

## Relationship with Customers

### Considerations in Game Development

#### In-game purchases

In the Japanese game market, discussions have been taking place for several years on the problem of gacha, or 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 2019, the percentage of home video games sold overseas was 85.4%.

Naturally, translation (localization) of video games developed in Japanese is required so that users around the world can enjoy them. Depending on the country, however, simply translating games developed under Japanese norms can end up hurting users unexpectedly due to historical, religious, or cultural differences.

#### Comments from a developer

##### Miguel Corti

Joined Capcom in 2007  
Senior Manager  
Global Production, Consumer Games  
Production Division



I have been involved in localization at Capcom since 2007, and both the volume of our work and its importance has been increasing year after year due to the increasing demand for language support that has followed the introduction of more powerful game consoles, online connectivity, and the globalization of our markets. Capcom localization staff are part of the development team from the first stages of a project, and they actively provide insight on everything from the visuals to the game specifications. Carrying out game development and localization simultaneously makes it possible to release titles on the same day worldwide. Of course, it's not just a matter of translating the content; culturalization also plays an important role. For example, when you complete a quest in *Monster Hunter*, a red logo is displayed. However, in some countries red symbolizes failure. In those countries, we made the logo gold. This is just one of the touches we add to ensure that the user's sense of achievement is not diminished in any way.

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

### For the Healthy Development of Young People

#### 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 home video game consoles 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 for Real Money Trade Measures	April 26, 2017
Guidelines for the Protection of Minors	December 21, 2016 Revised March 27, 2019
Operating Guidelines for Random Item Distribution in Network Games	April 27, 2016
Guidelines for Advertisements, Etc. in Home Video Game Software Targeting Only Those 18 and Over	April 1, 2008 Revised June 20, 2012
Code of Ethics Concerning Computer Entertainment Software, 2nd Revision	October 1, 2002

Please refer to CESA's website for the content of each set of guidelines.  
[https://www.cesa.or.jp/index\\_e.html](https://www.cesa.or.jp/index_e.html)

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

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

➔For details see page 50

## Support for Community-building Among Senior Citizens

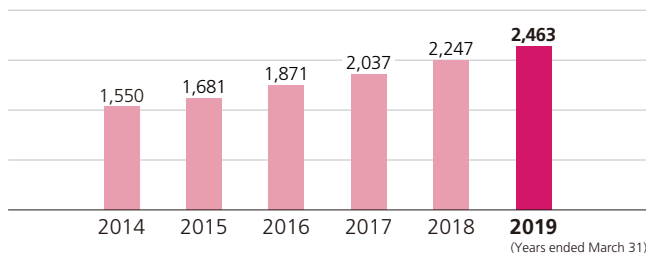
### Holding regular amusement arcade tours

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, since 2012 Capcom has encouraged arcade staff to get the Service Assistant certification. Currently, 26 staff members have received this certification.

#### Cumulative number of participants in senior tours

# 2,463



## 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

[http://www.capcom.co.jp/support/index\\_game.html](http://www.capcom.co.jp/support/index_game.html)

### Protecting the personal information of our customers

Capcom has more than 10 million records containing personal information on customers, accumulated from our member site, 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.

### Expanding opportunities for customers to play our games (esports)

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 software developer—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.

In 2018, we established the Capcom eSports Club as a communication space at one of our amusement facilities, offering a place to try out games for free. Further, in February 2019, we launched a new team-based league to give professional players a place to show off their skills on a regular basis.

We are also working to provide amateur players with opportunities to shine, such as by with the Street Fighter League: College-JP 2019 for students, beginning in June 2019. Through these activities, we aim to increase points of contact with our customers and improve customer satisfaction.

# Relationship with Regional Communities

## Contributions to Regional Revitalization

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

The attraction of video game content for the worldwide audience was in evidence when Japan's Prime Minister promoted the 2020 Tokyo Olympic and Paralympic Games by dressing as a video game character at the Closing Ceremony of the 2016 Rio de Janeiro Games. In the same vein, Capcom is following a Single Content Multiple Usage strategy for our content, which we deploy in a wide range of fields beyond video games. As such, we are proud to have a high level of recognition and popularity among men and women, young and old alike.

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

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

## Comments from a city official



### Masaki Akita

Team Leader, Facility Development Team, Tourism Promotion Division, Tourism and Cultural Bureau, Sakai City

Sakai is the birthplace of Sen no Rikyu, the famed tea master, and has deep connections to important historical figures like Oda Nobunaga, Toyotomi Hideyoshi, and Tokugawa Ieyasu. Many of those historic and cultural artifacts can still be found within the city. However, it is difficult to get young people to take an interest in resources such as these.

As such, the city has made a point of collaborating with animated television programs and games that are highly appealing to young people. By working with Capcom to have Toyotomi Hideyoshi, a character from *Sengoku BASARA*, promote a special exhibit of the Golden Teahouse, which is associated with the historical figure of Toyotomi Hideyoshi, we were able to draw the attention of a wide range of people to the appeal of the city's historic and cultural properties.

We hope to continue working on projects that link the rich contents of Capcom with the historical and traditional industries of Sakai.

## Regional Revitalization Activities

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

#### Initiatives Across Japan

- 経 Economic Development
- 文 Cultural Promotion
- 防 Crime Prevention Education
- 選 Participation in Elections

- Kyoto Prefecture: Mascot for vehicle-related theft prevention awareness
- Hyogo Prefecture: Mascot for vehicle-related theft prevention awareness



**2019: Kochi Prefecture Mascot for House of Councilors election**  
Newspaper advertisements, train wrappings, television and radio commercials, etc.

- Kochi Prefecture: Mascot for gubernatorial election
- Okayama Prefecture: Co-sponsorship of special museum exhibit
- Wakayama Prefecture: Support for campaign to attract visitors

- Miyagi Prefecture: Mascot for gubernatorial election
- Ibaraki Prefecture: Co-sponsorship of special museum exhibit
- Saitama Prefecture: Co-sponsorship of special museum exhibit
- Kofu, Yamanashi Prefecture: Conclusion of comprehensive partnership agreement
- Ueda, Nagano Prefecture: Support for tourism event

- Hamamatsu, Shizuoka: Support for tourism promotion
- Okazaki, Aichi Prefecture: Support for tourism promotion

- Osaka: Mascot for vehicle-related damage and theft prevention awareness
- Mascot for cybercrime prevention awareness



**2019: Support for special historic exhibit in Sakai, Osaka Prefecture**  
Distribution of postcards and display of collaborative posters as well as a mascot panel



**2018: Kofu, Yamanashi Prefecture Stamp rally**

# Relationship with Employees

## Promoting Healthy Relationships with Games

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

Video games are a comparatively new cultural phenomenon about which there is little academic research. Rather than examining the educational aspects, discussions tend to focus on the detrimental effects, such as what used to be called “game brain.” In recent years, official recognition by WHO of a game-related disorder has made headlines. However, the idea of a future career as a video game creator is very popular among children and the decision has been made to make programming lessons compulsory in Japanese elementary schools in 2020. A host of private sector efforts are also being carried out, including opening programming academies for youth. Considering these recent developments, it is reasonable to expect that the number of children hoping to become video game creators will increase further in the future. Additionally, the ratio of smartphone use among young people—45.9% of elementary school students and 70.6% of junior high school students—is rising each year. Game apps for smartphones are also increasingly gaining in popularity and the distance between video games and children is shrinking.

