



Kenzo Tsujimoto
Chairman and Chief Executive Officer (CEO)

Captivating the world with best-in-class entertainment

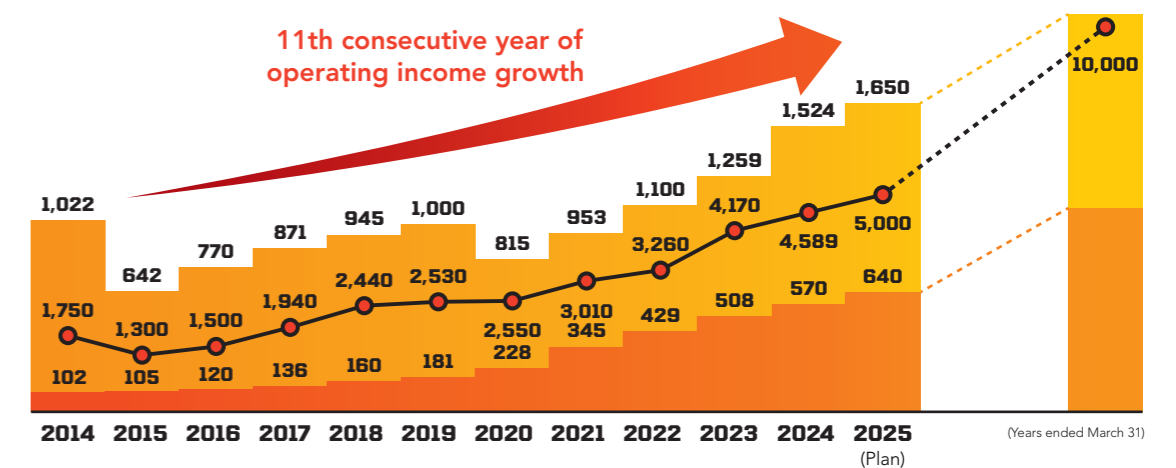
Creating sustainable corporate value using our world-class development prowess and management foundation

Having celebrated our 40th anniversary in June 2023, Capcom capped off the fiscal year ended March 31, 2024 with our 11th consecutive year of increased operating income and record highs across all profit indicators for the seventh consecutive year. We are deeply grateful for the support of our stakeholders, including customers, shareholders, business partners, and especially, all our employees who remain committed to delivering the highest quality content to the world.

This year marks the beginning of a new decade for Capcom. Since the fiscal year ended March 31, 2020, the Capcom Group has set a management target of increasing operating income by 10% each fiscal year. We will continue to work toward achieving this target while sustainably enhancing corporate value based on our robust philosophy and strategy.

Capcom performance trend

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



1 Management Philosophy and Vision

The Capcom Group's management philosophy is "creating an entertainment culture through the medium of games by developing highly creative content that excites and stimulates your senses," which has remained unchanged since our founding. I believe that games are a luxury item, not a necessity—which is precisely why we must maintain world-class brands that captivate users. My thinking regarding this has not changed since I jumped into the entertainment industry more than five decades ago, and these values are now ingrained in Capcom's corporate culture; under the slogan "From Osaka, to the World," each and every Capcom employee takes pride in always striving for the top.

Driven by our philosophy and values, in the decade to come Capcom aims to continue captivating people around the world with our best-in-class content.

We possess numerous original IP, and what sets us apart is our ability to leverage these and deliver the best game content with our advanced development and technological capabilities. People around the world are enthralled by their time playing and experiencing our content. My vision is to create this kind of passion. These efforts will also contribute to the richness and excitement of people's lives.

To that end, we want as many people as possible around the world to play our games, and we have set a long-term goal of selling 100 million units per year. In the fiscal year ended March 31, 2024, we achieved our ninth consecutive year of year-on-year unit sales growth, reaching 45.9 million copies. As a first step, we plan to reach 50 million annual unit sales in the fiscal year ending March 31, 2025.

scope of penetration and further increasing the user base is what we will aim for as the next level and the next growth driver.

Second is to rebuild and strengthen the business structure underpinning our sustainable growth. As a foundation for promoting the next growth driver, it is essential to rebuild and strengthen this structure, including stepping up

investment in human resources and strengthening the development system and capital investment.

Lastly, we must continue to build healthy relationships with our stakeholders. As we move up as a company, we will focus even more on forging relationships rooted in our social responsibilities.

Below, I will go into detail on these three points again in order.

2 Management strategy

As I mentioned, we are unique because we have (1) numerous popular IP that are globally established brands, and (2) development and technical capabilities to continuously produce the world's highest quality games. These two points have been and will continue to form Capcom's foundation.

Key policy over the trailing decade

Until the mid-2010s, we had to contend with a business structure where annual performance greatly fluctuated depending on if we released major new titles. This led us to position the establishment of a corporate structure that can secure stable profits as a top priority. Toward this end, we promoted a shift to a business model that focuses on digital sales rather than physical sales. This shift to digital sales has allowed us to sell our content globally for a longer period of time, as well as made it possible to pursue more flexible pricing. As a result, our games are now available to a wider audience around the world. Digital sales do not incur manufacturing costs, and since development costs are typically amortized for catalog titles after a certain period of time following their release, digital sales of catalog titles have increased profitability and become a stable source of profit.

At the same time, we have been focusing on (1) providing content to personal computer (PC) platforms in addition to home console (Consumer) platforms, and (2) analyzing sales data. PCs are globally ubiquitous, and we believe that they are a core platform for delivering digital content to gamers

worldwide. With improved support for PCs, our sales have expanded to more than 230 countries and regions. In addition, we have centralized management of worldwide sales data, analyzed trends, and used this data to plan marketing measures and simulate future sales volumes.

The success of these initiatives has led us to achieve 11 consecutive years of increased operating income, stabilize our management foundation by improving profitability, and achieve sustainable growth. As a company, we have been able to move up to the next level. The business model that we have built up over the past decade will continue to be our base guideline going forward.

Finally, the reason why we are able to grow sales worldwide over long periods of time is because of our top-tier games that enjoy global brand recognition, which is closely linked to our uniqueness. This is an advantage distinctive of the Capcom Group and a source of pride.

Key policy for the next decade

What do we aim to achieve over the next decade? I would like to take the company to the next level.

First is the penetration of our brand to every corner of the world and the expansion of our user base. Although our games are sold in more than 230 countries and regions, there are still many regions where the number of units sold and the number of users is small. For this reason, we cannot say that our IP brands or corporate brand have penetrated there. We believe that expanding the

3 Brand penetration and user expansion to every corner of the world

Strengthening localized approaches to marketing

In order to further penetrate our brand, it is necessary to take a detailed look at the global market and understand the characteristics of each country and region. In order to understand what sorts of potential users exist there, and how to make them fans of our brand, we need to identify what products, prices, sales channels, and promotional measures are effective.

