Social Capital</b></p> <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, 2023), customer numbers recovered due to the full lifting of the semi-state of emergency COVID-19 measures in March 2022. We also achieved an increase in both sales and profit from the previous year thanks to the efficient operation of existing stores and the effect of new stores in new business formats.

New store openings included the comprehensive amusement facility Miraino at Aeon Mall in Toki (Gifu Prefecture), which includes a Crazy Banet attraction, in October, "CAPCOM STORE & CAFE UMEDA" (Osaka Prefecture), which offers merchandise featuring the Company's popular characters and features a café, in November, and Miraino at Aeon Mall in Toyokawa (Aichi Prefecture) in March 2023. We opened a total of five stores and closed two, bringing the total number of stores to 45.

As a result, net sales came to 15.609 billion yen (up 25.8% from the previous year), and operating income came to 1.227 billion yen (up 88.0% from the previous year).

In the next fiscal year, we will continue to make efforts toward efficient operations and open new stores to attract customers. We forecast an increase in both sales and profit with same store sales up 5% from the previous year, bringing net sales to 18.0 billion yen (up 15.3% from the year under review) and operating income to 1.3 billion yen (up 5.9% from the year under review).

As for the number of stores, we will continue to promote opening stores with new business formats based on our basic strategy of scrap-and-build. We plan to open four stores and close none, bringing the total number to 49.

# Amusement Equipments

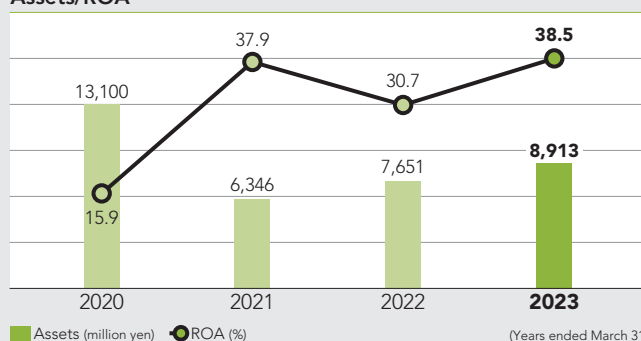
Here, we leverage the contents from our home video games.

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

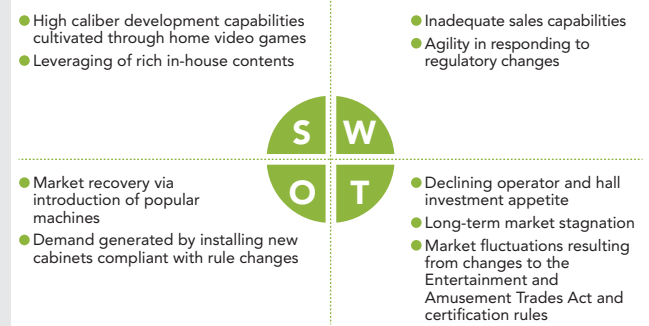


Assets/ROA

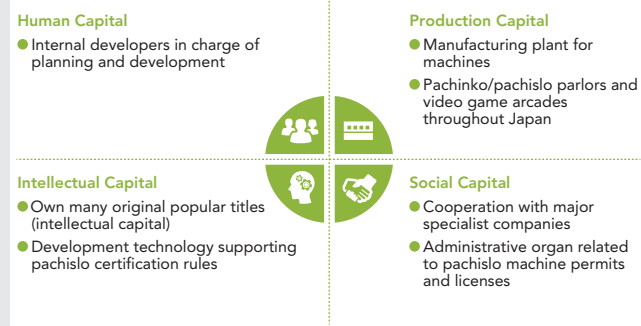


## SWOT Analysis

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, 2023), four machines designed to current regulations, including *Monster Hunter World: Iceborne*, were launched by the Pachinko & Pachislo (PS) sub-segment, selling 44,000 units.

In a market that began to show signs of a partial turnaround, we sold 15,000 units of *Shin Onimusha 2*, which was released in August 2022, 15,000 units of *Resident Evil RE:2*, which was released in September, and 12,000 units of *Monster Hunter World: Iceborne*, which was released in January 2023. These machines contributed significantly to profit and were well-received by the market, resulting in popularity at halls.

As a result, net sales came to 7.801 billion yen (up 35.7% from the previous year), and operating income came to 3.433 billion yen (up 46.2% from the previous year), thanks in part to diversifying business models.

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 market trends and sell 37,000 units (7,000 units less than the year under review).

We expect that both sales and income will be up, with net sales at 10.0 billion yen (up 28.2% from the year under review) and operating income at 3.7 billion yen (up 7.8% from the year under review).

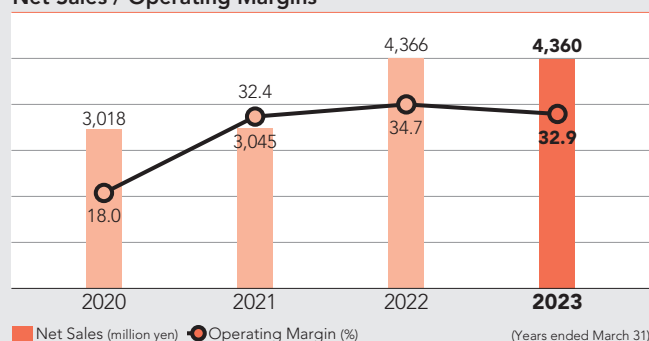
# Segment Information

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

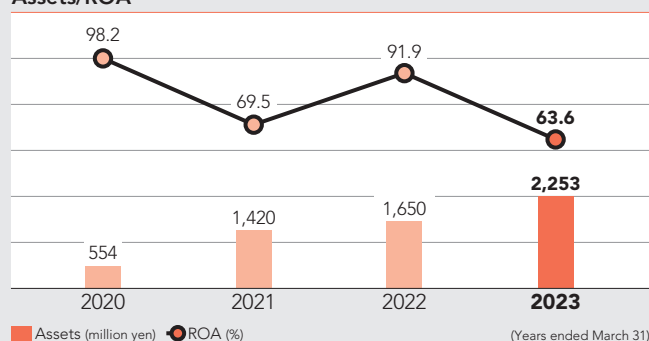
## Other Businesses

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

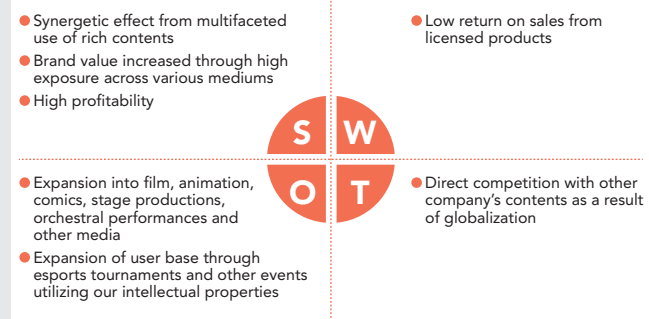


### Assets/ROA



### 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, 2023), we established a movie production subsidiary in the United States to continue to pursue the use of our major IPs in film and television, thereby increasing the brand value of our titles in the media business. We also signed an agreement for a live-action film adaptation of *Street Fighter* and focused on merchandise featuring new titles and popular IPs in the licensing business. In eSports, we have been implementing measures to expand the user base on a global scale. These efforts include organizing online tournaments such as the CAPCOM Pro Tour 2022 and introducing a new category for it called World Warrior. Furthermore, we held events like Street Fighter League: Pro-JP 2022, CAPCOM CUP IX, and Street Fighter League: World Championship 2022 to promote and enhance each event. Additionally, we have been promoting the upcoming release of *Street Fighter 6*, scheduled for June 2023.

