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Dear Sirs:

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Designation as Harmful Materials for the Youth by Kanagawa Prefecture

Today, the Governor of Kanagawa designated a video game "Grand Theft Auto" distributed by Capcom as harmful materials for the youth pursuant to the Kanagawa Ordinance to Protect the Youth.

Now video game is a big cultural industry which Japan is proud of in the world, and the fundamentals to support the whole industry should be Japanese legislation for protection of intellectual property rights and security for freedom of speech. As our country actually has been practicing, sustained efforts to protect intellectual property rights and secure freedom of speech are indispensable for further progress of the industry avoiding the decay of the industry. Especially, considering the great social value and weak and fragile nature of freedom of speech, this case must be prudently handled.

Needless to say, Capcom does not support such view as all video games should be free from any restrictions in any circumstances under the name of freedom of speech, and as a good citizen in the society supporting this industry, Capcom believes that it should be subject to reasonable restrictions on video games depending on its content nature and has actually been taking this way. "Grand Theft" is a video game developed in the USA and modified for Japanese market, which Capcom has positioned as adult-oriented entertainment and distributed targeting customers on or over 18 years.

More specifically, Capcom has obtained the rating for the video game from the nonprofit organization Computer Entertainment Rating Organization ("CERO"). In accordance with the rating, Capcom has attached a sticker indicating "for 18 years or over" to the front of the product package as well as a sticker of outline type font in the red background indicating "This video game includes violence and grotesque content" and requested retailers to put the video game on a separate shelf for sales.

It is Capcom's understanding that, through the above ways based on discussion and cooperation among the parties concerned, such an objective as Kanagawa Prefecture tries to achieve by designating a video game as harmful materials will be achieved, and it is regrettable that Kanagawa Prefecture paid no attention to such efforts of the parties concerned.

Further, Capcom believes that such Kanagawa Prefecture's designation of the video game involves the following issues:

1. The designation of the video game as harmful materials bans its sales to the youth, which will involve the restriction of freedom of speech. Freedom of speech is a fundamental right for the individual and a basis of democracy, and prior restriction on the right should basically be banned. In this case, Capcom positively supports the purpose itself of the Kanagawa Ordinance for protection of the youth; however Capcom believes it would not be a sound way to employ too strict a restriction where there are other alternative ways or means to achieve the

same objective.

2. If case of restriction of freedom of speech, unless the subjects to be restricted are clear enough, there are concerns that the people may hesitate in expressing itself without knowing which subjects will not be allowed. Therefore, in designation of harmful materials, the conditions and standards for such designation must be clear enough considering the importance of freedom of speech, but in this case Capcom is afraid if those conditions and standards were clear enough.
3. In examining a product in question, the ways how the conditions and standards for such designation are actually used and applied to should also be clarified, and in this case, Capcom is afraid that the designation simply based on committee members' impressions or tastes would be null and void.

It is Capcom's intention to continue to make efforts in improving the effectiveness of video game industry's voluntary-restraint through discussion and cooperation among the parties concerned; however, regarding the designation of the video game by Kanagawa Prefecture, Capcom will further examine how to cope with this issue including the possibility to take certain legal action.

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