To this end, it is important to further deepen the analysis of sales and market data points, link the knowledge gained to specific measures and actions, and to verify their effectiveness. By iterating this cycle, we will improve the accuracy of marketing.

Investment in movies

Investing in and utilizing movies is another area that I would like to strengthen in order to further penetrate the brand. Movies and videos can convey the world and story of games more quickly and easily than games themselves. Even for those who have never played our games, movies adapted from our IP serve as a gateway to a wider audience.

Going forward, we will actively invest in the production of movies and videos from our IP and increase the number available worldwide.

4 Rebuilding and strengthening the business structure underpinning sustainable growth

Investment in our people

The most important thing to support sustainable growth is to step up investments in our people. Based on this policy, we have been advancing a human resource investment strategy in recent years.

As a precursor to this, in April 2022, we revised our remuneration system, established the new position of CHO, reorganized our HR-related operations, and implemented various reforms, including boosting compensation. In order to further enhance morale and the motivation of our employees to contribute, we will maintain a focus on management while securing and fostering talent and further developing a comfortable working environment.

Development system and capital investment for addressing the evolution of gameplay

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. We are actively investing in development, and we are equipped with the world's most advanced development facilities and environment both inside and outside our offices.

In order to continue to develop games of the highest quality, it is essential to build systems that are always at the forefront and can adapt quickly to new technologies and services. It is also important to expand workspaces in development to provide a comfortable environment for creators. We will continue to invest in such development systems and facilities.

Development of our medium-term lineup

While increased catalog title sales has been a growth driver for the Capcom Group, this has in turn been fueled by new title releases of superior quality. In

order to maintain sustainable growth, it is critical to have a stable and strategic supply of new titles.

We have been managing our lineup by operating the 60-month map, a medium-term title portfolio map, for some time. In turn, we are developing and strengthening the lineup while exchanging opinions on the pros and cons of the title portfolio in management, development, and our businesses. Additionally, we aim to strengthen the pipeline needed to realize the lineup in conjunction with the aforementioned investment in human resources and development.

Strengthening the corporate governance system

A sound corporate governance system is also essential to achieve sustainable growth over the next decade. To this end, we will continue to strengthen the structure of the Board of Directors and improve its effectiveness. In addition to appointing one new female director at the General Meeting of Shareholders in June 2024, the Company is also striving to secure directors with skills in areas such as international business in order to expand our business globally and grow the company in the future. We will continue to strengthen our management base and incorporate diverse perspectives into our Board of Directors, aiming for a system that enables sustainable growth and appropriate supervisory functions.

In addition, securing external directors and expanding opportunities for their participation are essential for improving the effectiveness of the Board of Directors. At the General Meeting of Shareholders held in June 2024, we reviewed the remuneration

system for executive directors to enhance performance-linked remuneration and introduced a new stock-based remuneration system. This has been discussed through the Nomination and Remuneration Committee, which is comprised of a majority of external directors, and through meetings to exchange opinions between internal directors and external directors. Going forward, we will continue to strengthen the supervisory function of the Board of Directors by enhancing opportunities and securing appropriate external directors according to the stage of the company.

Furthermore, 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 presenting in numbers rather than words, arbitrariness and assumptions are eliminated, it is easier to find problems, and it is possible to have a dialogue with external directors and employees using a common language.

In this way, it is also the duty of founding managers to provide an understanding of the system that they have created, as well as the know-how and experience they've cultivated as a manager, to their successors and enable them to execute on it. Through training my successor and enmeshing our management philosophy with well-structured corporate governance, we will continue to achieve sustainable growth.

In addition, strengthening our risk management system is also an important issue in corporate governance, and we are making preparations to build an appropriate system.

5 Building healthy relationships with stakeholders

Sustainability initiatives For details see pp.51 to 62

As the company grows, I feel that social expectations for us are also rising. I believe that meeting such expectations will lead to healthy relationships with stakeholders, which in turn will lead to an increase in corporate value and sustainable growth as a company.

Therefore, based on the targets for creating a sustainable society set forth in the SDGs, we will actively work to solve common environmental and social issues.

1. Considerations for the environment

We have been working to reduce our environmental impact through our business activities. This includes focusing on digital sales earlier than other companies. We believe that addressing environmental issues such as climate change is a matter on which people worldwide should cooperate. With this in mind, we are striving to reduce CO₂ emissions by actively introducing renewable energy at our business sites.

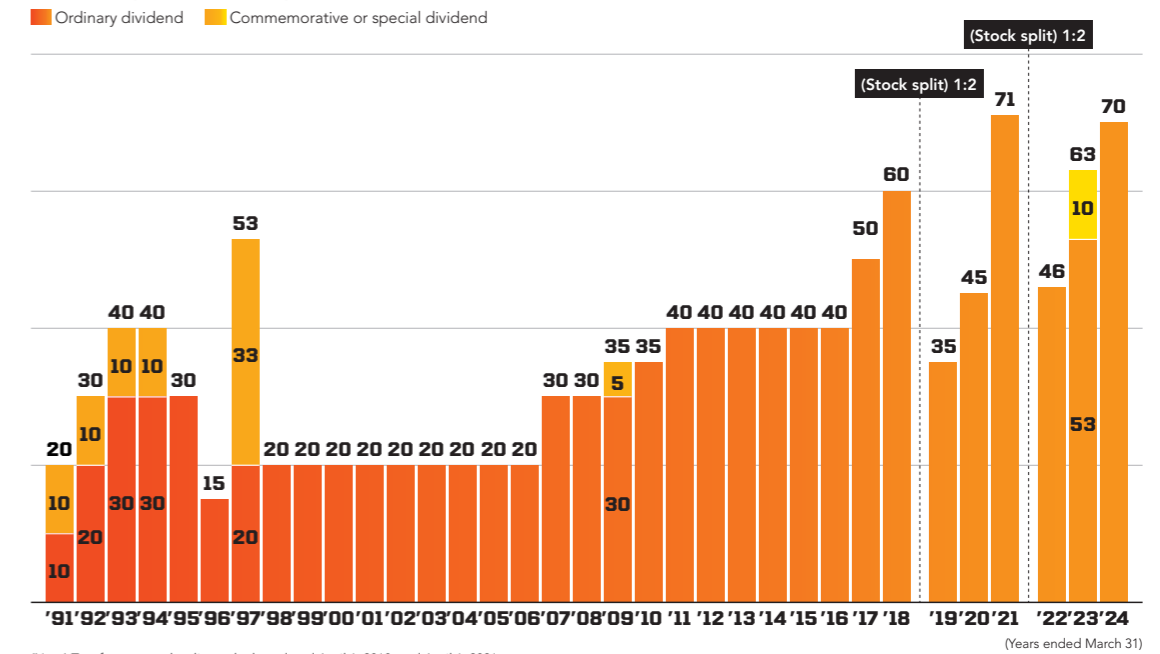
Although the business of selling digital content like ours has a lower environmental footprint than other industries, we will continue to promote initiatives that lead to environmental conservation.