As a result, net sales were 4.360 billion yen (down 0.1% from the previous year), and operating income was 1.433 billion yen

(down 5.5% from the previous year), due mainly to up-front investments in eSports.

In the next fiscal year, we will leverage the substantial synergies with our Consumer games by diversifying the use of our rich library of IPs. We have expanded into various areas such as movies, animation, theatre, and events, including with the full-length CG animated film *Resident Evil: Death Island*, to be released in July. In eSports, we will hold Capcom Pro Tour 2023, and to commemorate the launch of *Street Fighter 6*, the event will feature our highest-ever annual prize pool of more than 2 million dollars. We are also implementing various measures globally to make eSports more entertaining, including Street Fighter: Pro-JP 2023, which is in its sixth season.

We expect that both sales and income will be up, with net sales at 5.7 billion yen (up 30.7% from the year under review) and operating income at 1.6 billion yen (up 11.7% from the year under review).

## Stock Data

 (As of March 31, 2023)

### Stock Data

Number of Shares Authorized	600,000,000 shares
Number of Shares Issued	266,505,623 shares
Number of Shareholders	16,771

### Major Shareholders (Top 10)

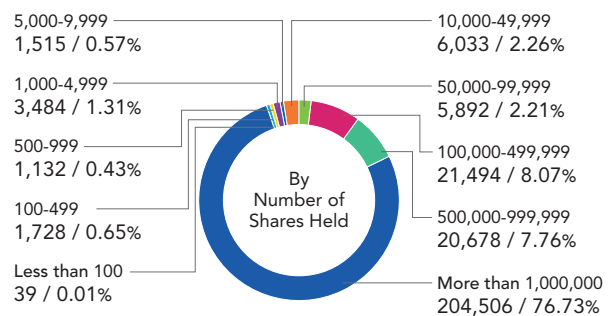
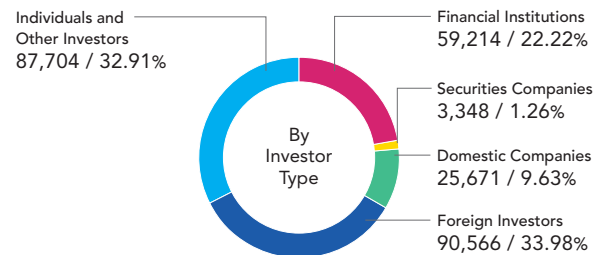
Major Shareholders	Number of Shares Held (in thousands)	Percentage of Shareholding (%)
The Master Trust Bank of Japan, Ltd.(Trust Account)	33,542	15.74
Crossroad Co., Ltd.	21,365	10.03
JP Morgan Chase Bank 380815	17,594	8.26
Custody Bank of Japan, Ltd., Trust Account	11,581	5.43
Yoshiyuki Tsujimoto	8,077	3.79
Haruhiro Tsujimoto	6,199	2.91
Ryozo Tsujimoto	6,183	2.90
Kenzo Tsujimoto	4,039	1.90
The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account 76744)	3,999	1.88
SSBTC CLIENT OMNIBUS ACCOUNT	3,271	1.53

Note:1. Percentage of Shareholding is calculated excluding Capcom's treasury stock (53,394 thousand shares).

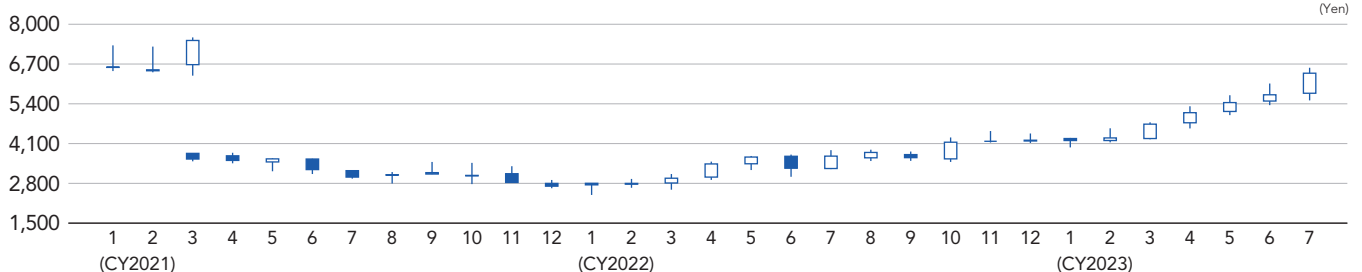
2. The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account 76744) is a trust established in conjunction with the introduction of the Stock Grant ESOP Trust. Note that such shares are not included in the number of treasury stock above.

### Shareholders Breakdown

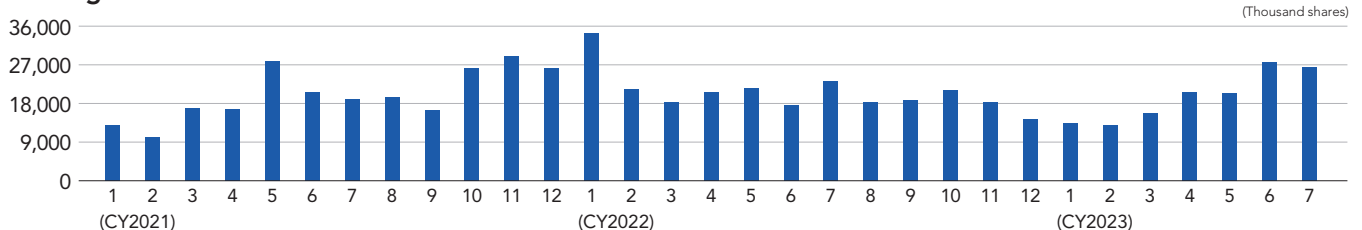
Number of shares held (in thousands) / (%)



### Stock Price Range\*1



### Trading Volume



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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Stock Price	369.00	489.50	597.25	686.25	542.75	1,149.50	1,240.00	1,695.00	3,595.00	2,968.00	<b>4,735.00</b>
High	489.75	582.50	603.25	768.75	719.25	1,292.50	1,522.50	1,782.50	3,785.00	3,800.00	<b>4,795.00</b>
Low	312.50	349.00	385.25	486.00	481.75	526.50	951.50	1,016.00	1,605.00	2,421.00	<b>2,913.00</b>
Trading Volume	178,008,200	150,408,300	143,234,700	162,642,100	183,455,500	171,969,350	258,438,800	183,399,500	180,877,400	275,620,400	<b>215,342,700</b>

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

(Yen Ended March 31)

\*2 The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Consequently, for convenience the figures presented here assume that the relevant stock splits were performed on April 1, 2012.