Given this context, based around a desire to promote understanding in society of video games, we accept student visits to our offices, with a focus on elementary and junior high school students, and also actively conduct on-site classes at schools to help promote sustainable economic growth and a sustainable society. At these events, Capcom conducts a program with two sessions: one is a career education support session, which introduces the work done in a game software company and the difficulty and rewards of that work, and the other is a game literacy education support session, which helps students use their own judgement to establish a healthy relationship with games. These programs have in turn been well-received in educational environments. Capcom has also incorporated opinions from educators to improve its educational efforts.

In fiscal 2011, Capcom launched a program focused on the educational theme of career education support in response to classroom requests. In fiscal 2013, Capcom started a new program on work and mathematics targeted towards elementary and junior high school students to help prevent children from losing interest in math.

As a result of these efforts, Capcom has welcomed 3,095 children as part of 380 different field trips to its offices (as of the end of March 2019). Capcom has also held 151 on-site classes for 14,107 students (as of the end of March 2019) at schools such as the one held at Kitanodai Elementary School in Sapporo in November 2018.

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

- I learned that communication is important in work, so in my future club and group activities, I will try to communicate well and cooperate with others. (Junior high school student)
- There was a great deal of enthusiasm. It was also good to see children who like video games getting into it. (Elementary school teacher)
- I saw a lot of students listening intently. The content conveyed the importance not only of mathematics but of various other fields. (Junior high school teacher)

## Promotion of Diversity

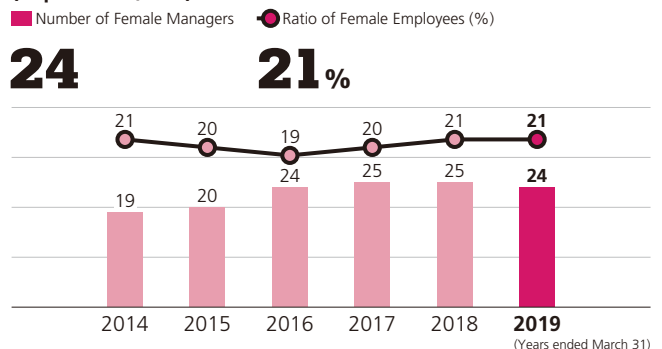
### Initiatives aimed at promoting the improvement of the work environment for women and proactively hiring non-Japanese

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

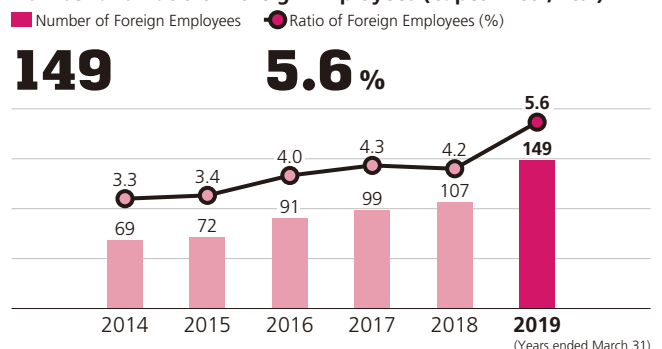
In terms of providing an environment that facilitates women, we introduced systems enabling women to take a leave of absence before and after giving birth, childcare leave and shortened working hours, and promote their use throughout the Company.

In fiscal 2018, 33 employees took childcare leave, 12 of whom were men, and 100% of eligible women took childcare leave (fiscal 2017: 6 men and 100% of 19 women took leave). A high percentage of women returned to work afterwards: 32 returned in fiscal 2018—96.0% if those still on leave are excluded. This is the same as the previous year (96%, or 25 women, returned to work in fiscal 2017). As a result, despite it being said that Japan’s gaming industry is generally dominated by men, women account for roughly 21% of Capcom’s workforce, and 24 (9.4%) of Capcom’s managers are women. In accordance with the execution of the Act on Promotion of Women’s Participation and Advancement in the Workplace, in 2016 we formulated the General Employer Action Plan, which seeks to achieve two things: (1) having women comprise at least 20% of all of new graduates hired, and (2) having women comprise at least 15% of managers. In recognition of Capcom’s efforts toward improving the workplace environment for women, since 2014 we have earned the “Kurumin” mark, the symbol of a “company supporting childcare,” from the Ministry of Health, Labour and Welfare.

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



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



In terms of the proactive employment of non-Japanese individuals, Capcom is making efforts to strengthen overseas expansion capabilities including creating an English hiring website.

We currently employ 149 non-Japanese workers (representing 5.6% of our employees). Going forward, we will create a system for improving motivation in an attempt to increase the ratio of foreign employees, including support for career advancement and the promotion of non-Japanese individuals to management positions.

## Providing a Pleasant Workplace

### Promoting work-life balance

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

At Capcom, we have established Paid Leave Promotion Days and encourage employees to take extended leave to refresh and look for new sources of inspiration during the year-end/New Year's holidays as well as during the series of holidays in May. Additionally, we have built a four-story bicycle parking facility near our development studio and encourage our employees to live within a five-kilometer radius to shorten commuting times. This saves time and living costs while ensuring that creators have 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 2016 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 maintaining their health.



Employee cafeteria

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

The biggest motivation for developers working in a creative field such as games is access to an environment that allows them to make their visions a reality. 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 potential.

## 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 and wanted to provide an environment in which employees can raise their children with peace of mind while remaining employed over the long term. We opened Capcom Juku in April 2017, aiming to add individual education and growth to standard day care for children. Capcom Juku goes beyond caring for infants and preschool children and accepts a wide range of youth, including after-school kindergarten and elementary school students. This helps employees avoid the stress of not being able to find open facilities for their children.

Furthermore, by offering educational support in the form of a place for learning English, eurhythmics, math, science, and other subjects, Capcom Juku joins its efforts with employees and fosters the growth of children. Currently, as of March 31, 2019, the school takes care of 25 preschool children a month and accepts as many as 25 temporary pupils a month.

Going forward, plans are in place to accept after-school students from nearby elementary schools, to add further convenience for working employees. Capcom Juku also offers Spring School and Summer School with classes taught by employee instructors when standard schools are closed for seasonal breaks.

At the Spring School held in March 2019, there were hands-on classes taught by employee instructors on programming, as well as motion capture, for creating game animations that incorporate human movement. Outside instructors were also invited for painting, English, and other classes.