2. Information security

As a company that handles data, it is also important to protect the value and rights related to it. As part of our global branding promotion, we continue to take measures such as detecting and deleting pirated and illegal videos on the Internet on an ongoing basis. In recent years, with the spread of digital network technology, it has become essential to take measures against various cyber risks in Japan and overseas. Capcom has established the Technology Security Oversight Committee, an external advisory organization, to maintain and strengthen our information security system based on the PDCA cycle.

Rewarding long-term shareholders with 34 consecutive years of returns since Capcom's listing and record-high dividends

Dividends per share since public listing (yen)



(Note) Two-for-one stock splits took place dated April 1, 2018, and April 1, 2021. The dividends prior to each reference date are listed as the dividends on the stocks prior to the split.

3. Social contribution activities

In addition to our business activities, we aim to realize a better future by fulfilling our corporate social responsibilities through various initiatives. For this reason, we use a certain percentage of our consolidated operating income as a source of funds to actively engage in social contribution activities.

We provide various donations to aid social welfare, and in support for local, cultural, technological, and athletic promotion, plan to exhibit *Monster Hunter Bridge* at Expo 2025 Osaka, Kansai, Japan, united under the slogan, "From Osaka, to the World." Through sustainability initiatives such as this, we aim to create a world where all people can enjoy games with peace of mind.

Returning profits to shareholders

I have been managing Capcom since its founding 41 years ago with the conviction that we should reward our long-term shareholders with consistent dividend increases while steadily growing the company. For this reason, we consider the return of profits to shareholders to be one of the most important management issues, and determine dividends after

giving consideration to future business development and changes in the operating environment.

Our policy for shareholder returns is: (1) enhance corporate value (market capitalization) through investment in growth, (2) strive to provide regular dividends with a basic policy of a 30% consolidated payout ratio

In addition, we will take a flexible approach in determining share buybacks.

Regarding the dividend for the fiscal year ending March 31, 2025, we executed a two-for-one stock split at the beginning of the fiscal year and plan to pay a full-year dividend of 36 yen per share. Going forward, we will continue to strive to return profits in a stable manner in line with the growth of the company.

This concludes my discussion of the key points for sustainably enhancing Capcom's corporate value over the next decade. As a senior executive with many long years of experience in the game industry, my goal is to increase market capitalization and achieve greater corporate growth in order to continue meeting the expectations of Capcom shareholders, investors, and all other stakeholders.

Kenzo Tsujimoto
Chairman and Chief Executive Officer (CEO)





COMMITMENT

Sustaining our digital strategy and aiming for annual software sales of 100 million copies as we grow the Capcom fanbase.

Last year, Capcom celebrated its 40th anniversary. This fiscal year marks a new start for the decade ahead. I would like to once more extend our appreciation to our stakeholders for your support.

As stated by our CEO, we began our digital strategy in earnest during the mid-2010s with the aim of expanding global sales of our content and establishing a stable revenue base.

Until that point, game publishers had primarily provided physical disc-based content to game users via retail stores. However, the following restrictions hindered the global expansion of this disc sales model: the limited number of products that can be placed on the shelves, the inability to sell games over the long term because products are replaced within a few months, and the fact that in some countries, retailers take control of the sales price, making it difficult to conduct price promotions. There were also costs associated with anti-copying and anti-piracy measures. To overcome these challenges, we have shifted our focus to digital sales, with our content now reaching more than 230 countries and regions. In addition, our profit structure has shifted away from a hit-driven business model dependent on sales of new titles toward a stable foundation based on sales of catalog titles, leading us to achieve our 11th consecutive year of operating income growth in the fiscal year ended March 31, 2024.

To sustain this growth in the game market over the next decade, we need to further strengthen not only our development system, but also our sales and marketing systems. I am convinced that by consistently producing world-class content, raising brand awareness, and increasing the number of Capcom fans, we will be able to achieve our long-term goal of annual software sales of 100 million copies.

Increasing the number of people who enjoy our content is also in line with our corporate philosophy, which is that we are "creators of entertainment culture that brings you smiles and stimulates your senses."

Growth strategy

Digital strategy acceleration

- 1 Our Measures Thus Far**
– Grow markets globally with digitalization –
- 2 Looking at the Next 10 Years**
– Accelerate sustainable growth with better marketing –

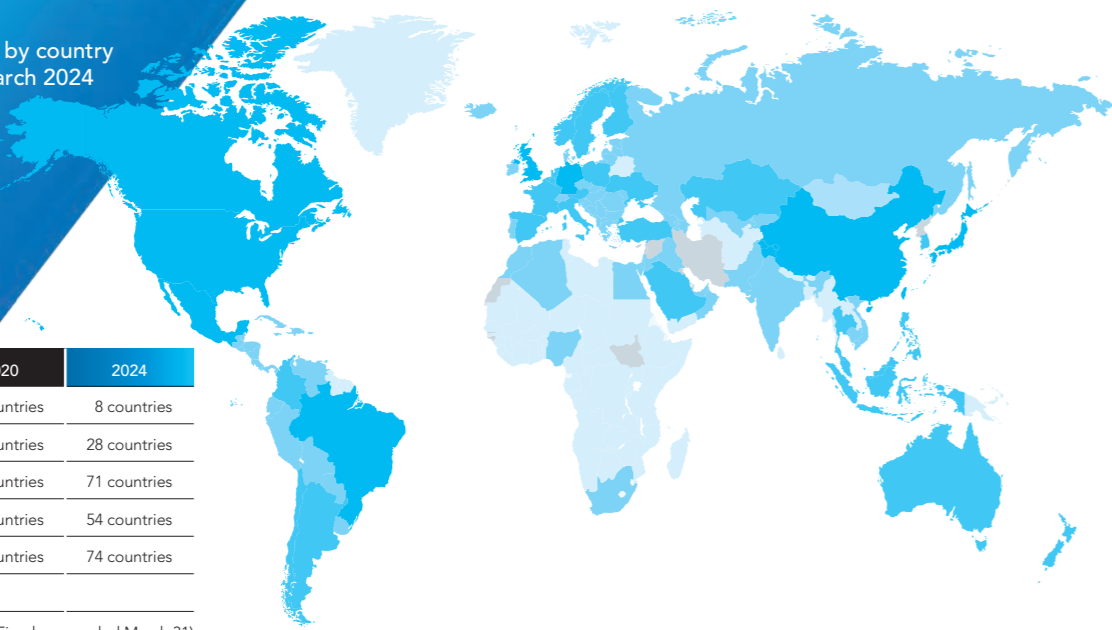


Unit sales of home video game software by country for the fiscal year ended March 2024

292 titles in 235 countries and regions

	2020	2024
More than 1 million	4 countries	8 countries
More than 100 thousand	15 countries	28 countries
More than 1,000	64 countries	71 countries
More than 100	46 countries	54 countries
Less than 100	86 countries	74 countries
No data		

(Fiscal year ended March 31)



1 Our Measures Thus Far

– Grow markets globally with digitalization –

Changing market landscape

In the era when disc sales were the mainstream, the primary markets were the major developed countries in Europe and North America, with established gaming cultures, where game content was mainly played on dedicated game consoles.