## 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, mobile games and amusement machines etc., as well as management of amusement arcades.  
 Paid-in Capital ..... ¥ 33,239 million  
 End of Term ..... March 31  
 Number of Employees ... 3,332 (consolidated)  
 3,027 (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  
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 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

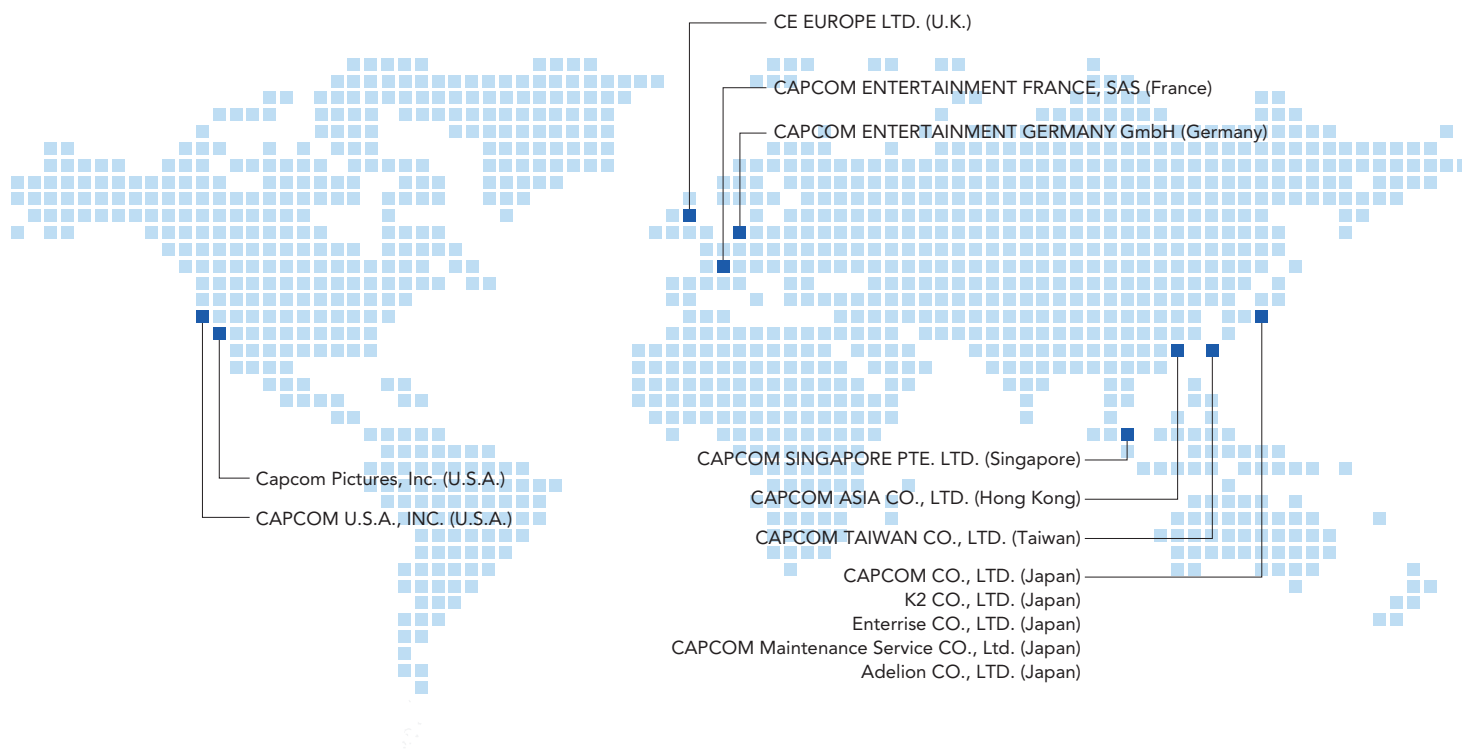
## Capcom's Subsidiaries (As of April 1, 2023)

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. / Capcom Pictures, Inc.

\* 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 2023

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## CAPCOM CO., LTD.

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

Capcom  
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# FACT BOOK 2023

Code Number 9697



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# Financial Index

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

	2016	2017	2018	2019	2020	2021	2022	2023
<b>For the Year</b> (million yen)								
Net sales	77,021	87,170	94,515	100,031	81,591	95,308	110,054	<b>125,930</b>
Operating income	12,029	13,650	16,037	18,144	22,827	34,596	42,909	<b>50,812</b>
Net income before income taxes	11,150	12,489	15,149	17,770	22,890	34,828	44,322	<b>51,143</b>
Net income attributable to owners of the parent	7,745	8,879	10,937	12,551	15,949	24,923	32,553	<b>36,737</b>
Capital investment (Tangible fixed assets, net of accumulated depreciation)	5,937	2,622	2,918	2,439	2,504	2,570	2,965	<b>9,192</b>
Depreciation and amortization	5,712	5,980	4,706	3,228	2,795	2,791	3,385	<b>3,438</b>
Capital expenditure	8,274	3,767	3,041	2,568	2,576	3,597	3,788	<b>9,624</b>
R&D investment costs	27,255	27,720	28,990	27,038	25,843	25,375	29,862	<b>37,719</b>
Promotional expenses	3,832	4,764	5,579	5,490	4,253	3,178	3,540	<b>5,293</b>
<b>At Year-End</b> (million yen)								
Total assets	113,057	118,897	124,829	123,407	143,466	163,712	187,365	<b>217,365</b>
Net assets	75,168	77,774	85,421	88,749	99,735	120,794	146,475	<b>161,129</b>
Work in progress for game software, Online contents in progress	27,220	30,150	25,635	16,926	21,222	24,443	31,192	<b>38,510</b>
Net increase (decrease) in cash and cash equivalents	431	(4,091)	22,201	6,464	6,667	4,371	31,592	<b>(6,165)</b>
Cash and cash equivalents at end of year	28,429	24,337	46,539	53,004	59,672	64,043	95,635	<b>89,470</b>
Interest-bearing debt	12,608	16,111	9,788	8,315	6,735	5,606	4,878	<b>7,843</b>
Net cash (100 million yen)	158	84	367	446	589	656	1,023	<b>942</b>
<b>Profitability Indicators</b> (%)								
Cost-of-sales ratio	61.2	64.7	63.4	62.8	49.8	44.7	44.3	<b>41.4</b>
Operating margin	15.6	15.7	17.0	18.1	28.0	36.3	39.0	<b>40.3</b>
Ordinary margin	14.7	14.4	16.1	18.2	28.1	36.6	40.3	<b>40.8</b>
Return on sales	10.1	10.2	11.6	12.5	19.5	26.1	29.6	<b>29.2</b>
SG&A expenses ratio	23.1	19.6	19.7	19.1	22.2	19.0	16.7	<b>18.3</b>
Return on equity (ROE)	10.6	11.6	13.4	14.4	16.9	22.6	24.4	<b>23.9</b>
Return on total assets (ROA)	7.2	7.7	8.9	10.1	12.0	16.2	18.5	<b>18.2</b>

\* 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.

\* Effective from the beginning of FY2021, the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) has been applied. Certain financial information for FY2021 reflects the application of the standard.

\* The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. Earnings per share and net assets per share have been calculated for each year as if these stock splits had been carried out at the beginning of FY2015.