Additionally, students were able to eat lunch with their parents in the employee cafeteria, which was an opportunity for encouraging parent-child communication.

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.



English classroom

# Capcom and the Environment

## Environmental

### Environmental Action as an Entertainment Company

Capcom's Digital Contents business accounts for over 75% of the Group's consolidated net sales and entails the development and sale of software. This gives Capcom an environmental impact that is lower than general manufacturers. Because our environmental impact comes largely from the power used for office work and at amusement facilities, as well as from distributing our products, we are focused on saving energy.

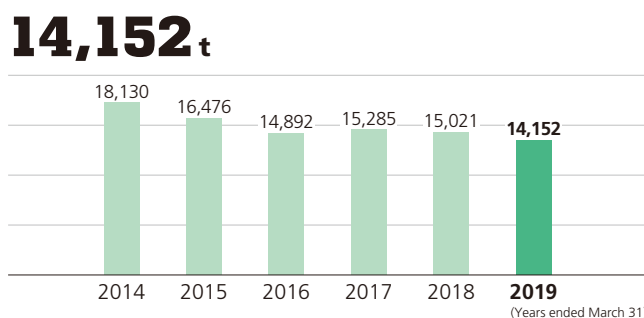
### Reducing Power Usage

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

Capcom has worked to cut power usage through efforts that include ongoing power saving at all of its places of business, saving energy at its amusement facilities, and implementing peak shifting for the power used by PCs and other electrical equipment. In the fiscal years ended March 2012 to March 2014, energy usage trended upward at our amusement facilities in particular due to attempts to restore normal operations following shortened business hours necessitated by the Great East Japan Earthquake. However, since the fiscal year ended March 2014, we have cut CO<sub>2</sub> emissions by installing energy-saving gaming machines and switching to LED lighting. The fiscal year ended March 2017 saw our CO<sub>2</sub> emissions increase compared to the previous fiscal year due to the construction of the R&D Building #2 and Capcom Technical Center. However, energy-saving equipment has been installed at these facilities, and the CO<sub>2</sub> emissions from these buildings have been reduced by approximately 10%\* compared to the original plan.

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

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



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

Revisions made in 2014 to the Act on Rationalizing Energy Use, also known as the Revised Energy Conservation Act, place an obligation on companies to improve energy efficiency\* by at least 1% every year, and every year Capcom has achieved year-on-year reductions to its energy intensity. For these efforts, Capcom has been awarded S Class (out of classes S, A, B, and C) status for four 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).

\* Either standard energy intensity or assessed energy intensity from levelled out electric power demand.

FY	Energy Intensity*	Vs. Previous FY
2014	0.06663	94.0%
2015	0.06193	92.9%
2016	0.06018	97.2%
2017	0.05994	99.6%
2018	0.05869	97.9%

\* Calculated using the method defined by the Agency of 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 previous console generations, games included a printed instruction manual inside the package, but with games for current-generation consoles, these manuals are now included as data within the software as a way to save paper. This enables us to eliminate approximately 10 million game units' worth of paper manuals annually.

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

In the fiscal year ended March 2019, the resources used in the equivalent of around 15.3 million units of game software were conserved as a result of digital sales. We will continue promoting digital sales of game software with the aim of achieving effectively zero resource consumption in the future by selling solely via digital download.

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

Sharing distribution networks with other companies in the same industry when shipping products enables the efficient supply of products. As a result, we are able to realize reductions in packing materials, fuel and emissions.

### 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.

#### Reducing the environmental impact of business machines

In addition to ensuring that we make products that are easy to recycle while using durable materials and components beginning at the design stage, we actively provide version upgrade kits to allow customers to use the same machines for the long term, simply adding or upgrading game data as they go.

## Directors

(As of June 17, 2019)



**Kazushi Hirao**  
Director  
Full-time member of  
the Audit and  
Supervisory Committee

**Yoichi Egawa**  
Director and  
Executive Corporate  
Officer

**Kunio Neo**  
Director and  
Executive Corporate  
Officer

**Yutaka Mizukoshi**  
Director

**Makoto Matsuo**  
Director  
Member of the Audit  
and Supervisory  
Committee

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



Haruhiro Tsujimoto  
President and  
Chief Operating  
Officer (COO)

Masao Sato  
Director

Toru Muranaka  
Director

Yoshihiko Iwasaki  
Director  
Full-time member of  
the Audit and  
Supervisory Committee

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



## Directors

(As of June 17, 2019)

### Kenzo Tsujimoto

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

Jul. 1985	President and Representative Director of the Company
Apr. 1997	Head of The Association of Copyright for Computer Software (Currently The General Incorporated Association of Copyright for Computer Software) (to present)
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. 2018	President and Representative Director, and Director in charge of Arcade Operations Business of the Company (to present)

### Yoichi Egawa

#### Director and Executive Corporate Officer

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

### Kenkichi Nomura

#### Director and 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) and in charge of Corporate Management of the Company (to present)

### Kunio Neo

#### Director and Executive Corporate Officer

Oct. 2012	Entered into the Company
Feb. 2013	Chief Executive Officer (CEO) of CE Europe Ltd.
Dec. 2014	Left from CEO of CE Europe Ltd.
Apr. 2015	Advisor of the Company
Apr. 2016	Managing Corporate Officer, Head of Global Marketing Division of the Company
May 2018	Executive Corporate Officer, Head of Global Marketing Division of the Company (to present)
Jun. 2018	Director, in charge of Global Marketing Business of the Company (to present)

### Masao Sato

#### Director External Independent Director

Apr. 1975	Entered into the National Police Agency
Nov. 1995	Chief of Ehime Prefectural Police Headquarters
Jan. 2001	Chief of Miyagi Prefectural Police Headquarters
Aug. 2005	Chief of Chiba Prefectural Police Headquarters
Jan. 2007	Director General of Kanto Regional Police Bureau
Mar. 2008	Resigned from the National Police Agency
Jun. 2008	External Corporate Auditor of the Chugoku Electric Power Co., Inc.
Jun. 2016	External Director of the Company (to present)
Jun. 2017	Director, Public Interest Corporation, Furuoka Scholarship Foundation (to present)

### Toru Muranaka

#### Director External Independent Director

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

### Yutaka Mizukoshi

#### Director External Independent Director

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

### 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 External Independent Director

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

Apr. 1979	Entered into National Tax Agency
Jul. 1986	District Director of Ijuin Tax Office
Jul. 1997	Deputy Commissioner (Revenue Management and Collection) of Hiroshima Regional Taxation Bureau
Jul. 1999	Deputy Commissioner (Large Enterprise Examination and Criminal Investigation) of Hiroshima Regional Taxation Bureau
Jul. 2003	Director of Commissioner's Secretariat, the National Tax Agency
Jul. 2007	Assistant Regional Commissioner (Management and Co-ordination) of Nagoya Regional Taxation Bureau
Jul. 2008	Executive Director of National Tax College
Jul. 2009	Director-General of Kanazawa Regional Tax Tribunal
Jul. 2010	Director-General of Sapporo Regional Tax Tribunal
Jul. 2011	Vice President of National Tax College
Jun. 2012	External Corporate Auditor of the Company (full-time)
Jun. 2016	External Director (Full-time member of the Audit and Supervisory Committee) of the Company (to present)