The evolution of game consoles and the spread of the Internet have made it possible to play online and cooperatively with others over long distances, as well as to sell game content digitally through downloads. As a result, game content can be sold over the long term even if it has been on the market for many years, without being affected by retail store operating hours or sales floor space, enabling game publishers to take the initiative in developing pricing policies.

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 PC version accounts for nearly

50% of our software sales, but our analysis shows that there is still room for growth, especially in emerging countries.

Data-driven pricing strategy

As I mentioned, the digitalization of game sales has made it possible for game publishers to take the initiative in pricing policies. Thanks to our early shift to digital sales, Capcom has accumulated a vast amount of sales data on which titles sold, at what price, and in what countries in our database. We have spent several years reorganizing this sales data and are now in a position to use it in our future marketing strategy.

Our basic pricing policy, which is only a general rule of thumb, is to sell titles at approximately 60 to 70 dollars at their release, and then gradually lower the price according to market value, eventually dropping to the 5 or 10 dollar level. We are not just looking for results in a single year, but rather are first aiming to maximize the number of copies sold and profits earned over a period of about five years. Since development costs are typically recovered in about one to two years, even reduced price points are sufficient to contribute to profits.

One good example of this is the long-term sales of *Monster Hunter: World*. More than six years have passed since its release in January 2018, but last fiscal year, with the announcement of the new *Monster Hunter Wilds* and the reduction to the attractive price of 9.99 dollars, sales have increased significantly,

bringing the total number of copies sold to more than 25 million* cumulatively.

By selling such high-quality titles over a long period of time, catalog titles now account for more than 70% of our annual unit sales, making a significant contribution to our digital content business earnings. This was a major factor in establishing a stable profit structure over the last 10 years.

Comparing our sales territory now with 2020, 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 are seeing greater growth of our markets.

Needless to say, there are two factors behind the growth that makes it possible to sell globally over the long term: (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 brand status and (2) Due to the efforts of our development team, Capcom has the technical and developmental abilities to regularly produce high-quality titles.

* Including *Monster Hunter World: Iceborne Master Edition*

2 Looking at the Next 10 Years

– Accelerate sustainable growth with better marketing –

I would like to explain specifically from my perspective as COO the key policies for the next decade as described by the CEO.

According to data from research firms, the global game user population is estimated to be approximately 3.3 billion. While most of them are mobile game users, we estimate that the number of PC and home video game users, our main target, is about 1.5 billion. Considering that we sold 45.9 million units of our video game software in fiscal 2023, we believe that there is still ample room for further growth in this market of approximately 1.5 billion people.

In order to achieve annual software sales of 100 million units, we need to expand sales within this market of approximately 1.5 billion people, and at the same time, strengthen our pipeline of new products by expanding our development system.

Improved marketing by incorporating local characteristics

We have been using our aggregated sales data in our marketing strategy, but we need to improve the accuracy of this approach. By targeting users with information on our latest titles or updates on catalog title prices based on their purchase trends, it will be possible to conduct promotions that appeal to users even more. However, it is not easy to accumulate detailed data linked to individuals. In addition, the laws and regulations of each country regarding the protection of personal information and the protection of minors must be carefully observed. In this context, we will continue to accumulate and analyze data on user purchase and play trends by using the CAPCOM ID, which is an account that can be used across our games and services, as well as by using systems to acquire game play data from within games.

	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	Cummulative unit sales	2025/3 (Plan)
<i>Resident Evil 7 biohazard</i>	3.5	1.6	1.2	1.0	1.5	1.8	1.2	1.3	13.3	Continue to contribute as catalog titles
<i>Monster Hunter: World*</i>		7.9	4.5	4.5	2.3	1.7	1.4	2.8	25.3	
<i>Resident Evil 2</i>			4.2	2.4	1.6	1.4	2.2	2.0	13.9	
<i>Monster Hunter World: Iceborne</i>				5.2	2.4	1.4	1.0	2.3	12.6	
<i>Resident Evil 3</i>					3.9	1.1	1.9	1.7	8.7	
<i>Monster Hunter Rise</i>					4.8	4.1	3.7	1.9	14.7	
<i>Resident Evil Village</i>						6.1	1.8	1.8	9.8	
<i>Monster Hunter Rise: Sunbreak</i>							5.4	2.2	7.7	
<i>Resident Evil 4</i>							3.7	3.3	7.0	
<i>Street Fighter 6</i>								3.3	3.3	
<i>Dragon's Dogma 2</i>								2.6	2.6	

*Includes sales of *Monster Hunter World: Iceborne Master Edition*. Sales numbers rounded down to 10 thousand units. As of March 31, 2024.

Looking ahead, room for future growth is going to be found in the Global South: in developing and emerging countries that include India. While India has overtaken China in population and is experiencing a high level of economic development, our game sales were not growing at the same rate in India as in China. In autumn 2023, we sent a team to India to conduct research with the help of local businesses and the university community. At this point in time, our analysis indicates that the emphasis in India's economic development process is on education, and that the country is not yet in a position to actively encourage people to play video games. Based on this research, we have decided not to chase the most recent actual sales, but rather to look five years into the future and work hard to expand the brand awareness of our IP titles and Capcom as a company. If the disposable income and leisure time of people who are interested in games increases, game sales should grow at an accelerating pace in turn.

Regarding such strategic areas of focus, we believe that Southeast Asia, Latin America, and the Middle East will become attractive markets over the next decade. This is because they have large populations and are expected to experience further economic growth. As with India, we need to investigate the actual game culture in these countries and determine the challenges of game sales and the time frame for sales expansion based on real-world information.

With this in mind, we will strive to expand brand awareness by understanding the characteristics of each country and area and implementing price measures in parallel. As part of this effort, we also need to further increase our marketing personnel and strengthen the organization, including those at our overseas subsidiaries. In fact, in emerging countries, catalog titles with significantly lower prices are selling better than new titles with higher prices. With this channel increasing our visibility, by analyzing the timing of purchases and other factors, we will be able to implement effective marketing measures tailored to each country and region, and these measures will lead to market development.

Increased penetration of the Capcom brand using movies

Video content that conveys the world of a game in a short period of time is a powerful tool for increasing Capcom's brand recognition among people who are unfamiliar with games in general or with Capcom's titles. This is evident in the past Hollywood movie adaptations of *Resident Evil* and other titles. In addition to utilizing existing movies based on our games, we are also moving forward with the production of a new live-action *Street Fighter* movie and TV series, as well as several other projects that are under consideration. As an upfront investment to expand game content worldwide, we will aggressively pursue our movie strategy, not only with theatrical releases, but also through video distribution services and other means.