	2016	2017	2018	2019	2020	2021	2022	<b>2023</b>
<b>Efficiency Indicators</b> (times)								
Total assets turnover	0.7	0.7	0.8	0.8	0.6	0.6	0.6	<b>0.6</b>
Sales-equity ratio	1.0	1.1	1.1	1.1	0.8	0.8	0.8	<b>0.8</b>
Receivables turnover	7.8	4.3	7.3	7.2	5.1	3.8	13.9	<b>5.0</b>
Accounts payable turnover	9.5	7.9	17.3	12.2	7.0	11.5	13.1	<b>9.4</b>
Inventory turnover	2.5	2.4	3.2	5.2	3.4	3.4	3.3	<b>3.0</b>
Fixed asset turnover ratio	2.1	2.6	3.2	3.1	2.4	2.6	3.1	<b>2.7</b>
<b>Safety Indicators</b> (%)								
Net worth ratio	66.5	65.4	68.4	71.9	69.5	73.8	78.2	<b>74.1</b>
Current ratio	339.6	285.0	354.0	391.2	303.5	390.9	492.2	<b>372.3</b>
Quick ratio (Acid-test ratio)	171.4	149.1	220.0	288.5	227.6	295.6	374.7	<b>276.3</b>
Cash equivalent ratio	127.2	81.8	172.1	228.3	183.1	218.6	348.9	<b>221.8</b>
Fixed ratio	49.4	43.0	35.0	36.7	34.7	30.1	24.6	<b>28.5</b>
Debt-equity ratio	50.4	52.9	47.0	39.1	43.8	35.5	27.9	<b>34.9</b>
Interest coverage ratio (times)	36.5	22.8	337.2	249.3	302.5	201.6	955.9	<b>489.8</b>
<b>Per Share Data</b> (yen)								
Net income (loss) per share	34.44	40.09	49.95	57.73	74.70	116.74	152.48	<b>174.73</b>
Net assets per share	334.21	355.16	390.09	415.68	467.14	565.78	686.07	<b>770.54</b>
<b>Dividend Data</b>								
Dividend per share (yen)	40.0	50.0	60.0	35.0	45.0	71.0	46.0	<b>63.0</b>
Dividend payout ratio (%)	29.0	31.2	30.0	30.3	30.1	30.4	30.2	<b>36.1</b>
Dividend yield (%)	1.5	2.3	2.6	1.4	1.3	1.0	1.5	<b>1.3</b>
<b>Stock Information</b>								
Number of issued shares (shares)	67,723,244	67,723,244	67,723,244	135,446,488	135,446,488	135,446,488	270,892,976	<b>266,505,623</b>
Price-earnings ratio (times)	19.9	13.5	23.0	21.5	22.7	30.8	19.5	<b>27.1</b>
Shareholdings held by foreign investors (%)	39.35	31.19	35.01	36.83	35.14	38.24	35.09	<b>33.98</b>

# Segment Information

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

	2016	2017	2018	2019	2020	2021	2022	2023
<b>Digital Contents</b>								
Net sales (million yen)	52,577	58,704	74,141	82,982	59,942	75,300	87,534	<b>98,158</b>
Consumer (100 million yen)	421	492	652	769	555	688	833	<b>953</b>
Package (100 million yen)	312	337	383	359	129	208	300	<b>180</b>
Digital (100 million yen)	109	155	269	410	426	480	533	<b>773</b>
Mobile Contents (100 million yen)	33	38	41	23	44	65	42	<b>28</b>
PC Other (100 million yen)*1	71	57	48	37	—	—	—	<b>—</b>
Operating income (million yen)	12,167	11,096	19,103	23,315	24,161	37,002	45,359	<b>53,504</b>
Operating margins (%)	23.1	18.9	25.8	28.1	40.3	49.1	51.8	<b>54.5</b>
Assets (million yen)	57,275	66,691	61,641	54,109	53,117	73,551	51,895	<b>83,054</b>
Return on total assets (ROA) (%)	21.2	16.6	31.0	43.1	45.5	50.3	87.4	<b>64.4</b>
<b>Arcade Operations</b>								
Net sales (million yen)	9,056	9,525	10,231	11,050	12,096	9,871	12,404	<b>15,609</b>
Operating income (million yen)	699	752	879	1,096	1,211	149	652	<b>1,227</b>
Operating margins (%)	7.7	7.9	8.6	9.9	10.0	1.5	5.3	<b>7.9</b>
Assets (million yen)	6,574	6,988	7,471	7,730	7,624	7,709	8,491	<b>9,879</b>
Return on total assets (ROA) (%)	10.6	10.8	11.8	14.2	15.9	1.9	7.7	<b>12.4</b>
<b>Amusement Equipments</b>								
Net sales (million yen)	13,343	16,856	7,803	3,422	6,533	7,090	5,749	<b>7,801</b>
Operating income (million yen)	2,812	5,106	(764)	(2,668)	2,085	2,407	2,348	<b>3,433</b>
Operating margins (%)	21.1	30.3	—	—	31.9	33.9	40.8	<b>44.0</b>
Assets (million yen)	12,314	16,169	10,002	6,420	13,100	6,346	7,651	<b>8,913</b>
Return on total assets (ROA) (%)	22.8	31.6	—	—	15.9	37.9	30.7	<b>38.5</b>
<b>Other Businesses</b>								
Net sales (million yen)	2,043	2,083	2,338	2,575	3,018	3,045	4,366	<b>4,360</b>
Operating income (million yen)	511	969	1,126	811	544	987	1,517	<b>1,433</b>
Operating margins (%)	25.0	46.5	48.2	31.5	18.0	32.4	34.7	<b>32.9</b>
Assets (million yen)	4,926	4,718	3,600	617	554	1,420	1,650	<b>2,253</b>
Return on total assets (ROA) (%)	10.4	20.5	31.3	131.4	98.2	69.5	91.9	<b>63.6</b>

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

# Market Information

	(Year)							
	2016	2017	2018	2019	2020	2021	2022 (Estimate)	<b>2023 (Estimate)</b>
<b>Consumer Market</b> (100 million USD)* <sup>2</sup>								
Package	109	112	109	134	126	110	93	<b>76</b>
Digital	103	132	190	217	303	320	286	<b>334</b>
Total	212	244	299	351	429	430	379	<b>410</b>
<b>PC Market</b> (100 million USD)* <sup>2</sup>								
North America	70	77	90	68	93	102	87	<b>83</b>
Europe	62	77	90	84	86	99	86	<b>86</b>
Asia	138	186	195	189	184	188	207	<b>204</b>
Other	38	43	39	42	56	55	48	<b>45</b>
Total	310	384	416	384	422	446	429	<b>419</b>
<b>Mobile Contents Market</b> (100 million USD)* <sup>2</sup>								
North America	100	113	175	219	302	358	319	<b>309</b>
Europe	47	60	87	107	144	162	139	<b>136</b>
Asia	276	354	421	510	647	652	616	<b>638</b>
Other	61	66	69	83	116	139	150	<b>188</b>
Total	485	594	753	920	1,211	1,312	1,226	<b>1,273</b>

	(Years ended March 31)							
	2016	2017	2018	2019	2020	2021	2022	<b>2023</b>
<b>Arcade Operations Market</b> (100 million yen)* <sup>3</sup>								
Market size	4,338	4,620	4,859	5,201	5,408	4,187	4,492	—
Number of Amusement Arcades (by number of machines) (stores)	14,862	14,154	13,103	12,167	12,212	9,998	10,061	—
Over 101 machines	5,603	5,263	4,879	3,640	5,354	3,893	3,536	—
51–100 machines	1,932	1,817	1,670	795	1,172	847	761	—
Below 50 machines	7,327	7,074	6,554	7,732	5,687	5,259	5,765	—
<b>Gaming Machines Market</b> (100 million yen)* <sup>4</sup>								
Pachinko	6,130	5,258	5,157	5,046	3,450	3,694	4,343	—
Pachislo	3,697	3,576	2,434	1,685	2,197	1,897	2,592	—
Total	9,827	8,834	7,591	6,731	5,647	5,591	6,935	—

\*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 (2021, 2022); Yano Research Institute Ltd.




