### Makoto Matsuo

#### Director External Independent Director

##### <Member of the Audit and Supervisory Committee>

Apr. 1975	Admitted to Japanese Bar (The Dai-ichi Tokyo Bar Association) Ozaki & Momo-o
Aug. 1978	Weil, Gotshal & Manges in New York
Mar. 1979	Admitted to New York Bar
Apr. 1989	Partner of Momo-o, Matsuo & Namba (to present)
Apr. 1997	Lecturer of Nihon University, Faculty of Law: International Transaction Law
Jun. 1999	External Corporate Auditor of Victor Company of Japan, Limited
Jun. 2000	External Corporate Auditor of Billing System Corporation
Jun. 2003	External Corporate Auditor of Yamanouchi Pharmaceutical, Co., Ltd.
Jun. 2004	External Director of the said Company
Apr. 2005	External Director of Astellas Pharma Inc. Lecturer of Hitotsubashi University Faculty and Graduate School of Law: World Business Law
Jun. 2007	External Director of the Company
Oct. 2008	External Director of JVC KENWOOD Holdings, Inc.
Jun. 2009	External Corporate Auditor of Toray Industries, Inc.
Mar. 2014	External Corporate Auditor of Solasia Pharma K.K. (to present)
Mar. 2015	External Director of TonenGeneral Sekiyu K.K.
Jun. 2016	External Director (Member of the Audit and Supervisory Committee) of the Company (to present)
Jun. 2018	External Corporate Auditor of Sumitomo Forestry Co., Ltd. (to present)

# Features of Capcom Corporate Governance

## Three Features of Capcom Corporate Governance

### 1 We are a company with an audit and supervisory committee

Since June 2016, we have been a company with an audit and supervisory committee. The Audit and Supervisory Committee works so that internal controls function effectively, monitoring the business affairs of directors and employees based on our auditing policies. Additionally, to ensure that the committee can perform duties smoothly and appropriately, we have established an Internal Audit Division under its direct control.

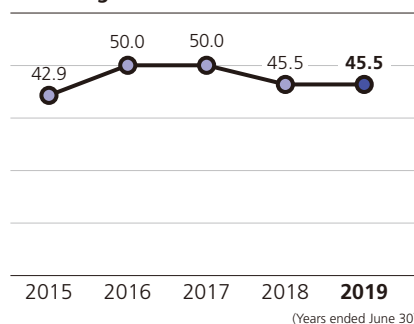
#### Composition of the Board of Directors

Directors	8 (of which 3 are external)
Directors (Audit and Supervisory Committee members)	3 (of which 2 are external)
Total	11 (of which 5 are external)

### 2 We proactively appoint external directors

Capcom's current ratio of external directors is 45.5% due to proactively appointing external directors since June 2001. The advice, opinions, and scrutiny provided by external directors increases the transparency and credibility of Board of Directors' meetings and vitalizes the same, while also strengthening the function of the meetings to supervise management.

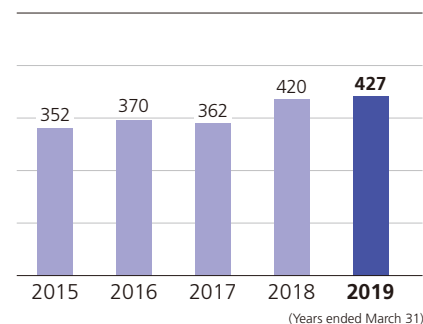
#### Percentage of External Directors (%)



### 3 We incorporate market opinions in management

Capcom's IR Department engages in discussions with analysts and investors over 400 times per year. In addition to promoting understanding of management policies and business strategies, the IR Department applies these activities to corporate management, summarizing market opinions and providing feedback to management personnel. Capcom is also further enhancing events and tools for investors, strengthening shareholder and investor relations activities.

#### Number of annual discussions



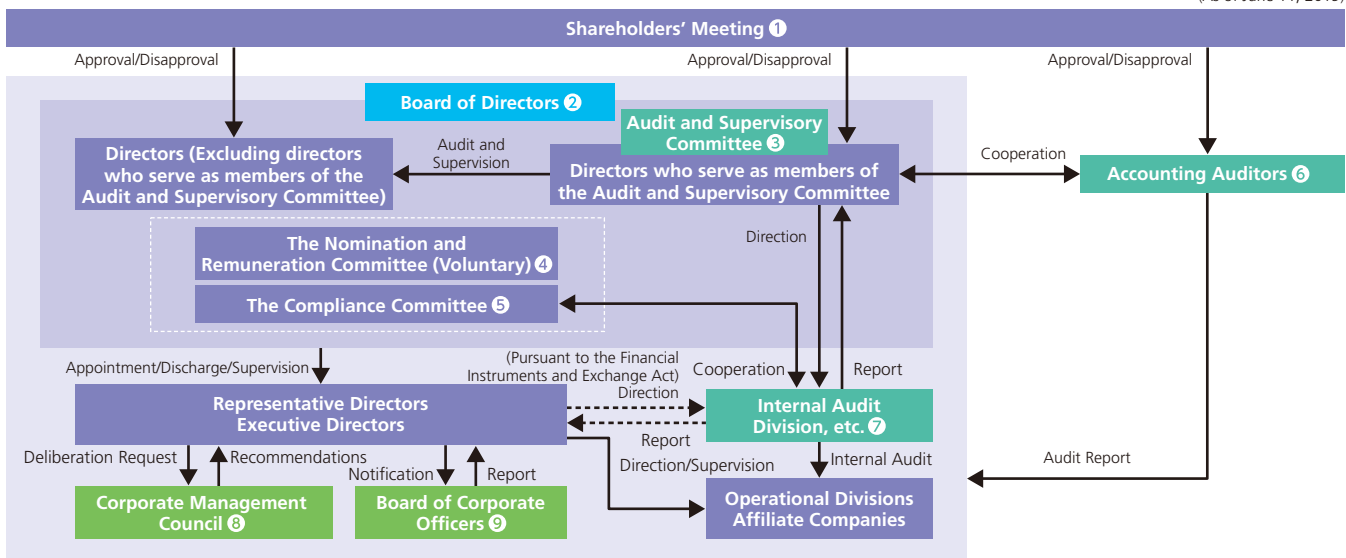
## Directors' Skill Matrix

	Management	International business	Development & technology	Sales & marketing	Financial accounting	Independence	Legal	Environment & society
Kenzo Tsujimoto	✓	✓	✓	✓	✓			
Haruhiro Tsujimoto	✓	✓	✓	✓	✓			
Yoichi Egawa			✓					
Kenkichi Nomura	✓				✓			
Kunio Neo		✓		✓				
Masao Sato						✓	✓	✓
Toru Muranaka						✓	✓	✓
Yutaka Mizukoshi	✓	✓			✓	✓		
Kazushi Hirao		✓			✓			
Yoshihiko Iwasaki					✓	✓	✓	✓
Makoto Matsuo						✓	✓	✓

# 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 11, 2019)



## Corporate Governance Structure

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

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

### 1 Shareholders’ Meeting

(Convened on June 17, 2019)

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

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

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

### 2 Board of Directors

Supervision

(Convened 10 times in the year ended March 31, 2019)

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

The Board of Directors is composed of 11 directors (chaired by the Representative Director and Chairman of the Board), with five (45.5%) of the directors being external directors.