Increased penetration of the Capcom brand through business and sponsorships

Monster Hunter Now was launched in September 2023, which is a game that was developed and is run by Niantic, a company with strengths in cutting-edge location-based information technology and AR technology in mobile content. We expect this title to increase brand recognition globally by making it easier to play *Monster Hunter* on mobile and will continue to consider expanding our brand recognition by licensing out our IP to other companies.

In addition, we brought the *Resident Evil* series to the iPhone15 Pro and other devices last fiscal year. Conventionally, mobile devices have posed some issues in terms of performance capabilities, which made it difficult to port the sort of high-end home video games that are our specialty. On the other hand, as the functionality of mobile devices has gradually improved in recent years, we are now able to offer these games on mobile devices. Currently, the number of people that own mobile devices capable of handling these games is limited, but we believe that in the future, as devices become more sophisticated, this will be a great tool for expanding sales of our content.

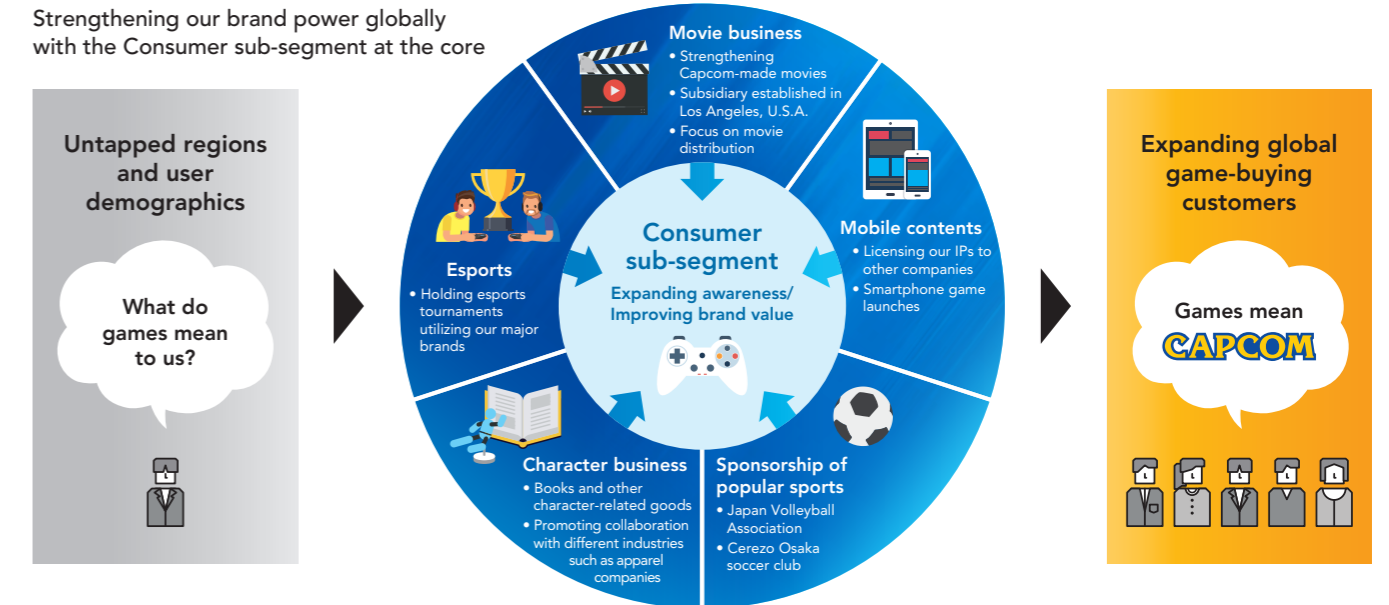
The Arcade Operations and Amusement Equipments businesses are each expanding their revenues and contributing to the expansion of our game brands in Japan. The Arcade Operations business is a valuable contact point between Capcom and users, including general consumers, and also provides synergies with the Consumer business sub-segment by acting as a physical venue for game demo events and other activities. The Amusement Equipments business is also expanding its user base and functions as a good match between game content and pachislo machines.

Revenues are at an all-time high in our licensing business thanks to an increase in collaborative products that coincide with the release of new titles and collaborations where Capcom characters appear in other companies' games. 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.

Since 2014, in the eSports business we have been holding the CAPCOM Pro Tour throughout the year in up to 160 countries and regions. The final tournament, known as Capcom Cup, is garnering attention as an eSports tournament that will further enliven the global fighting game scene, with the first prize set at one million dollars last season. Capcom Cup 11, to be held in the 2024 season, will take place at Ryogoku Kokugikan arena and again features a prize of one million dollars, following on from last season. In addition to energizing the global eSports market, we will work to further popularize it in Japan.

In order to encourage more people around the world to become Capcom fans and users, it is essential to further expand and increase penetration of our corporate and content brands. To this end,

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



we have also engaged in social contribution activities for local communities, culture, and technologies. These include sponsorship of the Japan Volleyball Association and the soccer club Cerezo Osaka, which were announced in May and August 2024, as well as sponsorship of the Tokyo International Film Festival and exhibiting an interactive attraction titled *Monster Hunter Bridge* at Expo 2025 Osaka, Kansai, Japan.

Strengthening development capabilities to consistently produce world-class content

To sustain double-digit operating profit growth and to reach annual software sales of 100 million units—both KPIs—we are addressing each of the relevant issues that may arise, one by one. This includes determining what kind of title lineup is necessary, and where to incorporate different titles into our roadmap, including mainline entries in major series such as *Resident Evil* and *Monster Hunter*, sequels to existing IPs, reboots, remakes, ports to the latest hardware, and all-new IPs.

We have been able to reliably release two to three new games from our major title pipeline each fiscal year, but we need to increase this number in the future.

Since it is the world's top-class creators at Capcom who will enable the consistent creation of content, we have been strengthening human capital as a priority management issue for the past two years, and we are bolstering our development system by increasing and training creators.

In the future, the game business may continue to undergo rapid changes, such as the emergence of new technologies including AI-based content development. In addition to maintaining a multi-platform strategy, we have a track record of quickly adapting to new technologies such as VR.

Naturally, we are interested in these new fields and are conducting technical verification. In particular, it is necessary to actively take on the challenge of implementing cross-play, which allows players to play against and cooperate across different hardware, a feature that is in high demand from users. The key is to use new technologies to provide users with a new gaming experience. Even cutting-edge innovations are meaningless if the game is not interesting. By implementing these initiatives and more, Capcom expects to sustain its growth trajectory in the years to come.

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.

Our human resources investment strategy: Enhancing employee productivity and organizational strength



Satoshi Miyazaki

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

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. To continue to develop high quality games toward our management target of a 10% increase in operating income each fiscal year and our medium- to long-term management goal of software sales of 100 million units, we need to secure excellent development personnel. As of the end of fiscal 2023, we employed 2,675 development personnel, which marks an increase of approximately 25% from the 2,142 personnel at the end of fiscal 2019.