# Software Shipments

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

		2016	2017	2018	2019	2020	2021	2022	2023
<b>Units Shipped by Platform</b> (thousand units)									
PlayStation 3 PlayStation 4 PlayStation 5	SKU	19	16	14	21	8	4	13	<b>7</b>
	Sub total	3,500	4,700	8,250	6,500	3,300	2,750	3,750	<b>2,350</b>
PSP PS Vita	SKU	8	5	1	3	—	—	—	<b>—</b>
	Sub total	300	150	0	50	—	—	—	<b>—</b>
Wii, Wii U Nintendo Switch	SKU	—	—	7	17	8	1	5	<b>2</b>
	Sub total	100	0	1,100	1,950	1,150	3,650	3,600	<b>1,750</b>
Nintendo DS Nintendo 3DS	SKU	7	5	8	—	—	—	—	<b>—</b>
	Sub total	4,100	3,200	450	—	—	—	—	<b>—</b>
Xbox 360 Xbox One Xbox Series X S	SKU	6	9	9	9	2	2	2	<b>2</b>
	Sub total	650	2,100	1,350	1,200	300	400	500	<b>250</b>
PC Other	SKU	4	6	2	3	1	—	1	<b>—</b>
	Sub total	250	250	350	300	200	150	150	<b>50</b>
Package total	SKU	44	41	41	53	19	7	21	<b>11</b>
	Sub total	8,900	10,400	11,500	10,000	4,950	6,950	8,000	<b>4,400</b>
Full-game download	SKU	1	1	9	8	16	7	3	<b>24</b>
	Sub total	6,100	9,000	12,900	15,300	20,550	23,150	24,600	<b>37,300</b>
Total	SKU	45	42	50	61	35	14	24	<b>35</b>
	Total	15,000	19,400	24,400	25,300	25,500	30,100	32,600	<b>41,700</b>

# 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>7.4</b></p> 	<p><b>Lost Planet</b></p> <hr/> <p>Number of Titles: <b>17</b> Unit Sales: <b>6.5</b></p> 	<p><b>Dead Rising</b></p> <hr/> <p>Number of Titles: <b>22</b> Unit Sales: <b>15.0</b></p> 	<p><b>Okami</b></p> <hr/> <p>Number of Titles: <b>11</b> Unit Sales: <b>3.9</b></p> 	<p><b>Sengoku BASARA</b></p> <hr/> <p>Number of Titles: <b>31</b> Unit Sales: <b>4.1</b></p> 
<p><b>Monster Hunter</b></p> <hr/> <p>Number of Titles: <b>59</b> Unit Sales: <b>92.0</b></p> 	<p><b>Ace Attorney</b></p> <hr/> <p>Number of Titles: <b>33</b> Unit Sales: <b>10.0</b></p> 	<p><b>Devil May Cry</b></p> <hr/> <p>Number of Titles: <b>35</b> Unit Sales: <b>29.0</b></p> 	<p><b>Onimusha</b></p> <hr/> <p>Number of Titles: <b>16</b> Unit Sales: <b>8.6</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>10.0</b></p>  <p><small>©2017 MARVEL GAMES TO KREMLIN ©CAPCOM INC. 2017. CAPCOM U.S.A., INC. 2017 ALL RIGHTS RESERVED.</small></p>	<p><b>Resident Evil</b></p> <hr/> <p>Number of Titles: <b>168</b> Unit Sales: <b>142.0</b></p> 	<p><b>Breath of Fire</b></p> <hr/> <p>Number of Titles: <b>15</b> Unit Sales: <b>3.3</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>94</b> Unit Sales: <b>49.0</b></p> 
<p><b>Mega Man</b></p> <hr/> <p>Number of Titles: <b>158</b> Unit Sales: <b>38.0</b></p> 	<p><b>Ghosts'n Goblins</b></p> <hr/> <p>Number of Titles: <b>18</b> Unit Sales: <b>4.5</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, 2023

# ESG Data

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

	2016	2017	2018	2019	2020	2021	2022	2023
<b>Environmental (Non-consolidated)</b>								
Emissions (Non-consolidated) (t)	14,892	15,285	15,021	14,152	13,004	11,779	12,628	<b>13,495</b>
Energy consumption per basic unit (Non-consolidated)* <sup>1</sup>	0.06193	0.06018	0.05994	0.05869	0.05583	0.05186	0.05497	<b>0.05918</b>
Year on year rate of change (%)	92.9	98.6	98.1	97.9	95.1	92.9	106.0	<b>107.7</b>
<b>Social</b>								
Number of employees	2,839	2,811	2,952	2,832	2,988	3,152	3,206	<b>3,332</b>
Number of employees (Non-consolidated)	2,114	2,194	2,426	2,530	2,688	2,841	2,904	<b>3,027</b>
Content developers	2,052	1,994	2,141	2,032	2,142	2,285	2,369	<b>2,460</b>
Number of female managers (Non-consolidated)	24	25	25	24	24	27	35	<b>29</b>
Ratio of female employees (%)	19	20	21	21	22	22	21	<b>21</b>
Number of non-Japanese employees (Non-consolidated)	91	99	107	124	162	192	191	<b>204</b>
Ratio of non-Japanese employees (%)	4.0	4.3	4.2	4.9	6.0	6.8	6.6	<b>6.7</b>
Number of onsite nursery school users	—	—	13	25	25	19	23	<b>24</b>
Number of employees who took childcare leave	24	26	25	33	23	34	41	<b>42</b>
Male	0	3	6	12	10	17	20	<b>30</b>
Female	24	23	19	21	13	17	21	<b>12</b>
Cumulative number of participants in senior tours* <sup>2</sup>	1,871	2,037	2,247	2,463	2,582	2,582	2,582	<b>2,754</b>
Cumulative number of regional vitalization projects	10	15	19	22	26	32	35	<b>39</b>
Number of educational support activities	55	58	40	29	32	14	32	<b>35</b>
Number of guest lectures held	18	28	17	15	10	13	32	<b>26</b>
Number of guestlecture participants	1,853	1,853	1,767	1,392	820	799	2,484	<b>1,347</b>
<b>Governance</b>								
Number of directors	10	12	11	11	11	10	11	<b>15</b>
Internal directors	5	6	6	6	6	5	6	<b>8</b>
External directors	5	6	5	5	5	5	5	<b>7</b>
Ratio of external directors (%)	50.0	50.0	45.5	45.5	45.5	50.0	45.5	<b>46.7</b>
Number of board of directors meetings held	14	15	15	10	10	10	10	<b>10</b>
Number of board of corporate audit and supervisory committee* <sup>3</sup> meetings held	13	14	16	10	10	10	11	<b>10</b>

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

\*2. The tours were suspended in FY2020 and FY2021 to help prevent the spread of COVID-19.