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

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

### 3 Audit and Supervisory Committee

Audit

(Convened 10 times in the year ended March 31, 2019)

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

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

In principle, the committee meets before a Board of Directors’ meeting is convened. The committee deliberates on important

matters stipulated by the Rules for the Audit and Supervisory Committee and strives to strengthen audits and supervision.

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

#### 4 The Nomination and Remuneration Committee

(Convened three times in the year ended March 31, 2019)

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

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

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

In determining candidates to be nominated for director (excluding directors who are members of the Audit and Supervisory Committee) and candidates to be nominated for director who are members of the Audit and Supervisory Committee, and for setting the compensation of directors (excluding directors who are members of the Audit and Supervisory Committee), the Board of Directors finalizes decisions from an objective, transparent and fair perspective after consulting with the voluntary Nomination and Remuneration Committee and receiving their recommendations.

#### 5 The Compliance Committee

(Convened four times in the year ended March 31, 2019)

##### Focusing on Compliance as an Important Management Issue

The Compliance Committee is composed of 10 directors (half of whom are external directors and the committee chairman is an attorney and external director). In principle, the committee convenes once per quarter.

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

#### 6 Accounting Auditors

Audit

##### Ensuring and Verifying Accounting Transparency

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

#### Auditor Remuneration (Year ended March 31, 2019)

	Compensation for Audit Operations	Compensation for Non-Audit Operations
Delivery company	44 million yen	–
Consolidated subsidiary	–	–
Total	44 million yen	–

Auditing Company	Names of Certified Public Accountants	
KPMG AZSA LLC, a limited liability audit corporation	Designated Limited Liability Partners	Yasuhiro Kondo
		Hiroshi Miura
		Takuya Obata

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

#### 7 Internal Audit Division

Audit

##### Ensuring and verifying legal compliance and operating efficiencies

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

The Internal Audit Division verifies and evaluates the status of employees' execution of duties and the efficacy (and status of operation) of internal control systems, and reports 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 18 times in the year ended March 31, 2019)

##### Supporting the Board of Directors' decisions

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

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

#### 9 Board of Corporate Officers

Implementation

(Convened 13 times in the year ended March 31, 2019)

##### Executing operations based on clear 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 21 corporate officers (four of whom serve concurrently as directors), and in principle, convenes around the end of each month.

Each corporate officer reports on the status of business execution and works to ensure that information is shared, while also discussing 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.

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

### Reasons for Selection of External Directors and Their Rate of Attendance (Year ended March 2019)

	Name	Independent director	Reasons for selection	Board of Directors/Audit and Supervisory Committee Rate of Attendance (Year ended March 2019)
External Directors	Masao Sato	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through his rich experience and knowledge from many years serving in police administration	Board of Directors: Attended 10 of 10 meetings (100%)
	Toru Muranaka	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through precise counsel and advice as a legal expert	Board of Directors: Attended 10 of 10 meetings (100%)
	Yutaka Mizukoshi	✓	Due to expectations for his ability to contribute to the auditing and supervision of the Board of Directors through his experience and knowledge as a business consultant	Board of Directors: Attended 8 of 8 meetings (100%)
External Directors (Audit and Supervisory Committee)	Yoshihiko Iwasaki	✓	Due to his experience with tax administration, he is expected to be beneficial to the Company	Board of Directors: Attended 10 of 10 meetings (100%) Audit and Supervisory Committee: Attended 10 of 10 meetings (100%)
	Makoto Matsuo	✓	Due to his ability to enable effective corporate governance through precise counsel and advice as a legal expert	Board of Directors: Attended 10 of 10 meetings (100%) Audit and Supervisory Committee: Attended 10 of 10 meetings (100%)

## Officer Remuneration

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

To ensure fairness and transparency, the Board of Directors consults the voluntary Nomination and Remuneration Committee, which has an external director as chairman, on the compensation of Directors (excluding directors who are members of the Audit and Supervisory Committee) and then sets remuneration based on this committee's recommendations.

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

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

To ensure the fairness and transparency of remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee), the Board of Directors consults the Nomination and Remuneration Committee, which has an external director as chairman. The Nomination and Remuneration Committee considers each board member's position, duties, tenure, and status as either an executive director or non-executive director, evaluates individual job performance and recommends an appropriate amount. The Board of Directors then makes a decision based on this amount.

- Monthly remuneration is fixed.
- The bonuses are set within a reasonable range based on monthly remuneration and the Company's performance.

The Company has adopted a single fiscal year bonus as short-term performance-linked remuneration. Upon consultation with the Board of Directors, the Nomination and Remuneration Committee deliberates on the following items, then makes a preliminary recommendation. The Board of Directors discusses this recommendation before making a final decision.

- Monthly remuneration (fixed)
- Consolidated operating income performance
- Evaluation of individual performance

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

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

### Officer Remuneration (Year ended March 31, 2019)

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

Type of director	Total Remuneration (million yen)	Total of remuneration by type (million yen)				Number of directors paid
		Basic remuneration	Stock options	Performance-linked Remuneration	Severance	
Director (excluding Audit and Supervisory Committee and external directors)	357	272	–	85	–	5
Member of Audit and Supervisory Committee (excluding external directors)	21	21	–	–	–	1
External director	29	29	–	–	–	4
Member of Audit and Supervisory Committee (external directors)	35	35	–	–	–	3

Note: The above includes one external director and one external director who was an Audit and Supervisory Committee member who left at the end of the 39th General Shareholders' Meeting on June 11, 2018 due to the expiration of their terms.

### 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	Stock options	Performance-linked Remuneration	Severance
Kenzo Tsujimoto	130	Director	Delivery company	100	–	30	–
Haruhiro Tsujimoto	104	Director	Delivery company	80	–	24	–

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

**Third-Party Assessment**

**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 31st among 3,592 listed companies in Japan in the “NEEDS-Cges” assessment developed by Nikkei Digital Media, 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, information disclosure, and external regulations, 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 2019, Capcom’s total score was 8.00 points, placing us in the top 0.9% of Japan’s listed companies, exceeding the 4.94-point average for all listed companies and the 7.02-point average for the industry. We also received the maximum score of 10 for “information disclosure.”