Capcom's operating environment

Although the number of development personnel is steadily increasing, we recognize that there are challenges both internally and externally in securing the talent we require. First, if we look at the company, game development is getting larger and longer every year as platforms evolve. We strive to create the best games in the world, which makes the highest level of technology indispensable. As game development advances, we must further expand the number of development personnel and improve the level of technical expertise of our employees.

A relatively large number of employees joined the company through regular recruitment channels from fiscal 1993 to 1995, and many have demonstrated their abilities at the forefront of game development. As they approach their mid-50s, the challenge is how to pass on their valuable experience and know-how to the next generation.

A challenge in the external environment is the shrinking labor market due to the declining birthrate in Japan. There are many people in the younger generation who have been familiar with games since childhood, and we plan to actively recruit them in the future. Yet, the hurdles to attracting talented students who meet the standards required for our game development are getting higher every year.

Previous initiatives and outcomes

As an initiative to address these issues, we are focusing on two points: namely, securing and developing human resources to support the future as well as revamping the work environment so that employees can maximize their abilities.

First, as described in last year's integrated report, we made three changes to our remuneration system:

Trend in remuneration amount of full-time employees

Indicators	2020/3	2021/3	2022/3	2023/3	2024/3		Goal	
					Compared to 2023/3	Compared to 2020/3		
Average annual salary (non-consolidated) (thousand yen)	5,998	6,034	7,127	7,660	8,328	108.7%	138.8%	Continue to grow
Of which, development personnel	5,948	5,991	7,137	7,657	8,403	109.7%	141.3%	Continue to grow
Stock compensation points per employee	—	—	—	97	98	101.0%	—	Approx.100 points
Market price converted as of March 31 (thousand yen)	—	—	—	457	548	119.9%	—	—
Average salary by age group(thousand yen)								
20s	4,132	4,079	5,015	5,624	5,873	104.4%	142.1%	—
30s	5,763	5,903	7,011	7,604	8,142	107.1%	141.3%	—
40s	7,442	7,540	8,740	9,054	9,918	109.5%	133.3%	—
50s	8,031	8,213	9,606	9,705	10,583	109.0%	131.8%	—

(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. With the introduction of this bonus system and stock-based compensation system, we have built a virtuous cycle in which the growth of business performance and the rise in stock price attributed to the hard work of employees are reflected in their own compensation. As a result, the average annual salary of employees was 8,328 thousand yen in fiscal 2023, an increase of 38.8% from 5,998 thousand yen in fiscal 2019. In terms of the stock-based compensation, the exchange value of shares granted has increased as stock prices rise, which has motivated employees to grow the company. In addition to strengthening our recruitment competitiveness in terms of compensation, we are also promoting recruitment branding and diversifying our recruitment channels, including accepting interns from prestigious overseas universities. As a result, we are achieving steady results in mid-career hiring.

In terms of new graduate recruitment, we intend to raise the starting salary of new graduates to 300 thousand yen per month from fiscal 2025, which is one of the highest in the industry, with the aim of acquiring even more talent. We have been hiring more than 100 new graduates annually since 2013, but training this large number of new graduates who join the company every year has been a major challenge. In response to this issue, we introduced mentor training for the early development of young employees, with a total of 900 development employees participating. In addition, management is also working to create an environment where

employees can think independently and grow, such as promoting self-led online learning. We will continue to focus on training new graduates so that they can take advantage of their youthful sensibilities while absorbing the valuable know-how of creators currently working on the frontline. In the process, we hope that they can become the next pillars of our game development. In order to further expand the number of development personnel in the future, it is necessary to create an environment in which human resources with diverse backgrounds, i.e., foreign nationals and employees who need to work shorter hours due to childcare or nursing care obligations, can maximize their abilities.

To this end, we have introduced measures for foreign national employees such as a special leave system so they can visit their home countries and Japanese language learning. We have also opened an in-house daycare center in the Osaka area, conducted nursing care seminars, introduced a partnership system that more inclusively recognizes partners/spouses, and rolled out paid menstrual leave. In addition, management holds briefings with employees to better understand the needs of employees. In fiscal 2023, a total of 14 meetings were held, with more than 870 employees participating in aggregate.

As a result of these initiatives, the number of mid-career hires on a non-consolidated basis has increased to approximately 100 since fiscal 2022. Employee engagement also remained at a higher level than in fiscal 2022, with a turnover rate of less than 3%. From a competitive hiring perspective, as well as from an employee productivity and retention perspective, we are seeing tangible results.

Trend in company performance and number of employees/age distribution

Indicators	2020/3	2021/3	2022/3	2023/3	2024/3		2025/3 Plan	
					Compared to 2023/3	Compared to 2020/3		
Net sales (consolidated) (million yen)	81,591	95,308	110,054	125,930	152,410	121.0%	186.8%	165,000
Operating income (consolidated) (million yen)	22,827	34,596	42,909	50,812	57,081	112.3%	250.1%	64,000
Operating margin (consolidated) (%)	28.0	36.3	39.0	40.3	37.5	-2.8pt	+9.5pt	38.8

Indicators	2020/3	2021/3	2022/3	2023/3	2024/3		Goal	
					Compared to 2023/3	Compared to 2020/3		
Number of employees (consolidated) (persons)	2,988	3,152	3,206	3,332	3,531	106.0%	118.2%	-
Of which, development personnel	2,142	2,285	2,369	2,460	2,675	108.7%	124.9%	Increase by 100 every year
Number of employees (non-consolidated) (persons)	2,688	2,841	2,904	3,027	3,186	105.3%	118.5%	-
Of which, development personnel	2,024	2,150	2,224	2,321	2,515	108.4%	124.3%	Increase by 100 every year
Average age (non-consolidated) (age)	37.1	37.1	37.3	37.6	37.8	+0.2	+0.7	-
Of which, development personnel	36.0	36.0	36.3	36.6	37.1	+0.5	+1.1	-
Age distribution of development personnel (non-consolidated)								
29 years or younger	30.5%	31.2%	31.9%	31.8%	28.8%	-3.0pt	-1.7pt	-
30s	35.4%	35.0%	33.2%	32.6%	33.8%	+1.2pt	-1.6pt	-
40s	30.2%	27.8%	26.2%	25.2%	25.6%	+0.4pt	-4.6pt	-
50s	4.0%	6.0%	8.7%	10.4%	11.8%	+1.4pt	+7.8pt	-
Number of new graduate hires (non-consolidated) (persons)	138	198	163	163	154	94.5%	111.6%	-
Of which, development personnel	109	160	139	133	107	80.5%	98.2%	More than 100 each year