\*3. 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

	2016	2017	2018	2019	2020	2021	2022	(million yen)	(thousand USD)
								2023	2023
<b>Net sales</b>	77,021	87,170	94,515	100,031	81,591	95,308	110,054	<b>125,930</b>	<b>946,844</b>
<b>Cost of sales</b>	47,175	56,438	59,895	62,809	40,643	42,567	48,736	<b>52,110</b>	<b>391,811</b>
<b>Gross profit</b>	29,846	30,731	34,619	37,222	40,947	52,741	61,317	<b>73,819</b>	<b>555,032</b>
<b>Selling, general and administrative expenses</b>	17,816	17,080	18,582	19,078	18,119	18,145	18,408	<b>23,006</b>	<b>172,983</b>
<b>Operating income</b>	12,029	13,650	16,037	18,144	22,827	34,596	42,909	<b>50,812</b>	<b>382,049</b>
<b>Non-operating income</b>									
Interest income	95	47	58	171	271	65	40	<b>396</b>	<b>2,983</b>
Dividend income	13	13	14	16	18	19	20	<b>24</b>	<b>182</b>
Exchange gain, net	—	—	—	362	—	611	716	<b>314</b>	<b>2,366</b>
Subsidy income	—	—	—	—	86	52	—	<b>—</b>	<b>—</b>
Compensation for damage	—	—	—	—	—	130	—	<b>—</b>	<b>—</b>
Gain on liquidation of subsidiaries	—	—	—	—	—	—	761	<b>—</b>	<b>—</b>
Other	195	130	145	422	104	155	320	<b>128</b>	<b>968</b>
Total	304	192	219	974	480	1,035	1,859	<b>864</b>	<b>6,500</b>
<b>Non-operating expenses</b>									
Interest expense	119	141	103	80	74	72	49	<b>44</b>	<b>334</b>
Commission fees	59	44	64	69	69	46	—	<b>—</b>	<b>—</b>
Additionally paid retirement benefits	—	117	112	601	—	—	197	<b>—</b>	<b>—</b>
Litigation expenses	—	—	—	—	—	—	92	<b>71</b>	<b>536</b>
Commission for purchase of treasury stock	—	—	—	—	—	—	—	<b>25</b>	<b>192</b>
Office transfer expenses	—	63	254	—	—	—	—	<b>—</b>	<b>—</b>
Exchange losses, net	752	746	407	—	93	—	—	<b>—</b>	<b>—</b>
Loss on liquidation of subsidiaries	—	—	—	—	—	452	—	<b>—</b>	<b>—</b>
Other	55	141	59	173	113	214	101	<b>165</b>	<b>1,245</b>
Total	985	1,253	1,002	924	350	786	439	<b>307</b>	<b>2,309</b>
<b>Ordinary income</b>	11,348	12,589	15,254	18,194	22,957	34,845	44,330	<b>51,369</b>	<b>386,240</b>
<b>Special losses</b>	197	99	104	423	67	16	8	<b>225</b>	<b>1,698</b>
Net income before income taxes	11,150	12,489	15,149	17,770	22,890	34,828	44,322	<b>51,143</b>	<b>384,541</b>
Income taxes-current	6,377	1,832	4,617	6,603	8,472	10,084	10,987	<b>16,895</b>	<b>127,031</b>
Income taxes-deferred	(2,972)	1,777	(405)	(1,385)	(1,531)	(179)	780	<b>(2,488)</b>	<b>(18,712)</b>
Total	3,405	3,610	4,212	5,218	6,941	9,905	11,768	<b>14,406</b>	<b>108,318</b>
Net income	7,745	8,879	10,937	12,551	15,949	24,923	32,553	<b>36,737</b>	<b>276,222</b>
<b>Net income attributable to owners of the parent</b>	7,745	8,879	10,937	12,551	15,949	24,923	32,553	<b>36,737</b>	<b>276,222</b>

## Consolidated Statements of Comprehensive Income

	2016	2017	2018	2019	2020	2021	2022	(million yen)	(thousand USD)
								2023	2023
<b>Net income</b>	7,745	8,879	10,937	12,551	15,949	24,923	32,553	<b>36,737</b>	<b>276,222</b>
<b>Other comprehensive income</b>									
Net unrealized gain or loss on securities, net of tax	(168)	105	31	(112)	(133)	163	43	<b>1</b>	<b>14</b>
Cumulative translation adjustments	(1,494)	(262)	(601)	428	(592)	1,295	1,900	<b>2,442</b>	<b>18,365</b>
Adjustments for retirement benefits, net of tax	9	(38)	21	20	34	17	(60)	<b>(5)</b>	<b>(41)</b>
Total other comprehensive income	(1,653)	(196)	(548)	336	(691)	1,476	1,883	<b>2,439</b>	<b>18,338</b>
<b>Comprehensive income</b>	6,092	8,683	10,389	12,888	15,257	26,400	34,437	<b>39,176</b>	<b>294,561</b>
Comprehensive income attributable to									
Owners of the parent	6,092	8,683	10,389	12,888	15,257	26,400	34,437	<b>39,176</b>	<b>294,561</b>
Non-controlling interests	—	—	—	—	—	—	—	<b>—</b>	<b>—</b>

# Consolidated Balance Sheets

## Assets

	2016	2017	2018	2019	2020	2021	2022	(million yen) 2023	(thousand USD) 2023
<b>Assets</b>									
<b>Current assets</b>									
Cash on hand and in banks	28,429	24,537	46,539	53,004	65,657	71,239	107,262	<b>102,116</b>	<b>767,794</b>
Notes and accounts receivable-trade	9,879	20,175	12,930	13,970	15,959	25,096	—	<b>—</b>	<b>—</b>
Notes - trade	—	—	—	—	—	—	528	<b>116</b>	<b>875</b>
Accounts receivable - trade	—	—	—	—	—	—	7,404	<b>24,981</b>	<b>187,830</b>
Merchandise and finished goods	1,704	1,583	1,102	1,182	1,557	2,005	1,378	<b>1,440</b>	<b>10,831</b>
Work in progress	2,085	2,040	1,349	734	883	897	819	<b>1,006</b>	<b>7,568</b>
Raw materials and supplies	1,954	2,040	1,616	538	258	850	198	<b>454</b>	<b>3,418</b>
Work in progress for game software	24,825	30,150	25,635	16,926	21,222	24,443	31,192	<b>38,510</b>	<b>289,553</b>
Deferred tax assets	3,382	2,495	3,201	—	—	—	—	<b>—</b>	<b>—</b>
Other	3,673	2,478	3,371	4,518	3,320	2,896	2,536	<b>2,776</b>	<b>20,875</b>
Allowance for doubtful accounts	(18)	(21)	(34)	(58)	(31)	(37)	(8)	<b>(1)</b>	<b>(8)</b>
Total current assets	75,917	85,480	95,712	90,817	108,829	127,391	151,312	<b>171,402</b>	<b>1,288,738</b>
<b>Fixed assets</b>									
Tangible fixed assets, net of accumulated depreciation									
Buildings and structures, net	11,297	11,004	11,106	10,845	10,644	10,666	10,485	<b>10,423</b>	<b>78,373</b>
Machinery and vehicles, net	23	16	10	24	14	11	24	<b>21</b>	<b>164</b>
Tools, fixtures and furniture, net	1,875	1,932	1,840	1,377	1,445	1,401	1,977	<b>1,715</b>	<b>12,897</b>
Equipment for amusement facilities, net	1,342	1,616	1,565	1,821	1,879	1,628	2,213	<b>2,973</b>	<b>22,359</b>
Land	5,234	5,234	5,234	5,235	5,235	5,235	5,235	<b>8,953</b>	<b>67,317</b>
Leased assets, net	1,042	835	668	718	1,118	1,141	1,112	<b>1,399</b>	<b>10,523</b>
Construction in progress	8	128	371	336	509	1,230	157	<b>475</b>	<b>3,575</b>
Other, net	—	—	—	—	—	—	—	<b>1,982</b>	<b>14,908</b>
Total tangible fixed assets	20,825	20,768	20,797	20,359	20,847	21,316	21,206	<b>27,945</b>	<b>210,120</b>
Intangible assets	8,135	2,843	725	432	351	1,229	1,747	<b>1,630</b>	<b>12,259</b>
Investments and other assets									
Investments in securities	454	574	625	576	415	589	637	<b>735</b>	<b>5,533</b>
Claims in bankruptcy and reorganization	65	67	19	19	19	19	12	<b>12</b>	<b>91</b>
Lease deposits	3,867	3,920	4,034	3,979	4,134	4,140	4,266	<b>4,593</b>	<b>34,535</b>
Deferred tax assets	2,952	4,311	2,782	6,420	7,906	8,089	7,389	<b>9,849</b>	<b>74,054</b>
Other	916	1,003	900	834	996	969	819	<b>1,219</b>	<b>9,165</b>
Allowance for doubtful accounts	(78)	(72)	(24)	(32)	(32)	(32)	(25)	<b>(22)</b>	<b>(170)</b>
Total investments and other assets	8,179	9,804	8,338	11,798	13,438	13,775	13,099	<b>16,387</b>	<b>123,211</b>
Total fixed assets	37,140	33,417	29,861	32,590	34,636	36,321	36,053	<b>45,963</b>	<b>345,591</b>
<b>Total assets</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>187,365</b>	<b>217,365</b>	<b>1,634,329</b>