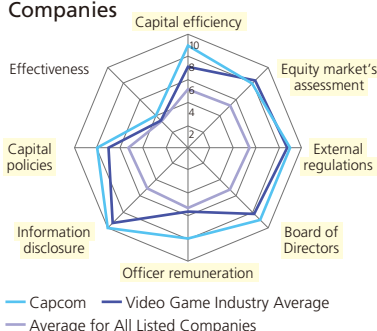
The main evaluation factors are given in the table below, but areas highlighted in yellow indicate measures that received particular notice. Going forward, we will continue making improvements based on consideration of external data to earn an even stronger assessment, and further promote the external 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	8.00
Rank	31
Categories	Score
Capital efficiency	9
Equity market’s assessment	8
External regulations	9
Board of Directors	9
Officer remuneration	8
Information disclosure	10
Capital policies	8
Effectiveness	4

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



**Details of Highest Rated Categories**

Highest Rated Categories	Score	Areas that Received Particular Notice
Capital efficiency	9	Statistics related to free cash flow
External regulations	9	Presence (or absence) of takeover defense measures
Board of Directors	9	Percentage of independent external directors, tenure of directors
Information disclosure	10	Timing of Shareholders’ Meetings (avoiding congested periods), degree of website detail, early timing of Shareholders’ Meeting invitations, utilization of electronic voting, presence or absence of English disclosure materials

Source: NEEDS-Cges from Nikkei Inc.

**Basic 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 general shareholders’ meeting.

**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.

## Initiatives for the General Shareholders' Meeting

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

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

Also, voting rights can be exercised online via smartphone,

PC or other such devices. 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. We also post convocation notices in English on our corporate website to promote the exercise of voting rights by shareholders worldwide.

## Shareholders' Meeting Resolutions

The following presents the results of voting at the fiscal 2018 General Shareholders' Meeting.

Resolutions	Approval Votes	Opposed Votes	Abstained Votes	Approval Rate (%)	Voting Results
First proposal: Proposed Appropriation of Retained Earnings	895,445	313	184	99.34	Approved
Second proposal: Proposed Partial Amendments to the Articles of Incorporation	895,522	236	184	99.35	Approved
Third proposal: Election of Eight Directors (excluding Directors who are members of the Audit and Supervisory Committee)					
Kenzo Tsujimoto	845,846	40,938	9,157	93.84	Approved
Haruhiro Tsujimoto	876,376	19,382	184	97.22	Approved
Yoichi Egawa	886,297	9,461	184	98.32	Approved
Kenkichi Nomura	870,816	24,942	184	96.61	Approved
Kunio Neo	886,234	9,524	184	98.32	Approved
Masao Sato	891,191	4,567	184	98.87	Approved
Toru Muranaka	890,414	5,344	184	98.78	Approved
Yutaka Mizukoshi	889,976	5,782	184	98.73	Approved

➔Please refer to the "Resolutions of the 40th 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>

## 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 provide timely disclosure.

### Fiscal 2018 Third Party Evaluations

Corporate	US-based financial publication Institutional Investor's 2018 All-Japan Executive Team rankings, Software sector "Honored Companies" Third Place
	US-based financial publication Institutional Investor's 2018 All-Japan Executive Team rankings, Software sector "Best Corporate Governance" First Place
	US-based financial publication Institutional Investor's 2018 All-Japan Executive Team rankings, Software sector "Best ESG/SRI Metrics" Third Place
Integrated Reports	Capcom's integrated report chosen for excellence by asset management companies contracted with GPIF (Government Pension Investment Fund)
	Nikkei Inc.'s 21st Nikkei Annual Report Awards, Excellence Prize
IR Website	Daiwa Investor Relations Co., Ltd. (Daiwa IR), "Internet IR Award 2018," Grand Prize
	Morningstar Japan K.K., Gomez Consulting Dept.'s "Investor Relations Site Ranking 2018," Second Place
	Nikko Investor Relations Co., Ltd., "Fiscal 2018 Listed Company Website Quality Ranking," First Place

## Making Use of Shareholder and Investor Opinions

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

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

In fiscal 2018, we set up 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. This also included candid discussions concerning management and development. Furthermore, we hold an online individual investor briefing to allow individual investors from anywhere in the world to take part, as one of a variety of new pursuits informed by stock market views and demands. In addition, Capcom conducts a perception gap study every year targeting institutional investors and analysts in Japan and overseas. Being aware of investor perception gaps gives us feedback on corporate management and IR activities.

Questionnaires are also given to attendees at our Presentation of Financial Results and individual investor briefing sessions, allowing us to make proactive use of market opinions as one criterion in management decisions. Specific initiatives and examples of considerations include: (1) holding efficient discussions combining IR and SR, (2) holding on-going management meetings featuring top management, and (3) reviewing the need for meetings that include personnel responsible for development and cover explanations of development policies and strategies.

#### Fiscal 2018 IR Measures

By category	Frequency
Interviews accepted	225
Visited domestic investors	115
Visited overseas investors	87
<b>Total</b>	<b>427</b>

#### IR Events

Event	Details
Top Management Meeting	Speakers: Chairman and CEO, Kenzo Tsujimoto President and COO, Haruhiro Tsujimoto Executive Director and CFO, Kenkichi Nomura
Supplementary earnings call	Earnings call after results announcement / before results presentation to explain earnings
Online individual investor briefing	Held information sessions online for individual investors
Conducted perception gap study	Conducted assessment survey targeting domestic and international institutional investors and analysts regarding Capcom's management targets, strategies and IR activities, provided feedback to management

### Outcomes from our perception gap study with investors (excerpts)

**Q. Currently, Capcom is using Street Fighter to actively target esports. How much is this contributing to performance figures? Expectations are for the industry to grow, but is it still premature to expand in this area?**

**A.** We have addressed this.

1. Explanation of the medium- to long-term business strategy
2. Disclosure of our expectations of profit from esports  
Esports are rising in popularity recently and Capcom sees our response to this as an important management issue. To date, we have encouraged sales through promotions and esports events in the U.S., and further established a dedicated department in April, as we proceed to analyze this market.

In the coming three to five years, we will explore whether we can grow business opportunities and draw in casual as well as professional players as the market develops.

## IR Activities on Our Website

### Providing a website easily accessible to everyone

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

## IR Team

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

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

#### Public Relations & Investor Relations Section

Phone: +81-6-6920-3623 E-mail: ir@capcom.co.jp  
Business Hours: 9:00–12:00, 13:00–17:30 (JST)  
(excluding weekends and public holidays)



## Message from an External Director

### The management philosophy and corporate governance of Capcom's leaders

as seen by External Director Toru Muranaka

In the approximately three years since being appointed external director at the June 2016 Shareholders' Meeting, I have seen steady activity directed toward growth in Capcom's operational divisions, in addition to an unwavering approach to governance by top management. All of this has been against the backdrop of great change in the video game market as Capcom pushes to promote digital sales and global growth. I feel that my role is to present constructive questions to management personnel, drawing on my experience as an external director at other companies and my legal knowledge as an attorney.