Trend in diversity related indicators

Indicators	2020/3	2021/3	2022/3	2023/3	2024/3	Goal
Ratio of female employees (non-consolidated) (%)	21.6%	21.5%	21.0%	21.3%	21.2%	Continue to grow
Ratio of female managers (non-consolidated) (%)	9.2%	10.6%	10.7%	11.6%	12.0%	15.0%
Ratio women in core roles (non-consolidated) (%)	7.0%	8.2%	7.9%	11.9%	13.6%	15.0%
Average annual salary (Capcom Co., Ltd.)						
Male employees	6,316	6,329	7,393	7,904	8,626	Continue to grow
Female employees	4,848	5,028	6,130	6,751	7,226	Continue to grow
Gender wage gap (%)	76.8%	79.4%	82.9%	85.4%	83.8%	88.0%
Ratio of foreign national employees (non-consolidated) (%)	6.0%	6.8%	6.6%	6.7%	6.8%	Continue to grow
Number of countries represented	28	31	33	34	35	Continue to grow
Ratio of foreign national managers (non-consolidated) (%)	1.6%	1.3%	1.7%	1.2%	1.4%	Continue to grow
Ratio of managers hired mid-career (non-consolidated) (%)	56.6%	53.3%	53.3%	56.0%	54.3%	-
Use rate of childcare leave	24.7%	35.1%	48.7%	52.5%	76.9%	-
Male employees	12.5%	21.5%	34.5%	45.5%	66.7%	85.0%
Female employees	100.0%	94.4%	90.0%	85.7%	114.3%	100.0%

Future challenges and initiatives

In order for us to continue to grow sustainably, Capcom needs to promote an expanded human resources investment strategy. In recruiting new graduates, we would like to promote industry-academia collaboration with universities and vocational schools. As a pioneer, we have collaborated with Kindai University to provide hands-on classes using our proprietary game development engine, RE ENGINE. By expanding these initiatives, we hope to discover human resources who will support our game development.

In addition, I feel that there is still a lot of room for improvement in creating an environment in which human resources with diverse backgrounds can maximize their abilities. We currently have more than 200 foreign national employees from 35 countries, but there are still gaps in work styles and language barriers. Although the wage gap between men and women and the rate of male employees taking childcare leave are improving year by year, this is an area where further initiatives should be promoted with an eye on the future. We have set a goal of

raising the gender wage gap to at least 88%, which is the OECD average, and to raise the percentage of male employees taking childcare leave to at least 85%, which is the government's target for fiscal 2030, by fiscal 2028. It is also necessary to take measures to ensure that the increasing number of rehired employees who recently retired can play an active role as a valuable asset.

In closing

Currently, by promoting the human resources investment strategy described above, we are creating a virtuous cycle for greater diversity within the company and increased employee engagement. As CHO, I will accelerate this cycle by discussing the HR issues identified by each personnel organization at the management level and presenting policies. We believe that it is people who support the game business, and that human capital is the driving force behind our growth. Through this cycle, we hope to contribute to the sustainable enhancement of corporate value over the next decade.

Work engagement survey results

Indicators	2020/3	2021/3	2022/3	2023/3	2024/3	Goal
Work engagement (non-consolidated) (deviation value)	51.5	52.6	51.8	54.4	54.1	55.0
Ref. Survey responses (*ratio of responses for: applies and somewhat applies)						
I'm able to use my own creative ingenuity at work				88.7%	88.3%	
I work beyond my assigned role if required for work				76.0%	76.4%	
I feel enjoyment in my current role at work				70.9%	69.6%	
Employee engagement	-	-	-	51.8	52.1	55.0
Ref. Survey responses (*ratio of responses for: applies and somewhat applies)						
I feel a sense of familiarity and attachment to the company				77.5%	78.1%	
I feel fortunate to be able to work for the company				85.6%	86.2%	
Working for the company is a positive in my life				86.2%	85.4%	
Turnover rate (non-consolidated) (deviation value) (%)	4.3	3.9	5.4	3.5	2.9	-
Of which, for personal reasons (%)	4.0	3.6	4.7	3.2	2.5	Around 3.0
Operating income per employee (consolidated) (thousand yen)	7,639	10,975	13,384	15,249	16,165	Continue to grow

Continuing to invest in user expansion and sustainable growth



Kenkichi Nomura

Director, Executive Vice President and Chief Financial Officer (CFO)

Transformation of business model and net cash position

Improving financial condition over the past decade

Thanks to the understanding and support of our users and stakeholders, we were able to achieve operating income growth for the 11th consecutive year in fiscal 2023.

As shown in the table on the following page, over the past 10 years, Capcom's operating income has increased 5.5 times and net cash 5.2 times. In terms of profitability, the operating margin increased by 27 percentage points to 37.5%, and ROE for the most recent period was 24.4%, exceeding 20% for the fourth consecutive year.

Factors behind this strong performance include Capcom's expanded sales reach into new countries and regions driven by our shift to bolster digital sales, our ability to tap into long-term sales of previously released catalog titles, and optimally-timed price reductions that factor in the age of our titles, which contributed to increased sales volume.

Additionally, manufacturing and sales costs for physical products also declined significantly, and efforts to rein in increases in expense items (cost of sales plus SG&A expenses) were even more successful than sales growth, resulting in a lower cost of sales ratio and a significant increase in operating margin.

Meanwhile, the Arcade Operations and Amusement Equipments businesses have overcome their respective challenges and entered a phase of stable growth, leading to continued profitability and cash growth.

Net cash position

Over the past three years, Capcom has changed its employee compensation system and was able to increase net cash by 23.7 billion yen year over year at the end of fiscal 2023 despite also increasing total personnel costs.

Cash is steadily increasing due to the sustained 10% or better growth in annual operating income in each of the last nine fiscal years. We monitor ROIC trends at both the consolidated level and for each major business, and over the last three years, consolidated ROIC exceeded 50%, and ROIC for our three major business segments has also been steadily improving. At the same time, we manage the profitability of title development by checking the ROI (operating income divided by development investment) of individual titles. Our findings show that the ROI of each title has steadily increased due to the growth of catalog title sales, which is one of the factors increasing cash.

Investment for continued sustainable growth

With net cash increasing, there are more options for reinvesting in our businesses for future sustainable growth, making investment decisions more important than ever.

Given that the amount of risk has increased due to changes in the business environment in our industry, I believe it is important to balance three elements in cash management: namely, 1) business reinvestment, 2) returns to shareholders, and 3) employee compensation.

Please see the CHO's section of this report for information on employee compensation.

Cash utilization: current situation of reinvesting in our businesses

In addition to direct investment for business expansion, business reinvestment also includes spending money to improve the working environment for employees and benefit programs that contribute to higher productivity.

Addressing increased investment in development

In recent years, our investment in development has increased with each passing year, growing 1.6 times over the past decade. These investments are expected to exceed 50.0 billion yen in our fiscal 2024 plan. Although our development team is working tirelessly to improve the efficiency and productivity of title development, we still believe that higher investment inputs for development of titles is inevitable.

