

# 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