Toru Muranaka  
External Director  
Independent Director

**Q** Since being appointed external director, what have you noticed about Capcom's Board of Directors?

**A** The adoption of external directors is compulsory for a company with an audit and supervisory committee, and at Capcom independent external directors account for more than one third of all its directors.

We receive explanations of agenda items before Board of Directors meetings are convened and, on each occasion, have opportunities to exchange opinions on wide-ranging management issues not limited to those agenda items. The advice and input given during these discussions are then reflected in the deliberations of the Board of Directors. I feel that being able to grasp Capcom's management risks, initiatives, and issues during these talks prior to Board of Directors meetings is effective in supporting discussions at the board meetings.

Additionally, although the schedule is irregular, independent external directors also set up opportunities to exchange opinions with the CFO and Company directors who are full-time Audit and Supervisory Committee members, which allows us to discuss company-wide management issues that are difficult to fully delve into at Board of Directors meetings. Each independent external director focuses on Capcom's management issues using his or her particular acumen, which I think represents a diverse range of talented human capital.

**Q** As an external director, what do you emphasize within Capcom's Board of Directors?

**A** Under its system of being a company with an audit and supervisory committee, Capcom's Board of Directors entrusts deliberation on what is called "execution of critical business" to the Corporate Management Council, which is primarily comprised of internal corporate officers, and said business is largely excluded from items brought up to the Board of Directors. Consequently, all basic matters related to business execution, except for business plans, budgets, and the like, are positioned as items reported on at Capcom's Board of Directors meetings. As an external director, I draw on my experience in similar roles at other companies and my legal knowledge as an attorney, and make sure to present questions and opinions to the Board of Directors addressing the consistency of decision making and the logic of judgment rationale pertinent to management.

Since I am an external director who is not an Audit and Supervisory Committee member, I am not directly involved in audits by that committee. However, as the chair of the Compliance Committee, I am involved in reports and deliberations on the status of Capcom's internal hotline and cases of compliance violations. Through these activities, I am committed to building ties with the Internal Control Division and other divisions, while also monitoring initiatives to prevent and, when necessary, quickly detect legal violations and inappropriate conduct.



**What is necessary to further strengthen the functions of Capcom's Board of Directors, and what are your goals going forward as an external director?**



Under the strong leadership of the CEO, who is Capcom's founder, the Company has not only handled risks, but has also channeled management resources in a courageous direction. In recent years, the Company has been devoting energy to new fields, such as global business expansion and the area of esports. With regard to promoting existing business, the Company has established and deployed the systems necessary for internal

control, while also progressively building and rolling out organizational and control structures for corporate governance that contributes to achieving even more intricate and flexible business expansion.

A challenge going forward—which I, as an external director, would like to have a hand in tackling—will be developing a governance structure able to propose and promote new, effective growth strategies even if the current CEO retires.



## Message from an External Director

### The fitness of Capcom's growth strategies

as seen by External Director Yutaka Mizukoshi

Since being appointed external director at the June 2018 Shareholders' Meeting, I have closely observed the structure of Capcom's marketing strategies from my perspective as a management consultant. Going forward, I will offer my advice and input on formulating and rolling out future strategies as Capcom pursues the business of creating markets around the globe.



Yutaka Mizukoshi  
External Director  
Independent Director

**Q** One year has passed since your appointment as external director. How do you feel looking back at the year?

**A** I get the impression that the environment surrounding Capcom is changing drastically. Even compared to a year ago, the digital strategies on which Capcom focused and promoted have yielded clear results. Furthermore, I have a visceral sense of the possibilities for new business development as the rapid global momentum of esports also spreads into Japan.

In this environment, I think that my role is to help Capcom continue its growth into the future by using my experience and knowledge as a management consultant while—from an independent, outside perspective as an external director—actively providing suggestions and advice to help structure and organize the Company's management. In particular, I would like to strengthen supervision of the Board of Directors by lending my efforts to building management-based marketing strategies.

**Q** How do you feel about the current video game industry compared to the 1990s, when Capcom made its full-fledged entry into developing software for home video games?

**A** It feels like just yesterday that a game could be built by a small team of developers over the course of a few months, and that physical cartridges were the only way games were sold. Through the advance of game consoles and PCs, plus the emergence of smartphones and the dramatic evolution of the communications environment, the platforms and sales regions of the video game market have rapidly expanded. Likewise, there has been a major transition in the industry's business environment, as the method of providing the product is changing from physical packages to digital distribution. Responding to this evolution, and given the longer duration and increasing complexity of developing blockbuster games, I think the industry has become a highly developed area, second to that of the automobile industry.

In this type of business environment, our approach to core marketing practices is of the highest importance for management. We must work out plans for the story of our long-term corporate growth and profit maximization. In my opinion, we must strive for one approach unifying marketing, development, and sales.



**From your experience as a management consultant, what elements do you think are necessary for improving corporate value?**



Management consultant professionals must offer concrete suggestions for transforming the companies we advise. At the same time, we have to provide proposals that the company can execute with its own resources.

In growth strategies, I think that, ultimately, the key elements for video game companies are how human resources are leveraged and how their development structures and environments are organized.

In that sense, I think that Capcom's key assets are being equipped with world-class development facilities, an environment with an array of high-tech equipment, and a successful track record of making quality games that have won the support of customers. I have seen a continuous stream of young developers who joined Capcom because they sought this sort of environment. Additionally, in terms of management, I would like us to maintain our commitment to creating new value alongside young talent while further creating a comfortable working environment for developers through initiatives such as the on-site childcare facility we have built.



**What are the necessary elements for Capcom to grow its global business and what are your goals going forward as an external director?**



Although video games are now widely recognized as a major industry, this is a somewhat new development.

As 5G, for example, emerges in the future, one of the features grabbing my attention is the elimination of latency in data transmission. This is expected to spur its adoption in various areas, including remote surgery in the medical field. In video games, too, I think there will likely be a revolution in content, through such activities such as multiplayer matches over the Internet.

Also, Capcom is carrying out other new initiatives, like esports, which could bring dramatic market transformations. My goal is to see Capcom, who owns globally competitive content, become a leading company in the video game industry.

To that end, as an external director, I would like to provide advice and input from various perspectives addressing Capcom's framework for advancing its strategies. At the same time, I feel called upon to fulfill the role of managing risk while avoiding opportunity cost, as we strive to improve corporate value.

Going forward, it is my goal to create a framework that yields new business chances for Capcom, while, as an external director, providing encouragement for management strategies aimed at further global growth.