## Liabilities and Net Assets

	2016	2017	2018	2019	2020	2021	2022	(million yen) <b>2023</b>	(thousand USD) <b>2023</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Notes and accounts payable-trade	4,053	2,288	2,625	3,988	3,461	2,820	2,325	<b>3,357</b>	<b>25,245</b>
Electronically recorded monetary obligations	888	4,886	839	1,153	2,383	882	1,276	<b>2,172</b>	<b>16,338</b>
Short-term borrowings	1,497	9,323	1,473	—	—	—	—	<b>3,591</b>	<b>27,000</b>
Current portion of long-term borrowings	—	—	—	1,579	4,129	727	626	<b>3,626</b>	<b>27,265</b>
Lease obligations	525	502	392	406	502	594	501	<b>919</b>	<b>6,916</b>
Accrued income taxes	6,470	1,580	4,453	4,251	5,612	6,957	6,010	<b>12,145</b>	<b>91,315</b>
Deferred tax liabilities	40	2,308	766	—	—	—	—	<b>—</b>	<b>—</b>
Accrued bonuses	2,080	2,263	2,866	3,089	3,130	4,056	4,014	<b>5,727</b>	<b>43,060</b>
Deferred revenue	—	—	—	1,583	7,642	6,673	8,932	<b>5,455</b>	<b>41,019</b>
Other	6,799	6,840	13,618	7,159	9,000	9,878	7,055	<b>9,048</b>	<b>68,030</b>
Total current liabilities	22,355	29,994	27,037	23,212	35,863	32,590	30,742	<b>46,043</b>	<b>346,192</b>
<b>Long-term liabilities</b>									
Long-term borrowings	11,111	6,788	8,315	6,735	2,606	4,878	4,252	<b>626</b>	<b>4,707</b>
Lease obligations	601	399	329	369	690	630	718	<b>2,992</b>	<b>22,503</b>
Deferred tax liabilities	18	29	23	6	4	1	20	<b>0</b>	<b>2</b>
Liabilities for retirement benefits for employees	2,323	2,596	2,819	3,004	3,212	3,468	3,802	<b>4,139</b>	<b>31,121</b>
Provision for share awards	—	—	—	—	—	—	—	<b>1,018</b>	<b>7,661</b>
Asset retirement obligations	502	509	501	571	656	671	718	<b>885</b>	<b>6,661</b>
Other	975	805	1,127	758	697	676	634	<b>529</b>	<b>3,982</b>
Total long-term liabilities	15,532	11,128	13,115	11,445	7,868	10,327	10,147	<b>10,193</b>	<b>76,640</b>
<b>Total liabilities</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>40,890</b>	<b>56,236</b>	<b>422,832</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	<b>33,239</b>	<b>249,919</b>
Capital surplus	21,328	21,328	21,328	21,328	21,329	21,329	21,329	<b>30,259</b>	<b>227,511</b>
Retained earnings	39,297	45,402	53,602	62,595	74,275	93,861	117,661	<b>143,519</b>	<b>1,079,091</b>
Treasury stock	(18,145)	(21,448)	(21,454)	(27,456)	(27,458)	(27,461)	(27,464)	<b>(50,037)</b>	<b>(376,224)</b>
Total shareholders' equity	75,719	78,521	86,716	89,708	101,385	120,967	144,765	<b>156,979</b>	<b>1,180,298</b>
<b>Accumulated other comprehensive income</b>									
Net unrealized gain or loss on securities, net of tax	2	107	139	26	(106)	56	100	<b>102</b>	<b>769</b>
Cumulative translation adjustments	(278)	(541)	(1,142)	(713)	(1,306)	(10)	1,889	<b>4,332</b>	<b>32,573</b>
Accumulated adjustments for retirement benefits	(274)	(313)	(292)	(271)	(237)	(219)	(279)	<b>(285)</b>	<b>(2,144)</b>
Total accumulated other comprehensive income	(550)	(747)	(1,295)	(958)	(1,650)	(173)	1,710	<b>4,149</b>	<b>31,198</b>
<b>Total net assets</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>146,475</b>	<b>161,129</b>	<b>1,211,496</b>
<b>Total liabilities and net assets</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>187,365</b>	<b>217,365</b>	<b>1,634,329</b>

"Other" in Current liabilities includes "Asset retirement obligations" for the fiscal year ended March 31, 2016.

# Consolidated Statements of Cash Flows

	2016	2017	2018	2019	2020	2021	2022	(million yen) <b>2023</b>	(thousand USD) <b>2023</b>
<b>Cash flows from operating activities</b>									
Net income before income taxes	11,150	12,489	15,149	17,770	22,890	34,828	44,322	<b>51,143</b>	<b>384,541</b>
Depreciation and amortization	5,712	5,980	4,706	3,228	2,795	2,791	3,385	<b>3,438</b>	<b>25,853</b>
Impairment loss	105	—	—	393	—	—	—	<b>190</b>	<b>1,430</b>
Increase (decrease) in allowance for doubtful accounts	(38)	(1)	(36)	32	(25)	5	(36)	<b>(9)</b>	<b>(74)</b>
Increase (decrease) in accrued bonuses	263	186	604	223	49	912	(68)	<b>1,690</b>	<b>12,714</b>
Increase (decrease) in liabilities for retirement benefits for employees	264	204	253	214	258	281	247	<b>328</b>	<b>2,470</b>
Increase (decrease) in provision for share awards	—	—	—	—	—	—	—	<b>1,020</b>	<b>7,675</b>
Interest and dividend income	(109)	(61)	(71)	(189)	(289)	(85)	(61)	<b>(420)</b>	<b>(3,165)</b>
Interest expenses	119	141	103	80	74	72	49	<b>44</b>	<b>334</b>
Exchange (gain) loss, net	60	18	134	(127)	180	(37)	(265)	<b>(477)</b>	<b>(3,590)</b>
Loss on sales and/or disposal of fixed assets	92	99	104	30	62	16	8	<b>35</b>	<b>268</b>
Decrease (increase) in accounts receivable - trade	(2,208)	(10,393)	7,059	(858)	(2,117)	(9,028)	17,208	<b>(17,155)</b>	<b>(128,992)</b>
Decrease (increase) in inventories	(1,651)	158	1,588	1,621	(256)	(997)	1,383	<b>(500)</b>	<b>(3,764)</b>
Decrease (increase) in online contents in progress	1,479	(704)	—	—	—	—	—	<b>—</b>	<b>—</b>
Decrease (increase) in work in progress for game software	(8,778)	(2,266)	4,069	8,876	(4,293)	(3,213)	(6,744)	<b>(7,320)</b>	<b>(55,040)</b>
Increase (decrease) in notes and accounts payable - trade	935	2,280	(3,690)	1,665	749	(2,233)	(180)	<b>1,869</b>	<b>14,058</b>
Increase (decrease) in deferred revenue	—	—	—	—	6,107	(1,077)	2,008	<b>(3,729)</b>	<b>(28,039)</b>
Other*	(2,087)	1,659	6,320	(7,286)	2,418	527	(3,160)	<b>2,104</b>	<b>15,820</b>
Subtotal	5,309	9,792	36,296	25,675	28,605	22,761	58,094	<b>32,252</b>	<b>242,500</b>
Interests and dividends received	130	62	73	191	265	99	58	<b>277</b>	<b>2,082</b>
Interests paid	(120)	(140)	(101)	(81)	(75)	(72)	(49)	<b>(41)</b>	<b>(314)</b>
Income taxes paid	(972)	(6,513)	(1,546)	(5,938)	(6,515)	(8,162)	(11,155)	<b>(10,698)</b>	<b>(80,436)</b>
Net cash provided by operating activities	4,347	3,200	34,721	19,847	22,279	14,625	46,947	<b>21,789</b>	<b>163,832</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, 2016 and March 31, 2017.