One of the reasons for the uptick in development investment is the need to improve user satisfaction in response to the greater sophistication of game device capabilities. Traditionally, we have used the 60-month map to oversee our title development process. Recently, however, there have been cases in which we exceed the typical 60-month time frame due to factors including additional content for titles. This is why we approach medium- to long-term investment management by creating a medium- to long-term lineup while tracking progress.

Consolidated statements of income items

	2014/3	2019/3	2024/3	Compared to 2014/3	Compared to 2019/3
Net Sales	102,200	100,031	152,410	149.1%	152.4%
Operating income	10,299	18,144	57,081	554.2%	314.6%
Operating margin	10.1%	18.1%	37.5%	+27.4pts	+19.4pts
Net income	3,444	12,551	43,374	1259.4%	345.6%
ROE (return on equity)	5.4%	14.4%	24.4%	+19.0pts	+10.0pts

Consolidated balance sheet items

	2014/3	2019/3	2024/3	Compared to 2014/3	Compared to 2019/3
Cash and deposits	29,720	53,004	125,191	421.2%	236.2%
Interest-bearing debt	7,050	8,315	7,217	102.4%	86.8%
Net cash	22,670	44,689	117,974	520.4%	264.0%

Trends in sales territories and number of units sold

	2014/3	2019/3	2024/3	Compared to 2014/3	Compared to 2019/3
Countries & regions	184	222	235	127.7%	105.9%
Unit sales	17,500	25,300	45,893	262.2%	181.4%
Of which, new titles	11,800	11,100	9,596	81.3%	86.5%
Of which, catalog titles	5,700	14,200	36,297	636.8%	255.6%

When starting production of a title, we consider the scale of development by referencing past sales data, and the process involves application and then approval. Within this, we use the medium- to long-term lineup and title-specific ROI and ROIC management as primary benchmarks. In turn, we formulate sales plans in conjunction with the scale of investment.

However, we need to take into account changes in the way users play and their preferences, among other matters, and our response to these changes still represents a risk factor.

The need to enhance cash reserves to address these risks has not changed, and increased investment in response to change will certainly be necessary.

■ Addressing the need for more office space for development teams

Based on our human resources investment strategy, the pace at which the Group's headcount is rising has continued to increase by about 150 every year, reaching a level 1.4 times that of 10 years ago, and 1.3 times that of 5 years ago. Of particular note, we have increased the number of our developers by more than 250 people (approximately 12%) over the past three years, causing our current office space to reach capacity. This is something we must address with some urgency. We have already acquired land adjacent to our head office and are building new office space. Looking at the medium to long term, we have positioned real estate investment as a business asset for securing space to be one of the major points of future cash utilization.

■ M&A opportunities

We are also investing in M&A to ensure our ability to consistently provide new title content, expecting that these deals will strengthen our development capabilities. We have acquired two development-related companies since fiscal 2023 (making them subsidiaries) in an effort to expand our development system. Since it takes time to train creators, we are stepping up mid-career recruitment and actively considering M&A deals that will provide personnel who can produce immediate results.

In addition, it will be critical to introduce new technologies in many more areas as users' ways of playing games become more diverse, and looking ahead we must keep in mind the use of things such as network technologies in game development.

■ Investment in the Arcade Operations business

In the Arcade Operations business, we have achieved results by bolstering our domestic network and will

continue to expand this using a scrap-and-build approach.

In the Amusement Equipments business, we are also putting systems in place to achieve our goal of releasing four cabinets per year. These businesses are positioned to be more important than ever for expanding recognition of our game content and enhancing brand value.

■ Initiatives for market expansion: stepping up efforts to capture users in developing and emerging countries

In order to continue sustainable growth, we need to penetrate our brand throughout the world and expand our user base. Toward this end, we are promoting investments in the licensing business and movie and video productions that utilize our IP. Through these easily accessible user gateways, we aim to create opportunities for people who have never played our games to experience our IP. We believe that by increasing the recognition of our content worldwide, we will strengthen the brands of our IP further.

In addition, brand penetration requires understanding the characteristics of each country and region and conducting appropriate marketing. Therefore, we will also invest in human resources, organizations, and systems/networks to correctly understand user trends.

Shareholder returns

Finally, Capcom's basic policy is to provide shareholders with (1) increased corporate value through higher profits and (2) stable dividends with a consolidated dividend payout ratio of 30%. We will also pay close attention to stock price trends and understanding of our management strategies in the market, and flexibly buyback shares according to the situation.

From the viewpoint of returning profits to shareholders, the annual dividend for fiscal 2023 was 70 yen (payout ratio 33.7%), a further increase from the previous year's dividend of 63 yen, which included a commemorative dividend of 10 yen for our 40th anniversary.

As shown in the following table, our stock price has grown in proportion to the increase in net income over the period, demonstrating that we have made steady progress in the enhancement of corporate value. We will continue to strive to meet and exceed the expectations of our shareholders and investors through dialogue.

Changes in cost structure

	2014/3	2019/3	2024/3	Compared to 2014/3	Compared to 2019/3
Cost of sales	72,251	62,809	67,755	93.8%	107.9%
Selling, general, and administrative expenses	19,749	19,078	27,572	139.6%	144.5%
Cost + SG&A expenses	92,001	81,887	95,328	103.7%	116.4%
Cost + SG&A expense ratio (compared to sales)	90.0%	81.9%	62.5%	-27.4pts	-19.4pts

Trend in cash flows

	2014/3	2019/3	2024/3
Operating cash flow	13,201	19,847	36,921
Accounts receivable factors	6,351	858	71
Notes and accounts payable factors	-4,806	-1,665	1,438
Real operating cash flow	14,747	19,039	38,431
Investing cash flow	-6,155	-2,261	-5,962
Financing cash flow	-15,099	-11,443	-15,969

R&D investment and productivity

	2014/3	2019/3	2024/3	Compared to 2014/3	Compared to 2019/3
Number of employees (consolidated)	2,601	2,832	3,531	135.8%	124.7%
Annual R&D investment	26,691	27,038	43,042	161.3%	159.2%
ROI (operating income / R&D investment)	38.6%	67.1%	132.6%	+94.0pts	+65.5pts

Shareholder returns

	2014/3	2019/3	2024/3	Compared to 2014/3	Compared to 2019/3
Net income	3,444	12,551	43,374	1259.4%	345.6%
Fiscal year end stock price (adjusted closing price)	489.5	1,240	5,590	1,142.0%	450.8%
Dividend per share (adjusted)	10	17.5	70	700.0%	400.0%
Dividend payout ratio (%)	65.5	30.3	33.7	-	-

*The stock was split on a basis of two shares for every share of common stock on April 1, 2018 and April 1, 2021. The figures listed for fiscal year end stock price (adjusted closing price) and dividend per share (adjusted) are presented on the basis of the number of shares as of the fiscal year ended March 31, 2024.