# Risk Management

Capcom is driving its growth strategies forward in order to achieve our medium-term business goal of increased operating income every fiscal year. To make this a reality, however, entails business risks. We implement measures for each expected risk, thereby mitigating or avoiding risks, and promote risk management that allows for generating new growth opportunities.

## Pursuit of growth strategies



### Digital Contents Business

Risks	Capcom's response measures
Surge in development costs due to increasingly complex/diverse functionality in CG, VR, artificial intelligence (AI), and 5G technologies	Build an in-house development engine; increase and efficiently place development personnel to improve both quality and development efficiency; direct effort toward containing development spending
Rapid obsolescence of game software	Remake previous titles and/or make derivative products from them in order to continue effectively utilizing IP; secure long-term earnings
Expansion of the used software market and a flood of pirated software in Asian markets	Boost the ratio of digital sales to restrain supply to the used game market, suppress pirated copies, and expand sales of genuine products <a href="#">[Diagram A]</a>
Arguments claiming a connection with/influence on violent incidents and other criminal cases due to depictions of violent scenes and similar content in games Arguments that excessive preoccupation with games impacts health and social activity	Comply with rules on the ratings system for game software Educate children, students, educators and parents/guardians by conducting on-site classes and having visits to the Company
Fluctuations in the proliferation of, or any problem with, home video game consoles	Use surveys and analysis of home game console market trends to predict future trends, while hedging earnings risks by releasing products on multiple game platforms
Sluggish sales growth in the transition stage ahead of next-generation home video game console launches	Lengthen the duration of game sales by boosting the digital sales ratio; strengthen catalog sales and increase unit sales through flexible pricing strategies <a href="#">[Diagram B]</a>
Inability to keep up with new technologies	Utilize a cutting-edge development environment and talented developers to continually strive for development that leverages new technologies
Decrease in users due to diversifying entertainment options, diversifying consumer needs, etc.	Deliver games that leverage our popular IP and gain new user segments by releasing games on multiple platforms
Market fluctuations outside Japan and intensification of competition among companies	Closely share information with overseas subsidiaries and sales companies; assess market trends in each country; respond to local needs
Country risks outside Japan, including political, economic, legislative, cultural, religious, and custom risks	Use in-house specialist teams to carry out localization while keeping regional politics, economics, laws, culture, religion, and customs in mind
Retirement/transfer of development personnel	Devote effort to aggressively hiring and training personnel so that we can secure talented developers Promote systems for shortened working hours and usage of paid leave, in addition to building daycare centers near our offices

### Arcade Operations Business

Risks	Capcom's response measures
Reliance on the popularity of installed machines	Multi-faceted roll out, such as of themed food shops, shops dedicated to selling character-themed products, and special corners targeting younger demographics
Changes in the market environment, such as diversification of entertainment, falling birth rates, intensified competition	Attract families and female customers by holding various events; hold senior-oriented events aimed at attracting middle-aged to senior citizens

### Amusement Equipments Business

Risks	Capcom's response measures
The risk of non-compliance with the model certification test to sell pachislo machines	By joining the Japan Pachislo Machine Industry Association (Nichidenkyo), get an understanding of trends with regulatory agencies and build a framework that immediately responds to regulatory changes <a href="#">[Diagram C]</a>

### Creation of new opportunities

#### Opportunities

- Raise competitiveness in the environment of new technology and new services, such as 5G
- Grow earnings in the global market

- Develop new regions
- Attract new users
- Boost brand strength
- Stabilize earnings through a recurring/cumulative revenue model

- Boost brand strength
- Expand new sources of earnings

- Grow earnings in the global market
- Boost performance by strengthening human resource capabilities

#### Opportunities

- Attract new customers
- Boost brand strength at Company arcades

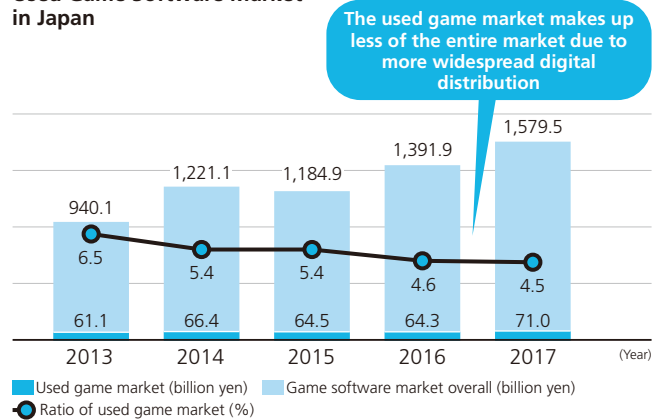
#### Opportunities

- Enhance lineup of titles

### Business Opportunities Shown in Market Data

Diagram A

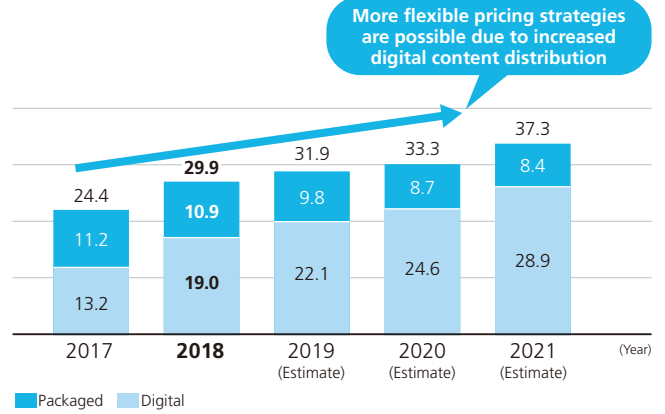
#### Used Game Software Market in Japan



Source: Ministry of Internal Affairs and Communications' Survey on Media Content Production and Distribution

Diagram B

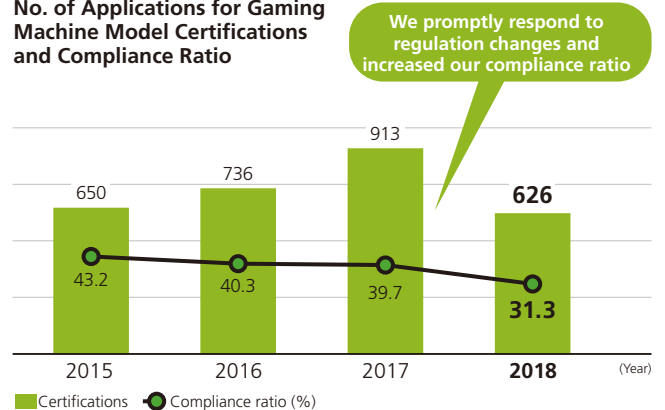
#### Game Content Market (billion dollars)



Source: International Development Group

Diagram C

#### No. of Applications for Gaming Machine Model Certifications and Compliance Ratio



Source: reference statistics from the Security Communications Association