	2016	2017	2018	2019	2020	2021	2022	(million yen) <b>2023</b>	(thousand USD) <b>2023</b>
<b>Cash flows from investing activities</b>									
Payments into time deposits	—	(200)	—	—	(6,019)	(13,742)	(21,297)	<b>(25,302)</b>	<b>(190,246)</b>
Proceeds from withdrawal of time deposits	4,205	—	—	—	—	12,660	17,980	<b>25,441</b>	<b>191,290</b>
Payment for acquisition of tangible fixed assets	(5,813)	(3,074)	(2,767)	(2,093)	(2,273)	(2,305)	(2,950)	<b>(7,103)</b>	<b>(53,412)</b>
Proceeds from sales of tangible fixed assets	4	5	0	4	0	1	2	<b>4</b>	<b>37</b>
Payment for acquisition of intangible assets	(290)	(253)	(150)	(112)	(65)	(817)	(1,117)	<b>(312)</b>	<b>(2,346)</b>
Payment for purchase of investments in securities	(13)	(13)	(13)	(14)	(10)	(15)	(16)	<b>(17)</b>	<b>(128)</b>
Proceeds from sales of investments in securities	—	—	—	—	3	—	—	<b>—</b>	<b>—</b>
Payment for other investing activities	(113)	(222)	(259)	(182)	(213)	(51)	(240)	<b>(427)</b>	<b>(3,215)</b>
Proceeds from other investing activities	380	131	343	138	140	37	213	<b>37</b>	<b>283</b>
Net cash used in investing activities	(1,639)	(3,628)	(2,847)	(2,261)	(8,437)	(4,233)	(7,426)	<b>(7,679)</b>	<b>(57,737)</b>
<b>Cash flows from financing activities</b>									
Net (decrease) increase in short-term borrowings	—	5,000	(5,000)	—	—	—	—	<b>3,591</b>	<b>27,000</b>
Proceeds from long-term borrowings	2,500	—	—	—	—	3,000	—	<b>—</b>	<b>—</b>
Repayments of long-term borrowings	(883)	(1,497)	(1,323)	(1,473)	(1,579)	(4,129)	(727)	<b>(626)</b>	<b>(4,709)</b>
Repayments of lease obligations	(496)	(535)	(509)	(414)	(505)	(500)	(504)	<b>(935)</b>	<b>(7,035)</b>
Payment for repurchase of treasury stock	(5)	(3,302)	(5)	(6,001)	(1)	(3)	(2)	<b>(13,645)</b>	<b>(102,599)</b>
Dividends paid by parent company	(2,228)	(2,794)	(2,738)	(3,554)	(4,265)	(5,331)	(8,745)	<b>(10,868)</b>	<b>(81,717)</b>
Net cash used in financing activities	(1,115)	(3,130)	(9,577)	(11,443)	(6,351)	(6,965)	(9,980)	<b>(22,485)</b>	<b>(169,062)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	(1,160)	(533)	(96)	323	(823)	944	2,050	<b>2,209</b>	<b>16,613</b>
<b>Net change in cash and cash equivalents</b>	431	(4,091)	22,201	6,464	6,667	4,371	31,592	<b>(6,165)</b>	<b>(46,353)</b>
<b>Cash and cash equivalents at beginning of year</b>	27,998	28,429	24,337	46,539	53,004	59,672	64,043	<b>95,635</b>	<b>719,067</b>
<b>Cash and cash equivalents at end of year</b>	28,429	24,337	46,539	53,004	59,672	64,043	95,635	<b>89,470</b>	<b>672,713</b>

# Consolidated Statements of Changes in Net Assets

Previous fiscal year (April 1, 2021 to March 31, 2022) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2021</b>	33,239	21,329	93,861	(27,461)	120,967
Changes of items during the fiscal year					
Cash dividends			(8,753)		(8,753)
Net income attributable to owners of the parent			32,553		32,553
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	23,799	(2)	23,797
<b>Balance as of March 31, 2022</b>	33,239	21,329	117,661	(27,464)	144,765

Previous fiscal year (April 1, 2021 to March 31, 2022) (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, 2021</b>	56	(10)	(219)	(173)	120,794
Changes of items during the fiscal year					
Cash dividends					(8,753)
Net income attributable to owners of the parent					32,553
Repurchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes of items other than shareholders' equity	43	1,900	(60)	1,883	1,883
Total changes of items during the fiscal year	43	1,900	(60)	1,883	25,681
<b>Balance as of March 31, 2022</b>	100	1,889	(279)	1,710	146,475

Current fiscal year (April 1, 2022 to March 31, 2023) (million yen)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2022</b>	33,239	21,329	117,661	(27,464)	144,765
Changes of items during the fiscal year					
Cash dividends			(10,879)		(10,879)
Net income attributable to owners of the parent			36,737		36,737
Repurchase of treasury stock				(27,465)	(27,465)
Disposal of treasury stock		11,905		1,915	13,821
Cancellation of treasury stock		(2,976)		2,976	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	8,929	25,858	(22,573)	12,214
<b>Balance as of March 31, 2023</b>	33,239	30,259	143,519	(50,037)	156,979

Current fiscal year (April 1, 2022 to March 31, 2023) (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, 2022</b>	100	1,889	(279)	1,710	146,475
Changes of items during the fiscal year					
Cash dividends					(10,879)
Net income attributable to owners of the parent					36,737
Repurchase of treasury stock					(27,465)
Disposal of treasury stock					13,821
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	1	2,442	(5)	2,439	2,439
Total changes of items during the fiscal year	1	2,442	(5)	2,439	14,653
<b>Balance as of March 31, 2023</b>	102	4,332	(285)	4,149	161,129

Current fiscal year (April 1, 2022 to March 31, 2023) (thousand USD)	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2022</b>	249,919	160,369	884,670	(206,496)	1,088,463
Changes of items during the fiscal year					
Cash dividends			(81,801)		(81,801)
Net income attributable to owners of the parent			276,222		276,222
Repurchase of treasury stock				(206,509)	(206,509)
Disposal of treasury stock		89,518		14,405	103,923
Cancellation of treasury stock		(22,376)		22,376	—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	67,141	194,421	(169,727)	91,835
<b>Balance as of March 31, 2023</b>	249,919	227,511	1,079,091	(376,224)	1,180,298

Current fiscal year (April 1, 2022 to March 31, 2023) (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, 2022</b>	754	14,208	(2,103)	12,859	1,101,322
Changes of items during the fiscal year					
Cash dividends					(81,801)
Net income attributable to owners of the parent					276,222
Repurchase of treasury stock					(206,509)
Disposal of treasury stock					103,923
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	14	18,365	(41)	18,338	18,338
Total changes of items during the fiscal year	14	18,365	(41)	18,338	110,174
<b>Balance as of March 31, 2023</b>	769	32,573	(2,144)	31,198	1,211,496

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